DEBT MANAGEMENT OFFICE

NIGERIA

2017

Annual Report and Statement of Accounts

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

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

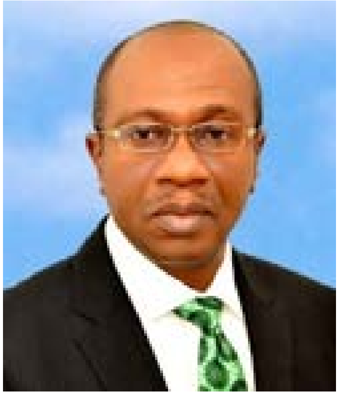
MRS. KEMI ADEOSUN
Honourable Minister of Finance
Federal Republic of Nigeria

DMO SUPERVISORY BOARD

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

Mrs. Kemi Adeosun
Honourable Minister of Finance
VICE-CHAIRMAN

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



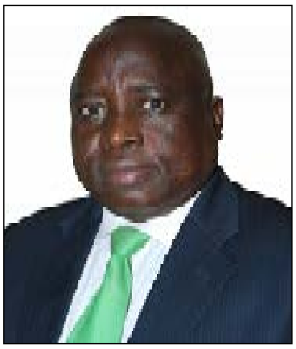
Mr. Godwin I. Emefiele
Governor, Central Bank of Nigeria
MEMBER

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

Ms. Patience Oniha
Director-General, DMO
MEMBER & SECRETARY

DMO MANAGEMENT TEAM

Ms. Patience Oniha
Director-General

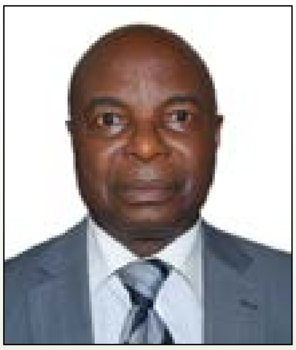


Mr. Miji Amidu
Director, Special Assignments

Mrs. Hannatu Suleiman
Director, Organisational Resourcing Department

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

Mr. Oladele Afolabi
Director, Portfolio Management Department



Mr. Alfred Anukposi
Head, Strategic Programmes Department

Mr. Monday Usiade
Head, Market Development Department

Mrs. Elizabeth Kwaghbulah
Head, Debt Recording & Settlement Department

MANAGEMENT STAFF OF THE DMO

S/N	Name	Rank	Department/Unit
1.	Oniha, Patience (Ms.)	Director-General	
2.	Amidu, Miji (Mr.)	Director	Special Assignments
3.	Suleiman, Hannatu (Mrs.)	Director	Organisational Resourcing Department (ORD)
4.	Ugoala, Joe Chiadi (Mr.)	Director	Policy, Strategy and Risk Management Department (PSRMD)
5.	Afolabi, O. Oladele (Mr.)	Director	Portfolio Management Department (PMD)
6.	Anukposi, Alfred N. (Mr.)	Head of Department	Strategic Programmes Department (SPD)
7.	Usiade, Monday I. (Mr.)	Head of Department	Market Development Department (MDD)
8.	Kwaghbulah, Elizabeth M. (Mrs.)	Head of Department	Debt Recording & Settlement Department (DRSD)
9.	Jiya, Janet O. (Mrs.)	Deputy Director	On Secondment
10.	Amadi, Johnson O. (Mr.)	Deputy Director	Team Leader, Policy & Strategy Unit (PSRMD)
11.	Nwankwo, Maraizu (Mr.)	Deputy Director	Team Leader, Statistics, Analysis & Risk Management Unit (PSRMD)
12.	Ekpenyong, Elizabeth E. (Ms.)	Deputy Director	Team Leader, Task Compliance & Operational Risk Management Unit (PSRMD)
13.	Eleri, Nicholas (Dr.)	Assistant Director	Team Leader, Institutions & Skills Development Unit-Southern Zone (SPD)
14.	Ekpokoba, Ikem H. (Mr.)	Assistant Director	Team Leader, Sub-National Debt Unit (DRSD)
15.	Aiyesimoju, Olaitan D. (Mr.)	Assistant Director	Team Leader, Internal Audit & Compliance Unit (DG's Office)
16.	Abubakar, Sani Kulo (Mr.)	Assistant Director	Team Leader, Loan & other Financing Products Unit + Special Securities Unit (PMD)
17.	Anyanwu, Francis N. (Mr.)	Assistant Director	Team Leader, Debt Management Training Unit (SPD)
18.	Ijagbemi, Susan Y. (Mrs.)	Assistant Director	Team Leader, Human Resources Unit (ORD)
19.	Oluwasile, Wuraola E. (Mrs.)	Assistant Director	Team Leader, External Debt & Special Accounts Unit (DRSD)
20.	Masha, Naomi L. E. (Mrs.)	Assistant Director	Sub-National Debt Unit (DRSD)
21.	Mustapha-Anas, Maryam S. (Mrs.)	Assistant Director	Team Leader, Institutions & Skills Development Unit-Northern Zone (SPD)
22.	Ahmed, Fawzia I. (Mrs.)	Assistant Director	Team Leader, IA & C - DMA Section
23.	Ekiye, Alfred (Mr.)	Assistant Director	Policy & Strategy Unit (PSRMD)

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GLOSSARY

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

DCSS	Direct-Cash Settlement System
DDU	Domestic Debt Unit
DeMPA	Debt Management Performance Assessment
DMDs	Debt Management Departments
DMO	Debt Management Office
DRSD	Debt Recording and Settlement Department
DSA	Debt Sustainability Analysis
DSF-LICs	Debt Sustainability Framework for Low Income Countries
ECA	Excess Crude Account
ECB	European Central Bank
ECFA	External Creditors Funding Account
EDF	European Development Fund
EM	Emerging Market
EM-LCBI	Emerging Markets Local Currency Bond Index
ETF	Exchange Trade Funds
ES	External Support
EUR	Euro
FBN	First Bank of Nigeria
FCT	Federal Capital Territory
FCTA	Federal Capital Territory Administration
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria
FICAN	Financial Correspondents Association of Nigeria
FMA	Federal Ministry of Aviation
FMBN	Federal Mortgage Bank of Nigeria
FMBNP	Federal Ministry of Budget and National Planning
FMDA	Financial Markets Dealers Association
FMDQ	Financial Market Dealers Quotation
FMF	Federal Ministry of Finance
FMoT	Federal Ministry of Transport
FOMC	Federal Open Market Committee
FSS	Financial System Strategy

FX	Forex
GBB	Galaxy Backbone
GBP	Great Britain Pound
GBI-EM	Government Bond Index-Emerging Markets
GCFR	Grand Commander of the Federal Republic
GCON	Grand Commander of the Order of the Niger
GDN	Global Depository Note
GDP	Gross Domestic Product
GIFMIS	Government Integrated Financial Management Information System
HR	Human Resources
IBRD	International Bank for Reconstruction and Development
ICM	International Capital Market
ICT	Information & Communication Technology
ID	Islamic Dinar
IDA	International Development Association
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFEM	Inter-Bank Foreign Exchange Market
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IPO	Initial Public Offering
IPSAS	International Public Sector Accounting Standards
IPPIS	Integrated Personnel and Payroll Information System
ISDU	Institutions & Skill Development Unit
IT	Information Technology
JPY	Japanese Yen
LCDs	Local Contractors' Debts
LEI	Legal Entity Identifier
M_2	Broad Money Supply
MC	Market Capitalization
MDAs	Ministries, Departments and Agencies

MDD	Market Development Department
MENAP	Middle East, North Africa, Afghanistan and Pakistan
ME & SD	Monitoring, Evaluation & Special Duties
MFPCC	Monetary and Fiscal Policy Coordinating Committee
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MS	Microsoft
MSCI	Morgan Stanley Capital International
MTDS	Medium-Term Debt Management Strategy
MTEF	Medium-Term Expenditure Framework
MTN	Medium Term Note
NACRDB	Nigerian Agricultural Cooperative & Rural Development Bank
NBS	National Bureau of Statistics
NBET	Nigerian Bulk Electricity Trading
NDIC	Nigeria Deposit Insurance Corporation
NDMF	National Debt Management Framework
NEXIM	Nigerian Export Import Bank
NFA	Net Foreign Asset
NGN	Nigerian Naira
NICMM	Non-Interest Capital Market Master Plan
NIPF	National Investor Protection Fund
NSE	Nigerian Stock Exchange
NSIA	Nigeria Sovereign Investment Authority
NTBs	Nigerian Treasury Bills
OO	Operations Officer
OAGF	Office of the Accountant-General of the Federation
ORD	Organizational Resourcing Department
ORM	Operational Risk Management
OTC	Over-the-Counter
PDMMs	Primary Dealer Market Makers
PENCOM	Pension Commission
PMD	Portfolio Management Department

POO	Principal Operations Officer
PenOp	Pension Operators Association of Nigeria
PSRMD	Policy, Strategy and Risk Management Department
PV	Present Value
REIT	Real Estate Investment Trust
rDAS	Retail Dutch Auction System
S4	Scripless Securities Settlement System
SAN	Senior Advocate of Nigeria
SDN	Sovereign Debt Note
SDR	Special Drawing Rights
SEC	Securities & Exchange Commission
SIU	Securities Issuance Unit
SME	Small and Medium Enterprise
SOO	Senior Operations Officer
SNDU	Sub-National Debt Unit
SPD	Strategic Programmes Department
STF	Sub-Treasury of the Federation
TBs	Treasury Bonds
TDR	Trade Data Repository
TL	Team Leader
TSA	Treasury Single Account
USD	United States Dollar
USA	United States of America
UK	United Kingdom
WAIFEM	West African Institute for Financial and Economic Management
WAMZ	West African Monetary Zone
WB	World Bank
WEO	World Economic Outlook

DEBT MANAGEMENT OFFICE

Vision

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

Mission

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

Broad Objective

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

Core Values

EXCITE:

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

MANDATE OF THE DEBT MANAGEMENT OFFICE

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

a. Maintain a reliable database of all loans taken or guaranteed by the Federal or State Governments or any of their agencies;

b. Prepare and submit to the Federal Government a forecast of loan service obligations for each financial year;

c. Prepare and implement a plan for the efficient management of Nigeria's external and domestic debt obligations at sustainable levels compatible with desired economic activities for growth and development and participate in negotiations aimed at realizing these objectives;

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

e. On an agency basis, service external debts taken by State Governments and any of their agencies, where such debts are guaranteed by the Federal Government;

f. Set guidelines for managing Federal Government financial risks and currency exposure with respect to all loans;

g. Advise the Federal Government on the re-structuring and re-financing of all debt obligations;

h. Advise the Minister on the terms and conditions on which monies, whether in the currency of Nigeria or in any other currency, are to be borrowed;

i. Submit to the Federal Government for consideration in the annual budget, a forecast of borrowing capacity in local and foreign currencies;

j. Prepare a schedule of any other Federal Government obligations such as trade debts and other contingent liabilities, both explicit and implicit and provide advice on policies and procedures for their management;

k. Establish and maintain relationships with international and local financial institutions, creditors and institutional investors in Government debts;

l. Collect, collate and disseminate information, data and forecasts on debt management with the approval of the Board;

m. Carry out such other functions which may be delegated to it by the Minister or by Act of the National Assembly; and

n. Perform such other functions which in the opinion of the Office are required for the effective implementation of its functions under the Act.

The DMO Act also provides that the Office shall:

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

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

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

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

a. Issue and manage Federal Government loans publicly issued in Nigeria upon such terms and conditions as may be agreed between the Federal Government and the Office;

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

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

DIRECTOR-GENERAL'S STATEMENT

It is indeed with pleasure that I present my maiden Annual Report and Statement of Accounts of the Debt Management Office (DMO) for the year ended December 31, 2017, following my assumption of office as Director-General of the DMO on July 1, 2017. The Report highlights key economic trends and developments in local and international financial markets that impacted on the activities of the DMO during the year. Also included in the Report is the Audited Financial Statements and Accounts of the Office for the year ended December 31, 2017, which has been presented in compliance with the relevant public sector financial reporting regulations.

The Global Economy

The global economy, which experienced sluggish growths of 3.4 percent and 3.2 percent in 2015 and 2016 respectively rose to 3.8 percent according to the 2018 World Economic Outlook published by the International Monetary Fund (IMF). The growth was attributed to the rebound in global trade and investments, resulting from improved investor confidence, recovery of commodity prices and rising domestic demand in many countries. The Report also projected global output growth to rise to 3.9 percent in 2018, with a caution that the outlook for global economic growth may still be constrained by a number of factors such as the increasing shift towards protectionist trade policies, geopolitical tensions in the Middle East and the Korean Peninsula, as well as the uncertainties surrounding the Brexit negotiations.

The Domestic Economy

On the domestic front, Nigeria's economy, which experienced four consecutive quarters of contraction (the first in 25 years), exited recession with a positive growth rate of 0.72 percent in the second quarter of 2017. The modest growth was as a result of a number of factors, principal of which were: higher oil prices and a combination of fiscal, monetary and exchange rate policies. Another contributory factor was the increase in crude oil production as a result of decline in pipeline vandalism.

According to the National Bureau of Statistics (NBS), the country's real GDP grew by 0.83 percent in 2017, higher by 2.41 percentage points compared to the -1.58 percent in 2016.

There were also positive developments on price levels as the Year-on-Year headline inflation rate moderated at 15.37 percent in December 2017, compared to 18.55 percent in the corresponding period of 2016.

The Foreign Exchange Market where there had been limited access to foreign exchange and volatility in the Naira Exchange Rate, witnessed significant improvements as the Central Bank of Nigeria (CBN) introduced measures to increase liquidity whilst also achieving stability in the Naira exchange rate. One of the major initiatives was the introduction of the Investors and Exporters Window (I & E Window) in April 2017 whose main purpose was to attract foreign exchange inflows into the economy. According to reports from the CBN, Transactions in the I & E Window between April 2017 when it was introduced and December 31, 2017 stood at US$12.89 billion, while the turnover of transaction was US$23.92 billion. The stability in the foreign exchange market was supported by a much higher level of External Reserves. Reserves rose by 44% from US$26.99 billion as at December 31, 2016 to US$38.8 billion as at December 31, 2017. The growth in External Reserves was due to increased export earnings from crude oil and the external capital raising of US$4.8 billion from the International Capital Market (ICM) by the Federal Government in 2017.

Funding the 2017 Appropriation Act

The 2017 Appropriation Act provided for a Total Expenditure of ₦7.441 trillion. The Act which was appropriately named Budget of Recovery and Growth had as its objective, to bring the economy out of recession and to a path of steady growth and prosperity. The Appropriation Act was predicated on a benchmark crude oil price of US$44.50/barrel, Crude Oil production of 2.20 million barrels per day and an Exchange Rate of US$1/₦305, with a fiscal deficit of ₦2.36 trillion or 2.18 percent of the GDP, which was still within the limit of 3.0 percent prescribed in the Fiscal Responsibility Act, 2007. Over 98% of the deficit of ₦2,321.77 billion was to be funded through borrowing.

The Act provided for ₦1,254.27 billion as New Domestic Borrowing and ₦1,067.50 billion (US$3.5 billion at an Exchange Rate of US$1/₦305) as New External Borrowing. The DMO successfully raised 100% of the New Domestic Borrowing through the issuance of Federal Government of Nigeria (FGN) Bonds for tenors of 3 to 20 years, a debut Sovereign Sukuk of ₦100 billion, FGN Savings Bond and Sovereign Green Bond while US$2.8 billion External Capital was raised through the issuance of US$2.5 billion Eurobonds of tenors of 10 to 30 years and a US$300 million Diaspora Bond for a Tenor of 5 years as part of New External Borrowing.

Nigeria's Current Debt Profile

Nigeria's Total Public Debt Stock as at December 31, 2017 was ₦21,725.773 billion (US$70.999 billion), compared to ₦17,360.009 billion (US$57.391 billion) as at December 31, 2016. In Naira terms, the stock grew by ₦4,365.763 billion (25.15%), while in Dollars terms, it grew by US$13.607 billion (23.71%). The increase in Total Public Debt was due to the borrowing by the Government to stimulate the economy, exit recession and create jobs. The exit from recession in the second Quarter of 2017 is a testament to the success of the increased spending by Government to stimulate growth and the various economic policies and initiatives introduced by the Government.

Whilst the Total Public Debt grew, the composition of the portfolio improved as the share of External Debt rose to 27% as at December 31, 2017 from 17% in 2015 and 20% in 2016. This achievement was delivered through the deliberate policy of increased

External Borrowing to achieve a ratio of 60:40 between Domestic and External Debt Stock.

Notwithstanding the increase in the level of Debt Stock in 2017, compared to the previous years, the debt portfolio still remained sustainable in the medium to long-term as the ratio of Total Public Debt to GDP grew moderately from 16.27 percent in 2016 to 18.20 percent as at December 31, 2017. The new ratio of 18.20 percent was still within the Country-Specific Debt Limit, and was well below the World Bank/IMF's Threshold of 56.00 percent, as well as West African Monetary Zone Convergence Threshold of 70.00 percent. While the Total Public Debt remains sustainable in the medium to long-term, Government has recognised the need to increase and diversify revenue resources to moderate the level of borrowing and reduce Debt Service Cost. It is noteworthy that a number of policy measures and initiatives such as the Voluntary Assets and Income Declaration Scheme (VAIDS), more friendly tax payment process and Review of the Pioneer Status Scheme initiatives have been introduced to shore up Government revenue.

Activities in the International Capital Market

In line with the DMO's Debt Management Strategy, 2016-2019, which is aimed at rebalancing the Debt Stock by reducing the level of Domestic Debt in the Total Public Debt portfolio to achieve an optimal ratio of 60:40 for Domestic to External Debt respectively, as well as moderate Debt Service Costs, Nigeria was an active issuer of securities in the ICM in 2017. Through the DMO, Nigeria accessed the market for a total sum of US$4.8 billion through Eurobonds and a Diaspora Bond. Between February and April 2017, US$1.5 billion 15-year Eurobonds were issued to part finance the 2016 Budget. This was followed by the Issuance of a US$300 million 5-year Diaspora Bond in June 2017 for the financing of the 2017 Budget. In November 2017, Nigeria, approached the ICM and successfully raised a dual-tranche US$3 billion Eurobonds for tenors of 10 years and 30 years for which it received a subscription of over US$11.3 billion or 400% of the amount offered. The Issuance of a 30-year Eurobond by Nigeria in 2017 represents a landmark achievement, as it was the first time a Sub-Saharan African country, other than South Africa, has issued a Bond with such a long tenor. Also, the tenor set the right foundation for raising long tenored funds required for financing capital projects.

Another significant achievement in the ICM was that the US$300 billion Diaspora Bond was registered with the US Securities and Exchange Commission (US SEC) which was not only a first for Nigeria, but also made Nigeria the second country after South Africa to register its securities with the US SEC.

In line with the DMO's objective of actively contributing to the development of the domestic capital market, all the Eurobonds and the Diaspora Bond issued in 2017 (a total of US$4.8 billion) were listed on The Nigerian Stock Exchange and the FMDQ OTC Securities Exchange.

Restructuring the Public Debt Portfolio

In another landmark development in public debt management, the Federal Government approved that US$3 billion external financing be raised to refinance short tenored high cost domestic debt. The approval was to enable the implementation of the Debt Management Strategy, which seeks to rebalance the Debt Stock by reducing the level of Domestic Debt in the Total Public Debt Stock to a maximum of 60%. US$500 of this amount was raised through a Eurobond issued in the ICM in November 2017, whose proceeds were used to redeem the ₦198.032 billion of Nigerian Treasury Bills (NTBs) that matured in 2017. This action resulted in a savings in Interest Cost of about ₦17 billion per annum as external debt at an Interest Cost of less than 8% was used to replace Domestic Debt with an Interest Cost of over 18%. In addition, the action increased the amount of loanable funds available to the private sector, while lowering the level of Interests Rate to 13 – 14% in December 2017 from over 18.5% in January 2017. This outcome is both desirous and consistent with the Government's policy of enabling the private sector to lead economic growth.

New Products in the Domestic Market

As part of the strategy for deepening the FGN securities market (by broadening and diversifying the investor base), and promoting financial inclusion, the DMO successfully introduced three (3) new debt instruments in the domestic capital market. The new products are: Federal Government of Nigeria Savings Bond (FGNSB), Sukuk and Green Bonds.

The FGNSB which is primarily for retail investors was first issued in March 2017. By the end of 2017, the sum of ₦7,197.37 million had been raised from over 9,866 subscribers. The debut Sovereign Sukuk of ₦100 billion was issued in September 2017 for the purpose of promoting financial inclusion, while also borrowing for targeted capital projects only. The proceeds of the Sukuk are being deployed to the construction and rehabilitation of 25 Road Projects across the country. The Green Bonds for ₦10.69 billion were issued in December 2017 to finance environmentally friendly Projects consistent with the Paris Agreement on Climate Change to which Nigeria is a signatory.

The FGN Securities Market

In 2017, the FGN Securities Market was very active as demonstrated by the high level of subscriptions at the various auctions and the level of activities in the Secondary Market. Total Subscription for FGN Bonds and NTBs in 2017, was ₦8.725 billion compared to the ₦5.643 billion that was offered. Activities in the Secondary Market showed that 63,031 Transactions with a Face Value of ₦16.877 trillion were recorded as against 50,427 Transactions and a Face Value of ₦12.812 trillion posted in 2016. All these indicate a strong and growing interest in FGN Securities in the domestic debt market.

Capacity Building for Sub-national Government

In 2017, the DMO continued with its capacity building initiatives for the Sub-national Debt Managers, to strengthen their skills on effective public debt management, by conducting specialised training on Debt Recording and Reporting Template for Lagos, Plateau, Kebbi, Taraba and Jigawa State.

Similarly, between November, 2017 and January, 2018, all staff of the DMO participated in training programmes with focus on Organizational Behaviour, Public Service Rules and Business Communication Skills, to build institutional skills and improve work processes. This was in addition to other specialized courses which staff attended between July and December 2017.

Outlook

Going forward, the DMO expects to build on its achievements in 2017, introduce a new Strategic Plan that will ensure that its activities and products are well aligned with the Federal Government's Needs and Agenda, as articulated in its Economic Blueprint – the Economic Recovery and Growth Plan (ERGP).

In conclusion, I wish to express my profound gratitude to the Chairman of the Supervisory Board of the DMO, His Excellency, Professor Yemi Osinbajo, SAN, GCON, the Vice President of the Federal Republic of Nigeria; the Vice Chairman of the Board and the Supervising Minister, Mrs. Kemi Adeosun, the Honourable Minister of Finance; and all the other distinguished members of the Board for their support and guidance during this period. I also wish to extend a warm appreciation to our stakeholders, including, Ministries, Departments and Agencies, the National Assembly, and Development Partners, for their sustained partnership and unwavering support. Finally, I would also wish to express my appreciation to the Management and Staff of the DMO for their commitment in ensuring that the Office continued to deliver on its mandate. I thank you all.

Patience Oniha
Director-General
June 22, 2018

Dualization of Lokoja - Benin Road: Obajana Junction - Benin Section III, Phase I: Auchi - Ehor

CHAPTER ONE

THE OPERATING ECONOMIC ENVIRONMENT

CHAPTER ONE

THE OPERATING ECONOMIC ENVIRONMENT

In 2017, the global economy experienced moderate improvement, which was attributed to a rebound in investment, recovery in commodity prices, rising demand and accommodative monetary policy, especially in some advanced economies. The United States of America's economy witnessed an improvement, supported by strong domestic consumption and investments, while Japan's economy picked up, aided by exports and rising private investments. Euro-area economies expanded moderately on the back of enhanced exports and favourable labour market. Emerging markets and developing economies, as well as Sub-Saharan African economies benefited from the rising commodity prices. The Nigerian economy returned to a positive growth in 2017, which was attributed to rising oil prices, decline in pipeline vandalism, leading to a rebound in economic activities with improved investors and consumer confidence and business sentiments.

1.1 The Global Economy

In 2017, the global economy experienced moderate improvement, which was attributed to a rebound in investment, recovery in commodity prices, rising demand and accommodative monetary policy, especially in some advanced economies. The data from the International Monetary Fund (IMF), World Economic Outlook (April, 2018), indicated that global output growth rate increased to 3.7 percent in 2017, from 3.2 percent in 2016, but projected to further improve to 3.9 percent in 2018. However, the outlook for the global economic growth is anticipated to be constrained by a number of factors which include, a shift towards protectionist trade policies by some advanced economies, including the US, geopolitical tensions in the Middle East and the Korean Peninsula, as well as the uncertainties surrounding the Brexit negotiations.

The United States of America's economy improved from 1.5 percent in 2016 to 2.3 percent in 2017 and is likely to expand to 2.7 percent in 2018. The growth was supported by strong household consumption and investments, and it is expected to rise to 2.7 percent in 2018, due to tax reforms. Japan's economy picked up at 1.8 percent in 2017, from 0.9 percent in 2016, aided by exports, rising private investments, and fiscal stimulus.

The Euro-area economies continued to expand moderately at 2.4 percent in 2017, from 1.8 percent in 2016, due to a rebound in investments, increase in exports in response to the recovery in the global economy, and favourable labour market. The modest economic recovery is expected to continue in 2018 with a growth rate of about 2.0 percent, to be driven by accommodative financial conditions. The UK's economy was weakened by uncertainties surrounding the future direction of the Brexit negotiations. There were improved economic performances in Germany and Italy, as output growth rates increased to 2.5 and 1.6 percent in 2017, from 1.9 and 0.9 percent in 2016, respectively, reflecting stronger demand in both the domestic and external sector.

The Emerging markets and developing economies grew to 4.7 percent in 2017, from 4.4 percent in 2017, and were projected to grow further to 4.9 percent in 2018. China's economy strengthened at 6.8 percent in 2017 from 6.7 percent in 2016, driven by service industries as China continues to rebalance its economy from export-based towards domestic consumption. Russia's economy recorded a rebound from a negative growth of -2.0 percent in 2016 to 1.8 percent in 2017, reflecting recovery in oil prices. India's economy declined slightly to 6.7 percent in 2017 from 7.1 percent in 2016, following the currency exchange initiative, but projected to pick up in 2018 to 7.4 percent, given increasing foreign direct investment, economic reforms and rising external buffers anchored on lower commodity prices. The economies of the Middle East, North Africa, Afghanistan and Pakistan (MENAP) declined from 4.9 percent in 2016 to 2.5 percent in 2017, despite the recovery in oil prices, reflecting conflicts in the region. The economies of Latin America and the Caribbean rebounded from recession with a negative growth of -0.7 percent in 2016 to a growth of 1.3 percent in 2017, which is expected to rise to 1.9 percent in 2018, as a result of strengthening commodity prices. However, Mexico's economy declined from 2.9 percent in 2016 to 2.0 percent in 2017, due to the uncertainties around the outcome of the North America Free Trade Agreement renegotiation, domestic political uncertainty and tighter financial conditions, which weighed on consumption and investment. The recovery of commodity prices, bumper agricultural harvest and rising private consumption and investment helped to lift the Brazilian economy out of a negative growth to positive growth of 1.1 percent in 2017.

Sub-Saharan African economies improved to 2.7 percent in 2017 from 1.4 percent in 2016, attributed to rising commodity prices, improved external demand and easing of drought conditions in Eastern and Southern Africa. Nigeria's economy moved from negative growth rate of -1.6 percent in 2016 to 0.83 percent in 2017, and it is projected to rise to 2.0 percent in 2018, due to the stability in the Foreign Exchange Market, rising crude oil prices and strong investor confidence. South African economy grew from 0.3 percent in 2016 to 0.9 percent in 2017, attributed to strong growth in agriculture, higher commodity prices and incipient recovery in investor sentiments. The main risks to the Sub-Saharan region revolved around political uncertainties, lower oil and commodity prices, security threats and insurgency.

1.2 The Nigerian Economy and Policy Environment in 2017

1.2.1 Output and Prices

Nigeria's economy returned to positive growth in second quarter of 2017, existing a four-quarter long contraction recorded between second quarter of 2016 and first quarter of 2017. This was attributed to rising oil prices, decline in pipeline vandalism, which impacted positively on domestic production, relative stability in the Foreign Exchange Market, leading to a rebound in economic activities with improved investors and consumer confidence, and business sentiments. According to the data from the National Bureau of Statistics (NBS), the country's annual real GDP in 2017 grew by 0.83 percent higher by 2.42 percentage points than -1.58 percent in 2016. On quarter-on-quarter basis, the GDP contracted by -0.91 percent in the first quarter, but returned to a positive growth rate of 0.72 percent in the second quarter of 2017, and up from 1.40 percent in the third quarter to 1.92 percent fourth quarters.

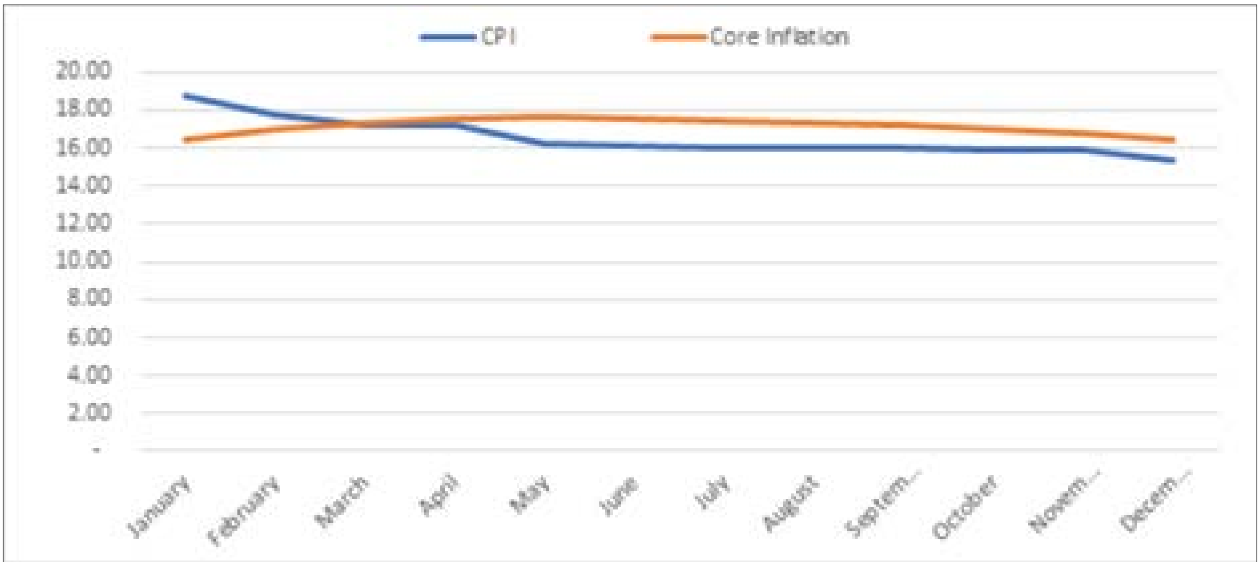
The non-oil sector grew by 0.47 percent in real terms in 2017, compared to a negative growth rate of -0.22 percent in 2016. In the second quarter of 2017, it was 0.45 percent, which was 0.27 percentage point lower than the growth of 0.72 percent in the first quarter of 2017, but relapsed to negative growth of -0.76 percent in the third quarter, before showing positive growth of 1.45 percent in the fourth quarter of 2017. The improvement in the non-oil sector with annual contribution of 91.32 percent to the GDP was largely driven by Agriculture (21.06 percent), Trade (18.97 percent) and Transportation and Storage (13.60 percent). The oil sector grew by 4.79 percent in 2017 compared to the contraction of -14.45 percent in 2016 and contributed 8.68 percent to the GDP in 2017 compared to 8.35 percent in 2016. This development was attributed to rising oil prices and relative peace in the Niger Delta region, hence a drastic reduction in pipeline vandalism.

Figure 1.1: Quarterly Growth Rate of the Nigerian Economy, 2016-2017

Source: National Bureau of Statistics (NBS)

The year-on-year headline inflation declined to 15.37 percent in December 2017, compared to 18.55 percent in the corresponding period of 2016. However, this was still above the WAMZ convergence inflation rate threshold of 10.00 percent. The headline inflation opened at 18.72 percent in January, 2017, and gradually declined to 15.37 percent in December, 2017. The declining inflationary pressure was attributed to sustained intervention by the CBN in the Foreign Exchange Market to ensure rate stability, thereby moderating pass through pressure to domestic prices. Figure 1.2 shows the trends of the Consumer Price Index and Core Inflation in 2017.

Figure 1.2: The Consumer Price Index and Core Inflation in 2017



Source: National Bureau of Statistics (NBS)

1.2.2 Monetary, Credit and Financial Market Developments in 2017

On quarter-to-quarter basis the Broad Money Supply (M_2) grew by 9.3 percent as at December 31, 2017 compared to 6.2 percent in the corresponding period of 2016. The increase was attributed to a rise in Net Foreign Assets (NFAs) of the banking system, which increased to 47.4 percent as at December 31, 2017 over the level of 18.2 percent in the corresponding period of 2016, reflecting renewed investors' confidence in the economy. The Monetary Policy Rate (MPR) was held constant throughout the year 2017 at 14.00 percent, with an asymmetric corridor of +200 basis points and -500 basis points around the MPR, as well as the Cash Reserve Ratio (CRR) on both public and private sector deposits of 22.5 percent, and Liquidity ratio of 30.00 percent. The average Inter-Bank Call Rates and Prime Lending Rates as at December 31, 2017, were 9.49 and 17.71 percent, compared to 10.39 and 17.09 percent in 2016, respectively.

1.2.3 External Sector Developments

The gross external reserves was US$39.35 billion as at December 31, 2017, compared to US$26.99 billion as at December 31, 2016, representing an increase of US$12.36 billion or 45.79 percent.

The increase was attributed mainly to the rise in receipts from oil exports occasioned by oil price increases and improvement in non-oil proceeds. The rise in crude oil price was due to the decline in United States' shale oil output, increased global demand for refined petroleum and extension of the Organization of Petroleum Exporting Countries' (OPEC) production cut deal to end of 2018.

In the inter-bank market, the average exchange rate was ₦305.96/US$ as at December 31, 2017 compared to ₦305.21/US$ in the corresponding period of 2016, representing a depreciation of 0.2 percent. At the Bureau De Change (BDC) segment of the market, there was consistent intervention resulting into a decline in average exchange rate from ₦445.03/US$ in December 31, 2016 to ₦362.49/US$ by the December 31, 2017. Table 1.1 shows the trend of selected macroeconomic indicators between 2013 and 2017.

Table 1.1: Selected Macroeconomic Indicators, 2013 - 2017

Description	2013	2014	2015	2016	2017
Real GDP Growth Rate (%)	5.49	6.22	2.79	-1.58	0.83
CPI Inflation (end-period) (%)	12.0	8.0	9.6	18.55	15.37
Budget Deficit (% of GDP)	1.9	1.9	1.09	2.14	2.18
External Reserves (US$' billion)	43.83	34.25	28.29	26.99	39.35
End-Period Exchange Rate (₦)	155.57	168	197	305	306
Total Public Debt-to-GDP Ratio (%)	12.65	12.65	13.02	16.27	18.20
Benchmark Crude oil price (US$)	79	77.5	53	38	44.50
Equities Market Capitalization (₦' trillion)	13.23	11.47	9.65	9.26	13.62
Bond Market Capitalization (₦' trillion)	5.85	5.38	7.14	6.93	9.29

Sources: FMBNP, NBS, CBN, DMO
Note: Total Public Debt-to-GDP ratio includes States' Domestic Debt Stock

1.2.4 Fiscal Developments

In 2017, Nigeria's fiscal operations were anchored on the Medium-Term Expenditure Framework (MTEF), 2017– 2019, which was designed to achieve medium-term strategy, focused on the recovering of the economy and promotion of sustained increased growth. The revenue estimates for the 2017 budget was based on a benchmark crude oil price of US$45.00 per barrel, crude oil production quantity of 2.20 million barrels per day, and Deficit-to-GDP ratio of 2.18. The total borrowing of ₦2,321.77 billion, comprised ₦1,067.50 billion and ₦1,254.27 billion from foreign and domestic sources, respectively, was raised to fund the 2017 budget deficit.

