Periphery or Battlefront: Africa in the International Economy

Kazue Demachi
Lecturer, African Studies Center – Tokyo University of Foreign Studies, Japan

Abstract
The resource-rich African economies experienced rapid growth in the 2000s, largely due to high international resource prices and foreign direct investment inflows. The boom was mainly natural resource-led and short-lived, similar to the experiences of African countries in the past. Furthermore, for most of the countries, the recent boom did not result in significant industrial growth. However, the high resource prices and discovery of new natural resource reserves during the boom in some of the countries opened a way to the international capital market through the issuance of Eurobonds. The history of sovereign defaults suggests that the debt financing of government expenditures, especially private and foreign-owned debt, requires serious care. It must be asked whether this is a delightful acceptance of Africa into the international financial market, or a premature securitisation of African development.

Key Words
sovereign debt, resource curse, Africa, Eurobond.

1. Introduction

African economies have often been referred to as having been ‘left behind’ by the rapidly changing global economy and its development. However, since the beginning of the 2000s, the economies have finally begun to grow, after decades of stagnation, largely due to high international resource prices and foreign direct investment inflows, with the exception of a few resource-poor countries. The boom had already reached its peak and lost momentum when the Chinese economy began to slow down in 2013. While a close evaluation of achievements through economic changes during the above-mentioned boom time in Africa is required, the high international resource prices and discovery of new natural resource reserves in some African countries have brought a clear change to the macroeconomic management of those countries. For example, those countries have gained new access to the international capital market through the issuance of Eurobonds. While issuance in the foreign capital market is not rare for emerging economies, most of it was by the Latin American and other middle-income countries, but not Sub-Saharan Africa. While the introduction of foreign private money into development and macroeconomic management seems to be largely welcomed by the governments of the respective African countries, several points require close consideration.

This paper first briefly reviews the recent economic situation in the Sub-Saharan African (SSA) countries and changes in the way they finance their economies. It then discusses problems specific to the resource-dependent economies in terms of foreign borrowing. An example of a resource-dependent Eurobond issuer, Ghana, is also briefly discussed. The last section discusses the risks of sovereign default and its influence on development, based on the past experiences of other emerging economies.

2. African Economic Growth in the 2000s

African economies have grown at a relatively high rate in the 2000s, though the growth rate has been declining since 2013, as shown in Figure 1. This slowdown is largely due to changes in China’s economy. The other oft-cited reason (though closely related to the former) is the stagnation of international resource prices.

The positive economic growth is indeed remarkable for African countries, even though it is slowing down, given the long period of stagnation since the 1980s. However, we have good reason to be cautious after a boom. The last boom for African economies, in the 1960s and 1970s, was also commodity- led. During this time, the countries accumulated international debts, both bilateral and multilateral, resulting in a debt crisis and the introduction of a special initiative to cancel debt.

As many as 34 countries in Africa were eligible as Highly Indebted Poor Countries (HIPCs) by the World Bank (WB) and the International Monetary Fund (IMF). The HIPCs framework aims to provide eligible countries with relief from the burden of debt payments in an effort to reduce poverty. Most of the African HIPCs had reached the decision and completion points by the 2000s, and their economies started to pick up again. This can be viewed as the result of the debt reduction/cancellation and the success of the framework. However, a much stronger pull factor exists in changes in the trends of the international economy. While some countries made progress in reforming their macroeconomies during the special scheme for HIPCs, most of the countries had begun to accumulate debt again, though gradually, by the end of the process. This suggests that the countries’ basic macroeconomic structures have not changed significantly.

However, reflecting the growth of African countries, and closely connected to the financial situations in advanced economies, there was a clear shift in the attitude of the market toward the SSA economies.

‘Innovative Financing Mechanisms’

A publication by the WB, titled *Innovative Financing for Development*, edited by Ketkar and Ratha (2009), is a remarkable example of how the international market and the policies of the international development society have changed in the 2000s. Here, the innovative mechanism refers to the introduction of private money to finance the development of emerging, or developing countries, such as through issuances of Eurobonds.[1] Since the publication, some African countries have begun issuing sovereign bonds in the international capital market.

Brady Bond

The issuance of sovereign bonds by emerging economies is not new. A market mechanism was previously introduced into the sovereign problems of development financing, especially in emerging economies.

