# One Hundred and Twentieth Sovereign Debt News Update: Nigeria’s Debt to GDP Ratio Goes Beyond 50% Against a 40% Limit

**By:**

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While President Tinubu inherited a Debt to GDP Ratio of 38% when he officially came into power in May 2023, he has added his fair share of debt to Nigeria’s debt stock. Based on the 2023 GDP figure of N229.9 trillion, Nigeria’s debt-to-GDP ratio is 52.9%, marking the first time the country has reached such a high debt-to-GDP figure. According to an analysis of data from the Debt Management Office (DMO), the debt rose from $14.51 billion at the end of the second quarter of 2023 to $15.59 billion by the end of the first quarter of 204, marking a 7% increase.

The DMO acknowledges that the country’s debt stock is attributable to approved new external and domestic borrowing, as well as the securitization of the Ways and Means Advances (a loan facility used to finance the government

in periods of temporary budget shortfalls subject to limits imposed by law). In an interview, the Director-General of the DMO, Patience Oniha, said that the securitisation of N4.90 trillion as part of the securitisation of the N7.3 trillion Ways and Means Advances approved by the National Assembly was also partly responsible for the N24.33 trillion increase in the debt stock. In the One Hundred and Eighth Sovereign Debt News Update, the AfSDJN warned of the possible abuse of the Ways and Means Advances, thereby resulting in Nigeria's Debt to GDP ratio surpassing the DMO's threshold and transferring the burden to the average citizen. At present, Nigeria has surpassed the self-imposed limit of 40% debt to GDP set by the government and the 55% threshold set by the World Bank/International Monetary Fund.

**Debt Owed to the World Bank**

According to one source, Nigeria's debt to the World Bank has increased by $1.07 billion under Tinubu's administration. In particular, the International Development Association (IDA), an arm of the World Bank, experienced the most substantial increase in its lending to Nigeria. The IDA's loans to Nigeria grew from $14.03 billion in Quarter 2 of 2023 to $15.10 billion in Quarter 1 of 2024, a rise of $1.08 billion. Interestingly, Nigeria's debt servicing costs have almost matched the amount borrowing, with the country having spent a total of $1.07 billion (between Quarter 2 of 2023 and Quarter 1 of 2024) on debt servicing for its World Bank loans.

Despite this apparent and unsustainable debt cycle, the Federal Government continues to engage the World Bank for more loans. Towards the end of May 2024, the Federal Government secured a $500 million loan from the World Bank to fund electricity Distribution Companies (DisCos). According to the Bureau of Public Enterprises, the funding supports the Nigerian Distribution Sector Recovery Program (DISREP) aimed at improving the financial and technical performance of the DisCos and offers concessional financing with more favourable terms than commercial bank loans. In June 2024, it was reported that the Nigerian government was seeking a $2.5 billion World Bank loan to fund critical infrastructure projects, as the N50 billion Presidential Infrastructure Development Fund (PIDF) held by the National Sovereign Wealth Investment Authority (NSWIA) is insufficient.

## Way Forward

According to Tilewa Adebajo, the Chief Executive of CFG Advisory, there is a need for urgent legislative intervention and a comprehensive overhaul of the country's trade, industrialisation, and investment policies. Adebajo stressed the need for remedial legislation to address the fiscal imbalances. He argued that the *Senate lacks the authority to securitize the Ways and Means advances, branding such actions as illegal*. Speaking during his televised Democracy Day speech, President Tinubu said his economic reforms will continue despite increasing hardships. These include the removing of a petrol subsidy that kept prices artificially low, and the devaluation of the currency which sent inflation soaring to over 33 per cent in April 2024.

## Conclusion

President Tinubu inherited a fragile economy with high inflation, mounting debts, low government revenue, and inadequate economic growth. However, as highlighted in Eighty Sixth Sovereign Debt News Update, from the beginning of his tenure, there has always been room for Tinubu's administration to implement budgetary reforms, fiscal prudence and revenue innovation for sustainable debt contraction, management, and use. The AfSDJN reiterates the need for the Tinubu administration to only approach the Central Bank as a "lender of last resort" in strict conformity with Section 38 (1) of the CBN Act. Additionally, the Federal Government must reduce new borrowing that will only further worsen Nigeria's debt servicing burden as highlighted.

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