1.2.5 Domestic Capital Market

1.2.5.1 Developments in the Domestic Equities Market

The equities Market witnessed a rise in activities in the year under review. The NSE's All-Share Index (ASI) rose by 42.30 percent from 26,874.62 on December 31, 2016, to close at 38,243.19 on December 31, 2017, while the Market Capitalization (MC) also increased by 47.15 percent from ₦9.26 trillion in December 31, 2016 to ₦13.62 trillion as at December 31, 2017. There were three new Issues in the equities market in 2017 compared to one Issue in 2016. The Bond Market followed a similar trend, as its Market Capitalization increased to ₦9.29 trillion as at December 31, 2017, from ₦6.93 trillion as at December 31, 2016, representing a 34.17 percent increase.

1.2.5.2 Developments in the Domestic Bonds Market

The FGN Bond Issuances dominated primary bond market activities as Government continued to issue bonds to finance its budget deficit and refinance maturing obligations among others. The FGN introduced three new products into the domestic debt market, namely: FGN Savings Bond, Sovereign Sukuk Bond and Green Bond. In the corporate bond market, there was a decline in activity relative to 2016, as Corporates raised only ₦21.5 billion in three issues in 2017, representing 75 percent decline from ₦86.1 billion in 2016.

In 2017, the FGN shifted its focus by borrowing mainly from the external sources, thereby reducing its participation in the domestic debt market so as to create ample space for the private sector to access credits, and also as part of its debt strategy to reduce its borrowing cost and reduce pressure on investable funds in the domestic market with the aim of depressing borrowing cost. Between February and April, 2017, the DMO successfully issued Eurobonds for a total of US$1.5 billion for a tenor of 15 years in two (2) tranches (US$1.0 billion Eurobond and an additional US$500 million Eurobond), under the US$4.5 billion Global Medium-Term Note Programme. These two (2) Sovereign Eurobonds became the first foreign currency denominated Bonds to be listed at The Nigerian Stock Exchange and the FMDQ OTC PLC. In November, 2017, US$3.0 billion Eurobonds were also issued: 10-year US$1.5 billion and 30-year US$1.5 billion. The issuance of the 30-year Note was a landmark achievement as the tenor represents the first by a Sub-Saharan African country other than South Africa, and importantly establishes the bases for long-term infrastructure financing, which is the priority for the present government. In the same year, the FGN also issued its first US$300 million Diaspora Bond in the ICM to part finance the 2017 Budget. The debut Diaspora Bond offered Nigerians resident abroad the opportunity to partner with the Government in its efforts to stimulate economic growth. The Bonds became the first issued by an African nation aside South Africa, which was registered with the US Securities and Exchange Commission.

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CHAPTER TWO

APPRAISAL OF DEBT MANAGEMENT STRATEGY

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APPRAISAL OF DEBT MANAGEMENT STRATEGY

In 2017, the external debt management strategy was focused on accessing funds from relatively long-term external sources by first maximizing funds from the multilateral and bilateral sources before other sources. The domestic and external debt mix was 73:27 as at December 31, 2017 compared to 80:20 as at December 31, 2016. This was as a result of a conscious effort to restructure the debt portfolio to attain an optimal ratio of 60:40 in respect of domestic debt to external debt. The ratio of long-term to short-term domestic debt was 72:28 in 2017 compared to 70:30 in 2016, while the target remains 75:25. The sub-national debt management initiatives continued to focus mainly on capacity building and conducted training in five States.

2.1 Introduction

In line with the National Debt Management Framework (NDMF), 2013-2017, and the DMO's Strategic Plan (2013-2017), Nigeria's Debt Management Strategy, 2016-2019, was formulated to guide the borrowing decisions of the government, so as to ensure that government financing requirements are met at minimum costs and risks, while sustaining the development of the domestic debt market, as well as the capacity building initiatives at the sub-national level.

The main focus of Nigeria's Debt Management Strategy, 2016-2019 is on the rebalancing of the composition of total public debt portfolio in such a way as to reduce the debt service costs and lengthen the maturity profile of the nation's debts. This is also expected to address the issues of refinancing risk and crowding-out by creating more borrowing space in the domestic debt market for the private sector. The key objectives of Nigeria's Management Debt Strategy are highlighted hereunder:

i Achieve an optimal debt portfolio mix of 60:40 for domestic and external debt, respectively, by end-2019;

ii Attain a 75:25 ratio for long and short-term debt instruments, respectively, in the domestic debt portfolio by end-2019;

iii Reduce Debt service costs by substituting the relatively more expensive domestic debt with less expensive external debt from both the concessional and non-concessional sources; and,

iv Further lengthen the maturity profile of the domestic debt portfolio through reduction in the issuance of new short-term debt instruments or refinancing of maturing NTBs with external financing or both.

In order to effectively manage interest and refinancing risks, the Debt Management Strategy also incorporated specific targets as follows:

i. Keeping the share of debt maturing within 1 year, as a percentage of Total Debt Portfolio at not more than 20%; and,

ii. Keeping the Average Time-to-Maturity (ATM) for the Total Debt Public Portfolio at a minimum of 10 years.

The implementation of the Debt Management Strategy in 2017 resulted to positive outcomes as the ratio of Domestic to External debt improved from 80:20 in 2016 to 73:27 as at December 31, 2017. The increase in the share of external debt was attributed to the increased access to the International Capital Market. The maturity profiles of the domestic debt portfolio also improved in terms of long-term to short-term debt instruments to 72:28 in 2017, as against 70:30 in 2016.

In terms of risk exposure, the foreign exchange risk of the external debt portfolio increased due to increase in access to the ICM, while the reduction in issuance of new short-term domestic debt helped to reduced domestic debt refinancing and interest rate risks, respectively.

2.2 External Debt Management Strategy

In pursuance of the Debt Management Strategy, there was appreciable borrowing from the external sources in 2017, which resulted to an increase in the stock of external debt from 20 percent of the total public debt portfolio in 2016 to 27 percent in 2017. Borrowings from the International Capital Market constituted the larger proportion of external borrowings in 2017. The share of Eurobonds in the total external debt stock increased from 13.15 percent in 2016 to 33.33 percent as at December 31, 2017, as the stock of Eurobonds increased from US$1.5 billion in 2016 to US$6.30 billion in 2017. Of the total external financing of US$4.8 billion from the ICM in 2017, the sum of US$4.5 billion was proceeds from Eurobonds, while the balance of US$300 million was from the debut Diaspora Bond.

2.3 Domestic Debt Management Strategy

The thrust of the domestic debt management strategy in 2017, was to reduce the issuances of new short-term debt, as well as the refinancing maturing NTBs with external financing, while introducing new products to lengthen the maturity profile of the domestic debt portfolio. The strategy was aimed at achieving a domestic debt portfolio mix of 75:25 for long-term to short-term debt instruments, so as to reduce debt servicing cost, as well as mitigate against refinancing risk.

In 2017, the share of long-term debt increased as new debt instruments were introduced in the domestic primary debt market, namely: FGN Savings Bond, Sovereign Sukuk and Green Bond valued at ₦7.2 billion, ₦100.00 billion and ₦10.69 billion, respectively. In 2017, the DMO redeemed a total of ₦198.032 billion worth of Nigerian Treasury Bills (NTBs) in December, 2017, with US$500 million, out of the US$3.0 billion Eurobond issued in November, 2017. In addition, the FGN Bonds issuances were targeted at increasing the volume of benchmark bonds in order to boost the liquidity of the instruments. There were new shelf registrations and re-opening of benchmark bonds at various times during the year. The DMO introduced 10-year and 20-year Benchmark bonds in 2017, with the issuances of 16.2864% FGN MAR 2027 and 16.2499% FGN APR 2037.

2.4 Sub-National Debt Management Strategy

The DMO sustained its capacity building efforts at the Sub-national level to ensure that Sub-national governments subscribe to sound public debt management practices for overall public debt sustainability and macroeconomic stability of the country. The capacity building initiatives were aimed at strengthening the domestic debt data recording and reporting skills of the Sub-national Debt Managers. In 2017, training exercises on the use of the customized Debt Recording and Reporting Excel-based Template for Sub-national debt management were conducted for five (5) States, namely: Kebbi, Lagos, Jigawa, Plateau and Taraba, aimed at acquainting some of the newly posted Debt Management Department (DMD) Officials in those named States with the basic skills of public debt management.

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CHAPTER THREE

NIGERIA'S TOTAL PUBLIC DEBT

CHAPTER THREE

NIGERIA'S TOTAL PUBLIC DEBT

Total public debt outstanding as at December 31, 2017, was ₦21.73 trillion (US$70,999.26 million) compared to ₦17.40 trillion (US$57,391.53 million) as at December 31, 2016. The increase was attributable mainly to the level of deficit in the 2017 Appropriation Act, that needed to be funded through both domestic and external borrowing, as well as the refinancing of matured debt securities. Out of the current public debt stock, the external debt stock represented about 26.64 percent, while the share of domestic debt stock was 73.36 percent.

3.1 Total Public Debt Outstanding

Nigeria's Total Public Debt outstanding as at December 31, 2017 was ₦21,725,773.03 million (US$70,999.26 million), compared to ₦17,360,009.58 million (US$57,391.53 million) in 2016, representing an increase of ₦4,365,763.45 million or 25.15 percent (Table 3.1). The increase in public debt stock was attributed mainly to the level of deficit in the 2017 Appropriation Act, that needed to be funded through both domestic and external borrowing. While the increase of ₦2,308,597.24 million (US$7,507.16 million), in External Debt stock was largely on account of additional disbursements on existing loans (Multilateral and Bilateral), issuances of Eurobonds of US$4.5 billion and the debut US$300 million Diaspora bond in 2017, the growth of ₦1,531,281.83 million in FGN Domestic Debt stock was due to additional issuances of FGN Securities for the funding of 2017 appropriated budget deficit through the introduction of new products in the domestic debt market. The products included: FGN Savings Bond, Sovereign Sukuk and the Green Bond; The External Debt stock as at December 31, 2017 was US$18,913.44 million or 26.64 percent of the Total Public Debt stock, while the total Domestic Debt stock (FGN, States and FCT's Domestic debt stock) was US$52,085.82 million or 73.36 percent of the Total Public Debt stock.

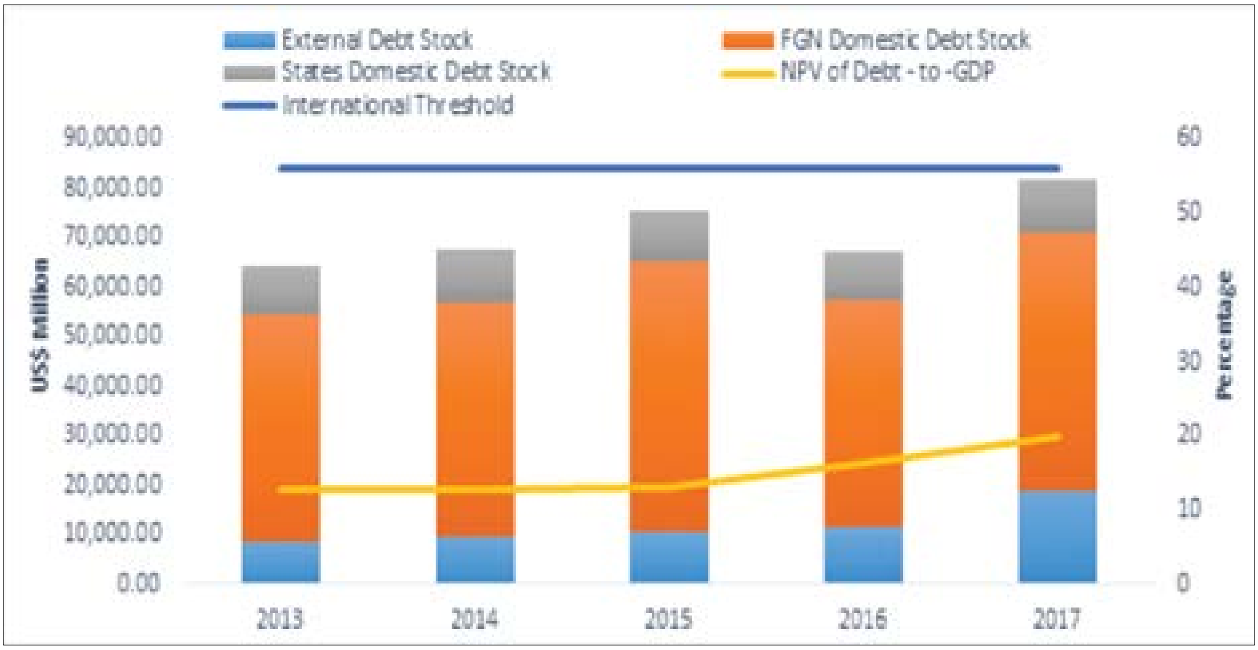
Table 3.1: Nigeria's Total Public Debt Outstanding, 2013-2017

	2013	2014	2015	2016	2017
FGN Debt Stock					
External Debt Stock*					
US$' Million	8,821.90	9,711.45	10,718.43	11,406.28	18.913.44
NGN' Million	1,373,569.83	1,631,523.60	2,111,530.71	3,478,915.40	5,787,512.64
as % of GDP	*1.73*	*1.81*	*2.13*	*3.23*	*4.85*
% Share of Total	*13.68*	*14.34*	*16.38*	*20.04*	*26.64*
FGN's Domestic Debt Stock					
US$' Million	45,722.41	47,047.77	44,857.85	36,256.41	41,142.11
NGN' Million	7,118,979.86	7,904,025.47	8,836,995.86	11,058,204.30	12,589,486.13
as % of GDP	*8.97*	*8.79*	*8.93*	*10.36*	*10.54*
% Share of Total	*70.88*	*69.47*	*68.56*	*63.70*	*57.95*
States' Domestic Debt Stock					
US$' Million	9,965.64	10,967.06	9,852.25	9,728.84	10,943.71**
NGN' Million	1,551,650.13	1,707,571.14	1,655,178.71	2,822,889.88	3,348,774.26**
as % of GDP	*1.95*	*2.05*	*1.96*	*2.78*	*2.80*
% Share of Total	*15.45*	*16.19*	*15.06*	*16.26*	*15.41*
Nigeria's Total Public Debt Stock					
US$' Million	**64,509.95**	**67,726.28**	**65,428.53**	**57,391.53**	**70,999.26**
NGN' Million	10,044,198.82	11,243,120.22	12,603,705.28	17,360,009.58	21,725,773.03
as % of GDP	*12.65*	*12.65*	*13.02*	*16.40*	*18.20*

Source: DMO
* External Debt includes those of the States and FCT
** Actual Domestic Debt Stock for 32 States & FCT were as at December 31, 2017, while 3 States (Akwa-Ibom, Katsina & Lagos) were as at September 30, 2017, and Borno State (June 2017)
CBN official exchange rate of 1 USD to 306 NGN as at December 31, 2017 was used

The ratio of Nigeria's Total Public Debt-to-GDP was 18.20 percent in 2017 compared to 16.27 percent in 2016. This ratio was still within the Country's Specific Debt Limit of 19.39 percent in the medium-term up to end-December, 2017, and far below the international threshold of 56.00 percent for countries in Nigeria's peer-group, as well as the WAMZ convergent threshold of 70.00 percent. Meanwhile, a new Country-Specific Debt Limit for Total Public Debt-to-GDP has been set at 25 percent, for the medium-term, 2018 to 2020. Figure 3.1 shows the trend in Total Public Debt outstanding for the five-year period (2013-2017).

Figure 3.1: Trend in Nigeria's Total Public Debt Outstanding, 2013-2017



Source: DMO

3.1.1 FGN's Total Public Debt Outstanding by Original Maturity

The composition of FGN's Total Public Debt stock by original maturity showed that long-term debt accounted for 80.52 percent, while short-term debt was 19.48 percent, as at December 31, 2017. The long-term domestic debt outstanding by Original Maturity was US$29,443.42 million or 49.03 percent of the total public debt as at December 31, 2017, made up of the FGN bonds (US$28,483.04 million), Treasury bonds (US$575.12 million), FGN Savings Bond (US$23.52 million), Sovereign Sukuk (US$326.80 million) and Green Bond (US$34.93 million). The short-term debt by Original Maturity as at December 31, 2017 comprised only the NTBs (US$11,698.69 million) or 19.48 percent of the total public debt (Table 3.2 and Figure 3.2).

Table 3.2: FGN's Total Public Outstanding by Original Maturity, 2013-2017 (US$' Million)

Type	Category	2013	2014	2015	2016	2017[1]
External Debt Stock	Short – term[2]	0.00	0.00	0.00	0.00	0.00
	Long-term *(% of share total)*	8,821.9 *16.17*	9,711.45 *17.11*	10,718.43 *19.29*	11,406.28 *23.93*	18,913.44 *31.49*
	Sub-Total	8,821.90	9,711.00	10,718.43	11,406.28	18,913,44
Domestic Debt Stock	Short-term[3] *(% of share total)*	16,580.29 *30.40*	20,092.42 *35.40*	14,075.47 *25.33*	10,745.18 *22.54*	11,698.69 *19.48*
	Long-term *(% of share total)*	29,142.12 *53.43*	26,955.35 *47.49*	30,782.38 *55.38*	25,511.23 *53.52*	29,443.42 *49.03*
	Sub-Total *(% of share total)*	45,722.41 *83.83*	47,047.77 *82.89*	44,857.85 *80.71*	45,985.25 *76.07*	41,142.11 *68.51*
	Total	**54,544.31**	**56,759.22**	**55,576.28**	**47,662.69**	**60,055.55**

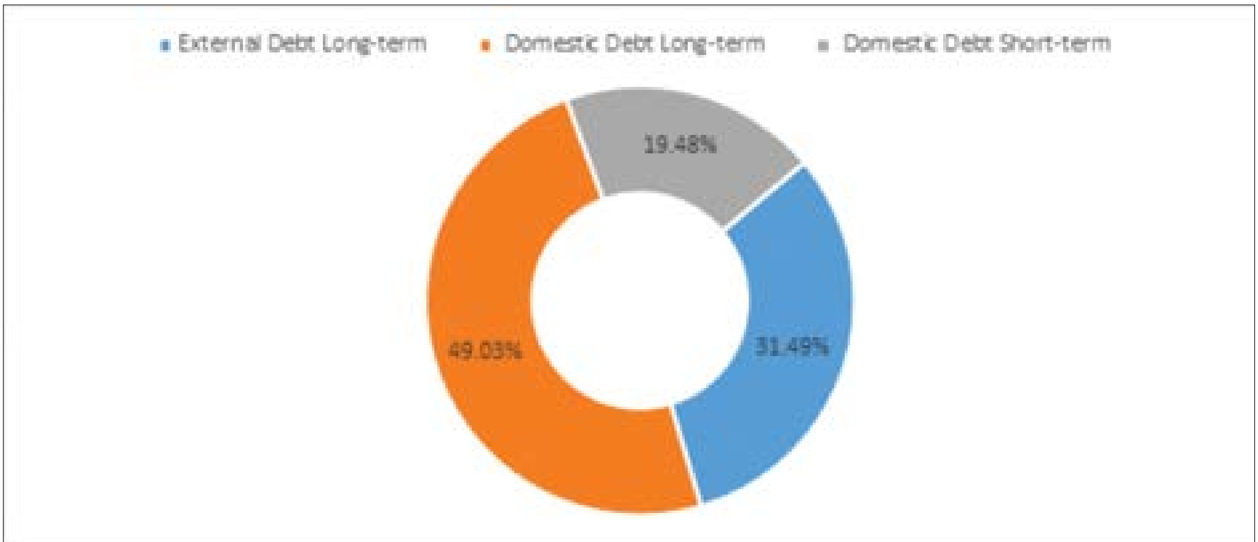
Source: DMO

[1] Official CBN Exchange Rate of N306.00/US$1 as at 31/12/2017 was used for 2017 figures

[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 Nigerian Treasury Bills. Long-term domestic debt consists of Treasury Bonds and FGN Bonds for 2 or more years

Figure 3.2: FGN's Total Public Debt Outstanding by Original Maturity as at December 31, 2017



Source: DMO

3.2 FGN's Total Public Debt Service

The FGN's Total Debt Service was US$5,288.30 million as at December 31, 2017 compared to US$4,381.82 million in 2016 (Table 3.3). The significant increase of US$906.48 million or 20.69 percent was attributed to the rise in the stock of External and Domestic Debt. The External and Domestic Debt Service in 2017, as a percentage of the total public debt service, were 8.77 and

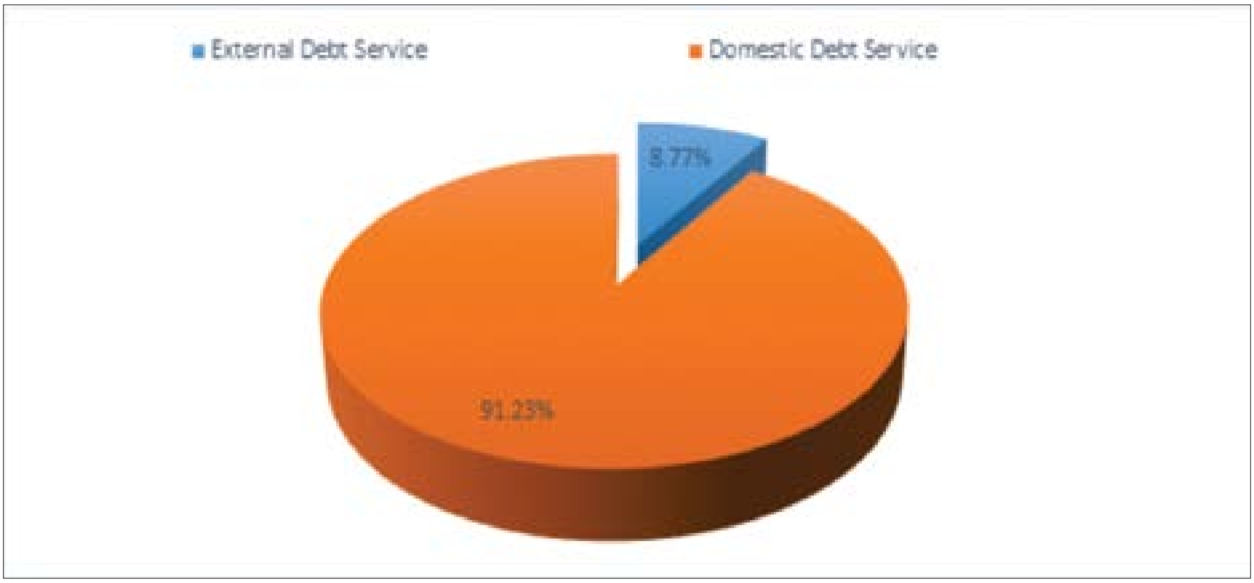
91.23 percent, respectively, compared to 8.06 and 91.94 percent in 2016 (Figure 3.3).

Table 3.3: FGN's Total Public Debt Service, 2012-2017 (US$' Million)

	2013	2014	2015	2016	2017
External Debt Service	297.32	346.72	331.06	353.09	464.05
% Share of Total	(5.39)	(6.30)	(6.02)	(8.06)	(8.77)
Domestic Debt Service	5,223.35	5,153.63	5,168.18	4,028.73	4,824.25
% Share of Total	(94.61)	(93.70)	(93.98)	(91.94)	(91.23)
	5,520.67	**5,500.35**	**5,499.24**	**4,381.82**	**5,288.30**

Source: DMO
Official CBN Exchange Rate of N306.00/US$1 as at 31/12/2017, was used for 2017

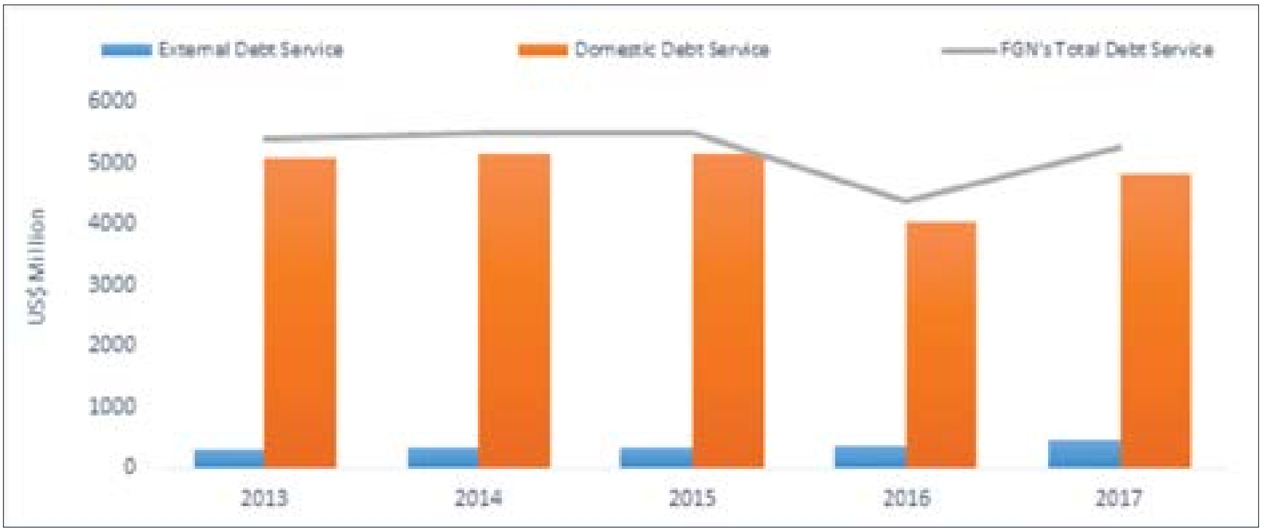
Figure 3.3: FGN's Total Debt Service as at December 31, 2017



Source: DMO

Figure 3.4 shows the trend in total debt service payments, indicating that external debt service has been on downward trend since 2015, but went up sharply in 2017 by US$906.48 million or 20.69 percent over the level in 2016. Also, domestic debt service followed a similar pattern, trending downwards to US$4,028.73 million in 2016 and rose to US$4,824.25 million in 2017. The high proportion of domestic debt service relative to external debt service was indicative of the increased quantum of domestic borrowing used to finance budget deficit over the years, as well as the high cost of domestic borrowing.

Figure 3.4: Trends in FGN's Total Debt Service, 2013-2017



Source: DMO

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CHAPTER FOUR

NIGERIA'S EXTERNAL DEBT

CHAPTER FOUR

NIGERIA'S EXTERNAL DEBT

The total external debt stock outstanding as at December 31, 2017 was US$18,913.44 million. The external debt portfolio comprised Official Creditors (Multilateral and Bilateral) and Commercial Creditors (Eurobonds and Diaspora Bond). The Official Creditors' debt are mainly concessional loans, while Commercial loans are obtained at non-concessional terms or market terms. The increase in external debt in 2017 relative to 2016 was largely due to the implementation of the country's debt management strategy of reducing high-cost short term domestic debt in favour of relatively cheaper and longer tenored external loans so as to reduce debt service cost and create borrowing space for the Private Sector. Greater proportion of external debt stock by remaining maturity remained in long-term. The increase in the net inflow of funds into the country was mainly due to Issuances of Eurobonds and Diaspora Bond, as well as additional disbursements from Multilateral and Bilateral creditors during the year.

4.1 External Debt Stock

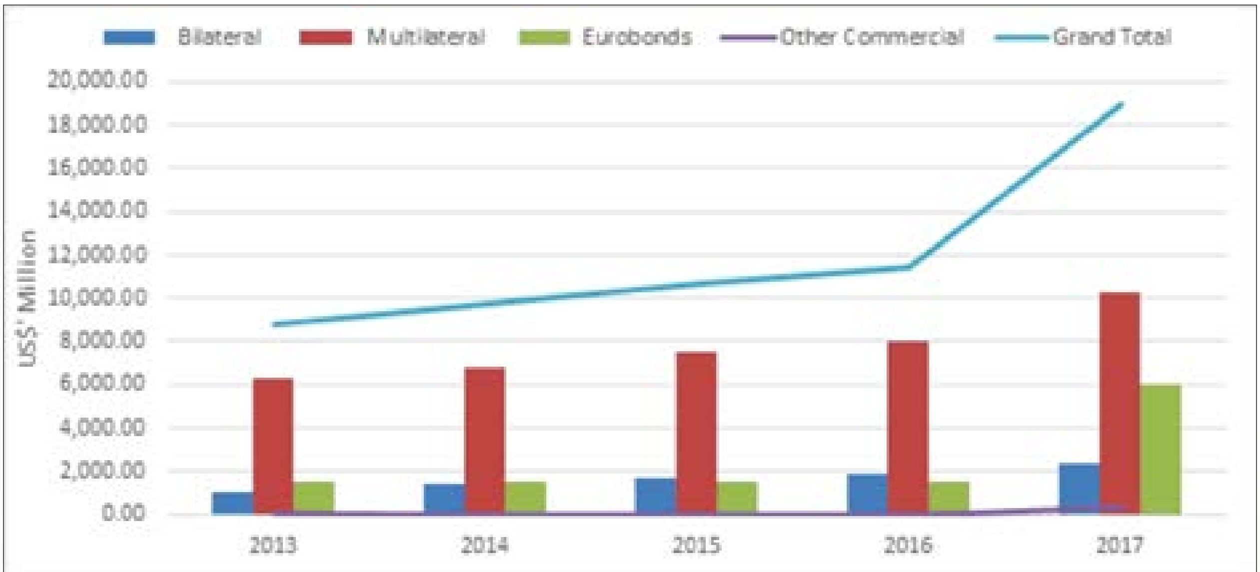
Nigeria's external debt stock outstanding was US$18,913.44 million as at December 31, 2017, compared to US$11,406.28 million as at December 31, 2016, representing an increase of US$7,507.16 million or 65.82 percent in the period under review (Table 4.1). The increase was largely due to the Government's shift towards external financing as part of its debt management strategy of rebalancing the public debt portfolio, in order to attain an optimal composition of 60:40 for domestic and external, aimed at reducing debt service costs. Specifically the growth of external debt was mainly on account of additional disbursements of multilateral and bilateral loans, as well as increased borrowings from the International Capital Market (Figure 4.1). The External Debt-to-GDP ratio increased from 3.26 percent as at December 31, 2016, to 4.85 percent as at December 31, 2017.

Table 4.1: External Debt Outstanding by Source, 2013-2017 (US$' Million)

Source	2013	2014	2015	2016	2017
1. Bilateral	1,025.70	1,412.07	1,658.00	1,918.06	2,372.00
2. Multilateral	6,275.20	6,799.36	7,560.43	7,988.22	10,241.44
Sub-Total	7,300.90	8,211.43	9,218.43	9,906.28	12,613.44
1. Eurobonds	1,500.00	1,500.00	1,500.00	1,500.00	6,000.00
2. Other Commercial	21	0	0	0	300.00
Sub-Total	1,521.00	1,500.00	1,500.00	1,500.00	6,300.00
Grand Total	**8,821.90**	**9,711.45**	**10,718.43**	**11,406.28**	**18,913.44**
Creditor Category as % of Total					
1. Bilateral	11.63	14.54	15.47	16.82	12.54
2. Multilateral	71.13	70.01	70.54	70.03	54.15
Sub-Total	82.76	84.55	86.01	86.85	66.69
1. Eurobonds	17	15.45	13.99	13.15	31.72
2. Other Commercial	0.24	0.00	0.00	0.00	1.59
Sub-Total	17.24	15.45	13.99	13.15	33.31
Grand Total	**100**	**100**	**100**	**100**	**100**

Source: DMO
Based on CBN Official Exchange Rate of $1 to N306 as at December 31, 2017

Figure 4.1: Trends in External Debt Stock, 2013–2017



Source: DMO

4.2 External Debt Stock by Source (Creditor Category)

The breakdown of Nigeria's External Debt portfolio by source as at December 31, 2017, showed that Official Creditors (Multilateral and Bilateral) accounted for US$12,613.44 million or 66.69 percent, while the Private Creditors (Eurobonds and Diaspora Bond) was US$6,300.00 million or

33.31 percent (Table 4.2). Further analysis reveals that the Multilateral and Bilateral Creditors accounted for 54.15 and 12.54 percent, whereas the Eurobonds and Diaspora Bond represented 31.72 and 1.59 percent, respectively.

Table 4.2: External Debt Stock by Source as at December 31, 2017 (US$' Million)

Category	Principal Balance	Principal Arrears	Interest Arrears	Total	Percentage
Multilateral – WB Group					
IDA	7,905.62	0.00	0.00	7,905.62	
IBRD	124.18	0.00	0.00	124.18	
ADB Group					
ADB	1,186.60	0.00	0.00	1,186.60	
ADF	784.45	0.00	0.00	784.45	
Other Multilaterals					
BADEA	5.88	0.00	0.00	5.88	
EDF	69.42	0.00	0.00	69.42	
IDB	17.03	0.00	0.00	17.03	
IFAD	148.26	0.00	0.00	148.26	
Sub-Total	**10,241.44**	**0.00**	**0.00**	**10,241.44**	**54.15%**
Bilateral					
China (Exim Bank of China)	1,930.98	0.00	0.00	1,930.98	
France (AFD)	274.98	0.00	0.00	274.98	
Japan (JICA)	73.45	0.00	0.00	73.45	
India (Exim Bank of India)	0.00	0.00	0.00	0.00	
Germany (KFW)	92.59	0.00	0.00	92.59	
Sub-Total	**2,372.00**	**0.00**	**0.00**	**2,372.00**	**12.54%**
Commercial					
Eurobonds	6,000.00	0.00	0.00	6,000.00	
Diaspora Bond	300.00	0.00	0.00	300.00	
Sub-Total	6,300.00	0.00	0.00	6,300.00	**33.31%**
GRAND TOTAL	**18,913.44**	**0.00**	**0.00**	**18,913.44**	**100.00%**

Source: DMO

4.1.1 Multilateral

The share of Multilateral Debt increased from US$7,988.22 million as at December 31, 2016 to US$10,241.44 million as at December 31, 2017, representing an increase of US$2,253.22 million or 28.21 percent. The concessional multilateral loans, which constitute major source of external debt financing accounted for 54.15 percent of the external debt portfolio, as at December 31, 2017 (Table 4.2). The International Development Association (IDA), African Development Bank (AfDB) and African Development Fund (ADF) accounted for larger share of multilateral debt of 77.19, 11.57 and 7.66 percent, respectively, as at December 31, 2017. Table 4.1 shows the trend in the growth of multilateral debt, which increased from US$6,275.20 million in 2013 to US$10,241.44 million in 2017, due to increased borrowings from this source.

4.1.2 Bilateral

The total debt owed to the Bilateral Creditors was US$2,372.00 million as at December 31, 2017, compared to US$1,918.05 million as at December 31, 2016. China and France accounted for the largest share of Bilateral debt with 81.37 and 11.59 percent, respectively, as at December 31, 2017 (Table 4.2).

4.1.3 Commercial

The Commercial Debt stock, increased from US$1,500.00 million as at December 31, 2016, to US$6,300.00 million as at December 31, 2017. The growth in the commercial debt stock was as a result of the Government's efforts to rebalance the country's debt portfolio through the issuance of Eurobonds (US$6.0 billion) and the debut US$300 million Diaspora Bond in the ICM. These were in line with the Debt Management Strategy of substituting the high-cost domestic debt with relatively cheaper and longer tenored external finance, in order to reduce debt service obligations, minimise borrowing costs and refinancing risks. Almost 95.24 percent of the Commercial Debt stock comprised Eurobonds, while the balance of 4.76 percent represents the Diaspora Bond (Table 4.2).

4.3 External Debt Stock by Instrument Type

The External Debt portfolio by instrument type is categorized into non-marketable and marketable instruments. The non-marketable debt (loans) accounted for 66.69 percent of the total External Debt portfolio, while the marketable debt (bonds) issued in the International Capital Market (ICM) accounted for 33.31 percent, as at December 31, 2017.

