KADUNA STATE

DEBT SUSTAINABILITY ANALYSIS (DSA) AND DEBT MANAGEMENT STRATEGY(DMS) REPORT

NOVEMBER 2023

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INTRODUCTION

1.1 Background and Objectives

The Debt Sustainability Analysis (DSA) examines trends and patterns in the State's public finances during the period 2018-2022 and evaluates the debt sustainability in 2023-2032 (the long term). The analysis highlights recent drifts in revenue, expenditure, public debt, and the related policies adopted by the State. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, to evaluate the prospective performance of the State's public finance. It is a key component of our fiscal strategy that enables us to evaluate capacity for additional financing through other means including borrowings, grants, etc. Since debt has become a major part of public finance structure, a critical analysis is needed to ascertain the possibility of its presence or otherwise, in the budgeting system and public expenditure.

The main objective of the debt strategy is to ensure that the government's financing needs, and payment obligations are met at the lowest possible cost, consistent with a prudent degree of risk. Consequently, for the four Debt Management Strategy (DMS), the analysis calculates costs of carrying public debt, and measures risks associated to macroeconomic and fiscal shocks.

1.2 DSA and DMS for Kaduna State

Public Debt has increased significantly over the last few years, particularly foreign debt stock, with the proceeds being used to fund significant and important capital investments. These new debt drawdowns have largely been on concessional facilities like the World Bank, tipping the debt portfolio towards foreign debt. In 2020 the impact of COVID-19 inclined the stock level which extended the wave to 2021 hence increased the borrowing in 2022.

With the analysis done, these borrowings will likely move Kaduna State above the Debt to Revenue ratio threshold of 200% by the end of 2023. It is expected to be at 233% by 2023 while it normalizes to 200% in 2024. All other performance indicators remain favourable all through the projection years.

Furthermore, over the medium term, given revenue projections (which are very prudent from a Federation Account Allocation Committee (FAAC) perspective), prudent management of recurrent cost and at

least maintenance of the current (2022) levels of Capital Expenditure, Kaduna will significantly reduce its debt burdens under the liquidity and solvency lenses, and the baseline shows a rebalancing of the Domestic: Foreign ratio and movements to longer maturity in the domestic debt market.
The Baseline and shocks simulated in section 4 of this report show that Kaduna State, given the trajectories presented, under the Debt to Revenue performance indicator with a threshold of 200%, the shock revenue scenario breached the threshold in nearly all the projection years. This implies that the state must work to ensure that revenue projections over the future years do not decline. State must continue to make effort to bring more people into the tax net and improve IGR. Debt managers must also work to reduce the state's exposure to debt.

1.3 Long Term Debt Sustainability for Kaduna State

The State exhibits a solid debt position that appears sustainable in the long term. IGR is forecast to grow proportionately faster than the other revenue sources (FAAC, Grants while expenditure is projected to grow at a slightly slow pace as the level of borrowing decreases.

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 control of recurrent expenditure growth and its low level of public debt.

Statutory Allocation's forecast is based on elasticity of non-mineral revenue (Custom and Excise Duty & Company Income Tax) using historical data from 2013 to 2021 and forecast for the period of 2023 – 2025 using GDP growth rate and inflation. Mineral revenues are based on the benchmarks and the current proportion of crude oil sales proceeds that are converted into fiscal resources. The budgeted figures for Statutory Allocation do not include any excess crude or other Federation Account receipts. It has taken into cognisance the 0.005% deduction of Police Trust Fund from both the Mineral and Non-Mineral Revenue.

The State recorded an increase of 47% in its 2022 IGR as compared with 2021 actual collections. The State has continually outperformed its budget figures of IGR in recent years. This is mainly due to the political will of the government to increase IGR over time and be independent of Statutory Allocation in the long run.
The success is because of IGR reforms that are currently being

formalised in a Medium-Term Revenue Collection Strategy (MTRCS). Beyond 2025, when the full effect of the IGR reforms should be in place, it is anticipated that State IGR will grow at the same pace as State nominal GDP.

Budgeting and forecasting Grants are usually very challenging because most of the receipts and expenditures for grants are off budget. They hardly go through the Office of the Accountant General of the State, usually, they go directly to Implementing Partners. The Budget for 2023 to 2025 is based on bilateral engagement with the PFM Office. The grants captured are mostly BMGF, UN Systems, World Bank, and FCDO, who have forwarded their commitments. The grants are mostly non-discretional, these funds are tied to the implementation of specific programs/projects. If the funds are not forthcoming, the programs/projects will not be implemented. Kaduna State Government (KDSG) will, as part of the SDP, look to ensure it is continually assessing potential sources of grants both from withing Nigeria and externally.

From an expenditure perspective, Kaduna State Government has the desire to ensure sufficient funds are available for Capital Investment, but at the same time acknowledging the need to keep up with and ensure operation and maintenance costs (i.e., overheads) are sufficient to maintain assets and provide services. Using the 2023 approved budget as a base, personnel costs are forecast to decrease by 5% and overheads to increase by 19% by comparing 2022 and 2023.

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).

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 summary of the indicators with thresholds are as follows:

- The debt stock as a share of SGDP is at 8% in 2022 and be at the same ratio up to 2024 and further decline to 4% by 2032. When compared to the 25% threshold, this is highly favourable to the state.

- The ratio of debt to revenue increased with a threshold of 200% though may go above the treshold as projected in 2023 and 2024 at 233% and 205% respectively. Other ratios remained favorable all through the projection years.
- Debt service as a ratio of revenue will hover between 13% to 33% from 2023 to 2027 and decrease to 30% in 2032 which is way below the threshold of 40%. This is due to the fiscal reforms driving revenue growth in the State.
- Personnel cost as a ratio of revenue will also be below the threshold of 60% all through the projection years.

The state, going by the Thresholds, is sustainable under the baseline scenario and most of the stress tests (shocks).

The summary of the indicators without thresholds are described below:

- Debt service as a share of Gross FAAC allocation remains favourable all through the projection period as it will get to its peak at 50% in 2027.
- Interest as a share of Revenue is also expected to be at its peak at 15% in 2028 which remains under control for the state all through the future years.
- External debt as a share of Revenue will also be at its highest at 6% in 2023.

These indicators suggest that the state debt is sustainable over the long haul.

The Kaduna State Government target on Internally Generated Revenue (IGR) is to be able to fund all recurrent and even part of other expenditure to set its FAAC and Grants for infrastructural development. The increasing generation and collection of IGRs from 2018 to date is a clear indication and direction that Kaduna state is within a comfortable zone to debt sustainability/threshold considering the ratios of debt to revenue, GDP, etc. Furthermore, the State urban renewal program is a deliberate strategy in providing basic infrastructure to attracting foreign and local investors which is undoubtedly set to expand on the tax base and increase IGR.

From the foregoing therefore, and the charts indicators arising from the data on the DSA template which is a true reflection of the State's position has placed the State in a very comfortable position in terms of debt sustainability and further reasonable borrowing plans.

1.4 Debt Management Strategy

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, including external concessional loans and domestic low-cost financing. 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.

Kaduna State wants to utilise the alternative borrowing options of commercial bank loans (Agricultural loans, Infrastructure loans), state bonds and external loans from multilateral agencies.

Kaduna State intends to rebalance its debt portfolio towards a balance mixture of long and short- term maturity and domestic and foreign source. The desire is to focus more on domestic debt towards longer maturity bonds (or equivalent) over the period 2023-2032.This classification or borrowing, regardless of final source, is capped at less than 15% interest with a favourable maturity period.

The minimal external loans are expected to be sourced from different financial institutions for various infrastructure development projects during the projection years. Interest rate is projected to be between 1.15% to 3% and maturity between 20 and 30 years.

These borrowings will be used to finance capital and other infrastructure projects which will further boost the ease of doing business in the State, attract foreign direct investment and improve the standard and quality of living for the residents. In the same vein, it will enhance the IGR of the State, which will still be used to further service the borrowings.

With the debt management strategy conducted in chapter 5 of this report, state will likely work with the S3 strategy being the strategy with the minimum cost and prudent degree of risk.

CHAPTER TWO

KADUNA STATE FISCAL AND DEBT FRAMEWORK

2.1 Fiscal Reforms

Kaduna State Government has continuously been embarking on the task of ensuring a premeditated growth and development of the state to guarantee an improved living environment for its residents. On the road to achieving this, initiatives and reforms are being instituted to drive the growth and development of the State. The State had adopted and published an ambitious Kaduna State Development Plan (SDP) for 2021 to 2025: Delivering on Jobs, Social Justice, and Prosperity. The Plan focuses on four areas: economic development, social welfare, security & justice, and governance; it also emphasizes the importance of accelerating private investments, and private sector led growth, to create jobs and strengthen the fiscal sustainability of the State.

The SDP was linked to the budget through the sector strategies with strengthened budget and expenditure management systems and processes. It also ensured that gender and social inclusiveness in all the development interventions in Kaduna State. With this plan all State decisions were taken with adequate cognizance to social, economic, and environmental sustainability. In addition, all investments in infrastructure and service delivery were undertaken in the most efficient and effective manner to provide full value for money. In the plan implementation, the political leadership ensured and the Civil Service and Public and political Office holders in the State demonstrated good leadership and exhibited discipline and integrity in the conduct of the business of the State. Hence, government business was conducted transparently and with full accountability to the citizens of Kaduna State.

To achieve smooth implementation and monitoring of the SDP, the partnership with the Legislature and the Judiciary was strengthened; to provide the legislation and the secure legal environment.

To achieve the vision of Making Kaduna Great Again, all 23 LGAs in Kaduna State were expected to develop stepped down versions of the SDP to disseminate the plan strategy to the grassroot.

Kaduna State government focused on creating an enabling environment for the private sector to succeed and complement the efforts of the state government. Over 21 Executive Bills were passed into law. These include the laws creating reform institutions: KADGIS (Kaduna State Geographical Information System), KADIPA (Kaduna

State Investment Promotion Agency, KADFAMA (Kaduna State Facilities Management Agency), the Tax Codification and Consolidation law, Pension Reform and legislations on Public Procurement, Public Finance (management and control), Regulation of the Water Sector, Substance Abuse and Treatment, Primary Healthcare under One Roof, Street Begging and Hawking, the Kaduna Masterplan and the Vigilance Service.

Initiatives tailored to achieving these were developed. It included the setting up of a one stop shop for investors through the Kaduna Investment Promotion Agency (KADIPA) to improve the ease of doing business; the creation of the Kaduna Internal Revenue Service (KADIRS) under which a codified and consolidated tax code was introduced; a state -wide land mapping system has been initiated to enable electronic title registration under the Kaduna Geographic Information Service (KADGIS).

During the implementation of the plan, several developmental projects were identified and executed.

Plans were executed to foster an enabling legislative agenda focused on new education law, public service law, Health facilities regulation, Health facilities Management. For 2019 – 2023 period, there is a projected revenue of N450 – 500b while the expenditure was projected at N638.7b. The plan thus intends to leverage on innovative sources of financing and partnerships with the private sector to accelerate progress. As part of the state initiative for additional funding, N800b was targeted for PPP in agro-allied industries, railway and road transport, Hospitality, and retail sectors.

There is also a focus on processes requiring improvement: Procurement, Payments, Implementation and Results delivery.

To realise this vision, a strategic framework was initiated for effective resource projections, prioritization of expenditure and an implementation plan to deliver results and monitor progress.

Kaduna State has broadcasted several new / revised laws related to Public Financial Management over the last five years.

2.2 2023-2025 MTEF and 2022 Budget

Kaduna State has in the last six years institutionalised the preparation of Medium-Term Expenditure Framework (MTEF). The document serves as a tool for multi-year fiscal Planning and Budget formulation process aimed at enabling the State Government to realistically set fiscal targets and effectively allocate resources to strategic priorities. Key elements of the MTEF are the Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS). The latest edition of the MTEF covers the period 2023-2025 and is referenced later in this report.

The EFU provides economic and fiscal analyses which form the basis for the budget planning process. It is aimed primarily at guiding policy and lawmakers in the State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant Global, National and State level factors affecting implementation. The FSP determines the resources available to fund Government programs and projects from a fiscally sustainable perspective. The BPS states the overarching policy goals that will guide the Government's budget decisions and how the budget accords with the government’s short-term intentions. It also states any changes to the government’s long and short-terms fiscal objectives and assesses how changes in the long-term fiscal objectives and short-term fiscal intentions situates with the principles of responsible fiscal management. As a principle, the MTEF only recognises approved budget figures as source data.

CHAPTER THREE

REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE, 2018- 2022

3.0 Introduction

The figures captured in this section of the report reflects the audited financial statement position for the historical years (2018 -2022). The state debts report also aligns with the 2022 quarter four (Q4) State Debt Report submitted to the Debt Management Office.

3.1 Revenue, Expenditure, Overall & Primary Balance

i. Aggregate State TOTAL Revenue trend in the last five years and its composition in 2022

The state revenue for the period under review comprises all forms of revenue that accrued to the state except for capital receipt. They are Statutory Allocation, VAT, IGR and Excess Crude

Aggregate Revenue grew substantially in nominal terms over the period. Total revenue grew from N118,513B in 2018 to N209,399B in 2022.

