Fourteenth Sovereign Debt News Update: Kenyan and Nigerian Debt Strategy in Context

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On April 6, 2021, the World Bank's Board of Directors approved an additional financing to the tune of $30 Million for the Republic of Rwanda. This brings the total amount of money owed by Rwanda to the World Bank to $45.19 Million. The financing is intended to promote the country's national covid health response and vaccination campaign by facilitating the acquisition and deployment of safe and effective Covid-19 vaccines. In addition, the World Bank has also mobilized a grant of $15 Million from the Global financing facility which is aimed at supporting health and nutrition workers. According to the World Bank, the inclination towards providing more financing is motivated by the Government of Rwanda's swift response in saving lives and mitigating the economic impacts of the Covid-19 virus.

The Civil Society Financing for Development Group of the European Network on Debt and Development (EURODAD) in conjunction with its partners had a series of events and symposia in mid-April to discuss economic, social and health issues presently impacting countries, especially those in the global south. The recommendations arising from the discussion include, among others, advocacy for a United Nations summit on financing for Development that will lead to urgent system reforms in the global financial architecture. They also include a call for the establishment of a Sovereign Debt Workout Mechanism to be administered by the United Nations which will comprehensively address unsustainable and illegitimate debt issues. While the civil society recognized that promises made by international organizations in form of adopted outline documents, the society expressed their scepticism that there was political will to implement the decisions.

The Kenyan foreign exchange reserves that are held up at the Central Bank of Kenya have increased by 33.4 Billion Kenyan Shillings, which is approximately $313 Million. This has been attributed to the disbursement of the first tranche of the IMF 3-year loan facility. According to the Central Bank of Kenya, the current reserve represents 4.71 months of import cover, which is slightly above the EAC's criteria of 4.5 which has also been seen to be Kenya's average in the last couple of months.

Following an understanding between the International Monetary Fund (IMF) and the Kenyan Treasury intended to enhance debt transparency, the Treasury department has recently expanded coverage of debt stocks in its public debt report to include not only loans that are guaranteed by the States but all loans that are held by entities that are fully or partly funded by the State including State-linked firms, parastatals, agencies, universities, counties etc. The plan is that the National Treasury and the Central Bank of Kenya will compute the public sector debt statistics to be submitted to the International Monetary Fund and World Bank database by the Public Debt Management Office. At a rough glance, it is noted that more than half of Kenya's 247 parastatals are either running at a loss or are in deficit of their budget, and this includes notable parastatals like the Kenyan Railways Corporation, Kenyan Broadcasting Corporation, East African Portland Cement, University of Nairobi, to mention but a few.

In a meeting with the National Assembly's Labour Committee, the Cabinet Secretary to the Kenyan Ministry of Labour, Simon Chelugui said that negotiations are in place with the treasury to see how funds can be disbursed from the loans secured from the International Monetary Fund to cater to providing relief in form of monthly stipends to workers who lost their jobs during the pandemic in order to ease their loss of income. Although the specific amount to be disbursed have not been ascertained, the plan is to identify such persons that fall within the category and access what safety nets or mitigating measures that may be plausible in the light of the larger economic problem.

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