KOGI STATE GOVERNMENT

DEBT SUSTAINABILITY ANALYSIS

&

DEBT MANAGEMENT STRATEGY (DSA-DMS) REPORT FOR 2023

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1.0 INTRODUCTION

1.1 Objective of Debt Sustainability Analysis and Debt Management Strategy

The 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 2018-2022 while also evaluating the debt sustainability position for the projection years 2023-2032. 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 strong 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 2022 stood at **102,558B** with the component being 91% of domestic debt, while the external debt share is 9%. The debt stock is expected to rise from **N102,558B** in 2022 to **N583,472B** in 2032. 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 2023, the national GDP is expected to grow at 3.75%, oil price benchmark set at $70, oil production per day is expected to be 1.69mbpd while inflation is projected to remain stable at 17.16%, and exchange rate at N435.57/$1 and 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

Kogi State in the last 3-5 years has 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 2023 - 2025
- 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 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 presents 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 2022 Budget and the MTEF for 2023-2026

Kogi State 2022 Budget Policy Statement

The fiscal strategy of Government is anchored on the on-going Public Financial Management Reform (PFM). Over the period 2022-2024, 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 and Tourism etc;

e. boosting revenue receipts by identifying and blocking revenue leakages;

f. gradual fiscal consolidation in order to achieve a level of public spending consistent with macroeconomic stability and sustainable debt.

g. The exploration of Mineral resources such as Coal, Iron, Petroleum, Tin, Limestone, Marble etc in commercial quantities in Kogi State will also help in boosting IGR which will lead economic stability of the State.

h. Industrial Development potentials of the State is very high due to the availability of natural resources which include Land, Water, Minerals and Forest Resources that provides adequate opportunity for the location of various types of industrial and economic activities hence, increase in revenue generation.

Below is the Macroeconomic framework of the State from 2023 – 2026

Table 2.1 Medium Term Macro-Economic Framework

Medium Term Macro-Economic Framework				
Item	**2023**	**2024**	**2025**	**2026**
National Inflation	17.16%	16.21%	17.21%	16.50%
National Real GDP Growth	3.75%	3.3%	3.40%	3.45%
Oil Production Benchmark (MBPD)	1.69	1.83	1.83	1.83
Oil Price Benchmark	$70.00	$66.00	$62.00	$62.00
NGN: USD Exchange Rate	₦435.57	₦435.92	₦437.57	₦435.57

Source: Ministry of Finance, Budget & National Planning

Table 2.2 Kogi State Medium Term Fiscal Framework

Kogi State Fiscal Framework				
Recurrent Revenue	**2023**	**2024**	**2025**	**2026**

Statutory Allocation	39,583,942,096	39,245,371,561	52,476,347,885	59,088,220,874
VAT	24,035,895,245	24,453,086,214	30,002,115,028	23,887,957,682
IGR	23,286,462,477	23,286,462,477	23,825,305,639	34,477,312,983
Excess Crude/Others	3,413,740,300	3,925,801,345	5,012,805,887	3,586,714,914
Total	**90,320,042,141**	**90,910,723,621**	**111,316,574,440**	**121,040,206,453**
Recurrent Expenditure				
Personnel	45,117,010,260	45,117,010,260	49,661,369,510	53,708,902,039
Overheads	45,133,430,177	45,584,764,479	38,806,240,043	40,079,633,937
Total	**90,250,440,437**	**90,701,774,739**	**88,467,964,887**	**93,788,535,976**
Transfer to Capital account	**69,599,681**	**208,946,858**	**22,848,964,887**	**27,251,670,477**
Capital Receipts				
Grants	25,787,655,172	25,787,655,172	14,248,625,775	4,371,886,422
Other Capital Receipts	-	-	-	-
Total	**25,787,655,172**	**25,787,655,172**	**14,248,625,775**	**4,371,886,422**
Reserves				
Contingency Reserve	1,065,766,834	1,068,553,778	1,170,017,578	1,169,017,578
Planning Reserve	1,065,766,834	1,068,553,778	1,170,017,578	1,169,017,578
Total	**2,131,533,668**	**2,137,107,556**	**2,340,035,156**	**2,338,035,156**
Capital Expenditure	**53,288,341,724**	**53,427,688,902**	**58,500,878,901**	**56,999,283,317**
Discretional Funds	53,288,341,724	53,427,688,902	58,500,878,901	56,999,283,317
Non-Discretional Funds	-	-	-	-
Net Financing	**27,431,086,871**	**27,431,086,872**	**21,403,288,240**	**25,375,726,418**
Total Budget Size	**145,670,315,830**	**146,266,571,197**	**149,308,523,611**	**153,125,854,449**

Assumptions

1. **Statutory Allocation** - is premised on elasticity based forecast consistent with the macroeconomic framework and the numerous assumptions in the 2023-2026 Fiscal Strategy Paper displayed above.
2. **VAT** - is also based on elasticity forecasting using National Real GDP Growth and Inflation data as the explanatory variables for VAT growth.
3. **Excess Crude/Other Revenue** - the previous year excess crude/other revenue (2022), which includes Nigerian National Petroleum Corporation (NNPC) refunds, exchange gains, budget support facilities and all other excess distributions, were used in the forecast using own percentage.
4. **Internally Generated Revenue (IGR)**–IGR forecast was based on own percentage of the actual collections.
5. **Grants** - grants are very hard to predict and the recording of actual grant receipts is not accurate as a lot of expenditure is off budget. The forecasts are based on current

commitments from Federal Government/and the development partners (including UNICEF, NEPAD and the World Bank group). These funds are non-discretionary and are therefore tied to the implementation of specific programmes/projects. If the funds are not forthcoming, the programmes/projects will not be implemented. The estimates for 2023-2026 are thus conservatively based on the current 2023 budget.

6. **Financing (Net Loans)** –It is difficult to use forecasting method to predict net loans due to irregular loans expectation.

7. **Personnel** –forecast is based on own percentage using actual historical personnel figures. This assumes gradual growth rate of employment.

8. **Overheads**–the forecasting method used to estimate overhead figures for the period 2023 is own percentage with the hope that cost of running government will maintain the trend.

9. **Contingency and Planning Reserves** -2% of total revenue has been allocated to the Contingency Reserve which will be used in accordance with Finance Act, during budget implementation. Also 2% deduction of the same total revenue is for Planning Reserve which will be allocated during MDA budget defence to MDAs that are able to justify the need for more resources over and above the given ceiling.

10. **Capital Expenditure** - is based on the recurrent account surplus plus capital receipts.

Fiscal Trends

11. The fiscal trend is depicted in the Figures 15 and 16 below with actual historical revenue and expenditure figures for the period 2018-2022 and 2023-2026 projected figures using the forecasting methods as noted in 3.C.

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. The State willalso consider raising bonds

Below is the debt stock position of the State as at December 2022.

Table 2.3 Debt Stock as at December, 2022

	PUBLIC DEBT DATA AS AT 31st DECEMBER 2022		
S/N	**DEBT CATEGORY**	**AMOUNT(Millions)**	**%**
1	Total Domestic Debt	93,621	91
2	Total External Debt	8,938	9
	TOTAL	**102,558**	**100%**

Impact of Covid-19 on State Fiscal Position in Year 2023

The State has not been challenged by COVID 19, but by its effects. Kogi State as in other state across the country, is still largely dependent on oil revenue to fund its budget which incidentally has been significantly plummeted due to COVID induced restrictions.

The pandemic triggered unprecedented economic crisis around the world occasioned by lock down and restrictions in travels and business activities which triggered loss of income, food inflation, general inflation, unemployment, lower standard of living, poverty and increased vulnerability. As result of this, the state has sustained key reform initiatives which has improved the credibility of the budget, IGR, Sustainable Debt Management and Audited Financial Statement. The recurrent expenditure in the Budget is N90,250B which exhibited an improved recovery from the COVID pressure.

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 (2018 - 2022)

3.0 Introduction

This section looks at the historical performance of Kogi State relating to Revenue, Expenditure and Public Debt Trends from 2018 – 2022. The figures captured here reflects the actual performance of the state for this period supported by the State financial statements.

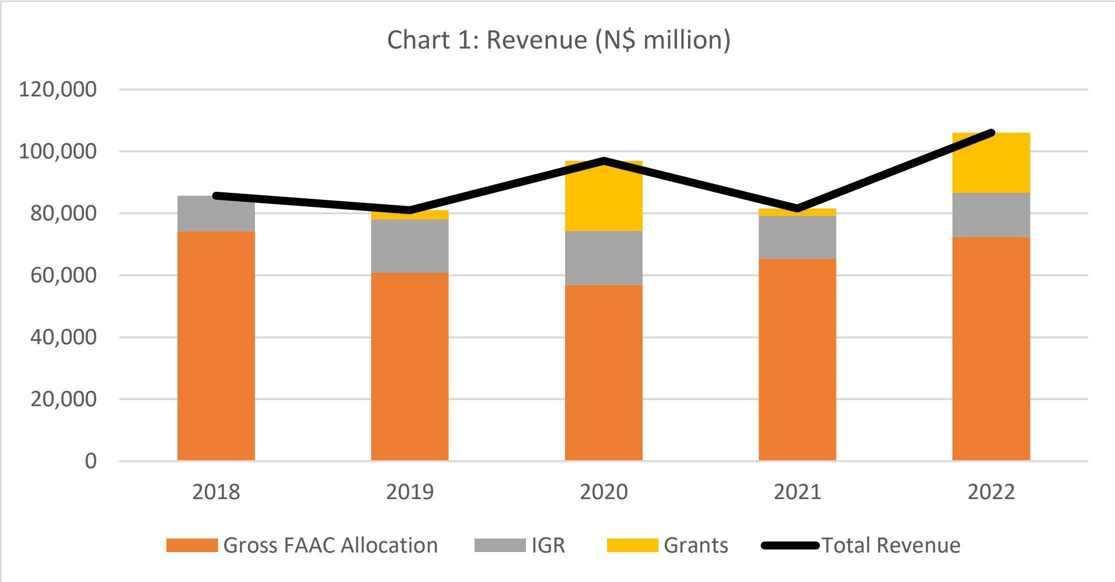
3.1 Revenue, Expenditure, Overall & Primary Balance

i. **Aggregate State TOTAL Revenue trend in the last five years and its composition in 2022.** 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 N85,745B in 2018 to N96,911B in 2020. The state however recorded its highest revenue of N106,039B in 2022, though gross FAAC (comprises of gross statutory allocation, other FAAC transfers and VAT) did not increase significantly. See below details of total revenue trend for the historical years

Table 3.1 Kogi State Aggregate Revenue for 2018-2022

Revenue	2018	2019	2020	2021	2022
Gross Statutory Allocation	46,996	45,510	37,463	41,719	47,173
Excess Crude/Other FAAC Receipts	16,027	3,231	4,784	3,026	-
VAT	11,259	12,087	14,644	20.651	25,252
Gross FAAC Allocation	**74,282**	**60,828**	**56,891**	**65,396**	**72,425**
Grants	-	2,977	22,565	2,409	19,445
IGR	11,463	17,199	17,455	13,779	14,169
Total Revenue	**85,745**	**81,005**	**96,911**	**81,584**	**106,039**

Below is the chart of the total Revenue of Historical Years



ii. **FAAC Allocations trend in the last five years.** Kogi State recorded an increased in federal transfers by 25% in 2018 but declined in 2019 and 2020. The fall in revenue 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. FAAC however increased to N72,425 in 2022 which is attributable to the increase in price of crude.

