



**DEBT MANAGEMENT OFFICE  
NIGERIA**

**EXTERNAL AND DOMESTIC BORROWING GUIDELINES FOR  
FEDERAL GOVERNMENT, STATE GOVERNMENTS, AND THE  
FEDERAL CAPITAL TERRITORY AND  
THEIR AGENCIES**

**2020**

## Table of Contents

List of Tables .....	3
Glossary .....	4
1. Introduction .....	5
2. Relevant Legislations and Guidelines.....	6
3. Role of the National Assembly (NASS).....	7
4. Requirements for External Borrowing by the FGN and its Agencies .....	8
5. Requirements for External Borrowing by States, FCT and their Agencies .....	9
6. Requirements for Domestic Borrowing by the FGN and its Agencies .....	11
7. Requirements for Domestic Borrowing by States, FCT and their Agencies .....	12
8. Requirements for Borrowing from Banks and other Financial Institutions by States, FCT and their Agencies .....	14
Appendices.....	17
Templates for Approvals of Borrowing by the State Executive Council and the State House of Assembly.....	17
I. Template for the State Executive Council’s Approval for External Borrowing.....	18
II. Template for the State House of Assembly’s Resolution for External Borrowing.....	19
III. Template for the State Executive Council’s Approval for Borrowing from Banks and other Financial Institutions (Domestic).....	20
IV. Template for the State House of Assembly’s Resolution for Borrowing from Banks and other Financial Institutions (Domestic).....	21
V. Template for the State Executive Council’s Approval for Bond Issuance .....	22
VI. Template for State House of Assembly’s Resolution for Bond Issuance.....	24

Checklists for Requirements for External, Domestic Capital Market and Borrowing from Banks and other Financial Institutions by the States, FCT and their Agencies.....	26
I. Checklist for Requirements for External Borrowing by the States, FCT and their Agencies....	27
II. Checklist for Requirements for Borrowing in the Domestic Capital Market by the States, FCT and their Agencies.....	29
III. Checklist for Requirements for Borrowing from Banks and other Financial Institutions by the States, FCT and their Agencies.....	31

### **List of Tables**

Table 1: Specific Activities of the National Assembly and Legal Basis.....	7
Table 2: Conditions for External Borrowing, Responsibility and Legal Requirements .....	8
Table 3: External Borrowing Requirements for States, FCT and their Agencies.....	9
Table 4: Domestic Borrowing Requirements for the Federal Government and its Agencies.....	11
Table 5: Domestic Borrowing Requirements for States, the FCT and their Agencies.....	12
Table 6: Borrowing from Banks and other Financial Institutions by the States, FCT and their Agencies.....	15

## Glossary

BOF	Budget Office of the Federation
DMDs	Debt Management Departments
DMO	Debt Management Office
DMO Act	Debt Management Office (Establishment, Etc.) Act, 2003
DSA	Debt Sustainability Analysis
FAAC	Federation Account Allocation Committee
FCT	Federal Capital Territory
FEC	Federal Executive Council
FGN	Federal Government of Nigeria
FMBNP	Federal Ministry of Budget and National Planning
FMF	Federal Ministry of Finance
FMFBNP	Federal Ministry of Finance, Budget and National Planning
FMJ	Federal Ministry of Justice
FRA	Fiscal Responsibility Act, 2007
FSP	Fiscal Sustainability Plan: Fiscal Framework for Sub-National Governments in Nigeria
IGR	Internally Generated Revenue
ISA	Investments and Securities Act, 2007
ISPO	Irrevocable Standing Payment Order
MDAs	Ministries, Departments and Agencies
MINISTER	The Minister charged with responsibility for Finance
MTEF	Medium-Term Expenditure Framework
NDMF	National Debt Management Framework
NASS	National Assembly
PAR	Project Appraisal Report
SEC	Securities and Exchange Commission
SLA	Subsidiary Loan Agreement

## 1.0 Introduction

Pursuant to the provisions of the Debt Management Office (Establishment, Etc.) Act, 2003, Section 33, the Office is empowered to issue Guidelines for the effective implementation of its functions. Accordingly, the DMO issues External and Domestic Borrowing Guidelines to guide Federal Government, State Governments and the FCT and their Agencies, on External and Domestic Borrowing with a view to ensuring compliance with Laws and Guidelines on Borrowing, and to ensure debt sustainability at all tiers of Government of the Federal Republic of Nigeria.

Given the new developments in the fiscal operations of Government over these years, especially in the area of Public Debt Management, it became imperative to review and update the 2012 edition of the Borrowing Guidelines. Presented hereunder therefore, is the Revised External and Domestic Borrowing Guidelines, which has been updated to bring it in line with current realities. The document also includes the responsibilities of the stakeholders in the borrowing process, and the citation of the relevant Legal basis and Guidelines supporting the responsibilities of each stakeholder, including the documentation requirements by the Federal Government, State Governments and FCT, as well as their Agencies.

The Guidelines are derived from provisions in the existing legislations, and approved documentations, notably: The Constitution of the Federal Republic of Nigeria, the Debt Management Office (Establishment, Etc.) Act, 2003, the Fiscal Responsibility Act, 2007, the Investments and Securities Act, 2007, and the Fiscal Sustainability Plan: Fiscal Framework for Sub-National Governments in Nigeria.

These Guidelines are subject to periodic review, in response to changes in legislations, practices and as may become necessary.

