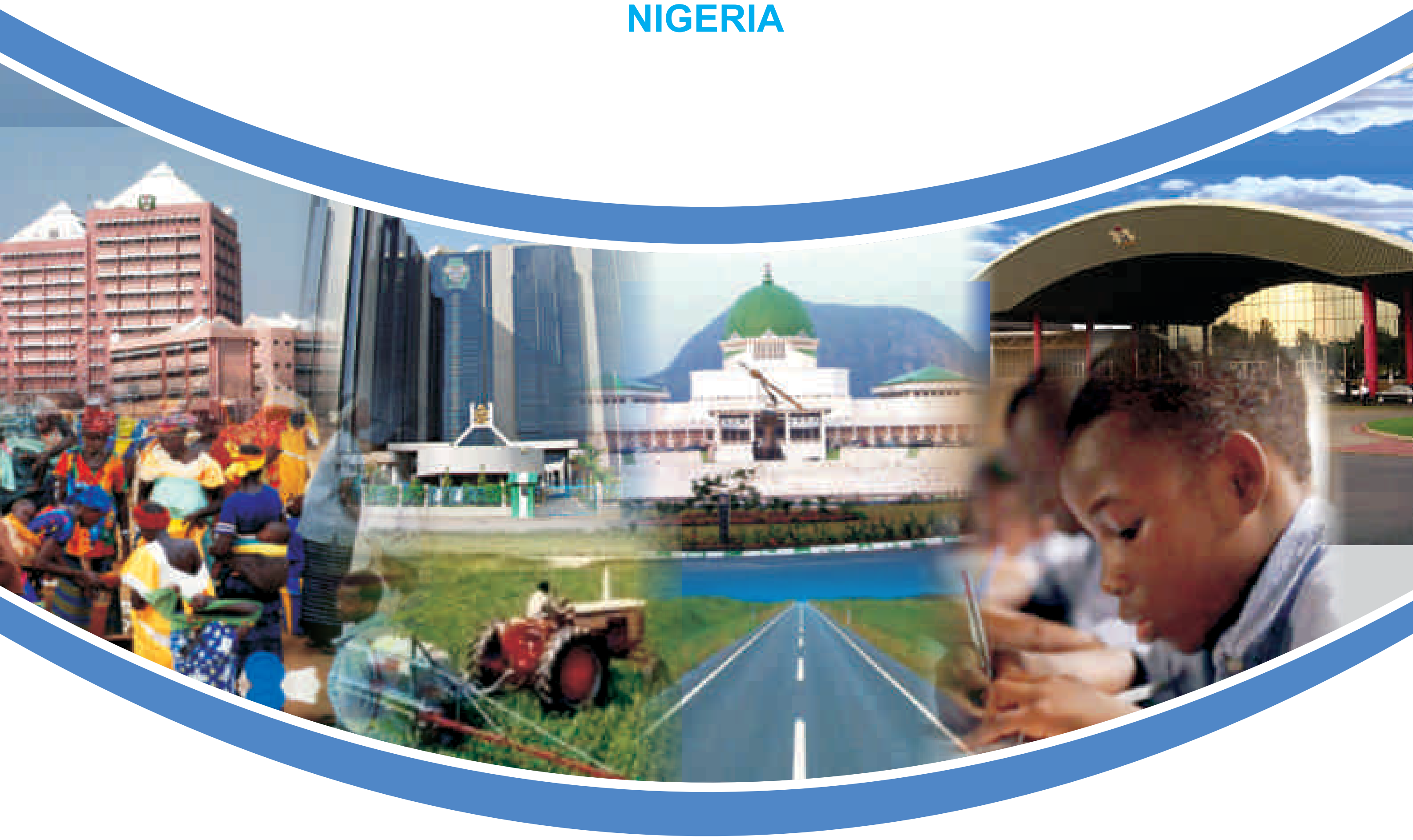
DEBT MANAGEMENT OFFICE

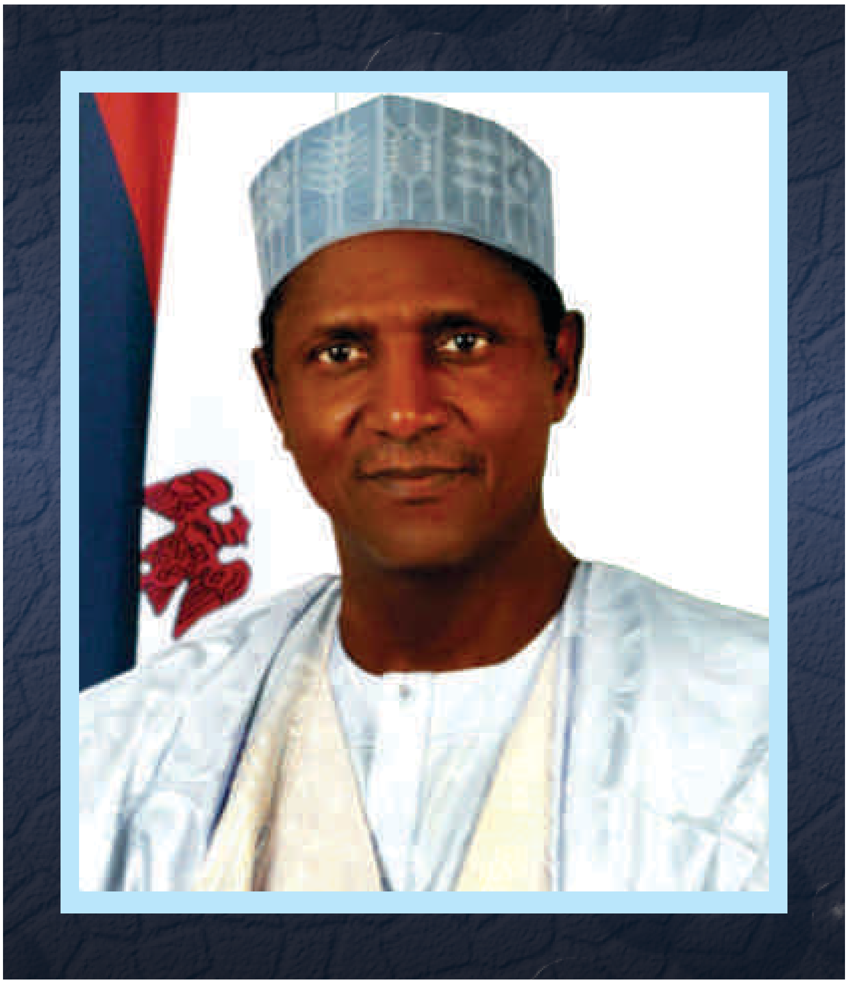
NIGERIA



ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2009

DEBT MANAGEMENT OFFICE
NIGERIA

ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2009



ALHAJI UMARU MUSA YAR'ADUA, GCFR
President and Commander-in-Chief of the Armed Forces
Federal Republic of Nigeria

DR. GOODLUCK E. JONATHAN, GCON
Vice President
Federal Republic of Nigeria

DR. MANSUR MUHTAR, OFR
Hon. Minister of Finance

MR. ADEREMI W. BABALOLA
Hon. Minister of State for Finance

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Vice President
Federal Republic of Nigeria

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Accountant-General of the Federation
MEMBER

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Director-General, DMO
MEMBER/SECRETARY

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Director-General, DMO

MR. MUHAMMAD YUSUFU
Director, Portfolio Management Department

DR. MAHMOUD MAGAJI
Director, Policy, Strategy and Risk Management Department

MRS. FUNMI ILAMAH
Director, Debt Recording and Settlement Department

MS. PATIENCE ONIHA
Director, Market Development Department

MRS. ASMA'U MOHAMMED
Director, Organisational Resourcing Department

DR. GODSON DINNEYA
Head, Strategic Programmes Department

MANAGEMENT STAFF OF THE DEBT MANAGEMENT OFFICE

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1	ABRAHAM NWANKWO (DR.)	D-G	DG's OFFICE
2	MUHAMMAD YUSUFU (MR.)	DIRECTOR	PORTFOLIO MANAGEMENT DEPARTMENT (PMD)
3	MAHMOUD B. MAGAJI (DR.)	DIRECTOR	POLICY, STRATEGY & RISK MGT. DEPT . (PSRM)
4	FUNMI ILAMAH (MRS.)	DIRECTOR	DEBT RECORDING & SETTLEMENT DEPT. (DRS)
5	PATIENCE ONIHA (MS.)	DIRECTOR	MARKET DEVELOPMENT DEPARTMENT (MDD)
6	ASMA'U M. MOHAMMED (MRS.)	DIRECTOR	ORGANISATIONAL RESOURCING DEPT . (ORD)
7	GODSON DINNEYA (DR.)	HEAD	STRATEGIC PROGRAMMES DEPARTMENT (SPD)
8	MIJI AMIDU (MR.)	DEPUTY DIRECTOR	DIRECTOR-GENERAL'S OFFICE
9	SULEIMAN-ONUJA H. (MRS.)	ASSISTANT DIRECTOR	TEAM LEADER, EXTERNAL DEBT & SPECIAL ACCOUNTS (DRS)
10	MAHMOUD NASIR (MR.)	ASSISTANT DIRECTOR	SPD
11	JOE UGOALA (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, POLICY & STRATEGY (PSRM)
12	NICHOLAS ELERI (DR.)	ASSISTANT DIRECTOR	TEAM LEADER, LOANS & OTHER FINANCING PRODUCTS (PMD)
13	JANET O. JIYA (MRS.)	ASSISTANT DIRECTOR	TEAM LEADER, MONITORING & COMPLIANCE (PSRM)
14	DANJUMA MAHMOUD (DR.)	ASSISTANT DIRECTOR	PSRM
15	ATIKU S. DAMBATTA (MR .)	ASSISTANT DIRECTOR	TEAM LEADER, SECURITIES ISSUANCE (PMD)
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17	JOHNSON O. AMADI (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, INTERNAL AUDIT (DG'S OFFICE)
18	ANUKPOSI N. ALFRED (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, SUB-NATIONAL DEBT RECORDING (DRS)
19	EKPOKOBA IKEM H. (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, BEP (BIG EXTERNAL SUPPORT) D-G'S OFFICE
20	EKPENYONG ELIZABETH E. (MS.)	ASSISTANT DIRECTOR	TEAM LEADER, INSTITUTIONS AND SKILL DEVELOPMENT (SPD)
21	ODO JOSEPH U. (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, IT/IS (ORD)
22	ABDULLAHI S. DANGAJI (MR.)	ASSISTANT DIRECTOR	TEAM LEADER, CURRICULUM DEVELOPMENT & PDMI (D-G'S OFFICE)

TABLE OF CONTENTS

LIST OF TABLES

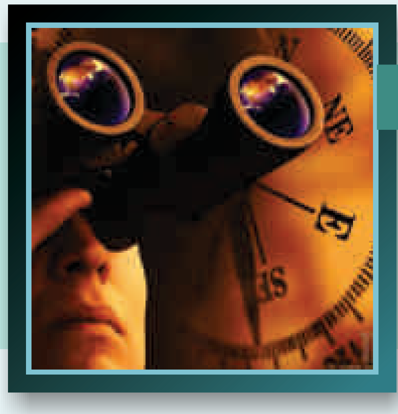
LIST OF FIGURES

GLOSSARY

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

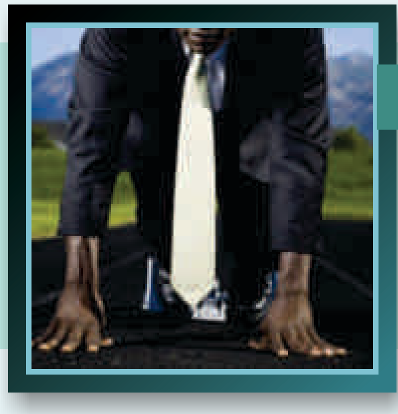
IS	Information System
IT	Information Technology
IsBD	Islamic Development Bank
JPY	Japanese Yen
KRK	Korean Won
LAN	Local Area Network
LIBOR	London \inter-bank Offer Rate
LIC	Low Income Country
MDG	Millennium Development Goals
MPR	Monetary Policy Rate
MRR	Minimum Rediscount Rate
MTEF	Medium Term Expenditure Framework
NASS	National Assembly
NBS	National Bureau of Statistics
NCS	Nigerian Custom Service
NEEDS	National Economic Empowerment and Development Strategy
NEITI	Nigerian Extractive Industries Transparency Initiative
NGN	Nigerian Naira
NPC	National Planning Commission
NPV	Net Present Value
NSE	Nigerian Stock Exchange
NTBs	Nigerian Treasury Bills
OAGF	Office of the Accountant-General of the Federation
ORD	Organizational Resourcing Department
OTC	Over-The-Counter
PDMM	Primary Dealer Market Maker
PHCN	Power Holding Company of Nigeria
PPA	Public Procurement Act
PPP	Public Private Partnerships
PSI	Policy Support Instrument
RMAFC	Revenue Mobilization Allocation and Fiscal Commission
SDR	Special Drawing Rights
SEC	Securities and Exchange Commission
SND	Sub-national Debt
TBs	Treasury Bonds
TR	Tax Reform
UNCTAD	United Nations Conference on Trade and Development
US$	United States Dollar
USA	United States of America
UK	United Kingdom
WAIFEM	West African Institute for Financial and Economic Management
WDAS	Wholesale Dutch Auction System

VISION, MISSION AND CORE VALUES



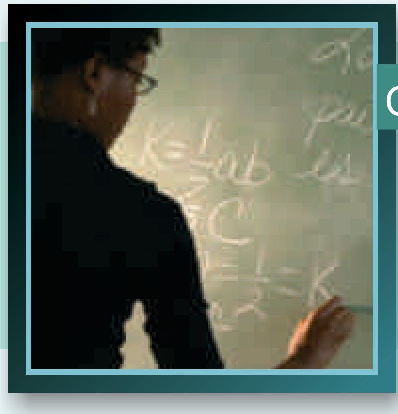
VISION

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



MISSION

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



CORE VALUES

EXCITE:

- ***Ex****cellence*
- ***C****ommitment*
- ***I****ntegrity*
- ***T****eamwork*
- ***E****fficiency*

MANDATE OF THE DEBT MANAGEMENT OFFICE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The DMO Act also provides that the Office shall:

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

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

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

DIRECTOR-GENERAL'S STATEMENT

It gives me pleasure to present to our authorities and all stakeholders the Annual Report and Statement of Accounts of the Debt Management Office (DMO) for year 2009. The DMO recorded a number of achievements and at the same time faced some challenges during the year under review. The gains recorded during the year were built on the several milestones achieved in the past years of the existence of our organization.

The operations of the DMO in the financial year were conducted against the backdrop of favorable macroeconomic developments in the Nigerian economy as the world emerged from the global financial crisis. The government's intervention through fiscal stimulus and the Central Bank's rescue package to some distressed banks contributed to stabilize the economy. The GDP grew by 6.9 percent in 2009, whilst the level of federal budget deficit stood at N810 billion or 3.3 percent of the GDP. Part of this fiscal gap was financed through the issuance of the FGN Bonds by the DMO as part of its statutory responsibility. The effect of the global financial and economic meltdown resulted in the sharp drop in crude oil prices from an average of US$97.03 per barrel in 2008 to US$63.90 per barrel in 2009. This notwithstanding, the economy still remained at a relatively comfortable position, reflecting the essence of the practice of saving part of the foreign exchange earnings. The external reserves position stood at US$42.4 billion in December, 2009. The average exchange rate of the Naira stabilized at N148.90 per US dollar during the reporting period.

The positive growth trends of both the Nigerian and world economy in the year under review provided solid basis for a more prudent management of the country's public debt. In this respect, and in line with our quest to strengthen public debt management in Nigeria with a view to managing and maintaining the sustainability of our nation's total public debt, the DMO extended the frontiers of the success recorded in the past years by further developing and enhancing external, domestic and sub-national debt management capabilities.

A key objective of our national debt management strategy is to maintain the sustainability of the total debt profile of the country. In pursuance of this, the DMO has established a tradition of conducting an annual Debt Sustainability Analysis (DSA) with a view to imbibing the culture of sound public debt management practices. The result of the annual DSA conducted this year has attested to sustainability of the country's total debt, even under some extreme conditions of volatility in the Nigerian economy and expansionary fiscal policy.

In consonance with our external debt management strategy of obtaining foreign finances mainly through concessional sources, our external debt has continued to remain at a very sustainable level totaling US$3.947 billion or 2.1 percent of the GDP as at the end of the year under review. Similarly, we have continued to maintain a low external debt service commitment (US$428.04 million) representing 10.8 percent of the total debt stock as at the end of 2009.

On the domestic front, the domestic debt market continued to remain liquid and vibrant, and maintained its growth path in 2009, mainly due to the increasing appetite of its bourgeoning investors. The total amount issued in the primary market was N694,000.00 million and a subscription of N1,340,891.49 million was recorded representing 193.21 percent subscription. The FGN bond secondary market recorded a total market turnover of N16,789 billion in 132,374 transactions in 2009. The total domestic debt stood at N3.228.03 trillion in 2009 and was mainly dominated by the FGN Bond stock of N1,9228.03 billion, which represented 61.18 percent of the total stock. As a proportion of GDP, the domestic debt stock was about 11.76 percent. Overall, therefore, the total debt to GDP ratio remained sustainable at 13.88 percent.

Other significant milestones achieved during the year included the strengthening of our oversight responsibilities in the Bond market through the review of the existing Primary Dealer Market Maker (PDMM) Guidelines. As part of our efforts to further diversify the investor base of the FGN Bond, the DMO successfully conducted a road show for Nigerians in the Diaspora in the United Kingdom in the year under review.

The Office also made significant progress in implementing the Template for helping States set up their Debt Management Departments (DMDs). In particular, we commenced the programme of working with States to reconstruct their domestic debt data. This activity would be pursued with vigor in the next couple of years.

A major challenge facing public debt management in Nigeria remain that of diversifying the investor base of the FGN Bond and sustaining the tempo of sensitizing all stakeholders, including the Nigerian public, Nigerians in the Diaspora and foreign investors on the importance and benefits of growing and deepening the Nigerian domestic debt market.

While I seek the kind support of all stakeholders in our strive to build a credible and purposeful DMO, I wish to extend our gratitude to the Chairman of our Supervisory Board, Dr. Goodluck E. Jonathan, GCON, the Vice-President of the Federal Republic of Nigeria and members of the Board of the DMO for their inspiring leadership, support and guidance in the affairs of the DMO. I also wish to thank all our other stakeholders and Development Partners, notably the U.K. Department For International Development (DFID) for their support to make the year a fruitful one for the DMO. Finally, I wish to put on record, the unwavering loyalty, hard work and dedication of the Management and Staff of the DMO towards making the Office achieve its mission of being among the emerging markets' top ten DMOs, in terms of best practices and contributions to national development, by the year 2012.

Abraham Nwankwo
DIRECTOR-GENERAL

Chapter ONE

ECONOMIC ENVIRONMENT

1.1 THE GLOBAL ECONOMY

Global economic conditions witnessed some modest signs of recovery in 2009 after the financial meltdown experienced in 2008. This rebound in global economic activity supported by strong performances in Asia and modest upturns in other advanced and emerging economies was largely in response to the various fiscal and monetary stimuli packages implemented around the globe. The important element in the growth process was the increase in commodity prices especially oil prices, the country's major source of foreign exchange which grew by 69.32 percent from US$44.36/barrel as at end-December, 2008 to US$75.11/barrel as at end-December, 2009.

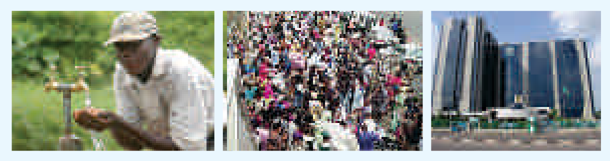
Relatedly, Central Banks in most economies in 2009 resorted to a range of measures to further ease financial conditions and also relieve concerns about potential systemic collapse and to re-establish trust. In most cases, liquidity support measures for banks and deposit and debt guarantees were implemented given their importance in the financial system. The Federal Reserve and Bank of England, among others intervened with outright purchases of government bonds in an effort to lower long-term yields.

1.2 THE NIGERIAN ECONOMY

The Nigerian economy like most emerging market economies showed remarkable prospects of pulling out of the devastating effects of the global financial meltdown in 2009. The recovery trend witnessed in Nigeria in 2009 was essentially driven by favourable external and domestic macroeconomic variables including the rising crude oil prices, the various fiscal and monetary stimuli packages, the judicious use of the Excess Crude Account (ECA), the boom in the bond market, as well as the various reforms undertaken in the banking sector of the economy.

Despite the liquidity squeeze experienced in the banking sector in 2009, monetary aggregates grew compared to 2008 figures. Broad Money (M2) grew by 12.80 percent (on annualized basis) in November, 2009 which was significantly below the indicative benchmark of 28.8 percent growth for 2009. Similarly, the annualized growth rate of domestic credit (net) as at November 2009 was 56.10 percent, compared the provisional benchmark growth rate of 86.97 percent for 2009.

Also, in response to the effects of the global financial crisis, the Central Bank of Nigeria in 2009 issued a plethora of policies and guidelines which shaped activity in the banking and

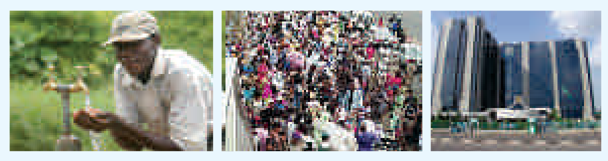


finance sector during the period. The Monetary Policy Rate (MPR) was reduced from 8 percent to 6 percent in the third quarter of 2009, while all inter-bank lending were guaranteed by the CBN until at least March, 2010. The CBN also injected N620 billion "Tier Two" capital as a "Bail-Out" loan into some banks categorized as distressed and equally relieved the executive management of these banks and appointed new executive directors and chief executive officers for the affected banks after conducting a special examination of the 24 deposit money banks (DMBs). The actions of the CBN were aimed at reducing systemic risk, easing liquidity and restore confidence in the system.

As a consequence of the actions by the CBN, confidence in the money market improved considerably in 2009. The inter-bank rate fell from as high as 20.60 percent as at March, 2009 before the actions to 4.6 percent in December, 2009. Specifically, the average call rate for November was 5.25 percent down from 6.60 percent in October and September, 2009, respectively.

However, the retail lending rates in the banking sector continued to be high during the period under review despite the various intervention policies implemented by the CBN. The average maximum lending rate increased from 20.23 percent in January, 2009 to 23.46 percent in December, 2009 compared to 18.53 percent and 21.18 percent respectively in the corresponding periods in 2008. Also, the average prime lending rate increased from 16.12 percent in January, 2009 to 19.03 percent in December, 2009 compared to 16.20 percent and 16.08 percent respectively for the corresponding period in 2008.

The capital market during the period under review continued to experience bearish performance. The market capitalization which closed at N9.563 trillion as at end-December, 2008 dropped by 26.5 percent to close at N7.03 trillion by end-December, 2009. The All-Share Index also declined from 31,450.78 as at end-December, 2008 to 20,827.17 by end-December 2009 representing a decline of 33.8 percent. The decline in the performance of the capital market in 2009 according to the Nigerian Stock Exchange was attributable to the harsh operating environment which was exacerbated by the global economic meltdown. On the debt side however, market capitalization in the secondary market for FGN bond, increased appreciably from N10.090 trillion by end December 2008 to N16.079 trillion by December 31, 2009, showing an increase of 66.39 percent. Further improvements are anticipated in 2010 in view of the improving market conditions and overall macroeconomic fundamentals.



Overall, the economy according to provisional data from the National Bureau of Statistics (NBS) grew by 6.90 percent in 2009 compared to 5.98 percent in 2008, which reflects a marginal increase of 0.92 percent. The non-oil sector remained the major driver of growth in 2009 contributing 70.16 percent of GDP. Inspite of the relative peace achieved in the Niger-Delta, the contribution of the oil sector to GDP decreased in 2009 compared to 2008. The oil sector's contribution decreased from 37.64 percent in 2008 to 29.84 percent in 2009. However, Crude oil production which stood at 1.90 million bpd in December, 2008 increased to 2.02 million bpd in December, 2009.

Headline inflation rate, as measured by the year-on-year showed a consistent decline: from the 15.1 percent as at end-December, 2008 to 12.0 percent at end-December 2009. The decline in the rate of inflation during the period under review was attributed to decline in the prices of some staples like maize, millet and sorghum and tight liquidity experienced in the financial system.

In the external sector, the exchange rate of the Naira against the US dollar continued to depreciate in the foreign exchange market in 2009. The exchange of the Naira against the US dollar which stood at N131.25 as at end-December, 2008 depreciated to N147.60 by end-December, 2009 representing an annual depreciation of 12.46 percent. Furthermore, the volume of external reserves which stood at US$52.8 billion as at end-December, 2008 decelerated to US$42.47 billion by end-December, 2009 as a result of the CBN's resolve to support the Naira.

Chapter
TWO

APPRAISAL OF DEBT MANAGEMENT STRATEGY

2.0 INTRODUCTION

In line with international best practices in debt management, the DMO articulated a five year medium term debt strategy in the form of a National Debt Management Framework (NDMF) (2008-2012). The overall objective of the strategy is to ensure that the government financing needs and obligations are met at the lowest possible cost, consistent with a prudent level of risk, while its secondary objectives is the development of the domestic and sub-national debt markets.

It is important to note that the cost/risk aspects of the strategy are treated in a separate Chapter of this report.

2.1 EXTERNAL DEBT MANAGEMENT STRATEGY

The external debt management strategy as enshrined in the National Debt Management Framework (NDMF) is to prudently access concessionary financing needed to fund growth and development within a sustainable debt profile, while facilitating private sector participation in the funding of critical infrastructure, in particular, and the real sector in general.

2.1.1 CONCESSIONAL BORROWING

The NDMF defines a concessional loan as a loan with a grant element of at least 35 percent in accordance with international best practice. During the period under review, 82.42 percent of the total external debt stock was sourced from concessional sources, mainly from multilateral sources (IDA, IFAD, EIB, ADF); while the remaining balance of 13.58 percent were from non-concessional creditors (Figure 4.6). This increase demonstrates continuity in the implementation of the strategy. New loans negotiated in 2009 totaling US$486.56 million were also concessional.

2.1.2 LOAN UTILIZATION

Analysis of the external debt stock as at end-December, 2009 revealed that over 90 percent of the loans were utilized for funding growth and development in the real sectors of the economy (Table 4.6).

2.2 DOMESTIC DEBT MANAGEMENT STRATEGY AND BOND MARKET DEVELOPMENT

The domestic debt management strategy seeks to lengthen the maturity structure of the domestic debt portfolio and further broaden and deepen the domestic bond market through the introduction of a variety of government securities; the use of appropriate technology to aid effective and efficient issuance and trading; and the improvement of the regulatory framework for effective operation of the bond market. In implementing the domestic debt strategy in 2009, the DMO undertook the following initiatives:

2.2.1 LENGTHENING THE MATURITY STRUCTURE OF THE FGN BOND:

The DMO continued with its regular issuance of debt instruments with different maturities (3-year, 5-year, 10-year, and 20-year) in 2009. As part of its strategy of lengthening the maturity profile of the domestic debt portfolio, the DMO's issuance in 2009 was mostly in longer tenored instruments (5-year, 10-tear and 20-year) compared to shorter tenored instruments (3-year) (Table 5.10).

2.2.2 BROADENING AND DEEPENING OF THE DOMESTIC BOND MARKET:

The DMO continued with its active engagement with development partners, stakeholders and operators in the bond market during the period under review aimed at broadening and deepening the market.

(i) **Primary Market Activities**: In the primary market, the level of subscription continued to increase in 2009 compared to 2008. Analysis of the 2009 issuance programmed revealed that a subscription of N1,340,891.49 million was recorded compared to N845,951.53 million in 2008 representing an increase of 58.51 percent (Table 5.7).

(ii) **The secondary market Activities**: The secondary market activities for FGN bonds during the period under review recorded an impressive performance as the volume as well as value of transaction increased compared to the 2008 level. The volume of transactions grew by 65.2 percent from 80,135 in 2008 to 132,374 in 2009, while the total value of transactions increased from N10,090 billion in 2008 to N16,789 billion in 2009 representing an increase of N6,699 billion or 66.4 percent (Table 5.11).

(iii) **The Bond Market Steering Committee (BMSC)**: The BMSC was established in 2007 as a consensus building body in which both the regulators/supervisors (CBN, SEC, DMO) and operators (PDMMs) meet. The committee meets quarterly and during the period under review issues relating to reduction in transaction fees/stamp duties by the NSC, tax waivers for the sub-national and corporate bonds and liquidity status for the sub-national and corporate bonds were reviewed.

(iv) **Appointment of Additional PDMMs**: Diamond Bank Plc and Oceanic Bank International Plc were appointed as PDMMs during the year under review thereby bringing the total number of the PDMMs to Twenty-one (15 Deposit Money Banks and 6 Discount Houses)

2.2.3 THE IMPROVEMENT OF THE REGULATORY FRAMEWORK:

The two (2) Operational Circulars for FGN Bonds namely: "A Guide to Operations for the Debt Management Office, Nigeria in the Federal Government of Nigeria Bond Market" and "General Rules and Regulations Governing the Primary Dealer Market Maker (PDMM) System in Federal Government of Nigeria (FGN) Securities" were revised in 2009 to encourage more participation by the investing public (including the PDMMs) and amend some sections which no longer aligned with recent developments in the domestic bond market.

