

# World Experience and Strategy of Debt Management - With a Case Study of Nigeria's Fiscal Federalism

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*By*

*Dr. Abraham Nwankwo, Director, Portfolio Management Department,  
Debt Management Office, Nigeria's*

## A. Introduction: A Note On WADMO

Since the mid 1980s when many Third World countries, prominently Latin American and Sub-Saharan African countries, entered into default on their external debts, debt management issues have come to the front file of global economic discourse. There has been some understanding that the external debts of most of these countries are unsustainable; hence, the various initiatives, including the Highly Indebted Poor Countries Initiative (HIPC), which have been undertaken by multilateral financial institutions and the creditor countries of the industrialized countries to work out strategies for exiting those debt-burdened countries from the debt trap.

2. Correspondingly, interest has grown on what should constitute best practices in debt management as well as in sharing experience among countries with active debt management offices. It is in this context that the existence of the World Association of Debt Management Office (WADMO) and similar organizations could be appreciated.

3. WADMO was formally established on April 6, 2000, although the proposal for its establishment was tabled at the first inter-regional conference on Debt Management organized by UNCTAAD in 1997 by the Philippines. It was established to provide a forum whereby Debt Management professionals could meet and exchange ideas on best practices in debt management and also to discuss technical matters of common interest. In addition, WADMO was established to provide a platform for continuous training of debt managers on new trends in debt management.

4. WADMO, a non-profit making organization is dedicated to supporting advancement of the following objectives:

- To promote and develop understanding and cooperation amongst Debt Management Offices;
- To strengthen information gathering systems and information exchange amongst Debt Management offices;
- To share country and regional experiences in effective debt management;
- To assist debt management offices in accessing technical assistance and training through referrals to relevant agencies
- To facilitate access to funding and other assistance, through referrals to relevant bilateral and multilateral agencies, for development and implementation of effective debt management programmes; and
- To assist debt management offices in advising their respective governments in the formulation of appropriate debt policies and strategies.

5. Since its establishment WADMO has organized three meetings which were held bi-annually in conjunction with the UNCTAD. There are 42 full members and two associate members. The Association has 9 Steering Committee members who are currently: Indonesia, Dominican Republic, Philippines, Nigeria, Sudan, Honduras, Gabon, Uganda and Lebanon. There are three elective offices - President and two Vice Presidents. Philippines is the current President of the Association, while Uganda and Dominican Republic hold the position of the Vice Presidents. The Steering Committee is the decision making body of the association and its members are elected by the General Assembly during its bi-annual meetings. Members of the Steering Committee serve for two years and are eligible for one re-election. During the last general assembly, however, there were proposal by some members of the association that the statute be amended to grant more flexibility in the handling of the associations affairs.

6. Recently, the Secretariat had in line with that request sent a proposal of the amendments in preparation of the next general assembly meeting taking place in June 2005. One of the proposed amendments is the tenure of the Steering Committee members which has been proposed to be increased from two to four years. Similarly, it is proposed that the President and the two Vice Presidents should be elected by the Steering Committee members and whoever is elected as the President automatically becomes the Chairman of the Steering Committee.

7. The rest of this paper is presented in four parts: Part B highlights the essential elements of the global experience and strategies in debt management while Part C presents Nigeria as a case study where several of

the elements identified in Part B could be seen in action. In view of the theme of this conference “Regions and Cities of Russia: Borrowing as an Instrument of Economic Policy”, Part D takes liberty to outline some aspects on Nigeria’s experience with sub-national borrowing and sub-national debt management.

### B. World Experience And Strategy Of Debt Management

8. Governments borrow mainly for the following purposes: to fund public expenditures beyond tax revenue and other non-debt revenues; to accelerate economic growth and development; and, to manage macroeconomic stability. The result of borrowing by governments to close the funding gap is the creation of public debt. Public debt management could be described as the process of establishing and executing a strategy for managing government’s debt in order to raise the required amount of funding at minimum cost to the government and within prudent risk limits for the government as well as for the lenders.

