DEBT MANAGEMENT OFFICE
NIGERIA

2020

Annual Report

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

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

MRS (DR.) ZAINAB SHAMSUNA AHMED
Honourable Minister of Finance, Budget & National Planning
Federal Republic of Nigeria

DMO SUPERVISORY BOARD

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

Mrs. (Dr.) Zainab Shamsuna Ahmed
Hon. Minister of Finance, Budget & National Planning

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

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

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

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

DMO MANAGEMENT TEAM

Ms. Patience Oniha
Director-General

Mr. Miji Amidu
Director, Special Assignments

Hajiya Hannatu Bint Musa
Director, Policy, Strategy &
Risk Management Department

Mr. Joe Ugoala
Director, Organisational
Resourcing Department

Mr. Oladele Afolabi
Director, Portfolio Management
Department

Mr. Monday Usiade
Director, Market
Development Department

Mr. Maraizu Nwankwo
Head, Market Development
Department

Ms. Elizabeth Ekpenyong
Head, Strategic Programmes
Department

MANAGEMENT STAFF OF THE DMO IN 2020

S/N	Name	Rank	Department/Unit
1.	Oniha, Patience (Ms.)	Director-General	Director-General
2.	Amidu, Miji (Mr.)	Director	Special Assignments
3.	Bint Musa, Hannatu (Haj.)	Director	Policy, Strategy and Risk Management Department (PSRMD)
4.	Ugoala, Joe Chiadi (Mr.)	Director	Organisational Resourcing Department (ORD)
5.	Afolabi, O. Oladipo (Mr.)	Director	Portfolio Management Department (PMD)
6.	Usiade, Monday Isioma. (Mr.)	Director	Market Development Department (MDD)
7.	Nwankwo, Maraizu (Mr.)	Head of Department	Debt Recording & Settlement Department (DRSD)
8.	Ekpenyong, Elizabeth E. (Ms.)	Head of Department	Strategic Programmes Department (SPD)
9.	Abubakar, S. Kulo (Mr.)	Head of Department	Team Leader, Task Compliance & Operational Risk Management Unit (PSRMD)
10.	Jiya, Janet O. (Mrs.)	Deputy Director	On Secondment
11.	Anyanwu, Francis Ndubuisi	Deputy Director	Team Leader, Debt Management Training Unit (SPD)
12.	Aiyesimoju, Olaitan D. (Mr.)	Asst. Director	Team Leader, Internal Audit & Compliance Unit (DG's Office)
13.	Oluwasile, Wuraola .E. (Mrs.)	Asst. Director	Team Leader, Institutions & Skills Development Unit- Southern Zone (SPD)
14.	Masha, Naomi L. E (Mrs.)	Asst. Director	Team Leader, Sub-National Debt Unit (DRSD)
15.	Mustapha-Anas, Maryam S. (Mrs.)	Asst. Director	Team Leader, Policy & Strategy Unit (PSRMD)
16.	Ahmed, Fawzia I. (Mrs.)	Asst. Director	On Secondment
17.	Ekiye, Alfred (Mr.)	Asst. Director	Team Leader, Admin. Unit (ORD)
18.	Said, Jummai U. (Mrs)	Asst. Director	Team Leader, Domestic Debt Unit (DRSD)
19.	Akodu, Idowu S. (Mrs.)	Asst. Director	Team Leader, Debt Service Unit (DRSD)
20.	Aja, Bartholomew O. (Mr.)	Asst. Director	Team Leader, Contingent Liability & Risk Asset Management Unit (PMD)
21.	Onukwuru, Kingsley A. (Mr.)	Asst. Director	Team Leader, Statistics, Analysis & Risk Management Unit (PSRMD)
22.	Edomobi, Chima (Mr.)	Asst. Director	Institutions & Skills Development Unit- Southern Zone (SPD)
23.	Ajeh, Daniel E. (Mr.)	Asst. Director	Team Leader, Information Technology & Information Systems Unit (ORD)
24.	Shikmuut, Ruth D. (Mrs.)	Asst. Director	Team Leader, Institutions & Skills Development Unit- Northern Zone (SPD)
25.	Olasoji -Onadipe, Olufunmilayo B. (Mrs.)	Asst. Director	P&S
26.	Ogwuegbu, Francis Obinna	Asst. Director	On Secondment
27.	Mohammed, Isiaku (Mr.)	Asst. Director	Team Leader (Project Unit)
28.	Liman, Balarabe M. (Mr)	Asst. Director	Admin
29.	Yakwo, Lami C. (Ms)	Asst. Director	Sub-National Debt Unit (DRSD)
30.	Mohammed, Bara Adamu (Mr)	Asst. Director	Team Leader (SIU)
31.	Olafisoye, Bose P. (Mrs)	Asst. Director	Team Leader (MRI&PD)
32.	Adeoye, Felix O. (Mr)	Asst. Director	Team Leader (ED&SA)

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GLOSSARY

ACOO	Assistant Chief Operations Officer
AfDB	African Development Bank
AFD	French Development Agency
AfDF	African Development Fund
AGTF	Africa Growing Together Fund
AMCON	Asset Management Corporation of Nigeria
ASI	ALL-Share Index
ATM	Average Time-to-Maturity
ATR	Average Time-to-Re-fixing
BADEA	Arab Bank for Economic Development in Africa
BAS	Bond Auctioning System
BDC	Bureau De Change
BOA	Bank of Agriculture
BoE	Bank of England
BOF	Budget Office of the Federation
BOI	Bank of Industry
BPE	Bureau of Public Enterprises
BPP	Bureau of Public Procurement
CBN	Central Bank of Nigeria
CFR	Commander of the Federal Republic
CHF	Swiss Franc
CMC	Capital Market Committee
CIS	Collective Investment Scheme
CMLMP	Capital Market Literacy Master Plan
COO	Chief Operations Officer
COM-SEC	Commonwealth Secretariat
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment

CRR	Cash Reserve Ratio
CSCS	Central Securities Clearing System
CS-DRMS	Commonwealth Secretariat-Debt Recording & Management System
DAO	Departmental Administrative Officer
DCSS	Direct-Cash Settlement System
DDU	Domestic Debt Unit
DeMPA	Debt Management Performance Assessment
DMDs	Debt Management Departments
DMO	Debt Management Office
DRSD	Debt Recording and Settlement Department
DSA	Debt Sustainability Analysis
DSF-LICs	Debt Sustainability Framework for Low Income Countries
ECA	Excess Crude Account
ECB	European Central Bank
ECFA	External Creditors' Funding Account
EDF	European Development Fund
EM	Emerging Markets
EM-LCBI	Emerging Markets Local Currency Bond Index
ETF	Exchange Traded Funds
ES	External Support
EU	European Union
EUR	Euro
FBN	First Bank of Nigeria Limited
FCT	Federal Capital Territory
FCTA	Federal Capital Territory Administration
FDIs	Foreign Direct Investments
FGN	Federal Government of Nigeria
FICAN	Financial Correspondents Association of Nigeria
FMA	Federal Ministry of Aviation

FMBN	Federal Mortgage Bank of Nigeria
FMFBNP	Federal Ministry of Finance, Budget and National Planning
FMDA	Financial Markets Dealers Association
FMDQ	Financial Market Dealers Quotation (OTC) Securities Exchange
FMoT	Federal Ministry of Transport
FX	Forex
GBB	Galaxy Backbone
GBP	British Pound Sterling
GCFR	Grand Commander of the Federal Republic
GCON	Grand Commander of the Order of the Niger
GDP	Gross Domestic Product
GIFMIS	Government Integrated Financial Management Information System
HOD	Head of Department
IBRD	International Bank for Reconstruction and Development
ICM	International Capital Market
ICT	Information and Communication Technology
ID	Islamic Dinar
IDA	International Development Association
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFEM	Inter-Bank Foreign Exchange Market
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IPO	Initial Public Offering
IPPIS	Integrated Personnel and Payroll Information System
ISDU	Institutions & Skill Development Unit
IT	Information Technology
JICA	Japan International Cooperation Agency

JPY	Japanese Yen
KFW	German Development Bank
M_3	Broad Money Supply
MC	Market Capitalization
MDAs	Ministries, Departments and Agencies
MDD	Market Development Department
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MS	Microsoft
MTDS	Medium-Term Debt Management Strategy
MTEF	Medium-Term Expenditure Framework
MTN	Medium-Term Note
NBS	National Bureau of Statistics
NBET	Nigerian Bulk Electricity Trading PLC
NDIC	Nigeria Deposit Insurance Corporation
NDMF	National Debt Management Framework
NEXIM	Nigerian Export-Import Bank
NFA	Net Foreign Assets
NGN	Nigerian Naira
NIPF	National Investor Protection Fund
NSE	Nigerian Stock Exchange
NSIA	Nigeria Sovereign Investment Authority
NTBs	Nigerian Treasury Bills
OAGF	Office of the Accountant-General of the Federation
OO	Operations Officer
ORD	Organizational Resourcing Department
ORM	Operational Risk Management
OTC	Over-the-Counter
PCOA	Put-Call Option Agreement

PDMMs	Primary Dealer Market Makers
PENCOM	National Pension Commission
PMD	Portfolio Management Department
POO	Principal Operations Officer
PPA	Power Purchase Agreement
PRG	Partial Risk Guarantees
PSRMD	Policy, Strategy and Risk Management Department
PV	Present Value
rDAS	Retail Dutch Auction System
S4	Scripless Securities Settlement System
SAN	Senior Advocate of Nigeria
SDN	Sovereign Debt Note
SDR	Special Drawing Rights
SEC	Securities and Exchange Commission
SFTAS	States Fiscal Transparency, Accountability and Sustainability
SIU	Securities Issuance Unit
SMEs	Small and Medium Enterprises
SOO	Senior Operations Officer
SNDU	Sub-National Debt Unit
SPD	Strategic Programmes Department
STF	Sub-Treasury of the Federation
SRGIs	Strategic Revenue Generating Initiatives
TBs	Treasury Bonds
TDR	Trade Data Repository
TL	Team Leader
TSA	Treasury Single Account
USD	United States Dollar
USA	United States of America
UK	United Kingdom

WAIFEM	West African Institute for Financial and Economic Management
WAMZ	West African Monetary Zone
WB	World Bank
WEO	World Economic Outlook

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

VISION

To be a Public Debt Management Institution of global reference.

MISSION

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

BROAD OBJECTIVE

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

CORE VALUES

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

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

BRAND

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

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

MANDATE OF THE DEBT MANAGEMENT OFFICE

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

i. Maintain a reliable database of all loans taken or guaranteed by the Federal or State Governments or any of their agencies;
ii. Prepare and submit to the Federal Government a forecast of loan service obligations for each financial year;
iii. Prepare and implement a plan for the efficient management of Nigeria's external and domestic debt obligations at sustainable levels compatible with desired economic activities for growth and development and participate in negotiations aimed at realizing these objectives;
iv. Verify and service external debts guaranteed or directly taken by the Federal Government;
v. On an agency basis, service external debts taken by State Governments and any of their agencies, where such debts are guaranteed by the Federal Government;
vi. Set guidelines for managing Federal Government financial risks and currency exposure with respect to all loans;
vii. Advise the Federal Government on the re-structuring and re-financing of all debt obligations;
viii. Advise the Minister on the terms and conditions on which monies, whether in the currency of Nigeria or in any other currency, are to be borrowed;
ix. Submit to the Federal Government for consideration in the annual budget, a forecast of borrowing capacity in local and foreign currencies;
x. Prepare a schedule of any other Federal Government obligations such as trade debts and other contingent liabilities, both explicit and implicit and provide advice on policies and procedures for their management;

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

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

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

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

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

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

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

DIRECTOR-GENERAL'S STATEMENT

It is with great honour and privilege that I present to our esteemed stakeholders and the general public, the Annual Report and Statement of Accounts of the Debt Management Office (DMO) for the year ended December 31, 2020. The Annual Report contains comprehensive information on Nigeria's Public Debt statistics, as well as macroeconomic trends across the globe. The Report provides the debt data statistics of the Federal Government of Nigeria (FGN), the 36 States of the Federation and the Federal Capital Territory (FCT). In addition, an update is provided on the implementation status of Nigeria's Debt Management Strategy, 2020-2023, as well as the outcome of the 2020 national Debt Sustainability Analysis (DSA) exercise. Also included in this Report, is the Audited Financial Statement and Accounts for the year ended December 31, 2020, which are prepared and presented in compliance with the requirements of the International Public Sector Accounting Standards.

The Global Economy

The global economy experienced a growth at -3.30 percent in 2020, compared to 2.90 percent growth in 2019.The set back was as a result of the global outbreak of COVID-19 Pandemic. The negative growth continued until the fourth quarter of the year when it began to experience gradual recovery albeit at slow pace accross the globe. The recovery was reinforced by larger inflows, rising employment and improved business optimism, as the production and distribution of the COVID-19 Vaccines boosted Investors confidence, business activities of service providers rose at the fast rate with expansion accross businesses, consumer and financial service industries. According to data from the International Monetary Fund (IMF) World Economic Outlook (April 2021), the overall business outlook remained negative for the United States, United Kingdom, Germany, India, France, Spain, Canada, United Arab Emirates, Rusia, Japan, Italy, Nigeria and South Africa but positive for China due to the discovery and export of COVID-19 Vaccines.

The gloomy global economy was widespread as a result of the COVID-19 Pandemic affecting major advanced economies and the resultant ripple effects on emerging markets and developing economies (EMDEs), as well as countries in Sub-Saharan Africa.

For the advanced economies, which experienced negative economic growth in 2020 as result of the COVID-19 Pandemic, the US economy experienced a growth of -3.50 percent as against 2.30 percent in 2019 and was this was projected to moderate at 6.40 percent in 2021. In Japan, it was a growth of -4.80 percent and slowed economic activities due to the Pandemic and lockdown restrictions. Euro Areas also experienced a growth of -6.6 percent as against a growth of 1.20 percent in 2019. Germany, Italy, United Kingdom and Canada experienced negative growth of -4.90 percent, -8.90 percent, -4.80 percent and -5.40 percent, compared to their growth of 0.60 percent, 0.30 percent, 1.40 percent and 1.60 percent in 2019, respectively.

According to data from the International Monetary Fund (IMF) World Economic Outlook (April 2021), the Advanced Economies began gradual recovery following the discovery of the COVID-19 Vaccines, signing of the Brexit deal and other positive policy measures taken by both their fiscal and monetary authorities.

The IMF World Economic Outlook (April, 2021) reported that average global inflation rate declined to 3.98 percent in 2020 from 4.08 percent in 2019, due to weak demand and moderating energy prices.

The Domestic Economy

The annual growth of real GDP in 2020 according to the National Bureau of Statistics (NBS) was estimated at –1.92 percent, a decline of –4.20 percent when compared to the 2.27 percent in 2019. The Nigerian economy is broadly classified into the oil and non-oil sectors. While the oil sector in 2020 recorded a contraction of -8.89 percent compared to 4.59 percent in 2019, the non-oil sector, contracted by –1.25 percent in 2020 compared to 2.06

percent in 2019. The weak performance observed in both the oil and non-oil sectors was largely attributed to the effects of the lockdown, persistent weak global demand for crude oil and security challenges across the country.

Despite the observed contraction in the 2020 GDP, there was Growth in the non-oil sector which was driven by Information and Communication (Telecommunications & Broadcasting). Other drivers of growth in the non-oil sector were Agriculture (Crop Production), Real Estate, Manufacturing (Food, Beverage & Tobacco), Mining and Quarrying (Quarrying and other Minerals), and Construction, accounting for positive GDP.

The Central Bank of Nigeria (CBN) maintained its current stance of systematic synchronization of monetary and fiscal policy accommodation through its developmental finance initiatives, aimed at mitigating the impact of the COVID-19 pandemic on Nigerians. The Monetary Policy Committee (MPC) however retained the Monetary Policy Rate (MPR) at 11.50 percent. Other policy parameters were maintained, with the Cash Reserve Ratio (CRR) on both public and private sector deposits at 27.50 percent, Liquidity ratio at 30.00 percent and the asymmetric corridor of +100 basis points and -700 basis points around the MPR, throughout 2020.

Key interest rates, prime and maximum lending rates, declined at end December 2020, following ample liquidity levels in the banks. From their levels in the preceding quarter, average prime and maximum lending rates fell by 0.99 percent and 0.88 percent to 11.78 percent and 28.48 percent, respectively, in the fourth quarter of 2020. Considering that inflation was 15.75 per cent at end-December 2020, this signified negative real rates for deposits and prime lending rates, but positive real rate for maximum lending rate

The Government continued its initiatives to deepen and enhance the performance of the Non-oil sector, which contributed 91.84 percent to the GDP in 2020 compared to 91.22 percent in 2019. The initiatives of the Government have consistently resulted in enhanced Revenue generation.

Funding the 2020 Appropriation Act

The 2020 Appropriation Act contained an aggregate Expenditure of ₦10.59 trillion and total Revenue of ₦5.365 trillion. The sum of ₦4.198 trillion was approved as New Borrowing in the 2020 Appropriation Act, which was to be raised from the Domestic and External markets. The New Domestic and External Borrowing of ₦2.213 and ₦1.984 trillion were fully raised during the year. The proceeds of the New Borrowing were utilized for funding key projects in the 2020 Appropriation Act.

Total Public Debt in 2020

In continuation of the implementation of the Government's Economic Recovery and Growth Plan, and Strategic Revenue Growth Initiatives amidst dwindling revenues, Government still considered borrowing as a bridging measure to secure funding for on-going infrastructure projects and meet other economic priorities. Funds were sourced largely from issuance of securities in the domestic capital market and external borrowing.

Nigeria's outstanding Total Public Debt as at December 31, 2020 was ₦32,915,514.85 million (US$86,392.54 million) compared to ₦27,401,381.29 million (US$84,053.32 million) as at December 31, 2019, representing an increase of N5,514,133.56 million (US$2,339.22 million) or 20.12 percent in Naira terms. The increase in the Total Public Debt stock was reflected in the both Domestic and External Debt. The Total External Debt stock as at December 31, 2020 was ₦12,705,618.48 million (US$33,348.08 million) or 38.06 percent of the Total Public Debt stock, while the Total Domestic Debt stock was ₦20,209,896.37 million (US$53,044.46 million) or 61.40 percent of the Total Public Debt stock. While the increase in the Total External Debt stock in the year was largely due to new loans and additional disbursements on existing Multilateral and Bilateral loans, the growth in the Total Domestic Debt stock was attributed to new issuance of domestic securities by the FGN to fund the 2020 Appropriation Act and other contractual obligations during the review period, and domestic borrowing by the Sub-nationals.

The FGN's Domestic Debt stock was ₦16,023,885.38 million as at December 31, 2020 compared to ₦14,272,644.79 million as at December 31, 2019, representing an increase of ₦1,751,240.59 million or 12.27 percent. The increase was due to new borrowing through the FGN Securities to fund the 2020 Appropriation Act and refinancing of matured debt obligations, as well as settlement of outstanding FGN arrears, to Oil Marketing Companies, Exporters and State Governments through the issuance of Promissory Notes which formed part of the debt stock.

The Total Public Debt as a percentage of Gross Domestic Product (GDP) remained sustainable at 21.61 percent as at December 31, 2020, relative to 19.00 percent at the end of December 2019. This ratio is within the new Country Specific Debt Limit of 40 percent set under the approved MTDS, 2020-2023 and below the maximum threshold of 55 percent of the IMF and World Bank for countries in Nigeria's peer-group, as well as the West African Monetary Zone (WAMZ) convergence threshold of 70 percent.

Whilst the Debt Portfolio remained sustainable in relative to the GDP, Debt Service to Revenue Ratio still remains a source of concern to the Government. However, given the various revenue generation reforms and effective implementation of the Strategic Revenue Growth Initiatives by the FGN, it is expected that the revenue-based parameters would improve, which would substantially reduce the Debt Service to Revenue Ratio in the short to medium-term.

Implementation of the Debt Management Strategy

Following the implementation of the Debt Management Strategy in 2020, the Public Debt Portfolio shows a progressive improvement in terms of Total Domestic Debt to Total External Debt which stood at 61:39 as at the end of the year, compared to the Maximum 70:30 set for end of 2023. The ratio of long-term domestic debt to short term domestic debt improved from 81:19 as at December 31, 2020 compared to 83:17 as at December 2019 surpassing the targeted Domestic Debt mix of 75:25 for long to short term debts by end of December, 2023. Debt maturing within one year was 14.50 percent of the Total Public Debt as at December 31, 2019, compared favourably with the target of not more than 20 percent of the FGN's Total Public Debt. The Average Time-to-Maturity (ATM) of the Total Debt Portfolio, stood at 10.74 years, which is above the strategic target of minimum 10 years by end of December, 2020.

Activities in the International Capital Market

The secondary market performance of Nigeria's securities trading in the International Capital Market (Eurobonds and Diaspora Bond), witnessed spikes in Yields towards the end of the first quarter of 2020 relative to the beginning of the year. The spikes in the Yields were due to the impact of the COVID-19 pandemic, which adversely affected global financial markets. However, the Yields normalized towards the second-half of the year and continued on a positive trajectory to the end of the year due to the gradual return of normalcy in the global financial markets.

Activities in the Domestic Market

The sum of ₦2.213 trillion approved as New Domestic Borrowing to part-finance the deficit in the 2020 Appropriation Act was raised from the domestic market through the issuance of FGN securities – FGN Bonds, FGN Savings Bonds and Sovereign Sukuk.

The total subscription of the FGN Savings Bonds in 2020 was ₦3.637 billion by 1,477 subscribers, representing 36.88% and 71.45% decrease when compared to the subscription of ₦5.762 billion by 5,173 subscribers in 2019, respectively. This was understandably due to the fact that the DMO did not issue bonds in the months of March to June as a result of Covid-19 Pandemic.

The DMO on June 16, 2020, issued a 7-year ₦162.557 billion Sovereign Sukuk in the domestic bond market as part of its infrastructure funding initiatives. The Offering attracted significant interest from a wide range of retail and institutional investors with total Subscription of ₦669.124 billion, representing a Subscription of 446%. The Sovereign Sukuk Offering attracted significant interest from a wide range of investors, which included Ethical Funds, Insurance Companies, Fund Managers and Retail investors, amongst others. This participation by a wide range of investors is in line with the DMO's objective of diversifying the investor base for Government Securities and promoting financial inclusion, which is one of the cardinal financial market policy thrust of the Federal Government.

Following from the DMO's efforts to develop the sub-national debt management to global standards, two States, Ondo and Lagos States, raised a total of ₦114.88.00 billion from the domestic bond market in 2020, with Ondo raising of ₦14.88 billion at 13.00 percent interest rate and Lagos State raising ₦100.00 billion at 12.25 percent interest rate.

The DMO on behalf of Federal Government of Nigeria (FGN) issued Promissory Notes in the sum of ₦1,354.53 billion, $26.48 million and £130.51 million respectively to settle inherited Local Debts and Contractual Obligations of the Federal Government of Nigeria. In the year under review, a total sum of ₦414.30 billion was redeemed leaving a balance of ₦940.23 billion under the Naira component while the Dollar and Euro component recorded a balance of $26.48 million and £130.51 million respectively

Other Activities of the DMO in 2020

Staff Matters

2020 Promotion

The 2020 Promotion Exercise of the DMO was conducted for all eligible members of Staff and successful officers were duly recommended to be promoted to their new levels.

Training and Redeployment

Owing to the impact of the COVID-19 Pandemic, the implementation of the DMO's Staff Trainings were delayed until the 4th Quarter of the year (November and December, 2020). The themes of the Trainings were – Leadership through Disruptive Times, Project Appraisal

& Monitoring, Risk Identification & Management, Introduction to Microsoft Excel, Advance Microsoft Excel, Stress Management, Workplace Safety, Security & Emergency Preparedness. A Workshop was also conducted for Members of the House Committee on Loans, Aid and Debt Management, Senate Committee on Foreign and Local Debt and the Clerks of the Committees in July, 2020.

Redeployment of some Staff was done amongst the Departments and Units within the year. One officer was posted from the Office of the Accountant General of the Federation (OAGF) to the DMO (Finance and Accounts Unit). In addition, one (1) staff in the Federal Ministry of Justice (FMoJ) was posted to the DMO to join the two existing staff in the Legal Service Unit and also to replace the outgoing staff who was posted out of the DMO. The Procurement Unit was created under the DG's Office, to accommodate the two staff that were posted from the Bureau of Public Procurement (BPP) to the DMO.

Activities of Sub-National Governments

As part of efforts at strengthening capacity at the State level, the DMO conducted a special Capacity Building Programme on "Public Debt Creation and Sub-National Debt Management" for officials of the Ondo State Government, involving different MDAs in the State during the year. In the same vein, the DMO developed in-house, an MS Excel driven sub-national debt sustainability analysis (S-DSA) Tool, Guidance Notes and Templates which was reviewed by the World Bank and then disseminated to and utilized by all 36 States and the FCT, at a series of Workshops, for the conduct of their debt sustainability analysis. The S-DSA Tool and Guidelines were meant to assist the States in the attainment of part of the requirements of the States' Fiscal Transparency, Accountability and Sustainability (SFTAS) programme. Funding for this Workshops was provided by the World Bank.

Outlook

It is envisaged that, the global effort to contain the coronavirus, the outlook for the Nigerian economy will remain uncertain in 2021 as global economic growth is projected to continue to weaken, with adverse consequences for financial markets. For commodity exporting countries like Nigeria, the sharp drop in crude oil prices is likely to limit the capacity of Government to fund its annual Budget from own resources, thereby necessitating more borrowing. However, it is expected that the continued implementation of the Government's economic diversification agenda, sustaining peace and stability in the Niger Delta region, coupled with the gains from the Ease of Doing Business initiative and Strategic Revenue Growth Initiative, the impact of the global shocks from the pandemic on the local economy will be minimised.

Meanwhile, the DMO plans to sustain the Issuance of the FGN Securities (FGN Bonds, FGN Savings Bonds, FGN Sukuk, and FGN Green Bonds) in the domestic capital market in 2021 to meet Government's funding needs. The DMO expects the Domestic Bond Market to grow in 2021 due to the issuances of Securities to part-finance the deficit in the 2021 FGN Appropriation Act, likely resumption of Sub-National borrowing from the bond market as a result of the expected low interest rate regime and shrinkage in revenues, as well as issuances by corporates to fund critical activities.

Conclusion

I wish to express my sincere appreciation to the Chairman of the Supervisory Board of the DMO, and Vice President of the Federal Republic of Nigeria, His Excellency, Professor Yemi Osinbajo, SAN, GCON; the Vice-Chairman of the Board and Honourable Minister of Finance, Budget and National Planning, Hajiya Zainab Shamsuna Ahmed; as well as, the other distinguished members of the Board for their continued guidance and support. I also wish to place on record the close collaboration and partnership between the DMO and the National Assembly, Development Partners and other stakeholders, including Ministries, Departments and Agencies during the year.

Finally, I am particularly thankful to the Management and Staff of the DMO whose consistent focus and dedication to the goals and aspirations of the Office have ensured that we continue to succeed in the discharge of our mandate.

Patience Oniha
Director-General
June 30, 2021

CHAPTER ONE

THE OPERATING ECONOMIC ENVIRONMENT

In The global economy experienced a growth of -3.3 percent in 2020, compared to 2.9 percent positive growth rate in 2019.The setback was as a result of the outbreak of COVID-19 Pandemic. The bleak continued until the fourth quarter of the year when it began to experience gradual recovery albeit at slow pace across. The recovery was reinforced by larger inflows, rising employment and improved business optimism, as the production and distribution of the COVID-19 Vaccines boosted Investors' confidence.

1.1 The Global Economy

1.1.1 Output Growth

The global economy experienced a growth of -3.3 percent in 2020, compared to 2.9 percent growth in 2019.The set back was as a result of the outbreak of COVID-19 Pandemic. The negative growth continued until the fourth quarter of the year when it began to experience gradual recovery albeit at slow pace across the globe. The recovery was reinforced by larger inflows, rising employment and improved business optimism, as the production and distribution of the COVID-19 Vaccines boosted Investors confidence. Business activities of service providers rose at the fast rate with expansion accross the business, Consumer and financial service industries. Data from the International Monetary Fund (IMF) World Economic Outlook (April 2021), show that the overall business outlook remained negative for the United States, United Kingdom, Germany, India, France, Spain, Canada, United Arab Emirates, Rusia, Japan, Italy, Nigeria and South Africa but positive for China due to the discovery and export of COVID-19 Vaccines.

The gloomy global economy was widespread as a result of the COVID-19 Pandemic affecting major advanced economies, with the resultant ripple effects on the emerging markets and developing economies (EMDEs), as well as countries in the Sub-Saharan Africa.

For the advanced economies which experienced negative economic growth in 2020 as result of the COVID-19 Pandemic, the US economy recorded a growth of -3.50 percent as against 2.30 percent in 2019 and was projected to moderate at 6.4 percent in 2021. In Japan, it was a negative growth of -4.08 percent and slowed economic activities due to the Pandemic and lockdown restrictions. Euro Areas also experienced a growth of -6.60 percent as against a growth of 1.20 percent in 2019. Germany, Italy, United Kingdom and Canada experienced negative growth of -4.9 percent, -8.9 percent, -4.8 percent and -5.4 percent, respectively compared to their growth of 0.60 percent, 0.30 percent, 1.40 percent and 1.60 percent in 2019, respectively.

According to data from the IMF World Economic Outlook (April 2021) the Advanced Economies began gradual recovery following the discovery of the COVID-19 Vaccines, signing of the Brexit deal and other positive policy measures taken by both their fiscal and monetary authorities. These measures improved operating conditions of Corporates, culminating in the expansion of the factory activities such as production processes and output.

EMDEs, recorded on the overall, a growth of -2.20 percent from the growth rate of 3.70 percent in 2019. The negative growth was also as result of the COVID-19 Pandemic and lockdown restrictions. However, China recorded a positive growth of 2.30 percent due to the discovery and distribution of the COVID-19 Vaccines and easing of the lockdown restrictions with new export business expansion. The positive outlook of China's economy in 2020 was below its economic achievement of 6.10 percent in 2019, although according to the World Economic Outlook (April, 2021), China economy is projected to recover and grow at 8.40 percent in 2021. In the EMDEs, the recovery from negative growth in the economy was modest and fast with new export businesses expanding due to the discovery and distribution of the COVID-19 Vaccines and easing of the lockdown restrictions.

Economic growth in the Emerging and Developing Europe was negative at -2.0 percent in 2020 as against the positive 2.1 percent in 2019. The negative growth rate in the Emerging and Developing Europe was also as a result of the COVID-19 Pandemic and lockdown restrictions. Russia experienced adverse effect in their economic activities as they recorded negative growth of -3.1 percent compared to the positive achievement of 1.3 percent in 2019.

The Latin America and the Caribbean economies were not left out in the wave of economic downturn and weak investment that characterized global economy as a result of the Pandemic and lockdown restrictions. The region experienced in the overall a growth of -7.00 percent in 2020. However, it is projected to recover to 4.60 percent in 2021 and 3.10 percent in 2022 following the discovery and distribution of the COVID-19 Vaccines and easing of the lockdown restrictions and new fiscal and monetary policy measures.

Middle East and Central Asia recorded a growth of -2.9 percent in the economy as against a postive growth of 1.20 percent in 2019. This was due to the economic consequencies of the Pandemic, which affected the US interest in the region and the simultaneous fall in Oil price. It is projected that the economy would rebound to 3.70 percent in 2021 and 3.80 percent in 2022 following the discovery of the COVID-19 Vaccines and the new policy measure formulated to improve the price of Oil.

Growth in the Sub-saharan Africa contracted to -1.90 percent in 2020 as against the positive growth of 3.10 recorded in 2019. This was due to the COVID-19 global Pandemic. Growth in the region is expected to rebound to 3.40 percent in 2021 significantly lower than the trend anticipated before the Pandemic. Tourism reliant economies will likely be the most affected. The Pandemic continues to exact a large toll on Sub-saharan African especially Ghana, Kenya, Nigeria and South Africa.

In Nigeria, economic growth shrunk to -1.80 percent in 2020 as a result of the shock created by the COVID-19 Pandemic compared to 2.20 percent growth in 2019 . The economy is projected to grow by 2.50 percent in 2021 as result of access to COVID-19 Vaccines, improved Oil price, fiscal and monetary policy reforms put in place by the Government among which are; promotion of manufacturing and local production at all levels to curb unneccessary demand for foreign exchange to stem the pressure on exchange rate, mobilize resources to stimulate the economy and fund projects in Economic Sustainability Plan, fiscal measure to safeguard Oil revenues, strict implementation of ERGP and other fiscal and monetary measures, as well as other policy reforms of the government.

South Africa which has a growth of -7.0 percent in 2020 is expected to rebound to 3.10 percent in 2021 as a result of access to COVID-19 Vaccines and their effectiveness to contain the renewed waves and new policy reforms.

However, data from the IMF, World Economic Outlook April 2021, indicated that global growth was projected to be 6.00 percent in 2021, a marginal increase of 2.70 percent from the negative -3.30 percent recorded in 2020 due to improved market sentiments such as the discovery and distribution of the COVID-19 Vaccines and easing of the lockdown restrictions, signing of the Brexit deal and other positive policy measures taken by both the fiscal and monetary authorities.

The improved prospects for global economic recovery earlier predicted for 2021 by the IMF in October 2020 was reversed upward reflecting additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook, related to the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine normalization, and the evolution of financial conditions.

Looking ahead, the momentum of the recovery is expected to vary accross countries, depending on the quantum and effectiveness of policy interventions, structural characteristics of countries, access to COVID-19 Vaccines and their effectiveness to contain the renewed waves and new variant of the virus

1.1.2 Inflation

The IMF World Economic Outlook (April, 2021) reported that average global inflation rate declined to 3.98 percent in 2020 from 4.08 percent in 2019, due to weak demand and moderating energy prices. The average inflation rate in Advanced Economies dropped to 0.70 percent at the end of 2020 compared to 1.40 percent in the preceding period of 2019. While the average inflation rate in Emerging and Developing Europe was 5.40 percent at the end of 2020, a moderate drop from the 6.60 percent inflation rate in the corresponding period of 2019, the average inflation rate remained constant in the EMDEs, at 5.10 percent in December 2020 and the corresponding period of 2019. Whereas, inflation rate declined in the United States from 1.80 percent in December 2019 to 1.20 percent in December 2020, inflationary pressures dropped in Japan from 0.50 percent in December 2019 to 0.0 percent in December 2020.

Inflation rate in Latin America and the Caribbean group declined slightly from 7.7 percent in December 2019 to 6.40 percent in December 2020. Among the Middle East and Central Asia group, inflation trended slightly upwards to 10.20 percent at the end of December, 2020 from 7.40 percent in the corresponding period of 2019. In the Sub-Saharan Africa inflation rate also trended upward from 8.50 percent in December 2019 to 10.80 percent in December 2020.

In Nigeria, inflation increased from 11.98 percent in December 2019 to 15.75 percent in December 2020 whereas South African inflation rate dropped from 4.10 percent in December 2019 to 3.30 percent in 2020.

1.2 The Nigerian Economy and Policy Environment in 2020

1.2.1 Developments in Output

The annual growth of real GDP in 2020 according to the National Bureau of Statistics (NBS) was estimated at –1.92 percent, a decline of –4.20 percent when compared to the 2.27

percent recorded in 2019. For better clarity, the Nigerian economy has been classified broadly into the oil and non-oil sectors. While the oil sector in 2020 recorded a contraction of –8.89 percent compared to 4.59 percent in 2019, the non-oil sector, for the full year of 2020, contracted by –1.25 percent compared to 2.06 percent in 2019. The weak performance observed in both the oil and non-oil sectors was largely attributed to the effects of the lockdown, persisting weak global demand for crude oil and security challenges across the country.

