



**DEBT MANAGEMENT OFFICE
NIGERIA**

NATIONAL DEBT MANAGEMENT FRAMEWORK

2023 -2027

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GLOSSARY

AfDB	African development Bank
BOF	Budget Office of the Federation
CBN	Central Bank of Nigeria
CMC	Cash Management Committee
CMTC	Cash Management Technical Committee
CRF	Consolidated Revenue Fund
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
DMDs	Debt Management Departments
DMO	Debt Management Office
DSA	Debt Sustainability Analysis
ECOWAS	Economic Community of West African States
ESG	Environmental, Social and Governance
FCMPC	Federal Cash Management Policy Committee
FCT	Federal Capital Territory
FCTA	Federal Capital Territory Administration
FEC	Federal Executive Council
FGN	Federal Government of Nigeria
FLAC	Fiscal and Liquidity Management Committee
FMFBNP	Federal Ministry of Finance, Budget and National Planning
FMDA	Financial Markets Dealers Association
FMEV	Federal Ministry of Environment
FMDQ	Financial Market Dealers Quotations Securities Exchange Limited
FMOJ	Federal Ministry of Justice
FMWH	Federal Ministry of Works and Housing
FRA	Fiscal Responsibility Act, 2007
FRC	Fiscal Responsibility Commission
FSP	Fiscal Sustainability Plan
FSS 2020	Financial System Strategy 2020
FSV 2030	Financial System Vision 2030
GB	Green Bond

GDP	Gross Domestic Product
HMFBNP	Honourable Minister of Finance, Budget and National Planning
ICM	International Capital Market
ICRC	Infrastructure Concession Regulatory Commission
INFRACORP	Infrastructure Corporation of Nigeria Limited
IMF	International Monetary Fund
ISA	Investment and Securities Act, 2007
MDAs	Ministries, Departments and Agencies
MFPPC	Monetary and Fiscal Policy Coordinating Committee
MIC-TAF	Middle-Income Country Technical Assistance Fund
MOU	Memorandum of Understanding
MTDS	Medium-Term Debt Management Strategy
NASS	National Assembly
NBS	National Bureau of Statistics
NCS	Nigeria Customs Service
NDMF	National Debt Management Framework
NDP	National Development Plan
NNPC LTD	Nigerian National Petroleum Corporation Limited
NPV	Net Present Value
NGX	The Nigerian Exchange Limited
NSIA	Nigeria Sovereign Investment Authority
NTBs	Nigerian Treasury Bills
OAGF	Office of the Accountant-General of the Federation
OAGF	Office of the Auditor-General for the Federation
OGP	Open Governance Partnership
PDMMs	Primary Dealer Market Makers

PENCOM	National Pension Commission
PPPs	Public-Private-Partnerships
SEC	Securities and Exchange Commission
SFTAS	States Fiscal Transparency, Accountability and Sustainability
Sukuk	Non-Interest Bearing Bonds
SND	Sub-National Debt
UFTF	Unclaimed Funds Trust Fund
WB	World Bank

CHAPTER ONE

INTRODUCTION

The Debt Management Office (DMO) prepares the National Debt Management Framework (NDMF), every five (5) years as a Reference document detailing Nigeria's key Debt Management Policies, Strategies and Frameworks for effective public debt management. The NDMF is a compendium of all statutory provisions, regulations and policies as well as tools employed by the DMO (at the sovereign level, as well as the sub-national governments) in line with international best practices, for the management of the public debt.

The NDMF 2023 – 2027 which is the fourth in the series since 2008 is built towards ensuring that the objectives of public debt management, some of which are listed below are attained:

- i. Prudent management of the public debt;
- ii. That Nigeria's public debt is sustainable; and,
- iii. That public debt contributes to economic growth and development, as well as, poverty reduction.

The NDMF 2023 – 2027, begins with a review of the NDMF 2018 – 2022 and thereafter incorporates, old and new legislations, regulations and policies that impact on public debt management. Thus, the NDMF 2023 – 2027 captures the achievements of the NDMF 2018 – 2022 against the DMO's Strategic Plan 2018 – 2022 and the Medium-Term Debt Management Strategy (MTDS) 2020 – 2023, Debt Sustainability Analysis (DSA) and Key visions of the National Development Plan (NDP) 2021 – 2025. It also includes new institutions involved directly or indirectly in public debt management.

The Framework is divided into five (5) Chapters with Chapter One as Introduction, Chapter two captures the Review of the NDMF 2018 – 2022. Chapter Three introduces the Legal and Regulatory Framework for Public Debt Management in Nigeria. Chapter Four details Institutional Framework for Public Debt Management, while Chapter Five covers Framework for Sub-National Debt Management. In Chapter Six is the Conclusion on the NDMF 2023 – 2027.

CHAPTER TWO

REVIEW OF THE NATIONAL DEBT MANAGEMENT FRAMEWORK, 2018-2022

2.1 The Objectives of the NDMF, 2018-2022

The third NDMF, 2018-2022 captured the Strategic Objectives outlined in the DMO's Strategic Plan, 2018-2022 which had the broad objective of ensuring efficient public debt management in terms of a comprehensive, well diversified and sustainable debt portfolio, supportive of Government and private sector needs. The broad objective was broken into seven (7) strategic objectives as follows:

- i. To further develop capacity and strengthen sound debt management at the sub-national level towards achieving total public debt sustainability;
- ii. To sustain the maintenance of a comprehensive and reliable national and sub-national debt database with prompt and accurate debt servicing for effective debt management;
- iii. To develop innovative approaches for optimally accessing domestic and external finance;
- iv. To deepen and broaden the Federal Government of Nigeria (FGN) securities market in order to sustain the development of other segments of the Bond market and support Government's financing needs;
- v. To develop and implement effective system for contracting, recording and monitoring contingent liabilities, as well as, a process for managing the associated risks;
- vi. To institute systems and processes for proactively tracking, monitoring and evaluating debt management activities to ensure effective and quality compliance with international best practice; and,
- vii. To continuously enhance the skills and maintain a well-motivated professional workforce, as well as, deploy state of the art technology; to make Nigeria a major destination for out sourced debt management skills and services.