## 2.0 Relevant Legislations and Guidelines

The relevant **Legislations and Guidelines** on External and Domestic Borrowings by the Federal Government of Nigeria, States, Federal Capital Territory (FCT) and their Agencies are as follows:

- i. The Constitution of the Federal Republic of Nigeria, 1999, as amended;
- ii. The Debt Management Office (Establishment, Etc.) Act, 2003;
- iii. Investments and Securities Act, 2007;
- iv. Fiscal Responsibility Act, 2007;
- v. National Debt Management Framework (as Revised); and,
- vi. The Fiscal Sustainability Plan: Fiscal Framework for Sub-National Governments in Nigeria.

### 2.1 Key Legislations

- i. The Debt Management Office (Establishment, Etc.) Act, 2003, Sections 21 (1&2), 24 and 27 (1) state as follows:
  - *No external loan shall be approved or obtained by the Minister unless its terms and conditions shall have been laid before the National Assembly and approved by its resolution;*
  - *The Federal, State Government or any of their agencies shall not obtain any external loan except with a guarantee issued by the Minister.*
  - *All Banks and Financial Institutions intending to lend to the States, FCT and any of their agencies shall obtain the prior approval of the Minister.*
  - *The National Assembly may by a Resolution approve, from time to time, standard terms and conditions for the negotiation and acceptance of external loans and issuance of guarantees.*
- ii. The Fiscal Responsibility Act, 2007, Section 47(3) states as follows:
  - *In the case of foreign currency borrowing, Federal Government guarantee shall be a requirement and no State, Local Government or Federal Agency shall, on its own borrow externally.*
- iii. The Fiscal Responsibility Act, 2007, Section 41(1a) provides thus:
  - *Government at all tiers shall only borrow for capital expenditure and human development, provided that, such borrowing shall be on concessional terms with low interest rate and with a reasonable long amortization period subject to the approval of the appropriate legislative body where necessary.*

### 3.0 Role of the National Assembly (NASS)

The National Assembly (NASS) performs four (4) specific activities in the borrowing process. These activities, as well as the legal basis for them are presented in Table 1.

**Table 1: Specific Activities of the National Assembly and Legal Basis**

S/No	Activity/Requirement	Legal Basis/Reference
1	Approval of the Medium-Term External Borrowing Plan submitted by the Executive	DMO Act, 2003, Sections 21 (1)
2	Approval by Resolution of the Terms and Conditions of External Loans.	DMO Act, 2003, Sections 21(1) and 27(1)
3	Approval of overall limits, for the amounts of consolidated debt of the Federal, States and FCT, to be set by the President on the advice of the Minister.	FRA, 2007, Section 42 (1)
4	Prior authorization in the Appropriation Act or other Laws for the purpose for which Borrowing is to be utilized.	FRA, 2007, Section 44 (2a)

## 4.0 Requirements for External Borrowing by the FGN and its Agencies

To borrow externally, the Federal Government and its Agencies are required to comply with the legal requirements, as specified in Table 2.

**Table 2: Conditions for External Borrowing, Responsibility and Legal Requirements**

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
1	Preparation of a National Debt Management Strategy for the approval of the Federal Executive Council (FEC).	DMO (in collaboration with relevant MDAs)	DMO Act, 2003, Section 6(c)
2	Identification of Projects to be funded and preparation of proposed Borrowing Requests, to be submitted to the Minister. Such requests are to include Documents on the Projects to be funded, consistent with national development priorities and Creditor's Partnership Strategies.	MDAs	FRA, 2007, Section 44
3	Collate Requests for funding and Conduct Appraisal of Projects to be financed with the Borrowing: <ul style="list-style-type: none"> <li>This is to ascertain conformity with National Priorities, Cost-Benefit Analysis showing the economic and social benefits of the intended borrowing.</li> </ul>	FMFBNP	FRA, 2007, Section 44;
4	Prepare Annual Budget, which specifies the Financing Gap, and the Amount to be borrowed.	FMFBNP/BOF/DMO	DMO Act, 2003, Sections 19
5	Approval of the Federal Executive Council (FEC) and Presentation to the National Assembly: <ol style="list-style-type: none"> <li>Annual Budget of the Federal Government, indicating the Budget Deficit and the plan for financing the Deficit.</li> <li>Medium-Term External Borrowing Plan for the proposed External Borrowing of the Federal Government, the States and the FCT.</li> </ol>	FMFBNP  FMFBNP, through Mr. President	FRA, 2007, Section 11 (3)
6	Obtain Resolution for External Borrowing from NASS.	FMFBNP	DMO Act, 2003, Sections 21(1) and 27(1)
7	Provide Guarantee on behalf of any Government in the Federation for External Borrowing, after approval by NASS.	Minister	DMO Act, 2003, Section 21(2) FRA, 2007, Section 47



## 5.0 Requirements for External Borrowing by States, FCT and their Agencies

To qualify for external borrowing, the States, FCT and their Agencies are expected to meet these requirements as presented in Table 3.

**Table 3: External Borrowing Requirements for States, FCT and their Agencies**

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
1	All External Borrowing Proposals of the State Governments, FCT and their Agencies for the next fiscal year, must be submitted not later than four months preceding that year to the Minister for incorporation into the Medium-Term External Borrowing Plan.	States, FCT & their MDAs	FRA, 2007, Section 11(1b)
2	<p>i. All States and the FCT, wishing to contract External Loans <b>must</b> secure the approval of the State Executive Council or the FCT Executive Committee, for the Borrowing Proposal which should include the Amount, Purpose of the Loan and the Repayment Plans (including source of repayment) for the Loan.</p> <p>ii. The <b>Approval</b> of the State Executive Council should be evidenced in writing and duly signed by the Secretary to the State Government. In addition, the <b>Resolution</b> of the State House of Assembly, duly signed by the Clerk should be provided. In the case of the FCT, the Approval by the Executive Committee duly signed by the Secretary and FCT Minister.</p>	States and FCT	<p>1999 Constitution, as amended, Section 299 (a)</p> <p>FCT Act, 1976, as amended, Sections 18(b) and (c)</p> <p>FRA, 2007, Section 44</p>
3	States and FCT are to ensure that their Total Loans, including the proposed loan, do not exceed 250% of their Total Revenue for the preceding year.	FMFBNP/DMO/States/FCT	FSP, 2016
4	<p>The Borrowing Proposal must be submitted to the Minister for consideration. The Proposal should include the following:</p> <p>i. The purpose for which the Borrowing is intended and its link to the developmental Agenda of the Government;</p> <p>ii. Cost-Benefit Analysis showing the economic and social benefits of the intended borrowing;</p> <p>iii. Cashflow Projection of the Project to</p>	States and FCT	FRA, 2007, Section 44

