REPORT

OF

African Conference on Debt and Development (AfCoDD) Nigeria In-Country Session

Held On the 26th Of August 2021 at the Royalton Hotel, Garki, Abuja

1.0 Background:

The inaugural African Conference on Debt and Development (AfCoDD) was jointly organized by African Forum on Debt and Development (AFRODAD) and its partners across several countries in the region and in Nigeria by the Africa Network for Environment and Economic Justice (ANEEJ). The AfCoDD 2021 brings together political, technical and civic leaders from Africa to deliberate and agree on commitments that safeguard the macroeconomic sustainability of the continent towards achieving a new movement and outlook on issues of domestic resource mobilization and international development finance mechanisms in the African continent towards the structural transformation in Agenda 2063. Economic Outlook states that '' *Women and Female-headed households could represent a large proportion of the newly poor due to COVID-19''*. The challenges posed by the global pandemic have again exposed weaknesses of the international financial system and increasing already existing vulnerabilities of developing countries unsustainable borrowing. The multi-dimensional aspect of this debt crisis calls for multidisciplinary approach to discussions, advocacy and mobilization that propose solutions and interventions that allow our continent to ***build forward together in a post covid -19 world*.**

2.0 The objectives of the conference are:

- Political mobilization on a common African position on debt anchored in the African Borrowing Charter
- Contributing to Pan-Africa ideation on public debt -academic and research interrogation of debt in Africa from a political, economic and social drivers' perspective
- Citizen mobilization on public debt linked to strengthened transparency, accountability and governance (TAG).

3.0 Welcome by ANEEJ and AFRODAD

3.1 The meeting commenced with the recognition to the high table the following panelists; the Director General of Debt Management Office (DMO) Ms. Oneha represented by Maraizu Nwankwo- head Debt Recording and Settlement Department (DMO), Hon (Dr) Abubakar Yunusa from the House of Representatives representing Chairman House Committee on Aid, Loans, and Debt Management, Ms. Inyingi Irimagha, GADA representing the Youth and Dr. Oscar Ubhenin from the Edo State University, Ekpoma and Mrs Funso Babalola, Clerk Committee on Aid, Loans and Debt Management, House of Representatives.

The meeting was chaired by Deputy Executive Director of ANEEJ, Mr. Leo Atakpu who represented the Executive Director of ANEEJ, Rev. David Ugolor.

In his welcome address, Mr. Leo Atakpu welcomed participants to the inaugural African Conference on Debt and Development (AfCoDD) being jointly organized by African Forum on Debt and development (AFRODAD) and its partners across several countries in the region and in Nigeria by the Africa Network for Environment and Economic Justice (ANEEJ). He also welcomed Tirivangani Mutazu from Harare, Zimbabwe and other participants expected to join virtually.

He stated that the meeting with the theme'' Building Forward together out of the Debt Crisis is about national civic movement building in a sustained manner beyond the current debt crisis ; that it will be anchored on the African Borrowing Charter as a commitment to actively participate in national debt dialogues and call for greater transparency, accountability and governance on public debt matters .

He revealed that Nigeria`s total debt stock has remained on a steady increase in the past five years as statistics from DMO showed that the Total Public Debt stock which comprises of the Desk stock of the Federal Government of Nigeria, thirty-six State Governments and the Federal Capital Territory (FCT) stood at **N107 trillion or USD87.239 billion as at March 31 2021**. He said that whereas government has maintained that its borrowing is still within allowable limits and sustainable ratios, other citizens believe that the current and future generations of Nigerians are being dangerously mortgaged with the ballooning debts.

Mr. Leo Atakpu also identified the issue of illicit Financial Flows, which he said, remains a major obstacle to Nigeria`s development; saying that Nigeria has been losing about $15 to $18 billion annually as a result of Illicit Financial Flow (IFF) according to data obtained from Human and Environmental Development Agenda (HEDA) report.

Concluding, he enjoined everyone to participate actively so as to come up with a communique that would reflect our collective thoughts and recommendations on these issues that would be submitted to the African Union Finance Ministers Meeting and other international arenas.

Deputy Executive Director of ANEEJ, Mr. Leo Atakpu delivering his welcome address

3.2 Remarks from Tirivangani Mutazu, Harare-Zimbabwe

Mr. Mutazu who could not join us on Zoom due to poor network sent in his message and remark which was read to the participants at the meeting.