Despite the observed contraction in 2020 GDP, there was growth in the non-oil sector which was driven by Information and Communication (Telecommunications & Broadcasting). Other drivers of growth in the non-oil sector were Agriculture (Crop Production), Real Estate, Manufacturing (Food, Beverage & Tobacco), Mining and Quarrying (Quarrying and other Minerals), and Construction, accounting for positive GDP. The quarter-on-quarter real GDP grew by 1.87, -6.10, -3.62 and 0.11 percent in the first, second, third and fourth quarters, respectively, in the year under review. Table 1.1 shows the trend of selected economic indicators between 2016 and 2020.

Table 1.1: Selected Macroeconomic Indicators, 2016 - 2020

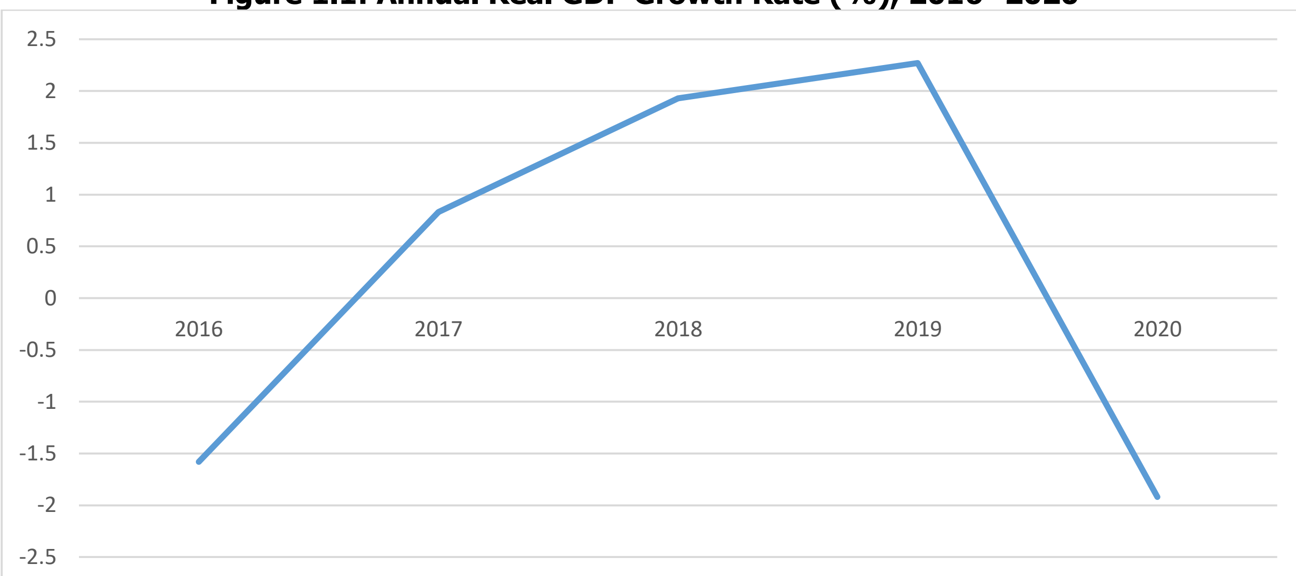
Description	2016	2017	2018	2019	2020
Real GDP Growth Rate (%)	-1.58	0.83	1.93	2.27	-1.92
CPI Inflation (end-period) (%)	18.55	15.37	11.44	11.98	15.75
Budget Deficit (% of GDP)	2.14	2.18	1.73	1.37	2.76
External Reserves (US$' billion)	26.99	39.35	42.54	38.07	36.48
End-Period Exchange Rate (₦)	305.00	306.00	307.00	326.00	381.00
Total Public Debt-to-GDP Ratio (%)	16.27	18.20	19.09	19.00	21.61
Benchmark Crude oil price (US$)	38.00	44.50	51.00	60	28
Equities Market Capitalization (₦' trillion)	9.11	13.62	11.72	12.97	21.06
Bond Market Capitalization (₦' trillion)	6.25	9.29	10.17	12.92	13.90

Sources: MBNP, NBS, CBN, DMO
Note: Total Public Debt-to-GDP ratio includes FGN, States & FCT's Debt Stock

In real terms, on an annual basis, the Non-Oil sector contributed 91.84% to real GDP, higher than 91.22% recorded in 2019. The Services sector played key role in driving the performance of the Non-Oil Sector with a contribution of 52.44 percent in 2020, though lower than 52.60 percent recorded in 2019. The expansion in output was, largely, driven by the non-oil sector, with strong performances in the Agriculture and Industrial sectors, contributing 26.21 and 21.36 percent in 2020, relative to 25.16 and 22.25 percent in 2019.

While the Oil sector contributed -8.89 percent in 2020, the annual GDP for 2020 contracted by 1.92 percent, compared with the growth of 2.27 percent recorded in 2019. Also, Oil and Non-oil GDP in 2020 contracted by 8.89 and 1.25 percent, respectively, compared with growths of 4.59 percent and 2.06 percent in 2019, respectively. Figure 1.1 depicts the annual real growth rate for the period 2016 to 2020.

Figure 1.1: Annual Real GDP Growth Rate (%), 2016 -2020



Source: National Bureau of Statistics (NBS)

1.2.2 Fiscal Developments

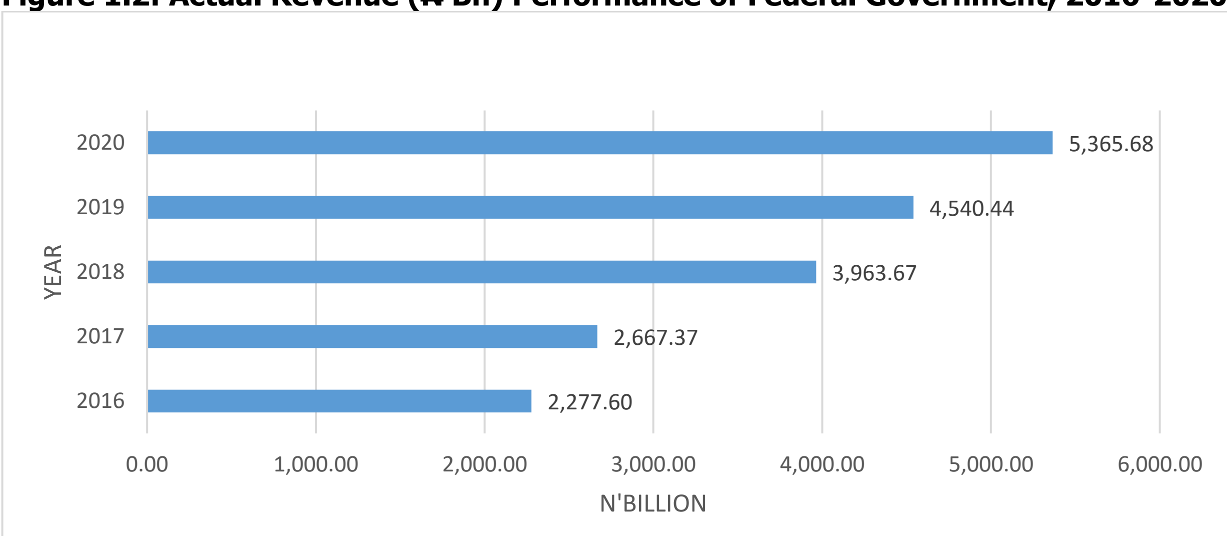
The need to support growth and cushion the effect of Covid-19 pandemic on the citizenry influenced the level and composition of government expenditure in the year 2020. The Total Expenditure in the 2020 Appropriation Act was ₦9.97 trillion, with a fiscal deficit of ₦4.6 trillion, compared to the FGN Total Expenditure of ₦8.92 trillion, with a deficit of ₦1.92 trillion in the 2019 Appropriation Act.

The projected Capital Expenditure of ₦2.49 trillion in the 2020 revised Appropriation Act was earmarked for contribution to the development of funding key sectors of the economy, particularly critical infrastructure projects in power, roads, rail and agriculture, while approved Revenue Estimate of ₦5.366 trillion was based on a crude oil price benchmark of US$28 per barrel per day and Exchange Rate of ₦360 to the US Dollar.

The New Borrowing in the 2020 Appropriation Act was ₦4,198.57 billion, out of which ₦2,213.89 billion was allocated to Domestic Borrowing and ₦1,984.68 billion to External Borrowing. The New Domestic Borrowing of ₦2,213.89 billion was fully raised during the year, while the New External Borrowing of ₦1,313.06 billion out of the appropriated ₦1,984.68 billion could only be raised due to the effect of Covid-19 pandemic on global economic activities.

The Government continued its initiatives to deepen and enhance the performance of the Non-oil sector, which contributed 91.84 percent to the GDP in 2020 compared with 91.22 percent to the GDP in 2019. The initiatives of the Government have consistently resulted in enhanced Revenue generation as shown in Figure 1.2. The approved Revenue of ₦5.37 trillion in 2020 was 18.28 percent higher than the ₦4.54 trillion generated in 2019. However, the actual revenue performance represented 70.48 percent of the Revenue target of ₦5.366 trillion in the 2020 Appropriation Act.

Figure 1.2: Actual Revenue (₦'Bn) Performance of Federal Government, 2016-2020



Source: National Bureau of Statistics (NBS)

The 2020 budget deficit was ₦4.20 trillion or 2.76 percent of the GDP, compared to the fiscal deficit of ₦1.92 trillion or 1.37 percent of GDP in 2019. Out of the ₦4.20 trillion approved as New Borrowings to finance the deficit in the 2020 Appropriation Act, ₦ 2.21 trillion was for Domestic borrowing and ₦1.98 trillion for External borrowing. However, while the domestic borrowing was fully achieved, ₦1.31 trillion amount or 66.16 percent was borrowed from the New External Borrowing in the year under review. This was due to the effect of Covid-19 pandemic on global economic activities.

1.2.3 Developments in Money Supply and Prices

Broad Money Supply (M3) according to the Central Bank of Nigeria (CBN) stood at N38,673.64 billion at end-December, 2020. This represents a growth rate of 11 percent slightly below the target of 13.1 percent for 2020 fiscal year. The growth in (M3) was due to the 40.2 percent rise in net foreign assets (NFA), following significant decline in liabilities to non-residents and the strong growth in claims by the banking system. Growth in credit to the private sector reflected the loan-to-deposit ratio (LDR) policy and other policies to increase private sector credit. The sector's positive performance was dominated by the (productive) private sector. The development was due to an uptick in economic activities, following the Bank's support to boost economic growth in the wake of the second wave of the COVID-19 pandemic, the impact of 'EndSARS' protest and economic recession.

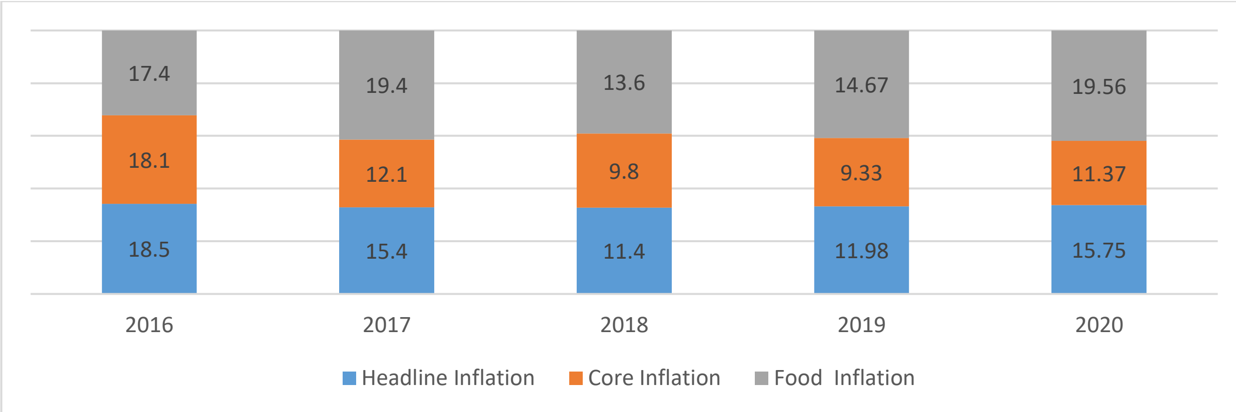
The CBN maintained its current stance of systematic synchronization of monetary and fiscal policy accommodation through its developmental finance initiatives, aimed at mitigating the impact of the COVID-19 pandemic on Nigerians. Accordingly, the Monetary Policy Committee (MPC) however retained the Monetary Policy Rate at 11.5 percent. Other policy parameters were maintained, with the Cash Reserve Ratio (CRR) on both public and private sector deposits at 27.5 percent, Liquidity ratio at 30.0 percent and the asymmetric corridor of +100 basis points and -700 basis points around the MPR, throughout 2020.

Key interest rates, prime and maximum lending rates, declined at end December 2020, following ample liquidity levels in banks, from their levels in the preceding quarter, average prime and maximum lending rates fell by 0.99 percentage point and 0.88 percentage point to 11.78 percent and 28.48 percent, respectively, in the fourth quarter of 2020. With inflation at 15.75 per cent at end-December 2020, this signified negative real rates for deposits and prime lending rates, but positive real rate for maximum lending rate

Moreover, the monthly weighted average inter-bank call and Open Buy Back rates declined at end December 2020, owing largely, to the adequacy of banking system liquidity. Average prime and maximum lending rates fell, marginally, from their levels in the preceding month. However, while maximum lending rate was positive with inflation at 15.75 per cent at end-December, 2020 deposits and prime lending rates were negative in real term.

The headline inflation (year-on-year) rose to 15.75 percent in December 2020, from 11.98 percent in December 2019. Increases were recorded in all divisions that yielded the Headline index. This was largely attributed to food and core components, which rose to 19.56 and 11.37 percent in December 2020, respectively, from 14.67 and 9.33 percent when compared to the corresponding period in 2019. This continued upsurge in food inflation was attributed to the logistical bottlenecks, spurred by the increasing security challenges in many parts of the country, which disrupted food production and supply to the market. Other factors driving the core inflation, include the recent deregulation of the downstream sector of the oil industry, which led to hikes in the price of Premium Motor Spirit (PMS) and the upward adjustment in electricity tariff. Figure 1.3 shows the trend in Headline Inflation from 2016 to 2020.

Figure 1.3: End-Period Inflation Rates (%) 2016 - 2020

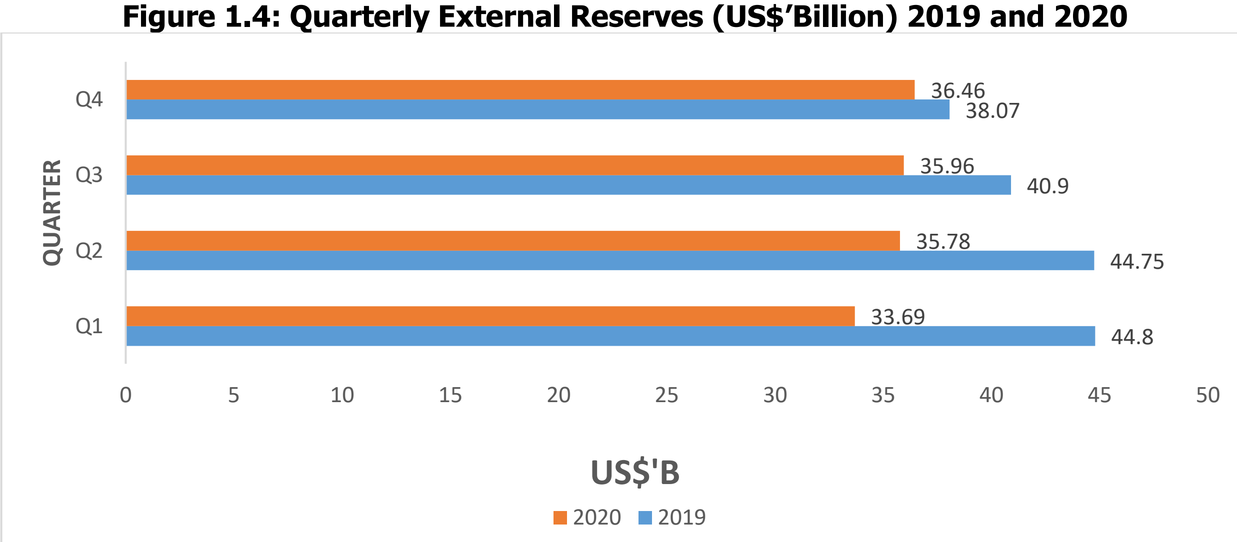


Source: National Bureau of Statistics (NBS)

1.2.4 External Sector Developments

Gross External Reserves as at December 31, 2020 stood at US$36.46 billion compared to US$ 38.07 billion in the corresponding period of 2019. The decline was largely due to increased intervention by the CBN in the foreign exchange market. At this level, the external reserve position could cover 6.3 months of imports of goods and services and 8.4 months of import of goods only, higher than the IMF benchmark of 3 months.

Figure 1.4: Quarterly External Reserves (US$'Billion) 2019 and 2020



Source: Central Bank of Nigeria (CBN)

The Bank maintained its periodic interventions in the foreign exchange market to boost liquidity, enhance access to foreign exchange, curb unbridled demand and ensure stable exchange rate. The average exchange rate of Naira to the US dollar depreciated at the interbank, Bureau De Change (BDC) and Investors and Exporters (I&E) window. Accordingly, the average exchange rate of the Naira against the US dollar at the inter-bank market segment was ₦381.00/US$, a depreciation of 0.30 percent and 19.40 percent relative to N379.73/US$ and N306.96 in the preceding quarter and corresponding quarter of 2019, respectively. At the BDC segment, the average exchange rate depreciated by 0.70 per cent and 23.20 percent to ₦467.80/US$, against the levels in the preceding quarter and corresponding quarter of 2019, respectively.

Similarly, at the I&E window, the average exchange rate depreciated by 0.70 percent and 6.80 percent to ₦389.24/US, compared with the respective levels in third quarter of 2020 and fourth quarter of 2019. The development was attributed to increased demand pressure in the foreign exchange market, as a result of dwindling resources from crude oil receipts and capital inflow. Consequently, the premium between the average interbank/BDC rates, widened from 22.30 percent in the preceding quarter to 22.80 percent in the fourth quarter of 2020. Similarly, at the I&E window, the average exchange rate depreciated by 0.70 percent and 6.80 percent to ₦389.24/US, compared with the respective levels in third quarter of 2020 and fourth quarter of 2019. The development was attributed to increased demand pressure in the foreign exchange market, as a result of dwindling resources from crude oil receipts and capital inflow. Consequently, the premium between the average interbank/BDC rates, widened from 22.30 percent in the preceding quarter to 22.80 percent in the fourth quarter of 2020.

1.2.5 Domestic Capital Market

1.2.5.1 Developments in the Domestic Equities Market

Equities market indicators revealed a bullish trend in the year 2020. Data from The Nigerian Stock Exchange (The NSE) All Share Index increased to 40,270.72 points (50 percent) to close the year compared to 26,842.07 in the corresponding period of 2019. Market

Capitalization increased by 62.37 percent to ₦21.06 trillion at the end December 2020, from ₦12.97 trillion recorded at the end of December 2019. Similarly, the total volume and value of shares traded increased in the review period. This was due to a surge in financial services shares trade and declining yields on fixed income securities when compared with the preceding period of 2019.

1.2.5.2 Developments in the Domestic Bond Market

The aggregate Face Value of outstanding Domestic Securities made up of FGN Securities, State Governments' and Corporates Bonds as at December 31, 2020 was ₦13,898.54 billion. There was an increase of ₦2,365.28 billion or 20.51% when compared to ₦11,533.26 billion recorded as at the end of 2019. The increase was due to the growth in the share of FGN Bonds, Sukuk and the Promissory Notes during the period under review. Promissory Notes was introduced in 2020 to settle arrears of contractual obligations of the FGN. Beneficiaries of the Notes were State Governments, Oil Marketers, Exporters and Local Contractors. The share of Sukuk and State Governments' Bonds relative to the aggregate Face Value increased in 2020, while others declined when compared to the outstanding in 2019. A new issue of Sukuk in the sum of ₦162.557 billion was done in 2020.

1.2.5.3 Corporate Bonds Issuances in 2020

The Corporate Bonds segment of the domestic bond market was significantly less active in 2020 when compared to the level of activity recorded in 2019. Table 1.2 shows that only three (3) Corporates raised capital from the domestic debt market in 2020 with total Issuance of ₦25.00 billion as against ten (10) Corporates in 2019 with total Issuance of ₦168.72 billion. The SEC attributed the lure in corporate issuance activities to Covid-19 pandemic which led to lockdowns with resultant weak economic activities, and in particular, the financial markets, for most part of fiscal 2020.

Table 1.2: Corporate Bonds Issuances in 2019 and 2020

2019		2020	
Bond Issuers	**Amt. (₦' Billion)**	**Bond Issuers**	**Amt. (₦' Billion)**
Access Bank Plc.	30.00	Novambl Investments SPV Plc Plc/Series 1.	10.00
Wema Funding SPV Plc.	9.72	FBNQuest Merchant Bank SPV	5.00
Primero BRT Securitization SPV Plc.	16.50	United Capital Plc N10B Series 1	10.00
Union Bank of Nigeria Plc.	30.00		
Access Bank Plc.	15.00		
GEL Utility Funding SPV Plc.	13.00		
TAK Agro Infrastructure Plc.	15.00		
Interswitch Africa One Plc.	23.00		
Eat & Go Finance SPV Plc.	11.50		
FBNQest MB Funding SPV Plc.	5.00		
Total	**168.72**		**25.00**

Source: Securities and Exchange Commission

CHAPTER TWO
APPRAISAL OF DEBT MANAGEMENT STRATEGY

In 2020, the external debt management strategy was focused on accessing funds from long-term external sources from the multilateral, bilateral and commercial sources. The domestic and external debt mix was 61:39 as at December 31, 2020 compared to 67:33 as at December 31, 2019, compared to Maximum 70:30 Minimum target set the by end of 2023. The Domestic Debt mix ratio improved from 81:19 for long to short-term debts as at December 31, 2019 compared to 83:17 as at December 2019 surpassing the targeted Domestic Debt mix of 75:25 for long to short term debts by end of December, 2023. The DMO also continued its capacity building programmes for the Sub-national Debt Managers through its two (2) major donor interventions namely, the African Development Bank (AfDB) Middle Income Country Technical Assistant Fund (MIC-TAF) Grant for Sub-national Debt Management Capacity Building Project and the State Fiscal Transparency and Accountability (SFTAS) Programme for Result (PforR), Federal Ministry of Finance, Budget and National Planning with funding support from the World Bank.

2.1 Introduction

The Debt Management Strategy is a policy document that provides guide to the government's borrowing activities in the medium-term, in order to meet government financing needs at minimal costs and risks, whilst ensuring the sustainability of the Public Debt Portfolio. The Strategy also underpinned efforts to attain the preferred Public Debt portfolio mix in the medium-term, as well as sustained the initiatives directed at achieving effective public debt management at the sub-national level.

The Debt Management Strategy (MTDS), 2020-2023 was approved by Federal Executive Council (FEC) on February 10, 2021, following the expiration of the Debt Management Strategy, 2016-2019, to guide the borrowing decisions of the country. The key objectives of the Debt Management Strategy, 2020-2023 are as follows:

i. Borrowing from External and Domestic sources will be in line with the Funding Structure for New Borrowings in the revised 2020 Appropriation Act, and the new MTEF, 2021-2023;

ii. Reducing the cost of Debt Service, as measured by the ratio of Interest Payments-to-Revenue ratio. The Strategy recognises that the achievement of this objective, depends on significant increase in the Government's revenue;
iii. Moderating the level of Debt-related Risks namely Refinancing and Foreign Exchange Risks.
iv. Maximizing funds available to Nigeria from Multilateral and Bilateral sources in order to access cheaper and long tenored funds, whilst taking cognisance of the limited funding envelopes available to Nigeria, due to Nigeria's classification as a Lower-Middle-Income country;
v. Ensure Debt Sustainability, as measured by the Debt to GDP ratio, (which should be within the WB/IMF's recommended threshold of 55 percent), and Interest Payment to Revenue Ratios; and,
vi. Sustaining the issuances of longer-tenored debt instruments in both the domestic debt market and International Financial Markets.

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

i. Keeping the proportion of debt maturing within one (1) year at not more than 20 percent of the Total Debt Public Portfolio; and,
ii. Keeping the Average Time-to-Maturity (ATM) for the Total Public Debt Portfolio at a minimum of 10 years; and,
iii. Keeping the Variable Rate Debt as percentage (%) of Total Debt at less than 5 percent.

2.2 Implementation Status

The outcome of the implementation of the Debt Management Strategy in 2020, shows a progressive improvement as the ratio of Domestic to External Debt in the Total Public Debt portfolio was 61:39 as at of the year, compared to Maximum 70:30 Minimum target set the by end of 2023. The Domestic Debt mix ratio improved from 81:19 for long to short-term debts as at December 31, 2020 compared to 83:17 as at December 2019 surpassing the targeted Domestic Debt mix of 75:25 for long to short term debts by end of December, 2023. Debt maturing within one year was 14.50 percent of the Total Public Debt as at December 31, 2020, comparing with the target of not more than 20 percent of the FGN's Total Public Debt. The Average Time-to-Maturity (ATM) stood at 10.74 years, which is above the strategic target of minimum 10 years by end of December, 2020.

2.3 External Debt Management Strategy

In line with the new debt management strategy, the Nigerian government would continue to finance part of its deficit through external sources from multilateral, bilateral and commercial sources, to finance development programmes, by addressing critical infrastructure needs, and rebalance the total debt portfolio, so as to achieve the optimal debt portfolio composition of 70:30 for domestic and external debt, respectively, in the medium-term. Borrowings from the Multilateral

In 2020, the external borrowing showed an increase in the stock of Total External Debt to US$33,348.09 million, representing 39 percent of the Total Public Debt portfolio as at December 31, 2020 compared to US$27,676.14 million or 33 percent in 2019. The borrowing from the Multilateral windows constituted the larger proportion of the external borrowings in 2020. The share of Multilateral sources in the total external debt stock increased from 45.75 percent in 2019 to 53.78 percent as at December 31, 2020, as the stock of Multilateral debt increased from US$12,660.38 million in 2019 to US$ 17,933.65 million in 2020.

2.4 Domestic Debt Management Strategy

The Domestic Debt Management Strategy for 2020 focused on issuance of medium to longer-term domestic financing to reduce debt service cost and moderate the Refinancing risk. The target was aimed at achieving a Domestic Debt portfolio mix of 75:25 for long-term and short-term debts. The proportion of long-term debt in the domestic debt portfolio increased relative to short-term debt, as there was a rebalancing of the existing domestic debt portfolio. This resulted in the reduction of the proportion of short-term debt, particularly the NTBs, compared with the FGN Bonds from 18.58 percent as at December 31, 2019 to 16.98 percent as at December 31, 2020.

2.5 Sub-National Debt Management Strategy

As part of efforts at institutionalizing sound public debt management practices, the DMO continued its capacity building initiatives at the sub-national level in 2020. The DMO also continued its capacity building programmes for the Sub-national Debt Managers through its two (2) major donor interventions namely, the African Development Bank (AfDB) Middle Income Country Technical Assistant Fund (MIC-TAF) Grant for Sub-national Debt Management Capacity Building Project and the State Fiscal Transparency and Accountability (SFTAS) Programme for Result (PforR), Federal Ministry of Finance, Budget and National Planning with funding support from the World Bank.

CHAPTER THREE
NIGERIA'S TOTAL PUBLIC DEBT

The outstanding Total Public Debt of Nigeria as at December 31, 2020 was ₦32,915,514.85 million (US$86,392.54 million) compared to N27,401,381.29 million (US$84,053.32 million) in 2019, which represent an increase of N5,514,133.56 million or 20.12 percent in Naira terms. The increase was attributed largely to new domestic borrowings during the year by the Federal and Sub-national Governments, as well as additional disbursements on existing Multilateral and Bilateral loans. The share of Total External Debt stock as percentage of the Total Public Debt was 38.60 percent as at December 31, 2019, while that of the Total Domestic Debt stock was 61.40 percent.

3.1 Total Public Debt Outstanding

Nigeria's Total Public debt (comprising the External and Domestic debt of the Federal, States Government and the Federal Capital Territory) was ₦32,915,514.85 million (US$86,392.54 million) as at December 31, 2020 compared to ₦27,401,381.29 million (US$84,053.32 million) as at December 31, 2019, which represent an increase of ₦5,514,133.56 million or 20.12 percent in Naira terms. The increase in the Total Public Debt stock was reflected in both Domestic and External Debt components. As at December 31, 2020 the Total External Debt stock stood at ₦12,705,618.48 million (US$33,348.08 million) or 38.60 percent of the Total Public Debt stock, while the Total Domestic Debt stock was ₦20,209,896.37 million (US$53,044.46 million) or 61.40 percent of the Total Public Debt stock. The increase in the Total External Debt stock in the year was largely due to new loan and additional disbursements on existing Multilateral and Bilateral loans. However, growth in the Total Domestic Debt stock was attributed to new issuances of domestic securities by the FGN to fund the 2020 Appropriation Act and other contractual obligations during the review period, as well as domestic borrowing by Sub-nationals.

The FGN's Domestic Debt stock as at December 31, 2020 amounted to N16,023,885.38 million compared to ₦14,272,644.79 million as at December 31, 2019. This represented an increase of ₦1,751,240.59 million or 12.27 percent. This was as a result of new issuances of FGN Securities to fund the New Domestic Borrowing in the 2020 Appropriation Act and refinancing of matured debt obligations, as well as settlement of outstanding FGN arrears with Promissory Notes, in favour of Oil Marketing Companies, Exporters and State

Governments and Local Contractors. Table 3.1 shows Nigeria's Total Public Debt Outstanding for the period, 2016-2020.

Table 3.1: Nigeria's Total Public Debt Outstanding, 2016-2020

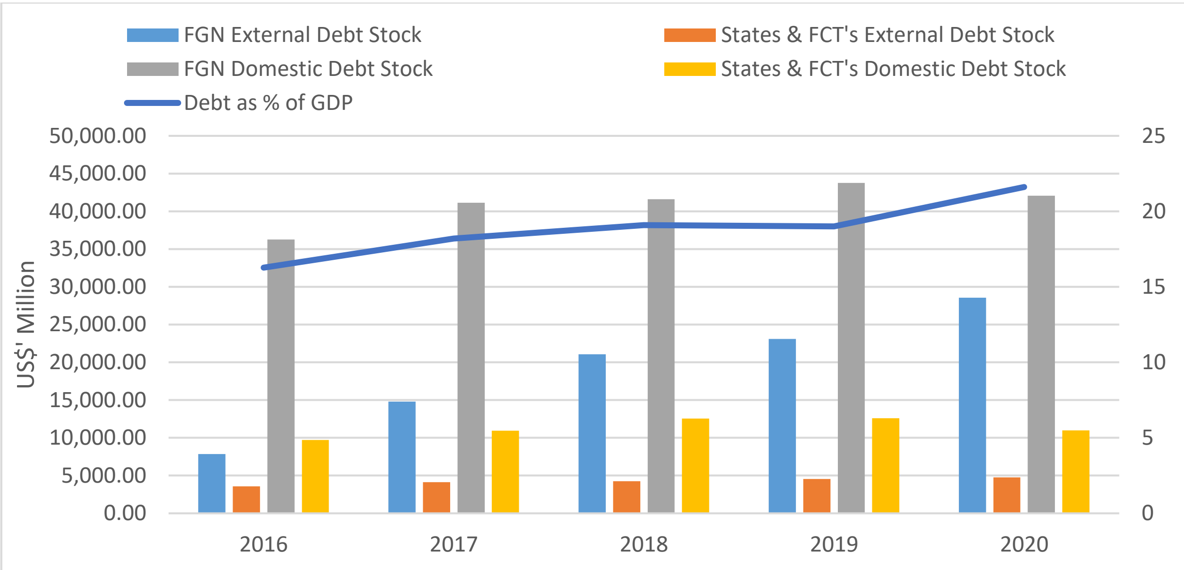
	2016	2017	2018	2019	2020
External Debt Stock					
Federal Government of Nigeria					
US$' Million	7,838.66	14,796.30	21,043.65	23,111.27	28,574.45
NG₦' Million	2,390,791.51	4,527,670.69	6,460,399.86	7,534,274.02	10,886,865.45
States & FCT					
US$' Million	3,567.62	4,117.13	4,230.72	4,564.87	4,773.63
NG₦' Million	1,088,123.88	1,259,841.96	1,298,830.13	1,488,147.62	1,818,753.03
Total External Debt Stock					
US$' Million	11,406.28	18913.44	25,274.36	27,676.14	33,348.08
NG₦' Million	3,478,915.40	5,787,512.64	7,759,229.99	9,022,421.64	12,705,618.48
as % of GDP	*3.26*	*4.85*	*6.07*	*6.26*	*8.34*
% of Total	*20.04*	*26.64*	*31.82*	32.93	38.60
Domestic Debt Stock					
Federal Government of Nigeria					
US$' Million	36,256.41	41,142.11	41,610.44	43,781.12	42,057.55
NG₦' Million	11,058,204.30	12,589,486.13	12,774,405.70	14,272,644.79	16,023,885.38
States & FCT					
US$' Million	9,728.84	10,943.71	12,551.91	12,596.06	10,986.91
NG₦' Million	2,822,889.88	3,348,774.26	3,853,436.05	4,106,314.86	4,186,010.99
Total Domestic Debt Stock					
US$' Million	45,985.25	52,085.82	54,162.35	56,377.18	53,044.46
NG₦' Million	13,881,094.18	15,938,260.39	16,627,841.75	18,378,959.65	20,209,896.37
as % of GDP	*13.01*	*13.35*	*13.02*	*12.74*	*13.27*
% of Total	*79.96*	*73.36*	*68.18*	67.07	61.40
Nigeria's Total Public Debt Stock					
US$' Million	**57,391.53**	**70,999.26**	**79,436.72**	**84,053.32**	**86,392.54**
NG₦' Million	**17,360,009.58**	**21,725,773.03**	**24,387,071.74**	**27,401,381.29**	**32,915,514.85**
as % of GDP	*16.27*	*18.2*	*19.09*	*19*	*21.61*

Source: DMO
Note: CBN Official Exchange Rate of US$1/NGN381 as at December 31, 2020 was used in converting 2020 figures.

Nigeria's Total Public Debt as percentage of GDP ratio stood at 21.61 percent as at December 31, 2020 compared to 19.00 percent in the corresponding period of 2019. This ratio is still within the new Country Specific Debt Limit of 40 percent set under the approved MTDS, 2020-2023 and below the maximum benchmark of 55 percent recommended by the IMF and World Bank for countries in Nigeria's peer-group, as well as the West African

Monetary Zone (WAMZ) convergence threshold of 70 percent. Figure 3.1 shows the trend in total public debt outstanding for the period, 2016-2020.

Figure 3.1: Trend in Nigeria's Total Public Debt Outstanding, 2016-2020



Source: DMO

3.1.1 Total FGN's Debt Outstanding by Original Maturity

Total FGN's Debt stock (debts of the States and FCT were excluded) by Original Maturity as at December 31, 2020 comprised long-term debt of US$62,915.77 million or 89.08 percent, and short-term debt of US$7,716.13 million or 10.92 percent. The FGN's External Debt outstanding by Original Maturity amounted to US$28,574.45 million or 40.46 percent as percentage of Total FGN's Debt was made up of long-term instruments only. However, the FGN's Domestic Debt outstanding by Original Maturity comprised both short-term and medium-long term debts. The short-term debt by Original Maturity was US$7,140.25 million or 10.92 percent as percentage of Total FGN's Debt, consisting of the Nigerian Treasury Bills, only. The medium-long term Domestic Debt amounted to US$34,341.32 million or 48.62 percent as percentage of Total FGN's Debt, which comprised FGN Bonds (US$31,050.55 million), Treasury Bonds (US$265.06 million), FGN Savings Bond (US$32.26 million), FGN Sukuk (US$951.59 million), FGN Green Bond (US$67.43 million) and Promissory Notes (US$1,974.42 million), respectively. Table 3.2 and Figure 3.2 show the Total FGN's Debt outstanding by Original Maturity.

