DEBT MANAGEMENT OFFICE
NIGERIA

2018

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

HAJIA ZAINAB SHAMSUNA AHMED
Honourable Minister of Finance
Federal Republic of Nigeria

DMO SUPERVISORY BOARD

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

Hajia Zainab Shamsuna Ahmed
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, Debt Recording & Settlement Department

Mr. Monday Usiade
Head, Market Development Department

Ms. Elizabeth Ekpenyong
Head, Strategic Programmes Department

MANAGEMENT STAFF OF THE DMO

S/N	Name	Rank	Department/Unit
1.	Oniha, Patience (Ms.)	Director-General	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. Oladipo (Mr.)	Director	Portfolio Management Department (PMD)
6.	Anukposi, Alfred N. (Mr.)	Head of Department	Debt Recording & Settlement Department (DRSD)
7.	Usiade, Monday Isioma. (Mr.)	Head of Department	Market Development Department (MDD)
8.	Ekpenyong, Elizabeth E. (Ms.)	Head of Department	Strategic Programmes Department (SPD)
9.	Jiya, Janet O. (Mrs.)	Deputy Director	On Secondment
10.	Amadi, Johnson Ozurumba (Mr.)	Deputy Director	Team Leader, Policy & Strategy Unit (PSRMD)
11.	Nwankwo, Maraizu (Mr.)	Deputy Director	Team Leader, Statistics, Analysis & Risk Management Unit (PSRMD)
12.	Ekpokoba, Ikem H. (Mr.)	Deputy Director	Team Leader, Task Compliance & Operational Risk Management Unit (PSRMD)
13.	Eleri, Nicholas (Dr.)	Asst. Director	Team Leader, Institutions & Skills Development Unit- Northern Zone)
14.	Kwaghbulah, Elizabeth M (Mrs.)	Asst. Director	Team Leader, Loans & Other Financing Products (PMD)
15.	Aiyesimoju, Olaitan D. (Mr.)	Asst. Director	Team Leader, Internal Audit & Compliance Unit (DG's Office)
16.	Abubakar, Sani K. (Mr.)	Asst. Director	Team Leader, Human Resources Unit (ORD)
17.	Anyanwu, Francis Ndubuisi	Asst. Director	Team Leader, Debt Management Training Unit (SPD)
18.	Ijagbemi, Susan. Y (Mrs.)	Asst. Director	Team Leader, Admin. Unit (ORD)
19.	Oluwasile, Wuraola .E (Mrs.)	Asst. Director	Team Leader, Institutions & Skills Development Unit- Southern Zone (SPD)
20.	Masha, Naomi L. E (Mrs.)	Asst. Director	Team Leader, Sub-National Debt Unit (DRSD)
21.	Mustapha-Anas, Maryam S. (Mrs.)	Asst. Director	Team Leader, External Debt & Special Accounts Unit (DRSD)
22.	Ahmed, Fawzia I. (Mrs.)	Asst. Director	Team Leader – Operational Audit Section, Internal Audit & Compliance Unit
23.	Ekiye, Alfred (Mr.)	Asst. Director	Task Compliance & Operational Risk Management Unit (PSRMD)
24.	Said, Jummai U. (Mrs)	Asst. Director	Team Leader, Domestic Debt Unit (DRSD)
25.	Akodu, Idowu S. (Mrs.)	Asst. Director	Team Leader, Debt Service Unit (DRSD)
26.	Aja, Bartholomew O. (Mr.)	Asst. Director	Team Leader, Contingent Liability & Risk Asset Management Unit (PMD)

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ANNEXURES

GLOSSARY

ACOO	Assistant Chief Operations Officer
AfDB	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 in Africa
BAS	Bond Auctioning 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 Markets
EM-LCBI	Emerging Markets Local Currency Bond Index
ETF	Exchange Traded Funds
ES	External Support
EUR	Euro
FBN	First Bank of Nigeria Limited
FCT	Federal Capital Territory
FCTA	Federal Capital Territory Administration
FDIs	Foreign Direct Investments
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 (OTC) Securities Exchange
FMF	Federal Ministry of Finance

FMoT	Federal Ministry of Transport
FSS	Financial System Strategy
FX	Forex
GBB	Galaxy Backbone
GBP	British Pound Sterling
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 and Communication Technology
ID	Islamic Dinar
IDA	International Development Association
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFEM	Inter-Bank Foreign Exchange Market
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IPO	Initial Public Offering
IPPIS	Integrated Personnel and Payroll Information System
ISDU	Institutions & Skill Development Unit
IT	Information Technology
JPY	Japanese Yen
LCDs	Local Contractors' Debts
M2	Broad Money Supply
MC	Market Capitalization
MDAs	Ministries, Departments and Agencies

MDD	Market Development Department
MFPCC	Monetary and Fiscal Policy Coordinating Committee
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MS	Microsoft
MSCI	Morgan Stanley Capital International Emerging Markets Index
MTDS	Medium-Term Debt Management Strategy
MTEF	Medium-Term Expenditure Framework
MTN	Medium-Term Note
NBS	National Bureau of Statistics
NBET	Nigerian Bulk Electricity Trading PLC
NDIC	Nigeria Deposit Insurance Corporation
NDMF	National Debt Management Framework
NEXIM	Nigerian Export-Import Bank
NFA	Net Foreign Assets
NGN	Nigerian Naira
NIPF	National Investor Protection Fund
NSE	Nigerian Stock Exchange
NSIA	Nigeria Sovereign Investment Authority
NTBs	Nigerian Treasury Bills
OAGF	Office of the Accountant-General of the Federation
OO	Operations Officer
ORD	Organizational Resourcing Department
ORM	Operational Risk Management
OTC	Over-the-Counter
PDMMs	Primary Dealer Market Makers
PENCOM	National Pension Commission
PMD	Portfolio Management Department
POO	Principal Operations Officer
PSRMD	Policy, Strategy and Risk Management Department
PV	Present Value

rDAS	Retail Dutch Auction System
S4	Scripless Securities Settlement System
SAN	Senior Advocate of Nigeria
SDN	Sovereign Debt Note
SDR	Special Drawing Rights
SEC	Securities and Exchange Commission
SIU	Securities Issuance Unit
SMEs	Small and Medium Enterprises
SOO	Senior Operations Officer
SNDU	Sub-National Debt Unit
SPD	Strategic Programmes Department
STF	Sub-Treasury of the Federation
SRGIs	Strategic Revenue Generating Initiatives
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

DMO'S VISION, MISSION, BROAD OBJECTIVE, CORE VALUES AND BRAND

VISION

To be a Public Debt Management Institution of global reference.

MISSION

To meet the Government's financing needs in a prudent manner that supports economic development, while proactively managing the risks associated with the public debt.

BROAD OBJECTIVE

To use Debt and Debt-related instruments to support Nigeria's development goals, while ensuring that public debt is sustainable.

CORE VALUES

Staff performance in their respective assignments, and engagements with each other, as well as stakeholders will reflect the following core values, as captured in the acronym **R.E.C.I.T.E.**

R - **R**espect:	To hold staff and stakeholders in high esteem
E – **E**xcellence:	To be outstanding in service delivery
C – **C**ommitment:	To be totally devoted to delivering on the DMO's Mandate
I – **I**ntegrity:	To be transparent in our operations
T –**T**eamwork:	To ensure that all members of staff have collective responsibility for the DMO's mandate and work together towards its achievement.
E-**E**fficiency:	To optimize our resources in the execution of our mandate

BRAND

The key attributes of the DMO's Brand – the overarching messages to be conveyed by its name, its work and its people, among both internal and external stakeholders are reflected in the acronym **P.R.I.C.E.**

P - Professional:	Knowledge-driven and efficient service delivery.
R - Resourceful:	Skillful and prompt in dealing with emerging challenges, difficulties and situations in the workplace.
I - Innovative:	A haven for new ideas, originality and creativity
C - Congenial:	Pleasant and friendly staff, delightful work environment
E - Ethical:	Conform to accepted standards of social and professional conduct in the discharge of assigned responsibilities.

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:

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

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

iii. 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;

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

v. 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;

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

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

viii. 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;

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

x. 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;

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

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

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

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

Part III, Section 7 of the DMO (Establishment) Act, 2003 also provides that the Office shall have powers to:

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

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

DIRECTOR-GENERAL'S STATEMENT

It is with great honour and privilege that I present the Annual Report and Statement of Accounts of the Debt Management Office (DMO) for the year ended December 31, 2018 to our esteemed stakeholders and the general public. Since public borrowing activities are impacted by economic, political and social developments in the domestic and external environments, the Annual Report includes detailed information on Nigeria's Public Debt as well as macroeconomic trends across the globe. The Report provides the debt data statistics for the Federal Government (FGN), the 36 States of the Federation and the Federal Capital Territory (FCT). It includes information on the Debt Management Strategy and the status of its implementation, as well as, the outcome of the Debt Sustainability Analysis undertaken in 2018. The Audited Financial Statement and Accounts for the year ended December 31, 2018 which is prepared and presented in compliance with the requirements of the International Public Sector Accounting Standards is also a part of this Report.

THE GLOBAL ECONOMY

The major advanced economies retained their expansionary fiscal and monetary policies in the early part of 2018 to sustain growth. However, the European Central Bank proceeded with its plans to terminate its Asset Purchase Programme in December 2018 and policy stance changed in the course of the year as the U.S Federal Reserve Bank increased Interest Rates three (3) times by a total of 75 basis points, while other developments in the global political landscape such as the US-China trade tensions, issues surrounding the planned exit of the United Kingdom from the European Union (BREXIT) contributed to the weakening of the global economy, especially in the second half of 2018. According to information from the International Monetary Fund's Report "*World Economic Outlook: Growth, Slowdown, Precarious Recovery, April 2019*", the global growth which reached 4 percent in 2017 declined to 3.6 percent by the end of 2018, and it is projected to decline further to about 3.3 percent in 2019 due to the lingering trade tensions between US and China and the absence of a clear cut plan for the UK's exit from the European Union.

THE DOMESTIC ECONOMY

The performance of the Nigerian economy was an improvement over its performance in 2017 when measured on several parameters such as the GDP Growth Rate, Inflation, External Reserves and the Naira Exchange Rate.

The domestic policy environment in 2018 was driven mainly by continued fiscal prudence and sustained implementation of sectoral programmes and projects as outlined in the Economic Recovery and Growth Plan (ERGP). The management of the economy was strengthened by price and exchange rate stability and the Government's continued investments in the funding of critical infrastructure projects such as power, roads and rail transport. The focus on the development of infrastructure was re-enforced with the establishment of the Presidential Infrastructure Development Fund by Mr. President in February 2018 as a vehicle for raising long-term capital to finance strategic capital projects. The DMO supported the Government's focus on infrastructure through the raising of new funds to finance the Capital Budget in the 2018 Appropriation Act. This was further demonstrated by the issuance of another Sovereign Sukuk in the sum of ₦100 billion to finance the rehabilitation and construction of twenty – eight (28) critical economic roads across the six (6) geo political zones of the country.

In terms of economic growth, the overall real GDP growth rate in 2018 was 1.93 percent which is a remarkable improvement on the 0.83 percent recorded in 2017. According to the National Bureau of Statistics (NBS), the growth was buoyed by the Non-Oil Sector which on an annual basis grew by 2.0 percent in 2018 compared to 0.47 percent in 2017 (due to the recovery in crude oil prices and increased domestic production), while the Oil Sector grew by 1.14 percent in 2018 compared to 4.49 percent in 2017. Whereas, the Service Sector (Information and Communication Technology) which grew by 9.65 percent in 2018, was the key driver of growth in the Non-Oil Sector, a slowdown in the Agriculture Sector was due mainly to conflicts and unfavorable climate and weather conditions.

Inflation continued with its downward trend as the Year-on-Year headline inflation moderated to 11.44 percent in December 2018 from 15.37 percent at the end of 2017. The major contributor to the declining trend was Food Inflation which closed at 13.56 percent in 2018, compared to 18.92 percent at the beginning of the 2018. Similarly, Core

Inflation which provides information on the underlying inflationary threats in the economy by (excluding prices of commodities that are volatile), closed the year at 9.8 percent from 12.1 percent at the start of the year.

External Reserves stood at US$42.54 billion as at December 31, 2018 representing an increase of 8.11 percent from the US$39.35 billion recorded at the end of 2017. The increase was attributed to the recovery in crude oil prices and increased oil production. The External Reserves level was further strengthened by the implementation of the Bilateral Currency Swap Agreement (BCSA) between Nigeria and China for US$2.5 billion in April 2018, as well as inflows of US$2.5 billion and US$2.868 billion being proceeds of Eurobonds issued by Nigeria in February 2018 and November 2018 respectively. The growth in the External Reserves, as well as, increased activity in the Investors and Exporters (I&E) window where about US$5.93 billion was sold in 2018, helped to boost liquidity in the Foreign Exchange Market and promote Exchange Rate stability. The Naira Exchange was stable as it closed the year at US$1/₦307 as at December 31, 2018, which compares favourably with the Exchange Rate of US$1/₦306 as at December 31, 2017.

FUNDING THE 2018 APPROPRIATION ACT

The borrowing activities of the DMO are derived primarily from the Appropriation Acts. The 2018 Appropriation Act, was aimed at consolidating the recovery and growth trajectory of 2017 and had an Aggregate Expenditure of ₦9.12 trillion while the Revenue was ₦7.17 trillion resulting in a fiscal deficit of ₦1.95 trillion. The sum of ₦1.643 trillion or 84 percent of total fiscal deficit, was to be funded through New Borrowing of ₦793.91 billion to be raised from the domestic market and ₦849.67 billion to be sourced externally. The split in the New Borrowing between external and domestic sources is intended to achieve one of the objectives of the Debt Management Strategy (2016-2019) which has a target ratio of 60:40 between Domestic and External Debt.

As at December 31, 2018, the sum of ₦778.91 billion or 98% of the New Domestic Borrowing had been raised through the issuances of Federal Government of Nigeria (FGN) Bonds, Sukuk and Federal

Government of Nigeria Savings Bonds (FGN Savings Bond). The outstanding sum of ₦15 billion in the Domestic Borrowing is to be raised through the Issuance of another Sovereign Green Bond in the early part of the year 2019. The New External Borrowing of ₦849.67 billion was raised through the issuance of Eurobonds in November 2018. The proceeds of these New Borrowings were deployed to fund capital projects in the 2018 Appropriation Act.

TOTAL PUBLIC DEBT IN 2018

The Government's, economic blueprint, the Economic Recovery and Growth Plan (2017-2020) had recognized that the Government would need to invest in the economy to stimulate growth and job creation, and, that in view of the sharp drop in Oil Revenues, the investments will be funded by borrowing in the short term. For this reason, the Government had raised capital from domestic and international sources through the issuance of securities as well as loans from multilateral and bilateral lenders. It is however important to note that the level of New Borrowings in the Appropriation Acts have declined as the economy recovered from recession and the emphasis is now on revenue generation. New Borrowings in the Annual Appropriation Acts decreased from ₦2, 321.77 billion in 2017 to ₦1, 643.46 billion in 2018.

Nigeria's Total Public Debt (comprising the Debt Stock of the Federal Government – FGN, the 36 States of the Federation and the FCT) rose by 12.25% to ₦24,387,071.74 million (US$79,436.72 million) as at December 31, 2018. The corresponding figure for December 31, 2017 was ₦21,725,773.03 million (US$70,999.26 million). In terms of the composition of the Debt Portfolio, the External Debt Stock as at December 31, 2018 was US$25,274.36 million or 31.82 percent of the Total Public Debt Stock, while the total Domestic Debt Stock was US$54,162.35 million or 68.27 percent of the total Public Debt Stock.

In 2018, the DMO started the issuance of Sovereign Promissory Notes to settle FGN arrears. As at December 31, 2018 a total sum of ₦335.41 billion had been issued to Oil Marketing Companies and State Governments for settlement of outstanding liabilities. The Notes are included in the Total Public Debt as at December 31, 2018

When considered relative to the Gross Domestic Product (GDP), the Total Public Debt Stock remained sustainable at 19.09 percent of GDP as at December 31, 2018, which is lower than the 25 percent maximum Debt Limit imposed by Nigeria for reasons of prudence in borrowing. This ratio is, also still much lower than the international threshold of 55 percent set by the World Bank and the International Monetary Fund for countries in Nigeria's peer group and the ECOWAS Convergence Threshold of 70 percent.

While Debt to GDP remained within accepted limits, the Debt Service to Revenue Ratio has been relatively high. It is noteworthy, that Government has intensified efforts to increase its Revenues particularly from non-oil sources, which is expected to reduce the Debt Service to Revenue Ratio. In addition to on-going initiatives and activities to shore up revenues, the Government introduced a Strategic Revenue Growth Initiative in January 2019 to accelerate revenue growth and monitoring to ensure targets are achieved. Simultaneously, the Government introduced measures to moderate Debt Service Costs by reducing the level of new borrowing whilst also substituting high cost short term domestic debt with low cost long term external debt. Amongst the debt management initiatives to achieve moderation in the Debt Service Costs were: the New Borrowings were structured to include significant external components whilst about ₦976.903 billion of Nigerian Treasury Bills (NTBs) at interest costs of about 18.50 percent were refinanced with external borrowing at much lower interest rate of about 8 percent and longer tenors of up to 30 years.

IMPLEMENTATION OF THE DEBT MANAGEMENT STRATEGY

The borrowing activities of the DMO were closely guided by the New Borrowing in the 2018 Appropriation Act and the Debt Management Strategy, 2016 – 2019. For this purpose, the raising of the New External Borrowing of ₦849.67 billion (about US$2.786 billion) provided in the 2018 Appropriation Act and the refinancing of ₦976.903 billion NTBs that were redeemed from the proceeds of a US$3.00 billion Eurobond issued to refinance short term domestic debt, raised the share of External Debt in the Debt Stock to 32 percent as at December 31, 2018 thereby bringing it closer to the target of 40 percent as stated in the Debt Management Strategy. Also the redemption of NTBs and new borrowing through issuances of long tenored securities in the domestic and international capital markets, elongated the average life (Average Term to Maturity) of the Public Debt to 11.62 years in 2018 from 11.55

years in 2017. Consequently, the exposure of the debt portfolio to Interest rate and refinancing risks was significantly reduced in 2018.

ACTIVITIES IN THE INTERNATIONAL CAPITAL MARKET

To actualize the targets of the Debt Management Strategy, the DMO on behalf of the FGN accessed the ICM twice in 2018.

In February 2018, US$2.50 billion Eurobonds (in two tranches of US$1.25 billion each for tenors of 12 years and 20 years) were issued to redeem maturing NTBs as one of the strategic measures to moderate Debt Service Costs, free-up space for other borrowers in the domestic market and increase External Reserves. For the implementation of the New External Borrowing in the 2018 Appropriation Act, in November 2018, US$2.868 billion Eurobonds (in three tranches of US$1.118 billion, US$1.00 billion and US$750 million for 7 years,10 years and 30 years) respectively, were issued. US$2.785 billion of the proceeds was used to part finance the fiscal deficit in the 2018 Appropriation Act.

Investor confidence in Nigeria's credit story resulted in significant over-subscription of all the Eurobonds issued in 2018. For the US$2.5 billion Offer in February 2018, the Total Subscription was US$11.50 billion while for the US$2.868 billion Offer in November 2018, the Total Subscription was US$9.50 billion both of which translate to subscription levels of 460 percent and 331 percent respectively.

The new Eurobonds issued in the ICM in 2018 enabled Nigeria to introduce two (2) new benchmark tenors of 7 years and 20 years and have a US$ Sovereign Yield Curve with several benchmarks from three (3) to thirty (30) years.

ACTIVITIES IN THE DOMESTIC MARKET

The DMO raised the sum of ₦778.79 billion out of the New Domestic Borrowing of ₦793.79 billion in the 2018 Appropriation Act through the Issuance of FGN Bonds, Sukuk and FGN Savings Bond.

Of particular significance was the issuance of a second Sovereign Sukuk for ₦100 billion with a tenor of 7 years and Rental Income of 15.743 percent in December 2018. The Sukuk was issued in continuation of the DMO's objective of diversifying the investor base for FGN Securities, promoting financial inclusion and deepening the domestic financial market. The response to the Offer was strong with a subscription level of over

132 percent. One of the strong outcomes of the issuance was the higher level of subscription by retail investors which resulted in 17.33 percent of the amount on Offer allotted to them. The proceeds of this second ₦100 billion Sovereign Sukuk, is being used for the reconstruction and rehabilitation of Twenty-Eight (28) Roads across the Six (6) Geopolitical Zones of Nigeria. The transformation of the 25 road projects whose rehabilitation and reconstruction were financed by the debut Sovereign Sukuk that was issued in September 2017, was a demonstration of how borrowing can be used to develop infrastructure.

In its drive to promote domestic savings, the DMO continued to offer its retail product, the FGN Savings Bond. The FGN Savings Bond recorded a total subscription of ₦3.553 billion in 2018. As at December 2018, the sum of ₦10.750 billion had been raised from 13,560 investors since the product debuted in March 2017.

OTHER ACTIVITIES OF THE DMO IN 2018

New Strategic Plan (2018-2022)

The DMO's 4th Strategic Plan covering the period 2018-2022 was unveiled in 2018. The Plan, which aligns public debt management activities with the policy thrust of Government, as contained in the ERGP, has as its Broad Objective: *To use debt and debt related instruments to support Nigeria's development goals, while ensuring that public debt is sustainable* and a Vision of: *To be a Public Debt Management Institution of Global Reference* It includes eight Strategic Goals which are designed to achieve the Broad Objective by addressing the current and evolving needs of Government as well as global trends in public debt management.

In recognition of the increasing attention being given to public debt in the fiscal space which makes it imperative for the DMO to upscale its activities, the 4th Strategic Plan includes a new set of Core Values **RECITE***: Respect; Excellence; Commitment; Integrity; Teamwork; and, Efficiency,* and a Brand Identity - **PRICE**: *Professional; Resourceful; Innovative; Congenial; and, Ethical.*

National Debt Management Framework (2018-2022)

In the course of the year 2018, the DMO published a new National Debt Management Framework (NDMF) to replace the one that expired in December 2017. The NDMF is a compendium of the legislations and policies that govern borrowing, institutions involved in the borrowing and debt management processes. It is a compendium that is useful for public debt managers within and outside Nigeria.

Staff Matters

2018 Promotion

The 2018 Promotion Exercise of the DMO were also conducted for all eligible members of staff. Seventeen (17) members of staff who participated in the Promotion Exercise were promoted to various levels.

Training and Redeployment

To ensure that staff were equipped for their respective roles, the DMO arranged Training Programmes for its members of staff for which it engaged the services of reputable course providers. 76 members of staff attended training on Fixed Income Securities facilitated by the Financial Market Dealers Association. Others attended courses on Information and Communication Technology and Report Writing amongst others. Members of staff also participated in Retreats, Workshops and other events organised by stakeholders such as the Central Bank of Nigeria, Office of the Accountant General of the Federation, The Nigerian Stock Exchange, Financial Markets Dealers Quotation Securities Exchange and the World Bank. Several members of staff also benefited from offshore courses sponsored by the West African Institute for Financial and Economic Management (WAIFEM), Collaborative Africa Budget Reform Initiative (CABRI) and the International Monetary Fund.

To improve on-the job performance, a major staff re-deployment exercise was undertaken in July 2018.

Capacity Building for the Media

In addition to the bi-annual Interactive Sessions with the Media on Public Debt, the DMO in 2018 organized a One-Day Training Programme for Financial Reporters and Editors to enrich their knowledge of the securities markets and the role of the Government in the markets. The Training Programme which was titled *"Fixed Income Securities and Markets for Financial and Business Editors"* was held in Abuja and Lagos on August 16, 2018 and August 28, 2018 respectively and was facilitated by the Financial Market Dealers Association. A total of 96 journalists from the print and electronic media participated in the Programme.

Activities for Sub-National Governments

The DMO continued to strengthen public debt management capacity at the sub-national level by conducting training on *"Excel Template for Domestic Debt Recording and Reporting*" for Anambra, Adamawa and Imo States. Also, a special capacity building programme on "*Public Debt Creation and Sub-National Debt Management*" was conducted for Bayelsa State's Debt Management Department.

Towards the end of 2018, the DMO started the implementation of a capacity building programme for sub-nationals through a Grant from the African Development Bank (AfDB) under its *"Medium Income Country-Technical Assistance Fund (MIC-TAF) Project for Sub-National Debt Management*". Under the programme, the DMO organized one-day Sensitization Workshops titled*" Sensitization Workshop on Sub-National Debt Management for Top Policy Makers in States of the Federation and the FCT"* in Kano and Benin City for high ranking State officials in the executive and legislative arms of governments. Representatives from the 36 State Governments and the FCT participated in the Workshops. The interactions at the two (2) events were encouraging as they demonstrated a strong interest in improving debt management practices at the sub-national level.

As a further demonstration of the FGN's commitment to effective debt management at all tiers of Government, debt-related targets and activities were included in the World Bank-sponsored Nigeria's *States' Fiscal Transparency, Accountability and Sustainability (SFTAS) Programme,* which is aimed at supporting the 36 States of the Federation and the FCT to achieve the 22-Point Fiscal Sustainability Plan and the Open Government Partnership Agenda, using an incentive-based model. The DMO is the implementing agency for debt-related activities and some members of its staff have participated in Sensitisation Workshops organised for sub-national governments on the implementation of SFTAS.

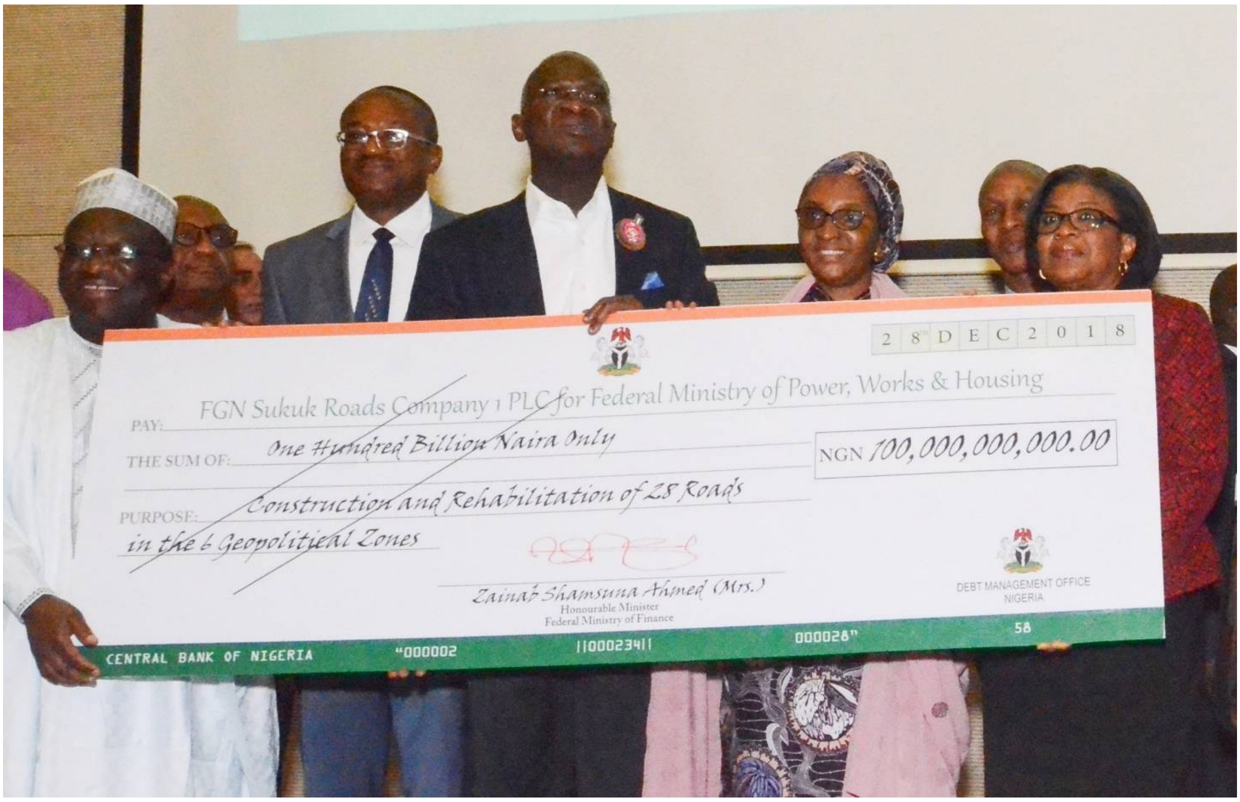
OUTLOOK

The Nigerian economy is expected to sustain its growth trajectory as GDP is projected to grow at 3.0 percent in 2019, while inflation is expected to moderate to 9.98 percent (2019-2021 MTEF). Growth is expected to be driven by improved oil revenue (occasioned by favourable oil prices), relative stability in the Foreign Exchange Market, improved growth in the non-oil sector, coupled with the impact of the Executive Order on Ease of Doing Business and Local Content amongst others. Whilst the Government continues with its policies of encouraging local production (especially of food items), maintaining stability in the Niger Delta region and managing the security issues, the Nigerian economy is still faced with the risks of a fall in crude oil prices and economic slowdown in the advanced economies.

CONCLUSION

I wish to express my sincere appreciation to the Chairman of the Supervisory Board of the DMO, and Vice President of the Federal Republic of Nigeria, His Excellency, Professor Yemi Osinbajo, SAN, GCON; the Vice-Chairman of the Board and Honourable Minister of Finance, Hajiya Zainab Shamsuna Ahmed; and the other distinguished members of the Board for their support. My gratitude also goes to the National Assembly, Development Partners and other stakeholders including Ministries, Departments and Agencies for their collaboration with the DMO in the course of the year. Lastly, I wish to thank the Management and Staff of the DMO for their commitment to the vision and aspirations of the institution in ensuring that the Office delivered on its mandate.

Patience Oniha
Director-General
August 30, 2019



Formal handover of the Sukuk Cheques by the Honourable Minister of Finance, Hajia Zainab Shamsuna Ahmed to the Honourable Minister of Power, Works and Housing, Mr. Babatunde Raji Fashola, SAN.


Sukuk Proceeds - Rehabilitation of Outstanding Section of Onitsha-Enugu Expressway (Amansea-Enugu)

CHAPTER ONE

THE OPERATING ECONOMIC ENVIRONMENT

The global economy in 2018 was supported by a sustained growth in the US economy, as well as a stable performance in most of the Emerging Markets and Developing Economies, which offset slower growth in the Euro-area and Asia. The growth of the US economy was driven by fiscal stimulus, whereas Japan's economy experienced a slower growth, attributed to contraction in private consumption and investment. Recovery in the Euro-area economies continued to be driven by domestic demand and accommodative monetary policy. Most Emerging Markets and Developing economies remained stable due to the rising oil prices, fallouts of the trade tensions between the US and China, while Sub-Saharan African economies continued to improve due to rising commodity prices. Nigeria's economy recorded an improvement in 2018 and the growth trend is expected to be sustained in 2019 due to the recovery in oil price and enhanced oil production, stability in the foreign exchange market, increased flows of financial resources to the real sector and effective implementation of the Economic Recovery and Growth Plan.

1.1 The Global Economy

1.1.1 Output Growth

The global economy in 2018 was supported by appreciable growth in the US economy, due to the fiscal stimulus, as well as a stable performance in most of the Emerging Markets and Developing Economies (EMDEs). This development largely offset the slower growth in some other economies, notably the Euro Area and Asia. Data from the International Monetary Fund (IMF) - World Economic Outlook (April, 2019) indicated that global output growth rate was estimated at 3.7 percent for 2018, same as 2017, and it is projected to decline to 3.3 percent in 2019 due to financial market volatilities, trade conflict between the US and its trading partners, tightening global financial conditions, issues surrounding the BREXIT, the termination of the European Central Bank's (ECB) Asset Purchase Program in December 2018, and the slowdown in the Chinese economy.

For the Advanced Economies, the average growth rate recorded in 2018 was 2.2 percent and it is projected at 1.8 percent in 2019. However, the US economy recorded a stronger performance in 2018 with a growth rate of 2.9 percent compared to 2.2 percent in 2017, and driven largely by fiscal stimulus. The US growth rate is projected to moderate to about 2.3 percent in 2019, due to slack in domestic demand and restrictive trade policies, which is expected to dampen exports. Japan's economy experienced a slower than expected growth of 0.8 percent in 2018 compared to 1.9 percent in 2017, attributed to weaker private consumption, caused by adverse weather conditions in the first few months of the year, and the contraction in private investments following uncertainties in the global financial market. The economy is, however, projected to rebound in 2019 at 1.0 percent, but growth is expected to be moderated as the planned increase in consumption tax from 8 to 10 percent is implemented, and will reduce private consumption.

The recovery in the Euro-Area Economies continued in 2018, driven by domestic demand and accommodative monetary policies. In the Euro Area, Spain had the strongest performance at 2.5 percent, while Germany and France recorded 1.5 percent in 2018. Overall, the growth rate of Euro Area economies was 1.8 percent in 2018, lower than 2.4 percent recorded in 2017. Further slowdown in growth is expected in 2019 at 1.3 percent, as trade tensions between the US and China continue. UK's economy moderated to 1.4 percent in 2018 from 1.8 percent in 2017, arising from the impact of widespread flooding and uncertainties surrounding the exit from the European Union, but is expected to strengthen at 1.2 percent in 2019. Italy's economy contracted in 2018 and entered into a recession as a result of weak domestic policy, which has left the economy with huge debt, low growth and high unemployment. Analysis by the European Commission (EC) predicts Italy's economy to barely grow in 2019 at 0.2 percent, the least among Eurozone nations.

The economic growth of Emerging Markets and Developing Economies remained stable at about 4.5 percent in 2018, but is projected to decline slightly to 4.4 percent in 2019, due to rising oil prices, trade tensions and geopolitical conflicts. China is expected to moderate at 6.3 percent in 2019, after recording a growth rate of 6.6 percent in 2018, due to weak exports caused by ongoing trade tensions with the US and tighter credit conditions. Russia benefited from rising oil prices and exports with growth of 2.3 percent in 2018 compared to 1.6 percent in 2017. However, growth is expected to be constrained by currency depreciation, inflationary pressure, as well as geopolitical tensions in the region. India remained strong in 2018 with growth of 7.1 percent in 2018 compared to 7.2 percent in 2012, and is projected to pick up to 7.3 percent in 2019, supported by continued recovery of investment and robust consumption.

The Middle East, North Africa, Afghanistan and Pakistan (MENAP) economies experienced a decline in growth from 2.2 percent in 2017 to 1.8 percent in 2018, and is projected to decline further to 1.5 in 2019, due to escalating trade tensions and tightening of global financial conditions.

The overall growth of the economies of Latin America and the Caribbean was weighed down by the prolonged recession in Venezuela and contraction in Argentina, as the region recorded a slower growth rate of 1.0 percent in 2018 compared to 1.2 percent in 2017, but projected to improve to 1.4 percent in 2019. Brazil and Mexico, the largest economies in the region recorded growth rate of 1.1 and 2.0 percent in 2018, respectively, compared to 1.1 and 2.1 percent in 2017. While Mexico is projected to slow down at 1.6 percent in 2019, Brazil is expected to improve by 2.1 percent in 2019, to be supported by stronger private consumption and investment. The risk to growth for both countries remains political uncertainties surrounding the implementation of reforms by the new governments.

The Sub-Saharan African Economies marginally grew by 3.0 percent in 2018 from a growth of 2.9 percent in 2017. This growth was driven by rising commodity prices and increasing domestic demands, and it is projected to rise to 3.5 percent in 2019, which will be higher than the growth in Advanced economies and some countries in the EMDEs, but lower than China's and India's projected growth rates.

In Nigeria, the economy growth is projected at 2.1 percent in 2019, compared to 1.9 percent in 2018, and is expected to be driven by the recovery in oil price and production. Similarly, the South African economy is projected to grow at 1.2 percent in 2019 compared to 0.8 percent in 2018, but is likely to be affected by challenges in the mining production, low business confidence and policy uncertainty. The main challenges to the economies of the Sub-Saharan African region would include tightening in global financial conditions, declining commodity prices, reoccurrence of drought, and uncertainties in political transition in countries such as South Africa, Senegal and Tunisia, as these could also weaken existing reform efforts.

1.1.2 Inflation

The global inflation rate rose to 3.8 percent in 2018, as a result of higher energy prices. In Advanced Economies, the rate of inflation was 2.0 percent in 2018 compared to 1.7 percent in 2017 and it is expected to drop to 1.7 percent in 2019. In EMDEs, inflationary pressures intensified due to currency depreciation arising from monetary tightening (through increases in interest rates) by the US Federal Reserve. The average rates of inflation in the EMDES rose to 4.9 percent in 2018 from 4.3 percent in 2017, and it is projected to rise to 5.1 percent in 2019. It is, however, projected that a decline in oil prices might reverse the trend, especially for oil importing economies, and thus moderate currency depreciation in these countries.

Inflationary pressure eased in Sub-Sahara Africa, as the average rate of inflation fell to 10.9 percent in 2018 from 12.6 percent in 2017, and is projected to decline further to a single digit rate of 8.1 percent in 2019. Inflation rate was highest in conflict affected countries like South Sudan, but lowest at 2 percent or less, in member countries of the French-backed CFA blocs – CFA Central Africa (CEMAC) and CFA West Africa (WAEMU). While for the member countries of the Economic Community of West African States, inflation is projected to decline moderately, but to stay in double digits of about 11 percent in 2019. The higher inflation projection reflects the macroeconomic and political developments in the key economies within the region.

1.2 The Nigerian Economy and Policy Environment in 2018

1.2.1 Developments in Output

Nigeria continued to experience steady improvement in its economic growth in 2018 following the 2016 recession, as the real GDP growth rate rose from 0.82 percent in 2017 to 1.93 percent in 2018. The positive economic performance was due to the recovery in oil prices, stability in the foreign exchange market, increased flows of financial resources to the real sector of the economy and effective implementation of the Economic Recovery and Growth Plan (ERGP).

Data from the National Bureau of Statistics (NBS), shows that growth was driven by the Non-oil sector of the economy with a real growth of 2.0 percent in 2018, compared to 0.47

percent in 2017. The oil sector declined from 4.49 percent in 2017 to 1.14 percent in 2018. On quarter-on-quarter basis, the real GDP had a positive growth of 1.95, 1.50, 1.81 and 2.38 percent in the first, second, third and fourth quarters of 2018. Table 1.1 shows the trend of selected economic indicators between 2014 and 2018.

Table 1.1: Selected Macroeconomic Indicators, 2014 - 2018

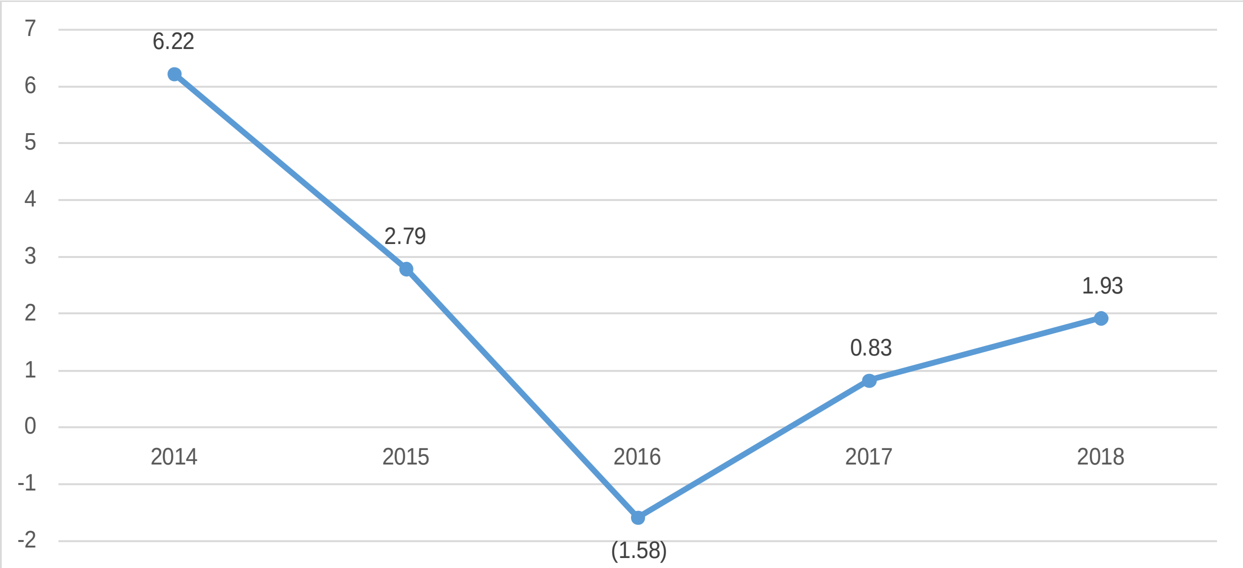
Description	2014	2015	2016	2017	2018
Real GDP Growth Rate (%)	6.22	2.79	-1.58	0.83	1.93
CPI Inflation (end-period) (%)	8.00	9.60	18.55	15.37	11.44
Budget Deficit (% of GDP)	1.90	1.09	2.14	2.18	1.73
External Reserves (US$' billion)	34.25	28.29	26.99	39.35	42.54
End-Period Exchange Rate (₦)	168.00	197.00	305.00	306.00	307.00
Total Public Debt-to-GDP Ratio (%)	12.65	13.02	16.27	18.20	19.09
Benchmark Crude oil price (US$)	77.5	53.00	38.00	44.50	51.00
Equities Market Capitalization (₦' trillion)	11.47	9.65	9.11	13.62	11.72
Bond Market Capitalization (₦' trillion)	5.38	7.14	6.25	9.29	10.17

Sources: MBNP, NBS, CBN, DMO

Note: Total Public Debt-to-GDP ratio includes States & FCT's Domestic Debt Stock

The Non-oil sector contributed about 91.40 percent to the GDP, while the Oil sector contributed 8.60 percent in 2018. The Services Sector played a major role in driving the performance of the Non-oil Sector with a contribution of 52.62 percent in 2018, which was higher than the 2017 contribution of 46.95 percent. The Agriculture sector contributed 25.13 percent in 2018, when compared to 25.08 percent in 2017, represented an increase of 0.05 percent, while the contribution of Industrial sector remained at the same level of 22.25 percent. Overall, the various policies and initiatives of Government, ensured that the economy remained on the positive growth path after the recession of 2016 as shown in Figure 1.1.