Table 4.3: External Debt Stock by Instrument Type

Instrument Type	2013	2014	2015	2016	2017
Non-Marketable	7,300.90	8,211.43	9,218.43	9,906.27	12,613.44
% of Total	*82.76*	*84.55*	*86.01*	*86.85*	*66.69*
Marketable	1,521.00	1,500.00	1,500.00	1,500.00	6,300.00
% of Total	*17.24*	*15.45*	*13.99*	*13.15*	*33.31*
Total	8,821.90	9,711.45	10,718.43	11,406.27	18,913.44

Source: DMO

4.4 Currency Composition of External Debt

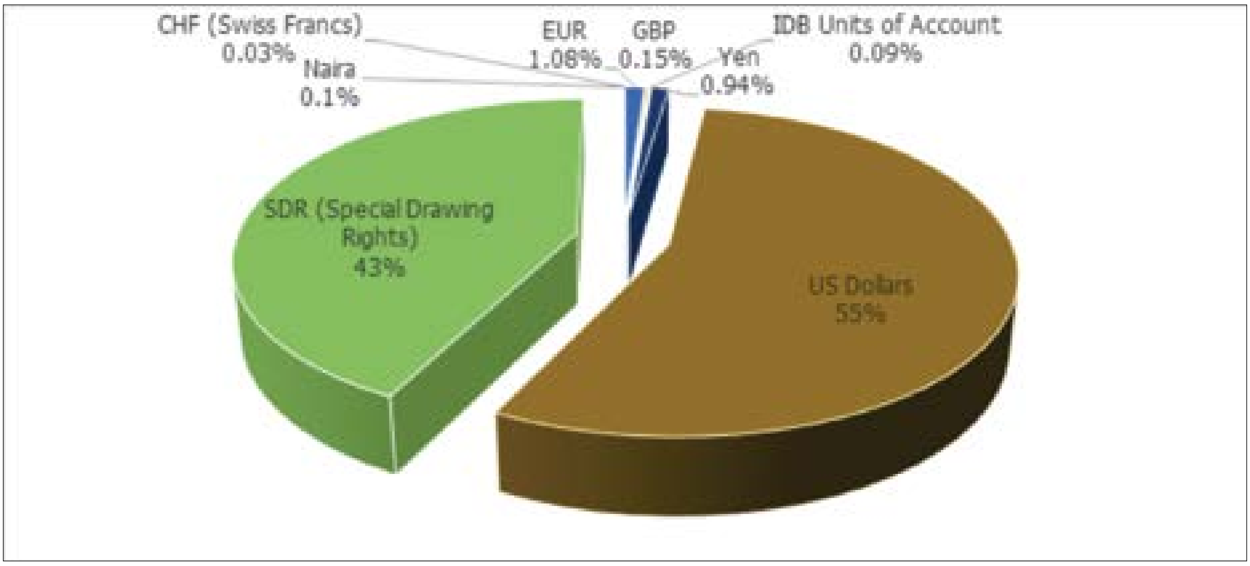
The External Debt portfolio of the country is composed of the following currencies: Swiss Francs (CHF), European Euro (EUR), Great Britain Pounds (GBP), United States Dollar (USD), Japanese Yen (JPY), Special Drawing Rights (SDR), IDB Units of Account (Islamic Dinar) and Nigerian Naira. Table 4.4 and Figure 4.2 show that the US Dollar and Special Drawing Rights (SDR) accounted for 55.14 and 42.56 percent, of the total External Debt stock, respectively. The other currencies (CHF, EUR, GBP, Islamic Dinar, JPY and Naira) together accounted for the balance of 2.29 percent. It is instructive to noted that the Naira currency in the external debt portfolio was due to the debt sourced from the concessional window of the ADB, and the SDR is a virtual currency comprising USD, EUR and GBP.

Table 4.4: External Debt Stock by Currency Composition as at December 31, 2017 (US$ 'Million)

Currency	Debt Stock in Original Currency	Naira Exchange Rate	Debt Stock in Naira	US$ Exchange Rate to the Naira	Debt Stock in US$	% of Total
CHF (Swiss Francs)	5,733,582.56	313.75	1,798,909,234.77	306.00	5,878,788.35	0.03%
EUR	170,892,593.56	366.86	62,694,237,908.24	306.00	204,883,130.42	1.08%
GBP	20,725,314.42	413.65	8,573,042,890.08	306.00	28,016,480.03	0.15%
IDB Units of Account	12,029,632.53	434.73	5,229,692,674.22	306.00	17,090,498.94	0.09%
Yen	20,055,526.59	2719.30	54,536,993,456.19	306.00	178,225,468.81	0.94%
US Dollars	10,429,717,819.83	306.00	3,191,493,652,867.98	306.00	10,429,717,819.83	55.14%
SDR (Special Drawing Rights)	5,665,954,702.95	434.73	2,463,184,285,021.03	306.00	8,049,621,846.47	42.56%
Naira	285,045.58	1.00	285,045.58	306.00	931.52	0.01%
Total			**5,787,511,099,098.09**		**18,913,434,964.37**	**100%**

Source: DMO
Note: SDR is a virtual currency, comprising GBP, EUR & USD

Figure 4.2: External Debt Stock by Currency Composition as at December 31, 2017



Source: DMO

4.5 External Debt by Original and Remaining Residual Maturities

The External Debt outstanding by remaining or residual maturities consisted of largely long-term debt maturing over three years, accounting for 97.32 percent of the portfolio as at December 31, 2017 (Table 4.5). The balance of 1.17 and 1.19 percent represent debts maturing between two and three years, and those with remaining maturity of not more than one year, respectively.

Table 4.5: External Debt by Remaining or Residual Maturity as at December 31, 2017 (US$' Million)

Creditor Category	Short-Term (0 – 1yr)	Medium-Term (>1 – 3yrs)	Long-Term (Over 3yrs)
Multilateral			
IBRD	0.00	0.00	124,179.70
IDA	102,768.23	153,844.69	7,649,010.06
IFAD	3,510.18	3,510.18	141,235.65
ADB	13,333.33	23,333.33	1,149,930.23
ADF	11,488.69	12,219.82	760,737.21
BADEA	371.00	375.00	5,135.91
IDB	1,216.55	1,216.55	14,598.63
EDF	5,251.79	5,282.41	58,887.44
Sub-Total - Multilateral	**137,939.77**	**199,781.98**	**9,903,714.83**
Bilateral			
Exim Bank of China	79,192.31	69,192.31	1,782,598.70
French Development Agency	3,846.15	7,692.31	263,437.53
Japan International Cooperation Agency	0.00	0.00	73,450.62
Germany Kreditanstalt Fur Wiederaufbua (KFW)	0.00	9,523.81	83,064.64
Sub-Total - Bilateral	**83,038.46**	**86,408.43**	**2,202,551.49**
Commercial			
Eurobonds	0.00	0.00	6,000,000.00
Diaspora Bond	0.00	0.00	300,000.00
Sub-Total - Commercial	**0.00**	**0.00**	**6,300,000.00**
Sub-Total	**220,978.23**	**286,190.41**	**18,406,266.32**
Grand Total			**18,913,434.96**

Source: DMO

4.6 Sectoral Allocation of External Debt

External Debt allocation to sectors of the economy was targeted at funding projects that would enhance infrastructural and human capital developments. Amongst the key sectors were: Agriculture, Water, Energy (Electricity and Gas), Transportation (Rail, Road and Air), Housing, Education, Health, Social Welfare, Environment, Finance, etc., as shown in Table 4.6. The Table also shows sectors, with increased allocations in 2017, relative to 2016, namely: Budget Support (4.64 percent), Finance & Insurance, etc. (2.13 percent), and Multi Sector (42.30 percent), compared to their corresponding percentage allocations of 2.31, 0.48 and 25.69 percent, respectively, in 2016. However, percentage allocations to Agriculture, Road Transport, Health & Social Welfare, Rail Transport and Water Supply reduced moderately from 8.74, 9.75, 11.95, 7.20 and 6.18 percent in 2016, to 7.70, 6.14, 8.64, 4.86 and 4.37 percent, respectively, in 2017.

On the other hand, Table 4.7 shows Nigeria's Public and Publicly Guaranteed External Debt (by Non-Financial and Financial Public) as at December 31, 2017.

Table 4.6: Sectoral Allocation of External Debt in 2017 (US$' Million)

	2016		2017	
Economic Sector	**Amount Outstanding**	**% Share of Total**	**Amount Outstanding**	**% Share of Total**
Agriculture	997.40	8.74	1,457.22	7.70%
Air Transport	346.52	3.04	389.51	2.06%
Budget Support	263.60	2.31	877.89	4.64%
Computer Technology	469.52	4.12	486.81	2.57%
Education & Training	614.18	5.38	696.25	3.68%
Energy-Electricity	656.57	5.76	906.29	4.79%
Environment	305.09	2.67	330.68	1.75%
Finance, Insurance, Etc.	54.43	0.48	403.61	2.13%
Health & Social Welfare	1,363.45	11.95	1,633.95	8.64%
Housing & Urban Development	229.41	2.01	247.42	1.31%
Investment	77.02	0.68	77.87	0.41%
Irrigation & Related Act	34.29	0.30	33.19	0.18%
Monetary policy	108.84	0.95	112.51	0.59%
Multi-Sector	2,930.50	25.69	7,999.66	42.30%
Rail Transport	821.59	7.20	918.49	4.86%
Road Transport	1,112.60	9.75	1,160.83	6.14%
Rural Development	271.45	2.38	326.78	1.73%
Scientific & Tech Equipment	45.14	0.40	24.71	0.13%
Telecommunications	-	-	-	-
Solid Mineral Development	-	-	3.87	0.02%
Water Supply	704.68	6.18	825.90	4.37%
Total	**11,406.28**	**100.00**	**18,913.44**	**100.00%**

Source: DMO

Table 4.7: Nigeria's Public and Publicly Guaranteed External Debt (by Non-Financial/ Financial Public) as at December 31, 2017)

Classification*	Creditor	Sector	Amount Outstanding
Non-Financial Public			
FGN and States			**16,020,481,713.09**
Parastatals (Corporations)			**2,486,347,857.78**
Niger Basin Water Resources Development	International Development Association	Agriculture	123,175,758.24
National Programme for Food Security	Islamic Development Bank	Agriculture	17,031,730.65
NGA/TGO/Benin Power System Interc. Project	African Development Fund	Electricity	14,195,101.23
Transmission Development Project	International Development Association	Electricity	93,922,481.22
Nigerian-Communications-Satelite (NIGCOMSAT)	Exim Bank of China	Computer Technology	10,000,000.00
Nigerian National Public Communication System	Exim Bank of China	Scientific &Tech Equip.	399,500,000.00
Nigerian Railway Modernization Project. (Idu- Kaduna Section)	Exim Bank of China	Rail Transport	499,445,887.93
Nigerian ICT Infrastructure Backbone Project	Exim Bank of China	Scientific &Tech Equip.	87,312,595.41
Polio Eradication Support Project	International Development Association	Health & Social Welfare	87,029,382.60
Polio Eradication Support Project	International Development Association	Health & Social Welfare	125,297,003.48
Transport Sector & Governance Reform Program	African Development Bank	Road Transport	300,000,000.00
Growth and Employment (GEM) Project	International Development Association	Investment	60,469,782.15
Nigerian Four Airport Terminal expansion & Sanitation Project	Exim Bank of China	Air Transport	358,464,143.99
First Agriculture Development Policy Financing	International Development Association	Agriculture	94,192,410.00
Nigerian Zungeru Hydroelectric Project	Exim Bank of China	Electricity	157,212,425.77
Public Private Partnership Program – First Phase Project	International Development Association	Infrastructure Concession Regulatory Commission	17,142,353.95
West Africa Agricultural Productivity Program (WAAPP-1B)	International Development Association	Agriculture	41,956,801.16
Financial Public			**406,605,393.50**
Banks			
NACB Instit Strengthening	ADF	Electricity	2,956,502.44
Housing Finance	IDA	Housing & Urban Develop.	129,469,195.02
Development Finance Project	IBRD	Finance & Insurance	124,179,696.04
NEXIM	ADB	Finance & Insurance	50,000,000.00
BOI	ADB	Finance & Insurance	100,000,000.00
Establishment of Dev. Bank of Nigeria	kfw	Finance & Insurance	-
Development Bank of Nigeria	ADB	Finance & Insurance	-
Development Bank of Nigeria	ADF	Finance & Insurance	-
Development Bank of Nigeria	AFD	Finance & Insurance	-
Grand Total			**18,913,434,964.37**

*Compilation of data in respect of Private Sector External Debt is yet to be concluded
Source: DMO

4.7 External Debt by Concessionality

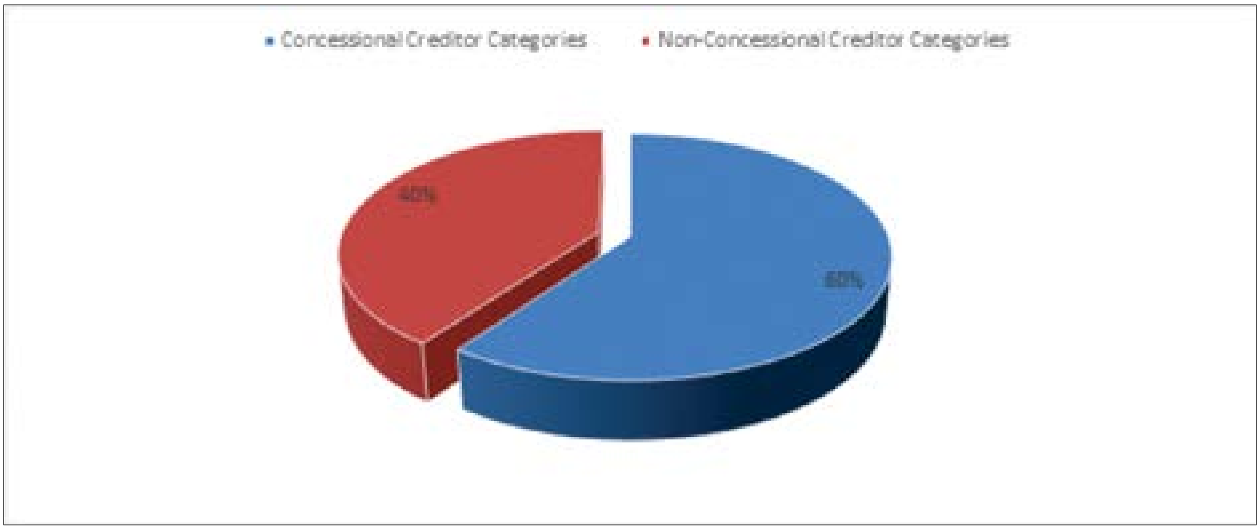
The analysis of the External Debt portfolio shows that 59.80 percent of the Total External Debt was contracted from concessional sources, while the balance of 40.20 percent constituted Non-concessional Debt, as at December 31, 2017, compared to 83.28 and 16.72 percent, respectively, as at December 31, 2016 (Table 4.8 and Figure 4.3). The Concessional Debts were obtained mainly from the Multilateral and Bilateral creditors, while the Non-concessional Debts were obtained from Commercial Sources (Eurobonds and Diaspora Bond), as well as from Non-concessional windows of the Multilateral Agencies such as ADB and IBRD. The International Development Association (IDA) was the largest creditor from concessional sources in 2017, accounting for 41.80 percent of the country's external debt, compared to 58.47 percent in 2016.

Table 4.8: Concessional and Non-Concessional External Loans as at December 31, 2017 (US$' Million)

Funding Sources	Amount Outstanding	% of Total Debt
Concessional Creditor Categories	**11302.66**	**59.80%**
Multilateral	**8,930.66**	
International Development Association (IDA)	7,905.62	
International Fund for Agricultural Development (IFAD)	148.26	
European Development Fund (EDF)	69.42	
African Development Fund (ADF)	784.45	
Islamic Development Bank (IDB)	17.03	
Arab Bank for Economic Development (BADEA)	5.88	
Bilateral	**2,372.00**	
Exim Bank of China	1,930.98	
Nigerian-Communications-Satelite (NIGCOMSAT)		
Nigerian Railway Modernisation project Idu-Kaduna		
Nigerian National Public Security Comm. System proj.		
Nigerian Abuja Light Rail Project		
French Development Agency (AFD)	274.98	
Japan (JICA)	73.45	
Exim Bank of India	-	
Germany (KFW)	92.59	
Non-Concessional Creditor Categories	**7,610.78**	**40.20%**
Multilateral	**1,310.78**	
African Development Bank (ADB)	1,186.60	
International Bank for Reconstruction and Development (IBRD)	124.18	
Commercial	**6,300.00**	
Eurobonds	6,000.00	
6.75% FGN Eurobond 2021		
5.125% FGN Eurobond 2018		
6.375% FGN Eurobond 2023		
7.875% Eurobond 2032		
Diaspora Bond	300.00	
Grand Total	**18,913.44**	**100%**

Source: DMO

Figure 4.3: External Debt Stock by Concessionality as at December 31, 2017



Source: DMO

4.8 External Debt Flows

4.8.1 External Debt Service

The Total External Debt Service for the 2017 was US$464.05 million, compared to US$353.09 million in 2016, representing an increase of US$110.95 million or 31.42 percent. Table 4.9 shows the breakdown of Debt Service (Principal Repayments and Interest Payments) by Creditor category, with US$191.72 million or 41.32 percent of External Debt Service payments made to the Multilateral creditors, US$71.83 million or 15.48 percent to Bilateral Creditors and US$150.32 million or 32.39 percent to holders of Eurobonds. Debt Service payments in respect of Oil Warrants, Diaspora Bond and Agency Fees for the year were US$41.72 million, US$8.44 million and US$0.02 million, representing 8.99 percent, 1.82 percent and 0.004 percent of the total External Debt Service payment made during the year, respectively.

Table 4.9: External Debt Service by Creditor Category, 2013-2017 (US$' Million)

Principal Repayments					
	2013	2014	2015	2016	2017
A. Official					
1. Bilateral	21.63	21.92	25.05	23.00	24.90
2. Multilateral	100.74	103.04	84.30	98.12	106.18
B. Commercial	-	-	-	-	-
1. Eurobonds	-	-	-	-	-
2. Diaspora Bond	-	-	-	-	-
3. China Loans (Alcatel, ZTE, Omotosho)	35.68	11.75	-	-	-
C. Others	-	-	-	-	-
1. Oil Warrants1	-	-	-	-	-
2. Agency Fees	-	0.01	0.01	-	-
Principal Repayments - External	***158.06***	***136.72***	***109.37***	***121.12***	***131.08***
Interest Payments					
	2013	2014	2015	2016	2017
A. Official					
1. Bilateral	19.32	27.02	34.36	40.38	46.93
2. Multilateral	42.28	49.70	54.35	67.21	85.54
B. Commercial	-	-	-	-	-
1. Eurobonds	33.75	91.26	91.26	91.26	150.32
2. Diaspora Bond	-	-	-	-	8.44
3. China Loans (Alcatel, ZTE, Omotosho)	2.20	0.31	-	-	-
C. Others	-	-	-	-	-
1. Oil Warrants1	41.72	41.72	41.72	20.86	41.72
2. Agency Fees	0.01	-	-	12.26	0.02
Interest Payments - Domestic	***139.27***	***210.00***	***221.69***	***231.97***	***332.97***
Total External Debt Service					
Total External Debt Service	**297.33**	**346.72**	**331.06**	**353.09**	**464.05**

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

4.8.2 Waivers

The Federal Government of Nigeria received waivers from creditors amounting to US$1,686,714.91 during the year 2017, due to prompt remittances of debt services. The waivers were for timely payments to IDA, BADEA, IDB and Exim Bank of China in the respective sums of US$1,018,803.49, US$26,993.10, US$635,030.00 and US$5,888.32, (Table 4.10).

Table 4.10: Breakdown of External Debt Payments (Principal & Other Related Charges) in 2017 (US$' Thousand)

Category	Principal	Deferred Principal	Penalty Interest	Waiver/ Credit	Commitment Charges	Other Charges	Total	% of Total
MULTILATERAL	**104,291.96**	**0.17**	**-**	**(1,680.83)**	**2,170.81**	**1,396.38**	**106,178.49**	**81%**
IBRD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
A.D.B	0.00	0.00	0.00	0.00	406.11	1,075.00	1,481.11	
IFAD	3,419.56	0.00	0.00	0.00	0.00	0.00	3,419.56	
A.D.F	7,299.32	0.00	0.00	0.00	1,764.70	0.00	9,064.02	
AGTF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
IDA	87,445.67	0.17	0.00	(1,018.80)	0.00	1.44	86,428.48	
EDF	4,922.31	0.00	0.00	0.00	0.00	0.00	4,922.31	
BADEA	0.00	0.00	0.00	(26.99)	0.00	0.00	-26.99	
IDB	1,205.10	0.00	0.00	(635.03)	0.00	319.94	890.01	
BILATERAL	**20,000.00**	**0.00**	**0.00**	**(5.89)**	**4,146.56**	**761.80**	**24,902.48**	**19%**
Exim Bank of China	20,000.00	0.00	0.00	(5.89)	2,391.29	366.80	22,752.20	
Nigeria Communication Sattellite	20,000.00	0.00	0.00	0.00	0.00	0.00	20,000.00	
Nigeria National Public Security Comm. Sys. Project	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Nigeria Railway Modernisation Project	0.00	0.00	0.00	0.00	46.28	0.00	46.28	
Nigeria Abuja Light Rail Project	0.00	0.00	0.00	(5.89)	291.01	0.00	285.12	
Nigeria ICT Infrastructure Backbone Project	0.00	0.00	0.00	0.00	49.68	0.00	49.68	
Nigeria Four Airport Terminals Expansion Project	0.00	0.00	0.00	0.00	403.75	0.00	403.75	
Nigerian Zungeru Hydroelectric Project	0.00	0.00	0.00	0.00	1,967.38	0.00	1,967.38	
French Development Agency	0.00	0.00	0.00	0.00	1,561.66	395.00	1,956.66	
JICA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Exim Bank of India	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
KFW	0.00	0.00	0.00	0.00	193.61	0.00	193.61	
COMMERCIAL	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.00	**0%**
EUROBONDS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.00	
5.125% Eurobond 2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
6.75% Eurobond 2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
6.375% Eurobond 2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
7.875% Eurobond 2032	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
DIASPORA BOND	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.00	
5.625% Eurobond 2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
OTHERS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0%**
Agency Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
OIL WARRANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL	**124,291.96**	**0.17**	**0.00**	**(1,686.71)**	**6,317.37**	**2,158.18**	**131,080.97**	**100%**

Source: DMO

Table 4.11: Breakdown of External Debt Interest Payments in 2017 (US$' Thousand)

Category	Interest Fee	Service Fee	Deferred Interest	Deferred Service Charge	Total	% of Total
MULTILATERAL	**32,129.40**	**52,431.07**	**185.75**	**798.16**	**85,544.38**	**26%**
IBRD	808.59	0.00	0.88	0.00	809.47	
A.D.B	5,425.58	0.00	0.00	0.00	5,425.58	
IFAD	899.83	0.00	0.00	0.00	899.83	
A.D.F	12,726.01	0.00	0.00	0.00	12,726.01	
AGTF	0.00	0.00	0.00	0.00	0.00	
IDA	11,517.41	52,171.11	184.88	798.16	64,671.56	
EDF	694.77	0.00	0.00	0.00	694.77	
BADEA	57.20	0.00	0.00	0.00	57.20	
IDB	0.00	259.96	0.00	0.00	259.96	
BILATERAL	**46,925.99**	**0.00**	**0.00**	**0.00**	**46,925.99**	**14%**
Exim Bank of China	42,258.56	0.00	0.00	0.00	42,258.56	
Nigeria Communication Sattellite	759.17	0.00	0.00	0.00	759.17	
Nigeria National Public Security Comm. Sys. Project	10,126.22	0.00	0.00	0.00	10,126.22	
Nigeria Railway Modernisation Project	12,095.15	0.00	0.00	0.00	12,095.15	
Nigeria Abuja Light Rail Project	9,109.64	0.00	0.00	0.00	9,109.64	
Nigeria ICT Infrastructure Backbone Project	1,913.74	0.00	0.00	0.00	1,913.74	
Nigeria Four Airport Terminals Expansion Project	7,626.77	0.00	0.00	0.00	7,626.77	
Nigerian Zungeru Hydroelectric Project	627.89	0.00	0.00	0.00	627.89	
French Development Agency	3,688.89	0.00	0.00	0.00	3,688.89	
JICA	0.00	0.00	0.00	0.00	0.00	
Exim Bank of India	0.00	0.00	0.00	0.00	0.00	
KFW	978.54	0.00	0.00	0.00	978.54	
COMMERCIAL	**158,760.00**	**0.00**	**0.00**	**0.00**	158,760.00	**48%**
EUROBONDS	**150,322.50**	**0.00**	**0.00**	**0.00**	150,322.50	
5.125% Eurobond 2018	25,630.00	0.00	0.00	0.00	25,630.00	
6.75% Eurobond 2021	33,750.00	0.00	0.00	0.00	33,750.00	
6.375% Eurobond 2023	31,880.00	0.00	0.00	0.00	31,880.00	
7.875% Eurobond 2032	59,062.50	0.00	0.00	0.00	59,062.50	
DIASPORA BOND	**8,437.50**	**0.00**	**0.00**	**0.00**	8,437.50	
5.625% Eurobond 2022	8,437.50	0.00	0.00	0.00	8,437.50	
OTHERS	**41,736.16**	**0.00**	**0.00**	**0.00**	**41,736.16**	**13%**
Agency Fees	16.90	0.00	0.00	0.00	16.90	
OIL WARRANT	41,719.26	0.00	0.00	0.00	41,719.26	
TOTAL	**279,551.55**	**52,431.07**	**185.75**	**798.16**	**332,966.53**	**100%**

Source: DMO

4.8.3 External Debt Service Projections (2018–2027)

Table 4.12 shows that the Total External Debt Service projections for the next 10-year period, 2018-2027, amounts to US$18,269.33 million. Furthermore, the Table reveals that increased debt service payments in the sum of US$2,011.28 million, US$2,192.55 million and US$3,294.66 million would be made in 2021, 2023 and 2027, respectively, when the debut 6.75% JAN 2021 US$500 million 10-year Eurobond issued in 2011, second tranche of the US$ 1 billion Eurobonds – 6.375% JUL 2023 US$500 million 10-year issued in 2013 and the 6.500% NOV 2027 US$1.5 billion 10-year Eurobond series issued in 2017 would be due for redemption.

Table 4.12: External Debt Service Projections (US$' Million)

Category of Debt	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total 2018-2027
Multilateral											
ADF											
Principal	11.71	12.23	14.62	17.86	23.85	26.54	27.94	28.56	28.92	29.11	**221.34**
Interest	9.02	7.87	8.74	9.44	10.09	10.47	10.60	10.43	10.20	9.97	**96.83**
ADB											
Principal	13.61	23.33	66.67	73.81	130.48	130.48	130.48	130.48	130.48	130.48	**960.27**
Interest	25.96	31.42	33.11	33.96	34.07	32.45	30.07	27.51	25.00	22.50	**296.07**
AGTF											
Principal	0.00	0.00	0.00	0.00	2.00	2.00	2.00	2.00	2.00	2.00	**12.00**
Interest	0.13	0.16	0.30	0.43	0.56	0.62	0.58	0.54	0.49	0.45	**4.26**
IFAD											
Principal	3.56	3.51	4.65	6.19	6.19	6.19	7.28	8.36	8.36	8.36	**62.66**
Interest	1.16	1.26	1.34	1.40	1.46	1.48	1.45	1.41	1.37	1.32	**13.65**
IDA											
Principal	106.93	153.70	207.48	248.63	283.08	322.53	332.06	339.10	338.37	339.60	**2,671.48**
Interest	76.40	82.33	88.20	90.89	91.93	92.06	90.01	87.35	84.63	81.92	**865.71**
EDF											
Principal	5.28	5.29	5.35	5.41	5.46	5.50	5.57	5.63	5.69	5.75	**54.92**
Interest	0.68	0.63	0.58	0.52	0.47	0.41	0.36	0.30	0.25	0.19	**4.39**
ABFEDA (BADE)											
Principal	0.38	0.38	0.38	0.75	0.75	0.39	0.39	0.40	0.40	0.41	**4.61**
Interest	0.07	0.08	0.07	0.07	0.06	0.05	0.05	0.05	0.04	0.04	**0.57**
IDB											
Principal	1.24	1.22	1.96	2.69	2.69	2.69	2.69	2.69	2.69	2.69	**23.25**
Interest	0.41	0.41	0.15	0.15	0.05	0.05	0.00	0.00	0.00	0.00	**1.23**
IBRD											
Principal	0.00	0.00	7.90	21.47	22.57	23.67	24.86	26.14	27.48	28.88	**182.97**
Interest	3.45	4.76	6.60	7.81	7.55	7.18	6.81	6.39	5.96	5.51	**62.03**
Sub-Total	**259.99**	**328.58**	**448.09**	**521.48**	**623.30**	**664.77**	**673.19**	**677.32**	**672.33**	**669.17**	**5,538.24**
Bilateral											
Principal	84.74	96.41	174.27	269.56	318.26	332.57	353.37	492.378	492.38	492.38	**3,106.31**
Interest	64.59	81.68	94.51	102.97	108.51	111.68	110.04	104.5541	93.03	81.46	**953.03**
Sub-Total	**149.34**	**178.09**	**268.78**	**372.52**	**426.78**	**444.25**	**463.40**	**596.93**	**585.41**	**573.84**	**4,059.34**
Commercial											
Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Sub-Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Eurobonds											
Principal	0.00	0.00	0.00	500.00	0.00	500.00	0.00	0.00	0.00	1,500.00	**2,500.00**
Interest	209.39	395.63	395.63	378.75	361.88	361.88	330.00	330.00	330.00	330.00	**3,423.14**
Diaspora Bonds											
Principal	0.00	0.00	0.00	0.00	300.00	0.00	0.00	0.00	0.00	0.00	**300.00**
Interest	16.88	16.88	16.88	16.88	8.44	0.00	0.00	0.00	0.00	0.00	**75.94**
Sub-Total	**226.26**	**412.50**	**412.50**	**895.63**	**670.31**	**861.88**	**330.00**	**330.00**	**330.00**	**1,830.00**	**6,299.07**
Others											
Oil Warrants											
Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Interest	41.72	41.72	41.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**125.16**
Financial Service Fee	0.02	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.05**
New Financing (includes Diaspora Bond)	252.62	221.65	221.65	221.65	221.65	221.65	221.65	221.65	221.65	221.65	**2,247.47**
Total Principal	227.44	296.07	483.28	1,146.36	1,095.33	1,352.56	886.62	1,035.73	1,036.77	2,539.65	**10,099.81**
Total Interest	702.50	886.49	909.48	864.91	846.72	839.99	801.63	790.17	772.62	755.01	**8,169.52**
GRAND TOTAL (Debt Service)	**929.94**	**1,182.56**	**1,392.75**	**2,011.28**	**1,942.05**	**2,192.55**	**1,688.25**	**1,825.90**	**1,809.39**	**3,294.66**	**18,269.33**

Source: DMO

4.8.4 External Debt Disbursements

External Debt disbursements by creditors amounted to US$7,039.11 million as at December 31, 2017, compared to US$1,851.18 million as at December 31, 2016 (Table 4.13). This represents an increase of US$5,187.93 million or 280.25 percent. The increase was mainly due to disbursements from Commercial Sources (Eurobonds and Diaspora Bond), accounting for US$4,800.00 million or 68.19 percent. On the other hand, disbursements from Multilateral and Bilateral sources during the year accounted for US$1,793.43 million or 25.48 percent and US$445.68 million or 6.33 percent, respectively.

Table 4.13: External Debt Disbursements by Source, 2013-2017 (US$' Million)

Source	2013	2014	2015	2016	2017
Multilateral					
IDA	716.10	1,167.38	758.38	1,578.50	814.75
IFAD	9.50	58.09	11.09	11.20	23.71
ADB	150.00	-	250.00	9.89	783.26
ADF	166.10	4.42	111.32	138.89	51.42
IDB	-	-	-	-	-
BADEA	0.60	0.5	-	0.09	-
IBRD	-	-	3.57	0.26	120.30
Sub-Total	**1,042.30**	**1,230.47**	**1,134.35**	**1,738.83**	**1,793.43**
Bilateral	325.30	419.23	240.06	112.35	**445.68**
Commercial	**1,000.00**	-	-	-	**4,800.00**
TOTAL	**2,367.60**	**1,649.70**	**1,374.41**	**1,851.18**	**7,039.11**

Source: DMO
Disbursements exclude Grants.

4.8.5 Net Resource Flows and Net Transfers on External Debt

Table 4.14 shows that the country received US$6,914.83 million and US$6,557.92 million, respectively, as Net Resource Flows and Net Transfers in 2017, compared to US$1,734.65 million and US$1,498.09 million in the previous year. The overall net inflows into the country were disbursements from the Multilateral, Bilateral and Commercial creditors during the year.

Table 4.14: Net Resources Flows and Net Transfers on External Debt by Source in 2017 (US$' Million)

Creditor Category	Disbursements in 2017	Principal Repayments in 2017	Net Resource flow in 2017	Interest Paid in 2017	Net Transfers in 2017
	(A)	(B)	C (A-B)	(D)	E(C-D)
Multilateral	1,793.44	104.29	1,689.15	87.68	1,601.47
Bilateral	445.68	20.00	425.68	51.83	373.85
Commercial	4,800.00	-	4,800.00	158.76	4,641.24
Oil Warrants	-	-	-	41.72	(41.72)
Eurobonds	-	-	-	-	-
Citibank Agency Fees	-	-	-	16.90	(16.90)
Total	**7,039.12**	**124.29**	**6,914.83**	**356.89**	**6,557.92**

Source: DMO
(i) Net resource flow equals disbursements less principal repayments.
(ii) Net transfers equal Net Resource flow less Interest payments.

4.9 The International Capital Market

4.9.1 Issuance of Eurobonds

Nigeria accessed the International Capital Market (ICM) thrice in 2017 with Eurobonds issuances totalling US$4.5 billion. This comprised US$1.00 billion, US$500 million and US$3.00 billion, which were issued in February, April and November 2017, respectively. The issuance of US$500 million in April, 2017, was a tap on the Eurobond issued in February 2017. Table 4.15 shows the details of the issuances.

Table 4.15: Eurobonds Issuance Statistics

Amount	US$1.00 billion	US$500 million
Amount	US$1.00 billion	US$500 million
Coupon (Fixed)	7.875% per annum	7.875% per annum
Issue Yield	7.875%	7.500%
Issue Date	February 16, 2017	April 5, 2017
Maturity Date	February 16, 2032.	
Security	Senior Unsecured Debt	
Rating	B stable (S&P), B+ neg. (Fitch), B1 stable (Moody's)	
Type	144/RegS	
Tenor	15-year	
Interest Payment	Semi-Annually	
Listing	The London Stock Exchange, The Nigerian Stock Exchange and the Financial Market Dealer Quotation OTC Securities Exchange.	
Total Subscription	US$7.8 billion	US$2.5 billion
Use of Proceed	Fund capital expenditure in the 2016 Budget.	
Amount	**US$3.00 billion**	
	US$1.5 billion	**US$1.5 billion**
Coupon (Fixed)	6.50%	7.625%
Issue Yield	6.500%	7.625%
Issue Date	November 28, 2017	November 28, 2017
Maturity Date	November 28, 2027	November 28, 2047
Security	Senior Unsecured Debt	
Rating	B stable (S&P), B+ neg. (Fitch), B2 stable (Moody's)	
Type	144/RegS	
Tenor	10-year	30-year
Interest Payment	Semi-Annually	
Listing	The London Stock Exchange, The Nigerian Stock Exchange and the Financial Market Dealer Quotation OTC Securities Exchange.	
Total Subscription	US$5.61 billion	US$5.71 billion
Use of Proceed	Fund capital expenditure in the 2017 Appropriation Act and Redemption of NTBs.	

Source: DMO

The Issuance of a 30-year Eurobond was a landmark achievement by Nigeria in 2017, as it represented the first by a Sub-Saharan African country, other than South Africa, that had issued 30-year Notes without credit enhancements in the ICM. It also established the basis for long-term infrastructure funding, which is the current priority of Government. In line with the Government's commitment to the development of the domestic capital market, all the Eurobonds issued in 2017 were listed on The Nigerian Stock Exchange and the FMDQ OTC Securities Exchange.

