A review of the EBOMAF- GOL Pre-Financing Agreement

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The GOL- EBOMAF Pre-Financing Agreement: What's in it?

Prepared by: Center for Policy Action and Research, CePAR

Authors: Francis Kiazolu- Lead
M. Boakai Jaleiba, Jr
Stephen R. Johnson

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Overview

Infrastructure, according to the Liberia Constraints Analysis (LCA 2013), tops the list of economic growth constraints facing Liberia. Poor road conditions negatively impact business and transportation costs, agriculture production and rural lifestyle. During the rainy seasons, cost of goods distribution or transport from Monrovia, the hub of imported goods, to other counties and areas with poor road connectivity increase by about 53% (Liberia Marketing Survey, 2007). A survey of Liberian businesses in 2013 found that about 39% of respondents view transportation cost is a major constraint to business expansion and growth and overall economic growth (LCA, 2013).
On the agriculture side, poor road connectivity or infrastructure contributes toward lowering rice production or output by about 22.6 million metric tons per year. As estimated by the World Bank, Liberia has a rice output production potential of 22.8 million metric tons but we (Liberia) is currently producing an output of 295,150 metric tons. Also, approximately, 25% of small farmers benefit from the current farm-to-market road connection (LCA, 2013).

Also, poor roads network has greater negative impacts on the lifestyle, health and economic wellbeing of rural residents in that, it limits the movement of people for medical treatments to larger cities like Monrovia and Buchanan, hinders the expansion of business and commercial transactions, and movement of goods to and from these regions. This also has a direct impact on transportation cost that residents of these counties must bear when accessing Monrovia. However, it is evident that investment in roads connectivity will increase overall capital stock and generate significant impacts on the Liberian economy. Repairs of bridges and roads, for example, are estimated to yield 15-30% returns on cost and agriculture production (World Bank, 2012).

Now, given the benefits of infrastructure to the economy, the major concern of policymakers, local and international, development experts and regional and international development institutions is how to finance projects that will close or narrow the infrastructures gaps. This concern is more pressing for emerging and developing/low income countries – with Liberia among the poorest 56 countries.

Generally, there are two broad approaches to financing: Public- Private Partners and Budgetary Support. However, these conventional approaches are not bridging the infrastructure gap. Hence, new approaches by experts are being contemplated. One such approach recommends the use of public funds to finance construction and selling the operational rights and maintenance to private entity as a means of recycling the funds to other projects (Hausmann, 2018).

As we begin the discussion in Liberia over how to best finance infrastructure projects, this paper will: review and analyze the Loan Agreement between the Liberian Government and EBOMAF; provide economic implication for the increasing debt and infrastructure stock; and provide a historical prospective on previous loans as a reminder to policymakers.

Agreement Summary

The agreement entered into on May 16th, 2018, awards EBOMAF with $420,810,000.00 construction contract. The contract tasked EBOMAF to design, supervise and construct the following paved roads in three Years (36 months):

Project Legs	**Distance to be paved**
Somalia Drive via Kesselly Blvd to Sinkor, Monrovia	16km
Tappita to Zwedru Road	122km
Toe Town to Ivory Coast Road	10.2km
Zwedru to Greenville Road	185km

To finance the project, the Government of Liberia will issue Eurobonds at 6.5% coupon rate with 15 years maturity and 5 years grace period through EBOMAF and her banking partners, EBID and/or AFREXIMBANK, to be sold to investors. Proceed from the sale of the bonds will be disbursed by the Government of Liberia in four tranches:

- 30% of proceeds within 50 days of EBOMAF receiving a Sovereign Guarantee from the CBL
- 30% proceeds of after 40% of the project is complete
- 30% of proceeds after 100% of work is completed
- 10% of proceeds after 18 months after the completion of the project

Expenses relating to loaning facility, banking and transaction costs will be deducted from the total proceed of the bond as follow:

Loan Amount	**Expense**	**Expense Percentage**	**Dollar Amount**
$420,810,000	Participation Commission	0.5%	$2,104,050
$420,810,000	Arrangement Commissions	0.25%	$1,052,025
$420,810,000	Agent Bank Commissions	0.25%	$1,052,025
	Fees & Disbursement**		
	Facility Travel**		
		Total Expense	$4,208,100.00

** Expense will be undertaken by EBOMAF

Analysis

The $420,810,000.00 financing agreement between the Government of Liberia and Enterprise Bonkoungou Mahamadou & Fils (EBOMAF) is not a loan agreement but rather a construction contract or at best a construction financing agreement. In that, EBOMAF is not lending Liberia funds to be repaid later but rather Liberia is issuing a debt security (Eurobond) to finance the project that will be designed, supervised and constructed by EBOMAF.

