BENUE STATE

GOVERNMENT OF NIGERIA

DEBT SUSTAINABILITY ANALYSIS [DSA-DMS] REPORT

Developed by the

BENUE STATE DEBT MANAGEMENT OFFICE

In Collaboration with

DMO, ABUJA & the World Bank

December, 2021

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Abbreviation and Acronyms

AFDB/AFDF	African Development Bank/Fund
BDMO	Benue Debt Management Office
BSGN	Benue State Government of Nigeria
BVN	Biometric Verification Number
BIRS	Benue Internal Revenue Service
CBN	Central Bank of Nigeria
DLI	Disbursement Linked Indicator
DMO	Debt Management Office, Abuja
DPR	Debt Portfolio Review
DMS	Debt Management Strategy
DSA	Debt Sustainability Analysis
EXCO	Executive Council
FY	Fiscal Year
FGN	Federal Government of Nigeria
FAAC	Federation Accounts Allocation Committee
IGR	Internally Generated Revenue
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
LGA	Local Government Area
LGCs	Local Government Councils
MDAs	Ministries, Departments and Agencies
MTEF	Medium Term Expenditure Framework
MSMEDF	Micro Small and Medium Enterprises Development Fund
NBS	National Bureau of Statistics
NIBSS	Nigeria Inter-Bank Settlement System
PSEs	Public Sector Entities
RAAMP3	Nigeria – Rural Access and Agricultural Marketing Project: Component Three.
SGDP	State Gross Domestic Product
SFTAS	State Fiscal Transparency, Accountability and Sustainability
WBG	World Bank Group

1.0 Introduction

1.1 Background

The Debt Sustainability Analysis-Debt Management Strategy (DSA-DMS) is an 'Appraisal Tool' developed by the Debt Management Office (DMO), Nigeria in collaboration with the World Bank, which the State's Technical Team employed to analyse the State Fiscal profiles for the period of 2016 – 2020 as well as evaluating and ascertaining the ability of the State to sustain its debt portfolio in the medium to long term (2021 - 2030).

According to World Bank, "the concept of debt sustainability refers to the ability of the government to honor its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden". Consequently, for the four DMS, the analysis calculates costs of carrying public debt, and measures risks associated to macroeconomic and fiscal shocks.

1.2 Debt Management Policy Objectives

The key Benue State Debt Management Policy objective is to ensure that the State's financing needs and payment obligations are met at the lowest possible cost both in the short, medium and long term; and should be within a prudent degree of risk.

The objectives therefore, entail:

I. Determining the amount to be borrowed including its currency composition in terms of its debt service;
II. Identifying suitable sources of financing and choices of debt instruments;
III. Optimizing the social and economic benefits to be delivered from domestic and external borrowing;
IV. Developing positive debt management indicators and
V. Increasing the capacity to manage risks.

The DSA-DMS will help to ascertain the Benue State Government's Debt Service in the medium and long term, giving the current (2016-2020) and proposed (2021-2030) level of debt requirement for the state's development plan. If before the expiration of one year after a DSA-DMS, and it happens that there is unexpected significant or extreme change in exchange and interest rates or economic circumstances, the DSA-DMS should be repeated taking into account the new economic and monetary data.

1.3 Methodology

The steps employed in the DSA-DMS include:

I. The collation of all economic data and growth projections of government's revenue, fiscal deficit, borrowing plans, market interest rates and exchange rates for currencies in which existing debts are denominated and future debts will be denominated.

II. Making reference to current Benue State Government's debt strategy.

III. Determining the present debt details from the Debt Portfolio Review (DPR) and the various debt ratios.

IV. Producing three scenarios of growth in the economy and test sensitivity of debt to changes in exchange rates and economic data and required debt financing in respect of the planned development and fiscal deficits of the state. The scenarios are:

- Baseline
- Pessimistic and Optimistic Shocks on:
- ❖ Revenue
- ❖ Expenditure
- ❖ Exchange Rate and
- ❖ Interest Rate

V. Submitting a report on the findings to the Debt Management Committee and State EXCO.

VI. Reviewing and make recommendations for the update of the debt strategy of the State.

1.4 Summary of Findings

The DSA-DMS long-term outlook (2021-2030) for the public debt findings and results of the **DSA-DMS** appears sustainable. This analysis results from assumptions concerning the State's revenue (i.e., the performance in terms of mobilizing IGR) and expenditure projections (i.e., Personnel and Overhead Costs and Capital expenditure measures) going forward; and the level and terms of the outstanding and new public debt (Sections: 3.2; 4.1).

The DSA-DMS results also depend on the forecasts made for the Nigerian economy (i.e., GDP growth, oil production and prices, exchange rate and other exogenous factors) and its implication on the FAAC Allocations.

Benue State firm debt position results from the State's historical debt data despite its strong performance in terms of mobilizing IGR due to the successful tax administration reforms recently introduced; that is direct impact of taskforce on revenue drive, efficient and effective tax audit, improvement in revenue sources and use of automated revenue collection and remittance processes as well as control measures introduced for the reduction of recurrent expenditure growth and its slight high level of public debt (Sections: 3.2 and 4.3).

These findings are therefore, in conformity with the State Debt Management Policy objectives set (Section 1.2):

I. Benue State exhibits a solid debt position that appears sustainable in the long term (paragraph 2, Section 4.3).

II. A solid debt position results from the Benue State's strong performance in terms of mobilizing IGR—underpinned by the successful tax administration reforms introduced recently—, its control of recurrent expenditure growth and its low level of public debt (paragraph 2, Section 4.1 and paragraph 1, Section 3.2).
III. Given the Benue State's own forecasts for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable (paragraph 1, Section 4.1).
IV. Benue State pursues a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance, including external concessional loans and domestic low-cost financing.

Based on the Benue State's own forecasts for the economy and reasonable assumptions concerning the State's budget and financing policies going forward, the medium-term cost-risk profile for the public debt portfolio appears consistent with debt-management objectives (paragraphs 1 & 2, Section 5.2.4).

2.0. The State Fiscal and Debt Framework

2.1 Fiscal Reforms

Benue State Government in the last 3 – 5 years has been implementing strong fiscal reforms like IGR mobilization (Internal Revenue Administration (Amendment) Law 2020), recurrent expenditure policies by category aimed at reducing the cost of governance by limiting all travelling expenses of PSEs to their regular overheads which would affect the fiscal and debt path in the long-term. Other State policies introduced include State Development and Investment Plan, Civil Service and Pension System reforms as well as adoption of the national minimum wage increase which also affect the State's fiscal variables like expenditures and revenues on regular basis.

Further reforms introduced in the State which regulates the implementation of fiscal policies include the Establishment Laws (2020) such as the State Fiscal Responsibility Law (FRL), Debt Management Office (Establishment, etc.) Law (DMOL)and Public Procurement Commission Law (PPCL). These reforms are meant to strengthen public debt management and fiscal responsibility framework as well as improving procurement practices for increased transparency and value for money in the State.

2.2 Approved 2021 Budget and Medium-Term Expenditure Framework (MTEF)2022-2024

2.2.1 Approved 2021 Budget

In terms of fiscal outcomes for FY2021 due to the public health impact of Covid-19 which supposedly increased the cost of operations, movements and public service delivery, the 2021 approved Budget could not sustain a downward slide in order to reflect the true cost of governance in keeping with the fiscal transparency initiatives.

The Budget was therefore, approved based on the anticipated significantly disruptive impact on the Benue projected revenues and expenditure, as already projected in the Federal Government's revised Medium-Term Expenditure Framework. Benue State Government Planned on the basis of the projected suggestions by WBG-DMO for the gross FAAC allocation and VAT for the State and other fiscal assumptions.

The revenue is expected to increase at the growth rate of 12% going forward because of the new revenue reforms introduced in the State and the ongoing diversifications in the Agricultural economy. The expenditure on the other hand is projected to increase at an average rate of 10% for the State DSA-DMS 2021.

Based on the outlined fiscal assumptions and parameters, the Benue State total revenue for 2021 Budget is projected at **N177,917.65 million,** which includes Statutory Allocation, Value Added Tax, Internally Generated Revenue, Other Statutory Revenue, Domestic Grants, Foreign Grants, Opening Balance, Domestic Loans, Foreign Loans and Sale of Government Assets. The aggregate expenditure is estimated at **N94,716.47 million**, which comprises Debt Repayment (Interest and Principal), Statutory Transfers, Recurrent Expenditure and Capital Expenditure.

2.2.2 Key Objectives of Approved 2021 Budget

These include:

I. Continued institutional strengthening of IGR collection in the State in collaboration with the LGCs.
II. Blockage of leakages in IGR by our MDAs and remitting of collections into the Government's TSA.
III. Acceleration and strengthening of the existing financial management reforms and other commitments programmed-for-results supported by SFTAS to enhance revenue for improved results.
IV. Controlling the spread of the pandemic and mitigating its impact on lives and livelihoods.
V. Management of all outstanding debts, including arrears of salaries, pensions and contract payments.
VI. Controlling of unexpected herdsmen and communal crises as well as outbreaks of disease, protests or other national emergencies that disrupt production activities.
VII. Continuing commitment to job-creating, youths' empowerment and wealth generating agricultural value chain development.
VIII. Provision of infrastructure and construction of access and Township roads in all our major towns and LGAs to promote economic and commercial activities in the urban economy.
IX. Revamping of educational and health infrastructures across the State.

2.2.3 Medium-Term (Three Year Fiscal Framework) Policy Objectives and Targets

The features of the Approved 2021 Budget guided the fiscal policy strategies of the 2022 Budget and the 2022-2024 MTEF, regarding the revenue, expenditure and debt forecasts for the next years:

Benue State Government Revenue Forecast for the Period – 2022-2024

Source (Naira Million)/Year	2022	2023	2024
Fiscal Transfers (FAAC)	65,193.40	67,281.95	72,252.50
Other FAAC-transfers (exc. rate gain, augmentation)	4,423.12	4,600.04	4,784.05
IGR	13,830.00	15,213.00	16,734.00
VAT	30,105.40	34,219.00	38,619.56
Capital Receipts	12,700.21	13,639.50	13,152.06
Total Revenue	**126,252.13**	**134,953.49**	**145,542.17**

Benue State Medium Term Expenditure Framework [MTEF] – FY2022-2024]

Items/Year	**2022**	**2023**	**2024**
Expenditures (Naira Million)	Budget	Estimate	Estimate
Recurrent Expenditure	**112,680.43**	**120,037.08**	**126,509.38**
Personnel Cost	45,423.14	46,331.61	48,648.19
Overhead cost	41,937.69	42,357.06	46,592.77
Public Debt Charges (Prin. + Int.)	25,319.60	31,348.41	31,268.42
Interest payments	16,929.73	15,345.71	14,359.74
Amortisation (Principal) payments	8,389.87	16,002.70	16,908.68
Capital Expenditure	**13,322.40**	**14,654.64**	**18,757.94**
Others	-	-	-
Total Expenditure	**126,002.83**	**134,691.72**	**145,267.32**

Financial Indicators

Ratios	**2022**	**2023**	**2024**
Recurrent Revenue growth rate	-29.04%	6.89%	7.85%
Recurrent Expenditure growth rate	33.40%	6.53%	5.39%
Capital Expenditure growth rate	30.00%	10.00%	28.00%
Surplus/Deficit to Total Expenditure	3.96%	3.89%	3.78%

For the 2022-2024 MTEF or the Medium-Term Debt Strategy, Benue State Government planned to borrow from the Commercial Bank as well as capital market for infrastructure Development and other Investment Plans (Section 4.2).

The objectives and targets of the fiscal policy for the medium-term include:

I. Cutting down the cost of governance through efficient service delivery;
II. Establishing viable institutional arrangements as catalyst for rural transformation and infrastructure development and
III. Intensifying efforts to improve IGR through various sources and Taskforce's activities at an average rate of 12% going forward.

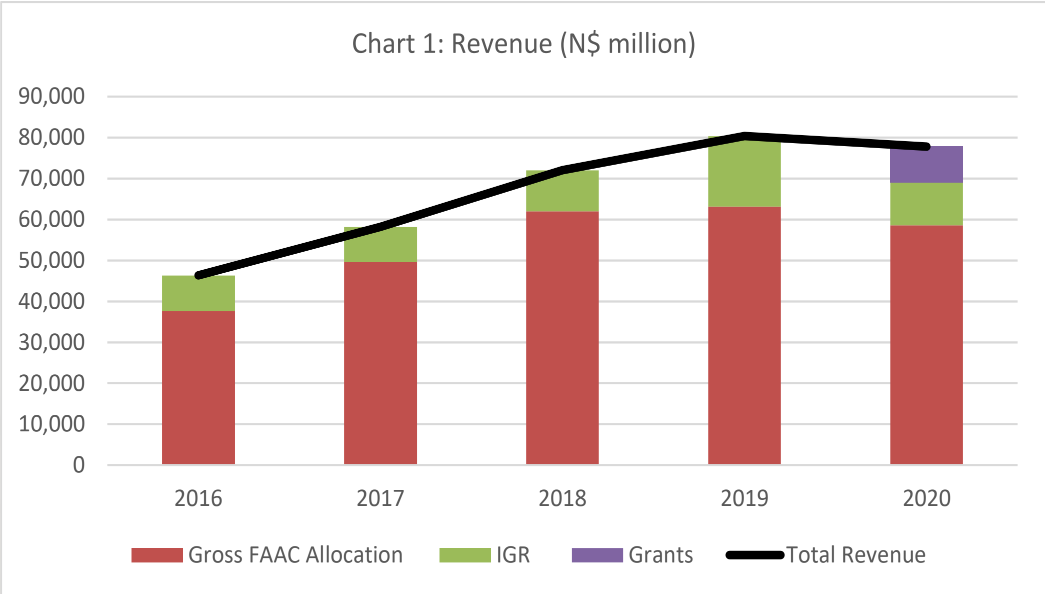
The borrowing plan basically is to augment the State total accruable revenue (IGR inclusive) not realized or hampered due to the aggregate effects of the pandemic Covid-19 and exogenous market fluctuations on the total revenues, expenditures and debt in comparison to the original 2021 budget.

3.0 The State Revenue, Expenditure, and Public Debt Trends (2016 – 2020)

The actual revenue, expenditure outturns in 2016-2020 and the outstanding debt stock trend during 2016-2020 are explained below.

