

JEUNE AFRIQUE ÉCONOMIE

IMF and Rating Agencies Flag Hidden Debt Risks in African Oil Producers

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Senegal, Nigeria, Angola, and other African states are increasingly turning to derivative instruments — specifically total return swaps — as a mechanism to raise financing at a lower apparent cost. The trend has drawn sharp warnings from the International Monetary Fund as well as credit rating agencies Moody's and Fitch, who consider the strategy to carry significant systemic risk.

Total return swaps allow governments to access capital while keeping obligations off the conventional debt ledger, effectively obscuring the true scale of sovereign liabilities. For resource-rich nations where hydrocarbon revenues underpin creditworthiness, this creates a compounding risk: if oil prices fall or production targets are missed, the gap between reported and actual debt burdens can widen rapidly, triggering ratings downgrades or sudden liquidity constraints.

The IMF's concern centres on transparency and debt sustainability. When contingent liabilities are structured through derivatives rather than traditional bond issuances or bilateral loans, they escape standard debt reporting frameworks. This makes it harder for creditors, investors, and development finance institutions to accurately assess a country's fiscal headroom — a problem that becomes acute precisely at the moment when governments most need access to emergency financing or project-level capital.

For Moody's and Fitch, the issue is one of comparability and ratings integrity. Hidden or under-reported debt distorts sovereign credit assessments, and both agencies have signalled they are factoring this risk into their analytical frameworks for affected

countries. Downgrades or negative outlook revisions in Nigeria, Angola, or Senegal would have direct knock-on effects for the cost and availability of financing for upstream and infrastructure projects, since project finance structures in these markets are closely tied to sovereign risk floors.

The practical consequences for the energy sector are tangible. Angola remains one of Sub-Saharan Africa's largest oil producers, with ongoing offshore development activity. Nigeria's upstream sector — despite structural challenges — continues to attract international operators. Senegal is in the early stages of monetising its offshore gas discoveries. In all three cases, the fiscal credibility of the state, and the reliability of national oil company balance sheets, directly influences the bankability of new projects and the willingness of international lenders to commit long-tenor capital.

If sovereign credit quality deteriorates due to hidden debt exposure, farm-in appetite among international oil companies may soften, project finance terms will tighten, and national oil companies may face higher borrowing costs that delay final investment decisions. Norwegian service companies operating in these markets — or evaluating entry — should treat sovereign fiscal transparency as a leading indicator for project pipeline health, not merely a macroeconomic abstraction.

Why this matters to partners and clients of Saga

Norwegian service companies should monitor credit rating developments in Angola, Nigeria, and Senegal closely, as sovereign downgrades driven by hidden debt exposure directly affect the pace of FIDs and the bankability of upstream and infrastructure projects in these core markets. Companies with existing contracts or active bids in these jurisdictions should assess counterparty risk, particularly where national oil companies are the primary client. Those in early-stage market evaluation should treat IMF and agency warnings as a flag to delay capital commitment until fiscal picture clarifies.

PARTNER ANGLES

- **FPSO:** Angola and Nigeria FPSO pipelines are sensitive to sovereign credit conditions — monitor whether NOC financing constraints delay sanctioning of vessels already in negotiation.

- **Subsea:** Senegal's offshore gas development timeline could slip if sovereign fiscal credibility deteriorates and project finance terms tighten for Petrosen-linked structures.
- **Drilling:** Rig contracting in Nigeria is exposed to counterparty risk if NNPC's borrowing costs rise as a consequence of sovereign rating pressure — contract payment security clauses warrant review.
- **LNG:** Senegal's LNG monetisation plans depend on stable sovereign credit to attract the long-tenor financing that underpins offtake agreements and infrastructure commitments.
- **Service:** Well services companies active across all three markets should build sovereign debt transparency metrics into their country risk dashboards as an early-warning tool for payment delays.

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