DEBT MANAGEMENT OFFICE
NIGERIA

2007 ANNUAL REPORT AND STATEMENT OF ACCOUNTS

Alhaji Umaru Musa Yar'Adua, GCFR

President and Commander-in-Chief of the Armed Forces

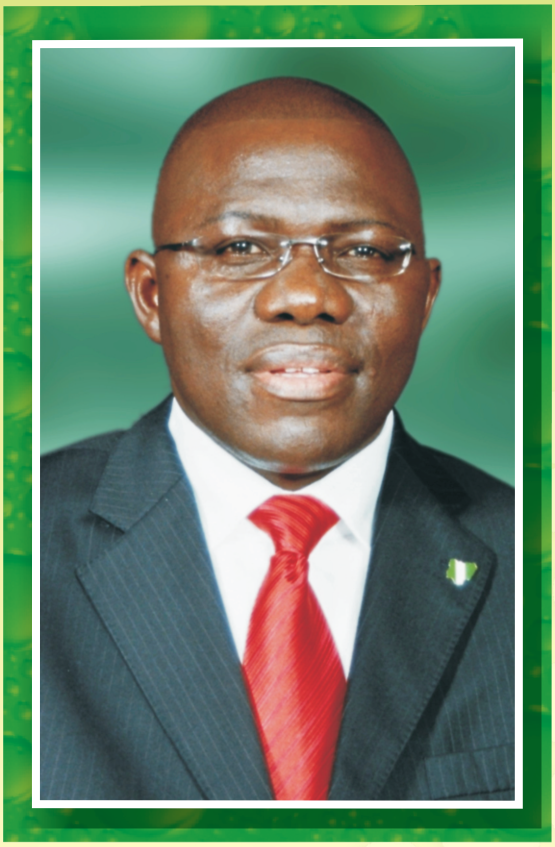
Federal Republic of Nigeria

Dr. Goodluck E. Jonathan, GCON

Vice-President

Federal Republic of Nigeria

Dr. Shamsuddeen Usman, OFR
Hon. Minister of Finance



Mr. Aderemi W. Babalola
Hon. Minister of State for Finance

DMO Supervisory Board

Dr. Goodluck E. Jonathan, GCON
Vice-President, Federal Republic of Nigeria
CHAIRMAN

Dr. Shamsuddeen Usman, OFR
Hon. Minister of Finance
VICE-CHAIRMAN

Mr. Michael Kaase Aondoakaa, SAN
Attorney-General of the Federation
and Hon. Minister of Justice
MEMBER

Mallam Tanimu Yakubu
Chief Economic Adviser
to the President
MEMBER

Prof. Chukwuma C. Soludo, CFR
Governor, Central Bank of Nigeria
MEMBER

Alhaji Ibrahim H. Dankwambo, OON
Accountant-General of the Federation
MEMBER

Dr. Abraham Nwankwo
Director-General, DMO
MEMBER/SECRETARY

DMO Management Team

Dr. Abraham Nwankwo
Director-General

Dr. Mahmoud Magaji
Director, Debt Recording and Settlement Department

Mrs. Funmi Ilamah
Director, Policy, Strategy and Risk Management Department

Mr. Yakubu Aliyu
Director, Portfolio Management Department

Mr. Abibu Ayinla
Head, Organisational Resourcing Department

Dr. Godson Dinneya
Head, Strategic Programmes Department

MANAGEMENT STAFF
OF THE DEBT MANAGEMENT OFFICE

NAME	DESIGNATION
Mrs. A. M. Mohammed	Deputy Director, PSRM
Mr. M. Amidu	Deputy Director, PSRM
Mrs. J. O. Jiya	Asst. Director, PSRM
Mr. J. A. M. Ohiani	Asst. Director, PMD
Mr. J. C. Ugoala	Asst. Director, PMD
Mr. I. M. Natagwandu	Asst. Director, PMD
Dr. N. Eleri	Asst. Director, DRS
Dr. D. Mahmoud	Asst. Director, DRS
Mr. S. D. Atiku	Asst. Director, DRS
Mrs. H. Suleiman-Onuja	Asst. Director, DRS
Mr. N. M. Mahmoud	Asst. Director, ORD
Dr. A. Maidugu	Chief Operations Officer, PSRM
Mr. S. D. Abdullahi	Chief Operations Officer, DG's Office
Mr. M. M. Sa'ad	Chief Operations Officer, SPD
Mr. D. Shehu	Chief Operations Officer, DRS
Mr. A. N. Anukposi	Asst. Chief Operations Officer, PMD
Mrs. L. Okpanachi	Asst. Chief Operations Officer, DRS
Ms. E. E. Ekpenyong	Asst. Chief Operations Officer, ORD
Mr. M. Nwankwo	Asst. Chief Operations Officer, PMD
Mr. S.K. Abubakar	Asst. Chief Operations Officer, PSRM
Mr. S. B. Na'allah	Asst. Chief Operations Officer, ORD
Mr. I. H. Ekpokoba	Asst. Chief Operations Officer, ORD

KEY:

PMD	Portfolio Management Department
PSRM	Policy, Strategy and Risk Management
DRS	Debt Recording and Settlement
SPD	Strategic Programmes Department
ORD	Organizational Resourcing Department

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

GLOSSARY

ADB	African Development Bank
ADF	African Development Fund
BDC	Bureau de Change
BOF	Budget Office of the Federation
BMSC	Bond Market Steering Committee
CBN	Central Bank of Nigeria
CHF	Swiss Franc
CPIA	Country Policy and Institutional Assessment
CPL	Currency Pool Loans
CSCS	Central Securities Clearing System
DAS	Dutch Auction System
DFI	Development Finance Institution
DFID	Department for International Development
DMDs	Debt Management Department
DMO	Debt Management Office
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
EDF	European Development Fund
EFCC	Economic and Financial Crimes Commission
ERGP	Economic Reform & Governance Project
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EOI	Expression of Interest
EU	European Union
EUR	Euro
FAAC	Federation Accounts Allocation Committee
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FMF	Federal Ministry of Finance
FRA	Fiscal Responsibility Act
FRL	Fiscal Responsibility Law
FSS	Financial Sector Strategy
FUA	African Development Fund Unit of Account
GBP	Great Britain Pound (Sterling)
GDP	Gross Domestic Product
GIFMIS	Government Integrated Financial Mgt. Information System

GNI	Gross National Income
HIPC	Highly Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICT	Information & Communication Technology
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFEM	Inter-bank Foreign Exchange Market
IFEMIS	Integrated Financial & Economic Mgt. Information System
IMF	International Monetary Fund
IS	Information Systems
IT	Information Technology
JPY	Japanese Yen
KRW	Korean Won
LAN	Local Area Network
LIC	Low Income Country
LIBOR	London Inter-bank Offer Rate
MDG	Millennium Development Goals
MDU	Market Development Unit
MOF	Federal Ministry of Finance
MPR	Monetary Policy Rate
MRR	Minimum Rediscount Rate
MTEF	Medium Term Expenditure Framework
NASS	National Assembly
NBS	National Bureau of Statistics
NCS	Nigerian Customs Service
NEEDS	National Economic Empowerment and Development Strategy
NEITI	Nigerian Extractive Industries Transparency Initiative
NGN	Nigerian Naira
NHIS	National Health Insurance Scheme
NIMC	National Identity Management Commission
NITEL	Nigeria Telecommunications Plc.
NNPC	Nigerian National Petroleum Corporation
NPV	Net Present Value
NSE	Nigerian Stock Exchange
NTB	Nigerian Treasury Bill
OAGF	Office of the Accountant-General of the Federation
ODA	Official Development Assistance
OPEN	Overview of Public Expenditure in NEEDS
ORD	Organisational Resourcing Department

OTC	Over the Counter
PDMM	Primary Dealer Market Maker
PHCN	Power Holding Company of Nigeria
PPA	Public Procurement Act
PPP	Public Private Partnership
PSI	Policy Support Instrument
RMAFC	Revenue Mobilisation, Allocation and Fiscal Commission
SDR	Special Drawing Rights
SEC	Securities and Exchange Commission
SND	Sub-national Debt Management
TR	Tax Reform
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
VPF	Virtual Poverty Fund
WAIFEM	West African Institute for Financial and Economic Management
WDAS	Wholesale Dutch Auction System

VISION AND MISSION, CORE VALUES AND MANDATE OF THE DEBT MANAGEMENT OFFICE

VISION

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

MISSION

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

CORE VALUES

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

EXCITE

MANDATE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The DMO Act also provides that the Office shall:

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

ii. Perform the functions of the Minister with regard to the development fund rules; and, Supervise the operation of the development fund under the Finance (Control and Management) Act, as amended.

DIRECTOR-GENERAL'S STATEMENT

I feel immensely honoured to present the Annual Report and Statement of Accounts of the Debt Management Office for the year 2007. In line with tradition, the Report shows the overall status of Nigeria's domestic and external public debt, as well as other activities of DMO for the year.

The year 2007 was a remarkable one in many respects. It was an election year in which the country had a successful transition from one civilian administration to another, with His Excellency, Alhaji Umaru Musa Yar' Adua taking over from the former President, His Excellency, Chief Olusegun Obasanjo, as the President of the Federal Republic of Nigeria. The DMO also witnessed a change of leadership as Dr. Mansur Muhtar, who was appointed to the position of Executive Director at the African Development Bank, handed over to my humble self as the Director-General of DMO. In line with the provisions of the DMO (Establishment, etc.) Act 2003, the DMO Supervisory Board was, for the first time, inaugurated in August 2007, with the Vice President, His Excellency Dr. Goodluck E. Jonathan, as the Chairman.

In order to further consolidate the sustainability of the nation's debt profile, which was achieved as a result of the historic debt relief the country secured from the Paris Club creditors in 2006, the DMO in the first quarter of 2007 completed the country's exit from the London Club debt, first through a debt buy-back transaction on the Par Bonds and, later, in respect of the hitherto outstanding Promissory Notes, through an obligor substitution arrangement with Merrill Lynch. Further, in April 2007, Nigeria issued a Call Notice on the Oil Warrants attached to the Par Bonds: 21% of Oil Warrants was retired at $220 per unit of the warrants. Citigroup Global Markets Limited acted as Dealer Managers for the cash tender offer. Going forward, the DMO is considering an optimal strategy for retiring the outstanding Oil Warrants of approximately 1.4 million units. Currently the outstanding external debt is largely made up of concessional loans from the soft windows of the World Bank and the African Development Bank.

In respect of domestic debt management and the development of a vibrant domestic bond market, the DMO licensed five additional institutions in May 2007 as Primary Dealer Market Makers (PDMMs) in FGN Bonds, thus bringing the total number of PDMMs in the FGN Bond market to twenty. However, the number of PDMMs later dropped to nineteen with the merging of two consolidated banks, which were among the licensed PDMMs.

During the year, the FGN Bond Issuance Programme was successfully conducted as the DMO offered Bonds worth ₦592 billion for the purposes of financing the 2007 budget deficit to the tune of ₦200 billion and for settling the balance of the Local Contractors' debt of ₦63 billion. Other purposes included the refinancing of matured FGN Bonds, the restructuring of short-tenored Nigerian Treasury Bills (NTBs) into longer-tenored instruments, and the funding of the severance entitlement of the staff of the Nigerian Airways. Apart from funding the government deficits and other requirements in a non-inflationary manner, the regular issuance of the FGN Bonds contributed to the building of the yield curve, which will serve as a benchmark for pricing other securities, as well as the deepening of the domestic bond market.

In the year under review, the weighted average cost of raising funds for the government in the domestic bond market was 9.98 percent per annum, showing a 331 basis points decline compared to 13.2 percent in 2006. This improvement was achieved by, among other factors: intense secondary market trading activities, which encouraged wider and more competitive participation in the primary market; the CBN's decision to let all FGN Bonds qualify as liquid assets for banks to meet their liquidity ratios; the unavailability of more profitable investment opportunities for banks to channel the proceeds of the sales of their shares in the market; and, the growing size of the assets of the Pension Fund Administrators.

In respect of Sub-national debt management, significant progress was made in the programme of establishing Debt Management Departments (DMDs) in the 36 states of the Federation. In June 2007, the DMO in collaboration with the UK Department for International Development (DFID) carried out a nation-wide study on Sub-national Debt Management (SND) to review the structures and capacity in place for debt management in the 36 States. This was followed by a brainstorming session organized by the DMO in July 2007 to present the SND report to stakeholders. Based on the outcome of the Session, a Forum on Sub-national Debt Management with the States and Development Partners was also held in October 2007. In December 2007, the DMO produced and circulated the final draft of the Template for the establishment of DMDs and donor intervention in the States. The Template sets out the legal, institutional and resource requirements for establishing functional DMDs in the States.

The DMO conducted a National Debt Sustainability Analysis Workshop (DSA) in July 2007, in order to assess the sustainability of Nigeria's debt in the medium to long term. The results show that the country's debt portfolio is healthy but pointed out the need to deepen and maintain fiscal prudence. Progress was also made in drafting an efficient framework for borrowing both at the national and sub-national levels. The Office completed the development of National Debt Management Framework and draft Sub-national Borrowing Guidelines to cover the period 2008-2012.

As a strategy for moving forward, the Office designed a New Strategic Focus. The New Strategic Focus of the DMO is informed by the vision of President Umaru Musa Yar'adua's administration of transforming Nigeria into one of the top 20 economies in the world by the year 2020. With the New Strategic Focus, the DMO is committed to making Nigeria be among the world's top debt management offices in terms of best practice and development effectiveness in public debt management; a foremost exporter of public debt management services and knowledge; and a major destination for the outsourcing of public debt management services from all over the world. Accordingly, the Office will take appropriate initiatives in the external, domestic and Sub-national debt management fronts.

The new agenda on external borrowing will focus more broadly on, among other measures, mobilizing additional financing such as grants and concessional loans targeted at accelerating growth, development and poverty reduction. On the domestic front, the new focus will be to build a first-rate and internationally competitive bond market, not only to support government financing needs but also to enable the private sector have access to long-term financing, in line with the Financial Sector Strategy (FSS) 2020. At the Sub-national level, the Office will sustain the current effort of establishing and developing effective institutions and debt management capabilities. Part of the new agenda is also to assist State Governments in developing a domestic debt market that will enable them to eventually have direct access to borrowing, through the issuance of sub-sovereign bonds, but within the guidelines that will ensure sustainability.

Overall, beyond the modest achievements recorded in 2007, the initiatives taken by the Office have set the agenda for a number of programmes that will be implemented over the next few years. While my colleagues and I appreciate the enormous challenges ahead, we are optimistic that with the support of our stakeholders, we will implement the programmes effectively.

I wish to use the medium of this statement to express my profound gratitude to the entire members of staff of the DMO, whose unrelenting effort and dedication to duty have been largely responsible for the successes recorded in 2007. I am also immensely grateful to Mr. President, the Vice President who is the Chairman of our Supervisory Board, and other members of the Board, particularly the Honourable Minister of Finance, for their continued support and guidance. We are inspired and emboldened to take initiatives and achieve even greater successes in the period ahead because we trust that we will continue to count on their invaluable support.

Dr. Abraham Nwankwo

CHAPTER ONE

THE ECONOMIC ENVIRONMENT

1.1 GLOBAL ENVIRONMENT

The year 2007 witnessed developments in the global economy, which impacted on economic fundamentals in Nigeria. Crude oil prices were at very high levels averaging US$91.99 per barrel. This was as a result of demand and supply factors including reconstruction of post-conflict economies across the globe; the additional sanctions imposed on Iran by the United States of America (USA); and, the disruption caused by fire at British Petroleum Plc oil field in Alaska, USA; as well as the activities of some militant groups in Nigeria's oil producing region.

In spite of the magnitude of the effect of the sub-prime crisis on the global economy, Nigeria's economy was not noticeably affected possibly due to the insignificant exposure of the Nigerian financial system to the economies of Europe and America. This could be attributed, among others, to the relative underdevelopment of the Nigerian financial sector.

In the last few years, the Sub-Saharan African economy has been growing steadily. This growth was sustained in 2007, averaging 6.00 percent per annum.

1.2 THE NIGERIAN ECONOMY

The Nigerian economy continued its steady growth in 2007. This steady economic performance was sustained by the various reform programmes initiated by the government. Although oil revenue contributed 80 percent of government revenues, it only accounted for less than 40 percent of the Gross Domestic Product (GDP). The aggregate output growth in the economy measured by the GDP was 7.64 percent during the year compared to 6.05 percent in 2006. This was driven by the growth of the non-oil sector which was 10.99 percent. Under the NEEDS framework launched in March 2004, the manufacturing sector was projected to contribute at least 45 percent of GDP, while agriculture was envisioned to play a key role in employment generation. However, while the agricultural sector contributed 42.20 percent to the GDP with a growth rate of 7.42 percent in real terms, the manufacturing sector contributed 4.02 percent to the GDP.

In a bid to sustain the on-going economic reform in Nigeria, the Government of President Umaru Musa Yar'Adua on assumption of office in May 29, 2007 introduced a Seven-Point Agenda, aimed at improving: Food Security, Wealth Creation, Critical Infrastructure (Power, Transport, etc.), Land and Housing Reform, Security, Niger Delta and Human Capital Development. The agenda was aimed at achieving high levels of pro-poor growth, as well as making Nigeria one of the top 20 economies in the world by 2020. It was designed to tackle problems inhibiting significant development in the real sector growth, physical and human infrastructure, rising levels of unemployment and poverty in Nigeria, as well as issues of corruption, security and the current structural and institutional weaknesses in the economy. The strategic thrust of the Agenda is to have the private sector play the lead role in the development process through various models of Public-Private-Partnerships (PPPs) initiatives, while the government will continue to put in place appropriate legal, regulatory and incentive frameworks to attract private sector participation.

The thrust of the Seven-Point Agenda was also in accordance with the aspirations of Nigeria's first all-embracing home-grown economic development agenda, known as the National Economic Empowerment and Development Strategy (NEEDS-1). In the spirit of inclusiveness, a draft successor medium term plan to span 2008-2011 known as NEEDS-2 has been produced in collaboration with the organised private sector, civil society organisations and other stakeholders.

The Government made significant progress under Nigeria's Policy Support Instrument (PSI), which was monitored by the IMF. There has been an improved macroeconomic outcome, significant reduction in external debt burden and increased spending on poverty and MDG-related programmes funded from the debt relief to the tune of about US$1.0 billion per annum. In particular, the macroeconomic environment remained favourable in the two years (2005-2007) of implementing the PSI-1. The Government also commenced work on a successor facility, PSI-2 towards the end of the year.

A major component of Nigeria's medium and long term development agenda is the Financial Sector Strategy (FSS) 2020 which was part of the vision for the transformation of the Nigerian economy into one of the twenty largest economies in the world by 2020. The strategy was also aimed at transforming the Nigerian financial system into a catalyst for growth and engineering Nigeria's evolution into a regional and international financial hub.

The 2007 budget was based on an average price of US$40 per barrel for Nigeria's crude oil, following the oil price-based fiscal rule that has been in operation since 2004.

In order to sustain the prudent implementation of the 2007 budget within the programmed non-oil primary balance, the Government committed to some measures, including:

1. Continued operation of the oil price-based fiscal rule, set at US$40 per barrel. Excess crude revenues will continue to be saved; draw down on the account will only take place to compensate for revenue shortfall.
2. Spending from the 2007 Appropriation as is legally required; and,
3. Suspension of duty waivers and tax exemptions to prevent further loss of government revenue.

Due to the strict adherence to the prudent oil-price based fiscal rule, Nigeria was able to build up a commendable foreign exchange reserve, closing the year with an estimated US$51.33 billion compared to US$42.30 in 2006.

The Government's efforts at sustaining the reforms culminated in the passage by the National Assembly of the following Acts:

i. Fiscal Responsibility Act 2007
ii. Nigeria Extractive Industries Transparency Initiative (NEITI) Act 2007;
iii. Public Procurement Act 2007;
iv. Federal Inland Revenue Service (FIRS) Act 2007;
v. Tax Reform Acts (4 NO.) 2007;
vi. Central Bank of Nigeria (CBN) Act 2007;
vii. National Bureau of Statistics (NBS) Act 2007; and,
viii. National Identity Management Commission (NIMC) Act 2007.

In a bid to ascertain the sustainability of Nigeria's debt portfolio and monitor the effects of new borrowings, a Debt Sustainability Analysis (DSA) was conducted in July 2007. The 2007 DSA was based on the new World Bank/IMF Debt Sustainability Framework (DSF). The exercise was carried out using the framework and aimed at analysing the country's external and domestic debt sustainability levels, by making projections of the major macroeconomic variables over a twenty-year time horizon (2007-2026). The analysis revealed that concessional borrowing, coupled with sustaining the reform momentum, guarantees the country's debt sustainability in the next twenty years. Therefore, appropriate strategies were designed for new financing options, in order to maintain debt sustainability over the next twenty years. In the context of meeting the MDGs in the post-debt relief era, the results of the DSA were crucial in order to design a framework for closing the country's fiscal gaps, without jeopardizing debt sustainability over time.

1.2.1 THE FINANCIAL SYSTEM

The Monetary Policy Rate (MPR), which replaced the Minimum Rediscount Rate (MRR), was introduced in December 2006 as the nominal anchor of all interest rates, in a bid by the Central Bank of Nigeria (CBN) to move to a market-driven interest rate regime and enhance efficiency in the conduct of monetary policy. The MPR continued to influence interest rates during the year. Narrow money supply (M1), that is notes and coins held by the public and the banking system, decreased by N617.2 million, or 31.89 percent, to N2,552.2 billion, while Broad money supply (M2), that is M1 plus time-related and saving deposits and institutional money-market funds, increased by N1,127.3 million, or 30.68 percent, to N4,801.9 billion. The increase in M2 was attributed to the rise in both net foreign assets and banking system credit to the domestic economy.

During the year, a Wholesale Dutch Auction System (WDAS) and other measures to increase the supply of foreign currency and extend official market access to Bureaux de Change were undertaken. In line with this, the parallel and official exchange rates largely converged. However, liquiditymanagement resulted in interest rate volatility. The Naira appreciated against the US Dollar as the weighted average exchange rate appreciated by 5.68 percent to N121.00 per dollar at the WDAS compared to the corresponding period of 2006. In the Bureaux de Change segment of the market, the Naira also appreciated from N129.81 per dollar in 2006 to N123.79 per dollar in 2007.

The end-period inflation rate for the year 2007, on a year-on-year basis, was 6.6 percent, compared with 8.5 percent in 2006. Inflation rate on a twelve-month moving average basis for 2007 was 5.4 percent, compared with 8.2 percent in 2006.

The banking sub-sector recorded an outstanding performance in the year under review. The industry further attracted international venture capital/investors. By the end of 2007, total foreign investments in the banking sector was US$1billion (N127billion), a sign of continued investor confidence in the Nigerian economy. This was against the backdrop of the global credit crunch, which resulted in the US Dollar crashing against major global currencies.

Credit to the domestic economy grew significantly in the last 12 months. Aggregate credit to the private sector by Nigerian banks grew by 96.52 percent, while the aggregate credit to the domestic economy grew by 56.16 percent. Nigerian banks expanded rapidly to other parts of West Africa and beyond, while the branch network within the country expanded appreciably.

CHAPTER TWO

The Director-General presenting the DMO Brief to Mr. President

NIGERIA'S TOTAL PUBLIC DEBT

2.1 DEBT STOCK

2.1.1 TOTAL PUBLIC DEBT OUTSTANDING

The total public debt outstanding (external and securitized domestic debt of the Federal Government) was US$22,229.88 million as at 31st December, 2007. This represented an increase of US$4,880.19 million, or 28.13 percent, compared to US$17,349.69 million as at 31st December, 2006 (Table 2.1).

The domestic debt stock, which constituted the bulk of total public debt, increased from 79.57 percent in 2006 to 83.56 percent in 2007. Table 2.1 shows an increasing trend of the stock of domestic debt. Figure 2.1 also shows the gradual increasing trend of the stock of domestic debt since 2003, with substantial increases occurring particularly in the last three years. This was due to the renewed attention paid to the development of the domestic market as an avenue for financing budget deficits and deepening and developing the domestic debt market.

Indeed, 2007 witnessed a substantial increase in the amount of FGN bonds issued and the Federal Government's restructuring of short-term debt instruments into longer tenured ones. As a result, the domestic debt stock increased by US$4,770.47 million, or 34.56 percent, between 31st December 2006 and 31st December 2007. Chapter Four of this report discusses these issues in detail.

