

SUB-SAHARAN AFRICA: Eurobond Political Risk Monitor

Our Eurobond Political Risk Monitor, presented in the attached table, provides a go-to guide to the main political and policy issues in 17 sub-Saharan African (SSA) sovereigns that have issued Eurobonds as of July 2021. In this edition, our 'Spotlights' section looks at how international efforts to tackle the pandemic-related rise in debt levels across the region are evolving, Cote d'Ivoire's uncertain medium-term political outlook, and Ethiopia's efforts to spare bondholders amid debt negotiations and war.

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Spotlights

Sub-Saharan Africa: DSSI to expire amid uncertain follow-up debt treatment strategy

Creditor nations still perceive the debt challenge SSA sovereigns are facing in the context of the Covid-19 pandemic primarily as a liquidity, rather than a solvency, problem. Following a second, final extension, the G20's Debt Service Suspension Initiative (DSSI), which provided a short-term liquidity boost for 26 African countries participating in the scheme since May 2020, is set to end by 31 December 2021. After a one-year grace period, the repayment period for previously suspended debt payments will be five years, under net present value (NPV) neutral terms. G20 nations are thus handing responsibility for liquidity problems back to the International Monetary Fund (IMF). The decision to increase IMF member states' Special Drawing Rights (SDRs) by USD 650bn, which will likely take effect by end-August, is an upside, but the extent to which low-income countries benefit will hinge entirely on proposals to reallocate SDRs to vulnerable countries, which have yet to be worked out. Meanwhile, progress on restructuring the debt of SSA's first pandemic-era defaulters (Zambia, Chad, and Ethiopia) under the 'Common Framework for Debt Treatments beyond the DSSI' appears to have been limited thus far. While the form that debt treatments will take is still highly uncertain, there seems to be consensus, at least in principle, that private creditors should not be spared, though Ethiopia is trying to exclude its Eurobond from debt treatment.

Cote d'Ivoire: Back to the future?

Cote d'Ivoire weathered a contentious election cycle, with presidential polls in October 2020 and parliamentary elections in March 2021 and was the first SSA country since the start of the Covid-19 pandemic to issue a Eurobond. However, the return of former president Laurent Gbagbo on 17 June signals the continuation of a destabilizing pattern that has characterized Ivorian politics over the past three decades. The dominant feature has been fierce competition between – and fluid coalitions among – Gbagbo (76; president from 2000-2011), Henri Konan Bedie (87; 1993-1999) and President Alassane Ouattara (79; 2011 to date). Ouattara had enabled Gbagbo's return by suspending domestic charges after the International Criminal Court (ICC) earlier this year had acquitted Gbagbo of crimes against humanity allegedly committed in the context of the 2010/11 post-electoral crisis. However, rather than retiring from politics, as Ouattara may have hoped, Gbagbo is deepening ties with his former enemy Bedie. Both men will likely mobilize against Ouattara by questioning the legitimacy of his current third term and pushing a yet-to-be defined 'reconciliation' agenda ahead of the 2025 general election.

Ethiopia: Bondholders to be spared amid debt restructuring, war and sanctions risks?

Once a celebrated reform story, Ethiopia's fortunes have dramatically turned since 2020. Internal strife, above all the conflict that erupted in Tigray in November 2020, poses a serious threat to political stability, the fiscal and liquidity outlook, and Prime Minister Abiy Ahmed's international standing. While Abiy declared a unilateral ceasefire amid a hasty retreat from Tigray, the risk of continued conflict is high as Tigrayan fighters threaten to take on Amhara forces. The deepening humanitarian disaster and famine – and any accusations that the federal government is blockading Tigray – increase the

risk of further Western sanctions. Amid the combined fiscal shock from Covid-19 and the war effort, Ethiopia in January requested debt treatment under the 'Common Framework'. Unlike Zambia, which has already defaulted, Ethiopia is trying to exclude Eurobond holders and its main strategy appears to be debt reprofiling. So far, it is up to date on coupon payments (last due on 11 June). This month the government signaled its intention to restructure USD 1bn in debt but hastened to clarify that this was not Eurobond debt. While the finance ministry says that USD 2.5bn worth of commercial debt has already been deferred by five years, a full creditor committee under the Common Framework process has yet to be formed.