When the accumulated debt problem of Mexico and other countries started to emerge during the international debt crisis in the 1980s, U.S. Treasury Secretary Nicholas Brady applied a market mechanism to solve the sovereign debt problem, and the bonds issued at that time, in exchange for the non-performing loans held by private banks, were called ‘Brady bonds’. The scheme was praised as a ‘market-based solution’ to sovereign debt problems. The idea of the Brady bond was welcomed by both sides, the creditors and the debtors, because it increased the recovery rate for non-performing loans held by syndicates of international private banks and decreased the repayment burden of debtor countries.

The experience with Brady bonds in the 1990s paved the way for emerging countries to borrow in the international market. For the government of an emerging economy, access to the international capital market means an opportunity to raise money without depending on official development aid or lending from the IMF, free from conditionalities and other limitations.

In this sense, the issuance of a Eurobond is indeed innovative for governments in need of cash, that had limited access to capital. However, it is clear that the true innovativeness of the market-based solution is not for the debtor governments, but for the others. It is innovative for the development society that must watch over the management process of the lent money and often must bear the cost of default. It is even more innovative for international banks, which had bitter experiences with sovereign loans in the 1980s, because they no longer need to deal with sovereign risk by themselves. Their risk-loving customers are now buying the sovereign bonds of emerging countries. The international financial environment, after a long period of low international interest rates and declining yields, also welcomed the entry of high-risk–high-return sovereign bonds issued in the international market.

A sovereign debt problem is a critical issue for the international society, especially when money is raised in the international market, because in the case of default it may trigger an international financial crisis, as was feared in the 1980s and during the recent Greek bond crisis. However, in the well-extended international market of today, the risk of default by a relatively small developing economy is minor. In the case of SSA countries, the average loan size is even smaller than that of other emerging economies, though the amount itself is large in relation to their economic size.

[1] It is noteworthy that while the IMF seems to be relatively cautious in introducing private money into African development, the WB is more positive. The difference in their attitudes is revealed in publications such as Mecaguni *et al*. (2014) and in their behaviours. For example, the WB partially guarantees the bond issuance of Ghana, while the IMF seems to be more cautious.

3. Africa and Eurobonds

The issuance of Eurobonds by SSA countries started to increase in the 2000s. As reviewed above, most of the African HIPCs completed the scheme for debt cancellation in the middle of the 2000s (IMF 2016). At the same time, some economies started to grow, led by high international resource prices and foreign direct investment, mainly into the extractive sectors. As some of the SSA economies entered the category of middle-income countries, money began to flow into the service sector as well (UNCTAD 2014).

According to information published by the international rating companies, one of the earliest entrants into the international capital market, aside from South Africa, was Botswana. West African countries such as Senegal, Benin, Cameroon, Burkina Faso, and Mali also started earlier. However, the rush of African governments for a nomination in the ratings started around 2011 (Standard & Poor's 2017, Moody's 2017). While having a rating by these companies does not necessarily result in an issuance of Eurobonds, and vice versa, it suggests that many of the SSA governments started to contemplate access to the international market in the 2000s.[2] According to statistics by the Bank for International Settlements, the issuance of bonds began to increase in 2007. Available data show that Côte d'Ivore, Gabon, Namibia, Ghana, Kenya, Senegal, and Nigeria started to increase their bond issuances around that time. Figure 2 confirms that issuance speeded up in 2013. As of the end of June 2017, the country with the largest international private debt outstanding was Ghana, closely followed by Côte d'Ivore.[3]

Given the entry of many African countries into the international capital market, and the fact that many of them were HIPCs until the middle of the 2000s, it is no wonder that almost half of the rated sovereign bond issuers today are categorised as 'speculative grade', with their bonds referred to as 'junk' (Moody's 2017).

According to an IMF report on Eurobonds issued by SSA countries, the debt maturity (tenor) is, on average, 10 years, and the yield (coupon) is, on average, 8.5% (Mecagni *et al.* 2014:7). The coupon rate appears to be high compared to concessional loans, but as part of the HIPCs framework, new borrowing from other governments or international institutions should have been restricted. For governments that had to resort to borrowing from the domestic market at a very high interest rate, the coupon rate must be attractively low.

