

COVID-19: considerations for African governments

Currently, the number of reported coronavirus (“COVID-19”) cases in Africa remains relatively low in comparison to the rest of the world¹. Nonetheless, African governments are bracing themselves for a full-blown health crisis, responding to the immediate public health threat posed by the pandemic, and dealing with the economic fallout from the collapse of the global economy. In this context, liquidity challenges, a rise in debt distress levels and potential debt defaults are at the forefront of the minds of African governments and their private sector and multilateral creditors.

In an effort to ensure that countries have the fiscal space necessary to tackle the health emergencies in their countries, and to avoid multiple sovereign defaults, multilaterals and other international organizations are calling for creditor leniency and are hurriedly putting into place various debt relief programs².

For African governments who face or may face liquidity challenges or debt distress, it is vital that they also act expeditiously and strategically. It is imperative that such governments carefully craft their response; an appropriate response may unlock necessary funding, forestall a distress situation or default, and enable future access to the international capital markets.

Further, in order to be successful in negotiations with creditors related to potential debt relief programs, governments must equip themselves with sufficient knowledge and the necessary lexicon to productively engage in debtor-creditor dialogue.

At the same time, as the pandemic compels governments to develop new debt strategies, new opportunities are also presented. Governments should reassess and re-evaluate their approaches to borrowing, enhance debt management capacity, and develop debt crisis avoidance tactics. These actions could foster financial resilience that can weather future challenges.

The African Legal Support Facility (the “ALSF”) has vast experience in assisting African governments in sovereign debt matters and can provide high-quality legal support and capacity building upon request. The ALSF retains a panel of leading international law firms that can be engaged on an emergency basis. In addition, the ALSF has developed a network of financial and technical advisors and regional public debt experts upon which it can call to help support governments.

[1] <https://www.afro.who.int/health-topics/coronavirus-covid-19> as at 20 April 2020

[2] Kristalina Georgieva, IMF Managing Director 3 April 2020 /G20 Communiqué 15 April 2020

The ALSF stands ready to assist governments as they define responses to these urgent issues, enhance their capacity and develop new and sustainable debt strategies.

In a recent effort to build capacity in the debt sector, the ALSF gathered leading legal, financial, technical sovereign debt experts to produce a multi-voiced handbook entitled “Understanding Sovereign Debt – Options and Opportunities for Africa” (<https://www.aflsf.org/publication/understanding-sovereign-debt>). The ALSF also provides training in sovereign debt (and other sectors) via the ALSF Academy Capacity Building Portal (www.alsf.academy).

For more information regarding the work of the ALSF, please visit our website, www.aflsf.org. For queries regarding this sector and/or to submit a formal request for assistance please contact: alsf@afdb.org.



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