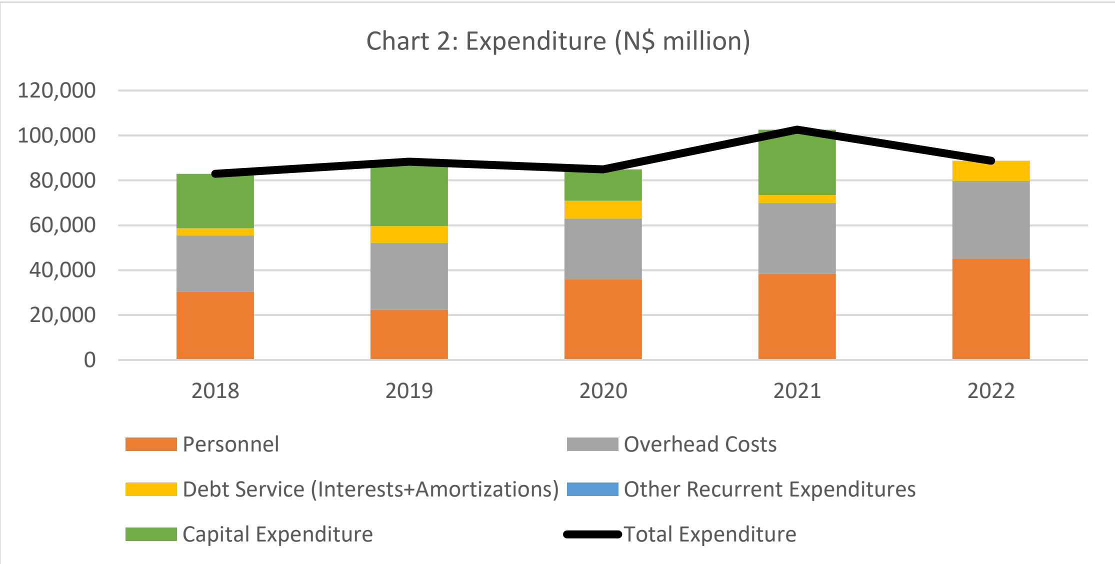
iii. **IGR trend in the last five years. The State exhibited strong IGR growth during the review period.** The IGR of the state has been steadily increasing but witnessed a huge leap in 2019 resulting in 50% increase over the 2018 figure. IGR for 2018 was N11,463B and increased to N17, 119B in 2019. The increment was sustained in 2020, but the state recorded a decrease of N13,779B for 2021. The state recorded an increment resulting in a closing balance of N14,169B for 2022. IGR witnessed an average growth rate of 20.1% from 2018 – 2022. 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 2022.** Total expenditure in this context includes all categories of expenses interest and amortization. Total expenditure increase from N82,920.70B in 2018 to N88.700B in 2022. This was largely due to employment of new staff, increase in overhead cost in 2021 to 2022 and increase in debt service in 2022. 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 2018-2022

Expenditure	2018	2019	2020	2021	2022
Personnel	30,473.85	22,364.00	35,939.80	38,381.90	44,916.20
Overhead Costs	25,045.10	29,826.20	27,136.50	31,484.30	34,908.30
Debt Service (Interests+Amortizations)	3,106.70	7,460.00	7,794.50	3,580.10	8,875.90
Other Recurrent Expenditures	-	-	-	-	-
Capital Expenditure	24,295.10	28,589.80	14,045.20	29,134.40	-
Total Expenditure	**82,920.75**	**88,240.00**	**84,916.00**	**102,580.70**	**88,700.40**

Below is the Expenditure chart depicting the trend between 2018 – 2022



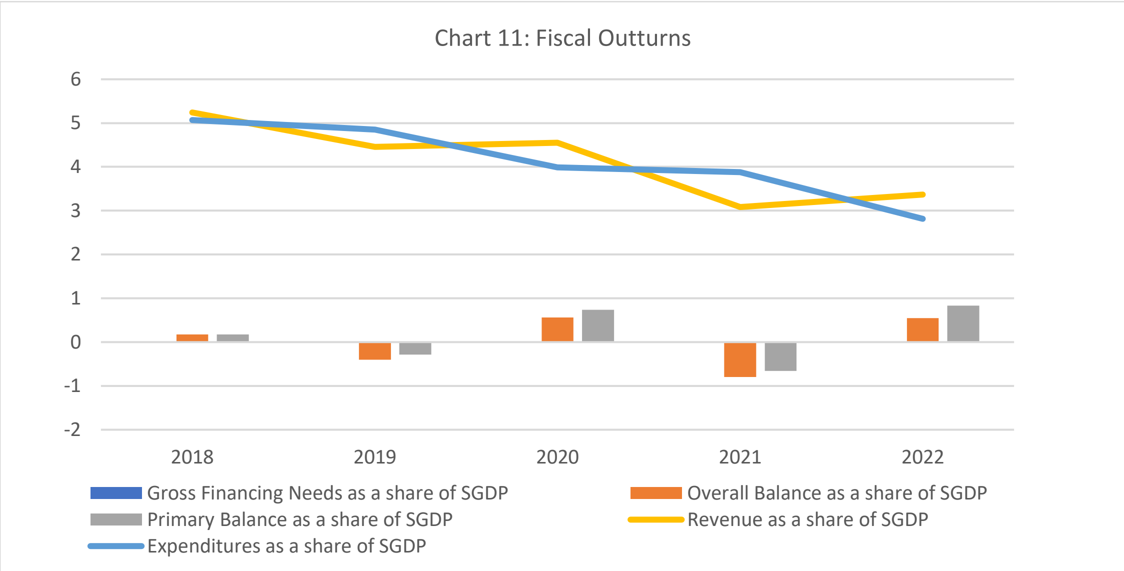
v. **Main expenditure variations in the last five years by economic classification.** Over the period, analysis shows that Personnel, Overhead costs and Capital Expenditure are responsible for this huge leap in Expenditure from N82,920.70B to its peak of 102,580B in 2021 and also witnessed a decline of N88,700B in 2022. While Personnel Cost had decline to N22,364B in 2019, but increased to

N44,916B in 2022. For Capital Expenditure, it had witnessed steady increase all through the historical years except for year 2020 and nothing was done in 2022. Same applies to Overhead Cost.

The Personnel Cost decreased in 2018 and 2019 respectively. It rose again in 2020, 2021 and 2022 as a result of payments of arrears of Salaries to some staff cleared, payment of salary to newly employed staff in CUSTEC, Osara, Kogi State Polytechnic, Lokoja, Kogi State University, Anyigba, College of Education, Ankpa, School of Nursing and Midwifery, Obangede, College of Health Sciences, Idah and social benefits to Pensioners.

Debt Service however, recorded an increase which does not threaten the economy of the state at a long run.

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 -0.27% and -1% for 2019& 2021 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 and 2022 which shows the state's ability to repay the current debt stock.

3.2 Existing Public Debt Portfolio

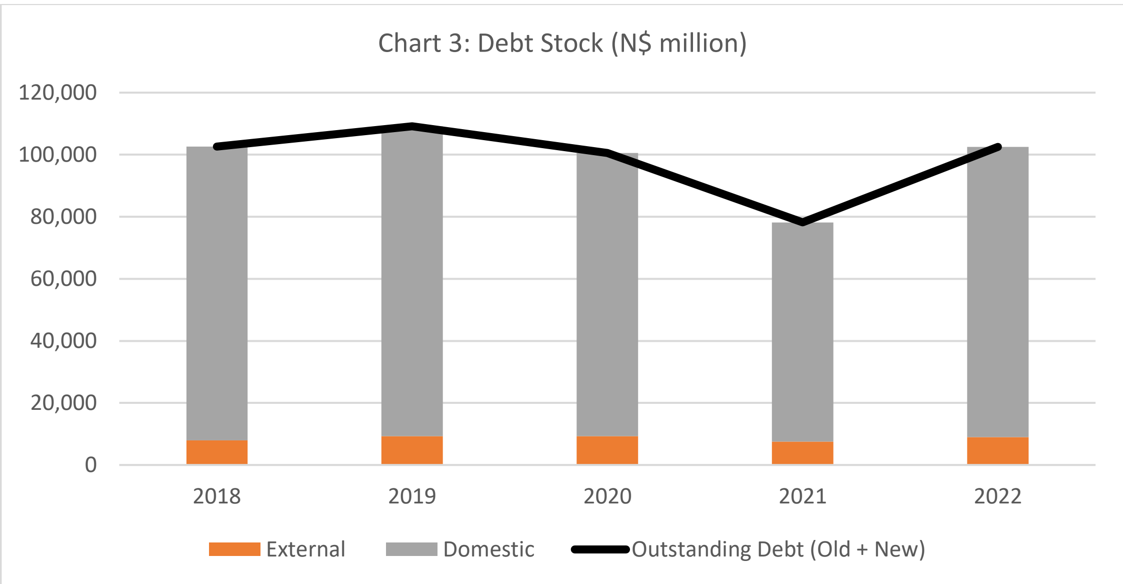
The State public debt includes the explicit financial commitments – like loans and securities – that have paper contracts instrument that government promises to repay.

i. **Public debt stock amount or its shares on total Revenue at end-2022 and its growth in the last five years.** As at December 2022, Kogi state public Debt stood at **N93,621B** which has been increasing rapidly since 2018 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,2022

	KOGI STATE DEBT DATA AS AT 31st DECEMBER 2022		
S/N	**DEBT CATEGORY**	**AMOUNT(Millions)**	**%**
1	Total Domestic Debt	93,621	91
2	Total External Debt	8,938	9
	TOTAL	**102,558**	**100%**

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



The domestic debt constitutes 91% of the debt stock of the state while the external is 9%.

As at December 2018, total domestic debt stock was N94,652B in 2018, but decline to N93,620B in 2022. The decline was as result of settlement of some outstanding Domestic loans by the State Government. Eg Accelerated Agric Development Scheme (AADS) and Commercial Agricultural Credit Scheme (CACS 1). And also, most states were struggling to pay salaries which resulted in the FG through the CBN granting Salary Bailout facility to states. Kogi State got N19,391B in 2018 and another Excess Crude Account Bank Loan of N9,695B. In 2019, the state got Budget Support facility of N16B while Contractors Arrears also decreased from 21B in 2018 to N468M in 2022. Total domestic debt stock decreased from 101B in 2020 to N93,620B in 2022 due to clearance of Contractors Arrears and settlement of Salary Bailout repayment with Sterling Bank.

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

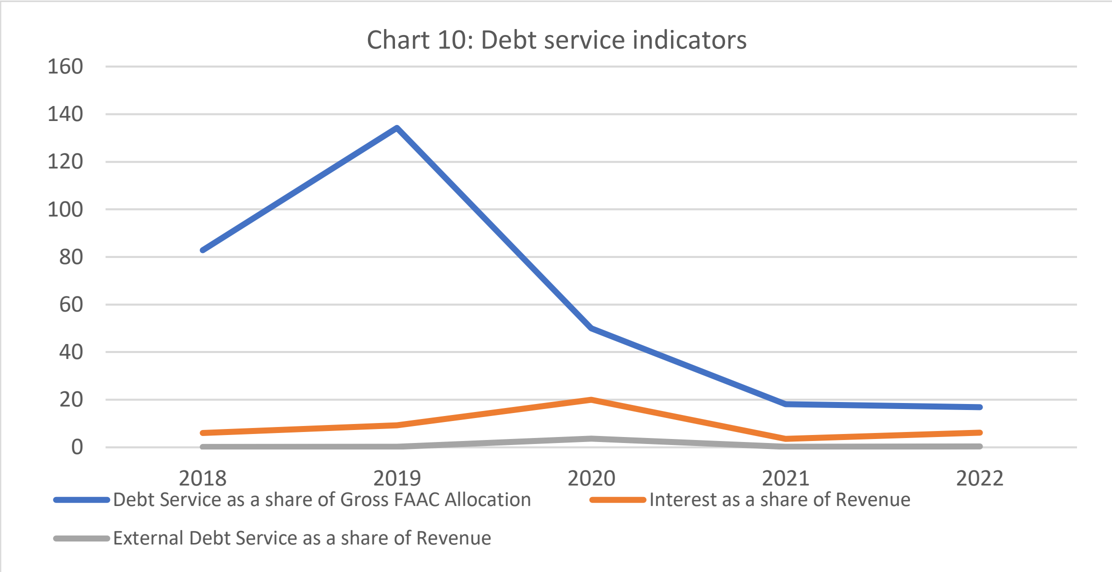
S/N	DEBT CATEGORY FOR DOMESTIC	BALANCE N
1	Budget Support Facility	22,473.79
2	Salary Bailout Facility	27,790.07
	Salary Bailout Facility	9,217.51
3	Restructured Commercial Bank Loans (FGN Bond)	712.50
4	Excess Crude Account Backed Loan	9,217.51
5	Commercial Banks Loans	553.83
6	State Bonds	2,201.28
7	Commercial Agriculture Loan (CBN Development Financing Facility)	955.78

8	Micro Small and Medium Enterprise Development Fund (CBN Development Financing Facility)	428.54
9	Covid 19 Health Intervention Fund	1,837.14
	CBN Bridge Financing	12,028.56
10	Contractors' Arrears	468.56
11	Pension and Gratuity Arrears	5,680.91
12	Salary Arrears and Other Staff Claims	57.50
	Total	**93,620.8**
S/N	**DEBT CATEGORY FOR EXTERNAL**	**BALANCE $**
1	World Bank (WB)	23.0
2	African Development Bank (AfDB)	0.6
	Total	**23.6**

Note: All figures are expressed in Millions. Exchange rate for external loan is at N435.57: $1

iii. **Cost and risks exposure of the existing public debt portfolio at end-2022.**

The debt portfolio of the state was volatile during the historical period. Debt service as a share of Gross FAAC allocation rose from 83% in 2018 to a peak of 134% in 2019 but declined drastically to 50% in 2020, 18% in 2021 and 17% in 2022 respectively. Interest as a share of revenue also rose from 6% in 2018 to 20% in year 2020 then decline to 6% in 2022. 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.



