Thirty Eighth Sovereign Debt News Update: Africa’s Bilateral and Multilateral Lenders in Context

By:

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After a series of virtual meetings lasting from November 4 through December 2, the International Monetary Fund (IMF) reached a staff-level agreement with the Zambian government for an Extended Credit Facility in the sum of $1.4 billion for the period between 2022 and 2025. The facility marks IMF’s support of the government’s ambitious reform program to restore fiscal and debt sustainability while creating fiscal space for social spending. The facility however is still yet to be approved by the IMF board. A number of conditions are expected to be met for the IMF board’s approval and these include removal of gas and power subsidy as well as substantial progress in the restructuring of $16 billion worth of external debts.

As African Banks lend to Sovereigns, Moody’s noted that this is done at the risk of the banks’ creditworthiness, particularly as the African sovereigns have their debts driven towards unsustainability. According to Mik Kabeya, a Vice

President and Senior Analyst at Moody's, in countries like Nigeria and Kenya where rescheduling and restructuring of such loans are frequent, the risk of bad debts is high.

The eighth Ministerial Conference of the Forum on China-Africa Cooperation was recently concluded in Senegal and noteworthy among the events is the fact that the Chinese government pledges to invest $40 billion in African countries over the next three years, the sum of which amounts to approximately 33% of its previous commitments. A number of speculations have been made to be the cause of the reduction including possible diminished returns, African debt distress concerns, as well as Chinese internal economic issues.

Although the Kenyan Roads Board strives for the maintenance of roads by sourcing for funds through roads bond, the Treasury recently put a halt on the Board's recent attempt at floating the sum of Sh 150 billon ($1.33 billion) on infrastructure. Treasury noted that the arrangement is likely to jeopardize the government's arrangement with multilateral and bilateral development partners.

Despite an agreed debt repayment moratorium between Kenya and its bilateral lenders, including China, which is expected to last till December 2021, the Kenyan government proceeded to pay the sum of Sh29.86 billion ($264.17 million) to China around September 2021. This is speculated to be as a result of the government's fear of loosing its biggest foreign creditor after the World Bank, especially as the Chinese lenders had earlier expressed displeasure to Kenya's application for further moratorium under the DSSI.

In another bond sale issued in December 2021, the Kenyan Treasury department raised Sh37.8 billion ($334.22 million) for general budgetary support. In the course of the year, the treasury department had experienced an oversubscription of its bonds. With the recent December bond sale, the country's domestic borrowing has been increased to Sh342 billion ($3.02 billion) which is a little over half of the initial Sh616.8 billion ($5.45 billion) target for the year.

Under its Scale Up Window program, the World Bank's International Development Association approved the sum of $100 million to the government of Rwanda with the aim of increasing access to broadband and selected digital public services as well as strengthening digital innovation through providing financial assistance to tech firms and digital start-ups in the country.

Against the backdrop of Uganda’s $200 million loan with the Export-Import Bank of China which was incurred to expand the Entebbe airport, the Ugandan government is seeking to amend some of the clauses in the agreement including the clause mandating the Uganda Civil Aviation Authority to seek approval from its Chinese lender for its budget and strategic plans as well as the clause requiring disputes to be resolved by the China International Economic and Trade Arbitration Commission. On another note, the Ugandan Attorney General, Kiryowa Kiwanuka counsels against the amendment of the agreement since the nation is capable of meeting its debt obligations.

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