Twelfth Sovereign Debt News Update: In Response to Apparent Fiscal Realities

By:

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In a recent press briefing on Sub-Saharan Africa with the Director of the African Department of the International Monetary Fund, Abebe Aemro Salassie, said that 17 countries in Africa are either already in or at the high risk of getting into debt distress. He noted that African countries have the responsibility to tighten their fiscal space in addressing debt vulnerabilities. He recommended they mobilize domestic revenue, prioritize essential spending, and more effectively manage public debt. He said the IMF's Special Drawing Rights Allocation would be a huge step in providing liquidity to the most vulnerable Sub-Saharan countries.

On Monday, April 19, the International Development Association of the World Bank provided The Gambia with financing of USD$8 Million in addition to previous financing, leaving the total contribution at the sum of roughly $19 Million. According to the World Bank Residence Representative for The Gambia, the financing is expected to be for the implementation of the Government's Covid-19 Preparedness and Response Plan.

Notably, the government of Mozambique has decided not to receive financial support from the International Monetary Fund. This decision backtracks from an earlier expression of its interest in a Rapid Credit Facility. In April 2021, the representatives of the Mozambique authorities did not follow through with the request but seemed to be more interested in technical assistance on macroeconomic prospects and policies. In terms of the country's Fiscal health, the IMF predicts that although Mozambique had a 1.3% recession in 2020, reasonably demonstrates prospects for a 1.6% economic growth in 2020, with its public debt stock falling from USD$15.2B in 2020 to USD$14.7 Billion in 2021.

In Nigeria, there are growing concerns by some State governors that the Federal government is resorting to the Central Bank for more financing. It was reported that the Central Bank of Nigeria is printing new currency worth N50 Billion, which is approximately $122 Million to cover for its shortfall in payment for State allocations. In refuting the claim, Zainab Ahmed, the Finance Minister posited that the Federal government's approach to improving its fiscal reserve is to reduce expenditure while improving revenue ratio to 15% of GDP. This it hopes will be achievable only with the painful decision of cutting public wages removing subsidies, since the economy is currently experiencing a slow growth rate.

In the meantime, Eskom, South Africa's biggest State-Owned Companies, has mounting debts. There are indications that the State Owned Company, currently managed by the Department of Public Enterprise will be transferred to the Ministry of Mineral and Energy for management. Skepticism lingers what the move would mean for Eskom's current project to reduce the rate of greenhouse gas emissions.

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