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
	<p>ascertain its viability and sustainability;</p> <p>iv. Extract of the Approval of the State Executive Council, duly signed by the Secretary to the State Government. In the case of the FCT, the Approval of the FCT Executive Committee duly signed by the Secretary and the FCT Minister;</p> <p>v. Certified True Copy of the Resolution of the State House of Assembly, duly signed by the Clerk. The approval to be secured would include the Amount of the proposed Loan, Purpose (utilization of proceeds), Terms of the Loan and means of Repayment;</p> <p>vi. Copy of the relevant State or FCT's Appropriation Act, or other Act or Law authorizing the Purpose of the proposed Borrowing;</p> <p>vii. Submission of the State or FCT's Audited Financial Statements for the past three (3) consecutive years;</p> <p>viii. Evidence of attainment and maintenance of a current Credit Rating; and,</p> <p>ix. Evidence of an up-to-date submission to the DMO of quarterly Domestic Debt Data of the State or FCT.</p>		FSP, 2016
5	To receive Approval-in-Principle, the DMO shall conduct a Debt Sustainability Analysis to ascertain that the Monthly Debt Service deduction of the State or FCT, including the servicing of the proposed new loan, does not exceed 40% of the Total Monthly Revenue (FAAC and IGR) of the State or FCT for the preceding 12 months, and make recommendations to the Minister as appropriate.	DMO	DMO Act, 2003, Section 6(1c)
6	Borrowing Requests from the States and FCT incorporated into the Medium-Term External Borrowing Plan for consideration and approval of FEC and NASS.	FMFBNP, FEC and NASS	FRA, 2007, Section 44 (2a)
7	<p><b>Negotiation and Signing</b> of External Loans and On-lending to the Sub-National Governments:</p> <p>i. Constitution of a Negotiation Team to be led by the FMFBNP, upon NASS approval.</p> <p>ii. Submission of Negotiation Report to the Minister.</p> <p>iii. Submission of Negotiated documents to</p>	<p>FMFBNP, DMO, FMJ and the States or FCT or their MDAs</p> <p>FMFBNP</p> <p>FMFBNP/FMJ</p> <p>FMFBNP</p>	DMO Act, 2003, Section 19 (3)

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
	<p>the Federal Ministry of Justice (FMJ) for clearance.</p> <p>iv. Processing of Loan Agreements and Legal Opinion.</p> <p>v. Signing of Loan Agreement.</p>	Minister	DMO Act, 2003, Section 20
8	Every Participating State and the FCT shall execute a <b>Subsidiary Loan Agreement (SLA)</b> with the FGN, in line with the requirements for granting Guarantee by the Minister.	FMFBNP/States/FCT	FRA, 2007 Section 47(2) and (3)

Note: See Checklist as part of Appendices

## 6.0 Requirements for Domestic Borrowing by the FGN and its Agencies

Domestic borrowing requirement by the Federal Government and its Agencies as stated in Table 4 involves the specification of the New Domestic Borrowing in the Annual Budget, which is approved by FEC, and then presented to the NASS for approval.

**Table 4: Domestic Borrowing Requirements for the Federal Government and its Agencies**

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
1	The amount of the New Domestic Borrowing by the Federal Government for the succeeding year, shall be specified in the <b>Annual Budget</b> and Supplementary Budget, where applicable, and approved by FEC and NASS.	FMBNP/BOF/DMO/FEC/NASS	DMO Act, 2003, Section 19 (1) & (2); FRA, 2007, Section 41

## 7.0 Requirements for Domestic Borrowing from the Capital Market by the States, FCT and their Agencies

Domestic borrowing from the Capital Market by the States, FCT and their Agencies is guided by the requirements of the Investments and Securities Act (ISA), 2007, and any other legislation as presented in Table 5.

**Table 5: Domestic Capital Market Borrowing Requirements for States, the FCT and their Agencies**

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
1	Any Borrowing from the Domestic Capital Market must conform to the requirements of the Investments and Securities Act (ISA), 2007 and any rules and regulations thereto issued by the Securities and Exchange Commission.	States/FCT/SEC	ISA, 2007, Section 224 Rules and Regulations of SEC
2	Any Borrowing by States and the FCT must specify the amount to be raised, the plan for its utilization, means of repayment, and the inclusion of the purpose for the borrowing in the State's or FCT's Appropriation Law or other Laws. In addition, there must be: <ul style="list-style-type: none"> <li>i. Approval of the State Executive Council (State EXCO) duly signed by the Secretary to the State Government;</li> <li>ii. The Resolution of the State House of Assembly duly signed by the Clerk;</li> <li>iii. Approval of the FCT Executive Committee duly signed by the Secretary and FCT Minister, in case of the FCT; and,</li> <li>iv. The Resolution of the NASS duly signed by the Clerk of NASS, in the case of the FCT.</li> </ul> (See Appendix for Templates for State EXCO Resolution and State House of Assembly Resolution)	States/FCT	1999 Constitution, Section 299 FRA, 2007, Section 44 ISA, 2007, Sections 223 & 224
3	For Domestic Capital Market borrowing, States and FCT are to ensure that their total amount of loans outstanding at any particular time, including the proposed loan shall not exceed fifty (50) percent of the actual Total Revenue for the preceding year.	States/FCT	ISA, 2007, 223 (1b)
4	All applications to raise funds from the Domestic Capital Market shall, among other documents, be accompanied by an original copy of an <b>Irrevocable Standing Payment Order (ISPO)</b> , except where it is waived by SEC on		

