



BENUE STATE

GOVERNMENT OF NIGERIA

BENUE STATE GOVERNMENT OF NIGERIA

DEBT SUSTAINABILITY ANALYSIS [DSA-MTDS] REPORT

Developed by the

BENUE STATE DEBT MANAGEMENT OFFICE

In Collaboration with

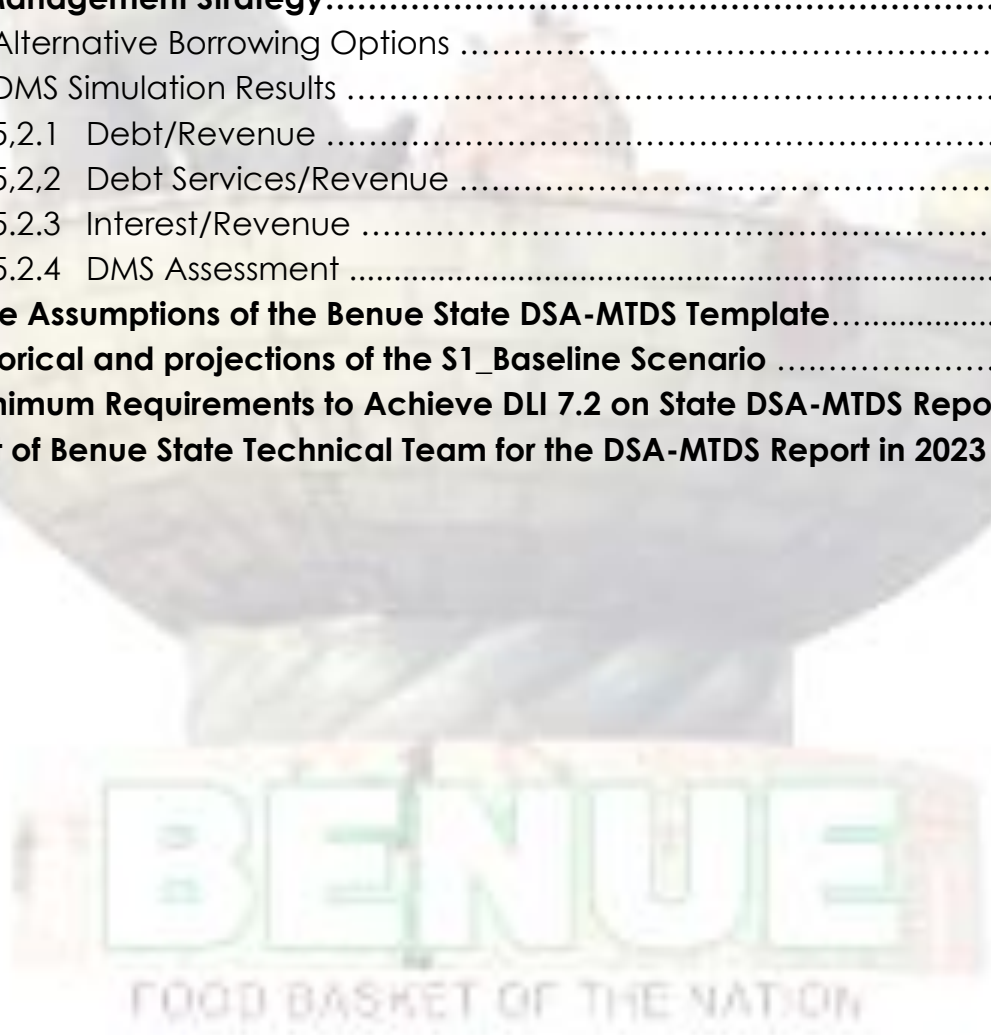
DMO, ABUJA & the World Bank

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BENUE
FOOD BASKET OF THE NATION

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Abbreviation and Acronyms

AFDB/AFDF	African Development Bank/Fund
BENGIS	Benue Geographic Information System
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
ISPO	Irrevocable Standing Payment Order
LGA	Local Government Area
LGCs	Local Government Councils
MDAs	Ministries, Departments and Agencies
MTEF	Medium Term Expenditure Framework
MTDS	Medium Term Debt Strategy
MSMEDF	Micro Small and Medium Enterprises Development Fund
NBS	National Bureau of Statistics
N-CARES	Nigeria Covid-19 Action Recovery and Economic Stimulus
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
SUBEB	State Universal Basis Education Board
WBG	World Bank Group

1.0 Introduction

1.1 Background

The Debt Sustainability Analysis-Medium Term Debt Strategy (DSA-MTDS) 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 2018 – 2022 as well as evaluating and ascertaining the ability of the State to sustain its debt portfolio in the medium to long term (2023 - 2032).

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 MTDS, 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-MTDS will help to ascertain the Benue State Government's Debt Service in the medium and long term, giving the current (2018-2022) and proposed (2023-2032) level of debt requirement for the state's development plan. If before the expiration of one year after a DSA-MTDS, and it happens that there is unexpected significant or extreme change in exchange and interest rates or economic circumstances, the DSA-MTDS should be repeated taking into account the new economic and monetary data.

1.3 Methodology

The steps employed in the DSA-MTDS 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

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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/Board 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-MTDS long-term outlook (2023-2032) for the public debt findings and results of the **DSA-MTDS** 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-MTDS 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); the choice of the DSA-MTDS Baseline reference debt strategy (S1) to minimize the adverse effects of shock's scenarios in the medium-long Terms.

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

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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 (39%) and an admissible exposure to risks (7%). A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance, including external concessional loans and domestic average-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).

1.5 Recommendations

The following debt strategies are strongly recommended as necessary steps to improve the State fiscal profiles in term of borrowing options and preserving debt sustainability going forward:

- I. sustain the key Debt Management Policy objective 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 are within a prudent degree of risk.
- II. pursue a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks by ensuring that the State rely on a mix of sources of finance, including external concessional loans and domestic average cost financing.
- III. set reliable forecasts for the economy and reasonable assumptions concerning the State's budget and financing policies to ensure that the medium-term cost-risk profile for the public debt portfolio are consistent with debt-management objectives.
- IV. use the Debt Sustainability Analysis-Medium Term Debt Strategy (DSA-MTDS) to analyze the State Fiscal profiles, evaluate and ascertain the ability of the State to sustain its debt portfolio in the medium to long term, every year, to achieve these objectives.
- V. promote, institutionalize and strongly implement the existing fiscal reforms, and set more practical fiscal reforms and development policy objectives to serve as catalyst to drive and transform the state in the desired directions.
- VI. strengthen the newly introduced reforms like the Establishment Laws (2020) such as the State Fiscal Responsibility Law (FRL); Debt Management Office (Establishment, etc.) Law (DMOL) and Public Procurement Commission Law

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(PPCL), which regulates the implementation of fiscal policies. The strict compliance with the extant provisions of these Laws is meant to strengthen public debt management and institutionalize greater fiscal responsibility framework, open and competitive public procurement, improving its practices for increased transparency and value for money in the State.

- VII. develop and set realizable Medium-Term Expenditure Framework (**MTEF - Three Year Fiscal Framework**) with Policy Objectives and Targets that will guide the fiscal policy strategies of the yearly Budget and the MTEF, regarding the revenue, expenditure and debt forecasts borrowing option for infrastructure Development and other Investment Plans. The borrowing plan basically is to augment the State total accruable revenue (IGR inclusive) not easily realized or hampered due to the aggregate effects of both internal factors and exogenous market fluctuations on the total revenues, expenditures and debt compared to the original budget or plan.
- VIII. comply with the Medium-Term Debt Strategy borrowing option which gives rooms for improvement with the current public debt portfolio (as of end-2022), that is, a preferred reference debt strategy for the total loans of **₦50,432,464,456.76**, for the 2024 fiscal year in line with the borrowing structure based on the state's debt historical data (2018-2022). Debt is implemented using the **MTDS** (2024-2026) to achieve lower costs and risk objectives, as well as the Debt Sustainability Analysis Framework.
- IX. keep to the borrowing options based on the State policy objectives that motivate the three alternative MTDS borrowing options: mitigate certain risks (currency, interest rate and rollover), develop domestic debt markets, fund specific expenses (such as capital investments and secure liquid assets for cash management).
- X. source from the Commercial Bank - medium term Loans and other Domestic Financing (including the insurance of State Bond) as mix financing at an average cost in order to preserve debt sustainability in the medium to long-term. This strategy minimizes the adverse effects of the shock's scenarios due to the sensitivity of the public debt to economic shocks. It is also more realistic and acceptable for the State debt sustainability as it considers the vulnerability of the State to risk exposure as well as the state policy objectives, and presents a medium level of debt portfolio with moderate debt burden and associated risk for the State as a better cost-risk trade off.
- XI. Minimize marginal fiscal deficits which usually diminish repayment capacity in order to avoid adverse growth of the public debt ratios leading to unsustainable levels in the next few years, improve the State's successful revenue mobilization efforts and current patterns of expenditure growth to maintain debt sustainability.

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- XII. improve on the fiscal reforms, intensify efforts to raise domestic revenue, improve the efficiency of spending, reduce corruption, improve the business environment as well as being consistent with fiscal spending and deficit plans to ensure public debt Sustainability in the medium to long terms.
- XIII. keep public debt sustainable and ensure it does not jeopardize growth and stability as unsustainable debt can lead to debt distress—where a state is unable to fulfill its financial obligations and debt restructuring is required. Defaults can cause borrowing state to lose market access and suffer higher borrowing costs, in addition to harming growth and investment.
- XIV. commit to taking good public debt by ensuring that new borrowing is consistent with fiscal spending and deficit plans, and there is a comprehensive approach that compares the return from contracting debt with the cost of accumulating debt.
- XV. secure debt that finances productive social and infrastructure projects which can lead to higher income that may ultimately offset the cost of debt service.
- XVI. make efforts to improve debt reporting and debt statistics in the context of comprehensive medium-term debt management strategies, and keep to your monthly spending plan based on the Budget-friendly Debt management plans for loan repayments that are affordable in order to address the capacity to repay debt.
- XVII. put in place various Strategic Growth Initiatives in line with the Finance Act, 2020, to raise revenue in order to reduce the quantum of new borrowing and debt service to Revenue ratio of the State.
- XVIII. reflect and note that Government's expenditure is determined by the Fiscal Strategy Paper, which accompanies the Medium-Term Expenditure Framework (MTEF), the 3-year rolling State/FGN Expenditure Plan that specifies the objectives and goals that the Government seeks to achieve; the expenditure items often include human capital and welfare related issues.
- XIX. Maintain flexibility; unlike other forms of debt consolidation, you can cancel a debt management plan at any time if you don't think it's working out for you. Once canceled, you would just resume making normal monthly payments to your creditors.
- XX. Fix end date; Debt management plans are designed to pay off your debts in full within five years, and most are completed within three as the Medium-Term Expenditure Framework and Annual Budgets provide for the Government to meet its expenditure needs based on its objective and policies, as well as meet its domestic and external debt obligations.

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), automation of land and property registration, full implementation of BENGIS, and promotion of friendly environment for ease of doing business, State Statistics Bureau with improved data availability for development planning, investment and research, Budget Intelligence and Efficiency Units, recurrent expenditure policies targeted on reducing the cost of governance, strong security institutions, strengthening of public sector administration as well as management of its finances 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, technical and professional skills of labour force, payroll reform using NIBSS and comprehensive implementation of TSA which also affect the State's fiscal variables like expenditure and improve revenue administration 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). Strict compliance with the extant provisions of these Laws is meant to strengthen public debt management and institutionalize greater fiscal responsibility framework, open and competitive public procurement, improving its practices for increased transparency and value for money in the State.

2.2 Approved 2023 Budget and Medium-Term Expenditure Framework (MTEF) 2024-2026

2.2.1 Approved 2023 Budget

In terms of fiscal outcomes for FY2023 due to the public health impact of Covid-19 which supposedly increased the cost of operations, movements and public service delivery, the focus for the fiscal 2023 approved Budget was to continue to revamp the State educational and health information for human capital development, implement programmes, build arterial and complete other projects that will take the state farther along the path to becoming an economically Self-reliant federating unit of Nigeria.

In line with the State MTEF or Strategic Development Plan, Nigeria COVID-19 Action Recovery and Economic Stimulus (N-CARES), the Budget will intensify the State quest to improve rural infrastructure and provide for COVID relief and recovery, create opportunities for jobs and wealth for the hard-pressed farmers and entrepreneurs by supporting them to grow their operations in keeping with the implementation process, core public management principles and fiscal transparency initiatives. The State will also sustain the implementation of financial management reforms, including the adoption of technology to improve revenue and expenditure tracking, to ensure the prudent management of resources, value for money, accountability and transparency in all Government expenditures.

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The Budget was therefore, approved based on the predicted significantly disruptive impact on the Benue probable revenue and expenditure due to the national macro-economic outlook which remains considerably unpredictable, as already projected in the Federal Government's revised Medium-Term Expenditure Framework. Apparently, the gains in oil price earnings have been overshadowed by the rapidly declining value of Naira, galloping inflation, impacts of fuel subsidy removal, uncertainty over VAT, secessionist agitations/protests and general insecurity.

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 25% going forward because of the new revenue reforms introduced in the State, anticipated removal of the fuel subsidy, ongoing diversifications in the Agricultural economy and successful privatization of poorly performing State-owned enterprises.

The expenditure on the other hand is projected to increase at an average rate of 10% for the State DSA-MTDS 2023 as the terrorist herdsmen's siege on the State is ended and communal clashes are reduced and displaced farmers returned to their homes and farms. Based on the outlined fiscal assumptions and parameters, the Benue State total revenue for 2023 Budget is projected at **N306,106.75 million**, which includes Statutory Allocation, Value Added Tax, Internally Generated Revenue, Other Statutory Revenue, Domestic Grants, Foreign Grants, Opening Balance, Domestic Loans (i.e., proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc. (**N166,356.66 million**), Foreign Loans and Sale of Government Assets, etc.

The aggregate expenditure is estimated at **N206,184.76 million**, which comprises Debt Repayment (Interest and Principal - proposed borrowings inclusive), Statutory Transfers, Recurrent Expenditure and Capital Expenditure.

2.2.2 Key Objectives of Approved 2023 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 through comprehensive implementation of TSA.
- III. Acceleration and strengthening of the existing financial management reforms and diligent implementation of other commitments programmed-for-results supported by SABER including other Federal initiatives to enhance revenue for improved results.
- IV. Mitigating the impact of national emergencies and insecurity crises on economic activities/lives through the introduction of the Community Volunteer Guards to boost public safety and security across the State.
- V. Mitigating the impact of resignation and replacement of key officials as the tempo of political activities increases in the build up to 2023 elections and anticipated stability in the political, social and economic environment after elections.
- VI. Management of all outstanding debts, including arrears of salaries, pensions and contract payments.

VII. Continuing commitment to job-creating, youths' empowerment and wealth generating agricultural value chain development.

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

I. Policy Statement

The features of the Approved 2023 Budget guided the fiscal policy strategies of the 2023 Budget and the 2024-2026 MTEF, regarding the revenue, expenditure and debt forecasts for the next years.

The Benue State's policy direction focuses mainly on diversifying the revenue base of the State by intensifying efforts to improve the independent revenue base of the State so as to reduce the State's overdependence on FAAC Allocations, Donor Partner grants and assisted projects.

Furthermore, efforts and strategies on control and enforcement of spending limits will ensure a sound budgeting system put in place. This will also include aggregate fiscal discipline, allocative efficiency and effective spending.

II. Indicative Three-Year Fiscal Framework

The indicative three-year fiscal framework for the period 2024-2026 is presented in the table below.



