UNITY AND FAITH, PEACE AND PROGRESS

DEBT MANAGEMENT OFFICE
NIGERIA

2015

Annual Report and Statement of Accounts

His Excellency
MUHAMMADU BUHARI, GCFR
President, Commander-in-Chief of the Armed Forces
Federal Republic of Nigeria

His Excellency
PROF. YEMI OSINBAJO, SAN, GCON
Vice President
Federal Republic of Nigeria

MRS. KEMI ADEOSUN
Honourable Minister of Finance
Federal Republic of Nigeria

DMO SUPERVISORY BOARD

PROF. YEMI OSINBAJO, SAN, GCON
Vice President, Federal Republic of Nigeria
CHAIRMAN

Mrs. Kemi Adeosun
Honourable Minister of Finance
VICE-CHAIRMAN

Alhaji Abubakar Malami, SAN
Attorney-General of the Federation
& Hon. Minister of Justice
MEMBER

Mr. Godwin I. Emefiele
Governor, Central Bank of Nigeria
MEMBER

Alh. Ahmed Idris, FCNA
Accountant-General of the Federation
MEMBER

Dr. Abraham Nwankwo
Director-General, DMO
MEMBER & SECRETARY

DMO MANAGEMENT TEAM

Dr. Abraham Nwankwo
Director-General

Ms. Patience Oniha
Director, Market Development Department

Mrs. Asma'u Mohammed
Director, Strategic Programmes Department

Mr. Miji Amidu
Director, Special Assignments

Mrs. Hannatu Suleiman
Director, Debt Recording & Settlement Department

Mr. Joe Ugoala
Head, Policy, Strategy & Risk Management Department

Mr. Atiku S. Dambatta
Head, Organisational Resourcing Department

Mr. Afolabi Oladele
Head, Portfolio Management Department

MANAGEMENT STAFF OF THE DMO

S/N	NAME	RANK	DEPARTMENT/UNIT
1.	Nwankwo, Abraham E. (Dr.)	Director-General	
2.	Oniha, Patience (Ms.)	Director	Market Development Department (MDD)
3	Mohammed, Asma'u M. (Mrs.)	Director	Strategic Programmes Department (SPD)
4	Amidu, Miji (Mr.)	Director	Special Assignments
5	Suleiman-Onuja, Hannatu (Mrs.)	Director	Debt Recording & Settlement Department (DRSD)
6	Dinneya, Godson (Dr.)	Deputy Director	Leave of Absence
7	Ugoala, Joe Chiadi (Mr.)	Deputy Director	Head, Policy, Strategy and Risk Management Department (PSRMD)
8	Jiya, Janet O. (Mrs.)	Deputy Director	On Secondment
9	Saleh, Atiku Dambatta (Mr.)	Deputy Director	Head, Organisational Resourcing Department (ORD)
10	Amadi, Johnson O. (Mr.)	Deputy Director	Team Leader, Market Research and Product Development Unit (MDD)
11	Afolabi, O. Oladele (Mr.)	Deputy Director	Head, Portfolio Management Department (PMD)
12	Mahmoud, Nasir M. (Mr.)	Assistant Director	Team Leader, Institutions and Skill Development Unit (SPD)
13	Eleri, Nicholas (Dr.)	Assistant Director	Team Leader, Sub-National Debt Unit (DRSD)
14	Ekpenyong, Elizabeth E. (Ms.)	Assistant Director	Team Leader, Task Compliance & Operational Risk Management Unit (PSRMD)
15	Ekpokoba, Ikem H. (Mr.)	Assistant Director	Team Leader, Human Resources Unit (ORD)
16	Anukposi, Alfred N. (Mr.)	Assistant Director	Team Leader, Securities Issuance Unit (PMD)
17	Nwankwo, Maraizu (Mr.)	Assistant Director	Team Leader, Statistics, Analysis & Risk Management Unit (PSRMD)
18	Kwaghbulah, Elizabeth M. (Mrs.)	Assistant Director	Team Leader, External Debt and Special Accounts Unit (DRSD)
19	Aiyesimoju, Olaitan D. (Mr.)	Assistant Director	Team Leader, Internal Audit & Compliance Unit (DG's Office)
20	Usiade, Monday I. (Mr.)	Assistant Director	Team Leader, Loans & Other Financing Products Unit (PMD)
21	Yusuff-Shelleng, S. (Mr.)	Assistant Director	Team Leader, Finance and Accounts Unit (ORD)
22	Abubakar, Sani Kulo (Mr.)	Assistant Director	Team Leader, Administration Unit (ORD)
23	Anyanwu, Francis N. (Mr.)	Assistant Director	Team Leader, Debt Management Training Unit (SPD)

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GLOSSARY

ACOO	Assistant Chief Operations Officer
ADB	African Development Bank
AFD	French Development Agency
AfDF	African Development Fund
AMCON	Asset Management Corporation of Nigeria
ASI	ALL-Share Index
ATM	Average Time-to-Maturity
ATR	Average Time-to-Re-fixing
BADEA	Arab Bank for Economic Development
BAS	Bond Auction System
BDC	Bureau De Change
BOA	Bank of Agriculture
BoE	Bank of England
BOF	Budget Office of the Federation
BOI	Bank of Industry
BPE	Bureau of Public Enterprises
BPP	Bureau of Public Procurement
CBN	Central Bank of Nigeria
CFR	Commander of the Federal Republic
CHF	Swiss Franc
CMC	Capital Market Committee
CIS	Collective Investment Scheme
CMLMP	Capital Market Literacy Master Plan
COO	Chief Operations Officer
COM-SEC	Commonwealth Secretariat
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CRR	Cash Reserve Ratio
CSCS	Central Securities Clearing System
CS-DRMS	Commonwealth Secretariat-Debt Recording & Management System
DAO	Departmental Administrative Officer
DCSS	Direct-Cash Settlement System
DDU	Domestic Debt Unit
DeMPA	Debt Management Performance Assessment

DMDs	Debt Management Departments
DMO	Debt Management Office
DRSD	Debt Recording and Settlement Department
DSA	Debt Sustainability Analysis
DSF-LICs	Debt Sustainability Framework for Low Income Countries
ECA	Excess Crude Account
ECB	European Central Bank
ECFA	External Creditors Funding Account
EDF	European Development Fund
EM	Emerging Market
EM-LCBI	Emerging Markets Local Currency Bond Index
ETF	Exchange Trade Funds
ES	External Support
EUR	Euro
FBN	First Bank of Nigeria
FCT	Federal Capital Territory
FCTA	Federal Capital Territory Administration
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria
FICAN	Financial Correspondents Association of Nigeria
FMA	Federal Ministry of Aviation
FMBN	Federal Mortgage Bank of Nigeria
FMDA	Financial Markets Dealers Association
FMDQ	Financial Market Dealers Quotation
FMF	Federal Ministry of Finance
FMoT	Federal Ministry of Transport
FOMC	Federal Open Market Committee
FSS	Financial System Strategy
FX	Forex
GBB	Galaxy Backbone
GBP	Great Britain Pound
GBI-EM	Government Bond Index-Emerging Markets
GCFR	Grand Commander of the Federal Republic
GCON	Grand Commander of the Order of the Niger
GBP	Great Britain Pound

GDN	Global Depository Note
GDP	Gross Domestic Product
GIFMIS	Government Integrated Financial Management Information System
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
ICM	International Capital Market
ICT	Information & Communication Technology
ID	Islamic Dinar
IDA	International Development Association
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFEM	Inter-Bank Foreign Exchange Market
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IPO	Initial Public Offering
IPPIS	Integrated Personnel and Payroll Information System
ISDU	Institutions & Skill Development Unit
IT	Information Technology
JPY	Japanese Yen
LCDs	Local Contractors' Debts
LEI	Legal Entity Identifier
M2	Broad Money Supply
MC	Market Capitalization
MDAs	Ministries, Departments and Agencies
MDD	Market Development Department
MENAP	Middle East, North Africa, Afghanistan and Pakistan
ME & SD	Monitoring, Evaluation & Special Duties
MFPCC	Monetary and Fiscal Policy Coordinating Committee
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MS	Microsoft
MSCI	Morgan Stanley Capital International
MTDS	Medium-Term Debt Management Strategy
MTEF	Medium-Term Expenditure Framework

MTN	Medium Term Note
NACRDB	Nigerian Agricultural Cooperative & Rural Development Bank
NBS	National Bureau of Statistics
NBET	Nigerian Bulk Electricity Trading
NDIC	Nigeria Deposit Insurance Corporation
NDMF	National Debt Management Framework
NEXIM	Nigerian Export Import Bank
NFA	Net Foreign Asset
NGN	Nigerian Naira
NICMM	Non-Interest Capital Market Master Plan
NIPF	National Investor Protection Fund
NPC	National Planning Commission
NSE	Nigerian Stock Exchange
NSIA	Nigeria Sovereign Investment Authority
NTBs	Nigerian Treasury Bills
OO	Operations Officer
OAGF	Office of the Accountant-General of the Federation
ORD	Organizational Resourcing Department
ORM	Operational Risk Management
OTC	Over-the-Counter
PDMMs	Primary Dealer Market Makers
PENCOM	Pension Commission
PMD	Portfolio Management Department
POO	Principal Operations Officer
PenOp	Pension Operators Association of Nigeria
PSRMD	Policy, Strategy and Risk Management Department
PV	Present Value
rDAS	Retail Dutch Auction System
S4	Scripless Securities Settlement System
SAN	Senior Advocate of Nigeria
SDN	Sovereign Debt Note
SDR	Special Drawing Rights
SEC	Securities and Exchange Commission
SIU	Securities Issuance Unit
SME	Small and Medium Enterprise

SOO	Senior Operations Officer
SNDU	Sub-National Debt Unit
SPD	Strategic Programmes Department
STF	Sub-Treasury of the Federation
TBs	Treasury Bonds
TDR	Trade Data Repository
TL	Team Leader
TSA	Treasury Single Account
USD	United States Dollar
USA	United States of America
UK	United Kingdom
WAIFEM	West African Institute for Financial and Economic Management
WAMZ	West African Monetary Zone
WB	World Bank
WEO	World Economic Outlook

DEBT MANAGEMENT OFFICE

Vision

To be one of the leading Public Debt Management institutions in the world, in terms of best practice and contribution to national development.

Mission

To manage Nigeria's debt as an asset for growth, development and poverty reduction, while relying on a well motivated professional workforce and state-of-the-art technology.

Broad Objective

To ensure efficient public debt management in terms of a comprehensive, well diversified and sustainable portfolios, supportive of Government and private sector needs.

Core Values

EXCITE:

- *Ex* - **Ex**cellence: We deliver what we promise and add value
- *C* - **C**ommitment: We are willing to work hard and give our energy and time to work
- *I* - **I**ntegrity: We will display transparent honesty in all our working relationships with our colleagues, internal and external stakeholders
- *T* - **T**eamwork: We will strive to work well together as a team, respecting one another
- *E* - **E**fficiency: We will use our time, human resources, technology to perform our tasks, producing more with given resources.

MANDATE OF THE DEBT MANAGEMENT OFFICE

The mandate of the Debt Management Office as articulated in Part III, Section 6 of the Debt Management (Establishment) Act 2003, specifies that the DMO shall:

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 realizing these objectives;

d. Verify and service external debts guaranteed or directly taken by the Federal Government;

e. On an 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 Federal Government 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 and 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 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 Act.

The DMO Act also provides that the Office shall:

a. Administer the debt conversion programme of the Federal Government;

b. Perform the functions of the Minister with regard to the development fund rules; and,

c. Supervise the operation of the development fund under the Finance (Control and Management) Act, 1958 (as amended).

The DMO Act further provides that the Office shall have powers to:

a. 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;

b. Issue, from time to time, guidelines for the smooth operation of the debt conversion programmes of the Federal Government; and,

c. Do such other things, which in the opinion of the Board relate to the management of the external debts of the Federal Government.

DIRECTOR-GENERAL'S STATEMENT

It is with great honour and privilege that I present the Annual Report and Statement of Accounts of the Debt Management Office (DMO) for the year ended December 31, 2015. The Report contains the principal activities of the DMO and a review of the key relevant economic and financial developments in both the local and global operating environments for the 2015 fiscal year. In line with the DMO's practice of adherence to the relevant public sector financial reporting standards, the Audited Financial Statements and Accounts of the Office for the year ended December 31, 2015, are also included in the Report.

The global economy remained rather weak in 2015, as there was an overall decline in commodity prices and slowdown in economic growth. According to the International Monetary Fund's (IMF), World Economic Outlook (January, 2016), global growth rate declined by 0.2 percent to 3.1 percent in 2015, compared to 3.4 percent in 2014. The United States of America's economy showed an improved economic performance, while Japan's economic recovery remained fragile, despite substantial policy stimulus. The Euro-area economies witnessed a modest recovery, driven by domestic demand and investments, and supported by low oil prices, as well as, favourable financing conditions. The emerging markets and developing economies' growth rate decelerated to 4.0 percent in 2015, from 4.6 percent in 2014. The Chinese economy witnessed a slowdown in 2015, in spite of a wide range of stimulus measures. Similarly, the Sub-Saharan African economies witnessed a decline in performance, as output growth went down to 3.4 percent in 2015, from 5.0 percent in 2014, attributed to lower oil and commodity prices. The main risks to the Sub-Saharan region include political instability and conflicts, lower oil and commodity prices, insurgency and weak global financial conditions.

The Nigerian economy was adversely impacted in 2015, primarily as a result of the structural collapse of crude oil prices, which adversely affected the performance of the oil sector, coupled with shocks in the domestic supply of refined petroleum products. The other factors include, uncertainties surrounding the general elections during the year, insurgency in the North-Eastern part of the country, and restrictions on foreign exchange transactions occasioned by declining accretion to external reserves, due to reduced oil export earnings in the later part of the year. According to the National Bureau of Statistics (NBS), in 2015, the country's real GDP grew by 2.79 percent, compared to 6.22 percent in 2014. The non-oil sector has remained the main driver of the output growth, especially agriculture, service and trade sectors of the economy. The year-on-year headline inflation, which rose to 9.6 percent in 2015, from 8.0 percent in 2014, was within the West African Monetary Zone (WAMZ) convergence inflation rate threshold of 10.0

percent. The continued decline in global oil and commodities prices, as well as, higher import prices due to depreciation of the Naira, against major convertible currencies, are expected to pose potential risks to inflation.

The price of Nigeria's crude oil (the Bonny Light) fell to US$31.27 per barrel in December, 2015, relative to the 2015 budget benchmark crude oil price of US$53.00 per barrel. This led to significant decline in the country's foreign exchange earnings and external reserves position. The gross external reserves stood at US$28.29 billion as at the end of December, 2015, against US$34.25 billion in December, 2014, representing a decrease of US$5.96 billion or 17.40 percent. The average exchange rate of the Naira relative to the US Dollar at the Inter-bank market was ₦196.99 per US dollar at the fourth quarter of 2015, while at the Bureau De Change (BDC) segment, it was ₦238.69 per US dollar, indicating a depreciation of ₦60.45 or 33.91 percent relative to the level at the corresponding period of 2014.

As in the previous year, the Federal Government sustained its policy on fiscal consolidation and inclusive economic growth in 2015. This was anchored on the Medium-Term Expenditure Framework (MTEF), 2015-2017. The revenue estimates for the 2015 Appropriation Act were based on a benchmark crude oil price of US$53.00/barrel, while the crude oil production was set at 2.28 million barrels per day. The fiscal deficit for the year of ₦2.21 trillion or 2.31 percent of GDP was fully funded through domestic borrowing, by way of regular monthly issuances of FGN securities in the domestic debt market. The fall in oil prices resulted in drastic reduction of the statutory revenue allocation to State Governments, thereby creating a huge fiscal gap between revenue and expenditure of most States. To achieve fiscal balance at the sub-national level, between August and September, 2015, the DMO restructured 23 States' commercial bank loans amounting to ₦575.516 billion owed to 15 banks into 20-year FGN Bonds.

The secondary market activities for FGN Bonds were relatively stronger in 2015 compared with the previous year. Data from the Financial Markets Dealers Quotation (FMDQ) OTC Market and Central Securities Clearing System (CSCS) in 2015, showed that the Total Face Value of Transactions, Consideration and Number of deals were ₦9.493 trillion, ₦9.581 trillion and 46,992, higher than the corresponding figures of ₦7.394 trillion, ₦8.068 trillion and 46,090 in 2014, respectively. Trading activities were boosted in 2015, as most of the challenges that had arisen from the introduction of Scripless Securities Settlement System (S4) by the Central Bank of Nigeria in 2013, were addressed. Secondary market activities also got a boost, with the introduction of the FMDQ OTC E-Bond platform, which enabled the dealers to trade more professionally, with enhanced price discovery and transparency. As in the previous year, over-subscriptions were recorded in all the monthly auctions of FGN Bonds in 2015, which presented a clear indication of diverse and strong investor interest, resulting from an active secondary market and sustained efforts by the stakeholders to develop and strengthen the domestic debt market. The average yield on FGN securities of about 10 percent in 2015, were relatively lower than their corresponding yield of 15 percent in 2014. Thus, reflecting a stronger demand for the FGN securities by domestic investors, in spite of the delisting of the FGN Bonds from the J.P Morgan – Government Bond Index – Emerging Market (GBI-EM) in October, 2015, as a result of concerns raised about the level of liquidity in the foreign exchange market. Reports from the Nigerian Stock Exchange (NSE) indicated that activities in the equities market remained bearish for most part of 2015, as the Market Capitalization and NSE All-Share Index closed at ₦9.86 trillion and 28,642 in 2015, compared to ₦11.49 trillion and 34,657 in 2014, respectively.

As at end of December, 2015, the total public debt stock of the country was ₦12,603,705.28 million (US$65,428.53 million) compared to ₦11,243,120.22 million (US$67,726.28 million) in 2014, representing an increase of 12 percent (₦1,360,585.06 million) in 2015. External debt accounted for ₦2,111,530.71 million (US$10,718.43 million) or 16.75 percent, while domestic debt accounted for ₦10,492,174.57 million (US$54,710.10 million) or 83.25 percent. The external debt, which was dominated by concessional and semi-concessional loans, has helped to reduce the overall cost of debt. The domestic debt stock comprised securitised Federal Government of Nigeria's debt of ₦8,836,995.86 million (US$44,857.85 million), and the domestic debt of the 36 States and the FCT of ₦1,655,178.71 million (US$9,852.25 million) as at end of December, 2014. Given the time lag involved in the compilation and validation of the domestic debt data of the States and FCT, the collation of the updated figures for 2015 is still on-going and would be finalised by early next year.

The DMO, in conjunction with relevant stakeholders, conducted the annual National Debt Sustainability Analysis (DSA) workshop in 2015, to update the 2014 DSA, set new borrowing limits for the government, advise on funding options and provide inputs into the Medium-Term Expenditure Framework. The outcome of the DSA under the baseline scenario showed that relative to the output-based indicator (Debt-to-GDP ratio), the country has remained at a low risk of debt distress, but remained mostly sensitive to revenue shocks, given that an increase in aggregate GDP, does not result to a proportionate increase in revenue. This highlights the need to further diversify the sources of revenue away from crude oil, as well as, implement far-reaching policies that will bolster exports and other forms of capital flows (e.g. foreign direct investments) into the country. Meanwhile, the NPV of Debt-to-GDP ratio reached 13.02 percent in 2015, compared to 12.65 percent in 2014, which is still within the country-specific threshold of 19.39 percent (up to 2017), and far below the international threshold of 56 percent for countries in Nigeria's peer group, as well as, West African Monetary Zone's convergence threshold of 70 percent.

The DMO sustained its capacity building initiatives for sub-national debt managers, with a view to strengthening their skills, capacities and competencies for effective debt management and overall public debt sustainability. In this regard, the DMO conducted two categories of training for the States. The first category of training was targeted at States (Katsina, Bayelsa and Lagos) that had challenges with their domestic debt data submissions to the DMO. The second category of DMO's capacity building programme was aimed at sensitizing the officials on the need for an effective collaboration and co-operation between the Debt Management Departments (DMDs) and States' MDAs involved in the domestic debt data compilation and reporting. During the year, two States, namely: Bayelsa and Anambra States, participated in the training progamme. Twelve States and the FCT have so far, participated in this programme, since its commencement by the DMO in 2014.

The DMO has continued to serve as a reference institution for the acquisition of public debt management skills and competencies in Africa. During the year, it hosted three African countries on Attachments or Study Tours, namely: (i) Uganda - a 2-man team from the Financial Markets Department of the Bank of Uganda, who needed some insights into the Nigerian financial market and practices; (ii) Kenya - a 5-man delegation from Kenya, who wanted to gain more insights into some of the market development initiatives undertaken by Nigeria to develop its domestic bond market; and, (iii) The Republic of South Sudan - a 7-man team from the South Sudan Ministry of Finance and Economic Planning, who visited the DMO to enable it understand public debt management as a special area of fiscal policy operations of a government.

In conclusion, although the year 2015, was replete with challenges, it was quite rewarding as has been the case in previous years. The DMO continued with its success story as it endeavoured to deliver on its mandate. The year, 2015, marked the half period in the implementation of the DMO's third Strategic Plan, 2013-2017, which has recorded remarkable milestones.

It is indeed my pleasure, to most respectfully express my warm appreciation to the Chairman of the Supervisory Board of the DMO, His Excellency, Professor Yemi Osinbajo, SAN, GCON, the Vice President of the Federal Republic of Nigeria; the Vice Chairman, Mrs. Kemi Adeosun, the Honourable Minister of Finance; and all the other highly distinguished members of the Board for their continued support. The contributions of all other stakeholders, including the Federal Ministry of Finance, the Central Bank of Nigeria, the Federal Ministry of Budget and National Planning, the National Bureau of Statistics, the Office of the Accountant-General of the Federation, and the West African Institute for Financial and Economic Management and other partners, are also highly appreciated. I also wish to extend my sincere thanks to the Management and Staff of the DMO, as the modest achievements recorded in the year 2015 are a testimony of their unalloyed dedication and commitment to contributing to the growth and development of the economy.

Abraham Nwankwo
Director-General
May 31, 2016

CHAPTER ONE

THE ECONOMIC ENVIRONMENT

CHAPTER ONE

THE ECONOMIC ENVIRONMENT

In 2015, the global economy remained rather weak, due to overall decline in commodity prices and slowdown in growth, though the United States of America's economy showed improved economic performance. Despite policy stimulus, Japan's economy did not respond positively as expected. The recovery of the Euro-area was modest, driven by domestic demand and investments. Emerging markets and developing economies witnessed a decline in economic performance, while Sub-Saharan African economies were adversely affected by the continued fall in oil prices, security challenges and global financial conditions. The Nigerian economy witnessed a decline in output, as a result of adverse effect of falling oil prices, uncertainties that characterized the general elections, insurgency in the North-Eastern part of the country and restrictions on foreign exchange transactions.

1.1 The Global Economy

In 2015, the global economy remained rather weak, as there was an overall decline in commodity prices and slowdown in growth. Data from the International Monetary Fund (IMF), World Economic Outlook (January, 2016) indicated that global growth rate declined by 0.2 percent to 3.1 percent in 2015, compared to 3.4 percent in 2014. The United States of America's economy showed improved economic performance with a growth rate of 2.0 percent in the third quarter of 2015, supported by stronger domestic demand and robust investment in non-oil sector, which prompted the U.S. Federal Reserve to raise the Federal Funds Rate in December, 2015. In Japan, economic recovery remained fragile, despite substantial policy stimulus, but growth is expected to firm up in 2016, on the back of a strong fiscal support, lower oil prices, accommodative financial conditions and increasing income.

The Euro-area economies witnessed a modest recovery, driven by domestic demand and investments, supported by low oil prices and favourable financing conditions. The contagion effect from the Greece debt crisis did not adversely affect the region, as the European Central Bank's asset purchase programmes helped to ease financial conditions and mitigate possible fall-out from the debt crisis.

In the emerging markets and developing economies, growth rate decelerated to 4.0 percent in 2015, from 4.6 percent in 2014. China's economy witnessed a slowdown to 6.9 percent in 2015, from 7.3 percent in 2014, in spite of cutting down of interest rates and cash reserve requirements, as well as, devaluation of its currency to boost exports. Russia went into recession amid imposed western sanctions and sustained decline in oil prices. India's economy firmed up in 2015, sustained by monetary easing and liberalization of Foreign Direct Investments (FDIs). The Middle East, North

Africa, Afghanistan and Pakistan (MENAP) economies witnessed a stable growth at 2.5 percent in 2015, despite a decline in oil prices and regional conflicts. Growth is projected to edge up to more than 3.6 percent in 2016, as easing of economic sanctions on Iran is expected to boost the economies of the region. The economies of Latin America and the Caribbean contracted in 2015, due to lower commodity prices and growth decelerations in Brazil, which went into recession, as output growth declined from 0.1 percent in 2014 to -3.8 percent in 2015.

Sub-Saharan African economies witnessed a decline in performance, as output growth went down to 3.4 percent in 2015 from 5.0 percent in 2014, which was attributed to lower oil and commodity prices. Growth in oil-exporting countries (Angola and Nigeria) was adversely affected by falling oil prices, which impacted negatively the oil sector, while South Africa's economy suffered energy shortage and weak investor confidence amid policy uncertainty, as output growth shrunk to 1.3 percent in 2015, from 1.5 percent in 2014. The main risks to the Sub-Saharan region were political instability and conflicts, lower oil and commodity prices, insurgency and weak global financial conditions.

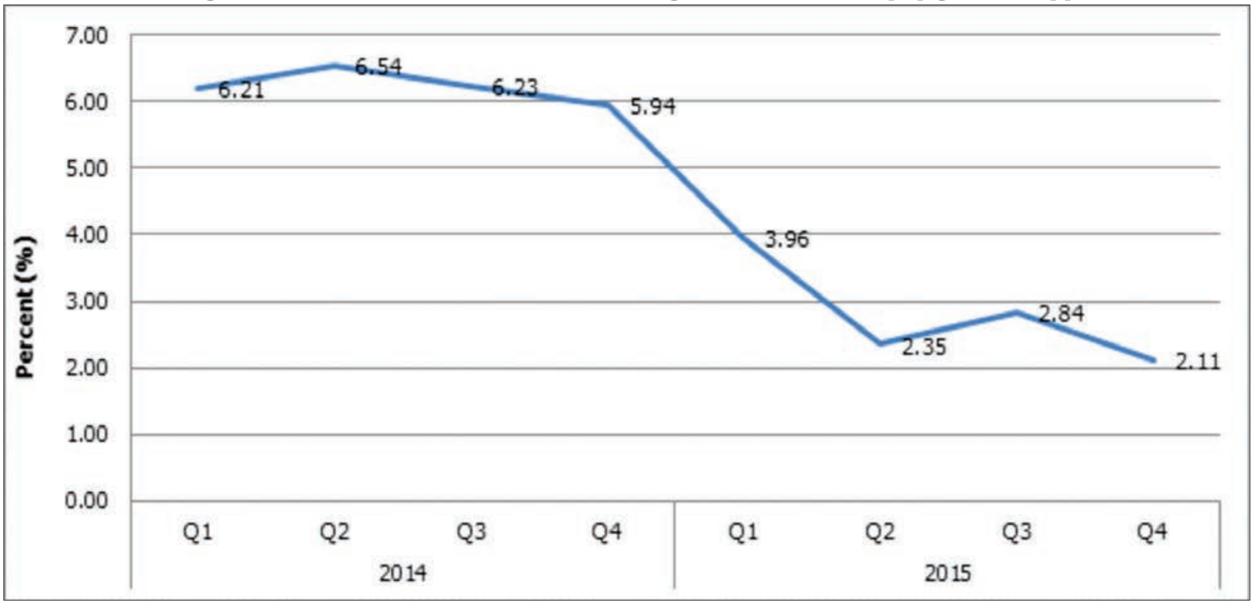
1.2 The Nigerian Economy and Policy Environment in 2015

1.2.1 Output and Prices

The Nigerian economy was adversely affected in 2015, primarily by structural collapse of crude oil prices, which impaired the performance of the oil sector, coupled with shocks in the domestic supply of refined petroleum products. The other factors include political activities, insurgency in the North-Eastern part of the country and restrictions on foreign exchange transactions, as a result of declining accretion to external reserves, occasioned by declining oil export earnings, in the later part of the year.

According to the National Bureau of Statistics (NBS), the country's real GDP in 2015 grew by 2.79 percent, compared to 6.22 percent in 2014. On quarter-on-quarter, the GDP grew by 2.11 percent in the fourth quarter, compared to 2.84 and 5.94 percent in the preceding quarter and corresponding period of 2014, respectively. The non-oil sector remained the main driver of the output growth in the fourth quarter of 2015, as it grew by 3.14 percent in real terms contributing 91.94 percent to the country's GDP. Growth in the non-oil sector was largely driven by the activities of Trade, Agriculture and Services sectors of the economy. The real GDP growth of the oil sector declined by 8.28 percent in the fourth quarter of 2015, compared to 1.06 percent in the preceding quarter and 1.18 percent in the corresponding quarter of 2014. The slow growth was attributed largely to fall in oil prices and disruption in production, due to oil theft and pipeline vandalism. The IMF in its WEO (January, 2016 report) revised downwards the growth forecast for Nigeria from 7.3 to 4.8 percent for 2015, which is lower than the projected growth rate of 4.9 percent for Sub-Saharan Africa. Figure 1.1 shows the real GDP growth rate on a quarterly basis for fiscal years 2014 and 2015.

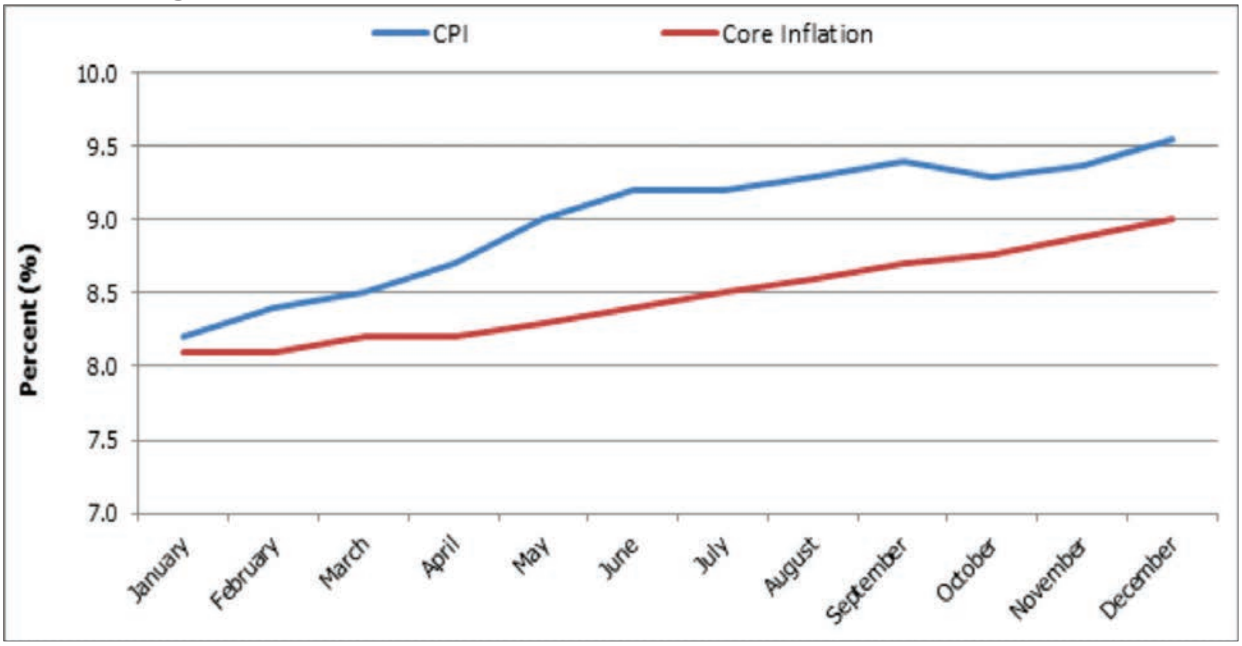
Figure 1.1: Growth Rate of the Nigerian Economy (Quarterly)



Source: National Bureau of Statistics (NBS)

The year-on-year headline inflation, which rose to 9.6 percent in 2015, from 8.0 percent in 2014, was within the WAMZ convergence inflation rate threshold of 10.0 percent. The headline inflation, which opened at 8.2 percent in January, 2015, gradually, but steadily rose to 9.2 percent in June, 2015, mainly attributed to the scarcity of petroleum products, which impacted on the food prices, and movement of goods and services throughout the entire country. The headline inflation edged up during the second half of the year to 9.6 percent in December, 2015, and this was driven by increased transportation costs and exchange rate pressures. The continued decline in global oil and commodity prices and higher import prices, due to the depreciation of the Naira, against major convertible currencies are expected to pose potential inflation risk. Figure 1.2 shows the trends of the Consumer Price Index and Core Inflation in 2015.

Figure 1.2: The Consumer Price Index and Core Inflation in 2015



Source: National Bureau of Statistics (NBS)

1.2.2 Monetary, Credit and Financial Market Development

Broad Money Supply (M2) grew by 5.90 percent in the fourth quarter of 2015, compared to 7.29 percent in the corresponding period of 2014. This development was attributable to increase of 11.2 and 8.2 percent of foreign assets (net) and other assets (net) of the banking system, respectively. In May, 2015, the Monetary Policy Committee (MPC) of the CBN, while retaining the Monetary Policy Rate (MPR) at 13.0 percent, harmonized the Cash Reserve Ratio (CRR) on both public and private sector deposits at 31.0 percent. However, in September, 2015, the MPC further reduced the CRR to 25.0 percent, while in November, 2015, it reduced the MPR to 11.0 percent, from 13.0 percent; changed the asymmetric corridor of 200 basis points around the MPR to an asymmetric corridor of +200 basis points and -700 basis points around the MPR; reduced the CRR from 25 to 20 percent; and, retained Liquidity Ratio at 30.0 percent, with a view to easing liquidity into the financial system. The average Inter-Bank Call Rates, NTBs rates and prime lending rate as at end of December, 2015, were 11.87, 9.39 and 16.85 percent, compared to 24.30, 10.80 and 15.88 percent in 2014, respectively.

1.2.3 External Sector Development

The gross external reserves was US$28.29 billion as at end of December, 2015, compared to US$34.25 billion by end of December, 2014, representing a decrease of US$5.96 billion or 17.40 percent. The sharp depletion in the external reserves was mainly due to declining proceeds from crude oil sales occasioned by adverse developments in the international oil market, and increased funding of the foreign exchange market by the CBN to stabilize the exchange rate. The average exchange rate of the Naira relative to the US Dollar at the Inter-bank market was ₦196.99 per US Dollar at the fourth quarter of 2015, while at the Bureau De Change (BDC) market; it was ₦238.69 per US Dollar, representing a depreciation of ₦60.45 or 33.01 percent. Table 1.1 shows the trend of selected economic indicators between 2011 and 2015.

Table 1.1: Selected Macroeconomic Indicators between 2011 and 2015

Description	2011	2012	2013	2014	2015
Real GDP Growth Rate (%)	5.09	4.21	5.49	6.22	2.79
CPI Inflation (end-period) (%)	11.8	10.3	12	8.0	9.6
Budget Deficit (% of GDP)	2.96	2.85	1.9	1.9	1.09
External Reserves (US$' billion)	32.34	54.26	43.83	34.25	28.29
End-Period Exchange Rate (₦)	158.27	156.05	155.57	168	197
Total Public Debt-to-GDP Ratio (%)	20.58*	22.43*	12.65	12.65	13.02
Benchmark Crude oil price (US$)	65	72	79	77.5	53
Equities Market Capitalization (₦' trillion)	6.54	8.98	13.23	11.47	9.65
Bond Market Capitalization (₦' trillion)	3.74	5.82	5.85	5.38	7.14

Sources: MBNP, NBS, BoF, CBN, SEC, DMO

Note: Total Public Debt-to-GDP ratio includes States' Domestic Debt stock

* Total Public Debt-to-GDP ratio pre-rebasing

1.2.4 Fiscal Development

The fiscal deficit-to-GDP ratio was 2.31 percent in 2015, compared to 1.2 percent in 2014. The fiscal operations of the Government were anchored on the Medium-Term Expenditure Framework (MTEF), 2015-2017. The revenue estimates for 2015 budget was based on benchmark crude oil price of US$53.0/barrel, while crude oil production volume was set at 2.2782 million barrels per day. The sum of ₦2.21 trillion was raised from the domestic bond market through the issuance of FGN securities to fully fund the ₦2.21 trillion budget deficit in the 2015 Appropriation Act, as well as, the Supplementary Budget.

The declining oil price resulted in drastic fall in the statutory revenue allocation to State

Governments, thereby creating a huge fiscal gap between revenue and expenditure of most States. To achieve fiscal balance at the sub-national level, between August and September, 2015, the DMO restructured 23 States' commercial bank loans amounting to ₦575.516 billion owed to 15 banks into 20-year FGN Bonds.

