Twenty Seventh Sovereign Debt News Update: African Countries and Various Streams

By:

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As Kenya moves towards having its debt suspension extended, China through its Exim Bank has responded by restricting funds to Chinese funded Kenyan projects. This is particularly notable considering the fact that China remains Kenya's biggest creditor with most of the loans on commercial basis and incurred by government agencies and quasi-public corporations.

As Kenya's initial debt suspension approached its end in June 2021, its debt profile increased as the government increased its borrowing from international institutions including the World Bank and the International Monetary Fund in the sum of $750 million and $410 million respectively while also raising about $1 billion through the Eurobond market.

In its bid to improve access to portable water to its citizens, the Benin government took the leap of offering a social bond in the international debt

market, marking the first of its kind amongst the African nations.

With the International Monetary Fund projecting its public debt as equating 83.5% of its Gross Domestic Product by the end of 2021, Ghana is well on its way to be listed as a debt distressed country. In a recently concluded Article IV consultation of Executive Board of the Fund with the Ghanaian authorities, it was noted that the Covid-19 pandemic impacted the fiscal health of the country severely with a projected fiscal deficit of 13.9% of GDP according to the budget, thus affecting Ghana's capacity to repay debt. As such the directors recommended, among others, fiscal adjustments and consolidation to factor in debt sustainability, tighter monetary policy, a comprehensive financial sector clean up and an overarching structural transformation.

In a similar virtual mission of IMF staff to the Republic of Congo, an 8.2% contraction in the economy in 2020 was brought to fore while the potential for growth was considered with pessimism. Although oil prices, which constitutes a major factor in the country's revenue stream, is likely to rebound in the near future, the benefit to Congo's economy is reduced by weak production of oil. In all the IMF staff recommend diversification of the economy while also encouraging the strengthening of debt management.

In a recent review of the budget performance of Nigeria's 2020 Appropriation Act, it was revealed that 72% of the government's revenue was spent on debt servicing which was in the sum of N2.34 trillion. This is a large increase from the previous year's 54.66% debt servicing to revenue ratio. It was also noted that contrary to the projected revenue of N5.84 trillion ($14.1 billion), the actual revenue generated by the Nigerian government in 2020 was N3.25 trillion ($7.85 billion) with most of the lot coming from the oil sector.

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