Kogi State Government

Debt Sustainability Analysis

&

Debt Management Strategy (DSA-DMS) Report for 2021

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1.0 INTRODUCTION

1.1 Objective of Debt Sustainability Analysis and Debt Management Strategy

The main objective of Debt Sustainability Analysis (DSA) is to assess the sustainability of current debt stock of Kogi State and the State Government's capacity to sustain the envisaged increased borrowing to finance infrastructural development. The results from this exercise will inform the government on the amount and terms of financing that are consistent with long-term debt sustainability and progress towards achieving the state's development objectives. The DSA analyses the fiscal position of the state for the historical years 2016-2018 while also evaluating the debt sustainability position for the projection years 2021-2030. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances. The results of the current DSA exercise which is combined with the DMS (Debt Management Strategy) analysis will help to determine the optimal composition of public debt consistent with a sustainable debt level obtained in the DSA.

The core objective of the state having a debt management strategy is to ensure that the State government's financing need is met in a timely and cost-effective manner and to minimize borrowing costs subject to keeping risks at an acceptable level. Consequently, four DMS have been formulated. The analysis calculates costs of carrying public debt, and measures risks associated to macroeconomic and fiscal shocks.

1.2 Summary and findings of the State DSA-DMS

The State exhibits a solid debt position that appears sustainable in the long term. A solid debt position results from the State's strong performance in terms of mobilizing IGR underpinned by the successful tax administration reforms introduced recently, its better management of recurrent expenditure growth and its moderate levels of public debt. Given the 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.

The State pursues a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance. The debt stock position of the state as at year 2020 stood at **N102,782.88B** with the component being 87% while the external debt share is 13%. The debt stock is expected to rise from **N102,782.88B** in 2020 to **N298,738.62B** in 2030. This increase is moderate considering the expected growth in GDP for the same period. This is as a result of the reforms being implemented in the state to boost IGR and reduce recurrent expenditure.

The outlook of the Nigerian economy which is the basis of the assumptions for the DSA-DMS exercise is expected to improve marginally based on the following economic indicators. For 2021, the national GDP is expected to grow at 3%, oil price benchmark set at $40, oil production per day is expected to be 1.86mbpd while inflation is projected to remain stable at 11%, and exchange rate at N379/$1 and the global recovery on the Covid 19 pandemic, FAAC allocations are projected to increase in the present and future years

Given the 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.

2.0 The State Fiscal and Debt Framework

2.1 Fiscal Reforms in Kogi State

This section should contain **two paragraphs**.

Kogi State in the last 3-5 years have embarked on various reforms to improve the fiscal and debt sustainability position of the State. These policies are being to yield result which is evident in the growth of the Internally Generated Revenue (IGR). Some of the fiscal reforms include:

- The Medium-Term Expenditure Framework (MTEF) – This provides Government with a tool to manage the pressure between competing policy priorities and budget realities. This helps to reprioritize expenditure and make policy choices that are affordable in the medium term. This document covers period of 2022 - 2024
- The Economic and Fiscal Update (EFU) – This document was put together to provide detailed statement of the Government's financial position including updated economic and fiscal forecasts, analysis of the fiscal position and a summary of specific fiscal risks which form the basis for budget planning process in Kogi State. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementations.
- The Fiscal Strategy Paper (FSP) – This the guide to the state budget process. It consists of a macroeconomic framework that indicates fiscal targets and estimates revenues and expenditure, including government financial obligations in the medium term. The document also set out the underlying assumptions for these projections, provides an evaluation and analysis of the previous budget, and present an overview of consolidated debt and potential fiscal risks.

- Other Laws, policy and guidelines impacting the fiscal space in the State include the;
  - Kogi State Fiscal Responsibility Law

- Kogi State Revenue Administrative Law 2013 (Kogi State Revised Revenue Administrative Law 2017);
- Kogi State Public Procurement Law
- Kogi State Public Finance Management (PFM) Law
- Kogi State Financial Instructions (FI)
- Kogi State Audit Law
- Kogi State Arrears Clearance Framework
- Monitoring & Evaluation Policy Guides.

- Opening of Consolidated Debt Service Account: This measure was put in place to further enhance the State's debt repayment obligations.

At the National level, the Federal Government has also put in place laws that will impact on the fiscal position of states by virtue of the federal allocations accruing to states. Some of these laws include;

- The Finance Act of 2019 – This law was signed by the President and became effective on 13 January 2020. The chargeable VAT rate was increased from 5% to 7.5%. The Act also increased Corporate Tax rate relating the company's turnover. This increases the Tax income to the FG and also increases the VAT allocation to the States and share of FAAC.
- The Petroleum Industry Act: The new Petroleum Industry Act 2021 was recently assented and signed into law by the President. The PIA was enacted to provide for the legal, governance, regulatory and fiscal framework for the Nigerian Petroleum Industry, the establishment and development of host communities and other related matters in the upstream, midstream and downstream of the petroleum industry in Nigeria.

2.2 Main Features of the 2021 Budget and the MTEF for 2022-2024

Kogi State 2021 Budget Policy Statement

The fiscal strategy of Government is anchored on the on-going Public Financial Management Reform (PFM). Over the period 2021-2023, the State Government fiscal policy is directed at:

a. improving the efficiency and effectiveness of spending;

b. achieving better balance between capital and recurrent expenditure;

c. achieving greater control of the wage bill;

d. directing capital expenditure on critical infrastructure such as Agriculture, Health, Road, Education, Security, Water, Youth engagement etc;

e. boosting revenue receipts by identifying and blocking revenue leakages; and f. gradual fiscal consolidation in order to achieve a level of public spending consistent with macroeconomic stability and sustainable debt.

Below is the Macroeconomic framework of the State from 2021 – 2024

Table 2.1 Medium Term Macro-Economic Framework

Medium Term Macro-Economic Framework				
Item	**2021**	**2022**	**2023**	**2024**
National Inflation	15.00%	13%	11%	10%
National Real GDP Growth	2.5%	4.20%	2.30%	3.30%
Oil Production Benchmark (MBPD)	1.86	1.88	2.23	2.22
Oil Price Benchmark	$40.00	$57.00	$57.00	$55.00
NGN: USD Exchange Rate	₦410.00	₦410.15	₦410.15	₦410.15

Source: Ministry of Finance, Budget & National Planning

Table 2.2

Kogi State Medium Term Fiscal Framework

Kogi State Fiscal Framework

Recurrent Revenue	2021	2022	2023	2024
Statutory Allocation	51,927,767,494	39,520,517,999	39,583,942,096	39,245,371,561
VAT	20,919,670,344	23,751,565,874	24,035,895,245	24,453,086,214
IGR	20,978,795,025	23,286,462,477	23,286,462,477	23,286,462,477
Excess Crude/Others	5,501,264,388	3,346,804,216	3,413,740,300	3,925,801,345
Total	**99,327,499,272**	**89,905,352,588**	**90,320,042,141**	**90,910,723,621**
Recurrent Expenditure				
Personnel	44,670,307,189	45,117,010,260	45,117,010,260	45,117,010,260
Overheads	44,244,123,299	44,686,564,532	45,133,430,177	45,584,764,479
Total	**88,914,430,488**	**89,803,574,792**	**90,250,440,437**	**90,701,774,739**
Transfer to Capital account	**10,413,066,764**	**101,775,774**	**69,599,681**	**208,946,858**
Capital Receipts				
Grants	32,406,614,130	25,787,655,172	25,787,655,172	25,787,655,172
Other Capital Receipts	-	-	-	-
Total	**32,406,614,130**	**25,787,655,172**	**25,787,655,172**	**25,787,655,172**
Reserves				
Contingency Reserve	1,377,895,355	1,066,410,356	1,065,766,834	1,068,553,778
Planning Reserve	1,377,895,355	1,066,410,356	1,065,766,834	1,068,553,778
Total	**2,755,790,710**	**2,132,820,712**	**2,131,533,668**	**2,137,107,556**
Capital Expenditure	**68,894,767,763**	**53,320,517,815**	**53,288,341,724**	**53,427,688,902**
Discretional Funds	68,894,767,763	53,320,517,815	53,288,341,724	53,427,688,902
Non-Discretional Funds	-	-	-	-
Net Financing	**26,075,086,869**	**27,431,086,870**	**27,431,086,871**	**27,431,086,872**
Total Budget Size	**160,564,988,960**	**145,256,913,320**	**145,670,315,830**	**146,266,571,197**

By the MTEF framework that the state has put in place, the deficit for each year of the MTEF has been established and will be financed by Domestic borrowing from Commercial Banks. State will also consider raising Bonds.

Below is the debt stock position of the State as December 2020.

Table 2.3 Debt Stock as at December, 2020

	PUBLIC DEBT DATA AS AT 31st DECEMBER 2020		
S/N	**DEBT CATEGORY**	**AMOUNT(Millions)**	**%**
1	Total Domestic Debt	91,337.10	88.86
2	Total External Debt	11,446.80	11.14
	TOTAL	**102,783.90**	**100%**

Impact of Covid-19 on State Fiscal Position in Year 2020

Before the Coronavirus crisis, the country was grappling with recovery from the 2016 economic recession which was a fall out of global oil price crash and insufficient foreign exchange earnings to meet imports. Covid 19 came and worsened the situation.

Kogi State economy and the entire global economy witnessed significant disruptions in the economy due to the effects of COVID-19 Pandemic. The pandemic triggered unprecedented economic crisis around the world occasioned by lock down and restrictions in travels and business activities. This necessitated the revision of the 2020 Budget in order to adjust the budget size within the potentially available revenues as well as re-order our priorities to address the emerging issues. The recurrent expenditure in the amended Budget fell to N65,525,339,509 from the original budget figure of N77,009,128,737. The major reductions were in areas of Over-Head Cost and Capital Expenditures. These reprioritizations were occasioned by COVID-19 situation, majorly affecting movements of resources from Over Head Cost and Capital projects to the relevant sectors for COVID-19 mitigation initiatives and maintenance of infrastructure.

2. 3 Fiscal Objectives and Targets

The specific fiscal objective of Kogi State is effective allocation of scarce resources to identified critical programmes and projects, with the following major targets (non-quantifiable and time bound targets):

- To improve the quality of education to citizens at all levels in order to produce articulate and skilled manpower necessary for economic transformation of the State;
- To improve access to healthcare leading to improvement in efficiency of the healthcare delivery system;
- To ensure food security and generate a high proportion of the GDP from agriculture;
- To exploit the full potentials and expand trade and commerce in the State to ensure that products from agricultural and industrial activities have access to markets locally and internationally;
- To ensure gainful employment of youths and create opportunities for the development of their talents;
- To achieve sustainable development and promoting social and economic development through culture and tourism;
- To establish the necessary framework for a robust mining and Solid minerals sector, branding Kogi State as the foremost mining and minerals exploitation destination;
- To improve the road network in the State through continued construction of new roads and bridges and rehabilitation of existing ones in urban and rural areas;
- To improve the quantity, quality and access to safe water for domestic, commercial and industrial uses as well as improve sanitation and hygiene practices among the citizens;

- To ensure sustainable use of the environment and continuous management of environmental challenges such as pollution, degradation and gully erosion;
- To ensure easy access to lands for agricultural, residential, commercial and industrial uses to all citizens and investors to facilitate the social and economic development of the State;
- To improve the quantity of decent housing and facilitate the creation of viable urban communities in the state;
- To improve and expand affordable housing options through the use of public private partnership arrangements;
- To reduce average power outage through the generation and distribution of adequate electricity in the urban and rural areas in Kogi State;
- To rejuvenating the transportation sector and all its players to facilitates Internally Generated Revenue;
- To provide an enabling environment to facilitate economic and social development in the State as well as introduce and implement reform measures to strengthen governance institutions, i.e. the Civil Service, the pension etc.;
- To increased security of lives and property in the state;
- To continue to expand the State's revenue base in the area of Internally Generated Revenue (IGR).and
- To reduce the level of Domestic Debt Profile of Kogi State.

3. The State Revenue, Expenditure and Public Debt Trends (2016 -2020)

3.0 Introduction

This section looks at the historical performance of Kogi State relating to Revenue, Expenditure and Public Debt Trends from 2016 – 2020. The figures captured here reflects the actual performance of the state for this period supported by the State financial statements.

