Forty Seventh Sovereign Debt News Update: Bonds and Multilateral Institutions as Major Financing Sources for African Countries

By:

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On May 13, 2022, the Nigerien authorities reached a staff level agreement with the International Monetary Fund (IMF) towards the review of a possible Extended Credit Facility and potential disbursement of the sum of $53 million to cover external financing needs. The Nigerien government has also committed to conditions including reduction of tax evasion and the improvement of revenue administration to ensure program targets are met.

Following the East African country's request for a three-year financing package of $1.1 billion, the IMF is in talks with Tanzania on possible funding to support the country's recovery from the coronavirus Pandemic. Tanzania's president, Samia Suluhu Hassan has earlier expressed an intention to boost Tanzania's fiscal position by taking up more concessional loan. This comes amidst the IMF increasing its debt distress from low to moderate after the country took up more commercial loans including a $1.5 billion worth of financing from Standard Chartered Plc for the construction of a new railroad.

In May 2022, the government of Mozambique secured a fresh economic program with IMF which includes a credit facility in the sum of $456 million. This come after six years of being suspended from such programs in response to its $1 billion hidden debt scandal. The arrangement, marking a fresh chapter in the relationship between Mozambique and the IMF, is termed for three years with the sum of $91 million available for immediate disbursement.

Meanwhile, rising from being the riskiest in dollar debt in Africa in 2021, Mozambique has seen up to 2.5% returns in its $900 million worth of Eurobonds due in 2031. This came at a time other frontier market were experiencing up to 16% drop on the average. This comes also around the time Moody's Investors Service adjusted Mozambique's credit outlook from stable to positive while affirming its Caa2 ratings in March.

As the tenure of the current Nigerian government gradually comes to an end and China begins to express some hesitation in funding costly infrastructure projects abroad, more than $25 billion worth of incomplete projects threatens the intended legacy of the incumbent government. As an alternative, the government turns to Europe for funding after expressing that they will not wait any longer on the Export-Import Bank of China which has kept delaying them.

In Kenya, repayments made towards infrastructure projects funded by the Chinese have been seen to double to Ksh 73.48 billion ($629.9 million) in the current financial year. This amounts to a 135.15 percent increase from the sum of Ksh 31.25 billion ($267.9 million) paid in debt service to the Chinese the previous year. The sum also represents 81.4 percent of the sum of Ksh 90.26 billion ($773.7 million) paid by the Kenyan government in servicing bilateral debts this financial year.

In May, 2022, David Pkosing, the chairman of Kenya's National Assembly transport committee noted Kenya hopes to leverage on half of its tax proceeds on fuel imports to unlock road bonds. With a funding gap of Ksh 590 billion ($5 billion) in its road sector, the aim is to explore alternative options to bridge the deficit including roughly 50% of the funds from fuel levy collections yielding as much as Ksh 150 billion ($1.29 billion).

In an effort to salvage the continuous depreciation in the nation’s currency, the President of Zimbabwe, Emerson Mnangagwa ordered the banks to stop all lending. This comes at a times the country is in debt worth $13 billion and locked out of the capital markets. Commentators opine that while the government’s move is likely to stabilize the exchange rates for a while, this will be at the expense of the economy.

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