CHAPTER FOUR

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 year's shows that the debt levels are sustainable. See table below for indicators with threshold;

Table 4.1 Performance Indicators with Threshold

Indicators	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Debt as % of SGDP	6.28	6.00	4.73	2.96	3.25	2.31	2.26	2.91	3.26	3.50	3.53	3.49	3.76	4.26	4.62
Threshold	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Debt as % of Revenue	119.72	104.75	103.80	95.85	96.72	93.09	120.83	138.72	173.32	174.61	161.60	161.56	213.03	326.22	321.77
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
Debt Service as % of Revenue	72	101	29	15	12	7	7	13	25	34	41	48	61	91	96
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Personnel Cost as % of Revenue	36	28	37	47	42	39	39	40	43	38	33	31	35	44	37
Threshold	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

The average rate for debt as a percentage of State GDP is 3.638%. it recorded its highest percentage of 6.28% in 2018 and dropped to 3.25% in 2022. 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 2022, the rate is 96.72% which is less than the threshold of 200%. For Debt service as a percentage of revenue, the threshold is 40% which the state breached from 2018 and 2019, however, the rate has dropped to 29% in 2020, 15% in 2021 and 12% in 2022 which implies that the state has also returned to a sustainable position from year 2020 to 2022. 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 is 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	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Debt Service as a share of Gross FAAC Allocation	83	134	50	18	17	12	12	18	37	48	60	69	88	132	134
Interest as a share of Revenue	6	9	20	4	6	4	5	10	16	20	21	23	29	45	49
External Debt Service as a share of Revenue	0	0	4	0	0	0	0	0	0	0	1	1	1	1	1

Even though Debt service outweighs the Gross FAAC allocation in 2019, it has returned to 50% in 2020 and further came down to 17% in 2022 which shows an improvement in the debt service performance of Kogi State. For the projection years however, it shows deterioration in debt service performance in year 2031 and 2032 respectively.

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 2023-2026, with real GDP expanding at an average annual rate of 3.75 percent and domestic inflation decreasing below 17.16 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. As such, the state debt expansionary policy in year 2023-2026 can be sustained.

The table below presents the State's Macro-Economic projections for the 2023-2026 Medium-Term Expenditure Framework;

Table 4.3 Medium Term Macro-Economic Framework

Medium Term Macro-Economic Framework				
Item	**2023**	**2024**	**2025**	**2026**
National Inflation	17.16%	16.21%	17.21%	16.50%
National Real GDP Growth	3.75%	3.3%	3.40%	3.45%
Oil Production Benchmark (MBPD)	1.69	1.83	1.83	1.83
Oil Price Benchmark	$70.00	$66.00	$62.00	$62.00
NGN: USD Exchange Rate	₦435.57	₦435.92	₦437.57	₦435.57

SOURCE: Ministry of Finance, Budget and National Planning, NNPC, BOF, NBS Note: (i) The initial projection is not likely to be achieved based on current trends. (ii) The medium term projections deviate from the projections in the National Development plan (NDP) 2022-2026. They have been updated based on the combination of current realities and a modified medium term outlook. For instance, inflation and growth in the NDP are projected at 14.93% and 4.39% respectively for 2023.

The Russian invasion of Ukraine, resulting in higher crude oil prices, has worsened Nigeria's economic performance. On the fiscal side, the real economy is experiencing sustained inflationary pressures, worsened by high energy costs, while external accounts and exchange rate pressures persist. These factors and the medium term outlook underlying the medium term projections. In the medium term, real GDP growth is projected at 3.75% in 2023, from a revised projection of 3.3% in 2024- a downward revision from the 2023 budget prediction. Growth is expected to moderate to 3.40% in 2025 before picking up to 3.45% in 2026. The inflation rate is projected to average 16.21% in 2024 from the revised average of 17.16% for 2023. Upward pressure on prices is expected to be driven by the current and lagged effect of the global price surge due to Russia- Ukraine war, domestic insecurity, rising imports, exchange rate fluctuations, removal of oil subsidy and other supply side constraints. It is envisaged that shocks from global environment, domestic challenges like insecurity and fiscal expansion would not only induce inflationary pressure but impact exchange rate and interest rates. Consequently, it is projected that naira will depreciate to N435.92/US$ in 2024, N437.57/US$ in 2025 and N437.57/US$ in 2026.

The MTEF for Kogi State covering 2023-2026 upon which this debt sustainability exercise is premised is hereby Presented below.

Table 4.4 Kogi State Medium Term Fiscal Framework

Kogi State Fiscal Framework				
Recurrent Revenue	**2023**	**2024**	**2025**	**2026**
Statutory Allocation	39,583,942,096	39,245,371,561	52,476,347,885	59,088,220,874
VAT	24,035,895,245	24,453,086,214	30,002,115,028	23,887,957,682
IGR	23,286,462,477	23,286,462,477	23,825,305,639	34,477,312,983
Excess Crude/Others	3,413,740,300	3,925,801,345	5,012,805,887	3,586,714,914
Total	**90,320,042,141**	**90,910,723,621**	**111,316,574,440**	**121,040,206,453**
Recurrent Expenditure				
Personnel	45,117,010,260	45,117,010,260	49,661,369,510	53,708,902,039
Overheads	45,133,430,177	45,584,764,479	38,806,240,043	40,079,633,937
Total	**90,250,440,437**	**90,701,774,739**	**88,467,964,887**	**93,788,535,976**
Transfer to Capital account	**69,599,681**	**208,946,858**	**22,848,964,887**	**27,251,670,477**
Capital Receipts				
Grants	25,787,655,172	25,787,655,172	14,248,625,775	4,371,886,422
Other Capital Receipts	-	-	-	-
Total	**25,787,655,172**	**25,787,655,172**	**14,248,625,775**	**4,371,886,422**
Reserves				
Contingency Reserve	1,065,766,834	1,068,553,778	1,170,017,578	1,169,017,578
Planning Reserve	1,065,766,834	1,068,553,778	1,170,017,578	1,169,017,578
Total	**2,131,533,668**	**2,137,107,556**	**2,340,035,156**	**2,338,035,156**
Capital Expenditure	**53,288,341,724**	**53,427,688,902**	**58,500,878,901**	**56,999,283,317**
Discretional Funds	53,288,341,724	53,427,688,902	58,500,878,901	56,999,283,317
Non-Discretional Funds	-	-	-	-
Net Financing	**27,431,086,871**	**27,431,086,872**	**21,403,288,240**	**25,375,726,418**
Total Budget Size	**145,670,315,830**	**146,266,571,197**	**149,308,523,611**	**153,125,854,449**

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 2023-2032. See details below;

Table 4.5 Total Gross Borrowing Requirements for 2023-2032

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Gross Borrowing Requirement	7.286	35.924	36.448	54.976	62.519	68.814	77.790	121.301	169.051	183.835

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;

4.6Total Planned Borrowing for 2023-2032

New Domestic Financing in Million of Local Currency	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Commercial Bank Loans (maturity 1 to 5 years)		33,398	34,096		60,430				167,004	181,962
Commercial Bank Loans (maturity 6 years or longer)	5,980			49,119				92,414		
State Bonds (maturity 1 to 5 years)										
State Bonds (maturity 6 years or longer)					52,359					
Other Domestic Financing ()										
New External Financing in Million US Dollars										
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	6.6		5.4							4.3
External Financing - Bilateral Loans		3.2		3.6						

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

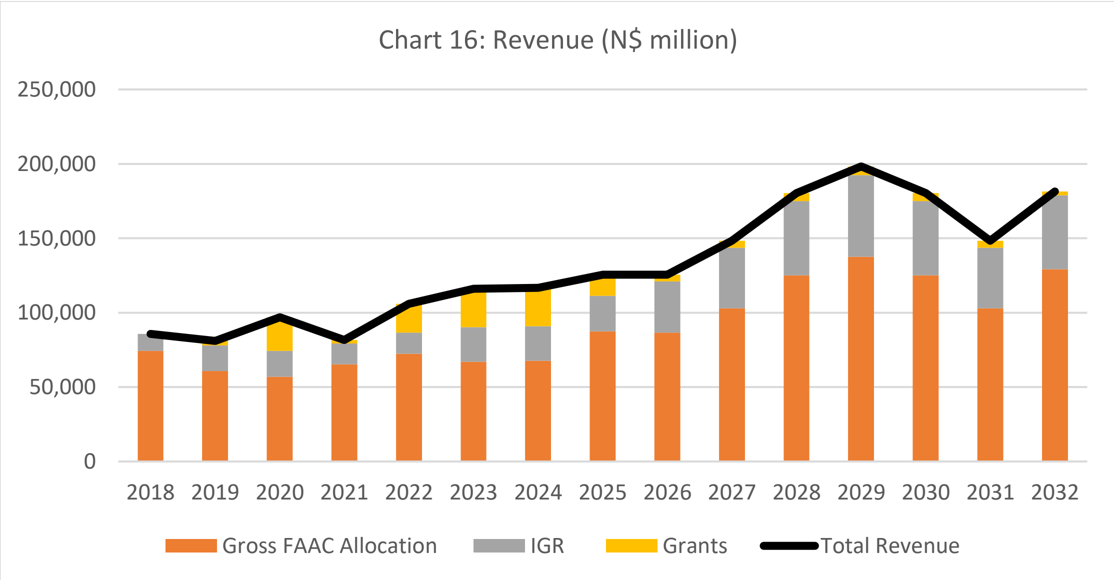
Borrowing Terms for New Domestic Debt (issued/contracted from 2022 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	22	5	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	21	9	1
State Bonds (maturity 1 to 5 years)	18	5	0
State Bonds (maturity 6 years or longer)	17	9	0
Other Domestic Financing ()	10	20	0
Borrowing Terms for New External Debt (issued/contracted from 2022 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2.5	15	3
External Financing - Bilateral Loans	3	17	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.

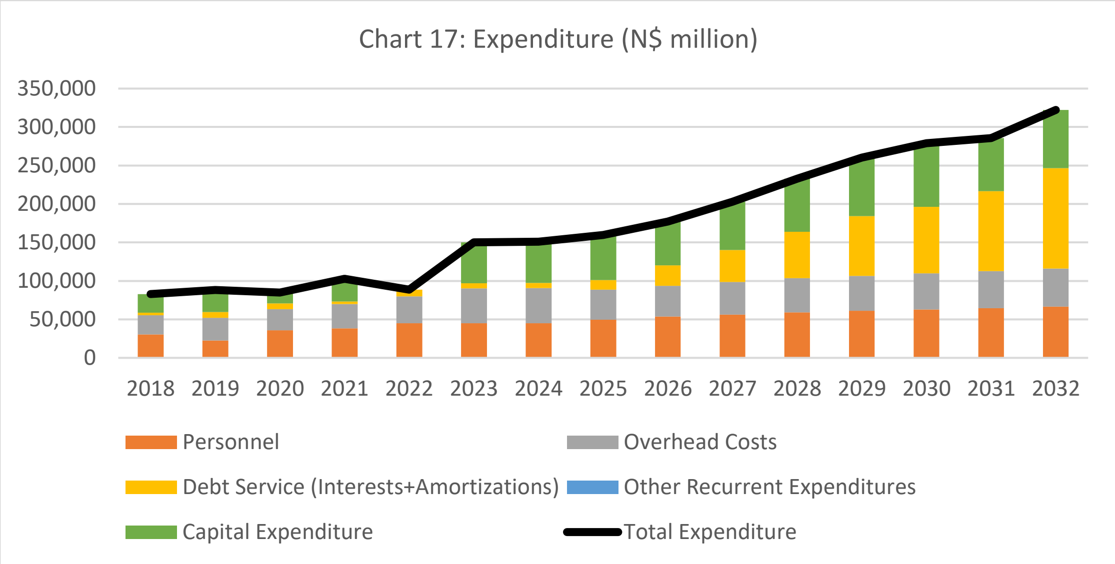
4.3 DSA Simulation Results

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 N106.039 billion in 2022 to N181.332 billion by 2032. Between 2023-2026 which are the years the state MTEF covered, revenue is projected to have an average growth rate of 17.6% while from 2027-2032, revenue is expected to grow at an average rate of 4.7%.

