Kogi State Government

Debt Sustainability Analysis

&

Debt Management Strategy (DSA-DMS) Report for 2025

APPROVAL PAGE

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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 2020-2024 while also evaluating the debt sustainability position for the projection years 2025-2034. 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 2024 stood at **N146,197M** with the component being 28.5% of domestic debt, while the external debt share is 71.5%. The debt stock is expected to increase from **N146,197M** in 2024 to **N1,338,471B**in 2034. This increase is due to 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 2025, the national GDP is expected to grow at 3.40%, oil price benchmark set at $65, oil production per day is expected to be 1.65mbpd while inflation is projected to rise to 24%, and exchange rate at N1,500/$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.

CHAPTER TWO

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 2025 - 2027
- 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 2025 Budget and the MTEF for 2026-2028

Kogi State 2024 Budget Policy Statement

1. The fiscal strategy of Government is anchored on the on-going Public Financial Management Reform (PFM). Over the period 2025 -2027 the State Government fiscal policy is directed at:
   - Improving the efficiency and effectiveness of spending;
   - Achieving a better balance between capital and recurrent expenditure;
   - Achieving greater control of the wage bill:
   - Directing capital expenditure on critical infrastructure such as Agriculture, Health, Road, Education, Security, Water, Youth engagement and Tourismetc:
   - Boosting revenue receipts by identifying and blocking revenue leakages;
   - Gradual fiscal consolidation in order to achieve a level of public spending consistent with macroeconomic stability and sustainable debt.
   - 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 to economic stability of the State.
   - 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 2025– 2028

Table 2.1Medium Term Macro-Economic Framework

Medium Term Macro-Economic Framework				
Item	**2025**	**2026**	**2027**	**2028**
National Inflation	24%	23%	17%	15%
National Real GDP Growth	3.40%	3.20%	3.30%	3.30%
Oil Production Benchmark (MBPD)	1.65	1.7	1.75	1.8
Oil Price Benchmark	$65.00	$55.00	$55.00	$55.00
NGN: USD Exchange Rate	₦1,500.00	₦1,500.00	₦1,500.00	₦1,500.00

Assumptions

1. **Statutory Allocation**- ispremised on elasticity based forecast consistent with the macroeconomic framework and the numerous assumptions in the 2025-2028 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 (2024), 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 2026-2028 are thus conservatively based on the current 2025 budget.

6. **Financing (Net Loans) –** The state is planning to access World Bank, African Development Bank, Islamic Development Bank and other Foreign Institutions Loans to finance its 2026-2028,Budget. These Loans are mostly non-discretional in nature, and they are tied to delivering a specific project or programme in a particular sector.
7. **Personnel-** Forecast is based on own percentage using actual historical personnel figures and considering the N70,000 minimum wage recently approved. This assumes gradual growth rate of employment.
8. **Overheads-** The forecasting method used to estimate overhead figures for the period 2025 is own percentage with the hope that cost of running government will maintain the trend.
9. **Contingencyand 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.

Table 2.2Kogi State Medium Term Fiscal Framework

Kogi State Fiscal Framework				
Recurrent Revenue	**2025**	**2026**	**2027**	**2028**
Statutory Allocation	61,151,799,000	61,225,175,000	61,250,000,000	61,250,000,000
VAT	35,315,794,000	36,400,192,000	36,400,192,000	36,400,190,000
IGR	30,239,067,000	30,239,067,000	30,250,239,000	30,250,239,000
Excess Crude/Others	-	-	-	-
Total	**126,706,660,000**	**127,864,434,000**	**127,900,431,000**	**127,900,431,000**
Recurrent Expenditure				
Personnel	65,533,076,000	65,998,611,000	66,105,200,000	66,105,200,000
Overheads	57,259,664,000	58,404,857,000	58,454,500,000	58,454,500,000
Total	**122,792,740,000**	**124,403,468,000**	**124,559,700,000**	**124,559,700,000**

Transfer to Capital account	**3,913,920,000**	**3,460,966,000**	**3,340,731,000**	**3,340,731,000**
Capital Receipts				
Grants	8,960,505,000	5,050,111,000	5,150,200,000	5,200,400,000
Other Capital Receipts	-	-	-	-
Total	**8,960,505,000**	**5,050,111,000**	**5,150,200,000**	**5,200,400,000**
Reserves				
Contingency Reserve	3,993,239,951	4,367,893,288	4,466,512,715	4,795,672,647
Planning Reserve	3,149,040,081	3,419,515,053	3,581,577,118	3,760,148,978
Total	**7,142,280,032**	**7,787,408,341**	**8,148,089,834**	**8,555,821,625**
Capital Expenditure	**307,761,728,087**	**334,164,097,001**	**350,009,622,015**	**367,459,076157**
Discretional Funds	307,761,728,087	334,164,097,001	350,009,622,015	367,459,076157
Non-Discretional Funds	-	-	-	-
Net Financing	**68,069,824,758**	**134,147,182,881**	**134,147,182,881**	**134,147,182,881**

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 finance by Domestic and External borrowings.

Summary analysis of MTEF forecasts and their implications for fiscal and debt policies throughout the period 2025-2028.

The medium term is projected to record an increase in key macroeconomic parameters, indicating a continuous gradual rebound of the Nigerian economy. However, the oil price benchmark is projected to moderate while the exchange rate is projected to overage N1,400/$ over the medium term.

The projected economic growth rate for the 2026-2028 Medium- Term Expenditure Framework indicates that growth is expected to increase gradually over the next three years. Real GDP is projected to increase to 4.6% in 2025, moderate to 4.4% in 2026 and then rise to 5.5% in 2027. The principal drivers are increased investments in infrastructure, agriculture, and social services. While the economy is still largely consumption-driven, most of the growth in real GDP during the period will be driven by the anticipated increase in domestic oil refining capacity, telecommunications, crop production, and employment, with the bulk of projected growth coming from the non-oil sector. Targeted investments through the Renewed Hope Infrastructure Development Fund will significantly improve growth.

Nominal consumption is projected to increase to N206.83 trillion in 2025 and N233.31 trillion and N263.95 trillion in2026 and 2027, respectively, due to the expected increase in wages following the new minimum wage and cash transfer to households. These factors will also impact the inflation rate, which, although projected to decline to 15.75% in 2025, will remain at lower double-digit level over the medium term.

A reduction in inflation rate is anticipated in 2026 and 2027 due to the lag effect of tight monetary policy on demand for goods and services, expected lower deficit financing and reduction in supply-side constraints occasioned by a drastic reduction in domestic insecurity, improved infrastructure, and generally better operating environment for businesses.

Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.

The increase in revenue accruing to the federation account implies that FAAC allocation to Kogi State will increase over the medium to the long term which necessitated the upward fiscal projections for the State. With this anticipated revenue projections, the gross borrowing requirement of the state is expected to continue to decline which is why the debt stock of the state is expected to witness moderate additions and to remain sustainable over the medium to the long-term period. Despite the planned continued massive infrastructural development in the state, the debt position of the state is expected to moderately increase by N124,186M over the ten years projection period giving that the state adopts optimum debt strategy that prioritizes cost and risk. Debt stock for 2024 is N146,197M while 2034 is N1,338,471B.

2.4 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 tocitizensat all levels inorderto 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.

CHAPTER THREE

3. The State Revenue, Expenditure and Public Debt Trends (2020 -2024)

3.0 Introduction

This section looks at the historical performance of Kogi State relating to Revenue, Expenditure and Public Debt Trends from 2020 – 2024. The figures captured here reflects the actual performance of the state for this period supported by the State financial statements.

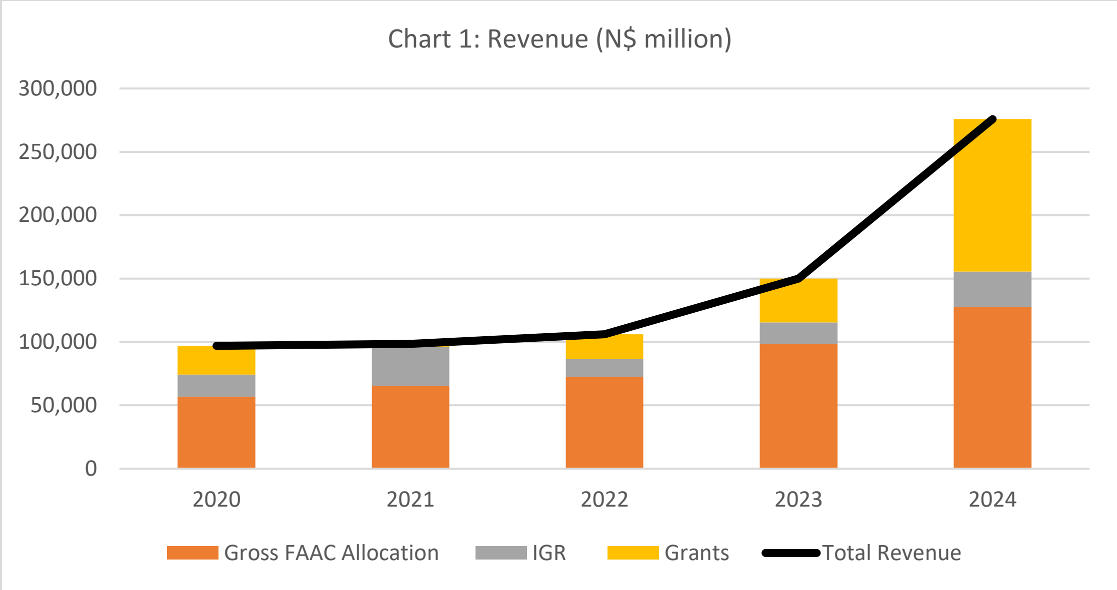
3.1 Revenue, Expenditure, Overall & Primary Balance

i. **Aggregate State TOTAL Revenue trend in the last five years and its composition in 2024**. 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 was N96,911M in 2020andthen increase to N106,039M in 2022. The state however recorded its highest revenue of N275,831M in 2024, gross FAAC (comprises of gross statutory allocation, other FAAC transfers and VAT) increase significantly from N96,911M in 2020 to N275,831M in 2024. See below details of total revenue trend for the historical years

Table 3.1 Kogi State Aggregate Revenue for 2020-2024

Revenue	2020	2021	2022	2023	2024
Gross FAAC Allocation	**56,891**	**65,396**	**72,425**	**98,456**	**127,780**
Grants	22,565	2,410	19,445	34,711	120,320
IGR	17,455	30,779	14,169	16,926	27,731
Total Revenue	**96,911**	**98,584**	**106,039**	**150,094**	**275,831**

Below is the chart of the total Revenue of Historical Years



ii. **FAAC Allocations trend in the last five years.** Kogi Staterecordedan increasedin federal transfersby 55% in 2020 andkeep increasing from 2021 to 2024. The increase in revenue is largely attributable to fuel subsidy removal by the Federal Government and thus increase in federal oil receipts due to the increase in oil prices. FAAC however increased to N127,780 in 2024 which is attributable to the increase in price of crude and subsidy removal.

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 2021resulting in 50% increase over the 2020 figure. IGR for 2020 was N17,455M and increased to N30,779M in 2021. The increment was sustained in

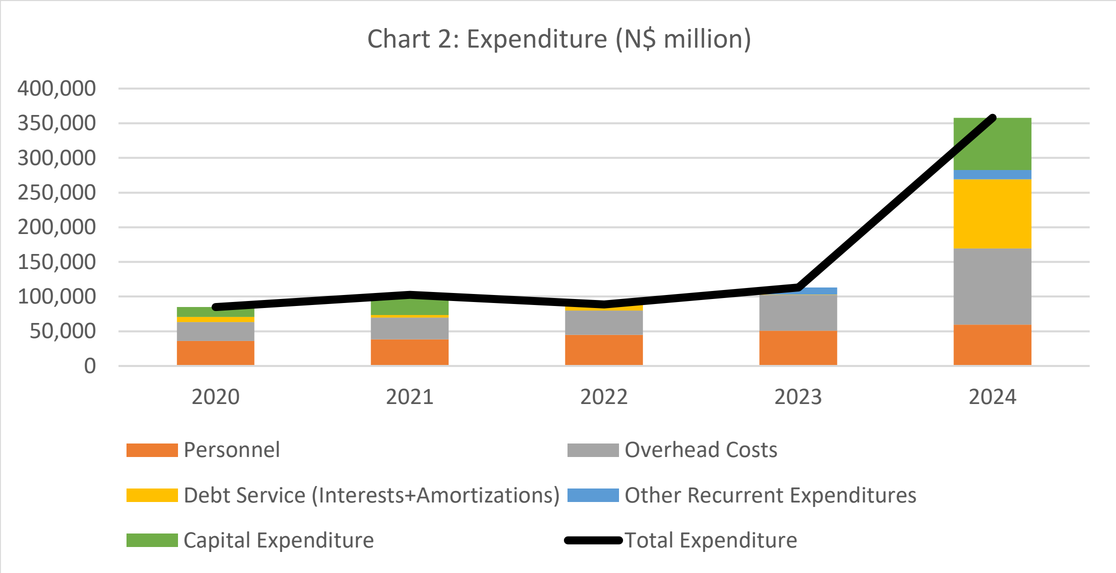
2024,but the state recorded a decrease of N14,169M for 2022. The state recorded an increment resulting in a closing balance of N27,731M for 2024. IGR witnessed an average growth rate of 21.53% from 2020 – 2024. This improvement in IGR is mainly a result of tax administration reforms aimed at improving collection rates and broadening the tax revenue base.

