Thirtieth Sovereign Debt Justice News Update: Zambia, Nigeria and Kenya in Context

By:

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With Zambia getting at the center of global discourse in recent times because of its unsustainable debts, its new president, Hakainde Hichilema has pledged to immediately tackle the issue. Although the new president highlights the inundation of the national budget with debt servicing as pressing, the more urgent and daunting task for the administration may be the managing the renegotiating the restructuring of the debts among the rival creditors.

It seems his strategy is to begin with talks with the international Monetary Fund . Hichilema appointed Situmbeko Musokotwane, a former Deputy Central Bank Governor who has held positions with the International Monetary Fund and World Bank, to lead the negotiation of the country's $12 billion external debt. As an act of good faith, Hichilema has undertaken and began the process of uncovering the full extent of the country's debt.

The new Zambian president also took to twitter to reassure investors about their investments promising to act transparently and in good faith. This came after the government recently attracted investment bids for its domestic-currency bonds at an unusually high level totalling the sum of 2.5 billion Kwacha ($157 million) which is eight times the amount raised in its previous bid.

Amidst concerns raised about Nigeria's increasing expense on debt servicing, the federal government's impulse to service even controversial debts has been brought to fore as state governors objected to the Finance Minister's directive to the Debt Management Office to pay the sum of $418 million to certain Paris Club creditors as refund on a related judgment debt. The said judgment debt which involved claims for consultancy services has been discredited the Economic and Financial Crimes Commission (EFCC), and keenly contested by the Nigerian Governors' Forum (NGF) and the Association of Local Government of Nigeria (ALGON) at the Nigerian Federal Court of Appeal. Subsequently, the President directed the DMO to be restrained from making the payments until all the cases (including the appeal) have been exhausted.

The Nigerian government is moving towards incurring more debts through Eurobonds which it hopes to launch in October 2021. The proceeds from the Eurobonds are aimed in financing government's deficit. The planned Eurobond sale, which was previously slated to be launched in September 2021, was noted to have been propelled by "positive indications", according to the finance minister.

Similarly, Kenya also issued a bid for a Sh75 billion ($682 million) worth of infrastructure bond in its attempt at exploring its domestic liquid money market. The bond is slated to have a term of 21 years with half payment of the principal sum slated to be made on September 1, 2031 while the remainder will be paid on August 18, 2042. This will mark the government's third infrastructure Bond Offering in the year after the offerings in January and April.

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