Sixteenth Sovereign Debt News Update: North and East Africa in Context

By:

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Tunisia is currently negotiating the extension of facilities with the International Monetary Fund (IMF). Although these proposed reforms are not public yet, there are indications that they include the removal of subsidies, reduction of minimum wage and the establishment of a debt management agency. These reforms further entrench the IMF's continuation of its austerity policies that Oxfam's recent extensive study has shown worsen poverty and inequality.

In grappling with the increase in its debts, the Kenyan government is in the process of hiring an international debt advisory firm ahead of an expected Eurobond issuance later this year. However, this is met with pushbacks from the legislative arm, where parliamentarians like Ayub Savula insist that priority ought to be on fast tracking the passing of the Public Debt Management Authority Bill, which will set the legal framework within which any debt advisory firm will operate.

According to Nnenna Nwabufo, the Director General of the East African branch of the African Development Bank (AfDB), East African countries were able to push back against the economic shock arising from the pandemic. However, he noted that this period offers the governments within the region the opportunity to renegotiate their debt agreements and push for an extension of the term and reduction of the interest rates. So far, it does not seem the African Development Bank has been willing to seeking fundamental changes to the debt distress many African countries face. For example, it has not signaled its willingness to support debt cancellation. In its 2021 Global Economic Report the African Development Bank primarily called for better global coordination in sovereign debt management.

After recently clearing its arrears of debt with the World Bank through a bridge loan obtained from the United States, Sudan’s race to beginning the Highly Indebted Poor Countries program has been further enhanced as it has obtained more bridge loans cumulatively worth $425 Million from Britain, Sweden and Ireland which it used in clearing its arrears with the African Development Bank. The African country is slated for a $207 Million worth of grant from the African Development Bank. This is in addition to France’s commitment to grant $1.5 Billion worth of bridge loan to enable Sudan participate in the Highly Indebted Poor Countries program (HIPC). The HIPC is a debt relief plan established by the IMF and World Bank in response to a campaign led by the Jubilee USA Network, under which Sudan may be granted a $50 Billion cut in its debt.

Under its Catastrophe Containment and Relief Trust (CCRT), the International Monetary Fund (IMF) has approved the third tranche of grants of debt service relief, and 28 countries were selected as beneficiaries. Notably, among the East African countries South Sudan, Kenya and Uganda were omitted, with Rwanda being in focus having received the highest value of grant worth $71.23 Million.

In Nigeria, the total debt stock currently stands at roughly N34 Trillion ($83 Billion). This reflects a recent increase which was consequent to the National Assembly’s approval of fresh foreign loans worth roughly N 1.1 Trillion, to be sourced from the World Bank and the Export-Import Bank of Brazil. One interesting implication of this is that it reduces the percentage of Chinese loans within the stock to a meagre 4%.

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