The EBOMAF loan differs in characteristics from the Loan Agreement with Eton Finance Private Limited recently approved by the Liberian Legislature. Some of the key differences are:

Nature of Financing: as mentioned above, EBOMAF is not lending Liberia funds directly or indirectly that will be repaid later. Rather, Liberia is issuing a debt security (Eurobonds) through EBOMAF that will be sold to finance the construction project. In other words, EBOMAF will not be providing all the funds upfront to finance the project from start to finish. Funds will be provided in tranches from the sale of the bonds. This is a key differentiating feature of this financing agreement when compared to that of the Eton Finance agreement. In the Eton's agreement, full project financing funds will be provided before or immediately after the project's commencement.

Financing Risk: bonds issued do not always get full subscription, thus leading the issuer- (issuing countries)- to scale-back on intended total face value of the issue. Ghana experienced similar fate in August 2013 when its $1 billion Eurobond issue was scale-back to $750 million due to investors' concerns about her 2012 fiscal deficit, which was 12% of the country GDP (Olabisi and Stein, 2015). Now, given the project financing will be dependent on bond proceeds, and said proceeds will be received in tranches most likely after various rounds of bond sale by EBOMAF and its partners, completion of the project will be reliant on full subscription of the bond. If the bond experiences under-subscription, it could put the completion of the project in jeopardy.
This is another key differentiating feature of this agreement to that of Eton's. Under the Eton's agreement Liberia does not run financing risk that could threaten the completion of the project because we will have the full loan amount in less than three months of the agreement going into effect.

Loan/Financing Comparison

	Eton Financing Agreement	EBOMAF Financing Agreement
Amount	$536,400,000.00	$420,810,000.00
Interest Rate/Coupon Rate	1.46%	6.5%
Interest/Coupon Payments	$62,651,520	$273,526,500
Maturity	15 years	15 years
Debt Type	Conventional Loan	Eurobond
Full Loan Disbursement	5 Months	3 Years
Stated Project Length	48 Months	36 Months
Contractor	MAEIL Liberia Construction	EBOMAF GROUP
Total Repayment Amount	$599,051,520	$694,336,500

Key Findings

- Contrary to the terms of the ratified loan, this is not a pre-financing agreement. Rather it is a construction contract in which bonds will be issued by Liberia and the proceeds given to EBOMAF Group for the construction work.

- Total coupon payment is $273,526,500. When added to the principal amount of $420,810,000.00, total repayment amount is $694,336,500.00 over a 10-year period. Actual coupon payment against the principal after 10 years is 65%.

- When the bonds are fully issued or fully subscribed, total external debt obligation will be $1.9 billion dollars excluding other maturing commitments.

- In 2026, new repayment obligation from both loans will be more than US$72.6m (excluding payments on other maturing loans). If the average repayment on domestic and external debts over the last 4 years is considered, by 2026, total repayment will amount to $102.6m. This will be drawn against a national budget forecast of US$600m.

- The EBOMAF loan is a construction contract wrapped as a loan agreement. The loan grants a construction contract without international competitive bidding. There is no attestation from the Public Procurement and Concession Commission, and debt sustainability analysis and debt to GDP analysis.

- As of the date of this publication, no project document on the technical details of the targeted road is available. Also, no economic or social rate of return analysis, and environmental or social impact analysis. Furthermore, the Government of Liberia has not published analysis on employment estimates, income or future revenues that will accrue from the project. No projection of future economic output and estimates on new industries or business activities that will spring up along the infrastructure corridors. These analyses are important to understanding the full value of the project and getting an insight into the government repayment plan and ability.

- Liberia’s Public Financial Management Act of 2009 instructs a debt management committee meeting and an approval of loans aimed at ensuring responsible borrowings. From all indications, there is no proof that there was a Debt Management Committee meeting held.

Bond Coupon Payment Amortization Table -EBOMAF Financing Agreement

(Par Value: $420,810,000; Years: 10; Coupon Rate of 6.5%)

Period	Beginning of Period Cost Basis	YTM on Beginning Cost Basis	Coupon Interest for the Period	Premium Amortization for the Period	End of Period Cost Basis
1	0	0	$ 27,352,650.00	(27,352,650.00)	(27,352,650.00)
2	(27,352,650.00)	0	$ 27,352,650.00	(27,352,650.00)	(54,705,300.00)
3	(54,705,300.00)	0	$ 27,352,650.00	(27,352,650.00)	(82,057,950.00)
4	(82,057,950.00)	0	$ 27,352,650.00	(27,352,650.00)	(109,410,600.00)
5	(109,410,600.00)	0	$ 27,352,650.00	(27,352,650.00)	(136,763,250.00)
6	(136,763,250.00)	0	$ 27,352,650.00	(27,352,650.00)	(164,115,900.00)
7	(164,115,900.00)	0	$ 27,352,650.00	(27,352,650.00)	(191,468,550.00)
8	(191,468,550.00)	0	$ 27,352,650.00	(27,352,650.00)	(218,821,200.00)
9	(218,821,200.00)	0	$ 27,352,650.00	(27,352,650.00)	(246,173,850.00)
10	(246,173,850.00)	0	$ 27,352,650.00	(27,352,650.00)	(273,526,500.00)
		Total Coupon Payment	$273,526,500.00		