9. The challenge of sound public debt management is to efficiently achieve the objectives of public borrowing by appropriately addressing relevant issues. The core issues which sound debt management should concern itself with would include: the susceptibility of the economy to contagion via the vehicle of debt, the appropriateness of the structure of debt portfolio in terms of tenor, mix of instruments, distribution of holding, the size and complexity of portfolio, and, the sustainability of the debt in terms of the capacity of the economy’s resources and revenue flow to cover maturing debt service obligations, without putting undue strain on the economy.

10. In addition to focusing on the core issues, public debt managers also need to identify and manage the risks that could, otherwise compromise adequate achievement of the objectives. The “Guidelines for Public Debt Management”<sup>1</sup> has listed these risks to include: market risk – associated with changes in market prices such as interest rates, exchange rates, commodity prices, etc.; rollover risk – associated with the refinancing of maturing obligations; liquidity risk – associated with the cost investors face in their effort to exit a position or the inability of the borrower to access funds to cover unanticipated cash flow obligations; credit risk – which is the risk of non-performance by borrowers or by a counterparty on financial contracts; settlement risk - relating to the financial loss that government could suffer as a result of failure to settle, for whatever reason other than default, by the counterparty; and, operational risk – relating to various risks that could occur at various stages of the execution of a project such as recording errors, lapses in internal control, security risk, legal risk, etc..

12. Based on the “Guidelines For Public Debt Management”, the IMF and the World Bank have conducted case studies of 18 countries in 2001 from which the global experience and strategy of debt management could be discerned as follows:

- In contrast to 15-20 years ago, countries are now much more focused on managing financial and operational risks inherent in the debt portfolio in an increasingly sophisticated manner.
- Objectives for managing debt and the institutional framework for meeting these objectives are becoming more formalized (cost

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<sup>1</sup> International Monetary Fund and The World Bank, *Guidelines for Public Debt Management*, February 1, 2001.

minimization, prudent risk management, efficient primary and secondary markets).

- Depending on the country circumstances, debt managers may or may not get involved in sub-national debt management.
- There is a clear trend towards providing a proper legal framework to support debt management; centralizing debt management activities as much as possible in one entity, even though the preferred entity varies depending on country circumstances; and, the separation of the conduct of monetary policy from debt management, while ensuring adequate coordination at operational level to allow appropriate sharing of information on the government's liquidity flows between debt managers, fiscal and monetary policy authorities.
- Greater transparency and appropriate accountability mechanisms through clearly specified roles and responsibilities of those involved in debt management, as well as in organizational structure.
- Awareness of importance of risk management of public debt and growing consensus on need for appropriate techniques for managing risk.
- Considerable resources devoted to developing technology and systems needed to perform these tasks.
- Convergence in approaches used to issue debt and promote well functioning domestic financial markets.
- Recognition of advantages of working with market participants in a collaborative fashion to develop the domestic government securities market and reduce the level of uncertainty in the market regarding government financing activities.

- Strong recognition that sound debt management in and of itself will not deliver and that there is no substitute for sound macroeconomic and fiscal policies.

Within this general context, the actual character of public debt management in each economy would reflect the prevailing circumstances. This assertion is well demonstrated by the case of Nigeria.

### C. Nigeria's Experience in Debt Management

13. Prior to the last quarter of 2000, the debt management function in Nigeria was split among as many as seven different government departments and agencies. In the Ministry of Finance alone, four departments were involved in external debt management. The Department of External Finance was responsible for all Paris Club debts and for the management of all debt statistics. The Multilateral Institutions Department was responsible for relationships with all multilateral institutions (except for the African Development Bank) and for the management and servicing of multilateral debt. The African and Bilateral Economic Relations Department had oversight for the ADB, ECOWAS and all non-Paris Club bilateral debts. The Treasury Department in the Office of the Accountant General of the Federation was pre-eminent in the debt service process and responsible for issuing mandates to the Central Bank for payment of external creditors. In the Central Bank, the Debt Management Department was responsible for the London Club debts – trade debts, par bonds and promissory notes; there was also the Debt Conversion Committee, a small but important group, which had the mandate to manage various debt conversion options.