3.1 Revenue, Expenditure, Overall & Primary Balance

i. **Aggregate State TOTAL Revenue trend in the last five years and its composition in 2020**. The total revenue in this context is all revenue accruing to the state but excluding capital receipt. The total revenue that accrued to the state increased steadily from N61,291B in 2016 to N85,745B in 2018 representing an increase of 22% but dipped by 6% in 2019. The state however recorded its highest revenue of N96,910B in 2020 even though gross FAAC (comprises of gross statutory allocation, other FAAC transfers and VAT) declined. The huge leap is due to the 22.5B earned in grants in year 2020. See below details of total revenue trend for the historical years

Table 3.1 Kogi State Aggregate Revenue for 2016-2020

Revenue	2016	2017	2018	2019	2020

Gross Statutory Allocation	23,975	31,338	46,996	45,510	37,463
Other FAAC Transfers	19,409	18,069	16,027	3,231	4,784
VAT	7,694	10,014	11,259	12,087	14,644
Gross FAAC Allocation	**51,078**	**59,422**	**74,282**	**60,828**	**56,891**
IGR	10,213	10,493	11,463	17,199	17,455
Grants	-	100	-	2,977	22,565
Total Revenue	**61,292**	**70,015**	**85,745**	**81,005**	**96,911**

Below is the chart on Total revenue for the historical years;

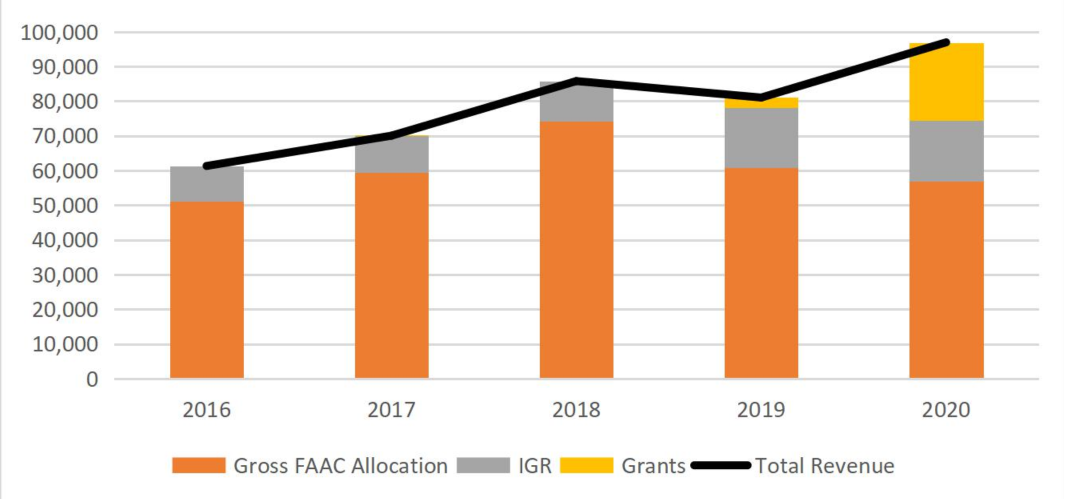


Chart 1: Revenue (N$ million)

ii. **FAAC Allocations trend in the last five years.** Kogi State recorded a decline in federal transfers by 18% in 2019 and 6.5% in 2020. The decline is largely attributable to a slide in federal oil receipts due to the lower oil prices and to attacks on oil installations in the South-South region of the country.

iii. **IGR trend in the last five years. The State exhibited strong IGR growth during the review period.** The IGR of the state has been steadily increasing but witnessed a huge leap in 2019 resulting in 50% increase over the 2018 figure. IGR for 2018 was N11,463B and increased to N17, 199B in 2019. The state recorded a marginal increase of 1.49% resulting in a close balance of N17,455B for 2020.

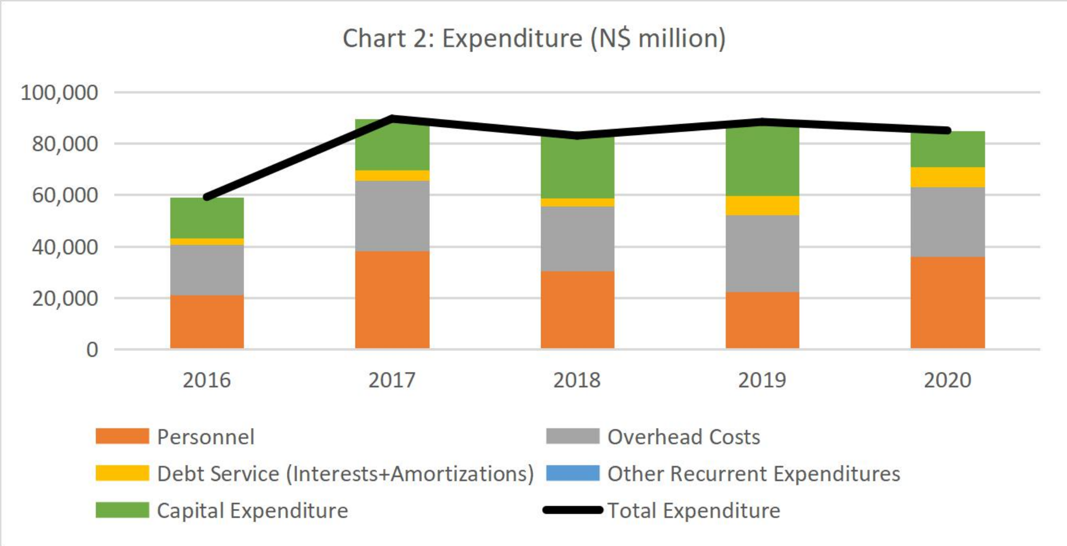
IGR witnessed an average growth rate of 16% from 2016 – 2020. This improvement in IGR is mainly a result of tax administration reforms aimed at improving collection rates and broadening the tax revenue base.

iv. **Aggregate (total) Expenditure trend in the last five years and its composition in 2020.** Total expenditure in this context includes is all categories of expenses interest and amortization. Total expenditure rose from N59,109B in 2016 to N89,495B in 2017 representing 51.4% increase. Expenditure as a percentage of state GDP decline from 3.61% in 2016 to 2.69% in 2020. This was largely due to the GDP growth rate of 11.13% in 2016 to 19.13% in 2020. Below is the table showing Expenditure in the historical years and the growth rate over the period.

Table 3.2 Kogi State Aggregate Expenditure for 2016-2020

Expenditure	**2016**	**2017**	**2018**	**2019**	**2020**
Personnel	21,049.90	38,288.60	30,473.85	22,364.00	35,939.80
Overhead Costs	19,737.96	27,320.68	25,045.08	29,826.17	27,136.53
Debt Service (Interests + Amortizations)	2,493.24	3,997.70	3,106.66	7,460.06	7,794.47
Other Recurrent Expenditures	-	-	-	-	-
Capital Expenditure	15,828.20	19,888.12	24,295.10	28,589.76	14,045.20
Total Expenditure	**59,109.30**	**89,495.10**	**82,920.70**	**88,240.00**	**84,916.00**
Percentage Increase %		51.4	-7.3	6.4	-3.8

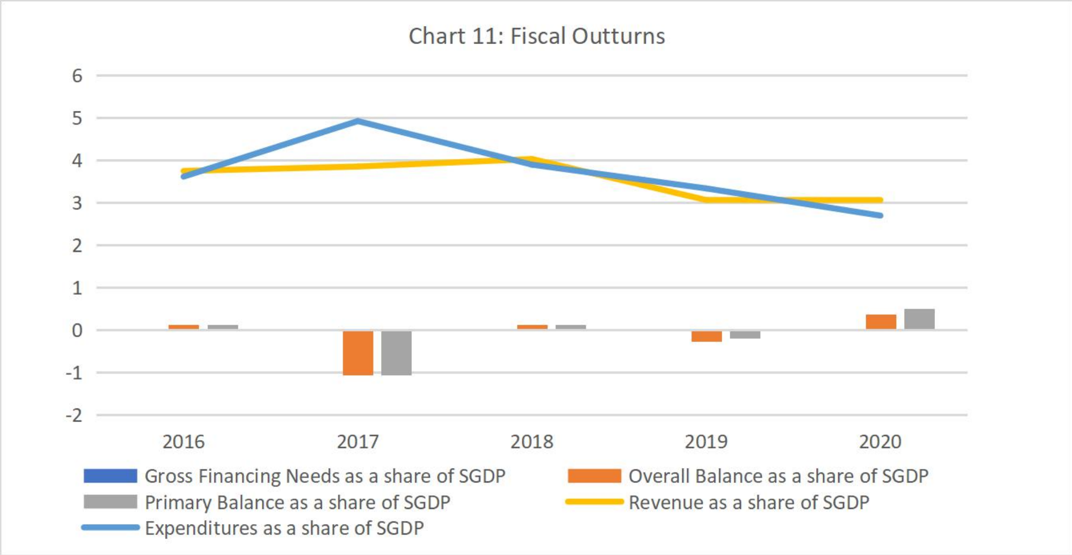
Below is the Expenditure chart depicting the trend between 2016 – 2020



v. **Main expenditure variations in the last five years by economic classification.** Over the period, analysis shows that Personnel and Debt Service cost are both responsible for this huge leap in Expenditure from N59,109B to its peak of 89,495.10 and also witnessed a marginal decline to B84,916.00 in 2020. While Personnel had 82% increase, Debt service recorded 60% increase. Overhead cost also witnessed an increase of 38% during this period.

The huge personnel cost in 2017 made the Government embark on Staff verification exercise which resulted in detection of ghost workers by the Screening Committee and some other staff that did not meet the minimum requirement for employment. Consequently, the Personnel Cost decreased in 2018. It rose again in 2019 as a result of payments of arrears of Salaries to some staff cleared and social benefits to Pensioners.

vi. Overall and primary balance trend in the last five years.



From the chart above, the Overall balance has been decreasing and in fact witnessed negative figures of -1.07% and -0.27% for 2017 & 2019 respectively as a reflection of the state GDP. This can be related to the huge expenditure figures for these periods. The primary fiscal balance also witnessed similar trend. The primary balance however turned positive in year 2020 which shows the state's ability to repay the current debt stock.

3.2 Existing Public Debt Portfolio

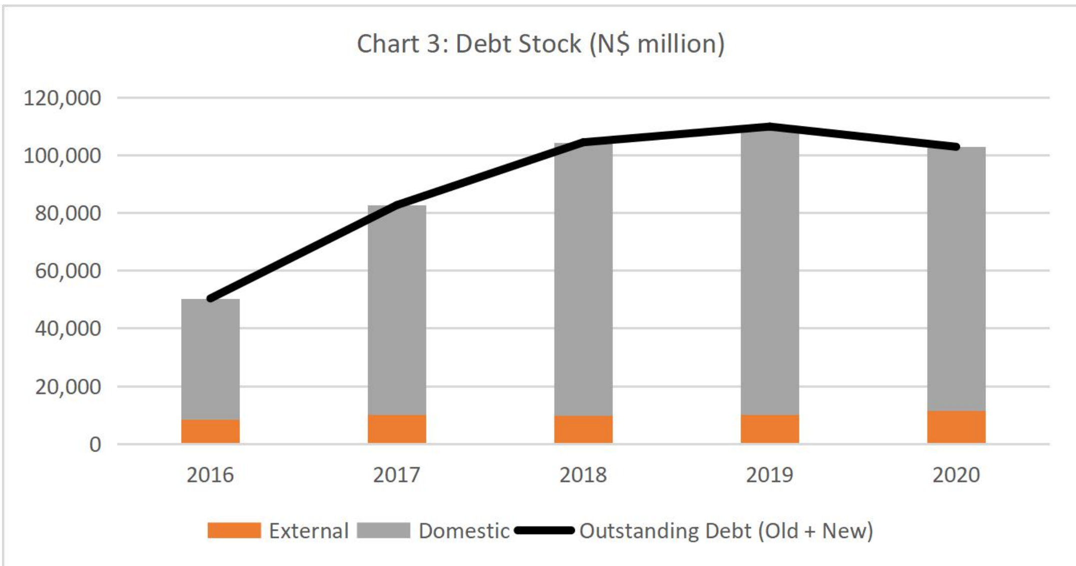
The State public debt includes the explicit financial commitments – like loans and securities – that have paper contracts instrumenting the government promises to repay.

i. **Public debt stock amount or its shares on total Revenue at end-2020 and its growth in the last five years.** As at December 2020, Kogi state public Debt stood at **N102,783.90B** which has been increasing rapidly since 2016 when the country witnessed the collapse of oil prices which resulted in decline in the revenue accruing to states from the federal allocation. The table below gives the summary;

Table 3.3 Kogi State Debt Data as at December, 2020

	KOGI STATE DEBT DATA AS AT 31st DECEMBER 2020		
S/N	**DEBT CATEGORY**	**AMOUNT(Millions)**	**%**
1	Total Domestic Debt	91,337.10	88.86
2	Total External Debt	11,446.80	11.14
	TOTAL	**102,783.90**	**100%**

The chart below also explains the trend in the Debt stock over the historical years;



The domestic debt constitutes 88.86% of the debt stock of the state while the external is 11.14%.

