DEBT MANAGEMENT OFFICE

NIGERIA

2010

Annual Report and Statement of Accounts

MANAGEMENT STAFF OF THE DEBT MANAGEMENT OFFICE

S/N	NAME	RANK	DEPARTMENT/UNIT
1	ABRAHAM NWANKWO (DR.)	DIRECTOR-GENERAL (D-G)	
2	MAGAJI B. MAHMOUD (DR.)	DIRECTOR	ON SECONDMENT
3	FUNMI ILAMAH (MRS.)	DIRECTOR	STRATEGIC PROGRAMMES DEPARTMENT (SPD)
4	PATIENCE ONIHA (MS.)	DIRECTOR	MARKET DEVELOPMENT DEPARTMENT (MDD)
5	ASMA'U M. MOHAMMED (MRS.)	DIRECTOR	ORGANISATIONAL RESOURCING DEPARTMENT (ORD)
6	MIJI AMIDU (MR.)	DEPUTY DIRECTOR	BONDS AUCTION TRADING, EXTERNALITIES & PROJECT SUPPORT (BEP) UNIT (D-G's OFFICE)
7	GODSON DINNEYA (DR.)	DEPUTY DIRECTOR	ON SECONDMENT
8	HANNATU SULEIMAN (MRS.)	HEAD OF DEPARTMENT	DEBT RECORDING & SETTLEMENT DEPARTMENT (DRS)
9	JOE UGOALA (MR.)	AG. HEAD OF DEPARTMENT	POLICY, STRATEGY & RISK MGT. DEPARTMENT (PSRMD)
10	ATIKU S. DAMBATTA (MR.)	AG. HEAD OF DEPARTMENT	PORTFOLIO MANAGEMENT DEPARTMENT (PMD)
11	NICHOLAS ELERI (DR.)	ASSISTANT DIRECTOR	ON SECONDMENT
12	MAHMOUD NASIR (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, ASSOCIATED & EXTERNALITIES UNIT (SPD)
13	JANET O. JIYA (MRS.)	ASSISTANT DIRECTOR	TEAM LEADER, MONITORING & COMPLIANCE (PSRMD)

14	IBRAHIM NATAGWANDU (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, POLICY, STRATEGY & RISK MANAGEMENT UNIT (PSRMD)
15	JOHNSON O. AMADI (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, INTERNAL AUDIT (D-G's OFFICE)
16	EKPENYONG ELIZABETH E. (MS.)	ASSISTANT DIRECTOR	TEAM LEADER, INSTITUTIONS AND SKILL DEVELOPMENT UNIT (SPD)
17	EKPOKOBA IKEM H. (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, EXTERNAL SUPPORT UNIT, BEP (D-G's OFFICE)
18	ANUKPOSI N. ALFRED (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, SUB -NATIONAL DEBT RECORDING (DRS)
19	ODO JOSEPH U. (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, IT/IS (ORD)
20	ABDULLAHI S. DANGAJI (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, BEP (PDMI) D-G's OFFICE

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF BOXES

GLOSSARY

ADB	African Development Bank
AfDF	African Development Fund
BDC	Bureau de Change
BOF	Budget Office of the Federation
BMSC	Bond Market Steering Committee
CBN	Central Bank of Nigeria
CIDA	Canadian International Development Agency
CPIA	Country Policy and Institutional Assessment
CPL	Currency Pool Loans
CSCS	Central Securities Clearing System
DAS	Dutch Auction System
DFI	Development Finance Institution
DFID	Department for International Development
DMDs	Debt Management Departments
DMO	Debt Management Office
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
DRI	Debt Relief International
EDF	European Development Fund
EFCC	Economic and Financial Crimes Commission
ERGP	Economic Reform and Governance Project
EIB	European Investment Bank
EU	European Union
EUR	Euro
FAAC	Federation Accounts Allocation Committee
FDI	Foreign Direct Investment
FEC	Federal Executive Council
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FMF	Federal Ministry of Finance
FRA	Fiscal Responsibility Act
FRL	Fiscal Responsibility Law
FRN	Federal Republic of Nigeria
FSS	Financial System Strategy
FUA	African Development Fund Unit of Account
GBP	Great Britain Pound (Sterling)
GDP	Gross Domestic Product
GIFMIS	Govt. Integrated Financial and Management Information System
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development

IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFEM	Inter-bank Foreign Exchange Market
IFEMIS	Integrated Financial and Economic Management Information System
IMF	International Monetary Fund
IS	Information System
IT	Information Technology
IsBD	Islamic Development Bank
JPY	Japanese Yen
KRK	Korean Won
LAN	Local Area Network
LIBOR	London \Inter-Bank Offer Rate
LIC	Low Income Country
MDG	Millennium Development Goals
MPR	Monetary Policy Rate
MRR	Minimum Rediscount Rate
MTEF	Medium Term Expenditure Framework
NASS	National Assembly
NBS	National Bureau of Statistics
NCS	Nigerian Custom Service
NEEDS	National Economic Empowerment and Development Strategy
NEITI	Nigerian Extractive Industries Transparency Initiative
NGN	Nigerian Naira
NPC	National Planning Commission
NPV	Net Present Value
NSE	Nigerian Stock Exchange
NTBs	Nigerian Treasury Bills
OAGF	Office of the Accountant-General of the Federation
ORD	Organizational Resourcing Department
OTC	Over-The-Counter
PDMM	Primary Dealer Market Maker
PHCN	Power Holding Company of Nigeria
PPA	Public Procurement Act
PPP	Public Private Partnerships
PSI	Policy Support Instrument
RMAFC	Revenue Mobilization Allocation and Fiscal Commission
SDR	Special Drawing Rights
SEC	Securities and Exchange Commission
SND	Sub-national Debt
TBs	Treasury Bonds

TR	Tax Reform
UNCTAD	United Nations Conference on Trade and Development
US$	United States Dollar
USA	United States of America
UK	United Kingdom
WAIFEM	West African Institute for Financial and Economic Management
WDAS	Wholesale Dutch Auction System

Vision

To manage Nigeria's debt as an asset for growth, development and poverty reduction.

Mission

To rely on a well-motivated, professional workforce and state-of-the-art technology, to be among the emerging markets' top ten Debt Management Offices, in terms of best practice and contributions to national development, by the year 2012.

Core Values

EXCITE: *Excellence*
Commitment
Integrity
Teamwork
Efficiency

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.

DIRECTOR-GENERAL'S STATEMENT

It is my pleasure to present the Annual Report and Statement of Accounts of the Debt Management Office (DMO) for the year ended December 31, 2010. The Report covers the activities of the DMO and an overview of major developments in the domestic and global economy that had significant bearing on the operations of the DMO in 2010.

I would like to begin by highlighting the global and domestic economic developments, which constituted the environment for the operations of the DMO in the year. The world economy in 2010 continued to recover from the recession provoked by the 2007 global financial crisis. Accordingly, the interbank lending rates in the relatively developed financial markets have steadily returned to normal levels, while developing countries' sovereign interest rate premiums in the International Capital Market (ICM) have narrowed. The bond flows to high-income corporates and emerging-market sovereigns have reverted to the more normal levels and most developing countries' currencies have regained their pre-crisis levels against the US dollar.

In response to the debt crises in some European union member states, which could have undermined the observed positive gains in global financial recovery, the governments in Greece and Ireland, in particular, with the help from the IMF and European Union intervened in their domestic economies, by launching stimulus packages.

Against the above welcome developments, global real GDP was estimated to have increased by 5.0 percent in 2010 as compared with the 0.6 per cent contraction in 2009. The improvement in real growth was traced to developments in the advanced and developing economies.

On the domestic front in Nigeria, developments in the macroeconomic environment were mixed. Fiscal operations remained expansionary, while the growth in both money supply and aggregate credit to the domestic economy slowed down in the year. The interbank rates moderated but banks' lending rates remained high. The Naira-US Dollar exchange rate was relatively stable, as the average exchange rate of Naira stood at N150.30 per US Dollar compared with N149.00 in 2009. The stock of external reserves dropped to US$32.34 billion at end-2010 from US$42.4 billion at end-2009, reflecting largely the increased imports of goods and services in the year under review.

The real GDP growth rate rose further from 7.0 percent in 2009 to 7.85 percent in 2010 reflecting mainly the growth in the non-oil sector. The year-on-year headline price inflation remained double digit (11.8%), contrasting with the programmed single digit headline inflation. Although the average spot price of Nigeria's reference crude oil in the international market increased from US$62.1 per barrel in 2009 to USD80.98 per barrel in 2010, the size of the Federal budget deficit financing rose from N 836.6 billion as at end-2009 to N1979.8 billion as at end-2010.

The DMO successfully issued N1,219.78 billion of FGN bonds of different maturities in the primary segment of the domestic Capital Market of which N1,104.29 billion was utilized to finance part of the budget deficit of the Federal Government. The issuances were subscribed to the tune of N2,267.76 billion, representing 85.92 percent over-subscription. In the secondary market for FGN bonds, however, the face value of traded bonds declined from N16.79 trillion in 2009 to N13.68 trillion in 2010 reflecting the lingering effects of the market distortions and volatilities generated from the 2008-2009 financial crises.

By the end of 2010, preparatory work for the debut sovereign issuance of the USD500 million in the International Capital Market (ICM) had been concluded. In January 2011, the sovereign bond was successfully issued as USD1,294.215 million worth of total bids, representing a subscription level of 2.6 times was received from eighteen countries. Among other gains, this initiative would help to create a sovereign benchmark that would facilitate the country's public and private sector access to the ICM and generally encourage foreign investment flows to Nigeria going forward.

Nigeria's banking sector reforms reached their peak with the establishment of the Asset Management Corporation of Nigeria (AMCON) to buy off the non-performing loans of the deposit money banks. To that end, the DMO arranged a Federal Government of Nigeria (FGN) guarantee for an Initial Consideration Bond (ICB) worth N1.0 trillion, which was exchanged for the non-performing loans.

As in the previous years, the DMO conducted the annual Debt Sustainability Analysis (DSA) in 2010 and effectively used it to monitor the level of public debt during the year. By the end of the year, total debt stock outstanding (external and domestic) stood at N 5,234.84 billion, representing 17.98 per cent of GDP, which was well within the 40% global threshold. In addition, all the other debt ratios were within prescribed limits, meaning that Nigeria continued to be at a low risk of debt distress. To further ensure debt sustainability, the DMO is aware of the potential increase in the Contingent Liabilities of the Federal Government and is currently taking measures to capture and manage them in a proactive manner.

Furthermore, in line with one of our Strategic Objectives, the DMO continued to assist in building debt management capacity at the Sub-national level. In accordance with this objective, thirteen States of the Federation were assisted in their Domestic Debt Data Reconstruction in 2010, bringing the total number of States that had been helped to reach that critical stage to fourteen. Our outstanding progress in building debt management institutions at the sub-national levels is a testimony to the commitment of the management and staff of the Office in contributing to national transformation.

May I at this point, therefore, conclude by extending on behalf of the DMO, our gratitude to the Chairman of our Supervisory Board, His Excellency, Arc. Mohammed Namadi Sambo, GCON, the Vice-President of the Federal Republic of Nigeria and all members of the Board for their inspiring leadership, support and guidance in the affairs of the DMO in 2010. I also wish to thank all our other stakeholders, notably the UK Department for International Development (DFID) for their support in making the year a productive one for the DMO. Finally, I wish to appreciate, the unwavering loyalty, hard-work and dedication of the management and staff of the DMO towards making the Office sustain the drive in achieving its mission of being among the emerging markets' top ten DMOs, in terms of best practices and contributions to national development, by the year 2012.

Abraham Nwankwo
Director-General
May 31, 2011

CHAPTER ONE

THE ECONOMIC ENVIRONMENT

The global economy witnessed a sharp recovery in 2010 as financial markets regained about half of the lost value and the real sector reversed the contraction in preceding years to a significant increase in real output of goods and services. The Nigerian economy also witnessed continued real growth by recording the highest real output growth, in the last five years ended 2010. The non-oil sector continued to drive the high growth trend, which was assisted by the significant recovery in the oil and gas sector following the effective implementation of the amnesty programme. The financial authorities sustained the financial reforms by establishing the Assets Management Company of Nigeria (AMCON) to provide a window for managing the non-performing loans of the deposit money banks.

1.1 The Global Economy

The world economy witnessed steady recovery from the throes of the recession provoked by the global financial bubble in 2007. Since March 2009, therefore, the stock markets have recovered roughly half the value lost while the volatility in the market has receded; with developing economies bouncing back more strongly than the developed nations. Interbank lending rates have returned to normal levels, developing-country sovereign interest rate premiums have dropped from a peak of more than 800 to about 300 basis points. In addition, bond flows to high-income corporates and emerging-market sovereigns have returned to more normal levels and most developing country currencies have regained their pre-crisis levels against the US dollar. However, the debt crises in some European countries in 2010 had posed threats to prospects of global recovery. Against this backdrop, the governments in Greece and Ireland, in particular, provided massive support to the domestic financial systems by way of large scale fiscal stimulus packages in the year.

The real side of the global economy also recovered with industrial production setting the pace. After the sharp growth deceleration of 2008 and the 0.6 per cent contraction in 2009, global real GDP was estimated to have risen to 5.0 percent in 2010. The change in growth among high-income countries (a 6.2 percentage point improvement in real growth rates) was more marked than in developing countries (5 percentage point increase in growth rates); but at 7 percent, growth in developing countries was more than twice as strong as in high-income countries. As a result, low and middle-income countries contributed almost half of global growth (46 percent) in 2010. The growth in the developing countries was due to increased domestic demand. Notwithstanding the positive trends, it was noted that it would take more years to restore lost jobs and for industrial capacity to revert to pre-crisis level.

1.2 THE NIGERIAN ECONOMY

The Nigerian economy also recovered with strong momentum in 2010, owing to favourable developments in the external macroeconomic environment and the prudent management of the domestic economy. The year under review was very significant as it marked the first year of the adoption of the country's First National Implementation Plan (NIP) 2010 2013, being the Medium-Term Plan of the first stage of the Vision 20:2020.

As a means of consolidating on previous initiatives aimed at restoring confidence and stability in the financial system, the Central Bank of Nigeria (CBN) undertook a number of economic reform measures during the year. Notable among the initiatives were the discontinuation of the policy on universal banking framework, in order to allow for specialization in the banking industry. The legislation establishing the Asset Management Corporation of Nigeria (AMCON) was passed and signed into law. AMCON was established in order to provide a window for improving the balance sheet quality of the banks by buying off the non-performing assets in the banks' balance sheets. Accordingly, in June, 2010, the CBN working with the 24 banks established a Sinking Fund to cover any net deficit that may be incurred by AMCON. In December, 2010, the first stage of acquisition of banks' non-performing loans commenced, with AMCON issuing N1.04 trillion Initial Consideration Bonds in exchange for the Non-Performing Loans (NPLs) of the deposit money banks.

The National Economic Council (which includes the 36 State Governors) and the Federal Executive Council approved the establishment of the National Sovereign Wealth Fund (NSWF) while the bill for establishing the NSWF was submitted to the National Assembly for consideration in December, 2010. In addition, a sum of US$1billion from the Excess Crude Account was set aside as a seed capital for the NSWF.

In June, 2010, the National Bureau of Statistics (NBS) re-weighted the Consumer Price Index (CPI); this resulted in the lowering of the weight of food from 63.8 percent to 50.7 percent in the inflation basket. Accordingly, the headline inflation rate for June, 2010 was revised to 14.1 percent from 10.3 percent. However, the end-December 2010 year-on-year headline inflation dropped to 12.8 percent as compared with the 13.9 percent at end-December, 2009.

In August 2010, the Government launched the "Roadmap for Power Sector Reform" which sought, among other objectives, to remove obstacles to private sector investment in the power sector, permit the privatization of the generation and distribution, as well as, facilitate the construction of new transmission networks and the reform of the fuel-to-power sector. The aim of government was to incentivize the private sector such that the sector would drive the investment requirements for the power sector going forward.

In the oil sector, the Nigerian Oil and Gas Industry Content Development Act, 2010 was enacted by the National Assembly. In a related development, the Nigerian National Petroleum Corporation (NNPC) executed an MOU with China State Construction Engineering Corporation (CSCEC) to jointly seek an estimated US$23 billion in contractor financing from a consortium of Chinese banks for the establishment of three green-field refineries and one petrochemical plant in Nigeria.

The gross federally collectible revenue as at end 2010 amounted to N6, 999.2 billion up from the N4, 599.0 billion recorded in 2009. The overall fiscal deficits, stood at N1,979.8 billion as at end-December, 2010 and compared with N 836.6 billion as at end-2009. In the external sector, the gross external reserves as at the end-2010 was US$32.35 billion, compared with US$42.4billion in the corresponding period of 2009. The decline in reserves in 2010 was attributed to the rise in demand for foreign currencies at the WDAS, largely for importation of industrial machines and raw materials for the manufacturing industry. Crude oil prices rose from an average price of US$62.08/barrel in 2009 to US$80.98/barrel in 2010. The crude oil production also increased from an average of 2.1 million barrels per day (mbpd) to about 2.4 mbpd in 2010. The average exchange rate of the naira against the US dollar which stood at N149.00 in 2009 however increased to N150.66 in 2010, owing to the increased demand for imported goods. On the whole, the domestic economy grew by 7.85 per cent in 2010, compared with 7.00 per cent growth rate in 2009, with the non-oil sector in particular, agriculture and services sub-sectors, contributing 66.42 percent of the growth in GDP.

CHAPTER TWO

APPRAISAL OF DEBT MANAGEMENT STRATEGY

The focus of external borrowing continued to be on facilities with lower cost structure; consequently over 92 per cent of the external loans outstandings in 2010 were obtained from concessional sources. Domestic Debt instruments of different maturities including the 20-year bond were issued to deepen the market. In addition, some benchmark issues were re-opened in order to fine-tune the maturing structure. In line with the on-going sub-national debt management strategy initiative, the domestic debt data of thirteen (13) States of the federation were reconstructed by the DMO in 2010, bringing the total number of States that had been helped to reach that critical stage to fourteen(14).

2.0 Introduction

In line with international best practice, the annual appraisal of the debt management strategy was carried out in 2010 to assess the level of consistency of the DMO's debt management activities with its Medium Term Debt Strategy during the reporting year as follows:

2.1 External Debt Management Strategy

The broad objective of the country's External Debt Strategy is to prudently access concessionary financing needed to fund growth and development within a sustainable debt profile; while facilitating private sector participation in the funding of critical infrastructure, in particular, and other growth sectors of the real economy in general on need basis.

2.1.1 Concessional Borrowing:

With the exit from Paris Club debt obligations in 2006, Nigeria adopted a borrowing policy that uses mainly the concessional window to fund its external borrowing requirement. The International Development Association (IDA) of the World Bank defines concessional borrowing as any loan that has a minimum grant element of 35 percent.

During the period under review, 92.71 percent of the total external debt stock was sourced from concessional sources, mainly the multilaterals (IDA, IFAD, EIB, and ADF); while the remaining balance of 7.29 percent were obtained from the non-concessional creditors. (Figure 4.6)

2.1.2 Loan Utilisation

Analysis of the external debt stock as at end-December, 2010 revealed that 79.66 percent of the loans were utilized for funding growth and development in the real sectors of the economy (Table 4.6), while the balance of 20.34 percent was used for other developmental projects of the Federal and State Governments.

2.2 Domestic Debt Management Strategy and Bonds Market Development

The domestic debt management strategy seeks to further broaden and deepen the domestic bond market through the introduction of a variety of government securities; the use of appropriate technology to aid effective and efficient issuance and trading of government securities; as well as the improvement of regulatory framework for effective operations of the bond market. In implementing the domestic debt strategy in 2010 the DMO undertook the following activities:

2.2.1 Lengthening the Maturity Structure of the FGN Bond

The DMO continued with its regular issuance of debt instruments with different maturities (3-year, 5-year, 10-year, and 20-year) in 2010. As part of its strategy of lengthening the maturity profile of the domestic debt portfolio, the DMO's issuance in 2010 maintained the yield curve at 20 years but re-opened other benchmark issues such as 3, 5, and 10 years maturities (Table 5.10).

2.2.2 Bond Market Development

The DMO continued with its active engagement with stakeholders and operators in the bond market during the period under review with a view to further broadening and deepening the market. The key developments in the market were the Change in the nomenclature of FGN Bonds, Presidential approval of waivers of taxes on sub-national and corporate Bonds, Stamp Duty reductions on re-issues of debentures for Bonds, Conferment of Liquid Asset Status on eligible State Government Bonds and reduction in transaction fees for Bonds by the Nigerian Stock Exchange, amongst others.

a. **Primary Market Activities:** The analysis of the issuance programme showed that total subscription dropped from N 2,267,760.41 million in 2009 to N 2,261,467.13 million in 2010 (Table 5.9).

b. **Secondary market Activities:** The secondary market activities for FGN bonds witnessed mixed results in 2010. In terms of the volume the market recorded a 2.65 percent increase in market activities (from 132,374 deals in 2009 to 135,874 deals in 2010) while the value of operations decreased by 18.53 percent, from 16.78 trillion in 2009 to 13.67 in 2010 (Table 5.12).

2.3 Sub-National Debt Management Strategy and Development of Sub-National Debt Market

The Sub-national debt management strategy seeks to facilitate the development of capacity and competences for effective public debt management at the sub-national level, through the provision of support for the establishment and operation of Debt Management Departments (DMDs) in the States. The need for effective debt management at the sub-national level was borne out of the desire to collate comprehensive and reliable debt data and to avoid a relapse into overall debt over-hang.

In order to ensure the effective implementation of the Sub-national debt management strategy, the DMO continued to assist the States in the reconstruction of the States' domestic debt database. In 2010, thirteen (13) States of the Federation were assisted by the DMO in reconstructing their domestic debt data, thereby bringing the total number of States that had been helped to reach that critical stage to (14) fourteen. In addition, staffs of the State DMDs were exposed to various capacity building exercises by the DMO both in their respective States and at the DMO Office in Abuja. The DMO would continue to engage the States in various activities until they have achieved an appreciable level of competences in loan negotiations, debt recording and portfolio analysis.

CHAPTER THREE

NIGERIA'S TOTAL PUBLIC DEBT

Total public debt outstanding rose in 2010 and was traced to borrowings from both external and domestic sources. The increase in the external debt component came largely from multilateral sources. The stock of external debt outstanding, continued to be in the long-term category; the domestic debt portfolio was also dominated by the long-term borrowing instruments. Since 2006 to 2010, external debt service payments have shown a steady downward movement except in 2009, while the domestic debt service component consistently trended upwards reflecting the rising trend in the FGN's borrowing requirements.

3.1 Total Public Debt Outstanding

The total public debt outstanding at the end of 2010 (external and securitized domestic debt of the Federal Government) was US$35,093.10 million. This represented an increase of US$9,275.68 million, or 35.93 percent when compared to the US$25,817.42 million at the end of 2009 (Table 3.1). The increase came from both the external and domestic components of the total debt stock; however, with the later accounting for the bulk (93.3 %) of the total increase. The significant rise in the domestic debt can be traced to the US$8,342.43 million issuance of new FGN bonds to fund projects in key growth sectors of the economy and to finance the 2010 budget deficit.

The increase in the external debt component of the total public debt outstanding, from US$3,947.30 million in 2009 to US$4,578.77 million in 2010 or 15.21 percent was traced to the additional disbursements on IDA, ADF and IDB loans and exchange rate variations in the year under review.

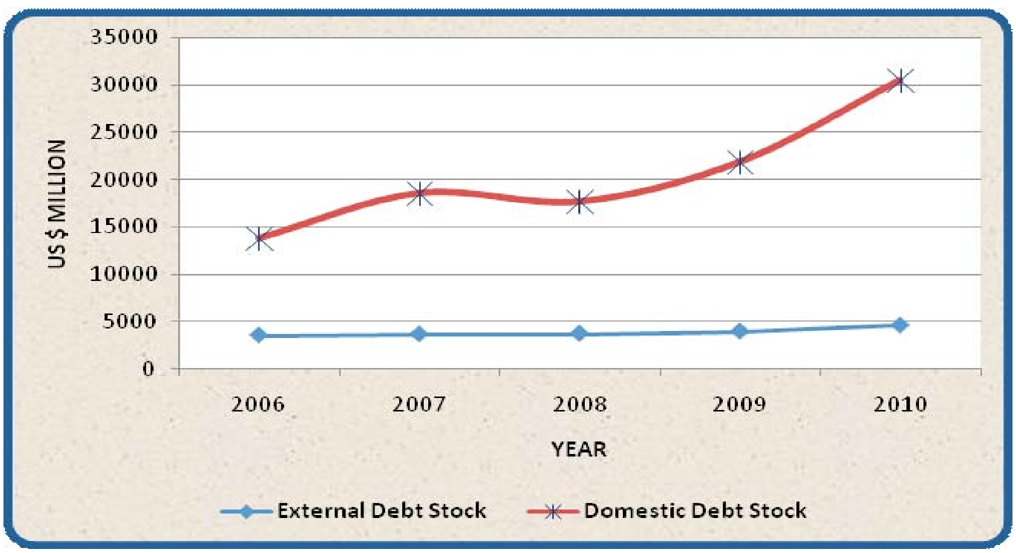
Figure 3.1 shows the trends in total public debt stock from 2006 to 2010. It showed that the share of the domestic debt has continued to dominate trends in the total public debt since Nigeria's exit from the Paris Club debt in 2006.

TABLE 3.1: TOTAL PUBLIC DEBT OUTSTANDING, 2006-2010 (US$ MILLION)

Type	2006	2007	2008	2009	2010[1]
External Debt Stock	3,544.49	3,654.21	3,720.36	3,947.30	4,578.77
(% of share total)	(20.43)	(16.44)	(17.39)	(15.29)	(13.05)
Domestic Debt Stock	13,805.20	18,575.67	17,678.55	21,870.12	30,514.33
(% of share total)	(79.57)	(83.56)	(82.61)	(84.71)	(86.95)
TOTAL	**17,349.69**	**22,229.88**	**21,398.91**	**25,817.4 2**	**35,093.10**
(% of share total)	(100)	(100)	(100)	(100)	(100)

[1] Official CBN Exchange Rate of N149.17/US$1 as at 31/12/10

FIGURE 3.1: TOTAL PUBLIC DEBT OUTSTANDING, 2006-2010 (US$ MILLION)



3.1.1 TOTAL PUBLIC DEBT BY ORIGINAL MATURITY

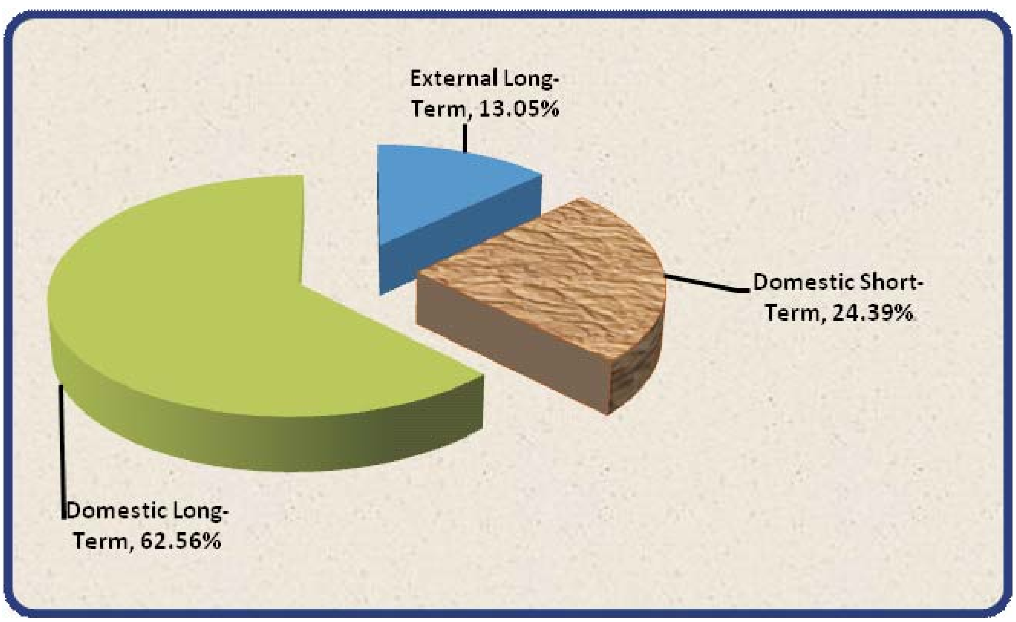
Nigeria's total public debt by original maturity indicated that external debt has continued to be in the long-term category (i.e. longer than one year maturity) since the exit from the Paris Club debt in 2006 (Table 3.2 and Figure 3.2). In addition, the domestic debt portfolio has been dominated by the long-term borrowing instruments in the last five-year period ended 2010.This represented an average of 72.15 percent of the portfolio during the last five years, which was marginally below the domestic debt strategy of 75:25 long term/short term ratios.