2.2 Achievements of the NDMF, 2018-2022

In line with the above objectives, an assessment of the NDMF 2018 – 2022 will be undertaken through the following:

- i. Analysis of the performance of the Medium-Term Debt Management Strategy (MTDS), 2016 – 2019.
- ii. Analysis of the performance of the MTDS 2020 – 2023 as at December 31, 2022.
- iii. Annual Debt Sustainability Analysis 2018 – 2022.
- iv. Funding of the Federal Budgets for the period 2018 – 2022.

2.2.1 Analysis of the Performance of the MTDS 2016 - 2019

The MTDS is a policy document that serves as a guide for the borrowing activities of government in the medium term. It is a debt management tool of the World Bank (WB) and the International Monetary Fund (IMF) which the DMO has deployed in its capital raising activities for FGN and public debt management. The MTDS usually includes Objectives, Strategies and Targets and the Targets are monitored. The MTDS, 2016 – 2019 had set Targets which were achieved as detailed in Table 1.

Table 1: MTDS 2016 – 2019 (Targets and Achievements)

S/N	Indicator	Actual Dec. 31, 2015	Target 2016-2019	Actual Dec. 31, 2019	Remarks
1.	Fiscal Sustainability: Total Public Debt as % of GDP	10.35%	Max. 25%	19.00%	Achieved
2.	Portfolio Composition: Domestic: External Debt Mix	84:16	60:40	67:33	Significant Improvement
3.	Refinancing Risk: i. Average Tenor of Debt Portfolio	7.15 years	Min. 10 years	10.5 years	Target was exceeded
	ii. Long-Term: Short-Term Domestic Debt Mix	71:29	Min.75:Max.25	79:21	Target was exceeded

Source: DMO

2.2.2 Analysis of the Performance of the MTDS 2020 - 2023

The subsisting MTDS 2020 – 2023 was approved by the Federal Executive Council (FEC) on February 10, 2021 and is already being implemented. Table 2 shows the achievements of the Strategy as at December 31, 2022.

Table 2: MTDS 2020 – 2023 (Targets and Achievements)

S/N	Indicator	Actual Dec. 31, 2019	Target 2020-2023	Actual Dec. 31, 2022	Remarks
1.	Fiscal Sustainability: i. Total Public Debt as % of GDP.	19.00%	Max. 40%	23.20%	Within the Maximum Limit
	ii. Guarantees*: Sovereign Guarantees as % of GDP	Nil	Max. 5%	2.38%	On Target
2.	Portfolio Composition: i. Domestic: External Debt Mix.	67:33	Max.70:Min.30	60:40	Working to meet set target
	ii. Long-Term: Short-Term Domestic Debt Mix	79:21	Min.75:Max.25	80:20	On Target
3.	Risks Refinancing Risk: i. Average Tenor of Debt Portfolio.	10.5 years	Min. 10 years	9.70 years	On Target
	ii. Debt Maturing in 1 year as % of Total Debt.	13.77%	Max. 20%	14.37%	On Target
	Interest Rate Risk: Variable Rate Debt as % of GDP	2.50%	Less than 5%	3.16%	On Target

Source: DMO

* Benchmark for Sovereign Guarantees was introduced in the MTDS 2020 – 2023

2.2.3 Debt Sustainability Analysis (2018 – 2022)

The DMO conducts National Debt Sustainability Analysis (DSA) on an annual basis with relevant stakeholders to assess the sustainability of the public debt. The stakeholders are: the Federal Ministry of Finance, Budget and National Planning (FMFBNP), Central Bank of Nigeria (CBN), Budget Office of the Federation (BOF), National Bureau of Statistics (NBS), and the Office of the Accountant-General of the Federation (OAGF). The WB provides technical assistance. Table 3 shows that the Total Public Debt/GDP ratios for the period 2018 - 2022 remained sustainable and below the country specific threshold of 25% and 40% set in the MTDS 2016-2019 and MTDS 2020-2023 respectively, and within the 55% Limit recommended by the WB and the IMF, as well as the Economic Community of West African States' (ECOWAS) Convergence threshold of 70%.

Table 3: Total Public Debt and Sustainability Ratios 2018 - 2022

	2018	2019	2020	2021	2022
External Debt (N' Bn)	7,759.23	9,022.42	12,706.62	15,855.23	18,702.25
% Share of Total		32.93	38.60	40.08	40.44
Domestic Debt (N' Bn)	16,627.84	18,378.96	20,209.90	23,700.80	27,548.12
% Share of Total		67.07	61.40	59.92	59.56
Total Debt Stock (N' Bn)	24,387.07	27,401.38	32,915.51	39,556	46,250.37
Total Debt/GDP Ratio %	19.09	19.00	21.61	22.08	23.20
Country Specific Threshold (%)	25		40		
WB/IMF Threshold	55	55	55	55	55
ECOWAS Convergence Threshold	70	70	70	70	70

Source: DMO

2.2.4 Funding of the Federal Budgets

The DMO was able to fulfil its mandate of funding the Federal Budgets as provided in various Appropriation Acts as shown in Table 4. The Table also reveals that 84 - 91% of the Budget deficits were funded through New Borrowing except for the year 2022, when there was very limited access to ICM for emerging economies.