4.9.2 Issuance of Nigerian Diaspora Bond

As part of its strategic objective of developing alternative sources of raising finance for developmental purposes and attracting a wider pool of investors on behalf of the Federal Government of Nigeria, the DMO issued Nigeria's debut Diaspora Bond in the International Capital Market on June 27, 2017. With this offer, Nigeria became the second African country to issue a US SEC registered security in the ICM after South Africa. The details of the issuance are as follows:

Amount:	US$300 million.
Coupon/Issue Yield:	5.625% per annum.
Issue Date:	June 27, 2017.
Maturity Date:	June 27, 2022.
Tenor:	5-year.
Total Subscription:	US$570 million.
Securities Registration:	United States' Securities and Exchange Commission.
Listing:	The London Stock Exchange, The Nigerian Stock Exchange and FMDQ OTC Securities Exchange.
Use of Proceed:	Funding of capital expenditure in the 2016 Appropriation Act.

4.9.3 Performance of Nigeria's Securities in the Secondary Market

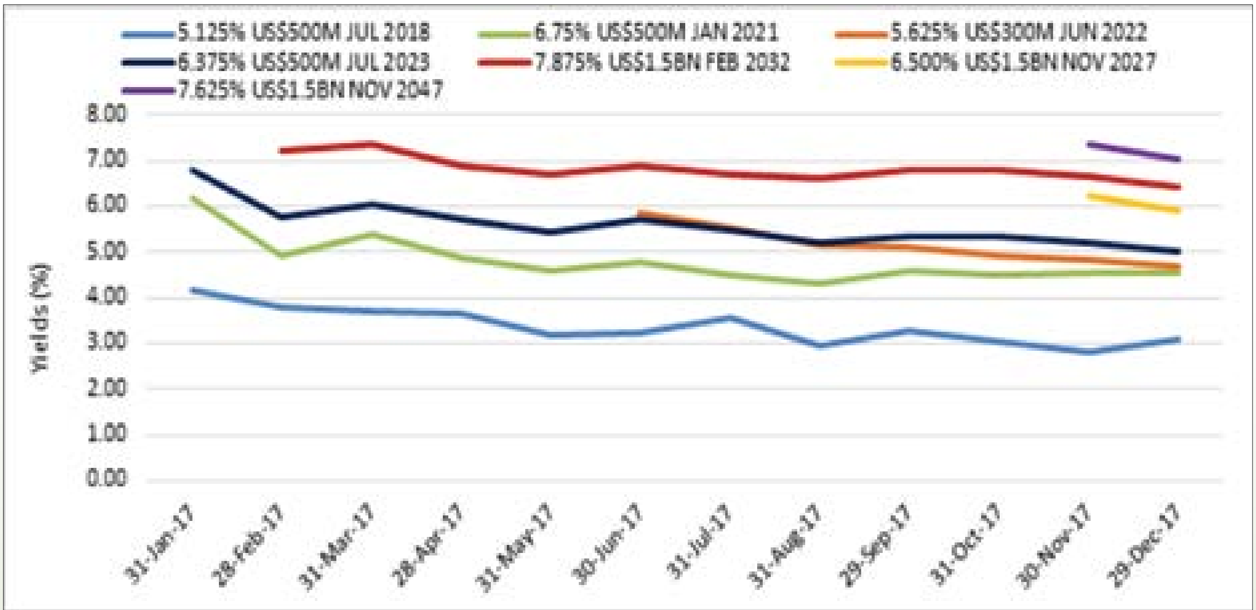
All Nigeria's Eurobonds and Diaspora Bond traded below their issue yields in the ICM in 2017. Table 4.16 shows the monthly closing Prices and Yields of Nigeria's six (6) Eurobonds and Diaspora Bond in 2017, while Figure 4.4 shows the Month-on-Month trends in Yields.

Table 4.16: Trends in Nigeria's Eurobonds and Diaspora Bond Prices and Yields (January – December, 2017)

Date	5.125% US$500M JUL 2018 Eurobond		6.75% US$500M JAN 2021 Eurobond		5.625% US$300M JUN 2022 Diaspora		6.375% US$500M JUL 2023 Eurobond		6.500% US$1.5BN NOV 2027 Eurobond		7.875% US$1.5BN FEB 2032 Eurobond		7.625% US$1.5BN NOV 2047 Eurobond	
	Closing Price	Closing Yield	Closing Price	Closing Yield	Closing Price	Closing Yield	Closing Price	Closing Yield	Closing Price	Closing Yield	Closing Price	Closing Yield	Closing Price	Closing Yield
31-Jan-17	101.33	4.16	102.04	6.16	N/A	N/A	97.92	6.78	N/A	N/A	N/A	N/A	N/A	N/A
28-Feb-17	101.75	3.79	106.50	4.90	N/A	N/A	103.16	5.77	N/A	N/A	105.83	7.23	N/A	N/A
31-Mar-17	101.73	3.71	104.63	5.39	N/A	N/A	101.65	6.05	N/A	N/A	104.62	7.36	N/A	N/A
28-Apr-17	101.73	3.63	106.34	4.87	N/A	N/A	103.37	5.72	N/A	N/A	109.04	6.89	N/A	N/A
31-May-17	102.13	3.16	107.25	4.57	N/A	N/A	104.76	5.45	N/A	N/A	110.95	6.69	N/A	N/A
30-Jun-17	101.88	3.24	106.35	4.79	99.10	5.84	103.28	5.72	N/A	N/A	108.81	6.91	N/A	N/A
31-Jul-17	101.46	3.54	107.22	4.49	100.44	5.52	104.40	5.50	N/A	N/A	110.75	6.71	N/A	N/A
31-Aug-17	101.83	2.94	107.58	4.32	101.96	5.16	105.95	5.18	N/A	N/A	111.71	6.60	N/A	N/A
29-Sep-17	101.42	3.25	106.63	4.57	102.08	5.12	104.98	5.36	N/A	N/A	109.75	6.80	N/A	N/A
31-Oct-17	101.41	3.05	106.69	4.51	102.86	4.93	104.96	5.35	N/A	N/A	110.02	6.77	N/A	N/A
30-Nov-17	101.38	2.81	106.46	4.52	103.33	4.80	105.59	5.21	102.17	6.21	111.08	6.66	103.13	7.37
29-Dec-17	101.04	3.11	106.29	4.53	103.75	4.69	106.42	5.03	104.58	5.88	113.27	6.43	107.46	7.02

Source: Bloomberg

Figure 4.4: Trends in the Yields of Nigeria's Eurobonds and Diaspora Bond (January-December, 2017)



Source: Bloomberg

4.9.4 Comparative Yields of other African Sovereigns Eurobonds

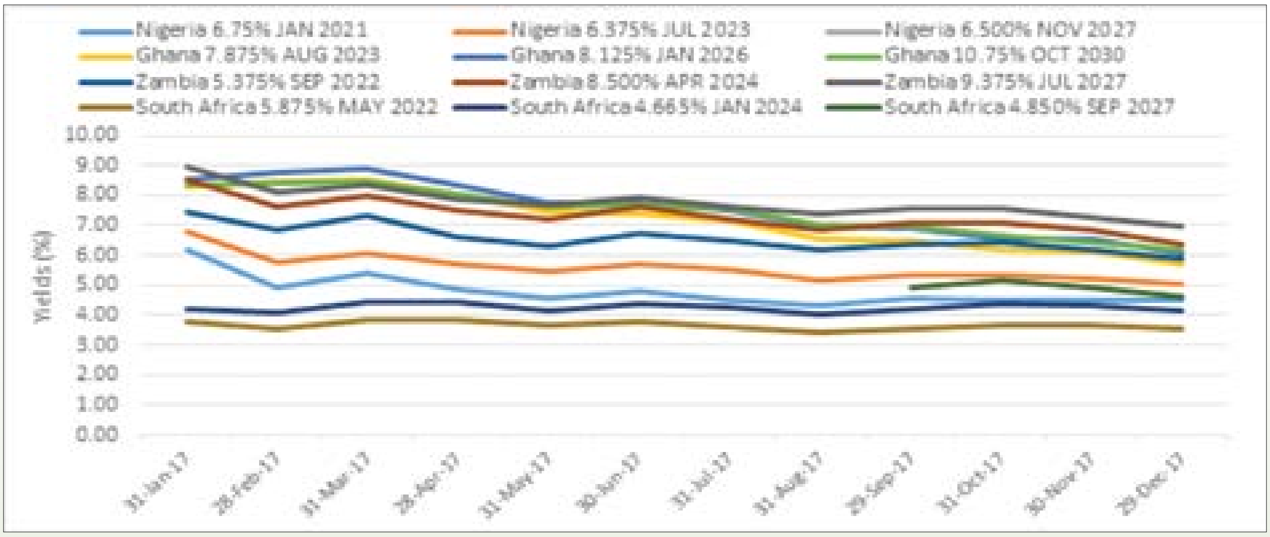
Table 4.17 presents the comparative Yields of some of Nigeria's Eurobonds with selected African peer countries having Eurobonds of near Term-To-Maturities (TTMs). Besides South Africa, which had lower TTMs and Yields due to its credit rating compared to Nigeria, the yields of Nigeria's Eurobonds were lower relative to those of Ghana and Zambia.

Table 4.17: Comparative Yields of other African Sovereigns Eurobonds in 2017

Date	Nigeria 6.75% JAN 2021	Nigeria 6.375% JUL 2023	Nigeria 6.500% NOV 2027	Ghana 7.875% AUG 2023	Ghana 8.125% JAN 2026	Ghana 10.75% OCT 2030	Zambia 5.375% SEP 2022	Zambia 8.500% APR 2024	Zambia 9.375% JUL 2027	South Africa 5.875% MAY 2022	South Africa 4.665% JAN 2024	South Africa 4.850% SEP 2027
	Closing Yield	Closing Yield	Closing Yield	Closing Yield	Closing Yield	Closing Yield	Closing Yield	Closing Yield	Closing Yield	Closing Yield	Closing Yield	Closing Yield
31-Jan-17	6.16	6.78		8.30	8.50	8.35	7.47	8.51	8.97	3.79	4.18	
28-Feb-17	4.90	5.77		8.46	8.76	8.43	6.82	7.65	8.09	3.55	4.09	
31-Mar-17	5.39	6.05		8.55	8.91	8.48	7.31	7.97	8.33	3.87	4.45	
28-Apr-17	4.87	5.72		8.04	8.33	8.04	6.60	7.49	7.88	3.87	4.44	
31-May-17	4.57	5.45		7.44	7.77	7.60	6.31	7.22	7.69	3.64	4.16	
30-Jun-17	4.79	5.72		7.39	7.72	7.68	6.75	7.62	7.95	3.76	4.40	
31-Jul-17	4.49	5.50		7.15	7.50	7.58	6.48	7.23	7.64	3.59	4.25	
31-Aug-17	4.32	5.18		6.54	6.94	7.05	6.20	6.84	7.36	3.43	4.00	
29-Sep-17	4.57	5.36		6.49	6.92	6.96	6.36	7.09	7.55	3.52	4.21	4.95
31-Oct-17	4.51	5.35		6.16	6.57	6.64	6.40	7.11	7.54	3.65	4.39	5.15
30-Nov-17	4.52	5.21	6.21	6.12	6.52	6.44	6.17	6.84	7.29	3.66	4.33	4.94
29-Dec-17	4.53	5.03	5.88	5.72	6.04	6.17	5.91	6.38	6.99	3.53	4.16	4.63

Source: Bloomberg
Note: Fitch, S&P and Moody's Sovereign Rating for Nigeria, Ghana, Zambia and South Africa are BB-/B/B1; B+B-/B3; B+/B/B3, and BB+/BB+/Baa3 respectively.

Figure 4.5: Yields on Selected African Sovereigns Eurobonds in 2017



Source: Bloomberg

4.9.5 Eurobonds issued by Sub-Saharan African (SSA) Countries in 2017

Three Sub-Saharan African (SSA) countries issued Eurobonds in 2017, when compared to two in 2016. All the issuances were oversubscribed by investors, which was an indication of investors' appetite for debt instruments issued by African Sovereigns. Table 4.18 shows the three SSA countries that issued Eurobonds in the ICM in 2017, and the details of the Issuances.

Table 4.18: Eurobonds Issued by Sub-Saharan African Countries in 2017

Country	Credit Rating			Date Issued	Amount (US$ Million)	Tenor (Years)	Coupon (%)	Issue Yield (%)
	Fitch	S&P	Moody					
Senegal	-	B+	Ba3	May 23, 2017	1,100	15	6.250	6.250
Ivory Coast	Ba3	-	B+	June 8, 2017	1,125	15	6.125	6.250
South Africa	BB+	BB+	Baa3	Sept. 19, 2017	2,500	10 & 30 (dual tranche)	4.850 & 5.650	4.850 & 5.650

Source: Bloomberg

4.9.6 Eurobonds issued by Nigerian Corporates in 2017

Table 4.19 presents details of Eurobond Issuances by Nigerian Corporates in 2017. The Issuance by Zenith Bank Plc was in addition to its existing US$500 million, which is due to mature in April 2019. The Issuance by Fidelity Bank Plc was adjudged the largest new liability management offering ever by a Nigerian corporate. Overall, the three banks raised a total of US$1,400 million, which was significantly higher than the US$300 million raised by Access Bank in 2016.

Table 4.19: Eurobonds Issued by Nigerian Corporates in 2017

Corporate	Credit Rating		Issue Date	Amount (US$ Million)	Tenor (Years)	Coupon (%)	Issue Yield (%)
	Fitch	S&P					
Zenith Bank	B	B+	May 22, 2017	500	5	7.375	7.375
UBA	B	B	June 1, 2017	500	5	7.75	7.875
Fidelity	B-	B-	Oct. 11, 2017	400	5	10.50	10.500

Source: Bloomberg

4.9.7 Outlook for International Capital Market in 2018

Four SSA countries, namely: Senegal, South Africa, Nigeria and Ivory Coast accessed the International Capital Market in 2017, compared to two countries in 2016. This was largely on the account of moderately rising commodity prices and reforms embarked upon to tackle macroeconomic imbalances. It is envisaged that 2018 will see more SSA countries, especially debutants accessing the ICM to take advantage of low yields to raise capital to meet various funding needs. In the case of Nigeria, the demand for its US Dollar denominated securities will remain strong, on the back drop of increasing accretion to the country's foreign reserve, steady decline in headline inflation and a stable foreign exchange regime. The country will most likely remain active in the ICM in 2018, as it seeks to meet its funding needs and implement its debt strategy of reducing funding from the domestic capital market in favour of the relatively cheaper external financing, to reduce cost of debt service and allow more borrowing space for the private sector.

4.10 External Loans Borrowing Programme in 2017

Table 4.20 shows the external loans negotiated and signed by the Federal Government of Nigeria (FGN) in 2017, to finance key economic and social development projects and programmes across the Federation.

Table 4.20: External Loans Negotiated and Signed by the FGN in 2017

S/N	Project Name	Creditor	Loan Amount
1.	Livelihood Improvement Family Enterprises Project in the Niger Delta Region (LIFE-ND)	International Fund for Agricultural Development (IFAD)	SDR 42,750,000.00
2.	Agro-processing, Productivity Enhancement & Livelihood Improvement Support Project (APPEALS)	International Development Association (World Bank)	US$200 Million
3.	Better Education Service Delivery for all Programme (BESDA)	International Development Association (World Bank)	US$611 Million
4.	National Social Safety Nets Project	International Development Association (World Bank)	US$500 Million
5.	Mineral Sector Support for Economic Diversification Project	International Development Association (World Bank)	US$150 Million
6.	Nigeria Electricity Transmission & Access Project	International Development Association (World Bank)	US$486 Million
7.	Kaduna State Economic Transformation Programme for Results	International Development Association (World Bank)	US$350 Million
8.	Multi-Sectoral Crisis Recovery Project for North Eastern Nigeria	International Development Association (World Bank)	US$200 Million
9.	Inclusive Basic Service Delivery and Livelihood Empowerment Integrated Programme (IBSDLEIP) in North-East	African Development Bank Group	ADB US$150 Million ADF US$100 Million and Grants US$5 Million
10.	Potato Value Chain Support Project	African Development Bank Group	US$11.04 Million
11.	Enable Youth Nigeria Program	African Development Bank Group	US$250 Million
12.	Enable Youth Nigeria Program	African Development Bank Group (On behalf of the Africa Growing Together Fund)	US$30 Million
13.	AFD Assisted Rural Access and Mobility Project for Imo State	Agence Francaise De Developpement (AFD)	US$60 Million
14.	AFD Assisted Third Urban Water Sector Reform Project (for Enugu, Ondo and Plateau States)	Agence Francaise De Developpement (AFD)	US$158 Million
15.	Kano State Water Supply Project	Agence Francaise De Developpement (AFD)	US$75 Million
16.	Expansion of Abuja-Keffi Road and Dualization of Keffi-Akwanga-Lafia Makurdi Road Project	Export-Import Bank of China	US$460,822,440.20
17.	Nigeria Railway Modernization Project Phase II (Lagos-Ibadan Section)	Export-Import Bank of China	US$1,267,317,586.10
18.	Kano State Agro Pastoral Project	Islamic Development Bank (IDB)	US$95 Million

Source: FMF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CHAPTER FIVE

NIGERIA'S DOMESTIC DEBT

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NIGERIA'S DOMESTIC DEBT

The Domestic Debt outstanding as at December 31, 2017, was ₦12,589.49 billion compared to ₦11,058.20 billion in the corresponding period of 2016, representing an increase of ₦1,531.28 billion or 13.85 percent. The increase was due to new borrowings to fund the 2017 appropriated budget deficit and the refinancing of maturing debt obligations. The Domestic Debt Service as at end of December, 2017 was to ₦1,476.22 billion, compared with ₦1,228.761 billion expended as debt service in 2016. All FGN Bond issuances in 2017 were oversubscribed, indicating that demand for FGN bonds has remained strong with a well diversified and growing investor base. The secondary market for FGN Bonds remained active during the period.

5.1 FGN's Domestic Debt Stock

The securitized Federal Government's Domestic Debt Stock outstanding was ₦12,589.49 billion as at December 31, 2017, compare to ₦11,058.20 billion as at December 31, 2016, representing an increase of ₦1,531.28 billion or 13.85 percent (Table 5.1). The growth was as a result of more issuances of FGN securities used to finance the 2017 appropriated budget deficit, and refinance matured securities. These securities were FGN bonds and new issuances of FGN Savings Bond, Sovereign Sukuk and the Green Bond. Figure 5.1 reflects the position as at December 31, 2017. The FGN's Domestic Debt stock comprised FGN bonds (69.23 percent), Nigerian Treasury Bills (NTBs) (28.43 percent) and Treasury Bonds (1.40 percent). Others are FGN Savings Bond (0.06 percent), Sovereign Sukuk (0.79 percent) and Green Bond (0.08 percent).

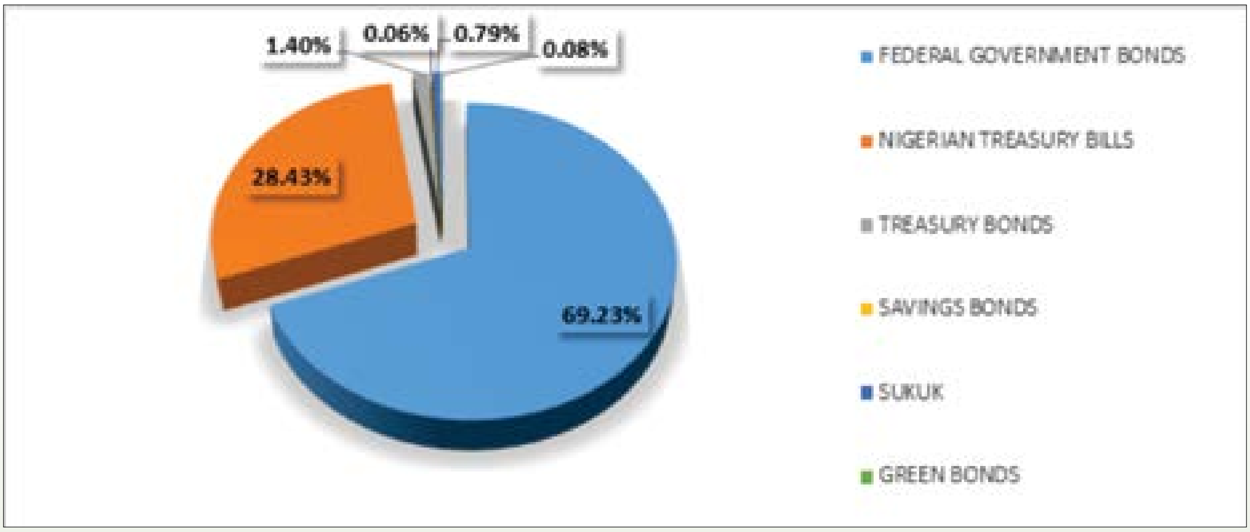
Table 5.1 shows that the stock of FGN's Domestic Debt has been on the increase in the past five years, from ₦7,118.97 billion in 2013 to ₦12,589.49 billion in 2017. This development was largely attributed to the use of domestic debt to fund rising budget deficit and refinancing of maturing domestic debt obligations. The composition of the domestic debt portfolio was in line with the country's Debt Management Strategy of issuing more of longer tenored instruments so as to mitigate refinancing risk. Further analysis showed that the stock of FGN Bonds and NTBs rose from ₦4,222.03 billion and ₦2,581.55 billion in 2013 to ₦8,715.81 billion and ₦3,579.80 billion in 2017, respectively. The stock of Treasury Bonds maintained a downward trend from ₦315.39 billion in 2013 to ₦175.99 billion in 2017, as a result of the gradual redemption of the instrument over the years. In 2017, FGN Savings Bond, Sovereign Sukuk and the Green Bond were introduced into the domestic debt market with values of ₦7.2 billion, ₦100.00 billion and ₦10.69 billion, respectively.

Table 5.1 Nigeria: Trend in Domestic Debt Outstanding by Instruments, 2013-2017 (₦' Billion)

Instruments	2013	2014	2015	2016	2017
FGN Bonds	4,222.03	4,792.28	5,808.14	7,564.94	8,715.81
NTBs	2,581.55	2,815.52	2,772.87	3,277.28	3,579.80
Treasury Bonds	315.39	296.22	255.99	215.99	175.99
FGN Savings Bond	-	-	-	-	7.2
Sovereign Sukuk	-	-	-	-	100
Green Bond	-	-	-	-	10.69
Total	**7,118.97**	**7,904.02**	**8,837.00**	**11,058.21**	**12,589.49**
as a % of Total					
FGN Bonds	59.31	60.63	65.73	68.41	69.23
NTBs	36.26	35.62	31.38	29.64	28.43
Treasury Bonds	4.43	3.75	2.90	1.95	1.40
FGN Savings Bond	-	-	-	-	0.06
Sovereign Sukuk	-	-	-	-	0.79
Green Bond	-	-	-	-	0.08
Total	**100**	**100**	**100**	**100**	**100**

Source: DMO

Figure 5.1 Composition of FGN's Domestic Debt Stock by Instruments as at December 31, 2017



Source: DMO

5.2 FGN's Domestic Debt Stock by Category of Holders

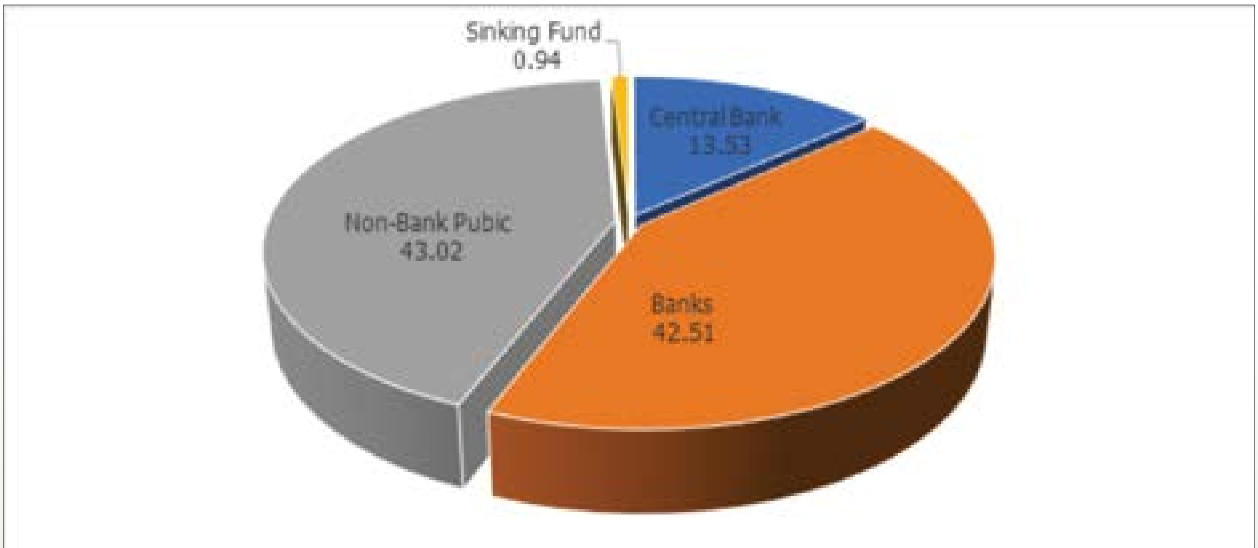
The FGN's Domestic Debt outstanding by holders' category as at December 31, 2017, is shown in Table 5.2 and Figure 5.2. The breakdown revealed that the Non-Bank Public and Banks held the largest share of the domestic debt stock, accounting for ₦5,415.54 billion or 43.02 percent and ₦5,351.79 billion or 42.51 percent, respectively. The Central Bank of Nigeria (CBN) held ₦1,703.81 billion or 13.53 percent of the total domestic debt stock, while the balance of ₦118.35 billion or 0.94 percent was held in a Sinking Fund.

Table 5.2: FGN's Domestic Debt by Holder Category as at December 31, 2017 (₦' Billion)

Instruments	Central Bank	Banks	Non-Bank Pubic	Sinking Fund	Amount Outstanding
FGN Bonds	1,583.37	3,183.36	3,949.08	-	8,715.81
Nigerian Treasury Bills (NTBs)	62.8	2,141.68	1,375.32	-	3,579.80
Treasury Bonds	57.64	-	-	118.35	175.99
Savings Bond	-	-	7.2	-	7.2
Sovereign Sukuk	-	25.75	74.25	-	100
Green Bond		1.00	9.69		10.69
Total	**1,703.81**	**5,351.79**	**5,415.54**	**118.35**	**12,589.49**
% of Total	**13.53**	**42.51**	**43.02**	**0.94**	**100**

Source: CBN

Figure 5.2: Composition of FGN's Domestic Debt by Holder Category as at December 31, 2017



Source: CBN

Table 5.3 indicates that the domestic debt in all the holder's categories increased in 2017, with the exception of Non-Bank Public and the Sinking Fund, which dropped from ₦5,493.54 billion and ₦140.45 billion in 2016 to ₦5,415.54 billion and ₦118.35 billion in 2017, respectively.

Table 5.3: FGN's Domestic Debt Outstanding by Holders Category, 2013-2017 (₦' Billion)

Investor-Type	2013	2014	2015	2016	2017
CBN	468.86	180.21	877.30	1,688.20	1,703.81
Banks	3,293.83	3,982.72	3,284.01	3,736.02	5,351.79
Non-Bank Public	3,197.69	3,564.32	4,513.49	5,493.54	5,415.54
Sinking Fund	158.59	176.77	162.20	140.45	118.35
Total	**7,118.97**	**7,904.02**	**8,837.00**	**11,058.21**	**12,589.49**

Source: DMO

5.3 FGN's Domestic Debt by Residual Maturity

The analysis of the maturity structure of the FGN's Domestic Debt as at December 31, 2017, showed that the short-term instruments (less than one year to maturity) in the total domestic debt portfolio accounted for 32.61 percent, while instruments maturing between 1 and 3 years and over 3 years in the total domestic portfolio were 9.92 percent and 57.47 percent, respectively (Table 5.4). The respective shares of 32.61 percent for short-term maturity helped to increase the share of Total Public Debt maturity within one year with a target set at a maximum of 20 percent. The strategy of redeeming the maturing NTBs will overtime help to address refinancing and interest rate risks by further lengthening the maturity profile of the debt portfolio. Table 5.5 shows that over the past five years (2013-2017), the outstanding domestic debt has high proportion of medium to long-term debts, and this has helped to reduce refinancing and interest rate risks associated with short-term debts.

Table 5.4: Maturity Structure of FGN's Domestic Debt as at December 31, 2017

Residual Maturity (Years)	% Share of Outstanding Debt
< 1 Year	32.61
≥ 1-3 Years	9.92
> 3 Years	57.47
Total	**100.00**

Source: DMO

Table 5.5: FGN's Domestic Debt Outstanding by Residual Maturity, 2013 – 2017 (₦' Billion)

Year	Short Term[1]	%	Medium-Long Term[2]	%	Total	%
2013	3,100.72	43.56	4,018.26	56.44	7,118.98	100
2014	3,350.52	42.39	4,553.50	57.61	7,904.02	100
2015	3,379.25	38.24	5,457.75	61.76	8,837.00	100
2016	3,902.41	35.29	7,155.79	64.71	11,058.20	100
2017	4,105.34	32.61	8,484.14	67.39	12,589.49	100

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

5.4 FGN's Domestic Debt Service

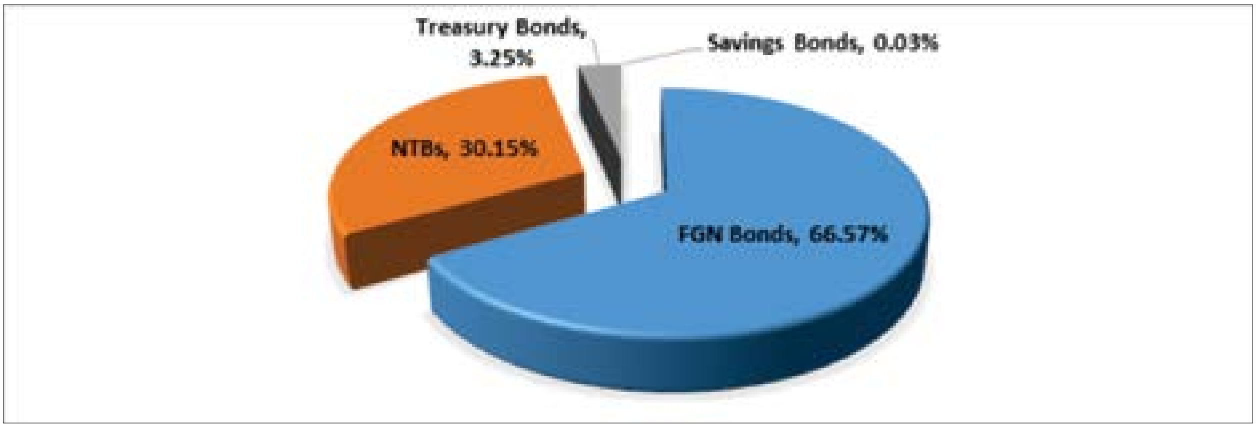
The FGN's Domestic Debt service as at December 31, 2017, was ₦1,476.22 billion, compared to ₦1,228.76 billion in the corresponding period of 2016, representing an increase of ₦247.46 billion or 20.14 percent (Table 5.6). This cost comprised principal repayment of ₦25.00 billion and interest payment of ₦1,451.22 billion. By instrument-type, the Debt Service for FGN bonds was 66.57 percent of the Total Debt Service payment, while payments in respect of the FGN Savings Bond, Nigerian Treasury Bills (NTBs), and Treasury Bonds were 0.03, 30.15 and 3.25 percent, respectively. Further analysis showed that the FGN's Domestic Debt Service payments rose steadily from ₦794.10 billion in 2013 to ₦1,476.22 billion in 2017, as a result of the growth in domestic debt stock with relatively higher interest rates (Table 5.7).

Table 5.6: FGN's Domestic Debt Service, 2017 (₦' Million)

Instruments	Principal Repayment	Interest	Total
FGN Bonds	-	982,659.49	982,659.49
NTBs	-	445,130.44	445,130.44
Treasury Bonds	25,000.00	22,989.91	47,989.91
Savings Bonds		442.00	442.00
Total Debt Service	**25,000.00**	**1,451,221.84**	**1,476,221.84**

Source: DMO
FGN Bonds and NTBs that matured during period were refinanced

Figure 5.3: Composition of FGN's Domestic Debt Service, 2017 (in Percentage)



Source: DMO

Table 5.7: Trends in FGN's Domestic Debt Service, 2013-2017 (₦' Billion)

Year	Debt Service
2013	794.10
2014	865.81
2015	1,018.13
2016	1,228.76
2017	1,476.22

Source: DMO

5.4.1 Size and Composition of the Domestic Bond Market

The size of the Domestic Bond Market was ₦13,519.17 billion as at December 31, 2017, compare to ₦12,038.47 billion as at December 31, 2016, representing ₦1,480.70 or 12.30 percent. Table 5.8 indicates that the share of FGN securities relative to the total size of the domestic bond market increased from ₦11,058.20 billion in 2016 to ₦12,589.49 billion in 2017 due to the introduction of new debt instruments in the market. While Corporate and States Government Bonds recorded minimal issuances relative to the redemption of existing instruments, the Supra-national Bond witnessed no new issuance during the period under review.

Table 5.8: Size and Composition of Domestic Bond Market, 2016 & 2017

Issuer	2016		2017	
	Amount Outstanding	% of Total	Amount Outstanding (₦' Billion)	% of Total
Federal Government of Nigeria	11,058.20	91.86	12,589.49	93.12
State Governments	617.35	5.13	582.24	4.31
Corporates	337.97	2.81	334.50	2.47
Supra-Nationals	24.95	0.21	12.95	0.10
Total	**12,038.47**	**100.00**	**13,519.17**	**100.00**

Source: SEC and DMO

5.4.2 FGN Bonds Primary Market Activities

Benchmark FGN Bonds of 5, 10, and 20 years were issued by the FGN in the primary market in 2017. A total of ₦1,490,000.00 million was offered and ₦1,550,463.78 million allotted during the year, with a total subscription of ₦2,377,402.45 million. The bonds were oversubscribed at a level of about 159.56 percent, compared to 180.90 percent in 2016 (Table 5.9).

Table 5.9 also shows that in five consecutive years, FGN Bonds witnessed over subscription, which attest to the liquidity of the domestic bond market, with diversified and growing investor base, driven by institutional investors, such as the PFAs, DMBs and Insurance Companies, as well as increasing awareness of bonds as a veritable alternative and more relatively safer investment outlet.

Table 5.9: FGN Bonds Primary Market Issuance, 2013 – 2017 (₦' Million)

Year	Offer	Subscription	Allotment	Subscription Level (%)
2013	1,044,643.14	1,948,108.48	1,044,643.14	186.49
2014	1,091,743.83	2,108,070.49	1,070,243.52	193.09
2015	858,220.00	1,753,460.45	998,740.00	204.31
2016	1,175,000.00	2,125,748.10	1,308,303.33	180.91
2017	1,490,000.00	2,377,402.45	1,550,463.78	159.56

Source: DMO

Figure 5.4: Summary of Yearly FGN Bonds Offer, Subscription & Allotment, 2013-2017 (₦' Million)

Source: DMO

5.4.3 FGN Bonds Allotment by Residency

The allotments of the FGN Bonds by Residency Classification shows that resident holders accounted for ₦1,352,071.41 million or 87.20 percent of bonds in 2017, compared to ₦1,290,303.33 million or 98.62 percent in 2016. On the other hand Non-resident investors held ₦198,392.37 million or 12.80 percent of the bonds in 2017, compared to ₦18,000.00 million or 1.38 percent in 2016, indicating an increased participation by the non-resident category of investors at the Auctions (Table 5.10).