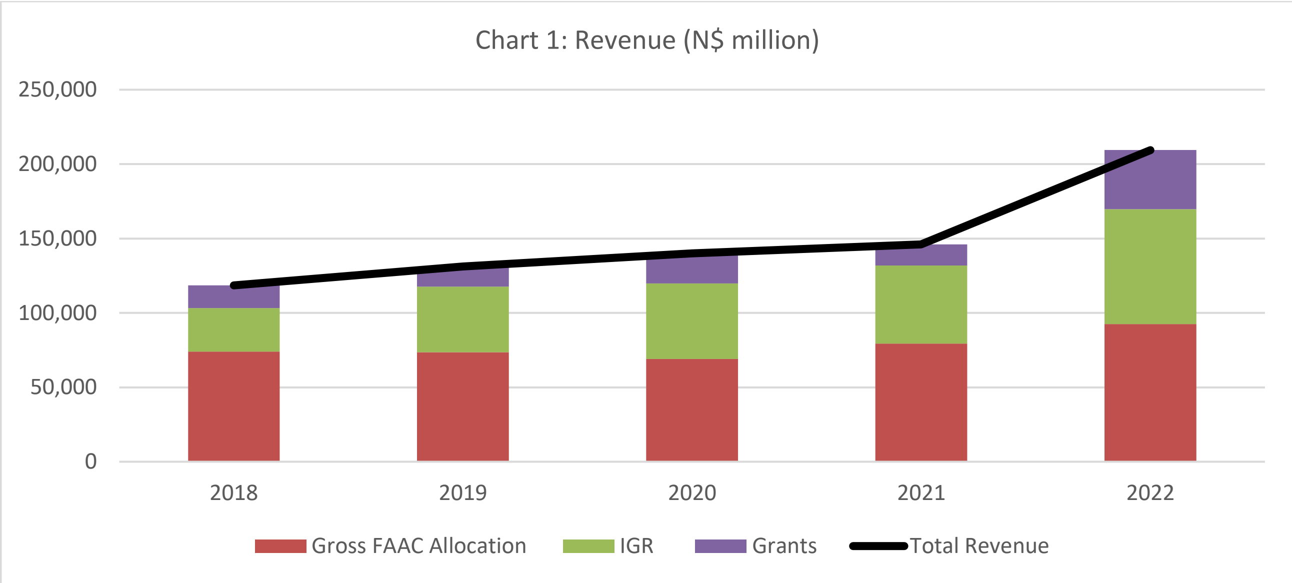
IGR and Grants made up for a larger proportion of the growth. The Kaduna State Tax Codification and Consolidation Law supported IGR growth.

Value Added Tax also grew steadily throughout the historical years.

Table 3.1 Kaduna State Aggregate Revenue for 2018-2022

CLASS OF REVENUE	2018	2019	2020	2021	2022
Gross FAAC	73,916.00	73,487.00	68,994.00	79,427.34	92,532.00
IGR	29,446.39	44,228.04	50,768.52	52,412.31	77,087.43
Grants	15,150.75	13,495.19	20,270.11	14,311.76	39,779.50
Total Revenue	**118,513.14**	**131,210.23**	**140,032.63**	**146,151.41**	**209,398.93**

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



Source: Audited Financial Statements

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

There has been a decline in Statutory Allocation from N73,916B in 2018 to N73,487B in 2019 which is a decrease of 0.58%. It declined further by 6.11% in 2020 which can be attributed to Covid 19. The trend changed in 2021 and 2022 by an increase of 15.12% and 16.50%, respectively. The increase is because of the rise of global oil prices, stability in crude oil production owing to the improved security in the oil rich Niger Delta Region and improved economic activities which directly affects Company Income Tax (CIT) and Customs and Excise Duties (C&E).

Other factors leading to the improved Statutory Allocation include the Federal Government's zeal to improve the non-mineral revenue to reduce its over-dependence on oil and gas as its major revenue sources. Significant reforms were introduced mainly in Federal Inland Revenue Service (FIRS) and Nigerian Custom Service which yields positive results.

Value Added Tax has constantly surged since the country exited recession in 2017 – not least because of continued high level of Consumer Price inflation. This trend is expected to continue following the signing into law of the Finance Bill 2019 which effectively raised the VAT rate from 5% to 7.5%. This will potentially increase revenue that will accrue to Government.

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

The State exhibited strong IGR growth during the review period. IGR grew from N29,446B in 2018 to N52,413B in 2022 which is an increment of 161.79%. The IGR figures have steadily been increasing over the years. This is because of the passage in 2016 of the Kaduna State Tax Codification and Consolidation Law which has significantly enhanced collections and reduced leakages in the state internal revenue framework.

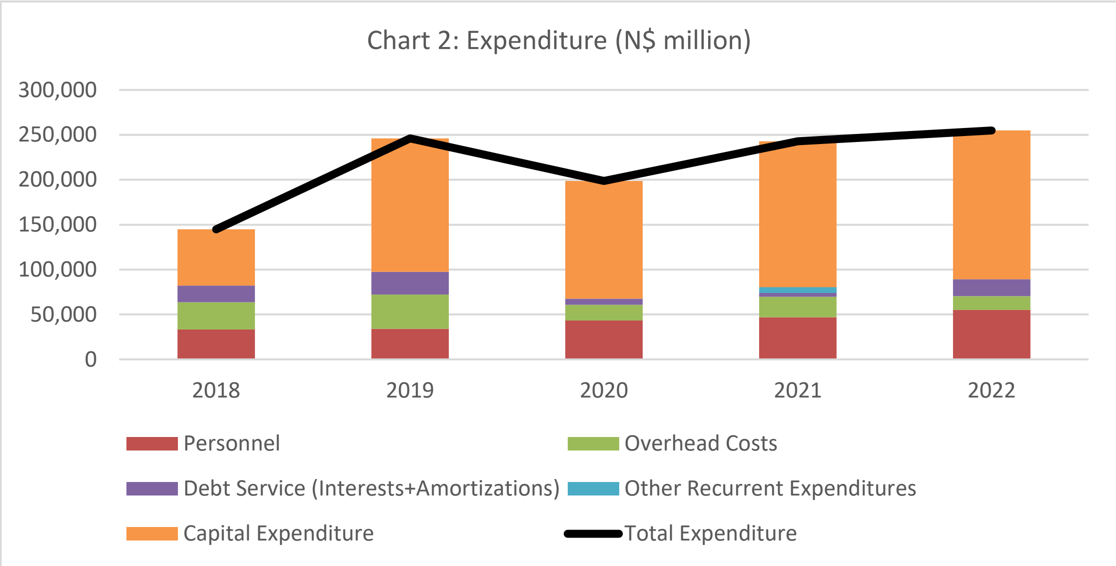
iv. **Aggregate (total) Expenditure trend in the last five years and its composition in 2022.**

The state expenditure can be classified as Recurrent (Personnel, Overheads, Debt Service, and other Recurrent expenditure) and Capital Expenditure. The expenditure of the state grew substantially by 76.02% from N144,790.22B in 2018 to N254,859.19B in 2022 with the latter largely being based on Capital Expenditure having 64.97% of the total expenditure. Debt Service has increased but started declining in 2020 but increased in 2022. Kaduna State had tried to keep a check on personnel and overhead expenditure to free up resources for capital investment. However, the minimum wage implementation did cause a significant increase in personnel costs from 2020 to 2022. Expenditure as a percentage of state GDP was 6.25% in 2018 and rose to 9.14% in 2019. However, the state has started witnessing decline. It was 7.03% in 2022.

Below is the table showing Expenditure in the historical years and the growth rate over the period.

Table 3.2 Kaduna State Aggregate Expenditure for 2018-2022

EXPENDITURE	2018	2019	2020	2021	2022
Personnel	33,324.53	34,243.16	43,225.97	46,769.84	55,236.50
Overhead Costs	30,308.82	38,018.32	17,549.41	22,930.09	15,065.59
Debt Service (Interests+Amortizations)	18,570.27	25,257.12	6,906.47	4,139.31	15,561.20
Other Recurrent Expenditures	-	-	-	6,465.73	-
Capital Expenditure	62,586.60	148,572.01	131,036.35	162,634.88	165,587.27
Total Expenditure	**144,790.22**	**246,090.61**	**198,718.20**	**242,939.84**	**254,859.18**
% Increase	43.70%	69.96%	-19.25%	22.25%	4.91%

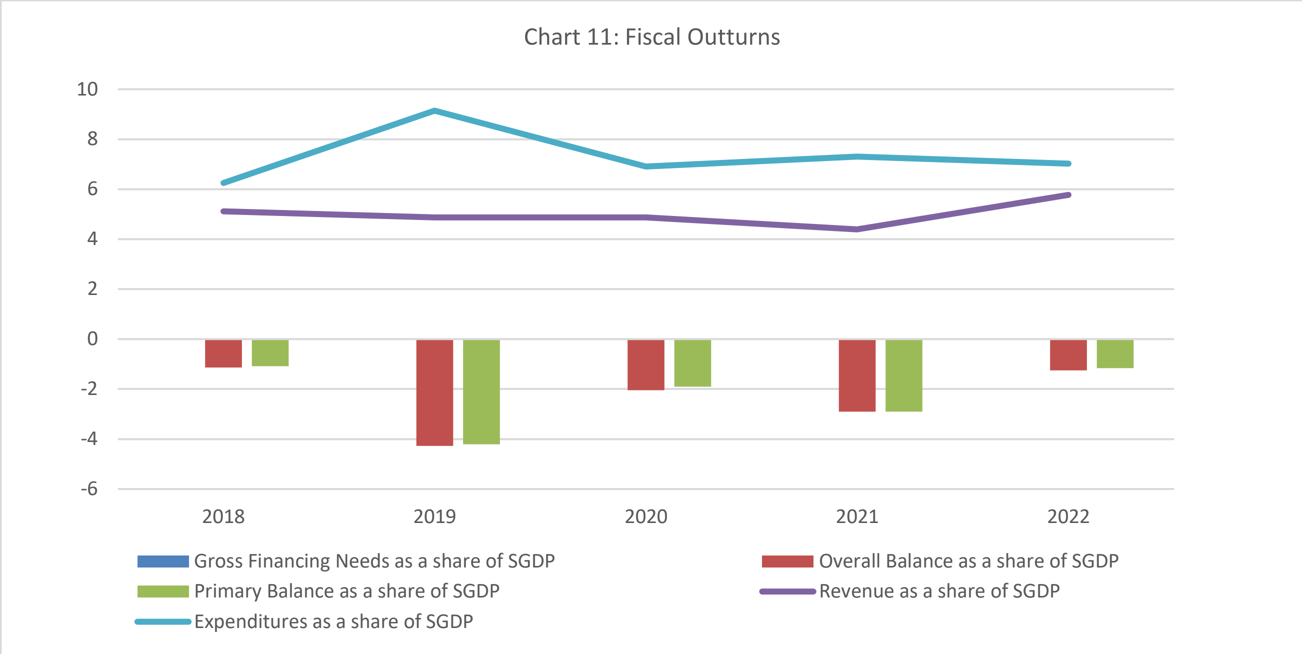


V. Main expenditure variations in the last five years by economic classification

The main expenditure variation happened with capital expenditure. The state had embarked on massive infrastructural projects which resulted in the capital expenditure cost witnessing 164.57% increase between 2018 and 2022.
The personnel cost also increased significantly in 2020 & 2021 due to the implementation of the N30,000 Minimum Wage.

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

The overall and the primary balance both witnessed similar trajectory in the historical years. Both balances have been decreasing during the review period. For the overall balance, it moved from a deficit of 1% in 2018 to the peak of 4.00% in 2019 and then to 1.00% of SGDP in 2022. The decline in the overall balance can be attributed to the decrease in FAAC and increased capital expenditure. The state GDP also increased continuously over the five years of the historical period.