Mr. Mutazu`s message centred on the global and national levels of the Debt crisis.

3.2.1 On the Global levels, he said:

- The African Debt crisis has been accelerated by the onset of global health pandemic and while many developing countries were already facing crisis before the pandemic, the nature of developing country debt is far more complex than in the past, with a new landscape that poses greater risk
- Given these challenges, there is need for a 'New Debt Movement" and new outlook to issues of domestic resource mobilization and international development finance mechanisms in the African continent.
- This has increased the need for civil society to mobilize, organize, and re-awaken advocacy on debt and influence policy-makers at country and regional levels on prudent debt management and equitable investment in public services.
- The debt architecture needs an overhaul with a greater role for the United Nations where Global South voices can be heard on an equal footing

- We need to push for reforms of the debt architecture and its actors such as credit, market behavior, credit rating agencies, debt restructuring mechanisms, vulture funds and debt contracts

3.2.2 At the National Levels; Tiri Mutazu stated that

- We need to challenge governments to show case economic development gains accruing from debt investment/borrowed funds
- We need to hold government to account for its borrowing. Ministries of Finance and National Assemblies must be held accountable for debt accumulation
- Debt service challenges -due to weak domestic resource mobilization, COVID-19 economic impacts, reduced Foreign Direct Investment (FDI), reduced tourism, reduced remittances and significant capital flight.

Concluding, he said that it is against this background and global context AFRODAD/ANEEJ sees it apt and timely to bring together political, technical, and civic leaders to galvanize and mobilize a concerted African approach to addressing the current debt crisis. The inaugural African Conference on Debt and Development (AfCoDD) will seek to develop a political commitment to further taking safeguarding steps to prevent debt crisis.

4.0 PRESENTATIONS/REMARKS

Presentations were made at the conference**.**

4.1 Contributions of Public Debt to Nigeria`s Economic Development by the representative of DMO, Mr. Maraizu Nwankwo

Before making his presentation, Mr. Nwankwo explained that government resorted to borrowing due to the COVID-19 pandemic which affected government revenue and also to build infrastructure. He also stated that debt supports development and that there is nothing to worry once the terms of debt is favourable. Mr. Nwankwo revealed that DMO has saved trillions of Naira for the country through debt management. On the rising debt, he insisted that there is no problem with our debt profile but the issue is low revenue. Mr. Nwankwo made it clear that Nigeria is not in debt crisis but has debt issue because Nigeria has not reached her borrowing limit.

Highlights of his presentation:

i. The Debt Management Office (DMO) whose mandate for public debt management has consistently supported the Government in financing these infrastructure development and other priorities through its borrowing activities.

ii. The DMO’s borrowing activities are guided by a number of legislations, which are the Constitution of the Federal Republic of Nigeria, the Debt Management Office (Establishment) Act 2003;

iii. Also, the DMO’s activities are guided by the National Debt Management Framework and the Debt Management Strategy

4.2 Benefits of an Effective Debt Management to the Nigerian Economy

- Prudent debt management practices affect the economic growth and development positively.

- The effective management of the nation's debt has serious implications for government's ability to meet developmental goals and poverty alleviation (a high flow of resources for debt servicing erodes the capacity of government to alleviate poverty, whereas a well-engaged debt negotiation scheme would secure debt reduction and the savings would be directed to poverty alleviation).
- Debt crisis distorts economic planning and management and constitutes a distraction from the positive preoccupation of orderly management of growth and development.
- When a country's debt status is regularized, borrowing could be used proactively to augment local savings and support orderly and sustainable growth.
- The country's debt status is an important determinant of her external image and national pride, to which the present government is committed to sustaining its cordial relationships with the international community.
- For Nigeria, the substantial debt relief from creditors (Paris Club), has freed up resources which have been ploughed into the revitalization of infrastructures and the reduction of poverty, thus facilitating the achievement of the Millennium Development Goals (MDGs).

4.3 Reasons for the Current High Debt Service and Measures to address Capacity to Repay.

Reasons for increasing Total Public Debt Level

- Debt stock is not high and relatively low when compared to the GDP; and,
- Public debt is growing because of Covid-19 related expenditure and infrastructural development.