Table 2.1: Total Public Debt Outstanding, 2003-2007 (US$ million)[1]

Type	2003	2004	2005	2006	2007
External Debt Stock	32,916.81	35,944.66	20,477.97	3,544.49	3,654.21
Domestic Debt Stock	10,283.99	10,314.79	11,828.76	13,805.20	18,575.67
TOTAL	43,200.80	46,259.45	32,306.73	17,349.69	22,229.88
Percentage (%) Share					
Type	**2003**	**2004**	**2005**	**2006**	**2007**
External Debt Stock	76.19	77.7	63.39	20.43	16.44
Domestic Debt Stock	23.81	22.3	36.61	79.57	83.56
TOTAL	100.00	100.00	100.00	100.00	100.00

[1] Official DAS Exchange Rate as at 31/12/07.

Figure 2.1: Total Public Debt Outstanding, 2003-2007 (US$ million)

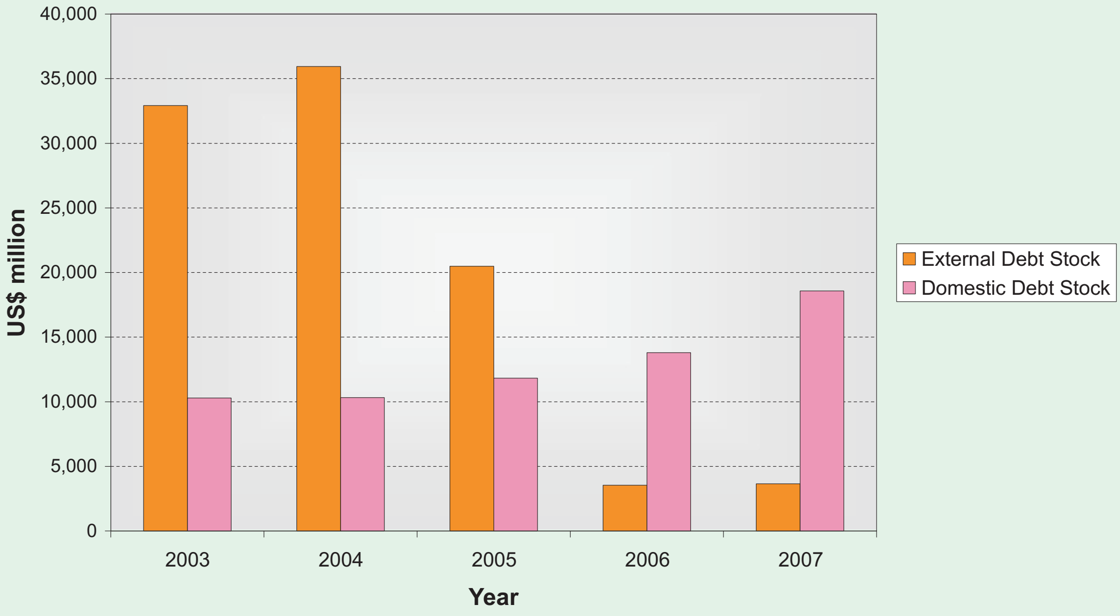


Figure 2.1 shows the trend of total public debt stock over the period 2003 to 2007. During the period 2003 to 2005, external debt made up the bulk of total public debt. A significant reduction in the external debt stock was recorded in 2005, after implementing the Paris Club debt deal.

The reduction in external debt stock continued in 2006 with the redemption of the Par Bonds of the London Club debt as part of the permanent exit strategy from such debt obligations. In February 2007, under an obligor substitution arrangement, Nigeria paid US$476.60 million to exit obligations to holders of Promissory Notes. In addition, although not part of the London Club debt stock, 21 percent of the 1.44 million units of Oil Warrants were retired at a negotiated price of US$220 per unit. Options for the retirement of the balance would be considered during fiscal year 2008.

2.1.2 TOTAL PUBLIC DEBT BY ORIGINAL MATURITY

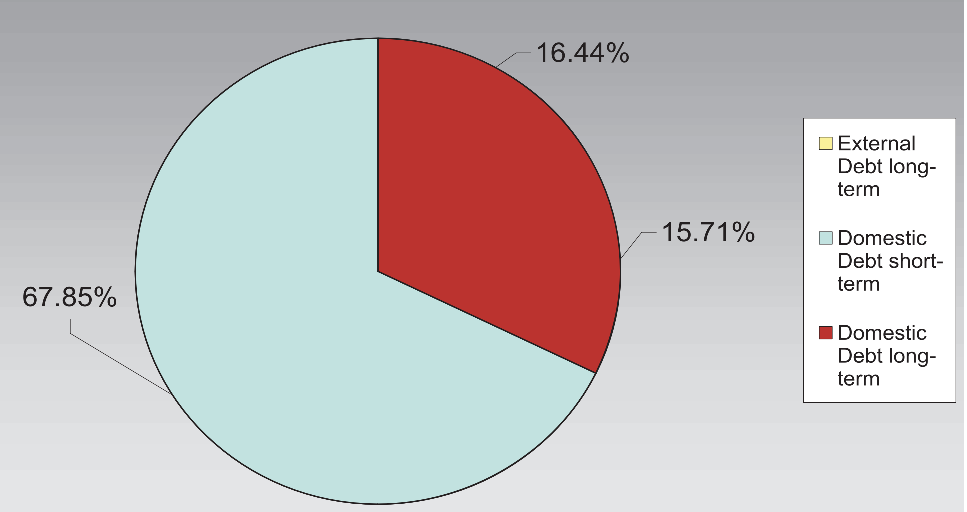
Total public debt by original maturity for the period 2003 to 2007 is displayed in Table 2.2. The period 2003 to 2007 shows all external debt as long-term, i.e. longer than one year maturity. For the year 2007, the share of long-term external debt declined progressively from 20.43 percent in 2006 to 16.44 percent in 2007, while the share of long-term domestic debt increased steadily from 48.03 percent in 2006 to 67.85 percent in 2007. The table also shows that the share of short-term domestic debt decreased from 31.54 percent in 2006 to 15.71 percent in 2007. This testifies to the government's efforts of lengthening the maturity profile of the domestic debt.

Table 2.2: Total Public Debt Outstanding by Original Maturity, 2003-2007 (US$ million)[1]

Type		2003	2004	2005	2006	2007
External Debt Stock	Short term[2]	0.00	0.00	0.00	0.00	0.00
	Long term	32,916.81	35,944.66	20,477.97	3,544.49	3,654.21
	Sub-Total	32,916.81	35,944.66	20,477.97	3,544.49	3,654.21
Domestic Debt Stock	Short term[3]	6,380.90	6,560.56	6,626.59	5,472.44	3,492.54
	Long term	3,902.86	3,754.23	5,202.17	8,332.75	15,083.13
	Sub-Total	10,283.76	10,314.79	11,828.76	13,805.19	18,575.67
TOTAL		43,200.80	46,259.45	32,306.73	17,349.69	22,229.88
PERCENTAGE (%) SHARE						
Type		***2003***	***2004***	***2005***	***2006***	***2007***
External Debt Stock	**Short term**	0.00	0.00	0.00	0.00	0.00
	Long term	76.19	77.70	63.39	20.43	16.44
	Sub-Total	76.19	77.70	63.39	20.43	16.44
Domestic Debt Stock	Short term	14.77	14.18	20.51	31.54	15.71
	Long term	9.03	8.12	16.10	48.03	67.85
	Sub-Total	23.80	22.30	36.61	79.57	83.56
TOTAL		**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

[1] Official DAS Exchange Rate for 2007 figures as at 31/12/07.
[2] Short-term external debt is debt with less than 1 year original maturity.
[3] Short-term domestic debt consists of 91,182 and 364 days Treasury Bills. Long-term domestic debt consists of Treasury Bonds, FGN Bonds and FRN Development Stocks.

Figure 2.2: Total Public Debt By Original Maturity as at 31st December 2007



2.2 DEBT FLOWS

2.2.1 TOTAL DEBT SERVICE PAYMENTS

Total debt service payments for the year 2007 amounted to US$3,186.10 million. This is a decrease of US$4,856.80 million or 60.39 percent, compared to 2006 figures. The sum of US$2,162.91 million or 67.88 percent was for domestic debt principal and interest repayments, while US$1,022.04 million or 32.11 percent was for external debt service payments. Of the debt service payments, 46.63 percent constituted the payment to Promissory Note holders, while 38.43 percent was payment made to Multilateral creditors.

2.2.2 DISBURSEMENTS AND NEW ISSUES

Total disbursements of external debt and new issues of domestic debt for 2007 amounted to US$6,662.57 million (Table 2.3).This showed a decrease of US$9,057.30 million, or 136 percent, compared to the 2006 figures. Of the total disbursements in 2007, US$704.91 million or 11 percent was from external creditors, while US$5,957.67 million or 61.16 percent was in respect of new issues of domestic debt. This large share of domestic debt issues was due to the issuance of 4th FGN Bonds, as part of the budget financing and domestic market development programme discussed in Chapter Four of this report. The bulk of the new issues of domestic debt for the year 2007 were in the 4th FGN Bonds issues which amounted to US$5,168.63 million. These bonds were issued for the purpose of financing the 2007 budget deficit, securitising the balance of the Local Contractors' debt, refinancing matured FGN Bonds obligations, funding of the Call-Option on FGN Bond Series LCD1 and funding the severance entitlement of the defunct Nigeria Airways ex-staff. This was followed by NTBs amounting to US$789.03 million. The decrease in the new issues of NTBs between 2006 and 2007 alongside the increase in new issues of FGN bonds reflects the deliberate policy to restructure the portfolio from short-term to long-term instruments.

Table 2.3: External Debt New Disbursements and Domestic Debt New issues, 2003-2007 (US$ million)

Type	2003	2004	2005	2006	2007[1]
External Debt Disbursements	106.23	185.23	2642.70	381.64	704.91
Domestic Debt New Issues:					
FGN Bonds	*571.30*	*0.00*	*1,403.73*	*3,534.14*	*5,168.63*
NTBs	*696.60*	*350.17*	*1001.46*	*11,804.07*	*789.03*
Sub-Total	1,267.90	350.17	2,405.19	15,338.21	5,957.66
TOTAL	1,374.13	535.40	2,670.00	15,719.85	6,662.57

[1]Official DAS Exchange Rate for 2007 figures as at 31/12/07

2.3 DEBT SUSTAINABILITY ANALYSIS

2.3.1 TOTAL PUBLIC DEBT[1]

In order to assess the sustainability of Nigeria's debt position in the medium to long-term, a National Debt Sustainability Workshop was conducted from the 16th – 20th July 2007, using the World Bank/IMF Debt Sustainability Framework for Low Income Countries (LIC).

The results obtained were compared against the indicative thresholds used as benchmarks for total public debt ratios that was set by the World Bank's Country Policy and Institution Assessment (CPIA), for external debt only.

Currently, Nigeria is ranked as a 'poor performer' in the CPIA index, which means that it is predicted to be able to sustain lower levels of external debt when compared with a medium or strong performer.

Four principal scenarios were constructed to assess the impact of changing macroeconomic variables on the main debt indicators of solvency and liquidity: "Baseline Scenario", "Export/Oil Price Shock Scenario", "Contingent Liabilities Scenario" and "Combined Contingent Liabilities-Export/Oil Price Shock Scenario". The first two were used in both the external and fiscal/total public debt templates, whereas the other two were applied only to the fiscal/total public debt template, i.e. the template that aims at assessing overall public debt sustainability.

The main assumptions of the "Baseline Scenario" for the external template include: a projected average GDP growth rate of 6 percent over the 20 year period; the appreciation of the local currency; a projected average growth rate of government revenue of 3 percent per annum; an oil-price based fiscal rule that will peak at $50 in 2011 and converge to market prices after 2012; and, single digit inflation rate. The baseline assumptions for the fiscal/total public debt template mirror closely the ones just outlined for the external template.

The "Export/Oil Price Shock Scenario" relies on the main assumptions of a 30 percent drop in exports; a sharp initial depreciation of the exchange rate, followed by a slow appreciation due to the recovery from the oil price shock; and a drop in GDP and government revenue.

The "Contingent Liabilities Scenario" maintains, as the key assumption, the crystallization of contingent liabilities of up to 3.5 percent of GDP, with the consequent deflation in GDP.

The "Combined Contingent Liabilities-Export/Oil Price Shock Scenario" relies on the combined assumptions made under the "Export/Oil Price Shock" and "Contingent Liabilities" scenarios.

In the Baseline Scenario, under which the current macroeconomic reforms and overall fiscal responsibility is sustained, debt sustainability is maintained throughout 2007 – 2026. The sustainable CPIA-derived benchmark for comparison is 30 percent.

[1] It might be useful to note that the total public debt used in the analysis captures the external and domestic debt of the Federal Government of Nigeria, as well as the external debt of Sub-national governments but does not capture the actual domestic debt of the Sub-nationals due to paucity of data at the Sub-national level.

Table 2.4 shows the results obtained in the baseline scenario vis-à-vis the indicative thresholds.

The summary of the findings is that generally, Nigeria should not face any solvency or liquidity problems for total public debt in the medium-to-long term, provided the macroeconomic reforms are sustained and the prudent borrowing policies are maintained. Sustainability issues could, however, occur in the event of an oil price shock.

Table 2.4: Total Public Debt Indicators in the Baseline Scenario (Percentage)

Solvency/Liquidity Indicators	Poor Performers Threshold	2007	2010	2020	2026
NPV of Debt/GDP	30	10.1	7.0	5.7	4.8
NPV of Debt/Revenue	200	58.3	40.5	52.8	60.2
Debt Service/Revenue	25	17.0	11.6	12.3	13.1

Figure 2.3: NPV of Total Public Debt to GDP Ratio

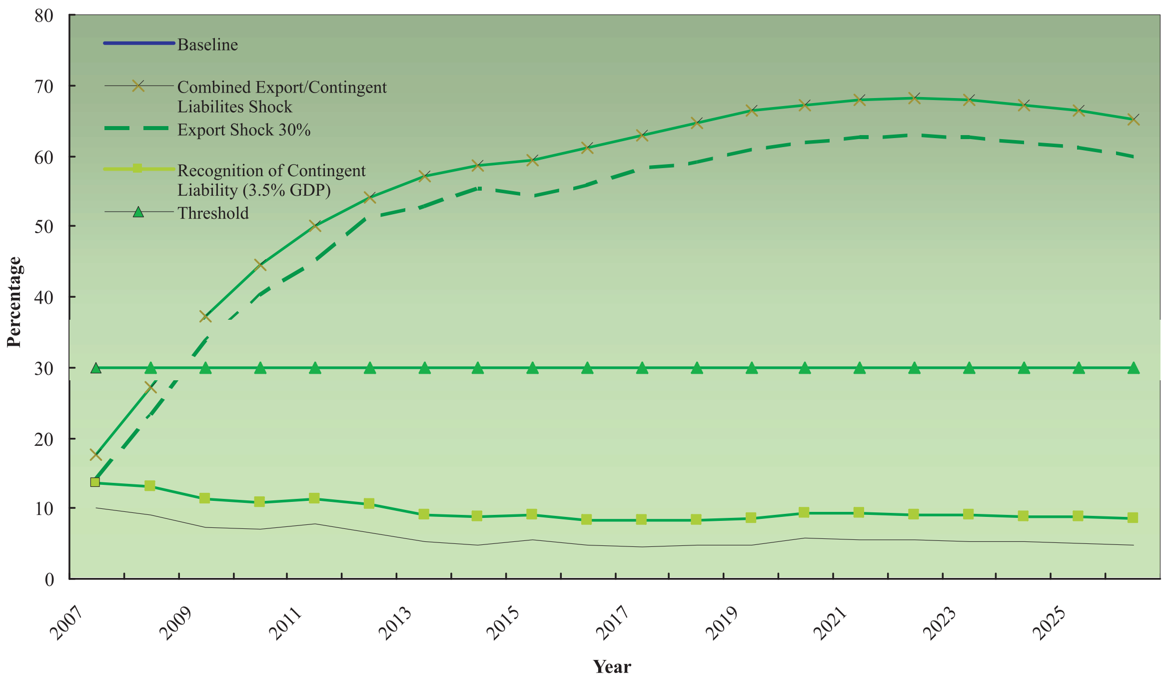


Figure 2.4: NPV of Total Public Debt to Revenue Ratio

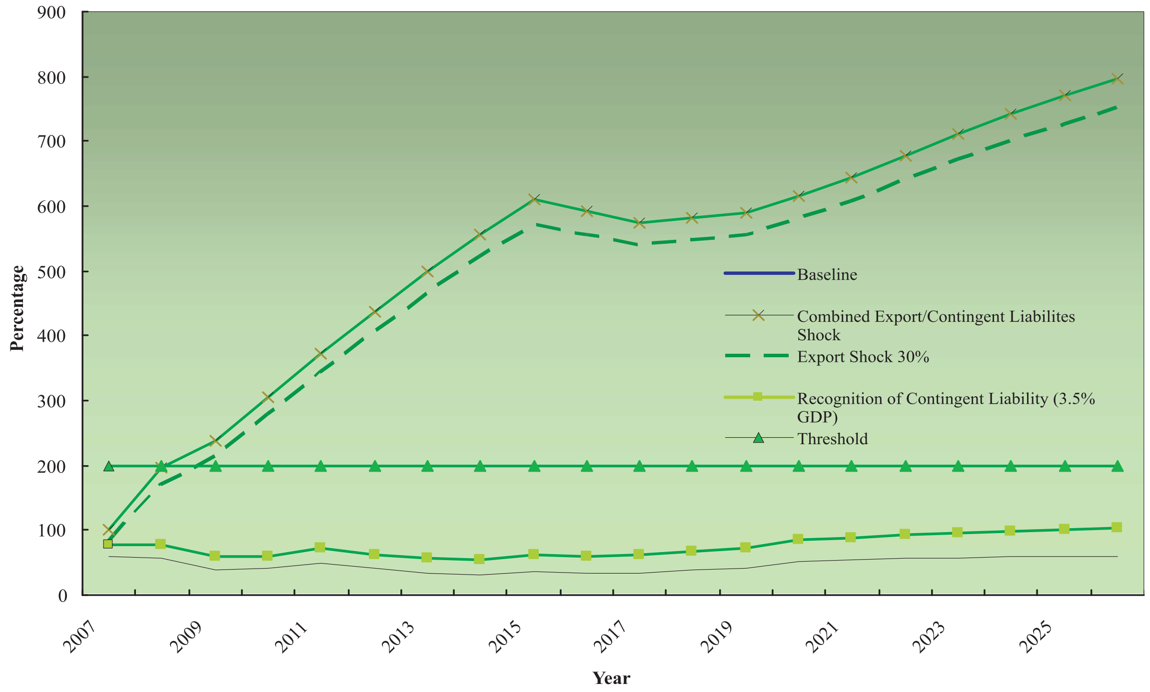
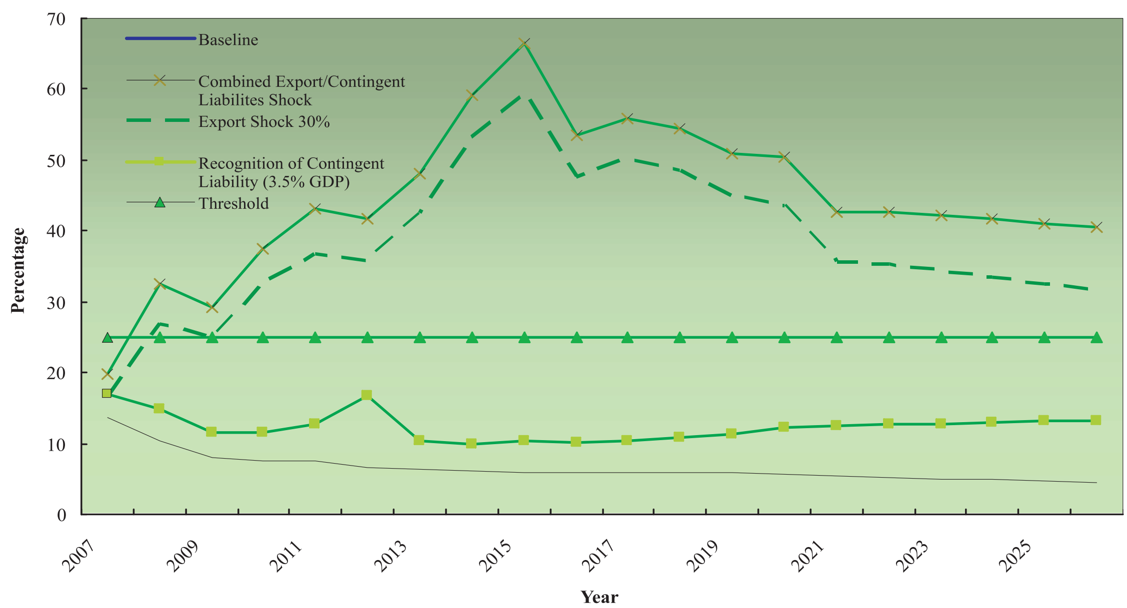


Figure 2.5: Debt Service-to-Revenue Ratio



2.3.1 EXTERNAL DEBT SUSTAINABILITY

Two different scenarios were constructed to assess the impact of changing macroeconomic variables on the main external debt indicators of solvency and liquidity. The results obtained were then compared against the indicative thresholds fixed by the World Bank's annual Country Policy and Institutions Assessment (CPIA), which ranks countries according to the quality of their policies and institutions.

In the "Baseline Scenario", under which current macroeconomic reforms, prudent borrowing at concessional rates and overall fiscal responsibility are continued, external debt sustainability is maintained throughout the period 2007-2026. Results also show that, when testing for the impact of commercial borrowing on external debt sustainability, Nigeria should not encounter debt sustainability problems, provided non-concessional borrowing is done prudently, on a project-by-project basis, focusing on infrastructural development and other projects that improve the revenue-generating capacity of the economy.

Table 2.5 shows the results obtained in the baseline scenario vis-à-vis the indicative thresholds. External debt ratios are sustainable and generally on a decreasing trend throughout the 2007-2026 period. This means that Nigeria should not face any external debt sustainability problems in the medium to long term.

Table 2.5: External Debt Indicators in the Baseline Scenario (Percentage)

Solvency/ Liquidity Indicators	Poor Performers Threshold	2007	2010	2020	2026
NPV of Debt/GDP	30	3.4	2.5	1.4	1.0
NPV of Debt/Exports	100	8.1	8.1	8.3	8.6
Debt Service/ Export	15	1.1	0.7	0.5	0.3

Another country-specific scenario modeled was the "Export/Oil Price Shock Scenario". This was computed to determine the impact on the country's external debt sustainability of a reduction in oil prices by one standard deviation of Brent Crude prices over the period 1970-2006, i.e. by US$19 per barrel, (from the baseline figure of US$50 in 2006). Under this scenario, Nigeria would experience solvency problems from around 2020 (Figure 2.6 and Figure 2.7), although it would not seem to face liquidity problems (Figure 2.8).

