Network Engagement Meeting with Public Debt Managers in Africa – 07 April 2022

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PDM Event	Dates	Focus
1. Network Engagement Event with Public Debt Managers in Africa	07 April 2022	• Executing prudent debt management strategies in the face of uncertainty to meet our countries post pandemic recovery and debt sustainability objectives
2. CABRI PDM Newsletter	31 May 2022	
3. Peer Learning & Exchange: **"amidst the change in the rating cycle, African governments need to strengthen their credit rating processes"**	5-6 July 2022	• Identify select countries for capacity building in strengthening the credit rating processes • Work in collaboration with African Peer Review Mechanism (APRM)
4. Network Engagement Event with Public Debt Managers in Africa 5. CABRI PDM Newsletter	04 August 2022 31 August 2022	• Use interactive discussions in the April 2022 Network Engagement Event and the key takeaways to inform focus issues for the August 2022 Network Engagements
6. Peer Learning & Exchange: **"Managing Contingent Liabilities post COVID-19 pandemic"** 7. CABRI PDM Newsletter	1-2 November 2022 30 November 2022	• As a number of African countries are likely to emerge out of the recent crises with elevated fiscal risks – use CABRI's past policy dialogue research material as a base to capacitate African countries
8. CABRI PDM Newsletter	28 February 2023	

COMMODITY CYCLE AND CHANGES IN GLOBAL FINANCING CONDITIONS

View from Credit Rating Agencies – Global Financing Conditions:

- Emerging Markets (EMs) Financial Conditions remain resilient
- Contagion through financial markets (exchange rates and sovereign spreads) and macro channels seem contained
- According to Moody's – EMs Financial Conditions Indicator moved one standard deviation below its long-term average driven mainly by Russia
- Good strategy may be for public debt managers in Africa to understand the underlying causes of spread movement (CABRI Newsletter 4, page 2, November 2021)

COMMODITY CYCLE AND CHANGES IN GLOBAL FINANCING CONDITIONS

View from Credit Rating Agencies – Commodity Prices:

- The surge in global oil, metal, and food prices due to Russia's invasion of Ukraine largely expected to create inflationary shock to EMs than advanced economies
- Given higher share of raw goods in the inflation basket of many EMs, this may exacerbate price increases
- Evidently, due to supply risks prices of agricultural commodities such as wheat, sunflower oil and corn have also increased
- Weaker credit ratings could also mean external market access at affordable terms becomes challenging for sovereigns, which is likely to increase liquidity risks

COMMODITY CYCLE AND CHANGES IN GLOBAL FINANCING CONDITIONS

View from Investment Banks – Global Financing Conditions:

- Seem to offer a balanced view on concerns about tighter global liquidity conditions and impact on EMs
- Note that some EM hiking cycles have been ahead of the Fed, thus creating real rate buffers for EMs
- Differentiated EM asset performance likely to benefit EMs asset returns in a challenging environment
- Increasingly see recommendations to buy and/or overweight EMs that are positively exposed to the surge in commodity prices (e.g., South Africa) and net-oil exporters such as Nigeria in investors' portfolios

COMMODITY CYCLE AND CHANGES IN GLOBAL FINANCING CONDITIONS

View from Investment Banks – Commodity Prices:

- High commodity prices boost the terms of trade of many emerging markets
- Some investment banks' research indicate a clear correlation between recent returns in EM assets and commodity exposure with countries such as Angola and Gabon being amongst the best performers for the past three months (see Barclays EM Quarterly Research Report, March 2022)
- However, bond markets have shown less dispersion than the more dispersion of country risk in the African region, due to rising inflation and tighter monetary conditions
- Inverted YC in the US, which implies pending recessionary conditions may cut short the longer tightening cycle

INNOVATIVE FINANCING SOLUTIONS TO FUND POST PANDEMIC RECOVERY

Extract – CABRI Case Study, "Exploring ESG & Sustainable Finance Solutions for African Sovereigns":

- Meeting challenges of climate change as well as other sustainable development goals (SDGs) will require the continent to take advantage of diverse range of innovative financing solutions
- Demand Side – huge infrastructure gaps mean no shortage of projects or industries in need of green financing across the continent
- Supply Side – growing trend in global finance to contribute to sustainable goals by investing with an ESG focus
- Government of Benin and others that followed provide an illustrious example of pushing the boundaries to further increase debt transparency and accountability

INNOVATIVE FINANCING SOLUTIONS TO FUND POST PANDEMIC RECOVERY

Challenges/Questions:

- While according the case study – thematic bonds may not be appropriate for every African sovereign given their stage of market development, political commitment and general macro conditions, it can be an important step for African governments to demonstrate purpose behind borrowing:
  - Any improved lending terms you may be seeing in favour of sovereigns?
  - Are there challenges with debt transparency and accountability issues?
  - Any further lessons to share?

Thank you

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