Thirty Ninth Sovereign Debt News Update: Kenya, Chad and Congo in Context

By:

Afronomicslaw

February 6, 2022

Out of the KShs 83.7 billion ($740 million) received from the International Monetary Fund (IMF) by the Central Bank of Kenya, the Kenyan government proposes to borrow up to KShs 41.8 billion ($368.5 million) for a period of Thirty years. The funds, which were originally allocated to Kenya as some form of bailout to salvage the constraints caused on balance of payment by COVID-19 and which was helpful in building Kenya's forex reserves, will have part of it expended on bailing out and covering revenue shortfalls of State-owned enterprises.

In order to utilize the KShs14.6 billion ($128.7 million) credit facility afforded to Kenya by the World Bank the Kenyan government has requested the IMF for a waiver of the spending cap that was imposed under its 38-month programme as a result of the country's excessive deficit levels. Since the World Bank's proposed loan facility is aimed at executing Kenya's COVID-19 vaccination

programme, the Kenyan government hopes to leverage the flexibility afforded under the IMF programme relating to social and emergency spending.

Following their performance in helping Kenya raise Sh113 billion ($1 billion) through the Eurobond issued in June, 2021, Kenya has opted to retain Citi Bank and JP Morgan to arrange its fifth Eurobond issue through which the country aims to raise about Sh250 billion ($2.2 billion). The intention of issuing this Eurobond had earlier been communicated to the International Monetary Fund in the discussions leading to additional KShs 29 billion ($255.68 million) under the 38-month programme.

Kenya's increasing debt is reflected in the large amount of newly issued bonds. In the course of the year 2021, the Treasury department of the Kenyan government recorded the sale of up to KShs771.3 billion ($6.8 billion) worth of new bonds.

In helping the country meet its balance of payments and budgetary needs, particularly in the light of the economic shocks from the COVID-19 pandemic, volatility in oil prices, internal security and food crisis, and climate change, the Executive Board has approved a new Extended Credit Facility for Chad in the sum of $570.75 million over a period of 36 months.

In a recent report of IMF staff on Chad published on January 18, 2022, it was projected that the Extended Credit Facility arrangement will be helpful in reducing the stress on the economy positioning the country towards a sustainable path while reducing poverty levels. It was also noted that concluding debt restructuring efforts under the G20 Common framework in the first quarter of 2022 is expedient for durable inclusive growth.

The executive board of the IMF also completed a first review of the Extended Credit Facility Arrangement and approved the disbursement of $212.3 million for the Democratic Republic of Congo to reinforce international reserves. The arrangement also aims to facilitate the government's medium term to foster macroeconomic stability and sustainable development. Meanwhile the economy continues to rebound from the economic shocks arising from COVID-19.

Subsequently on January 21, 2022, the Executive Board of the IMF approved a new 36-month arrangement to the tune of $455 million with an immediate disbursement of $90 million. The arrangement is aimed at helping the country

maintain macroeconomic stability as well as support economic recovery from the Covid-19 related economic shocks.

View online: Thirty Ninth Sovereign Debt News Update: Kenya, Chad and Congo in Context

Provided by Afronomicslaw