3.1 Revenue and Expenditure

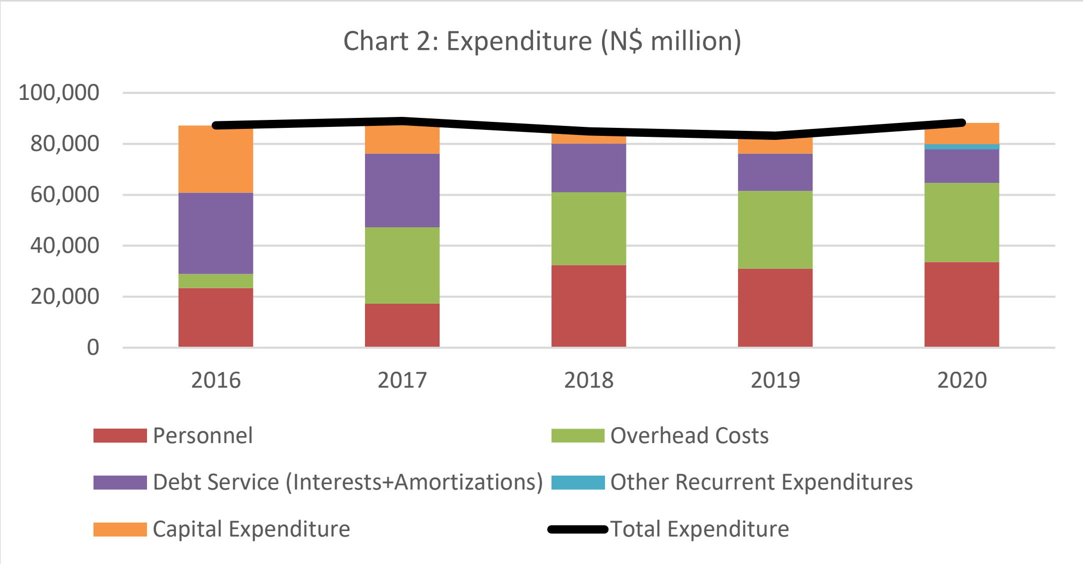
The actual revenue and expenditure outturns in 2016-2020 are represented by the following chats sheet of the DSA-DMS template for the historical period [Chart 1 and 2]:



The total revenue which main components include Statutory allocations (VAT inclusive) and IGR (trend for the period) spiked from **N46,339 (Million)** in 2016 to **N89,927 (Million)** in 2020 due to the successful tax administration in the State (IGR accounted for 20% of the aggregate revenue) and slight increase in Federal receipts (Chart 1) though Federal transfers (FAAC allocations trend) generally registered progressive declines over the period due to lower crude oil receipts.

The State's Federal allocation, including transfers from the excess crude account between 2016-2020, spiked to 33% (2017), 28% (2018), slightly dropped by 3% (2019) and further dropped by 21% (2020), while as a percentage of SGDP, it moved from 1 per cent in 2016 to 1.9 per cent in 2018 and dropped to 1.1 per cent (2020). The decline is largely attributable to a slide in federal oil receipts due to the lower oil prices and rebel attacks on oil production facilities.

The State exhibited strong IGR growth during the review period. Though, between 2016 and 2020, IGR declined by 2 per cent (2016-2017) it spiked sharply to 17% (2018), 72% (2019) and dropped to 39 per cent (2020), while as a share of aggregate revenue (excluding grants), it slightly moved up from 19 per cent in 2016 to 20 per cent in 2019 and declined to 13% (2020). The improvement in IGR is mainly as a result of tax administration reforms aimed at improving collection rates and broadening the tax revenue base.

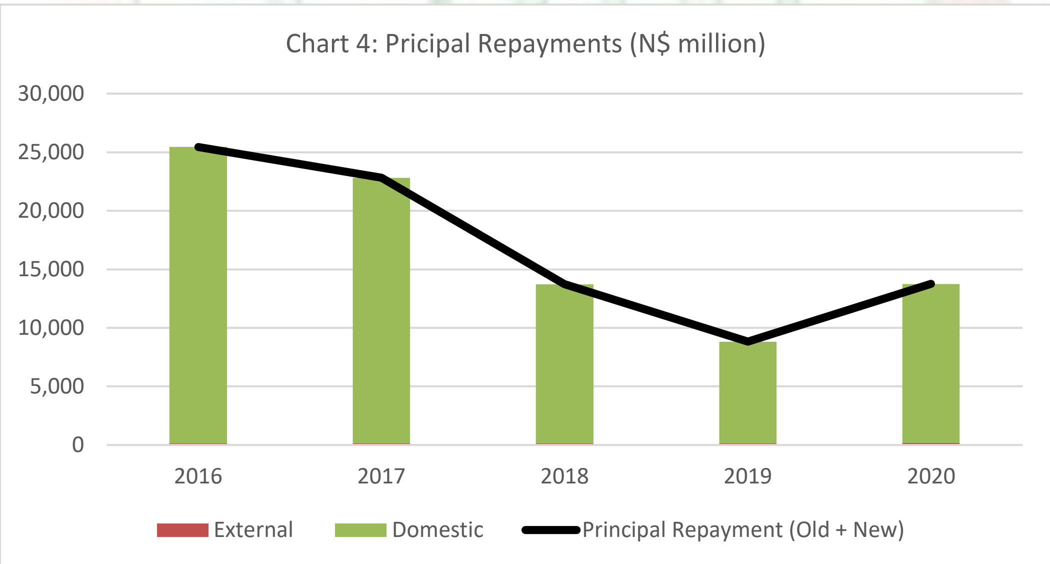


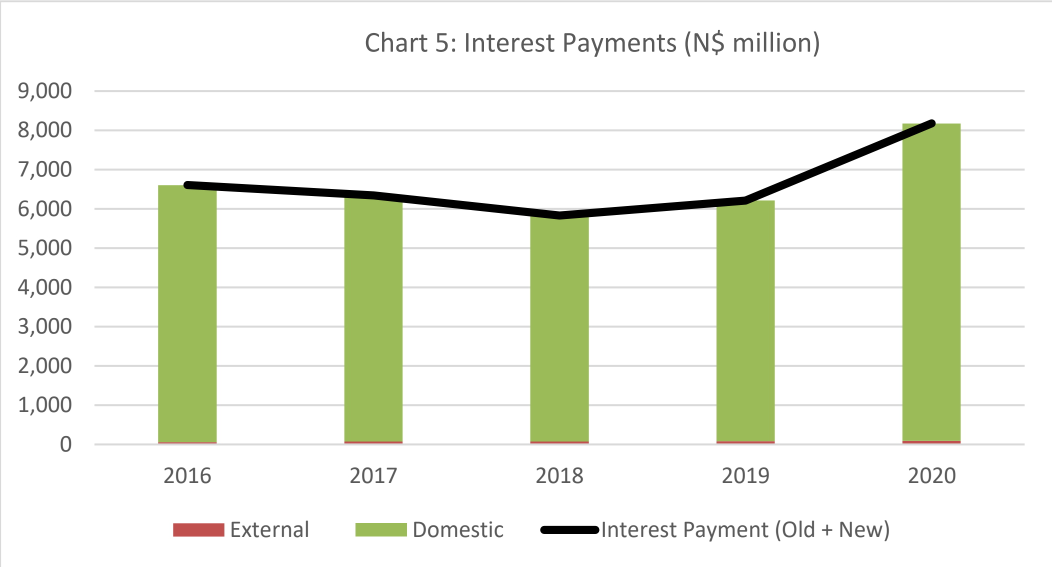
In contrast to the above, the total recurrent expenditure which comprises personnel and overhead costs, public debt charges (including loan repayments) and capital expenditure pointed up from **N87,216 (Million)** in 2016 (base year) to **N88,988 (Million)** in 2017 and slightly dropped to **N88,232 (Million)** in 2020 (Chart 2) as a result of new administrative reforms and cost-saving measures introduced in the State.

The trend in the last five years indicated that personnel cost decreased sharply by 26% (2017), spiked to 88% (2018) and gradually declined to 8.4% in 2020 while overhead increased sharply to over 400% in 2017 due to exigencies of governance and drastically reduced to 2% in 2020 due to fiscal constraints and measures (Section 2.0).

Public debt charges (interest) slightly declined to 4 per cent (2017), 8 per cent (2018) and moved up to 10% (2020) while loan repayments (principal) also declined to 10% (2017), 40% (2018) and spiked to 56% in 2020.

Capital expenditure on the other hand dropped sharply from 30% (2016) to 10% (2020), of the aggregate expenditure (Charts 2, 4, & 5).

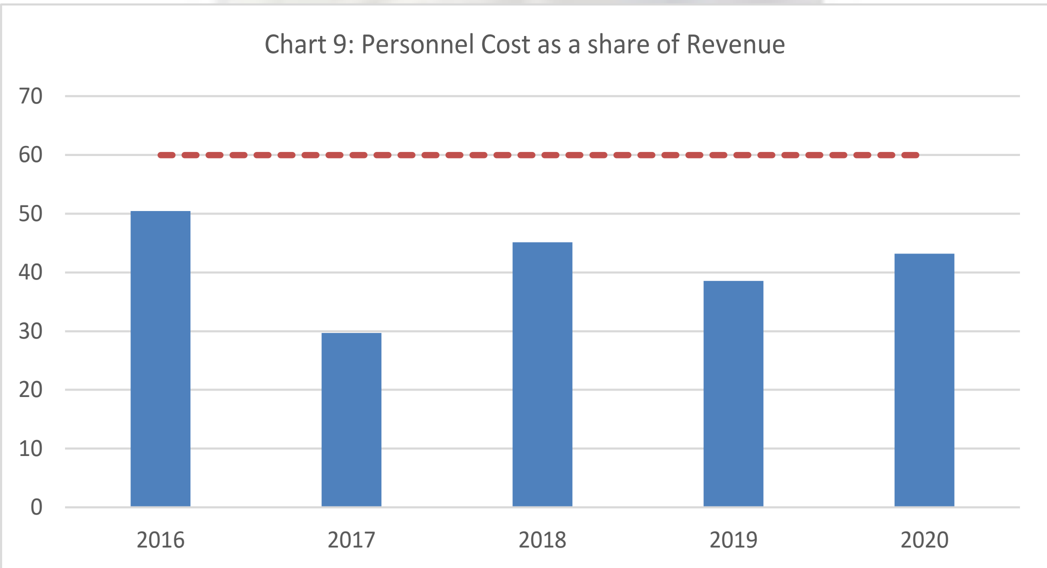




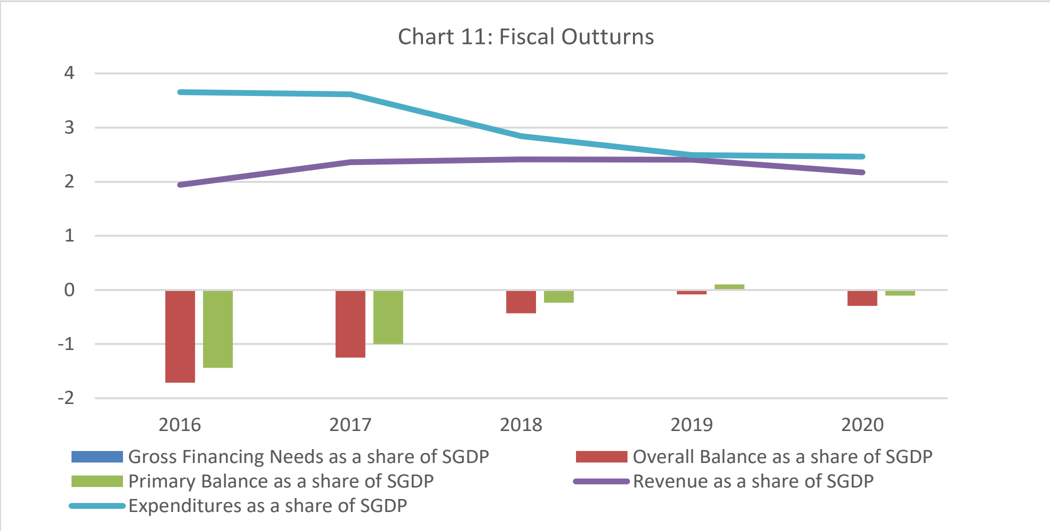
The State expenditure declined sharply during the period (2016-2017), i.e., real aggregate expenditure dropped to 2 per cent (2017) and spiked to 6% in 2020. As a percentage of SGDP, aggregate spending declined from 4 per cent in 2016 to 3 per cent (2018) and further to 2.5% (2020).

Capital spending over the analysed period was relatively volatile, it showed a negative growth rate of 51 per cent in 2017 and 63% (2018) but positively spiked up to 48% (2019) and further dropped to 21% in 2020, while recurrent expenditure registered a sharp positive growth of 63 per cent (2017), decreased rapidly to 29% (2018) and further declined to 5% (2020).

During the period, the bulk of expenditure went to recurrent spending – personnel costs, overheads, debt charges – representing 88 per cent of total spending on average. Personnel cost as a share of revenue accounted for an average of 40% (Chart 9).



The general movements of the overall (2016-2020) and primary budget balance was **N1,695.00 (Million)** in 2020 which is an indication of prudent planning and management of financial resources of the State resulting from fiscal constraints, control measures and disciplines (DSA-DMS – template Chart 11).



The Overall balance improved positively during the review period, from a deficit of 2 per cent of SGDP in 2016 to 0.4% (2018) and 0.3 per cent of SGDP in 2020. These movements over the period (2016-2020), were due largely to the fall in federal transfers (oil receipts). In 2019-2020, overall balance partially recovered to a deficit of 0.1% (2019) and 0.3% (2020) of SGDP due to the adjustment of personnel expenditure (pensions and gratuities) and the upturn of federal transfers.

On the other hand, primary fiscal balance declined positively during the review period, from a deficit of 1.1% of SGDP in 2016 to 0.2 percent of SGDP in 2020, as earlier mentioned, owing to the decline in federal transfers and the growth of capital expenditures.

3.2 Existing Public Debt Portfolio

The structure of Benue state's public debt stock between 2016 and 2020, in terms of the total revenue inclusive of grants and exclusive of capital receipts dropped from 211% (2016) to 177% (2017) due to decrease in both domestic and external debts financing and high IGR (2019). The debt portfolio then decreased gradually to 140% (2019) and spiked to 181% (2020) in comparative to the State's improvement in IGR as a result of successful tax administration, efficient and effective tax audit. Unlike the total debt to total revenue, the SGDP over the historical period (in nominal terms) trended upwards, in a reversed pattern as it increased gradually except the growth rate which rose to 21.19% (2018) and dropped to 7.18% in 2020, that is:

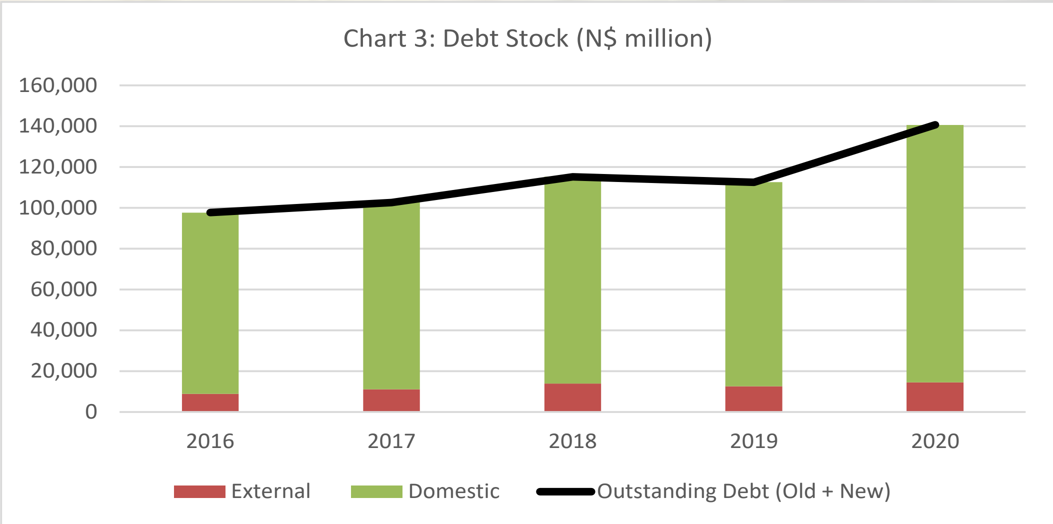
Historical years	**2016**	**2017**	**2018**	**2019**	**2020**
Total Debt to Total Revenue	210.72	176.52	160.06	140.09	180.73
State GDP (millions of Naira)	2,385,768.00	2,461,234.00	2,982,892.00	3,338,708.00	3,578,569.00
Growth rate of SGDP	-	3.16	21.19	11.93	7.18

The composition of the existing public debt portfolio at end-2020 by share of each (i) domestic and (ii) external debt category as percentage of the total debt is as shown **(External debt calculated using below-the-Line flows and valuation effects): (**i) Domestic, 90% and (ii) External, 10%.

