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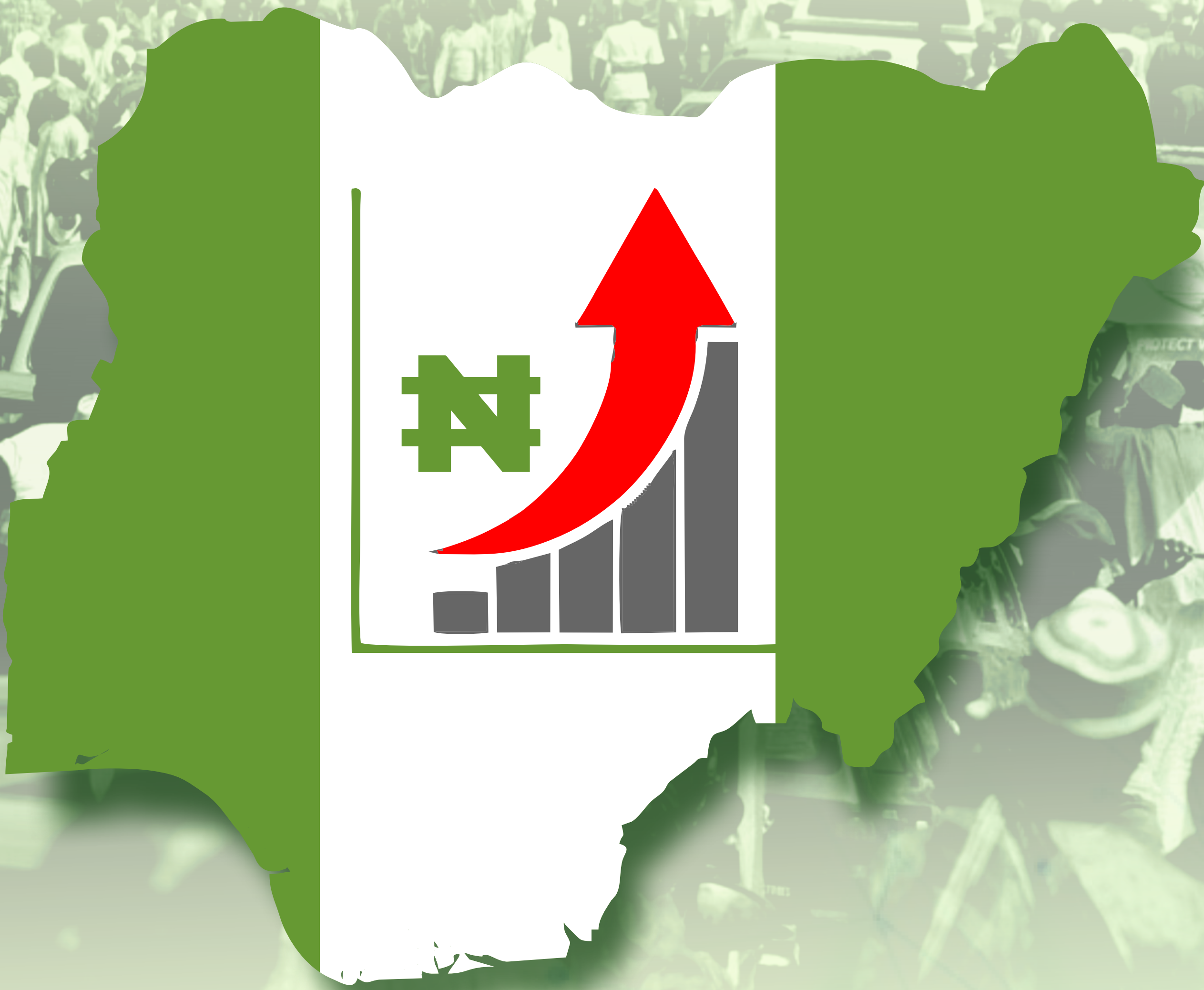

TREND ANALYSIS OF NIGERIA'S DEBT STOCK

2010- 2020

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ABBREVIATIONS

ADF	African Development Fund
AfDB	African Development Bank
APPEALS	Agro-Processing, Productivity Enhancement and Livelihood Improvement Support Project
ATI	African Trade Insurance
BADEA	Arab Bank for Economic Development in Africa
CBN	Central Bank of Nigeria
CIT	Company Income Tax
CSOs	Civil Society Organisations
DISCOs	Distributions Companies
DMO	Debt Management Office
DPs	Development Partners
DRM	Domestic Resource Moblisation
EITI	Extractive Industries Transparency Initiative
FCT	Federal Capital Territory
FEC	Federal Executive Council
FG	Federal Government
FGN	Federal Government of Nigeria
FRA	Fiscal Responsibility Act
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ICM	International Capital Market
IDA	International Development Association
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
INEC	Independent National Electoral Commission
LGAs	Local Government Areas
LIFE	Livelihood Improvement Family Enterprises Project
MDAs	Ministries, Department and Agencies
MTDS	Medium-Term Debt Strategies
NASS	National Assembly
NDMF	National Debt Management Framework
NEITI	Nigerian Extractive Industries Transparency Initiative
NSDP	Nigeria Statistics Development Programme
NTBs	Nigerian Treasury Bills
SPESSE	Sustainable Procurement, Environmental and Social Standards Enhancement Project
SUBDMO	Sub-National Debt Management Capacity Building Project
TOR	Terms of Reference
USD	United State Dollars
VAT	Value Added Tax

EXECUTIVE SUMMARY

Part 1 is the introduction; it deals specifically on the terms of reference (TOR). The specific TOR for the debt Analysis is as follows:

- Conduct a Desk Review to make a detailed comparative and trend analysis of Nigeria debt incidences over the period, 2010 to 2020.
- Classify into sectors upon which specific loan contractual agreement was entered by the relevant authourity and what was obtained.
- Determine possibly the amount or the material benefits in terms of infrastructure allocated to different geographical zones, states, senatorial zones, and local government areas, LGAs, given the specific loans obtained by the government.
- Demonstrate the dimension and partern of inherent inequality in the loan allocations with regards to geography.
- Provide practical policy alternatives to government for Domestic Resource Moblisation (DRM), to cut down on borrowings.

The analysis enters an immediate caveat and limitation. The first is that the Debt Management Office (DMO) does not keep an up to date public database of Nigeria's debts. There is no current listing of all the debts; their source, amount outstanding, etc. As such, the author had to search on the websites of creditors acknowledged in DMO's reports to document Nigeria's indebtedness. The second limitation is that the geographic coverage of the proceeds of debts were not listed on the summary page of most debts. The author had to read through tens and sometimes hundreds of pages of appraisal and other documents to get information on beneficiary states and regions. The third is that the analysis did not cover all outstanding loans. To do that would have required months to complete as against about two weeks spent on this assignment.

The analysis is a desk study which relied on information gleaned from the website of the Debt Management Office (DMO) on the trajectory, composition, and breakdown of Nigeria's debts over a specified period. Although the author drew some charts, virtually all the tables on debt were taken from various publications on DMO's website. The details of loans were sourced from the websites of the World Bank, African Development Bank, etc., through the summary, appraisal, implementation, etc., documents of the loans. The author's opinions are mainly found in the recommendations.

Part 1 provides a definition of debt and reviews the legal and policy environment governing debts within the study period 2010 to 2020. It reviewed the conditions for borrowing, debt limits, etc. under the Fiscal Responsibility Act (FRA) and the functions of the Debt Management Office under Debt Management office (Establishment) Act. It reviewed the provisions of the National Debt Management Framework 2008-2012, Medium Term Debt Strategy 2012-2015, Debt Management Strategy 2016-2019, and the extant Revised Debt Management Strategy 2020-2023.

Part 2 focused on the debt trajectory 2010 to 2020. It reviewed the composition of Nigeria's debts as at December 2020. It revealed that between 2010 and 2020, the total public debt grew geometrically in Naira and increased by 528.8% while the USD equivalent grew by 146.1%. The disparity in growth of the Naira and Dollar values reflects the depreciating value of the Naira and the economic condition at the time. From less than N200=1USD, in 2010, the dollar exchanges for not less than N400 in 2020. The study disaggregated the debts into the external and domestic components.

The latest indepth literature available on debt disaggregation and analysis from the DMO was for the period between 2014-2018. The analysis reviewed the public debt and its GDP ratio, external debts by source – multilateral, bilateral, Eurobonds and diaspora bonds, and their origins from respective creditor agencies. Multilateral loans are the biggest source at 43.58% of the loans at end 2018 followed by Eurobonds at 43%. The level of borrowing from Chinese sources and the projects funded from the debts were analysed.

The USD3.121billion Chinese loans are project-tied Loans. The projects, (eleven – 11 in number as of March 31, 2020), include: Nigerian Railway Modernisation Project (Idu-Kaduna section), Abuja Light Rail Project, Nigerian Four Airport Terminals Expansion Project (Abuja, Kano, Lagos and Port Harcourt), Nigerian Railway Modernisation Project (Lagos-Ibadan section) and Rehabilitation and Upgrading of Abuja – Keffi- Makurdi Road Project.

Trends in domestic debts and their sources including domestic debts by holder category was reviewed. FGN bonds are the highest source at 73%, followed by Nigeria Treasury Bill at 21.42%. The other instruments (Treasury Bonds, Saving Bonds, Sukuk, Green Bonds and Promissory Notes) contribute about 5.5% of the domestic debt. The Central Bank of Nigeria and other commercial Banks are heavily exposed to these domestic instruments up to 45.2% of overall and the non-bank public which is mainly about Pension Fund Administrators, Asset and Fund Managers, as well as Insurance companies holds the remaining part.

Part 3 reviewed debts categorised by sectors and geographical beneficiaries in the areas of agriculture, health, education, environment, water and sanitation, power, and economic reforms. S.43 of the Fiscal Responsibility Act, FRA, states that servicing of external debts shall be the direct responsibility of the government that incurred the debt and the cost of servicing federal government guaranteed loans shall be deducted at source from the share of the debtor government from the federation account.

Some of the external loans were procured by states through the federal government and as such, would qualify to be paid back by states in accordance with section 43 of the FRA.

The Debt Management Office, DMO website did not disaggregate information that shows loans strictly negotiated and obtained by FGN and disbursed to states which is different from state level loans facilitated by FGN in compliance with the fact that debt is a matter in the Exclusive legislative List. Therefore, there is insufficient information that could lead to a conclusion on the issue of equity in the allocation of proceeds of loans between the states and geopolitical zones.

Part 4 is the policy alternatives for domestic resource mobilisation. It starts with a note that as at year end 2020, FGN's retained revenue was N3.94 trillion, 73% of target. On the expenditure side, N9.97 trillion was appropriated (excluding GOEs and Project tied loans), while N10.08 trillion (representing 101%) was spent. Of the expenditure, N3.27 trillion was for debt service, and N3.19 trillion for personnel cost, including pensions.

Thus, debt service was 82.99% of retained revenue.

The recommendations were divided into sectoral and process issues. The sectoral recommendations are as follows:

- Placing a statutory cap on tax expenditure to not more than 20% of the total estimated value of each tax category.

- Universal and compulsory health insurance to raise funding for universal health coverage.

- Establishment of a Health Bank of Nigeria to raise funding for capital intensive health infrastructure and human resources for health.

- Establishment of a Road Fund and Road Management Authourity.

- Railway reforms to remove railways from the Exclusive Legislative List and open it up to investments from the private sector and states.

- Reorganising the National Housing Fund to make it responsive to contributors.

- Electricity sector reforms to open the investment window to new investors considering that the current investors in DISCOs lack the technical, financial, and managerial capacity to turn the companies around.

Process recommendations are as follows:

- Create Special Purpose Vehicles for key infrastructure projects.

- Block leakages in FGN independent revenue.

- Strengthen the sanction and reward mechanism to curb corruption.

- Improve taxation through transparency, accountability, and value for money.

- Reduce the cost of governance.

- Attract investors through investor friendly policies and improving the ease of doing business.

- DMO to maintain a public database of debts.

In Part 5 which is the conclusion, it stated that the current debt to retained revenue profile of about 83% is not sustainable. The drive to raise new domestic revenue has been a long-term struggle; it should attract the energy, vision and vigour of both government and citizens. The major driver should be a commitment to expand the available resources rather than the current clamour for sections of the country to have more of the stagnant pool of available resources. Debt can be reduced if the country generates more revenue.

ACKNOWLEDGMENT

In recognition of Nigeria's rising debt profile and its implication for poverty eradication and national development, ActionAid Nigeria commissioned a research on Debt and National Development to unearth the underlying issues of debt management and its implication for resource mobilisation, fiscal management, and the delivery of development. The outcome of the research is expected to drive national conversation and help build consensus towards alternative sustainable revenue mobilisation for the country.

ActionAid is grateful to the researcher Eze Onyekpere for the data and fact driven nature of the work, deep reflection and analysis that has given a deeper insight into the question of debt management and national development in Nigeria. We believe this work will be a huge resource for debt engagement in Nigeria. ActionAid acknowledges Celestine Okwudili Odo and Kenneth Okoineme for framing and quality control on the research.