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Pointers

Country	Political risk (over next 12 months)	Recent developments	What we are watching	Signposts
Angola	Medium	<ul style="list-style-type: none"> May '21: "Operation Crab" corruption crackdown ousts high-ranking political figures Jun '21: IMF fifth EFF review endorses government economic policy, approves immediate disbursement of USD 777mn Jun '21: Finance ministry says Angola will take full advantage of the G20 Debt Service Suspension Initiative (DSSI) moratorium (ending Dec 2021) 	<ul style="list-style-type: none"> Armed with a renewed injection of international finance and having avoided the need for further debt restructuring, will Angola make headway in efforts to grow and diversify the oil-addicted economy? Can President João Lourenço deliver credible governance reforms? Amid multi-year recession, currency depreciation and political discontent, will MPLA support slump ahead of the next election and will social unrest rise? 	<ul style="list-style-type: none"> Economic policy measures and IMF updates Debt relief, especially from China (Dec 2021 deadline) First municipal elections and general elections (expected 2022)
Benin	Medium	<ul style="list-style-type: none"> Jan '21: Benin successfully raises EUR 1bn euros in Eurobonds Apr '21: Patrice Talon overwhelmingly wins second term in flawed elections met with violent protests and boycotts 	<ul style="list-style-type: none"> Will Benin become a major target of extremist and criminal groups operating in neighboring Burkina Faso, Niger, and Nigeria? Can President Talon leverage strong economic growth to win popular support following a series of antidemocratic governance changes and his broken promise not to seek a second term? Will Talon's reform of the armed forces trigger a violent backlash? 	<ul style="list-style-type: none"> Security incidents linked to al-Qaeda and ISIS affiliates in the Sahel Vaccine rollout
Cameroon	Medium	<ul style="list-style-type: none"> May '21: IMF reaches staff agreement for 3rd emergency loan to Cameroon Jun '21: Eurobond refinancing; Cameroon raises XAF 450bn at 5.95% interest rate Jun '21: 2021 State budget to rise by 11.22% subject to parliament approval 	<ul style="list-style-type: none"> Will the lingering security crisis in the Anglophone regions peter out amid dwindling international interest? Will the IMF place contingencies on expected financial support following corruption allegations? Will PM Joseph Dion Ngute or secretary-general Ferdinand Ngoh emerge as the front-runner to succeed President Biya? 	<ul style="list-style-type: none"> Updates on second global bond sale (meetings ongoing) July 2022: state budget debate, parliament IMF announcements and progress reports
Congo-Brazzaville	Medium	<ul style="list-style-type: none"> Mar '21: Incumbent President Denis Sassou Nguesso re-elected with 88.4% of the vote Mar '21: Trafigura and Congo Republic complete oil loan restructuring Jun '21: China bails out Congo Republic with second deal to restructure USD 2.4bn in debt 	<ul style="list-style-type: none"> Having fulfilled one of the IMF's conditions for unlocking bailout money, will the government make more progress towards an extended credit facility (ECF)? Will the administration succeed in restructuring its remaining oil-backed loan owed to Glencore? 	<ul style="list-style-type: none"> IMF progress reports on the ECF Updates on debt restructuring deals with Glencore, China

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Cote d'Ivoire	Medium	<ul style="list-style-type: none"> Mar '21: President Alassane Ouattara's RHDP party wins majority in legislative elections May '21: IMF backs economic recovery with USD 1bn loan Jun '21: Former President Laurent Gbagbo returns to the country having been acquitted by the ICC 	<ul style="list-style-type: none"> How will the newly formed coalition between Henri Konan Bedie's Democratic Party of Ivory Coast (PDCI) and Gbagbo's Ivorian Popular Front (FPI) fare following Gbagbo's return? If Gbagbo reenters the political fray, will president Ouattara stand by assurances not to persecute his predecessor? How will the battle for supremacy of the FPI between Pascal Affi N'Guessan and Gbagbo play out? 	<ul style="list-style-type: none"> Speeches by Ouattara, Gbagbo, and Bedie directed at each other Appointment of a new vice president Further IMF announcements following completion of 2021 Article IV Mission
Ethiopia	High	<ul style="list-style-type: none"> Jun '21: Ethiopia holds partial elections; Prime Minister Abiy Ahmed's Prosperity Party (PP) wins 410 seats in parliament, out of 436 constituencies where voting took place, and 547 seats in total. Jun '21: Abiy issues unilateral ceasefire in Tigray amid TPLF advances Jul '21: UN calls on Ethiopia, Sudan, and Egypt to recommit to talks over the Grand Ethiopian Renaissance Dam (GERD) after Ethiopia begins second filling 	<ul style="list-style-type: none"> Will the ceasefire take hold in Tigray or will fighting escalate (e.g. between Tigrayan and Amhara forces), worsening the humanitarian crisis and, by extension, the risk of further Western sanctions? What will be the ultimate outcome of Ethiopia's debt treatment under the G20's "Common Framework beyond the DSSI" and will it exclude Eurobonds as planned? Will the Abiy government remain stable despite Tigray conflict, sanctions, debt and other internal conflict? Tabled at the UN Security Council, is the GERD dispute inching any closer to a resolution? 	<ul style="list-style-type: none"> Eurobond repayments (Dec) and 'Common Framework' debt treatment Status of Tigray ceasefire, siege accusations and any sanctions announcements UN Security Council meetings, Africa Union mediation to discuss GERD
Gabon	Medium	<ul style="list-style-type: none"> Jun '21: Gabon receives USD 17mn for reducing carbon emissions by protecting rainforests Jun '21: IMF mission reaches staff-level agreement with Gabon on a new arrangement under the Extended Fund Facility (EFF) Jun '21: President Ali Bongo delivers first broadcasted speech since Oct '18 stroke 	<ul style="list-style-type: none"> Following his return to the political limelight, can Bongo reestablish public confidence and govern until the 2023 election? Will the government succeed in auctioning deep- and shallow-water acreage for oil exploration? Will plans for an eco-tourism industry and sustainable hardwood logging operations offset waning oil revenue? What is the potential for someone from the inner circle to stage a coup in the ongoing succession battle? 	<ul style="list-style-type: none"> Executive Board approval and finalization of EFF (expected in coming weeks) Further issuance of carbon credits 2023: Presidential election
Ghana	Medium	<ul style="list-style-type: none"> Mar '21: Supreme Court upholds electoral victory of President Nana Akufo-Addo Jun '21: Ghana slapped with USD 170mn judgement debt after terminating power purchase agreement (PPA) Jul '21: Ghana plans to issue USD 2bn in sustainable bonds in Nov 	<ul style="list-style-type: none"> Will the unprecedented period of 'co-habitation' result in costly compromises? Will there be greater parliamentary scrutiny of dubious government projects going forward? With the NPP attributing the PPA ruling to the Akufo-Addo government's criminal negligence and incompetence, how will the administration fare in renegotiating power purchase agreements? 	<ul style="list-style-type: none"> Jul '21: Mid-year budget review Nov '21: finalization of sustainable bond sale

