Thirteenth Sovereign Debt News Update: World Bank, Rating Agencies and Regional Banks in Context

By:

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In mid-April 2021, the African Trade and Development Bank announced that it had engaged in the first Intra-African Trade Finance Transaction executed through Blockchain. The transaction involved an Ethiopian State-owned phosphate mining and fertilizer producing company known as OCP group.

In Nigeria, the debt stock of the country has continued to rise with both the Federal and State governments sharing responsibility for this increase. The ongoing debt crisis comes amidst a growing feud between the feud between the Federal government, the Finance Minister and the Governor of the Central Bank of Nigeria (CBN) in particular, on the one hand, and the State governor and in particular that of the Edo State government Governor, Godwin Obaseki, on the other hand. Obaseki alleges that N60 Billion out of the Fund allocated to

States from the Federation Account were arbitrarily printed by the CBN. The CBN in conjunction with the Finance Minister have not only refuted the claim but have also called for the refund of the $2.1 Billion finance in the intervention package that was provided to the States in 2015 to help bankrupt States pay salaries and offset contractors' obligations. Aminu Tambuwal, the Governor of Sokoto State pleaded with the federal government not to execute its threat to recover the said sum as this would have an impact on the funding of education-oriented projects. The CBN however insists on receiving an official plea from the States in order to consider the governor's plea.

Fitch ratings in keeping track of Sovereign credit worthiness keeps track of their economic indices. For Angola, the rating agency predicts a modest economic growth of 1.7% in 2021, taking into consideration increase in the country's production and global demand for oil as well as social realities like the restrictions on local businesses and the slow distribution of vaccines. Although, the projected economic growth is less than projected population growth of 3.3%, and this translates to a fall GDP per capital, it is more optimistic than the international Monetary Fund's projection which recently fell from 3.2% to 0.4%.

While Zambia's default resulted in downgrades in credit ratings, Fitch ratings recently increased its ratings to a CCC notwithstanding the fact that it had a Restricted Default status arising from its default. The increase comes as the Zambian government attempts to secure local currency debts, increase public finance positions and reduce the country's debt burden. Although the national debt shall stand at a high rate of 114% of GDP and its GDP to debt ratio averaging 66%, Fitch expressed optimism for the country while relying on IMF's representations. As the African Sovereign Debt Justice Network has noted before, this clearly indicates the IMF's debt sustainability framework is an inadequate tool for assessing the viability of governments to continue borrowing.

Leveraging on the economic impact of the global pandemic, the Ethiopian government is seeking avenues to boost its liquidity. In a recent pact with the World Bank, the Ethiopian government secured USD$700 in loan and USD$207 in grant and promises to direct the funds towards helping small and medium businesses affected by the pandemic, vaccination, and electricity. Though the economic growth of the country is only projected by the International Monetary Funds at 2% in 2021, Ethiopia projects 8.7% growth in 2022.

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