ActionAid Aid also wishes to acknowledge the contributions of Funmi Oyefusi and Suwaiba Yakubu Jubrin for their editorial work, Lola Iyanda for content editing, Blessing Ifemenam and Kyauta Giwa for their unrelenting support in actualising the research, Victor Idogho and Imaobong Edukere for their supports on the graphic design and illustration.

1. INTRODUCTION

1.1.1 The Terms of Reference

The topic for this trend analysis is based on the fact that the Federation of Nigeria is indebted to various creditors and the task is to undertake an analysis that shows whether the debts are reducing, increasing or stagnant.

The specific terms of reference are as follows:

1. Conduct a desk review to make a detailed comparative and trend analysis of Nigeria debt incidences over the period, 2010 to 2020.

2. Classify into sectors upon which specific loan contractual agreement was entered by the relevant authourities and amount obtained.

3. Determine possibly the amount or the material benefits in terms of infrastructures allocated to different geographical zones, states, senatorial zones and LGAs, given the specific loans obtained by the governments.

4. Demonstrate the dimension and partern of inherent inequality in the loan allocations with regards to geography.

5. Provide practical policy alternatives to government for Domestic Resource Moblisation (DRM), to cut down on borrowings.

1.1.2 Limitations of the Study

The analysis revealed several caveat and limitations. The first is that the Debt Management Office (DMO) does not keep an up-to-date public database of Nigeria's debts. There is no current listing of all the debts, their sources, amount outstanding, etc. As such, the author had to search on the websites of creditors acknowledged in DMO's reports to document Nigeria's indebtedness.

The second limitation is that the geographic coverage of the proceeds of debts were not listed on the summary page of most debts. The author had to read through tens and sometimes hundreds of pages of appraisal and other documents to get information on beneficiary states and regions. The third limitation is that the analysis did not cover all outstanding loans. To do that would have required months to complete as against about two weeks spent on this assignment.

1.1.3 Methodology

The analysis is a desk study which relied on information gleaned from the website of the Debt Management Office (DMO) on the trajectory, composition, and breakdown of Nigeria's debts over the period relevant to this study.

Although the author drew some charts, virtually all the tables on debt were taken from various publications on DMO's website. The details of loans were sourced from the websites of the World Bank, African Development Bank, etc., through the summary, appraisal, implementation, and loan documents.

The author's opinion is mainly found in the recommendations.

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1.2 WHAT IS A DEBT?

Debt is defined by Investopedia as[1]:

Debt is an amount of money borrowed by one party from another. Debt is used by many corporations and individuals (states or nations)[2] as a method of making large purchases that they could not afford under normal circumstances. A debt arrangement gives the borrowing party permission to borrow money under the condition that it is to be paid back later, usually with interest.

Wikipedia defines debt as:[3]

Debt is an obligation that requires one party, the debtor, to pay money or other agreed-upon value to another party, the creditor. Debt is a deferred payment, or series of payments, which differentiates it from an immediate purchase. The debt may be owed by sovereign state or country, local government, company, or an individual. Commercial debt is generally subject to contractual terms regarding the amount and timing of repayments of principal and interest, loans, bonds, notes, and mortgages are all types of debt. In finance, debt is one of the primary financial instruments, especially as distinct from equity.

The Investopedia definition presents an interesting angle in its articulation of debt as a method of making large purchases that one cannot afford under normal circumstances. This is an issue we shall return to at a later state of this analysis. It raises a poser on the debts incurred for specific construction and services - were the debts incurred because of the inability to afford to provide those construction and services without the debts?

The Black's Law Dictionary defines debt inter alia as:[4]

A sum of money due by certain and express agreement. A specified sum of money owing to one person from another, including not only obligation of debtor to pay but right of creditor to receive and enforce payment…a fixed and certain obligation to pay money or some other valuable thing or things, either in the present or in the future.[5]

Key words arising from these definitions are borrowing, owing, debtor, etc. This provides the context of the definition of borrowing and debts by the Fiscal Responsibility Act of 2007. The FRA in its interpretative S.56 defines borrowing to mean any financial obligation arising from:

(i) Any loan including principal, interest, fees of such loan,

(ii) The deferred payment for property, goods, or services,

(iii) Bonds, debentures, notes, or similar instruments,

(iv) Letters of credit and reimbursement obligations in respect thereto,

(v) Trade or banker's acceptances,

(vi) Capitalized number of obligations under leases entered primarily as a method of raising financing or of financing the acquisition of the asset leased.

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1 https://www.investopedia.com/terms/d/debt.asp
2 Underlined added by author for contextualisation.
3 https://en.wikipedia.org/wiki/Debt
4 Black's Law Dictionary, Centennial Edition at page 403.
5 See State v Ducey 20 Ohio, App 2d 50, 266 N.E.2d 233, 235.

(vii) Agreements providing for swaps, ceiling rates, ceiling and floor rates, contingent participation, or other hedging mechanisms with respect to the payment of interest or the convertibility of currency and

(viii) A conditional sale agreement, capital lease or other title retention agreement.

Therefore, debt is beyond a deferred payment for goods, construction and services which may be seen as contractors' arrears arising from procurement transactions under the Public Procurement Act (PPA). Under S.37 of the PPA, interests are due on delayed payment. Loans, interests, fees, bonds, debentures, notes or similar instruments, letters of credit, etc. are all part of the borrowing which leads to a debt.

Debts can be internal or external. It can be denominated in local or foreign currency and can be short term, medium term, or long term in tenure. Various types of debts come with their associated challenges.

1.3 THE LAW AND POLICY ENVIRONMENT

1.3.1 The Legal Environment

This section reviews the law and policy environment governing public debts since the year 2007. The FRA is the principal legislation governing debts and borrowing. It was enacted in 2007 and has since not been amended.

41. (1) The framework for debt management during the financial year shall be based on the following rules-

(a) Government at all tiers shall only borrow for capital expenditure and human development, provided that such borrowing shall be on concessional terms with low interest rate and with a reasonably long amortisation period subject to the approval of the appropriate legislative body where necessary; and

(b) Government shall ensure that the level of public debt as a proportion of national income is held at a sustainable level as prescribed by the National Assembly from time to time on the advice of the Minister.

(2) Notwithstanding the provisions of subsection 1(a) of this section and subject to the approval of the National Assembly, the Federal Government may borrow from the capital market.

Borrowing is strictly for capital expenditure and human development. Capital expenditure is a more precise articulation of the purpose of borrowing, but human development throws the door for borrowing wide open. Human development seems like a nebulous term with no precise definition. S.41 (1) (b) builds on the concept of debt sustainability.

By S.42 of the FRA:

42. (1) The President shall, within 90 days from the commencement of this Act and with advice from Minister of Finance subject to approval of National Assembly, set overall limits for the amounts of consolidated debt of the Federal, State and Local Governments pursuant to the provisions of items 7 and 50 of Part I of the Second Schedule to the Constitution and the limits and conditions approved by the National Assembly, shall be consistent with the rules set in this Act and with the fiscal policy objectives in the Medium-Term Fiscal Framework.

(2) Outstanding judgment debts not paid shall be considered part of the consolidated debts for the purposes of application of the respective limits set in pursuance of this section.

To date, this section of the FRA has been in limbo 14 years after the FRA came into force. S.44 lists the conditions of borrowing.

> (1) Any Government in the Federation or its agencies and corporations desirous of borrowing shall; specify the purpose for which the borrowing is intended and present a cost-benefit analysis, detailing the economic and social benefits of the purpose to which the intended borrowing is to be applied.
>
> (2) Without prejudice to subsection (1) of this section, each borrowing shall comply with the following conditions:
>
> (a) The existence of prior authorisation in the Appropriation or other Act or Law for the purpose for which the borrowing is to be utilised; and
>
> (b) The proceeds of such borrowing shall solely be applied towards long-term capital expenditures.
>
> (3) Nothing in this section shall be construed to authorize borrowing more than the limits set out in section 41 of this Act

The section introduces inter alia, the dimension of preparing cost benefit analysis. However, instruments detailing the cost benefit analysis of public debts are not available to Nigerians as demanded in S.48 (1) of the FRA:

> The Federal Government shall ensure that its fiscal and financial affairs are conducted in a transparent manner and accordingly ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implications for its finances.

A very important agency on the management on Nigeria's debts is the DMO which in S.6 of the Debt Management Office (Establishment) Act is charged with the following functions.[6]

[6] Cap D.12, Laws of the Federation of Nigeria, 2014.

Box 1: Functions of the DMO

6.-(1) The Office shall:

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

(b) Prepare and submit to Federal Government a forecast of loan service obligations for each financial year:

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

(d) Verify and service external debts guaranteed or directly taken by the Federal Government

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

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

(g) Advise the Federal Government on the re-structuring and re-financing of all debt obligations

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

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

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

(k) Establish and maintain relationships with international and local financial institutions, creditors, and institutional investors in government debts

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

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

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

Maintaining a reliable database of all loans taken or guaranteed by the Federal or State Governments or any of their agencies when read with the duty of the federal government in S.48 of the FRA to: "ensure that its fiscal and financial affairs are conducted in a transparent manner and accordingly ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implications for its finances" This shows that the DMO needs to provide detailed information to inform the Nigerian people through posting all debt/borrowing agreements and contracts between the federal government, states of the federation or any MDA and creditors on its website.

This is an irreducible minimum obligation the DMO owes the Nigerian people.

1.3.2 The Policy Environment

This section reviews the National Debt Management Framework 2008-2012 (NDMF) and Medium-Term Debt Strategies (MTDS) for the study period.

A. National Debt Management Framework 2008-2012 (NDMF): The core outline of this Framework is as follows:

The Framework as approved by the Federal Executive Council targets maximum ratio of external to domestic debt composition of 40% and 60% respectively, while for prudential reasons, the authourities adopt a total debt burden threshold of not more than 25% of GDP as against the international threshold of 40% for countries in Nigeria's peer group. The Framework further stipulates that new international borrowing can only be considered on concessional terms with a minimum grant element of 35%. Furthermore, it is also designed to facilitate the development of the domestic bond market and create benchmarks for corporate and sub-nationals. In addition, the borrowing mix for domestic debt is guided by the allocation of 75% and 25% for long- and short-term debts, respectively.

This Framework came shortly after Nigeria's exit from the debt burden of 2005.

B. MTDS 2012-2015:

The main objective was stated to be the development of a strategy that would meet the financing needs of government at minimal cost, maintain risk at prudent level and support the development of the debt market as well as facilitate private sector financing of critical infrastructure in the economy. Out of 4 strategies proposed, Strategy 4 which was the blend status was adopted:

It assumes a relatively less net domestic financing but an increased level of external financing as the country moves from an IDA only to blend status. As a blend status country, it is expected that Nigeria would have a reduced access to the concessional window and shift focus to non-concessional sources of finance with bigger envelopes and include the relatively more expensive IBRD and the ICM sources of financing. Although this may increase exposure to currency risk, it is consistent with the goal of the authourities to speed up economic development, particularly in infrastructure projects that require heavy and prompt investment outlays that may not be easily available from IDA and domestic financing windows on timely basis and in desired amounts.

The MTDS 2012-2015 appreciates the currency risk exposure arising from the blend model but still went ahead based on its assumed analysis of the cost risk trade-off. It foresaw a change in the debt profile from 13% and 87% as at end 2010 to 33% and 67% by end of 2015 for foreign and domestic debts respectively and this was in tandem with 40:60 ratio for external and domestic debts of the existing debt composition policy.

C. Nigeria's Debt Management Strategy 2016-2019: [7]

The design of this debt management strategy was based on the following:

The imperatives for a formal debt management strategy for Nigeria are based on the expiration of the maiden Debt Management Strategy, 2012-2015, and more importantly, the fact that the country is currently under severe revenue pressure arising from a volatile macroeconomic environment and uncertain global economic outlook, which are due to the structural collapse in the international price of crude oil. Although the country currently has low debt levels relative to total output, the significant drop in revenue poses a substantial risk to the public debt portfolio, if measures are not taken to structure the portfolio in line with current economic realities. Yet the country needs additional resources (including debt resources) to fund economic recovery and diversification. Accordingly, the focus is to develop a debt management strategy that would ensure that in the face of macroeconomic and other financial constraints, the cost and risk profile of the public debt portfolio remains within acceptable limits over time.

The preferred debt management strategy based on current economic realities would require:

i. An increase in external financing with a view to rebalancing the public debt portfolio in favor of long-term external financing to reduce the debt service cost and lengthen the maturity profile. To achieve a significant reduction in cost would require that the government accesses relatively cheaper long-term external financing in such a way that it first maximizes the available funds from the concessional and semi concessional sources, considering what may be readily available within a given period, after which other external sources would be accessed.

ii. Further lengthening of the maturity profile of the domestic debt portfolio through reduction in the issuance of new short-dated debt instruments or refinancing of maturing NTBs with external financing or both. Although the impact on cost of the introduction of new debt instruments into the domestic debt market is expected to be relatively small, the impact on maturity profile of total domestic debt could be significant, hence reducing the risk of bunching, roll-over risk, and the associated debt servicing costs.

The main constraints to the preferred strategy include:

i. An increase in the foreign exchange risk, due to the rise in external debt relative to domestic debt; and,

ii. The need to maintain liquidity in the short end of the government domestic securities market.