Figure 2.6: NPV of Debt-to-GDP Ratio

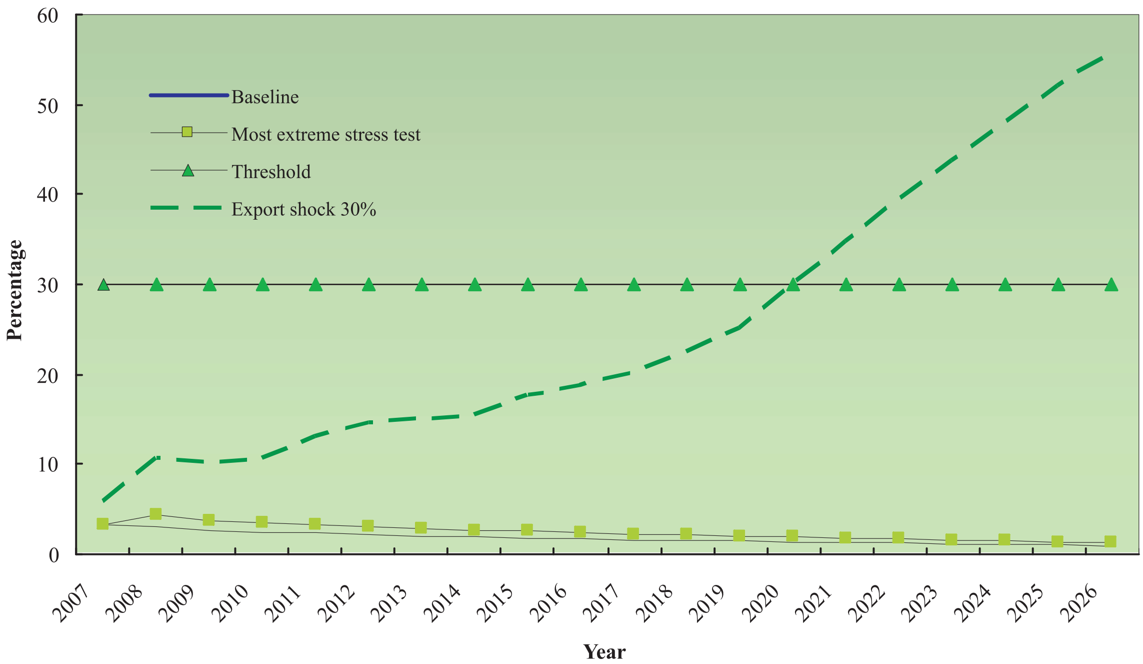


Figure 2.7: NPV of Debt-to-Export Ratio

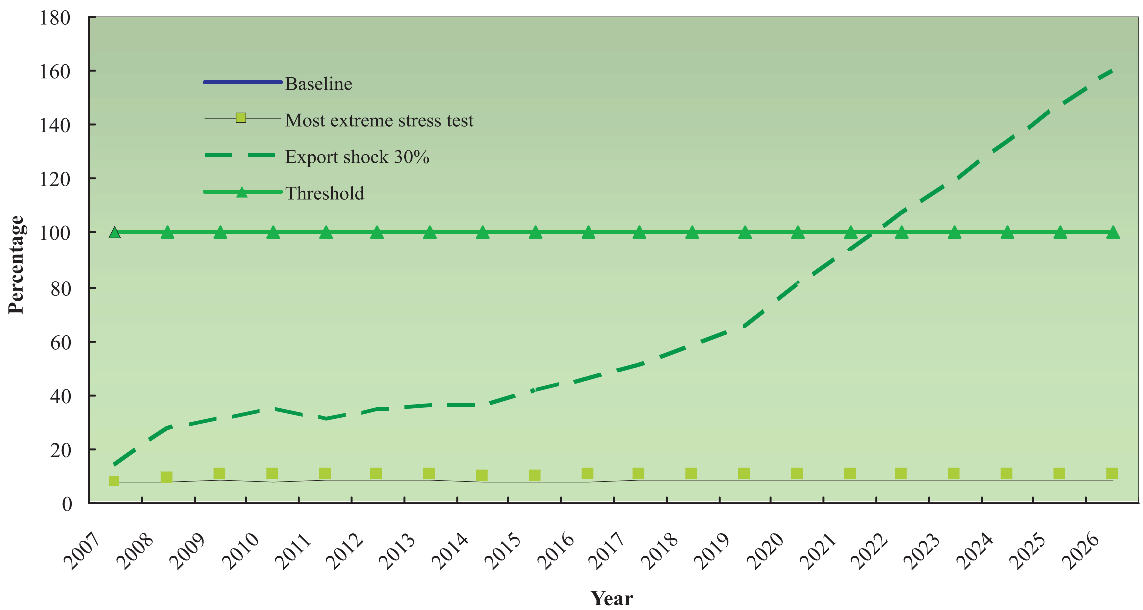
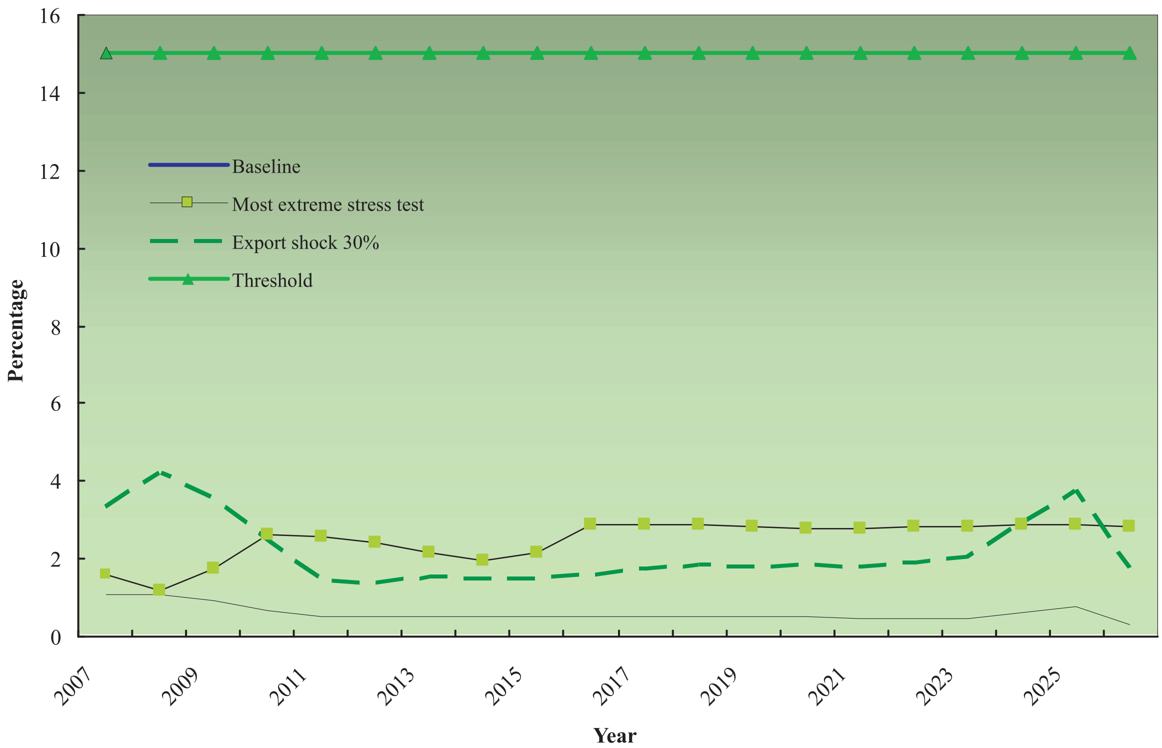
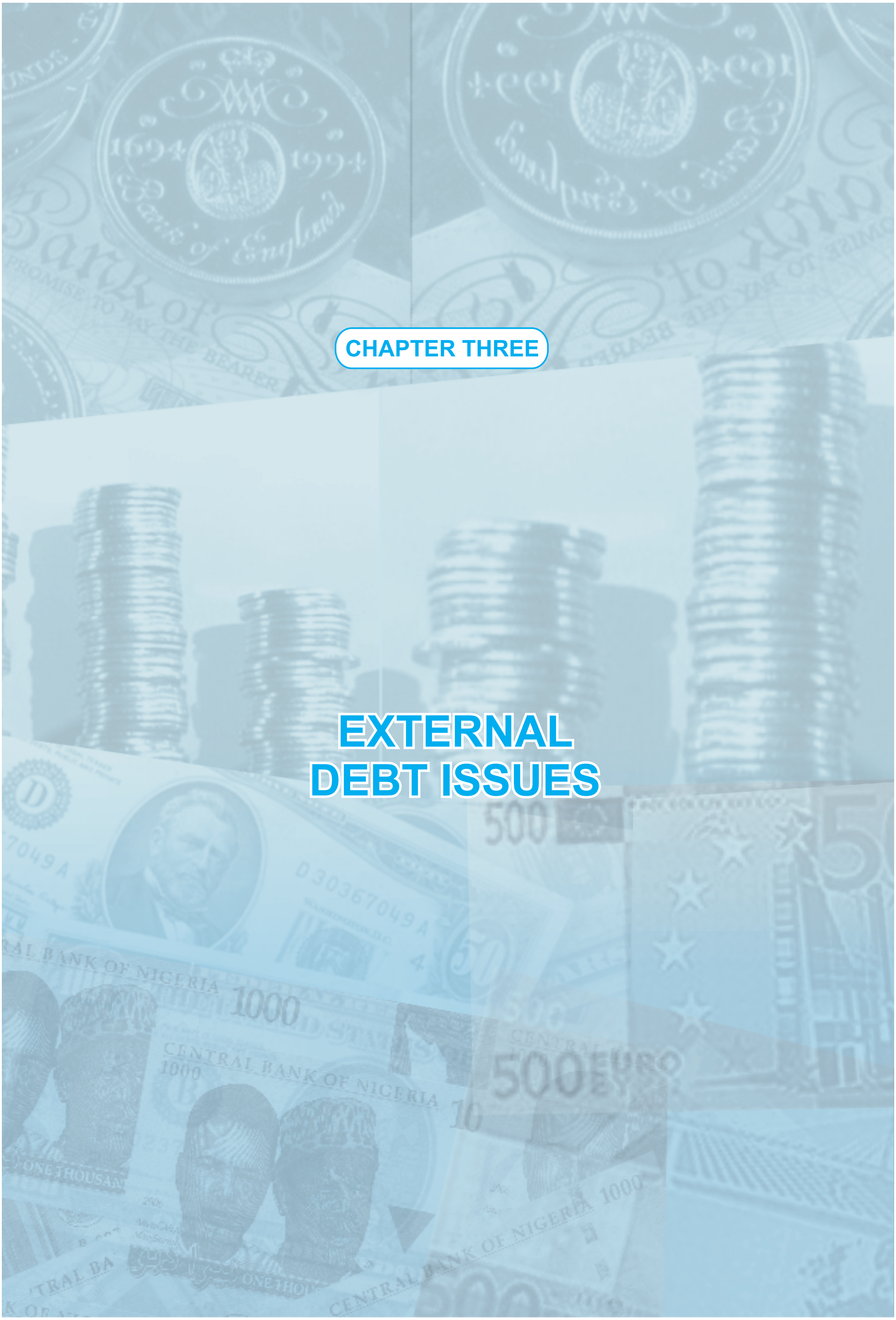


Figure 2.8: Debt Service-to-Export



CHAPTER THREE

EXTERNAL DEBT ISSUES



3.1 EXTERNAL DEBT STOCK

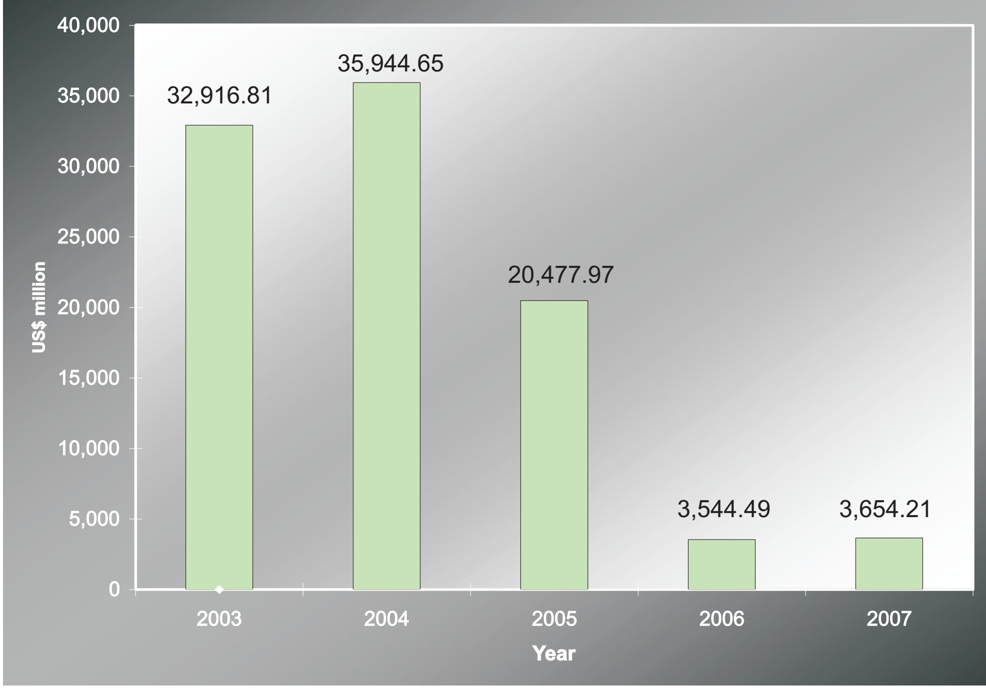
Total external debt outstanding as at 31st December 2007 was US$3,654.21 million as against US$3,544.49 million in 2006 (Figure 3.1). This shows an increase of US$109.72 million, or 3.10 percent, which was mainly as a result of the depreciation of the US dollar to other currencies. Figure 3.1 displays the trend in Nigeria's external debt stock over the five-year period 2003 to 2007. The external debt stock increased significantly between 2003 and 2004 due to the build up of arrears and penalty interests. The decrease between 2005 and 2007 was as a result of the Paris Club debt deal signed in 2005 and finalized in April 2006, as well as the exit from the London Club debt obligations in 2006 and 2007.

Table 3.1: External Debt Stock by Creditor Category as at 31st December, 2007 (US$ million)[1]

Creditor	*Principal Balance*	*Total Arrears*	*Total*	*Percentage (%)*
	1	2	3	4
MULTILATERAL				
World Bank Group:				
IBRD	368.51	0.00	368.51	10.08
IDA	1,941.00	0.00	1,941.00	53.12
IFAD	48.60	0.00	48.60	1.33
African Dev. Bank Group:				
ADB	353.80	0.00	353.80	9.68
ADF	222.90	0.00	222.90	6.10
EIB	0.00	0.00	0.00	0.00
EDF	146.10	0.00	146.10	4.00
SUB-TOTAL	**3,080.91**	**0.00**	**3,080.91**	**84.31**
NON – PARIS CLUB BILATERAL	184.90	0.00	184.90	5.06
LONDON CLUB	0.00	0.00	0.00	0.00
PROMISSORY NOTES	0.00	0.00	0.00	0.00
OTHER COMMERCIAL	388.4	0.00	388.40	10.63
GRAND TOTAL	**3,654.21**	**0.00**	**3,654.21**	**100.00**

[1] Exchange rate of US$ vis-à-vis other currencies as at 31/12/2007.

Figure 3.1: External Debt Stock, 2003-2007 (US$ million)



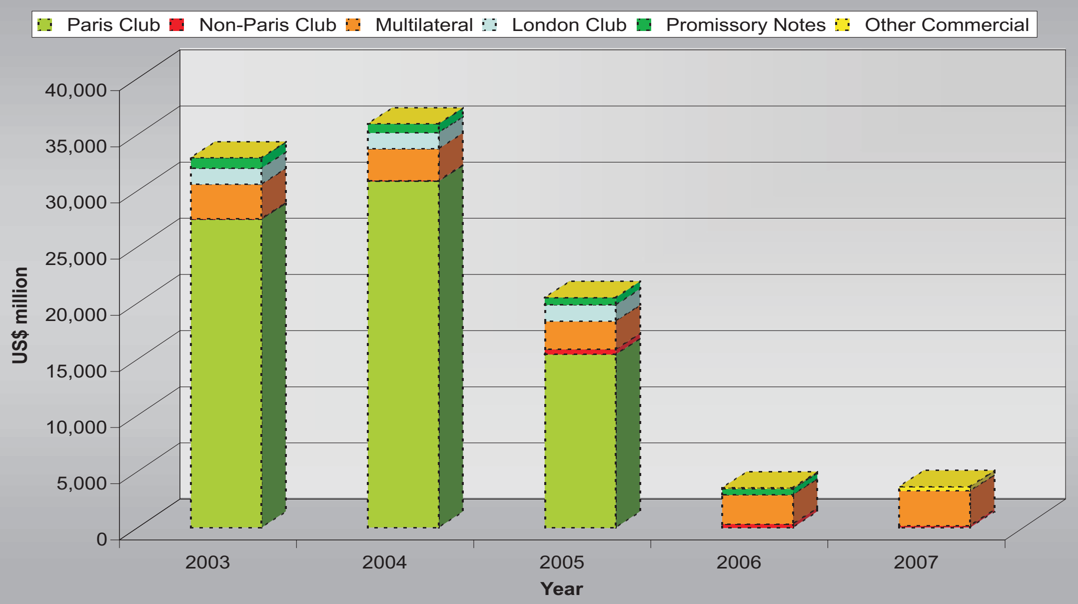
With the final exit from Paris Club debt in 2006, the largest proportion of the external debt stock became that owed to multilateral creditors, amounting to 84.31 percent. Also, after the obligor substitution arrangement on the Promissory Notes in February 2007, the London Club debt was completely extinguished.

Table 3.2 and Figure 3.2 show Nigeria's external debt outstanding by creditor category over the period 2003 to 2007.

Table 3.2: External Debt Outstanding by Creditor, 2003-2007 (US$ million)

CREDITOR CATEGORY	*2003*	*2004*	*2005*	*2006*	*2007*
A. Official:					
1. Bilateral					
Paris Club	27,469.92	30,847.81	15,412.40	0.00	0.00
Non-Paris Club	51.63	47.50	461.79	326.08	184.90
2. Multilateral	3,042.08	2,824.32	2,512.19	2,608.30	3,080.91
Sub-Total	**30,563.63**	**33,719.63**	**18,386.38**	**2,934.38**	**3,265.81**
B. Private:					
1. London Club	1,441.79	1,441.79	1,441.79	0.00	0.00
2. Promissory Notes	911.39	783.23	649.8	509.01	0.00
3. Other Commercial	0.00	0.00	0.00	101.10	388.40
Sub-Total	**2,353.18**	**2,225.02**	**2,091.59**	**610.11**	**388.40**
Grand Total	**32,916.81**	**35,944.65**	**20,477.97**	**3,544.49**	**3,654.21**
PERCENTAGE SHARE					
A. Official:					
1. Bilateral					
Paris Club	83.45	85.82	75.26	0.00	0.00
Non-Paris Club	0.16	0.13	2.26	9.20	5.06
2. Multilateral	9.24	7.86	12.27	73.59	84.31
Sub-Total	**92.85**	**93.81**	**89.79**	**85.64**	**89.37**
B. Private:					
1. London Club	4.38	4.01	7.04	0.00	0.00
2. Promissory Notes	2.77	2.18	3.17	14.36	0.00
3. Other Commercial	0.00	0.00	0.00	2.85	10.63
Sub-Total	**7.15**	**6.19**	**10.21**	**14.36**	**10.63**
Grand Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Figure 3.2: External Debt Outstanding by Creditor, 2003 - 2007



3.2 EXTERNAL DEBT STOCK BY CREDITOR CATEGORY

3.2.1 OFFICIAL CREDITORS

3.2.1.1 MULTILATERAL

Multilateral debt outstanding as at 31st December 2007 amounted to US$3,080.91 million, or 84.31 percent of the total external debt stock (Table 3.2). Of this amount, US$2,358.60 million was owed to concessional multilateral creditors and US$722.31 million to non-concessional multilateral creditors. The concessional creditors were International Development Association (IDA) with US$1,941.00 million; International Fund for Agricultural Development (IFAD) with US$48.60 million; African Development Fund (ADF) with US$222.90 million; and European Development Fund (EDF) with US$146.10 million. The Non-concessional creditors consisted of International Bank for Reconstruction and Development (IBRD) with US$368.51 million and African Development Bank (ADB) with US$353.80 million. The European Investment Bank (EIB) was fully repaid in 2007 (Table 3.1).

In 2007, total multilateral debt increased by US$472.61 million, or 18.12 percent, compared to the value as at 31st December 2006, mainly due to the depreciation of the US Dollar against other currencies of the portfolio.

3.2.1.2 NON-PARIS CLUB BILATERAL DEBT

The Non-Paris Club Bilateral Debt in 2007 comprises the Exim Bank of Korea and the Chinese Nigeria-Communication Satellite (NIGCOMSAT) loans. These loans are concessional bilateral debts. The reduction in the stock of the Non-Paris Club bilateral debt from US$326.08 million in 2006 to US$184.90 million in 2007 (Table 3.2) was as a result of the reclassification of some China Exim Bank loans from the Bilateral Debt Category to the category of Other Commercial Debts. These loans are private sector loans but guaranteed by the China Exim Bank. The loans are Chinese Rural Telephony (Alcatel), Chinese Rural Telephony (ZTE) and Chinese construction of 335 MWTS of Gas Plant at Omotosho and Papalanto. They were declassified from Bilateral Debt Category to Other Commercial Debt Category mainly because they are private sector non-concessional loans.

3.2.1.3 OTHER COMMERCIAL DEBTS

Other Commercial Debts comprise non-concessional loans that were obtained from the commercial window. The reclassification of some of the China loans has resulted in the increase in the quantum of the Other Commercial debt portfolio from US$101.10 million, in 2006 to US$388.40 million as at end-December 2007 (Table 3.2). The Other Commercial Debts also include the SBI Holdings Ife-Ilesha road loan.

3.2.2 PRIVATE CREDITORS

3.2.2.1 LONDON CLUB DEBT

There was no debt outstanding to the Par Bonds and Promissory Notes holders. Balances to the Par Bond holders were cleared in November 2006 via a redemption exercise, while the outstanding balance of US$476.60 million of Promissory Notes were cleared in February 2007 under an obligor substitution arrangement with Merrill Lynch to exit these obligations.

There was no outstanding obligation to the London Club as at 31st December 2007, as a result of the final exit strategy adopted.

3.2.2.2 OIL WARRANTS

Twenty-one percent of the 1.44 million outstanding Oil Warrants was retired at a negotiated price of US$220 per unit. Options for the retirement of the balance would be considered during the 2008 fiscal year.

3.3 EXTERNAL DEBT BY CURRENCY COMPOSITION AND ORIGINAL MATURITY

3.3.1 CURRENCY COMPOSITION OF EXTERNAL DEBT

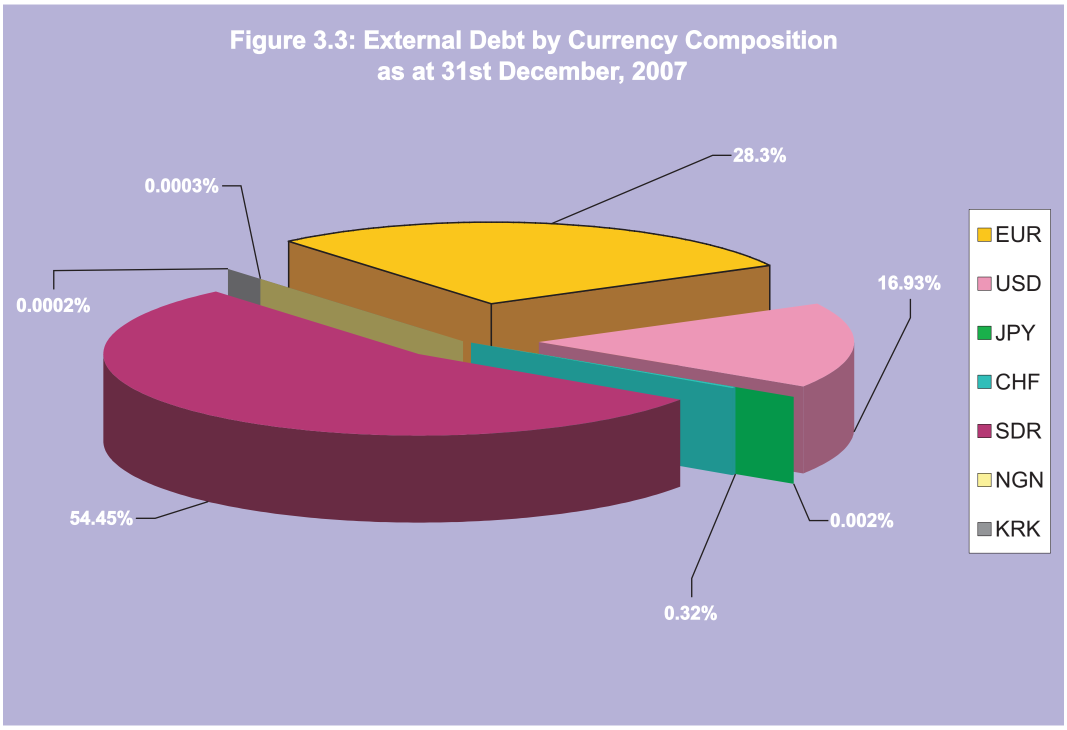
Table 3.3 and Figure 3.3 illustrate the currency composition of the external debt stock as at 31st December, 2007. Special Drawing Rights (SDRs) have the largest share in the portfolio, constituting 54.45 percent of the external debt stock. This is followed by the Euro with 28.3 percent of the total, the US Dollar with 16.93 percent, and other currencies (Japanese Yen, Swiss Franc, Nigerian Naira and Korean Won) accounting for the balance of 0.32 percent.

