



**DEBT MANAGEMENT OFFICE  
NIGERIA**

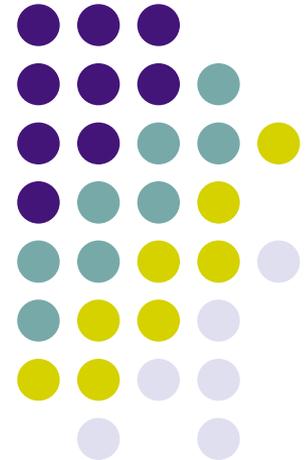
**MANAGING NIGERIA'S DEBT STOCK**

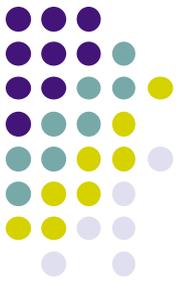
**Presentation at the Investor/Issuer Education Outreach Programme**

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**on  
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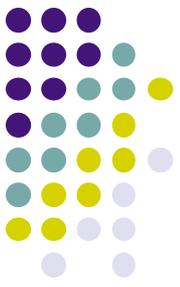
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# Outline

- **Introduction**
- **History of Debt Management in Nigeria**
- **The Role and Functions of the DMO**
- **Achievements of the DMO**
- **Tools for Managing the Debt Stock**
- **Total Public Debt Outstanding 2004-2010**
- **Domestic Debt Outstanding by Instruments**
- **Summary and Outlook**



# INTRODUCTION

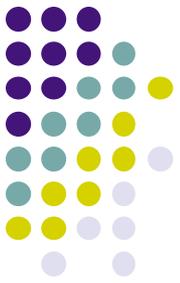
## Debt management

- It is a multifaceted concept that involves debt strategy, debt contraction, recording, monitoring and servicing.

## Importance of debt management important

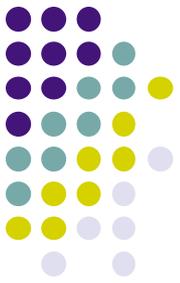
- Debt is an important component of fiscal policy therefore, has implications for economic growth and development - U.K., U.S.A
- Government borrowing has implications on the future cash flows of Government Debt Service.
- Government borrowing has implications on the domestic financial market (Liquidity, Yield on Fixed Income Securities, Market Stability, Benchmark)
- The debt crisis in the 1980' s up till the mid-2000' s in the less developed countries brought debt management to the forefront of creditors and borrowers.
- The recent debt crisis (fallout of the global financial crisis) in the more advanced countries like Greece, Ireland, Spain and Portugal, suggests that no country is completely immune from debt crisis which makes debt management by sovereigns an integral and critical part of fiscal policy.

# HISTORY OF DEBT MANAGEMENT IN NIGERIA



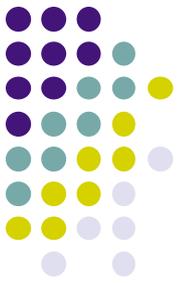
- Was not a role that was centralized in one institution before the Debt Management Office (DMO) was established in 2000.
- Sovereign debt was managed in an un - coordinated manner by the Federal Ministry of Finance, Central Bank of Nigeria and the Office of the Accountant General. The effects included:
  - Inaccurate debt stock statistics.
  - Interference with monetary policy.
  - Debt became a burden – unsustainable, defaults.

# THE ROLE AND FUNCTIONS OF THE DMO



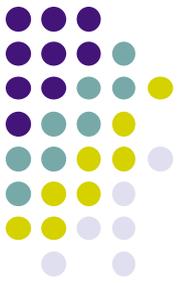
- These are spelt out in details in Sections 6 and 7 of the DMO Act, 2003 (recently amended). They can be summarized as:
  - Advise the Government on: Terms and Conditions of Loans, Restructuring and Refinancing.
  - Maintain a complete and accurate database of all FGN Borrowings(Domestic and External)including contingent liabilities (guarantees).
  - Prepare and submit to the Government annually, a forecast of debt service and borrowing capacity.
  - Efficient management of Nigeria' s Domestic and External Debt Stock including the financial and currency risks.
  - Manage relationships with local and international creditors and investors
  - Issue and manage FGN securities issued publicly.
  - Publish Debt Data.
  - Service External Debts taken and guaranteed by the Federal Government.