In the case of foreign exchange risk, this would be mitigated by:

i. The fact that the borrowings (both domestic and external) will be used to fund priority infrastructure projects, which will boost output and put the economy on the path of sustainable growth and competitiveness; and,

ii. The fact that the loans are long-term (i.e., 15 years and above), which means that the economy would have been sufficiently diversified for increased export earnings for ease of debt service payments.

Furthermore, the debt composition portfolio is stated to be:

Targeting an optimal debt composition of 60:40 for domestic and external debt, respectively, as against the 84:16 as at end-2015, by progressively increasing the percentage share of external financing, considering the need to moderate foreign exchange risk in the short to medium-term.

7 https://www.dmo.gov.ng/publications/other-publications/debt-management-strategy/1288-nigeria-s-debt-management-strategy-2016-2019/file

Targeting a domestic debt mix of 75:25 for long and short-term debts, respectively, (currently at 69:31 as at end-2015), to reduce the cost of debt service and roll-over risk. Targeting an optimal debt composition of 60:40 for domestic and external debt, respectively, as against the 84:16 as at end-2015, by progressively increasing the percentage share of external financing, considering the need to moderate foreign exchange risk in the short to medium-term.

D. Revised Debt Management Strategy 2020-2023:[8]

The Strategy presented three scenarios and settled for scenario 2. The essential contours are as follows:

Strategy 2 (S2): Maximize Domestic Borrowing, using longer tenured instruments.

i. Borrowing will be from both External and Domestic sources and will tilt more to Domestic borrowing in the ratios of External to Domestic of 35:65 for 2021-2023, while the ratio for 2020, which is already being implemented is 47:53.

ii. For External Borrowing, funding from the Concessional sources of the Multilateral and Bilateral windows will be maximised, subject to availability, while a reduction in External Commercial Borrowing compared to Strategy 1 will be replaced with longer-tenured Domestic Borrowing.

iii. New Domestic Borrowing will be mainly through longer-term instruments, while existing Nigerian Treasury Bills (NTBs) will be refinanced throughout the projection period. Infrastructure Bonds (Sukuk and Green Bonds, where practicable), and FGN Savings Bond are to be issued within the period.

iv. Continued issuance of Promissory Notes to settle FGN's arrears as approved by FEC and NASS. These are non-interest-bearing debt instruments, and therefore did not impact on Interest Expense in the projections.

Strategy 2 was chosen as the most preferred Strategy because:

It presents the lowest exposure to Refinancing (Average Tenor of the Portfolio), and Foreign Exchange Risks. S2 has the highest cost, in terms of Weighted Average Interest Rate for Total Debt at 7.65%, compared to 7.26% and 7.03% for S1 and S3, respectively. Given the state of the international financial markets, in terms of the ability of Nigeria to access large sums for long tenors in the ICM, coupled with the strong liquidity and low interest rates in the domestic market, S2 is the more feasible Strategy.

[8] https://www.dmo.gov.ng/publications/other - publications/debt- management - strategy/3469 - nigeria - s -medium - term - debt-2020- 2023/file

2. THE DEBT TRAJECTORY 2010-2020

2.1 Nigeria's Total Public Debt Portfolio as of December 2020

Table 1 shows Nigeria's total debt portfolio as of December 2020.

Table 1: Nigeria's Total Public Debt Portfolio as of December 2020

	Debt Category	Amount Outstanding (US$'M)	Amount Outstanding (N'M)	% of Total
A.	**Total External Debt**	**33,348.08**	**12,705,618.48**	**38.60**
	FGN Only	28,574.45	10,886,865.45	33.08
	States and FCT	4,773.63	1,818,753.03	5.53
B.	**Total Domestic Debt**	**53,044.46**	**20,209,896.37**	**61.40**
	FGN Only	42,057.55	16,023,885.38	48.68
	States and FCT	10,986.91	4,186,010.99	12.72
C.	**Total Public Debt (A+B)**	**86,392.54**	**32,915,514.85**	**100**

Source: DMO Website

The note to Table 1 shows that 1) 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, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Plateau, Sokoto, Tararba, Yobe, Zamfara and the FCT) as of December 31, 2020. (2) CBN Official Exchange Rate of US$1 to NGN381 as of December 31, 2020 was used for conversion.

From Table 1, domestic and external debt respectively stood at 61.40% and 38.60% of the total debt. FGN is responsible for 81.76% of the debts while the remaining 18.245 is held by states.

2.2 Public Debt Stock 2010-2020

Table 2 and Figures 1 and 2 shows the trajectory of Nigeria's Public Debt Stock between 2010 and 2020.

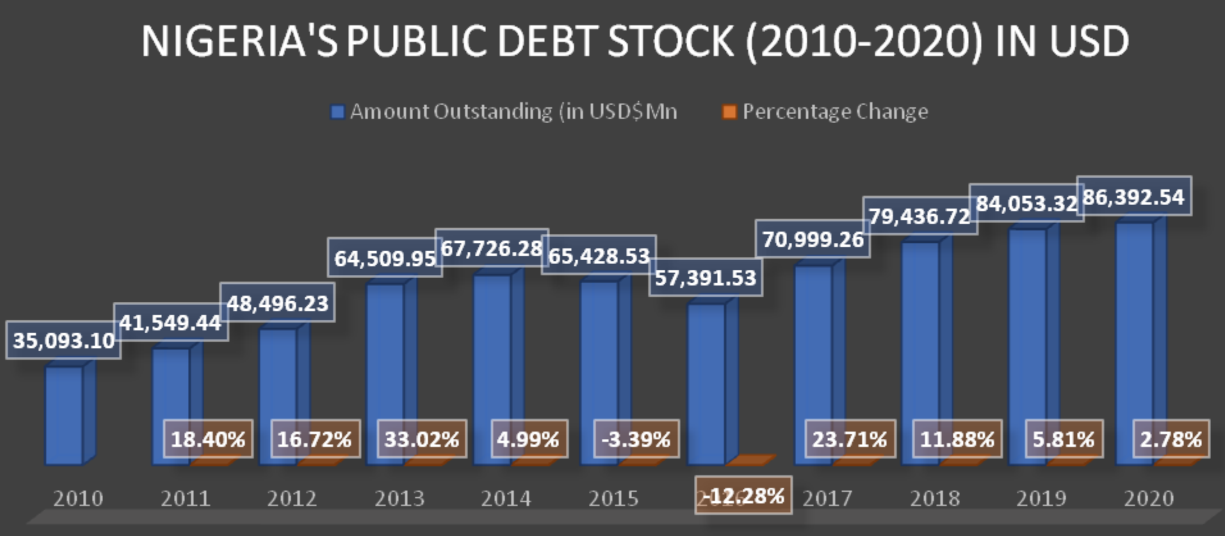
Table 2: Nigeria's Public Debt Stock, 2010 - 2020

Year	Amount Outs tanding (in USD$Mn)	Percentage Change	Amount Outstanding (in NGNMn)	Percentage Change
2010	35,093.10		5,234,837.73	
2011	41,549.44	18.40%	6,510,797.25	24.37%
2012	48,496.23	16.72%	7,554,258.00	16.03%
2013	64,509.95	33.02%	10,044,198.82	32.96%
2014	67,726.28	4.99%	11,243,120.22	11.94%
2015	65,428.53	-3.39%	12,603,705.28	12.10%
2016	57,391.53	-12.28%	17,360,009.58	37.74%
2017	70,999.26	23.71%	21,725,773.03	25.15%
2018	79,436.72	11.88%	24,387,071.74	12.25%
2019	84,053.32	5.81%	27,401,381.29	12.36%
2020	86,392.54	2.78%	32,915,514.85	20.12%

Source: DMO Website

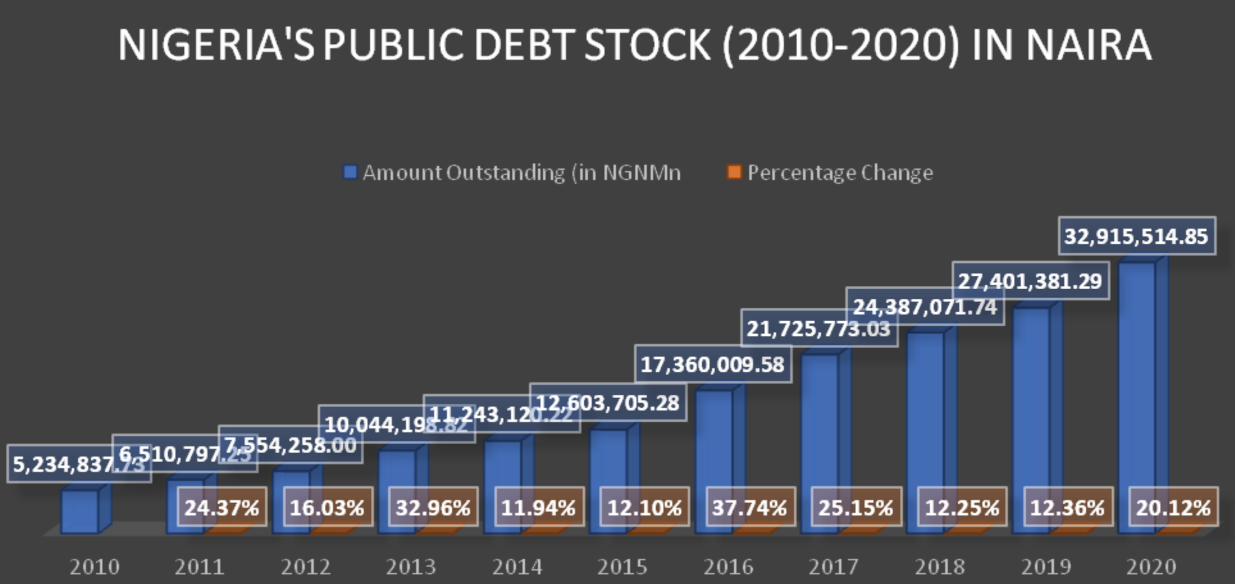
[9] See page 14 of the Strategy.

Figure 1: Nigeria's Public Debt Stock in USD



Source: DMO Website

Figure 2: Nigeria's Public Debt Stock in Naira



Source: DMO Website

Between 2010 and 2020, the total public debt grew geometrically in Naira; it increased by 528.8%, while the USD equivalent grew from by 146.1%. The disparity in growth of the Naira and Dollar values reflects the depreciating value of the Naira and the strength level of the economy. From less than N200=1USD early 2010, the dollar exchanged for not less than N400 in 2020.

The highest year on year percentage growth in the Naira value was recorded in 2016 with 37.74% increase, followed by the 32.96% increase in 2013 and 25.15% in 2017. Some of the borrowing, especially those done at a time of high oil prices may not have been necessary. In the USD component of the loans, the highest year on year percentage change was recorded in 2013 with 33.02% change, followed 23.71% in 2017 and 16.72% in 2012.

It is imperative to point out that these debt figures from the website of the DMO excludes over $25bn obtained by FGN as ways and means from the Central Bank of Nigeria (CBN). If this is included, and it should be rightly included, the debt will be in excess of $113.3bn.

2. 3 External and Domestic Debt Stock 2010-2020

Table 3 and Figures 3 and 4 provide more details on Nigeria's External and Domestic Debt Stocks for the period 2012 to 2020.