4. Natural Resource-Dependent Economies

Economics textbooks suggest that borrowed money must be invested, not consumed, to make a profit for future repayment. However, in the case of the Eurobonds issued by African countries, the distinction between investment and consumption is already vague from the issuance, because it is widely known, and even publicised, that the proceeds from the Eurobonds are used to restructure the remaining debt in some countries.

Indeed, there are a number of reasons to believe that investing is not straightforward for African countries. Many, though not all, Eurobond-eligible countries in the SSA region are natural resource exporters. While an endowment of natural resources is often regarded as a promising sign of high national revenue and growth, the reality is not that simple.

---

[2] According to Mecagni *et al*. (2014), most of the Eurobond issuances by African countries occurred well before the completion of debt cancellation, and some countries used Eurobond proceeds to restructure their debt.

[3] The outstanding debt of Nigeria is by far the largest if non-government bond issuance in the international capital market is included.

The economic problems of countries dependent on exhaustible natural resources are often called the resource curse (Auty 1990, Gelb *et al.* 1988, Sachs and Warner 2001). While a wide range of problems, from the Dutch disease to corruption, violence, and domestic conflict, are included in the resource curse, a feature specific to a resource-dependent economy is declining export-oriented industries other than that of natural resources, whether it be manufacturing or agriculture (Corden and Neary 1982, Corden 1984, Karl 1997, Collier and Hoeffler 2000).

Weak Manufacturing

Regard industrial structures and their shifts within economies from manufacturing to services, Rodrik (2016) argues that manufacturing industries in the world economy today tend to peak at lower GDP levels than already industrialised economies did. He also argues that most SSA countries, except for Mauritius, will see their manufacturing sectors decline, without achieving industrialisation. While this suggestion is striking by itself, it indicates the problem of the economic structure of most African countries. Preserving the colonial-type trade characteristics of commodity exports, with less value added, Africa has been suffering from a weak manufacturing sector, especially for exports.

While it is not easy to identify whether the decline of manufacturing (and agriculture, in the case of Africa) is the cause or the result of natural resource exports, this decline clearly indicates that the governments of resource-dependent countries do not have many options to invest domestically using the money raised through issuing Eurobonds. While most of the governments are aware of the necessity of fostering the manufacturing sector to diversify the economy, the development of an industry obviously takes too long to reap the investment return for short-term debt repayments.

The Deficits

Another feature of resource-dependent economies is the boom-and-bust cycle of resource revenue, given the short-term cyclical movement of international prices, which often results in a chronic budget deficit. The mechanism behind this is more likely explained by human psychology than by economic theory. When revenue increases, it is easy to increase expenditures, but it is difficult to reduce spending once revenue decreases. Believing that the downturn will not last long, people tend to increase their borrowing. Aside from this problem, most African countries suffer from a weak tax collection system, which leads to a chronic budget deficit to meet the high demand of spending for development projects.

Another issue associated with rapidly growing economies is that imports tend to grow much faster than exports, resulting in a chronic trade balance deficit. In Sub-Saharan Africa, a few countries, such as Zambia, have recently managed to maintain their trade balance, but most of the countries continuously run a trade deficit. Furthermore, the characteristics of the economies as developing countries drives the demand for imports of capital goods, which results in a current account deficit.

The negative international balance of payments, coupled with the government budget deficit, makes the prospect even more difficult. As a result, in many SSA countries Eurobond issuance is enabled, implicitly or explicitly, using future natural resource revenue as collateral.

5. The Case of Ghana

Long before the colonisation by the West, the economy of the region now known as Ghana depended on gold exports. The economy started to export cacao in the colonial period, which strengthened the dependence of the economic structure on commodity exports. The expectation of off-shore oil was strong under British rule, but subsequent discoveries were not on a commercial scale. The expectation

of oil in Ghana remained strong even after independence, with exploration continuing both on land and off the Tano basin.

In 2007, Kosmos Oil and Tullow Oil announced the long-awaited discovery of off-shore oil. Commercial production started, and oil revenue began to flow at the end of 2011. On the other hand, in 2007, Ghana gained access to the international capital market, despite its recent history as one of the HIPCs and the completion of the debt cancellation process just one year earlier. Ghana issued its first Eurobonds in 2007, mainly to repay domestic debt with its high interest rate.