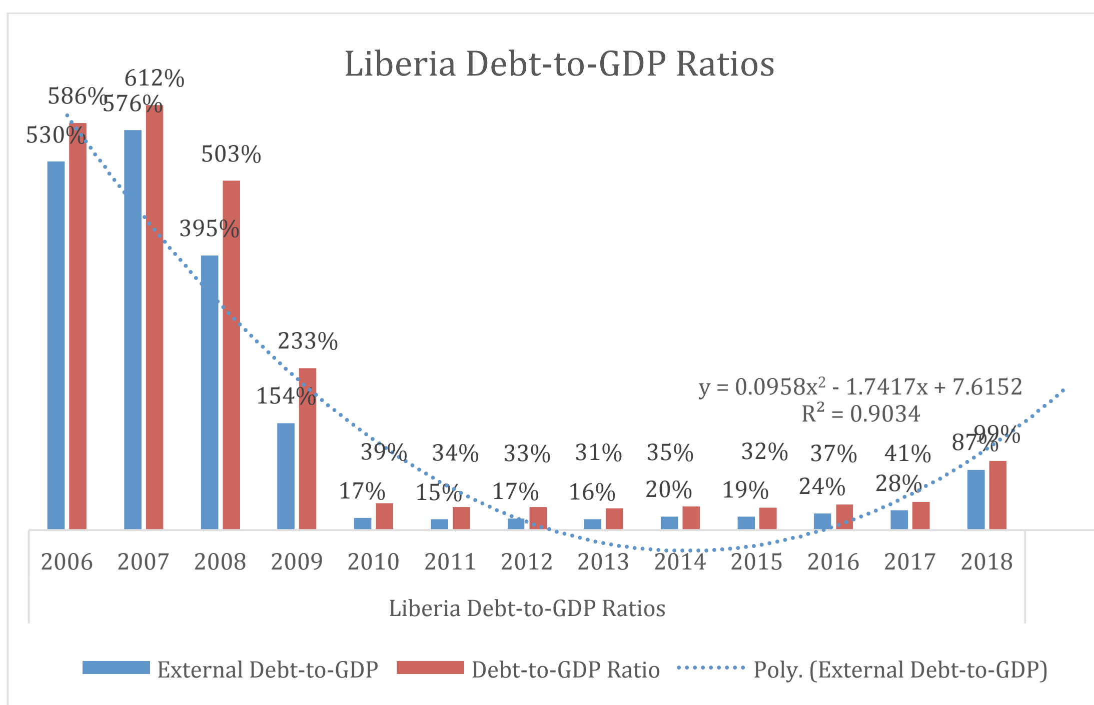
Analysis of Liberia's burgeoning Debt Portfolio

Liberia's debt to GDP ratio is 34.50% (Brookings Institution, 2018). This excludes recent ratifications by the legislature of two loan agreements with ETON Finance PTE Limited and EBOMAF GROUP, SA. Inclusive of the ETON Finance and EBOMAF loans, the total external debt obligation is $1.9bn United States Dollars. When domestic debt is included and paired against GDP, the debt to GDP ratio is over 99%, thus placing Liberia among the highest and fastest growing indebted countries in Africa.

Debt Category	2015	2016	2017	Eton Loan	EBOMAF LOAN	TOTAL
External Debt	$386.0	$502.9	$608.0	$599*	$694.3*	$1.9bn
Domestic Debt	$269.4	$268.3	$266.1			

*this amount includes Principal plus Interest/Coupon Payments – see amortization table; CBL 2017

High debt-to-GDP ratio hampers a country's ability to meet its external debt obligations and leads to higher interest rates on future borrowing because debts are primarily repaid using the analysis of total value of goods and services produced in the country. For a country relying on raw commodity exports and overreliance on imports of consumers' staples, and thus susceptible to negative commodity price shocks, a 40% debt-to-GDP is the recommendable level of debt burden (Gill and Karakulah, 2018). Furthermore, a June 2018 IMF Executive Board consultation further espouses the point that Liberia needs to anchor fiscal policy with the goal of ensuring debt sustainability over the medium term. This is unfortunately not happening. Loan acquisitions are going to sectors with little or no ability to raise revenue in the medium term thus posing a challenge for meeting debt obligations.



2017 Debt-to-GDP ratio was derived by multiplying 2017 GDP growth rate by 2016 GDP. And for 2018, expected growth rate was multiplied by 2016 GDP. ***GDP figures are from the IMF and Debt figures from CDL 2003-2017. ** 2018 ratios include total repayment of both loans plus 2017 external and domestic debt carry-forwards.

