**Report of the**

**KOGI STATE Debt Sustainability Analysis (State DSA)**

***December, 2020***

**APPROVED BY:** 

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5. **Introduction**

**1.1 Objectives of the State Debt Sustainability Analysis (DSA)**

The DSA analyzes trends and patterns in the State’s public finances during the period 2015-2019, and evaluates the debt sustainability in 2020-2029 (the long-term). The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the Kogi State. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of the Kogi State’s public finances.

* 1. **Findings and Results of the State DSA.**

The State exhibits a solid debt position that appears sustainable in the long term (2020-2029). 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 such as granting autonomy to Kogi State Internal Revenue Services, its control of recurrent expenditure despite increase level of public debt in the State. 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.

1. **The State Fiscal and Debt Framework**

The fiscal reforms that the State has been implemented which are either as laws or draft laws: 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; Arrears Clearance Framework; Opening of Consolidated Debt Service Account: Monitoring & Evaluation Policy Guides (in draft) while the bill is undergoing legislation.

The main features of the 2020 Amended Budget in terms of fiscal outcomes for FY2020 are National Inflation 14.13%, National Real GDP Growth -4.20%, Oil Production Benchmark (MBPD) 1.8000, Oil Price Benchmark $28.00, NGN:USD Exchange Rate 360, State Inflation 0%, State Real GDP Growth 0.00% and State GDP Actual N0.00 and the fiscal policy strategies of Kogi State Government is anchored on the on-going Public Financial Management Reform (PFM). Over the period 2021 -2023 the State Government fiscal policy is directed at:

* + improving the efficiency and effectiveness of spending;
  + achieving a better balance between capital and recurrent expenditure;
  + including greater control of the wage bill;
  + directing capital expenditure on critical infrastructure such as Road, Housing Education, Health etc
  + boosting revenue receipts by identifying and blocking revenue leakages; and gradual fiscal consolidation in order to achieve a level of public spending consistent with macroeconomic stability and sustainable debt of the 2021 Budget and the 2021-2023 MTEF. regarding the revenue, expenditure and debt forecasts for the next years. The Borrowing Plan of the 2021-2023 MTEF or the Medium-Term Debt Strategy are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ITEM** | **2020** | **2021** | **2022** | **2023** |
| **Internal Loans** |
| 14030113 LOANS FACILITIES FROM CACS | 0 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| 14030104 COMMERCIAL BANK FACILITIES TO KOGI STATE GOVERNMENT(TERM LOAN, BRIDGING FACILITIES, OVERDRAFTS) | 2,000,000,000 | 15,000,000,000 | 12,000,000,000 | 12,000,000,000 |
| 14030114 HOUSING SCHEME LOANS FACILITIES | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| 14030219 ACCELERATING NUTRITION RESULTS IN NIGERIA | 400,000,000 | 400,000,000 | 400,000,000 | 400,000,000 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **External Loans** |  |  |  |  |
| 14030218 AGRO-PROCESSING, PRODUCTIVITY ENHANCING AND LIVELIHOOD SUPPORT(APPEALS)(WORLD BANK SUPPORT). | 1,000,000,000 | 1,500,000,000 | 1,500,000,000 | 1,500,000,000 |
| 14030220 EXTERNAL BORROWING FROM AFDB TO FINANCE STAPLE CROPS PROCESSING ZONE PROJECT AT ALAPE | 1,000,000,000 | 5,000,000,000 | 5,000,000,000 | 5,000,000,000 |
| 14030204 WORLD BANK ASSISTED COMMUNITY AND SOCIAL DEVELOPMENT (Mutilateral)(CARES) | 300,000,000 | 300,000,000 | 750,000,000 | 500,000,000 |
| 14030212 YESSO NET (Mutilateral) | 110,000,000 | 0 | 0 | 0 |
| 14030115 LOANS FROM CENTRAL BANKS OF NIGERIA(CBN)/OTHER COMMERCIAL BANKS FOR COVID-19 | 2,000,000,000 | 2,000,000,000 | 2,000,000,000 | 2,000,000,000 |
| 14030216 WORLD BANK ASSISTED Rural Access and Agricultural marketing project | 500,000,000 | 900,000,000 | 500,000,000 | 500,000,000 |

Kogi State economy and, indeed, the entire global economy is witnessing significant disruptions due to the effects of COVID-19 Pandemic. In particular, the State Budget assumptions, as in the Federal Budget assumptions, have been severely affected, rendering them unrealistic and triggering the need for more realistic assumptions. The crude oil, which is still the largest contributor to the State recurrent revenue, had its price crashed from $60 Dollars per barrel in December, 2019 to less than $20 Dollars in April, 2020. The crude oil benchmark for 2020 Budget was projected at $56.50 Dollars per barrel. Other assumptions such as exchange rate, volume of oil production, inflation, GDP growth rate etc. were also adversely affected. This gloomy situation necessitated a revision of Budget assumptions in line with the prevailing realities. COVID-19, as a major global health issue, has also triggered unprecedented economic crisis around the world occasioned by lock down and restrictions in travels and business activities. Some economies have already contracted by over 25% and are projected to be in recession soon, i.e. after attaining 2 quarters of negative growth. This situation largely necessitated the revision of the 2020 Budget in order to adjust the budget size within the potentially available revenues as well as re-order our priorities to address the emerging issues.

