DEBT MANAGEMENT OFFICE

NIGERIA

NIGERIA'S 2021 DEBT SUSTAINABILITY ANALYSIS EXERCISE

In line with international best practices, the Debt Management Office (DMO) employs several tools in the management of Nigeria's public debt. One of the tools is the Debt Sustainability Analysis (DSA) Framework, which was developed by the World Bank (WB) and the International Monetary Fund (IMF), to assess the debt carrying capacity of the country. The main objective of the DSA Exercise is to evaluate a country's ability to meet current and future debt service payments without default. One of the benefits of the DSA is that its outcome serves as a guide for the Government in its borrowing decisions.

For the year 2021, the DMO adopted a more appropriate framework for the DSA which is the Market Access Country-Debt Sustainability Analysis (MAC-DSA) Framework. Prior to 2021, the DMO had adopted the use of the Low-Income Countries Debt Sustainability Framework due to the relatively large share of concessional external debt in Nigeria's Public Debt Stock. The change to the MAC-DSA was due to the reclassification of Nigeria by the World Bank as a Low Middle-Income country and the fact that the share of the concessional loans in the External Debt Stock has decreased as Nigeria's external borrowing needs increased and the country accessed the International Capital Market.

The DSA Exercise for 2021 was based on the macroeconomic assumptions outlined in the 2022 Appropriation Act, the Medium-Term Expenditure Framework (MTEF) 2022-2024 and Fiscal Strategy Paper (FSP), as well as the Medium-Term National Development Plan, 2021-2025. The DSA was conducted with technical support from the WB and IMF and participation of the Federal Ministry of Finance, Budget and National Planning, National Bureau of Statistics, Budget Office of the Federation and Office of the Accountant General of the Federation.

The outcome of the Exercise revealed that despite increased borrowings, Total Public Debt in terms of Debt to Gross Domestic Product remained at a moderate level, but Debt Service-to-Revenue ratios were high. The projected ratios of Total Public Debt to GDP at 26.1% and 25.8% in 2022 and 2023 respectively, were below Nigeria's self-imposed Limit of 40% and within the 55% Limit recommended by the WB and IMF, as well as Economic Community of West African States' convergence threshold of 70%. The ratio remained within the 40% limit when Guaranteed Loans and the Ways and Means Advances at the Central Bank (CBN), were included.

Going forward, the sustainability of the Public Debt requires that Government's revenues are enhanced significantly while the Government continues to explore more concessional and semi-concessional sources for its borrowing and refinancing needs.

DEBT MANAGEMENT OFFICE
The Presidency
NDIC Building (First Floor),
Plot 447/448 Constitution Avenue,
Central Business District,
P.M.B. 532, Garki, Abuja
Tel: +234 - 8110000881-3
Website: http://www.dmo.gov.ng,
Email: enquiries@dmo.gov.ng

July 14, 2022