By 2024, when the EBOMAF loan matures, external loan repayment and other commitments excluding the Eton Loan will be about US$60m. At first inspection, this may look sustainable but when existing external and internal debt obligations are considered, total repayment could be around US$102 million per year. And by 2033 when the Eurobond matures (EBOMAF Loan), Liberia will be required to pay $420,810,000 (Face Value of the bond-) or must have paid the full amount to redeem the bond. This will exclude other commitments to ETON, AfDB and other multilateral lenders.

Yearly Repayment Amounts – Eton Loan and EBOMAF Financing Contract

Years	Eton Loan Repayments	EBOMAF Coupon Payments	Total Repayment
Year 1	$ 43,591,440.00	$ -	$ 43,591,440.00
Year 2	$ 43,069,344.00	$ -	$ 43,069,344.00
Year 3	$ 42,547,248.00	$ -	$ 42,547,248.00
Year 4	$ 42,025,152.00	$ -	$ 42,025,152.00
Year 5	$ 41,503,056.00	$ -	$ 41,503,056.00
Year 6	$ 40,980,960.00	$ 27,352,650.00	$ 68,333,610.00
Year 7	$ 40,458,864.00	$ 27,352,650.00	$ 67,811,514.00
Year 8	$ 39,936,768.00	$ 27,352,650.00	$ 67,289,418.00
Year 9	$ 39,414,672.00	$ 27,352,650.00	$ 66,767,322.00
Year 10	$ 38,892,576.00	$ 27,352,650.00	$ 66,245,226.00
Year 11	$ 38,370,480.00	$ 27,352,650.00	$ 65,723,130.00
Year 12	$ 37,848,384.00	$ 27,352,650.00	$ 65,201,034.00
Year 13	$ 37,326,288.00	$ 27,352,650.00	$ 64,678,938.00
Year 14	$ 36,804,192.00	$ 27,352,650.00	$ 64,156,842.00
Year 15	$ 36,282,096.00	$ 27,352,650.00	$ 484,444,746.00
Totals	$ 599,051,520.00	$ 273,526,500.00	$ 1,293,388,020.00

With loan repayments being the first claim on the national budget, and if the government compensatory trend continues, no evidence to suggest it will not, it is fair to predict by 2026, more than 70% of the national budget will be dedicated to compensation and payment of loans. Consequently, subsidies to key sectors like healthcare, education, youth development, agriculture and other basic social services could see funding cuts in the near future.

<u>Eurobond</u>

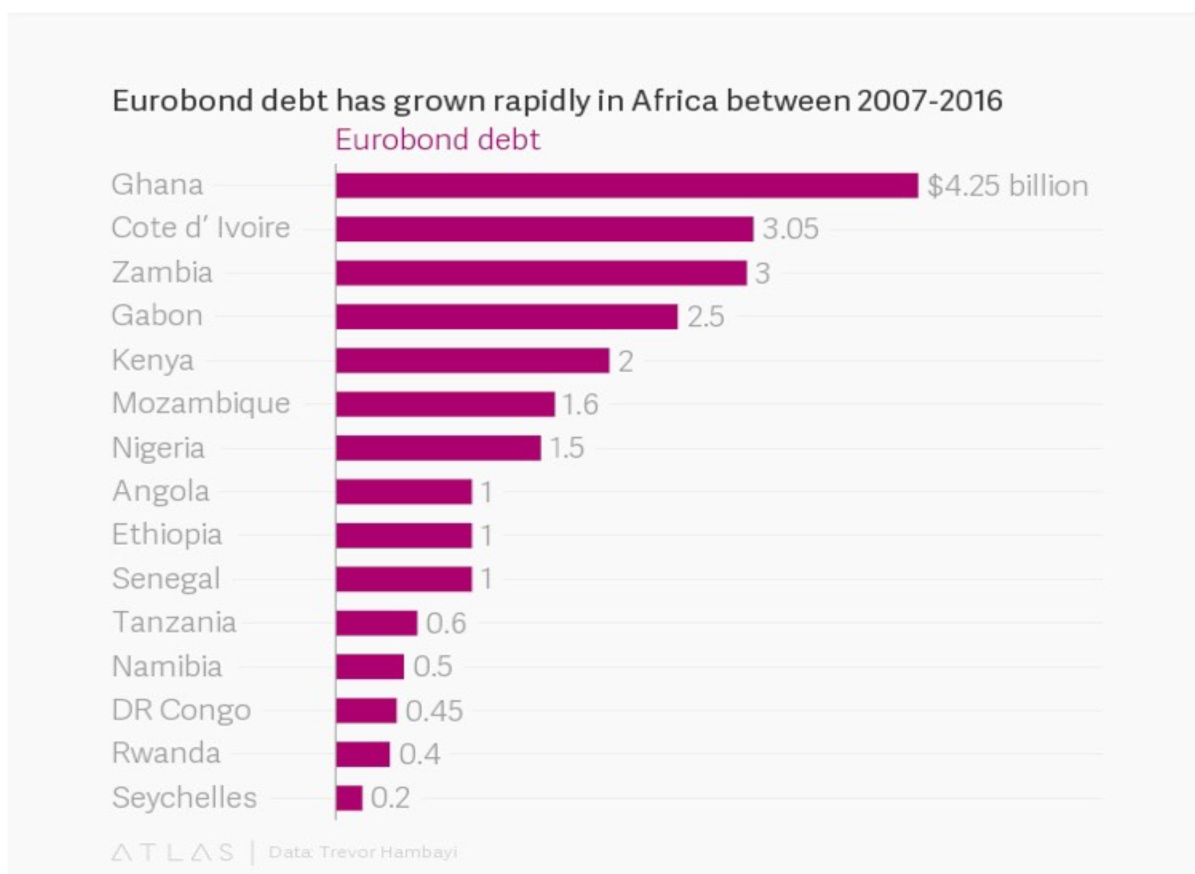
Liberia is not unique in issuing Eurobond – a sovereign debt security issued by a national government that is denominated in a foreign currency, usually dollar (Hambayi, 2017) aimed at finance infrastructure projects or tapping into international bond markets to fund domestic initiatives in Africa. A Quartz Africa review finds that since 2006, African countries have racked up Eurobond debt of more than $23 billion that carries an average annual coupon payment of +/- $1.7 billion. The rise in Eurobond issuance is due in part to the following:

a) Low interest rate on government and corporate debts in Europe and America due to Central Banks' Quantitative Easing (QEs). This has pushed investors to seek higher rate of returns and yields, thus turning to African governments' sovereign bonds issues.

b) Reduction in lending and financing from multilateral and regional institutions such as the World Bank, AFDB and IMF, and bilateral lending. This was at the result of the 2008 financial crisis; lending/western countries are now focused on recovering from the Global Recession that shocked their economies (Mbu, 2016).

With Liberia current planned Eurobond issues, it will be placed 12th on the list of Eurobond indebted countries in Africa. This distinction signals the government intends to find non-conventional method to finance capital projects. However, it also signals Liberia moving up the list of heavily indebted countries in Africa. And as discussed above, increasing debt stock without similar growth and revenue increases, can crowd-out public investments in key sectors of the economy.

The 2016 Eurobond debt outlook is found below:



Fastest Growing Indebted African Countries		African Countries with heavy debt loads	
Country	% change in debt 2010-16	Country	Public debt as % of GDP
Rep of Congo	429.7	Cape Verde	129.7
Equatorial Guinea	388.1	The Gambia	120.2
South Sudan	271.3	Rep of Congo	117.7
Zambia	220.1	Mozambique	112
Cameroon	205.8	Mauritania	98.7
Gabon	201.5	Sao Tome	94
Mozambique	158.5	Togo	77.3
Malawi	103.1	Liberia***	70.0
Liberia***	100***	Zimbabwe	69.7
Cape Verde	79.1	Ghana	68.1
The Gambia	72	Sudan	66.5

*** this is to show the current raking of Liberia in terms of debt load and % change in debt. This is not to compare Liberia 1-year change in debt or debt load to multi-years change in debt/debt load by other countries.

Benefits and Risks of Liberia Eurobond Issue

There are numerous benefits associated with the issuance of a Eurobond as a source of financing capital projects that the Liberian Government can tap into. They include:

Closing Capital Stock/Infrastructure Gap: given Liberia's low capital stock such as roads, water and electricity capacities/facilities, and the urgent need to invest in these infrastructures to close the capital stock/infrastructure gap and boost economic productivity and activities across the country, Eurobond proceeds, additional to conventional financing sources, can be used to close the infrastructure gap. As noted in the Liberian Constraints Analysis paper in 2013, and mentioned above, increase capital investment in roads and electricity, and closing the infrastructure gap, will reduce commerce cost- transportation and business costs -, accelerate economic and business growth, and increase government tax revenues. However, to attain these benefits, the government will need strategies to encourage economic activities along infrastructure corridors as means of augmenting the economic benefits. As stated in the Eton Loan Analysis report, failure to encourage economic activities and induce a multiplier effect along these infrastructure corridors, this could lead to low or negligible growth and a spectacular decrease in tax revenues.