Figure 1.1: Annual Real GDP Growth Rate (%), 2014 -2018



Source: National Bureau of Statistics (NBS)

1.2.2 Fiscal Developments

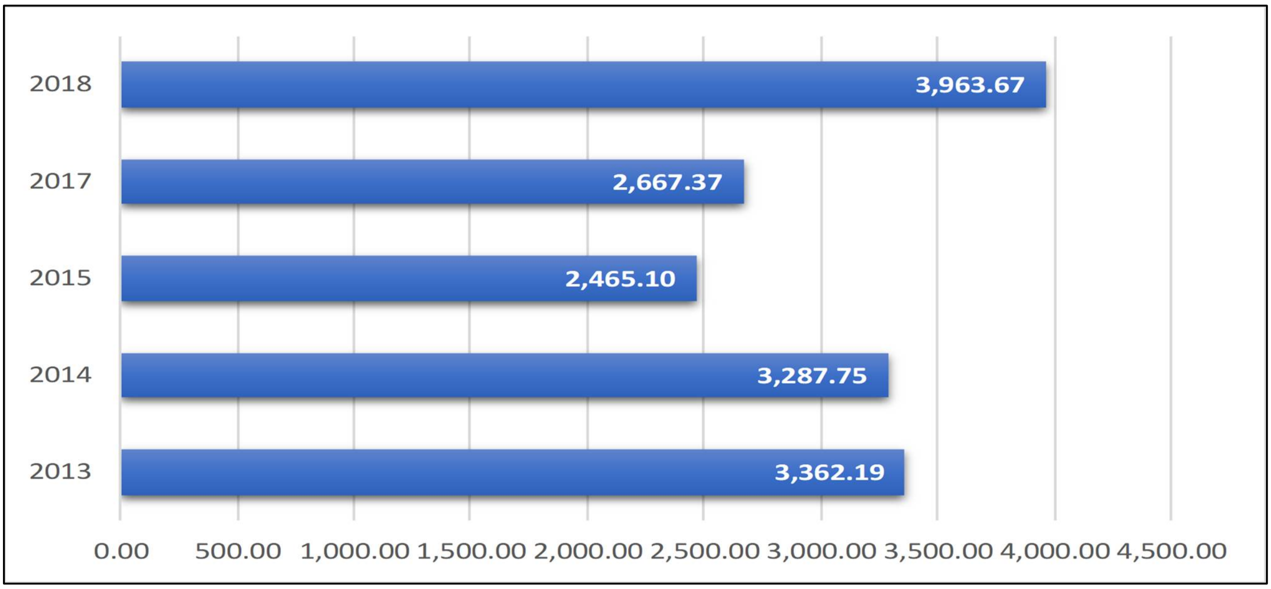
The fiscal operations of the FGN in 2018 was expansionary, and it was focused on consolidating the growth trajectory of 2017. The 2018 Total FGN Expenditure was projected at ₦9.12 trillion, with a deficit of ₦1.954 trillion, as against a total FGN expenditure of ₦7.44 trillion and deficit of ₦2.35 trillion in 2017.

As part of efforts at driving the Administration's Economy Recovery and Growth Plan (ERGP), which focuses on sustainable economic growth, the 2018 Capital Expenditure was increased by 12.3 percent from ₦2.36 trillion in 2017 to ₦2.65 trillion in 2018. The Revenue estimate of ₦7.167 trillion for 2018 was based on a crude oil price benchmark of US$51.00 per barrel per day and exchange rate of ₦305 to the US dollar.

In order to drive Non-Oil Revenue, the Federal Government in 2018 introduced the Strategic Revenue Growth Initiative (SRGI), which was launched in January 2019, and meant to promote increased and sustainable revenue generation across the relevant sectors of the economy. Part of this initiative also include a new Revenue Management Framework for Government Owned Enterprises (GOEs).

The various initiatives and actions of the Government have resulted in enhanced growth in Revenues as shown in Figure 1.2. The actual revenue of ₦3.95 trillion in 2018 was 46.84 percent higher than the ₦2.69 trillion recorded in 2017. Notwithstanding the relatively higher Revenue achieved, it represented about 55.00 percent of the target (₦7.17 trillion) in 2018 budget.

Figure 1.2: Actual Revenue (N'bn) Performance of Federal Government, 2013-2018



Source: National Bureau of Statistics (NBS)

Total FGN expenditure was ₦7.54 trillion in 2018, which was 20.95 percent or ₦1.58 trillion less than the proposed Total Expenditure of ₦9.12 trillion for the period. This represents a budget performance of 79.05 percent for the period under review. Capital Expenditure releases in 2018 amounted to ₦1.68 trillion, as against the proposed amount of ₦2.65 trillion in the Budget.

The budget deficit for 2018 was ₦1.95 trillion, which was 1.73 percent of the GDP, compared to the budget deficit of 2.18 percent of GDP (₦2.36 trillion) projected in 2017. Out of the total budget deficit for 2018, ₦1.74 trillion was financed through domestic borrowing of ₦0.67 trillion and foreign borrowing of ₦1.07 trillion. The total borrowing in 2018 was lower than the amount of ₦2.32 trillion borrowed in 2017, by ₦0.58 trillion, reflecting government's efforts at fiscal consolidation, and thus reduce the rate of growth of public debt.

In an effort to address the country's infrastructural deficit, and maximize available resources, the Federal Government adopted a number of initiatives, which include the following:

i. In February 2018, the President issued an Executive Order 007 on Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme ('the Scheme'). The Scheme is a public-private partnership arrangement, which enables private companies fund the construction and refurbishment of eligible roads in Nigeria. In return, participants in the Scheme are entitled to recover the project funds by way of tax credit which can be claimed against Companies Income Tax (CIT) payable.

ii. The Presidential Infrastructure Development Fund (PIDF) was established in May 2018. The Fund is to be managed by the Nigeria Sovereign Investment Authority (NSIA) and the objective is to eliminate the risks associated with project funding, cost variation and completion of on-going projects in the nation.

iii. In July 2018, Government approved the implementation of 2018 Fiscal Policy Measures (2018 FPM) to replace the 2016 FPM, which was meant to cushion the effect of the recession on consumers, protect the local pharmaceutical industry, and stimulate local production of goods and services across all industries, and discourage the consumption of certain items.

1.2.3 Developments in Money Supply and Prices

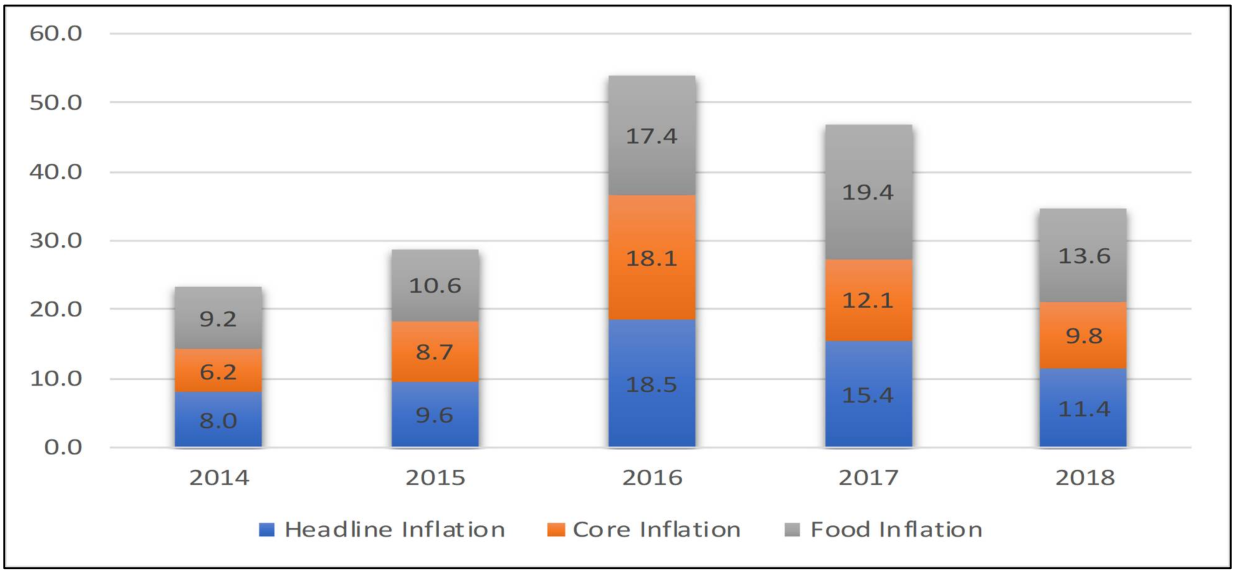
For the Nigerian economy, Broad Money Supply (M2) grew by 12.17 percent as at December 31, 2018 over the level in 2017, and also against the provisional benchmark of 10.48 percent for 2018, set by the Central Bank of Nigeria. The increase was as a result of the growth in Net Foreign Assets (NFA) of the banking system. There was improved lending to the real sector as shown by the marginal growth of credit to the private sector by 1.96 percent below its provisional benchmark of 12.39 percent, while credit to the government grew by 33.77 percent above its benchmark of 17.38 percent.

The CBN sustained the tight Monetary Policy stance in an effort to maintain exchange rate stability and curtail inflationary pressure. The Monetary Policy Rate (MPR) of 14.00 percent, Cash Reserve Ratio (CRR) on both public and private sector deposits of 22.5 percent, Liquidity ratio of 30.0 percent and asymmetric corridor of +200 basis points and -500 basis points around the MPR, were sustained throughout 2018.

The interest rates generally reflect the level of liquidity in the banking system as average Prime Lending Rate and Inter-bank Rates declined by 1.06 and 14.09 percentage points from 17.66 and 24.02 percent in 2017 to 16.60 and 9.93 percent as at December 31, 2018, respectively. The improvement in liquidity of the banking system was due mainly to the redemption of ₦997 billion of Nigerian Treasury Bills (NTBs) between December, 2017 and December, 2018 by the DMO, which also led to the reduction in the Prime Lending Rate.

The headline inflation (year-on-year) which was 15.40 percent in December 2017 moderated to 11.44 percent in December 2018, down by 3.96 percentage points. The decline in inflation was on both food and core inflation rates. The low inflationary pressure was attributed to relative stability in the foreign exchange market. Generally, Figure 1.3 shows that Headline Inflation rate has moderated since 2016, and it is an indication of the progress that the Central Bank of Nigeria (CBN) has made towards attaining the target of single digit inflation rate.

Figure 1.3: End-Period Inflation Rates (%) 2014 - 2018

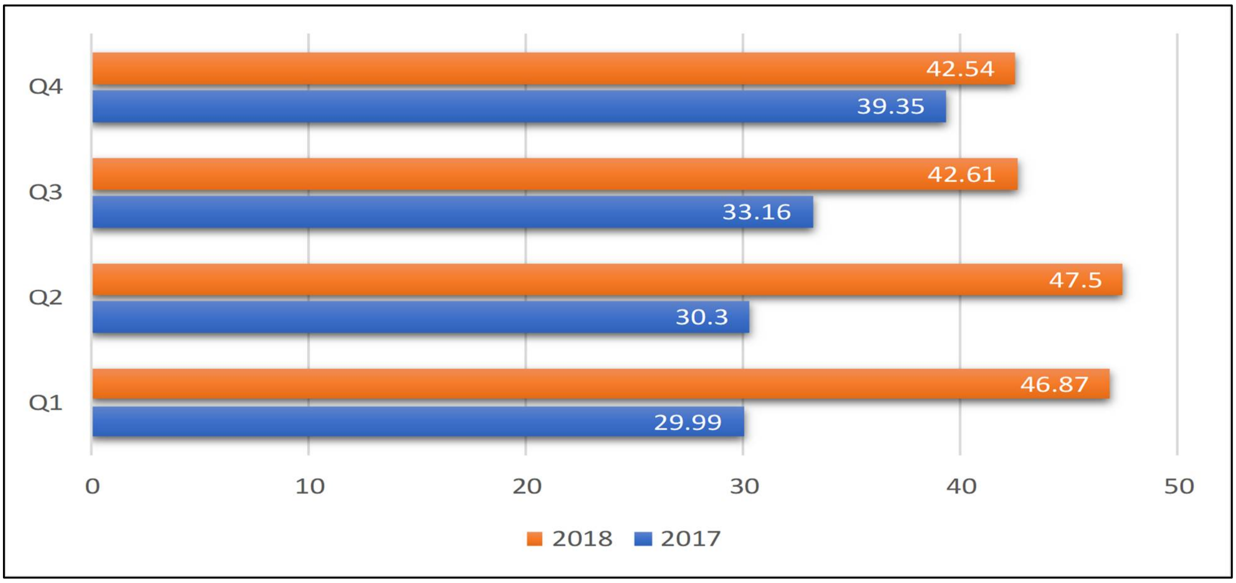


Source: National Bureau of Statistics (NBS)

1.2.4 External Sector Developments

Gross External Reserves increased to US$42.54 billion as at December 31, 2018 from US$39.35 billion in the corresponding period of 2017, representing an increase of US$3.19 billion or 8.11 percent. This External Reserves position covered 6.3 months of imports of goods and services or 10.1 months of imports of goods only, which is above the IMF benchmark of 3 months and within the ECOWAS benchmark of 6 months for goods and services. The recovery in crude oil prices and increased oil production resulted in rise in foreign exchange receipts, and therefore increase in External Reserves. The External Reserves was strengthened by the implementation of the Bilateral Currency Swap Agreement (BCSA) between Nigeria and China, and the inflow of the proceeds from the Nigeria's US$2.500 billion and US$2.868 billion Eurobonds that were issued in February, 2018 and November, 2018, respectively.

Figure 1.4: Quarterly External Reserves ($'billion) 2017 and 2018



Source: Central Bank of Nigeria (CBN)

The CBN continued to operate the flexible exchange rate policy with official window retained at ₦305/US$. It sustained intervention at both the inter-bank and the BDC segments to stabilize the market. At the inter-bank segment, the average exchange rate of the Naira to the US dollar depreciated by 0.2 percent to ₦306.70/US$ in the fourth quarter of 2018, compared to ₦305.96/US$ in the corresponding period of 2017. Similarly, at the BDC segment, the average exchange rate, depreciated marginally by 0.01 percent to

₦362.52/US$ in the fourth quarter of 2018 relative to N362.82/US$ in the corresponding period of 2017. At the Importers and Exporters (I & E) FX window, the average exchange rate was ₦364.27/US$ in the fourth quarter compared to ₦360.47/US$ in the corresponding period of 2017, representing a depreciation of 1.1 percent.

1.2.5 Domestic Capital Market

1.2.5.1 Developments in the Domestic Equities Market

For the Primary Market activities of the Equities Market, the Securities and Exchange Commission (SEC) approved a total of twelve (12) new equity issues worth ₦211.09 billion in 2018. The equity issuances include Rights Issues, Private Placements, Offer for Sale and Initial Public Offerings. In the secondary market, data from the NSE revealed that the performance of the Equities Market in 2018 was bearish as the All-Share Index (ASI) declined by 17.81 percent from 38,243.19 as at December 31, 2017, to 31,430.50 as at December 31, 2018. Similarly, the Market Capitalization (MC) also dropped by 13.88 percent from ₦13.62 trillion in 2017, to ₦11.73 trillion by December 31, 2018. This relative market downturn can be attributed to the exit of Foreign Investors from most emerging and frontier markets, including Nigeria, as a result of the rising yields in the United States (US), due to the hike in interest rates by the Fed, coupled with political uncertainties in the build up to the 2019 general elections, affected the Investors' perception of the market.

1.2.5.2 Developments in the Domestic Bond Market

The DMO issued another offer of ₦100 billion 7-year Sovereign Sukuk in the domestic capital market in December, 2018. In addition to the high level of subscription of ₦132.20 billion (or 132.20 percent of the Offer amount), the Offer attracted significant interest from a wide range of retail and institutional investors, which showed that the objectives of financial inclusion and deepening of investor base were being achieved. The proceeds of ₦100 billion Sovereign Sukuk is earmarked for the reconstruction and rehabilitation of twenty-eight (28) road projects across the six (6) Geopolitical Zones of the country, with each Zone allocated a total sum of ₦16.67 billion.

The debut ₦100 billion Sovereign Sukuk and ₦10.69 billion Green Bonds issued in September and December 2017, respectively were listed on The NSE and FMDQ OTC Securities

Exchange in April and July, 2018, respectively. The listing of the debut securities on the local Exchanges further attests to the Federal Government's commitment towards the development of Nigeria's domestic capital market in terms of precedents. There were no Sub-national and Supra-national issuances during the period under review, while the Corporates raised a total of ₦250.5 billion.

The data from the NSE indicate that Bond Market capitalization increased by 6.91 percent to ₦10.484 trillion as at December 31, 2018, from ₦9.806 trillion as at December 31, 2017, so also was the turnover, which increased by 22 percent compared to 2017.

1.2.5.3 Corporate Bonds Issuances in 2018

The Corporate segment of the domestic bond market was active in 2018 compared to the level of activity in 2017. Table 1.2 shows that nineteen (19) Corporates raised capital from the domestic debt market in 2018 with total Issuance of ₦250.50 billion, as against three (3) Corporates in 2017 with a total Issuance of ₦23.15 billion. The increase in the Corporate Bonds issuance in 2018 can be attributed to the lower level of domestic interest rates, which was assisted by the redemption of ₦976.903 Billion NTBs and the attendant reduction in the Yields on NTBs and FGN Bonds.

Table 1.2: Corporate Bonds Issuances, 2017 and 2018

S/N	2017		2018	
	Bond Issuers	Amount (₦' Billion)	Bond Issuers	Amount (₦' Billion)
1	Dufil Prima Foods Plc	10.00	C & I Leasing Plc	7.00
2	Viathan Funding Plc	10.00	Cerpac Receivables Funding SPV Plc	12.50
3	LAPO MFB SPV Plc	3.15	Cerpac Receivables Funding SPV Plc	1.60
4			Cerpac Receivables Funding SPV Plc	4.83
5			Depthwize Funding Company Plc	20.00
6			ENG Funding SPV Plc	40.00
7			FBNQ MB Funding SPV Plc	10.00
8			Flour Mills of Nigeria Plc	10.11
9			Flour Mills of Nigeria Plc	10.00
10			Mixta Real Estate Plc	2.96
11			Mixta Real Estate Plc	2.32
12			Nigeria Mortgage Refinance Company Plc	11.00
13			Stanbic IBTC Bank Plc	30.00
14			Sterling Bank Plc	19.74
15			Sterling Investment Management SPV Plc	32.90
16			UACN Property Development Company Plc	4.36
17			Union Bank of Nigeria Plc	7.19
18			Union Bank of Nigeria Plc	6.31
19			Wema Funding SPV Plc	17.68
	Total	**23.15**	**Total**	**250.50**

Source: Securities and Exchange Commission

Use of Green Bond Proceeds - Aerial View of Installed Solar Panels, Bayero University, Kano

Use of Green Bond Proceeds - Aerial View of Installed Solar Panel, Federal University Ndufu-Alike Ikwo.

CHAPTER TWO

APPRAISAL OF DEBT MANAGEMENT STRATEGY

As part of the efforts aimed at attaining the various benchmarks provided in the Debt Management Strategy 2016-2019, External Debt increased in 2018 following additional borrowings from the International Capital Market (ICM). The composition of Domestic Debt portfolio changed significantly, following the redemption of short-term Nigerian Treasury Bills (NTBs) with part of the proceeds of the Eurobonds, while debt securities with longer maturities were issued. The ratio of Domestic and External Debt was 68:32 as at December 31, 2018 compared to 73:27 as at December 31, 2017, against the targeted ratio of 60:40. The ratio of long-term to short-term Domestic Debt improved to 78:22 in 2018 compared to 72:28 in 2017, as against the targeted ratio of 75:25. The sub-national debt management strategy in 2018 was mainly focused on capacity building, as specialized training were conducted in three States.

2.1 Introduction

The Debt Management Strategy 2016-2019 continued to provide the guide for government's borrowing decisions towards meeting its financing requirements and obligations at minimal costs and risks. It is also instrumental in achieving the desired Total Public Debt portfolio mix in the medium-term, as well as sustaining the capacity building initiatives at the sub-national level.

The highlights of the key objectives of the Debt Management Strategy, 2016-2019 are as follows:

i. Achieve an optimal debt portfolio mix for domestic and external debt of 60:40 by the end of year 2019;
ii. Attain a domestic debt portfolio mix for the long-term, relative to the short-term debt instruments of 75:25 ratio, by the end of year 2019;
iii. Significantly reduce the rate of growth of total public debt stock in general, particularly the domestic debt component, and ensure sustainability of the long-term debt;
iv. Reduce cost of Debt service, by substituting the relatively more expensive domestic debt with the less expensive external debt that are procured from both concessional and non-concessional sources; and,
v. Further lengthen the maturity profile of the domestic debt portfolio through reduction in the issuances of new short-term debt instruments and refinancing of maturing NTBs with external financing.

The targets for managing interest and refinancing risks as outlined in the Debt Management Strategy are as follows:

i. Keeping the proportion of debt maturing within one (1) year at not more than 20 percent of the Total Debt Public Portfolio; and,
ii. Keeping the Average Time-to-Maturity (ATM) for the Total Public Debt Portfolio at a minimum of 10 years.

In 2018, there was an improvement in the composition of the Total Public Debt portfolio from the ratio of 73:27 for Domestic and External debt as at December 31, 2017 to 68:32 as at December 31, 2018, relative to the target composition of 60:40 by end-2019. This reflected the efforts by the DMO towards achieving the desired debt-mix by increasing the level of external debt through accessing the International Capital Market, part of which was used in refinancing short-dated domestic debt (NTBs) during the period under review.

In addition, the composition of the domestic debt portfolio also improved to 79:21 for long and short-term debts as at December 31, 2018, from the ratio of 72:28 as at December 31, 2017, relative to the DMO's desired composition of 75:25 for long and short-term debt. The restructuring of the domestic debt portfolio by refinancing maturing NTBs with the proceeds of the Eurobonds resulted in the reduction of the short-term debt.

The proportion of debt maturing in one year at 18.57 percent of the Total Public Debt was within the target of not more than 20 percent of the Total Public Debt, while Average Time-to-Maturity (ATM) was longer than the minimum of 10 years, thereby lowering the refinancing risk for the total debt portfolio.

2.2 External Debt Management Strategy

The External Debt Management Strategy was focused on reducing Debt Service cost by maximizing access to the concessional and semi-concessional sources. However, given the limited funding envelopes of the concessional sources, it become necessary for the government to access the ICM.

The external borrowing in 2018 resulted in an increase in the stock of Total External Debt to US$25,274.36 million, representing 32 percent of the Total Public Debt portfolio as at

December 31, 2018 compared to US$18,913.44 million or 27 percent in 2017. Out of the Total External Debt stock, Eurobonds increased by US$4,868.35 million to US$10,868.35 million in 2018, as against US$6,000.00 million in 2017. The Total Commercial Debt portfolio (Eurobonds) was US$11,168.35 million as at December 31, 2018, representing 44.19 percent of the Total External Debt Portfolio compared to 33.33 percent as at December, 2017.

The increase in External Debt stock is consistent with the Nigeria's Debt Management Strategy (2016-2019), which seeks to achieve a ratio of 60:40 between Domestic Debt and External Debt. In 2018, most of the increase in External Debt were from the issuances of Eurobonds, amounting to US$5.36 billion (US$2.5 billion in February, 2018 and US$2.86 billion in November, 2018). A Eurobond for US$500 million, which matured in July 2018 was redeemed.

2.3 Domestic Debt Management Strategy

The Domestic Debt Management Strategy for 2018 was focused on refinancing of maturing NTBs with cheaper and longer-term external financing, and issuance of domestic debt securities with longer maturities to lengthen the maturity profile of the Domestic Debt portfolio. The target was aimed at achieving a Domestic Debt portfolio mix of 75:25 for long-term and short-term debts so as to reduce debt service cost and mitigate refinancing risk.

The proportion of long-term debt in the domestic debt portfolio increased relative to short-term debt, as there was a rebalancing of the existing domestic debt portfolio. This resulted in the reduction of the proportion of short-term debt, particularly the NTBs compared with the FGN Bonds from 28.43 as at December 31, 2017 to 21.42 percent as at December 31, 2018.

2.4 Sub-National Debt Management Strategy

In 2018 the DMO continued to implement its capacity building initiatives at the sub-national level so as to entrench sound public debt management practices. Special training programmes on DMO's Excel Template for Domestic Debt Recording and Reporting, and

Effective Sub-national Debt Management were conducted for three (3) States, namely: Anambra, Adamawa and Imo.

A special capacity building programme titled “Public Debt Creation and Sub-national Debt Management” was also undertaken for officials of the Bayelsa State Debt Management Department (DMD) to acquaint them with requisite skills on effective public debt management.

Sukuk Proceeds - Dualization of Kano-Maiduguri Road Section III

Sukuk Proceeds - Before and After the rehabilitation of the Enugu - Port Harcourt Expressway

CHAPTER THREE
NIGERIA'S TOTAL PUBLIC DEBT

Nigeria's Total Public Debt Outstanding as at December 31, 2018 was N24,387,071.74 million (US$79,436.72 million), compared to N21,725,773.03 million (US$70,999.26 million) in 2017, representing an increase of N2,661,298.71 million or 12.25 percent. The increase was attributed mainly to new external and domestic borrowings, by both Federal and Sub-national Governments. The share of External Debt stock was 31.82 percent, while the share of Domestic Debt stock was 68.27 percent of the Total Public Debt stock.

3.1 Total Public Debt Outstanding

Nigeria's Total Public Debt outstanding as at December 31, 2018 was ₦24,387,071.74 million (US$79,436.72 million), compared to ₦21,725,773.03 million (US$70,999.26 million) in 2017, representing an increase of ₦2,661,298.71 million or 12.25 percent (Table 3.1). The increase was attributed mainly to new external and domestic borrowings by both Federal and State Governments and FCT. The stock of External debt increased by ₦1,971,717.35 million (US$6,360.92 million) as a result of additional disbursements on existing loans (Multilateral and Bilateral), and issuances of Eurobonds in the sum of US$5,368.00 million in 2018.

The FGN's Domestic Debt increased by ₦184,919.57 million because of additional issuances of FGN Securities to part-finance the 2018 Appropriation Act, and the securitization of some of the Government's Arrears through the issuance of ₦331,271.74 million Promissory Notes. The External Debt stock as at December 31, 2018 was US$25,274.36 million or 31.82 percent of the Total Public Debt stock, while the Total Domestic Debt stock (FGN, States and FCT's) was US$54,162.35 million or 68.18 percent of the Total Public Debt stock.

Table 3.1: Nigeria's Total Public Debt Outstanding, 2014-2018

	2014	2015	2016	2017	2018
External Debt Stock					
Federal Government of Nigeria					
US$' Million	6,445.63	7,348.52	7,838.66	14,796.30	21,043.65
NGN' Million	1,082,866.20	1,447,658.28	2,390,791.51	4,527,670.69	6,460,399.86
States & FCT					
US$' Million	3,265.82	3,369.91	3,567.62	4,117.13	4,230.72
NGN' Million	548,657.40	663,872.39	1,088,123.88	1,259,841.96	1,298,830.13
Total External Debt Stock					
US$' Million	9,711.45	10,718.43	11,406.28	18913.44	25,274.36
NGN' Million	1,631,523.60	2,111,530.71	3,478,915.40	5,787,512.64	7,759,229.99
as % of GDP	*1.84*	*2.18*	*3.26*	*4.85*	*6.07*
% of Total	*14.51*	*16.75*	*20.04*	*26.64*	*31.82*
Domestic Debt Stock					
Federal Government of Nigeria					
US$' Million	47,047.77	44,857.85	36,256.41	41,142.11	41,610.44
NGN' Million	7,904,025.47	8,836,995.86	11,058,204.30	12,589,486.13	12,774,405.70
States & FCT					
US$' Million	10,967.06	9,852.25	9,728.84	10,943.71	12,551.91
NGN' Million	1,707,571.14	1,655,178.71	2,822,889.88	3,348,774.26	3,853,436.05
Total Domestic Debt Stock					
US$' Million	*58,014.83*	*54,710.10*	*45,985.25*	*52,085.82*	*54,162.35*
NGN' Million	*9,611,596.61*	*10,492,174.57*	*13,881,094.18*	*15,938,260.39*	*16,627,841.75*
as % of GDP	*10.81*	*10.84*	*13.01*	*13.35*	*13.02*
% of Total	*85.49*	*83.25*	*79.96*	*73.36*	*68.18*
Nigeria's Total Public Debt Stock					
US$' Million	**67,726.28**	**65,428.53**	**57,391.53**	**70,999.26**	**79,436.72**
NGN' Million	**11,243,120.22**	**12,603,705.28**	**17,360,009.58**	**21,725,773.03**	**24,387,071.74**
as % of GDP	*12.65*	*13.02*	*16.27*	*18.20*	*19.09*

Source: DMO

Notes for 2018 debt data:

i. Domestic Debt Stock for Twenty-six (26) States, (Abia, Adamawa, Anambra, Bauchi, Bayelsa, Benue, Cross River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kebbi, Kogi, Kwara, Niger, Ogun, Osun, Oyo, Plateau, Sokoto, Yobe and Zamfara) as at December 31, 2018

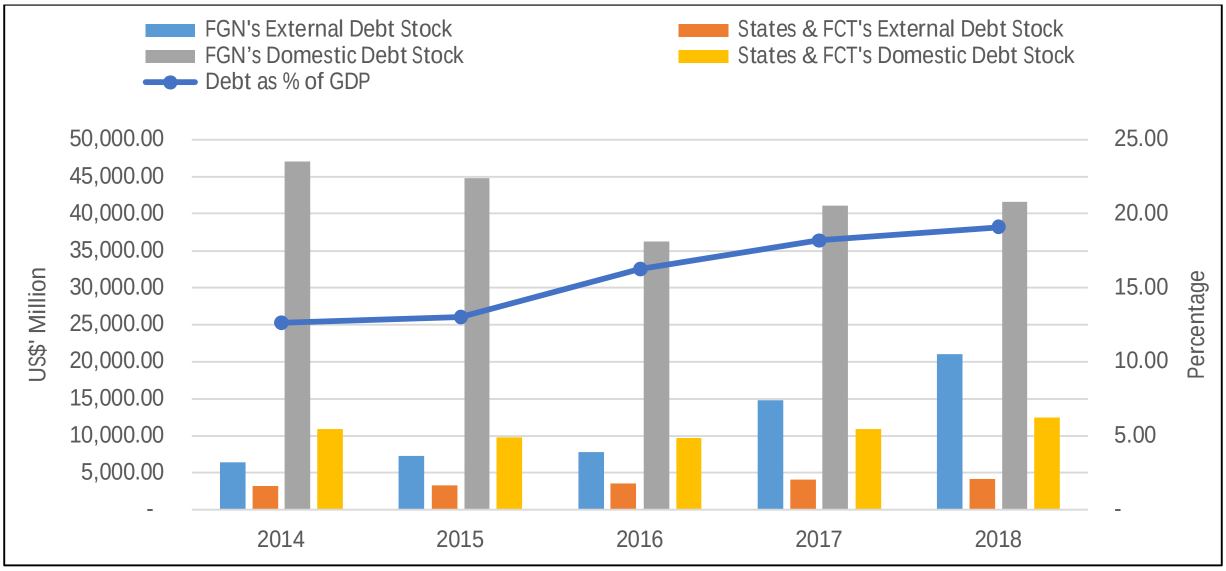
ii. Domestic Debt Stock Figures for Nine (9) States, (Akwa Ibom, Borno, Kaduna, Kano, Lagos, Nasarawa, Ondo, Rivers, Taraba) and FCT were as at September 30, 2018

iii. Domestic Debt Stock Figures for Katsina State was as at December 31, 2017

iv. CBN Official Exchange Rate of US$1 to NGN307.00 as at December 31, 2018 was used in converting the Domestic Debts to US Dollar.

The ratio of Nigeria's Total Public Debt-to-GDP as at December 31, 2018 was 19.09 percent compared to 18.20 percent as at December 31, 2017. This ratio was within the Country's Specific Debt Limit of 25 percent in the medium-term, 2018 to 2020, and the WB/IMF''s recommended threshold of 55.00 percent for countries in Nigeria's peer-group, as well as the West African Monetary Zone (WAMZ) convergence threshold of 70.00 percent. Figure 3.1 shows the trend in total public debt outstanding for the five-year period (2014-2018).

Figure 3.1: Trend in Nigeria's Total Public Debt Outstanding, 2014-2018



Source: DMO

3.1.1 Total FGN's Debt Outstanding by Original Maturity

As at December 31, 2018 the FGN's Total Public Debt stock (excluding debts of the States and FCT) by Original Maturity included long-term debt of US$50,510.30 million, representing 80.62 percent of FGN's Total Public Debt stock, and short-term debt of US$12,143.79 million or 19.38 percent of the FGN's Total Public Debt stock. The External Debt was made up of only long-term debt amounting to US$21,043.65 or 33.59 percent of the FGN's Total Public Debt. The FGN's Domestic debt outstanding by Original Maturity, was US$41,610.44 million and comprised long-term debt of US$29,466.65 million or 37.23 percent made up of the FGN bonds (US$30,406.31 million), Treasury Bonds (US$491.82 million), and FGN Savings Bond (US$35.02 million). Others included FGN Sukuk (US$651.47 million), Green Bonds (US$34.82 million), and, Promissory Notes (US$1,079.06 million). The short-term domestic debt totaling US$12,143.79 million, comprised NTBs, FGN Bonds, Treasury Bond, FGN Savings Bonds and Promissory Notes with maturities of less than one year (Table 3.2 and Figure 3.2).

Table 3.2: Total FGN's Debt Outstanding by Original Maturity, 2014-2018 (US$' Million)

	2014	2015	2016	2017	2018[1]
External Debt Stock					
Short – term[2]	0.00	0.00	0.00	0.00	0.00
% of total	-	-	-	-	-
Long-term	6,445.63	7,348.52	7,838.66	14,796.30	21,043.65
% of total	*12.05*	*14.08*	*17.78*	*26.45*	*33.59*
Sub-Total	**6,445.63**	**7,348.52**	**7,838.66**	**14,796.30**	**21,043.65**
Domestic Debt Stock					
Short – term[2]	20,092.42	14,075.47	10,745.18	11,698.69	12, 143.79
% of total	*37.56*	*26.96*	*24.37*	*20.91*	*29.18*
Long-term[3]	26,955.35	30,782.38	25,511.23	29,443.42	29,466.65
% of total	*50.39*	*58.96*	*57.86*	*52.64*	*37.23*
Sub-Total	**47,047.77**	**44,857.85**	**36,256.41**	**41,142.11**	**41,610.44**
Total	**53,493.40**	**52,206.37**	**44,095.07**	**55,938.41**	**62,654.09**

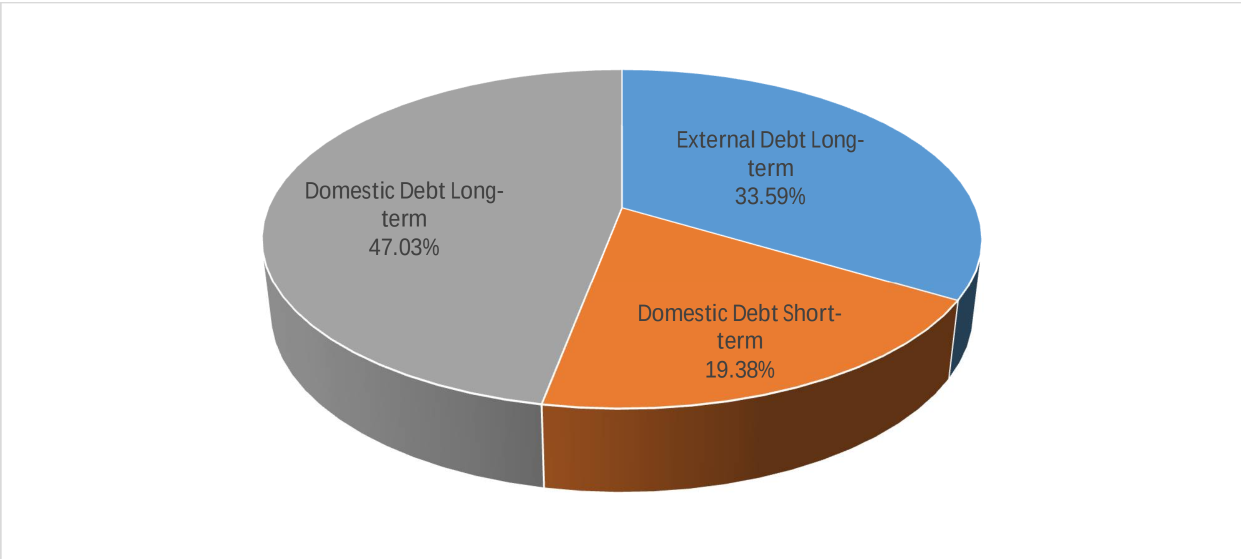
Source: DMO

[1] Official CBN Exchange Rate of ₦307.00/US$1 as at 31/12/2018 was used for 2018 figures

[2] Short-term external debt is debt with less than 1-year original maturity, and comprise of NTBs, FGN Bonds, Treasury Bond, FGN Savings Bonds and Promissory Notes maturing in I year.

[3]Long-term domestic debt consists of Treasury Bonds, FGN Bonds and Promissory Notes of 2 or more years remaining maturity

Figure 3.2: Total FGN's Debt Outstanding by Original Maturity as at December 31, 2018



Source: DMO

3.2 FGN's Total Public Debt Interest Payments in 2018

The FGN's Total Public Interest payment amounted to US$6,544.15 million in 2018 compared to US$5,022.11 million in 2017 (Table 3.3). The increase in interest payment by US$1,521.62 million or 30.30 percent was mainly due to interest payment made on the following Eurobonds: 5.125% US$500M JUL, 2018; 6.75% US$500M JAN, 2021; 6.375%

US$500M JUL, 2023; 6.5% US$1.5BN NOV, 2027; 7.875% US$1.5BN FEB, 2032; 7.625% US$ 1.5BN NOV, 2047; and, 5.625% US$300M DIASPORA JUN, 2022. The FGN's Total Public Debt Interest payment comprised External Debt Interest Payment of US$687.80 million or 10.50 percent and Domestic Debt Interest Payment of US$5,856.35 million or 89.50 percent, compared to External Debt Interest Payment of US$279.55 million or 5.57 and Domestic Debt Interest Payment of US$4,742.56 million or 94.43 percent in 2017. The higher proportion of Domestic Interest Payment was due to the fact that the share of FGN's Total Public Domestic debt in the Total Public Debt is still high at about 58 and 52 percent as at December 31, 2017 and December 31, 2018. The ratio of the FGN's Total Interest Payment to Revenue was about 51 percent in 2018. The relatively higher ratio was due to low revenue, which is being addressed by the various strategic initiatives by the Government to shore up revenue.

Table 3.3: Total FGN's Public Debt Interest Payments, 2014-2018 (US$' Million)

	2014	2015	2016	2017	2018
Interest Payment on External Debt	209.32	184.21	182.60	279.55	687.80
% of Total	(3.99)	(3.44)	(4.42)	(5.57)	(10.51)
Interest Payment on Domestic Debt	5,039.52	5,168.18	3,946.76	4,742.56	5,856.35
% of Total	(96.01)	(96.56)	(95.58)	(94.43)	(89.49)
	5,248.83	**5,352.38**	**4,129.36**	**5,022.11**	**6,544.15**

Source: DMO
Official CBN Exchange Rate of ₦307.00/US$1 as at 31/12/2018, was used for 2018

3.3 FGN's Total Public Debt Principal Repayments in 2018

The FGN's Total Public Debt Principal Repayment was US$712.75 million in 2018 compared to US$205.99 million in 2017 (Table 3.4). The increase reflects repayment of 5.125% JUL2018 US$500 million Eurobond, which matured in 2018, and principal repayments in respect of Bilateral and Multilateral debts.

Table 3.4: Total FGN's Public Debt Principal Repayments, 2014-2018 (US$' Million)

	2014	2015	2016	2017	2018
External Debt	132.93	104.27	116.53	124.29	712.75
% of Total	(53.81)	(45.10)	(58.71)	(81.70)	(100)
Domestic Debt	114.11	126.90	81.97	81.70	-
% of Total	(46.19)	(54.90)	(41.29)	(39.66)	(0)
	247.04	**231.17**	**198.49**	**205.99**	**712.75**

Sukuk Proceeds - Before and After the rehabilitation of the Obajana-Okene Road, Section 1 Phase 1

Sukuk Proceeds - Construction of Ikom Bridge (Length 360 KM)

CHAPTER FOUR

NIGERIA'S EXTERNAL DEBT

Nigeria's Total External Debt as at December 31, 2018 was US$25,274.36 million, compared to US$18,913.44 million as at December 31, 2017. The External Debt stock consists of Multilateral and Bilateral Loans, as well as Eurobonds and Diaspora Bond. The Multilateral and Bilateral Loans are mainly concessional, while the Eurobonds and Diaspora Bond are non-concessional. The increase in the External Debt stock between 2017 and 2018 was in line with the Debt Management Strategy of achieving the targeted ratio of 40:60 for External and Domestic debt. The structure of External Debt by remaining maturity has continued to be dominated by longer-tenored debts which indicates very low exposure to refinancing risk. The Issuances of Eurobonds and Diaspora Bond, as well as additional disbursements from Multilateral and Bilateral creditors in the year under review accounts for the increase in the new inflow of funds into the country.