TABLE 3.2: TOTAL PUBLIC DEBT OUTSTANDING BY ORIGINAL MATURITY, 2006-2010 (US$ Million)

Type		2006	2007	2008	2009	2010[1]
External Debt Stock	Short-term[2]	0.00	0.00	0.00	0.00	0.00
	Long-term	3,544.49	3,654.21	3,720.36	3,947.30	4,578.77
	(% of share total)	(20.43)	(16.44)	(17.39)	(15.29)	(13.05)
	Sub -Total	3,544.49	3,654.21	3,720.36	3,947.30	4,578.77
Domestic Debt Stock	Short-term[3]	5,472.44	4,922.26	3,595.65	5,403.00	8,561.38
	(% of share total)	(31.54)	(22.14)	(16.80)	(20.93)	(24.39)
	Long-term	8,332.75	13,653.42	14,082.90	16,467.12	21,952.95
	(% of share total)	(48.03)	(61.42)	(65.81)	(63.78)	(62.56)
	Sub -Total	13,805.19	18,575.68	17,678.55	21,870.12	30,514.33
	(% of share total)	(79.57)	(83.56)	(82.61)	(84.71)	(86.95)
TOTAL		**17,349.69**	**22,229.89**	**21,398.91**	**25,817.42**	**35,093.10**
	(% of share total)	(100)	(100)	(100)	(100)	(100)

[1] Official CBN Exchange Rate of N149.17/US$1 for 2010 figures as at 31/12/2010
[2] Short-term external debt is debt with less than 1 year original maturity
[3] Short-term domestic debt consists of 91, 182 and 364 days Treasury Bills. Long-term domestic debt consists of Treasury Bonds, FGN Bonds and FRN Development Stocks

FIGURE 3.2: TOTAL PUBLIC DEBT BY ORIGINAL MATURITY AS AT 31ST DECEMBER, 2010



3.2 TOTAL PUBLIC DEBT SERVICE PAYMENTS

Total public debt service payments for the year 2010 amounted to US$2,728.40 million representing 1.40 percent of GDP and 7.77 percent of the total debt stock (Table 3.3). This also represented an increase of US$392.91 million or 16.82 percent over the US$2,335.49 million in 2009. The rise in debt service payments was mainly due to the higher domestic debt service and retirement of the principal debt component that fell due in 2010, while the external debt service payments dropped. As a percentage of total debt service payments, the shares of the external and domestic debt service were 13% and 87% in 2010 (Figure 3.3), compared with 18.33% and 81.67% in 2009 respectively.

Over the period 2006 to 2010, the external debt service payments have shown a steady downward movement except in 2009, while the domestic debt service component had consistently trended up (Figure 3.4). The observed downward trend in the external debt service payments is explained by the effects of the on-going strategy of shifting from non-concessional to concessional borrowings; and the active usage of the domestic bonds market to meet the bulk of the FGN's borrowing requirements, since 2006.

FIGURE 3.3: TOTAL DEBT SERVICE PAYMENTS AS AT 31st DECEMBER, 2010

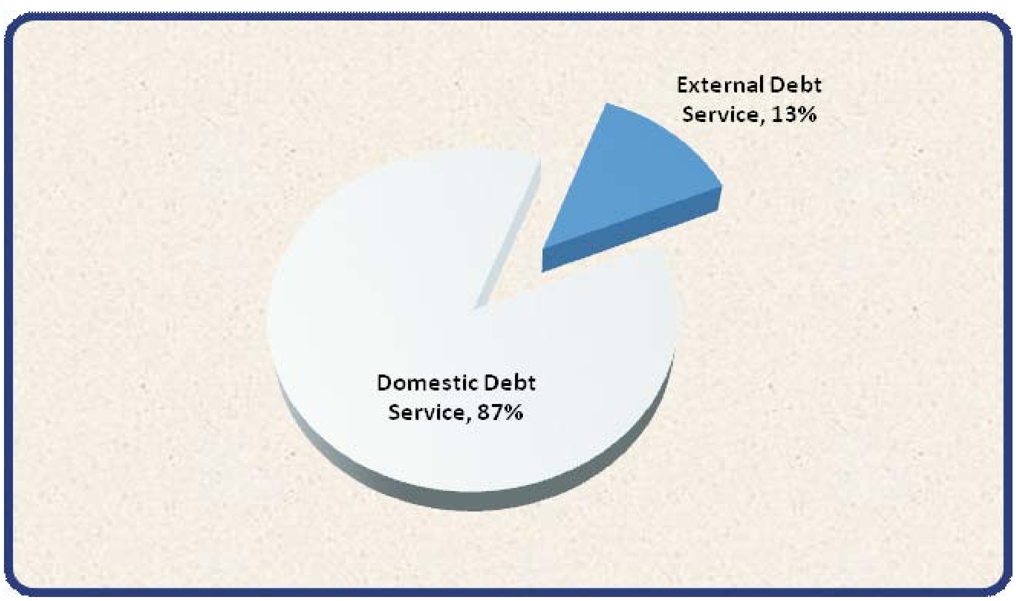


FIGURE 3.4: TRENDS IN PERCENTAGE SHARES IN TOTAL DEBT SERVICE PAYMENTS, 2006-2010

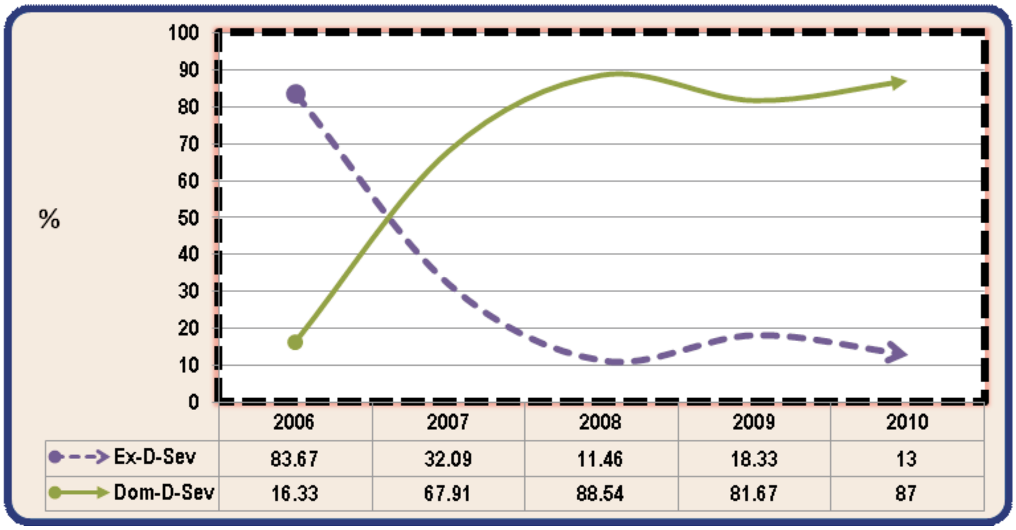
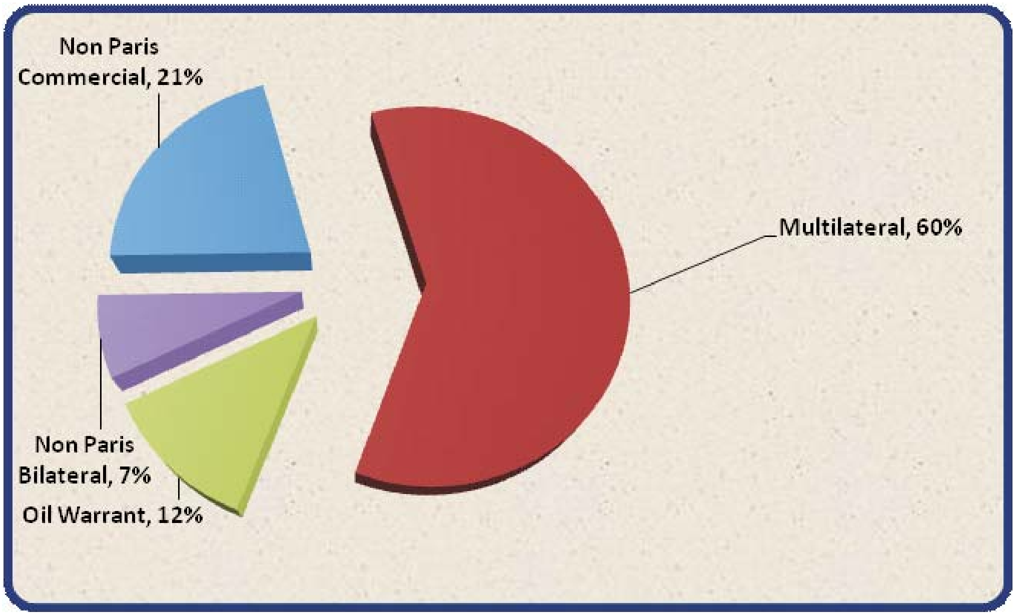


TABLE 3.3: TOTAL PUBLIC DEBT SERVICE PAYMENTS, 2006-2010 (US$ MILLION)

Type	2006	2007	2008	2009	2010[1]
External Debt Service (% of share total)	6,729.20 (83.67)	1,022.04 (32.09)	464.63 (11.46)	428.04 (18.33)	354.42 (13.00)
Domestic Debt Service (% of share total)	1,313.70 (16.33)	2,162.91 (67.91)	3,590.67 (88.54)	1,907.45 (81.67)	2,373.98 (87.00)
TOTAL	**8,042.90** (100)	**3,184.95** (100)	**4,055.30** (100)	**2,335.49** (100)	**2,728.40** (100)

[1] *Official CBN Exchange Rate of N149.17/US$1 for 2010 as at 31/12/10*

FIGURE 3.5: EXTERNAL DEBT SERVICE PAYMENTS AS AT 31ST DEC, 2010



3.2.1 DISBURSEMENTS AND NEW DOMESTIC BORROWINGS IN 2010

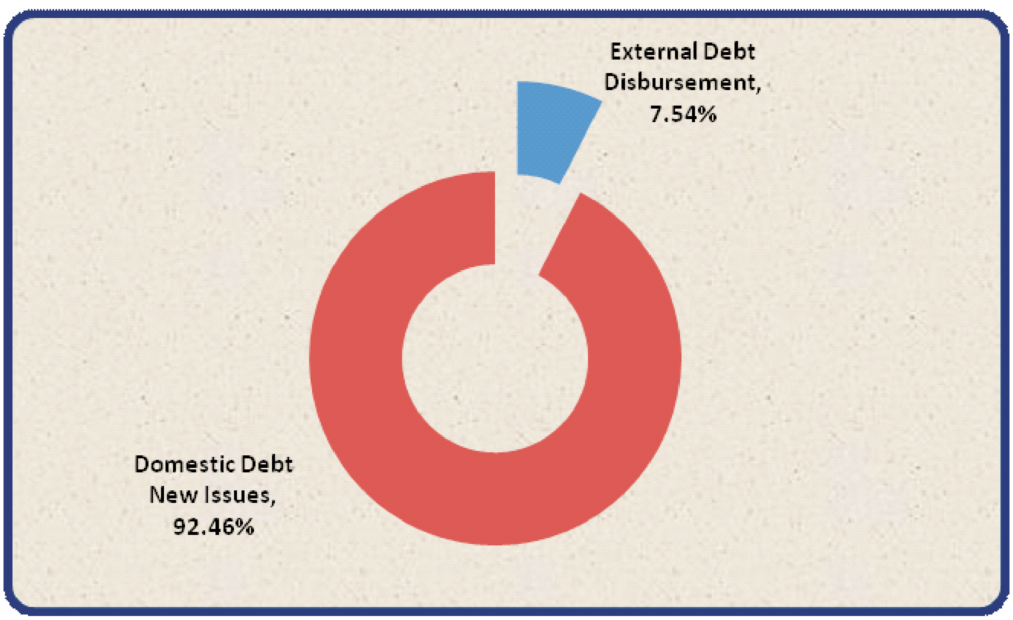
The total disbursements of external debt and new issues of domestic debt in 2010 amounted to US$12,926.31 million (Table 3.4). This showed an increase of US$1,641.36 million, or 14.54 percent when compared to the level in 2009. The increase was accounted for by new issues of FGN bonds in 2010. External debt disbursements stood at US$975.12 million or 7.54 percent of the total external debt disbursements and new issues, while the new issues in FGN bonds were US$8,342.43 million or 64.54 percent of the total (external disbursements and new issues). Also, Nigerian Treasury Bills worth N5.4 billion were issued as part of Federal Government's domestic borrowing to part finance the 2010 Budget and meet other government needs in the year under review.

TABLE 3.4: EXTERNAL DEBT DISBURSEMENTS AND DOMESTIC DEBT NEW ISSUES, 2006 -2010 (US$ MILLION)

Type	2006	2007	2008	2009	2010[1]
External Debt Disbursements	501.41	424.56	360.84	532.83	975.12
Domestic Debt Issues:					
FGN Bonds	3,534.14	5,168.63	3,748.26	4,922.09	8,342.43
NTBs	1,804.07	789.03	0.00	5,403.00	3,608.76
Promissory Note	-	-	-	427.03	-
Sub -Total	15,338.21	5,957.66	3, 748.26	10,752.12	11,951.19
TOTAL	**5,839.62**	**6,382.22**	**4,109.10**	**11,284.95**	**12,926.31**

[1] *Official CBN Exchange Rate of N149.17/US$1for 2010 figures as at 31/12/10*

FIGURE 3.6: TOTAL DISBURSEMENTS IN 2010



CHAPTER FOUR

NIGERIA'S EXTERNAL DEBT

Nigeria's total stock of external debt outstanding amounted to US$4,578.8 million at end-2010, the bulk (95.65%) of which were owed to Official creditors and sourced at concessional rates. The funds were largely applied to the infrastructure, energy and transport sectors of the economy. The outstanding non-concessional loans which were sourced from the commercial windows continued their downward movement in the year owing to the on-going policy to rely on facilities from the concessional windows. The stock of external debt by remaining maturity was mainly in the long-term category. Nigeria continued to enjoy overall net inflow of resources, the bulk of which was traced to disbursements from the multilaterals creditors.

4.1 External Debt Stock

The total external debt stock outstanding as at 31st December 2010 was US$4,578.77 million (Table 4.1) and represented an increase of US$631.47 million, or 16.00 percent over the US$3,947.30 million in 2009. The increase was due to additional disbursements on existing loans and exchange rate variations. Figure 4.1 also showed that trends in Nigeria's external debt stock over the five-year period ending 2010, revealed a gradual increase, with the highest annual increment of 16.00% occurring in 2010.

FIGURE 4.1: EXTERNAL DEBT STOCK, 20062010 (US$' million)

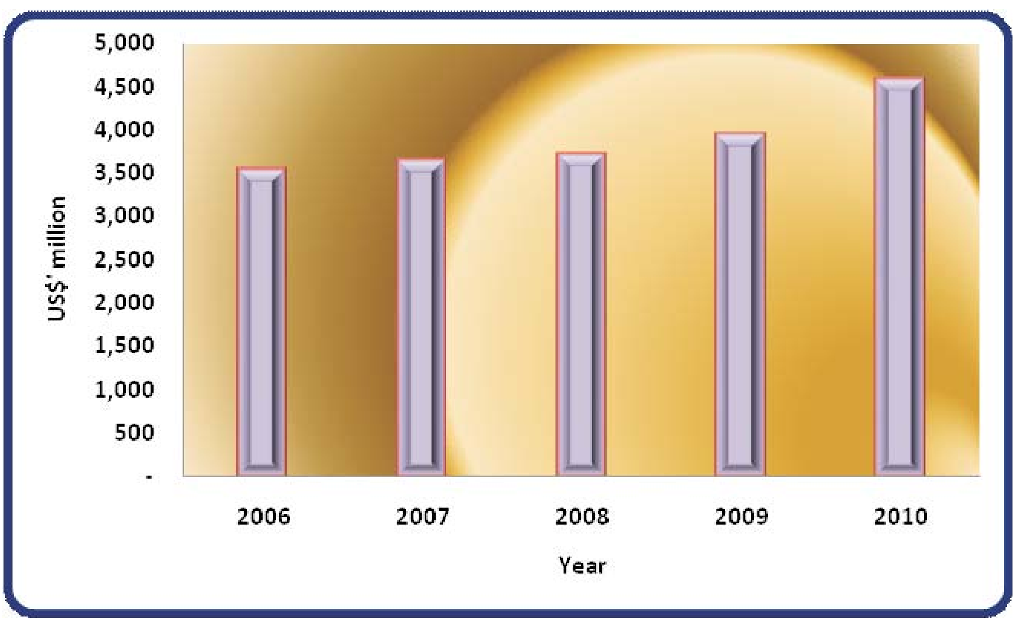


TABLE 4.1: EXTERNAL DEBT STOCK BY CREDITOR CATEGORY AS AT 31st DECEMBER, 2010 (US$' million)[1]

Category	Principal Balance 1	Principal Arrears 2	Interest Arrears 3	Total 4	Percentage 5
MULTILATERAL					
World Bank Group					
IBRD	35.52	0.00	0.00	35.52	
IDA	3,589.81	0.00	0.00	3,589.81	
IFAD	59.75	0.00	0.00	59.75	
African Development Bank Group					
ADB	100.48	0.00	0.00	100.48	
ADF	312.08	0.00	0.00	312.08	
EDF	116.90	0.00	0.00	116.90	
IDB	3.21	0.00	0.00	3.21	
SUB-TOTAL	***4,217.76***	**-**	**-**	***4,217.76***	**92.12%**
NON - PARIS CLUB					
BILATERAL	163.20	0.000	0.000	163.20	
COMMERCIAL	197.81	0.00	0.00	197.81	
SUB TOTAL	**361.01**			**361.01**	**7.88%**
GRAND TOTAL	**4,578.77**	**0.00**	**0.00**	**4,578.77**	**100.00%**

Note: ***1. The increase in the current debt stock compared to that of 30.09.2010 is as a result of additional disbursements on existing Loans and exchange rate variations.***

[1] *Official CBN exchange rate of US$ vis-à-vis other currencies as at 31/12/2010*

In addition, Table 4.2 showed that the bulk of Nigeria's external debt stock amounting to US$4,380.96 million or 95.65 percent were owed to Official Creditors while only US$197.81million or 4.35 percent were owed to Private Creditors as at the end of December 2010.

4.1.1 Official Creditors

The Official Creditors comprised Bilateral and Multilateral Creditors. As at end-December, 2010, multilateral creditors constituted 96.28 percent of total Official Creditors while the balance of 3.72 percent was from the bilateral creditors.

4.1.1.1 Bilateral

The bilateral creditors are the Non-Paris Club group, which provide loans on concessional terms. The Non-Paris Club creditors, in 2010, comprised the Exim Bank of Korea and the Chinese Exim Bank (for Nigerian Communications Satellite-NIGCOMSAT). The stock of bilateral debts from the Non-Paris Club dropped from US$181.60 million in 2009 to US$163.20 million in 2010 following the part repayment of principal in the review year (Table 4.2).

4.1.1.2 Multilateral

A breakdown of the total external debt showed that the multilateral debts continued to constitute the bulk of the total external debt outstanding in 2010. Multilateral loans which are mainly concessional loans amounted to US$4,217.76 million or 92.12 percent of the total external debt stock as at end-December, 2010. The sum of US$4,081.76 million or 96.78 percent of the multilateral debt was on concessional terms while the balance of US$136.00 million or 3.22 percent was non-concessional. The concessional creditors were International Development Association (IDA), International Fund for Agricultural Development (IFAD), African Development Fund (ADF), European Development Fund (EDF) and the Islamic Development Bank (IDB), while the non-concessional creditors consisted of International Bank for Reconstruction and Development (IBRD) and the African Development Bank (ADB) (Table 4.2).

A trend analysis of the external debt stock showed that the share of multilateral debt as a proportion of total external debt has since been increasing; from 73.59 percent in 2006 to 92.12 percent in 2010. Table 4.2 and Figure 4.2 show at a glance Nigeria's external debt outstanding by creditor category over the period 2006 to 2010.

FIGURE 4.2: EXTERNAL DEBT STOCK OUTSTANDING BY CREDITOR CATEGORY, 2006 - 2010

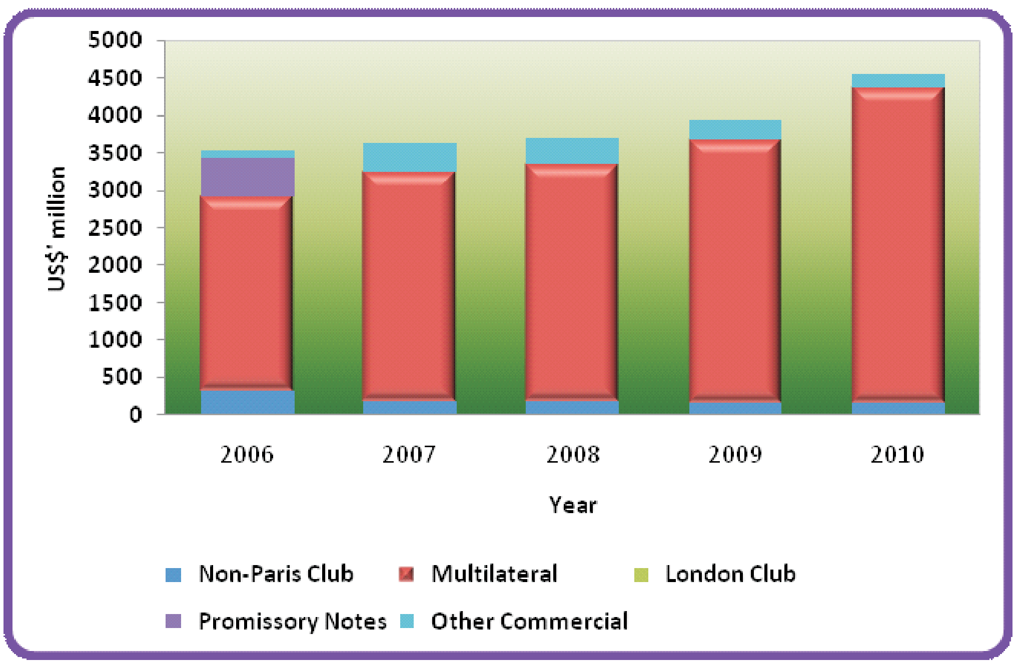


TABLE 4.2: EXTERNAL DEBT OUTSTANDING BY CREDITOR CATEGORY, 2006-2010 (US$' million)

CREDITOR CATEGORY	2006	2007	2008	2009	2010
A. Official:					
1. Bilateral					
Non-Paris Club	326.08	184.90	182.42	181.60	163.20
2. Multilateral	2,608.30	3,080.91	3,172.87	3,504.51	4,217.76
Sub-Total	**3,035.48**	**3,265.81**	**3,355.29**	**3,686.11**	**4,380.96**
B. Private:					
1. Promissory Notes	509.01	0.00	0.00	0.00	0.00
2. Other Commercial	101.10	388.40	365.07	261.19	197.81
Sub-Total	**509.01**	**388.40**	**365.07**	**261.19**	**197.81**
Grand Total	**3,544.49**	**3,654.21**	**3,720.36**	**3,947.30**	**4,578.77**
PERCENTAGE SHARE					
A. Official:					
1. Bilateral					
Non-Paris Club	9.20	5.06	4.90	4.60	3.56
2. Multilateral	73.59	84.31	85.28	88.78	92.12
Sub-Total	**85.64**	**89.37**	**90.19**	**93.38**	**95.68**
B. Private:					
1. Promissory Notes	14.36	0.00	0.00	0.00	0.00
2. Other Commercials	2.85	10.63	9.81	6.62	4.32
Sub-Total	**14.36**	**10.63**	**9.81**	**6.62**	**4.32**
Grand Total	**100.00**	**100.00**	**100.00**	**10.00**	**100.00**

Official CBN exchange rate of 1US$/N149.17 as at 31/12/2010

4.1.2 PRIVATE CREDITORS

4.1.2.1 COMMERCIAL DEBT

The private creditors comprised non-concessional loans that are obtained from the commercial window. As at end-December, 2010, the sum of US$197.81 million was owed to the commercial creditors. The private sector loans were guaranteed by the China Exim Bank. The loans were by; ZTE - Nigeria Local Government Rural Telephony Telecom Network, Alcatel - Nigeria Local Government Rural Telephony Telecom

Network, Papalanto - Construction of 335 MW of Gas Power Plant, Omotosho - Construction of 335 MW of Gas Power Plant, and Nigerian Communications Satellite (NIGCOMSAT). From 2006 to 2010, there has been a steady decline in the stock of Commercial Debts, owing to principal repayments.

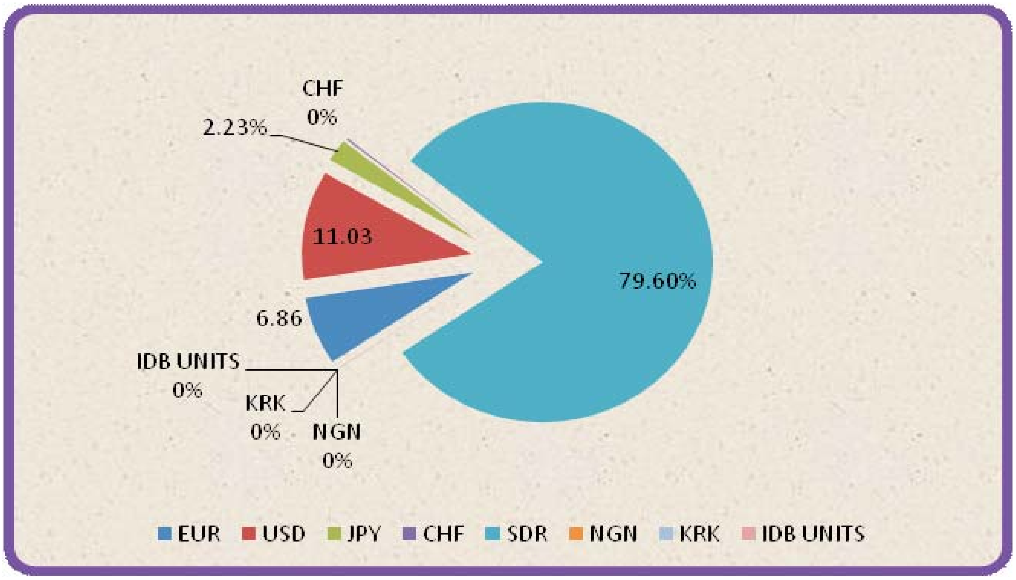
4.1.3 CURRENCY COMPOSITION OF EXTERNAL DEBT

The Table 4.3 and Figure 4.3 which showed the currency composition of the external debt stock as at 31st December, 2010 revealed that Special Drawing Rights (SDR) had the largest share in the portfolio, constituting 79.60 percent of the external debt stock. This was followed by the US Dollar with 11.03 percent of the total, the Euro with 6.86 percent, and other currencies (Japanese Yen, Swiss Franc, IDB Units, Korean Won and Nigerian Naira) accounted for the balance of 2.51 percent. The dominance of SDR in the currency composition reduced the exchange rate vulnerability of the debt portfolio, as only 20.40 percent of the portfolio was held in other currencies

TABLE 4.3: EXTERNAL DEBT STOCK BY CURRENCY COMPOSITION AS AT DECEMBER 31, 2010 (US$' million)

S/No	Currency	Debt Stock in Original Currency	Naira Exchange Rate	Debt Stock in Naira	US$ Exch Rate to the Naira	Debt Stock in USD	Percentage of Total
1	EUR	234,734,490.00	199.74	46,885,537,983.00	149.17	314,309,432.08	6.86%
2	USD	505,227,610.44	149.17	75,364,802,649.60	149.17	505,227,610.44	11.03%
3	JPY	8,306,787.00	1,833.20	15,228,001,149.00	149.17	102,084,877.31	2.23%
4	CHF	7,382,544.00	159.42	1,176,931,013.00	149.17	7,889,864.00	0.17%
5	SDR	2,366,625,881.00	229.72	543,672,790,963.00	149.17	3,644,652,349.42	79.60%
6	NGN	14,318,966.00	1.00	14,318,966.00	149.17	95,990.92	0.00210%
7	KRK	1,457,323.00	132.90	193,678,227.00	149.17	1,298,372.51	0.03%
8	IDB UNITS	2,564,957.00	186.94	479,505,797.00	149.17	3,214,492.17	0.07%
TOTAL				683,015,566,747.60		4,578,772,988.86	100%

FIGURE 4.3: EXTERNAL DEBT STOCK BY CURRENCY COMPOSITION AS AT 31ST DECEMBER, 2010 (US$ MILLION) IN PERCENTAGES



4.1.4 EXTERNAL DEBT BY ORIGINAL MATURITY

All external loans contracted show maturities longer than one year and, therefore, were classified as long-term (Table 4.4).

TABLE 4.4: EXTERNAL DEBT OUTSTANDING BY ORIGINAL MATURITY, 2006-2010 (US$' million)

Type	2006	2007	2008	2009	2010
Short-Term	0.00	0.00	0.00	0.00	0.00
Long-Term	3,544.49	3,654.21	3,720.36	3,947.30	4,578.77
Total	**3,544.49**	**3,654.21**	**3,720.36**	**3,947.30**	**4,578.77**

Note: Short-Term external debt is debt with less than 1 year original maturity.

4.1.5 EXTERNAL DEBT BY REMAINING MATURITY

Table 4.5 showed all outstanding debts by remaining maturities. It was evident that the bulk of the outstanding loans (about 93.54 percent) had remaining maturity of more than three years, implying that the outstanding loans were of longer term. In addition, the table showed that all the IBRD loans would mature in three years, while 97.03 percent of the ADB loans would also mature in three years as from 2010.