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
	<p>the basis of the following conditions stated by SEC:</p> <ul style="list-style-type: none"> <li>i. The Internally Generated Revenue (IGR) of the State or FCT shall not be less than 60% of its Total Revenue for the preceding year.</li> <li>ii. Investment in the proposed Bond Issue shall be restricted to Qualified Institutional Investors and High-Networth Individuals.</li> <li>iii. The Issuer shall provide a third-party Guarantee from a Bank, Insurance Company, Supranational Institution, International Financial Institutions or any other financial institution acceptable to the Commission, to cover payment of the principal and interest in the event of a default, etc.</li> <li>iv. The Guarantor shall be the primary Banker of the Issuer for the purpose of its IGR throughout the tenor of the debt issue.</li> </ul>	States/FCT/SEC	<p>ISA, 2007, Section 224</p> <p>and</p> <p>SEC Rule 566</p>
5	<p>Request for issuance of <b>ISPO</b> to be forwarded to the Minister for approval, will be supported by the following:</p> <ul style="list-style-type: none"> <li>i. The Purpose for which the Borrowing is intended and its link to the Developmental Agenda of the Government;</li> <li>ii. Cost-Benefit Analysis showing the economic and social benefits of the intended Borrowing;</li> <li>iii. Cashflow Projection to ascertain the viability and sustainability of the purpose for borrowing;</li> <li>iv. Extract of the Approval of the State Executive Council, duly signed by the Secretary to the State Government. In the case of the FCT, Approval of the FCT Executive Committee, duly signed by the Secretary and FCT Minister. The approval would include the amount proposed to be issued, Purpose (utilization of proceeds), Terms and means of Repayment;</li> <li>v. Certified True Copy of the Resolution of the State House of Assembly duly signed by the Clerk of the House of Assembly. In</li> </ul>	States/FCT/Minister	<p>ISA, 2007, Section 224</p> <p>FRA, 2007, Section 44</p>

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
	<p>the case of the FCT, Resolution of the NASS, duly signed by the Clerk of NASS;</p> <p>vi. Submission of the State or FCT's Audited Financial Statements for the past three consecutive years;</p> <p>vii. Copy of the relevant State or FCT's Appropriation Act, or other Act or Law authorizing the purpose for which the proposed new Borrowing is to be utilized; and,</p> <p>viii. Evidence of attainment and maintenance of a current Credit Rating.</p>		<p>FSP, 2016</p> <p>FRA 44, 2(a)</p> <p>ISA, 2007, Section 224</p>
6	Following from (5) above, the DMO shall conduct a <b>Debt Sustainability Analysis</b> to ascertain that the Monthly Debt Service deduction of the State or FCT, including the servicing of the proposed new loan, <b>does not exceed 40% of the Total Monthly Revenue (FAAC and IGR) of the State or FCT for the preceding 12 months, and make recommendations to the Minister as appropriate.</b>	DMO	<p>DMO Act, 2003, Section 6(1c)</p> <p>FSP, 2016</p>
7	Evidence of an up to date submission to the DMO of quarterly Domestic Debt Data of the State or FCT.	States/FCT	FSP, 2016
8	States and FCT are to satisfy other requirements of ISA, 2007 and the Issuance Requirements of the Securities and Exchange Commission (SEC).	States/FCT/SEC	<p>ISA, 2007, Sections 224</p> <p>SEC Rules, Part K Rules 564-566</p>

Note: See Checklist as part of Appendices

## 8.0 Borrowing from Banks and other Financial Institutions by the States, FCT and their Agencies

To ensure that borrowings by the States, FCT and their Agencies from Banks and other financial institutions are controlled, the requirements in Table 6 are expected to be adhered to:

**Table 6: Borrowing from Banks and other Financial Institutions by the States, FCT and their Agencies**

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
1	All Banks and Financial Institutions intending to lend to the States, FCT and any of their agencies, shall obtain the prior approval of the Minister, and shall state the Amount, Purpose of the proposed loan, and the Terms and Conditions of the loan.	Lending Bank	DMO Act, 2003, Section 24;
2	<p>The State Government, FCT or their agency seeking such a loan from Banks and other Financial Institutions shall submit a request to the Minister. The request should be supported by the following:</p> <ul style="list-style-type: none"> <li>i. The purpose for which the borrowing is intended and its link to the developmental Agenda of the Government;</li> <li>ii. Cost-Benefit Analysis showing full details of how the borrowing is to be utilized and the economic and social benefits of the intended Borrowing;</li> <li>iii. Extract of the Approval of the State Executive Council, duly signed by the Secretary to the State Government. In the case of the FCT, Approval of the FCT Executive Committee, duly signed by the Secretary and the FCT Minister. The approval would include the proposed Loan amount, Purpose (utilization of proceeds), Terms and means of Repayment;</li> <li>iv. Certified True Copy of the Resolution of the State House of Assembly duly signed by the Clerk. In the case of the FCT, Resolution of the NASS, duly signed by the Clerk of NASS;</li> <li>v. Copy of the relevant State or FCT's Appropriation or other Act or Law, authorizing the purpose for which the borrowing is to be utilized.</li> <li>vi. Copy of accepted Offer Letter for the</li> </ul>	States/FCT/Minister	<p>FRA, 2007, Section 44</p> <p>FRA 44 (2a)</p>