Table 4: Budget Size, Budget Deficit and New Borrowing (2018-2022)

	2018 (₦' Bn)	2019 (₦' Bn)	2020 (₦' Bn)	2021 (₦' Bn)	2022 (₦' Bn)
Budget Size	9,120.33	8,917.96	10,811	14,570	17,320
Budget Deficit	1,954.46	1,909.23	4,608.24	6,449.35	7,350.54
New Borrowing	1,643.46	1,605.64	4,198.57	5,488.88	6,103.98
Actual New Borrowing	1,643.46	1,605.64	4,198.57	5,488.88	3,543.88*
% of Deficit Funded by Borrowing	84.09%	84.10%	91.11%	85.11%	48.21%

Source: Appropriation and Supplementary Appropriation Acts 2018 - 2022

* The sum of ₦3,543.88 billion allotted for New Domestic Borrowing in the 2022 Appropriation Act was fully raised. However, due to lack of market access in the ICM, arising from uncertainties occasioned by the Russia - Ukraine War, the sum of ₦2,569.93 billion for New External could not be achieved.

2.3 Other Achievements

Other achievements of the DMO under the NDMF 2018 – 2022 include the following:

- i. Development of a Framework by IMF for Nigeria to manage the Sovereign Guarantees and Contingent Liabilities currently under review.
- ii. Issuance of longer dated FGN Bonds, thirty (30) years and twenty-five (25) years in 2019 and 2020 respectively, which are better suited for infrastructure financing and in compliance with the MTDS 2016 – 2019 and 2020 – 2023.
- iii. Diversification of the investor base for FGN securities increased through the continued issuance of three (3) new products (Sukuk, Green Bonds and FGN Savings Bond) that were introduced in 2017.
- iv. The sum of ₦742.56 billion Sovereign Sukuk was issued between 2017 to 2022. The Sukuk proceeds were used to finance Road infrastructure in the six geo-political Zones and Federal Capital Territory (FCT).
- v. The DMO following the issuance of the debut ₦10.69 billion Green Bonds in December 2017 which was used to finance Renewable Energy Micro Utilities and Afforestation Programmes, amongst others, issued a second Sovereign Green Bond for ₦15 billion in June 2019 to finance projects in the 2018 Appropriation Act including Off-Grid Solar and Wind Farm, Irrigation, Afforestation and Reforestation, as well as, Ecological Restoration.
- vi. The sum of ₦41.80 billion were raised through the FGN Savings Bond from 2017 to 2022 following the introduction of the product in 2017 to attract retail investors and encourage savings.
- vii. In 2020 a Revised (easy to use) External and Domestic Borrowing Guidelines for the Federal Government, State Governments, Federal Capital Territory and their Agencies was developed and published by the DMO.
- viii. The DMO migrated the Commonwealth Secretariat Debt Recording and Management System (CSDRMS) from version 1.3 to version 2.3 with a view to migrate to the Meridian which is a new software developed by the Commonwealth Secretariat.

CHAPTER THREE

LEGAL AND REGULATORY FRAMEWORK FOR PUBLIC DEBT MANAGEMENT

3.0 Introduction

The legal and regulatory framework underpinning public debt management in Nigeria are presented in this Chapter. It covers the various laws that guide government borrowing and elaborates on the provisions with respect to the issuance and management of public debt.

3.1 Legal Framework for Public Debt Management

3.1.1 The Constitution of the Federal Republic of Nigeria, 1999 (as amended)

The Constitution grants the National Assembly (NASS), the exclusive powers to make laws that regulate domestic and external borrowing in the country, as stated in items 7 and 50 of the Exclusive Legislative List under the Second Schedule to the 1999 Constitution. Pursuant to this constitutional authority, the NASS enacted the Debt Management Office (Establishment, etc) Act, 2003 (DMO Act), and the Fiscal Responsibility Act, 2007 (FRA).

The NASS also has the statutory mandate to approve, through appropriation, all domestic borrowings by the Federal Government and by Resolution, all external borrowing by all tiers of Government. This means that the Federal Government of Nigeria (FGN) can only borrow (domestic and external) after the prior approval and Resolution (for external borrowing) of the NASS.

3.1.2 The Debt Management Office (Establishment, etc) Act, 2003

The Debt Management Office (Establishment, etc) Act, 2003 is the Act which established the DMO as a sole government agency, charged with the responsibility of managing Nigeria's public debt. The Act conferred the following functions and powers to the DMO in Part III, Section 6 as follows:

- a. Maintain a reliable database of all loans taken or guaranteed by the Federal or State Governments or any of their agencies;
- b. Prepare and submit to the Federal Government a forecast of loan service obligations for each financial year;
- c. Prepare and implement a plan for the efficient management of Nigeria's external and domestic debt obligations at sustainable levels compatible with desired economic activities for growth and development and participate in negotiations aimed at realising these objectives;
- d. Verify and service external debts guaranteed or directly taken by the Federal Government;
- e. On agency basis, service external debts taken by State Governments and any of their agencies, where such debts are guaranteed by the Federal Government;

- f. Set guidelines for managing the Federal Government's financial risks and currency exposure with respect to all loans;
- g. Advise the Federal Government on the re-structuring and re-financing of all debt obligations;
- h. Advise the Minister on the terms and conditions on which monies, whether in the currency of Nigeria or in any other currency, are to be borrowed;
- i. Submit to the Federal Government for consideration in the annual budget, a forecast of borrowing capacity in local and foreign currencies;
- j. Prepare a schedule of any other Federal Government obligations such as trade debts and other contingent liabilities, both explicit and implicit and provide advice on policies and procedures for their management;
- k. Establish and maintain relationships with international and local financial institutions, creditors and institutional investors in Government debts;
- l. Collect, collate, disseminate information, data and forecasts on debt management with the approval of the Board;
- m. Carry out such other functions, which may be delegated to it by the Minister or by an Act of the National Assembly; and,
- n. Perform such other functions which in the opinion of the Office, are required for the effective implementation of its functions under the DMO Act.