2.2.4 INTRODUCTION OF A NEW INSTRUMENT:

The DMO in the period under review introduced a new instrument in form of a Promissory Note worth N63.03 billion representing 1.95 percent of the domestic debt portfolio to meet up with the financing gaps of the government.

2.2.5 THE USE OF AN APPROPRIATE IT AUCTIONING AND TRADING PLATFORM:

The DMO is currently using the CBN's T-24 auction platform for its monthly bond issuances and is working assiduously to implement an automated and integrated Bond Auctioning, Dealing and Trading System in the FGN Bond market.

2.3 SUB-NATIONAL DEBT MANAGEMENT STRATEGY AND THE DEVELOPMENT OF THE SUB-NATIONAL DEBT MARKET

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

In order to ensure the effective implementation of the Sub-national debt management strategy, the DMO continued to assist and monitor the implementation of the Template for the Implementation of Debt Management Departments (DMDs) in States in the year under review. As at end-December, 2009 all the States have established DMDs which are at various levels of development. Furthermore, training programmes have been designed and are being executed to build capacity among staff of the DMDs. The DMO would continue to engage the States in various ways until they have achieved an appreciable level of competence in the areas of loan negotiation, debt recording and portfolio analysis.

Chapter

THREE

NIGERIA'S TOTAL PUBLIC DEBT

3.1 TOTAL PUBLIC DEBT OUTSTANDING

The total public debt outstanding (external and securitized domestic debt of the Federal Government) stood at US$25,817.42 million as at 31st December, 2009. This represents an increase of US$4,418.51 million, or 20.65 percent compared to US$21,398.91 million recorded as at 31st December, 2008 (Table 3.1). As indicated below, the domestic debt stock, which constituted the bulk of total public debt, increased marginally from 82.61 percent in 2008 to 84.71 percent in 2009. This was mainly accounted for by the issuance of new FGN bonds, as well as the issuance of a new instrument (i.e. Promissory Note) in the period under review.

The external debt component of the total public debt outstanding increased from US$3,720.36 million in 2008 to US$3,947.30 million in 2009 or by 6.10 percent, mainly as a result of additional disbursements on IDA, ADF and IFAD loans. Similarly, the domestic debt component expressed in Naira terms increased significantly from US$17,678.55 million in 2008 to US$21,870.12 million in 2009, or by 23.71 percent.

TABLE 3.1: TOTAL PUBLIC DEBT OUTSTANDING, 2005-2009 (US$ MILLION)

Type	2005	2006	2007	2008	2009[1]
External Debt Stock	20,477.97	3,544.49	3,654.21	3,720.36	3,947.30
Domestic Debt Stock	11,828.76	13,805.20	18,575.67	17,678.55	21,870.12
TOTAL	**32,306.73**	**17,349.69**	**22,229.88**	**21,398.91**	**25,817.42**
PERCENTAGE (%) SHARE					
Type	**2005**	**2006**	**2007**	**2008**	**2009**
External Debt Stock	63.39	20.43	16.44	17.39	15.29
Domestic Debt Stock	36.61	79.57	83.56	82.61	84.71
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

[1] Official CBN Exchange Rate of ₦147.60/US$1 as at 31/12/09

Figure 3.1 and 3.2 show the trend of total public debt stock over the period 2005 to 2009. The share of external debt made up the bulk of total public debt in 2005. However, it exhibited a declining trend after the country's exit from the Paris Club debt. The relative increase of US$226.94 million or 6.10 percent, in external debt stock in 2009 over its share in 2008 was as mentioned earlier as a result of additional disbursements on IDA, ADF and IFAD loans.

FIGURE 3.1: TOTAL PUBLIC DEBT OUTSTANDING, 2005-2009 (US$ MILLION)

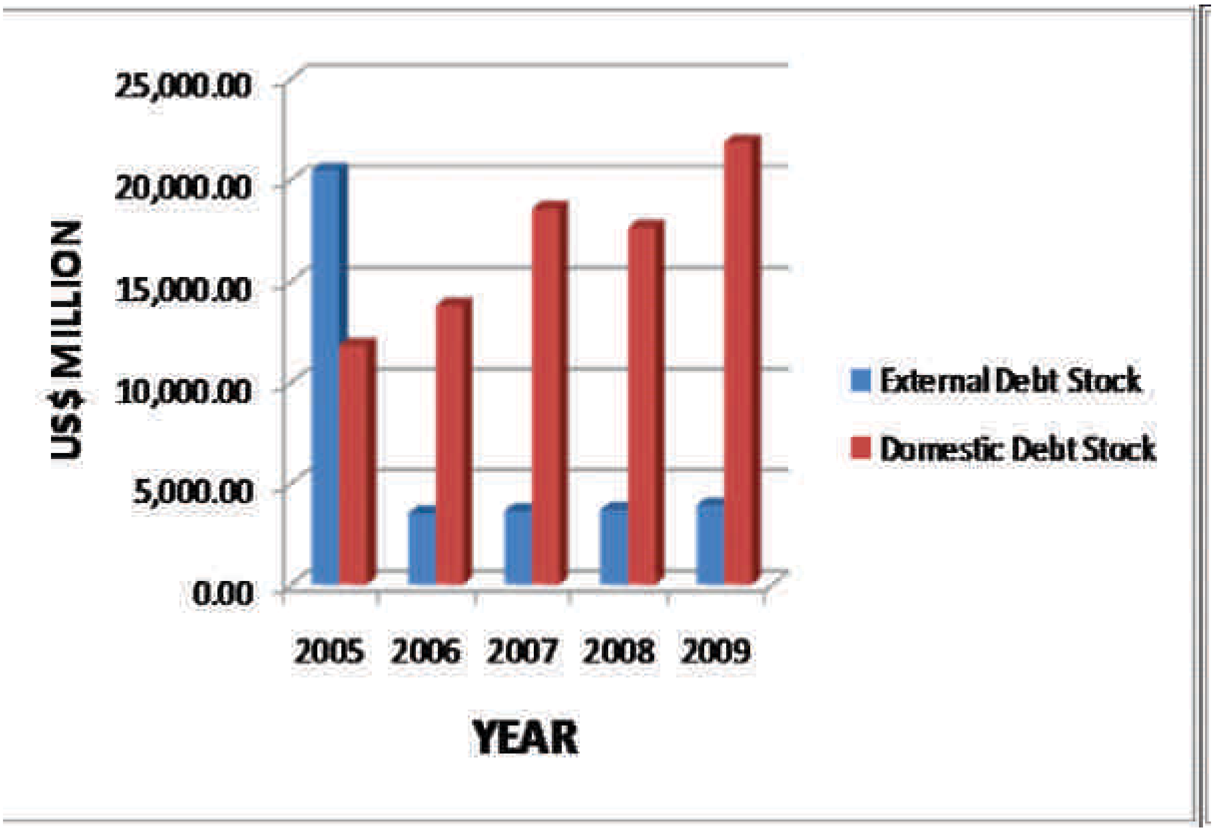
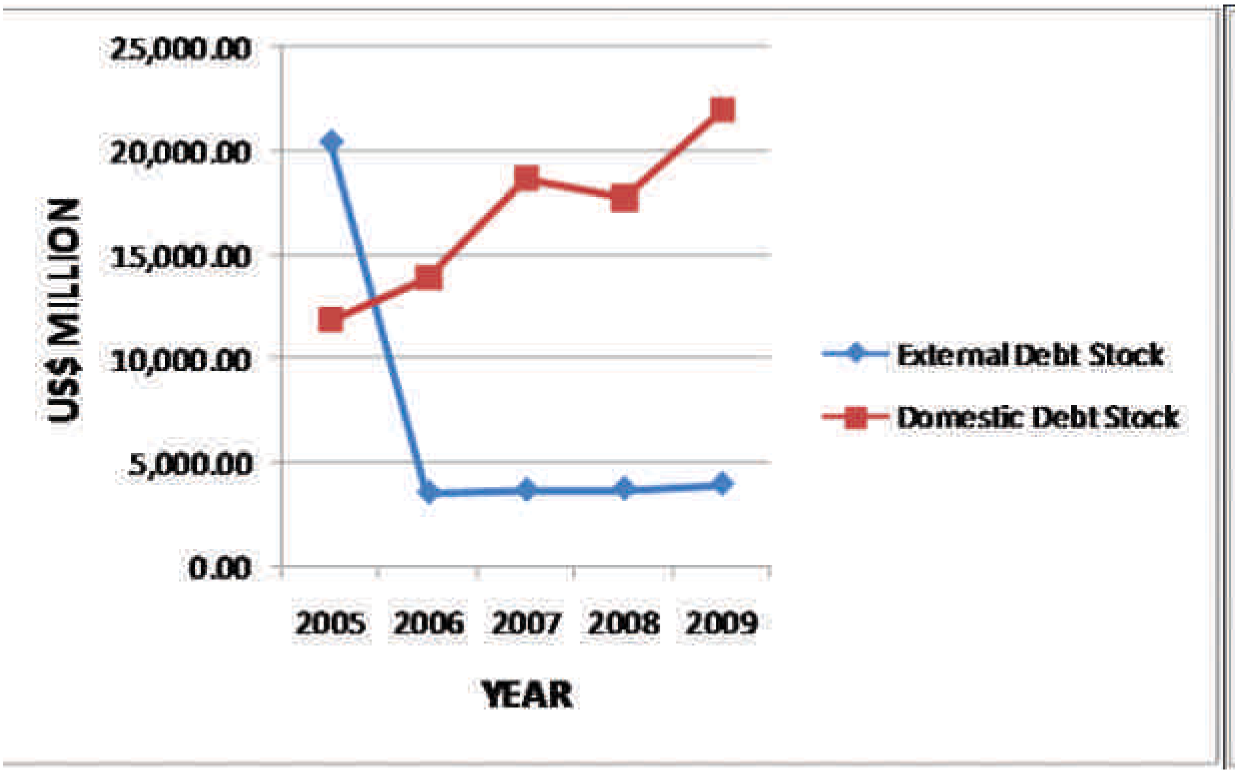


FIGURE 3.2: TOTAL PUBLIC DEBT OUTSTANDING, 2005-2009 (US$ MILLION)



3.1.1 TOTAL PUBLIC DEBT BY ORIGINAL MATURITY

Total public debt by original maturity for the period 2005 to 2009 is displayed in Table 3.2 and Figure 3.3. The table shows that Nigeria's total external debt during the period under review was long-term (i.e. longer than one year maturity). Similarly, the bulk of the domestic debt portfolio was long-term, representing 79.3 percent of the portfolio. This is in line with the domestic debt strategy of maintaining 75:25 long term/short term ratios in the portfolio.

TABLE 3.2: TOTAL PUBLIC DEBT OUTSTANDING BY ORIGINAL MATURITY, 2005-2009 (US$ Million)

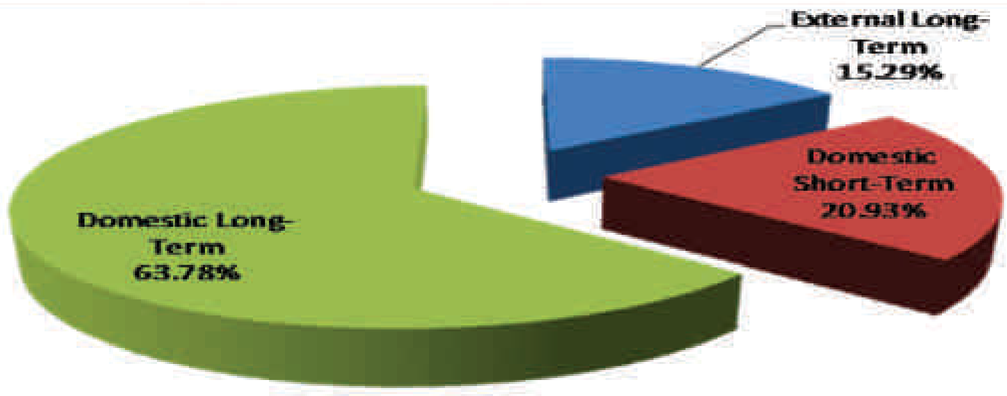
Type		2005	2006	2007	2008	2009[1]
External Debt Stock	Short-term[2]	0.00	0.00	0.00	0.00	0.00
	Long-term	20,477.97	3,544.49	3,654.21	3,720.36	3,947.30
	Sub-Total	***20,477.97***	***3,544.49***	***3,654.21***	***3,720.36***	***3,947.30***
Domestic Debt Stock	Short-term[3]	6,626.59	5,472.44	4,922.26	3,595.65	5,403.00
	Long-term	5,202.17	8,332.75	13,653.42	14,082.90	16,467.12
	Sub-Total	***11,828.76***	***13,805.19***	***18,575.68***	***17,678.55***	***21,870.12***
TOTAL		**32,306.73**	**17,349.69**	**22,229.89**	**21,398.91**	**25,817.42**

PERCENTAGE (%) SHARE

Type		2005	2006	2007	2008	2009
External Debt Stock	Short-term	0.00	0.00	0.00	0.00	0.00
	Long-term	63.39	20.43	16.44	17.39	15.29
	Sub-Total	***63.39***	***20.43***	***16.44***	***17.39***	***15.29***
Domestic Debt Stock	Short-term	20.51	31.54	22.14	16.80	20.93
	Long-term	16.10	48.03	61.42	65.81	63.78
	Sub-Total	***36.61***	***79.57***	***83.56***	***82.61***	***84.71***
TOTAL		**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

[1] Official CBN Exchange Rate of N147.60/US$1 for 2009 figures as at 31/12/2009
[2] Short-term external debt is debt with less than 1 year original maturity
[3] Short-term domestic debt consists of 91, 182 and 364 days Treasury Bills. Long-term domestic debt consists of Treasury Bonds, FGN Bonds and FRN Development Stocks

FIGURE 3.3: TOTAL PUBLIC DEBT BY ORIGINAL MATURITY AS AT 31ST DECEMBER, 2009



3.2 TOTAL PUBLIC DEBT SERVICE PAYMENTS

Total public debt service payments for the year 2009 amounted to US$2,335.49 million representing 1.26 percent of GDP and 9.06 percent of the total debt stock. Table 3.3 shows a decrease of US$1,719.81 million or 42.41 percent, compared to the 2008 figure of US$4,055.30 million. The reduction is mainly attributed to the non-inclusion of maturing FGN bonds that were refinanced. However, the share of external debt service in the total debt service payments has been decreasing since 2005 (Table 3.3). This is a reflection of the shift in strategy of borrowing from non-concessional to concessional borrowing. Similarly, the sum of US$1,907.45 million or 81.67 percent of the total debt service payments in 2009 is made in respect of domestic debt service payments (Figure 3.4).

The trend in debt service payments shows that the domestic debt service payments as a proportion of the total debt service payments has been increasing since 2005 (Table 3.3)

TABLE 3.3: TOTAL PUBLIC DEBT SERVICE PAYMENTS, 2005-2009 (US$ MILLION)

Type	2005	2006	2007	2008	2009[1]
External Debt Service	8,940.93	6,729.20	1,022.04	464.63	428.04
Domestic Debt Service	1,166.28	1,313.70	2,162.91	3,590.67	1,907.45
TOTAL	**10,107.21**	**8,042.90**	**3,184.95**	**4,055.30**	**2,335.49**
PERCENTAGE (%) SHARE					
Type	**2005**	**2006**	**2007**	**2008**	**2009**
External Debt Service	88.46	83.67	32.09	11.46	18.33
Domestic Debt Service	11.54	16.33	67.91	88.54	81.67
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

[1] Official CBN Exchange Rate of N147.60/US$1 for 2009 as at 31/12/09

FIGURE 3.4: TOTAL DEBT SERVICE PAYMENTS AS AT 31st DECEMBER, 2009

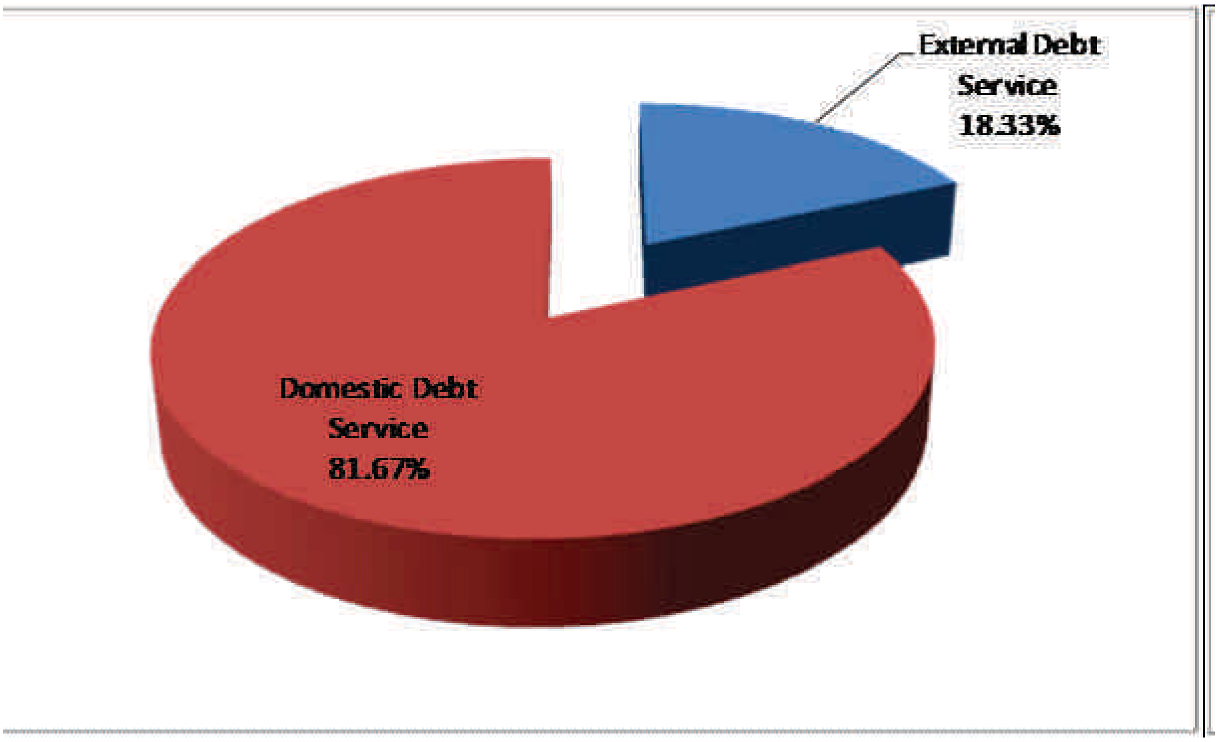
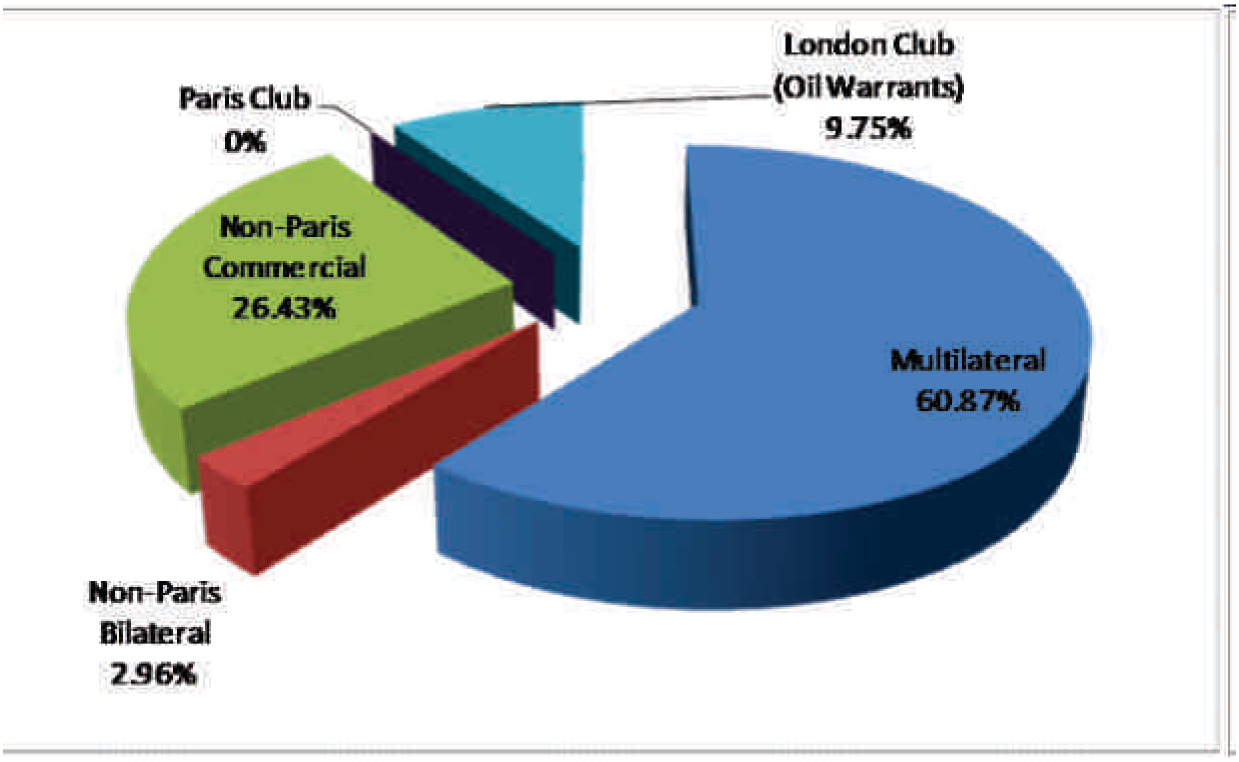


FIGURE 3.5: EXTERNAL DEBT SERVICE PAYMENTS AS AT 31ST DECEMBER, 2009



3.2.1 DISBURSEMENTS AND NEW ISSUES

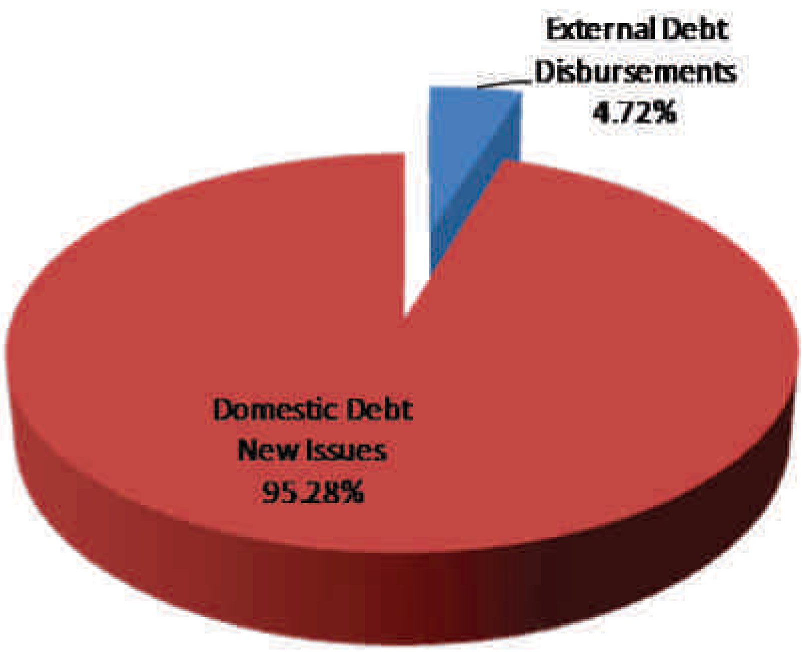
Total disbursements of external debt and new issues of domestic debt for 2009 amounted to US$11,284.95 million (Table 3.4). This shows a significant increase of US$7,175.85 million, or 174.63 percent compared to the 2008 figures. The significance of this increase is accounted for by new issues of FGN bonds and NTBs in 2009. External debt disbursements represent US$532.83 million or 4.72 percent of the total external debt disbursements and new issues, while new issues in FGN bonds constituted US$4,922.09 million or 43.62 percent of the total external disbursements and new issues. Also, during the year under review, Promissory Notes worth N63.03 billion were issued to meet up with the financing gaps of government.

TABLE 3.4: EXTERNAL DEBT DISBURSEMENTS AND DOMESTIC DEBT NEW ISSUES, 2005 -2009 (US$ MILLION)

Type	2005	2006	2007	2008	2009[1]
External Debt Disbursements	264.81	501.41	424.56	360.84	532.83
Domestic Debt Issues:					
FGN Bonds	1,381.97	3,534.14	5,168.63	3,748.26	4,922.09
NTBs	1,001.46	1,804.07	789.03	0.00	5,403.00
Promissory Note	-	-	-	-	427.03
Sub-Total	***2,383.43***	***15,338.21***	***5,957.66***	***3, 748.26***	***10,752.12***
TOTAL	**2,648.24**	**5,839.62**	**6,382.22**	**4,109.10**	**11,284.95**

[1] Official CBN Exchange Rate of N147.60/US$1for 2009 figures as at 31/12/09

FIGURE 3.6: TOTAL DISBURSEMENTS IN 2009



Chapter

FOUR

NIGERIA'S TOTAL EXTERNAL DEBT

4.1 EXTERNAL DEBT STOCK

Table 4.1 shows Nigeria's total external debt outstanding as at 31st December 2009. The total external debt was US$3,974.30 million as against US$3,720.36 million in 2008 (Figure 4.1). This shows an increase of US$253.94 million, or 6.83 percent, which was as a result of additional disbursements in IDA, ADF and IFAD loans, despite principal repayment. Figure 4.1 displays the trend in Nigeria's external debt stock over the five-year period 2005 to 2009. The external debt stock decreased significantly between 2004 and 2006 due to the Paris Club debt exit deal signed in 2005 and finalized in April 2006, as well as, the exit from the London Club debt obligations in 2006 and 2007.

TABLE 4.1: EXTERNAL DEBT STOCK BY CREDITOR CATEGORY AS AT 31ST DECEMBER, 2009 (US$ MILLION)[1]

Category	Principal Balance 1	Principal Arrears 2	Interest Arrears 3	Total 4	Percentage 5
MULTILATERAL					
World Bank Group					
IBRD	103.69	0.00	0.00	103.69	
IDA	2,746.74	0.00	0.00	2,746.74	
IFAD	60.12	0.00	0.00	60.12	
African Development Bank Group					
ADB	171.07	0.00	0.00	171.07	
ADF	289.27	0.00	0.00	289.27	
EDF	131.62	0.00	0.00	131.62	
IDB	2.00	0.00	0.00	2.00	
SUB-TOTAL	***3,504.51***	**-**	**-**	***3,504.51***	**88.78%**
NON - PARIS					
BILATERAL	181.600	0.000	0.000	181.60	
COMMERCIAL	261.19	0.00	0.00	261.19	
SUB TOTAL	**442.79**	**0.00**	**0.00**	**442.79**	**11.22%**
GRAND TOTAL	**3,947.30**	**0.00**	**0.00**	**3,947.30**	**100.00%**

[1] Official CBN exchange rate of US$ vis-à-vis other currencies as at 31/12/2009

FIGURE 4.1: EXTERNAL DEBT STOCK, 20052009 (US$ MILLION)

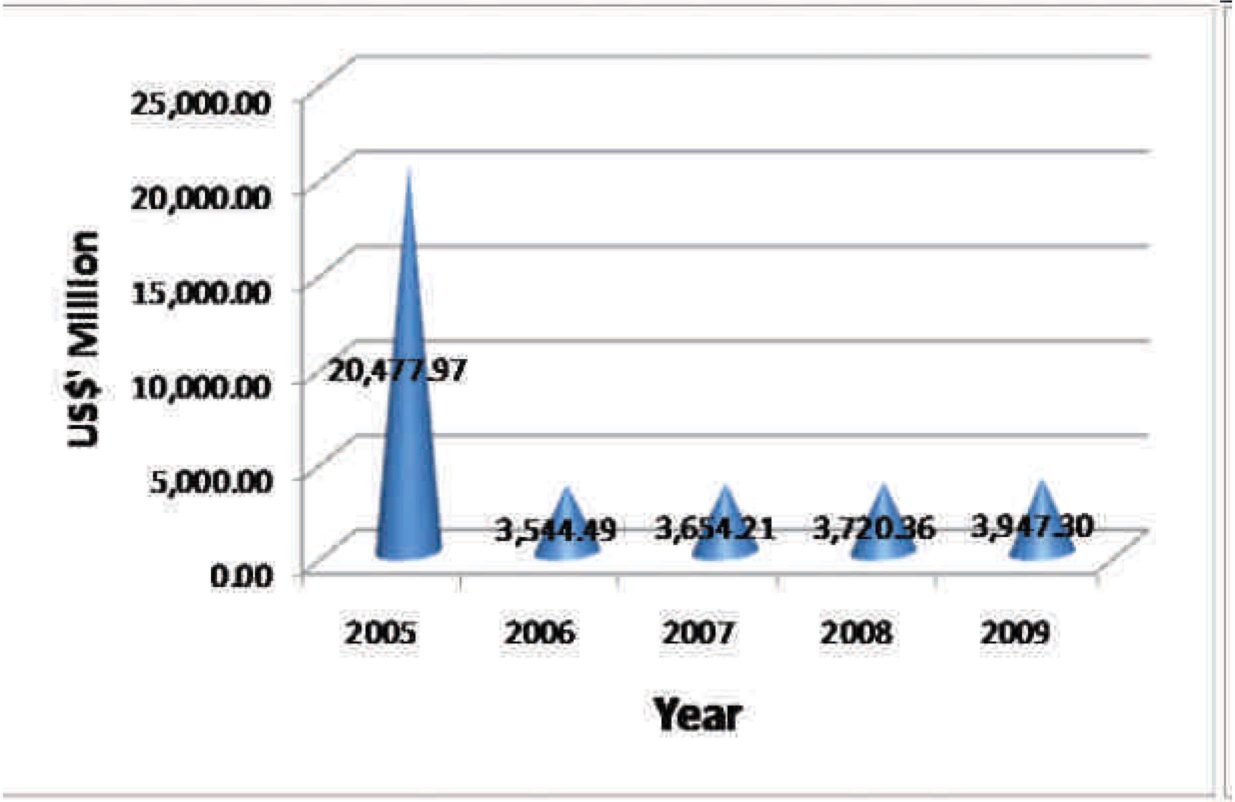


Table 4.2 shows the creditor composition of Nigeria's total external debt as at end-December, 2009. The bulk of the debt stock amounting to US$3,686.11 million or 93.38 percent were owed to official creditors while only US$261.19 million or 6.62 percent were owed to private creditors.