14. The diffused responsibility implicit in this arrangement created a number of interrelated shortcomings, including: operational inefficiencies and poor coordination; inadequate debt data recording system and poor information flow across agencies with consequent inaccurate and incomplete loan records; extreme difficulty in the verification of creditors' claims due to conflicting figures from the various bodies handling the debt management function; complicated and inefficient debt service arrangements, which created protracted payment procedure and often led to penalties that added to the debt stock; and, inadequate manpower and poor incentive systems; and lack of a coherent, well-defined, salutary debt strategy.

15. The Debt Management Office (DMO) commenced operations on October 4, 2000. The creation of the DMO centralizes debt management functions in a single, semi-autonomous, professionally staffed agency. In July 2003<sup>4</sup>, DMO underwent organizational restructuring and right-sizing in order to position itself to effectively face emerging challenges and to reflect world-class organizational structure; it adopted the front-middle-back office configuration. A brief study of Nigeria's public debt portfolio and its inherent challenges as well as how the DMO has attempted to respond to these challenges, would be a good case study of the complexities of public debt management.

#### DOMESTIC DEBT ISSUES

16. Nigeria's securitized domestic debt stock as at December 31, 2004 was N 1.36 trillion. Among the deficient features of the domestic public debt portfolio which, over the past two decades, constitute constraints to

sustainable growth are: (i) absence of a sustained sovereign bond issuance programme for almost 18 years; concentration of the government securities in the 91-day Nigerian Treasury Bills (over 60% as at end-December, 2004) implying an unhealthy low proportion of long-tenored sovereign securities; significant holdings of government securities by the Central Bank (about 37%) and the deposit money banks and discount houses (about 48.80 %), implying poor participation by the non-bank public (only about 14.20 percent; absence of active secondary market for bond; incidence of rollover and interest rate risks to the issuer because of the bunching problem (concentration of issue in some weeks since the Treasury Bills are issued weekly).

#### Domestic Debt Management Initiatives

17. The Debt management Office recognizes that the development of the sovereign bond market is necessarily not only for the appropriate funding of public sector needs but also for the development of the capital market so that the private sector could access long term funds for the development of the real sector.

18. In this regard, major challenge faced by DMO was the absence of the Federal Government from the local bond market for almost seventeen years up to 2003. To redress the above shortcomings, the DMO, on behalf of the Federal Government, offered to the investing public, the ₦150 billion 1<sup>st</sup> FGN bonds in September, 2003 with the following objectives:

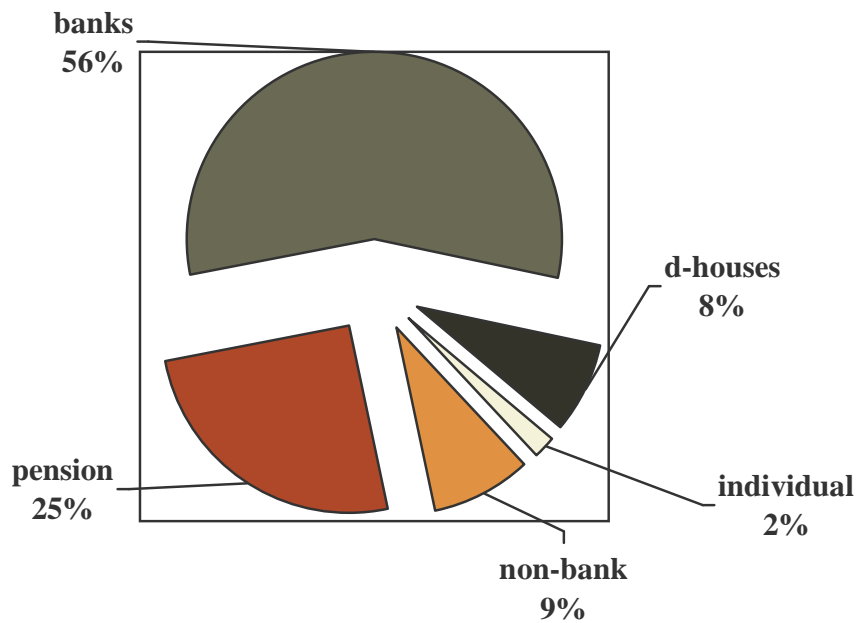
- a) To finance the 2003 deficit in a non-inflationary manner and with limited recourse to monetary financing;

