Twenty Fourth Sovereign Debt News Update: Multilateral, Bilateral and Private Financing in Context

By:

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On Thursday, June 10, the creditor committee for Chad under the Common Framework had its fourth meeting virtually, during which the committee noted its support for Chad's prospective upper credit tranche program with the International Monetary Fund (IMF). The IMF's Managing Director, Kristalina Georgieva welcomed this news. The Committee also stressed its expectation for Chadian authorities to seek similar debt treatments from its private and bilateral creditors.

In a bid to support its Ksh 3.6 trillion budget and repay maturing loans, Kenya has resorted to exploring its fourth Eurobond in seven years, with I&M Bank Ltd and NCBA Group Plc as the front runners. This follows the Treasury secretary's representation to the IMF that Kenya intends to borrow $12.4 billion from the

international market in the new financial year, with $7.3 billion from Eurobonds. The government's strategy is to use the proceeds of the Eurobond to retire more expensive loans while refinancing older Eurobonds in the event that more concessional loans cannot not secured.

Yet, World bank has expressed the likelihood for the removal of Kenya from the list of countries that are at high risk of loan defaults in 2028, subject to the government's adherence to the a certain fiscal consolidation programme. The Treasury Secretary Ukur Yatani had expressed that the consolidation programme will help to narrow fiscal deficits from 8.7% of GDP in the current fiscal year to 7.5% in the following year and ultimately to 3.6% in the Financial Year 2024/25 . It is noteworthy that the previous rating of Kenya as being at high risk of debt default was based on breach of liquidity and solvency threshold relating to External debt service-to-export ration, external debt service-to-revenue ratio etc.

On Thursday, June 3, the World Bank through its International Development Association approved a $100 million grant to Mozambique to enable the country acquire, manage and deploy Covid-19 vaccines. This is in addition to a $15 million grant from the Global Financing Facility for the same purpose. This is intended to be in tandem with the Mozambique government's National Preparedness and Response Plan as well as the National Plan for Vaccination against Covid-19.

In order to assist South Sudan's food insecurity and locust crisis, the World Bank launched two new projects namely the South Sudan Resilient Agricultural Livelihoods Project (RALP) and the Emergency Locust Response Project (ELRP) through which the grant of $62.5 million and $53.7 million respectively is extended to the South Sudanese government. These projects will be implemented in collaboration with other World Bank-financed projects including the South Sudan Safety Net Projects and the South Sudan Enhancing Community Resilience and Local Governance Project.

Through its recently launched Regional Electricity Access and Battery-Energy Storage Technologies (BEST) Projects for which funds in the amount of $465 million are already approved, the World Bank hopes to increase grid connections in fragile areas in West Africa, improve the capacity of the

ECOWAS Regional Electricity Regulatory Authority (ERERA), and strengthen the West Africa Power Pool (WAPP) network operations by providing battery-energy storage technologies infrastructure. This project is in addition to $2.3 billion worth of other projects effected in the past decades with the aim of achieving universal access to electricity in the 15 ECOWAS countries by 2030.

In a recent virtual meeting between representatives of the International Monetary Fund and the authorities of the Togolese government, the Togolese authorities' interest in IMF's Extended Credit Facility (ECF) program was discussed. This will mark the beginning of a series of discussions that would potentially mature into the ECF arrangement in the future. This discussion was had in the context of the broader consideration of the Togolese government's response to the pandemic, attempts at economic recovery and potential reforms for an inclusive and sustainable private sector-led growth

An IMF virtual meeting by a representative of the IMF was also had with representatives of the Zimbabwean government, during which Zimbabwe's resilience to the Covid-19 economic shock as well as its efforts at stabilizing inflation and local currency were lauded. Although noting that Zimbabwe has been in good standing in its membership of the IMF, particularly after clearing its debt in 2016, the IMF has been restrained from providing financial support to the country due to unsustainable debt and official external arrears. Thus, much of IMF's engagement with Zimbabwe has involved provision of technical assistance. This is likely to remain so until Zimbabwe, amongst other conditions, works towards a comprehensive restructuring of its external debt, clears its arrears and obtains financing assurances from official creditors.

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