1.2.5 Domestic Capital Market

1.2.5.1 Developments in the Domestic Equities Market

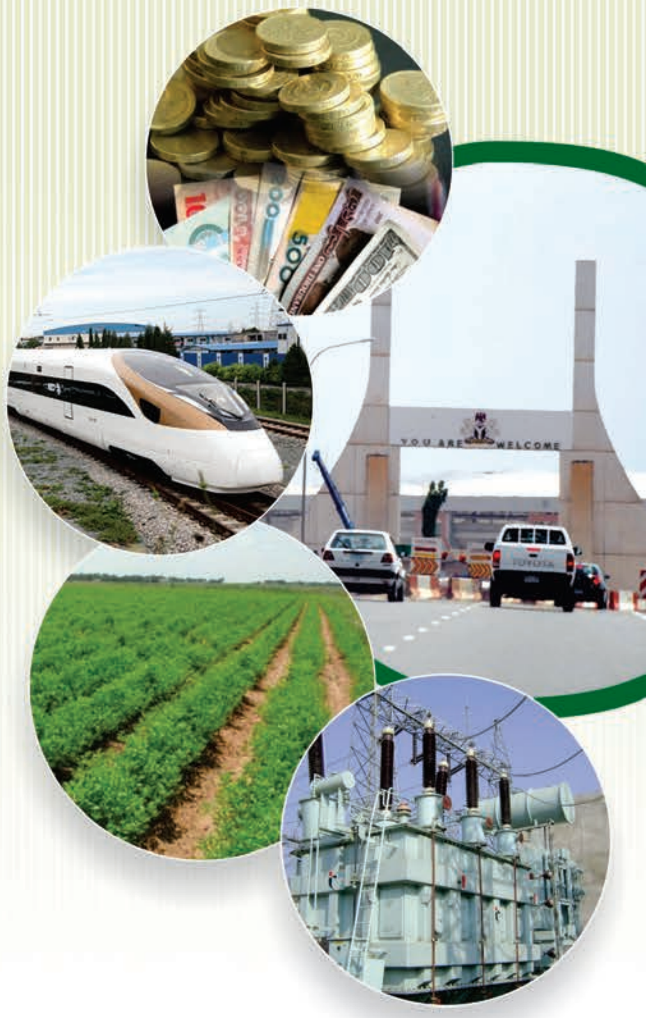
The equities market was largely bearish during the year, which was attributable to factors including falling oil prices, investors' apathy and volatile socio-economic and political climate. All-Share Index (ASI) declined by 17.36 percent from 34,657 as at end of December, 2014, to 28,642 by close of business in December, 2015, while Market Capitalization (MC) declined by 14.18 percent from ₦11.49 trillion in 2014 to ₦9.65 trillion by end of December, 2015.There was no new listing in the primary market in 2015. In contrast, bond market capitalization increased by 32.7 percent to ₦7.14 trillion by end of December, 2015, from ₦5.38 trillion as at end of December, 2014, as the Corporates, Federal and State Governments accessed the debt market in 2015, to raise a total of ₦112.0 billion, ₦76.5 billion and ₦35.8 billion, respectively. In the overall, the total market capitalization, increased marginally from ₦16.88 trillion as at end of December, 2014, to ₦17.00 trillion as at end of December, 2015, representing an increase of 0.71 percent.

1.2.5.2 Developments in the Domestic Bonds Market

The size of the Nigerian domestic bonds market, in terms of face value was ₦6,515.62 billion as at the end of December, 2015, compared to ₦5,683.46 billion as at end of December, 2014, which represented an increase of N832.16 billion or 14.64 percent. The increase was broken down as follows: FGN bonds – ₦5,808.14 billion, State Government bonds – ₦457.24 billion and Corporate bonds – ₦226.15 billion. There was no issuance by Supra-nationals during the year. The other developments in the domestic bonds market in 2015, included:

(i) A new 5-year Benchmark Bond was introduced in 2015, with the issuance of 15.54% FGN FEB 2020, as the previously issued 5-year Benchmark Bond 16.00% FGN JUNE 2018 became a 3-year Benchmark bond.

(ii) The FGN Securities comprising ₦4.847 trillion FGN Bonds and ₦2.804 trillion Nigerian Treasury Bills (NTBs) outstanding as at July 2015, were officially listed on the Financial Markets Dealers Quotation (FMDQ) OTC Plc platform in July, 2015. The listing is expected to support market initiatives that would promote visibility, transparency and price discovery in the FGN securities.



CHAPTER TWO

APPRAISAL OF DEBT MANAGEMENT STRATEGY

CHAPTER TWO

APPRAISAL OF DEBT MANAGEMENT STRATEGY

In 2015, the external debt management strategy of accessing funds from mainly the multilateral and bilateral sources on concessional terms was retained. The concessional debt formed 85.46 percent of the total external debt stock, as at end of December, 2015, while debt from non-concessional sources was 14.54 percent compared to 83.0 percent and 17.0 percent in 2014, respectively. The domestic and external debt mix was 84:16 against the optimal target of 60:40, while the ratio of long-term to short-term domestic debt was 69:31 compared with the target of 75:25. The domestic debt management strategy focused on continued deepening of the market for government securities aimed at building up liquidity through the introduction of a variety of financial instruments.

2.1 Introduction

The primary objectives of public debt management in Nigeria are outlined in the National Debt Management Framework (NDMF), 2013-2017 and the DMO's Strategic Plan (2013-2017). These objectives include: efficiently providing for the financing needs of the government; minimizing borrowing costs with the associated risks to the government; supporting the development of the domestic debt market; and, ensuring that the public debt portfolio is sustainable in the medium to long-term.

The Debt Management Strategy, 2012-2015, was focused on reducing the rate of growth of public debt (particularly domestic debt), reducing the debt service, achieving an optimal ratio of 60:40 between domestic and external debt, attaining a ratio of 75:25 between long-term and short-term debt in the domestic debt portfolio, stabilization and deepening of the domestic debt market, so as to attract inflow of foreign investments and making of direct budgetary provisions for creation of a sinking fund preparatory for the repayment of part of maturing principal FGN obligations. The Strategy is aimed at reducing debt service, supports the substitution of domestic borrowing with relatively long-term external financing.

While the thrust of the Strategy remained unchanged in 2015, the increased level of domestic borrowing led to high refinancing and interest rate risks, though with low foreign exchange risk. The composition of total public debt as at end of December, 2015, was 84:16, against the ratio of 60:40 for domestic and external debt, and 69:31 compared with 75:25 ratio for long-term to short-term domestic debt, respectively.

2.2 External Debt Management Strategy

In 2015, the external debt management strategy continued to be focused on borrowing mainly from multilateral and bilateral sources on concessional terms, to finance public development programmes. However, with more emphasis on rebalancing the total debt portfolio so as to achieve the optimal debt portfolio mix of 60:40 between domestic and external debt, through substitution of domestic borrowing with relatively long-term external financing, borrowing from commercial sources is expected to increase in the medium-term.

2.2.1 Concessional Borrowings

In line with the external debt management strategy, access to concessional multilateral and bilateral windows was sustained. Of the total external loans portfolio of ₦2.11 trillion (US$10.72 billion) outstanding as at the end of December, 2015, the concessional debt from multilateral and bilateral sources was ₦1.74 trillion (US$8.81 billion) or 82.20 percent compared to ₦1.35 trillion (US$8.06 billion) or 83.0 percent in 2014, while the balance of ₦0.375 trillion (US$1.90 billion) or 17.80 percent and ₦0.277 trillion (US$1.65 billion) or 17.0 percent in 2014, constituted the non-concessional multilateral and commercial loans.

2.3 Domestic Debt Market Strategy

As in previous years, the domestic debt management strategy pursued in 2015 was to lengthen the maturity profile of the debt portfolio, so as to reduce roll-over/refinancing risk, broaden and further deepen the market for government securities and, thus, enhance liquidity in the market through the introduction of a variety of government securities, as well as, the use of appropriate technology to support the effective and efficient issuance of Government securities. These were aimed at minimizing borrowing costs, as well as, maintaining a vibrant and liquid domestic debt market for FGN securities.

2.3.1 Primary Bond Market Activities

The FGN Bond primary market remained active in 2015, with regular issuances of tradable securities. The issuance activities were targeted at increasing the volume of benchmark bonds in order to promote liquidity of the instruments, support trading in the market and meet the appetite of various investor groups. Consequently, there were re-openings of benchmark bonds at various times during the year.

The FGN Bonds issued during the year were in the 5, 10, and 20-year tenors. The total amount offered was ₦858,220.00 million, while total subscriptions was ₦1,753,460.47 million, representing over-subscription of 204.31 percent for the year compared to 193.09 percent in 2014. The total amount allotted was ₦998,740.00 million.

The FGN Bonds issuances have been consistently over-subscribed for the past five years, which was attributed to the success of various initiatives adopted by the DMO with the support of its stakeholders to develop the FGN Bonds market and the domestic bond market in general. The initiatives included: the building-up of benchmark FGN Bonds to enhance liquidity; widening of the investor base; and more aggressive sensitization programme on the available opportunities in the FGN bonds market.

2.4 New Initiatives and Developments in the FGN Bonds Market in 2015

2.4.1 DMO's Primary Dealer Market Makers (PDMMs) in FGN Bonds

The DMO's PDMMs were previously made up of Banks and Discount Houses. As at end of December, 2015, the Discount House category was completely phased out with the conversion of Associated Discount House Limited to Coronation Merchant Bank Ltd and Kakawa Discount House Limited to FBN Merchant Bank Limited, following the adoption of universal banking licensing regime by the CBN.

2.4.2 Benchmark Bonds

A new 5-year Benchmark was introduced in 2015, with the Issuance of 15.54% FGN FEB 2020. The previous 5-year Benchmark (16.00% FGN JUNE 2019) became the 3-year Benchmark, while the 15.10% FGN APR 2017 which was the 3-year Benchmark is now the 2-year benchmark.

2.5 Sub-National Debt Management Strategy and Development

The DMO sustained its capacity building initiatives for sub-national debt managers, with a view to strengthening their skills, capacities and competencies for effective debt management and overall public debt sustainability. To this end, the DMO conducted two categories of training for the States. The first category of training was targeted at States with special needs (Katsina, Bayelsa and Lagos), aimed at addressing the issue of sign-offs and inconsistencies in their domestic debt data submissions to the DMO. The second category of DMO's capacity building programme was for two States, namely: Bayelsa and Anambra aimed at sensitizing the sub-national debt managers on the need for an effective collaboration and co-operation between the DMDs and States' MDAs involved in the domestic debt data compilation and reporting. As at end of December, 2015, twelve (12) States and the FCT have benefited from the training progammes since its commencement in 2014.

CHAPTER THREE

NIGERIA'S TOTAL PUBLIC DEBT

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NIGERIA'S TOTAL PUBLIC DEBT

Total public debt outstanding as at end of December, 2015, was ₦12.60 trillion (US$65,428.53 million) compared to ₦11.24 trillion (US$67,726.28 million) as at end of December, 2014. The marginal increase was mainly in the domestic debt portfolio, which was attributed to additional issuances for the funding of the 2015 budget deficit and refinancing of matured debt securities. The domestic debt stock has continued to form a larger part of the total public debt stock since 2011. The stock of external debt continued to be in the long-term category.

3.1 Total Public Debt Outstanding

The Nigeria's total public debt outstanding as at end of December, 2015 was ₦12,603,705.28 million (US$65,428.53 million) compared to ₦11,243,120.22 million (US$67,726.28 million) in 2014, representing an increase of ₦1,360,585.06 million or 12 percent. The increase was attributed to additional issuances for funding of the 2015 budget deficit and refinancing/redeeming matured securities. Of the total public debt stock at the end of 2015, external debt was ₦2,111,530.71 million (US$10,718.43 million) or 16.75 percent, while domestic debt was ₦10,492,174.57 million (US$54,710.10 million) or 83.25 percent. The domestic debt stock comprised securitised Federal Government of Nigeria debt of ₦8,836,995.86 million (US$44,857.85 million) and 36 States and the FCT domestic debt of ₦1,655,178.71 million (US$9,852.25 million) as at end of December, 2014. Given the time lag involved in the compilation and validation of the domestic debt data of the States and FCT, the collation of the updated figures for 2015 is still on-going and would be finalised by early next year.

Table 3.1: Nigeria's Total Public Debt Outstanding, 2011-2015

	2011	2012	2013	2014	2015
FGN Debt Stock					
External Debt Stock*					
US$' Million	5,666.58	6,527.07	8,821.90	9,711.45	10,718.43
NGN' Million	887,953.09	1,016,721.69	1,373,569.83	1,631,523.60	2,111,530.71
% Share of Total	(11.47)	(11.17)	(13.68)	(14.34)	(16.38)
as % of GDP	2.36	2.50	1.73	1.81	2.13
FGN's Domestic Debt Stock					
US$' Million	35,882.86	41,969.16	45,722.41	47,047.77	44,857.85
NGN' Million	5,622,844.16	6,537,536.05	7,118,978.86	7,904,025.47	8,836,995.86
% Share of Total	72.61	71.79	70.88	69.47	(68.56)
as % of GDP	14.94	16.10	8.97	8.79	8.93
States' Domestic Debt Stock					
US$' Million	7,870.42	9,961.16	9,965.64	10,967.06	9,852.25**
NGN' Million	1,233,294.64	1,551,650.13	1,551,650.13	1,707,571.14	1,655,178.71**
% Share of Total	15.93	17.04	15.45	16.19	15.06
as % of GDP	3.28	3.82	1.95	2.05	1.96
Nigeria's Total Public Debt Stock					
US$' Million	**49,419.86**	**58,457.39**	**64,509.95**	**67,726.28**	**65,428.53**
NGN' Million	7,744,091.89	9,105,907.87	10,044,198.82	11,243,120.22	12,603,705.28
as % of GDP	20.58	22.43	12.65	12.65	13.02

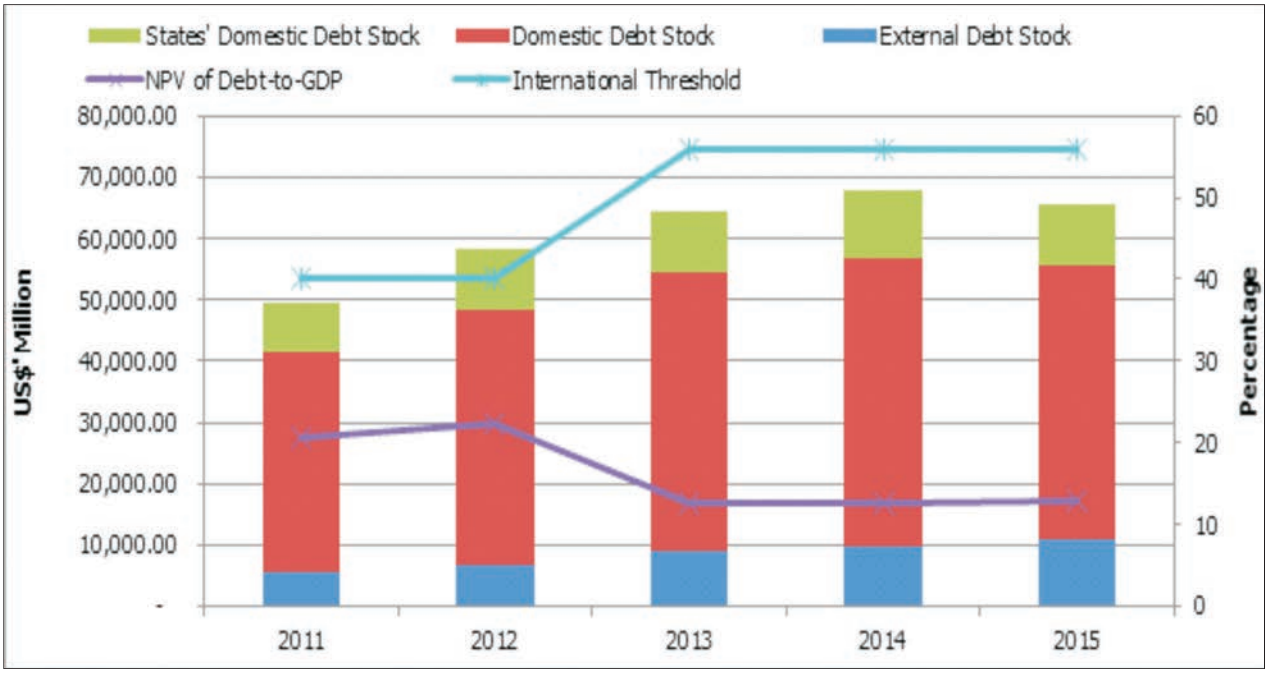
Source: DMO

*External Debt includes States' External Debt

**Actual domestic debt stock for 36 States and the FCT was as at end of December, 2014

Table 3.1 further shows that the ratio of Nigeria's Total public Debt-to-GDP was 13.02 percent in 2015 compared to 12.65 percent in 2014. This ratio was still within the Country's specific limit of 19.39 percent in the medium-term, up to 2017, and far below the CPIA's threshold of 56.00 percent for countries in Nigeria's peer-group, as well as, WAMZ convergent threshold of 70.00 percent. Figure 3.1 shows the trend in total public debt outstanding for a five-year period (2011-2015).

Figure 3.1: Trend in Nigeria's Total Public Debt Outstanding, 2011-2015



Source: DMO

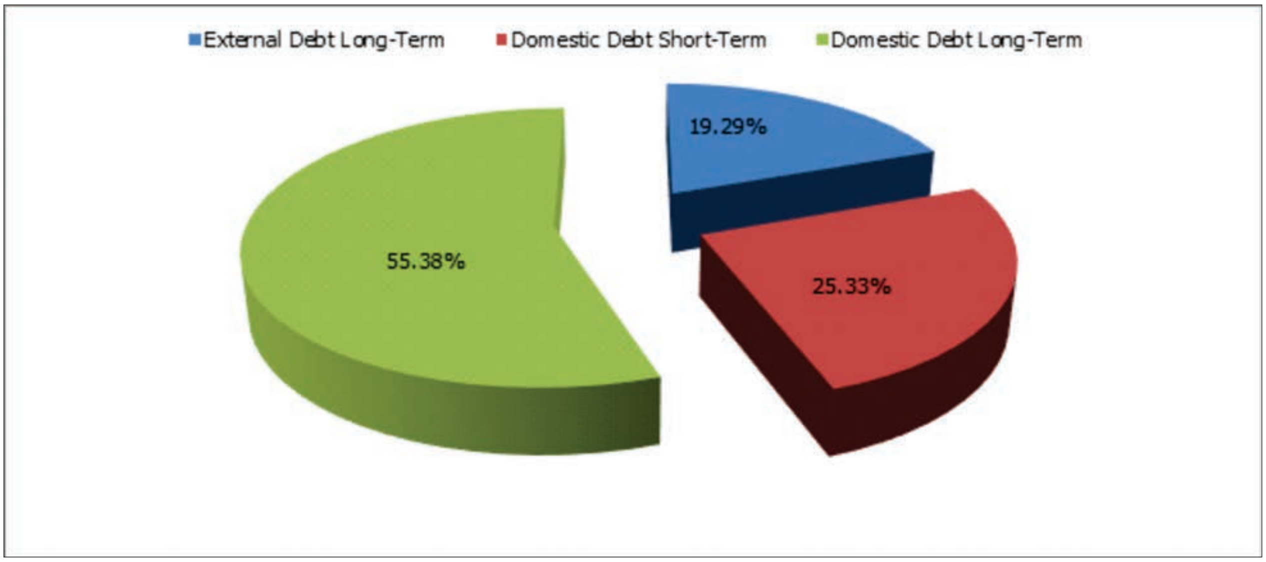
3.1.1 FGN's Total Public Debt Outstanding by Original Maturity

The composition of FGN's total public debt stock by original maturity showed that long-term debts constituted 74.67 percent, while short-term debt was 25.33 percent, as at end of December, 2015. The long-term external debt stock comprised multilateral debt (US$7,560.43 million or 70.54 percent), bilateral debt (US$1,658 million or 15.47 percent) and commercial debt (US$1,500 million or 13.99 percent). The long-term debt in the domestic debt portfolio was US$30,782.38 million or 55.38 percent as at end of December, 2015, made-up of FGN bonds (US$29,482.95 million) and Treasury bonds (US$1,299.43 million), while the short-term debt comprised NTBs (US$14,075.47 million) or 25.33 percent (Table 3.2 and Figure 3.2).

Table 3.2: FGN's Total Public Debt Outstanding by Original Maturity, 2011-2015 (US$' Million)

Type	Category	2011	2012	2013	2014[1]	2015[1]
External Debt Stock	Short – term[2]	0.00	0.00	0.00	0.00	0.00
	Long-term *(% of share total)*	5,666.58 *(13.64)*	6,527.07 *(13.46)*	8,821.9 *(16.17)*	9,711.45 *(17.11)*	10,718.43 *(19.29)*
	Sub-Total	5,666.58	6,527.07	8,821.90	9,711.00)	10,718.43
Domestic Debt Stock	Short-term[3] *(% of share total)*	11,026.89 *(26.54)*	13,628.6 *(28.10)*	16,580.29 *(30.40)*	20,092.42 *(35.40)*	14,075.47 *(25.33)*
	Long-term *(% of share total)*	24,855.97 *(59.82)*	28,340.56 *(58.44)*	29,142.12 *(53.43)*	26,955.35 *(47.49)*	30,782.38 *(55.38)*
	Sub-Total *(% of share total)*	35,882.86 *(86.36)*	41,969.16 *(86.54)*	45,722.41 *(83.83)*	47,047.77 *(82.89)*	44,857.85 *(80.71)*
	Total	**41,549.43**	**48,496.23**	**54,544.31**	**56,759.22**	**55,576.28**

Figure 3.2: FGN's Total Public Debt Outstanding by Original Maturity as at end of December, 2015



Source: DMO

3.2 FGN's Total Public Debt Service

The FGN's total debt service was US$5,499.24 million as at end of December, 2015 compared to US$5,500.35 million in 2014 (Table 3.3). The slight decrease of US$1.11 million or 0.02 percent in the total public debt service, was attributed to a decline in payment to external debt creditors. However, debt service payment on domestic debt marginally increased, due to the additional issuances during the year. The external and domestic debt service in 2015, as a percentage of the total public debt service were 6.02 and 93.98 percent, compared to 6.30 and 93.70 percent in 2014, respectively.

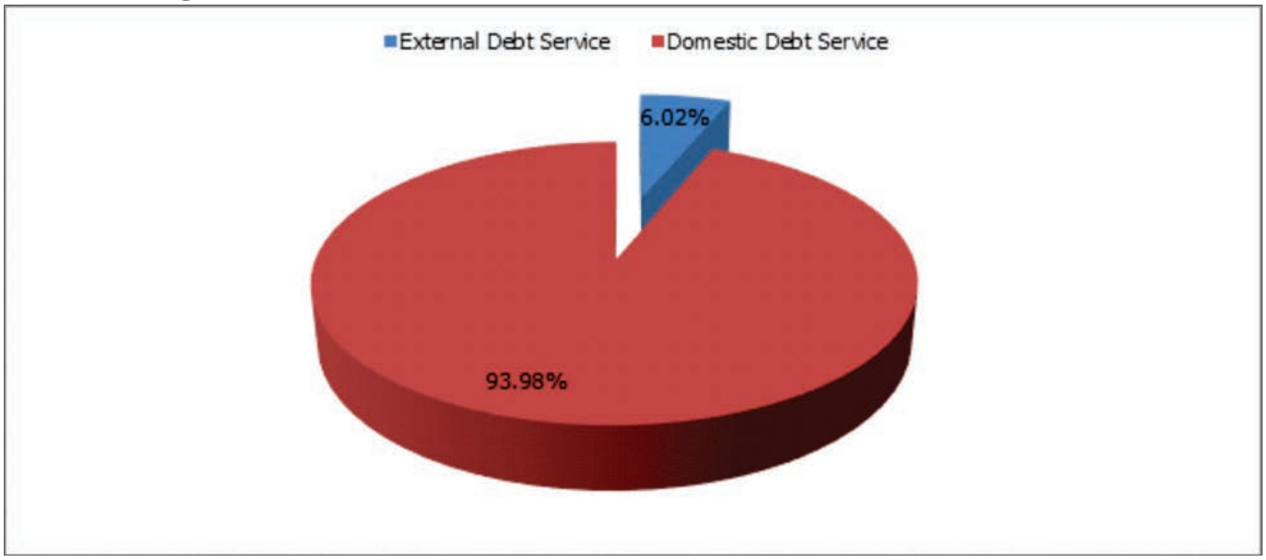
Table 3.3: FGN's Total Public Debt Service, 2011-2015 (US$' Million)

	2011	2012	2013	2014	2015
External Debt Service	351.62	293.00	297.32	346.72	331.06
% Share of Total	(9.30)	(5.96)	5.39	(6.30)	(6.02)
Domestic Debt Service	3,429.42	4,625.72	5,223.35	5,153.63	5,168.18
% Share of Total	(90.70)	(94.04)	94.61	(93.70)	(93.98)
	3,781.04	**4,918.72**	**5,520.67**	**5,500.35**	**5,499.24**

Source: DMO

Official CBN Exchange Rate of ₦197.00/US$1 as at 31/12/2015, was used for 2015

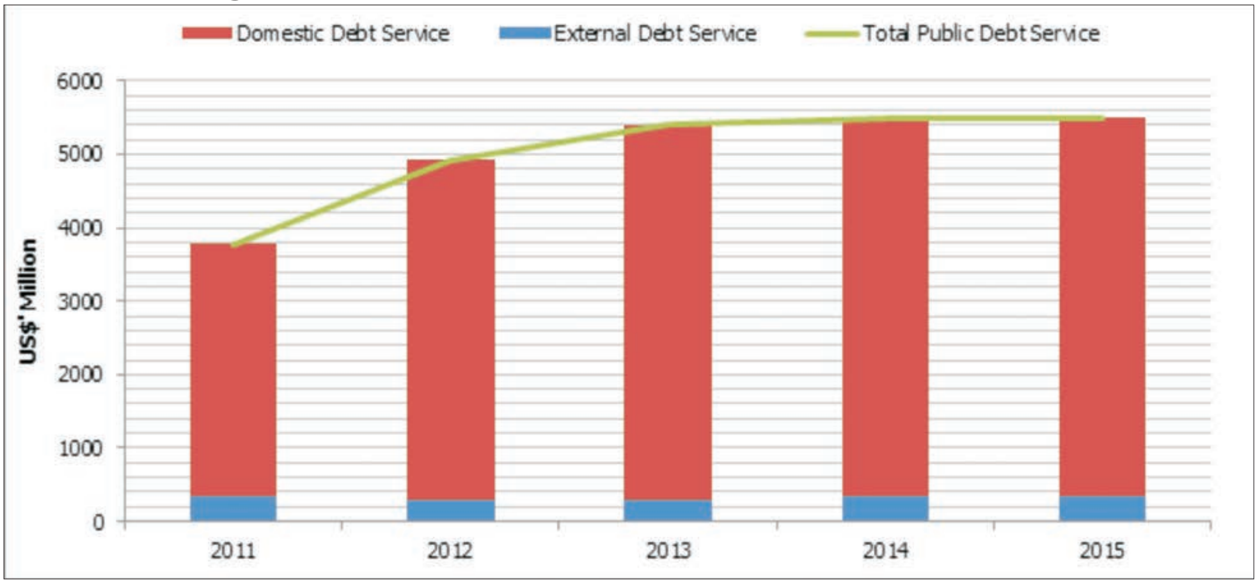
Figure 3.3: FGN's Total Debt Service as at end of December, 2015



Source: DMO

Figure 3.4 shows that the FGN's total debt service payments witnessed an upward trend from 2011 to 2013, and thereafter maintained a flat trend between 2014 and 2015. The external debt service payments have steadily witnessed a downward trend since 2011, while domestic debt service maintained a stable trend during the review period.

Figure 3.4: Trends in FGN's Total Debt Service, 2011-2015



Source: DMO

CHAPTER FOUR

NIGERIA'S EXTERNAL DEBT

CHAPTER FOUR

NIGERIA'S EXTERNAL DEBT

Nigeria's external debt outstanding was US$10,718.43 million as at end of December, 2015. The composition showed that a higher proportion of external debt was from the Official Creditors (multilateral and bilateral) at concessional rates and this was essentially used to finance the development of projects and programmes in various sectors of the economy. The non-concessional loans were from the commercial creditors. The stock of the external debt by remaining maturity remained mostly long-term. The increase in the net inflow of funds was largely on account of additional disbursements from multilateral and bilateral creditors.

4.1 External Debt Stock

Nigeria's external debt stock outstanding was US$10,718.43 million as at end of December, 2015, compared to US$9,711.45 million as at end of the corresponding period in 2014 (Table 4.1). This represents an increase of US$1,006.98 million or 10.37 percent over the level at the end of December, 2014, and attributed to additional disbursements from existing multilateral and bilateral creditors, as well as net adverse cross exchange rate movements between the different currencies in the external loan portfolio. The external debt stock has maintained an upward trajectory, as Government continued to fund its external borrowing requirements from the concessional sources over the years (Figure 4.1).

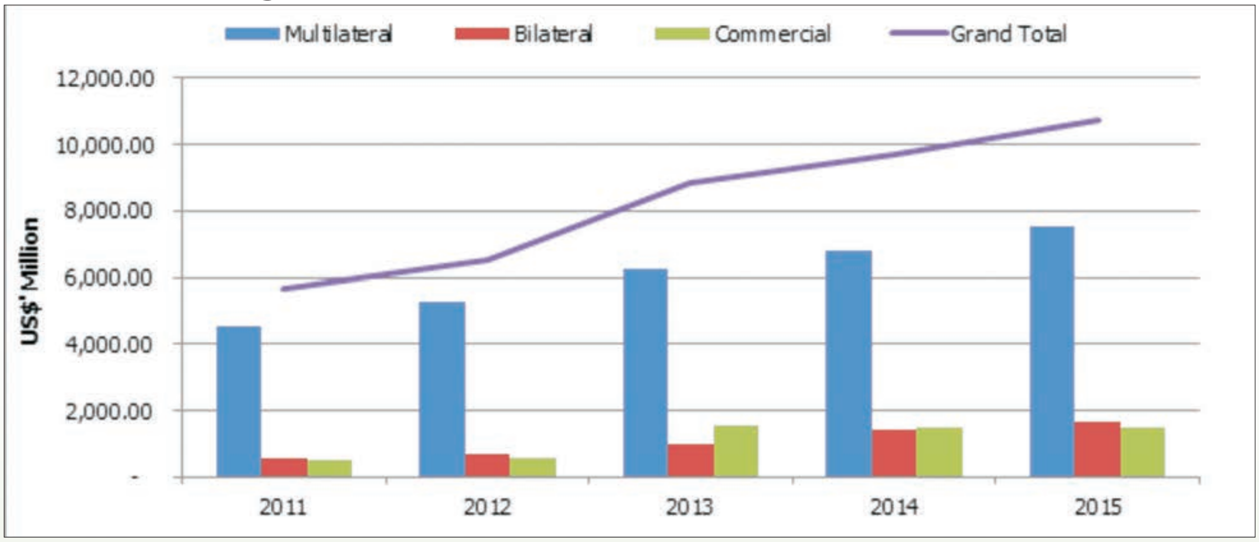
Table 4.1: External Debt Outstanding by Source, 2011-2015 (US$' Million)

SOURCE	2011	2012	2013	2014	2015
A. Official:					
1. Bilateral	453.83	703.03	1,025.70	1,412.07	1,658.00
2. Multilateral	4,568.92	5,267.42	6,275.20	6,799.36	7,560.43
Sub-Total	5,022.75	5,970.45	7,300.90	8,211.43	9,218.43
B. Private:					
1. Eurobonds	500.00	500.00	1,500.00	1,500.00	1,500.00
2. Other Commercial	143.82	56.63	21	0	0
Sub-Total	643.82	556.63	1,521.00	1,500.00	1,500.00
Grand Total	**5,666.57**	**6,527.07**	**8,821.90**	**9,711.45**	**10,718.43**
Creditor Category as % of Total					
A. Official:					
1. Bilateral	8.01	10.77	11.63	14.54	15.47
2. Multilateral	80.63	80.70	71.13	70.01	70.54
Sub-Total	88.64	91.47	82.76	84.55	86.01
B. Commercial:					
1. Eurobonds	8.82	7.66	17	15.45	13.99
2. Other Commercials	2.54	0.87	0.24	0.00	0.00
Sub-Total	11.36	8.53	17.24	15.45	13.99
Grand Total	**100**	**100**	**100**	**100**	**100**

Source: DMO

Based on CBN Official Exchange Rate of $1 to ₦197 as at December 31, 2015

Figure 4.1: Trends in External Debt Stock, 2011–2015



Source: DMO

4.1.1 Official Creditors

Nigeria's external debt portfolio by source showed that US$9,218.43 million or 86.01 percent was owed to Official Creditors, while US$1,500.00 million or 13.99 percent was owed to Private Creditors as at end of December, 2015 (Table 4.2). The Official Creditors comprised Multilateral and Bilateral Creditors, which accounted for 70.54 and 15.47 percent of total Official Creditors, respectively.

Table 4.2: External Debt Stock by Source as at end of December, 2015 (US$' Million)

Category	Principal Balance	Principal Arrears	Interest Arrears	Total	Percentage
Multilateral – WB Group					
IDA	6,290.19	0.00	0.00	6,290.19	
IBRD	3.57	0.00	0.00	3.57	
ADB Group					
ADB	400.00	0.00	0.00	400.00	
ADF	672.44	0.00	0.00	672.44	
Other Multilaterals					
BADEA	5.02	0.00	0.00	5.02	
EDF	72.47	0.00	0.00	72.47	
IDB	20.33	0.00	0.00	20.33	
IFAD	96.42	0.00	0.00	96.42	
Sub-Total	**7,560.43**	**0.00**	**0.00**	**7,560.43**	**70.54%**
Bilateral					
China (Exim Bank of China)	1,444.73	0.00	0.00	1,444.73	
France (AFD)	157.95	0.00	0.00	157.95	
Japan (JICA)	43.88	0.00	0.00	43.88	
India (Exim Bank of India)	0.00	0.00	0.00	0.00	
Germany (KFW)	11.44	0.00	0.00	11.44	
Sub-Total	**1,658.00**	**0.00**	**0.00**	**1,658.00**	**15.47%**
Commercial					
Eurobonds	1,500.00	0.00	0.00	1,500.00	13.99%
GRAND TOTAL	**10,718.43**	**0.00**	**0.00**	**10,718.43**	**100.00%**

Source: DMO

Based on CBN Official Exchange Rate of $1 to ₦197 as at December 31, 2015

4.1.2 Multilateral

Multilateral creditors were the main source of external debt accounting for US$7,560.43 million or 70.54 percent of the external debt portfolio (Table 4.2). IDA remained the single largest creditor accounting for US$6,290.19 million or 58.69 percent of the total external debt and 83.20 percent of the multilateral debt, as at end of December, 2015. Table 4.1 further shows that multilateral debt has increased since 2011, from US$4,568.92 million to US$7,560.43 million in 2015, due to increased borrowings from this window.

4.1.3 Bilateral

As at end of December, 2015, debt owed to the bilateral creditors was US$1,658.00 million compared to US$1,412.07 million as at end of the corresponding period in 2014. The analysis showed that China and France accounted for the largest share of bilateral debt with 87.13 and 9.53 percent of the total bilateral debt stock outstanding as at end of December, 2015, respectively (Table 4.2).

4.1.4 Commercial

The stock of commercial (non-concessional) debt was US$1,500.00 million as at end of December, 2015, the same figure in 2014, indicating that there was no new loan contracted from the commercial sources in 2015 (Table 4.2).

4.2 Currency Composition of External Debt

As at end of December, 2015, external debt portfolio comprised these currencies, namely: Swiss Francs (CHF), Euro, Great Britain Pounds (GBP), United States Dollar, Japanese Yen (JPY), Special Drawing Rights (SDR), IDB Units of Account (Islamic Dinar) and Naira. Table 4.3 and Figure 4.2 show that the share of Special Drawing Rights (SDR) dominated the currency composition accounting for 59.57 percent of the total external debt stock. This was followed by the US Dollars at 38.29 percent, the Euro at 1.19 percent and other currencies (Japanese Yen, GBP, Islamic Dinar, Swiss Francs and Naira) accounting for the balance of 0.96 percent. Meanwhile, Naira as a currency in the portfolio was on account of the debt sourced from the concessional window of the ADB.