3.1.3. Fiscal Responsibility Act, 2007 (FRA)

The FRA makes provisions, which seek to promote fiscal discipline on the Federal, and to some extent the States and their agencies, as well as Local Governments. The Sections on Debt Management include the following:

- i. Section 41 (1a) provides that government at all tiers shall only borrow for capital expenditure and human development and on terms that are concessional with low interest and long amortisation period.
- ii. Section 41 (1b) states that government shall ensure that the level of public debt as a proportion of national income is held at a sustainable level as prescribed by the NASS on the advice of the Minister.
- iii. Section 41 (2) provides that the FGN may borrow from the capital market subject to NASS approval.
- iv. Section 42 sets limit for the debt incurred by the Federal, State and local government subject to approval of the NASS. It stipulates a maximum budget deficit to GDP ratio of 3% or as may be determined by the NASS for each financial year (Part II Section 12 of the FRA 2007).
- v. Section 44 provides that borrowing should be in compliance with prior authorisation in the Appropriation Act of the FGN and in the case of sub-nationals, Appropriation Law

and that the proceeds from borrowing shall solely be applied towards long-term capital expenditure.

- vi. Section 47 (1) gives the Minister the right based on the approval of the FEC to issue guarantees for on-lent loans on behalf of any Government of the Federation.
- vii. Section 47(3): In the case of foreign currency borrowing, Federal Government Guarantee shall be a requirement and no state, Local Government or Federal Agency shall on its own borrow externally.

The Finance Act 2021 in Part XIII (Section 40), amongst other changes made recommendation for the amendment of the FRA, 2007 (Section 41). The old provision states that: *Government at all tiers shall only borrow for capital expenditure and human development, provided that, such borrowing shall be on concessional terms with low interest rate and with a reasonable long amortization period subject to the approval of the appropriate legislative body where the necessary.*

It was amended by the Finance Act 2021 to state that: *Government at all tiers shall only borrow for capital expenditure, human development and to undertake critical reforms of significant national impact, provided that, such borrowing shall be on concessional terms or at relatively low interest rates and with a reasonably long amortization period subject to the approval of the appropriate legislative body where necessary.*

The amendment establishes a distinction between “concessional terms” and “relatively low-interest rate” borrowing.

In respect of Aggregate Expenditure Ceiling, Section 12(1) of the FRA, 2007 states that: The estimates of aggregate expenditure and the aggregate amount appropriated by the National Assembly for each financial year shall not be more than the estimated aggregate revenue plus a deficit, not exceeding three percent of the estimated Gross Domestic Product or any sustainable percentage as may be determined by the National Assembly for each financial year.

In Section 61 of the Finance Act, 2020, the provisions of Section 12(2) of the FRA was amended to state that: Aggregate expenditure for a financial year may exceed the ceiling imposed by the provisions of subsection (1) if, in the opinion of the President, as may be published in the Official Gazette of the Government of the Federation, or official directives or orders by the President, or through an Appropriation Act, virement or other Money Act pursuant to sections 59 or 306 of the Constitution of the Federal Republic of Nigeria, 1999:

- a. The Federation, or any part thereof, is at war;
- b. The Federation is in imminent danger of invasion or involvement in a state of war;

- c. There is actual breakdown of public order and public safety in the Federation or any part thereof to such extent as to require extraordinary measures to restore peace and security;
- d. There is clear and present danger of an actual breakdown of public order and public safety in the Federation or any part thereof requiring extraordinary measures to avert such danger;
- e. There is occurrence or imminent danger, or the occurrence of any pandemic or disaster or such other natural calamity, affecting the community or a section of the community in the Federation; or
- f. There is any other public danger which clearly constitutes a threat to the existence of the Federation.

3.1.4 The Local Loans (Registered Stock and Securities) Act, CAP. L17 (LFN), 2004

This Act provides for the creation and issuance of registered stocks, Government Promissory Notes and Bearer Bonds for the purpose of raising loans in Nigeria by the Federal Government.

3.1.5 The Treasury Bills Act, CAP. T18 (LFN), 2004

This Act empowers the Federal Ministry of Finance (FMF) to issue short-term debt instruments (Nigerian Treasury Bills – NTBs), through the CBN on behalf of the FGN and to credit the Consolidated Revenue Fund (CRF) with the proceeds of the issuance.

3.1.6 The Treasury Certificate Act, CAP. T19 (LFN), 2004

This Act makes provisions which enable the FGN to raise short-term loans of not more than two (2) years tenor through the issuance of Treasury Certificates (TCs).

3.1.7 The Government Promissory Notes Act, CAP. G4 (LFN), 2004

The Act empowers the FGN to issue Promissory Notes to raise sums of money by way of loan for the purpose of repaying any such loan raised by the Federal Government.

3.1.8 Investments and Securities Act, 2007 (ISA)

The ISA gives legal backing to the Securities and Exchange Commission (SEC) and includes specific provisions guiding the issuance of Bonds and other borrowing instruments in the capital market by the FGN, State Governments and Local Governments. The Act also empowers SEC to regulate borrowing from the domestic capital market by all tiers of government and their agencies, as well as, private sector enterprises. Pursuant to the provisions of this Act, the SEC makes rules and issues guidelines to regulate securities issuance in the domestic capital market. The FGN is an active issuer of securities in the domestic capital market.