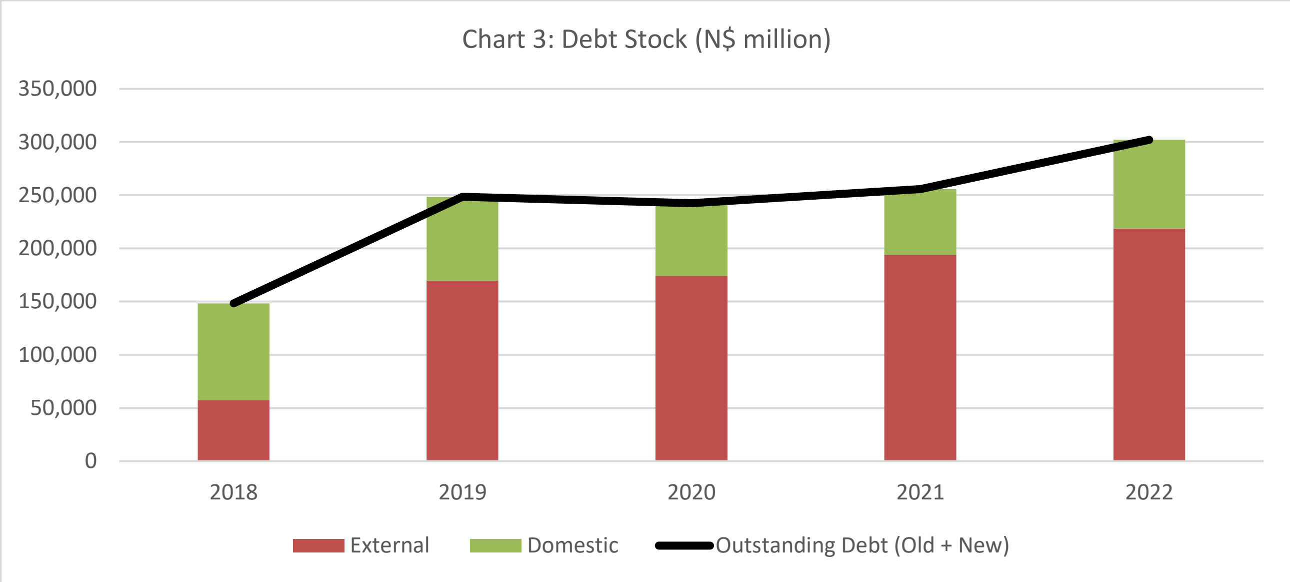
3.2 Kaduna State Existing Debt Portfolio

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

i. **Public debt stock amount or its shares on total Revenue at end of 2022 and its growth in the last five years**

   The State public debt amounted to N148,398B as of end-2018 and has been increasing rapidly since the collapse of oil prices and the impact of Covid 19 in 2020 which necessitated decrease in FAAC allocations accruing to the state. The debt stock figure had risen to N302,101B as at the end of 2022 which implies a 103.57% increase.

   The chart below also explains the growth in the state Debt stock over the historical years.



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

The external component of the state debt stock as of December 2022 is N218,807B which is 72.43% of the entire state debt portfolio while the domestic debt stood at N83,295B representing 27.57% of the state debt stock. State resorted to more external funding over the historical years due to its lower interest rate and longer repayment period.

Table below captures the state debt stock as of December 2022.

LOAN	**AMOUNT**	**PERCENTAGE**
External Debt	218,807	72.43%
Domestic Debt	83,295	27.57%
Total Debt (stock)	**302,102**	**100.00%**

The consistent devaluation of the Naira also contributed to increasing value of the external debt stock.

The 2022 closing debt stock by item is summarised in the table below.

Category of Loan	**Currency**	**Denomination**	**2022 Year End**
World Bank	US Dollars	Million	554.05
African Development Bank (AFDB)	US Dollars	Million	14.53
Multilateral Creditor (1) IDB and	US Dollars	Million	8.75
Total External Debt Stock	**US Dollars**	**Million**	**577.33**
FGN Excess Crude Account Facility	Naira	Million	8,437.65
FGN Bail-Out Facility	Naira	Million	12,065.85
FGN Budget Support Facility	Naira	Million	17,314.10
FGN Bridging Facility	Naira	Million	18,043.08
CBN Commercial Agriculture Credit Scheme(CACS)	Naira	Million	10,500.00
Contractual Arrears	Naira	Million	6,885.85
Pension & Gratuity	Naira	Million	10,048.40
Total Domestic Debt Stock	**Naira**	**Million**	**83,294.93**

Note: Exchange rate for external loan is at N379: $1

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

The threshold for debt service as a percentage of revenue is set at 40%. The state over the historical period didn't get close to the benchmark. Debt service as a percentage of gross FAAC moved from 24.57% in 2018 to the peak of 34.15% in 2019. It started declining and closed with 22.07% in 2022.

The external debt service though has increased to 4.80% in 2022 from 1.65% in 2018, it is still under control. However, the exposure to currency fluctuations is high because the foreign currency-denominated liabilities at the end of 2021 is 72.43 percent of the total debt stock.

CHAPTER FOUR

KADUNA STATE DEBT SUSTAINABILITY ANALYSIS

4.0 Introduction

The concept of debt sustainability refers to the ability of the 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 overtime without having to introduce major budgetary or debt adjustment in the future. On the other hand, 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 heavy debt burden.

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

Table 4.1 Performance Indicators with Threshold

INDICATOR	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Debt as % of SGDP	6.40	9.23	8.43	7.68	8.33	8.26	7.67	6.84	6.32	5.83	5.31	4.80	4.34	3.88	3.57
Threshold	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Debt as % of Revenue	125.22	189.42	173.31	174.97	144.27	232.79	205.05	172.63	168.98	166.56	158.98	154.15	139.68	144.30	137.09
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
Debt Service as % of Revenue	15.32	19.13	14.26	10.57	9.75	13.41	22.30	29.51	26.54	33.02	31.88	33.26	30.74	27.08	29.61
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Personnel Cost as % of Revenue	28.12	26.10	30.87	32.00	26.38	24.57	21.16	17.90	17.91	18.07	17.85	18.09	17.11	19.33	19.55
Threshold	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

In the historical years, debt as a percentage of state GDP recorded its highest figure in 2019 at 9.23% while it is 8.26% in 2023 for the projection years. In all they are still very far from the 25% threshold, that is an indication of the good strategies put in place to manage the debt and productivity in the state. For debt as a percentage of revenue, the state will cross the threshold in 2023 and 2024 but returned to below the threshold for the rest of the projection years. The state did not cross the threshold of 200%

from 2025 – 2032. For Debt service as a percentage of revenue, the threshold is 40% and the state did not breach this threshold all through the historical and projection years. Personnel cost as a percentage remained below the threshold of 60% all through the historical and projection period. In summary, the debt sustainability position of the state for the historical years is not in any way threatened as all the performance indicators recorded positive numbers all through despite the future years,2023 & 2024, with the threshold above the 200%.

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 as they all posted positive outlook all through the historical and projection years.

Table 4.2 Performance Indicators without Threshold

INDICATOR	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Debt Service as a share of Gross FAAC Allocation	24.57	34.15	28.95	19.44	22.07	20.05	31.46	47.65	42.46	49.71	47.24	46.88	42.11	38.29	41.14
Interest as a share of Revenue	0.88	1.11	1.12	2.78	3.04	4.63	14.50	13.80	12.84	14.35	14.96	13.46	12.91	14.33	13.10
External Debt Service as a share of Revenue	1.65	2.03	1.18	3.60	4.80	5.97	5.07	4.51	4.41	3.95	3.72	3.67	3.98	4.33	4.15

4.1 Medium Term Budget Forecast

The state has developed the Medium -Term-Expenditure Framework which provided a projection of revenue and expenditure of the Government. The assumptions are described below.

Macroeconomic Outlook

Kaduna State has recently published its 2021-2025 State Development Plan (SDP) which includes GDP and revenue growth projections for the state. Furthermore, the Kaduna State 2023-2025 MTEF further expands on these assumptions particularly with regards Mineral sector assumptions. The precise details in these documents can be found on the Kaduna State Government websitehttps://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwiP6tq_sdeCAxUflmoFHTQwBm0QFnoECBUQAQ&url=https%3A%2F%2Fwww.opengovpartnership.org%2Fwp-content%2Fuploads%2Fgravity_forms%2F24-6fb2e5a17f4b4b4e72048871008bb9f3%2F2021%2F10%2FKADUNA-SDP-2021-20251.pdf&usg=AOvVaw15OCojEqubnevrJEYUWaXM&opi=89978449

Table 4.3 Medium Term Macro-Economic Framework – Key Parameters for the National Macroeconomic projections

Item	2022-Revised	2023	2024	2025
National Inflation	16.11%	17.16%	16.21%	17.21%
National Real GDP Growth	3.55%	3.75%	3.30%	3.40%
Oil Production Benchmark (MBPD)	1.60	1.69	1.83	1.83
Oil Price Benchmark	$73.00	$70.00	$66.00	$62.00
NGN: USD Exchange Rate	₦410.15	₦435.57	₦435.92	₦437.57

*Source: Ministry of Finance, Budget & National Planning; NNPC; BOF; NBS Notes: (i) * The initial projection is not likely to be achieved based on current trends. (ii) The medium-term projections deviate* *from the projections in the National Development Plan (NDP) 2021-2025. They have been updated based on a combination of current realities and a modified medium-term outlook. For instance, inflation and growth in the NDP are projected at **14.93% and ***4.39%, respectively, for 2023.*

The Russian invasion of Ukraine, resulting in higher crude oil prices, has worsened Nigeria's economic performance. On the fiscal side, oil revenue accretion to the Federation Accounts is much lower due to the huge petrol subsidy costs, which are recovered from crude oil and gas revenues before remittance to the federation account. The real economy is experiencing sustained inflationary pressures, worsened by high energy costs, while external account and exchange rate pressures persist. These factors and the medium-term outlook underly the medium-term projections. In the medium term, real GDP growth is projected at 3.75% in 2023, from a revised projection of 3.55% in 2022 – a downward revision from the 2022 budget prediction. Growth is expected to moderate to 3.30% in 2024 before picking up to 3.46% in 2025. The inflation rate is projected to average 17.16% in 2023, up from the revised average of 16.11% for 2022. Upward pressure on prices is expected to be driven by the current and lagged effect of the global price surge due to the Russian-Ukraine war, domestic insecurity, rising imports, and exchange rate depreciation, as well as 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 the naira will depreciate to N435.57/US$ in 2023, N435.92/US$ in 2024 and N437.57/US$ in 2025.

The MTEF for Kaduna State for covering 2023 – 2025 upon which this debt sustainability exercise is premised is hereby presented below.

Table 4.4 Kaduna State Medium Term Fiscal Framework

KADUNA STATE MEDIUM TERM STATE FISCAL FRAMEWORK				
Recurrent Revenue	**2023**	**2024**	**2025**	**2026**
Statutory Allocation	78,606,000,000.00	84,413,000,000.00	88,283,000,000.00	91,007,000,000.00
VAT	39,554,245,349.00	42,621,487,560.00	45,362,818,089.00	44,435,381,707.00
IGR	36,000,000,000.00	40,000,000,000.00	76,470,000,000.00	78,117,000,000.00
Excess Crude & Others	-	-	-	-
Total	**154,160,245,349.00**	**167,034,487,560.00**	**210,115,818,089.00**	**213,559,381,707.00**
Recurrent Expenditure				
Personnel	47,000,000,000.00	49,000,000,000.00	48,889,615,184.00	51,334,095,943.00
Social benefits	11,000,000,000.00	12,000,000,000.00	12,000,000,000.00	12,000,000,000.00
Overheads	30,000,000,000.00	30,000,000,000.00	30,000,000,000.00	28,547,700,000.00
Grants, Contributions & Subsidies	27,368,000,000.00	27,397,000,000.00	27,503,000,000.00	29,372,600,000.00
Public Debt Service	25,641,704,021.00	51,651,657,709.00	80,584,666,692.00	76,087,617,716.00
Total	**141,009,704,021.00**	**170,048,657,709.00**	**198,977,281,876.00**	**197,342,013,659.00**
Transfer to Capital account	**13,150,541,328.00**	**- 3,014,170,149.00**	**11,138,536,213.00**	**16,217,368,048.00**
Capital Receipts				
Grants	27,368,000,000.00	27,397,000,000.00	27,503,000,000.00	29,372,600,000.00
Other Capital Receipts	-	-	-	-
Total	**27,368,000,000.00**	**27,397,000,000.00**	**27,503,000,000.00**	**29,372,600,000.00**
Reserves				
Contingent Reserve	-	-	-	-
Planning Reserve	-	-	-	-
Total	**-**	**-**	**-**	**-**
Capital Expenditure	**110,332,400,000.00**	**111,441,444,180.00**	**170,371,557,291.00**	**176,334,561,796.00**
Discretional Funds	73,922,708,000.00	74,665,767,600.60	114,148,943,384.97	118,144,156,403.32
Non-Discretional Funds	36,409,692,000.00	36,775,676,579.40	56,222,613,906.03	58,190,405,392.68
Financing(Loans)	**27,876,521,288.00**	**9,378,676,579.40**	**28,719,613,906.03**	**28,817,805,392.68**

Note:

The Medium-Term Budget (MTB) forecast is an expression of the state government's public policy for the near future taking into consideration the necessary underlying assumptions. There are few instances where the MTB forecast above slightly differs from the figures adopted for the baseline projections, it is largely due to adjustments made in relation to inflation and rising crude oil prices in the global oil market.

Kaduna State medium-term debt sustainability is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation.

Revenue and Expenditure Assumptions

Federation Account revenue estimates (Statutory Allocation, VAT) for the period 2023-2025 are as per the Kaduna State MTEF which are based on elasticity forecasting (see MTEF for more details). Beyond this, it is assumed that Statutory Allocation remains stable at the 2023 levels (this is a prudent assumptions) where VAT grows by a further 7.5% per annum (which is modest given the likely inflation rates and Federal tax reforms).

IGR forecasts for 2023 is based on the approved 2023 budget, and thereafter until 2026 on the SDP. This is premised on IGR reforms that are currently being formalised in a Medium-Term Revenue Collection Strategy (MTRCS). Beyond 2026, when the full effect of the IGR reforms should be in place, it is anticipated that State IGR will grow at the same pace as State nominal GDP.

