Twenty-Eighth Sovereign Debt News Update: Incurring and Servicing of African Loans

By:

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Ghana seeks to explore more debt to purchase assets to enable the country to leverage on possible returns on its oil and gas exploration. The Ghanaian government has presented before its parliamentary the proposal to borrow roughly $1.65 billion for this purpose. This move comes despite apparent skepticism recently displayed by Exxon Mobil Corporation which pulled out of the offshore prospect activities in the country in May 2021. Also, this comes at a time when concerns are being raised on possibility that Ghana's hydrocarbon resources may be affected the government's tilt towards reducing carbon energy.

As the South African government grapples with stabilizing its fiscal profile in the light of the economic shock resulting from the Covid-19 pandemic, the country's finances were further threatened by a recent strain of riots. In response, the South African Finance Minister, Tito Mboweni, has noted the

government's commitment to curb borrowing in order to manage its portended fiscal crisis.

Following recent news on China's restricting funding for infrastructure projects in Kenya as a show of its displeasure towards Kenya's participation in the bid for an extension of the Debt Service Suspension Initiative, which apparently affects Kenya's debt to China, Kenya resumed the servicing of its loan to China with an initial payment of $761 million.

On Thursday, July 28, 2021, the Executive Board of the International Monetary Fund (IMF) approved an Extended Fund Facility for Gabon in the tune of $553.2 Million. The facility, which is set to be for 36 months, is aimed as a short-term support for Gabon's response to the Covid-19 crisis, while reducing fiscal and public debt vulnerabilities and fostering sustainable, green and inclusive private sector driven economic growth.

The IMF also approved a similar arrangement with Cameroon under the Extended Fund Facility program in the sum of $689.5 Million for budget as well as emergency support. The IMF expressed its expectations that contingent on the authority's implementing policy commitments under the program, a gradual recovery of the economy and potential GDP growth of 3.6% and 4.6% in 2021 and 2022 respectively is imminent.

In a bid to further foster economic integration and boost trade and services in the west African region, fifteen member nations of the Economic Community of West African States (ECOWAS) are working on a unified cross-border debt market to be launched in 2023. The rationale is that this would lead to more access to lending pools which would in turn reduce the cost of borrowing.

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