The cost and (in terms of interest, currency and rollover) risks exposure of the existing public debt portfolio at end-2020 is relatively high which put more pressure on the State total accrued revenue from FAAC and IGR.

The constant declining of FAAC revenue accruing to the State due to the impact of Covid-19 and fall in oil prices at the global market is of great concern. This has weakened the capability of the State to service its existing debts and adequately meet its recurrent expenditure needs without resorting to sourcing for additional financing.

In line with the State data request and report of the DSA-DMS, "the public debt includes the explicit financial commitments – like loans and securities – that have paper contracts instrumenting the government promises to repay, which standard the State used in the definition of public debt, that considers non-contingent debt and thus the obligation to repay them is independent of the circumstances, as well as excludes contingent liabilities (i.e. guarantees, state own enterprises non-guaranteed liabilities)," that is notwithstanding other exigencies of the Government(Chart 3: Debt Stock (In Millions of Naira).



The above chat resulted from the outstanding external and domestic debt stock categories in the DSA-DMS data Inputs which revealed as follows:

I. **Public debt stock amount or its shares on total Revenue at end-2020 and its growth in the last five years.**

   The State public debt amounted to **N140,633** million as of end-2020 (**External debt calculated using below-the-Line flows and valuation effects)** and has been increasing rapidly since the collapse of oil prices in the global market. This incremental trend revealed in section (3.2) above over the period 2016-2020, was due largely to the Federal Government bailouts to Benue State (LGAs inclusive) and other financing supports like Excess Crude Account (ECA) infrastructure loan and

Budget support facility, dwindling of Federal oil-receipts, domestic arrears, external financing, and currency depreciation.

II. **The existing public debt portfolio composition at end-2020**.

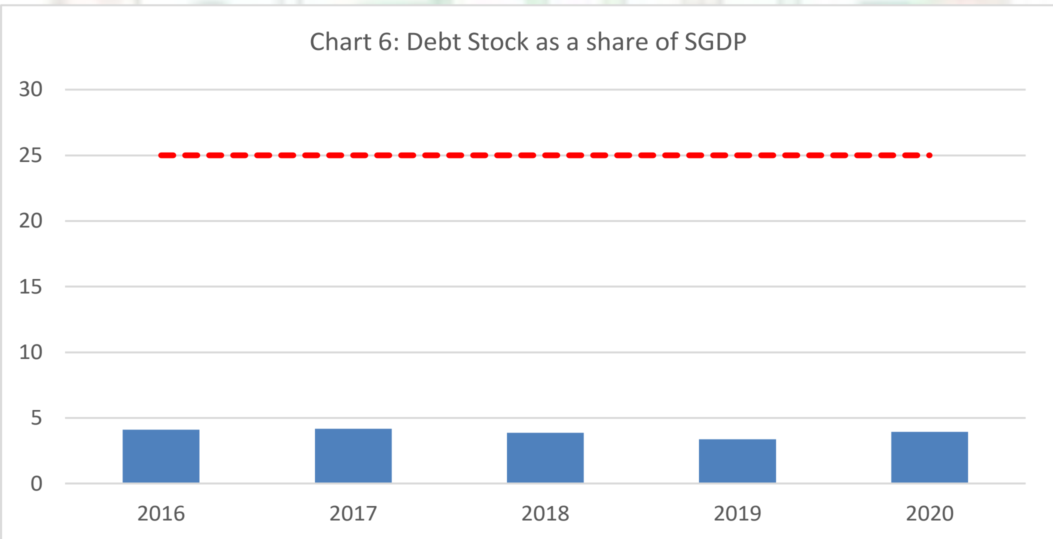
The share (percentage) of the domestic and external debt stock in the total debt stock stands as 90% and 10% respectively.

The main components of external debt (totaling **N14,508.12 million)** include: World Bank (WB) (including International Development Association (IDA) and IBRD) and African Development Bank (AfDB) [including African Development Fund (AfDFP) and Africa Growing Together FUND].

The State's debt portfolio largely consists of internal loans (amounting to **N126,125.00 million**): Budget Support Facility, Salary Bailout Facility, Restructured Commercial Bank Loans (FGN Bond), Excess Crude Account Backed Loan, Commercial Banks Loans, State Bonds, Commercial Agriculture Loan and Micro Small and Medium Enterprise Development Fund – MSMEDF (CBN Development Financing Facility), Government-to-Government Debts –LGAs Salary Bailout Facility, Contractors' Arrears, Pension and Gratuity Arrears, Salary Arrears/other Staff Claims and ADB RAAMP3 Counterpart Fund.

III. **Cost and Risks exposure of the existing Public Debt Portfolio at end-2020**.

The State holds a low-cost, low-risk debt portfolio. The debt portfolio carried an average, implicit interest rate of 14 per cent in 2019-2020 and the interest payments represented just 8 per cent of total expenditure. In addition, the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Exposure to currency fluctuations is limited because the foreign currency-denominated liabilities are only 1 per cent of the total stock. Most internal loans and all external loans are fixed-rate obligations, thus not affected by changes in interest rates. As these loans have maturities running from 7 to 30 years and include financing from the Federal Government and multilateral organizations, rollover risk associated with potential deterioration of domestic financial conditions is negligible (Charts: 6-8).



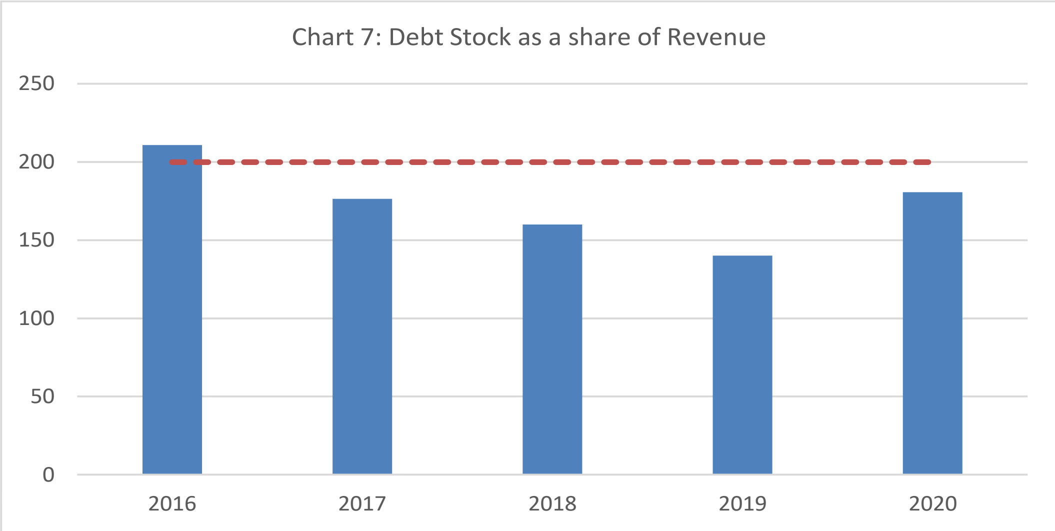


Chart 7: Debt Stock as a share of Revenue
250
200
150
100
50
0
2016
2017
2018
2019
2020

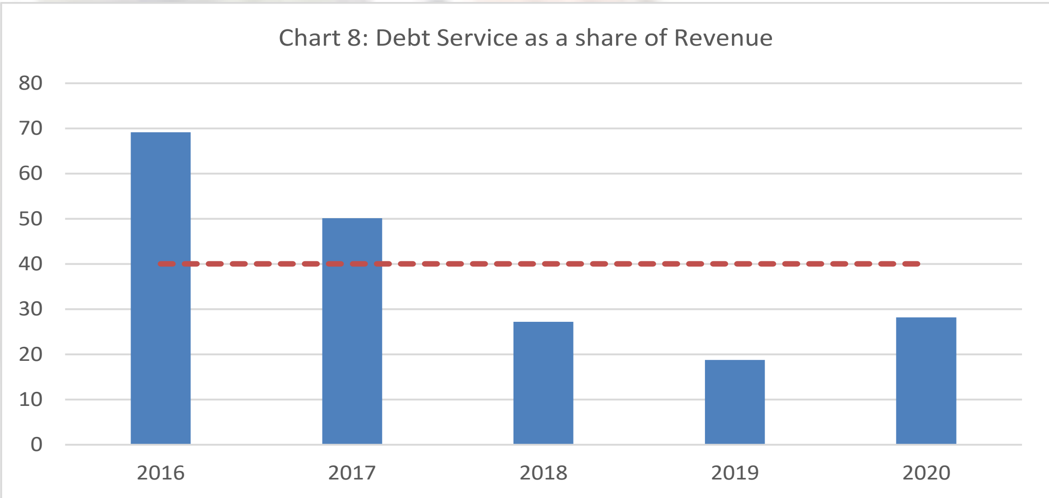


Chart 8: Debt Service as a share of Revenue
80
70
60
50
40
30
20
10
0
2016
2017
2018
2019
2020

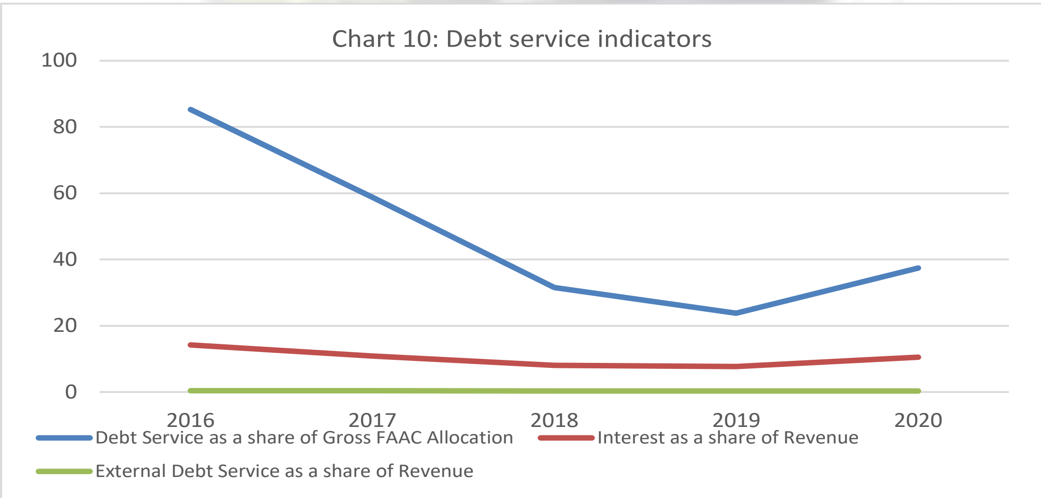


Chart 10: Debt service indicators
100
80
60
40
20
0
2016
2017
2018
2019
2020
Debt Service as a share of Gross FAAC Allocation
Interest as a share of Revenue
External Debt Service as a share of Revenue

4.0 Debt Sustainability Analysis

As defined in the introduction (Section 1.0) "the concept of debt sustainability refers to the ability of the government to honour its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden".

The debt burden with and without indicative thresholds are presented below:

Debt Burden with Indicative Thresholds:

Debt Burden	Indicative Thresholds	Indicators Computed - 2020
Debt as % of SGDP	25	4
Debt as % of Revenue	200	181
Debt Service as % of Revenue	40	28
Personnel cost as % of Revenue	60	43

Debt Burden without Indicative Thresholds:

Debt Burden	Indicators Computed - 2020
Debt Service as % of Gross FAAC Allocation	37
Interest as % of Revenue	11
External Debt Service as % of Revenue	0.3
Domestic Debt Service as % of Total Revenue	24

In the FY2020, the total debt as % of SGDP showed an indicator of 4 which is below the threshold of 25%, likewise the indicator of debt service as % of revenue (28) against the threshold of 40%, also the personnel cost as % of revenue (43) fell below the threshold of 60%. The indicator of the total debt as % of revenue (181) against the threshold of 200% revealed a slightly low level [below-the line flows and valuation effects were used for the calculation of external debt stock that is taking into consideration the net valuation changes in the creditor's country and debtor's country - Chats: 6-8].

The indicators for the debt burden without indicative thresholds computed for FY2020 namely: debt service as % of gross FAAC allocation, Interest as % of revenue, External debt service as % of revenue and Domestic debt service as % of total revenue based on the DSA-DMS – input template are shown above (Chat 10).

4.1 Medium-Term Budget Forecast

I. **Main features of the macroeconomic outlook under which the State DSA-DMS baseline scenario is being conducted.**

The Benue State's medium-term debt sustainability is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation.

The FAAC is expected to increase at an average growth rate of 12%, 2021-2030 because of the diversifications in the Agricultural economy. The current recession largely due to global oil price fluctuation was projected to pick up by the end of third quarter 2021(Annex I: Table Assumptions of the Benue State DSA-DMS Template).

According to the Federal Government [National Bureau of Statistics - NBS] and Benue State's MTEF forecasts in terms of IGR, fiscal transfers and other revenue receipts, the Nigerian economy is expected to gradually recover in the period 2022-2024, with real GDP expanding at an average annual rate of 10 per cent (SGDP, average of 10%) and domestic inflation decreasing below 10 per cent by 2022. Such a moderate recovery will be supported by higher oil prices in global markets, an increase in domestic production, prudent fiscal policy, and the stabilization of the exchange rate relevant for international public-sector financial transactions at its current level. Oil and gas revenue, as well as shared resources such as custom duties and VAT, would then increase relative to the depressed levels observed in 2021, thus improving the State's revenue position.

II. **Benue State's revenue and expenditure policies going forward under the baseline scenario**.

Debt sustainability analysis is also predicated on the continuation of recent efforts to mobilize local revenue sources, and on unchanged policies concerning personnel and other operating expenses (reduction of cost especially personnel head owing to the on-going NIBSS-BVN operations) couple with the retirement of staff from the Service and the need for staff replacement.

At local level, the tax administration reforms adopted by the Benue State Government to strengthen resources provided by IGR, are expected to continue in the next few years and will benefit from the overall economic recovery.

On the other hand, no new policies are anticipated with regard to personnel and overhead costs, which are thus likely to preserve their historical trends. (Annex I: Table Assumptions of the Benue State DSA-DMS Template).

4.2 Borrowing options

In line with the Medium-Term Debt Strategy, Benue State Government planned to borrow either from the Commercial Bank or capital market for infrastructure Development and other Investment Plans. The borrowing plan basically is to augment the State total accruable revenue (IGR inclusive) not realized or hampered due to the aggregate effects of the pandemic Covid-19 and exogenous market variations on the total revenues, expenditures and debt in comparison to the original 2021 budget between 2021 and 2030. The main new domestic borrowing category as indicated below as reference debt strategy, Baseline Scenario (S1) would be sourced from Commercial Bank (Loans) at an average interest rate of 14% for maturity of 4 years, (including Agriculture Loans and MSMEDF) and/or interest rate of 9% for maturity of 20 years; State Bonds to be sourced from capital market at an average interest rate of 14% for maturity of 7 years or longer) and other Domestic Financing (FGN BOND) at an average interest rate of 14% for maturity of 18 years.