Table 5.10: Allotment of FGN Bonds by Residency Classification (₦' Million)

	2016		2017	
Classification	**Amount**	**% of Total**	**Amount**	**% of Total**
Residents	1,290,303.33	98.62	1,352,071.41	87.20
Non-Residents	18,000.00	1.38	198,392.37	12.80
Total	**1,308,303.33**	**100.00**	**1,550,463.78**	**100.00**

Source: DMO

5.4.4 Trend Analysis of FGN Bonds Allotment by Residency

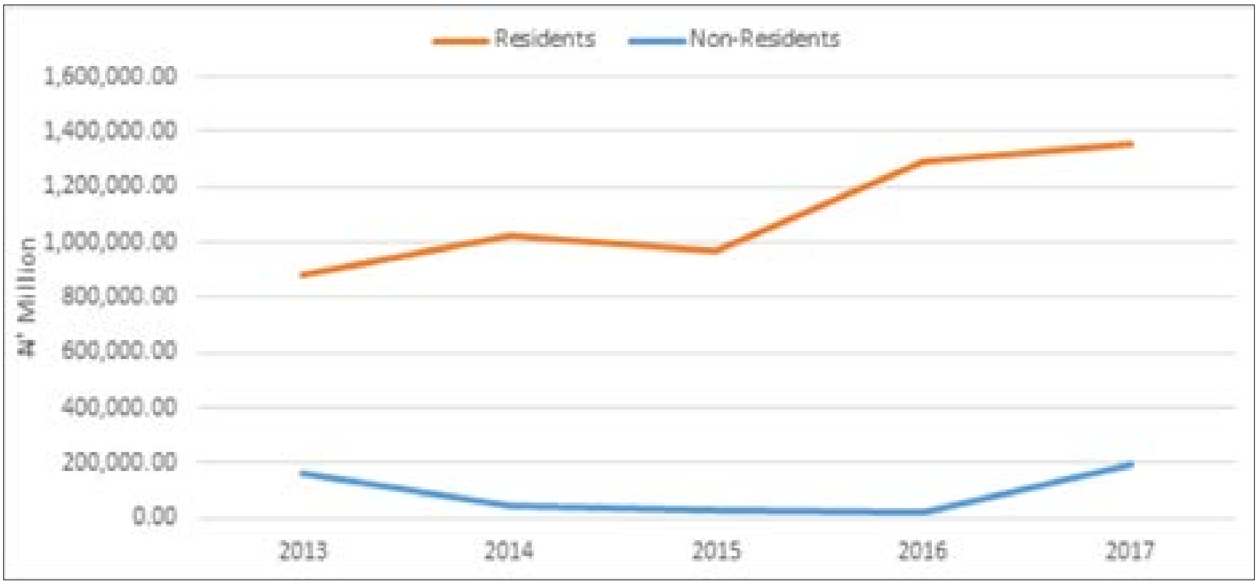
The analysis of FGN Bonds allotments by Residency showed that the significant increase in participation by Non-residents in FGN Bonds Auctions in 2017 to 12.80 percent from 1.38 percent in 2016. This was on account of the relatively stability in the Foreign Exchange Market and the improving macroeconomic indicators, which have enhanced investor confidence in the Nigerian economy (Table 5.11 and Figure 5.5).

Table 5.11: Summary of Yearly Allotment of FGN Bonds by Residency Classification, 2013 – 2017 (₦' Million)

Year	Residents	%	Non-Residents	%	Total	%
2013	884,262.33	84.65	160,380.81	15.35	1,044,643.14	100
2014	1,023,470.64	95.63	46,772.87	4.37	1,070,243.52	100
2015	968,801.21	97.00	29,938,79	3.00	998,740.00	100
2016	1,290,303.33	98.62	18,000.00	1.38	1,308,303.33	100
2017	1,352,071.41	87.20	198,392.37	12.80	1,550,463.78	100

Source: DMO

Figure 5.5: Summary of Yearly Allotment of FGN Bonds by Residency Classification, 2013 – 2017 (₦' Million)



Source: DMO

5.4.5 Analysis of FGN Bond Auctions by Tenor

The analysis of the FGN bonds auctions by Tenor, showed that bonds with tenors of 5, 10 and 20 years were issued in 2017 (Table 5.12). The 5-year tenor accounted for 15.80 percent of the total FGN Bonds issued, while the 10 and 20-year tenors accounted for 41.82 and 42.38 percent, respectively. While, Tables 5.13 and 5.14 respectively show the breakdown of monthly FGN Bonds issued by Tenor, and monthly FGN Bonds Issuances, Subscriptions and Allotments in 2017, Figure 5.6 shows the monthly Issuance Activity during the year under review.

Table 5.12: Analysis of FGN Bonds Issued by Tenor in 2017 (₦' Million)

Tenor*	Amount (₦' Million)	% of Total
5-years	244,907.90	15.80
10-years	648,408.82	41.82
20-years	657,147.06	42.38
Total	**1,550,463.78**	**100.00**

Source: DMO
* Represents original Issuance tenor

Table 5.13: Monthly Analysis of FGN Bonds Issued by Tenor in 2017 (₦' Million)

Month	5 Year*	10 Year*	20 Year*	Total
January	34,961.44	74,896.82	105,100.32	214,948,58
February	60,000.00	30,000.00	70,000.00	160,000.00
March	30,000.00	50,000.00	80,000.00	160,000.00
April	15,033.20	34,040.10	56,250.00	105,323.30
May	10,000.00	35,000.00	65,000.00	110,000.00
June	4,215.30	30,252.20	64,789.00	99,256.50
July	3,900.00	47,010.00	55,054.00	105,964.00
August	9,175.00	17,505.50	29,362.00	56,042.50
September	35,258.87	76,925.50	131,591.74	243,776.11
October	3,000.00	118,130.00	-	121,130.00
November	14,604.09	73,173.20	-	87,777.29
December	24,770.00	61,475.50	-	86,245.50
Total	**244,907.90**	**648,408.82**	**657,147.06**	**1,550,463.78**

ource: DMO
* Represents original Issuance tenor

Table 5.14: Summary of Monthly FGN Bonds Offer, Subscription & Allotment in 2017 (₦' Million)

Month	Offers	Subscriptions	Allotments
January	130,000.00	235,048.58	214,948.58
February	110,000.00	337,038.62	160,000.00
March	130,000.00	216,380.21	160,000.00
April	135,000.00	129,480.30	105,323.30
May	140,000.00	161,901.00	110,000.00
June	140,000.00	158,112.50	99,256.50
July	135,000.00	129,164.00	105,964.00
August	135,000.00	63,642.50	56,042.50
September	135,000.00	394,847.52	243,776.11
October	100,000.00	166,299.89	121,130.00
November	100,000.00	105,391.84	87,777.29
December	100,000.00	280,095.49	86,245.50
Total	**1,490,000.00**	**2,377,402.45**	**1,550,463.78**

Source: DMO

Figure 5.6: Summary of Monthly FGN Bonds Offer, Subscription & Allotment in 2017 (₦' Million)

5.4.6 Allotment of FGN Bonds by Investor-Type in 2017

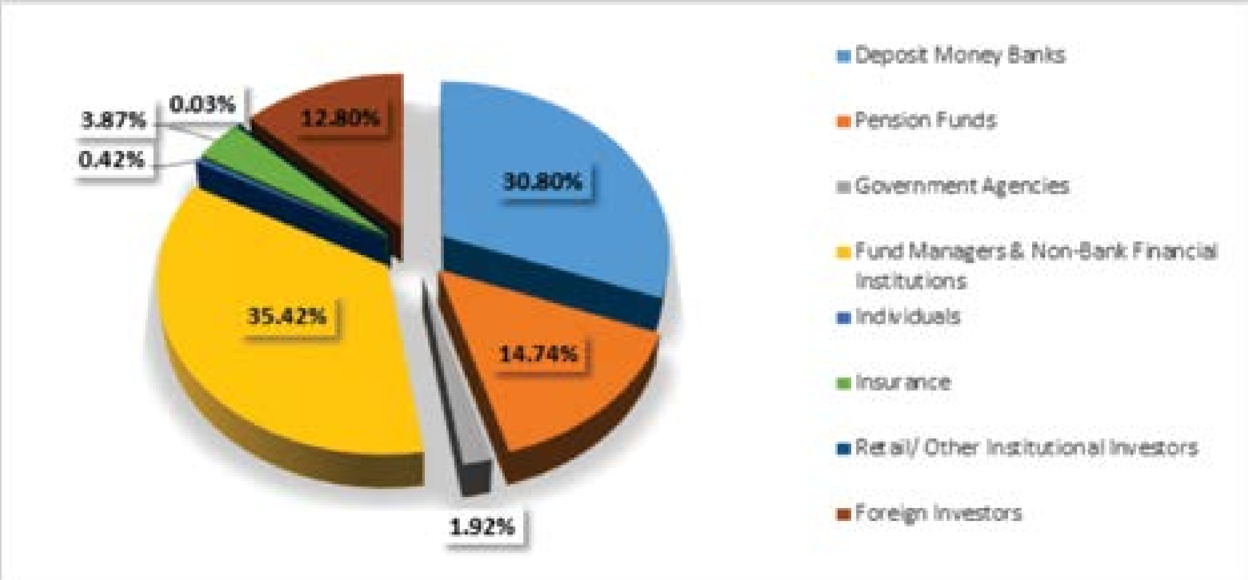
Table 5.15 and Figure 5.7 provide an analysis of FGN Bonds allotments by investor-type, showing that the Fund Managers & Non-Bank Financial Institutions accounted for 35.42 percent of the total FGN Bonds allotted in 2017, followed by the Deposit Money Banks (30.80 percent), Pension Funds (14.74 percent), Foreign Investors (12.80 percent), Insurance (3.87 percent), Government Agencies (1.92 percent), Individuals (0.42 percent), and Retail/Other Institutional Investors (0.03 percent).

Table 5.15: Summary of FGN Bond Auctions & Details of Allotments by Investor-Type in 2017(₦' Million)

Description	Amount	Result
Total Amount Offered		**1,490,000.00**
Total Subscription		**2,377,402.45**
Range of Bids (%)		12.0000% - 20.5600%
Range of Marginal Rates (%)		13.1900% - 16.9945%
Range of Coupons (4)		12.4000% - 16.8840%
		% Of Total Allotment
Deposit Money Banks	477,616.49	30.80
Pension Funds	228,543.72	14.74
Government Agencies	29,791.00	1.92
Fund Managers & Non-Bank Financial Institutions	549,156.65	35.42
Individuals	6,467.47	0.42
Insurance	60,066.80	3.87
Retail/ Other Institutional Investors	429.29	0.03
Foreign Investors	198,392.37	12.80
Total Allotment	**1,550,463.78**	**100.00**

Source: DMO

Figure 5.7: Allotments of FGN Bonds Issuance by Investor-Type in 2017

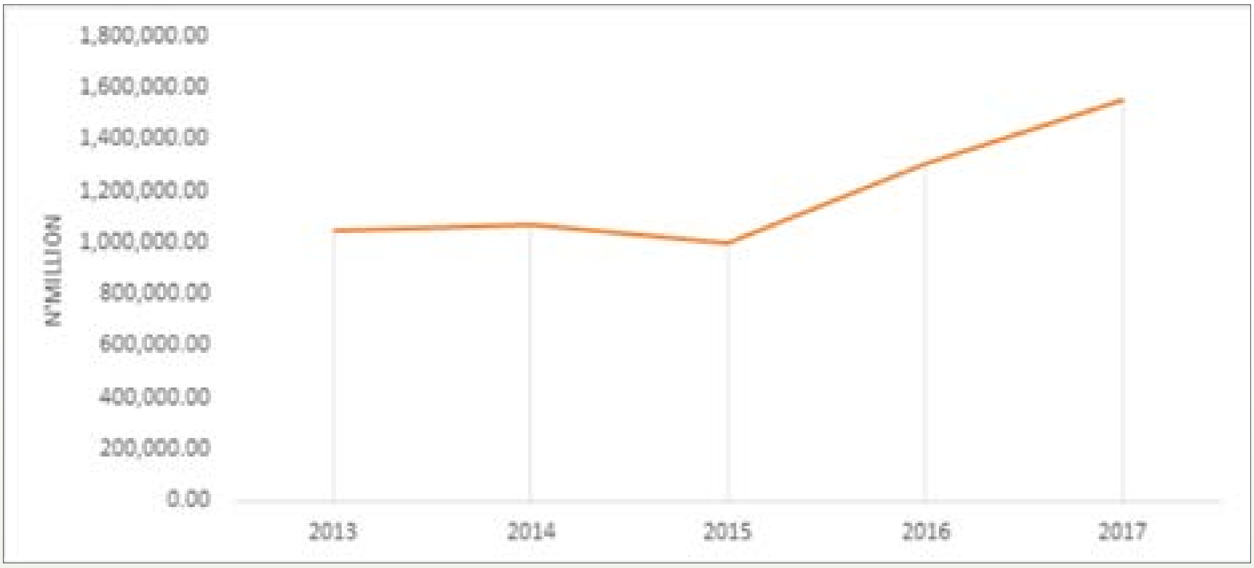


Source: DMO

5.4.7 Trend Analysis of FGN Bonds Allotments

Figure 5.8 shows the trend of Allotments of the FGN Bonds from 2013 to 2017, indicating an increase in Allotment to ₦1,550,463.78 million in 2017, from the sum of ₦1,308,303.33 million in 2016.

Figure 5.8: Analysis of FGN Bonds Allotments, 2013-2017 (₦' Million)



Source: DMO

5.4.8 Sub-national Bonds Issuances in 2017

Sub-national bond issuance rose from ₦47.00 billion to ₦97.39 billion, respectively, an increase of 107.21 percent in the volume of issuance. Only the Lagos State Government accessed the domestic bond market in 2017, Table 5.16.

Table 5.16: Sub-National Bonds Issuances, 2016 and 2017

2016		2017	
Bond Issuer	**Amount (N' Billion)**	**Bond Issuers**	**Amount (₦' Billion)**
Lagos State	47.00	Lagos State	85.14
-	-	Lagos State	12.25
Total	**47.00**	**Total**	**97.39**

Source: Securities and Exchange Commission

5.4.9 Corporate Bonds Issuances in 2017

The Corporate Bonds segment of the domestic bond market witnessed a slowdown in activity in 2017, compared to 2016. Table 5.17 shows that only three (3) Corporates accessed the domestic bonds market in 2017, with a total Issuance of ₦23.15 billion, compared to ₦108.04 billion issued by nine (9) Corporates in 2016. This represents a percentage decrease of 78.57 percent, and the decline in the issuance by corporates could be attributed to the high borrowing cost prevalent in the domestic capital market in 2017. It is expected that Corporate Bonds issuances will increase in the near term with easing of inflationary pressure and reduction in yields of sovereign benchmark.

Table 5.17: Corporate Bonds Issuances, 2015 and 2016

2016		2017	
Bond Issuers	**Amount (N' Billion)**	**Bond Issuers**	**Amount (₦' Billion)**
Lafarge Africa Plc	26.39	Dufil Prima Foods Plc	10.00
Lafarge Africa Plc	33.61	Viathan Funding Plc	10.00
Sterling Bank Plc	4.78	LAPO MFB SPV Plc	3.15
FCMB	23.19		
Wema	6.29		
Wema	3.33		
Forte Oil	9.00		
C&I Leasing Plc	0.60		
Avantgarge	0.85		
Total	**108.04**	**Total**	**23.15**

Source: Securities and Exchange Commission

5.5 FGN Domestic Bond Security Market in 2017

5.5.1 Over-The-Counter Market on the FMDQ and the NSE Trading

The trading activities in the secondary FGN Bonds Market increased in 2017 relative to 2016 (Table 5.18). Total Face Value of Trades rose by 22.20 percent, from ₦13.811 trillion in 2016 to ₦16.877 trillion in 2017. The Consideration also increased by 3.12 percent from ₦15.745 trillion to ₦16.237 trillion. Number of Deals similarly grew by 24.99 percent from 50,427 to 63,031 during the same period under review. The increase in trading activities in 2017, was attributed to improvements in the macroeconomic environment relative to 2016. These include, the recovery in global oil prices, enhanced domestic output, increase level of external reserves and improved liquidity in the Foreign Exchange Market.

Table 5.18: FGN Bonds Secondary Market Trades –OTC and Exchange Trading, 2016-2017

	2016			2017		
Period	Number of Transactions	Face Value (₦' 000)	Consideration (₦' 000)	Number of Transactions	Face Value (₦' 000)	Consideration (₦' 000)
January	3,773	1,057,240,571	1,151,387,304	7,785	2,759,018,760	2,533,666,608
February	2,941	824,311,975	886,526,387	5,627	1,853,608,653	1,608,696,255
March	4,752	895,220,731	972,734,345	7,075	1,817,120,982	1,631,837,153
April	3,797	764,906,724	815,798,318	4,720	1,196,405,418	1,141,895,974
May	3,054	777,528,482	784,421,661	3,699	841,876,898	789,219,479
June	1,972	545,576,666	547,007,846	4,063	1,432,437,487	1,356,097,378
July	1,493	482,692,453	463,601,290	3,262	1,017,155,678	1,001,840,050
August	928	355,453,040	419,527,297	5,145	996,317,049	981,451,473
September	2,463	558,239,758	671,786,022	7,227	1,794,388,361	1,811,418,024
October	8,279	2,609,525,556	3,137,752,490	6,730	1,328,263,742	1,398,697,896
November	8,731	1,606,368,523	2,265,287,996	5,023	1,130,410,885	1,182,465,433
December	8,244	3,334,789,204	3,629,167,336	2,675	709,677,305	799,729,883
Total	**50,427**	**13,811,853,683**	**15,744,998,293**	**63,031**	**16,876,681,218**	**16,237,015,603**

Source: NSE and FMDQ OTC Securities Exchange

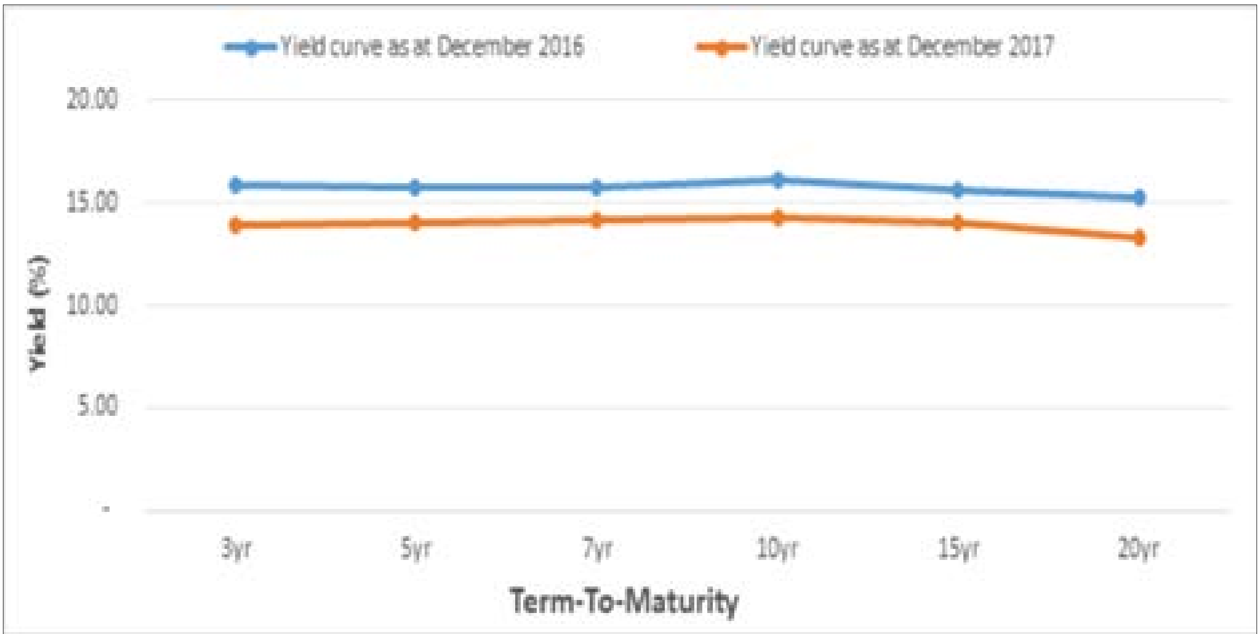
5.5.2 FGN Bonds Trades on the NSE

Total Face Value of Transactions on FGN Bond in the floor of the NSE declined significantly by 63.71% to ₦288.36 million in 2017 from ₦794.69 million in 2016. Consideration also declined by 69.67% to ₦279.82 million in 2017 from ₦922.70 million in 2016. Number of Deals followed a similar trend as it dropped to 173 in 2017 from 226 deals in 2016. The decline in trading activities in FGN Bonds on the floors of the Exchange could be attributed to the introduction of the FGN Savings Bond in March 2017, which may have led to switch in investor preference.

5.5.3 Sovereign Yield Curve

The Sovereign Yield Curves as at December 31, 2017 were horizontal of near-flat shape similar to that observed in 2016, but it tilted downwards by an average of 177 basis points (bps) across maturities (Figure 5.9). This shape signifies that the difference between short-term and long-term rates in the FGN securities market was just marginal, as investor preferences for short-term debt instruments still continued after the exit from economic recession in mid-2017. The easing in inflationary pressure and improved liquidity in the Nigerian Foreign Exchange Market, contributed greatly to the downward shift in the sovereign yield curve.

Figure 5.9: The FGN Securities Yield Curve as at end December, 2016 and 2017



5.6 New Initiatives and Developments in the FGN Bond Market in 2017

5.6.1 Benchmark Bonds

The FGN introduced new 10-year and 20-year FGN Benchmark Bonds in 2017, with issuances of the 16.2884% FGN MAR 2027 and 16.2499% FGN APR 2037, respectively, to complement the existing FGN Benchmark Bonds. The FGN Benchmark Bonds as at December 31, 2017 are listed in Table 5.19.

Table 5.19: FGN Benchmark Bonds as at end of December, 2017

Benchmark Bond Name	Tenor Benchmark (years)
15.54% FGN FEB 2020	3
16.39% FGN JAN 2022	5
14.50% FGN JUL 2021	5
14.20% FGN MAY 2024	7
12.50% FGN JAN 2026	10
16.2884% FGN MAR 2027	**10**
10.00% FGN JUL 2030	15
12.1493% FGN JUL 2034	20
12.40% FGN MAR 2036	20
16.2499% FGN APR 2037	**20**

Source: DMO

5.6.2 Debut FGN Savings Bond

The DMO introduced a retail debt instrument - **the FGN Savings Bond (FGNSB), into the domestic capital market in March 2017**. The FGNSB, was developed to provide an opportunity for retail investors to participate effectively in the domestic fixed income market and earn favourable returns, while contributing to national development. It also provides an opportunity for the Government to diversify its funding sources. The debut issuance of the FGNSB in March 2017 had 2,575 investors with total subscription and allotment of ₦2.068 billion. The sum of ₦7.197 billion with a total of 9,866 subscribers were recorded as at December 31, 2017. The FGNSB is issued monthly while coupon is paid on quarterly basis.

5.6.3 Debut Sovereign Sukuk

The DMO issued the country's debut **₦100 billion Sovereign Sukuk** in the domestic bond market on September 26, 2017. The Issuance Statistics are as follows:

Type:	Forward Ijarah (Lease)
Issuance Date:	September 26, 2017.
Amount:	₦100 Billion.
Tenor:	7 years.
Rental Rate:	16.47%.
Maturity Date:	September 2024.
Subscription level:	₦105.878 Billion
Listing:	The Nigerian Stock Exchange and the Financial Market Dealers Quotation OTC Securities Exchange
Use of Proceed:	Reconstruction and Rehabilitation of Twenty-Five (25) Roads Projects across the Six (6) Geopolitical Zones specified in the 2017 Appropriation Act.

5.6.3 Debut Green Bond

The Federal Republic of Nigeria issued a debut 5-year **₦10.69 billion Green Bond** at 13.4800% interest rate on December 12, 2017. The purpose of the issuance was to raise capital to fund environmentally friendly projects in the 2017 Appropriation Act. The Issuance Statistics are as follows:

Issue Amount:	₦10.69 billion
Tenor:	5 years
Coupon/Yield:	13.4800% p.a.
Issue/Settlement Date:	December 22, 2017
Maturity Date:	December 22, 2022
Coupon Payments:	December & June
Use of Proceeds:	Funding of environmentally-friendly projects

5.7 Market-Wide Developments In 2017

5.7.1 Initiatives by the Securities & Exchange Commission

The Securities and Exchange Commission (SEC) launched the Nigerian Capital Market Development Fund (NCMDF) in 2017. The main objective of the NCMDF is to support relevant capital market development initiatives that will spur market growth and development in the Nigerian economy.

Secondly, the SEC introduced an Annual National Budget Seminar as part of its investor enlightenment programme in 2017. The seminar was aimed at providing various perspectives to issues that would facilitate speedy implementation of the national budget, to enable market operators explore funding options for budgeted projects in the capital market.

Thirdly, the SEC launched a Statistical Bulletin aimed at providing reliable capital market and other economic data to the general public. The Bulletin, which is expected to be published periodically, will contains information that would help the investing public make investment decisions and to also support assist Government in policies.

The SEC's 10-year Capital Market Master Plan, that is being implemented through the Capital Market Master Plan Implementation Council (CAMMIC), of which the DMO is a member, undertook the following initiatives in 2017 as listed below:

i. Inaugurating of the Committee on Liquidity Enhancement with the mandate to examine the existing Liquidity Enhancement Initiatives, develop roadmap for enhancement of liquidity in the capital market, evaluate the Fixed Income Securities Market and recommend steps to deepen market liquidity.

ii. Development of Rules and Regulations to guide the implementation of newly introduced Transaction Cost being charged by Capital Market Operators.

iii. Constitution of a Technical Committee on Commodity Ecosystem with the responsibility of developing a roadmap for relevant commodities' ecosystem in the domestic capital market.

iv. Concluding of the review of some relevant capital market legislations, especially the Investments and Securities Act (ISA), 2007 and the Companies and Allied Matters Act (CAMA) 2004. And submission of same to the National Assembly for consideration and enactment to law

5.7.2 Initiatives by The Nigerian Stock Exchange

The Nigerian Stock Exchange (NSE) launched and worked on several initiatives in 2017 that have the potential to catalyze growth in the Nigerian Capital Market. These include:

i. The establishment of X-Academy, a knowledge-based educational institute aimed at capacity development of financial market professionals in Nigeria and Africa at large. It is expected to serve as a crucial step in increasing financial literacy in Nigeria.

ii. The development of Competitive Pricing Rule aimed at improving liquidity, narrowing spreads and ensuring that all priced-improving transactions have material impact.

iii. Progressing on the Demutualization Bill through up to the Reading and Public Hearing stages of the law-making process. It is expected that the Demutualization of The NSE will further catalyze the development of a dynamic, transparent and efficient capital market.

5.7.3 Initiatives by FMDQ OTC Securities Exchange

The FMDQ OTC Securities Exchange as part of its contributions towards the development of the Nigerian Capital Market in 2017 implemented some initiatives, including:

i. The setting up of a Sustainable Finance Sub-Committee (SFS) that would develop the strategies that will help propel the growth and development of sustainable finance in Nigeria by focusing on such areas as Green Bonds, Microfinance, Credits for Sustainable Projects to achieve a greater level of financial inclusion.

ii. The signing a Memorandum of Understanding with Standard & Poor's Dow Jones Indices for the development and publication of co-branded fixed income indices in the Nigerian Financial Market. This is aimed at providing investors with a consistent, credible and objective measure for the performance of their benchmarks in the fixed income securities market.

iii. The launching of Investor Protection Fund in compliance with the provisions of the Investments and Securities Act, 2007.

iv. The launching of the Pen Dealer System to provide a platform for the National Pension Commission to maintain necessary oversight over the activities of Pension Fund Administrators. This initiative is expected to improve market integrity and increase investor confidence.

5.8 Outlook for the Domestic Bond Market in 2018

The DMO is expected to continue with the issuance of the Federal Government of Nigeria Savings Bond (FGNSB) and Sovereign Sukuk in 2018 and other existing FGN Securities (FGN Bonds and NTBs) in the domestic capital market. Yields on the FGN Securities are expected to further trend downwards in 2018, due to the further redemption of some of the maturing NTBs and expected moderation in inflation. The DMO commenced the redemption of maturing NTBs with proceeds from Eurobonds in December, 2017, which led to a reduction of over 300 bps in yields across benchmark in the FGN securities market.


Construction of Bridge on Kano Western Bypass

CHAPTER SIX

DEBT SUSTAINABILITY ANALYSIS

CHAPTER SIX
DEBT SUSTAINABILITY ANALYSIS

The result of the 2017 DSA shows that Nigeria's risk of debt distress remains moderate, and further highlights the vulnerability of the debt portfolio to Revenue and Exports shocks, as well as substantial Currency devaluation. The outcome also buttressed the result of 2016 DSA exercise. Specifically, the GDP-related indicators still remain below their respective thresholds for both the external debt and public debt, while the revenue and exports related indicators are mostly sensitive to the revenue and exports shocks. This highlights the urgent need for concerted efforts to be intensified to boost non-oil revenue. The ratio of the Total Public Debt-to-GDP was projected at 19.8 percent in 2018 compare to 56 percent which is below the International Threshold of 56 percent for countries in Nigeria's Peer group.

6.1 Introduction

The 2017 Debt Sustainability Analysis (DSA) exercise was conducted in August, 2017 by the Debt Management Office (DMO), in collaboration with relevant Ministries, Departments and Agencies (MDAs), namely: the Federal Ministry of Finance (FMF), Central Bank of Nigeria (CBN), Federal Ministry of Budget and National Planning (FMBNP), Budget Office of the Federation (BOF), National Bureau of Statistics (NBS), and the Office of the Accountant-General of the Federation (OAGF). The West African Institute for Financial and Economic Management (WAIFEM), provided the technical support.

6.2 Methodology

The 2017 DSA exercise adopted the latest version of the joint World Bank/IMF Debt Sustainability Framework for Low-Income Countries (DSF-LICs), which was released in August, 2015. The DSF for low-income countries is used mainly by countries with greater funding from concessional sources. The DSF-LIC provides indicative debt thresholds that reflect the quality of a Country's Policies and Institutions. It is based on the World Bank/IMF's Country Policy and Institutional Assessment (CPIA) index ranking, with a scale of 1 to 6, and classifies countries into one of the three policy performance categories: Weak Policy (CPIA<3.25); Medium Policy (3.25≤CPIA≤3.75) and Strong Policy (CPIA >3.75), and applies different indicative debt thresholds, depending on the performance category. It is determined based on the quality of the country's Policies and Institutions, using a three-year average of its scores.

Nigeria is currently classified as a Medium Performer on the CPIA index, with a score of 3.41, along with such African countries as Ghana, Ethiopia, Sierra Leone and Mozambique. With Nigeria's recent reclassification as a Lower-Middle-Income country, with prospects of accessing more funding from the non-concessional windows including International Capital Market (ICM), it is expected to be assessed along with such countries as India, Indonesia, Morocco, Pakistan, Tunisia, Mauritania, Egypt and Kenya. However, in view of the fact that the bulk of the country's Total Public Debt portfolio is at present largely Concessional, it would still be reasonable to adopt the revised and robust LIC-DSF Template that incorporates an expanded debt coverage, including both Concessional and Non-Concessional borrowings with provisions for country-specific tools for addressing peculiar country's circumstances, going forward. The new LIC Template is expected to be released in July, 2018.

The DSA framework classifies countries into four broad categories, according to their probability of Debt Distress. These are:

i. **Low Risk**: Where all the debt ratios under the Baseline scenario and Stress tests are well below their respective Thresholds.

ii. **Moderate Risk**: Where all the Debt Ratios under the Baseline Scenario are well below their respective Thresholds, but with just a breach in one of the Debt Ratios under the Stress test.

iii. **High Risk**: Where one or more Debt Ratios breach the Thresholds over a prolonged period under the Baseline Scenario and Stress tests.

iv. **In debt Distress**: A situation where a country is already experiencing difficulties in servicing its debts, as evidenced, for example by the existence of arrears.

Relevant MDAs were involved in the exercise and provided the required macroeconomic data used for the DSA. These data include the following:

i. Total Public Debt of the FGN, State Governments, and the FCT (External and Domestic) and the FGN's Contingent Liabilities - Debt Management Office;
ii. Monetary Sector Statistics and Private Sector External Debts - Central Bank of Nigeria;
iii. Pipeline External Loans and Projects - Federal Ministry of Finance;
iv. GDP and Inflation rates (Actual) - National Bureau of Statistics;
v. National Accounts Statistics – GDP (Nominal and Real), GDP Growth Rates, Inflation Rates (projected) - Federal Ministry of Budget and National Planning;
vi. Fiscal Accounts (projected) - Budget Office of the Federation; and,
vii. Fiscal Accounts (Actual) - Office of the Accountant-General of the Federation.

The 2017 DSA considered three main Scenarios, namely: Baseline, Optimistic and Pessimistic:

i **The Baseline Scenario** is anchored on the 2017 Federal Government's annual Budget and its assumptions; as well as the provisional Medium-Term Expenditure Framework (MTEF), 2018-2020 (as it was yet to be approved by the National Assembly, at the time of the exercise).

ii **The Optimistic Scenario** is hinged on the Federal Government's Economic Blue-Print – the Economic Recovery and Growth Plan (ERGP), with its ambitious growth prospects of 4.80% in 2018 and 7.00% by year 2020. The ERGP is expected to reverse and pull the economy out of recession, as well as re-launch it on the path of sustained growth, while stabilizing the Monetary, External and Fiscal environments.

iii **The Pessimistic Scenario** assumes a prolonged shock in crude oil price at about US$30pb in 2017, which is maintained through 2019 and oil production at about 1.4 mbpd in 2017 and 2018, which is expected to marginally pick up to about 1.5mbp in 2019 through 2037; a deterioration in fiscal and current account balances, as well as further depreciation of the Naira exchange rate.

6.3 Baseline Scenario

The result analysis of the Baseline Scenario was presented in two parts, namely:

i. FGN External Debt Sustainability Analysis, included External Debts of both the FGN and States (including FCT); and,

ii. Fiscal Sustainability Analysis of the Federation Debt, which comprised the totality of external and domestic debts - owed by both the FGN and Sub-national Governments.

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

6.3.1 External Debt Sustainability

The External Debt analysis covers the external debt of the FGN and the 36 States, including the FCT. **The outcome of the analysis under the Baseline Scenario reveals that Nigeria's External Debt Portfolio remains at a Low Risk of Debt Distress**. The debt ratios are well below all of their respective thresholds throughout the projection period as shown in Table 6.1. External borrowing is projected to rise marginally between 2017 and 2033 and given Nigeria's current status as a Lower-Middle-Income country more funds are expected from the commercial sources, including the International Capital Market (ICM). Economic activities as measured by the GDP and Exports are projected to grow with increases in oil prices and production levels, which would impact positively on the revenue to government. It is also expected that infrastructure investments and various structural reforms that the government is implementing in the key sectors of the economy, will support Exports and boost productivity and overall economic growth.

The outcome of the Stress Tests, indicates that Nigeria's External Debt position is generally robust in the medium-term, while the impact of the shocks would lead to a deterioration of the revenue-based indicators in the long-term, if adequate measures are not taken to improve revenue and boost exports, as well as shore up the level of other forms of non-debt creating flows, such as Foreign Direct Investment (FDI). The most extreme stress tests are shown in Figure 6.1. Over the period 2017–2027, a shock which combines lower GDP growth, weaker exports, a lower GDP deflator, and a fall in non-debt creating flows would weaken the export and revenue indicators. For instance, External Debt-to-Exports ratio moved upwards from 46.5 percent in 2017 to 188.5 percent in 2019. In the same manner, the ratio of External Debt-to-Revenue increased from 73.4 percent in 2017 to 157.4 percent in 2022. The ratios of External Debt Service-to-Exports and External Debt-Service-to-Revenue also deteriorated throughout the projection period. Thus, indicating that Nigeria's Total Debt portfolio is highly susceptible to Revenue shocks. There is, therefore the need to sustain the on-going reforms and initiatives aimed at boosting non-oil revenue by Government, which include the broadening of the tax base, increasing tax revenue collection, blocking of leakages, and the diversification of the economy. Some of these initiatives include the Voluntary Assets and Income Declaration Scheme (VAIDS) - a scheme that gives tax defaulters, limited tax amnesty to enable them regularise within a specified period their tax status, without incurring charges, penalties and exemption from prosecution; Electronic Payment and Filing System (e-Services) to cover e-Payments, e-Filing, e-Registration, e-Stamp Duty; Upward review of the excise duty rates for Alcoholic Beverages and Tobacco; and a review of the Pioneer Status, as part of efforts towards diversifying the economy.