S/No	Activity/Requirement	Responsibility	Legal Basis/Reference
	<p>facility showing the Terms and Conditions of the proposed Borrowing.</p> <p>vii. Submission of the State or FCT's Audited Financial Statements for the past three consecutive years;</p> <p>viii. Evidence of an up-to-date submission to the DMO of quarterly Domestic Debt Data of the State or FCT; and,</p> <p>ix. Evidence of attainment and maintenance of a current Credit Rating.</p>		FSP, 2016
3	<p>The Minister shall direct the DMO to appraise the request and conduct a Debt Sustainability Analysis. The DMO shall conduct a <b>Debt Sustainability Analysis</b> to ascertain that the Monthly Debt Service deduction of the State or FCT, including the servicing of the proposed bank loan being contemplated, <b>does not exceed 40% of the Total Monthly Revenue (FAAC and IGR) of the State or FCT for the preceding 12 months, and make recommendation to the Minister as appropriate.</b></p>	DMO/Minister/States/FCT	<p>FRA, 2007, Section 44;</p> <p>DMO Act, 2003, Section 6(1c)</p> <p>FSP, 2016</p>
4	<p>Upon contracting the Loan, States or FCT are to furnish the DMO with the Approved Amount, Total Amount Disbursed, Purpose, Interest Rate, Fees, Tenor, Repayment Schedule and Security for such Loan.</p> <p>The Lending Institution is also required to furnish the State's or FCT's Debt Management Department (DMD) with periodic reports (Monthly) on the drawdown, utilization and servicing of same by the Borrower.</p>	States/FCT/Lending Bank	DMO Act, 2003, Section 24
5	<p>Each Lending Bank and Financial Institution is required to submit quarterly Reports to the DMO on Loans granted to Sub-national governments in the prescribed format, as may be provided by the DMO.</p>	Lending Bank/ Financial Institution	<p>DMO Act, 2003, Section 24</p> <p>FSP, 2016</p>

Note: See Checklist as part of Appendices



## **APPENDICES**

### **TEMPLATES FOR APPROVALS OF BORROWING BY THE STATE EXECUTIVE COUNCIL AND THE STATE HOUSE OF ASSEMBLY**

# I. TEMPLATE FOR THE STATE EXECUTIVE COUNCIL'S APPROVAL FOR EXTERNAL BORROWING

*(To be reproduced on the Letter-head paper of the Office of the Secretary to the Government of the State)*

APPROVAL OF THE EXECUTIVE COUNCIL OF ..... STATE OF NIGERIA (THE "STATE") IN CONNECTION WITH THE STATE'S EXTERNAL BORROWING

At the meeting of the State Executive Council ("**EXCO**") duly convened and held on the ..... Day of ....., 20XX, the following resolution was proposed and duly passed as an approval of the Council:

1. Approval of External Borrowing for an amount ... ('insert amount') by the State ("the Transaction");
2. That the amount of ... to be obtained through a process of on-lending by the Federal Government of Nigeria from ... (the "Lender") shall be for funding the ... (the "Project") as shall be duly incorporated in the Annual Budget of the State for the year ... (State Budget year);
3. That subject to the Approval of the **Federal Executive Council and National Assembly** for the loan, the State shall execute a Subsidiary Loan Agreement with the Federal Government of Nigeria, and issue an Irrevocable Standing Payment Order (ISPO) to the Office of the Accountant-General of the Federation, as a first line charge payment out of the monthly statutory allocations accruing to the State from the Federation Account;
4. That the loan shall be secured by a Federal Government of Nigeria Guarantee and supported by a Counter Guarantee to be issued by ..... State to the Federal Government;
5. That the repayment of the loan shall be duly managed within the tenure as may be specified in accordance with a Debt Repayment Plan Document which shall be managed by the Honourable Commissioner of Finance of the State;
6. The entire Principal Sum, Accrued Interest and other charges on the loan shall be repaid within the tenor agreed by the State and the Federal Government of Nigeria in accordance with the Subsidiary Loan Agreement (SLA).

Dated this..... ..... Day of ....., 20XX

.....  
Secretary to the State Government

## II. TEMPLATE FOR THE STATE HOUSE OF ASSEMBLY'S RESOLUTION FOR EXTERNAL BORROWING

... STATE HOUSE OF ASSEMBLY

..... STATE GOVERNMENT OF NIGERIA PROPOSED ... (INSERT AMOUNT) EXTERNAL BORROWING PROPOSAL

RESOLUTION OF THE ..... STATE HOUSE OF ASSEMBLY

The ... State House of Assembly ('the House of Assembly'), having been duly convened at the (insert address), (insert State) and having duly considered the motion in respect of the ... State Government's .... (insert amount) External Borrowing Proposal, has passed the following as Resolution of the House of Assembly:

1. That the Proposed External Borrowing Proposal in the sum of ... ('the Proposal') by the ... State ('the State') be and is hereby approved;
2. The State be and is hereby authorized to undertake the proposed External Borrowing Proposal by way of on-lending from the Federal Government of Nigeria for funding the ... (the 'Project'), as shall be duly captured in the ... (insert Year of Budget), Annual Budget of the State;
3. That the State Executive Council (EXCO) be and is hereby authorised to do all such other things as may be required to ensure the successful execution and completion of the Proposal;
4. That the authority conferred on the EXCO in Paragraph 3 above shall include the power to delegate such functions or duties to qualified persons as the EXCO deems appropriate subject to such supervision and review as may be prescribed by the State Executive Council (EXCO);
5. That the House hereby authorises a monthly deduction in the sum of ..... from the monthly statutory allocation accruing to the State from the Federation Account;
6. That the House of Assembly hereby authorises the issuance of a Counter Guarantee in favour of the Federal Government of Nigeria by the State in the sum of ....., as additional security under the Proposal;
7. That the monthly deductions referred to in Resolutions 5 and 6 above shall take effect and remain in force for as long as the State's obligations under the Borrowing are outstanding.