Table 3: Nigeria's External and Demestic Debt Stock, 2012-2020

Year	External Debt Stock	% Change	Domestic Debt Stock	% Change
2012	6,527.07		6,537,536.31	
2013	8,821.90	35.16%	8,670,628.99	32.63%
2014	9,711.45	10.08%	9,611,596.61	10.85%
2015	10,718.43	10.37%	10,492,174.57	9.16%
2016	11,406.28	6.42%	13,881,094.18	32.30%
2017	18,913.44	65.82%	15,938,260.39	14.82%
2018	25,274.36	33.63%	16,627,841.75	4.33%
2019	27,676.14	9.50%	18,378,959.65	10.53%
2020	33,348.08	20.49%	20,209,896.37	9.96%

Source: DMO Website

Figure 3: Nigeria's External Debt Stock

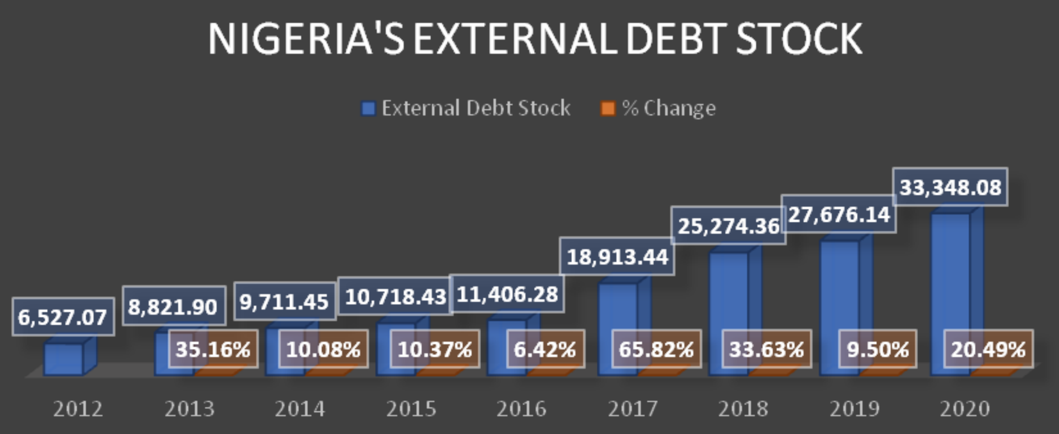
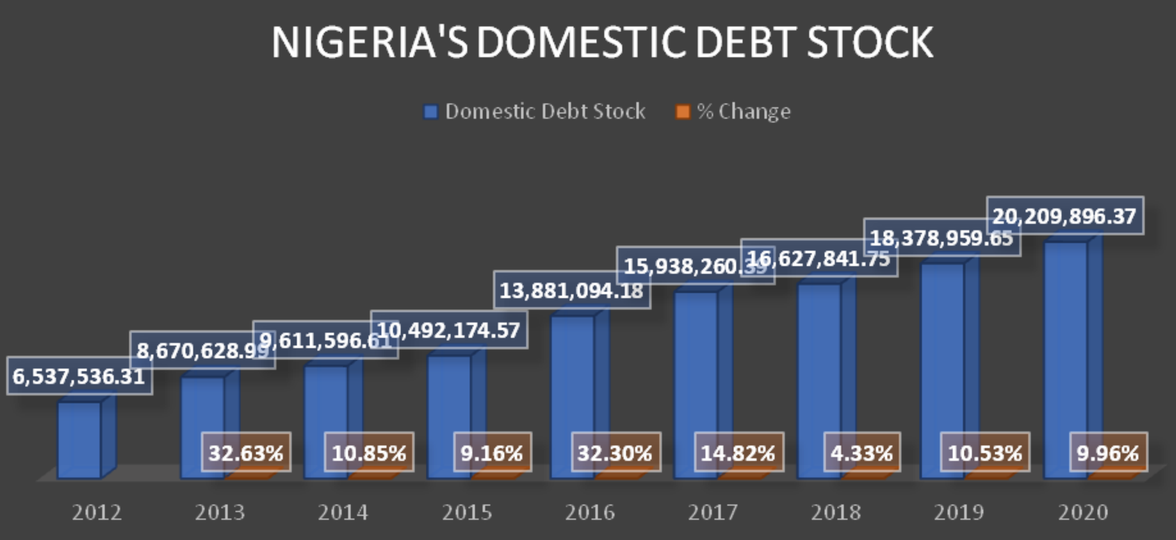


Figure 4: Nigeria's Domestic Debt Stock



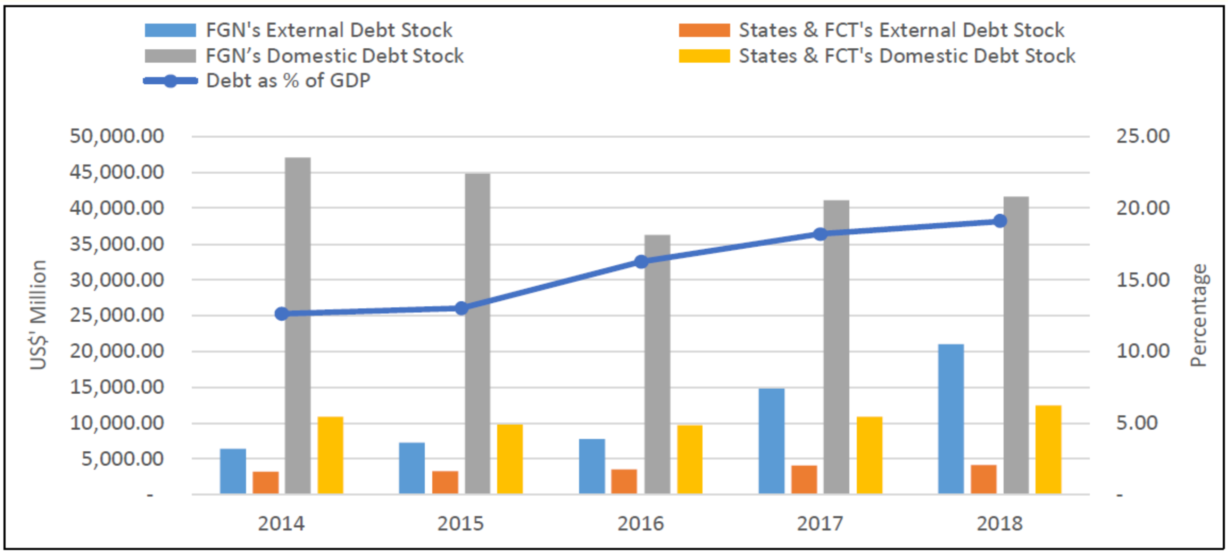
Source: DMO Website

The external debt stock increased by 410.9% between 2012 and 2020. The highest year on year growth was recorded in 2017 at 65.82%, followed by 35.16% growth in 2013 and 33.63% in 2018. The domestic debt component grew by 209.1% within the study period. The highest year on year increse was recorded in 2013 with a 32.63% growth, followed by 32.30% in 2016 and 14.82% in 2017. From Table 2 and Figures 3 and 4, external debt stock grew more than the domestic debt stock during the study period.

2.4 Public Debt 2014-2018

Figure 5 and Table 4 show the trend in total debt outstanding 2014 to 2018 and its relationship to the GDP.

Figure 5: Trends in Nigeria's Total Public Debt Outstanding, 2014 -2018



Source: DMO

Table 4: Nigeria's Total Public Debt Outstanding, 2014 -2018

	2014	2015	2016	2017	2018
External Debt Stock					
Federal Government of Nigeria					
US$' Million	6,445.63	7,348.52	7,838.66	14,796.30	21,043.65
NGN' Million	1,082,866.20	1,447,658.28	2,390,791.51	4,527,670.69	6,460,399.86
States & FCT					
US$' Million	3,265.82	3,369.91	3,567.62	4,117.13	4,230.72
NGN' Million	548,657.40	663,872.39	1,088,123.88	1,259,841.96	1,298,830.13
Total External Debt Stock					
US$' Million	9,711.45	10,718.43	11,406.28	18913.44	25,274.36
NGN' Million	1,631,523.60	2,111,530.71	3,478,915.40	5,787,512.64	7,759,229.99
as % of GDP	*1.84*	*2.18*	*3.26*	*4.85*	*6.07*
% of Total	*14.51*	*16.75*	*20.04*	*26.64*	*31.82*

DOMESTIC DEBT STOCK					
Federal Government of Nigeria					
US$' Million	47,047.77	44,857.85	36,256.41	41,142.11	41,610.44
NGN' Million	7,904,025.47	8,836,995.86	11,058,204.30	12,589,486.13	12,774,405.70
States & FCT					
US$' Million	10,967.06	9,852.25	9,728.84	10,943.71	12,551.91
NGN' Million	1,707,571.14	1,655,178.71	2,822,889.88	3,348,774.26	3,853,436.05
Total Domestic Debt Stock					
US$' Million	*58,014.83*	*54,710.10*	*45,985.25*	*52,085.82*	*54,162.35*
NGN' Million	*9,611,596.61*	*10,492,174.57*	*13,881,094.18*	*15,938,260.39*	*16,627,841.75*
as % of GDP	*10.81*	*10.84*	*13.01*	*13.35*	*13.02*
% of Total	*85.49*	*83.25*	*79.96*	*73.36*	*68.18*
NIGERIA'S TOTAL PUBLIC DEBT STOCK					
US$' Million	**67,726.28**	**65,428.53**	**57,391.53**	**70,999.26**	**79,436.72**
NGN' Million	**11,243,120.22**	**12,603,705.28**	**17,360,009.58**	**21,725,773.03**	**24,387,071.74**
as % of GDP	*12.65*	*13.02*	*16.27*	*18.20*	*19.09*

Source: DMO

FGN's component of the external debt stock between 2014 -2018 calculated in USD grew by 226.47% while the same amount calculated in Naira grew by 496.6%. The states and FCT external debt stock calculated in USD grew by 29.5% while the calculation in naira grew by 136.7%. The external debt component had risen to 31.82% of overall debt as at end of 2018 while the domestic debt was 68.18% of overall debt.

Furthermore, Nigeria's debt to GDP has been growing over the years; it stood at 19% by the end 2018.

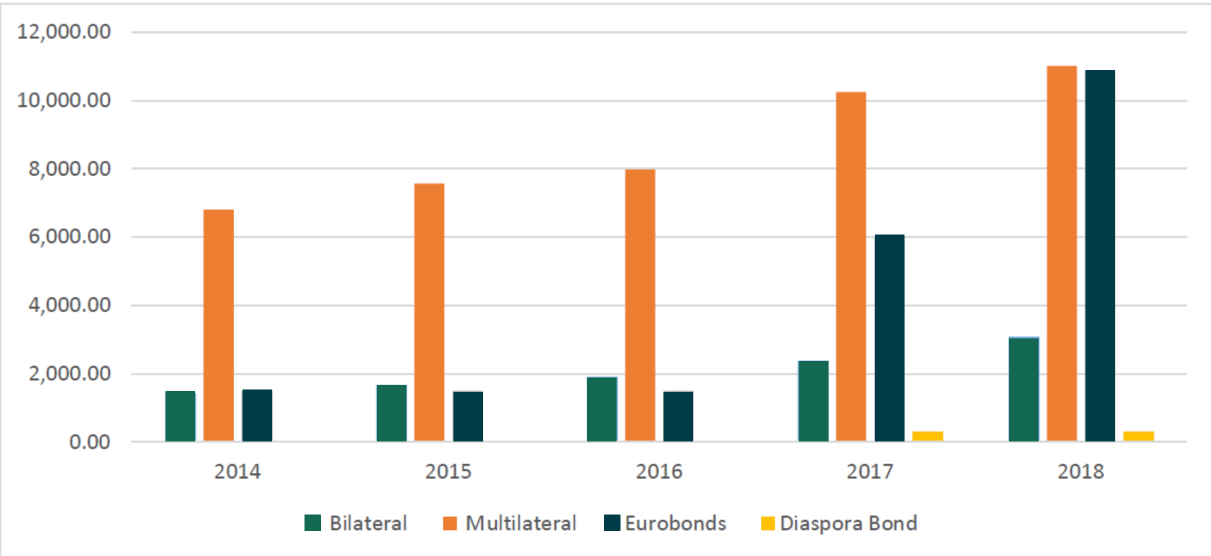
2.5 External Debt by Source, 2014-2018

Table 5 and Figure 6 show the external debt outstanding by source between 2014 and 2018.

Table 5: External Debt Outstanding by Source, 2014-2018 (US$' Million)

SOURCE	2014	2015	2016	2017	2018
1. Bilateral	1,412.07	1,658.00	1,918.06	2,372.00	3,091.68
2. Multilateral	6,799.36	7,560.43	7,988.22	10,241.44	11,014.34
Sub-Total	8,211.43	9,218.43	9,906.28	12,613.44	14,106.02
1. Eurobonds	1,500.00	1,500.00	1,500.00	6,000.00	10,868.35
2. Diaspora Bond	0	0	0	300.00	300.00
Sub-Total	1,500.00	1,500.00	1,500.00	6,300.00	11,168.35
Grand Total	**9,711.45**	**10,718.43**	**11,406.28**	**18,913.44**	**25,274.36**
CREDITOR CATEGORY AS % OF TOTAL					
1. Bilateral	14.54	15.47	16.82	12.54	12.23
2. Multilateral	70.01	70.54	70.03	54.15	43.58
Sub-Total	**84.55**	**86.01**	**86.85**	**66.69**	**55.81**
1. Eurobonds	15.45	13.99	13.15	31.72	43.00
2. Diaspora Bond	0.00	0.00	0.00	1.59	1.13
Sub-Total	**15.45**	**13.99**	**13.15**	**33.31**	**44.19**
Grand Total	**100**	**100**	**100**	**100**	**100**

Figure 6: Trends in External Debt Stock, 2014–2018



Source: DMO

From Table 5 and Figure 6, debts from all categories have been on the increase during the period. Multilateral loans are the biggest source at 43.58% of the loans at end 2018 followed by Eurobonds at 43%. The Diaspora bond component is very low and became part of debt mix in 2017. The 2018 DMO Annual Report states:

> "The growth of Multilateral Debt from US$6,799.36 million in 2014 to US$11,014.34 million in 2018 was stated to be due to the need to maximise funds from these sources at concessional terms, which is in line with the Nigeria's Debt Management Strategy. In the same vein, the share of Eurobonds and Diaspora Bond also went up significantly in 2018, as the country accessed more funds from the ICM".

Table 6 shows the external debt stock by source as at end of December 2018.

