Eighth Sovereign Debt News Update: The Re-Incurring and Extinguishing of Sovereign Debt

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Putting into consideration key factors such as economic size, debt-to-GDP ratio, value of foreign exchange currency, sovereign debt profile, domestic debt market, vibrance of its financial system, inflation, growth and development rate, government efficiency, and hydrocarbon dependency, Fitch confirmed on Friday, March 19th 2021 that Nigeria's long-term Foreign Currency Issuer Default Rating (IDR) is justifiably set at a "B with a Stable Outlook". Fitch's ratings were highly impacted by World Banks' ratings of Nigeria's Environmental Social and Governance (ESG) ratings in respect to Political Stability and Rights, Rule of Law and Institutional and Regulatory Quality, Human Rights and Political Freedoms, Creditors Rights, which are quite low.

In the midst of the decline in its credit ratings, Nigeria's Federal Executive Council is seen to have approved the sum of USD$1.5 Billion to rehabilitate its refinery in Port Harcourt. Much skepticism has followed this development especially considering the backdrop of about USD$400 million wastage in refineries by the Nigerian National Petroleum Corporation (NNPC) in 2013 and 2017, and further waste of almost USD$200 Billion in actual and economic loss in 2019. For a country that is constrained to having 24% of its 2021 budget allotted to debt servicing, it is doubtful that such leakage is still affordable.

Speaking about the Fitch ratings, the second largest African economy, Ghana, which already has a 'B' rating by Fitch, seeks to explore the international capital markets by issuing a zero-coupon dollar bond with four, seven, twelve, and twenty years maturity respectively. The Country is purported to have offered to buy back as much as US$250M of its outstanding United States notes at the rate of $USD1,108.50 per USD$1,000 bond worth. The plan, though a novel one seems like a desperate attempt to leverage on current borrowing cost in anticipation of future spikes in the future as inflation rates potentially increases.

Meanwhile, Sudan has taken a monumental step of clearing its arrears of debt with the International Development Association (IDA), which had lied payable for around thirty years. This landmark development was with the facilitation of the United States government, who according to the President of the World bank, was very generous in this regard. The implication of the clearance of Sudan's arrears is that it affords it the opportunity to grants that are worth up to $2 Billion under the World Bank's IDA grants program for poverty reduction and sustainable economic recovery. Sudan's Minister of Finance and Economic Planning expressed his excitement about the opportunity to secure funds that will holistically impact Sudan through transformative development projects.

In what may seem like a strand of hope to the conversation around debt forgiveness, the Chinese government announce on Friday, 19th March 2021 that it had forgiven Mozambique the sum of 244.6million yuan which is the equivalent of £27.1Million out of the roughly US$2Billion owed to it. In addition, the Chinese government undertakes to provide the sum of 150 million yuan which is the equivalent of £16.6 Million for social and economic projects in Mozambique. These moves are expressed by the Chinese government as an expression of their solidarity towards Mozambique's combat of covid-19.

Walking on the fringes of incurring additional liabilities to its sovereign debt stock, the South African government may be constrained to taking up South

Africa’s Eskom Holdings SOC Ltd’s debt worth of 464 Billion rand which is approximately US$31Billion. The alternative would be to create a Special – purpose vehicle (SPV), the consequence of which merely postpones the same reality. The implication of the SPV approach is that debts that are registered under the SPV will not be payable for another term of 10 years or more but there are more secured on the guarantee of the government.

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