iv. **Aggregate (total) Expenditure trend in the last five years and its composition in 2024.** Total expenditure in this context includes all categories of expenses interest and amortization. Total expenditure increase from N84,916M in 2020 to N357,875M in 2024. This was largely due to employment of new staff, increase in overhead cost in 2021 to 2024 and increase in debt service in 2022 and 2023. 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 2020-2024

Expenditure	**2020**	**2021**	**2022**	**2023**	**2024**
Personnel	35,940	38,382	44,916	50,729	59,457
Overhead Costs	27,137	31,484	34,908	52,033	110,191
Debt Service (Interests+Amortizations)	7,795	3,580	8,876	145.00	99,582
Other Recurrent Expenditures	-	-	-	10,112	13,426
Capital Expenditure	14,045	29,134	-	-	75,219
Total Expenditure	**84,917**	**102,580**	**88,700**	**113,019**	**357,875**

Below is the Expenditure chart depicting the trend between 2020 – 2024

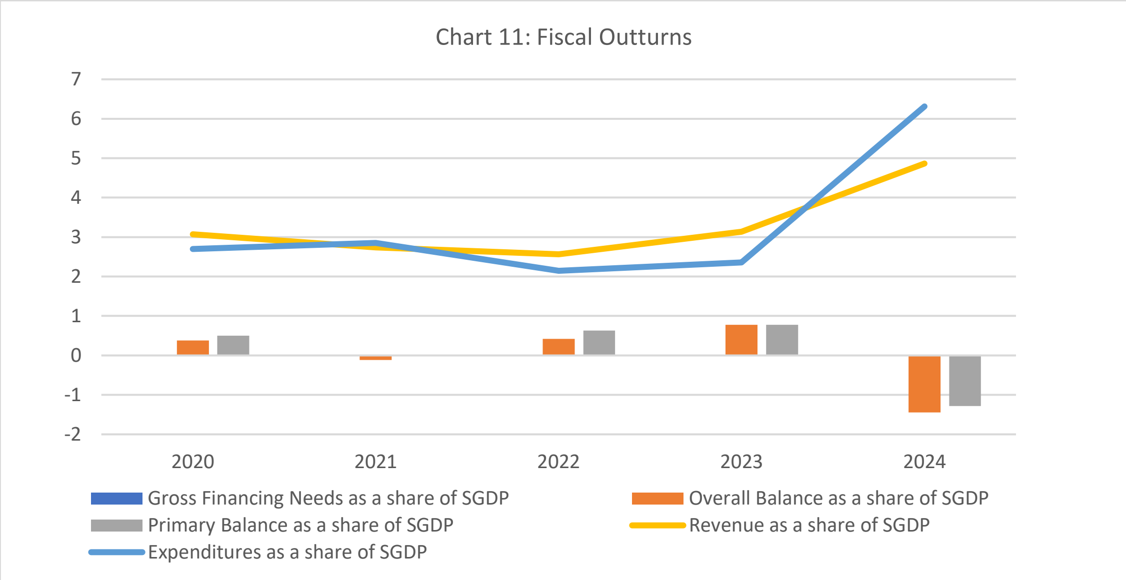


v. **Main expenditure variations in the last five years by economic classification.**Over the period, analysis shows that Personnel, Overhead costs, Debt Serviceand Capital Expenditure are responsible for this huge leap in Expenditure from N84,916Min 2020 to its peak of 357,875M in 2024 and also witnessed a decline ofN88,700M in 2022. While Personnel Cost had decline to N35,940M in 2020, but increased to N59,457M in 2024. For Capital Expenditure, it had witnessed an increase in 2020 and 2021in the historical years and nothing was done in 2022 and 2023. And Overhead Cost increased all through the historical years.

The Personnel Cost also increased all throughthe historical years from 2020 to 2024 as a result of payment of National Minimum Wage, payment of arrears of Salaries to some staff cleared, payment of salary to newly employed staff in CUSTECH, Osara, Kogi State Polytechnic, Lokoja, Kogi State University, Anyigba, College of Education, Ankpa, School of Nursing and Midwifery, Obangede, College of Health Sciences, Idah, Kogi State University, Kabba, social benefits to Pensioners and Harmonization of Pensioners Monthly Pension.

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 as a share of GDP witnessed 0% in 2020 and negative figure-1% in 2024. This can be related to the huge expenditure figure for this period. The primary fiscal balance was in positive 1% in 2022 and 2023 but return to -1% in 2024.

3.2 Existing Public Debt Portfolio

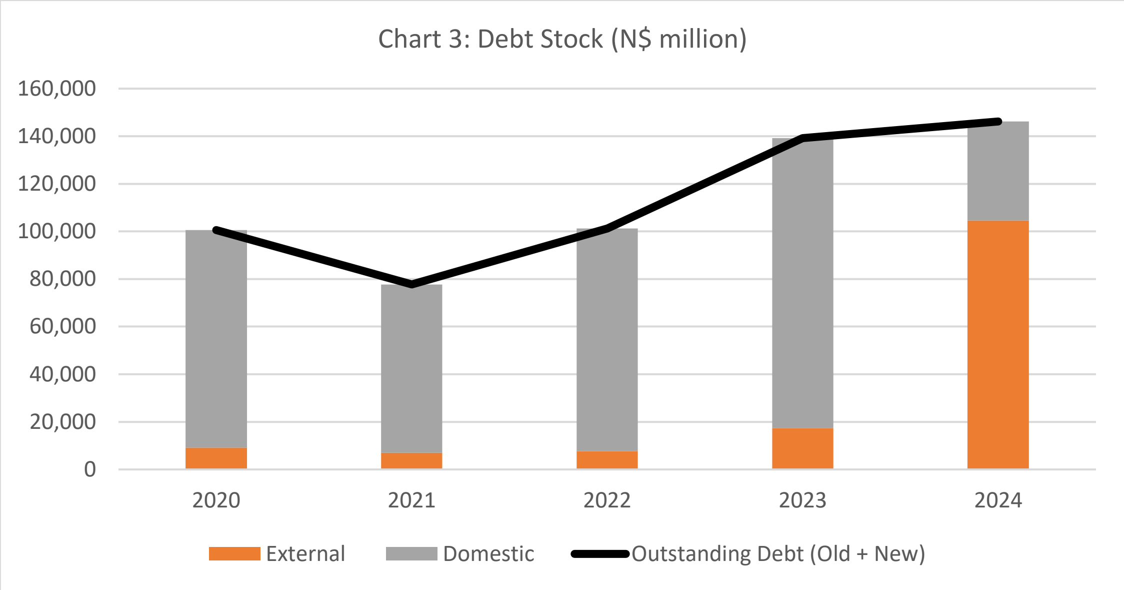
The State public debt includes the explicit financial commitments – like loans and securities – that have paper contracts instrument thatgovernment promises to repay.

i. **Public debt stock amount or its shares on total Revenue at end-2024 and its growth in the last five years.** As at December 2024, Kogi state public Debt stood at **N146,197.28M,**It declined in 2020 and further in 2021due to the decision of the state to settle outstanding arrears of Contractors,Pension & Gratuity and Salary.The table below gives the summary;

Table 3.3 Kogi State Debt Data as at December,2024

	KOGI STATE DEBT DATA AS AT 31st DECEMBER 2024		
S/N	**DEBT CATEGORY**	**AMOUNT(Millions)**	**%**
1	Total Domestic Debt	41,588	29
2	Total External Debt	104,610	71
	TOTAL	**146,197**	**100%**

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



The domestic debt constitutes 29% of the debt stock of the state while the external is 71%.

As at December 2020, total domestic debt stock was N100,572M, but decline to N77,740M in 2021. 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), State Bond series one. Total domestic debt stock decreased from 100,572M in 2020 to N77,740M in 2021 due to clearance of Contractors Arrears and settlement of Salary Bailout repayment with Sterling Bank, Zenith Bank and Access Bank, settlement of Bridge Financing and Budget Support Loan with the Federal Government in 2023 . It then increase from N101,314M in 2022 to N146,197M in 2024, this is as a result of establishment of Kogi State University, Kabba, Building of Audit House in Lokoja for Auditor General for the State and Local Government, Building of Pension administration office and for provision of others infrastructure in the State.

ii. **The existing public debt portfolio composition at end-2024.** Kogi Statedebt 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, 2024

S/N	DEBT CATEGORY FOR DOMESTIC	BALANCE N
1	Restructured Commercial Bank Loans (FGN Bond)	658.6
2	Excess Crude Account Backed Loan	7,805.5
3	Commercial Banks Loans	24,398.9
4	State Bonds	646.1
5	Covid 19 Health Intervention Fund	1,508.4
6	Contractors' Arrears	468.2
7	Pension and Gratuity Arrears	6,053.0
8	Salary Arrears and Other Staff Claims	48.9
	Total	**41,588**
S/N	**DEBT CATEGORY FOR EXTERNAL**	**BALANCE $**
1	World Bank (WB)	80.0
2	African Development Bank (AfDB)	0 .5
	Total	**80.5**

Note: All figures are expressed in Millions. Exchange rate for external loan is in the template for 2024 is at N1,300.00: $1

iii. **Cost and risks exposure of the existing public debt portfolio at end-2024.**

The debt portfolio of the state was volatile during the historical period. Debt service as a share of Gross FAAC allocation was50% in 2020, butdecline drastically to 18% in 2021, 17% in 2022 17% in 2023and then increase to 59% in 2024respectively. Interest as a share of revenue was 20% in 2020 and then decline to 3% in 2021, rose again to 6% in 2022 and decline to 1% in 2024. 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.

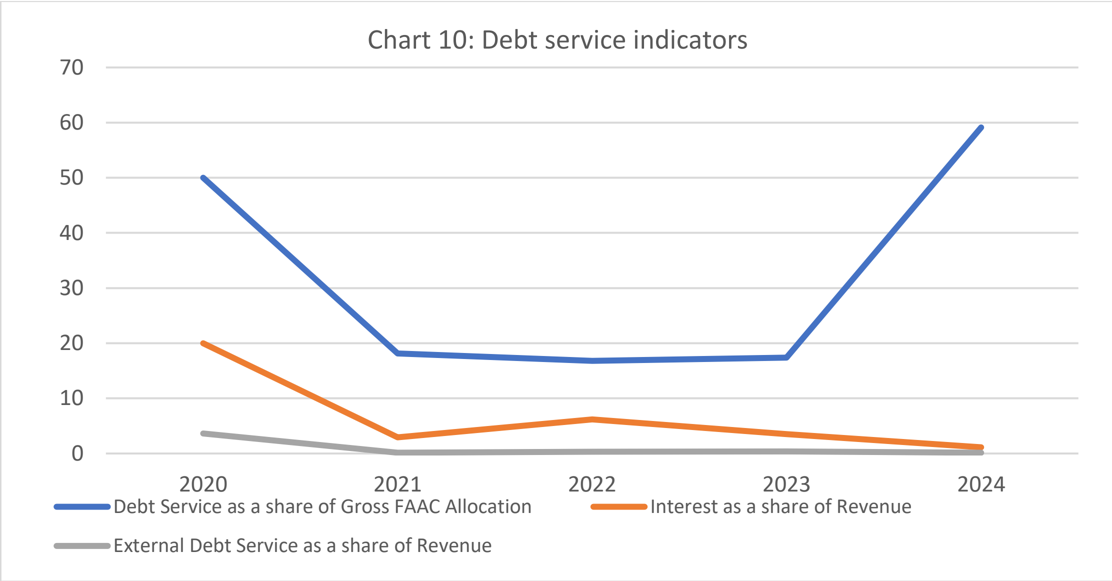


Chart 10: Debt service indicators
70
60
50
40
30
20
10
0
2020
2021
2022
2023
2024
Debt Service as a share of Gross FAAC Allocation
Interest as a share of Revenue
External Debt Service as a share of Revenue

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	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Debt as % of SGDP	3	2	2	3	3	3	3	4	5	6	6	6	7	7	7
Threshold	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Debt as % of Revenue	104	79	96	93	53	44	48	66	83	99	111	115	126	130	146
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
Debt Service as % of Revenue	29	12	11	11	27	1	2	7	15	25	33	38	41	46	54

Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Personnel Cost as % of Revenue	37	39	42	34	22	26	24	24	23	21	20	18	16	15	15
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%. it recorded its highest percentage in the historical period of 3% in 2020. This rate is nowhere near the threshold of 25% in the historical years, but increase to 7% in 2034. This is an indication that the debt is sustainable at a long run. Debt as a percentage of revenue is favourable all through the historical years. For 2024, the rate is 53% which is less than the threshold of 200%. For Debt service as a percentage of revenue, the threshold is 40% whichthe state breached in2032 to 2034 in the projection years, however, the rate has dropped to 29% in 2020, 12% in 2021, 11% in 2022 and 27% in 2024in the historical years which implies that the state has also returned to a sustainable position from year 2020 to 2024. 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	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Debt Service as a share of Gross FAAC Allocation	50	18	17	17	59	1	2	10	21	33	42	49	51	55	65
Interest as a share of Revenue	20	3	6	4	1	1	1	6	11	16	20	22	23	26	31
External Debt Service as a share of Revenue	4	0	0	0	0	0	0	0	0	0	0	0	0	1	1

Debt service as a share of Gross FAAC allocation was 50% in 2020 and then outweighs the Gross FAAC Allocation in 2024 by 58% in the historical period which shows an increment in the debt service performance of Kogi State for year 2024. For the projection years however, it shows deterioration in debt service performance in year2028 to 2034 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 2024-2027, with real GDP expanding at an average annual rate of 3.40 percent and domestic inflation hovering around24 percent by 2025. 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 2025-2028 can be sustained.