Table 6: External Debt Stock by Source as of December 31, 2018 (US$' Million)

Category	Principal Balance	Principal Arrears	Interest Arrears	Total	Percentage
Multilateral – WB Group					
IDA	8,550.11	0	0	8,550.11	
IBRD	124.18	0	0	124.18	
AfDB	1,264.61	0	0	1,264.61	
ADF	822.73	0	0	822.73	
Other Multilaterals					
BADEA	5.88	0	0	5.88	
EDF	61.25	0	0	61.25	
IDB	16.13	0	0	16.13	
IFAD	169.45	0	0	169.45	
Sub-Total	**11,014.34**	**0**	**0**	**11,014.34**	**43.58%**
Bilateral					
China (Exim Bank of China)	2,485.08	0	0	2,485.08	
France (AFD)	344.63	0	0	344.63	
Japan (JICA)	75.16	0	0	75.16	
India (Exim Bank of India)	14.79	0	0	14.79	
Germany (KFW)	172.02	0	0	172.02	
Sub-Total	**3,091.68**	**0**	**0**	**3,091.68**	**12.23%**
Commercial					
Eurobonds	10,868.35	0	0	10,868.35	
Diaspora Bond	300.00	0	0	300.00	
Sub-Total	**11,168.35**	**0**	**0**	**11,168.35**	**44.19%**
GRAND TOTAL	**25,274.36**			**25,274.36**	**100.00%**

Source: DMO Website

Commercial loans, mainly in Eurobonds and a little of Diaspora Bonds have the highest percentage of 44.19% followed by multilaterals as 43.58%. The World Bank Group takes the lead in multilateral loans. Among the bilateral loans, Exim Bank of China has the highest percentage. It is imperative to reproduce a part of a recent media brief by DMO on the issue of China loans.

> "As of March 31, 2020, the total borrowing by Nigeria from China was USD3.121 billion (₦1,126.68 billion at USD/₦361). This amount represents only 3.94% of Nigeria's Total Public Debt of USD79.303 billion (₦28,628.49 billion at USD/₦361) as of March 31, 2020. Similarly, in terms of external sources of funds, Loans from China accounted for 11.28% of the External Debt Stock of USD27.67 billion at the same date.
>
> These data show that China is not a major source of funding for the Nigerian Government.

What are the Terms of the Loans from China?

The Total Borrowing from China of USD3.121 billion as of March 31, 2020, are concessional Loans with Interest Rates of 2.50% p.a., Tenor of Twenty (20) years and Grace Period (Moratorium) of Seven (7) years. The Terms and other details of the Loan are available at www.dmo.gov.ng. These Terms are compliant with the provisions of Section 41 (1a) of the Fiscal Responsibility Act, 2007. In addition, the low interest rate reduces the Interest Cost to Government while the long tenor enables the repayment of the principal sum of the Loans over many years. These two benefits make the provisions for Debt Service in the Annual Budget lower than they would otherwise have been if the Loans were on commercial terms.

What Were the Loans Used For?

The USD3.121 billion Loans are project-tied Loans. The projects, (eleven – 11 in number as of March 31, 2020), include: Nigerian Railway Modernisation Project (Idu-Kaduna section), Abuja Light Rail Project, Nigerian Four Airport Terminals Expansion Project (Abuja, Kano, Lagos, and Port Harcourt), Nigerian Railway Modernisation Project (Lagos-Ibadan section) and Rehabilitation and Upgrading of Abuja – Keffi-Makurdi Road Project. See a Full List of the Projects at www.dmo.gov.ng.

The immediate impact assessment of some of these loans from China is seen in the construction of the Idu –Kaduna rail line. Also, the new International Airport in Abuja, has improved air transportation for the populace, while the Lagos – Ibadan rail line when completed, will ease traffic on the busy Lagos -Ibadan Expressway. The projects also have the added benefits of job creation, through direct and indirect service providers, several which are small and medium enterprises.

It is widely acknowledged that investment in infrastructure is one of the most effective tools for countries to achieve economic growth and development. Using Loans from China to finance infrastructure is thus in alignment with this position.

2.6 Domestic Debts 2014-2018

Table 7 shows the composition of domestic debts 2014-2018.
Table 7: Nigeria: Trend in Domestic Debt Outstanding by Instruments, 2014-2018

Instruments	2014 N'Billion	2015 N'Billion	2016 N'Billion	2017 N'Billion	2018 N'Billion
FGN Bonds	4,792.28	5,808.14	7,564.94	8,715.81	9,334.74
NTBs	2,815.52	2,772.87	3,277.28	3,579.80	2,735.97
Treasury Bonds	296.22	255.99	215.99	175.99	150.99
FGN Savings Bond	-	-	-	7.2	10.8
FGN Sukuk	-	-	-	100	200
Green Bonds	-	-	-	10.69	10.69
Promissory Notes	-	-	-	-	331.27
Total	**7,904.02**	**8,837.00**	**11,058.21**	**12,589.49**	**12,774.41**

Source: DMO

FGN bonds are the highest source at 73%, followed by Nigeria Treasury Bill at 21.42%. The other instruments contribute about 5.5% of the domestic debt.

Table 8: FGN's Domestic Debt by Holder Category, as at December 31, 2018 (N' Billion)

Instruments	Central Bank	Banks	Non-Bank Public	Sinking Fund	Amount Outstanding
FGN Bonds	1,582.27	3,299.82	4,452.65	-	9,335.34
Nigerian Treasury Bills (NTBs)	367.26	468.76	1,899.94	-	2,735.96
Treasury Bonds	55.91	-	-	95.08	150.99
Savings Bond	-	-	10.75	-	10.75
FGN Sukuk	-	-	200.00	-	200.00
Green Bonds	-	-	10.69	-	10.69
Promissory Notes	-	-	331.27	-	331.27
Total	**2,005.44**	**3,768.58**	**6,905.30**	**95.08**	**12,774.40**
% of Total	**15.70**	**29.50**	**54.06**	**0.74**	**100**

Source: CBN

The CBN and other commercial banks are heavily exposed to these domestic instruments up to 45.2% while the non-bank public is mainly about Pension Fund Administrators, Asset and Fund Managers, as well as Insurance companies holding the remaining part.

3. NIGERIA'S DEBT CATEGORISED BY SECTORS AND GEOGRAPHICAL BENEFICIARIES

Nigeria has borrowed massively across so many sectors. It will take long term research to be able to provide a comprehensive analysis of the individual debts accrued over time. This analysis will take a sample of these loans in some key sectors and use them to draw inferences. The areas of focus will be agriculture, health, education, environment, water and sanitation, power, and economic reforms.

3.1 AGRICULTURE

3.1.1 Rural Access and Mobility Project (RAMP 2):

This is a World Bank US$244.36 million facility granted to the Federal Government of Nigeria. Its development objective is to achieve improvement in transportation and to ensure sustained access to the rural population by rehabilitation and maintenance of major rural transport infrastructure in a sustainable manner in selected states in Nigeria. The selected states include Adamawa, Enugu, Niger, Osun, and Imo.[10]

According to the project web page[11], the project has three components:

> "(1) Upgrading and Rehabilitation of Rural Transport Infrastructure component will finance the upgrading and/or rehabilitation of an estimated 1,450 km of rural roads in tier-one states.
>
> (2) Community-based road maintenance and annual mechanised maintenance component will finance the maintenance of the roads rehabilitated under Component 1, as well as a few other pilot roads to build up the maintenance system while the roads are being rehabilitated.
>
> (3) Project Management and Strengthening of State and Federal Road Sector Institutional, Policy and Regulatory Framework component will provide a comprehensive institutional development package at the state and federal levels to: (a) support an effective implementation of the project (including through technical audits, whenever needed); (b) design and implement sound rural transport policies; (c) improve the planning and execution of public expenditures in rural transport; and (d) promote the dissemination of best practices, as well as to prepare a possible scaling up of the project in tier one and tier two states."

.

3.1.2 IFAD: This is a US$330.56 million programme out of which IFAD financing is US$213.95 million[12]. The approval date was in 2012 and it is to terminate in 2022. The programme is for Value Chain Development. It adopts a general and demand-driven approach to address the bottlenecks associated with the cassava and rice value chains. The programme strives to achieve this through inclusive strategy, capacity building of the players along the chain, producers, and processors alike, so also the public and private institutions, service providers, policymakers and regulators.

The focus of the programme is to ensure the development of markets for agriculture and to improve access to market for smallholder farmers and other processors. It also focuses on enhancing the productivity of smallholders through strengthening the farmers' organisations and to support their production. The states that the programme is active in include Ogun, Niger, Kogi, Nasarawa, Anambra, Enugu, Ebonyi, Benue and Taraba.

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[10] See https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjspMG797TvAhUFOuwKHap2CFsQF jABegQIAhAD&url=http%3A%2F%2Fdocuments.worldbank.org%2Fcurated%2Fen%2F810051491817957520%2Fpdf%2FSFG3251-RP-P095003-Box402900B-PUBLIC-Disclosed-4-6-2017.pdf&usg=AOvVaw2Pa8Fi --v74GXj4aZo -2uk

[11] See https://projects.worldbank.org/en/projects-operations/project-detail/P095003

[12] Others include Co-financiers (International – US$7.95 million); Co-financiers (Domestic) include: National Government US$15.6 million, Nationa l Government (add) US$27.8 million, Beneficiaries additional financing US$11.7 million, Beneficiaries US$8.07 million and Private sector local US$18.52 million. See the facility webpage https://www.ifad.org/en/web/operations/project/id/1100001594 for more details.

3.1.3 The Livelihood Improvement Family Enterprises Project (LIFE):

For the LIFE (ND) loan,[13] "The Livelihood Improvement Family Enterprises Project in the Niger Delta of Nigeria (LIFE-ND) aims to address the growing numbers of restive youth by sustainably enhancing incomes and food security, and by creating jobs for rural women and youth in the Niger Delta. The project will build on the successes of earlier IFAD-supported projects to develop the supply of skilled youth labour, and it will strengthen the capacity of institutions at the state and community levels to work with private-sector actors".

The total project cost is US$ 130.01 million; IFAD Financing is US$ 60 million. The Co-financiers (Domestic) are Niger Delta Development Commission US$ 30 million; Local Government US$ 4.88 million and Federal Government US$ 3.06 million.[14] LIFE-ND will be implemented in the nine Niger Delta states: Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo, and Rivers.

3.1.4 ENABLE Youth Nigeria Programme:

ENABLE Youth is a five-year programme that combines the vision of IITA and the African Development Bank for young persons in Africa. It is a $523m facility of which the ADB is contributing $250m, AGTF $30m while the rest is from internally sourced in Nigeria.[15] The ENABLE Youth Nigeria Programme seeks to promote youth entrepreneurship in agriculture.[16] The location of its projects so far is in the Federal Capital Territory in Abuja, Kano, Onne (Rivers State), and Borno State

> "In 2012, a project was initiated in IITA, Ibadan, Nigeria, to guide underemployed university graduates towards careers in market-oriented agriculture and agribusiness. The approach used was experiential, with clusters of youth who completed their mandatory year-long youth service provided with support—resources and expertise—to explore options for income generation, and then develop business plans and enterprises around the most promising ones. This IITA Youth Agripreneurs (IYA) initiative incorporated diverse but complementary skills of an initial 32 individuals. Within 18 months, the group successfully produced tons of quality planting materials (seed, stems, suckers) of cassava, maize, soybean, and new plantain varieties. They initiated vegetable, fish and soymilk operations, leading to the creation of a marketing arm within the group".

3.1.5 Say No to Famine:

The AFDB states of the "Say No to Famine" as Follows:[17]

The Bank approved the "Say No to Famine" Framework in May 2017 as the Bank's response to coordinated response to its Regional Members Countries (Ethiopia, Somalia and South Sudan), Kenya, Uganda and Nigeria) that have been severely affected by prolonged drought periods, conflicts and unstable food production systems, leading to the increased exposure of vulnerable populations to chronic hunger and malnutrition. The "Say No to Famine"- Addressing Food and Nutrition Insecurity in North-East Nigeria seeks to curb fragility aggravated by the Boko Haram insurgency. The Project is part of ongoing Federal Government efforts toward North-East States' Emergency Transition, Recovery and Peacebuilding, elaborated by the five-year programmatic "Buhari Plan" of 2016. The project aligns with interventions by Development Partners (DPs) within the Recovery and Peace Building Assessment (RPBA), which seeks to support the implementation of the "Buhari Plan".

The total sum involved is $13.21m with the ADF contributing $11.89m while the Federal Government of Nigeria contributes $1.32m. It is for interventions in North Eastern Nigeria.[18]

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[13] https://www.ifad.org/en/web/operations/project/id/2000001043/country/nigeria
[14] https://www.ifad.org/en/web/operations/project/id/2000001043/country/nigeria. Loan approval date is 11th December 2017 and the duration is for the period 2017 – 2025.
[15] https://www.afdb.org/en/documents/document/nigeria-enable-youth-project-appraisal-report-93554
[16] https://www.iita.org/enable/#:~:text=ENABLE%20Youth%20is%20a%20five,and%20at%20the%20country%20level
[17] https://www.afdb.org/en/documents/document/nigeria-say-no-to-famine-addressing-food-and-nutrition-insecurity-in-north-east-nigeria-appraisal-report-109078
[18] African Development Fund : Nigeria; Say No to Famine - Addressing Food and Nutrition Insecurity In North-East Nigeria; Projec t Appraisal Repot.