3.3.2 EXTERNAL DEBT BY ORIGINAL MATURITY

All external loans contracted show maturities longer than one year and hence are considered long-term (Table 2.2).

Table 3.3: External Debt Stock by Currency Composition as at 31st December, 2007 (US$ million)

S/No	Currency	Debt Stock	US$ Exch Rate	USD EQUIV.	Percentage of Total
1	EUR	703,046,627.00	1.47	1,034.65	28.3
2	USD	618,465,337.00	1.00	618.47	16.93
3	JPY	9,443,368.00	0.01	0.08	0.002
4	CHF	10,125,664.00	0.89	11.40	0.32
5	SDR	1,357,522,044.00	1.58	1,989.60	54.45
6	NGN	969,429.41	0.01	0.01	0.0003
7	KRK	3,174,365.00	0.001	0.003	0.0002
	TOTAL			3,654.21	100.00



3.4 EXTERNAL DEBT FLOWS

3.4.1 DEBT SERVICE PAYMENTS

Total external debt service payments for the year 2007 was US$1,022.04 million, compared to US$6,729.20 million in 2006, reflecting a decrease of US$5,707.16 million, or 558.40 percent. This substantial decrease was due to large payments made for the Paris Club and London Club debt exit, which constituted the bulk of debt service payment obligations in 2006.

Table 3.4 and Figure 3.4 show that the largest debt service payment of US$476.60 million, or 46.63 percent, was made to the Promissory Notes holders. The second largest payment amounting to US$392.77 million, or 38.43 percent, was made to Multilateral creditors. Payments to London Club creditors amounted to US$102.59 million, or 10.04 percent of the total. US$27.48 million, or 2.69 percent, was paid to non-Paris Club bilateral creditors and US$22.60 million, or 2.21 percent, to Other Creditors.

Table 3.4: External Debt Service Payments, 2003-2007 (US$ million)

CREDITOR CATEGORY	2003	2004	2005	2006	2007
A. Official:					
1. Bilateral:					
Paris Club	1,020.18	994.45	8,070.79	4,519.87	0.00
Non-Paris Club	13.26	11.65	11.39	25.56	27.48
2. Multilateral	509.23	487.28	471.67	426.62	392.77
Sub-Total	1,542.66	1,493.38	8,553.85	4,972.05	420.25
B. Private:					
1. London Club(par bonds/oil warrants)[1]	90.21	90.15	169.86	1,584.58	102.59
2. Promissory Notes	176.42	171.23	213.55	170.84	476.6
3. Others	0.00	0.00	3.67	1.60	22.60
Sub-Total	266.62	261.38	387.08	1,757.14	601.79
Grand Total	1,809.28	1,754.76	8,940.93	6,729.20	1,022.04

[1]The 2007 payments made to London Club debt were in respect of Oil Warrants only, as there was no London Club stock as at end of 2007.

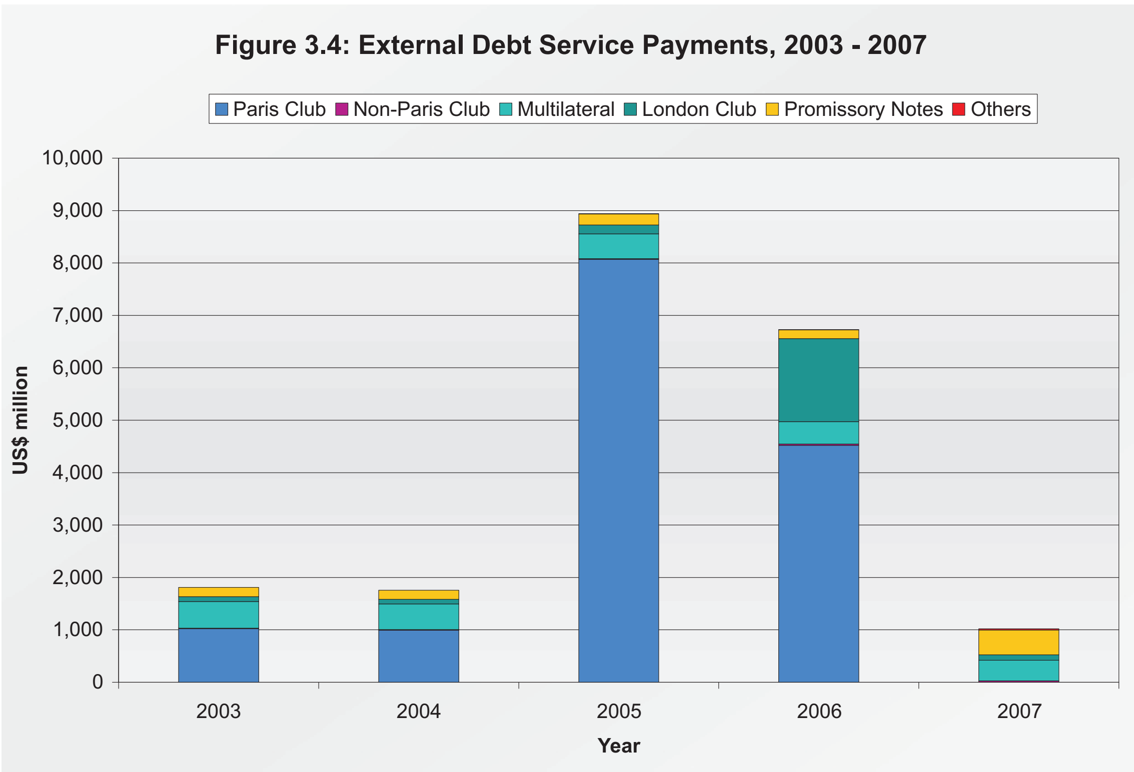


TABLE 3.5: ACTUAL EXTERNAL DEBT SERVICE PAYMENTS BY CREDITOR CATEGORY, JAN. - DEC. 2007

(US$ MILLION)

CATEGORY	PRINCIPAL	INTEREST/ SERVICE FEE	Deffered Principal	Differed Interest	LATE INT	WAIVER	COMMTT. CHARGES	OTHER CHARGES	TOTAL	% OF TOTAL
MULTILATERAL	**316.20**	**71.68**	**0.87**	**0.57**	**0.07**	**(1.06)**	**4.23**	**0.38**	**392.77**	**38.43**
I.B.R.D.	176.93	26.53	0.85	0.34	0.05	(0.99)	0.00	0.01	203.72	
A.D.B	108.66	30.16	0.00	0.00	0.00	0.00	0.10	0.34	139.26	
IFAD	0.78	0.18	0.01	0.00	0.00	0.00	0.14	0.00	1.11	
EIB	3.52	0.33	0.00	0.00	0.02	0.00	0.00	0.00	3.87	
ECOWAS FUND	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
ADF	1.83	1.43	0.00	0.00	0.00	0.00	0.98	0.00	4.24	
IDA	18.96	10.87	0.01	0.23	0.00	(0.07)	3.01	0.03	32.87	
EDF	5.52	2.18	0.00	0.00	0.00	0.00	0.00	0.00	7.70	
LONDON CLUB**	**102.59**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**102.59**	**10.04**
Int on Par Bonds/Bank of Eng	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Pymt on outstanding Oil Warrants	20.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.92	
Partial Redemption of Oil Warrants	81.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	81.67	
PROM. NOTES	**476.60**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**476.60**	**46.63**
NON PARIS BILATERAL	**14.45**	**2.83**	**4.54**	**5.28**	**0.00**	**0.00**	**0.38**	**0.00**	**27.48**	**2.69**
NIGCOMSAT(EXIM CHINA)	5.54	1.16	4.54	5.28	0.00	0.00	0.38	0.00	16.90	
EXIM BANK OF KOREA	1.36	0.22	0.00	0.00	0.00	0.00	0.00	0.00	1.58	
ALCATEL (Rural Telephony)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
SBI HOLDINGS	7.55	1.45	0.00	0.00	0.00	0.00	0.00	0.00	9.00	
OTHERS	**21.66**	**0.87**	**0.00**	**0.00**	**0.01**	**0.00**	**0.00**	**0.06**	**22.60**	**2.21**
WADMO	0.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.61	
CBN 1% Comm. On Exit Pymt	20.86	0.00	0.00	0.00	0.00	0.00	0.00	0.01	20.87	
Professional Fees (Cleary Gottlieb S&H)	0.19	0.87	0.00	0.00	0.01	0.00	0.00	0.05	1.12	
TOTAL	**931.50**	**75.38**	**5.79**	**5.30**	**0.08**	**(1.06)**	**4.61**	**0.44**	**1,022.04**	**100.00**

Note: The figures in parenthesis indicate waiver (gains) in favour of the Federal Government of Nigeria.
**** The 2007 payments made to the London Club were in respect of Oil Warrants only, as there was no London Club stock as at end 2007.**

3.5 EXTERNAL DEBT DISBURSEMENTS

Table 3.6 displays disbursements of external debt by creditor for the period 2003 to 2007. External disbursements (excluding grants) totalled US$424.55 million for 2007, a decrease of US$76.86 million or 18.10 percent, from the level in 2006. The variance was largely due to the decrease in disbursements from Bilateral creditors and the absence of disbursements from Private creditors due to completion of their disbursements. Table 3.6 also depicts that IDA still maintains its position as the largest provider of new credit to Nigeria.

3.6 NET FLOWS ON EXTERNAL DEBT

Table 3.7 shows both the net resource flow on external debt and net transfers by creditor type in 2007. The sum of US$506.95 million was recorded as an outflow under the net resource flow. However, the net transfers showed a negative variance of US$587.71 million signifying a net outflow of resources from the country. This may reflect the policy of the government in recent years to slow down the contracting of new loans.

Table 3.6: Disbursements[1] by Creditor, 2003-2007 (US$ million)

	2003	2004	2005	2006	2007
Official:					
Multilateral:					
IDA	*63.18*	*156.19*	*244.95*	*337.36*	*330.68*
IFAD	*5.17*	*2.43*	*2.46*	*5.20*	*6.52*
ADB	*21.45*	*26.26*	*10.42*	*5.53*	*2.34*
ADF	*16.43*	*0.35*	*6.98*	*10.11*	*47.08*
Sub-Total	**106.23**	**185.23**	**264.81**	**358.20**	**386.62**
Bilateral	0.00	0.00	0.00	119.77	37.94
Private	0.00	0.00	0.00	23.44	0.00
TOTAL	**106.23**	**185.23**	**264.81**	**501.41**	**424.55**

[1] Disbursements exclude grants.

Table 3.7: Net Flows and Net Transfers on External Debt by Creditor Type in 2007 (US$ million)

CREDITOR CATEGORY	Disbursements in 2007	Principal Repayments in 2007	Net resource flow on debt in 2007	Interest paid in 2007	Net Transfers in 2007
	(A)	(B)	(C=A-B)	(D)	(E=C-D)
Multilateral	386.61	316.2	70.41	72.32	-1.91
Bilateral	37.94	6.9	31.04	6.12	24.92
Commercial	0	586.74	-586.74	1.45	-588.19
Others	0	21.66	-21.66	0.87	-22.53
Total	424.55	931.5	-506.95	80.76	-587.71

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

3.7 WAIVERS

In 2007, Nigeria obtained waivers amounting to US$0.99 million from IBRD and US$0.07 million from IDA, bringing the total waivers received during the year to US$1.06 million. This was as a result of the diligence of the Nigerian Government in its timely debts service payments in contrast to the situation in the past when penalties were incurred for late payments.

3.8 EXTERNAL DEBT SERVICE PROJECTIONS (10-YEAR PROJECTIONS)

Table 3.8 shows external debt service projections over a 10-year period. The table shows that a total debt service payment of $3,007.25 million would be made over a 10-year period. The table also reveals that the debt service payment would be decreasing progressively up to 2016, after which it would rise slightly. This is as a result of loans that would fall due after the grace period.

Table 3.8: External Debt Service Projections 2008 - 2017

(US$ Million)

S/N	Category of Debt	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1	**MULTILATERAL**										
a	**IBRD**										
	Principal	185.30	79.30	60.69	29.69	5.80	0.00	0.00	0.00	0.00	0.00
	Interest	14.00	7.20	3.56	1.08	0.10	0.00	0.00	0.00	0.00	0.00
	Sub Total (a)	**199.30**	**86.50**	**64.25**	**30.77**	**5.90**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
b	**ADB**										
	Principal	98.70	87.60	63.77	45.07	23.50	23.50	11.70	0.00	0.00	0.00
	Interest	35.20	15.97	10.25	6.13	3.60	2.00	0.40	0.00	0.00	0.00
	Sub Total (b)	**133.90**	**103.57**	**74.02**	**51.20**	**27.10**	**25.50**	**12.10**	**0.00**	**0.00**	**0.00**
c	**IFAD**										
	Principal	1.00	0.57	1.45	1.45	2.70	3.30	3.30	3.30	3.32	3.32
	Interest	0.50	0.60	0.74	0.79	0.80	0.80	0.70	0.70	0.68	0.65
	Sub Total (c)	**1.50**	**1.17**	**2.20**	**2.24**	**3.50**	**4.10**	**4.00**	**4.00**	**4.00**	**3.97**
d	**ADF**										
	Principal	4.00	2.06	2.06	3.43	4.10	35.80	10.60	10.90	10.88	12.33
	Interest	1.70	1.79	1.82	1.84	1.90	1.90	1.90	1.80	1.82	1.80
	Sub Total (d)	**5.70**	**3.85**	**3.88**	**5.27**	**6.00**	**37.70**	**12.50**	**12.70**	**12.70**	**14.12**
e	**IDA**										
	Principal	39.45	21.71	25.21	35.67	49.70	65.80	74.50	87.20	97.54	107.18
	Interest	15.70	15.55	16.37	17.15	17.80	18.20	18.40	18.50	18.45	18.34
	Sub Total (e)	**55.15**	**37.26**	**41.58**	**52.82**	**67.50**	**84.00**	**92.90**	**105.70**	**115.99**	**125.53**
f	**EDF**										
	Principal	6.80	5.88	5.94	6.00	6.10	6.10	6.20	6.20	6.30	6.37
	Interest	2.40	1.39	1.33	1.27	1.20	1.20	1.10	1.00	0.96	0.90
	Sub Total (f)	**9.20**	**7.27**	**7.27**	**7.27**	**7.30**	**7.30**	**7.30**	**7.20**	**7.26**	**7.27**
g	**IDB**										
	Principal	0.00	0.00	0.00	0.00	0.00	0.00	1.90	1.90	1.88	1.88
	Interest	0.20	0.31	0.31	0.42	0.30	0.30	0.30	0.30	0.00	0.00
	Sub Total (g)	**0.20**	**0.31**	**0.31**	**0.42**	**0.30**	**0.30**	**2.20**	**2.20**	**1.88**	**1.88**
h	**ABEDA (BADEA)**										
	Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.36	0.37
	Interest	0.00	0.03	0.05	0.07	0.10	0.10	0.10	0.10	0.08	0.07
	Sub Total (h)	**0.00**	**0.03**	**0.05**	**0.07**	**0.10**	**0.10**	**0.10**	**0.10**	**0.44**	**0.44**
i	**NON PARIS CLUB**										
	Bilateral										
	Principal	73.08	52.81	52.53	52.53	52.53	11.75	0.00	0.00	0.00	0.00
	Interest	7.84	6.70	5.16	3.50	1.85	0.50	0.00	0.00	0.00	0.00
	Sub Total	**80.92**	**59.51**	**57.68**	**56.03**	**54.38**	**12.25**	**0.00**	**0.00**	**0.00**	
	Commercial										
	Principal	74.51	55.40	51.63	47.86	47.86	42.32	5.88	0.00	0.00	0.00
	Interest	9.07	12.69	9.65	6.94	4.35	1.37	0.10	0.00	0.00	0.00
	Sub Total	**83.58**	**68.09**	**61.28**	**54.80**	**52.21**	**43.69**	**5.97**	**0.00**	**0.00**	**0.00**
J	**Oil Warrants**	48.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3
	Financial Advisory Services/Agency Fees	1.012	1.012	1.012	1.012	1.012	1.012	1.012	1.012	1.012	1.012
	Sub Total (j)	**49.31**	**49.31**	**49.31**	**49.31**	**49.31**	**49.31**	**49.31**	**49.31**	**49.31**	**49.31**
	Total Principal	**532.15**	**354.65**	**312.60**	**271.01**	**241.60**	**237.88**	**163.39**	**158.81**	**169.59**	**180.76**
	Total Interest	**86.61**	**62.22**	**49.24**	**39.20**	**32.00**	**26.38**	**23.00**	**22.40**	**21.99**	**21.76**
	Grand Total	**618.76**	**416.87**	**361.83**	**310.22**	**273.60**	**264.26**	**186.38**	**181.21**	**191.58**	**202.52**

Note: IDA, IDB, IFAD ,ADF, BADEA & Non Paris Bilateral include future disbursements

(I) Exchange Rate applied as at 31st December 2007

(ii) Further depreciation of the US Dollar against other currencies not expected

3.9 STATE DEBT ISSUES

3.9.1 DISAGGREGATED DEBT STOCK: FEDERAL AND STATE GOVERNMENTS

Table 3.9 shows the disaggregated debt stock for the Federal Government, the 36 States of the Federation and the Federal Capital Territory (FCT) for the year 2007. The table reveals that out of US$3,654.20 million of external debt stock, US$2,114.27 million or 57.86 percent was owed by the Federal Government, while the remaining US$1,539.93 million or 42.14 percent was owed by State Governments and the FCT.

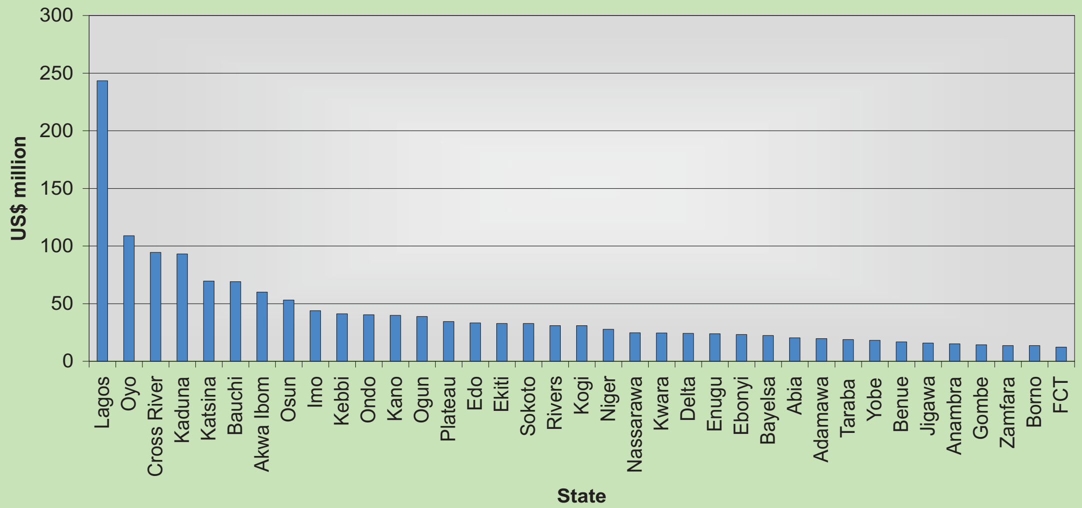
Only the Federal Government owed the Non-Paris Club creditors amounting to US$573.30 million. State Governments and the FCT were indebted only to multilateral creditors. Among the State Governments, the data reveals that Lagos State owed the largest debt amounting to US$243.28 million or 6.66 percent of total external debt, followed by Oyo State with US$108.92 million or 2.98 percent; and Cross River State with US$94.44 million or 2.58 percent. The least indebted was the FCT with US$12.20 million or 0.33 percent of the total (Figure 3.5).

Table 3.9: Federal and State Governments External Debt Stock as at 31st December, 2007 (US$)

S/No	State	Multilateral 2007	Non-Paris and Other Commercials	Total	Share (%)
1	Abia	20,371,009.91	-	20,371,009.91	0.56
2	Adamawa	19,655,860.75	-	19,655,860.75	0.54
3	Akwa Ibom	60,059,019.31	-	60,059,019.31	1.64
4	Anambra	15,192,742.50	-	15,192,742.50	0.42
5	Bauchi	69,105,544.56	-	69,105,544.56	1.89
6	Bayelsa	22,292,252.93	-	22,292,252.93	0.61
7	Benue	16,781,480.20	-	16,781,480.20	0.46
8	Borno	13,567,690.30	-	13,567,690.30	0.37
9	Cross River	94,445,030.08	-	94,445,030.08	2.58
10	Delta	24,169,665.99	-	24,169,665.99	0.66
11	Ebonyi	23,217,583.94	-	23,217,583.94	0.64
12	Edo	33,312,069.85	-	33,312,069.85	0.91
13	Ekiti	32,710,380.52	-	32,710,380.52	0.90
14	Enugu	23,898,266.09	-	23,898,266.09	0.65
15	FCT	12,203,219.03	-	12,203,219.03	0.33
16	Gombe	14,272,330.85	-	14,272,330.85	0.39
17	Imo	43,929,283.48	-	43,929,283.48	1.20
18	Jigawa	15,802,628.15	-	15,802,628.15	0.43
19	Kaduna	93,154,607.10	-	93,154,607.10	2.55
20	Kano	39,798,039.80	-	39,798,039.80	1.09
21	Katsina	69,641,757.08	-	69,641,757.08	1.91
22	Kebbi	41,109,744.92	-	41,109,744.92	1.12
23	Kogi	30,880,873.54	-	30,880,873.54	0.85
24	Kwara	24,524,710.30	-	24,524,710.30	0.67
25	Lagos	243,283,449.01	-	243,283,449.01	6.66
26	Nassarawa	24,756,398.00	-	24,756,398.00	0.68
27	Niger	27,680,878.61	-	27,680,878.61	0.76
28	Ogun	38,902,315.82	-	38,902,315.82	1.06
29	Ondo	40,343,968.06	-	40,343,968.06	1.10
30	Osun	53,173,678.75	-	53,173,678.75	1.46
31	Oyo	108,924,820.05	-	108,924,820.05	2.98
32	Plateau	34,480,976.05	-	34,480,976.05	0.94
33	Rivers	30,986,282.13	-	30,986,282.13	0.85
34	Sokoto	32,691,825.73	-	32,691,825.73	0.89
35	Taraba	18,860,044.01	-	18,860,044.01	0.52
36	Yobe	18,151,992.23	-	18,151,992.23	0.50
37	Zamfara	13,602,602.69		13,602,602.69	0.37
	Total	1,539,935,022.30	-	1,539,935,022.30	42.14
38	**FGN**	1,540,970,099.50	573,304,001.90	2,114,274,101.40	57.86
	Grand Total	3,080,905,121.80	573,304,001.90	3,654,209,123.70	100.00

Note: Excludes arrears as at end of December, 2007.
Exchange rate as at 31/12/07

Figure 3.5: External Debt Stock by State Government as at 31st December, 2007



3.9.2 STATES' EXTERNAL DEBT SERVICE AND SUSTAINABILITY

Table 3.10 displays the total external debt service payment made by each State in 2007, as well as gross allocations from the Federation Account for the year and the ratio of external debt service to gross allocation for each State.

Figure 3.6 ranks the 36 States by the ratio of their external debt service to gross allocation. This provides an indication of the sustainability of the external debt of each State. Cross River State had the highest external debt service to revenue ratio at 10.40 percent; followed by Oyo State with 8.84 percent and Lagos with 7.87 percent. There was a huge variation across the States. The state with the lowest external debt service ratio was Ekiti with 0.44 percent.

