Forty First Sovereign Debt News Update: The Making and Marring Effect of Multilateral Loans

By:

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Against the backdrop of Mozambique's debt scandal and following the arrest of his son, the former president of the East African country, Armando Guebuza has been summoned to appear in court to testify in respect of the hidden debts. Requested by the Supreme Court and authorised by the Council of State, these summons of the former head of state marks the first of its kind in Mozambique's history. In his testimony, former President Guebuza claimed that he signed off on the proposal presented to him by Operational Command on the basis of trust and that he delegated the power of negotiation to the Ministers of Defence and Interior and the General Director of the State Secret Intelligence Services (SISE).

In the light of apparent factors including high public debt, South Africa's economy has been considered fragile by the International Monetary Fund (IMF) considering the fact that growth is expected to be below 2% in the medium

term. This is despite the fact that the country's recovery from the pandemic was considered faster than expected. To reignite growth, the IMF recommended that South Africa address "Eskom and other SOEs' difficulties, strengthen competition and governance, and increase labor market flexibility".

As a prerequisite to being considered for an Extended Credit Facility arrangement with IMF, Guinea Bissau has had to implement policies and reforms which have been closely monitored by the IMF. With the recent conclusion and approval of the second review of the country's Staff-Monitored Program (SMP) with IMF, Guinean Bissau braces for a third and final review before securing an opportunity for an Extended Credit Facility. In the course of the second review, Guinea Bissau has had to implement reforms that support macroeconomic stability, debt sustainability, social policies and enhance public governance.

The IMF Executive Board has approved an Extended Credit Facility for the Republic of Congo in the sum of $455million for a period of 36 months, with an immediate disbursement of $90 million. The goal is to reduce debt vulnerabilities, implement fiscal policies, and to achieve strong and equitable economic recovery.

In addition to the various projects financed by the World Bank in Kenya's food sector, the government is currently negotiating with the World Bank for the sum of $200 million in financing with the aim of improving food security. The utility of this kind of project in Kenya was significantly highlighted by the desert locust invasion in 2019 which propelled the development of the Strategy of Management of Migratory and Invasive Pests by Kenya's Ministry of Agriculture in collaboration with the Food and Agriculture Organization(FAO) and the World Bank.

In a recent debt analysis by the Kenyan Parliament Budget Office, it was revealed that as a result of increased access to loans from multilateral institutions like the IMF and World Bank, the average cost of Kenya's loans has reduced by 2.2% from 9.1% to 6.9%. By way of contrast, the weighted average interest rate for domestic debts increased from 10.9% to 11.1%.

The Kenyan treasury has been directed by the Parliament to release funds to settle the sum of Ksh6.7 billion ($58.95 million) in loans owed by State owned

entities including the NCPB. The debts incurred by the NCPB are mostly in respect to securing fertilizers and some of the loans date as far back as 2016. It is particularly highlighted that a swift payment on the loans is expedient considering the accruing interests and penalties on the loan.

According to a statement presented by the Bank of Tanzania, Tanzania's Public debt increased by $6.1 billion in 2021. The country's national debt increased by 20% compared to the previous year. This has been attributed to the increased spending on infrastructure projects, particularly in the area of transport and communication. Meanwhile, the government proposes to increase its spending by 7.4% in the year 2022/2023. Notably, the governor of the Bank of Tanzania (BoT) has previously tried to assure the public that despite the increase in Tanzania's debt stock by $5.3 billion at the end of the third quarter of 2021, Tanzania is not at the threshold of debt distress.

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