The table below presents the State's Macro-Economic projections for the 2025-2028 Medium-Term Expenditure Framework;

Table 4.3Medium Term Macro-Economic Framework

Medium Term Macro-Economic Framework				
Item	**2025**	**2026**	**2027**	**2028**
National Inflation	24%	23%	17%	15%
National Real GDP Growth	3.40%	3.20%	3.30%	3.30%
Oil Production Benchmark (MBPD)	1.65	1.7	1.75	1.8
Oil Price Benchmark	$65.00	$55	$55	$55
NGN: USD Exchange Rate	₦1,500	₦1,500	₦1,500	₦1,500

SOURCE:Ministry of Finance,Budget and National Planning,NNPC, BOF, NBS Note:

The projected economic growth rate for the 2026-2028 Medium Term Expenditure Framework indicates that growth is expected to increase gradually over the next three years. Real GDP is projected to increase to 3.40% in 2025, moderate to 3.20% in 2026 and then rise to 3.30% in 2027. The principal drivers are increased investments in infrastructure, agriculture and social services. While the economy is still largely consumption-driven, most of the growth in real GDP during the period will be driven by the anticipated increase in domestic oil refining capacity, telecommunications, crop production, and employment, with the bulk of projected growth coming from the non-oil sector. Targeted investments through the Renewed Hope Infrastructure Development Fund will significantly improve growth.

Nominal consumption is projected to increase to N206.83 trillion in 2025 and N233.31 trillion and N263.95 trillion in 2026 and 2027 respectively, due to expected increase in wages following the New Minimum Wage implementation and cash transfers to households. These factors will also impact the inflation rate, which, although projected to decline to 26% in 2026, will remain at a lower double-digit level over the medium term.

A reduction in inflation rate is anticipated in 2026 to 2027 due to lag effect of tight monetary policy on demand for goods and services, expected lower deficit financing and reduction in supply-side constraints occasioned by a drastic reduction in domestic insecurity, improved infrastructure, and generally better operating environment for business.

Based on the underlying assumptions for the medium term, the Federation Account Revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.

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 3.40% in 2025, and a decreased projection of 3.20% in 2026. The inflation rate is projected to average 24% in 2025. 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 N1,500/US$ in 2025, N1,500/US$ in 2026, N1,500/US$ in 2027 and expected to remained atN1,500/US$ in 2028.

The MTEF for Kogi State covering 2025-2028 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	**2025**	**2026**	**2027**	**2028**
Statutory Allocation	61,151,799,000	61,225,175,000	61,250,000,000	61,250,000,000
VAT	35,315,794,000	36,400,192,000	36,400,192,000	36,400,190,000
IGR	30,239,067,000	30,239,067,000	30,250,239,000	30,250,239,000
Excess Crude/Others	-	-	-	-
Total	**126,706,660,000**	**127,864,434,000**	**127,900,431,000**	**127,900,431,000**
Recurrent Expenditure				
Personnel	65,533,076,000	65,998,611,000	66,105,200,000	66,105,200,000
Overheads	57,259,664,000	58,404,857,000	58,454,500,000	58,454,500,000
Total	**122,792,740,000**	**124,403,468,000**	**124,559,700,000**	**124,559,700,000**
Transfer to Capital account	**3,913,920,000**	**3,460,966,000**	**3,340,731,000**	**3,340,731,000**

Capital Receipts				
Grants	8,960,505,000	5,050,111,000	5,150,200,000	5,200,400,000
Other Capital Receipts	-	-	-	-
Total	**8,960,505,000**	**5,050,111,000**	**5,150,200,000**	**5,200,400,000**
Reserves				
Contingency Reserve	3,993,239,951	4,367,893,288	4,466,512,715	4,795,672,647
Planning Reserve	3,149,040,081	3,419,515,053	3,581,577,118	3,760,148,978
Total	**7,142,280,032**	**7,787,408,341**	**8,148,089,834**	**8,555,821,625**
Capital Expenditure	**307,761,728,087**	**334,164,097,001**	**350,009,622,015**	**367,459,076157**
Discretional Funds	307,761,728,087	334,164,097,001	350,009,622,015	367,459,076157
Non-Discretional Funds	-	-	-	-
Net Financing	**68,069,824,758**	**134,147,182,881**	**134,147,182,881**	**134,147,182,881**

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. Personnel cost is expected to increase due to the implementation of new minimum wage and subsequent increments in three years interval.

4.2 Borrowing Options

The debt sustainability and analysis exercise has helped to establish the funding gap for the projection years of 2025-2034. See details below;

Table 4.5 Total Gross Borrowing Requirements for 2025-2034

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Gross Borrowing Requirement	13,784	87,152	118,233	138,113	200,117	230,648	228,552	326,420	325,378	356,878

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 2025-2034

New Domestic Financing in Million of Local Currency	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Commercial Bank Loans (maturity 1 to 5 years)	5,143	0.0	50,132	58,012	65,205	77,150	132,077	160,254	200,800	222,467

Commercial Bank Loans (maturity 6 years or longer)	0	37,100	0	0	0	0	0	0	0	0
State Bonds (maturity 1 to 5 years)	0	0	68,100	80,100	38,017	90,050	0	0	106,098	108,652
State Bonds (maturity 6 years or longer)	8,000	50,051	0	0	79,395	0	59,096	144,605	0	0
Other Domestic Financing ()	0	0	0	0	0	39,927	0	0	0	0
New External Financing in Million US Dollars										
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	641	0	0	0	17,500	23,520	19,880	21,560	0	0

External Financing - Bilateral Loans	0	0	0	0	0	0	0	0	18,480	25,760

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)	35	5	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	34	9	2
State Bonds (maturity 1 to 5 years)	25	5	0
State Bonds (maturity 6 years or longer)	24	8	0
Other Domestic Financing ()	15	20	0
Borrowing Terms for New External Debt (issued/contracted from 2022 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**

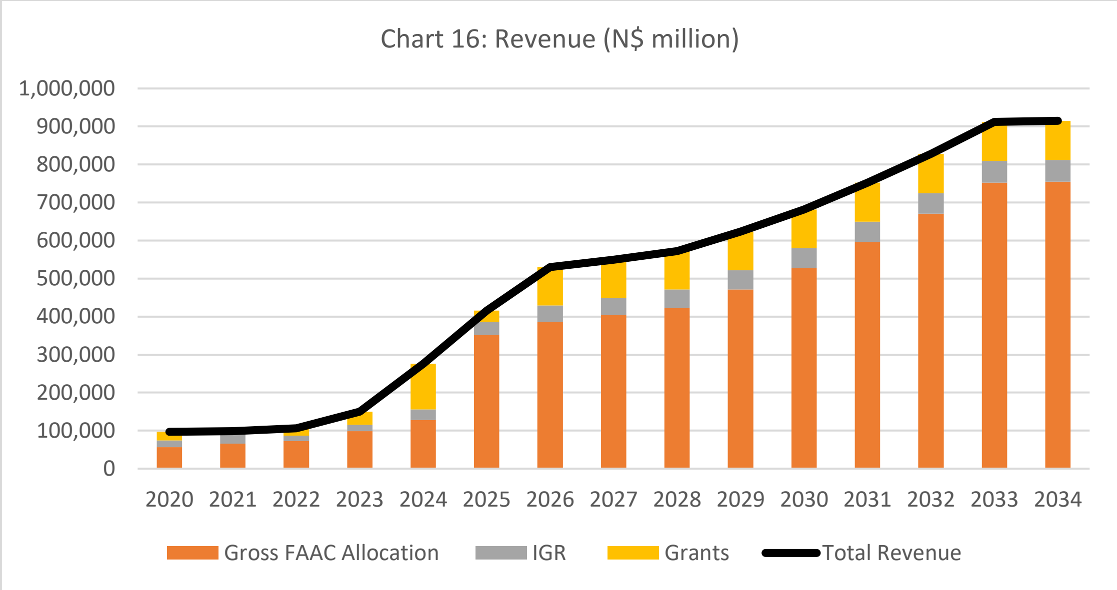
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	5	20	3
External Financing - Bilateral Loans	5	25	2
Other External Financing	3	23	4

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.

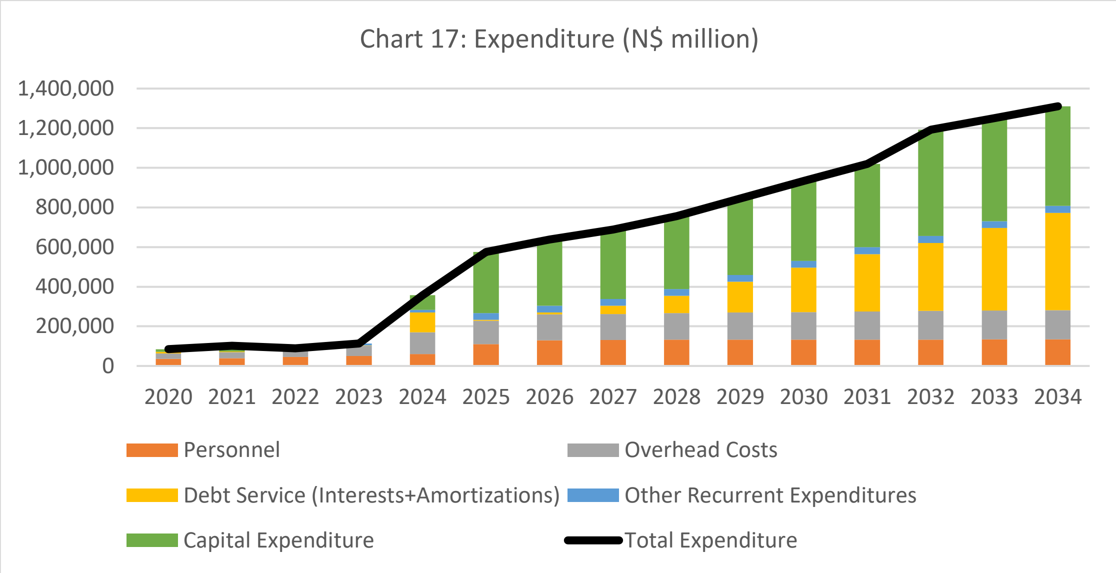
4.3 DSA Simulation Results

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 N275,831M in 2024 to N915,002M by 2034. Between 2025-2028 which are the years the state Budget and MTEF covered, revenue is projected to have an average growth rate of 2.59% while from 2029-2034, revenue is expected to grow at an average rate of 4.01%.

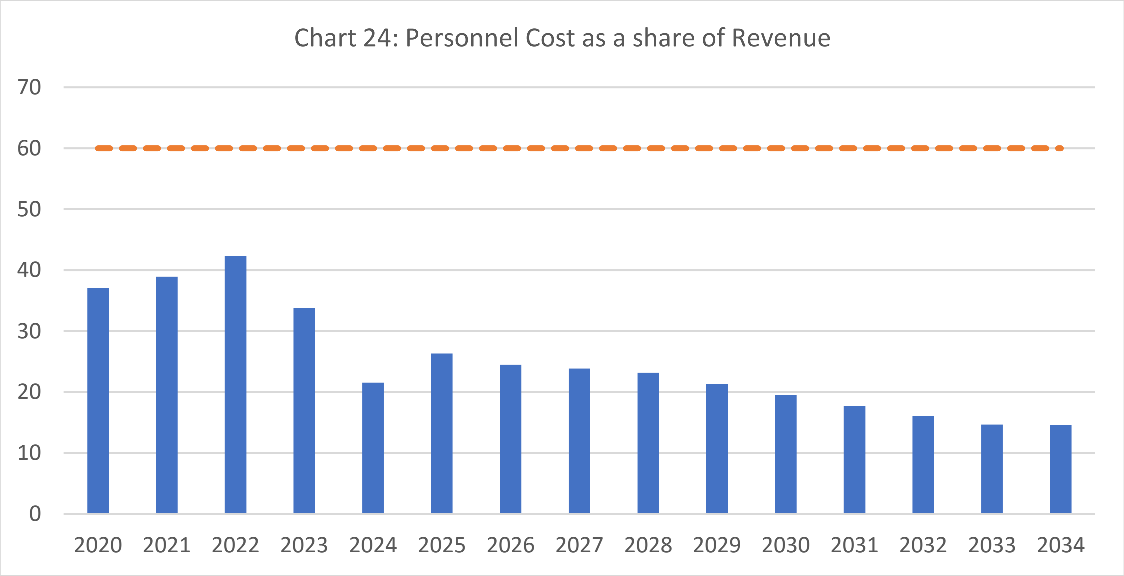


Total expenditure for the projection years will expand from N357,875M in 2024 to N1,310,596B by 2034. Expenditure was projected to increase by 35% in 2024 due to the state's decision to maintain the existing infrastructural development. Categories of recurrent expenditure like Personnel and overheads were also projected to increase substantially.