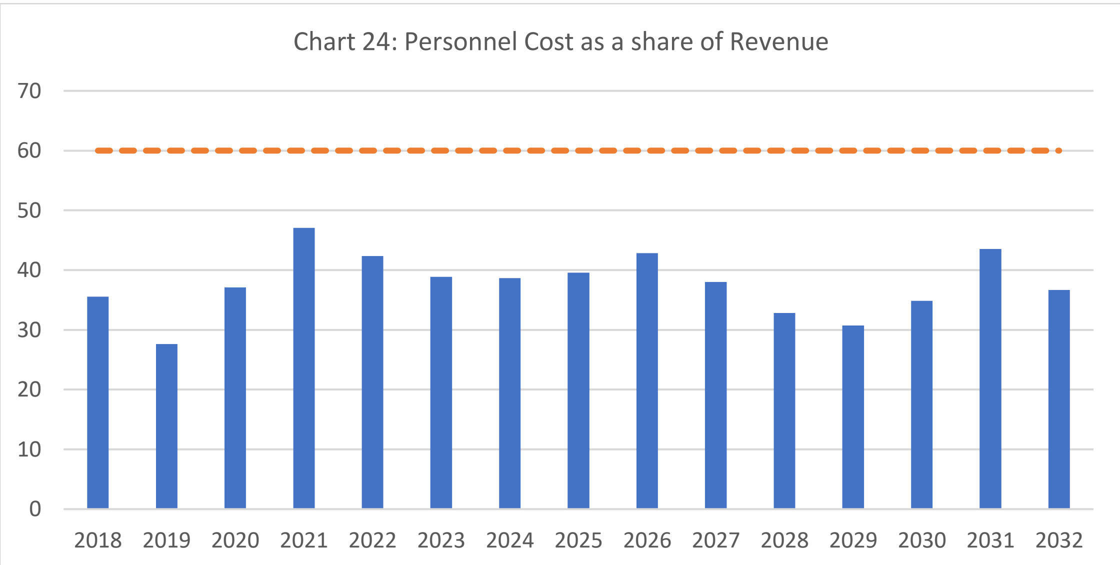


Total expenditure for the projection years will expand from N88,700 billion in 2022 to N322,277 billion by 2032. Expenditure was projected to increase by 63% in 2023 due to the state's decision to maintain the existing infrastructural development. Categories of recurrent expenditure like Personnel and overheads were also projected to increase substantially.

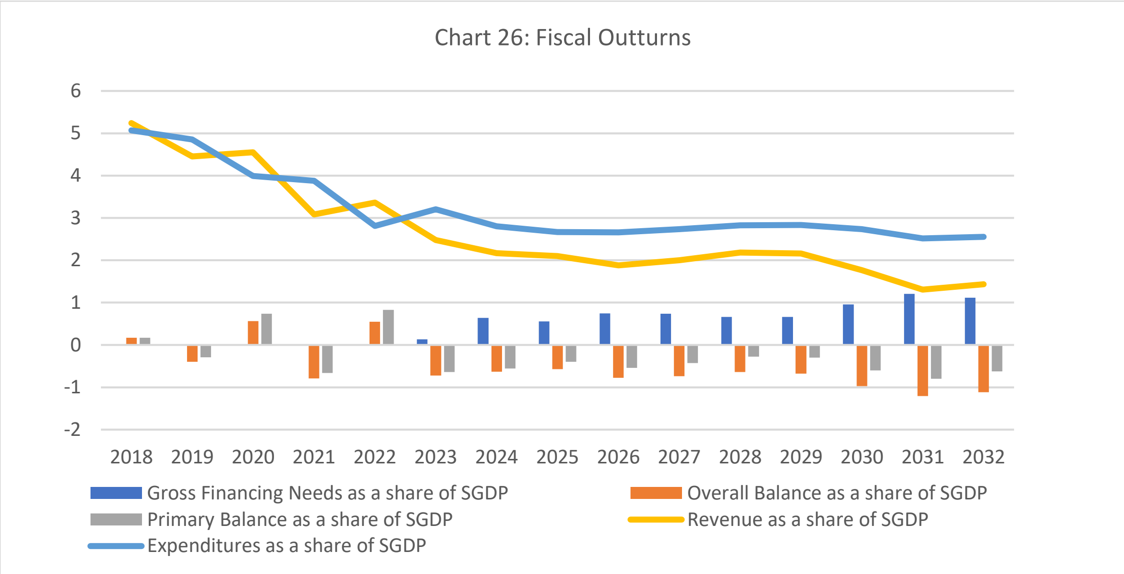


Therefore, the fiscal deficit—computed as the difference between revenue and expenditure—is expected to remain within a range of N33,987 million in 2023 to N140,945 billion in 2032.

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.

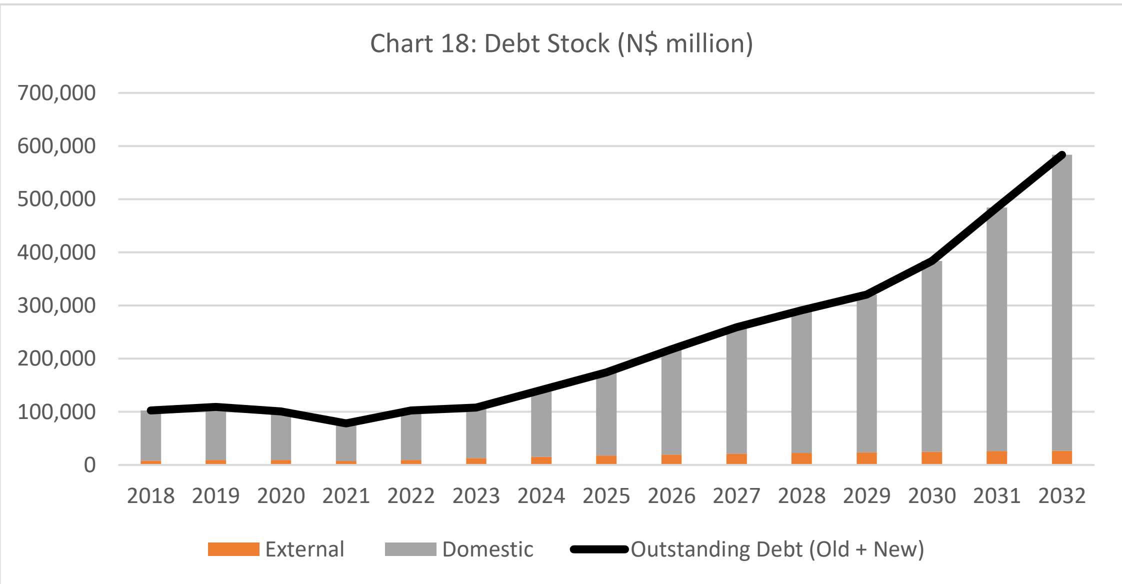


Primary balance which is the difference between the state's revenue and its non interest expenditure can be measured as a percentage of state GDP.

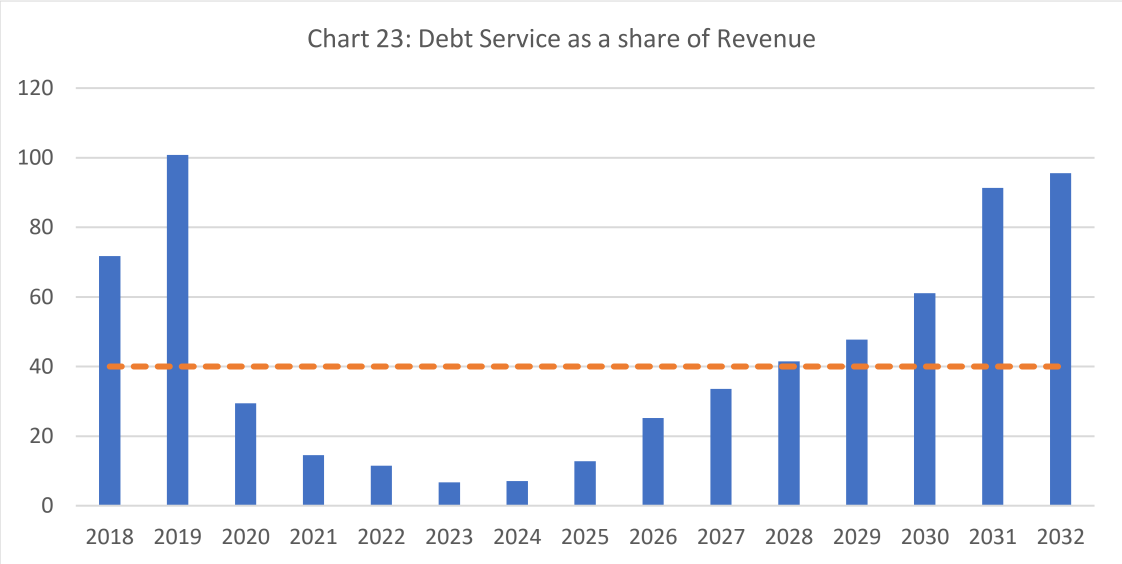


Revenue as a share of GDP and expenditure as a share of GDP both declined in the projection years of 2023 – 2032. The overall balance and the primary balance as a share of state GDP recorded negative values in some of the projection years.

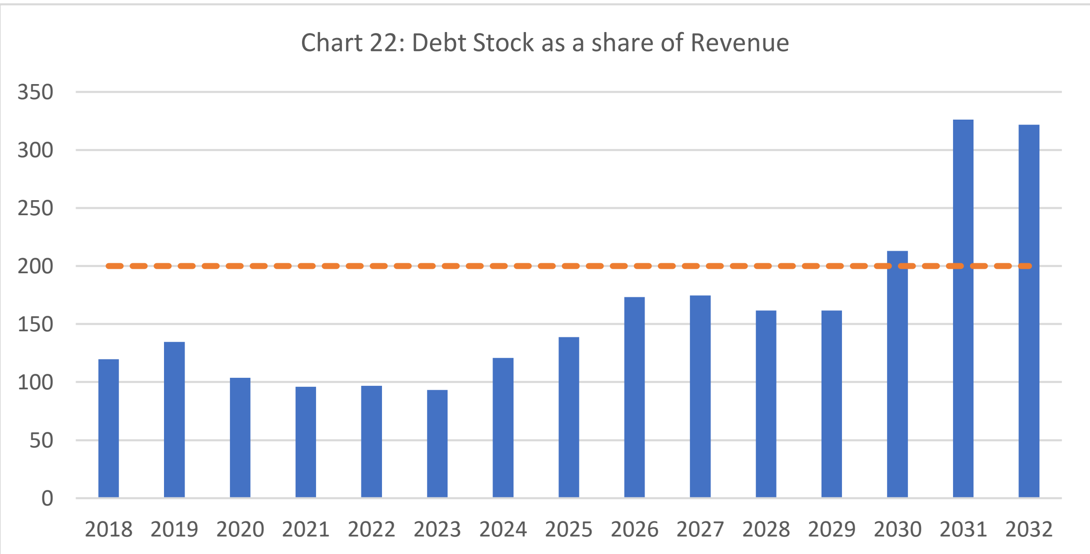
Main finding and conclusion of the baseline scenario under the reference debt strategy (S1) in terms of debt sustainability. The gross financing requirement necessitated creating new borrowings for the projection years. The state's debt is projected to rise from N102,558 billion as of end-2022 to N583,472 billion by 2032. See chart below;



As a consequence of the increase in debt stock from 2023-2032, 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 up to 2028, but breach the threshold from 2029 to 2032 respectively. This shows that the State debt is not sustainable from 2029 to 2032, therefore, the state should intensify efforts to increase the internally generated revenue to meet up with its financial needs.