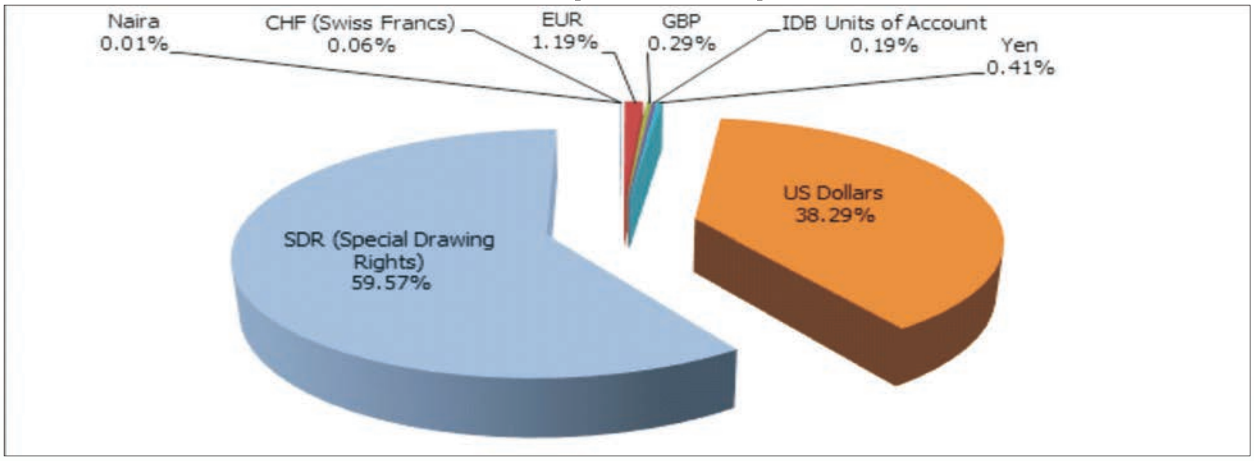
Table 4.3: External Debt Stock by Currency Composition as at end of December, 2015 (US$ 'Million)

S/N	Currency	Debt Stock in Original Currency	Debt Stock in Naira	Debt Stock in USD	Percentage of Total
1	CHF (Swiss Francs)	6,201,487.26	1,229,314,618.00	6,240,176.00	0.06%
2	EUR	116,712,837.00	25,052,560,496.00	127,170,307.00	1.19%
3	GBP	21,059,636.32	6,148,030,188.00	31,208,275.07	0.29%
4	IDB Units of Account	14,656,873.38	4,004,251,945.00	20,326,152.00	0.19%
5	Yen	5,283,563.00	8,644,949,015.00	43,882,990.00	0.41%
6	US Dollars	4,103,591,599.85	808,407,545,170.45	4,103,591,599.85	38.29%
7	SDR (Special Drawing Rights)	4,604,458,615.43	1,257,936,251,952.00	6,385,463,208.00	59.57%
8	Naira	393,850.06	108,105,952.00	548,761.08	0.01%
	Total		**2,111,531,014,614.28**	**10,718,431,496.00**	**100.00%**

Source: DMO

Note: Kindly note that SDR is a virtual currency, which may need to be decomposed (GBP, EUR & USD)

Figure 4.2: External Debt Stock by Currency Composition as at end of December, 2015 (US$' Million)



Source: DMO

4.3 External Debt by Original and Remaining Maturities

The external debt outstanding by original and remaining maturities constituted mainly debt maturing over three years (long-term debt), accounting for 97.63 percent of the portfolio as at end of December, 2015 (Table 4.4). The balance of 2.37 percent was for debt maturing between one and three years.

Table 4.4: External Debt Outstanding by Remaining Maturity as at end of December, 2015 (US$' Million)

CREDITOR CATEGORY	Short-Term (0 - 1YR)	Medium-Term (>1 - 3YRS)	Long-Term (Over 3 YRS)
Multilateral			
IBRD	0.00	0.00	3.57
IDA	0.00	173.73	6,116.46
IFAD	0.00	6.00	90.42
ADB	0.00	0.00	400.00
ADF	0.00	21.41	651.03
BADEA	0.00	0.73	4.29
IDB	0.00	3.19	17.14
EDF	0.00	9.38	63.09
Sub-Total	0.00	214.43	7,346.00
Bilateral			
Exim Bank of China	0.00	40.00	1,404.73
French Development Agency	0.00	0.00	157.95
Japan International Cooperation Agency	0.00	0.00	43.88
Kreditanstalt Fur Wiederaufbua	0.00	0.00	11.44
Sub-Total	0.00	40.00	1,618.00
Commercial			
Eurobonds	0.00	0.00	**1,500.00**
Sub-Total	0.00	254.43	10,464.00
Grand Total			**10,718.43**

Source: DMO

4.4 Sectoral Allocation of External Debt

External debt was mainly allocated to sectors that would promote infrastructure and human capital development, in line with the objectives and priorities of the government. The sectors were telecoms, water, energy (electricity and gas), transportation (rail, road and air), housing, education, health, social welfare, environment, technology, finance, agriculture, etc. Table 4.5 shows that in 2015, allocations were made to new sectors, which were Finance, Insurance, etc. (0.51 percent), Ground Transport (3.90 percent), Irrigation & Related Act (0.36 percent) and Investment (0.73 percent). Table 4.5 further shows that the allocations in 2015, were relatively increased in the following sectors, namely: Air Transport (2.40 percent), Health and Social Welfare (12.20 percent), Housing and Urban Development (2.15 percent) and Multisector (26.80 percent). However, it was observed that allocation to energy-electricity and Road Transport decreased significantly from 16.08 and 8.83 percent in 2014, to 5.81 and 6.42 percent in 2015, respectively. Table 4.6 further shows, external debt by Non-financial and Financial sector as at end of December, 2015.

Table 4.5: Sectoral Allocation of External Debt in 2015 (US$' Million)

	2014		2015	
Economic Sector	Amount Outstanding	% Share of Total	Amount Outstanding	% Share of Total
Agriculture	950.83	9.79	999.59	9.33
Air Transport	160.61	1.65	256.87	2.40
Computer Technology	-	-	433.35	4.04
Education & Training	586.29	6.04	604.52	5.64
Energy-Electricity	1,561.48	16.08	622.22	5.81
Environment	328.84	3.39	309.69	2.89
Finance, Insurance, Etc.	-	-	54.16	0.51
Ground Transport	-	-	417.48	3.90
Health & Social Welfare	1,063.62	10.95	1,307.77	12.20
Housing & Urban Development	142.22	1.46	229.97	2.15
Investment	-	-	78.72	0.73
Irrigation & Related Act	-	-	38.57	0.36
Monetary policy	143.84	1.48	133.42	1.24
Multi-Sector	1,931.42	19.89	2,872.66	26.80
Rail Transport	681.48	7.02	735.11	6.86
Road Transport	857.64	8.83	687.88	6.42
Rural Development	224.21	2.31	245.80	2.29
Scientific & Tech Equipment	91.38	0.94	67.19	0.63
Telecommunications	418.85	4.31	-	-
Water Supply	568.75	5.86	623.47	5.82
Total	**9,711.45**	**100.00**	**10,718.43**	**100.00**

Source: DMO

Table 4.6: Nigeria's Public and Publicly Guaranteed External Debt (by Non Financial/ Financial Sector) as at end-December, 2015)

Classification	Creditor	Sector	Amount Outstanding (US$)
Non-Financial Public			
FGN and States			**8,571,555,041.05**
Parastatals (Corporations)			**1,921,046,165.53**
Niger Basin Water Resources Dev.	IDA	Agriculture	108,825,304.65
National Programme for Food Security	IDB	Agriculture	20,326,152.00
NGA/TGO/BENIN POWER SYSTEM INTERC. PROJECT	ADF	Electricity	13,915,359.99
Transmission Development Project	IDA	Electricity	97,074,372.85
Nigerian-Communications-Satelite (NIGCOMSAT)	Exim Bank of China	Computer Technology	50,000,000.00
Nigerian National Public Communication System	Exim Bank of China	Scientific & Tech Equipt.	399,500,000.00
Nigerian Railway Modernization Project (Idu-Kaduna)	Exim Bank of China	Rail Transport	429,579,102.00
Nigerian ICT Infrastructure BackBone Project	Exim Bank of China	Scientific & Tech Equipt.	33,852,946.59
Polio Eradication Support Project	IDA	Health & Social Welfare	84,952,733.01
Transport Sector & Governance Reform Agenda	ADB	Road Transport	300,000,000.00
Growth & Employment Proj	IDA	Investment	10,345,326.32
Nigerian Four Airport Terminal Expansion and Sanitation Project	Exim Bank of China	Air Transport	226,260,386.42
First Agriculture Development Policy Financing	IDA	Agriculture	91,944,840.00
Nigerian Zungeru Hydroelectric Project	Exim Bank of China	Electricity	-
Public Private Partnership Program - First Phase Project	IDA	Infrastructure Concession Regulatory Commission	15,681,098.56
West Africa Agricultural Productivity Program (WAAPP-1B)	IDA	Agriculture	38,788,543.14
Financial Public			**225,830,288.22**
Banks			
NACB Instit Strengthening	ADF	Electricity	3,782,902.75
Housing Finance	IDA	Housing & Urban Develop.	118,479,083.62
Development Finance Project	IBRD	Finance & Insurance	3,568,301.85
NEXIM	ADB	Finance & Insurance	50,000,000.00
BOI	ADB	Finance & Insurance	50,000,000.00
Establishment of Dev. Bank of Nigeria	kfw	Finance & Insurance	-
Development Bank of Nigeria	ADB	Finance & Insurance	-
Development Bank of Nigeria	ADF	Finance & Insurance	-
Development Bank of Nigeria	AFD	Finance & Insurance	-
Grand Total			**10,718,431,494.80**

Source: DMO

4.5 External Debt by Concessionality

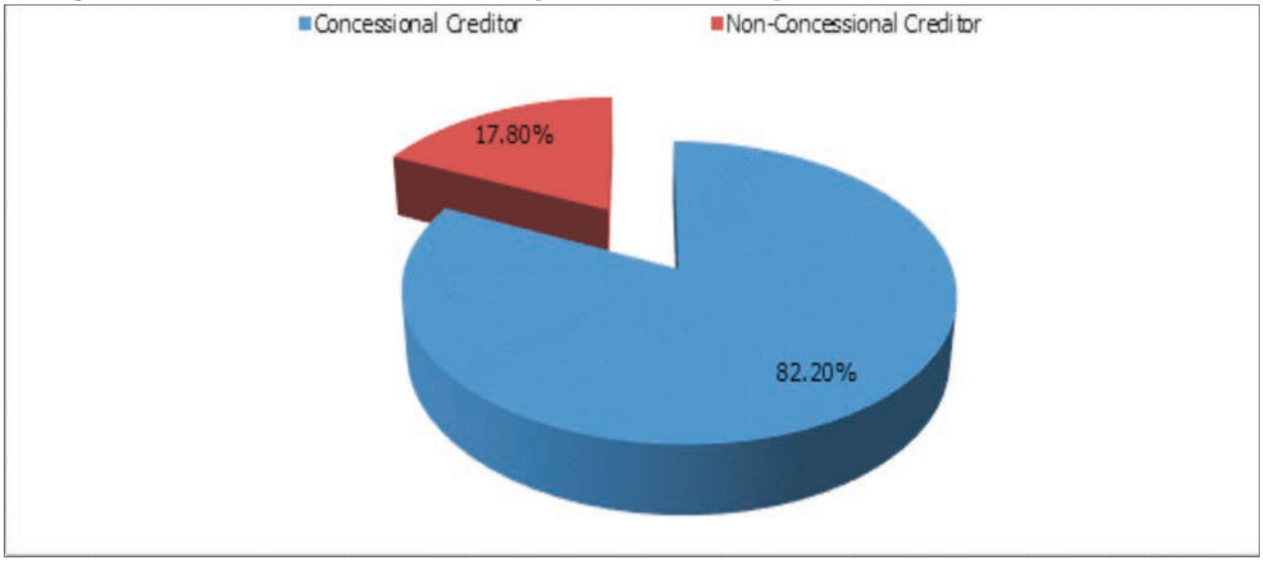
The analysis of external debt portfolio by concessionality shows that 82.20 and 17.80 percent of Nigeria's external debt portfolio comprised debts contracted from concessional and non-concessional windows, respectively (Table 4.7 and Figure 4.3). The International Development Association (IDA) accounted for the largest creditor from concessional sources in 2015, accounting for 58.69 percent of the country's external debt, compared to 60.32 percent in 2014.

Table 4.7: Concessional/Non-Concessional External Loans as at end of December, 2015 (US$' Million)

Funding Sources	Amount Outstanding	% of Total Debt
Concessional Creditor Categories	**8,814.86**	**82.2%**
Multilateral	7,156.86	
International Development Association (IDA)	6,290.19	
International Fund for Agricultural Development (IFAD)	96.42	
European Development Fund (EDF)	72.47	
African Development Fund (ADF)	672.44	
Islamic Development Bank (IDB)	20.33	
Arab Bank for Economic Development (BADEA)	5.02	
Bilateral	**1,658.00**	
Exim Bank of China	1,444.73	
Nigerian-Communications-Satelite (NIGCOMSAT)		
Nigerian Railway Modernisation project Idu- Kaduna		
Nigerian National Public Security Comm. System proj.		
Nigerian Abuja Light Rail Project		
French Development Agency (AFD)	157.95	
Japan (JICA)	43.88	
Exim Bank of India	-	
Germany (KFW)	11.44	
Non-Concessional Creditor Categories	**1,903.57**	**17.8%**
Multilateral	403.57	
African Development Bank (ADB)	400.00	
International Bank for Reconstruction and Development (IBRD)	3.57	
Commercial	1,500.00	
Eurobonds	1,500.00	
6.75% FGN Eurobond 2021		
5.125% FGN Eurobond 2018		
6.375% FGN Eurobond 2023		
Grand Total	**10,718.43**	**100%**

Source: DMO

Figure 4.3: External Debt Stock by Concessionality as at end of December, 2015



Source: DMO

4.6 External Debt Flows

4.6.1 External Debt Service

The external debt service amounted to US$331.06 million as at end of December, 2015, compared to US$346.72 million as at end of December, 2014, representing a decrease of US$15.66 million or 4.52 percent. Table 4.8 shows that significant portion of external debt service payments were to the Multilateral and Bilateral creditors accounting for US$138.65 million or 42.00 percent and US$59.42 million or 18.00 percent of the total external debt service, respectively. The sum of US$91.26 million or 28.00 percent was paid to the holders of Eurobonds, while the remaining US$41.72 million or 13 percent was payment made in respect of Oil Warrants and Agency Fees. Table 4.8 shows the detailed breakdown of debt service by creditor category.

Table 4.8: External Debt Service, 2011-2015 (US$' Million)

SOURCE	2011	2012	2013	2014	2015
A. Official					
1. Bilateral	51.52	45.28	41.08	48.93	59.42
2. Multilateral	172.27	126.92	142.89	152.74	138.65
B. Commercial					
1. Eurobonds	16.88	33.75	33.75	91.26	91.26
2. China Loans (Alcatel, ZTE, Omotosho)	69.22	45.32	37.88	12.06	0
C. Others					
1. Oil Warrant	41.72	41.72	41.72	41.72	41.72
2. Agency Fees	0.01	0.01	0.01	0.01	0.01
Grand Total	**351.62**	**293.00**	**297.33**	**346.72**	**331.06**

Source: DMO

[1]Outstanding Oil Warrants, which were associated with the London Club debt were exited in 2007.

4.6.2 Waivers

As at end of December, 2015, the Federal Government of Nigeria obtained the sum of US$2,328.31 as waivers, due to timely remittance of debt service in 2015. The waivers were for prompt payments made to IDA, IDB and BADEA, amounting to US$1,977,806.38, US$350,444.72, and US$55.45, respectively (Table 4.9).

Table 4.9: Breakdown of External Debt Service by Source in 2015 (US$' Thousand)

CATEGORY	Principal	Interest Fee	Service Fee	Deferred Principal	Deferred Interest	Deferred Service	Penalty Interest	Waiver/ Credit	Commitment Charges	Other Charges	Total	Percentage of Total
MULTILATERAL	**84,266.56**	**16,865.64**	**37,040.82**	**8.15**	**320.61**	**121.98**	**-**	**(2,328.31)**	**2,231.72**	**123.62**	**138,650.80**	**42%**
International Bank for Reconstruction and Dev.	0.00	11.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.02	
Africa Dev. Bank	0.00	1,590.54	0.00	0.00	0.00	0.00	0.00	0.00	251.71	0.00	1,842.25	
International Fund for Agric. Dev.	2,473.59	678.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	3,152.56	
Africa Dev. Fund	6,749.58	2,675.58	2,289.22	0.00	0.00	0.00	0.00	0.00	1,980.01	0.00	13,694.39	
International Dev. Association	68,938.29	11,137.48	34,359.71	8.15	320.61	121.98	0.00	(1,977.81)	0.00	0.13	112,908.55	
European Dev. Fund	4,695.45	772.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,467.51	
Arab Bank for Economic Dev. In Africa	0.00	0.00	25.12	0.00	0.00	0.00	0.00	(0.06)	0.00	0.32	25.38	
Islamic Dev. Bank	1,409.65	0.00	366.78	0.00	0.00	0.00	0.00	(350.44)	0.00	123.17	1,549.15	
BILATERAL	**20,000.00**	**34,361.72**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**3,177.21**	**1,877.23**	**59,416.16**	**18%**
EXIM BANK OF CHINA	**20,000.00**	**32,823.82**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**1,453.37**	**601.80**	**54,878.99**	
Nigeria Communication Sattellite	20,000.00	1,975.83	0.00	0.00	0.00	0.00w	0.00	0.00	0.00	0.03	21,975.87	
Nigeria National Public Security Comm. Sys. Project	0.00	10,126.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	10,126.25	
Nigeria Railway Modernisation Project	0.00	10,438.30	0.00	0.00	0.00	0.00	0.00	0.00	178.82	0.03	10,617.16	
Nigeria Abuja Light Rail Project	0.00	6,955.93	0.00	0.00	0.00	0.00	0.00	0.00	457.41	601.65	8,014.99	
Nigeria ICT Infrastructure Backbone Project	0.00	442.38	0.00	0.00	0.00	0.00	0.00	0.00	167.39	0.03	609.80	
Nigeria Four Airport Terminals Expansion Project	0.00	2,885.16	0.00	0.00	0.00	0.00	0.00	0.00	649.74	0.02	3,534.92	
FRENCH DEVELOPMENT AGENCY (AFD)	0.00	1,494.45	0.00	0.00	0.00	0.00	0.00	0.00	1,590.67	332.94	3,418.05	
Japan International Cooperation Agency	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	142.49	142.49	
EXIM BANK OF INDIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Kreditanstalt fur wiederaufbua	0.00	43.45	0.00	0.00	0.00	0.00	0.00	0.00	133.17	800.00	976.62	
COMMERCIAL	**0.00**	**91,260.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**91,260.00**	**28%**
EUROBONDS	**0.00**	**91,260.00**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**91,260.00**	
5.125% Eurobond 2018	0.00	25,630.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,630.00	
6.75% Eurobond 2021	0.00	33,750.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	33,750.00	
6.375% Eurobond 2023	0.00	31,880.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,880.00	
OTHERS	**0.00**	**41,719.26**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**13.63**	**41,732.89**	**13%**
OIL WARRANT	0.00	41,719.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41,719.26	
Agency Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.63	13.63	
TOTAL	**104,266.56**	**184,206.61**	**37,040.82**	**8.15**	**320.61**	**121.98**	**-**	**(2,328.31)**	**5,408.93**	**2,014.48**	**331,059.85**	**100%**

Source: DMO

4.6.3 External Debt Service Projections (2015–2025)

Table 4.10 shows that the external debt service projections of US$916.09 million would be made over a 10-year period, between 2016 and 2025. It further reveals that increased debt service payments would be made in 2018, 2021 and 2023 for repayment of principal amounting to US$1,042.69 million, US$1,362.19 million and US$1,441.85 million, respectively, when the debut 6.75% JAN 2021 US$500 million 10-year Eurobond issued in 2011 and the US$ 1 billion dual-tranche Eurobonds – 5.125% JUL 2018 US$500 5-year and 6.375% JUL 2023 US$500 million 10-year issued in 2013, would be due for redemption.

Table 4.10: External Debt Service Projections (US$ 'Million)

Category of Debt	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Multilateral										
ADF										
Principal	8.36	12.57	14.50	16.19	19.18	24.71	29.64	32.53	34.97	34.82
Interest	5.26	5.87	6.41	6.94	7.46	7.83	8.07	8.22	8.06	7.83
ADB										
Principal	0.00	0.00	13.33	23.33	53.33	53.33	53.33	53.33	53.33	53.33
Interest	4.30	4.21	4.43	4.47	4.40	4.07	3.75	3.43	3.11	2.78
IFAD										
Principal	2.60	3.44	3.44	3.44	4.54	6.05	6.05	6.05	6.05	6.05
Interest	0.79	0.79	0.85	0.89	0.91	0.91	0.90	0.90	0.89	0.89
IDA										
Principal	83.81	91.15	102.85	153.41	185.90	201.26	229.16	265.76	275.08	279.13
Interest	56.22	57.25	63.29	67.13	67.84	67.79	67.65	67.19	66.37	65.12
EDF										
Principal	4.79	4.73	4.79	4.81	4.87	4.93	4.97	5.01	5.06	5.12
Interest	0.73	0.67	0.62	0.57	0.52	0.48	0.43	0.38	0.33	0.28
BADEA										
Principal	0.36	0.37	0.37	0.38	0.38	0.38	0.39	0.39	0.39	0.40
Interest	0.06	0.08	0.07	0.07	0.06	0.06	0.06	0.05	0.05	0.05
IDB										
Principal	1.62	1.60	1.60	1.60	2.33	3.06	3.06	3.06	3.06	3.06
Interest	0.30	0.14	0.14	0.15	0.15	0.15	0.05	0.05	0.00	0.00
IBRD										
Principal	0.00	0.00	0.00	0.00	21.05	22.15	23.25	24.40	25.65	26.95
Interest	0.13	0.23	0.42	0.60	0.72	0.60	0.46	0.31	0.15	0.03
Sub-Total	**169.33**	**183.10**	**217.12**	**283.99**	**373.65**	**397.74**	**431.22**	**471.06**	**482.56**	**485.83**
Bilateral										
Principal	19.99	30.00	93.04	96.41	166.67	249.12	297.82	297.82	298.21	298.2058
Interest	41.18	44.22	49.44	51.81	51.87	49.59	45.70	40.98	36.56	31.9398
Sub-Total	**61.18**	**74.22**	**142.48**	**148.22**	**218.54**	**298.71**	**343.52**	**338.81**	**334.77**	**330.15**
Commercial										
Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub-Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Eurobonds										
Principal	0.00	0.00	500.00	0.00	0.00	500.00	0.00	500.00	0.00	0.00
Interest	91.26	91.26	82.97	82.97	82.97	65.63	65.63	31.88	0.00	0.00
Sub-Total	**91.26**	**91.26**	**582.97**	**82.97**	**82.97**	**565.63**	**65.63**	**531.88**	**0.00**	**0.00**
Others										
Oil Warrants										
Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest	41.72	41.72	41.72	41.72	41.72	41.72	41.72	41.72	41.72	41.72
Financial Service Fee	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00
New Financing (includes Diaspora Bond)	58.39	58.39	58.39	58.39	58.39	58.39	58.39	58.39	58.39	58.39
Total Principal	**121.54**	**143.85**	**733.92**	**299.57**	**458.26**	**1,064.99**	**647.67**	**1,188.35**	**701.81**	**707.07**
Total Interest	**300.36**	**304.84**	**308.77**	**315.73**	**317.01**	**297.20**	**292.81**	**253.49**	**215.63**	**209.01**
Grant Total (Debt Service)	**421.89**	**448.70**	**1,042.69**	**615.30**	**775.28**	**1,362.19**	**940.47**	**1,441.85**	**917.44**	**916.09**

Source: DMO

Based on CBN Official Exchange Rate of $1 to N197 as at December 31, 2015

4.6.4 External Debt Disbursements

As at end of December, 2015 external debt disbursements (excluding grants) by creditors amounted to US$1,374.41 million, compared to US$1,649.70 million in 2014 (Table 4.11). This represents a decline of US$275.29 million or 16.69 percent over the level in the previous year. Table 4.11 also shows that multilateral source accounted for US$1,134.35 million or 82.53 percent, while bilateral source accounted for US$240.06 million or 17.47 percent of the total external debt disbursed in 2015.

Table 4.11: Disbursements by Source, 2011-2015 (US$' Million)

Source	2011	2012	2013	2014	2015
Multilateral					
IDA	355.56	509.22	716.10	1,167.38	758.38
IFAD	20.4	14.66	9.50	58.09	11.09
ADB	0	0	150.00	-	250.00
ADF	48.12	37.56	166.10	4.42	111.32
IDB	1.63	-	-	-	-
BADEA	-	2.13	0.60	0.5	-
IBRD	-	-	-	-	3.57
Sub-Total	**425.71**	**563.6**	**1,042.30**	**1,230.47**	**1,134.35**
Bilateral	313.2	240.03	325.30	419.23	240.06
TOTAL	**1,238.91**	**803.6**	**2,367.60**	**1,649.70**	**1,374.41**

Source: DMO
Disbursements exclude Grants.

4.6.5 Net Resource Flows and Net Transfers on External Debt

Table 4.12 shows the net resource flow on external debt and net transfers by source in 2015, indicating that the country received a net resource flow of US$1,270.14 million in 2015, compared to US$1,516.75 million in 2014. The inflow was mainly due to disbursements from the Multilateral and Bilateral creditors. The net transfer stood at US$1,043.35 million, indicating an overall net inflow of resources into the country in 2015.

Table 4.12: Net Resource Flows and Net Transfers on External Debt by Source in 2015 (US$' M)

Creditor Category	Disbursements in 2015	Principal Repayments in 2015	Net resource flow in 2015	Interest paid in 2015	Net Transfers in 2015
	(A)	(B)	C (A-B)	(D)	E(C-D)
Multilateral	1,134.35	84.27	1,050.08	54.38	995.70
Bilateral	240.06	20.00	220.06	39.42	180.64
Commercial	-	-	-	-	-
Oil Warrants	-	-	-	41.72	(41.72)
Eurobonds	-	-	-	91.26	(91.26)
Citibank Agency Fees	-	-	-	0.01	(0.01)
Total	**1,374.41**	**104.27**	**1,270.14**	**226.79**	**1,043.35**

Source: DMO

(i) Net resource flow equals disbursements less principal repayments.

(ii) Net transfers equals net resource flow less Interest payments.

4.7 External Loans Borrowing Programme in 2015

Table 4.13 shows the external loans signed by the Federal Government of Nigeria (FGN) in 2015, to finance key economic and social development projects and programme across the federation. The loans were mainly from the Multilateral Creditors (IDA, ADB/ADF and IBRD) and a Bilateral Creditor (AFD).

Table 4.13: External Loans Signed by the FGN in 2015 (US$' Million)

S/N	Project Name	Creditor	Loan Amount
1	Loan Agreement between Federal Republic of Nigeria and International Bank for Reconstruction (IBRD) and Development for Development Finance Project	IBRD	US$500 Million
2	Loan Agreement for Urban Water Sector Reform and Port-Harcourt Water Supply and Sanitation Project.	ADB	US$200 Million
3	Loan Agreement for Urban Water Sector Reform and Port-Harcourt Water Supply and Sanitation Project.	ADF	UA3.3 Million
4	Loan Agreement between the Federal Republic of Nigeria and the African Development Bank (Development Bank of Nigeria Plc) to assist in financing of the development Finance Institution in Nigeria.	ADB	US$400 Million
5	Loan Agreement between the Federal Republic of Nigeria and the African Development Fund (Development Bank of Nigeria Plc.) to assist in financing of the Development Finance Institution in Nigeria.	ADF	US$400 Million
6	Financing Agreement for Additional Financing for Polio Eradication Support Project	IDA	US$200 Million
7	Financing Agreement for African Higher Education Centers of Excellence Project.	IDA	US$70 Million
8	Financing Agreement for Additional Financing for Community and Social Development Project.	IDA	US$140 Million
9	Lagos Integrated Urban Development Project (Eko-Up)	AFD	US$100 Million
10	Ogun State Urban Water Supply Project (OGUWASP)	AFD	US$33.174 Million
11	African Higher Education Center of Excellence Project (ACE)	IDA	US$70 Million
12	Additional Finance Community and Social Development Project	World Bank / IDA	US$140 Million
13	Saving One Million Lives (SOML)	IDA	US$500 Million
14	Polio Eradication Support Project- Additional Finance	IDA	US$200 Million
15	Nigerian Partnership for Education Project. NIPEP	IDA	US$100 Million

Source: Federal Ministry of Finance

CHAPTER FIVE

NIGERIA'S DOMESTIC DEBT

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The domestic debt outstanding as at end of December, 2015, was ₦8,837.00 billion compared with ₦7,904.02 billion in the corresponding period of 2014, representing an increase of ₦932.98 billion or 11.80 percent. The increase was due to new borrowings to fund the 2015 appropriated budget deficit and the refinancing of matured debt obligations. The domestic debt service as at end of December, 2015 amounted to ₦1,018.13 billion, compared to ₦865.81 billion expended as debt service in 2014. All FGN Bond issuances in 2015 were oversubscribed indicating a strong domestic investor base. The secondary market for FGN Bonds remained active during the period.

5.1 FGN's Domestic Debt Stock

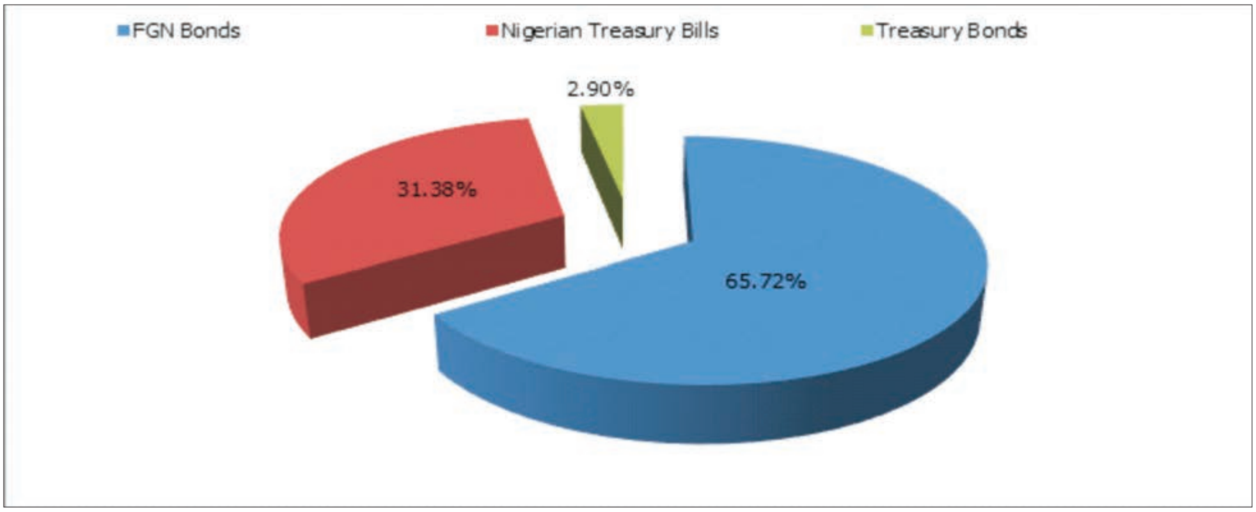
The securitized Federal Government's domestic debt stock outstanding was ₦8,837.00 billion as at end of December, 2015, as against ₦7,904.02 billion as at end of December, 2014, representing an increase of ₦932.98 billion or 11.80 percent. The increase was attributed to the net issuances of domestic debt instruments, which were used to finance the 2015 appropriated budget deficit and refinancing of matured securities. Table 5.1 and Figure 5.1 show that as at end of December, 2015, the FGN's domestic debt stock comprised mainly FGN bonds (65.73 percent), Nigerian Treasury Bills (NTBs) (31.38 percent) and Treasury Bonds (2.90 percent).

Table 5.1 FGN's Domestic Debt Outstanding by Instruments, 2014 & 2015 (₦' Billion)

INSTRUMENT	2014	2015
FGN Bonds	4,792.28	5,808.14
(% share of Total)	(60.63)	(65.73)
Nigerian Treasury Bills	2,815.52	2,772.87
(% share of total)	(35.62)	(31.38)
Treasury Bonds	296.22	255.99
(% share of total)	(3.75)	(2.90)
Total	**7,904.02**	**8,837.00**

Source: DMO

Figure 5.1 Composition of FGN's Domestic Debt Stock by Instruments as at end of December, 2015



Source: DMO

5.2 Trend and Composition of FGN's Domestic Debt Outstanding by Instruments

Table 5.2 shows that the stock of FGN's domestic debt has risen steadily since 2011, from ₦5,622.84 billion to ₦8,837.00 billion in 2015. The rising level of domestic debt over the 5-year period was largely attributed to the fact that maturing debt obligations were being refinanced instead of repaying them and funding the budget deficit through domestic debt. The composition of the debt portfolio is consistent with the debt strategy of using more of longer dated instruments to minimize refinancing risk. Further review shows that, the stock of FGN Bonds and NTBs increased from ₦3,541.20 billion and ₦1,727.91 billion in 2011 to ₦5,808.14 billion and ₦2,772.87 billion in 2015, respectively. The stock of Treasury Bonds has maintained a downward trend from ₦353.73 billion in 2011, to ₦255.99 billion in 2015, indicating a gradual redemption of the instrument over the years. Table 5.2 also shows the trend of the FGN's domestic debt outstanding by instruments from end of 2011 to end of December, 2015.

Table 5.2 Nigeria: Trend in Domestic Debt Outstanding by Instruments, 2011-2015 (₦' Billion)

INSTRUMENTS	2011	2012	2013	2014	2015
FGN Bonds	3,541.20	4,080.05	4,222.03	4,792.28	5,808.14
NTBs	1,727.91	2,122.93	2,581.55	2,815.52	2,772.87
Treasury Bonds	353.73	334.56	315.39	296.22	255.99
TOTAL	**5,622.84**	**6,537.54**	**7,118.97**	**7,904.02**	**8,837.00**

Source: DMO

5.3 FGN's Domestic Debt Stock by Category of Holders

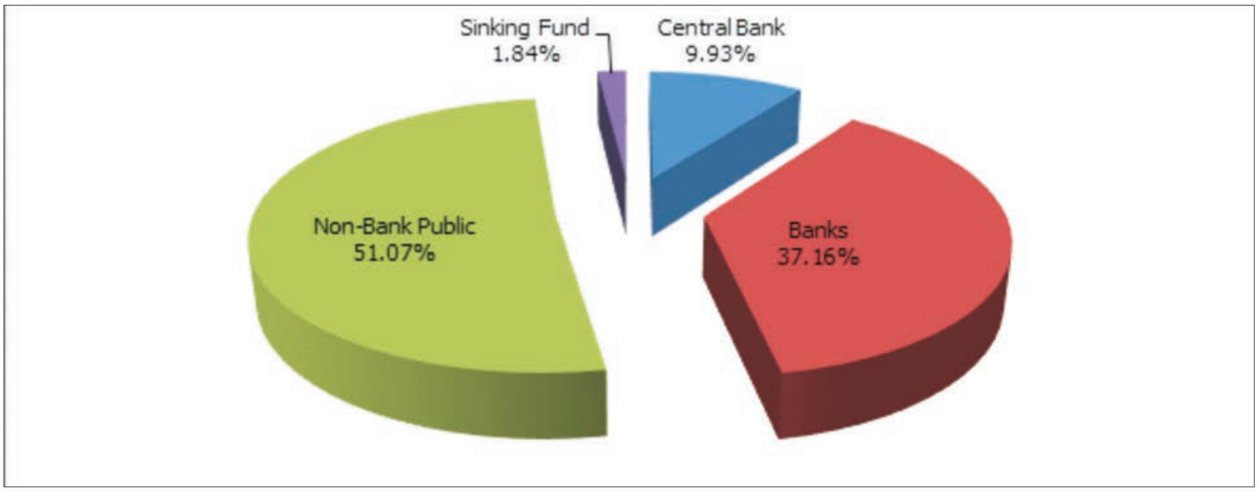
The FGN's domestic debt outstanding by holder's category as at end of December, 2015, is shown in Table 5.3 and Figure 5.2, indicating that the Non-Bank Public and the Banks held about 88.33 percent of the domestic debt stock, with each holding ₦4,513.49 billion or 51.07 percent and ₦3,284.01 billion or 37.16 percent, respectively. The Central Bank of Nigeria (CBN) held ₦877.30 billion or 9.93 percent of the total domestic debt stock, while the balance of ₦162.20 billion or 1.84 percent was held in a Sinking Fund.

Table 5.3: FGN's Domestic Debt by Holder Category as at end-Dec., 2015 (₦' Billion)

Instruments	Central Bank	Banks	Non-Bank Public	Sinking Fund	Amount Outstanding
FGN Bond	550.66	2,237.14	3,020.34	-	5,808.14
Treasury Bonds	93.79	-	-	162.20	255.99
NTBs	232.85	1,046.87	1,493.15	-	2,772.87
TOTAL	**877.30**	**3,284.01**	**4,513.49**	**162.20**	**8,837.00**
% of Total	9.93	37.16	51.07	1.84	100.00

Source: CBN

Figure 5.2: Composition of FGN's Domestic Debt by Holder Category as at end-December, 2015



Source: CBN

The trend analysis shown in Table 5.4 indicates that the domestic debt in all the holders categories has been rising steadily since 2011, with the exception of the Banks, which dropped from ₦3,790.90 billion in 2011 to ₦3,284.01 billion in 2015.

Table 5.4: FGN's Domestic Debt Outstanding by Holders Category, 2010-2014 (₦' Billion)

Investor-Type	2011	2012	2013	2014	2015
CBN	348.84	398.27	468.86	180.21	877.30
Banks	3,790.90	3,580.42	3,293.83	3,982.72	3,284.01
Non-Bank Public	1,336.61	2,398.52	3,197.69	3,564.32	4,513.49
Sinking Fund	146.49	160.32	158.59	176.77	162.20
Total	**5,622.84**	**6,537.53**	**7,118.97**	**7,904.02**	**8,837.00**

Source: DMO

5.4 FGN's Domestic Debt by Residual Maturity

The maturity structure of the FGN's domestic debt as at end of December, 2015, shows that, of the total domestic debt portfolio, the short-term instruments (less than one year maturity) accounted for 38.24 percent, the medium-term instruments with maturities (of between 1 and 3 years) and the long-term debt (of over 3 years) were about 11.09 percent and 50.67 percent, respectively. The respective share of 38.24 percent and 61.66 percent for short and medium to long-term domestic debt instruments in the portfolio, fall short of the preferred target of 25 and 75 percent (short and long term debt). This highlights the need to rebalance the composition of the debt portfolio, towards achieving the optimum domestic debt mix. Over the past five years (2011-2015), the maturity structure of outstanding domestic debt has not changed remarkably. It has been dominated by the medium to long-term debts, and this has helped to mitigate vulnerabilities and associated refinancing and interest rate risks.