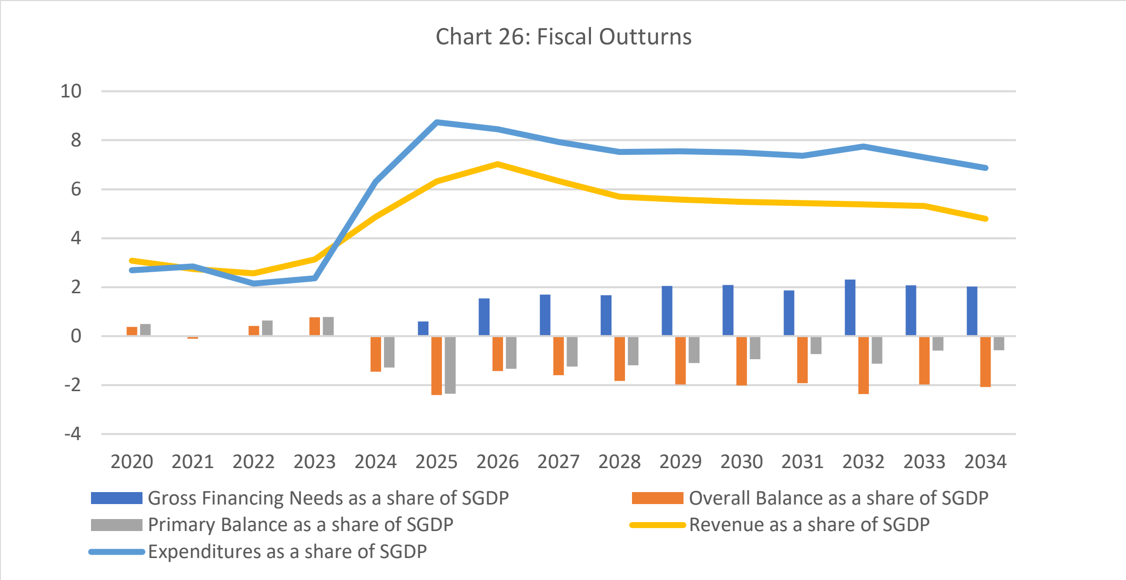


Therefore, the fiscal deficit—computed as the difference between revenue and expenditure—is expected to remain within a range of N158,738Min 2025to N395,594M in 2034.

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 the historical years but breach it in the projection years, that is from 2025 to 2034. The effect of the reforms ongoing in the state's civil service and implementation of new minimum wage is evident in the chart below.

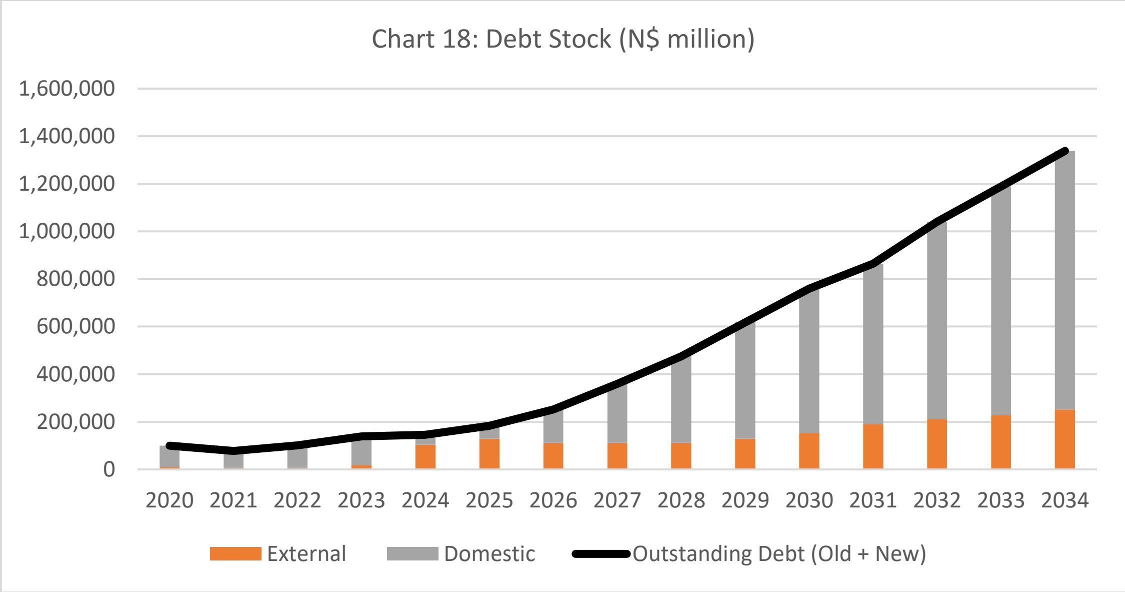


Primary balance which is the difference between the state's revenue and its non interest expenditure can be measured as a percentage of state GDP.

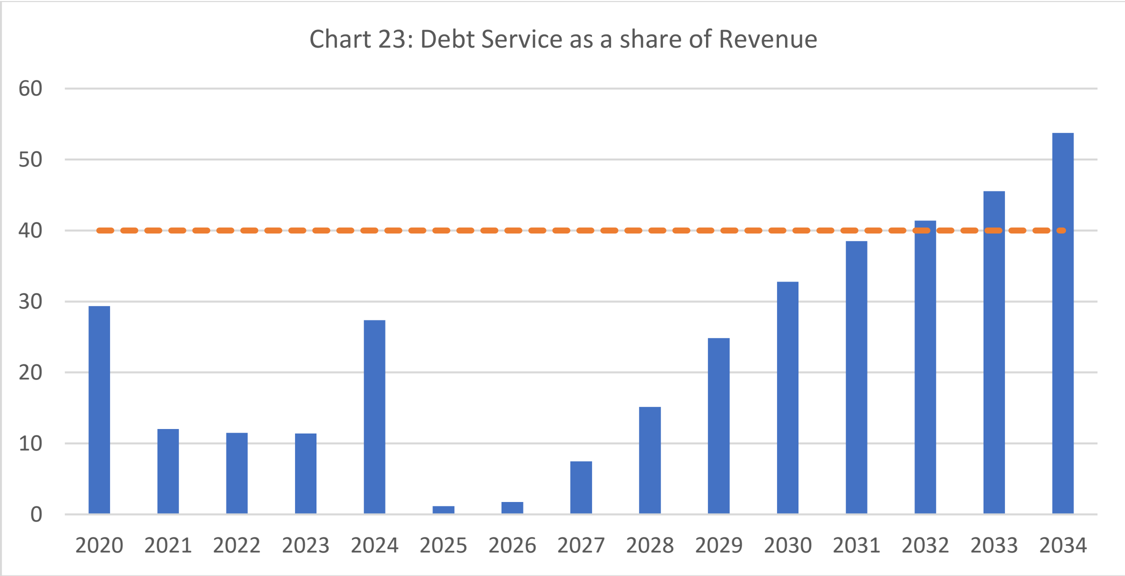


Revenue as a share of GDP was on the average of 3% all through the projection years. Same applies for expenditure as a share of GDP though witnessed fluctuations.The overall balance and the primary balance as a share of state GDP recorded negative values in some of the projection years.

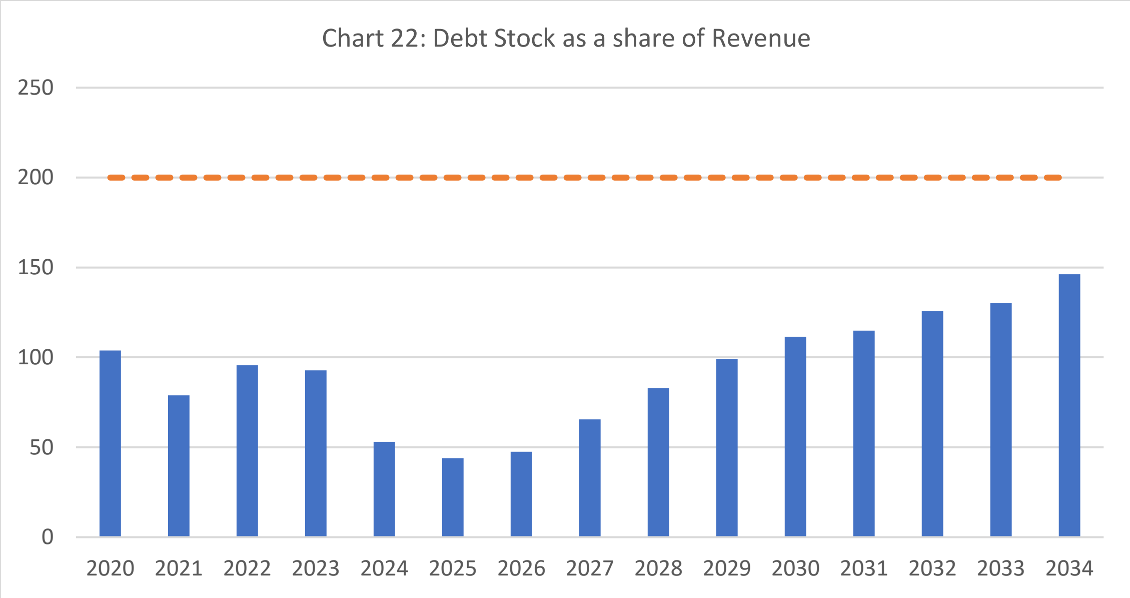
Main finding and conclusion of the baseline scenario under the reference debt strategy (S1) in terms of debt sustainability. The gross financing requirement necessitated creating new borrowings for the projection years. The state's debt is projected to rise from N146,197M as of end 2024 to N1,338,471B by 2034. See chart below;



As a consequence of the increase in debt stock from 2025-2034, 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 2031, but breach the threshold from 2032 to 2034 respectively. This shows that the State debt is not sustainable from 2032 to 2034, 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 2025 to 2034. However, the state should continue to adopt debt management strategies.



The analysis of the Baseline Scenario under the reference debt strategy (S1) suggests the State will preserve the sustainability of its debt both in the medium and long term as all performance indicators remain positive. However, the state must continue with the following initiatives to sustain 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.

4.4Debt 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 valuestarting from 2025-2034. 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 revenueis expected to rise from N455,265M in 2025 to

N1,434,548B in 2034 while in the shock revenue scenario, it will be N1,889,813B. 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% decrease in Personnel cost, Overhead cost, other recurrent expenditure and Capital expenditure in nominal terms each year, starting in 2025 until 2034. Should the risk of 10% decrease 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 equally increase from N578,800Min 2025 to N1,281,519B in 2034 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 bea one-time 20% devaluation (NGN/US$) in 2025. The exchange rate is expected to remain at N1,500 in 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 pointsincrease of the new domestic financing interest rate each year, starting in 2025 until 2034.The State's debt sustainability would deteriorateif 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.

The 2025 DSA analysis shows that Kogi State remains at medium risk of debt distress under sensitivity analysis. Under the Debt to Revenue performance indicator with a threshold of 200%, the shock revenue and expenditure scenario remained above the threshold for some years in the projection period. Other shocks remained below the threshold. A 10% reduction in revenue will likely affect the state adversely. The state must work to ensure that revenue to be earned over the future years must increase substantially above projections. State must continue to make effort to bring more people into tax net and improve IGR. Expenditure must be well managed to remain under control while Debt managers must also work to reduce the state's exposure to debt.
For Debt service to Revenue, all the shocks remain moderate, but breach the threshold from 2030 to 2034. That notwithstanding, the state must continually monitor revenue and expenditure all through the projection years to avert any risk.
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 2031 to 2034. 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.
See below the relevant charts.