- b) To lengthen of the maturity structure of the current stock of domestic debt; and
- c) To promote capital market development.

19. Of the ₦150 billion offered, total subscription and allotment for the four tranches amounted to ₦72.56 billion. The 2006 tranche recorded an over-subscription of ₦25.73 billion or 85.77 per cent; while the 2008, 2010 and 2013 tenors recorded an under-subscription of ₦27.72 billion or 69.30 percent, ₦36.04 billion or 90.1 percent and ₦39.40 billion or 98.50 percent, respectively.

20. In terms of market participation, deposit money banks invested ₦40.93 billion or 56.41 percent of the total subscription, (*See Chart 1*). Pension Funds subscribed ₦18.25 billion or 25.16 percent while non-bank institutions (insurance companies, parastatals and other government agencies) followed with ₦6.27 billion or 8.64 percent. Discount houses and individuals accounted for the balance, with investments worth ₦5.65 and ₦1.46 billion, respectively, representing 7.79 and 2.00 percent of the total.

**Chart 1: 1st FGN Bonds - Analysis of Subscription by Investors**



21. Restructuring Of NTBs: The existing structure of the Nigerian Treasury Bills exhibited a very short maturity profile as well as bunching problem (concentration of issue in some weeks), which created rollover and interest rate risks to the Federal Government and had the potential to accentuate volatility in the short-term rate in the market.

22. As a panacea to the bunching problem and the attendant risks, the Office with the active collaboration of the Central Bank of Nigeria implemented a restructuring exercise. The first phase called the "smoothing process", involved an even and equal issuance volume for the weekly NTBs auctions. This has been initiated and completed by end-June 2004. The second phase, which is the conversion of a significant portion of outstanding stocks of 91-day NTBs into 6-month and 12-month bills, commenced in the 1<sup>st</sup> week of October 2004, and is continuing in 2005.

Furthermore, a regular monthly issuance programme for 3-year Federal Government Bonds will commence by the second half of 2005. The results from this regular issuance will inform the introduction of longer dated bonds.

23. Market Development: The development of an effective market infrastructure is an essential ingredient for the development of a virile and vibrant domestic bond market. Towards the attainment of this objective, the DMO in conjunction with CBN and other stakeholders have developed guidelines for the establishment of primary dealers and market makers and the DMO has commenced arrangements for kicking off the mechanism. Market making operations implying the establishment of market operators, willing and able to make two-way quotes, will be a strong stimulant to secondary trading in bonds. It will herald an advanced stage in the operation of the capital market and serve as lifeblood to investment and growth.

THE EXTERNAL DEBT PROBLEM

24. Since the mid-1980s, Nigeria has been under severe, unsustainable external debt burden which totaled about US\$35.9 billion by year-end 2004. The debt stock was less than USD1 billion up till 1970 but grew rapidly from the mid 1980s as could be seen on Table 1. Correspondingly, the debt service obligations have grown rapidly.

Table 1: Debt Stock, Debt Service & Cumulative Debt Service, 1985 – 2004 (USD million)

Year	1985	1990	1995		2002	2003	2004
Debt Stock	18,914	33,099	32,564.8		30,991.8	32,916.81	35,944.66

Debt Service Payment	1,500.7	3,572.4	1,620.6		1,168.4	1,809.28	1,756.85
Cumulative Debt Service Payment	1,500.7	10,841.9	21,905.6		33,288.82	35,098.1	36,854.95

25. However, owing to severe resource constraints, the amount appropriated for debts service payments each year falls far below requirement as per obligations falling due. For example, for 2003 and 2004, the total amount debt service payments due was USD5,866 whereas the total amount actually paid was USD3,565. It should be noted that the arrears attract penalty interest and would be subject to adverse exchange rate movements, in addition. As a result, arrears of payment have continued to accumulate, resulting in further growth of the debt stock.