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

State Medium Term Fiscal Framework (2024-2026)

Benue State Government Revenue Forecast for the Period – 2024-2026

Fiscal Framework			
Item	2024	2025	2026
Recurrent Revenue	2024	2025	2026
Statutory Allocation	102,413,508,436	127,968,545,126	157,451,627,641
Derivation	0	0	0
VAT	47,327,026,326	60,839,294,821	76,377,764,528
IGR	18,165,863,232	19,982,449,556	21,980,694,511
Excess Crude / Other Revenue	5,000,000,000	5,000,000,000	5,000,000,000
Total Recurrent Revenue	172,906,397,994	213,790,289,503	260,810,086,680

Recurrent Expenditure			
Personnel Costs	44,657,737,834	49,123,511,617	54,035,862,779
Social Contribution and Social Benefit	5,975,902,842	6,573,493,127	7,230,842,439
Overheads	46,011,893,268	50,613,082,594	55,674,390,854
Grants, Contributions and Subsidies	12,200,533,109	13,420,586,420	14,762,645,062
Public Debt Service	22,800,000,000	23,500,000,000	24,000,000,000
Total	131,646,067,053	143,230,673,758	155,703,741,134
Transfer to Capital Account	41,260,330,941	70,559,615,745	105,106,345,546

Capital Receipts			
Grants	34,806,203,431	29,585,272,917	14,792,636,458
Other Capital Receipts	468,720,000	398,412,000	199,206,000
Total	35,274,923,431	29,983,684,917	14,991,842,458

Reserves			
Contingency Reserve	4,826,762,719	6,277,165,033	7,004,909,400
Planning Reserve	4,563,626,429	5,375,479,488	5,916,038,583
Total Reserves	9,390,389,147	11,652,644,521	12,920,947,983

Capital Expenditure	87,144,865,226	113,890,656,140	127,177,240,021
Discretionary Funds	52,338,661,794	84,305,383,223	112,384,603,563
Non-Discretionary Funds	34,806,203,431	29,585,272,917	14,792,636,458

Financing (Loans)	20,000,000,000	25,000,000,000	20,000,000,000
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Total Revenue (Including Opening Balance)	228,181,321,426	268,773,974,420	295,801,929,138
Total Expenditure (including Contingency Reserve)	228,181,321,426	268,773,974,420	295,801,929,138

Ratios			
Growth in Recurrent Revenue	13.76%	23.65%	21.99%
Growth in Recurrent Expenditure	20.69%	8.80%	8.71%
Capital Expenditure Ratio	40.19%	44.37%	44.99%
Deficit (Financing) to Total Expenditure	8.76%	9.30%	6.76%
Deficit (Financing) to GDP Ratio	NA	NA	NA

III. Objectives

The objectives of the fiscal policy for the medium-term (infrastructure development) include:

- a) Cutting down the cost of governance through efficient service delivery.
- b) Establishing viable institutional arrangements as catalyst for rural transformation and infrastructure development.
- c) Intensifying efforts to improve IGR through various sources and Taskforce's activities at an average rate of 25% going forward.
- d) Providing access to affordable portable water supply and sanitation.

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- e) Securing qualitative environment adequate for good health and well-being of the citizenry and
- f) Upgrading avenues for full utilization of both surface and underground water sources in the State.

IV. Targets

The key targets from a fiscal perspective are:

- a) Ensure the completion of on-going projects;
- b) Continue to ensure reduction in non-essential overheads;
- c) create sustenance in personnel and overhead expenditure to allow resources for capital development;
- d) grow IGR by a minimum of 25% every year from 2024 to 2026;
- e) achieve the long-term target of funding all recurrent expenditure with revenue of a recurrent nature (IGR, VAT and Non-mineral component of Statutory Allocation);
- f) grow the economy through targeted spending in areas of comparative advantage;
- g) Diversify the internal revenue base and also review revenue projections to reflect current realities;
- h) Ensure speedy executions of capital projects, most especially those considered critical by the government;
- i) Target sources of capital receipts and financing outside of loans (e.g., Aid and Grants, PPP, etc.);
- j) Use loans to finance only capital expenditure projects;
- k) give priority to the completion of ongoing capital projects before new projects are commenced; and
- l) Compliance with NGF Budget guidelines that maybe given from time to time.

For the 2024-2026 MTEF or the Medium-Term Debt Strategy, Benue State Government is planning to borrow from the Commercial Bank as well as capital market for infrastructure Development and other Investment Plans (Section 4.2). 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 2022 budget.

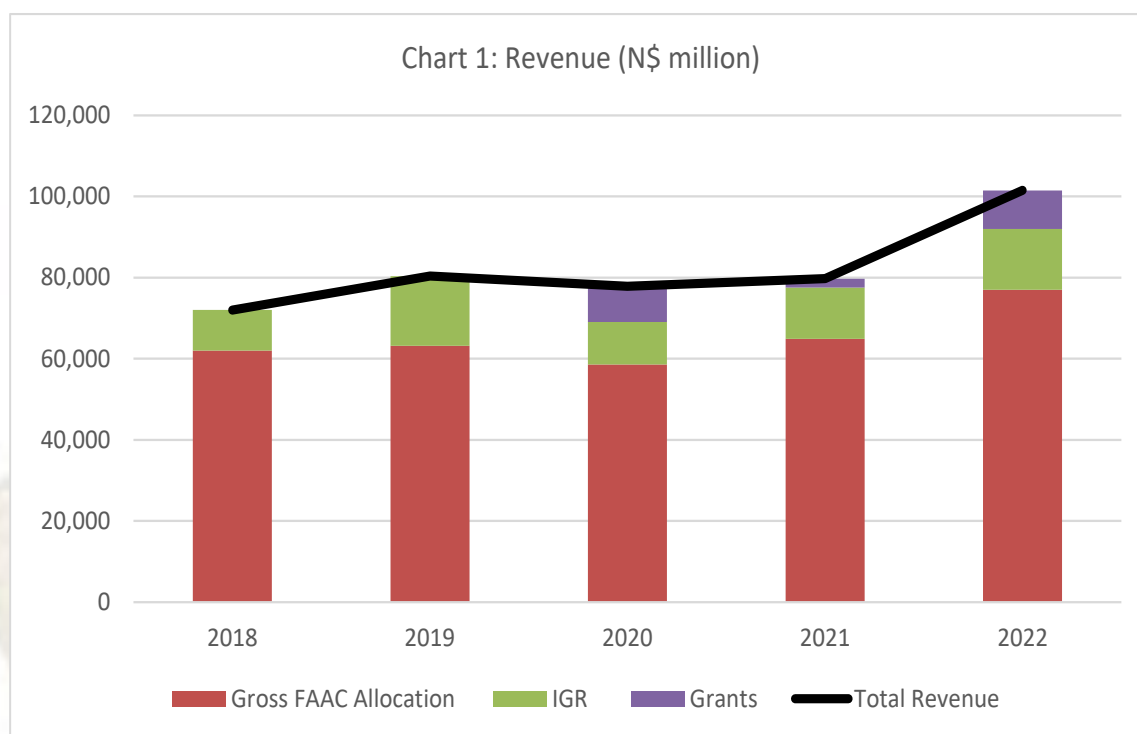
Note: "The DSA-MTDS report is based on the exchange rate of N435.56 to US \$1 from the national Medium-Term Expenditure Framework (MTEF) prepared in 2022, which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities."

3.0 The State Revenue, Expenditure, and Public Debt Trends (2018 – 2022)

The actual revenue, expenditure outturns in 2018-2022 and the outstanding debt stock trend during 2018-2022 are explained below.

3.1 Revenue and Expenditure

The actual revenue and expenditure outturns in 2018-2022 are represented by the following charts sheet of the DSA-MTDS template for the historical period [Chart 1 and 2]:

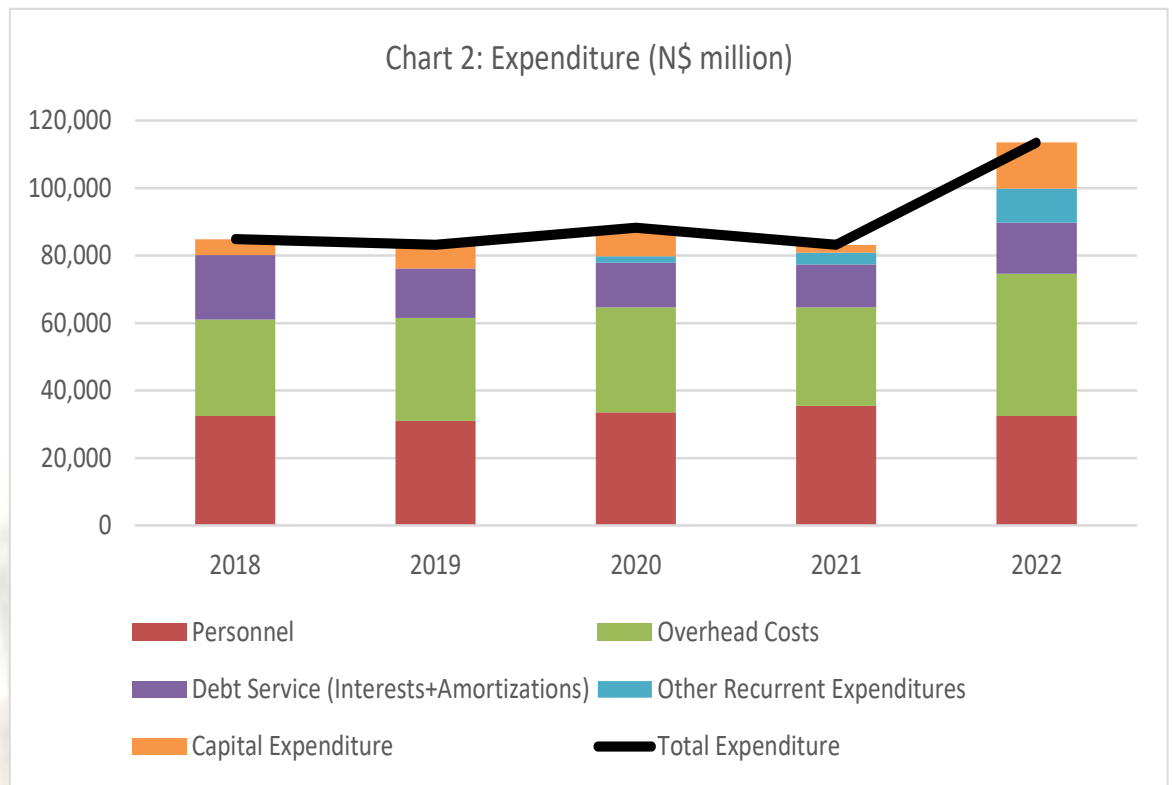


The total revenue which main components include Statutory allocations (VAT inclusive) and IGR (trend for the period) spiked from **N71,991.00 (Million)** in 2018 to **N101,488.53 (Million)** in 2022 due to the successful tax administration in the State (IGR accounted for 14.86% of the aggregate revenue) and slight increase in Federal receipts (Chart 1). Federal transfers (FAAC allocations trend) registered a positive increase after 2020 due to slight increase in non-oil receipts, grants from the world Bank (SFTAS) and other Federal Government interventions to the State.

The State's Federal allocation, including transfers from the excess crude account between 2018-2022, which spiked to 66% (2018) dropped to 53.93% (2019), and further to 37.47% (2022), while as a percentage of SGDP, it moved from 2.00 percent in 2018 to 1.19 percent in (2022). 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. Between 2018 and 2022, IGR increased by 20.4 per cent (2021) from -39.1% (2020), it dropped slightly to 19.1 per cent (2022), while as a share of aggregate revenue (excluding grants), it moved up from 13.89 percent in 2018 to 20.06 percent in 2019 and declined to 14.42% (2022). The improvement in IGR is mainly as a result of tax administration reforms aimed at improving collection rates and broadening the tax revenue base.

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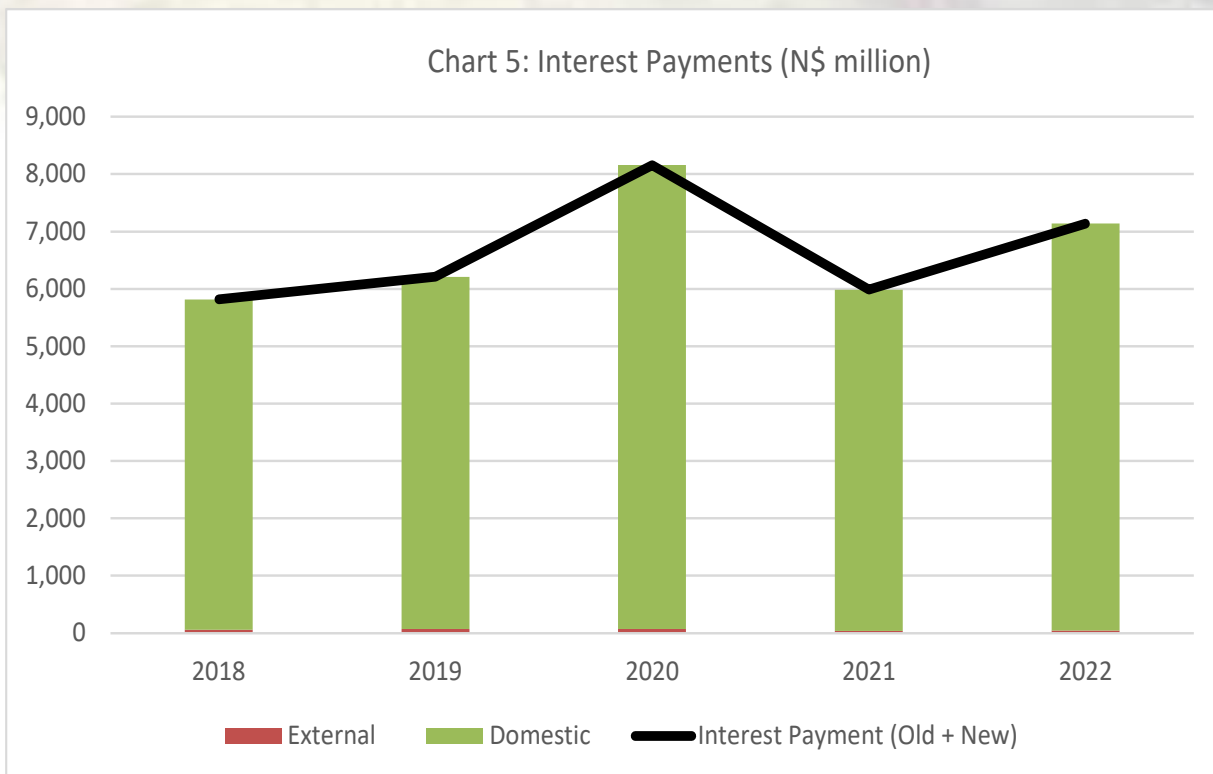
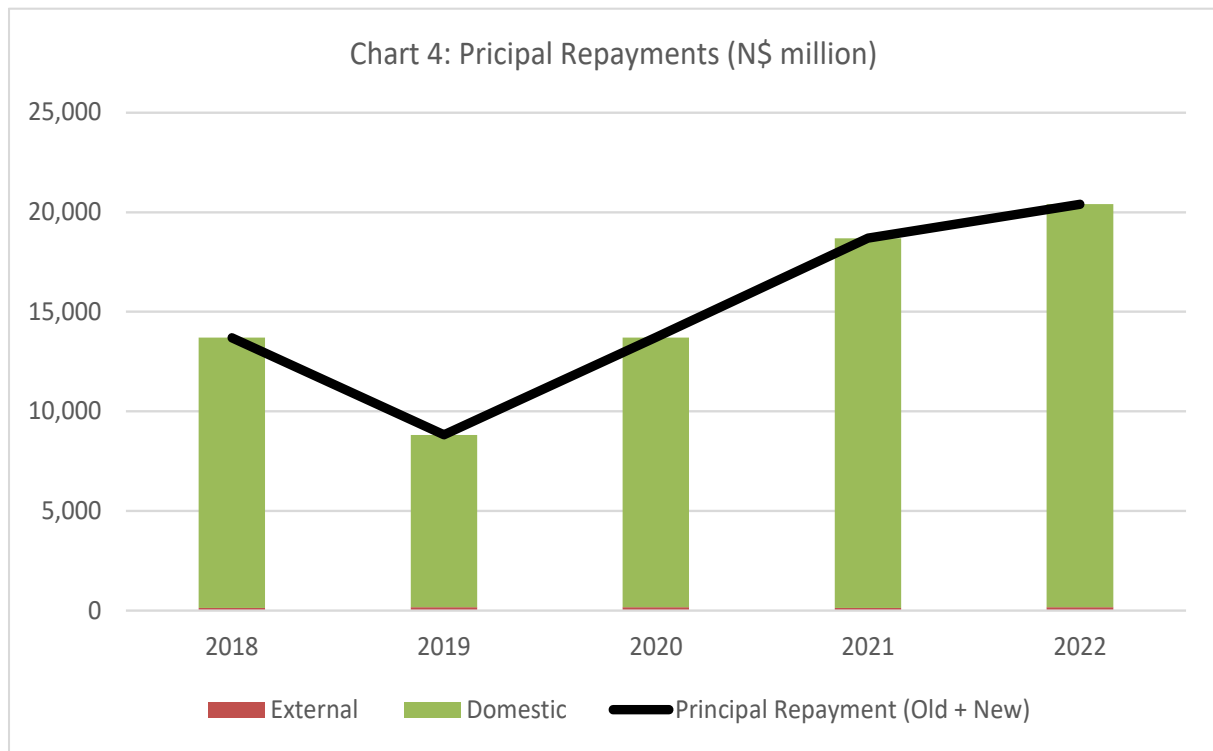
The total recurrent expenditure which comprises personnel and overhead costs, public debt charges (including loan repayments) and capital expenditure moved from **N84,855.77 (Million)** in 2018 (base year) to **N113,511.48 (Million)** in 2022 (Chart 2) as a result of more administrative reforms in the State and increase in the overhead cost due to the tempo of political activities in the build up to 2023 elections.