Table 5.5: Maturity Structure of FGN's Domestic Debt as at end of December, 2015

Residual Maturity (Years)	% Share of Outstanding Debt
< 1 Year	38.24
≥ 1-3 Years	11.09
> 3 Years	50.67
Total	**100.00**

Source: DMO

Table 5.6: FGN's Domestic Debt Outstanding by Residual Maturity, 2011 – 2015 (₦' Billion)

Year	Short Term[1]	%	Medium-Long Term[2]	%	Total	%
2011	2,203.08	39.18	3,419.76	60.82	5,622.84	100
2012	3,044.75	46.57	3,492.78	53.43	6,537.54	100
2013	3,100.72	43.56	4,018.26	56.44	7,118.98	100
2014	3,350.52	42.39	4,553.50	57.61	7,904.02	100
2015	3,379.25	38.24	5,457.75	61.76	8,837.00	100

Source: DMO

Notes: 1. Instruments with up to 1 year remaining maturity

2. Instruments with more than 1 year remaining maturity

5.5 FGN's Domestic Debt Service

The FGN's domestic debt service as at end of December, 2015, amounted to ₦1,018.13 billion compared to ₦865.81 billion in the corresponding period of 2014, and representing an increase of ₦152.32 billion or 17.59 percent (Table 5.7). This amount comprised principal repayment of ₦25.00 billion and interest payment of ₦993.13 billion. By instrument-type, FGN bonds debt service accounted for 62.41 percent of the total debt service payment, while payments in respect of the Nigerian Treasury Bills (NTBs), and Treasury Bonds were 31.83 and 5.76 percent, respectively. The trend analysis shows a continued rise in FGN's domestic debt service payments from 2011 to 2015, which was attributed to the increase in domestic debt stock, as well as, the higher interest rates, which led to the rise in the cost of borrowing in the domestic debt market (Table 5.8).

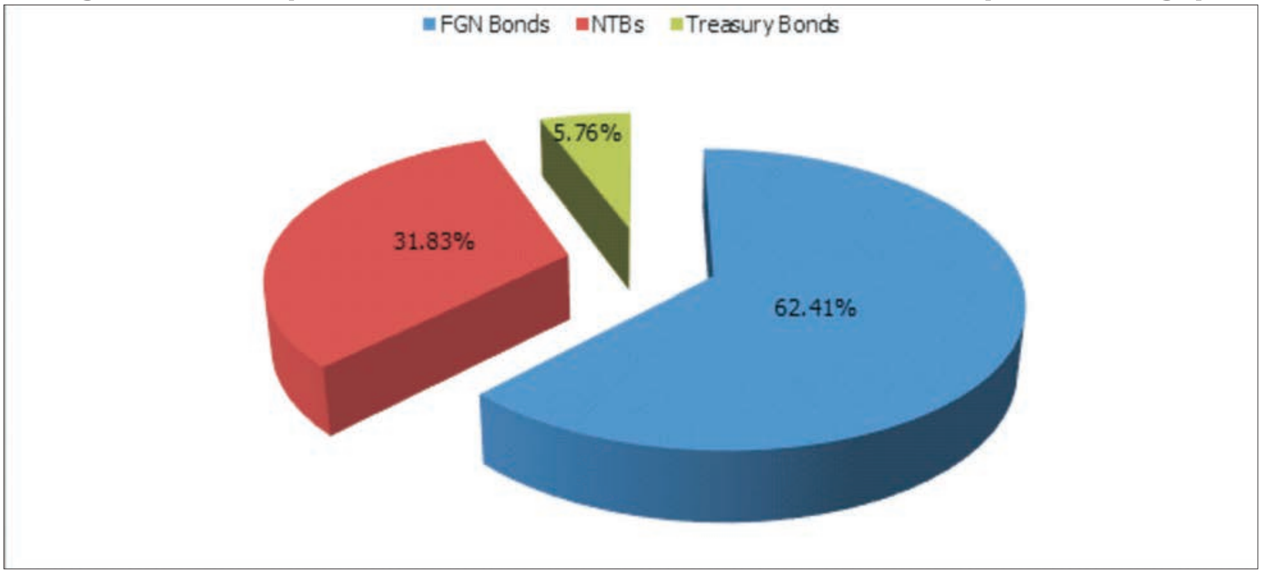
Table 5.7: FGN's Domestic Debt Service, 2015 (₦' Million)

INSTRUMENTS	PRINCIPAL REPAYMENT	INTEREST	TOTAL
FGN Bonds	-	635,432.78	635,432.79
NTBs	-	324,062.86	324,062.86
Treasury Bonds	25,000.00	33,635.13	58,635.13
Total Debt Services	25,000.00	993,130.76	1,018,130.78

Source: DMO

FGN Bonds and NTBs that matured during period were refinanced

Figure 5.3: Composition of FGN's Domestic Debt Service, 2015 (in Percentage)



Source: DMO

Table 5.8: Trends in FGN's Domestic Debt Service, 2011-2015 (₦' Billion)

YEAR	DEBT SERVICE
2011	537.39
2012	720.55
2013	794.10
2014	865.81
2015	1,018.13

Source: DMO

5.5.1 Size and Composition of the Domestic Bond Market

The size of the Nigerian domestic bond market, in terms of face value, stood at ₦6,515.62 billion as at the end of December, 2015, compared to ₦5,683.46 billion in the corresponding period of 2014. The analysis showed that the market grew by 14.64 percent in 2015. The proportionate share of Federal Government of Nigeria (FGN) Bonds increased to 89.14 percent in 2015 compared to 84.32 percent in 2014. The State Government Bonds decreased to ₦457.38 billion in 2015, from ₦638.90 billion in 2014, resulting in a decrease in their relative share from 11.24 percent in 2014 to 7.00 percent in 2015. The outstanding Corporate Bonds as at end of 2015, remained almost at the same level in 2014, but with a proportionate share of 3.47 percent in 2015, which was slightly lower than the 4.00 percent recorded in the corresponding period of 2014. The outstanding Supra-Nationals Bonds in 2015 stood at ₦24.95 billion, the same figures in 2014, and this was attributed to the fact that there was no domestic issuance by Supra-Nationals in 2015. The relative share of Supra-National bonds, however, decreased to 0.38 percent from 0.44 percent as in 2014 (Table 5.9).

Table 5.9: Size and Composition of Domestic Bond Market, 2014 & 2015

	2014		2015	
Issuer	**Amount Outstanding (₦' Billion)**	**% of Total**	**Amount Outstanding (₦' Billion)**	**% of Total**
Federal Government of Nigeria	4,792.28	84.32	5,808.14	89.14
State Governments	638.90	11.24	457.38	7.00
Corporates	227.33	4.00	226.15	3.47
Supra-Nationals	24.95	0.44	24.95	0.38
Total	**5,683.46**	**100.00**	**6,515.62**	**100.00**

Source: Securities and Exchange Commission and Debt Management Office

5.5.2 FGN Bonds Primary Market Activities

The FGN issued 5, 10 and 20-year benchmark FGN Bonds in the primary market in fiscal 2015. A total of ₦858,220.00 million was offered and ₦998,740.00 million allotted from the total subscription of ₦1,753,460.47 million in 2015. The year, 2015, recorded a subscription level of 204.31 percent, which was higher than the previous year's subscription by 11.22 percent (Table 5.10).

Table 5.10 also shows that FGN Bonds have consistently been oversubscribed in the last 5 years, which confirms the success of the various initiatives adopted by the DMO and other stakeholders towards developing and deepening the FGN securities market and the domestic debt market in general. The initiatives include: the use of benchmark FGN Bonds to enhance liquidity; amendment to existing guidelines or issuance of new guidelines by regulators to simplify the bond issuance process, reduction in issuance and transaction costs; widening the investor base; and, sensitization of potential bond issuers and investors.

Table 5.10: FGN Bonds Primary Market Issuance, 2011 – 2015 (₦' Million)

Year	Offer	Subscription	Allotment	Subscription Level (%)
2011	791,268.42	1,781,621.68	863,268.42	225.16
2012	850,150.00	1,858,188.06	994,850.00	186.78
2013	1,044,643.14	1,948,108.48	1,044,643.14	186.49
2014	1,091,743.83	2,108,070.49	1,070,243.52	193.09
2015	858,220.00	1,753,460.47	998,740.00	204.31

Source: DMO

Figure 5.4: Summary of Yearly FGN Bonds Offer, Subscription & Allotment, 2011-2015 (₦' Million)

Source: DMO

5.5.3 FGN Bonds-Holders by Residency

A breakdown of the allotments of the FGN Bonds by Residency Classification shows that resident investors accounted for ₦968,801.21 million or 97.00 percent of bonds allotted in 2015, compared to ₦1,023,470.65 million or 95.63 percent in 2014. On the other hand, non-resident investors accounted for ₦29,938.79 million or 3.00 percent of bonds allotted in 2015, compared to ₦46,772.87 million or 4.37 percent in 2014, indicating a reduction in the participation of this category of investors at the auctions (Table 5.11).

Table 5.11: Allotment of FGN Bonds by Residency Classification (₦' Million)

	2014		2015	
Classification	**Amount**	**% of Total**	**Amount**	**% of Total**
Residents	1,023,470.65	95.63	968,801.21	97.00
Non-Residents	46,772.87	4.37	29,938.79	3.00
Total	**1,070,243.52**	**100.00**	**998,740.00**	**100.00**

Source: DMO

5.5.4 Trend Analysis of FGN Bonds Allotment by Residency

The trend analysis of FGN Bonds allotments by residency showed an increasing investor appetite by non-residents in FGN Bonds from 2011 up until 2013, after which there was a sharp drop in 2014, which persisted in 2015. The percentage of resident and non-resident investors shifted from 84.65 and 15.35 percent in 2013, to 97.00 and 3.00 percent in 2015, respectively, indicating a decrease in the participation by non-residents at FGN Bond Auctions. The reason for the decline was due to the United States (US) Federal Reserve's decision to change its Quantitative Easing policy, which led to an increase in the interest rates of US securities and resulted to massive divestment of FGN bonds by foreign investors, as well as, the foreign exchange policy action of the CBN in response to the developments in the external sector, which led to the delisting of FGN Bonds from the JP Morgan's Emerging Market Bond Index in October, 2015 (Table 5.12 and Figure 5.5).

Table 5.12: Summary of Yearly Allotment of FGN Bonds by Residency Classification, 2011 – 2015 (₦' Million)

Year	Residents	%	Non-Residents	%	Total	%
2011	857,196.62	99.30	6,071.80	0.70	863,268.42	100
2012	890,631.48	89.52	104,218.52	10.48	994,850.00	100
2013	884,262.33	84.65	160,380.81	15.35	1,044,643.14	100
2014	1,023,470.64	95.63	46,772.87	4.37	1,070,243.52	100
2015	968,801.21	97.00	29,938,79	3.00	998,740.00	100

Source: DMO

Figure 5.5: Summary of Yearly Allotment of FGN Bonds by Residency Classification, 2011 – 2015 (₦' Million)

Source: DMO

5.5.5 Analysis of FGN Bond Auctions by Tenor

The analysis of the FGN bonds auctions by tenor, show that only bonds with tenors of 5, 10 and 20 years were issued in 2015 (Table 5.13). The 5-year tenor accounted for 47.65 percent of FGN Bonds issued, while the 10 and 20-year tenors accounted for 18.56 and 37.79 percent, respectively. Furthermore, Tables 5.14 and 5.15 show the breakdown of monthly FGN Bonds issued by tenor, and monthly FGN Bonds Issuances, Subscriptions and Allotments in 2015. The trend of monthly issuance activity is shown in Figure 5.6.

Table 5.13: Analysis of FGN Bonds Issued by Tenor in 2015 (₦' Million)

Tenor*	Amount (₦' Million)	% of Total
5-years	475,930.00	47.65
10-years	185,310.00	18.56
20-years	337,500.00	37.79
Total	**998,740.00**	**100.00**

Source: DMO

* Represents original Issuance tenor

Table 5.14: Monthly Analysis of FGN Bonds Issued by Tenor in 2015 (₦' Million)

Month	5-Year*	10-Year*	20-Year*	Total
January	24,000.00	20,000.00	28,000.00	72,000.00
February	34,000.00	25,000.00	17,500.00	76,500.00
March	95,420.00	40,000.00	31,000.00	166,420.00
April	44,310.00	25,000.00	25,000.00	94,310.00
May	20,000.00	48,460.00	20,000.00	88,460.00
June	40,000.00	26,850.00	25,000.00	91,850.00
July	28,000.00		16,000.00	44,000.00
August	50,200.00		30,000.00	80,200.00
September	20,000.00		25,000.00	45,000.00
October	40,000.00		80,000.00	120,000.00
November	50,000.00		20,000.00	70,000.00
December	30,000.00		20,000.00	50,000.00
Total	**475,930.00**	**185,310.00**	**337,500.00**	**998,740.00**

Source: DMO

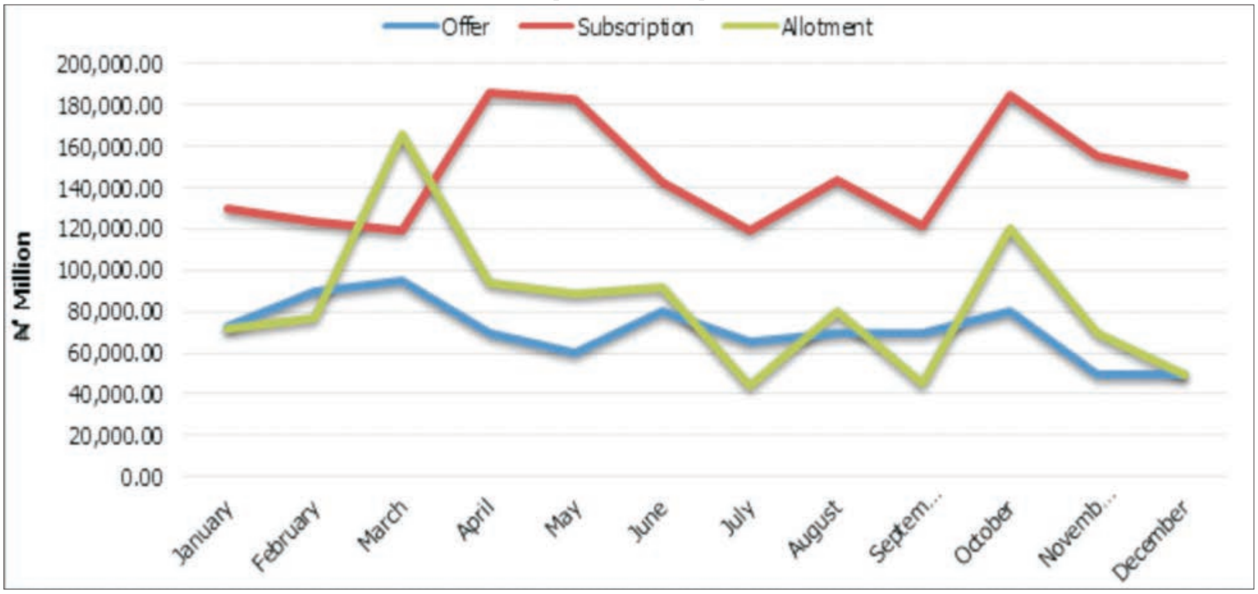
* Represents original Issuance tenor

Table 5.15: Monthly FGN Bonds Offer, Subscription & Allotment in 2015 (₦' Million)

Month	Offer	Subscription	Allotment
January	73,000.00	129,499.12	72,000.00
February	90,000.00	123,619.54	76,500.00
March	95,000.00	119,146.12	166,420.00
April	70,000.00	185,668.21	94,310.00
May	60,000.00	183,373.01	88,460.00
June	80,220.00	142,502.58	91,850.00
July	70,000.00	119,544.94	44,000.00
August	70,000.00	143,287.45	80,200.00
September	70,000.00	121,207.44	45,000.00
October	80,000.00	184,875.16	120,000.00
November	50,000.00	154,950.18	70,000.00
December	50,000.00	145,786.72	50,000.00
Total	**858,220.00**	**1,753,460.47**	**998,740.00**

Source: DMO

Figure 5.6: Summary of Monthly FGN Bonds Offer, Subscription & Allotment in 2015 (₦' Million)



Source: DMO

5.5.6 Allotment of FGN Bonds by Investor-Type in2015

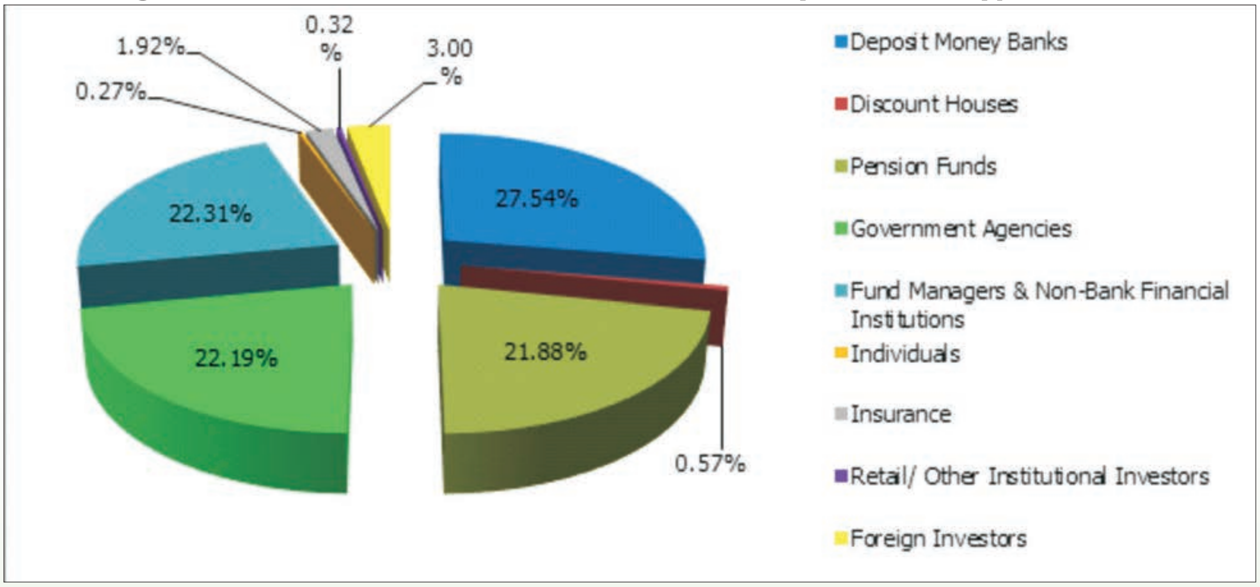
The analysis of FGN Bonds allotments by investor-type depicts that the Deposit Money Banks accounted for 27.54 percent of the total FGN Bonds allotted in the year, 2015. This was followed by the Fund Managers & Non-Bank Financial Institutions (22.31 percent), Government Agencies (22.19 percent), Pension Funds (21.88 percent), Foreign Investors (3.00 percent), Insurance (1.92 percent), Discount Houses (0.57 percent), Retail/ Other Institutional Investors (0.32 percent), and Individuals (0.27 percent) (Table 5.16 and Figure 5.7).

Table 5.16: Summary of FGN Bond Auctions & Details of Allotment by Investor-Type in 2015 (₦' Million)

Description	Amount	Result
Total Amount Offered		**858,220.00**
Total Subscription		**1,753,460.47**
Range of Bids (%)		6.0000% - 19.9750%
Range of Marginal Rates (%)		10.0100% - 16.9949%
Range of Coupons (3)		12.1493% - 15.5400%
		% of Total Allotment
Deposit Money Banks	275,032.63	27.54
Discount Houses	5,676.72	0.57
Pension Funds	218,542.75	21.88
Government Agencies	221,650.00	22.19
Fund Managers & Non-Bank Financial Institutions	222,815.46	22.31
Individuals	2,657.08	0.27
Insurance	19,181.92	1.92
Retail/ Other Institutional Investors	3,244.67	0.32
Foreign Investors	29,938.79	3.00
Total Allotment	**998,740.00**	**100.00**

Source: DMO

Figure 5.7: Allotment of FGN Bonds Issuance by Investor-Type in 2015

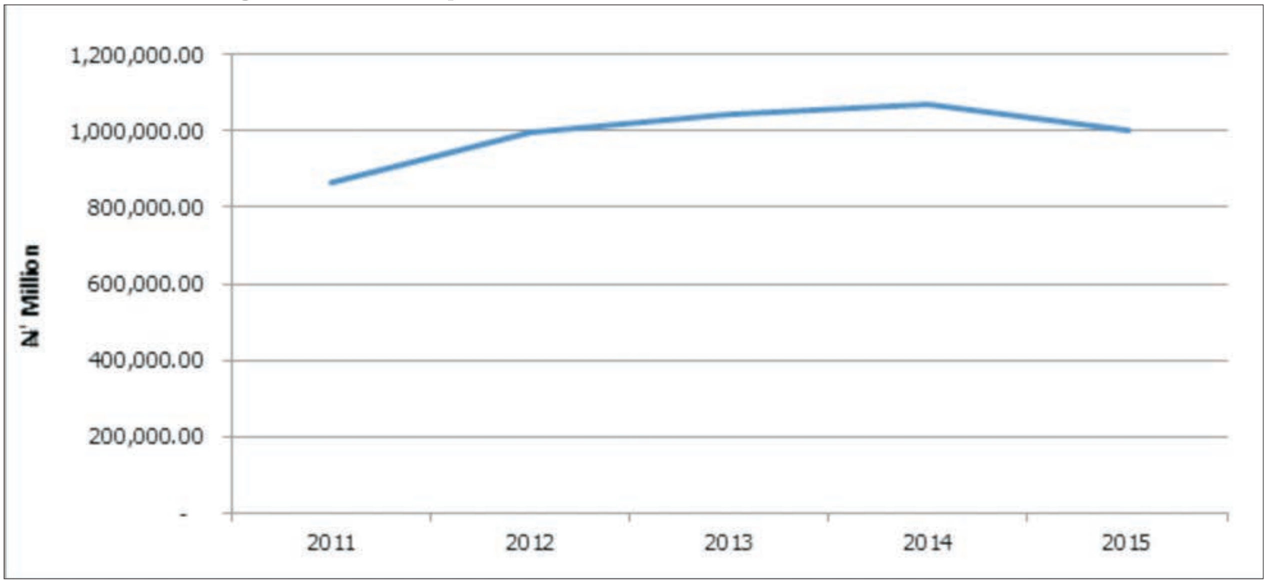


Source: DMO

5.5.7 Trend Analysis of FGN Bonds Allotments

Figure 5.8 shows the trend of allotments of the FGN Bonds from 2011 to 2015. It also shows that the highest allotment of ₦1,070,243.52 million was recorded in year 2014, after which there was a decline in 2015 to ₦998,740.00 million.

Figure 5.8: Analysis of FGN Bonds Allotments, 2011-2015



Source: DMO

5.5.8 Sub-national Bonds Issuances in 2015

The number of States that accessed the domestic bonds market in 2015, was relatively high compared to 2014. Table 5.17 shows that seven (7) States raised funds from the capital market in 2015, with a total Face Value of ₦60.95 billion, which represented a huge increase from the ₦15.00 billion recorded in 2014. Plateau State alone accounted for 46.27 percent of the total Bonds issued by the seven States in 2015.

Table 5.17: Sub-National Bonds Issuances, 2014 and 2015

2014		2015	
Bond Issuer	**Amount (₦' Billion)**	**Bond Issuers**	**Amount (₦' Billion)**
Bauchi State	15.00	Gombe State	5.00
		Kogi State	3.00
		Oyo State	4.80
		Benue State	4.95
		Plateau State	28.20
		Zamfara State	7.00
		Cross River State	8.00
Total	**15.00**	**Total**	**60.95**

Source: Securities and Exchange Commission

5.5.9 Corporate Bonds Issuances in 2015

The corporate bonds segment of the domestic bonds market was relatively active in 2015, compared to 2014 in terms of new issuances. Table 5.18 shows that the total Face Value of issuances by five corporates stood at ₦81.55 billion, compared to the total face value of ₦48.04 billion issued by four corporates in 2014. The debt issue by Fidelity Bank Plc accounted for 36.79 percent of the total corporate bonds issuances in 2015.

Table 5.18: Corporate Bonds Issuances, 2014 and 2015

2014		2015	
Bond Issuers	**Amount (₦' Billion)**	**Bond Issuers**	**Amount (₦' Billion)**
Stanbic IBTC	15.54	Fidelity Bank Plc	30.00
Fidson Healthcare Plc	2.00	Nigerian Mortgage Refinancing Company	8.00
Dana Group of Companies Plc	4.50	Transcorp Hotels Plc	19.76
FCMB	26.00	FCMB Financing SPV Plc	23.19
		C&I Leasing Plc	0.60
Total	**48.04**		**81.55**

Source: Securities and Exchange Commission

5.6 FGN Bond Secondary Market Activities

5.6.1 Over-The-Counter Market on the FMDQ

The level of trading activity in the FGN Bonds Market increased in 2015, compared to 2014. Total Face Value of Trades increased from ₦7.388 trillion in 2014 to ₦9.492 trillion in 2015, an increase of 28.48 percent (Table 5.19). The consideration also increased from ₦8.068 trillion to ₦9.581 trillion or by 18.75 percent. Number of Deals grew from 45,890 to 46,864 in the same period under review. In 2015, trading activities were boosted as most of the challenges that had arisen from adopting the CBN's Scripless Securities Settlement System (S4) as the new settlement vehicle for FGN Bonds were addressed and most dealers had become conversant with the System. In addition, the use of the FMDQ OTC E-Bond Platform, which became fully operational in March 2014, enabled dealers to trade in a more professional manner, with enhanced price discovery and transparency in the FGN Bond market.

Table 5.19: OTC Trading Activities in FGN Bonds, 2014-2015

	2014			2015		
Period	Number of Transactions	Face Value (₦' Billion)	Consideration (₦' Billion)	Number of Transactions	Face Value (₦' Billion)	Consideration (₦' Billion)
January	2,577	441,540,575	457,269,981	3,519	696,542,942	706,123,937
February	3,383	614,048,402	635,479,976	3,118	569,480,014	547,892,722
March	2,321	389,869,350	395,052,364	4,148	796,971,245	743,634,211
April	2,570	372,925,717	410,381,684	3,902	728,722,571	744,552,262
May	4,120	646,233,950	722,922,593	3,857	620,471,776	645,172,596
June	3,686	531,087,033	605,866,516	4,631	656,731,322	690,916,188
July	3,403	586,241,978	663,900,257	4,297	665,466,491	683,829,685
August	3,953	627,014,889	718,595,311	3,261	543,927,658	529,585,265
September	5,005	738,440,111	826,449,047	3,185	836,922,067	787,540,687
October	6,530	1,008,932,932	1,058,960,948	6,045	1,428,790,550	1,420,219,743
November	5,148	820,754,101	873,810,285	4,635	1,293,980,323	1,362,767,553
December	3,356	611,332,724	650,132,735	2,269	654,768,140	718,975,461
Total	**46,050**	**7,388,421,762**	**8,018,821,697**	**46,864**	**9,492,775,098**	**9,581,210,309**

Source: Central Bank of Nigeria

5.6.2 FGN Bond Trades on the NSE

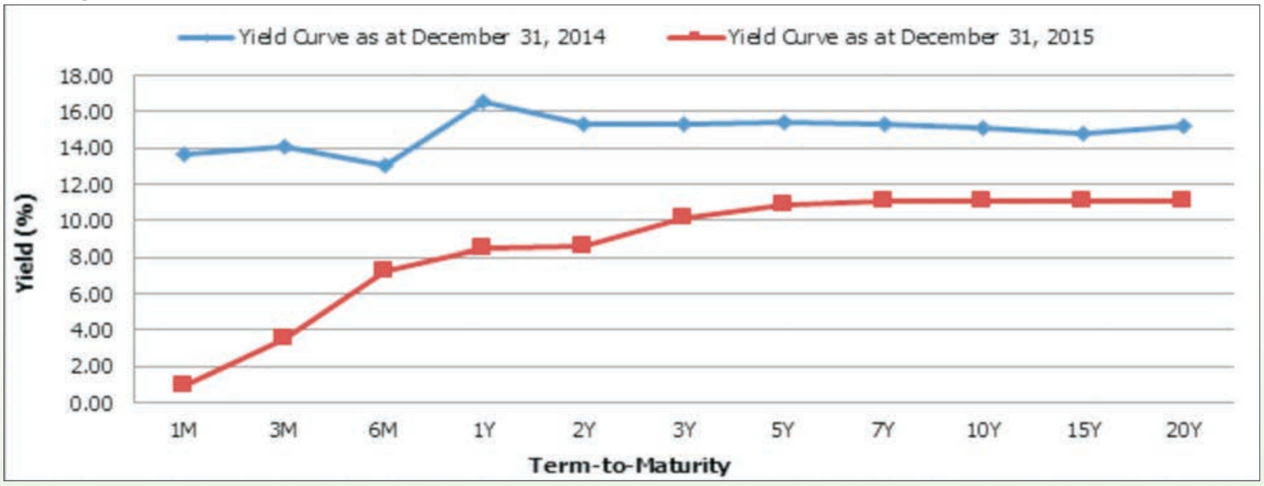
Total Face Value of Transactions on the floor of the Exchange stood at ₦240.15 million in 2015, indicating a decrease of 12.58 percent, compared to ₦274.89 million in 2014, the consideration declined from ₦295.05 million in 2014 to ₦245.15 million in 2015, representing a decrease of 16.91 percent. Number of Deals equally fell from 200 in 2014 to 128 deals in 2015. Generally, trading activities in Bonds and Equities on the Exchange were affected by high level of uncertainty in the macroeconomic environment arising from the fall in oil prices during the year.

The combined OTC Market and Exchange Trades in 2015, in terms of Total Face Value of Transactions, Consideration and Number of Deals were ₦9.493 trillion, ₦9.581 trillion and 46,992, respectively. These figures recorded in 2015, were higher than the corresponding figures of ₦7.394 trillion, ₦8.068 trillion and 46,090 recorded as Total Face Value, Consideration and Number of Deals in 2014.

5.6.3 Sovereign Yield Curve

The Sovereign Yield Curve as at end of December, 2015 shifted downwards, trending towards a normal yield curve, compared with the near flat yield curve recorded in 2014. This was due to lower yields on FGN securities at the short-end of the curve as at end 2015. The drop in Yields was attributed to the expansionary monetary policy adopted by the Central Bank of Nigeria towards the end of the year, including the reduction in the Monetary Policy Rate from 13 to 11 percent and Cash Reserve Ratio from 25 to 20 percent. These developments translated to increased liquidity in the financial system, which led to higher demand for FGN securities by investors and a consequent drop in Yields (Figure 5.9).

Figure 5.9: The FGN Securities Yield Curve as at end December, 2014 and 2015



Source: Financial Market Dealers Association

5.7 New Initiatives and Developments in the FGN Bonds Market in 2015

5.7.1 DMO's Primary Dealer Market Makers in FGN Bonds

The DMO's Primary Dealer Market Makers (PDMMs) previously made up of Banks and Discount Houses, as at end of December, 2014, comprised only Banks by December, 2015, following the conversion by Discount Houses to full fledged merchant banks, in response to the adoption of universal banking licensing regime by the CBN. The remaining Discount Houses that converted to merchants banks were, namely: Associated Discount House Ltd to Coronation Merchant Bank Ltd and Kakawa Discount House Limited to FBN Merchant Bank Limited. The composition of the DMO's PDMMs as at end of December, 2015 was ten (10) Commercial Banks and three (3) Merchant Banks as listed below in Table 5.21.

Table 5.21: List of DMO's PDMMs as at end of December, 2015

Category	PDMMs
Commercial Banks	Access Bank Nigeria Plc.
	Citibank Nigeria Limited
	Ecobank Nigeria Limited
	First Bank of Nigeria Limited
	First City Monument Bank Plc
	Guaranty Trust Bank Plc.
	Stanbic IBTC Bank Plc.
	Standard Chartered Bank Limited
	United Bank for Africa Plc.
	Zenith Bank Plc.
Merchant Banks	FSDH Merchant Bank Limited
	Coronation Merchant Bank Limited
	FBN Merchant Bank Limited

Source: DMO

5.7.2 Benchmark Bonds

A new 5-year Benchmark bond was introduced in 2015 with the Issuance of 15.54% FGN FEB 2020. The previous 5-year Benchmark bond (16.00% FGN JUNE 2019) becam the 3-year Benchmark, while the 15.10% FGN APR 2017, which was the 3-year Benchmark bond became the 2-year benchmark bond. The FGN Benchmark Bonds as at December 31, 2015 are listed in Table 5.22.

Table 5.22: FGN Benchmark Bonds as at end of December, 2015

Benchmark Bond Name	Tenor Benchmark (years)
15.10% FGN APR 2017	2
16.00% FGN JUN 2019	3
15.54% FGN FEB 2020	5
16.39% FGN JAN 2022	7
14.20% FGN MAY 2024	10
10.00% FGN JUL 2030	15
12.1493% FGN JUL 2034	20

Source: DMO

5.7.3 FGN Bonds in Global Bond Indices

J.P Morgan Government Bond Index- Emerging Markets

FGN Bonds were finally phased out of the J.P Morgan – Government Bond Index – Emerging Market (GBI-EM) on October 30, 2015. The removal was implemented following the placement of Nigeria on the J.P Morgan's Negative Watch List in January 2015, due to concerns raised about lack of liquidity in the FX Market. The constraint in FX liquidity was due to several policy measures introduced by the Central Bank of Nigeria, which were intended to stabilise the Exchange Rate, in view of the drop in dollar revenues, as a result of the general decline in Oil Prices from mid-2014.

Despite the removal of FGN Bonds from the GBI-EM, the Nigerian Bonds Market has continued to thrive, due to its diverse and strong domestic investor base, existence of an active Two-Way Quote Secondary Market and the collective resolve of all market stakeholders to continue to develop and strengthen the domestic bond market.

Nigeria may be considered for re-inclusion into the J.P. Morgan GBI-EM indices, after a mandatory 12 month review period, during which the country should have maintained a consistent track record of satisfying the criteria for inclusion in the Index.

Barclays Capital Emerging Markets - Local Currency Government Bond Index

There were no changes to the list of FGN Bonds in the Barclays Capital Emerging Markets Local Currency Government Bond Index (EM-LCBI) in 2015. However, Nigeria has been notified of Barclay's intention to remove FGN Bonds from its EM-LCBI by February 1, 2016. Table 5.23 shows FGN Bonds listed in the EM-LCBI as at December 31, 2015.

Table 5.23: FGN Bonds in the EM-LCBI as at December 31, 2015

S/No	Bond Name
1	13.05% FGN AUG 2016
2	15.10% FGN APR 2017
3	10.70% FGN MAY 2018
4	16.00% FGN JUN 2019
5	7.00% FGN OCT 2019
6	16.39% FGN JAN 2022
7	14.20% FGN MAR 2024
8	12.49% FGN MAY 2029
9	8.50% FGN NOV 2029
10	10.00% FGN JUL 2030
11	12.1493% FGN JUL 2034

Source: Barclays Capital

5.7.4 Listing of FGN Securities on FMDQ-OTC PLC

FGN Securities comprising ₦4.847 trillion FGN Bonds and ₦2.804 trillion Nigerian Treasury Bills (NTBs) outstanding as at July, 2015, were officially listed on the Financial Markets Dealers Quotation (FMDQ) OTC Plc trading platform in July, 2015. To commemorate the Listing, an FGN Debt Securities Listing and Quotation Ceremony was held at the FMDQ Office in Lagos on July 13, 2015. The Listing of FGN Securities on the FMDQ OTC PLC Platform was another notable milestone achieved in the development of the domestic bonds market in line with the DMO's Strategic Objective 4, which supports market initiatives that promote visibility, transparency and accountability in the FGN securities market. With the listing, FGN bonds are now listed and traded on 2 Exchanges in the country – on the floors of the NSE and FMDQ OTC platform, respectively.

5.8 Market-Wide Developments In 2015

5.8.1 Initiatives by the Securities & Exchange Commission

In 2015, the Securities and Exchange Commission (SEC), in collaboration with the Capital Market Committee, undertook the following initiatives:

i. The Inauguration of its Capital Market Master Plan Implementation Committee in furtherance of the implementation of its 10-year Capital Market Master Plan 2015-2025;

ii. The Launch of the Corporate Governance Scorecard for Public Companies, in Nigeria, which would enhance monitoring of corporate governance practices of public companies; and,

iii. The Launch of the National Investor Protection Fund (NIPF) to compensate investors for losses arising from infractions by Capital Market Operators.