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

* To improve the quality of education to citizens at all levels in order to produce articulate and skilled manpower necessary for economic transformation of the State;
* To improve access to healthcare leading to improvement in efficiency of the healthcare delivery system;
* To ensure food security and generate a high proportion of the GDP from agriculture;
* To exploit the full potentials and expand trade and commerce in the State to ensure that products from agricultural and industrial activities have access to markets locally and internationally;
* To ensure gainful employment of youths and create opportunities for the development of their talents;
* To achieve sustainable development and promoting social and economic development through culture and tourism;
* To establish the necessary framework for a robust mining and Solid minerals sector, branding Kogi State as the foremost mining and minerals exploitation destination;
* To improve the road network in the State through continued construction of new roads and bridges and rehabilitation of existing ones in urban and rural areas;
* To improve the quantity, quality and access to safe water for domestic, commercial and industrial uses as well as improve sanitation and hygiene practices among the citizens;
* To ensure sustainable use of the environment and continuous management of environmental challenges such as pollution, degradation and gully erosion;
* To ensure easy access to lands for agricultural, residential, commercial and industrial uses to all citizens and investors to facilitate the social and economic development of the State;
* To improve the quantity of decent housing and facilitate the creation of viable urban communities in the state;
* To improve and expand affordable housing options through the use of public private partnership arrangements;
* To reduce average power outage through the generation and distribution of adequate electricity in the urban and rural areas in Kogi State;
* To rejuvenating the transportation sector and all its players to facilitates Internally Generated Revenue;
* To 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.

1. **The State Revenue, Expenditure, and Public Debt Trends (2015 – 2019)**

(a)The State revenue had a gradual increase in the year 2015 to 2018 and an outturn in 2019 as a result of unsteady oil prices in the international market which was as a result of COVID-19 pandemic. The expenditure also rose from 2015 to 2018 but there was a drop in the year 2019 because of the reduction in the total revenue of the state.

(b) The debt stock continue to increase from 2015 to 2018 until arrears framework was established and inaugurated a Domestic Debt Arrears Clearance (DDAC)- Committee on the 11th December, 2019 with a clear mandate to verify, authenticate and report the true liabilities of the state and develop an internal debt data base.

At the end of the exercise the DDAC Committee came up with verified actual and authentic domestic debt arrears as reported on the State Arrears Reporting Verification Clearance Report (SARVCR) for the year 2019 and also in the State Financial Statement for the same SARVCR report for year 2019 as published on the State website.

***3.1 Revenue and Expenditure:***

The State Revenue gradually increased from 2015 to 2017. However, 2018 there was a sharp increase as a result of FGN Paris Club Refund of about 13Billion to the State which gave rise to the increase in revenue for that year. In 2019 such refund was no longer coming which led to a little drop in revenue in 2019 as compared to 2018.

The expenditure rose gradually from 2015 to 2017. But in 2018, the State Government embarked on internal verification exercise of pension and gratuity and contractual obligations. As a result of this exercise, very little payment on social benefits was made in 2018 while, the outstanding balance of 2018 was paid along with that of 2019 payments.

Fiscal Outturns is not recorded because there was no GDP figures that can be assessed from the bureau of statistics.

**i.Aggregate State Total Revenue trend in the last five years and its composition in 2019**

The Aggregate state revenue increase in recent years, owing to a gradual increase in federal allocations. The State Revenue gradually increased from 2015 to 2017. However, 2018 there was FGN Paris Club Refund of about 13Billion to the State which gave sharp increase in revenue for that year. In 2019 such refund was no longer coming which led to a little drop in revenue in 2019 and FAAC Allocations as compared to 2018.

**ii.FAAC Allocations trend in the last five years**.

Federal transfers registered gradual increase between 2015 and 2018. The State’s federal allocation, including transfers from the excess crude account, fell by 10 percent between 2018-2019. However, the decline in 2019 is largely attributable to a slide in federal oil receipts due to the lower oil prices and to rebel attacks on oil production facilities and unsteady oil prices in the international market which was as a result of COVID-19 pandemic.

**iii.IGR trend in the last five years.**

The State exhibited strong IGR growth during the review period. The Chart depicts that the State experienced strong IGR growth during the review period. IGR grew astronomically by (approximately) 139% between 2015 and 2019. As a share of aggregate revenue (excluding grants), it increased from 14% in 2015 to 22% in 2019. The improvement in IGR is partly attributable to the autonomy granted and structural changes made to the board (Internal Revenue Service) which resulted in improved tax administration and widen the revenue base of the state. A law establishing the Board to harmonize taxes, levies, duties, fess, rate and charges due to state was equally enacted and gazetted/published during the period under review.