26. Debt service encroaches on resources needed for investment, growth, socio-economic development and poverty reduction and contributes to negative net resource flow. In particular, debt service payments have continued to be greater than Federal Government recurrent budget on education or health. For example in 2004, debt service payments made which was USD1,756 million was about 5 times the Federal Government recurrent expenditure on education and about 11 times her recurrent expenditure on health.

27. Table 2 shows that Nigeria's debt service requirements remain unbearably high over the next several years. Indeed, it is evident that Nigeria needs substantial debt relief from her external creditors in order to exit the debt trap and embark on a path of sustainable growth. Analytical

studies have also shown that the debt relief required is as high as 67% of both flow and stock components in Net Present Value terms. If the requirements of the Millennium Development Goals are taken into account, the needed debt relief would be even much more.

Table 2: Nigeria's External Debt Service Projections (US\$ bln.)

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
2.91	2.76	2.83	2.79
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
2.32	2.41	2.36	2.01

28. Table 3 shows the distribution of the external indebtedness to the various categories of Nigeria's external creditors as at end-2004. It can be seen that the Paris Club group to which Nigeria owes over 85% of her external debt, is Nigeria's most important creditor group in terms of the quest for debt relief.

Table 3: Nigeria's External Indebtedness  
By Creditor Categories (Dec. 2005)

	<u>USD Millions</u>	<u>Percentage</u>
Paris Club	30,847.81	85.82
Multilateral	2,824.32	7.86
London Club	1,441.79	4.01
Promissory Notes	783.23	2.18
Non-Paris Creditors	<u>47.50</u>	<u>0.13</u>
Total	<u>35,944.66</u>	<u>100.00</u>

29. It is necessary to state at this juncture to highlight the impact of adverse movements of financial variables in the international capital market, on Nigeria's external debt. Much of Nigeria's external debt was contracted in the late 1970s and early 1980s when the international capital market was very liquid and LIBOR hovered between 3% and 4%. But from the mid-1980s, LIBOR rose significantly and peaked at about 13% by mid-1989. As a result, their pre-1984 external debt liabilities of Nigeria and other Third World countries quadrupled by 1990. This escalation of market interest rates meant that even the best negotiated and utilized loans of the eighties had little or no chance of being regularly serviced, and had a high chance of going bad.

30. A similar exacerbating impact results from the complexity of the currency composition of the external debt portfolios when the exchange rate between any of those currencies and the United States dollar in which the country's foreign assets are denominated deteriorates to the disadvantage of the dollar, Nigeria's debt burden is adversely impacted. Although the number of currencies in the basket has been reduced from about thirteen to seven to make it more manageable, the exchange rate movement risk has remained a major concern. Among the reasons advanced for sub-optimal response to exchange rate volatility are: limited access to, non-availability of, and even unavailability of skills for managing hedging instruments; inadequate reserves to manage actively; un-diversified trade and financial transactions patterns; and the term structure of international lending contracts. This extraneous factor has become very relevant in recent years following the weakening of the United States dollar relative to the Euro, in

particular, and other currencies, so much so that between year-end 2001 and year-end 2004, the depreciation of the dollar relative to the Euro and other currencies resulted in an increase of over US\$5.0 billion on Nigeria's external debt.

#### *External Debt Management Initiatives*

31. Among its first tasks on commencing operations in October 2004, the DMO initiated negotiations with the Paris Club creditors, which culminated in the signing of a debt rescheduling Agreed Minute on December 13, 2000. The Agreed Minute provides for the rescheduling of Nigeria's Paris Club debt of about US\$21.4 billion over an 18 – 20 year period. ODA credits were to be rescheduled over 20 years at interest rates that are no less unconcessional than the debts' original interest rates and enjoy 10 years grace period, while commercial credits were to be rescheduled over 18 years at market-based interest rates, including a three-year grace period. led to an endless cycle of restructuring.