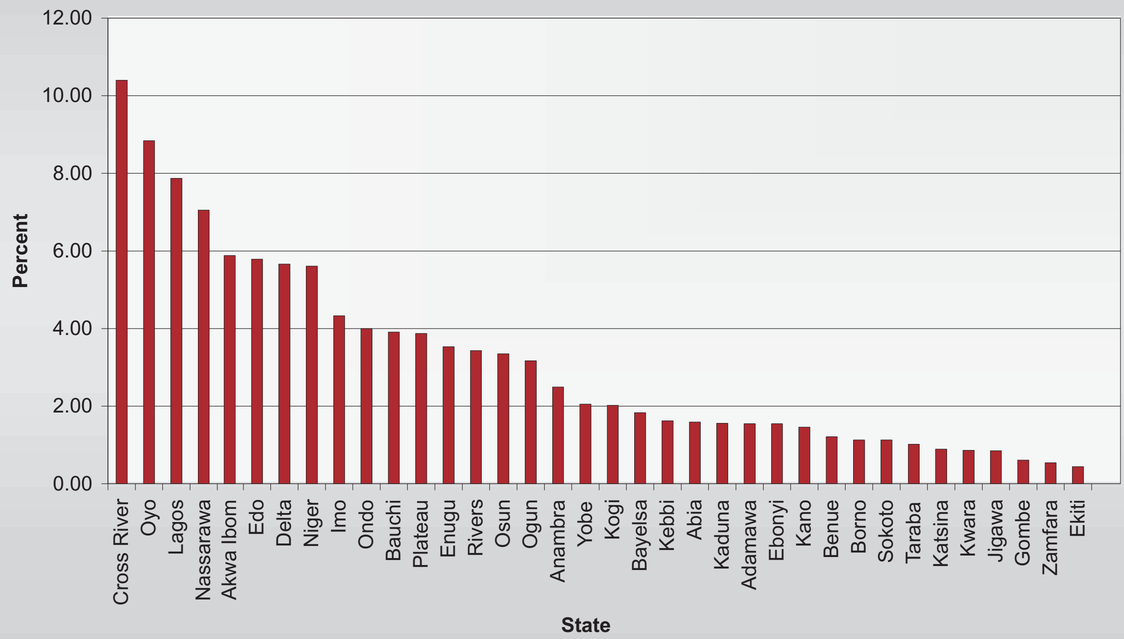
Studies by Debt Relief International (DRI) show that external debt service to budget revenue ratios over 12.00 percent are historically unsustainable. All the states are within the 12.00 percent sustainable threshold. However, Cross River state has the highest ratio of 10.40 percent whilst Ekiti state has the least ratio of 0.44 percent.

Table 3.10: Gross FAAC Allocation and Actual External Debt Service Deductions by State, 2007 (US$ million)

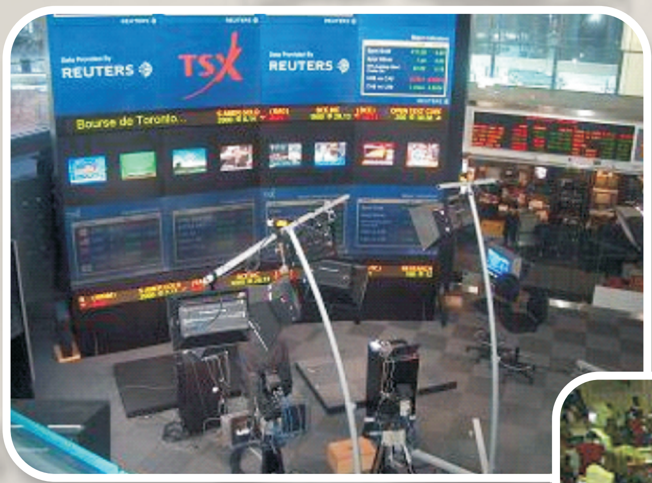
S/N	State	Gross FAAC Allocation	Actual External Debt Service Deductions	External Debt Service as % of Gross FAAC Allocation (%)
1	Abia	153,863,415.41	2,449,729.39	1.59
2	Adamawa	171,636,261.56	2,659,459.79	1.55
3	Akwa Ibom	169,521,660.89	9,965,678.38	5.88
4	Anambra	171,857,486.90	4,287,342.83	2.49
5	Bauchi	193,658,337.83	7,567,883.68	3.91
6	Bayelsa	133,350,419.16	2,445,220.13	1.83
7	Benue	185,194,174.35	2,245,643.40	1.21
8	Borno	196,590,021.51	2,215,688.80	1.13
9	Cross River	160,754,155.27	16,723,997.37	10.40
10	Delta	171,697,139.72	9,715,622.84	5.66
11	Ebonyi	145,219,989.00	2,257,502.23	1.55
12	Edo	170,824,645.40	9,897,375.10	5.79
13	Ekiti	144,413,769.07	637,227.63	0.44
14	Enugu	159,789,159.80	5,635,306.83	3.53
15	Gombe	147,006,109.74	892,503.53	0.61
16	Imo	169,371,381.32	7,331,500.14	4.33
17	Jigawa	188,060,398.14	1,593,208.81	0.85
18	Kaduna	210,396,254.58	3,288,317.05	1.56
19	Kano	255,931,516.80	3,738,667.21	1.46
20	Katsina	200,676,406.99	1,791,055.04	0.89
21	Kebbi	166,883,573.38	2,710,697.68	1.62
22	Kogi	167,383,542.50	3,388,747.62	2.02
23	Kwara	152,389,451.78	1,314,470.08	0.86
24	Lagos	241,852,443.30	19,028,599.83	7.87
25	Nassarawa	144,177,455.25	10,162,796.68	7.05
26	Niger	193,885,144.07	10,874,754.52	5.61
27	Ogun	163,314,020.09	5,175,059.32	3.17
28	Ondo	160,508,181.31	6,427,243.43	4.00
29	Osun	156,957,877.68	5,253,572.28	3.35
30	Oyo	195,889,654.99	17,326,002.73	8.84
31	Plateau	167,052,900.81	6,467,092.65	3.87
32	Rivers	184,788,020.86	6,346,204.14	3.43
33	Sokoto	176,776,307.52	1,993,192.72	1.13
34	Taraba	165,214,997.11	1,687,651.78	1.02
35	Yobe	160,549,812.22	3,287,492.17	2.05
36	Zamfara	166,394,047.00	892,164.91	0.54
	Total	6,263,830,133.30	199,674,672.74	

NOTE: This excludes other debt service obligations such as ISPO's, Pension and Salary Arrears, Loans from Commercial Banks and other Contractual Obligations.

Figure 3.6: External Debt Service as a share of Gross Allocation by State, 2007



CHAPTER FOUR



An Automated Trading Platform

Trading activities on the floor of the
Nigerian Stock Exchange

DOMESTIC DEBT ISSUES

4.1 DOMESTIC DEBT STOCK

The securitized domestic debt stock outstanding as at 31st December 2007 stood at N2,169.64 billion, compared to N1,753.26 billion as at 31st December 2006, representing an increase of N416.38 billion, or 23.75 percent. The increase is attributed to securitisation of local contractors' debt, deficit financing and settlement of entitlements of ex-staff of the defunct Nigeria Airways, among others.

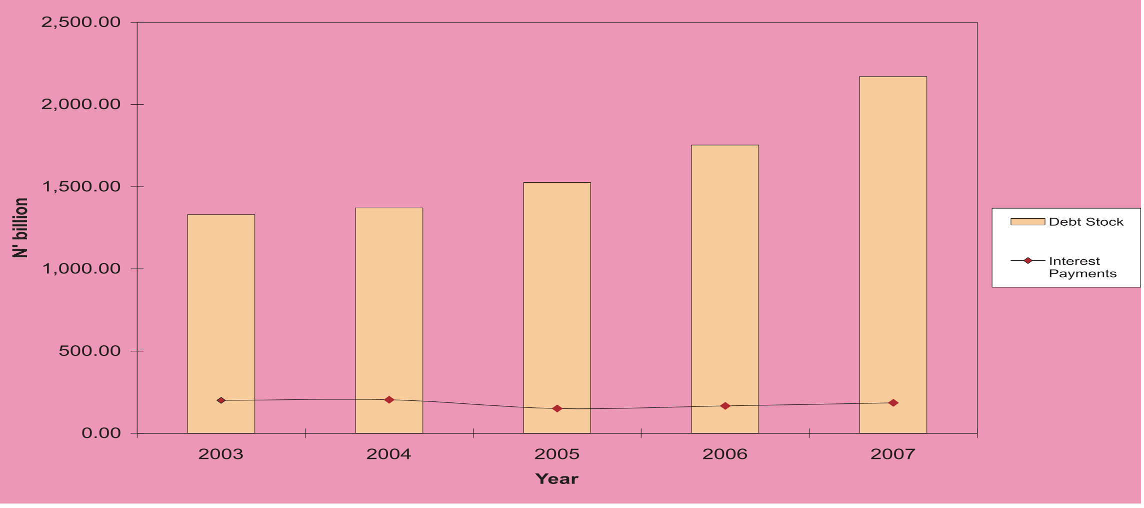
4.2 DOMESTIC DEBT INTEREST PAYMENTS

Table 4.1 shows the magnitude of securitized domestic debt stock and domestic debt interest payments from 2003 to 2007. Domestic debt interest payments increased from N166.84 billion in 2006 to N185.37 billion in 2007, representing an increase of 11.10 percent. However, the ratio of interest payments to debt stock decreases from 9.52 percent in 2006 to 8.54 percent in 2007. The declining trend achieved since 2003 reflects the reducing cost of borrowing to the government as a result of the increased investor base of the FGN Bonds.

Table 4.1: Domestic Debt Stock and Domestic Debt Interest Payments, 2003-2007 (N'billion)

Year	Debt Stock	Interest payments	Interest payments/Debt Stock (%)
2003	1,329.72	200.00	15.04
2004	1,370.32	203.64	14.86
2005	1,525.91	150.45	9.86
2006	1,753.26	166.84	9.52
2007	2,169.64	185.37	8.54

Figure 4.1: Domestic Debt Stock and Interest Payments, 2003-2007



4.3 COMPOSITION OF DOMESTIC DEBT BY INSTRUMENTS

Figure 4.2 illustrates the composition of domestic debt by instrument as at end-2007. FGN Bonds of N1,186.16 billion, accounted for 54.67 percent, while Treasury Bills of N574.93 billion accounted for 26.50 percent of the total domestic debt stock. The decrease of NTBs from 56 percent of the total debt stock in 2005 to the present level of 26.50 percent is attributable to the refinancing of this class of obligations with longer tenored instruments. Treasury Bonds amounted to N407.93 billion, or 18.80 percent, while FRN Development Stocks comprised N0.62 billion or 0.03 percent of the total domestic debt stock.

4.4 HOLDINGS OF DOMESTIC DEBT

Table 4.2 shows the holdings of domestic debt by instruments as at 31st December, 2007. The banking sector remained the major holder, accounting for N1,394.75 billion, or 64.28 percent, followed by the non-bank public, which accounted for N484.29 billion, or 22.32 percent, while the Central Bank of Nigeria (CBN) had a share of N290.59 billion, or 13.39 percent of the total holdings. The holdings of both the banking sector and the non-bank public have been on the increase since 2001 due to: insufficient alternative classes of investment assets, recent growing efficiency of the secondary market in FGN bond, and growing activity in the pension sector.

Figure 4.2: Composition of Domestic Debt by Instruments as at 31st December, 2007

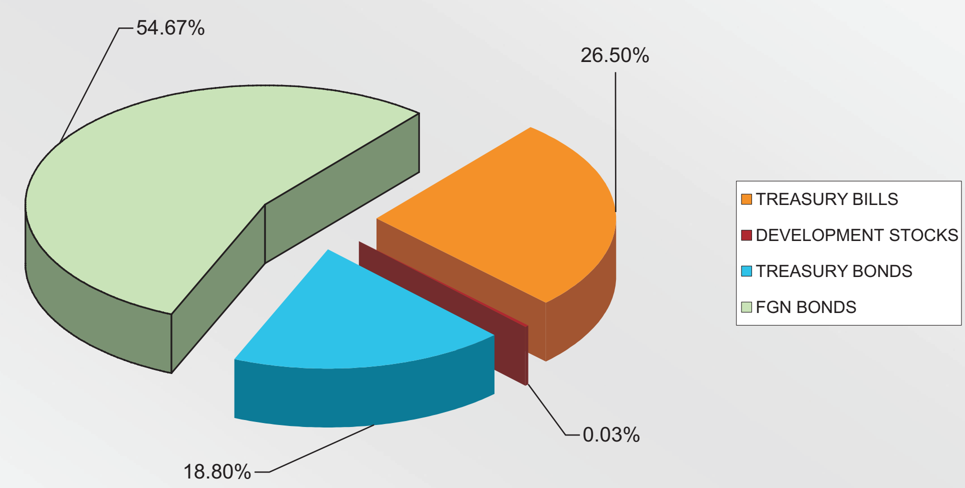


Table 4.2: Holdings of Domestic Public Debt Instruments as at 31st December, 2007 (N' billion)

INSTRUMENT	NON-BANK PUBLIC	CENTRAL BANK	BANKS AND DISCOUNT HOUSES	TOTAL AMOUNT OUTSTANDING
FGN BONDS	342.82	-	843.34	1,186.16
NTBs	17.57	5.94	551.41	574.92
TREASURY BONDS	123.28	284.65	-	407.93
DEVELOPMENT STOCKS	0.62	-	-	0.62
TOTAL	**484.29**	**290.59**	**1,394.75**	**2,169.64**

4.5 DOMESTIC DEBT BY OUTSTANDING MATURITY

Table 4.3 shows the domestic debt stock by outstanding maturities and instrument. The maturities have been classified into three categories: (i) Short term debt with less than one year maturity or outstanding maturities (i.e. falling due on or before the end of 2008); (ii) Medium term debt with more than one year but less than five years maturity or outstanding maturities; and (iii) Long term debt with five and more years maturity or outstanding maturities. The short-term debt accounted for N906.95 billion or 41.80 percent of the portfolio. Of this, N326.24 billion were FGN Bonds and N574.92 billion were Treasury Bills. The medium term debt constituted N587.76 billion, or 27.09 percent of the portfolio, with FGN bonds of N524.06 billion, and Treasury Bonds of N63.18 billion. The long term debt made up 31.10 percent of the domestic debt stock. These ratios indicate the need to continue improving the restructuring of the portfolio into longer tenured instruments to meet the optimal benchmark.

4.6 SECURITIES ISSUANCE

4.6.1 2007 FGN BOND ISSUANCE PROGRAMME

The DMO continued to build on the successes of the recent past in its FGN Bond Issuance Programme of 2007. The total FGN Bonds issued in 2007 amounted to N603.70 billion out of which N592.00 billion or 98.06 percent was in the regular monthly auctions, while the balance of N11.70 billion or 1.93 percent was for the securitisation of Local Contractors' debt carried over from 2006 (Table 4.4). The instruments had maturities of 3, 5, 7 and 10 years. The bid range was 6.00 percent to 18.00 percent, with a weighted average of 9.98 percent. This signifies a drop of 320 basis points in the average cost of raising these funds for government compared to 13.2 percent in 2006.

The bonds issued in 2007 were for the following purposes:

* Restructuring of Nigerian Treasury Bills into FGN Bonds of longer maturities;
* Refinancing of the 2nd FGN Bonds which matured in 2007;

* Funding the budget deficit for the 2007 fiscal year;
* Settling the entitlements of ex-staff of the defunct Nigeria Airways; and,
* Securitisation of local contractors' debts.

Table 4.3: Domestic Debt by Outstanding Maturities as at 31st December, 2007 (N)

COMPOSITION OF DEBT	UP TO 1YR	2YRS - 5YRS	6YRS - 10YRS	11YRS - 15YRS	16YRS OVER	TOTAL
FGN BONDS	326,245,675,000	524,066,024,000	298,658,815,000	37,190,141,000	0	1,186,160,655,000
TREASURY BILLS	574,929,428,000	0	0	0	0	574,929,428,000.00
TREASURY BONDS	5,670,000,000	63,180,000,000	188,090,150,000	100,000,000,000	50,988,000,000	407,928,150,000
DEVELOPMENT STOCKS	100,000,000	520,000,000	0	0	0	620,000,000
TOTAL	906,945,103,000	587,766,024,000	486,748,965,000	137,190,141,000	50,988,000,000	2,169,638,233,000

Table 4.4: 2007 FGN BONDS ISSUANCE (N million)

Series	Issue Date	Tenor	Offer Amount	Subscription	Allotment
1	26-Jan-07	3-YEAR	40,000.00	124,857.18	40,000.00
2	23-Feb-07	5-YEAR	35,000.00	99,800.00	35,000.00
3	30-Mar-07	7-YEAR	35,000.00	49,040.00	35,000.00
4	27-Apr-07	3-YEAR	65,000.00	172,358.13	65,000.00
5	25-May-07	5-YEAR	50,000.00	105,360.00	50,000.00
6	29-Jun-07	7-YEAR	45,000.00	59,800.80	45,000.00
7	27-Jul-07	3-YEAR	36,000.00	72,040.00	36,000.00
8	27-Jul-07	10-YEAR	20,000.00	35,260.00	20,000.00
9	31-Aug-07	10-YEAR	20,000.00	40,610.00	20,000.00
10	31-Aug-07	5-YEAR	46,000.00	48,250.00	46,000.00
9*	28-Sep-07	10-YEAR	20,000.00	27,290.00	20,000.00
11	28-Sep-07	7-YEAR	37,190.14	46,590.14	37,190.14
9*	26-Oct-07	10-YEAR	20,000.00	25,564.17	20,000.00
12	26-Oct-07	3-YEAR	22,810.00	67,728.06	22,810.00
9*	30-Nov-07	10-YEAR	20,000.00	32,279.00	20,000.00
13	30-Nov-07	3-YEAR	30,000.00	33,280.00	30,000.00
9*	14-Dec-07	10-YEAR	20,000.00	61,050.00	20,000.00
14	14-Dec-07	3-YEAR	30,000.00	66,440.00	30,000.00
Sub-total			**592,000.14**	**1,167,597.48**	**592,000.14**
		SPECIAL FGN BONDS			
LCD3**	28-May-07	5-YEAR	2,463.90	2,463.90	2,463.90
LCD4**	19-Jun-07	5-YEAR	9,232.50	9,232.50	9,232.50
Sub-total			**11,696.40**	**11,696.40**	**11,696.40**
Total			**603,696.54**	**1,179,293.88**	**603,696.54**

* Re-opening of August 2007 issue. ** Local Contractors Debt

One of the major highlights of the DMO's Issuance Programme in 2007 was the introduction of the re-opening in September 2007 of the ten-year FGN Bonds issued in August 2007. The main objective of the re-opening was to increase the volume of the original issue, deepen liquidity and facilitate the development of benchmark issues in the market.

4.6.2 ANALYSIS OF SUBSCRIPTION

The 2007 bond issuance programme was successful with all the fourteen series over-subscribed. An analysis of the monthly auctions indicated that the total subscription for the N592 billion 4th FGN Bond offered was N1,167.60 billion representing a subscription rate of 192 percent while total amount allotted to successful subscribers was N592 billion. The success rate of the subscription during the period under review was among other factors, due to the involvement of the Primary Dealer Market Makers (PDMMs) in the market; the increased secondary market trading activity; the large amount of liquidity available in the system; the lack of more profitable investment opportunities for banks to channel the proceeds of their public offers of shares in the market; and the growth in pension funds' assets.

The tenors of the bonds were 3, 5, 7, and 10 years and the coupons ranged between 7.00 and 10.75 percent.

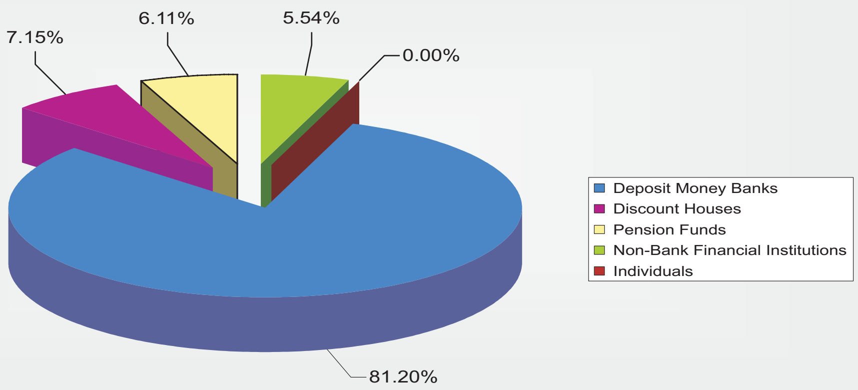
4.6.3 HOLDINGS OF THE BONDS ISSUED IN 2007

An analysis of the holdings of the bonds shows that deposit money banks accounted for N480.70 billion, representing 81.20 percent. Discount houses accounted for N42.31 billion (7.15 percent), pension funds held N36.18 billion (6.11 percent) and N32.80 billion (5.54 percent) was held by non-bank financial institutions, while the balance of N0.0032 billion was held by individuals (Table 4.5 and Figure 4.3).

Table 4.5: HOLDINGS OF THE 4TH FGN BOND 2007 (N million)

TOTAL AMOUNT OFFERED		592,000.14
TOTAL SUBSCRIPTION		1,167,597.48
RANGE OF BIDS (%)		6.00 - 18.00
RANGE OF MARGINAL RATES (COUPONS) (%)		7.00 - 10.75
PERCENTAGE 0F SUBSCRIPTION		197.23
	Amount	**Percentage of total allotment**
TOTAL ALLOTMENT:	592,000.14	100.00
a) Deposit Money Banks	480,699.36	81.20
b) Discount Houses	42,314.64	7.15
c) Pension Funds	36,184.80	6.11
d) Non-Bank Financial Institutions	32,798.18	5.54
e) Individuals	3.17	0.00053

Figure 4.3: Analysis of FGN Bonds by Type of Holders



4.6.4 AUCTION ANALYSIS BY TENOR

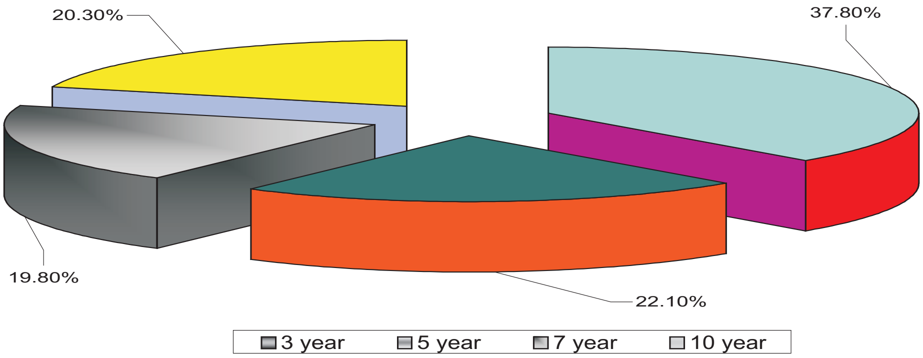
In 2007, a total of N592 billion was raised from the market using instruments of various tenors as detailed in Table 4.6 and Figure 4.4.

Table 4.6 shows that the DMO issued more of the 3-year tenored bonds, amounting to N223.8 billion, representing 37.8 percent of the entire issuance for the year. The least was the 7-year bond, with a value of N117.2 billion, representing 19.8 percent of the total volume issued. The maturity distribution reflected investors' preferences

Table 4.6: Analysis by Tenor, 2007

S/N	Tenor	Amount (N' billion)	Percentage
1	3-yr	223.8	37.8
2	5-yr	131.0	22.1
3	7-yr	117.2	19.8
4	10-yr	120.0	20.3
	Total	**592.0**	**100**

Figure 4.4: Auction Analysis By Tenor



4.7 MARKET DEVELOPMENT

4.7.1 PRIMARY MARKET ACTIVITIES

Five additional PDMMs were licensed in 2007 following a one year performance evaluation of the existing fifteen PDMMs. The newly licensed institutions were:

i. Afribank Nigeria Plc.
ii. Ecobank Nigeria Plc.
iii. Platinum Habib Bank Plc.
iv. Union Bank of Nigeria Plc.
v. Zenith Bank Plc.

However, during the course of the year, two of the PDMMs - Stanbic and IBTC merged, thereby reducing the number to nineteen.

4.7.2 SECONDARY MARKET ACTIVITIES

From a non-existent market, about eighteen months earlier, the secondary FGN bond market has recorded phenomenal increases in trading transactions of more than 30,000 deals, with a market turnover of over N4.1 trillion, for the period January to December, 2007. The market, which started on a relatively bearish note in January 2007, with 78 deals amounting to N33.67 billion, became very bullish in October, reaching an all-time high of 5,090 deals with a market value of more than N726 billion. This figure dropped to 4,466 deals by December 2007, with a value of N501.2 billion. This was mainly due to the usual lull associated with year-end activities.

The secondary market performance is as illustrated in Table 4.7 and in Figures 4.5 and 4.6.