**iv Aggregate (total) Expenditure[[1]](#footnote-0) trend in the last five years and its composition**

**in 2019.**

From the above graph, it shows that from 2015 to 2017 there was a gradual increased in the State Expenditure and a little fall in 2018, It then picked up in 2019.

The expenditure on Personnel rose gradually from 2015 to 2017. But in 2018, the State Government embarked on internal verification exercise of pension and gratuity and contractual obligations. As a result of this exercise, very little payment on social benefits was made in 2018 while, the outstanding balance of 2018 was paid along with that of 2019 payments.

Fiscal Outturns is not recorded because there was no GDP figures that can be assessed from the bureau of statistics.

**v.Main expenditure variations in the last five years by economic classification.**

In 2015 to 2017 Personnel Costs steadily increased, but as a result of Staff verification exercise which resulted into non- clearance of some staff by the Screening Committee, the Personnel Cost decreased in 2018. It rose again in 2019 as a result of payments of arrears of Salaries to some staff cleared and social benefits to Pensioners’.

Overhead Costs increased from 2015 to 2017 by an average of 58%as a result of strong internal revenue derived which enable the State Government to venture into Projects in order to provide dividends of democracy to the citizenryand smooth running of office administration. In 2018, Overhead Costs dropped by 8% as a result of diversification to areas of public interest and then increased by 19% in 2019.

There was Debt service obligations on our domestic and external debts in 2015 through 2017 respectively but the figure dropped in 2018 and then increased in 2019.

There were no other Recurrent Expenditures from 2015 to 2019. Capital Expenditure increased steadily from 2016 to 2017 and then fell in 2018 and increased in 2019.

**VI. Overall and primary balance trend in the last five years.**

**Kogi State has no GDP Records**

The public debt includes the explicit financial commitments – like loans and securities that have paper contracts instrumenting the government promises to repay. The State shall use this standard definition of public debt, which considers non-contingent debt and thus the obligation to repay them is independent of the circumstances, as well as excludes contingent liabilities (i.e. guarantees, state own enterprises non-guaranteed liabilities). Public Debt is of two types, that is Domestic Debt and External Debt. The State Domestic debt rose between 2015 to 2017 due to increase in IGR and became stable between 2017 and 2018 then later dropped in the year 2019. However, external debt remained stable from 2015 to 2018, while in 2019 there was no new external loan acquired.

The State public debt portfolio as at end-2019 and the share of each i) domestic and ii) external debt category as percentage of the total debt are. (N 90,057,063,070.33)

The state existing domestic debt portfolio at end-2019 was (N 81,414,138518.55), while the state existing external debt portfolio at end-2019 is (N 8,642,924,551.78)

Percentage of Domestic debt to total debt as at end 2019 = 81,414,138,518.55 X 100

90,057,063,070.33

**= 90.402%**

While the percentage of external debt to total debt as at end 2019 = 8,642,924,551.78 X 100 90,057,063,070.33

= 9.597%

The state is advised to minimize its demand for loan facility, so that the debt servicing will not be overwhelming. Meanwhile the state is at a low cost and a low risk debt portfolio considering the interest, currency and rollovers.

i.**Public debt stock amount or its shares on total Revenue at end-2019 and its growth in the last five years.**

The State external debt amounted to N8,642,924,551.78 and the State domestic debt amounted to N81,414,138,518.55 as of end-2019 and has been increasing from 2015 to 2018 due to the collapse of oil prices and decline in revenue allocation to State.

There is a consistent growth in the state Gross Domestic Product (S-GDP) from 2015 to 2017, it dropped in the year 2018 and rose again in the year 2019, hence the gross financing needs of the State as a percentage of S-GDP was sustainable.

1. **The existing public debt portfolio composition at end-2019.**

The State’s debt portfolio largely consists of domestic and external loans*.* (i.e. External: WB, AfDB; Domestic: Commercial bank loans, State bonds, Budget Support Facility). The percentage of domestic debt to total debt

portfolio is 90.402% and the percentage of external debt to total debt portfolio is 9.597%.

Aggregate state revenue increase within 2015-2019 and it has a nominal growth rate of (approximately) 55% with an average growth rate of 11%. However, there is a decrease by 5.57% in 2019, owing to a mild decline in federal transfers.

From the graph below, it shows that from 2015 to 2017 there was a gradual increased in the State Expenditure and a little fall in 2018, It then picked up in 2019.

The expenditure on Personnel rose gradually from 2015 to 2017. But in 2018, the State Government embarked on internal verification exercise of pension and gratuity obligations. As a result of this exercise, very little payment on social benefits was made in 2018 while, the outstanding balance of 2018 was paid along with that of 2019 payments.