BE IT FURTHER RESOLVED that a copy of these Resolutions be transmitted to any relevant regulatory authority.

.....  
Clerk, ..... State House of Assembly

### III. TEMPLATE FOR THE STATE EXECUTIVE COUNCIL'S APPROVAL FOR BORROWING FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

*(To be reproduced on the Letter-head paper of the Office of the Secretary to the Government of the State)*

APPROVAL OF THE EXECUTIVE COUNCIL OF ..... STATE OF NIGERIA (THE "STATE") IN CONNECTION WITH THE STATE'S BORROWING FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

At the meeting of the Executive Council of the State (the "Council") duly convened and held on the ..... Day of ....., 20XX, the following resolutions were proposed and duly passed as an approval of the Council:

1. That the State Executive Council (EXCO) duly approves Borrowing for an amount ... (insert amount') by the State ("the Transaction");
2. That the amount of ₦..... to be obtained from ..... (insert Bank) shall be for funding ..... (the "Project");
3. That the Project as well as the expenditure to be incurred therefrom shall be duly incorporated in the Annual Budget of the State for the year ... (State Budget year);
4. That pursuant to the Approval of the proposed Loan by the Minister, the issuance of an Irrevocable Standing Payment Order (ISPO) to the Office of the Accountant-General of the Federation for monthly deductions from the Statutory Allocation of the State, or to the Bank(s) collecting the Internally Generated Revenue of the State for deductions from the State's Internally Generated Revenue, as a first line charge payment for servicing of the State's obligations on the borrowing is hereby approved; ***(to be adapted based on the actual source of repayment for specific requests)***
5. That the repayment of the loan shall be duly managed within the tenure in accordance with a Debt Repayment Plan Document which shall be managed by the Commissioner responsible for Finance of the State;
6. That the entire Principal Sum accrued interest and any other charges of the loan shall be repaid within the tenor agreed by the State and the ..... Banks and other Financial Institutions in accordance with the Transaction Documents executed by the parties.

Dated this ..... Day of ....., 20XX

.....  
Secretary to the State Government

## **IV. TEMPLATE FOR THE STATE HOUSE OF ASSEMBLY'S RESOLUTION FOR BORROWING FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

..... STATE HOUSE OF ASSEMBLY

..... STATE GOVERNMENT OF NIGERIA PROPOSED ..... (INSERT AMOUNT) BORROWING FROM  
..... (INSERT NAME OF BANK) BANKS AND OTHER FINANCIAL INSTITUTIONS

RESOLUTION OF THE .....STATE HOUSE OF ASSEMBLY

BE IT KNOWN THAT ON THE .....DAY OF .....20XX

The .... State House of Assembly ('the House of Assembly'), having been duly convened at the (insert address), (insert State) and having duly considered the motion in respect of the ... State Government's .... (insert amount) Borrowing from ... (insert Bank), has passed the following as Resolutions of the House of Assembly:

1. That the Proposed Borrowing in the sum of ... by the ... State ('the State') be and is hereby approved;
2. The State be and is hereby authorized to undertake the proposed Borrowing from ... for funding the ... (the 'Project') as is duly captured in an Appropriation Law for the year ... (insert Year of Budget);
3. That the State Executive Council (EXCO) be and is hereby authorised to do all such other things as may be required to ensure the successful execution and completion of the Programme;
4. That the authority conferred on the State Executive Council (EXCO) in Paragraph 3 above shall include the power to delegate such functions or duties to qualified persons as the EXCO deems appropriate subject to such supervision and review as may be prescribed by the State Executive Council (EXCO);
5. That the House hereby authorises a monthly deduction in the sum of ... from the monthly statutory allocation accruing to the State from the Federation Account or from the Internally Generated Revenue of the State;
6. That the monthly deductions referred to in Resolution 5 above shall take effect and remain in force for as long as the State's obligations under the loan are outstanding;

BE IT FURTHER RESOLVED that a copy of these Resolutions be transmitted to any relevant regulatory authority.

.....

Clerk, ..... State House of Assembly

## V. TEMPLATE FOR STATE EXECUTIVE COUNCIL'S APPROVAL FOR BOND ISSUANCE

*(To be reproduced on the Letter-head paper of the Office of the Secretary to the Government of the State)*

APPROVAL OF THE EXECUTIVE COUNCIL OF ..... STATE OF NIGERIA (THE "STATE

At the meeting of the Executive Council of the State ("EXCO") duly convened and held on the ..... Day of ....., 20XX, the following resolution was proposed and duly passed as an approval of the Council:

1. Approval of the creation and issuance of bonds for an amount not exceeding **Nxxx** by the State ("the Transaction");
2. That the Bonds be offered by way of a public offering, private placement or other such methods and upon such terms as may be determined by the Commissioner responsible for Finance ("the Commissioner") or such other person(s) that the Commissioner may delegate this power to;
3. That the Transaction be undertaken either in a single issuance or through issuances to a maximum aggregate of **Nxxx** and at such coupon rates, within such maturity periods and such other terms and conditions as determined by the Commissioner and the State's Financial Advisers and approved by the relevant regulatory authorities;
4. The rate of coupon payable on the Bonds can be determined by way of a book building process or such other process as may be determined by the Commissioner or such other person(s) that the Commissioner may delegate this power to and approved by the relevant authorities;
5. The Bonds shall be secured by an Irrevocable Standing Payment Order (ISPO) issued to the Office of the Accountant-General of the Federation, as a first line charge payment out of the monthly statutory allocations accruing to the State from the Federation Account or an ISPO on the Internally Generated Revenue (IGR) of the State which must be approved by the Minister.
6. A Sinking Fund shall be established and managed by the Trustee(s) duly registered with the Securities and Exchange Commission (SEC) appointed for the transaction into which appropriate deductions made pursuant to the ISPO from the State's Statutory Allocation from the Federation Account or an ISPO from the State's IGR duly approved by the Minister shall be paid, and out of which the applicable coupon and principal payments shall be made to Bondholders;