As at December 2016, total domestic debt stock was NN41,772B which rose to N72,509B in 2017. This was because most states were struggling to pay salaries which resulted in the FG through the CBN granting Salary Bailout facility to states. Kogi State got N19,785B and another Excess Crude Account Bank Loan of N9,892.8B. In 2018, the state got Budget Support facility of N14B while Contractors Arrears also increased from 4.9B in 2017 to N21B in

2018. Total domestic debt stock rose to 99B in 2019 and declined to N91B in 2020 due to clearance of Contractors Arrears.

ii. **The existing public debt portfolio composition at end-2020.** Kogi State debt portfolio largely consists of domestic loans. The state equally has external loans. See loan schedule below;

Table 3.4 Kogi State Domestic Debt Data as at December, 2020

S/N	DEBT CATEGORY FOR DOMESTIC	BALANCE N
1	Budget Support Facility	21,340.88
2	Salary Bailout Facility	48,421.78
3	Restructured Commercial Bank Loans (FGN Bond)	751.56
4	Excess Crude Account Backed Loan	9,202.11
5	Commercial Banks Loans	5,499.94
6	State Bonds	4,290.48
7	Commercial Agriculture Loan (CBN Development Financing Facility)	0.54
8	Micro Small and Medium Enterprise Development Fund (CBN Development Financing Facility)	1,094.80
9	Contractors' Arrears	111.68
10	Pension and Gratuity Arrears	491.43
11	Salary Arrears and Other Staff Claims	131.87
	Total	**91,337.10**
S/N	**DEBT CATEGORY FOR DOMESTIC**	**BALANCE $**
1	World Bank (WB)	29.30
2	African Development Bank (AfDB)	0.90
	Total	

		30.20

Note: All figures are expressed in Millions. Exchange rate for external loan is at N379: $1

iii. **Cost and risks exposure of the existing public debt portfolio at end-2020.**

The debt portfolio of the state was volatile during the historical period. Debt service as a share of Gross FAAC allocation rose from 42% in 2016 to a peak of 134% in 2019 but declined to 45% in 2020 which is still on the high side. Interest as a share of revenue also rose from 5% in 2016 to 21% in year 2020. We also noted that 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 11 percent of the total debt stock. Most domestic loans and all external loans are fixed-rate obligations, thus not affected by changes in interest rates. As these loans have maturities running from 10 to 40 years and include financing from the Federal Government and multilateral organizations, rollover risk associated with potential deterioration of domestic financial conditions is negligible. Chart below is showing debt service indicators for the historical years.

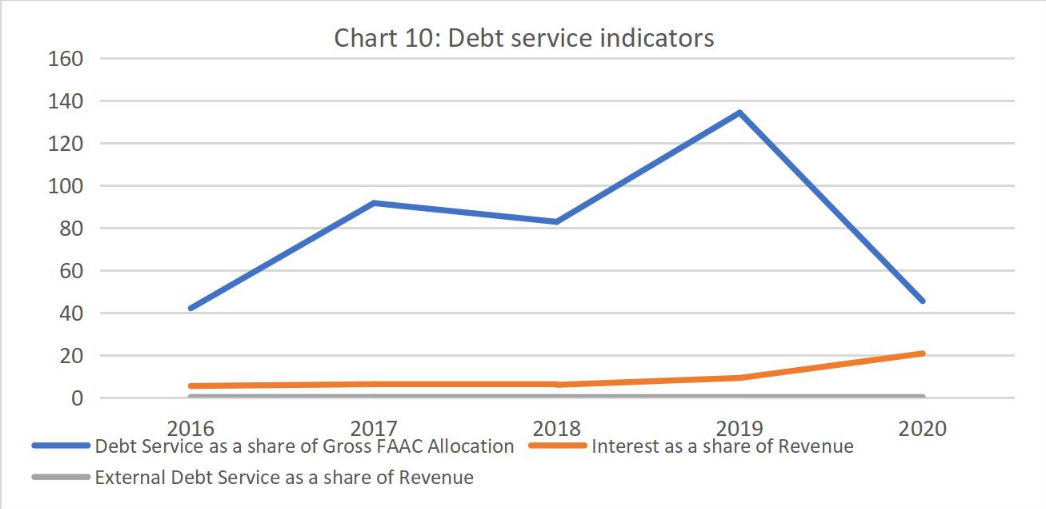


Chart 10: Debt service indicators
160
140
120
100
80
60
40
20
0
2016
2017
2018
2019
2020
Debt Service as a share of Gross FAAC Allocation
Interest as a share of Revenue
External Debt Service as a share of Revenue

4. Debt Sustainability Analysis

4.0 Introduction

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

The debt and debt service indicators for Kogi State for the historical years shows that the debt levels and sustainable. See table below for indicators with threshold;

Table 4.1 Performance Indicators with Threshold

Indicators	2016	2017	2018	2019	2020
Debt as % of SGDP	3.07	4.54	4.90	4.15	3.26
Threshold	25	25	25	25	25
Debt as % of Revenue	82.05	117.98	121.68	135.51	106.06
Threshold	200	200	200	200	200
Debt Service as % of Revenue	35.07	77.78	71.74	100.82	26.69
Threshold	40	40	40	40	40
Personnel Cost as % of Revenue	34.34	54.69	35.54	27.61	37.09
Threshold	60	60	60	60	60

The average rate for debt as a percentage of State GDP is 3.99%. it recorded its highest percentage of 4.9% in 2018 and dropped further to 3.26% in 2020. This rate is nowhere near the threshold of

25%. This is an indication of the positive debt sustainability position of the state. Debt as a percentage of revenue is also favourable all through the historical years. For 2020, the rate is 106% which is just a little above the threshold of 200%. For Debt service as a percentage of revenue, the threshold is 40% which the state breached from 2017 – 2019, however, the rate has dropped to 26.69% which implies that the state has also returned to a sustainable position from year 2020. Personnel cost as a percentage remained below the threshold of 60% all through the historical period. In summary, the debt sustainability position of the state for the historical years in not threatened.

The following indicators without threshold; Debt service to FAAC, Interest Payment to Revenue, and external debt service revenue all remained favourable as depicted in the table below.

Table 4.2 Performance Indicators without Threshold

Indicator	2016	2017	2018	2019	2020
Debt Service as a share of Gross FAAC Allocation	42.08	91.64	82.81	134.26	45.46
Interest as a share of Revenue	5.44	6.30	5.99	9.23	20.75
External Debt Service as a share of Revenue	0.25	0.26	0.21	0.20	0.20

Even though Debt service outweighs the Gross FAAC allocation in 2019, it has returned to 45.46% in 2020 which is averagely okay.

4.1 Medium Term Expenditure Forecast

Kogi State's medium-term debt sustainability is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation. According to the Federal Government and State's own forecasts, the Nigerian economy is expected to gradually recover in the period 2022-2024, with real GDP expanding at an average annual rate of 3 percent and domestic inflation decreasing below 10 percent by 2023. 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 2020, thus improving the State's revenue position.

The table below presents the State's Macro-Economic projections for the 2022-2024 Medium-Term Expenditure Framework;

Table 4.3 Medium Term Macro-Economic Framework

Medium Term Macro-Economic Framework				
Item	**2021**	**2022**	**2023**	**2024**
National Inflation	15.00%	13%	11%	10%
National Real GDP Growth	2.5%	4.20%	2.30%	3.30%
Oil Production Benchmark (MBPD)	1.86	1.88	2.23	2.22
Oil Price Benchmark	$40.00	$57.00	$57.00	$55.00
NGN: USD Exchange Rate	₦410.00	₦410.15	₦410.15	₦410.15

Presented below is the MTEF for Kogi State for 2021 – 2030;

Table 4.4 Kogi State Medium Term Fiscal Framework

Kogi State Fiscal Framework				
Recurrent Revenue	**2021**	**2022**	**2023**	**2024**
Statutory Allocation	51,927,767,494	39,520,517,999	39,583,942,096	39,245,371,561
VAT	20,919,670,344	23,751,565,874	24,035,895,245	24,453,086,214
IGR	20,978,795,025	23,286,462,477	23,286,462,477	23,286,462,477
Excess Crude/Others	5,501,264,388	3,346,804,216	3,413,740,300	3,925,801,345
Total	**99,327,499,272**	**89,905,352,588**	**90,320,042,141**	**90,910,723,621**
Recurrent Expenditure				
Personnel	44,670,307,189	45,117,010,260	45,117,010,260	45,117,010,260

Overheads	44,244,123,299	44,686,564,532	45,133,430,177	45,584,764,479
Total	**88,914,430,488**	**89,803,574,792**	**90,250,440,437**	**90,701,774,739**
Transfer to Capital account	**10,413,066,764**	**101,775,774**	**69,599,681**	**208,946,858**
Capital Receipts				
Grants	32,406,614,130	25,787,655,172	25,787,655,172	25,787,655,172
Other Capital Receipts	-	-	-	-
Total	**32,406,614,130**	**25,787,655,172**	**25,787,655,172**	**25,787,655,172**
Reserves				
Contingency Reserve	1,377,895,355	1,066,410,356	1,065,766,834	1,068,553,778
Planning Reserve	1,377,895,355	1,066,410,356	1,065,766,834	1,068,553,778
Total	**2,755,790,710**	**2,132,820,712**	**2,131,533,668**	**2,137,107,556**
Capital Expenditure	**68,894,767,763**	**53,320,517,815**	**53,288,341,724**	**53,427,688,902**
Discretional Funds	68,894,767,763	53,320,517,815	53,288,341,724	53,427,688,902
Non-Discretional Funds	-	-	-	-
Net Financing	**26,075,086,869**	**27,431,086,870**	**27,431,086,871**	**27,431,086,872**
Total Budget Size	**160,564,988,960**	**145,256,913,320**	**145,670,315,830**	**146,266,571,197**

Kogi state Debt sustainability analysis is also predicated on the continuation of recent efforts to mobilize local revenue sources, and on unchanged policies concerning personnel and other operating expenses. At local level, the tax administration reforms adopted by the 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. Additionally, the reforms being undertaken to manage recurrent expenditure will continue especially relating to personnel and overhead costs. The State screening committee will continue to work in order to keep the growth in personnel cost under control.

4.2 Borrowing Options

The debt sustainability and analysis exercise has helped to establish the funding gap for the projection years of 2021-2030. See details below;

Table 4.5 Total Gross Borrowing Requirements for 2021-2030

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gross Borrowing Requirement	563	29,967	47,696	58,753	38,523	36,863	46,890	31,278	20,039	20,263

The state intends to create new debts by sourcing for funds both from the domestic and external markets to address these deficits. Below are the details of the financing options the state intends to utilize for each of the projection years;

Table 4.6 Total Planned Borrowing for 2021-2030

New Domestic Financing in Million of Local Currency	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Commercial Bank Loans (maturity 1 to 5 years)	563								20,039	
Commercial Bank Loans (maturity 6 years or longer)										
State Bonds (maturity 1 to 5 years)		29,967								20,264
State Bonds (maturity 6 years or longer)			47,696			36,863				

Other Domestic Financing ()				58,754				31,278		
New External Financing in Million US Dollars										
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)					102					
External Financing - Bilateral Loans							124			

The financing terms for these category of financing options for both domestic and external instrument is detailed below;

Borrowing Terms for New Domestic Debt (issued/contracted from 2021 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.12	5	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.13	8	1
State Bonds (maturity 1 to 5 years)	0.15	5	0
State Bonds (maturity 6 years or longer)	0.15	10	0
Other Domestic Financing ()	0.1	20	0
Borrowing Terms for New External Debt (issued/contracted from 2021 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**

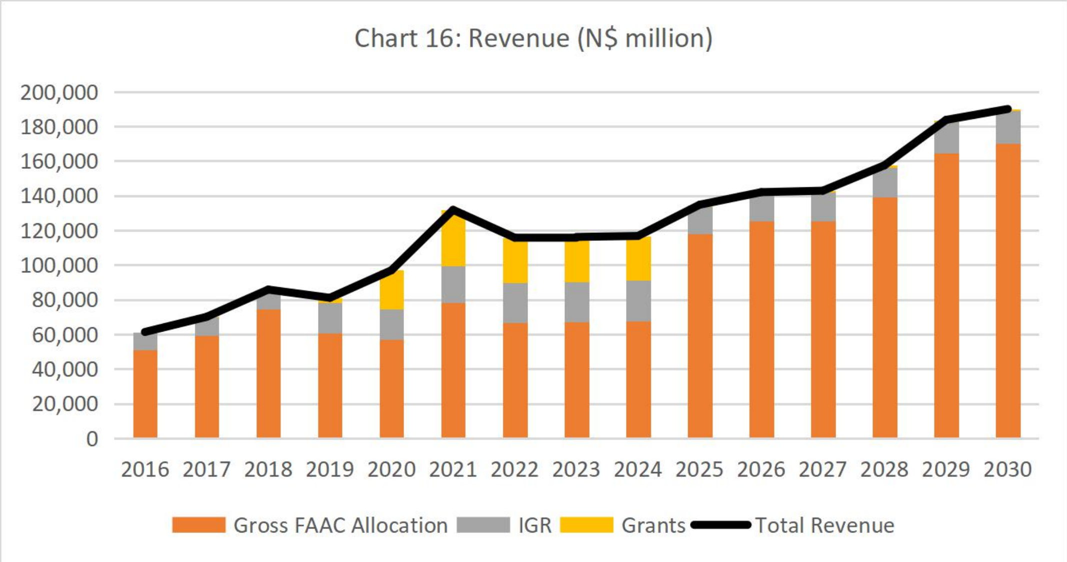
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	0.03	15	3
External Financing - Bilateral Loans	0.03	20	3

It is important to mention that the new domestic and external financing categories and its borrowing terms defined in the reference debt strategy (S1) will be automatically applied on the alternative debt strategies.