From the above graph, the State external debt amounted to N 8,642,924,551.78 and the State domestic debt amounted to N81,414,138,518.55 as of end-2019 and has been increasing from 2015 to 2018 due to the collapse of oil prices.

No SGDP computation available.

**4.Debt Sustainability Analysis**

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

***4.1 Medium-Term Budget Forecast***

Main features of the macroeconomic outlook of that State is that the 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 2021-2023, with real GDP expanding at an average annual rate of 3 percent and domestic inflation decreasing below 10 percent by 2022. Such a moderate recovery will be supported by higher oil prices in global markets, an increase in domestic production, prudent fiscal policy, and the stabilization of the exchange rate relevant for international public-sector financial transactions at its current level. Oil and gas revenue, as well as shared resources such as custom duties and VAT, would then increase relative to the depressed levels observed in 2020, thus improving the State’s revenue position.

The State’s revenue and expenditure policies going forward under the baseline scenario. Debt sustainability analysis is also predicated on the continuation of recent efforts to mobilize local revenue sources, 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. On the other hand, no new policies are anticipated with regard to personnel and overhead costs, which are thus likely to preserve their historical trends.

**ii.** State’s revenue and expenditure policies going forward under the baseline scenario.Debt sustainability analysis is also predicated on the continuation of recent efforts to mobilize local revenue sources, 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. On the other hand, no new policies are anticipated with regard to personnel and overhead costs, which are thus likely to preserve their historical trends.

***4.2 Borrowing options***

The State Planned borrowings creating new debts are; Budget Support Facilities, FGN Bonds, State Bonds, Salary Bailout Facilities, Commercial Banks Loans, Excess Crude Accounts Backed Loan, Commercial Agriculture Loan. The State planned to implement new tax regime by widening the coverage of taxable items in order to boost the IGR and look into the growth of the State Gross Domestic Products.

***4.3 DSA Simulation Results***

In the Baseline Scenario, the State preserves debt sustainability. Total revenue (including grants and excluding other capital receipts) is projected to increase from N80,000,000 million in 2019 to N120,000,000 million by 2029 (Chart 16). Total expenditure will expand from N100,000,000 million in 2019 to N700,000,000 million by 2029 (Chart 17). Therefore, the fiscal deficit—computed as the difference between revenue and expenditure—is expected to remain within a range of N20,000,000 million to N580,000,000 million in nominal terms, compared to the 2019 deficit of N20,000,000 million.

*As a consequence of the modest increase in investment and external borrowings, the public debt will decline and the State’s repayment capacity will rise pari passu (Charts 22). Debt is projected to raise from N100,000,000 million as of end-2019 to N1,400,000 million by 2029. However, relative to the State’s repayment capacity, the public debt position will improve: it is expected to increase from 110 percent of the Revenue in 2019 to 90 percent by 2029. As the fiscal deficit stabilizes in nominal terms over the next few years, and the public debt ratio improves, the analysis of the Baseline Scenario suggests the State will be able to preserve the sustainability of its debt in the medium-term.*

