Sixty First Sovereign Debt News Update: Nigeria to restructure central bank loan to long-term debt

By:

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In latest development in national debt restructure news, the Federal Government of Nigeria has announced its plans to restructure 23.7 trillion naira (about $53 billion) of short-term loans owed to the Central Bank Of Nigeria (CBN) to a forty-year debt at 9% interest. President Muhammadu Buhari made this known in an open letter to the National Assembly dated December 20, 2022, where Buhari sought the legislative approval of the restructuring plan. Buhari noted in the letter that as of December 19, 2022, the government owed the CBN about 23.7 trillion naira (US$51 billion) in "*Ways and Means Advances*," provided to the federal government in temporary advances, which he described as "*short term or emergency finance to fund delayed government expected cash receipts*." The President sought the National Assembly's concurrence for the restructuring implementation on the following terms: "*Amount-23.7 trillion*

naira, 40 years-tenure, a moratorium on principal repayment (three years), and the pricing interest rate at 9 percent."

In a related development, the President also transmitted a supplementary budget totalling 819.5 billion naira for the 2022 fiscal year. Buhari noted that the supplementary budget would be financed through new domestic borrowing, which will raise "*the budget deficit for 2022 to N8.17 trillion and deficit to GDP ratio to 4.43 percent*". According to the President, the budget was necessary to complete critical infrastructure, which had become necessary because of the devastating flood disaster witnessed earlier this year in several parts of Nigeria.

Nigeria continues to borrow to finance its budget deficit as its revenue crisis lingers. According to Nigeria's Minister of Finance, Zainab Ahmed, the federal government revenue stood at N4.233 trillion between January and August 2022, while it spent about N3.52 trillion on debt service during the period. Nigeria spent a sum of N1.17 trillion on local and foreign debt servicing in the third quarter of 2022, representing a 27.9% increase compared to N912.7 billion during the previous quarter (Q2 2022). The domestic debt service in Q3 2022 increased by 23.4% compared to N664.73 billion recorded in the previous quarter and represented the highest value on record. The external debt service cost surged by 34% from $597.95 million recorded in Q2 2022. The budget deficit to revenue ratio hit 74% this year and may rise to 111% in 2023, according to data from the finance ministry.

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