32. In accordance with Paris Club Agreed Minute, the DMO proceeded to negotiate on a bilateral basis with the fifteen member countries of the Club to which Nigeria is indebted on the specific details of the rescheduling of the debt owed to each of the countries. Bilateral negotiations have focused on the final reconciliation of eligible debt, as well as on the specific terms of the rescheduling of the eligible debts, including the applicable interest rates. Negotiations with the countries have yielded substantial results with the signing of rescheduling agreements with all of them by the end of December, 2004. In particular, gains were made in the downward re-

negotiation of applicable interest rates from their original contract range of 8 – 12 per cent, to an average rate of about 2.6 - 5.3 per cent, per annum. But this is far from the target which is substantial debt relief.

33. Since the Houston Terms allow for a deferral of payments and do not have provisions for any debt reduction, they are designed to provide temporary respite. They have thus proved insufficient to address Nigeria's debt problem and have indeed. Based on the regularization of relations and signing of bilateral agreements as well as the substantial progress being made on the country's home-grown economic reform programme – the National Economic Empowerment and development Strategy (NEEDS) - external debt management initiatives and efforts are now concentrating on negotiations for real debt relief in form of debt write-offs, principally from the Paris Club group, although other creditors would be approached for comparable treatments.

#### *Guidelines on External Borrowing*

34. In order to avoid undue build-up of external debt, which could exacerbate Nigeria's debt servicing problem the DMO formulated Guidelines on External Borrowing for fiscal year 2003 up to 2005 subject to modifications that might be justified by new developments during the period. The Guidelines set out the broad parameters for borrowing by the Federal and State Governments, as well as their agencies and specify the terms and purposes for which borrowing could be contracted. It also outlines the general criteria for approval of these borrowings, as well as servicing arrangements, among other things. Some of the criteria are as follows:

- Federal Government agencies, State Governments and their parastatals wishing to obtain external loans must obtain Federal Government approval-in-principle, prior to full scale negotiations for such loans;
- To receive approval-in-principle, the applicant governments or agencies must provide evidence that they have not over-borrowed internally and externally. In this regard, debt service ratio should not exceed 40% of their Federation Account allocation. During the period, eligible projects will be assessed on the basis of cost-benefit analysis and the required borrowing by the State and Federal Governments as well as their agencies should be limited to highly concessional sources only;
- Borrowing costs for concessional funds should not exceed one percent per annum, while the moratorium period for the principal repayment should not be less than 10 years;
- Only projects in the social services and infrastructure sector, or those with direct impact on poverty reduction, will be accommodated in the borrowing programme during the period, 2003 – 2005;
- Any borrowing for commercially viable economic activity should be left to the private sector to undertake. Where it is compelling and feasible that government should engage in such activities, the Federal and State governments and their agencies could source money from the internal domestic market to finance such

projects, to the extent that this could be effected without crowding out private sector investment, or increasing the cost of borrowing from the capital market; and

- Where a commercially-oriented project with self-repaying capacity must be undertaken by any government or any government agency, (perhaps because such a project also has compelling public interest rationale), and where such a project requires external loan, other funding and project development options which do not commit the Federal Government in terms of guarantee or counterpart funding should be pursued.

#### D. Sub-National Borrowing and Sub-National Debt Management in Nigeria

35. Nigeria is a federation consisting of the Federal Government and the Federal Capital Territory, 36 State Governments and 774 Local Governments. The three tiers of government exercise various degrees of fiscal autonomy, while the Federal and State Governments have powers for external borrowing. This creates a problem for macroeconomic coordination. Indeed, State Governments were active in the indiscriminate booking of external loan of the 1980s which led to the country's current debt overhang. As a result of the restructuring agreement in 1986, their debts were consolidated with the Federal Government portion. This was why Nigeria's external debt payment was treated as a first line charge on the Federation Account until April 05, 2002, when the Supreme Court adjudicated that external debt service should be charged upon and payable out of the revenue and assets of the specific

governments that incurred the indebtedness and not the Federation Account. After disaggregation and apportionment of the external debts, the share of State Governments in the external debt stock is about 25% while the share of the Federal Government is about 75%.