4.1 External Debt Stock

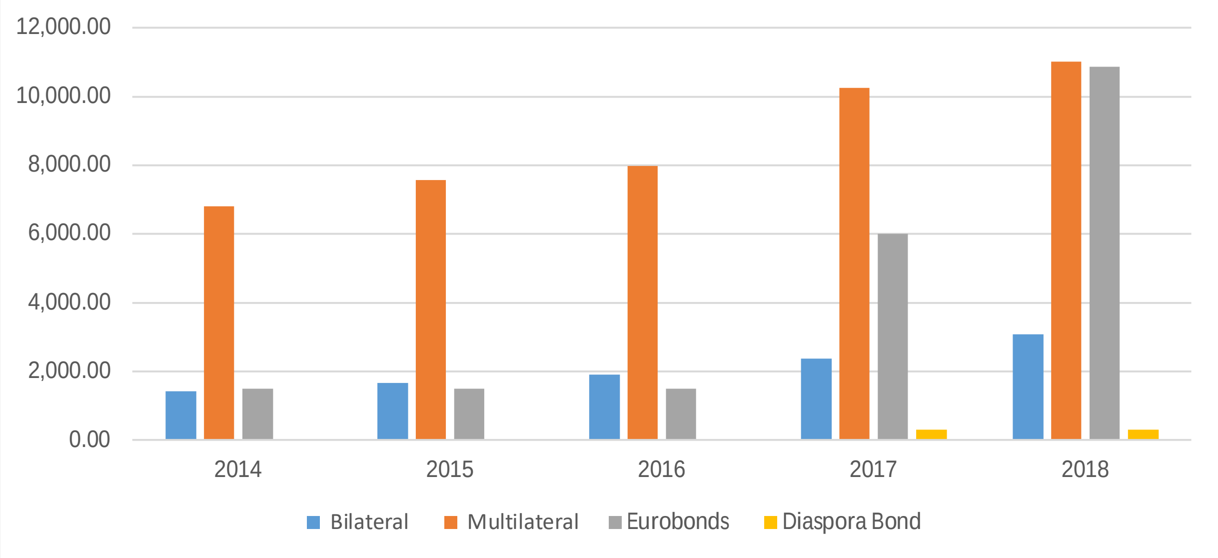
Nigeria's Total External Debt stock was US$25,274.36 million as at December 31, 2018, compared to US$18,913.44 million as at December 31, 2017, representing an increase of US$6,360.92 or 33.63 percent. The growth of External Debt stock was attributed to additional borrowing from the ICM, in line with the Debt Management Strategy of 40:60 for External and Domestic debts, as well as additional disbursements by the Multilateral and Bilateral Creditors. In 2018, Nigeria issued Eurobonds in the sum of US$ 5.368 billion, out of which US$2.5 billion was for the refinancing of short-term domestic debt. Consequently, the ratio of External Debt-to-GDP rose from 4.85 percent as at December 31, 2017 to 6.07 percent as at December 31, 2018

Table 4.1: External Debt Outstanding by Source, 2014-2018 (US$' Million)

Source	2014	2015	2016	2017	2018
1. Bilateral	1,412.07	1,658.00	1,918.06	2,372.00	3,091.68
2. Multilateral	6,799.36	7,560.43	7,988.22	10,241.44	11,014.34
Sub-Total	8,211.43	9,218.43	9,906.28	12,613.44	14,106.02
1. Eurobonds	1,500.00	1,500.00	1,500.00	6,000.00	10,868.35
2. Diaspora Bond	0	0	0	300.00	300.00
Sub-Total	1,500.00	1,500.00	1,500.00	6,300.00	11,168.35
Grand Total	**9,711.45**	**10,718.43**	**11,406.28**	**18,913.44**	**25,274.36**
Creditor Category as % of Total					
1. Bilateral	14.54	15.47	16.82	12.54	12.23
2. Multilateral	70.01	70.54	70.03	54.15	43.58
Sub-Total	**84.55**	**86.01**	**86.85**	**66.69**	**55.81**
1. Eurobonds	15.45	13.99	13.15	31.72	43.00
2. Diaspora Bond	0.00	0.00	0.00	1.59	1.13
Sub-Total	**15.45**	**13.99**	**13.15**	**33.31**	**44.19**
Grand Total	**100**	**100**	**100**	**100**	**100**

Source: DMO

Figure 4.1: Trends in External Debt Stock, 2014–2018



Source: DMO

Figure 4.1 shows that Multilateral creditors have continued to be the major source of External Debt since 2014. The growth of Multilateral Debt from US$6,799.36 million in 2014 to US$11,014.34 million in 2018 was due to the need to maximize funds from these sources at concessional terms, which is in line with the Nigeria's Debt Management Strategy. In the same vein, the share of Eurobonds and Diaspora Bond also went up significantly in 2018, as the country accessed more funds from the ICM.

4.2 External Debt Stock by Source (Creditor Category)

Table 4.2 revealed that Multilateral and Bilateral Loans (Official Creditors) accounted for US$11,014.34 million or 43.58 percent and US$3,091.68 million or 12.23 percent as at December 31, 2018. The International Development Association (IDA), African Development Bank (AfDB) and African Development Fund (ADF) accounted for the larger proportion of the Multilateral Creditors with 33.83, 5.00 and 3.26 percent, respectively, as at December 31, 2018. China, France and Germany dominated the Bilateral Creditors with 9.83, 1.36 and 0.68 percent, respectively, as at December 31, 2018. The Commercial Sources accounted for US$11,168.35 million or 44.19 percent as at December 31, 2018. Approximately 43.00 percent of Commercial debt stock are made up of Eurobonds, while 1.19 percent represents Diaspora Bond.

Table 4.2: External Debt Stock by Source as at December 31, 2018 (US$' Million)

Category	Principal Balance	Principal Arrears	Interest Arrears	Total	Percentage
Multilateral – WB Group					
IDA	8,550.11	0.00	0.00	8,550.11	
IBRD	124.18	0.00	0.00	124.18	
AfDB Group					
AfDB	1,264.61	0.00	0.00	1,264.61	
ADF	822.73	0.00	0.00	822.73	
Other Multilaterals					
BADEA	5.88	0.00	0.00	5.88	
EDF	61.25	0.00	0.00	61.25	
IDB	16.13	0.00	0.00	16.13	
IFAD	169.45	0.00	0.00	169.45	
Sub-Total	**11,014.34**	**0.00**	**0.00**	**11,014.34**	**43.58%**
Bilateral					
China (Exim Bank of China)	2,485.08	0.00	0.00	2,485.08	
France (AFD)	344.63	0.00	0.00	344.63	
Japan (JICA)	75.16	0.00	0.00	75.16	
India (Exim Bank of India)	14.79	0.00	0.00	14.79	
Germany (KFW)	172.02	0.00	0.00	172.02	
Sub-Total	**3,091.68**	**0.00**	**0.00**	**3,091.68**	**12.23%**
Commercial					
Eurobonds	10,868.35	0.00	0.00	10,868.35	
Diaspora Bond	300.00	0.00	0.00	300.00	
Sub-Total	**11,168.35**	**0.00**	**0.00**	**11,168.35**	**44.19%**
GRAND TOTAL	**25,274.36**	**0.00**	**0.00**	**25,274.36**	**100.00%**

Source: DMO

4.3 External Debt Stock by Instrument Type

The External Debt Stock by Instrument Type is broken down into Non-marketable and Marketable instruments. Whereas, the Non-marketable debt (Loans) accounted for 55.81 percent of the Total External Debt Stock, the Marketable Debt accounted for 44.19 percent, as at December 31, 2018 (Table 4.3).

Table 4.3: External Debt Stock by Instrument Type, 2014-2018

Instrument Type	2014	2015	2016	2017	2018
Non-Marketable (Loans)	8,211.43	9,218.43	9,906.27	12,613.44	14,106.01
% of Total	*84.55*	*86.01*	*86.85*	*66.69*	*55.81*
Marketable (Bonds)	1,500.00	1,500.00	1,500.00	6,300.00	11,168.35
% of Total	*15.45*	*13.99*	*13.15*	*33.31*	*44.19*
Total	9,711.45	10,718.43	11,406.27	18,913.44	25,274.36

Source: DMO
Notes
i. Non-Marketable Debt are Loans obtained from the Multilateral and Bilateral sources
ii. Marketable Debt comprise Eurobonds and Diaspora Bond issued in the International Capital Market (ICM)

4.4 Currency Composition of External Debt

The Currency Composition of External Debt Stock comprised the following currencies: Swiss Francs (CHF), EURO, Great Britain Pounds (GBP), United States Dollar (USD), Japanese Yen (JPY), Special Drawing Rights (SDR), ID Units of Account (Islamic Dinar) and Naira (Table 4.4). The USD and SDR are the major currencies accounting for 63.81 and 34.55 percent of the currency composition of the External Debt Stock. Cumulatively, other currencies (CHF, EUR, GBP, ID, JPY and Naira) accounted for 1.64 percent of the Total External Debt Stock. The Naira component represents the debt sourced from the concessional window of the AfDB.

Table 4.4: External Debt Stock by Currency Composition as at December 31, 2018 (US$ 'Million)

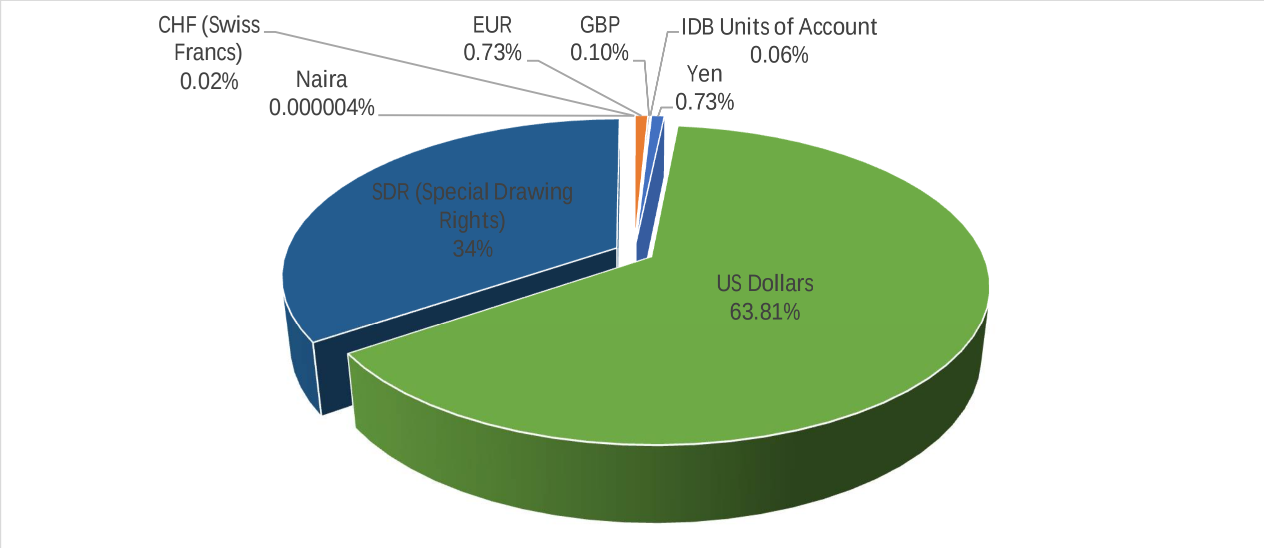
Currency	Debt Stock in Original Currency	Naira Exchange Rate	Debt Stock in Naira	US$ Exchange Rate to the Naira	Debt Stock in US$	% of Total
CHF (Swiss Francs)	5,499,630.21	311.74	1,714,445,922.26	307.00	5,584,514.40	0.02
EUR	161,866,204.42	351.33	56,868,583,091.84	307.00	185,239,684.34	0.73
GBP	19,872,223.75	392.01	7,790,076,649.46	307.00	25,374,842.51	0.10
IDB Units of Account (ID)	11,170,373.07	426.98	4,769,476,743.79	307.00	15,535,754.87	0.06
Yen	20,234,549.63	2791.70	56,488,792,202.07	307.00	184,002,580.46	0.73
US Dollars	16,127,040,329.10	307.00	4,951,001,381,034.38	307.00	16,127,040,331.92	63.81
SDR (Special Drawing Rights)	6,278,103,059.89	426.98	2,680,596,820,858.37	307.00	8,731,585,735.70	34.55
Naira	284,940.78	1.00	284,940.78	307.00	928.15	0.000004
Total			**7,759,229,861,442.94**		**25,274,364,372.34**	**100.00**

Source: DMO

Note: i. SDR is a virtual World Bank's currency used in granting loan facilities and it comprises GBP, EUR, USD, JYP and CHF

ii. IDB's Units of Account is Islamic Dinar (ID), which is equivalent to one Special Drawing Right (SDR) of the IMF.

Figure 4.2: External Debt Stock by Currency Composition as at December 31, 2018



Source: DMO

4.5 External Debt by Remaining/Residual Maturities

Table 4.5 shows the Total External Debt Stock outstanding by Remaining/Residual Maturities in short-term (equal to and less than 1 year), medium-term (above 1 year and less than 3 years) and long-term maturities (over 3 years). The higher proportion of long-term external debt of 96.86 percent shows that the External Debt portfolio was not exposed to refinancing risk. The long-term nature of the External Debt stock was enhanced by the long tenors of Eurobonds issued in 2017 and 2018.

Table 4.5: External Debt by Remaining or Residual Maturity as at December 31, 2018 (US$' Million)

Creditor Category	Short-Term (0 – 1yr)	Medium-Term (>1 – 3yrs)	Long-Term (Over 3yrs)
Multilateral			
IBRD	0.00	10.40	113.78
IDA	149.81	202.15	8,198.14
IFAD	3.48	4.45	161.51
AfDB	41.98	72.28	1,150.35
ADF	11.81	14.36	796.56
BADEA	0.36	0.37	5.16
IDB	1.79	1.20	13.15
EDF	5.04	5.10	51.11
Sub-Total	**214.27**	**310.31**	**10,489.76**
Bilateral			
Exim Bank of China	69.19	115.35	2,300.55
Exim Bank of India	10.00	4.79	0.00
French Development Agency	7.69	27.52	309.42
Japan International Cooperation Agency	0.00	5.19	69.96
Germany Kreditanstalt Fur Wiederaufbua (KFW)	9.52	19.05	143.44
Sub-Total	**96.40**	**171.90**	**2,823.37**
Commercial			
Eurobonds	0.00	500.00	**10,368.35**
Diaspora Bond	0.00	0.00	**300.00**
Sub-Total	**0.00**	**500.00**	**10,668.35**
Sub-Total	**310.67**	**932.21**	**23,981.48**
as % of Total	*(1.23)*	*(3.89)*	*(94.88)*
Grand Total	**25,274.36**		

Source: DMO

4.6 Sectoral Allocation of External Debt

In line with the efforts of the Government to support infrastructure and human capital development, the proceeds of external borrowings were allocated to the following key sectors: Agriculture, Science and Technology, Water, Energy (Electricity and Gas), Transportation (Rail, Road and Air), Housing, Education, Health, Social Welfare, Environment and Finance as shown in Table 4.6. The Table also shows sectors with increased allocations in 2018, relative to 2017, namely: Agriculture (11.50 percent), Finance (11.19 percent), Transport (11.28 percent) compared to their corresponding rates of 7.70, 2.13 and 2.06 percent respectively, in 2017. Table 4.7, shows Nigeria's Public and Publicly Guaranteed External Debt (by Non-Financial/Financial Sector) as at December 31, 2018.

Table 4.6: Sectoral Allocation of External Debt in 2017 & 2018 (US$' Million)

Economic Sector	2017 Amount Outstanding	2017 % Share of Total	2018 Amount Outstanding	2018 % Share of Total
Loans				
Agriculture	1,457.22	7.70%	2,906.27	11.50%
Air Transport	389.51	2.06%	-	-
Budget Support	877.89	4.64%	871.60	3.45%
Science & Technology	486.81	2.57%	474.17	1.88%
Education & Training	696.25	3.68%	771.86	3.05%
Energy-Electricity Solid & Mineral Development	906.29	4.79%	1,089.66	4.31%
Environment	330.68	1.75%	343.21	1.36%
Finance, Insurance, Etc.	403.61	2.13%	2,827.96	11.19%
Transport	-	-	2,851.15	11.28%
Health & Social Welfare	1,633.95	8.64%	1,682.96	6.66%
Housing & Urban Development	247.42	1.31%	287.17	1.14%
Investment	77.87	0.41%	-	-
Irrigation & Related Act	33.19	0.18%	-	-
Monetary policy	112.51	0.59%	-	-
Multi-Sector	7,999.66	42.30%	-	-
Rail Transport	918.49	4.86%	-	-
Road Transport	1,160.83	6.14%	-	-
Rural Development	326.78	1.73%	-	-
Scientific & Tech Equipment	24.71	0.13%	-	-
Telecommunications	-	-	-	-
Solid Mineral Development	3.87	0.02%	-	-
Water Supply	825.90	4.37%	-	-
Eurobonds				
Budget Support			11,168.35	44.19%
Total	**18,913.44**	**100.00%**	**25,274.36**	**100.00%**

Source: DMO

Table 4.7: Nigeria's Public and Publicly Guaranteed External Debt (by Financial/Financial Public) as at December 31, 2018

Classification*	Creditor	Sector	Amount Outstanding
Non-Financial Public			
FGN and States			**21,732,165,765.11**
Parastatals (Corporations)			**2,589,865,611.16**
Niger Basin Water Resources Development	International Development Association	Agriculture	117,954,954.92
National Programme for Food Security	Islamic Development Bank	Agriculture	16,133,283.89
NGA/TGO/Benin Power System Interc. Project	African Development Fund	Electricity	13,761,306.95
Transmission Development Project	International Development Association	Electricity	89,096,159.65
Nigerian-Communications-Satelite (NIGCOMSAT)	Exim Bank of China	Computer Technology	-
Nigerian National Public Communication System	Exim Bank of China	Scientific &Tech Equip.	368,769,230.77
Nigerian Railway Modernization Project. (Idu-Kaduna Section)	Exim Bank of China	Rail Transport	461,538,461.54
Nigerian ICT Infrastructure Backbone Project	Exim Bank of China	Scientific &Tech Equip.	92,445,744.19
Polio Eradication Support Project	International Development Association	Health & Social Welfare	85,059,006.83
Polio Eradication Support Project II	International Development Association	Health & Social Welfare	122,460,235.35
Transport Sector & Governance Reform Program	African Development Bank	Road Transport	290,000,000.00
Growth and Employment (GEM) Project	International Development Association	Investment	78,812,191.82
Nigerian Four Airport Terminal expansion & Sanitation Project	Exim Bank of China	Air Transport	387,548,628.70
First Agriculture Development Policy Financing	International Development Association	Agriculture	92,059,860.78
Nigerian Zungeru Hydroelectric Project	Exim Bank of China	Electricity	316,465,416.27
Public Private Partnership Program – First Phase Project	International Development Association	Infrastructure Concession Regulatory Commission	16,754,245.04
West Africa Agricultural Productivity Program (WAAPP-1B)	International Development Association	Agriculture	41,006,884.46
Financial Public			**952,333,496.07**
Banks			
NACB Institutional Strengthening	ADF	Agriculture	2,838,242.34
Housing Finance	IDA	Housing & Urban Dev.	174,721,111.76
Development Finance Project	IBRD	Finance & Insurance	124,179,696.04
Nigerian Export-Import Bank	ADB	Finance & Insurance	21,428,571.43
Bank of Industries	ADB	Finance & Insurance	81,593,406.59
Establishment of Development Bank of Nigeria	kfw	Finance & Insurance	160,000,000.00
Development Bank of Nigeria	ADB	Finance & Insurance	266,666,666.66
Development Bank of Nigeria	ADF	Finance & Insurance	29,905,801.25
Development Bank of Nigeria	AFD	Finance & Insurance	91,000,000.00
Grand Total			**25,274,364,872.34**

*Compilation of data in respect of Private Sector External Debt is still on-going
Source: DMO

4.7 External Debt by Concessionality

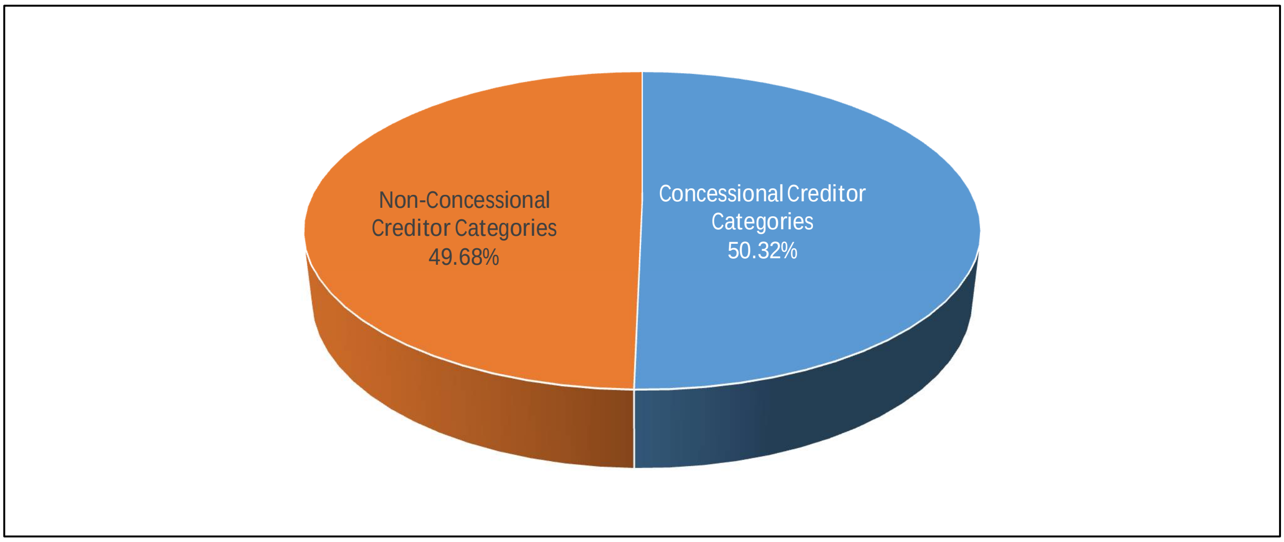
Table 4.8 and Figure 4.3 show that 50.32 percent of Total External Debt stock was concessional debts, while 49.68 percent was non-concessional debts, compared to 59.80 and 40.20 percent as at end of December, 2017. The concessional debts were sourced largely from Multilateral and Bilateral creditors, while the non-concessional debts were from Commercial Sources (Eurobonds and Diaspora Bond), as well as from non-concessional windows of the multilateral agencies such as AfDB and IBRD. The International Development Association (IDA) was the largest creditor from concessional sources in 2018, accounting for 33.83 percent of Nigeria's External Debt.

Table 4.8: Concessional and Non-Concessional External Loans as at December 31, 2018 (US$' Million)

Funding Sources	Amount Outstanding	% of Total Debt
Concessional Creditor Categories	**12,717.22**	**50.32%**
Multilateral	**9,625.55**	**38.08%**
International Development Association (IDA)	8,550.11	33.83%
International Fund for Agricultural Development (IFAD)	169.45	0.67%
European Development Fund (EDF)	61.25	0.24%
African Development Fund (ADF)	822.73	3.26%
Islamic Development Bank (IDB)	16.13	0.06%
Arab Bank for Economic Development (BADEA)	5.88	0.02%
Bilateral	**3,091.67**	**12.23%**
Exim Bank of China	2,485.08	9.83%
French Development Agency (AFD)	344.63	1.36%
Japan (JICA)	75.16	0.30%
Exim Bank of India	14.78	0.06%
Germany (KFW)	172.02	0.68%
Non-Concessional Creditor Categories	**12,557.14**	**49.68%**
Multilateral	**1,388.79**	**5.49%**
African Development Bank (AfDB)	1,264.61	5.00%
International Bank for Reconstruction and Development (IBRD)	124.18	0.49%
Commercial	**11,168.35**	**44.19%**
Eurobonds	10,868.35	43.00%
Diaspora Bond	300.00	1.19%
Grand Total	**25,274.36**	**100%**

Source: DMO

Figure 4.3: External Debt Stock by Concessionality as at December 31, 2018



Source: DMO

4.8 External Debt Flows

4.8.1 External Debt Principal Repayments

The Total External Debt Principal Repayment in December 31, 2018 amounted to US$712.75 million, compared to US$124.29 million in December 31, 2017, which represents an increase of US$588.45 million or 473.44 percent. The significant increase in Principal Repayment on External Debt was mainly due to the repayment of 5.125% JUL2018 US$500 million Eurobond, which matured in 2018. The other principal repayments were on Bilateral and Multilateral debts. Table 4.9 shows the details of External Debt Principal Repayments by Creditor category, with payments made to the Multilateral and Bilateral creditors amounting to US$129.71 million and US$83.04 million.

Table 4.9: External Debt Principal Repayments by Creditor Category, 2014-2018 (US$' Million)

Principal Repayments					
	2014	2015	2016	2017	2018
A. Official					
1. Multilateral	101.18	84.27	96.58	104.29	129.71
2. Bilateral	31.75	20.00	20.00	20.00	83.04
B. Commercial					
1. Eurobonds	-	-	-	-	500.00
2. Diaspora Bond	-	-	-	-	-
C. Others	-	-	-	-	-
Total	**132.93**	**104.27**	**116.53**	**124.29**	**712.75**

Source: DMO

4.8.2 External Debt Interest Payments in 2018

The Total External Debt Interest Payment in December 31, 2018 amounted to US$687.80 million, compared to US$279.74 million in December 31, 2017. This represents an increase of US$408.07 million or 145.87 percent, which was mainly due to interest payment made on the following Eurobonds: 5.125% US$500M JUL, 2018; 6.75% US$500M JAN, 2021; 6.375% US$500M JUL, 2023; 6.5% US$1.5BN NOV, 2027; 7.875% US$1.5BN FEB, 2032; 7.625% US$ 1.5BN NOV, 2047; and, 5.625% US$300M DIASPORA JUN, 2022. Table 4.10 shows the details of External Debt Interest Payments by Creditor category.

Table 4.10: External Debt Interest Payments by Creditor Category, 2014-2018 (US$' Million)

Interest Payments					
	2014	**2015**	**2016**	**2017**	**2018**
A. Official					
1. Multilateral	49.70	17.19	17.98	32.32	56.17
2. Bilateral	27.02	34.36	40.38	46.93	59.01
B. Commercial					
1. Eurobonds	91.26	91.26	91.26	150.32	514.00
2. Diaspora Bond	-	-	-	8.44	16.88
C. Others	41.72	41.72	33.12	41.74	41.75
Total	**209.70**	**184.53**	**182.75**	**279.74**	**687.80**

Source: DMO

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

4.8.3 Waivers

In the year 2018, waivers that accrued to the Federal Government of Nigeria amounted to US$1,213,910.00, as a result of prompt remittances of principal and interest payments during the year. Specifically, the waivers were received on account of timely payments made to IDA, BADEA and IDB, in the sum of US$894,570.00, US$220.00 and US$319,110.00, respectively (Table 4.11).

Table 4.11: Waivers in 2018 (US$' Thousand)

Category	Waiver / Credit
MULTILATERAL	
IDA	894.57
BADEA	0.22
IDB	319.11
TOTAL	**1,213.91**

Source: DMO

4.8.4 External Debt Principal Repayments Projections (2019–2028)

Principal Repayments on External Debt is projected to increase, due likely to the maturities of some Eurobonds and Diaspora Bond. The relatively higher principal repayments in the sum of US$2,355.33 million and US$2,742.271 million are to be made in respect of 7.625% NOV 2025 US$1.118 billion 7-year Eurobond and 6.500% NOV 2027 US$1.5 billion 10-year Eurobond, which will mature in 2025 and 2027, respectively (Table 4.12). Table 4.12 shows the External Debt Principal Repayment projections in the next 10 years, 2019-2028.

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

Category of Debt	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
MULTILATERAL										
ADF										
Principal	12.27	14.45	17.7	27.61	31.08	31.79	32.41	32.77	33.01	34.88
ADB										
Principal	20.49	81.98	89.12	138.64	138.64	131.23	123.81	123.81	123.81	123.81
AGTF										
Principal	0	0	0	2	2	2	2	2	2	2
IFAD										
Principal	3.46	4.45	5.96	5.96	5.96	7.02	8.07	8.07	8.07	8.07
IDA										
Principal	154.98	202.15	248.67	318.1	376.22	385.53	392.4	391.68	392.89	394.49
EDF										
Principal	5.23	5.1	5.16	5.2	5.25	5.31	5.36	5.42	5.48	5.54
ABFEDA (BADE)										
Principal	0.37	0.37	0.37	0.38	0.38	0.38	0.39	0.39	0.39	0.4
IDB										
Principal	1.23	1.93	2.66	2.66	2.66	2.66	2.66	2.66	2.66	2.66
IBRD										
Principal	0	10.4	21.6	22.7	23.8	25	26.3	27.65	29.05	30.5
Sub-Total	**198.03**	**320.83**	**391.24**	**523.25**	**585.99**	**590.92**	**593.4**	**594.45**	**597.36**	**602.35**
Bilateral										
Principal	98.77	177.11	274.68	323.39	337.69	359.15	526.61	550.16	550.16	550.16
Sub-Total	**184.51**	**272.89**	**380.41**	**435.82**	**454.9**	**479.43**	**643.58**	**657.82**	**644.91**	**632.19**
Commercial										
Principal	0	0	0	0	0	0	0	0	0	0
Sub-Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Eurobonds										
Principal	0	0	500	0	500	0	1118.35	0	1500	0
Diaspora Bonds										
Principal	0	0	0	300	0	0	0	0	0	0
Sub-Total	**0**	**0**	**500**	**300**	**500**	**0**	**1118.35**	**0**	**1500**	**0**
Others										
Oil Warrants										
Principal	0	0	0	0	0	0	0	0	0	0
Sub-Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Principal	**382.54**	**593.72**	**1271.65**	**1259.07**	**1540.89**	**1070.35**	**2355.33**	**1252.27**	**2742.27**	**1234.54**

Source: DMO

4.8.5 External Debt Interest Payment Projections (2019–2028)

Interest Payments are projected to rise over the 10-year period, due to the growth in External Debt over the past two (2) years as Nigeria raised more funds from External sources to achieve the target 40 percent of the External Debt to the Total Public Debt stock. New External borrowing is also another factor that will increase the Interest Payments. Table 4.13 shows the External Debt Interest Payment projections in the next 10 years, 2019-2028.

Table 4.13: External Debt Interest Payment Projections (US$' Million)

Category of Debt	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
MULTILATERAL										
ADF										
Interest	10.08	8.76	9.56	10.22	10.54	10.56	10.5	10.24	9.9	9.58
ADB										
Interest	44.18	48.44	49.05	49.17	47.45	44.68	40.75	36.96	33.16	29.42
AGTF										
Interest	0.19	0.24	0.44	0.62	0.76	0.85	0.79	0.73	0.66	0.59
IFAD										
Interest	1.35	1.47	1.56	1.54	1.5	1.46	1.41	1.35	1.3	1.24
IDA										
Interest	105.47	99.01	110.8	119.95	124.23	124.8	120.97	116.62	112.28	107.94
EDF										
Interest	0.62	0.55	0.5	0.45	0.39	0.34	0.29	0.23	0.18	0.13
ABFEDA (BADE)										
Interest	0.07	0.08	0.07	0.07	0.06	0.06	0.06	0.05	0.05	0.05
IDB										
Interest	0.42	0.15	0.15	0.05	0.05	0	0	0	0	0
IBRD										
Interest	5.56	7.54	9.56	9.27	8.81	8.33	7.82	7.29	6.73	6.14
Sub-Total	**365.97**	**487.06**	**572.93**	**714.59**	**779.79**	**781.99**	**775.99**	**767.93**	**761.61**	**757.42**
Bilateral										
Interest	85.74	95.77	105.73	112.44	117.21	120.28	116.97	107.67	94.75	82.03
Sub-Total	**184.51**	**272.89**	**380.41**	**435.82**	**454.9**	**479.43**	**643.58**	**657.82**	**644.91**	**632.19**
Commercial										
Interest	0	0	0	0	0	0	0	0	0	0
Sub-Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Eurobonds										
Interest	823.27	823.22	806.34	789.47	789.47	757.59	757.59	672.32	672.32	574.82
Diaspora Bonds										
Interest	16.88	16.88	16.88	8.44	0	0	0	0	0	0
Sub-Total	**840.15**	**840.09**	**1,323.22**	**1,097.90**	**1,289.47**	**757.59**	**1,875.94**	**672.32**	**2,172.32**	**574.82**
Others										
Oil Warrants										
Interest	41.72	41.72	0	0	0	0	0	0	0	0
Financial Service Fee	0.02	0.02	0	0	0	0	0	0	0	0
New Financing	218.44	614.88	910.44	910.44	910.44	910.44	910.44	910.44	910.44	910.44
Sub-Total	**260.18**	**656.62**	**910.44**	**910.44**	**910.44**	**910.44**	**910.44**	**910.44**	**910.44**	**910.44**
Total Interest	**1,354.01**	**1,758.71**	**2,021.07**	**2,012.12**	**2,010.92**	**1,979.40**	**1,967.59**	**1,863.89**	**1,841.75**	**1,722.36**

Source: DMO

4.8.6 External Debt Disbursements

The Total External Debt Disbursements amounted to US$7,340.84 million in the year 2018 compared to US$7,039.11 million in the year 2017 (Table 4.14). The increase of US$301.73 million or 4.29 percent was attributed mainly to proceeds from the US$5,368.35 million Eurobonds issued in 2018. The Eurobonds accounted for 73.13 percent of the total disbursements during the year. Other disbursements were from Multilateral and Bilateral sources, accounting for US$1,176.20 million or 16.02 percent and US$796.29 million or 10.85 percent, respectively, of the Total External Debt Disbursements in 2018.

Table 4.14: External Debt Disbursements by Source, 2014-2018 (US$' Million)

Source	2014	2015	2016	2017	2018
Multilateral					
IDA	1,167.38	758.38	1,578.50	814.75	945.37
IFAD	58.09	11.09	11.20	23.71	28.36
AfDB	-	250.00	9.89	783.26	134.99
ADF	4.42	111.32	138.89	51.42	67.48
IDB	-	-	-	-	-
BADEA	0.5	-	0.09	-	-
IBRD	-	3.57	0.26	120.30	-
Sub-Total	**1,230.47**	**1,134.35**	**1,738.83**	**1,793.43**	**1,176.20**
Bilateral	419.23	240.06	112.35	**445.68**	**796.29**
Commercial	-	-	-	**4,800.00**	**5,368.35**
TOTAL	**1,649.70**	**1,374.41**	**1,851.18**	**7,039.11**	**7,340.84**

Source: DMO

4.8.7 Net Resources Flows and Net Transfers on External Debt

Table 4.15 shows that Nigeria's Net Resources Flows and Net Transfers on External Debt were US$6,628.09 million and US$5,868.79 million in 2018, respectively, compared to US$6,914.83 million and US$6,557.92 million in 2017. The Net inflows were on account of disbursements from Multilateral and Bilateral creditors and proceeds of the US$5,368.35 million Eurobonds issued in 2018.

Table 4.15: Net Resources Flows and Net Transfers on External Debt by Source in 2018 (US$' Million)

Creditor Category	Disbursements in 2018	Principal Repayments in 2018	Net Resource flow in 2018	Interest Paid in 2018	Net Transfers in 2018
	(A)	(B)	C (A-B)	(D)	E(C-D)
Multilateral	1,176.20	129.71	1,046.49	56.17	927.14
Bilateral	796.29	83.04	713.25	59.01	645.93
Commercial	-	-	-	-	-
Oil Warrants	-	-	-	41.75	-41.72
Eurobonds	5,368.35	500	4,868.35	514.00	4,337.47
Diaspora Bond	-	-	-	16.88	-
Citibank Agency Fees	-	-	-	0.03	-0.03
Total	**0.00**	**712.75**	**6,628.09**	**687.80**	**5,868.79**

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 ICM through Eurobonds, in February and November, 2018. In February 2018, Nigeria issued US$2.50 billion Eurobond in two tranches of US$1.25 billion each for tenors of 12 and 20 years. In November 2018, an amount of US$2.868 billion was issued in three tranches of US$1.118 billion for 7 years, US$1.00 billion for long 12 years and US$750 million for long 30 years, respectively (Table 4.16). The proceeds of the US$2.50 billion Eurobonds issued in February 2018 were used to redeem some short-term domestic debt (NTBs) in the sum of N814.403 billion, which matured in 2018, as part of the debt management strategy aimed at reducing the debt service and refinancing risks, as well as creating borrowing space in the domestic market for the private sector. Out of the sum of US$2.868 billion Eurobond issued in November, 2018, US$2.786 billion was the New External Borrowing in 2018 Appropriation Act, and was accordingly, used to fund capital projects in the Budget.

Table 4.16: 2018 Eurobonds Issuance Statistics

US$2.50 billion			
Amount	**US$1.250 billion**	**US$1.250 billion**	
Coupon (Fixed)	7.143% per annum	7.696% per annum	
Issue Yield	7.143%	7.696%	
Issue Date	February 23, 2018	February 23, 2018	
Maturity Date	February 23, 2030	February 23, 2038	
Tenor	12 years	20 years	
Security	Senior Unsecured Debt		
Rating	B (S&P), B+(Fitch), B2 (Moody's)		
Type	144/RegS		
Interest Payment	Semi-Annually		
Listing	The London Stock Exchange, The Nigerian Stock Exchange and the FMDQ OTC Securities Exchange		
Total Subscription	US$11.50 billion (4.6 times)		
Use of Proceed	Refinancing of matured NTBs		
US$2.868 billion			
Amount	**US$1.118 billion**	**US$1.00 billion**	**US$750.00 million**
Coupon (Fixed)	7.625% per annum	8.747% per annum	9.248% per annum
Issue Yield	7.625%	8.747%	9.248%
Issue Date	November 21, 2018	November 21, 2018	November 21, 2018
Maturity Date	November 21, 2025	January 21, 2031	January 21, 2049
Tenor	7 years	12 years (Long)	30 year (Long)
Security	Senior Unsecured Debt		
Rating	B (S&P), B+(Fitch), B2 (Moody's)		
Type	144/RegS		
Interest Payment	Semi-Annually		
Listing	The London Stock Exchange, The Nigerian Stock Exchange and the FMDQ OTC Securities Exchange		

Source: DMO

4.9.2 Listing of the 2018 Eurobonds in Local Exchanges

In line with the Government's commitment to develop and deepen the domestic capital market, all the Eurobonds issued in 2018 have been listed on the floors of The Nigerian Stock Exchange and the FMDQ OTC Securities Exchange.

4.9.3 Performance of Nigeria's Eurobonds in the Secondary Market

Nigeria's Eurobonds and Diaspora Bond traded actively in the ICM in 2018. The Yield on Diaspora Bond, which opened at 4.69 percent in December 2017 closed at 6.55 percent in December 2018, an increase of about 186 basis points. Similarly, The Yield on 7.875 percent USD1.5BN FEB 2032 opened at 6.43 percent in December 2017 and closed at 9.03 percent as at December 31, 2018. The rise in the Yields of the securities were attributed to outflow of funds from emerging market assets due to interest rates increases by the major Central Banks of the advanced economies in 2018.