4.1.1 OFFICIAL CREDITORS

The official creditors comprised of bilateral and multilateral creditors. As at end-December, 2009, multilateral creditors constitute 95.07 percent of total official creditors while the remaining balance of 4.93 percent was from bilateral creditors.

4.1.1.1 BILATERAL

The bilateral creditors are the Non-Paris Club creditors. The Non-Paris Club Bilateral Debt in 2009 comprised the Exim Bank of Korea and the Chinese Exim Bank (Nigerian Communications Satellite-NIGCOMSAT) loans. These loans are concessional bilateral debts. The reduction in the stock of the Non-Paris Club bilateral debt from US$182.42 million in 2008 to US$181.60 million in 2009 (Table 4.2) was as a result of principal repayments.

4.1.1.2 MULTILATERAL

A breakdown of the total external debt shows that multilateral debts continued to constitute the bulk of the total external debt outstanding in 2009. Multilateral loans which are mainly concessional loans amounted to US$3,504.51 million or 88.78 percent of the total external debt stock as at end-December, 2009. The sum of US$3,229.75 million or 92.16 percent of the multilateral debt are concessional while the remaining balance of US$274.76 million or 7.84 percent were non-concessional. The concessional creditors were International Development Association (IDA), International Fund for Agricultural Development (IFAD), African Development Fund (ADF), European Development Fund (EDF) and the Islamic Development Bank (IDB), while the non-concessional creditors consisted of International Bank for Reconstruction and Development (IBRD) and the African Development Bank (ADB) (Table 4.2).

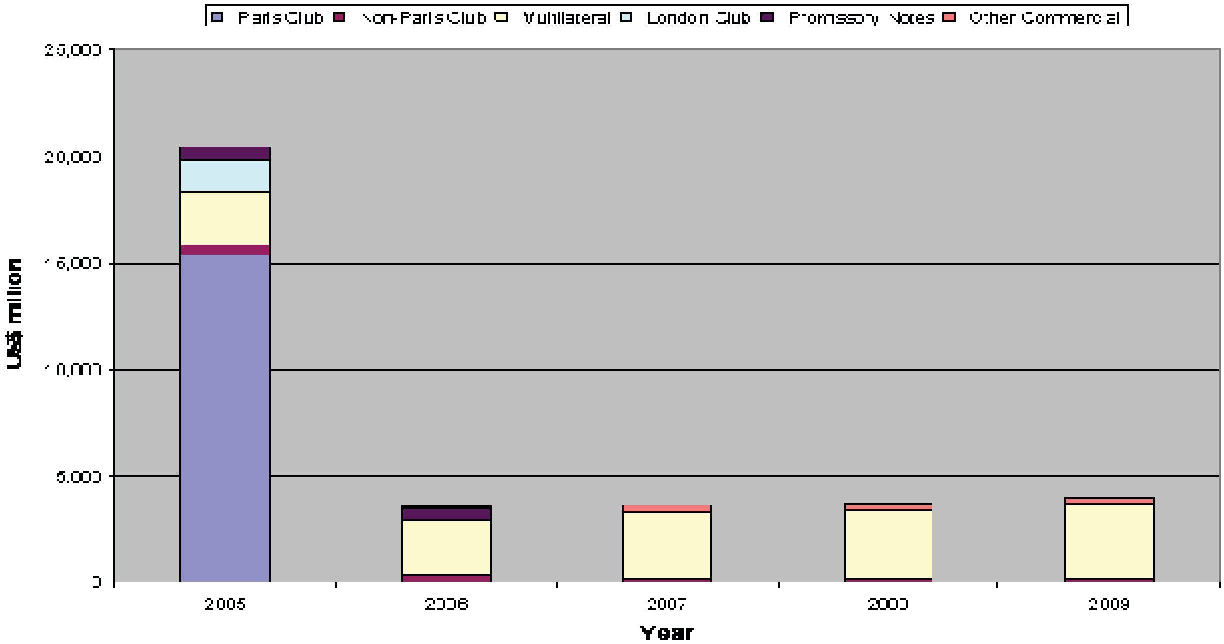
A trend analysis of the external debt stock shows that the share of multilateral debt as a proportion of total external debt has been increasing from 73.59 percent in 2006 to 88.78 percent in 2009 (Table 4.2).

Table 4.2 and Figure 4.2 show at a glance Nigeria's external debt outstanding by creditor category over the period 2005 to 2009.

TABLE 4.2: EXTERNAL DEBT OUTSTANDING BY CREDITOR, 2005-2009 (US$ MILLION)

CREDITOR CATEGORY	*2005*	*2006*	*2007*	*2008*	*2009*
A. Official:					
1. Bilateral					
Paris Club	15,412.40	0.00	0.00	0.00	0.00
Non-Paris Club	461.79	326.08	184.90	182.42	181.60
2. Multilateral	2,512.19	2,608.30	3,080.91	3,172.87	3,504.51
Sub-Total	**18,386.38**	**3,035.48**	**3,265.81**	**3,355.29**	**3,686.11**
B. Private:					
1. London Club	1,441.79	0.00	0.00	0.00	0.00
2. Promissory Notes	649.8	509.01	0.00	0.00	0.00
3. Other Commercial	0.00	101.10	388.40	365.07	261.19
Sub-Total	**2,091.59**	**509.01**	**388.40**	**365.07**	**261.19**
Grand Total	**20,477.97**	**3,544.49**	**3,654.21**	**3,720.36**	**3,947.30**
PERCENTAGE SHARE					
A. Official:					
1. Bilateral					
Paris Club	75.26	0.00	0.00	0.00	0.00
Non-Paris Club	2.26	9.20	5.06	4.90	4.60
2. Multilateral	12.27	73.59	84.31	85.28	88.78
Sub-Total	**89.79**	**85.64**	**89.37**	**90.19**	**93.38**
B. Private:					
1. London Club	7.04	0.00	0.00	0.00	0.00
2. Promissory Notes	3.17	14.36	0.00	0.00	0.00
3. Other Commercials	0.00	2.85	10.63	9.81	6.62
Sub-Total	**10.21**	**14.36**	**10.63**	**9.81**	**6.62**
Grand Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

FIGURE 4.2: EXTERNAL DEBT OUTSTANDING BY CREDITOR, 2005 - 2009



4.1.2 PRIVATE CREDITORS

4.1.2.1 *COMMERCIAL DEBT*

The private creditors comprised non-concessional loans that are obtained from the commercial window. As at end-December, 2009, the sum of US$261.19 million was owed to the commercial creditors. These private sector loans were guaranteed by the China Exim Bank. The loans were; ZTE - Nigeria Local Government Rural Telephony Telecom Network, Alcatel - Nigeria Local Government Rural Telephony Telecom Network, Papalanto - Construction of 335 MW of Gas Power Plant, Omotosho - Construction of 335 MW of Gas Power Plant, and Nigerian Communications Satellite (NIGCOMSAT). The substantial decrease in the stock of the ***Commercial Debts from US$365.07 million in 2008 to US$261.19 in 2009 was due to*** principal repayments.

4.1.3 CURRENCY COMPOSITION OF EXTERNAL DEBT

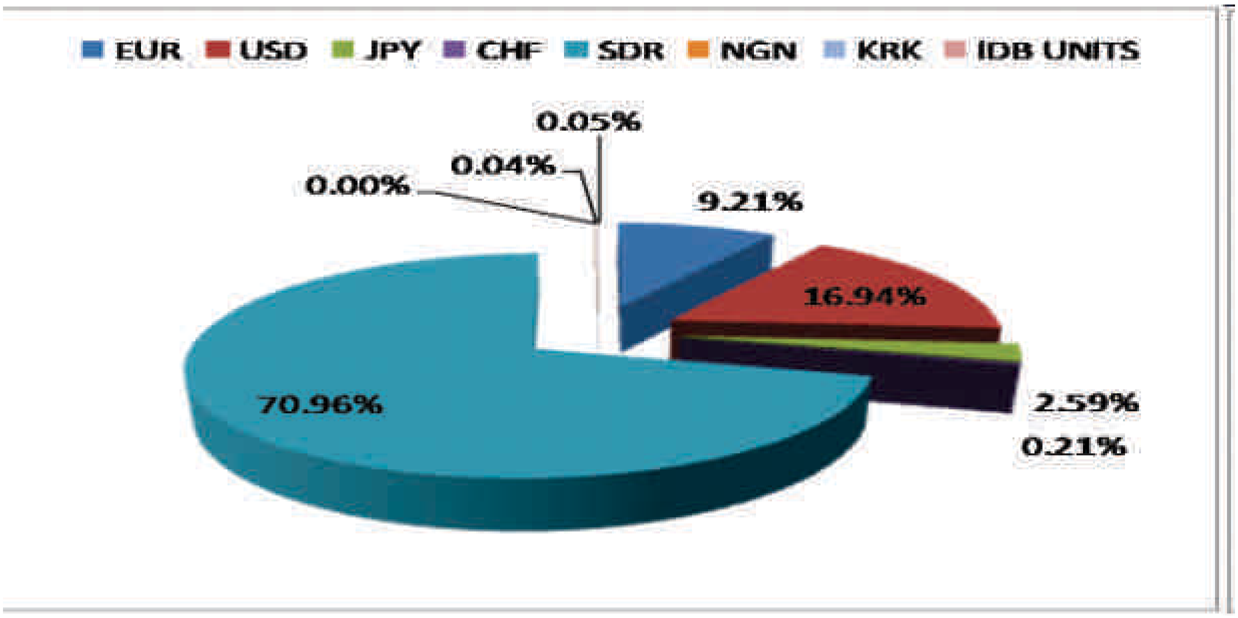
Table 4.3 and Figure 4.3 illustrate the currency composition of the external debt stock as at 31st December, 2009. Special Drawing Rights (SDRs) have the largest share in the portfolio, constituting 70.96 percent of the external debt stock. This is followed by the US Dollar with 16.94 percent of the total, the Euro with 9.21 percent, and other currencies (Japanese Yen, Swiss Franc, IDB Units, Korean Won and Nigerian Naira) accounting for the balance of 2.89 percent. The IDB Unit is a new currency in the debt portfolio due to the addition of IDB loan. The dominance of SDR in the currency composition reduces the exchange rate vulnerability of the debt portfolio, as only 29.04 percent of the portfolio is held in other currencies

TABLE 4.3: EXTERNAL DEBT STOCK BY CURRENCY COMPOSITION AS AT 31ST DECEMBER, 2009

S/No	Currency	Debt Stock in Orginal Currency	Naira Exch Rate	Debt Stock in Naira	US$ Exch Rate to Naira	Debt Stock in USD	% of Total
1	EUR	252,159,005.00	212.69	53,632,102,074.00	147.6	363,361,125.16	9.21%
2	USD	668,253,539.00	147.71	98,704,946,858.20	147.6	668,732,702.29	16.94%
3	JPY	9,461,759.00	1,597.17	15,112,076,386.00	147.6	102,385,341.37	2.59%
4	CHF	8,374,330.00	144.65	1,211,340,071.00	147.6	8,206,911.05	0.21%
5	SDR	1,786,620,228	231.39	413,412,096,263.00	147.6	2,800,894,961.13	70.96%
6	NGN	435,787.00	1	435,787.00	147.6	2,952.49	0.00%
7	KRK	2,185,989.00	115.7	252,918,927.00	147.6	1,713,542.87	0.04%
8	IDB UNITS	1,262,403.00	233.84	295,200,000.00	147.6	2,000,000.00	0.05%
					TOTAL	3,947,297,536.36	100.00%

[1] Official CBN Exchange Rate of N147.60/US$1 as at 31/12/09

FIGURE 4.3: EXTERNAL DEBT STOCK BY CURRENCY COMPOSITION AS AT 31ST DECEMBER, 2009



4.1.4 EXTERNAL DEBT BY ORIGINAL MATURITY

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

TABLE 4.4: TOTAL EXTERNAL DEBT OUTSTANDING BY ORIGINAL MATURITY, 2005-2009 (US$ MILLION)

Type		2005	2006	2007	2008	2009
External Debt stock	Short-Term	0.00	0.00	0.00	0.00	0.00
	Long-Term	20,477.97	3,544.49	3,654.21	3,720.36	3,947.30
	Total	20,477.97	3,544.49	3,654.21	3,720.36	3,947.30

[1] Official CBN Exchange Rate of N147.6/US$1 for 2009 figures as at 31/12/2009
[2] Short-term external debt is debt with less than 1 year original maturity.

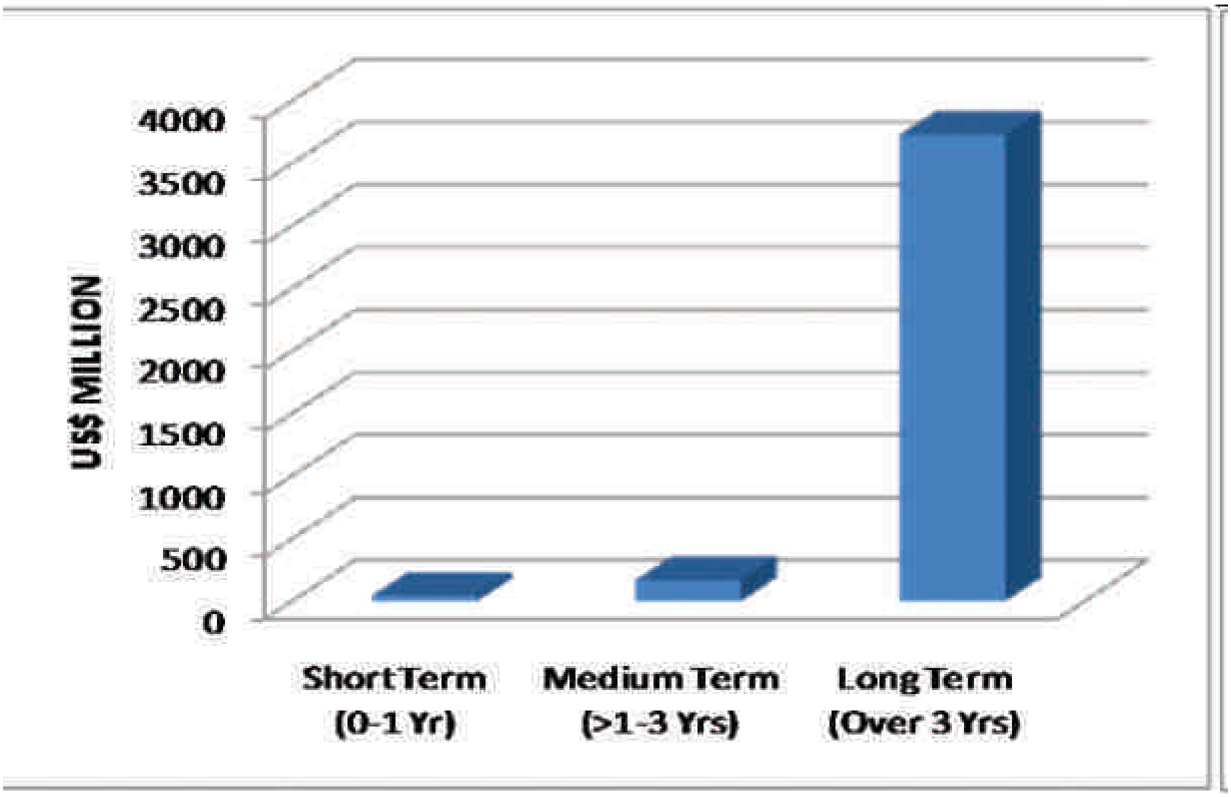
4.1.5 EXTERNAL DEBT BY REMAINING MATURITY

Table 4.5 shows all outstanding debts by remaining maturities. From the table, it could be seen that most outstanding loans (about 95 percent) have remaining maturity of over three years, implying that the bulk of the outstanding loans are long-term. The table also shows that whilst all the IBRD loans would mature in three years, about 38.95 percent of the ADB loans would equally mature within the same period.

TABLE 4.5: EXTERNAL DEBT OUTSTANDING BY REMAINING MATURITIES AS AT 31ST DECEMBER, 2009 (US$ MILLION)

Creditor Category	Short-Term (0 - 1yr)	Medium Term (>1yr - 3yrs)	Long Term (over 3 yrs)
Multilateral			
IBRD	24.69	79.00	0.00
IDA	0.00	0.00	2,746.74
IFAD	0.00	0.00	60.12
ADB	15.23	51.40	104.44
ADF	0.00	0.00	289.27
EDF	0.00	0.00	131.62
IDB	0.00	0.00	2.00
Non-Paris Club	3.77	40.50	398.52
Sub-Total	**43.69**	**170.90**	**3,732.72**
Grand Total			**3,947.30**

FIGURE 4.4: EXTERNAL DEBT STOCK BY REMAINING MATURITIES AS AT 31ST DECEMBER, 2009 (US$ MILLION)



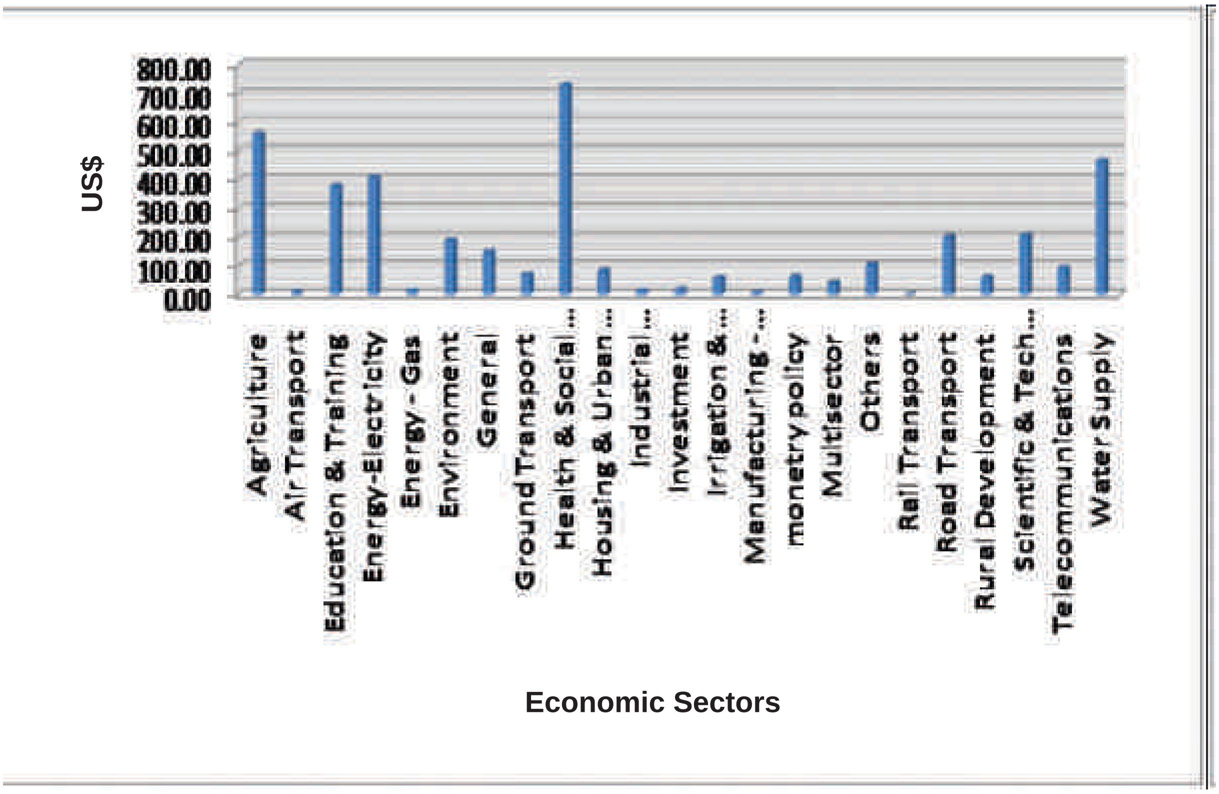
4.1.6 EXTERNAL DEBT BY ECONOMIC SECTOR

Table 4.6 shows external debt by economic sector. The table shows that the bulk of Nigeria's external debt was utilized to support infrastructure (telecoms, water, energy (electricity and gas), transportation (rail, road and air), housing, human capital development (education), health, social welfare and agriculture. This is in accordance with the provisions of the Fiscal Responsibility Act and the National Debt Management Objectives and Strategy.

TABLE 4.6: EXTERNAL DEBT STOCK BY ECONOMIC SECTOR AS AT 31ST DECEMBER, 2009 (US$ MILLION)

Economic Sector	Amount Outstanding	Percentage of DOD
Agriculture	558.82	14.16
Air Transport	9.75	00.25
Education & Training	379.96	09.63
Energy-Electricity	410.35	10.40
Energy - Gas	15.91	00.40
Environment	190.34	04.82
General	151.18	03.83
Ground Transport	71.91	01.82
Health & Social Welfare	730.15	18.50
Housing & Urban Develop.	85.60	02.17
Industrial Development	15.39	00.39
Investment	19.26	00.49
Irrigation & Related Act	58.43	01.48
Manufacturing - Exc textile	6.85	00.17
Monetary Policy	62.95	01.59
Multisector	42.79	01.08
Rail Transport	1.72	00.04
Road Transport	201.46	05.10
Rural Development	62.40	01.58
Scientific & Tech Equipm	206.41	05.23
Telecommunications	93.59	02.37
Water Supply	466.19	11.81
Others	105.89	02.68
Total	3,947.30	100.00

FIGURE 4.5: EXTERNAL DEBT STOCK BY ECONOMIC SECTOR AS AT 31ST DECEMBER, 2009



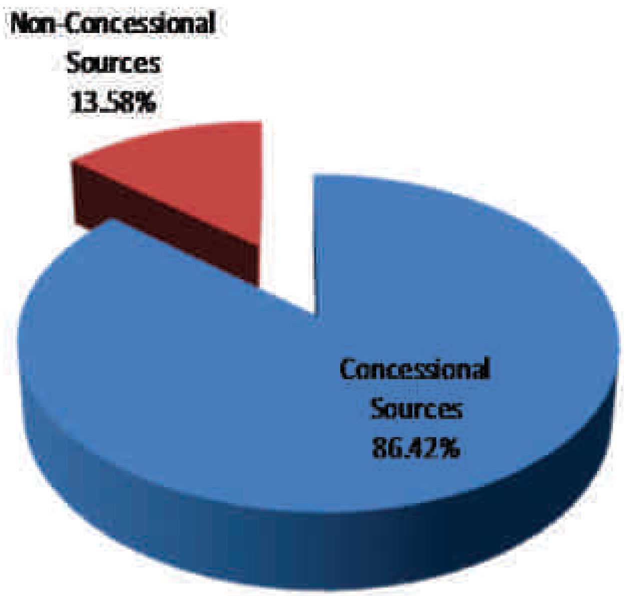
4.1.7 EXTERNAL DEBT BY CONCESSIONALITY

Table 4.7 shows external debt by concessionality. The table shows that 86.42 percent of Nigeria's external debts were from concessional sources while 13.58 percent were from non-concessional creditors. This is consistent with the objectives of the national debt management strategy. The International Development Association (IDA) is the largest creditor contributing 80.5 percent of the country's concessional debt.

TABLE 4.7: STATUS OF CONCESSIONAL/ NON-CONCESSIONAL EXTERNAL LOANS AS AT 31ST DECEMBER, 2009 (US$ MILLION)

S/No.	FUNDING SOURCES	Amount Outstanding	Amount Outstanding as a % of Total Debt
	Concessional Creditor Categories		
1	International Development Association (IDA)	2,746.74	69.59
2	International Fund for Agricultural Development(IFAD)	60.12	1.52
3	European Investment Fund(EIF)	131.62	3.33
4	African Development Fund(ADF)	289.27	7.33
5	Islamic Development Bank(IDB)	2.00	0.05
6	Arab Bank for Economic Development(ABED)		
7	Non-Paris Club Bilateral:	181.6	4.6
	Nigerian-Communications Satellite (NIGCOMSAT)		
	Locomotive Engine		
	Sub-Total	3,411.35	86.42
	Non-Concessional Creditor Categories		
1	International Bank for Reconstruction and Development(IBRD)	103.69	2.63
2	African Development Fund(ADB)	171.07	4.33
3	Non-Paris Commercial:	261.19	6.62
	Omotosho-Construction of 335 Megawatts of Gas Power Plant		
	Papalanto-Construction of 335 Megawatts of Gas Power Plant		
	ALCATEL-Nigeria Local Govt Rural Telephony		
	ZTE-Nigeria Local Govt Rural Telephony		
	Dualization of Ife-Ilesha Road		
	Sub-Total	535.94	13.58
	Grand Total	3,947.30	100

FIGURE 4.6: EXTERNAL DEBT STOCK BY CONCESSIONALITY AS AT 31ST DECEMBER, 2009



4.2 EXTERNAL DEBT FLOWS

4.2.1 EXTERNAL DEBT SERVICE PAYMENTS

Total external debt service payments for the year 2009 was US$428.04 million, compared to US$464.63 million in 2008, reflecting a decrease of US$36.59 million, or 7.88 percent. This decrease was due to principal repayments during the year and exchange rate movements in respect of multicurrency loans. The total external debt service payments constitute 0.26 percent of GDP and 10.84 percent of total external debt outstanding.

Table 4.8 and Figure 4.7 show that the largest debt service payment of US$260.52 million, or 60.87 percent, was made to the multilateral creditors. The second largest payment amounting to US$113.12 million, or 26.43 percent, was made in respect of Non-Paris Club Commercial creditors. This was followed by payment of US$41.72 million, or 9.75 percent, in respect of Oil Warrants, as Nigeria will continue to service the Oil Warrants till they are finally retired in 2020. The balance of US$12.67 million is payments made to Non-Paris Club Bilateral creditors, as well as Other payments made for professional/service fees. It is worthy to note that payments to Non-Paris Club Commercial creditors had been consistently increasing from 2007, due to new commercial commitments. A further

breakdown of the total external debt service in 2009 (Table 3.5) shows that the non-concessional window of the multilateral debt (IBRD and ADB) together received 49.13 percent of the total external debt service payments. However, the private commercial creditors (Non-Paris Commercial) received 26.43 percent of the total external debt service payments.

From the above analysis, 75.55 percent of Nigeria's total external debt service payments in 2009 were made in respect of non-concessional debts.

The five year (2005-2009) trend analysis of the total external debt payments showed a declining trend in the multilateral debt service payments from US$471.67 million in 2005 to US$260.52 million in 2009. The declining trend in the debt service payments to the multilateral creditors relative to the rising trend in the multilateral creditor's debt stock over the same period shows increasing access to cheaper loans facilities for the government. The astronomical rise in the servicing of private commercial debts from US$3.67 million in 2005 to US$113.13 million in 2009, an increase of 2,982.56 percent over the five year period, shows that the gradual but restrained interest in utilizing commercial debts to augment concessional debts as a strategy to meet the financing gaps of the government. These commercial loans were obtained to finance critical infrastructure such as rural telephony, gas plants, energy and roads.

TABLE 4.8: EXTERNAL DEBT SERVICE PAYMENTS, 2005-2009 (US$ MILLION)

CREDITOR CATEGORY	2005	2006	2007	2008	2009
A. Official:					
1. Bilateral:					
Paris Club	8,070.79	4,519.87	0.00	0.00	0.00
Non-Paris Club	11.39	25.56	27.48	6.63	12.66
2. Multilateral	471.67	426.62	392.77	380.63	260.52
Sub-Total	8,553.85	4,972.05	420.25	387.26	273.18
B. Private:					
1. London Club (oil warrants)[1]	169.86	1,584.58	102.59	41.72	41.72
2. Promissory Notes	213.55	170.84	476.6	0	0
3. Others (including Non-Paris Commercial)	3.67	1.60	22.60	35.65	113.13
Sub-Total	387.08	1,757.14	601.79	77.37	154.85
Grand Total	8,940.93	6,729.20	1,022.04	464.63	428.04

[1]The 2009 payments made to London Club debt were in respect of Oil Warrants **only**, as there has been no London Club stock since the end of 2007.