Table 6.1: External Debt Sustainability Indicators in Percent (2017-2037)

Details	Threshold	2017	2018	2019	2020	2021	2022	2027	2037
External Debt Stock									
In percent of GDP	**40**								
Baseline		4.9	5.2	5.5	5.8	5.9	6.1	6.1	3.7
Combined shocks		4.9	6.8	9.5	9.9	10.1	10.3	9.5	4.9
In percent of Exports	**150**								
Baseline		46.5	57.0	72,6	66.0	57.9	61.4	71.6	66.3
Combined shocks		46.5	91.1	188.5	167.9	146.5	153.0	160.4	118.9
In percent of Revenue	**250**								
Baseline		73.4	74.0	81.0	86.1	89.1	93.1	94.5	70.0
Combined shocks		73.4	96.4	141.4	147.9	152.6	157.4	147.4	93.0
External Debt Service									
In percent of Exports	**20**								
Baseline		2.2	3.9	3.4	4.0	5.3	5.1	8.0	10.0
Combined shocks		2.2	4.7	6.6	9.1	10.6	11.8	18.9	20.3
In percent of Revenue	**20**								
Baseline		3.4	5.0	3.8	5.3	8.2	7.7	10.6	10.5
Combined shocks		3.4	5.3	5.4	8.3	11.8	12.5	17.2	15.2

Source: 2017 DSA
Note: The Thresholds are determined periodically by the WB/IMF, based on the CPIA Rating Exercise.

6.2.2 Public Debt Sustainability - Fiscal Sustainability Analysis (The Federation – FGN, States and FCT)

The analysis of the Fiscal Sustainability of the Federation covers the Domestic and External debt of the FGN, States and FCT, as well as their respective Revenues, including Internally Generated Revenues (IGRs). The Fiscal Sustainability has only one threshold for the ratio of Total Public Debt-to-GDP, which is set at 56 percent for countries in Nigeria's peer group. **The result shows that Total Public Debt-to-GDP ratio remains below its threshold throughout the projection period as shown in Table 6.2.** Meanwhile, the Revenue indicators - Total Public Debt to Revenue and Total Debt Service to Revenue do not have international thresholds but rose from 290.4 percent in 2017 to 345.0 percent in 2022 and 44.9 percent in 2017 to 62.8 percent in 2027, respectively, after which they trended downward to 280.9 percent and 55.0 percent in 2037. These suggest that these indicators are vulnerable to revenue shocks.

The most extreme shocks which combine lower GDP growth, weaker exports, a lower GDP deflator and a fall in non-debt creating flows such as Foreign Direct Investments (FDIs), would weaken the ratios of Total Public Debt-to-Revenue and Total Debt Service-to-Revenue throughout the projection period. Relative to the Baseline, the ratios of Total Public Debt-to-Revenue and Total Debt Service-to-Revenue rose considerably from 290.4 percent and 44.9 percent in 2017 to

1113.0 percent and 253.1 percent in 2037, respectively (Figure 6.2). Thus, reinforcing the need to further expand the revenue base of the country as earlier highlighted.

Table 6.2: Total Public Debt Sustainability Indicators in Percent (2017-2037)

Details	Threshold	2017	2018	2019	2020	2021	2022	2027	2037
Total Public Debt Stock									
In percent of GDP	**56**								
Baseline		19.8	20.9	21.2	21.9	22.5	22.9	22.8	15.0
Combined shocks		19.8	30.9	32.1	33.8	35.6	37.3	44.7	59.4
In Percent of Revenue	**Nil**								
Baseline		290.4	293.2	309.9	320.2	333.6	345.0	349.9	280.9
Combined shocks		290.4	431.8	467.6	494.7	528.1	561.6	685.5	1113.0
Total Public Debt Service									
In Percent of Revenue	**Nil**								
Baseline		44.9	46.2	47.0	48.9	53.9	55.0	62.8	55.0
Combined shocks		44.9	46.1	69.7	85.6	97.4	104.2	141.4	252.1

Source: 2017 DSA
Note: Under the Fiscal Sustainability, the WB/IMF threshold is only applicable to the Total Public Debt to GDP, which is set at 56 percent.

In the light of the foregoing, it is very evident that Nigeria's Total Debt portfolio is highly susceptible to Revenue shocks. Therefore, there is the need for concerted efforts to ensure faithful and effective implementation of the various on-going initiatives and interventions aimed at diversifying the sources of Government's revenue away from oil.

6.4 Optimistic Scenario

The Optimistic Scenario assumes the full implementation of the ERGP, the outcome of which resulted in a much stronger and robust public debt ratios. The supposedly improved output and revenue favourably impacted on the debt indicators as the ratio of Total Public Debt-to-GDP declined steadily from 16.9 percent in 2017 to as low as 4.4 percent at the end of the projection period in 2037 (Table 6.3). Similarly, the ratio of Total Debt Service-to-Revenue declined from 44.5 percent in 2017 to 17.3 percent in 2037.

Table 6.3: Total Public Debt Sustainability Indicators in Percent (2017-2037)

Details	Threshold	2017	2018	2019	2020	2021	2022	2027	2037
Total Public Debt Stock									
In percent of GDP	**56**								
Baseline		16.9	17.5	16.9	16.7	16.7	16.2	12.0	4.4
Combined shocks		16.9	27.4	27.5	28.0	28.7	28.8	28.1	30.7
In Percent of Revenue	**NIL**								
Baseline		359.6	359.3	384.4	357.1	360.4	357.5	287.6	139.9
Combined shocks		359.6	563.2	625.8	596.9	618.3	637.3	674.0	974.4
Total Public Debt Service									
In Percent of Revenue	**NIL**								
Baseline		44.5	43.3	45.2	42.5	45.8	43.4	35.7	17.3
Combined shocks		44.5	43.2	84.1	83.5	99.9	106.1	123.6	218.3

Source: 2017 DSA
Note: Under the Fiscal Sustainability, the WB/IMF threshold is only applicable to the Total Public Debt to GDP, which is set at 56 percent.

6.5 Pessimistic Scenario

With the assumption of a persistent decline in crude oil price (to as low as USD30pb) and quantity production, as well as further deterioration in other macroeconomic indicators, including the Naira Exchange Rate, the Debt Ratios deteriorated. The resulting low revenue from such a challenged economy adversely affected the debt indicators such that the ratio of Total Public Debt-to-Revenue significantly worsened from 352.3 percent in 2017 to 530.7 percent by 2037, so also was the ratio of Debt Service-to-Revenue, which deteriorated from 39.9 percent in 2017 to 120.6 percent at the end of the projection period (Table 6.4).

Table 6.4: Total Public Debt Sustainability Indicators in Percent (2017-2037)

Details	Threshold	2017	2018	2019	2020	2021	2022	2027	2037
Total Public Debt Stock									
In percent of GDP	**56**								
Baseline		17.2	17.9	18.5	19.0	19.6	20.0	19.3	10.5
Combined shocks		17.2	27.8	29.5	31.2	33.0	34.8	43.1	63.6
In Percent of Revenue	**NIL**								
Baseline		352.3	389.4	428.8	449.1	470.1	492.4	520.2	550.7
Combined shocks		352.3	605.2	681.8	735.4	792.3	859.4	1161.8	3329.3
Total Public Debt Service									
In Percent of Revenue	**NIL**								
Baseline		39.9	46.2	49.7	55.1	63.4	65.5	80.7	120.6
Combined shocks		39.9	46.2	86.0	119.2	139.0	152.4	236.6	828.5

Source: 2017 DSA
Note: Under the Fiscal Sustainability, the WB/IMF threshold is only applicable to the Total Public Debt to GDP, which is set at 56 percent.

6.6 Summary of Findings and Conclusion

6.6.1 Summary of Findings

a. The outcome of the analyses under the Baseline Scenario, revealed that Nigeria's External Debt portfolio remained at a Low Risk of Debt Distress, as the debt ratios were well below all of their respective thresholds throughout the projection period.

b. The Fiscal Sustainability Analysis for the Federation (Federal, States and FCT) showed that the ratio of Total Public Debt-to-GDP remained below its threshold throughout the projection period. The ratio of Total Public Debt-to-GDP for 2017 was projected at 19.80 percent.

c. Both the External and Fiscal Sustainability Analyses showed that all the Revenue indicators (the ratio of Debt-to-Revenue and Debt Service-to-Revenue) deteriorated under varying shocks, suggesting that any prolonged shocks on the revenue would lead to Debt Distress in the medium to long-term, except other sources of revenue are speedily developed to enhance the revenue generation performance of the country

d. Under the Optimistic Scenario, the debt indicators showed remarkable improvements, while under the Pessimistic Scenario, all the indicators weakened throughout the projection period.

6.6.2 Conclusion

The result of the 2017 DSA exercise showed that Nigeria's risk of debt distress remained Moderate, indicating a breach of the Threshold by just one of the Debt Portfolio indicators (Total Public Debt Service to Revenue), when the portfolio is subjected to shocks (Stress Tests). It further highlighted the vulnerability of the Debt Portfolio to shocks in Revenue and Exports, as well as substantial Currency devaluation.

6.7 Determination of Borrowing Limit for 2018

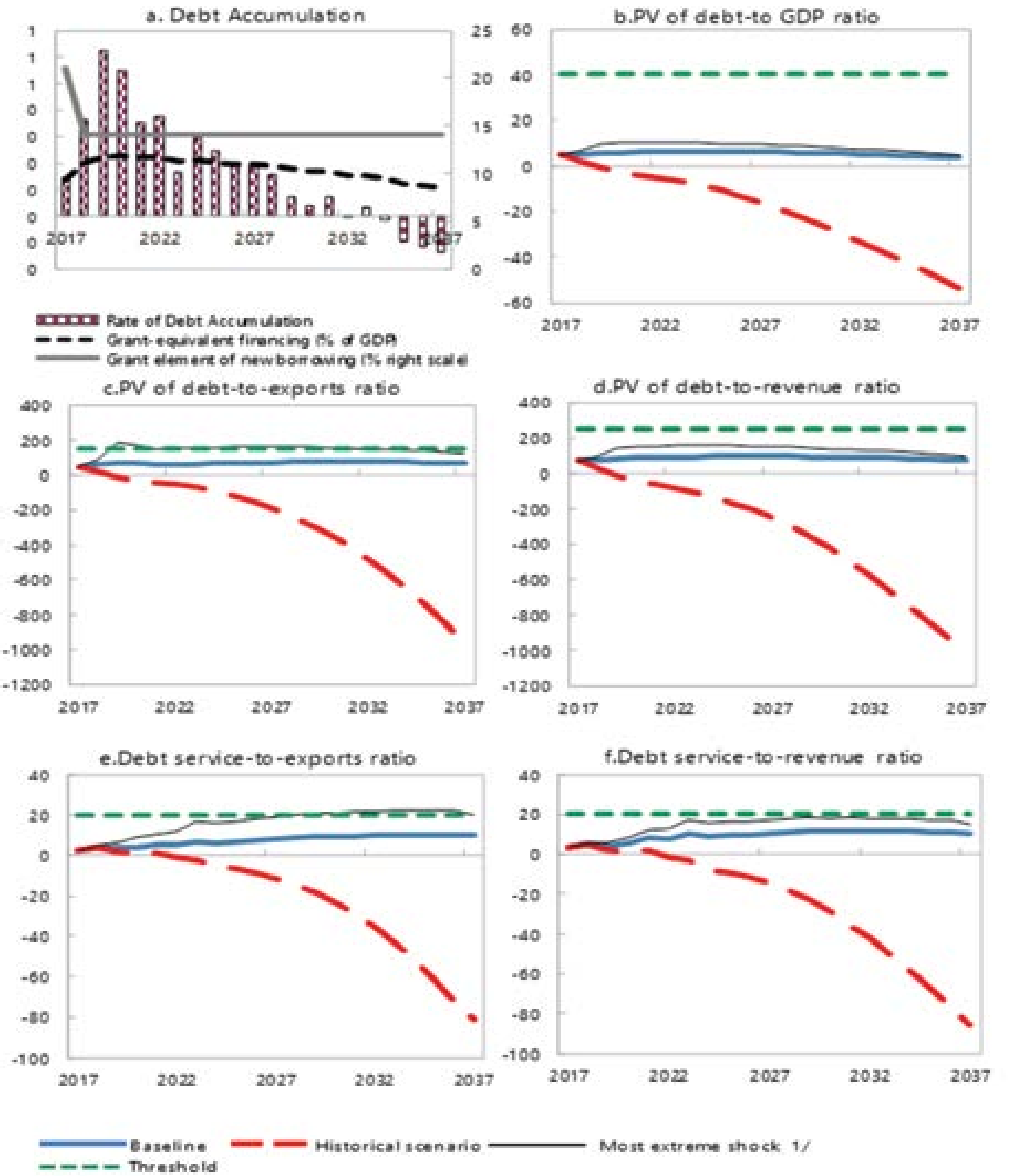
Considering the fact that the present Country-Specific threshold for Total Public Debt-to-GDP ratio of 19.39 percent elapses by December 31, 2017, even when the international threshold is 56 percent for countries in Nigeria's peer group, **it has become imperative that the self-imposed debt limit of 19.39 percent be reviewed upwards to a more prudent and optimal level of 25 percent in the medium-term of 2018-2020**. The proposed new limit would afford the Government an ample room to mobilise additional resources to fund investment projects that would facilitate the turnaround of the economy, in line with the aspirations of the ERGP, without jeopardising the country's debt sustainability.

In order to estimate the borrowing limit for 2018, it requires the determination of the difference between the proposed Country-Specific Threshold of 25 percent and the end-period Total Public Debt-to-GDP ratio for 2017 for the Federation, projected at 19.80 percent. Therefore, the fiscal borrowing space left for the three-year period is 5.2 percent (i.e. 25.00 percent less 19.80 percent), and based on the projected 2018 GDP of US$360.6 billion, the quantum of borrowing for 2018 will be 1.73 percent of US$360.6 billion, which translates to US$6.25 billion. **Therefore, the maximum amount that could be borrowed (Domestic and External) for the fiscal year-2018 by the Government without violating the proposed Country-Specific Threshold of 25 percent up to 2020 would be US$6.25 billion or N1,906.37 billion (at N305/ US$1).** Accordingly, for the fiscal year 2018, the maximum amount of US$6.25 billion that could be borrowed is proposed to be sourced equally (50:50) from the Domestic and External sources, respectively, as follows:

- **New Domestic Borrowing US$3.125 billion (equivalent of about N953.18 billion); and,**
- **New External Borrowing: US$3.125 billion (equivalent of about N953.18billion).**

It is worthy to note that the borrowing space is a function of the size of the GDP, and these recommended limits are meant to provide a guide to Government's borrowing activities for 2018, which would ensure that the self-imposed Debt Limit is not breached.

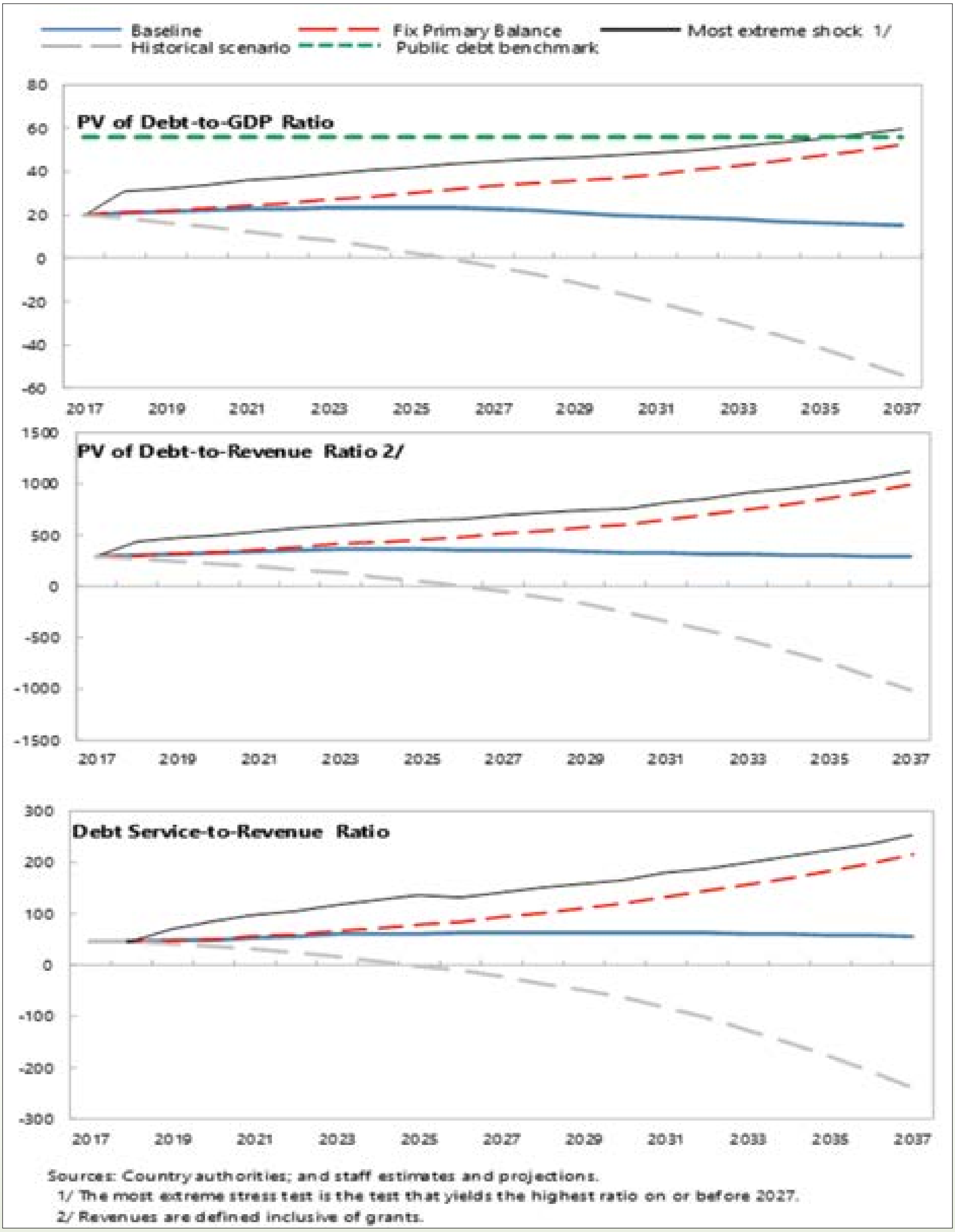
Figure 6.1: Nigeria's External Debt Sustainability Indicators under Alternative Scenarios, 2017-2037



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a Combination shock

Figure 6.2: FGN's Public Debt Sustainability under Alternative Scenarios, 2017-2037

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CHAPTER SEVEN

SUB-NATIONAL DEBT MANAGEMENT

CHAPTER SEVEN
SUB-NATIONAL DEBT MANAGEMENT

Total External Debt stock of the States was US$4,117.13 million as at December 31, 2017, representing 21.77 percent of the total public external debt stock of the country. States' External Debts comprised FGN's on-lent loans obtained from Multilateral and Bilateral sources on concessional terms, which were used to fund projects and programmes in various States. The Total External Debt Service of the States and the FCT in 2017, was US$110.83 million. In 2017, the DMO, continued its initiatives aimed at strengthening the skills, capacities and competencies of the sub-national debt managers. Special Capacity Building programmes were undertaken by the DMO in five States of the Federation.

7.1 External Debt Stock of States and FCT

The External Debt Stock of the States and the FCT's was US$4,117.13 million or 21.77 percent of the Total Public External Debt stock as at the December 31, 2017, compared to US$3,567.62 million as at December 31, 2016 (Table 7.1 and Figure 7.1). The increase in the debt stock was US$ 549.51 million or 4.87 percent over the figure in 2016, as a result of disbursements on existing loans. Of the total External Debt Stock, Multilateral and Bilateral credits to States and the FCT in 2017 amounted to US$ 3,892.65 million or 94.55 percent and US$224.48 million or 5.54 percent, respectively (Table 7.2).

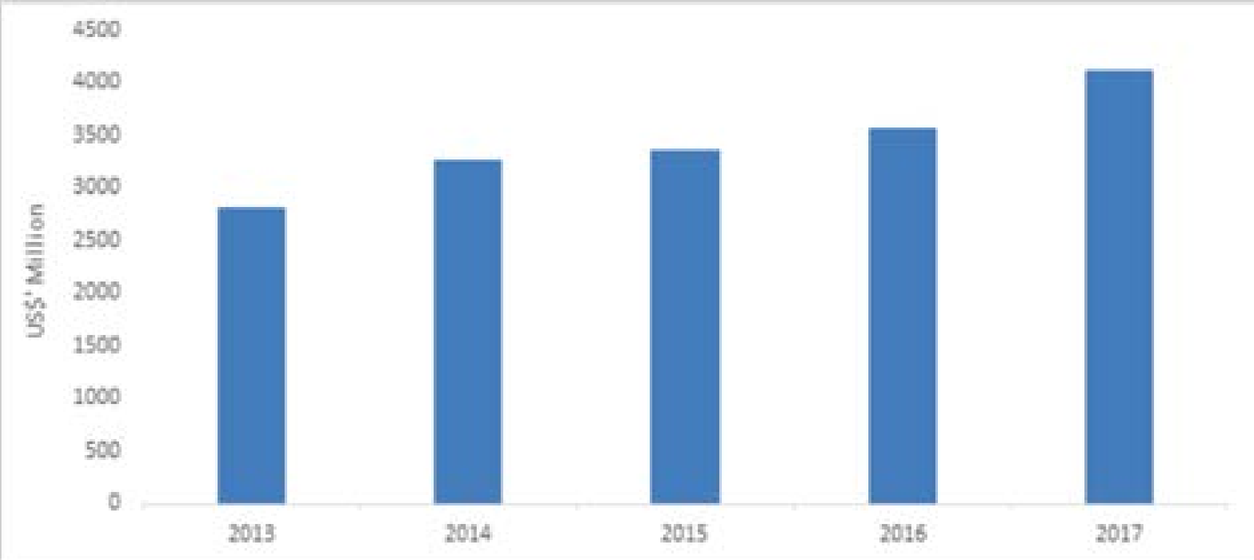
The State Governments' and the FCT's external debts were mainly loans contracted by the FGN on behalf of the States and FCT from Multilateral and Bilateral sources. The loans (Multilateral and Bilateral) were mostly applied by the recipient State Governments in financing key projects in various sectors of the sub-national economy, such as Education, Health, Water Supply, Housing and Sanitation.

Table 7.1: Trend in States' & FCT's External Debt Stock, 2013 - 2017 (US$' Million)

Years	2013	2014	2015	2016	2017
States' External Debt Stock	2,816.02	3,265.82	3,369.91	3,567.62	4,117.13

Source: DMO

Figure 7.1: Trend in States' & FCT's External Debt Stock, 2013 - 2017 (US$' Million)



Source: DMO

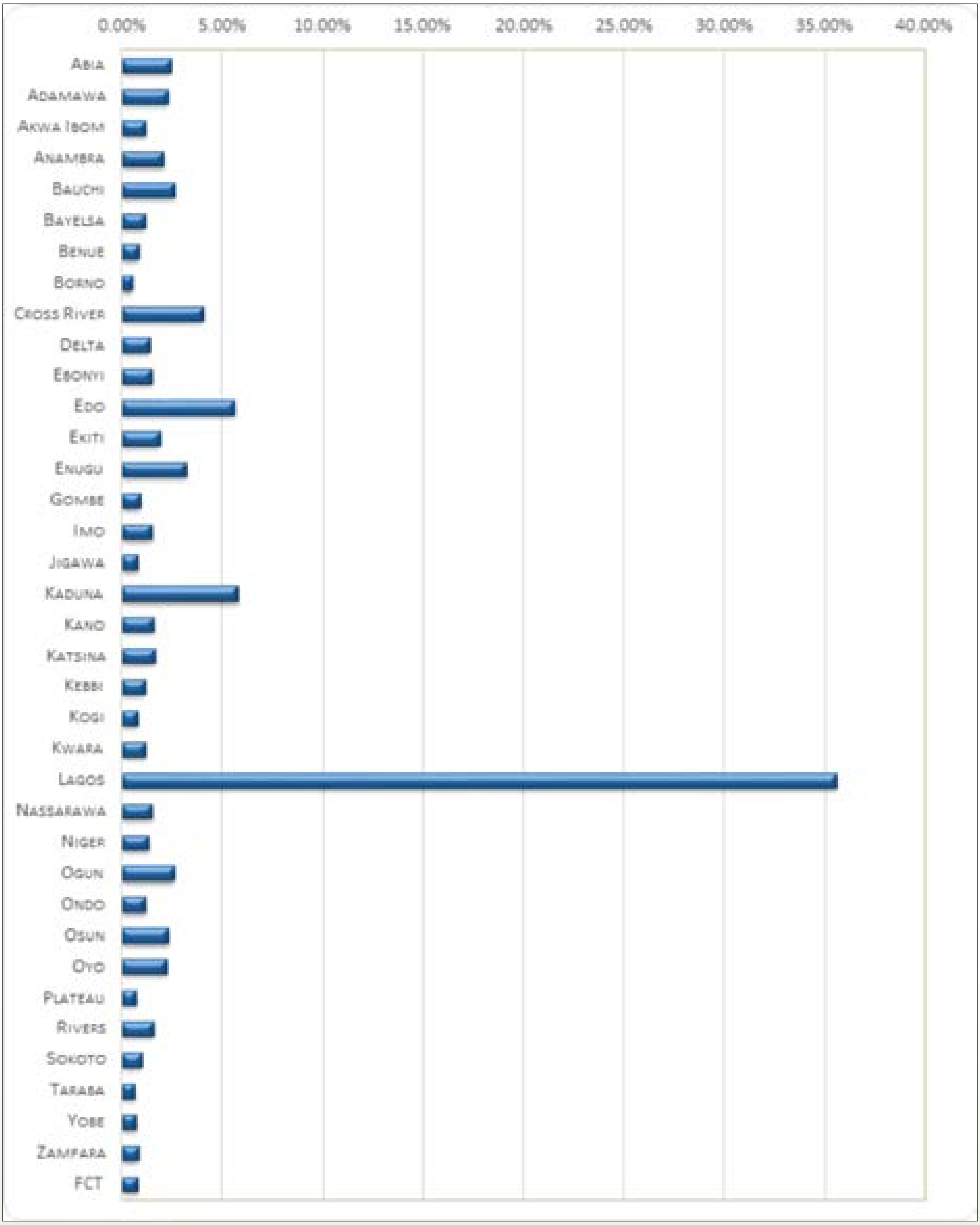
The composition of States' and FCT's External Debt remained unchanged in 2017. The detailed breakdown showed that of the total Sub-national External Debt, Lagos, Kaduna and Edo States had the highest amounts in the sums of US$ 1,466.16 million (35.61 percent), US$ 238.28 million (5.79 percent), and US$ 232.20 million (5.64 percent), respectively, while the lowest figures were held by Borno, Taraba and Yobe States accounting for US$22.59 million (0.55 percent), US$26.56 million (0.65 percent) and US$29.56 million (0.72 percent).

Table 7.2: External Debt Stock of States & FCT as at December 31, 2017 (US$)

S/n	State	Multilateral	Bilateral (AFD)	Total	% Of Total
1	Abia	101,486,013.74	-	101,486,013.74	2.46%
2	Adamawa	88,074,331.40	6,500,000.00	94,574,331.40	2.30%
3	Akwa Ibom	50,523,477.21	-	50,523,477.21	1.23%
4	Anambra	85,924,044.73	-	85,924,044.73	2.09%
5	Bauchi	109,828,380.96	-	109,828,380.96	2.67%
6	Bayelsa	47,769,179.56	-	47,769,179.56	1.16%
7	Benue	35,503,110.17	-	35,503,110.17	0.86%
8	Borno	22,594,569.70	-	22,594,569.70	0.55%
9	Cross River	124,022,477.17	43,900,000.00	167,922,477.17	4.08%
10	Delta	58,391,491.08	-	58,391,491.08	1.42%
11	Ebonyi	63,373,675.28	-	63,373,675.28	1.54%
12	Edo	232,204,507.95	-	232,204,507.95	5.64%
13	Ekiti	78,053,560.27	-	78,053,560.27	1.90%
14	Enugu	126,609,100.89	6,500,000.00	133,109,100.89	3.23%
15	Gombe	39,194,159.32	-	39,194,159.32	0.95%
16	Imo	62,848,234.69	-	62,848,234.69	1.53%
17	Jigawa	33,497,712.80	-	33,497,712.80	0.81%
18	Kaduna	238,279,089.98	-	238,279,089.98	5.79%
19	Kano	66,534,693.84	-	66,534,693.84	1.62%
20	Katsina	67,864,607.66	-	67,864,607.66	1.65%
21	Kebbi	47,820,060.27	-	47,820,060.27	1.16%
22	Kogi	33,030,039.02	-	33,030,039.02	0.80%
23	Kwara	50,726,592.99	-	50,726,592.99	1.23%
24	Lagos	1,322,334,553.72	143,830,000.00	1,466,164,553.72	35.61%
25	Nassarawa	62,878,628.37	-	62,878,628.37	1.53%
26	Niger	50,322,601.53	6,500,000.00	56,822,601.53	1.38%
27	Ogun	102,449,174.80	5,000,000.00	107,449,174.80	2.61%
28	Ondo	50,251,762.16	-	50,251,762.16	1.22%
29	Osun	84,361,397.38	12,245,989.00	96,607,386.38	2.35%
30	Oyo	93,218,640.36	-	93,218,640.36	2.26%
31	Plateau	30,071,776.51	-	30,071,776.51	0.73%
32	Rivers	66,766,028.40	-	66,766,028.40	1.62%
33	Sokoto	41,161,222.60	-	41,161,222.60	1.00%
34	Taraba	26,563,234.69	-	26,563,234.69	0.65%
35	Yobe	29,564,923.26	-	29,564,923.26	0.72%
36	Zamfara	34,833,758.57	-	34,833,758.57	0.85%
37	FCT	33,722,464.82	-	33,722,464.82	0.82%
	Total	**3,892,653,277.85**	**224,475,989.00**	**4,117,129,266.85**	**100.00%**

Source: DMO

Figure 7.2: External Debt Stock of States & FCT as at December 31, 2017 in Percent



Source: DMO

7.2 External Debt Service of the States and FCT

The total External Debt Service of the 36 States and the FCT was US$110.83 million as at December 31, 2017, compared to US$103.68 million in 2016, representing an increase of 6.90 percent (Table 7.3).

Table 7.3: External Debt Service of States & FCT, 2013 - 2017 (US$' Million)

S/N	States	2013	2014	2015	2016	2017
1	Abia	1.03	1.04	1.10	1.03	1.16
2	Adamawa	0.49	0.77	1.26	1.33	1.72
3	Akwa Ibom	5.33	5.70	5.43	4.26	4.41
4	Anambra	0.54	0.70	1.10	1.54	1.49
5	Bauchi	1.14	2.00	2.31	2.28	2.63
6	Bayelsa	0.92	1.32	1.35	1.17	1.12
7	Benue	0.66	0.85	0.95	0.87	0.87
8	Borno	0.66	0.63	0.75	0.71	0.73
9	Cross River	9.23	9.62	10.05	9.36	9.27
10	Delta	0.79	0.99	1.03	0.93	0.82
11	Ebonyi	1.25	1.28	1.38	1.31	1.26
12	Edo	1.33	1.57	2.27	2.56	2.78
13	Ekiti	1.51	1.87	1.97	1.75	2.47
14	Enugu	0.84	1.11	1.95	1.85	2.07
15	Gombe	0.45	0.70	1.06	1.58	1.01
16	Imo	1.40	1.96	1.98	1.85	1.90
17	Jigawa	0.87	1.00	0.99	0.99	1.05
18	Kaduna	5.12	6.48	7.57	7.03	8.09
19	Kano	1.60	2.11	1.84	1.78	1.96
20	Katsina	3.92	4.13	4.54	4.15	4.08
21	Kebbi	1.19	1.64	1.67	1.49	1.84
22	Kogi	1.00	1.03	1.12	1.00	0.97
23	Kwara	1.00	0.94	1.19	1.11	1.33
24	Lagos	13.88	16.79	20.82	26.94	31.47
25	Nasarawa	0.93	1.07	1.17	1.10	1.03
26	Niger	0.52	1.06	1.57	1.45	1.35
27	Ogun	1.25	2.54	3.18	2.96	3.00
28	Ondo	1.90	2.06	2.20	1.98	2.03
29	Osun	4.06	3.20	4.31	3.95	3.85
30	Oyo	4.55	4.18	4.85	4.72	4.59
31	Plateau	0.71	0.71	0.81	0.80	0.77
32	Rivers	1.63	1.98	2.00	1.81	2.07
33	Sokoto	1.19	1.93	1.53	1.40	1.36
34	Taraba	0.54	0.74	0.79	0.68	0.73
35	Yobe	0.82	1.07	1.28	1.55	1.27
36	Zamfara	0.75	1.04	1.09	0.96	0.81
37	FCT	1.34	1.65	1.64	1.45	1.49
	Total	**76.32**	**89.47**	**102.08**	**103.68**	**110.83**

Source: DMO

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

7.3.1 Capacity Building for Sub-National Debt Managers

Special Training exercises on the DMO's customized Excel-based Template for Domestic Debt Recording and Reporting and Effective Sub-National Debt Management, were conducted in five (5) States, namely: Kebbi, Lagos, Jigawa, Plateau and Taraba. The Training Programmes were aimed at acquainting newly posted Debt Management Department (DMD) Officials in these States with the basic skills for public debt management. The training also provided the Debt Managers in the States with the requisite skills for recording and reporting Domestic Debt Data at the States and the FCT using the Excel based Template developed by the DMO.

7.3.2 Collation and Publication of Sub-National Domestic Debt Data

All the thirty-six (36) States and the FCT made significant progress in the use of the DMO's designed Excel Template for the quarterly submission of domestic debt data. As at December 31, 2017, the DMO had received the signed-off Domestic Debt Stock reports for all the thirty-six (36) States of the Federation and the FCT.

