



**DEBT MANAGEMENT OFFICE
NIGERIA**

**Nigeria's Medium-Term Debt
Management Strategy
2024-2027**

March, 2025

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GLOSSARY

AfDB	African Development Bank
ADF	African Development Fund
AFD	French Development Agency
AGTF	Africa Growing Together Fund
AT	Analytical Tool
ATM	Average Time-to-Maturity
ATR	Average Time-to-Refixing
BADEA	Arab Bank for Economic Development in Africa
BOF	Budget Office of the Federation
bps	Basis Points
CBN	Central Bank of Nigeria
DMO	Debt Management Office
DSA	Debt Sustainability Analysis
ECAs	Export Credit Agencies
ECOWAS	Economic Community of West African States
EDF	European Development Fund
FCT	Federal Capital Territory
FEC	Federal Executive Council
FGN	Federal Government of Nigeria
FMBEP	Federal Ministry of Budget and Economic Planning
FMF	Federal Ministry of Finance
FX	Foreign Exchange
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
ICM	International Capital Market
IDA	International Development Association
IsDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
JICA	Japan International Cooperation Agency
MDAs	Ministries, Departments and Agencies
MTDS	Medium-Term Debt Management Strategy
MTEF/FSP	Medium-Term Expenditure Framework and Fiscal Strategy Paper
NASS	National Assembly
NBS	National Bureau of Statistics
NDP	National Development Plan
NPV	Net Present Value
NTBs	Nigerian Treasury Bills
OAGF	Office of the Accountant-General of the Federation
PFM	Public Financial Management
PDM	Public Debt Management
PV	Present Value
USD	United States Dollar
WB/IMF	World Bank and International Monetary Fund

EXECUTIVE SUMMARY

The Medium-Term Debt Management Strategy (MTDS) is a Public Debt Management (PDM) tool that links borrowing with the macroeconomic framework of a country to ensure that the costs and risks in the public debt portfolio are within sustainable levels. The formulation and implementation of an MTDS is widely recognized as an international best practice in PDM.

The Debt Management Office (DMO) in conjunction with relevant Ministries, Departments and Agencies (MDAs) of the FGN formulates the MTDS every four (4) years to guide its PDM decisions and operations with technical support from the World Bank and International Monetary Fund (WB/IMF).

The MTDS 2024 - 2027 was formulated following the elapse of the MTDS 2020 - 2023. The process involved the consideration of various strategies aimed at determining the best strategy that meets the financing needs of government, while meeting its cost and risk objectives. The MTDS 2024 - 2027, covers the FGN Debts, inclusive of the External Debt of Sub-nationals but excluding the Domestic Debt of the Sub-nationals as the MTDS is designed to guide the borrowing and debt management strategy of the central government. It also includes explicit Contingent Liabilities of the FGN.

The MTDS 2024 - 2027 was initially completed using the macroeconomic projections in the MTEF 2024 - 2026 with 2023 as the base year. However, the volatile macroeconomic environment occasioned by wide fluctuations in exchange rate made the assumptions unrealistic. This led to the updating of the MTDS 2024 - 2027, with projected macroeconomic data in the approved MTEF 2025 - 2027 and 2025 Appropriation Act to reflect current realities.

A review of the performance of the MTDS 2020-2023 in terms of the Cost and Risk Indicators of the FGN Debt Portfolio as at December 31, 2023, and compared with the set Targets are shown in the Table below. The position for December 31, 2024 is also provided for ease of comparison.

Review of the Performance of the MTDS 2020 - 2023 and Provisional Debt data for 2024

S/N	Indicator	Actual Dec. 31, 2019	Targets for MTDS 2020-2023	Actual Dec. 31, 2023	Actual Dec. 31, 2024
1.	Fiscal Sustainability				
	i. Total Public Debt/GDP	19.00%	Max. 40%	40.57%	52.25%
	ii. Sovereign Guarantees/GDP		Max. 5%	3.23%	2.09%
2.	Portfolio Composition				
	i. Domestic: External Debt mix.	67:33	Max 70: Max 30	57:43	48:52
	ii. Domestic Debt. Long Term: Short Term	79:21	Min 75: Max 25	88:12	82:18
3.	Refinancing Risk				
	i. Average Time to Maturity (Years)	10.5	Min. 10	12.77	11.05
	ii. Debt maturing in 1 year as % of Total Debt		Max. 20%	10.44%	13.91%
4.	Interest Rate Risk				
	i. Variable Rate Debt as % of Total Debt		Less than 5%	2.96%	4.06%

Source: DMO

The Table reveals that the Total Public Debt-to-GDP ratio was 40.57% as at December 31, 2023 and 52.25% as of December 31, 2024, which exceeded the country-specific Target of 40% but was below the 70% threshold contained in the Market-Access Country-Debt Sustainability Framework (MAC-DSF) developed by the IMF for market access countries like Nigeria, and which is the same as the ECOWAS Convergence threshold of 70%. The increase in Debt-to-GDP from 19% in 2019 to 40.57% in 2023 and 52.25% in 2024 was due to higher levels of New Borrowings, Issuance of Promissory Notes, as well as the inclusion of ₦30 trillion Ways and Means Advances (WMAs) of the Central Bank of Nigeria (CBN) in the FGN's Domestic Debt Stock. The Average Time to Maturity (ATM) was 12.77 years and 11.05 years in 2023 and 2024 respectively, as against a minimum Target of 10 years, while Debt Maturing in 1 year as a percentage of Total Debt was 10.44% and 13.91% during the review periods, as against a maximum Target of 20%. Long-Term to Short-Term Domestic Debt was 88:12 and 82:18 in 2023 and 2024 respectively, as against target of min 75:max 25. These show that the Targets in the MTDS 2020 - 2023 were mostly outperformed.

As stated above, the Exchange Rate of USD1/₦800 in the 2024 Appropriation Act initially used to prepare the MTDS was jettisoned because the Official Exchange rate was actually higher than this, indeed, the end period Exchange Rate as of December 31, 2024 was USD1/₦1,535.32. Other macro and debt data for 2024 were updated, while macro projections in the MTEF/FSP 2025-2027 and the 2025 Appropriation Act were used for the projections. The MTEF 2025-2027 projected that Real GDP will increase to 4.6% in 2025, moderate to 4.4.% in 2026 and rise to 5.5% in 2027. These will be driven by increased investments in infrastructure, agriculture, and social services. Inflation is projected to decline progressively to 10.04% in 2027, as the fiscal and monetary authorities continue to implement programmes and policies to moderate inflation.

In terms of Market Assumptions, the Yields on Short-Term Securities were projected to increase by 300 basis points (bps) in 2025 from 29.75% recorded in December 2024 before declining to 30.75% in 2027. The 5-Year, 7-Year FGN Bonds interest rates of 20.85% and 21.97%, respectively as at December 2024 were increased by 150bps in 2025 before declining to 21.5% in 2027, while the 10-Year FGN Bond interest rate of 20.85% as at December 2024 was increased by 275bps in 2025 before declining to 22.5% in 2027. Although, the re-composition of the basket for the computation of inflation dropped in January 2025, investors will still expect to receive real rates.

The Interest Rates were shocked moderately across maturities by 150bps and 300bps for baseline and extreme scenario respectively. Also, Yields of Nigeria's Eurobonds were benchmarked against similar US Treasury Yields plus market-determined Yield Spreads as at the date of projection.

The Alternative Strategies were designed based on the funding needs of the Government and its plans to borrow from Domestic and External sources using existing and new debt instruments such as the Domestic FGN US Dollar Bond introduced in September 2024 and planned introduction of Environmental Social and Governance (ESG) Compliant Securities, subject to market conditions.

