DEBT MANAGEMENT OFFICE
NIGERIA

PRESS RELEASE

Stimulating Economic Growth, Diversification and Investing in Human Capital through the 2016-2018 Medium -Term External Borrowing Plan

- His Excellency, the President submitted a request to the National Assembly for approval of the 2016 – 2018 Medium Term External Borrowing Plan (Plan) for the sum of USD22.718 billion. This is not a new request, rather it represents those borrowings which were submitted to the 8th Assembly but were yet to be approved before the expiration of the 8th Assembly.

- The Public Debt Stock is actually a cumulative figure of borrowings by successive governments over many years. It is therefore not appropriate to attribute the Public Debt Stock to any one administration.

- The requests in the Plan are proposed borrowings from multilateral and bilateral lenders. The proposed loans are concessional, semi-concessional, long-tenored and are for the purpose of financing infrastructure and other developmental social projects all of which have multiplier effects in terms of job creation, business opportunities and overall increase in Nigeria's Gross Domestic Product. Also, the benefits are long term and will serve generations of Nigerians.

- The proposed New Borrowing is consistent with the subsisting Debt Management Strategy which seeks to replace short term high –interest cost domestic debt with low interest long term external debt and is one of the measures that is being implemented to moderate the level of Debt Service. The achievements in this regard are evidenced in the declining share of Domestic Debt in the Total Public Debt from over 83% in December 2015 to about 68% in June 2019.

- Nigeria has a ceiling of 25% on the Total Public Debt Stock to Gross Domestic Product Ratio (Debt/GDP) which it has operated within. The ratios for December 31, 2018 and June 30, 2019 were 19.09% and 18.99% respectively. The Debt Service to Revenue Ratio (Debt Service/Revenue) has however, been higher than desirable and provides strong justification for the current drive to increase Oil and Non-Oil Revenues significantly. The Debt Service/Revenue for the years 2017 and 2018 were 57% and 51% respectively. The Debt Service figures have grown as a result of the increase in the Debt Stock and relatively high domestic Interest Rates.

- Still on the issue of debt sustainability, when compared to a number of countries, Nigeria's Debt/GDP is relatively low but the Debt Service/Revenue is relatively high. The United States of America, United Kingdom and Canada had Debt/ GDP ratios of **105%, 85% and 90%** in 2017 which were much higher than that of Nigeria, but because they generate adequate revenues, their Debt Service/Revenue for the same year were **12.5%, 7.5%** and **7.5%** respectively. The case was also similar for Brazil, South Africa, Kenya and Mexico who had higher Debt/GDP than Nigeria (**74%, 53%, 57% and 46%** respectively), but had lower Debt Service/Revenue of **32.20%,11.4%,13.2%** and **13.6%** respectively. This is clear evidence that Nigeria's Revenues are low. This is further demonstrated by Nigeria's Tax to GDP Ratio of only 6% in 2018 compared to: Kenya-15.7%, Morroco-21.8%, Cameroon-12.2% and South Africa-27.5%, all for 2017. These, attest to the fact that Nigeria has a Revenue challenge rather than a Debt Problem.

- It is in the regard that all efforts to increase Revenues through measures such as the Finance Bill and Strategic Revenue Growth Initiative should be given necessary support.

Overall, the justification for the borrowing is that many of the projects in the Plan are for the development of infrastructure in the areas of roads, railways, waterways and power which will help to unleash the potentials of the Nigerian economy. Other loans such as those for the educational sector will contribute to the development of Nigeria's human capital, while loans for Agriculture will be used to diversify the economy. There will also be funding for Development Finance Institutions to enhance access to finance for micro, small and medium scale enterprises.

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December 10, 2019