Ninth Sovereign Debt News Update: IMF's Agreement with Sudan, Somalia and Madagascar in Context

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In response to the economic shock following the covid-19 pandemic, South Sudan turned to the International Monetary Fund which itself recently approved the disbursement of US$174,2 Million to South Sudan under its Rapid Credit Facility. Being the second of such disbursement by IMF to South Sudan since 2012 when the country joined the IMF, the expectation is that the funds would be utilized to finance urgent payment needs and other expenses crucial to reduce poverty and enhance economic growth. Noting that the bulk of South Sudan's deficit is attributable to the sharp decline in oil prices at the international market, it is anticipated that in the coming year there would be a more stable international oil market which will bolster South Sudan's economic recovery. South Sudan is already engaging in internal restructuring including stricter internal tax regimes as well as a commitment to stronger and accountable governance.

Similarly, the International Monetary Fund has also approved a 40- month Finance package of USD$312.4 Million to Madagascar to support the country's agenda for sustainable economic reform and poverty reduction. Appreciating Madagascar's unique disadvantage in terms of vulnerability to climate-related shocks, the expectation is that the funds will help Madagascar, among other things, more easily access additional bilateral and multilateral financial support.

Somalia, a Heavily Indebted Poor Country, has been granted additional interim assistance by the IMF. The additional concession includes the sum of USD$0.97 Million for the term March 25 to March 24, 2022. This is sequel to a previous concession of the sum of USD$1.5 Million for the period March 25, 2020 – March 24, 2021, alongside a three-year arrangement under the Extended Credit Facility and Extended Fund Facility program of the International Monetary Fund.

Sequel to its announcement to head towards the international debt market, the Ghanaian government has raised USD$3 Billion through the issuance of a coupon bond which is on zero tranche but with a term of 4 years. Rather than the periodic interest payments being payable in tranches, the bond holders are offered additional sums to be paid alongside the debt sum upon maturity as incentives. For the Ghanaian government, the plan is to expend US$400Million in refinancing its domestic debt within that period thereby avoiding the payment of $US200 million that otherwise would have been payable within the period. Ghana's success in the issuance of its Eurobond is significant because at least according to one view it reassures other African countries like Angola, Kenya and Nigeria, who have been watching to see how Ghana fares in the Eurobond market. It also raises hope for African countries to access credit despite downgrades in credit ratings, which seem to have affected Chinese credit market in Africa over time.

Meanwhile in Nigeria, as the country's debt stock continues to escalate, reactions have been propelled from different quarters. Recently, the President of the Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN) issued a statement advising the Federal government to connect its debts to specific infrastructural development projects which are likely to generate revenues that can in turn finance the debts. In calling for more transparency, the President of ICSAN also noted that the federal government ought to be specific in stating the purpose for its borrowing, rather than vaguely noting that it is required by the country's expenditure needs.

In the meantime, studies released from the National Bureau of Statistics show that Nigeria's debt stock is not all incurred by the Federal Government. Standing at N32.92 Trillion as at the end of year 2020, Nigeria's total debt stock also finds its root in State borrowing with Lagos State accounting for 12.15% with the largest share, while Jigawa State with the least debt stock accounting for 0.74% of the debt stock held by Nigerian states.

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