Four (4) Alternative Debt Strategies

Strategy 1 Uses the new borrowing projections (external and domestic) in the approved MTEF/FSP. The existing sources of external funding will be retained, including the issuance of Eurobonds subject to market conditions. The domestic borrowing will focus more on the use of short-term FGN Securities relative to long-term debt instruments to moderate cost of debt in the long run due to the prevailing high-interest rate regime. The borrowing distribution between Domestic and External sources will be in the ratio of 80:20, respectively.	Strategy 2 Compared with S1, S2 aims to increase the volume of foreign currency financing from Multilateral and Bilateral sources (subject to availability), thereby reducing the reliance on Eurobond issuance. Domestic Borrowing will focus on meeting FGN funding needs but with potential reduction in the volume of NTBs and issuance of more medium to long term FGN securities to reduce refinancing risk and increase the Average Term to Maturity. More Domestic FGN US Dollar Bond may be issued in the domestic debt market. ESG-Compliant securities may also be issued in the Local and International Capital Markets. The borrowing distribution between Domestic and External sources will be in the ratio of 77:23, respectively.
Strategy 3 Aims to reduce foreign currency denominated debts compared to S2. This will be compensated with increase in borrowings from domestic sources, including issuance of more NTBs relative to S2. The borrowing distribution between Domestic and External sources will be in the ratio of 86:14, respectively.	Strategy 4 Focuses on meeting the FGN financing needs mostly from domestic sources. This means that there will be further reduction in borrowing from foreign sources relative to S3. The borrowing distribution between Domestic and External sources will be in the ratio of 89:11, respectively.

The results of the simulation of the four (4) Alternative Strategies using the IMF/WB MTDS Analytical Tool (MTDS AT) are presented in the Table below.

Cost and Risk Indicators of Alternative Strategies as at end-2027

Risk Indicators		2024	As at end 2027			
		Current	S1	S2	S3	S4
Nominal debt as % of GDP		52.25	38.55	38.14	38.64	39.02
Present value debt as % of GDP		49.46	36.88	36.08	37.11	37.34
Interest payment as % of GDP		3.75	4.17	3.93	4.19	4.44
Implied Interest Rate (%)		7.18	12.90	12.24	13.19	13.94
Refinancing Risk	Debt maturing in 1yr (% of Total)	13.91	12.71	8.16	11.50	17.72
	Debt maturing in 1yr (% of GDP)	6.95	4.90	3.11	4.44	6.91
	ATM External Portfolio (Years)	9.43	8.93	9.75	8.63	9.09
	ATM Domestic Portfolio (Years)	12.64	10.47	10.75	8.84	7.94
	ATM Total Portfolio (Years)	11.05	9.82	10.32	8.76	8.37
Interest Rate Risk	ATR (years)	10.74	9.59	10.13	8.54	8.14
	Debt refixing in 1yr (% of Total)	17.73	15.60	10.79	14.34	20.68
	Fixed rate debt including NTBs (% of Total)	95.94	96.93	97.18	96.98	96.86
	NTBs (% of Total)	9.18	8.50	3.94	7.44	13.69
FX Risk	FX debt as % of Total Debt	51.75	42.26	42.61	39.76	37.50
	ST FX debt as % of Reserves	8.33	7.28	7.28	7.28	7.28

Source: MTDS Analytical Tool

S2 presents a more favorable trade-off between costs and risks and is hereby recommended. It has a lower Interest Payment/GDP ratio and Refinancing Risk due to lower percentage of Debt Maturing in the short term. It also has a higher ATM and smoother Redemption Profile

because of higher issuance of longer-term debts. However, it has a higher level of foreign currency risk due to the high proportion of FX-denominated debt.

The following Table below presents the Targets for MTDS 2024 - 2027 that will guide the public debt management operations during the period and which are required to be approved by the Federal Executive Council (FEC).

MTDS 2024-2027 End Period Targets

		End-Dec. 2024	MTDS 2024 - 2027 Targets	Remarks
Fiscal Sustainability	Nominal Debt as % of GDP	52.25	60	The Debt/GDP Ratio which was 40.57% as at Dec. 31, 2023 stood at 52.25% as at Dec. 31 2024, due to movements in Exchange Rate, New Borrowings to fund the 2024 Budget, and securitization of additional ₦7.3trillion WMAs in H1 2024.
	Interest Payment as % of GDP	3.75	Max. 4.5	New Target
	Sovereign Guarantees/GDP (%)	2.09%	Max. 5	Maintain Target set in MTDS 2020-2023
Debt Portfolio Composition	Domestic: External Debt Mix.	48:52	55:45	Based on the projected Debt Stock composition under S2, a 55:45 composition is advised
	Domestic Debt - Long Term vs. Short Term	82:18	Min 75:Max 25	Maintain Target set in MTDS 2020-2023
Refinancing Risk	Debt maturing in 1yr (% of total Debt)	13.91	Max. 15	The Strategy is to minimize short term debt.
	Debt maturing in 1yr (% of GDP)	6.95	Max. 5	New Target
	Average Time to Maturity Total Portfolio (years)	11.05	Min. 10	Maintain Target set in MTDS 2020-2023
Interest Rate Risk	Average Time to Refixing (years)	10.74	Min. 10	New Target
	Debt refixing in 1yr (% of total)	17.73	Max. 15	New Target
	Nigerian Treasury Bills (% of total)	9.18	Max. 10	New Target
FX Risk	FX debt as % of total	51.75	Max. 45	New Target
	Short Term FX debt as % of External Reserves	8.33	Max. 10	New Target

Note: MTDS Analytical Tool

To ensure the continued effectiveness of Strategy 2, it is advised that the Strategy should be reviewed on annual basis or as may be necessary to address any deviations and incorporate new developments. This recommendation is in line with best practices and will enable the DMO align the MTDS with evolving macroeconomic environment.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

The Debt Management Office (DMO) developed the Medium-Term Debt Management Strategy (MTDS) 2024 - 2027 to guide its public debt management operations during the period. The formulation and implementation of the MTDS is widely acknowledged as one of the international best practices in public debt management.

The DMO commenced the development of MTDS in 2012 and has had three (3) editions. As is the practice, the MTDS Workshop to design the fourth edition, that is, MTDS 2024 - 2027, held in collaboration with the following Ministries, Departments and Agencies (MDAs) of the Federal Government of Nigeria (FGN), while the World Bank and International Monetary Fund (WB/IMF) provided technical support for the formulation of the MTDS.

- i. The Federal Ministry of Finance (FMF);
- ii. Federal Ministry of Budget and Economic Planning (FMBEP);
- iii. Central Bank of Nigeria (CBN);
- iv. National Bureau of Statistics (NBS);
- v. Office of the Accountant-General of the Federation (OAGF); and,
- vi. Budget Office of the Federation (BOF).

Subsequently, due to prevailing economic challenges, such as volatile exchange rates and rising interest rates, the assumptions in the Medium-Term Expenditure Framework (MTEF) 2024 - 2026 and 2024 Appropriation Act became unrealistic. This led to the updating of the MTDS 2024 - 2027, with projected macroeconomic data in the approved MTEF 2025 - 2027 and 2025 Appropriation Act to reflect current realities.

1.2 The Objectives of the MTDS 2024 - 2027

The objectives of the MTDS 2024 - 2027, amongst others, include the following:

- To meet the financing needs and payment obligations of the Government in the short to medium-term, taking into consideration the costs and risks trade-offs in the debt portfolio.
- To achieve optimum composition of the public debt portfolio that ensures debt sustainability.
- To further deepen the domestic securities market through the introduction of new products.

1.3 The Scope of the MTDS 2024 - 2027

The scope of the MTDS 2024 - 2027 is the FGN Debts, inclusive of the External Debt of Sub-nationals (36 States of the Federation and the FCT). It excludes the Domestic Debt of the Sub-nationals as the MTDS is primarily designed to guide the borrowing and debt management strategy of the central government. The MTDS also covers explicit Contingent Liabilities of the FGN.

CHAPTER TWO

2.0 REVIEW OF THE EXISTING FGN DEBT PORTFOLIO IN 2023 AND 2024

2.1. Cost and Risk Indicators of the Debt Portfolio as at December 31, 2023

Table 1 shows the Cost and Risk Indicators of the FGN's Total Public Debt portfolio as at December 31, 2023, while Table 2 presents the performance against the MTDS 2020 - 2023 Targets.