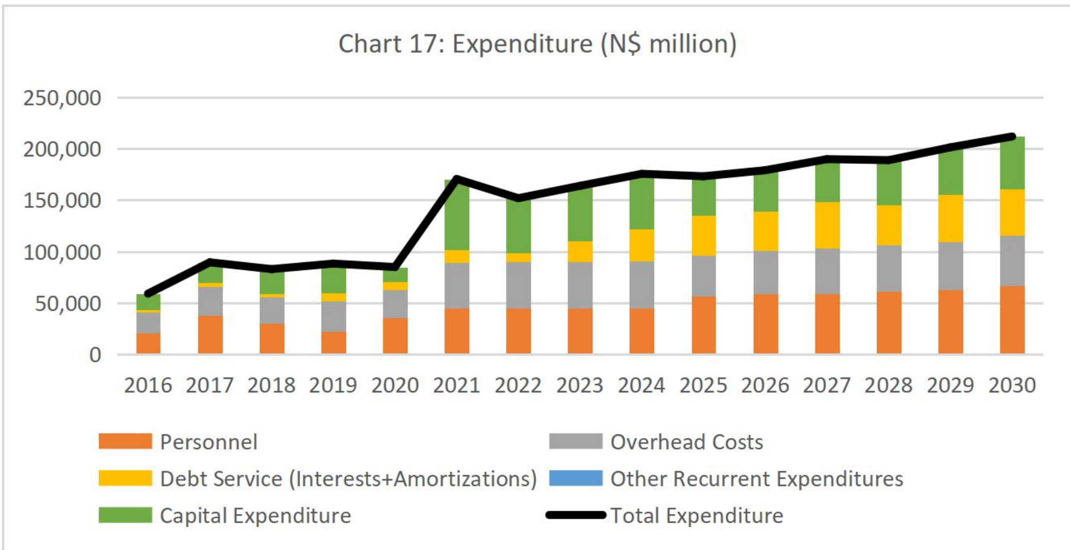
4.3 DSA Simulation Results

Revenue, expenditure, overall and primary balance over the long-term. The objective of the debt sustainability analysis simulation exercise is to analyse the sustainability of the state's public debt portfolio and build an optimum debt strategy based on macroeconomic framework.

In the Baseline Scenario under the reference debt strategy (S1), the State preserves debt sustainability. Total revenue (including grants and excluding other capital receipts) is projected to increase from N96,911 billion in 2020 to N189,929 billion by 2030. Between 2021-2024 which are the years the state MTEF covered, revenue is projected to have an average growth rate of 6.16% while from 2025-2030, revenue is expected to grow at an average rate of 8.62%.

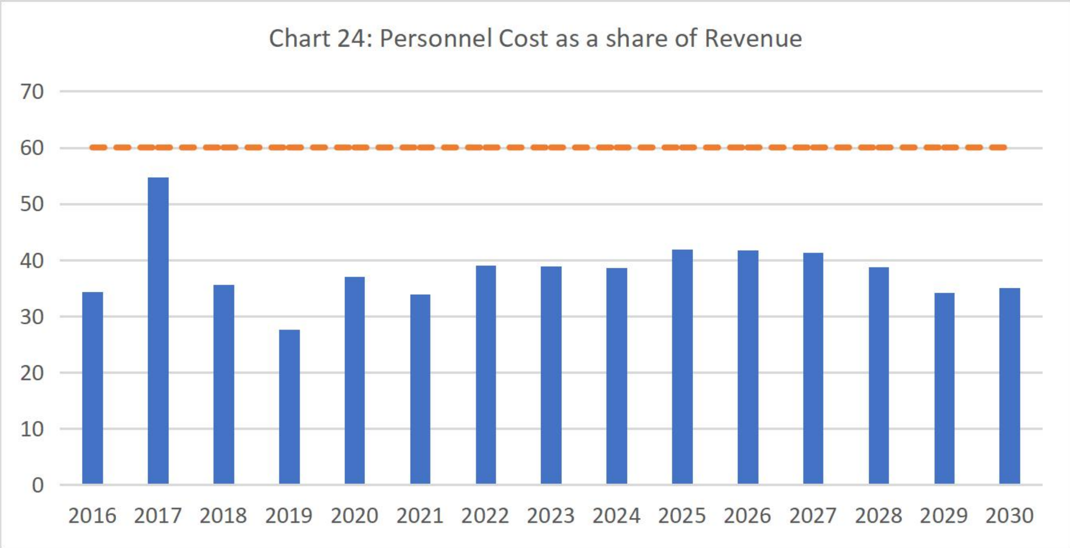


Total expenditure for the projection years will expand from N84,916 billion in 2020 to N211,713 billion by 2030. Expenditure was projected to grow by more than 100% in 2021 due to the state's decision to embark on massive infrastructural development. Categories of recurrent expenditure like Personnel and overheads were also projected to increase substantially.

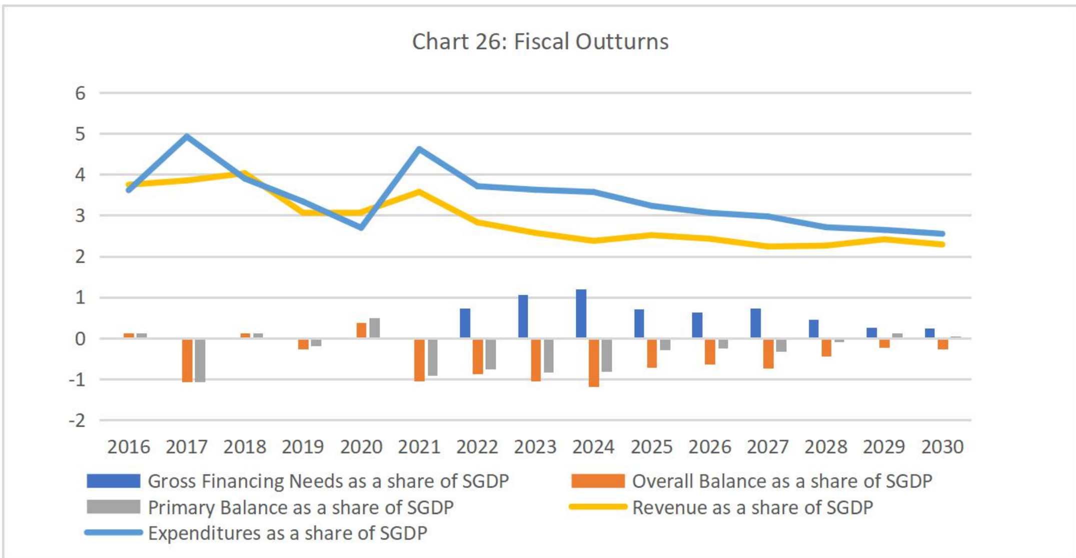


Therefore, the fiscal deficit—computed as the difference between revenue and expenditure—is expected to remain within a range of N563 million to N58,753 billion in nominal terms.

A major component of recurrent expenditure in the state is Personnel Cost. Established threshold for personnel cost as a share of revenue is 60%. Kogi State did not breach this threshold in both the historical and projection years. The effect of the reforms ongoing in the state's civil service is evident in the chart below.

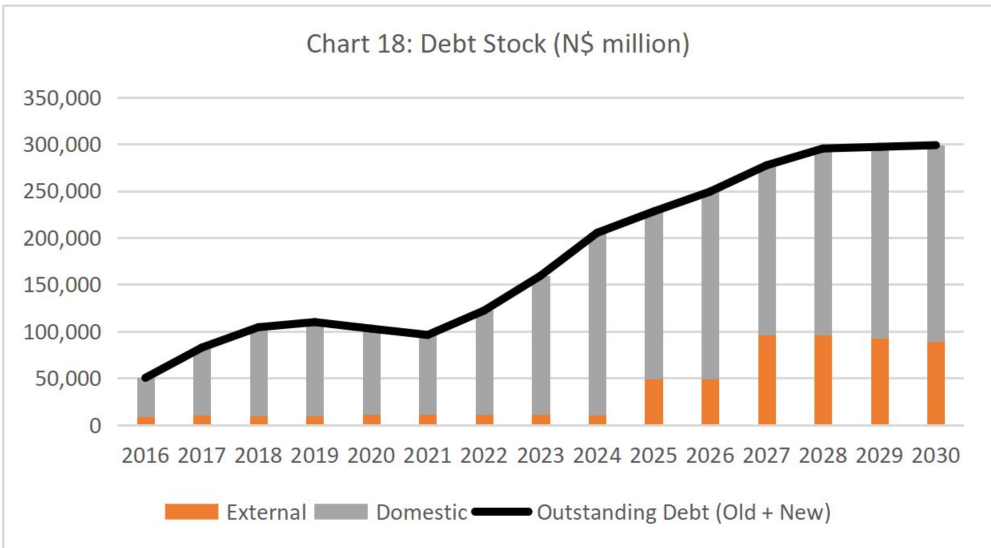


Primary balance which is the difference between the state's revenue and its non interest expenditure can be measured as a percentage of state GDP.

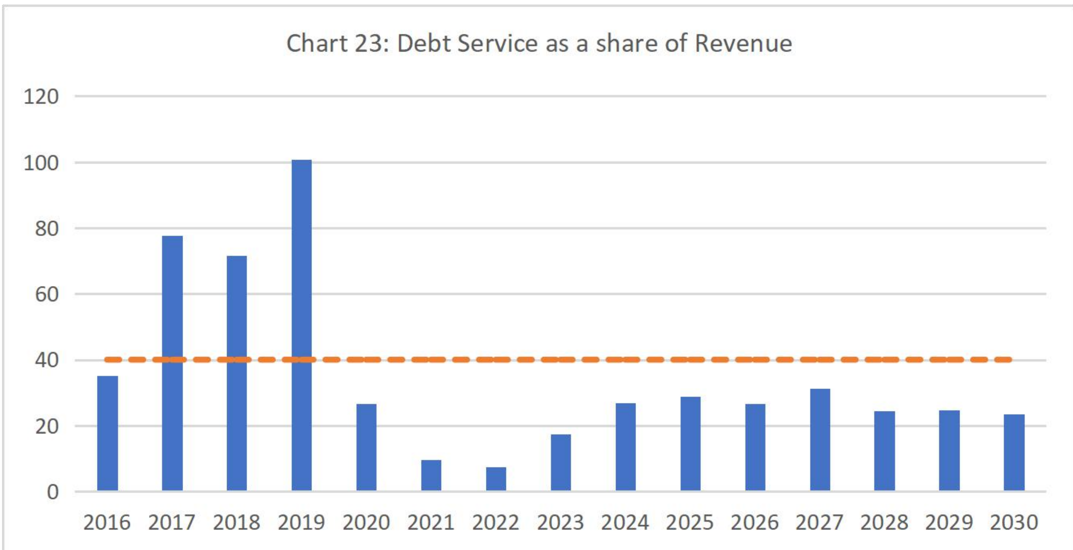


Revenue as a share of GDP and expenditure as a share of GDP both declined in the projection years of 2022 – 2030. The overall balance and the primary balance as a share of state GDP recorded negative values in some of the projection years.