With the prospect of future oil revenue, the government started to spend more than planned, partly to meet the expectation of the population and partly owing to the ruling party's hope of pleasing the constituency. The change started with an increase in the salaries of public servants, which resulted in a larger budget deficit and a further increase in short-term borrowing from the domestic market (WB 2015). The increase in domestic debt, however, also seems to be a consequence of the previous international debt and the HIPC initiative process. Figure 3 shows that Ghanaian borrowing from its domestic market started to increase even before the oil discovery.

After three issuances of Eurobonds and further deterioration in the macroeconomy, largely due to lower oil revenue than expected because of the low international energy price, the government approached the IMF to request a rescue in 2015. Ghana received three-year lending under the Extended Credit Facility of the IMF of SDR 664.20 million, or about USD 900 million as of March 2015 (IMF 2015). While receiving IMF support, Ghana issued a fourth Eurobond in 2015, with a partial guarantee by the WB, and a fifth in 2016. Thus, the debt outstanding at the end of June 2017 amounted to USD 6.5 billion. Because the first Eurobond, issued in 2007, already reached redemption in 2017, the repayment seems to have been accomplished using part of the Eurobond issued in 2016.

Repeated discussion and warnings against the issuance of Eurobonds by the domestic and international media and commentators notwithstanding, government expenditure seems to be increasing further. For example, the free senior high school (SHS) was introduced in September 2017, after the installation of the new regime in 2016. The introduction of the free SHS was part of the manifesto of the presidential election in 2016, but the announcement of its introduction was made on short notice, and there seems to be an ongoing dispute over the budget source and its sustainability.

Despite the dependence on commodities, such as gold, cacao, and now crude oil, the macroeconomy of Ghana has been relatively stable, especially when compared with its resource-rich neighbour, Nigeria. This seems to be why Ghana has been successful in its series of Eurobond issuances. However, the case of Ghana still suggests that with a resource boom, even a relatively sound economy can slip away from prudent macroeconomic management. Recently, the cedi has been depreciating against the US dollar in nominal term, and with two-digit rate inflation the weak currency will place a greater burden on future debt repayments.

6. Discussion

Experiences of History

Table 1 shows a (selected) list of past sovereign bond defaults around the world. The table clearly shows that, until recently, most of the sovereign states that defaulted on foreign borrowing were emerging economies, especially in Latin and Central America. Since the recent international financial crisis, Greece and Cyprus have also appeared on the list. However, the most recent entry to the list is Mozambique, which is the first African country to have defaulted on a Eurobond.[4]

[4] The Republic of Congo was also reported to have missed a scheduled payment, but it subsequently made a full payment (Wigglesworth, Financial Times, 2016).

What can we learn from the experiences of the defaulting economies? Why are there so many repeated defaults, and what kind of impact does a sovereign default have on an economy's development?

Referring to the current situation, Haque *et al.* (2017) state that less financially reliable African countries can no longer depend on 'market discipline' in the sense that the market no longer censors debtors whose creditworthiness is in doubt. However, the issuance of Eurobonds also lacks an incentive mechanism, which is usually part of market-based contracts.

Absence of an Incentive Mechanism

The existence of repeated defaults and the long list of defaulting countries suggest that the mechanism of contract enforcement is malfunctioning in the case of international sovereign debt. Discussions of mechanisms of contract enforcement often employ agency theory to explain the relationship between contractors. For example, in the case of a financial contract, a listed company raises money by issuing shares. Here, the shareholders are the principal and the executives of the company are the agent, and their relationship is embedded in an incentive mechanism. To prevent moral hazard of the agent, shareholders have an incentive and a mechanism to monitor the executives through a managerial board. The executives, in turn, have an incentive to manage the business profitably so that their salaries increase. Here, the possible penalties are a reduction of their payment or dismissal, in a serious case. However, such an incentive mechanism is less clear in contracts between foreign creditors and sovereign debtors.

In the case of the Eurobonds issued by SSA countries, the principal (*i.e.* the international investors) are basically in favour of risk, in the sense that they are investing in a bond categorised as speculative grade. On the other hand, a debtor government should be responsible for growth, for the sake of the principal, but there is ample room for moral hazard.

Borensztein and Panizza (2008) suggest that there are four types of default costs for a bond-issuing government: reputation, possible sanctions in trade relationships, adverse effects on the domestic financial system, and political costs. These costs should prevent moral hazards and defaults. Borensztein and Panizza conclude that the negative effects of these economic costs do not last long, but that the political cost may be relatively large. However, as is often the case with African countries where political systems are not that stable, the regime that issued the sovereign bond is not likely to be in power at the time of redemption. As a result, there are almost no costs associated with sovereign default that are strong enough to enforce a contract.

