Twentieth Sovereign Debt News Update: Ghana’s Sovereign Debt Policy Among Others

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Having recently come under the spotlight for its recent unanticipated success in the Eurobond market, there are quibbles as to whether the Ghanaian government made the right choice in deciding against participating in the G20’s Debt Service Suspension Initiative (DSSI). Notwithstanding the claim that by deciding against debt treatment under the DSSI, Ghana has lost the opportunity to save $558.1 Million in debt service costs, Economists like Theo Acheampong have argued that Ghana has not missed so much by not participating since the debts are only deferred, not restructured. Courage Martey, another economist noted that the debt suspension could have impacted Ghana’s credit rating and potentially impeded its Eurobond coupon sales. The Ghanaian government apparently considers a debt cancellation initiative more expedient than a debt suspension.

The Ghanaian Finance Minister has sought to clarify a discrepancy on the inconsistency of the 2020 public debt figures released by the Ghanaian government when juxtaposed with those of the International Monetary Fund. While IMF quoted Ghana's Public Debt to GDP ratio as 78%, the Ghanaian government had initially represented it as 76.1%. The inconsistency was reported to be as a result of the fact that the IMF report factored in debts accrued by energy related State Owned Enterprises, which Ghana customarily does not account for unless they have been guaranteed by the Central government. Meanwhile, Economists like Dr. Adu Owusu Sarkodie have asked the government to favour domestic borrowing rather than incurring public debts in order to salvage the impact on the country's debt to GDP ratio.

With the goal of executing what has been tagged, "transformative projects", the African Development Bank (AfDB) has committed to providing two sets of financing to the Government of Uganda in the sum of $276 Million and $71.8 million respectively. The agreement was signed on May 11, 2021 and expected to be expended for the Kampala City Roads Rehabilitation project which not only involves improving road networks but also other social initiatives like providing training for women and youth entrepreneurs. The funding is motivated by AfDB's High 5 strategic priorities as well as Uganda's National development plan. Notably, Uganda's public debt to GDP ratio has now grown beyond the IMF's threshold of 50%.

The Tunisian government faces opposition from parts of its political institutions in its bid to secure a $1 Billion worth of financing from the IMF, which according to the Tunisian Central Bank governor, Marouan Abassi, is not yet finalized. Although the Tunisian economy deflated in 2020 by 8.8% with fiscal deficit of 11.4% and its debt continually rising, Abassi stressed that the IMF deal is crucial in order to avoid inflation and to circumvent a potential Venezuelan scenario of hyperinflation.

In a report released by the National Bank of Angola (BNA) in the last quarter of 2020, it was revealed that although Angola's debt stock had reduced by $34.4 Million compared to the previous quarter, China still has the highest stake in Angola's sovereign debt, accounting for 43.9% of the $68.2 Billion total debt. Debts to international organizations only account for 11.4% which does not even half Britain's 25%.

Quite in contrast to its unpleasant experience with sovereign credit ratings in 2019, South Africa's long – term foreign currency and local currency debt has been affirmed by credit rating agencies as having a stable outlook, with a rating of BB- and BB respectively. S&P premised its assessment on the government's efforts at avoiding the spiral of debts, improved public finance and a projected growth of 3.6% in 2021.

In what seems like a race in diplomacy, the Chinese President has announced a $3 Billion aid package to developing countries to enable them fight the health and economic shocks of the covid-19 pandemic. This comes shortly after China announces their support for the reallocation of billions of IMF Funds from IMF's $650 Billion Special Drawing Rights.

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