Measure to Address Capacity to Repay Debt

- Debt is implemented using the Medium-Term Debt Management Strategy. 2020-2023 to achieve lower costs and risk objectives, as well as the Debt Sustainability Analysis Framework.
- The Government has put in place various initiatives to raise revenue in order to reduce the quantum of new borrowing and debt service to Revenue ratio. These initiatives are the Strategic Growth Initiatives and the Finance Act, 2020.
- The Government's expenditure is determined by the Fiscal Strategy Paper, which accompanies the Medium-Term Expenditure Framework (MTEF). The MTEF is a 3-year rolling FGN Expenditure Plan that specifies the objectives and goals that the Government seeks to achieve, the expenditure items often include human capital and welfare related issues. The Medium-Term Expenditure Framework and Annual Budgets provide for the Government to meet its expenditure needs based on its objective and policies, as well as meet its domestic and external debt obligations.

4.4

NIGERIA'S TOTAL PUBLIC DEBT STOCK, 2016 - MARCH, 2021

Details	2016	2017	2018	2019	2020	March 31, 2021
Debt Stock (In million NGN)	17,360,009.58	21,725,773.03	24,387,071.74	27,401,381.29	32,915,514.85	33,107,247.23
Debt Stock (In million USD)	57,391.53	70,999.26	79,436.72	84,053.32	86,392.54	87,239.12
Debt/GDP	16.27%	18.20%	19.09%	19.00%	21.91%	21.13%

Details	2016	2017	2018	2019	2020	March 31, 2021
External Debt Stock (In million NGN)	3,478,915.40	5,787,512.64	7,759,229.99	9,022,421.64	12,705,618.48	12,470,366.21
External Debt Stock (In millionUSD)	11,406.28	18,913.44	25,274.36	27,676.14	33,348.08	32,859.99
Domestic Debt Stock (In million NGN)	13,881,094.18	15,938,260.39	16,627,841.75	18,378,959.65	20,209,896.37	20,636,881.02
Domestic Debt Stock (In million USD)	45,985.25	52,085.82	54,162.35	56,377.18	53,044.46	54,379.13
Total Debt Stock (In million NGN)	**17,360,009.58**	**21,725,773.03**	**24,387,071.74**	**27,401,381.29**	**32,915,514.85**	**33,107,247.23**
Total Debt Stock (In million USD)	**57,391.53**	**70,999.26**	**79,436.71**	**84,053.32**	**86,392.54**	**87,239.12**

4.5 **Conclusion**:

With the modest achievements recorded by the DMO in supporting development through its borrowing activities, the Office will continue striving to ensuring the following:

- Further strengthen and deepen the FGN Securities market for enhanced liquidity through the continued issuance of benchmark bonds and introduction of other varieties of debt instruments into the domestic bond market.
- Strengthen the country's presence in the International Capital Market (ICM) through the issuance of other variety of debt instruments,
- Encourage more Nigerian Sub-national and corporates to leverage on the existing sovereign benchmarks to raise long-term capital in the domestic market and ICM to develop the real sector and build infrastructure.

Mr. Maraizu Nwankwo, Head Debt Recording and Settlement Department who represented the Director General of Debt Management Office (DMO) making his remarks

5.0 A panel Presentation on **''NIGERIA`S DEBT ISSUES''** was made by Ms. Inyingi Irimagha of GADA who represented the Youth at the conference in reaction to the lead presentation. She decried the continuous borrowing by the Federal government to fund security and yet our security is still weakened and therefore challenged civil society organizations to ask questions on how these borrowed funds are utilized. She regretted that civil societies which were vocal against corruption before 2015 seem to have lost their voices now when corruption is still ravaging the country under the current Buhari administration. She challenged participants to engage candidates for 2023 elections on how they intend to solve the debt issue when voted into power.

Highlights of her presentation -NIGERIA`S DEBT ISSUES: Gender, Inequality, Natural Resources, PPPs, IFFs.

5.1 Borrowing:

- When the revenue of a government falls short of its expenditure, it borrows, which can lead countries into huge outstanding debt.
- Public debt should be a critical tool for governments to fund public spending, especially when it is difficult to raise taxes and reduce public expenditure.
- Responsible borrowings to finance public and infrastructure development can lead to economic growth.

