Thirty Fourth Sovereign Debt News Update: African Sovereign Debt Processes and Procedures in Context

By:

Afronomicslaw

December 5, 2021

The International Monetary and Financial Committee (IMFC) has approved the set up of a Resilience and Sustainability Trust (RST) administered by the International Monetary Fund (IMF) through which wealthy countries could channel some of their Special Drawing Rights (SDRs) to low-income countries. In the light of this, the Head of Oxfam International, Washington DC Office, Nadia Daar, noted that while it is laudable that the IMFC recognizes the need to help low income countries, the funds from the channelled SDRs ought to be transferred as grants and should not hamper the countries from exploring IMF loan program.

The treasury department of the Kenyan government disclosed to the Parliament that the release of the Sh14.4 billion ($129.55 million) worth of loan that had been approved by the World Bank for the purpose of facilitating the government's plan to incur covid-19 vaccines was being delayed by the World Bank. The World Bank premised the delay on the Kenyan government's failure to meet certain conditions.

In a report released by the World Bank on Monday, October 11, 2021, it was noted that in spite of fiscal stimulus packages that low-income countries have received in the light of the COVID-19 pandemic, the general debt levels have risen by 12% to a record sum of $860 billion, revealing an increase in their debt vulnerabilities. In the light of this the World Bank President, David Malpass, noted the need for "a comprehensive approach to the debt problem, including debt reduction, swifter restructuring and improved transparency".

The President of Malawi, President Lazarus Chakwera made significant progress towards securing new financing from the International Monetary Fund in order to revamp its economy. As a backdrop, Malawi is one of the world's least-developed countries, whose major corruption scandal in 2013 has since deprived it of aids and financing from its donors including the United Kingdom.

Although Nigeria experienced an oversubscription in its recent Eurobond sale with the sale of up to $4 billion worth of Eurobonds, the implication of this on the sustainability of the country's debt according to World Bank indicators seems rather adverse. Lukman Oyelani, an economist from the University of Lagos noted that the depreciating naira and the current debt sustainability are risks factors that, without proper policy interventions, are propelling the country's movement towards debt distress.

Amidst dwindling income arising from the fall in the export of energy and the shocks from the pandemic, the president of Algeria, Abdelmajid Tebboune has rejected IMF's recommendation to diversify the source of budget financing and consider external borrowing. The recommendation which was made at the IMF's latest Article IV report was described as unthinkable by Tebboune.

With the Chinese-financed infrastructure projects getting completed, Kenya once again comes into the spotlight with five projects initiated between 2013 and 2017 concluded in good time. However, these Chinese development projects have been highlighted as vehicles through which 'hidden debt' have been effected.

In relation to the Mozambican debt scandal, it has been resolved that Credit Suisse Group will, among others, cancel $200 million owed by Mozambique having pleaded guilty for one of the counts of the hidden debt conspiracy. However, the Swiss firm is still accused of not disclosing the full extent of the Mozambican scandal.

View online: Thirty Fourth Sovereign Debt News Update: African Sovereign Debt Processes and Procedures in Context

Provided by Afronomicslaw