Debt as a percentage of revenue with a threshold of 200% was equally not breached by the state from 2018 to 2029, but breach the threshold in 2030 to 2032. Therefore, the state should intensify efforts to increase the internally generated revenue to meet up with its financial needs.



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 from 2018 to 2029. However, from 2030 to 2032, the debt service indicator increases astronomically. The analysis of the Baseline Scenario under the reference debt strategy (S1) suggests the State will be not be able to preserve the sustainability of its debt in the long term.

Therefore, the state must continue with the following initiatives to improve the debt sustainability position of the state;

i. The implementation of the reforms in IGR sector to continue by bringing more people into the tax net, deploy technology in tax assessment and collection, so that internally generated revenue can continue to improve.
ii. The cost management initiatives being embarked upon by the state especially regarding recurrent expenditure (overhead and personnel cost) should continually be pursued.
iii. Explore possibility of getting more grants both locally and externally to improve revenue over the years.
iv. Renegotiate the financing terms of the existing debt to be more favorable in terms of cost and repayment cycle.
v. Ensure new loans are contracted at the least possible cost
vi. Focus on getting loans at a more favorable terms.

4.4 Debt Sustainability Analysis Sensitivity Analysis

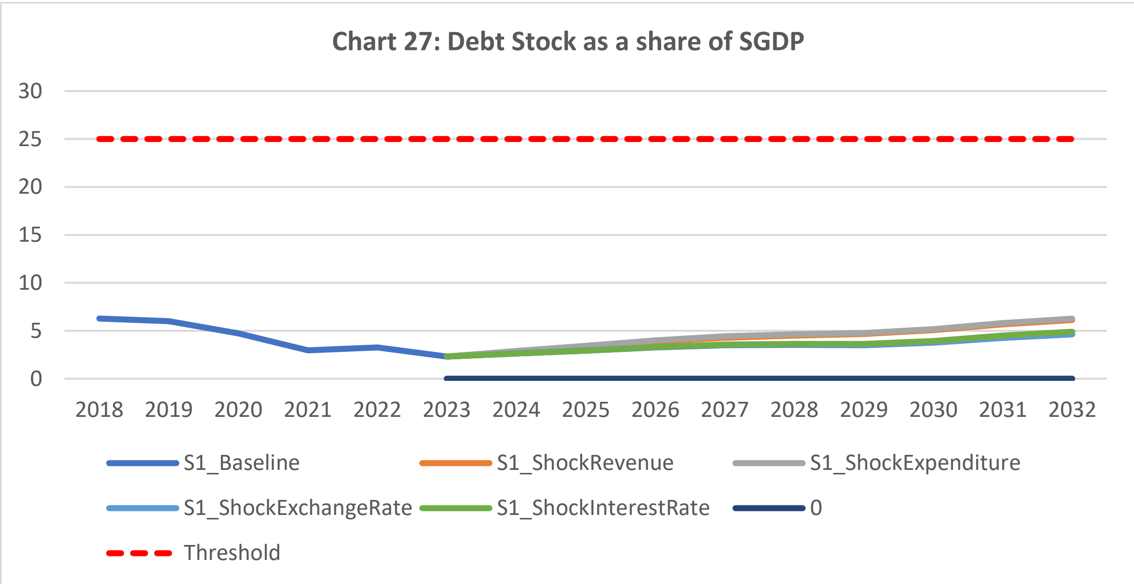
The Debt Management Strategy put together by Kogi State has six scenarios; one baseline scenario, four shock (Shock Revenue, Shock Expenditure, Shock Exchange Rate & Shock Interest Rate) scenarios. The shocks are used in testing the resilience of the figures in the baseline scenario. Shocks are measured 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.

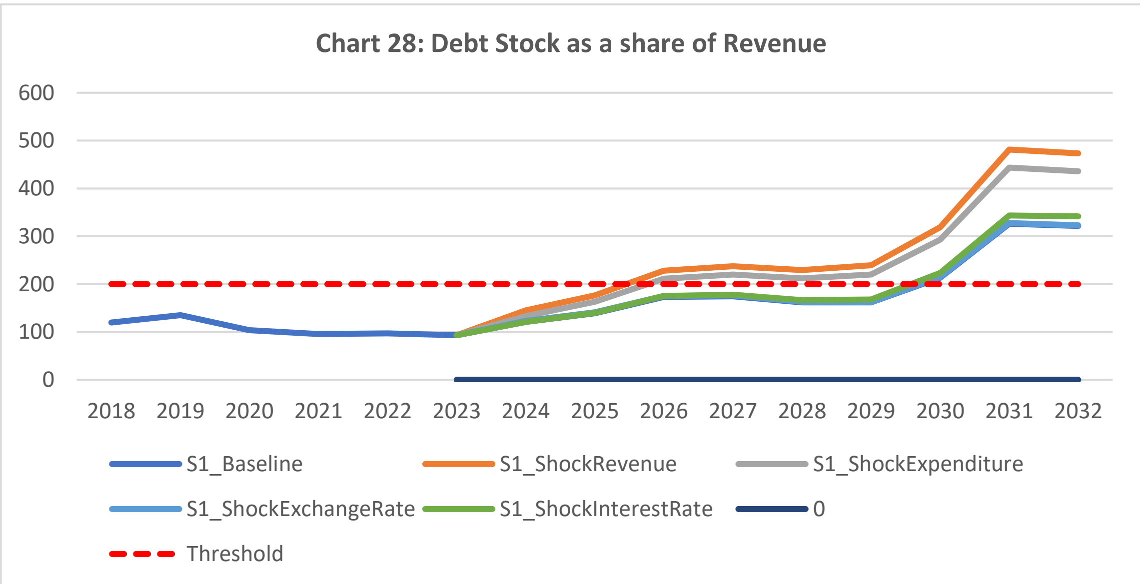
- **Shock Revenue.** In the shock revenue scenario, it is assumed that there will be 10% reduction in gross statutory allocation, other FAAC transfers, VAT, IGR and grants in nominal value starting from 2023-2032. If this happens it will have an adverse impact on the state as the state will be required 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 revenue is expected to rise from N93B in 2023 to N322B in 2032 while in the shock revenue scenario, it will be N181,332B. 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 2023 until 2032. 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. Expenditure will rise from N93B in 2023 to N474B in 2032 thereby increasing the borrowing requirement for the affected years. 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 2023. The exchange rate will is expected to remain at N435.6 throughout the projection years. The State's debt sustainability

would deteriorate mildly if the exchange rate shock materializes under the reference debt strategy (S1).

- **Shock Interest.** This scenario assumes a 200 basis points increase of the new domestic financing interest rate each year, starting in 2023 until 2032.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.





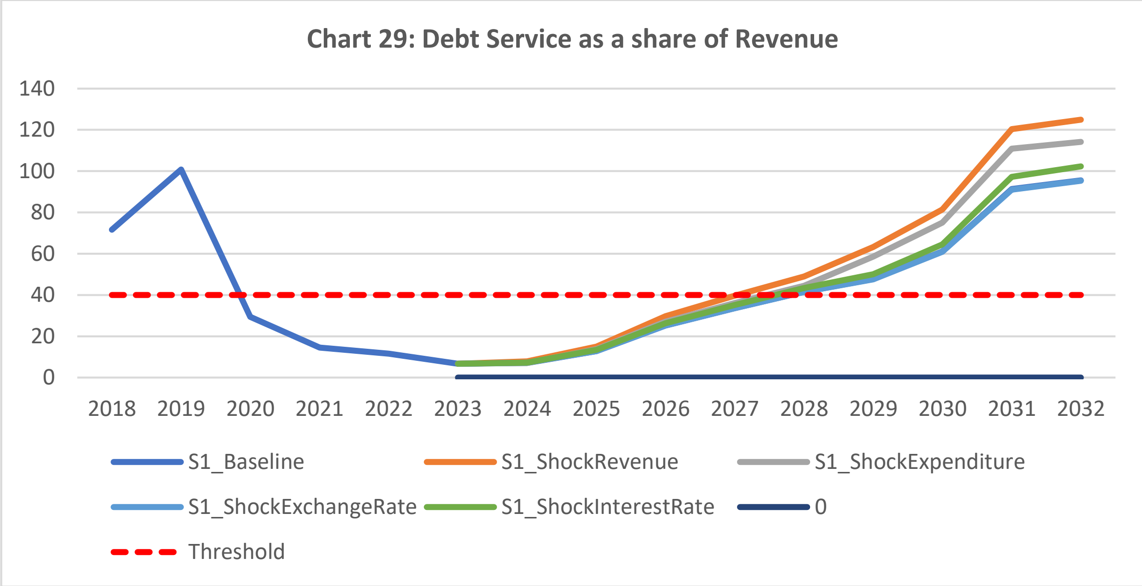


Chart 29: Debt Service as a share of Revenue

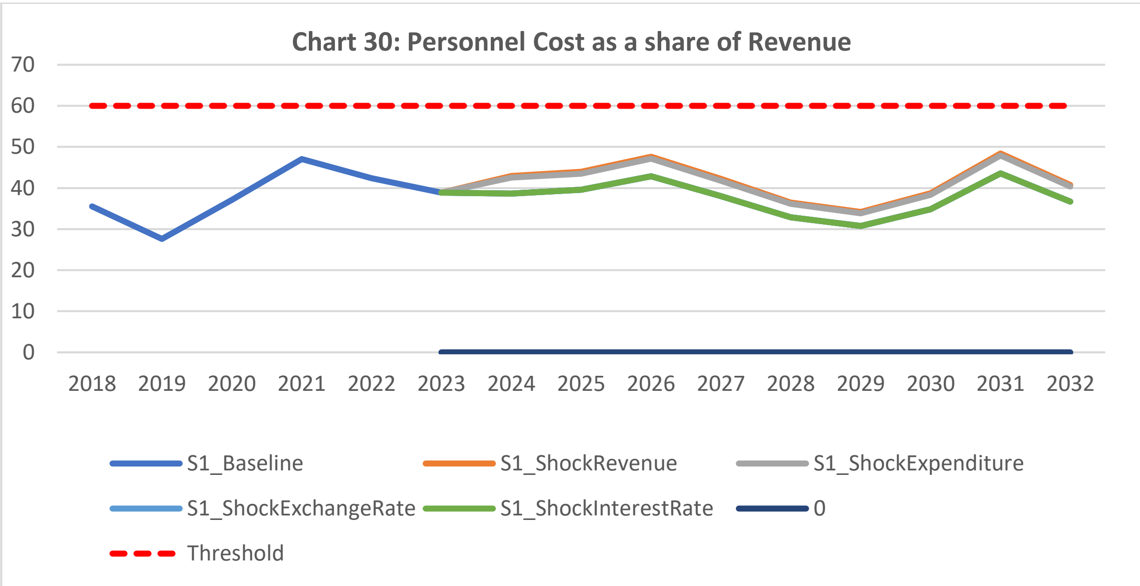


Chart 30: Personnel Cost as a share of Revenue

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 from 2026 to 2032. 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 bringing more people into the tax net, and 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 2023 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. Strategy 1 that Kogi State adopted is affordable based on the simulation result and is also resilient to shocks. Kogi State has put together fiscal measures to mitigate the shocks by improving on

IGR, cutting down Government expenses and reducing borrowing, consistency in debt services.

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 2023-2032 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 N33,397.7B to N181,962.3B all through 2023-2032. 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, it takes care of the medium to long term.

For Strategy 3. The state assumes State Bonds will be raised 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 N6,415.1B to N177,470.1B from 2023-2032.

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 2022 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	22	5	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	21	9	1
State Bonds (maturity 1 to 5 years)	18	5	0
State Bonds (maturity 6 years or longer)	17	9	0
Other Domestic Financing ()	10	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)	2.5	15	3
External Financing - Bilateral Loans	3	17	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 2023-2027 when expressing debt as a percentage of revenue. In year 2023 - 2027, strategy 4 recorded the lowest cost and risk ratio when compared to other strategies.