FIGURE 4.7: External Debt Service Payments, 2005-2009 (US$ Million)

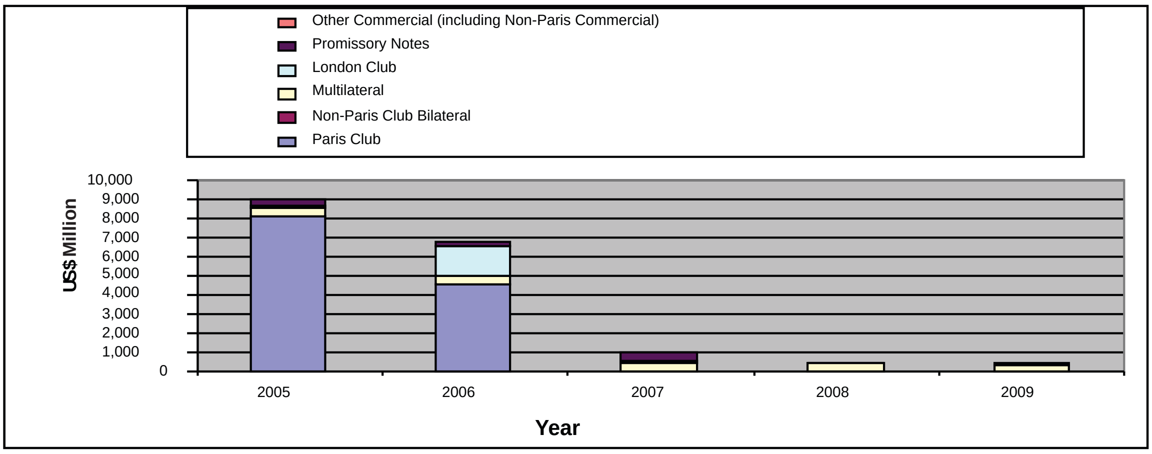
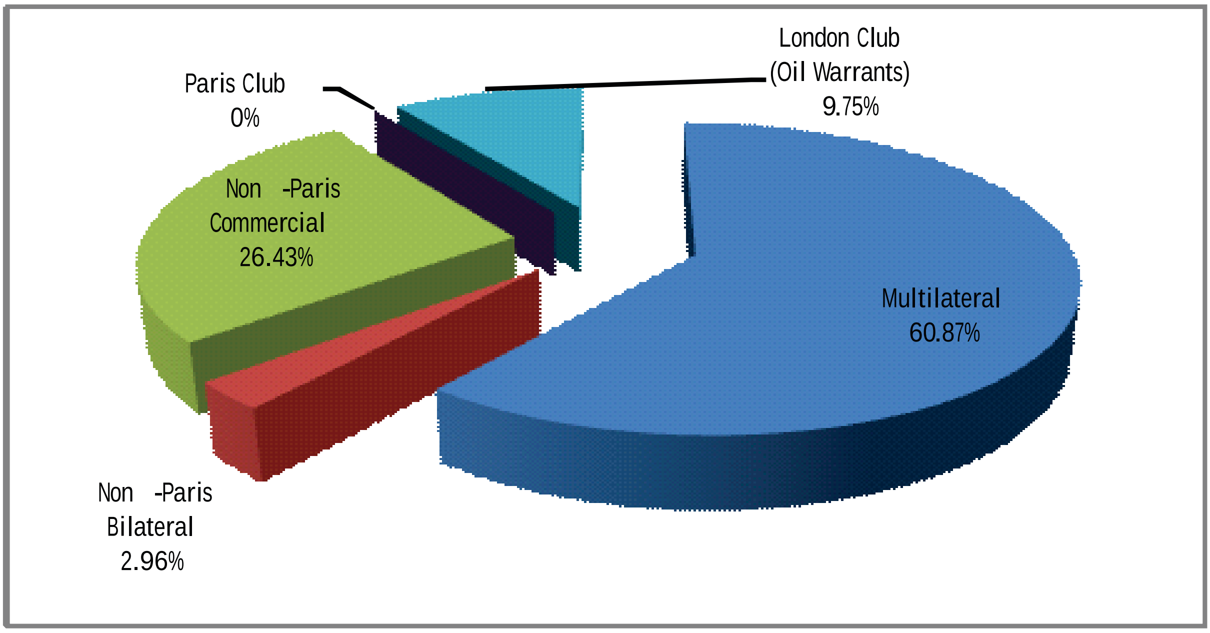


TABLE 4.9: ACTUAL EXTERNAL DEBT SERVICE PAYMENTS IN 2009 BY CREDITOR CATEGORY IN US$ MILLION

CATEGORY	Principal	Interest/ Service fee	Deferred Principal	Deferred Interest	Penalty Interest	Waiver/ Credit	Commitment Charges	Other Charges	Total	Percentage of Total
MULTILATERAL	210.61	45.12	5.34	0.65	0.01	(2.87)	1.43	0.23	260.52	61%
I.B.R.D.	92.30	7.92	5.30	0.38	0.01	(2.06)	0.00	0.19	104.04	
A.D.B	89.13	17.06	0.00	0.00	0.00	0.00	0.00	0.04	106.24	
IFAD	0.40	0.42	0.00	0.00	0.00	(0.02)	0.00	(0.01)	0.79	
A.D.F	1.81	1.99	0.00	0.00	0.00	0.00	1.39	0.00	5.19	
IDA	21.33	16.40	0.04	0.27	0.00	(0.79)	0.04	0.00	37.30	
EDF	5.64	1.33	0.00	0.00	0.00	0.00	0.00	0.00	6.98	
Oil Warrant	0.00	20.86	0.00	0.00	0.00	0.00	0.00	20.86	41.72	10%
NON PARIS BILATERAL	6.33	6.33	0.00	0.00	0.00	0.00	0.00	0.00	12.66	3%
EXIM BANK OF CHINA (NIGCOMSAT)	0.00	5.47	0.00	0.00	0.00	0.00	0.00	0.00	5.47	
EXIM BANK OF KOREA	6.33	0.86	0.00	0.00	0.00	0.00	0.00	0.00	7.19	
NON PARIS COMMERCIAL	94.98	16.84	0.00	1.30	0.00	0.00	0.00	0.00	113.12	26%
Papalanto & Omotosho	64.27	12.00	0.00	0.00	0.00	0.00	0.00	0.00	76.27	
ZTE	17.63	3.42	0.00	1.30	0.00	0.00	0.00	0.00	22.34	
ALCATEL	5.54	0.87	0.00	0.00	0.00	0.00	0.00	0.00	6.41	
SBI HOLDINGS	7.54	0.56	0.00	0.00	0.00	0.00	0.00	0.00	8.10	
OTHERS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.003%
WADMO/NBCI -ELGEP/CITIBANK/LOVELLS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Bank of England/CITIBANK(Agency Fees)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	
Professional Fees (Cleary Gottlieb S&H)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Bank Saderat/W&Case	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL	311.92	89.15	5.34	1.95	0.01	(2.87)	1.43	21.10	428.04	100%

FIGURE 4.8: EXTERNAL DEBT SERVICE PAYMENTS BY CREDITOR CATEGORY, (JAN. - DEC. 2009)



4.2.2 WAIVERS

A total amount of US$2.87 million was obtained by the Country from IBRD, IFAD and IDA, showing a breakdown of US$2.06, US$0.02 and US$0.79 made by each creditor respectively. This was due to the prompt payments made on debt service to multilateral group of creditors by the FGN.

4.2.3 EXTERNAL DEBT DISBURSEMENTS

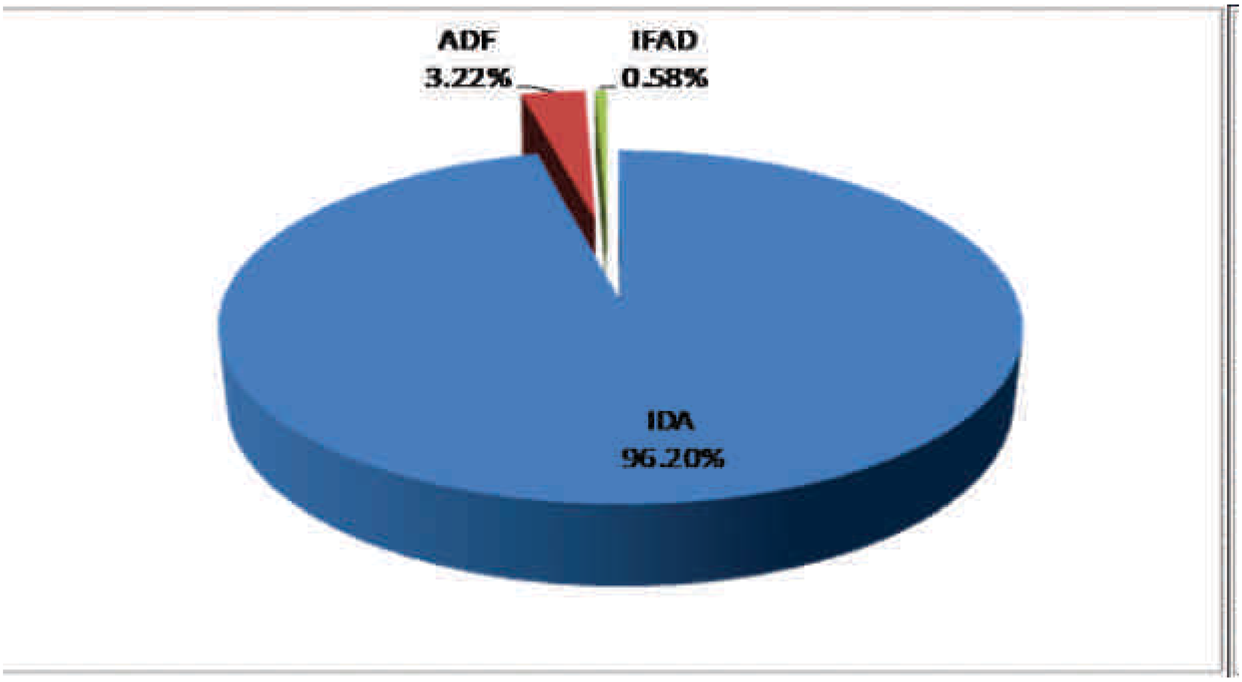
Actual external disbursements made by creditors amounted to US$532.83 million for 2009 compared to US$360.84 million showing an increase of US$171.99 million from that of year 2008. The increase in total disbursements is as a result of new disbursements on existing loans, as none of the new loans contracted in 2009 have started disbursing. Table 4.11 shows that 96.20 percent of the external loan disbursements in 2009 were on existing IDA loans. These are multilateral loans that are concessionary in nature.

TABLE 4.10: DISBURSEMENTS BY CREDITOR CATEGORY, 2005-2009 (US$ MILLION)

	2005	2006	2007	2008	2009
Official:					
Multilateral:					
IDA	*244.95*	*337.36*	*330.68*	331.13	512.58
IFAD	*2.46*	*5.20*	*6.52*	6.28	3.10
ADB	*10.42*	*5.53*	*2.34*	0.00	0.00
ADF	*6.98*	*10.11*	*47.08*	23.43	17.15
Sub-Total	**264.81**	**358.20**	**386.62**	**360.84**	**532.83**
Bilateral	0.00	119.77	37.94	0.00	0.00
Private	0.00	23.44	0.00	0.00	0.00
TOTAL	**264.81**	**501.41**	**424.55**	**360.84**	**532.83**

Disbursements exclude grants

FIGURE 4.9: DISBURSEMENTS BY CREDITOR CATEGORY FOR 2009 (US$ MILLION)



4.2.4 NET FLOWS ON EXTERNAL DEBT

An analysis of net inflows and transfers on the existing debt in the period under review (Table 4.12) shows a net transfer of US$104.8 million in 2009. The position in 2009 demonstrate some level of prudence in the debt management strategy and borrowing policies of the government which lay more emphasis on low cost or concessional borrowing. This compares favourably against the position in 2008 in which debt service payments were higher than new disbursements by US$103.79 million. Similarly, new disbursements were higher in 2009 than principal repayments (net resource flows) by US$215.58 million relative to the unfavourable position in 2008 where principal repayments were higher than new disbursements by US$24.87 million.

TABLE 4.11: NET INFLOWS AND NET TRANSFERS ON EXTERNAL DEBT BY CREDITOR TYPE AS AT 31ST DECEMBER, 2009 (US$ MILLION)

CREDITOR CATEGORY	DISBURSEMENTS IN 2009	PRINCIPAL REPAYMENTS IN 2009	NET RESOURCE FLOWS IN 2009	INTEREST PAID IN 2009	NET TRANSFERS IN 2009
	(A)	(B)	C (A+B)	(D)	E (C-D)
Multilateral	532.83	215.94	316.89	44.58	272.31
Bilateral	0.00	6.33	-6.33	6.33	-12.66
Commercial	0.00	94.98	-94.98	18.14	-113.12
Oil Warrants	0.00	0.00	0.00	41.72	-41.72
Citibank Agengy Fees	0.00	0.00	0.00	0.01	-0.01
TOTAL	532.83	317.25	215.58	110.78	104.80

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

4.2.5 EXTERNAL LOANS NEGOTIATED IN 2009

Table 4.13 shows that a total of US$486.56 million external loans were negotiated in 2009. These loans were raised from the concessional window of the IDA. The loans which were in tandem with the national borrowing policy were to be utilized in projects that are central to the actualization of the Seven-Point Agenda of the current administration.

TABLE 4.12: EXTERNAL LOANS NEGOTIATED IN 2009

S/N	CREDITOR CATEGORY	LOAN TITLE	DATE SIGNED	LOAN CURRENCY	AMOUNT IN ORIGINAL CURRENCY	EQUIVALENT IN USD
1	IDA	Health System Develop. Project. (Additional Financing)	2/5/2009	XDR	57,300,000.00	86,000,000.00
2	IDA	Partnership for Polio Eradication (additional Financing)	4/2/2009	XDR	31,800,000.00	47,562,070.00
3	IDA	Commercial Agricultural Development Project	5/5/2009	XDR	100,700,000.00	151,000,000.00
4	IDA	Malara Control Booster Project	7/20/2009	XDR	67,200,000.00	104,000,000.00
5	IDA	Lagos Eko Secondary Education Project	7/20/2009	XDR	63,600,000.00	98,000,000.00
		TOTAL			**320,600,000.00**	**486,562,070.00**

Chapter
FIVE

NIGERIA'S TOTAL DOMESTIC DEBT

5.1 TOTAL DOMESTIC DEBT STOCK

The securitized total domestic debt outstanding as at 31st December, 2009 stood at N3,228.03 billion compared to N2,320.31 billion as at 31st December, 2008**,** representing an increase of N907.72 billion, or 39.12 percent (Table 5.1). The increase in the stock of domestic debt was mainly accounted for by increase in the stock of the FGN bonds and NTBs mostly to finance budget deficits and special projects aimed at stimulating growth and poverty reduction.

Table 5.1 shows that in 2009, 61.18 percent of the total domestic debt stock is in FGN bonds. The FGN bonds stock stood at N1,974.93 billion in 2009 representing an increase of N529.33 billion or 36.62 percent over the previous year. The dominance of the FGN bonds in the debt portfolio is a result of the pursuance of the debt management strategy of achieving the 75:25 ratio of long/short term debt.

TABLE 5.1: DOMESTIC DEBT OUTSTANDING BY INSTRUMENTS FOR 2008 AND 2009 (N'BILLION)

INSTRUMENTS	2008	2009
FGN BONDS	1,445.60	1,974.93
NTBs	471.93	797.48
TREASURY BONDS	402.26	392.07
DEVELOPMENT STOCKS	0.52	0.52
PROMISSORY NOTE	0	63.03
TOTAL	2,320.31	3,228.03

5.2 TREND AND COMPOSITION OF TOTAL DOMESTIC DEBT OUTSTANDING BY INSTRUMENTS

Table 5.2 shows the stock of total domestic debt from 20052009, broken down on instruments basis. The stock of FGN bonds increased progressively from N250.83 billion in 2005 to N1,445.60 billion in 2008 and N1,974.93 billion in 2009, while NTBs decreased from N854.83 billion in 2005 to N471.93 billion in 2008. The spike in 2009 is mainly as a result of the issuance of new NTBs by the DMO. The new NTBs were issued by the DMO in order to address some observed structural challenges in the secondary market liquidity and price making in NTBs which affected the shorter end of the yield curve. The Treasury bonds and Development Stocks were legacy debt instruments from past issuances of

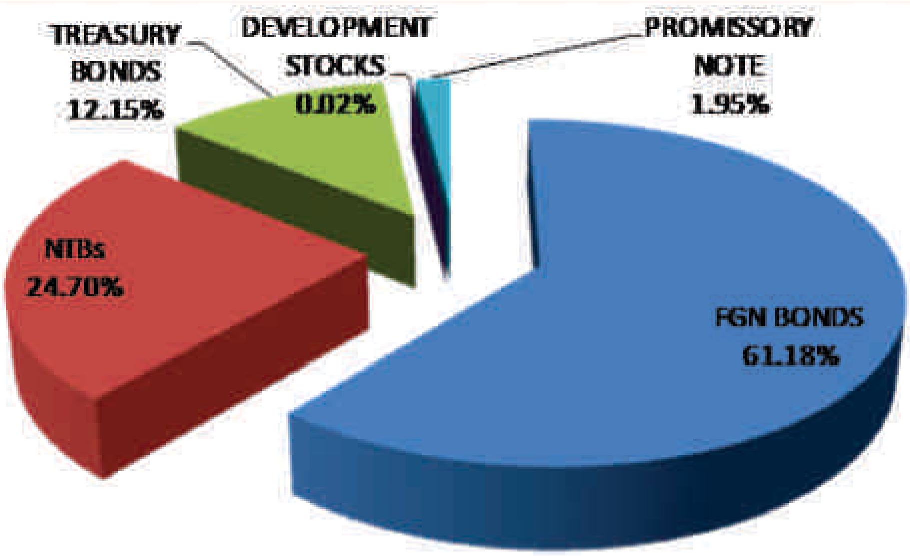
Federal Government of Nigeria. The stock of Treasury Bonds decreased from N419.27 billion in 2005 to N402.26 billion in 2008 and N392.09 billion in 2009, while Development Stocks decreased from N0.98 billion in 2005 to N0.52 billion in 2008 and 2009 respectively. Figure 5.1 illustrates the domestic debt portfolio mix as at 31st December, 2009.

The trend in the composition of the domestic debt stock is in consonance with the debt management objectives of restructuring the country's domestic debt portfolio in favour of long-term instruments. During the period under review, the DMO also issued Promissory Notes worth N63.03 billion representing 1.95 percent of the domestic debt portfolio.

TABLE 5.2: TREND OF TOTAL DOMESTIC DEBT OUTSTANDING BY INSTRUMENTS 2005-2009 (N'BILLION)

INSTRUMENTS	2005	2006	2007	2008	2009
FGN BONDS	250.83	643.94	1,186.16	1,445.60	1,974.93
NTBs	854.83	695	574.92	471.93	797.48
TREASURY BONDS	419.27	413.6	407.93	402.26	392.07
DEVELOPMENT STOCKS	0.98	0.72	0.62	0.52	0.52
PROMISSORY NOTE	0.00	0.00	0.00	0.00	63.03
TOTAL	**1,525.91**	**1,753.26**	**2,169.63**	**2,320.31**	**3,228.03**

FIGURE 5.1: COMPOSITION OF TOTAL DOMESTIC DEBT STOCK BY INSTRUMENTS AS AT 31ST DECEMBER, 2009



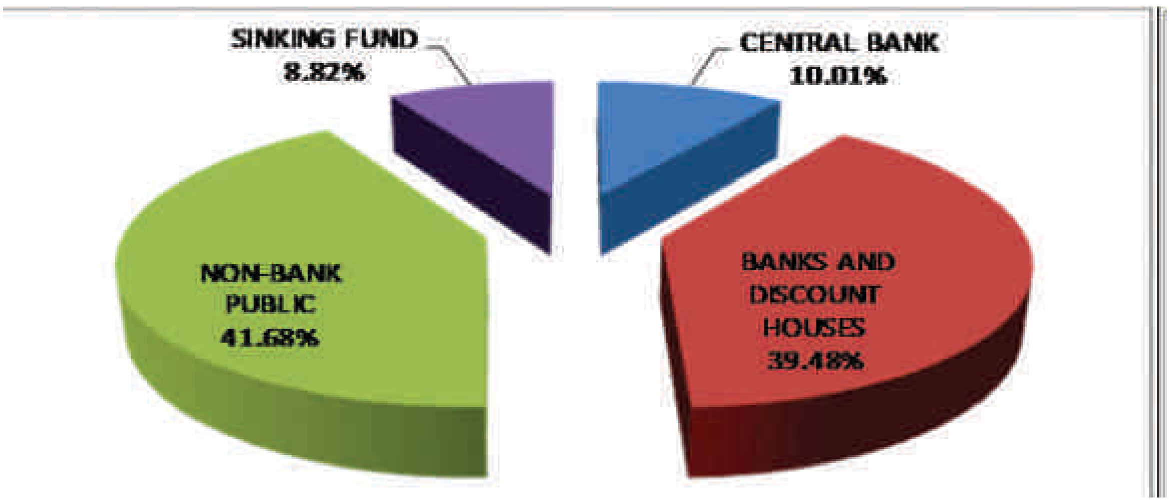
5.3 HOLDINGS OF TOTAL DOMESTIC DEBT

An analysis of the holdings of the securitized total domestic debt as at 31st December, 2009 reveals that the Non-Bank Public holds the bulk (41.68 percent) of the securitized debt. This was followed by Banks and Discount Houses which controlled 39.48 percent, while the Central Bank holds 10.01 percent of the debt portfolio. The increased holding of the FGN securities by the Non-Bank Public and the Banks and Discount Houses constituting 81.16 percent of the holdings has been attributed to the increased level of activity in the secondary market of FGN bond, and increasing acceptability of the debt instruments as an alternative investment outlet among market operators. However, the holdings of the securitized debt by the Central Bank of Nigeria which were mostly NTBs, Treasury bonds and of recent Promissory Notes, has marginally increased from N289.37 billion in 2008 to N323.18 billion in 2009 or 11.68 percent (Table 5.3). Figure 5.2 also shows the holdings of the FGN securities as at 31st December, 2009.

TABLE 5.3: TOTAL DOMESTIC DEBT OUTSTANDING BY INVESTOR TYPE AS AT 31ST DECEMBER, 2009 (N' BILLION)

INSTRUMENT	CENTRAL BANK	BANKS AND DISCOUNT HOUSES	NON-BANK PUBLIC	SINKING FUND	AMOUNT OUTSTANDING
FGN BOND	0.00	1,274.48	700.45	0.00	1,974.93
TREASURY BILLS (NTBs)	1.90	0.00	644.78	150.80	797.48
TREASURY BONDS	258.25	0.00	0.00	133.82	392.07
DEVELOPMENT STOCKS	0.00	0.10	0.32	0.10	0.52
PROMISSORY NOTES	63.03	0.00	0.00	0.00	63.03
TOTAL	**323.18**	**1,274.58**	**1,345.55**	**284.72**	**3,228.03**
% of Total	**10.01%**	**39.48%**	**41.68%**	**8.82%**	**100.00%**

FIGURE 5.2: COMPOSITION OF THE TOTAL DOMESTIC DEBT OUTSTANDING BY INVESTOR TYPE AS AT 31ST DECEMBER, 2009

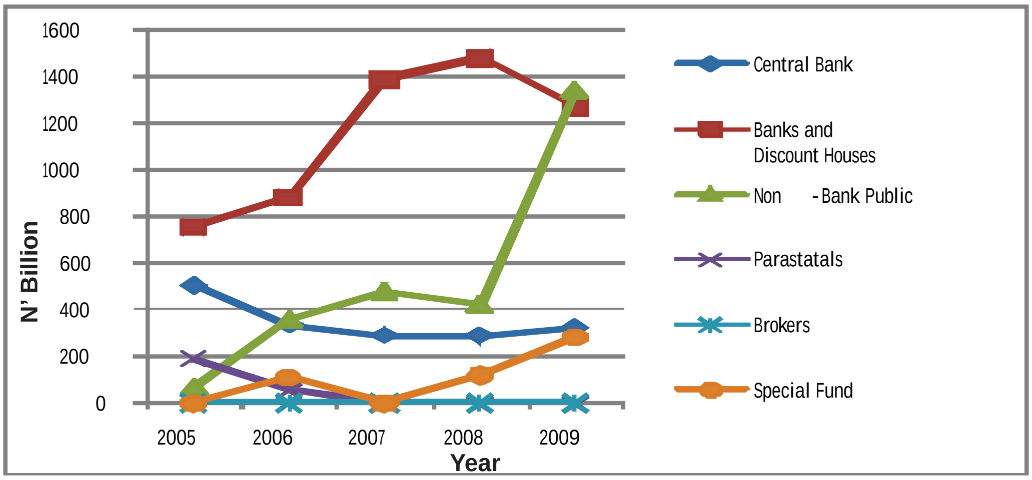


A trend analysis of the holdings of the domestic debt since 2005 shows that the holdings of the Central Bank has been declining over the years except for 2009 when it increase marginally by 11.68 percent over the 2008 figure. However, the holdings of the Non-Bank Public progressively increased from N71.88 billion in 2005 to N1,345.55 billion in 2009, an increase of 1771.94 percent. Similarly, the holdings of the Banks and Discount Houses has been on the increase since 2005 except in 2009 when it decrease by 14.01 percent compared to the 2008 figure (Table 5.4 and Figure 5.3).

TABLE 5.4: TOTAL DOMESTIC DEBT OUTSTANDING BY INVESTOR TYPE, 2005-2009 (N' BILLION)

Holder Category	2005	2006	2007	2008	2009
Central Bank	501.97	335.53	290.59	289.37	323.18
Banks and Discount Houses	759.61	882.85	1394.75	1482.16	1274.58
Non-Bank Public	71.88	365.38	484.29	428.03	1345.55
Parastatals	192.45	56.34	0.00	0.00	0.00
Brokers	0.00	0.84	0.00	0.00	0.00
Special Fund	0.00	112.31	0.00	120.75	284.72
ToTAL	1,525.91	1,753.25	2,169.63	2,320.31	3,228.03

FIGURE 5.3: COMPOSITION OF THE TOTAL DOMESTIC DEBT OUTSTANDING BY INVESTOR TYPE, 2005-2009 (N' BILLION)



5.4 TOTAL DOMESTIC DEBT BY OUTSTANDING MATURITY

Table 5.5 shows the total domestic debt stock outstanding by residual maturity classified into short and long term for the period 2005 to 2009. Short term refers to the aggregation of instruments with up to one year to maturity, while long term refers to the aggregation of instruments with over one year remaining maturity. The table showed that the bulk of the country's domestic debt (73.34 percent) in 2009 were long term, while the remaining balance of 26.66 percent were short term.

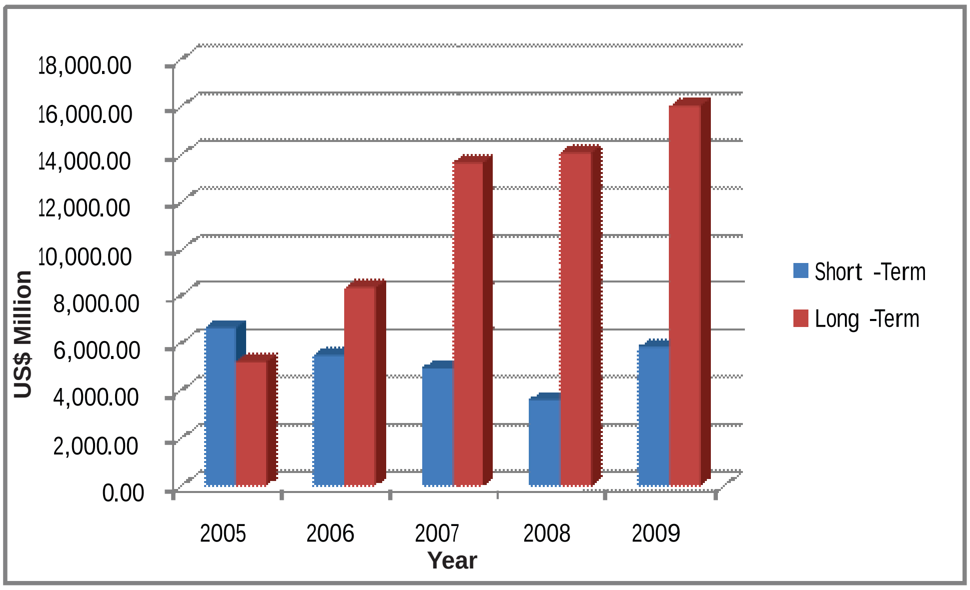
A trend analysis of the total domestic debt outstanding by maturity between 2005 and 2009 showed that since 2006, the proportion of long term debt has been on the increase from 43.98 percent in 2005 to 73.34 percent in 2009 representing an increase of 66.76 percent (Table 5.5 and Figure 5.4). The long term debts mainly comprised the FGN bonds which are long tenored instruments.