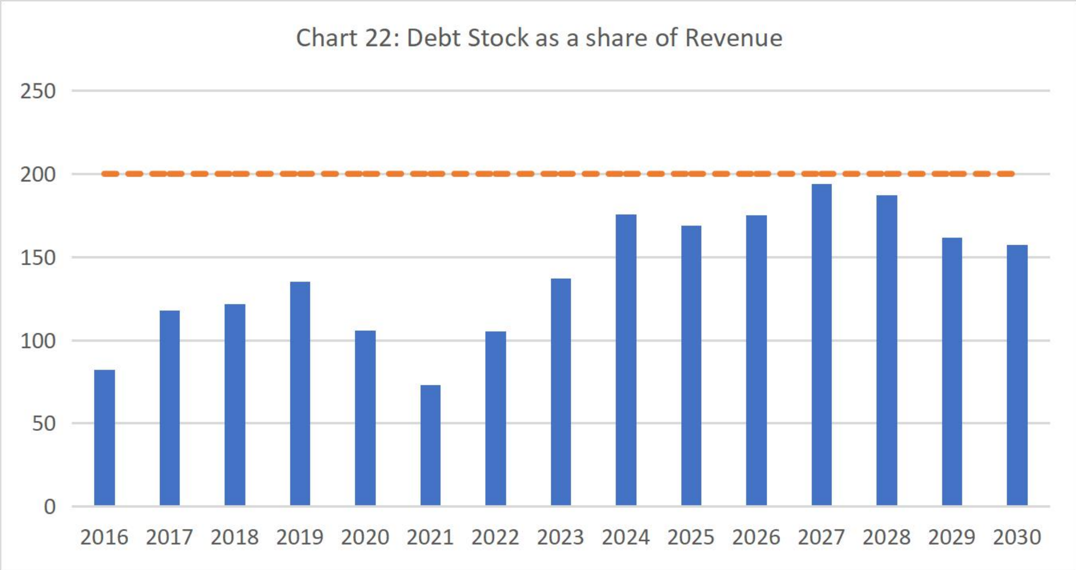
Main finding and conclusion of the baseline scenario under the reference debt strategy (S1) in terms of debt sustainability. The gross financing requirement necessitated creating new borrowings for the projection years. The state's debt is projected to raise from N102,783 billion as of end-2020 to N298,739 billion by 2030. See chart below;



As a consequence of the increase in debt stock from 2022-2030, the debt service obligation of the state will also increase however, the increase is still within the threshold of debt service to revenue ratio of 40%. The debt service ratio did not breach the threshold all through the projection years.



Debt as a percentage of revenue with a threshold of 200% was equally not breached by the state. The rate is projected to grow to 194% in 2027 which is still below the threshold.



Even though revenue and expenditure as a percentage of state GDP will decline in the projection years, the debt and debt service indicators remain positive as there are no expected breaches in the indicators with threshold. 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 to the long term.

4.4 Debt Sustainability Analysis Sensitivity Analysis

The Debt Management Strategy put together by Kogi State has six scenarios; one baseline scenario, four shock (Shock Revenue, Shock Expenditure, Shock Exchange Rate & Shock Interest Rate) scenarios, and one historical scenario. The shocks are used in testing the resilience of the figures in the baseline scenario. Shocks are measured as a percentage deviation from the baseline scenario. The state relied on the projected macroeconomic assumptions in setting up the reference strategy which requires that a sensitivity analysis needs to be undertaken considering macroeconomic and policy shocks to evaluate the robustness of the sustainability assessment for the Baseline scenario under the reference debt strategy S1. In considering both macroeconomic and policy shocks, the State assumed that the external and domestic borrowings will cover any revenue shortfall and additional expenditure relative to the baseline scenario.

- **Shock Revenue.** In the shock revenue scenario, it is assumed that there will be 10% reduction in gross statutory allocation, other FAAC transfers, VAT, IGR and grants in nominal value starting from 2022-2030. If this happens it will have an adverse impact on the state as the state will be required to borrow more to fund the widening deficit. The increase in borrowing will also impact on the debt service cost making it higher. In the baseline scenario, debt stock in expected to rise from N96,088B in 2021 to N298,738B in 2030 while in the shock revenue scenario, debt will move from same N96,088B to N472,854.62B. For personnel cost, the situation remains the same with the baseline. Cost is expected to increase from N44,670B in 2021 to N66,650B in 2030. 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.

- **Shock Expenditure.** In the shock expenditure scenario, it is assumed that there will be 10% increase in Personnel cost, Overhead cost, Other recurrent expenditure and Capital expenditure in nominal terms each year, starting in 2022 until 2030. Should the risk of 10% increase in these categories of cost crystalizes, it will adversely affect the fiscal, debt and debt services position of the state in a significant manner. Debt stock will rise from N96,088B in 2021to N480,898B in 2030 in this scenario where as its only expected to grow to N298,738B in the baseline. Debt service cost will also increase. For the baseline, its expected to rise from N12,585B to N44,609B but will rise to N74,018B in shock expenditure scenario. Personnel cost will also witness an increase from N66,650B to N73,315B in 2030.

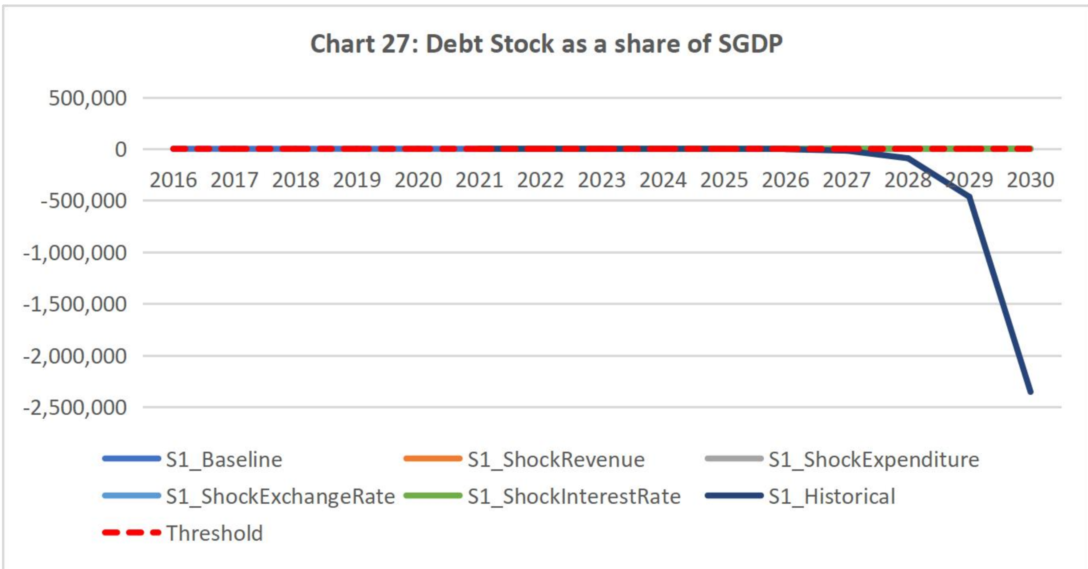
The state must continue to work to put expenses under control at the projected level.

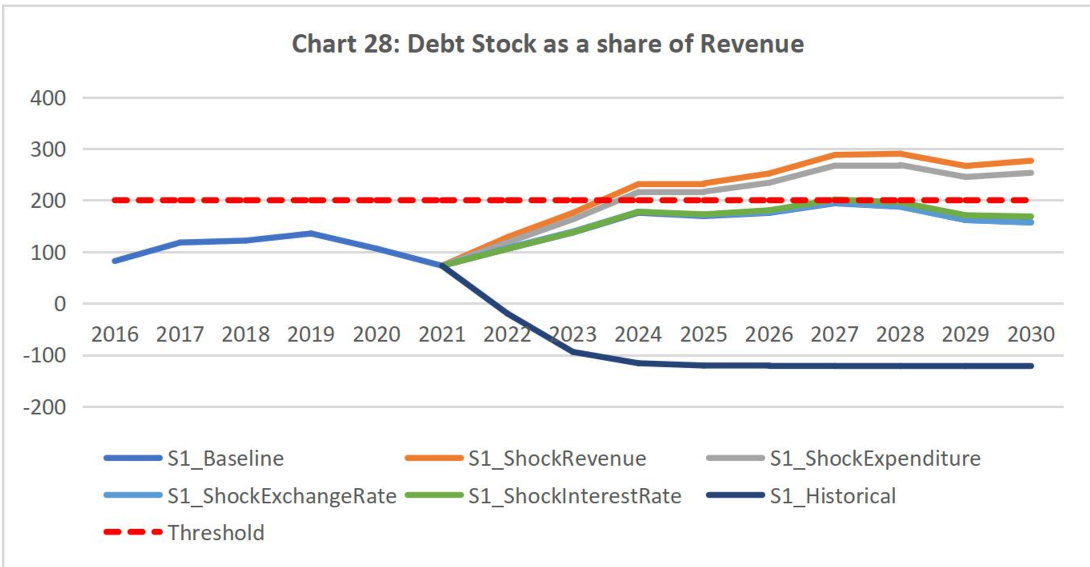
- **Shock Exchange Rate.** The assumption under this scenario is that there will be a one-time 20% devaluation (NGN/US$) in 2022. The State's debt sustainability would deteriorate mildly if the exchange rate shock materializes under the reference debt strategy (S1). It will have an insignificant impact on debt stock and debt service cost because the low share of the future debt stock that is projected to be external when compared to the baseline scenario. Personnel cost remains unchanged for both scenarios.

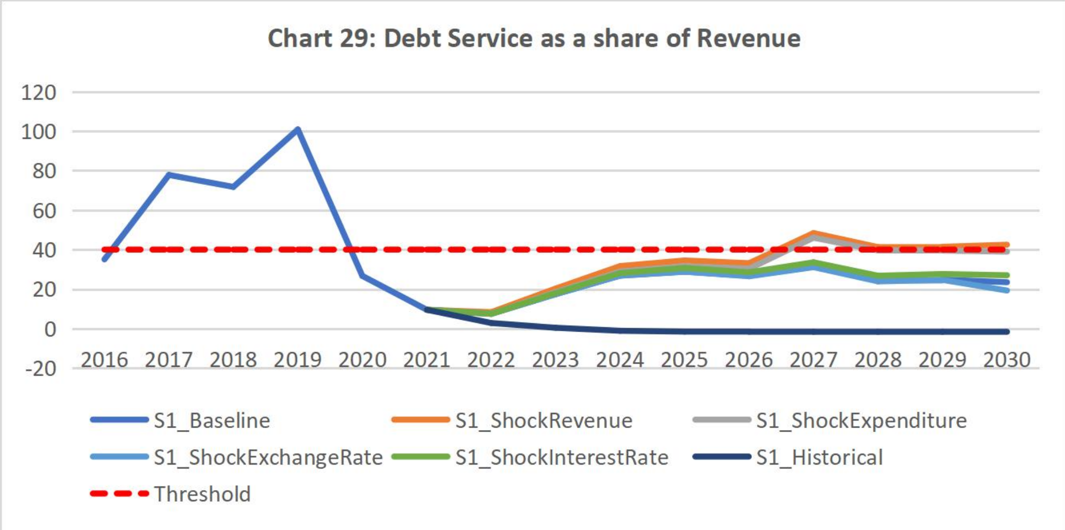
- **Shock Interest.** This scenario assumes a 200 basis points increase of the new domestic financing interest rate each year, starting in 2021 until 2030. The State's debt sustainability would deteriorate if interest rate shocks materialize under the reference debt strategy (S1), mainly as a consequence of a diminished repayment capacity. It will adversely affect the state since a huge share of the state debt stock is projected to be from the domestic market. The debt service cost will also increase during this period. For instance, debt service is expected to rise to N51,320B in 2030 as against N44,609B in the baseline scenario.

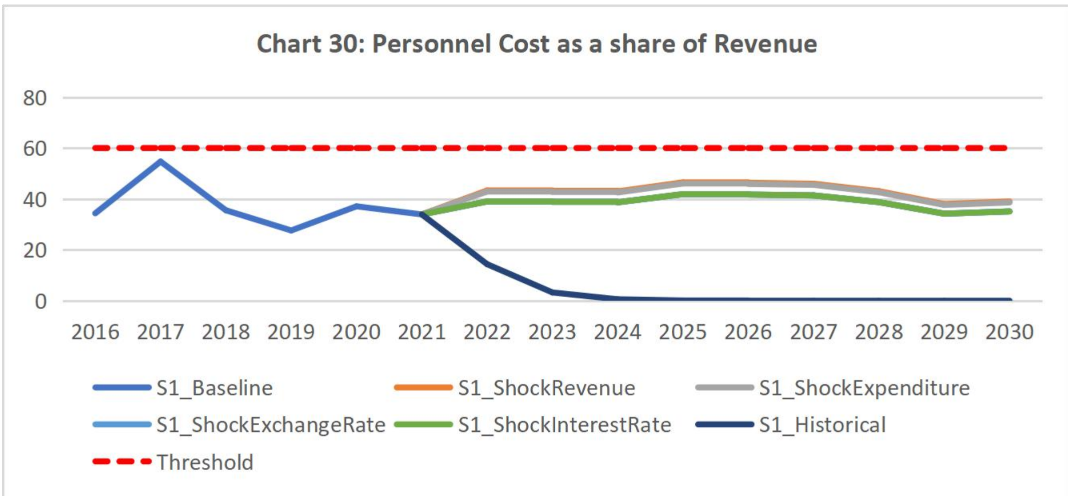
- **Historical Scenario.** This scenario assumes that the State GDP, revenues and primary expenditures in 2022-2030 grow in line with their respective historical average growth rates observed in 2017-2020. However, due to the abnormal growth rate of 508.8% noticed in grants, the projected fiscal balances and debt stock position on yearly basis were significantly affected resulting in distortions in outputs. This distortion did not allow for an objective and fair analysis of this scenario.