FIGURE 4.4: EXTERNAL DEBT STOCK BY REMAINING MATURITIES AS AT 31ST DECEMBER, 2010 (US$ million)

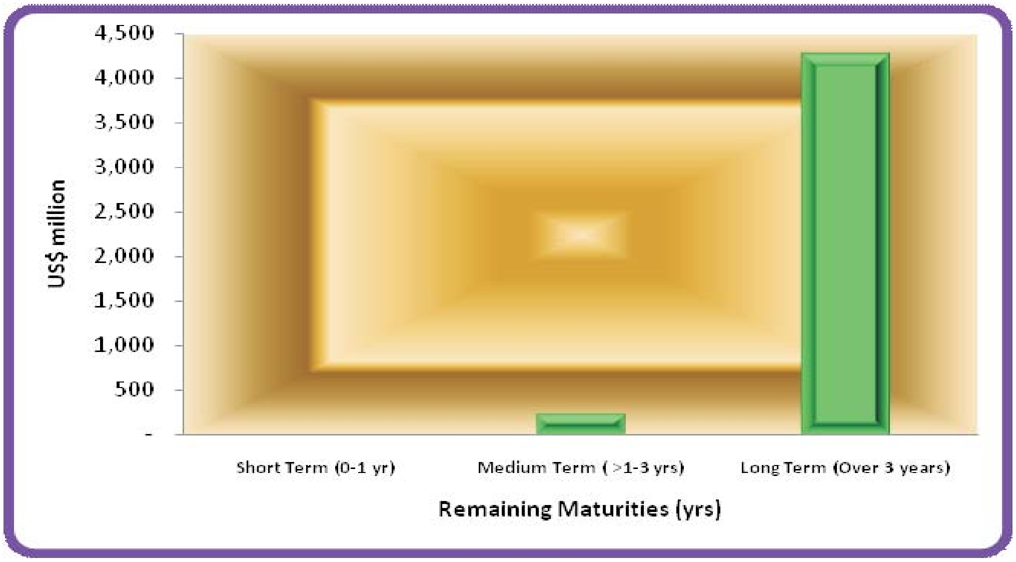


TABLE 4.5: EXTERNAL DEBT OUTSTANDING BY REMAINING MATURITY AS AT 31ST DECEMBER, 2010 (US$' million)

CREDITOR CATEGORY	Short Term (0-1 yr)	Medium Term (>1-3 yrs)	Long Term (Over 3 years)
1. Multilateral			
IBRD	17.27	18.25	0.00
IDA	0.00	4.78	3,585.03
IFAD	0.00	0.00	59.74
ADB	24.06	73.75	2.67
ADF	0.00	0.00	312.08
IDB	0.00	0.00	3.21
EDF	0.00	0.00	116.90
2. Others (Non-Paris Club)	0.00	157.73	203.3
Sub-Total	**41.33**	**254.51**	4,282.9
Grand-Total			**4,578.77**

Source: Debt Mangement Office

4.1.6 EXTERNAL DEBT BY ECONOMIC SECTOR

Table 4.6 shows the external debt profile by economic sectors. The Table revealed that the bulk of Nigeria's external debt was utilized to support infrastructure (telecoms, water, energy (electricity and gas), transportation (rail, road and air), housing, human capital development (education), health, social welfare and agriculture, which was in tandem with the National Debt Management Framework (NDMF).

FIGURE 4.5: EXTERNAL DEBT STOCK BY ECONOMIC SECTOR AS AT 31ST DECEMBER, 2010

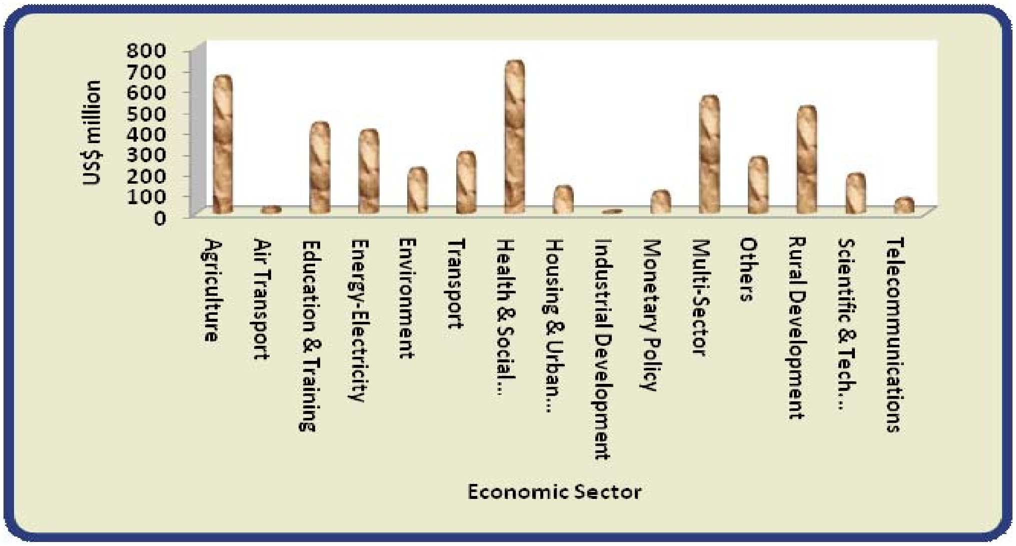


TABLE 4.6: EXTERNAL DEBT STOCK BY ECONOMIC SECTORs AS AT 31st DECEMBER, 2010 (US$ million)

Economic Sector	Amount Outstanding	Percentage of DOD
Agriculture	657.14	14.35
Air Transport	26.23	00.57
Education & Training	433.05	09.46
Energy-Electricity	396.67	08.66
Environment	214.84	04.69
Transport	290.50	06.34
Health & Social Welfare	730.72	15.96
Housing & Urban Develop.	126.66	02.77
Industrial Development	5.22	00.11
Monetary Policy	103.84	02.27
Multi-Sector	560.97	12.25
Others	266.47	05.82
Rural Development	510.32	11.15
Scientific & Tech. Equipment	187.05	04.09
Telecommunications	69.08	01.51
Total	4,578.77	100.00

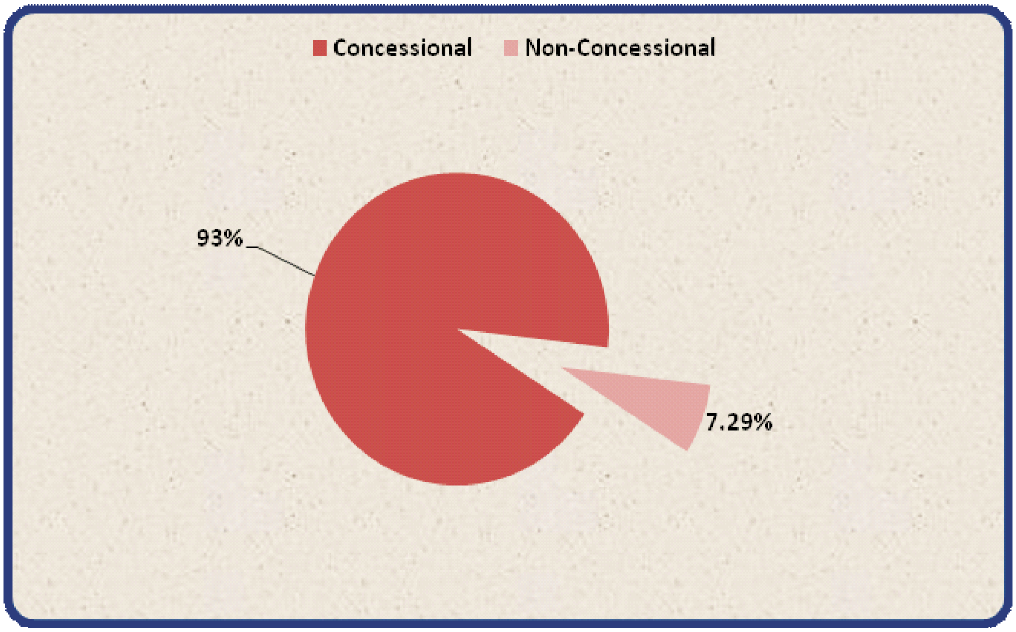
4.1.7 EXTERNAL DEBT BY CONCESSIONALITY

Table 4.7 shows external debt by concessionality. The Table showed that 92.12 percent of Nigeria's external debts were from concessional sources while 7.29 percent were from non-concessional creditors which were in line with the external debt management strategy. The International Development Association (IDA) was the largest creditor contributing 78.40 percent of the country's concessional debt, as against the 69.59 percent in 2009.

TABLE 4.7: CONCESSIONAL/NON-CONCESSIONAL EXTERNAL LOANS AS AT 31ST DECEMBER, 2010 (US$ million)

S/N	FUNDING SOURCES	Amount Outstanding	Amount Outstanding as a % of Total Debt
	Concessional Creditor Categories		
1	International Development Association (IDA)	3,589.81	78.40
2	International Fund for Agricultural Development (IFAD)	59.75	1.30
3	EuropeanDevelopment Fund (EDF)	116.90	2.55
4	African Development Fund (ADF)	312.08	6.82
5	Islamic Development Bank (IDB)	3.21	0.07
6	Arab Bank for Economic Development (ABED)	-	-
7	Non-Paris Club Bilateral:	163.20	3.56
	Nigerian-Communications-Satelite (NIGCOMSAT)		
	Locomotive Engine (Korea)		
	Sub-Total	**4,244.96**	**92.71**
	Non-Concessional Creditor Categories		
1	International Bank for Reconstruction and Development (IBRD)	35.52	0.78
2	African Development Bank (ADB)	100.48	2.19
3	Non-Paris Commercial:	197.81	4.32
	Omotosho-Construction of 335 Megawatts of Gas power Plant		
	Papalanto-Construction of 335 Megawatts of Gas Power Plant		
	ALCATEL-Nigeria Local Govt Rural Telephohy		
	ZTE-Nigeria Local Govt Rural Telephohy		
	Sub-Total	**333.81**	**7.29**
	Grand Total	**4,578.77**	**100.00**

FIGURE 4.6: EXTERNAL DEBT STOCK BY CONCESSIONALITY AS AT 31ST DECEMBER, 2010



4.2 EXTERNAL DEBT FLOWS

4.2.1 EXTERNAL DEBT SERVICE PAYMENTS

At US$354.42 million, the external debt service payment 2010 was lower than the US$428.04 million in 2009, by US$73.62 million or 17.19 percent. This was due to a reduction in the debt service payments in respect of Non-Paris Club commercial loans in 2010.

Table 4.8 and Figure 4.7 showed that the highest debt service payment of US$212.61 million, or 60 percent of the total debt service payment went to the Multilateral creditors in 2010. The second highest payment amounting to US$75.88 million, or 21 percent of total debt service, went to the Non-Paris Club Commercial creditors. Thirdly, the payment of US$41.72 million, or 12 percent, was made in respect of Oil Warrants, while US$24.19 million payment was for the Non-Paris Club Bilateral creditors and Other payments for professional/service fees. When compared with 2009 payments to Non-Paris Club Bilateral creditors almost doubled, while payments to Multilateral creditors and Others (professional/service fees) declined in the year under review. A breakdown of the creditor category of external debt service payments in 2010 showed that ADB and IBRD were the largest debt service recipients, followed by IDA and EDF (Table 4.9).

Table 4.8: EXTERNAL DEBT SERVICE PAYMENTS, 2006 - 2010 (US$ MILLION)

CREDITOR CATEGORY	2006	2007	2008	2009	2010
A. Official:					
1. Bilateral:					
Paris Club	4,519.87	0.00	0.00	0.00	0.00
Non-Paris Club	25.56	27.48	6.63	12.66	24.18
2. Multilateral	426.62	392.77	380.63	260.52	212.61
Sub-Total	4,972.05	420.25	387.26	273.18	236.79
B. Private:					
1. London Club (Oil Warrants)[1]	1,584.58	102.59	41.72	41.72	41.72
2. Promissory Notes	170.84	476.6	0	0	0
3. Others (including Non-Paris Commercial)	1.60	22.60	35.65	113.13	75.90
Sub-Total	1,757.14	601.79	77.37	154.85	117.62
Grand Total	6,729.20	1,022.04	464.63	428.04	354.41

[1]Payments made to London Club debt were in respect of Oil Warrants only, as there has been no London Club stock since end of 2007.

FIGURE 4.7: EXTERNAL DEBT SERVICE PAYMENTS, 2006-2010 (US$ MILLION)

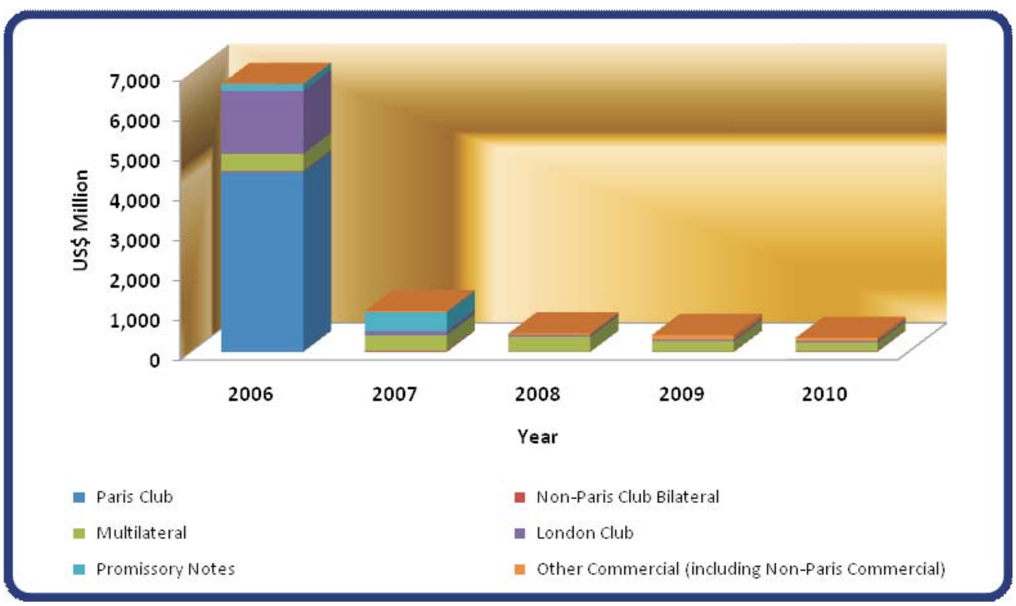
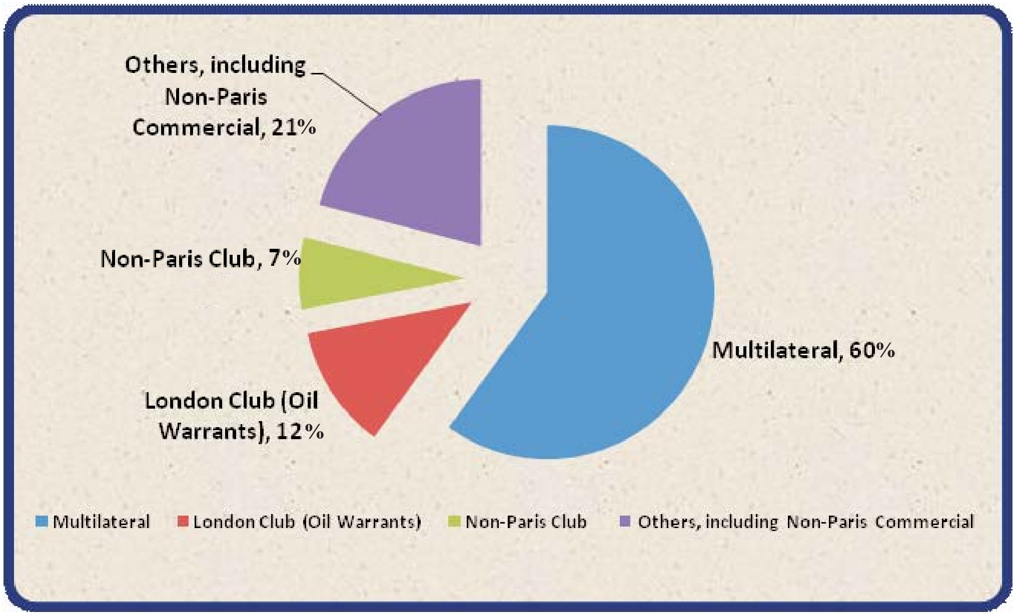


Table 4.9: BREAKDOWN OF CREDITOR CATEGORY OF EXTERNAL DEBT SERVICE PAYMENTS IN 2010 (US$ '000)

CATEGORY	Principal	Interest/ Service fee	Deferred Principal	Deferred Interest	Penalty Interest	Waiver/ Credit	Commitment Charges	Other Charges	Total	Percentage of Total
MULTILATERAL	**170,794.76**	**40,671.91**	**156.08**	**369.58**	**50.94**	**(1,356.85)**	**1,898.63**	**27.34**	**212,612.39**	**60%**
I.B.R.D.	71,798.63	2,113.03	127.07	34.33	0.00	(790.18)	0.00	39.96	73,322.85	
A.D.B	65,423.73	11,145.45	0.00	0.00	0.00	-	0.00	-	76,569.18	
IFAD	1,568.66	498.34	(5.53)	(1.72)	50.66	(7.04)	1.86	(13.13)	2,092.10	
IDB	-	519.29	0.00	0.00	0.00	-	0.00 `		519.29	
A.D.F	2,165.25	2,183.64	0.00	0.00	0.00	-	1882.75	-	6,231.63	
IDA	24,545.54	23,027.38	34.54	336.97	0.28	(559.63)	14.02	0.51	47,399.60	
EDF	5,292.96	1,184.79	0.00	0.00	0.00	-	0.00	-	6,477.74	
-Oil Warrant	-	41,719.26	0.00	0.00	0.00	-	0.00	-	41,719.26	**12%**
NON PARIS BILATERAL	**18,647.04**	**5,534.97**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.05**	**24,182.06**	**7%**
EXIM BANK OF CHINA (NIGCOMSAT)	17,989.09	5,471.68	0.00	0.00	0.00	-	0.00	-	23,460.77	
EXIM BANK OF KOREA	657.95	63.29	0.00	0.00	0.00	-	0.00	0.05	721.29	
NON PARIS COMMERCIAL	**63,382.05**	**12,507.82**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**75,889.87**	**21%**
Papalanto & Omotosho	36,779.04	9,378.65	0.00	0.00	0.00	-	0.00	-	46,157.69	
ZTE	11,750.28	1,755.76	0.00	0.00	0.00	-	0.00	-	13,506.04	
ARCATEL	11,082.72	1,260.66	0.00	0.00	0.00	-	0.00	-	12,343.38	
SBI HOLDINGS	3,770.01	112.74	0.00	0.00	0.00	-	0.00	-	3,882.75	
OTHERS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**12.00**	**12.00**	**0%**
WADMO/NBCI - ELGEP/CITIBANK/LOVELLS	-	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Bank of England/CITIBANK(Lazards	-	-	0.00	0.00	0.00	-	0.00	12.00	12.00	
Professional Fees (Cleary Gottlieb S&H)										
Bank Saderat/W&Case										
TOTAL	**252,823.85**	**100,433.96**	**156.08**	**369.58**	**50.94**	**(1,356.85)**	**1,898.63**	**39.40**	**354,415.58**	**100%**

FIGURE 4.8: EXTERNAL DEBT SERVICE PAYMENTS BY CREDITOR CATEGORY IN 2010



4.2.2 WAIVERS

The Federal Government of Nigeria obtained a sum of US$1.36 million waivers owing to the timely debt service payments in 2010; this was however lower than the US$2.87 million waivers obtained in 2009. The waivers were from the payments to IBRD (US$0.79), IDA (US$0.56million) and IFAD (US$0.007 million) in 2010.

4.2.3 EXTERNAL DEBT SERVICE PROJECTIONS (2011 - 2020)

Table 4.10 shows the external debt service projections over a period of 10 years. The table illustrates that a total debt service payment of $2,769.63 million would be made over the 10-year period ending 2020. The Table also showed that the debt service payments would peak at $381.25 million in 2011, after which it would hover below $300 million during the rest of the projection period. The lower projected external debt service payment after 2011 is based on the assumption that there would be greater reliance on domestic than external borrowing in closing the budget gap in the projection period. This assumption is however, subject to review in the light of developments in the domestic and International Capital Market.

Table 4.10: EXTERNAL DEBT SERVICE PROJECTIONS
(US$ '000)

S/N	Category of Debt		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	MULTILATERAL											
a	ADF											
		Prin	3.75	4.35	19.90	10.52	11.10	10.95	14.29	15.82	16.02	17.88
		Int	2.58	2.44	2.50	2.55	2.58	2.62	2.64	2.65	2.64	2.65
	ADB											
		Prin	46.99	21.83	21.83	10.92	0.00	0.00	0.00	0.00	0.00	0.00
		Int	6.11	3.35	1.85	0.37	0.00	0.00	0.00	0.00	0.00	0.00
b	IFAD											
		Prin	1.52	2.66	3.19	3.19	3.19	3.19	3.19	3.19	3.19	3.19
		Int	0.28	0.62	0.68	0.69	0.67	0.64	0.62	0.59	0.57	0.54
c	IDA											
		Prin	37.98	48.59	63.88	71.87	82.53	94.10	103.25	116.25	143.24	149.12
		Int	29.17	27.49	28.98	30.30	30.95	31.35	31.38	31.19	30.86	30.36
	IBRD											
		Prin	32.66	5.83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		Int	1.21	0.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d	EDF											
		Prin	5.50	5.52	5.56	5.63	5.68	5.73	5.80	5.87	5.90	5.97
		Int	1.17	1.10	1.05	0.99	0.93	0.88	0.82	0.76	0.70	0.64
e	ABFEDA (BADE)											
		Prin	0.00	0.00	0.00	0.00	0.00	0.00	0.36	0.37	0.37	0.38
		Int	0.14	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.07	0.07
f	IDB											
		Prin	0.00	0.00	0.00	1.44	1.44	1.44	1.44	1.44	1.44	1.44
		Int	0.39	0.20	0.20	0.20	0.20	0.10	0.00	0.00	0.00	0.00
g	Non-PC											
		Prin	110.01	59.61	54.07	24.26	5.88	0.00	0.00	0.00	0.00	0.00
		Int	16.10	6.39	3.48	0.86	0.21	0.00	0.00	0.00	0.00	0.00
h	Others											
		Oil Warrants	45.89	45.89	45.89	45.89	45.89	45.89	45.89	45.89	45.89	45.89
		New Financing	39.64	39.64	39.64	39.64	39.64	39.64	39.64	39.64	39.64	39.64
		Financial Advisory Services/Agency	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
		Total Prin.	**238.41**	**148.39**	**168.44**	**127.83**	**109.82**	**115.40**	**128.33**	**142.93**	**170.17**	**177.97**
		Total Int.	**142.84**	**127.50**	**124.51**	**121.73**	**121.31**	**121.37**	**121.23**	**120.96**	**120.54**	**119.96**
	TOTAL		**381.25**	**275.90**	**292.95**	**249.55**	**231.13**	**236.77**	**249.56**	**263.89**	**290.70**	**297.93**

4.2.4 EXTERNAL DEBT DISBURSEMENTS

Table 4.11 shows the disbursements of external debt by creditors for the period 2006 to 2010. External disbursements (excluding grants) totaled US$975.13 million in 2010, representing an increase of US$442.29 million or 83.01 percent, from the level in 2009. The rise was largely due to the increase in disbursements from IDA. The Table also showed that IDA still maintained its position as the largest provider of new credit to Nigeria.

Table 4.11: DISBURSEMENTS[1] BY CREDITOR CATEGORY, 2006-2010 (US$ MILLION)

	2006	2007	2008	2009	2010
Official:					
Multilateral:					
IDA	*337.36*	*330.68*	331.13	512.58	946.98
IFAD	*5.20*	*6.52*	6.28	3.10	3.50
ADB	*5.53*	*2.34*	0.00	0.00	1.97
ADF	*10.11*	*47.08*	23.43	17.15	22.68
Sub-Total	**358.20**	**386.62**	**360.84**	**532.83**	**975.13**
Bilateral	119.77	37.94	0.00	0.00	0.00
Private	23.44	0.00	0.00	0.00	0.00
TOTAL	**501.41**	**424.55**	**360.84**	**532.83**	**975.13**

Disbursements exclude Grants

4.2.5 NET RESOURCE INFLOWS ON EXTERNAL DEBT

Table 4.12 shows both the net resource inflow on external debt (disbursements) and net outflows by creditor type in 2010. The analysis revealed a net transfer of US$620.70 million in 2010, as against US$104.80 recorded in 2009. The development in 2010 was mainly due to the rise in disbursements from US$532.83 million in 2009 to US$975.12 million in 2010, with the bulk (58%) traceable to disbursements to multi-sector funding. The increase in net transfers signifies an overall net inflow of resources into the country in 2009 and 2010, as against the negative net transfer recorded in 2008.

Table 4.12: NET FLOWS AND NET TRANSFERS ON EXTERNAL DEBT BY CREDITOR CATEGORY IN 2010 (US$ MILLION)

CREDITOR CATEGORY	Disbursements in 2010	Principal Repayments in 2010	Net resource flow in 2010	Interest paid in 2010	Net Transfers in 2010
	(A)	(B)	C (A-B)	(D)	E(C-D)
Multilateral	975.12	170.95	804.17	41.66	762.51
Bilateral	0.00	18.32	-18.32	5.50	-23.82
Commercial	0.00	63.71	-63.71	12.54	-76.25
Oil Warrants	0.00	0.00	0.00	41.72	-41.72
Citibank Agency Fees	0.00	0.00	0.00	0.01	-0.01
Total	**975.12**	**252.98**	**722.14**	**101.44**	**620.70**

(i) Net resource flow equals Disbursements less Principal Repayments;
(ii) Net transfers equals Net resource flow less Interest payments.

4.2.6 MATURED EXTERNAL LOANS IN 2010

Table 4.13 shows the external loans that matured in 2010. The Table indicates that loans, mainly from multilateral creditors matured in 2010. These include loans from IBRD amounting to US$506.85 million contracted in year 1990/1991 and from the ADB amounting to BUA146.22 million, all of which were contracted in 1990/1991. Another loan that matured in 2010 was the one from the S.B.I amounting to US$52.78 million that was contracted in 2000.

Table 4.13: MATURED EXTERNAL LOANS IN 2010 (US$)

S/N	CREDITOR	PROJECT TITLE	DATE SIGNED	CURRENCY	MATURITY DATE	ORIGINAL LOAN AMOUNT
1	**IBRD**					
	a	Oyo State Urban Project	11/2/1990	USD	8/2/2010	50,000,000.00
	b	Telecommunications Project	12/10/1990	USD	8/2/2010	225,000,000.00
	c	Oso Condensate Field Development Project	4/24/1991	USD	4/15/2010	218,000,000.00
	d	National Seeds Quarantine Project	6/21/1990	USD	8/2/2010	13,847,747.67
2	**ADB**					
	a	Bacita Sugar Expansion Project	10/20/1990	BUA	9/1/2010	67,480,000.00
	b	Bendel State Water Supply Project	1/8/1991	BUA	9/1/2010	78,740,000.00
3	**S.B.I.**	Dualization of Ife-Ilesha Road	7/18/2000	USD	2/8/2010	52,780,084.00

CHAPTER FIVE

NIGERIA'S DOMESTIC DEBT

Domestic debt stock outstanding stood at N4.551 trillion at end-2010, representing an increase of 40.01 percent over the end-2009 level. The increase was mainly due to the rise in the stock of FGN bonds and NTBs used in funding the budget deficit and other special projects. The composition of the domestic debt portfolio as at 31st December, 2010 showed that 57.25 percent was held by Banks and Discount Houses, followed by Non-Bank Public with 32.06 percent and CBN 7.54 percent. Total Domestic Debt Service payment was N354.13 billion in 2010 compared with N281.54 billion in 2009. All the issuances in the primary market were oversubscribed reflecting the relatively high excess liquidity in the market coupled with a rising investor awareness and the appetite for investment diversification. The activities in the secondary market however witnessed mixed results in 2010. The nomenclature for FGN Bonds was aligned with international best practices, making the bonds easily identifiable.

5.1 Domestic Debt Stock

The securitized total domestic debt outstanding amounted to N4, 551.82 billion as at 31st December, 2010 compared to N3, 228.03 billion as at 31st December, 2009, representing an increase of N1, 323.79 billion, or 40.01 percent (Table 5.1). The increase was mainly accounted for by the rise in the stock of the FGN bonds and the NTBs which were used to finance budget deficits and special projects aimed at stimulating growth and poverty reduction.

Table 5.1 shows that 63.75 percent of the total domestic debt stock in 2010, was in FGN bonds, which amounted N2,901.60 billion or 46.92 percent higher than the level in 2009. This was followed by Nigerian Treasury Bills (NTBs) with a share of 28.06 percent; while the Treasury Bond taking the third position, represented 8.19 percent of the total domestic debt portfolio.

TABLE 5.1: DOMESTIC DEBT OUTSTANDING BY INSTRUMENTS FOR 2009 AND 2010, (N'BILLION)

INSTRUMENT	2009	2010
FGN Bonds	1,974.93	2,901.60
(% share of total)	(61.18)	(63.75)
Nigerian Treasury Bills	797.48	1,277.1
(% share of total)	(24.70)	(28.06)
Treasury Bonds	392.07	372.90
(% share of total)	(12.1 5)	(8.19)
Development Stock	0.52	0.22
(% share of total)	(0.02)	(0.00)
Promissory Note	63.03	-
(% share of total)	(1.95)	(-)
TOTAL	3,228.03	4,551.82
(%share of total)	(100)	(100)

5.2 TRENDS AND COMPOSITION OF DOMESTIC DEBT OUTSTANDING BY INSTRUMENTS

Table 5.2 illustrates the structure of the total domestic debt by instrument, in 2006 through 2010. The stock of FGN bonds increased sharply from N643.94 billion in 2006 to N1,186.16 billion in 2007, and has since maintained a steady rise into 2010.

The Nigerian Treasury Bills (NTB), which was N695 billion or 39.64 percent of the total domestic debt stock in 2006, declined in 2007 and 2008 following the restructuring of short dated instruments into long tenor bond instruments. The NTBs thereafter rose sharply in 2009 and 2010 owing to the issuance of new NTBs by the DMO to address observed structural liquidity challenges in the secondary bonds (Table 5.2).

The Treasury Bonds and Development Stock were legacy debt instruments from past issuances of the Federal Government. Both instruments have maintained a downward trend in the last five years ended 2010, due to the repayments of principal that fell due during the period (Table 5.2).