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Kenya	Medium	<ul style="list-style-type: none"> May '21: High Court rules Building Bridges Initiative (BBI) is unconstitutional Jun '21: BBI appeal hearings begin in Court of Appeal Jun '21: IMF board approves further USD 407mn disbursement Jul '21: China halts Kenya loans after Kenya's bid to extend debt repayment to December 	<ul style="list-style-type: none"> Will the Court of Appeal pave the way for the BBI referendum to take place? If not, could this upend President Kenyatta's (and opposition ally Raila Odinga's) ability to influence the presidential succession? Can Deputy President William Ruto build a broad coalition in advance of the 2022 presidential elections? Can the Kenyatta administration manage its growing risk of debt distress amid Covid-19, electioneering and Kenyatta's 'Big Four' legacy agenda? 	<ul style="list-style-type: none"> Aug '21: Court of Appeal verdict on BBI due Planned USD 2.3bn IMF deal and public debt dynamics Debt relief talks with China
Mozambique	High	<ul style="list-style-type: none"> Apr '21: Total declares "force majeure" on Mozambique LNG project Jun '21: Southern African Development Community (SADC) approves regional troop deployment to quell insurgency in Cabo Delgado 	<ul style="list-style-type: none"> When will the government regain enough control in Cabo Delgado to allow Total to resume development of its LNG site? Can the government dig its way out of debt distress without a full IMF program? Amid delayed and reduced LNG revenue projections, will Mozambique have the capacity to service its restructured Eurobond over the medium term? 	<ul style="list-style-type: none"> Any developments re LNG projects Strategic developments in northern insurgency and external support IMF relations and debt relief beyond DSSI initiative
Namibia	Medium	<ul style="list-style-type: none"> Apr '21: Namibia receives first-ever IMF funds (USD 271mn) to help fight Covid-19 Jun '21: Highest Covid-19 caseload—daily average of 990 cases—recorded since beginning of pandemic Jun '21: 11-member Business Rescue Task Force appointed to review business and insolvency legislation 	<ul style="list-style-type: none"> Facing simultaneous shocks from drought, Covid-19 infections, multi-year recession and food price inflation, how efficiently will President Hage Geingob use IMF funds? With nearly 50% of Namibians reluctant to get vaccinated, how will Namibia fare in its already stalled vaccination campaign? How will ruling party SWAPO manage the presidential succession to Geingob? Could the emergence of two new opposition parties—the Landless People's Movement and the Independent Patriots for Change—produce a populist tilt within SWAPO? 	<ul style="list-style-type: none"> Economic recovery/commodities outlook in 2021 Further signs of SWAPO loss of support (by-elections, protests)
Nigeria	Medium	<ul style="list-style-type: none"> Jul '21: Nigeria invokes "national security threat" to breach budget deficit limit Jul '21: Parliament passes long-awaited Petroleum Industry Bill (PIB) Jul '21: Nigerian parliament approves USD 2.4bn supplementary budget and issuance of USD 6.2bn in Eurobonds 	<ul style="list-style-type: none"> Will there be further changes to the multiple exchange rate regime this year? Following the passage of the PIB, will there be a backlash from oil-producing states for fear of losing out? How will the government position itself vis-à-vis regional initiatives such as the AfCFTA or the ECO common currency? 	<ul style="list-style-type: none"> Response from World Bank to request for a USD 1.5bn loan Oil price and domestic production Updates on implementation of PIB