See below the relevant charts.









It is important to note that in debt stock as a share of revenue and debt service as a share of revenue indicators, the thresholds of 200% and 40% were breached in the Shock Revenue and Shock Expenditure scenarios. This implies that should the risk associated to these categories of shocks crystalizes, the debt sustainability position of the state will be threatened. It is therefore very important for the state to continue to implement the reforms in IGR, by bring more people into the tax net, deploy technology in tax assessment and collection, so that internally generated revenue can continue to improve. The cost management initiatives being embarked upon by the state especially regarding recurrent expenditure should continually be pursued.

5. Debt Management Strategy

5.0 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 term, consistent with a prudent degree of risk. It should also meet any other public debt management goals the government may have set, such as developing and maintaining an efficient market for government securities. Governments should seek to ensure that both the level and rate of growth in their public debt are on a sustainable path and that the debt can be serviced under a wide range of circumstances, including economic and financial market stress, while meeting cost and risk objectives. Public debt management requires accurate analysis of the cost and the risk associated with feasible choices of public debt portfolios because of its impact on the economy and the general welfare of the populace.

For the 2021 DSA-DMS exercise, four strategies were set up and are to be evaluated based on the concept of Cost and Risk. Debt management performance indicators are the basis of assessment and we work with the following indicators to assess the debt management strategies. They include;

- Debt Stock/Revenue (%)

- Debt Services/Revenue (%) and
- Interest/Revenue (%)

For all debt management strategy, cost is measured by the expected value of a performance indicator while Risk is measured by the deviation from the expected value caused by an un-expected shock as projected in the most adverse scenario in the same period

5.1 Alternative Borrowing Options

Aside the baseline strategy, there are other three strategies (S2, S3, S4) set up as alternative strategies. A debt management strategy analysis will be conducted to identify the worst possible scenario that outperform the baseline for every strategy.

Kogi state government intends to utilize the financing options available in the domestic market (Commercial bank loans, State bonds and other domestic financing – CBN loans) and external market (Concessional loans from World Bank & AFDB, Bilateral loans) to fund the gross borrowing requirement for 2021-2030 while ensuring that it's done at the lowest cost possible with a prudent of risk. The other debt management objective of the state include;

- Reduce the adverse effect of high taxes on the populace by borrowing prudently
- To mitigate against rollover risk and other associated risk
- To secure liquid assets for cash management purposes as decided by state treasury office.

For Strategy 2. The assumption is that the state intends to finance its funding gap by contracting commercial bank loans all through the projection years. Reason being that commercial bank loans are the easiest to secure. It also comes with opportunity for renegotiation of the borrowing terms should the need arises. The state will be borrowing with the range of N563M to N62,713B all through 2021-2030. There are two categories of commercial bonds; first is 1-5 years which serves short term funding requirement and the other is 6 years and above, the takes care of the medium to long term.

For Strategy 3. The state assumes State Bonds will be raised in the capital market to fund its deficit for the projection years. There are two categories of state bond, 1- 5 years for short term and 6 years & above for long term. Utilizing the bond option comes with a moderate cost and the rollover & interest rate risk will be mitigated. The state will be raising within the range of N563M to N66,592B from 2021-2030.

For Strategy 4. States assumes that the funding gap will be financed by external concessional loans all through the projection years. Concessional loans by its nature comes with very low interest rate, long maturity period and some years of moratorium. The option is cheaper compared to the domestic options but open to the vagaries of exchange rate fluctuations.

For all the four strategies, the borrowing assumptions remain the same;

Table 5.1 Borrowing Terms and Assumptions for New Loans

Borrowing Terms for New Domestic Debt (issued/contracted from 2021 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.12	5	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.13	8	1
State Bonds (maturity 1 to 5 years)	0.15	5	0
State Bonds (maturity 6 years or longer)	0.15	10	0

Other Domestic Financing ()	0.1	20	0
Borrowing Terms for New External Debt (issued/contracted from 2021 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	0.03	15	3
External Financing - Bilateral Loans	0.03	20	3

5.2 Debt Management Strategy Simulation Results

In assessing the debt management strategy and getting results, the baseline strategy S1 is compared with the other three alternative strategies S2, S3 and S4 using the following debt performance indicators highlighted above. They are Debt sock/revenue ratio, Debt service/revenue and interest/ revenue ratios. The cost and risk for each alternative strategy is analysed in comparism to the reference strategy (S1) including the trade-offs for each strategy in terms of risk and cost.

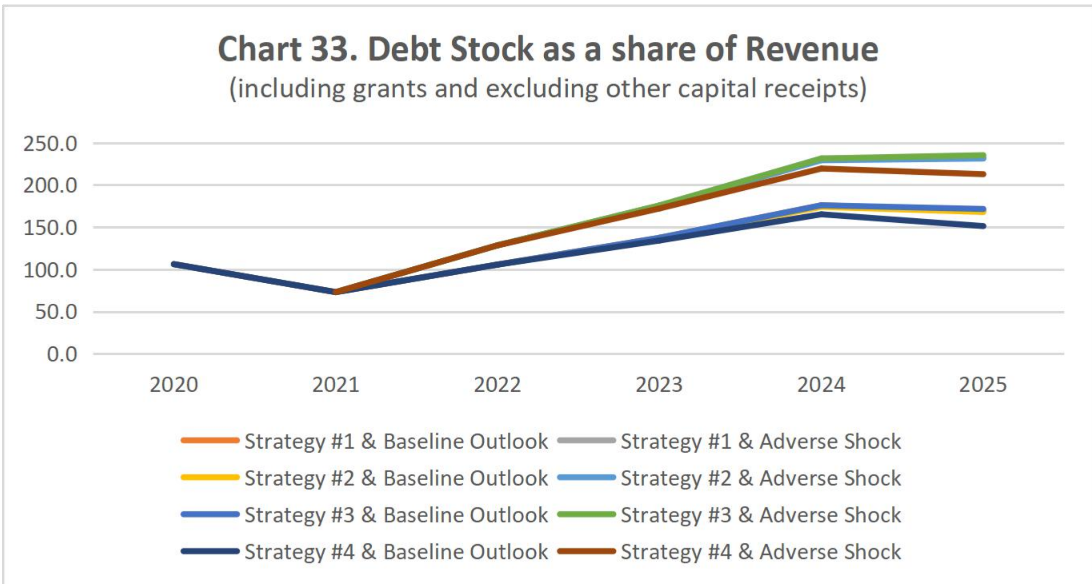
5.2.1 Debt Service/Revenue

The table below shows the performance of the state from 2021-2025 when expressing debt as a percentage of revenue. In year 2022 - 2024, strategy 3 recorded the highest ratio when compared to other strategies. In setting up strategy 3, state bond with longer term maturity was utilized. This implies that this option is the less favourable when compared to other strategies. Strategy 4 actually recorded lowest cost across the years, it peaked at 151.9% in 2025 and the lowest risk of 61.50% in Year 2025 compared to Strategy 1 which recorded a higher ratio of 169.20% for cost and 63.50% for risk. It's also observed that year 2024 recorded the highest debt to revenue ratio for all strategies when compared to other years.

Table 5.2 Cost & Risk for Debt Stock as a % of Revenue.

Debt Stock as % of Revenue (including grants and excluding other capital receipts)	2021	2022	2023	2024	Cost 2025	Risk measured in 2025
Strategy #1 & Baseline Outlook	72.94	105.60	137.29	175.79	169.20	63.50
Strategy #2 & Baseline Outlook	72.94	105.61	136.78	174.00	167.85	63.35
Strategy #3 & Baseline Outlook	72.94	105.62	137.32	175.84	171.44	63.75
Strategy #4 & Baseline Outlook	72.94	105.56	134.10	165.12	151.19	61.50

From the Cost-Risk trade off chart below, the adverse shock is revenue and strategy 4 comes easily as the most preferred scenario being that it has the lowest cost and the lowest degree of risk. However, this is limited by other qualitative factors like the constraints in utilizing the external market options due to the external borrowing limitations of the states being that state cannot borrow directly from foreign financial institutions. Consideration may have to be given to strategy 2 that has the next lowest cost 167.85% and lowest risk 63.35%



5.2.2 Debt Service/Revenue

Under this performance indicator, the cost of debt service declined in year 2022 and started increasing from 2023 peaked at 2025. Strategy 4 recorded the lowest cost across the years (9.80% in 2025) and lowest risk in 2025 (3.58%) compared to Startegy1 that has higher cost of 28.82% and higher risk of 5.69%. Strategy 3 recorded highest cost and the highest risk in all the four strategies.

Table 5.3 Cost & Risk for Debt Service as a % of Revenue.

					Cost	Risk measured in 2025
Debt Service as % of Revenue (including grants and excluding other capital receipts)	**2021**	**2022**	**2023**	**2024**	**2025**	
Strategy #1 & Baseline Outlook	9.55	7.48	17.45	26.84	28.82	5.69
Strategy #2 & Baseline Outlook	9.55	7.49	11.73	19.94	26.34	5.41

Strategy #3 & Baseline Outlook	9.55	7.55	14.82	23.96	30.44	5.87
Strategy #4 & Baseline Outlook	9.55	7.44	9.03	9.99	9.80	3.58

From the Cost-Risk trade off chart below, the adverse shock is revenue and strategy 4 comes easily as the most preferred scenario being that it has the lowest cost and the lowest degree of risk. However, this is limited by other qualitative factors like the constraints in utilizing the external market options due to the external borrowing limitations of the states being that state cannot borrow directly from foreign financial institutions. Consideration may have to be given to strategy 2 that has the lowest cost 26.34% and lowest risk 5.41%

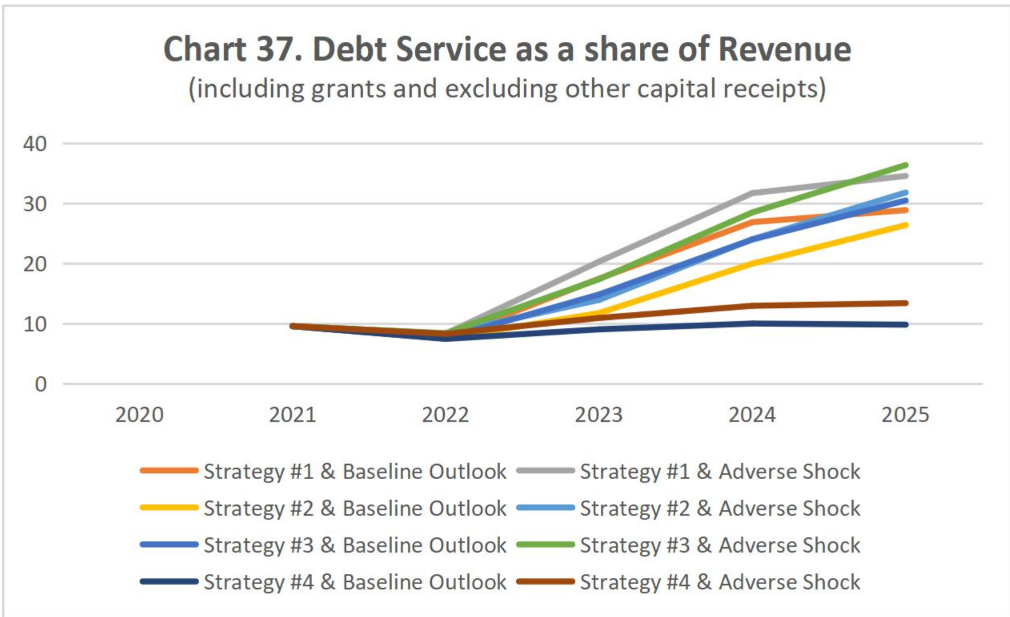
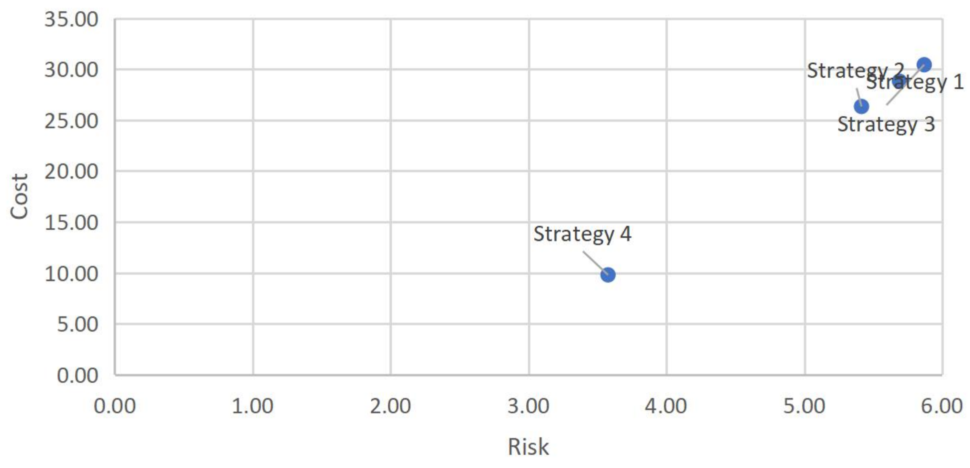