**Main finding and conclusion of the baseline scenario in terms of debt sustainability.** In 2015 to 2019 the average percentage of debt to revenue was below the threshold. It is assumed that from 2020 to 2029 the debt may increase gradually which may result from drop in Federal Allocation, fluctuation in Exchange Rate and Inflation, but has a plan in place to increase the IGR. From 2020 to 2029 there may be continuous increase in the debt service as a percentage of revenue due to the likely procurement of External loans to fund the budget. It shows that the State will be able to preserve the sustainability of its public finances and debt in the long run.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Actuals** | | | | | **Projections (Baseline Scenario)** | | | | | | | | | |
|  | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Economic Indicators** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| State GDP (million NGN, at current prices) | 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 |
| Exchange Rate NG~~N~~/US$ (end-Period) | 196.49 | 253.19 | 305.79 | 306.50 | 326.00 | 379.00 | 379.00 | 379.00 | 379.00 | 379.00 | 379.00 | 379.00 | 379.00 | 379.00 | 379.00 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Fiscal Indicators (million NGN)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Revenue** | **59,667.05** | **81,291.53** | **79,410.89** | **107,869.95** | **106,178.61** | **186,678.84** | **322,510.32** | **357,793.73** | **402,083.84** | **441,581.05** | **487,237.93** | **530,683.62** | **605,955.63** | **681,331.33** | **755,452.91** |
| 1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here) | 32,826.45 | 23,974.68 | 31,338.36 | 46,996.00 | 45,509.55 | 29,189.56 | 30,639.79 | 34,409.98 | 30,968.98 | 34,065.88 | 37,472.46 | 41,219.71 | 37,097.74 | 40,807.51 | 44,888.27 |
| 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 |
| 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) | 4,424.49 | 19,409.25 | 18,069.17 | 16,026.95 | 3,231.49 | 1,771.56 | 2,037.29 | 2,078.03 | 1,870.23 | 2,057.25 | 2,262.98 | 2,489.28 | 2,240.35 | 2,464.38 | 2,710.82 |
| 4. VAT Allocation | 8,044.13 | 7,694.49 | 10,014.00 | 11,259.14 | 12,086.86 | 11,800.36 | 9,885.90 | 10,213.40 | 9,192.06 | 10,111.27 | 11,122.39 | 12,234.63 | 11,011.17 | 12,112.29 | 13,323.52 |
| 5. IGR | 7,201.76 | 10,213.12 | 10,493.18 | 11,463.19 | 17,199.21 | 17,032.11 | 17,883.72 | 18,062.56 | 16,256.30 | 17,881.93 | 19,670.12 | 21,637.14 | 19,473.42 | 21,420.76 | 23,562.84 |
| 6. Capital Receipts | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 126,885.25 | 262,063.63 | 293,029.76 | 343,796.27 | 377,464.72 | 416,709.97 | 453,102.86 | 536,132.95 | 604,526.38 | 670,967.46 |
| Grants | 0.00 | 0.00 | 100.00 | 36.69 | 2,977.39 | 29,621.84 | 25,959.68 | 25,959.68 | 23,363.71 | 25,700.08 | 28,270.09 | 31,097.10 | 27,987.39 | 30,786.12 | 33,864.74 |
| Sales of Government Assets and Privatization Proceeds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Non-Debt Creating Capital Receipts | 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 |
| Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 97,263.41 | 236,103.95 | 267,070.08 | 320,432.56 | 351,764.64 | 388,439.88 | 422,005.76 | 508,145.57 | 573,740.25 | 637,102.73 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Expenditure** | **38,242.58** | **78,331.87** | **104,222.09** | **72,208.61** | **125,223.62** | **219,135.12** | **322,510.32** | **357,793.73** | **402,083.84** | **441,581.05** | **487,237.93** | **530,683.62** | **605,955.63** | **681,331.33** | **755,452.91** |
| 1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other) | 27,224.64 | 40,271.88 | 53,015.62 | 30,473.85 | 59,347.64 | 38,198.40 | 38,580.38 | 38,966.19 | 39,355.85 | 39,749.41 | 40,146.90 | 40,548.37 | 40,953.85 | 41,363.39 | 41,777.03 |
| 2. Overhead costs | 11,017.95 | 19,737.96 | 27,320.68 | 25,045.08 | 29,826.17 | 27,320.45 | 27,375.10 | 27,648.85 | 27,925.33 | 28,204.59 | 28,486.63 | 28,771.50 | 29,059.22 | 29,349.81 | 29,643.31 |
| 3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation) | 0.00 | 0.00 | 0.00 | 0.00 | 1,995.31 | 25,478.04 | 46,914.26 | 65,827.54 | 88,126.65 | 115,753.83 | 146,025.20 | 178,792.96 | 214,094.40 | 254,257.67 | 298,548.24 |
| 4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 5. Capital Expenditure | 0.00 | 15,828.82 | 19,888.12 | 16,169.14 | 28,589.76 | 32,206.57 | 35,273.56 | 38,931.28 | 42,824.41 | 47,106.85 | 51,817.53 | 56,999.28 | 62,699.21 | 68,969.13 | 75,866.05 |