The incentive mechanism suggested by Bulow and Rogoff (1989), on which the study by Borensztein and Panizza (2008) is based, seems to be more realistic in the current context. They suggest that a contract of sovereign borrowing cannot be enforced in small countries unless the lender acquires the legal right to seize the borrower's assets abroad, or to sanction (economically) the defaulting country. This idea is close to what happens in reality when Eurobonds are issued, and is called the 'innovative financial mechanism'. Ketkar and Ratha (2009) describe the system as 'securitisation of future-flow receivable', which means the future resource revenue is kept legally outside the borrower's country using a special purpose vehicle (SPV). Here, the future revenue serves as collateral, or even as direct payment to the investor. This suggests that for resource-rich countries, Eurobonds are no more than a loan of future resource revenue.

Twisted Market Discipline and Mechanism

While there seems to be neither strong enough market discipline nor a well-functioning incentive mechanism to force a debtor government to maintain sound macroeconomic management, the existence of an official guarantee by the WB makes the situation even more complicated. For example, in the case of Ghana, the existence of IMF support reflects a macroeconomic risk in the country, which should negatively affect the coupon rate (Haque *et al.* 2017). In contrast, the existence of the WB guarantee on the Ghanaian sovereign bond means a substantial increase in the expected value of the repayment to investors, because even when the possibility of default is high, the value at default is strictly non-zero. If the investors are not interested in the macroeconomic stability and growth of the debtor country (which is likely), but only in the expected return, support by international development institutions may be abused in favour of the 'market'.

The possible logic here is that whatever the market expectation is, it is worth offering a guarantee if doing so leads to a successful Eurobond issuance. However, with the existence of a guarantee, the already weak incentive mechanism for the contracts collapses, because it simply dilutes the sense of obligation of sound management, and the debtor government becomes even more prone to moral hazard.

Sovereign Default Impacts on Growth

However, the weakness of the incentive mechanism does not mean there is no cost of sovereign default for developing, and especially small, economies. The experiences of the Latin American countries tell us that sovereign defaults are often associated with currency crises and domestic financial crises, including domestic banking crises and high inflation, that result in slower growth (Reinhart and Rogoff 2009). However, as Trebesch and Zabel (2016) note in their analysis, the causality is not clear. On the other hand, Trebesch and Zabel (2016) and Asonuma *et al.* (2016) suggest that the severity of the impact of a sovereign default will depend on how the country deals with the default, but missing a scheduled payment may lead to a protracted decline in trade, investment, and growth.

Because most existing studies are based on the data and experiences of emerging economies (including South Africa) and on countries in the EU, these implications may not necessarily apply to the more fragile economies of African countries. However, the fact that most bond-issuers are past HIPCs means there is little reason to be optimistic about the impact of sovereign default.

Regarding the cost of default, a further concern that may threaten debtor countries in Africa is the existence of hedge funds, sometimes called 'vulture funds'. The basic strategy of these funds is to purchase the 'destructed bond' in the secondary market, and then 'hold out' in the debt restructuring negotiation and file a lawsuit against the debtor sovereign states to collect the original amount of the bond. Such behaviour in the international financial market, though clearly not illegal, has detrimental effects on solving the sovereign debt problems of emerging and developing economies, which deters the effort to stabilise the macro economy. The negative effects on the defaulting economy were well publicised in the case of Argentina, which defaulted (again) in 2001. Even though the problems with vulture funds are now on the agenda of the United Nations (UN) and the terms of collective action on debt contracts are widely noted, the risk still exists (UN 2016). Moreover, given the still relatively weak legal systems and very limited resources in African countries, the damage and trouble could be even more serious than in Latin American countries.[5]

[5] In fact, a number of SSA countries have already had trouble with vulture funds. For detailed information, see the article on the homepage of the African Development Bank (https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-legal-support-facility/vulture-funds-in-the-sovereign-debt-context/ accessed on 18 October 2017).

7. Concluding Remarks

The acceptance of African countries into the international capital market is recent. However, this phenomenon can also be viewed as well-known part of the boom-and-bust cycles of resource-dependent economies, though in a new form. Based on the analyses of problems with resource-dependent economies since the 1980s, we now know that the strong cyclicality of an economy only deteriorates its long-term stability.