The trend in the last five years indicated that personnel cost dropped sharply from 88% (2018) to -4.6% (2019) and gradually declined by -8.5% in 2022 while overhead moved sharply from 6.9% in 2019 to 44.6% (2022) as a result of the political activities in the build up to 2023 elections and increase in exigencies of governance (Section 2.0).

Public debt charges (interest) sharply increase from 6.60 per cent (2018) to 463.41% (2022) while loan repayments (principal) also moved from (35.68) % (2018) to 18.55% (2021) and declined by (5.69) % (2022).

Capital expenditure on the other hand moved sharply from 5.54% (2018) to 12.04 % (2022), of the aggregate expenditure (Charts 2, 4, & 5).

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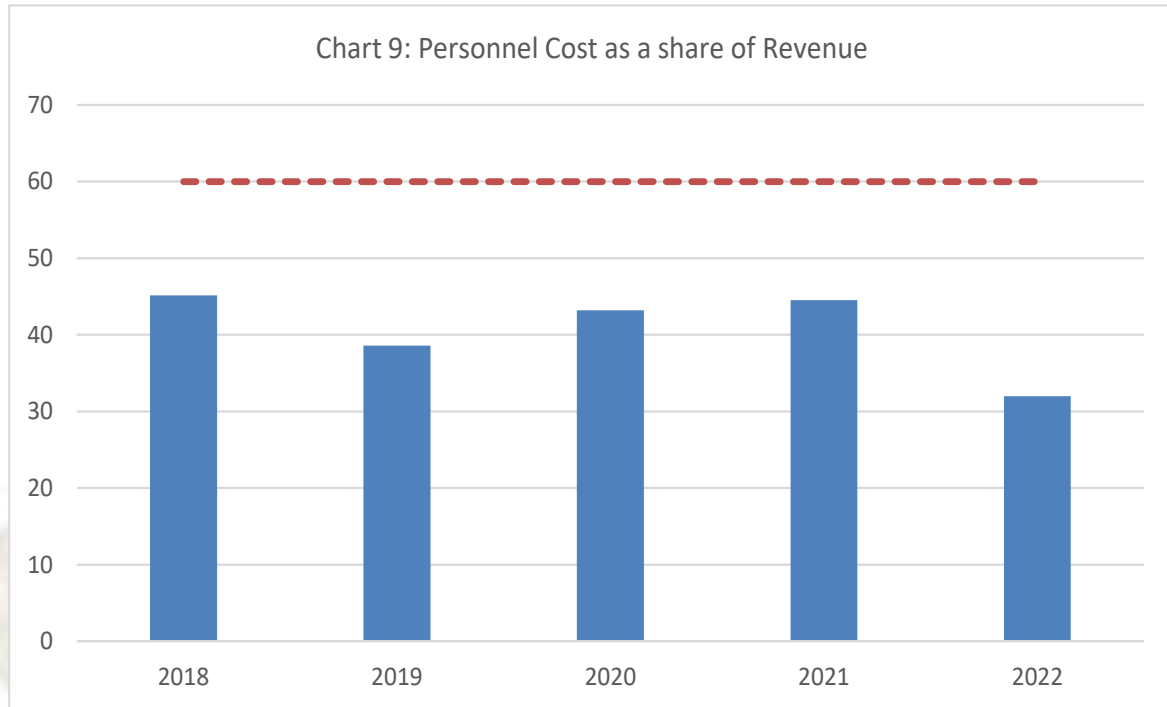
The State expenditure increased during the period, i.e., real aggregate expenditure moved from -2.0 per cent (2019) to 36.4% in 2022. As a percentage of SGDP, aggregate spending declined from 3.56 per cent in 2018 to 3.17% (2022).

Capital spending over the analysed period was relatively volatile, it showed a negative growth rate of 63 per cent in 2018, but turned positive by 48.1% (2019), and 20.8% (2020) while in 2021 it went down to -72.9% and positively spiked up to 500.7% (2022). The recurrent

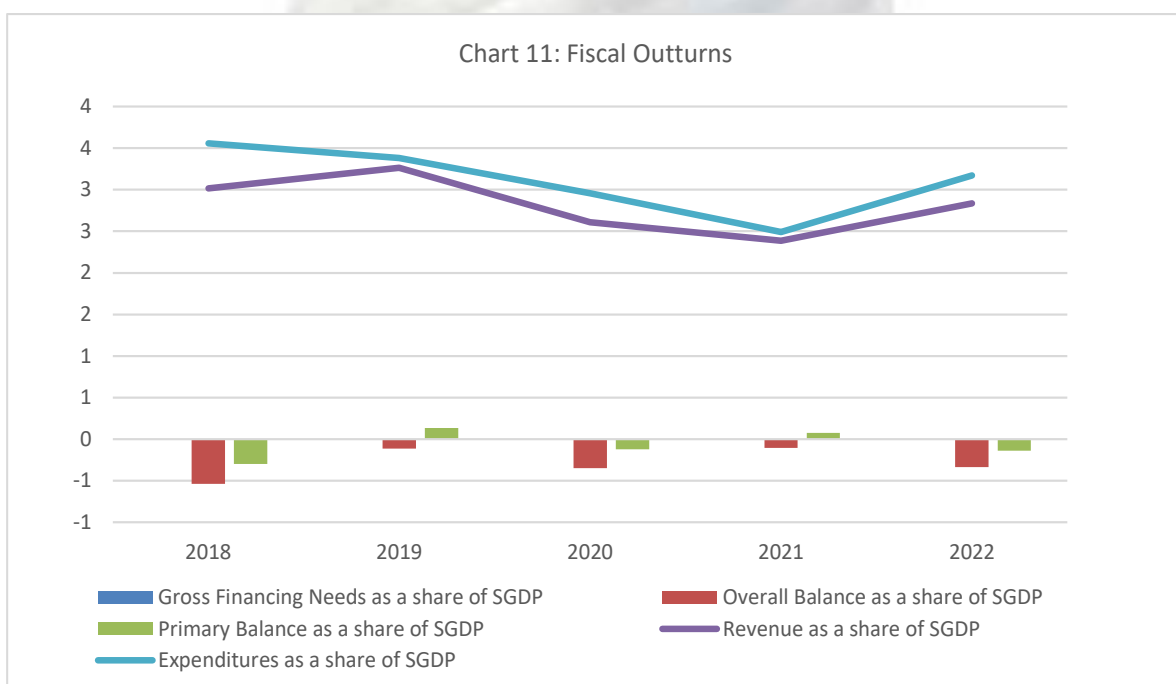
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expenditure registered a positive growth of 6.9 per cent (2019), decreased rapidly to -5.9% in 2021, and subsequently moved up 44.6% (2022).

During the period, the bulk of expenditure went to recurrent spending – personnel costs, overheads, debt charges – representing 74 per cent of total spending on average. Personnel cost as a share of revenue accounted for an average of 38% (Chart 9).



The general movements of the overall (2018-2022) and primary budget balance was **N99.55 (Million)** in 2022 which is an indication of minimal prudent planning and management of financial resources of the State resulting from fiscal constraints, control measures and disciplines (DSA-MTDS – template Chart 11).



The Overall balance improved during the review period, from a deficit of 0.54 per cent of SGDP in 2018 to -0.34 per cent of SGDP in 2022. These movements over the period (2018-2021), were due largely to the slight increase in federal transfers (non-oil receipts). In 2019-2020, overall balance partially recovered to -0.35% (2020) and deficit of 0.10% (2021) 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 0.78% of SGDP in 2018 to a deficit of 0.53 percent of SGDP in 2022, as earlier mentioned, owing to the slight increase in federal transfers and decline in the growth of capital expenditures.

3.2 Existing Public Debt Portfolio

The structure of Benue state's public debt stock between 2018 and 2022, in terms of the total revenue inclusive of grants and exclusive of capital receipts dropped from 156.71% (2018) to 139.13% (2019) due to decrease in both domestic and external debts financing and high IGR (2020). The debt portfolio then increased gradually to 177.16% (2020), dropped slightly to 176.93% (2021) and further turned down sharply to 150.40% (2022) in comparative to the State's improvement in IGR as a result of successful tax administration, efficient and effective tax audit and new loans contracted. 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% (2020), dropped to 11.93% in 2021 and further to 7.18% (2022), that is:

Historical years	2018	2019	2020	2021	2022
Total Debt to Total Rev.	156.71	139.13	177.16	176.93	150.40
State GDP (millions of ₦)	2,385,767.97	2,461,233.86	2,982,891.62	3,338,707.54	3,578,569.35
Growth rate of SGDP	-	3.16	21.19	11.93	7.18

The composition of the existing public debt portfolio at end-2022 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, 92.57% and (ii) External, 7.43%.

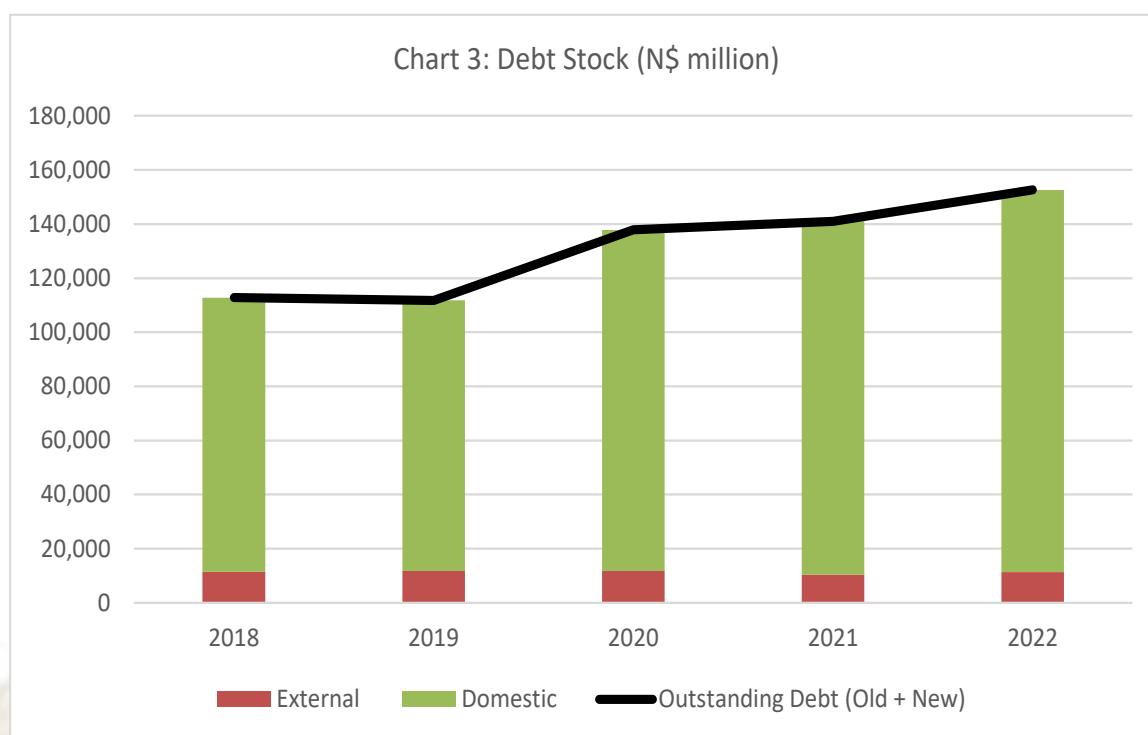
The cost and (in terms of interest, currency and rollover) risks exposure of the existing public debt portfolio at end-2022 is relatively high which put more pressure on the State total accrued revenue from FAAC and IGR.

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-MTDS, "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

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(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 chart resulted from the outstanding external and domestic debt stock categories in the DSA-MTDS data Inputs which revealed as follows:

I. **Public debt stock amount or its shares on total Revenue at end-2022 and its growth in the last five years.**

The State public debt amounted to **N152,641.19** million as of end-2022 (**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 2018-2022, was due largely to the FGN Bridge Financing, CBN (COVID-19) Health Intervention Fund, Federal Government bailouts to Benue State (LGAs inclusive) and other financing supports like Excess Crude Account (ECA) infrastructure loan and Budget support facility, AfDB RAAMP3 Counterpart Fund, SUBEB Counterpart Funds, dwindling of Federal oil-receipts, domestic arrears, external financing, and currency depreciation.

II. **The existing public debt portfolio composition at end-2022.**

The share (percentage) of the domestic and external debt stock in the total debt stock stands as 92.57% and 7.43% respectively.

The main components of external debt (totaling **N11,346.87 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).

