New research by ODI claims that the irresponsible use of sovereign bonds is jeopardizing sub-Saharan African economies by creating boom and bust cycles, a situation echoing the 1990s' Asian financial crisis.

Highlighting the popularity of sovereign bonds in many low and middle-income countries, the study claims that using US Dollar as transaction currency threatens the countries' ability to honour their repayments to investors because their own local currency has significantly depreciated in 2014. According to the research, this exchange rate risk of sovereign bonds issued by governments in sub-Saharan Africa in 2013 and 2014 is threatening losses of USD 10.8 billion.

The paper is split in two parts: Part I gives an overview of the current situation of sovereign bonds issued in sub-Saharan Africa. Part II considers the risks associated with sovereign bonds and their prevalence today.