- Excess borrowings without appropriate planning for investment may lead to heavy debt burden and interest payment, which in turn may create several undesirable effects for the economy (Joy & Panda, 2020). (future opportunity cost

5.2 Nigeria's Debt Service to Revenue Ratio (Debt Sustainability)

- Nigeria spent N1.8 trillion on debt servicing from her N1.84 trillion revenue in the first quarter of 2021 (January to May)
- Leaving Nigeria's Debt to Revenue Ratio as at this time frame at 97.8%
- In 2016, the federal government's debt service to revenue was 44.6%.
- In 2020, debt service to revenue grew to about 84.8%.
- According to BudgiT, in the first half of 2020, debt servicing (including sinking fund to retire maturing loans) wiped 94.9% of Nigeria's revenue.
- This predicament leaves Nigeria with less money available to carry out development projects for citizens, constraining the government to borrow more.
- International Monetary Fund, IMF warns that at the current rate, if the country experiences a combination of macro-fiscal shocks, debt servicing could rise to 237% of federal government's annual revenue by 2025.
- That is by 2025 all of the government revenue may not be sufficient to pay up to half of its debt servicing obligations.
- Despite the steady increase in public debt in recent years, economic growth in Nigeria has remained low with widening level of poverty (Ogunjimi, 2019).

5.3 Illicit Financial Flows (IFFs)

- Illicit financial flows, in economics, are a form of illegal capital flight that occurs when money is illegally earned, transferred, or spent. (Wikipedia)
- The Human and Environmental Development Agenda (HEDA) Resource center has revealed that Nigeria loses about $15 to $18 billion annually as a result of illicit financial flow (IFF).
- The Thabo Mbeki report of 2018 put Africa's losses at between $50 and $60 billion per year, with Nigeria accounting for 30% of the amount.

5.4 Public Private Partnerships and the Sustainable Development Goals as Remedies:

- The PPP Knowledge Lab defines a PPP as "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance".
- The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth
- Public-private partnerships allow large-scale government projects, such as roads, bridges, or hospitals, to be completed with private funding.

- They result in faster project completions and reduced delays on infrastructure projects by including time-to-completion as a measure of performance and therefore of profit.
- A public-private partnership's return on investment, or ROI, might be greater than projects with traditional, all-private or all-government fulfillment. Innovative design and financing approaches become available when the two entities work together.
- Risks are fully appraised early on to determine project feasibility. In this sense, the private partner can serve as a check against unrealistic government promises or expectations.

Other areas discussed in the presentation include Natural resources, (Un)True federation, CBN Financial Stability Report (2014), Gender implications, responsible consumption and production among others.

6.0 Remarks by Dr. Oscar Ubhenin:

Dr. Oscar`s remarks focused on the Sustainable Development Goals (SDGs), Illicit Financial Flows and Corruption. He stated that the SDGs are very germane to achieve a peaceful and inclusive society; significantly curb illicit financial and arms flows. For the country to exit the debt crisis, he identified three elements.

- That we must understand the Context ; Nigerian /African context

He said that with the policy inconsistency and diffusion, it will take some time to exit the debt crisis, stressing that Africa is in a governance trap. He therefore advised for a judicious use of resources, both domestic and external and that understanding the context will be useful to design the debt exit architecture.

- Capacity. He said that capacity is the enabler of performance. He regretted that resource dependent states have weak institutions and that was why they were badly affected by COVID-19. For Nigeria to exit debt crisis, we need capacity to utilize resources and called for adequate training on credit management for policy makers
- Capture. He cautioned that when a state is captured, nothing can be achieved, saying that it is like a captured mind. He opined that the Bretton Wood Institutions and their multilateral funds have policies embedded in them that could have economic implications for developing countries if not carefully approached. There are some powerful countries in the north that want to continue to keep Nigeria and other African nations in, what he described as economic slavery hence the need for countries like Nigeria that had the opportunity of exiting the Paris and London Club debts to focus more on Domestic Resource Mobilisation rather than resorting to borrowing every year to finance the nation's annual budgets. Concluding, he stated that to reduce the debt, we must understand the political context, always be strategic and the need for political and administrative tact in policy making.