Table 1: Cost and Risk Indicators of the Debt Portfolio as at December 31, 2023

Risk Indicators		External Debt	Domestic Debt	Total Debt
Amount (N' Million)		38,901,370.0	52,576,494.1	91,477,864.1
Amount (USD' Million)		43,252.9	58,457.8	101,710.7
Nominal debt as % of GDP		17.3	23.3	40.6
PV as % of GDP		14.8	23.3	38.1
Cost of Debt	Interest payment as % of GDP	0.8	2.3	3.1
	Weighted Average Interest Rate (%)	3.5	9.7	7.1
Refinancing Risk	ATM (years)	10.5	14.6	12.8
	Debt maturing in 1yr (% of total)	5.5	14.5	10.4
	Debt maturing in 1yr (% of GDP)	1.0	3.4	4.4
Interest rate Risk	ATR (years)	10.0	14.6	12.6
	Debt refixing in 1yr (% of total)	11.0	14.5	12.9
	Fixed rate debt including T-bills (% of total)	93.7	100.0	97.2
	NTBills (% of total)	0.0	12.4	6.8
FX Risk	FX debt (% of total debt)	-	-	42.5
	Short-Term FX debt (% of reserves)	-	-	9.0

Source: MTDS Analytical Tool; Exchange Rate used was USD/N899.34 as at December 31, 2023

Table 2: MTDS 2020-2023 Targets and Performance

S/N	Indicators	Targets for MTDS	Actual	
		2020-2023	2023	
1	Fiscal Sustainability			
	iii. Total Public Debt/GDP	Max. 40%	40.57%	Target is being revised
2	iv. Sovereign Guarantees/GDP	Max. 5%	3.23%	On Target
	Portfolio Composition			
	i. Domestic: External Debt mix.	Max 70: Min 30	57:43	Target was impacted by naira depreciation
3	ii. Domestic Debt. Long Term: Short Term	Min 75: Max 25	88:12	On Target
	Refinancing Risk			
	ii. Average Time to Maturity (Years)	Min. 10	12.77	Exceeded Target
	iii. Variable Rate Debt as % of Total Debt	Less than 5%	2.96%	On Target
	iv. Debt maturing in 1 year as % of total debt	Max. 20%	10.44%	On Target

Source: DMO

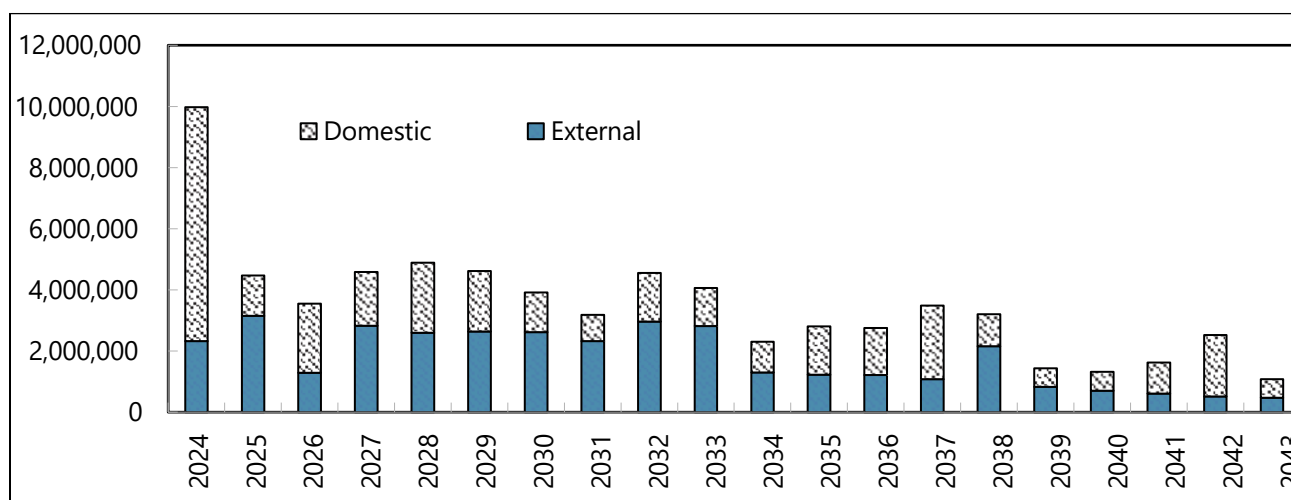
In comparison with the set Targets, the Cost and Risk Indicators show the following:

- i. The Debt to GDP of 40.57% as at December 31, 2023 marginally exceeded the country-specific Target of 40%. This was, however, below the 70% threshold contained in the Market Access Country Debt Sustainability Framework (MAC-DSF) designed for market access countries like Nigeria and the ECOWAS Convergence threshold of 70%.
- ii. The Debt Portfolio Composition of 57:43 compared to the target of 70:30 for Domestic and External Debt respectively, was impacted by higher levels of external borrowing and exchange rate depreciation during the period under review (2020-2023).
- iii. The Average Time to Maturity (ATM) at 12.8 years exceeded the minimum Target of 10 years due to the issuance of medium to long term securities in the Domestic Capital Market and International Capital Market (ICM) during the period.
- iv. The Debt Maturing in 1 year as a percentage of Total Debt at 10.4% was within the set Target of less than 20%, due to the issuance of more long-term securities in the domestic market and ICM.
- v. The Long Term to Short Term Domestic Debt was 88:12 as against the Target of Min 75: Max 25, which means that the set Target was outperformed.

2.2. Redemption Profile of the Debt Portfolio as at December 31, 2023

Figure 1 depicts the Redemption Profile of the FGN's Debt Portfolio as at December 31, 2023. Except for debt maturing in one (1) year which is considered high at 17.54% of the total debt portfolio, the Public Debt Portfolio has a smooth redemption profile because the DMO considers the need to avoid bunching of maturities in its securities issuance operations. The relatively high percent of Debt due for refixing in one (1) year are mainly NTBs issued with tenors of 91, 182 and 364 days, leading to full annual maturities.

Figure 1: Redemption Profile of the Debt Portfolio as at December 31, 2023 (₦'millions)



Source: MTDS 2024-2027 AT

2.3. Factors that impacted on the implementation of MTDS 2020 - 2023

The implementation of the MTDS 2020 - 2023 was impacted by the following, amongst others:

- i. On the external front, the COVID-19 pandemic and the Russian-Ukraine war constrained market access for Nigeria and similar countries. To this end, Nigeria was unable to access Commercial funds from the ICM, especially from H2, 2022 and fiscal 2023.
- ii. On the Domestic front, higher budget deficits, driven by revenue shortfalls, COVID-19 pandemic and security challenges, were predominantly financed through domestic borrowing. These, together with the securitisation of ₦22.719 trillion WMAs of the FGN at the CBN resulted in a rapid growth in the FGN's Debt Stock.
- iii. On the monetary side, the monetary policies of the Central Bank of Nigeria aimed at tackling rising prices levels which led to higher cost of borrowing in the domestic debt market although liquidity was still strong.

2.4. Cost and Risk Indicators of the Debt Portfolio as at December 31, 2024

Following the update of the MTDS 2024 - 2027 using provisional December 31, 2024 public debt figures and the revised MTEF/FSP 2025 - 2027, Table 3 highlights the position of the indicators as at December 31, 2024.

Table 3: Cost and Risk Indicators of the Debt Portfolio as at December 31, 2024

Risk Indicators		External Debt	Domestic Debt	Total Debt
Amount (₦'Millions)		72,812,584.86	67,884,815.40	140,697,400.26
Amount (USD'Millions)		47,425.10	44,215.49	91,640.58
Nominal debt as % of GDP		27.04	25.21	52.25
PV as % of GDP ¹		24.25	25.21	49.46
Cost of Debt	Interest payment as % of GDP	1.27	2.48	3.75
	Weighted Av. IR (%)	4.69	9.85	7.18
Refinancing Risk	ATM (years)	9.43	12.64	11.05
	Debt maturing in 1yr (% of total)	7.51	20.20	13.91
	Debt maturing in 1yr (% of GDP)	1.86	5.09	6.95
Interest Rate Risk	ATR (years)	8.81	12.64	10.74
	Debt refixing in 1yr (% of total)	15.21	20.20	17.73
	Fixed rate debt including T-bills (% of total)	91.81	100.00	95.94
	T-bills (% of total)	0.00	18.19	9.18
FX Risk	FX Debt (% of total debt)			51.75
	ST FX Debt (% of reserves)			8.33