# ACHIEVEMENTS OF THE DMO (2000 to Date)



1. Debt stock now accurate, up-to-date and published.
2. Exit from the Paris Club in 2005/2006 – resulting in a steep decline in Debt Stock from USD 46.269bn as at 31/12/04 to USD 17.35bn by 31/12/06.
3. Debt now sustainable and regularly serviced – no more defaults.
4. Debt Composition and Debt structure now more favourable.
  - Total Debt as at 31/12/10 was USD 35.093bn : External Debt was 13.05% (78% in 2004).
  - 93% of External Debt as at 31/12/10 was concessional.
  - Maturity of the Domestic Debt has been extended – short term component reduced from 64% in 2004 to 33% in 2010.
  - Debt to GDP Ratio as at 31/12/10 was 18.06% compared to the threshold of 40% adopted by the FGN and reduced to 25% in 2010.
5. Revived the Domestic Bond Market in 2003 and introduced framework, products and processes that have become reference points for the market.
6. Issued a USD Bond in the ICM in January 2011.
7. Issued special Bonds to enable the FGN honour its pension obligations and payments to contractors.
8. Active support for the creation of legal and institutional frameworks for effective debt management in the States. These are backed by capacity building

# TOOLS FOR MANAGING THE DEBT STOCK



- **Strategy and Policy**

- Total Debt
- External Debt
- Domestic Debt

- **National Debt Management Framework**

- **Borrowing Guidelines**

- External
- Sub-national

- **Debt Sustainability Analysis**

# TABLE 1: TOTAL PUBLIC DEBT OUTSTANDING, 2004-2010 (US\$ MILLION)



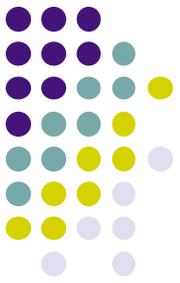
Type	2004	2005	2006	2007	2008	2009	2010
External Debt Stock	35,944.66	20,477.97	3,544.49	3,654.21	3,720.36	3,947.30	4,578.77
(% share of total)	(77.7)	(63.39)	( 20.43)	(16.44)	(17.39)	(15.29)	(13.05)
Domestic Debt Stock	10,314.79	11,828.76	13,805.20	18,575.67	17,678.55	21,870.12	30,514.33
(% share of total)	(22.3)	(36.61)	(79.57)	(83.56)	(82.61)	(84.71)	(86.95)
<b>Total</b>	<b>46,259.45</b>	<b>32,306.73</b>	<b>17,349.69</b>	<b>22,229.88</b>	<b>21,398.91</b>	<b>25,817.42</b>	<b>35,093.10</b>
	<b>(100)</b>						

# Table 2: TREND OF DOMESTIC DEBT OUTSTANDING BY INSTRUMENTS 2004-2010 (N' BILLION)



Instruments	2004	2005	2006	2007	2008	2009	2010
FGN Bonds	72.56	250.83	643.94	1,186.16	1,445.60	1,974.93	2,901.60
(% share of the total)	(5.30)	(16.4)	(36.7)	(54.6)	(62.3)	(61.18)	(63.75)
NTB's	871.58	854.83	695.00	574.92	471.93	797.48	1,277.10
(% share of the total)	(63.6)	(56.0)	(39.6)	(26.4)	(20.3)	(24.70)	(28.06)
Treasury Bonds	424.94	419.27	413.60	407.93	402.26	392.07	372.90
(% share of the total)	(31.0)	(27.4)	(23.5)	(18.8)	(17.3)	(12.15)	(8.19)
Development Stocks	1.25	0.98	0.72	0.62	0.52	0.52	0.22
(% share of the total)	(0.09)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)
Promissory Notes	-	-	-	-	-	63.03	-
(% share of the total)	(-)	(-)	(-)	(-)	(-)	(1.95)	(-)
<b>Total</b>	<b>1,370.33</b>	<b>1525.91</b>	<b>1753.26</b>	<b>2,169.63</b>	<b>2,320.31</b>	<b>3,228.03</b>	<b>4,551.82</b>
	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>

# SUB-NATIONALS



- External Borrowing: Guarantees and On-Lending
- Domestic Borrowing: Guarantees, On-Lending and processing of ISPOs
- Requirements are spelt out in the Sub-national Borrowing Guidelines
- For Bonds, the requirements are as spelt out in ISA, 2007
- In advising on ISPOs, objective is to ensure that the sub-national can service its existing debt and the proposed new borrowing.

# SUMMARY AND OUTLOOK



- Debt Management is dynamic.
- Debt Management is important for advanced and developing countries.
- The DMO's focus remains:
  - To create opportunities for the Private Sector and sub-nationals.
  - To support the development of the domestic financial markets (new products, processes etc).
  - To equip the sub-nationals for improved debt management.
  - Active Management of the debt portfolio to ensure that it remains sustainable while also supporting the government's initiatives/strategies for developing infrastructure and supporting the real sector. Examples are: Public Private Partnership Guarantees(for the public and private sectors) and On-Lending.



**Thank You**