Interest and Exchange Rates Relief: borrowing in United States Dollars (USD) ease competition between the public and private sectors in acquiring USD to fund their

respective needs. For the private sector to finance business operations such as importation of goods and investment in capital stock, it needs access to USD. This easing in competition will bring temporary relief to the exchange rate as the inflow of large quantity foreign reserve increases the amount of funds available to each sector thus aiding in lowering the exchange rate between USD and LD. It is important to state that lower exchange rate can have positive impacts on price levels in the economy.
Also, less competition for funds in the domestic market to finance capital projects will lead to the un-crowding of the domestic market thus leading to decrease in interest rate. In that, government increases competition for funds and negatively impact interest rates and tightens lending to small businesses. So, a decrease in the competition will help loosen lending and lower lending cost -interest rate.

*Exposure and Preparation***:** issuance of Eurobond to finance this project could serve as a test run for the use of debt instruments such as diaspora bond to finance future priorities like agriculture. The experience gained from this issuance can be transferable and act as guidance to future external debt issuances. However, the absence of Liberian banks from participating in the syndicate that will issue or market the bonds undermines the knowledge-transfer benefit that comes with the Eurobond issuance. Also, this issuance will test Liberia creditworthiness in the international financial markets and give policymakers insight into our ability to further tap into the capital markets for funding.

Risks
Besides the usual risks associated with loans or public funds in Liberia and Africa generally (the misappropriation of funds), this financing method has additional unique risks such as:
*Exchange Rate Risk***:** borrowing in USD means we will repay in USD. Given the government does not collect all her tax receipts in USD, during repayment periods and when the bond matures, Liberia runs the risk of occurring exchange rate expense when converting tax revenue collected in Liberian Dollars to USD for repayment. Also, this could lead to spike in exchange rate as the government enters the forex market to acquire USD to make yearly coupon payments and bond redemption payment.
However, Liberia can hedge against exchange rate risk by entering into a Eurodollar Swap to guarantee the right to by US dollars at some set exchange rate in the future, preferably around coupon payments time and when the bond matures in 2033. Such hedge will lock in a future exchange rate and protect Liberia from future increase in exchange rate. This looks likely given the strong dollar policy the Federal Reserve is currently pursuing.

Crowding Out: as government external debt burden increases, (if said increment does not coincide with comparable increment in tax receipts and economic growth), this could crowd-out funding and subsidies toward education, healthcare, agriculture, and youth and social development programs.

More Debt and Borrowing: if economic growth and tax receipts do not increase at similar level as the debt level, Liberia run the risk of more borrowing to payoff existing

debt holders. And this could begin a period of debt cycle. This phenomenal is common among Eurobond sovereign issuers in Africa. Example, about 30% of Ghana's $1 billion Eurobond issues in 2014 went to paying off its 2007 Eurobonds. Similar actions were taking by Ivory Coast, and Congo (Olabisi and Stein, 2015).

Africa Eurobond Debt Crisis

Whilst funding capital investments are easy through Eurobonds, the interest rates or coupon rates paid by African countries are 2-3% higher than emerging economies elsewhere (Bloomberg, 2018). This high coupon payment could be the beginning of a debt crisis in Africa. For example, in 2017 Mozambique defaulted on a $ 60 million coupon payment on a $725 million Eurobond that was issued to repay a previous Eurobond issue of $875 million. Like Mozambique, Zambia is currently seeking US$1.6 billion IMF Loan to avoid default on its US$3 billion Eurobond issues. Also, Ghana seems to be getting stuck in similar Eurobond debt circle by issuing new bonds to pay off old bonds (Quartz, 2017). This is the classic "dig hole to cover hole" scenario.

Liberia can avoid the fate of other African issuers of Eurobond by ensuring that these projects yield economic growth rate that is comparable to the growth in the debt stock. If average growth rates below Pre-Ebola average growth rate during the duration of the bond, Liberia will most likely have to acquire another loan or issue another Eurobond to pay off its debt. This will put her in the shoes of Mozambique, Congo, Kenya and Ghana.

Falling back into a debt distress situation, after completing the Heavily Indebted Poor Countries program in 2010, will be deleterious for the economy and the country as that will prevent or greatly increase the coupon rate on future Eurobond issues. Currently, debt burdens are mounting and putting constraints on some of Africa biggest economies. A recent Brookings Institution April 2018 Paper, "Sounding the alarm on Africa's debt", details multinational finance institutions such as the IMF and World Bank concern over the level and pace African countries are racking up debts. The report noted that the five largest economies in Africa- Nigeria, South Africa, Angola, Ethiopia and Kenya- are leveraging on debts at a pace and level that is unsustainable and run the risk of becoming debt distressed. The paper assesses debt dynamics by looking at the difference between the debt interest rate and economic growth. "By that measure, it clearly shows the cost of borrowing for most African nations far exceeds economic growth."