5.8.2 Initiatives by the Nigerian Stock Exchange

The Nigerian Stock Exchange launched several new products in 2015. These included:

i. The launch of a new listing platform; Premium Board, and the associated Premium Board Index. The Premium Board Index is an Index, which features companies that meet the Exchange's most stringent listing criteria of capitalization, governance and liquidity. It aims at providing a platform for greater global visibility for eligible African corporates to make it easier for them to attract global capital flows and reduce the cost of funding. The Premium Board Index is an equity index designed to provide a benchmark to capture the performance of companies listed on the Premium Board. The index will also provide a basis for developing products (such as Exchange Traded Funds (ETFs) and Equity Index Derivatives) that are tradable on the Bourse (stock exchange);

ii. The Pension Index was created to ease the replication of equities portfolios and serve as performance benchmark for Pension Asset managers, Non-Pension Asset managers and investors. It will also help the National Pension Commission (PenCom) to monitor compliance and performance of equities portfolios held by Pension Managers;

iii. Signing of an Agreement with Morgan Stanley Capital International (MSCI) Emerging Markets Index, a lead provider of research-based indexes and analytics, to develop co-branded family of Indexes. The collaboration provides the global investing public, listed companies and other stakeholders in the Nigerian capital market access to MSCI's high quality products and internationally recognized brands; and,

iv. The NSE held a Retail Bond Investor forum in collaboration with Stanbic IBTC Stockbrokers.

5.8.3 Initiatives by the Central Securities Clearing System

Some of the initiatives of the Central Securities Clearing System are as follows:

i. The process of dematerialization of Shares Certificates, which will totally eliminate the use of physical securities (shares and bonds) certificates or documents of title has been 95 – 98 percent achieved. The objective of dematerialization process is to convert physical certificates, which represent ownership of securities to electronic book entries;

ii. Development of Biometrics Enrolment & Verification System (CEVS) to mitigate incidence of identity theft in the Capital Market;
iii. Direct Cash Settlement System (DCSS), which is the process whereby the proceeds from trades executed on the Exchange, settles directly into Investors' Bank Account; and,
iv. Co-founder of the Africlear initiatives to promote financial inclusion through supporting the improvement of securities market infrastructure and promotion of industry-leading technologies designed to enhance the efficiency of capital markets and better regulation in the continent of Africa. Africlear is also expected to promote diversification of revenue streams and to facilitate cross-border investment flows.

5.9 Consensus Building in the Domestic Bonds Market in Nigeria

The DMO maintained its collaborations with various bonds market stakeholders through regular interactions and engagements that were aimed at promoting new initiatives and developments in the market, as well as, address any concerns relating to market issues and activities. Such collaborations included:

i. Interactive Sessions with the Primary Dealer Market Makers and the Financial Markets Dealers Association;
ii. Engagements with the Central Bank of Nigeria, the National Pension Commission, the Nigerian Stock Exchange, and Central Securities Clearing System. Specifically, special collaborations were held with the CBN and the Central Securities Clearing System (CSCS) to establish connectivity between CSCS and the CBN's S4;
iii. Quarterly Meetings with the Securities and Exchange Commission;
iv. Participation in the Meetings and programmes of the Financial System Strategy 2020 (FSS2020); and,
v. Engagement with the NSE and Fixed Income Market Makers and ringing of the Closing Gong Ceremony at the NSE.

5.10 Outlook for the Domestic Bonds Market in 2016

Activities in the domestic bonds market in 2016 will largely depend on the monetary and FX policies of the Central Bank of Nigeria which have implications for the level of liquidity in the financial system. For the FGN Bonds in particular, it is expected that primary market activities would remain robust supported by demand from domestic investors, while secondary market Yields are likely to trend upwards. The expected rise in Bond Yields will be in relation to the anticipated increase in borrowing by the Federal Government to fund its expansionary 2016 Fiscal Budget, in line with plans to stimulate economic activities through the development of critical infrastructure projects.

5.11 The International Capital Market

5.11.1 Performance of Nigeria's Eurobonds in the Secondary Market

The three (3) Nigerian Eurobonds, (US$500 million 5.125% July 2018; US$500 million 6.75% January 2021 and US$500 million 6.375% July 2023) were actively traded in the secondary market of the International Capital Market (ICM) in 2015. The spread of the three (3) Eurobonds widened consistently from the month of August, 2015, through to the end of December, 2015, against the back drop of weak global economy, structural decline in crude oil prices, the expectations of an intended rate hike by the Federal Open Market Committee (FOMC) of the US Federal Reserve Bank and actual increase in the rates of US Treasuries. Consequently, Yields on Nigeria's three (3) Eurobonds - 2018, 2021 and 2023 closed the year at 7.06%, 8.47% and 8.57%, which were higher than their opening Yields in January 2015 at 6.03%, 7.38% and 7.65%, respectively.

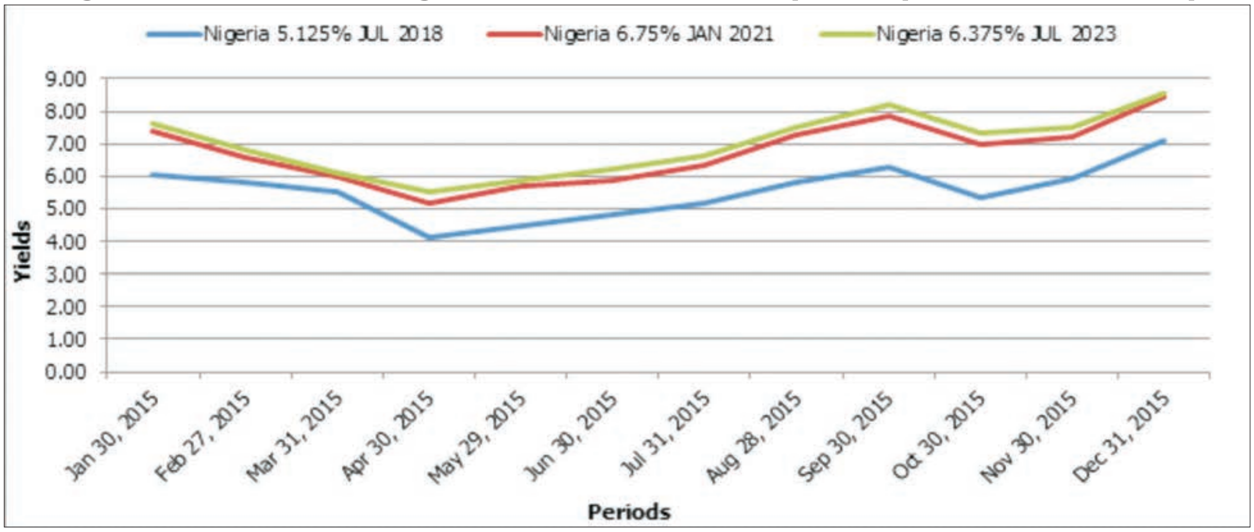
Table 5.24 shows the end of the month trends in the Prices and Yields of Nigeria's three (3) Eurobonds in 2015, while Figure 5.10 shows their month-end Yields in 2015.

Table 5.24: Trends in Nigeria's Eurobonds Prices and Yields (January – December, 2015)

	Nigeria 5.125% JUL 2018		Nigeria 6.75% JAN 2021		Nigeria 6.375% JUL 2023	
Date	Closing Price (USD)	Closing Yield (%)	Closing Price (USD)	Closing Yield (%)	Closing Price (USD)	Closing Yield (%)
30-Jan-15	97.21	6.03	97.01	7.38	92.19	7.65
27-Feb-15	97.94	5.81	100.82	6.58	97.15	6.83
31-Mar-15	98.85	5.51	103.55	6.02	101.62	6.12
30-Apr-15	102.89	4.15	107.79	5.16	105.74	5.49
29-May-15	101.87	4.47	105.11	5.68	103.08	5.89
30-Jun-15	100.82	4.83	104.00	5.90	100.93	6.23
31-Jul-15	99.82	5.19	101.91	6.33	98.33	6.65
31-Aug-15	98.20	5.82	97.74	7.26	93.31	7.52
30-Sep-15	97.11	6.27	95.32	7.84	89.55	8.22
30-Oct-15	99.45	5.35	99.12	6.95	94.55	7.31
30-Nov-15	98.08	5.93	98.05	7.21	93.68	7.48
31-Dec-15	95.59	7.06	93.06	8.47	88.05	8.57

Source: Bloomberg

Figure 5.10: Trends in Nigeria's Eurobonds Yields (January - December, 2015)



Source: Bloomberg

5.11.2 Comparative Performance of Nigeria's Peer Group's Eurobonds

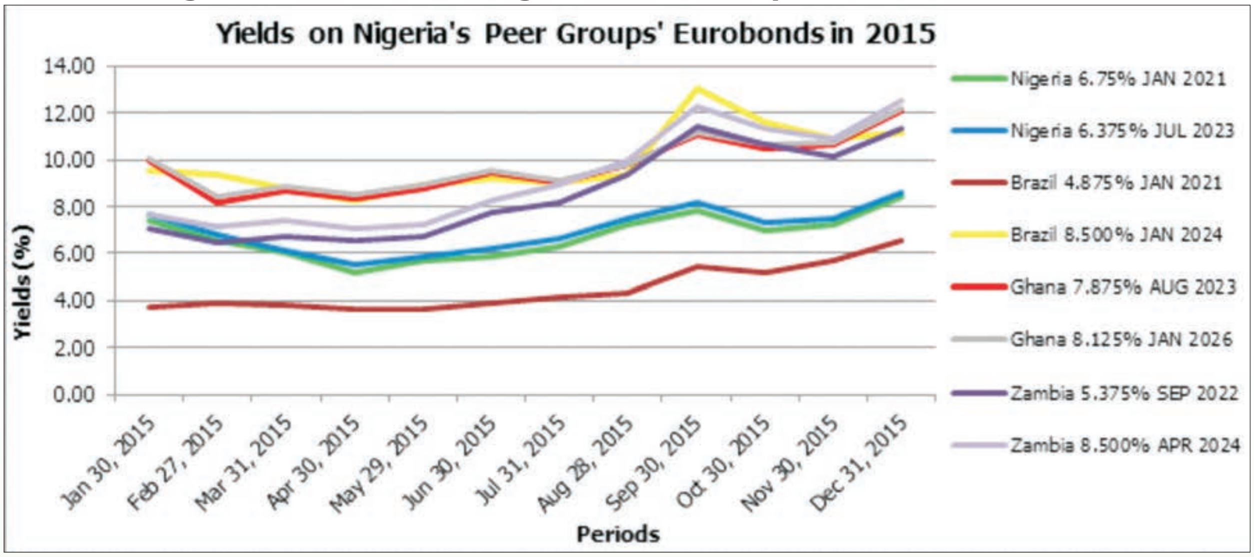
The secondary market performance of Nigeria's Peer Group's Eurobonds in 2015, was also affected by several factors, such as China's economic slowdown, the prospect of the US Federal Reserve's eventual increase in interest rates, global economic uncertainty, the volatility in prices of commodities (especially crude oil) and the depreciation in the value of the local currencies of most emerging market countries. Accordingly, the yields of the emerging markets countries especially African Sovereign Eurobonds, widened across board in 2015, with the increase being highest for commodity exporting countries such as Zambia, Ghana and Nigeria (Table 5.25 and Figure 5.11).

Table 5.25: Comparative Performance of Nigeria's Peer Group's Eurobonds in 2015

Date	Nigeria 6.75% Jan. 2021	Nigeria 6.375% Jul. 2023	Brazil 4.875% Jan. 2021	Brazil 8.500% Jan. 2024	Ghana 7.875% Aug. 2023	Ghana 8.125% Jan. 2026	Zambia 5.375% Sep. 2022	Zambia 8.500% Apr. 2024
30-Jan-15	7.38	7.65	3.74	9.51	9.94	10.05	7.11	7.64
27-Feb-15	6.58	6.83	3.94	9.37	8.22	8.47	6.51	7.16
31-Mar-15	6.02	6.12	3.86	8.77	8.66	8.83	6.76	7.42
30-Apr-15	5.16	5.49	3.62	8.29	8.33	8.55	6.56	7.11
29-May-15	5.68	5.89	3.65	8.92	8.75	8.91	6.72	7.21
30-Jun-15	5.90	6.23	3.92	9.19	9.44	9.53	7.77	8.27
31-Jul-15	6.33	6.65	4.15	9.04	9.01	9.12	8.20	8.93
28-Aug-15	7.26	7.52	4.37	9.34	9.76	9.83	9.33	9.99
30-Sep-15	7.84	8.22	5.42	13.05	11.07	11.13	11.44	12.29
30-Oct-15	6.95	7.31	5.19	11.60	10.44	10.61	10.68	11.38
30-Nov-15	7.21	7.48	5.67	10.88	10.62	10.76	10.10	10.92
31-Dec-15	8.46	8.56	6.53	11.13	12.10	12.16	11.30	12.49

Source: Bloomberg

Figure 5.11: Yields on Nigeria's Peer Group's Eurobonds in 2015



Source: Bloomberg

5.11.3 Eurobonds issued by African Sovereigns in 2015

New Eurobonds issuances by African Sovereigns in 2015, remained high with issuers seeking liquidity in the International Capital Market (ICM) (Table 5.26). The year, 2015, witnessed a number of record-breaking issuances despite the challenging global macroeconomic environment and high deficits in the region. This was largely attributed to investors' appetite for emerging markets (EM) Eurobonds for reasons of portfolio diversification and high returns. Table 5.26 shows that nine (9) African Sovereigns accessed the ICM in 2015, with debut issuances by Cameroon (US$750 million) and Angola (US$1,500 million) compared to five African Sovereigns that tapped the ICM in 2014, namely: Zambia, Ghana, Senegal, Cote d'voire and Kenya. The other countries that had earlier accessed the ICM, but also issued Eurobonds in 2015 were: Tunisia, Ivory Coast, Egypt, Zambia, Ghana, Namibia and Gabon.

The Republic of Ghana's US$1,000 million, 10.750% due 2030 (15-year), was partially guaranteed by International Development Association (IDA) - a member of the World Bank Group, making it the first-ever IDA guaranteed bond and the longest tenor Sovereign bond ever issued by Sub-Saharan African country, beside South Africa.

Table 5.26: Eurobonds Issued by African Sovereigns in 2015

Country	Rating			Date Issued	Amount (US$ Mn)	Tenor (Years)	Coupon (%)	Issue Yield (%)
	Fitch	S&P	Moody's					
Tunisia	BB-	BB+	Ba2	Jan. 27, 2015	1,000	10	5.750	5.875
Ivory Coast**	B	-	Ba3	Mar. 2, 2015	1,000	13	6.375	6.625
Egypt	B-	B	B3	Jun. 4, 2015	1,500	10	5.875	5.875
Gabon	B+	BB-	-	Jun. 9, 2015	500	10	6.95	6.95
Zambia*	B	B	-	Jul. 24, 2015	1,200	12	8.970	9.375
Ghana	B	B-	B3	Oct. 7, 2015	1,000	15	10.750	10.75
Namibia**	BBB-	-	Baa3	Oct. 23, 2015	750	10	5.250	5.375
Angola*	B+	BB-	-	Nov. 4, 2015	1,500	10	9.500	9.500
Cameroon*	B	B	-	Nov. 13, 2015	750	10	9.500	9.750

Source: Thomson Reuters

Note: *Not rated by Moody's

**Not rated by Standard and Poor's

5.11.4 Eurobonds Issued by Nigerian Corporates in 2015

Although the, Nigerian Corporates especially commercial banks had been active in the ICM, with Eurobond issuances by four (4) Corporates (all banks) in 2014, there was no Eurobond issuance recorded by Nigerian Corporates in 2015. This was due to a number of factors, which include the high level of uncertainty in the foreign exchange market, election-related market slowdown, the limit placed on aggregate foreign currency borrowing by banks from 200 percent of shareholders' funds to 75 percent by the CBN, and the liquidity at the disposal of financial institutions through the reduction in Cash Reserve Ratio (CRR) by the monetary authority.

5.12 Outlook for the International Capital Market in 2016

The ICM is likely to witness a significant increase in the volume and number of Eurobond issuances in 2016, as more frontier and emerging market countries may access the ICM. It is therefore, anticipated that the number of African sovereigns that would access the ICM market could increase, together with the total size of issuance. The projected increase in the number of countries would arise from the need to fill the financing gaps created by the decline in commodity prices, coupled with weak local currencies and the reduction in the revenue inflows available to most African sovereigns.

Market volatility is unlikely to subside in 2016, on the backdrop of a more pronounced global economic slowdown, China's growth concerns and the decline in oil prices. More generally, markets in 2016, are likely to remain bumpy, while the Dollar is expected to remain strong.

The level of liquidity and interest in the ICM would mainly be driven by the policy statements and decisions of major Central Banks such as the United States Federal Reserve, the Bank of England (BoE) and the European Central Bank (ECB). Central Banks globally are pursuing divergent monetary policies. With the US Fed raising its benchmark rate in December 2015, it is expected to continue its gradual rate hikes in 2016, while in the case of the ECB, further easing in the near term is also anticipated, in order to stimulate growth in the Eurozone.

CHAPTER SIX

DEBT SUSTAINABILITY ANALYSIS

CHAPTER SIX

DEBT SUSTAINABILITY ANALYSIS

The result of the 2015 DSA showed that relative to the output-based indicator (Debt-to-GDP ratio), Nigeria still remained at a low risk of debt distress, but remained mostly sensitive to revenue shocks. The Debt-to-GDP ratios were at sustainable levels during the period under review, even when various shocks were applied to the baseline scenario. However, all the solvency and liquidity indicators under the fiscal sustainability analysis showed that the debt portfolio was vulnerable to revenue shocks, especially when crude oil price was set below US$30 per barrel. This heightened the need to further strengthen and diversify the revenue base of the country for long-term debt sustainability.

6.1 Introduction

The 2015 Annual Debt Sustainability Analysis (DSA) was held between August 17 to 23, 2015, by the DMO, in collaboration with relevant stakeholders in debt management operations, namely: the Federal Ministry of Finance (FMF), Central Bank of Nigeria (CBN), Budget Office of the Federation (BOF), National Planning Commission (NPC), National Bureau of Statistics (NBS), and the Office of the Accountant-General of the Federation (OAGF). The West African Institute for Financial and Economic Management (WAIFEM) provided technical support.

The key objectives of the 2015 DSA was to assess the country's capacity to finance its projects and programmes, as well as, ability to service its debt obligations, without unduly large adjustments that may compromise its macroeconomic stability, overall growth and development. Amongst the policy objectives of the exercise were to:

i. update the DSA of 2014, in view of the dwindling oil revenue caused by global fall in oil prices;
ii. assess the current and future public debt portfolio of the country, with a view to determining the sustainability position, identify any vulnerabilities in the debt portfolio, or government policy framework and proffer remedial measures;
iii. guide the government in its borrowing decisions, taking into account its financing needs and future repayment capability;
iv. advise on the Federal Government's borrowing limits and financing options for 2016; and,
v. provide necessary information for updating the Medium-Term Expenditure Framework (MTEF) and provide inputs into the 2016 national budget.

The 2015 debt sustainability scenarios analyses covered only the Baseline and Pessimistic settings. These premised upon the outlook of the macroeconomic indicators, current situations and projected fiscal data, which all pointed towards a weakening trend. Hence, the DSA Technical Team did not deem it expedient to make any optimistic projections on the country's macroeconomic, fiscal and debt data.

6.2 Baseline Scenario

The Baseline Scenario results analysis were presented in three parts, namely:

i. FGN's External Debt Sustainability Analysis, which included only external debts of both the FGN and States (including the FCT) which, under the law, were all external debts contracted by the Federal Government, even though those belonging to the States were only guaranteed and considered as loans on-lent by the Federal Government to the States;
ii. Fiscal Sustainability Analysis of only the FGN debt, which strictly comprised federally contracted external and domestic debts; and,
iii. Fiscal Sustainability Analysis of the Federation Debt, which comprised the totality of external and domestic debts owed by both the FGN and Sub-nationals.

The Standard Stress Tests for each of these Baseline Scenarios were also discussed.

6.2.1 FGN Debt Sustainability Analysis

6.2.1.1 Analysis of the FGN's External Debt Sustainability

The result of the 2015 DSA exercise showed that the FGN's external debt portfolio was at a very low level of risk and distress. Table 6.1 presents a four-year projected FGN external debt burden indicators, using the Baseline assumptions, and benchmarked against Nigeria's peer group thresholds. The results also showed that all the indicators would remain below the thresholds throughout the projected period. It should be noted further that all the indicators showed a rising trend throughout the projected period, except the PV of Debt/GDP. These meant that the anticipated increase in the country's GDP would unlikely be accompanied by a proportionate increase in exports and revenue, which thus, presented the debt portfolio as likely susceptible to both indicators. More specifically, the revenue indicators rose at a faster rate, as they approached the thresholds towards the end of the projection period. Details of the results are given in Figure 6.1. This buttresses the need to diversify the economy and also increase the revenue base of the country, to be able to mitigate the risks associated with debt distress in the long-term.

Table 6.1: FGN's External Debt Sustainability Indicators in Percent (2015 – 2035)

Descriptions		Threshold	2015	2016	2017	2018	2019	Average 21-25	Average 26-30	Average 31-35
Solvency Indicators	PV of Debt/GDP	40	2.3	2.5	2.7	2.8	2.9	2.8	2.3	1.6
	PV of Debt/Exports	150	24.2	28.1	30.0	31.5	33.7	35.4	40.2	44.7
	PV of Debt/Revenue	250	61.2	82.6	93.9	109.8	123.3	159.0	188.7	182.9
Liquidity Indicators	Debt Service/Exports	20	0.9	0.9	1.0	2.0	1.3	2.2	3.0	4.2
	Debt Service/ Revenue	20	2.2	2.6	3.1	7.3	5.0	9.7	14.1	17.0

6.2.1.2 Analysis of the Standard Stress Tests

Figure 6.1 (a - f) illustrate the results obtained under the Standard Stress Tests. These showed the alternative scenarios in which the key macroeconomic variables, like the real GDP growth rate, primary balance, export growth rate and non-debt creating flows were subjected to shocks and discounted by 30 percent, at their historical averages, minus one standard deviation. The Stress Tests further assumed that new debts would be obtained under less favorable terms and a one-time 30 percent nominal depreciation in key flow variables (currency and interest rates) relative to the baseline. These illustrated a situation of extreme shock or combined shocks, such that all the macroeconomic indicators and variables were put under stress, due to external and internal factors. Under the Baseline Scenario, all the debt burden indicators were below their respective thresholds, indicating that the country was at a low risk of debt distress. However, it is important to note that the Debt Service/Revenue ratio maintained an upward trend, with sharp spikes between 2018 and 2023, when the FGN Eurobonds will be due for principal repayment (Figure 6.1f). It was also observed that, whereas the rate of debt accumulation trended downwards over the projection period, under the most extreme shocks, PV of Debt/Revenue (Figure 6.1d) and Debt Service/Revenue (Figure 6.1f) ratios rose sharply towards the thresholds but remained below the thresholds throughout the projection period. These confirmed the earlier position that the country remains highly susceptible to revenue shocks. This calls for an urgent need for the authorities to fast-track efforts aimed at diversifying the sources of revenue away from crude oil, as well as, implement policies that will boost exports and other forms of inflows (e.g. Foreign Direct Investments) into the country.

6.2.2 FGN Fiscal Sustainability Analysis

6.2.2.1 Analysis of the Fiscal Sustainability (FGN External & Domestic Debt).

This sub-section analyses the debt sustainability of the FGN debt, when both the external and domestic debts are taken together. There is only one internationally recommended peer group solvency threshold with which the fiscal debt sustainability can be measured - the PV of Debt/

GDP ratio. The result obtained under this fiscal sustainability indicated that the FGN was at a low risk of debt distress. The PV of Total Debt/GDP ratios were estimated at 11.7 and 11.4 percent, respectively, for 2015 and 2016 (see Table 6.2), compared with 11.6 and 10.9 percent obtained under 2014 DSA. These compared favorably with the threshold of 56 percent for peer groups and the country specific threshold of 19.39 percent for the period up to 2017. The result shows a declining trend of PV of Debt/GDP ratio from 2018, meaning that the growth rate of the GDP would outweigh the rate of debt accumulation over the period. Details of these are shown in Figure 6.2.

Table 6.2: FGN's Fiscal Sustainability Indicators in Percent (FGN's External & Domestic Debt), 2015 – 2035

Description	Threshold	2015	2016	2017	2018	2019	Average 21-25	Average 26-30	Average 31-35
PV of Debt/GDP	56*	11.7	11.4	11.6	11.1	10.6	9.0	6.8	4.9
PV of Debt/Revenue	Not Applicable	316.5	378.5	339.3	428.2	444.6	499.1	557.7	552.3
Debt Service/Revenue	Not Applicable	46.4	59.1	57.0	52.7	56.8	54.9	54.1	52.5

*Country-Specific Threshold is 19.39 percent up to 2017

6.2.2.2 Analysis of the Standard Stress Tests

The results of the Standard Stress Tests are illustrated in Figure 6.2(a-c). Figure 62a shows the sensitivity analysis of FGN's total debt portfolio to the GDP and this is well below the peer group threshold of 56 percent and country-specific threshold of 19.39 percent. The Stress Tests show that the PV of Debt/GDP ratio rose in the second year of estimation before trending gradually downwards throughout the projection period. The Stress Tests or combined shocks, when applied to the revenue indicators Figure 6.2(b & c) clearly show that any persistent shock in revenue would lead to debt distress in the medium to long-term, if other sources of revenue are not developed to bridge the gap.

6.2.3 FGN, States and FCT Debt Sustainability Analyses

6.2.3.1 Analysis of Debt Sustainability of the FGN, States and FCT

This sub-section deals with the Total Public Debt of the Federation, which comprised the external and domestic debts of the FGN plus the domestic debt of the States, including the FCT. The analysis also captured the revenue of the two tiers of Government concerned, including their Internally Generated Revenues (IGR). This was in recognition of the fact that Nigeria practices fiscal federalism system. This, therefore, illustrates the need to ensure that the country maintains overall debt sustainability, even as a Federation. The results thus obtained at the 2015 DSA exercise, showed that the Federation was similarly at low risk of debt distress.

6.2.3.2 Analysis of the External Debt Sustainability of the Federation

Table 6.3 presents the analysis of the total external debt sustainability of the Federation – FGN, States and the FCT – under the Baseline Scenario. The difference between this particular result and those obtained under the external debt sustainability of the 'FGN only' discussed under Section 6.2.1.1 was with respect to solvency and liquidity indicators associated with revenue, which improved significantly due to the inclusion of the revenue of the States in the analysis. For instance, while PV of External Debt/Revenue was projected at 61.2 percent for FGN only, it reduced to 38.1 percent for the Federation as at the end of 2015, while Debt Service/Revenue fell from 2.2 percent to 1.4 percent, indicating a more robust sustainability position for the Federation. The important point to note here with regard to the external debt sustainability of the Federation is that, though the external debt of the States are guaranteed by the FGN, the debt service obligations are carried out by the States. This is done vide the instrumentality of Irrevocable Standing Payment Orders (ISPOs) issued by the States in favour of the FGN against States' statutory revenue allocations.

Table 6.3: Nigeria's External Debt Sustainability Indicators (FGN, States & FCT) in Percent, 2015 – 2035

Descriptions		Threshold	2015	2016	2017	2018	2019	Average 21-25	Average 26-30	Average 31-35
Solvency Indicators	PV of Debt/GDP	40	2.3	2.5	2.7	2.8	2.9	2.8	2.3	1.6
	PV of Debt/Exports	150	24.2	28.1	30.0	31.5	33.7	35.4	40.2	44.7
	PV of Debt/ Revenue	250	38.1	49.6	56.6	65.3	73.5	95.8	113.6	111.8
Liquidity Indicators	Debt Service/ Exports	20	0.9	0.9	1.0	2.0	1.3	2.2	3.0	4.2
	Debt Service/ Revenue	20	1.4	1.5	1.8	4.4	3.0	5.8	8.5	10.4

6.2.3.3 Analysis of the Standard Stress Tests

The sensitivity analysis of the sustainability position of the Federation reveals similar pattern as that of the FGN only. It may be observed, however, that the susceptibility of revenue related indicators to the most extreme shocks were far less compared to those recorded when the revenue profile of FGN only was used (Figure 6.1a – 6.1f). All the debt burden indicators under the most extreme shocks remained below the thresholds. Although the PV of External Debt/Revenue and Debt Service/Revenue ratios showed rising trends, there was no breach of the thresholds compared to the situation under the FGN only where the Stress Tests of both indicators breached the thresholds. This highlights the fact that, where the external debt of the Federation is disaggregated and the revenue streams of the two tiers of Government captured in the determination of the country's ability to service its external debt under stress conditions, Nigeria's debt would still remain sustainable in the medium to long-term under the Baseline Scenario.

6.2.3.4 Fiscal Sustainability Analysis of the Federation

The difference between this sub-section and that of FGN only discussed above is the addition of the domestic debt and IGR of the States and the FCT to that of the FGN in the analysis. The result obtained showed that the estimated solvency indicator of the Federation, PV of Total Debt/ GDP ratio, (the only one that had a standard peer group threshold of 56 percent) when external and domestic debt were combined, was within sustainable limit at 13.6 percent in 2015. There was a marginal increase of 30 basis points compared to the 13.3 percent obtained in 2014. The ratio trended downward as from 2017 and throughout the projection period to reach an average low level of 5.2 percent in 2035 (Table 6.4). The decline in the solvency indicator is based on the assumption that the rate of growth of output (GDP) is higher than the rate of debt accumulation. It could also be observed that the PV of Total Debt/Revenue and Debt Service/Revenue ratios are much lower than those obtained when only the revenue of the FGN was considered.

Table 6.4: Fiscal Sustainability Indicators (FGN, States & FCT) in Percent, 2015 – 2035

Description	Threshold	2015	2016	2017	2018	2019	Average 21-25	Average 26-30	Average 31-35
PV of Debt/GDP	56*	13.6	13.1	13.4	12.6	11.9	9.8	7.2	5.2
PV of Debt/Revenue	Not Applicable	228.9	261.4	276.7	290.7	298.5	328.6	353.5	358.7
Debt Service/Revenue	Not Applicable	38.7	38.2	37.8	35.1	38.3	37.9	36.8	34.8

*Country-Specific limit is 19.39 percent up to 2017

6.2.3.5 Analysis of the Standard Stress Tests

The results of the Standard Stress Tests on the Total Public Debt of the Federation compared favourably with those obtained under the Baseline Scenario of the FGN's only; this was particularly with respect to revenue indicators, which showed a rising trend but with greater degree of sustainability relative to 'FGN-Only' scenario. The most extreme shock yields the highest ratio of 358.7 percent towards the end of the projection period compared to 'FGN-Only' with 316.5 percent in 2015, at the beginning of the projection.

6.3 Pessimistic Scenario (FGN-Only)

The Pessimistic Scenario assumed a reduction in the growth rate of the GDP, a decline in the revenue accruing to the FGN due to the fall in crude oil prices, an increase in the rate of inflation attributable to a weakened local currency, deterioration in fiscal deficit and current account balance - amongst other issues. Unlike in the 2014 DSA, where Pessimistic Scenario was mainly revenue-specific, the 2015 DSA considered deterioration in a broad range of macroeconomic indicators and variables (including lower output, higher inflation and interest rates, weak currency) that could negatively impact on the public debt portfolio.

6.3.1 External Debt Sustainability Analysis of the FGN

The results under the Pessimistic Scenario indicated that the country would be at risk of debt distress under a persistent deterioration in macroeconomic indicators and variables in the medium to long-term. The PV of Debt/Export, PV of Debt/Revenue and Debt Service/Revenue breached the peer group thresholds of 150 percent, 250 percent and 20 percent in year 2030, 2022 and 2025, respectively. Table 6.5 shows that, except the PV of Debt/GDP ratio and the drop recorded in 2019 for Debt Service/Exports, all other indicators maintained a rising trend, reaching their peak at the end of the projection period. This meant that a prolonged deterioration in one or two of the variables could increase the risk of debt unsustainability. These highlight the need to diversify the revenue base of the country and/or moderate the rate of debt accumulation both in the short to medium terms to avoid the risk of debt distress.

Table 6.5: FGN's External Debt Sustainability Indicators in Percent (Pessimistic)

Descriptions		Threshold	2015	2016	2017	2018	2019	Average 21-25	Average 26-30	Average 31-35
Solvency Indicators	PV of Debt/GDP	40	2.3	2.7	3.2	3.6	4.1	4.7	4.6	3.9
	PV of Debt/Exports	150	24.2	37.6	52.6	64.3	69.8	108.1	141.3	156.6
	PV of Debt/Revenue	250	61.2	122.5	153.1	178.3	215.1	275.9	320.9	327.6
Liquidity Indicators	Debt Service/Exports	20	0.9	1.1	1.7	4.0	2.8	6.7	11.3	15.5
	Debt Service/ Revenue	20	2.2	3.7	4.8	11.2	8.6	17.1	25.5	32.3

6.3.2 Fiscal Sustainability Analysis of the FGN

The results obtained under the fiscal block, that is, the analysis of the combination of external and domestic debt show a sustained, but moderate growth in the PV of Debt/GDP ratio up to 12.9 percent in 2019 before a gradual decline (Table 6.6). The PV of Debt/Revenue and Debt Service/ Revenue ratios, against which there were no peer group thresholds, recorded sharp increases in 2016, from their levels in 2015, based on the assumption that the current downturn in revenue accruing to the FGN will have its full impact on the economy in 2016 Budget.

Table 6.6: Fiscal Sustainability Indicators (FGN's External & Domestic Debt) in Percent (Pessimistic)

Description	Threshold	2015	2016	2017	2018	2019	Average 21-25	Average 26-30	Average 31-35
PV of Debt/GDP	56*	11.7	11.9	12.3	12.6	12.9	12.5	11.4	9.8
PV of Debt/ Revenue	Not Applicable	316.5	537.9	595.6	623.3	684.0	728.2	785.2	819.2
Debt Service/ Revenue	Not Applicable	46.4	85.6	87.8	77.7	88.9	84.0	83.3	86.4

*Country-Specific threshold is 19.39 percent

6.4 Determination of the Borrowing Limit for 2016

The determination of the borrowing limit is guided by Federal Government's conservative debt management strategy, which uses the Country-Specific threshold of PV of Total Public Debt/GDP ratio of 19.39 percent in the medium-term, as against the country's international peer group threshold of 56 percent to measure its debt sustainability.

i. The end-period NPV of Total Public Debt/GDP ratio for 2015 for FGN was projected at 11.7 percent. The difference between the projected ratio for 2015 (11.7 percent), and the recalibrated Country-Specific ratio of NPV of Total Public Debt/GDP for the medium-term, 2015-2017, estimated at 19.39 percent is 7.69 percent, using a GDP estimate of US$544.24 billion for 2016.

ii. Based on the foregoing, the maximum amount that could be borrowed (domestic and external) by the FGN in 2016 and 2017 without violating the country-specific threshold is about US$42.00 billion (i.e. 7.69 percent of US$544.24 billion). This translates to about US$21 billion each year for 2016 and 2017. In line with the provisions in the MTDS (2012-

2015), there arises the need to rebalance the debt portfolio by substituting the relatively expensive domestic borrowing in favour of cheaper external financing. This recommendation has been reinforced, given the recent realities, particularly with respect to rising cost of domestic borrowing and the need to address the perception of crowding out of the private sector. These put together make further accumulation of domestic debt highly unattractive and needs to be curtailed. Currently, the difference in the cost of borrowing between domestic and external sources is about 800-1000 basis points. The recommended shift of emphasis to external borrowing would help to reduce the debt service burden in the short to medium-term and create a robust borrowing space for the private sector. Taking into account the domestic market absorptive capacity and the External Borrowing Plan, the maximum borrowing of US$21 billion for 2016, is proposed to be sourced from both domestic and external sources as follows:

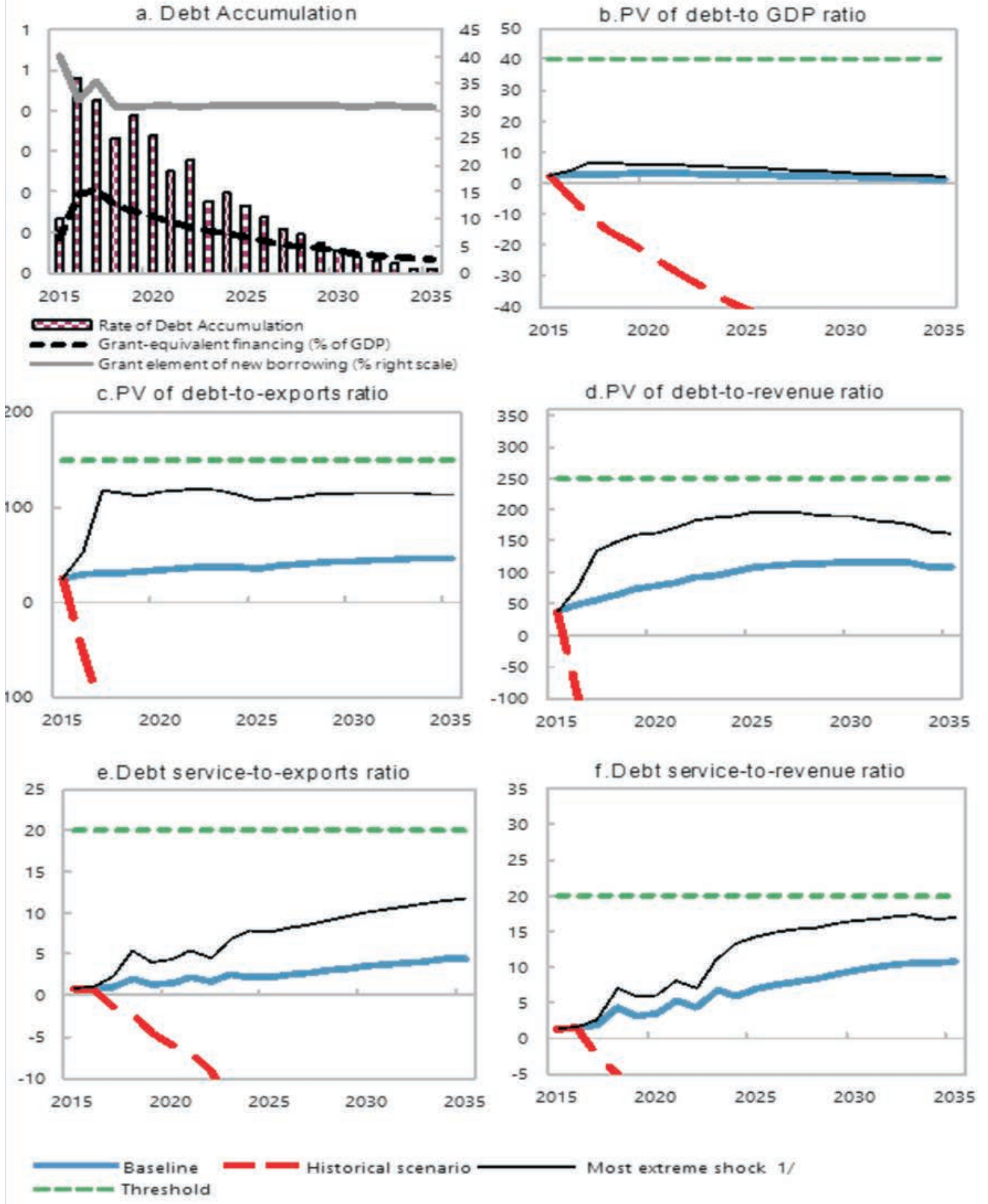
a. New Domestic Borrowing: US$5.0 billion (equivalent of about N1.0 trillion); and,
b. New External Borrowing: US$16.0 billion.

