Twenty Ninth Sovereign Debt News Update: Nigeria, Mozambique amongst other African Countries in Context

By:

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In the bid to raise funds for deficit in the 2021 budget through external borrowing, the Nigerian government seeks to partner with JP Morgan, Citigroup, Standard Chartered and Goldman Sachs in issuing a projected Eurobond in the value of 2.343 trillion naira($5.693 billion). According to the Debt Management Office, the plan is to utilize the proceeds of the Eurobond sales in financing projects that will boost the inflow of foreign exchange and consequently Nigeria's dollar reserves while supporting the Naira currency. Nigeria's last recorded sale of such Eurobond was in 2018 through which $2.86 billion was raised. Meanwhile, concerns have been raised on different quarters on the basis that the projected Eurobond sales is expensive and ought to be explored only as a last resort. Moreover, it indicates the government reneging on its promise to prioritize concessional loans.

In the recent publication of its financial statement, the International Development Association of the World Bank revealed that Nigeria was one of 10 countries whose debt is considered the highest exposure to credit risks. Ranking fifth on the list, Nigeria is noted to be owing the IDA up to $11.7 billion. In addition, Nigeria is noted to have debt stocks with the World Bank and the International Bank for Reconstruction and Development worth $8.656 billion and $589 million respectively.

In defence, the Debt Management Office released a statement stating that the implication of the IDA financial report has less to do with credit worthiness than the fact that the Nigerian government is more inclined towards IDA loans due to low interest rates and extensive moratorium. This is essentially prioritized pursuant to Section 41(1)(a) of the Fiscal Responsibility Act.

In any case, as Nigeria's debt stock grows as well as its debt service payments, concerns are raised at different quarters. The Lagos Chamber of Commerce and Industry (LCCI), noting that the debt service to revenue ratio for the period between January to May 2021 stood at 98%, called for a more sustainable approach to treating Nigeria's debt including replacing existing debt stocks with asset-linked debts in order to ease the burden of servicing debt especially considering the fact that Nigeria is a asset-rich nation.

In promoting a cordial relationship between the countries and in order to bring some relief to its debt stock, the Ghanaian government recently settled its $42 worth of debt to the Nigerian Gas Company which had accumulated since 2014. According to the Ghanaian Minister for Energy, Dr. Matthew Opoku Prempeh, the payment allows for fresh negotiations that hinges on an improved reliability and integrity in service delivery.

Against the backdrop of the Mozambique tuna bonds sovereign debt scandal covered extensively on this blog, the son of the former president, Ndamdi Guebuza has been recently arrested on the charges of blackmail, embezzlement, and money laundering. The 2016 scandal involved the misappropriation of state guaranteed debts worth about $2.2 billion under the guise that the money would be used for building large tuna factory and a maritime security fleet, and using Proindicus, Ematum and MAM, three Mozambican State-owned enterprises as fronts.

Kenya faces pressure as looming debts surround the construction of its Standard Guage Railways, which though ripe for hand-over to the Kenyan government, has the Chinese constructors exercising lien over it. The Sh 38 billion payment due only forms part of a number of debts incurred from other Chinese companies including the Exim Bank of China. Meanwhile, the Kenyan President, Uhuru Kenyatta is keen on the completion of infrastructure projects being undertaken by Chinese companies before the end of his current tenure in the coming year, but Afristar, one of the Chinese concerns, has insisted on the extinguishing of debts before any hand over will be effected. In the meantime, the Government of Kenya is fighting off a request through the courts for a full disclosure of all the contractual documents relating to the SGR contract.

Shortly after the election which saw a landslide victory in favour of its opposition leader, Hakainde Hichilema, Zambia's Eurobonds witnessed a jump. The value of its $1 billion worth of Eurobond due in 2024 increased by 11% to 74.14 cents to the dollar on Sunday August 15. While the incumbent leader expresses optimism for the future, the need for fiscal space is undeniable. It is not clear whether relief such as Japan's recent agreement to a $822,000 worth of debt suspension till June 2022 is likely make a difference in light of Zambia's overall indebtedness.

Zimbabwe has started working towards clearing its $3.9 billion worth of debt with the Paris Club of creditors. The southern African country had its total external debt as $10.5 billion representing 71.2 % of the country's GDP with 77% comprising of external debts.

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