Here is what the current analysis looks like:

Scenario 1	Gross Public Debt (% of GDP)*	Scenario 2	Gross Public Debt (% of GDP)*	Change in Public Debt 2016/2010	Scenario 3	Gross Public Debt (% of GDP)*	Change in Public Debt 2016/2010	r-g**
Cabo Verde	129.7%	Republic of Congo	117.7%	429.7%	Republic of Congo	117.7%	429.7%	21%
The Gambia	120.2%	Mozambique	112.0%	158.5%	Mozambique	112.0%	158.5%	15%
Republic of Congo	117.7%	Cabo Verde	129.7%	79.1%	The Gambia	120.2%	72.6%	20%
Mozambique	112.0%	The Gambia	120.2%	72.6%	Gabon	64.2%	201.5%	13%
Mauritania	98.7%	Gabon	64.2%	201.5%	Malawi	60.2%	103.1%	18%
São Tomé and Principe	94.0%	Zambia	60.5%	220.1%	Cabo Verde	129.7%	79.1%	6%
Togo	77.3%	Malawi	60.2%	103.1%	Equatorial Guinea	38.4%	388.1%	28%
Zimbabwe	69.7%	Togo	77.3%	58.3%	Chad	51.2%	70.4%	26%
Seychelles	69.0%	Senegal	60.6%	70.5%	South Sudan	33.1%	271.3%	24%
Ghana	68.1%	Ghana	68.1%	47.2%	Togo	77.3%	58.3%	4%
Sudan	66.5%	Equatorial Guinea	38.4%	388.1%	Central African Rep.	44.3%	106.9%	7%
Gabon	64.2%	Mauritania	98.7%	22.5%	São Tomé and Principe	94.0%	18.2%	10%
Angola	64.0%	Central African Rep.	44.3%	106.9%	Seychelles	69.0%	-16.1%	14%
Mauritius	61.5%	Angola	64.0%	44.5%	Angola	64.0%	44.5%	6%
Kenya	61.0%	Benin	50.3%	75.1%	Rwanda	37.6%	88.3%	12%
Senegal	60.6%	Kenya	61.0%	46.4%	Zambia	60.5%	220.1%	-3%
Zambia	60.5%	Chad	51.2%	70.4%	Sudan	66.5%	-9.0%	12%
Malawi	60.2%	São Tomé and Principe	94.0%	18.2%	Uganda	37.0%	65.1%	15%
Ethiopia	57.9%	Namibia	40.0%	150.4%	Mauritania	98.7%	22.5%	2%
Sierra Leone	55.9%	South Africa	53.3%	53.7%	Ghana	68.1%	47.2%	1%
Burundi	55.3%	South Sudan	33.1%	271.3%	Zimbabwe	69.7%	17.6%	4%
South Africa	53.3%	Zimbabwe	69.7%	17.6%	Cameroon	35.2%	205.8%	4%
Chad	51.2%	Cameroon	35.2%	205.8%	South Africa	53.3%	53.7%	4%
Benin	50.3%	Ethiopia	57.9%	42.8%	Benin	50.3%	75.1%	2%
Côte d'Ivoire	47.8%	Rwanda	37.6%	88.3%	Burundi	55.3%	17.8%	11%
Guinea-Bissau	47.3%	Mauritius	61.5%	18.2%	Liberia	45.0%	34.6%	10%
Lesotho	46.3%	Seychelles	69.0%	-16.1%	Senegal	60.6%	70.5%	-3%
Liberia	45.0%	Lesotho	46.3%	53.6%	Madagascar	40.0%	26.2%	12%
Central African Rep.	44.3%	Niger	41.0%	68.9%	Sierra Leone	55.9%	19.3%	5%
Guinea	42.9%	Sudan	66.5%	-9.0%	Nigeria	18.9%	97.0%	6%
Niger	41.0%	Sierra Leone	55.9%	19.3%	Mauritius	61.5%	18.2%	2%
Madagascar	40.0%	Nigeria	18.9%	97.0%	Namibia	40.0%	150.4%	1%
Namibia	40.0%	Uganda	37.0%	65.1%	Kenya	61.0%	46.4%	-1%
Equatorial Guinea	38.4%	Swaziland	31.1%	81.7%	Swaziland	31.1%	81.7%	3%
Rwanda	37.6%	Burundi	55.3%	17.8%	Niger	41.0%	68.9%	1%
Uganda	37.0%	Liberia	45.0%	34.6%	Lesotho	46.3%	53.6%	0%
Tanzania	36.2%	Madagascar	40.0%	26.2%	Ethiopia	57.9%	42.8%	-14%
Mali	35.9%	Mali	35.9%	41.9%	Tanzania	36.2%	32.4%	2%
Burkina Faso	35.7%	Tanzania	36.2%	32.4%	DRC	16.1%	-47.8%	17%
Cameroon	35.2%	Côte d'Ivoire	47.8%	-24.2%	Mali	35.9%	41.9%	-2%
South Sudan	33.1%	Guinea-Bissau	47.3%	-28.3%	Guinea	42.9%	-37.7%	1%
Comoros	32.1%	Guinea	42.9%	-37.7%	Côte d'Ivoire	47.8%	-24.2%	-5%
Swaziland	31.1%	Burkina Faso	35.7%	16.2%	Guinea-Bissau	47.3%	-28.3%	-7%
Nigeria	18.9%	Comoros	32.1%	-36.7%	Comoros	32.1%	-36.7%	1%
DRC	16.1%	Botswana	15.5%	-20.1%	Burkina Faso	35.7%	16.2%	-7%
Botswana	15.5%	DRC	16.1%	-47.8%	Botswana	15.5%	-20.1%	-8%