| 6. Amortization (principal) payments | 0.00 | 2,493.21 | 3,997.66 | 520.53 | 5,464.74 | 95,931.65 | 174,367.02 | 186,419.87 | 203,851.61 | 210,766.38 | 220,761.67 | 225,571.50 | 259,148.95 | 287,391.33 | 309,618.29 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Budget Balance (' + ' means surplus, ' - ' means deficit)** | **21,424.47** | **2,959.66** | **-24,811.20** | **35,661.35** | **-19,045.01** | **-32,456.28** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| **Opening Cash and Bank Balance** | **4,635.95** | **2,029.31** | **20,398.49** | **13,673.28** | **16,497.92** | **32,456.28** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| **Closing Cash and Bank Balance** | **2,029.31** | **20,398.49** | **13,673.28** | **16,497.92** | **32,456.28** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Actuals** | | | | | **Projections (Baseline Scenario)** | | | | | | | | | |
|  | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Financing Needs and Sources (million NGN)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Financing Needs** |  |  |  |  |  | **97,263.41** | **236,103.95** | **267,070.08** | **320,432.56** | **351,764.64** | **388,439.88** | **422,005.76** | **508,145.57** | **573,740.25** | **637,102.73** |
| i. Primary balance |  |  |  |  |  | -8,310.00 | -14,822.67 | -14,822.67 | -28,454.31 | -25,244.43 | -21,653.02 | -17,641.30 | -34,902.21 | -32,091.26 | -28,936.20 |
| ii. Debt service |  |  |  |  |  | 121,409.69 | 221,281.28 | 252,247.42 | 291,978.25 | 326,520.21 | 366,786.87 | 404,364.46 | 473,243.35 | 541,649.00 | 608,166.53 |
| Amortizations |  |  |  |  |  | 95,931.65 | 174,367.02 | 186,419.87 | 203,851.61 | 210,766.38 | 220,761.67 | 225,571.50 | 259,148.95 | 287,391.33 | 309,618.29 |
| Interests |  |  |  |  |  | 25,478.04 | 46,914.26 | 65,827.54 | 88,126.65 | 115,753.83 | 146,025.20 | 178,792.96 | 214,094.40 | 254,257.67 | 298,548.24 |
| iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances) |  |  |  |  |  | -32,456.28 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Financing Sources** |  |  |  |  |  | **97,263.41** | **236,103.95** | **267,070.08** | **320,432.56** | **351,764.64** | **388,439.88** | **422,005.76** | **508,145.57** | **573,740.25** | **637,102.73** |
| i. Financing Sources Other than Borrowing |  |  |  |  |  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| ii. Gross Borrowings |  |  |  |  |  | 97,263.41 | 236,103.95 | 267,070.08 | 320,432.56 | 351,764.64 | 388,439.88 | 422,005.76 | 508,145.57 | 573,740.25 | 637,102.73 |
| Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF) | |  |  |  |  | 100.00 | 100.00 | 1,000.00 | 100.00 | 1,000.00 | 100.00 | 100.00 | 1,000.00 | 500.00 | 1,000.00 |
| Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF) | |  |  |  |  | 200.00 | 200.00 | 400.00 | 1,000.00 | 1,000.00 | 200.00 | 200.00 | 400.00 | 1,000.00 | 1,000.00 |
| State Bonds (maturity 1 to 5 years) |  |  |  |  |  | 300.00 | 300.00 | 300.00 | 1,000.00 | 1,000.00 | 300.00 | 300.00 | 300.00 | 1,000.00 | 1,000.00 |
| State Bonds (maturity 6 years or longer) |  |  |  |  |  | 400.00 | 1,000.00 | 1,200.00 | 1,000.00 | 400.00 | 400.00 | 900.00 | 1,200.00 | 1,000.00 | 1,000.00 |
| Other Domestic Financing |  |  |  |  |  | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 | 800.00 | 1,000.00 | 1,000.00 | 1,000.00 |
| External Financing - Concessional Loans (e.g., World Bank, African Development Bank) |  |  |  |  |  | 11,370.00 | 151,600.00 | 170,550.00 | 37,900.00 | 189,500.00 | 227,400.00 | 49,270.00 | 341,100.00 | 265,300.00 | 379,000.00 |
| External Financing - Bilateral Loans |  |  |  |  |  | 37,900.00 | 37,900.00 | 37,900.00 | 83,380.00 | 113,700.00 | 75,800.00 | 94,750.00 | 113,700.00 | 83,380.00 | 189,500.00 |
| Other External Financing |  |  |  |  |  | 37,900.00 | 37,900.00 | 37,900.00 | 189,500.00 | 37,900.00 | 75,800.00 | 265,300.00 | 37,900.00 | 189,500.00 | 37,900.00 |
| Residual Financing |  |  |  |  |  | 8093.41 | 6103.95 | 16820.08 | 5552.56 | 6264.64 | 7439.88 | 10385.76 | 11545.57 | 31060.25 | 25702.73 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Actuals** | | | | | **Projections (Baseline Scenario)** | | | | | | | | | |
|  | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
| **Debt Stocks and Flows (million NGN)** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Debt (stock)** | **48,644.89** | **79,470.02** | **112,459.32** | **113,636.86** | **81,600.28** | **82,962.30** | **144,699.23** | **225,349.44** | **341,930.40** | **482,928.65** | **650,606.87** | **847,041.13** | **1,096,037.74** | **1,382,386.67** | **1,709,871.11** |