In view of the country's acute infrastructure demands, it was recommended in the 2015 DSA Report that advantage could be taken of the identified borrowing space to procure more debt without breaching the country's sustainability threshold.

6.5 Conclusion

The result of the 2015 DSA exercise showed that relative to the country's aggregate output (GDP), Nigeria remained at a low risk of debt distress. However, debt sustainability remained mostly sensitive to the revenue shocks, indicating that an increase in aggregate output (country's GDP), did not necessarily result to a proportionate increase in revenue. This pointed to the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil and implement far-reaching policies that would bolster exports and other forms of capital flows such as foreign direct investments into the country. This has become very critical, given the continued volatility in the price of crude oil in the international commodities market.

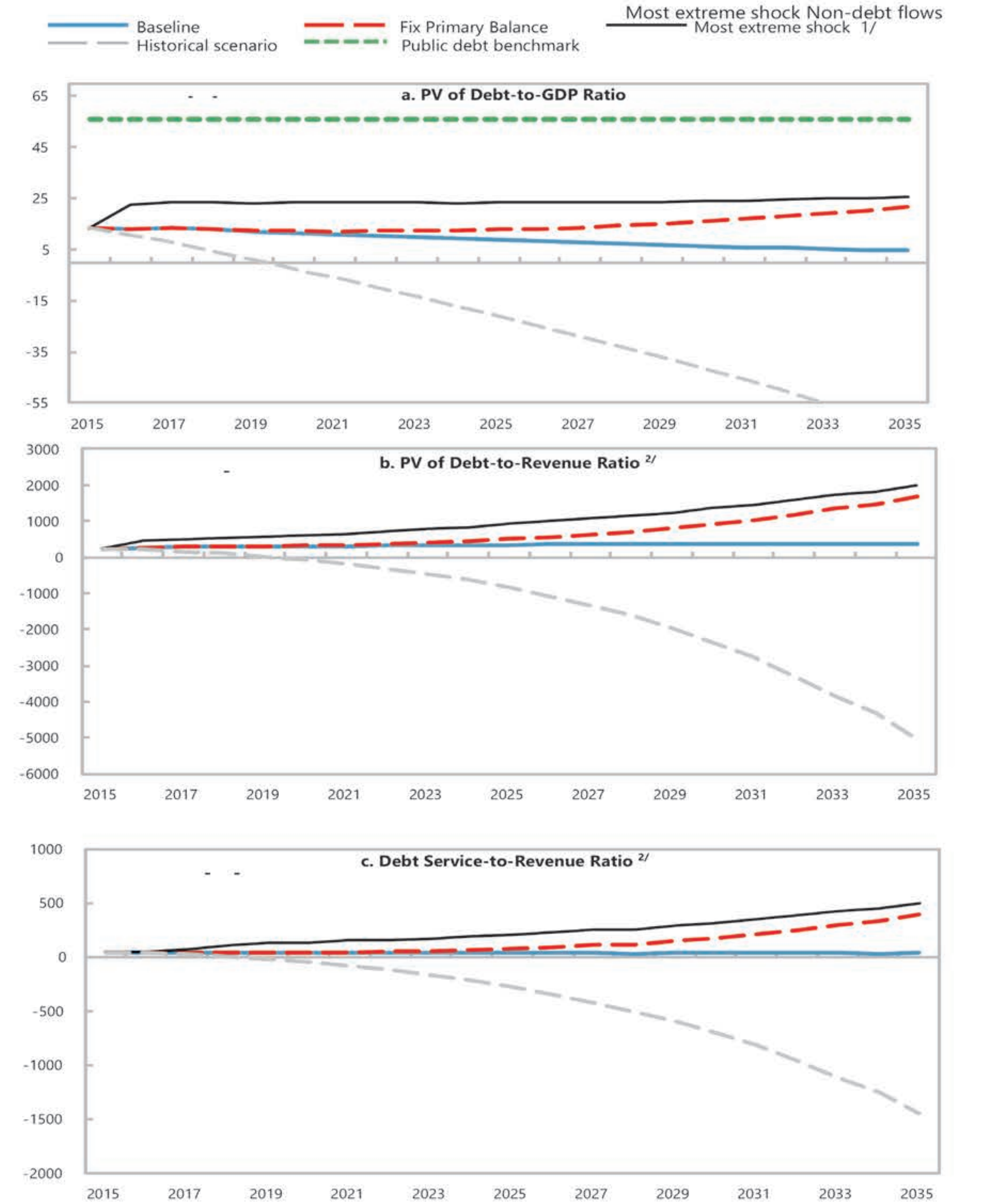
Figure 6.1: Nigeria's External Debt Sustainability Indicators under Alternative Scenarios, 2015-2035



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to a Exports shock; in c. to a Exports shock; in d. to a Exports shock; in e. to a Exports shock and in figure f. to a Exports shock

Figure 6.2 Nigeria's Indicators of Public Debt under Alternative Scenarios, 2015 – 2035



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025.

2/ Revenues are defined inclusive of grants.

CHAPTER SEVEN

SUB-NATIONAL DEBT MANAGEMENT

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SUB-NATIONAL DEBT MANAGEMENT

Total external debt stock of the States amounted to US$3,369.91 million as at end of December, 2015, representing 31.44 percent of the total public external debt stock of the country. States' external debts comprised FGN's on-lent loans obtained from multilateral sources on concessional terms, which were used to fund projects and programmes in various sectors of the economy. The total external debt service of the States and the FCT was US$102.08 million. The DMO continued in its initiatives aimed at strengthening the skills, capacities and competencies of the sub-national debt managers. In 2015, the DMO conducted two categories of training for the States.

7.1. States and FCT's External Debt Stock

State Governments' and the FCT's external debt stock amounted to US$3,369.91 million or 31.44 percent of the total public external debt stock as at the end of December, 2015, compared to US$3,265.82 million as at end December, 2014 (Table 7.1 and Figure 7.1). The slight increase in the debt stock by US$ 104.09 million or 3.09 percent over the figure in 2014, was mainly attributable to among others, disbursements on existing loans. Of the total external debt stock, bilateral credits to States and the FCT in 2015, amounted to US$152.95 million or 4.54 percent, compared to the US$118.95 million in 2014. The allocation of these bilateral credits was spread across six (6) States of the Federation (Table 7.2).

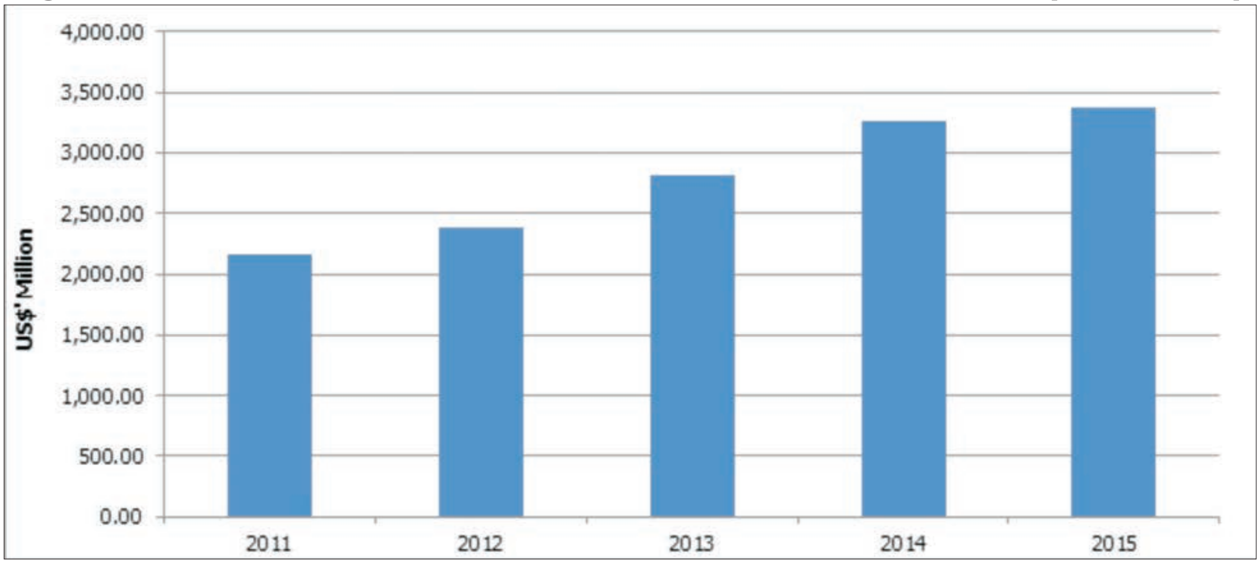
The State Governments' and the FCT's external debts were mainly loans obtained by the Federal Government from multilateral sources (IDA, IFAD, ADB and ADF) and on-lent to the State Governments to enable them fund specific projects. The loans (multilateral and bilateral) were mostly applied by the recipient State Governments in the financing of critical projects in education, health, water supply, housing and sanitation sectors.

Table 7.1: Trend in States' & FCT's External Debt Stock, 2011 – 2015 (US$' Million)

Years	2011	2012	2013	2014	2015
States' External Debt Stock	2,165.30	2,384.18	2,816.02	3,265.82	3,369.91

Source: DMO

Figure 7.1: Trend in States' & FCT's External Debt Stock, 2011 – 2015 (US$' Million)



Source: DMO

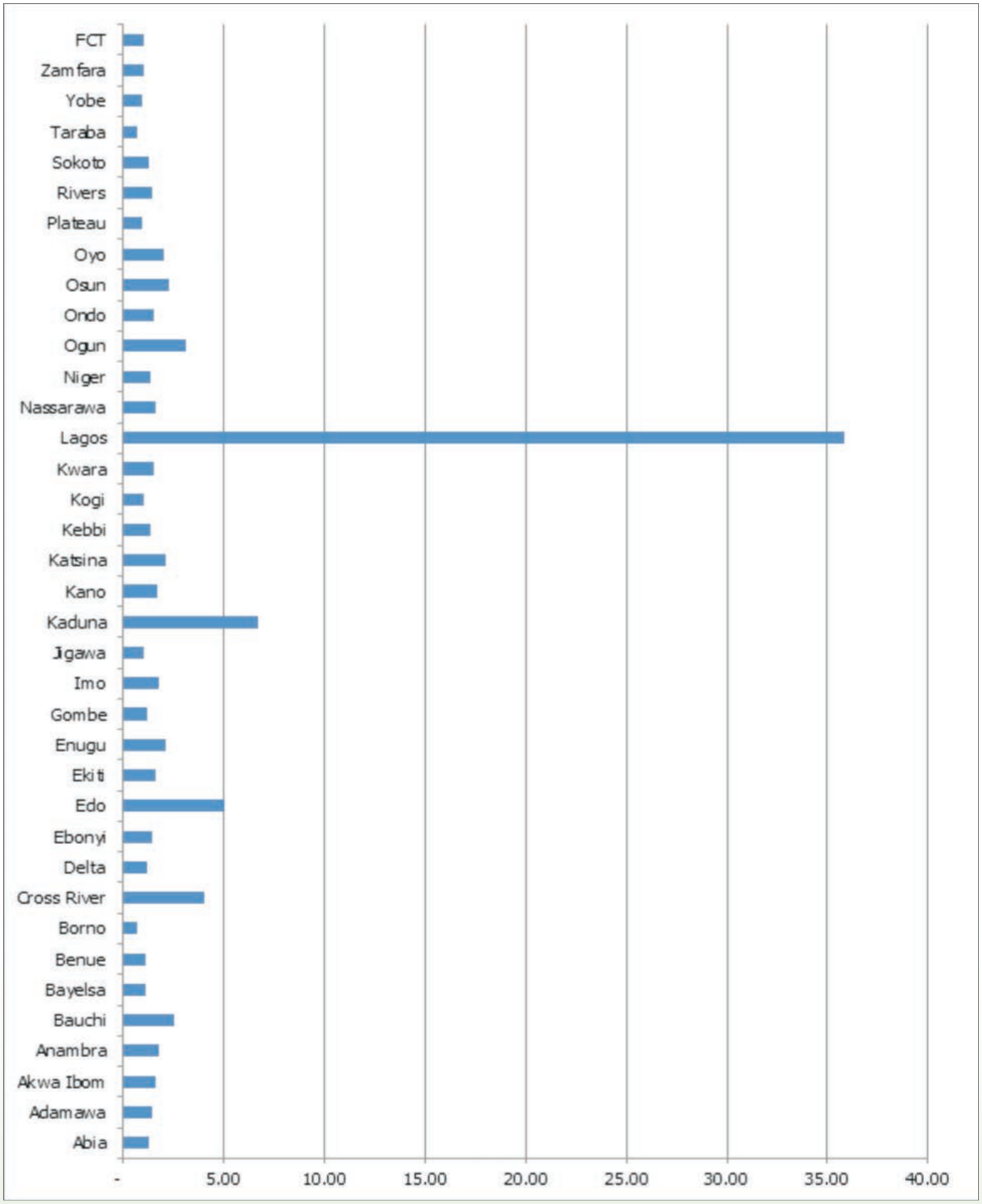
As in the preceding year, the debt composition remained unchanged in 2015. The detailed breakdown showed that Lagos, Kaduna and Edo States had the highest external debt stock of US$1,207.90 million (35.84 percent), US$226.37 million (6.72 percent), and US$168.19 million (4.99 percent), respectively. Taraba, Borno and Yobe States had the lowest external debt stock, accounting for US$22.93 million (0.68 percent), US$23.19 million (0.69 percent) and US$ 30.46 million (0.90 percent), of the total States and the FCT's external debt stock, respectively.

Table 7.2: External Debt Stock of States & FCT as at end of December, 2015 (US$)

S/N	States & FCT	Multilateral	Bilateral	Total	% of Total
1	Abia	41,502,309.09	-	41,502,309.09	1.23
2	Adamawa	42,556,440.81	6,500,000.00	49,056,440.81	1.46
3	Akwa Ibom	52,717,441.23	-	52,717,441.23	1.56
4	Anambra	60,781,525.58	-	60,781,525.58	1.80
5	Bauchi	85,335,689.10	-	85,335,689.10	2.53
6	Bayelsa	37,602,856.36	-	37,602,856.36	1.12
7	Benue	35,700,600.77	-	35,700,600.77	1.06
8	Borno	23,189,858.24	-	23,189,858.24	0.69
9	Cross River	116,403,069.67	20,000,000.00	136,403,069.67	4.05
10	Delta	38,792,421.97	-	38,792,421.97	1.15
11	Ebonyi	47,166,600.06	-	47,166,600.06	1.40
12	Edo	168,186,197.48	-	168,186,197.48	4.99
13	Ekiti	54,982,558.30	-	54,982,558.30	1.63
14	Enugu	65,328,840.62	6,500,000.00	71,828,840.62	2.13
15	Gombe	39,822,769.29	-	39,822,769.29	1.18
16	Imo	59,163,843.12	-	59,163,843.12	1.76
17	Jigawa	34,085,704.85	-	34,085,704.85	1.01
18	Kaduna	226,368,167.93	-	226,368,167.93	6.72
19	Kano	57,612,298.94	-	57,612,298.94	1.71
20	Katsina	72,153,818.01	-	72,153,818.01	2.14
21	Kebbi	45,275,904.28	-	45,275,904.28	1.34
22	Kogi	33,632,106.66	-	33,632,106.66	1.00
23	Kwara	51,032,662.69	-	51,032,662.69	1.51
24	Lagos	1,101,400,597.65	106,500,000.00	1,207,900,597.65	35.84
25	Nassarawa	53,066,146.92	-	53,066,146.92	1.57
26	Niger	38,280,717.63	6,500,000.00	44,780,717.63	1.33
27	Ogun	103,331,349.94	-	103,331,349.94	3.07
28	Ondo	52,089,561.21	-	52,089,561.21	1.55
29	Osun	69,946,131.15	6,950,000.00	76,896,131.15	2.28
30	Oyo	66,754,604.54	-	66,754,604.54	1.98
31	Plateau	30,474,421.99	-	30,474,421.99	0.90
32	Rivers	46,922,403.74	-	46,922,403.74	1.39
33	Sokoto	41,946,527.11	-	41,946,527.11	1.24
34	Taraba	22,934,478.17	-	22,934,478.17	0.68
35	Yobe	30,456,120.37	-	30,456,120.37	0.90
36	Zamfara	34,919,653.15	-	34,919,653.15	1.04
37	FCT	35,044,755.92	-	35,044,755.92	1.04
	Total	**3,216,961,154.54**	**152,950,000.00**	**3,369,911,154.54**	**100.00**

Source: DMO

Figure 7.2: External Debt Stock of States' & FCT as at end of December, 2015 in Percent



Source: DMO

7.2 States' and FCT's External Debt Service

The total external debt service for the 36 States and the FCT amounted to US$102.08 million as at end of December, 2015, compared to US$89.47 million in 2014, representing an increase of 14.09 percent (Table 7.3). As a percentage of the total external debt stock, the cost of external debt rose from 2.74 percent in 2014 to 3.03 percent in 2015.

Table 7.3: External Debt Service of States & FCT, 2011 – 2015 (US$' Million)

S/N	States	2011	2012	2013	2014	2015
1	Abia	2.03	0.96	1.03	1.04	1.10
2	Adamawa	0.43	0.49	0.49	0.77	1.26
3	Akwa Ibom	4.53	6.19	5.33	5.70	5.43
4	Anambra	0.88	0.48	0.54	0.70	1.10
5	Bauchi	3.56	1.50	1.14	2.00	2.31
6	Bayelsa	0.73	1.00	0.92	1.32	1.35
7	Benue	0.78	0.61	0.66	0.85	0.95
8	Borno	0.69	0.58	0.66	0.63	0.75
9	Cross River	11.85	9.95	9.23	9.62	10.05
10	Delta	0.99	1.12	0.79	0.99	1.03
11	Ebonyi	1.28	1.15	1.25	1.28	1.38
12	Edo	0.82	1.47	1.33	1.57	2.27
13	Ekiti	1.65	1.55	1.51	1.87	1.97
14	Enugu	1.64	0.80	0.84	1.11	1.95
15	Gombe	1.4	0.79	0.45	0.70	1.06
16	Imo	1.44	1.50	1.40	1.96	1.98
17	Jigawa	1.56	1.29	0.87	1.00	0.99
18	Kaduna	3.87	4.59	5.12	6.48	7.57
19	Kano	5.32	3.72	1.60	2.11	1.84
20	Kastina	3.21	3.23	3.92	4.13	4.54
21	Kebbi	2.63	2.02	1.19	1.64	1.67
22	Kogi	1.28	1.19	1.00	1.03	1.12
23	Kwara	1.09	1.12	1.00	0.94	1.19
24	Lagos	7.59	9.84	13.88	16.79	20.82
25	Nassarawa	4.51	0.85	0.93	1.07	1.17
26	Niger	1.84	0.44	0.52	1.06	1.57
27	Ogun	1.12	1.39	1.25	2.54	3.18
28	Ondo	1.75	1.97	1.90	2.06	2.20
29	Osun	2.68	2.72	4.06	3.20	4.31
30	Oyo	10.66	3.72	4.55	4.18	4.85
31	Plateau	7.4	1.29	0.71	0.71	0.81
32	Rivers	1.78	1.80	1.63	1.98	2.00
33	Sokoto	1.66	1.77	1.19	1.93	1.53
34	Taraba	0.44	0.38	0.54	0.74	0.79
35	Yobe	1.2	0.89	0.82	1.07	1.28
36	Zamfara	0.99	1.08	0.75	1.04	1.09
37	FCT	0.71	1.34	1.34	1.65	1.64
	Total	**97.99**	**76.78**	**76.32**	**89.47**	**102.08**

Source: DMO

7.3 Institutional Support to Debt Management Department (DMDs) in the States

7.3.1 Capacity Building for Sub-national Debt Managers

In pursuance of initiatives aimed at strengthening the skills, capacities and competencies of the sub-national debt managers for effective debt management and the maintenance of overall public debt sustainability, the DMO in 2015, conducted two (2) categories of trainings for the States.

The first category of trainings was targeted at States that had encountered sign-off issues and/or inconsistencies in their domestic debt data submissions to the DMO. Three (3) States, namely, Katsina, Bayelsa and Lagos, benefitted from the one-on-one capacity building assistance provided for the desk officers in the States' DMDs aimed at unraveling areas of data discrepancies and obtain the required debt data sign-off by the State authorities.

The second category of DMO's capacity building programme for the sub-national debt managers was the Sensitization Workshop and Training Programme for relevant States' Ministries, Departments and Agencies (MDAs) in the thirty-six (36) States and the FCT. The objective of the programme was to sensitize participants on the need for collaboration and co-operation between the DMDs and States' MDAs involved in the domestic debt data compilation and reporting, as well as, harp on the need for periodic (quarterly) debt data reconciliation exercises among the MDAs, the DMDs and Offices of the States' Accountants-General, with the envisaged outcome of debt data duly signed by the parties to ensure ownership. In the year under review, this programme was successfully carried out in Bayelsa and Anambra States, thereby bringing to twelve (12) States and the FCT, the total number of States that have so far, participated in this special one-week programme, since its commencement by the DMO in 2014.

7.3.2 Collation and Publication of Sub-national Domestic Debt Data

All 36 States and the FCT continued to make progress in their use of the DMO designed MS Excel Templates for the quarterly submission of domestic debt data. With the full cooperation of the States and the FCT, the DMO received the signed off domestic debt stock and service reports for the full-year 2014, and published same on its website. In addition, the earlier published 2012 and 2013 domestic debt data were revised to include submissions eventually received from Bayelsa and Ekiti States.

7.3.3 States' Domestic Debt Data

Table 7.4 shows the domestic debt data of the States and the FCT for 2014. The breakdown showed that Lagos and Delta States, as well as, the Federal Capital Territory (FCT) had the highest domestic debt stock of ₦268.07 billion, ₦211.95 billion and ₦110.14 billion, respectively. The States with the lowest domestic debt stock in 2014, were Yobe, Jigawa and Katsina, having ₦1.64 billion; ₦1.57 billion and ₦0.59 billion, respectively.

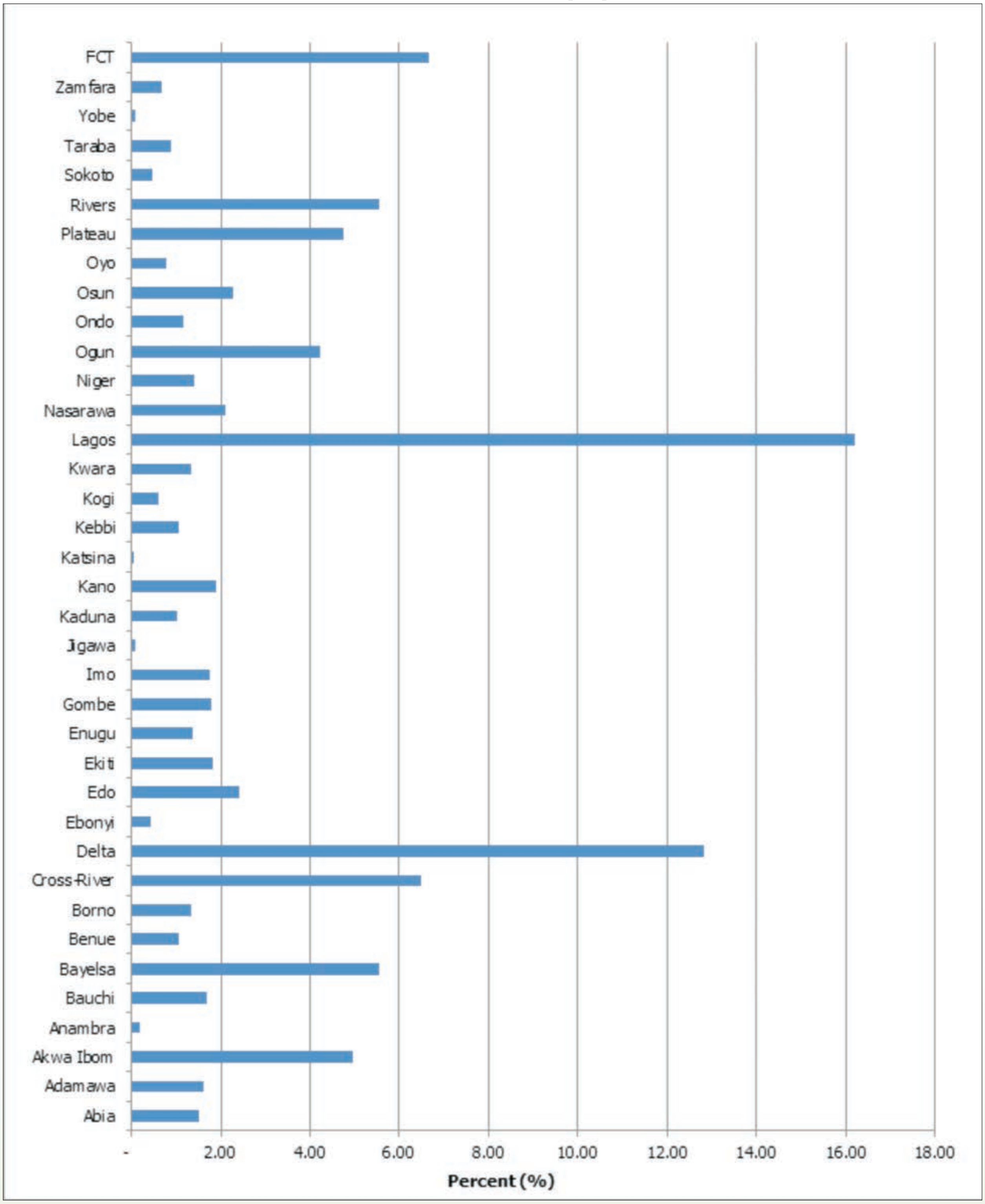
The actual domestic debt stock for 36 States and the FCT as at end of December, 2014, was used, given the time lag involved in the compilation and validation of the domestic debt data of the thirty-six (36) States and the FCT. The collation of the updated figures for 2015 is still on-going and would be finalised by early next year.

Table 7.4: Total Domestic Debt of the 36 States and the FCT, as at end of December, 2014 (Amount in Naira)

S/N	State	Debt Stock	% Share of Total
1	Abia	25,126,070,685.10	1.52
2	Adamawa	26,443,259,639.89	1.60
3	Akwa Ibom	81,756,010,209.95	4.94
4	Anambra	2,876,176,930.03	0.17
5	Bauchi	27,999,814,811.91	1.69
6	Bayelsa	91,681,863,473.29	5.54
7	Benue	17,772,056,428.89	1.07
8	Borno	22,302,790,000.00	1.35
9	Cross-River	107,342,898,378.22	6.49
10	Delta	211,953,209,702.68	12.81
11	Ebonyi	6,954,978,600.13	0.42
12	Edo	40,049,999,265.50	2.42
13	Ekiti	30,460,634,167.79	1.84
14	Enugu	22,625,689,450.24	1.37
15	Gombe	29,591,442,971.69	1.79
16	Imo	28,946,448,914.26	1.75
17	Jigawa	1,569,942,087.01	0.09
18	Kaduna	16,683,751,594.41	1.01
19	Kano	31,423,625,015.47	1.90
20	Katsina	586,698,899.56	0.04
21	Kebbi	17,271,445,525.15	1.04
22	Kogi	10,304,743,606.40	0.62
23	Kwara	22,147,544,002.66	1.34
24	Lagos	268,065,018,273.51	16.20
25	Nasarawa	34,525,700,406.60	2.09
26	Niger	23,454,536,266.47	1.42
27	Ogun	70,193,522,583.02	4.24
28	Ondo	19,267,663,799.94	1.16
29	Osun	37,820,826,433.65	2.28
30	Oyo	12,912,635,048.75	0.78
31	Plateau	78,415,069,864.04	4.74
32	Rivers	91,757,565,261.77	5.54
33	Sokoto	7,650,119,372.36	0.46
34	Taraba	14,395,296,518.42	0.87
35	Yobe	1,638,440,289.36	0.10
36	Zamfara	11,072,043,395.46	0.67
37	FCT	110,139,173,152.79	6.65
	Total	**1,655,178,705,026.37**	100.00

Source: DMO

Figure 7.3: Domestic Debt Stock of States & FCT as at end of December, 2014 in Percent (%)



Source: DMO

CHAPTER EIGHT

RISK ANALYSIS OF FGN'S TOTAL PUBLIC DEBT

CHAPTER EIGHT

RISK ANALYSIS OF FGN's TOTAL DEBT

The weighted average interest rate of the external debt portfolio remained very low and helped to moderate the overall cost of debt. The FGN's total debt portfolio was exposed to refinancing and interest rate risks due to the high proportion of short-term debt instruments in the domestic debt portfolio and debt maturing within one year. However, the FGN's total public debt portfolio exposure to exchange rate risks was low, owing to the dominance of fixed rate debts and low proportion of external debts. The percentage of Government's contingent liabilities to the GDP was 1.72 percent as at end of December, 2015 compared to 1.90 percent as at end of December, 2014.

8.1 Introduction

The main objective of public debt management is to meet the Federal Government's financing needs, through sourcing of funds from both external and domestic sources at minimal cost and risk. This chapter assesses the costs and risks and their impacts on the FGN's total public debt portfolio. These risks are interest rate, refinancing, exchange rate, credit and contingent liabilities.

8.2 Risk Analysis of FGN's Debt Portfolio

Table 8.1 shows the costs and risks indicators of the FGN's debt portfolio as at end of December, 2015.

Table 8.1: Costs and Risks Indicators of FGN's Total Debt Portfolio as at end of December, 2015

Risk indicators		External Debt	Domestic Debt	Total Debt
PV of Total Public debt (including States Domestic Debts) as % of GDP		2.13	10.89	13.02
Cost of debt	Average Interest Rate (%)	1.74	13.00	10.77
Refinancing Risk	ATM (years)	14.39	5.35	7.15
	Debt Maturing in 1 yr (% of Total)	1.16	36.08	29.15
Interest Rate Risk	ATR (years)	13.86	5.35	7.04
	Debt re-fixing in 1 yr (% of Total)	6.40	36.08	30.19
	Fixed rate debt (% of Total)	94.77	100	98.96
Foreign Exchange Risk	FX debt (% of Total)	-	-	19.84

Source: DMO

8.3 Average Cost of FGN's Total Debt Portfolio

The weighted average interest rate of FGN's total debt portfolio was 10.77 percent as at end of December, 2015 compared to 9.25 percent in 2014, representing an increase of 16.43 percent (Table 8.1). The very low average interest rate on external debt at 1.74 percent as at end of December, 2015, was attributed to the large share of external debt obtained on concessional terms, accounting for 82.2 percent of external debt portfolio, which helped to moderate the average interest rate of external debt portfolio and the overall cost of debt in general. The weighted average interest rate of domestic debt portfolio was relatively high, reflecting CBN's monetary policy management stance, with the monetary policy rate at 13 percent for the most part of 2015, which was reduced to 11 percent in November, intended to inject liquidity in the financial system.

8.4 Interest Rate Risk

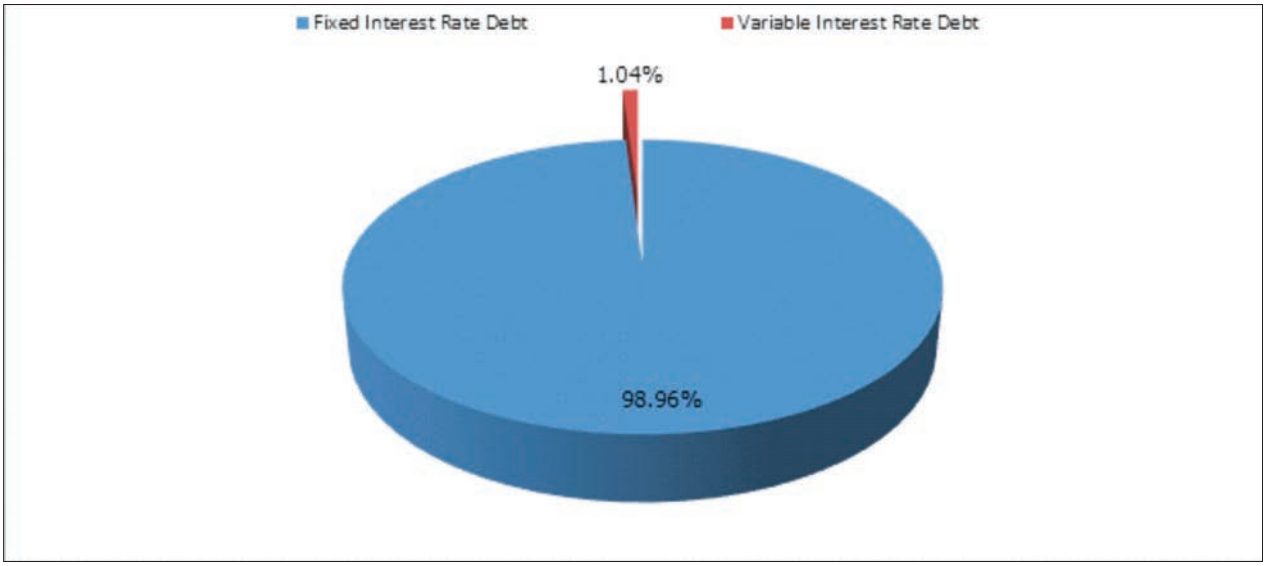
The analysis shows that the FGN's total debt portfolio was exposed to low interest rate risk, due to the high proportion of fixed interest rate debt in the country's public debt portfolio of about 99.96 percent as at end of December, 2015. The Average Time-to-Refixing (ATR) of the FGN's total debt portfolio was 7.04 years - ATR for domestic debt (5.35 years), while external debt (13.86 years) (Table 8.1). This reflected a very low portion of floating debt instruments in the portfolio. Table 8.2 shows the trend of interest rate risk indicators, 2011-2015.

Table 8.2: Trend in Interest Rate Risk Indicators, 2010-2015

Year	2011	2012	2013	2014	2015
Fixed Interest Rate Debt (%)	99.86	71.83	99.41	99.53	98.96
Variable Interest Rate Debt (%)	0.14	28.17	0.59	0.47	1.04
External Debt - Average Time-to-Re-fixing (Years)	15.9	16.2	14.4	13.9	13.86
Domestic Debt - Average Time-to-Re-fixing (Years)	4.1	4.2	4.6	5.4	5.35
Total Debt - Average Time-to-Re-fixing (Years)	5.8	5.9	5.8	6.4	7.04

Source: DMO

Figure 8.1: Interest Rate Composition of FGN's Total Public Debt as at end-December, 2015



Source: DMO

Table 8.1 also shows the high proportion of FGN's total public debt maturing in one year at 30.19 percent in 2015, which are vulnerable to interest rate re-fixing. Of this, 36.08 and 6.40 percent were for domestic debt and external debt, respectively. This indicates that the debt portfolio is exposed to high interest rate risk with significant exposure of the domestic debt portfolio, due to the high proportion of short-term debt instruments (NTBs). Accordingly, the policy to gradually reduce the issuance of the short-term debt would help to mitigate this risk, as well as, help to attain the strategic objective of 75:25 ratio for long and short-term debt instruments in the domestic debt portfolio.