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Rwanda	Medium	<ul style="list-style-type: none"> Apr '21: IMF approves USD 42.76mn in debt service relief over the next 12 months under CCRT Jun '21: Rwanda hit by record high Covid-19 infections Jun '21: 2021/22 budget presentation increases by RWF 341bn (USD 341mn) 	<ul style="list-style-type: none"> Will Rwanda be in a better position to access financing and bounce back from the pandemic shock? Will President Paul Kagame's autocratic stance on internal political opposition intensify? Going on 27 years in office, will Kagame pave the way for a presidential transition which he had promised for 2024? 	<ul style="list-style-type: none"> Trial of opposition figure Paul Rusesabagina Opposition crackdown Presidential succession plans
Senegal	Medium	<ul style="list-style-type: none"> Mar '21: Government crackdown on protests following arrest of opposition MP Ousmane Sonko leaves 10 dead and hundreds injured Jun '21: Thousands march in ten-year anniversary of protest that halted former President Abdoulaye Wade from seeking third term Jun '21: New counterterrorism laws approved by national assembly 	<ul style="list-style-type: none"> Can President Macky Sall keep his party together while remaining ambiguous about a potential (unconstitutional) third term in 2024? As Sall lures prominent members of the opposition Senegal Democratic Party (PDS) into his camp, will the party of former president Abdoulaye Wade disintegrate? Will the phasing out of costly energy subsidies trigger large-scale civil unrest? 	<ul style="list-style-type: none"> Protest events IMF announcements, progress reports Jan '22: Local elections (postponed from Dec '19 and Mar '21)
Seychelles	Medium	<ul style="list-style-type: none"> Jun '21: Seychelles cuts benchmark interest rate to 2% Jun '21: Seychelles reports more new Covid-19 cases per 100,000 people than any other country despite boasting 70% vaccination rate 	<ul style="list-style-type: none"> How quickly will the island nation recover from the latest Covid-19 outbreak? How quickly will tourism from core tourist markets (European countries) rebound? Can the new administration gradually stabilize public finances given Covid-19 shock and strong stimulus commitments (including wage subsidies)? 	<ul style="list-style-type: none"> World Bank/IMF negotiations: fund injection expected before original Sep/Oct date Vaccine rollout FX reserves; external debt ratios; contingent liabilities (e.g., Air Seychelles)
South Africa	Medium	<ul style="list-style-type: none"> Jun '21: Reform announcements on power generation, national carrier and ports Jun '21: Ramaphosa tightens Covid-19 restrictions to "Level 4" in face of third wave Jul '21: Massive unrest erupts following jailing of ex-president Jacob Zuma for contempt of court after failing to appear in corruption probe 	<ul style="list-style-type: none"> With the government in power but seemingly not in control, what will be the political, fiscal, social and security consequences of the unprecedented unrest? Can President Ramaphosa deliver vaccines and implement overdue reforms, especially at Eskom, to boost recovery prospects? Can Finance Minister Tito Mboweni still deliver budget savings and contain ballooning public debt? 	<ul style="list-style-type: none"> Further unrest and response Covid-19 infections and vaccine rollout Oct '21: Medium Term Budget Policy Statement (MTBPS) 27 Oct '21: Municipal elections (delay possible)

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Zambia	High	<ul style="list-style-type: none"> Feb '21: Zambia requests debt restructuring under the G20's 'Common Framework' May '21: Finance ministry announces broad agreement on macroeconomic policy parameters needed to secure an IMF ECF June '21: Amnesty international decries arrests of opposition leaders, shutting down of media outlets, and hastily conducted voter registration drive in run-up to general elections 	<ul style="list-style-type: none"> Will the elections be credible and competitive, giving United Party for National Development (UPND) candidate Hakainde Hichilema a chance to beat President Lungu? With an IMF program a precondition for debt treatment under the G20 Common Framework, how soon after the general elections might Zambia clinch a deal? How will the Common Framework negotiations and fiscal management evolve, particularly given bondholder concerns over transparency vis-à-vis Chinese loans? 	<ul style="list-style-type: none"> 12 Aug '21: General elections (postponement rumored) Finalization of IMF ECF deal (expected after Aug elections) Common Framework process

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