Table 3.2: Total FGN's Debt Outstanding by Original Maturity, 2016-2020 (US$' Million)

	2016	2017	2018	2019	2020
External Debt Stock					
Short – term²	0.00	0.00	0.00	0.00	0.00
% of total	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Medium-Long term	7,838.66	14,796.30	21,043.65	23,111.27	28,574.45
% of total	*17.78*	*26.45*	*33.59*	*34.55*	*40.46*
Sub-Total	7,838.66	14,796.30	21,043.65	23,111.27	28,574.45
Domestic Debt Stock					
Short – term²	10,745.18	11,698.69	8,911.95	8,656.00	7,716.13
% of total	*24.37*	*20.91*	*14.22*	*12.94*	*10.92*
Medium-Long term	25,511.23	29,443.42	32,698.50	35,125.12	34,341.32
% of total	*57.86*	*52.64*	*52.19*	*52.51*	*48.62*
Sub-Total	36,256.41	41,142.11	41,610.44	43,781.12	42,057.44
Total	**44,095.07**	**55,938.41**	**62,654.09**	**66,892.39**	**70,631.89**

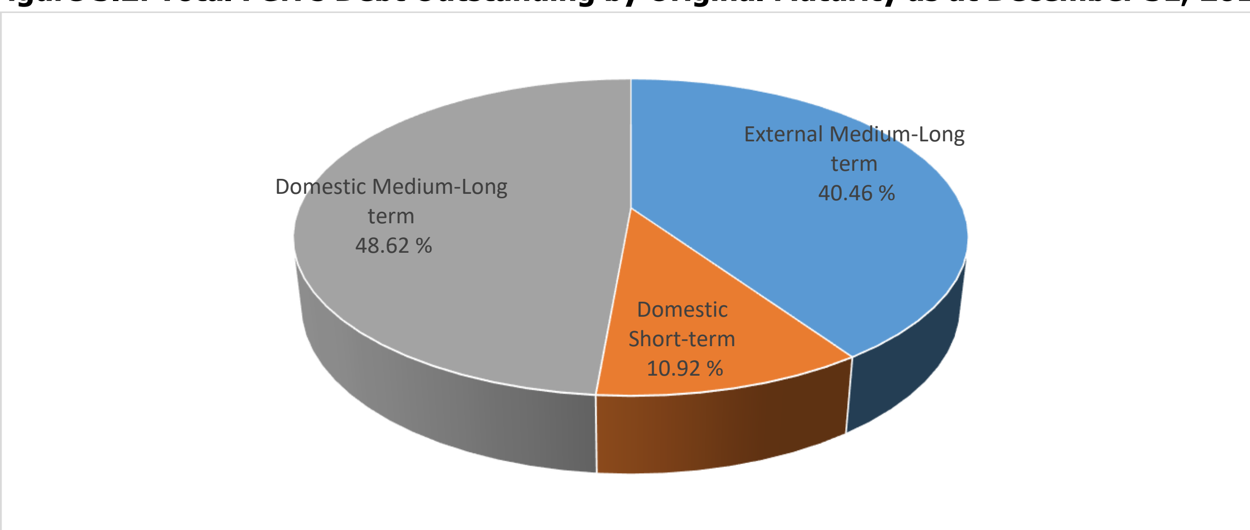
Source: DMO

[1] Official CBN Exchange Rate of ₦381.00/US$1 as at 31/12/2020 was used for 2020 figures

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

[3] Short-term domestic debt consists of 91, 182 and 364 days Nigerian Treasury Bills. Medium-Long term domestic debt consists of Treasury Bonds, Saving Bonds, FGN Sukuk, Promissory Notes and FGN Bonds for 2 or more years

Figure 3.2: Total FGN's Debt Outstanding by Original Maturity as at December 31, 2020



Source: DMO

3.2 FGN's Total Public Debt - Interest Payments in 2020

In 2020, the Interest Payment on FGN's Total Public Debt amounted to US$5,940.39 million relative to US$6,160.25 million in 2019, reflecting a decrease of US$219.86 million or 0.04 percent. Interest payments were made during the year on both External Debt and Domestic

Debt. External Debt, Interest Payments were made on Multilateral and Bilateral debts, as well as the Commercial debts. For Domestic Debt, Interest payments were made in respect of FGN Bonds, NTBs, Treasury Bond, FGN Savings Bond, FGN Sukuk and FGN Green Bond (Table 3.3).

Table 3.3: Total FGN's Public Debt - Interest Payments, 2016-2020 (US$' Million)

	2016	2017	2018	2019	2020
External Debt	182.6	279.55	687.8	1,065.07	1,138.05
% of Total	*(4.42)*	*(5.57)*	*(10.51)*	*(17.29)*	*(19.16)*
Domestic Debt	3,946.76	4,742.56	5,856.35	5,095.18	4,802.34
% of Total	*(95.58)*	*(94.43)*	*(89.49)*	*(82.71)*	*(80.84)*
	4,129.36	**5,022.11**	**6,544.15**	**6,160.25**	**5,940.39**

Source: DMO
Official CBN Exchange Rate of ₦381.00/US$1 as at 31/12/2020, was used for 2020 figures.
Note: States and FCT's Interest payment on External debt was included

3.3 FGN's Total Public Debt - Principal Repayments in 2020

FGN's Total Public Debt principal repayment was US$483.78 million in year 2020 from US$902.22 million in 2019, representing a declined of US$418.44 million or 456.38 percent, the principal repayments made were on both External Debt and Domestic Debt including their respective deferred principal payment. For External Debt, principal repayments made on Multilateral and Bilateral debts, amounted to US$418.16 million or 86.44 percent as percentage of Total Principal Repayment, whilst those on Domestic Debt were redemptions on Treasury Bonds, amounting to US$65.62 million or 13.56 percent (Table 3.4).

Table 3.4: Total FGN's Public Debt - Principal Repayments, 2016-2020 (US$' Million)

	2016	2017	2018	2019	2020
External Debt	116.58	124.29	712.75	268.51	418.16
% of Total	*(58.73)*	*(60.34)*	*(100.00)*	*(29.76)*	*(86.44)*
Domestic Debt	81.97	81.7	0	633.71	65.62
% of Total	*(41.30)*	*(39.66)*	*(0.00)*	*(70.24)*	*(13.56)*
	198.49	205.99	712.75	902.22	483.78

Source: DMO
Note: States and FCT's Interest payment on External debt were included

CHAPTER FOUR

NIGERIA'S EXTERNAL DEBT

Nigeria's External Debt as at December 31, 2020 was US$33,348.09 million compared to US$27,676.14 million as at December 31, 2019. The External Debt stock comprised Multilateral and Bilateral Loans, as well as Eurobonds, Diaspora Bond and Promissory Notes. While the Multilateral and Bilateral Loans are mostly Concessional, the Eurobonds and Diaspora Bond are Non-Concessional. The increase in External Debt stock in the year under review was mainly due to additional disbursements by the Multilateral (World Bank $3.4 billion), and Bilateral Creditors, and non-interest Notes issued to settle the arrears of the Federal Government to Local Contractors. The structure of the External Debt by remaining maturity has continued to be dominated by longer-tenored debts, reflecting the low exposure of the External Debt portfolio to refinancing risk. The additional disbursements from Multilateral and Bilateral creditors during the year were responsible for the increase in the new inflow of funds into the country.

4.1 External Debt Stock

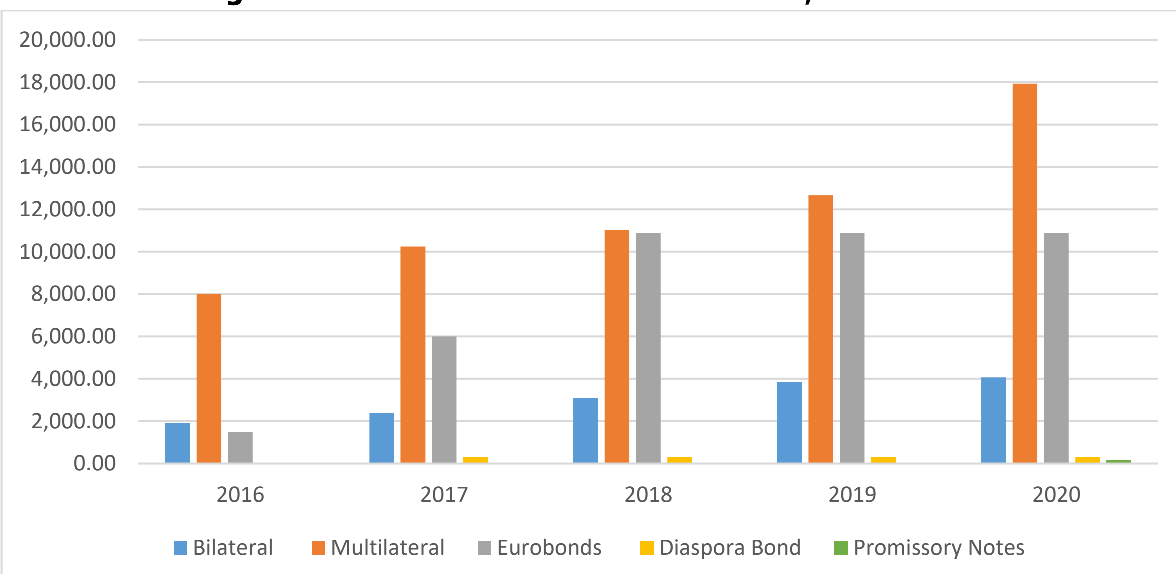
Nigeria's Total External Debt stock was US$33,348.09 million as at December 31, 2020, relative to US$27,676.14 million as at December 31, 2019, indicating an increase of US$5,671.95 million or 20.5 percent in US Dollar terms. The increase in External Debt stock was mainly due to additional disbursements by the Multilateral and Bilateral Creditors and the depreciation of the Naira to the US Dollar during the period, from ₦326/US$1 by December 31, 2019 to ₦381/US$1 by December 31, 2020. Meanwhile, the ratio of External Debt-to-GDP increased to 8.34 percent as at December 31, 2020, against 6.26 percent in the corresponding period of 2019. Table 4.1 shows the trend of External Debt outstanding by Source for the period, 2016 – 2020.

Table 4.1: External Debt Outstanding by Source, 2016-2020 (US$' Million)

Source	2016	2017	2018	2019	2020
1. Bilateral	1,918.06	2,372.00	3,091.68	3,847.41	4,059.39
2. Multilateral	7,988.22	10,241.44	11,014.34	12,660.38	17,933.65
Sub-Total	9,906.28	12,613.44	14,106.02	16,507.79	21,993.04
1. Eurobonds	1,500.00	6,000.00	10,868.35	10,868.35	10,868.35
2. Diaspora Bond	0	300.00	300.00	300.00	300.00
3. Promissory Notes	0	0	0	0	186.70
Sub-Total	1,500.00	6,300.00	11,168.35	11,168.35	11,355.05
Grand Total	**11,406.28**	**18,913.44**	**25,274.36**	**27,676.14**	**33,348.09**
1. Bilateral	16.82	12.54	12.23	13.90	12.17
2. Multilateral	70.03	54.15	43.58	45.75	53.78
Sub-Total	**86.85**	**66.69**	**55.81**	**59.65**	**65.95**
1. Eurobonds	13.15	31.72	43.00	39.27	32.59
2. Diaspora Bond	0.00	1.59	1.13	1.084	0.90
3. Promissory Notes	0.00	0.00	0.00	0.00	0.56
Sub-Total	**13.15**	**33.31**	**44.19**	**40.35**	**34.05**
Grand Total	**100**	**100**	**100**	**100**	**100**

Source: DMO

Figure 4.1: Trends in External Debt Stock, 2016–2020



Source: DMO

The trend in External Debt Stock by Source from 2016 - 2020 is shown in Table 4.1 and Figure 4.1. The Multilateral creditors have continued to be a dominant source of External Debt stock. The consistent growth in Multilateral and Bilateral Debt was attributed to the sustained access to concessional funding sources (when available) to meet Government's financing needs, in line with Nigeria's Debt Management Strategy, 2020 - 2023. Inclusion of

Promissory notes in the external debt stock for the settlement of inherited local debt and settlement of contractual obligations by the FGN, in addition to the need to finance critical infrastructure projects in the country has resulted in considerable increase in the stock of Eurobonds.

4.2 External Debt Stock by Source (Creditor Category)

As shown in Table 4.2, the Official Creditors (Multilateral and Bilateral Loans) constituted US$21,993.04 million or 65.95 percent of the Total External Debt Stock as at December 31, 2020. While the International Development Association (IDA), International Monetary Fund (IMF) and the African Development Bank (AfDB) dominated the Multilateral Creditors, with US$11,123.04 million (33.35 percent), US$3,535.23 million (10.60 percent) and US$1,600.53 million (4.80 percent) of the Total External Debt stock. China, France and Germany led the Bilateral Creditors, with US$3,264.16 million (9.79 percent), US$493.71 million (1.48 percent) and US$184.32 million (0.55 percent) of the Total External Debt stock as at December 31 2020. The Commercial debt accounted for US$11,355.05 million (34.05 percent) of the Total External Debt Stock, comprising Eurobonds of US$10,868.35 million (32.59 percent), Diaspora Bond of US$300.00 million (0.90 percent) and Promissory Notes of US$186.70 million (0.56 percent) of the Total External Debt stock as at December 31, 2020.

Table 4.2: External Debt Stock by Source as at December 31, 2020 (US$' Million)

Category	Principal Balance	Principal Arrears	Interest Arrears	Total	Percentage
Multilateral – WB Group					
IMF	3,535.23	0.00	0.00	3,535.23	10.60
IDA	11,123.04	0.00	0.00	11,123.04	33.35
IBRD	409.74	0.00	0.00	409.74	1.23
AfDB Group:					
AfDB	1,600.53	0.00	0.00	1,600.53	4.80
AGTF	0.17	0.00	0.00	0.17	0.0001
ADF	949.34	0.00	0.00	949.34	2.85
Other Multilaterals:					
BADEA	5.88	0.00	0.00	5.88	0.02
EDF	54.83	0.00	0.00	54.83	0.16
IDB	30.08	0.00	0.00	30.08	0.09
IFAD	224.80	0.00	0.00	224.80	0.67
Sub-Total	**17,933.65**	**0.00**	**0.00**	**17,933.65**	**53.78%**
Bilateral					
China (Exim Bank of China)	3,264.16	0.00	0.00	3,264.16	9.79
France (AFD)	493.71	0.00	0.00	493.71	1.48
Japan (JICA)	80.20	0.00	0.00	80.20	0.24
India (Exim Bank of India)	37.00	0.00	0.00	37.00	0.11
Germany (KFW)	184.32	0.00	0.00	184.32	0.55
Sub-Total	**4,059.39**	**0.00**	**0.00**	**4,059.39**	**12.17%**
Commercial					
Eurobonds	10,868.35	0.00	0.00	10,868.35	32.59
Diaspora Bond	300.00	0.00	0.00	300.00	0.90
Promissory Notes					
Promissory Notes	186.70	0.00	0.00	186.70	0.56
Sub-Total	**11,355.05**	**0.00**	**0.00**	**11,355.05**	**34.05%**
GRAND TOTAL	**33,348.09**	**0.00**	**0.00**	**33,348.09**	**100.00%**

Source: DMO

4.3 External Debt Stock by Instrument Type

The External Debt Stock by Instrument Type is classified into Non-marketable and Marketable instruments. The Non-marketable debt (Loans) constituted 65.95 percent of the Total External Debt Stock, while the Marketable debt accounted for 34.05 percent as at December 31, 2020 (Table 4.3).

Table 4.3: External Debt Stock by Instrument Type, 2016-2020 (₦' Million)

Instrument Type	2016	2017	2018	2019	2020
Non-Marketable (Loans)	9,906.27	12,613.44	14,106.01	16,507.79	21,993.04
% of Total	*86.85*	*66.69*	*55.81*	*59.65*	*65.95*
Marketable (Bonds)	1,500.00	6,300.00	11,168.35	11,168.35	11,355.05
% of Total	*13.15*	*33.31*	*44.19*	*40.35*	*34.05*
Total	**11,406.27**	**18,913.44**	**25,274.36**	**27,676.14**	**33,348.09**

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

4.4 Currency Composition of External Debt

Table 4.4 shows the Currency Composition of the External Debt Stock as at December 31, 2020. The currencies include: Swiss Francs (CHF), Yuan Renminbi, EURO, Great Britain Pounds (GBP), ID Units of Account (Islamic Dinar), Japanese Yen (JPY), United States Dollar (US$) and Special Drawing Rights (SDR). The predominant currencies are the US$ and SDR, accounting for 53.78 and 44.36 percent of the Total External Debt stock respectively. The other currencies (CHF, EUR, GBP, ID and JPY) cumulatively accounted for 1.86 percent of the Total External Debt stock.

Table 4.4: External Debt Stock by Currency Composition as at December 31, 2020

Currency	Debt Stock in Original Currency	Naira Exchange Rate	Debt Stock in Naira	US$ Exchange Rate to the Naira	Debt Stock in US$	% of Total
CHF (Swiss Francs)	5,031,725.51	432.56	2,176,529,727.85	381.00	5,712,676.45	0.02%
YUAN RENMINBI	322,678,711.96	58.25	18,795,680,025.09	381.00	49,332,493.50	0.15%
EUR	423,977,711.72	467.72	198,300,989,823.75	381.00	520,475,038.91	1.56%
GBP	16,170,164.67	520.07	8,409,536,689.10	381.00	22,072,274.77	0.07%
IDB Units of Account (ID)	15,566,801.86	548.75	8,542,349,457.92	381.00	22,420,864.72	0.07%
Yen* (JPY)	20,675,671.56	3.70	76,435,890.19	381.00	200,619.13	0.001%
US Dollars	17,933,181,927.11	381.00	6,832,542,314,228.91	381.00	17,933,181,927.11	53.78%
SDR (Special Drawing Rights)	10,271,950,307.78	548.75	5,636,776,900,780.60	381.00	14,794,690,028.30	44.36%
Total			**12,705,620,736,623.40**		**33,348,085,922.90**	**100.00**

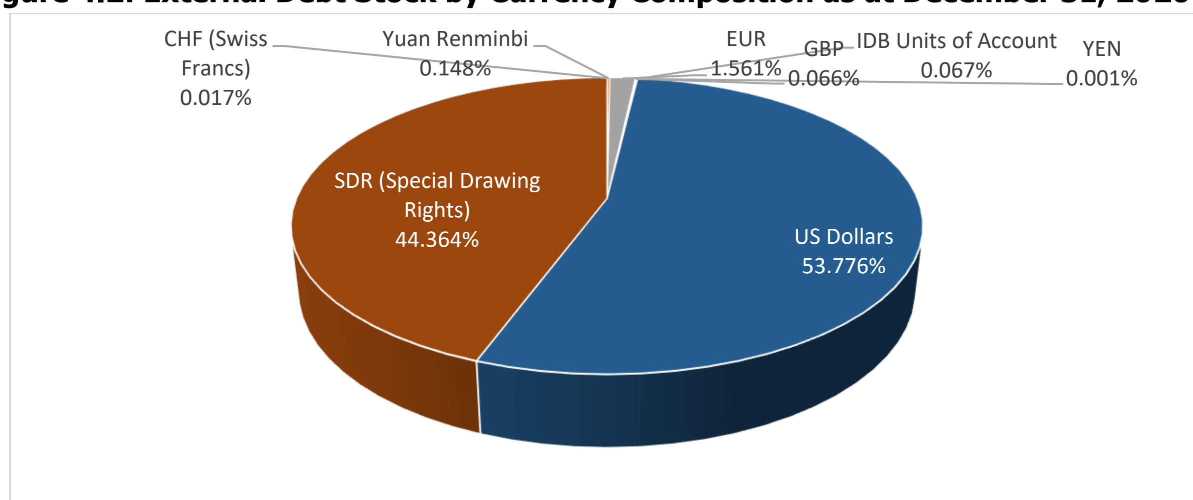
Source: DMO

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

ii. IDB's Units of Account is disbursed in USD.

iii. * JPY Stock is in multiple of thousand.

Figure 4.2: External Debt Stock by Currency Composition as at December 31, 2020



Source: DMO

4.5 External Debt by Remaining/Residual Maturities

The Total External Debt Stock outstanding by Remaining/Residual Maturities were categorized into short-term (equal to and less than 1 year), medium-term (above 1 year and less than 3 years) and long-term maturities (over 3 years). The short-term component in the Total External Debt stock accounted for US$1,005.60 million or 3.02 percent, medium-term (US$3,017.13 million or 9.05 percent) and long-term (US$29,325.36 or 87.94 percent). The larger share of longer-term External Debt helps to mitigate the External Debt portfolio from refinancing risk. The Promissory Notes issued in 2020 was for the settlement of inherited local debts and contractual obligations of the Federal Government.

Table 4.5: External Debt by Remaining or Residual Maturity as at December 31, 2020 (US$' Million)

Creditor Category	Short-Term (0 – 1yr)	Medium-Term (>1 – 3yrs)	Long-Term (Over 3yrs)
Multilateral			
IMF	0.00	883.81	2,651.42
IDA	224.41	612.02	10,286.61
IBRD	0.14	5.42	404.17
AfDB	68.99	203.99	1,327.55
AGTF	0.00	0.00	0.17
ADF	14.38	38.85	896.12
BADEA	0.27	0.54	5.07
EDF	5.53	11.21	38.08
IDB	1.92	3.98	24.18
IFAD	7.49	12.40	204.91
Sub-Total	**323.13**	**1,772.22**	**15,838.28**
Bilateral			
Exim Bank of China	115.35	307.62	2,841.20
Exim Bank of India	5.11	10.21	21.68
French Development Agency	37.43	77.92	378.36
Japan International Cooperation Agency	5.53	11.06	63.61
Germany Kreditanstalt Fur Wiederaufbua (KFW)	19.05	38.10	127.18
Sub-Total	**182.47**	**444.91**	**3,432.03**
Commercial			
Eurobonds	500.00	500.00	9,868.35
Diaspora Bond	0.00	300.00	0.00
Promissory Notes	0.00	0.00	186.70
Sub-Total	**500.00**	**800.00**	**10,055.05**
as % of Total	(3.02)	(9.05)	*(87.94)*
Grand Total	**1,005.6**	**3,017.13**	**29,325.36**

Source: DMO

4.6 Sectoral Allocation of External Debt

In line with the vision of the Government to support the development of infrastructure projects and human capital, the proceeds of external borrowings were allocated to the following key sectors: Agriculture, Science and Technology, Water, Energy (Electricity and Gas), Transportation (Rail, Road and Air), Housing, Education, Health, Social Welfare and Environment. Table 4.6 shows sectors with increased allocations in 2020. The sectors were the Budget Support /loan (13.23 percent) and the Economic sectors (13.73 percent), compared to 3.15 and 12.51 percent in same sectors respectively, in 2019. Table 4.7, shows the Nigeria's Public and Publicly Guaranteed External Debt (by Non-Financial/Financial Sector) and Contingent Liabilities as at December 31, 2020.

Table 4.6: Sectoral Allocation of External Debt in 2019 & 2020 (US$' Million)

	2019		2020	
Economic Sector	**Amount Outstanding**	**% Share of Total**	**Amount Outstanding**	**% Share of Total**
Loans				
Agriculture and Rural Development	2,733.24	9.88	2,977.20	8.93
Budget Support	870.48	3.15	4,411.04	13.23
Science & Technology	449.53	1.62	413.96	1.24
Education	863.10	3.12	917.23	2.75
Energy and Solid & Mineral Development	1,397.29	5.05	1,515.69	4.55
Environment	659.31	2.38	720.82	2.16
Transport	3,331.81	12.04	3,421.78	10.26
Health & Social Welfare	2,038.84	7.37	2,298.10	6.89
Housing & Urban Development	702.69	2.54	737.53	2.21
Economic	3,461.50	12.51	4,579.68	13.73
Bonds				
Budget Support	11,168.35	40.35	11,168.35	33.49
Promissory Notes	0.00	0.00	186.70	0.56
Total	**27,676.14**	**100.00**	**33,348.08**	**100.00**

Source: DMO

Table 4.7: Nigeria's Guarantees and Contingent Liabilities as at December 31, 2020

Classification*	Sector	Amount Outstanding (₦)	% Share of Total	% Per Sector
Nigerian Export-Import (NEXIM) Bank	Finance & Insurance	2,746,271,088.94	0.07	
Pension Arrears for MDAs	Finance & Insurance	786,296,459,542.79	18.76	**18.83**
Federal Mortgage Bank of Nigeria	Housing	5,238,066,514.60	0.13	
Nigeria Mortgage Refinance Company Plc	Housing	26,839,656,170.73	0.64	**0.77**
NNPC-AKK Gas Pipeline Project	Oil & Gas	931,181,838,955.69	22.25	**22.25**
Payment Assurance Facility for Nigeria Bulk Electricity Trading Plc	Power	971,711,563,420.77	23.22	
Power Sector Contingent Liability (POCA)	Power	401,637,008,402.44	9.60	
POCA – Partial Risk Guarantee (PRG)	Power	90,842,282,600.00	2.17	
Legacy FGN Exposure PHCN Successor Companies	Power	962,064,970,000.00	22.99	**57.98**
FCDA – Katampe Infrasture Project	Road Transport	7,440,504,380.68	0.18	**0.18**
Total		**4,184,998,621,076.67**	**100.00**	**100.00**

*Exchange Rate $/379
*Compilation of data in respect of Private Sector External Debt is still on-going
Source: DMO

4.7 External Debt by Concessionality

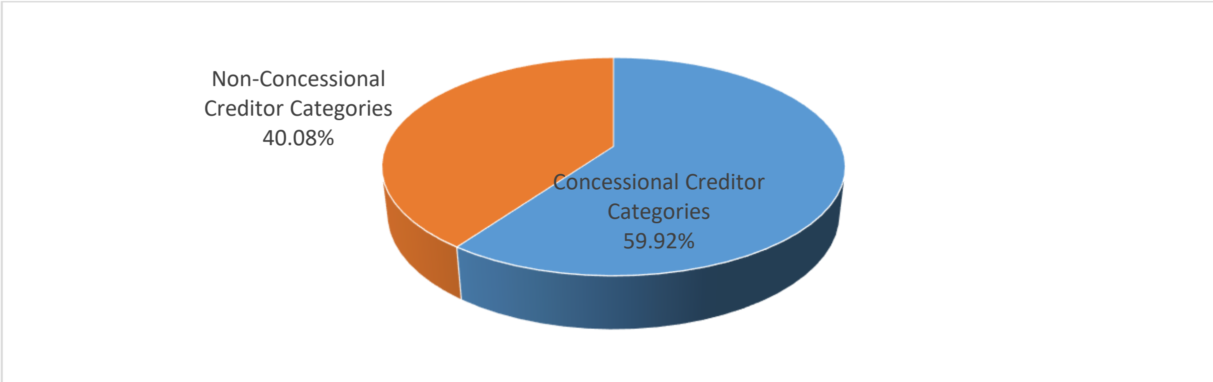
The share of concessional debts in the Total External Debt Stock was 59.90 percent, while the non-concessional debts accounted for 40.10 percent as at December 31, 2020, compared to 53.26 percent and 46.74 percent in the corresponding period of 2019. Table 4.8 and Figure 4.3 show that the concessional debts were contracted mainly from Multilateral and Bilateral creditors, while the non-concessional debts were from Commercial Sources (Eurobonds, Diaspora Bond and Promissory Note), as well as from the non-concessional windows of the multilateral agencies such as AfDB and IBRD. The International Development Association (IDA) accounted for the largest Creditor from the concessional sources in 2020, with 33.35 percent of the Total External Debt Stock as at December 31, 2020.

Table 4.8: Concessional and Non-Concessional External Loans as at December 31, 2020 (US$' Million)

Funding Sources	Amount Outstanding	% of Total Debt
Concessional Creditor Categories	**19,982.76**	**59.922**
Multilateral	**15,923.37**	**47.749**
International Monetary Fund	3,353.23	10.601
International Development Association (IDA)	11,123.04	33.354
International Fund for Agricultural Development (IFAD)	224.80	0.674
European Development Fund (EDF)	54.83	0.164
African Development Fund (ADF)	949.34	2.847
Africa Growing Together Fund (AGTF)	0.17	0.001
Islamic Development Bank (IDB)	30.08	0.090
Arab Bank for Economic Development (BADEA)	5.88	0.018
Bilateral	**4,059.39**	**12.173**
Exim Bank of China	3,264.16	9.788
French Development Agency (AFD)	493.71	1.480
Japan (JICA)	80.20	0.240
Exim Bank of India	37.00	0.111
Germany (KFW)	184.32	0.553
Non-Concessional Creditor Categories	**13,365.32**	**40.078**
Multilateral	**2,010.27**	**6.028**
African Development Bank (AfDB)	1,600.53	4.799
International Bank for Reconstruction and Development (IBRD)	409.74	1.229
Commercial	**11,355.05**	**34.050**
Eurobonds	10,868.35	32.591
Diaspora Bond	300.00	0.900
Promissory Notes	186.70	0.560
Grand Total	**33,348.08**	**100.000**

Source: DMO

Figure 4.3: External Debt Stock by Concessionality as at December 31, 2020



Source: DMO

4.8 External Debt Flows

4.8.1 External Debt Principal Repayments

The total Principal Repayment on the External Debt Stock as at December 31, 2020 was US$418.16 million compared to US$268.51 million as at December 31 2019, representing an increase of US$149.65 million or 55.73 percent. The increase was mainly due to repayment to the following multilateral creditors namely, IDA, ADF and AfDB, and also, the principal repayment to bilateral creditors increased by 79.90 percent, none of the Eurobonds and Diaspora Bond were due for redemption in the year under review. The principal repayments made in the year were only on Multilateral and Bilateral debts, amounting to US$262.71 million and US$155.45 million, respectively (Table 4.9).

Table 4.9: External Debt Principal Repayments by Creditor Category, 2016-2020 (US$' Million)

Principal Repayments					
	2016	2017	2018	2019	2020
A. Official					
1. Multilateral	96.58	104.29	129.71	182.51	262.71
2. Bilateral	20.00	20.00	83.04	86.41	155.45
B. Commercial					
1. Eurobonds	-	-	500.00	-	-
2. Diaspora Bond	-	-	-	-	-
C. Others	-	-	-	-	-
Total	**116.58**	**124.29**	**712.75**	**268.51**	**418.16**

Source: DMO

4.8.2 External Debt Interest Payments in 2020

Interest Payments on External Debt in 2020 amounted to US$1,127.88 million compared to US$1,065.07 million in 2019, reflecting an increase of US$72.99 million or 6.85 percent. The increase was due to Interest Payments made on Multilateral and Bilateral debts, as well as the payment of interest on the Commercial debts: 6.75% US$500M JAN, 2021; 6.375% US$500M JUL 2023; 7.875% US$1.5BN FEB 2032; 7.625% US$1.5BN NOV 2047; 6.500% US$1.5BN NOV 2027; 7.143% US$1.25BN FEB 2030; 7.696% US$1.25BN FEB 2038; 7.625% US$1.118BN NOV 2025; 8.747% US$1.0BN JAN 2031; 9.248% US$750M JAN 2049; and, 5.625% US$300M DIASPORA JUN 2022. External Debt Interest Payments by Creditor category is shown in Table 4.10.

Table 4.10: External Debt Interest Payments by Creditor Category, 2016-2020 (US$' Million)

Interest Payments					
	2016	2017	2018	2019	2020
A. Official					
1. Multilateral	17.98	32.32	56.17	147.05	174.33
2. Bilateral	40.38	46.93	59.01	88.45	102.74
B. Commercial					
1. Eurobonds	91.26	150.32	514.00	770.95	823.22
2. Diaspora Bond	-	8.44	16.88	16.88	16.88
C. Others[1]	33.12	41.74	41.75	41.74	20.89
Total	**182.75**	**279.74**	**687.80**	**1,065.07**	**1,138.06**

Source: DMO

[1]Outstanding Oil Warrants, which were associated with the London Club debt were exited in 2007, and Agency fees paid to Citibank in respect of Oil Warrants.

4.8.3 Waivers

The total sum of US$1,670,580.00 was accrued to the FGN in 2020 as waivers granted due to prompt remittances of principal and interest payments during the year. In specific terms, the sum of US$1,341,420.00, US$324,600.00, US$2,740.00, US$1,740.00 and US$80.00 were granted to the FGN in respect of prompt payments made to IDA, AFD, IDB, EXIM Bank of China and BADEA as shown in Table 4.11.

Table 4.11: Waivers in 2020 (US$' Thousand)

Category	Waiver/ Credit
MULTILATERAL	
IDA	1,341.42
AFD	324.60
IDB	2.74
BADEA	0.08
BILATERAL	
EXIM BANK OF CHINA	1.74
TOTAL	**1,670.58**

Source: DMO

4.8.4 External Debt Principal Repayments Projections (2021–2030)

Principal Repayments on External Debt is projected to increase due to the maturity profile of some Eurobonds and Diaspora Bond in the projection period. The principal repayments in the total sum of US$3,918.35 million is projected to be made in respect of 6.75% US$500M JAN 2021 Eurobond; 5.625% US$300M JUN 2022 Diaspora Bond; 6.375% US$500M JUL 2023 Eurobond; 7.625% US$1.118BN NOV 2025 Eurobond; and, 6.500% US$1.5bn NOV 2027 Eurobond, due to mature between 2021 and 2027. Table 4.12 shows the External Debt Principal Repayment projections in the next 10 years, 2021-2030.

Table 4.12: External Debt Principal Repayment Projections, 2021 – 2030 (US$' Million)

Category of Debt	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
MULTILATERAL										
ADF										
Principal	16.29	24.46	28.04	30.66	31.65	31.63	31.96	33.92	35.86	
ADB										
Principal	88.99	121.84	121.84	125.43	125.41	144.64	144.64	144.64	144.64	144.64
AGTF										
Principal	-	-	-	4.08	6.83	6.83	6.83	6.83	6.83	6.83
IFAD										
Principal	6.22	6.22	6.22	7.32	14.40	15.93	15.93	15.93	15.93	15.93
IDA										
Principal	256.33	330.70	441.71	481.96	489.09	488.35	489.60	491.13	534.41	578.52
IMF										
Principal	-	-	883.81	1,767.61	883.81	-	-	-	-	-
EDF										
Principal	5.53	5.58	5.63	5.69	5.75	5.82	5.88	5.94	5.97	3.03
BADEA										
Principal	0.36	0.37	0.37	0.38	0.38	0.38	0.39	0.39	0.39	0.40
IDB										
Principal	9.06	9.06	11.21	11.21	11.83	11.83	11.83	16.37	16.37	16.37
IBRD										
Principal	3.94	4.17	9.44	13.04	22.60	23.76	24.95	26.20	27.56	28.94
Sub-Total	**386.73**	**502.41**	**1,508.29**	**2,447.38**	**1,591.74**	**729.15**	**732.00**	**741.36**	**787.96**	**831.75**
Bilateral										
Principal	195.25	240.89	441.75	354.66	518.17	562.30	592.49	578.21	578.21	552.43
Sub-Total	**195.25**	**240.89**	**441.75**	**354.66**	**518.17**	**562.30**	**592.49**	**578.21**	**578.21**	**552.43**
Commercial										
Eurobond										
Principal	500	-	500	-	1,118.35	-	1,500.00	-	-	1,250.00
Diaspora Bond										
Principal	-	300	-	-	-	-	-	-	-	-
Sub-Total	**500**	**300**	**500**	**-**	**1,118.35**	**-**	**1,500.00**	**-**	**-**	**1,250.00**
Total Principal	**1,081.98**	**1,043.30**	**2,450.04**	**2,802.03**	**3,228.26**	**1,291.45**	**2,824.49**	**1,319.56**	**1,366.17**	**2,634.18**

Source: DMO

4.8.5 External Debt Interest Payment Projections, 2021–2030

Table 4.13 shows an increase in projected External Debt Interest Payment over the 10-year period as a result of the anticipated increased borrowing from external sources to finance Budget Deficits, in line with the country's Debt Management Strategy, 2020 - 2023.