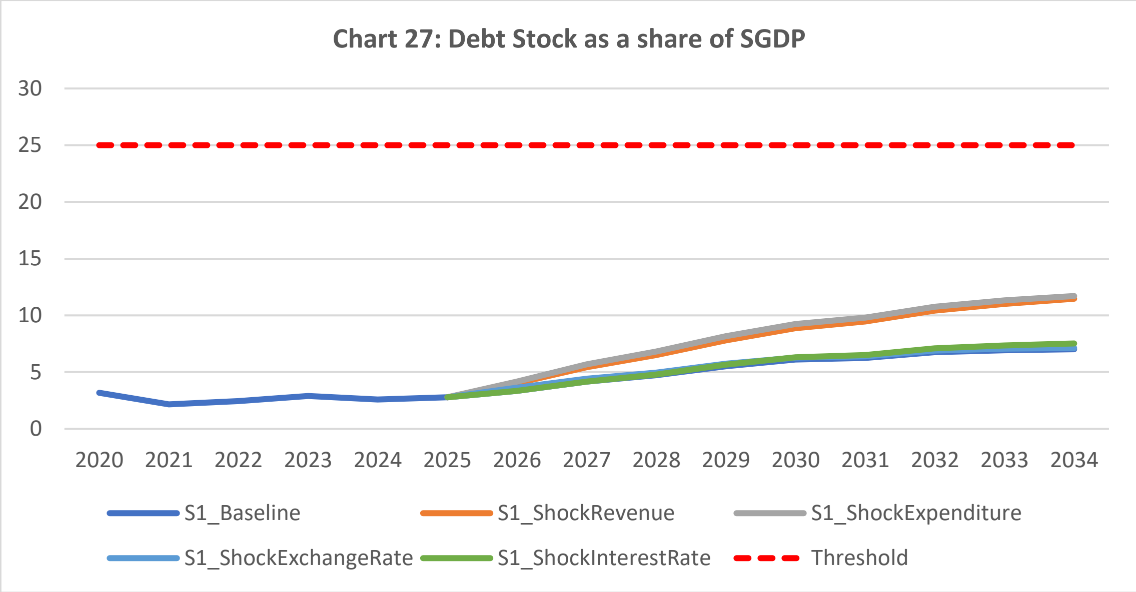


Chart 27: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
Threshold

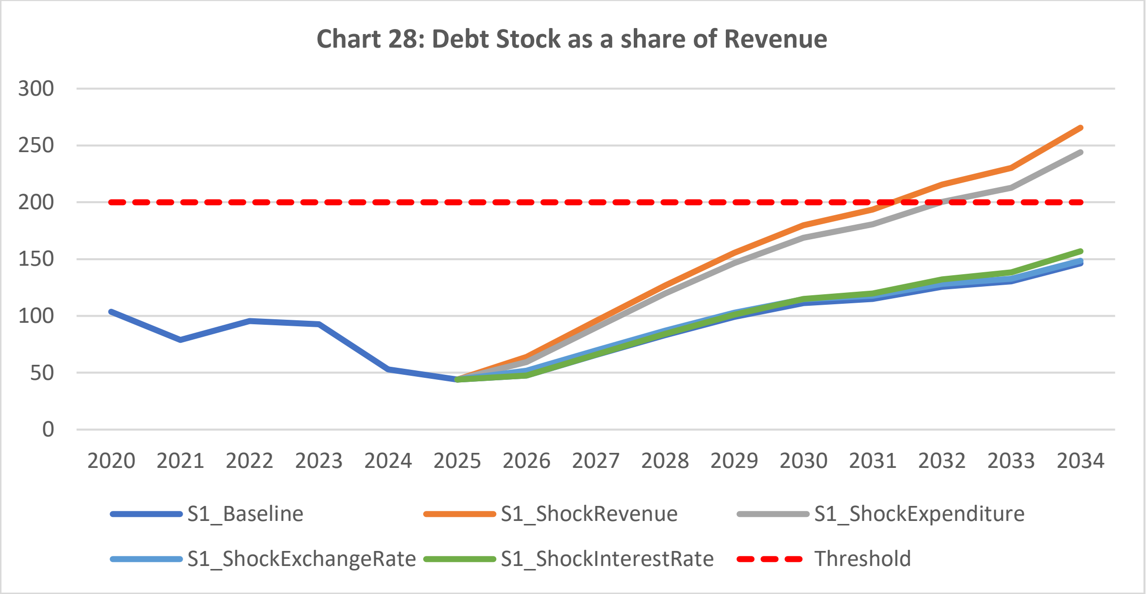


Chart 28: Debt Stock as a share of Revenue
300
250
200
150
100
50
0
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
Threshold

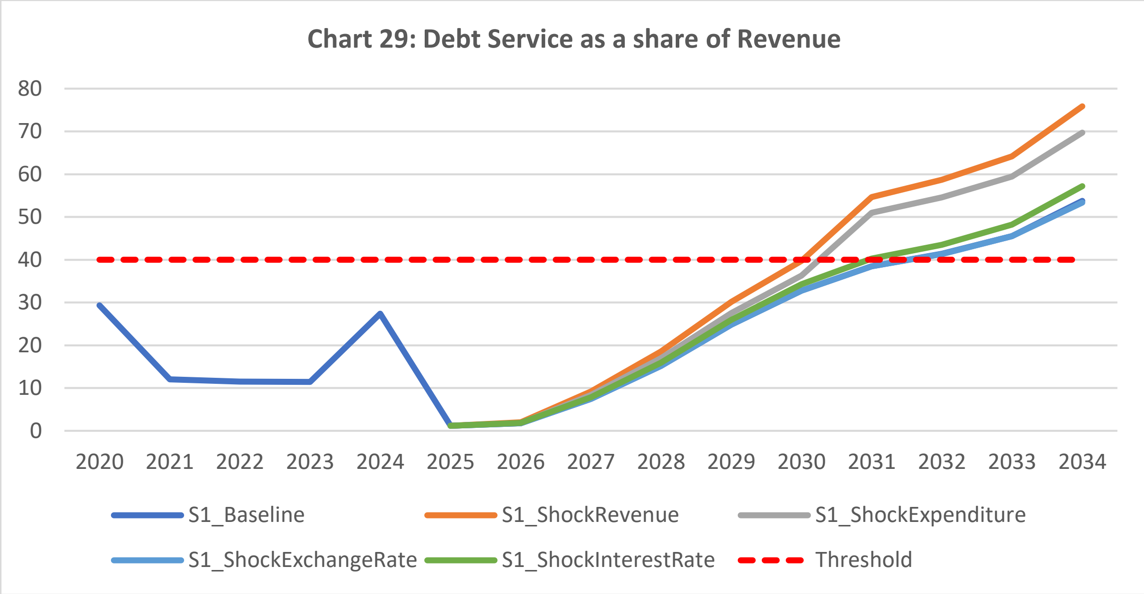


Chart 29: Debt Service as a share of Revenue
80
70
60
50
40
30
20
10
0
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
Threshold

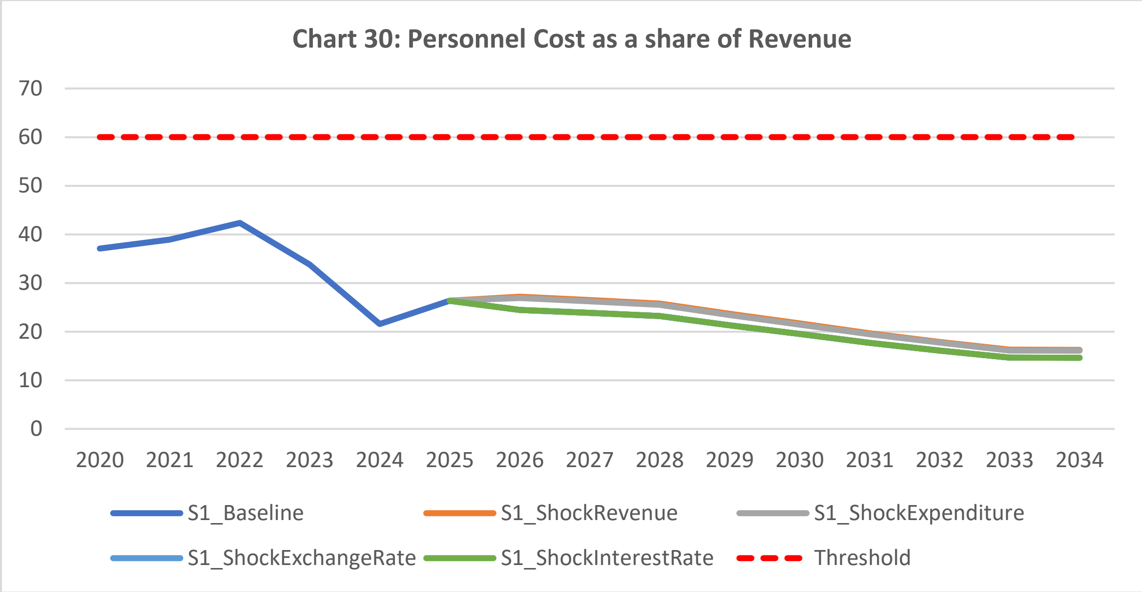


Chart 30: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
Threshold

CHAPTER FIVE

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 2025 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 2025-2034 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 also intends to finance its funding gap by contracting Bonds.

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.

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)	35	5	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	34	9	2
State Bonds (maturity 1 to 5 years)	25	5	0
State Bonds (maturity 6 years or longer)	24	8	0
Other Domestic Financing ()	15	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)	5	20	3
External Financing - Bilateral Loans	5	25	2
Other External Financing	3	23	4

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 2025-2029 when expressing debt as a percentage of revenue. In year 2025- 2029, strategy 3 recorded the lowest cost and risk ratio when compared to other strategies.

Cost at year 2029 is established to be 91.9% with a risk value of 55.6%

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

						Cost	Risk measured in 2029
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	
Strategy #1 & Baseline Outlook	53.0	44.0	47.5	65.6	83.0	99.1	56.4
Strategy #1 & Adverse Shock		44.0	63.9	95.6	126.9	155.5	
Strategy #2 & Baseline Outlook	53.0	44.0	47.6	66.3	84.0	99.5	56.5
Strategy #2 & Adverse Shock		44.0	64.0	96.3	127.9	156.0	
Strategy #3 & Baseline Outlook	53.0	44.0	47.1	64.3	79.5	91.9	55.6
Strategy #3 & Adverse Shock		44.0	63.5	94.2	123.0	147.6	
Strategy #4 & Baseline Outlook	53.0	44.0	47.1	65.4	83.3	100.1	56.6
Strategy #4 & Adverse Shock		44.0	63.4	95.3	127.2	156.7	

From the Cost-Risk trade off chart below, the adverse shock is revenue and strategy 3 comes easily as the most preferred scenario being that it has the lowest cost and the lowest degree of risk.

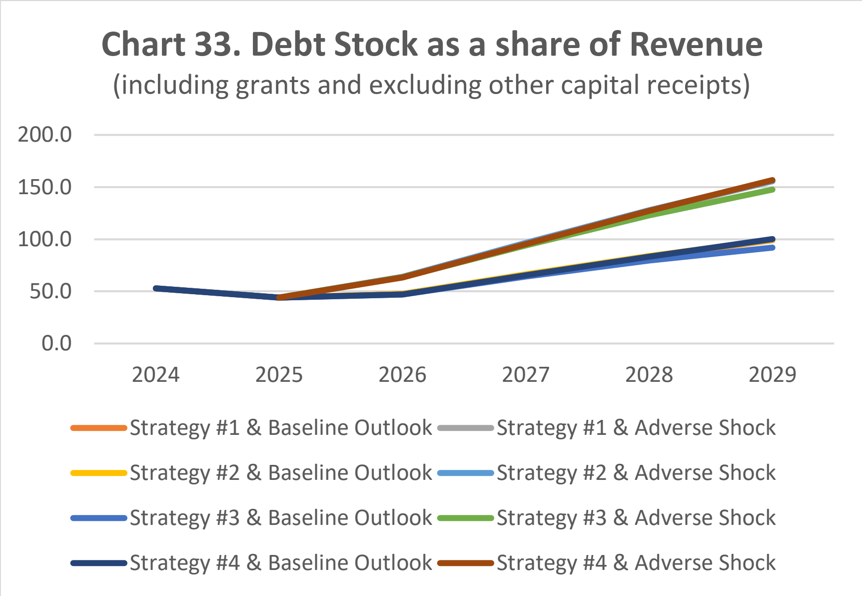


Chart 33. Debt Stock as a share of Revenue
(including grants and excluding other capital receipts)
200.0
150.0
100.0
50.0
0.0
2024
2025
2026
2027
2028
2029
Strategy #1 & Baseline Outlook
Strategy #1 & Adverse Shock
Strategy #2 & Baseline Outlook
Strategy #2 & Adverse Shock
Strategy #3 & Baseline Outlook
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)
Cost
101.00
100.00
99.00
98.00
97.00
96.00
95.00
94.00
93.00
92.00
91.00
Strategy 4
Strategy 2
Strategy 1
Strategy 3
55.40
55.60
55.80
56.00
56.20
56.40
56.60
Risk

5.2.2 Debt Service/Revenue

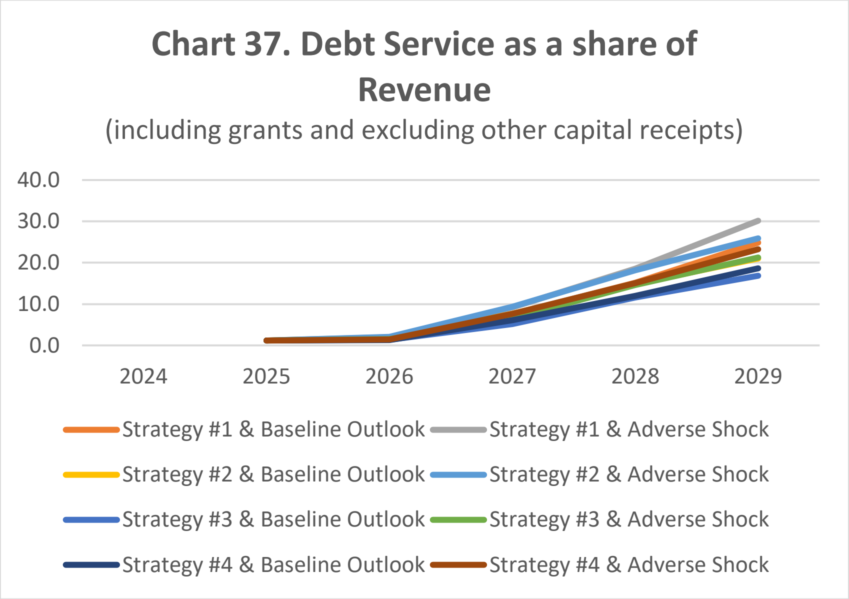
Under this performance indicator, debt service as a percentage of revenue, Strategy 3 has the lowest cost and recorded the lowest degree of risk. Cost as at 2029 which is the year of evaluation is 16.8% while risk stands at 4.4%.