Cost at year 2027 is established to be 168.1% with a risk value of 61.9%

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

Debt Stock as % of Revenue (including grants and excluding other capital receipts)	2022	2023	2024	2025	2026	Cost 2027	Risk measured in 2027
Strategy #1 & Baseline Outlook	96.7	93.1	120.8	176.4	227.8	237.2	62.6
Strategy #1 & Adverse Shock		93.1	145.4	176.4	227.8	237.2	
Strategy #2 & Baseline Outlook	96.7	93.1	121.1	139.1	173.7	174.8	62.6
Strategy #2 & Adverse Shock		93.1	145.6	176.8	228.2	237.4	
Strategy #3 & Baseline Outlook	96.7	93.1	120.9	138.1	170.9	169.7	62.1
Strategy #3 & Adverse Shock		93.1	145.5	175.7	225.1	231.8	
Strategy #4 & Baseline Outlook	96.7	93.1	120.9	137.7	170.0	168.1	61.9
Strategy #4 & Adverse Shock		93.1	145.5	175.3	224.0	230.0	

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 3 that has the next lowest cost 168.1% and lowest risk 62.1%

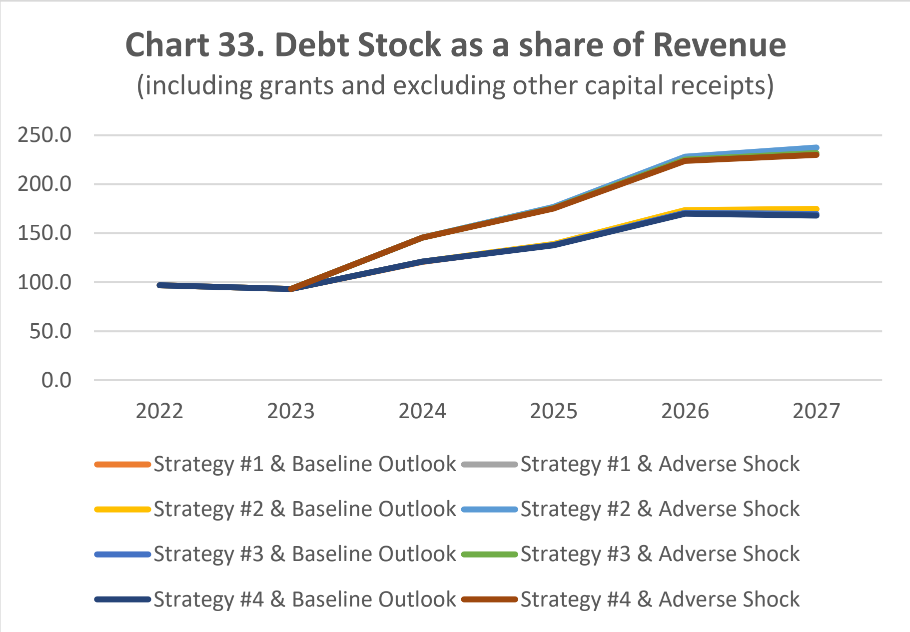


Chart 33. Debt Stock as a share of Revenue
(including grants and excluding other capital receipts)
250.0
200.0
150.0
100.0
50.0
0.0
2022
2023
2024
2025
2026
2027
Strategy #1 & Baseline Outlook
Strategy #1 & Adverse Shock
Strategy #2 & Baseline Outlook
Strategy #2 & Adverse Shock
Strategy #3 & Baseline Outlook
Strategy #3 & Adverse Shock
Strategy #4 & Baseline Outlook
Strategy #4 & Adverse Shock

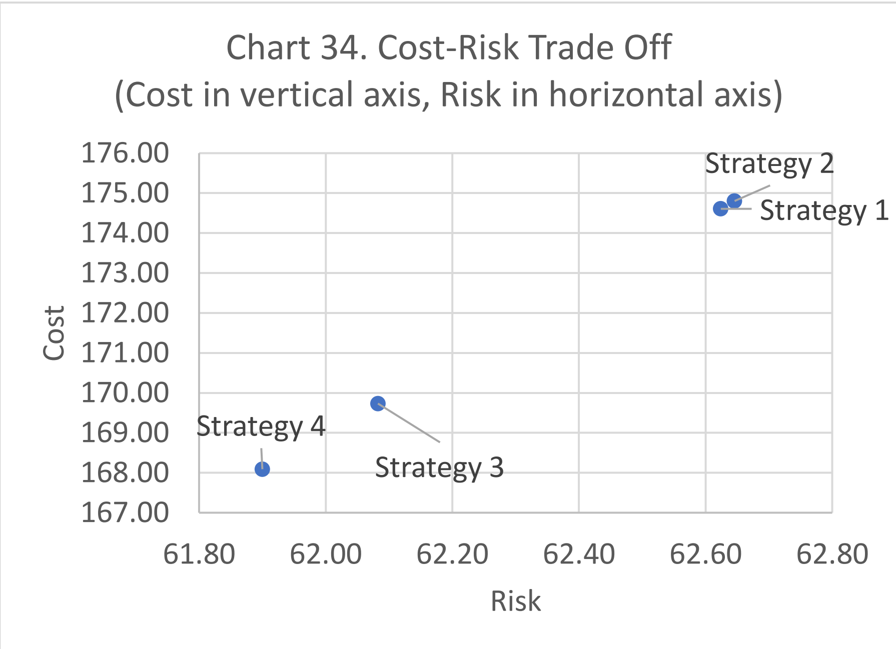


Chart 34. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)
176.00
175.00
174.00
173.00
172.00
171.00
170.00
169.00
168.00
167.00
Cost
Strategy 2
Strategy 1
Strategy 4
Strategy 3
61.80
62.00
62.20
62.40
62.60
62.80
Risk

5.2.2 Debt Service/Revenue

Under this performance indicator, debt service as a percentage of revenue, Strategy 4 has the lowest cost and recorded the lowest degree of risk. Cost as at 2027 which is the year of evaluation is 27.4% while risk stands at 5.4%.

S4 is therefore the best strategy when compared to others.

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

						Cost	Risk measured in 2027
Debt Service as % of Revenue (including grants and excluding other capital receipts)	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	
Strategy #1 & Baseline Outlook		6.7	7.1	12.8	25.2	33.5	6.1
Strategy #1 & Adverse shock		6.7	7.9	15.0	29.8	39.6	
Strategy #2 & Baseline Outlook		6.7	7.3	12.6	21.8	27.5	5.4
Strategy #2 & Adverse shock		6.7	8.1	14.9	26.0	37.9	
Strategy #3 & Baseline Outlook		6.7	8.3	18.0	29.4	44.4	6.6
Strategy #3 & Adverse shock		6.7	9.3	20.8	34.4	40.3	
Strategy #4 & Baseline Outlook		6.7	7.8	14.6	22.4	27.4	5.4
Strategy #4 & Adverse shock		6.7	8.7	17.0	26.6	32.8	

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.

Chart 37. Debt Service as a share of Revenue
(including grants and excluding other capital receipts)

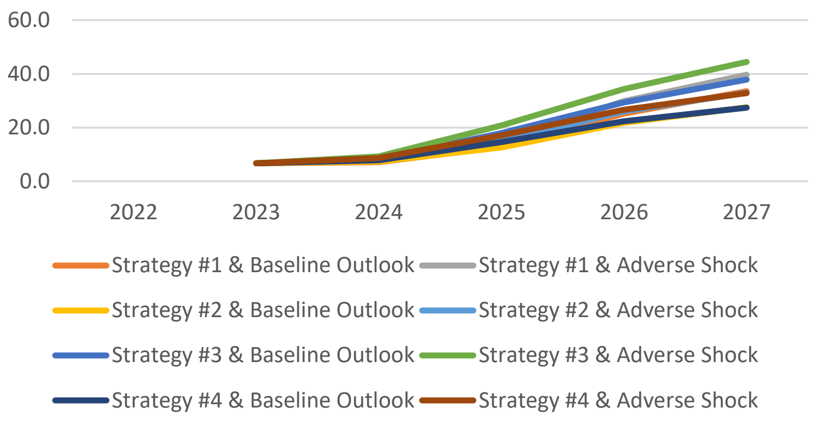
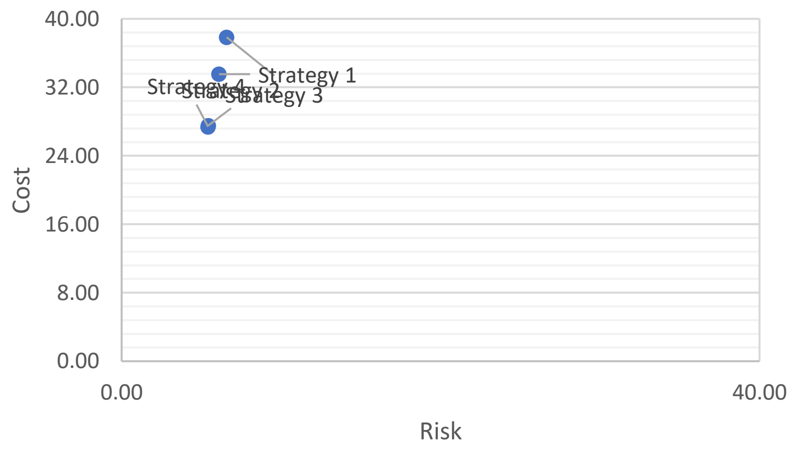


Chart 38. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)

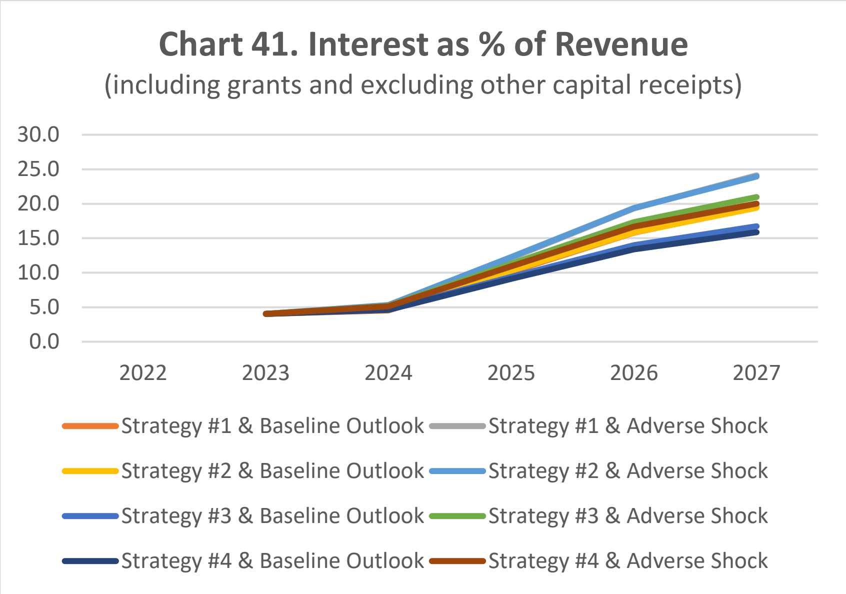


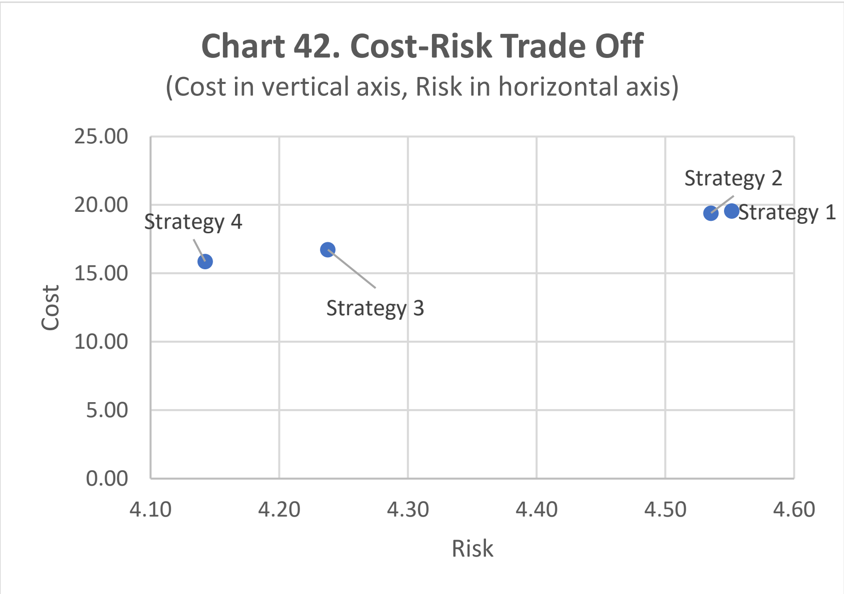
5.2.3 Interest/Revenue

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. Strategy 4, the cost will rise from 4.0% in 2023 to 15.9% in 2027 with risk value of 4.1%. Similar to the other performance indicators, strategy 4 has the lowest ratios.