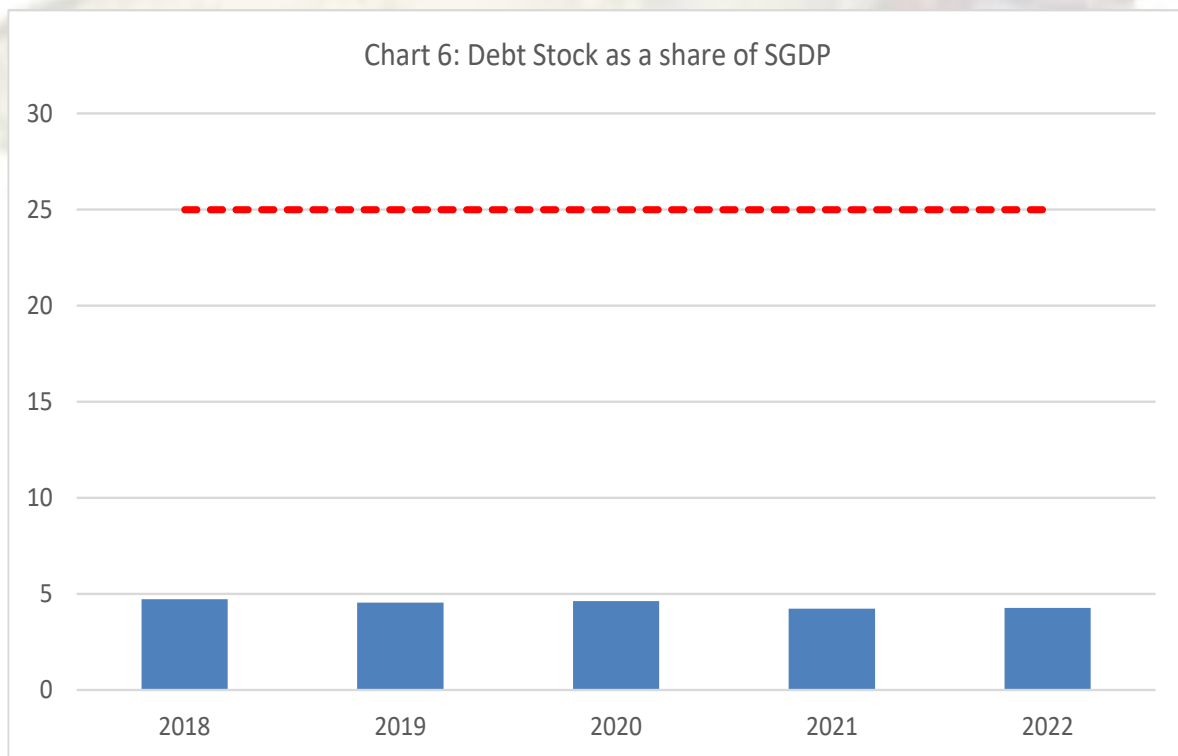
The State's debt portfolio largely consists of internal loans (amounting to **N141,294.32 million**): FGN Bridge Financing, CBN (COVID-19) Health Intervention Fund, Budget Support Facility, Salary Bailout Facility, Restructured Commercial Bank Loans (FGN Bond), Excess Crude Account Backed Loan, Commercial Banks Loans, State Bonds,

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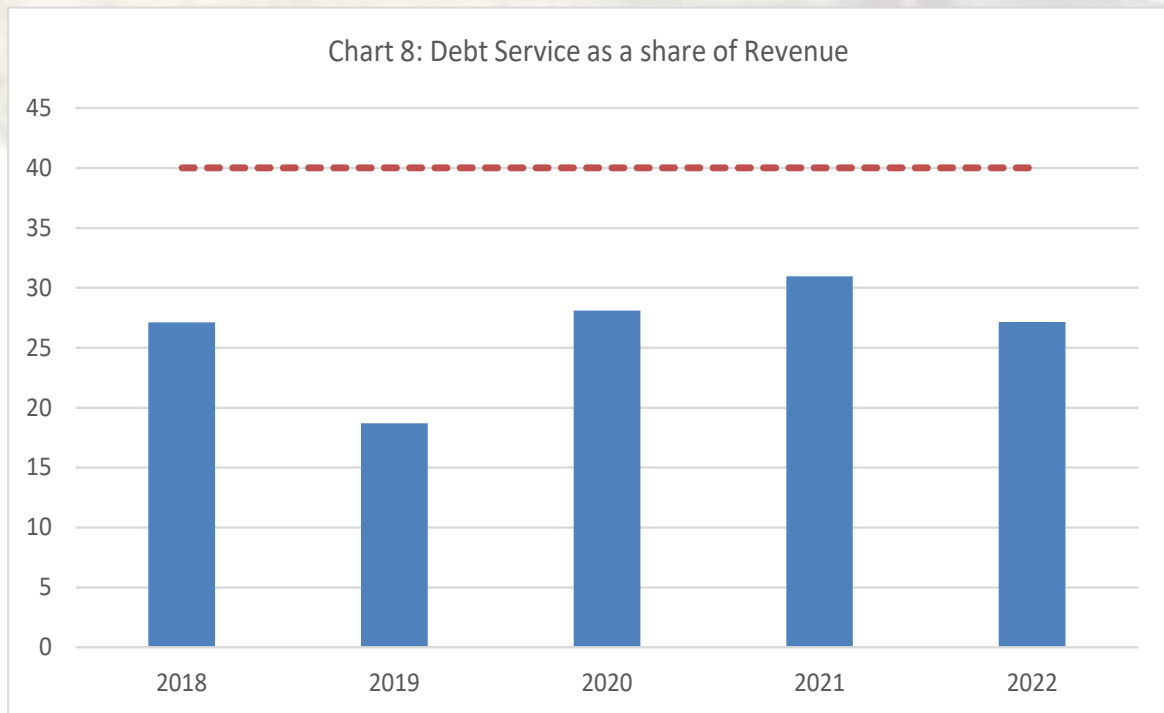
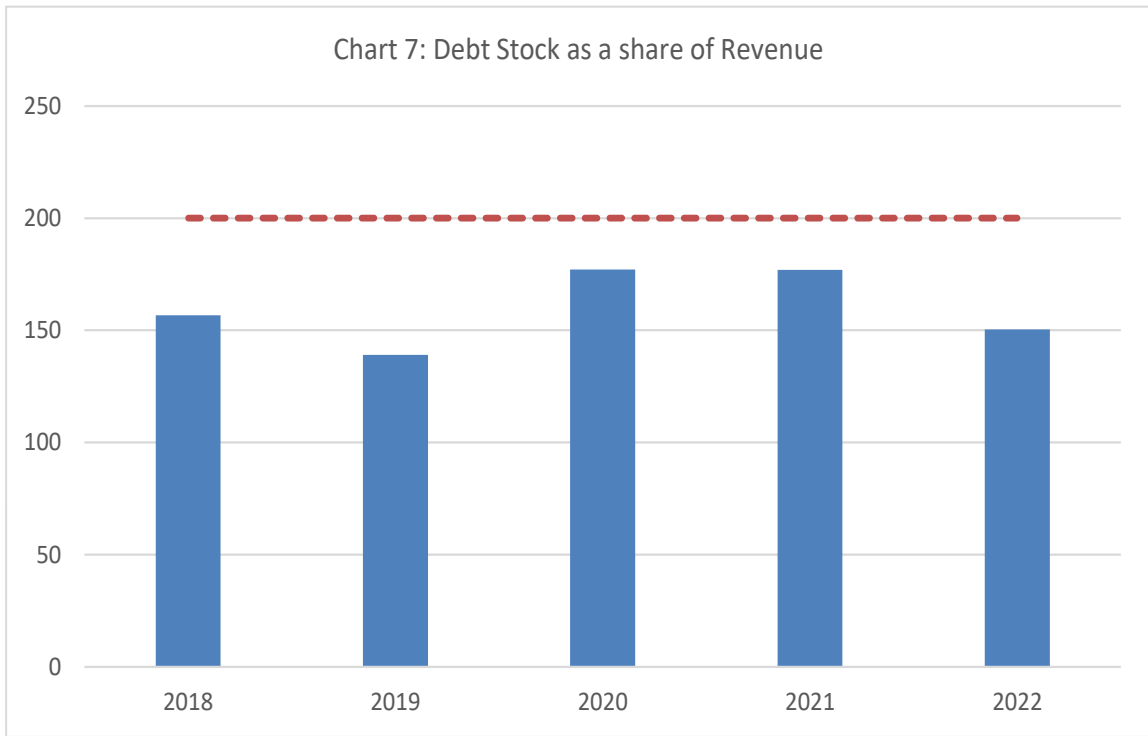
Commercial Agriculture Loan and Micro Small and Medium Enterprise Development Fund – MSMEDF (CBN Development Financing Facility), AfDB RAAMP3 Counterpart Fund, Government-to-Government Debts–LGAs Salary Bailout Facility, SUBEB Counterpart Funds, Contractors' Arrears, Pension and Gratuity Arrears, and Salary Arrears/other Staff Claims.

III. **Cost and Risks exposure of the existing Public Debt Portfolio at end-2022.**

The State holds a low-cost, low-risk debt portfolio. The debt portfolio carried an average, implicit interest rate of 12 per cent in 2021-2022 and the interest payments represented just 6.25 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 7.43 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 4 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).



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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 objective of DSA is to evaluate the State’s risk of debt distress, considering its capacity to carry current debt and its future borrowings under both Baseline projections and Shock scenarios.

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

Debt Burden with Indicative Thresholds:

Debt Burden	Indicative Thresholds	Indicators Computed - 2022
Debt as % of SGDP	25	4
Debt as % of Revenue	200	150
Debt Service as % of Revenue	40	27
Personnel cost as % of Revenue	60	32

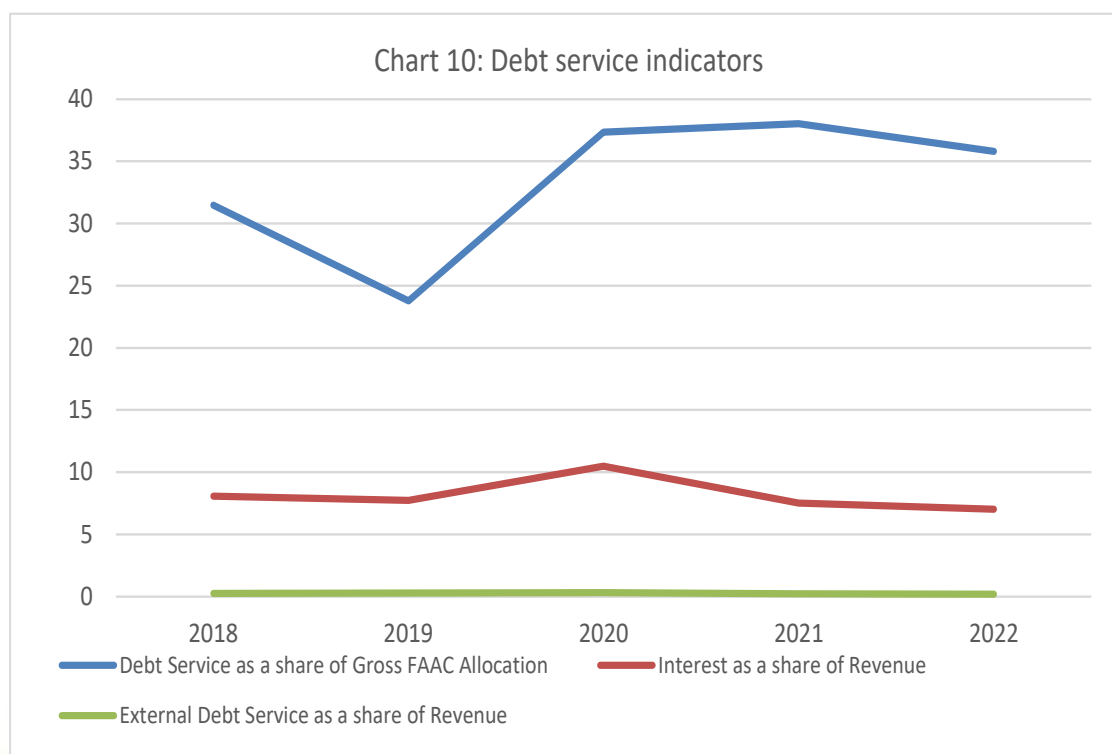
Debt Burden without Indicative Thresholds:

Debt Burden	Indicators Computed – 2022
Debt Service as % of Gross FAAC Allocation	36
Interest as % of Revenue	7
External Debt Service as % of Revenue	0
Domestic Debt Service as % of Total Revenue	13

In the FY2022, 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 (27) against the threshold of 40%, also the personnel cost as % of revenue (32) fell below the threshold of 60%. The indicator of the total debt as % of revenue (150) 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 - Charts: 6-8).

The indicators for the debt burden without indicative thresholds computed for FY2022 namely: debt service as share 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 (Chart 10).

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4.1 Medium-Term Budget Forecast

I. Main features of the macroeconomic outlook under which the State DSA-MTDS 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 25%, 2024-2032.

This is estimated using the elasticity forecasting which projected government's share of FAAC (2024-2026). This assumption is however, based on the expected rise in crude oil prices, production rate, subsidy removal and stable inflationary rate predicted within this period. It is also expected to increase gradually because of the Transition government, new reforms and diversifications in the Agricultural economy despite the current recession largely due to global oil price fluctuation which picked up at the end of Fourth quarter 2022. i.e., increase in the growth rate of 25%, 2024-2032. (Annex I: Table Assumptions of the Benue State DSA-MTDS 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 2024-2026, with real GDP expanding at an average annual rate of 3.3 per cent (SGDP, average of 3.3% in 2024) and domestic inflation decreasing below 10 per cent by 2024. 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 2023, 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, the State Government anticipates an increase in its revenue base by blocking leakages and exploring new revenue sources. The most critical of all is to sustain continuous enforcement of payment of ground rent by property owners and improve IGR up to 25% annual growth rate (2024), 10% (2025-2026) and on unchanged policies concerning personnel, and other operating expenses (reduction of cost especially overhead, and 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-MTDS Template).

4.2 Borrowing options

In line with the Medium-Term Debt Strategy, Benue State Government is planning to borrow either from the Commercial Bank or capital market for infrastructure Development and other Investment Plans in spite of the contending borrowing issues.

The direct Bank loans, short to medium term which is largely used in financing budget deficit have serious issues because Banks limit tenor to unexpired term of State administration. Also raising Bonds, long-terms tax-exempt debt security is usually backed by ISPO. Bonds are as well characterized with issues of extensive due diligence and documentation.

To promote investments in debt securities, encourage the regular issuance of the bonds by state governments, stimulate and deepen both the primary and secondary market activities and facilitate the development of the Nigerian capital market, the CBN, on March 2, 2010, decided to confer liquid asset status on eligible state government bonds in accordance with the CBN Act (2007), issued operational Guidelines for the processing of state bonds which decision is strictly applied.

They require rating and lengthy approval process amongst other things and can only be appropriate for funding projects with long gestation periods meant to improve the socio-economic well-being of the people.

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 2023 budget between 2023 and 2032.

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 20% for maturity of 4 years, (including Agriculture Loans and MSMEDF) and/or interest rate of 19% for maturity of 20 years; State Bonds to be sourced

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from capital market at an average interest rate of 20% for maturity of 7 years or longer) and other Domestic Financing (Private Bond) at an average interest rate of 19% 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-MTDS Template, included in the Annex I).