7. The entire value of the bonds shall be redeemed within the tenor agreed by the Commissioner or such other person(s) that the Commissioner may delegate this power to; and,
8. The Commissioner or such other person(s) that the Commissioner may delegate this power to and the Debt Management Department of ..... State are hereby authorized and mandated to obtain the necessary approvals from the ..... State House of Assembly and the appropriate regulators to successfully execute the Bond Issue.

Dated this day ..... of ....., 20XX

.....  
Secretary to the State Government

**(This is a Guide on the minimum information required for this purpose. Where required by the underlying transaction, additional clauses may be added by the State and the Transaction Parties to ensure that the approval meets the requirements of the Issuance)**

## VI. TEMPLATE FOR THE STATE HOUSE OF ASSEMBLY'S RESOLUTION FOR BOND ISSUANCE

..... STATE HOUSE OF ASSEMBLY

..... STATE GOVERNMENT OF NIGERIA **NXXX** BOND ISSUANCE PROGRAMME

RESOLUTION OF THE ..... STATE HOUSE OF ASSEMBLY

BE IT KNOWN THAT ON THE ..... DAY OF ....., 20XX

The ..... State House of Assembly ('the House of Assembly'), having been duly convened at the (*Kindly insert address*), (*insert State*) and having duly considered the motion in respect of the ..... State Government's **NXXX** Bond Issuance Programme, has passed the following as Resolutions of the House of Assembly:

1. That the establishment of a Bond Issuance Programme in the sum of **NXXX** ('the Programme') by the ..... State ('the State') be and is hereby approved;
2. The State be and is hereby authorized to issue debt securities under the Programme either in a single tranche or a series of tranches, by way of a public offering, a placing or book-building or by any other method, at such time and upon such terms and conditions including price as may be determined from time to time by the Commissioner responsible for Finance on the advice of the State's Financial Advisers;
3. That the State Executive Council (EXCO) be and is hereby authorized to do all such other things as may be required to ensure the successful execution and completion of the Programme, including appointing advisers when necessary;
4. That the authority conferred on the State Executive Council (EXCO) in Paragraph 3 above shall include the power to delegate such functions or duties to qualified persons, as the State Executive Council (EXCO) deems appropriate subject to such supervision and review as may be prescribed by the State Executive Council (EXCO);
5. That the House of Assembly hereby authorizes a monthly deduction in the sum of **NXXX** from the monthly statutory allocation accruing to the State from the Federation Account into the Sinking Fund established for the purposes of servicing the State's debt obligations under the Programme;
6. That the House of Assembly hereby authorizes monthly deductions, in such sums as the Commissioner responsible for Finance may from time to time determine, from the Consolidated Revenue Fund of the State as security for the purpose of servicing the State's debt obligations under the Programme;
7. That the monthly deductions referred to in Resolutions 5 and 6 above shall take effect and remain in force for as long as the State's obligations under the Programme are outstanding;



8. The House of Assembly hereby authorizes the State's Commissioner responsible for Finance and the Accountant-General of the State, acting reasonably and lawfully, to do all such acts and take all such steps including, without limitation, issuing an Irrevocable Standing Payment Order/Irrevocable Letter of Authority authorizing the Accountant-General of the Federation to deduct the amount stipulated in Resolution 5 above from the State's monthly statutory allocation from the Federation Account, or issuing an Irrevocable Standing Payment Order to the Consolidated Revenue Fund Account Bank to deduct any amount required in Resolution 6 for the credit of the designated account(s) (the Sinking Fund) and the execution of the relevant documents necessary for and or incidental to giving effect to Resolutions 5, 6 and 7 above.

BE IT FURTHER RESOLVED that a copy of these Resolutions be transmitted to any relevant regulatory authority including the Securities and Exchange Commission.

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.....

Clerk, ..... State House of Assembly

**(This is a Guide on the minimum information required for this purpose. Where required by the underlying transaction, additional clauses may be added by the State and the Transaction Parties to ensure that the approval meets the requirements of the Issuance)**

**CHECKLISTS FOR THE REQUIREMENTS FOR EXTERNAL, DOMESTIC  
CAPITAL MARKET AND BORROWING FROM BANKS AND OTHER  
FINANCIAL INSTITUTIONS BY THE STATES, FCT AND THEIR  
AGENCIES**