S3 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 2029
Debt Service as % of Revenue (including grants and excluding other capital receipts)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	
Strategy #1 & Baseline Outlook		1.2	1.8	7.5	15.1	24.9	5.6
Strategy #1 & Adverse shock		1.2	2.0	9.2	18.6	30.2	
Strategy #2 & Baseline Outlook		1.2	1.8	7.7	14.8	21.0	4.9
Strategy #2 & Adverse shock		1.2	2.1	9.4	18.2	25.9	
Strategy #3 & Baseline Outlook		1.2	1.4	5.1	11.6	16.8	4.4
Strategy #3 & Adverse shock		1.2	1.5	6.6	14.6	21.3	
Strategy #4 & Baseline Outlook		1.2	1.3	6.1	12.0	18.6	4.6
Strategy #4 & Adverse shock		1.2	1.5	7.6	15.1	23.3	

From the Cost-Risk trade off chart below, the adverse shock is revenue and strategy 3 comes easily as the most preferred scenario being that it has the lowest cost and the lowest degree of risk.



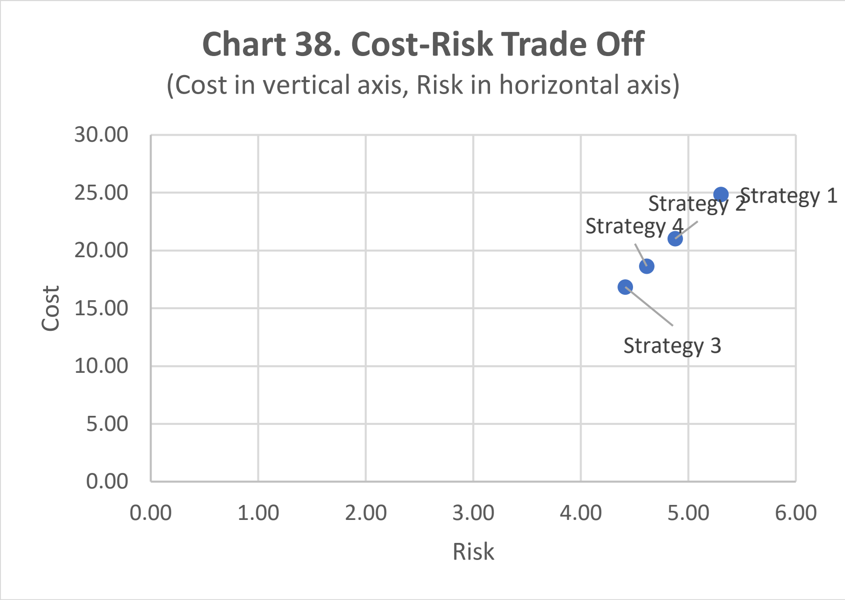


Chart 38. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)
30.00
25.00
20.00
15.00
10.00
5.00
0.00
Cost
0.00
1.00
2.00
3.00
4.00
5.00
6.00
Risk
Strategy 1
Strategy 2
Strategy 4
Strategy 3

5.2.3Interest/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. Strategy3 has the lowest cost of 11.8% and lowest risk of 3.8% making it the preferred strategy.

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

						Cost	Risk measured in 2029
Interest as % of Revenue (including grants and excluding other capital receipts)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	
Strategy #1 & Baseline Outlook		0.9	1.4	5.7	11.1	15.7	4.3
Strategy #1 & Adverse Shock		0.9	1.5	7.2	14.1	20.0	
Strategy #2 & Baseline Outlook		0.9	1.5	6.3	11.4	15.2	4.2
Strategy #2 & Adverse Shock		0.9	1.6	7.9	14.4	19.5	
Strategy #3 & Baseline Outlook		0.9	1.0	4.8	8.8	11.8	3.8
Strategy #3 & Adverse Shock		0.9	1.1	6.2	11.5	15.6	
Strategy #4 & Baseline Outlook		0.9	1.1	5.9	11.6	16.5	4.4
Strategy #4 & Adverse Shock		0.9	1.2	7.4	14.6	20.9	

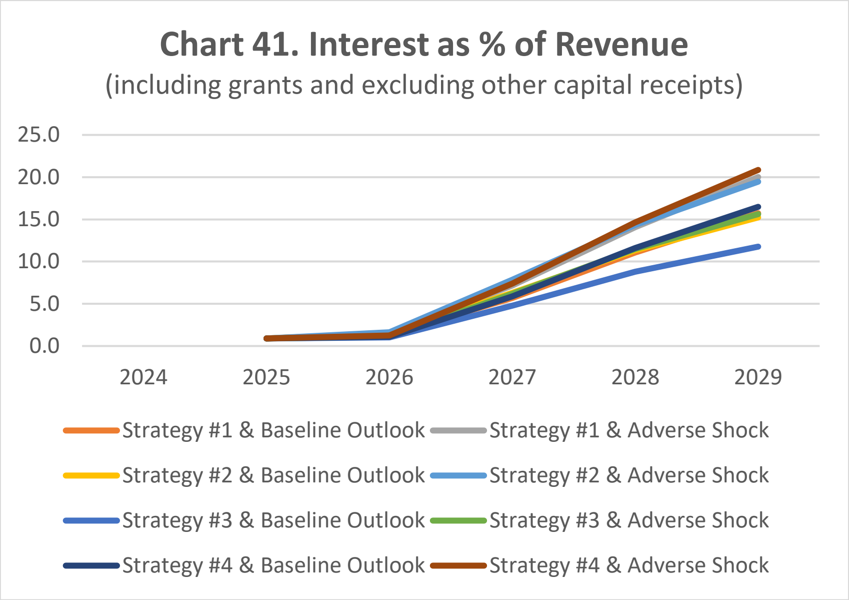
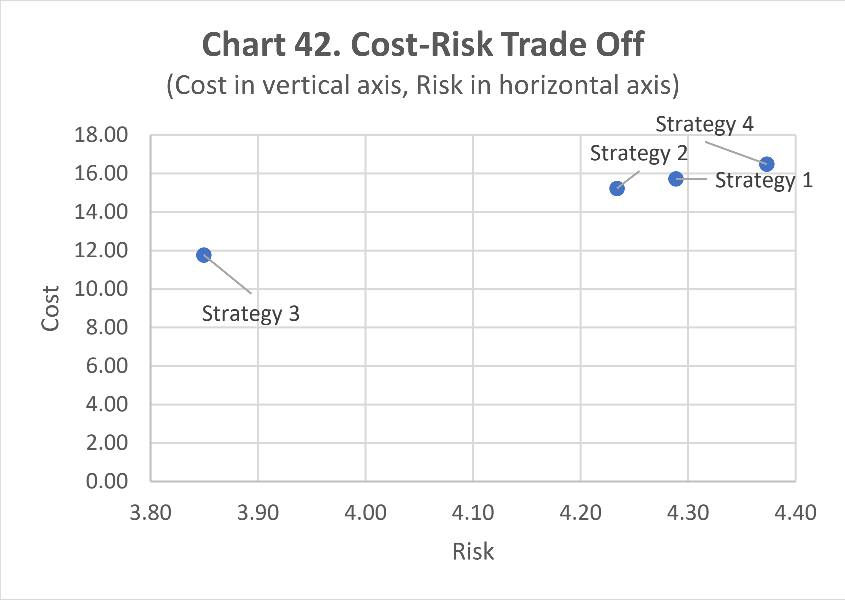


Chart 41. Interest as % of Revenue
(including grants and excluding other capital receipts)
25.0
20.0
15.0
10.0
5.0
0.0
2024
2025
2026
2027
2028
2029
Strategy #1 & Baseline Outlook
Strategy #1 & Adverse Shock
Strategy #2 & Baseline Outlook
Strategy #2 & Adverse Shock
Strategy #3 & Baseline Outlook
Strategy #3 & Adverse Shock
Strategy #4 & Baseline Outlook
Strategy #4 & Adverse Shock



From the Cost-Risk trade off chart below, the adverse shock is revenue and strategy 3 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, S3 comes easily as the most preferred strategy being that it recorded the lowest cost and risk for the four strategies. S3 becomes the most preferred strategy which can be successfully implemented in the medium term.

The current debt portfolio for Kogi as of end of 2024 is N146,197M,which is expected to increase to N618,346M in 2029 in the S1, N620,710M in S2, N573,656M and N624,852M in S3 & S4 respectively. This implies there may be improvement by year 2029 if the reference strategy (S3) is implemented as it offers better debt position by 2029.

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.

ANNEX 1

2025		Projection Methodology	Source
Assumptions :			
Economic activity	State GDP (at current prices)	The State GDP for 2025 to 2028 was forcasted using sectoral growth forcasts (Agriculture, Oil industry and non oil industry and Services) for the Nigerian Economy for the period and maitaining the States' sectoral share in National GDP for the period 2020-2024, we projected the States' GDP for 2025-2028. After 2025, states' grow at the national GDP potential growth rate 4.8 percent. Federal and State Bureau of Statistics	Debt Management Office, Abuja

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 is constant with the nominal GDP forcast for 2025-2034. State allocation for each of these components are estimated using formulae based on fixed shares. The projection take into cognizance the removal of oil subsidy which will increase FAAC Allocation that acrued to the state. Russia's War in Ukraine has also significantly impacted the price of crude oil, causing price to rise to all-timenhigh, Signing of Petroleum Industry Act by His Excellency, the President of Nigeria into Law signal the recovery for the Nigerian Oil and Gas Industry which lead to increased in Allocation from Federation Account. The total revenue that accrued to the state increased steadily from N98,812.70B in 2020 to N421,437.5B in 2024. In the historical years state recorded its highest revenue of N421,437.5B in 2024, and projected to increase to N915,002B in 2034, the increase is as a result of increase in FAAC allocation, aggressive revenue drive, blocking of leakages and Revenue Laws enacted by the state Government, State amended existing Legislation or passed new Legislation to adopt presumptive turnover tax regime for Small Businesses. Revenue is expected to increase in the projected years because of the state's expected revenue from Solid Minerals, Charges and Fees from business are payable electronically with e-receipt generation and also the State been enlisted as a beneficiary of 13% oil derivation as oil producing state and removal of oil subsidy.	DSA Team, Ministry of Finance and Economic Development , Audited Financial Statement and Kogi State MTEF
	1.a. of which Net Statutory Allocation ('net' means of deductions)	Projections start from the aggregate federation projection that is 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 Generated Revenue (IGR)
	1.b. of which Deductions		FAAC Allocation
	2. Derivation (if applicable to the State)		FAAC Allocation
	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 performance during the histirical period was not stable. It increased from N17.2B in 2019 to N17.4B in 2020, but decreased to N13.7B in 2021 and then increased to N14.1B and 16.9B in 2022 and 2023 respectively.	Kogi IRS, Accountant-General's Office,Ministry of Finance, Budget and Economic Planning.
	4. VAT Allocation	Projections start from the aggregate federation projection that is constant with the nominal GDP forcast for 2025-2034. State allocation for each of these components are estimated using formulae based on fixed shares. VAT (Value Added Tax) is an ad-valorem tax applied to sales of almost all goods and services within the Nigerian economy. The distribution to each State is based on a set of criteria slightly different from those used for Statutory Allocation. The projection take cognizance of the NationTax Reform Law which will increase the acrrue VAT to States.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning
	5. IGR	Projections start from the aggregate federation projection that is constant with the nominal GDP forcast for 2025-2034. State allocation for each of these components are estimated using formulae based on fixed shares. State reforms in the revenue administration is targeted towards generation of more revenue and blocking of leakages, by bringing more people into the tax net, deploying of technology in tax assessment and collection, Charges and Fees from business are payable electronically with e-receipt generation, so that internally generated revenue can continue to improve and gradual fiscal consolidation in order to achieve a level of public spending consistent with macroeconomic stability and sustainable debt. The State has also prioritized key sectors including Education, Health, Agriculture, Infrastructure and Tourism and signifcantly improved security over the last six (six) years, these has bring alots of investors to the State and thus, increased internally generated revenue accruing to the State.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	6. Capital Receipts		
	6.a. Grants	Projection is based on the expectations that 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 will decrease in the future. The receipt or performance has been irregular, hence, it is projected to decrease from N120,320B in 2024 to N102,923B in 2034.	DSA Team, Ministry of Finance and Economic Development. Kogi State
	6.b. Sales of Government Assets and Privatization Proceeds	Kogi State made losses on the disposals of Assets to the turn of (N12.3B in 2023) but was not projected for sales from 2024 to 2034	DSA Team, Ministry of Finance and Economic Development. Kogi StateAudited Financial Statement for 2023
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**		