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

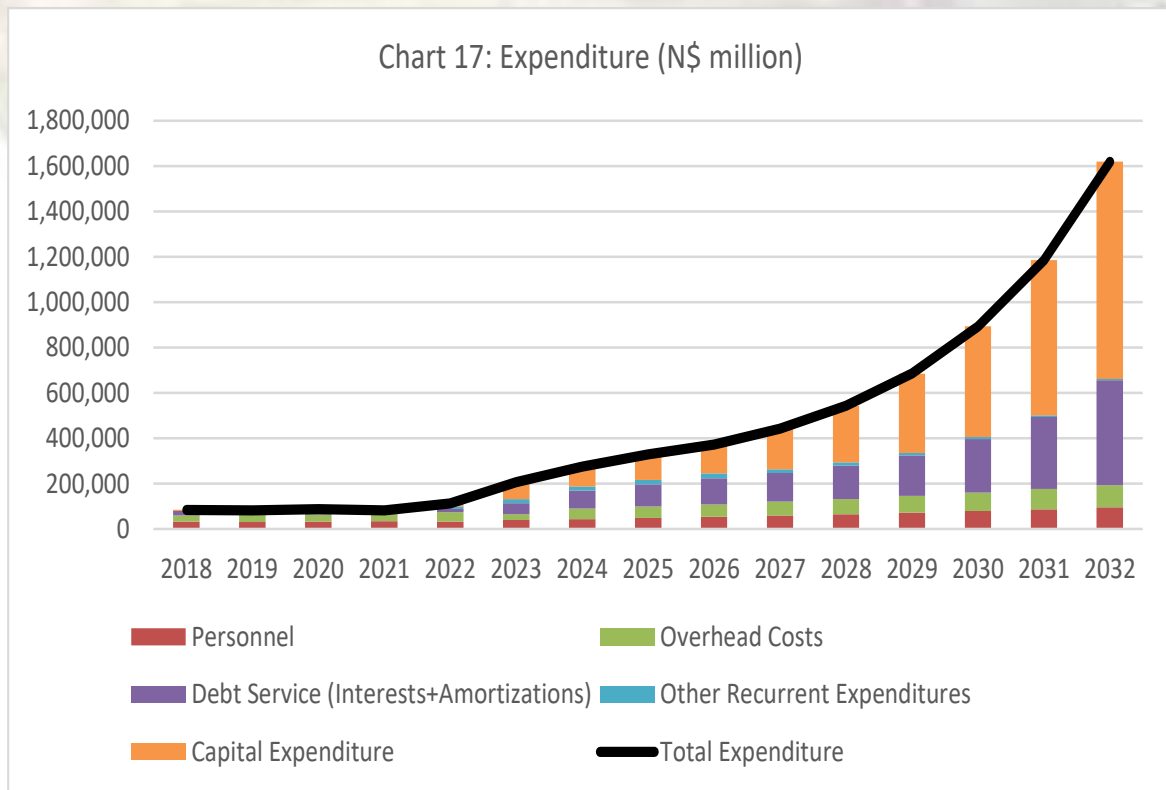
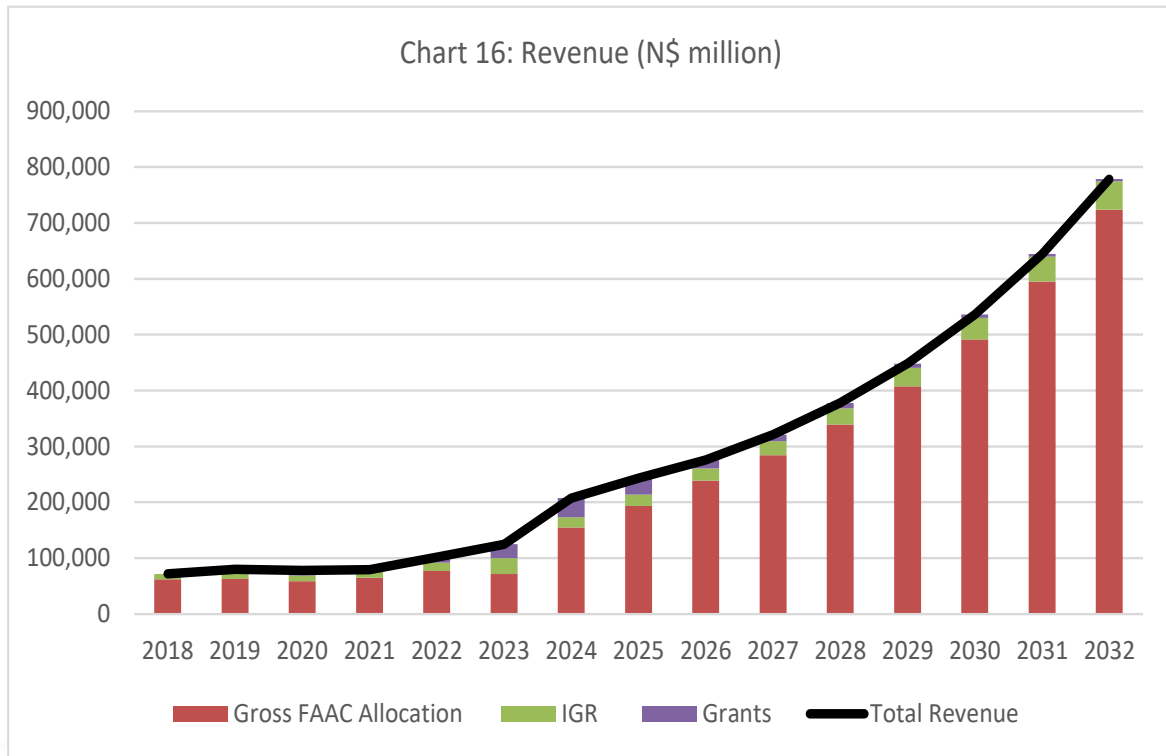
D/Financing (MN) - Source	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Bank (1-5yrs (Agric Infra. &MSMEDF)	36,122.4	10,602.3	15,511.9	38,093.4	34,859.7	23,856.0	17,486.2	54,534.7	105,000.0	185,065.8
Bank (6yrs or more (Agric. Infra. & MSMEDF)	45,000.0	4,528.0	18,329.6	12,694.8	19,799.5	20,623.5	56,000.0	66,000.0	89,286.0	192,000.0
Bonds (1-5yrs)	28,000.0	12,324.1	22,144.6	15,000.0	20,000.0	18,000.0	82,335.3	94,014.3	120,000.0	145,000.0
Bonds (6 yrs. or more)	30,000.0	10,000.0	10,000.0	20,000.0	15,000.0	52,404.8	50,000.0	87,000.0	140,000.0	200,000.0
Other D/ Financing	27,234.2	12,978.1	17,427.4	10,670.2	31,478.0	50,094.6	30,802.0	56,274.9	86,621.3	118,921.8
Total	166,356.7	50,432.5	83,413.5	96,458.4	121,137.3	164,978.9	236,623.4	357,823.9	540,907.3	840,987.6

4.3 DSA Simulation Results

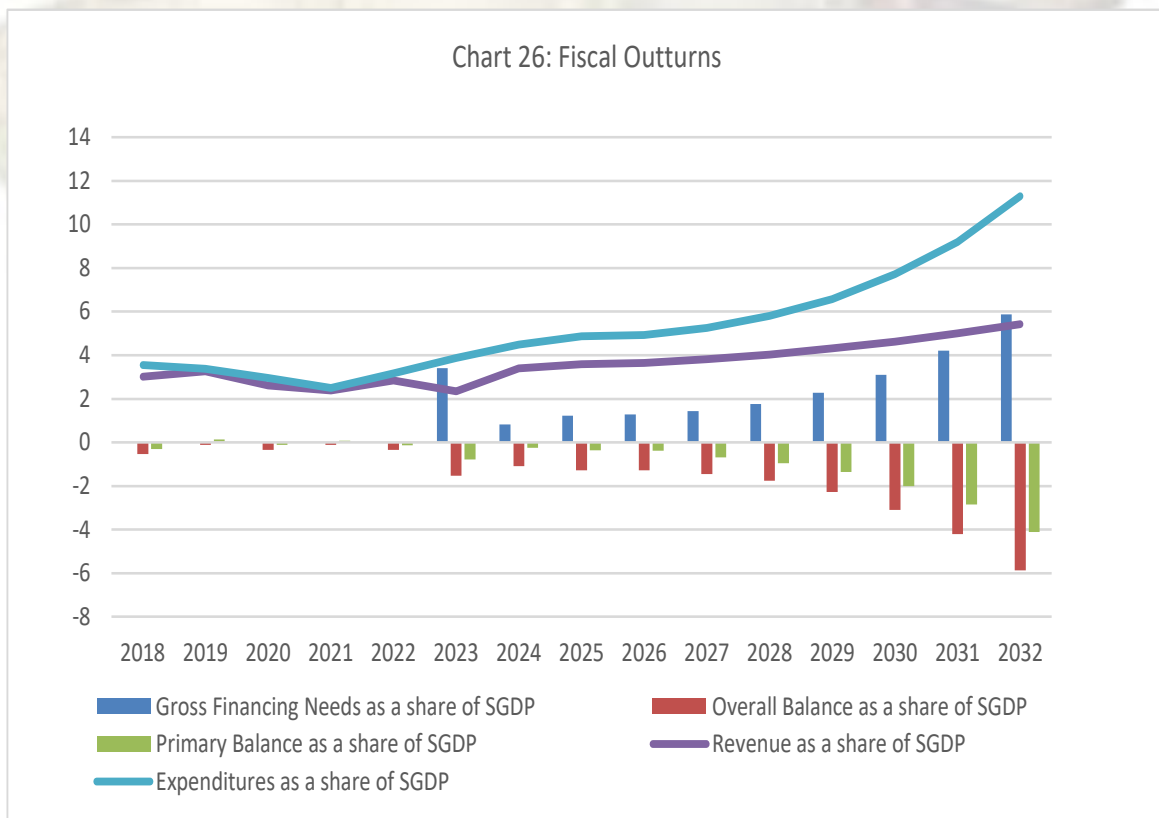
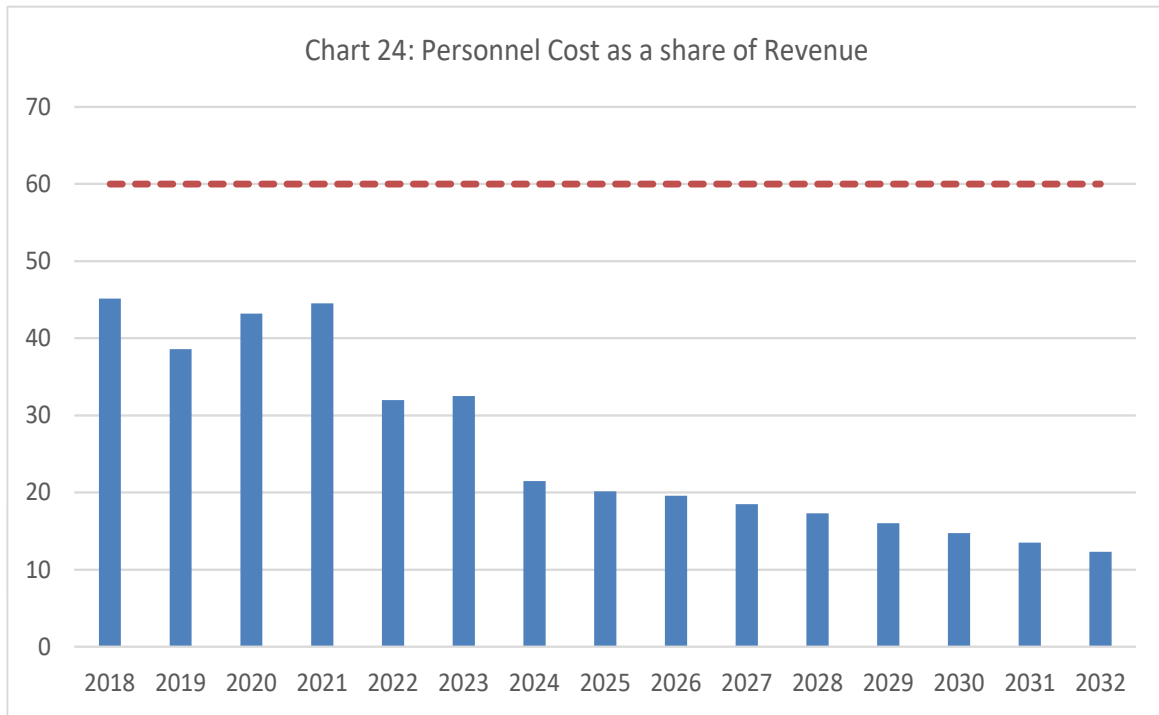
I. Revenue, expenditure, overall and primary balance over the long-term

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 **N101,488.53 million** in 2022 to **N778,224.70 million** by 2032 (Chart 16). Total expenditure will expand from **N113,511.48 million** in 2022 to **N1,619,982.69 million** by 2032 (Chart 17). Therefore, the fiscal deficit - computed as the difference between revenue and expenditure - is expected to be deflected to **N10.49million** (2032) in nominal terms, compared to the 2022 surplus of **N99.55 million**.

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II. Main finding and conclusion of the baseline scenario under the reference debt strategy (\$1) in terms of debt sustainability

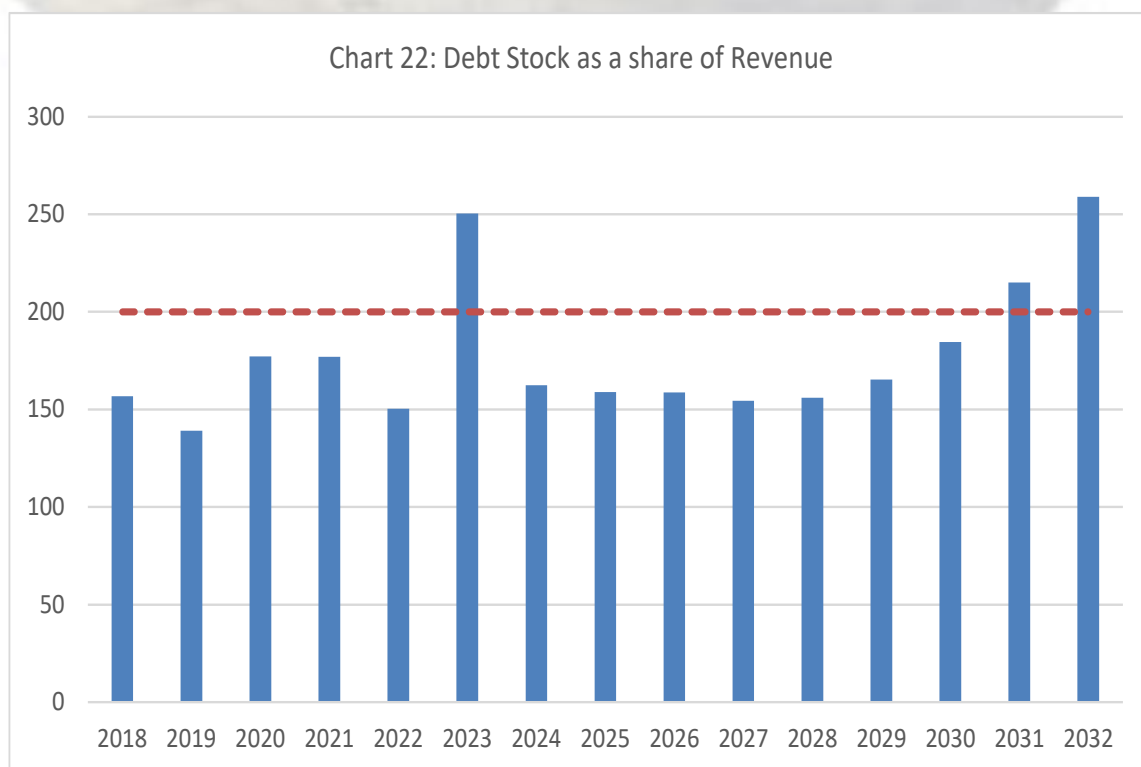
As a consequence of the modest increase in investment and internal borrowings, the public debt will move up and the State's repayment capacity will decline comparably (Charts 22). Debt is projected to rise from **N152,641.19 million** as of end-2022 to **N2,015,200.28 million** by 2032.