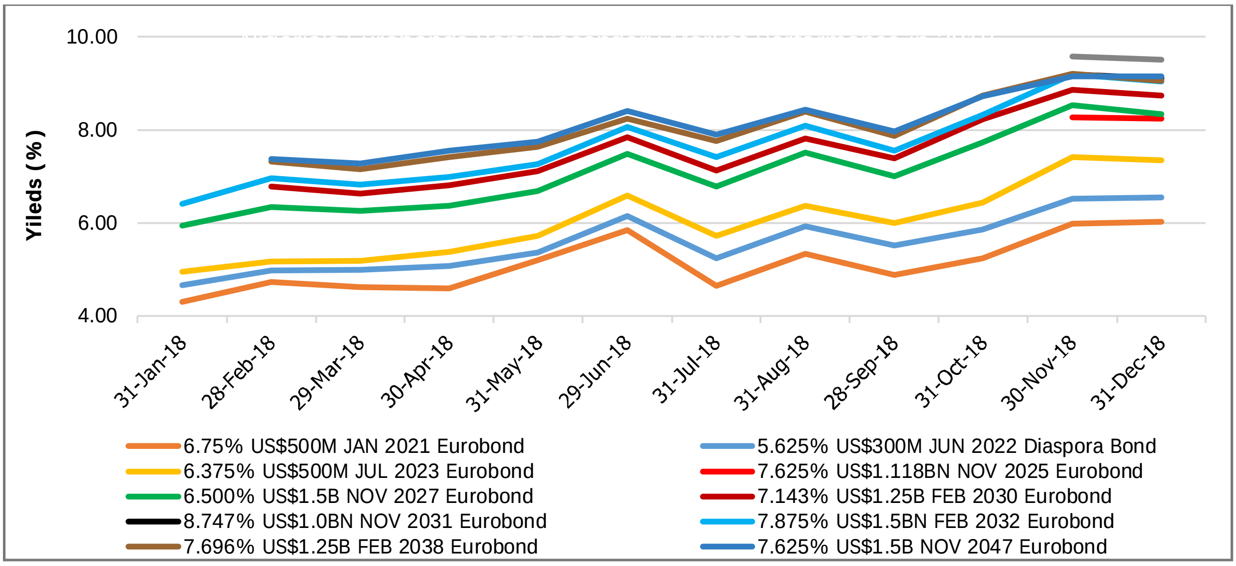
Table 4.17: Trends in Nigeria's Eurobonds and Diaspora Bond Prices and Yields (December 2017 – December, 2018)

	6.75% JAN 2021 Eurobond	5.625% JUN 2022 Diaspora Bond	6.375% JUL 2023 Eurobond	7.625% NOV 2025 Eurobond	6.500% NOV 2027 Eurobond	7.143% FEB 2030 Eurobond	8.747% NOV 2031 Eurobond	7.875% FEB 2032 Eurobond	7.696% FEB 2038 Eurobond	7.625% NOV 2047 Eurobond	9.248% NOV 2049 Eurobond
Date	Closing Yield (%)	Closing Yield (%)	Closing Yield (%)	Closing Yield (%)	Closing Yield (%)	Closing Yield (%)	Closing Yield (%)	Closing Yield (%)	Closing Yield (%)	Closing Yield (%)	Closing Yield (%)
31-Dec-17	4.56	4.69	5.03	N/A	5.88	N/A	N/A	6.43	N/A	N/A	N/A
31-Jan-18	4.30	4.66	4.95	N/A	5.94	N/A	N/A	6.42	N/A	N/A	N/A
28-Feb-18	4.73	4.97	5.17	N/A	6.34	6.79	N/A	6.96	7.32	7.38	N/A
29-Mar-18	4.61	4.99	5.18	N/A	6.26	6.63	N/A	6.82	7.16	7.28	N/A
30-Apr-18	4.59	5.07	5.37	N/A	6.37	6.81	N/A	6.99	7.42	7.55	N/A
31-May-18	5.20	5.37	5.72	N/A	6.69	7.10	N/A	7.27	7.64	7.74	N/A
29-Jun-18	5.85	6.14	6.59	N/A	7.49	7.84	N/A	8.07	8.25	8.41	N/A
31-Jul-18	4.64	5.24	5.73	N/A	6.78	7.12	N/A	7.42	7.76	7.89	N/A
31-Aug-18	5.34	5.93	6.37	N/A	7.51	7.82	N/A	8.09	8.40	8.44	N/A
28-Sep-18	4.88	5.51	5.99	N/A	7.00	7.39	N/A	7.55	7.87	7.97	N/A
31-Oct-18	5.25	5.86	6.44	N/A	7.73	8.22	N/A	8.33	8.74	8.72	N/A
30-Nov-18	5.98	6.51	7.42	8.27	8.54	8.87	9.19	9.20	9.21	9.15	9.57
31-Dec-18	6.03	6.55	7.36	8.24	8.34	8.73	9.11	9.03	9.05	9.14	9.51

Source: Bloomberg

Note: N/A => Not Available, as the Eurobonds had been issued as at those dates

Figure 4.4: Trends in the Yields of Nigeria's Eurobonds and Diaspora Bond



Source: Bloomberg

4.9.4 Comparative Yields of other African Sovereigns' Eurobonds

Table 4.18 and Figure 4.5 shows the trends in the Yields of Nigeria's Eurobonds and other African Sovereigns Eurobonds with similar Credit Rating and Time-To-Maturity. The Yields of Nigeria's Eurobonds (6.500% NOV 2027 and 7.625% NOV 2047) when compared to

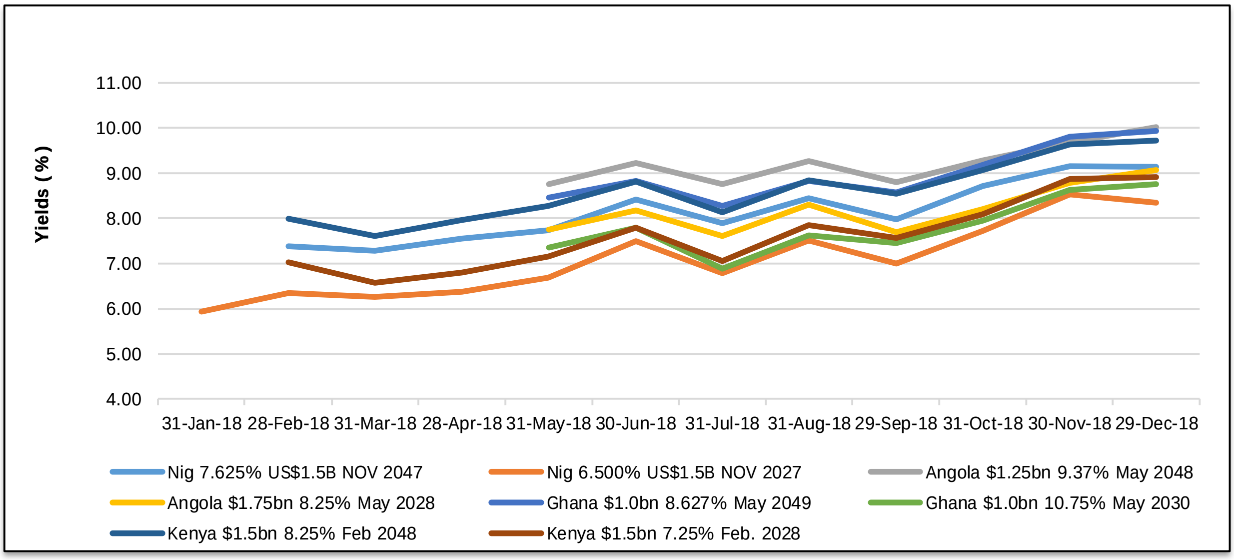
Angola's Eurobonds (8.25% MAY 2028 and 9.37% MAY 2048), Ghana's Eurobonds (10.75% MAY 2030 and 8.627% MAY 2049) and Kenya's Eurobonds (7.25% FEB 2028 and 8.25% FEB 2048) opened low but rose gradually in the course of the year to close in December 2018 at (8.34 percent, 9.14 percent), (9.07 percent and 10.03 percent), (8.76 percent and 9.94 percent) and (8.92 percent and9.72 percent) respectively.

Table 4.18: Comparative Yields of other African Sovereigns' Eurobonds in 2018

	Nigeria 7.625% NOV 2047	Nigeria 6.500% NOV 2027	Angola 9.37% MAY 2048	Angola 8.25% MAY 2028	Ghana 8.627% MAY 2049	Ghana 10.75% MAY 2030	Kenya 8.25% FEB 2048	Kenya 7.25% FEB 2028
Date	Closing Yields (%)	Closing Yields (%)	Closing Yields (%)	Closing Yields (%)	Closing Yields (%)	Closing Yields (%)	Closing Yields (%)	Closing Yields (%)
31-Jan-18		5.94	N/A	N/A	N/A	N/A	N/A	N/A
28-Feb-18	7.38	6.34	N/A	N/A	N/A	N/A	7.99	7.03
31-Mar-18	7.28	6.26	N/A	N/A	N/A	N/A	7.61	6.58
28-Apr-18	7.55	6.37	N/A	N/A	N/A	N/A	7.96	6.80
31-May-18	7.74	6.69	8.77	7.74	8.46	7.35	8.28	7.15
30-Jun-18	8.41	7.49	9.23	8.17	8.83	7.80	8.81	7.80
31-Jul-18	7.89	6.78	8.76	7.61	8.28	6.88	8.14	7.06
31-Aug-18	8.44	7.51	9.27	8.30	8.83	7.62	8.85	7.85
29-Sep-18	7.97	7.00	8.80	7.70	8.58	7.44	8.56	7.57
31-Oct-18	8.72	7.73	9.28	8.21	9.19	7.95	9.08	8.09
30-Nov-18	9.15	8.54	9.68	8.78	9.81	8.63	9.65	8.87
29-Dec-18	9.14	8.34	10.03	9.07	9.94	8.76	9.72	8.92

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 2018



Source: Bloomberg

4.9.5 Eurobonds issued by African Countries in 2018

Apart from Nigeria, seven (7) other African countries raised funds from the ICM and these were Kenya, Senegal, Ivory Coast, Angola, Ghana, South Africa and Tunisia (Table 4.19).

Ghana, Kenya and Angola had credit enhancements for their Eurobonds from the IMF/World Bank Group. Five (5) of the seven (7) countries, beside South Africa, extended their Yield curves with longer-term issuances, ranging from 10-30 years, while only Tunisia issued a 5-year Note. The Total Value of Eurobonds issued in 2018 by African countries (Nigeria, Kenya, Angola, Ghana, South Africa and Tunisia) were USD17.368 billion and (Senegal and Ivory Coast) for €2.70 billion. Nigeria's issuances accounted for about 31% of the US Dollar denominated Eurobonds issued by African countries in 2018.

Table 4.19: Eurobonds Issued by African Countries in 2018

Country	Credit Rating			Date Issued	Amount		Tenor (Years)	Coupon (%)	Issue Yield (%)
	Fitch	S&P	Moody's		US$' Million	€' Million			
Nigeria	B+	B	B2	Feb 15, 2018	1,250		20	7.696	7.696
					1,250		12	7.143	7.143
Kenya	B+	B+	-	Feb 21, 2018	1,500		30	8.250	8.250
					1,500		10	7.250	7.250
Senegal	-	B+	Ba3	Marc 6, 2018		1,000	10	4.750	4.750
					1,000		30	6.750	6.750
Ivory Coast	B+	-	Ba3	March 15,2018		850	12	5.250	5.250
						850	30	6.625	6.625
Angola	B	-	B3	May 02, 2018	1,250		30	9.375	9.375
					1,750		10	8.250	8.250
Ghana	B	B-	B3	May 10, 2018	1,000		11	7.625	7.625
					1,000		31	8.627	8.625
South Africa	BB+	BB+	Baa3	May 15, 2018	1,400		12	5.875	5.875
					600		30	6.300	6.300
Angola (Tap)	B	-	B3	July 2018	500		30	9.375	9.100
Tunisia	B2	-	B+	October, 2018	500		5	6.750	7.000
Nigeria	B+	B	B2	Nov. 14, 2018	1,118		7	7.625	7.625
					1,000		12 (long)	8.747	8.750
					750		30 (long)	9.248	9.250
Total ($ & €)					**$17,368**	**€2,700**			

Source: Bloomberg
Note: "-" means Not rated

4.9.6 New Eurobonds issued by Nigerian Corporates in 2018

In 2018, the Nigerian corporates were relatively passive in the ICM with only one (1) issuance by Seplat Petroleum Development Company Plc (Table 4.20), as against three (3) issuers, namely: Fidelity Bank Plc (US$400 million), United Bank for Africa (UBA) Plc (US$500 million) and Zenith Bank Plc (US$500 million) that issued a total volume of USD1.4 billion Eurobonds in 2017. Seplat Petroleum Development Company Plc priced its offering of USD350m 5-year Eurobond at a Coupon of 9.25%.

Table 4.20: Eurobond Issued by Nigerian Corporates in 2018

Corporate	Credit Rating		Date Issued	Amount (US$ Million)	Tenor (Years)	Coupon (%)	Issue Yield (%)
	Fitch	S&P					
Seplat Petroleum Development Company Plc	B-	B-	Mar 13, 2018	350	5	9.25	9.25

Source: Bloomberg

4.9.7 Outlook for the International Capital Market in 2019

Global growth projections by the International Monetary Fund in January, 2019 was subdued as the Fund cuts its global growth forecast for 2019 and 2020 by 0.2 percent and 0.1 percent to 3.5 percent and 3.6 percent, respectively, due mainly to domestic risks in the advanced markets, monetary tightening by major Central Banks and increasing level of protectionism in global trade. In the US, growth is expected to be dampened by more restrictive financing conditions, as the US Federal Reserve Bank is expected to make a fifth increase in rates by the end of 2019. Similarly, the European Central Bank had planned to end its Bond purchase programme in January 2019, suggesting a slight tightening of monetary policy with increase in interest rates in the Euro Zone. Consequently, Bond Yields are expected to be on the rise in the US and Euro Zone, and this will impact on the bonds issued by the Emerging Markets' Sovereigns. Given that most of these developments will have both direct and indirect impacts on Nigeria's Bond issuances, the cost of borrowing in the ICM is not likely to abate in the near term. Therefore, no significant reduction in Yields and cost of borrowing in the ICM in the near term are expected in 2019.

4.10 External Loans Borrowing Programme in 2018

Table 4.21 shows the external loans negotiated and signed by the FGN in 2018 to finance key economic and social development programmes and projects across the Federation.

Table 4.21: External Loans Negotiated and Signed by the FGN in 2018

S/N	Project Name	Creditor	Loan Amount
1	Polio Eradication Support Project, Additional Financing	IDA	$150m
2	Nigeria for Women	IDA	$100m
3	Accelerating Nutrition	IDA	$225m
4	NEWMAP Additional Financing	IDA	$400m
5	Rural Electrification	IDA	$350m
6	Fiscal Government and Institution Project	IDA	$125m
7	State Fiscal Transparency, Accountability & Sustainability Program for Results	IDA	$750m
8	Cross River RAMP II Study	AfDB	UA870m
9	Say No to Famine	AfDB	UA11.89m
10	Integrated Support and Economic Management	AfDB	UA3m
11	Institutional Support and Economic Management	AfDB	UA10m
12	Inclusive Basic Service Delivery and Livelihood Empowerment Integrated Project	AfDB	UA3.99m
13	Nigeria Electrification Project	AfDB/Africa Growing Together Fund	$150m/$50m

Source: Federal Ministry of Finance

Note: UA means AfDB's Units of Account

Sukuk Proceeds - Before and After the construction of the Kano Maiduguri Road (Section III, Azare Potiskum)

Green Bond Proceeds - Aerial View of Installed Solar Panel, Nnamdi Azikiwe University, Awka

CHAPTER FIVE
NIGERIA'S DOMESTIC DEBT

The FGN's Domestic Debt outstanding as at December 31, 2018, was ₦12,774.41 billion compared to ₦12,589.49 billion in the corresponding period of 2017, representing an increase of ₦184.92 billion or 1.46 percent. The net increase of ₦184.92 billion was due mainly to the issuance of N331 billion Promissory Notes meant for the settlement of part of the arrears to Local Contractors and other obligations of the FGN, which was offset by the redemption of ₦814.403 billion of NTBs by the FGN in 2018. The Interest Payment in 2018 amounted to ₦1,797.90 billion, compared with ₦1,476.22 billion in 2017. The subscription for the FGN Bond issuances in 2018 was strong, while other securities such as NTBs and Sukuk were oversubscribed, indicating 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 stock of FGN's Domestic Debt outstanding was ₦12,774.41 billion as at December 31, 2018, compared to ₦12,589.49 billion as at December 31, 2017, representing an increase of ₦184.92 billion or 1.46 percent (Table 5.1). The net increase of only ₦184.92 billion was due largely to the issuance of ₦331 billion Promissory Notes meant for the settlement of part of the arrears to Local Contractors and other obligations of the FGN, which was offset by the redemption of ₦814.403 billion of NTBs by the FGN in 2018.

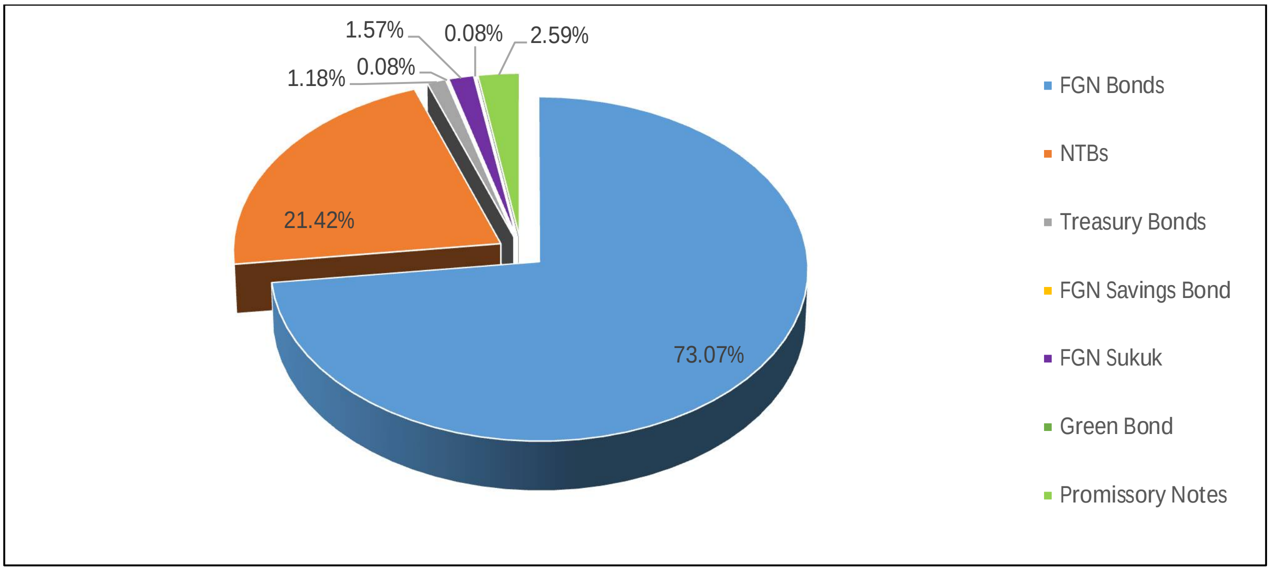
Figure 5.1 shows the composition of FGN's Domestic Debt stock comprising FGN Bonds (73.07 percent), NTBs (21.42 percent), and Treasury Bonds (1.18 percent). Others were FGN Savings Bonds (0.08 percent), FGN Sukuk (1.57 percent), Green Bonds (0.08 percent) and Promissory Notes (2.59 percent).

Table 5.1 Nigeria: Trend in Domestic Debt Outstanding by Instruments, 2014-2018

	2014	2015	2016	2017	2018
Instruments	**N' Billion**	**N' Billion**	**N' Billion**	**N' Billion**	**N' Billion**
FGN Bonds	4,792.28	5,808.14	7,564.94	8,715.81	9,334.74
NTBs	2,815.52	2,772.87	3,277.28	3,579.80	2,735.97
Treasury Bonds	296.22	255.99	215.99	175.99	150.99
FGN Savings Bond	-	-	-	7.2	10.8
FGN Sukuk	-	-	-	100	200
Green Bonds	-	-	-	10.69	10.69
Promissory Notes	-	-	-	-	331.27
Total	**7,904.02**	**8,837.00**	**11,058.21**	**12,589.49**	**12,774.41**
Instruments	**% of Total**	**% of Total**	**% of Total**	**% of Total**	**% of Total**
FGN Bonds	60.63	65.73	68.41	69.23	73.07
NTBs	35.62	31.38	29.64	28.43	21.42
Treasury Bonds	3.75	2.90	1.95	1.40	1.18
FGN Savings Bond	-	-	-	0.06	0.08
FGN Sukuk	-	-	-	0.79	1.57
Green Bonds	-	-	-	0.08	0.08
Promissory Notes	-	-	-	-	2.59
Total	**100**	**100**	**100**	**100**	**100**

Source: DMO

Figure 5.1 Composition of FGN's Domestic Debt Stock by Instruments as at December 31, 2018



Source: DMO

The composition of the Domestic Debt Stock shows a steady increase in the share of FGN Bonds from 60.63 percent in 2014 to 73.07 percent in December 2018, this together with the 5-year and 7-year Green Bond and Sukuk contributed to the extension of the Average maturity of the Debt Stock.

Table 5.1 shows that between 2017 and 2018 the composition of the Domestic Debt Stock changed significantly but positively towards the achievement of the objectives of the debt management strategy. The share of FGN Bonds which is the principal instrument for long-term borrowing rose to 73.07 percent compared to 60.63 percent and 69.23 percent in 2014 and 2017, respectively.

NTBs which was at its highest level of N3,579.80 million between 2014 and 2017 dropped sharply to N2,735.97 million in 2018. Similarly, its share of the Domestic Debt Stock dropped to 21.42 percent from 28.43 percent in 2017.

The stock of Treasury Bonds trended downward from ₦296.22 billion in 2014 to ₦150.99 billion in 2018, on account of its gradual redemption over the years. FGN Savings Bond and FGN Sukuk increased during the year from ₦7.2 billion and ₦100 billion, respectively in 2017 to ₦10.8 billion and ₦200 billion in 2018. Promissory Notes in the sum of ₦331.27 billion were added into the domestic debt portfolio, while the Green Bonds remained the same at ₦10.69 billion in 2018.

5.2 FGN's Domestic Debt Stock by Category of Holders

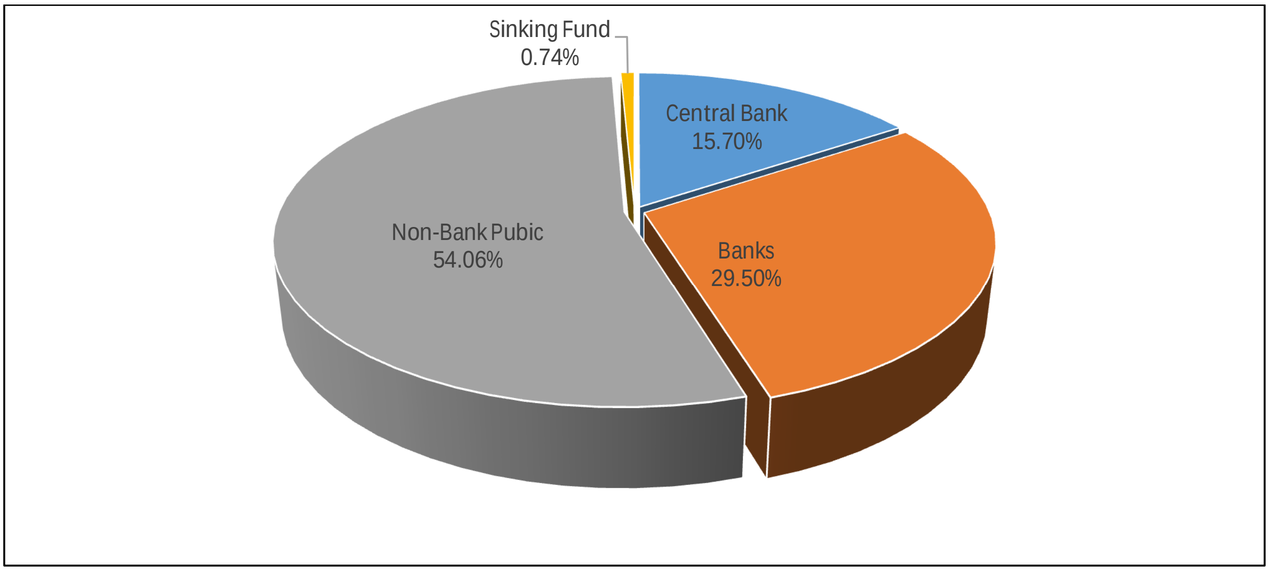
Table 5.2 and Figure 5.2 show the FGN's Domestic Debt outstanding of ₦12,774.41 billion by category of holders as at December 31, 2018. The holders were the Non-Bank Public with the largest share of ₦6,905.30 billion or 54.06 percent. This was followed by the Banks, which accounted for ₦3,768.58 billion or 29.50 percent, the Central Bank of Nigeria (CBN) held ₦2,005.44 billion or 15.70 percent of the total domestic debt outstanding, while the balance of ₦95.08 billion or 0.74 percent was held by a Sinking Fund created to redeem Treasury Bonds.

Table 5.2: FGN's Domestic Debt by Holder Category, as at December 31, 2018 (₦' Billion)

Instruments	Central Bank	Banks	Non-Bank Pubic	Sinking Fund	Amount Outstanding
FGN Bonds	1,582.27	3,299.82	4,452.65	-	9,335.34
Nigerian Treasury Bills (NTBs)	367.26	468.76	1,899.94	-	2,735.96
Treasury Bonds	55.91	-	-	95.08	150.99
Savings Bond	-	-	10.75	-	10.75
FGN Sukuk	-	-	200.00	-	200.00
Green Bonds	-	-	10.69	-	10.69
Promissory Notes	-	-	331.27	-	331.27
Total	**2,005.44**	**3,768.58**	**6,905.30**	**95.08**	**12,774.40**
% of Total	**15.70**	**29.50**	**54.06**	**0.74**	**100**

Source: CBN

Figure 5.2: Composition of FGN's Domestic Debt by Holders' Category as at December 31, 2018



Source: CBN

Table 5.3 shows the trend in FGN's Domestic Debt outstanding by category of holders from 2014 to 2018. The Non-Bank Public (mainly Pension Fund Administrators, Asset and Fund Managers, as well as Insurance companies) are the major holders of the FGN's domestic debt instruments. The increasing share of the Non-bank Public is the result of the market development activities of the DMO and other stakeholders to diversify the investor base.

Table 5.3: FGN's Domestic Debt Outstanding by Holders Category, 2014-2018 (₦' Billion)

Investor Type	2014	2015	2016	2017	2018
CBN	180.21	877.3	1,688.20	1,703.81	2,005.44
% of Total	*2.28*	*9.93*	*15.27*	*13.53*	*15.70*
Banks	3,982.72	3,284.01	3,736.02	5,350.79	3,768.58
% of Total	*50.39*	*37.16*	*33.79*	*42.50*	*29.50*
Non-Bank Public	3,564.32	4,513.49	5,493.54	5,416.54	6,905.30
% of Total	*45.10*	*51.07*	*49.68*	*43.02*	*54.06*
Sinking Fund	176.77	162.2	140.45	118.35	95.08
% of Total	*2.24*	*1.84*	*1.27*	*0.94*	*0.74*
Total	**7,904.02**	**8,837.00**	**11,058.21**	**12,589.49**	**12,774.40**

Source: CBN, DMO

5.3 FGN's Domestic Debt by Residual Maturity

Table 5.4 shows changes in the maturity structure of the FGN's Domestic Debt as at December 31, 2018. The short-term instruments (less than one year to maturity) accounted for 29.18 percent, while debt instruments maturing between 1 and 3 years accounted for 10.59 percent of the FGN's Total Debt portfolio. The other maturities are 3 to 10 years and 10 years and above, which accounted for 32.55 and 27.68 percent of the debt portfolio, respectively.

There was a reduction in the share of Short-term debt from 32.61 percent in 2017 to 29.18 percent in 2018, as a result of restructuring the domestic debt portfolio during the year towards attaining the mix of 75:25 for long to short-term debt. This was effected through the use of proceeds of US$2.5 billion Eurobonds issued in February 2018 to redeem matured NTBs. Table 5.5 shows that over the past five years (2014-2018), the maturity structure of domestic debt has lengthened, with medium to long-term debts dominating the portfolio. This has helped to reduce the refinancing and interest rate risks associated with the domestic Debt Stock.

Table 5.4: Maturity Structure of FGN's Domestic Debt, 2018

Residual Maturity (Years)	% Share of Outstanding Debt, 2018
≤ 1 Year	29.18
> 1 ≤ 3 Years	10.59
> 3 ≤ 10 Years	32.55
> 10 years	27.68
Total	**100.00**

Source: DMO

Table 5.5: FGN's Domestic Debt Outstanding by Residual Maturity, 2014 – 2018 (N' Billion)

Year	Short Term[1]	%	Medium-Long Term[2]	%	Total	%
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
2018	3,728.14	29.18	9,046.26	70.82	12,774.41	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 Interest Payments in 2018

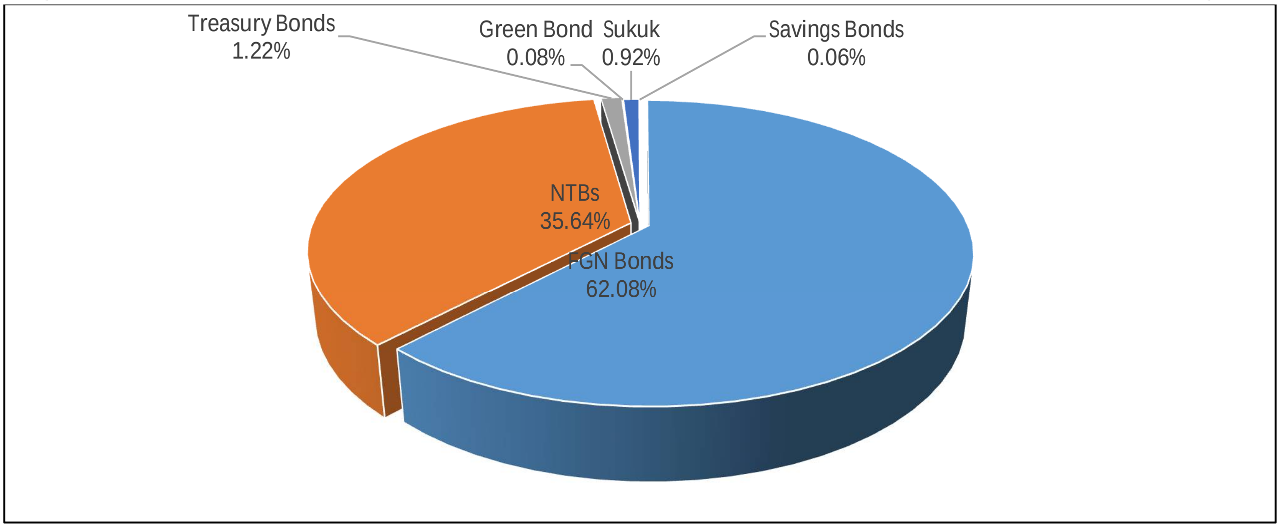
The FGN's Domestic Debt Interest Payment was ₦1,797.90 billion in 2018 compared to ₦1,476.22 billion in 2017, representing an increase of ₦321.68 billion or 21.79 percent (Table 5.6). The Interest Payments made on FGN Bonds represent 62.08 percent of the Total FGN Debt Interest Payment, while payments made in respect of the NTBs, FGN Savings Bonds, Treasury Bonds, Green Bonds and Sukuk were 35.64, 0.06, 1.22, 0.08 and 0.92 percent, respectively. In addition, Interest Payments on Domestic Debt was higher in 2018 compared to other years under review, reflecting the growth in the FGN's Domestic Debt over the years. (Table 5.7).

Table 5.6: FGN's Domestic Debt Interest Payments in 2018 (₦' Million)

Instruments	Principal Repayment	Interest	Total	% of Total
FGN Bonds	-	1,116,209.81	1,116,209.81	62.08
NTBs	-	640,683.75	640,683.75	35.64
Treasury Bonds	-	21,998.50	21,998.50	1.22
Green Bond	-	1,441.01	1,441.01	0.08
Sukuk	-	16,470.00	16,470.00	0.92
Savings Bonds		1,097.54	1,097.54	0.06
Total Debt Service	**-**	**1,797,900.61**	**1,797,900.61**	**100**

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

Figure 5.3: Composition of FGN's Domestic Interest Payments in 2018 (in Percentage)



Source: DMO

Table 5.7: Trends in FGN's Domestic Debt Interest Payments, 2014-2018 (₦' Billion)

Year	Domestic Debt Interest Payment
2014	865.81
2015	1,018.13
2016	1,228.76
2017	1,476.22
2018	1,797.90

Source: DMO

5.5 Size and Composition of the Domestic Bond Market

The size of the Domestic Bond Market measured by the total FGN, State Governments, Corporate bonds, as well as Supra-National Bonds stood at ₦10,484.42 billion as at December 31, 2018, compared to ₦9,806.42 billion as at December 31, 2017, representing an increase of ₦678,00 billion or 6.91 percent (Table 5.8). The increase was due to the growth from FGN and Corporate Bonds. Table 5.8 indicates that the share of Sukuk and FGN Savings Bond increased in 2018, while the share of Supra-national Bond and State Governments' Bonds declined, due to the redemption of matured bonds, which include ₦50 billion Delta State, ₦20 billion Ekiti State Bond and ₦21 billion Niger State. The Corporate Bonds segment of the market increased in its share to 4.35 percent in 2018 from 3.51 percent in 2017. The increase in the Corporate Bonds segment was due to the issuances by nineteen (19) Corporates who issued bonds in tenor of 3 – 5 years with interest rate ranging from 13.80 percent to 18.25 percent. This increase in Corporate Bonds is believed to be the effect of the lower interest rate environment in 2018 when compared to 2017.

Table 5.8: Size and Composition of Domestic Bond Market, 2017 & 2018

Description	2017		2018	
Issuer	Amount Outstanding (₦' Billion)	% of Total	Amount Outstanding (N' Billion)	% of Total
FGN Bond	8,715.81	88.88	9,334.74	89.03
Treasury Bonds	175.99	1.79	150.99	1.44
Supra-Nationals	11.34	0.12	8.1	0.08
Sukuk	100	1.02	200	1.91
Green	10.69	0.11	10.69	0.10
FGNSB	7.2	0.07	10.75	0.10
State Governments	446.96	4.56	320.1	3.05
Corporates	338.43	3.45	449.05	4.28
Total	**9,806.42**	**100**	**10,484.42**	**100**

Source: SEC and DMO
Note: Corporates and Supra-Nationals are included to show the total size of the Domestic Bond Market and are not part of the Public Debt Outstanding

5.6 FGN Bonds Primary Market Activities

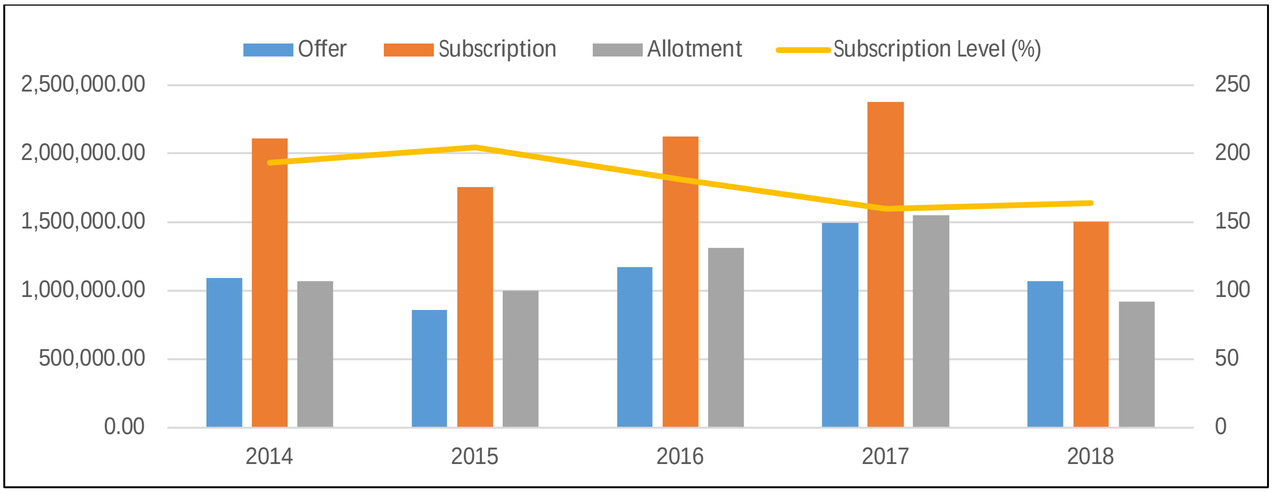
In 2018, FGN Bonds of 5, 7 and 10-year tenors were issued by the FGN in the primary market. The sum of ₦1,070,000.00 million was offered, out of which ₦918,926.33 million was allotted during the year, from a total subscription of ₦1,506,041.18 million. The Bonds recorded a subscription level of about 140.75 percent in the year under review (Table 5.9). The demand for FGN securities as reflected in the high level of subscription, demonstrated that the domestic debt market remained robust with diversified and growing investor-base comprising Banks, Pension Funds, Fund and Asset Managers, Insurance Companies and other institutional investors.

Table 5.9: FGN Bonds Primary Market Issuance, 2014 – 2018 (₦' Million)

Year	Offer	Subscription	Allotment	Subscription Level (%)
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
2018	1,070,000.00	1,506,041.18	918,926.33	140.75

Source: DMO

Figure 5.4: Summary of Yearly FGN Bonds Offer, Subscription & Allotment, 2014-2018 (₦' Million)



Source: DMO

5.7 FGN Bonds Allotment by Residency

The allotments of the FGN Bonds by Residency Classification shows that resident investors accounted for ₦817,974.71 million or 89.01 percent of Bonds allotted in 2018, compared to ₦1,352,071.41 million or 87.20 percent in 2017. The Non-resident investors were allotted ₦100,951.61 million or 10.99 percent of the Bonds in 2018, compared to ₦198,392.37 million or 12.80 percent in 2017, indicating a slight reduction in participation by the non-resident of investors at the Auctions by 1.81 percentage points in 2018 (Table 5.10).

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

	2017		2018	
Classification	**Amount**	**% of Total**	**Amount**	**% of Total**
Residents	1,352,071.411	87.20	817,974.714	89.01
Non-Residents	198,392.368	12.80	100,951.614	10.99
Total	**1,550,463.779**	**100.00**	**918,926.328**	**100.00**

Source: DMO

5.8 Trend Analysis of FGN Bonds Allotment by Residency

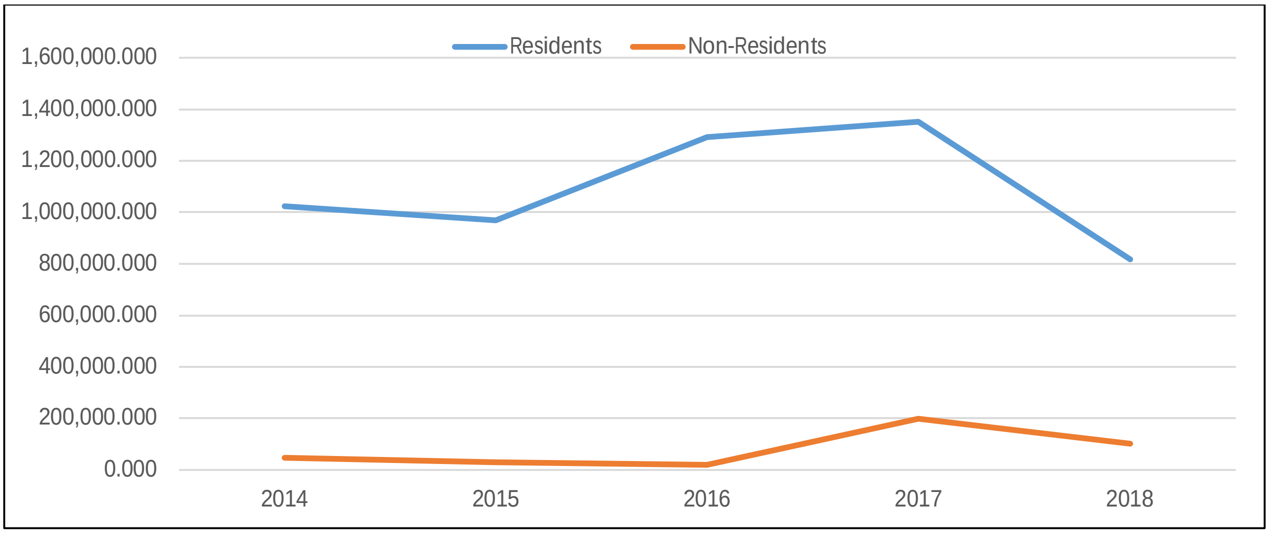
The breakdown of FGN Bonds allotments by Residency showed a marginal decrease in participation by Non-residents in FGN Bonds Auctions in 2018 to 10.99 percent from 12.80 percent in 2017 (Table 5.11 and Figure 5.5). The slightly lower level of participation of Non-Resident investors may have been due to the lower interest rate environment in 2018, when compared to 2017.

Table 5.11: Summary of Allotment of FGN Bonds by Residency Classification, 2014 – 2018 (N' Million)

Year	Residents	%	Non-Residents	%	Total	%
2014	1,023,470.640	95.63	46,772.870	4.37	1,070,243.520	100.00
2015	968,801.210	97.00	29,938.790	3.00	998,740.000	100.00
2016	1,290,303.333	98.62	18,000.000	1.38	1,308,303.333	100.00
2017	1,352,071.411	87.20	198,391.368	12.80	1,550,462.779	100.00
2018	817,974.714	89.01	100,951.614	10.99	918,926.328	100.00

Source: DMO

Figure 5.5: Summary of Allotment of FGN Bonds by Residency Classification, 2014 – 2018 (₦' Million)



Source: DMO

5.9 Analysis of FGN Bond Auctions by Tenor

The analysis of the FGN Bonds auctioned by Tenor showed that Bonds with Tenors of 5, 7 and 10 years were issued in 2018 (Table 5.12). The 5-year tenor accounted for 23.33 percent of the total FGN Bonds issued, while the 7 and 10-year tenors accounted for 18.86 and 57.82 percent, respectively. Tables 5.13 and 5.14 respectively show the monthly analysis of FGN Bonds issued by Tenor, and monthly FGN Bonds Issuances, Subscriptions and Allotments in 2018, while Figure 5.6 shows the Monthly Issuance during the year.