We must not forget that the recent acceptance of African countries into the international capital market reflects the situation in advanced economies. Low interest rates and low investment yields have led to increased demand for high-return investment targets. African sovereign bonds must be an extreme 'high-yield investment' for most sound investors in the international financial market, because they seem to be interested in low-risk, investment-grade securities. However, the increase in African sovereign bond issuances should remind us that, historically, unsightly greed in the international economy has often been realised at one end of the global economy, whether relatively poor parts of rich economies or in Africa.

While most of the HIPC countries have passed the completion point, we still need to ask whether the debt problems of African countries are truly over, or whether they are simply changing to another form. Given the introduction of market-based systems into the development of SSA, it is not clear who is responsible for the development of these legally weak and still economically fragile countries.

The struggles to tame the global financial mechanism to serve development and inclusive growth was fought mainly by Latin American countries in the 1990s and 2000s. Now, the battlefront is shifting gradually to Africa, and further research is needed regarding whether it is time for African economies to securitise their development, or whether this is still premature.

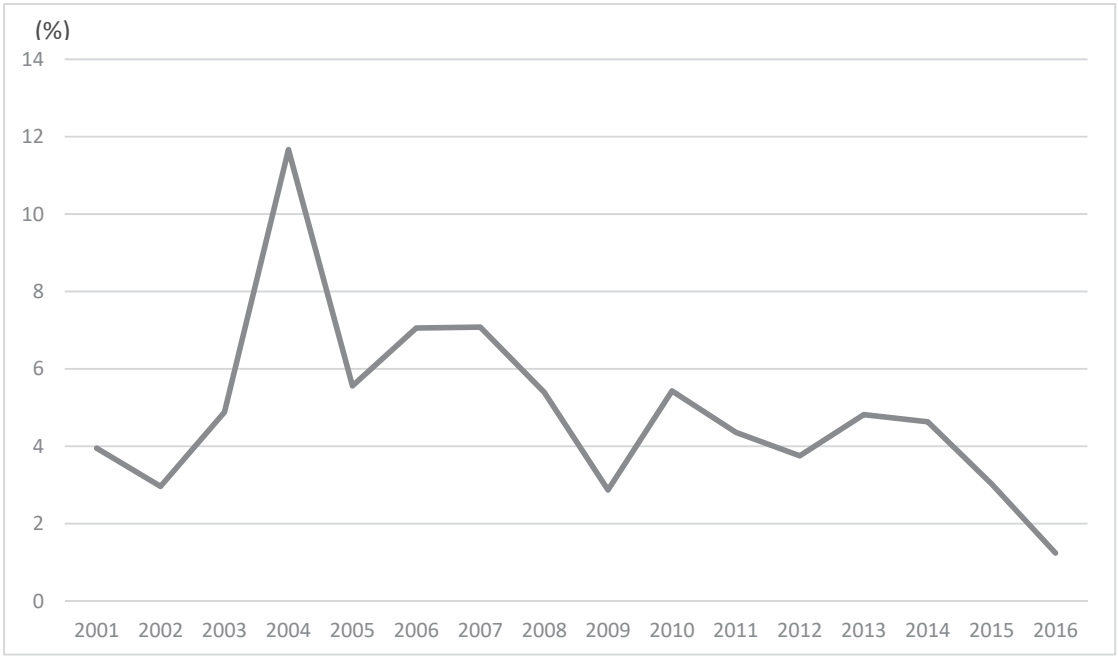
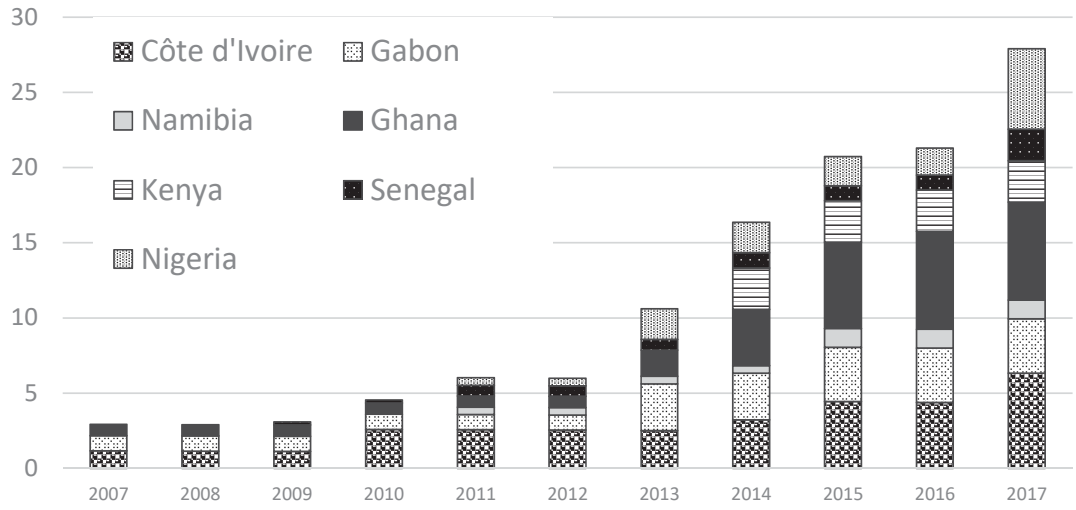