Conclusion

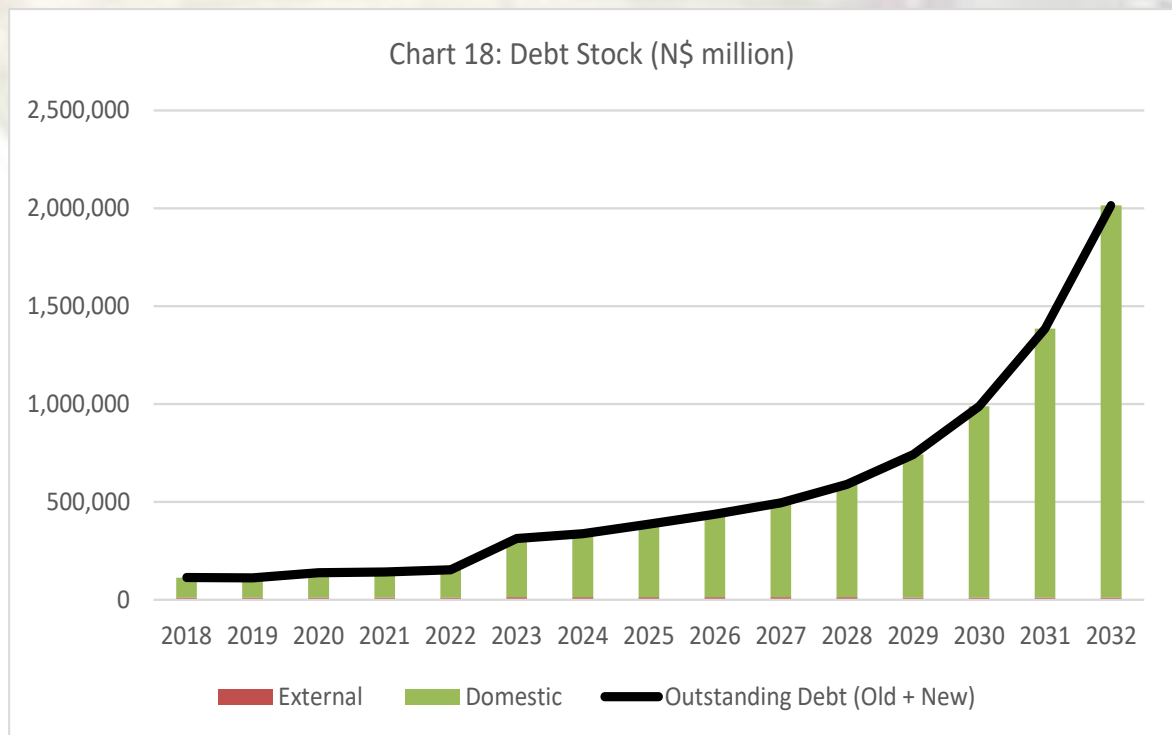
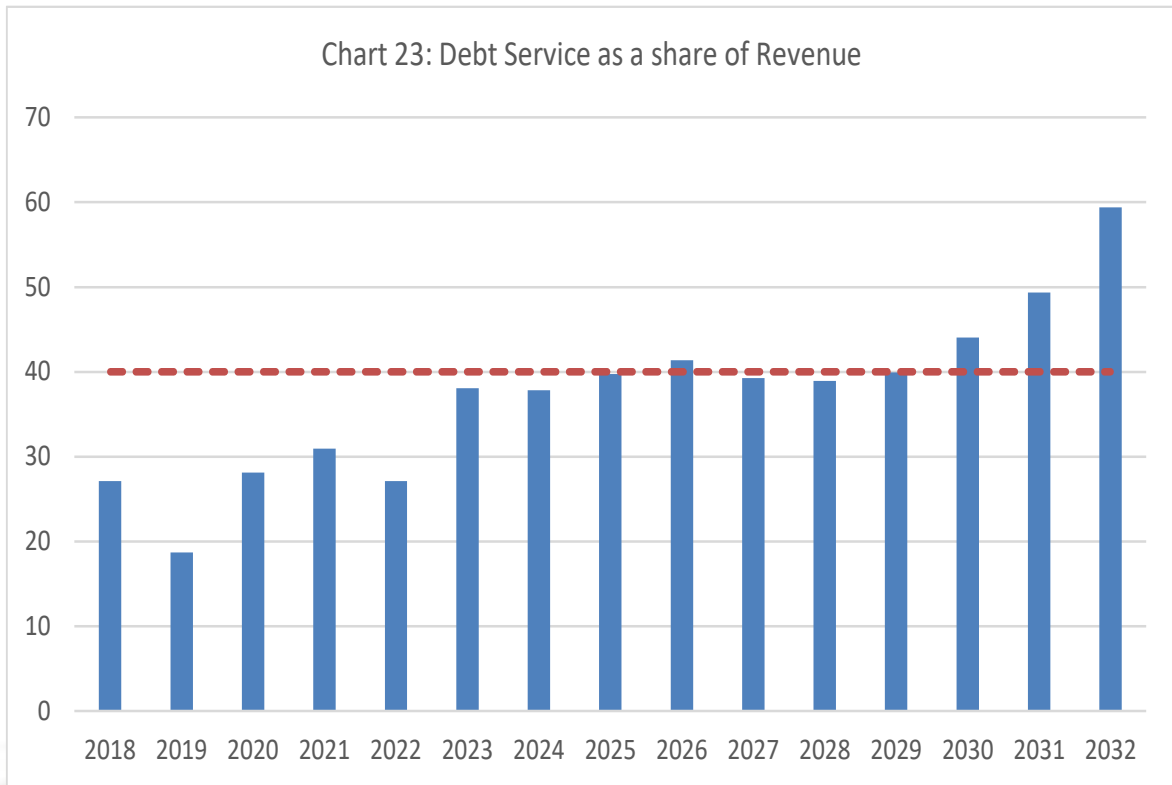
As the fiscal deficit stabilizes in nominal terms over the next few years, and the public debt ratio gradually decreases, the analysis of the Baseline Scenario under the reference debt strategy (S1) suggests the State will be able to preserve the sustainability of its debt in the medium-term (Chart 23) as the outlined fiscal reforms (2.1) are sustained and efforts to raise domestic revenue, improve the efficiency of spending, reduce corruption, improve the business environment are intensified as well as being consistent with fiscal spending and deficit plans, going forward.

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-2022 **(N152,641.19 million)**) and the portfolio expected by 2027 **(N495,840.72 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).

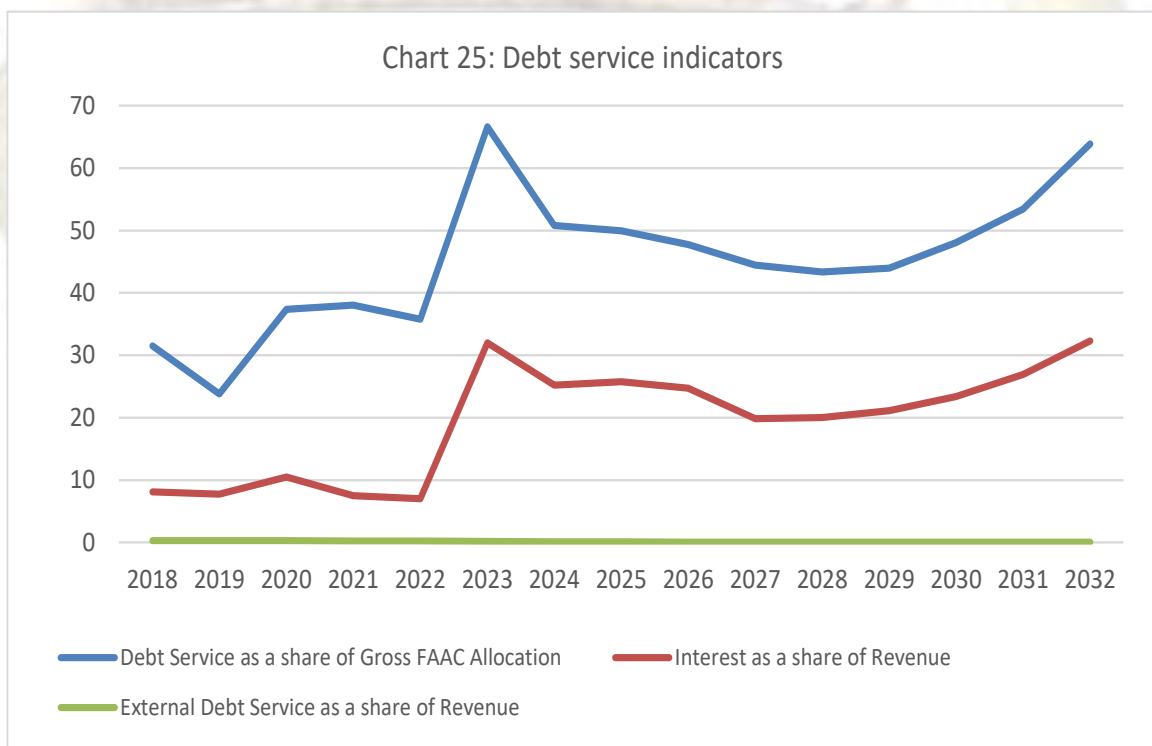
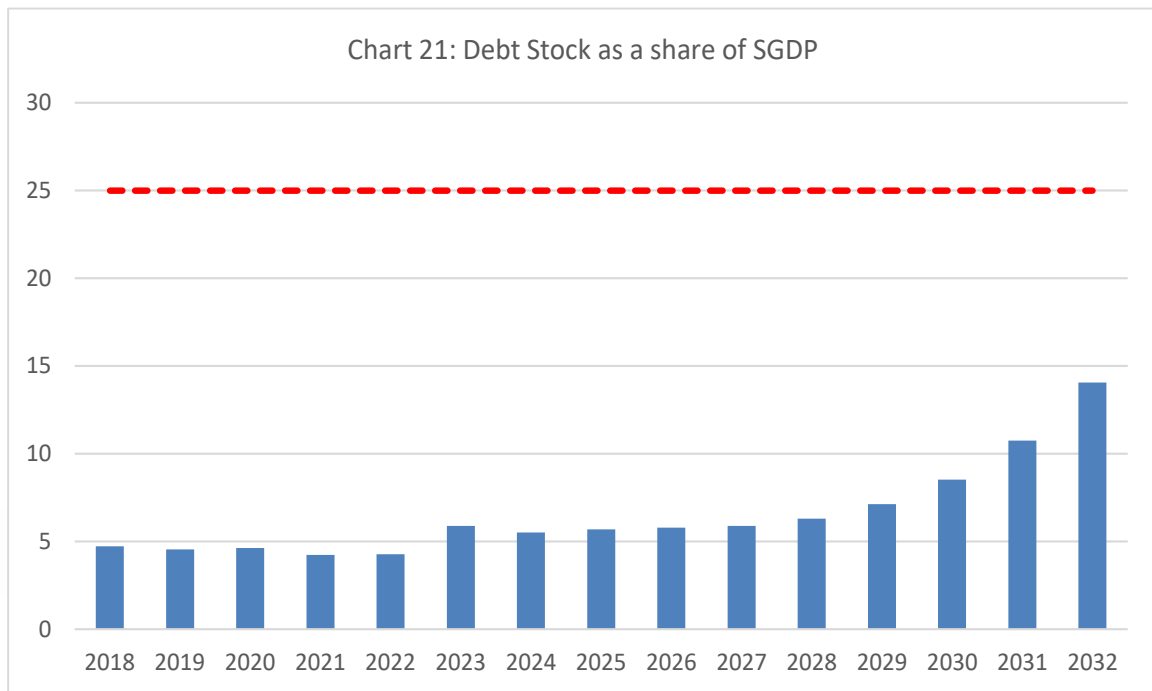
In other words, as a consequence of the borrowings envisaged in the reference debt-management strategy (S1), the cost of carrying debt (39%) and the exposure to market risks (7.0%), that is the interest burden and debt-service obligations will be reduced (relative to revenue). In addition, the exposure to currency risk and rollover risk will be mitigated. The share of foreign-currency debt will be reduced from 7.43% at end-2022 to 0.00% at end-2027. The share of public debt maturing in three year or more will be increased from 13.33 % at end-2022 to 112.66% at end-2027 due to high volume of new debts.



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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 subsection (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.

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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 decrease from **N-3,200.00 million** (2025) 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 **154** per cent of Total Revenue by 2027.

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 2023-2032(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 – 2023-2032:

Projected Items (2023)	Shock	Baseline	Historical	Projected Items (2032)	Shock	Baseline	Historical
Debt Stock	250	250	250	Debt Stock	358	259	839
Debt Services	38	38	38	Debt Services	76	59	188
Personnel Cost	33	33	33	Personnel Cost	14	12	13

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 below 39% of the imbalance expected by 2027 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).

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Chart 27: Debt Stock as a share of SGDP

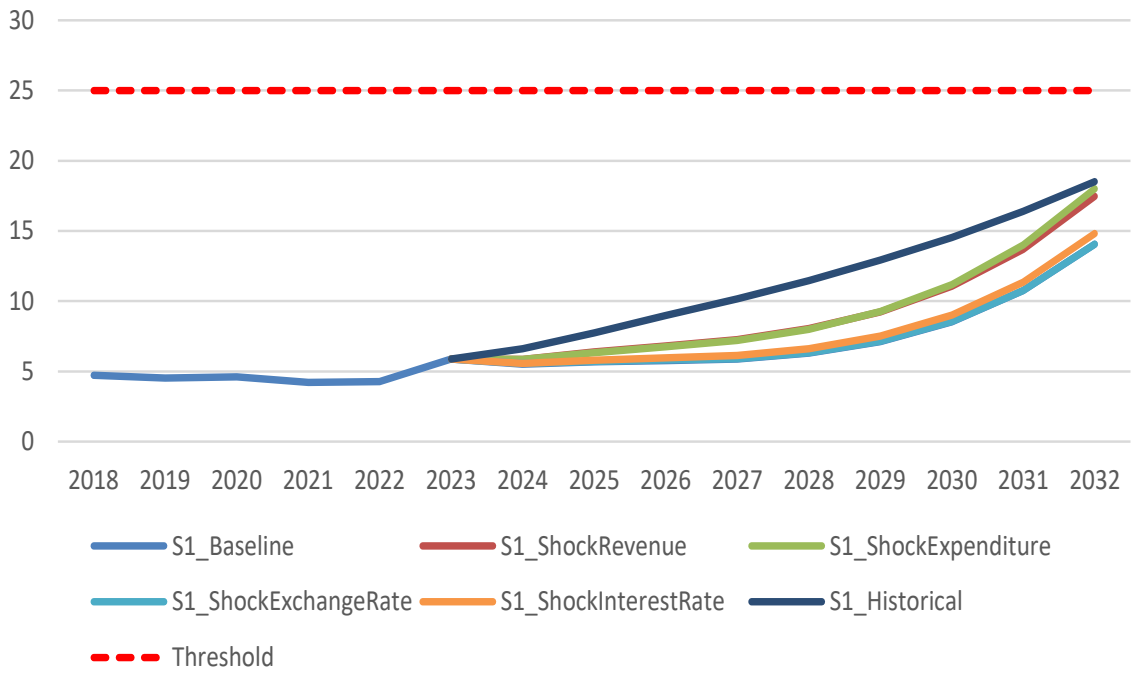
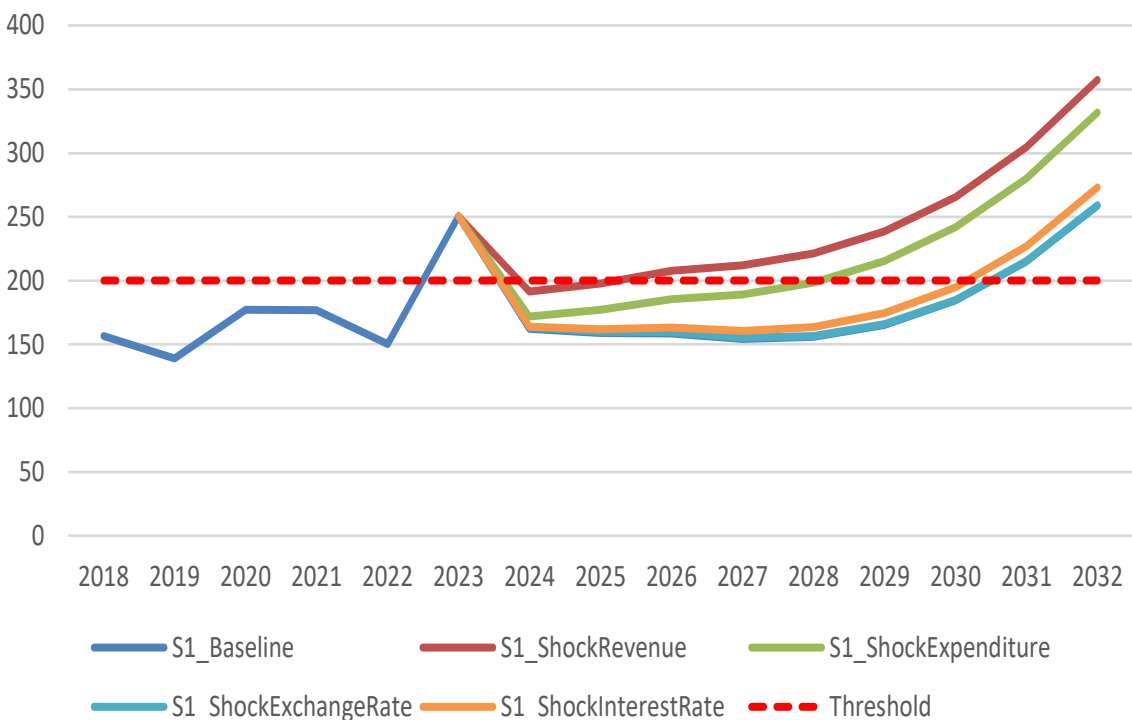


Chart 28: Debt Stock as a share of Revenue



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Chart 29: Debt Service as a share of Revenue