FIGURE 5.1: COMPOSITION OF DOMESTIC DEBT STOCK BY INSTRUMENTS AS AT 31ST DECEMBER, 2010

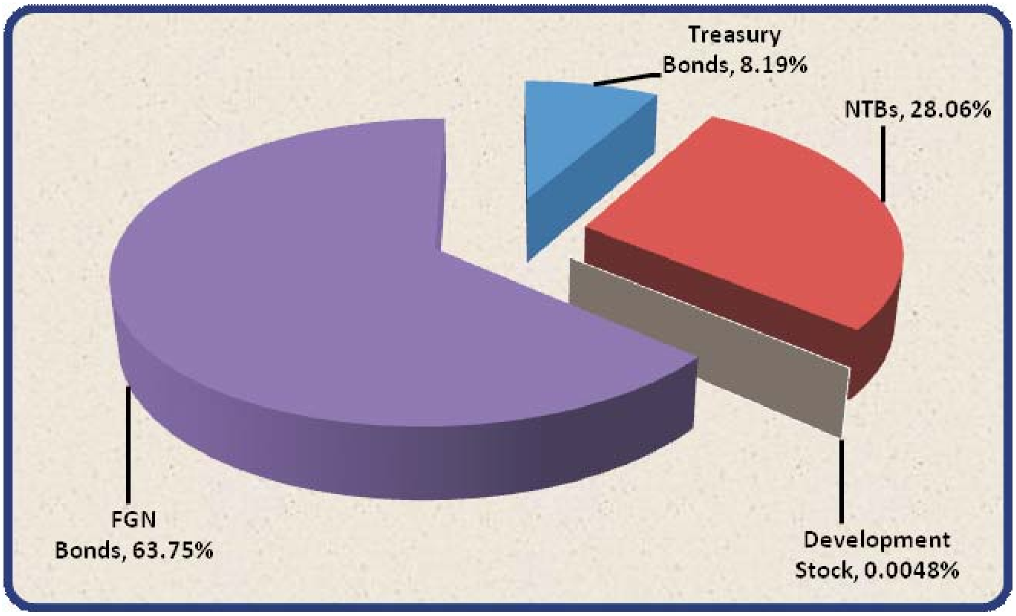


TABLE 5.2: TREND OF DOMESTIC DEBT OUTSTANDING BY INSTRUMENTS, 2006 2010 (N'BILLION)

INSTRUMENT	2006	2007	2008	2009	2010
FGN BONDS	643.94	1,186.16	1,445.60	1,974.93	2,901.60
NIGERIAN TREASURY BILLS	695.00	574.92	471.93	797.48	1,277.10
TREASURY BONDS	413.60	407.93	402.26	392.07	372.90
DEVELOPMENT STOCK	0.72	0.62	0.52	0.52	0.22
PROMISSORY NOTE	-	-	-	63.03	-
TOTAL	**1,753.26**	**2,169.63**	**2,320.31**	**3,228.03**	**4,551.82**

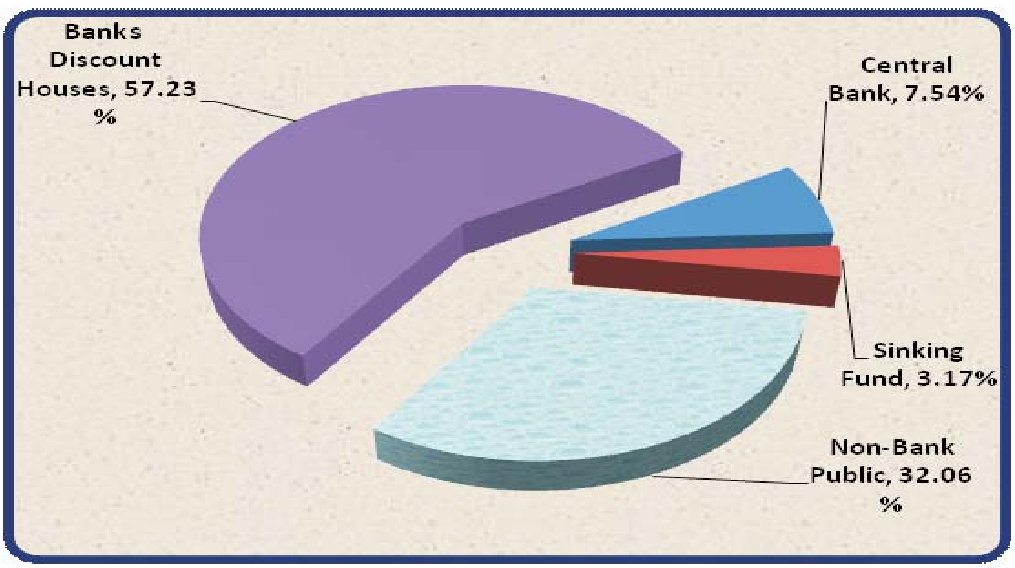
5.3 HOLDINGS OF DOMESTIC DEBT

The analysis of the holdings of the securitized total domestic debt as at 31st December, 2010 revealed that the Bank and Discount Houses held the bulk (57.23 percent) of the debt stock. This was followed by the Non-Bank Public which constituted 32.06 percent of the total, while the Central Bank holdings represented 7.54 percent of the debt portfolio. The increased holding of the FGN securities by the Bank and Discount Houses and the Non-Bank Public, which constituted 89.29 percent of the total holdings, was attributed to the increased demand for secondary market operations and the increasing acceptability of the FGN bond as a viable alternative investment instrument by investors. Figure 5.2 also shows the holdings of the FGN Securities as at 31st December, 2010.

TABLE 5.3: DOMESTIC DEBT OUTSTANDING BY INVESTOR TYPE AS AT 31ST DECEMBER, 2010 (N' BILLION)

INSTRUMENT	CENTRAL BANK	BANKS AND DISCOUNT HOUSES	NON-BANK PUBLIC	SINKING FUND	AMOUNT OUSTANDING
FGN BOND	72.3	1,848.25	981.05	0.00	2,901.60
TREASURY BILLS (NTBs)	42.17	756.76	478.17	0.00	1,277.10
TREASURY BONDS	228.65	0.00	0.00	144.25	372.9
DEVELOPMENT STOCKS	0.02	0.00	0.08	0.12	0.22
TOTAL	**343.14**	**2,605.01**	**1,459.30**	**144.37**	**4,551.82**
% of Total	**7.54%**	**57.23%**	**32.06%**	**3.17%**	**100%**

FIGURE 5.2: COMPOSITION OF DOMESTIC DEBT OUTSTANDING BY INVESTOR TYPE AS AT 31ST DECEMBER, 2010

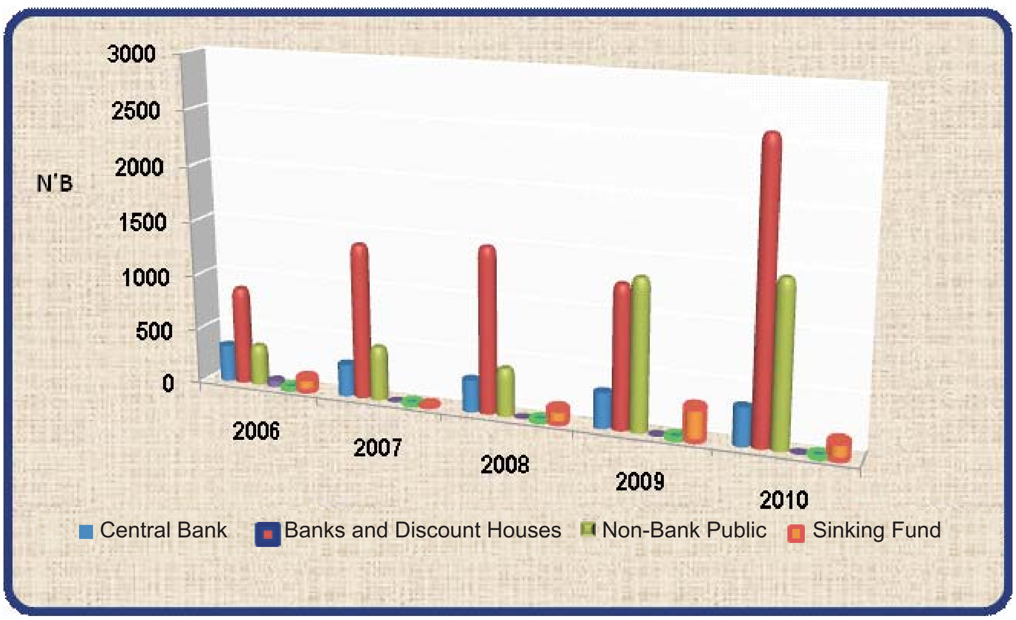


A trend analysis showed that the holdings of the Central Bank which declined in 2006 through 2008 rose marginally from N335.53 billion in 2009 to N343.14 billion in 2010. Holdings of Banks and Discount Houses progressively increased to N1,482.16 billion in 2008, but declined to N1,274.58 billion at the peak of the liquidity crisis in the banking sector in 2009, and more than doubled its preceding year's level to N2,605.01 billion in 2010 owing to the steady recovery that followed the CBN's banking sector reforms. In addition, the holdings of the Non-Bank Public which increased sharply in 2009 also increased further, though marginally in 2010 (Table 5.4 and Figure 5.3).

TABLE 5.4: DOMESTIC DEBT OUTSTANDING BY INVESTOR TYPE, 2006-2010 (N' BILLION)

Holders Category	2006	2007	2008	2009	2010
Central Bank	335.53	290.59	289.37	323.18	343.14
Banks and Discount Houses	882.85	1,394.75	1,482.16	1,274.58	2,605.01
Non-Bank Public	365.38	484.29	428.03	1,345.55	1,459.30
Parastatals	56.34	-	-	-	-
Brokers	0.84	-	-	-	-
Sinking Fund	112.31	-	120.75	284.72	144.37
TOTAL	**1,753.25**	**2,169.63**	**2,320.31**	**3,228.03**	**4,551.82**

FIGURE 5.3: COMPOSITION OF DOMESTIC DEBT OUTSTANDING BY INVESTOR TYPE, 2006-2010



5.4 DOMESTIC DEBT BY RESIDUAL MATURITY

The Table 5.5, showed that the short term instruments, those with up to one year to maturity, constituted 33.40 per cent of the total domestic debt stock outstanding while the long term instruments with over one year remaining to maturity constituted 66.60 percent of the country's domestic debt in 2010.

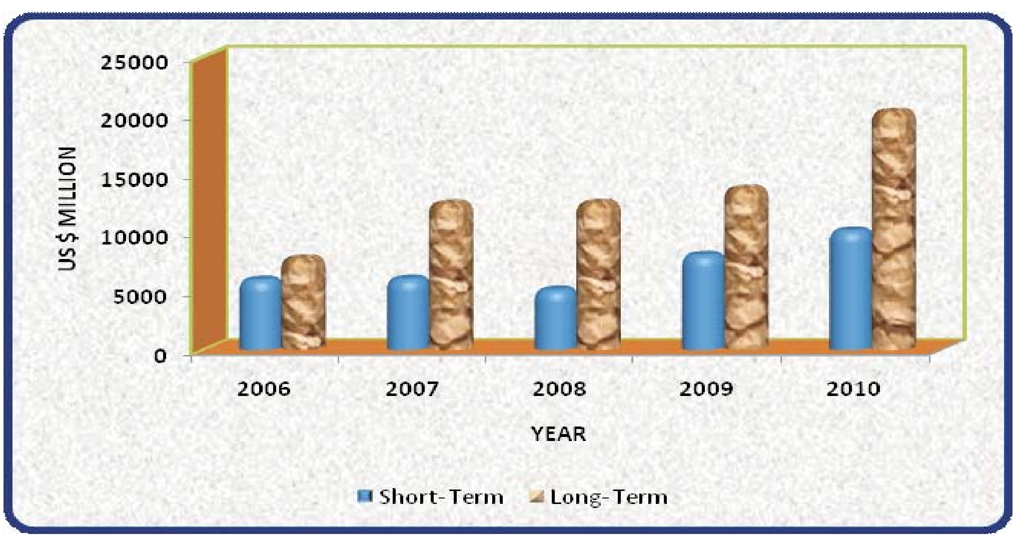
A trend analysis of the total domestic debt outstanding by maturity also showed that the proportion of long term debt had maintained an upward movement by rising from 56.52 percent in 2006 to 66.40 percent in 2010 (Table 5.5 and Figure 5.4). The long term debts were mainly in the FGN bonds.

TABLE 5.5: DOMESTIC DEBT OUTSTANDING BY RESIDUAL MATURITY, 2006 - 2010 (US$'MILLION)

Year	Short Term[1]	Long Term[2]	Total
2006	6,002.02	7,803.25	13,805.27
2007	6,076.82	12,498.85	18,575.67
2008	5,141.12	12,537.41	17,678.53
2009	8,114.83	13,755.29	21,870.12
2010	10,190.80	20,323.53	30,514.33
% in 2010	**33.40**	**66.60**	**100**

Notes: 1. Instruments with up to 1 year remaining maturity
2. Instruments with more than 1 year remaining maturity

FIGURE 5.4: DOMESTIC DEBT OUTSTANDING BY RESIDUAL MATURITY, 2006-2010



5.5 Domestic Debt Service

The total domestic debt service payment was N354,127.00 million in 2010. This was 25.78 percent higher than the level in 2009 (Table 5.6). In terms of proportionate shares, the FGN bonds service payments represented 65.26 percent of the total payments while payments in respect of the NTBs, the Treasury Bonds and the Development Stock constituted 18.37 percent, 16.26 and 0.10 percent respectively (figure 5.5). The total domestic debt service payments as a percentage of the total domestic debt stock outstanding was 7.78 percent in 2010 which was lower than the 8.41 percent in 2009. The decline in debt service-to-debt stock ratio reflected the drop in the cost of borrowing in the domestic market during the period under review. A trend analysis of the domestic debt service payments however showed a continued rise in 2006 to 2010 (Table 5.7 and Figure 5.6).

TABLE 5.6: DOMESTIC DEBT SERVICE PAYMENTS, 2010 (N MILLION)

INSTRUMENTS	PRINCIPAL	INTEREST	TOTAL
NTBs		65,070.20	65,070.20
Federal Govt. Bonds		231,112.92	231,112.92
Treasury Bonds	19,170.00	38,427.63	57,597.63
Developments Stocks	300.00	46.25	346.25
TOTAL DEBT SERVICE	**19,470.00**	**334,657.00**	**354,127.00**

Note: Debt service excludes refinanced FGN Bonds worth N317.76B & Promissory Notes that were capitalised & restructured.

Figure 5.5: COMPOSITION OF 2010 DOMESTIC DEBT SERVICE PAYMENTS (%)

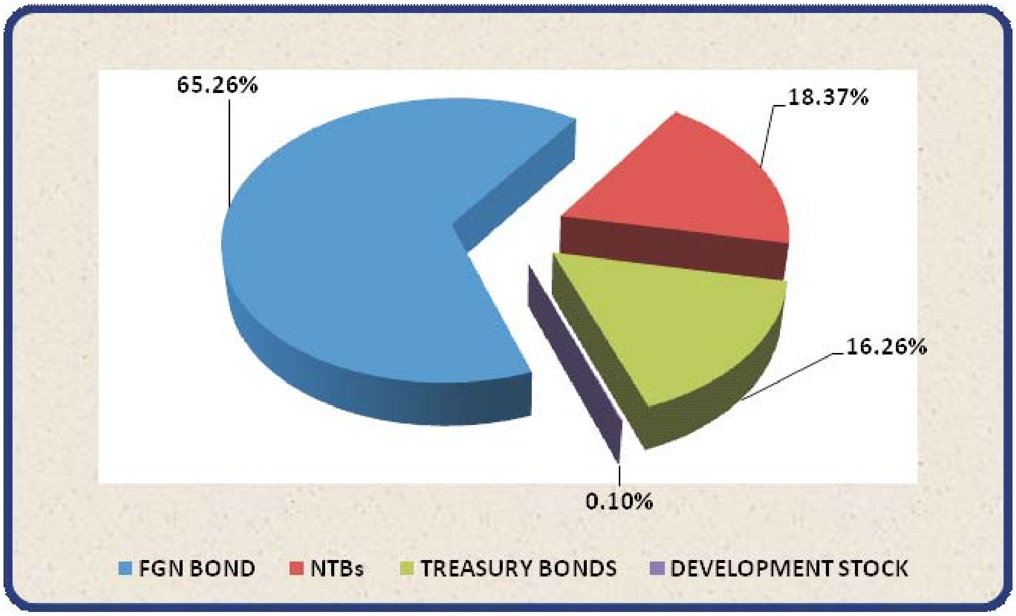
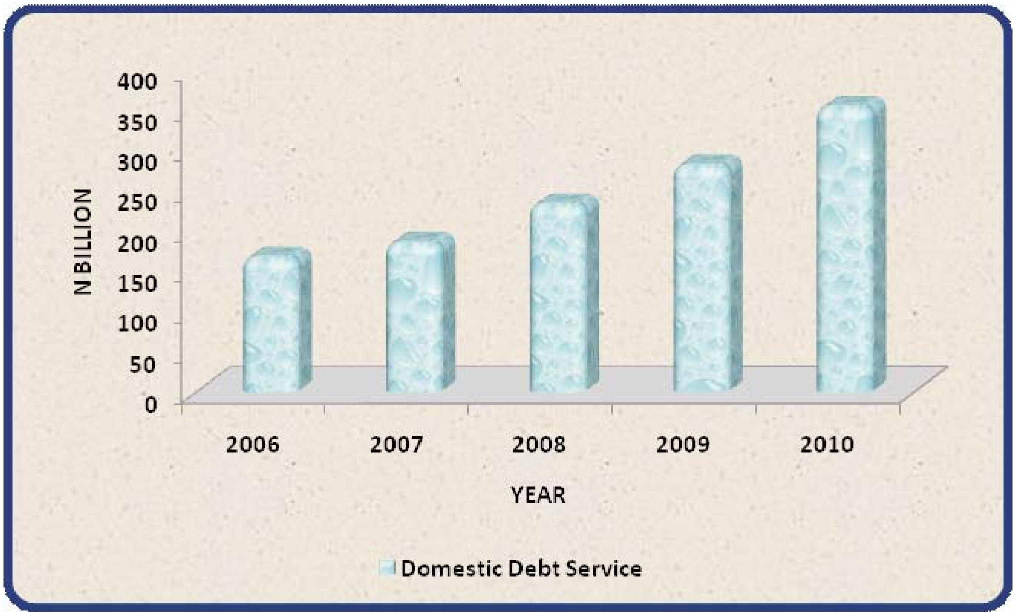


TABLE 5.7: DOMESTIC DEBT SERVICE PAYMENTS, 2006 - 2010 (N BILLION)

YEAR	DEBT SERVICE PAYMENTS
2006	166.84
2007	185.37
2008	232.98
2009	281.54
2010	354.13

FIGURE 5.6: DOMESTIC DEBT SERVICE PAYMENTS, 2006 - 2010 (N BILLION)



BOX 1: THE ISSUANCE PROGRAMME

The DMO ended the 2010 with a successful FGN Bonds Issuance Programme. The sum of N1,603.56 billion was realized from the programme. The proceeds were applied as follows:

APPLICATION OF PROCEEDS FOR 2010 FGN BOND (₦ BILLION)	
Maturing FGN Bonds	317.77
Funding Budget Deficit	1,104.30
Bank of Industry (BOI)	90.00
Federal Capital Territory (FCT)	62.00
Federal Ministry of Finance/Loan to FCT	21.30
VAT Refund	0.69
NTA (upgrade of broadcast equipment)	4.50
Gross Commission or Cost of Floatation	3.00
Total	1,603.56

From the table above it could be seen that the bulk of the proceeds of the FGN Bonds Issuance Programme were used to fund Federal Government's Budget Deficit for the year.

TABLE 5.8: 2010 FGN BONDS ISSUANCE (N' MILLION)

MONTHS	ISSUE AMOUNT (=N=)	SUBSCRIPTION (=N=)	ALLOTMENT (=N=)
January	75,000.00	166,530.11	93,500.00
February	75,000.00	197,285.08	75,000.02
March	70,000.00	224,200.95	70,000.00
April	80,000.00	191,167.93	140,000.00
May	80,000.00	95,708.65	80,000.00
June	80,000.00	229,336.93	80,000.00
July	105,000.00	211,727.07	105,000.00
August	105,000.00	202,861.61	126,461.61
September	120,000.00	320,390.13	192,301.84
October	142,810.00	160,068.10	122,937.97
November	70,310.00	126,941.47	89,238.35
December	70,000.00	141,542.38	70,000.00
TOTAL	**1,073,120.00**	**2,267,760.41**	**1,244,439.79**

Source: Securities Issuance Unit, DMO (amount issued, excluded N146.66 billion non-competitive bids)

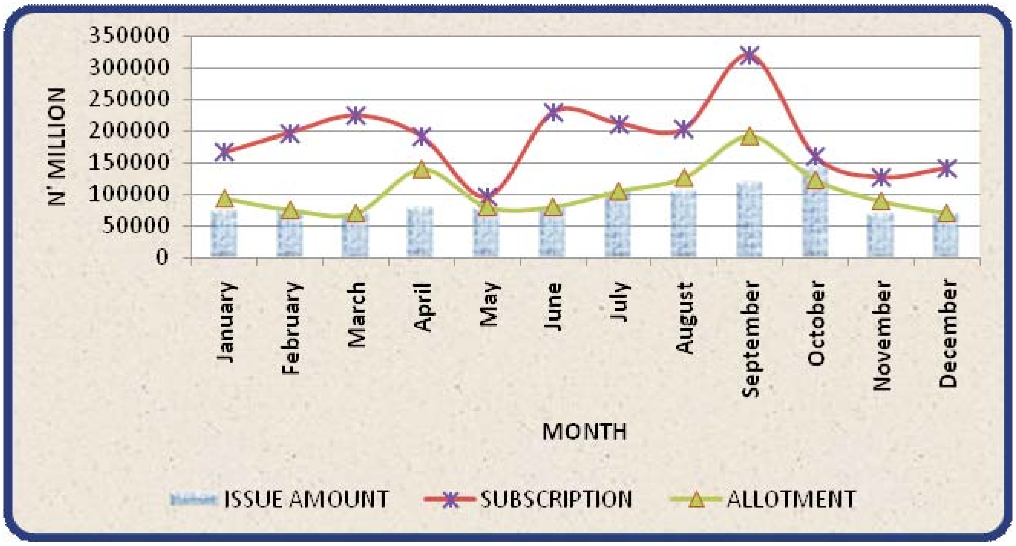
5.6 FGN BOND MARKET ACTIVITIES

5.6.1 Primary Market Activities

The 2010 primary market activities showed that all the issues in the year were oversubscribed. A detailed analysis of the monthly auctions indicated that N1, 219,780 million was offered and the sum of N2, 267,760.41 million was subscribed, thus representing 85.92 percent over-subscription. The over subscription was a reflection of liquidity in the market, the rising investor awareness and the appetite for diversification. At N2, 267,760.41 million, the level of subscription in 2010 represented 69.12 per cent higher than the N1,340,935.18 million subscribed in 2009.

The total amount allotted to successful bidders was N1,244,439.79 million and represented 15.96 percent higher than the amount offered (Table 5.8 and Figure 5.8). The difference represented Special Allotment to institutional investors (mainly government related) on non-competitive basis.

FIGURE 5.7: SUMMARY OF MONTHLY FGN BONDS OFFER, SUBSCRIPTION AND ALLOTMENT, 2010 (N' MILLION)



A trend analysis of the FGN Bonds primary market activities (Table 5.9 and Figure 5.8) showed that issues of new bonds have for the most part been oversubscribed since 2006, reflecting the positive impact of the DMO's education and enlightenment programmes. In addition, the amount offered and allotted had risen steadily over the years in line with the rapid growth and developments in the bonds market, as well as increased reliance of government on FGN Bonds as a means of financing the budget deficits.

TABLE 5.9: FGN BONDS PRIMARY MARKET ISSUANCE, 2006 - 2010 (N' MILLION)

Year	Offer/Issue	Subscription	Allotment
2006	245,000.00	612,979.00	282,082.84
2007	592,000.14	1,167,597.00	59 2,000.14
2008	515,000.00	845,951.00	491,961.16
2009	694,000.00	1,340,891.49	726,500.00
2010	1,073,120.00	2,267,760.41	1,244,439.79

FIGURE 5.8: SUMMARY OF MONTHLY FGN BONDS OFFER, SUBSCRIPTION AND ALLOTMENT, 2006-2010 (N' MILLION)

5.6.1.1 ALLOTMENT OF THE FGN BONDS BY RESIDENCY CLASSIFICATION

An analysis of the allotments of the FGN Bonds by Residency Classification showed that resident investors accounted for N668,121.65 million or 91.96 percent of bonds allotted in 2009, while it was N1,156,237.82 million or 92.91 percent of bonds allotted in 2010. The non-resident investors accounted for N58,378.35 million or 8.04 percent of bonds allotted in 2009, and N88,201.97 million or 7.09 percent in 2010 (Table 5.10). This showed a slight decrease in the proportion of non-resident investors in the economy from 8.04 percent in 2009 to 7.09 percent in 2010.

TABLE 5.10: ALLOTMENTS OF FGN BONDS BY RESIDENCY CLASSIFICATION (N' MILLION)

	2009		2010	
	(₦' MILLION)	% of Total	(₦' MILLION)	% of Total
Residents	668.121.65	91.96	1,156,237.82	92.91
Non-Residents	58,378.35	8.04	88,201.97	7.09
Total	**726,500.00**	**100.00**	**1,244,439.78**	**100.00**

5.6.1.2 AUCTION ANALYSIS BY TENOR

The analysis of the auction by tenor (3-year, 5-year, 7-year, 10-year and 20-year) of the FGN bonds in 2010 showed a mixed result (Table 5.11). All the bonds were oversubscribed except the 3-year and 7-year tenors that were under-subscribed in October 2010. The under subscription was the result of the tight liquidity in the Nigerian Financial System following the huge withdrawals from banks to fund large Foreign Exchange demands. Consequently, the bids received at the auction in the month of October were relatively high such that the marginal rate that would have cleared the October auctions would have been un-realistic and could have sent an un-intended wrong signal to the market, with very high debt service burden on the FGN. The DMO therefore applied cut-off rates (cap the borrowing rate) in order to clear the market even at the detriment of losing N64,174.35 million being portions of the total issuance amount earlier planned for the month.

Table 5.11: MONTHLY ANALYSIS OF 2010 B ONDS AUCTION BY TENOR (N M)

DEBT MANAGEMENT OFFICE						
ANALYSIS OF AUCTION BY TENOR - 2010 (=N= MILLION)						
MONTHS	3 YEAR	5 YEAR	7 YEAR	10 YEAR	20 YEAR	TOTAL
January	20,000.00	-	-	25,000.00	30,000.00	**75,000.00**
February	20,000.00	-	-	25,000.00	30,000.00	**75,000.00**
March	20,000.00	-	-	20,000.00	30,000.00	**70,000.00**
Sub-total	*60,000.00*	-	-	*70,000.00*	*90,000.00*	*220,000.00*
April	30,000.00	20,000.00	-	-	30,000.00	**80,000.00**
May	25,000.00	25,000.00	-	-	30,000.00	**80,000.00**
June	30,000.00	30,000.00	-	-	20,000.00	**80,000.00**
Sub-total	*85,000.00*	*75,000.00*	-	-	*80,000.00*	*240,000.00*
July	35,000.00	35,000.00	-	-	35,000.00	**105,000.00**
August	35,000.00	35,000.00	-	-	35,000.00	**105,000.00**
September	40,000.00	40,000.00	-	-	40,000.00	**120,000.00**
Sub-total	*110,000.00*	*110,000.00*	-	-	*110,000.00*	*330,000.00*
October	40,000.00	-	62,810.00	-	40,000.00	**142,810.00**
November	20,000.00	-	25,310.00	-	25,000.00	**70,310.00**
December	25,000.00	20,000.00	-	-	25,000.00	**70,000.00**
Sub-total	85,000.00	20,000.00	88,120.00	-	90,000.00	283,120.00
TOTAL	**340,000.00**	**205,000.00**	**88,120.00**	**70,000.00**	**370,000.00**	**1,073,120.00**

TABLE 5.12: ANALYSIS OF THE FGN BONDS, 2010 BY TENOR

TENOR	AMOUNT(N' MILLION)	PERCENTAGE
3-Year	340,000.00	31.68
5-Year	205,000.00	19.10
7-Year	88,120.00	8.21
10 -Year	70,000.00	6.52
20 -Year	370,000.00	34.48
TOTAL	**1,073,120.00**	**100.00**

A breakdown of the tenors of the instruments further showed that the 3-year, 5-year, 7-year, 10-year and 20-year bonds represented 31.68 percent, 19.10 percent and 8.21 percent, 6.52 percent and 34.48 percent of the total issuance respectively (Table 5.12).

5.6.1.3 ALLOTMENTS OF FGN BONDS ISSUED IN 2010

Analysis of the allotments by investor type in 2010 showed that the Deposit Money Banks absorbed 45.93 percent of the total holdings. The Non-Bank Financial Institutions and Pension Fund Administrators held 21.66 percent and 14.50 percent respectively. This was closely followed by the Discount Houses which accounted for 8.33 percent of the total allotment. The balance of the allotment were shared among the foreign investors, individuals and other investors in the order 7.09 percent, 0.04 percent and 2.45 percent respectively (Table 5.13 and Figure 5.9 & 5.10).