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

						Cost	Risk measured in 2027
Interest as % of Revenue (including grants and excluding other capital receipts)	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	
Strategy #1 & Baseline Outlook		4.0	4.5	10.2	15.8	19.6	4.6
Strategy #1 & Adverse Shock		4.0	5.1	12.1	19.3	24.1	
Strategy #2 & Baseline Outlook		4.0	4.8	10.3	15.8	19.4	4.5
Strategy #2 & Adverse Shock		4.0	5.3	12.3	19.4	23.9	
Strategy #3 & Baseline Outlook		4.0	4.7	9.4	14.0	16.7	4.2
Strategy #3 & Adverse Shock		4.0	5.2	11.3	17.3	21.0	
Strategy #4 & Baseline Outlook		4.0	4.6	9.1	13.4	15.9	4.1
Strategy #4 & Adverse Shock		4.0	5.1	10.9	16.7	20.0	





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.

5.2.4Debt 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. S4 becomes the most preferred strategy which can be successfully implemented in the medium term. 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 3

The current debt portfolio for Kogi as of end of 2022 is N102,558B, the portfolio is expected to decrease from N259,129B in 2027 in the S1to N252,420B in S2, N251,895B & N249,457B in S3 & S4 respectively. This implies there may be improvement by year 2027 if the reference strategy (S1) is implemented as strategy 4 offers better debt position by 2027.

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. S4 has the lowest Debt to GDP ratio of 3.4% as at 2027.

ANNEX 1

2023		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	The State GDP for 2020 to 2024 was forasted using sectoral growth forcasts (Agriculture, Oil industry and 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 constant with the nominal GDP forcast for 2023-2032. State allocation for each of these components are estimated using formulae based on fixed shares.The total revenue that accrued to the state increased steadily from N85,745B in 2018 to N96,911B in 2020 representing an increase of 12% in 2020. In the historical years state recorded its highest revenue of N106,039B in 2022, the increase is as a result of aggressive revenue drive, blocking of leakages and Revenue Laws enacted by the state Government. Revenue is expected to increase in the projected years because of the state been enlisted as a beneficiary of 13% oil derivation as oil producing state.	FAAC Allocation
	1.a. of which Net Statutory Allocation ('net' means of deductions)	Projections start from the aggregate federation projection that are constant with the nominal GDP forcast for 2023-2032. State allocation for each of these components are estimated using formulae based on fixed shares.	FAAC Allocation and Internally Generation Revenue (IGR)
	1.b. of which Deductions	Projections start from the aggregate federation projection that are constant with the nominal GDP forcast for 2023-2032. State allocation for each of these components are estimated using formulae based on fixed shares.	
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Excess crude receipt is distributed from the Federation Account based on Mineral Revenue receipts above the oil benchmark price, production and exchange rate, it includes exchange gains, refunds from NNPC and FIRS, and augmentation. It is generated when actual crude oil price, production and NGN: USD exchange rates exceed the benchmarks and hence excess revenue is generated. It is shared among the three tiers of government using the same formulas as Statutory Allocation. The timing and level of Excess Crude distribution is very difficult to predict,the actual performance has been irregular.	FAAC Allocation and Internally Generation Revenue (IGR) and State MTEF
		The performance kept on increase throughout the historical years, and also projected to increase from N23,287B in 2023 to N40,776B in 2031 and then to N49,884B in 2032.	FAAC Allocation and Internally

	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.• Boosting revenue receipts by identifying and blocking revenue leakages; and gradual fiscal consolidation in order to achieve a level of public spending consistent with macroeconomic stability and sustainable debt.	Generation Revenue (IGR) FAAC Allocation and Internally Generation Revenue (IGR) and State MTEF
	6. Capital Receipts		
	6.a. Grants	Grants are receipts from Federal Government and Local Governments such as Federal Government Sustainable Development Goals (SDGs) Conditional Grants Scheme, as well as grants from the international development partners (including UK - Department for International Development (DFID), European Union (EU), United Nations Children's Fund (UNICEF), and the World Bank. The receipt or performance has been irregular to the extent that 2019 experienced insignificance collection, but projected to increase from N25,788B in 2023 but, fall to N4,809B in 2031 and N2,405B in 2032.	State MTEF, Donor Agency and FAAC
	6.b. Sales of Government Assets and Privatization Proceeds		State MTEF, Donor Agency and FAAC
	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 of other staff claims, emolument of new staff and payment of pensions and gratuities.The increase is also due to many Staff recruitment in Kogi State Confluence University of Science and Technology, Osara and increased in pension and gratuity payments to retirees.	Government Circular and the State Budget
	2. Overhead costs	Overhead costs show irregular spending year by year. This was largely due to increased cost of running government, especially with respect to maintenance of many government offices. 2017 expenditures was far ahead of budgetary provision due to high cost of conducting the screening exercise. Also, they was sharp increase in 2021 actual performance due to debt repayment and security servicing. It is projected to increase from N3,093B in 2023 to N84,499B in 2032 due to repayment of debt and others services.	State MTEF and Budget
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Interest payment for both Domestic and External is projected to increase from N4B in 2023 to N88B in 2032. This is as a result of acquisition of new loan to meet up with budget financing.	Audited Financial Statement and DMO quarterly Report.
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		
	5. Capital Expenditure	The state intends through its 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, education etc.	

Closing Cash and Bank Balance	**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.	Bank Statement and Books of Accounts
Debt Amotization and Interest Payments	**Debt Outstanding at end-2021**		
	External Debt - amortization and interest	The external Debt Stock as at end Year 2022 is N8,938B. The interest is N83m, while the principal is N296m.	Amortization and DMO Quarterly Report
	Domestic Debt - amortization and interest	The Domestic Debt Stock as at end Year 2022 is N93,621b. The interest is N6,494b, while the principal is N5,346b.	Amortization and DMO Quarterly Debt Report
	New debt issued/contracted from 2022 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing- Concessional Loans is projected to have an interest of rate of 3%. Maturity year of 15 years and a grace period of 3 years.	Amortization and DMO Quarterly Debt Report
	External Financing - Bilateral Loans	External Financing- Bilateral Loans is projected to have an interest of rate of 3%. Maturity year of 17 years and a grace period of 3 years.	Amortization and DMO Quarterly Debt Report
	Other External Financing		
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loan is projected to have an interest of rate of 12%. Maturity year of 5 years and a grace period of 1 year.	Amortization and DMO Quarterly Debt Report
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loan is projected to have an interest of rate of 13%. Maturity year of 9 years and a grace period of 1 year.	Amortization and DMO Quarterly Debt Report
	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 grace period of 0 year	Amortization and DMO Quarterly Debt Report
	State Bonds (maturity 6 years or longer)	State Bonds is projected to have an interest of rate of 15%. Maturity year of 9 years and grace period of 0 year	Amortization and DMO QuarterlyDebt Report
	Other Domestic Financing		Amortization and DMO Quarterly Debt Report
Proceeds from Debt-Creating Borrowings	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		

corresponding to Debt Strategy S1	**New Domestic Financing in Million Naira**		
	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 22% and grace period of 1 year was projected in other to finance the state infrastructures.	State MTEF and Amortization
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		State MTEF and Amortization
	State Bonds (maturity 1 to 5 years)	State Bonds Loans with maturity of 5 years, interest rate of 18% and maturity of 5 years and 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 5 years, interest rate of 17% and maturity of 9 years and no grace period was projected in other to finance the state infrastructures.	State MTEF and Amortization
	Other Domestic Financing	CBN Loans projected for 10% with 20 years tenor	State MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing- Concessional Loans projected to have an interest of rate of 2.5%. Maturity year of 15 years and grace period of 3 years	State MTEF
	External Financing - Bilateral Loans	External Financing- Bilateral Loans projected to have an interest of rate of 3%. Maturity year of 17 years and grace period of 3 years	State MTEF and Amortization
	Other External Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans with maturity of five years, interest rate of 22% 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)	Commercial Bank Loan is projected to have an interest of rate of 21%. Maturity year of 9 years and a grace period of 1 year in other to finance the state infrastructures and Agric Loans to farmers	State MTEF and Amortization
	State Bonds (maturity 1 to 5 years)	State Bonds Loans with maturity of 5 years, interest rate of 18% and maturity of 5 years and no grace period was projected in other to finance the state infrastructures and others.	
	State Bonds (maturity 6 years or longer)	State Bonds Loans with maturity of 5 years, interest rate of 17% and maturity of 15 years and no grace period was projected in other to finance the state infrastructures and others.	
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing- Concessional Loans projected to have an interest of rate of 2.5%. Maturity year of 15 years and grace period of 3 years	State MTEF and Amortization

	External Financing - Bilateral Loans	External Financing- Bilateral Loans projected to have an interest of rate of 3%. Maturity year of 17 years and grace period of 3 years	
	Other External Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans with maturity of five years, interest rate of 22% and grace period of 1 year was projected in other to finance the state infrastructures.	State MTEF and Amortization
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loan is projected to have an interest of rate of 21%. Maturity year of 9 years and a grace period of 1 year in other to finance the state infrastructures and Agric Loans to farmers	
	State Bonds (maturity 1 to 5 years)	State Bonds Loans with maturity of 5 years, interest rate of 18% and maturity of 5 years and no grace period was projected in other to finance the state infrastructures and others.	State MTEF and Amortization
	State Bonds (maturity 6 years or longer)	State Bonds Loans with maturity of 5 years, interest rate of 17% and maturity of 15 years and no grace period was projected in other to finance the state infrastructures and others.	
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing- Concessional Loans projected to have an interest of rate of 2.5%. Maturity year of 15 years and grace period of 3 years	State MTEF and Amortization
	External Financing - Bilateral Loans	External Financing- Bilateral Loans projected to have an interest of rate of 3%. Maturity year of 17 years and grace period of 3 years	
	Other External Financing		
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans with maturity of five years, interest rate of 22% and grace period of 1 year was projected in other to finance the state infrastructures.	State MTEF and Amortization
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loan is projected to have an interest of rate of 21%. Maturity year of 9 years and a grace period of 1 year in other to finance the state infrastructures and Agric Loans to farmers	

	State Bonds (maturity 1 to 5 years)	State Bonds Loans with maturity of 5 years, interest rate of 18% and maturity of 5 years and no grace period was projected in other to finance the state infrastructures and others.	
	State Bonds (maturity 6 years or longer)	State Bonds Loans with maturity of 5 years, interest rate of 17% and maturity of 15 years and no grace period was projected in other to finance the state infrastructures and others.	
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing- Concessional Loans projected to have an interest of rate of 2.5%. Maturity year of 15 years and grace period of 3 years	State MTEF and Amortization
	External Financing - Bilateral Loans	External Financing- Bilateral Loans projected to have an interest of rate of 3%. Maturity year of 17 years and grace period of 3 years	
	Other External Financing		