Grants are anticipated to increase over the years and begin to decline over the future years, as part of the SDP, look to ensure it is continually assessing potential sources of grants both from withing Nigeria and externally.

From an expenditure perspective, Kaduna State Government has the desire to ensure sufficient funds are available for Capital Investment, but at the same time acknowledging the need to keep up with and ensure operation and maintenance costs (i.e., overheads) are sufficient to maintain assets and provide services. Using the 2023 approved budget as a base, personnel costs are forecast to rise by 3.8% and overheads by 6% on the average over the period 2023-2032.

Capital expenditure is forecast to grow on the average of 3.8% from 2023 - 2032.

4.2 Borrowings Assumptions

For the projection years of 2023 -2032, the deficit that is supposed to be financed by borrowing has been established. The table below shows the gross borrowing requirement from 2023-2032.

Table 4.5 Total Gross Borrowing Requirements for 2023-2032

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Gross Borrowing Requirement	127,269.10	47,708.82	39,431.84	52,274.29	68,009.06	60,899.17	67,349.09	68,136.98	42,636.78	74,183.88

Kaduna State intends to rebalance its debt portfolio towards a balance mixture of long and short- term maturity from majorly domestic source. Below is the table showing how the financing deficit is intended to be financed for the baseline.

Table 4.6 Total Planned Borrowing for 2023-2032

New Domestic Financing in Millions of Local Currency										
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	-	-	-	52,274.30	-	-	-	-	22,636.80	-
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	115,865.78	-	21,095.70	-	68,009.10	-	67,349.10	68,137.00	-	-
State Bonds (maturity 1 to 5 years)	-	28,106.80	-	-	-	-	-	-	-	-
State Bonds (maturity 6 years or longer)	11,403.30	-	-	-	-	-	-	-	-	-
Other Domestic Financing	-	-	-	-	-	60,899.20	-	-	-	74,183.88
New External Financing in Million US Dollars										
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	-	45.00	42.09	-	-	-	-	-	-	-
External Financing - Bilateral Loans	-	-	-	-	-	-	-	-	45.91	-
Other External Financing	-	-	-	-	-	-	-	-	-	-
Total planned borrowing	**127,269.08**	**47,708.80**	**39,431.85**	**52,274.30**	**68,009.10**	**60,899.20**	**67,349.10**	**68,137.00**	**42,636.78**	**74,183.88**

For each of these borrowing options at domestic and external level, there exist their financing terms. The table below shows the financing terms for these intended borrowing options.

Table 4.7 Borrowing Terms for Projected New Debts

Borrowing Terms of New Debt (issued/contracted from 2023 onwards)			
Borrowing Terms for New Domestic Debt (issued/contracted from 2023 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	22%	4	0
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	20%	7	1

State Bonds (maturity 1 to 5 years)	15%	5	0
State Bonds (maturity 6 years or longer)	14%	10	1
Other Domestic Financing	09%	20	1
Borrowing Terms for New External Debt (issued/contracted from 2023 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2.00%	30	5
External Financing - Bilateral Loans	2.50%	20	5

In setting up the alternative strategies 2 – 4 for the debt management strategy analysis, 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

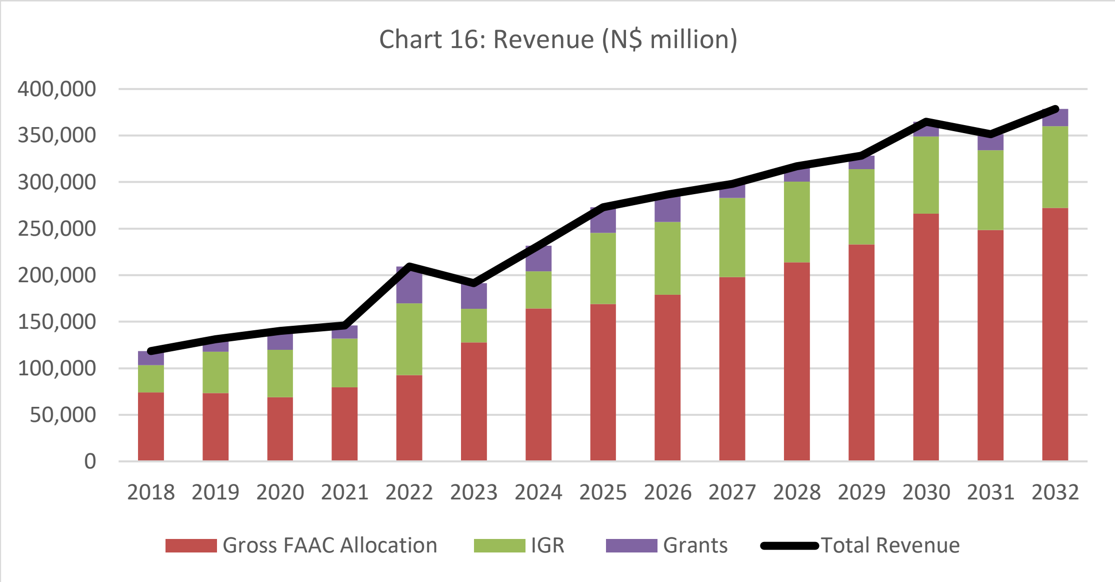
Revenue, expenditure, overall and primary balance over the long-term.

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 clearly defined macroeconomic framework.

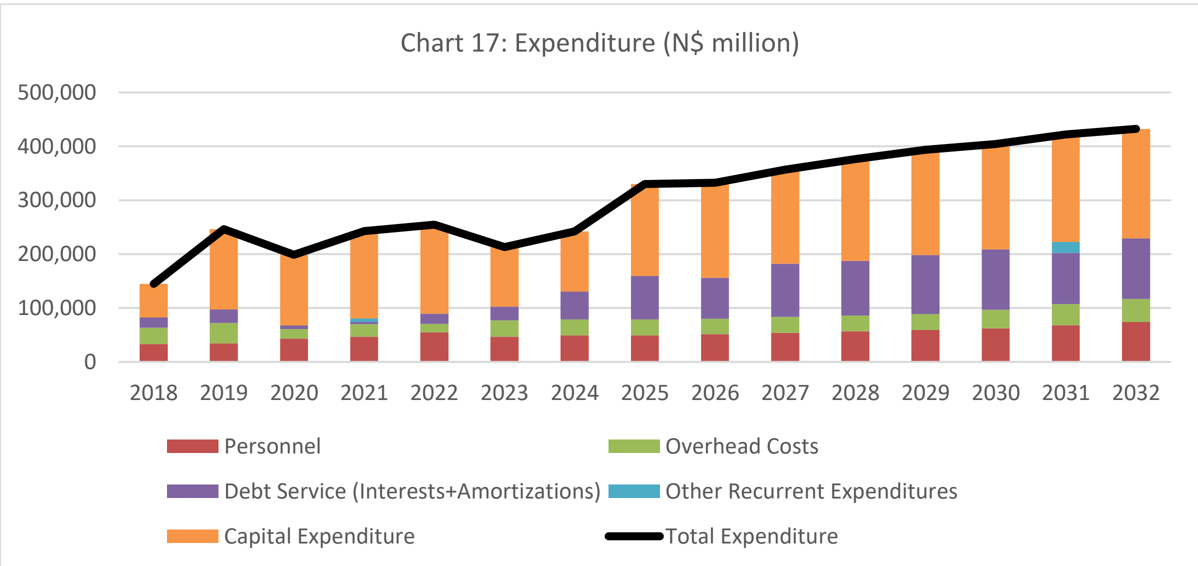
Kaduna State Total Revenue (including grants and excluding other capital receipts) is expected to increase from N244.42billion in 2022 to N378.56billion in 2032, representing an increase of 54.88% percent over the projection period. Gross FAAC Allocation projected to grow from N49.84billion in 2022 to 197.95 billion in 2032, which is expected to increase by N148.11 billion or 297% while Grants is projected to decrease from 39,780 billion in 2022 to N18.59 billion in 2032. The projections were sources from the Approved 2023 Budget; MTEF, 2023-2025; 2026-2032 projections as estimated by the Planning & Budget Commission.

The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the state as well as employing appropriate technology. In addition, efforts will be made to bring more businesses in the informal sector into the tax net. IGR estimated to increase by N10.45billion (from N77.09 billion in

2022 to N87.53 billion in 2032.

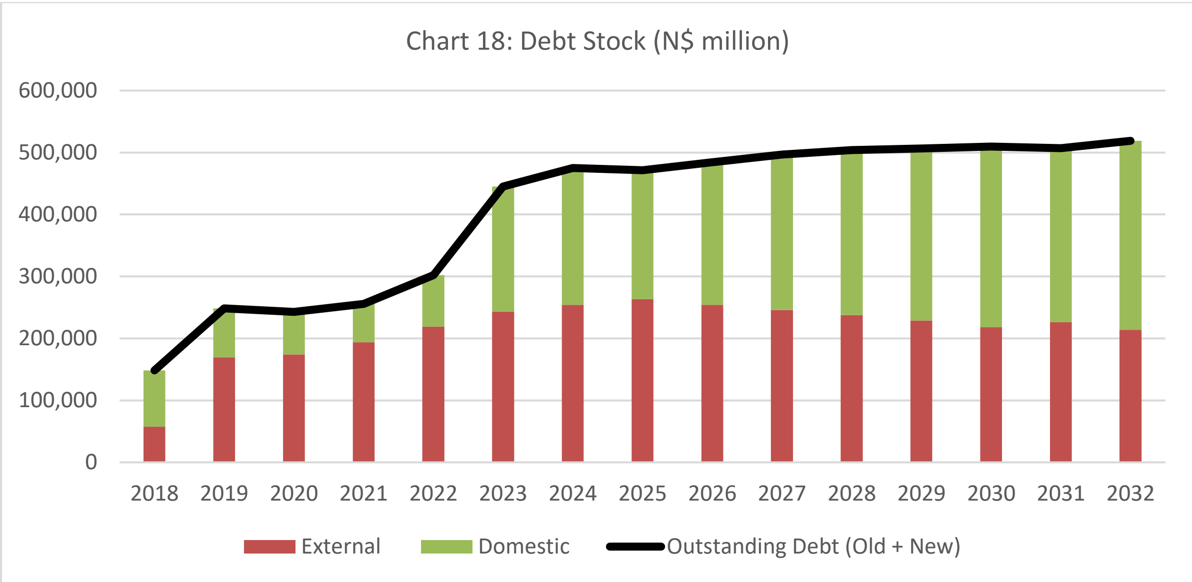


Total expenditure for the projection years will expand from N212.97 billion in 2023 to N432.35 billion by 2032. Expenditure was projected to grow by almost 103% due to the state's continued infrastructural development in the state. Within same period, personnel cost is projected to grow from N47 billion to N74.01 billion, overhead from N30 billon to N42.89 billion while capital expenditure will grow from N110.33 billion to N203.37 billion all as provided in the Approved 2023 Budget; MTEF, 2023-2025; 2026-2031 projections as estimated by the Budget and Planning Commission.



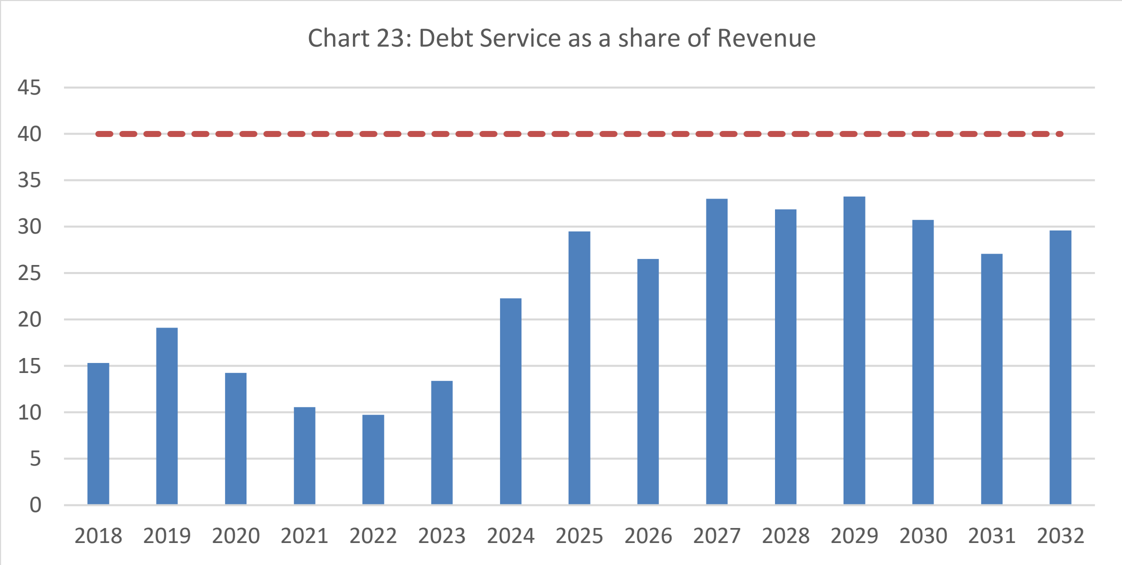
Therefore, the fiscal deficit—computed as the difference between revenue and expenditure—is expected to remain within a range of

N96,010 billion to N1,821 billion in nominal terms.
Kaduna State's Debt Stock estimated to increase from N282,263 billion in 2021 to N310,728 billion in 2031, representing an increase of N28,465 billion over the projection period. External Debt projected to grow from N225,552 to N224,313 billion while Domestic Debt to grow from N61,711 billion to N86,415 billion over the projection period. The debt portfolio is more in external due to the longer tenure, low interest rate and grace period which implies debt service obligations won't stress the cashflow of the state in the medium and long term.

