DEBT MANAGEMENT OFFICE
NIGERIA

DEBT MANAGEMENT FACILITY

Managing Debt in a High Interest Rate Environment

Organised by the World Bank

Post-Covid Challenges: Restoring Market Confidence and Sustained Market Access

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Introduction

- Nigeria with a Gross Domestic Product of USD110.698 billion, is the largest economy in Africa and the most populous (estimated at over 206.1 million people).
- Nigeria is both an oil and gas producing country and exporter.
- Nigeria depends on crude oil for revenue and foreign exchange (exports). Efforts to diversify the economy going on for decades.
- Consecutive Budget Deficits financed 80%-90% through New Borrowings.
- The Federal Government of Nigeria (FGN) is an active borrower in the domestic market and (was) also a regular issuer in the International Capital Market (ICM). Access to Markets is therefore a critical success factor in public financial management.

Sources of Funding

External	Domestic
Multilateral and Bilateral Lenders Eurobonds Commercial Loans	FGN Bonds Sukuk Green Bonds Nigerian Treasury Bills FGN Savings Bond

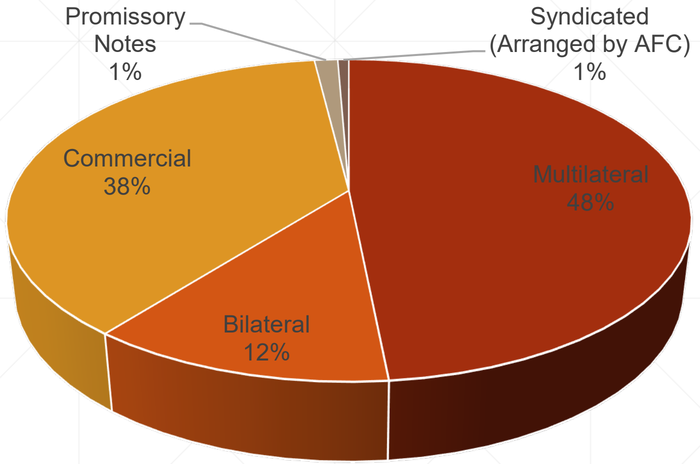
Total Public Debt Composition

Trend of Nigeria's Public Debt (In Trillions of Naira)

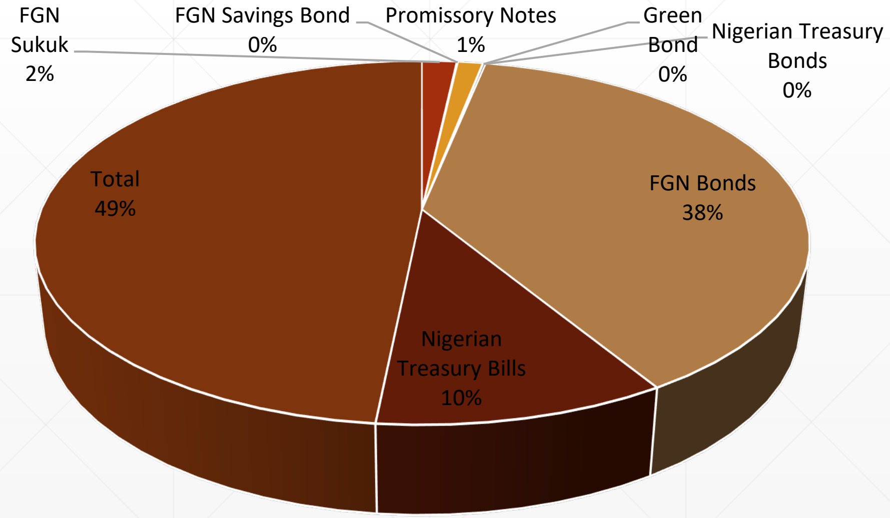
Year	Domestic Debt Stock	External Debt Stock	Total Debt Stock	Debt to GDP Ratio	% Growth in Total Debt Stock
2012	6.5	1.0	7.5	18.51%	15.19%
2013	8.6	1.4	10.0	12.50%	33.33%
2014	9.6	1.6	11.2	12.58%	12.00%
2015	10.5	2.1	12.6	13.61%	12.50%
2016	13.9	3.5	17.4	16.27%	38.10%
2017	15.9	5.8	21.7	18.20%	24.71%
2018	16.7	7.8	24.4	19.09%	12.44%
2019	18.4	9.0	27.4	19.00%	12.30%
2020	20.2	12.7	32.9	21.61%	20.07%
2021	23.7	15.9	39.6	22.47%	20.36%
2022	27.5	18.7	46.2	23.00%	16.67%