Table 4.13: External Debt Interest Payment Projections, 2021 – 2030 (US$' Million)

Category of Debt	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
MULTILATERAL										
ADF										
Interest	9.20	11.61	12.77	12.63	12.33	12.02	11.66	11.32	10.90	10.49
ADB										
Interest	15.13	15.79	16.96	17.59	17.08	15.91	14.50	13.13	11.69	10.28
AGTF										
Interest	0.09	0.51	0.95	1.25	1.29	1.22	1.15	1.08	1.01	0.93
IFAD										
Interest	2.15	2.80	3.68	4.36	4.47	4.27	4.05	3.84	3.63	3.41
IDA										
Interest	131.32	145.14	161.26	173.03	176.42	174.79	170.02	163.16	156.10	148.24
IMF										
Interest	35.35	35.35	32.77	16.94	2.95	-	-	-	-	-
EDF										
Interest	0.53	0.48	0.42	0.37	0.31	0.25	0.19	0.13	0.08	0.02
BADEA										
Interest	0.06	0.08	0.07	0.07	0.06	0.06	0.06	0.05	0.05	0.05
IDB										
Interest	0.37	0.27	0.27	0.20	1.42	1.42	1.44	1.44	1.44	0.04
IBRD										
Interest	12.74	13.81	13.98	13.74	13.29	12.65	11.97	11.26	10.52	9.74
Sub-Total	**206.95**	**225.85**	**243.13**	**240.17**	**229.61**	**222.60**	**215.05**	**205.42**	**195.40**	**183.19**
Bilateral										
Interest	102.51	112.73	120.29	124.46	125.14	119.30	110.30	98.63	84.92	71.68
Sub-Total	**102.51**	**112.73**	**120.29**	**124.46**	**125.14**	**119.30**	**110.30**	**98.63**	**84.92**	**71.68**
Commercial										
Eurobond										
Interest	806.34	789.50	789.47	757.59	757.59	672.32	672.32	574.82	574.82	530.17
Diaspora Bond										
Interest	16.88	8.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub-Total	**823.22**	**797.90**	**789.47**	**757.59**	**757.59**	**672.32**	**672.32**	**574.82**	**574.82**	**530.17**
Total Interest	**1,132.68**	**1,136.49**	**1,152.89**	**1,122.22**	**1,112.34**	**1,014.21**	**997.67**	**878.87**	**855.14**	**785.04**

Source: DMO

4.8.6 External Debt Disbursements

Total External Debt Disbursements in 2020 was US$5,446.84 million compared to US$2,490.70 million in the preceding year. The disbursements were largely from Multilateral and Bilateral Creditors, as Eurobonds were not issued in 2020. Table 4.14 shows External Debt Disbursements by Source from 2016-2020.

Table 4.14: External Debt Disbursements by Source, 2015-2019 (US$' Million)

Source	2016	2017	2018	2019	2020
Multilateral					
IMF	-	-	-	-	3,358.90
IDA	1,578.50	814.75	945.37	1,253.39	1,193.48
IFAD	11.20	23.71	28.36	31.34	22.03
AfDB	9.89	783.26	134.99	136.66	310.18
ADF	138.89	51.42	67.48	69.71	27.64
AGTF	-	-	-	-	0.08
IDB	-	-	-	-	1.65
BADEA	0.09	-	-	-	-
IBRD	0.26	120.30	-	285.33	0.23
Sub-Total	**1,738.83**	**1,793.43**	**1,176.20**	**1,776.43**	**4,914.18**
Bilateral	112.35	**445.68**	**796.29**	**714.27**	**350.79**
Commercial	-	**4,800.00**	**5,368.35**	**-**	**181.87**
TOTAL	**1,851.18**	**7,039.11**	**7,340.84**	**2,490.70**	**5,446.84**

Source: DMO

4.8.7 Net Resource Flows and Net Transfers on External Debt

Nigeria's Net Resource Flows and Net Transfers on External Debt were US$5,028.68 million and US$3,890.62 million in 2020 compared to US$2,222.19 million and US$1,157.12 million in 2019. The Net inflows in the year were on account of disbursements from Multilateral and Bilateral creditors.

Table 4.15: Net Resource Flows and Net Transfers on External Debt by Source in 2020 (US$' Million)

Creditor Category	Disbursements in 2020	Principal Repayments in 2020	Net Resource Flows in 2020	Interest Paid in 2020	Net Transfers in 2020
	(A)	(B)	C (A-B)	(D)	E(C-D)
Multilateral	4,914.18	262.71	4,651.47	174.33	4,477.14
Bilateral	350.79	155.45	195.34	102.74	92.60
Commercial	181.87	-	181.87	-	181.87
Oil Warrants	-	-	-	20.86	(20.86)
Eurobonds	-	-	-	840.10	(840.10)
Citibank Agency Fees	-	-	-	0.03	(0.03)
Total	**5,446.84**	**418.16**	**5,028.68**	**1,138.06**	**3,890.62**

Source: DMO

(i) Net resource flow equals disbursements less principal repayments.

(ii) Net transfers equal Net Resource flow less Interest payments.

4.9 External Loans Borrowing Programme in 2020

Table 4.21 shows the external loans contracted by the FGN in 2020 to finance strategic economic and social development programmes and projects across the country.

Table 4.21: External Loans Negotiated and Signed by the FGN in 2020

S/N	Project Name	Creditor	Currency	Loan Amount
1	Second Africa Higher Education Centers of Excellence for Development Impact (ACE 3) Project	AFD	EURO	40,000,000.00
2	Rural Access and Agricultural Marketing Project (RAAMP)	AFD	EURO	200,000,000.00
3	Northern Corridor Power Transmission Project	AFD	EURO	227,700,000.00
4	Ogun State Economic Transformation Project	IDA	USD	250,000,000.00
5	Innovation Development and Effectiveness in the Acquisition of Skills (IDEAS) Project	IDA	USD	200,000,000.00
6	Immunization plus & Malaria Progress by Accelerating Coverage and Transforming Service (IMPACT)	IDA	USD	650,000,000.00
7	Sustainable Procurement, Environmental and Social Standards Enhancement Project (SPESSE)	IDA	USD	80,000,000.00
8	Power Sector Recovery Programme for Results Project	IDA	USD	750,000,000.00
9	Second Africa Higher Education Centers of Excellence for Development Impact (ACE 3) Project	IDA	USD	70,000,000.00
10	Rural Access and Agricultural Marketing Project (RAAMP)	IDA	USD	280,000,000.00
11	Multi-Sectoral Crisis Recovery Programme (MCRP)-AF for Lake Chad Recovery and Development (PROLAC) - Additional Financing	IDA	USD	176,000,000.00
12	Nigeria Covid-19 Preparedness and Response Project (COPREP)	IDA	USD	100,000,000.00
13	Edo State Basic Education Sector and Skills Transformation Operations (Edo-BESST)	IDA	USD	75,000,000.00
14	Adolescent Girls Initiative for Learning and Empowerment Programme (AGILE) Project	IDA	USD	500,000,000.00
15	Nigeria Digital Identification for Development Project (ID4D)	IDA	USD	115,000,000.00
16	Nigeria Digital Identification for Development Project (ID4D)	EDF	EURO	250,000,000.00
17	Nigeria Climate Adaptation Erosion and Watershed Project (NEWMAP)	EDF	EURO	175,000,000.00

Source: Federal Ministry of Finance, Budget and National Planning

Notes:

1. AFD Agence Francaise de Development.
2. IDA International Development Association.
3. EDF European Development Fund.

CHAPTER FIVE

NIGERIA'S DOMESTIC DEBT

FGN's Domestic Debt stock as at December 31, 2020 was ₦16,023.88 billion compared to ₦14,272.64 billion as at December 31, 2019, reflecting an increase of ₦1,751.24 billion or 12.27 percent. The increase in the Debt stock was due mainly to the issuance of FGN Bonds to fund the 2020 Appropriation Act, refinancing of matured FGN securities and the settlement of local debts and other contractual obligations of the FGN through the issuance of Promissory Notes. The FGN's Debt Service Payments on Domestic Debt in 2020 was ₦1,854.69 billion compared to ₦1,661.03 billion in 2019. The increase of ₦193.66 billion or 11.66 percent on debt service payments was as a result of N25 billion principal repayment of Treasury Bond that fall due and effect of Covid-19 pandemic on the interest rates in the domestic market in the year under review.

5.1 FGN's Domestic Debt Stock

The FGN's Domestic Debt stock outstanding as at December 31, 2020 was ₦16,023.88 billion compared to ₦14,272.64 billion in the corresponding period of 2019, representing an increase of ₦1,751.24 billion or 12.27 percent. The increase in the FGN's Domestic Debt stock in the period under review was mainly as a result of the issuance of FGN Bonds to fund the 2020 Appropriation Act, Issuance of Sukuk, the settlement of local debts and other contractual obligations of the FGN through the Issuance of Promissory Notes, as well as and redemption of the Treasury Bond that mature in 2020.

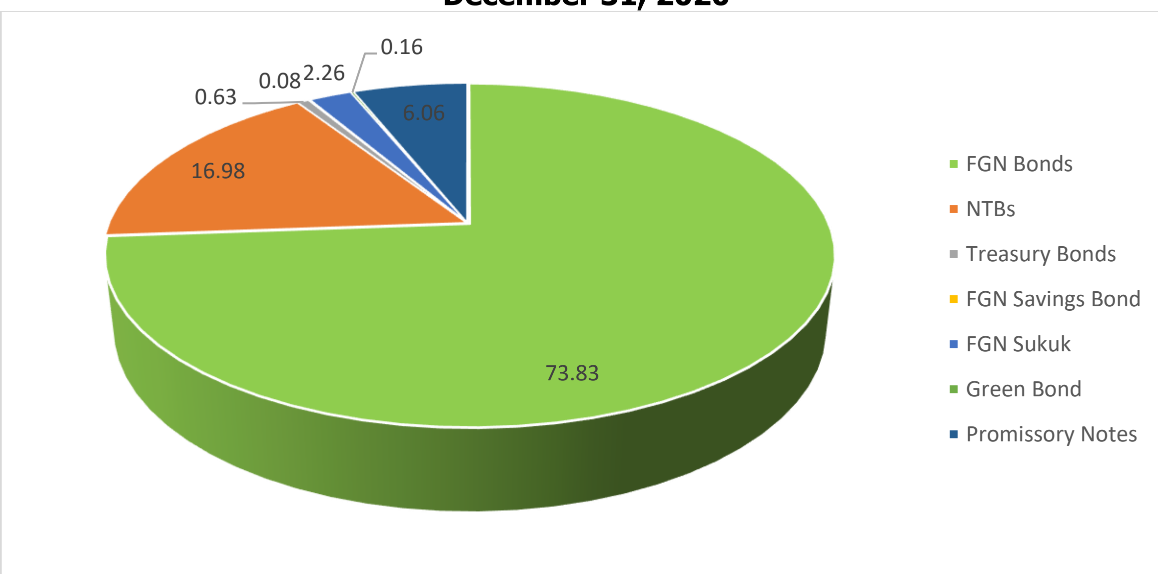
The FGN's Domestic Debt portfolio comprised FGN Bonds of ₦11,830.27 billion or 73.83 percent of the FGN's Total Domestic Debt stock as at December 31, 2020. Others include NTBs of ₦2,720.43 billion or 16.98 percent, Treasury Bonds of ₦100.98 billion or 0.63 percent, FGN Savings Bonds of ₦12.29 billion or 0.08 percent, FGN Sukuk of ₦362.56.00 billion or 2.26 percent, FGN Green Bonds of ₦25.69 billion or 0.16 percent and Promissory Notes of ₦971.66 billion or 6.06 percent of the FGN's Total Domestic Debt stock. Table 5.1 and Figure 5.1 show the composition of the FGN's Domestic Debt Stock outstanding as at December 31, 2020.

Table 5.1 Nigeria: Trend in Domestic Debt Outstanding by Instruments, 2016-2020

	2016	2017	2018	2019	2020
Instruments	**₦' Billion**	**₦' Billion**	**₦' Billion**	**₦' Billion**	**₦' Billion**
FGN Bonds	7,564.94	8,715.81	9,334.74	10,524.16	11,830.27
NTBs	3,277.28	3,579.80	2,735.97	2,651.51	2,720.43
Treasury Bonds	215.99	175.99	150.99	125.99	100.98
FGN Savings Bond	-	7.2	10.8	12.67	12.29
FGN Sukuk	-	100	200	200.00	362.56
Green Bonds	-	10.69	10.69	25.69	25.69
Promissory Notes	-	-	331.27	732.62	971.66
Total	**11,058.21**	**12,589.49**	**12,774.41**	**14,272.64**	**16,023.88**
Instruments	**% of Total**	**% of Total**	**% of Total**	**% of Total**	**% of Total**
FGN Bonds	68.41	69.23	73.07	73.74	73.83
NTBs	29.64	28.43	21.42	18.58	16.98
Treasury Bonds	1.95	1.40	1.18	0.88	0.63
FGN Savings Bond	-	0.06	0.08	0.09	0.08
FGN Sukuk	-	0.79	1.57	1.40	2.26
Green Bond	-	0.08	0.08	0.18	0.16
Promissory Notes	-	-	2.59	5.13	6.06
Total	**100**	**100**	**100**	**100**	**100**

Source: DMO

Figure 5.1 Composition of FGN's Domestic Debt Stock by Instruments as at December 31, 2020



Source: DMO

The trend in the FGN's Domestic Debt Stock composition continued as the share of FGN Bonds grew from 68.41 percent in 2016 to 73.83 percent at the end of 2020, which together with the FGN Sukuk and Promissory Notes contributed significantly to the lengthening of the Average Time-to-Maturity of the Debt portfolio. Table 5.1 shows that, whereas, the share of FGN Bonds which is the principal instrument for long-term borrowing in the domestic market has continued to increase as a percentage of Total Domestic Debt stock, the share of NTBs has continued to decline steadily from 29.64 percent in 2016 to 16.98 percent at the end of 2020, which is in line with the country's debt management strategy. The share of Treasury Bonds due to its gradual redemption over the years has also continued to drop from 1.95 percent in 2016 to 0.63 percent at the end of December 2020. While the share of FGN Sukuk, FGN Green Bond and Savings Bond as a percentage of Total Domestic Debt stock increased from 0.79, 0.08 and 0.06 percent, respectively in 2017 to 2.26, 0.16 and 0.08 percent at the end of December 2020, the share of Promissory Notes also increased significantly from 2.59 percent in 2018 to 6.06 percent at the end of December 2020.

5.2 FGN's Domestic Debt Stock by Category of Holders

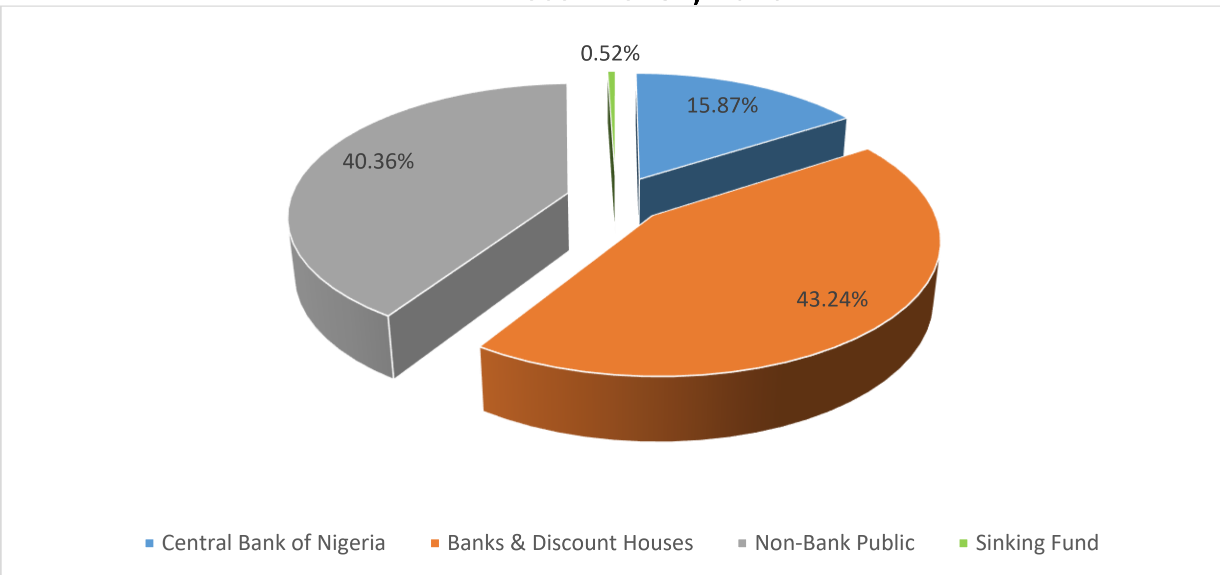
Table 5.2 shows the FGN's Total Domestic Debt outstanding by Holders' Category as at December 31, 2020. The breakdown revealed that Banks and Discount Houses held the largest share of the FGN's Total Domestic Debt stock with ₦6,929.44 billion or 43.24 percent, followed by Non-Bank Public with ₦6,467.75 billion or 40.36 percent and the Central Bank of Nigeria (CBN) with ₦2,543.71 billion or 15.88 percent. The balance of ₦82.98 billion or 0.52 percent of the FGN's Total Domestic Debt was held in a Sinking Fund created by the FGN to redeem Treasury Bonds.

Table 5.2: FGN's Domestic Debt by Holder's Category, as at Dec., 31, 2020 (₦'Bn)

Instrument	Central Bank	Banks & Discount Houses	Non-Bank Public	Sinking Fund	Amount Outstanding
FGN Bonds	1,607.00	6,235.04	3,988.23	-	11,830.27
Nigerian Treasury Bills (NTBs)	918.71	694.40	1,107.32	-	2,720.43
Treasury Bonds	18.00	-	-	82.98	100.98
Savings Bond	-	-	12.29		12.29
FGN Sukuk		-	362.56		362.56
FGN Green Bond		-	25.69		25.69
Promissory Notes		-	971.66		971.66
Total	**2,543.71**	**6,929.44**	**6,467.75**	**82.98**	**16,023.88**
% of Total	*15.88%*	*43.24%*	*40.36%*	*0.52%*	*100.00%*

Source: DMO

Figure 5.2: Composition of FGN's Domestic Debt by Holders' Category as at December 31, 2020



Source: DMO

The trend in FGN's Domestic Debt outstanding by Category of Holders from 2016 to 2020 is shown in Table 5.3. The Non-Bank Public (mainly Pension Fund Administrators, Asset and Fund Managers, as well as Insurance companies) and Banks are the main holders of the FGN's domestic debt instruments with a respective share of 40.36 and 43.24 percent in 2020. The increasing proportion of the Non-Bank Public is largely due to the diversification of the investor base and market development activities of the DMO and other stakeholders.

Table 5.3: FGN's Domestic Debt Outstanding by Holders Category, 2016-2020 (₦' Billion)

Investor Type	2016	2017	2018	2019	2020
CBN	1,688.20	1,703.81	2,005.44	1,860.62	2,543.71
% of Total	*15.27*	*13.53*	*15.70*	*13.04*	*15.88*
Banks	3,736.02	5,350.79	3,768.58	4,248.49	6,929.44
% of Total	*33.79*	*42.50*	*29.50*	*29.76*	*43.24*
Non-Bank Public	5,493.54	5,416.54	6,905.30	8,078.58	6,467.75
% of Total	*49.68*	*43.02*	*54.06*	*56.60*	*40.36*
Sinking Fund	140.45	118.35	95.08	84.95	82.98
% of Total	*1.27*	*0.94*	*0.74*	*0.60*	*0.52*
Total	**11,058.21**	**12,589.49**	**12,774.40**	**14,272.64**	**16,023.88**

Source: CBN, DMO

5.3 FGN's Domestic Debt by Residual Maturity

Table 5.4 shows the Maturity Structure of the FGN's Domestic Debt as at December 31, 2020. The breakdown of the FGN's Domestic Debt by Maturity reveals that the short-term debt (less than one year to maturity) constituted 27.47 percent, while debt maturing between 1 and 3 years accounted for 12.68 percent of the FGN's Total Domestic Debt portfolio. The other maturities are 3 to 10 years and 10 years and above, which accounted for 31.01 and 28.83 percent of the FGN's Domestic Debt Portfolio respectively. The increase in the share of Short-term debt from 24.66 percent in 2019 to 27.47 percent in 2020, negates the Debt Management Strategy of targeting 75:25 for long-term to short-term debts in the Domestic Debt Portfolio. Table 5.5 shows that the Maturity Structure of the FGN's Domestic Debt has been lengthened considerably over the past five years (2016-2020), with medium to long-term debts dominating the Portfolio. This has helped substantially to moderate refinancing and interest rate risks associated with short-term debts.

5.4: Maturity Structure of FGN's Domestic Debt, 2020

Residual Maturity (Years)	% Share of Outstanding Debt, 2020
≤ 1 Year	27.47
> 1 ≤ 3 Years	12.68
> 3 ≤ 10 Years	31.01
> 10 years	28.84
Total	**100.00**

Source: DMO

Table 5.5: FGN's Domestic Debt Outstanding by Residual Maturity, 2016 – 2020 (₦' Billion)

Year	Short Term[1]	%	Medium-Long Term[2]	%	Total	%
2016	3,902.41	35.29	7,155.79	64.71	11,058.20	100
2017	4,105.34	32.61	8,484.14	67.39	12,589.49	100
2018	3,728.14	29.18	9,046.26	70.82	12,774.41	100
2019	3,519.58	24.66	10,753.05	75.34	14,272.64	100
2020	4,402.36	27.47	11,621.53	72.53	16,023.89	100

Source: DMO
Notes: [1] Instruments with up to 1-year remaining maturity
[2] Instruments with more than 1-year remaining maturity

5.4 FGN's Domestic Debt Interest and Rental Payments in 2020

Table 5.6 shows that the Total FGN's Interest, Rental, and Principal repayments on Domestic Debt was ₦1,854.69 billion in 2020, relative to ₦1,661.03 billion in 2019. The increase of

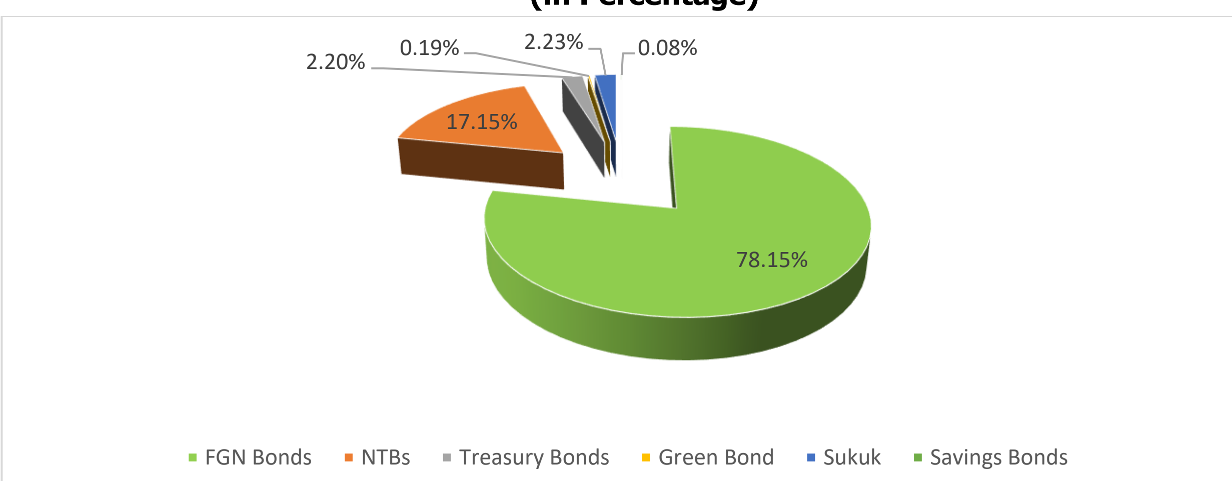
₦193.66 billion or 11.66 percent interest and rental payments on FGN's Domestic Debt reflects the effect of Covid-19 and relative increase in domestic market rates in 2020. Whereas, Interest and Rental Payments made in the year on FGN Bonds constituted 78.15 percent of the FGN's Total Domestic Debt Interest and Rental Payments, the share of Interest and Rental Payments made on NTBs was 17.15 percent, Treasury Bonds (2.20 percent), FGN Green Bond (0.19 percent), FGN Sukuk (2.23 percent) and FGN Savings Bonds (0.08 percent). Table 5.7 shows the trends in FGN's Domestic Debt Interest and Rental Payments for the period, 2016 - 2020, indicating a relative increase in interest payments in the year under review when compared to 2019. This was as a result of the principal repayment of the Treasury Bond and the effect of Covid-19 pandemic on the interest rates in domestic market, which increased the interest payments made on new borrowing made during the pandemic.

Table 5.6: FGN's Domestic Debt Interest and Rental Payments in 2020 (₦' Million)

Instruments	Principal Repayment	Interest/Rental	Total	% of Total
FGN Bonds	-	1,449,443.22	1,449,443.22	78.15
NTBs	-	318,041.14	318,041.14	17.15
Treasury Bonds	25,000.00	15,748.50	40,748.50	2.20
Green Bond	-	3,616.43	3,616.43	0.19
Sukuk*	-	41,328.62	41,328.62	2.23
Savings Bonds	-	1,515.17	1,515.17	0.08
Total Debt Service	**25,000.00**	**1,829,693.08**	**1,854,693.08**	**100**

Source: DMO
FGN Bonds and NTBs that matured during period were refinanced.
*Sukuk holders earn periodic rental on investment.

Figure 5.3: Composition of FGN's Domestic Interest and Rental Payments in 2020 (in Percentage)



Source: DMO

Table 5.7: Trends in FGN's Domestic Debt Interest & Rental Payments, 2016-2020 (₦' Billion)

Year	Domestic Debt Interest Payment
2016	1,228.76
2017	1,476.22
2018	1,797.90
2019	1,661.03
2020	1,854.69

Source: DMO

5.5 Size and Composition of the Domestic Bond Market

The aggregate Face Value of outstanding Domestic Bonds, which comprises of FGN Securities, State Governments' and Corporates Bonds as at December 31, 2020 stood at ₦13,898.54 billion. There was an increase of ₦2,365.28 billion or 20.51% when compared to ₦11,533.26 billion recorded as at the end of 2019. The increase was due to the growth in the share of FGN Bonds, Sukuk and the Promissory Notes outstanding as at the period under review. Table 1 shows that the proportionate share of FGN Bonds, Treasury Bonds, Green Bonds, FGB Savings Bonds and Corporate Bonds relative to the total size of the domestic bond market decreased to 85.12%, 0.73%, 0.18%, 0.09% and 2.10% percent in 2020 from 91.25%, 1.09%, 0.22%, 0.11% and 3.58% recorded in 2019 respectively. The share of Sukuk and State Governments' Bonds increased because of new issuances, which include the Issuance of ₦162.557 billion Sukuk in 2020.

Table 5.8: Size and Composition of Domestic Bonds Market: 2019 and 2020

	2019		2020	
Issuer	Amount Outstanding (₦' Billion)	% of Total	Amount Outstanding (₦' Billion)	% of Total
FGN Bond	10,524.16	91.25	11,830.26	85.12
Treasury Bonds	125.99	1.09	100.98	0.73
Sukuk	200.00	1.73	362.56	2.61
Green	25.69	0.22	25.69	0.18
FGN Savings Bonds	12.67	0.11	12.29	0.09
Promissory Notes	0.00	0.00	971.66	6.99
State Governments	232.17	2.01	303.04	2.18
Corporates	412.58	3.58	292.06	2.10
Total	**11,533.26**	**100.00**	**13,898.54**	**100.00**

Sources: SEC and DMO

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

5.6 FGN Bonds Primary Market Activities

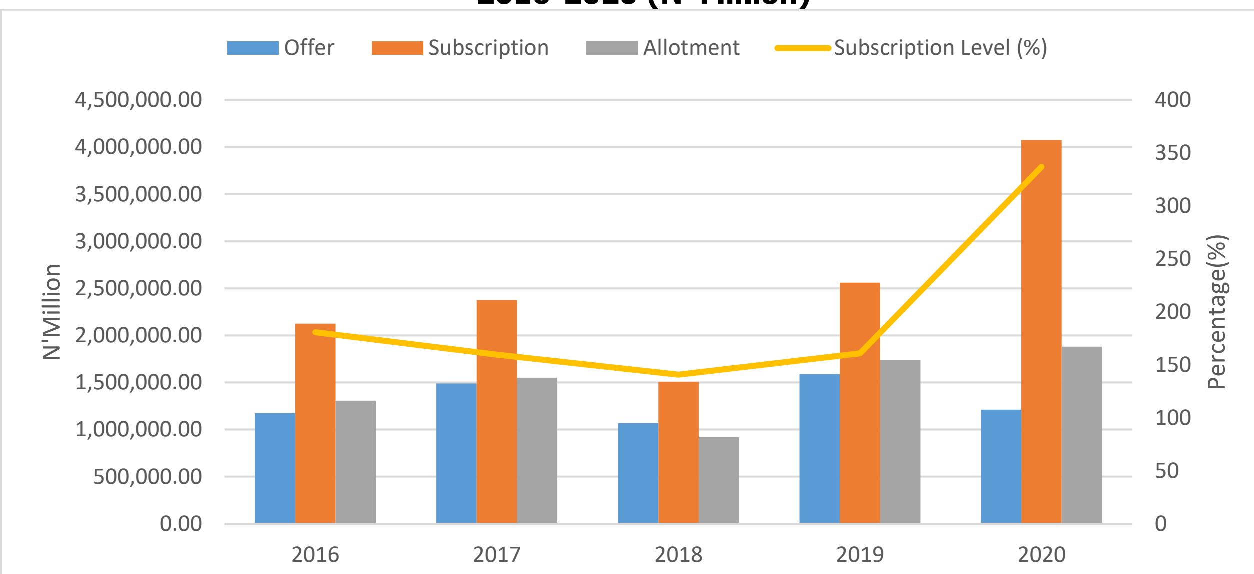
FGN Bonds of 5, 10, 15, 25 and 30-year tenors were issued by the FGN in the primary market in the year under review. The sum of ₦1,210,000.00 million was offered, out of which ₦1,879,393.34 million was allotted during the year, from a total subscription of ₦4,077,215.99 million, representing a subscription level of 336.96 percent in the year 2020 (Table 5.9). The demand for FGN securities as shown in the table below reflects a high level of subscription. This is an indication that the domestic debt market remained strong with diversified and growing investor-base including Banks, Non-Bank Public, Pension Funds, Fund and Asset Managers, Insurance Companies and other institutional investors. Table 5.9 shows the FGN Bonds primary market issuances from 2016 – 2020.

Table 5.9: FGN Bonds Primary Market Issuance, 2016 – 2020 (₦' Million)

Year	Offer	Subscription	Allotment	Subscription Level (%)
2016	1,175,000.00	2,125,748.10	1,308,303.33	180.91
2017	1,490,000.00	2,377,402.45	1,550,463.78	159.56
2018	1,070,000.00	1,506,041.18	918,926.33	140.75
2019	1,590,000.00	2,558,720.96	1,742,462.46	160.93
2020	1,210,000.00	4,077,215.99	1,879,393.34	336.96

Source: DMO

Figure 5.4: Summary of Yearly FGN Bonds Offer, Subscription & Allotment, 2016-2020 (₦' Million)



Source: DMO

5.7 FGN Bonds Allotment by Residency

Allotments of the FGN Bonds by Residency Classification shows that resident investors accounted for ₦1,872,393.34 million or 99.63 percent of Bonds allotted in 2020, compared to ₦1,671,581.28 million or 95.93 percent in 2019. Allotments to Non-resident investors declined significantly to ₦7,000.00 million or 0.37 percent of the Bonds in 2020 relative to ₦70,881.18 million or 4.07 percent in 2019, reflecting a drop of 90.12 percent in participation by Non-resident investors at the Auctions as a result of Covid-19 pandemic. Table 5.10 shows the Allotment of FGN Bonds by Residency Classification.

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

	2019		2020	
Classification	**Amount**	**% of Total**	**Amount**	**% of Total**
Residents	1,671,581.28	95.93	1,872,393.34	99.63
Non-Residents	70,881.18	4.07	7,000.00	0.37
Total	**1,742,462.46**	**100.00**	**1,879,393.34**	**100.00**

Source: DMO

5.8 Trend Analysis of FGN Bonds Allotment by Residency

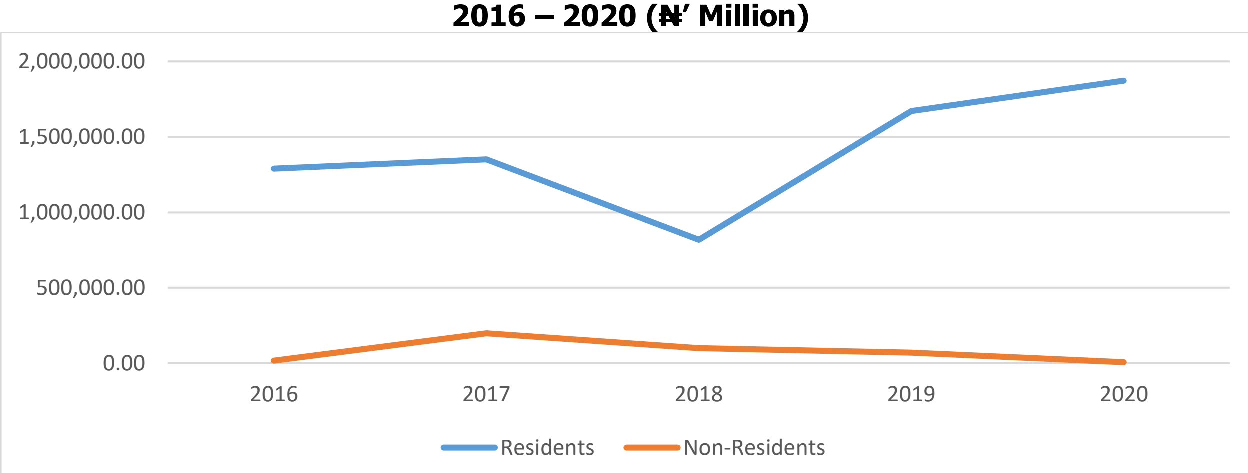
The breakdown of FGN Bonds allotments by Residency revealed a significant decline in participation by Non-residents in FGN Bonds Auctions to 0.37 percent in 2020 compared to 4.07 percent in 2019, as shown in Table 5.11 and Figure 5.5. The drop in Non-Resident investors' participation may be attributed to the Covid-19 pandemic and increase in domestic interest rates in 2020, relative to 2019.