7.3.3 Domestic Debt Data of the States

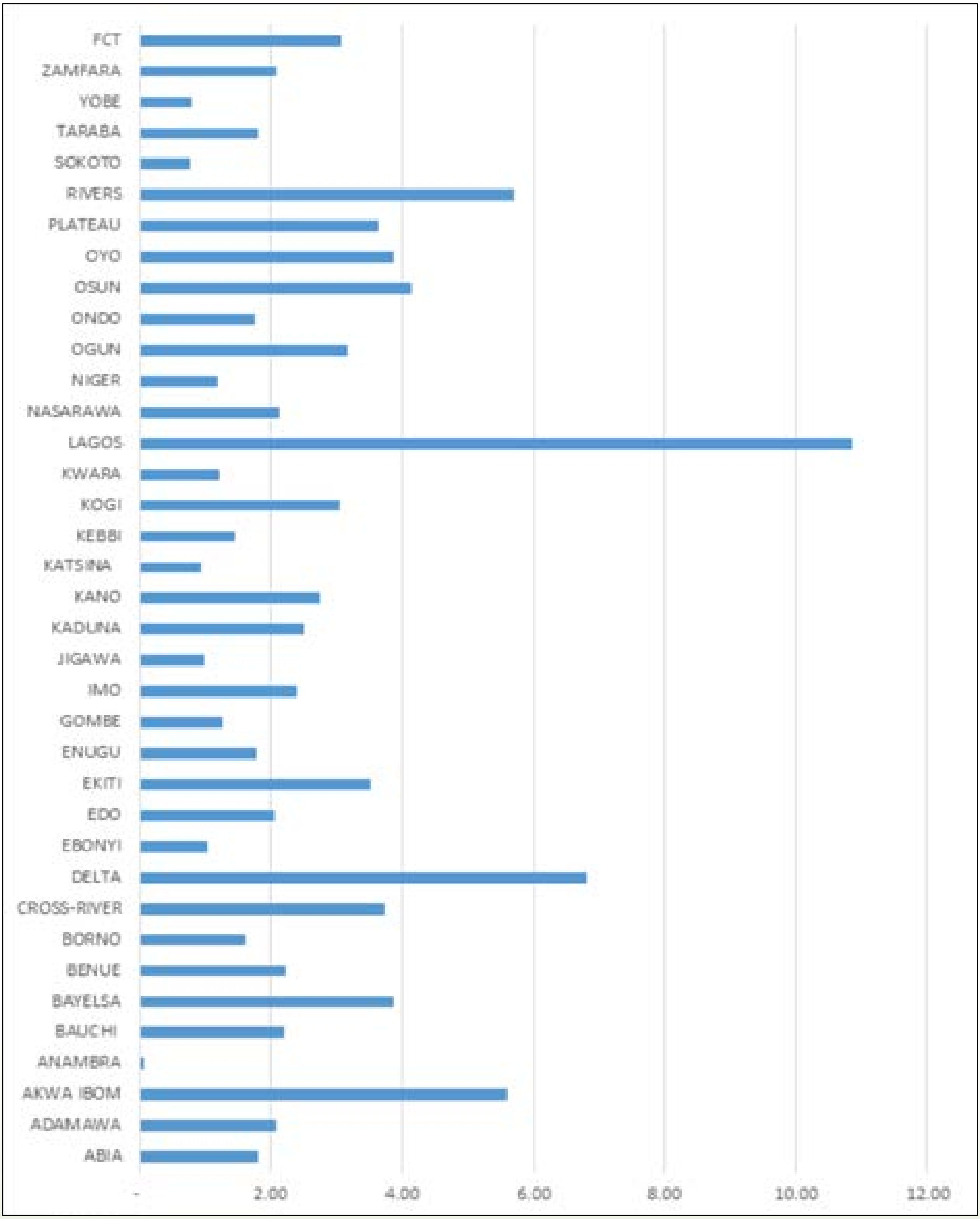
Table 7.4 shows the Domestic Debt data of the 36 States and the FCT as at December 31, 2017. The breakdown showed that Lagos, Delta and Rivers States had the highest domestic debt stock of ₦425.08 billion, ₦228.33 billion and ₦191.16 billion respectively. The States with the lowest Domestic Debt Stock in 2017 were Yobe, Sokoto and Anambra, in the sum of ₦26.47 billion, ₦26.03 billion and ₦2.61 billion, respectively.

Table 7.4: Total Domestic Debt of the 36 States and the FCT, as at December 31, 2017 (Naira)

S/n	State	Debt Stock	% Share of Total
1	Abia	60,648,431,912.05	1.81
2	Adamawa	69,609,083,183.53	2.08
3	Akwa Ibom	187,277,308,914.29	5.59
4	Anambra	2,612,431,503.89	0.08
5	Bauchi	74,020,717,883.30	2.21
6	Bayelsa	129,469,645,258.94	3.87
7	Benue	74,937,383,496.72	2.24
8	Borno	54,042,067,995.82	1.61
9	Cross River	125,648,705,542.50	3.75
10	Delta	228,328,360,009.20	6.82
11	Ebonyi	34,613,143,814.14	1.03
12	Edo	68,514,312,630.61	2.05
13	Ekiti	117,495,679,340.86	3.51
14	Enugu	59,746,077,051.15	1.78
15	Gombe	41,939,190,055.53	1.25
16	Imo	80,785,160,471.66	2.41
17	Jigawa	33,269,858,797.75	0.99
18	Kaduna	83,825,686,332.40	2.50
19	Kano	92,257,051,132.42	2.75
20	Katsina	31,116,244,034.12	0.93
21	Kebbi	48,729,499,853.64	1.46
22	Kogi	102,359,193,069.66	3.06
23	Kwara	40,264,714,626.56	1.20
24	Lagos	363,292,140,059.09	10.85
25	Nasarawa	71,359,977,984.75	2.13
26	Niger	40,031,508,233.85	1.20
27	Ogun	106,530,499,037.83	3.18
28	Ondo	58,550,792,418.38	1.75
29	Osun	138,239,593,287.18	4.13
30	Oyo	129,213,604,205.51	3.86
31	Plateau	122,349,286,591.51	3.65
32	Rivers	191,156,694,184.66	5.71
33	Sokoto	26,028,103,448.98	0.78
34	Taraba	60,851,260,638.76	1.82
35	Yobe	26,467,942,394.82	0.79
36	Zamfara	69,923,231,483.13	2.09
37	FCT	103,269,681,000.17	3.08
	Total	**3,348,774,261,879.36**	**100.00**

Source: Submissions from the States and the Federal Capital Territory

Figure 7.3: Domestic Debt Stock of States & FCT as at December 31, 2017 in Percent



Source: Submissions from the States and the Federal Capital Territory

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CHAPTER EIGHT

RISK ANALYSIS OF FGN'S TOTAL PUBLIC DEBT

CHAPTER EIGHT

RISK ANALYSIS OF FGN's TOTAL DEBT

In 2017, the Average Interest Rate of the domestic debt portfolio was relatively high, however, lower Average Interest Rate for External Debt has helped to moderate the overall cost of the debt portfolio. The exposure of FGN's total Public Debt portfolio to interest rate and refinancing risks was significant in the domestic debt portfolio, due to the high proportion of short-term debt in the portfolio and debt maturing within one year. However, the total Public Debt Portfolio, was not susceptible to Exchange Rate risk as External Debt constituted a low proportion of debt in the portfolio. The exposure of the FGN to Contingent Liabilities as a percentage of GDP was 1.01 percent at December 31, 2017 compared to 1.72 percent in 2016.

8.1 Introduction

The primary objective of public debt management is to ensure that the financing needs of the Federal Government of Nigeria are met at minimal costs and risks. This chapter presents the costs and risks profile of the FGN's Total Public Debt portfolio, and its evaluation against the current Nigeria's Debt Management Strategy, 2016-2019. These risks to which the portfolio was exposed to comprised: Interest Rate, Refinancing, Foreign Exchange Rate, Credit and Contingent Liabilities risks.

8.2 Analysis of Costs and Risks of FGN's Total Public Debt Portfolio

Table 8.1 shows the Costs and Risks indicators of the FGN's Total Public Debt portfolio as at December 31, 2017.

Table 8.1: Costs and Risks Indicators for FGN's Total Debt Portfolio as at December 31, 2017

Risk indicators		External Debt	Domestic Debt	Total Debt
FGN's Total Public Debt (in millions of US$)		18,913.44	41,142.11	60,055.55
Total Public Debt (including States Domestic Debts) as % of GDP		4.85	13.35	18.20
Cost of debt	Average Interest Rate (%)	2.45	11.76	8.83
Refinancing Risk	ATM (years)	14.26	7.78	11.55
	Debt Maturing in 1 yr (% of Total)	3.79	32.61	23.53
Interest Rate Risk	ATR (years)	13.41	7.78	9.55
	Debt re-fixing in 1 yr (% of Total)	12.32	36.61	26.22
	Fixed rate debt (% of Total)	91.37	100.00	97.28
Foreign Exchange Risk	FX debt (% of Total)	-	-	31.49

Source: DMO

8.3 Average Cost of Public Debt

Table 8.1 shows that the Average Cost of FGN's Total Public Debt portfolio was 8.83 percent, in spite of the increased borrowing in 2017. The cost of External Debt was very low at 2.45 percent, due to the high proportion of Concessional Loans in the portfolio, with average interest rate of 1.25 percent per annum and average tenor of about 40 years. The weighted Average Cost of Domestic Debt portfolio was relatively high at 11.76 percent, as a result of the monetary policy tightening stance of the CBN, which retained Monetary Policy Rate (MPR) at 14.00 percent throughout the year, and thus, impacted on the Government's borrowing cost from the domestic debt market.

8.4 Interest Rate Risk

The high proportion of Fixed Interest Rate debt of 97.28 percent as at December 31, 2017, implies that the FGN's Total Public Debt portfolio was not susceptible to interest rate changes. The Average Time-to-Refixing (ATR), which indicates exposure of the outstanding debt portfolio to interest rate changes, showed that the interest rate risk declined during the period, as the ATR of the total debt portfolio increased from 8.93 years in 2016 to 9.55 years as at December 31, 2017. The decline in interest rate risk was noticeable in the domestic debt portfolio as the ATR increased from 7.53 years in 2016 to 7.78 years as at December 31, 2017. Table 8.2 shows the trend of Interest Rate risk indicators, 2013-2017.

Table 8.2: Trend in Interest Rate Risk Indicators, 2013-2017

Year	2013	2014	2015	2016	2017
Fixed Interest Rate Debt (%)	99.41	99.53	98.96	94.74	97.28
Variable Interest Rate Debt (%)	0.59	0.47	1.04	5.26	2.72
External Debt - Average Time-to-Re-fixing (Years)	14.4	13.9	13.86	13.43	13.41
Domestic Debt - Average Time-to-Re-fixing (Years)	4.6	5.4	5.35	7.53	7.78
Total Public Debt - Average Time-to-Re-fixing (Years)	5.8	6.4	7.04	8.93	9.55

Source: DMO

Figure 8.1: Interest Rate Composition of FGN's Total Public Debt as at December 31, 2017

Source: DMO

8.5 Refinancing Risk

The Average-Time-to-Maturity (ATM) of the FGN's Total Public Debt portfolio as at December 31, 2017 was 11.55 years, which was above the strategic minimum of 10 years, indicating lower exposure of the portfolio to refinancing risk. However, the high proportion of debts maturing within one year was 23.53 percent, higher than the targeted maximum of 20.00 percent, suggesting that the total debt portfolio was exposed to a higher refinancing risk. While refinancing risk was low for External Debt portfolio with ATM of 14.26 years, it was very high for domestic debt with ATM of 7.78 years and debt maturing in one year at 32.61 percent. This was attributed to the presence of high proportion of short-term debt in the Domestic Debt portfolio. Part of the Debt Management Strategy of gradually reducing the issuance of short-term debt instruments would be helpful in mitigating the risk and contribute in attaining the strategic target of 75:25 ratio for Long to Short-term debts in the domestic debt portfolio by end of the year 2019.

Table 8.3: Trend in Refinancing Risk Indicators, 2013-2017

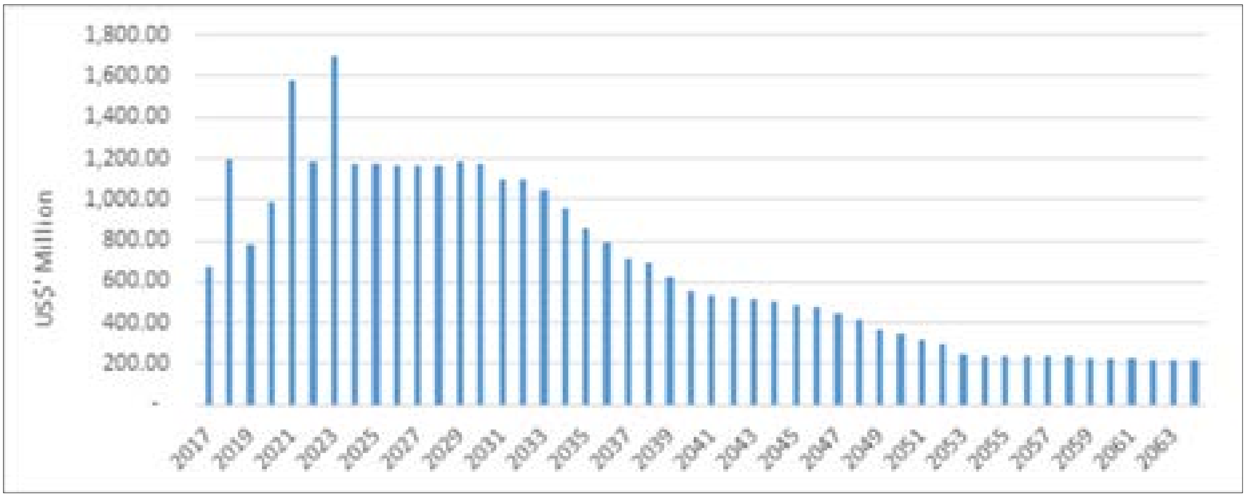
Year	2013	2014	2015	2016	2017
Debt Maturing in 1 year (%)	35.0	33.00	29.15	23.86	23.53
External Debt – Average Time-to-Maturity (Year)	14.4	14.9	14.39	13.57	14.26
Domestic Debt - Average Time-to-Maturity (Year)	4.6	5.4	5.35	7.53	7.78
Total Debt - Average Time-to-Maturity (Year)	5.8	6.5	7.15	9.54	11.55

Source: DMO

8.6 Redemption Profile

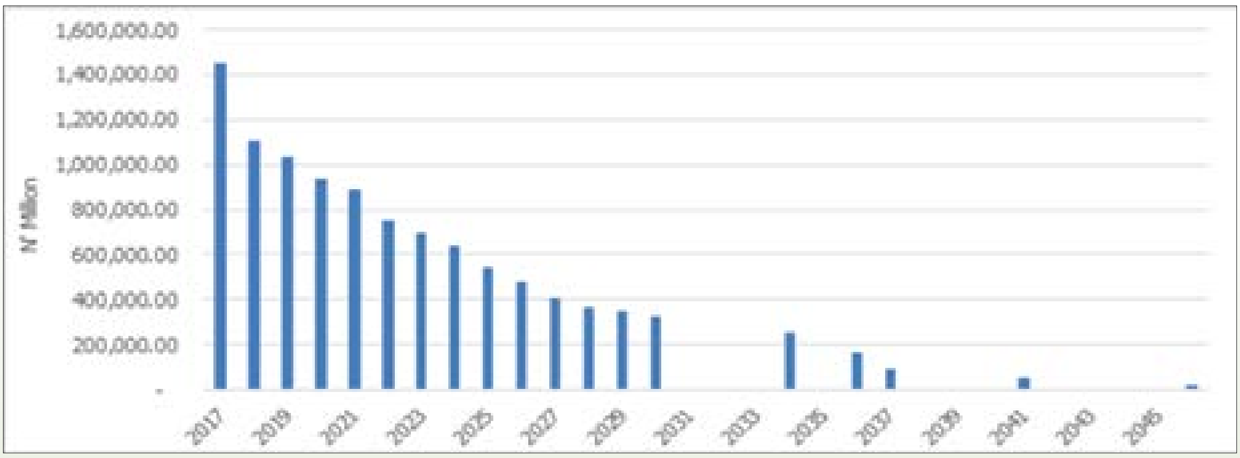
Figure 8.2 shows the Redemption Profile of the External Debt of the country beyond 2018, generally exhibiting a smooth profile, with some spikes in respect to 2018, 2021 and 2023 years period. These spikes are due to expected redemption of the three (3) maturing Eurobonds, namely: the debut 6.75% JAN 2021 US$500 million (10-year Eurobond issued in 2011), together with the US$1 billion dual-tranche Eurobonds: 5.125% JUL 2018 US$500 million (5-year) and 6.375% JUL 2023 US$500 million (10-year) both issued in 2013. However, the redemption profile for domestic debt (Figure 8.3) shows that the portfolio would be significantly exposed to refinancing risk in 2018, due to the high proportion of NTBs in the domestic debt portfolio that would be redeemed in 2018.

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



Source: DMO

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



Source: DMO

8.7 Foreign Exchange Rate Risk

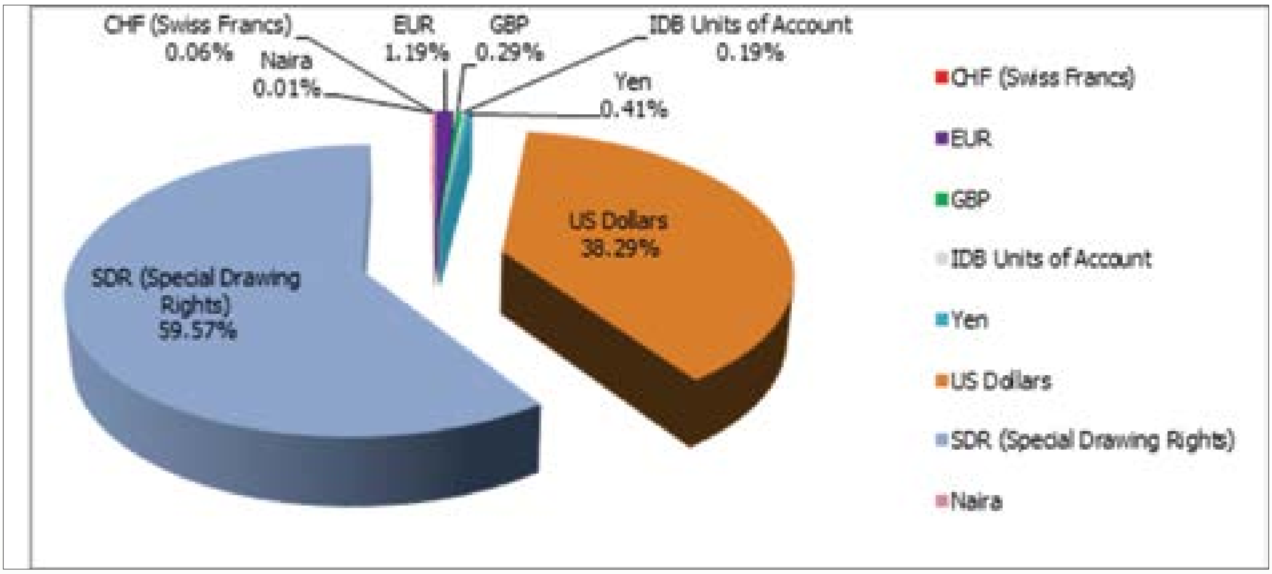
The exposure of the FGN's Total Public Debt Portfolio to Foreign Exchange Risk was very low as at December 31, 2017 due to the high share of domestic currency in the debt portfolio at 73 percent of the total public debt portfolio (Table 8.4). The External Debt portfolio progressively increased from 20 percent in 2016 to 27 percent as at December 31, 2017, in line with the Debt Management Strategy, of attaining the optimal debt composition of 60:40 for domestic and external debts, respectively, by year-end, 2019. Table 8.4 shows the trend in the Exchange Rate Risk indicators from 2013-2017.

Table 8.4: Trend in Exchange Rate Risk Indicators, 2013-2017

Year	2013	2014	2015	2016	2017
Domestic Debt (%)	84	84	80	80	73
External Debt (%)	16	16	20	20	27
Total Debt	100	100	100	100	100

Source: DMO

Figure 8.4: Currency Composition of External Debt as at end of December, 2017



Source: DMO

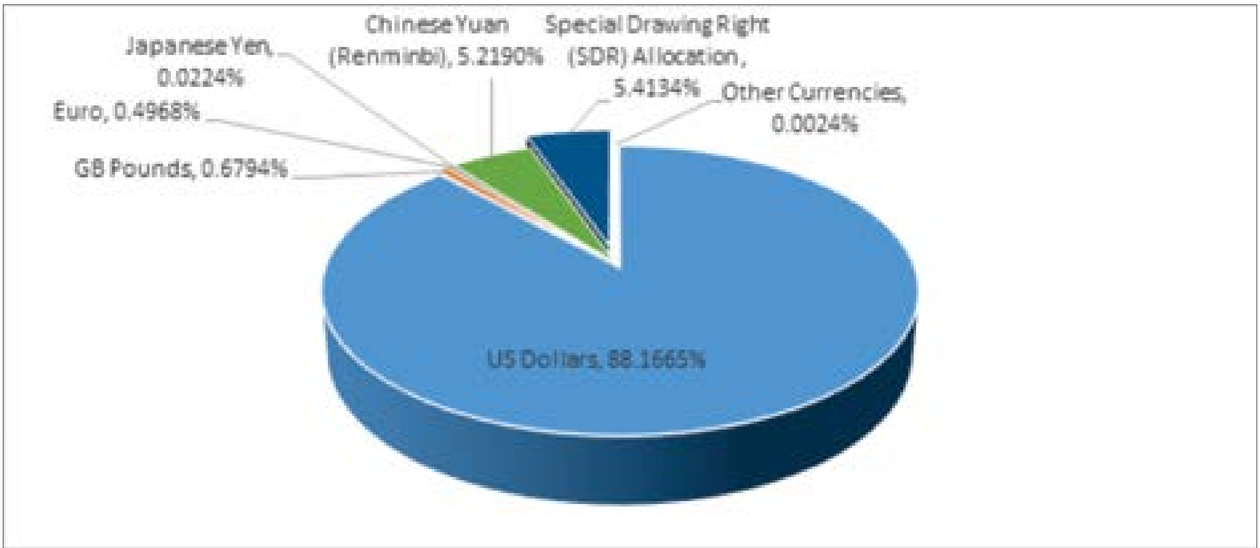
Figure 8.4 further highlights the currency composition of the External Debt portfolio in 2017, which comprised various currencies, namely: Swiss Franc (CHF), Euro (EUR), British Pound Sterling (GBP), Islamic Dinar (ID), Japanese Yen (JPY), United States Dollar (US$), Special Drawing Rights (SDR) and Naira (N), and were in proportions of 0.06, 1.19, 0.29, 0.19, 0.41, 38.29, 59.57 and 0.01 percent, respectively. This shows that there is a minimal Exchange Rate Risk arising from currency mismatch given that Nigeria's Foreign Exchange earnings are mainly from oil sales, which are denominated in USD. This has helped to substantially hedge the portfolio against Foreign Exchange Risk associated with unfavourable movements in currency exchange rates.

Table 8.5: Currency Composition of Nigeria's External Reserves as at December 31, 2017

Currency	USD Equivalent	% of Total
US Dollars	34,696,613,627.75	88.1665
GB Pounds	267,368,556.14	0.6794
Euro	195,526,407.19	0.4968
Swiss Franc	-	0.0000
Japanese Yen	8,813,415.94	0.0224
Chinese Yuan (Renminbi)	2,053,857,282.91	5.2190
Special Drawing Right (SDR) Allocation	2,130,355,816.15	5.4134
Other Currencies	955,232.28	0.0024
TOTAL	**39,353,490,338.37**	**100**

Source: CBN

Figure 8.5: Currency Composition of Nigeria's External Reserves as at December 31, 2017



Source: CBN

Table 8.5 and Figure 8.5 show that the currency composition of Nigeria's External Reserves position as at December 31, 2017, was US$39.35 billion. The proportions of currency components of the foreign reserve assets were US$ (88.1665 percent), GBP (0.6795 percent), Euro (0.4968 percent), JPY (0.0224 percent), Chinese Yuan (5.2190 percent), SDR (5.4134 percent) and other currencies (0.0024 percent). It was also observed that the currency composition of external debt portfolio closely matched the currency composition of the country's external reserves, indicating that the external debt portfolio was also not susceptible to exchange rate fluctuations (Table 8.6).

Table 8.6: Composition of External Debt & Reserve Assets as at December 31, 2017 (in percent)

Currencies	US$	GBP	EURO	CHF	IDB	JPY	Yuan	SDR	Naira	Others
External Debt: Currency Composition	38.29	0.29	1.19	0.06	0.19	0.41	-	59.57	0.01	-
External Reserves: Currency Composition	88.1665	0.6794	0.4968	-	-	0.0224	5.2190	5.4134	-	0.0024

Source: DMO, CBN

8.8 Credit Risk (FGN's On-lent Loans to MDAs)

The Credit Risk associated with the eleven (11) outstanding on-lent loans by the FGN to various MDAs remained minimal as at December 31, 2017. The loans were extended by the FGN to the MDAs to fund the developmental projects in several sectors of the economy, and duly backed by Memoranda of Understanding (MOU) executed between the DMO and the MDAs, to ensure that the loans are fully repaid as and when due.

8.9 FGN's Contingent Liabilities

Table 8.7 shows that the amount of Contingent Liabilities declined from ₦1,445.46 billion in 2016 to ₦1,151.33 billion as at December 31, 2017, representing a reduction by ₦294.13 billion or 20.35 percent. The FGN's exposure to contingent liabilities as a percentage of GDP dropped from 1.72 percent in 2016 to 1.01 percent as at December 31, 2017. The reduction in the Contingent Liabilities was due to the non-crystallization of the FGN Guarantee granted the holders of the securitised Local Contractors' debt, which expired in July, 2017.

Table 8.7: FGN's Contingent Liabilities 2013-2017 (₦' Billion)

S/N	Liability Type	2013	2014	2015	2016	2017
1.	AMCON Guarantee	1,742.00	-	-	-	-
2.	Local Contractors Debts	233.942	233.942	233.942	159.287	-
3.	Federal Mortgage Bank of Nigeria	32.00	32.00	6.91	5.24	5.238
4.	Nigerian Export-Import (NEXIM) Bank	-	39.40	39.40	61.00	15.250
5.	FCDA – Katampe Infrastructure Project			7.441	7.441	7.441
6.	Nigeria Mortgage Refinance Company Plc			8.00	8.00	7.583
7.	Lekki Port LFTZ Enterprise – Lekki Deep Sea Port	-	157.60	157.60	-	-
8.	World Bank Partial-Risk Guarantee in support of Azura-Edo IPP	-	-	46.689	72.29	72.285
9.	Pension Arrears for MDAs	1,271.062	1,231.035	1,156.49	1,132.21	1,043.535
	Total	**3,279.00**	**1,693.977**	**1,656.467**	**1,445.47**	**1,151.332**

Notes:
1. The FGN Guarantee to AMCON in respect of the ₦1.742 trillion 3-year Zero-coupon AMCON Tradable Bond expired on December 31, 2013, following the redemption of AMCON Bonds. The Guarantee did not crystallize.
2. The FGN Guarantee was given to cover the ₦233, 942,080,700.00 Face Value of the 5-year 2016/2017 Split Coupon Bonds issued by the Special Purpose Vehicle (SPV) set up for the resolution of the Local Contractors Debts. The Guarantee expired in July 2017 and did not crystalize.
3. FGN Guarantee of FMBN Bond issued to enable the Bank raise funding from the capital market to refinance the sale of Federal Government non-essential houses under the monetization programme of the Government.
4. FGN Guarantee to NEXIM for the US$200 million Master Line of Credit from African Development Bank (AfDB). However, NEXIM has notified the DMO that the amount has reduced from US$200million to US$50 million. Thus, the Guarrantee covers only the US$50 million. Exchange rate: ₦305/$. The AfDB multi-tranche line of credit is to finance part of the cost of the Export Oriented Small and Medium Enterprises financing programme of the Nigerian Export Import (NEXIM) Bank. The tenor is for 10 years.
5. The Guarantee was issued, on behalf of the Federal Capital Development Authority (FCDA), in favour of FBN Capital Limited and FBN Trustees Limited, in respect of a bank facility granted to Deanshanger Projects Limited for the provision of integrated civil infrastructure to Katampe District, Abuja. The current outstanding amount confirmed by FCDA is ₦7,440,504,380.68, excluding accrued interest.
6. The Guarantee is to enable NMRC raise long term funds from the capital market by issuing notes for the purpose of refinancing or purchasing mortgages created by Eligible Mortgage Lenders. ₦8 billion has been utilized out of the Guarantee available in the sum of N440 billion.
7. FGN Guarantee in favour of Lekki Port LFTZ Enterprise (Concessionaire) to cover the sum of US$800 million. (₦244, 000,000,000.00 converted at ₦305/$) of the investment by the Concessionaire for the purpose of funding the construction of a Deep Sea Port at Lekki Lagos, Nigeria, on a Build, Own, Operate and Transfer basis, for a period of forty-five years, for and on behalf of the Nigerian Ports Authority. The Guarrantee will be effective at financial close.
8. World Bank Partial Risk Guarantees in the sum of US$237 million(₦72,285,000,000.00 converted at ₦305/$), comprising Debt Mobilization Guarantee of US$117 million and a Liquidity Guarantee of US$120 million, in support of the 450 megawatts Azura-Edo Independent Power Project (IPP). The Federal Government of Nigeria (FGN) entered into Indemnity Agreement with the International Bank for Reconstruction and Development (IBRD) - World Bank, in 2015, to unconditionally and irrevocably reimburse to the World Bank amounts paid by the Bank directly or indirectly in relation to or arising from the IBRD Guarantee and to undertake such other obligations to the Bank as are set forth in the Indemnity Agreement.
9. Data provided by PENCOM to DMO: Outstanding Retirement Benefits Liability of the FGN for certain categories of its employees. The last employee would be retiring in 2039.

CHAPTER NINE

FEDERAL GOVERNMENT ON-LENT LOANS TO MDAs

CHAPTER NINE

FEDERAL GOVERNMENT ON-LENT LOANS TO MDAs

The Federal Government of Nigeria (FGN) has at various times, through the DMO, provided on-lent loans to various MDAs to enable them finance specific projects, to support the growth of the real sector of the economy with the objective to create jobs and reduce poverty. As at December 31, 2017, the total outstanding On-lent loans to the various MDAs was ₦178.086 billion.

9.1 Introduction

The Federal Government of Nigeria (FGN), in its efforts to support the growth of the real sector of the economy, so as to create jobs and reduce poverty, had from time to time, through the Debt Management Office (DMO), provided on-lent loans to various Ministries, Departments and Agencies (MDAs), for the purpose of financing specified projects. These loans were used to finance key projects in the key sectors of the economy, including: Road and Railway, Agriculture, Transport, Education, Cotton, Garment and Textile, amongst others. Each of the On-lent loans to the MDAs was backed by a Memorandum of Understanding (MOU) executed between the DMO and the benefiting MDA, to ensure its full and timely repayment.

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

There was no change in the number of On-lent loans extended by the FGN to the various MDAs in 2017, as it remained at eleven (11) as in the previous year. Table 9.1 shows the principal outstanding on each of the facility, totalling ₦178.086 billion as at December 31, 2017.

Table 9.1: FGN On-Lent Loans Outstanding to MDAs as at December 31, 2017

S/N	MDA	Facility	Loan Amount (₦)	Principal Amount Outstanding (₦)
1	Federal Capital Territory Administration (FCTA)	₦15 Billion FGN Funding of Health and Education Projects in the FCT	15,000,000,000.00	7,091,145,754.66
2	Federal Ministry of Finance (FMF)	₦6.3 Biillion Pioneer Consumer Car Finance Scheme for Public Servants	6,300,000,000.00	2,656,644,124.14
3	Federal Ministry of Transport (FMoT)	₦12.5 Billion Nig. Railway Revitalization (25 Locomotives)	12,500,000,000.00	12,500,000,000.00
4	Ministry of Defence	₦35 Billion Funding of Peace Keeping Operations	35,000,000,000.00	11,275,102,824.49
5	Ministry of Mines and Steel Development	₦2.24 Billion Ajaokuta/NIOMCO Staff Salary Arrears	2,239,175,142.72	2,239,175,142.72
6	Nigerian Television Authority (NTA)	₦4.5 Billion Loan for Upgrading of NTA's Broadcast Equipments	4,500,000,000.00	2,431,265,480.82
7	Federal Capital Territory Administration (FCTA)	₦20 Billion Seed Money for Infrastructural Development of Four Districts of the FCT	20,000,000,000.00	20,000,000,000.00
8	Federal Mortgage Bank of Nigeria (FMBN)	₦5 Billion for the development of the housing sector of the economy granted to FMBN.	5,000,000,000.00	5,000,000,000.00
9	Bureau of Public Enterprises (BPE)	Settlement of ₦63.03 Billion Loan Facility granted to Transcorp Plc for NITEL/MTEL Buy-Out	63,030,000,000.00	60,480,000,000.00
10	Bureau of Public Enterprises (BPE)	NITEL/MTEL Terminal Benefits	54,552,000,000.00	52,002,000,000.00
11	Bank of Indutry (BOI)	Indebtedness of the defunct Nig. Bank for Commerce and Industry to the FGN	2,500,711,000.00	2,410,293,267.05
TOTAL			**220,621,886,142.72**	**178,085,626,593.88**

Source: DMO

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

The FGN issued bonds in part settlement of the Local Contractors Debts. The associated Guarantee has expired without crystallization. A sinking Fund Account that was funded through annual budgetary provisions for redemption of the bonds was put in place by the DMO, in collaboration with the Budget Office of the Federation, Office of Accountant-General of the Federation and the Fund Manager.

Lokoja-Benin Road Section II, Phase 1, Okene - Auchi

CHAPTER TEN

INSTITUTIONAL ISSUES

CHAPTER TEN

INSTITUTIONAL ISSUES

The implementation period of the DMO's 3rd Strategic Plan, 2013-2017, lapsed at the end of December 2017, with the DMO successfully completing most of the activities in the Strategic Plan. Among the modest achievements of the Plan in 2017 was the introduction of new products in the domestic capital market for Government securities, as well as the operationalization of the Bond Auctioning System (BAS). As part of efforts to retooling the staff for greater efficiency, targeted capacity building was conducted, and centered mainly on Organizational Behaviour, Public Service Rules and Business Communication Skills.

10.1 The DMO's 3rd Strategic Plan, 2013 – 2017

The Year 2017 marked the final year of the implementation of the DMO's 3rd Strategic Plan (2013 – 2017), and a critical evaluation of its implementation was conducted. The outcomes of the evaluation revealed that most of the activities were successfully completed, while commencement of a few others were stalled due to several factors beyond the control of the DMO. These activities include mainly those involving other stakeholders or MDAs.

Highlights of the milestones recorded in the implementation of the 3rd Strategic Plan include the following:

i. BAS Project

The implementation of the electronic Bond Auctioning System (BAS) was completed and became operational on January 1, 2017, and the Office has successfully conducted all of its bond auctions on the platform.

ii. New Products in the Domestic Debt Market

As part of the strategy for deepening the FGN securities market, and broaden its investors base, as well as lengthen the maturity profile of the debt portfolio, the DMO introduced three new debt instruments into the domestic capital market in 2017. These are: FGN Savings Bond, which was introduced in March 2017, the debut Sovereign Sukuk was launched in September 2017 and the debut Green Bonds issued in December 2017.

a) **Sovereign Sukuk** – In September, 2017, Nigeria's debut ₦100 billion Sovereign Sukuk was launched, and the proceeds of which were deployed solely for the construction and rehabilitation of 25 major roads in the six geo-political zones of the country, thereby contributing to closing the deficit in infrastructure. The Sukuk issuance was in line with the

Government's objective of investing in infrastructure as provided in the Economic Recovery and Growth Plan, (ERGP), 2017-2020;

b) The **FGN Savings Bond**, In March 2017, the monthly FGN Savings Bond was introduced as part of the efforts to promote the savings culture in Nigeria and improve financial inclusion particularly among retail investors. The Bond is expected to help to deepen the domestic capital market, provide an opportunity for citizens to diversify their investment portfolio and contribute to national development; and,

c) **Green Bond** – To support the endorsement by the present Administration on the Paris Agreement on Climate Change Initiative, the DMO successfully issued a debut FGN Green Bond in the sum of ₦10.69 billion for the financing of some key environmentally friendly projects.

iii. Accessing the International Capital Market

a) The Government, through the DMO, continued in its efforts at establishing the country's presence in the International Capital Market (ICM), as well as, attract the patronage of Nigerian diaspora with the issuance of Eurobonds of US$4.5 billion and the debut **Diaspora Bond** amounting to US$300 million, with was aimed at diversifying Government's funding sources.

b) The issuance of **US$1.5 billion 30-year Note** under the US$4.5 billion Global Medium-Term Note Programme was a landmark achievement as the tenor represents the first by a Sub-Saharan African country other than South Africa, and importantly establishes the bases for long-term infrastructure financing, which is the priority of the present government.

iv. Update on the Restructuring of the FGN Domestic Debt in 2017

In line with the nation's Debt Management Strategy, Government commenced the process for the restructuring of its domestic debt in 2017, to achieve amongst others, the following:

a) Reduction in the portfolio's debt service cost by substituting more expensive and short-term domestic debt with relatively cheaper and longer-tenored external debt;

b) Free up more borrowing space for the private sector borrowers, in order for them to access credit at competitive rates, and grow the real sector of the economy;

c) Elongate the tenor of the Government's debt portfolio and reduce refinancing risk; and,

d) Contribute to shoring up the country's external reserves.