Benue State Government currently has no plan for external financing category (under S1) except the FGN/ WB SFTAS grants-based programme (Table Assumptions of the Benue State DSA-DMS Template, included in the Annex I).

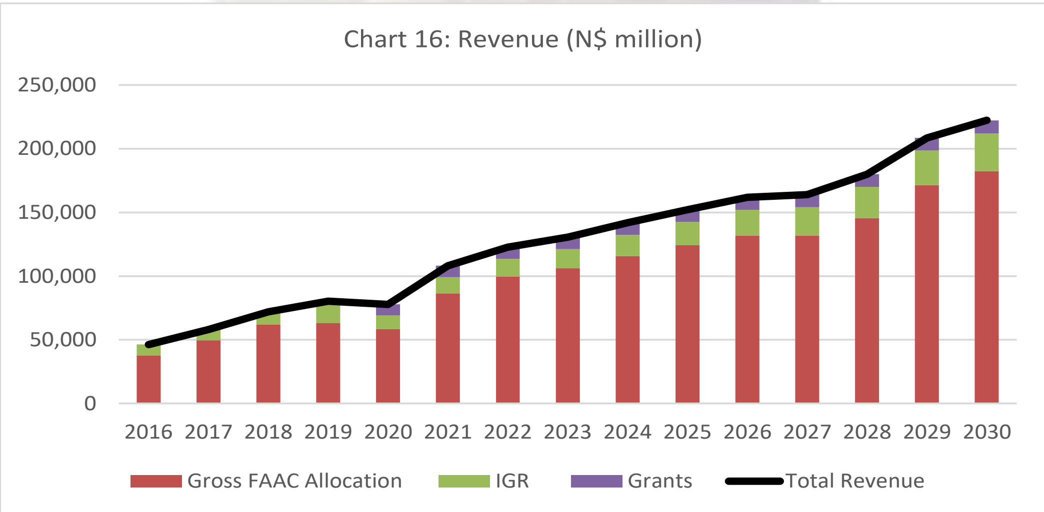
Breakdown of planned Borrowing by the State in line with DSA-DMS Temp (millions of Naira):

D Financing (MN) -Source	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Bank (1-5yrs (Agric Infra. &MSMEDF)	0.0	3,442.7	891.9	0.0	1,381.6	1,357.0	2,384.4	1,567.5	1,628.9	1,174.0
Bank (6yrs or more (Agric. Infra. & MSMEDF)	23,637.1	0.0	0.0	0.0	3,009.6	0.0	3,664.8	0.0	0.0	1,276.2
Bonds (1-5yrs)	46,047.9	0.0	3,306.0	3,522.7	0.0	0.0	0.0	3,366.3	4,174.2	0.0
Bonds (6 yrs. or more)	0.0	0.0	0.0	0.0	0.0	8,546.2	0.0	0.0	0.0	3,226.8
Total	**69,685.0**	**3,442.7**	**4,197.9**	**3,522.7**	**4,391.2**	**12,935.2**	**6,049.2**	**4, 933.8**	**5,803.1**	**5,677.0**

4.3 DSA Simulation Results

I. Revenue, expenditure, overall and primary balance over the long-term

In the Baseline Scenario under the reference debt strategy (S), Benue State preserves debt sustainability. Total revenue (including grants and excluding other capital receipts) is projected to increase from **N77,814 million** in 2020 to **N222,233 million** by 2030 (Chart 16). Total expenditure will expand from **N88,232 million** in 2020 to **N227,655 million** by 2030 (Chart 17). Therefore, the fiscal surplus—computed as the difference between revenue and expenditure—is expected to be deflected to **N368 million** (2030) in nominal terms, compared to the 2020 surplus of **N1,695 million**.



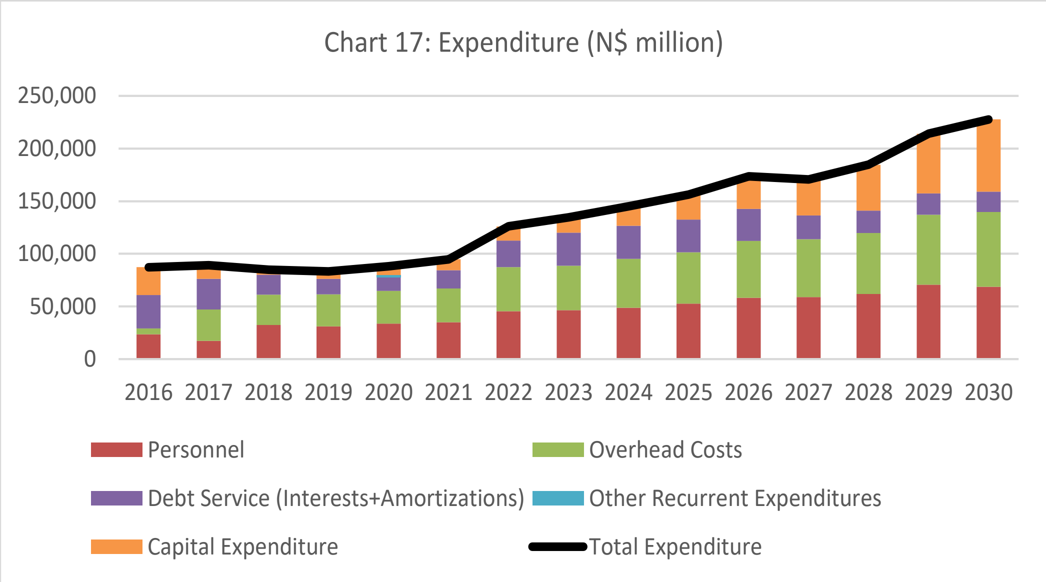


Chart 17: Expenditure (N$ million)
250,000
200,000
150,000
100,000
50,000
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
Personnel
Overhead Costs
Debt Service (Interests+Amortizations)
Other Recurrent Expenditures
Capital Expenditure
Total Expenditure

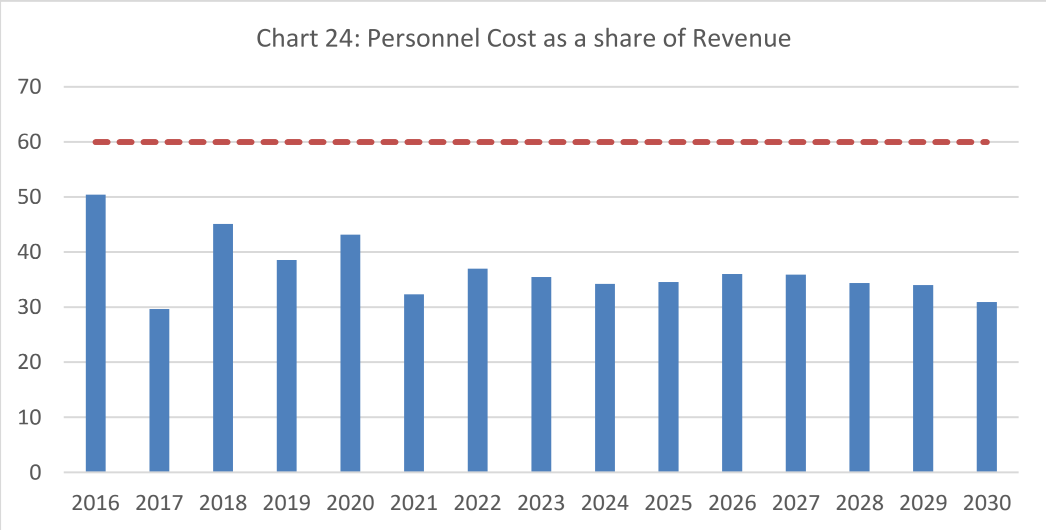


Chart 24: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

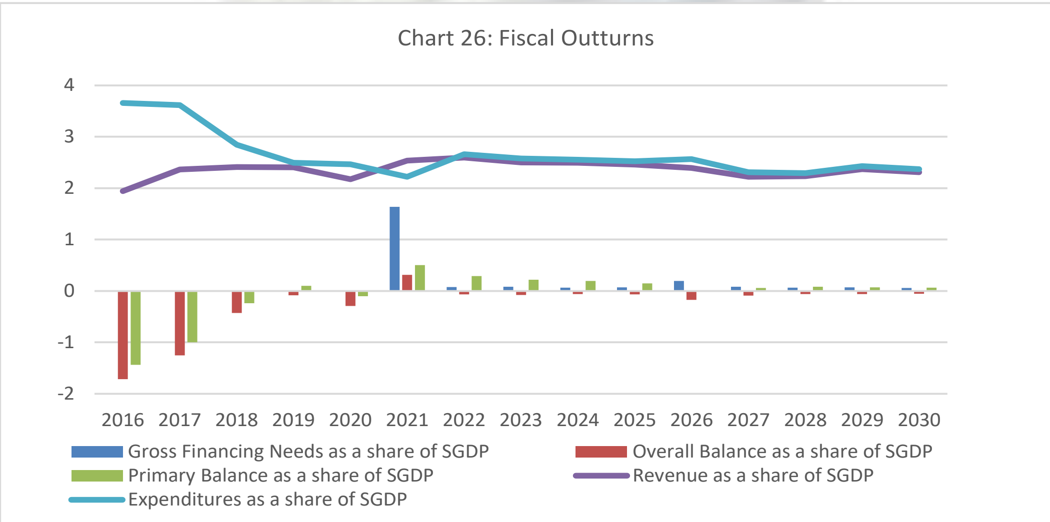


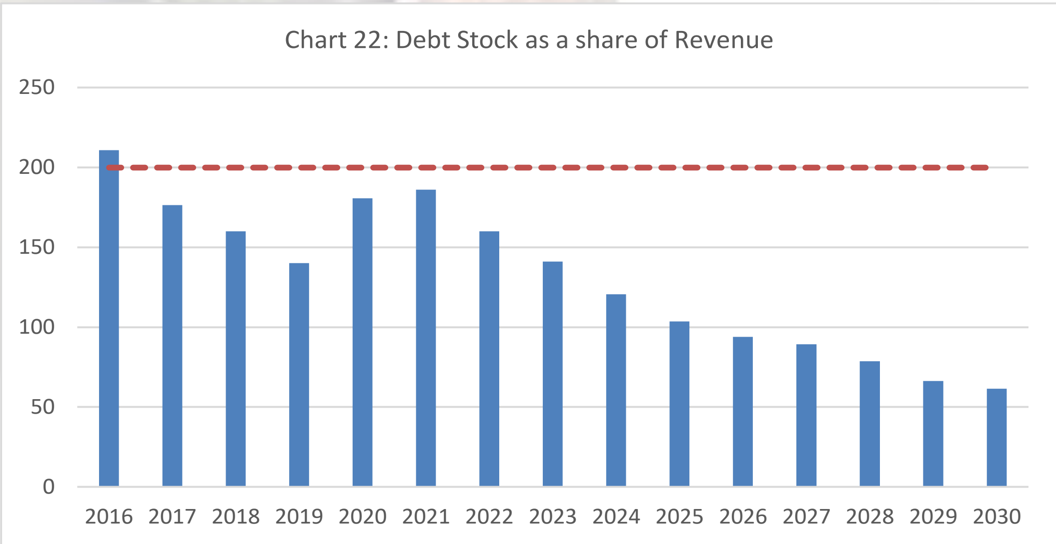
Chart 26: Fiscal Outturns
4
3
2
1
0
-1
-2
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
Gross Financing Needs as a share of SGDP
Overall Balance as a share of SGDP
Primary Balance as a share of SGDP
Revenue as a share of SGDP
Expenditures as a share of SGDP

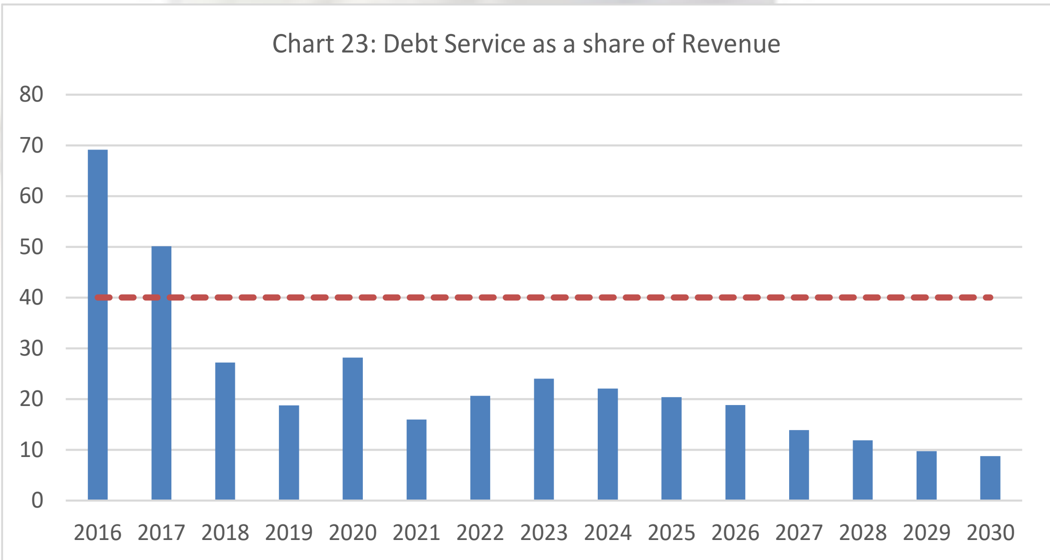
II. **Main finding and conclusion of the baseline scenario under the reference debt strategy (S1) in terms of debt sustainability**

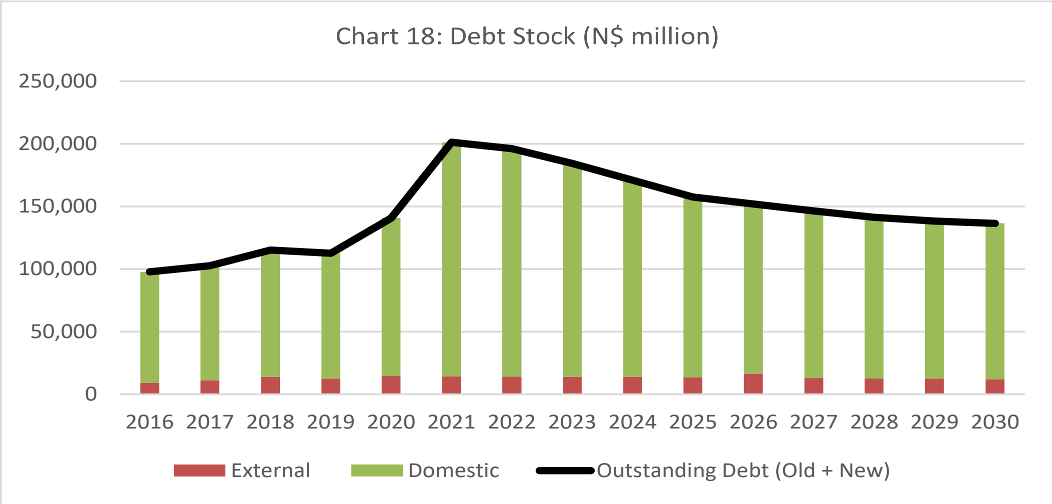
As a consequence of the modest increase in investment and internal borrowings, the public debt will decline and the State's repayment capacity will rise up Pari-passu (Charts 22). Debt is projected to raise from **N140,633 million** as of end-2020 to **N136,445 million** by 2030. However, relative to the State's repayment capacity, the public debt position will improve: it is expected to increase from 181 per cent of the Revenue in 2020 to 61 per cent by 2030.