Table 5.11: Summary of Allotment of FGN Bonds by Residency Classification, 2016 – 2020 (₦ N' Million)

Year	Residents	%	Non-Residents	%	Total	%
2016	1,290,303.33	98.62	18,000.00	1.38	1,308,303.33	100.00
2017	1,352,071.41	87.20	198,391.37	12.80	1,550,462.78	100.00
2018	817,974.71	89.01	100,951.61	10.99	918,926.33	100.00
2019	1,671,581.28	95.93	70,881.18	4.07	1,742,462.46	100.00
2020	1,872,393.34	99.63	7,000.00	0.37	1,879,393.34	100.00

Source: DMO

Figure 5.5: Summary of Allotment of FGN Bonds by Residency Classification, 2016 – 2020 (₦' Million)



Source: DMO

5.9 Analysis of FGN Bonds Auctions by Tenor

FGN Bonds with Tenors of 5-year, 10-year, 15-year, 25-year and 30-year were issued in 2020. As indicated in Table 5.12, the 5-year tenor accounted for 13.82 percent of the total FGN Bonds issued, while the 10-year, 15-year, 25-year and 30-year tenors accounted for 15.92, 23.66, 9.33 and 37.28 percent, respectively. The 25-year Bond was introduced to the market for the first time in July 2020, to meet investors' needs for longer tenor Bonds and also lengthen the yield curve of FGN Securities. Tables 5.13 and 5.14 show the monthly analysis of FGN Bonds issued by Tenor, and monthly FGN Bonds Issuances, Subscriptions and Allotments in 2020, while Figure 5.13 shows the Monthly Issuance in the year under review.

Table 5.12: Analysis of FGN Bonds Issuance by Tenor in 2020 (₦' Million)

Tenor*	Amount (₦' Million)	% of Total
5-year	259,734.54	13.82
10-year	299,116.96	15.92
15-year	444,580.78	23.66
25-year	175,401.70	9.33
30-year	700,559.36	37.28
Total	**1,879,393.34**	**100.00**

Source: DMO

* Represents original Issuance Tenor

Table 5.13: Monthly Analysis of FGN Bonds Issuance by Tenor in 2020 (₦' Million)

Month	5-Year*	10-Year*	15-Year*	25- Year*	30-Year*	Total
January	29,304.10	106,385.62	30,000.00		276,132.10	441,821.82
February	55,000.00	65,000.00	82,249.00		40,000.00	242,249.00
March	15,000.00		143,230.77		25,000.00	183,230.77
April	40,073.92		16,223.00		53,737.10	110,034.02
May	87,366.59				160,095.50	247,462.09
June	32,989.94				50,787.06	83,777.00
July		25,000.00	42,000.00	75,000.00	36,521.99	178,521.99
August		33,424.07	22,948.00	16,091.70	53,685.60	126,149.37
September		69,307.28	25,430.00	6,810.00	4,600.00	106,147.28
October			22,500.00	27,500.00		50,000.00
November			40,000.00	40,000.00		80,000.00
December			20,000.00	10,000.00		30,000.00
Total	**259,734.54**	**299,116.96**	**444,580.78**	**175,401.70**	**700,559.36**	**1,879,393.34**

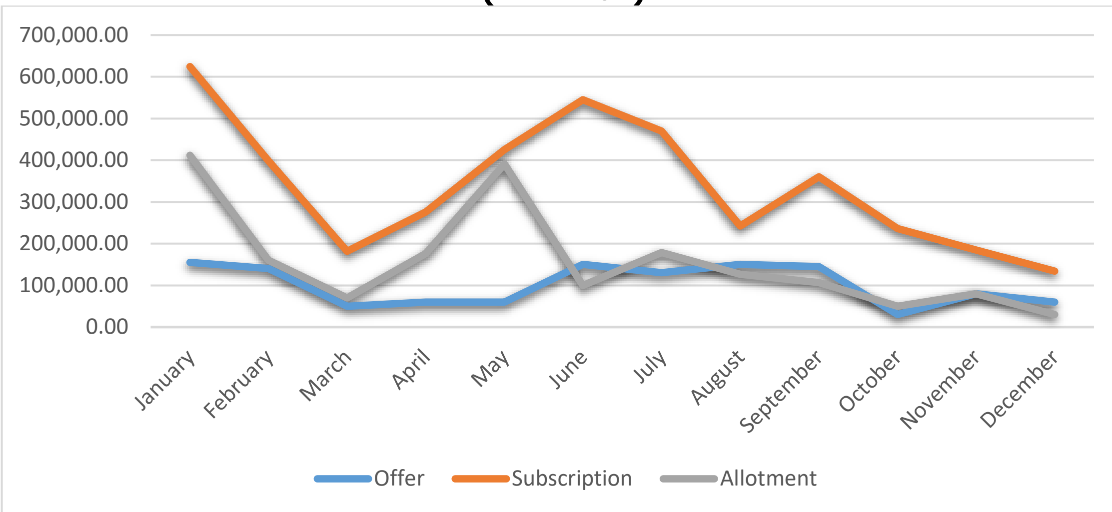
Source: DMO
* Represents original Issuance Tenor
**Tenor not offered in those months

Table 5.14: Summary of Monthly FGN Bonds Offer, Subscription & Allotment in 2020 (₦' Million)

Month	Offer	Subscription	Allotment
January	155,000.00	624,497.78	411,821.82
February	140,000.00	398,200.40	160,000.00
March	50,000.00	181,252.41	70,000.00
April	60,000.00	275,672.22	176,060.02
May	60,000.00	425,175.64	390,692.86
June	150,000.00	545,166.46	100,000.00
July	130,000.00	470,131.94	178,521.99
August	150,000.00	242,220.37	126,149.37
September	145,000.00	360,229.08	106,147.28
October	30,000.00	235,869.00	50,000.00
November	80,000.00	184,744.39	80,000.00
December	60,000.00	134,056.30	30,000.00
Total	**1,210,000.00**	**4,077,215.99**	**1,879,393.34**

Source: DMO

Figure 5.6: Summary of Monthly FGN Bonds Offer, Subscription & Allotment in 2020 (₦' Million)



5.10 Allotment of FGN Bonds by Investor Type in 2020

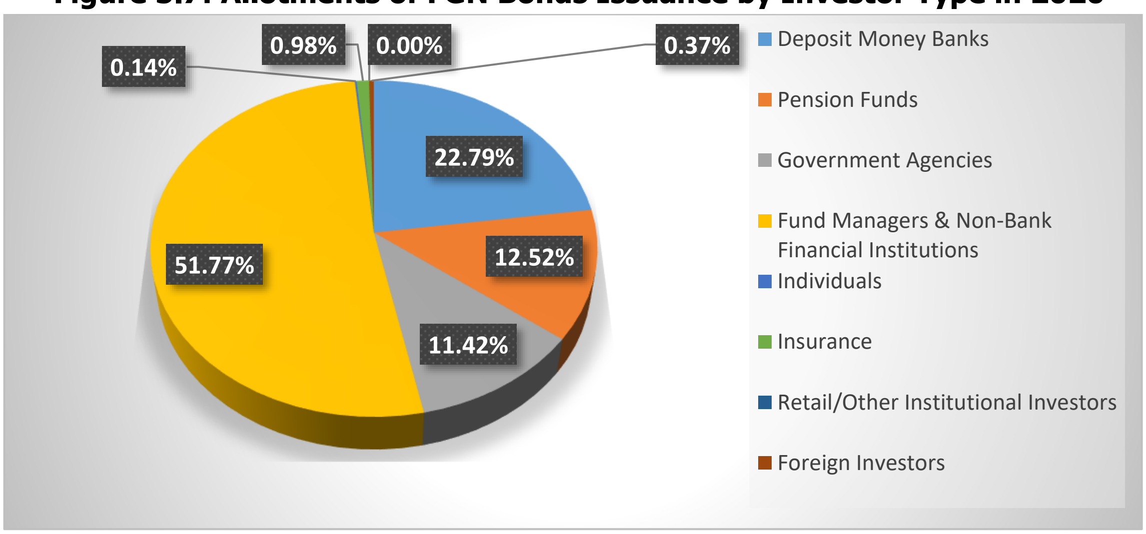
The breakdown of FGN Bond allotments by Investor Type shows that Fund Managers & Non-Bank Financial Institutions accounted for 51.77 percent of the total FGN Bonds allotted in 2020, followed by the Deposit Money Banks (22.79 percent), Government Agencies (11.42 percent), Pension Funds (12.52 percent), Foreign Investors (0.37 percent), Insurance (0.98 percent), Retail/Other Institutional Investors (0.00 percent) and Individuals (0.14 percent). The breakdown is shown in Table 5.15 and Figure 5.7 below.

Table 5.15: Summary of FGN Bond Auctions & Allotments by Investor Type in 2020 (₦' Million)

	AMOUNT	RESULT
Total Subscription		**4,077,215.99**
Range of Bids (%)		3.1500% - 16.0000%
Range of Marginal Rates (%)		4.9700% - 12.9800%
Range of Coupons (4)		9.800% - 14.8000%
		% OF TOTAL ALLOTMENT
Deposit Money Banks	428,349.54	22.792
Pension Funds	235,235.64	12.517
Government Agencies	214,691.99	11.423
Fund Managers & Non-Bank Financial Institutions	972,967.14	51.770
Individuals	2,601.27	0.138
Insurance	18,487.77	0.984
Retail/Other Institutional Investors	60.00	0.003
Foreign Investors	7,000.00	0.372
TOTAL ALLOTMENT	**1,879,393.34**	**100.00**

Source: DMO

Figure 5.7: Allotments of FGN Bonds Issuance by Investor Type in 2020

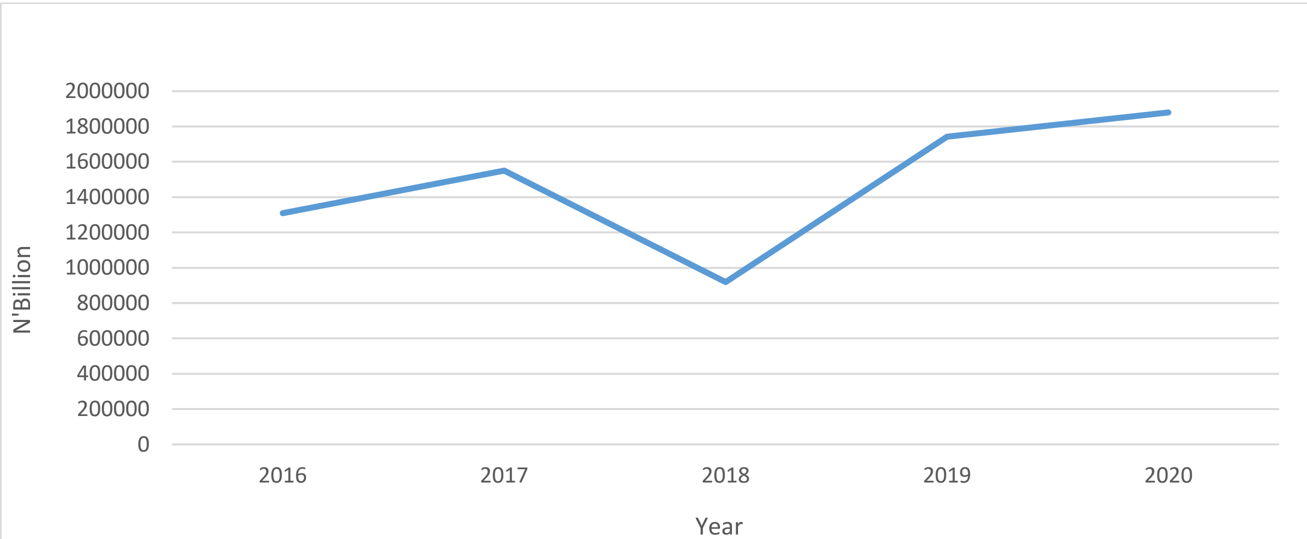


Source: DMO

5.11 Trend Analysis of FGN Bonds Allotments

Figure 5.8 shows the trend of Allotments of the FGN Bonds from 2016 to 2020. Analysis of the trend reveals an increase in Allotment of FGN Bonds to ₦1,879,393.34 million in 2020, from ₦1,742,462.46 million allotted in 2019. This was attributable largely to increase in Government Financing needs through Domestic Borrowings and refinancing of maturing FGN Bonds during the year under review.

Figure 5.8: Analysis of FGN Bonds Allotments, 2016-2020 (₦' Million)



Source: DMO

5.12 FGN Domestic Secondary Bond Market in 2020

5.12.1 Trading of FGN Bonds on the FMDQ and The NSE Trading

The FGN Bonds traded in the Secondary Market decreased in 2020 relative to 2019 on the FMDQ Securities Exchange and The Nigerian Stock Exchange as shown in Table 5.16. Total Face Value of Trades decrease by 8.11 percent from ₦24.64 trillion in 2019 to ₦22.64 trillion in 2020. Consideration increased by 17.83 percent from ₦25.76 trillion in 2019 to ₦30.35 trillion in 2020, while number of Deals decreased by 31.59 percent from 40,954 in 2019 to 28,016 in the same period under review. The decrease in the value and number of trading transactions in the Secondary Market in 2020 was due to the impact of Covid-19 Pandemic.

Table 5.16: FGN Bonds Secondary Market Trades on the FMDQ Securities Exchange, 2019 - 2020

	2018			2019		
Period	Number of Transactions	Face Value (₦' 000)	Consideration (₦' 000)	Number of Transactions	Face Value (₦' 000)	Consideration (₦' 000)
January	2,436	1,325,749,618	1,321,257,436	2,960	2,264,145,150	2,675,860,892
February	4,358	1,497,346,374	1,479,600,396	2,791	2,141,579,744	2,616,310,670
March	3,994	1,415,029,080	1,451,020,013	1,920	2,367,369,708	2,684,108,749
April	2,874	1,252,831,640	1,259,275,105	1,548	1,311,157,796	1,532,018,665
May	2,882	1,398,727,546	1,403,497,860	436	263,915,200	300,298,448
June	2,200	1,222,287,108	1,239,043,663	2,707	2,354,771,487	2,807,969,434
July	4,394	4,087,326,364	4,149,767,929	2,426	1,997,962,261	2,619,264,557
August	2,710	1,366,721,884	1,409,167,545	2,255	2,086,507,089	2,856,297,471
September	1,856	961,407,374	984,177,538	2,876	2,073,494,117	2,799,872,425
October	3,580	2,106,974,502	2,158,204,930	3,500	2,513,229,804	3,957,583,301
November	4,302	3,063,216,816	3,295,286,103	2,576	1,632,177,302	2,735,938,518
December	5,368	4,939,214,836	5,605,368,647	2,021	1,631,997,096	2,763,475,292
Total	**40,954**	**24,636,833,142**	**25,755,667,165**	**28,016**	**22,638,306,754**	**30,348,998,422**

Source: The NSE and FMDQ Securities Exchange Limited

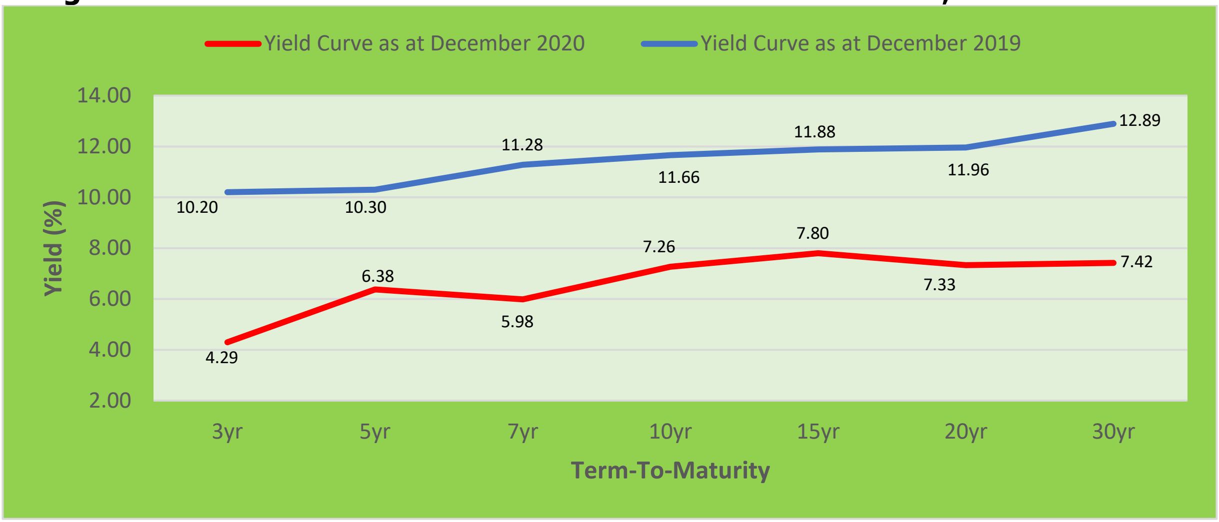
5.12.2 FGN Bonds Traded on The NSE

Total Face Value of FGN Bonds traded on The NSE decreased by 1.15 percent to ₦1,158.42 million in 2020 from ₦1,171.86 million in 2019. The Consideration also increased by 12.95 percent to ₦1,354.79 million in 2020 from ₦1,99.41million in 2019, as well as the number of Deals to 696 in 2020 from 160 deals in 2019.

5.12.3 Sovereign Yield Curve

The Sovereign Yield Curve as at end of December, 2020 was fairly upward sloping, but later moved downward by an average of 482 basis points (bps) across maturities compared to the Yield Curve in the corresponding period of 2019 (Figure 5.9).

Figure 5.9: The FGN Bonds Yield Curve as at end of December, 2019 and 2020



Source: FMDQ

5.13 Market-Wide Developments in 2020

5.13.1 FGN Savings Bond Issuance in 2020

The FGN Savings Bond was introduced into the domestic in March 2017 with the main objectives of encouraging savings and promoting financial inclusion. A total subscription of ₦3.637 billion and number of subscribers of 1,477 were recorded in 2020 representing 36.88% and 71.45% decrease when compared to ₦5.762 billion and 5,173 recorded in 2019, respectively. This could be attributed to the months (March, April, May and June) that the DMO discontinued the Issuance of the product as a result of Covid-19 Pandemic which led to shut down in global economic activities. (Table 5.17)

Table 5.17: FGN Savings Bond Monthly Issuances and Numbers of Subscribers

Issue Date	Issue Amount (₦)		Number of Subscribers	
	2 - Year	3 - Year	2 - Year	3 - Year
15-Jan-20	0.454	0.877	149	197
12-Feb-20	0.295	0.361	124	164
11-Mar-20	0.078	0.206	77	110
19-Aug-20	0.137	0.380	52	168
16-Sep-20	0.091	0.202	51	129
14-Oct-20	0.029	0.147	34	80
11-Nov-20	0.027	0.295	17	77
16-Dec-20	0.003	0.048	14	34
	1.117	**2.519**	**518**	**959**
Grand Total	**3.637**		**1,477**	

Sources: DMO

5.13.2 Sovereign Sukuk Issuance in 2020

The DMO on behalf of the Federal Government on June 16, 2020, issued N162.577 Billion 7-Year 11.20% Al Ijarah Sukuk Due 2027 in the domestic securities market as part of its infrastructure funding initiatives. This was the third Sovereign Sukuk Offering. The sum of ₦150 billion was offered to investors, while N162.557 billion was allotted. The Offering attracted significant interest from a wide range of retail and institutional investors with total Subscription of ₦669.124 billion, representing a Subscription level of 446%. Please see Table 3 for the details of Subscriptions and Allotment. The participation by a wide range of investors means that the DMO is achieving its market development objectives of diversifying FGN securities investor base, increasing the savings culture and promotion of financial inclusion, amongst others.

The DMO issued its debut Sovereign Sukuk of ₦100 billion in September 2017, which was followed by a second Issuance of another ₦100 billion in December 2018. The Sukuk Issuances are all project-tied. Like Issuance of 2017 and 2018, the proceeds of the 2020 Sukuk are still being used to finance the rehabilitation and construction of

Forty-Four (44) economic Roads Projects across the six (6) Geopolitical Zones as at the time of compiling this report. Sixteen (16) Road Projects were added to the Twenty-Eight (28) funded in 2018 to sustain and expand the scope of work on them.

The Issuance Statistics is as follows:

Instrument Type:	Sovereign Sukuk.
Amount Offered:	₦150 billion
Subscription:	₦669.124 Billion.
Amount:	₦162.557 Billion.
Rental Rate:	11.200%.
Issuance Date:	June 16, 2020.
Tenor:	7-year.
Maturity Date:	June 2027.
Listing:	The Nigerian Stock Exchange and the FMDQ Securities Exchange.

Status/Security: Backed by the full faith and credit of the Federal Government of Nigeria (FGN) and ranks pari passu with FGN Bond obligations.

Use of Proceeds: Solely to finance the construction/rehabilitation of forty-four (44) Road Projects in the 2020 Appropriation Act.

Domicile of Funds: Sukuk Issue Proceeds Account at the Central Bank of Nigeria.

Table 5.18: Summary of Subscription and Allotment for 2020 Sovereign Sukuk

S/N	Investor Category	No. of Investors	Total Subscription (₦)	% of Total Subs.	Allotment (₦)	Allotment/ Subs. %	% of Total Allot.
1	Retail	4183	31,210,651,000.00	4.66	31,210,651,000	100.00	19.20
2	Insurance	12	1,817,404,000.00	0.27	1,817,404,000	100.00	1.12
3	Government	5	7,686,575,000.00	1.15	6,686,575,000	86.99	4.11
4	HNIs	55	19,372,058,000.00	2.90	8,912,879,000	46.01	5.48
5	Ethical Funds	38	69,052,500,000.00	10.32	28,413,250,000	41.15	17.48
6	Other Institutional Investors	136	77,262,268,000.00	11.55	17,625,268,000	22.81	10.84
7	Dep. Money Banks	33	100,820,001,000.00	15.07	26,933,419,000	26.71	16.57
8	Pension Funds	115	171,991,123,000.00	25.70	21,102,328,000	12.27	12.98
9	Fund Managers	139	189,912,226,000.00	28.38	19,855,226,000	10.45	12.21
Total		**4716**	**669,124,806,000.00**	**100.00**	**162,557,000,000**	**24.29**	**100.00**

5.13.3 Sub-national Bond Issuances in 2020

Two (2) Sub-nationals (Ondo and Lagos States) raised a total of ₦114.88 billion from the domestic securities market in 2020 (Table 5.19). There was a decrease of N35.12 billion when compared to the sum of ₦150.00 billion record in 2019 from same the number of States. The total amount raised comprise of ₦14.88 billion and ₦100.00 billion at interest rate of 13.00% and 12.25% by Ondo and Lagos States, respectively.

Table 5.19: Subnational Bonds Issuances in 2019 and 2020

2019		***2020***	
Bond Issuers	**Amt. (₦' Billion)**	**Bond Issuers**	**Amt. (₦' Billion)**
Ondo	50.00	Ondo	14.88
Lagos	100.00	Lagos	100
Total	**150.00**		**114.88**

Source: Securities and Exchange Commission

Table 5.20: Sub-national Bonds Issuances from 2016 – 2020

Period	Total Issuance in in ₦ 'Billion
2016	**47.00**
2017	**97.39**
2018	**0.00**
2019	**150.00**
2020	**114.88**
Total	**409.27**

Source: Securities and Exchange Commission

5.13.4 Corporate Bond Issuances in 2020

The Corporate Bonds segment of the domestic bond market was significantly less active in 2020 when compared to the level of activity recorded in 2019. Table 5.21 shows that only three (3) Corporates raised capital from the domestic debt market in 2020 with total Issuance of ₦25.00 billion as against ten (10) Corporates in 2019 with total Issuance of ₦168.72 billion. The SEC attributed the lure in corporate issuance activities to Covid-19 pandemic which lead to lockdowns with resultant weak economic activities, and in particular, the financial markets, for most part of fiscal 2020.

Table 5.21: Corporate Bonds Issuances in 2019 and 2020

2019		*2020*	
Bond Issuers	**Amt. (₦' Billion)**	**Bond Issuers**	**Amt. (₦' Billion)**
Access Bank Plc.	30.00	Novambl Investments SPV Plc Plc/Series 1.	10.00
Wema Funding SPV Plc.	9.72	FBNQuest Merchant Bank SPV	5.00
Primero BRT Securitization SPV Plc.	16.50	United Capital Plc N10B Series 1	10.00
Union Bank of Nigeria Plc.	30.00		
Access Bank Plc.	15.00		
GEL Utility Funding SPV Plc.	13.00		
TAK Agro Infrastructure Plc.	15.00		
Interswitch Africa One Plc.	23.00		
Eat & Go Finance SPV Plc.	11.50		
FBNQest MB Funding SPV Plc.	5.00		
Total	**168.72**		**25.00**

Source: Securities and Exchange Commission

5.13.4 Recent Developments in the FGN Bond Market in 2020

5.13.5 Benchmark Bonds

The FGN introduced three (3) new Benchmark FGN Bonds into the market in 2020. These were 15-year (12.50% FGN MAR 2035), 25-year (9.80% FGN JUL 2045) and 30-year (12.98% FGN MAR 2050). At the end of 2020 there were sixteen (16) FGN Benchmark Bonds as shown in Table 5.22.

Table 5.22: FGN Benchmark Bonds as at end of December, 2020

Bond Name	Tenor Benchmark (years)
16.39% FGN JAN 2022	3
12.75% FGN APR 2023	3
14.20% FGN MAR 2024	5
13.53% FGN MAR 2025	5
12.50% FGN JAN 2026	5
16.2884% FGN MAR 2027	7
13.98% FGN FEB 2028	7
14.55% FGN APR 2029	10
10.00% FGN JUL 2030	10
12.1493% FGN JUL 2034	15
12.50% FGN MAR 2035	**15**
12.40% FGN MAR 2036	15
16.2499% FGN APR 2037	20
9.80% FGN JUL 2045	**25**
14.80% FGN APR 2049	30
12.98% FGN MAR 2050	**30**

5.14 Utilization of the 2020 ₦162.557 Billion Sovereign Sukuk

The proceeds of the ₦162.557 billion Sovereign Sukuk issued on June 16, 2020 are still being used to finance the construction and rehabilitation of sections of Forty-Four (44) key economic Road Projects in the 2020 Appropriation Act as at the time of the report. The sum of about N43 billion was yet to be utilized as at the end of March 2021. The Sukuk funded Road Projects, which are spread across the six (6) geo-political zones of the country brought relief to road users through reduction in travel time, traffic congestions and road accidents caused by bad roads. Table 5.23 presents the summary of the details of the Roads Projects and the amount allocated to each geopolitical zone.

Table 5.23: 2020 Sukuk Funded Road Projects in the Six Geopolitical Zones

Zone	Projects	Amount (₦'bn)	Description
North Central	8	26.500	Reconstruction of Bida-Lambata road, Construction of Baro Port to Gulu Town, Construction of Naka-Adoka-Ankpa road, Dualisation of Suleja-Minna road, Abuja-Abaji road section I, Abuja-Lokoja road section IV, Construction of Oju/Loko-Oweto bridge and Dualisation of Obajana junction to Benin phase 2.
North East	8	30.500	Construction of Mayo Belwa Jada Ganye Ganye Tougo road, Kano-Maiduguri road (Section II-IV), rehabilitation of Gwoza-Bamboa-Goniri-Ngamdu-Bornu State, Construction of Ibi bridge.
North West	7	26.500	Rehabilitation of Sokoto Tambuwal Jega Kontagara Makera section I, Rehabilitation of Ajingi Jahun Kafin Hausa road, Dualisation of Kano-Maiduguri road, Dualisation of Kano-Katsina, road construction of Kaduna Eastern by-pass, construction of Kano western bye pass.
South East	5	26.000	Rehabilitation of Old Enugu Onitsha road (Opi junction Ukehe Okpatu Aboh Udi Oji to Anambra Border, Rehabilitation of Enugu-Port Harcourt (I-III) rehabilitation of outstanding section of Onitsha-Enugu Expressway.
South South	6	26.000	Rehabilitation of Odukpani Itu Ikot Ekpene road section I, Dualisation of Sapele Ewu road section I-II, Rehabilitation of Alesi Ugep (Iyamoyung Ugep) section, Dualisation of Obajana junction to Benin phase 2: section II-IV, Dualisation of Yenegwe road Junction-Kolo-Otuoke-Bayelsa, construction of Ikom bridge.
South West	10	27.057	Dualisation of Ibadan Ilorin road section II, Rehabilitation of the Outer Marina road, Addendum III to Dualisation of Lagos-Otta road, Rehabilitation and Expansion of Lagos Badagry Expressway (Agbara Junction Nigeria Benin Border), Badagry Reconstruction of the outstanding sections of Benin-Ofosu, pavement strengthening and asphalt overlay of Ajebandele Ijebu Ode Pavement.
TOTAL	**44**	**162.557**	

Source: Federal Ministry of Works and Housing

5.16 Settlement of Inherited Local Debts and Other Contractual Obligations of the Federal Government

5.16.1 Update on Issuance of Promissory Notes in 2020

The DMO on behalf of Federal Government of Nigeria (FGN) issued Promissory Notes in the sum of ₦1,354.53 billion, $26.48 million and £130.51 million respectively to settle inherited Local Debts and Contractual Obligations of the Federal Government of Nigeria. In the year under review, a total sum of ₦414.30 billion was redeemed leaving a balance of ₦940.23 billion under the Naira component while the Dollar and Euro component recorded a balance of US$26.48 million and £130.51 million respectively (Table 5.19). The Promissory Notes were issued to the following category of Creditors as at end December, 2020:

i Oil Marketing Companies for fuel supply accrued interest and foreign exchange differential;

ii. State Governments for reimbursement in respect of the Projects executed by the States on behalf of the FGN;

iii. Exporters for outstanding Claims of Export Expansion Grant (EEG); and,

iv. Contractors for Local Contractors Debts.

Table 5.19: Summary of Promissory Notes Issued and Redeemed as at December 31, 2020

Creditors Category	Amount Issued (₦ Billion)	Amount Issued ($'Million)	Amount Issued (€ Million)	Amount Redeemed (₦ Billion)	Amount Outstanding (₦ Billion)	Amount Outstanding ($ Million)	Amount Outstanding (€ Million)
Oil Marketing Companies	505.56			187.04	318.52		
State Governments	635.99			185.26	450.73		
Exporters	165.43			41.99	123.44		
Contractors	47.54	26.48	130.51	-	47.54	26.48	130.51
Total	**1,354.53**	**26.48**	**130.51**	**414.30**	**940.23**	**26.48**	**130.51**

Source: DMO

5.17 New Initiatives and Developments in the FGN Bond Market in 2020

5.17.1 Benchmark Bonds

The FGN introduced three (3) new Benchmark FGN Bonds into the market in 2020. These were 15-year (12.50% FGN MAR 2035), 25-year (9.80% FGN JUL 2045) and 30-year (12.98% FGN MAR 2050). At the end of 2020 there were sixteen (16) FGN Benchmark Bonds as shown in Table 5.20-

Table 5.20: FGN Benchmark Bonds as at end of December, 2020

Bond Name	Tenor Benchmark (years)
16.39% FGN JAN 2022	3
12.75% FGN APR 2023	3
14.20% FGN MAR 2024	5
13.53% FGN MAR 2025	5
12.50% FGN JAN 2026	5
16.2884% FGN MAR 2027	7
13.98% FGN FEB 2028	7
14.55% FGN APR 2029	10
10.00% FGN JUL 2030	10
12.1493% FGN JUL 2034	15
12.50% FGN MAR 2035	**15**
12.40% FGN MAR 2036	15
16.2499% FGN APR 2037	20
9.80% FGN JUL 2045	**25**
14.80% FGN APR 2049	30
12.98% FGN MAR 2050	**30**

5.17.2 Initiatives by the Securities and Exchange Commission

The Securities and Exchange Commission's (SEC) sustained the implementation of the Capital Market Master Plan 2015-2025 (CMMP) with a view to further deepen the Nigerian capital market. Some of the CMMP's recent accomplishment and initiatives include:

i. Dematerialization of The NSE;
ii. Electronic Dividend Mandate Management System;
iii. Dual Licensing model to create liquidity for brokers;
iv. Enhancing the commodities ecosystem;
v. Enhancing market liquidity;
vi. Driving capital formation and investments through a National Savings Scheme;
vii. Recapitalization of Capital Market Operators;
viii. Launch of National Investor Protection Funds; and,
ix.New Corporate Governance Scorecard for public companies.

5.17.3 Initiatives by The Nigerian Stock Exchange

The Nigerian Stock Exchange (NSE) launched and implemented several initiatives in 2020. These include:

i. The Growth Board to support Small and Medium Enterprises (SMEs) access to the Nigerian capital market through offering advisory support, relaxed entry criteria and reduced post-listing obligation.

ii. Overhaul of the NSE Data Portal to facilitate easier access to the NSE market data.

iii. The Exchange upgraded the X-Issuer platform to further enhance market integrity.

iv. X-Mobile 2.0, X-Po to boost retail participation in the market and automate listing processes.

v. The review of the Pension Index to ensure that the index represents the appropriate benchmark for evaluating Pension Administrator's equity portfolios.

vi. Introduction of SentryGRC platform to automate back-office functions and enables The Exchange to pursue a systematic and organized approach to managing GRC-related strategy and implementation.

vii. Upgrade X-Whistle portal to strengthen investor protection.

5.17.4 Initiatives by FMDQ Holdings Plc

The FMDQ Holdings Plc implemented some initiatives in 2020. These include:

i. The launching of the Green Tagging Project through the collaborative partnership with UN Environment Programme and other market stakeholders. The focus of the Project is to encourage the players within the Nigerian financial markets, primarily the banking institutions to support climate-friendly developmental activities through the decarbonization of their loan portfolios, amongst others.

ii. The registration of FMDQ Clear Limited as Central Counterparty to facilitate the development of repurchase agreements, derivatives and commodities markets in Nigeria.

iii. The introduction of corporate securities benchmarks and the admission of the largest corporate bond (Dangote Cement PLC N100.00 billion Series 1 fixed rate bond and MTN Nigeria Communications PLC N100.00 billion Series 1 & 2 Commercial Papers Notes) on its platform. This is expected to promote credible benchmark pricing and valuation of securities.

iv. The introduction of long-dated OTC FX Futures Contracts (up to 5 years) on the FMDQ Exchange's platform. This initiative was achieve in collaboration with the CBN and the purpose is to further deepen the foreign exchange (FX) market.

5.17.5 Initiatives by Central Securities and Clearing System

The Central Securities and Clearing System Plc. (CSCS) implemented the following initiatives:

i. The issuance of on International Securities Identification Number (ISIN) on all outstanding sovereign instruments, including Open Market Operations (OMO) bills. The essence is to facilitate global visibility of sovereign instruments.

ii. The development and deployment of Robotic Process Automation-led market-wide application for capital market Registrars to facilitate data exchange and transaction processes. This initiative is expected to reduce the turnaround time and improve the efficiency of Registrars.

iii. The development and deployment of a market-wide platform for investor data update that will provide all brokerages firms with the opportunity to remotely validate and update investor records, including BVN validation.

iv. Also developed and deployed different Application Programing Interface to address the emerging integration need of various capital market participants in order to enhance investor experience and broader market efficiency.