3.1.9 The Central Bank of Nigeria Act, 2007

The Central Bank of Nigeria Act, 2007 enables the CBN to among other things, act as Banker to the FGN. These powers are provided in the Act as follows:

- i Section 2 (e) grants CBN the power to act as banker and provide economic and financial advice to the Federal Government.
- ii Section 28 (d-g) grants the CBN power to purchase, register, discount or rediscount Treasury Bills and Bonds issued by any tier of government and their agencies.
- iii Section 29 gives the CBN power to grant advances to the Federal Government, as may be appropriate.
- iv Section 38 (1-2) provides that the CBN may grant temporary advances to the Federal Government in respect of temporary deficiency of budget revenue at such rate of interest as the CBN may determine. It also provides that the amount of the advances outstanding shall not at any time exceed five (5) percent of the previous year's actual revenue of the Federal Government and for repayment at the end of each financial year. Section 38 (3a) of the Act also prescribes for the repayment of the advances by the end of the financial year in which they are granted and no additional advances shall be granted in subsequent years unless outstanding advances have been repaid. In Section 38 (3b), the Act states that no payment shall take the form of a promissory note or such other promise to pay at a future date or securitisation by way of issuance of treasury bills, bonds, certificates or other forms of security which is required to be underwritten by the Bank.

3.1.10 Appropriation and Supplementary Acts

According to Sections 82 and 83 of the 1999 Constitution, the Appropriation Acts give the legal backing for expenditures in the Annual Budgets. Where the Budget includes a Deficit that will be financed through New Borrowing, the New Borrowings (New Domestic and New External) are expressly stated in the Budget and approved as part of the Budget approval process. Where External Borrowing is involved, a Resolution of the National Assembly is also obtained as specified in Section 21 of the DMO Act.

The Government may prepare a Supplementary Budget in the course of the year for one or more reasons including the need for additional spending. Where New Borrowing is required, the approval process for the Borrowing is the same as the Appropriation Act.

3.1.11 Finance Acts

Finance Acts were introduced in 2019 as necessary legislation to aid the implementation of the Annual Budget and also to reinforce the administration of Public Financial Management Reforms. As at December 2022, three (3) Finance Acts had been passed. The key guiding

principle of the Finance Acts is to ensure that there is a balance between broader macroeconomic strategies to attract investment, grow the economy, create jobs as well as providing immediate fiscal strategies for accelerated Domestic Revenue Mobilisation. Consequently, the Acts include provisions on Taxes, Waivers, Import and Excise Duties, as well as Procurement. In some cases, the Finance Acts also amended Sections of the Fiscal Responsibility Act, 2007.

Sections 75 to 79 of the Finance Act 2020 created a N500 million Crisis Intervention Fund. Section 76 states that: *The Crisis Intervention Fund may be utilized for making funds available to meet expenditure as provided in the Annual Appropriation Act to meet any crisis related expenditure or other such exigencies that may arise pursuant to section 12 of the Fiscal Responsibility Act and section 306 of the Constitution of the Federal Republic of Nigeria, 1999.*

Section 77 of the Act creates a sub-fund out of the Crisis Intervention Fund known as the Unclaimed Funds Trust Fund (UFTF). The funding for the UFTF is expressly provided in Section 77(2): *From the commencement of this Act, any unclaimed dividend of a public limited liability company quoted on the Nigerian Stock Exchange and any unutilised amounts in a dormant bank account maintained in or by a deposit money bank which has remained unclaimed or unutilised for a period of not less than six years from the date of declaring dividend or domiciling the funds in a bank account shall be transferred immediately to the Unclaimed Funds Trust Fund*

The provisions exclude official accounts of the three (3) tiers of government, Ministries, Departments and Agencies.

Its inclusion in the NDMF is to the extent that the DMO is the secretariat for the UFTF and will manage the Funds with the CBN and SEC. Furthermore, to the extent that the FGN draws on the Fund or the Fund invests in FGN Securities, it will be recorded as part of the FGN's Debt.

CHAPTER FOUR

INSTITUTIONAL FRAMEWORK FOR PUBLIC DEBT MANAGEMENT

4.0 Introduction

This Section describes the role of the DMO as the principal agent for public debt management. The role of other key agents such as the Federal Ministry of Finance, Budget and National Planning (FMFBNP), the CBN and Budget Office of the Federation (BOF) are also outlined. Relevant Committees involved directly and indirectly in public debt management are also covered.

4.1 The Institutional Framework for Public Debt Management

4.1.1 Debt Management Office Nigeria

The mandate of the DMO as specified in the DMO Act is in Section 3.1.2 of this Framework. In addition to the mandate, the DMO Act gives the Office the following powers:

- i Issue and manage Federal Government loans publicly issued in Nigeria upon such terms and conditions as may be agreed between the Federal Government and the Office;
- ii Issue, from time to time, guidelines for the smooth operation of the debt conversion programmes of the Federal Government; and,
- iii do such other things, which in the opinion of the Board relate to the management of the external debts of the Federal Government.

4.1.2. Other Mandates

While carrying out the above mandate, the DMO is by the Act empowered to issue Guidelines to regulate the conduct of external and domestic borrowing approved by the FEC and NASS. The various Guidelines published by the DMO include:

- i. A Guide to Operations for the Debt Management Office, Nigeria, in the Federal Government of Nigeria Bond Market;
- ii. General Rules and Regulations Governing the Primary Dealer Market Maker (PDMM) System in Federal Government of Nigeria (FGN) Securities.
- iii. Revised External and Domestic Borrowing Guidelines for the Federal Government, the State Governments, FCT, and their Agencies.