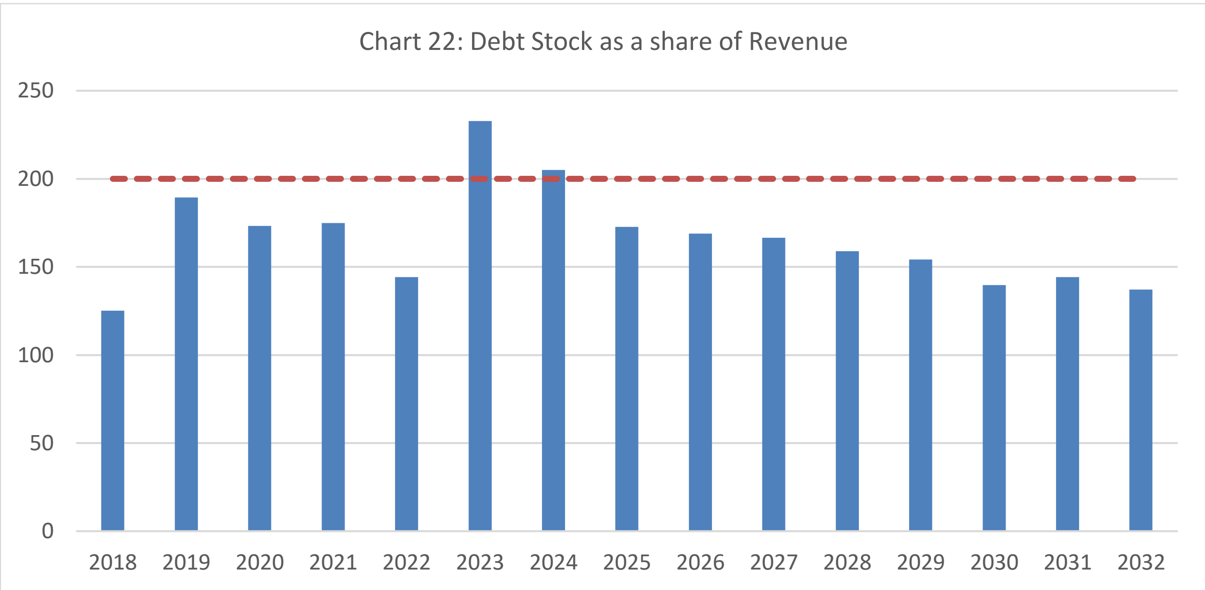


Main finding and conclusion of the baseline scenario under the reference debt strategy (S1) in terms of debt sustainability. The gross financing requirement necessitated creating new borrowings for the projection years. The state's debt is projected to raise from N282, 263 billion as of end-2021 to N310,728 billion by 2031.

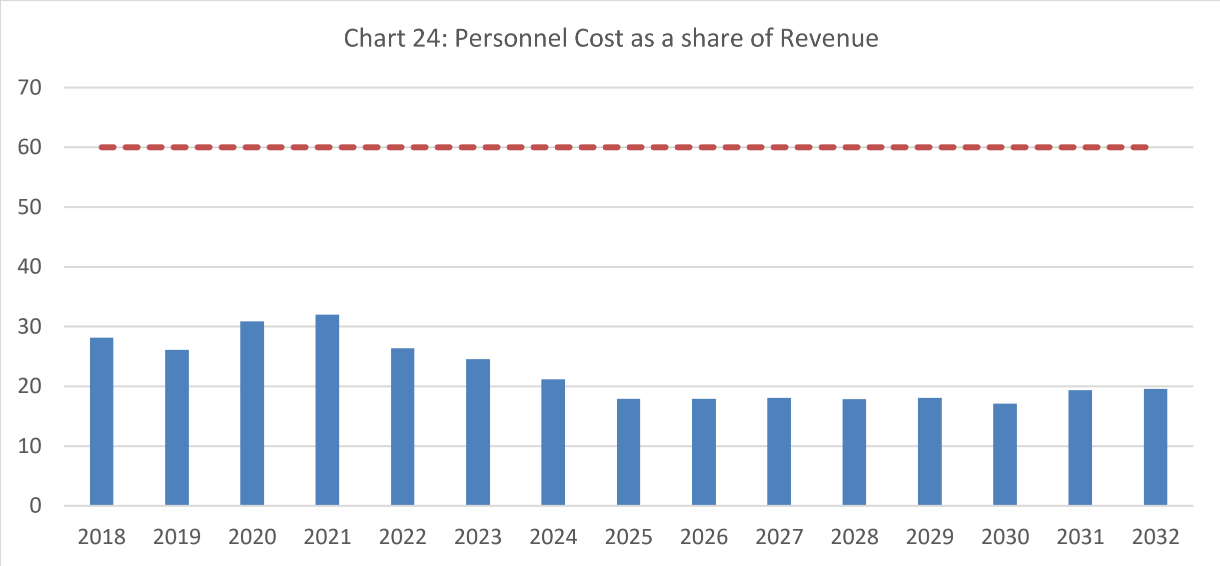
As a result of the marginal increase in debt stock from 2021-2031, the state will continue to incur debt service cost, however, debt service obligations will be far below the debt service threshold of 40%. The debt service ratio did not breach the threshold all through the projection years.



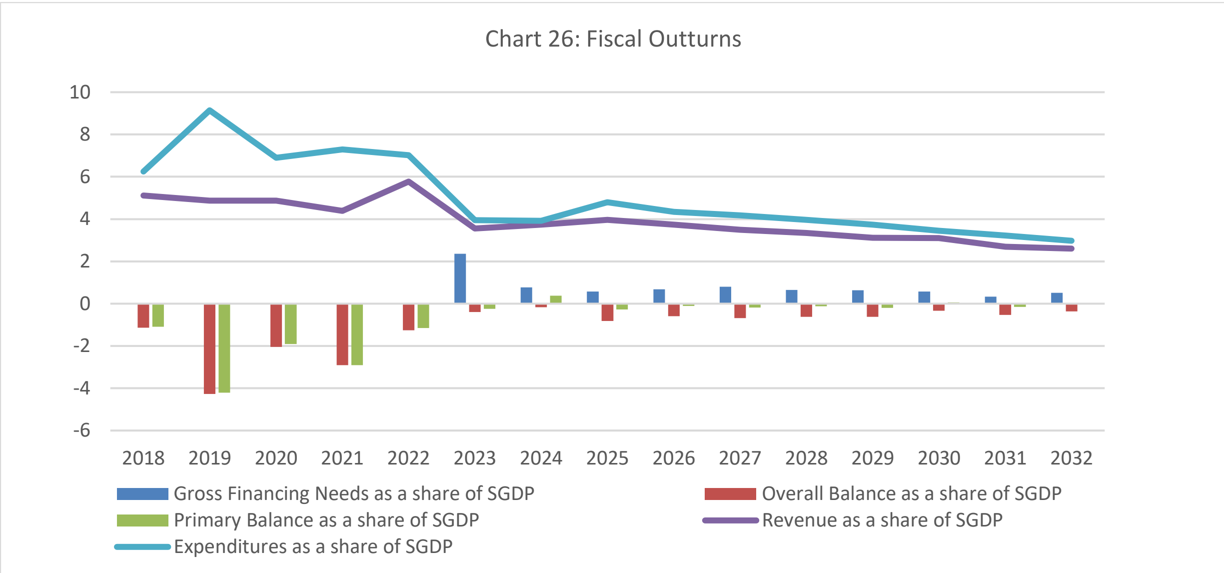
Debt as a share of revenue with a threshold of 200% was only breached by the state in the year 2022 at 201%. In other subsequent years and all through the projection period, the state witnessed a decline.



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



Primary balance which is the difference between the state's revenue and its non-interest expenditure can be measured as a percentage of state GDP. All other indices (Gross financing need, Overall Balance, Revenue & Expenditure) measured as a share of state GDP all remained positive all through the projection years.



Conclusion

Kaduna State DSA result shows that the State remains at the Low Risk of Debt Distress.

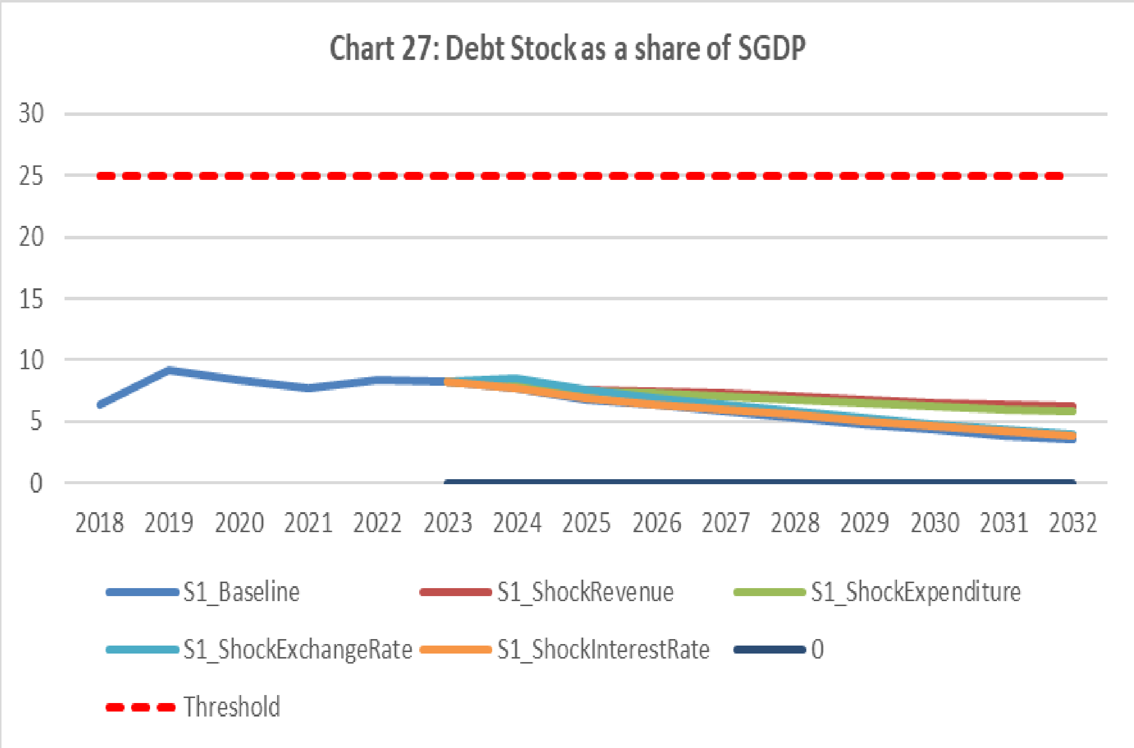
Revenue and expenditure as a percentage of state GDP will decline in the medium term but improve into the projection years. The debt and debt service indicators remain positive as there are no expected breaches in the indicators with threshold. The analysis of the baseline indicator under the reference debt Strategy (S1) suggest that the state will be able to preserve the sustainability of its debt in the medium and long term. However, it is important for the state to continue to implement the reforms in IGR, by bring more people into the tax net, deploy technology in tax assessment and collection, so that internally generated revenue can continue to improve. The cost management initiatives being embarked upon by the state especially regarding recurrent expenditure should continually be pursued.

4.3 Debt Sustainability Analysis Sensitivity Analysis

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

The 2022 DSA analysis shows that Kaduna remains at moderate risk of debt distress under sensitivity analysis. Under the Debt to Revenue performance indicator with a threshold of 200%, the shock revenue scenario breached the threshold in nearly all the projection years. This implies that the state must work to ensure that revenue projections over the future years do not decline. State must continue to make effort to bring more people into the tax net and improve IGR. Debt managers must also work to reduce the state’s exposure to debt.

Except for the historical scenario which has outrageous figures which by extension means will not be considered for this analysis, all under shock scenarios did not breach the threshold in other performance indicators which justifies the moderate debt distress assumption by the state. Nonetheless, relevant state authorities must continue to work to ensure that the debt sustainability position is not threatened in the future. See below the relevant charts.