Figure 5.9: Analysis of Allotments by Investor Category, 2010

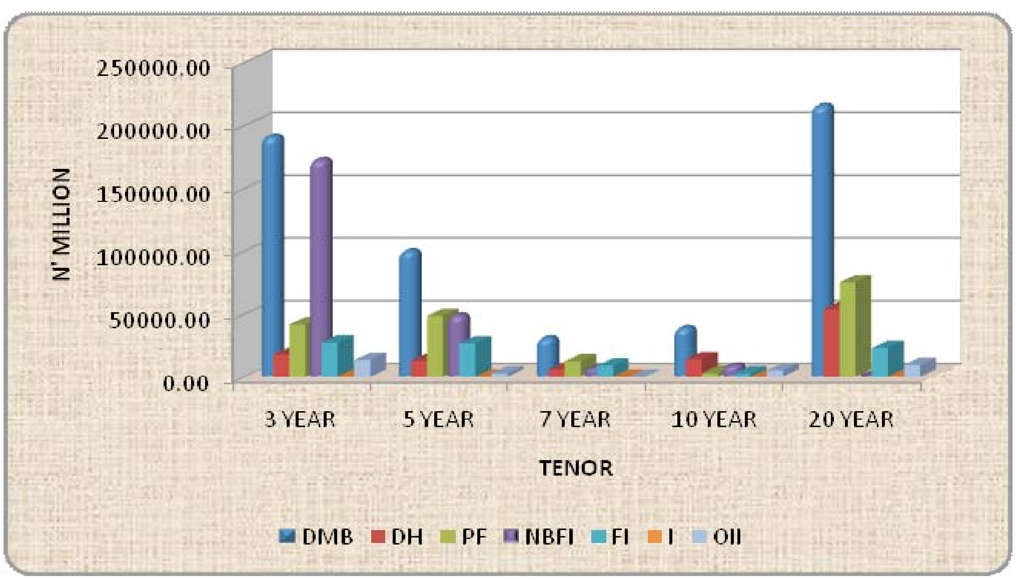
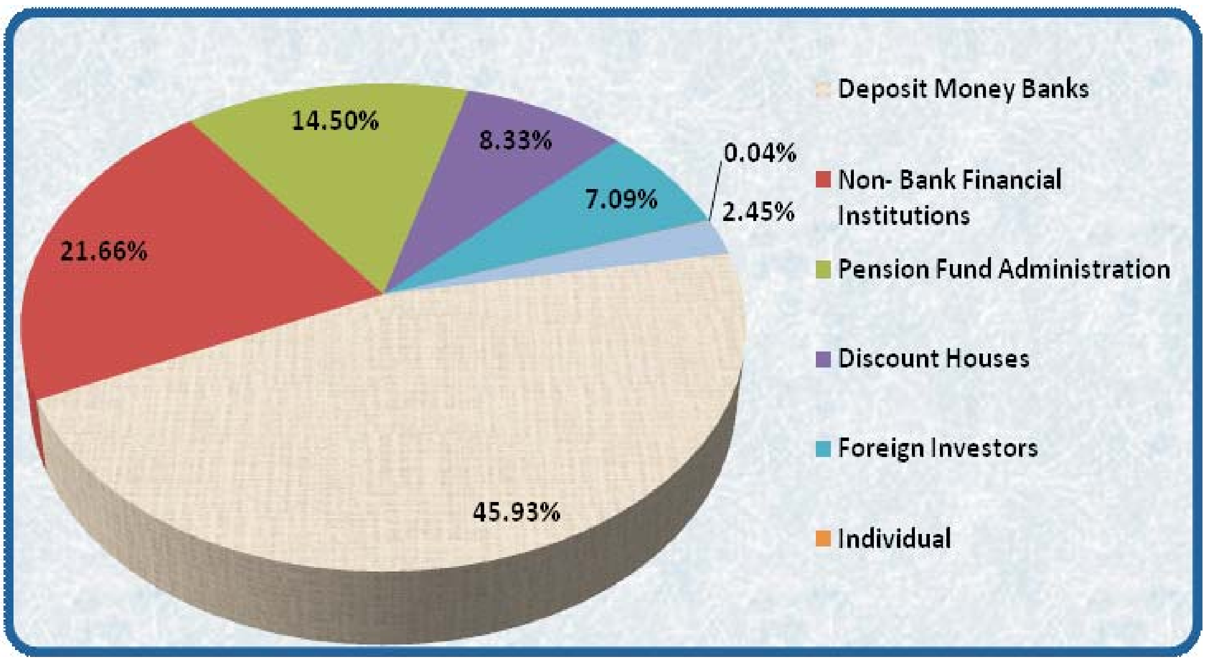


TABLE 5.13: ALLOTMENTS OF FGN BONDS ISSUED IN 2010 (N'MILLION)

TOTAL AMOUNT OFFERED		1,073,12.00
TOTAL SUBSCRIPTION		2,267,760.41
RANGE OF BIDS %		5.00 -19.99
RANGE OF MARGINAL RATES (COUPONS) %		4.00 – 15.00
PERCENTAGE OF SUBSCRIPTION		
	AMOUNT	PERCENTAGE OF TOTAL ALLOTMENT
TOTAL ALLOTMENT:	1,244,439.79	
DEPOSIT MONEY BANKS	571,556.34	45.93
DISCOUNT HOUSES	103,661.59	8.33
PENSION FUNDS	180,399.88	14.50
NON-BANK FINANCIAL INSTITUTIONS	269,577.41	21.66
FOREIGN INVESTORS	88,201.97	7.09
INDIVIDUALS	553.78	0.04
OTHER INSTITUTIONAL INVESTORS	30,488.82	2.45

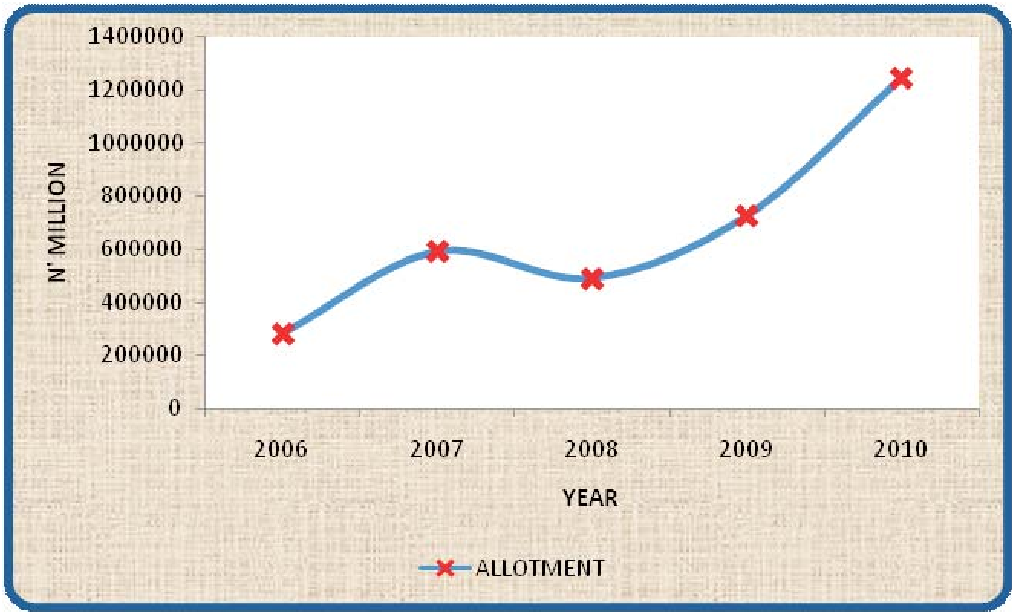
FIGURE 5.10: ALLOTMENTS OF FGN BONDS ISSUED IN 2010



5.6.1.4 TREND ANALYSIS OF FGN BONDS ALLOTMENTS

A trend analysis of allotments of the FGN bonds from 2006 to 2010 showed an increase in allotments since 2006 except in 2008 (Figure 5.11). Total allotments increased from N282, 082.84 million in 2006 to N1, 244,439.79 million in 2010 representing an increase of 341.16 percent. The significant increase in allotments was attributed to rapid growth in the FGN bonds market.

FIGURE 5.11: ANALYSIS OF FGN BONDS ALLOTMENTS, 2006-2010



Box 2: DMO's Collaborative Efforts in Bond Market Development

As in the preceding years the DMO continued to promote a robust and virile domestic bond market in 2010 through collaborative efforts with other stakeholders in the financial market. The main stakeholders included the CBN, Securities and Exchange Commission, The Nigerian Stock Exchange (NSE), National Pension Commission, Federal Inland Revenue Service and the Financial Markets Dealers Association. The DMO also participated in several Committees established for strengthening the development of the domestic bond market, which is reported below. The focus of the DMO in the collaborative and committee meetings was directed at consensus building during the year.

Bond Market Steering Committee

The Committee which was set up in 2006 to promote the development of the domestic bond market continued to pursue its activities through its two (2) Sub-Committees (Technical Sub-Committee and Publicity Sub-Committee). In the course of carrying out its mandate, the Committee identified a number of legal and administrative issues promoting the growth and development of all segments (Federal Government, Sub-national and Corporates) of the domestic bond market. Four (4) of the Committee's recommendations in this regard, were adopted by the relevant authorities in 2010 and have either been implemented or are at various stages of implementation.

Primary Dealer Market Makers Association (PDMMs)

This umbrella body for Primary Dealer Market Makers (PDMMs) licensed by the DMO, met regularly with the DMO and other stakeholders to review developments in the FGN Bond Market and the domestic bond market in general, as well as, to identify and pursue initiatives that will promote the growth of the market. Other stakeholders who participated in these DMO's Interactive Sessions with the PDMMs were the CBN, SEC and the Central Securities Clearing System.

Monetary and Fiscal Policy Coordinating Committee

The Committee whose mandate is to harmonise fiscal and monetary policies with a view to promoting stability in the financial markets met regularly. Furthermore, members of the Committee engaged each other on bilateral basis on issues of common interest on an on-going basis.

The members of the Monetary and Fiscal Policy Coordinating Committee are: The Federal Ministry of Finance, National Planning Commission, CBN, Budget Office of the Federation, Office of the Accountant-General of the Federation, National Bureau of Statistics and the Debt Management Office.

Financial System Strategy, 2020 (FSS 2020)

The DMO participated actively in Meetings, Retreats and Workshops arranged by the Project Management Office of the FSS 2020 which were organised to give impetus to the goals and objectives of the FSS 2020. The DMO continued to contribute to the activities of the FSS 2020 Committee on Financial Market Implementation of which it is also a member.

Others

As in previous years, the DMO participated in the Meetings of the Capital Market Committee of SEC. In 2010, the DMO was co-opted into the membership of three Committees: the Asset Management Corporation of Nigeria's Implementation Committee, Financial Services Regulation Coordinating Committee's Sub-Committee on Financial Market Development and the Committee constituted by the CBN to prepare the Guidelines for according Liquid Asset Status to State Government Bonds.

5.6.2 SECONDARY MARKET ACTIVITIES

The activities in the secondary market witnessed mixed results in 2010, as the face value of bonds traded and the value of trades dropped; but the total number of deals rose though marginally. The total number of deals, increased from 132,374 in 2009 to 135, 874 in 2010 (Table 5.14) representing a rise of 2.65%; while the Face Value of Bonds traded and the Value of Trades dropped to N13.677trillion in 2010 from N16.789 trillion in 2009 and to N15.180 trillion in 2010 from N18.179 trillion in 2009 respectively (Table 5.15).

TABLE 5.14: FGN BONDS SECONDARY MARKET TRADES (OTC) 2006-2010 (N' BILLION)

Year	Number of Deals/Transactions	Volume (Units)	Face Value (N' B)
2006	5,482.00	585,410,867	585.41
2007	30,241.00	3,947,284,982	3,947.29
2008	80,135.00	10,090,235,806	10,090.24
2009	132,374.00	16,789,262,632	16,789.26
2010	135,874.00	13,677,151,766	13,677.15

Source: Central Securities Clearing System (CSCS)

A detailed review of activities in the Secondary Market in 2010 as presented in Table 5.15 revealed that trading activity in the first quarter of the year was higher than the level recorded in 2009. Specifically, the Face Value of Trades in 2010 was N4.705 trillion compared to N3.904 trillion in 2009. Also, at about N5.7 trillion in Q1 2010, the Value of Trades was 43% higher than the figure of N3.962 trillion in 2009. The higher level of activity recorded in the first quarter was due to the increased level of liquidity in the banking system and the attendant high demands for the FGN securities during the period.

Table 5.15: TRADING ACTIVITIES IN FGN BONDS FOR 2009 AND 2010

MONTH	2009			2010		
	NUMBER OF TRANSACTIONS	FACE VALUE (₦'m)	VALUE/ CONSIDERATION (₦'m)	NUMBER OF TRANSACTIONS	FACE VALUE (₦'m)	VALUE/ CONSIDERATION (₦'m)
January	10,804	1,532,720	1,560,883	13,818	1,148,805	1,306,761
February	8,382	1,327,944	1,354,485	18,206	1,368,098	1,636,757
March	6,064	1,042,892	1,046,145	23,078	2,188,213	2,755,996
April	9,224	1,307,991	1,361,856	13,472	1,305,527	1,621,532
May	9,260	1,494,028	1,532,946	6,523	730,432	871,427
June	8,086	1,579,243	1,613,110	12,091	1,222,987	1,344,222
July	14,968	1,998,402	2,163,698	12,560	1,322,168	1,454,987
August	8,481	1,032,893	1,140,240	11,054	1,002,740	1,023,189
September	14,863	1,714,590	1,900,550	9,146	997,989	946,499
October	17,704	1,649,364	1,934,276	8,005	1,091,499	1,035,611
November	16,264	1,377,065	1,739,595	5,524	830,816	750,909
December	8,274	732,129	830,800	2,397	467,876	432,168
Total	132,374	16,789,263	18,178,583	135,874	13,677,152	15,180,059

Source: Central Securities Clearing System

Other highlights of the FGN Bond Secondary Market activities in 2009 and 2010 are as shown in Table 5.16

Table 5.16: FGN Bond Trading Highlights

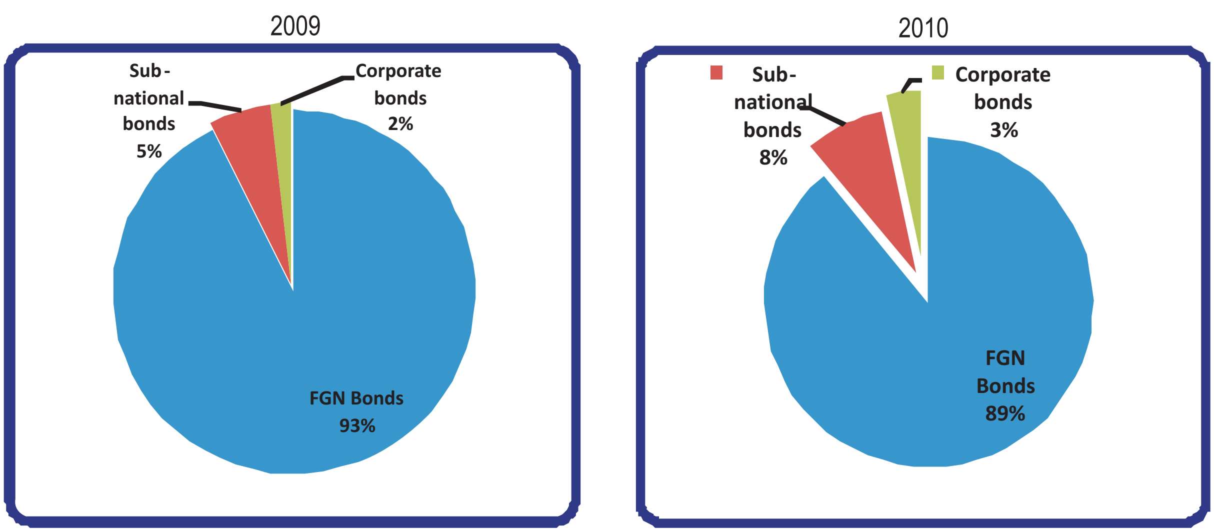
Description	2009	2010
Highest Priced Bond	15.00% FGN Nov 2028	15.00% FGN NOV 2028
Lowest Priced Bond	10.75% FGN MAR 2014	4.00% FGN APR 2015
Average Price	₦1,102.96	₦1,081.14
Highest Price	₦1,734.43	₦1,807.02
Lowest Price	₦924.40	₦745.44

5.7 SIZE AND COMPOSITION OF THE DOMESTIC BONDS MARKET

The total bonds outstanding as at December 31, 2010 were N3,263.68 billion and represented an increase of 53% over the N2,132.51 billion as at December 31, 2009. The growth in bonds outstanding was mainly driven by the 47% increase in the FGN Bonds in 2010.

The charts below show the percentage composition of the domestic bond market as at December 31, 2009 and 2010 by issuer type. The share of the FGN Bonds in both 2009 and 2010 remained very large even though there was a slight decrease from 92.61% in 2009 to 88.91% in 2010. The share of the other two segments however increased, albeit marginally. The share of Corporate Bonds increased from 1.83% (N39.08 billion) as at the end of 2009, to 3.40% (N111.075 billion) as at the end of December 31, 2010. The share of the Sub-national Bonds increased to 7.69% (N251 billion) in 2010, from 5.56% (N118.50 billion) as at December 31, 2009.

Figure 5.12: Size and Composition of the Domestic Bond Market



Sources: Securities and Exchange Commission and Debt Management Office

5.7.1 Corporate Bond Issuance

The bond issuance activity in the corporate segment of the market in 2010 witnessed a marked improvement over the level in 2009. From two (2) Corporate issues in 2009, the number of corporates that issued bonds rose to four (4) in 2010. Similarly, the face value of the bonds issued by the Corporates amounted N72 billion in 2010 compared to N16.405 billion in 2009 (Table 5.16).

Table 5.17: Corporate Bond Issues in 2010

Name	2009			Name	2010		
	Amount (₦ billion)	Tenor (Years)	Coupon (%)		Amount (₦ billion)	Tenor (Years)	Coupon (%)
Guaranty Trust Bank	13.165	5	13.5	NGC Sterile	2	5	17
C & I Leasing	2.24	5	Variable*	UPDC	15	5	10
				UBA Plc	20	7	13
				Flour Mills of Nigeria Plc	35	5	12

Sources: Securities and Exchange Commission and Debt Management Office
*Determined by reference to the dividend yield on the company's shares

Box 3: NEW INITIATIVES IN THE FGN BONDS MARKET

There were two (2) outstanding initiatives of the DMO for the developments of the Bonds market in the year under review. These are:

Change in the Nomenclature of FGN Bonds
In August 2010, the DMO after extensive collaboration with the key stakeholders in FGN Bonds changed the nomenclature of FGN Bonds. The change entailed a switch from the "Series" Identifier System that was adopted in 2003 when FGN Bonds were first issued to a new nomenclature which identifies FGN Bonds by their key features namely: Coupon, Issuer and Maturity. With the change, the nomenclature for FGN Bonds became aligned with international best practices. In addition, the change has made it easier for all categories of operators and investors in FGN Bonds, as well as, financial market analysts, to know the principal features of each FGN Bond through their respective nomenclatures.

New Products and Processes
The DMO commenced the process for implementing Securities Lending, Repos, Buy Backs, Switches and Price Discovery and Information Dissemination in the bonds market in August 2010. These new products were the result of the collaborations among the World Bank, DMO and other Stakeholders under the World Bank Mission on Government Debt Market Development in the year under review.

5.8 SOVEREIGN YIELD CURVE FOR THE FEDERAL GOVERNMENT OF NIGERIA SECURITIES

Figure 5.13 shows the sovereign yield curves of the Federal Government of Nigeria securities, comprising the Nigerian Treasury Bills (NTBs) and the FGN Bonds, as at 31st December, 2010. The Sovereign Yield Curve for the Federal Government of Nigeria securities was distorted in the 5-10 year range owing largely to, limited trading in some of the FGN Bonds following sharp changes in interest rates and liquidity in the second half of 2010. The 2009 yield curve showed relative stability as the upward sloping trend suggested investors' expectation of higher yield in the face of rising future inflation.

Figure 5.13: Sovereign Yield Curve of FGN Securities as at End, 2010

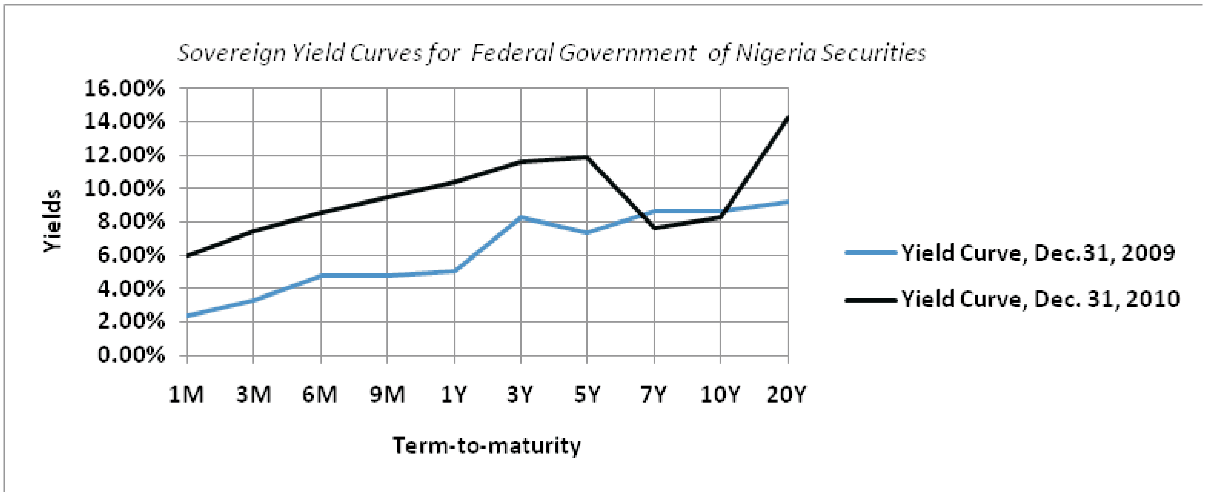


Figure 5.13 shows the Sovereign Yield Curves for the Federal Government of Nigeria Securities (Nigerian Treasury Bills & FGN Bonds), as at December 31, 2010 compared to that of December 31, 2009. The Yield Curve as at end of December 2010, shifted upward significantly, when compared to the end-December 2009 profile. The position of the Yield Curve at the end of 2010 was a reflection of the high yields on FGN Bonds that characterized the FGN Bond market for most part of the year. The upward shift in the Yield Curve was more significant around the 3-year, 5-year and 20-year FGN Bonds, as well as, the NTBs.

5.9 ASSESSMENT OF THE DOMESTIC BONDS MARKET IN 2010

Activities in the domestic bond market were higher in 2010 than in the previous years. This was traced to improved public appetite for bonds as evidenced by the several write-ups and the reports on bonds in the mass media and the prompt responses to the numerous enquiries received by the DMO from local and international investors. Some of the significant positive developments in the domestic bond market in 2010, which were achieved through stakeholders collective commitment to the development of the domestic bond market included:

i. Higher number of bonds issued by state governments and corporates which resulted in a reduction, though marginal, in the share of FGN Bonds in the domestic bond market.

ii. The President's approval of Tax Waivers on sub-national and corporate bonds and Stamp Duty Reduction for re-issues of debenture.

iii. Liquid Asset Status for eligible State Government Bonds.

iv. Provision of cash settlement services for sub-national and corporate bonds by the CBN.

v. Issuance of new Rules by Securities and Exchange Commission (SEC) for sub-national and corporate bond issues.

vi. Issuance of new Rules for Inter-Dealer Brokers

vii. Reduction in Fees and charges for bond transactions by The NSE.

viii. Review by PenCom of its Investment Guidelines for Pension Funds.

Following developments in the market, it was evident that most of the State Governments and Corporates that came to market in 2009 and 2010 were encouraged by the new framework provided by the DMO. Particularly noticeable, was the fact that State Governments and Corporates have embraced the use of Shelf-registration in bonds. In terms of pricing of the non-sovereign bonds, a clear benchmarking to FGN Bond with a similar tenor was adopted in line with international best practices.

5.10 OUTLOOK FOR THE DOMESTIC BONDS MARKET FOR 2011

There are significant opportunities for growth in the domestic bond market in terms of number and diversity of bond issuers, range of products, as well as, the size and diversity of investor base. The crash in the equities market in 2008 and the lull that characterized the market since then have made it imperative for corporates who typically need large long term stable funds to consider bonds as an alternative to issuing equities, while investors have become more aware of the need to diversify their portfolio in order to avoid concentration risks. These, together with the various policy measures that have been adopted by government and regulators, as well as, the initiatives by market operators such as the FMDA and PDMM Association to standardize processes and deepen the market are expected to influence market activities positively in the coming years.

CHAPTER SIX

The DSA results showed that Nigeria was at a low risk of debt distress, as total public debt (domestic and external) remained sustainable throughout the projection period for both solvency and liquidity indicators. External debt sustainability under the baseline showed that both solvency and liquidity indicators remained sustainable throughout the projection period as all external debt ratios fell within the indicative thresholds. However external debt to revenue ratio was very sensitive, when subjected to the bound test, as the ratio of external debt to revenue exceeded the 250 percent threshold in 2012 but became sustainable by 2029 and 2030.

DEBT SUSTAINABILITY ANALYSIS

6.1 Introduction

The 2010 Debt Sustainability Analysis (DSA) of the country was conducted in the year, with the scope and coverage limited to the Federal Government. The objective of the exercise as in the previous years was to assess Nigeria's debt sustainability and financing requirements in the medium to long term; and to recommend how best the financing gaps could be filled. The exercise which was led by the DMO involved other stakeholders including the CBN, FMF, BOF, NPC and NBS, as well as the WAIFEM. The exercise was based on the new Template of the World Bank Debt Sustainability Framework for Low Income Countries developed in March, 2010.

The results of the exercise were benchmarked against the World Bank's Country Policy and Institutional Assessments (CPIA) Index which classifies Nigeria as a Medium Performer with a rating of 3.4. In accordance with international best practices, the analysis of the level of risk of debt distress was conducted within the corresponding debt burden indicators of the CPIA position for Low Income Countries (LICs).

6.2 SCENARIO ASSUMPTIONS

The DSA examined two scenarios: Baseline Scenario and Alternative (Optimistic) Scenario. The underlying macroeconomic assumptions of the Baseline scenario were anchored on the implementation of sound financial management policies and the achievement of the macroeconomic objectives of the Federal Government for 2010.

The macroeconomic assumptions of the Alternative (Optimistic) scenario were based on the Federal Government's Vision 20:2020 programme of national development; while the 7-Point Agenda of the current government was used to assess the country's vulnerability to debt distress.

6.3 DEBT SUSTAINABILITY UNDER THE BASELINE SCENARIO

6.3.1 TOTAL PUBLIC DEBT SUSTAINABILITY

The results of the DSA under the baseline scenario showed that Nigeria was at a low risk of debt distress, as the total public debt (external and domestic) remained sustainable throughout the projection period. Both solvency and liquidity indicators showed that the country's total public debt would be sustainable throughout the projection period. The Net Present Value (NPV) of total debt was 16.2 percent of the GDP in 2010; which would fall to 2.2 percent in 2020 and 0.9 percent in 2029, and still remain well below the indicative threshold of 40 percent.

The NPV of the total public debt as a percentage of total revenue would remain well within the sustainability threshold, as it peaked at 129.4 percent in 2010, well below the indicative threshold of 250 percent (Table 6.1).