3.1.6 Agro-Processing, Productivity Enhancement and Livelihood Improvement Support Project (APPEALS):

For APPEALS, the World Bank states of the USD200m commitment as follows:[19]

"The development objective of the Agro-Processing, Agricultural Productivity Enhancement and Livelihood Improvement Support Project for Nigeria is to enhance agricultural productivity of small and medium scale farmers and improve value addition along priority value chains in the Participating States. The project has five components. (1) Production and productivity enhancement are to increase total supply of the targeted priority value chains with a purpose to ensure consistent, reliable, and timely stream of produce to the markets. (2) Primary processing, value addition, post-harvest management and women and youth empowerment will support the reduction of post-harvest losses, facilitate the consolidation of produce and primary processing by farmers' cooperative societies and small and medium-scale enterprises in project intervention areas, focusing on gender-sensitive activities along the core segment of the value chains (production, processing, marketing) and ancillary businesses (agro-dealership, haulage, packaging, business management, etc.); (3) Infrastructure support to agri-business clusters aims at improving physical environment (last mile connection to roads and utilities) for agro-industrial and cottage processing units, located in agri-business clusters with significant potential for agro-processing and greater inclusion of small to medium size farmers into the agri-business supply chains through the business alliances; (4) Technical assistance, knowledge management and communication is to build capacity of the project staff and partner in the relevant areas of the value chain development, harness the knowledge acquired and generated under the project. (5) Project management and coordination is to ensure effective management and coordination of the project for proper accomplishment of project related goals and the achievement of the PDO".

Six participating States are- Lagos, Kano, Kaduna, Kogi and Cross Rivers and Enugu. The approval date was March 23, 2017 and the closing date is September 30, 2023. The Federal Ministry of Agriculture and Rural Development is the implementing agency.

Other agriculture related loans are as detailed in Table 9.

Table 9 : Agriculture Related Loans

S/N	ID	Name	Approval Date	Total Cost	Location	Source
1	P-NG -A00 - 008	PLATEAU STATE POTATO VALUE CHAIN SUPPORT PROJECT (PS -PVCP)	30-Mar - 2017	UAC 10,000,000	Plateau State, FCT and 36 States of the Federation	African Development Bank
2	P-NG -AA0 - 037	MIC GRANT STRENGTHENING OF FEDERAL MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT	18-May - 2016	UAC 507,246	Abuja and Across the Federation	African Development Bank
3	P-NG -A00 - 011	MIC -GRANT SUPPORT TO BANK OF AGRICULTURE (BOA) LIMITED	05-May - 2016	UAC 715,328	A buja and Across the Federation	African Development Bank

[19] https://projects.worldbank.org/en/projects-operations/project-detail/P148616

[20] http://documents1.worldbank.org/curated/en/457581548844738305/pdf/Disclosable-Restructuring-Paper-Agro-Processing-Productivity-Enhancement-and-Livelihood-Improvement-Support-Project-P148616.pdf

4	P-NG -A00 - 007	ASSET MAPPING OF ECONOMIC OPPORTUNITIES IN NIGERIA-MIC GRANT	30-May - 2014	UAC 516,000	Abuja, Nigeria	Africa n Development Bank
5	P-NG -AAB - 003	AGRICULTURAL TRANSFORMATION AGENDA SUPPORT PROGRAMME- PHASE I	30-Oct - 2013	UAC 113,540,000	Niger and Kebbi States	African Development Bank
6	P163353	Nigeria Rural Access and Agricultural Marketing Project	Februa ry 18, 2020	US$ 575 million	Kano, Katsina, Sokoto, Kebbi, Bauchi, Plateau, Kwara, Abia, Akwa Ibom, Kogi, Ogun, Oyo , and Ondo.	World Bank and French Agency for Development[21]
7	P158535	Second Additional Financing to Third National Fadama Development Project	2016-06-07	US$ 50 million	North East	World Bank
8	P155616	Additional Financing - LSMS -ISA Nigeria General Household Survey -Panel Component	2015-05-04	US$ 2.60 million	Across Nigeria	World Bank
9	P123112	Transforming Irrigation Management in Nigeria	2014-06-19	US$ 495.3 million	Gombe	World Bank
10	P130012	Nigeria Agriculture Sector Development Policy Operation	2013-06-28	US$ 100 million	Across Nigeria	World Bank
11	P130788	Third National Fadama Development Project -Additional Financing	2013-06-28	US$ 200 million	Akwa Ibom	World Bank
12	P125585	NG: Fadama Information &	2011-05-11	US$ 2.74 million	Across Nigeria	World Bank

[21] The World Bank an d the French Agency f or Development are to contribute $280mn and $230mn respectively and the balance will be provided by the borrower.

		Knowledge Services				
13	P121616	LSMS-ISA Nigeria General Household Survey-Panel Component	2010-07-27	US$ 2.23 million	Across Nigeria	World Bank

3.2 SOCIAL SECTOR

Related to the agriculture sector is the social sector, the following loans were documented.

Table 10 : Social Sector Loans

S/N	ID	Name	Approval Date	Total Cost	Location	Source
1	P-NG-IA0-006	Additional Loan to IBSDLIEP for the Completion of FSTC Lassa, Borno State	14-Dec-2018	UAC 10,000,000	Borno State	ADB
2	P-NG-I00-001	Inclusive Basic Service Delivery and Livelihood Empowerment Integrated Project	14-Dec-2016	$285.56million	North East Nigeria (Adamawa, Bauchi, Borno, Gombe and Taraba)	ADB, ADF and the Rural Water and Sanitation Initiative Trust Fund
3	P-NG-IC0-003	Emergency Assistance to Support the Fight Against Malnutrition in Borno State	04-Nov-2016	UAC 721,640	Borno	African Development Bank
4	P-NG-IBE-002	Emergency Assistance to Fight the Ebola Virus Disease Epidemic in Nigeria	18-Aug-2014	UAC 653,140	Nigeria	African Development Bank
5	P-NG-	Emergency	21-Jul-	UAC 646,880	Borno	African

	IA0 -003	Assistance to Chibok Girls School in Borno State	2014		State	Development Bank
6	P157898	Community and Social Development AF -2	2016-06-07	US$ 75million	Gombe, Yobe, Bauchi and Adamawa States	World Bank
7	P157899	Nigeria Youth Employment and Social Support AF	2016-06-07	US$ 100 million	Across Nigeria	World Bank
8	P151488	National Social Safety Nets Project	2016-06-07	US$ 500 million	Across Nigeria	World Bank
9	P148215	Community and Social Development AF	2014-03-26	US$ 140 million	Cross River	World Bank
10	P131973	Housing Finance Developmen t Programme	2013-09-26	US$ 300 million	Nigeria	World Bank
11	P126964	Nigeria Youth Employment & Social Support Operation	2013-03-26	US$ 300 million	Kwara, Niger, Kogi, Bauchi, Osun, and Cross River State	World Bank
12	P115863	Nigeria: Access to Justice for the Poor	2011-03-15	US$ 2.66 million	Kaduna State	World Bank

3.3 HEALTH

The following are the documented health sector loans within the period considered for review

Table 11: Health Sector Loans

S/N	ID	Name	Approval Date	Total Cost	Location	Source
1	P173980	Nigeria COVID -19 Preparedness and	August 6, 2020	US$ 100 million	Across Nigeria	World Bank

		Response Project				
2	P167156	Nigeria Improved Child Survival Programme for Human Capital MPA	February 18, 2020	US$ 650 million	Abia Adamawa Bauchi Bayelsa Benue Borno Ebonyi Edo, Ekiti Enugu, FCT Imo Kaduna Kano Kogi Kwara Lagos Nasarawa Oyo, Plateau Rivers Sokoto	World Bank
3	P163969	Basic Healthcare Provision Fund Project (HUWE PROJECT)	August 13, 2018	US$ 20 million	Abia, Osun, and Niger states.	World Bank
4	P165247	Nigeria Polio Eradication Support Project Additional Financing	June 27, 2018	US$ 150 million	Across Nigeria and specifically Adamawa, Bayelsa, Gombe, Jigawa, Katsina, Kebbi, Kogi, Nasarawa,	World Bank

					Niger, Plateau, Taraba, Zamfara Lagos and Kano	
6	P162069	Nigeria - Accelerating Nutrition Results	2018-06-27	US$ 225 million	Abia, Akwa Ibom, Gombe, Kaduna, kano, Kogi, Kwara, Nasarawa, Niger, Oyo , and Plateau States	World Bank
7	P157977	Ad ditional Financing Nigeria State Health Investment Project	2016-06-07	US$ 125 million		World Bank
9	P154660	NG -Polio Eradication Support - Additional Financing	2015-04-10	US$ 200 million	Across Nigeria	World Bank
11	P130865	Nigeria Polio Eradication Support Project	2012-07-12	US$ 95 million	Across Nigeria	World Bank
12	P120798	Nigeria States Health Investment Project	2012-04-12	US$ 150 million		World Bank
13	P124264	Partnership for Polio Eradication Project - 3rd Ad ditional Financing (FY11)	2011-03-17	US$ 60 million		World Bank
14	P121415	Community Health Systems	2010-12-01	US$ 1.56 million	Anambra and Akwa	World Bank

		Strengthening for Malaria Control in Anambra and Akwa Ibom, Nigeria			Ibom States	

3.4 EDUCATION

The following loans were documented for education sector.

Table 12: Education Sector Loans

S/N	ID	Name	Approval Date	Total Cost	Location	Source
1	P169921	Edo Basic Education Sector and Skills Transformation Operation	August 25, 2020	US$ 75 mil lion	Edo	World Bank
2	P170664	Adolescent Girls Initiative for Learning and Empowerment	July 28, 2020	US$ 500 million	Borno, Ekiti, Kaduna, Kano, Katsina, Kebbi, and Plateau; and any other state that may be selected to participate in the project	World Bank
3	P166239	Innovatio n Development and Effectiveness in the Acquisition	February 18, 2020	US$ 200 million	Kano, Gombe, Benue, Abia, Edo and Ekiti	World Bank

		of Skills (IDEAS) Project			and 10 Federal Technical Colleges	
4	P160430	Better Educati on Service Delivery for All	2017-06-20	US$ 611 million	Adamawa, Bauchi, Borno, Gombe, Taraba, Yobe, Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, Zamfara , Niger, Ebonyi, Oyo, and Rivers States.	World Bank
5	P157890	Nigeria: AF - State Education Programme Investment Project	2016-06-07	US$ 100 million	North Eastern states ravaged by terrorism	World Bank
6	P143842	Nigeria Partnership for Education Project	2015-05-08	US$ 100 million	Jigawa, Kaduna, Kano, Katsina, and Sokoto States	World Bank
7	P148593	Lagos Eko Secondary Educatio n Project	2014-03-06	US$ 42.3 million	Lagos State	World Bank

		Additional Financing				
8	P122124	Nigeria - State Education Programme Investment Project	2013-03-26	US$ 150 million	Anambra, Ekiti, Borno, Yobe, Adamawa, Bauchi, Gombe, and Taraba States	World Bank

3.5 Finance Sector

The following are finance sector related loans.

Table 13: Finance Sector Loans

S/N	ID	Name	Approval Date	Total Cost	Location	Source
1	P-NG-H00-004	Support for Nigerian Extractive Industries Transparency Initiative (NEITI)	10-Jun-2015	UAC 146,010.31	Across Nigeria	African Development Bank
2	P-NG-HAA-004	Development Bank of Nigeria (DBN)	15-Dec-2014	UAC 323,125,000	Across Nigeria	African Development Bank
3	P-NG-HB0-006	Trade Mispricing the Hidden Drainage of Resources out of Nigeria (MIC-TAF-GRANT)	18-Nov-2014	UAC 189,810.95	Across Nigeria	African Development Bank
4	P-NG-HAA-002	Domestic-Oriented SME Financing Programme	26-May-2011	UAC 356,175,000	Across Nigeria	African Development Bank

5	P-NG - HAA - 003	Export -Oriented SME Financing Programme	26-May - 2011	UAC 127,072,000	Across Nigeria	African Development Bank
6	P163540	Fiscal Governance and Institutions Project	June 27, 2018	US$ 125 million	Across Nigeria	World Bankk
7	P146319	Development Finance Project	2014-09-25	US$ 500 million	Across Nigeria	World Bank

3.6 Transport Sector

Table 14 is on transport sector loans.

Table 14: Transport Sector Loans

S/N	ID	Name	Approval Date	Total Cost	Location	Source
1	P-NG -DB0 - 007	Study for Cross River State RURAL Access and Mobility Project PHASE 2 (RAMP 2)	03-Sep-2018	UAC 50,000,000	Cross River State	African Development Bank
2	P-NG -D00 - 003	Abuja Bus Rapid Transit (BRT) Project Study	05-Feb-2013	UAC 615,248.5	FCT Abuja	African Development Bank
3	P095003	NG -Rural Access & Mobility Project -Phase 2	2012-09-25	US$ 170 million	Niger, Enugu, Imo , and Adamawa States	World Bank
4	P112956	Nigeria Lagos Urban Transport Project 2	2010-06-29	US$ 190 million	Lagos State	World Bank
5	P114762	Lagos Urban Transport Project 2	2010-06-29	US$ 4.50 million	Lagos State	World Bank

3.7 Power Sector

The following are power sector loans.