Table 5.12: Analysis of FGN Bonds Issued by Tenor in 2018 (₦' Million)

Tenor*	Amount (₦' Million)	% of Total
5-years	214,361.753	23.33
7-years	173,285.856	18.86
10-years	531,278.719	57.82
Total	**918,926.328**	**100.00**

Source: DMO
* Represents original Issuance Tenor

Table 5.13: Monthly Analysis of FGN Bonds Issued by Tenor in 2018 (₦' Million)

Month	5-Year*	7-Year*	10-Year*	Total
January	45,122.840	-**	64,877.160	110,000.000
February	27,179.600	-**	52,435.102	79,614.702
March	10,053.532	8,905.003	45,102.500	64,061.035
April	38,289.277	37,750.001	63,960.722	140,000.000
May	3,500.000	23,435.990	53,485.990	80,421.980
June	8,790.000	7,923.500	21,034.773	37,748.273
July	8,925.500	11,580.600	46,394.252	66,900.352
August	40,217.000	48,495.001	21,380.816	110,092.817
September	17,482.004	7,375.510	71,880.802	96,738.316
October	12,650.000	20,142.251	55,290.601	88,082.852
November	1,100.000	4,267.000	34,146.000	39,513.000
December	1,052.000	3,411.000	1,290.001	5,753.001
Total	**214,361.753**	**173,285.856**	**531,278.719**	**918,926.328**

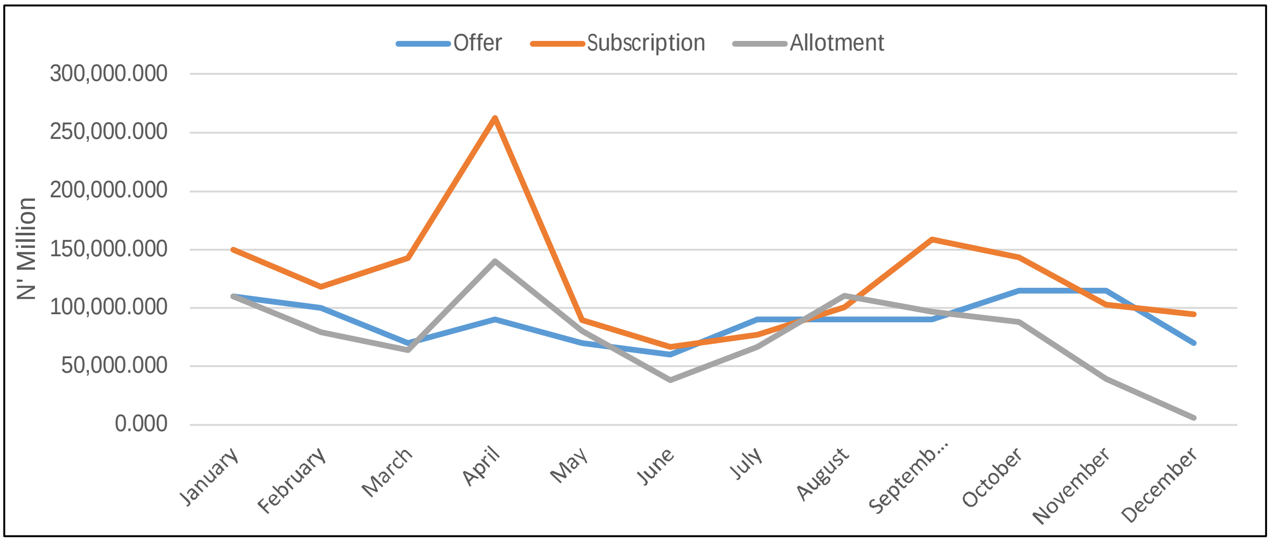
Source: DMO
* Represents original Issuance Tenor
**Tenor not offered in those months

Table 5.14: Summary of Monthly FGN Bonds Offer, Subscription & Allotment in 2018 (N' Million)

Month	Offer	Subscription	Allotment
January	110,000.000	150,010.992	110,000.000
February	100,000.000	117,579.702	79,614.702
March	70,000.000	142,811.035	64,061.035
April	90,000.000	262,481.050	140,000.000
May	70,000.000	89,816.265	80,421.980
June	60,000.000	66,724.773	37,748.273
July	90,000.000	77,020.352	66,900.352
August	90,000.000	100,771.967	110,092.817
September	90,000.000	158,513.993	96,738.316
October	115,000.000	143,488.552	88,082.852
November	115,000.000	102,696.000	39,513.000
December	70,000.000	94,126.502	5,753.001
Total	**1,070,000.000**	**1,506,041.183**	**918,926.328**

Source: DMO

Figure 5.6: Summary of Monthly FGN Bonds Offer, Subscription & Allotment in 2018 (₦' Million)



5.10 Allotment of FGN Bonds by Investor Type in 2018

Table 5.15 and Figure 5.7 show the analysis of FGN Bond allotments by Investor Type, indicating that Fund Managers & Non-Bank Financial Institutions accounted for 25.92

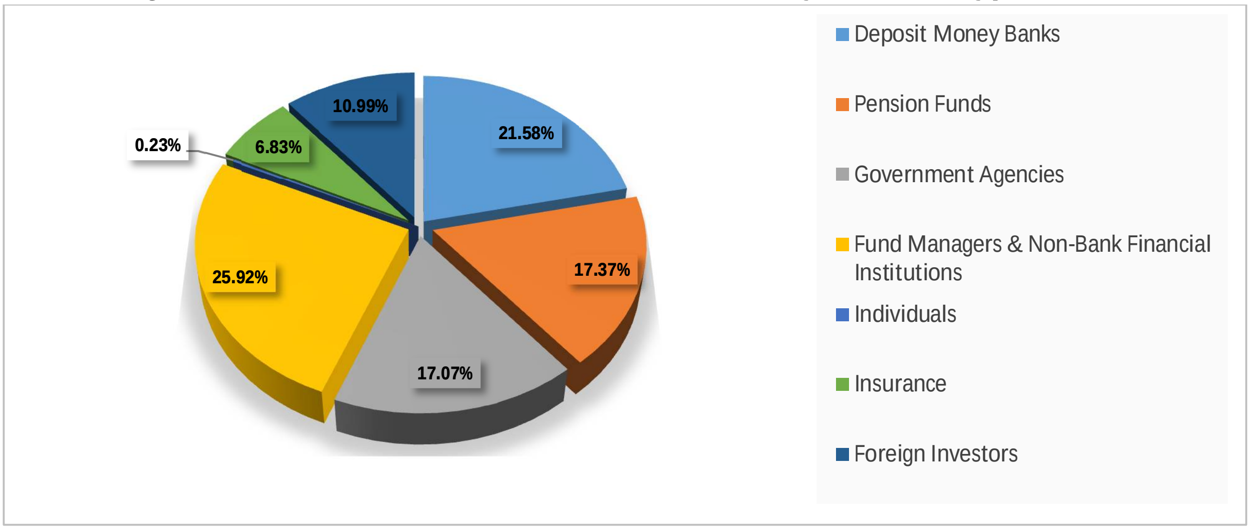
percent of the total FGN Bonds allotted in 2018, followed by the Deposit Money Banks (21.58 percent), Pension Funds (17.37 percent), Government Agencies (17.07 percent), Foreign Investors (10.99 percent), Insurance (6.83 percent), Individuals (0.14 percent), and Retail/Other Institutional Investors (0.09 percent).

Table 5.15: Summary of FGN Bond Auctions & Allotments by Investor Type in 2018 (₦' Million)

Description	Amount	Result
Total Subscription		**1,506,041.18**
Range of Bids (%)		11.5000% - 17.5450%
Range of Marginal Rates (%)		12.7500% - 15.8300%
Range of Coupons (%)		12.7500% - 16.2884%
		% of Total Allotment
Deposit Money Banks	198,341.89	21.58
Pension Funds	159,657.61	17.37
Government Agencies	156,895.48	17.07
Fund Managers & Non-Bank Financial Institutions	238,194.98	25.92
Individuals	2,104.61	0.23
Insurance	62,780.15	6.83
Foreign Investors	100,951.61	10.99
Total Allotment	**918,926.33**	**100.00**

Source: DMO

Figure 5.7: Allotments of FGN Bonds Issuance by Investor Type in 2018

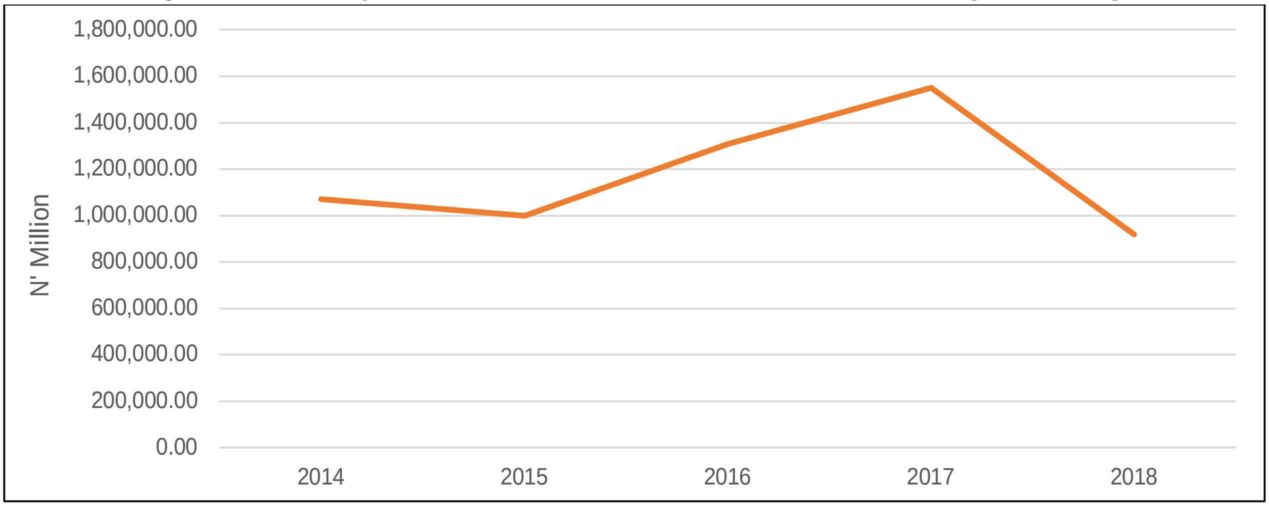


Source: DMO

5.11 Trend Analysis of FGN Bonds Allotments

Figure 5.8 shows the trend of Allotments of the FGN Bonds from 2014 to 2018, indicating a lower Allotment of ₦918,926.33 million in 2018, relative to the sum of ₦1,550,463.78 million allotted in 2017. This was due to a lower level of New Borrowing by the Government in 2018.

Figure 5.8: Analysis of FGN Bonds Allotments, 2014-2018 (₦' Million)



Source: DMO

5.12 Sub-national Bonds Issuance in 2018

The State Governments raised the sum of ₦125.59 billion through Bonds in 2018, compared to ₦97.39 billion in 2017, which was raised by the Lagos State Government.

5.13 FGN Domestic Secondary Bond Market in 2018

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

The value of FGN Bonds traded in the Secondary Market increased in 2018 relative to 2017 (Table 5.16), as the Total Face Value of Trades rose by 1.51% from ₦16.88 trillion in 2017 to ₦17.13 trillion in 2018, while Consideration increased by 11.17% from ₦16.24 trillion to ₦18.05 trillion. The higher increase in Consideration, was due to a general reduction in domestic interest rates which increased the Price of the Bonds. However, the number of Deals decreased by 19.01% from 63,031 to 51,048 the period under review.

Table 5.16: FGN Secondary Bond Market Trades –OTC and Exchange Trading, 2017-2018

	2017			2018		
Period	Number of Transactions	Face Value (₦' 000)	Consideration (₦' 000)	Number of Transactions	Face Value (₦' 000)	Consideration (₦' 000)
January	7,785	2,759,018,760	2,533,666,608	5,044	899,124,886	1,005,765,932
February	5,627	1,853,608,653	1,608,696,255	5,006	909,461,016	1,009,906,716
March	7,075	1,817,120,982	1,631,837,153	5,646	1,691,316,570	1,784,878,252
April	4,720	1,196,405,418	1,141,895,974	7,470	1,738,542,600	1,906,169,859
May	3,699	841,876,898	789,219,479	5,534	1,916,287,432	2,109,957,246
June	4,063	1,432,437,487	1,356,097,378	3,498	1,296,783,576	1,637,370,349
July	3,262	1,017,155,678	1,001,840,050	4,238	1,528,088,040	1,590,193,149
August	5,145	996,317,049	981,451,473	2,374	1,577,780,960	1,616,542,084
September	7,227	1,794,388,361	1,811,418,024	4,738	2,135,561,892	2,069,753,417
October	6,730	1,328,263,742	1,398,697,896	3,074	1,264,549,860	1,225,214,079
November	5,023	1,130,410,885	1,182,465,433	2,422	1,119,115,128	1,062,076,065
December	2,675	709,677,305	799,729,883	2,004	1,055,690,208	1,032,939,611
Total	**63,031**	**16,876,681,218**	**16,237,015,603**	**51,048**	**17,132,302,168**	**18,050,766,760**

Source: NSE and FMDQ OTC Securities Exchange

5.13.2 FGN Bonds Traded on the NSE

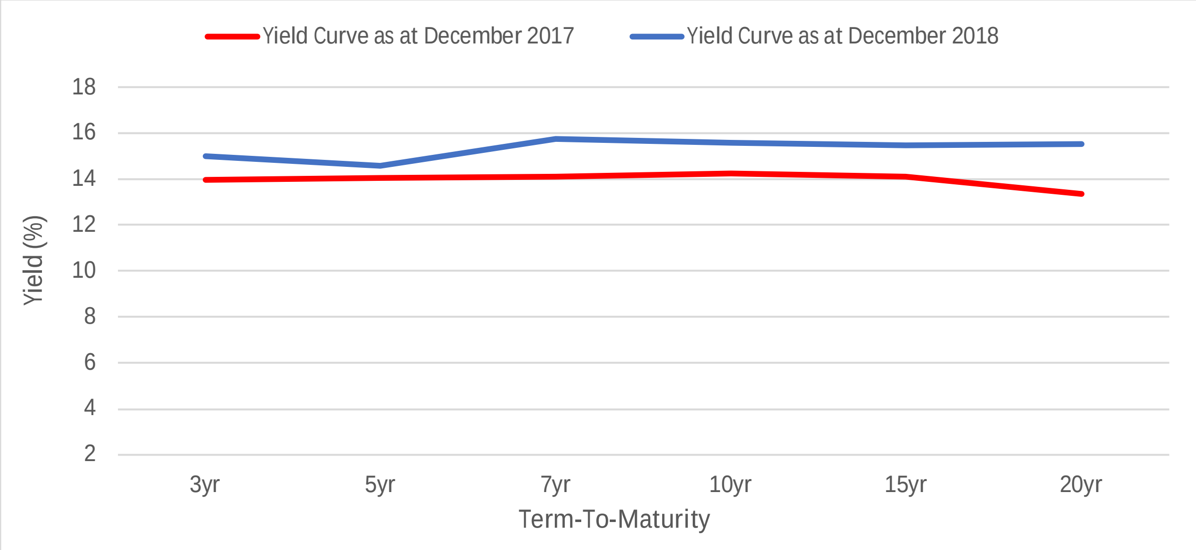
Total Face Value of Transactions on FGN Bonds on the Floors of the NSE declined by 14.64% to ₦246.14 million in 2018 from ₦288.36 million in 2017. Consideration also declined by 7.5% to ₦258.83 million in 2018 from ₦279.82 million in 2017. Number of Deals followed a similar trend as it dropped to 115 in 2018 from 173 deals in 2017.

5.13.3 Sovereign Yield Curve

The Sovereign Yield Curve as at end of December, 2018 was relatively flat for the 7-year to 20-year tenors, but shifted upwards by an average of 135.51 basis points (bps) across all maturities (Figure 5.9) when compared with the Yield Curve as at December 31, 2017. The flat yield curve for the longer dated FGN Bonds indicates investors preference for long tenored securities, which may not be unconnected with expectation of lower interest as inflation trends down.

The upward shift in the FGN yield curve was a reflection of the higher domestic interest rates which was impacted by a tight monetary policy stance and to a lesser extent the reversal of capital flows to emerging markets due to interest rate normalisation by the United States' Federal Reserve Bank.

Figure 5.9: The FGN Securities Yield Curve as at end-December, 2017 and 2018



Source: FMDQ

5.14 New Initiatives and Developments in the FGN Bond Market in 2018

5.14.1 Benchmark Bonds

The FGN introduced three (3) new Benchmark FGN Bonds into the market in 2018. These are: 5-year (12.75% FGN APR 2023), 7-year (13.53% FGN MAR 2025) and 10-year (13.98% FGN FEB 2028). At the end of 2018 there were twelve (12) FGN Benchmark Bonds as shown in Table 5.17.

Table 5.17: FGN Benchmark Bonds as at end of December, 2018

S/N	Benchmark Bond Name	Tenor Benchmark (years)
1	14.50% FGN JUL 2021	3
2	16.39% FGN JAN 2022	3
3	**12.75% FGN APR 2023**	**5**
4	14.20% FGN MAR 2024	5
5	**13.53% FGN MAR 2025**	**7**
6	12.50% FGN JAN 2026	7
7	16.2884% FGN MAR 2027	10
8	**13.98% FGN FEB 2028**	**10**
9	10.00% FGN JUL 2030	10
10	12.1493% FGN JUL 2034	15
11	12.40% FGN MAR 2036	20
12	16.2499% FGN APR 2037	20

Source: DMO

5.14.2 FGN Savings Bond Issuance in 2018

The DMO offered FGN Savings Bond (FGNSB) in tenors of two (2) and three (3) years for which it received a total Subscription of ₦3.553 billion from 3,703 investors. As at December 31, 2018, the FGNSB which was introduced in March, 2017 had raised a cumulative amount of ₦10.750 billion from 13,564 subscribers.

5.14.3 Sovereign Sukuk Issuance in 2018

In continuation of the DMO's strategic objective of borrowing to finance capital projects and promoting financial inclusion, in 2018, issued another ₦100 billion Sovereign Sukuk in the domestic bond market. The Offering attracted interest from a wide range of retail and institutional investors with Total Subscription of ₦132.20 billion, which represents a Subscription Rate of 132.2 percent. Retail Investors accounted for 17.33 percent of the Total Allotment compared to 4 percent recorded in the debut Issuance in 2017, indicating that the stated objectives of financial inclusion and deepening of investor base are being achieved, through Sovereign Sukuk issuance.

The proceeds of this second Sovereign Sukuk are for the financing of the reconstruction and rehabilitation of Twenty-Eight (28) Road Projects across the Six (6) Geopolitical Zones of the country. The proceeds of the debut Sovereign Sukuk were also deployed to Road projects. The Sovereign Sukuk Issuance Statistics are as follows:

Type:	*Forward Ijarah (Lease).*
Amount:	*₦100 Billion.*
Rental Rate:	*15.743% p.a.*
Issue Date:	*December 28, 2018.*
Tenor:	*7 years*
Maturity Date:	*December 28, 2025.*
Subscription level:	*₦132.198 Billion.*
Listing:	*The Nigerian Stock Exchange and the Financial Markets Dealers Quotation OTC Securities Exchange.*
Status/Security:	*Backed by the full faith and credit of the Federal Government Nigeria (FGN) and ranks pari passu with other obligations of the FGN.*
Liquidity:	*Qualifies as a Liquid Asset*
Tax Status:	*Income are Tax Exempt*

5.15 Market-Wide Developments In 2018

5.15.1 Initiatives by the Securities and Exchange Commission

The Securities and Exchange Commission (SEC) released Green Bonds Issuance Rules in 2018 aimed at providing clarity and guidelines on the issuance of Green Bonds in the domestic capital market. SEC also introduced Rules on the Timeframe for the transmission of shares related to estates of deceased investors and the Fee Structure. This is expected to benefit the beneficiaries of such estates and ultimately engender confidence in the domestic capital market.

As part of the implementation of the 10-year Capital Market Master Plan, SEC undertook the following initiatives in 2018:

i. Inaugurated a market-wide Financial Technology (Fintech) Committee with the mandate of developing a roadmap that would guide the market.

ii. Commenced the regularization of multiple subscriptions for a single equity offer, to give Shareholders that purchased shares using multiple identities during Initial Public Offerings (IPOs) the opportunity to consolidate their investments in the equities market.

iii. Continued the pilot stage of electronic distribution of Company's Annual Reports to Shareholders by quoted Public Companies.

iv. Used Social Media Platforms to boost financial literacy campaigns through the creation and deployment of a one-minute Financial Literacy Video on YouTube.

5.15.2 Initiatives by The Nigerian Stock Exchange

The Nigerian Stock Exchange (NSE) launched and implemented several initiatives in 2018. These include:

i. The Launching of X-Pay, an E-Payment Platform aimed at delivering of a faster and safer payment method to capital market stakeholders on various products and services offered by the Exchange.

ii. The Issuance of a Sustainability Disclosure Guideline, which recognizes the need for the promotion of Environmental, Social and Governance (ESG) initiative, to facilitate engagements between investors and companies listed on the Exchange.

iii. The Launching of an automated customer interactive machine learning Chatbox, designed to provide market participants real-time access to data and information from the Exchange.

5.15.3 Initiatives by FMDQ OTC Securities Exchange

The FMDQ OTC Securities Exchange, as part of its market development efforts, implemented some initiatives in 2018. These include:

i. Operationalization of FMDQ Clear Limited, a central clearing house that is expected to deliver efficient post-trade services across Nigeria's fixed income and derivatives markets.

ii. The Signing of a 3-year Co-operation Agreement with the Financial Sector Development (FSD) Africa (Kenya) and Climate Bonds Initiative (United Kingdom), aimed at supporting the development of the Nigerian Green and non-Government Bonds markets.

iii. The Launching of a Dealing Member Specialist Market that will provide a platform for Stockbrokers to trade fixed income securities in the Nigerian Debt Capital Market.

iv. The Launching of Nigeria Sovereign Bond Index in partnership with S&P Dow Jones Indices (SPDJI). The branded S&P Nigeria Sovereign Bond Index is expected to track the performance of local currency denominated sovereign debt issued in the domestic market.

v. The Launching of the FMDQ Q-ex Settlement Solution that will provide market Straight-through-Processing capabilities for efficient settlement in the fixed income market.

5.15.4 Utilization of the Debut ₦100 Billion Sovereign Sukuk

The proceeds of the second Sovereign Sukuk are for the financing of the reconstruction and rehabilitation of Twenty-Eight (28) Road Projects across the Six (6) Geopolitical Zones of the country. These Road Projects, which are spread across the six (6) geo-political zones of the country had brought relief to road users, as well as helped to improve infrastructure delivery across the country, thus, linking government's borrowing to specific critical projects. Table 5.18 presents the Road Projects and amounts allocated to each geopolitical zone.

Table 5.18: Road Projects Financed with 2018 Sukuk Proceeds in the Six Geopolitical Zones

S/N	Name of Road	Contract No.	Amount (₦)
	NORTH CENTRAL		
1	Construction of Oju/Loko - Oweto Bridge over River Benue to link Loko (Nasarawa State) and Oweto (Benue State) along Route F238	6108	4,000,000,000.00
2	Dualization of Lokoja-Benin Road: Obajana Junction-Benin Section I Phase I: Obajana – Okene in Kogi State	6135	4,000,000,000.00
3	Dualization of Abuja-Abaji-Lokoja Road Sect. IV (Koton Karfe - Lokoja), C/No. 5885 in Kogi State	5885	2,500,000,000.00
4	Dualization of Abuja - Abaji - Lokoja Road: Section I (International Airport link road junction-Sheda Village Junction) in FCT	5862	2,000,000,000.00
5	Reconstruction of Bida – Lambata road in Niger State, Contract No. 6272	6372	2,000,000,000.00
6	Dualisation of Suleja-Minna Road in Niger State Phase II (km 40+000-km101+000)	6267	2,166,666,666.67
	Sub-total		**16,666,666,666.67**
	NORTH-EAST		
7	Dualisation of Kano-Maiduguri Road linking Kano-Jigawa-Bauchi-Yobe and Borno States. Sect. II (Shuari-Azare) in Bauchi State	5879	4,000,000,000.00
8	Dualization of Kano-Maiduguri Road linking Kano-Jigawa-Bauchi-Yobe and Borno States. Section IV (Potiskum-Damaturu Road), C/No. 5881 in Yobe State	5881	3,750,000,000.00
9	Dualisation of Kano-Maiduguri Road linking Kano-Jigawa-Bauchi-Yobe and Borno States. Sect. III (Azare-Potiskum), C/No. 5880 in Bauchi State	5880	3,666,666,666.67
10	Dualisation of Kano-Maiduguri Road linking Kano-Jigawa – Bauchi - Yobe and Borno States. (section v) Damaturu -Maiduguri.	5869	3,750,000,000.00
11	Rehabilitation of Gwoza - Damboa - Goniri - Ngamdu Road in Yobe/Borno States	6449	1,500,000,000.00
	Sub-total		**16,666,666,666.67**
	NORTH WEST		
12	Dualization of Kano - Katsina Road Phase I: kano Town at Dawanau roundabout to Katsina State Border in Kano State.	6213	4,500,000,000.00
13	Construction of Kano Western By Pass as an Extension of Dualisation of Kano - Maiduguri Road, Section 1.	5960	4,000,000,000.00
14	Construction of Kaduna Eastern By-pass in Kaduna State	5346	4,166,666,666.66
15	Dualisation of Kano-Maiduguri Road linking Kano-Jigawa-Bauchi-Yobe and Borno States. Sect. I (Shuari-Azare) in Bauchi State	5878	4,000,000,000.00
	Sub-total		**16,666,666,666.66**
	SOUTH EAST		
16	Rehabilitation and Reconstruction of Enugu-Port Harcourt Dual Carriageway Section I: Lokpanta - Umuahia Tower (CH. 61+000-CH. 120+500) in Abia State.	6208	4,000,000,000.00
17	Rehabilitation and Reconstruction of Enugu-Port Harcourt Dual Carriageway Section II: Umuahia Tower-Aba Township Rail/Road Bridge Crossing (CH. 120+500-CH. 176+600) in Abia State.	6209	4,000,000,000.00
18	Rehabilitation Of Outstanding Section Of Onitsha-Enugu Expressway: Amansea - Enugu State Border	6266	4,666,666,666.67
19	Rehabilitation Of Enugu-Port Harcourt Road Section III: Enugu-Lokpanta in Enugu State	6251	4,000,000,000.00
	Sub-total		**16,666,666,666.67**
	SOUTH WEST		
20	Reconstruction and Asphalt Overlay of Benin-Ofosu-Ore-Ajebandele-Shagamu Dual Carriageway Phase IV: Ajebandele-Shagamu; KM 162+586 (Ondo State) to KM 261+000 (Ogun State) in Ondo/Ogun States	6241	6,166,666,666.67
21	Reconstruction of the Outstanding sections of the Benin – Ofusu – Ore –Ajebandele - Shagamu Expressway, Phase III	6133	5,500,000,000.00
22	Dualisation of Ibadan - Ilorin Rd (Route No. 2) Section II: Oyo-Ogbomosho Road, in Oyo State	1793A	5,000,000,000.00
	Sub-total		**16,666,666,666.67**

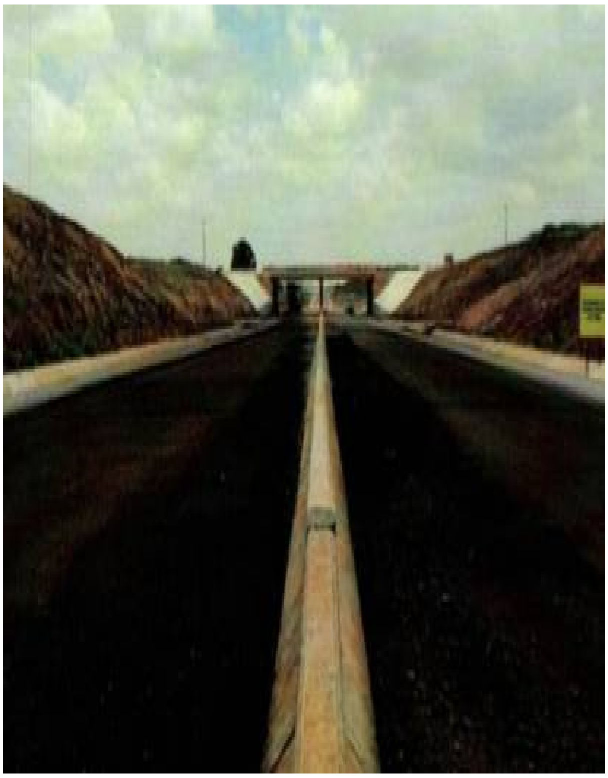
	SOUTH SOUTH		
23	Dualization of Lokoja-Benin Road: Obajana Junction-Benin Section IV Phase I: Ehor-Benin City, Edo States	6138	3,500,000,000.00
24	Dualization of Lokoja-Benin Road: Obajana Junction-Benin Section II Phase I: Okene-Auchi, Kogi/Edo States	6136	3,000,000,000.00
25	Rehabilitation of Enugu-Port Harcourt Road Section IV: Aba-Port Harcourt in Rivers State.	6252	3,500,000,000.00
26	Dualization of Yenegwe Road Junction-Kolo - Otuoke - Bayelsa Palm (20km) in Bayelsa State.	6248	2,000,000,000.00
27	Dualization of Lokoja-Benin Road: Obajana Junction -Benin Section III Phase I: Auchi - Ehor, Edo States	6137	2,500,000,000.00
28	Construction of Ikom Bridge in Cross River State	6478	2,166,666,666.67
	Sub-total		**16,666,666,666.67**
	Total		**100,000,000,000.01**

5.15.5 Listing of the debut Sovereign Sukuk and Green Bonds

The debut ₦100 billion Sovereign Sukuk issued on September 26, 2017 and ₦10.69 billion Green Bonds issued on December 22, 2017 were listed on The Nigerian Stock Exchange and the FMDQ OTC Securities Exchange on April 10, 2018 and July 20, 2018, respectively. The listing of the debut securities on the local Exchanges further attests to the DMO's commitment to the development of the Nigeria's domestic capital market.

5.16 Outlook for the Domestic Debt Market in 2019

The DMO plans to continue with the issuance of FGN Savings Bond (FGNSB), Sovereign Sukuk and Green Bonds, in addition to the traditional FGN Bonds and NTBs in the domestic debt market to meet Government's funding needs and support the development of the domestic market. The performance of the Domestic Debt Market in 2019 will be determined by sustained and improved growth of the Nigerian economy, monetary policy stance and developments in the international market with regards to interest rates, as well as the continued availability of the Importers and Exporters Foreign Exchange window. In terms of size, the size of the Domestic Market is expected to grow from new issues of FGN securities and Corporate Bonds.

Sukuk Proceeds - Before and After the construction of the Kaduna Eastern Bypass

Green Bond Proceeds - Aerial View of Installed Solar Panel, Federal University Ndufu-Alike Ikwo.

CHAPTER SIX
DEBT SUSTAINABILITY ANALYSIS

The 2018 DSA exercise was conducted between October 30 and November 8, 2018 and the outcome revealed that Nigeria's debt portfolio remained at a moderate risk of distress, but sensitive to revenue and export shocks. The GDP-related indicators remained below their respective thresholds for both the External Debt and Total Public Debt, while the Revenue and Export-related indicators were mostly sensitive to revenue and export shocks. The ratio of the Total Public Debt-to-GDP was estimated to be 19.8 percent in 2018, which was still below the WB/IMF recommended Threshold of 55.00 percent for countries in Nigeria's peer group. However, revenue-based indicators are expected to improve significantly, given the concerted efforts made by the government and the various reform initiatives in the oil & gas, agriculture and solid minerals sectors, coupled with the efforts to strengthen the Tax Administration and Collections system.

6.1 Introduction

The DMO conducted the 2018 Debt Sustainability Analysis (DSA) Exercise from October 30 to November 8, 2018 in collaboration with key stakeholders, 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), the Office of the Accountant-General of the Federation (OAGF), the Federal Inland Revenue Service(s) (FIRS) and the Nigerian Customs Service (NCS). The West African Institute for Financial and Economic Management (WAIFEM) provided technical support.

6.2 Methodology

The methodology for the 2018 DSA was anchored on the revised World Bank and International Monetary Fund (IMF) Low-Income Countries Debt Sustainability Framework (LIC-DSF), which was launched in July, 2018. The LIC-DSF uses the outcome of the World Bank's annual computation exercise of the Country Policy and Institutional Assessment (CPIA) in the categorization of the borrowing capacities of countries. The CPIA exercise evaluates the quality of a country's policies and institutions, based on four (4) broad areas of Economic Management; Structural Policies; Social Inclusion and equity; and, Public Sector management and institutions. The CPIA rating ranges from 1 to 6, indicating Low, Medium and High Performance, and Nigeria is currently rated 3.4, indicating a Medium Performing nation. The CPIA has now been replaced by the Composite Indicator (CI), which is more encompassing and includes CPIA, in addition to other macroeconomic variables such as the World economy growth rate, country's GDP growth rate, and its Foreign Reserves.

The new Framework is more robust and flexible unlike the previous LIC-DSF that was based on only the CPIA score, the new Framework is premised on the Composite Indicator (CI) components, and evaluates the Debt carrying capacity of a country by taking into consideration the specific peculiarities of the country concerned.

The DSA result consists of two parts, namely: External and Total Public Debt (Fiscal) Sustainability Analyses. The External DSA part covered the External Debt of the Federal Government of Nigeria (FGN), together with External Debts owed by the thirty-six (36) States and the FCT, as well as the Private Sector External Debt. The Total Public DSA comprises all External Debt (Public and Private) and Domestic Debt of the FGN, States and FCT. Stress Tests, which help to gauge the sensitivity of projected Debt Burden Indicators to changes in assumptions, (such as GDP growth rate, Primary Balance, Exports and Exchange Rate depreciation), were applied to assess the degree of vulnerabilities of the entire debt portfolio to risk of distress.

The revised LIC-DSF Framework became useful for Nigeria's case, given that the bulk of the country's External Debt portfolio remained largely Concessional, representing over 50 percent of the outstanding debt. In addition, the revised LIC-DSF provides additional Thresholds and Benchmarks, which helps to prompt early critical warning signals of potential risks of debt distress, thereby providing guidance to the government in its borrowing decisions.

The scope of Debt used in the 2018 DSA included the Total External and Domestic Debts of the FGN, States and FCT, including the FGN's Contingent Liabilities and verified FGN's arrears.

The components of the CI include the CPIA and additional country specific factors, such as the country's real GDP growth rate, import coverage of reserves and remittances, as well as World Economic Growth. Other features of the CI are that it classifies countries into one of the three policy performance categories, namely: **Weak Policy** (CI <2.69); **Medium**

Policy (2.69≤ CI ≤3.05); and, **Strong Policy** (CI >3.05). The CI also applies different indicative debt thresholds, depending on the performance category of the country under consideration.

The **LIC-DSF Final Risk Rating** classifies countries into four broad categories, namely: **Low**, **Moderate**, **High** and **in Debt Distress**, according to their levels of probability of Debt Distress as explained below.

i. **Low Risk of Public Debt Distress**: This defines a situation where the Public and Publicly Guaranteed (PPG) External Debt and the Total Public Debt-to-GDP ratio remain below the recommended benchmarks under the Baseline and the most Extreme shocks. Publicly Guaranteed debts are debt liabilities of public and private sector units, of which their servicing is contractually guaranteed by the sovereign.
ii. **Moderate Risk of Debt Distress**: This is a situation where the PPG External Debt has a moderate risk signal or if the PPG External Debt is low and the Total Public Debt stock indicator breaches the recommended benchmark under stress tests.
iii. **High Risk of Public Debt Distress**: This is where any of the four (4) external debt burden indicators or the Total Public Debt burden indicator breaches their corresponding benchmark under the Baseline.
iv. **In Debt Distress**: This identifies a situation where a country is already experiencing difficulties in servicing its debts, evidenced by the existence of debt service arrears.

Relevant Ministries, Departments and Agencies (MDAs) in public debt management were involved in the exercise and provided the required macroeconomic data used for the DSA, including 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;
vii. Fiscal Accounts (Actual) - Office of the Accountant-General of the Federation; and,
viii. Tax Revenue Collection (Actual) – Federal Inland Revenue Service.

The Baseline Scenario was used (covering a 20-year projection period, 2018-2038), under various macroeconomic assumptions, including Stress Tests scenarios and Realism Tools, to evaluate the credibility of the forecasts. The outcomes of the exercise were used to compare the country's debt sustainability indicators against internationally established debt burden benchmarks, which measure the Solvency and Liquidity positions of a country.

Based on the new LIC-DSF and the CI, Nigeria, in 2018, was classified as a Medium Performer, with a Composite Index score of 2.87, with a recommended maximum threshold for Total Public Debt to GDP ratio of 55 percent, which is the World Bank/IMF's recommended thresholds for countries in Nigeria's peer group.

6.3 Baseline Scenario

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

i. FGN External Debt Sustainability Analysis, which included External Debts of both the FGN, States, and the FCT; and,
ii. Fiscal Sustainability Analysis of the Debt of the Federation, which comprises 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 considered.

6.3.1 External Debt Sustainability

Under the Baseline Scenario, the ratio of External Debt Service-to-Revenue and External Debt Service to Exports would breach their thresholds as from year 2023 and 2028 respectively, if Government's Revenues and Exports do not grow above their current pace (Table 6.1). The expected increase in the level of External Debt was attributed to the rebalancing of the total debt portfolio in line with the Debt Management Strategy for the period up to end year 2019, aimed at achieving an External Debt to Domestic Debt ratio of 40:60 percent, with new borrowings expected from both the Concessional and Commercial sources. The efforts of the Government to boost exports, mobilize revenues, and increase in non-debt creating funds flows, such as Foreign Direct Investments (FDIs), are expected to moderate the Revenue-Based indicators under the Baseline and Stress Test scenarios. Meanwhile, relative to the size of the economy (measured by GDP and Exports), the ratios of External Debt to GDP and External Debt to Exports would remain well below their respective thresholds throughout the projection period as shown in Table 6.1.

Table 6.1: External Debt Sustainability Indicators in Percent (2018-2038)

Details	Threshold	2018	2019	2020	2021	2022	2023	2028	2038
External Debt Stock									
In Percent of GDP	40	9.0	9.3	9.3	9.0	8.7	8.4	6.9	5.3
In percent of Exports	180	59.1	64.5	65.9	66.3	68.5	68.5	74.7	101.7
External Debt Service									
In percent of Exports	15	1.7	3.3	5.6	7.2	7.9	9.0	15.2	37.7
In percent of Revenue	15	2.8	4.9	10.0	12.4	13.6	15.2	25.5	61.9

Source: 2018 DSA Report

Note: The Thresholds are determined periodically by the WB/IMF, based on the CI Rating Exercise.

6.3.2 Fiscal Sustainability Analysis: FGN-Only

The Fiscal sustainability of the FGN-only covers the External and Domestic Debt of the FGN. The Fiscal sustainability has only one internationally recommended peer group solvency threshold of 55 percent for the ratio of Total Debt-to-GDP. The ratio of Total FGN Public Debt as a percentage of GDP is projected to remain low throughout the period, indicating a sustainable Total Public Debt path in the medium to long-term, and trends gradually from 19.9 percent in 2018 to 50.2 percent in 2038 (Table 6.2). These ratios are within the revised peer group threshold of 55 percent. ***Though there are no international thresholds for the ratios of Total Public Debt to Revenue and Total Public Debt Service to Revenue, respectively, the relative higher ratios of Total FGN Debt-to-Revenue and Debt Service-to-Revenue over the projection period reflects the revenue challenge the economy faces.*** This situation has been duly recognized by the Federal Government and is being addressed through various strategic initiatives and reforms aimed at enhancing non-oil revenue.

Table 6.2: Total FGN's Debt Sustainability in Percent (2018-2038)

Details	Threshold	2018	2019	2020	2021	2022	2023	2028	2038
Total Public Debt Stock									
In percent of GDP	55	19.9	21.3	22.2	23.9	23.8	25.0	31.5	50.2
In Percent of Revenue		341.3	364.8	490.0	505.4	561.9	604.9	996.4	2,488.3
Total Public Debt Service									
In Percent of Revenue	Nil	28.6	37.4	61.1	70.9	82.8	96.7	228.0	692.4

Source: 2018 DSA Report

Note: Under the Fiscal Sustainability analysis, the WB/IMF threshold is applicable only to the Total Public Debt-to-GDP ratio, which is set at 55 percent

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

The Fiscal Sustainability of the Federation covers the External debt and the Domestic debt of the FGN, States and FCT, as well as their respective Revenues, including Internally Generated Revenues (IGRs), as reported by NBS. The Fiscal Sustainability analysis has only one threshold for the ratio of Total Public Debt-to-GDP, which is set at 55 percent for countries in Nigeria's peer group. The outcome of the Fiscal Sustainability analysis for the Federation mirrored largely those indicators in the FGN-only Debt. The ratio of Total Public Debt-to-GDP is projected at 23.3 percent (2018) to 39.1 percent (2028), which are all below the recommended threshold of 55 percent, except in 2038 with 63.1 percent, which is the end of period covered in the DSA, Table 6.3. ***The Revenue-based indicators: Total Public Debt-to-Revenue and Total Debt Service-to-Revenue do not have international thresholds***. In terms of the Revenue-based Indicators, the Total Public Debt stock to Revenue and Total Public Debt Service to Revenue rose during the period. This projection is expected to be moderated with the implementation of the various reform initiatives by the Government to boost Revenues and Exports.

Table 6.3: Total Public Debt Sustainability in Percent (2018-2038)

Details	Threshold	2018	2019	2020	2021	2022	2023	2028	2038
	Total Public Debt Stock								
In percent of GDP	55	23.3	25.1	26.5	27.5	28.7	30.2	39.1	63.1
In Percent of Revenue	Nil	233.8	253.4	326.9	340.0	377.7	407.1	684.0	1,910.7
	Total Public Debt Service								
In Percent of Revenue	Nil	19.1	26.9	41.8	49.0	57.1	66.9	159.4	532.9

Source: 2018 DSA Report

Note: Under the Fiscal Sustainability analysis, the WB/IMF threshold is only applicable to the Total Public Debt to GDP ratio, which is set at 55 percent.