TABLE 6.1: NIGERIA'S TOTAL PUBLIC DEBT INDICATORS IN THE BASELINE SCENARIO

SOLVENCY/LIQUIDITY INDICATORS	THRESHOLD (%)	2010 (%)	2011 (%)	2015 (%)	2020 (%)	2029 (%)
NPV of Debt/GDP	40	16.2	12.4	5.5	2.2	0.9
NPV of Debt/Revenue	250	129.4	134.9	90.8	85.4	109.6
Debt Service/Revenue	30	11.7	13.7	8.6	8.0	16.0

Source: 2010 DSA Report

FIGURE 6.1: NPV OF TOTAL PUBLIC DEBT-TO-GDP RATIO, 2010-2030, (%)

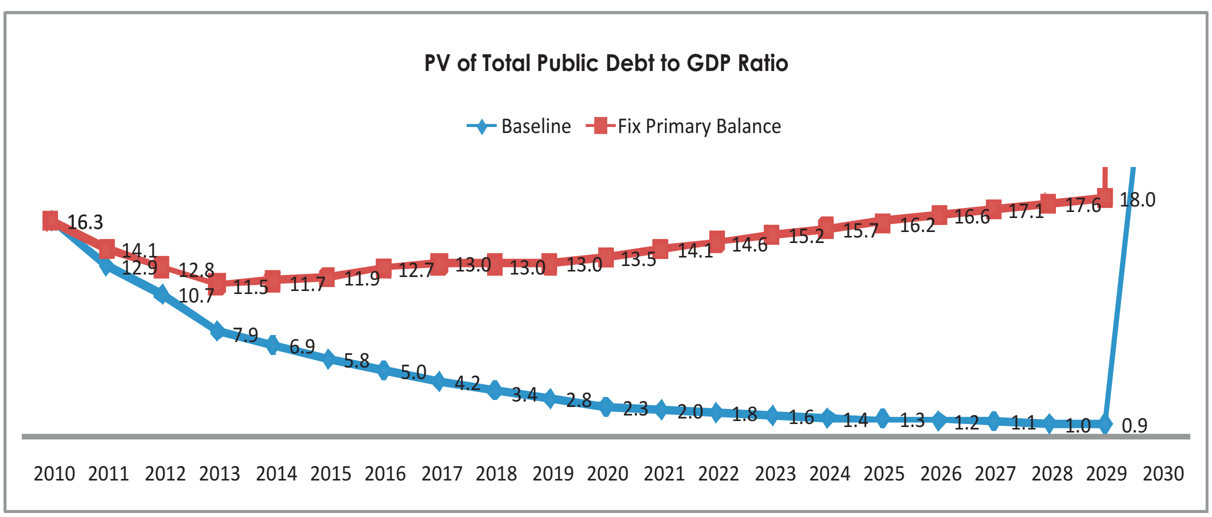


FIGURE 6.2: NPV OF TOTAL PUBLIC DEBT-TO-REVENUE RATIO (%)

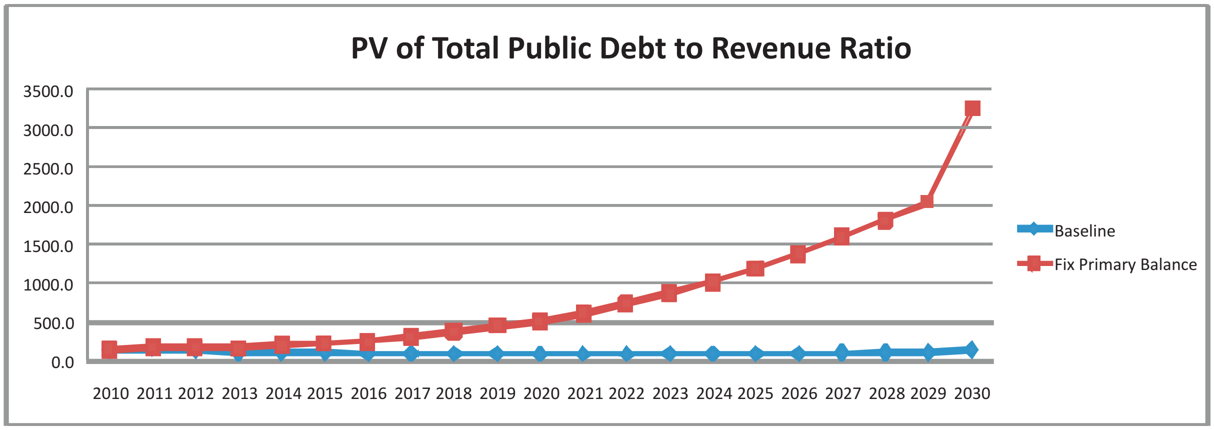
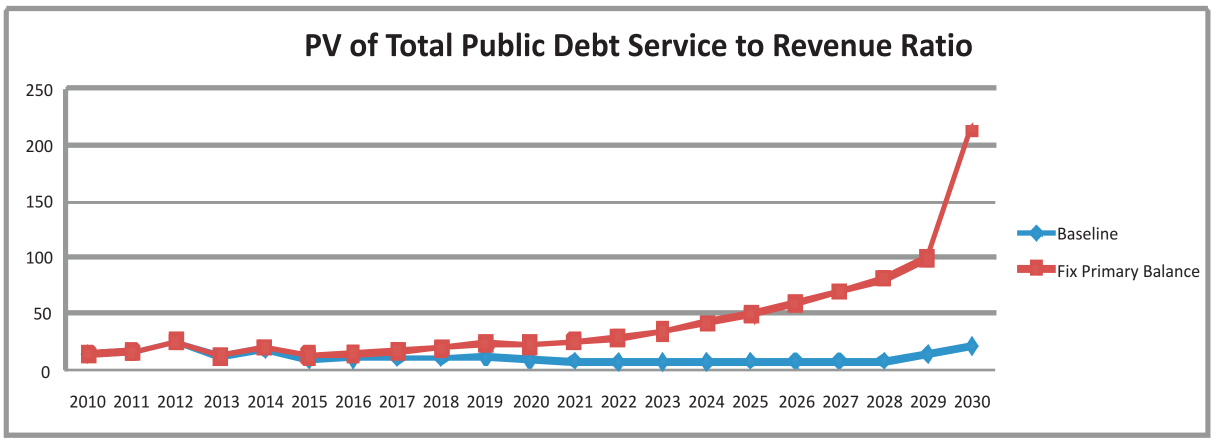


FIGURE 6.3: PV OF TOTAL PUBLIC DEBT SERVICE-TO-REVENUE RATIO (%)



The stress test results showed that most of the ratios were within the sustainable threshold. This was clearly demonstrated as the Bound test result which assumed a combination of real GDP growth and net non-debt creating flows at historical average of minus 1 standard deviation in 2011-2012, showed that the NPV of total debt as a percentage of GDP would reach its peak at 16 percent in 2010, and would be well within the 40 percent threshold.

Similarly, the test result also showed that the Present Value of total debt-to-revenue would reach its peak at 129 percent in 2010, and improve further in the projection period. This shows a comfortable liquidity position when compared with the sustainability threshold of 250 percent.

Most extreme stress test (severe condition) showed that the total public debt is most vulnerable to real GDP growth at historical average minus 1 standard deviation, as the

NPV of the total debt ratio stood 42 percent of GDP in 2015, marginally exceeding the 40 percent threshold. In addition, result was also obtained for the total debt-to-revenue ratio which exceeded the 250 percent threshold as from 2012 to the remaining projection period. These showed that under the most extreme stress test condition, Nigeria's total debt would not be sustainable in the medium to long term.

6.3.2 EXTERNAL DEBT SUSTAINABILITY

Under the baseline scenario, the results of the DSA showed that both the solvency and liquidity indicators of the country's external debt would remain sustainable throughout the projection period. All the external debt ratios were within the indicative threshold as shown in the table below.

TABLE 6.2: NIGERIA'S EXTERNAL DEBT INDICATORS UNDER THE BASELINE SCENARIO

SOLVENCY/LIQUIDITY INDICATORS	THRESHOLD (%)	2010 (%)	2011 (%)	2020 (%)	2025 (%)	2029 (%)
NPV of Debt/GDP	40	3.1	2.9	1.1	0.7	0.5
NPV of Debt/Export	150	12.3	13.0	16.3	16.7	20.7
NPV of Debt/Revenue	250	25.2	31.7	45.0	57.8	84.5
Debt Service/Export	20	1.0	0.9	1.3	1.4	1.9
Debt Service/Revenue	30	2.1	2.1	3.5	4.9	7.6

Source: 2010 DSA Report

The stress test result generally showed that both liquidity and solvency ratios would be sustainable in the projection period. The result also indicated that the NPV of total external debt-to-GDP ratio would average 1.51 percent over the projection period, which would be well below the sustainability threshold of 40 percent. In the Bound test which combines both real GDP growth and net non-debt creating flows at historical average minus 1 standard deviation in 2011 2012, the NPV of the total external debt-to-GDP ratios increased from 17.5 percent in 2011 to 28.8 percent in 2015; this was also within the threshold of 40 percent.

In the baseline scenario, the result of the stress test also showed that the NPV of the external debt-to-exports would be sustainable as it would maintain an average of 15 percent throughout the projection period, well within the threshold of 150 percent.

Similarly, in the Bound test which was the most extreme stress condition, the NPV of external debt-to-exports would increase from 56.0 percent in 2011 to 105.6 percent in 2015, which would still be below the indicative debt burden threshold of 150 percent.

A one-time 30 percent nominal depreciation of the naira relative to the baseline in 2011 also left the ratios at sustainable levels.

However, the total external debt to revenue ratio was most sensitive when subjected to same bound test as the ratios far exceeded the 250 percent threshold in 2012 and beyond.

6.4 DEBT SUSTAINABILITY UNDER THE OPTIMISTIC SCENARIO

6.4.1 Total Debt Sustainability

In the optimistic scenario, the result of the Solvency Indicators showed that Nigeria's total public debt would be sustainable throughout the projection period, as the total debt-to-GDP would be within the 40 percent threshold. It can also be seen that the NPV of the total debt-to-GDP maintains a decreasing trend, as the rate of debt accumulation rose higher than the growth of the economy with Foreign Direct Investment (FDI) following a similar trend. The result also showed the dominance of foreign borrowing as from 2015 onwards, if the International Capital market (ICM) was the main source of foreign borrowing.

Similarly, the NPV of total debt-to-revenue would also remain sustainable with all ratios falling below the 250 percent threshold. This would be due to higher level of receipts arising from projected higher oil prices as well as higher volume of oil production as envisaged in the Vision 20:2020.

The NPV of total debt service as percentage of revenue would also be sustainable with all ratios below the indicative threshold of 30 percent. This was also attributable to higher expected revenues relative to the debt service cost in the projection period.

Table 6.3: Nigeria's Total Public Debt Indicators under the Optimistic Scenario

	Threshold	DSA Result				
		2010	2011	2015	2020	2029
NPV of Debt -to-GDP	40	16.5	16.3	8.2	4.6	1.4
NPV of Debt -to-Revenue	250	129.4	184.0	157.0	193.3	179.5
Debt Service -to-Revenue	30	11.7	14.3	11.3	14.0	19.3

6.4.2 External Debt Sustainability

In the optimistic scenario, the result in the baseline scenario shows that Nigeria's external debt would be sustainable as all the ratios would be far below the threshold of 40 percent. This was due to the increase in productive activities and massive injection of resources in the critical sectors of the economy, which was expected to increase the growth in real GDP.

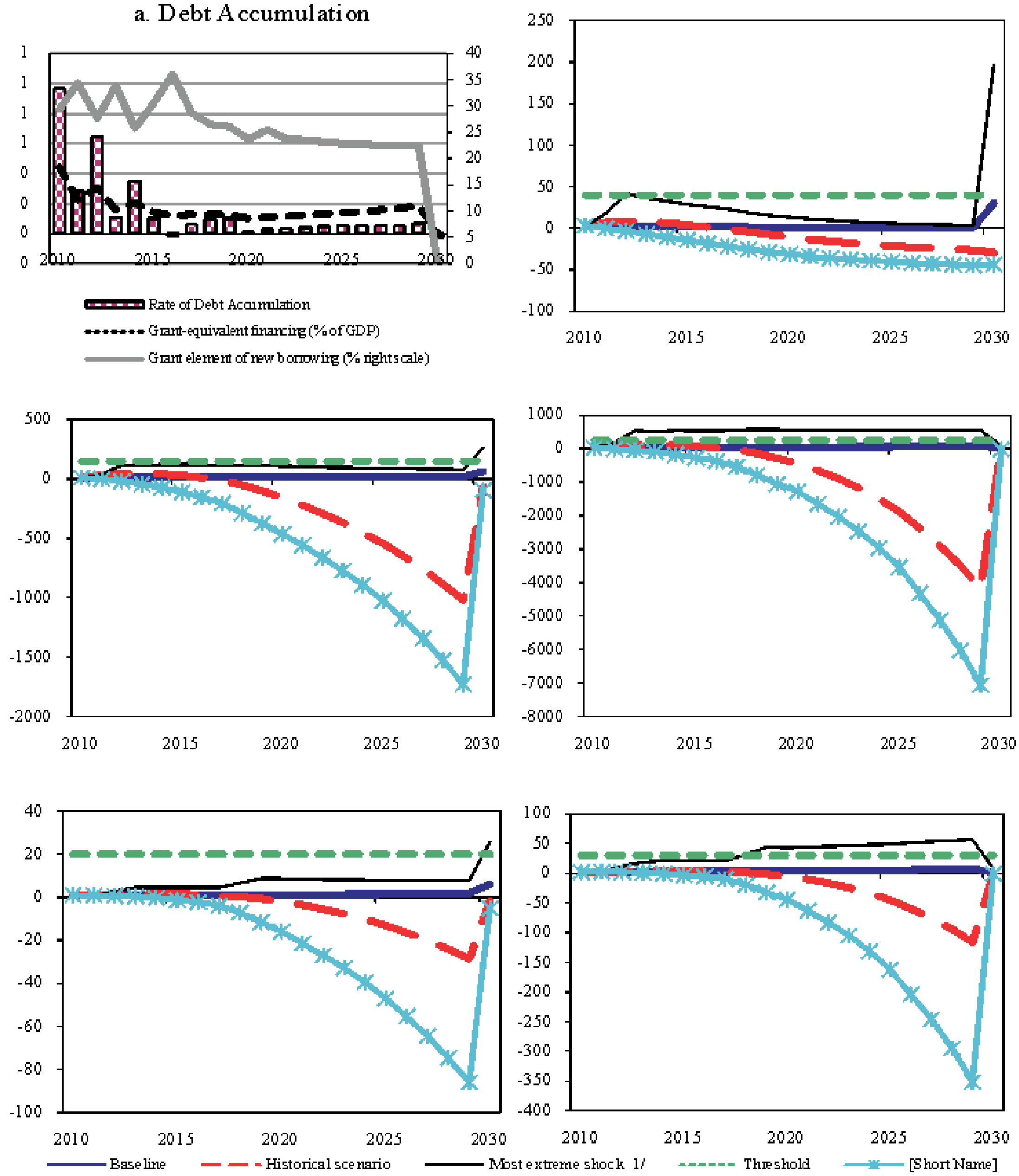
The NPV of external debt-to-revenue would also remain sustainable with the ratios reaching a peak of 148.7 in 2029, well below the 250 percent threshold. This was partly due to higher oil prices which were expected to average US$80 per barrel in the projection period.

Table 6.4: Nigeria's External Debt Sustainability Indicators under the Optimistic Scenario

	Threshold	DSA Result			
		2010	**2015**	**2020**	**2029**
NPV of Debt-to-GDP	40	3.2	4.1	2.9	1.0
NPV of Debt-to-Revenue	250	25.2	78.9	127.0	148.7
NPV of Debt-to-Exports	150	12.3	28.5	34.4	29.3
Debt Service-to-Export	20	1.0	2.1	2.6	2.7
Debt Service-to-Revenue	30	2.1	5.7	9.4	13.6

All the liquidity indicators were sustainable as reflected in the table above. The results showed that external debt service peaked at 2.7 percent of the export in 2029 and 13.6 percent of the revenue in the same year, which were all below the indicative threshold of 30 percent.

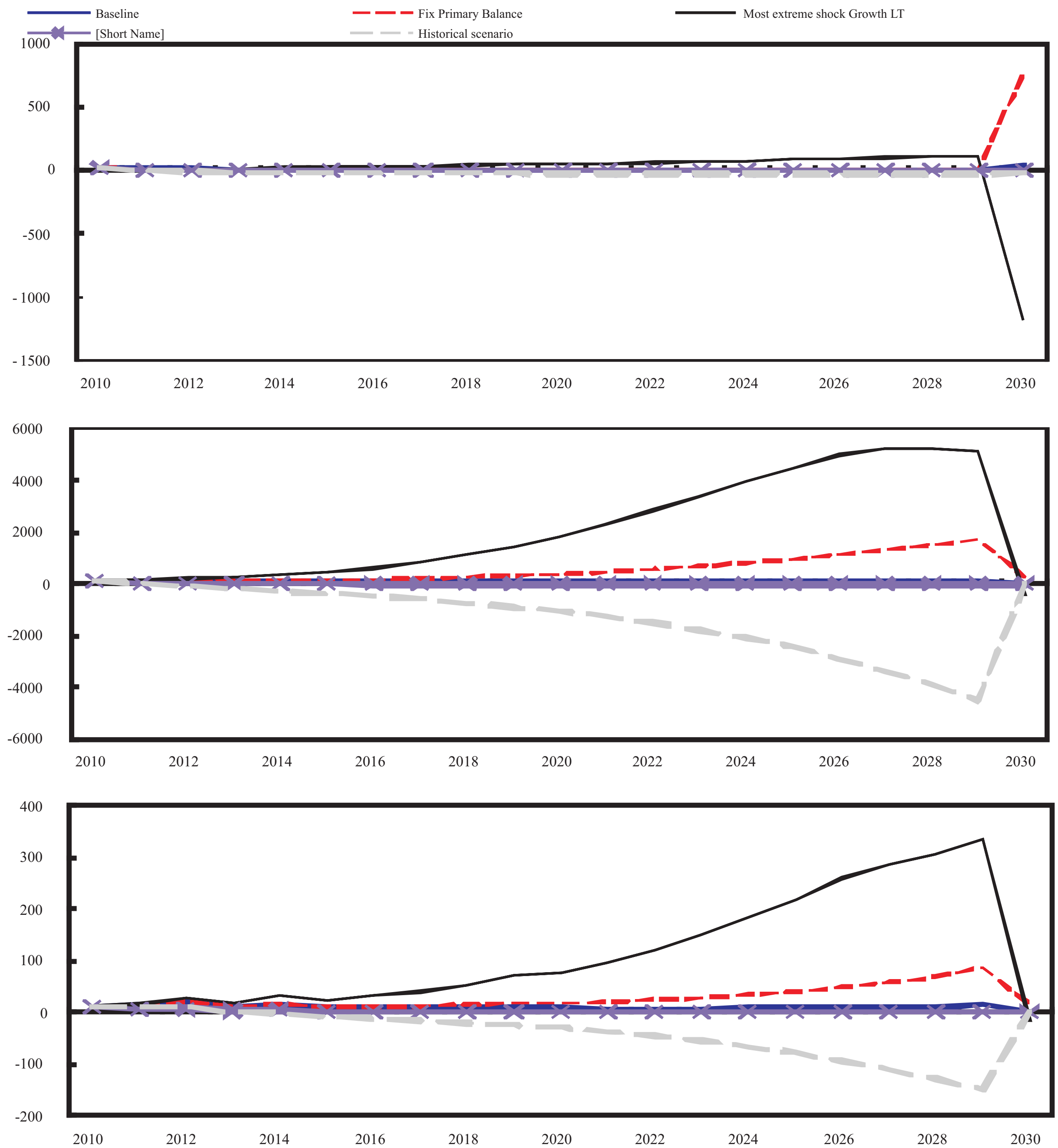
FIGURE 6.4: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2010-2030



Sources: Country authorities, and staff estimates and projections

1/ The most extreme stress test is the test that yields the highest ratio in 2020. In figure b it corresponds to a Combination shock, in c to Exports shock; in d-f to a Combination shock.

FIGURE 6.5: Indicators of Public Debt Under Alternative Scenarios, 2010-2030



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2020.
2/ Revenues are defined inclusive of grants.

6.5 RECOMMENDATIONS

The analysis recommended the pursuit of policies that would help promote macroeconomic stability such as the acceleration of non-oil growth, the concentration on growth enhancing infrastructure, expanding the sources of internally generated revenue while improving the efficacy of collection processes, maintenance of prudent fiscal discipline and the development of improved coordination of Federal Government's monetary and fiscal interventions as well as the efficient implementation of debt management strategy that places emphasis on prudent and productive public sector borrowing. It also recommended increased access to the ICM in a prudent manner to support infrastructural investments and sustained implementation of the Federal Government's programme on Public-Private-Partnerships (PPP). The report further recommended a borrowing limit of 60:40 for the Federal Government for the year 2011, representing N639 billion and US$2.84 billion from the domestic and external sources, respectively.

CHAPTER SEVEN

SUB-NATIONAL DEBT MANAGEMENT

The State Government's external debt increased over the 2009 level by 8.25 per cent to US$2,000.70 million at end-2010. The debts were mainly Federal Government on-lent loans from multilateral sources and were used to finance projects in the areas of education, health, water supply, housing and sanitation. The total debt service of States stood at $149.97 million or 7.47 percent of external debt stock in 2010, which represented an increase of 6.1 percent over the previous year. The DMO completed the DDR for Thirteen (13) out of the seventeen (17) States that had committed to the conduct of the DDR in 2010, while the DDR Exercises for the remaining four States were expected to be completed in the first quarter of 2011.

7.1 STATE GOVERNMENTS' EXTERNAL DEBT STOCK

The State Governments' external debt represented US$2,000.70 million or 43.70 percent of the total external debt stock and 0.97 percent of the GDP of the country in 2010. The debts were mainly Federal Government on-lent loans from multilateral sources (IDA, IBRD, ADF, ADB and IFAD) to the State Governments. The loans were used to finance projects in the areas of education, health, water supply, housing and sanitation.

A comparison of the States external debt showed an increase of US$165.06 million or 8.25 percent over the 2009 figure (Table1). The increase was attributable to disbursements on existing loans.

TABLE 7.1: TREND IN STATE GOVERNMENTS' EXTERNAL DEBT STOCK, 2006-2010 (US$ MILLION)

Years	2006	2007	2008	2009	2010
State Governments External Debt Stock	1,400.34	1,539.93	1,660.49	1,835.64	2,000.70

The Table 7.1 showed the trends in the external debt stock of States from 2006 to 2010. An increasing trend has been observed in the external debt stock since 2006 owing to the rise in new disbursements over the years (Figure 1). None of the new multilateral loans contracted during the period under review have been disbursed.

FIGURE 7.1: TREND IN STATE GOVERNMENTS' EXTERNAL DEBT STOCK, 2006-2010 (US$ MILLION)

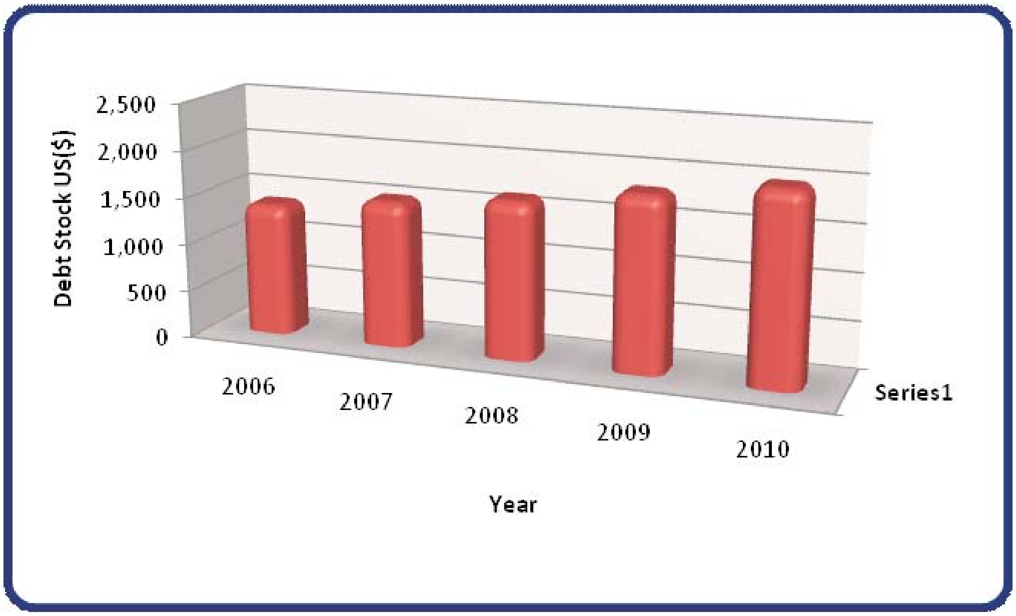
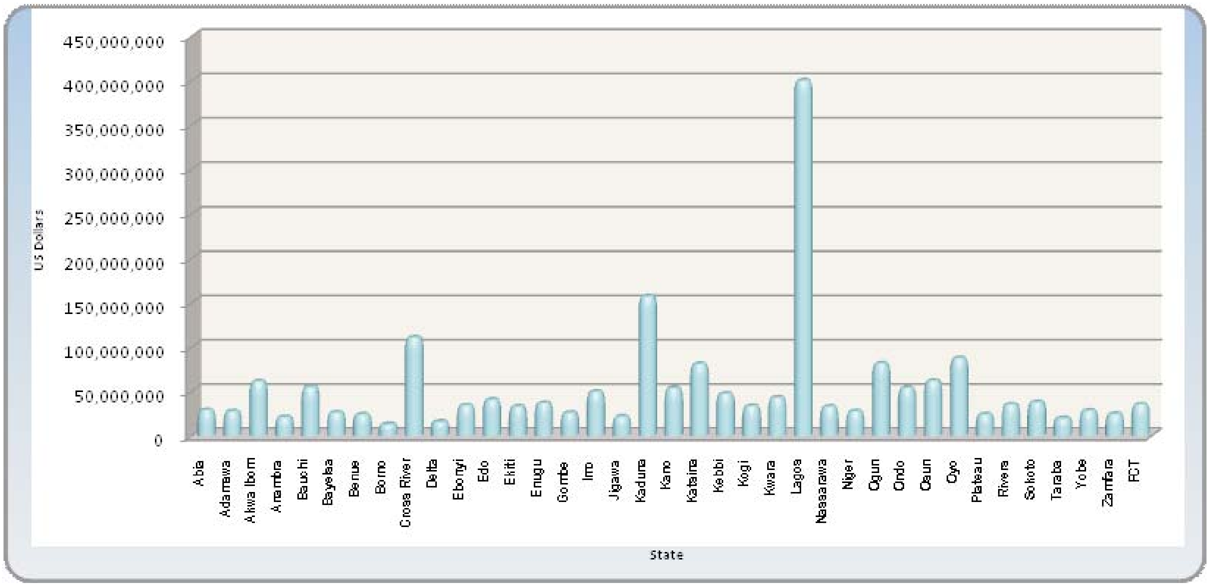


Table 7.2 and Figure 7. 2 showed the external debt stock of each State as at 31st December, 2010. The detailed breakdown revealed that Lagos, Kaduna and Cross River States had the highest debt stock of US$400,592,623.89 or 20.02 percent, US$157,357,908.32 or 7.87 percent and US$110,907,737.94 million or 5.54 percent respectively. The States with the lowest debt stock were Borno, Delta and Taraba State having US$13,550,693.68, US$16,376,917.03 and US$20,203,471.79 respectively, representing 0.68 percent, 0.82 percent and 1.01 percent of total respectively.

TABLE 7.2: EXTERNAL DEBT STOCK OF STATE'S AS AT 31ST DECEMBER, 2010 (US$)

S/N	State	Debt Stock	% of Total
1	Abia	29,120,883.47	1.46
2	Adamawa	27,775,651.15	1.39
3	Akwa Ibom	61,381,054.86	3.07
4	Anambra	21,304,916.77	1.06
5	Bauchi	54,988,989.15	2.75
6	Bayelsa	26,370,754.04	1.32
7	Benue	24,317,295.87	1.22
8	Borno	13,550,693.68	0.68
9	Cross River	110,907,737.94	5.54
10	Delta	16,376,917.03	0.82
11	Ebonyi	34,333,745.82	1.72
12	Edo	41,187,862.95	2.06
13	Ekiti	33,112,142.40	1.66
14	Enugu	37,296,208.24	1.86
15	Gombe	26,054,925.98	1.30
16	Imo	49,768,366.96	2.49
17	Jigawa	21,912,012.01	1.10
18	Kaduna	157,357,908.32	7.87
19	Kano	53,799,176.40	2.69
20	Katsina	81,136,389.00	4.06
21	Kebbi	47,764,918.39	2.39
22	Kogi	33,534,387.32	1.68
23	Kwara	43,398,071.39	2.17
24	Lagos	400,592,623.89	20.02
25	Nassarawa	32,944,190.75	1.65
26	Niger	27,950,961.36	1.40
27	Ogun	81,644,567.61	4.08
28	Ondo	54,181,822.95	2.71
29	Osun	61,981,193.67	3.10
30	Oyo	87,431,628.55	4.37
31	Plateau	24,429,249.85	1.22
32	Rivers	35,508,206.25	1.77
33	Sokoto	38,320,925.19	1.92
34	Taraba	20,203,471.79	1.01
35	Yobe	28,454,914.24	1.42
36	Zamfara	24,816,275.91	1.24
37	FCT	35,493,774.84	1.77
	Total	**2,000,704,815.97**	**100.00**

FIGURE 7.2: EXTERNAL DEBT STOCK OF STATES AS AT 31ST DECEMBER, 2010



7.2 States' External Debt Service Payments

The total debt service payments of States stood at US$149.47 million or 7.47 percent of the total external debt stock of the States in 2010. This represented an increase of 6.1 percent over the previous year (Table 7.3).

FIGURE 7.3: EXTERNAL DEBT SERVICE OF STATES, 2006-2010

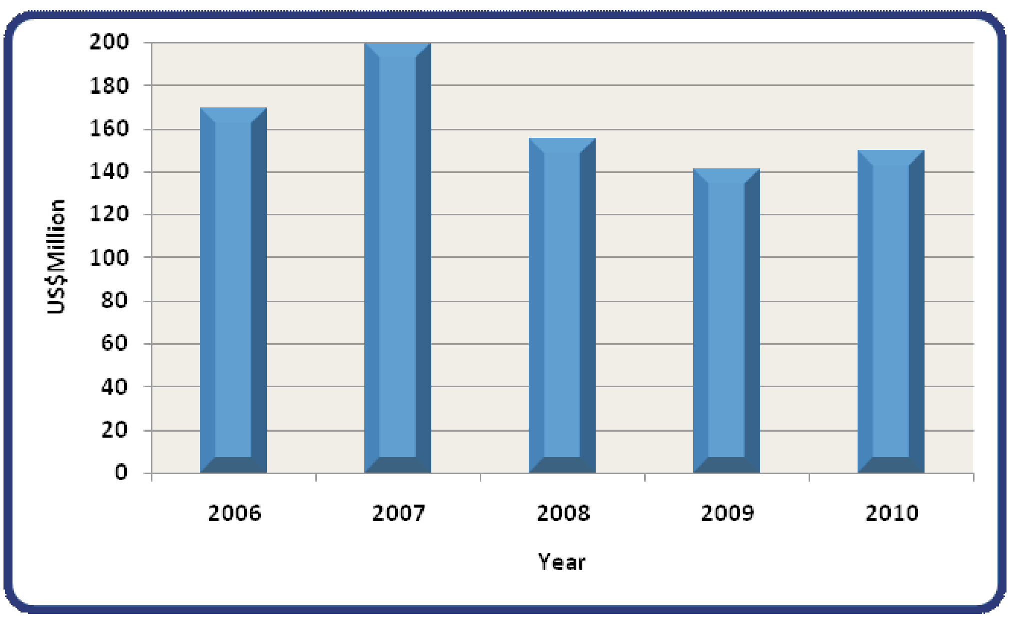


TABLE 7.3: EXTERNAL DEBT SERVICE DEDUCTIONS OF STATES, 2006 - 2010 (US$ MILLION)

	States	2006	2007	2008	2009	2010
1	Abia	14.63	2.45	1.48	0.94	1.37
2	Adamawa	7.79	2.66	1.87	0.86	0.77
3	Akwa Ibom	5.11	9.97	8.72	6.84	11.26
4	Anambra	5.53	4.29	4.00	3.23	0.77
5	Bauchi	1.37	7.57	6.59	5.77	7.33
6	Bayelsa	4.65	2.45	0.88	0.85	1.30
7	Benue	7.42	2.25	1.00	0.89	1.45
8	Borno	6.00	2.22	1.11	0.99	1.60
9	Cross River	2.63	16.72	13.02	11.86	9.58
10	Delta	4.91	9.72	5.55	4.61	6.23
11	Ebonyi	5.99	2.26	2.13	1.75	0.90
12	Edo	8.10	9.90	5.97	5.86	7.19
13	Ekiti	1.09	0.64	1.18	1.86	2.12
14	Enugu	8.81	5.64	3.11	2.53	1.56
15	Gombe	1.65	0.89	1.71	0.78	1.54
16	Imo	12.61	7.33	1.83	1.66	2.31
17	Jigawa	2.61	1.59	1.81	1.98	3.25
18	Kaduna	0.89	3.29	3.88	3.93	5.59
19	Kano	2.45	3.74	5.57	6.44	7.14
20	Katsina	0.71	1.79	3.76	4.87	4.80
21	Kebbi	0.95	2.71	2.63	2.37	3.40
22	Kogi	4.94	3.39	3.48	3.27	2.48
23	Kwara	8.29	1.31	3.38	4.64	2.03
24	Lagos	13.11	19.03	17.9	17.25	11.43
25	Nassarawa	2.81	10.16	4.1	3.88	4.92
26	Niger	2.75	10.87	10.37	5.12	1.26
27	Ogun	3.84	5.18	1.94	1.82	1.73
28	Ondo	4.24	6.43	2.64	2.59	3.24
29	Osun	2.75	5.25	2.97	2.59	4.44
30	Oyo	2.09	17.33	15.22	14.43	17.98
31	Plateau	1.65	6.47	7.98	7.86	9.37
32	Rivers	6.14	6.35	2.36	2.39	3.34
33	Sokoto	3.75	1.99	1.70	1.57	2.21
34	Taraba	5.45	1.69	1.62	0.88	0.92
35	Yobe	0.84	3.29	0.97	0.86	1.35
36	Zamfara	0.69	0.89	0.94	0.89	1.29
	Total	**169.24**	**199.67**	**155.37**	**140.90**	**149.47**

7.3 REVIEW OF STATUS OF DEBT MANAGEMENT DEPARTMENTS (DMDs) IN THE STATES

7.3.1 Capacity Building for sub-national Debt Managers

Given the high turn-over of staff in the DMDs across the Federation, and in response to the several requests by the States, the DMO hosted Special Purpose Capacity Building programmes for sub-national debt managers for the State DMD staff, in March and July, 2010. A total of thirty-nine (39) DMD staff from eleven (11) States (Adamawa, Niger, Yobe, Sokoto, Osun, Anambra, Bauchi, Bayelsa, Edo, Kogi and Nasarawa) participated actively at these Attachment Programmes which exposed them to an overview of international best practices in sub-national debt management.