TABLE 5.5: TOTAL DOMESTIC DEBT OUTSTANDING BY MATURITY, 2005 2009 (US$'MILLION)

Year	Short-Term [1]	Long-Term [2]	Total
2005	6,626.59	5,202.17	11,828.76
2006	5,472.44	8,332.75	13,805.19
2007	4,922.26	13,653.42	18,575.68
2008	3,595.65	14,082.90	17,678.55
2009	5,830.03	16,040.09	21,870.12
% in 2009	26.66	73.34	100.00

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

FIGURE 5.4: TOTAL DOMESTIC DEBT OUTSTANDING BY MATURITY, 2005-2009



5.5 TOTAL DOMESTIC DEBT SERVICE

Total domestic debt service payments for the year 2009 was N281,540.14 million compared to N232,289.51 million in 2008, reflecting an increase of N49,250.63 million, or 21.20 percent (Table 5.6). The increase in the debt service was largely attributed to the increase in debt stock in the review period. FGN bonds service payments constitute N193,787.57 million or 71.42 percent, while payments in respect of NTBs and Treasury Bonds constitute 14.29 percent and 14.27 percent respectively. The dominance of the cost of servicing FGN bonds is a reflection of the shift in domestic borrowing strategy towards long term instruments. The total domestic debt service payment in 2009 represents 8.41 percent of the total domestic debt stock.

TABLE 5.6: TOTAL DOMESTIC DEBT SERVICE PAYMENTS, 2009 (N MILLION)

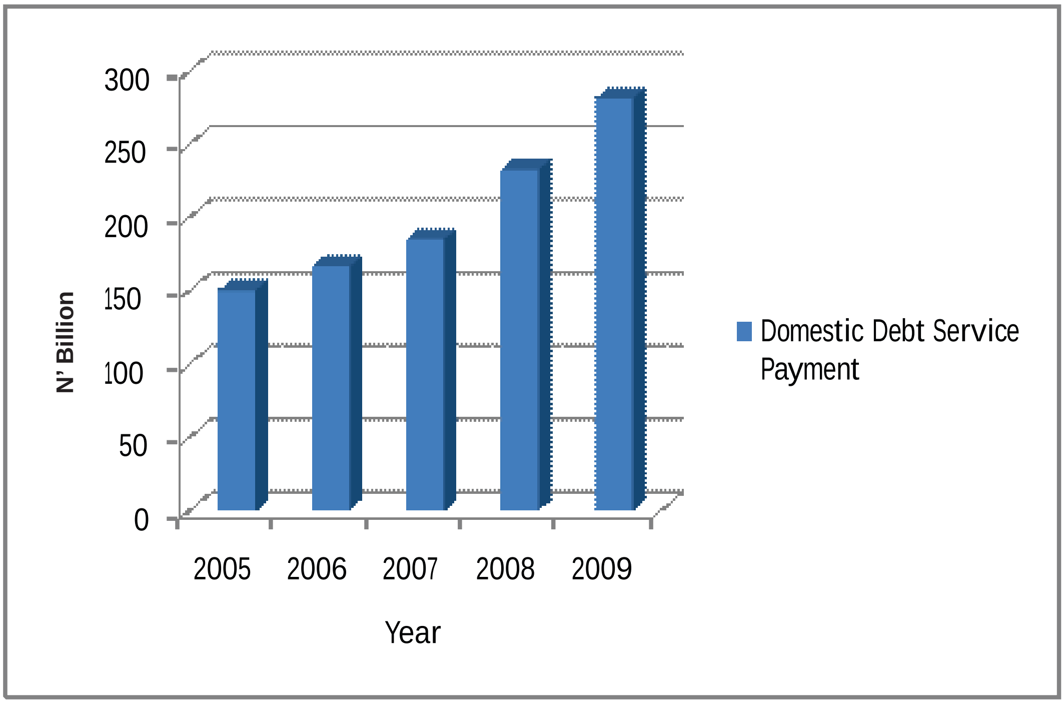
INSTRUMENTS	AMOUNT
FGN BONDS	
Interest	193,787.57
Principal	0.00
NTBS	
Interest	38,788.79
Principal	0.00
TREASURY BONDS	
Interest	38,711.12
Principal	10,187.65
DEVELOPMENT STOCKS	
Interest	65
Principal	0.00
PROMISSORY NOTES	
Interest	0.00
Principal	0.00
TOTAL	281,540.13

A trend analysis of the domestic debt service payments from 2005-2009 showed that the debt service payments have been on the increase. It has increased almost two fold between 2005 and 2009 reflecting the increasing accumulation of domestic debt stock (Table 5.7 and Figure 5.5).

TABLE 5.7: TOTAL DOMESTIC DEBT SERVICE PAYMENTS, 2005-2009 (N BILLION)

YEAR	DEBT SERVICE PAYMENTS
2005	150.45
2006	166.84
2007	185.37
2008	232.98
2009	281.54

FIGURE 5.5: TOTAL DOMESTIC DEBT SERVICE PAYMENTS, 2005-2009 (N BILLION)



5.6 FGN BOND MARKET ACTIVITIES

5.6.1 PRIMARY MARKET ACTIVITIES

The 2009 primary market activities shows that all the series were oversubscribed. A detailed analysis of the monthly auctions indicate that N694, 000.00 million was offered and the sum of N1,340,891.49 million was subscribed, thus representing 193.21 percent subscription. The over subscription level is a reflection of liquidity in the market, the increasing investor awareness and investor diversification. The subscription level in 2009 was higher (193.21percent) compared to the 2008 figure of 164.26 percent. However, the

total amount allotted to successful bidders was N726,500.00 million which was higher than the amount offered by N32,500.00 million or 4.68 percent (Table 5.8 and Figure 5.6). The difference represents special allotment to institutional investors on non-competitive basis.

A trend analysis of the FGN bond primary market activities (Table 5.9 and Figure 5.7) showed that the instruments have consistently been oversubscribed since 2005 with the exception of the 7-year bond. Similarly, the amount offered and allotted have been increasing over the years, thereby indicating growth in the bond market.

TABLE 5.8: 2009 FGN BONDS ISSUANCE (N' MILLION)

Months	ISSUE AMOUNT (₦)	SUBSCRIPTION (₦)	ALLOTMENT (₦)
January	50,000.00	112,703.17	50,000.00
February	50,000.00	88,073.59	50,000.00
March	50,000.00	76,741.16	50,000.00
April	121,000.00	164,169.79	121,000.00
May	84,560.00	152,213.70	84,560.00
June	50,000.00	119,669.66	50,000.00
July	60,000.00	138,219.24	60,000.00
August	60,000.00	121,262.46	60,000.00
September	54,000.00	96,775.21	75,000.00
October	49,440.00	123,112.45	60,940.00
November	65,000.00	147,994.75	65,000.00
December	0.00	0.00	0.00
TOTAL	694,000.00	1,340,935.18	726,500.00

FIGURE 5.6: SUMMARY OF MONTHLY FGN BONDS OFFER, SUBSCRIPTION AND ALLOTMENT, 2009 (N' MILLION)

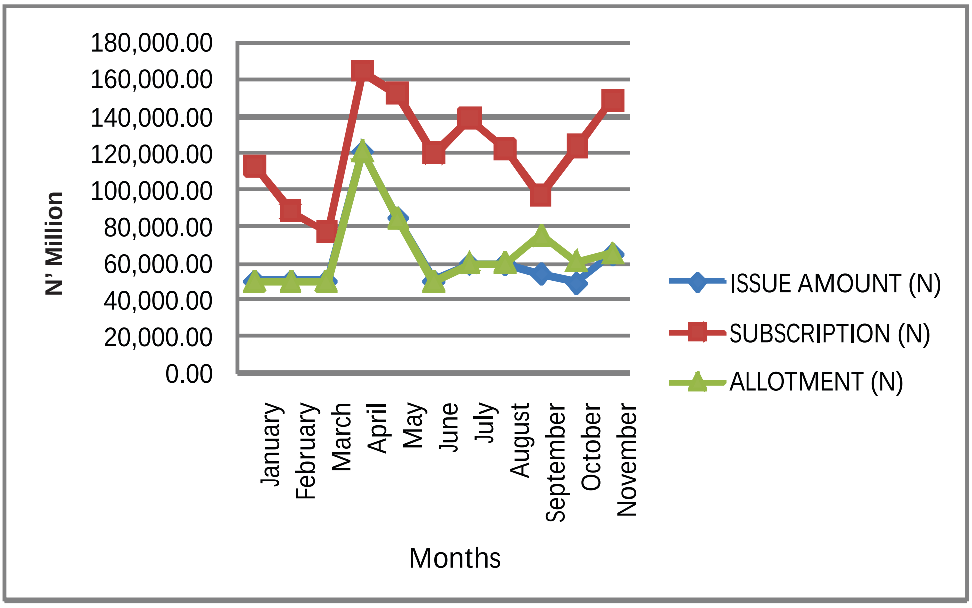
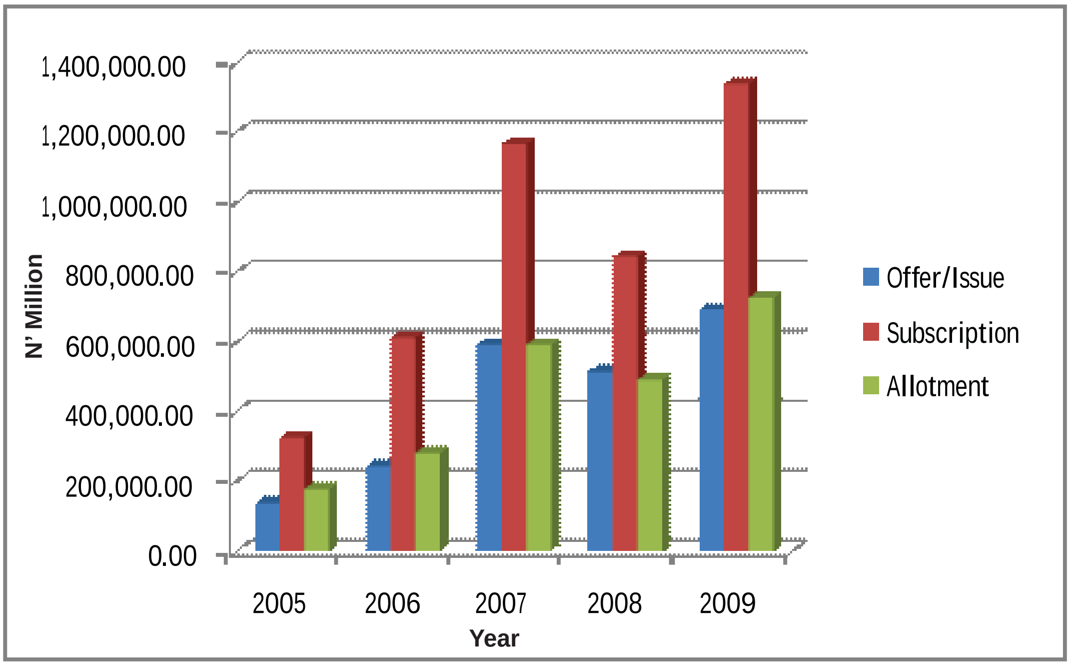


TABLE 5.9: FGN BONDS PRIMARY MARKET ISSUANCE, 2005-2009 (N' MILLION)

Year	Offer/Issue	Subscription	Allotment
2005	140,000.00	326,362.00	178,274.73
2006	245,000.00	612,979.00	282,082.84
2007	592,000.14	1,167,597.00	592,000.14
2008	515,000.00	845,951.00	491,961.16
2009	694,000.00	1,340,891.49	726,500.00

FIGURE 5.7: SUMMARY OF MONTHLY FGN BONDS OFFER, SUBSCRIPTION AND ALLOTMENT, 2005-2009 (N' MILLION)



5.6.1.1 ALLOTMENTS OF THE FGN BONDS ISSUED IN 2009

An analysis of allotments of the allotments by investor type in 2009 shows that Deposit Money Banks and Discount Houses constitute 48.63 percent of the holdings, Pension Funds and Foreign Investors hold 22.31 percent and 8.04 percent respectively. The Non-Bank Public share of the holding stood at 19.25 percent (Table 5.10 and Figure 5.8).

A trend analysis of allotments from 2005 to 2009 showed that allotment of the FGN bonds has been on the increase since 2005 except for 2008 (Table 5.9). Total allotments increased from N178,274.73 million in 2005 to N726,500.00 million in 2009 representing an increase of 307.52 percent. This significant increase in allotments is attributed to growth in the bond market.

TABLE 5.10: ALLOTMENTS OF THE 6TH FGN BONDS, 2009 (N'MILLION)

TOTAL AMOUNT OFFERED		694,000.00
TOTAL SUBSCRIPTION		1,340,891.49
RANGE OF BIDS %		5.00-18.02
RANGE OF MARGINAL RATES (COUPONS) %		7.00-15.00
PERCENTAGE OF SUBSCRIPTION		
	AMOUNT	PERCENTAGE OF TOTAL ALLOTMENT
TOTAL ALLOTMENT:	726,500.00	
DEPOSIT MONEY BANKS	283,417.05	39.01
DISCOUNT HOUSES	69,907.07	9.62
PENSION FUNDS	162,061.29	22.31
NON-BANK FINANCIAL INSTITUTIONS	139,855.12	19.25
FOREIGN INVESTORS	58,378.35	8.04
INDIVIDUALS	131.13	0.02
OTHER INSTITUTIONAL INVESTORS	12,750.00	1.75

FIGURE 5.8: ANALYSIS OF THE 6TH FGN BONDS 2009 ALLOTMENTS

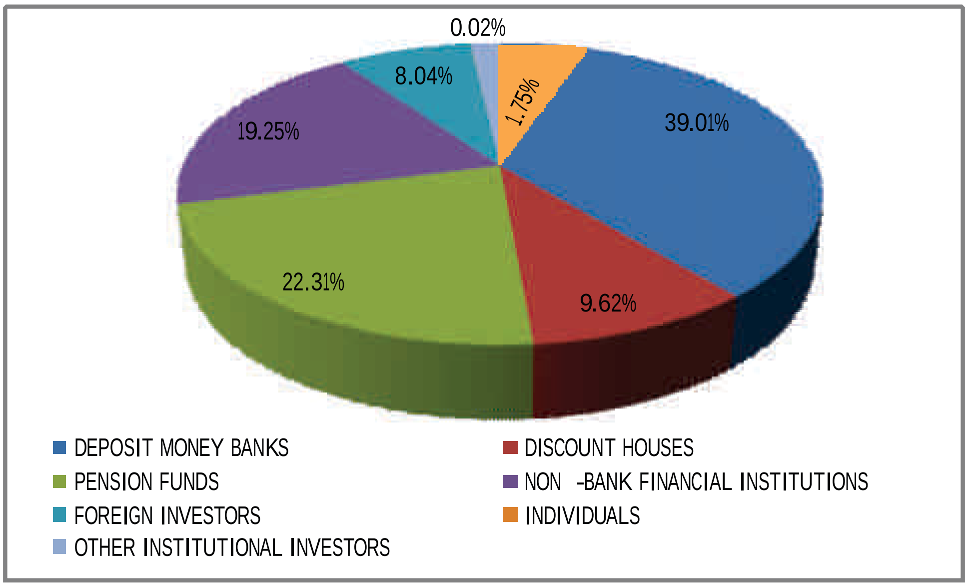
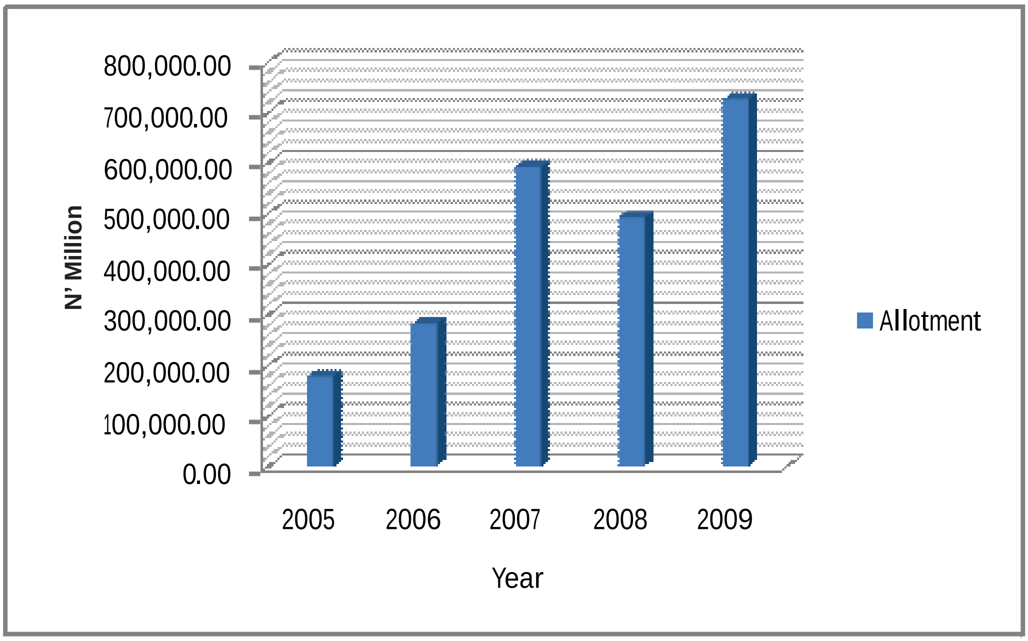


FIGURE 5.9: ANALYSIS OF THE FGN BONDS ALLOTMENTS, 2005-2009



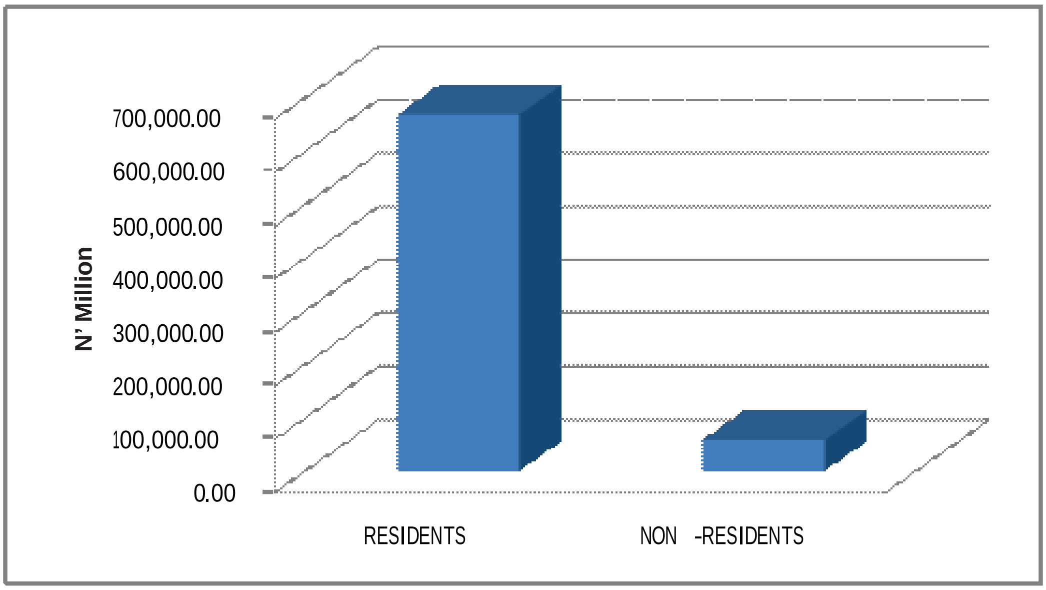
5.6.1.2 ALLOTMENT OF THE 6TH FGN BONDS BY RESIDENCY CLASSIFICATION

An analysis of the allotments of the 6th FGN Bond by residency classification in 2009 shows that resident investors accounted for N668,121.65 million representing 91.96 percent, while the non-residence accounted for the remaining balance of N58,378.35 million percent representing 8.04 percent (Table 5.11 and Figure 5.10). The existence of non-residents or foreign investors signifies increased diversification of the investor base in the FGN bond market.

TABLE 5.11: ALLOTMENTS OF THE 6TH FGN BONDS, 2009 BY RESIDENCY CLASSIFICATION (N' MILLION)

RESIDENCY CLASSIFICATION	AMOUNT	% OF TOTAL
RESIDENTS	668,121.65	91.96
NON-RESIDENTS	58,378.35	8.04
TOTAL	726,500.00	100.00

FIGURE 5.10: ANALYSIS OF THE ALLOTMENTS OF THE 6TH FGN BONDS 2009, BASED ON RESIDENCY CLASSIFICATION



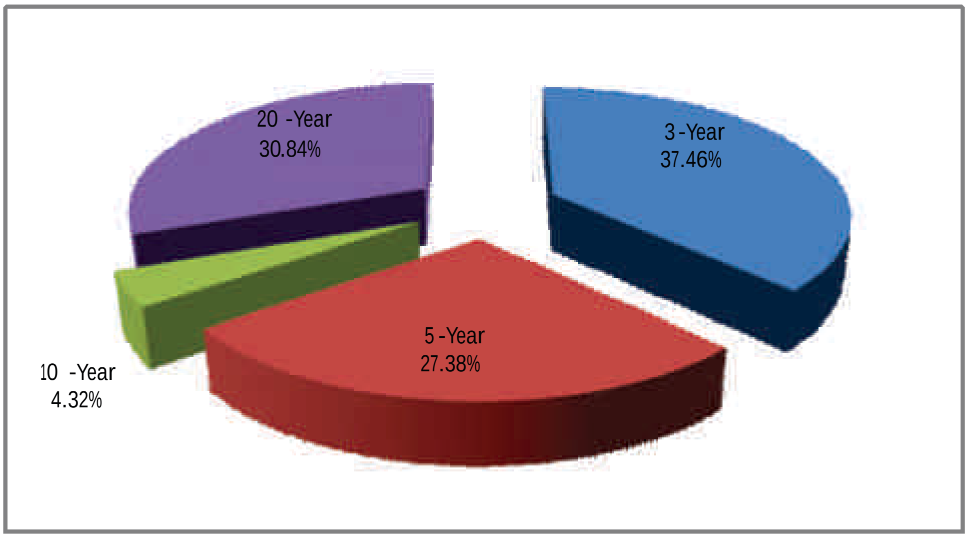
5.6.1.3 AUCTION ANALYSIS BY TENOR

The auction analysis by the tenor of the FGN bonds in 2009 showed that issues for the various tenors were subscribed (Table 5.12 and Figure 5.11). The bonds were issued in 3-year, 5-year, 10-year and 20-year tenors. All the bonds were liquid with the exception of the 10-year bond. A breakdown of the tenors of the instruments showed that the 3, 5 and 20-year bonds represents 37.46 percent, 27.38 percent and 30.84 percent of the allotments respectively thereby creating a benchmark.

TABLE 5.12: ANALYSIS OF THE 6TH FGN BONDS, 2009 BY TENOR

S/N	TENOR	AMOUNT (N' MILLION)	PERCENTAGE
1	3-Year	260,000.00	37.46
2	5-Year	190,000.00	27.38
3	10-Year	30,000.00	4.32
4	20-Year	214,000.00	30.84
	TOTAL	694,000.00	100.00

FIGURE 5.11: AUCTION ANALYSIS OF THE 6TH FGN BONDS, 2009 BY TENOR



5.6.2 SECONDARY MARKET ACTIVITIES

Activities in the FGN Bonds secondary market recorded significant growth in 2009 when compared with the previous year (Table 5.13 and Figures 5.12 and 5.13). Table 5.13 shows that the Number of Deals (transactions) grew by 65.2 percent from 80,135 in 2008 to 132,374 in 2009. These figures translate to an average of 6,678 and 11,031 deals per month in 2008 and 2009 respectively. The Total Value of transactions in 2009 was N16,789 billion, an increase of N6,699 billion or 66.4 percent over the N10,090 billion recorded in 2008. Similarly the highest number of transactions stood at 17,704 in October 2009 compared to the peak of 12,153 deals in October 2008. The significant growth recorded in 2009 was as result of increased participation of non-bank financial institutions in the market notably the Pension Fund Administrators, improved sophistication of the Primary Dealer Market Makers (PDMMs) and associated market efficiency, as well as, the sluggish recovery of the equity segment of the Nigerian Capital Market.

TABLE 5.13: FGN BONDS SECONDARY MARKET TRADES (OTC), 2006-2009 (N' BILLION)

Year	Number of Deals/Transactions	Volume (Units)	Face Value (N' B)
2006	5,482.00	585,410,867	585.411
2007	30,241.00	3,947,284,982	3,947.29
2008	80,135.00	10,090,235,806	10,090.24
2009	132,374.00	16,789,262,632	16,789.26

Source: Central Securities Clearing System (CSCS)

A trend analysis of the FGN bonds secondary market activities from 2006 to 2009 showed that transaction in market has been significantly on the increase. The face value of trades increased from N585.411 billion in 2006 to N16,789.26 billion in 2009 representing an increase N16,203.85 billion or 2767.95 percent demonstrating the increasing growth and investor confidence in the bond market.

FIGURE 5.12: VOLUME OF FGN BONDS SECONDARY MARKET TRADES, 2006-2009 (AMOUNT IN UNITS)

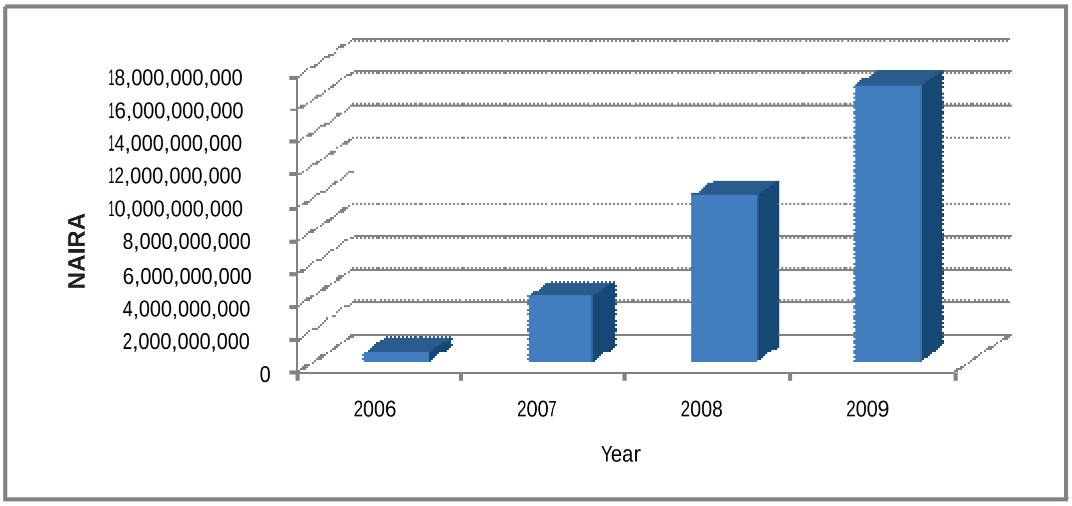
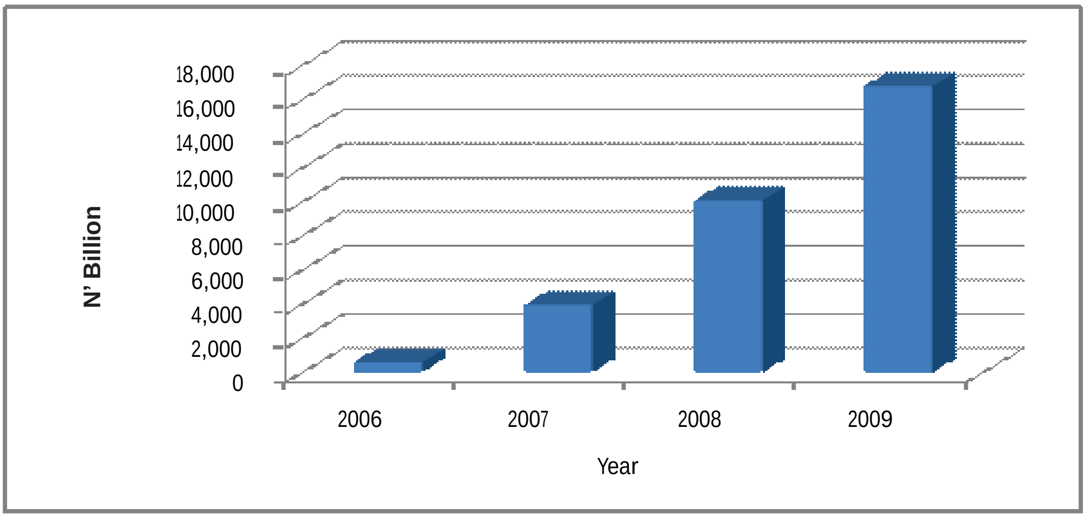


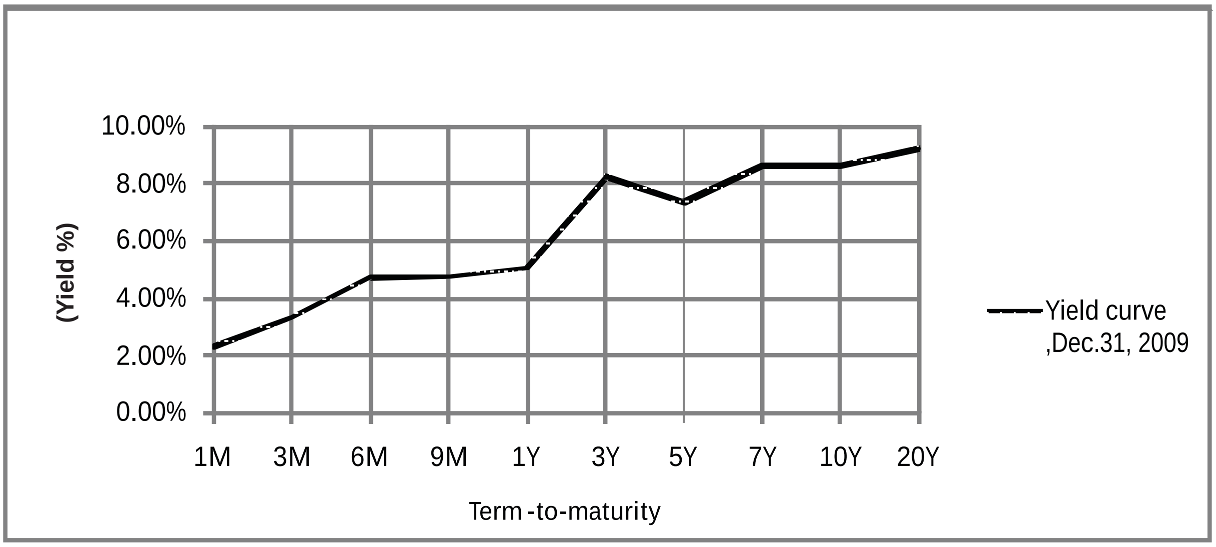
FIGURE 5.13: FGN BONDS SECONDARY MARKET TRADES, 2006-2009 (N' BILLION)



5.6.2.1 SOVEREIGN YIELD CURVE FOR THE FEDERAL GOVERNMENT OF NIGERIA SECURITIES

Figure 5.14 shows the sovereign yield curves of the Federal Government of Nigeria securities, comprising the Nigerian Treasury Bills (NTBs) and the FGN Bonds, as at 31st December, 2009. It is noteworthy to mention that the Sovereign Yield Curve was extended from 10 years in December 2008 to 20 years in December, 2009 with the commencement of trading in the 20-year bond in the first Quarter of 2009. The Sovereign Yield Curve for the Federal Government of Nigeria securities was upward-sloping in 2009. The yield on long tenored instruments, being essentially an average of a series of current and expected future yields, was relatively higher than the short tenored instruments as shown in Figure 5.14

FIGURE 5.14: SOVEREIGN YIELD CURVE FOR THE FEDERAL GOVERNMENT OF NIGERIA SECURITIES AS AT 31ST DECEMBER, 2009



Chapter
SIX

DEBT SUSTAINABILITY ANALYSIS

6.1 INTRODUCTION

The 2009 Debt Sustainability Analysis (DSA) of the country's debt profile was conducted during the year. The exercise which was led by the DMO was conducted with the participation of the CBN, FMF, BOF, NPC, NBS and WAIFEM which provided the consultancy. The exercise was based on the World Bank Debt Sustainability Framework for Low Income Countries (World Bank DSF-LIC) Template (February, 2009). The purpose of the exercise was to assess Nigeria's debt sustainability and financing gaps in the medium to long term, as well as, proffer how best these gaps could be filled with additional borrowing and/or other financial inflows.