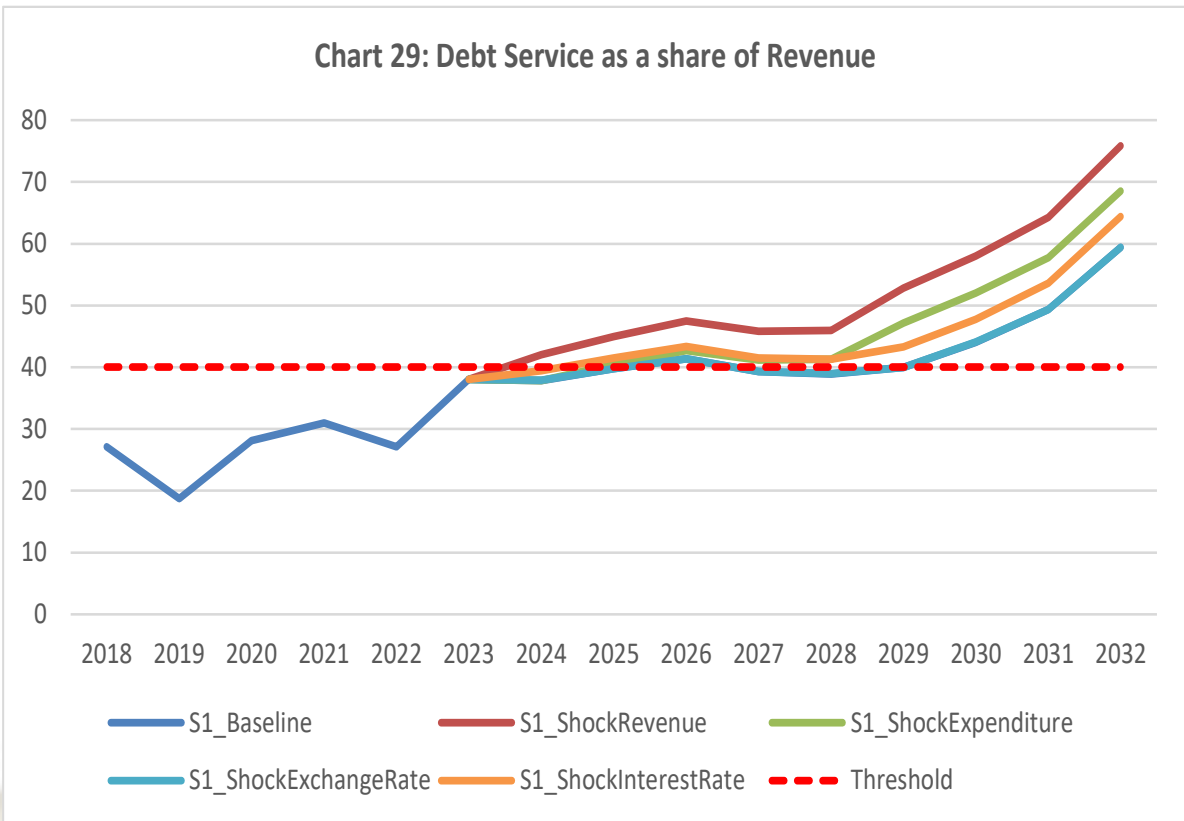
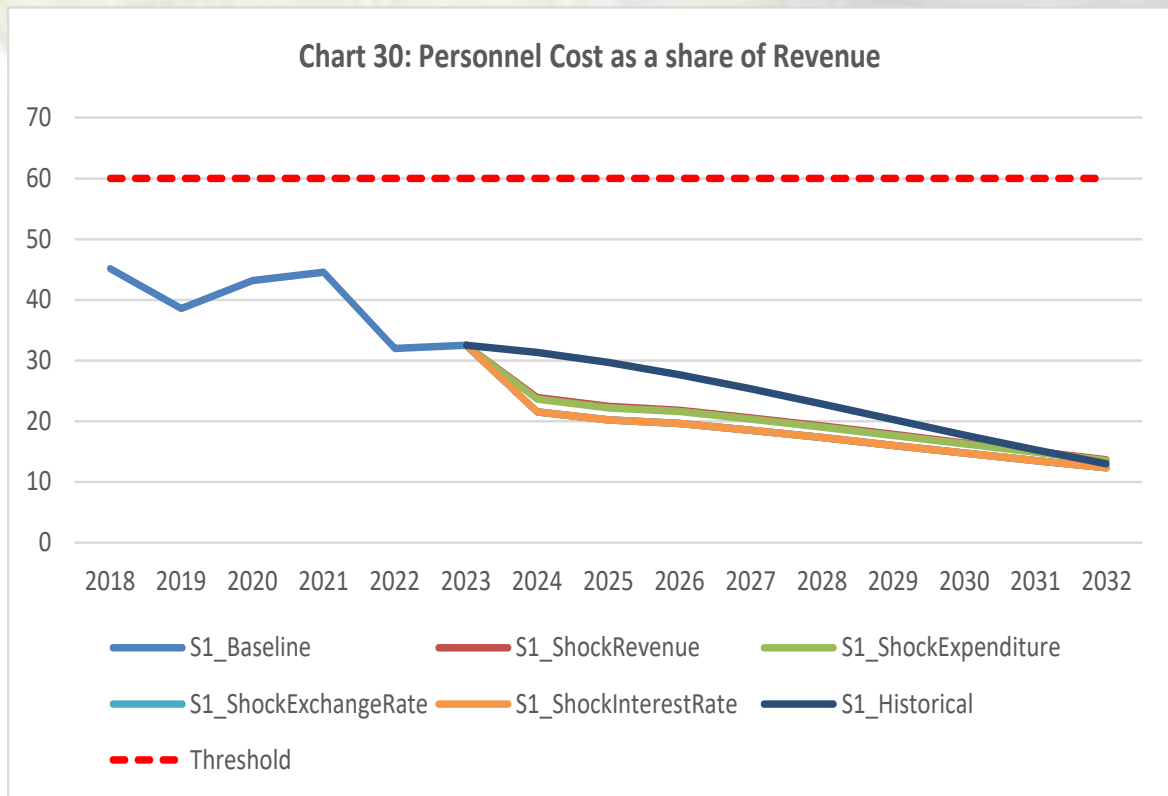


Chart 30: Personnel Cost as a share of Revenue



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Based on the outturns of the shock's scenarios (2027-2032; Charts 28-29) the reference debt Strategy (S1) is more realistic and acceptable for the State debt sustainability. This is aimed at minimizing the adverse effects of the shock's scenarios due to the sensitivity of the public debt to economic shocks such as exchange rate, inflation rate and interest rate. Also, the vulnerability of the State to risk exposure which include risk of contingent obligations crystalizing; impact of insistent herdsmen attacks, natural disasters like recurrent floods, erosion, fire and other disasters.

The Baseline debt strategy(S1) with the cost-risk trade off (39- 47) at 2026 appears to be feasible and is preferable to preserve sustainability in the medium to long terms as the outlined fiscal reforms (2.1) are sustained and efforts to raise domestic revenue, improve the efficiency of spending, reduce corruption, improve the business environment are intensified as well as being consistent with fiscal spending and deficit plans, going forward.



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 - 2027	Risk Measured
Debt Stock/Revenue (%)	154.5	367.1
Debt Services/Revenue (%)	39.3	46.7
Interest/Revenue (%)	19.8	29.5

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 2027 (as projected in the baseline scenario). Risk is measured by the deviation from the expected value in 2027 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 20% for maturity of 4 years, (including Agric Loans and MSMEDF) and/or interest rate of 19% 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 20% for maturity of 7 years or longer) and other Domestic Financing (Private BOND) at an average interest rate of 19% for maturity of 18 years.

For the DMS (4), that will be a mixed financing by combining the three options but excluding External borrowing which is the prerogative of the Federal Government though 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 2027-2032, to be on-lent to the States as external financing category in addition to the FGN/ WB SABER programme, performance for results.

- Table Assumptions of the Benue State DSA-MTDS 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-MTDS Template 2023(Debt/Revenue, Debt Services/Revenue and Interest/Revenue) is as shown:

Debt-management performance indicators (2027):

S1- DM Performance	Cost	Risk	S2- DM Performance	Cost	Risk
Debt Stock/Revenue (%)	154.5	367.1	Debt Stock/Revenue (%)	155.3	367.8
Debt Services/Revenue (%)	39.3	46.7	Debt Services/Revenue (%)	37.4	45.0
Interest/Revenue (%)	19.8	29.5	Interest/Revenue (%)	20.2	29.8

S3- DM Performance	Cost	Risk	S4- DM Performance	Cost	Risk
Debt Stock/Revenue (%)	152.8	365.7	Debt Stock/Revenue (%)	154.5	367.1
Debt Services/Revenue (%)	43.3	50.2	Debt Services/Revenue (%)	37.6	45.2
Interest/Revenue (%)	19.2	29.0	Interest/Revenue (%)	19.9	29.6

Comparing the three alternative planned borrowing options (S2, S3 and S4) using the above debt management performance (DMP) indicators (2027) with the baseline as a reference debt strategy (S1) revealed that S2 will result in a higher cost (debt burden) and risk exposure in all the DMP indicators, followed by S4 and S3, 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

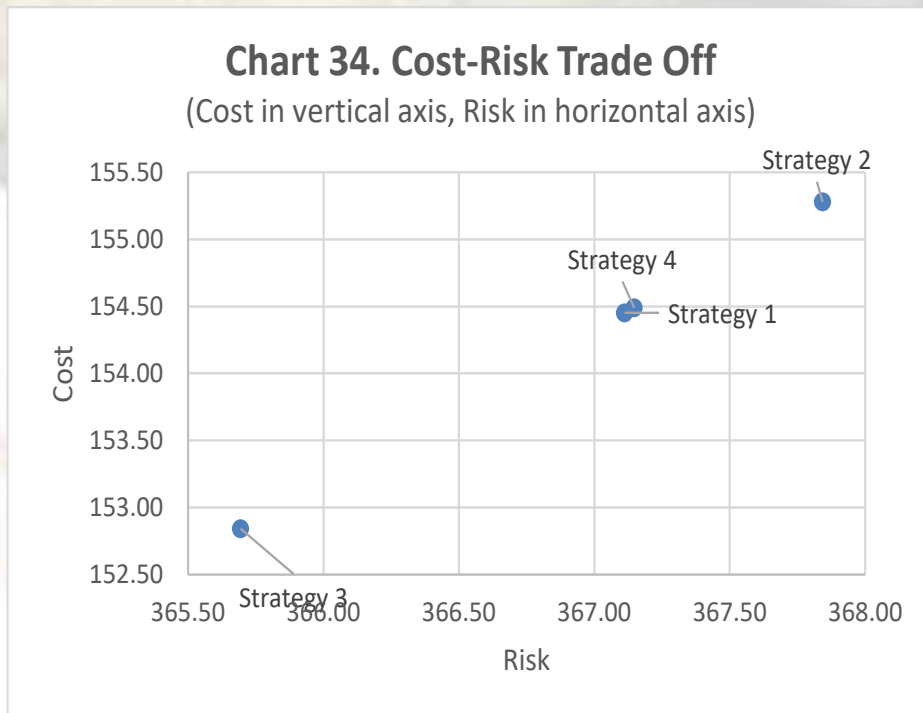
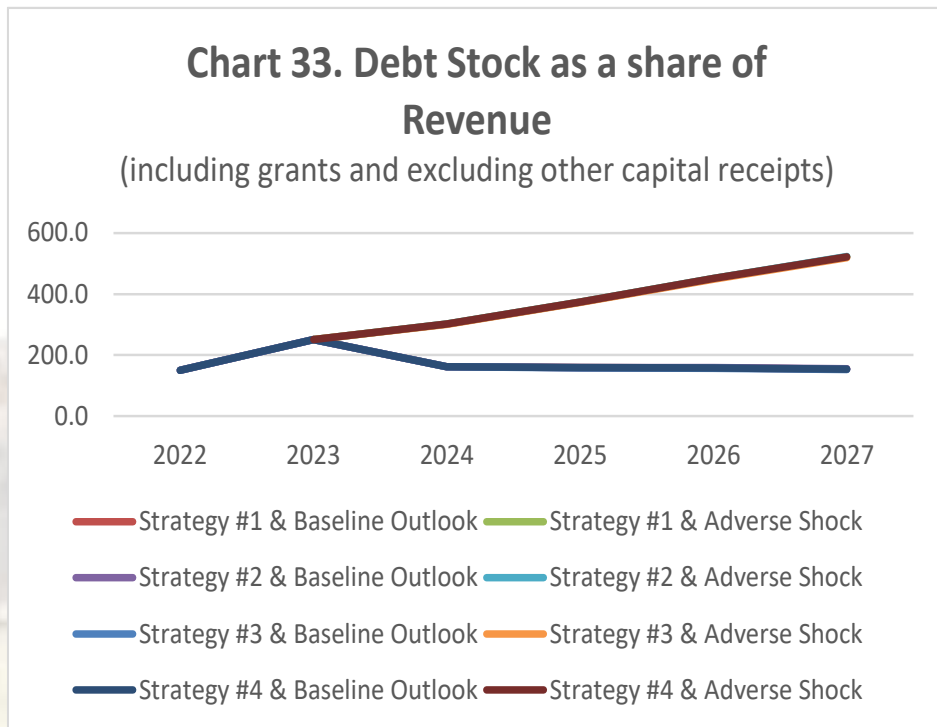
The State projected Debt Stock/Revenue under the four strategies (Charts 31 and 32) presented the Debt Stock as a percentage of Revenue for the baseline scenario for the period 2023-2027:

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

Baseline Outlook	2023	2024	2025	2026	2027(Cost)	RISK
S1	250.4	162.4	158.8	158.6	154.5	367.1
S2	250.4	162.5	159.2	159.2	155.3	367.8
S3	250.4	162.0	158.1	157.5	152.8	365.7
S4	250.4	162.3	158.8	158.6	154.5	367.1

The above table reflected the structures of the debt burden and risk exposure based on the selected strategy of the debt portfolio and S3 option offers a minimal cost associated with moderate risk.

The cost and risk which is measured in 2027 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 33 and 34) with S2 on the extreme top right of the plot, S4 slightly below, S1 following downward and S3 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 37 and 38) presented the Debt Services as a percentage of Revenue for the baseline scenario for the period 2023-2027:

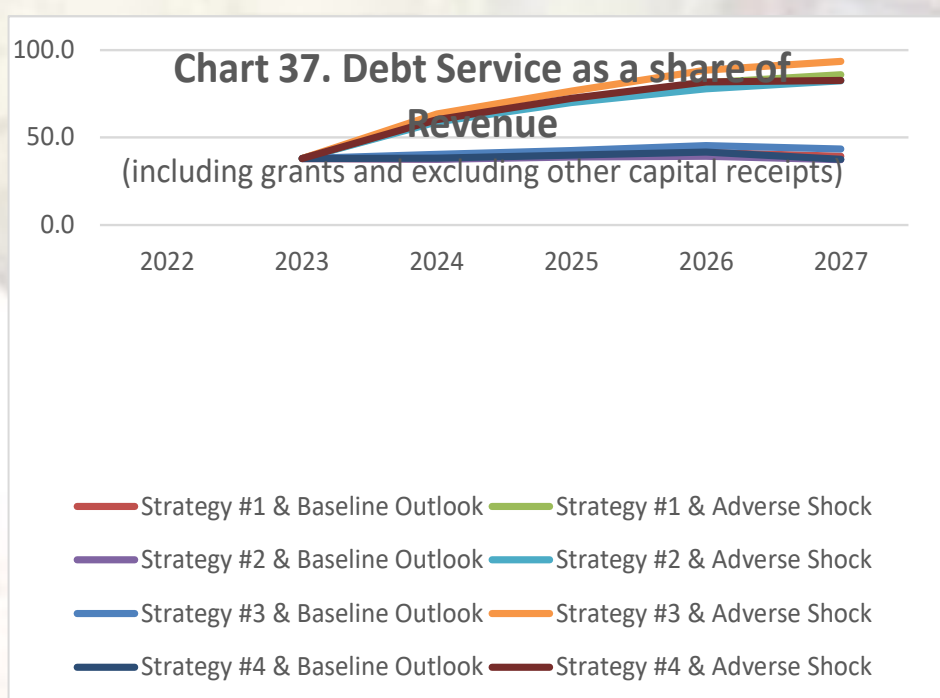
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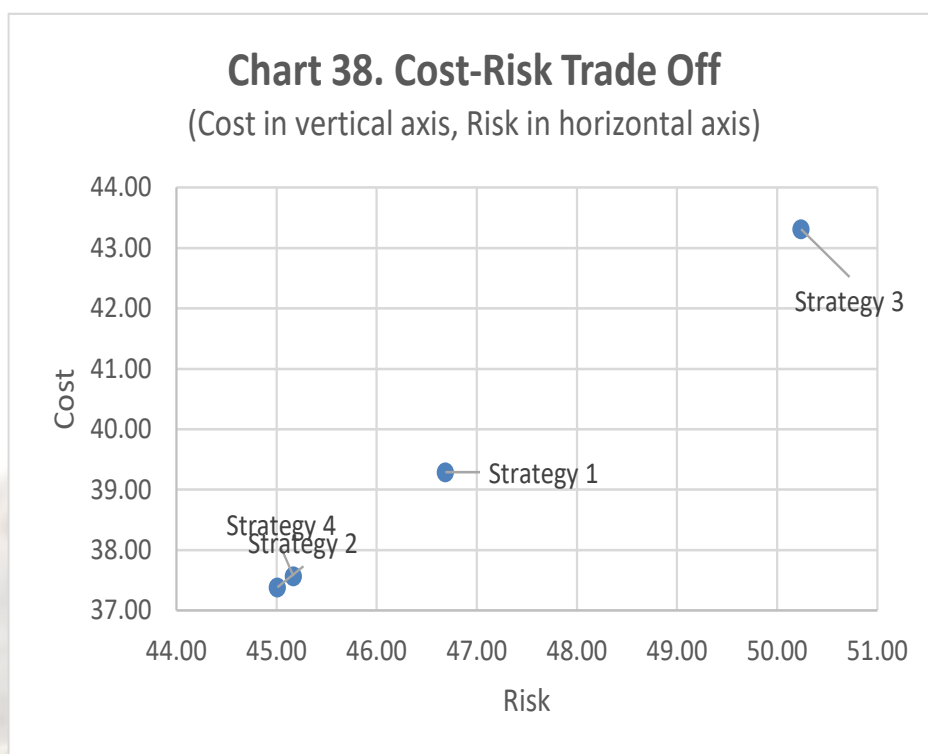
Debt Services as % of Revenue (including grants and excluding other capital receipts)

