Discussion:
The African Debt Rush: Assessing Effects of Sovereign Bond Issuance in Sub-Saharan Africa

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Summary and Evaluation I

Many sub-Saharan countries have experienced much growth and inflow of capital over the past decade and issued a substantial amount of sovereign bonds in the international capital market.

Issuing bonds denominated in a foreign currency carries with it big risks, especially for economies with limited diversification and large dependence on exports of only one or two commodities to generate foreign currency reserves.

The paper provides a comprehensive background and descriptive analysis for nine countries: Congo, Côte d’Ivoire, Gabon, Ghana, Namibia, Nigeria, Rwanda, Senegal, and Zambia.

A new, unbalanced panel dataset is constructed for the nine countries at the monthly frequency and is used to estimate several econometric models for average yield on each country’s Eurodollar bonds.
Summary and Evaluation II

Main finding: Factors outside the control of the bond-issuing sub-Saharan countries—U.S. T-Bill rate, commodity prices, market volatility (VIX)—all seem to affect bond yields.

Overall, I find the paper interesting, especially since it addresses an understudied topic. However, the depth of the current analysis is limited. As the authors seem to suggest, it is only the beginning of what could potentially become a comprehensive study.

I sympathize with the authors and share their concern about the dearth and low quality of data for sub-Saharan Africa. However, I think the authors should provide more discussion of this issue and, in particular, comment on how measurement error could affect their results.

There is an apparent puzzle that merits more analysis and a careful explanation: If these sovereign bonds are so greatly oversubscribed (i.e., in high demand), how come the yields on them are so very high?
Substantive Comments

The motivation component should be strengthened. The $9B in bond sales’ example is not compelling without a clarification: $9B is a tiny amount in the international capital market. Perhaps you could show that $9B is large relative to relevant GDP size, state expenditures, etc.

The background and literature review components should include some discussion of the 1997 Asian financial crisis. Bad experience of such developing countries as Indonesia can help illustrate inherent dangers of a currency mismatch.

*Note:* a currency mismatch occurs when a country’s assets are denominated in its domestic currency, but its liabilities are denominated in a foreign currency.

Perhaps I misunderstand something about your econometric analysis. On p. 12, you indicate that unit-root test results support the presence of unit roots in all your main variables (i.e., non-stationarity). In that case, wouldn’t your analyses be subject to the usual spurious regression bias? Shouldn’t you go for analyses in **first differences** instead?
Other Comments and Suggestions I

Try to avoid grandiose or charged language. E.g., on p. 4 instead of saying “a blessed resource,” you may want to say “a valuable resource.”

Another example of “grandiose” language is on p. 7: “…such a huge appetite for African bonds.” Perhaps you could say “strong demand” instead.

In Figure 2 (p. 7), clarify if you report a simple average or a weighted average (say, using countries’ GDPs as weights).

Typically, notes to figures are included immediately below figures, rather than as footnotes on a page.

In Figure 3, it would be helpful if you explain the three-letter country name abbreviations or use full names instead (say, rotate them by 90°).
Other Comments and Suggestions II

On p. 8, when referring to Figure 4 you draw attention to a jump in the yields. I see a large jump at the end of 2008, but practically no jump in June 2013 which you seem to reference in preceding text.

In Figure 5, you have a total of 10 colored bars, but the figure legend lists only 8 countries. Two countries are missing.

Section 4 is entitled “Data and theoretical model.” However, no theoretical model per se is presented. Perhaps the section title should be changed to “Data and econometric approach.”

I could not figure out what is being reported in Table 3: test statistics, p-values, or something else. Also, why didn’t you test all variables for unit root? (You applied unit-root tests to only three variables)

In Eqs. (2) and (3), shouldn’t the dependent variable be un-lagged? I.e., $\log y_{it}$ instead of $\log y_{it-1}$?
Minor Issues I

p. 3: I don’t understand the phrase “…characteristic dependence few commodities defining…” Is “on” missing here?

p. 4: macroeconmic → macroeconomic

p. 4: causing, the country’s products: remove comma

p. 6: the word “data” is plural, not singular

p. 6: off my as much → off by as much

p. 6: African sovereigns → African countries OR African governments. When used as a noun, a “sovereign” usually means a “monarch.” However, it is OK to use “sovereign” as an adjective (e.g., “sovereign bonds”)

p. 7, footnote 4: in the summer 2014 → in the summer of 2014

p. 8: due in 2032 due to → due in 2032 as a result of
Minor Issues II

p. 9: issuances the past decade → issuances in the past decade

p. 10: nations terms of trade → nations’ terms of trade


p. 10: “can be understood as” → “are”

p. 20: revise Table 2 title (either “Summary statistics,” or “Descriptive statistics”)

p. 13: Solving model (1) → Estimating model (1)

Note: you are not literally solving any model in the paper. You are simply estimating econometric models