Table 4.7: FGN Secondary Bond Market Trades (OTC) in 2007

Month	No. of Deals	Units Traded	Value (₦)
Jan-07	78	33,673,296	35,960,069,980
Feb-07	154	60,271,988	65,344,224,779
Mar-07	1,137	138,782,562	147,922,393,948
Apr-07	999	109,241,576	116,027,474,767
May-07	1,058	165,777,740	177,456,710,340
Jun-07	2,610	330,590,890	362,259,376,179
Jul-07	3,605	472,733,590	508,259,168,002
Aug-07	3,194	407,565,231	420,917,146,015
Sept-07	2,184	345,927,594	359,961,932,947
Oct-07	5,090	692,912,789	726,360,188,586
Nov-07	5,613	681,274,231	706,903,057,380
Dec-07	4,466	494,063,845	501,223,874,654
Total	**30,188**	**3,932,815,332**	**4,128,595,617,576**

Source: Central Securities Clearing System (CSCS)

Figure 4.5: Monthly Number of Trades in the Secondary Market (Jan-Dec 2007)

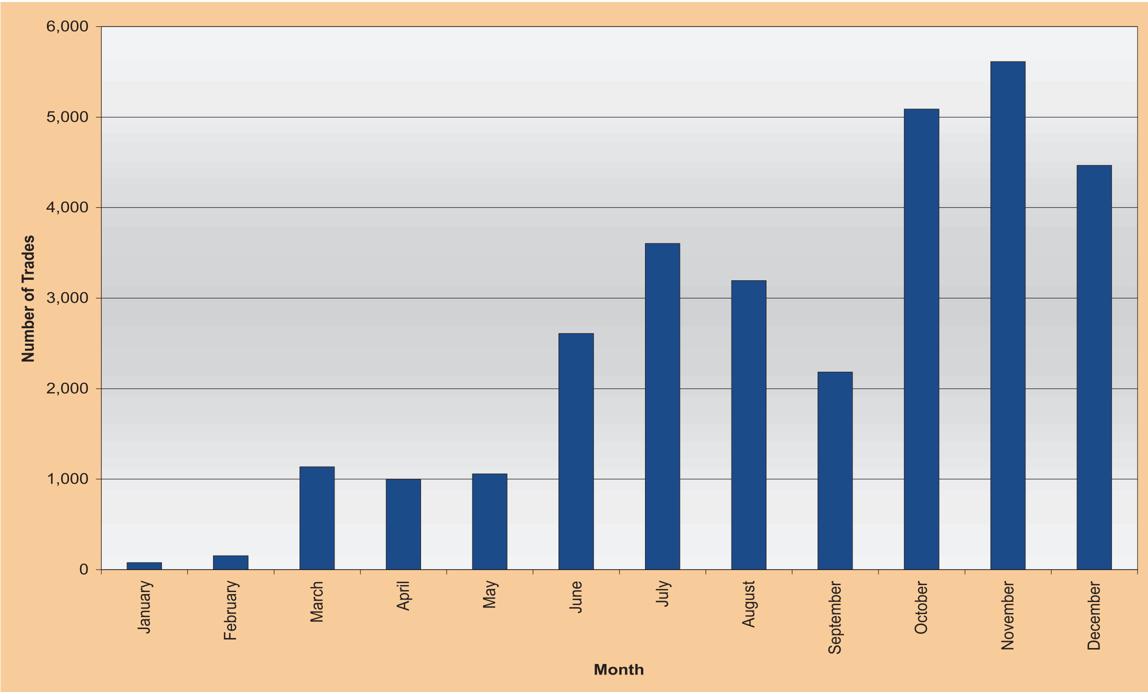
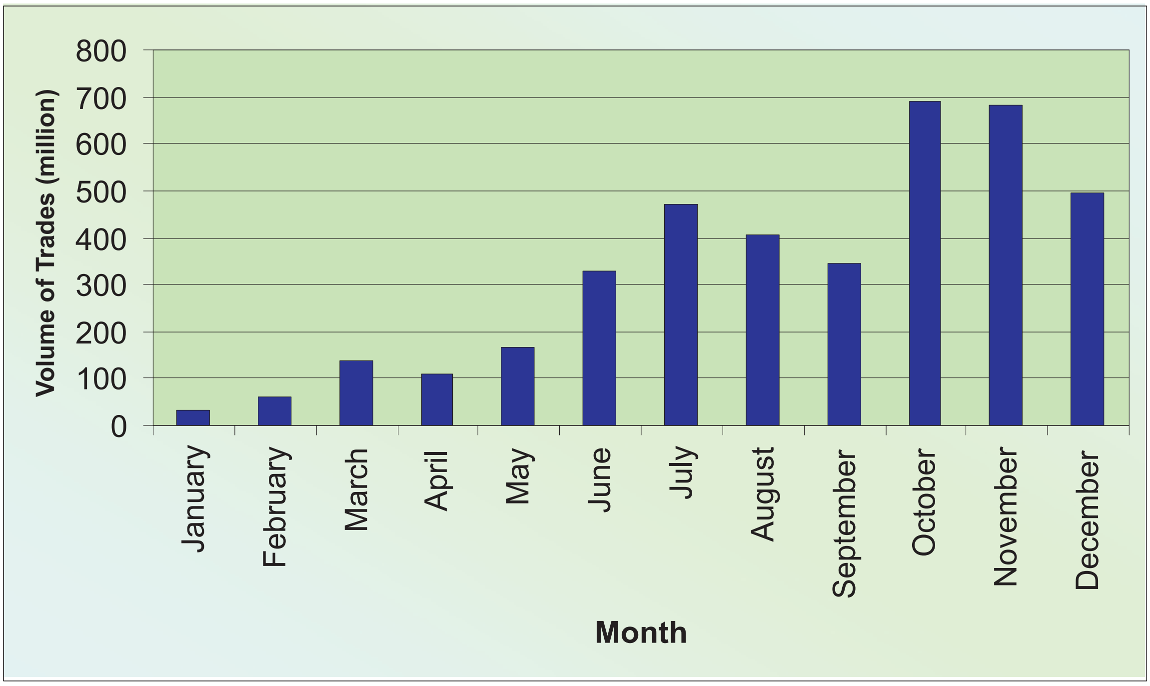


Figure 4.6: FGN Secondary Bond Market –2007 Monthly Trading Volumes (N' billion)



4.7.3 OTC Market Transactions – Investor Participation

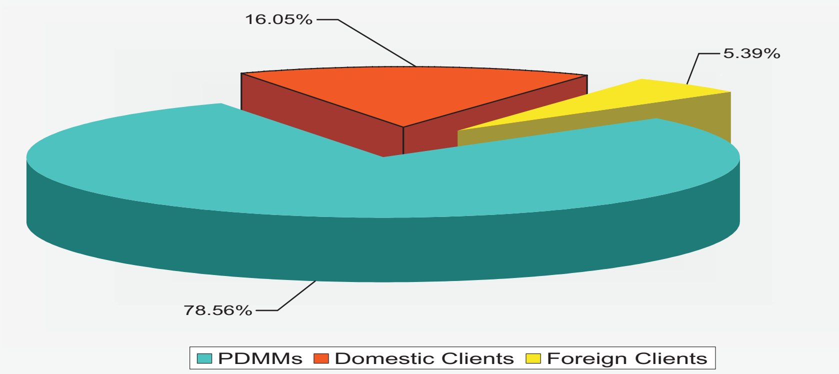
The secondary market transactions in 2007 were dominated by trades amongst the PDMMs themselves, constituting 78.56 percent of the total transactions, with a market value of N2.75 trillion. Trade activities involving the PDMMs and other domestic clients had a market value of N562.5 billion, constituting 16.05 percent of the market size, while trade activities involving foreign investors had a market value of N189 billion, representing 5.39 percent. These are illustrated in Table 4.8 and Figure 4.7.

Table 4.8: PDMMs Trades with Counter-Parties* 2007

PDMMs' Trades with :	N' billion	Percentage (%)
PDMMs	2,753	78.56
Domestic Clients	562.5	16.05
Foreign Clients	189.0	5.39
Total	3,504.5	100

Source: Primary Dealer Market Makers (PDMMs)
*There are outstanding reconciliation issues regarding the figures from PDMMs and the value of transactions from CSCS (See Table 4.7)

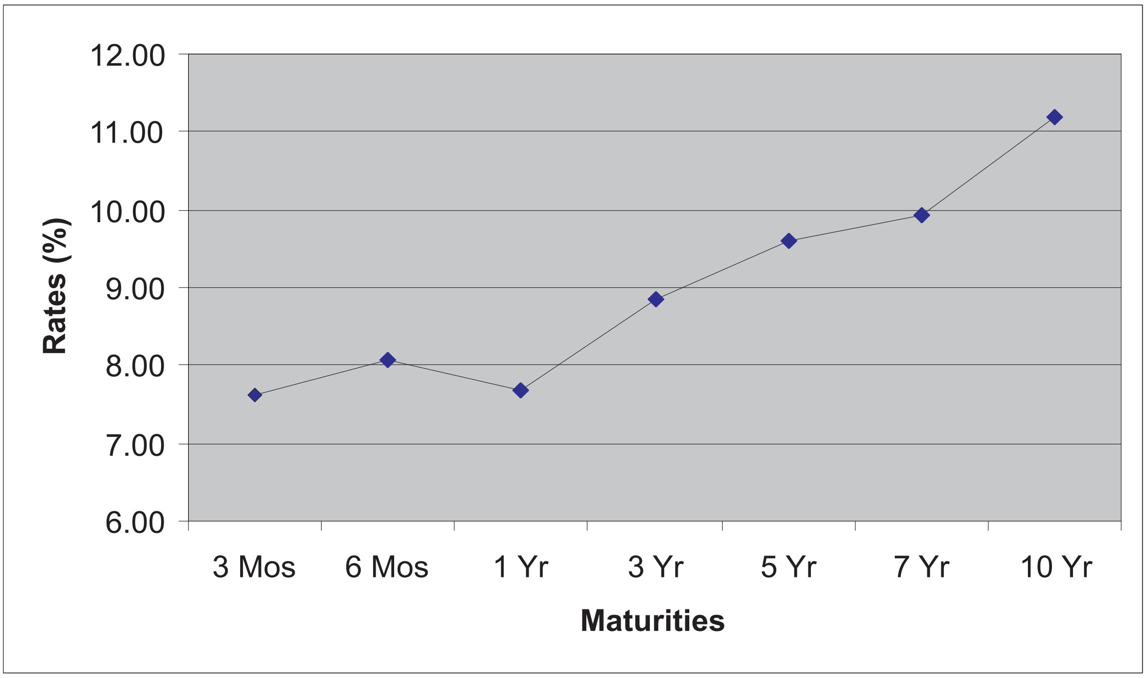
Figure 4.7: PDMMs Trades with Counter-Parties



4.7.4 FGN BOND MARKET YIELD CURVE AS AT 31ST DEC., 2007

The FGN Bond Market Yield Curve, (which shows the relationship between the time-to-maturity of securities and their yields-to-maturity), was derived as at 31st December 2007. This is graphically illustrated in Figure 4.8.
It portrays an upwardly sloping trend for the various maturities, indicating that longer tenored securities still command higher yields. This confirms investors' confidence in the market in the long-term. NTBs maturing within 91 days, have a yield that is a little above 7.5 percent, while instruments of 180-day tenors, have yields of about 8 percent. The 10-year bonds have yields slightly higher than 11 percent.

Figure 4.8: Yield Curve as at December 31, 2007



CHAPTER FIVE

Capacity Building Attachment Programme for States

SUB-NATIONAL DEBT (SND) MANAGEMENT

5.1 INTRODUCTION

Following the Paris and London Club Debt relief, the DMO has recorded a major success in the area of external debt management. With regards to the management of domestic debt, significant progress has also been made in the development of the capital market (See Chapter 4 of this report for details). Sub-national debt management continues to pose formidable challenges. Key among these challenges is the fact that any attempt to address Sub-national Debt (SND) must be viewed within the context of Nigeria's Fiscal Federalism. States have considerable autonomy to borrow domestically and there is practically no reliable and efficient regulatory framework to guide the process. Consequently, States have over the years, amassed huge formal and informal debts comprising bank loans, credits and long term debts, pension and salary arrears, as well as contractor debts. In addition, lack of proper record keeping of debt data in the States has made the problem more complex and impeded DMO's efforts towards conducting an effective debt sustainability analysis for the country.

To address these problems, the DMO embarked on some initiatives to deal with the challenges of Sub-national debt management. Key among these initiatives was the development of a Work Programme in collaboration with the World Bank, which aimed at developing a framework for the management of Sub-national domestic debt and new borrowing. The key objectives of the initiatives were to raise awareness and develop a consensus framework that would guide borrowing by State governments.

5.1.1 SENSITIZATION PROGRAMME ON SUB-NATIONAL DEBT MANAGEMENT

As a first step, the DMO initiated consultation and interaction with all the State Governments with a view to engendering mutual sensitisation and education on the thorny issues of Nigeria's fiscal federalism and thereby building consensus on the way forward. Given the poor status of Sub-national public finance practices, the consultation also focused on specific foundation tasks such as the reconstruction of the Sub-national database. In this regard, a task force/steering committee comprising representatives of the six geopolitical zones into which all the thirty-six states of the federation are grouped, as well as representatives of relevant central government agencies including the DMO, was established. The main objective of the committee was to build a reliable database of sub-national debts through surveys and analysis of available data. The data would comprise of both formal debts which involve term loans and overdrafts from banks and other financial institutions; securities issuances, etc, and informal debts which involve contractors debts, wages and salary arrears, arrears of leave benefits and pension arrears.

In addition to the above, other areas addressed were exposing stakeholders to debt management international best practices through the conduct of study tours to Brazil and South Africa - countries that are considered best practice examples in Sub-national Debt Management. The central focus of these tours was to review the various institutional frameworks and arrangements that exist around Sub-national borrowing in these countries, analyse the pros and cons of various arrangements and extract models that could be adapted for Nigeria.

5.1.2 SUB-NATIONAL DEBT MANAGEMENT STUDY

The DMO in collaboration with the United

Kingdom Department for International Development (DFID) conducted a nation-wide study on Sub-national Debt Management. The aim of the study was to review the existing legal and institutional arrangements in place and capacity for debt management in the 36 States. The SND study report was concluded in June 2007 with the following key recommendations:

a) Control Sub-national borrowing using a combination of rule-based and administrative Sub-national borrowing guidelines;
b) Improve the legal and institutional arrangement for Sub-national debt management;
c) Develop a Sub-national debt market;
d) Improve the availability of information as well as the quality of data compilation and reporting; and,
e) Build and establish a comprehensive and unified strategy to address all aspects of enhancing debt management capabilities in States.

5.1.3 BRAINSTORMING SESSION ON SUB-NATIONAL DEBT MANAGEMENT

To consolidate the gains of the SND study and in line with efforts to strengthen Sub-national debt management, the DMO organised a Brainstorming Session with State Government officials and Development Partners on July 30, 2007. The aim of the forum was primarily to present the SND Management Study Report, receive feedback from donor agencies working on SND management, as well as from the States in which they are intervening. Ultimately, the forum was expected to agree on a unified framework for ensuring SND management by integrating the contributions of the study into DMO's National Public Debt Management Framework.

The session agreed that the implementation of the comprehensive strategy proposed by the SND study would go a long way in putting in place a sustainable framework to enable all States take advantage and manage their borrowing in an effective manner. It was also agreed that in building synergy for effective Sub-national debt management, there are roles for all major stakeholders. Specifically, the following roles were identified:

- All States were to commit to providing an enabling legal environment, and ensure their readiness to drive the implementation of all Sub-national debt management initiatives.

- The Development Partners/Donor Agencies would endeavour to expand the scope of their intervention programme to accommodate more states than are currently benefiting from such programmes. They should also commit to centralising and unifying donor intervention in states through a collectively agreed procedure.

- The DMO which is already engaged in capacity building initiatives will continue to provide the appropriate policy and regulatory framework, as well as make available its resources to coordinate donor intervention in the States.

The session reached the consensus that Sub-national debt management should be seen as an integral part of a broader public finance management and should be developed within that context. Stakeholders noted that with the right level of commitment and attitue by all stakeholders, Nigeria would have an improved framework for Sub-national debt management in the near future.

5.1.4 FORUM ON SUB-NATIONAL DEBT MANAGEMENT WITH DEVELOPMENT PARTNERS

Based on the outcome of the Brainstorming Session, a forum on Sub-national debt management was held in October 2007. The Forum was aimed at mobilizing a large pool of financial and technical resources which could be appropriately administered in a coordinated fashion, consistent with donor practices to meet the debt management demands of States. The Forum consisted of Development Partners, Organized Private Sector, Banks and other Financial Institutions, and State Government representatives.

The Forum agreed that the establishment of functional Debt Management Departments (DMDs) in the 36 States of the federation is the most appropriate starting point. Consequently, in the aftermath of the Brainstorming Session, the DMO has been inundated with requests for assistance in the establishment of DMDs by the States.

The Development Partners on their part have agreed to continue with their individual interventions in the States, but with closer collaboration. This is in order to achieve the desired co-ordination and maximise the benefits of intervention in priority areas. In addition, it was agreed that the DMO would serve as a coordinating and monitoring agency for all donor interventions in the States.

5.1.5 PURPOSE OF ESTABLISHING THE DEBT MANAGEMENT DEPARTMENTS (DMDs)

The establishment of DMDs aims to achieve the following:

- Provide the basic institutional framework for Sub-national debt management;
- Enable each State to maintain an accurate debt database rather than depend on the federal agencies, thereby reducing reconciliation issues;
- Standardise the institutional arrangements across all tiers of government in the federation;
- Reduce the reconciliation issue between the federal and state governments;
- Institutionalise international best practice on public debt management at all levels of government, thereby making it possible to achieve overall national debt sustainability;
- Help states develop capacity to access the debt market in order to address their huge infrastructure needs.

5.1.6 DEVELOPMENT OF TEMPLATE FOR ESTABLISHMENT OF DMDs AND DONOR INTERVENTION IN STATES

The Template for the establishment of DMDs and Donor Intervention in States was developed in September 2007. The Template sets out the legal, institutional and resource requirements to establish functional DMDs in States as well as coordinating the mode of donor intervention in supporting debt management in the States. The Template was presented to stakeholders and officials from the 36 States on a geo-political zone basis in Kaduna, Bauchi, Plateau, Calabar, Enugu and Lagos. The inputs from these zonal meetings were used to finalise the Template. All the States endorsed the adoption of the Template in their States in November 2007.

5.1.7 DEVELOPMENT OF SUB-NATIONAL BORROWING GUIDELINES

Following the need for maintaining a sustainable level of total public debt and the realisation that Sub-national debt is an integral part of total public debt whose management therefore, is key to debt sustainability, Sub-national debt management is at the epicenter of the DMO's New Strategic Focus. A dysfunctional fiscal federalism has often led to uncoordinated borrowing by States and Local Governments and this among other factors has resulted in poor debt management and indeed public finance management at the Sub-national levels, thereby impairing debt sustainability. The DMO therefore decided to focus on fostering best practice in sub-national debt management in all the States of the Federation. As part of these efforts, the DMO has produced Sub-national Borrowing Guidelines, in respect of both external and domestic borrowings. The guidelines were presented to all the 36 States by DMO in November 2007 for their inputs. This culminated into the final guidelines which would be presented for approval by the DMO Supervisory Board in the first quarter of 2008.

5.1.8 CAPACITY BUILDING FOR STAFF OF NEWLY ESTABLISHED DMDs

In order to build capacity for staff of the newly established DMDs, the DMO has organised on a continuous basis, an attachment programme for senior officials from States aimed at providing them with an opportunity to experience debt management operations first hand and the capacity to organise operations of their debt management departments. The programme is expected to cover all the other States depending on the progress made in the development of their DMDs. Cross River and Osun States benefited from the capacity building programme during the year under review.

To further strengthen the DMDs debt management capabilities, the DMO is organising a train-the-trainer programme, aimed at training consultants on various aspects of public debt management practices. The DMO will also continue to provide assistance to the States in capacity building by identifying and recommending relevant local and foreign debt management courses.

5. 2. STATES FISCAL RESPONSIBILITY LEGISLATION

In line with the Federal Government's vision of entrenching prudent management of public finances and effective public debt management at all levels of government, which are essential for debt sustainability, President Umaru Musa Yar'Adua secured the commitment of Governors to initiate and ensure the passage of both fiscal responsibility and public procurement legislations in their respective States. Towards that end, a partnership was formed between the Federal Government and Development Partners whose aim is to assist States in developing and passing these legislations. The partnership was also to support capacity building at States level in the implementation of fiscal responsibility and public procurement legislations, as well as development of expenditure plans.

The efforts of the partnership have reached an advanced stage of drafting a Model Law which could be adopted by States or at least used as a guide in drafting of their own legislation. The hope is that there will be uniform legislations for the whole federation.

5.3 PROSPECTS FOR EFFECTIVE SUB-NATIONAL DEBT MANAGEMENT IN NIGERIA

Following the finalisation of the Template, as well as other efforts made towards enshrining effective Sub-national debt management framework, DMO's expectation is that the following would be achieved in Sub-national debt management in the short, medium and long term:

- In the short-to-medium term, all States would establish a functioning and effective Debt Management Department;

- In the long term, States would have built capacity and set-up necessary infrastructure to issue Sub-national bonds.

CHAPTER SIX

DMO Staff at a Risk Management Training Programme

INSTITUTIONAL ISSUES

6.1 INAUGURATION OF THE DMO SUPERVISORY BOARD

In order to guide the activities of the DMO and ensure that it operates effectively within its defined mandate, the DMO's Supervisory Board was inaugurated by Mr. President on August 23, 2007. The Board comprises the following members:

- Vice-President of the Federal Republic of Nigeria - Chairman
- Honorable Minister of Finance - Vice - Chairman
- Attorney-General & Minister of Justice - Member
- Governor, Central Bank of Nigeria - Member
- Chief Economic Adviser to the President - Member
- Accountant-General of the Federation - Member
- Director-General, Debt Management Office - Member/Secretary

6.2 APPOINTMENT OF A NEW DIRECTOR GENERAL

On 1st July 2007, Dr. Abraham Nwankwo, who was the Director of the Portfolio Management Department in the Debt Management Office (DMO) before his secondment to the World Bank as Senior Advisor to the Executive Director (African Region) at the World Bank headquarters in Washington, D.C., was appointed the Director General of the DMO. He succeeded Dr. Mansur Muhtar, OFR, who was appointed by the Federal Government to represent Nigeria as Executive Director at the African Development Bank, (ADB).

Dr. Nwankwo, who holds a Ph.D in Economics, began his working career as a lecturer before venturing into a career in banking and rose to occupy top management positions in various banks. He joined the DMO in 2001 as one of the pioneer management staff and rose to the position of Director, Portfolio Management Department in 2004. An active and respected professional in the financial industry, Dr. Nwankwo has been deeply involved in the various reforms in the Nigerian capital market and has played a pivotal role in the resuscitation of the Federal Government of Nigeria (FGN) Bond Market.

6.3 WORKSHOP ON THE WORLD BANK/IMF DEBT SUSTAINABILITY FRAMEWORK FOR LOW INCOME COUNTRIES (LIC)

In a bid to truly ascertain the sustainability of Nigeria's debt portfolio and monitor the effects of new borrowings, a workshop on the World Bank/IMF Debt Sustainability Framework for Low Income Countries (LIC) was organized in July 2007, with the support of WAIFEM and DRI. The workshop, which conducts the Debt Sustainability Analysis (DSA) annually using the IMF/World Bank Low Income Countries (LIC) template, evaluates the sustainability of the country's debt portfolio and forecasts any potential debt problems the country may face in the medium to long term.

6.4 LICENSING OF ADDITIONAL PDMMs IN FGN BONDS

To further strengthen the Primary Dealer Market Makers (PDMMs) system, five additional financial institutions were issued licences in May 2007. That brought the total number of PDMMs in FGN bond trading to twenty. However, following the merger of two of the participating banks, the number reduced to nineteen.

6.5 CREATION OF A NEW DEPARTMENT

With the Paris and London Club debt exit, the attention of the DMO shifted to the prudent management of the country's domestic debt. In order to effectively deliver on this mandate, it was necessary to entrench better debt management practices at the States' level. This informed the need for the creation of the Strategic Programmes Department (SPD) in July 2007.

6.6 STAFF RETREAT

Following the attainment of the DMO's initial vision of making Nigerian debt sustainable by 2006, it became imperative to articulate a new vision. Accordingly, an all-staff retreat was held in September 2007 which brought about a new Vision and Mission for the organization.