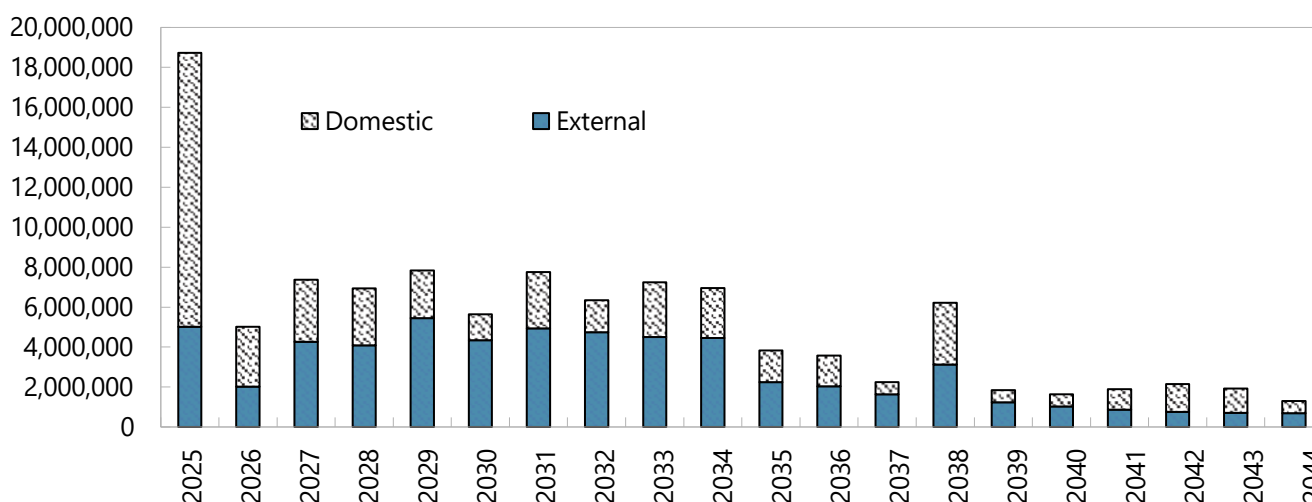
Source: MTDS Analytical Tool

Note: Exchange Rate used was USD/₦1,535.32 as at December 31, 2024

2.5. Redemption Profile of the Debt Portfolio as at December 31, 2024

Figure 2 depicts the Redemption Profile of the FGN's Debt Portfolio as at December 31, 2024. The marginal increase in debt maturing in one (1) year reflects the increased borrowing with short-dated debt instruments due to the large borrowing needs of the FGN and the need to avoid high cost of debt due to high-interest rate environment during the year under review. After 2025, debt maturities exhibit a downward trend, with periodic fluctuations. This shows a structured approach to debt management, balancing refinancing needs over time.

Figure 2: Redemption Profile of the Debt Portfolio as at December 31, 2024 (N'millions)



2.6. Factors that necessitated the update of the MTDS 2024 - 2027

The MTDS 2024 - 2027 was updated in February 2025 due to the following reasons:

- The volatile macroeconomic environment in 2024 occasioned by wide fluctuations in exchange rate.
- Rising cost of borrowing due to monetary policy actions.
- MTEF 2025 - 2027 reflecting major deviations in macroeconomic projections.

CHAPTER THREE

3.0 MACROECONOMIC AND MARKET ASSUMPTIONS FOR MTDS 2024 - 2027

3.1 Baseline Macroeconomic and Market Assumptions

The Macroeconomic Assumptions in the Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) 2024-2026 approved by the NASS were initially used in the development of the MTDS 2024 - 2027. However, due to volatile exchange rates and rising interest rates, the assumptions in the MTEF/FSP 2024 - 2026 and 2024 Appropriation Act became unrealistic. This led to the updating of the MTDS 2024 - 2027, with projected macroeconomic data in the approved MTEF 2025 - 2027 and 2025 Appropriation Act to reflect current realities.

Table 4 presents the baseline Macroeconomic and Market Assumptions for 2024-2027 including the actual figures for 2024, while Table 5 presents the Market Assumptions with respect to Interest Rates.

Table 4: Baseline Macroeconomic and Market Assumptions

Variables	2023	2024	2025	2026	2027
Revenue	11,045,110.00	25,876,606.38	36,352,202.17	35,505,692.49	38,628,094.38
Primary Expenditure	18,265,919.00	26,784,576.16	33,413,022.67	31,732,212.06	32,594,344.48
Nominal GDP (₦' Mn)	225,507,000.00	269,290,354.86	338,038,823.91	397,487,864.16	457,922,963.05
Real GDP Growth	3.9%	3.4%	4.6%	4.4%	5.5%
Inflation (Average)	17.16	21.4	15.75	14.21	10.04
Exchange Rate (₦/USD)	899.34	1,535.32	1,500.00	1,400.00	1,400.00
Foreign Reserves (USD' Mn)	32,230	40,099	40,099	40,099	40,099

Sources: MTEF/FSP 2025 - 2027, CBN, FMBEP

Table 5: Baseline Market Assumptions (Interest Rates)

Debt Instrument	2023	2024	2025	2026	2027
NTBs	20.00%	29.75%	32.75%	31.75%	30.75%
5yr FGN Bond	16.00%	20.85%	22.35%	22.00%	21.50%
7yr FGN Bond	17.00%	21.97%	22.47%	22.00%	21.50%
10yr FGN Bond	17.50%	20.85%	23.60%	23.00%	22.50%
10yr Eurobond	10.05%	10.38%	10.38%	10.08%	10.08%

3.1.1 Basis of the Assumptions

Real GDP Growth Rate:

According to the Federal Ministry of Budget and Economic Planning (FMBEP), Real GDP is projected to increase to 4.6% in 2025, moderate to 4.4% in 2026 and then rise to 5.5% in 2027 as seen in Table 3. The principal drivers of the projected rise in GDP are increased investments in infrastructure, agriculture, and social services.

Inflation: Inflation is projected by FMBEP to remain in double-digit in 2024 and thereafter, decline progressively to 10.04% in 2027 (Table 3) as the fiscal and monetary authorities continue to implement programmes and policies to moderate inflation.

Exchange Rate: The Exchange Rate in the MTEF/FSP 2025 - 2027 was used, and this is projected to appreciate slightly to ₦1,500.00/USD in 2025 from ₦1,535.32/USD in 2024 (Table 3). The exchange rate is then projected to appreciate further and stabilize at ₦1,400/USD for 2026 and 2027.

A moderate shock of 15% (₦1,725/USD) and an extreme shock of 30% (₦1,950/USD) were applied to the MTEF FX Rate in the MTDS Analytical Tool.

Domestic Interest Rate: The Yields on Short-Term Securities were projected to increase by 300 basis points (bps) in 2025 from 29.75% recorded in December 2024 before declining to 30.75% in 2027. The 5-Year, 7-Year FGN Bonds interest rates of 20.85% and 21.97% respectively as at December 2024 were increased by 150bps in 2024 before declining to 21.5% in 2027, while the 10-Year FGN Bond interest rate of 20.85% as at December 2024 was increased by 275bps before declining to 22.5% in 2027 (Table 4). Although, the re-composition of the basket for the computation of inflation dropped in January 2025, investors will still expect to receive real rates.

The Interest Rates were shocked moderately across maturities by 150bps and by 300bps for extreme scenario.

Eurobonds: The Yields of Eurobonds to be issued were benchmarked against similar US Treasury Yields plus market-determined Yield Spreads as at the date of projection (Table 4).

CHAPTER FOUR

4.0 SOURCES OF FUNDING

The FGN will continue to rely on Domestic and External sources of borrowing to meet its financing needs.

4.1 Domestic Sources

Domestic Borrowing will be done through the issuance of the following FGN Securities:

- i. Nigerian Treasury Bills (NTBs)
- ii. FGN Bonds
- iii. Sukuk
- iv. Green Bonds
- v. FGN Savings Bond

As part of market development initiatives of public debt management, the newly introduced Domestic FGN US Dollar Bond, may continue to be issued, subject to market conditions, while other Environmental, Social and Governance (ESG) compliant securities may be introduced during the remaining implementation period of the MTDS 2024 - 2027.