The exercise was undertaken within the context of the unfolding global financial crisis which adversely affected crude oil price, which is a major foreign exchange earner for the country. The results of the exercise which were based on the analysis of the country's debt profile and other macroeconomic data were benchmarked against the World Bank's Country Policy and Institutional Assessments (CPIA) Index which classifies Nigeria into one of the three policy performance categories (strong, medium, and poor), and Nigeria is currently classified as a Medium Performer with a rating of 3.4.

6.2 DSA SCENARIOS

The DSA examined three scenarios: Baseline Scenario, Optimistic Scenario (Accelerated GDP Growth) and Pessimistic Scenario (Reduction in the Oil Production and Global Financial Meltdown). The following were the main assumptions of the Baseline Scenario: average real GDP growth rate of 6.65 percent, double digit inflation rate averaging 11.5 percent yearly over the period 2009-2015, Average oil price of US$48 per barrel for the period 2009-13 and thereafter, US$55 per barrel for the rest of the period under review, oil production level of 2.4 million per day by 2029, budget deficit of an average of 3 percent of the GDP, projected growth in exports and imports throughout the projection period, Exchange rate of US$1/N150 for 2009-2015 and US$1/N160 for 2020-2029, external borrowing at a minimum concessional grant element of 35 percent, projected deficit to be financed 40:60 ratio from external/domestic sources, and restructuring of the domestic debt in the ratio of 75/25 for long term/short term instruments. The Optimistic Scenario has the following assumptions: achievement of the 7-Point Agenda and Vision 20:2020, average real GDP growth rate of 11 percent, single digit inflation from 2010, improvements in government revenue due to favorable outlook in oil revenue, average oil price of US$71 per barrel throughout the projection period, daily oil production of above 3 million barrels per day, current account surplus due to exports growing faster than import, Exchange rate of US$1/N120, and fiscal deficit to be financed largely from less concessional sources. The Pessimistic Scenario has the following assumptions: prolonged impact of the global financial meltdown in the medium term and possible reduction in oil production, average real growth rate of 2.9 percent in 2009 and not more than 3 percent over the projection period, single digit inflation from 2010, shortfall in oil production due to the Niger Delta issue and possible reduction in Nigeria's OPEC production quota, average oil production of 1.75 million barrels per day, average oil price of US$33 per barrel, Exchange rate ranging from US$1/N145 to US$1/N230 during the projection period, current account deficit due to imports growing faster than exports throughout the projection period.

6.3 DEBT SUSTAINABILITY UNDER THE BASELINE SCENARIO

6.3.1 TOTAL PUBLIC DEBT SUSTAINABILITY

The results of the baseline scenario showed that Nigeria's total public debt (external and domestic) will remain sustainable throughout the projection period. The solvency indicators showed that the public debt will remain sustainable, whilst the liquidity indicators of the baseline scenario showed that the risk of illiquidity will affect the country's ability to service its public debt service obligations in the medium to long term (Table 6.1, Figure 6.1, Figure 6.2, and Figure 6.3). This is due to the rising domestic debt service payment obligations in the medium and long term.

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

SOLVENCY/LIQUIDITY INDICATORS	MEDIUM POLICY PERFORMERS' THRESHOLD (%)	2009 (%)	2014 (%)	2019 (%)	2029 (%)
NPV of Debt/GDP	40	9.2	8.6	9.9	17.4
NPV of Debt/Revenue	250	58.7	49.2	73.5	233.7
Debt Service/Revenue	30	15.7	26.9	36.4	15.6

Source: 2009 DSA Report

FIGURE 6.1:NPV OF TOTAL PUBLIC DEBT/GDP RATIO, 2009-2029

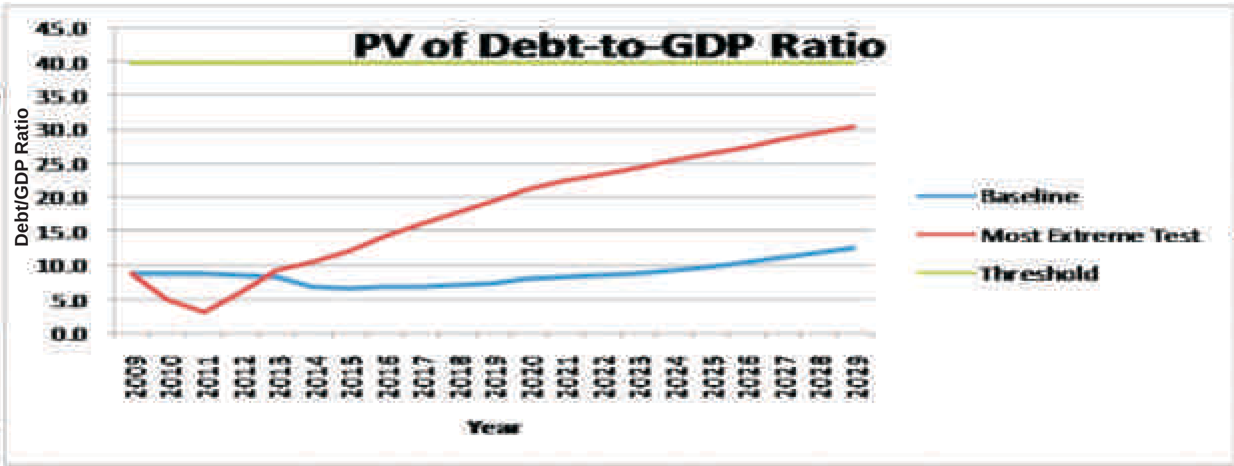


FIGURE 6.2: NPV OF TOTAL PUBLIC DEBT/REVENUE RATIO, 2009-2029

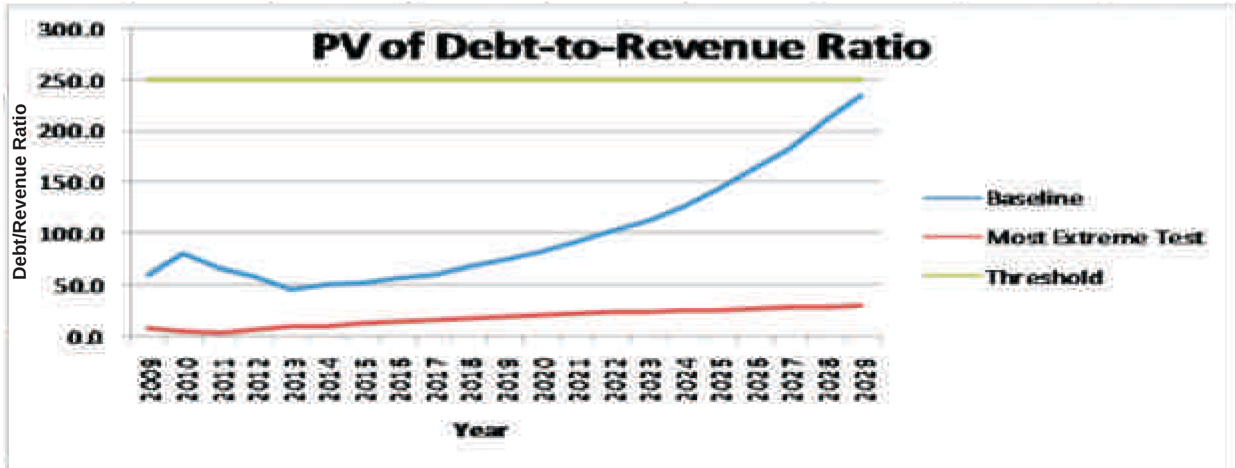
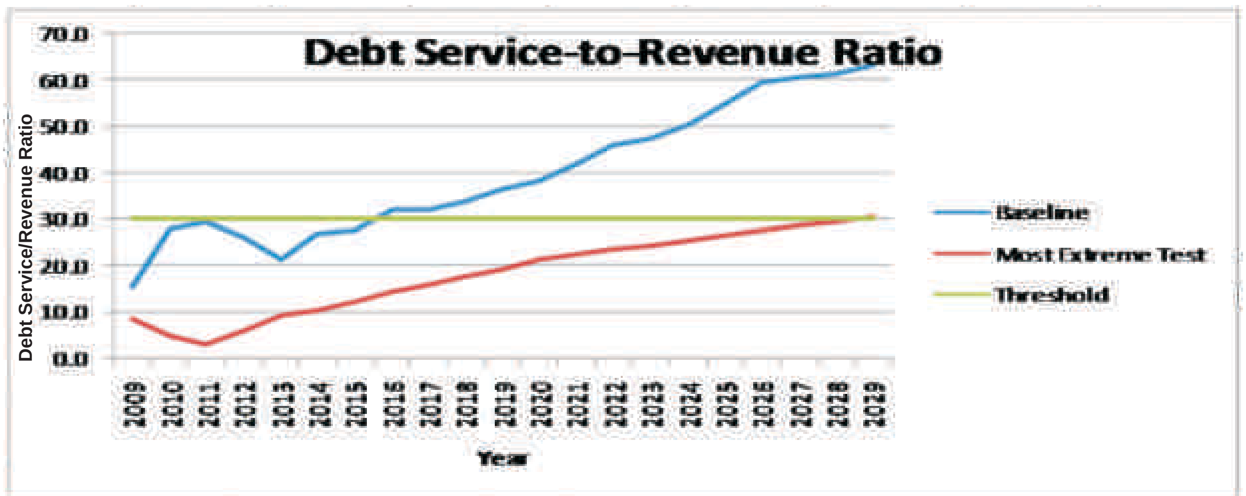
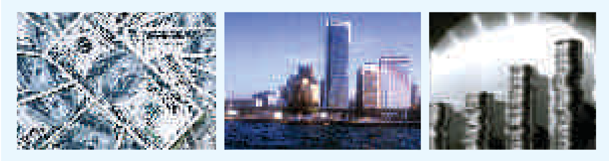


FIGURE 6.3: NPV OF TOTAL PUBLIC DEBT SERVICE/REVENUE RATIO, 2009-2029





6.3.2 EXTERNAL DEBT SUSTAINABILITY

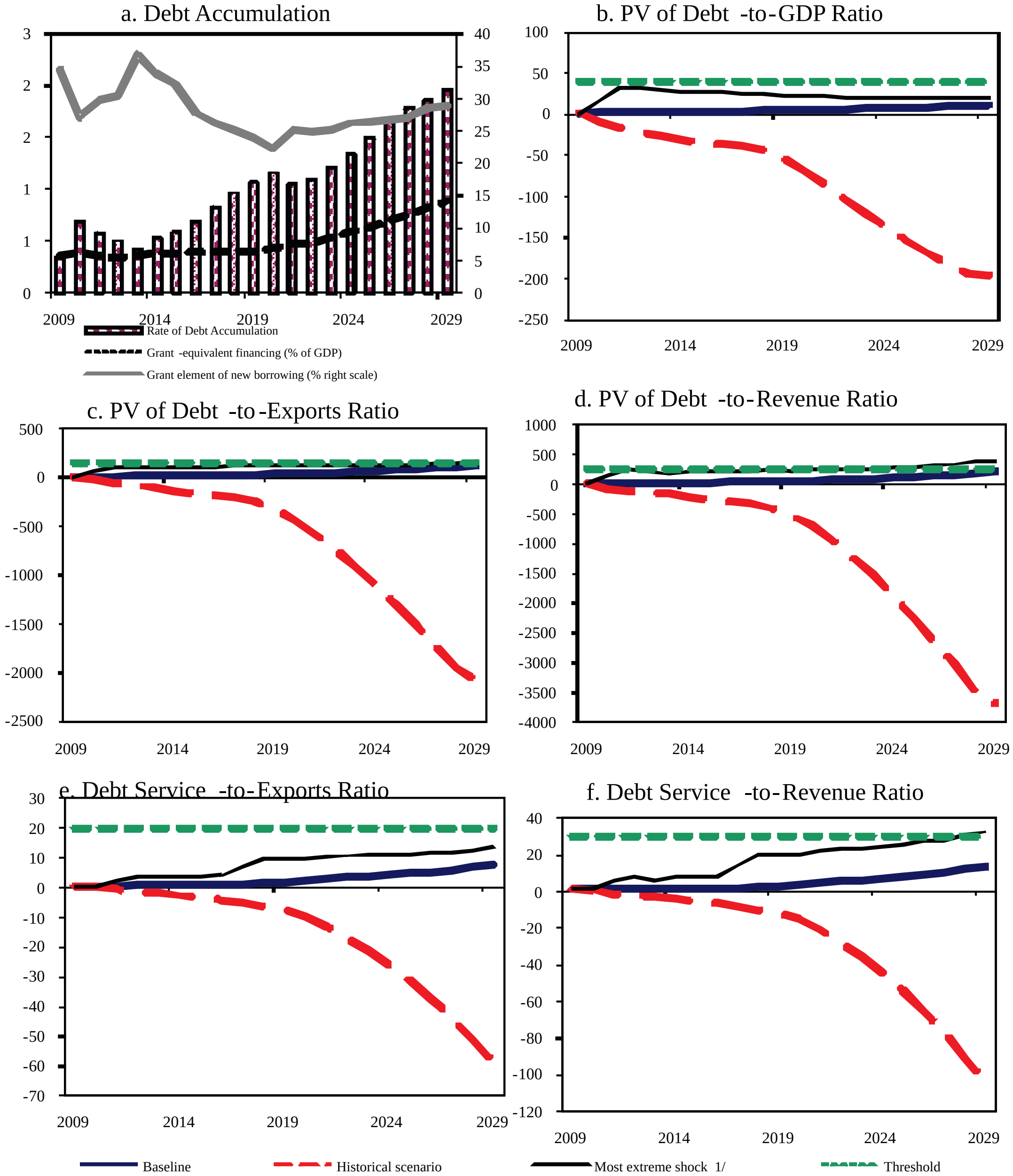
Under the baseline scenario, the results of the DSA showed that both the solvency and liquidity indicators of the country's external debt will remain sustainable throughout the projection period. All the external debt ratios are within the indicative threshold (Table 6.2 and Figure 6.4).

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

SOLVENCY/LIQUIDITY INDICATORS	MEDIUM POLICY PERFORMERS' THRESHOLD (%)	2009 (%)	2014 (%)	2019 (%)	2029 (%)
NPV of Debt/GDP	40	1.6	2.9	5.0	11.5
NPV of Debt/Revenue	250	10.7	20.5	49.6	216.1
Debt Service/Revenue	30	1.1	1.5	2.9	13.8
Debt Service/Export	20	0.5	0.9	1.8	7.8

Source: 2009 DSA Report

FIGURE 6.4: EXTERNAL DEBT SUSTAINABILITY STATUS



DMO
Source: Staff projections and simulations.

1/the most extreme stress test is the test that yields the highest ratio in 2019. In 2019. In figure b. It corresponds to a combination shock; in c. to a Non-debt flows shock; in d. to a Combination shock; in e. to a Non-debt flows shock and in picture f. to a Combination shock

6.4 DEBT SUSTAINABILITY UNDER THE OPTIMISTIC SCENARIO

The results of the Optimistic scenario showed that the country's external debt ratios would remain sustainable in the medium term (Table 6.3, Figure 6.5, Figure 6.6 and Figure 6.7). All the solvency indicators showed debt sustainability only in the medium term. This is due to macroeconomic assumption of massive increase in investments mainly from less concessional sources which would increase the debt burden of the country and lead to unsustainability in the long term. The liquidity indicators under the optimistic scenario also display a similar trend of debt sustainability only in the medium term. This is due to the assumption of relying on external funding sources to fund development which would have the effect of putting pressure on government's ability to service its mounting debt in the medium term and thereby leading to unsustainability in the long term. The results of the Pessimistic scenario showed that Nigeria's total public debt would be unsustainable in the long term if the global financial meltdown remains unabated and the Niger Delta problem persists. The implication of these results is that Nigeria needs to pursue a policy of funding mix (concessional and non-concessional sources) in order to maintain sustainability in the long term.

TABLE 6.3: NIGERIA'S DEBT INDICATORS UNDER THE OPTIMISTIC SCENARIO

SOLVENCY/LIQUIDITY INDICATORS	MEDIUM POLICY PERFORMERS' THRESHOLD (%)	2009 (%)	2014 (%)	2019 (%)	2029 (%)
NPV of Debt/GDP	40	1.6	13.9	58.8	176.9
NPV of Debt/Revenue	250	10.7	214.2	527.8	3,681.1
Debt Service/Revenue	30	1.1	6.1	16.6	227.3

Source: 2009 DSA Report

FIGURE 6.5: NPV OF TOTAL PUBLIC DEBT/GDP RATIO, OPTIMISTIC SCENARIO, 2009-2029

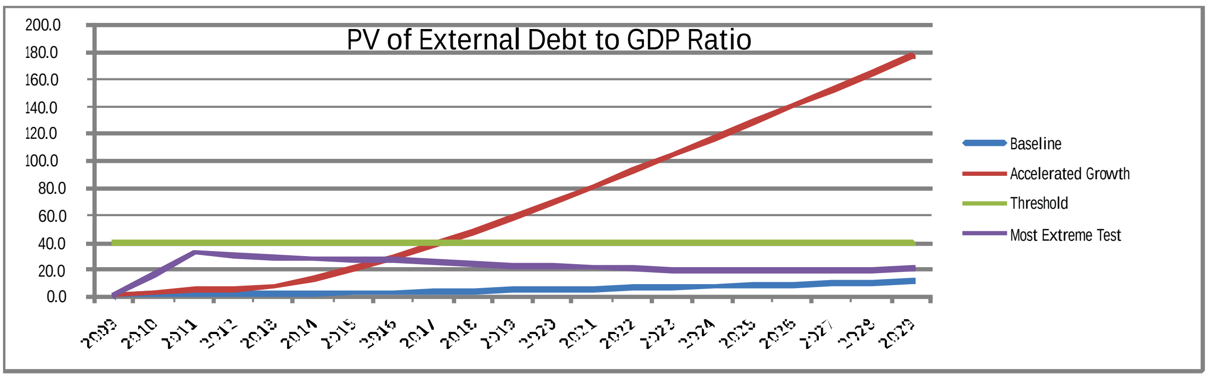


FIGURE 6.6: NPV OF TOTAL PUBLIC DEBT/REVENUE RATIO, OPTIMISTIC SCENARIO, 2009-2029

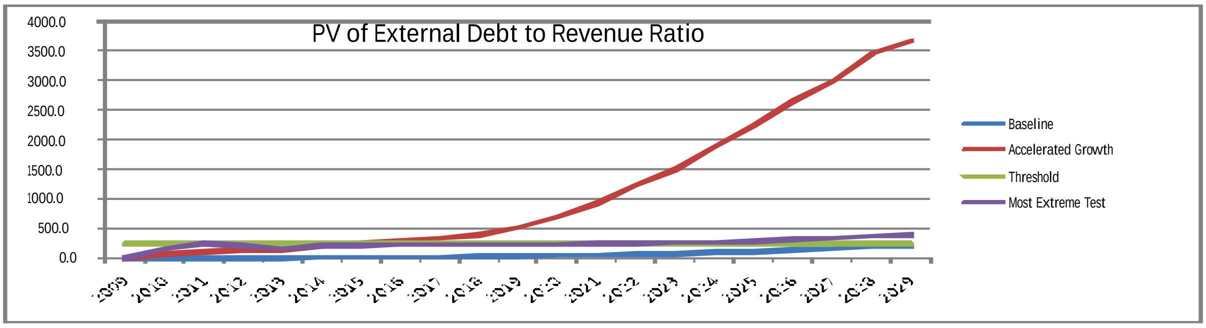
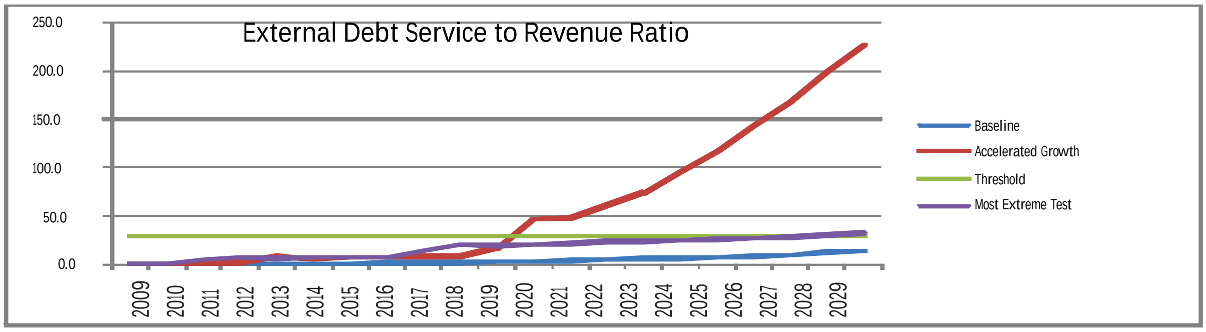


FIGURE 6.7: NPV OF TOTAL PUBLIC DEBT SERVICE/REVENUE RATIO, OPTIMISTIC SCENARIO, 2009-2029



6.5 DEBT SUSTAINABILITY UNDER THE PESSIMISTIC SCENARIO

The results of the DSA showed that under the pessimistic scenario, the country's debt ratios would be sustainable in the medium term; however, it would be unsustainable in the long term as long as the global financial meltdown persists and the Niger Delta crisis continues to undermine oil production. The country would face difficulties in servicing its debt after 2010 due to liquidity problems arising from short falls in oil production (Table 6.4, Figure 6.8, Figure 6.9 and Figure 6.10)

TABLE 6.4: NIGERIA'S DEBT INDICATORS UNDER THE PESSIMISTIC SCENARIO

SOLVENCY/LIQUIDITY INDICATORS	MEDIUM POLICY PERFORMERS' THRESHOLD (%)	2009 (%)	2014 (%)	2019 (%)	2029 (%)
NPV of Debt/GDP	40	8.7	21.7	42.8	51.9
NPV of Debt/Revenue	250	58.6	81.3	162.5	196.9
Debt Service/Revenue	30	15.6	81.3	162.5	196.9

Source: 2009 DSA Report

FIGURE 6.8: NPV OF TOTAL PUBLIC DEBT/GDP RATIO, PESSIMISTIC SCENARIO, 2009-2029

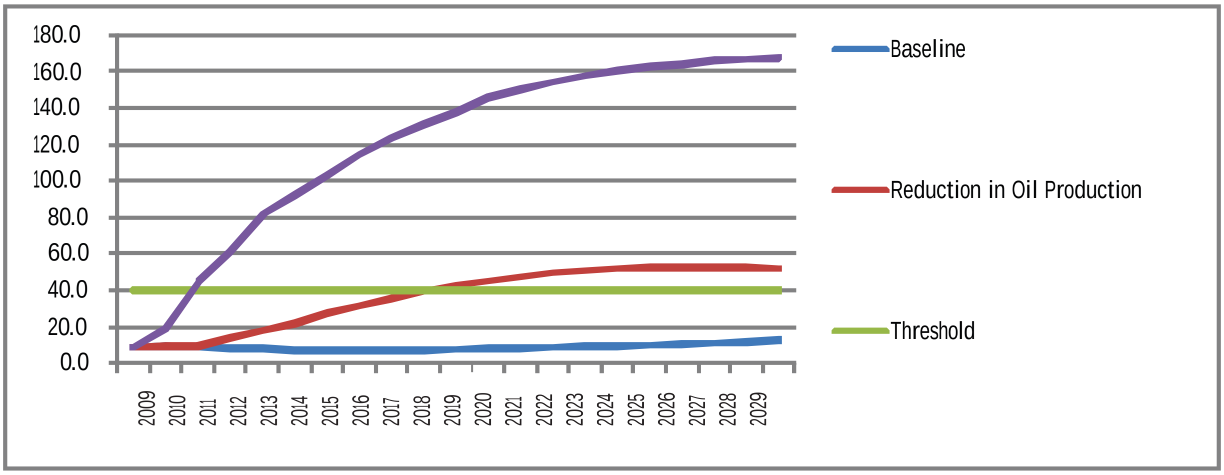


FIGURE 6.9: NPV OF TOTAL PUBLIC DEBT/REVENUE RATIO, PESSIMISTIC SCENARIO, 2009-2029

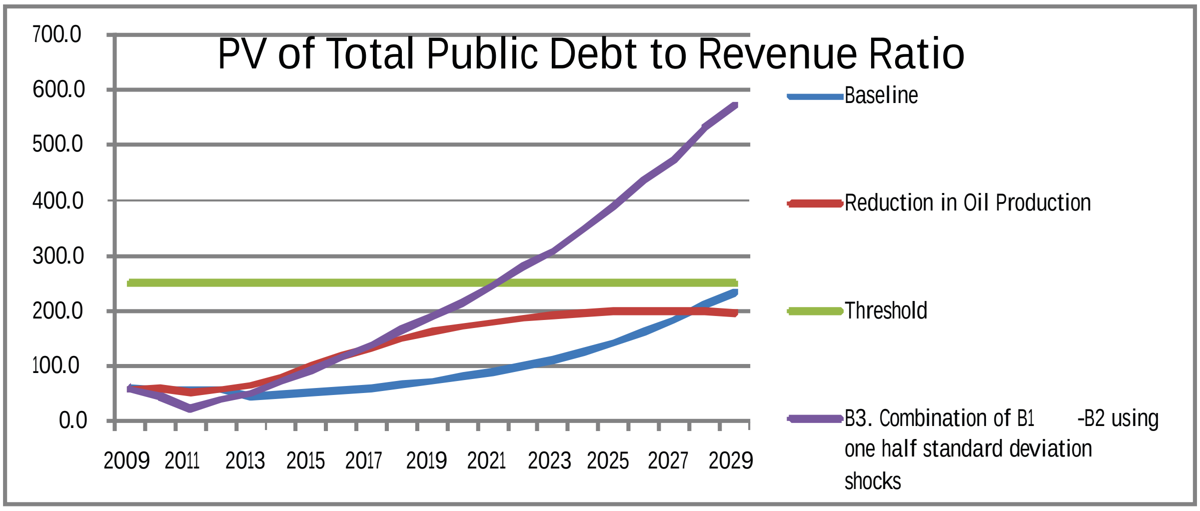
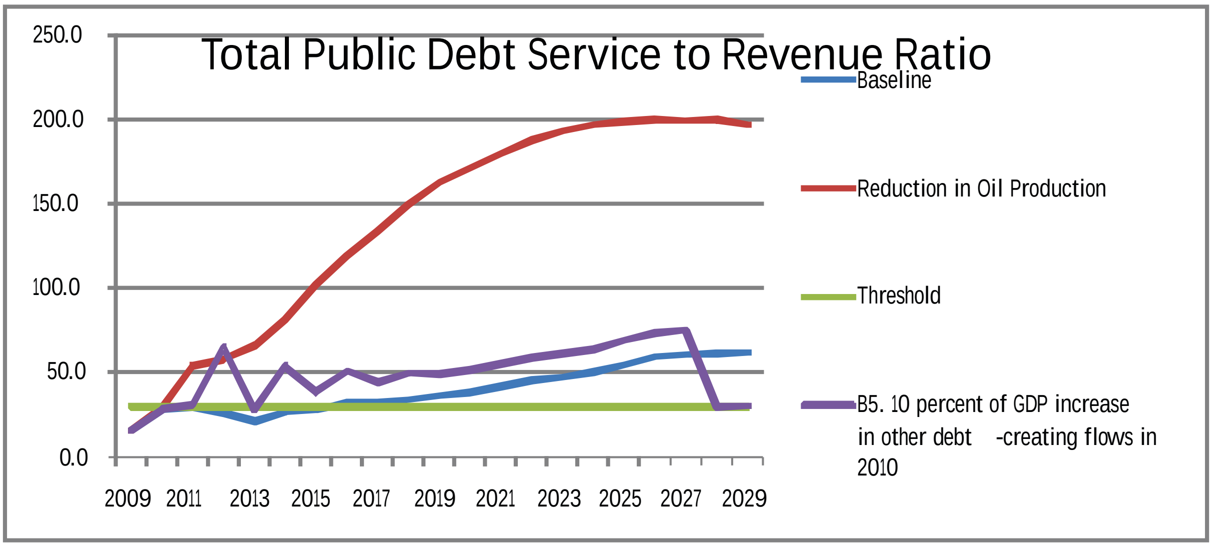


FIGURE 6.10: NPV OF TOTAL PUBLIC DEBT SERVICE/REVENUE RATIO, PESSIMISTIC SCENARIO, 2009-2029



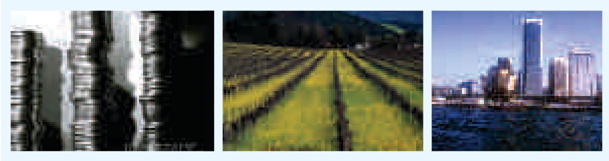
6.6 RECOMMENDATIONS

The 2009 DSA proposed the following recommendations in order to maintain the country's debt sustainability: appropriate funding mix in the ratio of 40/60 for external/domestic sources, pursuit of alternative funding sources such as Joint Ventures and Public-Private-Partnerships, massive investments in agriculture and critical infrastructure (power and energy) and improving the efficiency of revenue generation agencies, early global economic recovery, speedy and sustainable resolution of the Niger Delta problem, and a borrowing cap for all the three tiers of government for the year 2010 in the ratio of US$5.89 billion and N1,325.7 billion from external and domestic sources respectively. The DSA further recommends a borrowing cap for the Federal Government for the year 2010 in the ratio of 15 percent of US$5.89 billion (US$883.53 million) and 30 percent of N1,325.7 billion (N397.71 billion) from external and domestic sources respectively.