4.1.3. Board of the DMO

The DMO Act provides for a 7-member Supervisory Board as follows:

- i. The Vice President of the Federal Republic of Nigeria Chairman
- ii. The Honourable Minister of Finance, Budget and National Planning Vice Chairman
- iii. Honourable Attorney-General of the Federation and Minister of Justice Member

iv. The Chief Economic Adviser to the President	Member
v. The Governor of the Central Bank of Nigeria	Member
vi. The Accountant-General of the Federation	Member
vii. The Director-General of the DMO	Member/Secretary

4.2 Other Key Institutions involved in Public Debt Management

4.2.1 The Federal Ministry of Finance, Budget and National Planning

The Honourable Minister of Finance, Budget and National Planning (HMFBNP) who is also the Vice-Chairman of the Supervisory Board is the supervising Minister for the DMO. Proposals for the issuance of FGN guarantees, the Medium-Term Debt Management Strategy and other matters requiring the approval of the Federal Executive Council (FEC) and, sometimes the NASS are routed through the HMFBNP as a matter of policy and procedure. After the approvals of the FEC and NASS on New Borrowings, the HMFBNP approves the Annual Domestic Borrowing Programme and proposals for external Capital raising.

4.2.2 Central Bank of Nigeria

The CBN is the banker to the Government and serves as receiving Bank for proceeds of FGN securities issued in the local and international markets. They are also Fiscal Agents for the FGN's securities issued in Nigeria and they confer Liquid Asset Status on eligible FGN securities and endorse new products to be issued by the DMO. See Section 3.1.9 for other mandates of the CBN.

The activities of the CBN as the monetary policy authority (including foreign exchange) and its role as regulator of banks who are the Primary Dealers Market Makers (PDMMs) for FGN securities makes the CBN a critical stakeholder in public debt management.

4.2.3 Federal Ministry of Justice

The Federal Ministry of Justice (FMOJ) participates in the public debt process mainly for External borrowing. For this purpose, the Legal Opinion required for external borrowing are issued by the FMOJ. The Ministry also approves the engagement of Legal Advisers engaged for borrowing, as well as validate Agreements and other documentation required for borrowing by Government.

4.2.4 Fiscal Responsibility Commission

The Fiscal Responsibility Commission (FRC) is the agency of government tasked with the administration of the FRA, 2007. As part of its activities, the FRC is charged with ensuring that debt management decisions are undertaken in a prudent, transparent and timely manner as provided in the law.

4.2.5 Office of Accountant-General of the Federation

The Office of the Accountant-General of the Federation (OAGF) plays an important role in the public debt management function. These include:

- i Receive proceeds of the New Borrowings by the DMO into the account prescribed by the Constitution;
- ii The DMO under the DMO Act, collaborates with the OAGF for the introduction of new products.
- iii Processes the payment of the External Debt Service payments through the CBN.

4.2.6 Securities and Exchange Commission

The Securities and Exchange Commission (SEC) regulates activities in the Nigerian Capital Market, where both the FGN and States Governments issue securities. Although the ISA 2007 grants the sovereign some waivers in the issuance of securities in the domestic market, the DMO and SEC work closely together and with other stakeholders to continuously develop the domestic fixed income securities market. For this purpose, the DMO is a member of the SEC's Capital Market Committee and Capital Market Masterplan Implementation Committee.

4.2.7 National Pension Commission

The Pension Reform Act 2004 established the National Pension Commission (PenCom) as the body to regulate, supervise and ensure the effective administration of pension matters in Nigeria. However, a new Pension Reform Act 2014 was signed into law to strengthen the powers of the Commission. Their role in the public debt management is that they regulate the Pension Fund Administrators (PFAs) with respect to investment of pension funds. They are also a major player in the domestic fixed income securities market as the longer dated FGN Bonds are targeted at them and they contribute to the liquidity of the domestic market.

4.3 Other Public Sector Stakeholders

4.3.1 Federal Ministry of Works and Housing

The Federal Ministry of Works and Housing (FMWH) is a beneficiary of the targeted funding raised through Sukuk since 2017 to finance specific projects captured in the Budgets such as road construction and bridges. Thus, the FMWH partners with the DMO in the utilisation of Sukuk proceeds thereby, contributing to the improvement in infrastructure and development of the domestic capital market.

4.3.2 Federal Capital Territory Administration

The Federal Capital Territory Administration (FCTA) also benefited from the proceeds of the 2021 and 2022 Sukuk issuance thus supporting the DMO in the utilisation of borrowed funds for infrastructure development and the development of the domestic capital market.

4.3.3 Federal Ministry of Environment

The DMO issued its debut Green Bonds in 2017 and an additional issuance in 2019 in conjunction with the Federal Ministry of Environment (FMEV) as the implementing agency. The proceeds were also tied to projects in the Appropriation Acts which will contribute to Nigeria's commitments to the Paris Agreement on Climate Change. The collaboration with the FMEV equally supports the deepening of the domestic debt market as the DMO considers other debt instruments with an Environmental, Social and Governance (ESG) focus to meet Nigeria's financing needs.