4.2 External Sources

The FGN would seek to maximise Concessional and Semi-concessional sources of funding from Multilateral and Bilateral Institutions subject to availability. These include the following sources:

Multilateral Institutions

- a) African Development Bank (AfDB)
- b) African Development Fund (ADF)
- c) International Development Association (IDA)
- d) International Bank for Reconstruction and Development (IBRD)
- e) International Monetary Fund (IMF)
- f) Africa Growing Together Fund (AGTF)
- g) European Development Fund (EDF)
- h) European Investment Bank (EIB)
- i) Arab Bank for Economic Development in Africa (BADEA)
- j) Islamic Development Bank (IDB)
- k) International Fund for Agricultural Development (IFAD)
- l) African Export-Import Bank (Afreximbank)

Bilateral Institutions and Export Credit Agencies

- a) Export-Import Bank of China (China Exim)
- b) French Development Agency (AFD)
- c) Japan International Corporation Agency (JICA)
- d) Export-Import Bank of India (India Exim)
- e) KfW Development Bank of Germany (KfW)
- f) United States Export-Import Bank (US Exim)

In terms of external commercial borrowing, the FGN will access funds from the ICM through the issuance of Eurobonds, and may introduce new products, such as ESG compliant Bonds and Sukuk, all of which will be subject to relevant approvals and market conditions. Also, the FGN would explore borrowings guaranteed by multilaterals and regional and international insurance agencies. Furthermore, Debt Swaps such as Debt for Health and Debt for Climate may be executed to reduce debt service costs and increase funding for specific sectors of the economy.

4.3 Debt Data Aggregation

The instruments in the public debt portfolio were aggregated by source, type, tenor, grace period and currency to align with the requirements of the MTDS Analytical Tool. For instance, the Concessional Loans with maturities of 35 years and grace period of 7 years were aggregated as one (1) instrument, while the domestic securities with Tenors from 5 to 7 years were aggregated as 7-year instrument. It was assumed that the new instruments that may be introduced into the domestic debt market and ICM, such as ESG compliant Bonds and Sukuk, will be for tenors of 5 years and above. Table 6 presents the list of the representative debt instruments.

Table 6: Representative Debt Instruments

S/N	Instrument Type / Name	Fix / Var/ T-bills	Maturity (Years)	Grace Period (Years)	Currency
1	ADF_Fixed	Fix	40	10	USD
2	IDA/IFAD/BADEA/EDF_Fixed	Fix	35	7	USD
3	IBRD/ADB/IDB_Fixed	Fix	25	5	USD
4	IBRD/ADB/IDB/AGTF_BIL_Var	Var	25	5	USD
5	Bilateral Fixed	Fix	20	5	USD
6	Panda 5-year Bond	Fix	5	4	USD
7	Eurobond 10Y (including ESG)	Fix	10	9	USD
8	Eurobond 30Y	Fix	30	29	USD
9	Export credits	Fix	15	5	USD
10	NTB	T-bills	1	0	Fix
11	Savings Bonds	Fix	3	2	Fix
12	Domestic FGN US Dollar Bond 5Y	Fix	5	4	USD
13	FGN Bonds 7Y	Fix	7	6	Fix
14	FGN Bonds 10Y	Fix	10	9	Fix
15	FGN Bonds 20Y	Fix	20	19	Fix
16	FGN Bonds 30Y	Fix	30	29	Fix
17	Sukuk/Infrastructure/Green	Fix	7	6	Fix
18	Promissory Notes	Fix	2	1	NGN
19	FGN Bonds 5Y	Fix	5	4	NGN
20	Indexed Instrument	Var	5	4	IDX

Source: MTDS 2024-2027 AT

CHAPTER FIVE

5.0 ALTERNATIVE STRATEGIES

5.1 Formulation of MTDS 2024 - 2027 Alternative Strategies

Four (4) Alternative Debt Strategies were designed and simulated using the World Bank/IMF MTDS Analytical Tool (AT) to evaluate their cost-risk trade-offs against the projected macroeconomic variables and the funding needs of the FGN. The details of the Strategies are as follows:

Box 1: Four (4) Alternative Debt Strategies

Strategy 1 <i>Uses the new borrowing projections (external and domestic) in the approved MTEF/FSP. The existing sources of external funding will be retained, including the issuance of Eurobonds subject to market conditions. The domestic borrowing will focus more on the use of short-term FGN Securities relative to long-term debt instruments to moderate cost of debt in the long run due to the prevailing high-interest rate regime. The borrowing distribution between Domestic and External sources will be in the ratio of 80:20, respectively.</i>	Strategy 2 <i>Compared with S1, S2 aims to increase the volume of foreign currency financing from Multilateral and Bilateral sources (subject to availability), thereby reducing the reliance on Eurobond issuance. Domestic Borrowing will focus on meeting FGN funding needs but with potential reduction in the volume of NTBs and issuance of more medium to long term FGN securities to reduce refinancing risk and increase the Average Term to Maturity. More Domestic FGN US Dollar Bond may be issued in the domestic debt market. ESG-Compliant securities may also be issued in the Local and International Capital Markets. The borrowing distribution between Domestic and External sources will be in the ratio of 77:23, respectively.</i>
Strategy 3 <i>Aims to reduce foreign currency denominated debts compared to S2. This will be compensated with increase in borrowings from domestic sources, including issuance of more NTBs relative to S2. The borrowing distribution between Domestic and External sources will be in the ratio of 86:14, respectively.</i>	Strategy 4 <i>Focuses on meeting the FGN financing needs mostly from domestic sources. This means that there will be further reduction in borrowing from foreign sources relative to S3. The borrowing distribution between Domestic and External sources will be in the ratio of 89:11, respectively.</i>

5.2 Distribution of New Borrowings under Alternative Strategies

Table 7 presents the percentage distributions of the projected New Borrowings amongst the various representative debt instruments under the Alternative Strategies.

Table 7: Distribution of New Borrowings (in percentage)

S/N	NEW DEBT		S1	S2	S3	S4
1.	ADF_Fixed	FX	0.00	1.70	0.00	0.00
2.	IDA/IFAD/BADEA/EDF_Fixed	FX	3.79	8.81	2.71	3.45
3.	IBRD/ADB/IDB_Fixed	FX	1.38	1.15	1.25	1.50
4.	IBRD/ADB/IDB/AGTF_BIL_Var	FX	0.98	0.54	0.93	1.05
5.	Bilateral_Fixed	FX	1.58	2.30	0.66	0.85
6.	Panda 5-year Bond	FX	0.00	0.00	1.01	0.00
7.	Eurobond 10Y (including ESG)	FX	7.49	3.59	6.15	0.00
8.	Eurobond 30Y	FX	0.00	0.00	0.00	0.00
9.	Export Credits	FX	3.38	3.30	2.12	3.89
10.	NTB	DX	40.00	23.10	36.12	53.56
11.	FGN Savings Bond	DX	0.80	0.77	0.84	0.89
12.	Domestic FGN US Dollar Bond 5Y	FX	1.39	1.62	1.18	0.00
13.	FGN Bonds 7Y	DX	14.40	21.56	5.04	11.60
14.	FGN Bonds 10Y	DX	14.40	23.10	4.20	1.79
15.	FGN Bonds 20Y	DX	8.80	6.93	3.36	0.00
16.	FGN Bonds 30Y	DX	0.00	0.00	0.00	0.00
17.	Sukuk/Infrastructure/Green	DX	0.80	0.77	1.68	1.79
18.	Promissory Notes	DX	0.80	0.77	0.00	0.00
19.	FGN Bonds 5Y	DX	0.00	0.00	32.76	19.64
	External		20.00	23.00	16.01	10.74
	Domestic		80.00	77.00	83.99	89.26
			100.00	100.00	100.00	100.00

Source: MTDS Team Estimates

From Table 7, some of the key elements in the Alternative Strategies are:

- i. The borrowing Composition under S1 mirrors the baseline strategy of borrowing using all available debt instruments. The high proportion of NTBs at 40% reflects the need to refix debt maturing in one (1) year.
- ii. S2 focuses on maximising available long-term multilateral and bilateral financing and higher levels of medium to long term (7-10 yr) domestic borrowing relative to S1. There will be reduction in the issuance of NTBs to 23.10%.
- iii. S3 reduces reliance on longer-term debt with borrowing from NTBs at 36.12% representing higher cost, despite a favourable exchange rate risk position.
- iv. S4 provides no access to ICM and significant borrowing from domestic sources particularly the shorter end with NTBs at 53.56%. It also introduces variable-rate borrowing, which can be advantageous in a low-interest environment but poses greater risk exposure to rate fluctuation.