Annex II: Historical and projections of the S1_Baseline Scenario

Indicator	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actuals					Projections									
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	1,635,778.73	1,817,777.37	2,128,551.63	2,645,515.12	3,151,690.34	4,681,707.55	5,378,724.22	5,984,116.42	6,658,077.53	7,407,943.51	8,242,263.15	9,170,548.04	10,203,381.01	11,352,536.80	12,631,116.25
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57
Fiscal Indicators (Million Naira)															
Revenue	**85,745.30**	**104,198.40**	**98,812.70**	**81,584.10**	**111,141.40**	**123,393.92**	**152,622.52**	**162,013.15**	**180,389.59**	**210,925.77**	**249,062.14**	**276,061.39**	**301,548.87**	**317,458.36**	**365,167.27**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	46,996.00	45,509.55	37,462.87	41,719.00	47,173.02	39,583.90	39,245.40	52,476.40	59,088.22	69,880.80	85,409.52	93,950.25	85,409.52	69,880.80	85,409.50
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)	16,026.95	3,231.49	4,783.91	3,026.43	0.00	3,413.70	3,925.80	5,012.80	3,586.71	4,241.37	5,183.23	5,701.11	5,183.23	4,241.40	5,701.10
4. VAT Allocation	11,259.14	12,086.86	14,643.92	20,650.50	25,251.90	24,035.90	24,453.10	30,002.10	23,887.96	28,700.20	34,528.58	37,980.22	34,528.58	28,700.20	37,980.20
5. IGR	11,463.19	17,199.21	17,455.22	13,778.53	14,168.59	23,286.50	23,286.50	23,825.30	34,477.31	40,775.76	49,836.62	54,820.87	49,836.62	40,775.80	49,836.60

6. Capital Receipts	0.00	26,171.30	24,466.80	2,409.66	24,547.90	33,073.92	61,711.72	50,696.55	59,349.38	67,327.64	74,104.18	83,608.94	126,590.91	173,860.16	186,239.87
6.a. Grants	0.00	2,977.40	22,564.80	2,409.66	19,445.24	25,787.70	25,787.70	14,248.60	4,371.89	4,809.08	5,289.98	5,818.98	5,289.98	4,809.10	2,404.55
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	5,012.80	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	1,902.00	0.00	89.88	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, etc.)	0.00	0.00	0.00	0.00	0.00	7,286.22	35,924.02	36,447.95	54,977.50	62,518.56	68,814.20	77,789.96	121,300.93	169,051.06	183,835.32
Expenditure	**82,920.70**	**88,240.00**	**84,916.00**	**102,580.70**	**88,700.40**	**151,314.89**	**152,433.57**	**163,002.77**	**182,384.37**	**210,948.02**	**247,153.29**	**277,015.81**	**302,503.30**	**317,436.09**	**365,144.97**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	30,473.85	22,364.00	35,939.80	38,381.92	44,916.19	45,117.00	45,117.00	49,661.40	53,708.90	56,394.37	59,214.85	60,991.39	62,821.03	64,650.60	66,480.20
2. Overhead costs	25,045.08	29,826.17	27,136.53	31,484.25	34,908.33	45,133.40	45,584.80	38,806.20	40,079.63	42,083.50	44,187.22	45,512.81	46,878.31	48,243.80	49,609.30
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	0.00	1,995.31	3,689.40	3,580.11	8,875.86	4,683.16	5,306.54	12,754.99	19,796.85	29,023.22	38,122.47	45,894.86	52,395.95	66,678.46	88,690.31
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	0.00	0.00	0.00	3,580.11	8,875.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	0.00	0.00	0.00	0.00	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	24,295.10	28,589.76	14,045.20	29,134.42	0.00	53,288.30	53,427.70	58,500.90	56,999.28	62,699.21	68,969.13	75,866.05	82,762.90	68,969.10	75,866.00

6. Amortization (principal) payments	3,106.70	5,464.74	4,105.10	0.00	0.00	3,093.03	2,997.53	3,279.28	11,799.70	20,747.72	36,659.62	48,750.71	57,645.12	68,894.13	84,499.17
Budget Balance (' + ' means surplus, ' - ' means deficit)	**2,824.60**	**15,958.40**	**13,896.52**	**-20,996.60**	**22,441.00**	**-27,920.97**	**188.95**	**-989.62**	**-1,994.78**	**-22.25**	**1,908.85**	**-954.42**	**-954.43**	**22.27**	**22.30**
Opening Cash and Bank Balance	**13,673.28**	**16,497.92**	**32,456.28**	**46,352.80**	**25,356.20**	**47,796.80**	**19,875.83**	**20,064.78**	**19,075.16**	**17,080.38**	**17,058.13**	**18,966.98**	**18,012.56**	**17,058.13**	**17,080.40**
Closing Cash and Bank Balance	**16,497.92**	**32,456.28**	**46,352.80**	**25,356.20**	**47,796.80**	**19,875.83**	**20,064.78**	**19,075.16**	**17,080.38**	**17,058.13**	**18,966.98**	**18,012.56**	**17,058.13**	**17,080.40**	**17,102.70**
Financing Needs and Sources (Million Naira)															
Financing Needs						**7,286.22**	**35,924.02**	**36,447.95**	**54,977.50**	**62,518.56**	**68,814.20**	**77,789.96**	**121,300.93**	**169,051.06**	**183,835.32**
i. Primary balance						-27,431.00	-27,431.00	-21,403.30	-25,375.73	-12,769.87	7,876.74	15,901.19	-12,214.29	-33,456.20	-10,623.55
ii. Debt service						7,776.19	8,304.07	16,034.27	31,596.55	49,770.94	74,782.09	94,645.57	110,041.07	135,572.59	173,189.47
Amortizations						3,093.03	2,997.53	3,279.28	11,799.70	20,747.72	36,659.62	48,750.71	57,645.12	68,894.13	84,499.17
Interests						4,683.16	5,306.54	12,754.99	19,796.85	29,023.22	38,122.47	45,894.86	52,395.95	66,678.46	88,690.31
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-27,920.97	188.95	-989.62	-1,994.78	-22.25	1,908.85	-954.42	-954.43	22.27	22.30
Financing Sources						**7,286.22**	**35,924.02**	**36,447.95**	**54,977.50**	**62,518.56**	**68,814.20**	**77,789.96**	**121,300.93**	**169,051.06**	**183,835.32**
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						7,286.22	35,924.02	36,447.95	54,977.50	62,518.56	68,814.20	77,789.96	121,300.93	169,051.06	183,835.32
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						4,411.40	33,397.70	34,095.80	52,712.50	60,427.90	66,854.10	75,655.70	119,123.00	167,003.90	181,962.30
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						2,874.76	2,526.31	2,352.08	2,264.96	2,090.74	1,960.07	2,134.29	2,177.85	2,047.18	1,872.95
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.05	0.01	0.07	0.03	-0.08	0.03	-0.03	0.08	-0.02	0.07
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**102,652.79**	**109,152.58**	**100,593.40**	**78,197.91**	**102,558.42**	**108,085.65**	**141,012.14**	**174,180.81**	**217,358.60**	**259,129.45**	**291,284.03**	**320,323.28**	**383,979.09**	**484,136.02**	**583,472.17**
External	8,000.79	9,326.48	9,256.30	7,537.77	8,937.62	12,972.20	15,324.28	17,502.13	19,592.86	21,269.81	22,605.55	23,919.52	25,088.30	26,029.03	26,686.02
Domestic	94,652.00	99,826.10	91,337.10	70,660.14	93,620.80	95,113.45	125,687.86	156,678.68	197,765.74	237,859.64	268,678.47	296,403.75	358,890.79	458,106.98	556,786.16
Gross borrowing (flow)						**7,286.22**	**35,924.02**	**36,447.95**	**54,977.50**	**62,518.56**	**68,814.20**	**77,789.96**	**121,300.93**	**169,051.06**	**183,835.32**
External						2,874.76	2,526.31	2,352.08	2,264.96	2,090.74	1,960.07	2,134.29	2,177.85	2,047.18	1,872.95
Domestic						4,411.45	33,397.71	34,095.87	52,712.53	60,427.82	66,854.13	75,655.67	119,123.08	167,003.88	181,962.37
Amortizations (flow)	**56,357.48**	**74,178.91**	**9,106.24**	**8,980.32**	**5,641.92**	**3,093.03**	**2,997.53**	**3,279.28**	**11,799.70**	**20,747.72**	**36,659.62**	**48,750.71**	**57,645.12**	**68,894.13**	**84,499.17**
External	101.28	122.31	3,508.44	106.02	295.62	174.23	174.23	174.23	174.23	413.79	624.32	820.32	1,009.07	1,106.45	1,215.97
Domestic	56,256.20	74,056.60	5,597.80	8,874.30	5,346.30	2,918.80	2,823.30	3,105.05	11,625.48	20,333.93	36,035.30	47,930.39	56,636.05	67,787.68	83,283.20
Interests (flow)	**5,125.25**	**7,477.07**	**19,370.15**	**2,905.84**	**6,576.98**	**4,683.16**	**5,306.54**	**12,754.99**	**19,796.85**	**29,023.22**	**38,122.47**	**45,894.86**	**52,395.95**	**66,678.46**	**88,690.31**
External	45.83	26.71	30.65	70.54	83.38	43.56	115.43	178.58	237.39	294.01	340.29	378.04	415.24	436.76	431.21
Domestic	5,079.42	7,450.36	19,339.50	2,835.30	6,493.60	4,639.60	5,191.11	12,576.41	19,559.46	28,729.21	37,782.18	45,516.82	51,980.71	66,241.70	88,259.09
Net borrowing (gross borrowing minus amortizations)						**4,193.19**	**32,926.49**	**33,168.67**	**43,177.79**	**41,770.84**	**32,154.58**	**29,039.25**	**63,655.81**	**100,156.93**	**99,336.16**

External							2,700.53	2,352.08	2,177.85	2,090.74	1,676.94	1,335.75	1,313.97	1,168.78	940.73	656.98
Domestic							1,492.65	30,574.41	30,990.82	41,087.06	40,093.90	30,818.83	27,725.28	62,487.03	99,216.20	98,679.17
Debt and Debt-Service Indicators																
Debt Stock as % of SGDP		**6.28**	**6.00**	**4.73**	**2.96**	**3.25**	**2.31**	**2.62**	**2.91**	**3.26**	**3.50**	**3.53**	**3.49**	**3.76**	**4.26**	**4.62**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		**119.72**	**104.75**	**103.80**	**95.85**	**96.72**	**93.09**	**120.83**	**138.72**	**173.32**	**174.61**	**161.60**	**161.56**	**213.03**	**326.22**	**321.77**
Debt Service as % of SGDP							**0.17**	**0.15**	**0.27**	**0.47**	**0.67**	**0.91**	**1.03**	**1.08**	**1.19**	**1.37**
Debt Service as % of Revenue (including grants and excluding other capital receipts)							**6.70**	**7.12**	**12.77**	**25.19**	**33.54**	**41.49**	**47.74**	**61.05**	**91.35**	**95.51**
Interest as % of SGDP							**0.10**	**0.10**	**0.21**	**0.30**	**0.39**	**0.46**	**0.50**	**0.51**	**0.59**	**0.70**
Interest as % of Revenue (including grants and excluding other capital receipts)							**4.03**	**4.55**	**10.16**	**15.79**	**19.56**	**21.15**	**23.15**	**29.07**	**44.93**	**48.91**
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							**38.86**	**38.66**	**39.55**	**42.83**	**38.00**	**32.85**	**30.76**	**34.85**	**43.56**	**36.66**
Adverse Shock Scenario is defined by the worst performance indicator measured in year 2027																
For Debt Stock as % of SGDP the adverse shock is: Expenditure	**Expenditure**															
Debt Stock as % of SGDP							**2.31**	**2.89**	**3.42**	**3.98**	**4.41**	**4.63**	**4.76**	**5.18**	**5.80**	**6.26**
For Debt Stock as % of Revenue (including grants and excluding other	**Revenue**															

capital receipts) the adverse shock is: Revenue											
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		93.09	145.37	176.39	227.76	237.23	229.10	239.27	318.80	481.27	473.65
For Debt Service as % of SGDP the adverse shock is: Expenditure	Expenditure										
Debt Service as % of SGDP		0.17	0.15	0.29	0.51	0.72	0.97	1.27	1.32	1.45	1.64
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)		6.70	7.91	15.01	29.78	39.64	48.95	63.18	81.41	120.38	124.94
For Interest as % of SGDP the adverse shock is: Expenditure	Expenditure										
Interest as % of SGDP		0.10	0.10	0.23	0.33	0.44	0.53	0.58	0.60	0.69	0.81
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)		4.03	5.05	12.11	19.32	24.11	26.35	29.32	37.56	57.90	62.12

APPROVAL PAGE

I certify that this is a true and approved copy of the KOGI STATE DSA-DMS Report for 2023.

Makadam Asiwaju Asiru Idris

Hon. Commissioner for Finance, Budget and Economic Planning.