36. It is important to note that most states have been finding it extremely difficult to contribute their monthly installments of their proportionate shares of the annual budgetary appropriations for external debt service payments. There is no doubt that many states are fiscally distressed and could do with much less debt burden. Recent studies (2002) show that for 5 States, the debt service due was more than 30% of their total revenue for the year, while for 9 states, the debt service due was more than 20% of their total revenue for the year.

37. As already stated, over the years the absence of coordination and regulation of borrowing by sub-national entities have resulted in excessive monetary expansion, thereby creating problems for macroeconomic stability. It is in a bid to solve this problem that the Debt Management (Establishment) Act of 2003 provides that: (i) Banks and other financial institutions can lend to Federal, State and Local Governments or their agencies only with approval of the Minister of Finance (ii) External borrowing by all tiers of government and their agencies must be with the approval by the National Assembly and then by the Minister of Finance. In addition, there exist poor and unreliable data base on sub-national debts (both states and local governments). Other challenges in this area include: the unconsolidated and unreliable domestic debt information maintained for sub-

nationals as well as the lack of coordination of the fiscal policies and operation of all tiers of government.

38. To resolve these issues, DMO has embarked on a project for building a credible database as well as designing a framework for the management of sub-national debts. A series of activities were similarly designed to elicit support and the buy-in of the sub-nationals for the project. These tasks include: sensitization workshops for key officials of the states (Commissioners of Finance and Accountant-Generals of the 36 States of the Federation). In addition, the DMO initiated data collection and analysis (on pilot basis) of both formal and informal debts of the states. The DMO has also organized study tours for state government officials, members of the National Assembly as well as other relevant stakeholders to visit selected countries that share similar contexts, with respect to the sub-national debt management under a decentralized political set up. Countries visited so far are Canada, South Africa, Brazil and Argentina.

40. A recent development in sub-national debt management in Nigeria is the move by some State Governments to have Debt Management Units to closely monitor and manage their debt portfolios. DMO is providing training support for some of these States. It is hoped that this development will encourage the adoption of best-practice debt management principles and practices by all tiers of government.

*Proposed Fiscal Responsibility Law*

41. In view of the fact that poor fiscal and borrowing decisions taken by any government in the Federation has drastic effect on the economy, a Fiscal Responsibility Law been considered to be necessary. The draft is in its final stages. Apart from rationalizing borrowing by all tiers of government, this legislative initiative is intended to put the country in irreversible path to prudence, sound priorities, fiscal transparency and accountability and healthy coordination of policy. A major challenge facing this initiative is to secure the buy-in of the State Governments in agreeing to trade off part of their constitutionally enshrined fiscal autonomy for improved health and stability of the overall economy. In addition, the consensus of a majority of the members of the National Assembly (the upper and lower houses of the legislature) who represent various constituencies will have to be secured.

#### E. Conclusion

42. Public debt management has become a priority in global economic discourse. A major reason for this is the preponderance of debt crisis in the Third World since the 1980s. The problem necessitated interest in best practices in public debt management as well as the sharing of experiences among public debt managers. Multilateral organizations and associations like WADMO have sprung up to play important facilitating roles in the development of debt management offices and in encouraging cooperation among them.

43. The Nigerian experience in debt management amply illustrates how extremely complex public debt management could be for a country with unsustainable external debt burden. More importantly, it highlights the need for creditor countries and development partners to work out pragmatic strategies for exiting such countries from the debt trap and enable them to focus their efforts on the positive endeavour of harnessing their potentials for growth and poverty reduction.