4.3.4 Infrastructure Concession Regulatory Commission

The Infrastructure Concession Regulatory Commission - ICRC (Establishment, ETC) Act, 2005 set up the ICRC as a Commission to superintend and regulate Public-Private Partnership (PPP) endeavours of the Federal Government aimed at addressing Nigeria's physical infrastructure deficit. The Commission amongst other functions ensures efficient execution of any concession agreement or contract entered into by the FGN. Thus, the DMO collaborates with them to ascertain fiscal risks including contingent liabilities arising from PPP transactions that the DMO is involved with to ensure public debt sustainability. The Off-Balance sheet products of the DMO to support economic development is another area that the DMO collaborates with the ICRC towards infrastructure development.

4.3.5 The Nigerian Sovereign Investment Authority

The Nigerian Sovereign Investment Authority (NSIA) is an investment institution of the Federation set up to manage funds in excess of budgeted hydrocarbon revenues. The DMO based on approvals received, supports the NSIA with funds for capital projects and processes requests for Guarantees from the NSIA.

4.3.6 The Infrastructure Corporation of Nigeria Limited

The Infrastructure Corporation of Nigeria Limited (InfraCorp) is a government-backed infrastructure investment vehicle launched in 2020 and established and co-owned by the CBN, Africa Finance Corporation (AFC) and NSIA with an initial funding of ₦1 Trillion by the shareholders. InfraCorp is expected to leverage on private sector funding for public infrastructure projects in Nigeria. The PPP arrangements emanating from InfraCorp may require sovereign guarantees.

4.4 PRIVATE SECTOR STAKEHOLDER INSTITUTIONS

4.4.4 The Nigerian Exchange Limited

The Nigerian Exchange Limited (NGX), formerly The Nigerian Stock Exchange provides a platform for the listing and secondary market trading of FGN Securities, except Nigerian

Treasury Bills. The DMO collaborates with them on deepening the debt capital market through Workshops and stakeholder events.

4.4.5 Financial Markets Dealers Association

The Financial Markets Dealers Association (FMDA) is the professional association for bank Treasurers. The FMDA includes a Bond Dealers Workgroup to which the Primary Dealer Market Makers (PDMMs) in FGN securities belong.

4.4.6 FMDQ Securities Exchange Limited

The FGN securities are also listed on the FMDQ Securities Exchange Limited. They also collaborate with the DMO in deepening the debt capital market through Workshops and stakeholder events. The Exchange is for fixed income securities including short-dated securities, derivatives and foreign exchange.

4.5 COMMITTEES INVOLVED IN PUBLIC DEBT MANAGEMENT

There are a number of Committees which are directly or indirectly involved in public debt management. These Committees with their functions are listed below:

4.5.1 Monetary and Fiscal Policies Coordinating Committee

The Monetary and Fiscal Policies Coordination Committee (MFPC) provides a platform for the clarification and harmonization of the objectives of Public Debt Management Policies, Fiscal, as well as Monetary Policies, amongst other issues. Members of the Committee are drawn from the DMO, FMFBNP, CBN, BOF, OAGF and National Bureau of Statistics (NBS),

4.5.2 Fiscal Liquidity Assessment Committee

The Fiscal Liquidity Assessment Committee (FLAC) is an inter-agency committee driven by the CBN comprising representatives of the DMO, the FMFBNP, OAGF, NNPC Limited and FIRS amongst others. The Committee reviews weekly collections and updates on liquidity data arising from Government's fiscal operations; collating information on projected revenue and expenditure; and making weekly and monthly projections to determine the net fiscal injection and withdrawal of liquidity to the system. The information on the liquidity is useful for the DMO's local securities issuance activities.

4.5.3 Federal Cash Management Policy Committee

The Federal Cash Management Policy Committee (FCMPC) is a high-level Committee chaired by the HMFBNP and has overall responsibility for federal Government cash planning and management. The Committee meet quarterly to review actual performance and approve any revision of the Plan.

4.5.4 Cash Management Technical Committee

The Cash Management Technical Committee (CMTC) is charged with the responsibility of providing technical support to the FCMPC, it also provides the coordination with MDAs and other relevant stakeholders and undertake analytical work ahead of the FCMC. The implementation of the TSA and the use of GIFMIS platform have enhanced the activities of the Committee. Members comprise of DMO, BOF, CBN, OAGF, FIRS, NCS, and the NNPC Ltd.

4.5.5 Capital Market Committee

The Capital Market Committee (CMC) was established to serve as a platform for the exchange of ideas and information among market stakeholders, as well as for feedback to SEC on how to continuously improve capital market activities and regulations. The members of the Committee comprise SEC, which serves as the Secretariat, DMO and representatives of capital market operators and trade groups, as well as other stakeholders. The relevance of the DMO in the Committee is to the extent that it is a major issuer of securities in the market, initiates new products and is committed to the development of the domestic capital market.

4.5.6 Capital Market Master Plan Implementation Council

The Capital Market Master Plan Implementation Council (CAMMIC) is a high-level implementation and advocacy body, set up to drive the realisation of the goals and aspirations articulated in the 10-year Nigerian Capital Market Master Plan. The Plan was revised and re-launched in 2022. The Council is expected to provide the strategic guidance to the entire capital market in implementing the Master Plan. The role of the CAMMIC is key in supporting the achievement of one of the objectives of Public Debt management which is the development of the Domestic Capital Market. The DMO is a member of the Committee.

4.5.7 DMO Oversight Committees at the National Assembly

In line with the Constitutional provisions, which grants NASS the exclusive powers to approve all borrowings by the FGN, there are two (2) oversight committees of the NASS on public debt management. These are: Senate Committee on Local and Foreign Debts, and House Committee on Aids, Loans and Debt Management. The Committees review borrowing requests from the executive arm of Government and submit their recommendations to their respective chambers at plenary for their consideration and approval. The two (2) Committees also receive periodic reports on the public debt stock and debt service. They also oversight the DMO as an institution.