Table 15: Power Sector Loans

S/N	ID	Name	Approval Date	Total Cost	Location	Source
1	P-NG - F00-020	Nigeria Electrifi cation Project	29-Nov - 2018	UAC 526,635,000	Across Nigeria	African Development Bank
2	P-NG - FAB -001	Mainstream Hydro Project	14-Dec- 2016	UAC 134,586,000	Across Nigeria	African Development Bank
3	P-NG - FA0-006	Partial Risk Guarantee Programme in Support of the Power Sector	18-Dec- 2013	UAC 122,000,000	Across Nigeria	African Development Bank
4	P164001	Power Sector Recovery Performance Based Operation	June 23, 2020	US$ 750 million	Across Nigeria	World Bank
5	P161885	Nigeria Electrification Project	June 27, 2018	US$ 765 million	Across Nigeria	World Bank
6	P146330	NG -Electricity Transmission Project	2018-02-15	US$ 486 million	Adamawa, Borno, Yobe and Bauchi States	World Bank
7	P120207	Nigeria Power Sector Guarantee Project	2014-05-01	US$ 395 million	Across Nigeria	World Bank
8	P126182	Nigeria Electricity and Gas Improvement Project (add.	2012-06-19	US$ 100 million	Across Nigeria	World Bank

		financing)				
9	P126190	Nigeria Electricity and Gas Improvement Project Additional Financi ng	2012-06-19	US$ 200 million	Across Nigeria	World Bank
10	P111179	Kainji Hydro Power Plants Rehabilitation	2011-11-23	US$ 13.083 million	Niger State	World Bank

3.8 Water and Sanitation Sector

The following are water and sanitation sector loans.

Table 16: Water/Sanitation Sector Loans

S/N	ID	Name	Approval Date	Total Cost	Location	Sector
1	P-NG-EAZ - 002	Preparation of Komadugu-Yobe Basin Strategic Development Plan	08-Aug - 2014	UAC 2,229,125	Komadu gu-Y obe Basin	African Development Bank
2	P-NG-E00-007	Urban Water Reform & Port Harcourt WSSP	26-Mar - 2014	UAC 133,661,100.3	Port Harcourt Rivers State	African Development Bank
3	P-NG-E00-005	Zaria Water and Sanitation Expansion Project	08-Feb-2012	UAC 63,920,000	Zaria City, Kaduna State	African Development Bank
4	P123513	Third National Urban Water Sector Reform Project	2014-04-18	US$ 250 million	Rivers, Bauchi , and Ekiti States	World Bank
5	P115658	Second National Urban Water	2012-06-19	US$ 120 million	Across Nigeria	World Bank

		Sector Reform Project (Additional Financing)				
6	P115565	Additional Financing for National Urban Water Sector Reform Project	2010-06-29	US$ 80 million	Across Nigeria	World Bank

3.9 Environment

The following are environment sector loans.

Table 17: Environment Sector Loans

S/N	ID	Name	Approval Date	Total Cost	Location	Source
1	P164082	Nigeria Erosion and Watershed Management Project (NEWMAP) - Additional Financing	June 27, 2018	US$ 400 million	Anambra, Abia, Cross River, Ebonyi, Edo, Enugu, and Imo. Als o, Akwa Ibom, Borno, Delta, Gombe, Kano, Katsina, Kogi, Nasarawa, Niger, Oyo, Plateau and Sokoto States	World Bank

2	P130840	Ibadan Urban Flood Management Project	2014-06-17	US$ 200 million	Ibadan, Oyo State	World Bank
3	P124905	Nigeria Erosion and Watershed Management Project	2012-05-08	US$ 500 million		World Bank
4	P126549	Nigeria Erosion and Watershed Management Project	2012-05-08	US$ 8.59 million		World Bank
5	P113173	PCB Management Project	2011-08-30	US$ 6.3 million		World Bank
6	P121154	African Smallholders to Play Out Climate Drama on the Airwaves	2010-07-27	US$ 0.14 million		World Bank
7	P109737	Nigeria Scaling Up Sustainable Land Management Practice, Knowledge, and Coordination	2010-07-08	US$ 6.8 million		World Bank
8	P112329	EarthCare Solid Waste Composting Project	2010-06-29	US$ 7.13 million		World Bank

3.10 Multi Sector

Multi sector loans are recorded in Table 18.

Table 18: Multisector Loans

S/N	ID	Name	Approved Date	Total Cost	Location	Source
1	P-NG-KA0 - 004	Nigerian - African Trade Insurance (ATI) Country Membership Programme	14-Dec-2018	UAC 10,210,000	Across Nigeria	African Development Bank
2	P-NG-KA0 - 005	Institutional Support Project for Economic Management and Delivery Project	03-Dec-2018	UAC 11,166,000	Across Nigeria	African Development Bank

3	P-NG-KF0-003	Sub-National Debt Management Capacity Building Project (SUBDMO)	24-Jan-2017	UAC 795,789.48	Across Nigeria	African Development Bank
4	P-NG-KD0-001	MIC-TAF Rehabilitation of Industrial Clusters as a driver of SMEs Industrial Development in Nigeria	08-Nov-2016	UAC 423,600	Across the Federation	African Development Bank
5	P-NG-KA0-002	Economic Governance, Diversification and Competitiveness Support Programme (EGDCSP) 2016	02-Nov-2016	UAC 428,616,000	Across Nigeria	African Development Bank
6	P-NG-KF0-002	Capacity Development Programme for members of the National Assembly Committee on Finance Appropriation Members	28-Mar-2014	UAC 144,755	Across Nigeria	African Development Bank
7	P-NG-K00-005	Transport Sector and Economic Governance Reform Programme	27-Feb-2013	UAC 196,566,000	Across Nigeria	African Development Bank
8	P174042	Nigeria SFTAS Additional Financing for Covid-19 Response	December 14, 2020	US$ 750 million	Available to all states	World Bank
9	P174114	NIGERIA: COVID - 19 Action Recovery and Economic Stimulus Programme	December 14, 2020	US$ 750 million	Available to all states	World Bank
10	P173104	Additional Financing for MCRP	May 26, 2020	US$ 176 million	Adamawa, Borno and	World Bank

					Yobe States and North East Development Commission	
11	P164031	Ogun State Economic Transformation Project	February 18, 2020	US$ 250 million	Ogun State	World Bank
12	P167183	Nigeri a Digital Identification for Development Project	February 18, 2020	US$ 430 million	Across Nigeria	World Bank
	P169405	Sustainable Procurement, Environmental and Social Standards Enhancement Project (SPESSE)	February 18, 2020	US$ 80 million	Across Nigeria	World Bank
13	P161364	Nigeria For Women Project	June 27, 2018	US$ 100 million	FCT and Niger State	World Bank
14	P162009	States Fiscal Transparency, Accountability and Sustainability PforR	June 27, 2018	US$ 750 million	Across Nigeria	World Bank
15	P160114	Conflict Monitoring System in Nigeria	2017-10-27	US$ 0.40 million	Across Nigeria	World Bank
16	P161998	Nigeria - Kaduna State Economic Transformation Programme-for-Results	2017-06-20	US$ 350 million	Kaduna	World Bank
17	P159761	Ni geria: Mineral Sector Support for Economic Diversif ication Project	2017-04-14	US$ 150 million	Kaduna and Plateau States	World Bank
18	P148616	Agro-Processing,	2017-03-	US$ 200	Kogi State	World Bank

		Productivity Enhancement and Livelihood Improvement Support Project	23	million		
19	P157891	Multi -Sectoral Crisis Recovery Project for North Eastern Nigeria	2017-03-20	US$ 200 million	North East of Nigeria	World Bank
20	P162344	NEITI Reporting Compliance	2016-12-07	US$ 0.32 million	Across Nigeria	World Bank
21	P151947	Third Lagos State Development Policy Operation	2015-06-26	US$ 200 million	Lagos State	World Bank
21	P151480	Nigeria Edo State Fiscal Improvement and Service Delivery Operation	2015-04-29	US$ 75 million	Edo State	World Bank
23	P146583	Nigeria - Programme to Support Saving One Million Lives	2015-04-23	US$ 500 million	Across Nigeria	World Bank
24	P133045	State and Local Governance Reform Project	2014-10-17	US$ 73.05 million	Across Nigeria	World Bank
25	P133071	State Employment and Expenditure for Results Project	2014-07-31	US$ 100 million	Bayelsa, Rivers and Delta States	World Bank
26	P123352	Nigeria Lagos Second State Development Policy Credit	2014-03-27	US$ 200 million	Lagos State	World Bank
27	P132807	Nigeria Post-Compliance I EITI	2013-01-18	US$ 0.90 million	Across Nigeria	World Bank
28	P123353	Nigeria Edo State First Development Policy Operation	2012-03-29	US$ 75 million	Edo State	World Bank
29	P121455	State Employment and Expenditure for	2012-03-06	US$ 200 million	River, Delta,	World Bank

		Results Project			Edo, and Bayelsa States	
30	P119872	Nigeria Statistics Development Programme (NSDP)	2011-05-18	US$ 10 million	Anambra, Bauchi, Edo, Kaduna, Niger, Ondo	World Bank
31	P103499	Nigeria - Growth & Employment	2011-03-17	US$ 160 million	Across Nigeria	World Bank
32	P115386	Nigeria - Public/Private Partnership Programme	2011-03-17	US$ 115 million	Across Nigeria	World Bank
33	P117237	Nigeria First Lagos State Development Policy Credit	2011-03-17	US$ 200 million	Lagos	World Bank
34	P097026	Nigeria Public Sector Governance Reform and Development Project	2010-06-29	US$ 120 million	Across Nigeria	World Bank
35	P121034	Preparation of State of the Cities Report, Nigeria	2010-02-18	US$ 0.25 million	Across Nigeria	World Bank

3.11: Brief Inference

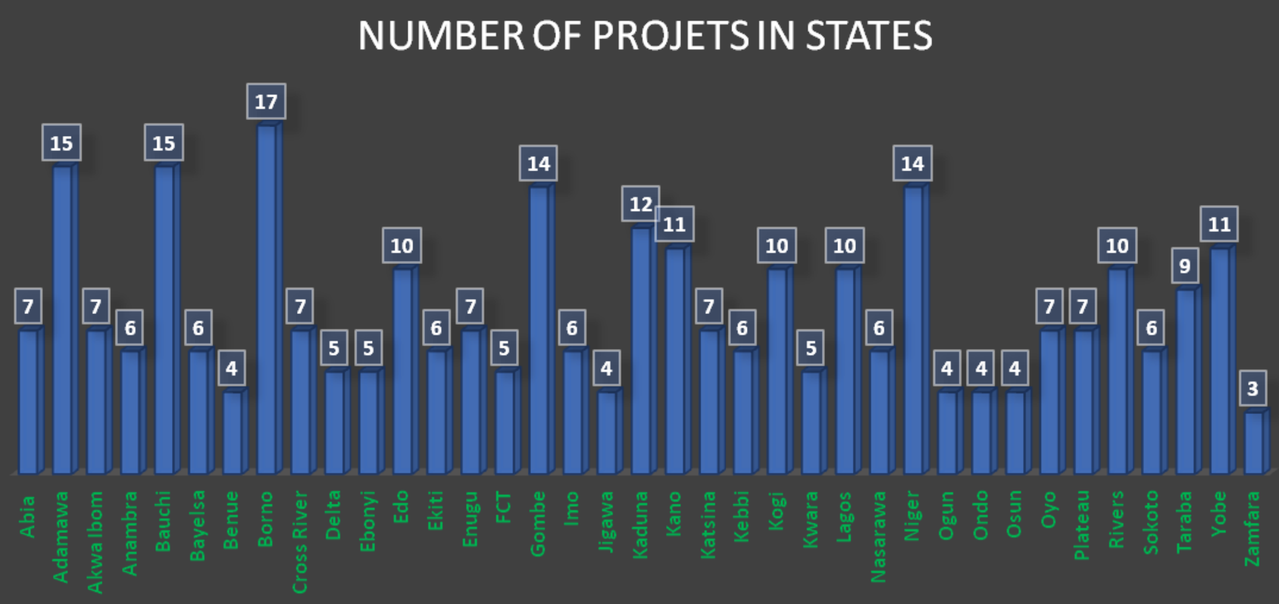
This is the summary of the geographic analysis which is by no means comprehensive but merely shows a trend based on the analysed debts.

Table 19: Summary of Geographic Location of Projects from Debts

State	No. of Projects
Abia	7
Adamawa	15
Akwa Ibom	7
Anambra	6
Bauchi	15
Bayelsa	6
Benue	4
Borno	17

Cross River	7
Delta	5
Ebonyi	5
Edo	10
Ekiti	6
Enugu	7
FCT	5
Gombe	14
Imo	6
Jigawa	4
Kaduna	12
Kano	11
Katsina	7
Kebbi	6
Kogi	10
Kwara	5
Lagos	10
Nasarawa	6
Niger	14
Ogun	4
Ond o	4
Osun	4
Oyo	7
Plateau	7
Rivers	10
Sokoto	6
Taraba	9
Yobe	11
Zamfara	3

Figure 7: Number of Projects in States



Source: Author's Calculation

Section 43 of the FRA provision states:

43. (1) Servicing of external debts shall be the direct responsibility of the Government that incurred the debt.

(2) The cost of servicing Federal Government guaranteed loans shall be deducted at source from the share of the debtor Government from the Federation Account.

