



**DEBT MANAGEMENT OFFICE
NIGERIA**

PRESS RELEASE

Federal Executive Council Approves a New Debt Management Strategy for Nigeria

The Federal Executive Council (FEC) at its meeting today, February 10, 2021, approved a new Medium-Term Debt Management Strategy for Nigeria, for the period 2020-2023. The Medium-Term Debt Management Strategy (MTDS) is a policy document that provides a guide to the borrowing activities of a Government in the medium-term, usually four (4) years. It is recognized as one of the best practices in public debt management and is recommended by the World Bank (WB) and International Monetary Fund (IMF) to ensure that public debt management is driven by a well-articulated Strategy that is structured to meet a country's broader macroeconomic and public debt management objectives. The MTDS, 2020-2023 has been prepared by the Debt Management Office (DMO), in collaboration with relevant stakeholders (Federal Ministry of Finance, Budget and National Planning, Central Bank of Nigeria, Budget Office of the Federation, National Bureau of Statistics and the Office of the Accountant-General of the Federation).

2. Nigeria has had two (2) Medium Term Debt Management Strategies (2012-2015 and 2016-2019), prior to the current Strategy. The new Strategy had to be re-worked to reflect the global and local economic impact of the COVID-19 Pandemic and incorporates data from the revised 2020 Appropriation Act and the Medium-Term Expenditure Framework 2021-2023. Thus, the new MTDS adequately reflects the current economic realities and the projected trends.

3. The preparation of the MTDS usually involves the consideration of alternative funding strategies available to Government, as it seeks to meet its financing needs, taking into consideration the cost of borrowing and the associated risks, while ensuring debt sustainability in the medium to long-term.

4. The 2016-2019 MTDS included some Debt Management Targets. The Targets and the Actuals at the end of the Strategy period, (that is, as at December 31, 2019) are shown in Table 1. As can be seen from the Actual Outcome, the MTDS, 2016-2019 was

applied in the borrowing activities of the Government during the period which led to the high success rates achieved.

TABLE 1: MTDS, 2016-2019: TARGETS AND ACHIEVEMENTS

S/N	Indicator	Actual Dec. 31, 2015	Target 2016-2019	Actual Dec. 31, 2019	Remarks
1	Fiscal Sustainability: Total Public Debt as % of GDP	10.35%	Max. 25%	19.00%	Achieved
2	Portfolio Composition: Domestic : External Debt Mix	84:16	60:40	67:33	Significant Improvement
3	Refinancing Risk: i. Average Tenor of Debt Portfolio	7.15 years	Min. 10 years	10.5 years	Target was exceeded
	ii. Long-Term:Short-Term Domestic Debt Mix	71:29	Min.75:Max.25	79:21	Target was exceeded

The New MTDS, 2020-2023 and the Debt Management Targets

5. Based on the current Public Debt Stock, Government's borrowing needs in the medium-term (as stated in the 2021 Appropriation Act, MTEF, 2021- 2023), as well as future global trends, Nigeria's 2020-2023 MTDS can be summarized as follows: *"Borrowing will be from domestic and external sources but a larger proportion of new borrowing will be from domestic sources using long-term instruments while for External Borrowing, concessional funding from multilateral and bilateral sources will be prioritised"*. The new Targets for the MTDS 2020-2023 are shown in Table 2.

TABLE 2: MTDS, 2020-2023 TARGETS

S/N	Indicator	Target 2020-2023	Justification
1	Fiscal Sustainability: Total Public Debt as % of GDP	Max. 40%	<ul style="list-style-type: none"> Increased from 25% to 40% in order to: accommodate new borrowings to fund Budget Deficits and other obligations of Government; Promissory Notes to be issued to settle Government Arrears; and, the Ways and Means Advance at the Central Bank of Nigeria. This ratio is still well below the WB/IMF's recommended threshold of 55% for countries in Nigeria's peer group.
2	Portfolio Composition: Domestic : External Debt Mix	Max.70:Min.30	<ul style="list-style-type: none"> To further strengthen the domestic debt market and optimize access to both Concessional and Commercial sources of funding.
3	Refinancing Risk: i. Average Tenor of Debt Portfolio	Min. 10 years	<ul style="list-style-type: none"> To sustain the issuance of longer-tenored instruments with tenors of 10 years and above, in order to effectively manage Refinancing Risks.
	ii. long-Term:Short-Term Domestic Debt Mix	Min.75:Max.25	

Conclusion

6. The implementation of the Medium-Term Debt Management Strategies over the years, has helped in managing the structure of the growing public debt, and ensured debt sustainability, as well as effectiveness in public debt management. With the approval of the Federal Executive Council of the MTDS, 2020-2023, the Strategy will be implemented to support economic development while ensuring that the Public Debt is sustainable.

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