In addition, all the Honourable Commissioners for Finance (HCFs) and Heads of Debt Management Departments (HDMDs) were in March 2010 urged to participate at the May 2010 WAIFEM/DMO Training Programme on Sub-national Debt Management and Contingent Liabilities. It should be noted that twenty (20) States were represented at this Training by their Honourable Commissioners for Finance and /or other key staff from the Ministry of Finance and the State Debt Management Unit. The states were Abia, Adamawa, Anambra, Benue, Cross River, Delta, Enugu, Kaduna, Katsina, Kogi, Kwara, Nasarawa, Niger, Ogun, Ondo, Plateau, Sokoto, Taraba, Yobe and Zamfara.

7.3.2 Deployment of ICT Infrastructure for State DMDs

To strengthen sub-national debt management in Nigeria, the DMO intensified efforts at securing the buy-in of major Computer Firms to provide ICT infrastructure, among others, to the States.

7.3.3 Domestic Debt Data Reconstruction for the State DMDs

In January 2010, the DMO approved the proposal for the conduct of the Domestic Debt Data Reconstruction (DDR) in at least 12 selected DDR Pilot States drawn from the six geopolitical zones between February and December 2010, the DMO secured the commitment of seventeen (17) States for the conduct of the DDR. The DMO was able to conduct the exercise in 13 States across the Federation. These were: Kaduna, Oyo, Niger, Imo, Osun, Cross River, Kogi, Ogun, Kano, Abia, Kebbi, Bauchi and Jigawa. The four other States for which commitments have been secured were Edo, Ondo, Akwa Ibom and Zamfara. It is envisaged that the DDR Exercises for these four States would be completed in the first quarter of 2011.

7.4 SUB-NATIONAL BOND MARKET DEVELOPMENT

The DMO during the year of review educated the sub-national governments on the need to venture into the capital market for the sourcing of long term developmental project funds. In addition, greater emphasis was placed on the sub-national market issues at the two Special Purpose Attachment Programmes organized for sub-national debt managers.

Four (4) States successfully issued bonds in 2010, Lagos State (N57.5 billion at 10 percent for a 7-year tenor), Bayelsa State (N50 billion at 13.75 percent for a 7-year tenor), Kaduna State (N8.5 billion at 12.5 percent for a 5-year tenor) and Ebonyi State (N16.5 billion at 13 percent for a 5-year tenor). The proceeds of the bonds are being utilized to fund critical infrastructure and other economic and social programmes (Table 7.4).

Table 7.4: SUB-NATIONAL BOND ISSUANCES IN 2010

State Government	Amount Issued in 2010	Tenor	Rate
Lagos	₦ 57.5 billion	7 years	10%
Bayelsa	₦ 50 billion	7 years	13.75%
Kaduna	₦ 8.5 billion	5 years	12.5%
Ebonyi	₦16.5 billion	5 years	13%

Source: Securities and Exchange Commission and Debt Management Office, 2010.

7.4.1 Review and update of the Status of Donor Intervention in the States

Three States Bauchi, Cross River and Adamawa States have to date benefitted from the coordinated donor intervention to enhance their debt management operations. The interventions have been in the areas of provision of infrastructure for the DMD's operations and the provision of training in debt recording and reporting. In addition, DFID support was received to enhance the conduct of the DDR exercises in selected pilot States from each of the six geopolitical regions in Nigeria. The six states were: Oyo, Cross River, Imo, Kaduna, Bauchi and Kano. It is envisaged that there would be continued support of the DFID for the DDRs in 2011.

CHAPTER EIGHT
RISK ANALYSIS OF NIGERIA'S TOTAL PUBLIC DEBT

As at end-2010, foreign exchange risk was minimal in the total debt portfolio of the country, as 86.95 percent of the portfolio holdings were in Naira denominated securities. In addition, with a total reserve asset of USD 32.339 billion for end-2010, Nigeria could settle the bulk of the external debt portfolio (USD 4.578 billion) with minimal foreign currency risk. Refinancing risk was also very low because 75.60 percent of the debt portfolio remained in long term instruments. In terms of interest rate risk, the portfolio had insignificant level of risk owing to the low level of floating rate securities in the debt portfolio.

8.1 Introduction

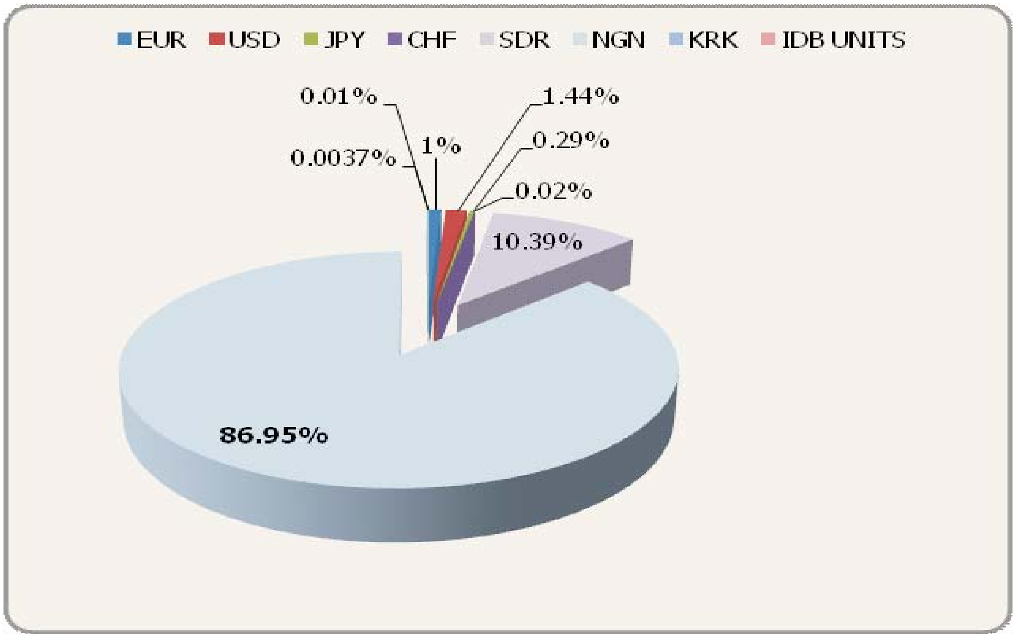
Risk analysis of the country's debt portfolio is a major component of the country's debt management strategy; i.e. to meet the financing needs of government at minimal cost and within prudent level of risk. The achievement of prudent risk levels is based on the optimal combination of portfolio options available to debt managers within the context of major macroeconomic objectives of government. Hence risk limits could be assessed using long term versus short term, fixed versus floating as well as external versus domestic holdings of the debt portfolio. It is within this context that this chapter evaluates the risk exposure of the country's public debt as at end-December 2010. Four types of risk associated with the country's public debt portfolio were examined: Exchange rate risk, Currency risk, Interest rate risk and Refinancing risk.

8.2 Exchange Rate Risk

Foreign exchange risk was minimal in the total debt portfolio of the country in 2010. As at end December 2010, 86.95 percent of the portfolio holdings were in Naira while the remaining 13.05 percent was held in various foreign currencies. Within the foreign currency debt holding, the SDR and the US Dollar dominated the portfolio with 10.39 percent and 1.44 percent respectively, while the least currency was the Danish Kroner (KRK) with 0.03 percent. Other currency holdings in the debt portfolio were: Euro 0.09 percent, Japanese Yen (JPY) 0.29 percent and IDB Units 0.01 percent.

The high level of domestic debt in the total portfolio was also in line with the government's borrowing limits of 60:40 domestic and external sourcing respectively.

FIGURE 8.1: TOTAL PUBLIC DEBT STOCK BY CURRENCY COMPOSITION, 2010

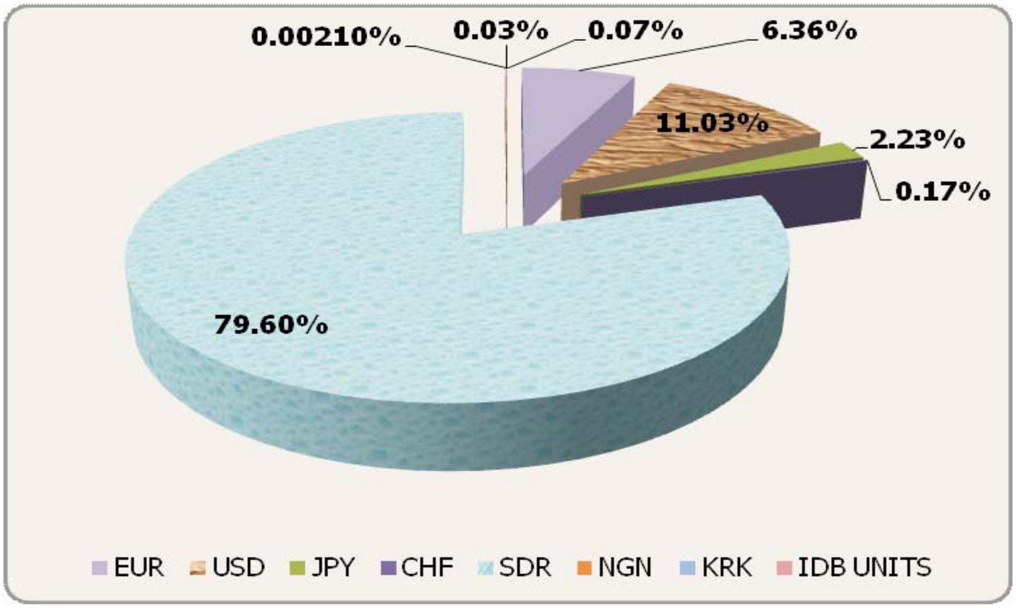


8.3 Currency Risk

Currency risk analyses the currency exposure of the Nigerian external debt portfolio with the currency holdings of the Nigeria's external reserve assets as at December 31, 2010. While total reserve assets stood at USD 32.339 billion as at date of review, the total external debt was USD 4.578 billion.

The dominance of SDR in the currency composition of the debt profile reduced the exchange rate risk of the debt portfolio. This was because the SDR is a basket of currencies which in themselves hedge against other currencies in the basket, thereby mitigating currency risk. In addition, the low level of the currency risk was attributable to the composition of the external reserves of the country which was dominated by US Dollar and the Euro.

Figure 8.2: EXTERNAL DEBT STOCK BY CURRENCY COMPOSITION, 2010



This forms a back-to-back hedge with the components of similar currencies in the external debt portfolio. The low level currency risk of the external debt portfolio was in consonance with Nigeria's debt management objective of attaining prudent level of risk in government borrowing decisions.

TABLE 8.1: CURRENCY COMPOSITION OF NIGERIA'S EXTERNAL RESERVE ASSET AS AT 31ST DECEMBER, 2010 (US$ EQUIVALENT)

	Currency	USD Equivalent	%
1	US Dollars	23,805,092, 051.49	73.6105
2	GB Pounds	1,290,012,205.84	3.9890
3	Euro	4,632,717,302.13	14.3254
4	Swiss Franc (CHF)	1,947,599.70	0.0060
5	Japanese Yen	28,521,585.60	0.0882
6	Special Drawing Rights (SDR)	2,579,825,052.42	7.9774
7	Other Currencies	1,136,591.92	0.0035
	TOTAL	**32,339,252,389.10**	**100**

The country's ability to meet its external debt service payment obligations was an indication of its currency risk exposure. Accordingly, the currency composition of the reserve and external debt portfolio indicated a very low level of currency risk. The external reserve showed that the US Dollar constituted the bulk of the reserve

(73.61percent), the Euro (14.31 percent), SDR (7.98 percent) the GBP (3.99 percent) and other currencies (0.0035 percent) (Table 8.1).

It is however important to note that Nigeria's external debt service payment is funded through the External Creditors Funding Account (ECFA), which is held only in US Dollars, as at December end 2010, hence exposing the country to a low level exchange rate risk of single currency at the time of debt service payment. However, efforts are being made to diversify the currency holdings of the ECFA in order to hedge against adverse exchange rate movements.

8.4 INTEREST RATE RISK

Interest rate risk refers to the vulnerability of the debt portfolio, and the cost of government debt, to higher market interest rates on variable rate debt and maturing fixed rate debt that is being re-priced. A portfolio that is dominated by floating rate instruments would therefore be susceptible to interest rate changes both at the time of debt service and at maturity. As at end-2010, the total public debt portfolio of the country is composed of 1 percent floating rate as against 99 percent fixed rate instruments. However, given the DMO's policy of maintaining a 75%-25% long term-short versus portfolio configuration, in the medium to long term, about 28.06 percent of the domestic portfolio, largely made up of 91, 182 and 364 days treasury bills, which would mature in the next one year and would be exposed to interest rate re-fixing. This would moderately increase the exposure of the domestic portfolio to interest rate risk. The relatively low level of floating rate instruments in Nigeria's total debt portfolio indicates a very low interest rate risk. In general terms therefore, the portfolio had insignificant level of interest rate risk during the period of the review.

TABLE 8.2: NIGERIA'S TOTAL PUBLIC DEBT BY INTEREST RATE CLASSIFICATION IN 2010

DEBT STOCK	FIXED RATE (%)	FLOATING RATE (%)	Total
DOMESTIC DEBT	99.9868	0.0132	100
EXTERNAL DEBT	97.8100	2.1900	100

8.5 REFINANCING RISK

Refinancing risk captures the exposure of the debt portfolio to unusually high debts to be redeemed at a time, due to bunched up maturities; in the extreme, when this risk is too high, debt managers are unable to roll over maturing obligations at existing rates or at lower rates. The maturity structure of the total debt portfolio is used to measure the refinancing risk of the debt portfolio. The longer the maturity structure of the debt instruments the lower the refinancing risk.

The percentage distribution of the total debt outstanding indicated that 75.60 percent of the debt portfolio is in long term instruments, while the remaining 24.40 percent, consisted largely of short-term domestic debt (Table 8.3). In the domestic portfolio, the bulk of the debts are of the long-term category, while the external portfolio is fully made up of long term debt by original maturity.

Average time to maturity (ATM) for the total debt portfolio is 6 years, with the ATM for foreign currency debt at 13.5 years and for domestic currency debt at 4.4 years. Although the maturity smoothening has been actively pursued within the review period, the strategy of concentrating 25 percent at the short end (less than one year) in the domestic portfolio has resulted in a lower ATM.

TABLE 8.3: TOTAL PUBLIC DEBT OUTSTANDING BY ORIGINAL MATURITY, 2009-2010 (US$ Million)

Debt Type	Tenor	2009	2010
External	Short-term	0	0
	(per cent of total)	0	0
	Long-term	3,947.30	4,578.77
	(per cent of total)	(15.29)	(13.05)
	Sub -total	3,947.30	4,578.77
	(per cent of total)	(15.29)	(13.05)
Domestic	Short-term	5,403.00	8,514.01
	(per cent of total)	(20.93)	(24.40)
	Long-term	16,467.12	21,831.47
	(per cent of total)	(63.78)	(62.55)
	Sub -total	21,870.12	30,345.48
	(per cent of total)	(84.71)	(86.95)
Total		**25,817.42**	**34,924.25**
	(per cent of total)	(100)	(100)

1. Official CBN Exchange Rate of N150/US$ was used for 2010 figures
2. Short-term external debt is debt with one year original maturity
3. Short-term domestic debt consists of debt 91, 182, and 364 days Treasury Bills
4. Long-term domestic debt consist treasury Bonds, FGN Bonds and Development Stocks

8.6 CONCLUSION

In general, refinancing risk in the total public debt portfolio of the country is generally at a low risk level in the period under review. The DMO's portfolio mix would continue to be guided by the provision of the debt strategy as enunciated in the NDMF and the overall objective of financing government's borrowing at least possible cost within a prudent degree of risk.

CHAPTER NINE
NATIONAL BORROWING PLAN AND BUDGET PERFORMANCE

To meet part of government's financing gap for 2010, N1.1 trillion was raised from the domestic bond market to fund the 2010 Federal Government's budget deficit of N1.5 trillion. An additional, USD500 million (N524.11 billion) was also raised from the International Capital Market, while USD899.5 million new external loans was signed in the year and were awaiting disbursements.

9.1 Introduction

The key objective of the National Debt Management Strategy as contained in the National Debt Management Framework (NDMF) of the country is the financing of budget deficits and other government projects at the least cost and within a prudent degree of risk, while ensuring maximum budget performance. The Federal Government's budget in 2010 stood at N4.67 trillion (US$31.13 billion) out of which N1.5 trillion represented the budget deficit. The deficit was partly financed by domestic borrowing. A total of N1.1 trillion was raised from the domestic bond market in 2010 and was remitted to the Government accordingly.

9.2 External Borrowing Program

As in the previous years the accounting period for budget 2010 was extended to March 2011 by the Federal Government. Therefore, whilst the Government could not make a debut in the International Capital Market (ICM) in 2010 owing to market exigencies, the bond issuance was done in January 2011 and the sum of USD500 million (N524.11 billion) was raised to meet part of government's financing gap for 2010.

Although a total of USD 919.60 million worth of external loan was negotiated by the Federal Government in 2010, only USD899.5 was actually signed and awaiting draw down. It is noteworthy that the foreign loan borrowing program of the federal government was not factored into the borrowing plan for the 2010 budget. All the external loans that were negotiated during the year under review were obtained from the Eximbank of China and were largely concessional, in line with the external debt strategy of the Government.

Table 9.1: EXTERNAL LOANS NEGOTIATED LOANS IN 2010

SN	Project	Amount (USD Millions)	Creditor
1	Abuja-Kaduna Railway project	500.00	Eximbank of China
2	National Public Security Comm. System	399.50	Eximbank of China
3	NigComsat-1	20.10	Eximbank of China
	TOTAL	**919.60**	

9.3 DEBT SERVICE PROGRAM

Debt service is an important component of the expenditure profile of the national budget. The 2010 budget projected a N540.38 billion debt service comprising N478.16 billion and N62.22 billion (US$414.76 million) for the servicing of domestic and external debts respectively. An analysis of the total actual debt service payments in relation to the budget performance in 2010 showed that at N407.28 billion the actual debt service payment was lower than the budgeted amount of N540.38 billion by 24.63 percent (Table 9.2). The actual domestic debt service of N354.13 billion was lower than the projected figure of N478.16 billion by 25.94 percent, whilst the actual external debt service of N53.16 billion was lower than the projected figure of N62.22 billion by 14.56 percent.

The 2010 projected budget figure represented about 18.12 percent increase over the 2009 projected budget debt service figure of N344.8 billion. The projected foreign debt service in the 2010 budget increased by 6.42 percent over the level in 2009. Similarly, projected domestic debt in 2010 increased by 100.09 percent from its 2009 level. The increase in the projected cost of servicing the country's domestic debt was due to the relatively large amount of maturing obligations in the domestic debt stock and the general high borrowing rate.

A comparative analysis of the total actual debt service obligations between 2009 and 2010 showed an overall increase in the debt service costs of N62.48 billion or 18.12 percent over the previous year. The actual domestic debt service cost increased by N72.59 billion or 25.78 percent over the previous year, whilst the actual external debt service cost decreased by N10.04 billion or 15.89 percent over the corresponding reporting period. The overall increase in the total actual debt service cost was accounted for by an increase in the cost of servicing the domestic debt obligations of the government.

TABLE 9.2: COMPARATIVE BUDGET AND ACTUAL PERFORMANCE OF PUBLIC DEBT SERVICE (N' BILLION)

DEBT SERVICE COSTS	2009	2010
PROJECTED DOMESTIC DEBT SERVICE	227.8	478.16
ACTUAL DOMESTIC DEBT SERVICE	281.54	354.13
PROJECTED EXTERNAL DEBT SERVICE	55.8	62.22
ACTUAL EXTERNAL DEBT SERVICE	63.2	53.162
TOTAL PROJECTED DEBT SERVICE	283.6	540.38
TOTAL ACTUAL DEBT SERVICE	344.8	407.28

9.4 CONCLUSION

Overall, the budget performance of the debt service in the period under review showed that the actual total debt service was higher than the budgetary projection, meaning that there was less pressure on debt service payments in 2010 than in 2009. In addition, the analysis of the budget performance, showed a significant increase in domestic borrowing in 2010.

CHAPTER TEN
INSTITUTIONAL ISSUES

In line with international best practices, a mid-term review of the implementation of the second Strategic Plan covering the period January 2008 - June 2010 was undertaken within the year. Capacity Building Programme in the area of training and staff development was sustained by organizing several local and foreign courses for members of staff. Three (3) new members of staff were recruited, while eligible and deserving members of staff were promoted. Stakeholder events were organized towards achieving several objectives which included the diversification of the investor base for the FGN Bonds/domestic bonds market and sensitizing the media/members of the National Assembly on DMO's activities. The DMO also collaborated with AMCON in issuing the FGN guarantee for the Initial Consideration Bonds.

10.1 REVISED STRATEGIC PLAN 2008-2012

In view of the need to remain focused on the achievement of the long term objectives of the DMO, and in line with international best practices, a mid-term review of the implementation of the second Strategic Plan covering the period January 2008 - June 2010 was undertaken.

The result of the review culminated in a revised document which included the statement of the Vision, Mission and Broad objectives and a comprehensive summary of the resolutions. The revised document furthermore included new initiatives and an action plan for the outstanding activities for the remaining part of the period of the plan.

10.2 CAPACITY BUILDING

a. Human Capacity Building

The DMO in the year under review, continued its Capacity Building Programme by organizing several local and foreign courses for members of staff. These courses were funded from the DMO budget and the DFID Capacity Building Support Project. Aside from the local and foreign courses, an in-house training programme on Medium Term Debt Strategy (MTDS) was also organized in the DMO by the World Bank/IMF in collaboration with WAIFEM.

b. staffing Issues

In furtherance of efforts to strengthen the DMO for the challenges ahead, members of staff were redeployed and repositioned within the organization, while three (3) new members of staff were recruited. The promotion of eligible and deserving members of staff was also carried out in line with the DMO's Human Resources policy.

c. IT System Upgrade

The DMO during the period under review continued with the upgrade of its ICT infrastructure to consolidate on past achievements and best practices while improving the use of Information Systems and Infrastructure to drive its business processes. Some of the significant achievements included the adoption of ITIL standards for ICT operations based on DMO ICT standardization report, the procurement of a 40kva UPS unit to centralise UPS power supply to workstations and upgrade of the services with Galaxy Backbone PLC which provided the DMO with internet bandwidth and data storage facilities.

10.3 Stakeholder Events

During the year under review, several events involving major stakeholders also featured in DMO's activities. Some of the events organized were:

a. Workshop on the World Bank/IMF Debt Sustainability Framework for Low Income Countries (LICs)

In furtherance of the initiative to ascertain the sustainability of Nigeria's debt portfolio and monitor the effects of new borrowings against the backdrop of Nigeria's response to the global financial crisis, the National Debt Sustainably Analysis (DSA) Workshop was conducted as from 8th - 16th April, 2010 in Abuja, in order to assess the sustainability of Nigeria's debt position in the medium to long term.

b. Marketing of FGN Bonds in Diaspora

A Forum on 'Marketing of FGN Bonds in Diaspora' was organized on 8th May, 2010 in the United States of America. The Forum was part of the DMO's commitment aimed at increasing and diversifying the investor base for the FGN Bonds in particular and the domestic bonds market in general. This forum was targeted specifically at Nigerians resident in America. The objective of the forum was to create awareness amongst this target group about the features and benefits of FGN Bonds with a view to encouraging them to invest in the bonds.

c. D-G'S Interactive Session with the Media

The DMO organized two Interactive Sessions with the Media, in Kaduna and Lagos, where the D-G DMO, delivered a Paper on 'Developing Institutions for Sub-National Debt Management in Nigeria'. The DMO highlighted the progress it had made in widening coverage beyond external debts to the whole of public debt management and assessing the situation regarding the State and Federal Government's capacity to manage sub national debt with the objectives in covering the linkages between the Federal Government and States and the major achievements by the DMO in sub-national debt management.

d. Retreat for Members of the National Assembly in Kano State

A retreat was organized for members of the National Assembly on August, 2010. The retreat, which was held in Kano, provided an opportunity to sensitize the legislators on the activities of the DMO.

e. Activities of the DMO Supervisory Board

Quarterly Meetings of the Supervisory Board of the DMO were held as and when due. Approval of the promotion of deserving staff of the DMO who had met all requisite conditions for promotion was granted by the Board during the year.

f. Official Study Tour(s)

Some DMO Officials and other key stakeholders from the Office of the Vice-President, National Assembly, Fiscal Responsibility Commission and Commissioners of Finance from nine (9) States, undertook a Study Tour to Brazil in July, 2010 with a view to studying the operations of the Brazilian Government with respect to the implementation of their Fiscal Responsibility Law (FRL) for possible adaption by Nigeria since both countries operate a federalist type of government.

10.4 The Asset Management Corporation of Nigeria (AMCON)

In 2010, the Act authorising the establishment of AMCON and defining its operations was passed into law. This was followed by the constitution of its Board. In December, 2010, AMCON purchased Non-Performing Loans (NPLs) from banks for which it issued 3-year Zero Coupon Bonds in the amount of N1,036 billion. The Bonds which were referred to as "Consideration Bonds" are expected to be replaced with AMCON Bonds in 2011. Under the AMCON Act, the Federal Government is required to issue Guarantees for all Bonds issued by AMCON for the purchase of NPLs of banks. In line with the DMO Act, the DMO collaborated with AMCON in issuing the required FGN guarantee for the Initial Consideration Bonds.

CHAPTER ELEVEN
FINANCIAL STATEMENT AND ACCOUNTS

11.1 2010 BUDGET

The 2010 approved budget for the Debt Management Office amounted to N1,036,856,611.00 (One Billion, Thirty Six Million, Eight hundred and fifty six thousand, Six Hundred and Eleven Naira) which comprised of N388,005,175.00 for Personnel Emolument, N526,073,033.70 for Overhead and N122,778,402.00 for Capital Expenditure respectively.

From the N388, 005,175.00 approved for Personnel Emolument during the year, the sum of N319, 026,477.36 was released for the payment of Staff Salaries and Allowances, while the sum of N68, 978,698.00 was deducted at source to carter for NHIS and Employees Pension Contributions. Out of the N319, 026,477.36, the sum of N318, 885,990.36 was utilized for the payment of salaries and allowances while the balance of N140, 487.00 was returned to the Office of the Sub-treasurer of the Federation (STF) at the end of the year.

Out of the N526, 073,033.70 Overhead Expenditure released during the year, the sum of N525,977,605.05 was utilized for funding the day-to-day operations of the Office, while the balance of N95,428.65 was returned to the Office of the Sub-treasurer of the Federation (STF).

The approved Capital Expenditure for the year as stated earlier, amounted to N122, 778,408.00. Out of this amount, the sum of N68, 134,000.00 was released as at 31st December 2010, representing 55% of the approved Budget. The Capital Expenditure for the 2010 financial year is on-going, and will run up to the end of March 2011.

From the foregoing, it is evident that there is a 100% implementation of the 2010 budget in respect of Personnel and Overhead Expenditures during the year, while only 55% of the Capital Budget was implemented during the financial year owing to cash backing constraints.

Details of the Revenue and Expenditure in respect of the various votes (Personnel, Overhead and Capital), is outlined in the Audited Financial Statements which are produced in subsequent pages of this section.

11.2 FINANCIAL STATEMENTS AND ACCOUNTS FOR THE YEAR ENDED DECEMBER 31ST, 2010

CORPORATE INFORMATION

SUPERVISORY BOARD

The Supervisory Board has overall responsibility for supervision of the operations of the Debt Management Office. The composition of the Board during the 2010 reporting year was as follows.