| External | 6,608.25 | 8,088.76 | 10,100.13 | 9,680.54 | 186.15 | -3,194.18 | 55,290.85 | 117,574.23 | 226,520.91 | 359,413.74 | 530,206.57 | 725,255.40 | 982,207.56 | 1,244,098.36 | 1,553,515.07 |
| Domestic | 42,036.63 | 71,381.26 | 102,359.19 | 103,956.32 | 81,414.14 | 86,156.48 | 89,408.38 | 107,775.21 | 115,409.48 | 123,514.92 | 120,400.30 | 121,785.74 | 113,830.19 | 138,288.32 | 156,356.04 |
| **Gross borrowing (flow)** |  |  |  |  |  | **97,263.41** | **236,103.95** | **267,070.08** | **320,432.56** | **351,764.64** | **388,439.88** | **422,005.76** | **508,145.57** | **573,740.25** | **637,102.73** |
| External |  |  |  |  |  | 87,170.00 | 227,400.00 | 246,350.00 | 310,780.00 | 341,100.00 | 379,000.00 | 409,320.00 | 492,700.00 | 538,180.00 | 606,400.00 |
| Domestic |  |  |  |  |  | 10,093.41 | 8,703.95 | 20,720.08 | 9,652.56 | 10,664.64 | 9,439.88 | 12,685.76 | 15,445.57 | 35,560.25 | 30,702.73 |
| **Amortizations (flow)** | **10,634.78** | **18,194.09** | **50,088.73** | **57,343.22** | **75,706.18** | **95,931.65** | **174,367.02** | **186,419.87** | **203,851.61** | **210,766.38** | **220,761.67** | **225,571.50** | **259,148.95** | **287,391.33** | **309,618.29** |
| External | 52.38 | 135.00 | 163.04 | 188.22 | 113.29 | 90,580.59 | 168,914.97 | 184,066.62 | 201,833.32 | 208,207.17 | 208,207.17 | 214,271.17 | 235,747.84 | 276,289.20 | 296,983.28 |
| Domestic | 10,582.39 | 18,059.09 | 49,925.69 | 57,155.00 | 75,592.89 | 5,351.06 | 5,452.05 | 2,353.26 | 2,018.29 | 2,559.21 | 12,554.50 | 11,300.33 | 23,401.11 | 11,102.12 | 12,635.01 |
| **Interests (flow)** | **830.53** | **3,332.21** | **4,410.00** | **5,134.90** | **7,478.84** | **25,478.04** | **46,914.26** | **65,827.54** | **88,126.65** | **115,753.83** | **146,025.20** | **178,792.96** | **214,094.40** | **254,257.67** | **298,548.24** |
| External | 18.85 | 51.79 | 56.81 | 55.48 | 28.48 | 16,916.78 | 38,193.31 | 58,099.36 | 79,378.79 | 106,382.97 | 136,010.90 | 169,090.50 | 204,353.14 | 245,228.26 | 287,626.77 |
| Domestic | 811.68 | 3,280.42 | 4,353.19 | 5,079.42 | 7,450.36 | 8,561.26 | 8,720.95 | 7,728.18 | 8,747.85 | 9,370.86 | 10,014.30 | 9,702.46 | 9,741.26 | 9,029.41 | 10,921.48 |
| **Net borrowing (gross borrowing minus amortizations)** |  |  |  |  |  | **1,331.76** | **61,736.93** | **80,650.21** | **116,580.95** | **140,998.26** | **167,678.21** | **196,434.26** | **248,996.61** | **286,348.93** | **327,484.44** |
| External |  |  |  |  |  | -3,410.59 | 58,485.03 | 62,283.38 | 108,946.68 | 132,892.83 | 170,792.83 | 195,048.83 | 256,952.16 | 261,890.80 | 309,416.72 |
| Domestic |  |  |  |  |  | 4,742.35 | 3,251.90 | 18,366.83 | 7,634.28 | 8,105.43 | -3,114.61 | 1,385.43 | -7,955.55 | 24,458.13 | 18,067.72 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Debt and Debr-Service Indicators** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Debt as % of GDP** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** | **#DIV/0!** |
| **Debt as % of Revenue** | **92.66** | **129.66** | **160.62** | **132.47** | **100.74** | **92.78** | **167.46** | **248.39** | **418.77** | **537.68** | **658.52** | **779.41** | **1,120.58** | **1,284.85** | **1,444.76** |
| **Debt Service as % of Revenue** | **21.84** | **35.12** | **77.84** | **72.83** | **102.69** | **135.78** | **256.09** | **278.04** | **357.59** | **363.54** | **371.25** | **372.08** | **483.84** | **503.43** | **513.87** |
| **Personnel Cost as % of Revenue** | **51.86** | **65.71** | **75.72** | **35.52** | **73.26** | **42.72** | **44.65** | **42.95** | **48.20** | **44.26** | **40.64** | **37.31** | **41.87** | **38.45** | **35.30** |
| **Debt Service as % of Gross FAAC Allocation** | **25.31** | **42.14** | **91.72** | **84.11** | **136.75** | **283.92** | **519.89** | **540.13** | **694.67** | **706.23** | **721.20** | **722.81** | **939.92** | **977.98** | **998.26** |
| **Interest as % of Revenue** | **1.58** | **5.44** | **6.30** | **5.99** | **9.23** | **28.49** | **54.29** | **72.56** | **107.93** | **128.88** | **147.80** | **164.52** | **218.89** | **236.32** | **252.26** |
| **External Debt Service as % of Revenue** | **0.14** | **0.30** | **0.31** | **0.28** | **0.18** | **120.22** | **239.69** | **266.93** | **344.41** | **350.26** | **348.41** | **352.75** | **449.95** | **484.72** | **493.97** |

