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Managing government debt in a volatile world.

The evolving debt landscape in Africa presents both risks and opportunities in an era of global market uncertainty. In this analysis, Noxolo Pule, Principal of Debt Capital Markets (Specialised Distribution) at Nedbank CIB, offers insights into the strategies and tools needed to strengthen financial resilience.

Africa's current debt challenges reflect an evolving narrative, shaped by global market volatility and the urgent need to build resilience into financial systems across the continent. Against this background, the upcoming Global Banking & Markets Africa Bonds, Loans & ESG 2025 Conference in March offers an opportunity to reframe debt strategies, shifting focus from short-term reactions to long-term frameworks that prioritise stability and growth.

For African nations, the balance between hard and local currency borrowing is central to this financial resilience. Without robust domestic capital markets, governments will remain vulnerable to the unpredictable nature of external funding conditions. When fully developed, these markets provide a dependable safety net, enabling nations to meet fiscal obligations during global disruptions. South Africa's local capital market stands as an example of this resilience. Extending similar successes across the continent requires deliberate policies that encourage innovation and broaden market accessibility.

The importance of macroeconomic stability cannot be overstated. Governments that uphold disciplined fiscal management and flexible exchange rate policies are better positioned to weather external economic shocks and instil confidence among investors. Nigeria's recent Eurobond issuance highlights progress – but it also underscores the risks of missed opportunities. While the return to international markets signals recovery, the shorter maturities chosen reflect the ongoing need for strategic liability management. For sustainable outcomes, governments should prioritise the careful spreading of debt maturities and work closely with financial advisers to align borrowing decisions with long-term fiscal goals.

Timing in debt issuance plays a decisive role in shaping outcomes for African sovereigns. During periods of declining global interest rates, nations can secure long-term financing under more favourable conditions. The projected decrease in base rates over the coming year provides a window of opportunity for governments to issue longer-tenor bonds, reducing borrowing costs while aligning with principles of fiscal sustainability. Acting strategically within this time frame will be essential for optimising financial outcomes.

Sustainability lies at the core of effective debt management. The defaults experienced by Ethiopia, Ghana, and Zambia are stark reminders of the consequences of unsustainable debt practices. Borrowing should focus on initiatives that provide measurable economic and social benefits, with a strong emphasis on efficient and transparent allocation of funds. Comprehensive debt sustainability analyses, coupled with clear reporting on fund usage, are vital for maintaining investor trust and securing long-term financial stability.

Eurobonds have become a cornerstone of Africa's financial toolkit, funding essential infrastructure projects such as Kenya's freeway system. However, their potential has been undermined in cases of poor

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governance, as demonstrated by the 'tuna bond' scandal in Mozambique. To fully leverage the benefits of Eurobonds, governments should prioritise the establishment of robust governance frameworks and proactive engagement with investors to rebuild confidence. Clear accountability and consistent communication will ensure these instruments are used to support meaningful development.

The emergence of ESG-linked funding mechanisms is reshaping Africa's sovereign debt landscape. Instruments like sustainability-linked bonds, social bonds, and debt-for-nature swaps align financing with global environmental and social priorities, offering the dual benefits of expanding the investor base and addressing sustainability challenges. Initiatives such as the Seychelles blue bond demonstrate the promise of these tools. However, scaling their impact requires an expanded ESG-focused investor pool and strengthened collaboration between governments, multilateral institutions, and private sector stakeholders.

Multilateral development banks and development finance institutions remain indispensable in stabilising Africa's debt ecosystem. Their involvement not only improves credibility but also mitigates risk perceptions and attracts broader investment opportunities. Successful examples, including Ghana's ESLA bond and innovative special-purpose vehicle structures tied to energy revenues, highlight the transformative role these institutions play. By bridging the gap between public and private stakeholders, multilaterals are driving financial innovation and advancing Africa's economic sustainability.

African banks are uniquely positioned to reshape debt strategies on the continent. Their understanding of local market dynamics equips them to craft solutions that address regional challenges effectively. By leveraging their expertise, these institutions can reduce risk premiums, promote responsible borrowing practices, and give the tools governments need to navigate complex financial landscapes.

Trust and transparency form the bedrock of any sustainable debt strategy. Governments should ensure that borrowed funds are used responsibly and produce tangible benefits for citizens. Regular engagement with international investors, through roadshows and ongoing updates, helps to counter misconceptions and highlight the diversity of economic opportunities within Africa. South Africa's proactive engagement with stakeholders provides a strong example of how transparency can improve market access and borrowing conditions.

As the global financial community gathers for the upcoming Global Banking & Markets: Africa Bonds, Loans & ESG 2025 Conference, the focus must shift towards actionable solutions that drive progress. By embedding sustainability, prioritising collaboration, and encouraging innovation, Africa can move beyond short-term remedies and lay the groundwork for a resilient financial future that drives progress and development.