8.5 Refinancing Risk

Exposure to refinancing risk was apparently less severe with Average Time-to-Maturity (ATM) of the total public debt portfolio at 7.15, which reflected the impact of the weight of short-term debt in the portfolio. The ATM of external debt portfolio at 14.39 years, reflected the dominance of concessional loans with original maturity periods of up to 40 years, while the ATM of domestic debt at 5.35 years was due to the presence of large proportion of short-term debt. Table 8.3, shows that the proportion of FGN's total public debt maturing in one year was large at 29.15 percent in 2015. This comprised 36.08 and 1.16 percent for domestic and external debt, respectively, reflecting a high refinancing risk in the domestic debt portfolio in 2016. It highlights the need for a rebalancing of the domestic debt portfolio, as well as, reducing the quantum of issuance of short-term debt to attain the debt strategy of 75:25 recommended in the MTDS (2012-2015) for long and short-term debt instruments, respectively. Table 8.3 illustrates the trend of refinancing risk from 2011 to 2015.

Table 8.3: Trend in Refinancing Risk Indicators, 2011-2015

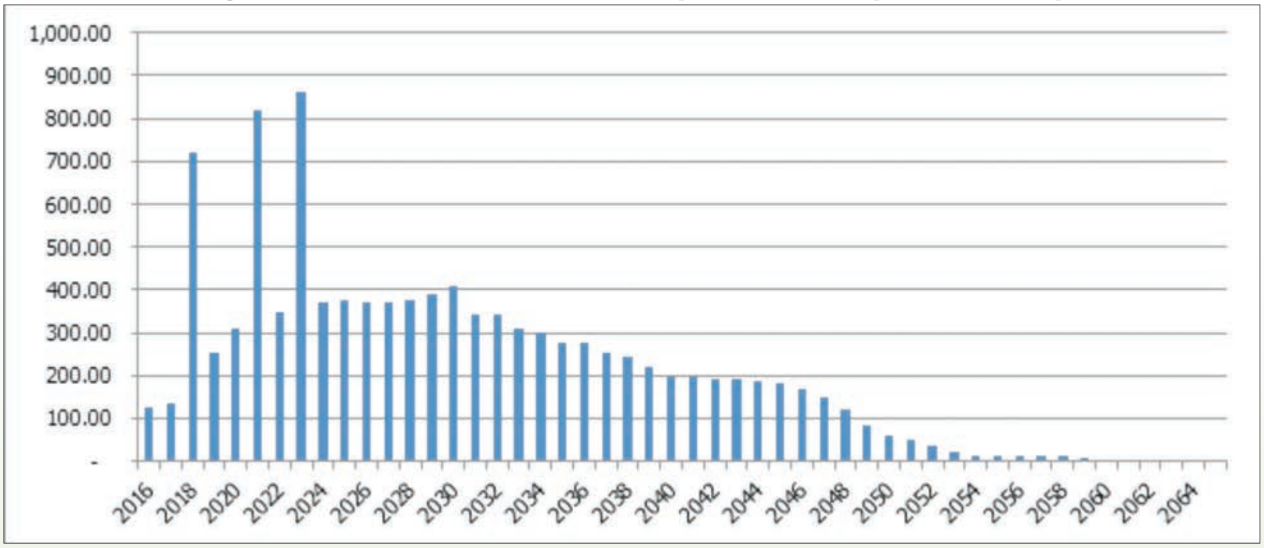
Year	2011	2012	2013	2014	2015
Debt Maturing in 1 year (%)	26.54	38.8	35.0	33.00	29.15
External Debt – Average Time-to-Maturity (Year)	15.90	16.3	14.4	14.9	14.39
Domestic Debt - Average Time-to-Maturity (Year)	4.06	4.2	4.6	5.4	5.35
Total Debt - Average Time-to-Maturity (Year)	5.84	5.9	5.8	6.5	7.15

Source: DMO

8.6 Redemption Profile

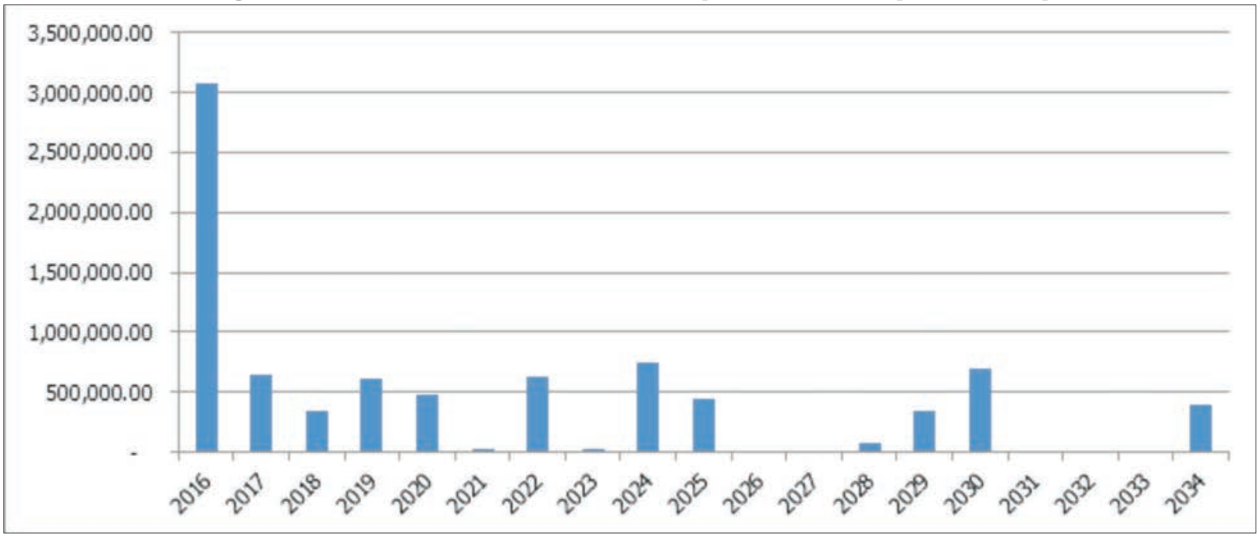
Figure 8.2 shows the redemption profile of the external debt of the country beyond 2015, which depicts a smooth profile. The huge spikes noted in 2018, 2021 and 2023 for external debt portfolio are attributable to the redemption of the three maturing Eurobonds, namely: the debut 6.75% JAN 2021 US$500 million (10-year Eurobond issued in 2011) and the US$1 billion dual-tranche Eurobonds: 5.125% JUL 2018 US$500 million (5-year) and 6.375% JUL 2023 US$500 million (10-year) issued in 2013. Similarly, the redemption profile for domestic debt (Figure 8.3), reflects a significant level of refinancing risk, due to the high proportion of NTBs in the domestic debt portfolio that would be required to be redeemed in 2016.

Figure 8.2: External Debt Redemption Profile (US$' Million)



Source: DMO

Figure 8.3: Domestic Debt Redemption Profile (₦' Million)



Source: DMO

8.7 Exchange Rate Risk

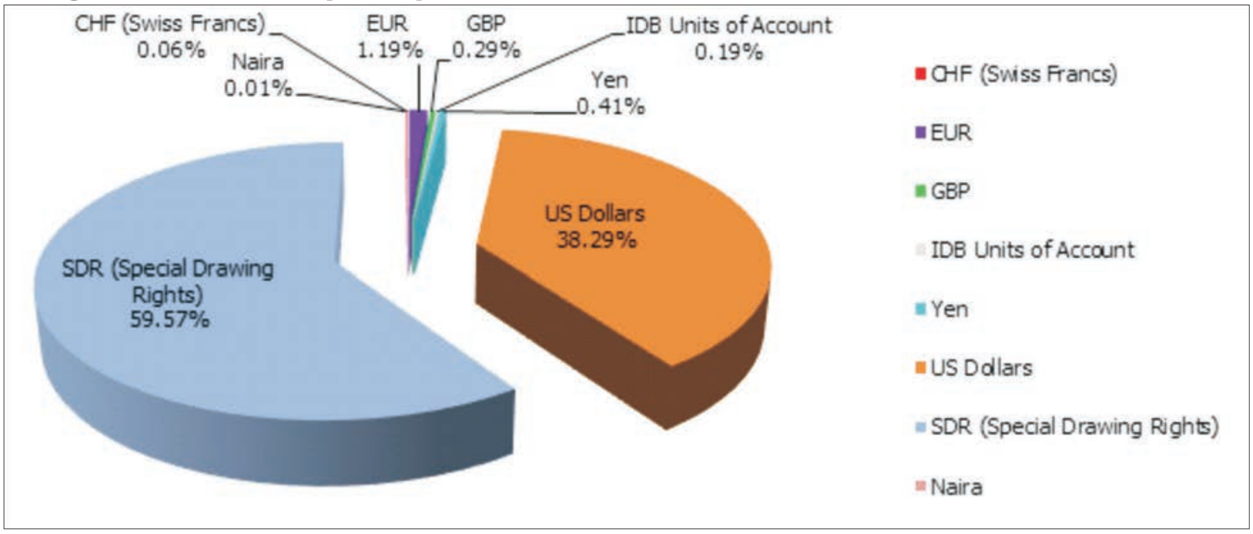
As at end of December, 2015, the share of external and domestic debt as a percentage of FGN debt portfolio was 19.8 and 80.2 percent in 2015, respectively (Table 8.4). This indicates very low exposure of the debt portfolio to exchange rate risk, as high proportion of debt is denominated in domestic currency relative to the total public debt. The preferred debt structure as recommended in the MTDS (2012-2015) is 60:40 for domestic and external debt, respectively. Table 8.4 shows the trend in the exchange rate risk indicators from 2011-2015.

Table 8.4: Trend in Exchange Rate Risk Indicators, 2011-2015

Year	2011	2012	2013	2014	2015
Domestic Debt (%)	85	87	84	84	80
External Debt (%)	14	13	16	16	20
Total Debt	100	100	100	100	100

Source: DMO

Figure 8.4: Currency Composition of External Debt as at end of December, 2015



Source: DMO

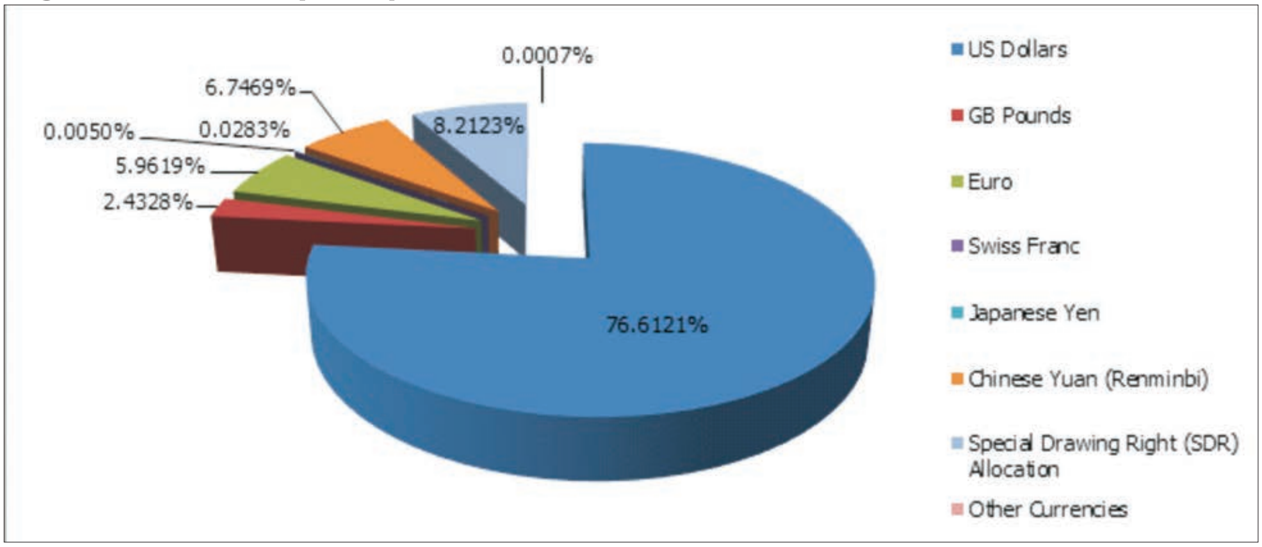
Figure 8.4 further shows that external debt portfolio was denominated in various currencies, namely: Swiss Franc (CHF), Euro (EUR), British Pound Sterling (GBP), Islamic Dinar(ID), Japanese Yen (JPY), United States Dollar (US$), Special Drawing Rights (SDR) and Naira (₦), which respectively constituted 0.06, 1.19, 0.29, 0.19, 0.41, 38.29, 59.57 and 0.01 percent, in 2015. The currency composition of external debt shows a minimal exchange rate risk arising from currency mismatch since external debt service payment obligation are mainly in these convertible currencies, and this has helped to hedge against foreign exchange risk associated with unfavourable trend in currency exchange rate movements. The funding of external debt service through the External Creditors Funding Account (ECFA) denominated in US Dollars further provided strong cushion against exchange rate risk.

Table 8.5: Currency Composition of External Reserve Asset as at end of December, 2015

Currency	USD Equivalent	% of Total
US Dollars	21,671,748,310.30	76.6121
GB Pounds	688,184,889.95	2.4328
Euro	1,686,470,944.11	5.9619
Swiss Franc	1,424,926.72	0.0050
Japanese Yen	8,015,221.71	0.0283
Chinese Yuan (Renminbi)	1,908,534,026.26	6.7469
Special Drawing Right (SDR) Allocation	2,323,053,894.80	8.2123
Other Currencies	211,330.12	0.0007
TOTAL	**28,287,643,543.97**	**100**

Source: CBN

Figure 8.5: Currency Composition of External Reserves as at end of December, 2015



Source: CBN

Table 8.5 and Figure 8.5 show that the composition of the country's external reserves position by currency as at end of December, 2015, was US$28.29 billion. The proportion of currency components of the foreign reserve assets were US$ (76.6121 percent), GBP (2.4328 percent), Euro (5.9619 percent), CHF (0.0050 percent), JPY (0.0283 percent), Chinese Yuan (6.7469 percent), SDR (8.2123 percent) and other currencies (0.0007 percent). The currency composition of external debt portfolio and currency composition of the country's external reserves indicate some similarities, though disproportionately (Table 8.6). The disproportion distribution does not, however, pose any significant risk to the external debt portfolio.

Table 8.6: Composition of External Debt & Reserve Assets as at end of December, 2015 (in percent)

Currencies	US$	GBP	EURO	CHF	IDB	JPY	Yuan	SDR	Naira	Others
External Debt: Currency Composition	38.29	0.29	1.19	0.06	0.19	0.41	-	59.57	0.01	-
External Reserve: Currency Composition	76.6121	2.4328	5.9619	0.0050	-	0.0283	6.7469	8.2123	-	0.0007

Source: DMO

As in the previous year, there were eleven (11) outstanding on-lent loans by the FGN to various MDAs. The loans amounted to ₦183.56 billion as at end of December, 2015, compared to ₦186.01 billion in the corresponding period of 2014. The loans were extended by the FGN to the MDAs to fund the development of infrastructure and special projects in key sectors of the economy.

Repayments of the loans by the MDAs were effective during the year under review, indicating that credit risk was relatively low.

8.8 FGN's Contingent Liabilities

Table 8.7 shows that the amount of contingent liabilities decreased marginally from ₦1,693.98 billion in 2014 to ₦1,656.47 billion in 2015, representing a decline of ₦37.51 billion or 2.21 percent. The drop in the amount of contingent liabilities in 2015, was due to the reduction in the value of the outstanding Bonds issued by the Federal Mortgage Bank of Nigeria, and the pension arrears for MDAs. However, there were new FGN guarantees in favour of the Nigerian Mortgage Refinance Company Plc and World Bank Partial-Risk Guarantee in support of Azura-Edo IPP. As a percentage of the GDP, the outstanding contingent liability of the FGN was 1.72 percent of GDP in 2015, as against 1.90 percent in 2014.

Table 8.7: FGN's Contingent Liabilities, 2011-2015 (₦' Billion)

S/N	Liability Type	2011	2012	2013	2014	2015
1.	AMCON Guarantee	1,742.00	1,742.00	1,742.00	-	-
2.	Local Contractors Debts	233.942	233.942	233.942	233.942	233.942
3.	Federal Mortgage Bank of Nigeria	-	32.00	32.00	32.00	6.91
4.	Guarantee on Agriculture	-	174.707	-	-	-
5.	Nigerian Export-Import (NEXIM) Bank	-	-	-	39.400	39.4
6.	FCDA – Katampe Infrastructure Project					7.441
7.	Nigeria Mortgage Refinance Company Plc					8.00
8.	Lekki Port LFTZ Enterprise – Lekki Deep Sea Port	-	-	-	157.6	157.6
9.	World Bank Partial-Risk Guarantee in support of Azura-Edo IPP	-	-	-	-	46.689
10.	Pension Arrears for MDAs	1,401.98	1,322.427	1,271.062	1,231.035	1,156.49
	Total	**3,469.92**	**3,585.08**	**3,279.00**	**1,693.977**	**1,656.467**

Notes:

1. The FGN Guarantee to AMCON in respect of the ₦1.742 trillion 3-year Zero-coupon AMCON Tradable Bond expired on December 31, 2013, following the redemption of AMCON Bonds. The Guarantee did not crystallize.

2. The FGN Guarantee was given to cover the ₦233,942,080,700.00 Face Value of the 5-year 2016/2017 Split Coupon Bonds issued by the Special Purpose Vehicle (SPV) set up for the resolution of the Local Contractors Debts. ₦74,655,295,000.00 (Principal) will be redeemed in 2016 and the balance in 2017, while the first coupon payment was settled on June 8, 2015. The Sinking Fund Account is being funded from the annual budgets of the Federal Government of Nigeria (FGN).

3. FGN Guarantee of FMBN Bond issued to enable the Bank raise funding from the capital market to refinance the sale of Federal Government non-essential houses under the monetization programme of the Government.

4. Unconditional guarantee to the financiers (Banks) to cover 70% of the loan principal payment under the Programme for financing the supply of seeds and fertilizers to farmers for the 2012 farming season. The Client was the Federal Ministry of Agriculture and Rural Development. The Guarantee expired in 2012 and did not crystallize.

5. FGN Guarantee to NEXIM for the US$200 million Master Line of Credit from African Development Bank (AfDB). Exchange rate: ₦197/$. The AfDB multi tranche line of credit is to finance part of the cost of the Export Oriented Small and Medium Enterprises financing programme of the Nigerian Export Import (NEXIM) Bank. The tenor is for 10 years. NEXIM Bank has opened Debt Service Reserve Account (DSRA) and maintain collection accounts for beneficiary clients for their operations from which

the DSRA would be funded prior to maturing periods of interest and principal repayments. There is a lien on the DSRA which state that NEXIM cannot withdraw from the account without the consent of the DMO.

6. The Guarantee was issued, on behalf of the Federal Capital Development Authority (FCDA), in favour of FBN Capital Limited and FBN Trustees Limited, in respect of a bank facility granted to Deanshanger Projects Limited for the provision of integrated civil infrastructure to Katampe District, Abuja. The current outstanding amount confirmed by FCDA is ₦7,440,504,380.68, excluding accrued interest.

7. The Guarantee is to enable NMRC raise long term funds from the capital market by issuing notes for the purpose of refinancing or purchasing mortgages created by Eligible Mortgage Lenders. N8 billion has been utilized out of the Guarantee. Total Guarantee available is ₦440 billion, with an initial limit of ₦100 billion, to be utilized in two tranches of ₦50 billion each, subject to further approvals based on a confirmation of Programme's efficacy.

8. FGN Guarantee in favour of Lekki Port LFTZ Enterprise (Concessionaire) to cover the sum of US$800 million (₦157,600,000,000.00 converted at ₦197/$) of the investment by the Concessionaire for the purpose of funding the construction of a Deep Sea Port at Lekki Lagos, Nigeria, on a Build, Own, Operate and Transfer basis, for a period of forty-five years, for and on behalf of the Nigerian Ports Authority.

9. World Bank Partial Risk Guarantees in the sum of US$237 million (₦46,689,000,000.00 converted at ₦197/$), comprising Debt Mobilization Guarantee of US$117 million and a Liquidity Guarantee of US$120 million, in support of the 450 megawatts Azura-Edo Independent Power Project (IPP). The Federal Government of Nigeria (FGN) entered into Indemnity Agreement with the International Bank for Reconstruction and Development (IBRD) - World Bank, in 2015, to unconditionally and irrevocably reimburse to the World Bank amounts paid by the Bank directly or indirectly in relation to or arising from the IBRD Guarantee and to undertake such other obligations to the Bank as are set forth in the Indemnity Agreement.

10. Data provided by PENCOM: Outstanding Retirement Benefits Liability of the FGN for certain categories of its employees. The last employee would be retiring in 2039.

CHAPTER NINE

FEDERAL GOVERNMENT ON-LENT LOANS TO MDAs

CHAPTER NINE

FEDERAL GOVERNMENT ON-LENT LOANS TO MDAs

Total outstanding on-lent loans to various MDAs to support development projects across the different sectors of the economy was ₦178.56 billion as at end of December, 2015.

9.1 Introduction

The Federal Government of Nigeria (FGN) in its drive to catalyze the growth of the real sector of the economy for job creation and poverty reduction had, through the Debt Management Office (DMO), from time to time, provided loans to various Ministries Departments and Agencies (MDAs), to finance specific projects and fulfill some specific policy objectives. To ensure that the loans were repaid by the borrowers, each of the On-lent loans to the MDAs was backed by a Memorandum of Understanding (MOU) executed between the DMO and the respective MDAs. These loans were utilized in the development of projects, namely: Road and Railway projects, Agriculture, Transport, Education, Cotton, Garment and Textile, as well as, other projects in the key sectors of the economy.

9.2 Analysis of FGN's On-lent Loans to MDAs

As in the previous year, there were eleven (11) outstanding on-lent loans by the FGN to various MDAs. The loans amounted to ₦178.56 billion as at end of December, 2015, compared to ₦185.97 billion in the corresponding period of 2014. The loans were extended by the FGN to the MDAs to fund the development of infrastructure and special projects in key sectors of the economy (Table 9.1).

Table 9.1: Principal Outstanding On-lent Loans as at December 31, 2015

S/N	MDA	Facility	Loan Amount (₦)	Principal Amount Outstanding (₦)
1	Federal Capital Territory Administration (FCTA)	₦15 Billion FGN Funding of Health and Education Projects in the FCT	15,000,000,000.00	7,091,145,754.66
2	Federal Ministry of Finance (FMF)	₦6.3 Billion Pioneer Consumer Car Finance Scheme for Public Servants	6,300,000,000.00	3,028,772,027.22
3	Federal Ministry of Transport (FMoT)	₦12.5 Billion Nig. Railway Revitalization (25 Locomotives)	12,500,000,000.00	12,500,000,000.00
4	Ministry of Defence	₦35 Billion Funding of Peace Keeping Operations	35,000,000,000.00	11,275,102,824.49
5	Ministry of Mines and Steel Development	₦2.24 Billion Ajaokuta/ NIOMCO Staff Salary Arrears	2,239,175,142.72	2,239,175,142.72
6	Nigerian Television Authority (NTA)	₦4.5 Billion Loan for Upgrading of NTA's Broadcast Equipments	4,500,000,000.00	2,431,265,480.82
7	Federal Capital Territory Administration (FCTA)	₦20 Billion Seed Money for Infrastructural Development of Four Districts of the FCT	20,000,000,000.00	20,000,000,000.00
8	Federal Mortgage Bank of Nigeria (FMBN)	₦5 Billion for the development of the housing sector of the economy granted to FMBN.	5,000,000,000.00	5,000,000,000.00
9	Bureau of Public Enterprises (BPE)	Settlement of ₦63.03 Billion Loan Facility granted to Transcorp Plc for NITEL/ MTEL Buy-Out	63,030,000,000.00	60,530,000,000.00
10	Bureau of Public Enterprises (BPE)	NITEL/MTEL Terminal Benefits	54,552,000,000.00	52,052,000,000.00
11	Bank of Industry (BOI)	Indebtedness of the defunct Nig. Bank for Commerce and Industry to the FGN	2,500,711,000.00	2,410,293,267.05
	TOTAL		**220,621,886,142.72**	**178,557,754,496.96**

9.3 Utilization of US$ 1 Billion Eurobond Proceeds

The need to develop critical infrastructure in the power sector and other priority sectors of the economy necessitated the Federal Government of Nigeria to raise funds from the International Capital Market through the issuance of US$1 billion Eurobonds in 2013. In line with the Presidential Approval, the proceeds of the issuance were utilized to fund the power sector, with focus on transmission projects, meeting the liquidity funding requirements of the Nigerian Bulk Electricity Trading Plc and gas-to-power projects. This is expected to boost electricity generation and distribution levels in the country, have a positive impact on the small and medium scale enterprises and enhance industrial capacity utilization, thus promoting employment and growth in the economy.

As at end of December, 2015, the beneficiary MDAs of the US$1 billion Eurobond Proceeds were the Transmission Company of Nigeria (TCN), Nigerian Bulk Electricity Trading Plc (NBET), Federal Ministry of Aviation (FMA), Federal Ministry of Power and Nigerian Sovereign Investment Authority (NSIA), which is managing a portion of the fund, for investment in gas-to-power projects.

9.4 Settlement and Securitization of the Federal Government of Nigeria (FGN) Local Contractors' Debts (LCDs) through the implementation of a Resolution Model.

The DMO, together with the Budget Office of the Federation (BOF), Office of the Accountant-General of the Federation (OAGF) and the Fund Manager, established a structure for the management of the Sinking Fund Account for the redemption of the LCDs Bonds. The Sinking Fund Account is being funded through the annual federal budget and the obligations due on the bonds are being met from the Sinking Fund Account.

CHAPTER TEN

INSTITUTIONAL ISSUES

CHAPTER TEN

INSTITUTIONAL ISSUES

The year 2015 marked the half period in the implementation of the DMO's 3rd Strategic Plan (2013 – 2017), and mid-period assessment showed that considerable milestones were achieved in 2015. There were various capacity building programmes conducted for staff and stakeholders. The DMO has continued to be a reference institution for acquisition of public debt management skills and competencies, as it hosted delegations from three (3) African countries - Uganda, Kenya and the Republic of South Sudan, during the year.

10.1 DMO's Third Strategic Plan, 2013 - 2017

The year 2015, marked the half-period in the implementation of the DMO's third Strategic Plan (2013 – 2017). Accordingly, a mid-period assessment exercise of the Strategic Plan was undertaken to determine, among others, milestones recorded, as well as, highlight constraints encountered by the Departments towards the realization of the various Strategic Objectives of the Plan. The outcomes of the review revealed that, out of the fifty nine (59) activities, seventeen (17) had been successfully accomplished, while the commencement of another twelve (12) was deferred to early 2016.

The two most significant accomplishments of the 3rd Strategic Plan in 2015, under review were as follows:

i. Exportation of Public Debt Management Skills

The DMO continued to be a pacesetter and reference institution for the acquisition of public debt management skills and competencies in the African continent. In June 2015, the organization hosted a 2-man delegation from the Financial Markets Department of the Bank of Uganda on a 3-day study tour, to obtain greater insight on the workings of Nigeria's securities market. In August 24-27, 2015, the Office also hosted a 5-man delegation from Kenya on a study tour of the Nigerian domestic bond market. The delegation comprised officials of the Central Bank of Kenya (CBK), Capital Market Authority (CMA) and the National Treasury & Debt Management Office (NTDMO) of Kenya. In December, 2015, the organization hosted another 7- man delegation from the Ministry of Finance and Economic Planning (MOFEP), Republic of South Sudan, on a 1-week study tour at the DMO.

ii Restructuring of State Governments' Bank Loans into FGN Bonds

The drastic fall in crude oil prices led to significant reductions in the statutory revenue allocations due to State Governments, which created huge fiscal imbalance that almost grounded governance at the State level. To redress impending economic crises, the DMO proposed some innovative short-term fiscal stabilisation measures which were approved by the Federal Government. Chief among these interventions was the proposal to restructure the State Governments' loans from Commercial Banks to long-tenured FGN Bonds of up to 20-years tenor. The restructuring, which was expeditiously executed in two (2) phases by the DMO between the period of August 17 and September 16, 2015, was implemented by 23 State Governments. The total amount restructured was ₦575.516 billion. By this intervention, the debt service burden of the implementing States sharply dropped from about 55 percent for some States to about 97 percent for others with interest rate savings of between 3 and 9 percent. This enabled the States to resume meeting their various contractual obligations.

The mid period review of the 3rd Strategic Plan also revealed that, in terms of the organization's weakness and threats, the DMO faced a major challenge with regards to the relatively high staff turn-over, as the Office lost a total of eight (8) Senior Staff in 2015 alone, to other institutions in both the public and private sectors.

The mid-period review exercise was concluded with the articulation of a Revised Strategic Plan (2013-2017), which outlined outstanding activities that would form the focus of the remaining period of the Strategic Plan.

10.2 DMO's Supervisory Board Activities

The DMO's Supervisory Board was dissolved at the expiration of the previous Federal Government on May 29, 2015, and the tenure of the new Supervisory Board, which is yet to be formally inaugurated, is assumed to have automatically commenced on May 30, 2015. The Board is statutorily composed of the Vice President (as Chairman), the Honourable Minister of Finance (as Vice Chairman), the Attorney-General of the Federation/Minister of Justice, Chief Economic Adviser to the President, Accountant-General of the Federation, Governor of Central Bank of Nigeria and the Director-General of Debt Management Office (as Member & Secretary).

10.3 Debt Sustainability Analysis (2015)

The National Debt Sustainability Analysis (DSA, 2015) Workshop was conducted by the DMO from August 17-23, 2015, in collaboration with other relevant stakeholders in the public debt management operations of the country, namely: the Federal Ministry of Finance (FMF), Central

Bank Nigeria (CBN), The Federal Ministry of Budget and National Planning (FMBNP), National Bureau of Statistics (NBS), and the Office of the Accountant-General of the Federation (OAGF). The West African Institute for Financial and Economic Management (WAIFEM), as usual, provided technical support. The 2015 DSA results showed that Nigeria has remained at a low risk of debt distress based on the output- based indicator (GDP), but remained sensitive to revenue shocks, given that an increase in aggregate GDP, does not result to a proportionate increase in revenue. This highlights the needs to further diversify the sources of revenue away from crude oil, as well as, implement far-reaching policies that will bolster exports and other forms of capital flows (e.g. foreign direct investments) into the country.

10.4 Staffing Issues

10.4.1 Recruitment of New Staff

There were no recruitments of new staff into the DMO in 2015.

10.4.2 Staff Exit

During the year, a total of eight (8) members of staff exited the DMO for other organizations.

10.4.3 Repositioning/Redeployment Exercise

In the year 2015, the Director-General announced the redeployment of some staff to various Departments and Units, as well as, merging of two units in Market Development Department (MDD). Below are the various redeployments and repositioning as it affected every Department and Unit.

- **The Director-General's Office**

  The structure remained the same in the DG's Office, however, all staff of the Sovereign Debt Note (SDN) Unit were affected in the redeployment exercise. The TL,(SDN), was replaced by the TL, Admin Unit of the ORD. The Principal Operations Officer (POO) (SDN) who was redeployed from the (M & E & SD) Unit to the SDN was later redeployed to Contingent Liabilities & Risk Assets Management Unit (CL & RAMU) of Portfolio Management Department (PMD). SOO (SDN) Unit was redeployed to HR Unit. The DAO (PMD) was deployed to the SDN Unit as OOII (SDN).

- **Portfolio Management Department (PMD)**

  While the structure of the PMD was maintained, the Assistant Director, External Debt and

Special Account Unit of the DRSD was redeployed to the Loans & Other Financing Products Unit (LFP) Unit of the PMD. OOI (CL & RAMU) was redeployed to (MPR & S, MDD), POO from the SDN Unit was redeployed to (CL & RAMU) Unit of the Portfolio Management Department.

- **Market Development Department (MDD)**

  In MDD, the Units were reduced to two, namely Market Planning, Regulation & Supervision Unit (MPR & SU) and Market Research, Intelligence and Product Development Unit (MRI & PD U). The DMDD was released to Head the Efficiency Unit of the Federal Ministry of Finance, while the Assistant Director/ TL, MPR&S, was redeployed as Head, MDD. The ACOO (PRSM) was redeployed as TL (MRI & PD), POO (P&S, PRSM) was redeployed as POO (MRI & PD, MDD), OOI (CL & RAMU) redeployed as OOI (MPR & SU).

- **Strategic Programmes Department (SPD)**

  The structure of SPD remained the same. The Assistant Director, (SNDU) of the DRSD was redeployed as the TL (ISD South). The TL (ISD South) was redeployed as ACOO (ISD North).

- **Policy, Strategy and Risk Management Department (PSRMD)**

  The structure of the PSRMD was maintained. The Deputy Director (MRI & PD, MDD) was redeployed to PSRM as the TL, Policy & Strategy (P&S) Unit, while the ACOO (MPR&S, MDD) was redeployed as ACOO Statistics, Analysis & Risk Management Unit (SA&RMU, PSRM) and POO (MRI&PD, MDD) was redeployed as POO(P&S,PSRM).

- **Debt Recording and Settlement Department (DRSD)**

  In the DRSD, the Assistant Director and TL (HR, ORD) was redeployed as TL (SNDU, DRS), while POO (SNDU, DRS) was redeployed as (DDU, DRS).

- **Organizational Resourcing Department (ORD)**

  The Structure and Units of the ORD was maintained. The Director, DRS was mandated to oversee the ORD as the Director, ORD in addition to managing the activities of the DRSD. ACOO (HR, ORD) redeployed as the TL (HR). The COO (P&S, PSRM) is redeployed as TL (Admin, ORD). ACOO (DDU, DRS) was redeployed as ACOO (Admin) while SOO (SDN) Unit of the DG's Office was redeployed as SOO (HR, ORD).

10.4.4 Senior Management Movement

One of the Directors in the DMO, the Director, MDD was appointed by the Federal Government to head the newly created Efficiency Unit of the Government in the Federal Ministry of Finance. Accordingly, the TL, MPR&S was upgraded to the Senior Management cadre, as Head, Market Development Department (MDD). With the exit of the Head, ORD, the Director, DRSD was appointed to also oversee ORD. The Director, Special Assignments (DSAS) who was earlier deployed to the ORD as Director, ORD, was redeployed to the Director-General's Office as Director, SAS. The Other members of the SMC were retained in their Departments.

10.4.3 Promotion and Merit Award

Promotion examinations and interviews were conducted for all qualified candidates due for promotion in 2015. As at December 31, 2015, the outcome of the promotion exercise was still outstanding and hence carried forward to 2016.

10.5 Scholarship Programme (Master's Degree Support Programme)

There was no approval granted for any officer to undertake Master's Degree Programme in 2015.

10.6 Training for DMO's Stakeholders

The DMO conducted a special training for fifteen (15) of its stakeholders from the National Assembly, as part of the 2015 training programme of the Office.

10.7 Staff Capacity Building Initiatives

The 2015 training programme continued to be focused on building the capacity of the DMO's officers in areas relating to relevant specialist skills required in delivering on its core mandates. The 2015 staff training programme focused on the following:

Course	Number of Participants
Effective Communication and Report Writing	39
Bonds Market Basic	38
Bonds market intermediate	10
Safe Driving	16
Security and Safety Management	2
Total Participants	**105**

Besides, all members of staff of the DMO were trained on ICT application on Economic and Statistical Analysis. The programme was conducted in two days for each group of participants and members of staff were grouped into four groups for exigencies of duty. Also, a staff participated in a three-week seminar and study tour to China. While three members of staff from relevant Units/Departments attended a training organized by the Office of the Accountant-General of the Federation on International Public Sector Accounting Standards (IPSAS). A special training was organized for members of staff of the Finance and Accounts, Internal Audit and Control Unit and Human Resources Units on IPSAS, IPIS and GIFMIS to keep them abreast with current developments on the scheme.

10.8 Stakeholder Events

In actualization of its strategic objective of making Nigeria a major destination for out-sourced debt management skills and services and in response to requests received from interested parties both locally and internationally, the DMO in 2015, carried out the following capacity building initiatives:

10.8.1 Stakeholder Attachment

The DMO continued to be a pacesetter and reference institution for the acquisition of public debt management skills and competencies in the African continent. In June 2015, the organization hosted two officers from the Financial Markets Department of the Bank of Uganda on a week-long attachment programme. The objective of the programme was to expose the Ugandan officials to the best practices and principles of the workings of Nigerian government securities market, the Central Bank and public debt management.

As part of DMO's strategic objective of making Nigeria a major destination for out-sourced debt management skills and services. In August 2015, the Office hosted a 5-man delegation from Kenya on a Study Tour of the Nigerian domestic bond market. The delegation comprised officials of the Central Bank of Kenya (CBK), Capital Market Authority (CMA) and the National Treasury & Debt Management Office (NTDMO) of Kenya.

In November 2015, the DMO also hosted a 7-man delegation from the Ministry of Finance and Economic Planning (MOFEP) of the Republic of South Sudan. The visiting team was in Nigeria for a week-long attachment programme aimed at enhancing their understanding of public debt management as a specialized discipline of the fiscal policy operations of government.

10.8.2 Educational Visits

As part of efforts to deepen the quality of education given to our youths, in 2015, the DMO hosted a delegation of students from the Chukwuemeka Odumegwu Ojukwu University Uli, Anambra State on a one-day educational tour to the DMO. A guide on the DMO's operations was presented, as well as, an Economic paper titled "Economic Recession and Debt Management: Implications for Macroeconomic Stability in Nigeria".