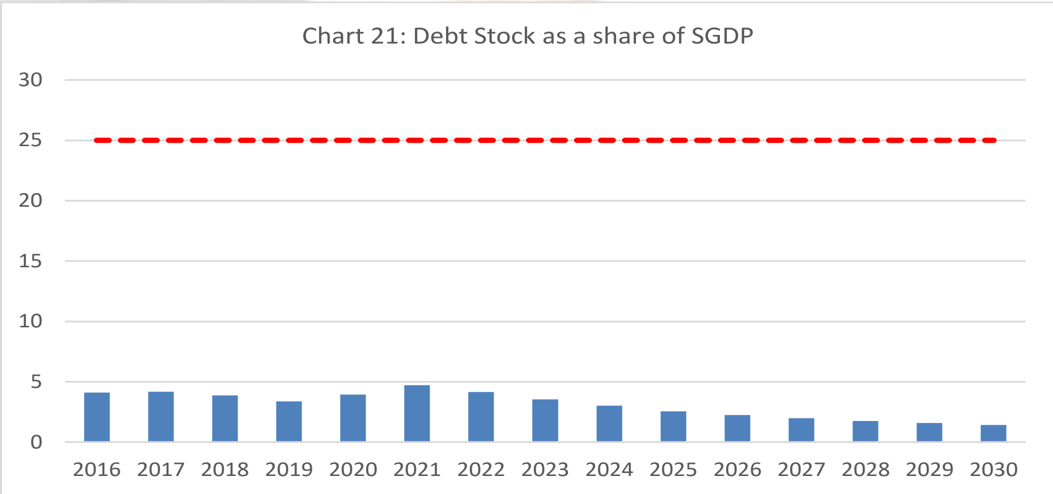
Conclusion

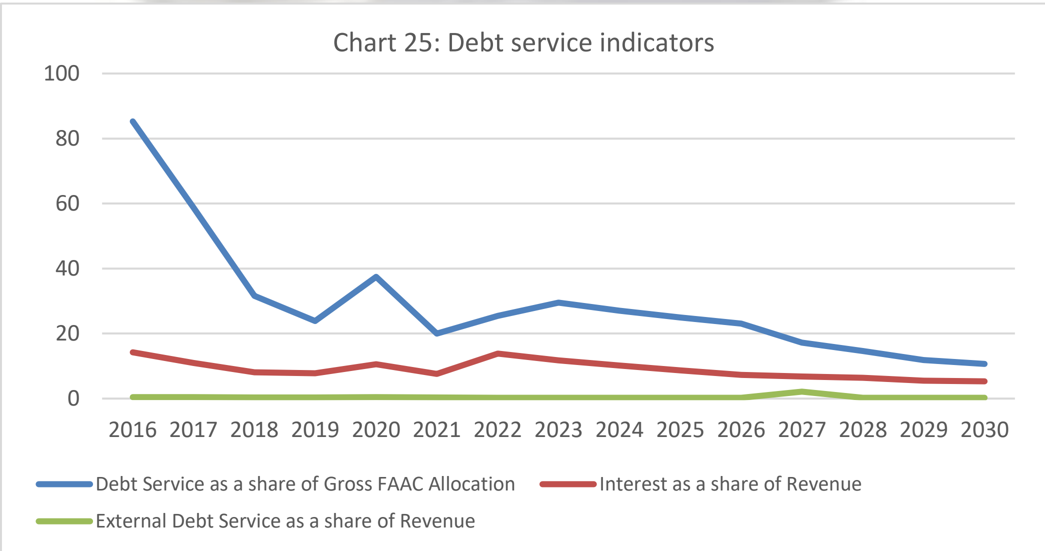
As the fiscal deficit stabilizes in nominal terms over the next few years, and the public debt ratio improves, the analysis of the Baseline Scenario under the reference debt strategy (S1) suggests the State will be able to preserve the sustainability of its debt in the medium-term (Chart 23).











4.4 DSA Sensitivity Analysis

Benue State faces important sources of fiscal risks associated to the possibility of adverse country-wide macroeconomic conditions and the reversal of the State's revenue and expenditure policies.

Based on the foregoing a sensitivity analysis was undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the Baseline scenario under the reference debt strategy (S1) discussed in the previous sub-section (4.3). In considering both the macroeconomic and policy shocks, it was assumed that external and domestic borrowings covered any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

The State's debt sustainability would deteriorate moderately if the exchange rate/interest rate shocks materialize; mainly as a consequence of a diminished repayment capacity. The projected fiscal surplus/deficits exceed N261.77 million from 2023 onwards, and hence are only slightly higher than the imbalances expected in the Baseline Scenario.
On the other hand, the public debt ratio will deteriorate - chiefly as a consequence of the revenue shortfall - and reach 104 per cent of Total Revenue by 2025.
This implies a moderate worsening of the State's public debt position and a build-up of fiscal vulnerability in the medium-term.

The results and conclusions of each shock scenario in terms of debt sustainability if the macroeconomic/policy shocks materialize, mainly as a consequence of a diminished repayment capacity including the historical scenario are presented for the period of 2021-2030(Charts: 27-30).
Analysis of the debt stock, debt services and personnel cost projections in terms of total revenue in comparison to the baseline scenario – 2021-2030.

Projected Items (2021)	Shock	Baseline	Historical	Projected Items (2030)	Shock	Baseline	Historical
Debt Stock	**186**	**186**	**186**	Debt Stock	**167**	**61**	**247**
Debt Services	**16**	**16**	**16**	Debt Services	**26**	**9**	**26**
Personnel Cost	**32**	**32**	**32**	Personnel Cost	**34**	**31**	**133**

The analysis above indicated that Benue State's debt sustainability is expected to minimally deteriorate if the revenue/expenditure shock were to occur under the reference debt strategy (S1), as a result of both marginal deficits and slightly diminished repayment capacity. The projected fiscal deficits decrease systematically going forward and by over 30% of the imbalance expected by 2025 in the no-shock Scenario. In addition, the public debt ratio grows down below unsustainable levels in the next few years. Notably, therefore, a major risk for debt sustainability is the reversal of the State's successful revenue mobilization efforts and a failure to maintain current patterns of expenditure growth (Charts: 27-30).

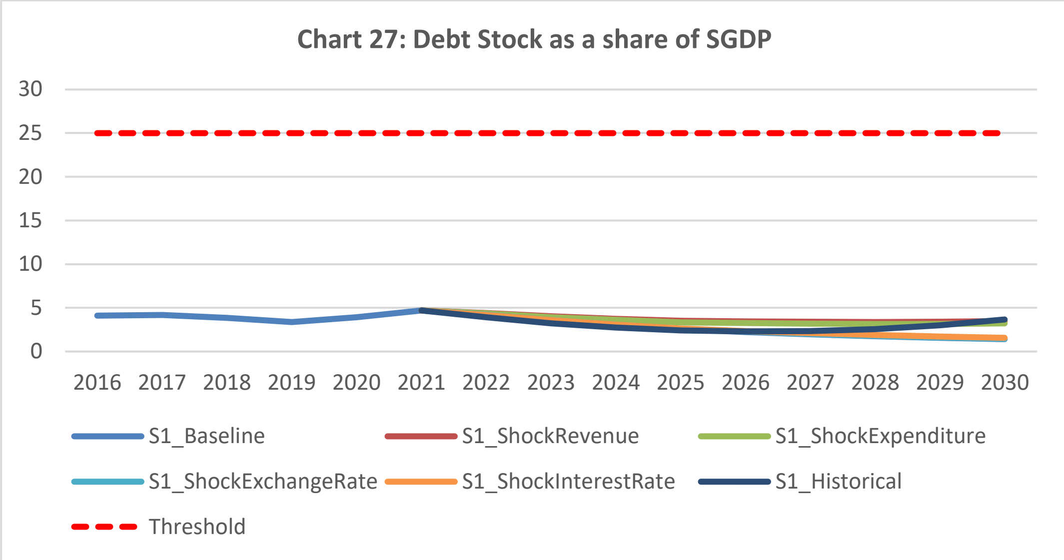


Chart 27: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

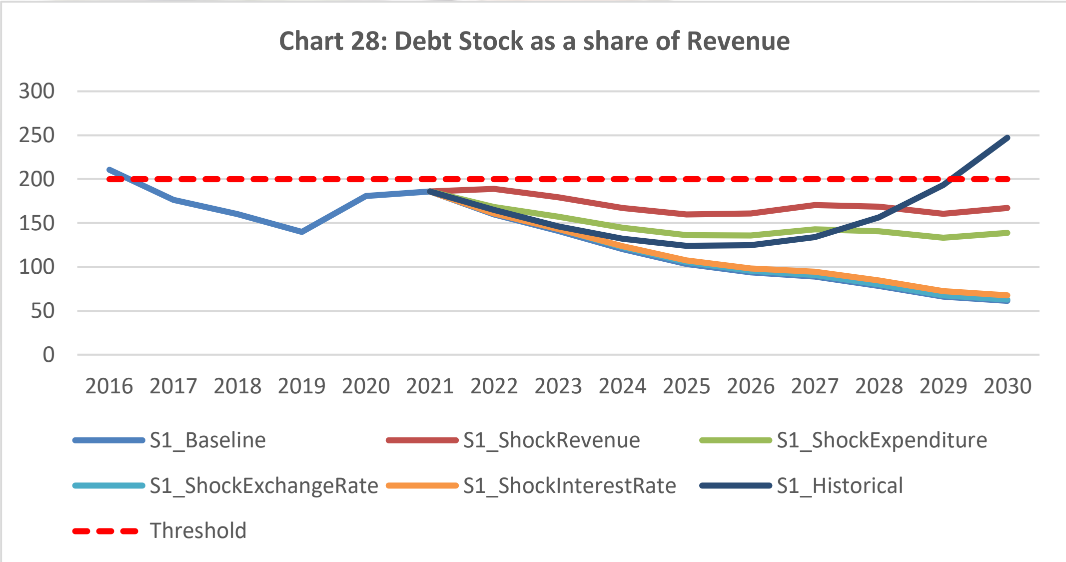


Chart 28: Debt Stock as a share of Revenue
300
250
200
150
100
50
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

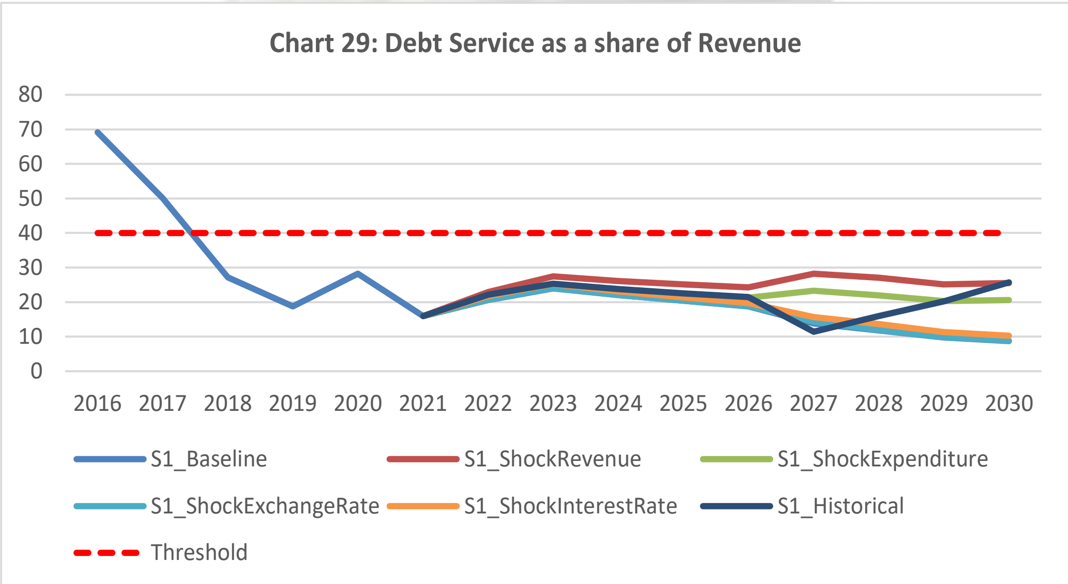


Chart 29: Debt Service as a share of Revenue
80
70
60
50
40
30
20
10
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

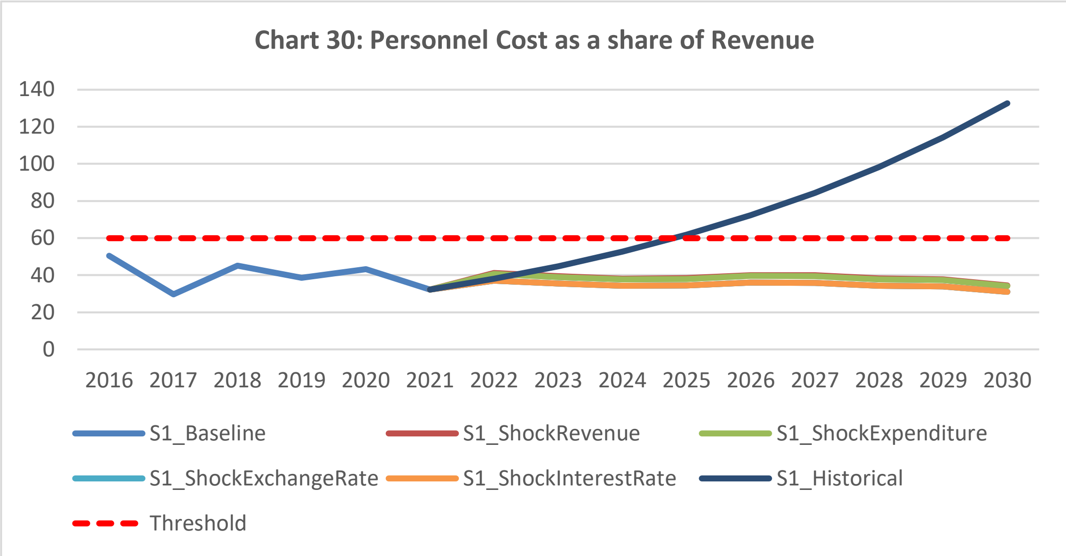


Chart 30: Personnel Cost as a share of Revenue
140
120
100
80
60
40
20
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

5.0 Debt Management Strategy

According to WBG, "Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk".

Below are the three debt-management performance indicators utilized to assess the debt-management strategies outcomes based on the reference debt strategy (S1):

Debt-management performance indicators:

Baseline(S1) DM Performance	Indicators/Cost - 2025	Risk Measured
Debt Stock/Revenue (%)	103.6	56.2
Debt Services/Revenue (%)	20.4	4.8
Interest/Revenue (%)	8.6	3.5

The above table presented the State's notion of 'cost' and 'risk' as defined that "…for any DMS, its cost is measured by the expected value of a performance indicator in 2025 (as projected in the baseline scenario). Risk is measured by the deviation from the expected value in 2025 caused by an un-expected shock (as projected in the most adverse scenario) …".

