Twenty Fifth Sovereign Debt News Update: African Sovereign Debts amidst Thresholds and Policy Standards

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Following the recent suspension of debt servicing by the Paris Club Countries and other creditors under the Debt Service Suspension Initiative of the G20, to which Kenya benefited from and as a result of which Kenya saved KSh78.17 billion that would have otherwise been due for payment, the country has also received relief of further debt service suspension from creditors under the international sovereign bonds debt as well as its standard gauge railway financier, China Exim Bank. This helps the country save up to KSh16.8 billion in interest payments and reduce its consolidated Fund Service expenditure by KSh3.63 billion.

Meanwhile, Kenya looks towards setting a threshold of Sh50 million for its local bonds in order to make domestic borrowing more efficient and sustainable. This policy has been put in place as a prerequisite for a World Bank Sponsored Development Policy Operations financing programme. The Central Bank of Kenya regards it as a measure to support the capital market development. This strategically comes at a time when domestic debt service is noted by the Chairman of the Parliamentary Budget and Appropriations Committee, to have increased by Sh13.16 billion as a result of interest rates on reopened or renegotiated bonds.

According to the latest figures released by the National Bureau of Statistics, Nigeria's Federal and State government debts stands at N33.11 trillion as at March 31, 2021 (Q1 2021), with N12.47 trillion as external debts and N20.64 trillion as domestic debts. This represents an increase of N191 billion from its value in the last quarter of 2020. Domestic debt comprises 62.33% of the debt while external debts represent the remaining 37.67%. Lagos State remains the largest borrower among the states accounting for 12.31% of the overall domestic debt stock, although the total states and Federal Capital Territory debts slightly reduced on a general scale.

Meanwhile, the Nigerian government has spent the sum of N1.02 trillion on debt servicing with N612.71 billion spent on domestic debt servicing while the remaining N410.1 billion expended on external debt servicing. This represents a 35.7% increase from the N753.7 billion that was spent in the same period in the previous year. The budget already projects the spending of over 3 trillion on debt servicing in 2021. This comes as the national income dwindles and the value of debt to GDP ratio under dispute.

1,300 billion CFA francs, which is the amount owed to China by Congo out of the country's overall debt of 6,016.5 billion CFA francs has been approved for restructuring by the Chinese government. This comes at a time the Congolese hopes to reduce its debt to GDP ratio from the current 98% to Central African Economic and Monetary Community's, (CEMAC), standard's threshold of 70%. A similar arrangement was had in 2019 after which the Congolese government pursued a $449 million loan from the IMF. However, the IMF has suspended its support to Congo after finding its economy unsustainable with its debt to GDP ratio having grown to 110% at the time. The Congolese government posits that this new debt restructuring with China will facilitate its solving internal needs while also mending its relations with the IMF.

Under the Competitive Value Chains for Jobs and Economic Transformation Project (PCCET) of the International Development Association, the World Bank recently approved the sum of $200 million in financing to Côte d’Ivoire. The aim is to make long term- term financing available for start-ups and young SMEs as well as enterprises engaged in green investments, especially those led by women. On a broader scope, the aim is to improve the business environment in Côte d’Ivoire.

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