Arc. Mohammed Namadi Sambo, (GCON)	-	Vice President of Federal Republic of Nigeria. (Chairman)
Dr. Olusegun Aganga	-	Minister of Finance (Vice Chairman)
Mr Mohammed Bello Adoke, SAN	-	Attorney-General of the Federation/ Minister of Justice
Prof. (Mrs.) Precious Kassey Garba	-	Chief Economic Adviser to the President (Member)
Alh. Ibrahim H. Dankwambo, OON	-	Accountant-General of the Federation (Member)
Mallam Sanusi Lamido Sanusi	-	Governor, Central Bank of Nigeria (Member)
Dr. Abraham E. Nwankwo	-	Director-General, DMO (Member/ Secretary to the Board)

PRINCIPAL OFFICERS

The following principal officers who constituted the Senior Management Committee were responsible for the day-to-day affairs of the Office during the period under consideration:

Dr. Abraham Nwankwo	-	Director-General
Mrs. Funmi Ilamah	-	Director, Strategic Programmes
Ms. Patience Oniha	-	Director, Market Development Department
Mrs. A. M. Mohammed	-	Director, Organizational Resourcing Department
Mrs. Hannatu Suleiman	-	Deputy Director, Debt Recording & Settlement Department
Mr. Joe Ugoala	-	Asst. Director, Policy, Strategy & Risk Management Department
Mr. Atiku Saleh Dambatta	-	Assistant Director, Portfolio Management Department

REGISTERED OFFICE

NDIC Building (1st Floor),
Plot 447/448 Constitution Avenue,
Central Business District
P.M.B. 532
Garki Abuja.

EXTERNAL AUDITORS

Ben Ugwu & Co.
(Chartered Accountants)
Suite 214, Anbeez Plaza
15 Ndola Crescent Wuse Zone 5,
P.O. Box 77, Garki Abuja.

BANKERS

(1) Central Bank of Nigeria,
Garki - Abuja.

(2) Zenith Bank Plc
No. 63 Usman Street Branch
Maitama - Abuja.

(3) United Bank for Africa Plc.,
Area 3 Branch, Garki Abuja.

11.2.1 REPORT OF AUDITORS

B&C BEN. UGWU & CO
(Chartered Accountants & Consultants)

Head Office:
Suite 214, Anbeez Plaza,
Opp. Corporate Affairs Commission,
15 Ndola Crescent, Zone 5, Wuse,
P.O. Box 77 Garki-Abuja.
Tel: 08037202120, 08037737853?
E-mail: chiefbenugwu@yahoo.com

UR SERVICES:
dting
counting
sation
cretarial Services
Investigation
Financial & Management Consultancy
estment Advisory Services
puter & Info-tech Services
Management
gotiation
scheduling
Receivership &
Liquidation

AUDITORS REPORT TO THE MEMBERS OF THE BOARD OF THE DEBT MANAGEMENT OFFICE.

We have audited the Financial Statements of **Debt Management Office (DMO)** for the year ended 31st December, 2010 set out on pages 5 to 7, which have been prepared under the historical cost convention and cash accounting basis, together with the accounting policies set out on page 4. We have examined the books of accounts and carried out procedures and obtained all the information and explanations we considered necessary.

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITORS.

The Board of Debt Management Office is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted the audit in accordance with Accounting Standards issued by the Nigerian Accounting Standards Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Senior Management Committee in the preparation of the financial statements and whether the accounting policies are appropriate to the circumstance of the Debt Management Office, consistently applied and adequately disclosed.

We planned and performed the audit so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION:

In our opinion, the financial statements, give a true and fair view of the state of affairs of Debt Management Office as at 31st December, 2010 and of the excess of Income over Expenditure and cash flow for the year ended, and have been properly prepared in accordance with the provisions of the Debt Management (Establishment) Act, 2003.

BEN UGWU & CO
Chartered Accountants
Abuja-Nigeria.

07/06/2011

3

ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2010

The following are the significant policies which have been adopted by the Debt Management Office.

A BASIS OF ACCOUNTING

The Accounts are prepared under the historical cost convention of accounting and income and expenditure were recognized on the cash basis of accounting.

B RECEIPTS

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

C FIXED ASSETS/ DEPRECIATION

The Fixed Assets are stated at cost. Depreciation of fixed assets are computed for notional purposes as the account is prepared on cash accounting and not accrual basis. Therefore, no depreciation was charged to the account under review. However, annexure V on page 25 was prepared for management information and could be useful in decision making.

D TAXATION

There was no provision for both Income and Education Taxes during the period ended 31st December, 2009 because the office is a non-profit making organization.

DEBT MANAGEMENT OFFICE
BALANCE SHEET AS AT 31ST DECEMBER 2010

		2010		2009	
ASSETS EMPLOYED	**NOTES**	**N**	**N**	**N**	**N**
Fixed Assets	3		292,199,901		247,989,244
Current Assets					
Cash and Bank	4	977,683,082		35,888,014	
		-			
			977,683,082		35,888,014
			1,269,882,983		**283,877,258**
FINANCED BY:					
Accumulated Fund	5		1,269,882,983		283,877,258
			1,269,882,983		**283,877,258**

The Financial Statements were approved by the Management Team on June 6, 2011 and signed on its behalf by:

Director – General ---------------------------------
Dr. Abraham Nwankwo

Director, Organizational Resourcing Dept. ---------------------------------
Mrs. A.M. Mohammed

The notes on pages 9-20 form an integral part of these Financial Statements.

11.2.2 STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31ST DECEMBER 2010

		2010	2009
RECEIPTS	**NOTES**	**N**	**N**
Votes Received	6	913,233,546	570,482,137
Additional Funds from			
Budget Office	6(a)	-	47,160,748
Other Income	6(b)	617,410	2,285,409
SPECIAL ITEMS			
FGN Bond Floatation	6(c)	1,385,154,669	313,000,000
10% WHT on Comm. Bonds	6(d)	306,707,028	110,117,016
Miscellaneous Accounts	6(e)	79,379,135	32,789,139
		2,685,091,788	**1,075,834,449**
EXPENDITURE			
Recurrent Expenditure	7a	845,716,921	619,928,293
SPECIAL ITEMS:			
FGN Bond Floatation Expenditure	7b	558,155,392	268,470,210
10% WHT on Com. Bonds	7c	221,522,600	93,989,548
Paris Club Redemption Proceeds	7d	-	47,357,938
Miscellaneous Accounts	7e	73,691,150	54,433,839
		1,699,086,063	**1,084,179,828**
Excess of Receipts over Expenditure	8	**986,005,725**	**(8,345,379)**

11.2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010	2009
	N	N
Excess of Income over Expenditure	986,005,725	(8,345,379)
Add: Adjustment for items not involving		
Movement of cash:		
- Accumulated fund adjustment	-	-
Cash generated/(expended) from Operation	986,005,725	(8,345,379)
Operating Income before working Capital Change:		
- Prior Adjustment on stores items	-	-
	986,005,725	**(8,345,379)**
Cash Flow from Investing Operation		
Purchase of fixed Assets	(44,210,657)	(44,637,000)
Net Cash Flow for the Year	941,795,068	(52,982,379)
Cash balance as at January 1st	35,888,014	88,870,393
	977,683,082	**35,888,014**

The notes on pages 9-20 form an integral part of these Financial Statements.

11.2.4 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010

1. ESTABLISHMENT OF THE DEBT MANAGEMENT OFFICE

The Debt Management Office (Establishment, etc) Act, 2003 established a separate Debt. Management Office for Nigeria which, although under the direct supervision of the Federal Ministry of Finance, is formed as a separate entity, located away from the Ministry and does not form part of the Central Bank of Nigeria. It was created as a separate accounting agency, with an efficient, well organized structure headed by a Director General (equivalent of a Permanent Secretary) as the Chief Executive Officer, who reports to a Supervisory Board.

2. NATURE OF ACTIVITIES

The principal responsibility of the Debt Management Office is to efficiently manage Nigeria's debt portfolio (both at the Federal and Sub National levels) at sustainable levels, compatible with desired economic activities over medium and long terms for economic growth and national development.

The Debt Management Office started operation in October, 2000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2010

	MOTOR VEH. & CYCLE	COMPUTER	OFFICE EQUIPMENT	TOTAL
1. FIXED ASSETS (Capital Expenditure)	N	N	N	N
Cost as at 1/1/10	64,852,834	83,669,576	99,466,834	247,989,244
Addition in the year	21,285,715	2,399,728	20,525,214	44,210,657
Disposal	-	-	-	-
Written off	-	-	-	-
	86,138,549	**86,069,304**	**119,992,048**	**292,199,901**
DEPRECIATION				
As at 01/01/10	-	-	-	-
Charge for the year	-	-	-	-
Net book Value 31/12/10	**86,138,549**	**86,069,304**	**119,992,048**	**292,199,901**

2. CURRENT ASSETS	NOTES	2010 N	2009 N
Bank Balances	9a	977,683,082	35,888,014
		977,683,082	**35,888,014**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	NOTES	2010 N	2009 N
5. ACCUMULATED FUND			
As at 01/ 01/ 2010		283,877,258	292,222,637
Surplus of income over expenditure		986,005,725	(8,345,379)
Balance C/Fwd as at 31/12/10		**1,269,882,983**	**283,877,258**
6 VOTES RECEIVED			
Capital	9b	68,134,035	-
Overhead	10	526,073,033	264,566,652
Personnel Emolument	11	319,026,477	305,915,485
		913,233,545	**570,482,137**
SPECIAL ITEMS			
6a Additional fund from Budget office	12	-	47,160,748
6b Other Income	13	617,410	2,285,409
6c FGN Bond Floatation	14a	1,385,154,669	313,000,000
6d CBN Receipt for 10% WHT Comm.	14b	306,707,028	110,117,016
6e Miscellaneous	15	79,379,135	32,789,139
		1,771,858,242	**505,352,312**
7. Capital Expenditure	15a	44,210,657	44,637,000
		44,210,657	**44,637,000**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2010

		2010	2009
7a RECURRENT EXPENDITURE		N	N
Personnel Emolument	16	318,885,991	305,830,600
Overheads	17	525,977,605	264,526,203
Additional Release from Budget Office	18	-	47,160,748
Amount Returned to Sub- Treasury	19	853,325	2,410,742
		845,716,921	**619,928,293**
SPECIAL ITEMS			
7b FGN Bond Floatation	20a	558,155,392	268,470,210
7c 10% WHT on PDMM's Comm.	20b	221,522,600	93,989,548
7d Paris Club Redemption Precedes	21	-	47,357,938
7e Miscellaneous	22	73,691,150	54,433,839
		853,369,142	**464,251,535**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010	2009
9. a BANK BALANCES	N	N
CBN- Capital A/C	23,923,378	00.00
UBA	00.00	00.00
Zenith Bank I	00.00	00.00
Central Bank of Nigeria (FGN Bond Account)	929,616,480	17,432,775
C.B.N. Paris Club Redemption Proceeds	1,719,390	1,719,390
Zenith Bank II (Miscellaneous Account)	22,423,834	16,735,849
	977,683,082	**35,888,014**
9b **VOTES RECEIVED - CAPITAL**		
2nd Quarter Allocation	22,513,508	-
3rd Quarter Allocation	45,620,527	-
	68,134,035	-----

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010	2009
	N	N
10. VOTES – OVERHEADS		
Jan. Allocation	22,047,221	27,298,832
Feb. Allocation	22,047,221	27,298,833
March Allocation	22,047,221	27,298,832
April Allocation	-	16,795,610
May Allocation	122,837,286	16,795,609
June Allocation	61,418,643	16,795,610
July Allocation	61,418,643	22,047,221
August Allocation	61,418,643	22,047,221
Sept. Allocation	61,418,643	22,047,221
Oct. Allocation	-	22,047,221
Nov. Allocation	60,946,341	22,047,221
Dec. Allocation	30,473,179	22,047,221
	526,073,033	**264,566,652**
11. **VOTES - PERSONNEL**		
Jan. Allocation	26,585,540	23,835,884
Feb. Allocation	26,585,539	23,835,884
March Allocation	26,585,539	45,646,631
April Allocation	26,585,540	23,835,884
May Allocation	26,585,540	23,595,150
June Allocation	26,585,540	23,595,150
July Allocation	26,585,540	23,595,150
August Allocation	26,585,539	23,595,151
Sept. Allocation	26,585,540	23,595,150
Oct. Allocation	26,585,540	23,595,150
Nov. Allocation	26,585,540	23,595,150
Dec. Allocation	26,585,540	23,595,151
	319,026,477	**305,915,485**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 **N**	2009 **N**
12 ADDITIONAL FUND FROM BUDGET OFFICE (SERVICE WIDE VOTE)		
Marketing of FGN Bonds to Nigerians in UK	-	32,080,620
Debt Sustainability Analysis Workshop	-	15,080,128
	--------------	**47,160,748**
13. OTHER INCOMES:		
Sales of Stores	134,500	81,000
Tender Fees	-	649,000
Contractors Registration Fees	90,000	1,375,000
Salaries Returned	392,910	198,409
	617,410	**2,285,409**
14. VOTES – FGN BOND FLOATATION		
Fund Released for FGN Bonds Operation	1,385,154,669	313,000,000
CBN Fund 10% for WHT or Comm. Bonds	306,707,028	110,117,016
	1,691,861,697	**423,117,016**
SPECIAL ITEMS:		
14a. PARIS CLUB REDEMPTION PROCEEDS		
Trans. from CBN Paris Club Redemption Proceeds	-	62,559,120
		62,559,120

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 N	2009 N
15. SPECIAL ITEMS:		
MISCELLANEOUS RECEIPTS		
-Capacity Building Fund	15,930,453	6,217,264
-Expression of interest/Train the Trainers	--	250,000
-DFID Sponsored Training	4,049,042	6,196,389
- Debt Data Reconstruction (Received)	48,299,640	-
-Refund of payment	-	2,431,056
-Crown Agent Support (Training)	-	898,824
-DFID SNDM Zonal Excel Training	-	14,795,606
Study tour in Brazil (DFID sponsored)	11,100,000	-
	79,379,135	**32,789,139**
15a. EXPENDITURE - CAPITAL		
Motor Vehicles	21,285,715	-
Computers	2,399,728	44,637,000
Office Equipment	20,525,214	-
	44,210,657	**44,637,000**
16 EXPENDITURE – PERSONNEL		
Basic Salary	318,407,991	305,441,600
Regular Allowances	478,000	200,000
Non-Regular Allowances – Overtime	-	189,000
	318,885,991	**305,830,600**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 N	2009 N
17. EXPENDITURE – OVERHEADS		
Local Travels	55,767,630	23,318,225
Int'l Travels & Transport	16,032,334	30,038,190
Local Travels & Transport -Training	14,213,550	7,802,050
Int'l Travels & Transport –Training	59,411,163	17,487,992
Telephone Charges	1,996,955	1,834,727
Internet Access Charges	6,318,084	941,047
Office Materials & Supplies	33,706,610	15,271,596
Library Books & Periodical	696,565	4,475,540
Computer Material & Supplies	27,828,993	8,211,200
Printing of Non-Security Documents	30,095,670	6,234,000
Drugs & Materials Supplies	227,950	325,800
Other Materials & Supplies	8,000,657	8,433,136
Uniforms & other clothing	874,980	623,700
Maintenance of Motor Vehicles	4,837,991	4,483,037
Maintenance of Office Furniture	-	642,100
Maintenance of Building – Office	28,630,738	2,838,757
Maintenance of Building – Residential	10,000	17,292
Maintenance of Office Equipment	5,635,900	2,916,248
Maintenance of Computers & IT Equipment	16,722,048	2,122,240
Local Training	13,509,447	14,613,750
Int'l. Training	42,759,829	41,637,919

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 N	2009 N
Security Services	440,000	357,619
Cleaning & Fumigation Services	65,000	1,150,000
Office Accommodation Rent	15,320,982	15,320,982
Financial Consulting	13,404,010	2,100,000
Information Technology Consulting	6,575,061	1,720,200
Legal & Other Professional Charges	11,037,520	24,397,471
Bank Charges	245,628	109,695
Insurance Charges/ Premium	2,019,262	1,547,909
Motor Vehicle Fuel costs	8,957,150	4,414,800
Generator fuel cost	-	2,456,000
Refreshment & Meals	51,322,509	12,156,764
Publicity & Advertisements	39,016,235	1,720,200
Postages & Courier	327,054	841,419
Welfare Packages	1,324,000	52,000
Subscription to Professional Bodies	572,000	330,450
Honorarium &sitting allowance	7,617,900	1,969,000
Other Miscellaneous expenses	456,200	-
	525,977,605	**264,526,203**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 N	2009 N
18. ADDITIONAL FUND FROM BUDGET OFFICE SERVICE WIDE VOTE		
Local Travel &Transport	-	10,021,381
Int'l Travel & Transport	-	7,607,866
Computer material supplies	--	2,875,965
Refreshment & meals	--	9,294,782
Publicity & Advertisements	-	17,370,754
	-	**47,160,748**

	2010	2009
19. AMOUNT RETURNED TO SUB-TREASURY		
Overheads	95,429	40,448
Personnel Emolument	140,486	84,885
Other Receipts	617,410	2,285,409
	853,325	**2,410,742**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 N	2009 N
20. EXPENDITURE – FGN BOND		
Local Travels & Transport	20,176,850	14,439,350
Int'l Travel & Transport	204,804,728	10,070,305
Printing of Non-Security Documents	6,250,000	6000
Refreshment & Meals	3,834,338	10,000
Publicity & Advertisements	294,994,332	203,944,555
Maintenance of Building -office	4,298,000	-
Computer material supplies	-	40,000,000
Maintenance of Office Equipments	390,000	
Financial Consulting	1,428,611	-
Other professional services	20,836,133	1,500
Other miscellaneous Expenses	1,142,400	-
	558,155,392	**268,470,210**
20a. 10% WHT on PDMM Comm.	**221,522,600**	**93,989548**
21. PARIS CLUB REDEMPTION EXPENSES		
Financial consulting	-	,725,000
Int'l travel & transport	-	35,151,294
Publicity: Paris & London Clubs	-	7,481,644
		47,357,938

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 N	2009 N
22. SPECIAL ITEMS: MISCELLANEOUS ACCOUNT		
Capacity Building Fund	16,196,331	21,984,184
Tax Refund: 1st FGN Bond	-	815,771
Study Tour of India expenses	-	9,922,272
DFID Support on SNDM Training	11,100,000	12,976,072
Study Tour to Brazil	4,049,042	-
DFID Support on SNDM Training	-	314,286
Crown Agent Special Training	-	898,824
Other Trainings	-	6,051,180
Ekiti State Expenses	-	1,471,250
Debt Data Reconstruction Expenses	42,345,777	-
	73,691,150	**54,433,839**

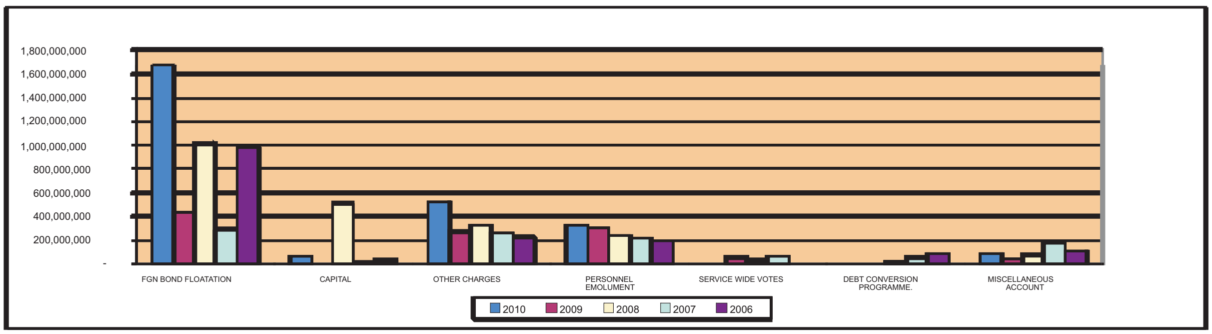
11.2.5 ANNEXURE TO THE FINANCIAL STATEMENTS

ANNEX I

SUMMARY OF TOTAL VOTES FOR THE YEAR 2006 2010

	2010	2009	2008	2007	2006
FGN BOND FLOATATION	1,691,861,697	423,117,016	1,012,893,102	288,254,498	990,618,000
CAPITAL	68,134,035	-	509,200,617	9,550,255	21,485,202
OTHER CHARGES	526,690,443	266,852,061	327,585,989	258,532,040	224,705,980
PERSONNEL EMOLUMENT	319,026,477	305,915,485	235,606,859	211,004,986	190,474,511
SERVICE WIDE VOTES	-	47,160,748	27,207,282	65,446,659	
DEBT CONVERSION PROGRAMME.			13,481,792	50,564,930	82,168,433
MISCELLANEOUS ACCOUNT	79,379,135	32,789,139	70,197,584	182,017,936	106,472,890
TOTAL	***2,685,091,787***	***1,075,834,449***	***2,196,173,225***	***1,065,371,304***	***1,615,925,016***

SUMMARY OF TOTAL VOTES FOR THE YEAR 2006 2010

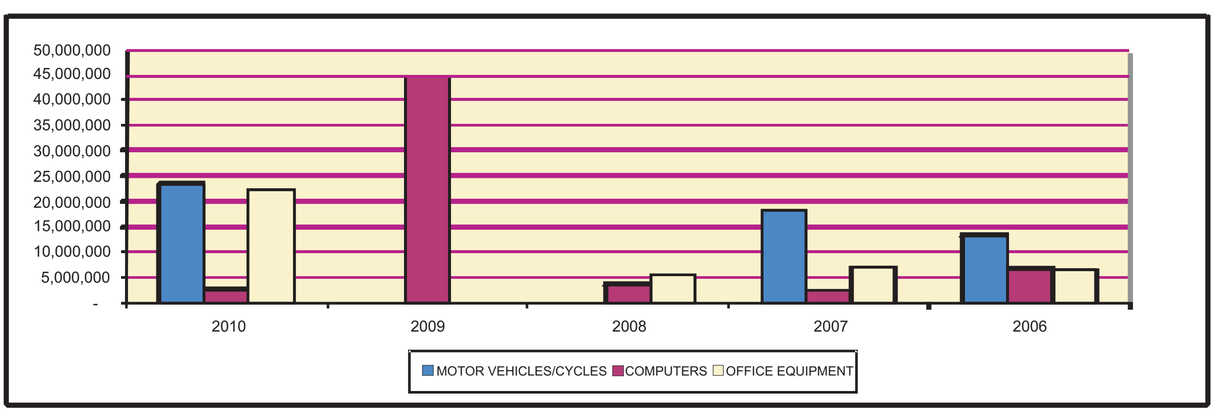


ANNEXURE II

SUMMARY OF CAPITAL EXPENDITURE FOR THE YEAR 2006 2010

	2010	2009	2008	2007	2006
MOTOR VEHICLES/CYCLES	23,395,350			18,339,380	13,438,997
COMPUTERS	2,598,750	44,637,000	3,942,000	2,397,905	6,910,000
OFFICE EQUIPMENT	22,197,000		5,395,950	7,152,350	6,602,350
TOTAL	**48,191,100**	**44,637,000**	**9,337,950**	**27,889,635**	**26,951,347**

SUMMARY OF CAPITAL EXPENDITURE FOR YEAR 2006-2010

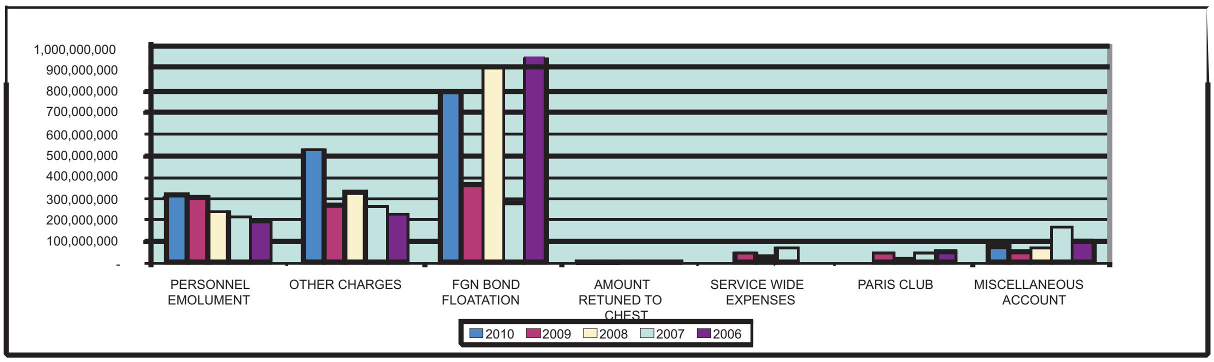


ANNEXURE III

SUMMARY OF EXPENDITURES

	2010	2009	2008	2007	2006
PERSONNEL EMOLUMENT	318,885,991	305,830,600	235,601,514	210,976,680	190,388,315
OTHER CHARGES	525,977,605	264,526,203	330,006,954	258,508,083	224,296,931
FGN BOND FLOATATION	790,668,836	362,459,757	888,253,706	278,363,488	946,217,357
AMOUNT RETUNED TO CHEST	853,325	2,410,742	6,111	52,263	125,245
SERVICE WIDE EXPENSES	-	47,160,748	24,932,806	65,446,659	-
PARIS CLUB	-	47,697,938	13,481,792	39,131,597	49,042,776
MISCELLANEOUS ACCOUNT	73,691,150	54,433,839	69,081,599	164,370,118	95,161,142
TOTAL	**1,710,076,907**	**1,084,519,827**	**1,561,364,482**	**1,016,848,888**	**1,505,231,766**

SUMMARY OF RECURRENT EXPENDITURE FOR THE YEAR 2006-2010

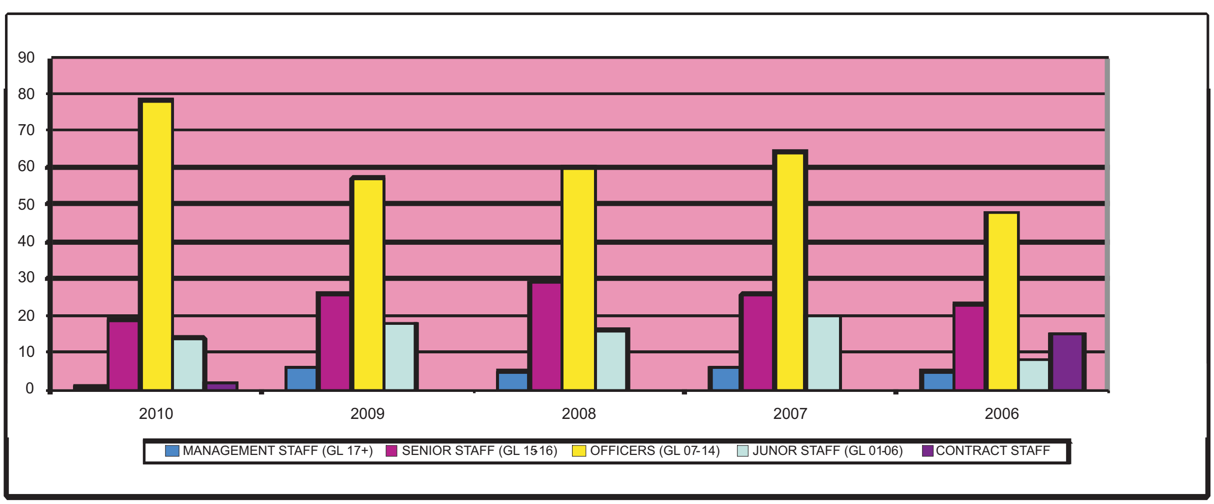


ANNEXUTRE IV

SCHEDULE OF STAFF STRENGTH FOR THE YEAR 2006 2010

	2010	2009	2008	2007	2006
MANAGEMENT STAFF (GL 17+)	1	6	5	6	5
SENIOR STAFF (GL 15-16)	19	26	29	26	23
OFFICERS (GL 07-14)	78	57	60	64	48
JUNOR STAFF (GL 01-06)	14	18	16	20	8
CONTRACT STAFF	2				15

SCHEDULE OF STAFF STRENGTH FOR THE YEARS 2006-2010



ANNEXURE V

SCHEDULE OF FIXED ASSETS LESS ACCUMULATED DEPRECIATION AS AT 31st DEC. 2010

	MOTOR VEH. AND CYCLE	COMPUTER	OFFICE EQUIPMENT	TOTAL
FIXED ASSETS	N	N	N	N
CAPITAL EXPENDITURE (CAPITAL EXPENDITURE)				
COST AS AT 01/01/10	64,852,834	83,669,576	99,466,834	247,989,244
ADDITIONS	21,285,715	2,399,728	20,525,214	44,210,657
DISPOSAL	-	-	-	-
WRITTEN OFF	-	-	-	-
	86,138,549	**86,069,304**	**119,992,048**	**292,199,901**
DEPRECIATION				
AS AT 01/01/10	64,852,824	57,310,159	97,182,781	219,345,764
CHARGE FOR THE YEAR	5,321,429	21,517,236	4,561,853	31,400,518
DISPOSAL	-	-	-	-
WRITTEN OFF	-	-	-	-
	70,174,253	**78,827,395**	**101,744,634**	**250,746,282**
NET BOOK VALUE AT 31/12/10	**15,964,296**	**7,241,909**	**18,247,414**	**41,453,619**
NET BOOK VALUE AT 31/12/09	**10**	**26,359,417**	**2,284,053**	**28,643,480**

The above assets were depreciated using the straight line method of depreciation. The rates used are as stated below:

	%
MOTOR VEHICLE /CYCLE	25
COMPUTER	25
OFFICE EQUIPMENT	20

This exercise is just to know the fair value of the assets since the cash basis of accounting is the method being used in public sector.