Chart 38. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)



5.2.3 Interest/Revenue

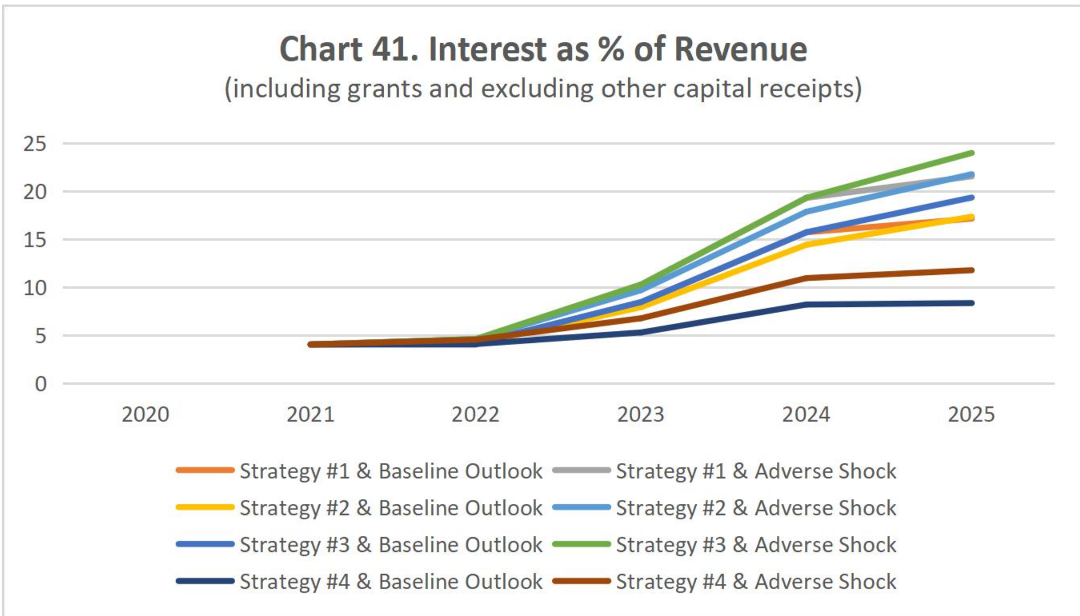
Under this performance indicator, it is projected that interest to revenue ratio will continue to increase on yearly basis which also reflects the rise in debt stock over the years. For the baseline strategy, the ratio will rise from 4.04% in 2021 to 17.12% in 2025. Similar to the other performance indicators, strategy 4 has the lowest ratios. It peaked at 8.34% in 2025.

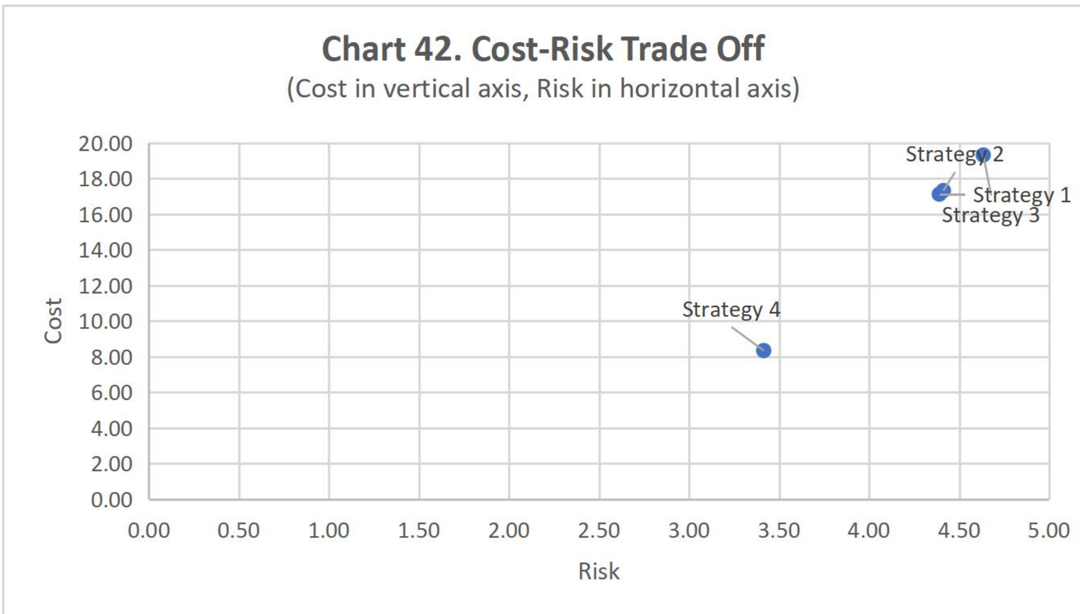
Table 5.4 Cost & Risk for Interest as a % of Revenue.

					Cost	Risk measured in 2025
Interest as % of Revenue (including grants and excluding other capital receipts)	**2021**	**2022**	**2023**	**2024**	**2025**	
Strategy #1 & Baseline Outlook	4.04	4.13	8.43	15.69	17.12	4.39
Strategy #2 & Baseline Outlook	4.04	4.14	7.92	14.40	17.32	4.41
Strategy #3 & Baseline Outlook	4.04	4.15	8.45	15.71	19.31	4.63
Strategy #4 & Baseline Outlook						3.42

	4.04	4.09	5.29	8.19	8.34	

From the Cost-Risk trade off chart below, the adverse shock is revenue and strategy 4 comes easily as the most preferred scenario being that it has the lowest cost and the lowest degree of risk. However, this is limited by other qualitative factors like the constraints in utilizing the external market options due to the external borrowing limitations of the states being that state cannot borrow directly.





Barring the limitations in accessing external funding, strategy 4 comes easily as the most preferred strategy for Kogi state.

5.2.4 Debt Management Strategy Assessment

From the analysis of cost-risk profile of the four debt management strategies, S4 comes easily as the most preferred strategy being that it recorded the lowest cost and risk for the four strategies. However, in deciding on the best debt management strategy to adopt, qualitative factors must be put into consideration. Strategy 4 cannot be successfully implemented due to the constraint placed on states by not being able to access funding directly from international financial institutions. Since S2 is the next strategy that satisfies the lowest cost and lowest risk criterion, S2 becomes the most preferred strategy which can be successfully implemented in the medium term.

The current debt portfolio for Kogi as of end of 2020 is N102,782.88B, the portfolio is expected to rise to N227,906.34B in 2025 in the S1, N226,088.68B in S2, N230,915.09B & N203,637.68B in S3 & S4 respectively. This implies there may not be improvement by year 2025 if the reference strategy (S1) is implemented as strategy 2 offers better debt position by 2025.

It is important to note that Kogi State public debt management policy is driven by the principle of gradual reduction of public debt to GDP ratio. S2 has the lowest Debt to GDP ratio of 4.22% as against S1 which is projected to be 4.26% by 2025. Since the implementation of S4 is not feasible, S2 also meets this criterion. So, in the short to medium term (2021-2025), the state should consider a review of the reference strategy S1 and give consideration to Strategy S2.

APPROVAL PAGE

I certify that the information contained in this document is correct and is a true reflection of the debt and financial status of the State.

14/12/2021

Signed

Mukadam Asiwaju Asiru Idris

Hon. Commissioner of Finance Budget and Economic Planning

Annex 1

Assumptions:		Projection Methodology	Source
Economic activity	State GDP (at current prices)	The State GDP for 2021 - 2023 was forecasted Using sectoral growth forecasts (agriculture, oil industry, non-oil industry, and services) for the Nigerian economy for the period and maintaining the states' sectoral share in national GDP for the period 2017-2019 (2020 is not used because of the COVID-19 shock), we project the states' GDP for 2021-2023. After 2023, states grow at the national GDP potential growth rate 2.6 percent	Federal and State Bureau of Statistics
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Projections start from the aggregate federation projection that are consistent with the nominal GDP forecast for 2021-2030. State allocations for each of these components are estimated using formulas based on fixed shares	FAAC Allocation
	1.a. of which Net Statutory Allocation ('net' means of deductions)		
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)	Projections start from the aggregate federation projection that are consistent with the nominal GDP forecast for 2021-2030. State allocations for each of these components are estimated using formulas based on historical shares	FAAC Allocation and Internally Generation Revenur (IGR)
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		
	4. VAT Allocation	Projections start from the aggregate federation projection that are consistent with the nominal GDP forecast for 2021-2030. State allocations for each of these components are estimated using formulas based on historical shares	
	5. IGR	This projection is based on estimated percentage taking into consideration the economic activity of the State, reforms in the revenue administration of the stated and the impact of COVID-19.	
	6. Capital Receipts		
	6.a. Grants		
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	The state takes into cognizance the implementation of new minimum wage, payment of annual increment and promotions, settlement other staff claims , employment of new staff and its participation in	Government Circular and the state budget
	2. Overhead costs		
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		
	5. Capital Expenditure	The state intends through it policy (New Direction Agenda) to achieve a balance between capital and recurrent expenditure by directing capital expenditure on critical infrastructure such as roads, health agriculture etc.	
Closing Cash and Bank Bala	**Closing Cash and Bank Balance**	The coupon and principal bonds payment is expected to end in year 2025. The cash balance in the sinking fund account (which is part of the cash balance in the actual years) is expected to be distributed to	Bank Statement and Books of Accounts
Debt Amotization and Inte	**Debt Outstanding at end-2020**		
	External Debt - amortization and interest	The external debt stock as at end 2020 is \$30.2m. The interest is \$0.1m while the principal is \$0.4m	Amortization and DMO quarterly report
	Domestic Debt - amortization and interest	The domestic debt stock as at end 2020 is N85.2b. The interest is N20.1b while the principal is N5.6b	Amortization and DMO quarterly report
	New debt issued/contracted from 2021 onwards		
	New External Financing	Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External financing - Concessional loan is projected to have an interest of rate of 9%. Maturity year of 8 years and a grace period of 5 years.	Amortization and DMO quarterly report
	External Financing - Bilateral Loans	External financing - Bilateral loan is projected to have an interest of rate of 10%. Maturity year of 9 years and a grace period of 5 years.	
	Other External Financing		
	New Domestic Financing	Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercilal bank loan is projected to have an interest of rate of 12%. Maturity year of 3 years and a grace period of 1 years.	State MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercilal bank loan is projected to have an interest of rate of 13%. Maturity year of 7 years and a grace period of 1 years.	State MTEF
	State Bonds (maturity 1 to 5 years)	State Bonds is projected to have an interest of rate of 15%. Maturity year of 5 years and a grace period of 0 years.	State MTEF
	State Bonds (maturity 6 years or longer)	State Bonds is projected to have an interest of rate of 17%. Maturity year of 8 years and a grace period of 0years.	State MTEF
	Other Domestic Financing ()		

Proceeds from Debt-Creat corresponding to Debt Str	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans with maturity of five years, interest rate of 12% and grace period of 1 year was projected in other to finance the state infrastructures.	State MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)	State Bonds Loans with maturity of five years, interest rate of 15% and with no grace period was projected in other to finance the state infrastructures.	State MTEF
	State Bonds (maturity 6 years or longer)	State Bonds Loans with maturity of ten years, interest rate of 15% and with no grace period was projected in other to finance the state infrastructures.	State MTEF
	Other Domestic Financing ()	CBN Loans projected for 10% with a 20 year tenor	State MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External financing - Concessional loan is projected to have an interest of rate of 3%. Maturity year of 15 years and a grace period of 3 years.	State MTEF
	External Financing - Bilateral Loans	External financing - Bilateral loan is projected to have an interest of rate of 3%. Maturity year of 15 years and a grace period of 3 years.	State MTEF
	Other External Financing		
Proceeds from Debt-Creat corresponding to Debt Str	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans with maturity of 8 years, interest rate of 13% and grace period of 1 year was projected in other to finance Commercial Agricultural Loans to Farmers in the state and SUBEB Counterpart fund.	State MTEF
	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		
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creat corresponding to Debt Str	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	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)	State Bonds Loans with maturity of ten years, interest rate of 15% and with no grace period was projected in other to finance the state infrastructures.	State MTEF
	Other Domestic Financing ()		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development		
	External Financing - Bilateral Loans		
	Other External Financing		
Proceeds from Debt-Creat corresponding to Debt Str	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	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		
	External Financing - Bilateral Loans	External financing - Concessional loans are projected to have an interest of rate of 3%. Maturity of 20 years and a grace period of 3 years.	State MTEF
	Other External Financing		