	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	The State has implemented N72,000 minimum wage to cushion the effect of oil subsidy removal by the Federal Government, payment of annual increment and promotions, leave bonus, settlement of other staff claims and emolument of new staff and payment of outstanding pensions and gratuities.The increase is also due to Staff recruitment in MDA's, Kogi State Confluence University of Science and Technology, Osara and Kogi State University, Kabba to reduce unemployment. The strategic objective of establishing the Confluence University of Science and Technology (CUSTECH), is tobuild Local Skills and Capacity that will turnaround the brich natural resources of thebState (Ajaokuta Steel Company) and diversify its economy away from crude oil. Personnel Costs is projected to increased from N59,456.5B in 2024 to N133,744B in 2034, these is as a result of Employement of new staff into thec State Civil Service and payment of Social benefits to retired personnel from the State Civil Service.	DSA Team, Ministry of Finance and Economic Development. Kogi State Audited Financial Statement and Kogi State MTEF
	2. Overhead costs	Overhead costs comprises mainly operational, debt servicing and maintenance costs for running the government. it show irregular spending year by year, this was largely due to increased costs of running government, especially with respect to maintenance of many government offices. Overhead Costs is projected to increase from N110,191.4B in 2024 to N147,187B in 2034. This is as a result of increased costs of running government and Security Servicing, especially with respect to maintenance of many government offices. However, there was steady decreased in 2020 and 2021, this was due to reducton in running costs of government.	DSA Team, Ministry of Finance and Economic Development. Kogi State Audited Financial Statement and Kogi State MTEF
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Interest payment for both Domestic and External is projected to increase from N99,582M in 2024 to N491,896M in 2034. This is due to the state expectation to access loans in other to finance its deficit budget.	Audited Financial Statement and DMO quarterly Report
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Other recurrent Expenditure is projected to increase from N13,426M in 2024 to N35,410M in 2034	Audited Financial Statement and DMO quarterly Report
	5. Capital Expenditure	The state intends through its policy (Consolidation) to achieve a balance between Capital and recurrent expenditure by directing capital expenditure on critical infrastructure such as roads, health, agriculture, education etc. Capital Expenditure is projected to increase from N75,219.5M in 2024 to N502,358M in 2024 in other to provide social amenities to the citizens of kogi state and beyond.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	The coupon and principal bonds payment was liquidated 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-2024**		
	External Debt - amortization and interest	The external Debt Stock as at end Year 2024 is N104,609.70M. The interest is N130M, while the principal is N260.80M. The increase in External Debt is as a result of fluctuation in exchange rate. In the interim, despite the risk pose by foreign exchange, foreign loans present brighter window.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	Domestic Debt - amortization and interest	The Domestic Debt Stock as at end Year 2024 is N41,587.58M. The interest is N2,975.70M, while the principal is N72,183.70M. The Debt Service is expected to increase in the projected years, which will be as a result of more loans to fund the budget in the projected years.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	New debt issued/contracted from 2024 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 rate of 5%. Maturity year of 20 years and a grace period of 3 years. External Bilateral Loans is projected to have an interest rate of 5%. Mturity year of 25 years and grace period of 2 years	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024

	External Financing - Bilateral Loans	External Financing- Bilateral Loans is projected to have an interest rate of of 5%. Maturity year of 25 years and a grace period of 2 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	Other External Financing	Other External Financing is projected to have an interest rate of 3%, Maturity year of 23 years and grace period of 4 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	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 35%. Maturity year of 5 years and a grace period of 1 year. The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-5 years serves short term funding requiement.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	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 34%. Maturity year of 9 years and a grace period of 2 years.The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-6 years takes care of medium to long term funding requiement.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	State Bonds (maturity 1 to 5 years)	State Bonds is projected to have an interest of rate of 25%. Maturity year of 5 years and grace period of 0 year. The state projected to raised fund to finance its deficit through short term state Bonds of 1-5 years maturity period because utilizing the bond option comes with a moderate cost and risk.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	State Bonds (maturity 6 years or longer)	State Bonds is projected to have an interest of rate of 24%. Maturity year of 8 years and grace period of 0 year. The state projected that the funding gap will be financed by long term state bonds of 6 years or longer maturity period because utilizing the bond comes with a moderate cost and risk.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	Other Domestic Financing	Other Domestic financing is projected to have an interest of rate of 15%. Maturity year of 20 years and grace period of 0 year	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loan is projected to have an interest of rate of 35%. Maturity year of 5 years and a grace period of 1 year. The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-5 years serves short term funding requiement.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	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 34%. Maturity year of 9 years and a grace period of 2 years.The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-6 years takes care of medium to long term funding requiement.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State

	State Bonds (maturity 1 to 5 years)	State Bonds is projected to have an interest of rate of 25%. Maturity year of 5 years and grace period of 0 year. The state projected to raised fund to finance its deficit through short term state Bonds of 1-5 years maturity period because utilizing the bond option comes with a moderate cost and risk.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	State Bonds (maturity 6 years or longer)	State Bonds is projected to have an interest of rate of 24%. Maturity year of 8 years and grace period of 0 year. The state projected that the funding gap will be financed by long term state bonds of 6 years or longer maturity period because utilizing the bond comes with a moderate cost and risk.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	Other Domestic Financing	Other Domestic financing is projected to have an interest of rate of 15%. Maturity year of 20 years and grace period of 0 year	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing- Concessional Loans is projected to have an interest rate of 5%. Maturity year of 20 years and a grace period of 3 years. External Bilateral Loans is projected to have an interest rate of 5%. Mturity year of 25 years and grace period of 2 years	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	External Financing - Bilateral Loans	External Financing- Bilateral Loans is projected to have an interest rate of of 5%. Maturity year of 25 years and a grace period of 2 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	Other External Financing	Other External Financing is projected to have an interest rate of 3%, Maturity year of 23 years and grace period of 4 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
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 Loan is projected to have an interest of rate of 35%. Maturity year of 5 years and a grace period of 1 year. The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-5 years serves short term funding requiement.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	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 34%. Maturity year of 9 years and a grace period of 2 years.The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-6 years takes care of medium to long term funding requiement.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State

	State Bonds (maturity 1 to 5 years)	State Bonds is projected to have an interest of rate of 25%. Maturity year of 5 years and grace period of 0 year. The state projected to raised fund to finance its deficit through short term state Bonds of 1-5 years maturity period because utilizing the bond option comes with a moderate cost and risk.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	State Bonds (maturity 6 years or longer)	State Bonds is projected to have an interest of rate of 24%. Maturity year of 8 years and grace period of 0 year. The state projected that the funding gap will be financed by long term state bonds of 6 years or longer maturity period because utilizing the bond comes with a moderate cost and risk.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	Other Domestic Financing	Other Domestic financing is projected to have an interest of rate of 15%. Maturity year of 20 years and grace period of 0 year	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing- Concessional Loans is projected to have an interest of rate of 7%. Maturity year of 20 years and a grace period of 3 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	External Financing - Bilateral Loans	External Financing- Bilateral Loans is projected to have an interest of rate of 6%. Maturity year of 25 years and a grace period of 3 years	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	Other External Financing	Other External Financing is projected to have an interest rate of 10%, Maturity year of 23 years and grace period of 4 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
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 Loan is projected to have an interest of rate of 35%. Maturity year of 5 years and a grace period of 1 year. The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-5 years serves short term funding requiement.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State
	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 34%. Maturity year of 9 years and a grace period of 2 years.The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-6 years takes care of medium to long term funding requiement.	Ministry of Finance, Kogi State Quarterly Domestic Debt Report and Office of the Accountant General Kogi State

	State Bonds (maturity 1 to 5 years)	State Bonds is projected to have an interest of rate of 25%. Maturity year of 5 years and grace period of 0 year. The state projected to raised fund to finance its deficit through short term state Bonds of 1-5 years maturity period because utilizing the bond option comes with a moderate cost and risk.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	State Bonds (maturity 6 years or longer)	State Bonds is projected to have an interest of rate of 24%. Maturity year of 8 years and grace period of 0 year. The state projected that the funding gap will be financed by long term state bonds of 6 years or longer maturity period because utilizing the bond comes with a moderate cost and risk.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	Other Domestic Financing	Other Domestic financing is projected to have an interest of rate of 15%. Maturity year of 20 years and grace period of 0 year	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing- Concessional Loans is projected to have an interest of rate of 7%. Maturity year of 20 years and a grace period of 3 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	External Financing - Bilateral Loans	External Financing- Bilateral Loans is projected to have an interest of rate of 6%. Maturity year of 25 years and a grace period of 3 years	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	Other External Financing	Other External Financing is projected to have an interest rate of 10%, Maturity year of 23 years and grace period of 4 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
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 Loan is projected to have an interest of rate of 35%. Maturity year of 5 years and a grace period of 1 year. The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-5 years serves short term funding requiement.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	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 34%. Maturity year of 9 years and a grace period of 2 years.The state projected to borrowed from Commercial Bank to cover any revenue shortfall and that commercial bank loans are the easiest to secure, it also comes with opportunity for renegotiation of the borrowing terms should the need arises. 1-6 years takes care of medium to long term funding requiement.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	State Bonds (maturity 1 to 5 years)	State Bonds is projected to have an interest of rate of 25%. Maturity year of 5 years and grace period of 0 year. The state projected to raised fund to finance its deficit through short term state Bonds of 1-5 years maturity period because utilizing the bond option comes with a moderate cost and risk.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	State Bonds (maturity 6 years or longer)	State Bonds is projected to have an interest of rate of 24%. Maturity year of 8 years and grace period of 0 year. The state projected that the funding gap will be financed by long term state bonds of 6 years or longer maturity period because utilizing the bond comes with a moderate cost and risk.	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	Other Domestic Financing	Other Domestic financing is projected to have an interest of rate of 15%. Maturity year of 20 years and grace period of 0 year	Kogi State MTEF, Ministry of Finance, Budget and Economic Planning.
	New External Financing in Million US Dollar		

	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing- Concessional Loans is projected to have an interest of rate of 7%. Maturity year of 20 years and a grace period of 3 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	External Financing - Bilateral Loans	External Financing- Bilateral Loans is projected to have an interest of rate of 6%. Maturity year of 25 years and a grace period of 3 years	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024
	Other External Financing	Other External Financing is projected to have an interest rate of 10%, Maturity year of 23 years and grace period of 4 years.	External Debt Report from Federal DMO and Kogi State Debt Profile for 2024

Annex 2

Indicator	Actuals					Projections									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	3,151,690.00	3,597,583.00	4,134,731.00	4,789,801.00	5,669,765.00	6,580,635.00	7,547,837.00	8,674,382.00	10,052,778.00	11,184,973.00	12,444,680.00	13,846,262.00	15,405,698.00	17,140,764.00	19,071,243.00

