Thirty Seventh Sovereign Debt News Update: Kenya's Sovereign Debts Amidst Projections and Reality

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In a forecast published by Focus Economics, Kenya's increasing external debt repayments, among others, pose a potential hinderance to its economic recovery in the 2022. Nevertheless, there are varied projections from different quarters on Kenya's economic outlook in 2022. While according to Moody's Analytics, Kenya's economy is projected to grow at 8.6% from an estimated 5.6% in 2021, JP Morgan projects a 6% economic growth from 4.5% estimate in 2021.

Although Kenya serviced some of its external debts in November including the payment of the sum of Sh28.14 billion ($251.05 million) to China, World Bank and subscribers to the 2019 Eurobond, its foreign reserves fell about the same period by KShs 21.8 billion ($193 million), bringing it from KShs 1.021 trillion

($9.094 billion) as of November 11 to KShs 996.3 billion ($8.873 billion) as of November 16. The value of the Kenyan Shilling is also seen to have plunged by 7.4% in the course of the year 2021.

In a document presented by the Kenyan National Treasury Cabinet Secretary, Ukur Yatani, to the Kenyan Parliament, it was revealed that in the period between April and August, 2021, the Kenyan government took up new loans in the sum of KShs 293.55 billion ($2.6 billion) bringing the country closer to its Sh 9 trillion debt ceiling.

Tullow Oil Plc, Africa Oil Corp and Total Energies SE plans to raise funds for a major project in Kenya that will include creating pipeline for the export of fuel at an estimated output of 120,000 barrels per day to an ultimate limit of 585 million barrels over the course of the project. The financing for this project will include a buy-in of $1 billion by the Kenyan government which is intended to be incurred through more debt.

In the light of the fact that about $750 million worth of debt incurred by Kenyan Airways had earlier been guaranteed by the Kenyan government, the corporation is counting on the government to pay $250 million of its existing liabilities as it strives to gear up its operation. This happens as the Kenyan government, which already owns 48.9% interest in the corporation plans towards nationalization.

With the aim of steering South Africa's finances to a more sustainable levels while also aiming for higher credit ratings, its recently appointed finance minister, Enoch Godongwana has committed to putting a check on South Africa's debt, reducing the cost of servicing loans, and narrowing budget deficit at the expense of expanded welfare measures and through budget cuts.

As the Ugandan shillings ostensibly gained 3.5% in value against the US dollar placing the country as Africa's currency the fifth best performing currency, the international Monetary Fund (IMF) has highlighted that the currency was moderately overvalued. A representative of the IMF while noting that the extent of the overvaluation would be highlighted in the next IMF mission statement to Uganda, also recommended that the authorities refrain from intervening in foreign exchange market except in extreme market distress.

With the approval of the sum of $40 million by the International Development Association of the World Bank, Gambia's Inclusive and Resilient Agricultural Value Chain Development Project will be financed in the bid to develop its agricultural value chains with smallholder farmers in view. The project aims to target at least 50,000 farmers and 10 Small and Medium Scale Enterprises, 50% of which will be women and 30% of which will be youth.

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