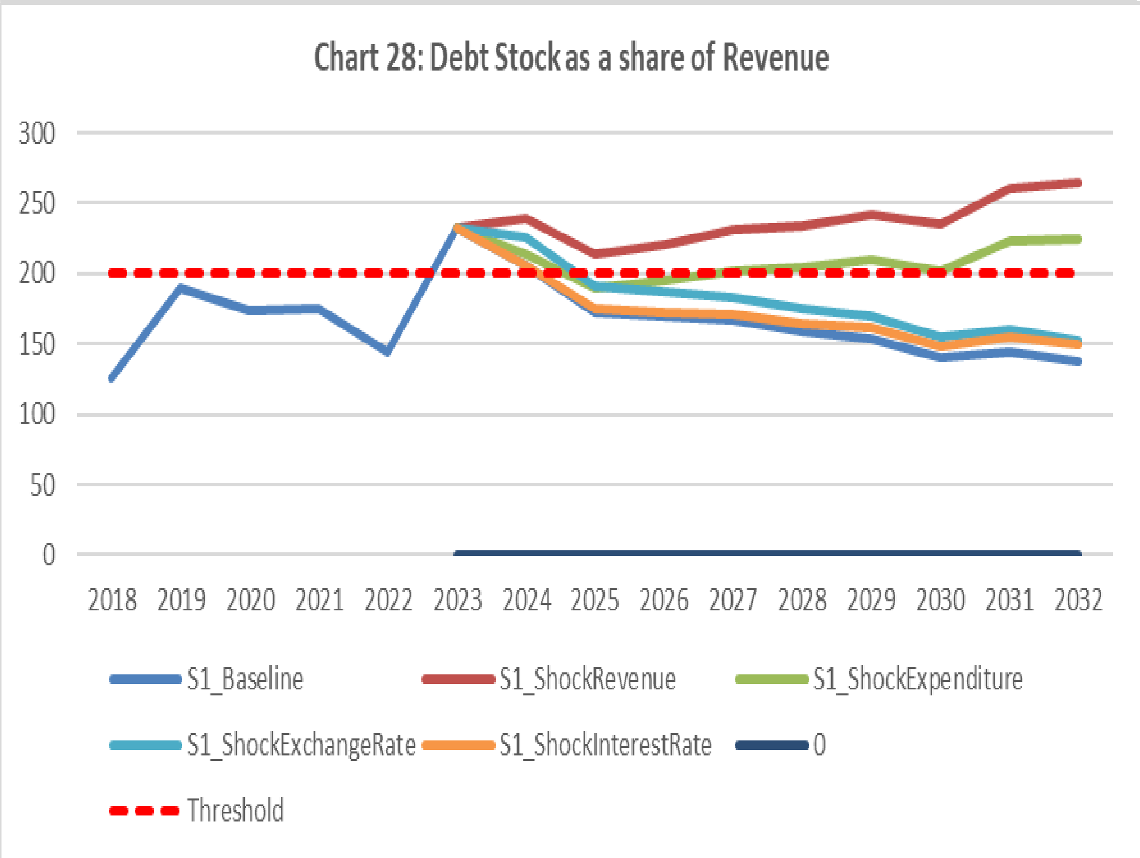


Chart 29: Debt Service as a share of Revenue

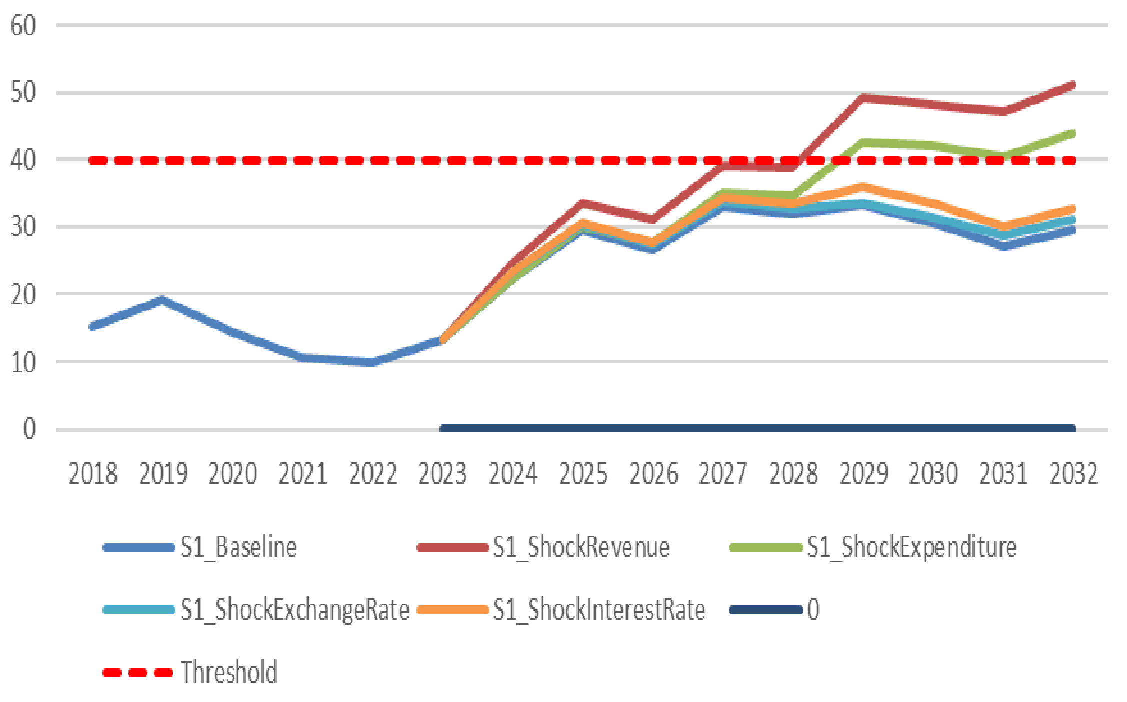
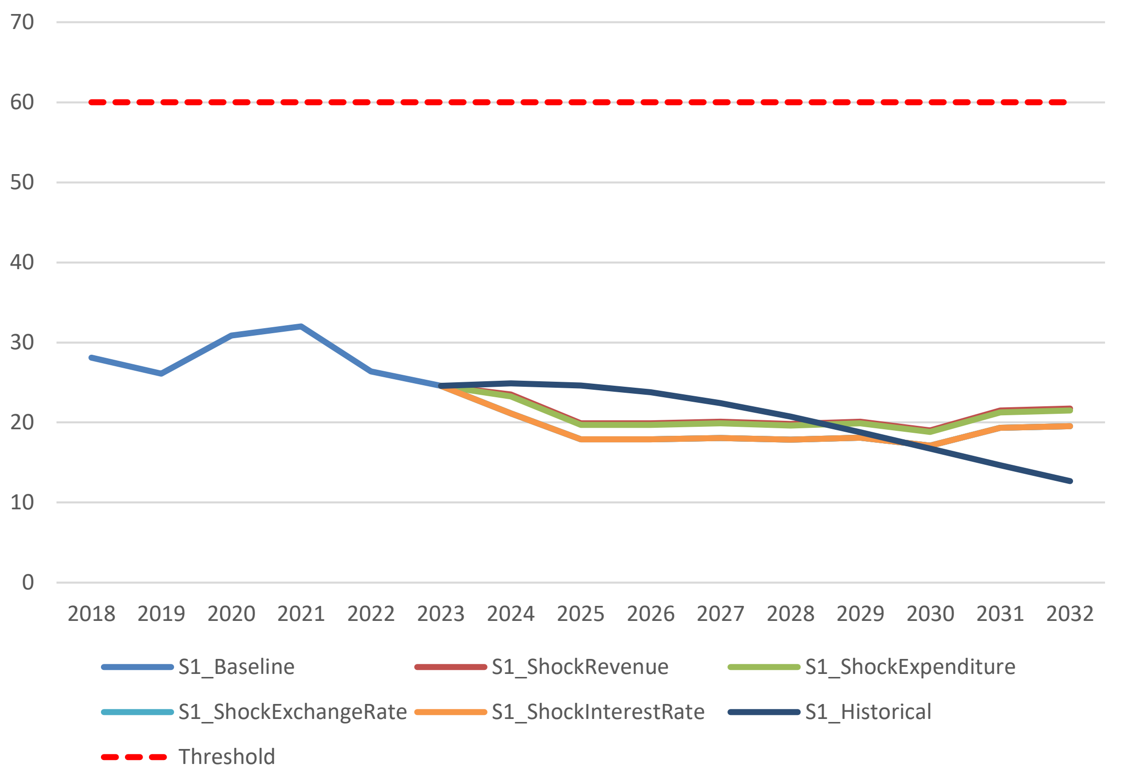


Chart 30: Personnel Cost as a share of Revenue



CHAPTER FIVE

CONCEPT OF DEBT MANAGEMENT STRATEGY

5.0 Introduction

Public debt management is the process of establishing and executing a strategy for managing the government's debt to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies, considering factors such as the macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

The Debt Management Strategy provides alternative strategies to meet the financing requirements for Kaduna State. The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. The following four strategies are assessed by the government. The Kaduna State's Debt Management Strategy, 2022-2026, analyses the debt management strategies outcomes of the three debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2026, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2026 caused by an un-expected shock, as projected in the most adverse scenario.

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.

Kaduna State government intends to utilize the financing options available in the domestic market (Commercial bank loans, State bonds and other domestic financing – CBN loans) and external market (Concessional loans from World Bank & AFDB, Bilateral loans) to fund the gross borrowing requirement for 2023-2032 while ensuring that it's done at the lowest cost possible with a prudent of risk.

For Strategy 2. The assumption is that the state intends to finance its funding gap by contracting commercial bank loans, State Bonds, and other domestic financing all though the projection years. Reason being that domestic loans are the easier to access. It also comes with opportunity for renegotiation of the borrowing terms should the need arises. The state will be borrowing with the range of N 127,269.10 to N 41,076.64 billion all through 2023-2032. There are two categories of Commercial bank loans & State bonds; first is 1-5 years which serves short term funding requirement, and the other is 6 years and above, this takes care of the medium to long term.

For Strategy 3. The state assumes that State Bonds both for 1-5 years and 6 years and above will be sourced to fund its deficit for the projection years. Utilizing the state bonds option comes with a moderate cost and the foreign exchange rate risk will be mitigated. The state will be raising within the range of N127,269.10 to N4,984.02 billion from 2023-2032.

For Strategy 4.

The state assumes that commercial bank loans of 1-5 years and 6 years and above will be sourced to fund its deficit for the projection years. Utilizing the commercial bank loan option also comes with a moderate cost, ease of renegotiation of borrowing terms & foreign exchange rate risk will be mitigated. The state will be raising within the range of N127,269.10 to N7,451.22 billion from 2023-2032.
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 2023 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	22%	4	0

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	20%	7	1
State Bonds (maturity 1 to 5 years)	15%	5	0
State Bonds (maturity 6 years or longer)	14%	10	1
Other Domestic Financing ()	9%	20	1
Borrowing Terms for New External Debt (issued/contracted from 2023 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2%	30	7
External Financing - Bilateral Loans	2.50%	20	5
Other External Financing - Bilateral Loans	0.00%	0	0

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 stock/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 Stock/Revenue

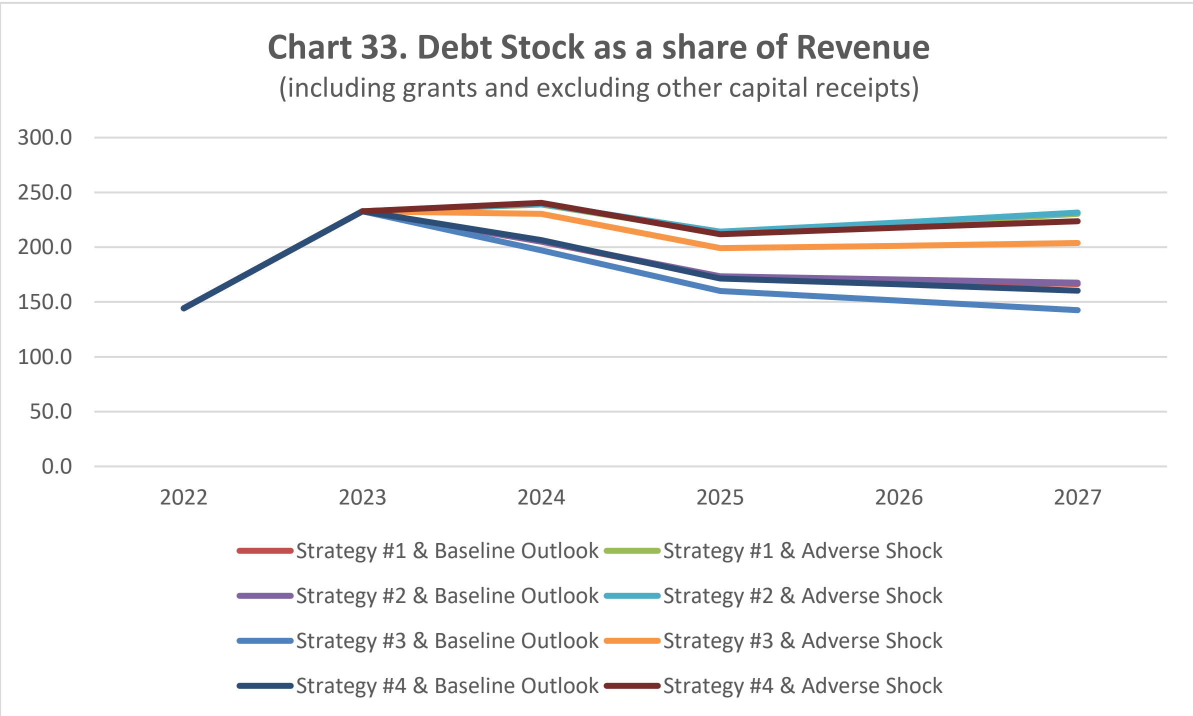
The table below shows the performance of the state from 2023-2027 when expressing debt as a percentage of revenue.