Chapter

SEVEN

SUB-NATIONAL DEBT MANAGEMENT



7.0 STATE GOVERNMENTS' EXTERNAL DEBT STOCK

The state governments' external debt represents US$1,835.64 million or 46.50 percent of the total external debt stock and 0.98 percent of the GDP of the country in 2009. These debts are mainly Federal Government on-lent loans from multilateral sources (IDA, IBRD, ADF, ADB and IFAD). The loans were used to finance projects in the areas of education, health, water supply, housing and sanitation.

A comparison of the States external debt shows an increase of US$175.15 million or 10.55 percent over the 2008 figure (Table 7.0). The increase was attributable to disbursements on existing loans.

TABLE 7.0: TREND IN STATE GOVERNMENTS' EXTERNAL DEBT STOCK, 2005-2009 (US$ MILLION)

Years	2005	2006	2007	2008	2009
State Governments External Debt Stock	5,061.15	1,400.34	1,539.93	1,660.49	1,835.64

Table 7.0 shows the trend in the external debt stock of States over the years. The external debt stock decreased significantly by 72.33 percent from US$5,061.15 million in 2005 to US$1,400.34 million in 2006 mainly due to the Paris Club and London Club debt exit. An increasing trend was observed in external debt stock since 2007 due to increase in new disbursements over the years. This is further illustrated in Figure 7.0. None of the new multilateral loans contracted during the period under review have started disbursing.

FIGURE 7.0: TREND IN STATE GOVERNMENTS' EXTERNAL DEBT STOCK, 2005-2009 (US$ MILLION)

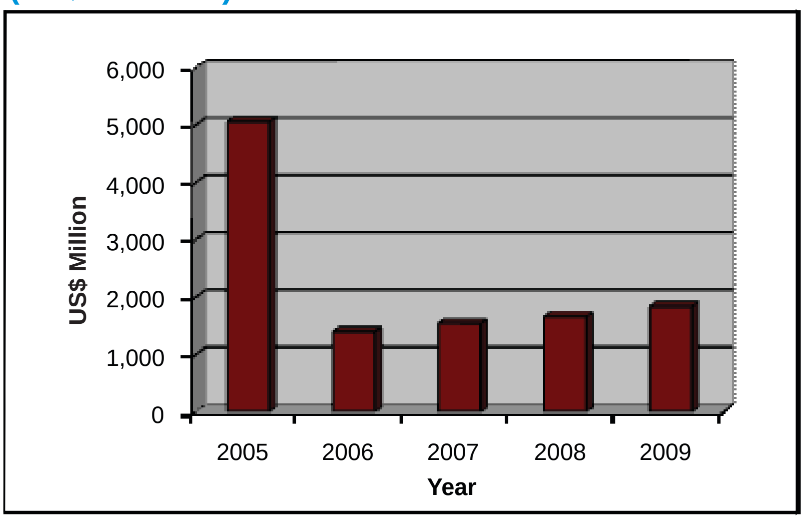
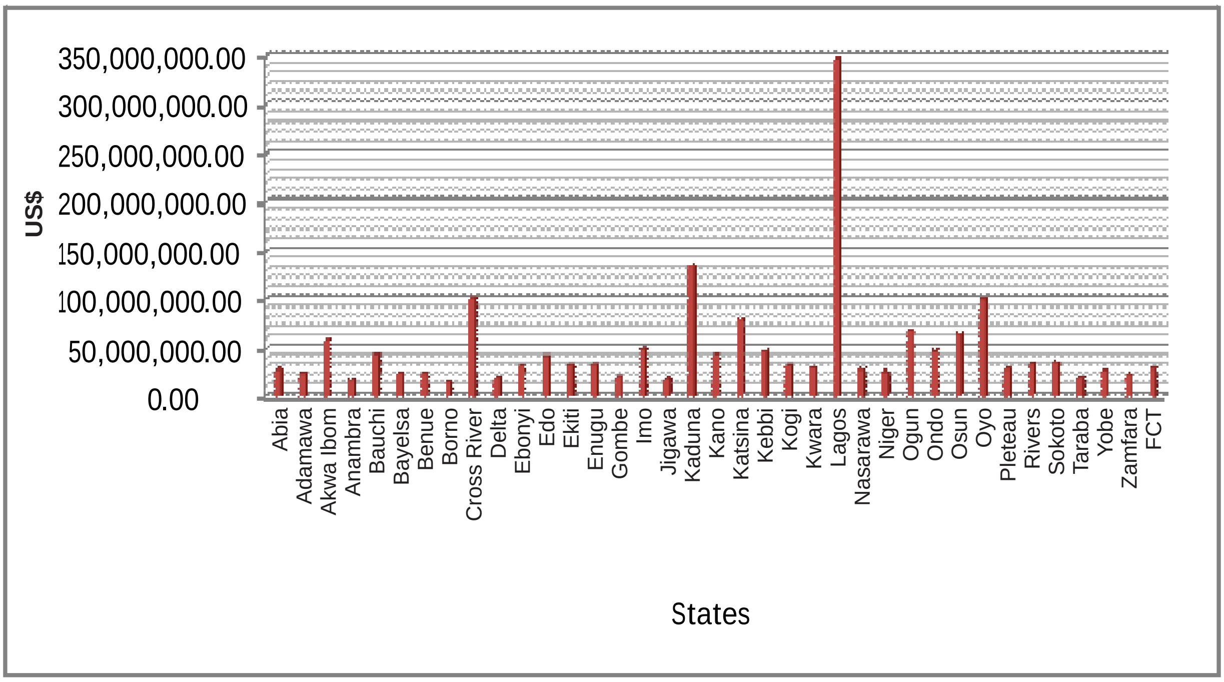


Table 7.1 and Figure 7.1 show the external debt stock of each State as at 31st December, 2009. The detailed breakdown shows that Lagos, Kaduna and Cross River States have the highest debt stock of US$347,933,278.16 million or 18.95 percent, US$135,805,842.68 million or 7.40 percent and US$101,825,757.55 million or 5.55 percent respectively. The States with the lowest debt stock were Borno, Anambra and Jigawa State having US$14,811,779.77 million, US$17,313,839.34 million and US$18,253,299.11 million respectively, representing 0.81 percent, 0.94 percent and 0.99 percent.

TABLE 7.1: EXTERNAL DEBT STOCK OF STATE'S AS AT 31ST DECEMBER, 2009 (US$)

S/N	States	Debt Stock		% of Total
1	Abia	27,857,950.05		1.52
2	Adamawa	24,499,442.93		1.33
3	Akwa Ibom	58,742,128.55		3.20
4	Anambra	17,313,839.34		0.94
5	Bauchi	44,203,369.00		2.41
6	Bayelsa	25,053,461.98		1.36
7	Benue	24,256,920.84		1.32
8	Borno	14,811,779.77		0.81
9	Cross River	101,825,757.55		5.55
10	Delta	19,483,026.87		1.06
11	Ebonyi	32,037,171.66		1.75
12	Edo	42,048,370.54		2.29
13	Ekiti	32,739,701.85		1.78
14	Enugu	33,388,531.97		1.82
15	Gombe	21,256,361.34		1.16
16	Imo	49,462,457.69		2.69
17	Jigawa	18,253,299.11		0.99
18	Kaduna	135,805,842.68		7.40
19	Kano	44,090,119.25		2.40
20	Katsina	78,780,729.27		4.29
21	Kebbi	46,825,132.94		2.55
22	Kogi	32,349,783.86		1.76
23	Kwara	30,082,078.97		1.64
24	Lagos	347,933,278.16		18.95
25	Nassarawa	28,537,836.62		1.55
26	Niger	25,806,350.14		1.41
27	Ogun	67,900,418.77		3.70
28	Ondo	46,648,532.94		2.54
29	Osun	64,110,849.45		3.49
30	Oyo	100,284,746.67		5.46
31	Plateau	29,229,988.15		1.59
32	Rivers	33,729,035.78		1.84
33	Sokoto	36,020,5 06.17		1.96
34	Taraba	19,908,684.98		1.08
35	Yobe	27,222,982.98		1.48
36	Zamfara	23,788,244.40		1.30
37	FCT	29,347,468.73		1.60
	Total	**1,835,636,181.95**		**100.00**

FIGURE 7.1: EXTERNAL DEBT STOCK OF STATE'S AS AT 31ST DECEMBER, 2009



7.1 STATES' EXTERNAL DEBT SERVICE PAYMENTS

The total debt service payments of States stood at US$140,895,482.94 or 7.67 percent of the total external debt stock of the States in 2009. This represents a decrease of 72.33 percent over the previous year (Table 7.2). A trend analysis of the external debt service payments of the States also showed that the debt service payments have been decreasing since 2007 due mainly to principal repayments.

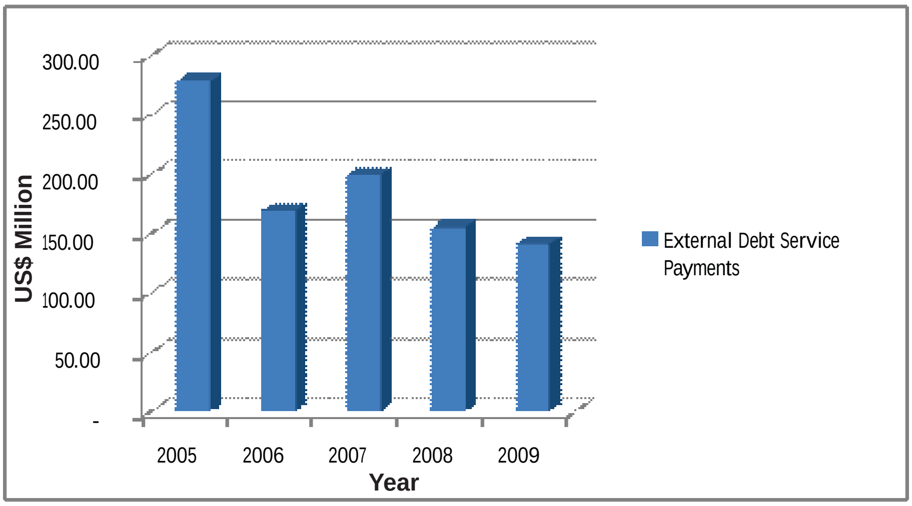
7.2 REVIEW OF THE STATUS OF DEBT MANAGEMENT DEPARTMENTS (DMDs) IN THE STATES

Subsequent to the establishment of Debt Management Departments in all the 36 States of the Federation in 2008, a quarterly review of the status of all the 36 DMDs was carried out. Results of the review revealed that the DMDs are at various stages of development. Whilst all the DMDs have functional offices, only a few of them have acquired and put into use the necessary debt recording software for the recording of their debt. In many States, the DMDs are yet to be fully integrated into the mainstream of government business to enable the function effectively.

TABLE 7.2: ACTUAL EXTERNAL DEBT SERVICE DEDUCTIONS OF STATES, 2005-2009 (US$MILLION)

S/NO	States	2005	2006	2007	2008	2009
1	Abia	24.27	14.63	2.45	1.48	0.94
2	Adamawa	12.92	7.79	2.66	1.87	0.86
3	Akwa Ibom	8.37	5.11	9.97	8.72	6.84
4	Anambra	9.05	5.53	4.29	4.00	3.23
5	Bauchi	2.25	1.37	7.57	6.59	5.77
6	Bayelsa	7.62	4.65	2.45	0.88	0.85
7	Benue	12.15	7.42	2.25	1.00	0.89
8	Borno	9.83	6.00	2.22	1.11	0.99
9	Cross River	4.30	2.63	16.72	13.02	11.86
10	Delta	8.04	4.91	9.72	5.55	4.61
11	Ebonyi	9.82	5.99	2.26	2.13	1.75
12	Edo	13.42	8.10	9.90	5.97	5.86
13	Ekiti	1.80	1.09	0.64	1.18	1.86
14	Enugu	14.60	8.81	5.64	3.11	2.53
15	Gombe	2.70	1.65	0.89	1.71	0.78
16	Imo	20.88	12.61	7.33	1.83	1.66
17	Jigawa	4.27	2.61	1.59	1.81	1.98
18	Kaduna	1.46	0.89	3.29	3.88	3.93
19	Kano	4.02	2.45	3.74	5.57	6.44
20	Katsina	1.17	0.71	1.79	3.76	4.87
21	Kebbi	1.55	0.95	2.71	2.63	2.37
22	Kogi	8.17	4.94	3.39	3.48	3.27
23	Kwara	13.80	8.29	1.31	3.38	4.64
24	Lagos	21.70	13.11	19.03	17.90	17.25
25	Nassarawa	4.61	2.81	10.16	4.10	3.88
26	Niger	4.50	2.75	10.87	10.37	5.12
27	Ogun	6.30	3.84	5.18	1.94	1.82
28	Ondo	6.95	4.24	6.43	2.64	2.59
29	Osun	4.50	2.75	5.25	2.97	2.59
30	Oyo	3.42	2.09	17.33	15.22	14.43
31	Plateau	2.70	1.65	6.47	7.98	7.86
32	Rivers	10.06	6.14	6.35	2.36	2.39
33	Sokoto	6.14	3.75	1.99	1.70	1.57
34	Taraba	8.93	5.45	1.69	1.62	0.88
35	Yobe	1.38	0.84	3.29	0.97	0.86
36	Zamfara	1.14	0.69	0.89	0.94	0.89
	TOTAL	278.79	169.24	199.68	155.38	140.90

FIGURE 7.2: EXTERNAL DEBT SERVICE OF STATES, 2005-2009



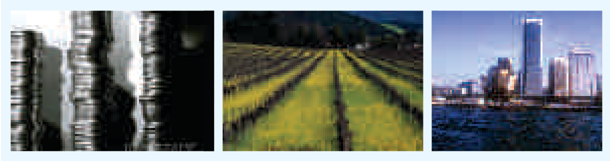
7.2.1 CAPACITY BUILDING/TRAINING PROGRAMMES FOR STAFF OF DEBT MANAGEMENT DEPARTMENTS

Part of the programme of assistance provided by the DMO to support the DMDs is in the area of capacity building. During the year under review, zonal training on the use of excel in debt data recording and reporting were conducted in three out of the six geo-political zones of the country (North Central, North East and south West). Similarly, the first domestic debt data reconstruction (DDR) exercise was conducted for the Ekiti State DMD. This programme would be extended to other States in 2010. In addition, attachment programmes were organized for seven States (Ogun, Ondo, Oshun, Katsina, Bauchi, Rivers and Enugu) in the DMO.

7.2.2 UPDATE ON THE LEGAL FRAMEWORK FOR PUBLIC DEBT MANAGEMENT IN THE STATES

The DMO had organized zonal clinics on Fiscal Responsibility Legislation for the States in 2009. A total number of four States (Kwara, Delta, Bauchi and Ebonyi) have already enacted their Fiscal Responsibility Laws, whilst thirteen others (Abia, Anambra, Akwa Ibom, Benue, Ekiti, Enugu, Kogi, Niger, Ogun, Ondo, Oshun, Oyo and Yobe) have drafted the Fiscal responsibility Laws and presented to their respective State Legislatures. Eleven other States (Cross River, Edo, Gombe, Imo, Kaduna, Katsina, Kebbi, Plateau, Rivers, Taraba and Zamfara) have drafted the Fiscal Responsibility Bills but are yet to present it to their respective State Assembly's.

In pursuance with the objectives of the development of sub-national debt management, a total number of four States (Bauchi, Bayelsa, Lagos and Nassarawa) have enacted their Public Debt Management Acts, while the rest of the States are in the process of doing



same, with the exception of five States (Borno, Jigawa, Kano, Sokoto and Adamawa) that are yet to do so.

7.2.3 COORDINATION OF DONOR INTERVENTION IN SUB-NATIONAL DEBT MANAGEMENT

The DMO in 2009 continued with the process of engagement and collaboration with the Donor Agencies in the country to provide assistance to the States in the area of Sub-national Debt Management. These agencies include DFID, Crown Agents, SPARC, WAIFEM, UNDP, and DRI.

7.3 SUB-NATIONAL BOND MARKET DEVELOPMENT

The DMO during the year under review continued to support the States in the area of the development of sub-national bonds. Three States have successfully issued bonds during the year, namely, Niger state (N6 billion at 14 percent for a 5-year tenor), Imo State (N18.5 billion at 15.5 percent for a 7-year tenor) and Kwara State (N17 billion at 14 percent for a 5-year tenor). The proceeds of the bonds would be utilized to fund critical infrastructure and other economic and social programmes (Table 7.3).

TABLE 7.3: SUB-NATIONAL BOND ISSUANCES IN 2009

State Government	***Amount Issued in 2009***	***Amount Under the Debt Issuance Programme***	***Tenor***	***Rate***
Niger	₦6 billion	₦6 billion	5 years	14%
Imo	₦18.5 billion	₦40 billion	7 years	15.5%
Kwara	₦17 billion	₦30 billion	5 years	14%

Source: Securities and Exchange Commission, January 2010

Chapter EIGHT

RISK ANALYSIS OF NIGERIA'S TOTAL PUBLIC DEBT

8.1 INTRODUCTION

The major objective of the Nigeria's debt management strategy is to meet the financing needs of the government at minimum cost and within prudent level of risk. The analysis of the cost/risk matrix of the debt profile of the country is therefore a strong component of the debt management practices of any country. It is within this context that this chapter evaluates the risk exposure of the country's public debt in 2009. Three types of risk associated with the country's public debt portfolio were examined: currency risk, interest risk and refinancing risk.

8.2 CURRENCY RISK

Currency risk is only associated with the external debt components of the country's debt. In particular, exchange rate and foreign reserves have implications for the currency risk of the external debt profile of the country. The profile of Nigeria's external debt in 2009 places the country at a relatively low currency risk. Table 8.1 shows the breakdown of the foreign currency debt portfolio with SDR having the highest percentage (70.96 percent), US Dollars (16.94 percent), Euro (9.21 percent) and other currencies (2.89 percent). The dominance of SDR in the currency composition of the debt profile reduces the exchange rate risk of the debt portfolio. This is because the SDR is a basket of currencies which in themselves hedge against one another, thereby mitigating currency risk. Similarly, the low level of the currency risk could further be explained by the composition of the external reserves of the country which is dominated by US Dollar and the Euro. This forms a back-to-back hedge with the components of similar currencies in the external debt portfolio. The low level currency risk of the external debt portfolio is in consonance with Nigeria's debt management objective of attaining prudent level of risk in government borrowing decisions.

TABLE 8.1:EXTERNAL DEBT STOCK BY CURRENCY COMPOSITION AS AT 31ST DECEMBER, 2009 (US$ MILLION)

S/No	Currency	Debt Stock in Orginal Currency	Naira Exch Rate	Debt Stock in Naira	US$ Exch Rate to Naira	Debt Stock in USD	% of Total
1	EUR	252,159,005.00	212.69	53,632,102,074.00	147.6	363,361,125.16	9.21%
2	USD	668,253,539.00	147.71	98,704,946,858.20	147.6	668,732,702.29	16.94%
3	JPY	9,461,759.00	1,597.17	15,112,076,386.00	147.6	102,385,341.37	2.59%
4	CHF	8,374,330.00	144.65	1,211,340,071.00	147.6	8,206,911.05	0.21%
5	SDR	1,786,620,228	231.39	413,412,096,263.00	147.6	2,800,894,961.13	70.96%
6	NGN	435,787.00	1	435,787.00	147.6	2,952.49	0.00%
7	KRK	2,185,989.00	115.7	252,918,927.00	147.6	1,713,542.87	0.04%
8	IDB UNITS	1,262,403.00	233.84	295,200,000.00	147.6	2,000,000.00	0.05%
					TOTAL	3,947,297,536.36	100.00%

Nigeria's external reserves stood at US$42.382 billion as at the end of December, 2009, and this contrasts with the total external debt of the country which stood at US$3.947 billion in the same period. The country's ability to meet its external debt service payment obligations is an indication of its currency risk exposure. Accordingly, the currency composition of the reserve and external debt portfolio indicates a very low level of currency risk. The external reserve showed that the US Dollar constituted the bulk of the reserve (80.06 percent), the Euro (11.01 percent), the GBP (3.25 percent) and other currencies (5.68 percent) (Table 8.2).

TABLE 8.2:NIGERIA'S EXTERNAL RESERVES CURRENCY COMPOSITION AS AT 31ST DECEMBER, 2009 (US$ EQUIVALENT)

S/No.	CURRENCY	AMOUNT	
1	US DOLLARS	33,931,984,502.45	80.06%
2	GB POUNDS	1,378,329,453.05	3.25%
3	EUR	4,664,941,237.70	11.01%
4	SWISS FRANC (CHF)	3,273,277.29	0.01%
5	JAPANESE YEN	16,527,263.61	0.04%
6	OTHER CURRENCIES AND HOLDINGS	2,387,437,585.59	5.63%
	TOTAL	42,382,493,319.69	100.00%

8.3 INTEREST RATE RISK

One of the major threats to public debt service payments is adverse changes in (especially a rising) interest rate. However, about 98 percent of the total public debt stock is in fixed interest rates (Table 8.3). The floating rate instruments in respect of the domestic debt were part of the 1st FGN bonds issued in 2003, whilst those relating to the external debt stock were African Development Bank (ADB) loans. To this extent, there is virtually no risk of future interest rate volatility in the total debt stock. The low level of floating rate instruments in Nigeria's debt portfolio indicates a very low interest rate risk.

TABLE 8.3:NIGERIA'S TOTAL PUBLIC DEBT BY INTEREST RATE CLASSIFICATION IN 2009

DEBT STOCK	FIXED RATE (%)	FLOATING RATE (%)	Total
DOMESTIC DEBT	84.59	0.12	84.71
EXTERNAL DEBT	14.69	0.60	15.29
TOTAL	99.28	0.72	100.00

8.4 REFINANCING RISK

The maturity structure of the total debt portfolio is used to measure the refinancing risk of the debt portfolio. The longer the maturity structure of the debt instruments the lower the refinancing risk. The percentage distribution of the total debt outstanding indicates that 79.07 percent of the debt portfolio is in long term instruments (Table 8.4). This confirms, in general terms, a low level of refinancing risk in the overall debt portfolio, although more rigorous analysis would be required to identify problems of bunching and concentration ratio in the portfolio.

TABLE 8.4: TOTAL PUBLIC DEBT OUTSTANDING BY ORIGINAL MATURITY, 2008-2009 (US$ Million)

Type		2008	2009*
External Debt Stock	Short-term [2]	0	0
	Long-term	3,720.36	3,947.30
	Sub-Total	***3,720.36***	***3,947.30***
Domestic Debt Stock	Short-term [3]	3,595.65	5,403.00
	Long-term	14,082.90	16,467.12
	Sub-Total	***17,678.55***	***21,870.12***
TOTAL		**21,398.91**	**25,817.42**

PERCENTAGE (%) SHARE

Type		2008	2009
External Debt Stock	Short-term	0	0
	Long-term	17.39	15.29
	Sub-Total	***17.39***	***15.29***
Domestic Debt Stock	Short-term	16.8	20.93
	Long-term	65.81	63.78
	Sub-Total	***82.61***	***84.71***
TOTAL		**100**	**100**

* Official CBN Exchange Rate of ₦ 147.60/US$1 for 2009 figures as at 31/12/2009

[2] Short-term external debt is debt with less than 1 year original maturity

[3] Short-term domestic debt consists of 91, 182 and 364 days Treasury Bills. Long-term domestic debt consists of Treasury Bonds, FGN Bonds and FRN Development Stocks

8.5 CONCLUSION

The total public debt portfolio of the country is generally at a low risk level in the period under review. The situation is likely to be sustained in the medium to long term provided the national debt management strategy will continue to guide the debt management objective of funding government financial requirements at minimum possible cost and prudent level of risk.

Chapter NINE

NATIONAL BORROWING PLAN AND BUDGET PERFORMANCE

9.1 BORROWING PLAN

The key objective of the national debt management strategy as contained in the NDMF of the country is the financing of the budget deficit through the issuance of new securities and/or the raising of new foreign loans.

As at 2009, the Federal Government does not yet have a formal borrowing plan which feeds into the national budget. The external borrowing requirements of the government are determined outside the overall budget process, whilst the domestic borrowing requirements are derived from the level of government's budget deficit provided in the national budget.

During the year under review, the Federal Government budget stood at N2.87 trillion (US$24 billion) out of which N1.09 trillion or 3.95 percent of the GDP represented the level of the deficit. The sum of N524.11 billion was raised from the bond market by the DMO. The performance of the DMO Bond Issuance Program showed that the entire required amount was sourced and remitted to the government (Table 5.7).Therefore, the DMO Bond Issuance Programme represented the national borrowing programme which was tied to the national budget.

It should be noted that the 2009 national budget provided for the sourcing of US$500 million from the International Capital Market (ICM) to partially meet the funding gaps of the budget. However, this could not be actualized in the year, due to the unfolding global financial crisis.