Brookings Analysis- based on data from the IMF's World Economic Outlook, the World Bank's World Development Indicators and other indicators.

Basic Preconditions for Loan Acquisition not sought

Whilst loans are not important catalysts for capital investments, Liberia's Public Financial Management Act of 2009 instructs a debt management committee meeting and an approval of loans aimed at ensuring responsible borrowing. From all indications, there is no proof that there was a Debt Management Committee meeting held.

On the other hand, there are no project documents on record anywhere that can justify the technical details of the targeted roads. No economic or social rate of return analysis. No environmental or social impact analysis. The Government of Liberia has not stated the jobs, income or future revenues that will accrue from the project. No projection of future economic output. What new industries will be supported among several others pre-conditions?

As already mentioned, the ETON Finance PTE Limited loan, the EBOMAF loan is a construction contract wrapped as a pre-financing agreement. The loan grants a construction contract without international competitive bidding. There is not a single attestation from the Public Procurement and Concession Commission. There is no debt sustainability analysis and an absent debt to GDP analysis. Also absent is the risk analysis to cover dynamic macroeconomic factors in the future. Besides, there are no designs of debt retirement systems specific to the loans.

Clouds of Bribery associated with the EBOMAF Loan

EBOMAF GROUP is owned by Burkinabe businessman, Mahamadou Bonkoungou. Mr. Bonkoungou is also a special friend to the President of Liberia. On 25 May 2018, exactly eight days before the submission of the loan agreement to the Legislature for ratification, Pres. Weah made a startling revelation that the private jet he uses for his international tours was a gift from his Mr. Bonkoungou. This was definitely a red flag as it is violation of Liberia's Code of Conduct Law that prevents the President from receiving such gifts.

Conclusion

On account of the analysis of Eurobond, it is fair to conclude that EBOMAF SA is not actually pre-financing the constructions. It is actually using the country's sovereign guarantee to pitch it on the international financial market to raise funds for the constructions.

The EBOMAF GROUP loan has a total coupon payment of $273,526,500. When added to the principal amount of $420,810,000.00, total repayment amount is $694,336,500.00 over a 10-year period. Actual coupon payment against the principal after 10 years is 65%.

There is a serious risk of a default given the misalignment of the loan to revenue generating activities. Liberia may likely have to issue new bonds to repay when it cannot meet its coupon obligations.

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The EBOMAF GROUP-GoL Pre-financing Agreement

Appendix

Bond Amortization Schedule -EBOMAF pre-financing Agreement **(**@6.5%)

Bond Amortization Calculator					
Bond Details		**Rate**	**Years**	**No. of payments**	**Amount**
Bond details		6.50%	10	1	420,810,000.00
Bond Issue Price					
Bond Issue price		8.00%			378,454,959.70
Discount					**-42,355,040.30**
Straight Line Method Amortization					Discount
Number of periods					10
Discount amortization each period					-4,235,504.03
Effective Interest Method Amortization Schedule					
Period	Opening	Interest	Payment	Closing	Discount
1	378,454,959.70	30,276,396.78	27,352,650.00	381,378,706.47	-2,923,746.78
2	381,378,706.47	30,510,296.52	27,352,650.00	384,536,352.99	-3,157,646.52
3	384,536,352.99	30,762,908.24	27,352,650.00	387,946,611.23	-3,410,258.24
4	387,946,611.23	31,035,728.90	27,352,650.00	391,629,690.13	-3,683,078.90
5	391,629,690.13	31,330,375.21	27,352,650.00	395,607,415.34	-3,977,725.21
6	395,607,415.34	31,648,593.23	27,352,650.00	399,903,358.57	-4,295,943.23
7	399,903,358.57	31,992,268.69	27,352,650.00	404,542,977.25	-4,639,618.69
8	404,542,977.25	32,363,438.18	27,352,650.00	409,553,765.43	-5,010,788.18
9	409,553,765.43	32,764,301.23	27,352,650.00	414,965,416.67	-5,411,651.23
10	414,965,416.67	33,197,233.33	27,352,650.00	420,810,000.00	-5,844,583.33