CHAPTER SIX

6.0 ANALYSIS OF RESULTS OF ALTERNATIVE STRATEGIES AND RECOMMENDATIONS

6.1 Analysis of Results of Alternative Strategies

The results of the simulations of the Alternative Strategies generated by the MTDS Analytical Tool are under the following sub-heads:

- i. Current and Projected Public Debt Stock;
- ii. Costs and Risks Indicators;
- iii. Redemption Profile; and,
- iv. Outcome of Shocks to the Baseline Scenario.

i. Current and Projected Public Debt Stock

Table 8 shows the projected level of debt accumulation as at the end of the MTDS implementation period under each Strategy. S2 presents a lower level of public debt stock for the FGN relative to other Strategies.

Table 8: FGN Debt Stock and Composition of Alternative Strategies as at end of 2027 (N'Mn)

	2024	As at end 2027			
	Current	S1	S2	S3	S4
Domestic	67,884,815	101,930,269	100,242,665	106,586,879	111,660,696
External	72,812,585	74,587,681	74,412,561	70,336,006	66,998,622
Total	140,697,400	176,517,950	174,655,227	176,922,885	178,659,318
Portfolio Composition: Domestic vs. External	48:52	58:42	57:43	60:40	62:38

Source: MTDS Analytical Tool

ii. Costs and Risks Indicators

Table 9 presents the Costs and Risk Indicators of the Alternate Strategies relative to the Baseline and one another.

Table 9: Cost and Risk Indicators of Alternative Strategies as at end-2027

Risk Indicators		2024	As at end 2027			
		Current	S1	S2	S3	S4
Nominal debt as %of GDP		52.25	38.55	38.14	38.64	39.02
Present value debt as % of GDP		49.46	36.88	36.08	37.11	37.34
Interest payment as % of GDP		3.75	4.17	3.93	4.19	4.44
Implied Interest Rate (%)		7.18	12.90	12.24	13.19	13.94
Refinancing Risk	Debt maturing in 1yr (% of Total)	13.91	12.71	8.16	11.50	17.72
	Debt maturing in 1yr (% of GDP)	6.95	4.90	3.11	4.44	6.91
	ATM External Portfolio (Years)	9.43	8.93	9.75	8.63	9.09
	ATM Domestic Portfolio (Years)	12.64	10.47	10.75	8.84	7.94
	ATM Total Portfolio (Years)	11.05	9.82	10.32	8.76	8.37
Interest Rate Risk	ATR (years)	10.74	9.59	10.13	8.54	8.14
	Debt refixing in 1yr (% of Total)	17.73	15.60	10.79	14.34	20.68
	Fixed rate debt including NTBs (% of Total)	95.94	96.93	97.18	96.98	96.86
	NTBs (% of Total)	9.18	8.50	3.94	7.44	13.69
FX Risk	FX debt as % of Total Debt	51.75	42.26	42.61	39.76	37.50
	ST FX debt as % of Reserves	8.33	7.28	7.28	7.28	7.28

Source: MTDS Analytical Tool

Baseline (2024): The baseline scenario (2024) indicates an increase in nominal Debt-to-GDP ratio of 52.25% and a Present Value (PV) of Debt-to-GDP at 49.46%. Interest payments as percentage of GDP was at 3.75%, with an Implied Interest Rate (cost of borrowing) of 7.18%. Debt maturing in 1 year as percentage of total debt is 13.91%. The FX debt share is 51.75%, presenting a notable exposure to exchange rate volatility compared to 42.5% at end-2023. The results of the alternative strategies as at the end of the projection period (2027) are as follows:

- a. **Strategy 1:** Under S1, the nominal debt-to-GDP ratio at 38.55% and PV debt-to-GDP at 36.88% reduced in comparison to the Baseline Scenario, indicating lower debt accumulation relative to the projected growth in GDP. However, the Implied Interest Rate rose to 12.90%, reflecting higher borrowing costs. Refinancing risk is slightly reduced, with 12.71% of total debt maturing in a year. FX exposure declines to 42.26%, mitigating currency risk but potentially increasing domestic borrowing costs.
- b. **Strategy 2:** S2 indicates lower debt levels relative to the Baseline and other strategies with nominal debt-to-GDP at 38.14% and PV of debt-to-GDP at 36.08%. Interest payments is slightly higher at 3.93% of GDP compared to Baseline but lower than other Strategies. The Implied Interest Rate (cost of borrowing) at 12.24% increased, relative to the Baseline. However, Refinancing Risk is expected to improve significantly, with only 8.16% of debt maturing within a year. FX debt at 42.61% is lower compared to the Baseline but higher relative to other strategies.
- c. **Strategy 3:** S3 presents a slightly higher nominal Debt-to-GDP and PV of Debt-to-GDP ratios at 38.64%, and 37.11% respectively, compared to S1 and S2. Interest Payments rose slightly to 4.19% of GDP, while the Implied Interest Rate was 13.19%, indicating increased debt burden. Debt Maturing in one (1) year at 11.50% of total is higher than S2 but lower than Baseline, S1 and S4. The FX debt share drops to 39.76%, when compared to the Baseline, S1 and S2, indicating a reduction in currency risks.
- d. **Strategy 4:** S4 has the highest nominal Debt-to-GDP ratio at 39.02% and PV Debt-to-GDP at 37.34% and also has the highest debt maturing in 1 year at 17.72% of total debt. The implied interest rate increases to 13.94%, making it the most expensive strategy in terms of debt burden. However, it has the lowest FX exposure at 37.50%, due to high reliance on domestic borrowing.

Graphical Representation of the Costs and Risks Trade-Offs of Alternative Strategies

Figures 3 (a-c) shows the pictorial representation of the Costs and Risks Trade-Offs of the Alternative Strategies. Strategy 2 would be preferred based on the costs and risks trade-offs between and amongst the Alternative Strategies.