6.4 The Borrowing Space (Granularity)

The Borrowing Space is also referred to as "Granularity". It is usually applied when a country moves from Low Risk to a Moderate Risk in its debt risk rating. For the 2018 DSA, Nigeria was classified as a country with Moderate Debt Risk due to its revenue challenge. The Granularity position determines the Borrowing Space expected to be available to the country, without necessarily undermining the debt sustainability status of the country.

6.5 Classification of Borrowing Space (Granularity)

The Borrowing Space may be classified into three (3) categories, namely:

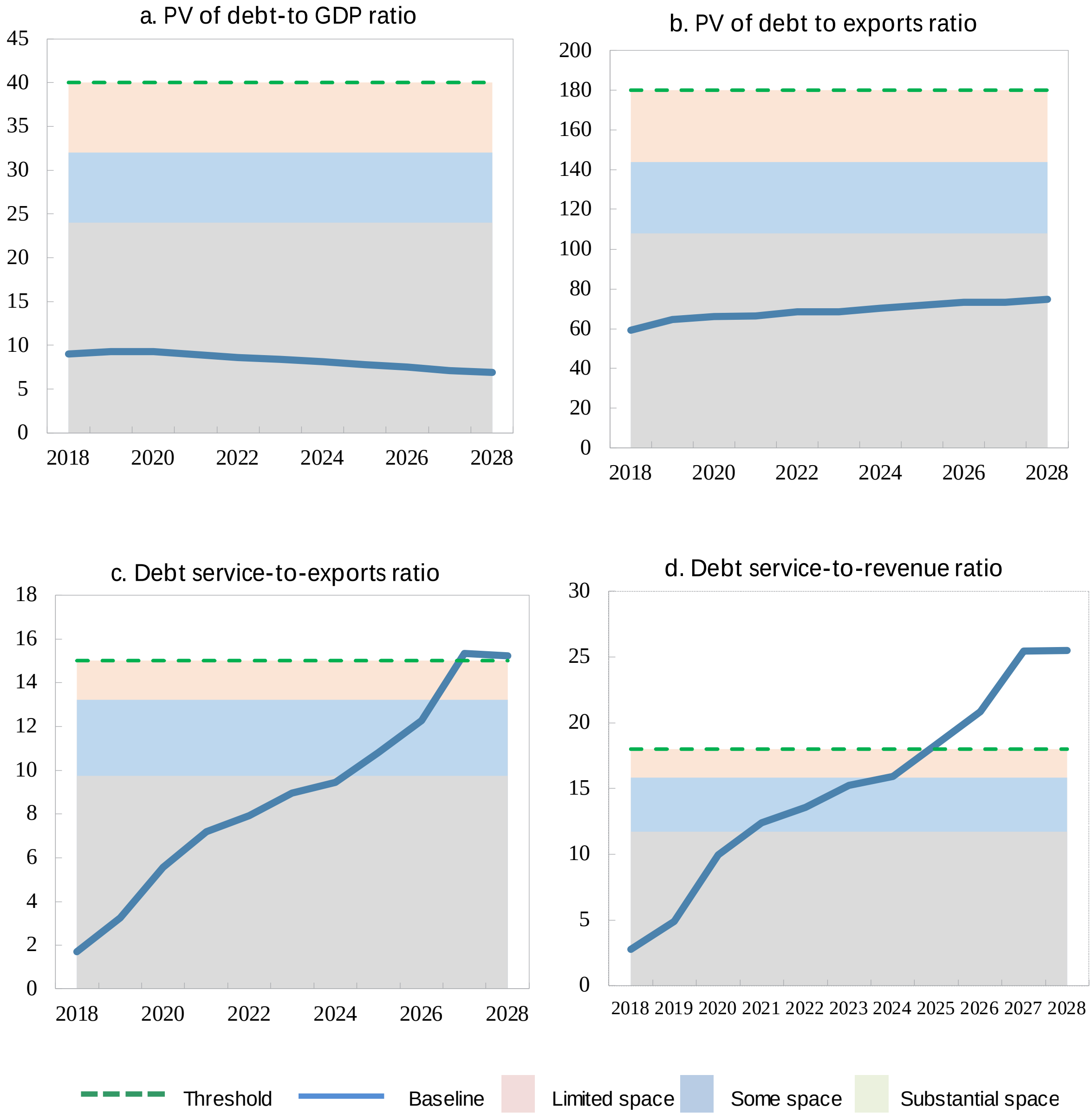
i. Limited Borrowing Space to Absorb Shocks – where a minimum of one Baseline Debt burden indicator appears so close to its indicative threshold that a minor shock would downgrade it to high risk debt status;

ii. Substantial Borrowing Space to Absorb Shocks – where all Baseline indicators are well below their thresholds over the projection period; and,

iii. Some Borrowing Space to Absorb Shocks – where none of the Baseline indicators fall into either of (a) or (b) categories above.

Figure 6.1 shows that based on the projections, the borrowing space is Limited given that the ratios of Debt Service-to-Revenue and Debt Service-to-Exports were above the thresholds recommended by the WB/IMF. These were both due to the low levels of Revenues and Exports. The need to significantly shore up revenues, in particular the non-oil revenues has been recognized and it is being addressed by the strategic initiatives of the Federal Government in the various sectors of the economy.

Figure 6.1: Nigeria's Qualification of the Moderate Category, 2018-2028[1/]



Sources: Country authorities; and staff estimates and projections.

[1/]For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y are 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

6.6 Summary of Findings and Conclusions

6.6.1 Findings

i. **Nigeria's External Debt sustainability indicators show that the country has a Moderate Risk status of Debt Distress**. Accordingly, the ratio of External Debt-to-GDP remained below its indicative threshold under the Baseline Scenario, as the ratios of External Debt Service-to-Exports is projected to breach their respective thresholds by the year 2028. Similarly, the ratio of External Debt Service-to-Revenue may breach its threshold by year 2023. Thus, the outlook shows that Nigeria's External Debt is quite sensitive to potential shocks in Revenues, particularly as the country relies mainly on oil revenue. However, this outlook is expected to be significantly mitigated by the on-going initiatives and reforms of the Government in the Oil & Gas sectors, including Agriculture and Solid Minerals sectors, which are aimed at shoring up the country's Exports and diversify the Revenue base.

ii. **The Total Public Debt remains Sustainable in the medium to long-term, but sensitive to Revenue Shocks**. The ratio of Total Public Debt-to-GDP remained below its expected threshold throughout the projection period under the Baseline Scenario and most Extreme Shock, but the Revenue-based indicators (Total Public Debt-to-Revenue and Debt Service-to-Revenue) weakened under the Stress Test scenario, suggesting that the Total Public Debt portfolio is sensitive to revenue shocks. However, with the sustained efforts in the implementation of the various government reforms and initiatives towards boosting the country's revenue base and blockage of revenue leakages, the revenue-based indicators are expected to significantly improve in the medium to long-term, thereby improving the sustainability status of the debt portfolio.

iii. **The country's Borrowing Space or Granularity shows that there is a limited borrowing space, based on the country's current revenue profile, as the ratio of Debt Service-to-Revenue trending towards the threshold and may breach it by the year 2025**. However, it has been highlighted that, with the sustained initiatives of the Government in the various sectors of the economy to boost its revenue, the limited borrowing space is expected to improve favourably.

6.6.2 Conclusions

i. **From the 2018 DSA exercise, it can be summarized that the final risk rating for the country's debt status remains at a Moderate Risk with a sustainable debt profile. The DSA also revealed that the Debt Portfolio was sensitive to Exports and Revenue shocks.**

ii. **With the concerted efforts of the government through its various reforms in the Oil & Gas, Agriculture & Solid Minerals sectors, as well as in the country's Tax Administration and Collections policies, it is expected that the Revenue-based indicators would significantly improve and would increase the borrowing space.**

6.7 Determination of Borrowing Limit for 2019

Based on the Country-Specific Debt Limit of 25 percent for Total Public Debt-to-GDP ratio (up to 2020), the borrowing limit for 2019 was determined. The DSA projected a ratio of 23.3 percent on the Total Public Debt to GDP for end-December, 2018, which took into consideration the outstanding funding requirements for the year from both the domestic and external sources, which leaves the available fiscal borrowing space of 1.7 percent (that is, 25 percent less 23.3 percent). Given the projected 2019 GDP of US$457 billion, the quantum of borrowing will therefore be 1.7 percent of US$457 billion, which translates to about US$7.77 billion.

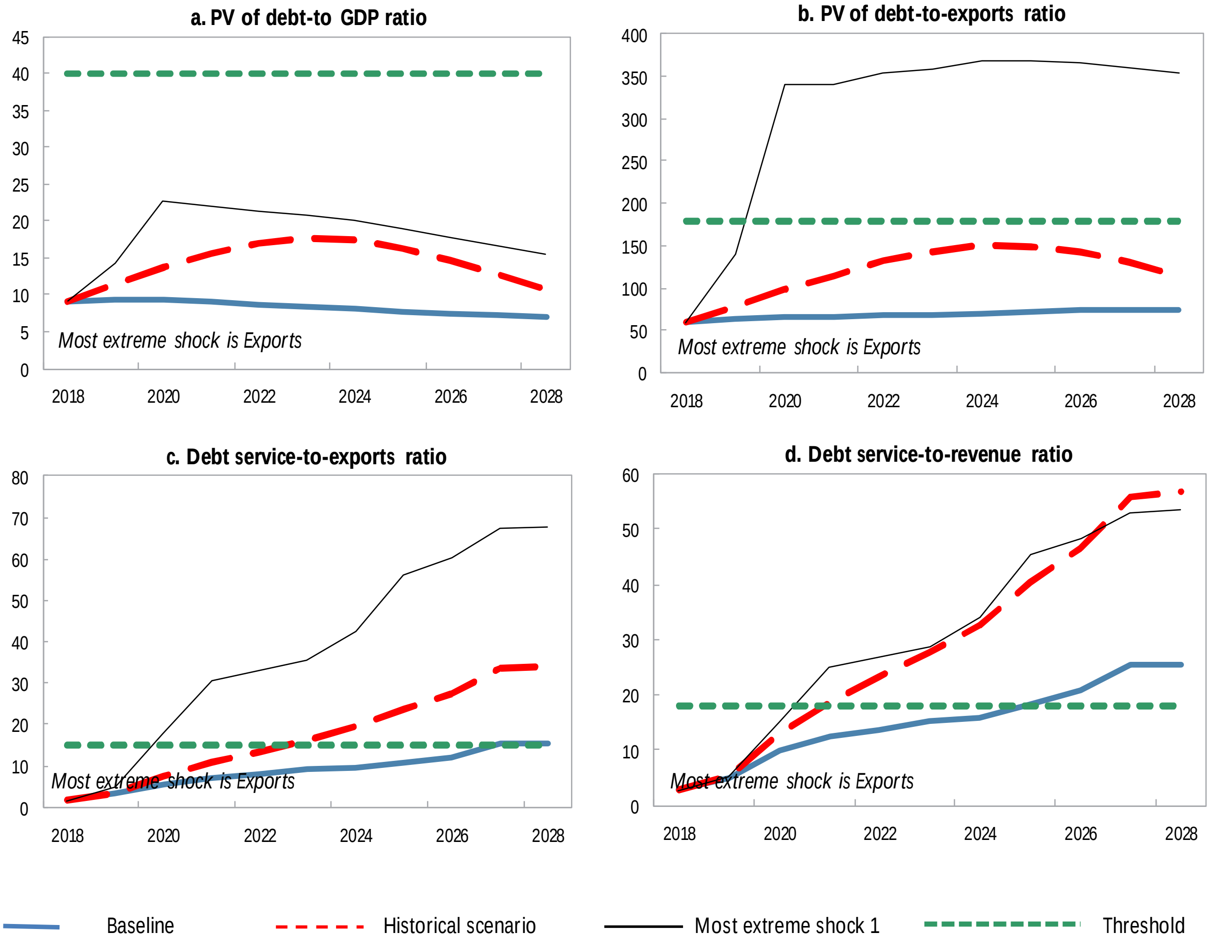
Thus, in the fiscal year 2019, a maximum amount of US$7.77 billion may be borrowed without breaching the Country's Specific Debt Limit. Working in accordance with the extant Debt Management Strategy of the country which emphasizes attaining a domestic to external debt ratio of 60:40 for the debt portfolio, the proposed borrowing would be in the ratio of 50:50 for the Domestic and External sources, as follows:

i. **New Domestic Borrowing US$3.885 billion (equivalent of about N1.185 trillion); and,**

ii. **New External Borrowing: US$3.885 billion (equivalent of about N1.185 trillion).**

This will help to further improve the ratio of Domestic Debt to External Debt, which was about 68:32 as at end-December, 2018. Based on the Borrowing Space rationale, the cumulative effect of implementing the current Debt Management Strategy, in significantly reducing the country's Debt Service burden through maximizing access to cheaper long-tenored funding from the Multilateral and Bilateral sources, as well as the strategic revenue enhancement initiatives of the government, would lead to a lower Debt Service to Revenue ratio, as well as, more borrowing space.

Figure 6.2: Nigeria's External Debt Sustainability Indicators Under Alternative Scenarios, 2018-2028



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	8.2%	8.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	14	14
Avg. grace period	4	4

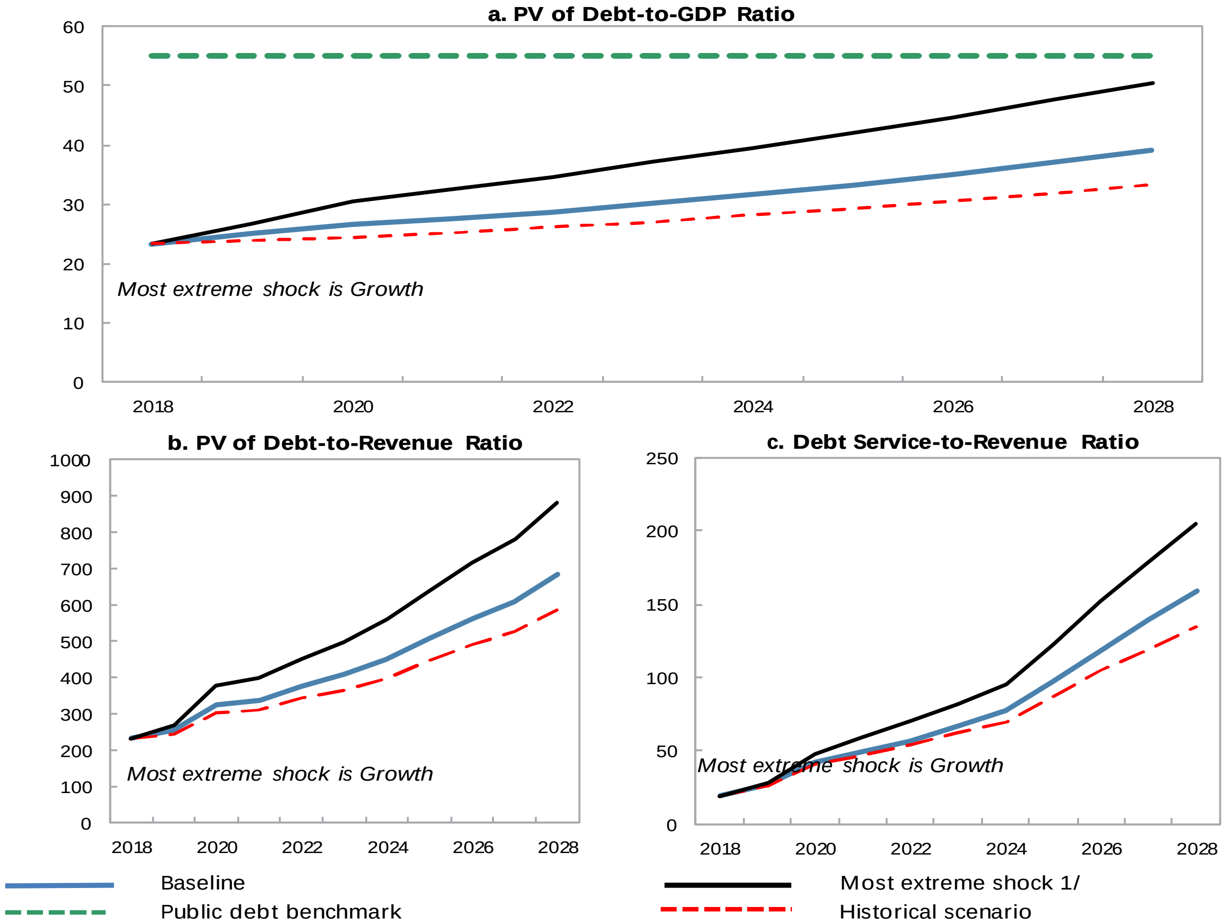
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2028. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 6.3: FGN's Public Debt Sustainability Under Alternative Scenarios, 2018-2028



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	19%	19%
Domestic medium and long-term	58%	58%
Domestic short-term	19%	23%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	8.2%	8.2%
Avg. maturity (incl. grace period)	14	14
Avg. grace period	4	4
Domestic MLT debt		
Avg. real interest rate on new borrowing	9.8%	9.8%
Avg. maturity (incl. grace period)	6	6
Avg. grace period	5	5
Domestic short-term debt		
Avg. real interest rate	8%	8.0%

*Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections. [1/]The most extreme stress test is the test that yields the highest ratio in or before 2028. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Sukuk Proceeds - Before and After the Construction of the Ajebandele-Sagamu Dual Carriage Way


Green Bond Proceeds - Installation and Alignment of PV Panels, Usman Dan-Fodio University, Sokoto

CHAPTER SEVEN

SUB-NATIONAL DEBT MANAGEMENT

Total External Debt Stock of the States and the FCT amounted to US$4,230.72 million as at December 31, 2018 compared to US$4,117.13 million as at December 31, 2017, representing an increase of US$113.59 million or 2.76 percent. The stock of External Debt comprises FGN's on-lent loans obtained from Multilateral and Bilateral sources. The States and FCT utilized the proceeds of the loans to finance projects and programmes. The Total External Debt Service of the States and the FCT for 2018, was US$116.24 million. The Domestic Debt of the States and FCT as at December 31, 2018 was N3.853 trillion, as against N3.348 trillion as at December 31, 2017. In 2018, the DMO continued the capacity building efforts at the sub-national level with special training for four States of the Federation.

7.1 External Debt Stock of States and FCT

The External Debt Stock of the States and the FCT was US$4,230.72 million as at December 31, 2018, an increase of US$113.59 million or 2.76 percent compared to US$4,117.13 million as at December 31, 2017 (Table 7.1 and Figure 7.1). The increase was largely due to disbursements on existing loans. Of the total stock of External Debt of States and the FCT, Multilateral and Bilateral credits accounted for US$4,006.24 million or 94.69 percent and US$224.48 million or 5.31 percent, respectively (Table 7.2).

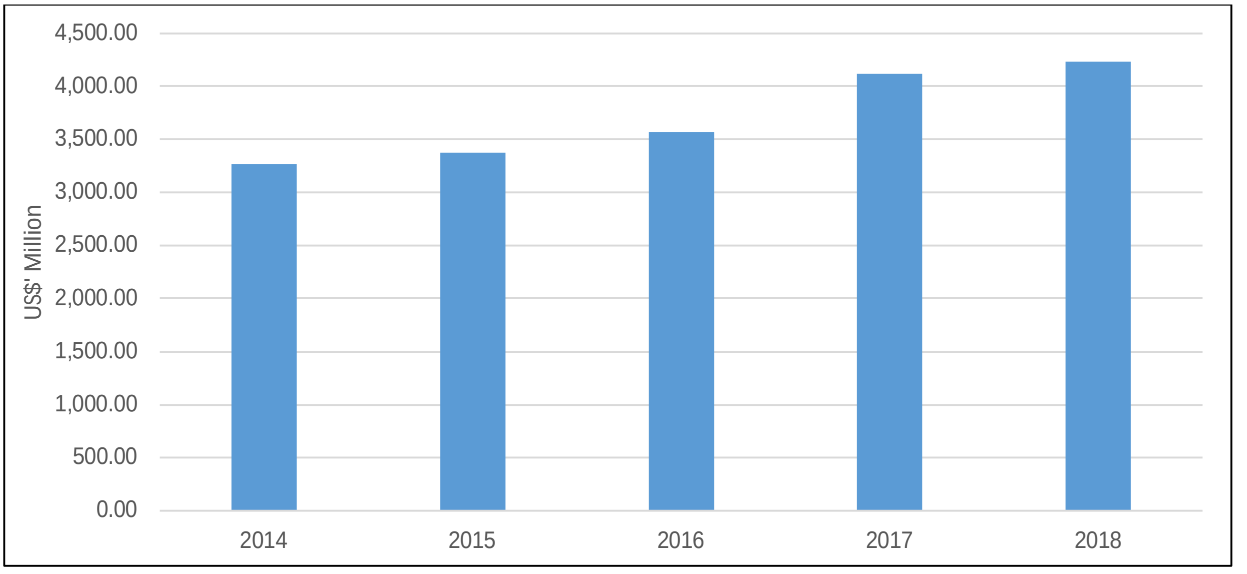
The Multilateral and Bilateral sources include loans from IDA, IFAD, AfDB and ADF, which the FGN contracted on behalf of the States and FCT, to enable them finance specific projects and programmes in their respective jurisdictions. The loans were mostly utilized by the recipient State Governments and the FCT in financing key projects in various sectors, which include - Education, Health Care, Water Supply and Housing.

Table 7.1: Trend in States' & FCT's External Debt Stock, 2014 - 2018 (US$' Million)

Years	2014	2015	2016	2017	2018
States' External Debt Stock	3,265.82	3,369.91	3,567.62	4,117.13	4,230.72

Source: DMO

Figure 7.1: Trend in States' & FCT's External Debt Stock, 2014 - 2018 (US$' Million)



Source: DMO

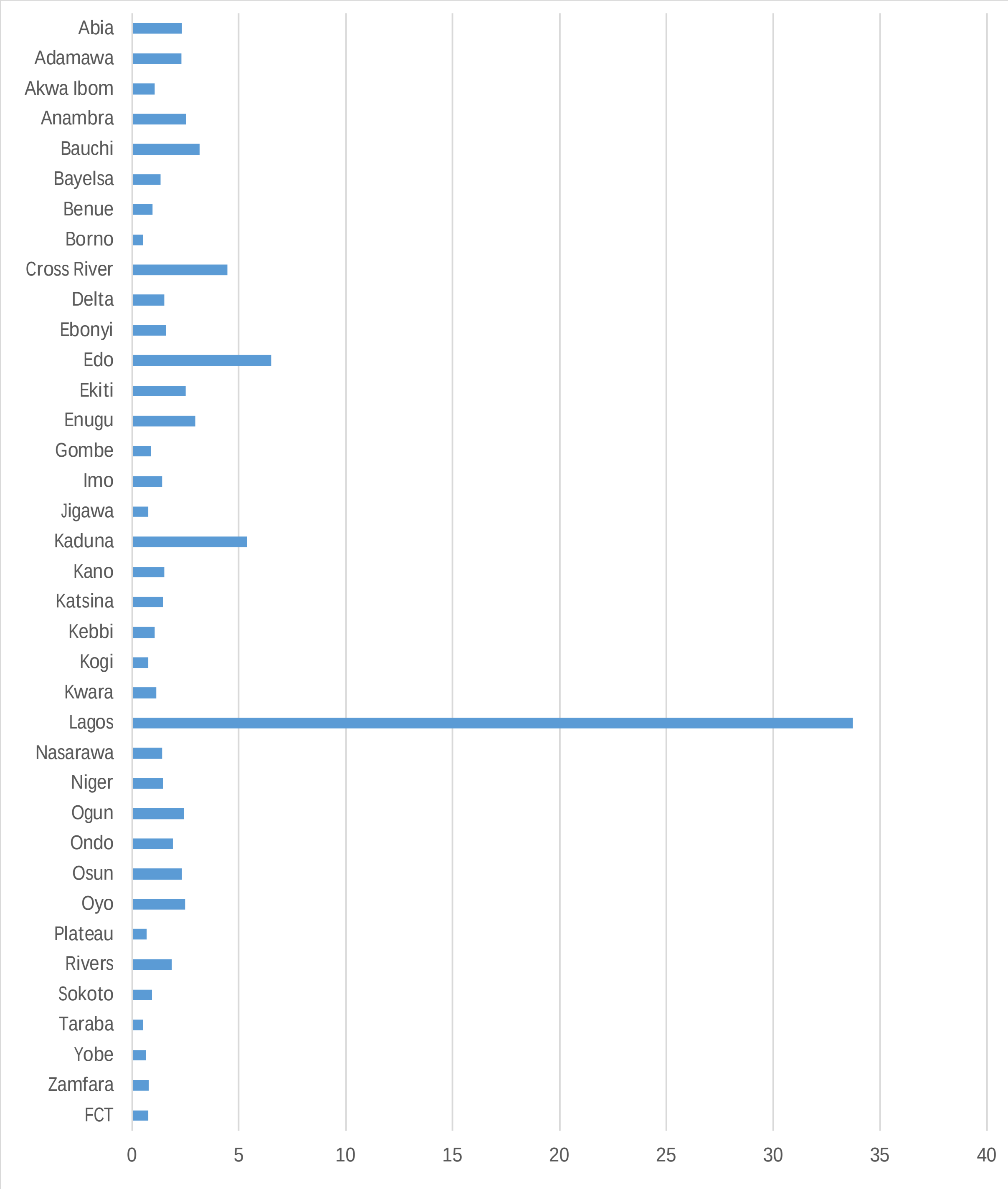
The detailed breakdown of External Debt outstanding for individual States and the FCT is shown in Table 7.2 and Figure 7.2. Lagos State had the highest external debt of US$1,426.43 million or 33.72 percent of the total External Debt of States and the FCT, followed by Edo and Kaduna States with US$276.25 million or 6.53 percent and US$227.25 million or 5.37 percent, respectively. Borno, Taraba and Yobe States had the lowest debt outstanding as at December 31, 2018 accounting for US$21.62 million (0.51 percent), US$21.61 million (0.51 percent) and US$27.48 million (0.65 percent).

Table 7.2: External Debt Stock of States & FCT as at December 31, 2018 (US$)

S/No	States and FCT	Multilateral	Bilateral (AFD)	Total	% of Total
1	Abia	98,582,798.91	-	98,582,798.91	2.33
2	Adamawa	91,290,423.73	6,500,000.00	97,790,423.73	2.31
3	Akwa Ibom	45,657,647.14	-	45,657,647.14	1.08
4	Anambra	107,041,487.48	-	107,041,487.48	2.53
5	Bauchi	133,930,757.08	-	133,930,757.08	3.17
6	Bayelsa	56,623,178.71	-	56,623,178.71	1.34
7	Benue	39,610,851.64	-	39,610,851.64	0.94
8	Borno	21,618,240.11	-	21,618,240.11	0.51
9	Cross River	144,873,736.81	43,900,000.00	188,773,736.81	4.46
10	Delta	63,286,948.43	-	63,286,948.43	1.50
11	Ebonyi	66,653,026.12	-	66,653,026.12	1.58
12	Edo	276,253,922.96	-	276,253,922.96	6.53
13	Ekiti	106,208,598.19	-	106,208,598.19	2.51
14	Enugu	119,677,662.23	6,500,000.00	126,177,662.23	2.98
15	Gombe	37,406,069.57	-	37,406,069.57	0.88
16	Imo	59,515,586.62	-	59,515,586.62	1.41
17	Jigawa	32,008,444.77	-	32,008,444.77	0.76
18	Kaduna	227,252,685.58	-	227,252,685.58	5.37
19	Kano	63,409,069.74	-	63,409,069.74	1.50
20	Katsina	62,133,706.90	-	62,133,706.90	1.47
21	Kebbi	45,605,534.73	-	45,605,534.73	1.08
22	Kogi	31,584,158.36	-	31,584,158.36	0.75
23	Kwara	48,599,040.43	-	48,599,040.43	1.15
24	Lagos	1,282,598,935.47	143,830,000.00	1,426,428,935.47	33.72
25	Nasarawa	59,183,665.51	-	59,183,665.51	1.40
26	Niger	54,845,344.97	6,500,000.00	61,345,344.97	1.45
27	Ogun	98,256,042.18	5,000,000.00	103,256,042.18	2.44
28	Ondo	79,854,005.14	-	79,854,005.14	1.89
29	Osun	86,839,417.37	12,245,989.00	99,085,406.37	2.34
30	Oyo	104,997,383.47	-	104,997,383.47	2.48
31	Plateau	28,874,208.63	-	28,874,208.63	0.68
32	Rivers	78,278,786.10	-	78,278,786.10	1.85
33	Sokoto	39,218,901.04	-	39,218,901.04	0.93
34	Taraba	21,611,262.68	-	21,611,262.68	0.51
35	Yobe	27,486,482.07	-	27,486,482.07	0.65
36	Zamfara	33,524,208.01	-	33,524,208.01	0.79
37	FCT	31,848,844.12	-	31,848,844.12	0.75
	Total	**4,006,241,063.02**	**224,475,989.00**	**4,230,717,052.00**	**100.00**

Source: DMO

Figure 7.2: External Debt Stock of States & FCT as at December 31, 2018 (% of Total)



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$116.24 million for the period January-December, 2018, compared to US$110.83 million in 2017, representing an increase of 4.88 percent. Table 7.3 shows the trend of External Debt Service of the States and the FCT from 2014 to 2018.

Table 7.3: External Debt Service of States & FCT, 2014 - 2018 (US$' Million)

S/N	STATES	2014	2015	2016	2017	2018
1	Abia	1.04	1.10	1.03	1.16	1.50
2	Adamawa	0.77	1.26	1.33	1.72	1.72
3	Akwa Ibom	5.70	5.43	4.26	4.41	4.35
4	Anambra	0.70	1.10	1.54	1.49	1.62
5	Bauchi	2.00	2.31	2.28	2.63	2.63
6	Bayelsa	1.32	1.35	1.17	1.12	1.24
7	Benue	0.85	0.95	0.87	0.87	0.93
8	Borno	0.63	0.75	0.71	0.73	0.65
9	Cross River	9.62	10.05	9.36	9.27	9.12
10	Delta	0.99	1.03	0.93	0.82	1.02
11	Ebonyi	1.28	1.38	1.31	1.26	1.42
12	Edo	1.57	2.27	2.56	2.78	2.97
13	Ekiti	1.87	1.97	1.75	2.47	1.94
14	Enugu	1.11	1.95	1.85	2.07	2.02
15	Gombe	0.70	1.06	1.58	1.01	1.37
16	Imo	1.96	1.98	1.85	1.90	1.95
17	Jigawa	1.00	0.99	0.99	1.05	1.08
18	Kaduna	6.48	7.57	7.03	8.09	7.64
19	Kano	2.11	1.84	1.78	1.96	2.25
20	Katsina	4.13	4.54	4.15	4.08	4.00
21	Kebbi	1.64	1.67	1.49	1.84	1.55
22	Kogi	1.03	1.12	1.00	0.97	1.06
23	Kwara	0.94	1.19	1.11	1.33	1.50
24	Lagos	16.79	20.82	26.94	31.47	35.20
25	Nasarawa	1.07	1.17	1.10	1.03	1.23
26	Niger	1.06	1.57	1.45	1.35	1.33
27	Ogun	2.54	3.18	2.96	3.00	2.91
28	Ondo	2.06	2.20	1.98	2.03	2.40
29	Osun	3.20	4.31	3.95	3.85	3.94
30	Oyo	4.18	4.85	4.72	4.59	4.84
31	Plateau	0.71	0.81	0.80	0.77	0.82
32	Rivers	1.98	2.00	1.81	2.07	2.12
33	Sokoto	1.93	1.53	1.40	1.36	1.42
34	Taraba	0.74	0.79	0.68	0.73	0.80
35	Yobe	1.07	1.28	1.55	1.27	1.34
36	Zamfara	1.04	1.09	0.96	0.81	0.94
37	FCT	1.65	1.64	1.45	1.49	1.44
	Total	**89.47**	**102.08**	**103.68**	**110.83**	**116.24**

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 Trainings on the DMO's Excel Template for Domestic Debt Recording and Reporting and Effective Sub-National Debt Management were conducted for three (3) States in 2018, namely: Anambra, Adamawa and Imo States.

A special capacity building programme on "Public Debt Creation and Sub-national Debt Management" was also conducted for officials of the Bayelsa State Debt Management Department (DMD) to acquaint the officers with knowledge of the full spectrum of public debt management.

7.3.2 Donor Intervention in Sub-National Debt Management

With funding support from the African Development Bank (AfDB) under its Medium Income Country-Technical Assistance Fund (MIC-TAF) Project for Sub-national Debt Management in Nigeria, the DMO, as part of its advocacy efforts for effective sub-national debt management, organised two sensitization workshops in Kano and Edo States in December, 2018. The Workshops brought together participants from the States' Legislatures, Offices of the Secretaries to the State Governments, Offices of the State Executive Governors, Commissioners of Finance, Commissioners for Budget and Planning, Accountant-Generals and the Debt Management Departments. The objective of the Workshop was primarily to sensitize Top Policy Makers at the sub-national level on the importance and the need to adopt and implement prudent Debt Management policies and practices through the institutionalization of sound legal and institutional framework in their respective States.

In the year under review, the World Bank appointed the DMO as an Implementing Agency for Nigeria's States Fiscal Transparency, Accountability and Sustainability (SFTAS) Program for Results (PforR). The SFTAS Program is aimed at supporting the 36 States of the Federation and the FCT to achieve the 22-Point Fiscal Sustainability Plan and the Open Government Partnership Agenda, using an incentive-based model. As the Implementing Agency to drive the debt-related aspects of the Programme, the DMO played active roles in the Programme's enlightenment campaigns to sensitize all the 36 States and the FCT on the

Program Objectives, Eligibility Criteria (EC), Disbursement-Linked Indicators (DLI) and the Verification Protocols.

7.3.3 Collation and Publication of Sub-National Domestic Debt Data

In the third quarter of the year under review, the DMO carried out a comprehensive revision of the Domestic Debt Reporting Framework of the States and the FCT, as part of efforts to reposition the States for the implementation of the SFTAS Program. A Mock Evaluation of the ability of the States and the FCT to generate, submit and have the DMO validate their domestic debt data submissions within a period of sixty (60) days from the period end, was successfully undertaken by the DMO.

All the thirty-six (36) States of the Federation and the FCT have continued to make progress in the use of the DMO's re-designed Excel Template for the quarterly submission of domestic debt data. As at December 31, 2018, twenty-six (26) States had submitted their validated, signed off end-of-year domestic data.

7.3.4 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, 2018. The breakdown showed that Lagos, Delta and Rivers States had the highest domestic debt stock of ₦530.24 billion, ₦228.81 billion and ₦225.59 billion, respectively. The States with the lowest Domestic Debt Stock in 2018 were Anambra, Katsina and Yobe, amounting to ₦33.49 billion, ₦30.85 billion and ₦27.77 billion, respectively.

Table 7.4: Total Domestic Debt of the 36 States and the FCT, as at Dec., 31, 2018 (₦)

S/N	State	Debt Stock	% Share of Total
1	Abia	67,017,185,656.92	1.74
2	Adamawa	89,659,119,455.46	2.33
3	Akwa Ibom[1]	198,663,229,326.07	5.16
4	Anambra	33,490,668,536.72	0.87
5	Bauchi	92,367,170,606.61	2.40
6	Bayelsa	130,043,473,800.97	3.37
7	Benue	97,347,605,190.14	2.53
8	Borno[1]	68,381,705,608.58	1.77
9	Cross River	167,955,848,722.32	4.36
10	Delta	228,805,996,159.83	5.94
11	Ebonyi	55,597,352,310.28	1.44
12	Edo	86,820,254,212.61	2.25
13	Ekiti	118,011,414,814.34	3.06
14	Enugu	55,032,067,848.83	1.43
15	Gombe	63,337,930,142.60	1.64
16	Imo	98,782,494,271.48	2.56
17	Jigawa	35,163,169,800.26	0.91
18	Kaduna[1]	84,637,112,775.54	2.20
19	Kano[1]	117,082,317,490.54	3.04
20	Katsina[2]	30,852,661,159.10	0.80
21	Kebbi	67,442,333,186.56	1.75
22	Kogi	84,922,376,449.78	2.20
23	Kwara	59,135,900,168.96	1.53
24	Lagos[1]	530,243,773,934.40	13.76
25	Nasarawa[1]	85,363,486,609.87	2.22
26	Niger	41,831,488,692.26	1.09
27	Ogun	98,716,941,494.10	2.56
28	Ondo[1]	49,123,506,028.25	1.27
29	Osun	148,101,237,664.94	3.84
30	Oyo	91,515,756,366.15	2.37
31	Plateau	100,366,504,576.83	2.60
32	Rivers[1]	225,592,469,150.22	5.85
33	Sokoto	38,604,705,528.74	1.00
34	Taraba[1]	61,508,573,011.13	1.60
35	Yobe	27,772,599,253.39	0.72
36	Zamfara	59,900,241,661.65	1.55
37	FCT[1]	164,245,377,802.60	4.26
	TOTAL	3,853,436,049,469.02	100.00

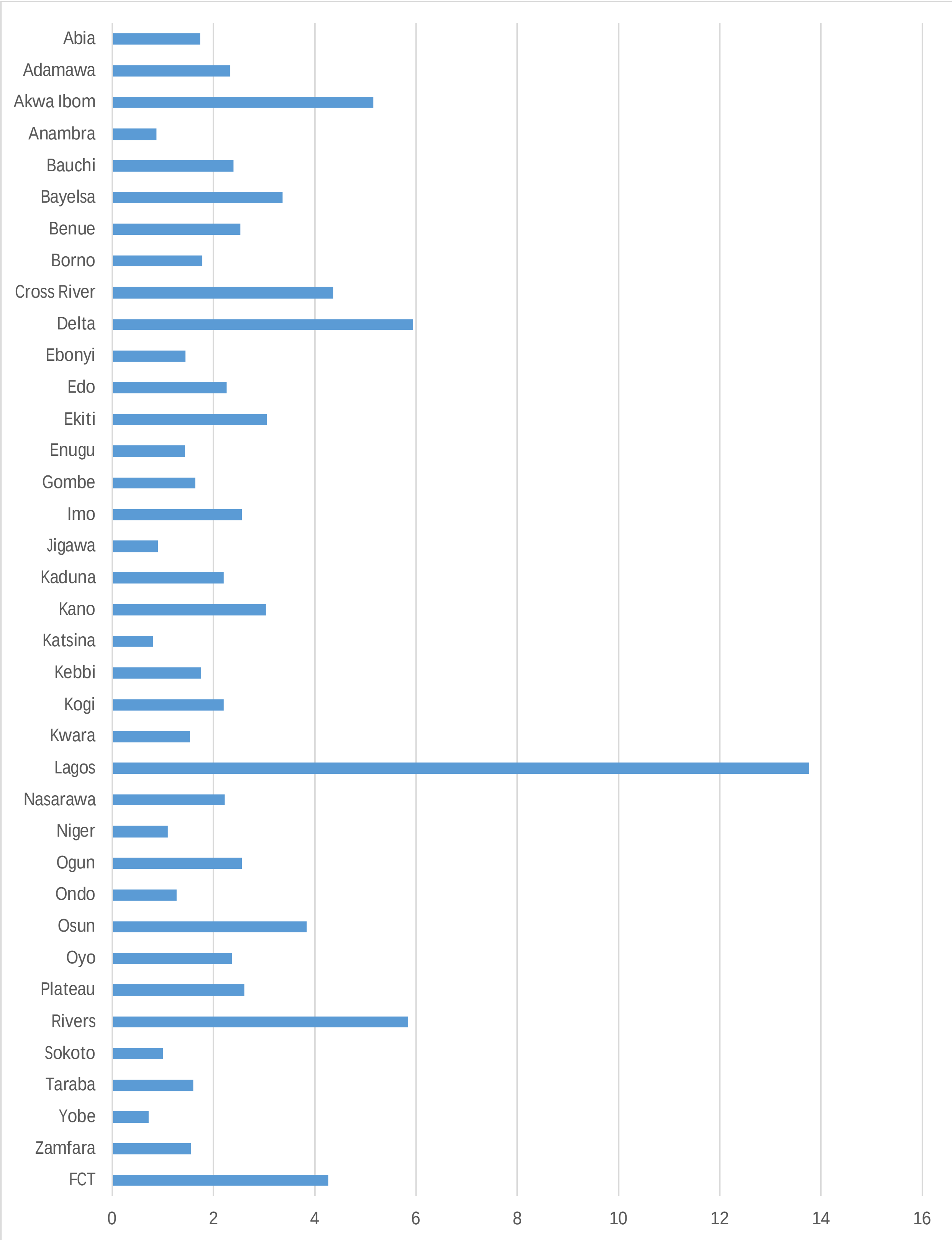
Source: States and the Federal Capital Territory

Notes: Domestic Debt Stock for Twenty-six (26) States, (Abia, Adamawa, Anambra, Bauchi, Bayelsa, Benue, Cross River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kebbi, Kogi, Kwara, Niger, Ogun, Osun, Oyo, Plateau, Sokoto, Yobe and Zamfara) as at December 31, 2018.

[1]Domestic Debt Stock Figures for Nine (9) States, (Akwa Ibom, Borno, Kaduna, Kano, Lagos, Nasarawa, Ondo, Rivers, Taraba) and FCT were as at September 30, 2018.

[2]Domestic Debt Stock Figures for Katsina State was as at December 31, 2017.

Figure 7.3: Domestic Debt Stock of States & FCT as at Dec., 31, 2018 (in % of Total)



Source: States and the Federal Capital Territory

Sukuk Proceeds - Before and After the Dualization of Yenegwe Road Junction- Kolo-Otuoke Bayelsa Palm

Green Bond Proceeds - Aerial View of the Project Site, Federal University Petroleum Resources, Effurun.

