



**DEBT MANAGEMENT OFFICE
NIGERIA**

Debt Management and Debt Instruments (Diaspora and Green Bonds)

Presented by the

Debt Management Office, Nigeria

**At the Workshop on Integrated National Financing Framework & Open
Budgets for Sustainable Development in Africa.**

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Table of Contents

- I. Federal Government of Nigeria (FGN) Securities
- II. Diaspora Bond Issuance: The Nigerian Experience
 - A. Basic Features
 - B. Rationale and Benefits
 - C. Comparison of the Nigerian Diaspora Bonds with Eurobonds
 - D. Challenges
- III. Green Bonds Issuance: The Nigerian Experience
 - A. Basic Features
 - B. Rationale and Benefits
 - C. Challenges

I. Federal Government of Nigeria Securities

- i. The core mandate of the Debt Management Office (DMO) is to meet Government's financing needs at the lowest possible cost, over the medium-to-long term, consistent with prudent degree of risk.
- ii. In carrying out its mandate the DMO undertakes commercial borrowing from the domestic and external financial markets.

Table 1: Debt Instruments of the Federal Government of Nigeria

S/N	Name	Features
Main Features of Domestic Securities		
i.	FGN Bonds	Tenor: 5 - 30 years; Minimum Subscription: N50,001,000; Targets wholesale Investors
ii.	Nigerian Treasury Bills	Tenor: 91, 182 and 364-day; Minimum Subscription: N50,001,000; Targets wholesale investors
iii.	FGN Savings Bond	Tenor: 2 and 3 years; Minimum Subscription: N5,000; Targets retail investors
iv.	Sovereign Sukuk	Tenor: 7 - 10 years; Minimum Subscription: N10,000; Assets-backed; Pays rental income semi-annually
v.	Green Bonds	Tenor: 5 - 7 years; Minimum Subscription: N10,000; Targets environmentally friendly project
vi.	Promissory Notes	Tenor: 1 - 10 years; Used to finance arrears and other liabilities of Government
Features of External Securities		
vii.	Eurobonds	Tenor: 5 - 30 years; Minimum Subscription: USD200,000; Targets Institutional investors
viii.	Diaspora Bond	Tenor: 5 years; Minimum Subscription: USD2,000; Targets retail investors



**DIASPORA BOND ISSUANCE:
THE NIGERIAN EXPERIENCE**

Basic Features of Nigerian Diaspora Bond

Issuer	Federal Republic of Nigeria
Issue Date	June 27, 2017
Maturity Date	June 27, 2022
Issue Amount	US\$300 Million
Minimum Subscription Amount	US\$2,000 and multiple of US\$1,000 in excess thereof
Tenor	5 year
Coupon/Issue Yield	5.625%
Format	US Securities and Exchange Commission (SEC) – Registered (No.333-216840)
Ratings	B Stable (S&P), B+ Neg. (Fitch) and B1 Stable (Moody's)
Primary Listing Secondary Listing	London Stock Exchange The Nigerian Exchange and FMDQ Securities Exchange
Governing Law	New York Law
Use of Proceeds	Financing of Budget Deficit in the 2017 Appropriation Act

A. Rationale and Benefits of the Nigerian Diaspora Bond

Rationale

- ▶ To diversify the FGN securities investor base and sources of funding.
- ▶ To give Nigerian Diaspora opportunity to participate in the development of their country.
- ▶ To reduce the level of borrowing from the domestic market thereby create borrowing space for the private sector.

Benefits

- ▶ With the registration of the Prospectus with the US SEC and UKLA, Nigeria entered the league of countries with the highest level of disclosure required for global securities issuance.
- ▶ It helped to broaden and maintain Nigeria's visibility in the ICM as well as attract foreign direct investment.
- ▶ It contributed to the external reserves and helped strengthen the value of the local currency.

B. Comparison of Nigerian Diaspora Bond with Eurobonds

➤ Similarities

- i. Issued in the International Capital Markets.
- ii. Semi-annual fixed interest payable.
- iii. Long tenored Instrument.
- iv. Listed on International and Local Stock Exchanges.

➤ B. Differences

S/N	Eurobonds	Nigerian Diaspora Bond
i.	Target Institutional Investors.	Target Nigerian Diaspora, friends of Nigeria and distributed through intermediaries: wealth managers and private banks
ii.	Registered with UK Listing Authority (UKLA)	Registered with Financial Industry Regulatory Authority (FINRA), US SEC and United Kingdom Listing Authority (UKLA).
iii.	Issued under Reg144 which exempts the Issuer from registering with US SEC (Standard Documentation)	Issued under Section 5 of the US Securities Act which requires Issuer to register with the US SEC (Higher levels of Issuer disclosures are required)
iv.	Whole sale securities with minimum subscription of USD200,000.00	Retail Securities with minimum subscription of USD2,000.00
v	Governed by English Law	Governed by New York Law

C. Challenges

- ▶ Regulatory restriction in the marketing and distribution to retail investors due to the level of credit rating.
- ▶ Higher levels of cost and disclosures for issuance of Diaspora Bond when compared with issuance of the conventional Eurobonds.
- ▶ Issuance of Diaspora Bond is time consuming because of the registration with the US SEC and UKLA.



**GREEN BONDS ISSUANCE:
THE NIGERIAN EXPERIENCE**

A Basic Features

TERMS	2017	2018
Issuer:	Federal Government of Nigeria	Federal Government of Nigeria
Financial Advisers	Chapel Hill Denham Advisory Limited	Chapel Hill Denham Advisory Limited, Capital Assets Limited, Rand Merchant Bank Nigeria Limited and Stanbic IBTC Capital Ltd.
Obligor:	Federal Government of Nigeria	Federal Government of Nigeria
Instrument:	Green Bond	Green Bond
Issue Size:	₦10.69 billion	₦15 billion
Total Subscription	₦10.79 billion	₦32.9 billion
% of Subscription	101%	220%
Issue Date	December 22, 2017	June 13, 2019
Maturity Date	December 22, 2022	June 13, 2026
Coupon Rate:	13.48% payable semi-annually	14.50% payable semi-annually
Par Value	N1,000/unit	N1,000/unit
Tenor:	Five (5) Years	Seven (7) Years
Repayment	Bullet sum at maturity	Bullet sum at maturity
Rating	GB1 (Excellent) by Moody's Investors Service	GB1 (Excellent) by Moody's Investors Service
Certification	Climate Bond Certified	-

B. Rationale and Benefits

- ▶ To demonstrate Nigeria's commitment to the Paris Agreement on Climate Change where the country undertook to achieving the Nationally Determined Contributions (NDCs) aimed at reducing carbon emissions by 20% unconditionally and 45%, with international support, by 2030.
- ▶ To further diversified the Government's funding sources and deepened the domestic capital market by providing a wider variety of products for investors.
- ▶ To provide asset class to environmentally-minded investors, as well draw attention to environmental issues and policies.
- ▶ To establish a benchmark for the Green Bond Market in Nigeria.
- ▶ Eligible projects financed by the two (2) Green Bonds include Renewable Energy, Energising Education, Afforestation and reforestation, ecological restoration and irrigation projects.

C. Challenges

- ▶ Need for more public enlightenment campaigns to stimulate the interest of top government functionaries and the citizenry on the imperative of climate change to ease project identification, packaging and implementation.
- ▶ Lack of landmark/visible projects that will shed more light on the need for Green Bonds.
- ▶ Slow utilisation of funds thereby delaying further issuances.
- ▶ Low trading in the secondary market due to small volumes issued.

Thank You