5.18 International Capital Market Operations

5.18.1 Performance of Nigeria's Eurobonds in the Secondary Market

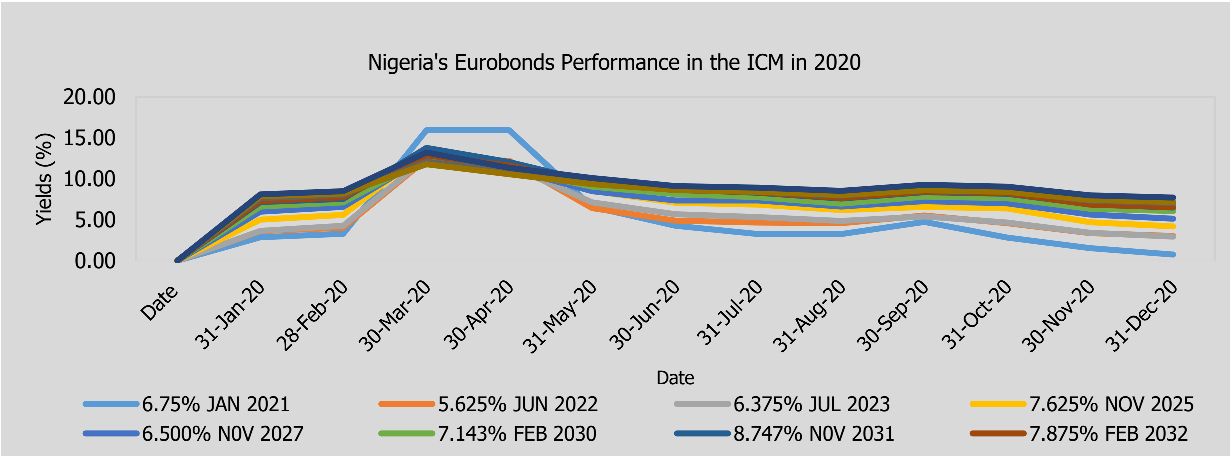
Nigeria's securities (Eurobonds and Diaspora Bond) trading in the International Capital Market witnessed spikes in Yields towards the end of the first quarter of 2020 relative to their opening levels at the beginning of the year (Table 5.21 and Figure 5.9). The spikes in the Yields of the Eurobonds were due to the impact of the COVID-19 pandemic, which adversely affected global financial markets. However, the Yields normalized towards the second-half of the year and trended lower than the opening levels at the end of the year due to the return of normalcy in the global financial markets.

Table 5.21: Trends in Nigeria's Eurobonds and Diaspora Bond End-Month Prices and Yields (January – December, 2020)

Date	6.75% JAN 2021	5.625% JUN 2022	6.375% JUL 2023	7.625% NOV 2025	6.500% NOV 2027	7.143% FEB 2030	8.747% NOV 2031	7.875% FEB 2032	7.696% FEB 2038	7.625% NOV 2047	9.248% NOV 2049
31-Jan-20	2.86	3.60	3.65	4.99	6.00	6.62	7.17	7.27	7.63	7.85	8.10
28-Feb-20	3.27	4.03	4.26	5.60	6.57	7.13	7.54	7.72	8.04	8.19	8.47
30-Mar-20	15.92	12.39	12.54	13.34	12.78	12.54	13.77	12.85	12.08	11.77	13.20
30-Apr-20	15.92	12.20	11.64	11.53	11.27	11.19	12.03	11.60	11.00	10.55	11.35
31-May-20	6.56	6.43	7.13	8.54	8.50	9.02	9.62	9.46	9.40	9.35	10.08
30-Jun-20	4.27	4.88	5.68	7.07	7.36	8.12	8.72	8.65	8.64	8.62	9.12
31-Jul-20	3.23	4.67	5.3	6.86	7.34	7.72	8.28	8.33	8.41	8.39	8.92
31-Aug-20	3.25	4.56	4.85	6.16	6.59	6.96	7.59	7.65	7.95	8.02	8.54
30-Sep-20	4.75	5.51	5.41	6.58	7.27	7.82	8.36	8.44	8.74	8.58	9.26
31-Oct-20	2.81	4.57	4.65	6.37	6.99	7.62	8.16	8.23	8.53	8.42	9.04
30-Nov-20	1.54	3.38	3.42	4.68	5.61	6.35	6.89	6.85	7.29	7.41	7.99
31-Dec-20	0.75	3.02	2.95	4.18	5.13	6.04	6.5	6.54	7.02	7.14	7.70

Source: Bloomberg

Figure 5.9: Trends in the Yields of Nigeria's Eurobonds Bond in 2020



Source: Bloomberg

5.19 Comparative Performance of other African Sovereigns Eurobonds

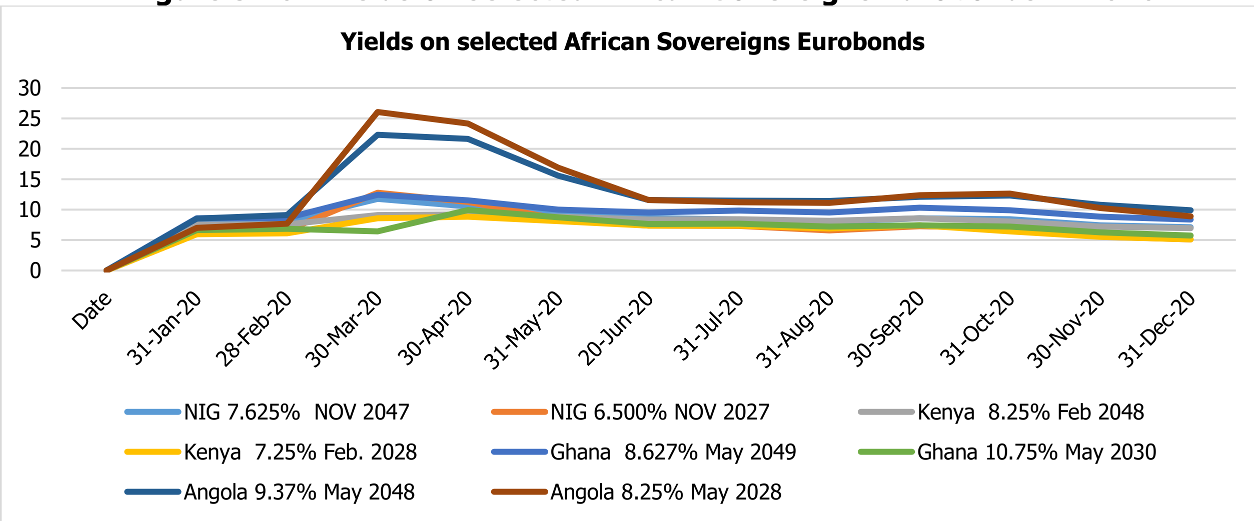
Table 5.22 below shows the performance of Nigeria's Eurobonds compared with some of the selected African peers (with the same level of credit ratings) in 2020. The Yields of Nigeria's Eurobonds and its African peers recorded spikes from March through May 2020, largely attributed to the impact of the global social and economic lockdown occasioned by the outbreak of Covid-19 pandemic that adversely affected the financial markets (Table 5.22 and Figure 5.10). The Yields rose by as high as 26.05% for Angola's 8.25% MAY 2028; 12.45% for Ghana's 8.625% MAY 2049; 9.10% for Kenya's 8.25% FEB 2048; and, 11.77% for Nigeria's 7.625% NOV 2047 in the month of March 2020.

Table 5.22: Comparative of Selected African Countries Eurobonds Yields in 2020

Date	NIG 7.625% NOV 2047	NIG 6.500% NOV 2027	Kenya 8.25% Feb 2048	Kenya 7.25% Feb. 2028	Ghana 8.627% May 2049	Ghana 10.75% May 2030	Angola 9.37% May 2048	Angola 8.25% May 2028
31-Jan-20	7.85	6.00	7.54	5.96	8.60	6.66	8.56	6.99
28-Feb-20	8.19	6.57	7.60	6.14	8.67	6.86	9.12	7.71
30-Mar-20	11.77	12.78	9.10	8.61	12.45	6.42	22.31	26.05
30-Apr-20	10.55	11.27	9.21	8.84	11.53	9.94	21.62	24.15
31-May-20	9.35	8.50	8.86	8.14	10.01	8.76	15.61	16.92
20-Jun-20	8.62	7.36	8.36	7.39	9.56	7.64	11.56	11.59
31-Jul-20	8.39	7.34	8.44	7.39	9.83	7.68	11.46	11.23
31-Aug-20	8.02	6.59	8.15	6.90	9.52	7.21	11.43	11.11
30-Sep-20	8.58	7.27	8.60	7.43	10.32	7.42	12.09	12.38
31-Oct-20	8.42	6.99	8.04	6.43	9.90	7.25	12.32	12.62
30-Nov-20	7.41	5.61	7.21	5.56	8.83	6.30	10.78	10.27
31-Dec-20	7.14	5.13	6.98	5.14	8.39	5.74	9.90	8.89

Source: Bloomberg

Figure 5.10: Yields on selected African Sovereigns Eurobonds in 2020



Source: Bloomberg

5.19.1 Eurobonds issued by African Sovereigns in 2020

Four (4) Sub-Saharan African Sovereigns issued Eurobonds in the ICM in 2020 to raise capital for the accomplishment of various developmental objectives as against five (5) Countries that accessed the ICM in 2019. Ghana issued USD$3.00 billion in three (3) tranches of USD$0.750 billion, USD$1.0 billion USD$1.25 billion, consisting of 40–year, 14–year & 6–year tenors, at coupon rate of 8.750, 7.750 and 6.375 percent respectively. Gabon issued USD$1.00 billion, 11-year tenor with a coupon of 6.60%, Morocco issued a EUR1 billion in September 2020, in two (2) tranches of EUR500 million each with tenors of 5.5-year, 10-year and a coupon of 1.495 percent and 2.176 percent, respectively.

In December 2020, Morocco issued a USD$3.0billion in three (3) tranches of USD$750 million, USD$1 billion, USD$1.25 billion comprising of 7-year, 12-year and 30-year tenors a coupon of 2.375, 3.043 and 4.000 percent, respectively. Cote d'voire also raised EUR1 billion with a 17-year tenor at a coupon of 5.00 percent, the proceeds of the issuance were used to finance deficit in the budget for 2020. The total value of the new Eurobonds issued by African Sovereigns in 2020 stood at USD7.0 billion and EUR2.0 billion, respectively (Table 5.23). The total value of the new Eurobonds issued by African Sovereigns in 2020 stood at

USD$7.0 billion and EUR2.0. All the issuance were oversubscribed which is an indication of investors' appetite for debt instruments issued by African Sovereigns.

Table 5.23: Eurobonds Issued by African Sovereigns in 2020

Country	Credit Rating			Date Issued	Amount		Tenor (Year)	Coupon (%)	Issued Yield (%)
	Fitch	S&P	Moody's		USD (billion)	EUR (billion)			
Ghana	B	B	B3	February 2020	0.75		40	8.75	8.75
					1.00		14	7.75	7.75
					1.25		6	6.375	6.375
Gabon	CCC	NR	Caa1	April 2020	1.00		11	6.60	6.60
Morocco	BB+	BB-	NR	September, 2020		0.50	5.5	1.495	1.495
						0.50	10	2.176	2.176
				December, 2020	0.75		7	2.375	2.375
					1.00		12	3.043	3.043
					1.25		30	4.00	4.00
Cote d' Voire	B+	NR	Ba3	November, 2020		1.00	12	5.00	5.00
Total					**7.00**	**2.00**			

Source: Bloomberg

5.20 New Eurobonds issued by Nigerian Corporates in 2020

Only one Nigerian Corporate, First Bank of Nigeria Limited, issued Eurobonds in the International Capital Market in 2020. It issued a 5-year, USD$350 Million 144A/REG S Senior Eurobond at a coupon of 8.625 percent (Table 5.24).

Table 5.24: Details of Eurobonds Issued by Nigerian Corporates in 2020

Corporate	Credit Rating		Date Issued	Amount (US$ Million)	Tenor (Years)	Coupon (%)	Issue Yield (%)
	Fitch	S&P					
First Bank of Nigeria Ltd (FBN Finance Co BV)	B-	B-/B	2020	350	5	8.625%	8.625%

Source: Bloomberg

5.21 Outlook for the International Capital Market in 2021

According to World Bank in its publication titled Global Economic Prospects, January 2021, global economic output may expand by 4.00 percent in 2021, as economic activity normalizes owing to implementation of various expansionary policies aimed a mitigating the impact of Covid-19 pandemic. It is expected that global growth will moderate to 3.80 percent in 2022 as Governments begin to moderate their economic policies, subject to vaccine rollout and effectual defeat of Covid-19 pandemic. In particular, the impact of the pandemic on investment and human capital is expected to erode growth prospects in Emerging Markets and Developing Economies (EMDES) and set back key developmental goals.

The global recovery, which has been dampened in the near term by a resurgence of COVID-19 cases, is expected to strengthen over the forecast horizon as confidence, consumption, and trade gradually improve, supported by ongoing vaccination efforts across the globe. The International Monetary Fund (IMF), projected Global Economy to grow by 5.80 percent in 2021 as economic activity normalizes.

Given the severe impact of the Covid-19 pandemic on the global economy, most African Sovereigns were not able to tap funding from the International Capital Market (ICM) since the outbreak of the pandemic, thus relying on Multilateral Lenders such as the IMF to access capital. It is envisaged that as global economy normalizes and the impact of the pandemic lessen, more African Countries would approach the ICM to source for capital for development. It is also expected that the recent default by Zambia would not affect other African Sovereigns desire to tap the debt capital markets in 2021 and the appetite investors had for debt instruments issued by African sovereigns.

CHAPTER SIX
DEBT SUSTAINABILITY ANALYSIS

The result of the 2020 DSA shows that Nigeria's risk of debt distress remains moderate, and further highlights the vulnerability of the debt portfolio to Revenue and Exports shocks, as well as substantial Currency devaluation. The outcome also buttressed the result of 2020 DSA exercise. Specifically, the GDP-related indicators still remain below their respective thresholds for both the external debt and public debt, while the revenue and exports related indicators are mostly sensitive to the revenue and exports shocks. This highlights the urgent need for concerted efforts to be intensified to boost non-oil revenue.

6.1 Introduction

The impact of Covid-19 pandemic on the economic activities and its containment necessitated several policy measures from the Government to save lives and likelihoods, which include tax waivers, cash transfers and direct lending to private sector. The fiscal cost of these policy measures has put substantial pressure on Government's revenue, forcing it to revise upwards its fiscal deficit from 1.33% in 2019 to 3.30% in the 2020 revised Appropriation Act. The effect of the increase in borrowing arising from this upward revision would normally translate to higher debt than previously expected, which could raise concerns on the sustainability of the Nigeria's Total Public debt and its vulnerability to risk of debt distress. However, the 2020 DSA Exercise, as in previous exercises, was conducted based on several macroeconomic assumptions and underpinnings, which include a gradual recovery from recession with an output growth rate of 1.90 percent in 2021, following which the pace of recovery is projected to increase with a growth rate of 4.7 percent in 2022.

In view of the need to ensure that Nigeria's Total public debt remains sustainable in the medium to long-term, the annual DSA exercise is usually conducted, and it is consistent with the country's macroeconomic framework. The Exercise assesses the current and future debt levels, as well as its ability to meet debt service obligations as and when due, without compromising growth and development. The objective of the 2020 DSA is to evaluate the country's risk of debt distress, considering Nigeria's capacity to carry current debt and its future borrowings under both Baseline projections and Shock scenarios. Thus, it helps to inform the borrowing decisions of Government. The DSA, therefore, serves as a key input into the country's Medium-Term Expenditure Framework (MTEF), the Fiscal Strategy Paper (FSP), and the FGN Annual Budget, as well as the Medium-Term Debt Management Strategy (MTDS). It also highlights Government's commitment to fiscal spending in line with the Fiscal Responsibility Act, 2007.

The 2020 DSA Exercise was conducted by the Debt Management Office (DMO) from December, 09-18, 2020 in collaboration with other stakeholders, namely: the Federal Ministry of Finance, Budget and National Planning (FMFBNP), Central Bank of Nigeria (CBN), Budget Office of the Federation (BOF), National Bureau of Statistics (NBS), and the Office of the Accountant-General of the Federation (OAGF).

6.2 Methodology

The 2020 DSA adopted the revised World Bank (WB) and International Monetary Fund (IMF) Low Income Countries Debt Sustainability Framework (LIC-DSF,) which compares a country's debt burden indicators against the WB/IMF's thresholds based on Composite Indicator (CI), which is determined by the WB's CPIA rating and other macroeconomic variables such as real GDP growth rate, remittances, import coverage of reserves and World Economic Growth. The Framework also incorporates the Realism Tools, that assess the reality of key macroeconomic and debt projections, as well as, Granularity, which measures the borrowing space available to absorb shocks in moderate risk countries.

Though Nigeria is classified as a Lower-Middle-Income country (LMIC), and qualifies to adopt the Market Access (MAC) DSA framework in the conduct of its DSA, given the country's visibility in the International Capital Market (ICM), the 2020 DSA exercise used the LIC-DSF Framework as in 2019 DSA, given that the proportion of its concessional debt still accounted for about 60% of the country's External Debt portfolio as at September 30, 2020.

Furthermore, the LIC-DSF provides Thresholds or Benchmarks which serve as early warning signals of potential risk of debt distress, and forms the basis for guiding the Government in its borrowing decisions. Such early warning triggers are not available in the MAC DSA Framework.

The 2020 DSA covers two main parts: First, the Public and Publicly Guaranteed External Debt Sustainability Analysis (External DSA), which covers the External Debt of the Federal Government of Nigeria (FGN) and the thirty-six (36) States of the Federation and the FCT. The second part is the Public DSA (Fiscal DSA), which comprises External and Domestic Debts of the FGN, States and FCT.

The 2020 DSA covers a 10-year historical period (2010-2019), and a 20-year projection (2020-2040), under various macroeconomic assumptions and Stress scenarios. The Realism Tools were also applied to assess the credibility of the forecasts. The outcomes of the exercise were used to compare the country's debt sustainability indicators against international Debt Burden Thresholds and Benchmarks, which measure the Solvency and Liquidity positions of the country. The 2020 DSA adopted the Baseline Scenario and Alternative Scenario, which took into account the CBN's Ways and Means.

6.3 Risk Rating

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

i. **Low Risk of Public Debt Distress**: This situation arises where the Public and Publicly Guaranteed (PPG) External Debt and the Total Public Debt-to-GDP ratio remain below the recommended benchmarks under the Baseline and the Most Extreme Shocks. Publicly Guaranteed debts are debt liabilities of public and private sector units, of which their servicing is contractually guaranteed by the sovereign.

ii. **Moderate Risk of Debt Distress**: This is a situation where the PPG External Debt has a moderate risk signal or if the PPG External Debt is low and the Total Public Debt Stock indicator breaches the recommended benchmark under Stress Tests.

iii. **High Risk of Public Debt Distress**: This situation arises where any of the four (4) external debt burden indicators or the Total Public Debt burden indicator breaches their corresponding benchmarks under the Baseline.

iv. **In Debt Distress**: This situation arises where a country is already experiencing difficulties in servicing its debts, evidenced by the existence of debt service arrears.

6.4 Baseline Scenario

The 2020 DSA derives its Baseline assumptions from the revised 2020 Budget, and the 2020-2022 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP), which reflect the key objectives and priorities of the draft 2021-2025 Medium-Term National Development Plan and National Sustainability Plan. The plan is being developed in view of the country's proposed long-term development Agenda titled Nigeria Agenda 2050. The National Plans are expected to provide a coordinated approach for harnessing the inherent potentials of the economy. Under the optimistic case, Nigeria is expected achieve significant economic growth and improvement in socio-economic indicators such as life expectancy, poverty and unemployment by deepening the initiatives for diversified growth and foster sustainable development. It is also intended to address most fundamental domestic constraints to economic growth which include inadequate infrastructure, weak institutions, inadequate energy supply, Security challenges, and corruption among others.

Based on the revised LIC-DSF and the CI, Nigeria was classified in 2020 as a Medium Performer, with a Composite Index Score of 2.87, and a recommended threshold for Total Public Debt-to-GDP ratio of 55 percent, being the recommended benchmark for countries in Nigeria's peer group.

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

i. External Debt Sustainability Analysis, which includes External Debts of the FGN, States, and the FCT;
ii. The Fiscal sustainability of the FGN-only, which covers the Total External Debt (FGN, 36 States and FCT), FGN's Domestic Debt and Revenues; and,
iii. Fiscal Sustainability Analysis of the Total Public Debt of the Federation, which comprises the totality of external and domestic debts - owed by both the FGN and the Sub-national Governments (States + FCT).

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

6.4.1 External Debt Sustainability

The outcome shows that the External Debt remains at a Moderate Risk of Debt Distress. The ratio of External Debt-to-GDP and Debt-to-Exports. remained below their respective thresholds over the projection period under the baseline scenario, while External Debt Service-to-Exports trended towards the threshold of 15 percent at 10.1 percent in 2025 (Table 6.1). For External Debt Service-to-Revenue ratio, breach occurs in 2030, when the ratio at 21.7 percent exceeds its threshold of 18 percent, thus, highlighting revenue challenge facing the country, which is being addressed by ongoing reform initiatives by the Government to boost Exports and Revenue. The External Debt is expected to peak at 8.9 percent of GDP in 2023, but would remain below the threshold of 40 percent of the GDP throughout the projection period. The increase would be driven by several factors, which include increase in Current Account Deficit and Nominal Interest Rate. The other factors are decline in both Foreign Direct Investment (FDIs) inflows and real GDP growth, as well as depreciation of Naira vis-à-vis the US Dollar. Thus, despite the breach by the ratio of Debt Service-to-Revenue, External Debt is assessed moderate risk, given that the breach is not immediate in 2024, and recovery in projected in 2021 at the time the risk premia, low commodity prices and domestic revenue would have improved and Covid-19 emergency would have been resolved.

Table 6.1: External Debt Sustainability Indicators in Percent, 2020-2040

Details	Threshold	2020	2021	2022	2023	2024	2029	2039	2040
		External Debt Stock							
In Percent of GDP	40	5.4	6.9	8.1	8.9	6.7	6.7	4.8	0.9
In percent of Exports	180	57.7	62.1	70.4	76.5	80.5	82.7	72.2	17.8
		External Debt Service							
In percent of Exports	15	4.4	4.2	5.0	7.0	8.6	10.1	14.7	5.4
In percent of Revenue	18	5.3	5.4	6.6	9.2	11.5	14.0	21.7	9.4

Source: 2020 DSA

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

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

The Total Public Debt remains below its benchmark thoughout the projection period under the Baseline, but remains vulnerable to revenue shocks. The Total Public Debt DSA comprised the External debt of the FGN and the 36 States and the FCT, and their domestic debts. The Total Public debt remains sustainable as the ratio of Total Public Debt-to-GDP trended below its threshold of 55 percent of the GDP under the baseline and extreme shock scenarios. The ratios of Debt to revenue and Debt Service to revenue, which have no set thresholds are expected to increase and peak at 329 percent in 2025 and 56.9 percent in 2030, respectively. While the ratio of Debt-to-Revenue trend down to 115.7 percent in 2040, Debt Service-to-Revenue estimated to decline to 22.0 percent in 2040. This highlights the importance of revenue mobilization, which is being addressed by the Government. The test indicates that the most extreme shock is the combined contingent liabilities shock.

Table 6.3: Total Public Debt Sustainability in Percent, 2020-2040

Details	Threshold	2020	2021	2022	2023	2024	2025	2030	2040
Total Public Debt Stock									
In percent of GDP	55	20.5	23.4	25.6	27.4	20.2	20.0	13.7	3.4
In Percent of Revenue		261.2	260.3	287.6	296.7	311.8	329.5	291.0	115.7
Total Public Debt Service									
In Percent of Revenue	Nil	25.7	23.4	31.3	30.1	34.7	38.6	56.9	22.0

Source: 2020 DSA
Note: Under the Fiscal Sustainability, the WB/IMF threshold is only applicable to the Total Public Debt to GDP, which is set at 55 percent.

6.3 The Borrowing Space (Granularity)

6.3.1 The Borrowing Space, otherwise referred to as Granularity, is usually applied when a country moves from Low Risk to a Moderate Risk. The Granularity determines the Borrowing Space that would be available to the country, without undermining debt sustainability. From the 2020 DSA, Nigeria is classified as a Moderate Risk of Debt Distress, due to Revenue challenge.

6.3.2 The Classification of Borrowing Space (Granularity)

6.3.2.1 The Borrowing Space is classified as follows:

i Limited Space to Absorb Shocks – if at least one Baseline Debt burden indicator is close enough to its threshold that the median shock would downgrade it to high risk;

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

iii Some Space to Absorb Shocks – if the Baseline indicators do not fall in the two categories above.

Figure 6.1 shows that the all the indicators did not breach the thresholds, except the ratio of Debt Service-to-Revenue. This places Nigeria at ***Limited Space to Absorb shocks* category**. This indicates constraints to debt repayment capacity arising from low revenue base of government. It is expected that this would be addressed in view of the various on-going Revenue Growth Initiatives of the government to boost revenue, thereby enhancing the country's Borrowing Space in the medium to long term.

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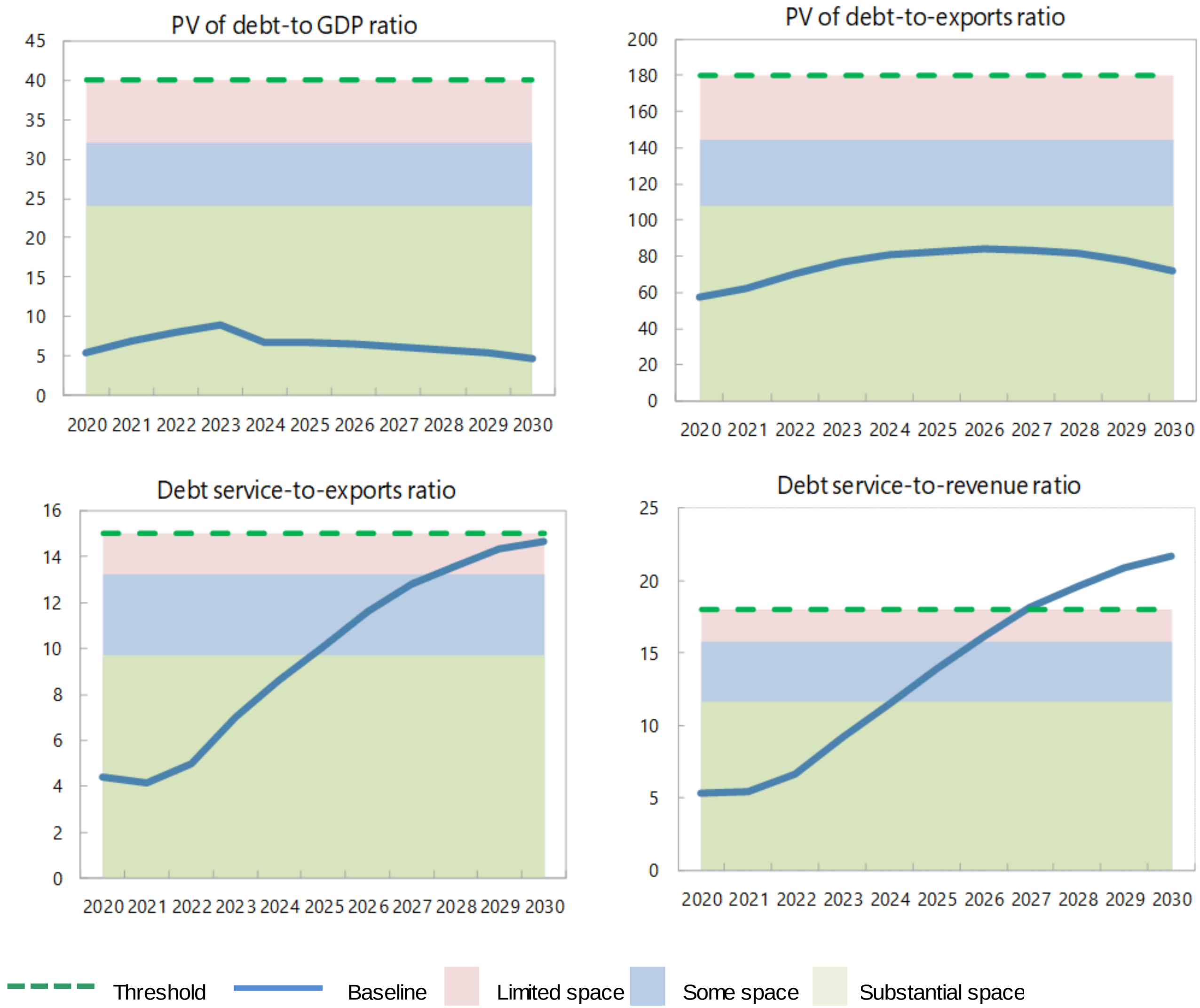
Figure 6.1: Nigeria's Qualification of the Moderate Risk Category, 2020-2040



Sources: Country authorities; and staff estimates and projections.

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

6.4 Summary of Findings and Conclusions

6.4.1 Findings

On the External Debt Sustainability Analysis, the results show that the ratio of External Debt to GDP remians below its indicative thrsehold under the baseline scenario, however, the ratios of Debt-to-Exports, Debt Service-to-Exports and Debt Service-to-Revenue breached their respective thresholds with Exports as the most extreme shock. For Total Public Debt Sustainability Analysis, the ratio of Public Debt to GDP remains below its benchmark under the baseline scenario, but the revenue-related debt indicators were high under the shock scenario, indicating a revenue challlenge. The ongoing efforts by the government towards improving revenue generation and diversifying the economy to enhance exports, through various initiatives and reforms in the Oil and Gas, Agriculture and Solid Minerals sectors, Tax Administration and Collections, as well as the Strategic Revenue Growth Initiative with the recent signing into law of the Finance Act, 2020 by Mr. President, which takes effect from February 1, 2020, is expected to enhance revenue performance, and thus, improve the outlook for Total Public Debt. Thus, the Export and Revenue-related indicators and Borrowing Space are expected to improve in the medium to long-term.

The outcome of the 2020 DSA revealed that Nigeria's Total Public Debt remains at a Moderate Risk of Debt distress. The ratio of Total Public Debt to GDP remains below its Benchmark throughout the projection period, while the ratios of Total Public Debt-to-Revenue and Total Public Debt Service to Revenue were relatively high indicating a revenue challenge due mainly to the decline in Oil prices, which has remained the mainstay of the economy. For External Debt, the ratio of External Debt Service to Revenue breaches its threshold under the Baseline Scenario, while under the Shock Scenario, the ratios of External Debt to Exports and External Debt Service to Exports breached their respective thresholds. This further highlights the need to enhance the Non-oil revenue, in order to improve these indicators. In addition, the inclusion of the CBN Ways and Means under the Alternative

Scenario does not alter the risk rating of debt distress, but marginally worsened the debt ratios of the country.

With Moderate External Debt Risk Distress Rating, the country's Borrowing Space, otherwise referred to as Granularity, is assessed. The findings show that there is a Limited Space to Borrow based on the country's current revenue profile. The ratio of External Debt Service-to-Revenue trends towards the threshold and breached it by 2025. With the concerted efforts to improve its revenue through various initiatives and reforms in the various sectors of the economy, which are highlighted above, the country's Borrowing Space is expected to be enhanced considerably.

6.5 Conclusion

The Final Risk Rating for the country from the outcome of the 2020 DSA revealed that Nigeria's External Debt remains at a Moderate Risk of Debt distress with some Space to accommodate shocks, while Nigeria's Total Public Debt remains sustainable, but subject to Revenue shocks. The ongoing efforts by the government towards improving revenue generation and diversifying the economy to enhance exports, through various initiatives and reforms in the Oil and Gas, Agriculture and Solid Minerals sectors, the Agreement Establishing the African Continental Free Trade Area ("AfCFTA Agreement" or "the Agreement") was signed by Mr. President, The Agreement expecting to create a single market for goods and services by facilitating free movement of goods, services and investment within the African Continent. Thus, the Export and Revenue-related indicators and Borrowing Space are expected to improve in the medium to long-term.

6.6 Recommended Borrowing Limit for the successive Years

The DSA Exercise presents an opportunity to determine the available fiscal space for borrowing for the succeeding year – 2021, based on the revised Country Specific Debt Limit of 40% (up to 2023), for ratio of Public Debt-to- GDP. Given the projected

Total Public Debt-to-GDP ratio of 21.61% by December 31, 2020, the fiscal space available for borrowing is estimated at 18.39% for the three years up to 2023, which gives about 6.13% for 2021. However, based on the projected 2021 GDP of US$376.50 billion, the Borrowing for the fiscal year-2021 will be US$23.08 billion or 6.13% of US$376.50 billion. Therefore, the maximum amount that may be borrowed in the fiscal year 2021 without breaching the Country-Specific Debt Limit is US$23.08 billion which is equivalent to about N8.77 trillion. In line with the country's Debt Management Strategy, the proposed New Borrowing could be raised in equal proportion of 50:50 from both Domestic and External sources as follows:

- New Domestic Borrowing: US$11.54 billion (equivalent of about N4.38 trillion); and,
- New External Borrowing: US$11.54 billion (equivalent of about N4.38 trillion).

It is noteworthy that these are recommended maximum amounts that could be borrowed, taking into account the absorptive capacity of the domestic debt market, and the options available in the external market. In line with the revised Medium-Term Debt Management Strategy, 2020-2023, such borrowings would be long-term, and would be strategically deployed to fund priority infrastructure projects, that would boost output, and put the economy on the path of sustainable recovery and growth.

CHAPTER SEVEN

SUB-NATIONAL DEBT MANAGEMENT

The Total External Debt Stock of the States and the FCT was US$4,773.63 million as at December 31, 2020 relative to US$4,564.87 million as at December 31, 2019, representing an increase of US$208.76 million or 4.57 percent. The External Debt Stock of Sub-nationals constitutes FGN's on-lent loans obtained from Multilateral and Bilateral sources, whose proceeds were utilized by the States and FCT to finance various projects and programmes. The Total External Debt Service of the States and the FCT in 2020 was US$165.90 million compared to the US$137.56 million in 2019, while the Domestic Debt of the States and FCT as at December 31, 2020 was ₦4.186 trillion compared to ₦4.106 trillion as at December 31, 2019.

7.1 External Debt Stock of States and FCT

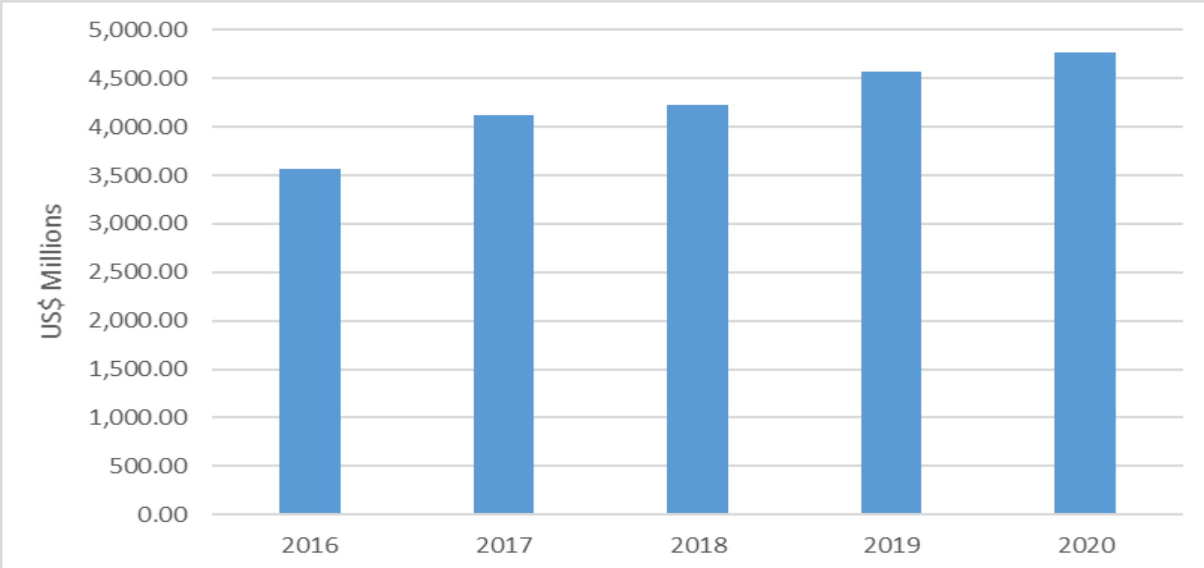
The Total External Debt Stock of the States and the FCT was US$4,773.63 million as at December 31, 2020 compared to US$4,564.87 million as at December 2019, representing an increase of US$208.76 million or 4.57 percent (Table 7.1 and Figure 7.1). The increase was largely due to disbursements on existing Multilateral and Bilateral loans. While the Multilateral creditors accounted for US$4,461.60 million or 93.46 percent of the External Debt Stock of the States and the FCT, the stock of debt owed to Bilateral creditors amounted to US$312.05 million or 6.54 percent as shown in Table 7.2. The Multilateral and Bilateral loans were contracted by the FGN on behalf of the States and FCT from IDA, IFAD, AfDB, ADF, China Exim Bank, JICA and KFW. The loans were utilized by the State Governments and the FCT to finance mainly capital projects in priority sectors, including Education, Health Care, Water Supply and Housing.