CHAPTER EIGHT
RISK ANALYSIS OF FGN'S PUBLIC DEBT

The Total Public Debt portfolio remained sustainable at 19.09 percent to GDP as at December 31, 2018, and was below the World Bank/IMF threshold of 55 percent, but susceptible to revenue shocks, which is expected to be addressed as revenues increase from a number of on-going actions by the Federal Government. The exposure of the FGN Public Debt portfolio to exchange rate risk seemed to have increased during the period, as the share of External Debt in the portfolio rose to 32 percent compared to 27 percent in December 2017, due to the implementation of the Debt Management Strategy, 2016-2019, which seeks to achieve a share of 40 percent. However, the exposure to refinancing risk reduced on account of issuances of longer-tenored securities in both the domestic and International Capital Markets. The exposure of the FGN to contingent liabilities as a percentage of GDP was 1.49 percent as at December 31, 2018, compared to 1.01 percent in 2017.

8.1 Introduction

This chapter presents the Sustainability of Total Public Debt as well as Costs and Risks performance of the FGN's Debt portfolio (excluding States 'and FCT's Domestic Debt Stock), as at December 31, 2018. The risk indicators cover the following types of risks: Interest Rate, Refinancing, Exchange rate, Credit and Contingent Liabilities risks.

8.2 Debt Sustainability

The ratio of Total Public Debt-to-GDP increased to 19.09 percent as at December 31, 2018 from 18.20 percent as at December 31, 2017 (Table 8.1). This ratio is below the WB/IMF's recommended threshold of 55 percent for countries in Nigeria's peer group, and well within the Nigeria's Country-Specific Debt Limit of 25 percent (up to 2020) and ECOWAS Convergence Threshold of 70 percent. The increase in the ratio was attributed to relatively low real GDP growth rate of 1.93 percent in 2018 and increase of 12.25 percent in the Total Public Debt Stock. The ratio of Total Interest Payment-to-FGN Revenue was relatively high at 51.28 percent in 2018, as Government's revenue was still low and under-performed the Budget. At 51.28 percent the ratio was an improvement over the 57.22 percent recorded in 2017. The ratio of Total External Debt-to-Exports was 38.69 percent, below the threshold of 180 percent.

Table 8.1: Trend in Total Public Debt Sustainability Indicators, 2014-2018

	Thresholds	2014	2015	2016	2017	2018
Solvency Ratios						
Total Public Debt as % of GDP	55[1]	12.65	13.02	16.27	18.20	19.09
External Debt as % of GDP	*40*	*1.81*	*2.13*	*3.26*	*4.85*	*6.07*
Domestic Debt as % of GDP	-	*10.84*	*10.89*	*13.01*	*13.35*	*13.02*
External Debt as % of Exports	180	10.08	13.66	40.93	43.54	38.69
Liquidity Ratio						
Interest Payment as % of Revenue[2]	-	-	37.49	48.05	57.22	51.28

source: DMO

[1]Nigeria's country-specific threshold for Total Public Debt-to-GDP is 25% (up to 2020).

[2]Interest Payment and Revenue apply to FGN-only

8.3 Costs and Risks Performance of FGN Public Debt Portfolio

Table 8.2 highlights the Costs and Risks Performance of the FGN's Public Debt Portfolio as at December 31, 2018. The outcome reveals that the ratio of Total Public-to-GDP was 19.09 percent as at December 31, 2018 compared to 18.20 percent as at December 31, 2017. This ratio was also below the Country-Specific Debt Limit of 25.00 percent and well below the 55 percent threshold recommended by the WB/IMF for countries in Nigeria's peer group. In terms of cost of borrowing, due to the increase in the share of commercial debt in the External Stock, the cost of External Debt rose from 2.97 percent in 2017 to 4.75 percent in 2018, while the average cost of Domestic Debt marginally increased from 12.48 percent in 2017 to 12.73 percent in 2018. The exposures of the debt portfolio to Interest Rate and Refinancing Risks were relatively low, due to the improvements in the structure of the debt portfolio, arising from further extension of the tenors of the debt instruments, for both the domestic and external debt.

Table 8.2: Costs and Risks Indicators of FGN's Total Public Debt Portfolio as at December 31, 2018

Risk Indicators		Target[2]	External Debt	Domestic Debt	Total Debt
FGN's Total Public Debt (US$'millions)		Max. 25% of GDP	21,043.65	41,610.44	62,654.09
Total Public Debt (including States' Domestic Debts) as % of GDP[1]			6.07	13.02	19.09
Cost of debt	Average Interest Rate (%)	*	4.75	12.73	9.66
Refinancing risk	Debt maturing in 1yr (% of total)	Max. 20%	1.11	29.18	18.57
	Average Time-to-Maturity (ATM) years	Min. of 10 yrs	13.97	7.43	11.62
Interest rate risk	Average Term to Re-fixing (ATR) years	*	13.44	7.43	9.71
	Debt Re-fixing in 1yr (% of total)	*	7.48	29.18	20.98
	Fixed rate debt (% of total)	*	93.44	100.0	97.52
FX risk	External Debt (% of Total Public Debt)[3]	40	-	-	31.82

Source: DMO

Notes:

[1]Nominal Values of Total Public Debt Stock was used, and includes States' & FCT's Domestic Debt Stock

[2] Nigeria's Country Specific Targets as set in its Debt Management Strategy, 2016-2019, while none was at for the indicators marked *

[3]Total Public Debt covers External and Domestic debts of the FGN, States and FCT

8.3.1 Average Cost of FGN's Total Public Debt

As shown in Table 8.3, the weighted average interest rates of the External Debt (FGN, States and FCT) and Domestic Debt (FGN only), were 4.75 and 12.73 percent in 2018 compared to 2.97 and 12.48 percent, respectively, in 2017. The average interest rate for total FGN's Public Debt portfolio was 9.66 percent compared to 8.55 percent in 2017.

Table 8.3: Trend in Average Interest Rate (Weighted), 2014-2018

Year	2014	2015	2016	2017	2018
External Debt - Average Interest Rate (%)	3.57	1.74	3.10	2.97	4.75
Domestic Debt – Average Interest Rate (%)	10.95	13.00	11.11	12.48	12.73
Total Debt - Average Interest Rate (%)	9.69	10.77	9.19	8.55	9.66

Source: DMO

8.3.2 Interest Rate Risk

The exposure of FGN's Public Debt to interest risk rate declined marginally during the year 2018, as Average Time-to-Refixing (ATR) improved from 9.55 years as at December 31, 2017 to 9.71 years as at December 31, 2018 (Table 8.4). This reflects a marginal increase in proportion of fixed rate debt from 97.28 percent in 2017 to 97.52 percent in 2018, while the variable rate debt declined from 2.72 percent in 2017 to 2.48 percent in 2018. Table 8.4

also shows the reduction in the proportion of FGN's Public Debt that are susceptible to interest rate re-fixing in one year from 26.22 percent in 2017 to 20.98 percent in 2018, reflecting appreciable improvement in the structure of the portfolio in favour of longer tenored domestic and external borrowing. Table 8.4 shows the Trend in Interest Rate Risk Indicators, 2014-2018.

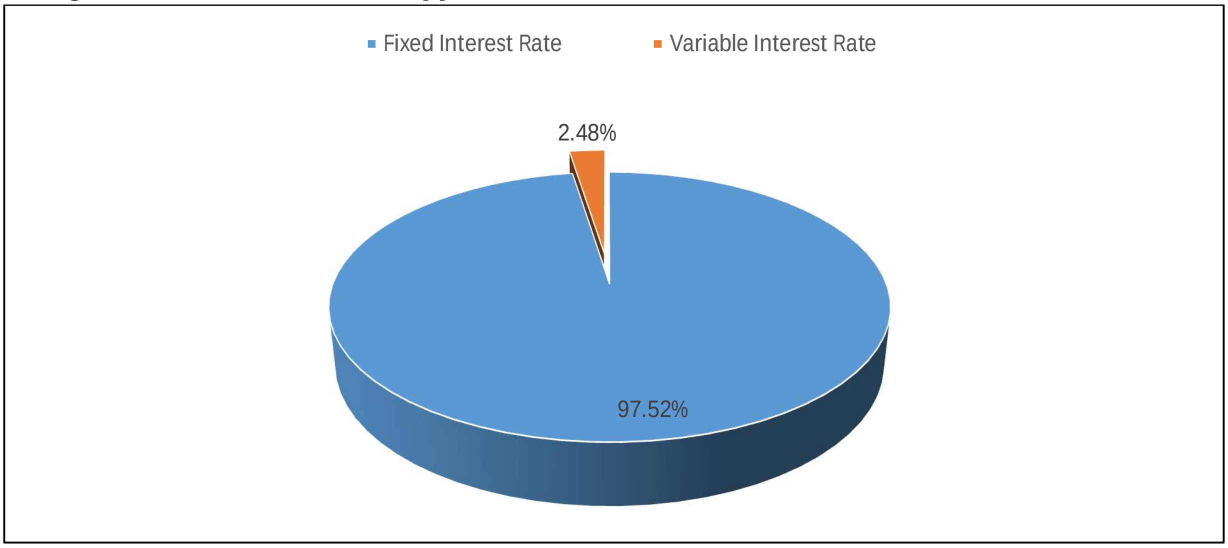
Table 8.4: Trend in Interest Rate Risk Indicators, 2014-2018

Year	2014	2015	2016	2017	2018
Fixed Interest Rate Debt (%)	99.53	98.96	94.74	97.28	97.52
Variable Interest Rate Debt (%)	0.47	1.04	5.26	2.72	2.48
External Debt - Average Time-to-Re-fixing (Years)	13.9	13.86	13.43	13.41	13.44
Domestic Debt - Average Time-to-Re-fixing (Years)	5.4	5.35	7.53	7.78	7.43
Total Debt - Average Time-to-Re-fixing (Years)	6.4	7.04	8.93	9.55	9.71
Debt Re-fixing in 1 year (% of Total Public Debt)	36.12	30.19	29.12	26.22	20.98

Source: DMO

Note: Average Time-to-Re-fixing (ATR): Provides a measure of weighted average time it takes until all the principal payments in the debt portfolio become subject to a new interest rate. This takes account the time when variable rates on floating debt are reset, and or fixed rate debt needs to be refinanced.

Figure 8.1: Interest Rate Type of FGN's Total Public Debt as at December 31, 2018



Source: DMO

8.3.3 Refinancing Risk

The exposure of the FGN Public Debt to refinancing risk was relatively low with Average Time-to-Maturity (ATM) of 11.62 years as at December 31, 2018 compared to 11.55 years as at December 31, 2017, which is above the strategic target minimum of 10 years (Table 8.5). The proportion of debt maturing within one year reduced from 23.53 percent in 2017 to 18.57 percent in 2018, as a result of the restructuring of the domestic debt through the redemption of short-term domestic debt (NTBs) in the sum of N814.403 billion, with relatively cheaper longer-tenored external borrowing, as well as borrowing through long-term securities in the Domestic and International Capital Markets. This is expected to moderate refinancing risk. Table 8.5 shows the Trend in Refinancing Risk Indicators, 2014-2018.

Table 8.5: Trend in Refinancing Risk Indicators, 2014-2018

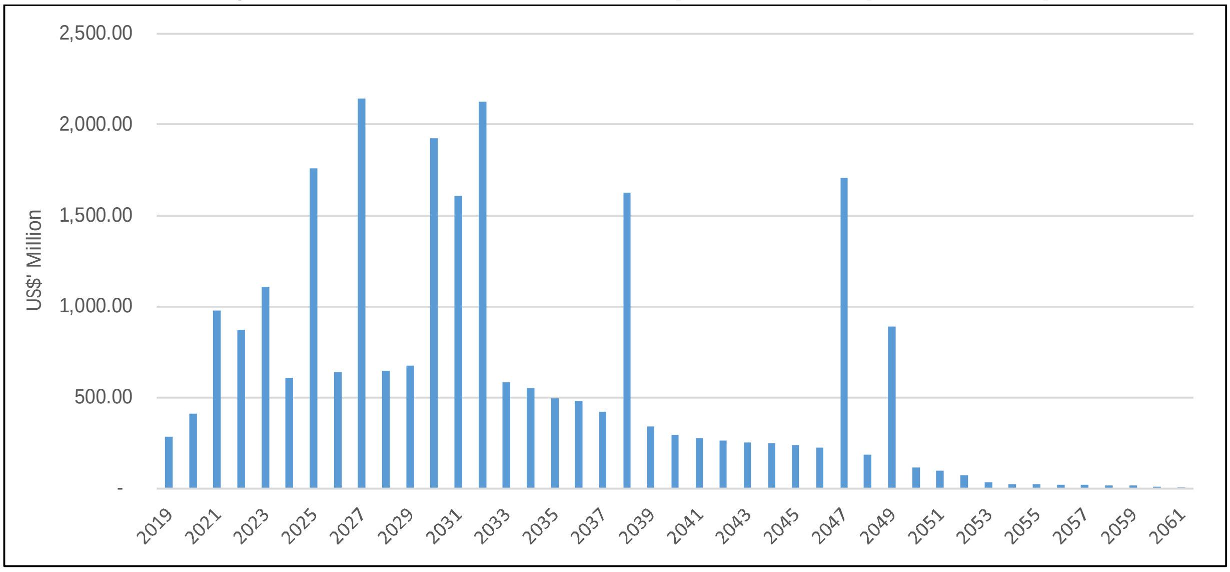
Year	2014	2015	2016	2017	2018
Debt Maturing in 1 year (%)	33.00	29.15	23.86	23.53	18.57
External Debt – Average Time-to-Maturity (Years)	14.9	14.39	13.57	14.26	13.97
Domestic Debt - Average Time-to-Maturity (Years)	5.4	5.35	7.53	7.78	7.43
Total Debt - Average Time-to-Maturity (Years)	6.5	7.15	9.54	11.55	11.62

Source: DMO

8.4 Redemption Profile

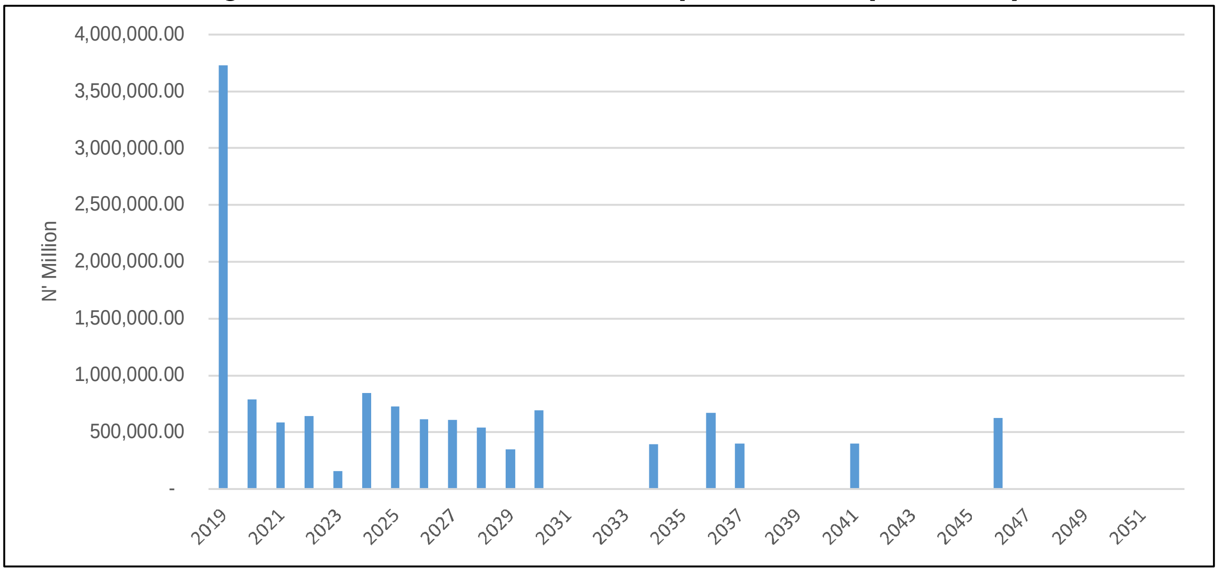
The External Debt Redemption Profile is relatively smooth with intermittent relatively high maturities occasioned by maturities of Eurobonds or the Diaspora Bond. The issuance of securities in the ICM had been structured to spread the maturities over several years (up to 30 years) to avoid a bunching of maturities and to create a US Dollar Sovereign Yield Curve for Nigeria in the ICM (Figure 8.2). The Domestic Debt Redemption Profile was also evenly spread out as most of the Debt were FGN Bonds and to a lesser extent NTBs, Sukuk, and Green Bonds. The amount maturing within one year was moderated due to the redemption of NTBs in 2018 (Figure 8.3).

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



Source: DMO

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



Source: DMO

8.5 Exchange Rate Risk (FX Component in the Debt Portfolio)

The FGN's Public Debt portfolio exposure to foreign exchange risk seemed to have increased, as the share of External Debt rose to 32 percent as at December 31, 2018 from 27 percent as at December 31, 2017 (Table 8.4). The increase in the share of External Debt was as a result of the rebalancing of the structure of the portfolio in line with the Debt Management Strategy objectives and targets of attaining a ratio of 60:40 for Domestic Debt stock to

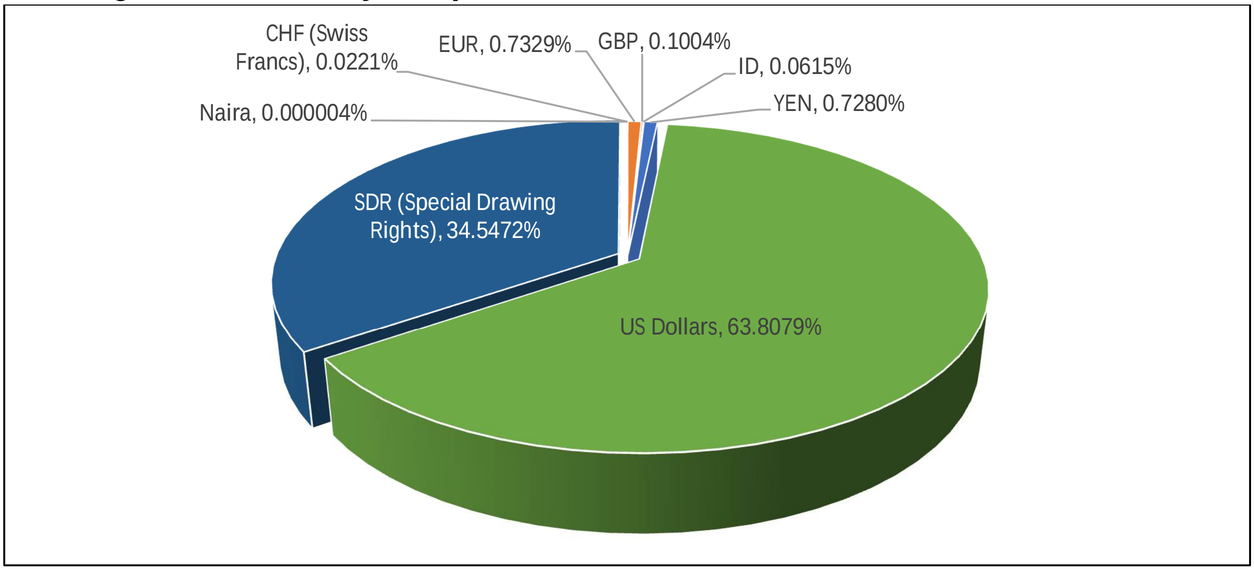
External Debt stock. Table 8.6 shows the trend in the External Debt Component of the Total Public Debt Portfolio for 2014-2018.

Table 8.6: Trend in FX Component of Debt Portfolio, 2014-2018

Year	2014	2015	2016	2017	2018
Domestic Debt (%)	84	80	80	73	68
External Debt (%)	16	20	20	27	32
Total Debt	100	100	100	100	100

Source: DMO

Figure 8.4: Currency Composition of External Debt as at December 31, 2018



Source: DMO

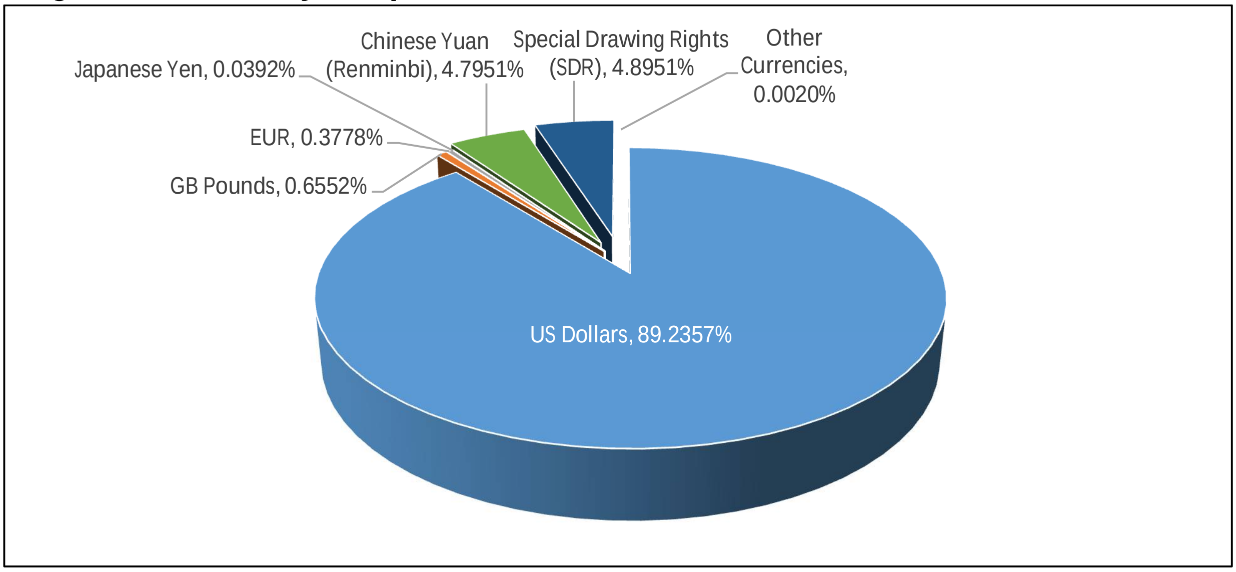
Figure 8.4 depicts the Currency Composition of External Debt portfolio as follows: Swiss Franc (CHF), Euro (EUR), British Pound Sterling (GBP), Islamic Dinar (ID), Japanese Yen (JPY), United States Dollar (US$), Special Drawing Rights (SDR) and Naira (N), which respectively constituted 0.02, 0.73, 0.10, 0.06, 0.73, 63.81, 34.55, and 0.000004 percent, in 2018. The currency composition was largely in US Dollars and the SDR. The larger exposure to US Dollar is hedged against exchange rate risk by the fact that Nigeria's External Reserves is mainly in US Dollars, the funding of external debt service is effected through an External Creditors' Funding Account (ECFA), which is denominated in US Dollars, and also the fact that Nigeria's export earnings are denominated in US Dollars.

Table 8.7: Currency Composition of External Reserve Asset as at December 31, 2018

Currency	USD Equivalent	% of Total
US Dollars	38,009,891,781.12	89.2357
GB Pounds	279,075,987.40	0.6552
Euro	160,907,216.02	0.3778
Swiss Franc	-	0.0050
Japanese Yen	16,681,311.32	0.0392
Chinese Yuan (Renminbi)	2,042,481,914.85	4.7951
Special Drawing Right (SDR) Allocation	2,085,054,587.19	4.8951
Other Currencies	840,074.85	0.0020
TOTAL	**42,594,842,852.75**	**100**

Source: CBN

Figure 8.5: Currency Composition of External Reserves as at end December 31, 2018



Source: DMO

The country's External Reserves was US$42.59 billion as at December 31, 2018, (Table 8.7 and Figure 8.5). The proportion of currency components of the foreign reserve assets were US Dollars (89.2357 percent), GBP (0.6552 percent), Euro (0.3778 percent), JPY (0.0392 percent), Chinese Yuan (4.7951 percent), SDR (4.8951 percent) and other currencies (0.0020 percent). Table 8.8 also shows that the currency composition of External Debt portfolio closely matched the currency composition of the country's External Reserves, thereby providing a hedge against exchange rate fluctuation.

Table 8.8: Composition of External Debt & Reserve Assets as at December 31, 2018 (in percent)

Currencies	US$	GBP	EURO	CHF	IDB	JPY	Yuan	SDR	Naira	Others
External Debt: Currency Composition	63.8079	0.1004	0.7329	0.0221	0.0615	0.7280	-	34.5472	0.000004	-
External Reserve: Currency Composition	89.2357	0.6552	0.3778	-	-	0.0392	4.7951	4.8951	-	0.0020

Source: DMO and CBN

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

As at December 31, 2018, the credit risk of the outstanding On-lent loans by the FGN to various MDAs to fund developmental projects in the key sectors of the economy was relatively stable. In order to mitigate credit risk, the loans were backed by Memoranda of Understanding (MOU) executed between the DMO and the MDAs, so as to ensure that they are serviced timely and fully paid as and when due.

8.7 FGN's Contingent Liabilities

Table 8.9 shows that the amount of contingent liabilities increased by ₦765.82 billion or 66.52 percent from ₦1,151.33 billion in 2017 to ₦1,917.150 billion as at December 31, 2018 (Table 8.7). The FGN's exposure to contingent liabilities as a percentage of GDP also increased from 1.01 percent in 2017 to 1.50 percent as at December 31, 2018. Table 8.9 shows the FGN's exposure to Contingent Liabilities, 2014-2018. The increase in the exposure of FGN to Contingent Liabilities in 2018, was due to the increase in Guarantees on Bonds issued by the Nigeria Mortgage Refinance Company Plc, and borrowing by the Nigeria Bulk Electricity Trading Plc, as well as Pension Arrears to the MDAs.

Table 8.9: FGN's Contingent Liabilities 2014-2018 (₦' Billion)

S/N	Liability Type	2014	2015	2016	2017	2018
1.	Local Contractors Debts	233.942	233.942	159.287	-	-
2.	Federal Mortgage Bank of Nigeria	32.00	6.91	5.24	5.238	5.238
3.	Nigerian Export-Import (NEXIM) Bank	39.40	39.40	61.00	15.250	6.790
4.	FCDA – Katampe Infrastructure Project		7.441	7.441	7.441	7.441
5.	Nigeria Mortgage Refinance Company Plc		8.00	8.00	7.583	18.226
6.	Lekki Port LFTZ Enterprise – Lekki Deep Sea Port	157.60	157.60	-	-	-
7.	World Bank Partial-Risk Guarantee in support of Azura-Edo IPP	-	46.689	72.29	72.285	72.641
8.	Payment Assurance Facility for Nigeria Bulk Electricity Trading Plc	-	-	-	-	561.305
9.	Pension Arrears for MDAs	1,231.035	1,156.49	1,132.21	1,043.535	1,245.510
	Total	**1,693.977**	**1,656.467**	**1,445.47**	**1,151.332**	**1,917.150**

Notes for 2018 data:

1. FGN Guarantee of FMBN Bond issued to enable the Bank raise funding from the capital market to refinance mortgages created from the sale of Federal Government non-essential houses under the monetization programme of the Government.
2. FGN Guarantee to NEXIM for the Master Line of Credit from African Development Bank (AfDB) with a current value of US$50 million 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. Total outstanding obligations on the loan as at December 31, 2018 was US$22,154,476.73 (N6,790,347,117.75 @306.5/$).
3. The Guarantee was issued, on the 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 Deans Hanger Projects Limited for the provision of integrated civil infrastructure to Katampe District, Abuja. The current outstanding amount confirmed by FCDA is N7,440,504,380.68, excluding accrued interest component.
4. 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. N19 billion (N8 billion -Series 1 and N11 billion - Series 2) has been utilized out of the total Guarantee available in the sum of N440 billion.
5. FGN Guarantee in favour of Lekki Port LFTZ Enterprise (Concessionaire) to cover the sum of US$800 million (N245,200,000,000.00 converted at N306.5/$) 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 Guarantee will become effective at financial close.
6. FGN's Indemnity Agreement in respect of World Bank Partial Risk Guarantees in the sum of US$237 million (N72,640,500,000.00 converted at N306.5/$), 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.
7. FGN Guarantee to the Central Bank of Nigeria for providing N701,936,483,451.10 to the Nigeria Bulk Electricity Trading Plc (NBET) for settlement of invoices from Power Generation Companies. Outstanding Balance as at December 31, 2018 was N561.305 billion.
8. Data from PENCOM: Outstanding Retirement Benefits Liability of the FGN for certain categories of its employees. The last employee would be retiring in 2039. Note that the outstanding liability has increased. PenCom stated that the increase in the Pension liabilities is as a result of the implementation of some provisions of Pencom Act 2014, which have financial implications.

Sukuk Proceeds - Dualization of Ibadan-Ilorin Road (Route No. 2) Section II: Oyo-Ogbomosho Road

Green Bond Proceeds - Installed Solar Panels at the Project Site, Federal University Petroleum Resources, Effurun

CHAPTER NINE

FEDERAL GOVERNMENT ON-LENT LOANS TO MDAS

The FGN, through the DMO, extended loans to some MDAs to enable them finance key developmental projects to support the growth of the real sector with the objective of creating jobs and reducing poverty. As at December 31, 2018, the total outstanding On-lent loans to these MDAs was ₦176.257 billion.

9.1 Introduction

In order to support the growth of the real sector of the economy, the FGN through the DMO extended loans to a number of MDAs, for social and economic development. Specifically, the loans were extended to these MDAs for the purpose of financing specified developmental projects in key sectors of the economy such as Roads and Railways, Agriculture, Transport, Education, Cotton, Garment and Textile, amongst others. In order to ensure full recovery and timely repayment of these loans, each of the On-lent loans was backed by a Memorandum of Understanding (MOU) executed between the DMO and the benefitting MDA.

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

The number of MDAs with On-lent loans outstanding remained same as in 2017 at eleven (11), and the total principal outstanding marginally reduced to ₦176.257 billion as at December 31, 2018 compared to ₦178.085 billion as at December 31, 2017, indicating principal repayments by some MDAs during the year (Table 9.1).

Table 9.1: FGN On-Lent Loans Outstanding to MDAs as at December 31, 2018

S/N	Benefiting 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	6,002,840,569.22
2	Federal Ministry of Finance (FMF)	₦6.3 Billion Pioneer Consumer Car Finance Scheme for Public Servants	6,300,000,000.00	1,916,331,393.11
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 Industry (BOI)	Indebtedness of the defunct Nigerian Bank for Commerce and Industry to the FGN	2,500,711,000.00	2,410,293,267.05
	Total		**220,621,886,142.72**	**176,257,008,677.41**

Source: DMO

Sukuk Proceeds - Dualization of Ibadan-Ilorin Road (Route No. 2) Section II: Oyo-Ogbomosho Road

Green Bond Proceeds - Aerial View 2 of Installed Solar Panels, Bayero University, Kano

CHAPTER TEN

INSTITUTIONAL ISSUES

The DMO's 4th Strategic Plan, 2018-2022 was unveiled in 2018 to give direction to the operations of the Office in the next five years. The Plan was aligned with the policy thrusts of the Government as outlined in the Economic Recovery and Growth Plan (ERGP). Amongst other objectives, the Plan is largely aimed at supporting government in financing infrastructure development through debt and debt-related instruments. In 2018, the DMO also arranged various trainings for its staff and other External stakeholders. It hosted some institutions on Educational visits to the Office. In addition, the Office enhanced its business processes by upscaling the ICT infrastructure during the review period.

10.1 The DMO's 4th Strategic Plan, 2018-2022

The year 2018 marked the unveiling of the DMO's 4th Strategic Plan, 2018-2022. The Plan aligns Public Debt Management activities with the policy thrusts of the Government as outlined in the Economic Recovery and Growth Plan (ERGP). The Plan is also designed to address current and evolving challenges in Public Debt Management, which include:

i. *Changing investor needs and higher investor expectations from the DMO on its products and services;*
ii. *Developing new and more creative ways of financing infrastructure, as well as managing the growing Contingent Liabilities and expected increase in Guarantees to support infrastructure development;*
iii. *Enhancing Risk Management functions; and,*
iv. *Upscaling the debt management capacity at the Sub-national level.*

The Broad Objective of the Plan is: *To use Debt and Debt-related instruments to support Nigeria's development goals, while ensuring that public debt is sustainable.*

The Strategic Plan 2018-2022 is divided into eight (8) Strategic Goals as follows:

i. *To achieve the targets in the Debt Management Strategy, 2016-2019, while being a proactive Agency of Government in the execution of its economic and development plans.*
ii. *Employ the Use of Off-balance Sheet products to support economic development.*
iii. *Use of appropriate Technology and Processes that will enable the DMO deliver its services more efficiently.*

iv. *Structure the DMO's activities in a manner that suits its evolving role and complemented by human resources with the required competences to deliver top rated debt management services.*

v. *To reinforce the DMO's Brand and build sustained relationships with key stakeholders.*

vi. *To Review and consolidate the gains of existing Products, as well as introduce New Products.*

vii. *Sub-nationals to adopt best practices in Public Debt Management, in order to achieve Total Public Debt Sustainability.*

viii. *To proactively manage the Costs and Risks of the Public Debt Portfolio and Credit Risk associated with On-lent loans.*

10.2 Debt Sustainability Analysis (2018)

The DMO organized the 2018 National Debt Sustainability Analysis (2018 DSA) Workshop from October 30 to November 9, 2018 in collaboration with relevant MDAs, namely: the Federal Ministry of Finance (FMF), Federal Ministry of Budget and National Planning (FMBNP), Central Bank of Nigeria (CBN), Budget Office of the Federation (BOF), National Bureau of Statistics (NBS), the Office of the Accountant-General of the Federation (OAGF), Federal Inland Revenue Services (FIRS) and the Nigeria Customs Service (NCS). The West African Institute for Financial and Economic Management (WAIFEM) provided technical support.

The result of the 2018 DSA showed that Nigeria remains at moderate risk of debt distress, due to its relatively low Revenue which makes it sensitive to Revenue shocks, with limited borrowing space based on the current revenue profile. However, it is expected that, with the on-going initiatives by the government through its Strategic Revenue Generating Initiatives (SRGIs), and reforms in the Oil & Gas, Agriculture & Solid Minerals sectors, Government's revenue would be enhanced, thus, moderate the ratio of Debt Service to Revenue.

10.3 Staffing Issues

10.3.1 Recruitment of New Staff

There was no recruitment of new staff into the DMO in 2018.

10.3.2 Staff Exit

In 2018, one member of staff exited the DMO after attaining the mandatory retirement age of 60 years.

10.3.3 Redeployment Exercise

A comprehensive redeployment of staff was undertaken to match staff competences to job positions in July, 2018. Also, a minor staff redeployment exercise was undertaken in December 2018, involving the redeployment of one staff from the Administration Unit of the Organisational Resourcing Department to Human Resources Unit of the same Department. In addition, one member staff of the Federal Ministry of Justice was seconded to the DMO to join the two existing staff of the Legal Services Unit. The Unit was created in 2017 to provide in-house legal advisory services for the DMO.

10.3.4 Staff Promotion Exercise

The 2018 DMO Staff Promotion Exercise commenced in October, 2018, and was concluded in December, 2018, with seventeen (17) Staff promoted to their next grade levels.

10.3.5 Training for DMO's External Stakeholders

Training for Members of the House of Representatives Committee on Loans, Aid and Debt Management and the Committee's Secretariat was organized in December, 2018.

10.3.5.1 Interactive Sessions with the Media

To improve understanding of the Public Debt Data and the Debt Management Strategy, the DMO introduced a half-yearly Media Briefing Sessions starting with the December, 2017 Debt Data. The Media Interactive Sessions precede the release of the half yearly Debt Data. Two (2) Interactive Sessions with the Media were held in March and August, 2018. The Sessions were attended by reporters from major Television and Radio Stations, as well as, editors and correspondents from the Print and Online Media Houses.

10.3.6 DMO Staff Training

In order for some staff to effectively and efficiently deliver on their work, emphasis was placed on staff training in specific areas, where gaps had been observed. Consequently, members of Staff attended various training in the following areas: Fixed Income Securities

(Bonds, Sukuk and Green Bonds); an ICT training on SharePoint 2016; Report Writing Skills and Office Management; Advanced Monitoring and Safety Techniques; and, Security & Risk Management.

10.4 Stakeholder Attachments and Educational Visits to the DMO

As part of efforts to share public debt management knowledge, skills and services with interested external stakeholders, the DMO in October 2018, hosted a delegation of Students of the Banking and Finance Department, Waziri Umaru Federal Polytechnic, Kebbi, Kebbi State, on an educational visit. The students were taken through the formation, structure and functions of the Debt Management Office, as well as the need for effective public debt management.

10.5 ICT Infrastructure

To further consolidate on the gains made in leveraging ICT to enhance the DMO's business processes, the following milestones were achieved in 2018;

i. The DMO implemented an Enterprise Electronic Document Management System (EDMS) with Easy Document Workflow and integrated with the Active Directory Service. The EDMS which runs on Microsoft SharePoint 2016 provides an improved communication and collaboration platform for members of staff of the DMO.

ii. The DMO further improved its external and internal communication by implementing a Video/Tele Conference Solution, which provides secure online, real time and reliable communication medium to enable easy communication with external stakeholders, particularly, its communication and conference call with international Transactions for its activities in the International Financial Market. Also, the Modern IP Telephony System has been integrated with dedicated telecommunication line (E1 line) using the Galaxy Backbone platform. The new system enables the organization and external stakeholders to communicate easily with the DMO from anywhere around the world.

iii. ICT Services were maintained optimally with over 95 percent uptime for the period under review, thus contributing significantly to the DMO's achievement of its objectives in 2018.

10.6 SERVICOM in the DMO

Following the adoption of the DMO's 4th Strategic Plan 2018 to 2022, and the implementation of the Office-wide redeployment of staff for optimal performance, the Director-General reconstituted the DMO Reform Coordination and SERVICOM Committee. This is to ensure that the DMO's service delivery to its stakeholders are conducted in the most effective and efficient manner.

One of the key initiatives implemented by the Committee in 2018 was the finalization of the review of the subsisting DMO's Client Service Charter meant to harmonize the service delivery efforts of staff with the DMO Strategic Plan, 2018-2022.

Sukuk Proceeds-Dualization of Lokoja-Benin Road: Obajana Junction-Benin, Sec. II, Phase 1, Okene-Auchi

Sukuk Proceeds-Dualization of Lokoja-Benin Road: Obajana Junction-Benin, Sec. II, Phase 1, Okene-Auchi

CHAPTER ELEVEN

FINANCIAL STATEMENTS AND ACCOUNTS

11.1 Corporate Information

Chairman:	**Prof. Yemi Osinbajo, SAN, GCON** Vice-President, Federal Republic of Nigeria
Vice Chairman:	**Mrs. Zainab Shamsuna Ahmed** 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/Secretary	**Patience Oniha** Director-General & Chief Executive
Registered Office:	1st Floor, NDIC Building, Plot 447/448 Constitution Avenue, Central Business District, Garki-Abuja.
Independent Auditors:	**SIAO** (Chartered Accountants) 18b, Olu Holloway Road Ikoyi, Lagos.
Bankers:	Central Bank of Nigeria Central Business District, Abuja. Abuja

Principal Officers:

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, Debt Recording & Settlement Department
Mr. Monday Usiade	Head, Market Development Department
Ms. Elizabeth Ekpenyong	Head, Strategic Programmes Department

11.2 Financial Highlights

Statement of Financial Position	31-Dec-18 ₦	31-Dec-17 ₦	Change ₦	%
Property, Plant and Equipment	**227,035,348**	*203,299,318*	23,736,030	11.68
Intangible Asset	**2,719,500**	*3,885,000*	(1,165,500)	(30.00)
Other Receivables	**55,502,022**	*37,300,000*	18,202,022	48.80
Prepayments	**1,244,192**	*1,617,462*	(373,270)	(23.08)
Cash and Cash Equivalents	**2,710,981,360**	*1,612,003,672*	1,098,977,688	68.17
Total Assets	**2,997,482,422**	*1,858,105,452*	1,139,376,970	61.32
Equity				
Accumulated Financial Performance	**2,326,195,830**	*1,824,263,489*	501,932,341	27.51
Account Payables and Accruals	**671,286,592**	*33,841,964*	637,444,628	1,883.59
Total Equity	**2,997,482,422**	1,858,105,453	1,139,376,969	61.32
Statement of Financial Performance				
Total Income	**4,104,917,750**	*3,056,181,025*	1,048,736,725	34.32
Total Expenditure	**3,566,566,445**	*4,952,997,553*	(1,386,431,108)	(27.99)
Surplus/(Deficit)	**538,351,305**	*(1,896,816,528)*	2,435,167,833	(128.38)

11.3 Supervisory Board's Report

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 31 December 2018.

These Financial Statements are prepared 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.

Legal Form

The Debt Management Office (DMO) is a public agency created by an Act of the National Assembly, The Debt Management Office (Establishment, etc.) Act, 2003. 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.

Vision

Our vision is to be a Public Debt Management Institution of global reference.

Mission

Our Mission is to meet the Government's financing needs in a prudent manner that supports economic development, while proactively managing the risks associated with the public debt.

Values

Our Core Values are based on the principle of **R-E-C-I-T-E**

R - Respect: To hold staff and stakeholders in high esteem.
E – Excellence: To be outstanding in service delivery.
C – Commitment: To be totally devoted to delivering on the DMO's Mandate.
I – Integrity: To be transparent in our operations.
T – Teamwork: To ensure that all members of staff have collective responsibility for the DMO's mandate and work together towards its achievement.
E – Efficiency: To optimize our resources in the execution of our Mandate.

