



African Legal Support Facility



ALSF
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Facilité africaine de soutien juridique

Kenya

- Less access concessional lending due to lower-middle-income status (2014)
- High concentration of commercial loans from China
 - to build roads, bridges, power plants and standard gauge railway
 - 1/3 external debt
 - Unable to obtain debt repayment holiday for several loans
- Increased borrowing / debt servicing obligations
 - 35% foreign exchange reserves/ 43% of tax revenue according to Standard Bank
- Plans to issue new Eurobonds to support its budget and to repay a bond maturing in 2024
- Upcoming elections in August 2022

Ghana

- Large amount of energy sector debt (through SOEs)
 - Government bailouts (e.g. USD 3 billion in 2021)
- Debt accumulated related to “banking sector clean-up”
- Increased post pandemic borrowing / debt servicing obligations
 - 83.5% of GDP at end-2021
- Lower than expected tax-to-GDP
- Decrease in oil production (exit of producers)
- Reduced access to international bond markets
- Recent rating downgrades
 - Fitch Ratings - B- from B
 - Moody's - CAA1 from B3
- Uninterested in approaching the IMF

Nigeria

- Low revenue-to-GDP
- Budget deficits funded by borrowings
- Increased debt stock/ debt service
- Heavy reliance on oil revenues / susceptibility to oil price fluctuations
 - 2016 recession following crash in crude prices
 - Market access tied to oil prices
- Increased commitment to infrastructure development funded by borrowing (now moving to PPP model)
- Note: debt-to-GDP low as compared to peer countries (approx. 35.5% at end of 2021)

Discussion Questions

1. What direction do we think these countries will take in terms of their approaches to dealing with their debt situations?
2. What could have these countries done better when structuring their debt to ensure longer-term resiliency?
3. For countries who have upcoming elections (Kenya in August 2022 and Nigeria in February 2023) how do you think the elections will impact how they deal with their debt situations today?
4. How do you view new issuances for these countries? Good idea? Necessary? Only option?
5. How can the international community support these countries? HIPC 2.0?