Figure 1: SSA countries GDP growth (annual rate, excluding high income)



Data source: BIS, debt securities statistics. 2017 data at the end of June.

Figure 2: SSA Gov. international debt outstanding (End of the year, billion USD)

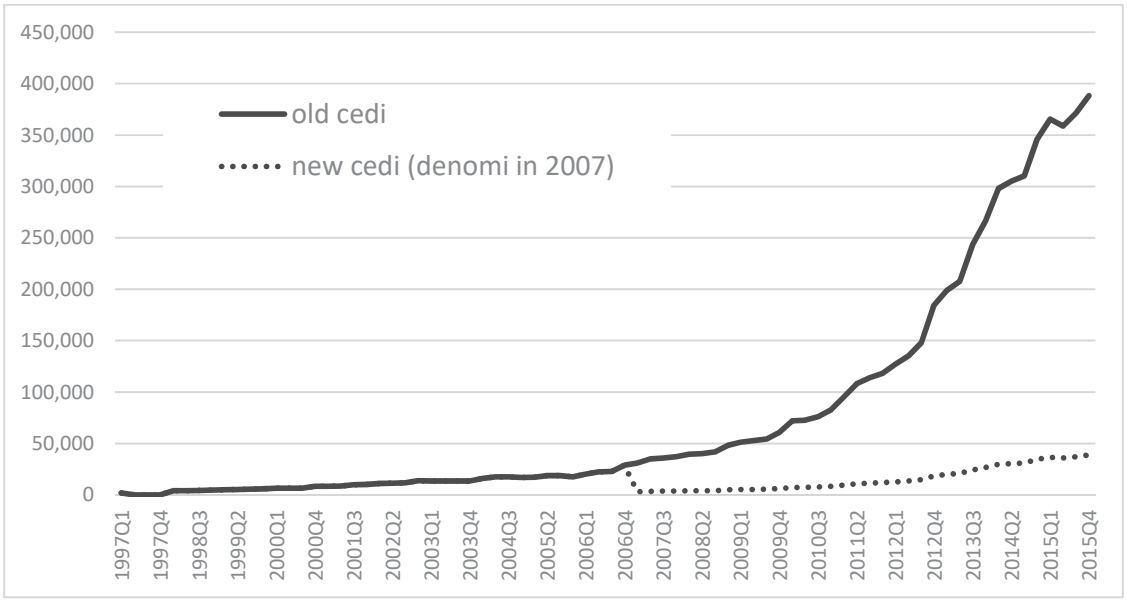


Figure 3: Ghana: Stock of domestic debt (total, billion cedi)

Table 1: Past sovereign bond default

Year	Country	Defaulted debt (Mil. US$)
1989	Argentina	–
1998	Venezuela	270
1998	Russia	72,709
1999	Pakistan	1,627
1999	Ecuador	6,604
2000	Ukraine	1,064
2000	Peru	4,870
2001	Argentina	82,268
2002	Moldova	145
2003	Uruguay	5,744
2003	Nicaragua	320
2005	Dominican Rep	1,622
2006	Belize	242
2008	Nicaragua	296
2008	Ecuador	3,210
2010	Jamaica	7,900
2012	Greece	261,478
2012	Belize	547
2012	Greece	42,076
2013	Jamaica	9,100
2013	Cyprus	1,311
2014	Argentina	29,439
2015	Ukraine	13,280
2016	**Mozambique**	698

Data source: Moody's 2017.