DMO Brand

The DMO has gone further to define the key attributes of its Brand going forward – the overarching messages to be conveyed by its name, its work and its people, among both internal and external stakeholders are reflected in the acronym P-R-I-C-E.

P – Professional: Knowledge-driven and efficient service delivery
R – Resourceful: Skilful and prompt in dealing with emerging challenges, difficulties and situations in the workplace
I – Innovative: A haven for new ideas, originality and creativity
C – Congenial: Pleasant and friendly staff, delightful work environment
E – Ethical: Conform to accepted standards of social and professional conduct in the discharge of assigned responsibilities

Principal Activities

The main activities of the Office as defined in Section 6(1) (a-n) and 6(2) (a-c) of the Debt Management Office (Establishment, etc.) 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.

State of Affairs

In the opinion of the Supervisory Board, the state of DMO's affairs was satisfactory and no events have occurred since the financial position date which would affect the Financial Statements as presented.

Supervisory Board's Report (Cont'd)

Property, Plant and Equipment

Information relating to changes in property, plant and equipment is shown in **Note 2** on page 21 to the Financial Statements.

Operating Results

Highlights of DMO's operating results for the year under review are as follow:

	31 December 2018	31 December 2017
	₦	₦
Total Income	**4,104,917,750**	3,056,181,025
Total Expenditure	**(3,566,566,445)**	(4,952,997,553)
Surplus/(Deficit) for the Year	**538,351,305**	(1,896,816,528)

The results for the year are set out in the statement of financial performance on **page 11.**

Events after the Reporting Date

As stated in **Note 20** no events or transactions have occurred after the reporting period which would have a material effect on the Financial Statements as presented.

Format of Financial Statements

The Financial Statements are presented in accordance with the reporting and presentation requirements of 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.

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.

Training and Development

The Office places great emphasis on the training and development of its staff and other stakeholders and believes that its 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.

Independent Auditors

The auditors, Messrs SIAO (Chartered Accountants), have indicated their willingness to act as auditors in office in accordance with Section 357 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

By Order of the Board

Patience Oniha
Director-General/Secretary

FRC/2018/ICAN/00000018421

Date: August 30, 2019

11.4 Statement of Directors' Responsibilities

STATEMENT OF SUPERVISORY BOARD'S 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 judgements 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 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 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.

The responsibilities include ensuring that the Office:

(a) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Office;

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

(c) Prepares its Financial Statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, which are consistently applied.

The Board accepts responsibility for the annual Financial Statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with the International Public Sector Accounting Standards issued by International Public Sector Accounting Standards Board (IPSASB) and adopted by the Financial Reporting Council of Nigeria.

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

Signed on behalf of the Supervisory Board by:

....	....
Patience Oniha	**Joe Ugoala**
Director-General/Chief Executive	**Director,**
	Policy, Strategy & Risk Management Dept.
FRC/2018/ICAN/00000018421	**FRC/2017/CISN/00000016371**
Date: August 30 **, 2019**	**Date:** August 30 **, 2019**

11.5 Auditors' Report

Lagos: 18b Olu Holloway Road, Ikoyi, Lagos.
Tel: 01 463 0871-2 Fax: 01-463 0870

Abuja: 1st Floor, Bank of Industry Building
Central District Area, FCT, Abuja.
Tel: 09-291 2462-3
E-mail: enquiries@siao-ng.com
Website: www.siao-ng.com

INDEPENDENT AUDITORS' REPORT

To the Members of the Supervisory Board, Debt Management Office Nigeria (DMO)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Financial Statements of Debt Management Office (DMO), which comprise the statement of financial position as at 31 December, 2018, the statement of financial performance, the statement of cash flows for the year then ended, statement of changes in net assets/equity, statement of cash flows, statement of comparison of budget and actual amounts, summary of significant accounting policies and other explanatory notes.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the Financial Statements section of our report. We are independent of the Office in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Directors are responsible for the other information. The other information comprises the Supervisory Board's Report.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

The Financial Statements of Debt Management Office for the year ended 31 December, 2017 were audited by Sada, Idris and Co, your predecessor auditor, who expressed unmodified opinion on those statements on 22 June, 2018.

SIAO

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 misstatements, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit 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 Office's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by DMO Board;

- Conclude on the appropriateness of DMO's Board use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures

Auditors' Report (Cont'd)

SIAO

are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Office to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Office to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 the audit;

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

III. The DMO's Statements of : Financial Position, Financial Performance, Changes in Net Assets/Equity, Cash Flows, Comparison of Budget and Actual Amounts and other accompanying notes are in agreement with the books of account.

....

Abiodun Ariyibi, FCA
FRC NO: FRC/2013/ICAN/00000001548

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
SG/ICAN
0836168

SIAO
Chartered Accountants
Lagos, Nigeria

Date: 30th August 2019

11.6 Statement of Financial Position

STATEMENT OF FINANCIAL POSITION

	Notes	31-Dec-18	31-Dec-17
ASSETS		₦	₦
NON-CURRENT ASSETS			
Property, Plant & Equipment	2	227,035,348	203,299,318
Intangible Asset	3	2,719,500	3,885,000
		229,754,848	207,184,318
CURRENT ASSETS			
Other Receivables	4	55,502,022	37,300,000
Prepayments	5	1,244,192	1,617,462
Cash and Cash Equivalents	6	2,710,981,360	1,612,003,672
		2,767,727,574	1,650,921,134
TOTAL ASSETS		2,997,482,422	1,858,105,452
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Financial Performance		2,326,195,830	1,824,263,489
TOTAL EQUITY		2,326,195,830	1,824,263,489
LIABILITIES			
NON-CURRENT LIABILITIES		-	-
		-	-
CURRENT LIABILITIES			
Account Payables and Accruals	7	671,286,592	33,841,964
		671,286,592	33,841,964
TOTAL EQUITY AND LIABILITIES		2,997,482,422	1,858,105,452

The Financial Statements on pages 10-14 were approved for issue by the Supervisory Board on ....2019 and signed on its behalf by:

Patience Oniha

Director-General/Chief Executive

FRC/2018/ICAN/00000018421

Joe Ugoala

Director

Policy, Strategy & Risk Mgt. Dept.

FRC/2017/CISN/00000016371

The significant accounting policies on pages 18 to 20 and the accompanying explanatory notes on pages 21 to 26 form integral parts of these Financial Statements.

11.7 Statement of Financial Performance

	Notes	31-Dec-18	31-Dec-17
		₦	₦
INCOME			
Appropriation/(Subvention)	8	455,738,818	574,461,170
FGN Bond Floatation Receipts	9	3,604,407,596	2,472,884,196
Special TSA Accounts (AfDB) Receipts (i)	10	36,141,336	-
Grants & Aids Receipts	11	8,000,000	8,000,000
		4,104,287,750	3,055,345,366
Other Income	12	630,000	835,659
TOTAL INCOME		4,104,917,750	3,056,181,025
EXPENDITURE			
Operating Expenses	13	113,545,171	94,229,152
Grants and Aids Expenses	14	6,984,805	7,055,200
Special TSA Accounts (AfDB) Expenses	15	14,827,088	-
Personnel Cost		389,752,296	405,134,984
		525,109,360	506,419,336
Bank Charges			
Bank Charges	16	7,583,056	506,100
Other Expenditures			
FGN Bond Floatation Expenses	17	3,030,836,177	4,426,304,532
Return to Consolidated Revenue Fund	18	3,037,852	19,767,585
		3,033,874,029	4,446,072,117
TOTAL EXPENDITURE		3,566,566,445	4,952,997,553
Surplus/(Deficit) of Income over Expenditure		538,351,305	(1,896,816,528)

(i) This includes ₦18,070,667.96 for which revalidation from CBN has been sought.

The significant accounting policies on pages 18 to 20 and the accompanying explanatory notes on pages 21 to 26 form integral parts of these Financial Statements.

11.8 Statement of Changes in Net Assets/Equity

	Accumulated Surplus/(Deficit)
	₦
As at 1 January 2017	*3,721,080,017*
Transfer from Statement of Financial Performance	*(1,896,816,528)*
As at 31 December, 2017	***1,824,263,489***
As at 1 January 2018	**1,824,263,489**
Prior Year Adjustments (i)	**(36,418,964)**
Transfer from Statement of Financial Performance	**538,351,305**
As at 31 December, 2018	2,326,195,830

(i) Prior Year Adjustments comprise Rent of ₦30,641,964.00 due to NDIC and other outstanding payments due to other Service Providers.

The significant accounting policies on pages 18 to 20 and the accompanying explanatory notes on pages 21 to 26 form integral parts of these Financial Statements.

11.9 Statement of Cash Flows

	Notes	2018 ₦	2017 ₦
Cash Flows from Operating Activities			
Cash Received as Statutory Allocation, Grants and Aids	8,10,11 & 12	500,510,154	583,296,829
Operating Expenses and Personnel Cost	13,14,15 & 18	(528,147,212)	(526,186,921)
Adjustment for Non-Cash Item:			
Depreciation and Amortisation	13	26,402,927	14,616,660
Prior Year adjustments		(36,418,964)	-
Changes in Working Capital:			
Other Receivables	4	(18,202,022)	-
Prepayments	5	373,270	14,592,020
Account Payables and Accruals	7	637,444,628	15,320,982
		581,962,780	101,639,570
Finance Charges	16	(7,583,056)	(506,100)
Net Cash Flows from Operating Activities		574,379,724	101,133,470
Cash Flows from Investing Activities:			
Purchase of PPE Items	2	(48,973,457)	(85,948,721)
Net Cash Flows from Investing Activities		(48,973,457)	(85,948,721)
Cash Flows from Financing Activities:			
FGN Bond Floatation Receipts	9	3,604,407,596	2,472,884,196
FGN Bond Floatation Expenses	17	(3,030,836,177)	(4,426,304,532)
Net Cash Flows from Financing Activities		573,571,419	(1,953,420,336)
Net Cash and Cash Equivalents for the Year		1,098,977,688	(1,938,235,587)
Cash and Cash Equivalents at 1 January		1,612,003,672	3,550,239,259
Cash and Cash Equivalents at 31 December	6	2,710,981,360	1,612,003,672

The significant accounting policies on pages 18 to 20 and the accompanying explanatory notes on pages 21 to 26 form integral parts of these Financial Statements.

11.10 Statement of Comparison

	2018		
	ORIGINAL AND FINAL BUDGET	ACTUAL	PERFORMANCE DIFFERENCE
RECURRENT EXPENDITURE	₦	₦	₦
PERSONNEL	435,768,793	389,752,296	46,016,497
OVERHEADS			
LOCAL TRAVEL & TRANSPORT - TRAINING	15,361,000	10,074,600	5,286,400
LOCAL TRAVEL & TRANSPORT - OTHERS	5,846,400	5,779,716	66,684
INTERNATIONAL TRAVEL & TRANSPORT: TRAINING	-	-	-
INTERNATIONAL TRAVEL & TRANSPORT: OTHERS	2,999,998	155,920	2,844,078
TELEPHONE CHARGES	2,704,000	2,567,000	137,000
ELECTRICITY	-	-	-
INTERNET ACCESS CHARGES	254,160	194,000	60,160
OFFICE STATIONARIES / COMPUTER CONSUMABLES	3,143,520	3,104,576	38,945
NEWSPAPERS	1,200,000	1,193,520	6,480
PRINTING OF NON-SECURITY DOCUMENTS	1,124,250	939,750	184,500
DRUGS & MEDICAL SUPPLIES	208,000	98,060	109,940
UNIFORMS & OTHER CLOTHING	336,000	331,5[illegible]	4,500
MAINTENANCE OF MOTOR VEH. / TRANSPORT EQUIP.	3,192,000	2,580,999	611,001
MAINTENANCE OF OFFICE FURNITURE	300,000	295,075	4,925
MAINTENANCE OF OFFICE BLDG / RESIDENTIAL QTRS.	1,200,000	1,198,088	1,913
MAINTENANCE OF OFFICE / IT EQUIPMENTS	2,000,000	1,920,725	79,275
LOCAL TRAINING	23,240,409	9,694,526	13,545,883
SECURITY SERVICES	1,080,000	180,000	900,000
OFFICE RENT	15,600,000	-	15,600,000
FINANCIAL CONSULTING	3,489,650	3,200,000	289,650
INFORMATION TECHNOLOGY CONSULTING	1,500,000	1,447,600	52,400
MOTOR VEHICLE FUEL COST	5,001,000	3,842,641	1,158,359
BANK CHARGES (OTHER THAN INTEREST)	300,000	190,155	109,845
INSURANCE PREMIUM	1,522,898	911,675	611,223
REFRESHMENT & MEALS	5,129,280	5,115,630	13,650
HONORARIUM & SITTING ALLOWANCES	3,150,000	-	3,150,000
PUBLICITY & ADVERTISEMENTS	500,000	204,100	295,900
POSTAGES & COURIER SERVICES	500,040	428,077	71,963
WELFARE PACKAGES	8,000,400	7,981,007	19,393
SUBSCRIPTION TO PROFESSIONAL BODIES	2,000,000	976,272	1,023,728
TOTAL OVERHEADS	**110,883,005**	**64,605,211**	**46,277,794**
TOTAL RECURRENT EXPENDITURE	**546,651,798**	**454,357,508**	**92,294,290**
CAPITAL EXPENDITURE			
PURCHASE OF 50 COMPUTER DESKTOPS & 30 LAPTOPS	6,000,000	-	6,000,000
PURCHASE OF ENTERPRISE SERVERS	21,000,000	-	21,000,000
PURCHASE OF PRINTERS & SCANNERS	1,600,000	-	1,600,000
PURCHASE OF 2 UNITS OF TOYOTA COROLLA	50,000,000	-	50,000,000
PROCUREMENT OF AIR CONDITIONERS	3,500,000		3,500,000
PROCUREMENT OF CARPETS & RUGS	7,000,000		7,000,000
PROCUREMENT OF TOYOTA PRADO (1 UNIT)	50,000,000	-	50,000,000
PROCUREMENT OF OFFICE TABLES & CHAIRS	19,500,000		19,500,000
CONDUCT OF DEBT SUSTAINABILITY ANALYSIS (DSA)	16,000,000	-	16,000,000
TOTAL CAPITAL EXPENDITURE	**174,600,000**	**-**	**174,600,000**
TOTAL	**721,251,798**	**454,357,508**	**266,894,290**

(a) Overhead- Actual Expenditure relative to Performance was constrained by the level of budget releases. Total amount released for Overhead was ₦64,681,752.52 out of the sum of ₦110,883,005.00 budgeted while the sum of ₦64,605,211 was utilized, leaving only ₦76,541.00 which was returned to CRF.

(b) The Capital Allocation approved for the DMO in the 2018 Appropriation Act in the sum of ₦174,600,000.00 was not released till 2019. The expenditure will be incurred in 2019.

(c) Utilization of the Personnel Budget is based on actual amounts paid to Staff through the Integrated Personnel Payroll Information Systems (IPPIS).

The significant accounting policies on pages 18 to 20 and the accompanying explanatory notes on pages 21 to 26 form integral parts of these Financial Statements.

11.11 Notes to the Financial Statements

1.1 General Information

1.1.1 Reporting Entity:

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

1.1.2 Principal Activities

The DMO was established to achieve the following mandates/objectives:

- 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.

1.1.3 Financial Period

These Financial Statements cover the financial period from 1 January 2018 to 31 December 2018 with comparative figures for the year ended 31 December 2017.

1.1.4 Going Concern

The Supervisory Board believe that there is no intention or threat from any party to curtail significantly its line of business in the foreseeable future. Thus, these financial statements are prepared on a going concern basis.

1.2 Basis of Preparation

1.2 .1 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.

1.2 .2 Functional and Presentation Currency

These Financial Statements are presented in Nigerian Naira, which is the functional currency of the Office.

1.2 .3 Composition of the Financial Statements

The Financial Statements are prepared on the historical cost basis under the Accrual Basis of Accounting. The principal accounting policies adopted are set out below. The Financial Statements are presented in Naira.

The Financial Statements comprise:

- Statement of Financial Position;
- Statement of Financial Performance;
- Statement of Changes in Net Assets/Equity;
- Statement of Cash Flows;
- Statement of Comparison; and
- Notes to the Financial Statements.

Notes to the Financial Statements (Cont'd)

1.2.4 Use of Judgements, Estimates and Assumptions

The preparation of Financial Statements in conformity with IPSASs for not-for profit organisations requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in notes.

DMO Board should select and apply the Office's accounting policies so that the Financial Statements comply with all the requirements of each applicable IPSASs.

Where there is no specific requirement, DMO Board should develop policies to ensure that the Financial Statements provide information that is:

- Relevant to the decision making needs of all users; and
- Reliable in that:
  i. represent faithfully the results and financial position of the Office;
  ii. reflect the economic substance of events and transactions;
  iii. are free from bias; and
  iv. are complete in all material respects.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.2.5 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- Statements of Cash Flows has also been presented.

1.2.6 New Standards and Interpretations

The following standards and amendments and interpretations to existing standards published and mandatory for the Office's accounting period beginning on or after 1 January 2019. Earlier application is permitted:

- Amendments to IPSAS 24: Presentation of Budget Information in Financial Statements.
- Amendments to IPSAS 17: Property, Plant and Equipment
- Amendments to IPSAS 34: Separate Financial Statements
- Annual Improvements to IFRSs 2011–2013 Cycle (issued December 2013)

Notes to the Financial Statements (Cont'd)

1.2.6.1 Amendments to IPSAS 17: Property, Plant and Equipment

The amendment clarifies that transitional provisions in IPSAS 17 (2001) provide entities with a period of up to five years to recognize all property, plant, and equipment and make the associated measurement and disclosure from the date of its first application.

Entities that have previously applied IPSAS 17 (2001) may continue to take advantage of this five-year transitional period from the date of first application of IPSAS 17 (2001). These entities shall also continue to make disclosures required by paragraph 104 disclose the fact that they are relying on these transitional provisions. Information on the major classes of asset that have not been recognized shall also be disclosed. When an entity takes advantage of the transitional provisions for a second or subsequent reporting period, details of the assets or classes of asset that were not recognized at the previous reporting date but that are now recognized shall be disclosed.

1.2.6.2 Amendments to IPSAS 24: Presentation of Budget Information in Financial Statements

This amendment clarifies that an entity shall present a comparison of budget and actual amounts as additional budget columns in the primary Financial Statements only where the Financial Statements and the budget are prepared on a comparable basis.

Comparisons of budget and actual amounts may be presented in a separate Financial Statement, (Statement of Comparison of Budget and Actual Amounts or a similarly titled statement) included in the complete set of Financial Statements as specified in IPSAS 1. Alternatively, where the Financial Statements and the budget are prepared on a comparable basis – that is, on the same basis of accounting for the same entity and reporting period, and adopt the same classification structure – additional columns may be added to the existing primary Financial Statements presented in accordance with IPSASs.

In those jurisdictions where budgets are prepared on the accrual basis and encompass the full set of Financial Statements, additional budget columns can be added to all the primary Financial Statements required by IPSASs. In some jurisdictions, budgets prepared on the accrual basis may be presented in the form of only certain of the primary Financial Statements that comprise the full set of Financial Statements as specified by IPSASs.

1.2.6.3 Amendments to IPSAS 34: Separate Financial Statements

The amendment clarifies that if a controlling entity is required in accordance with IPSAS 35, it is required to measure its investment in a controlled entity at fair value through surplus/deficit in accordance with IPSAS 29.

1.2.6.4 Annual Improvements to IFRS

IPSAS 4: The Effects of Changes in Foreign Exchange Rates

This amendment clarifies how to account for a transaction when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or revenue.

IPSAS 5: Borrowing Costs

This amendment clarifies that an entity includes borrowings made specifically to obtain a qualifying asset in general borrowings when that qualifying asset is ready for its intended use or sale.

Notes to the Financial Statements (Cont'd)

IPSAS 16, Investment Property

Amend the requirements relating to transfers of investment property to reflect the principle that a change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The list of circumstances in which a transfer occurs is re-characterized as a non-exhaustive list of examples to be consistent with this principle.

IPSAS 36: Investments in Associates and Joint Ventures

This amendment clarifies that an entity is able to choose between applying the equity method or measuring the investment at fair value for each investment in an associate or joint venture.

IPSAS 37: Joint Arrangements

This amendment clarifies the accounting for a previously held interest in a joint operation when a party obtains joint control.

IPSAS 39: Employee Benefits

This amendment requires an entity to use the updated assumptions from the remeasurement associated with a change to a plan (an amendment, curtailment or settlement) to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

IPSAS 40: Public Sector Combinations

This amendment clarifies the accounting for a previously held interest in a joint operation when a party obtains control of the joint operation.

1.3 Statement of Significant Accounting Policies

The significant accounting policies set out below have been applied consistently to all years presented in these Financial Statements, unless otherwise indicated:

1.3.1 Property, Plant and Equipment

1.3.1.1 Recognition and measurement:

Property, Plant and Equipment (PPE) are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes the original purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by DMO Board.

When parts of an item of Property, Plant and Equipment have different useful life, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment, and are recognised net within other income in profit or loss.

Notes to the Financial Statements (Cont'd)

1.3.1.2 Subsequent Costs

Subsequent costs on Property, Plant and Equipment are included in the asset's carrying amount, as appropriate; only when it is probable that future economic benefits associated with the item will flow to the Office for over more than one accounting year and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to the income statement during the financial year in which they are incurred.

1.3.1.3 Depreciation

Depreciation is provided to write down the cost of Property, Plant and Equipment to their estimated residual values over their estimated useful lives on a straight line basis:

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

Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately based on the pattern which reflects how the economic benefits are consumed.

The assets' residual values and useful economic lives are reviewed annually, and adjusted if appropriate, at the date of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

1.3.2 Intangible Assets

Intangible assets comprise computer software licenses. Intangible assets are recognized at cost. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life.

Intangible assets with an indefinite useful life are not amortized. Generally, the identified intangible assets of DMO have a definite useful life. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

Amortization is calculated on a straight line basis over the useful lives as follows:

- Computer Software: 4 years

1.3.2.1 Impairment of Non-financial assets

All assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less cost of disposal and value in use, the latter being determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash generating units based on separately identifiable and largely independent cash inflows.

1.3.3 Revenue Recognition

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

1.3.4 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:

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

1.3.5 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 being disclosed separately.

1.3.6 Cash and Cash Equivalents

For the purpose of statement of cash flow, cash and cash equivalents comprise cash with Banks in Nigeria and cash held as imprest in the custody of DMO.

1.3.7 Taxation

There was no provision for both Income and Education Taxes during the period ended 31 December, 2018 because the Office is a non-profit making Organization.

1.3.8 Staff Retirements 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.

1.3.9 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.

2 Property, Plant & Equipment

Cost	Land ₦	Motor Vehicle ₦	Computer/IT Equipment ₦	Office Furniture & Fittings ₦	Total ₦
At 1 January, 2018	120,037,177	168,978,593	164,643,990	178,745,061	632,404,821
Additions	-	-	48,973,457	-	48,973,457
As at 31 December, 2018	**120,037,177**	**168,978,593**	**213,617,447**	**178,745,061**	**681,378,278**
Depreciation					
At 1 January, 2018	-	114,363,132	158,634,880	156,107,491	429,105,503
Charge for the Year	-	12,065,674	8,644,239	4,527,514	25,237,427
At 31 December 2018	-	**126,428,806**	**167,279,119**	**160,635,005**	**454,342,930**
Net Book Value					
At 31 December, 2018	**120,037,177**	**42,549,787**	**46,338,328**	**18,110,056**	**227,035,348**
At 31 December, 2017	*120,037,177*	*54,615,461*	*6,009,110*	*22,637,570*	*203,299,318*

* The sum of **₦174,600,000** (One Hundred and Seventy Four Million, Six Hundred Thousand Naira) provided in the 2018 Appropriation Act as Capital Expenditure meant for procurement of Vehicles, Office Furniture amongst others was released in 2019.

Notes to the Financial Statements (Cont'd)

		31-Dec-18	31-Dec-17
		₦	₦
3	**Intangible Assets**		
	Computer Software		
	Cost:		
	At 1 January	4,662,000	-
	Addition for the year	-	4,662,000
	At 31 December	4,662,000	4,662,000
	Amortisation:		
	At 1 January	777,000	-
	Charge for the Year	1,165,500	777,000
	At 31 December	1,942,500	777,000
	Net Book Value	2,719,500	3,885,000
4	**Other Receivables**		
	Accrued FGN Bond WHT Commission(i)	55,502,022	37,300,000
		55,502,022	37,300,000

(i) The sum of ₦55,502,022 (Accrued FGN Bonds WHT Commission) relates to Nov and Dec, 10% WHT deducted at source by CBN from the commissions paid to PDMMs for the services rendered on Bond issuances to be remitted to FIRS through DMO.

		31-Dec-18	31-Dec-17
5	**Prepayments**		
	Insurance Prepaid	1,244,192	1,617,462
		1,244,192	1,617,462
6	**Cash and Cash Equivalents**		
	Central Bank of Nigeria (Grants and Aids)	2,052,289	944,800
	Central Bank of Nigeria (FGN Bond Account)	2,682,942,470	1,561,058,872
	Central Bank of Nigeria (Special TSA Account) AfDB (i)	25,986,601	-
	Capital Fund (GIFMIS)	-	50,000,000
		2,710,981,360	1,612,003,672

(i) This includes ₦18,070,667.96 for which revalidation from CBN has been sought.

		31-Dec-18	31-Dec-17
7	**Account Payables and Accruals**		
	Accrued Office Rent	45,962,946	30,641,964
	Accrued Postages & Courier: Special TSA Account (AfDB)	316,163	-
	Accrued Refreshment and Meals: Special TSA Account (AfDB)	1,786,750	-
	Accrued Printing expenses: Special TSA Account (AfDB)	1,065,550	-
	Accrued Publicity & Advertisement: Special TSA Account (AfDB)	1,502,000	-
	Accrued Finance Charges: Special TSA Account (AfDB)	1,891	-
	Accrued Financial Advisory Services Fees: Sukuk	103,838,010	-
	Accrued Trustee Fees: Sukuk	100,000,000	-
	Accrued Listing Fees (FGN Securities)	136,409,668	-
	Accrued Government Stockbrokers Fees	5,500,000	-
	Accrued Finance Charges (Central Securities Clearing System)	4,606,757	-
	Accrued FGN Bond WHT Commission	55,502,022	-
	Accrued Rating Agency Fees (International Capital Market)	199,517,500	-
	Accrued Listing Fees (International Capital Market)	433,086	-
	Accrued Legal Service Fees (Domestic FGN Securities)	11,644,250	-
	Audit Fees	3,200,000	3,200,000
		671,286,592	33,841,964
8	**Appropriation/(Subvention)**		
	Recurrent - Overhead	64,681,753	63,161,754
	- Personnel	391,057,065	407,221,193
	Capital Fund (i)	-	87,300,000
	Public Service Wage Adjustment for MDAs (ii)	-	16,778,223
		455,738,818	574,461,170

(i) The sum of ₦174,600,000.00 (One hundred and seventy-four million, six hundred thousand naira) provided in the 2018 Appropriation Act as Capital Expenditure meant for procurement of Vehicles, Office Furniture amongst others was released in 2019.

(ii) This relates to unutilized personnel emolument returned to CRF.

Notes to the Financial Statements (Cont'd)

	31-Dec-18	31-Dec-17
	₦	₦
9 FGN Bond Flotation Receipts		
FGN Domestic Bond Floatation Account	2,153,328,953	1,785,538,251
FGN Bond WHT Commission	210,305,468	350,569,094
Accrued FGN Bond WHT Commission	-	30,317,325
International Capital Market	1,240,773,175	306,459,526
	3,604,407,596	2,472,884,196
10 Special TSA Accounts (AfDB) Receipts	36,141,336	-

This relates to grant received from AfDB in respect of sensitization workshop on Sub-national debt management for top policy makers and other activities in the 36 states of the Federation and the FCT. The amount includes ₦18,070,667.96 for which revalidation from the CBN has been sought. The relating expenses can be found in Note 15.

	31-Dec-18	31-Dec-17
11 Grants & Aids Receipts	8,000,000	8,000,000

This refers to funds relating to capacity building at the subnational levels. The relating expenses can be found in Note 14.

	31-Dec-18	31-Dec-17
12 Other Income		
Sale of Scrap and Stock Items	-	736,000
Salaries Returned in Lieu of Notice	-	98,832
Others (i)	630,000	827
	630,000	835,659

(i) This amount represents tender fees received from suppliers bidding to supply capital items to the Debt Management Office during the year. The funds were remitted to a designated TSA Account with the Central Bank of Nigeria.

	31-Dec-18	31-Dec-17
13 Operating Expenses		
Administrative Overheads (supplementary a)	81,147,357	74,061,546
Repairs and Maintenance (supplementary b)	5,994,887	5,550,946
Depreciation and Amortisation	26,402,927	14,616,660
	113,545,171	94,229,152
14 Grants & Aids Expenses		
Local Travel and Transport	6,835,600	7,055,200
Capacity Building - Local	-	-
Aids & Grants Charges and Printing Expenses	149,205	-
	6,984,805	7,055,200
15 Special TSA Account (AfDB) Expenses		
Local Travel and Transport	6,878,800	-
Refreshments and Meal	5,057,810	-
Special TSA Account Charges	6,765	-
Postages & Courier	316,163	-
Printing Expenses	1,065,550	-
Publicity and Advertisements	1,502,000	-
	14,827,088	-
16 Bank Charges		
FGN Bond Operations	7,392,901	329,700
Statutory Account	190,155	176,400
	7,583,056	506,100

The increase in Bank Charges is due to increased activities arising from new domestic instruments introduced (FGN Savings Bond, Sukuk and Green Bond) for which processing fees were paid to CSCS and NIBSS.

	31-Dec-18	31-Dec-17
17 FGN Bond Floatation Expenses		
Domestic Bond Floatation (supplementary c)	1,359,646,326	1,436,068,337
International Capital Market (supplementary d)	1,457,015,507	938,173,325
Bond IT System Platform (supplementary e)	-	6,182,504
WHT on FGN Bond Commission	210,305,467	380,886,419
Diaspora Bond Floatation (supplementary f)	3,868,877	1,664,993,947
	3,030,836,177	4,426,304,532

Notes to the Financial Statements (Cont'd)

18 Return to Consolidated Revenue Fund	31-Dec-18	31-Dec-17
	₦	₦
Overheads	**76,540**	*68,321*
Personnel Emolument	**1,304,769**	*569,695*
Capital Return to CRF	**1,026,543**	-
Public Service Wage Adjustment	-	*16,778,223*
Return of Salaries paid in Error (i)	-	*1,516,514*
Revenue (Other Income) Remittance to CRF	**630,000**	*834,832*
	3,037,852	***19,767,585***

(i) This relates to salaries overpaid by IPPIS to disengaged Staff of DMO which was refunded to CRF through DMO.

19. Capital Commitments

The DMO Board is of the opinion that all known liabilities and commitments, which are relevant in assessing the Office's state of affairs have been taken into account in the preparation of these Financial Statements.

20. Events after Reporting Date

There were no post reporting events, which could have had a material effect on the financial position and performance of the Office as at 31 December, 2018 which have not been adequately provided for in these Financial Statements. However, the sum of ₦174,600,000.00 (One hundred and seventy-four million, six hundred thousand naira) provided in the 2018 Appropriation Act as Capital Expenditure for the DMO, meant for the procurement of Vehicles, Office Furniture amongst others was released in 2019.

21. Contingent Liabilities

The DMO Board is of the opinion that there are no material contingent liabilities that required disclosure in these Financial Statements. However, the contingent liability (if any) are those in the normal course of business involving the Office and the third parties to the transactions.

22. Comparative Note to the Financials

Certain comparative figures have been restated where necessary for a more meaningful comparison.

23. Segment Reporting

Nigeria is the Office's primary geographical location. The Office receives subventions from the Federal Government of Nigeria through the Ministry of Finance. Accordingly, no further business or geographical segment information is reported. The DMO Board is of the opinion that there is no additional information on this segment, which has not been captured.

24. Approval of Financial Statements

The Financial Statements were approved by the DMO Board on ...., 2019.

11.12 Supplementary Information

	31-Dec-18	31-Dec-17
	₦	₦
a Administrative Overheads		
Local Travel and Transport: Training & Others	23,260,521	28,224,527
International Travel and Transport: Training & Others	155,920	1,861,550
Communication, Telephone and Postages	3,189,077	2,586,500
Newspapers/Magazines/Books and Periodical	1,193,520	1,031,655
Computer Materials and Supplies	3,104,576	2,982,945
Printing of Non-Security Documents	939,750	412,115
Drugs and Medical Supplies	98,060	113,750
Uniforms and Other Clothing	331,500	331,500
Refreshment and Meals	5,115,630	5,637,600
Security Services	180,000	810,000
Office Rent	15,320,982	15,320,982
Audit Fees	3,200,000	3,200,000
Information Technology Consulting	1,447,600	1,433,990
Motor Vehicle Fuel and Lubricants	3,842,641	-
Local Training	9,694,526	-
Welfare packages	7,981,007	7,033,436
Subscription to Professional Bodies	976,272	1,996,596
Publicity and Advertisement	204,100	309,000
Insurance Premium	911,675	-
Internet Access Charges	-	775,400
	81,147,357	74,061,546
b Repairs and Maintenance		
Motor Vehicles	2,580,999	2,022,264
Office Furniture and Fittings	295,075	274,050
Office Building	1,198,088	1,072,375
Computers and IT Equipment	1,920,725	2,182,257
	5,994,887	5,550,946

Supplementary Information

	31-Dec-18 ₦	31-Dec-17 ₦
c Domestic Bond Floatation Expenses		
Local Travel and Transport	77,640,437	64,199,995
International Travel and Transport	84,147,043	10,336,356
Refreshment and Meals	53,510,778	19,426,850
Debt Sustainability Analysis Exercise	15,837,410	-
Trustee Fees and Expenses: Sukuk (i)	185,979,267	-
Financial Advisory Services Fees and Expenses: Sukuk (ii)	194,332,678	-
Financial Advisory Services Fees: Green Bond (iii)	24,000,000	-
Publicity and Advertisement	120,446,318	464,377,692
Government Stockbrokers Fees	27,000,000	-
Listing Fees (iv)	241,409,668	211,242,619
Information Communication Technology Services	36,653,624	104,268,758
Legal Advisory Services (v)	18,535,203	196,479,211
Marketing Services	128,008,903	226,180,298
Auction Centre Rent	5,280,000	-
Local Training	61,254,000	-
Filing Fees	-	20,000,000
Repairs and Maintenance	1,625,937	-
Subscriptions (Reuters, Bloomberg and others)	78,327,847	110,134,813
Postages	959,586	648,703
Honorarium and Sitting Allowance	2,209,243	5,970,000
Insurance Premium	2,488,384	2,803,042
	1,359,646,326	1,436,068,337
d. International Capital Market (ICM) Operations		
Local Travel and Transport	-	1,952,000
International Travel and Transport	66,668,484	179,600,277
Listing Fees	1,447,642	-
Legal Advisory Services	203,310,789	53,547,210
Financial Advisory Fees and Expenses (vi)	895,280,543	695,715,838
Rating Agency Fees	224,234,333	-
Fiscal Agency Fees	19,010,222	-
Publicity and Communication Fees	32,701,594	-
Selection Panel Expenses and Logistics	14,361,900	7,358,000
	1,457,015,507	938,173,325
e. FGN Bond IT System Platform		
Local Travel and Transport	-	2,296,200
Consultancy on Information Tech. Platform: FGN Bonds	-	3,886,304
	-	6,182,504
f. Diaspora Bond		
Legal Service	-	230,479,860
Publicity and Advertisement	-	56,822,685
Refreshment and Meals	-	9,641,300
Listing Fees	242,706	-
Fiscal Agency Fees	3,626,171	1,286,102,680
Local Travels and Transport	-	2,955,600
International Travels and Transport	-	78,991,822
	3,868,877	1,664,993,947

(i) Trustee Fees and Expenses: represent fees and expenses paid for Sukuk transactions incurred in 2017 and 2018.

(ii) Financial Advisory Services Fees: Sukuk relates to fees paid in respect of Sukuk transactions incurred in both 2017 and 2018.

(iii) Financial Advisory Services Fees: Green Bond relates to fees in respect of Green Bond issued in 2017 but paid in 2018.

(iv) Listing Fees represent payment to The Nigerian Stock Exchange (NSE) and FMDQ OTC Securities Exchange for the listing of FGN Securities.

(v) Legal Advisory Services: comprises ₦1,230,000 in respect of legal fees for litigation while ₦17,305,203 relates to legal services on Sukuk.

(vi) Financial Advisory Fees and Expenses: Payments include Fees to International Joint Lead Managers and Local Financial Advisers for Eurobond issuances.

11.13 Statement of Value Added

	2018 ₦	%	2017 ₦	%
Income	4,104,287,750		3,055,345,366	
Less: Cost of Services Rendered				
Foreign	(1,475,711,471)		(3,626,596,727)	
Local	(1,674,699,750)		(906,649,182)	
	953,876,528		(1,477,900,543)	
Other Operating Income	630,000		835,659	
Value Added	954,506,528	100	(1,477,064,884)	100
Distributed as Follows:				
Employees				
Salaries, Pension and Welfare	389,752,296	41	405,134,984	(27)
Provider of Capital				
Interest on Loan & Overdraft	-	-	-	-
Provided for Asset Replacement				
Depreciation and Amortisation	26,402,927	3	14,616,660	(1)
Surplus/(Deficit) for the year	538,351,305	56	(1,896,816,528)	128
	954,506,528	100	(1,477,064,884)	100

Value Added represents the additional wealth the Office has been able to create by its own and its employees' efforts. This statement shows the allocation of the wealth among employees, provider of capital and that retained for the future creation of more wealth.

11.14 Five-Year Financial Summary

	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
ASSETS	₦	₦	₦	₦	₦
NON-CURRENT ASSETS					
Property, Plant & Equipment	227,035,348	203,299,319	135,852,257	551,118,100	522,756,650
Intangible Asset	2,719,500	3,885,000	-	-	-
	229,754,848	207,184,319	135,852,257	551,118,100	522,756,650
CURRENT ASSETS					
Other Receivables	55,502,022	37,300,000	-	-	-
Prepayments	1,244,192	1,617,462	53,509,482	-	-
Cash and Cash Equivalents	2,710,981,360	1,612,003,672	3,550,239,260	1,482,064,319	1,673,584,494
	2,767,727,574	1,650,921,134	3,603,748,742	1,482,064,319	1,673,584,494
TOTAL ASSETS	2,997,482,422	1,858,105,453	3,739,600,999	2,033,182,419	2,196,341,144
EQUITY AND LIABILITIES					
EQUITY					
Accumulated Financial Performance	2,326,195,830	1,824,263,489	3,721,080,017	2,033,182,419	2,196,341,144
TOTAL EQUITY	2,326,195,830	1,824,263,489	3,721,080,017	2,033,182,419	2,196,341,144
LIABILITIES					
NON-CURRENT LIABILITIES	-	-	-	-	-
CURRENT LIABILITIES					
Account Payables and Accruals	671,286,592	33,841,964	18,520,982	-	-
	671,286,592	33,841,964	18,520,982	-	-
TOTAL EQUITY AND LIABILITIES	2,997,482,422	1,858,105,453	3,739,600,999	2,033,182,419	2,196,341,144
STATEMENT OF FINANCIAL PERFORMANCE					
INCOME					
Appropriation/(Subvention)	455,738,818	574,461,170	566,710,265	661,328,675	595,589,468
FGN Bond Floatation Receipts	3,604,407,596	2,472,884,196	3,784,874,414	-	-
Special TSA Accounts (AfDB)	36,141,336	-	-	1,223,014,555	-
Grants & Aids Receipts	8,000,000	8,000,000	4,000,000	6,000,000	2,093,774,787
	4,104,287,750	3,055,345,366	4,355,584,679	1,890,343,230	2,689,364,255
Other Income	630,000	835,659	35,230,450	1,562,934	418,811
TOTAL INCOME	4,104,917,750	3,056,181,025	4,390,815,129	1,891,906,164	2,689,783,066
EXPENDITURE					
Operating Expenses	113,545,171	94,229,152	101,392,172	158,281,325	162,538,870
Grants and Aids Expenses	6,984,805	7,055,200	3,936,800	4,578,400	12,877,600
Special TSA Accounts (AfDB) Expenses	14,827,088	-	-	-	-
Personnel Cost	389,752,296	405,134,984	401,183,398	417,252,203	418,986,169
	525,109,360	506,419,336	506,512,370	580,111,928	594,402,639
Bank Charges					
Bank Charges	7,583,056	506,100	4,658,487	[illegible]	3,314,008
Other Expenditures					
Service Wide Votes	-	-	-	45,957,448	10,823,584
FGN Bond Floatation Expenses	3,030,836,177	4,426,304,532	1,781,342,607	1,412,369,280	2,227,806,321
Return to Consolidated Revenue Fund	3,037,852	19,767,585	1,411,424	41,477,851.00	3,383,564.00
	3,033,874,029	4,446,072,117	1,782,754,031	1,499,804,579	2,242,013,469
TOTAL EXPENDITURE	3,566,566,445	4,952,997,553	2,293,924,888	2,083,426,340	2,839,730,116
Surplus/(Deficit) of Income over Expenditure	538,351,305	(1,896,816,528)	2,096,890,241	(191,520,176)	(149,947,050)

Sukuk Proceeds - Rehabilitation and Reconstruction of Enugu-Port Harcourt Dual Carriageway Section II

Sukuk Proceeds-Rehabilitation and Reconstruction of Enugu-Port Harcourt Dual Carriageway Section II