



FEDERAL MINISTRY OF FINANCE

PRESS STATEMENT

Our Strategy Will Mitigate Debt Service Risk - FG

The Honourable Minister of Finance, Mrs. Kemi Adeosun, has expressed confidence that the Federal Government's revenue and debt management strategy would mitigate the country's debt service risk and fast-track her development.

The Minister, who welcomed the advice of Nigeria's international development partners, including the International Monetary Fund, said the strategy would achieve a number of objectives that include: mobilising revenue whilst reducing the debt burden by lengthening the maturity profile, increasing foreign exchange reserves, reducing crowding-out of the private sector, and creating savings in debt service cost.

The Minister stated that a key element of the economic reform strategy was the mobilisation of revenue to improve the debt service to revenue ratio.

This is being undertaken through a number of initiatives including, the plugging of leakages and the deployment of technology revenue management.

She specifically cited the example of the Health Pay, a pilot cashless revenue project in the health sector, which recorded material increases in revenue.

The ongoing Voluntary Assets and Income Declaration Scheme (VAIDS) was equally expected to impact positively the level of tax collections.

Adeosun said, "The difference in our economic strategy is that we are changing the mix of revenue sources available to government from the traditional oil or debt to a combination of oil, debt and domestic revenue.

"This is a long term strategic reform which is critical to our future economic growth and in the short term will enable our debt service to revenue ratio to improve."

In addition, the Minister noted that the Government was refinancing its inherited debt portfolio and this will lead to significant benefits, particularly a reduction in costs of funds.

“The proposed refinancing of US\$3Bn worth of short terms Treasury Bills into longer tenured international debt is expected to save N91.65 billion per annum.

“Other benefits of our revenue and debt management strategy include: improvement in foreign reserves as well as reduced domestic debt demand, which will reduce crowding-out of the private sector and support the aspirations of the monetary authorities to bring down interest rates,” the Minister added.

The Government, according to her, does not see a significant devaluation risk as the implementation of the Economic Recovery Growth Plans (ERGP) reforms, over the medium term, is such that the naira is expected to strengthen.

BENEFITS OF THE GOVERNMENT’S REVENUE AND DEBT MANAGEMENT STRATEGY

1.	Savings in Debt Service Cost	N76.375 billion per annum from US\$2.5bn borrowing N91.65 billion per annum from US\$3 billion refinancing of short-term domestic debt
2.	Foreign Reserves	Boost in foreign reserves with increased dollar inflow
3	Lengthening of Maturity Profile	Reduce Debt Burden and Rollover Risk
4.	Crowding-out of the Private Sector	Creates space for borrowing by the private sector

Signed:

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