Baseline Outlook	2023	2024	2025	2026	2027 (Cost)	RISK
S1	38.0	37.9	39.8	41.4	39.3	46.7
S2	38.0	37.5	38.8	39.4	37.4	45.0
S3	38.0	40.4	42.6	45.4	43.3	50.2
S4	38.0	38.2	40.0	41.7	37.6	45.2

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 2027 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 37 and 38) with S3 on the extreme top right of the plot, S1 far below, S4 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

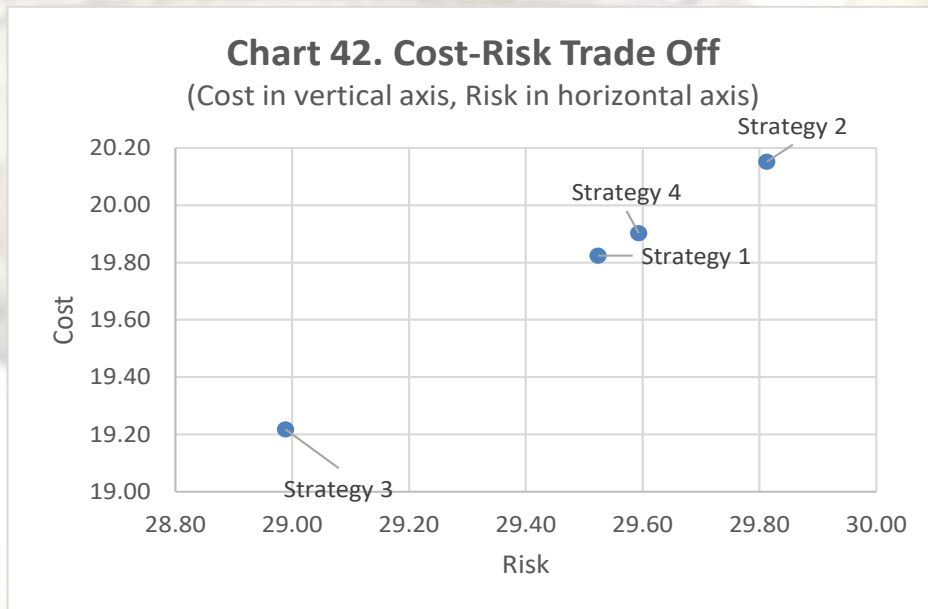
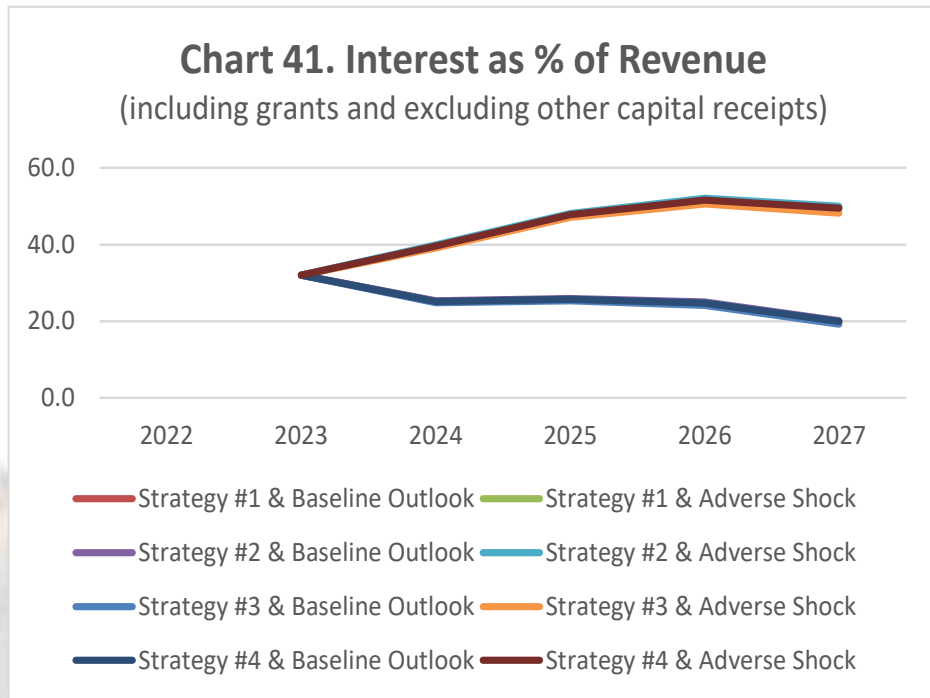
The projected Interest/Revenue under the four strategies (Charts 41 and 42) presented the interest as a percentage of Revenue for the baseline scenario for the period 2023-2027:

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

Baseline Outlook	2023	2024	2025	2026	2027 (Cost)	RISK
S1	32.0	25.2	25.8	24.7	19.8	29.5
S2	32.0	25.3	26.0	25.0	20.2	29.8
S3	32.0	24.8	25.4	24.2	19.2	29.0
S4	32.0	25.2	25.8	24.7	19.9	29.6

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 S3 option offers a minimal cost associated with moderate risk compared to the baseline strategy (S1) and other alternative strategies (S2 and S4).

The cost and risk, measured in 2027 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 41 and 42) with S2 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 S2 debt portfolio by the State will lead to more debt burden based on their cost-risk profiles and debt management performance outlooks – 2023-2027 (Sections 5.2.1-5.2.3). On the other hand, S3 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).

However, the alternative borrowing S3 or S2 may be difficult to implement based on the outturns of the shock's scenarios (2027-2032; Charts 28-29) which may be due to the sensitivity of the public debt to economic shocks such as exchange rate, inflation rate and

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interest rate. Also, the vulnerability of the State to risk exposure which include risk of contingent obligations crystalizing; impact of insistent herdsmen attacks, natural disasters like recurrent floods, erosion, fire and other disasters.

The Baseline strategy (S1) with the cost-risk trade off (39- 47) at 2027 appears to be feasible and is preferable to preserve sustainability in the medium to long term. 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-2022 (**N152,641.19 million**)) and the portfolio expected by 2027 (**N498,430.15 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 (39%) and the exposure to market risks (7%), 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 7.43% at end-2022 to 0.00% at end-2027. The share of public debt maturing in three year or more will be increased from 13.33% at end-2022 to 112.66% at end-2027 due to high volume of new debts.

Sign:  16/12/23

Hon. Commissioner for Finance and Economic Planning

BENUE
FOOD BASKET OF THE NATION

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

2023		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	The suggested forecasts for State GDP and FAAC revenue in the State DSA-DMS Template.	The World Bank/Debt Management Office, Abuja/Benue State Budget, and Planning Commission
Revenue	Revenue	The suggested forecasts for State GDP and FAAC revenue in the State DSA-DMS Template. IGR will improve through impact of taskforce on revenue drive, efficient and effective Tax audit, improvement and exploring new revenue sources, blocking leakages and use of automated revenue collection and remittance processes.	The World Bank/Debt Management Office, Abuja; State MoF, BIRS Benue State, Benue State Budget, and Planning Commission.
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	This is estimated using the elasticity forecasting which projected government's share of FAAC (2024-2026). This assumption is however, based on the expected rise in crude oil prices, production rate, subsidy removal and stable inflationary rate predicted within this period. This is also expected to increase gradually because of the Transition government, new reforms and diversifications in the Agricultural economy despite the current recession largely due to global oil price fluctuation which picked up at the end of Fourth quarter 2022. ie increase in the growth rate of 25%, 2024-2032.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	1.a. of which Net Statutory Allocation ('net' means of deductions)		DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission.
	1.b. of which Deductions		DSA Team, Ministry of Finance and Economic Planning, Benue State Planning Commission.
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	The suggested forecasts for FAAC revenue in the State DSA-DMS Template	The World Bank/DMO, Nigeria, Abuja; DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	4. VAT Allocation	Government share of VAT is also estimated using the elasticity forecasting (2024-2026). This sustained rise in VAT is based on the assumption that the increased VAT rate from 5% to 7.5%, and the expanded area of coverage including areas such as banks and mobile phone transactions will no doubt make up the projections. The figures which are based on elasticity forecasting will increase ie the growth rate of 7.5%, 2024-2032.	The World Bank/DMO, Nigeria, Abuja; DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission

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	5. IGR	The State Government anticipates an increase in its revenue base by blocking leakages and exploring new revenue sources. The most critical of all is to sustain continuous enforcement of payment of ground rent by property owners and improve IGR up to 25% annual growth rate (2024), 10% (2025-2026). There will be 15% average growth rate (2027-2032) 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 also based on the Ten-year projections by BIRS. Improving the State IGR through various sources and Taskforce's activities. Also, the Benue GIS program will provide additional revenues for the State going forward.	DSA Team, Ministry of Finance, Budget and Economic Planning, BIRS, Benue State Budget, and Planning Commission
	6. Capital Receipts	The State expects some loans/grants from International Donors and other Local Donors. The World Bank new program, SABER (State Action on Business Enabling Reforms) which is ongoing, growth rate of 5% within the period. This is because the major sources of government grants which are the INGOs and NGOs would have left the State.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	6.a. Grants	There is a likelihood of accessing the SABER Funds partly by the year end (2023). It will increase by 5% on average based on the expectation of the World Bank Disbursements resulting from performance for result program of the SABER when it is implemented fully.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts	Accessing the FGN/CBN intervention funds and other State based programs and projections by the FGN.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
Expenditure	Expenditure		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	This will increase by 25% (2024) and 10% (2025-2032) based on the implementation of anticipated minimum wage and 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 with less workforce.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	2. Overhead costs	The other recurrent services steadily increase year-on-year using own percentage forecasting method, 25% (2024), based on high inflation. This will then increase by 10% growth rate (2025-2032) due to the economic impacts and exigencies of the established new Offices e.g., State DMO, State FRC, State PPC and other cost of governance due to the new reforms expected to be introduced by the new government.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Cost minimization will be strictly applied going forward.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	5. Capital Expenditure	There will be an increment at an average growth rate of 40% (2024-2032) because of the on-going and planned commitments in infrastructural development and policy objectives/targets of the new Administration.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission

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Closing Cash and Bank Balance	Closing Cash and Bank Balance	Cash balance is projected at a decreasing rate of 8% (2024-2032) for effective budget implementation due to unpredictable economic circumstances going forward, and since contingency and planning reserves for fiscal receipts and capital investments shortfalls in nominal terms are already provided.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
Debt Amotization and Interest Payments	Debt Outstanding at end-2022		
	External Debt - amortization and interest		
	Domestic Debt - amortization and interest		
	New debt issued/contracted from 2023 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		
	External Financing - Bilateral Loans		
	Other External Financing		
	New Domestic Financing		
	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 19% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 20% for maturity of 20 years; State Bonds to be sourced from capital markets at an average interest rate of 19% for maturity of 7 years or longer) and other Domestic Financing at an average interest rate of 20% for maturity of 18 years.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	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		
Proceeds from Debt-Creating Borrowings	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1		
corresponding to Debt Strategy S1	New Domestic Financing in Million Naira		

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	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 19% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 20% for maturity of 20 years; State Bonds to be sourced from capital markets at an average interest rate of 19% for maturity of 7 years or longer) and other Domestic Financing at an average interest rate of 20% for maturity of 18 years.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	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		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Benue State Government currently has no plan for external financing category except the FGN/ WB SABER grants-based programme	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creating Borrowings	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2		
corresponding to 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 19% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 20% for maturity of 20 years; State Bonds to be sourced from capital markets at an average interest rate of 19% for maturity of 7 years or longer) and other Domestic Financing at an average interest rate of 20% for maturity of 18 years.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	Commercial Bank Loans (maturity 6 years or longer, 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 19% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 20% for maturity of 20 years; State Bonds to be sourced from capital markets at an average interest rate of 19% for maturity of 7 years or longer) and other Domestic Financing at an average interest rate of 20% for maturity of 18 years.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)		
	Other Domestic Financing		
	New External Financing in Million US Dollar		

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	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creating Borrowings	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3		
corresponding to Debt Strategy S3	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 19% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 20% for maturity of 20 years; State Bonds to be sourced from capital markets at an average interest rate of 19% for maturity of 7 years or longer) and other Domestic Financing at an average interest rate of 20% for maturity of 18 years.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission
	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		
	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	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4		
corresponding to 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 19% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 20% for maturity of 20 years; State Bonds to be sourced from capital markets at an average interest rate of 19% for maturity of 7 years or longer) and other Domestic Financing at an average interest rate of 20% for maturity of 18 years.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State Budget, and Planning Commission

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	Commercial Bank Loans (maturity 6 years or longer, 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 19% for maturity of 4 years, [including Agric Loans and MSMEDF] and/or interest rate of 20% for maturity of 20 years; State Bonds to be sourced from capital markets at an average interest rate of 19% for maturity of 7 years or longer) and other Domestic Financing at an average interest rate of 20% for maturity of 18 years.	DSA Team, Ministry of Finance, Budget and Economic Planning, Benue State
	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		



Annex III: Minimum Requirements to Achieve DLI 7.2 on State DSA-MTDS Report in 2023

Note: CY 2022 is the last year of SFTAS APA, but to ensure sustainability, this DSA-MTDS report will maintain 2022 requirements. Therefore, the 2022 requirements will be the basic standard for the DSA-MTDS report.

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 2022

States publish an annual State Debt Sustainability Analysis and Debt Management Strategy Report (SDSA-DMSR) by December 31, 2022.

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 2026; 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 2022.

The SDSA-DMSR 2022 must include:

For (1) medium-term budget (MTB) forecasts, the SDSA-DMSR 2022 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 2022 to 2025 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 2022 to 2026: 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 2022-2026: analysis (in writing) of whether and how the MTB forecasts inform the prospective fiscal and debt policies to be adopted at least in 2022 (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 2022 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 2031 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 2022-2031: 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 2022-2026, and their implications for cost-risk profile of State debt portfolio in 2026. 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 2021: either a table OR charts (OR both table and chart(s)) with historical figures for at least 2021 (but can extend to years preceding 2021) 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 2021: analysis (in writing) of fiscal and debt situation in 2021 (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 2021 presented in the SDSA-DMSR 2022 and;
- ii) the fiscal and debt information presented in the 2021 Financial Statement and the 2021 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).

Data Sources

- **State Ministry of Finance** for: (1) the quarterly SDDR (submitted to the DMO and acknowledgements); (2) the 2021 SDSA-DMSR; and (3) the 2022 SDSA-DMSR.
- **State official website(s)** for the published 2022 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.

BENUE STATE GOVERNMENT OF NIGERIA

Annex IV: List of Benue State Technical Team for the DSA-DMS Report in 2022.

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