Table 7.1: Trend in States' & FCT's External Debt Stock, 2016 - 2020 (US$' Million)

Years	2016	2017	2018	2019	2020
States' External Debt Stock	3,567.62	4,117.13	4,230.72	4,564.87	4,773.63

Source: DMO

Figure 7.1: Trend in States' & FCT's External Debt Stock, 2016 - 2020 (US$' Million)



Source: DMO

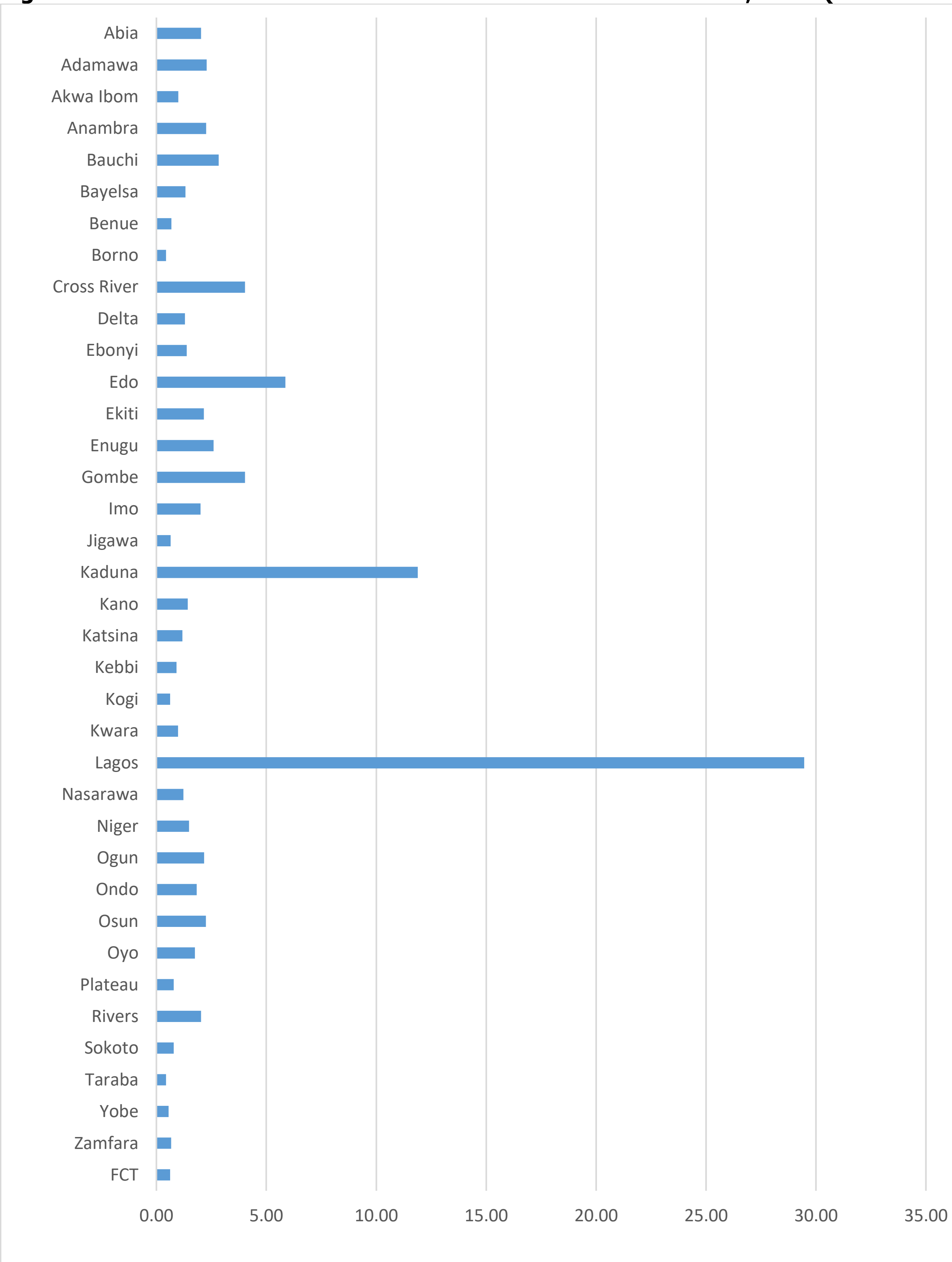
Table 7.2 and Figure 7.2 show the breakdown of External Debt outstanding for the States and the FCT as at December 31, 2020. Lagos State had the highest External Debt of US$1,406.48 million or 29.46 percent, followed by Kaduna and Edo States with US$567.48 million or 11.89 percent and US$280.30 million or 5.87 percent. Yobe, Borno and Taraba States had the lowest outstanding External Debt, with US$26.55 million or 0.56 percent, US$20.81 million or 0.44 percent and US$20.79 million or 0.44 percent, respectively.

Table 7.2: External Debt Stock of States & FCT as at December 31, 2020 (US$)

S/N	States	Multilateral	Bilateral (AFD)	Bilateral (China Exim Bank, IJCA, India & KFW)	Total	% of Total
1	Abia	96,792,227.14	-	-	96,792,227.14	2.03
2	Adamawa	102,920,356.20	6,500,000.00	-	109,420,356.20	2.29
3	Akwa Ibom	47,926,202.83	-	-	47,926,202.83	1.00
4	Anambra	108,086,817.30	-	-	108,086,817.30	2.26
5	Bauchi	134,910,555.23	-	-	134,910,555.23	2.83
6	Bayelsa	62,971,785.96	-	-	62,971,785.96	1.32
7	Benue	32,500,093.87	-	-	32,500,093.87	0.68
8	Borno	20,806,178.11	-	-	20,806,178.11	0.44
9	Cross River	127,112,266.43	43,900,000.00	21,464,442.18	192,476,708.61	4.03
10	Delta	62,056,418.73	-	-	62,056,418.73	1.30
11	Ebonyi	65,949,828.67	-	-	65,949,828.67	1.38
12	Edo	280,299,984.40	-	-	280,299,984.40	5.87
13	Ekiti	103,033,894.97	-	-	103,033,894.97	2.16
14	Enugu	117,738,597.23	6,500,000.00	-	124,238,597.23	2.60
15	Gombe	192,476,708.61		-	192,476,708.61	4.03
16	Imo	68,205,020.87	27,911,517.88	-	96,116,538.75	2.01
17	Jigawa	30,918,542.26	-	-	30,918,542.26	0.65
18	Kaduna	551,949,178.01		15,535,692.17	567,484,870.18	11.89
19	Kano	65,032,715.69	3,369,600.00	-	68,402,315.69	1.43
20	Katsina	56,176,014.33	-	-	56,176,014.33	1.18
21	Kebbi	43,608,960.77	-	-	43,608,960.77	0.91
22	Kogi	30,157,822.27	-	-	30,157,822.27	0.63
23	Kwara	47,063,330.19	-	-	47,063,330.19	0.99
24	Lagos	1,262,654,824.30	143,830,000.00	-	1,406,484,824.30	29.46
25	Nasarawa	58,590,484.12	-	-	58,590,484.12	1.23
26	Niger	58,450,310.54	12,500,000.00	-	70,950,310.54	1.49
27	Ogun	95,609,253.25	8,294,600.00	-	103,490,522.67	2.17
28	Ondo	82,433,982.30	5,000,000.00	-	87,433,982.30	1.83
29	Osun	95,194,080.62	12,245,989.00	-	107,440,069.62	2.25
30	Oyo	83,700,232.50	-	-	83,700,232.50	1.75
31	Plateau	32,923,856.78	5,000,000.00	-	37,923,856.78	0.79
32	Rivers	96,696,928.15	-	-	96,696,928.15	2.03
33	Sokoto	37,512,923.17	-	-	37,512,923.17	0.79
34	Taraba	20,794,912.81	-	-	20,794,912.81	0.44
35	Yobe	26,553,798.34	-	-	26,553,798.34	0.56
36	Zamfara	32,084,664.68	-	-	32,084,664.68	0.67
37	FCT	30,099,692.77	-	-	30,099,692.77	0.63
	Total	**4,461,580,113.83**	**275,051,706.88**	**37,000,134.35**	**4,773,631,955.06**	**100**

Source: DMO

Figure 7.2: External Debt Stock of States & FCT as at December 31, 2020 (% of Total)



Source: DMO

7.2 External Debt Service of the States and FCT

The Total External Debt Service of the 36 States and the FCT from January - December 2020 was US$165.90 million compared to US$137.56 million in 2019. The increase of US$28.31 million or 20.58 percent was due to payment of principal and interest on the outstanding loans during the year. Table 7.3 shows the trend of External Debt Service of the States and the FCT from 2016 to 2020.

Table 7.3: External Debt Service of States & FCT, 2016 - 2020 (US$' Million)

S/N	States	2016	2017	2018	2019	2020
1	Abia	1.03	1.16	1.5	1.82	1.72
2	Adamawa	1.33	1.72	1.72	1.73	2.55
3	Akwa Ibom	4.26	4.41	4.35	1.72	1.74
4	Anambra	1.54	1.49	1.62	1.99	2.03
5	Bauchi	2.28	2.63	2.63	4.89	5.20
6	Bayelsa	1.17	1.12	1.24	1.41	1.42
7	Benue	0.87	0.87	0.93	1.04	1.01
8	Borno	0.71	0.73	0.65	0. 69	0.75
9	Cross River	9.36	9.27	9.12	4.6	7.62
10	Delta	0.93	0.82	1.02	1.11	1.04
11	Ebonyi	1.31	1.26	1.42	1.65	1.70
12	Edo	2.56	2.78	2.97	3.28	3.43
13	Ekiti	1.75	2.47	1.94	3.56	3.82
14	Enugu	1.85	2.07	2.02	3.1	3.18
15	Gombe	1.58	1.01	1.37	1.36	1.69
16	Imo	1.85	1.9	1.95	2.08	2.08
17	Jigawa	0.99	1.05	1.08	1.13	1.16
18	Kaduna	7.03	8.09	7.64	8.7	13.77
19	Kano	1.78	1.96	2.25	2.81	2.85
20	Katsina	4.15	4.08	4	4.11	4.21
21	Kebbi	1.49	1.84	1.55	1.53	1.84
22	Kogi	1	0.97	1.06	1.16	1.47
23	Kwara	1.11	1.33	1.5	1.56	1.55
24	Lagos	26.94	31.47	35.2	43.03	57.05
25	Nasarawa	1.1	1.03	1.23	1.34	1.34
26	Niger	1.45	1.35	1.33	1.56	2.24
27	Ogun	2.96	3	2.91	2.84	3.04
28	Ondo	1.98	2.03	2.4	2.65	2.62
29	Osun	3.95	3.85	3.94	4.12	5.20
30	Oyo	4.72	4.59	4.84	8.29	10.95
31	Plateau	0.8	0.77	0.82	0.89	1.30
32	Rivers	1.81	2.07	2.12	9.46	8.36
33	Sokoto	1.4	1.36	1.42	1.5	1.47
34	Taraba	0.68	0.73	0.8	0.8	1.11
35	Yobe	1.55	1.27	1.34	1.36	0.95
36	Zamfara	0.96	0.81	0.94	1.12	1.13
37	FCT	1.45	1.49	1.44	1.12	1.54
	Total	**103.68**	**110.83**	**116.24**	**137.56**	**165.90**

Source: DMO

7.3 Collation and Publication of Sub-National Domestic Debt Data

DMO's efforts to ensure timely and accurate collation and publication of the sub-national domestic debt data was further boosted in 2020, with the assistance of the SFTAS Program. All the thirty-six States of the Federation and the FCT worked assiduously to generate, submit and have the DMO validate their domestic debt data within a period of sixty (60) days from the period end. As at December 31, 2020, thirty-four (34) States and the FCT had submitted their validated signed-off end of year domestic data to the DMO.

7.4 Domestic Debt Stock of the States

The breakdown of the Domestic Debt stock of the 36 States and the FCT showed that Lagos, Rivers, Delta and Akwa Ibom States had the highest Domestic Debt outstanding, with ₦508.78 billion (12.15 percent), ₦266.94 billion (6.38 percent), ₦248.45 billion (5.94 percent) and ₦230.81 billion (5.51 percent) of the Total Domestic Debt stock of the Sub-nationals. Whereas, Jigawa, Sokoto, Ebonyi and Katsina States had the lowest Domestic Debt, with ₦30.96 billion (0.74 percent), ₦42.36 billion (1.01 percent), ₦44.21 billion (1.06 percent) and ₦48.03 billion (1.15 percent) of the Total Domestic Debt stock of the Sub-nationals. Table 7.4 shows the Total Domestic Debt of the 36 States of the Federation and the FCT as at December, 31, 2020.

Table 7.4: Total Domestic Debt of the 36 States and the FCT as at Dec. 31, 2020 (₦)

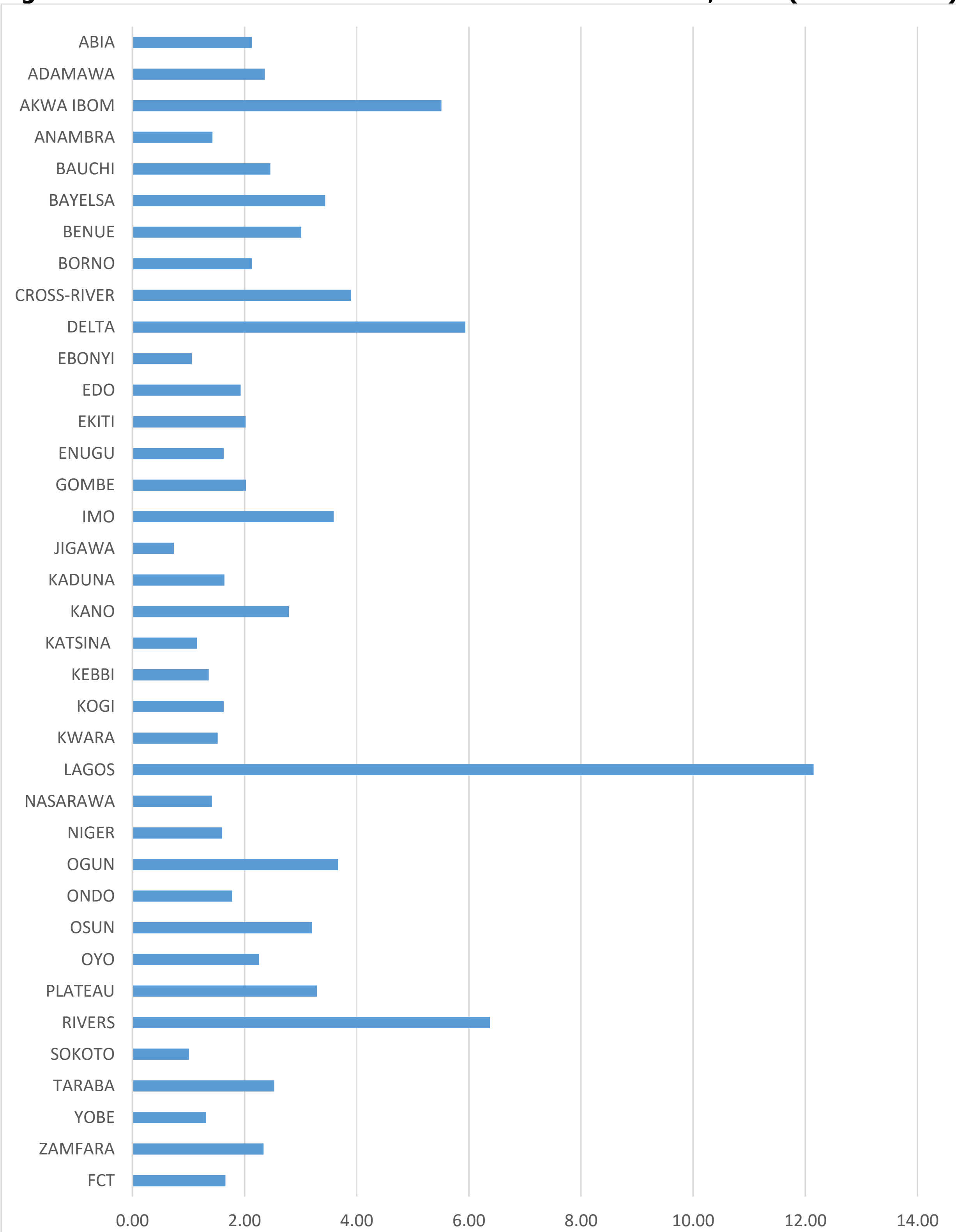
S/N	State	Debt Stock	% Share of Total
1	Abia	89,139,250,722.85	2.13
2	Adamawa	98,900,403,446.84	2.36
3	Akwa ibom	230,807,337,366.86	5.51
4	Anambra	59,976,318,422.97	1.43
5	Bauchi	102,817,667,316.63	2.46
6	Bayelsa	144,128,506,240.46	3.44
7	Benue	126,125,643,793.76	3.01
8	Borno	89,049,423,818.67	2.13
9	Cross-river	163,162,001,533.98	3.90
10	Delta	248,450,746,202.26	5.94
11	Ebonyi	44,213,730,467.15	1.06
12	Edo	80,788,643,633.19	1.93
13	Ekiti	84,723,128,108.48	2.02
14	Enugu	68,088,637,239.01	1.63
15	Gombe	84,968,849,358.76	2.03
16	Imo	150,197,089,834.65	3.29
17	Jigawa	30,969,503,688.70	0.74
18	Kaduna	68,754,361,083.75	1.64
19	Kano	116,934,604,599.62	2.79
20	Katsina*	48,031,272,843.42	1.15
21	Kebbi	56,810,548,829.06	1.36
22	Kogi	68,092,548,068.84	1.63
23	Kwara	63,632,954,679.34	1.52
24	Lagos	508,778,694,537.59	12.15
25	Nasarawa	59,390,353,151.52	1.42
26	Niger	66,777,350,647.40	1.60
27	Ogun	153,490,666,025.15	3.67
28	Ondo	74,663,201,245.73	1.78
29	Osun	134,110,843,534.87	3.20
30	Oyo	94,496,184,529.59	2.26
31	Plateau	137,779,659,849.27	3.29
32	Rivers**	266,936,225,793.65	6.38
33	Sokoto	42,363,236,701.97	1.01
34	Taraba	106,045,259,062.53	2.53
35	Yobe	54,866,197,722.68	1.31
36	Zamfara	98,017,526,123.86	2.34
37	FCT	69,532,417,465.77	1.66
	TOTAL	**4,186,010,987,690.82**	**100.00**

Source: DMO

Notes:

1. This Domestic Debt Data Report is generated from the signed-off submissions received from the States and the FCT
2. Domestic Debt Stock for Thirty four (34) States: Abia, Adamawa, Akwa Ibom, Anambra, Bauchi, Bayelsa, Benue, Borno, Cross River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Sokoto, Taraba, Yobe, Zamfara and the FCT as at December 31, 2020 Domestic Debt Stock for Borno State was as at September 30, 2019.
3. Domestic Debt Stock Figures for Katsina State were as at September 30, 2020
4. Domestic Debt Stock Figures for Rivers State were as at December 30, 2018.

Figure 7.3: Domestic Debt Stock of States & FCT as at Dec. 31, 2020 (in % of Total)



Source: States and the Federal Capital Territory

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

7.5.1 Capacity Building for Sub-National Debt Managers

In continuation of its efforts to shore up the skills and competencies of the sub-national debt managers, the DMO in the year under review carried out a customised capacity building programme on "Public Debt Creation and Sub-National Debt Management" for officials of the Ondo State Government. Though specifically designed for the Ondo State Debt Management Department, the training brought together forty-four (44) Senior and Middle Cadre Officers drawn from fifteen (15) MDAs in the State, namely the Offices of the State Accountant and Auditor Generals, the State Ministries of Finance, Economic Planning & Budget, Information, Lands & Housing, Works and Justice; the Bureaux for Internal Revenue and Public Procurement, the State Pension Transitional Department and the Universal Basic Education Board, the State Oil Producing Areas Development Commission, the Hospital Management Board and the Debt Management Department.

The DMO also continued its capacity building programmes for the Sub-national Debt Managers through its two (2) major donor interventions namely, the African Development Bank (AfDB) Middle Income Country Technical Assistant Fund (MIC-TAF) Grant for Sub-national Debt Management Capacity Building Project and the State Fiscal Transparency and Accountability (SFTAS) Programme for Result (PforR), Federal Ministry of Finance, Budget and National Planning with funding support from the World Bank.

7.5.2 Donor Intervention in Sub-National Debt Management

Under the AfDB MIC-TAF Grant, the DMO in the year under review, successfully carried out four (4) capacity building programmes on "Effective Debt Management and Domestic Debt Reconciliation (CB1)" for officials of the Akwa Ibom, Ebonyi, Kogi and Sokoto State Governments.

The objective of the training programme was to improve debt management practices in the States through awareness, on the role of Debt Management in the overall public finance management function of the State, build capacities of newly deployed and existing staff, with a view to strengthening the capacity of the sub-national debt managers to optimally manage the State's debt obligations.

In all four States, participants were drawn from the Debt Management Departments, and the Ministries of Finance, Budget and Economic Planning and other relevant MDAs.

Progress was made on the AfDB Project Goods and Services procurement. The DMO ended the year in review with successful negotiations with the Consulting Firms bidding for the job role of Debt Management Capacity Building Consultants to the DMO on the Project.

In pursuance of its mandate as an implementing agency in the SFTAS Program for Results (PforR), the DMO developed an MS Excel driven Sub-national Debt Sustainability Analysis (S-DSA) Tool with accompanying application guidelines and templates in July 2020. To Test-run the S-DSA Tool, the DMO hosted a Consultative Technical Workshop in August 2020, on the S-DSA with six States, selected across the geopolitical zones. Participants from Bauchi, Enugu, Delta, Niger, Lagos and Kaduna, alongside a team of observers from the West African Institute for Financial and Economic Management (WAIFEM) and the World Bank, over a period of 5-days, critically analyzed the tool and its usability on the sub-nationals, and adjudged it as very detailed, user friendly and suitable for the States irrespective of the level of sophistication of their debt management departments and functions. Further reviews on the Tool Kit were carried out by the World Bank, incorporating comments and adjustments recommended by the Consultative Technical Workshop.

At the completion of the World Bank's review of the DMO's S-DSA Tool Kit, a Virtual dissemination of the Tool Kit, Guidance Notes, and Reporting Templates to all 36 States and the FCT was carried out in October 2020.Between November and December 2020, the DMO, in continuation of its Technical Assistance to the States, organized four (4) Zonal S-DSA Workshops in Sokoto, Lagos, Gombe and Rivers States to provide additional hands-on guidance in the conduct of the S-DSAs. Each State had their participants drawn from the Debt Management Department, the State Ministries of Finance; Budget and Planning, the Office of the Accountant-General and the Revenue and Statistics Bureaus.

In recognition of strategic role played by National Assembly (NASS) in the DMO's execution of its mandate, representatives from the Senate Committee on Local and Foreign Debts and the House Committee on Aids, Loans and Debt Management also participated actively at the Zonal S-DSA Workshops.

The Workshops were aimed at enhancing State ability to achieve the SFTAS Disbursement Linked Indicator (DLI) 7.2 and the attendant Results thereon, which included the following: i) publication by the State of its S-DSA Report on the State's official website on or before December 31, 2020, ii) the published S-DSA Report must contain: a) *Medium-term Budget forecast; b) Detailed description of the State's debt portfolio and borrowing options;* and c) *Analysis of the debt and fiscal figures in the preceding calendar year.*

The Zonal Workshops were followed by virtual feedback clinics/sessions where the DMO with support from the World Bank reviewed the draft S-DSAs as generated by the States and provided just-in-time advisory to enhance the quality of the S-DSA Reports.

As at end December 2020, while all 36 States of the Federation and the FCT had conducted their S-DSAs with necessary DMO guidance, 32 States were able to complete the process and upload their S-DSA Reports on their State websites, in line with the SFTAS DLI 7.2 requirements.

CHAPTER EIGHT
RISK ANALYSIS OF FGN'S PUBLIC DEBT

Nigeria's Total Public Debt Sustainability stood at 21.61 percent for the ratio of Total Public Debt to GDP as at December 31, 2020, which is still below the 55 percent threshold recommended by the IMF and World Bank, as well as the Country's Specific Debt Limit of 40.00 percent. Though the Portfolio remains vulnerable to revenue and exports shocks, the revenue challenges are being addressed by the Government through its on-going Strategic Revenue Growth Initiatives. The exposure of the Total Public Debt portfolio to exchange rate risk was moderate, as the share of External Debt in the Public Debt portfolio increased to 39.00 percent at the end of December 2020, from 33.00 percent in the corresponding period of 2019. The exposure to refinancing risk reduced considerably as a result of the strategy of issuance of longer-tenored securities in the domestic market. Meanwhile, the FGN's Contingent Liabilities as a percentage of GDP increased to 2.75 percent in 2020 compared to 1.98 percent in the corresponding period of 2019.

8.1 Introduction

Total Public Debt Sustainability, as well as Costs and Risks performance of the FGN's Debt portfolio (excluding States' and FCT's Domestic Debt Stock), as at December 31, 2020, is presented in this chapter. Further analysis of the following risk indicators is covered: Interest Rate, Refinancing, Exchange rate, Credit and Contingent Liabilities risks.

8.2 Debt Sustainability

The ratio of Total Public Debt-to-GDP stood at 21.61 percent as at December 31, 2020 compared to 19.00 percent in the corresponding period of 2019. This represent an increase of 2.61 percent, which was due to the new additional borrowing in the year 2020 (Table 8.1). This ratio is within the Country's Specific Debt Limit of 40 percent and below the benchmark of 55.00 percent recommended by the IMF and World Bank for countries in Nigeria's peer-group, as well as the West African Monetary Zone convergence threshold of 70.00 percent. The ratio of Total Interest Payment-to-FGN Revenue remained relatively high at 66.51 percent in 2020, indicative of the shortfall in Federal Government Revenue during The pandemic period in 2020. However, the government needs to enhance its revenue initiatives and reforms to generate more revenue. The ratio of Total External Debt-to-Exports was 96.63 percent as at December 2020, relative to 44.77 percent in the corresponding period of 2019.

Table 8.1: Trend in Total Public Debt Sustainability Indicators, 2016-2020

	Thresholds	2016	2017	2018	2019	2020
Solvency Ratios						
Total Public Debt as % of GDP	55	16.27	18.20	19.09	19.00	21.61
External Debt as % of GDP	*40*	*3.26*	*4.85*	*6.07*	*6.26*	*8.34*
Domestic Debt as % of GDP	-	*13.01*	*13.35*	*13.02*	*12.74*	*13.27*
External Debt as % of Exports	180	40.93	43.54	38.69	44.77	96.63
Liquidity Ratio						
FGN's Interest Payment as % of Revenue[2]	-	48.05	57.22	51.28	43.19	66.51

Source: DMO
[1]Nigeria's country-specific threshold for Total Public Debt-to-GDP is 40%.
[2]Interest Payment and Revenue apply to FGN-only

8.3 Costs and Risks Performance of FGN Public Debt Portfolio

Table 8.2 shows the Costs and Risks Performance of the FGN's Public Debt portfolio as at December 31, 2020. The outcome reveals that the cost of External Debt reduced from 3.85 percent in 2019 to 3.39 percent in 2020, while the average cost of Domestic Debt decreased from 11.64 percent in 2019 to 11.42 percent in 2020. The exposures of the debt portfolio to Interest Rate and Refinancing Risks were relatively low, due to the improvements in the structure of the debt portfolio, arising from further extension of the tenors of the debt instruments, for both the domestic and external debt.

Table 8.2: Costs and Risks Indicators of FGN's Total Public Debt Portfolio as at December 31, 2020

Risk Indicators		Target[2]	External Debt	Domestic Debt	Total Debt
FGN's Total Public Debt (US$' Millions)			33,348.08	42,057.55	75,405.63
Total Public Debt (incl. States' Dom. Debts) as % of GDP[1]		Max. 40%	8.34	13.27	21.61
Cost of debt	Average Interest Rate (%)	*	3.39	11.42	7.87
Refinancing risk	Debt maturing in 1yr (% of total)	Max. 20%	3.03	23.60	14.50
	Average Time-to-Maturity (ATM) years	Min. of 10 yrs	13.48	8.56	10.74
Interest rate risk	Average Term to Re-fixing (ATR) years	*	12.99	8.56	10.52
	Debt Re-fixing in 1yr (% of total)	*	8.96	23.60	17.12
	Fixed rate debt (% of total)	*	93.78	100.00	97.25
	T-bills (percent of total)	*	0.00	16.98	9.47
FX risk	External Debt (% of Total Public Debt)[3]	40	-	-	38.60

Source: DMO

Notes:
[1]Nominal Values of Total Public Debt Stock was used, and includes States' & FCT's Domestic Debt Stock
[2] Nigeria's Country Specific Targets as set in its Debt Management Strategy, 2020-2023, while none was for the indicators marked (*)
[3]Total Public Debt covers External and Domestic debts of the FGN, States and FCT

8.3.1 Average Cost of FGN's Total Public Debt

As shown in Table 8.3, the Weighted Average Interest Rates of the External Debt (FGN, States and FCT) was relatively lower at 3.39 and 11.42 percent in 2020 compared to 4.30 and 9.43 percent in 2019. Conversely, the weighted Average Interest Rates of the Domestic Debt (FGN only) was moderately higher at 11.42 percent in 2020 when compared tom9.43 percent in 2019 The Average Interest Rate for the Total FGN's Public Debt slightly increased from 7.45 percent in 2019 to 7.87 percent in 2020, which was partly attributable to the general increase in domestic interest rates during the year under review.

Table 8.3: Trend in Average Interest Rate (Weighted), 2016-2020

Year	2016	2017	2018	2019	2020
External Debt - Average Interest Rate (%)	3.10	2.97	4.75	4.30	3.39
Domestic Debt – Average Interest Rate (%)	11.11	12.48	12.73	9.43	11.42
Total Debt - Average Interest Rate (%)	9.19	8.55	9.66	7.45	7.87

Source: DMO

8.3.3 Refinancing Risk

The exposure of the FGN Public Debt to Refinancing Risk was moderate, the debt maturing within one year increased from 13.77 percent in 2019 to 14.50 percent in 2020, as a result of the redemption of short-term domestic debt (NTBs), as well as borrowing Long in the Domestic and International Capital Markets. The ratio of Average Time-to-Maturity (ATM) stood at 10.52 years as at December 31, 2020, which is above the strategic target minimum of 10 years. Table 8.5 shows the Trend in Refinancing Risk Indicators, 2016-2020.

Table 8.5: Trend in Refinancing Risk Indicators, 2016-2020

Year	2016	2017	2018	2019	2020
Debt Maturing in 1 year (%)	23.86	23.53	18.57	13.77	14.50
External Debt – Average Time-to-Maturity (Years)	13.57	14.26	13.97	13.19	13.48
Domestic Debt - Average Time-to-Maturity (Years)	7.53	7.78	7.43	7.85	8.56
Total Debt - Average Time-to-Maturity (Years)	9.54	11.55	11.62	10.50	10.52

Source: DMO

8.3.2 Interest Rate Risk

The exposure of FGN's Public Debt to Interest Rate Risk decreased slightly in 2020, as Average Time-to-Refixing (ATR) increased from 10.08 years as at December 31, 2019 to 10.52 years as at December 31, 2020. Conversely the proportion of fixed rate debt increased marginal from 96.46 percent in 2019 to 97.25 percent in 2020, as the share of variable rate debt decline from 3.54 percent in 2019 to 2.75 percent in 2020. The Debt Re-fixing in one year as percentage of total debt, which indicates exposure of the outstanding debt portfolio to interest rate changes, showed that the interest rate risk slightly declined from 17.18 percent in 2019 to 17.12 percent in 2020, indicating appreciable improvement in the structure of the portfolio in favour of longer-tenored domestic and external borrowing. The Trend in Interest Rate Risk Indicators, 2016-2020, is shown in Table 8.4.