Some of the external loans were procured by states through the Federal Government and as such would qualify to be paid back by states in accordance with section 43 of the FRA. The DMO website did not disaggregate information that shows loans strictly negotiated and obtained by FGN and disbursed to states, which is different from state level loans which FGN facilitated in compliance with the content of Exclusive legislative List. Therefore, there is insufficient information that could lead to a conclusion on the issue of equity in the allocation of proceeds of loans between the states and geopolitical zones.

4. POLICY ALTERNATIVES FOR DOMESTIC RESOURCE MOBILISATION

This section will deal with two broad key policy issues namely sectoral and process issues which present alternatives for domestic resource mobilisation as well as more prudent management of available resources. It is imperative to note that as at year end 2020, FGN's retained revenue was N3.94 trillion, 73% of target. On the expenditure side, N9.97 trillion was appropriated (excluding GOEs and Project tied loans), while N10.08 trillion (representing 101%) was spent. Of the expenditure, N3.27 trillion was for debt service, and N3.19 trillion for personnel cost, including pensions. Thus, debt service was 82.99% of retained revenue.

4.1 SECTORAL ISSUES

4.1.1 A Statutory Limitation on Tax Expenditure

The executive has for the first time in 2020 prepared a Tax Expenditure Statement which accompanied the 2021 estimates to the NASS. Tax expenditures are equivalent of appropriating public revenue for the specific use of individuals, firms, or a class of taxpayers. Experts have defined tax expenditure as:[22]

> Tax expenditures are usually defined as a government's estimated revenue loss that results from giving tax concessions or preferences to a particular class of taxpayer or activity. The revenue loss, or "expenditure," is calculated as the difference between whatever tax would have been paid under a defined benchmark tax law (which identifies what tax structure should normally apply to taxpayers) and the lower amount that was actually paid after the tax break. Tax expenditures are used instead of direct spending to deliver a government subsidy to a class of taxpayer or encourage a desired activity. They can take many forms, including tax exemptions; tax deductions; tax offsets (or credits); and concessional tax rates or timing rules, such as accelerated depreciation of capital assets, that either reduce or defer a taxpayer's tax liability.

Tax expenditures are currently estimated at (i) CIT N1.18tn; (ii)VAT N3.1tn; (iii) Customs duties N347bn and (iv) VAT on imports N64bn bringing the total to N4.691tn. With the huge deficit incurred by FGN and the states over the years and the level of public debt, it is imperative that tax expenditures be reviewed in the nearest future. Indeed, if possible, the review should be done immediately. The justification for the review is as follows:

- Actual CIT available to the Federation Account (before deductions) for sharing by the three tiers of government was N1.517tn in 2019 and N1.429tn in 2018. Incurring a CIT tax expenditure of N1.18tn means retaining 56.2% and giving away 43.8% of due CIT in 2019.[23] The tax expenditure as a percentage of the accrued CIT in 2019 is 78%.

- Actual VAT available to the Federation Account (before deductions) for sharing by the three tiers of government was N1.141tn in 2019 and N1.046tn in 2018. Incurring a VAT tax expenditure of N3.1tn in 2019 meant retaining only 26.9% of due VAT while giving away 73.1%.[24] The tax expenditure is 353% of the accrued VAT.

- Actual Customs duties available to the Federation Account (before deductions) for sharing by the three tiers of government was N792.06bn in 2019 and N657.88tn in 2018. Incurring a custom duties tax expenditure of N347bn in 2019 meant retaining only 69.5% of due customs duties while giving away 31.5%.[25] The tax expenditure is 43.8% of the accrued Customs duties.

NASS is therefore called upon to amend the requisite laws and nudge the executive to take action on other such regulations in order to reduce the tax expenditures to not more than 20% of total estimated value of each tax category.

[22] Guide to Transparency in Public Finances; Looking Beyond the B udget- Tax Expenditures (at page 4) by International Budg et Project.
[23] N1.517tn +N1.18tn give a total due CIT of N2.697tn ; See 2019 Fourth Quarter BIR Report and the Finance Minister's 2021 Budget Breakdown.
[24] N1.141tn +N3.1trn give the total due VAT of N4 .241tn; See 2019 Fourth Quarter BIR Report and the Financ e Minister's 2021 Budget Breakdown.
[25] N792.06bn +N347bn give the total due Custom duties of N1.139tn; See 2019 Fourth Quarter BIR

4. 1. 2. Compulsory Health Insurance

Universal health coverage will not be possible without a universal and compulsory health insurance scheme for its financing. This will be supported by budgetary resources to benefit the very poor and most vulnerable persons; whose contributions may not be sufficient to afford basic health care. Thus, making health insurance compulsory is imperative. It is estimated that a compulsory health insurance scheme will generate not less than N3trillion every year across the Federation.[26]

4.1.3 Health Bank of Nigeria

The idea of a Health Bank of Nigeria is to deepen health financing and to provide funds for the health sector beyond budgetary allocations and money from the health insurance scheme. The Bank is to focus on funding the development of hospitals and other health institutions and their supporting infrastructure needs; human resources for health in terms of giving out student loans for the acquisition of rare and advanced competencies in the medical sciences; health infrastructure funding and for research on tropical diseases and medical conditions prevalent in local epidemiological analysis, etc. It will sustainably fund the acquisition, maintenance, and management of state-of-the-art hospital equipments found in climes where Nigerians frequent for medical tourism.

The Health Bank will give out single digit interest loans or loans at rates below that which is available in money deposit banks. The loans will be long term in nature with a long period of amortisation. Thus, it is a Development Bank. Essentially, the bank will not be set up for overriding profit purposes but for the furtherance of the rights to life and health.

However, it is not expected to be a loss-making enterprise. It should be self-sustaining and earn income and profits at a rate slightly below the prevailing market rate. The initial capital will be subscribed to by the Federal Government through the Central Bank of Nigeria and Ministry of Finance. Regional and international development banks such as the African Development Bank, the World Bank, etc. can also be called upon to subscribe to the share capital or provide soft long-term loans for on-lending by the bank. Innovative ideas to raise funding for the bank will include specified transfers from the health insurance scheme after it has been made compulsory and universal, investment of 1 percent of the profits of regular money deposit banks into the health bank for a period of not more than 5 years from the date of its commencement.

There are similar models in the Bank of Industry and the funds for medium and small-scale enterprises; the special funds set up by Central Bank of Nigeria in agriculture, the bailouts for private companies, etc. However, the difference is that the Health Bank would learn from their challenges and devise strategies that make the business of health sustainable. It will be run by experts and experienced personnel who understand the role of ensuring universal sound healthcare system.

If the Health Bank is established and run properly, coupled with improved budgetary allocation to the sector, whilst health insurance is made compulsory and universal, there will be a pool of funds that will adequately take care of the physical and mental health of Nigerians. There will be well-equipped and functional hospitals paying competitive salaries, and this will reverse the loss of the brain drain in the health sector. This would attract health practitioners who have left for countries with better healthcare delivery service. It will also reverse the foreign currency loss occasioned by medical tourism. If properly executed, it may even open the way for Nigeria to becoming a medical tourist destination.

4.1.4 Road Fund and Road Management Authourity

Road sector financing can be improved through a Road Fund and Road Management Authourity that will raise funds from a plethora of sources including toll gates, special surcharge on some designated commodities, etc. Special purpose vehicles to aggregate resources from institutional and retail investors will direct resources into the sector. Concessioning of specific highways with agreed standards for their improvement and maintenance will also be imperative.

[26] One hundred million Nigerians paying an average of N30, 000 each.

4.1.5 Railway Reforms

Reorganising railway development to remove it as a federal monopoly and to bring in private sector investments, (especially from those already operating in the transport sector) is part of the way forward in the sector. Continued borrowing is not sustainable. States will also be brought into the entire framework and allowed to invest non borrowed funds. This will require an amendment of the constitution to remove the railways from its federal monopoly status. At a minimum, the federal government builds the rail tracks and allows private investors to run the wagons, subject to a minimal fee that allows for maintenance of the tracks.

4.1.6 Reorganise the National Housing Fund

The National Housing Fund was established since 1992. There is overwhelming evidence that it has underperformed and has not lived up to the purpose for its establishment. It has also not delivered the millions of new housings expected of it. Much newer funds like Pension funds have performed much better. The Fund needs to be reorganised first to become transparent and accountable; the second being to mobilise more funds that will benefit contributors over the short, medium, and long term. If the Fund had been well managed since inception during the Ibrahim Gbadamosi Babangida administration, it could have garnered trillions of naira in its kitty and help cut the growing housing deficit.

4.1.7 Electricity Sector Reforms

Creating investments opportunities into the electricity sector especially in transmission and distribution is overdue. The current managers and operators of the DISCOs do not have the technical, managerial, and financial capacity to move the sector to the next level whilst FGN has no resources to improve the transmission subsector. Continued borrowing to guarantee liquidity in the sector and to subsidise sectoral operations is not sustainable.

4.2 PROCESS ISSUES

4.2.1 Create Special Purpose Vehicles for key infrastructure Projects

It has become imperative to create special purpose vehicles for key infrastructure projects. The idea of these vehicles is not only to get investments from big institutional investors, but it will also be aimed at seeking investments from small scale investors as well as to build a brand of capital development where every citizen has the opportunity be a part owner of specific projects. These projects will attract user fees and pay their costs and reasonable profits to investors.

4.2.2 Block Leakages in FGN Independent Revenue

Scheduled government agencies are required to remit a portion of their operating surplus to the government under the FRA. However, many of such agencies simply find a way of arbitrarily and illegally spending what should be due to FGN as revenue. Blocking these leakages is not rocket science, it requires sincerity of purpose. The first step will be the publication of the budget estimates of some of the scheduled agencies so that citizens can review them and make inputs like done in federal budgets at the stage the National Assembly is considering the estimates.

Should agencies like Federal Inland Revenue Service and Customs pay operating surplus on their cost of collection? The answer is obviously yes. They have much more money than they require for their operations. The executive and legislature should consider compelling them to pay or reduce the statutory costs of collection.

4.2.3 Strengthen the Sanction and Reward Mechanism

The lack of transparent and accountable public finance management systems is not a product of lack of capacity or ignorance on the part of government officials at all levels. It is a result of integrity deficits which cannot be cured by any pretension to capacity building. Nigeria has remained on this curve since independence. The FG had engaged the states through the State Economic Empowerment and Development Strategy Benchmarking exercise of the Obasanjo regime. There is therefore the need to stop borrowing for transparency and accountability reforms. Nigeria has more than enough free knowledge made available by CSOs, various experts and professional groups ready and willing to strengthen accountability and transparency and some are even ready to render free service. But this is predicated on "if an only if" political will is applied where appropriate.

Strengthening the sanctions mechanism through diligent investigation and prosecution of public officers who have mismanaged public funds is a better option than borrowing endlessly. The current diagnosis that leads to this reform borrowing mindset is wrong - the challenge is not based on a capacity deficit or the need for new laws to anchor reform. The proper diagnosis is integrity deficit. It is curable by appropriate sanctions -ranging from impeachment, termination of appointment, imprisonment, recovery of stolen property, debarment from participating in politics, etc.

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4.2.4 Improve Taxation through Transparency, Accountability and Value for Money

The revenue generation profile, especially the tax component of governments at all tiers of the federation is very low. Many Nigerians do not pay taxes or even when they pay, they under- declare their taxable income. Secondly, many states and local governments are unable to extract property taxes including tenement rates. This is depriving the government of much needed revenue. Nigeria's tax to GDP is one of the lowest in the world. This situation persists because of the trust deficit between citizens and government. No one wants to add their legitimate income to the pool that is mismanaged. To improve the citizens' confidence in government to manage their taxes will require improvements in accountability and transparency as well as value for money.

The use of a combination of technology and activation of the identity databases captured by various government agencies will help in improving taxation through the expansion of the tax net. These databases range from INEC voter's register, bank verification numbers to the current national identity numbers, etc.

4.2.5 Reduce the Cost of Governance

The cost of governance is unduly high. There have been various recommendations including the Oransanye Committee report. There is urgent need to cut down the perks of high office, cut frivolous, inappropriate, and wasteful expenditure in the system; restructure some MDAs, merge the ones that duplicate the functions of others, etc.

4.2.6 Attract Investors

The mantra of improving the ease of doing business and to attract investors should be further energised into practical activities that will opt for better options than spontaneous borrowing; it should also ensure that there are more incentives for investors who invest sustainably over the medium to the long term.

4.2.7 DMO to Maintain a Public Database of Debts

The DMO should maintain a database that will be available and accessible to the public through an electronic portal. This should show the name/title, purpose, creditor, currency, associated projects, terms of the credit in terms of interest, repayment period and terms and agreements signed between the government and the creditor, etc. This will facilitate a public oversight over the procuration and management of public debts.

5. CONCLUSION

The current debt to retained revenue profile of about 83% is not sustainable. The drive to raise new domestic revenue is a long-term work in progress; and it should attract the energy, vision and vigour of both government and citizens. The major driver should be a commitment to expand the available resource base rather than the current clamour for sections of the country to have more of the stagnant pool of available resources. Debt can be reduced if more revenue is generated and appropriately applied.

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