Exchange Rate NGN/US$ (end-Period)	305.80	306.50	326.00	379.00	1,300.00	1,602.69	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00
Fiscal Indicators (Million Naira)															
Revenue	**98,812.70**	**98,584.10**	**111,141.40**	**150,549.30**	**421,437.47**	**455,264.71**	**646,521.88**	**696,964.82**	**739,760.67**	**853,485.59**	**942,065.50**	**1,010,636.99**	**1,183,964.00**	**1,267,131.19**	**1,301,772.76**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	37,462.90	41,719.00	47,173.00	58,204.90	16,997.90	70,000.10	75,000.10	76,385.70	80,917.20	88,076.00	96,308.40	108,775.50	116,662.80	129,183.10	130,172.30
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)	4,783.90	3,026.40	0.00	5,425.30	43,824.76	191,591.50	191,591.50	193,507.40	197,377.50	215,834.00	237,058.90	261,467.60	289,537.60	321,817.60	322,301.00
4. VAT Allocation	14,643.90	20,650.50	25,251.90	34,825.80	66,957.53	90,000.10	120,002.70	133,928.40	143,959.80	167,339.00	194,693.00	226,696.00	264,141.00	301,514.28	302,028.56
5. IGR	17,455.20	30,778.50	14,168.60	16,926.40	27,730.98	34,948.10	42,695.10	44,829.80	49,312.80	50,354.40	51,427.20	53,047.80	54,586.00	56,585.50	57,576.60
6. Capital Receipts	24,466.80	2,409.70	24,547.90	35,166.90	265,926.30	68,724.91	217,232.48	248,313.52	268,193.37	331,882.19	362,578.00	360,650.09	459,036.60	458,030.71	489,694.30
6.a. Grants	22,564.80	2,409.70	19,445.20	34,711.30	120,319.97	29,523.50	100,849.40	100,849.40	100,849.40	102,368.50	102,368.50	102,368.50	102,887.60	102,923.10	102,923.10
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	5,012.80	-12.30	15.33	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	1,902.00	0.00	89.90	467.90	145,591.00	25,417.80	29,231.50	29,231.50	29,231.50	29,396.70	29,561.90	29,729.30	29,729.30	29,729.30	29,892.80
6.d. Proceeds from Debt-Creating Borrowings	0.00	0.00	0.00	0.00	0.00	13,783.61	87,151.58	118,232.62	138,112.47	200,116.99	230,647.60	228,552.29	326,419.70	325,378.31	356,878.40

(bond issuance, loan disbursements, etc.)															
Expenditure	**84,916.00**	**102,580.70**	**88,700.40**	**113,019.40**	**357,875.20**	**574,800.91**	**637,698.98**	**688,141.92**	**755,962.47**	**844,662.99**	**933,242.90**	**1,019,459.59**	**1,192,786.60**	**1,250,929.39**	**1,310,595.66**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	35,939.80	38,381.90	44,916.20	50,728.90	59,456.51	109,556.60	129,711.90	131,009.10	132,727.10	132,832.30	132,987.60	133,142.90	133,343.30	133,543.70	133,744.10
2. Overhead costs	27,136.50	31,484.30	34,908.30	52,033.30	110,191.40	118,425.40	130,268.00	131,570.70	134,202.10	136,635.30	139,117.20	141,648.70	144,230.80	146,864.60	147,187.30
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	3,689.40	3,580.10	8,875.90	145.30	9,455.62	3,740.37	7,230.18	31,310.20	63,448.87	98,111.69	134,384.05	165,801.50	191,970.59	238,694.19	284,371.34
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	0.00	3,580.10	8,875.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	0.00	0.00	0.00	10,111.90	13,426.07	34,173.80	34,173.80	34,515.50	34,860.70	35,205.90	35,205.90	35,205.90	35,410.10	35,410.10	35,410.10
5. Capital Expenditure	14,045.20	29,134.40	0.00	0.00	75,219.47	307,761.70	334,164.10	350,009.60	367,459.10	384,908.60	402,358.10	419,807.60	537,257.10	519,807.60	502,358.10
6. Amortization (principal) payments	4,105.10	0.00	0.00	0.00	90,126.13	1,143.04	2,151.00	9,726.83	23,264.61	56,969.19	89,190.05	123,852.99	150,574.71	176,609.19	207,524.72
Budget Balance (' + ' means surplus, ' - ' means deficit)	**13,896.50**	**-3,997.00**	**22,441.00**	**37,529.90**	**63,562.26**	**-119,536.20**	**8,822.90**	**8,822.90**	**-16,201.80**	**8,822.60**	**8,822.60**	**-8,822.60**	**-8,822.60**	**16,201.80**	**-8,822.90**
Opening Cash and Bank Balance	**32,456.30**	**46,352.80**	**42,355.80**	**64,796.80**	**102,326.70**	**165,889.00**	**46,352.80**	**55,175.70**	**63,998.60**	**47,796.80**	**56,619.40**	**65,442.00**	**56,619.40**	**47,796.80**	**63,998.60**
Closing Cash and Bank Balance	**46,352.80**	**42,355.80**	**64,796.80**	**102,326.70**	**165,889.00**	**46,352.80**	**55,175.70**	**63,998.60**	**47,796.80**	**56,619.40**	**65,442.00**	**56,619.40**	**47,796.80**	**63,998.60**	**55,175.70**

Financing Needs and Sources (Million Naira)										
Financing Needs	**39,201.41**	**116,383.08**	**147,464.12**	**167,343.97**	**229,513.69**	**260,209.50**	**258,281.59**	**356,149.00**	**355,107.61**	**386,771.20**
i. Primary balance	-153,854.20	-98,179.00	-97,604.20	-96,832.30	-65,610.20	-27,812.80	22,550.30	-22,426.30	76,397.58	96,301.96
ii. Debt service	4,883.41	9,381.18	41,037.02	86,713.47	155,080.89	223,574.10	289,654.49	342,545.30	415,303.39	491,896.06
Amortizations	1,143.04	2,151.00	9,726.83	23,264.61	56,969.19	89,190.05	123,852.99	150,574.71	176,609.19	207,524.72
Interests	3,740.37	7,230.18	31,310.20	63,448.87	98,111.69	134,384.05	165,801.50	191,970.59	238,694.19	284,371.34
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)	-119,536.20	8,822.90	8,822.90	-16,201.80	8,822.60	8,822.60	-8,822.60	-8,822.60	16,201.80	-8,822.90
Financing Sources	**39,201.41**	**116,383.08**	**147,464.12**	**167,343.97**	**229,513.69**	**260,209.50**	**258,281.59**	**356,149.00**	**355,107.61**	**386,771.20**
i. Financing Sources Other than Borrowing	25,417.80	29,231.50	29,231.50	29,231.50	29,396.70	29,561.90	29,729.30	29,729.30	29,729.30	29,892.80
ii. Gross Borrowings	13,783.61	87,151.58	118,232.62	138,112.47	200,116.99	230,647.60	228,552.29	326,419.70	325,378.31	356,878.40
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	5,142.50	0.00	50,132.20	58,012.30	65,205.20	77,150.10	132,076.70	160,254.30	200,800.20	222,466.50
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.00	37,100.40	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	68,100.40	80,100.20	38,017.00	90,050.30	0.00	0.00	106,098.10	108,651.90
State Bonds (maturity 6 years or longer)	8,000.00	50,051.20	0.00	0.00	79,394.80	0.00	59,095.60	144,605.40	0.00	0.00

Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	39,927.20	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						641.08	0.00	0.00	0.00	17,500.00	23,520.00	19,880.00	21,560.00	0.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18,480.00	25,760.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	17,500.00	0.00	0.00	0.00
Residual Financing						0.03	-0.02	0.02	-0.03	-0.01	0.00	-0.01	0.00	0.01	0.00
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**100,572.26**	**77,740.25**	**101,314.40**	**139,242.30**	**146,197.28**	**183,195.02**	**251,844.79**	**360,350.59**	**475,198.45**	**618,346.25**	**759,803.80**	**864,503.09**	**1,040,348.08**	**1,189,117.20**	**1,338,470.88**
External	9,235.16	7,080.15	7,693.60	17,434.00	104,609.70	129,287.41	112,656.60	112,376.60	112,096.60	129,283.66	152,490.72	189,697.78	211,084.84	228,362.48	251,536.60
Domestic	91,337.10	70,660.10	93,620.80	121,808.30	41,587.58	53,907.61	139,188.19	247,973.99	363,101.85	489,062.59	607,313.08	674,805.31	829,263.25	960,754.71	1,086,934.28
Gross borrowing (flow)						**13,783.61**	**87,151.58**	**118,232.62**	**138,112.47**	**200,116.99**	**230,647.60**	**228,552.29**	**326,419.70**	**325,378.31**	**356,878.40**
External						641.08	0.00	0.00	0.00	17,500.00	23,520.00	37,380.00	21,560.00	18,480.00	25,760.00
Domestic						13,142.53	87,151.58	118,232.62	138,112.47	182,616.99	207,127.60	191,172.29	304,859.70	306,898.31	331,118.40
Amortizations (flow)	**9,083.92**	**8,966.25**	**5,607.10**	**11,861.70**	**72,443.70**	**1,143.04**	**2,151.00**	**9,726.83**	**23,264.61**	**56,969.19**	**89,190.05**	**123,852.99**	**150,574.71**	**176,609.19**	**207,524.72**
External	3,486.12	91.95	260.80	341.10	260.00	320.54	280.00	280.00	280.00	312.94	312.94	172.94	172.94	1,202.35	2,585.88
Domestic	5,597.80	8,874.30	5,346.30	11,520.60	72,183.70	822.50	1,871.00	9,446.83	22,984.61	56,656.25	88,877.11	123,680.05	150,401.77	175,406.84	204,938.84
Interests (flow)	**19,370.08**	**2,896.60**	**6,558.80**	**5,273.10**	**3,105.70**	**3,740.37**	**7,230.18**	**31,310.20**	**63,448.87**	**98,111.69**	**134,384.05**	**165,801.50**	**191,970.59**	**238,694.19**	**284,371.34**
External	30.58	61.30	65.20	227.40	130.00	160.27	168.00	168.00	168.00	168.00	1,041.35	2,215.71	3,733.06	4,809.41	5,680.29
Domestic	19,339.50	2,835.30	6,493.60	5,045.70	2,975.70	3,580.10	7,062.18	31,142.20	63,280.87	97,943.69	133,342.69	163,585.79	188,237.53	233,884.78	278,691.05
Net borrowing (gross borrowing minus amortizations)						**12,640.57**	**85,000.58**	**108,505.80**	**114,847.87**	**143,147.79**	**141,457.55**	**104,699.30**	**175,844.99**	**148,769.11**	**149,353.68**

	External							320.54	-280.00	-280.00	-280.00	17,187.06	23,207.06	37,207.06	21,387.06	17,277.65	23,174.12
	Domestic							12,320.03	85,280.58	108,785.80	115,127.87	125,960.74	118,250.49	67,492.24	154,457.93	131,491.47	126,179.56
	Debt and Debt-Service Indicators																
Indicator1_baseline	**Debt Stock as % of SGDP**		**3.19**	**2.16**	**2.45**	**2.91**	**2.58**	**2.78**	**3.34**	**4.15**	**4.73**	**5.53**	**6.11**	**6.24**	**6.75**	**6.94**	**7.02**
Indicator2_baseline	**Debt Stock as % of Revenue (including grants and excluding other capital receipts)**		**103.78**	**78.86**	**95.54**	**92.77**	**53.00**	**44.03**	**47.51**	**65.58**	**83.02**	**99.10**	**111.43**	**114.91**	**125.67**	**130.38**	**146.28**
Indicator3_baseline	**Debt Service as % of SGDP**							**0.07**	**0.12**	**0.47**	**0.86**	**1.39**	**1.80**	**2.09**	**2.22**	**2.42**	**2.58**
Indicator4_baseline	**Debt Service as % of Revenue (including grants and excluding other capital receipts)**							**1.17**	**1.77**	**7.47**	**15.15**	**24.85**	**32.79**	**38.50**	**41.38**	**45.54**	**53.76**
Indicator5_baseline	**Interest as % of SGDP**							**0.06**	**0.10**	**0.36**	**0.63**	**0.88**	**1.08**	**1.20**	**1.25**	**1.39**	**1.49**
Indicator6_baseline	**Interest as % of Revenue (including grants and excluding other capital receipts)**							**0.90**	**1.36**	**5.70**	**11.08**	**15.72**	**19.71**	**22.04**	**23.19**	**26.17**	**31.08**
	Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							**26.33**	**24.47**	**23.84**	**23.19**	**21.29**	**19.50**	**17.70**	**16.11**	**14.64**	**14.62**
	Adverse Shock Scenario is defined by the worst performance indicator measured in year 2029																
	For Debt Stock as % of SGDP the adverse shock is: Expenditure	**Expenditure**															
Indicator1_shock	**Debt Stock as % of SGDP**							**2.78**	**4.17**	**5.68**	**6.82**	**8.17**	**9.24**	**9.82**	**10.77**	**11.33**	**11.71**

Indicator2_shock	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)		44.03	63.89	95.55	126.87	155.53	179.82	193.60	215.46	230.31	265.62
Indicator3_shock	For Debt Service as % of SGDP the adverse shock is: Expenditure	Expenditure											
	Debt Service as % of SGDP		0.07	0.12	0.53	0.97	1.54	1.99	2.77	2.93	3.16	3.34
Indicator4_shock	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)		1.17	1.97	9.16	18.57	30.16	39.76	54.67	58.72	64.17	75.86
Indicator5_shock	For Interest as % of SGDP the adverse shock is: Expenditure	Expenditure											
	Interest as % of SGDP		0.06	0.10	0.42	0.74	1.03	1.27	1.42	1.50	1.68	1.81
Indicator6_shock	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)		0.90	1.52	7.19	14.06	20.01	25.22	28.55	30.56	34.59	41.34