5.1 Alternative Borrowing Options

The Benue State policy objectives that motivate the three alternative DMS borrowing options (S2, S3, and S4) include: (i) to mitigate certain risks (currency, interest rate and rollover), (ii) to develop domestic debt markets, (iii)to fund specific expenses (such as capital investments and (iv) to secure liquid assets for cash management. The ultimate aim is to probably assess other ways (outside the reference debt strategy (S1) to raise the required amount of funding at the lowest possible cost over the medium to long run which is consistent with a prudent degree of risk.

For the DMS (S2), the main new domestic borrowing category will be sourced from Commercial Bank (Loans) at an average interest rate of 14% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 9% for maturity of 20 years.

The capital market option will be solely employed for DMS (S3) i.e., State Bonds to be sourced from capital markets at an average interest rate of 14% for maturity of 7 years or longer) and other Domestic Financing (FGN BOND) at an average interest rate of 14% for maturity of 18 years.

For the DMS (4), that will be a mixed financing by combining the three options and External borrowing since Benue State Government is part of the agreement for the planned Covid-19 External loan borrowing by the FGN from the World Bank and AfDB's concessional and bilateral windows from 2025-2030, to be on-lent to the States. as external financing category in addition to the FGN/ WB SFTAS grants-based programme. Borrowing Terms for New External Debt: interest rate (2%), maturity (30-40 years) and grace period (1-2years). (Table Assumptions of the Benue State DSA-DMS Template, included in the Annex I).

5.2 DMS Simulation Results

The analysis of the results obtained from the four DMS based on the three debt-management performance indicators presented for the baseline and the most adverse scenario of the reference debt strategy (S1) including the alternative debt strategies (S2, S3 and S4) in Charts DMS sheet of the State DSA-DMS Template 2021(Debt/Revenue, Debt Services/Revenue and Interest/Revenue is as shown:

Debt-management performance indicators (2025):

S1- DM Performance	Cost	Risk	S2- DM Performance	Cost	Risk
Debt Stock/Revenue (%)	103.6	56.2	Debt Stock/Revenue (%)	99.0	55.7
Debt Services/Revenue (%)	20.4	4.8	Debt Services/Revenue (%)	17.6	4.4
Interest/Revenue (%)	8.6	3.5	Interest/Revenue (%)	7.3	3.3

S3- DM Performance	Cost	Risk	S4- DM Performance	Cost	Risk
Debt Stock/Revenue (%)	108.0	56.7	Debt Stock/Revenue (%)	105.2	56.4
Debt Services/Revenue (%)	22.8	5.0	Debt Services/Revenue (%)	20.8	4.8
Interest/Revenue (%)	9.9	3.6	Interest/Revenue (%)	9.1	3.5

Comparing the three alternative planned borrowing options (S2, S3 and S4) using the above debt management performance (DMP) indicators (2025) with the baseline as a reference debt strategy (S1) revealed that S3 will result in a higher cost (debt burden) and risk exposure in all the DMP indicators, followed by S4 and S2, which shows less debt burden and moderate exposure to risk if the option is employed to raise the required amount of funding.

5,2.1 Debt/Revenue

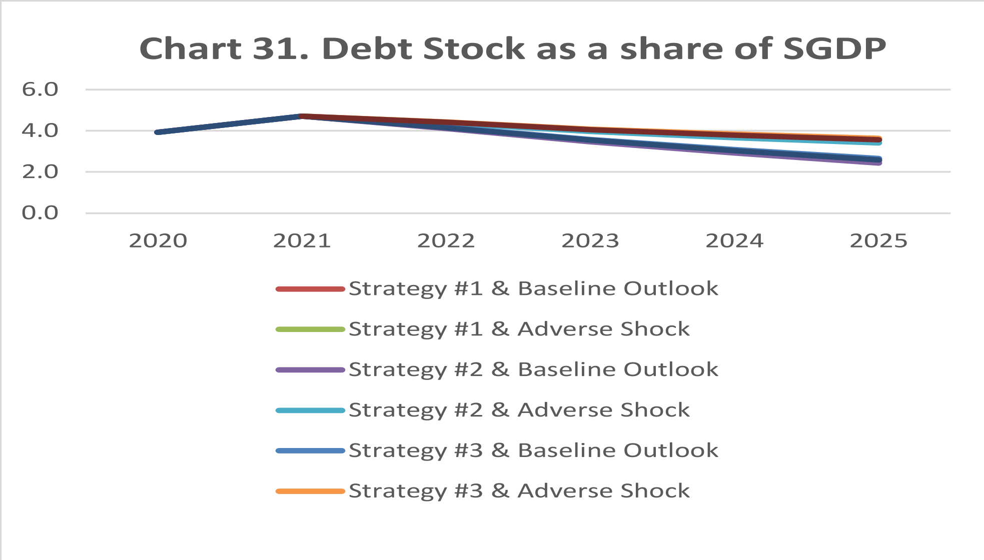
The State projected Debt Stock/Revenue under the four strategies (Chats 31 and 32) presented the Debt Stock as a percentage of Revenue for the baseline scenario for the period 2021-2025:

Debt Stock as % of Revenue (including grants and excluding other capital receipts)

Baseline Outlook	2021	2022	2023	2024	2025 (Cost)	RISK
S1	186.1	159.9	141.2	120.5	103.6	56.2
S2	186.1	158.7	138.7	117.0	99.0	55.7
S3	186.1	161.0	143.4	123.9	108.0	56.7
S4	186.1	160.4	142.1	121.8	105.2	56.4

The above table reflected the structures of the debt burden and risk exposure based on the selected strategy of the debt portfolio and S2 option offers a minimal cost associated with moderate risk.

The cost and risk which is measured in 2025 for the baseline and the worst adverse scenario of each debt strategy explained in (5.2.1) revealed the elements and patterns of the cost-risk trade-off for the four strategies (Charts 31 and 32) with S3 on the extreme top right of the plot, S4 slightly below, S1 following downward and S2 at the bottom left of the plot which implies to be a more sustainable debt portfolio, minimal cost-risk trade off.



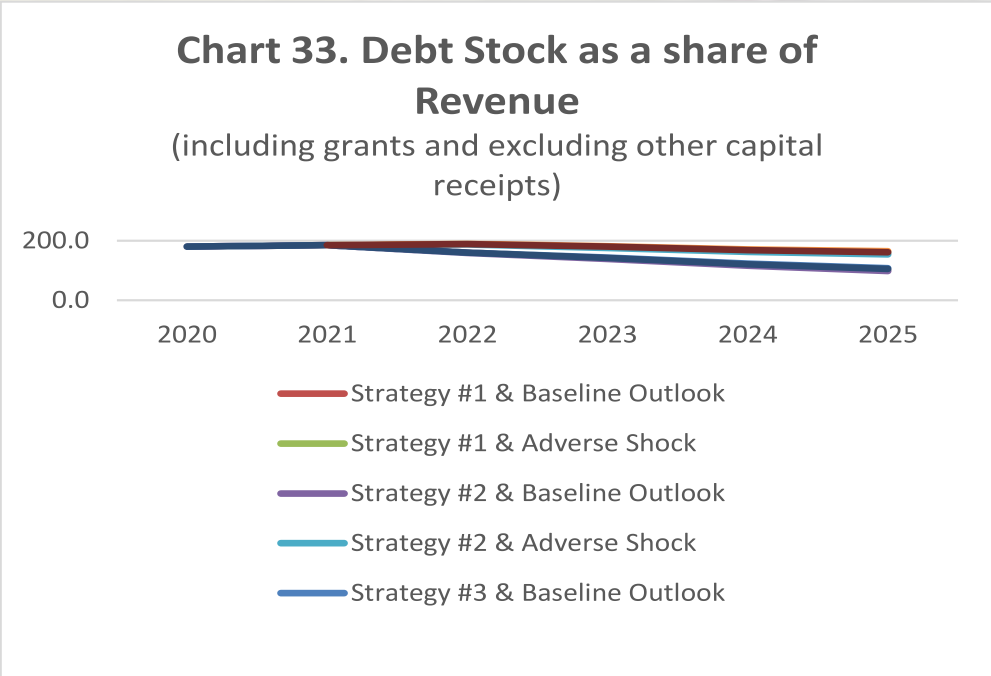
5,2,2 **Debt Services/Revenue**

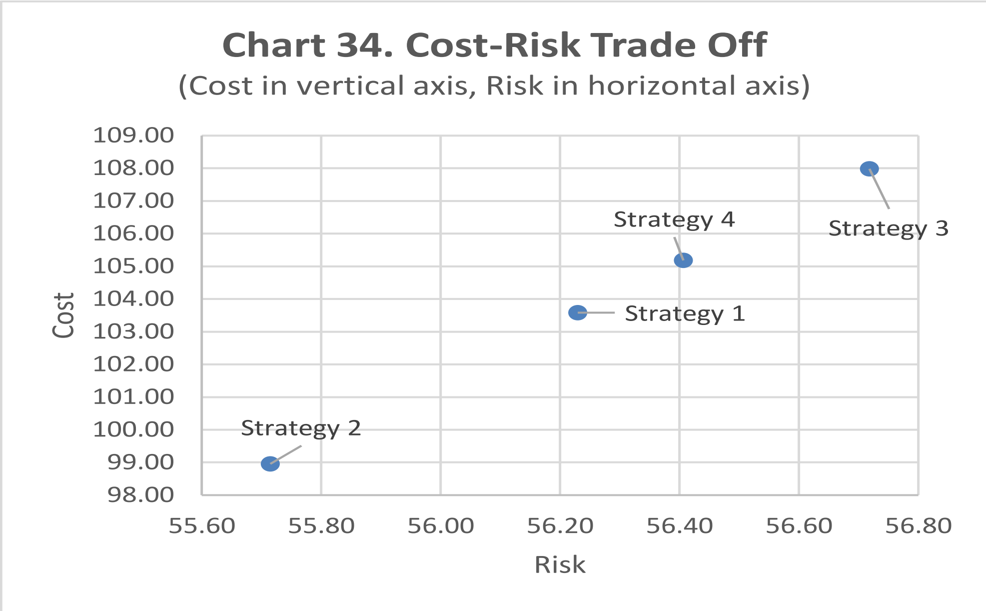
The projected Debt Services/Revenue under the four strategies (Charts 33 and 34) presented the Debt Services as a percentage of Revenue for the baseline scenario for the period 2021-2025:

Debt Service as %of Revenue (including grants and excluding other capital receipts)

Baseline Outlook	2021	2022	2023	2024	2025 (Cost)	RISK
S1	16.0	20.6	24.0	22.0	20.4	4.8
S2	16.0	19.4	21.9	19.7	17.6	4.4
S3	16.0	21.7	26.2	24.3	22.8	5.0
S4	16.0	21.1	24.8	22.5	20.8	4.8

In a similar way the Debt Services/Revenue table above reflected the structures of the debt burden and risk exposure based on the selected strategy of the debt portfolio and S2 option offers a minimal cost associated with moderate risk compared to the baseline strategy (S1) and other alternative strategies (S3 and S4).
The cost and risk, measured in 2025 for the baseline and the worst adverse scenario of each debt strategy revealed the basics and outlines of the cost-risk trade-off for the four strategies (Charts 33 and 34) with S3 on the extreme top right of the plot, S4 slightly below, S1 following downward and S2 at the bottom left of the plot which implies to be a more sustainable debt portfolio, minimal cost-risk trade off.





5.2.3 Interest/Revenue

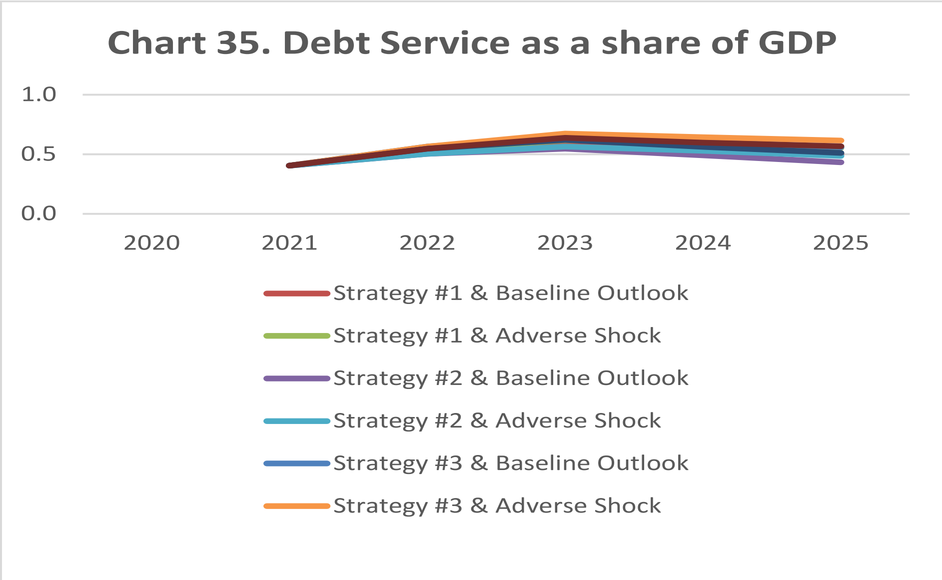
The projected Interest/Revenue under the four strategies (Charts 35 and 36) presented the interest as a percentage of Revenue for the baseline scenario for the period 2021-2025:

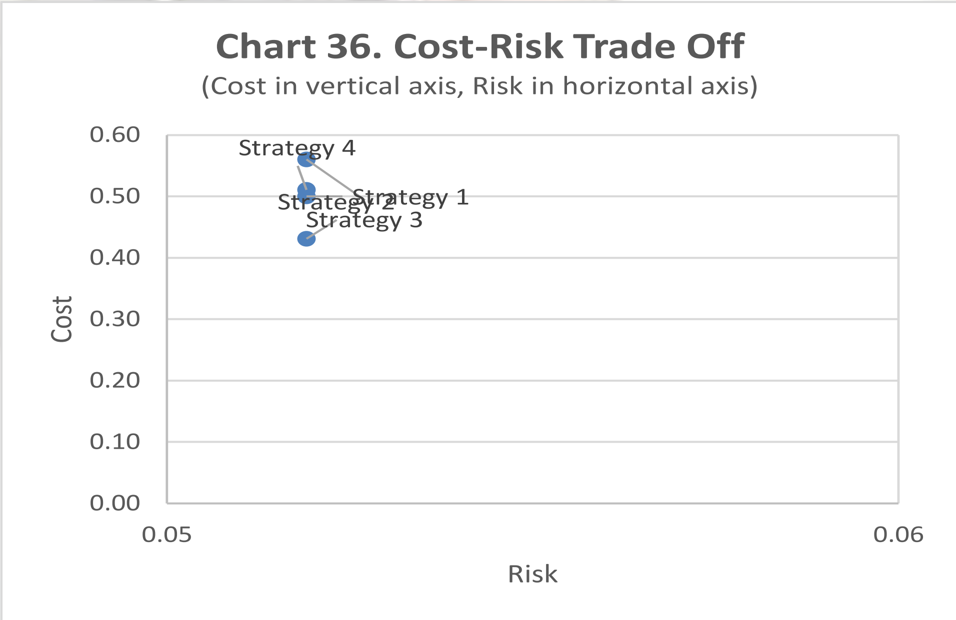
Interest as % of Revenue (including grants and excluding other capital receipts)

Baseline Outlook	2021	2022	2023	2024	2025 (Cost)	RISK
S1	7.5	13.8	11.7	10.1	8.6	3.5
S2	7.5	12.6	10.4	8.8	7.3	3.3
S3	7.5	14.9	13.0	11.4	9.9	3.6
S4	7.5	14.3	12.2	10.5	9.1	3.5

Likewise, the Interest/Revenue table above reflected the structures of the debt burden and risk exposure based on the selected strategy of the debt portfolio and S2 option offers a minimal cost associated with moderate risk compared to the baseline strategy (S1) and other alternative strategies (S3 and S4).