6.7 STAKEHOLDER EVENTS

During the year under review, several events involving major stakeholders also featured in the DMO's activities. Some of the events organized are highlighted below:

6.7.1 INTERACTIVE MEDIA FORUM ON NIGERIA'S DEBT EXIT

In May 2007, the DMO had an interactive forum with members of the electronic and print media. The DMO used the forum to enlighten the general public on Nigeria's exit from the Paris and London Club debts.

6.7.2 BRAINSTORMING SESSION ON SUB-NATIONAL DEBT MANAGEMENT

In order to entrench better debt management practices at the Sub-national level in line with the DMO's New Strategic Focus for Public Debt Management, a brainstorming session with the theme: "Improving Sub-National Debt Management," was organized on July 30, 2007. The forum provided the DMO the opportunity of presenting the Sub-national Debt Management Needs Assessment Report to the States and getting feedback from the stakeholders (the Sub-national governments and international donors).

6.7.3 INTERACTIVE SESSION WITH MEMBERS OF THE FINANCIAL COMMUNITY

In the aftermath of the external debt relief, the DMO articulated a New Strategic Focus that will guide the management of the nation's public debt. To convey the New Strategic Focus to the financial community, an interactive session was held on August 10, 2007. A breakfast meeting was also held with media executives to explain the thrust of the New Strategic Focus.

6.7.4 DONOR FORUM ON SUB-NATIONAL DEBT

An interactive forum to consider options for the funding of the creation of Debt Management Departments (DMDs) in States was held on October 30, 2007. Members of the international donor community, representatives of Sub-national Governments, as well as representatives from the financial sector and the organized private sector brainstormed on how to harness financial and technical support.

6.8 CAPACITY BUILDING

6.8.1 HUMAN CAPACITY BUILDING

The DMO Capacity Building Programme continued in the year 2007. Six officers successfully completed their post-graduate studies, while six others were granted approval to pursue courses of their choice in selected UK Universities for the 2007/2008 session under the same programme.

In the area of training and staff development, several local and overseas courses were funded by both the DMO and the DFID Capacity Building Support Project. It may be noted that in the last five years, the Debt Management Office (DMO) has had continuous support from the United Kingdom's Department for International Development (DFID) in strengthening its capacity building efforts, as well as supporting emergent policies pursuant to the DMO's New Strategic Focus.

However, as the DFID Support Project to the DMO approaches its end in February 2008, it is expected that much attention will be focused on consolidating the gains so far achieved, as well as continuous support towards the sustenance of the reforms introduced in line with international best practices.

6.8.2 SYSTEM CAPACITY BUILDING

The modernisation and upgrade of the DMO's IT Infrastructure was intended to position the organisation towards achieving its goals and objectives under the DMO's New Strategic Plan. To achieve that, the upgrade of DMO's ICT infrastructure was embarked upon in 2007. The DMO, with the support of DFID, successfully commissioned and deployed the SAP application software. In addition, two new servers were procured and the internet access capacity was increased within the year.

6.8.3 IFEMIS PROJECT

The Integrated Finance and Economic Management Information System (IFEMIS) project, which is a vehicle for assessing, collecting, analyzing and disseminating various financial and economic data between various stakeholder agencies (DMO, CBN, FMF, Budget Office, OAGF, NPC, NBS), was a major project sustained in the year under review. The Federal Government, in conjunction with the EU and the World Bank, provided the hardware, system installation, a well structured Local Area Network (LAN) and the training required for the take-off of the project.

6.8.4 GIFMIS

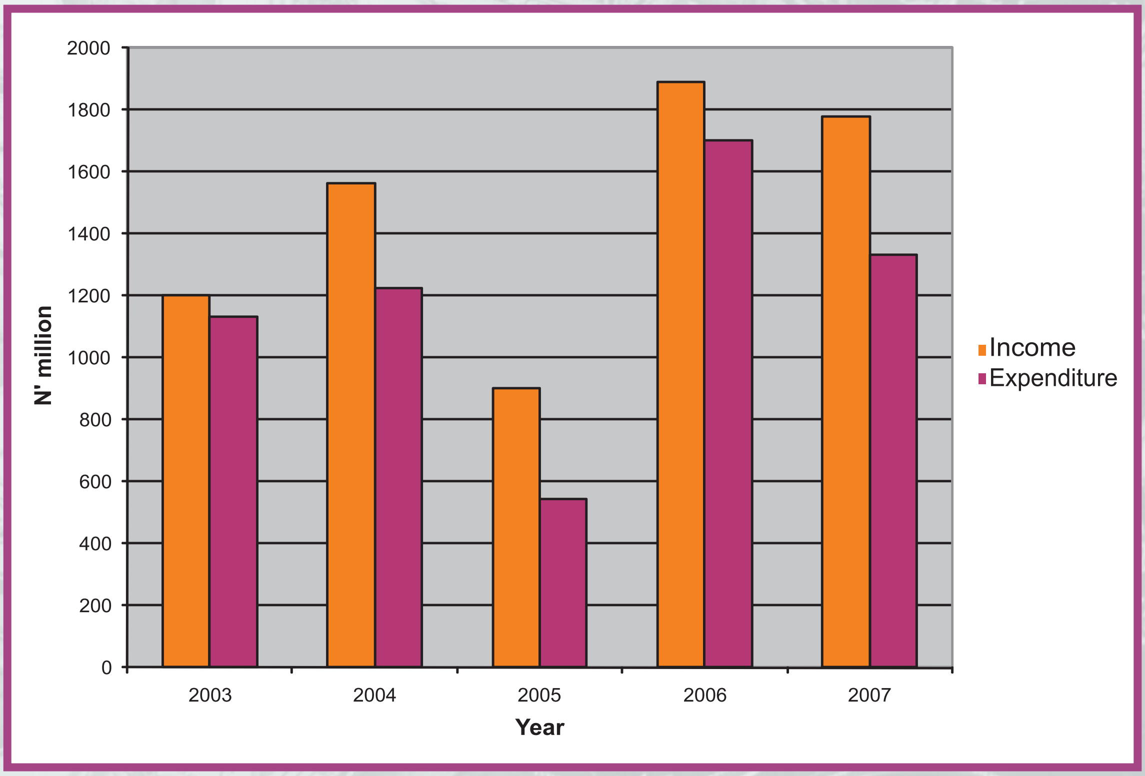
The Government Integrated Financial and Management Information System (GIFMIS) Project is aimed at improving the acquisition, allocation, utilization, conservation and accountability of public financial resources. The project is financed through a credit facility from the International Development Association (IDA) under the Economic Reform and Governance Project (ERGP) and involves the following organizations- DMO, CBN, OAGF, NCS, NNPC, MOF, NPC, NASS, FIRS, BOF and AGF. GIFMIS is expected to be operational by 2009.

6.9 STAFFING ISSUES

During the year under review, significant activities were undertaken which were aimed at strengthening and repositioning the human resource base of the DMO. They included a recruitment exercise, which was carried out to fill various positions based on some identified vacancies. At the end of the exercise, seven successful candidates were recruited.

In addition, in line with DMO's policy of regularly promoting eligible and deserving members of staff a promotion exercise was carried out in 2007.

CHAPTER SEVEN



FINANCIAL STATEMENTS AND ACCOUNTS

7.1 2007 BUDGET

The Budget Office of the Federation (BOF) approved a budget envelope of N556,724,200 to the Debt Management Office for the 2007 fiscal year, made up of N234,276,503 for Personnel Cost, N312,447,697 for Overhead Cost and N10,000,000 for Capital. The actual release for the year, however, was N479,087,281, representing 86% of the approved budget.

The Overhead was reviewed downwards by 17.26% in July, thus bringing the total Overhead Cost to N258,532,040. Similarly, the actual Personnel Cost released for the year was N211,004,986 as against the N234,276,503 approved Personnel Cost, owing to pensions and NHIS deductions from source. The approved capital cost for 2007 could not be accessed due to the processes involved in capital funds releases. The process has since been completed and the Capital release is expected in the first quarter of 2008.

The Budget Office of the Federation (BOF) made additional releases in the sum of N65,446,659 in form of service wide votes to enable the Debt Management Office effect payment for the office rent arrears, pension of CBN staff on secondment, arrears in transport allowance, and for a workshop on public policy management.

7.2 FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

CORPORATE INFORMATION
DEBT MANAGEMENT OFFICE
FOR THE YEAR ENDED 31ST DECEMBER, 2007

SUPERVISORY BOARD

The Supervisory Board has overall responsibility for supervision of the operations of the Debt Management Office. The composition of the Board which was inaugurated in August, 2007 is as follows:

Dr. Goodluck E. Jonathan, GCON	-	Vice-President, Federal Republic of Nigeria (Chairman)
Dr. Shamsuddeen Usman, OFR	-	Minister of Finance (Vice Chairman)
Mr. Michael K. Aondoakaa, SAN	-	Attorney-General of the Federation and Minister of Justice (Member)
Mallam Tanimu Yakubu	-	Chief Economic Adviser to the President (Member)
Prof. Chukwuma C. Soludo, CFR	-	Governor, Central Bank of Nigeria (Member)
Alh. Ibrahim H. Dankwambo, OON	-	Accountant-General of the Federation (Member)
Dr. Abraham Nwankwo	-	Director-General, DMO (Member/Secretary to the Board)

PRINCIPAL OFFICERS

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

Dr. Abraham Nwankwo	-	Director- General (With effect from July, 2007)
Dr. Mansur Muhtar	-	Director - General (Till July, 2007)
Dr. Magaji Mahmoud	-	Director, Debt Recording & Settlement
Mrs. Funmi Ilamah	-	Director, Policy, Strategy & Risk Management
Mr. Aliyu Yakubu	-	Acting Director, Portfolio Management (Up to Sept, 2007)
Mr. A. A. Ayinla	-	Head, Organisational Resourcing Department
Dr. Dinneya Godson	-	Head, Strategic Programmes Department

REGISTERED OFFICE

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

EXTERNAL AUDITORS

Olamoju Babatunde & Co.
(Chartered Accountants)
150, Ikorodu Road,
Adebowale House
Onipanu - Lagos.

BANKERS

(1) Central Bank Of Nigeria,
Garki, Abuja.

(2) Zenith Bank Plc,
Maitama Branch, Abuja.

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

7.2.1 REPORT OF AUDITORS

Olamoju Babatunde & Co.
(CHARTERED ACCOUNTANTS)

Adebowale House,
150, Ikorodu Rd, Onipanu,
Lagos State, Nigeria.

Plot 351,
Aminu Kano Crescent,
Wuse II, Abuja

Tel: 8968777
: 0802-320-5805
: 0805-506-2070

DEBT MANAGEMENT OFFICE
REPORTS OF THE AUDITORS
FOR THE YEAR ENDED 31ST DECEMBER, 2007.

We have audited the Financial statements of Debt Management Office (DMO), set out on pages 4 to 17 which have been prepared under the historical cost convention, and cash basis of accounting together with the accounting policies set out on page 7. We have obtained all the information and explanations which we considered necessary for the purpose of our audit.

DIRCTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors of Debt Management Office has decided to prepare the Statement of Receipts and Expenditure and Statement of Affairs for the period, which give a true and fair view of the state of affairs as at 31st December, 2007.

In preparing those Financial Statements of the Debt Management Office, in accordance with the best practice, it is required to: -

* Select suitable accounting policies and then apply them consistently,
* Make judgments and estimates that are reasonable and prudent.
* State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in financial statements, and
* Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the office will continue operations.

AUDITORS' RESPONSIBILITY

It is our responsibility to form an independent opinion, based on our audit on the Financial Statements prepared by the Directors and to report our opinion to them.

BASIS OF OPINION

We conducted the audit in accordance with Accounting Standards issued by the Nigeria Accounting Standards Board with some adaptations as regard Public Service operations

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statement. It also includes an assessment of the significant estimates and judgements made by the DMO in the preparation of the Financial Statements, and whether the accounting policies are appropriate to the circumstances of the DMO, consistently applied and adequately disclosed.

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

OPINION

In our opinion, the Financial Statements give a true and fair view of the State of affairs of the Debt Management Office as at 31st December, 2007 and the surplus and changes in the Cash Flow for the year ended 31st December, 2007.

OLAMOJU BABATUNDE & CO.
(CHARTERED ACCOUNTANTS)

SIGN Olamoju Babatunde & Co

OLAMOJU BABATUNDE & CO.
(CHARTERED ACCOUNTANTS)

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
596543

ACCOUNTING POLICIES

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

A. BASIS OF ACCOUNTING

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

B. RECEIPTS

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

C. FIXED ASSETS/DEPRECIATION

The fixed assets are stated at cost. Depreciation of fixed assets in order to write off the cost of the assets over their useful life is not practised in Government Accounting. Therefore, there was no depreciation provided for the purpose of preparation of this account. However, for management decision making purposes, annexure 111 page 23 would be of help.

D. STOCKS

Stocks of stationery are stated at lower of cost or net realisable value.

E. TAXATION

There was no provision for both Income and Education Taxes during the period ended 31st December, 2007 because the office is a non-profit making Organisation.

DEBT MANAGEMENT OFFICE
BALANCE SHEET
AS AT 31ST DECEMBER, 2007

ASSETS EMPLOYED	NOTES	2007 N	2007 N	2006 N	2006 N
Fixed Assets	3		194,014,294		166,124,659
Current Assets	4	20,632,781		83,741,903	
Deduct: Current Liabilities		-		-	
Working Capital			20,632,781		83,741,903
			214,647,075		249,866,562
FINANCED BY:-					
Accumulated Fund 31/12/06	5		166,124,659		139,173,312
Excess of Income Over Expenditure			48,522,416		110,693,250
			214,647,075		249,866,562

The Financial Statements were approved by the Management Team on March 26, 2008 2008 and signed on its behalf by:

Director - General
Dr. Abraham Nwankwo

Director, Debt Recording & Settlement
Dr. Magaji Mahmoud

The notes on pages 9-17 form an integral part of these Financial Statements

7.2.2 STATEMENT OF INCOME AND EXPENDITURE AS AT 31ST DECEMBER 2007

		2007	2006
RECEIPTS	**NOTES**	**N**	**N**
Votes Received	6	479,087,281	436,665,693.00
Additional Fund from Budget Office	6a	65,446,659	-
SPECIAL ITEMS			
FGN Bond Floatation	6b	288,254,498	990,618,000.00
Debt Conversion Funding	6c	50,564,930	82,168,433.00
Miscellaneous Account	6d	182,017,936	106,472,890.00
		1,065,371,304	**1,615,925,016**
EXPENDITURE			
Recurrent Expenditure	7a	534,983,685	414,810,491
SPECIAL ITEMS:			
FGN Bond Floatation Expenditure	7b	278,363,488	946,217,357
Debt Conversion Redemption Exp.	7c	39,131,597	49,042,776
Miscellaneous Account	7d	164,370,118	95,161,142
		1,016,848,888	**1,505,231,766**
Excess of Income over Expenditure	8	48,522,416	110,693,250

The Notes on pages 82 - 88 form an integral part of the Financial Statements.

7.2.3 CASH FLOW STATEMENT

	2007 N	2006 N
Excess of Income over Expenditure	48,522,416	110,693,250
Add: Adjustment for items Not Involving the movement of funds		
Accumulated Funds Adjustment	(83,741,903)	(63,817,852)
Depreciation	-	-
Cash generated/(expended) from operations	(35,219,487)	46,875,398
Operating Income before working capital changes	-	-
Cash from Investing Activities		
Purchase of Fixed Assets	(27,889,635)	(26,951,347)
Net Cashflow for the year	(63,109,122)	19,924,051
Cash flow at 1st January	83,741,903	63,817,852
Cash flow at 31st December	20,632,781	83,741,903
Represented By:		
Bank Balances at 31st December	20,632,781	83,741,942

The Notes on pages 82 - 88 form an integral part of the Financial Statements.

7.2.4 NOTES TO THE FINANCIAL STATEMENTS

1 ESTABLISHMENT OF THE DEBT MANAGEMENT OFFICE

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

2 NATURE OF ACTIVITIES

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

The Debt Management Office started operations in October, 2000.

CONTINUED

		MOTOR VEHICLE AND CYCLE	COMPUTER	OFFICE EQUIPMENT	TOTAL
		N	N	N	N
3	**FIXED ASSETS**				
	(CAPITAL EXPENDITURE)				
	Cost as at 01/01/07	46,513,454	32,692,671	86,918,534	166,124,659
	Additions	18,339,380	2,397,905	7,152,350	27,889,635
	Disposal	-	-	-	-
	Written Off	-	-	-	-
		64,852,834	**35,090,576**	**94,070,884**	**194,014,294**
	DEPRECIATION				
	As at 01/10/07	-	-	-	-
	Charge for the year	-	-	-	-
	Net Book Value 31/12/07	**64,852,834**	**35,090,576**	**94,070,884**	**194,014,294**

		NOTES	2007	2006
			N	N
4	**CURRENT ASSETS**			
	Bank Balances	9	20,632,781	83,741,903
			20,632,781	**83,741,903**
5	**ACCUMULATED FUND**			
	As at 31/12/06		249,866,562	222,421,312
	Deduct: Excess of 2006 expended in 2007		(83,741,903)	(63,817,852)
	Assets Disposal		-	(11,130,984)
	Assets Written Off		-	(8,299,164)
	Balance transferred to Balance Sheet		**166,124,659**	**139,173,312**

CONTINUED

		NOTES	2007 N	2006 N
6	**VOTES RECEIVED**			
	Capital	10	9,550,255	21,485,202
	Overhead	11	258,532,040	224,705,980
	Personnel Emolument	12	211,004,986	190,474,511
			479,087,281	**436,665,693**
	SPECIAL ITEMS			
6a	Additional fund from Budget Office	13	65,446,659	-
6b	FGN Bond Floatation	14	288,254,498	990,618,000
6c	Debt Conversion	15A	50,564,930	82,168,433
6d	Miscellaneous	15B	182,017,936	106,472,890
			1,065,371,304	**1,615,925,016**
7a	**RECURRENT EXPENDITURE**			
	Personnel Emolument	16	210,976,680	190,388,315
	Overheads	17	258,508,083	224,296,931
	Additional Release from Budget Office	18	65,446,659	-
	Amount Returned to Chest/Sub-Treasury	19	52,263	125,245
			534,983,685	**414,810,491**
	SPECIAL ITEMS			
7b	FGN Bond Floatation	20	278,363,488	946,217,357
7c	Debt Conversion	21	39,131,597	49,042,776
7d	Miscellaneous	22	164,370,118	95,161,142
			1,016,848,888	**1,505,231,766**

8 EXCESS OF INCOME OVER EXPENDITURE

Part of the excess of Income over Expenditure was the amount used for Fixed Assets acquisitions during the year under review. **See note 3.**

CONTINUED

		NOTES	2007 N	2006 N
9	**BANK BALANCES**			
	UBA 1		-	-
	Zenith Bank		-	-
	Central Bank of Nigeria (FGN Bond Account)	23	2,984,963	39,454,498
	UBA Plc II (Debt Conversion A/C		-	32,975,657
	Zenith Bank II (Miscellaneous A/C		17,647,818	11,311,748
			20,632,781	**83,741,903**
10a	**VOTES - CAPITAL**			
	1st Installment		4,567,905	16,025,202
	2nd Installment		4,584,350	5,460,000
	3rd Installment		398,000	-
	4th Installment		-	-
			9,550,255	**21,485,202**

10b There was N10,000,000 approved for Asset acquisition during the year under review but this amount has not been released up till the time of the Audit. This amount would be considered in 2008 account.

However, the capital allocation of N9,550,255 for the year 2006 was released in 2007, and has been considered in this account. **See Note 3.**

CONTINUED

	2007 N	2006 N
11 VOTES - OVERHEADS		
Jan. Allocation	26,037,308	14,785,203
Feb. Allocation	26,037,308	14,785,203
March Allocation	26,037,308	14,785,202
April Allocation	26,037,308	22,665,794
May Allocation	26,037,308	22,665,794
June Allocation	26,037,308	22,665,794
July Allocation	17,051,365	18,725,498
August Allocation	17,051,365	18,725,498
September Allocation	17,051,365	18,725,498
October Allocation	17,051,365	18,725,498
November Allocation	17,051,366	18,725,498
December Allocation	17,051,366	18,725,500
	258,532,040	**224,705,980**

	2007 N	2006 N
12 VOTES - PERSONNEL EMOLUMENT		
Jan. Allocation	17,583,749	14,654,409
Feb. Allocation	17,583,749	14,654,409
March Allocation	17,583,749	18,309,809
April Allocation	17,583,749	15,872,876
May Allocation and Salary Increase	22,858,874	15,872,876
June Allocation	17,583,749	15,872,876
July Allocation and Salary Increase	20,221,311	15,872,876
August Allocation and Salary Increase	20,221,311	15,872,876
September Allocation and Salary Increase	20,221,311	15,872,876
October Allocation and Salary Increase	20,221,311	15,872,876
November Allocation and Salary Increase	10,989,843	15,872,876
December Allocation	8,352,280	15,872,876
	211,004,986	**190,474,511**

CONTINUED

		2007 N	2006 N
13	**ADDITIONAL FUND FROM BUDGET OFFICE (SERVICE WIDE VOTES)**		
	Rent Arrears (Office)	29,369,539	-
	Pension for CBN staff on secondment	29,874,668	-
	Arrears of Increase in Trans allowance	660,636	-
	Worksop on Public Policy & Management	5,541,816	-
		65,446,659	**-**
14	**VOTES - FGN BOND FLOATATION**		
	Balances Brought Forward	39,454,498	25,716,300
	Additional Fund Released for FGN Bond Operations	160,000,000	140,000,000
	Transfer from Japanese Grant Aid Account	88,800,000	824,900,000
	Miscellaneous Receipts	-	1,700
		288,254,498	**990,618,000**
	SPECIAL ITEMS:		
15a	**DEBT CONVERSION ACCOUNT**		
	Balance Brought Forward	32,975,657	28,778,485
	Miscellaneous Receipts (Debt Conversion Funding)	9,475,000	40,861,257
	Loan Repayment for Fiscal Responsibility Retreat	-	9,823,495
	Receipts for Advocacy/Paris Club Activities	8,114,273	2,705,196
		50,564,930	**82,168,433**
15b	**SPECIAL ITEMS: MISCELLANEOUS RECEIPTS**		
	Balance Brought Forward	11,311,748	-
	- FAAC States Debt reconciliation	-	4,836,720
	- FAAC Sub-National Debt study tour	-	3,696,847
	- Sale of Books	-	789,500
	- FAAC for State Debt		
	- Reconciliation	186,529	-
	- FMF for Technical roundtable		
	- Fiscal responsibility bill	-	11,485,575
	- Sale Books	682,752	-
	- CapacityBuilding fund	4,848,463	-
	- Documentary London club	4,329,340	-
	- Debt relief media interaction	2,917,500	-
	- FGN BQND market - AIT/ IT system	37,348,706	-
	- Publicity paris club & London		
	- Paris Club Debt Exit	19,339,052	-

CONTINUED

		2007 N	2006 N
	Loans to other countries	22,035,682	-
	Committee on Local Contractors	2,520,000	-
	FAAC (Balance on Debt Conversion take - off grant)	-	6,440,756
	Seminar on State Sub-National Debt	-	5,000,000
	London Club Debt Restructuring	31,028,325	31,787,500
	Refund for DSA Workshop	5,738,497	12,545,100
	Reimbursement from Paris Club Redemption Proceeds A/C	420,000	21,366,561
	FGN Bond PDMM Workshop	-	6,315,000
	Tax refund 1st FGN Bond	2,908,112	2,209,331
	Insurance claims	1,586,459	-
	Establishment of Debt		
	Establishment of Debt Management unit	2,177,700	-
	Advertorial placement	11,932,862	-
		182,017,938	**106,472,490**
16	**EXPENDITURE - CAPITAL**		
	Computers	2,397,905	6,910,000
	Motor Vehicle	-	8,492,852
	Office Equipment	7,152,350	6,082,350
		9,550,255	**21,485,202**
16a	**EXPENDITURE - PERSONNEL EMOLUMENT**		
	Basic Salary	196,275,762	153,672,300
	Regular Allowances	14,700,918	35,634,776
	Non-Regular Allowances	-	1,081,239
		210,976,680	**190,388,315**
17	**EXPENDITURE - OVERHEADS**		
	Local Travels	28,916,698	18,432,625
	International Travels & Transport	34,205,308	25,886,082
	Local Travels & Transport	1,888,375	1,113,450
	International Travels & Transport	14,964,844	14,638,328
	Telephone Charges	3,631,312	4,845,605
	Internet Access Charges	2,874,818	2,670,640
	Office Materials & Supplies	6,078,553	10,535,418
	Library Books & Periodicals	1,761,953	2,211,674
	Computer Materials & Supplies	10,259,795	3,231,665
	Printing of Non Security Documents	7,899,392	6,017,750
	Printing of Security Documents	-	-

