Forty Fifth Sovereign Debt News Update: Zambia's Debt Restructuring under the Common Framework in Context

By:

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Following France's request in January, 2022, South Africa's finance minister announced in April, 2022 that South Africa is interested in co-chairing Zambia's official creditors committee with France. Zambia seeks to restructure about $17.3 billion in external debt, $475 million of which is owed to South African state-owned lenders including the Development Bank of Southern Africa and the Industrial Development Corp. The expectation is that South Africa will leverage on its strong economic and political relationship with the Zambian government to serve as a broker between the creditors and the borrower.

China, which holds more than one-third of Zambia's total external debt has also indicated an interest to join the creditors committee. South Africa's Finance Minister has proposed that China should take the lead in the negotiations on

behalf of the creditors committee as this will help accelerate the resolution process.

Having reached a staff level agreement with the International Monetary Fund (IMF) for an economic program and having had the IMF complete a Debt Sustainability Analysis that will form the basis of its discussion with creditors during the proposed restructuring under the G20's Common Framework program, Zambia has called for the G20 members and creditors to make substantive moves towards commencing the debt restructuring discussions.

In respect of the ongoing 38-month financing agreement through which the International Monetary Fund has provided the sum of Ksh 270.2 billion ($2.34 billion) to the Kenyan government subject to conditions including the elimination of fuel and tax subsidies to improve revenue collection, the Kenyan government has found its way to negotiate itself out of the conditions. The Treasury Cabinet Secretary, Ukur Yatani noted that the Kenyan government has reached an agreement with the International Monetary Fund to sustain its fuel subsidy programme which has seen government spend Ksh 49.164 billion ($424.1 million).

The International Monetary Fund and the Kenyan government reached a Staff level agreement on the third review of the 38-month financing agreement which includes both the Extended Fund Facility and Extended Credit Facility programs. Once the review is formally completed, Kenya would have an immediate access to about $244 million in financing.

As the third African nation to tap into the Eurobond market since the commencement of Russia's war with Ukraine and in its first exploration of the market since the incursion of the coronavirus pandemic, South Africa has been able to raise the sum of $3 billion in a Eurobond sale. The Eurobond included a 10-year debt at the interest rate of 5.875% worth $1.4 billion and 30-year securities at the interest rate of 7.3% worth $1.6 billion. The last time South Africa raised money through the Eurobond was in 2019, when it sold $3 billion worth of Eurobond to due in 2049 and which included a coupon of 5.75%.

The African Export-Import Bank (Afreximbank) created a $4 billion fund to help African countries avoid the economic fallout resulting from the ongoing Russian war in Ukraine. African countries that are tourism-dependent can secure

financing to cater to foreign exchange revenue shortfalls. The financing is also targeted at helping countries tentatively meet increase in import prices while their domestic demand adjusts.

Jubilee Debt Campaign, African Forum and Network on Debt and Development (AFRODAD), among other Civil Society Organizations have called for a new and fairer allocation and distribution of Special Drawing Rights to tackle global crises. They suggest a rechannelling of SDR from advanced countries to developing countries.

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