The cost and risk, measured in 2025 for the baseline and the worst adverse scenario of each debt strategy revealed the interest elements and outlines of the cost-risk trade-off for the four strategies (Charts 35 and 36) with S3 on the top of the plot, S4 slightly below, S1 following downward and S2 at the bottom of the plot which implies to be a more sustainable debt portfolio, minimal cost-risk trade off.





5.2.4 **DMS Assessment**

From the key observations concerning the cost-risk profile observed in the four DMSs (S1-S4) the reference strategy (S1) presented a medium level of debt portfolio with moderate debt burden and associated risk for the State. Comparing with the alternative's options presented (S2, S3 and S4), the choice of either S4 or S3 debt portfolio by the State will lead to more debt burden based on their cost-risk profiles and debt management performance outlooks – 2021-2025 (Sections 5.2.1-5.2.3). On the other hand, S2 provides a relatively low burden debt portfolio for the State to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk considering its cost-risk profile and the DMP outlook (Sections 5.2.1-5.2.3).

The analysis of the DMS revealed that under the reference debt strategy (S1), there are still rooms for improvement with the current public debt portfolio (as of end-2020(**N140,633 million**) and the portfolio expected by 2025 (**N157,607 million**) looking at its (S1) medium level of debt portfolio with moderate debt burden and associated risk profile which is consistent with the State's debt-management objectives (Section 1.0).

In other words, as a consequence of the borrowings envisaged in the reference debt-management strategy (S1), the cost of carrying debt and the exposure to market risks, that is the interest burden and debt-service obligations will be reduced (relative to revenue). In addition, the exposure to currency risk and rollover risk will be mitigated. The share of foreign-currency debt will be reduced from 0.06% at end-2020 to 0.00% at end-2025. The share of public debt maturing in one year or less will be reduced from 28% at end-2020 to 20% at end-2025.

Sign:

Hon. Commissioner for Finance and Economic Planning

Annex I: Table Assumptions of the Benue State DSA-DMS Template

2021		Projection Methodology
Assumptions:		
Economic activity	State GDP (at current prices)	
Revenue	**Revenue**	
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	This is expected to increase at an average growth rate of 12%, 2021-2030 because of the new reforms and diversifications in the Agricultural economy. the current recession largely due to global oil price fluctuation which will likely pick up by the end of third quarter 2021. "Projections start from the aggregate federation projection that are consistent with the nominal GDP forecast for 2021-2030 and the Federal DSA 2020. State allocations for each of these components are estimated using formulas based on fixed shares (Gross Statutory Allocation) or historical shares (Derivation, VAT).".
	1.a. of which Net Statutory Allocation ('net' means of deductions)	
	1.b. of which Deductions	
	2. Derivation (if applicable to the State)	
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	

	4. VAT Allocation	This is expected to increase at the growth rate of 11.5%, 2021-2030 because of the new reforms and diversifications in the Agricultural economy. The current recession largely due to global oil price fluctuation was projected to pick up by the end of third quarter 2021. "Projections start from the aggregate federation projection that are consistent with the nominal GDP forecast for 2021-2030 and the Federal DSA 2020. State allocations for each of these components are estimated using formulas based on fixed shares (Gross Statutory Allocation) or historical shares (Derivation, VAT).".
	5. IGR	There will be 10% average growth rate because of impact of taskforce on revenue drive, efficient and effective tax audit, improvement in revenue sources and use of automated revenue collection and remittance processes. It is based on the Ten-year projections by BIRS.
	6. Capital Receipts	
	6.a. Grants	It will increase by 1.4% on average based on the expectation of World Bank Disbursements resulting from performance for result program of the SFTAS old and new DLIs (2021-2030).
	6.b. Sales of Government Assets and Privatization Proceeds	

	6.c. Other Non-Debt Creating Capital Receipts	It will increase by 1% based on the expectation of World Bank Disbursements resulting from performance for result program of the SFTAS old and new DLIs.
Expenditure	**Expenditure**	
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	This will increase on average by 8% from 2021-2030, based on the intention of the State Government to rationalize the work force through personnel audit and new skills acquisition as well as improvement in doing things couple with the retirement of staff from the Service and the need for staff replacement.
	2. Overhead costs	This will increase by 9% growth rate (2021-2030) due to the new wave of Covid Impacts and exigencies of the established new Offices e.g., State DMO, State FRC, State PPC and others, more so as the cost of governance increases.
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Where fiscal constraints are marginal cost minimization will be strictly applied going forward
	5. Capital Expenditure	There will be an increment of 24% (2021-2030), growth rate because of the on-going and planned commitments in infrastructural development.

Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	Cash balance will increase by 5% (2022-2030) going forward as reserves for capital investments
Debt Amortization and Interest Payments	**Debt Outstanding at end-2020**	
	External Debt - amortization and interest	
	Domestic Debt - amortization and interest	
	New debt issued/contracted from 2021 onwards	
	New External Financing	**Borrowing Terms for New External Debt: interest rate (2%), maturity (30-40 years) and grace period (1-2years)**
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Benue State Government is part of the agreement for the planned Covid-19 External loan borrowing by the FGN from the World Bank and AfDB's concessional and bilateral windows from 2025-2030, to be on-lent to the States.
	External Financing - Bilateral Loans	
	Other External Financing	
	New Domestic Financing	**Borrowing Terms for New Domestic Debt: average interest rate (14%), maturity (7-20 years) and grace period (0.2-0.6 years)**
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	**The main new domestic borrowing category would be sourced from Commercial Bank (Loans) at an average interest rate of 14% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 9% for maturity of 20 years; State Bonds to be sourced from capital markets at an average interest rate of 14% for maturity of 7 years or longer) and other Domestic**
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	

		Financing (FGN BOND) at an average interest rate of 14% for maturity of 18 years.
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**	
	New Domestic Financing in Million Naira	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	**The main new domestic borrowing category would be sourced from Commercial Bank (Loans) at an average interest rate of 14% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 9% for maturity of 20 years; State Bonds to be sourced from capital markets at an average interest rate of 14% for maturity of 7 years or longer) and other Domestic Financing (FGN BOND) at an average interest rate of 14% for maturity of 18 years.**
	State Bonds (maturity 1 to 5 years)	State Bonds to be sourced from capital markets at an average interest rate of 14% for maturity of 7 years or longer) and other Domestic Financing (FGN BOND) at an average interest rate of 14% for maturity of 18 years.
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	
	New External Financing in Million US Dollar	

	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	**Benue State Government is part of the agreement for the planned Covid-19 External loan borrowing by the FGN from the World Bank and AfDB's concessional and bilateral windows from 2025-2030, to be on-lent to the States. as external financing category in addition to the FGN/ WB SFTAS grants-based programme**
	External Financing - Bilateral Loans	
	Other External Financing	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**	
	New Domestic Financing in Million Naira	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	**The main new domestic borrowing category would be sourced from Commercial Bank (Loans) at an average interest rate of 14% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 9% for maturity of 20 years.**
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral Loans	
	Other External Financing	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**	
	New Domestic Financing in Million Naira	

	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	State Bonds to be sourced from capital markets at an average interest rate of 14% for maturity of 7 years or longer) and other Domestic Financing (FGN BOND) at an average interest rate of 14% for maturity of 18 years.
	Other Domestic Financing	
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral Loans	
	Other External Financing	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**	
	New Domestic Financing in Million Naira	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	**The main new domestic borrowing category would be sourced from Commercial Bank (Loans) at an average interest rate of 14% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 9% for maturity of 20 years.**
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	State Bonds to be sourced from capital markets at an average interest rate of 14% for maturity of 7 years or longer) and other Domestic Financing (FGN BOND) at an average interest rate of 14% for maturity of 18 years.
	Other Domestic Financing	

	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Benue State Government is part of the agreement for the planned Covid-19 External loan borrowing by the FGN from the World Bank and AfDB's concessional and bilateral windows from 2025-2030, to be on-lent to the States. as external financing category in addition to the FGN/ WB SFTAS grants-based programme.
	External Financing - Bilateral Loans	Benue State Government is part of the agreement for the planned Covid-19 External loan borrowing by the FGN from the World Bank and AfDB's concessional and bilateral windows from 2025-2030, to be on-lent to the States. as external financing category in addition to the FGN/ WB SFTAS grants-based programme
	Other External Financing	

Annex II: Historical and projections of the S1_Baseline Scenario

Indicator	Actuals					Projections									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Baseline SCENARIO														
Economic Indicators															
State GDP (at current prices)	2,385,768.00	2,461,234.00	2,982,892.00	3,338,708.00	3,578,569.00	4,268,259.00	4,732,672.00	5,229,110.00	5,686,971.00	6,196,978.00	6,765,861.00	7,386,967.00	8,065,091.00	8,805,466.00	9,613,808.00
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00
Fiscal Indicators (Million Naira)															
Revenue	**46,339.00**	**58,147.00**	**71,991.00**	**85,622.00**	**89,927.00**	**177,917.65**	**126,252.13**	**134,953.49**	**145,542.17**	**156,650.89**	**174,822.00**	**170,047.57**	**184,975.69**	**214,412.58**	**228,023.04**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	22,862.00	34,357.00	47,741.00	46,178.00	38,014.00	56,581.39	65,193.40	67,281.95	72,252.50	75,564.59	77,896.44	71,909.44	78,960.48	97,539.61	100,178.99

1.a. of which Net Statutory Allocation ('net' means of deductions)	14,787.00	27,349.00	41,122.00	39,147.00	26,629.00	42,887.80	50,289.47	51,740.56	56,179.22	59,995.45	63,549.97	63,197.31	69,642.21	82,158.71	87,044.87
1.b. of which Deductions	8,075.00	7,008.00	6,619.00	7,031.00	11,385.00	13,693.60	14,903.93	15,541.39	16,073.28	15,569.14	14,346.47	8,712.12	9,318.27	15,380.91	13,134.12
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	5,536.00	4,309.00	1,919.00	3,864.00	4,569.00	4,253.00	4,423.12	4,600.04	4,784.05	4,975.41	5,174.42	5,381.40	5,596.66	5,820.52	6,053.35
4. VAT Allocation	9,197.00	10,912.00	12,333.00	13,143.00	15,969.00	25,748.23	30,105.40	34,219.00	38,619.56	43,586.04	48,744.01	54,512.37	60,963.37	68,177.77	76,245.93
5. IGR	8,744.00	8,569.00	9,998.00	17,179.00	10,464.00	12,573.00	13,830.00	15,213.00	16,734.00	18,408.00	20,249.00	22,274.00	24,501.00	26,951.00	29,646.00
6. Capital Receipts	0.00	0.00	0.00	5,258.00	20,911.00	78,762.02	12,700.21	13,639.50	13,152.06	14,116.86	22,758.13	15,970.36	14,954.19	15,923.67	15,898.78
6.a. Grants	0.00	0.00	0.00	0.00	8,798.00	8,973.96	9,153.44	9,336.51	9,523.24	9,618.47	9,714.66	9,811.80	9,909.92	10,009.02	10,109.11
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	5,258.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	0.00	0.00	0.00	0.00	102.00	103.02	104.05	105.09	106.14	107.20	108.28	109.36	110.45	111.56	112.67
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	0.00	0.00	0.00	0.00	12,011.00	69,685.04	3,442.72	4,197.90	3,522.68	4,391.19	12,935.20	6,049.20	4,933.82	5,803.10	5,677.00
Expenditure	**87,215.77**	**88,987.77**	**84,855.77**	**83,192.87**	**88,232.00**	**94,716.47**	**126,002.83**	**134,691.72**	**145,267.32**	**156,362.30**	**173,609.90**	**170,638.47**	**184,641.60**	**214,061.79**	**227,654.71**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	23,393.00	17,262.00	32,491.00	31,000.00	33,597.00	34,940.88	45,423.14	46,331.61	48,648.19	52,540.04	58,319.45	58,902.64	61,847.77	70,804.77	68,843.69
2. Overhead costs	5,568.00	29,969.00	28,543.00	30,502.00	31,019.00	32,259.76	41,937.69	42,357.06	46,592.77	48,922.41	53,814.65	54,846.91	57,863.49	66,227.65	70,815.74
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	6,545.24	6,268.24	5,756.24	6,136.24	6,760.00	8,149.96	16,929.73	15,345.71	14,359.74	13,152.67	11,718.97	11,177.73	11,407.79	11,506.97	11,748.15
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	0.00	0.00	0.00	0.00	2,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Capital Expenditure	26,396.00	12,838.00	4,697.00	6,956.00	8,400.00	10,248.00	13,322.40	14,654.64	18,757.94	23,900.39	31,070.50	34,177.55	43,622.98	56,709.88	68,618.95
6. Amortization (principal) payments	25,313.53	22,650.53	13,368.53	8,598.63	6,456.00	9,117.87	8,389.87	16,002.70	16,908.68	17,846.79	18,686.33	11,533.64	9,899.56	8,812.52	7,628.17
Budget Balance (' + ' means surplus, ' - ' means deficit)	**-40,876.77**	**-30,840.77**	**-12,864.77**	**2,429.13**	**1,695.00**	**83,201.18**	**249.30**	**261.77**	**274.85**	**288.60**	**1,212.10**	**-590.90**	**334.09**	**350.79**	**368.33**
Opening Cash and Bank Balance	**2,243.00**	**-38,633.77**	**-69,474.54**	**-82,339.31**	**-79,910.18**	**-78,215.18**	**4,986.00**	**5,235.30**	**5,497.07**	**5,771.92**	**6,060.51**	**7,272.62**	**6,681.72**	**7,015.80**	**7,366.59**
Closing Cash and Bank Balance	**-38,633.77**	**-69,474.54**	**-82,339.31**	**-79,910.18**	**-78,215.18**	**4,986.00**	**5,235.30**	**5,497.07**	**5,771.92**	**6,060.51**	**7,272.62**	**6,681.72**	**7,015.80**	**7,366.59**	**7,734.92**
Financing Needs and Sources (Million Naira)															
Financing Needs						**69,788.06**	**3,546.77**	**4,302.99**	**3,628.83**	**4,498.39**	**13,043.48**	**6,158.56**	**5,044.27**	**5,914.65**	**5,789.67**
i. Primary balance						30,680.95	22,022.13	27,307.19	27,914.45	26,789.66	18,573.93	15,961.91	16,597.17	14,755.63	13,954.98
ii. Debt service						17,267.83	25,319.60	31,348.41	31,268.42	30,999.46	30,405.30	22,711.36	21,307.35	20,319.49	19,376.32

