# Twenty Second Sovereign Debt News Update: African Debts and the Question of Sustainability

**By:**

Afronomicslaw

June 8, 2021

Through its International Development Association (IDA), the World Bank has extended $100 Million in financing to Malawi on Thursday, June 3, 2021. The support is directed at facilitating female students' access to skills development programs in priority arears of the economy through the Skills for a Vibrant Economy (SAVE) Project. It is projected that the initiative would involve partnering with nine higher institutions, seven national technical colleges and around thirty skills development institutions, and would benefit 45,000 university students and 65,000 technical and vocational students.

Similarly, the World Bank is providing $65 Million through its IDA to Guinea for its Natural Resources, Mining and Environmental Management project. The goal project of the project is a balanced interplay between protecting and investing in its natural capital, especially its mining sector, in order to foster sustainable development while protecting its ecosystem.

As a consequence of agreements had with some of its creditors including China to defer payment for some loans for another six months, Kenya's expenditure for servicing external loans in the first quarter of 2021 fell to 42.18 Billion Kenyan Shillings compared to 64.51 Billion Kenyan Shillings that was paid for the same period in 2020. As July approaches, the Kenyan government is due for huge payments it had earlier averted.

In view of its meeting with the Paris Club in a couple of weeks, Sudan proposes to clear all its arrears of debt with the International Monetary Fund by the first day of July 2021. It hopes to clear this debt alongside 70% to 90% of its $60 Billion foreign debt as a matter of fulfilling certain prerequisites for debt relief at the meeting with the Paris Club.

Following the Executive's recent proposal to incur more external debts, and in response to reports and comments alluding to the unsustainability of Nigeria's growing debt, a representative of the Nigerian Debt Management Office (DMO) now says that the country's debt is still sustainable. Noting that Nigeria's current external debt stands at 21% its of GDP, which is way below the ECOWAS threshold of 70%, IMF and World Bank's threshold of 55% and even the DMO's internally prescribed limit of 40%, Monday Usiade concluded that Nigeria could not be said to be under debt distress. Meanwhile, with respect to the Executive's request for approval to borrow N2.3 Trillion ($6.1 Billion), so far, $35.683 Billion in total have been approved by the Senate.

Speaking at another forum, one of the Nigerian President's aide, Ita Enang said that the Nigerian government adopts best practices in keeping its debt sustainable and that had in fact at no time defaulted in servicing its debts, both domestic and international. Nevertheless, the new President of the Institute of Chartered Accountants of Nigeria (ICAN), Mrs. Comfort Eyitayo was sure to draw the attention of the government to the unsustainability in borrowing to finance consumption.

At the end of the first quarter of the year, Ghana records a 4% increase in its debt stock compared to the end of 2020. This, however, was with a 13% increase in the projected GDP thus leading to a reduction in its debt to GDP ratio from 76.1% recorded in 2020 to 70.2% despite the increase in debt stock. It is also interesting to note that while domestic borrowing increased by roughly

14 Billion Ghanaian Cedis, external borrowing was initially maintained and subsequently reduced slightly. Ghana's recent $3 Billion Eurobond may be partly attributed for the increase in its debt stock.

Overall, the debt news update this week shows the differing benchmarks used in debt sustainability analysis at the national, regional and international levels. It also shows how debt sustainability analysis are and can be a moving target affected by factors such as how a country projects its economic growth. Debt sustainability analysis, especially at the International Monetary Fund, are long overdue for a systematic review and overhaul.

View online: Twenty Second Sovereign Debt News Update: African Debts and the Question of Sustainability

Provided by Afronomicslaw