Network Engagement Meeting with Public Debt Managers in Africa

7 April 2022

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Key takeaways

- Since 2020, Morocco has shown flexibility in adjusting its financing strategy to fully cover its financing needs.
- For example, in February 2021, it changed its strategy to issue more short-term debt in response to market demand.
- Morocco has managed its debt in such a way as to reduce risk and some risk indicators have improved:
    - domestic debt now accounts for 77% of total debt.
    - Medium- and long-term debt represents 87.3% of the debt issued by the Treasury.
    - The average life of the debt is 7 years and 2 months.
- Reserve assets also increased covering more than 6 months of imports.
- There is no pressure to mobilize external financing from bilateral and multilateral donors
- Despite the deterioration of international markets, Morocco could still finance the budget deficit.
- Other initiatives taken by Morocco include those that have enabled it to:
    - succeed in reducing expenses.
    - embark on the development of the internal market.
    - reforming the debt structure, which has resulted in a reduction in dependence on external debt, which accounts for 20% of the portfolio, while domestic debt accounts for 80%.
    - improve transparency by communicating the issuance schedule to market participants.
    - take various operational measures that have been put in place for the internal market to flourish.
- African countries are "changing course" but changing external factors are making it difficult to mobilize domestic resources that can replace debt.
- Debt managers play a leading role in the development of innovative financing solutions such as green financing; however, their development in Africa will take time.
- Rwanda provided an update on the proactive management of the country's debt to reduce the risk of over-indebtedness and/or default.
    - At the beginning of COVID-19, Rwanda had a moderate level of over-indebtedness. In the wake of the COVID-19 shock, creditors anticipated some of the financing and accumulated debt.
    - The authorities had to intervene to find a solution. They used the debt management tools at their disposal (SDMT) to first identify risks. The highest risk identified was refinancing risk.
    - Rwanda has successfully issued a USD 620 million Eurobond. The proceeds were used to finance capital expenditures and part of it was used to refinance the debt.
    - Extension of the maturity structure (or repayment schedule) of external debt.

- Took proactive steps to ensure debt transparency and increase fiscal space.
- Capacity being an issue – the country hired consultants and worked with partners to build capacity.
- Maximized concessional financing and opted for commercial borrowing to finance projects that generate good returns.
- Thanks to these efforts, the risk of over-indebtedness has been reduced by 60%
- There is no pressure on payments.
- Although Rwanda had the option of opting for the Debt Service Suspension Initiative, it had not used it.