Amortizations						9,117.87	8,389.87	16,002.70	16,908.68	17,846.79	18,686.33	11,533.64	9,899.56	8,812.52	7,628.17
Interests						8,149.96	16,929.73	15,345.71	14,359.74	13,152.67	11,718.97	11,177.73	11,407.79	11,506.97	11,748.15
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						83,201.18	249.30	261.77	274.85	288.60	1,212.10	-590.90	334.09	350.79	368.33
Financing Sources						**69,788.06**	**3,546.77**	**4,302.99**	**3,628.83**	**4,498.39**	**13,043.48**	**6,158.56**	**5,044.27**	**5,914.65**	**5,789.67**
i. Financing Sources Other than Borrowing						103.02	104.05	105.09	106.14	107.20	108.28	109.36	110.45	111.56	112.67
ii. Gross Borrowings						69,685.04	3,442.72	4,197.90	3,522.68	4,391.19	12,935.20	6,049.20	4,933.82	5,803.10	5,677.00
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	3,442.70	891.90	0.00	1,381.60	1,357.00	2,384.40	1,567.50	1,628.90	1,174.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						23,637.12	0.00	0.00	0.00	3,009.60	0.00	3,664.80	0.00	0.00	1,276.20
State Bonds (maturity 1 to 5 years)						46,047.90	0.00	3,306.00	3,522.70	0.00	0.00	0.00	3,366.30	4,174.20	0.00
State Bonds (maturity 6 years or longer)						0.00	0.00	0.00	0.00	0.00	8,546.20	0.00	0.00	0.00	3,226.80
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	3,032.00	0.00	0.00	0.00	0.00
Residual Financing						0.02	0.02	0.00	-0.02	-0.01	0.00	0.00	0.02	0.00	0.00
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**97,646.64**	**102,643.30**	**115,227.68**	**112,580.73**	**140,633.12**	**201,200.29**	**196,253.14**	**184,448.33**	**171,062.34**	**157,606.74**	**151,855.61**	**146,371.17**	**141,405.43**	**138,396.01**	**136,444.83**
External	8,861.64	11,008.30	13,879.68	12,480.73	14,508.12	14,307.25	14,106.38	13,905.51	13,704.64	13,503.77	16,244.90	12,922.03	12,631.16	12,340.29	12,049.42
Domestic	88,785.00	91,635.00	101,348.00	100,100.00	126,125.00	186,893.04	182,146.76	170,542.82	157,357.70	144,102.97	135,610.71	133,449.14	128,774.27	126,055.72	124,395.41
Gross borrowing (flow)						**69,685.04**	**3,442.72**	**4,197.90**	**3,522.68**	**4,391.19**	**12,935.20**	**6,049.20**	**4,933.82**	**5,803.10**	**5,677.00**
External						0.00	0.00	0.00	0.00	0.00	3,032.00	0.00	0.00	0.00	0.00
Domestic						69,685.04	3,442.72	4,197.90	3,522.68	4,391.19	9,903.20	6,049.20	4,933.82	5,803.10	5,677.00
Amortizations (flow)	**25,447.19**	**22,812.07**	**13,730.45**	**8,825.78**	**13,751.87**	**9,117.87**	**8,389.87**	**16,002.70**	**16,908.68**	**17,846.79**	**18,686.33**	**11,533.64**	**9,899.56**	**8,812.52**	**7,628.17**
External	134.19	162.07	162.45	172.78	200.87	200.87	200.87	200.87	200.87	200.87	290.87	3,322.87	290.87	290.87	290.87
Domestic	25,313.00	22,650.00	13,568.00	8,653.00	13,551.00	8,917.00	8,189.00	15,801.83	16,707.81	17,645.92	18,395.46	8,210.77	9,608.69	8,521.65	7,337.30
Interests (flow)	**6,605.77**	**6,341.39**	**5,829.56**	**6,214.24**	**8,175.96**	**8,149.96**	**16,929.73**	**15,345.71**	**14,359.74**	**13,152.67**	**11,718.97**	**11,177.73**	**11,407.79**	**11,506.97**	**11,748.15**
External	60.77	73.39	73.56	78.24	90.96	94.96	99.96	104.96	109.96	111.96	110.96	110.96	109.96	108.96	108.96
Domestic	6,545.00	6,268.00	5,756.00	6,136.00	8,085.00	8,055.00	16,829.77	15,240.75	14,249.78	13,040.71	11,608.01	11,066.77	11,297.83	11,398.01	11,639.19
Net borrowing (gross borrowing minus amortizations)						**60,567.17**	**-4,947.15**	**-11,804.81**	**-13,385.99**	**-13,455.60**	**-5,751.13**	**-5,484.44**	**-4,965.74**	**-3,009.43**	**-1,951.18**
External						-200.87	-200.87	-200.87	-200.87	-200.87	2,741.13	-3,322.87	-290.87	-290.87	-290.87
Domestic						60,768.04	-4,746.28	-11,603.94	-13,185.12	-13,254.73	-8,492.26	-2,161.57	-4,674.87	-2,718.56	-1,660.31

	Debt and Debt-Service Indicators																
Indicator 1_baseline	Debt Stock as % of SGDP		4.09	4.17	3.86	3.37	3.93	4.71	4.15	3.53	3.01	2.54	2.24	1.98	1.75	1.57	1.42
Indicator 2_baseline	Debt Stock as % of Revenue (including grants and excluding other capital receipts)		210.72	176.52	160.06	140.09	180.73	186.07	159.94	141.18	120.54	103.58	93.87	89.31	78.59	66.38	61.40
Indicator 3_baseline	Debt Service as % of SGDP							0.40	0.53	0.60	0.55	0.50	0.45	0.31	0.26	0.23	0.20
Indicator 4_baseline	Debt Service as % of Revenue (including grants and excluding other capital receipts)							15.97	20.63	23.99	22.03	20.37	18.79	13.86	11.84	9.75	8.72
Indicator 5_baseline	Interest as % of SGDP							0.19	0.36	0.29	0.25	0.21	0.17	0.15	0.14	0.13	0.12
Indicator 6_baseline	Interest as % of Revenue (including grants and excluding other capital receipts)							7.54	13.80	11.75	10.12	8.64	7.24	6.82	6.34	5.52	5.29
	Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							32.31	37.02	35.46	34.28	34.53	36.05	35.94	34.37	33.96	30.98
	Adverse Shock Scenario is defined by the worst performance indicator measured in year 2025																
	For Debt Stock as % of SGDP the adverse shock is: Exchange Rate	Exchange Rate															
Indicator 1_shock	Debt Stock as % of SGDP							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Exchange Rate	Exchange Rate															
Indicator 2_shock	Debt Stock as % of Revenue (including grants and excluding other capital receipts)							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	For Debt Service as % of SGDP the adverse shock is: Exchange Rate	Exchange Rate															
Indicator 3_shock	Debt Service as % of SGDP							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Exchange Rate	Exchange Rate															
Indicator 4_shock	Debt Service as % of Revenue (including grants and excluding other capital receipts)							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	For Interest as % of SGDP the adverse shock is: Exchange Rate	Exchange Rate															
Indicator 5_shock	Interest as % of SGDP							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Indicator 6_shock	For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Exchange Rate Interest as % of Revenue (including grants and excluding other capital receipts)	Exchange Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Annex III: Minimum Requirements to Achieve DLI 7.2 on State DSA-DMS Report in 2021

DLR description as per DLI Matrix & Definition/Description of DLR achievement
Annual state debt sustainability analysis and medium-term debt management strategy published by end of December 2021 States publish an annual State Debt Sustainability Analysis and Debt Management Strategy Report (SDSA-DMSR) by December 31, 2021. The SDSA-DMSR must include the following: (1) medium-term budget forecasts; (2) detailed description of the debt portfolio and borrowing options; including a summary analysis of the projections of performance indicators used to assess Debt Management Strategy, and their implications for cost-risk profile of State debt portfolio in 2025; and (3) analysis of the debt and fiscal figures in the preceding calendar year. The SDSA-DMSR must be published on a state official website. See below for the detailed definition of the **minimum requirements** of the SDSA-DMSR for Year 2021.
The SDSA-DMSR 2021 must include: **For *(1) medium-term budget (MTB) forecasts*, the SDSA-DMSR 2021 must contain:** **1.1 Presentation of MTB forecasts in either a table OR chart(s) (OR both table and chart(s)) with projected annual figures from 2021 to 2024 for all of the following variables:** - Revenues: Total Revenues, FAAC, Derivation (if applicable), IGR, Capital Receipts, and Grants. - Expenditures: Total Expenditures, Personnel Costs, Overhead Costs, Interest Payments, Capital Expenditures, and Amortization Payments. - Budget Balance. **AND** **1.2 Description of assumptions underpinning the MTB forecasts from 2021 to 2024: either a table with assumptions OR corresponding explanations in writing (OR both) for all of the following variables:** - Revenues: Total Revenues, FAAC, Derivation (if applicable), IGR, Capital Receipts, and Grants. - Expenditures: Total Expenditures, Personnel Costs, Overhead Costs, Interest Payments, Capital Expenditures, and Amortization Payments. - Budget Balance. **AND**

1.3 A summary analysis of MTB forecasts and their implications for fiscal and debt policies throughout the period 2021-2024: analysis (in writing) of whether and how the MTB forecasts inform the prospective fiscal and debt policies to be adopted at least in 2021 (for example, a commentary on whether fiscal adjustments should be adopted to preserve debt sustainability, or whether there is sufficient fiscal space to adopt expansionary policies or support public investment).

AND

1.4 The presentation and analysis in the entire forecast period need to be of adequate quality, and do not contain:

i) negative figures for revenue, expenditure or debt variables (budget balance can be negative);

ii) contradictory or illogical statements or arguments (for example, the written text contains wrong assertions such as 'sustainability is strengthened when the fiscal indicators deteriorate');

iii) inconsistencies between the written assessment and the data, assumptions and projections presented in the document (for example, the written text refers to figures and projections significantly different from those reported in the tables and charts).

For *(2) detailed description of the debt portfolio and borrowing options*, the SDSA-DMSR 2021 must contain:

2.1 Presentation of debt and borrowing projections in the baseline scenario: either a table OR charts (OR both) with projected figures from 2021 to 2030 for all of the following variables:

- Debt Stock.
- Debt as % of Revenues.
- Debt Services as % of Revenues.
- Borrowings (requirements and/or sources).
- Debt stock as % of State GDP, *ONLY for states for which the official State GDP figures have been published by the National Bureau of statistics. Other states, can do this on an optional basis.*

AND

2.2 Description of assumptions underpinning the borrowing options presented: either a table with assumptions OR corresponding explanations in writing (OR both) for all of the following variables:

- Borrowing Sources (for example, external and domestic borrowings).
- Financing Terms (for example, maturity, interest rates, currency).

AND

2.3 A summary analysis of the debt projections and their implications for debt sustainability and fiscal policies throughout the period 2021-2030: analysis (in writing) of:

(i) whether debt projections and thresholds suggest the State debt is sustainable (or not) over the medium- to long-term; AND

(ii) what fiscal policies can help preserve (or restore) debt sustainability (for example, a commentary—based on comparisons between debt projections and thresholds in the baseline scenario and shock scenarios—on (a) whether the State debt is sustainable (or not), and (b) what fiscal and debt policies should be adopted to preserve (or restore) debt sustainability).

AND

2.4 A summary analysis of the projections of performance indicators used to assess DMS throughout the period 2021-2025, and their implications for cost-risk profile of State debt portfolio in 2025. The analysis (in writing) should describe:

(i) whether DMS-related performance indicators suggest the State debt is affordable and resilient to shocks (or not) over the medium-term, and

(ii) what debt-management policies can help preserve (or restore) an adequate balance between cost of carrying debt and the exposure to risks. For example, a commentary—based on comparisons between projections of DMS-related performance indicators in the baseline scenario and most-adverse shock scenarios—on (i) whether the cost-risk profile of the State debt under the reference strategy is acceptable (or not), and (ii) what debt-management policies should be adopted to mitigate the cost and risk of the State debt portfolio.

AND

2.5 The presentation and analysis in the entire forecast period need to be of adequate quality, and not contain:

- (i) negative figures for debt and borrowing projections;
- (ii) contradictory or illogical statements or arguments (for example, the written text contains wrong assertions such as 'sustainability is strengthened when the debt indicators deteriorate');
- (iii) inconsistencies between the written assessment and the data, assumptions and projections presented in the document (for example, the written text refers to figures and projections significantly different from those reported in the tables and charts).

For *(3) analysis of the debt and fiscal annual figures in the preceding calendar year,* the SDSA-DMSR 2021 must contain:

3.1 Presentation of revenue, expenditure, budget balance, and debt information, at least for 2020: either a table OR charts (OR both table and chart(s)) with historical figures for at least 2020 (but can extend to years preceding 2020) all of for the following variables:

- Revenues: Total Revenues, FAAC, Derivation (if applicable), IGR, Capital Receipts, and Grants.
- Expenditures: Total Expenditures, Personnel Costs, Overhead Costs, Interest Payments, Capital Expenditures, and Amortization Payments.
- Budget Balance.
- Debt Stock.
- Debt as % of Revenues.

AND

3.2 A summary analysis of the information presented on revenue, expenditure, budget balance, and debt in 2020: analysis (in writing) of fiscal and debt situation in 2020 (for example, a commentary on budget and debt outcomes and economic trends, what may have affected them).

AND

3.3 A summary analysis (in writing) of the consistency between:

- i) the fiscal and debt information for 2020 presented in the SDSAR 2021 and;
- ii) the fiscal and debt information presented in the 2020 Financial Statement and the 2020 Q4 State Debt Report.

AND

3.4 The presentation and analysis in the entire historical period need to be of adequate quality, and not contain:

- i) negative values for revenue, expenditure, debt service or debt stock figures;
- ii) contradictory or illogical statements or arguments (for example, the written text contains wrong assertions such as 'sustainability is strengthened when the debt indicators deteriorate');
- iii) inconsistencies between the written assessment and the data, assumptions and projections presented in the document (for example, the written text refers to figures significantly different from those reported in the tables and charts).

<u>Data Sources</u>

- **State Ministry of Finance** for: (1) the quarterly SDDR (submitted to the DMO and acknowledgements); (2) the 2020 SDSAR; and (3) the 2021 SDSA-DMSR.
- **State official website(s)** for the published 2020 SDSAR and 2021 SDSA-DMSR.
- **State Debt Management Departments (DMDs**) for additional information (if requested by the IVA).

- **(Federal) Debt Management Office (DMO)** for: (1) the guidelines and templates provided by DMO for the SDDR, the SDSAR, and the SDSA-DMSR; (2) the standard internal protocols used by DMO for reviewing and approving SDDR, assessing the SDSAR and assessing the SDSA-DMSR; (3) the State Domestic and External Debt Report (SDEDR) and supporting documentation (format and content detailed in DLI 9 for each state; (4) DMO's assessment of the SDSAR; and (5) DMO's assessment of the SDSA-DMSR.

Annex IV: List of Benue State Technical Team for the DSA-DMS Report in 2021

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1	*EDIGBO, I. JOHN*	DEBT MANAGEMENT OFFICE	*AG. DIRECTOR GENERAL*	*07037773491*	*IKAWU2003@YAHOO.COM*
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