Figure 3 a: Debt to GDP as at end 2027

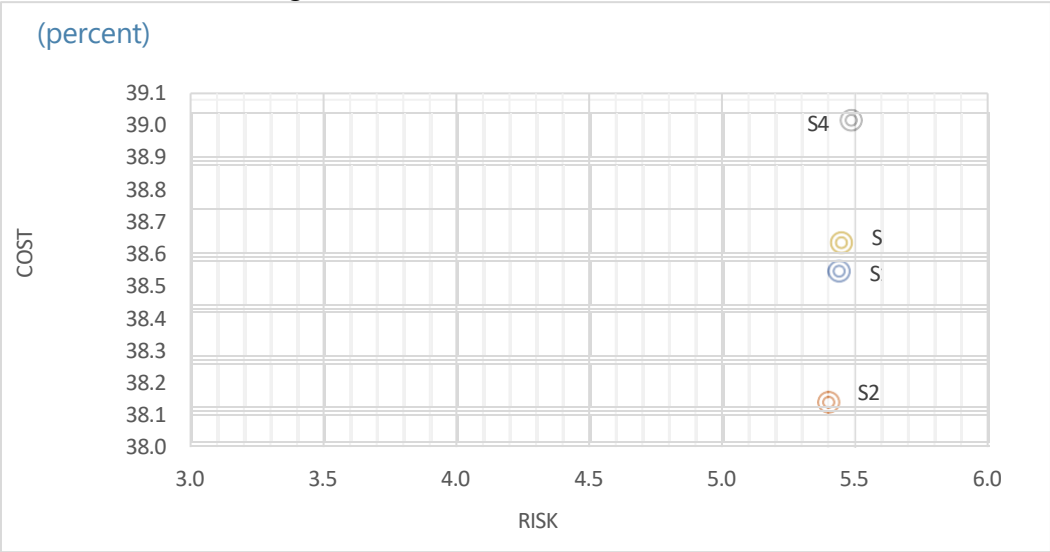


Figure 3 b: Interest to GDP as at end 2027

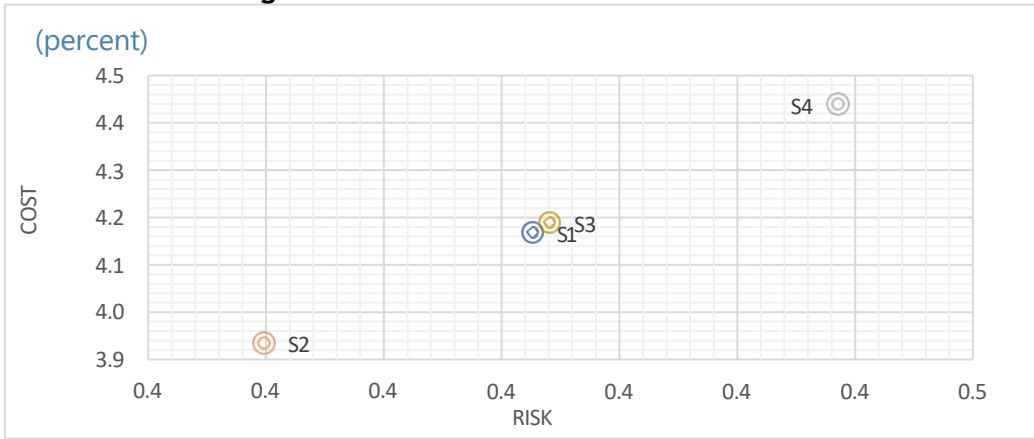
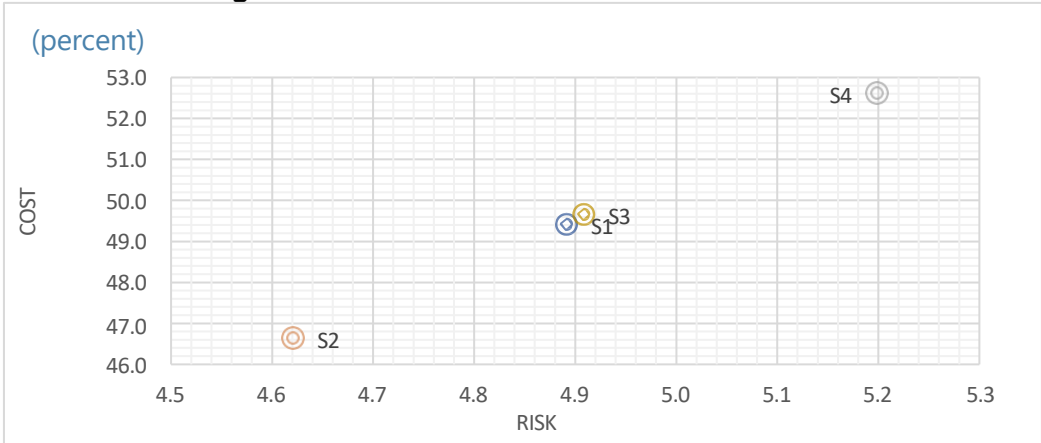


Figure 3 c: Interest to Revenue as at end 2027



iii. Redemption Profiles of Alternative Strategies as at end of 2027

The Redemption Profiles in Figures 3 (d-g) depict the volume of domestic and external debt maturing from 2027, that is, after the implementation of each of the Strategies. S2 has the lowest volumes of debts maturing each year from 2027, indicating a smoother redemption profile, and therefore, has the lowest Refinancing Risk.

Figure 3 d: Redemption Profile (Strategy 1)

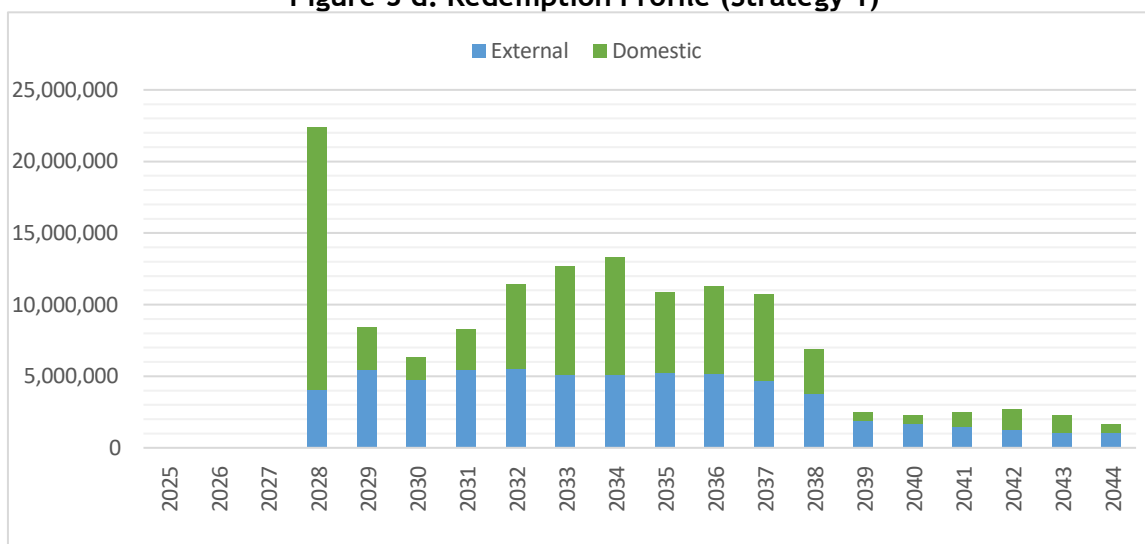


Figure 3 e: Redemption Profile (Strategy 2)

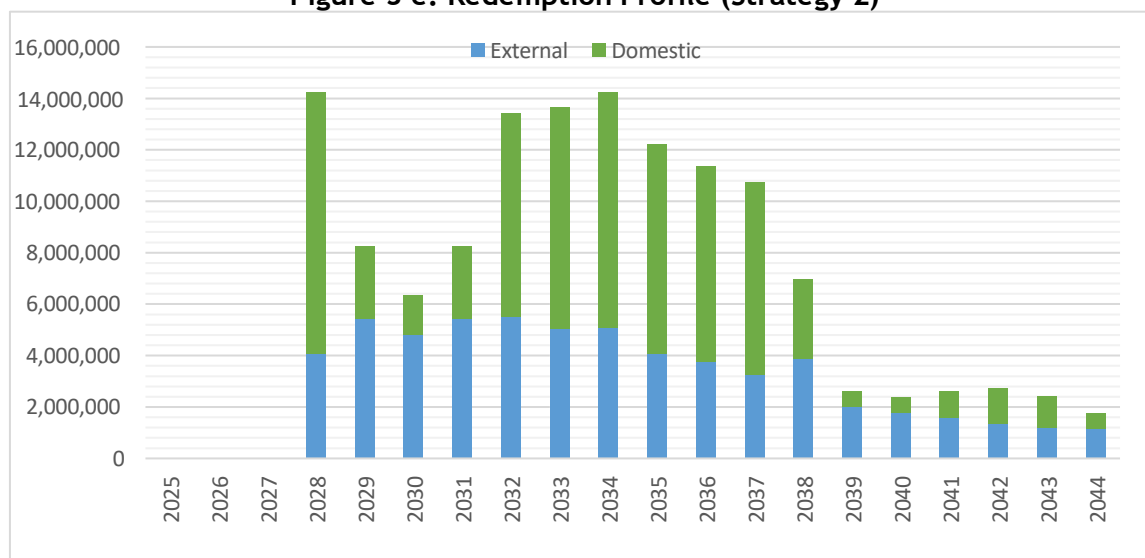


Figure 3 f: Redemption Profile (Strategy 3)