The Gross FAAC Allocation grew gradual by 10% annually from 2015 to 2017 but sharply rose to 18% in 2018. This was as result of Paris Refund by Federal Government to States. Despite the Grants received by the State Government from Federal Government the Total Revenue dropped by 2% in 2019 as a result of a dropped in FAAC Allocation. In 2020 to 2021 it is assumed that they will be drop in FAAC Allocation by 10% and may equally rise by 10% in 2022. The unstable FAAC Allocation and IGR from 2020 to 2029, this may result from exchange rate fluctuation, unstable Oil prices in International market and IGR Administration bottle neck.

From the above graph, it shows that from 2015 to 2017 there was a gradual increased in the State Expenditure and a little fall in 2018. It then picked up in 2019. It is assumed that the projection will be an increase from 2020 to 2029.

There was increased in debt stock in 2015 to 2018 as a result of new administration that came in that needs to put in place infrastructures as dividend of democracy to the citizenry and clearance of outstanding salaries and allowances, pensions and gratuities that was accumulated for years. In 2018 Arrears Clearance Framework was established in the State and Arrears Clearance Committee was inaugurated. There was verification of outstanding debts of the State and that reduced the debts stock of the State significantly in 2019. It is assumed that from 2020 to 2029 that the FAAC Allocation may dropped drastically and the state may depend largely on External Loans to Finance Deficit Budget because the external loans is cheaper than domestic loans.

In 2015 to 2019 the average percentage of debt to revenue was below the threshold. It is assumed that from 2020 to 2029 the debt may increase gradually which may result from drop in Federal Allocation, fluctuation in Exchange Rate and Inflation. The state may need to finance her budget from borrowings.

In 2015 to 2016 the Debt Service as percentage of Revenue was below the threshold, then from 2017 to 2019 it rose above the threshold. It is assumed that from 2020 to 2029 there will be continuous increase in the debt service as a percentage of revenue due to the likely procurement of External Loans to fund the budget.

In 2015, Personnel Cost as percentage of Revenue was below the threshold because it rose by 15% but in 2016 to 2017 it rose above the threshold. As a result of incoming of new Government verification exercise was carried out which affected a lot of civil servants which necessitated the increase in the threshold to about 20% in 2016 and 2017. In 2018 a lot of Civil Servant were affected which dropped the payment of Payee by 30% that affected the revenue. It is assumed that from 2020 to 2029 the personnel cost as a percentage to revenue will drop because there may be no mass employment after the screening exercise.

It is a known fact that most of the States in Nigeria don’t have GDP Computation. This gave reason why the chat is nil as shown above.

***4.4 DSA Sensitivity Analysis***

The features of Shock Revenue increased from 2015 to 2016 then felled in 2017 and then rise in 2018 and also decreased a little in 2019. While expenditure increased from 2015 to 2017 and felled in 2018 and then increased in 2019.

Shock Expenditure on Revenue increased from 2015 to 2016 then felled in 2017 and then rise in 2018 and also decreased a little in 2019. While expenditure increased from 2015 to 2017 and felled in 2018 and then increased in 2019.

Shock Exchange Rate Revenue increased from 2015 to 2016 then felled in 2017 and then rise in 2018 and also decreased a little in 2019. While expenditure increased from 2015 to 2017 and felled in 2018 and then increased in 2019.

Shock Interest Rate on Revenue increased from 2015 to 2016 then felled in 2017 and then rise in 2018 and also decreased a little in 2019. While expenditure increased from 2015 to 2017 and felled in 2018 and then increased in 2019.

The State debt as percentage of revenue is below the threshold from 2015 to 2020 and thus, sustainable but above the threshold in 2021 to 2019 and not sustainable.

The State Debt Service as percentage of Revenue is below the threshold from 2015 to 2016 but above the threshold from 2017 to 2019.

It is a known fact that most of the States in Nigeria don’t have GDP Computation. This gave reason why the chat is nil as shown above.

In 2015 to 2019 the average percentage of debt to revenue was below the threshold. It is assumed that from 2020 to 2029 the debt may increase gradually which may result from drop in Federal Allocation, fluctuation in Exchange Rate and Inflation. The state may need to finance her budget from borrowings.

In 2015 to 2016 the Debt Service as percentage of Revenue was below the threshold, then from 2017 to 2019 it rose above the threshold. It is assumed that from 2020 to 2029 there will be continuous increase in the debt service as a percentage of revenue due to the likely procurement of External Loans to fund the budget.

In 2015, Personnel Cost as percentage of Revenue was below the threshold because it rose by 15% but in 2016 to 2017 it rose above the threshold. As a result of incoming of new Government verification exercise was carried out which affected a lot of civil servants which necessitated the increase in the threshold to about 20% in 2016 and 2017. In 2018 a lot of Civil Servant were affected which dropped the payment of Payee by 30% that affected the revenue. It is assumed that from 2020 to 2029 the personnel cost as a percentage to revenue will drop because there may be no mass employment after the screening exercise.



1. Following DMO definition, the Total Expenditure includes interest and amortization payments **(rows 26-31 in the Charts sheet of the S-DSA Template)**. [↑](#footnote-ref-0)