9.2 EXTERNAL BORROWING PROGRAMME

As indicated earlier, the foreign borrowing programme of the Federal Government was not included in the 2009 national budget. However, the external loans that were negotiated during the year under review were from the concessional windows of Multilateral Agencies (i.e., the World Bank and the African Development Bank), most of which were backed by the FGN Guarantee and On-lent to the State Governments (Table 9.1)

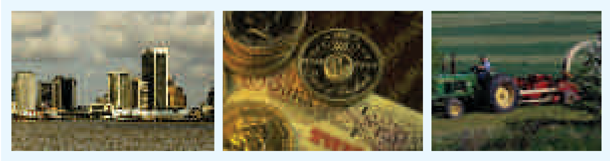
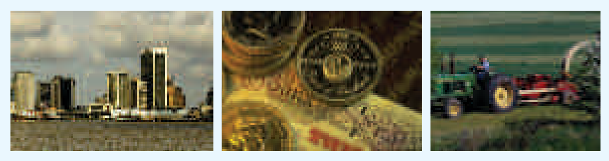


TABLE 9.1EXTERNAL LOANS NEGOTIATED IN 2009

S/N	PROJECT/LOAN SOURCES		AMOUNT (Million)
A	**WORLD BANK (IDA)**		
1.	Second HIV/AIDS Program Development Project		US$225
2.	Lagos-Eko Secondary Education Project		US$95
3.	Additional Financing for the Malaria Control Booster Project		US$100
4.	Nigerian Electricity and Gas Improvement Project (Partial Risk Guarantees)		US $200
5.	Additional Financing for Health Systems Development Project		US$90
6.	Additional Financing for Polio Eradication Project		US$50
7.	Commercial Agriculture Development Project		US$150
8.	State Governance and Capacity Building Project II		US$120
9.	Lagos Urban Transport Project (LUTP) 2		US$190
10.	Financial Sector and Public Financial Management Development Policy Credit		US$500
B	**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)**		
1.	Rural Micro Enterprises Development Programme (RUMEDP)		US$42.76
C	**AFRICAN DEVELOPMENT BANK (ADB)**		
1.	Transport Facilitation Programme for the Bamenda-Mamfe-Abakaliki-Enugu Road Corridor		UA98.250
D	**TOTAL**		
1.	**WORLD BANK (IDA)**		**US$1,720**
2.	**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)**		**US$42.76**
3.	**AFRICAN DEVELOPMENT BANK (ADB)**		**UA98.250,**

9.3 DEBT SERVICE PROGRAM

Debt service is an important component of the expenditure profile of the national budget. The 2009 budget projected a N283.6 billion debt service comprising N227.8 billion and N55.8 billion (US$378.05 million) for the servicing of domestic and external debts respectively. An analysis of the total actual debt service payments in relation to the budget performance in 2009 showed that the amount of the actual debt service payment of N344.8 billion is higher than the budgeted amount of N283.6 billion by 21.6 percent



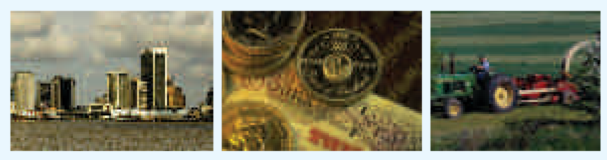
(Table 9.2). The actual domestic debt service of N281.6 billion is higher than the projected figure of N227.8 billion by 23.6 percent, whilst the actual external debt service of N63.2 billion is higher than the projected figure of N55.8 billion by 13.3 percent.

The 2009 projected budget figure represents about 8 percent decrease over the 2008 projected budget debt service figure of N306.2 billion. The projected foreign debt service in the 2009 budget decreased by 18.3 percent from its 2008 level of N66 billion (US$ 447.15 million). Similarly, projected domestic debt decreased by 5.4 percent from its 2008 level of N240.2 billion. The decrease in the projected cost of servicing the country's debt is due to the absence of maturing obligations in the domestic debt stock.

A comparative analysis of the total actual debt service obligations between 2008 and 2009 showed an overall increase in the debt service costs of N45.07 billion or 15.04 percent over the previous year. The actual domestic debt service cost increased by N42.79 billion or 17.92 percent over the previous year, whilst the actual external debt service cost marginally decreased by N2.22 billion or 3.64 percent over the corresponding reporting period. The overall increase in the total actual debt service cost is accounted by increase in the cost of servicing the domestic debt obligations of the government. (Table 9.2).

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

DEBT SERVICE COSTS	2008	2009
PROJECTED DOMESTIC DEBT SERVICE	240.2	227.8
ACTUAL DOMESTIC DEBT SERVICE	238.75	281.54
PROJECTED EXTERNAL DEBT SERVICE	66	55.8
ACTUAL EXTERNAL DEBT SERVICE	60.98	63.2
TOTAL PROJECTED DEBT SERVICE	306.2	283.6
TOTAL ACTUAL DEBT SERVICE	299.73	344.8



9.4 CONCLUSION

Overall, the budget performance of the debt service in the period under review showed that the actual total debt service is higher than the budgetary projection. This calls for a more realistic debt service forecasts for inclusion into the budget process. Similarly, the analysis of the budget performance showed a shift of emphasis in the national borrowing strategy to domestic borrowing. However, as the country continues to borrow from foreign sources, it is proposed that any future foreign borrowing plan should be incorporated in the national budget.

Chapter TEN

INSTITUTIONAL ISSUES

10.1 CAPACITY BUILDING

10.1.1 HUMAN CAPACITY BUILDING

The DMO during the period under review organized several local and oversee courses under its staff training and development programme for the training of its staff in key areas that are relevant to the DMO's operations. These courses were funded by both the DMO and the Crown Agents' managed DFID capacity Building Support Project for the DMO.

10.1.2 IT SYSTEM UPGRADE

The DMO during the period under review upgraded its IT System to strengthen and improve operational capacity in line with best practice. Some of the significant milestones achieved during the year include:

- The Purchase of new IT equipment to improve operational capacity. This includes new HP G6 servers and Cisco switches. The new servers have helped improve hardware availability for our software application environments while the Cisco switches have enabled the DMO achieve network segmentation. This is geared towards better network accessibility for all users.
- Engaged the services of two Internet service providers, Qkon Ltd and Galaxy Backbone PLC. The DMO currently have the dual ISPs automatically feed into its network with a 100 percent fail over rate between them. This ensures that the internet downtime reduces and we intend to achieve load balancing between the two ISPs to maximize usage of both access points.
- Installation of a new SAP application system which now means that DMO is currently running the preferred SAP landscape comprising of the Production, Development and Quality Assurance server environments.
- Successful migration of the DMO SAP database from the old faulty SAP system to the new system. The foundation problem associated with the SAP application which is used for payroll has been corrected. This was done through the complete reinstallation of the SAP system on new HP servers and complete migration of the current payroll data to the new servers. The DMO now have the full SAP server environment in operation for the first time.
- Restructuring of the DMO's Website to improve its aesthetics and develop a robust Web Content Management.
- Upgrade from Microsoft Exchange 2003 to 2007 version for improved internal mail access and flexible integration of the DMO.GOV.NG webmail.

- Automated backup for CSDRMS and the use of Galaxy Backbone for our offsite backup.

10.2 STAKEHOLDER EVENTS

Several events involving our major stakeholders featured in the DMO's activities during the period under review. Some of these important events include:

10.2.1 DEBT SUSTAINABILITY ANALYSIS (DSA) WORKSHOP

In line with the tradition of the DMO, the annual National Debt Sustainability Analysis workshop was conducted between May 27th and June 7th, 2009. The purpose of the DSA was to assess Nigeria's debt sustainability and financing gaps in the medium to long term, as well as how best these gaps could be filled with additional borrowing and/or other financial inflows. The exercise was timely in view of the unfolding global financial crisis which adversely affected the price of crude oil, which is the major foreign exchange earner for the country.

10.2.2 SEMINARS ON THE FGN BONDS

The DMO in collaboration with the Associated Discount House Limited organized a one-day seminar titled “Building Stable Wealth through Federal Government of Nigeria Bonds” on 12th February, 2009 at the International Conference Centre, Abuja aimed at sensitizing the investor community on the benefits of investing in the FGN bonds. A similar seminar titled “Safeguarding Wealth Through Bonds” was also held in collaboration with the Access Bank PLC in Lagos on 21st May, 2009.

10.2.3 FORUM ON FEDERAL GOVERNMENT OF NIGERIA (FGN) BONDS FOR NIGERIANS IN THE DIASPORA

In an effort to diversify the investor-base of the FGN bonds, the DMO initiated a forum to market the FGN bonds to the Nigerian community in the Diaspora. The first forum was successfully held in London on 17th October, 2009 with the Nigerian community in the U.K actively participating in the programme. The former Honourable Minister of Finance and the Director-General of the DMO presented papers at the Forum, while goodwill messages were delivered by the Central Bank Governor and the Director-General, Nigerian Stock Exchange.

Chapter
ELEVEN

FINANCIAL STATEMENTS AND ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2009

11.1 2009 BUDGET

The 2009 Budget released for the Debt Management Office following the approval by Mr. President amounted to a total sum of N570,482,137 (Five hundred and seventy million, four hundred and eighty-two thousand, one hundred and thirty seven naira) which represents the total votes for the fiscal year 2009.

This amount was approved to fund the operations of the Office which consisted of N305,915,485 (Three hundred and five million, nine hundred and fifteen thousand, four hundred and eighty five naira for personnel emolument cost) and N264,566,652 (Two hundred and sixty four million, five hundred and sixty six thousand, six hundred and fifty two naira for goods and non-personal services (Overhead cost). There was no amount allocated for capital cost for the 2009 fiscal year.

The total amount released for the 2009 fiscal year was substantially lower than that of 2008 fiscal year, representing a difference of 46.80%. This was as a result of the provision of N500 million made for the renovation of a new Office building in 2008, although this was not utilized for this purpose and was subsequently returned back to Sub Treasurer of the Federation (STF).

As regards the personnel emolument cost and the overhead cost, the budgeted amount was released in full by the Office of the Accountant-General of the Federation (OAGF) in monthly installments during the year. From the personnel emoluments allocation for the year 2009, a total of N305,915,485 was utilized for the payment of salaries and allowances to staff, this amount represents an increase of 29.84%, compared to the total amount for the personnel emolument for the previous year 2008. Provision of goods and non-personal services (overhead cost) from which the operations of the DMO was funded amounting to N264,566,652 for the year 2009 represents a decrease of 19.24% compared to the corresponding amount in the year 2008.

Generally, the implementation of the 2009 budget was strictly adhered to by adopting disciplinary measures in ensuring value for money and that expenditures were commensurate to the available votes for the year, in meeting and achieving the corporate objectives of the Office inspite of budgetary constraints.
In furtherance of the budgetary performance of the DMO in 2009, the details of the financial statements and results are contained in the audited financial statements, which are reproduced and made available in the subsequent pages of this section.

11.2 FINANCIAL STATEMENTS AND ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2009

CORPORATE INFORMATION

DEBT MANAGEMENT OFFICE

SUPERVISORY BOARD

The Supervisory Board has overall responsibility for supervision of the operations of the Debt Management Office. The composition of the Board during the 2009 reporting year was as follows.

Dr. Goodluck E. Jonathan, (GCON) - Vice President of Federal Republic of Nigeria. (Chairman)

Dr. Mansur Muhtar	-	Minister of Finance - (Vice Chairman)
Mr. Michael K. Aondoakaa, SAN	-	Attorney General of the Federation (Member)
Mallam Tanimu Yakubu	-	Chief Economic Adviser to the President (Member)
Prof. Chukwuma C. Soludo, CFR.	-	Governor, Central Bank of Nigeria (Member up to June 3, 2009)
Alh. Ibrahim H. Dankwambo, OON	-	Accountant-General of the Federation (Member)
Dr. Abraham E. Nwankwo	-	Director-General, DMO (Member/Secretary to the Board)
Mallam Sanusi Lamido Sanusi	-	Governor, CBN (Member effective June 3, 2009)

PRINCIPAL OFFICERS

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

Dr. Abraham E. Nwankwo	-	Director General
Mallam Mohammad Yusuf	-	Director, Portfolio Management Department
Dr. Magaji Mahmoud	-	Director, Policy, Strategy & Risk Management
Mrs. Funmi Ilamah	-	Director, Debt Recording & Settlement.
Ms. Patience Oniha	-	Director, Market Development Department.
Mrs. A. M. Mohammed	-	Director, Organizational Resourcing Department
Dr. Godson Dinneya	-	Head, Strategic Programmes Department

DEBT MANAGEMENT OFFICE

CORPORATE INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER, 2009

REGISTERED OFFICE

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

EXTERNAL AUDITORS

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

BANKERS

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

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

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

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

HEAD OFFICE:
Suite 214, Ankara Plaza,
Opp. Corporate Affairs Commission
15 Ndola Crescent Wuse Zone 5,
P. O. Box 77 Garki - Abuja.
☎: 08037702120, 08037737853?
E-mail: chiefbenugwu@yahoo.com
www.midland-consulting.com

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

We have audited the Financial Statements of **Debt Management Office (DMO)** for the year ended 31st December, 2009 set out on pages 5 to 7, which have been prepared under the historical cost convention and cash accounting basis, together with the accounting policies set out on page 4. We have examined the books of accounts and carried out procedures and obtained all the information and explanation we considered necessary.

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITORS.

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

BASIS OF OPINION

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

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

OPINION:

In our opinion, the financial statements, give a true and fair view of the state of affairs of Debt Management Office as at 31st December, 2009 and of the excess of Expenditure over Income and cash flow for the year ended, and have been properly prepared in accordance with the provisions of the Debt Management (Establishment) Act, 2003.

Benugwu&co

BEN UGWU & CO
Chartered Accountants
Abuja - Nigeria.

Date 15/06/2010

ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2009

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

A BASIS OF ACCOUNTING

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

B RECEIPTS

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

C FIXED ASSETS/ DEPRECIATION

The Fixed Assets are stated at cost. Depreciation of fixed assets here are computed for notional purposes as the account is prepared on cash accounting and not accrual basis. Therefore, no depreciation was charged to the account under review. However, annexure 111 on page 25 was prepared for management information and could be useful in decision making.

D STOCKS

Stocks of stationeries are stated at lower of cost or net realizable value.

E TAXATION

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

DEBT MANAGEMENT OFFICE
BALANCE SHEET AS AT 31ST DECEMBER 2009

			2009		2008
ASSETS EMPLOYED	**NOTES**	**₦**	**₦**	**₦**	**₦**
Fixed Assets	3		247,989,244		203,352,244
Current Assets					
-Bank and Cash	4	35,888,014		88,870,393	
Deduct Current Liabilities		-		-	
			35,888,014		88,870,393
			283,877,258		**292,222,637**
FINANCED BY:					
Accumulated Fund	5		283,877,258		292,222,637
			283,877,258		**292,222,637**

The Financial Statements were approved by the Management Team on June 15, 2010 and signed on its behalf by:

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

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

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

11.2.2 STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31ST DECEMBER 2009.

RECEIPTS	**NOTES**	**₦**	**₦**
Votes Received	6	570,482,137	1,072,393,465
Additional Funds from Budget Office	6(a)	47,160,748	27,359,882
Other Income	6(b)	2,285,409	-
SPECIAL ITEMS			
FGN Bond Floatation	6(c)	313,000,000	260,000,000
10% WHT on Comm. Bonds	6(d)	110,117,016	752,893,102
Miscellaneous Accounts	6(e)	32,789,139	70,197,584
		1,075,834,449	**2,182,844,033**
EXPENDITURE			
Recurrent Expenditure	7a	619,928,293	1,090,415,397
SPECIAL ITEMS:			
FGN Bond Floatation Expenditure	7b	268,470,210	261,589,606
10% WHT on Com. Bonds	7c	93,989,548	752,893,102
Paris Club Redemption Proceeds	7d	47,357,938	13,481,792
Miscellaneous Accounts	7e	54,433,839	49,447,694
		1,084,179,828	**2,167,827,591**
Excess of Expenditure over Income	8	**(8,345,379)**	**15,016,442**

11.2.3 CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2009

	2009	2008
	₦	₦
Excess of Income over Expenditure	(8,345,379)	15,013,842
<u>Add: Adjustment for items not involving Movement of cash:</u>		
- Accumulated fund adjustment	-	-
Cash generated/(expended) from Operation	(8,345,379)	15,013,842
Operating Income before working Capital Change:		
- Prior Adjustment on stores items		2,600
		15,016,442
Purchase of fixed Assets	(44,637,000)	(9,337,950)
Net Cash Flow for the Year	(52,982,379)	5,678,492
Cash balance as at January 1st	88,870,393	20,632,781
Prior year Adj.-Paris Club Red. Proceed A/c	-	62,559,120
Cash as at 31st December	**<u>35,888,014</u>**	**<u>88,870,393</u>**

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

11.2.4 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2009.

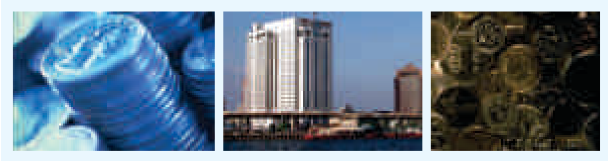
1. ESTABLISHMENT OF THE DEBT MANAGEMENT OFFICE

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

2. NATURE OF ACTIVITIES

The principal responsibility of the Debt Management Office is to prudently fund Federal Government's budget deficits, using an optimal combination of costs and risks over the medium and long terms and to efficiently manage the government's outstanding debt portfolio from time to time.

The Debt Management Office started operation in October, 2000.



DEBT MANAGEMENT OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

	MOTOR VEHICLE & CYCLE	COMPUTER	OFFICE EQUIPMENT	TOTAL
1. FIXED ASSETS (Capital Expenditure)	N	N	N	N
Value as at 1/1/09	64,852,834	39,032576	99,466,834	203,352,244
Addition in the year	-	44,627,000	-	44,637,000
Disposal	-	-	-	-
Written off	-	-	-	-
	64,852,834	**83,669,576**	**99,466,834**	**247,989,244**
DEPRECIATION				
As at 01/01/09	-	-	-	-
Charge for the year	-	-	-	-
Net book Value 31/12/09	**64,852,834**	**83,669,576**	**99,466,834**	**247,989,244**

	NOTES	2009	2008
2. CURRENT ASSETS		N	N
Bank Balances	9	35,888,014	88,870,393
		35,888,014	**88,870,393**

DEBT MANAGEMENT OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

	NOTES	2009 N	2008 N
1. **ACCUMULATED FUND**			
As at 01/ 01/ 2009		292,222,637	214,647,075
Prior Year Adjustment: Paris club A/c		-	62,559,120
Asset Disposal/sales of stores items		-	2,600
Excess of Income over Expenditure		(8,345,379)	15,013,842
Balance C/Fwd as at 31/12/09		**283,877,258**	**292,222,637**
2. **VOTES RECEIVED**			
Capital	9a	-	509,200,617
Overhead	10	264,566,652	327,585,989
Personnel Emolument	11	305,915,485	235,606,859
		570,482,137	**1,072,393,465**
SPECIAL ITEMS			
6a Additional fund from Budget office	12	47,160,748	27,357,282
6b Other Income	13	2,285,409	-
6c FGN Bond Floatation	14a	313,000,000	260,000,000
6d CBN Receipt for 10% WHT Comm.	14b	110,117,016	752,893102
6e Miscellaneous	15	32,789,139	70,197,584
		505,352,312	**1,110,447,968**

DEBT MANAGEMENT OFFICE

NOTES TO THE FINANCIAL STATEMENT S

FOR THE YEAR ENDED 31ST DECEMBER 2009

			2009	2008
7a	**RECURRENT EXPENDITURE**		**N**	**N**
	Personnel Emolument	16	305,830,600	235,601,513
	Overheads	17	264,526,203	327,579,878
	Additional Release from Budget Office	18	47,160,748	27,358,882
	Amount Returned to Chest/ Sub- Treasury	19	2,410,742	499,874,124
			619,928,293	**1,090,415,397**
	SPECIAL ITEMS			
7b	FGN Bond Floatation	20	268,470,210	261,589,606
7c	10% WHT on PDMM's Comm.	20a	93,989,548	752,893,102
7d	Paris Club Redemption Proceeds	21	47,357,938	13,481,792
7e	Miscellaneous	22	54,433,839	49,447,694
			464,251,535	**1,077,412,194**

DEBT MANAGEMENT OFFICE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2009

	NOTES	2009	2008
9. BANK BALANCES		**N**	**N**
UBA		-	-
Zenith Bank I		-	-
Central Bank of Nigeria (FGN Bond Account)		17,432,775	1,395,357
C.B.N. Paris Club Redemption Proceeds		1,71 9,390	49,077,328
Zenith Bank II (Miscellaneous Account)		16,735,849	38,397,708
		35,888,014	**88,870,393**

		2009	2008
9a **VOTES - CAPITAL**			
2007 Allocation Released in 2008		-	7,895,950
1st Installment		-	1,442,000
2nd Installment			250,000,000
3rd Installment		-	250,000,000
Less 2008 WHT Paid in 2009			(137,333)
			509,200,617

DEBT MANAGEMENT OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

CONTINUED

	2009	2008
	N	**N**
10. VOTES – OVERHEADS		
Jan. Allocation	27,298,832	13,018,654
Feb. Allocation	27,298,833	13,018,654
March Allocation	27,298,832	13,018,654
April Allocation	16,795,610	39,055,962
May Allocation	16,795,609	39,055,962
June Allocation	16,795,610	7,569,146
July Allocation	22,047,221	39,055,963
August Allocation	22,047,221	27,298,832
Sept. Allocation	22,047,221	27,298,832
Oct. Allocation	22,047,221	27,298,832
Nov. Allocation	22,047,221	27,298,832
Dec. Allocation	22,047,221	54,597,665
	264,566,652	**327,585,989**

	2009	2008
11. VOTES - PERSONNEL		
Jan. Allocation	23,835,884	19,633,905
Feb. Allocation	23,835,884	19,633,905
March Allocation	45,646,631	19,633,905
April Allocation	23,835,884	19,633,905
May Allocation	23,595,150	19,633,905
June Allocation	23,595,150	19,633,905
July Allocation	23,595,150	19,633,905
August Allocation	23,595,151	19,633,905
Sept. Allocation	23,595,150	19,633,905
Oct. Allocation	23,595,150	19,633,905
Nov. Allocation	23,595,150	19,633,905
Dec. Allocation	23,595,151	19,633,904
	305,915,485	**235,606,859**

DEBT MANAGEMENT OFFICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2009

CONTINUED	2009 N	2008 N
12 ADDITIONAL FUND FROM BUDGET OFFICE (SERVICE WIDE VOTE)		
Rent Arrears (Office)	-	15,320,982
Marketing of FGN Bonds to Nigerians in UK	32,080,620	-
Debt Sustainability Analysis Workshop	15,080,128	12,038,900
	47,160,748	**27,359,882**
13. OTHER INCOMES:		
Sales of Stores	81,000	-
Tender Fees	640,000	-
Contractors Registration Fees	1,375,000	-
Salaries Returned	198,409	-
	2,285,409	

	2009	2008
14. VOTES – FGN BOND FLOATATION		
Fund Released for FGN Bonds Operation	313,000,000	260,000,000
CBN Fund 10% for WHT or Comm. Bonds	110,117,016	752,893,102
	423,117,016	**1,012,893,102**
SPECIAL ITEMS:		
14a. PARIS CLUB REDEMPTION PROCEEDS		
Transfer from CBN Paris Club Redemption Proceeds	-	62,559,120
		62,559,120

DEBT MANAGEMENT OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

CONTINUED	2009 N	2008 N
15. SPECIAL ITEMS:		
MISCELLANEOUS RECEIPTS		
-Capacity Building Fund	6,217,264	11,898,666
-Tax Refund 1st FGN Bond	--	835,446
-Sales Books/General Receipts	--	21,480
-Expression of interest/Train the Trainers	250,000	20,350,000
-SAP Training Crown Agents	--	4,475,250
-DSA 2007 Report/Workshop	--	1,711,537
-Retreat (Sponsored by Zenith Bank)	--	5,000,000
-Study of India by Oceanic Bank	--	9,922,272
-DFID SNDM Zonal Excel Training	14,795,606	13,952,487
-Air Ticket (DFID Sponsored Training)	--	2,030,446
-Refund of payment	2,431,056	--
-Crown Agent Support (Training)	898,824	--
-Other DFID Sponsored Training	6,196,389	--
Received from Ekiti State	2,000,000	--
	32,789,139	**70,197,584**
15a. EXPENDITURE - CAPITAL		
Computers (FGN BOND)	44,637,000	3,942,000
Office Equipment	--	5,395,950
	44,637,000	**9,337,950**
16 EXPENDITURE – PERSONNEL		
Basic Salary	305,441,600	228,374,195
Regular Allowances	200,000	7,060,319
Non-Regular Allowances – Overtime	189,000	167,000
	305,830,600	**235,601,514**

DEBT MANAGEMENT OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

17. EXPENDITURE – OVERHEADS

	2009 N	2008 N
Local Travels	23,318,225	36,446,193
Int'l Travels & Transport	30,038,190	23,939,248
Local Travels & Transport -Training	7,802,050	7,108,537
Int'l Travels & Transport –Training	17,487,992	29,810,879
Electricity	--	450,000
Telephone Charges	1,834,727	5,576,090
Internet Access Charges	941,047	5,170,821
Office Materials & Supplies	15,271,596	13,160,192
Library Books & Periodical	4,475,540	3,416,805
Water Rates	--	393,346
Computer Material & Supplies	8,211,200	7,131,909
Printing of Non-Security Documents	6,234,000	12,010,702
Drugs & Medical Supplies	325,800	375,350
Other Materials & Supplies	8,433,136	5,850,848
Uniforms & other clothing	623,700	1,328,800
Maintenance of Motor Vehicles	4,483,037	3,181,367
Maintenance of Office Furniture	642,100	987,700
Maintenance of Building – Office	2,838,757	5,858,575
Maintenance of Building – Residential	17,292	2,848,765
Maintenance of Office Equipment	2,916,248	5,405,016
Maintenance of Computers & IT Equipment	2,122,240	10,140,004

DEBT MANAGEMENT OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

	2009 N	2008 N
Local Training	14,613,750	7,059,270
Int'l Training	41,637,919	82,256,375
Security Services	357,619	710,000
Cleaning & Fumigation Services	1,150,000	2,518,000
Office Accommodation Rent	15,320,982	15,320,982
Financial Consulting	2,100,000	1,933,500
Information Technology Consulting	1,432,350	2,060,000
Legal & Other Professional Charges	24,397,471	--
Bank Charges	109,695	45,446
Insurance Charges/ Premium	1,547,909	802,023
Motor Vehicle Fuel costs	4,415,800	6,136,000
Generator fuel cost	2,456,000	1,395,000
Refreshment & Meals	12,156,764	5,588,620
Publicity & Advertisements	1,720,200	16,675,949
Postages & Courier	841,419	1,429,942
Welfare Packages	52,000	1,620,000
Subscription to Professional Bodies	330,450	1,064,300
Honorarium &Sitting Allowance	1,969,000	--
	264,526,203	**327,579,878**

DEBT MANAGEMENT OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

	2009 N	2008 N
18. ADDITIONAL FUND FROM BUDGET OFFICE SERVICE WIDE VOTE		
Rent Arrears (Office)	--	15,320,982
Local Travel &Transport	10,021,381	6,823,962
Int'l Travel & Transport	7,607,866	--
Printing of Non-security documents	--	670,500
Computer material supplies	2,875,965	--
Refreshment & meals	9,294,782	--
Publicity & Advertisements	17,370,754	-
Refreshment and Meals	--	2,530,438
Honorarium & Sitting Allowance	--	2,014,000
	47,160,748	27,359,882

19. AMOUNT RETURNED TO CHEST		
Capital	-	499,862,667
Overheads	40,448	6,111
Personnel Emolument	84,885	5,346
Other Incomes	2,285,409	-
	2,410,742	499,874,124

DEBT MANAGEMENT OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

		2009 N	2008 N
20.	**EXPENDITURE – FGN BOND**		
	Local Travels & Transport	14,439,350	16,222,250
	Int'l Travel & Transport	10,070,305	5,943,250
	Int'l Travel & Transport – Training	--	1,037,000
	Local Training	--	3,984,458
	Int'l Training	--	3,001,231
	Office Accommodation Rent	--	10,163,399
	Bank charges	--	1,500
	Refreshment & Meals	10,000	3,271,755
	Publicity & Advertisements	203,944,555	217,864,763
	NSE Quotation & Listing	40,000,000	-
	Printing of Non-Security Documents	6,000	-
		268,470,210	**261,589,606**
20a.	10%WHT on PDMM Commission	**93,989,548**	**752,893,102**
21.	**PARIS CLUB REDEMPTION EXPENSES**		
	Technical Committee Reconciliation of State External Debt.	--	1,625,680
	Financial consulting	4,725,000	--
	Int'l travel & transport	35,151,294	--
	Publicity: Paris & London Clubs	7,481,644	11,856,112
		47,357,938	**13,481,792**

DEBT MANAGEMENT OFFICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

		2009 N	2008 N
22.	**SPECIAL ITEMS: MISCELLANEOUS ACCOUNT**		
	FAAC State Debt Reconciliation	--	402,600
	Capacity Building Fund	21,984,184	2,261,890
	Tax Refund: 1st FGN Bond	815,771	2,908,118
	Workshop DSA Rep ort	--	870,000
	Loan to other Countries	--	2,176,900
	Debt Conversion	--	86,000
	Tender (EOI) Expenses	--	6,450,700
	SAP training Crown Agents	--	4,475,250
	Train the Trainers	--	9,480,462
	Retreat for Members of House	--	5,000,000
	Study Tour of India expenses	9,922,272	
	DFID Support on SNDM Training	314,286	13,305,328
	Air Ticket (DFID) Training	--	2,030,446
	DFID Support Zonal Training	12,976,072	--
	Crown Agent Special Training	898,824	--
	Other Trainings	6,051,180	--
	Ekiti State Expenses	1,471,250	--
		54,433,839	**49,447,694**

DEBT MANAGEMENT OFFICE
The Presidency

NDIC Building (1st Floor)
Plot 447/448, Constitution Avenue,
Central Business District P.M.B. 532, Garki Abuja, Nigeria
Tel: 234-9-6725629 Fax: 234-9-6285396
Website: http://www.dmo.gov.ng E-mail: corporateaffaires@gmo.gov.ng