In this regard, and following the issuance of US$3.0 billion Eurobond in November, 2017, the sum of US$500 million was applied for the restructuring of the domestic debt portfolio, leading to the redemption of Nigerian Treasury Bills (NTBs) worth ₦198.032 billion in December, 2017. Subsequent redemptions are to follow in the coming years

10.2 DMO's Supervisory Board Activities

The tenure of DMO's Supervisory Board expired with the exit of the previous Administration, and it was yet to be inaugurated as at the December 31, 2017. The Board is statutorily composed of the Vice President (as Chairman), the Honourable Minister of Finance (as Vice Chairman), the Attorney-General of the Federation/Minister of Justice, Chief Economic Adviser to the President, Accountant-General of the Federation, Governor of Central Bank of Nigeria and the Director-General of Debt Management Office (as Member/Secretary).

10.3 Debt Sustainability Analysis (2017)

The 2017 National Debt Sustainability Analysis (2017 DSA) exercise was organised by the Debt Management Office (DMO), in August, 2017, in collaboration with relevant MDAs namely: the Federal Ministry of Finance (FMF), Central Bank of Nigeria (CBN), Federal Ministry of Budget and National Planning (FMBNP), Budget Office of the Federation (BOF), National Bureau of Statistics (NBS), Office of the Accountant-General of the Federation (OAGF), Securities and Exchange Commission (SEC), while the West African Institute for Financial and Economic Management (WAIFEM), provided technical support. The exercise was conducted as part of the requirements for sound public debt management practices, which ensures that the nation's total Public Debt Portfolio is, subjected to appropriate qualitative and quantitative analyses. The exercise also evaluated the country's repayment capacity for its current and future debt obligations.

The result of the 2017 DSA showed that Nigeria's risk of debt distress remained moderate, and further highlights the vulnerability of the debt portfolio to Revenue and Exports shocks, as well as substantial Currency devaluation. The outcome further buttressed the result of the 2016 DSA exercise. This emphasizes the urgent need for concerted efforts to be intensified to diversify the non-oil revenue sources of the government.

10.4 Staffing Issues

10.4.1 Recruitment of New Staff

There was no recruitment of new staff into the DMO in 2017. However, twelve fresh graduates who had been engaged on a temporary basis to fill vacancies created by the exited staff, had their appointments regularized into permanent and pensionable employment in April, 2017, Furthermore, one officer (GL, 08) was engaged on contract appointment in March, 2017 while three others (GL, 04) were appointed on temporary basis between July and August, 2017.

10.4.2 Staff Exit

In 2017, a total of four (4) members of staff exited the DMO for various reasons, some of which include – new employment offers, resignations and retirements. The tenure of Dr. Abraham Nwankwo as the DG of the DMO also ended on June 30, 2017.

10.4.3 New Director-General of the DMO

Ms. Patience Oniha assumed Office on July 1, 2017 as the fourth Director-General of the DMO, and became the first female to assume that position since the establishment of the DMO in October, 2000.

After a fulfilling career in the banking sector spanning over 22 years, Ms. Oniha made a career move to the public sector when she joined the DMO in 2008 as Director, Market Development Department. In this capacity, Ms. Oniha brought her banking experience to bear on various aspects of the DMO's activities.

A major achievement of hers during her eight years at the DMO was the introduction of Benchmark Bonds to develop the domestic bond market in order to improve liquidity and to create a sovereign yield curve which created opportunities for State Governments, Multilaterals and Corporates to raise long term funds. The purpose behind this drive was to create a debt capital market where the public and private sectors can access long term funds to finance Nigeria's growth and development.

While still at the DMO, Ms. Oniha was appointed as the Head of the Efficiency Unit at the Federal Ministry of Finance in November, 2015. To execute the mandate of the Unit, which was to moderate the Government's Overhead Expenditure and generate savings from the procurement process, Ms. Oniha introduced a number of initiatives. Amongst them were the issuance of 7 Circulars to control expenditure on specific Overhead items and the negotiation of discounts with airlines. These delivered savings estimated at ₦17 billion to the Government. She was working on the introduction of new processes for payment and procurements when she was appointed Director-General of DMO with effect from July 1, 2017.

Ms. Oniha obtained a B.Sc. Economics, First Class Honours from the University of Benin in 1983 and an M.Sc. Finance from the University of Lagos in 1985. She also became a member of the Institute of Chartered Accountants of Nigeria in 1990, a Fellow of the Institute in 2008, and an

Associate Member of the Chartered Institute of Taxation of Nigeria.

10.4.4 Repositioning/Redeployment Exercise

The Director-General effected the merger of two Units within the Portfolio Management Department (PMD), resulting in the creation of the Loans and other Financing Products/Special Securities Unit. Some redeployments of staff amongst Departments and Units were carried out in 2017. In August 2017, a Legal Services Unit was created under the DG's Office. The Unit is manned by two Legal Officers posted from the Federal Ministry of Justice (FMoJ).

10.4.5 Senior Management Staff Movement

The Team Leader, Securities Issuance Unit was upgraded to the Senior Management Cadre, as Head, Strategic Programmes Department (SPD) to replace the Director, SPD, who retired in August, 2017. The other members of the SMC were retained in their respective Departments.

10.4.6 Promotion

Promotion Examinations and Interviews were successfully conducted for all qualified candidates due for promotion in 2017. The outcome of the promotion exercise showed that total of twenty-one Officers and three Drivers were promoted.

One Assistant Director (GL 15) was promoted to a Deputy Director (GL 16); Four staff members were promoted to the rank of Assistant Director (GL 15); while seven officers were elevated to Chief Operations Officer (GL 14); Three officer were promoted to Assistant Chief Operations Officer (GL 13); a Senior Operations Officer (GL 10) was promoted to Principal Operations Officer (GL 12); while five officers were promoted to the rank of Senior Operations Officer (GL 10) from the rank of Operations Officer; while two Drivers were promoted to the rank of Senior Driver (GL 07); a Driver moved from the position of Driver (GL 05) to Driver (GL 06).

10.4.7 Training for DMO's External Stakeholders

As part of its 2017 external stakeholder training programme, the DMO conducted special training for nineteen (19) stakeholders from the National Assembly.

10.4.8 DMO Staff Training

The 2017 training continued to focus on building the capacity of officers in areas relating to the specialized skills required in delivering on the core mandate of the DMO. The 2017 staff training programme, was therefore, focused on critical aspects of Organisational Behaviour, Public Service Rules & Business Communication Skills. It was facilitated by Polar-Afrique Consulting Ltd and all members of staff of the DMO participated at the training.

10.5 Stakeholder Attachments/Educational Visits to the DMO

In actualization of the strategic objective of making Nigeria a major destination for out-sourced debt management skills and services, the DMO hosted a five-man delegation from the Central Bank of Liberia (CBL) on a one-day study tour in May 2017, to learn about the Nigeria's Bond Market Systems and Operations.

10.6 Operational Risk Management

In line with sound practice in public debt management, the DMO continued to strengthen its Operational Risk Management (ORM) function with the periodic tracking of progress on actions to safe-guard the security and integrity of the DMO's database, and the overall work environment. Three (3) operational risk incidences occurred in the year under review and they were effectively curtailed with the prompt intervention of ORD and the organization's ICT vendors. Incidence reports were generated by the Risk Monitors involved in the Department, while the DMO's Management ensured the prompt deployment of effective solutions to forestall future occurrences.

10.7 ICT Infrastructure

To further consolidate on the gains made in leveraging ICT, which enhances the DMO's business processes, the following milestones were achieved in 2017:

- The Biometric Access Control System was maintained for optimal performance, data security and restrict access to only authorized personnel.

- The Bond Auctioning System (BAS) was commissioned and went Live in January 2017, and since then all FGN Bond Auctions have been successfully conducted using the Bloomberg Platform with the Primary Dealer Market Makers (PDMMs) and settled on the Central Bank of Nigeria Scripless Securities Settlement System (CBN S4).

- The DMO Website was well maintained and managed in 2017. Additional links were created for the new products in the market, including the FGN Savings Bond, FGN Sukuk, FGN Green Bond, which were added to the items on the Bonds menu, for ease of accessibility. All information and updates were successfully carried out on both the website and DMO's pages on the Social Media.

- The outstanding IT/IS 2016 Capital Projects were successfully completed in 2017. These included the Power Backup Capacity enhancement, which involved the deployment and installation of three-phase 30KVA Voltage stabilizer, 20KVA power UPS and 20KVA Inverter power system to replace the single-phase 15KVA Voltage stabilizer, 11KVA power UPS and 10KVA Inverter Power System respectively. The replaced Power Systems were redeployed to provide redundant power for the DMO Storage Area Network (SAN), supporting the Bond Auctioning System (BAS). The procurement and installation of Office Productivity Tool Microsoft Office 2016 Business Suite (Word, Excel, PowerPoint, Access, Outlook etc.) was also fully implemented completed.

- In line with best practices and standards, the DMO guaranteed optimal services delivery, service availability and minimized equipment downtime. Other recorded significant improvements included the provision of Service Level Agreements (SLAs) for its Datacenter Power and Cooling Equipment and the provision of High Speed Internet, Connectivity Services, Hosted Services, Disaster Recovery Facility and Support services. In addition, the dedicated Secondary Internet Access link and Hardware Infrastructure Maintenance and support were maintained for the period under review.

- The DMO also improved its internal communication infrastructure from the PABX Intercom phone to Modern IP Telephony System with the support of Galaxy Backbone Limited. The new system enables the organization to communicate seamlessly with its external stakeholders on the Galaxy Infrastructure Platform.

10.8 SERVICOM in the DMO

The DMO Reform Coordination and SERVICOM Committee (DMO RCSC) channeled the greater part of its activities in 2017 to ensuring DMO's compliance with the FGN's Executive Order on Ease of Doing Business, among others. The Committee produced a draft of the DMO's Operationalization Plan for the Promotion of Transparency and Efficiency in the Business Environment, as well as posted on the DMO's website, a Guide on the Products and Services offered by the Office, as well as Delivery Requirements and Timelines to access such services.

The DMO participated actively at the 2-day SERVICOM Policy Dialogue, which was hosted by the SERVICOM Office, and meetings convened by the Ministerial SERVICOM Committee (MSC), as well as those of Reform Unit Desk Officers in the Parastatals/Agencies under the purview of Federal Ministry of Finance, convened by the Federal Ministry of Finance (FMF).

Benin-Ofosu-Ore-Ajebandele-Shagamu Road, Section III and IV

CHAPTER ELEVEN

FINANCIAL STATEMENTS AND ACCOUNTS

CHAPTER ELEVEN
FINANCIAL STATEMENTS AND ACCOUNTS

11.1 Budget Allocation and Implementation Profile

11.1.1 Budget Allocation

The total approved Budget of the Debt Management Office for the year 2017 was **₦641. 1 million,** representing an increase of 5.51% relative to the amount appropriated for the organization in 2016. The Overhead and Capital budgets remained the same in 2016 and 2017. Overhead budget was **₦110.9 million** in 2016 and 2017, while Capital budget was **₦87.3 million** in 2016 and 2017. On the other side, Personnel Emolument vote increased marginally by 6.98% percent from **₦414.0 million** in 2016, to **₦442.9 million** in 2017. The increase in overall budgetary allocation to the DMO in 2017 continued, a trend experienced by the organization in recent years.

11.1.2 Budget Implementation

Of the **₦442.9 million** appropriated for Personnel Emolument in 2017, the sum of **₦408.0 million** was fully warranted and released for the payment of staff salaries and allowances, as well as the settlement of social contributions for Pension and National Health Insurance Scheme. The difference between the amount appropriated and the amount warranted was for Salaries of Staff, who had retired and those that left the service of the DMO. Out of the amount warranted, a total sum of **₦407.2 million** was utilized for the aforementioned payments and transfers, while the unutilized balance of **₦0.58 million** was returned to the Sub-Treasurer of the Federation (STF) at the end of the year. The payment of personnel emoluments was done under the Integrated Personnel and Payroll Information System (IPPIS) platform for the third consecutive year in pursuance of the Federal Government's implementation of the Treasury Single Account (TSA).

Of the 2017 approved Overhead Budget of **₦110.9 million,** the sum of **₦63.2 million**, representing almost 57.0% percent was released to the DMO by the Office of the Accountant-General of the Federation (OAGF), out of which the sum of **₦63.1 million** was utilized while an insignificant sum of **₦0.068 million** for charges was mopped up

Similarly, out of the Capital Budget of **₦87.3 million** approved for the 2017 fiscal year, the sum of **₦50.0 million,** or 57.3 percent was released through the Government Integrated Financial Management Information System (GIFMIS). No amount has been spent from this amount released as at the time of the Account because Capital expenditure spanned to June of the following year.

However, all the requirements for procurements in respect of the amount released have been concluded.

In total, the sum of **₦574.5 million** was released to the DMO to fund its Personnel, Overhead and Capital commitments during the 2017 financial year. Out of this amount, **₦499.9 million,** or 87.01 percent, was utilized for Personnel and Overhead expenditure heads, while Capital has not been spent due to late releases and extension of expenditure period to the following year. The amount outstanding in the Personnel subhead including the sum released at end of the year for new recruited staff from Public Service Wage Adjustment and Overhead costs balance amounting to **₦19.8 million** was mopped up to the Treasury (CRF) by the Sub-Treasurer of the Federation.

11.2 Corporate Information

Supervisory Board

Chairman	**Prof. Yemi Osinbajo, SAN, GCON** Vice - President, Federal Republic of Nigeria
Vice Chairman	**Mrs. Kemi Adeosun** Hon. Minister of Finance
Member	**Alhaji Abubakar Malami, SAN** Attorney-General/Minister of Justice
Member	Chief Economic Adviser to the President
Member	**Alh. Ahmed Idris, FCNA** Accountant-General of the Federation
Member	**Mr. Godwin Emefiele, CON** Governor, Central Bank of Nigeria
Member/Secretary	**Ms. Patience Oniha** Director-General & Chief Executive
Registered Office:	1st Floor, NDIC Building, Plot 447/448 Constitution Avenue, Central Business District, Garki-Abuja.
Independent Auditors:	Sada, Idris & Co., Chartered Accountants, 2nd Floor, B Wing, FMBN Building, Central Business District, Abuja.
Bankers:	Central Bank of Nigeria
Principal Officers:	
Ms. Patience Oniha	Director-General
Mr. Miji Amidu	Director, Special Assignments
Mrs. Hannatu Suleiman	Director, Organisational Resourcing Department
Mr. Joe Ugoala	Director, Policy, Strategy & Risk Management Department
Mr. Oladele Afolabi	Director, Portfolio Management Department
Mr. Alfred N. Anukposi	Head, Strategic Programmes Department
Mr. Monday Usiade	Head, Market Development Department
Mrs. Elizabeth Kwaghbulah	Head, Debt Recording & Settlement Department

11.3 Report of the Supervisory Board

The Supervisory Board is pleased to present the annual report together with the Debt Management Office's (DMO) audited financial statements for the year ended 31st December 2017

Financial Highlights	2017	2016
	₦	₦
Total Income	3,056,181,024	4,390,815,129
Total Expenditure	4,952,997,552	2,293,924,888
Surplus /(Deficit) for the year	(1,896,816,528)	2,096,890,241

Principal activities

The main activities of the Office as defined in Section 6(1) (a-n) and 6(2) (a-c) of the DMO Establishment Act, 2003 include preparation and implementation of a plan on the efficient management of Nigeria's external and domestic debt obligations at sustainable levels compatible with desired economic activities for growth and development.

Property, Plant and Equipment

Movements in Property, Plant and Equipment during the year are shown in note 2 on page 15 to the accounts.

Equal Employment Opportunity

The Office pursues an equal employment opportunity policy. It does not discriminate against any person on the ground of race, religion, colour, or physical disability.

Employment of Physically Disabled

The Office maintains a policy of giving fair consideration to applications from physically disabled persons, bearing in mind their respective aptitudes and abilities. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Office continues and that the appropriate training is arranged.

Training and Development

The Office places great emphasis on the training and development of it's staff and other stakeholders and believes that it's employees are its greatest assets. Training courses are geared towards the developmental needs of staff and the improvement of their skills set to face the increasing challenges in the financial sector. We will continue to invest in our human capital to ensure that our people are well motivated and positioned to contribute effectively to the DMO's vision.

By Order of the Board

Ms. Patience Oniha
Director-General/Secretary

FRC/2018/ICAN/00000018421

11.4 Statement of Directors' Responsibilities

The Supervisory Board accepts responsibility for the preparation of the accompanying financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in accordance with the International Public Sector Accounting Standards; in compliance with the Financial Reporting Council Act No. 6, 2011 and in the manner required by the Debt Management office (Establishment, etc.) Act, 2003.

The Board is of the opinion that the accompanying financial statements give a true and fair view of the state of the financial affairs of the Debt Management Office, in accordance with the International Public Sector Accounting Standards; in compliance with the Financial Reporting Council Act No 6, 2011 and in the manner required by Debt Management Office (Establishment, etc.) Act 2003.

The Board further accepts responsibility for the maintenance of adequate accounting records as required by the Debt Management Office (Establishment, etc.) Act, 2003 and for such internal controls as the Board determines necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

The Board has made assessment of the DMO's ability to continue as a going concern and has no reason to believe that the Office will not remain a going concern in the years ahead.

Signed on behalf of the Supervisory Board by:

Ms. Patience Oniha
Director-General
FRC/2018/ICAN/00000018421
Dated...June 22,.....2018

Joe Ugoala
Director, Policy, Strategy & Risk Management Department
FRC/2017/CISN/00000016371
Dated...June 22,...2018

11.5 Statement of Significant Accounting Policies

1. Basis of Preparation

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

2. Revenue

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

3. Fixed Assets

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

4. Taxation

There was no provision for both Income and Education Taxes during the period ended 31st December, 2016 because the Office is a non-profit making Organization.

5. Staff Retirement Benefits

Debt Management Office operates a defined retirement benefit plan for its staff. The Office and the employees contribute 10% and 8% respectively on the staff consolidated salaries and allowances.

6. Grants and Aids

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

7. Foreign Currency Translation

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

11.6 Report of Independent Auditors

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

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

We have audited the accompanying financial statements of Debt Management Office (DMO) which comprise the statement of financial position as at 31st December, 2017 the statement of financial performance, the statement of cash flows for the year then ended, summary of significant accounting policies and other explanatory notes.

Respective Responsibilities of the Supervisory Board

The DMO Board is responsible for the preparation and fair presentation of these financial statements in accordance with the relevant standards issued by the Financial Reporting Council of Nigeria Act, No 6, 2011, Fiscal Responsibility Act, 2007, relevant extant circulars issued by the Federal Government of Nigeria and in the manner required by the Debt Management Office (Establishment, etc.) Act, 2003 and for such internal control as the DMO determines necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Basis of Opinion

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Debt Management Office as at 31st December, 2017, and of the DMO's financial performance and cash flows for the period then ended in accordance with the relevant standards issued by Financial Reporting Council of Nigeria, Fiscal Responsibility Act, 2007 and provisions of the Debt Management Office (Establishment, etc.) Act, 2003.

Report on other legal and regulatory requirements

In accordance with the requirement of Debt Management Office (Establishment, etc.) Act, 2003 we confirm that:

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

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

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

1205177

Abuja, Nigeria
Date: 22 June 2018

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

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

Partners: Zakari Mohammed Sada FCCA, FCA, B.sc. Nkem Onyekawa FCA, ACIT
Member Firm of IEGnet Forum of International Expert and Consultants. Branches: Kaduna, Kano, Katsina, Lagos
Tel: 080 3788 2878 www.sadaidris.com, e-mail: info@sadaidris.com, sadaidrisco@yahoo.com

11.7 Statement of Financial Position as at 31st December, 2017

Statement of Financial Position	Note	2017 ₦	2016 ₦
NON CURRENT ASSETS			
Property, Plant and Equipment	2	203,299,318	135,852,257
Intangible Asset	3	3,885,000	0
CURRENT ASSETS			
Account Receivables	4	38,917,462	53,509,482
Cash and Cash Equivalents	5	1,612,003,672	3,550,239,260
TOTAL ASSETS		1,858,105,452	3,739,600,999
CURRENT LIABILITIES			
Account Payables and Accruals	6	33,841,964	18,520,982
EQUITY			
Accumulated Financial Performance		1,824,263,489	3,721,080,017
TOTAL EQUITY AND LIABILITIES		1,858,105,452	3,739,600,999

The financial statements on pages 7-17 were approved for issue by the Supervisory Board on 22 June 2018 and signed on its behalf by:

Ms. Patience Oniha

Director-General/Chief Executive

FRC/2018/ICAN/00000018421

Joe Ugoala

Director, Policy, Strategy & Risk Management Department

FRC/2017/CISN/00000016731

The notes annexed form an integral part of these financial statements

11.8 Statement of Financial Performance

	Notes	2017 ₦	2016 ₦
Income			
Subvention	7	574,461,170	566,710,265
FGN Bond Floatation Receipts	8	2,472,884,196	3,784,874,414
Grants & Aid Receipts	9	8,000,000	4,000,000
		3,055,345,366	**4,355,584,679**
Other Income	10	835,659	35,230,450
Total Income		**3,056,181,024**	**4,390,815,129**
Expenditure			
Operating Expenses	11	94,229,151	101,392,172
Grants and Aids Expenses	12	7,055,200	3,936,800
Personnel Cost		405,134,984	401,183,398
		506,419,335	**506,512,370**
Debts and other Charges			
Finance Charges	13	506,100	4,658,487
Other Expenditures			
FGN Bond Floatation Expenses	14	4,426,304,532	1,781,342,607
Return to Consolidated Revenue Fund	15	19,767,586	1,411,424
		4,446,072,117	**1,782,754,031**
Total Expenditure		**4,952,997,552**	**2,293,924,888**
Surplus/(Deficit) of Income over Expenditure		**(1,896,816,528)**	**2,096,890,241**

11.9 Statement of Changes in Net Assets

	Accumulated Surplus/ (Deficit) ₦
As at 1st January 2016	2,033,182,419
Restatement of Accumulated Depreciation	(408,992,643)
Surplus for the year	2,096,890,241
As at 31st December 2016	**3,721,080,017**

	Accumulated Surplus/ (Deficit) ₦
As at 1st January 2017	3,721,080,017
Deficit for the year	(1,896,816,528)
As at 31st December 2017	**1,824,263,489**

11.10 Cash Flow Statement for the Year Ended 31st December, 2017

Statement of Cash Flows	Notes	2017 ₦	2016 ₦
Cash flows from Operating Activities:			
Other Income	10	835,659	35,230,450
Operating Expenses	11	(94,229,151)	(101,392,172)
Depreciation and Amortisation		14,616,660	6,273,200
Grants and Aids Expenses	12	(7,055,200)	(3,936,800)
Personnel Cost		(405,134,984)	(401,183,398)
Account Receivables	4	14,592,020	(53,509,482)
Account Payables	6	15,320,982	18,520,982
		(461,054,014)	**(499,997,220)**
Finance Charges		(506,100)	(4,658,487)
Net cash flows from operating activities		**(461,560,114)**	**(504,655,707)**
Cash flows from Investing Activities:			
Purchase of Assets		(85,948,721)	0
Net cash flows from investing activities		**(85,948,721)**	**0**
Cash flows from Financing Activities:			
Subvention	7	574,461,170	566,710,265
FGN Bond Floatation Receipts	8	2,472,884,196	3,784,874,414
Grants and Aids Receipt	9	8,000,000	4,000,000
FGN Bond Floatation Expenses	14	(4,426,304,532)	(1,781,342,607)
Return to Consolidated Revenue Fund	15	(19,767,586)	(1,411,424)
Net cash flows from financing Activities		**(1,390,726,752)**	**2,572,830,648**
(Decrease)/Increase in Cash and Cash Equivalent		**(1,938,235,588)**	**2,068,174,941**
Opening Cash and Cash Equivalent		**3,550,239,259**	**1,482,064,319**
Closing Cash and Cash Equivalent		**1,612,003,672**	**3,550,239,259**

11.11 Statement of Comparison of Budget and Actual Amounts

	2017		
Recurrent Expenditure	**Original and Final Budget ₦**	**Actual ₦**	**Performance Difference ₦**
Overheads			
Local Travel & Transport: Training	15,361,000	50,000	15,311,000
Local Travel & Transport: Others	5,846,400	5,844,850	1,550
International Travels & Transport: Others	2,999,998	1,861,550	1,138,448
Telephone Charges	2,704,000	2,586,500	117,500
Internet Access Charges	254,160	250,400	3,760
Office Stationeries/ Computer consumables	3,143,520	2,982,945	160,575
News Papers	1,200,000	1,031,655	168,345
Printing of Non Security Documents	1,124,250	412,115	712,135
Drugs & Medical Supplies	208,000	113,750	94,250
Uniforms & Other Clothing	336,000	331,500	4,500
Maintenance of Motor Veh./Trans. Equip.	3,192,000	2,552,264	639,736
Maintenance of Office Furniture	300,000	274,050	25,950
Maintenance of Office BLDg/Res. Qtrs.	1,200,000	1,072,375	127,625
Maintenance of Office/ IT Equipment	2,000,000	1,992,257	7,743
Local Training	23,240,409	21,480,200	1,760,209
Security Services	1,080,000	810,000	270,000
Office Rent	15,600,000	15,320,982	279,018
Financial Consulting	3,489,650	3,200,000	289,650
Information Technology Consulting	1,500,000	1,433,990	66,010
Motor Vehicle Fuel Cost	5,001,000	0	5,001,000
Bank Charges (Other than interest)	300,000	176,400	123,600
Insurance Premium	1,522,898	0	1,522,898
Refreshment & meals	5,129,280	5,107,600	21,680
Honorarium & Sitting Allowances	3,150,000	0	3,150,000
Publicity & Advertisement	500,000	309,000	191,000
Postages & Courier Services	500,040	0	500,040
Welfare Packages	8,000,400	7,223,436	776,964
Subscription to Professional Bodies	2,000,000	1,996,596	3,404
	110,883,005	**78,414,414**	**32,468,591**
Total Recurrent Expenditure	**553,821,200**	**483,549,398**	**70,271,802**
Capital Expenditure			
Purchase of Industrial Equipment	3,000,000	0	3,000,000
Purchase of Computer/Printers	38,300,000	0	38,300,000
Computer Software Acquisition	46,000,000	0	46,000,000
Total Capital Expenditure	**87,300,000**	**0**	**87,300,000**
Total	**641,121,200**	**483,549,398**	**157,571,802**

11.12 Notes to the Financial Statements for the Year Ended 31st December, 2017

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Legal Form

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

b. Principal Activities

The DMO was established to achieve the following results:

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

c. Basis of Preparation - Statement of Compliance

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

d. Functional and Presentation Currency

These financial statements are presented in Nigerian Naira, which is the functional currency of the Office.

e. Reporting and Budgeting Period

The reporting and budgeting period of these financial statements is year 2017 (January to December, 2017).

f. Accounting Convention and Basis of Measurement

These financial statements are prepared on the historical cost basis under the Accrual Basis of Accounting.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g. Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to DMO and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized. All repair and maintenance is charged to the statement of financial performance during the financial period in which it is incurred.

Depreciation on assets is charged on a straight-line basis at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

	No of Years
Land	Nil
Motor Vehicles	4
Computer / IT Equipment	4
Office Furniture and Equipment	5

h. Revenue Recognition

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

i. Recognition of Expenditure

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

a. Payments made through cheque: Expenditure is recognized on the date the cheque is issued.
b. Inter-government transfers: Expenditure is recognized on the date the transfer is made by the transferor.
c. Payments directly into bank accounts: Direct payments into bank account, expenditure is recognized on the date the payment advice is issued to the bank.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j. Foreign Currency

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

k. Cash and Cash Equivalents

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

l. Taxation

There was no provision for both Income and Education Taxes during the period ended 31st December, 2017 because the Office is a non-profit making Organization.

m. Staff Retirement Benefits

Debt Management Office operates a defined retirement benefit plan for its staff. The Office and the employees contribute 10% and 8% respectively on the staff consolidated salaries and allowances.

n. Grants and Aids

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Property, Plant and Equipment

	Land N	Motor Vehicles N	Computer/IT Equipment N	Office Furniture & Equipment N	Total N
COST:					
At 1st January, 2017	120,037,177	102,297,468	164,643,990	164,139,465	551,118,100
Additions During the Year	0	66,681,125	0	14,605,596	81,286,721
At 31st December, 2017	**120,037,177**	**168,978,593**	**164,643,990**	**178,745,061**	**632,404,821**
DEPRECIATION:					
At 1st January, 2017	0	102,297,458	158,634,880	154,333,505	415,265,843
Charge for the year	0	12,065,674	0	1,773,986	13,839,660
At 31st December, 2017	**0**	**114,363,132**	**158,634,880**	**156,107,491**	**429,105,503**
NET BOOK VALUE:					
At 31st December, 2017	**120,037,177**	**54,615,461**	**6,009,110**	**22,637,570**	**203,299,318**
At 31st December, 2016	**120,037,177**	**10**	**6,009,110**	**9,805,960**	**135,852,257**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2017 ₦	2016 ₦
3	**Intangible Assets**		
	Computer Software		
	Cost/Valuation:		
	As at 1st January	4,662,000	0
	As at 31st December	**4,662,000**	**0**
	Amortisation:		
	As at 1st January	0	0
	Charge for the year	777,000	0
	As at 31st December	**777,000**	**0**
	Net Book Value	**3,885,000**	**0**
4	**Account Receivables**		
	Insurance Prepaid	1,617,462	0
	Accrued Income (Capital Development Fund)	37,300,000	53,509,482
		38,917,462	**53,509,482**
5	**Cash and Cash Equivalents**		
	Central Bank of Nigeria (Grants and Aids)	944,800	**63,200**
	Central Bank of Nigeria (FGN Bond Account)	1,561,058,872	**3,516,385,543**
	Capital Fund (GIFMIS)	50,000,000	**33,790,517**
		1,612,003,672	**3,550,239,260**
6	**Account Payables and Accruals**		
	Accrued Office Rent	30,641,964	15,320,982
	Audit Fee	3,200,000	3,200,000
		33,841,964	**18,520,982**
7	**Subvention**		
	Recurrent - Overhead	63,161,754	76,834,703
	- Personnel	407,221,193	402,575,563
	Capital Fund	87,300,000	87,299,999
	Public Service Wage Adjustment for MDAs	16,778,223	**0**
		574,461,170	**566,710,265**
8	**FGN Bond Flotation Receipts**		
	FGN Domestic Bond Floatation	1,785,538,251	1,156,080,644
	WHT on FGN Bond Commission	350,569,094	276,470,712
	Accrual FGN Bond Commission	30,317,325	23,213,967
	International Capital Market	306,459,526	1,703,912,364
	Diaspora Account	0	625,196,727
		2,472,884,196	**3,784,874,414**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2017	2016
		₦	₦
9	**Grants & Aids Receipts**		
	Grants and Aids - State Governments Sponsored	8,000,000	4,000,000
10	**Other Income**		
	Sale of Scrap and Stock Items	736,000	0
	Salaries Returned in Lieu of Notice	98,832	0
	Others	827	32,562,233
		835,659	**32,562,233**
11	**Operating Expenses**		
	Administrative Overheads (supplementary a)	74,061,545	83,465,800
	Repairs and Maintenance (supplementary b)	5,550,946	11,653,172
	Depreciation and Amortisation	14,616,660	6,273,200
		94,229,151	**101,392,172**
12	**State Governments Grants & Aids Expenses**		
	Local Travel and Transport	7,055,200	0
	Capacity Building -Local	0	3,936,800
		7,055,200	**3,936,800**
13	**Finance Charges**		
	FGN Bond Operations	329,700	4,441,032
	Overhead/Personnel/Capital Viz GIFMIS	176,400	217,455
		506,100	**4,658,487**
14	**FGN Bond Floatation Expenses**		
	Domestic Bond Floatation (supplementary c)	1,436,068,336	1,019,886,912
	International Capital Market (supplementary d)	938,173,326	297,604,141
	Bond IT System Platform (supplementary e)	6,182,504	107,449,719
	WHT on FGN Bond Commission	350,569,094	276,470,712
	Accrued WHT on FGN Bond Commission	30,317,325	23,213,967
	Diaspora Bond Floatation (supplementary f)	1,664,993,947	56,717,156
		4,426,304,532	**1,781,342,607**
15	**Return to Consolidated Revenue Fund**		
	Overheads	68,321	19,259
	Personnel Emolument	569,695	1,392,165
	Public Service Wage Adjustment	16,778,223	0
	Return of Salaries paid in error	1,516,514	0
	Revenue (Other Income) remittance to CRF	834,832	0
		19,767,586	**1,411,424**

11.13 Supplementary Information

		2017 ₦	2016 ₦
a.	**Administrative Overheads**		
	Local Travel and Transport: Training & Others	28,224,527	27,768,680
	International Travel and Transport: Training & Others	1,861,550	3,630,388
	Communication, Telephone and Postages	2,586,500	2,538,850
	Newspaper/Magazine/Books and Periodical	1,031,655	1,365,486
	Computer Materials and Supplies	2,982,945	3,326,893
	Printing of Non-Security Documents	412,115	164,000
	Drugs and Medical Supplies	113,750	169,050
	Uniforms and Other Clothing	331,500	2,223,093
	Refreshment and Meals	5,637,600	7,380,825
	Security Services	810,000	686,407
	Office Rent	15,320,982	15,320,982
	Audit Fee	3,200,000	3,200,000
	Financial Consulting	0	1,605,643
	Information Technology Consulting	1,433,990	2,104,897
	Motor Vehicle Fuel and Lubricant	0	1,826,000
	Honorarium and Sitting Allowance	0	3,201,774
	Welfare Packages	7,033,436	5,608,426
	Subscription to Professional Bodies	1,996,596	0
	Publicity and Advertisement	309,000	85,500
	Cleaning and Fumigation Services	0	120,000
	Internet Access Charges	775,400	1,138,906
		74,061,545	**83,465,800**
b.	**Repairs and Maintenance**		
	Motor Vehicles	2,022,264	1,425,590
	Office Furniture and Fittings	274,050	628,933
	Office Building	1,072,375	1,459,010
	Computers and IT Equipment	2,182,257	8,139,639
		5,550,946	**11,653,172**

SUPPLEMENTARY INFORMATION (Continued)

		2017 ₦	2016 ₦
c.	**Domestic Bond Floatation Expenses**		
	Local Travel and Transport	64,199,995	41,924,994
	International Travel and Transport	10,336,356	7,908,700
	Refreshment and Meals	19,426,850	0
	Publicity and Advertisement	464,377,692	365,518,450
	Listing Fees (FGN Bond)	211,242,619	205,000,000
	Information Technology Consulting	104,268,758	147,214,270
	Legal Advisory Services	196,479,211	185,935,695
	Marketing Services	226,180,298	1,307,600
	Local Training	0	2,000,000
	Filing Fee	20,000,000	17,641,125
	Subscription	110,134,813	45,436,078
	Postages	648,703	0
	Honorarium and Siting Allowance	5,970,000	0
	Insurance Premium	2,803,042	0
		1,436,068,336	**1,019,886,912**
d.	**International Capital Market (ICM) Operations**		
	Local Travel and Transport	1,952,000	1,894,680
	International Travel and Transport	179,600,277	42,233,637
	Publicity and Advertisement	0	185,560,809
	Legal Advisory Services	53,547,210	0
	Financial Advisory Services	695,715,838	0
	Refreshment and Meal	7,358,000	54,592,327
	Stationery	0	4,755,500
	Local Training	0	8,567,188
		938,173,326	**297,604,141**
e.	**FGN Bond It System Platform**		
	International Travel and Transport	0	7,362,700
	Local Travel and Transport	2,296,200	2,980,400
	Publicity and Advertisement	0	33,675,561
	Consultancy on Information Tech Platform: FGN Bonds	3,886,304	63,431,058
		6,182,504	**107,449,719**
f.	**Diaspora Bond Account**		
	Legal Service	230,479,860	56,207,556
	Publicity and Advertisement	56,822,685	35,000
	Refreshment and Meal	9,641,300	474,600
	Fees (Financial Consulting)	1,286,102,680	0
	Local Travels and Transport	2,955,600	0
	International Travels and Transport	78,991,822	0
		1,664,993,947	**56,717,156**

Earth Work on Ibadan-Ilorin-Oyo-Obomasha Road, Section II