4.5.8 Financial System Vision 2030 Committee

The Financial System Strategy (FSS) 2020 was re-launched to Financial System Vision 2030 (FSV 2030) in 2021 by the Central Bank of Nigeria in collaboration with other key financial Sector regulators to fast track and enhance the growth and development of the Nigeria's financial system. The Vision is to make Nigeria the safest and fastest growing financial system

amongst emerging markets, that would drive rapid and sustainable economic growth. The Committee has three broad strategic objectives, which are:

- i. To strengthen the domestic financial market;
- ii. Enhance integration with external financial market; and,
- iii. Engineer Nigeria's evolution into an international financial centre.

The Committee organises Workshops and supports advocacy for relevant initiatives including Legislations.

CHAPTER FIVE

SUB-NATIONAL DEBT MANAGEMENT

5.0 Introduction

This Chapter looks at the Regulatory Framework and Targeted Projects at the sub-national level that ensures that State Governments and the FCT, adopt best practices in public debt management which is key to achieving Total Public Debt Sustainability. The DMO had collaborated with the sub-national governments between 2007 and 2012 to introduce and develop debt management practices which resulted in the following achievements:

- i. Establishment of the Debt Management Departments (Units) at the sub-national level;
- ii. Reconstruction of the domestic debt data of all the States and the FCT;
- iii. Enactment of public finance management laws; and,
- iv. Development of debt management capacities.

5.1 Regulatory Framework

5.1.1 Revised External and Domestic Borrowing Guidelines for the Federal Government, State Government, FCT and their Agencies.

The DMO developed the Revised External and Domestic Borrowing Guidelines for the Federal Government, State Government, FCT and their Agencies in 2020. The Guideline contains all the Laws, Regulations and approval process for borrowing by the sub-nationals and acts as a framework for subnational debt management. These laws are also specified in the FRA 2007, DMO Act 2003, and the ISA 2007 as stated in Chapter three (3) of the Report.

5.1.2 Fiscal Sustainability Plan

The Fiscal Sustainability Plan (FSP) aims to address the issue of fiscal responsibility and financial Prudence. All States are expected to abide by the FSPs' twenty-two (22) action points which is built around five (5) key elements of accountability/transparency, increase in public revenue, rationalisation of public expenditure, public financial management reforms, and sustainable debt management.

5.2 Targeted Projects

5.2.1 States Fiscal Transparency, Accountability and Sustainability Programme for Results

The State Fiscal Transparency, Accountability and Sustainability Programme for Result (SFTAS PforR) is a programme designed by WB and the FMFBNP to provide a performance-based grants and technical assistance to state governments to enable them implement the twenty-two (22) Action Points in the FSP and Open Governance Partnership (OGP) commitments over

a 4-year period (2018 – 2021). The Programme is structured in a format that rewards sub-national governments that meet pre-advised Results/Targets (Disbursement Linked Indicators - DLIs).

The DMO is the implementing agency for the three (3) DLIs designed to strengthen debt management. These are:

- i. Strengthened public debt management and fiscal responsibility framework.
- ii. Improved clearance/reduction of stock of domestic expenditure arrears.
- iii. Improved debt sustainability.

The STFAS Programme which was supposed to end in December 2022 has been extended to end in December 2023.

5.2.3 Middle-Income Country Technical Assistance Fund for Subnational Debt Management Capacity Building in Nigeria

The African Development Bank (AfDB) Middle-Income Country Technical Assistance Fund (MIC-TAF) is a collaboration between the AfDB and the DMO to develop, at state level, public debt management capacity, promote sound debt management practices, as well as ensuring sustainability of public debt at the sub-national level in Nigeria. A breakdown of the activities of the DMO under this programme include:

- i. Equipping the thirty-six (36) States of the Federation and the Federal Capital Territory (FCT) officials with the skills and knowledge to undertake annual DSA at the sub-national level.
- ii. Building the capacities of Ministries, Departments, and Agencies (MDAs) at the sub-national level to assist the State Debt Management Departments (DMDs) in the execution of their mandate.
- iii. Ensuring high-level officials, including policymakers working on debt management and the related regulatory and institutional arrangements at the state level, are aware of critical challenges and opportunities in public debt management and ongoing efforts led by the DMO.

The Programme was concluded successfully in June 2022.

CHAPTER SIX

CONCLUSION

Public debt is a tool for driving economic growth and development if well managed and transparent but if it becomes unsustainable, it can impact negatively on the economy and create poverty. The NDMF 2023-2027 has been developed to capture subsisting and changes in Nigeria's Debt Management Policies, Strategies and Legal Frameworks which guide government borrowing and for effective monitoring and supervision in line with statutory provisions, regulations and international best practices. Amongst the changes are MTDS 2020 – 2023, NDP 2021 – 2025, Finance Acts and DMO's Strategic Plan 2023 – 2027.

The NDMF 2023 – 2027 is the legal institutional and operational Framework that guide the activities of the DMO with respect to Public Debt Management during the 5-year period (2023 – 2027). The Framework is robust enough to achieve effective public debt management. Effective public debt management will ensure that Government's financing needs are met bearing in mind the cost-risk trade off; achieve sufficient, timely and effective financing for the Government; transparency in public debt management, and ensuring overall public debt sustainability at the national and sub-national levels. It will also support the development of the domestic debt market.

Overall, as an operational document, the set principles, guidelines, qualitative benchmarks, institutional and legal arrangements contained herein will be applied to ensure that public debt is kept sustainable over its lifespan of five (5) years (2023-2027).