7.0 Remarks by Hon (Dr) Abubakar Yunusa Ahmed, Member, House of Representatives

Hon. Abubakar in his remarks, explained that their work as law makers is to provide legal framework to guide borrowing activities; provide good laws and amend laws that will ensure good governance in all its ramifications. He further explained that once our receipt cannot meet our expenditure profile, then we borrow to augment it. He declared that some of our laws are responsible for our dwindling revenue, saying that there wastages especially in the oil industry. He stated that until now that the Petroleum

Industry law (PIA), there was no legal backing for 3% which resulted to militancy in the Niger Delta. He justified the 3% allocation to host communities saying that in some other countries like Angola, they have about 1.5%. hon. Abubakar told the conference that PIA introduced the frontier exploration cost at 30% to enhance future exploration activities. He regretted that that are currently no legal framework to explore the minerals in Nigeria like the Gold in Zamfara State, Coal in Enugu and Tin Jos saying that all the laws are being revisited now.

On Illicit Financial Flow, Hon. Abubakar decried the moral decadence in the society and the wrong notion that you go into the government to steal money. He therefore called on the society to stop celebrating thieves.

8.0 Remarks by Barr. Mrs. Funso Babalola, Clerk, House of Representatives Committee on Aids, Loans and Debt Management

She opined underscored the relevance of collaboration and synergy between the National Assembly and the Debt Management Office in ensuring that Nigeria's debt is properly documented without any form of ambiguities as it used to be in the past, prior to the establishment of the DMO.

She canvassed closer and deeper Civil Society participation in monitoring the debt procurement process and wondered why CSOs are usually not present in expected numbers during public hearings on issues of Aid and public loans but are quick to criticism the process and sued for mutual trust between government and Civil Society in Nigeria.

9.0 INTERACTIVE SESSION

Participants raised concerns on the following

- Nigeria`s debt profile and debt servicing is too high, and even some states like Lagos, Osun and Rivers have exceeded 500% of their revenue in debt.
- DMO`s presentation is good for academic purposes but in reality, it is not sustainable. Why should Nigeria aim at 40 per cent GDP in borrow even though DMO said it has to be up to 60 per cent? Why not be reducing the debt to GDP ratio instead of aiming higher annually?
- The rate of government borrowing is not commensurate with development
- That there is institutional and political corruption in the system both in the MDAs and the National Assembly.
- Illicit financial Flows is a major challenge in Nigeria
- Borrowing to build infrastructure that cannot pay back the loan is not sustainable
- Cost of governance is too high
- There are so many leakages in the Domestic Resource Mobilisation efforts
- Insecurity is a major problem to the creation of enabling environment for business to thrive
- If Nigeria could fix is power problem, it would have taken care of 50 per cent of infrastructural needs and this will boost business across the length and breathe of the country.
- Nigeria's National Assembly is playing its oversight function creditably well in the debt contraction process and it has not faltered in any way.
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10.0 RECOMMENDATIONS:

- Government at all levels should reduce cost of governance for political office holders
- Government should prioritize made- in- Nigeria goods. A good example will be to make it compulsory for government and National Assembly members to use made in Nigeria products like INNOSON Vehicles
- There should be a law to set the limit on how much can be borrowed by government
- Participants suggested the use of Public Private Partnership (PPP) instead of borrowing as it is a global practice
- Diversification of the economy especially the solid mineral sector as well as natural gas which we have in abundance
- Curbing illicit financial flows
- Educating the citizens on government borrowing plans-who consents to the loan, how much is to be borrowed and what is to be used for is crucial
- Civil Society Organizations should sensitize the citizens on the choice of candidates for elective positions. They should assess the candidates based on individual, discipline and commitment.
- A participant advocated for the restructuring of the country such that those items in the exclusive list can go to the regions so that the regions can grow.

11.0 CONCLUSION:

The Deputy ED of ANEEJ, Mr. Leo Atakpu thanked participants for coming and thus ended the conference. The participants had a group photograph and proceeded for group lunch.

Panelists at conference: L-R, Ms.Inyingi Irimagha from GADA, Dr.Oscar Ubhenin, Mr.Maraizu Nwankwo representing the DG of Debt Management Office, Mr. Leo Atakpu, Deputy Executive Director of ANEEJ and Hon. Dr. Abubakar Ahmed from the House of Representatives

Group photograph of physical participants at the conference