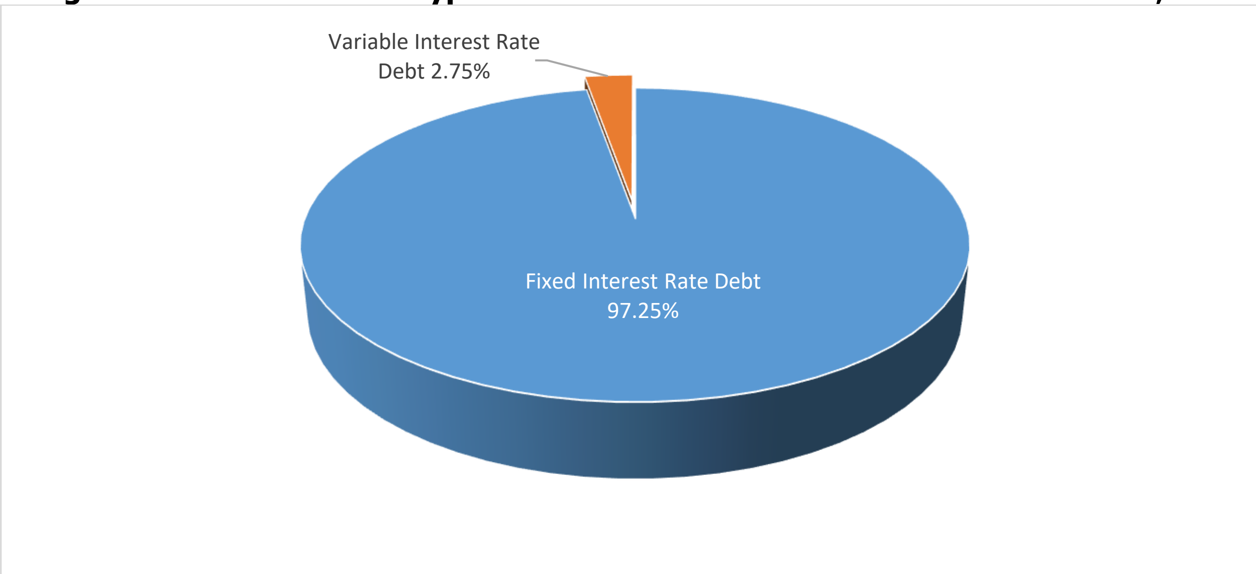
Table 8.4: Trend in Interest Rate Risk Indicators, 2016-2020

Year	2016	2017	2018	2019	2020
Fixed Interest Rate Debt (%)	94.74	97.28	97.52	96.46	97.25
Variable Interest Rate Debt (%)	5.26	2.72	2.48	3.54	2.75
External Debt - Average Time-to-Re-fixing (Years)	13.43	13.41	13.44	12.60	12.99
Domestic Debt - Average Time-to-Re-fixing (Years)	7.53	7.78	7.43	7.85	8.56
Total Debt - Average Time-to-Re-fixing (Years)	8.93	9.55	9.71	10.08	10.52
Debt Re-fixing in 1 year (% of Total Public Debt)	29.12	26.22	20.98	17.18	17.12

Source: DMO

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

Figure 8.1: Interest Rate Type of FGN's Total Public Debt as at December 31, 2020

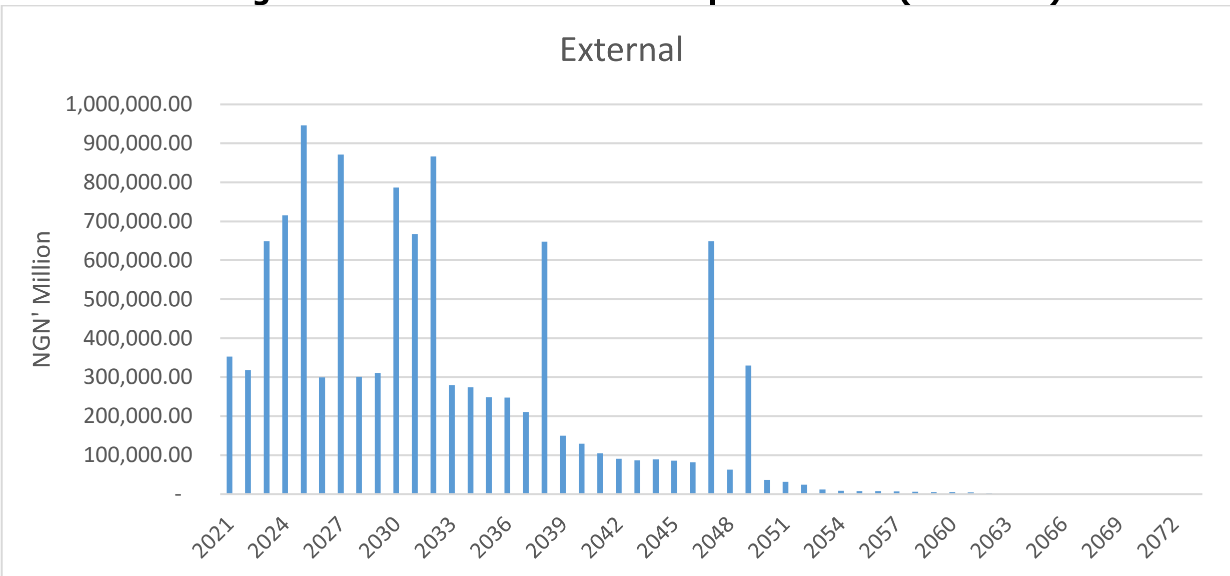


Source: DMO

8.4 Redemption Profile

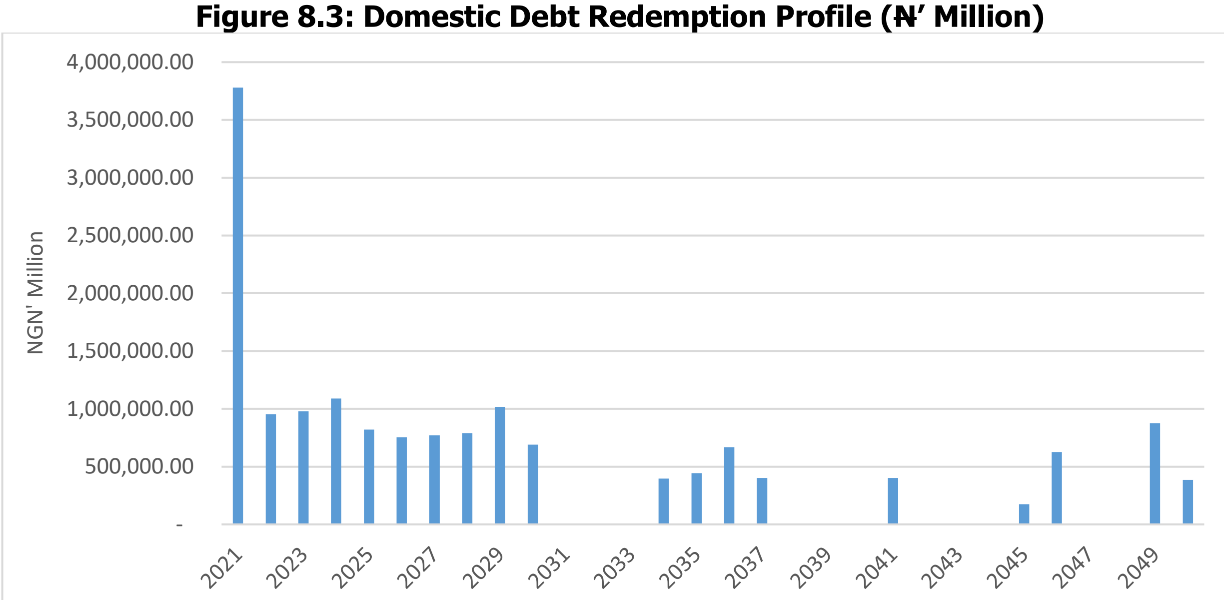
The External Debt Redemption Profile is fairly smooth with intermittent relatively high maturities occasioned by maturities of Eurobonds or the Diaspora Bond. The issuance of securities in the ICM had been structured to spread the maturities over several years (up to 30 years) to avoid bunching of maturities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

Figure 8.2: External Debt Redemption Profile (N' Million)



Source: DMO

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



Source: DMO

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

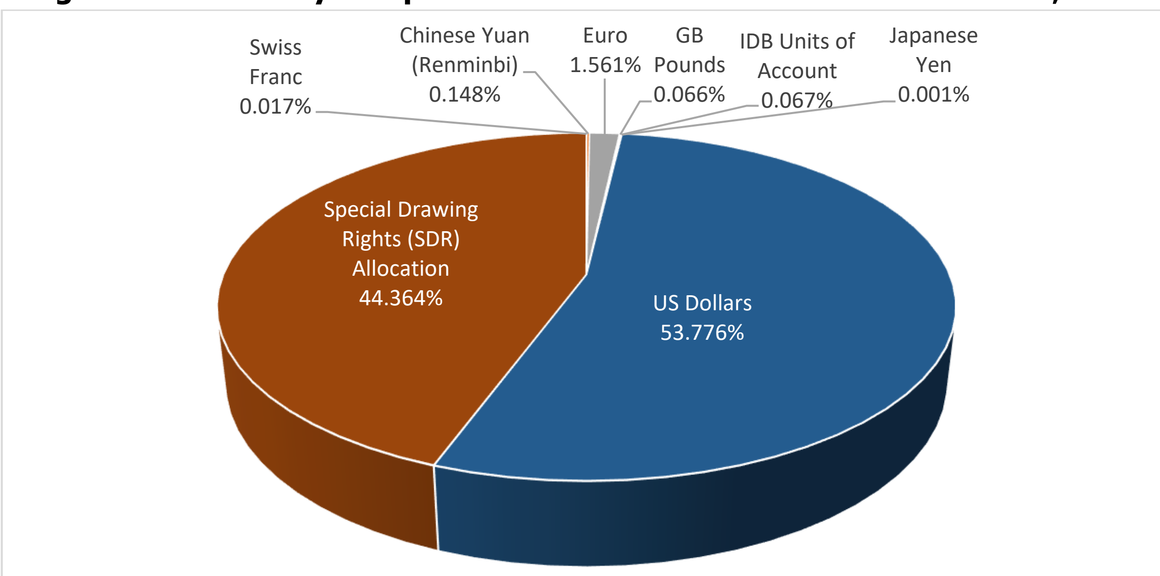
The FGN's Public Debt portfolio exposure to Foreign Exchange Risk remained minimal in the year under review, as the share of Total External Debt remained at 39 percent of the Total Debt portfolio as at December 31, 2020, compared to 33 percent as at December 2019. The trend of the External Debt Component of the Total Public Debt Portfolio for the period, 2016-2020, is shown in Table 8.6.

Table 8.6: Trend in Foreign Exchange Component of Debt Portfolio, 2016-2020

Year	2016	2017	2018	2019	2020
Domestic Debt (%)	80	73	68	67	61
External Debt (%)	20	27	32	33	39
Total Debt	100	100	100	100	100

Source: DMO

Figure 8.4: Currency Composition of External Debt as at December 31, 2020



Source: DMO

The Currency Composition of the External Debt portfolio as at December 31, 2020, comprised the United States Dollar (US$), British Pound Sterling (GBP), Euro (EUR), Swiss Franc (CHF), Chinese Yuan (Renminbi), Islamic Dinar (ID), Japanese Yen (JPY) and Special Drawing Rights (SDR). The US Dollars and SDR constituted 53.776 and 44.364 percent of the Currency Composition of the External Debt portfolio, respectively. Other currencies; GBP (0.066 percent), EUR (1.561 percent), CHF (0.017 percent), Chinese Yuan (0148 percent), ID (0.067 percent) and JPY (0.001 percent).

Exchange Rate Risk arising from the exposure to the US Dollars is mitigated by Nigeria's External Reserves, which is predominantly in US Dollars. In addition, the External Creditors' Funding Account (ECFA) from which External Debt Service is made is also denominated in

US Dollars. Similarly, Nigeria's export earnings are denominated in US Dollars, thereby further mitigating the Exchange Rate Risk arising from the exposure of the External Debt portfolio to the US Dollars.

Table 8.7: Currency Composition of External Reserve Asset as at December 31, 2020

Currency	USD Equivalent	% of Total
US Dollars	29,718,191,060.72	81.4713
GB Pounds	236,453,894.89	0.6482
Euro	153,014,068.87	0.4195
Swiss Franc	-	0.0000
Japanese Yen	9,793,825.42	0.0268
Chinese Yuan (Renminbi)	4,237,080,008.46	11.6158
Special Drawing Rights (SDR) Allocation	2,121,559,071.25	5.8162
Other Currencies	799,760.97	0.0022
TOTAL	**36,476,891,690.57**	100.00

Source: CBN

Figure 8.5: Currency Composition of External Reserves as at end December 31, 2020

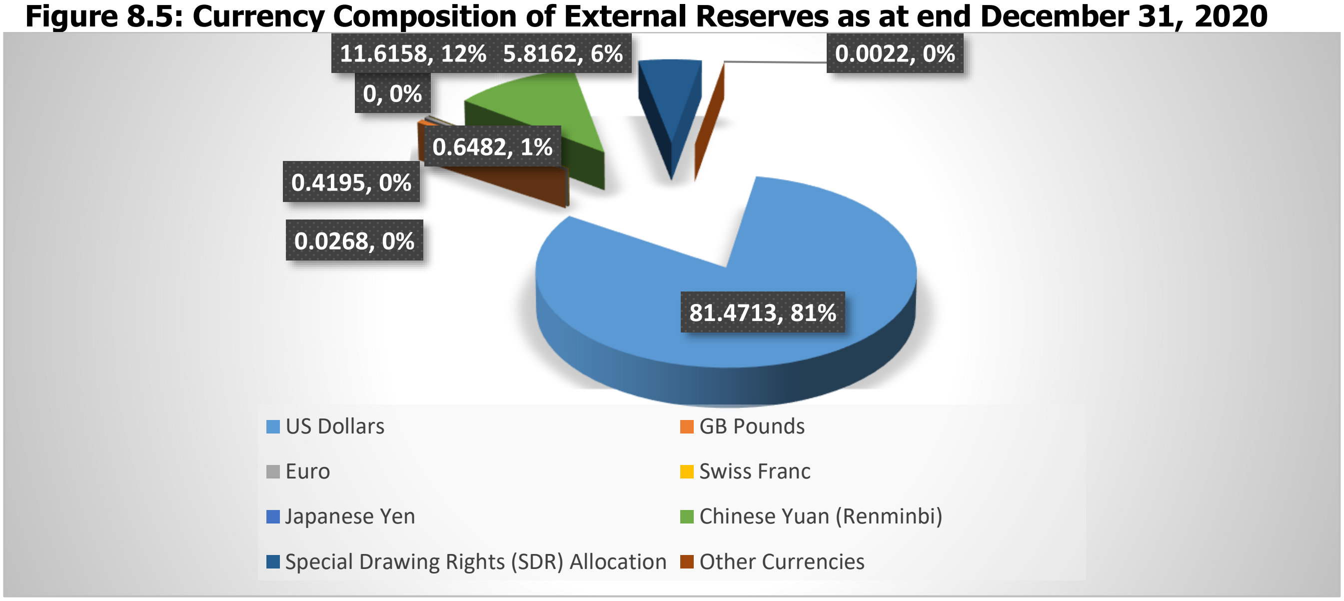


Table 8.7 and Figure 8.5 show that Nigeria's External Reserves stood at US$36.48 billion as at December 31, 2020. The following comprised the Currency Composition of the External Reserves: US Dollars (81.4713 percent), GBP (0.6482 percent), Euro (0.4195 percent), JPY (0.0268 percent), Chinese Yuan (11.6158 percent), SDR (5.8162percent) and other currencies (0.0022 percent). The Currency Composition of the External Debt portfolio closely

matched the Currency Composition of the country's External Reserves, thereby providing further hedge to the External Debt portfolio against Exchange Rate fluctuation (Table 8.8).

Table 8.8: Composition of External Debt & Reserve Assets as at December 31, 2020 (in percent)

Currencies	US$	GBP	EURO	CHF	IDB	JPY	Yuan	SDR	Others
External Debt: Currency Composition	53.776	0.066	1.561	0.017	0.067	0.001	0.148	44.364	0.000
External Reserve: Currency Composition	81.4713	0.6482	0.4195	-	-	0.0268	11.6158	5.8162	0.0022

Source: DMO and CBN

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

As at December 31, 2020, the Credit Risk on the outstanding On-Lent Loans by the FGN to MDAs to fund developmental projects in the key sectors of the economy was relatively stable. All the Loans were backed by Memoranda of Understanding (MOU) executed between the DMO and the MDAs, to ensure that they are serviced and fully paid as and when due to mitigate the Risk.

8.7 FGN's Contingent Liabilities

Federal Government of Nigeria's Contingent Liabilities stood at N4,184.998 billion in 2020 compared to N2,859.859 billion in 2019, representing an increase of ₦1,325.139 billion or 46.34 percent. The FGN's Contingent Liabilities increased in the 2020 due to the inclusion of the Contingent Liabilities arising from the FGN guarantee issued in respect of the NNPC-AKK Gas Pipeline Project executed by the Nigerian National Petroleum Corporation (NNPC). The FGN's exposure to Contingent Liabilities as a percentage of GDP stood at 2.75 percent

as at December 31, 2020 compared to 1.98 percent as at December 31, 2019. Table 8.9 shows the FGN's exposure to Contingent Liabilities during the period, 2016-2020.

Table 8.9: FGN's Contingent Liabilities 2016-2020 (₦' Billion)

S/N	Liability Type	2016	2017	2018	2019	2020
1.	Local Contractors Debts	159.287	-	-	-	-
2.	Federal Mortgage Bank of Nigeria	5.24	5.238	5.238	5.238	5.238
3.	Nigerian Export-Import (NEXIM) Bank	61.00	15.250	6.790	3.487	2.746
4.	FCDA- Katampe Infrastructure Project	7.441	7.441	7.441	7.441	7.441
5.	Nigeria Mortgage Refinance Company Plc	8.00	7.583	18.226	17.707	26.839
6.	Lekki Port LFTZ Enterprise – Lekki Deep Sea Port	-	-	-	-	-
7.	World Bank Partial-Risk Guarantee in support of Azura-Edo IPP*	72.29	72.285	72.641	-	-
8.	Power Sector Contingent Liabilities Put-Call Option Agreement (PCOA)	-	-	-	495.642	401.637
9.	Power Sector Contingent Liabilities – Partial Risk Guarantees (PRG)	-	-	-	73.465	90.842
10.	Payment Assurance Facility for Nigeria Bulk Electricity Trading Plc	-	-	561.305	623.590	971.711
11.	Legacy FGN Exposure from PHCN Successor Companies	-	-	-	778.029	962.064
12.	NNPC – AKK Gas Pipeline Project	-	-	-	-	931.181
13.	Pension Arrears for MDAs	1,132.21	1,043.535	1,245.510	855.258	785.269
	Total	**1,445.47**	**1,151.332**	**1,917.150**	**2,859.859**	**4,184.998**

*From 2019, reclassified under Power Sector Contingent Liabilities - PRG & PCOA

Notes:

1. Local Contractors Debts - The FGN Guarantee was given to cover the N233,942,080,700.00 Face Value of the 5-year 2016/2017 Split Coupon Bonds issued by the Special Purpose Vehicle (SPV) set up for the resolution of the Local Contractors Debts. The Guarantee expired in July 2017 and did not crystalize.

2. Federal Mortgage Bank of Nigeria - FGN Guarantee of FMBN Bond issued to enable the Bank raise funding from the capital market to refinance the sale of Federal Government non-essential houses under the monetization programme of the Government.

3. Nigerian Export-Import Bank (NEXIM) - FGN Guarantee to NEXIM for the Master Line of Credit from African Development Bank (AfDB) with a current value of US$50 million to finance part of the cost of the Export Oriented Small and Medium Enterprises financing programme of the Nigerian Export Import (NEXIM) Bank. The tenor is for 10 years. Total outstanding obligation on the loan as at December 31, 2020 was US$7,246,097.86 (N2,612,218,278.53 @379/$).

4. FCDA – Katampe Infrastructure Project - The Guarantee was issued on behalf of the Federal Capital Development Authority (FCDA), in favour of FBN Capital Limited and FBN Trustees Limited, in respect of a bank facility granted to Deanshanger Projects Limited for the provision of integrated civil infrastructure to Katampe District, Abuja. The current outstanding amount confirmed by FCDA is N7,440,504,380.68, excluding accrued interest.

5. Nigeria Mortgage Refinance Company Plc - The Guarantee is to enable NMRC raise long term funds from the capital market by issuing notes for the purpose of refinancing or purchasing mortgages created by Eligible Mortgage Lenders. N29 billion (N8 billion-Series 1; N11 billion Series 2 & N10 – Series 3) has been utilized out of the total Guarantee available in the sum of N440 billion.

6. Lekki Port LFTZ Enterprise - FGN Guarantee in favour of Lekki Port LFTZ Enterprise (Concessionaire) to cover the sum of US$800 million (N245,200,000,000.00 converted at N306.5/$) in respect of the investment by the Concessionaire for the purpose of funding the construction of a Deep-Sea Port at Lekki Lagos, Nigeria, on a Build, Own, Operate and Transfer basis, for a period of forty-five years, for and on behalf of the Nigerian Ports Authority. The Guarantee will become effective at financial close.

7. World Bank Partial-Risk Guarantee in support of Azura-Edo IPP (Now classified under Power Sector Contingent Liabilities – PCOA & PRG). - World Bank Partial Risk Guarantee in the sum of US$237 million, comprising Debt Mobilization Guarantee of US$117 million and a Liquidity Guarantee of US$120

8. million, in support of the 450 megawatts Azura-Edo Independent Power Project (IPP). The Federal Government of Nigeria (FGN) entered into an Indemnity Agreement with the International Bank for Reconstruction and Development (IBRD) - World Bank, in 2015, to unconditionally and irrevocably

9. reimburse to the World Bank amounts paid by the Bank directly or indirectly in relation to or arising from the IBRD Guarantee and to undertake such other obligations to the Bank as are set forth in the Indemnity Agreement.

10. Power Sector Contingent Liabilities - Put-Call Option Agreement - Power Sector Contingent Liabilities arising from Put-Call Option Agreement (PCOA) in favour of Azura-Edo Independent Power Project (IPP) - $886,649,773.72; Afrinergia Power Limited - $72,116,033.60 & CT Cosmos - $100,962,447.04. Converted at N379/$. Submitted to DMO by Nigeria Bulk Electricity Trading (NBET) Plc.

11. Power Sector Contingent Liabilities – Partial Risk Guarantees - Power Sector Contingent Liabilities arising from Partial Risk Guarantee (PRG) in favour of Azura-Edo IPP - $120,000,000.00; Calabar NIPP - $111,800,000.00; Afrinergia Power Limited - $3,287,250.00 & CT Cosmos - $4,602,150.00. Converted at N379/$. NBET provided the data.

12. Payment Assurance Facility for Nigeria Bulk Electricity Trading (NBET) Plc - FGN Guarantee to the Central Bank of Nigeria for providing N1,301,000,000,000.00 to the Nigeria Bulk Electricity Trading Plc (NBET) for settlement of invoices from Power Generation Companies.
13. Legacy FGN Exposure from PHCN Successor Companies - Figures provided by BPE on FGN's exposure in respect of the debt component of the purchase price of the PHCN successor companies. US$2,538,430,000.00 converted @N379/$
14. NNPC – AKK Gas Pipeline Project - FGN Guarantee for the Ajaokuta-Kaduna-Kano (AKK) Gas Pipeline Project undertaken by the Nigeria National Petroleum Corporation (NNPC). The Guarantee covers 85% (US$2,456,944,166.11) of the total cost (US$2,890,522,548.36) of the Project. Converted @N379/$.
15. Pension Arrears for MDAs - Data provided by PENCOM to DMO: Outstanding Retirement Benefits Liability of the FGN for certain categories of its employees. The last employee would be retiring in 2039.

CHAPTER NINE

FEDERAL GOVERNMENT ON-LENT LOANS

The FGN extended loans to some MDAs, as part of its efforts to ensure that priority development projects were financed to support the growth of critical sectors of the economy so as to enhance the creation of jobs and reduce poverty. As at December 31, 2020, the total outstanding On-lent loans to the MDAs was ₦174.13 billion

9.1 Introduction

The On-lent loans to the MDAs were part of Government's efforts to support the growth of critical sectors of the economy. The loans were extended to the MDAs to fund selected critical projects such as Roads and Railways, Agriculture, Transport, Education, Cotton, Garment and Textile, amongst others. To ensure full recovery and timely repayment, each of the On-lent loans was backed by a Memorandum of Understanding (MOU) executed between the DMO and the benefitting MDA.

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

As at December 31, 2020, the outstanding number of MDAs that benefited from the FGN's On-lent loans were Eleven (11), the same as in the previous year. The principal amount of the loans outstanding in the year under review (2020) remains the same with the preceding period (2019) at ₦174.13 billion. This was because there were no new loans on-lent to any MDA in 2020, and there was also no principal repayment made by any of the outstanding benefitting MDAs in the period under review. See Table 9.1.

Table 9.1: Principal Outstanding on FGN On-Lent Loans to MDAs as at December 31, 2020

S/N	Benefiting MDA	Facility	Loan Amount (₦)	Principal Amount Outstanding (₦)
1	Federal Capital Territory Administration (FCTA)	₦15 Billion FGN Funding of Health and Education Projects in the FCT.	15,000,000,000.00	3,872,918,492.93
2	Federal Ministry of Finance, Budget & National Planning (FMFBNP)	₦6.3 Billion Pioneer Consumer Car Finance Scheme for Public Servants.	6,300,000,000.00	1,916,331,393.11
3	Federal Ministry of Transport (FMoT)	₦12.5 Billion Nig. Railway Revitalization (25 Locomotives).	12,500,000,000.00	12,500,000,000.00
4	Ministry of Defence	₦35 Billion Funding of Peace Keeping Operations.	35,000,000,000.00	11,275,102,824.49
5	Ministry of Mines and Steel Development	₦2.24 Billion Ajaokuta/NIOMCO Staff Salary Arrears.	2,239,175,142.72	2,239,175,142.72
6	Nigerian Television Authority (NTA)	₦4.5 Billion Loan for Upgrading of NTA's Broadcast Equipments.	4,500,000,000.00	2,431,265,480.82
7	Federal Capital Territory Administration (FCTA)	₦20 Billion Seed Money for Infrastructural Development of Four Districts of the FCT.	20,000,000,000.00	20,000,000,000.00
8	Federal Mortgage Bank of Nigeria (FMBN)	₦5 Billion for the development of the Housing Sector of the economy granted to FMBN.	5,000,000,000.00	5,000,000,000.00
9	Bureau of Public Enterprises (BPE)	Settlement of ₦63.03 Billion Loan Facility granted to Transcorp Plc for NITEL/MTEL Buy-Out.	63,030,000,000.00	60,480,000,000.00
10	Bureau of Public Enterprises (BPE)	NITEL/MTEL Terminal Benefits.	54,552,000,000.00	52,002,000,000.00
11	Bank of Industry (BOI)	Indebtedness of the defunct Nigerian Bank for Commerce and Industry to the FGN.	2,500,711,000.00	2,410,293,267.05
	Total		**220,621,886,142.72**	**174,127,086,601.12**

Source: DMO

9.3 Borrowing Programme 2020

The Revised 2020 Appropriation Borrowing Programme of the FGN approved the sum of N4,198.57 billion as total New Borrowing to part finance the 2020 budget deficit which was to be raised from Domestic and External Sources. The share of the Domestic Debts in the Total New Borrowing was 52.73 percent, while the External Debts accounted for 47.27 percent. See Table 9.2.

Table 9.2 Total New Borrowing in 2020

Category	Amount (₦)	% of Total
Domestic Borrowing	2,213,892,722,984.00	52.73
External Borrowing	1,984,680,000,000.00	47.27
Total	**4,198,572,722,984.00**	**100.00**

9.4 Domestic Borrowing

The total approved Domestic Borrowing of ₦2,213.89 billion was successfully implemented through the issuance of FGN Bonds and Sovereign Sukuk in the Domestic Capital Market in the period under review (2020). See Table 9.3.

9.5 External Borrowing

The approved External Borrowing of ₦1,984.68 billion in the Revised 2020 Appropriation Act was to be sourced through Loans from Multilateral and Bilateral Creditors. However, only the sum of ₦1,313.06 billion or 66.16% was borrowed as at December 31, 2020. See Table 9.3.

Table 9.3: Budget Performance 2020 (₦ Million)

Budget Deficit Components	Approved Amount	Borrowed Amount	Performance (%)
Domestic Borrowing	2,213,892.72	2,213,892.72	100.00
External Borrowing	1,984,680.00	1,313,064.00	66.16
Total	**4,198,572.72**	**3,526,956.72**	

CHAPTER TEN

INSTITUTIONAL ISSUES

The implementation of the DMO 4th Strategic Plan, 2018-2022 recorded considerable progress and notable achievements in 2020. The Nigeria's Debt Management Strategy (MTDS), 2020-2023 was unveiled in 2020 to provide a guide to the borrowing activities of the Federal Government in the medium-term. The DMO also conducted trainings for Staff and other external Stakeholders, as well as enhanced its business processes by improving the ICT infrastructure during the period. Efforts to ensure timely and accurate collation and publication of the sub-national domestic debt data was further boosted in 2020.

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

The end of the fiscal year 2020 marked two years of the implementation of the DMO's 4th Strategic Plan, 2018-2022, and as in the previous year, notable achievements were recorded in 2020.

Achievements:

i. *Continued funding of part of the fiscal deficits of the Federal Government's Appropriation Acts, by fully raising the ₦2.214trillion New Domestic Borrowing in the 2020 Appropriation Act;*
ii. *sustained the issuance of longer-tenored instruments in order to minimize refinancing risk;*
iii. *Achieved the following results and surpassed targets in the Nigeria's Debt Management Strategy, 2020 -2023;*
    a) *Attained Total Public Debt ratio of 61:39 for Domestic to External debt;*
    b) *Lengthened the maturity profile of the Total Public Debt portfolio to an average of 10.74 years;*
    c) *Attained Domestic Debt portfolio mix of 83:17 ratio for Long-term to Short term debt; and,*
    d) *Reduced proportion of debt maturing within one year in the Total Public Debt Portfolio to 14.50 percent.*
    e) *Efforts to achieve the target of the public debt composition of 60:40 ratio for domestic and external debt are being intensified.*

10.2 Debt Sustainability Analysis (2020)

The DMO organized the 2020 Debt Sustainability Analysis (2020 DSA) Exercise from December 7-18 2020, in collaboration with relevant MDAs, namely: Federal Ministry of Finance, Budget and National Planning (FMFBNP), Central Bank of Nigeria (CBN), Budget

Office of the Federation (BOF), National Bureau of Statistics (NBS) and the Office of the Accountant-General of the Federation (OAGF).

The outcome of the 2020 DSA showed that Nigeria's External Debt remains at a Moderate Risk of Debt distress with some Space to accommodate shocks, while Nigeria's Total Public Debt remains sustainable, but subject to Revenue shocks. This indicates some constraints to debt repayment capacity arising from low revenue, which the Government is addressing through its ongoing initiatives and reforms aimed at boosting revenue, thus helping to improve the country's Borrowing Space in the medium to long-term.

10.3 DMO's Supervisory Board Activities

The Vice President of the Federal Republic of Nigeria is the Statutory Chairman of the DMO Supervisory Board, with the Honourable Minister of Finance as Vice Chairman. The other members include the Attorney-General of the Federation and Honourable Minister of Justice, Chief Economic Adviser to the President, Governor of the Central Bank of Nigeria, Accountant-General of the Federation, and the Director-General of Debt Management Office, who doubles as the Secretary to the Board. The DMO Supervisory Board held two (2) Meetings in 2020. The Meetings (17^{th} & 18^{th}) were held at the Office of the Vice President and Chairman of the Board on September 14, 2020 and October 12, 2020 respectively.

10.4 Staffing Issues

10.4.1 Recruitment of New Staff

There was no recruitment of new staff into the DMO in 2020.

10.4.2 Staff Exit

In 2020, three (3) members of staff exited the DMO upon attaining the mandatory retirement age of 60 years.

10.4.3 Repositioning/Redeployment Exercise

The Director-General effected the redeployment of some Staff amongst the Departments and Units within the year. One officer was posted from the Office of the Accountant General of the Federation (OAGF) to the DMO (Finance and Accounts Unit). In addition, one (1) staff in the Federal Ministry of Justice (FMoJ) was posted to the DMO to join the two existing staff in the Legal Service Unit and also to replace the outgoing staff who was posted out of the DMO.

The Procurement Unit was created under the DG's Office, to accommodate the two staff that were posted from the Bureau of Public Procurement (BPP) to the DMO.

10.4.4 Senior Management Movement

In July 2020, the Director, ORD was redeployed to PSRMD while the Director, PSRMD moved to the ORD. The Other members of the SMC were retained in their Departments.

10.4.5 Staff Promotion Exercise

The 2020 DMO Promotion Examination was conducted successfully for all qualified candidates.

10.4.6 Training for DMO's External Stakeholders

A Workshop was conducted for Members of the House Committee on Loans, Aid and Debt Management, Senate Committee on Foreign and Local Debt and the Clerks of the Committees in July, 2020.

10.4.7 DMO Staff Training

Owing to the impact of the COVID-19 Pandemic, the implementation of the DMO's Staff Trainings were delayed until the 4th Quarter of the year (November and December, 2020). The themes of the Trainings were – Leadership through Disruptive Times, Project Appraisal & Monitoring, Risk Identification & Management, Introduction to Microsoft Excel, Advance Microsoft Excel, Stress Management, Workplace Safety, Security & Emergency Preparedness.

10.5 Sub-national Debt Management Activities

10.5.1 Capacity Building for Sub-National Debt Managers

In continuation of its efforts to shore up the skills and competencies of the sub-national debt managers, the DMO in the year under review carried out a customised capacity building programme on "Public Debt Creation and Sub-National Debt Management" for officials of the Ondo State Government. Though specifically designed for the Ondo State Debt Management Department, the training brought together forty-four (44) Senior and Middle Cadre Officers drawn from fifteen (15) MDAs in the State.

The DMO also continued its capacity building programmes for the Sub-National Debt Managers through its two (2) major donor interventions namely, the African Development Bank (AfDB) Middle Income Country Technical Assistant Fund (MIC-TAF) Grant for Sub-

National Debt Management Capacity Building Project and the State Fiscal Transparency and Accountability (SFTAS) Programme for Result (PforR), Federal Ministry of Finance, Budget and National Planning with funding support from the World Bank.

10.5.2 Collation and Publication of Sub-National Domestic Debt Data

DMO's efforts to ensure timely and accurate collation and publication of the sub-national domestic debt data was further boosted in 2020, with the assistance of the SFTAS Program. All the thirty-six States of the Federation and the FCT worked assiduously to generate, submit and have the DMO validate their domestic debt data within a period of sixty (60) days from the period end. As at December 31, 2020, thirty-four (34) States and the FCT had submitted their validated signed-off end of year domestic data to the DMO.

10.5.3 Donor Intervention in Sub-National Debt Management

Under the AfDB MIC-TAF Grant, the DMO in the year under review, successfully carried four (4) capacity building programme on "Effective Debt Management and Domestic Debt Reconciliation (CB1)" for officials of the Akwa Ibom, Ebonyi, Kogi and Sokoto State Governments.

In pursuance of its mandate as an implementing agency in the SFTAS Program for Results (PforR), the DMO developed an MS Excel driven Sub-National Debt Sustainability Analysis (S-DSA) Tool with accompanying application guidelines and templates in July 2020.
The DMO in continuation of its Technical Assistance to the States, organized four (4) Zonal S-DSA Workshops in Sokoto, Lagos, Gombe and Rivers States to provide additional hands-on guidance in the conduct of the S-DSAs.

Also in recognition of strategic role played by National Assembly (NASS) in the DMO's execution of its mandate, representatives from the Senate Committee on Local and Foreign Debts and the House Committee on Aids, Loans and Debt Management participated actively at the Zonal S-DSA Workshops.

As at end December 2020, while all 36 States of the Federation and the FCT had conducted their S-DSAs with necessary DMO guidance, 32 States were able to complete the process and upload their S-DSA Reports on their State websites, in line with the SFTAS DLI 7.2 requirements.

10.6 ICT Infrastructure

In the bid to further consolidate on the gains made in adoption of ICT as a tool to enhance the DMO's business process, the following milestones were achieved in 2020;

- The DMO has commenced the process towards the implementation of the ICT Review Recommendations based on the comprehensive review of its ICT Infrastructure, Operations and Services. To this end, an IT Strategy Implementation Committee was inaugurated and an ICT Consultant have also been engaged to oversee the successful implementation of the recommendations to optimize the DMO's ICT operations.

- The Information Technology and Information Systems (IT&IS) Unit has continued to support the operation of the innovative, fully home grown online Promissory Notes Reverse Auction Portal System for the issuance of promissory notes under the Federal Government Promissory Notes Issuance Program. The Promissory Notes Auction Portal System was scaled up to accommodate the peculiarity of the Contractors requirements in addition to the Exporters. Together with the Security Issuance Unit and Transaction Parties, the unit was able to ensure a smooth and successful reverse auction for the Promissory Notes issuance during the year 2020.
- Biometric Access Control System was maintained for optimal performance, data security and restrict access to only authorized personnel.
- The Bond Auctioning System (BAS) has remained operational and all FGN Bond Auctions have been successfully conducted with the participation of the Primary Dealer Market Makers (PDMMs) using Bloomberg Platform and with settlement on the Central Bank of Nigeria Scripless Securities Settlement System (CBN S4).
- The DMO Website was maintained with regular data update. All links were maintained to remain active accessibility of menu items. All information and updates were successfully carried out on the website and DMO pages on the Social Media. This has continued increased DMO's outreach to the public and stakeholders.
- The DMO has maintained its external and internal communication by integrating the Modern IP Telephony System with dedicated E1 line on the Galaxy Backbone platform. The new system enables the organization to communicate easily even with external stakeholders from anywhere around the world.