Annex 2

Indicator		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Actuals							Projections					
		BASELINE SCENARIO														
Economic Indicators																
State GDP (at current prices)		1,835,778.73	1,817,777.37	2,128,551.83	2,845,515.12	3,151,890.34	3,889,051.24	4,090,442.15	4,519,513.17	4,915,241.75	5,358,040.83	5,847,725.18	6,384,548.33	6,970,847.88	7,610,553.14	8,309,201.92
Exchange Rate NGN/US$ (end-Period)		253.19	305.79	306.50	326.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00
Fiscal Indicators (Million Naira)																
Revenue		77,478.50	82,769.70	85,745.50	104,198.40	98,812.70	152,297.58	145,660.12	165,803.70	175,451.85	175,216.59	178,815.50	189,691.05	188,724.47	203,696.49	210,192.96
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT All		23,974.68	31,335.36	46,998.00	45,509.55	37,482.87	51,927.77	39,520.52	39,583.94	39,245.37	74,474.44	76,772.85	70,872.02	77,821.33	96,132.44	98,733.73
1.a. of which Net Statutory Allocation ('net' means of deductions)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)		19,409.25	18,089.17	16,028.95	5,231.49	4,783.91	5,501.26	3,346.80	3,413.74	3,925.80	3,280.23	3,586.71	4,241.57	5,183.23	5,701.11	5,183.23
4. VAT Allocation		7,894.49	10,014.00	11,259.14	12,086.88	14,843.92	20,919.87	23,751.57	24,035.90	24,453.09	39,987.78	44,719.94	50,012.09	55,930.53	62,549.34	65,951.43
5. IGR		10,213.12	10,493.18	11,463.19	17,199.21	17,455.22	20,978.80	23,286.46	23,286.46	23,286.46	15,970.52	15,873.58	16,875.34	17,511.38	18,274.56	19,061.07
6. Capital Receipts		16,187.00	12,355.00	0.00	26,171.30	24,486.80	52,969.89	55,754.77	73,483.88	84,541.11	39,523.42	37,862.62	47,890.23	32,278.00	21,039.04	21,263.50
6.a. Grants		0.00	100.00	0.00	2,977.40	22,584.80	52,406.61	25,787.66	25,787.66	25,787.66	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
6.b. Sales of Government Assets and Privatization Proceeds		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts		0.00	0.00	0.00	0.00	1,902.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, et		16,187.00	0.00	0.00	0.00	0.00	563.27	29,967.11	47,696.00	58,753.45	38,523.42	36,862.62	46,890.23	31,278.00	20,039.04	20,263.50
Expenditure		59,109.30	89,495.10	82,920.70	88,240.00	84,916.00	170,394.40	151,783.09	165,804.99	175,446.26	175,064.19	178,932.12	189,681.08	188,711.69	201,181.91	211,712.79
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)		21,049.90	35,288.80	30,473.85	22,364.00	35,939.80	44,870.31	45,117.01	45,117.01	45,117.01	56,394.40	59,214.90	59,086.20	60,991.39	62,821.03	66,850.80
2. Overhead costs		19,737.98	27,320.68	25,045.08	29,828.17	27,138.53	44,244.12	44,888.38	45,133.43	45,584.78	40,079.83	42,083.30	44,187.22	45,512.81	46,878.31	49,243.80
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Alloc		0.00	0.00	0.00	1,995.31	3,889.40	5,327.30	4,780.49	9,792.06	18,309.95	23,055.24	22,343.73	25,956.30	25,185.45	27,256.20	26,153.04
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted fr		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Capital Expenditure		15,828.20	19,888.12	24,295.10	28,882.78	14,045.20	88,894.77	53,320.52	53,288.34	53,427.89	37,772.49	39,881.10	41,844.70	43,728.80	45,912.90	51,208.50
6. Amortization (principal) payments		2,493.21	3,997.88	3,108.70	5,484.74	4,105.10	7,257.90	3,878.50	10,474.15	13,006.85	15,762.42	15,628.89	18,806.67	13,295.24	18,313.47	18,456.84
Budget Balance ('+' means surplus, '-' means deficit)		18,369.20	-6,725.20	2,824.60	15,958.40	13,896.52	-38,097.01	-6,122.97	-1.29	5.57	152.21	-116.62	9.97	12.78	2,514.58	-1,519.82
Opening Cash and Bank Balance		2,029.31	20,398.49	13,673.28	16,497.92	32,456.28	46,352.80	8,255.79	2,132.82	2,131.53	2,137.11	2,289.31	2,172.69	2,182.66	2,195.44	4,710.03
Closing Cash and Bank Balance		20,398.49	13,673.28	16,497.92	32,456.28	46,352.80	8,255.79	2,132.82	2,131.53	2,137.11	2,289.31	2,172.69	2,182.66	2,195.44	4,710.03	3,190.21
Financing Needs and Sources (Million Naira)																
Financing Needs							563.27	29,967.11	47,696.00	58,753.45	38,523.42	36,862.62	46,890.23	31,278.00	20,039.04	20,263.50
I. Primary balance							-26,075.09	-27,431.09	-27,431.09	-27,431.09	446.45	993.38	-2,117.29	7,215.47	28,045.22	22,826.57
II. Debt service							12,585.20	8,658.99	20,266.20	31,316.79	38,817.66	37,972.62	44,762.97	38,480.69	45,569.67	44,609.89
Amortizations							7,257.90	3,878.50	10,474.15	13,006.85	15,762.42	15,628.89	18,806.67	13,295.24	18,313.47	18,456.84
Interests							5,327.30	4,780.49	9,792.06	18,309.95	23,055.24	22,343.73	25,956.30	25,185.45	27,256.20	26,153.04
III. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)							-38,097.01	-6,122.97	-1.29	5.57	152.21	-116.62	9.97	12.78	2,514.58	-1,519.82
Financing Sources							563.27	29,967.11	47,696.00	58,753.45	38,523.42	36,862.62	46,890.23	31,278.00	20,039.04	20,263.50
I. Financing Sources Other than Borrowing							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Gross Borrowings							563.27	29,967.11	47,696.00	58,753.45	38,523.42	36,862.62	46,890.23	31,278.00	20,039.04	20,263.50
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)							563.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,039.00	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 1 to 5 years)							0.00	29,967.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,263.50
State Bonds (maturity 6 years or longer)							0.00	0.00	47,696.00	0.00	0.00	36,862.60	0.00	0.00	0.00	0.00
Other Domestic Financing ()							0.00	0.00	0.00	58,753.50	0.00	0.00	0.00	31,278.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)							0.00	0.00	0.00	0.00	38,523.40	0.00	0.00	0.00	0.00	0.00
External Financing - Bilateral Loans							0.00	0.00	0.00	0.00	0.00	0.00	46,890.20	0.00	0.00	0.00
Other External Financing							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing							-0.03	0.01	0.00	-0.05	0.02	0.02	0.03	0.00	0.04	0.00
Debt Stocks and Flows (Million Naira)																
Debt (stock)		50,288.10	82,600.24	104,337.40	109,769.10	102,782.88	96,088.26	122,176.87	159,398.73	205,145.33	227,906.34	249,140.07	277,223.63	295,206.40	296,931.97	298,738.62
External		8,515.30	10,090.94	9,685.40	9,943.00	11,445.80	11,294.20	11,142.60	10,991.00	10,839.40	49,211.20	49,059.60	95,798.20	95,646.60	92,284.72	88,922.83
Domestic		41,772.80	72,509.30	94,652.00	99,826.10	91,337.08	84,794.06	111,034.27	148,407.73	194,305.93	178,695.14	200,080.47	181,425.43	199,559.80	204,647.25	209,815.79
Gross borrowing (flow)							563.27	29,967.11	47,696.00	58,753.45	38,523.42	36,862.62	46,890.23	31,278.00	20,039.04	20,263.50
External							0.00	0.00	0.00	0.00	38,523.40	0.00	46,890.20	0.00	0.00	0.00
Domestic							563.27	29,967.11	47,696.00	58,753.45	0.02	36,862.62	0.03	31,278.00	20,039.04	20,263.50
Amortizations (flow)		18,160.37	50,048.00	56,378.80	74,187.00	5,749.40	7,257.90	3,878.50	10,474.15	13,006.85	15,762.42	15,628.89	18,806.67	13,295.24	18,313.47	18,456.84
External		101.28	122.31	122.60	130.40	151.60	151.60	151.60	151.60	151.60	151.60	151.60	151.60	151.60	3,361.88	3,361.88
Domestic		18,059.09	49,925.69	56,256.20	74,056.60	5,597.80	7,106.30	3,726.90	10,322.55	12,855.25	15,610.82	15,477.29	18,655.07	13,143.64	14,951.59	15,094.96
Interests (flow)		3,332.21	4,408.00	5,134.90	7,478.84	20,112.40	5,327.30	4,780.49	9,792.06	18,309.95	23,055.24	22,343.73	25,956.30	25,185.45	27,256.20	26,153.04
External		51.79	56.81	55.48	28.48	37.90	37.90	37.90	37.90	37.90	37.90	1,193.60	1,193.60	2,600.31	2,600.31	2,504.00
Domestic		3,280.42	4,351.19	5,079.42	7,450.36	20,074.50	5,289.40	4,742.59	9,754.16	18,272.05	23,017.34	21,150.12	24,762.70	22,585.14	24,655.89	23,649.05
Net borrowing (gross borrowing minus amortizations)							-6,694.63	26,088.61	37,221.86	45,746.61	22,761.00	21,233.73	28,083.56	17,982.76	1,725.57	1,806.66
External							-151.60	-151.60	-151.60	-151.60	38,371.80	-151.60	46,738.60	-151.60	-3,361.88	-3,361.88
Domestic							-6,543.03	26,240.21	37,373.46	45,898.21	-15,610.80	21,385.33	-18,655.04	18,134.36	5,087.45	5,168.54
Debt and Debt-Service Indicators																
Debt Stock as % of SGDP		3.07	4.54	4.90	4.15	3.26	2.60	2.99	3.53	4.17	4.26	4.26	4.34	4.23	3.90	3.60
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		82.05	99.80	121.68	105.35	106.06	72.94	103.60	137.29	175.79	169.20	175.31	194.15	187.50	161.68	137.29
Debt Service as % of SGDP							0.34	0.21	0.45	0.64	0.72	0.65	0.70	0.55	0.60	0.54
Debt Service as % of Revenue (including grants and excluding other capital receipts)							9.55	7.48	17.43	26.84	28.82	26.75	31.33	24.44	24.81	23.49
Interest as % of SGDP							0.14	0.12	0.22	0.37	0.43	0.38	0.41	0.36	0.36	0.31
Interest as % of Revenue (including grants and excluding other capital receipts)							4.04	4.13	8.43	13.69	17.12	13.74	18.18	16.00	14.84	13.77
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							33.91	39.00	38.86	38.66	41.87	41.71	41.38	38.74	34.21	33.09
Adverse Shock Scenario is defined by the worst performance indicator measured in year 2025																
For Debt Stock as % of SGDP the adverse shock is: Expenditure	Expenditure															
Debt Stock as % of SGDP							2.60	3.34	4.19	5.12	5.45	5.68	5.97	6.06	5.91	5.79
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue															
Debt Stock as % of Revenue (including grants and excluding other capital receipts)							72.94	128.45	175.61	231.22	232.71	231.93	287.92	290.18	266.54	276.63
For Debt Service as % of SGDP the adverse shock is: Expenditure	Expenditure															
Debt Service as % of SGDP							0.34	0.21	0.47	0.69	0.79	0.74	1.03	0.89	0.95	0.89
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue															
Debt Service as % of Revenue (including grants and excluding other capital receipts)							9.55	8.32	20.28	31.65	34.51	33.12	48.36	41.24	41.41	42.46
For Interest as % of SGDP the adverse shock is: Expenditure	Expenditure															
Interest as % of SGDP							0.14	0.12	0.24	0.42	0.50	0.47	0.51	0.48	0.49	0.46
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue															
Interest as % of Revenue (including grants and excluding other capital receipts)							4.04	4.59	10.26	19.27	21.51	20.88	24.72	23.01	22.10	22.02