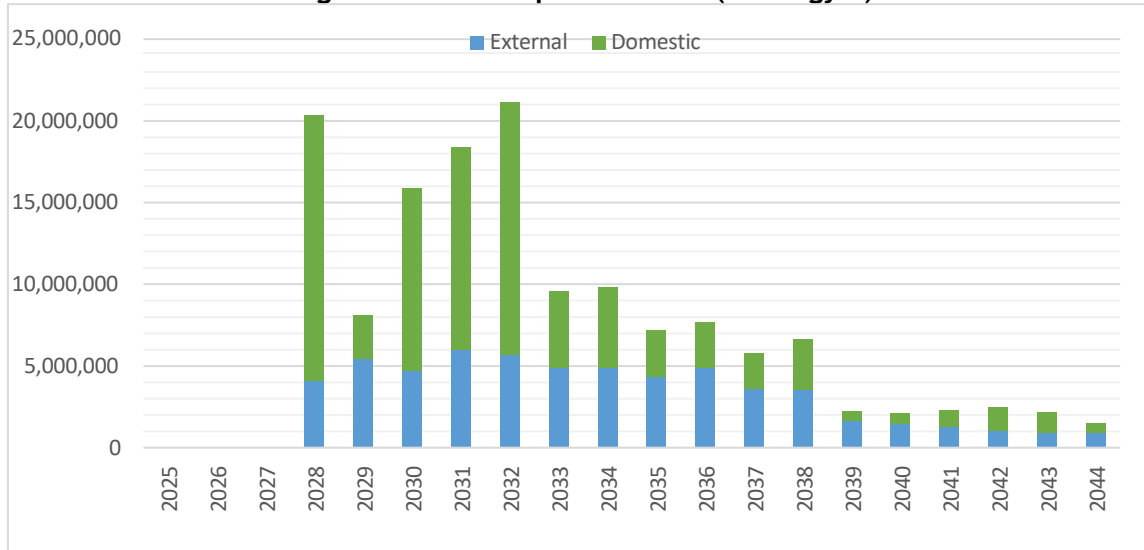
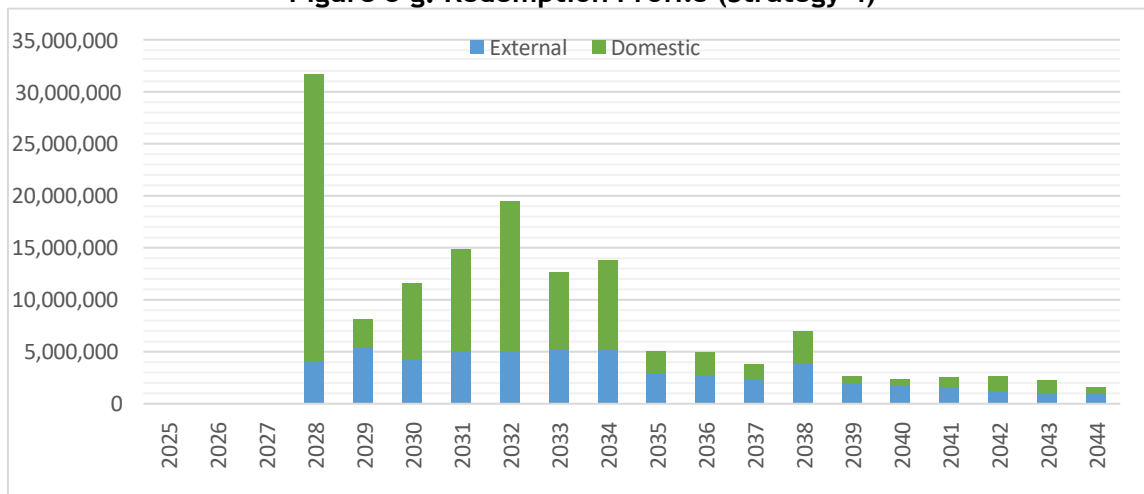


Figure 3 g: Redemption Profile (Strategy 4)



iv. Shocks to Baseline Scenario of Alternative Strategies

Shocks were applied to the Baseline Scenario of Alternative Strategies to account for possible exchange rate depreciations and increase in interest rates during the implementation period of the strategies. The Shocks include the following:

- **Exchange Rate Shocks:** A moderate shock of 15% (₦1,725/USD) and an extreme shock of 30% (₦1,950/USD) were applied to the MTEF FX Rate in the MTDS Analytical Tool.
- **Moderate Interest Rate Shocks:** Domestic Interest Rates increased by 150 bps to 34.25% 23.85%, 23.97%, 25.1% for NTBs, 5-Yr, 7-Yr and 10-Yr FGN Bonds, respectively.
- **Extreme Interest Rate Shocks:** Domestic Rates were increased by 300 bps to 35.75%, 25.35%, 25.47%, 26.60% for NTBs, 5-Yr, 7-Yr and 10-Yr FGN Bonds, respectively.
- **Combined Shock:** 30 percent depreciation combined with 150bps interest rate shock.

Table 10: Debt Stock to GDP Ratio as at end 2027 in percent (Shock Scenarios)

Scenarios	S1	S2	S3	S4
Baseline	38.55	38.14	38.64	39.02
Exchange Rate Shock (30 percent)	43.99	43.54	44.09	44.50
Interest Rate Shock 1 (Moderate Shock)	38.76	38.34	38.86	39.26
Interest Rate Shock 2 (Extreme Shock)	38.97	38.34	38.86	39.26
Combined Shock (15 percent depreciation and IR 1)	41.49	41.06	41.60	42.01
Max Risk	5.44	5.40	5.45	5.49

Source: MTDS 2024-2027 AT

The results of the Shocks to the Baseline Scenarios (Table 10) indicate that S2 has a lower level of risk compared to other Strategies. This is due to the higher volume of FX denominated debt which help to cushioned the impact of the more expensive domestic borrowing.

6.2 Recommendations

The results of the analysis of the Cost and Risk Indicators, Costs and Risks trade-offs, Redemption Profile and the Shock Scenarios show that the implementation of S2 would facilitate the achievements of the objective of meeting governments financing needs at a lower cost and prudent degree of risk, and is therefore recommended.

The analysis of the cost and risk indicators of the four (4) Alternative Strategies shows that in terms of cost, Strategy 2 has lower Interest Payment/GDP Ratio relative to other Strategies. It also has a lower volume of Debt Maturing in 1 year as a percentage of Total Debt. The ATM of the Total Debt Portfolio is higher for S2. The Redemption Profile of S2 is smoother due to the issuance of more medium to long term domestic securities and less of NTBs. However, S2 has higher level of FX denominated debt, which may give rise to higher FX risks in a volatile macroeconomic environment.

In line with best practice, it is advised that, the Strategy be presented to the Federal Executive Council for adoption. It is also important that the strategy be reviewed annually or as the situation may demand, to identify possible deviations and/or incorporate new developments.

CHAPTER SEVEN

7.0 IMPLEMENTATION OF THE MTDS AND TARGETS

7.1 Targets for MTDS 2024 - 2027

In accordance with the practice, the DMO sets Costs and Risks Indicators Targets to guide the implementation of the MTDS during the implementation period. These are presented in Table 11.

Table 11: MTDS 2024 -2027 Targets

		End-Dec. 2024	MTDS 2024 - 2027 Targets	Remarks
Fiscal Sustainability	Nominal Debt as % of GDP	52.25	60	The Debt/GDP Ratio which was 40.57% as at Dec. 31, 2023 stood at 52.25% as at Dec. 31 2024, due to movements in Exchange Rate, New Borrowings to fund the 2024 Budget, and securitization of additional ₦7.3trillion WMAs in H1 2024.
	Interest Payment as % of GDP	3.75	Max. 4.5	New Target
	Sovereign Guarantees/GDP (%)	2.09%	Max. 5	Maintain Target set in MTDS 2020-2023
Debt Portfolio Composition	Domestic: External Debt Mix.	48:52	55:45	Based on the projected Debt Stock composition under S2, a 55:45 composition is advised
	Domestic Debt - Long Term vs. Short Term	82:18	Min 75:Max 25	Maintain Target set in MTDS 2020-2023
Refinancing Risk	Debt maturing in 1yr (% of total Debt)	13.91	Max. 15	The Strategy is to minimize short term debt.
	Debt maturing in 1yr (% of GDP)	6.95	Max. 5	New Target
	Average Time to Maturity Total Portfolio (years)	11.05	Min. 10	Maintain Target set in MTDS 2020-2023
Interest Rate Risk	Average Time to Refixing (years)	10.74	Min. 10	New Target
	Debt refixing in 1yr (% of total)	17.73	Max. 15	New Target
	Nigerian Treasury Bills (% of total)	9.18	Max. 10	New Target
FX Risk	FX debt as % of total	51.75	Max. 45	New Target
	Short Term FX debt as % of External Reserves	8.33	Max. 10	New Target

Note: MTDS Analytical Tool

7.2 Required Approvals for the MTDS

The MTDS 2024 - 2027 is required to be presented to the Federal Executive Council for approval and thereafter, the abridged version of the Strategy will be published on the DMO Website and disseminated to relevant Stakeholders.

7.3 Monitoring and Review of the Strategy

To maintain the effectiveness of **Strategy 2**, it is recommended that the Strategy be reviewed on an annual basis, or as may be required, to address any deviations and incorporate new developments. This approach aligns with best practices and will enable the DMO to align the MTDS with the evolving macroeconomic environment.

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