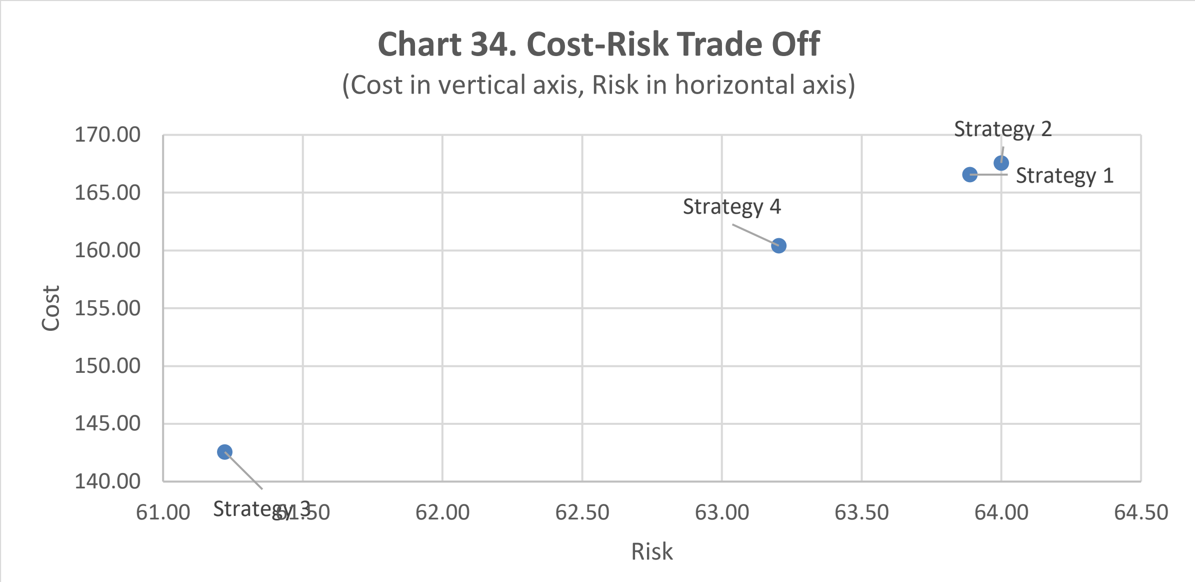
The baseline outlook (S3) presented the lowest cost and lowest risk in all the 4 strategies. Cost as of 2027 is projected to be 142.56% while the risk is 61.22%.

Year 2022 had the highest debt stock to revenue ratio, but it is expected to continue to decline in the medium term provided the state keeps projected debt and revenue at manageable levels within this period.

						COST	RISK measured only in 2027
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2027**
Strategy #1 & Baseline Outlook	144.27	232.79	205.05	172.63	168.98	166.56	63.89
Strategy #1 & Adverse Shock		232.79	238.95	213.10	220.76	230.45	
Strategy #2 & Baseline Outlook	144.27	232.79	205.44	173.64	170.69	167.57	64.00
Strategy #2 & Adverse Shock		232.79	239.38	214.22	222.67	231.57	
Strategy #3 & Baseline Outlook	144.27	232.79	197.28	160.11	151.30	142.56	61.22
Strategy #3 & Adverse Shock		232.79	230.31	199.19	201.12	203.78	
Strategy #4 & Baseline Outlook	144.27	232.79	206.45	171.50	166.33	160.41	63.20
Strategy #4 & Adverse Shock		232.79	240.50	211.85	217.83	223.61	

From the Cost-Risk trade off chart below, strategy 3 has the lowest cost and the lowest risk.



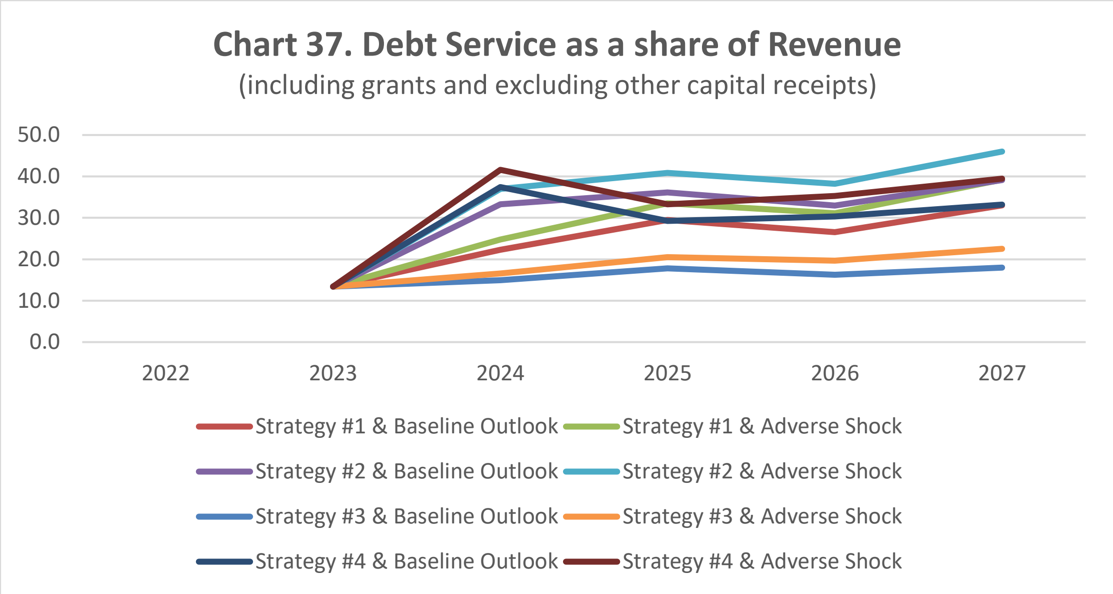


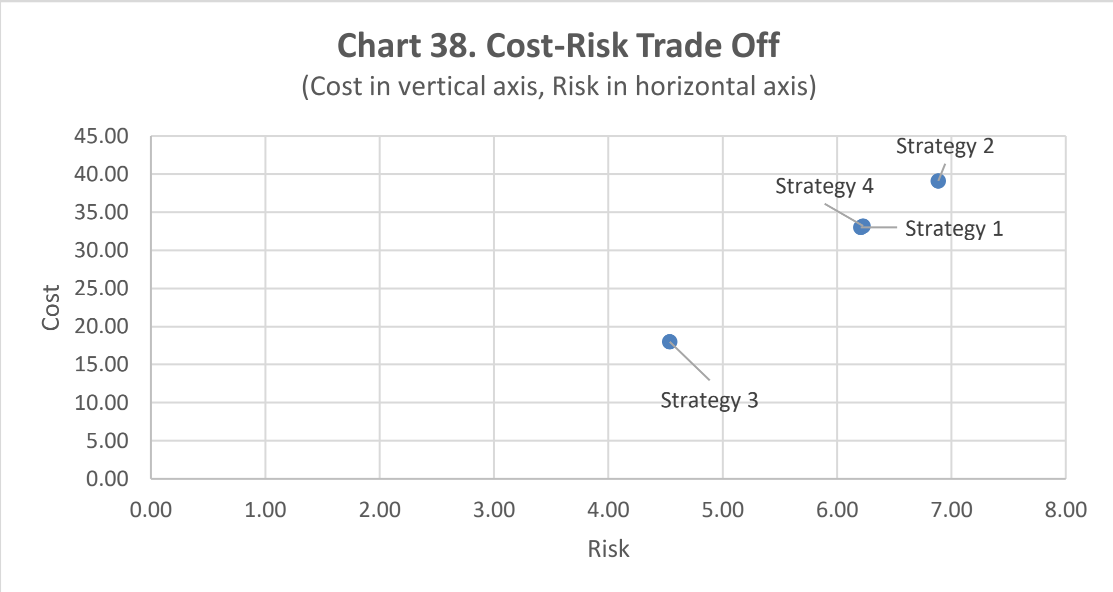
5.2.2 Debt Service/Revenue

The table below shows the performance of the state from 2023-2027 when expressing debt service as a percentage of revenue. Under this performance indicator, strategy S3 in the year of measurement (2027) cost of 17.99% and 4.54% as risk which is the lowest when compared to other alternative strategies. The cost in S3 was 14.91%, soared to 17.78% in 2025 and declined to 16.25% in 2026 before reaching the peak of 17.99% in 2027.

						COST	RISK measured only in 2027
Debt Service as % of Revenue (including grants and excluding other capital receipts)		**2023**	**2024**	**2025**	**2026**	**2027**	**2027**
Strategy #1 & Baseline Outlook		13.41	22.30	29.51	26.54	33.02	6.21
Strategy #1 & Adverse Shock		13.41	24.78	33.54	31.11	39.22	
Strategy #2 & Baseline Outlook		13.41	33.28	36.12	32.94	39.12	6.89
Strategy #2 & Adverse Shock		13.41	36.97	40.89	38.23	46.01	
Strategy #3 & Baseline Outlook		13.41	14.91	17.78	16.25	17.99	4.54
Strategy #3 & Adverse Shock		13.41	16.57	20.51	19.67	22.52	
Strategy #4 & Baseline Outlook		13.41	37.44	29.26	30.31	33.21	6.23
Strategy #4 & Adverse Shock		13.41	41.60	33.26	35.30	39.43	

From the Cost-Risk trade off, strategy 3 comes straightforwardly as the most preferred scenario being that it has the lowest cost and the lowest degree of risk.





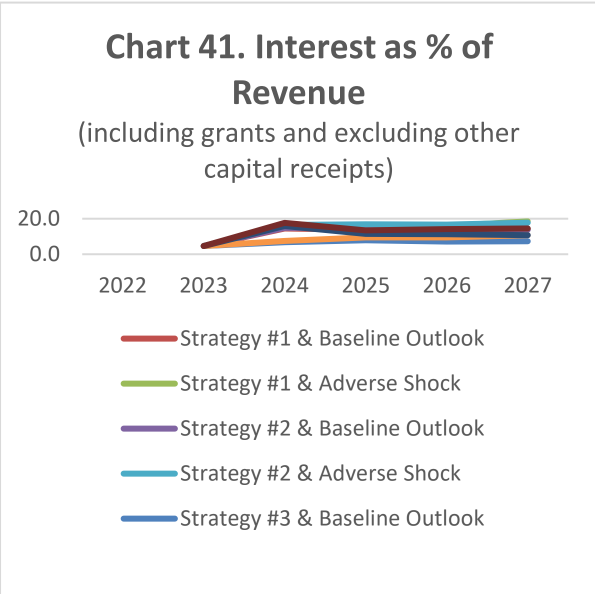
5.2.3 Interest/Revenue

Under this performance indicator, Strategy 3 equally has the lowest cost and risk at 3.35% and 7.30% respectively.

The table below shows the performance of the state from 2023-2027 when expressing interest as a percentage of revenue.

						COST	RISK measured only in 2027
Interest as % of Revenue (including grants and excluding other capital receipts)		**2023**	**2024**	**2025**	**2026**	**2027**	**2027**
Strategy #1 & Baseline Outlook		4.63	14.50	13.80	12.84	14.35	4.13
Strategy #1 & Adverse Shock		4.63	16.11	16.08	15.89	18.49	
Strategy #2 & Baseline Outlook		4.63	14.88	14.48	13.60	13.72	4.06
Strategy #2 & Adverse Shock		4.63	16.54	16.84	16.73	17.78	
Strategy #3 & Baseline Outlook		4.63	6.72	7.87	7.10	7.35	3.35
Strategy #3 & Adverse Shock		4.63	7.47	9.49	9.51	10.70	
Strategy #4 & Baseline Outlook		4.63	15.89	11.48	11.28	10.74	3.73
Strategy #4 & Adverse Shock		4.63	17.66	13.51	14.15	14.47	

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



5.2.4 Debt 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 lowest degree of risk for the four strategies in all the performance indicators considered hence recommended for implementation.

The current debt stock of the state is presently titled towards foreign loan which is at 78.52% of the state debt stock. Though the debt service implications are low with favourable borrowing terms, however the state is highly exposed to the vagaries of foreign exchange rate fluctuations hence the need to balance the state debt portfolio with domestic loans in the medium to the long term. So, strategy three comes good and its very implementable.

The current debt portfolio for Kaduna as of end of 2022 is N302,101.49 billion. The portfolio is expected to rise to N496,765.05 billion in 2027 in the Strategy 1, N499,780.97 billion in Strategy 2, N425,195.12 billion in Strategy 3 and N478,421.57 billion in Strategy 4. This implies there will be improvement by year 2027 if the reference Strategy (S3) is implemented.