10.8.3 Induction Course

At the request of Ebonyi State Government, the DMO received the Chairman and members of the Ebonyi State Fiscal Responsibility Commission. The two presentations made by the DMO to the visiting team were "Role of the DMO in the Formulation of the Fiscal Responsibility Act and the Statutory Responsibility in the Act" and "The Activities and Operations of the DMO".

10.9 Operational Risk Management

In line with sound practice in public debt management, a comprehensive review of the risk profile of the DMO's operations was undertaken in the year 2015. The risk mapping exercise was aimed at identifying and documenting the risk exposures inherent in each departmental work activities, processes and systems. The exercise resulted in the development of a reliable risk register composed of twenty three (23) catastrophic to severe operational risk areas with impact assessment levels that range from Very High (VH) to Medium Low (LW). A breakdown of these operational risk areas confirmed the existence of four major categories of operational risk in the work processes. These are the IT related operational risks; operational risks on the business processes, risks associated with the DMO's compliance process, as well as, business reporting risks.

The year 2015 also witnessed the occurrence of three (3) operational risk incidents that posed both structural and systemic risks to the organization. These incidents were effectively curtailed as a result of Management's deployment of effective solution. Incidence reports were promptly generated by Risk Monitors in the Departments involved. In the year under review, the DMO also strengthened its disaster recovery initiatives through the provision of Service Level Agreements (SLA) for its Datacenter Power and Cooling Equipments. SLAs were also provided for the maintenance of the High Speed Internet and Connectivity Services and other important support services.

10.10 ICT Infrastructure

To further consolidate on the gains made in leveraging ICT to enhance the DMO's business process, the following milestones were achieved in 2015:

- The Biometric Access Control System was upgraded from version 6.4 to version 7.0 and integrated into the DMO LAN to improve data security and restrict access to sensitive ICT Infrastructure;
- The Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) was upgraded from version 1.3.9.1 to the latest version 2.0 to take advantage of the new and improved features and performance enhancements;
- The Operation of the FGN Bond Auctioning System Center was successfully tested by conducting Mock Auctions. Also new Bloomberg products such as Bond Switches, Bond Buy-Back and Securities Lending were tested successfully at the Auction Center;
- The Bond Auctioning System Infrastructure was linked with the Disaster Recovery Site at Galaxy Backbone Limited and an automated failover was achieved for the Web, Application and Database Services. The failover was tested successfully;
- The DMO's Website functionality was increased through the development of more products and information links to stakeholders such as FMDQ OTC. This has increased the website's usability;
- The DMO's research pages in Bloomberg and Reuters were maintained to be functional with regular updates. This has continued to improve the availability of information on DMO's operations especially, the domestic debt securities and increased DMO's communication outreach on the websites of the two largest financial news vendors;
- The DMO recorded significant improvement in ICT service delivery and reduced operational risk through provision of Service Level Agreements (SLAs) for its Datacenter Power and Cooling Equipment and SLA for the provision of High Speed Internet, Connectivity Services, Hosted Services, Disaster Recovery Facility and Support services. This further guaranteed optimal services delivery, service availability, minimize equipment downtime and improve quality of service that meets acceptable best practices and standards. Also, SLA for Hardware Infrastructure Maintenance and support was maintained for the period under review;
- System upgrades were carried out by deploying latest Desktops, Printers and Photocopiers to enhance the efficiency of DMO's work environment; and,
- ICT Services were maintained optimally with over 95% uptime for the period under review thus contributing significantly in the DMO's achievement of its objectives for 2015.

10.11 SERVICOM in the Debt Management Office

In 2015, the DMO Reform Coordination and SERVICOM Committee channelled the greater part of its activities to the up scaling of knowledge and competencies of DMO staff to ensure sustained compliance with sound principles for effective service delivery to both internal and external stakeholders. Among the notable achievements of the Committee in 2015, include the successful hosting of specialized training for the DMO's Frontline Officers and the hosting of All-Staff workshop aimed at providing the staff with a better understanding of implementation plan of the Pillar No. 3 of National Strategy for Public Service Reform (NSPSR). Both events which were facilitated by resource persons from the SERVICOM Office, the Bureau of Public Service Reforms (BPSR) and a private sector change management consultant, re-equipped the Frontline Officers with the requisite administrative skills for an improved performance and effective service delivery to both internal and external stakeholders, and enlightened all members of staff on the Change Initiatives of the present administration as they pertain to issues of Fiscal discipline, Transparency, Accountability and Prudent Resource Management.

To shore up its internal capacity, the Committee members retreat was also successfully hosted with the theme "Ensuring DMO's compliance with the National Strategy for Public Service Reforms under the Change Agenda – Roles of the Reform Coordination and SERVICOM Committee. The totality of the Committee's 2015 activities are set to reposition the DMO for continued culture of service excellence, by inspiring an attitudinal change that is expected to guide DMO's work culture moving forward.

In addition, the DMO participated actively at the Ministerial SERVICOM Committee (MSC) meetings, convened by the Federal Ministry of Finance (FMF), as well as, hosted the second meeting of Reform Unit Desk Officers in the Parastatals/Agencies under the purview of Federal Ministry of Finance.

CHAPTER ELEVEN

FINANCIAL STATEMENTS AND ACCOUNTS

CHAPTER ELEVEN

FINANCIAL STATEMENTS AND ACCOUNTS

11.1 BUDGET ALLOCATION AND IMPLEMENTATION PROFILE

11.1.1 Budget Allocation

The total approved Budget of the Debt Management Office for the year 2015 was **₦672.2 million,** compared to **₦637.6 million** appropriated for the organization in 2014 and representing an increase of 5.4 percent. The Capital budget was only affected by the increment, as it rose significantly from **₦25.0 million** in 2014, to **₦97.0 million** in 2015, representing an increase of 288 percent. The Overhead budget declined to **₦132.4 million** in 2015, from **₦169.5 million** in 2014, while the Personnel Emolument vote decrease marginally by 0.6 percent from **₦443.1 million** in 2014, to **₦442.8 million** in 2015.

11.1.2 Budget Implementation

Of the **₦442.8 million** appropriated for Personnel Emolument in 2015, the sum of **₦415.7 million** was fully warranted and released for the payment of staff salaries and allowances, as well as, the settlement of social contributions for Pension and National Health Insurance Scheme. A total sum of **₦414.3 million** was utilized for the aforementioned payments and transfers, while the unutilized balance of **₦1.4 million** was returned to the Sub-Treasurer of the Federation (STF) at the end of the year. The payment of personnel emoluments was done under the Integrated Personnel and Payroll Information System (IPPIS) platform for the third consecutive year in pursuance of the Federal Government's implementation of the Treasury Single Account (TSA).

Of the 2015 approved Overhead Budget of **₦132.4 million,** the sum of **₦132.3 million**, was released to the DMO by the Office of the Accountant-General of the Federation (OAGF), which was the entire amount utilized for funding the operations of the DMO during the year under review.

Similarly, out of the Capital Budget of **₦97.0 million** approved for the 2015 fiscal year, the sum of **₦48.5 million,** or 50 percent was released through the Government Integrated Financial Management Information System (GIFMIS). The sum of **₦28.4 million** was utilized for funding the projects earmarked in the 2015 Capital budget, while the balance of **₦20.1 million** was returned to the Sub-Treasury.

Of the total budget of **₦672.2 million**, the total sum of **₦601.1 million** was released to the DMO, to fund its Personnel, Overhead and Capital commitments during the 2015 financial year. Out of this amount, **₦575 million,** or 93.99 percent, was utilized for the aforementioned expenditure heads, while the total balance of ₦**26.1 million** was returned to the Sub-Treasurer of the Federation. In addition to the statutory budget releases during the year under review, the DMO also received the sum of ₦**46.0 million** from Service Wide Vote, of which the sum of ₦**45.9 million** was utilized and the balance was returned to the Sub-Treasurer of the Federation.

11.2 Audited Accounts and Financial Statements

11.2.1 Corporate Information

Supervisory Board From January 1, 2015 to May 29, 2015

Chairman	**Arc. Mohammed Namadi Sambo, GCON** Vice- President, Federal Republic of Nigeria
Vice Chairman	**Dr. Ngozi Okonjo-Iweala** CME & Hon. Minister of Finance
Member	**Mr. Mohammed Bello Adoke, SAN** Attorney-General & Minister of Justice
Member	**Dr. Nwanze Okidegbe** Chief Economic Adviser to the President
Member	**Mr. Jonah O. Otunla** Accountant-General of the Federation
Member	**Mr. Godwin Emefiele, CON** Governor, Central Bank of Nigeria
Member & Secretary	**Dr. Abraham E. Nwankwo** Director-General & Chief Executive

Supervisory Board From May 30, 2015 to December 31, 2015

Chairman	**Prof. Yemi Osinbajo, SAN, GCON** Vice-President, Federal Republic of Nigeria
Vice Chairman	**Mrs. Kemi Adeosun** Hon. Minister of Finance
Member	**Alhaji. Abubakar Malami, SAN** Attorney-General & Minister of Justice
Member	Chief Economic Adviser to the President
Member	**Ahmed Idris** Accountant-General of the Federation
Member	**Mr. Godwin Emefiele, CON** Governor, Central Bank of Nigeria
Member & Secretary	**Dr. Abraham E. Nwankwo** Director-General & Chief Executive

The new supervisory board's tenure is assumed to have automatically commenced on 30th May, 2015 though yet to be inaugurated.

Corporate Information (Continued)

Registered Office:	1st Floor, NDIC Building, Plot 447/448 Constitution Avenue, Central Business District, Garki-Abuja.
Independent Auditors:	Sada, Idris & Co., Chartered Accountants 2nd Floor, B Wing, FMBN Building, Central Business District, Abuja
Bankers:	Central Bank of Nigeria

Principal Officers:

Dr. Abraham E. Nwankwo	Director-General
Ms. Patience Oniha	Director, Market Development Department
Mrs. A.M. Mohammed	Director, Strategic Programmes Department
Mr. Miji Amidu	Director, Special Assignments
Mrs. Hannatu Suleiman-Onuja	Director, Debt Recording & Settlement Department
Mr. Joe Ugoala	Head, Policy, Strategy & Risk Management Department
Mr. Atiku Saleh Dambatta	Head, Organisational Resourcing Department
Mr. Oladele Afolabi	Head, Portfolio Management Department

11.3 Statement of Directors' Responsibilities

DEBT MANAGEMENT OFFICE

Financial Statements for the Year Ended 31st December, 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies and Allied Matters Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Office at the end of the year and of its income and expenditure. The responsibilities include ensuring that the Debt Managment Office (DMO):

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Debt Management Office and comply with the requirements setting up the Establishment;

(b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and,

(c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with Nigerian Accounting Standards and Financial Regulations, Extant Circulars, the Financial Reporting Council of Nigeria etc.

The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Debt Management Office and of its Income and Expenditure. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Debt Management Office will not remain a going concern for at least twelve months from the date of this statement.

Dr. Abraham. E. Nwankwo	Olaitan D. Aiyesimoju (Mr.)
Director-General	For: Director, Organisational Resourcing Department
FRC/2015/CILRM/00000012204	FRC/2016/ICAN/00000014750

11.4 Statement of Significant Accounting Policies

1. Basis of Preparation

The financial statements are prepared in compliance with International Public Sector Accounting Standards (IPSAS) Cash Basis of financial reporting as streamlined by Financial Reporting Council of Nigeria. The financial statements are presented in the functional currency, Nigerian Naira (₦), and prepared under the historical cost convention.

2. Revenue

Receipts represent the total votes received from the Federal Government and other special sources during the year under review.

3. Fixed Assets

Fixed Assets are stated at cost. Depreciation of Fixed assets is computed for notional purposes only as the accounts are prepared on cash accounting and are expensed in the year of purchase. However, Annexure in the Supplementary Information at page 18 was prepared for management information and could be useful in decision making.

4. Taxation

There was no provision for both Income and Education Taxes during the period ended 31st December, 2015 because the Office is a non-profit making organization.

5. Staff Retirement Benefits

Debt Management Office operates a defined retirement benefit plan for its staff. The Office and the employees contribute 7.5% each of staff consolidated salaries and allowances.

6. Grants and Aids

These are receipts from Development Partners and Donor Agencies mainly for funding specific programmes and capacity building. They are accounted for in the year they are received.

7. Foreign Currency Translation

Transactions in foreign currencies during the year are converted into the functional currency, Nigeria Naira, using the exchange rates prevailing at the dates of the transactions.

11.5 Report of Independent Auditors

Sada, Idris & Co.
Chartered Accountants
Audit * Tax * Consulting

Report of Independent Auditors to the Members of the Supervisory Board, Debt Management Office (DMO)

We have audited the accompanying financial statements of Debt Management Office (DMO) which comprise the balance sheet as at 31st December, 2015 the income and expenditure accounts, the statement of cash flows for the year then ended, summary of significant accounting policies and other explanatory notes.

Respective Responsibilities of the Board of Directors

The DMO Board is responsible for the preparation and fair presentation of these financial statements in accordance with the relevant standards issued by the Financial Reporting Council of Nigeria, the provisions of the Companies and Allied Matters, CAP C20 Laws of the Federation of Nigeria 2004 and for such internal control as the DMO determines necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Debt Management Office as at 31st December, 2015, and of the DMO's financial performance and cash flows for the period then ended in accordance with the relevant standards issued by Financial Reporting Council of Nigeria, provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

Report on other legal and regulatory requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Maters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

i We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii In our opinion, proper books of account have been kept by the DMO, so far as appears from our examination of those books;

iii The DMO's Statements of Receipts and Payments, Cashflow and other accompanying notes are in agreement with the books of account.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1131746

Nkem Onyekawa
FRC/2013/ICAN/00000001804
For: Sada, Idris & Co.
Chartered Accountants

Abuja, Nigeria
Date: 31/05/2016

2nd Floor, B Wing
Federal Mortgage Bank Building
Central Business District, Abuja

Partners: Zakari Mohammed Sada FCCA, FCA, Bsc; Nkem Onyekawa FCA, ACIT
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11.6 Statement of Receipts and Payments

	Notes	2015 ₦	2014 ₦
RECEIPTS			
Subventions	2	615,328,675	584,765,884
Service Wide Vote	3	46,000,000	10,823,584
FGN Bond Flotation Receipts	4	1,223,014,555	2,079,774,787
Grants & Aid Receipts	5	6,000,000	14,000,000
		1,890,343,230	**2,689,364,255**
Other Receipts			
Sales of Scraps and Stock Items		99,000	-
Salaries Returned in Lieu of Notice		1,133,934	418,811
Other Inflow- Reversal of Prior Year Bank Error		330,000	-
		1,562,934	**418,811**
Total Receipt		**1,891,906,164**	**2,689,783,066**
PAYMENTS			
Operations			
Operating Expenses	6	129,919,875	149,914,007
Service wide vote expenses	7	45,957,448	10,823,584
Grants and Aids Expenses	8	4,578,400	12,877,600
Personnel cost (Supplementary Information:a)		417,252,203	418,986,169
		597,707,926	**592,601,360**
Debts and other charges			
Finance Charges	9	3,509,833	3,314,008
		3,509,833	**3,314,008**
Capital Expenditures			
Acquisition of non current assets	10	28,361,450	12,624,863
		28,361,450	**12,624,863**
Other Expenditures			
FGN Bond Flotation Expenses	11	1,412,369,280	2,227,806,321
Return To Consolidated Revenue Fund	12	41,477,851	3,383,564
		1,453,847,131	**2,231,189,885**
TOTAL PAYMENT		**2,083,426,339**	**2,839,730,116**
NET PAYMENT		**(191,520,175)**	**(149,947,050)**
CASH AT THE BEGINNING OF THE YEAR	13	1,673,584,494	1,823,531,544
CASH AT THE END OF THE YEAR	13	**1,482,064,319**	**1,673,584,494**

11.7 Statement of Financial Position as at 31st December, 2015

DEBT MANAGEMENT OFFICE

Financial Statements for the Year Ended 31st December, 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies and Allied Matters Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Office at the end of the year and of its income and expenditure. The responsibilities include ensuring that the Debt Managment Office (DMO):

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Debt Management Office and comply with the requirements setting up the Establishment;

(b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and,

(c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with Nigerian Accounting Standards and Financial Regulations, Extant Circulars, the Financial Reporting Council of Nigeria etc.

The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Debt Management Office and of its Income and Expenditure. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Debt Management Office will not remain a going concern for at least twelve months from the date of this statement.

Dr. Abraham. E. Nwankwo

Director-General

FRC/2015/CILRM/00000012204

Olaitan D. Aiyesimoju (Mr.)

For: Director, Organisational Resourcing Department

FRC/2016/ICAN/00000014750

11.8 Cash Flow Statement for the Year Ended 31st December, 2015

	Notes	2015 ₦	2014 ₦
Cash flows From Operating Activities:			
Sales of Scraps and Stock Items		99,000	-
Salaries Returned in Lieu of Notice		1,133,934	418,811
Reversal of Bank Error of 2012		330,000	-
Operating Expenses		(129,919,875)	(149,914,007)
Service wide vote expenses		(45,957,448)	(10,823,584)
Grants and Aids Expenses		(4,578,400)	(12,877,600)
Personnel cost		(417,252,203)	(418,986,169)
		(596,144,992)	**(592,182,549)**
Finance Charges		(3,509,833)	(3,878,056)
Net cash flows from operating activities		**(599,654,825)**	**(596,060,605)**
Cash flows From Investing Activities:			
Acquisition of Non-current assets during the year	10	(28,361,450)	(12,624,863)
Net cash flows from investing activities		**(28,361,450)**	**(12,624,863)**
Cash flows from Financing Activities:			
Subventions	2	615,328,675	584,765,884
Service Wide Vote	3	46,000,000	10,823,584
FGN Bond Flotation receipts	4	1,223,014,555	2,079,774,787
FGN Bond Flotation Expenses	11	(1,412,369,280)	(2,227,242,273)
Grants and Aids Receipt	5	6,000,000	14,000,000
Return to Consolidated Revenue Fund	12	(41,477,851)	(3,383,564)
Net cash flows from financing Activities		**436,496,099**	**458,738,418**
(Decrease)/Increase in Cash and cash equivalent		(191,520,175)	(149,947,050)
Opening Cash and cash equivalent	13	1,673,584,494	1,823,531,544
Closing Cash and cash equivalent	13	1,482,064,319	1,673,584,494

11.9 Notes to the Financial Statements for the Year Ended 31st December, 2015

DEBT MANAGEMENT OFFICE
Financial Statements for the Year Ended 31st December, 2015

NOTES TO THE FINANCIAL STATEMENTS

1 **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

1.1 **Reporting entity**

The DMO was established on 4th October, 2000 to centrally coordinate the management of Nigeria's debt, which was hitherto being done by a myriad of establishments in an uncoordinated fashion. This diffused debt management strategy led to inefficiencies. The DMO was established to achieve the following results:

- Good debt management practices that make positive impact on economic growth and national development, particularly in reducing debt stock and cost of public debt servicing in a manner that saves resources for investment in poverty reduction programs;
- Prudently raising financing to fund government deficits at affordable costs and manageable risks in the medium- and long-term;
- Achieving positive impact on overall macroeconomic management, including monetary and fiscal policies; and
- Consciously avoiding debt crisis and achieving an orderly growth and development of the national economy;

1.2 **Basis of Preparation - Statement of compliance**

The financial statements have been prepared in accordance with Cash Basis - International Public Sector Accounting Standards (Cash Basis IPSAS). These are prepared in accordance with Cash Basis IPSAS in line with the Treasury Circulars issued by the Office of the Accountant-General of the Federation and the requirements of the Financial Reporting Council of Nigeria in accordance with the Federal Government Roadmap on migration to IPSAS basis of financial reporting.

The Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income with accompanying explanatory notes, though not required under Cash Basis IPSAS, are however attached as part of Supplementary Information preparatory to eventual migration to Accrual basis of Accounting in line with the roadmap.

The Financial statements were authorised for issue by the directors on 31st May, 2016.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.3 **Functional and presentation currency**

These financial statements are presented in Nigerian Naira, which is the Company's functional currency.

1.4 **Reporting and Budgeting Period**

The reporting and budgeting period of these financial statements is year 2015 (January to December, 2015)

1.5 **Accounting Convention and Basis of measurement**

These financial statements are prepared on the historical cost basis under the Cash Basis of Accounting which recognizes transactions and events only when cash is received or paid by the entity. Assets and Liabilities in the disclosed notes are also on historical cost basis

The statement of Receipts and Payments, statement of Comparison of Budget and Actual amounts by function and notes forming parts thereof have been prepared on the format of Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting. The Statement of Cash Flows as required by IPSAS 2 - Cash Flow Statements has also been presented, as encouraged by Cash Basis IPSAS.

The Financial Statements for the year 2015 have been prepared and presented in order to make a fair presentation of all the relevant financial information without making any change in the fundamentals applied and all policies have been applied on a basis consistent with the previous year.

1.6 **Revenue Recognition**

Revenue is recognized on the date of receipt of money by the bank or clearance of cheque. Revenue is recognized on a gross basis and any related costs are recorded separately. Receipts representing recovery of any previous overpayment are adjusted against relevant expenditure, if it occurs in the same financial year.

1.7 **Recognition of expenditure**

Expenditure is recognized on the date when payment is made or cheque is issued. Financial year to which the payments pertain is determined by the date on which a cheque or payment advice is issued. Policies for recognition of expenditure are as follows:

a) Payments made through cheque: Expenditure is recognized on the date the cheque is issued.

b) Inter-government transfers: Expenditure is recognized on the date the transfer is made by the transferor.

c) Payments directly into bank accounts: Direct payments into bank account, expenditure is recognized on the date the payment advice is issued to the bank.

1.8 **Foreign currency**

Transactions in foreign currencies are recorded in the books at the rates of exchange prevailing on the date of transaction. Exchange differences arising on settlement of these transactions are recognized in the statement of cash receipts and payments, but are not been disclosed separately.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.9 **Cash and cash equivalents**

For the purpose of Cash Flow Statement, cash and cash equivalents comprise cash with Banks in Nigeria and cash held as imprest in the custody of DMO.

1.10 **Payments by third parties**

The payments made by the third parties do not constitute cash receipts or payments controlled by an entity as defined in the Cash Basis IPSAS - Financial Reporting under the Cash Basis of Accounting. Payments by third parties, if any, are to be disclosed in the payments by third parties column on the face of statement of cash receipts and payments and notes to the Financial Statements. In the year under review, DMO did not benefit from such payments.

		2015 ₦	2015 ₦
2	**Subventions**		
	Recurrent- Overheads	136,886,683	150,190,099
	Personnel (Emoluments-₦415,717,680.2 + Unsolicited Personnel Adjustment-₦11,244,208.7)	426,961,889	420,339,009
	Capital Fund	48,500,000	14,236,776
	Public Service Wage Adjustment for MDAs	2,980,103	-
		615,328,675	**584,765,884**
3	**Service Wide Vote**		
	Allocation - Legal	46,000,000	-
	Debt Management Audit	-	10,823,584
		46,000,000	**10,823,584**
4	**FGN Bond Flotation Receipts**		
	FGN Bond Floatation	900,795,516	1,282,901,800
	WHT on FGN Bond Commission	322,219,039	349,354,987
	International Capital Market Operational Fund	-	447,518,000
		1,223,014,555	**2,079,774,787**
5	**Grants & Aids Receipts**		
	Grants and Aids - States Sponsored	6,000,000	14,000,000
		6,000,000	**14,000,000**
6	**Operating Expenses**		
	Administrative Overheads	122,220,834	141,184,279
	Repairs and Maintenance	7,699,041	8,729,728
		129,919,875	**149,914,007**
7	**Service Wide Vote Expenses**		
	Debt Operations Audit	-	10,823,584
	Legal Fee	44,589,448	-
	Local Transport and Travel	1,368,000	-
		45,957,448	**10,823,584**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2015 ₦	2015 ₦
8	**Grants & Aids Expenses**		
	Capacity Building -Local	4,278,400	12,877,600
	Telephone and Postages	300,000	-
		4,578,400	**12,877,600**
9	**Finance Charges**		
	FGN Bond Operations	1,086,191	3,558,822
	Overhead/personnel/Capital Viz GIFMIS	2,401,393	276,093
	Grants / Aids	22,249	43,141
		3,509,833	**3,878,056**
10	**Non-Current Assets Acquired**		
	Computer and ICT Equipment	12,018,200	4,277,468
	Furniture and Fittings and Equipment	16,343,250	8,347,395
		28,361,450	**12,624,863**
11	**FGN Bond Floatation Expenses**		
	Domestic Bond Floatation	926,824,712	1,240,053,258
	International Capital Market	66,779,159	372,445,936
	Bond IT System Platform	105,920,294	249,255,938
	WHT on FGN Bond Commission	312,845,115	365,487,141
		1,412,369,280	**2,227,242,273**
12	**Return to Consolidated Revenue Fund**		
	Capital Fund	20,138,550	1,611,913
	Overheads	4,565,414	-
	Personnel Emolument	1,445,580	1,771,651
	Service Wide Vote	42,553	-
	Grants/Aids transfer to TSA	2,478,611	-
	Mop up by IPPIS-Unsolicited Personnel Adjustment	11,244,209	-
	Revenue Refund to CRF	1,562,934	-
		41,477,851	**3,383,564**
13	**Cash and Cash Equivalents**		
	Zenith Bank Plc (Grants and Aids)	-	1,079,259
	Central Bank of Nigeria (FGN Bond Account)	1,482,064,319	1,672,505,235
		1,482,064,319	**1,673,584,494**
14	**Accumulated Funds**		
	Balance Brought Forward	2,196,341,144	2,333,663,331
	Transfer for the Year	(163,158,725)	(137,322,187)
		2,033,182,419	**2,196,341,144**

11.10 Statement of Value Added for the Year Ended 31st December, 2015

	2015 ₦	%	2014 ₦	%
SUBVENTIONS	615,328,675		584,765,884	
Add:				
Others, including Grants and Aids	1,275,014,555		2,104,598,371	
Other Income	1,562,934		418,811	
	------------------		------------------	
	1,891,906,164		**2,689,783,066**	
Less:				
Administrative Cost	122,220,834		141,184,279	
FGN Bond Operations	1,412,369,280		1,605,540,399	
Capacity Building Expenditure	4,578,400		12,877,600	
Service Wide Vote Expenditure	45,957,448		10,823,584	
Repairs and Maintenance	7,699,041		8,729,728	
Refund to Consolidated Revenue Fund	41,477,851		3,383,564	
	------------------		------------------	
Brought in Goods/Services	**1,634,302,854**		**1,782,539,154**	
	------------------		------------------	
VALUE ADDITION	**257,603,310**		**907,243,912**	
	========		========	
Percentage of Added Value to Gross Inflow		**15%**		**34%**
APPLIED AS FOLLOWS:				
To Pay Employees as :				
Salaries, Wages and Other Staff Charges	417,252,203	162	418,986,169	46
To Pay Providers of Banking Services	3,509,833	1	3,878,056	-
To Provide for Expansion	-	-	621,701,874	69
(Deficit)for the year after refund to Federal Sub-Treasury	(163,158,725)	(63)	(137,322,187)	(15)
	-----------------	------	-----------------	------
	257,603,310	100	**907,243,912**	100
	========	===	=========	==

11.11 Five-Year Financial Statement Summary

	2015 N	2014 N	2013 N	2012 N	2011 N
Balance Sheet					
Non-Current Asset	551,118,100	522,756,650	510,131,787	490,390,017	464,536,044
Bank and Cash Balance	1,482,064,319	1,673,584,494	1,823,531,544	545,439,328	834,020,393
	2,033,182,419	2,196,341,144	2,333,663,331	1,035,829,345	1,298,556,437
General Reserve					
Accumulated Fund	2,033,182,419	2,196,341,144	2,333,663,331	1,035,829,345	1,298,556,437
Income and Expenditure Accounts					
Subvention	661,328,675	595,589,468	659,395,368	662,078,603	752,302,163
Grants	1,229,014,555	2,093,774,787	3,091,070,728	952,044,082	1,146,139,075
Other Income	1,562,934	418,811	6,015,338	319,593	519,500
	1,891,906,164	2,689,783,066	3,756,481,434	1,614,442,278	1,898,960,738
Personnel Cost	417,252,203	418,986,169	417,274,753	432,230,718	416,149,931
Administrative Cost	125,730,667	145,062,335	217,395,479	195,957,978	269,803,665
Repairs and Maintenance	7,699,041	8,729,728	6,518,583	9,974,580	25,509,669
Service Wide Votes	45,957,448	10,823,584	25,523,355	56,286,413	7,629,079
FGN Bond Operations	1,099,524,165	1,861,755,132	1,426,662,345	467,233,065	713,727,115
Grants / Aids Expenses	4,578,400	12,877,600	24,481,700	53,294,717	75,598,564
WHT on FGN Bond Commission	312,845,115	365,487,141	326,089,187	330,184,814	331,672,812
	2,013,587,039	2,823,721,689	2,443,945,402	1,545,162,285	1,840,090,835
Excess/(Deficit)	(121,680,875)	(133,938,623)	1,312,536,032	69,279,993	58,869,903
Refund to Federal Sub-Treasury	41,477,851	3,383,564	14,702,046	332,007,083	30,196,449
Excess/(Deficit) for the year after refund to Federal Sub-Treasury	(163,158,725)	(137,322,187)	1,297,833,986	(262,727,090)	28,673,454

11.12 Statement of Comparison of Budget and Actual Amounts

	Budget ₦	Actual ₦	Budget ₦	Actual ₦
Recurrent Expenditure				
Personnel	442,812,159	417,252,203	443,105,555	418,986,169
Overheads				
Local Travel & Transport: Training	16,596,970	16,596,626	14,596,970	14,595,762
Local Travel & Transport: Others	7,207,319	7,207,308	9,207,319	6,312,361
International Travels & Transport: Training	6,177,916	6,177,766	15,177,916	14,938,462
International Travels & Transport: Others	4,491,375	4,491,303	4,491,375	4,479,040
Telephone Charges	2,245,688	2,245,000	3,368,531	3,628,211
Electricity	3,368,531	3,368,270	-	-
Internet Access Charges	-	-	2,245,688	2,074,435
Office stationeries/ Computer consumables	4,144,000	4,143,989	8,982,751	4,281,694
News Papers	1,120,000	1,119,943	1,119,122	1,210,141
Magazines & periodicals	-	-	561,422	-
Printing of Non Security Documents	224,569	219,240	2,245,688	2,122,000
Drugs & Medical Supplies	224,569	224,350	224,569	124,850
Uniforms & Other Clothings	336,853	329,600	336,853	300,000
Maintenance of Motor Veh./Trans. Equip.	4,000,000	3,999,981	4,491,375	4,758,744
Maintenance of Office Furniture	500,000	499,900	561,422	20,000
Maintenance Of Office BLDg/Res. Qtrs.	1,200,000	1,199,215	1,684,266	1,585,087
Maintenance Of Office/ IT Equipments	2,000,000	1,999,945	2,245,688	2,365,897
Local Training	19,245,624	19,245,557	13,474,126	8,133,500
International Training	5,000,000	4,999,920	26,978,746	26,892,795
Security Services	673,706	673,675	673,706	480,000
Office Rent	15,600,000	15,599,982	17,203,070	15,320,981
Financial Consulting	5,389,650	5,389,000	4,491,375	4,470,050
Information Technology Consulting	2,000,000	1,999,795	4,491,375	4,485,712
Motor Vehicle Fuel Cost	5,000,000	4,999,920	5,389,650	5,376,500
Bank Charges	2,500,000	2,401,393	-	-
Insurance Premium	2,500,000	-	1,684,266	1,348,026
Refreshment & meals	9,228,438	9,228,350	11,228,438	7,790,100
Honorarium & Sitting Allowances	4,000,000	3,999,900	3,368,531	2,820,000
Publicity & Advertisement	400,000	400,000	561,422	548,000
Postages & Courier Services	561,422	561,406	561,422	254,500
Welfare packages	7,000,000	6,999,959	5,614,219	9,641,014
Subscription to Professional Bodies	2,000,000	1,999,986	2,245,688	904,170
	134,936,630	**132,321,279**	**169,506,989**	**149,914,006**
Total Recurrent Expenditure	**577,748,789**	**549,573,482**	**612,612,544**	**568,900,175**
Capital Expenditure				
Purchase Of Office Furniture & Fittings	10,460,000	10,353,000	8,460,000	8,347,395
Purchase Of Photocopying Machines	6,000,000	5,998,200	-	-
Purchase Of Shredding Machines	6,000,000	5,990,250	-	-
Purchase of Computer Printers	7,000,000	6,020,000	4,932,580	4,277,468
Computer Software Acquisition	67,540,000	-	11,609,801	-
Total Capital Expenditure	**97,000,000**	**28,361,450**	**25,002,381**	**12,624,863**
Total	**674,748,789**	**577,934,931.79**	**637,614,925**	**581,525,038**

11.13 Supplementary Information

		2015 ₦	2014 ₦
a.	**PERSONNEL COST**		
	Total Salaries Emoluments paid during the year	414,272,100	418,986,169
	Public Service Wage Adjustment for MDAs	2,980,103	-
		417,252,203	418,986,169
b.	**ADMINISTRATIVE OVERHEADS**		
	Local Travel and Transport : Training & Others	43,049,491	27,693,597
	International Travels and Transport : Training & Others	15,668,978	46,310,297
	Communication, Telephone and Postages	2,806,406	5,957,146
	Newspaper/Magazine/Books and Periodical	1,119,943	1,210,142
	Computer Materials and Supplies	4,143,989	4,281,694
	Printing of Non-Security Documents	219,240	2,122,000
	Drugs and Medical Supplies	224,350	124,850
	Uniforms and Other Clothing	329,600	300,000
	Entertainment	9,228,350	7,790,100
	Security Services	673,675	480,000
	Office Rent	15,599,982	15,320,981
	Financial Consulting	5,389,000	4,470,050
	Information Technology Consulting	1,999,795	4,485,712
	Insurance	-	1,348,026
	Motor Vehicle Fuel and Lubricant	4,999,920	5,376,500
	Honorarium and Sitting Allowance	3,999,900	2,820,000
	Welfare Packages	6,999,959	9,641,014
	Subscription to Professional Bodies	1,999,986	904,170
	Publicity and Advertisement	400,000	548,000
	Electricity	3,368,270	-
		122,220,834	**141,184,279**
c.	**REPAIRS AND MAINTENANCE**		
	Motor Vehicles	3,999,981	4,758,744
	Office Furniture and Fittings	499,900	20,000
	Office Building	1,199,215	1,585,087
	Computers and IT Equipment	1,999,945	2,365,897
		7,699,041	**8,729,728**

		2015 ₦	2014 ₦
d.	**SERVICE WIDE VOTE - EXPENSES**		
	Consultancy Services	-	10,823,584
	Legal Fee	44,589,448	-
	Local Transport and Travel	1,368,000	-
		45,957,448	**10,823,584**
e.	**DOMESTIC BOND FLOATATION**		
	Local Travels and Transport	101,339,864	106,441,116
	International Travels and Transport	9,724,933	42,085,121
	Entertainment	13,743,330	14,105,493
	Publicity and Advertisements	352,870,905	644,570,189
	Stock Brokers Fees	20,000,000	12,857,143
	Other Professional Services	163,833,627	8,904,975
	Listing Fees (FGN Bond)	105,000,000	100,000,000
	Information Technology Consulting	56,255,488	171,400,844
	Legal Advisory Services	22,103,803	20,538,095
	Welfare Packages	-	600,000
	Office Stationery	46,500,900	-
	Local Training	35,401,862	-
	Filing Fee	50,000	-
		926,824,712	**1,121,502,976**
f.	**INTERNATIONAL CAPITAL MARKET (ICM) OFFERINGS EXPENDITURE**		
	Local Travels and Transport	-	902,500
	International Travels and Transport	5,185,263	140,699,242
	Publicity and Advertisement	27,025,971	125,841,576
	Financial Advisory Services	0	76,889,692
	Legal Advisory Services	25,606,700	6,901,480
	Filing Fee	8,961,225	-
		66,779,159	**351,234,490**
g.	**FGN BOND IT SYSTEM PLATFORM**		
	International Travels and Transport	-	61,438,624
	International Training	1,485,056	-
	Local Travels and Transport	-	2,799,620
	Publicity and Advertisement	-	139,397,673
	Refreshment and Meal	-	86,000
	Consultancy on Information Tech Platform: FGN Bonds	49,736,608	78,438,085
	Legal Advisory Services	-	89,582,512
	Subscription	54,698,630	17,839,200
		105,920,294	**389,581,714**

Supplementary Information (Continued)

NON CURRENT ASSETS	Land* ₦	Motor Vehicle ₦	Computer / IT Equipment ₦	Office Furniture & Equipment ₦	Total ₦
COST					
At 1st January, 2015	120,037,177	102,297,468	152,625,790	147,796,215	522,756,650
Additions During the Year			12,018,200	16,343,250	28,361,450
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At 31st December, 2015	120,037,177	102,297,468	164,643,990	164,139,465	551,118,100
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DEPRECIATION					
At 1st January, 2015	-	102,297,458	149,417,679	141,118,289	392,833,426
Charge for the year	-	-	6,212,651	9,946,566	16,159,217
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At 31st December, 2015	-	102,297,458	155,630,330	151,064,855	408,992,643
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NET BOOK VALUE					
At 31st December, 2015	120,037,177	10	9,013,660	13,074,610	142,125,457
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At 31st December, 2014	120,037,177	10	3,208,111	6,677,926	129,923,224
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*Amount spent so far is for procurement of land for the construction of office complex for DMO. Construction work has however not commenced.