Thirty Third Sovereign Debt News Update: Kenya and Nigeria Amidst Public and Private External Debts

By:

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Bretton Woods Project, European Network on Debt and Development (EURODAD) and the African Forum on Debt and Development (AFRODAD) issued a joint statement on Wednesday, October 6, 2021 in respect of the World Bank International Development Association's 20th replenishment, which is estimated to be in the sum of $94 billion and slated for the period July 2022 through June 2025. The statement calls for a shift of focus from deepening market creation to support for public finance and the strengthening of public services. The statement argues that this is necessary to address the effects of the pandemic from a multi-dimensional approach.

The Kenyan Auditor General, Nancy Gathungu has launched a comprehensive audit on Kenya's public debt in order to determine the accuracy of Treasury's position on Kenya's debt stock of Sh7.7 trillion ($69.49 billion), as well as whether the debts are being serviced in time. It is noteworthy that the previous audit have reflected gaps in government's representations.

As hinted by the Director General of the Kenyan Public Debt Management Office, Haron Sirima, the Kenyan government is considering exploring its funds from its IMF reserves or Special Drawing Rights (SDR) assets in servicing its loan with its Chinese creditors. This comes when Kenya's major bilateral lender, particularly the Chinese Exim Bank expressed its displeasure towards the Kenyan government's inclination towards requesting for further extension in its debt service.

As the Nigerian president reveals the proposed budget for 2022 on Thursday, October 7, 2021, an expenditure of N16 trillion ($39.8 billion) is glaring indicating a 25% yearly increase in government spending. This raises the deficit to N6.26 trillion ($16.06 billion) equaling 3.39% of GDP, the deficit of which indicates prospects of new borrowing. Meanwhile, having received $3.35 billion in reserve asset (Special Drawing Rights) from the International Monetary Fund (IMF), the Nigerian Finance Minister had averred that the funds were critical to curtailing the country's budget deficit from exceeding legal limit.

In what was described as one of the biggest financial trades to come out of Africa in 2021, Nigeria raised $billion through Eurobonds with the investor base comprising of local investors as well as foreign investors pitching in from Europe, America and Asia. The Eurobond is slated to be in three tranches with the first tranche of $1.25 billion due after 7 years. The second and third tranches will be due after 12 and 30 years respectively. Each tranche is at the rates of 6.125%, 7.375% and 8.25% per annum respectively. The spread across different maturity dates intended to be in tandem with Nigeria's 2020 – 2023 Debt Management Strategy.

In the bid to facilitate the purchase and deployment of COVID-19 vaccines by the Nigerian government and to scale up Covid-19 vaccination in Nigeria, the World Bank Board of Directors approved Nigeria for a $400 million credit in additional financing from the International Development Association. This is to be implemented as part of the World Bank's COVID-19 Preparedness and Response project.

In responding to its growing macro-economic challenge and apparent debt sustainability issues, the new Zambian President's strategy includes working with IMF officials in sharing and further augmenting its key policy and reform measures, the process of which began with a virtual meeting held from Monday, September 27, 2021 through Friday, October 1, 2021. These policy and reform measures serve as a bedrock for the nation’s 2022 Budget preparations.

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