## VII. CHECKLISTS FOR THE REQUIREMENTS FOR EXTERNAL BORROWING BY THE STATES, FCT AND THEIR AGENCIES

S/N	Requirements	Yes	No
1	Is the State or FCT's External Borrowing Proposals for the next fiscal year being submitted not later than four (4) months preceding that year to the Minister for incorporation into the Medium-Term External Borrowing Plan?		
2	Has the Approval of the State Executive Council, duly signed by the Secretary to the State Government, for the proposed External Borrowing Proposal, which should include the Amount, Purpose of the Loan and the Repayment Plans (including source of repayment) for the Loan, been secured?  <i>In the case of the FCT – The Approval the FCT Executive Committee, duly signed by the Secretary and the FCT Minister.</i>		
3	Is the Certified True Copy of the Resolution of the State House of Assembly, duly signed by the Clerk, included?		
4	Do the State's or FCT's Total Loans, including the proposed loan, not exceed 250% of its Total Revenue for the preceding year?		
5	Does the Borrowing Proposal to be submitted to the Minister for consideration include the Purpose for which the Borrowing is intended and its link to the developmental Agenda of the Government?		
6	Does the Borrowing Proposal to be submitted to the Minister for consideration include a Cost-Benefit Analysis, with details of how the Borrowing will be utilized, showing the economic and social benefits of the intended borrowing?		
7	Does the Borrowing Proposal to be submitted to the Minister for consideration include a Cashflow Projection of the Project to ascertain its viability and sustainability?		
8	Is the Extract of the Approval of the State Executive Council, duly signed by the Secretary to the State Government, included?  <i>In the case of the FCT - The Approval of the FCT Executive Committee duly signed by the Secretary and the FCT Minister.</i>		
9	Is the Certified True Copy of the Resolution of the State House of Assembly, including the Amount of the proposed Loan, Purpose (utilization of proceeds), Terms of the Loan and Means of Repayment, duly signed by the Clerk, included?		

10	Does the Borrowing Proposal to be submitted to the Minister for consideration, include a Copy of the relevant State or FCT's Appropriation Act, or other Act or Law authorizing the Purpose of the proposed Borrowing, included?		
11	Is the State or FCT's Audited Financial Statements for the past three (3) consecutive years, included in the Borrowing Proposal to be submitted to the Minister for consideration?		
12	Is the State or FCT up-to-date in the submission of its quarterly Domestic Debt Data to the DMO?		
13	Is the State's or FCT's current Credit Rating Report included?		

### VIII. CHECKLISTS FOR REQUIREMENTS FOR BORROWING IN THE DOMESTIC CAPITAL MARKET BY THE STATES, FCT AND THEIR AGENCIES

S/N	Requirement	Yes	No
1	Has the State or FCT satisfied all the requirements of the Investments and Securities Act (ISA), 2007 and other Rules and Regulations issued by the Securities and Exchange Commission (SEC)?		
2	Has the State or FCT included details of the Amount to be Raised, Plan for its Utilization and, Means of Repayment?		
3	Is the Extract of the Approval of the State Executive Council, <b>containing</b> the Amount of the proposed Borrowing, Purpose (utilization of proceeds), Terms and Means of Repayment, duly signed by the Secretary to the State Government, included?  <i>In the case of the FCT – The Approval of the FCT Executive Committee, duly signed by the Secretary and FCT Minister.</i>		
4	Is the Certified True Copy of the Resolution of the State House of Assembly, duly signed by the Clerk, included?  <i>In the case of the FCT - The Resolution of the NASS duly signed by the Clerk of NASS.</i>		
5	Will the Total Amount of Loans Outstanding <b>for</b> the State or FCT, including the Proposed Loan, exceed fifty (50) percent of the actual Total Revenue for the preceding year <b>for</b> the State or FCT?		
6	Is the original copy of <b>Irrevocable Standing Payment Order (ISPO)</b> included in the Application to Raise Funds from the Capital Market?		
7	<b>Has</b> the statement of purpose for which the Borrowing is intended and its link to the Developmental Agenda of the Government been provided?		
8	Is the Cost-Benefit Analysis, with details of how the Borrowing will be utilized, showing the economic and social benefits of the intended Borrowing to the State or FCT, included?		

<b>S/N</b>	<b>Requirement</b>	<b>Yes</b>	<b>No</b>
9	Have the Audited Financial Statements for the State or FCT for the past three (3) consecutive years been provided?		
10	Is a Copy of the State or FCT's Appropriation Act, or other Act or Law, authorizing the Purpose for which the proposed New Borrowing is to be utilized, included?		
11	Is the State or FCT's current Credit Rating Report included?		
12	Is the State or FCT up-to-date in the submission of its quarterly Domestic Debt Data to the DMO?		

**IX. CHECKLISTS FOR REQUIREMENTS FOR BORROWING FROM BANKS AND OTHER FINANCIAL INSTITUTIONS BY THE STATES, FCT AND THEIR AGENCIES**

<b>S/N</b>	<b>REQUIREMENT</b>	<b>YES</b>	<b>NO</b>
1	Has the purpose for which the borrowing is intended and its link to the developmental Agenda of the Government been provided?		
2	Is the Cost-Benefit Analysis, with details of how the Borrowing will be utilized, showing the economic and social benefits of the intended Borrowing, included?		
3	Is the Extract of the Approval of the State Executive Council, containing the proposed Loan amount, Purpose (utilization of proceeds), Terms and means of Repayment, duly signed by the Secretary to the State Government, included?  <i>In the case of the FCT – The Approval of the FCT Executive Committee, duly signed by the Secretary and the FCT Minister.</i>		
4	Is the Certified True Copy of the Resolution of the State House of Assembly duly signed by the Clerk, included?  <i>In the case of the FCT – The Resolution of the NASS, duly signed by the Clerk of NASS.</i>		
5	Is a Copy of the State or FCT's Appropriation Act, or other Act or Law, authorizing the Purpose for which the proposed New Borrowing is to be <b>utilized</b> , included?		
6	Is a Copy of the executed Offer Letter for the facility, showing the Terms and Conditions of the Proposed Borrowing, included?		
7	Have the Audited Financial Statements for the State or FCT for the past three (3) consecutive years been provided?		
8	Is the State/FCT up-to-date in the submission of its quarterly Domestic Debt Data to the DMO?		
9	Is the State or FCT's current Credit Rating Report included?		