CONTINUED

	2007 N	2006 N
Other Materials & Supplies	3,107,311	2,265,645
Maintenance of Motor Vehicles	3,495,663	2,742,029
Maintenance of Office Furniture	4,907,822	2,118,267
Maintenance of Building - Office	2,117,939	1,977,540
Maintenance of Building - Residential	3,652,009	2,670,236
Maintenance of Other Infrastructrurers	-	-
Maintenance of Office Equipments	3,500,665	3,138,047
Maintenance of Computer & IT Equipments	3,158,300	18,000
Maintenance of Plants/Generators	91,805	39,100
Other Maintenance Services	-	227,700
Local Training	12,314,060	12,805,200
Int'l Training	53,109,097	26,528,094
Security Services	994,737	997,895
Cleaning & Fumigation Services	2,605,000	3,030,000
Office Accomodation Rent	20,000	15,320,982
Residential Accomodation Rent	-	13,055,556
Financial Consulting	1,964,750	3,516,750
Information Technology Consulting	2,838,917	290,559
Legal / Other Professional Services	685,110	1,200,000
Bank Charges	14,700	13,000
Insurance Charges/Premium	1,573,028	1,498,156
Motor Vehicles Fuel Cost	5,815,800	4,535,000
Generator Fuel Cost	1,024,360	252,560
Refreshment & Meals	9,167,580	8,368,625
Honorarium & Sitting Allowance Payments	1,346,000	2,154,000
Publicity & Advertisements	8,777,405	14,558,239
Electricity Charges	205,491	286,889
Medical Expenditure	618,650	1,199,175
Postages & Courier Services	1,058,126	463,927
Welfare Packages	8,859,600	4,391,000
Suscriptions to Professional Bodies	63,200	1,033,850
Other Miscellaneous Expenses	5,435,220	3,967,673
Sporting Activities	-	50,000
Unretired Advances	3,133,700	-
Water Rates	416,000	-
Contribution to Local organisations	300,000	-
Scholarship Awards / Grants	100,000	-
	258,508,083	**224,296,931**

CONTINUED

		2007 N	2006 N
18	**ADDITIONAL FUNDS FROM BUDGET OFFICE**		
	Rent Arears (Office)	29,369,539	-
	Payment of outstanding pension	29,874,668	-
	Payment of Transport Allow arears	660,636	-
	Payment for workshop on Public Policy Management	5,541,816	-
		65,446,659	**-**
19	**AMOUNT RETURNED TO CHEST**		
	Capital	-	-
	Overheads	23,957	39,049
	Personnel Emolument	28,305	86,196
		52,262	**125,245**
20	**EXPENDITURE - FGN BOND FLOATATION**		
	Int'l Travel Transport	53,236	-
	Local Travel And Transport	902,825	-
	Electricity Charges	22,724	-
	Bank Charges	4,500	-
	Local Travel And Transport - Training	22,499,989	10,436,930
	Training & Seminars - Local	23,138,880	43,706,040
	Listing Fees	18,000,000	24,600,000
	Commission	-	6,375
	Entertainment	2,228,945	184,725
	Advertisement and Publicity	58,460,164	25,906,914
	International Travel & Transport - Training	26,264,029	2,883,442
	Miscellaneous	3,310,600	2,890,450
	Printing of non Security documents	1,320,500	704,000
	Telephone, Postages and Courier Services	370,537	9,606,406
	Int'l Training	16,402,498	3,343,075
	Japanese Grant Aid Expenses	88,800,000	821,949,000
	Insurance charges	345,302	-
	Financial consulting	7,500,000	-
	Honourarium & setting allow	300,000	-
	Internet Access charges	300,000	-
	Office materials and supplies	1,343,010	-
	Library Books & periodicals	143,110	-

CONTINUED

	2007 N	2006 N
Computer Material & Supplies	651,220	-
Maintenance of Office Furniture	1,480,000	-
Maintenance of Motor Vehicles	34,834	-
Maintenance of Building - Office	316,500	-
Maintenance of Building - Residential	1,400,000	-
Maintenance of Computers & IT Equipment	2,770,085	-
	278,363,488	**946,217,357**

NOTE:

Total expenditure was N285,269,535 less the asset element which amounted to N6,906,047 expended on Motor Vehicles and has been captured in the Fixed Asset Schedule - **See Note 3.**

21 DEBT CONVERSION ACCOUNT EXPENDITURE

	2007 N	2006 N
Int. Training	4,903,764	-
Miscellaneous Expenses	6,140,900	-
International Travels & Transport	1,143,000	11,878,072
Motor Vehicle Repairs	-	64,000
Bank Charges	7,500	7,079
Local Travels & Transport	4,020,080	7,707,000
Advertising / publicity	-	887,700
Local Training	-	2,276,000
Computer Materials & Supplies	-	10,172
Refreshment & Meals	50,000	400,000
Fiscal Responsibility Retreat	-	9,823,495
Fiscal responsibility on Expenses	-	5,169,789
Advocacy/Paris Club Activity Expenses	-	10,819,469
Cash Transfer to NIPC	22,866,353	-
	39,131,597	**49,042,776**

NOTE:

Total Expenditure was N50,564,030 Less the Asset element which amounted to N11,433,333 expended on Motor Vehicles and has been captured in the Fixed Asset Schedule **See Note 3.**

CONTINUED

		2007 N	2006 N
22	**SPECIAL ITEMS:**		
	MISCELLANEOUS ACCOUNT		
	Advertisement & Publicity	11,932,862	-
	Publicity paris Club & London Club Debt Exit	19,339,052	-
	FGN Bond market AIT/IT system	35,732,706	-
	Committee on local contractors	2,520,000	
	Debts relief media interactive forum	2,917,500	-
	Miscellaneous Expenses	11,085,928	-
	Documentary London club Debt	4,329,340	
	Paris Club Red proceeds	17,047,775	-
	Capacity Building fund	4,109,269	-
	Loan to Other countries	12,882,097	-
	FAAC Sub-National Debt Study Tour	-	3,696,847
	Technical Roundtable on Fiscal Responsibility Bill	-	11,313,948
	FAAC State Debt Reconciliation	149,529	4,304,120
	Debt Conversion take off grant	-	6,312,434
	London Club - Debt Restructuring	30,970,902	40,682,628
	Seminar State Sub-National Debt	-	5,000,000
	Workshop FGN Bond PDMM	-	6,217,485
	Tax Refund - 1st FGN Bond	-	2,209,325
	DSA Workshop	6,906,247	11,354,000
	Paris Club Debt Restructuring Account	-	4,070,355
	Sales of Books	682,752	-
	Insurance Claims	1,586,459	-
	Establishment of Debt mgt unit	2,177,700	-
		164,370,118	**95,161,142**
23	**CBN FGN BOND ACCOUNT**		
	Japanese Grant Aid	-	2,251,000
	Balance of FGN Bond Floation Account	2,984,963	37,203,498
		2,984,963	**39,454,498**

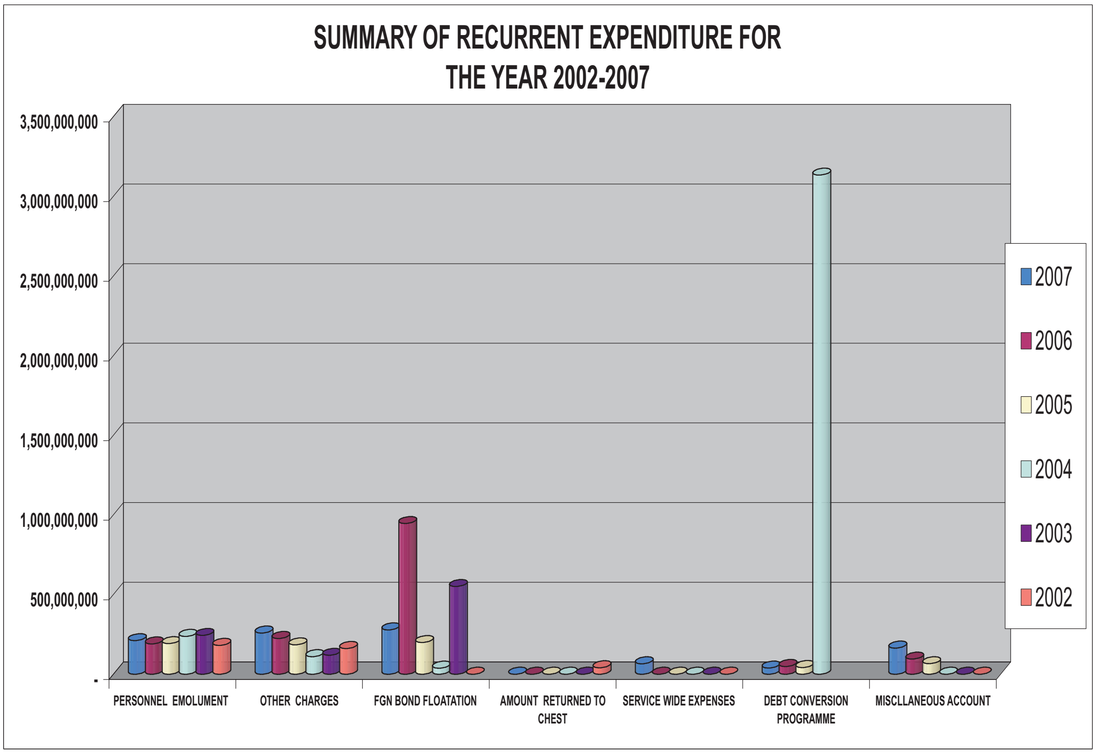
24 STOCK OF STATIONERY

The stock of unused assets and unconsumed stationery as at 31st December, 2007 was N11,006,540. This has been wholly charged to overhead expenses and fixed assets since the account is prepared on cash basis.

7.2.5 ANNEXURE TO THE FINANCIAL STATEMENTS

ANNEXURE 1
DEBT MANAGEMENT OFFICE

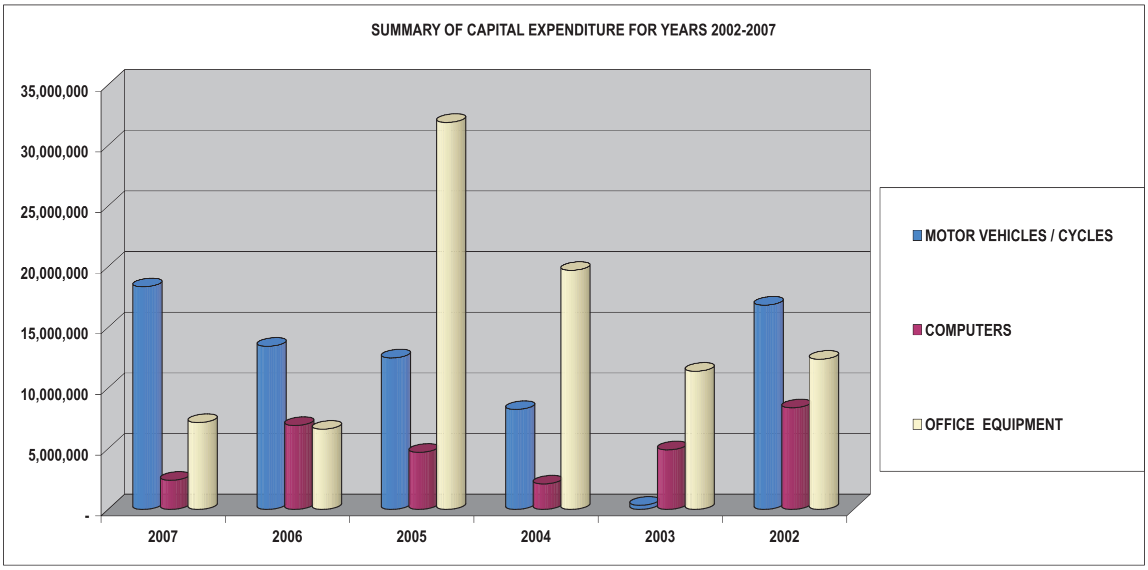
	N 2007	N 2006	N 2005	N 2004	N 2003	N 2002
PERSONNEL EMOLUMENT	210,976,680	190,388,315	192,264,110	237,812,358	243,865,825	181,370,071
OTHER CHARGES	258,508,083	224,296,931	184,482,204	109,973,161	119,040,822	161,538,775
FGN BOND FLOATATION	278,363,488	946,217,357	199,096,967	38,153,343	550,791,825	-
AMOUNT RETURNED TO CHEST	52,263	125,245	45,976	91,888	542,424	41,061,667
SERVICE WIDE EXPENSES	65,446,659	-	-	-	-	-
DEBT CONVERSION PROGRAMME	39,131,597	49,042,776	41,913,754	3,132,875,216.00		
MISCLLANEOUS ACCOUNT	164,370,118	95,161,142	66,349,996	-	-	-
	1,016,848,888	1,505,231,766	684,153,007	3,518,905,966	914,240,896	383,970,513



ANNEXURE 1 CONTINUED

SUMMARY OF CAPITAL EXPENDITURE
FOR THE YEARS 2002 - 2007

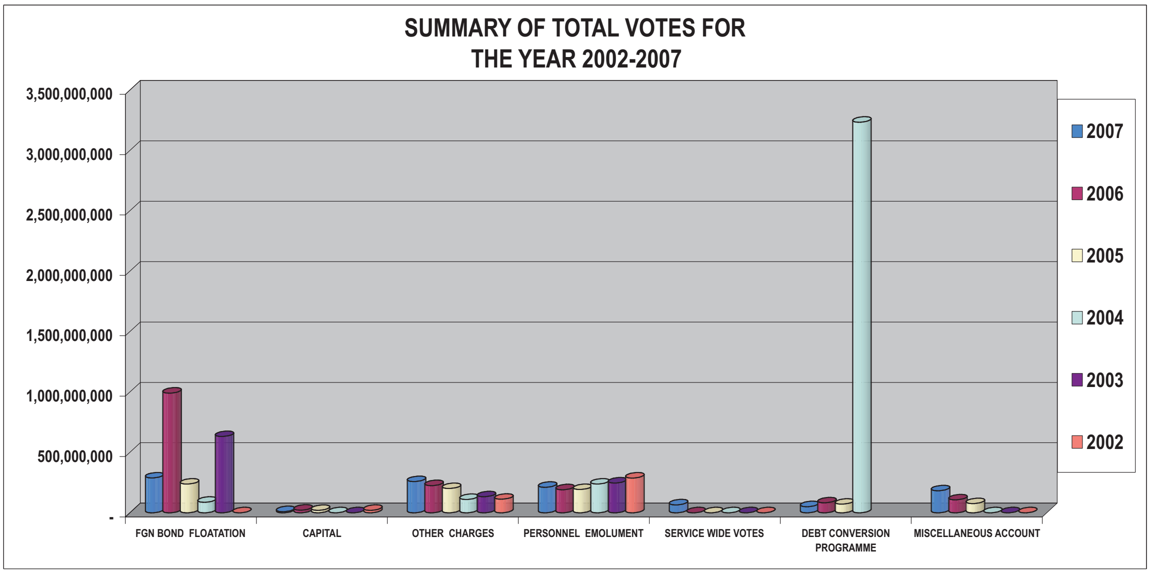
	2007	2006	2005	2004	2003	2002
MOTOR VEHICLES / CYCLES	18,339,380	13,438,997	12,483,531	8,228,325.00	340,000	16,828,141
COMPUTERS	2,397,905	6,910,000	4,698,500	2,091,000	4,907,320	8,364,840
OFFICE EQUIPMENT	7,152,350	6,602,350	31,890,923	19,697,098	11,377,986	12,371,462
	27,889,635	26,951,347	49,072,954	30,016,423	16,625,306	37,564,443



ANNEXURE 1

SUMMARY OF TOTAL VOTES
FOR THE YEARS 2OO2 - 2007

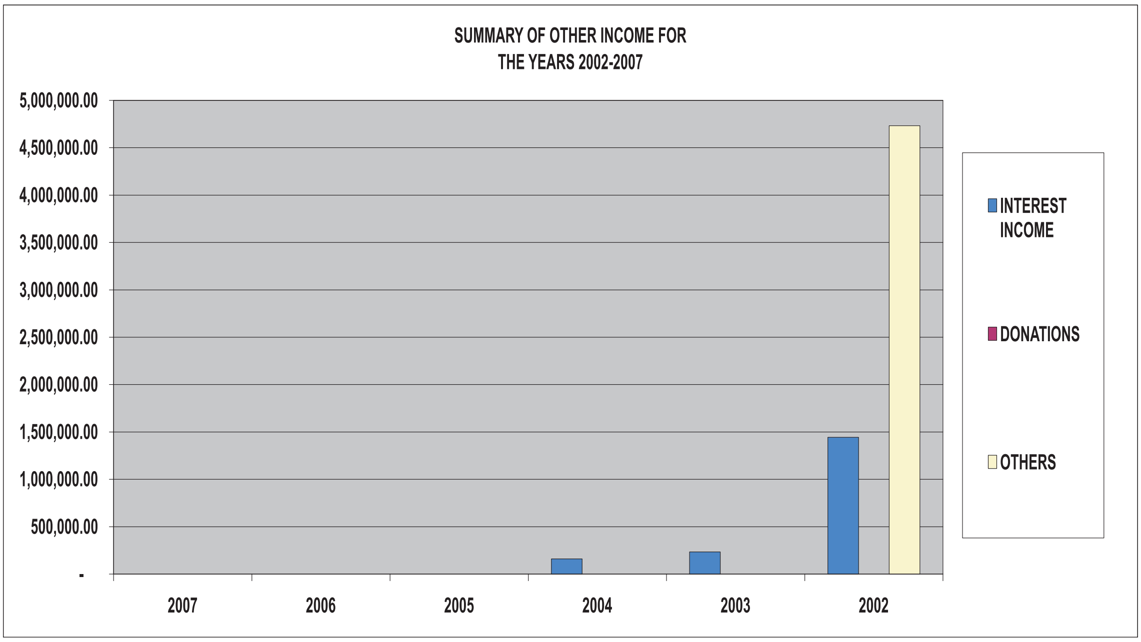
	2007	2006	2005	2004	2003	2002
FGN BOND FLOATATION	288,254,498	990,618,000	237,296,798	86,892,104	631,487,000	-
CAPITAL	9,550,255	21,485,202	20,000,000	-	-	20,269,682
OTHER CHARGES	258,532,040	224,705,980	200,490,562	110,021,909	132,497,333	111,996,800
PERSONNEL EMOLUMENT	211,004,986	190,474,511	192,303,988	237,855,498	246,369,999	287,431,738
SERVICE WIDE VOTES	65,446,659	-	-	-	-	-
DEBT CONVERSION PROGRAMME	50,564,930	82,168,433	71,292,031	3,234,388,163		
MISCELLANEOUS ACCOUNT	182,017,936	106,472,890	75,673,062	-	-	-
	1,065,371,304	**1,615,925,016**	**797,056,441**	**3,669,157,674**	**1,010,354,332**	**419,698,220**



ANNEXURE 1 CONTINUED

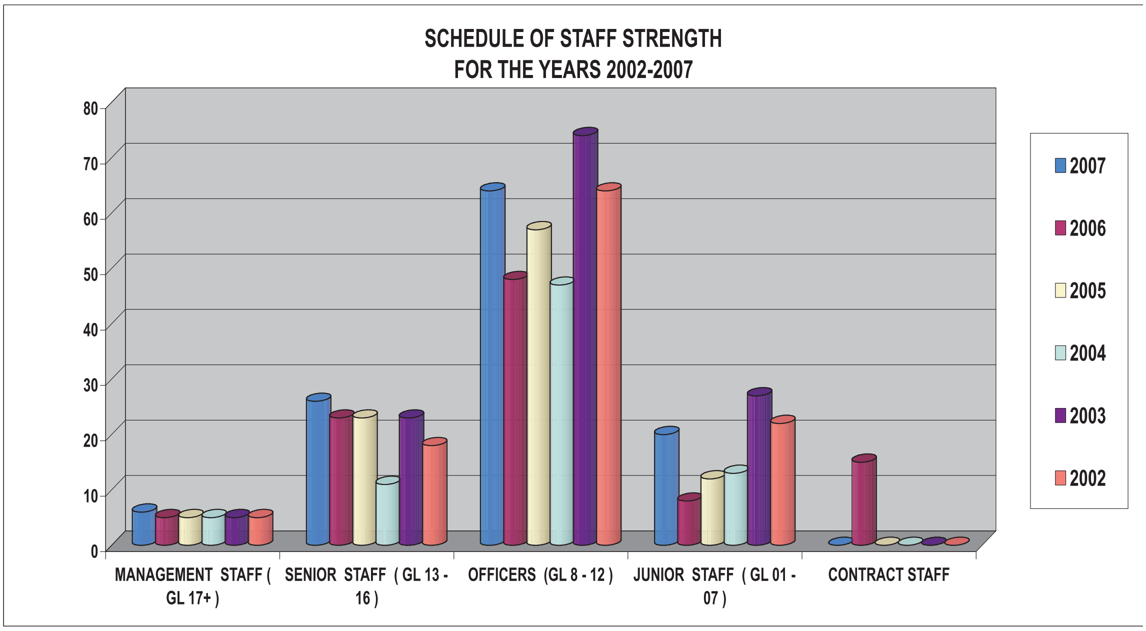
SUMMARY OF OTHER INCOME
FOR THE YEARS 2002 - 2007

	2007	2006	2005	2004	2003	2002
INTEREST INCOME	-	-	208	161,514	232,952	1,444,822
DONATIONS	-	-	-	-	-	-
OTHERS	-	-	-	-	-	4,731,891
	-	-	208	161,514	232,952	6,176,713



ANNEXURE 11
DEBT MANAGEMENT OFFICE
SCHEDULE OF STAFF STRENGTH
FOR THE YEARS 2002 - 2007

	2007	2006	2005	2004	2003	2002
MANAGEMENT STAFF (GL 17+)	6	5	5	5	5	5
SENIOR STAFF (GL 13 - 16)	26	23	23	11	23	18
OFFICERS (GL 8 - 12)	64	48	57	47	74	64
JUNIOR STAFF (GL 01 - 07)	20	8	12	13	27	22
CONTRACT STAFF	-	15	-	-	-	-
	116	99	97	76	129	109


SCHEDULE OF STAFF STRENGTH
FOR THE YEARS 2002-2007
80
70
60
50
40
30
20
10
0
MANAGEMENT STAFF (GL 17+)
SENIOR STAFF (GL 13 - 16)
OFFICERS (GL 8 - 12)
JUNIOR STAFF (GL 01 - 07)
CONTRACT STAFF
2007
2006
2005
2004
2003
2002

ANNEXURE 111
SCHEDULE OF FIXED ASSETS
(LESS ACCUMULATED DEPRECIATION)

	MOTOR VEHICLE AND CYCLE N	COMPUTER N	OFFICE EQUIPMENT N	TOTAL N
FIXED ASSETS				
(CAPITAL EXPENDITURE)				
COST AS AT 01/01/07	46,513,454	32,692,671	86,918,534	166,124,659
ADDITIONS	18,339,380	2,397,905	7,152,350	27,889,635
DISPOSAL	-	-	-	-
WRITTEN OFF	-	-	-	-
	64,852,834	**35,090,576**	**94,070,884**	**194,014,294**
DEPRECIATION				
AS AT 01/01/07	30,580,865	24,307,645	54,645,107	109,533,617
CHARGE FOR THE YEAR	7,944,594	2,326,976	2,750,940	13,022,510
DISPOSAL	-	-	-	-
WRITTEN OFF	-	-	-	-
	38,525,459	**26,634,621**	**57,396,047**	**122,556,127**
NET BOOK VALUE 31/12/07	26,327,375	8,455,955	36,674,837	71,458,167
NET BOOK VALUE 31/12/06	15,932,589	8,385,026	32,273,427	56,591,042

The above assets were depreciated using the straight line method of depreciation. The rates used are as stated below: -

	%
MOTOR VEHICLE / CYCLE	25
COMPUTER	25
OFFICE EQUIPMENT	20

This exercise is just to know the fair value of the assets as at the time of disposal since the cash basis of accounting is the method being used in public sector.