References

Asonuma, T., M. Chamon, and A. Sasahara 2016. 'Trade costs of sovereign debt restructurings: Does a market-friendly approach improve the outcome?' *IMF Working paper* WP/16/222. Washington, D.C.: International Monetary Fund.

Auty, R. 1990. *Resource-Based Industrialization*. Oxford: Clarendon Press.

BIS 2017. 'Debt securities statistics'. Bank for International Settlements (http://www.bis.org/statistics/secstats.htm / accessed on 18 October 2017).

Borensztein, E. and U. Panizza 2008. 'The costs of sovereign default'. *IMF Working Paper* WP/08/238. Washington, D.C.: International Monetary Fund.

Bulow, J. and K. Rogoff 1989. 'Sovereign debt: Is to forgive to forget?' *The American Economic Review* 79(1): 43–50.

Collier, P. and A. Hoeffler 2000. 'Greed and Grievance in Civil War'. *Policy Research Working Paper* 2355. Washington, D.C.: The World Bank.

Corden, M.W. 1984. 'Booming sector and Dutch disease economics: Survey and consolidation'. *Oxford Economic Papers, New Series* 36(3): 359–380.

Corden, M.W. and J.P. Neary 1982. 'Booming sector and de-industrialisation in a small open economy'. *The Economic Journal* 92: 825–848.

Gelb, A. and associates 1988. *Oil Windfalls: Blessing or Curse?* New York: Oxford University Press.

Haque, T.,J. Bogoev, and G. Smith 2017. 'Push and Pull: Emerging Risks in Frontier Economy Access to International Capital Markets'. *MFM DISCUSSION PAPER* 17. Washington, D.C.: The World Bank.

IMF 2015. *IMF Country Report* 15/103. Washington, D.C.: International Monetary Fund.

IMF 2016. *Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Statistical Update*. Washington, D.C.: International Monetary Fund.

Karl, T.L. 1997. *Paradox of Plenty: Oil Booms and Petro-States*. Berkeley and Los Angeles: University of California Press.

Ketkar, S. and D. Ratha (Eds.) 2009. *Innovative Financing for Development*. Washington, D.C.: The World Bank.

Mecagni, M., J.I.C. Kriljenko, C.A. Gueye, Y. Mu, M. Yabara, and S. Weber 2014. *Issuing International Sovereign Bonds: Opportunities and Challenges for Sub-Saharan Africa*. Washington, D.C.: International Monetary Fund.

Moody's 2017. 'Sovereign default and recovery rates, 1983–2016'. *DATA REPORT* 30 June 2017.

Reinhart, C.M. and K.S. Rogoff 2009. *This time is different*. Princeton and Oxford: Princeton University Press.

Rodrik, D. 2016. 'Premature deindustrialization'. *Journal of Economic Growth* 21(1): 1–33.

Sachs, J.D. and A.M. Warner 2001. 'The curse of natural resources'. *European Economic Review* 45: 827–838.

Standard & Poor's 2017. 'Default, Transition, and Recovery: 2016 Annual Sovereign Default Study And Rating Transitions'. *RatingsDirect*.

Trebesch, C. and M. Zabel 2016. 'The Output Costs of Hard and Soft Sovereign Default'. *CESifo Working Paper* 6143.

UN 2016. *Sovereign Debt Restructurings: Lessons learned from legislative steps taken by certain countries and other appropriate action to reduce the vulnerability of sovereigns to holdout*

creditors. New York: The United Nations.

UNCTAD 2014. *World Investment Report 2014*. New York: United Nations Conference on Trade and Development.

WB 2015. 'New World Bank Guarantee Helps Ghana Secure $1 Billion, 15-Year Bond'. FEATURE STORY. November 18, 2015. <http://www.worldbank.org/en/news/feature/2015/11/18/new-world-bank-guarantee-helps-ghana-secure-us1billion-15-year-bond>.

Wigglesworth, R. 2016. 'Republic of Congo set to cure bond default'. Financial Times. <https://www.ft.com/content/211b49a3-be5b-3759-ad72-f5098c613a1d>.