Afronomicslaw Sovereign Debt Quarterly Brief, No. 5 of 2025: Intermediaries, Transaction Costs & Sovereign Debt Sustainability in Africa

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Executive Summary

Sovereign borrowing and debt restructuring are very common among African countries. When African countries restructure their debts, they usually engage third parties to assist them in the process. While there are extensive studies on debt restructuring and sustainability in Africa, no attention has been paid to transaction costs associated with the use of intermediaries to assist African countries in debt restructuring and the implications associated with those costs. This gap in the literature is the subject that this policy brief addresses. Specifically, the primary question this brief seeks to answer relates to the

charges, expenses, and costs incidental to debt restructuring in Africa, which arise directly from the engagement of intermediaries who often serve as legal and financial advisors.

To address this question, the brief analyzes sovereign debt sustainability in Africa generally and, more pointedly, the actors, third parties, and intermediaries who participate in sovereign debt restructuring. Sections 1–4 provide general background on sovereign debt in Africa, its costs, and the actors involved in the process. Sections 5 and 6 offer specific case studies (Ghana and Zambia) on the engagement of intermediaries and transaction costs involved in African debt restructuring.

More specifically, section 5 establishes that there are two types of costs when African countries engage intermediaries in sovereign debt restructuring. First, there are the financial costs that involve payments made to those employed to provide governments with legal and financial advice in the debt restructuring process. Second, there are regulatory compliance costs, which comprise the time and expense expended to comply with domestic legislative requirements for procuring and engaging intermediaries to provide advice. Both types of costs are hidden and can drive up costs and expenses incidental to debt restructuring and can ultimately compromise debt sustainability in Africa.

Section 6 establishes that while African countries have legal obligations under domestic legislation to openly publish accurate and timely information on debt stocks and debt service costs, they have failed to provide this information, including the exact amounts of payments made to intermediaries. The governments' unwillingness to release disaggregated figures on debt service costs has made it impossible to establish the precise amounts expended on debt restructuring intermediaries, such as financial and legal advisors. Section 6 also contains the author's policy recommendations for addressing the transactional costs associated with the engagement of intermediaries in African sovereign debt restructuring, including the need for African governments to comply with statutory requirements to provide meaningful information on these costs. The author also addresses the need to reform the African and global financial architectures that govern borrowing and debt restructuring, albeit in a manner appropriate for managing debt service costs.

Download the full report here: Intermediaries, Transaction Costs & Sovereign Debt Sustainability in Africa

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