- *The Total Public Debt Stock comprises the External and Domestic Debts of the Federal Government of Nigeria (FGN), Thirty-Six (36) State Governments and the Federal Capital Territory (FCT)*

Breakdown of Nigeria's External Debt Stock as at December 2022



Breakdown of Nigeria's Domestic Debt Stock as at December, 2022



Source: DMO

Effects of Covid on Public Financial Management

- Higher Level of Government Spending, Deficit and New Borrowing

Year	Budget Size (₦'Trillion)	Budget Deficit (₦'Trillion)	New Borrowings (₦'Trillion)	New Borrowings as a % of Budget Deficit
2019	8.92	1.91	1.61	84.10%
2020	10.81	4.61	4.20	91.11%
2021	14.57	6.45	5.49	85.11%
2022	17.32	7.35	6.10	82.99%
2023	21.83	10.78	8.80	81.66%

Sources: Appropriation and Supplementary Appropriation Acts

Capital Raising and Challenges 2020 – 2022 I

- **2020**
  - Total dependence on the local market
  - No Access to ICM
  - Favourable monetary policy enabled capital raising at single digit interest rate.

- **2021-2022**
  - Domestic market still liquid but interest rates rising to double digit in 2021 and 2022.
  - Issued USD4 billion Eurobond in September 2021
  - Issued USD1.25 billion Eurobond in March 2022

Capital Raising and Challenges 2020 – 2022 II

❑ Markets

Domestic Market

- Well developed market infrastructure with two (2) securities.
- Exchange (price discovery and transparency), electronic trading and settlement, Primary Dealer Market Makers, Custodians medium to large institutional investors.
- Wide range of Securities and tenors (up to 30 years)
- Diverse issuers; sovereign, sub-nationals and corporates.
- January – May total turnover ₦17.2 Trillion or USD37.2 billion.

International Capital Market

- Total Eurobonds issued by Nigeria (January 2011 to March 2022 is USD16.918 billion out of which USD1.3 billion has been redeemed.
- Benefits
  - Raise large sums and long tenors
  - Increases Governments foreign exchange liquidity
  - Reduces pressure on domestic market and "**crowding out**" effect.

Post Covid Challenges (worsened by Ukraine-Russia War)

- Rising levels of inflation
- Monetary policy tightening reducing liquidity and raising interest rates leading to higher debt service costs.
- Lack of access to the ICM due to higher risk levels (uncertainties) and higher rates.
- Debt distress and pro-longed resolution mechanism (Common Framework) – Zambia; Chad; Ethiopia; and, Ghana.
- Recession and rising poverty levels
- Rating Agency actions.

Restoring Market Confidence and Sustained Market Access

- **In-Country**
  - Reforms by Countries.
  - Improved debt transparency and debt management strategies.
  - Improved domestic resource mobilization.
  - Prudent spending.
- **Stakeholders (Lenders, Rating Agencies etc.)**
  - Increased provision of soft loans and clear simple mechanisms to access. Commercial credits may worsen due to weak debt conditions.
  - Improved perspective of rating agencies – a more long term and holistic view of countries.
  - Better narrative from development partners – the narrative in recent years can be a dis-incentive to FDIs and FPIs.
  - Development Partners to:
    - Provide funds for infrastructure to support real growth.
    - Enhance credit lines to enable more use of guarantees to support capital raising in the ICM.
    - Multilateral and bilateral lenders should consider financing infrastructure.

Conclusion

Markets thrive on information including expectations (outlook), if countries can communicate their reforms better and show results, market access and pricing will be positive. The outcome will even be stronger with the support of development partners.

THANK YOU