Sixtieth Sovereign Debt News Update: IMF Programs and Events in Africa in the period November-December 2022

By:

The African Sovereign Debt Justice Network

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On December 19, 2022, the Executive Board of the International Monetary Fund (IMF) completed the Fourth reviews of Kenya's 38-month arrangements under the Extended Fund Facility and Extended Credit Facility (EFF/ECF) arrangements. The completion of the Fourth Reviews comes after the IMF approved SDR 1.655 billion (about US$2.34 billion) ECF and EFF arrangements for Kenya on 2 April 2022. The IMF's Board's decision enables immediate disbursement of SDR 336.54 million (about US$447.39 million) usable by Kenya for budget support, including an augmentation under the ECF arrangement of SDR162.34 million (30 percent of quota, about US$215.81 million). This brings Kenya's cumulative disbursements under the EFF/ECF arrangements to about US$1.655.59 million. With the augmentation, the total amount under the EFF/ECF arrangements rises to SDR 1.818 billion (335 percent of quota or about

US$2.416 billion).

On December 14, 2022, the Executive Board of the International Monetary Fund completed the First Review of Benin's Fund-supported program under the 42-month blended Extended Fund Facility/Extended Credit Facility (EFF/ECF) arrangement. The completion of the First Review comes after the IMF approved Benin's 42-month arrangements under the USD 638 million EFF and ECF on July 8, 2022. The two facilities are to help address pressing financing needs, support the country's National Development Plan (2018-2025) centred on achieving Sustainable Development Goals (SDGs), and catalyze donor support. This review completion allows for the immediate disbursement of SDR 108.30 million (about US$144 million) toward the country's budget support, bringing total disbursements under the program so far to SDR 216.6 million (about US$287 million). This is the first case under the IMF's High Combined Credit Exposure (HCCE) policy to support member countries experiencing exceptional balance of payment needs and with institutional capacity to implement a program in amounts exceeding the normal combined access limit for a blended EFF/ECF arrangement.

On December 12, 2022, the IMF staff and the Ghanaian authorities reached a staff-level agreement on economic policies and reforms to be supported by a new three-year arrangement under the Extended Credit Facility (ECF) of about US$3 billion. This follows an IMF team visit to Accra, Ghana, during December 1 – 13, 2022, to discuss with the Ghanaian authorities IMF support for their policy and reform plans. Through the Agreement, the Ghanaian authorities committed to a wide-ranging economic reform program, which builds on the government's post-COVID-19 Program for Economic Growth (PC-PEG) and tackles the deep challenges facing the country. The economic program aims to restore macroeconomic stability and debt sustainability while laying the foundation for stronger and more inclusive growth. In addition, through the agreement, in a bid to support the objective of restoring public debt sustainability, the Ghanian authorities announced a comprehensive debt restructuring. Notably, the staff-level agreement is subject to IMF Management and Executive Board approval and receipt of the necessary financing assurances by Ghana's partners and creditors.

On December 12, 2022, the Executive Board of the International Monetary Fund approved Rwanda's request for an arrangement under the Resilience and Sustainability Facility (RSF) amounting to SDR 240.3 million (about US$ 319 million, or 150 percent of quota). The approval made Rwanda become the first African country to secure access to the RSF. The RSF was created this year with the aim of helping low-income and vulnerable middle-income IMF members address longer-term structural challenges such as climate change and pandemic preparedness with longer-term low-cost financing. It is expected that the RSF-supported program will advance Rwandan authorities' efforts to build resilience to climate change by improving the transparency and accountability in the planning, execution, reporting, and oversight of budget resources dedicated to addressing climate change. The program will include facilitating green public investment, creating further fiscal space, mitigating financial risks, and strengthening public debt dynamics and prospective balance-of-payments stability. Disbursements of the Facility's funds to Rwanda will be contingent on the conclusion of relevant reviews under a new 36-month Policy Coordination Instrument (PCI) also approved on December 12, 2022, and implementation of scheduled reform measures agreed as part of the RSF arrangement, which establishes Rwanda's broad economic reform goals. The new PCI for Rwanda replaces the 3-year PCI approved on June 28, 2019.

On November 22, 2022, the IMF staff and the South Sudanese authorities reached a staff-level agreement for completing the third and final review of the Staff-Monitored Program (SMP) and on economic policies for a disbursement under the IMF's new Food Shock Window of the Rapid Credit Facility combined with a Program Monitoring with Board Involvement. This follows the IMF's team visit to South Sudan from November 7 to November 17, 2022. Upon approval by the Executive Board, South Sudan would have access to about US$112.7 million (SDR 86.1 million), bringing the total outstanding Fund credit under emergency financing instruments to South Sudan to SDR 246.0 million, or 100 percent of its quota at the IMF. These resources will be used predominantly to help address food insecurity, support social spending, and boost international reserves. Ahead of the Executive Board consideration of the Food Shock Window request, South Sudanese authorities are to implement several reforms to strengthen governance and transparency. These include publishing budget execution reports; publishing the results of a stock take of South Sudan's

external debt; publishing the Auditor General's report on the second RCF disbursement and starting to address its findings and recommendations; as well as strengthening the process for contracting external debt and issuing sovereign guarantees.

On November 21, 2022, the Executive Board of the International Monetary Fund approved a disbursement of US$88.327 million (SDR 69.40 million) under the Food Shock Window of the Rapid Credit Facility to help Malawi address urgent balance of payment needs related to the global food crisis. Malawi became the first low-income nation to receive financing from the International Monetary Fund under the new Food Shock Window intended to help countries cope with global food price shocks. Concurrently, the IMF's Executive Board discussed a 12-month Staff-Monitored Program (SMP) for Malawi, which was approved by the Management of the IMF on November 11, 2022. With timely implementation of the program, it is expected that the SMP will help Malawian authorities establish a track record of policy implementation, possibly paving the way to an IMF-supported upper credit tranche (UCT) program.

On November 21, 2022, the Executive Board of the International Monetary Fund completed the first review under the three-year Extended Credit Facility (ECF) arrangement for Mozambique, providing the country with access to SDR 45.44 million (about US$59.26 million). The Board also completed the financing assurances review and approved the authorities' request for modification of conditionality. The approval followed the IMF's Board's conclusion of the Article IV consultation on May 9, 2022 and the approval of the new 3-year arrangement under the ECF for Mozambique for SDR 340.8 million (about USD 456 million) or 150 percent of the country's quota. Consequently, the November 21 approval allowed for the immediate disbursement of SDR 45.44 million (about US$59.26 million), usable for budget support, bringing Mozambique's total disbursements under the ECF arrangement to SDR 113.6 million (about US$150million).

Also on November 21, 2022, the IMF staff and the Guinea Bissau authorities reached a staff-level agreement to support Guinea Bissau economic policies with a thirty-six-month Extended Credit Facility (ECF) of SDR 28.4 million (US$ 36.3 million). The objectives of Guinea-Bissau's new Fund supported program are securing debt sustainability while supporting the economic recovery and creating fiscal space to support sustainable and inclusive growth. The

agreement follows an IMF team virtual meetings during November 8–11, 2022, and meetings in Bissau during November 15–21, 2022. The discussions covered the impact of the war in Ukraine on recent economic and fiscal developments; the near and medium-term outlook for Guinea-Bissau; and implementation of policies and reforms to support public governance and more inclusive growth.

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