The Debt Management Strategy, 2023-2027 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2023 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Annex 1

Assumptions:			
Economic activity	State GDP (at current prices)	State GDP projected using the actual S-GDP and projected N-GDP nominal growth rate	State Statistics and NBS
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means	Statutory Allocations - the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as explained in the Chapter 2 of the DSA-DMS Report.	2022 Budget and MTEF, 2023-2025
	1.a. of which Net Statutory Allocation ('n	Statutory Allocations - the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as explained in the Chapter 2 of the DSA-DMS Report.	2022 Budget and MTEF, 2023-2025
	1.b. of which Deductions	Statutory Allocations - the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as explained in the Chapter 2 of the DSA-DMS Report.	2022 Budget and MTEF, 2023-2025
	2. Derivation (if applicable to the State)		2022 Budget and MTEF, 2023-2025
	3. Other FAAC transfers (exchange rate gain,	Other Federation Account Distributions – the estimation is based on the current receipt (i.e. from January to May 2021).	2022 Budget and MTEF, 2023-2025
	4. VAT Allocation	VAT – considering that changes in key macroeconomic parameters including the nature of impact of the volatile commodity prices and exchange rate on aggregate economic activity, VAT was forecasted using the elasticity forecast method.	2022 Budget and MTEF, 2023-2025
	5. IGR	Internally Generated Revenue (IGR) – the current administration has sustained internal revenue administration reforms. These measures have started yielding results. It is anticipated that IGR will grow by 25% in 2021 but increase on a constant rate of 10% in 2022, 2023 and 2024. Consequently, an own percentage has been used to forecast IGR for the period 2022 – 2024.	2022 Budget and MTEF, 2023-2025
	6. Capital Receipts		2022 Budget and MTEF, 2023-2025
	6.a. Grants	Grants – The internal grants are based on calculated expected inflow for the period 2022-2024. External grants are based on signed grant agreements with the development partners.	2022 Budget and MTEF, 2023-2025
	6.b. Sales of Government Assets and Privatization Proceeds		2022 Budget and MTEF, 2023-2025
	6.c. Other Non-Debt Creating Capital Receipts		2022 Budget and MTEF, 2023-2025
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil	Personnel – The on-going staff verification is to check abnormalities in the pay roll. The State is determined to sustain the trend to reduce personnel cost. It is anticipated that the number of political office holders will also be reduced, and the personnel cost is projected to register increase in 2022, 2023 and 2024 respectively	2022 Budget and MTEF, 2023-2025
	2. Overhead costs	Overheads – Annual increases were relatively low over the period 2015 and 2016. However, there was a large increase in 2017-2019 and fell in 2020. Moving average excluding outlier is used to forecast overheads because the expected growth rate for 2022-2024 is expected to substantially follow the trend recorded in the past five years.	2022 Budget and MTEF, 2023-2025
	3. Interest Payments (Public Debt Charges, ir	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	Debt Management Office, Nigeria
	4. Other Recurrent Expenditure (Excluding Pe	Social Contribution and Social Benefits – Pensions and gratuity payments is expected to remain at the level of 2020 actual. Hence, the own percentage of zero growth is adopted for 2022-2024.	Debt Management Office, Nigeria
	5. Capital Expenditure		2022 Budget and MTEF, 2023-2025
Closing Cash and Bank	**Closing Cash and Bank Balance**	Financial Statements	2022 Budget and MTEF, 2023-2025
Debt Amotization and	**Debt Outstanding at end-2021**		
	External Debt - amortization and interest	Public Debt Charges – is based on the projected principal and interest repayments for 2022, 2023 and 2024. Hence, an own value has been used anticipating that public debt charge will remain largely stable with minimal growth over the medium term.	Debt Management Office, Nigeria
	Domestic Debt - amortization and interest	Public Debt Charges – is based on the projected principal and interest repayments for 2022, 2023 and 2024. Hence, an own value has been used anticipating that public debt charge will remain largely stable with minimal growth over the medium term.	Debt Management Office, Nigeria

	New debt issued/contracted from 2022 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g	Financing (Net Loans) – In 2022 Kaduna State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2022 Budget and MTEF, 2023-2025
	External Financing - Bilateral Loans	Financing (Net Loans) – In 2022 Kaduna State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2022 Budget and MTEF, 2023-2025
	Other External Financing	Financing (Net Loans) – In 2022 Kaduna State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2022 Budget and MTEF, 2023-2025
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 yea	Financing (Net Loans) – In 2022 Kaduna State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2022 Budget and MTEF, 2023-2025
	Commercial Bank Loans (maturity 6 years or	Financing (Net Loans) – In 2022 Kaduna State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2022 Budget and MTEF, 2023-2025
	State Bonds (maturity 1 to 5 years)	Financing (Net Loans) – In 2022 Kaduna State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2022 Budget and MTEF, 2023-2025
	State Bonds (maturity 6 years or longer)	Financing (Net Loans) – In 2022 Kaduna State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2022 Budget and MTEF, 2023-2025
	Other Domestic Financing	Financing (Net Loans) – In 2022 Kaduna State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2022 Budget and MTEF, 2023-2025
Proceeds from Debt-	**Planned Borrowings (new bonds, new loans, etc**	**Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)**	
corresponding to Deb	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 yea	Gross Financing distributions was based on Kaduna State's MTEF, 2022-2024	2022 Budget and MTEF, 2023-2025
	Commercial Bank Loans (maturity 6 years or	Gross Financing distributions was based on Kaduna State's MTEF, 2022-2024	2022 Budget and MTEF, 2023-2025
	State Bonds (maturity 1 to 5 years)	Gross Financing distributions was based on Kaduna State's MTEF, 2022-2024	2022 Budget and MTEF, 2023-2025
	State Bonds (maturity 6 years or longer)	Gross Financing distributions was based on Kaduna State's MTEF, 2022-2024	2022 Budget and MTEF, 2023-2025
	Other Domestic Financing	Gross Financing distributions was based on Kaduna State's MTEF, 2022-2024	2022 Budget and MTEF, 2023-2025
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g	Gross Financing distributions was based on Kaduna State's MTEF, 2022-2024	2022 Budget and MTEF, 2023-2025
	External Financing - Bilateral Loans	Gross Financing distributions was based on Kaduna State's MTEF, 2022-2024	2022 Budget and MTEF, 2023-2025
	Other External Financing	Gross Financing distributions was based on Kaduna State's MTEF, 2022-2024	2022 Budget and MTEF, 2023-2025
Proceeds from Debt-	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
corresponding to Deb	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 yea	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team

	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
Proceeds from Debt-	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
corresponding to Deb	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 yea	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
Proceeds from Debt-	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
corresponding to Deb	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 yea	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team

Annex II

Indicator	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actuals					Projections									
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	2,316,933.15	2,691,445.94	2,877,840.16	3,327,995.52	3,627,398.76	5,388,353.02	6,190,575.68	6,887,344.29	7,663,031.44	8,526,080.35	9,486,330.15	10,554,728.08	11,743,454.33	13,066,060.88	14,537,625.98
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	435.60	435.60	435.60	435.60	435.60	435.60	435.60	435.60	435.60	435.60
Fiscal Indicators (Million Naira)															
Revenue	**138,381.10**	**192,043.20**	**175,202.60**	**216,678.52**	**244,424.33**	**318,544.34**	**279,303.10**	**312,506.34**	**338,955.82**	**366,258.42**	**377,922.04**	**395,820.83**	**432,857.91**	**394,162.20**	**452,743.08**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	55,713.00	54,234.00	42,976.00	45,125.03	49,839.18	82,952.99	117,905.78	121,078.68	133,186.55	146,505.20	161,155.72	177,271.29	194,998.42	175,498.27	197,948.09
1.a. of which Net Statutory Allocation ('net' means of deductions)	50,949.00	48,389.00	36,520.00	36,796.24	40,640.30	78,606.00	84,413.00	88,283.00	91,007.00	84,013.00	87,250.00	90,957.00	92,040.00	95,100.00	32,544.80
1.b. of which Deductions	4,764.00	5,845.00	6,456.00	8,328.78	9,198.90	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)	2,592.00	2,387.00	5,464.00	4,276.51	8,927.70	5,400.00	3,670.00	2,660.00	1,570.00	2,270.00	1,400.00	1,670.00	1,330.00	670.00	940.40
4. VAT Allocation	15,611.00	16,866.00	20,554.00	30,025.81	33,765.57	39,554.25	42,621.49	45,362.82	44,435.38	49,322.46	51,386.95	54,064.34	69,877.21	72,452.65	73,543.18
5. IGR	29,446.39	44,228.04	50,768.52	52,412.31	77,087.43	36,000.00	40,000.00	76,470.00	78,117.00	84,764.00	86,700.00	81,058.00	82,705.00	85,705.00	87,533.20
6. Capital Receipts	35,018.71	74,328.00	55,440.10	84,838.88	74,804.50	154,637.10	75,105.82	66,934.84	81,646.89	83,396.76	77,279.37	81,757.19	83,947.28	59,836.28	92,778.20
6.a. Grants	15,150.75	13,495.19	20,270.11	14,311.76	39,779.50	27,368.00	27,397.00	27,503.00	29,372.60	15,387.70	16,380.20	14,408.10	15,810.30	17,199.50	18,594.32
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	2,541.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	12,252.99	0.00	0.00	15,522.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	7,614.97	60,833.00	35,170.00	52,462.67	35,025.03	127,269.10	47,708.82	39,431.84	52,274.29	68,009.06	60,899.17	67,349.09	68,136.98	42,636.78	74,183.88
Expenditure	**144,790.22**	**246,090.61**	**198,718.20**	**242,939.84**	**254,859.19**	**212,974.10**	**242,093.10**	**329,845.84**	**332,303.98**	**356,553.50**	**376,203.09**	**393,741.85**	**404,269.76**	**421,822.07**	**432,348.58**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	33,324.53	34,243.16	43,225.97	46,769.84	55,236.50	47,000.00	49,000.00	48,889.62	51,334.10	53,900.80	56,595.84	59,425.63	62,396.91	67,963.80	74,012.60
2. Overhead costs	30,308.82	38,018.32	17,549.41	22,930.09	15,065.60	30,000.00	30,000.00	30,000.00	28,547.70	29,672.20	29,644.00	29,572.80	34,487.30	39,384.80	42,890.00
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	1,141.92	1,473.02	3,829.82	0.00	3,408.61	8,859.11	33,572.19	37,671.10	36,821.44	42,809.83	47,412.47	44,208.70	47,083.21	50,380.96	49,577.96
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	1,141.92	1,473.02	3,829.82	0.00	3,408.61	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	6,465.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,000.00	0.00
5. Capital Expenditure	62,586.60	148,572.01	131,036.35	162,634.88	165,587.27	110,332.40	111,441.44	170,371.56	176,334.56	174,506.27	188,893.99	195,505.28	195,280.55	199,280.55	203,365.80
6. Amortization (principal) payments	17,428.35	23,784.10	3,076.62	4,139.30	15,561.20	16,782.59	18,079.47	42,913.57	39,266.18	55,664.39	53,656.79	65,029.43	65,021.79	44,811.96	62,502.23
Budget Balance (' + ' means surplus, ' - ' means deficit)	**-6,409.12**	**-54,047.41**	**-23,515.60**	**-26,261.32**	**-10,434.90**	**105,570.23**	**37,209.99**	**-17,339.50**	**6,651.85**	**9,704.92**	**1,718.95**	**2,078.98**	**28,588.15**	**-27,659.87**	**20,394.49**
Opening Cash and Bank Balance	**18,779.60**	**12,370.48**	**-41,676.93**	**-65,192.53**	**-91,192.50**	**-101,627.40**	**3,942.83**	**41,152.83**	**23,813.33**	**30,465.17**	**40,170.09**	**41,889.04**	**43,968.02**	**72,556.17**	**44,896.30**
Closing Cash and Bank Balance	**12,370.48**	**-41,676.93**	**-65,192.53**	**-91,453.85**	**-101,627.40**	**3,942.83**	**41,152.83**	**23,813.33**	**30,465.17**	**40,170.09**	**41,889.04**	**43,968.02**	**72,556.17**	**44,896.30**	**65,290.79**

Financing Needs						**127,269.10**	**47,708.82**	**39,431.84**	**52,274.29**	**68,009.06**	**60,899.17**	**67,349.09**	**68,136.98**	**42,636.78**	**74,183.88**
i. Primary balance						3,942.83	41,152.83	23,813.33	30,465.17	40,170.09	41,889.04	43,968.02	72,556.17	24,896.27	58,290.79
ii. Debt service						25,641.70	51,651.66	80,584.67	76,087.62	98,474.23	101,069.26	109,238.13	112,105.00	95,192.92	112,080.18
Amortizations						16,782.59	18,079.47	42,913.57	39,266.18	55,664.39	53,656.79	65,029.43	65,021.79	44,811.96	62,502.23
Interests						8,859.11	33,572.19	37,671.10	36,821.44	42,809.83	47,412.47	44,208.70	47,083.21	50,380.96	49,577.96
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						105,570.23	37,209.99	-17,339.50	6,651.85	9,704.92	1,718.95	2,078.98	28,588.15	-27,659.87	20,394.49
Financing Sources						**127,269.10**	**47,708.82**	**39,431.84**	**52,274.29**	**68,009.06**	**60,899.17**	**67,349.09**	**68,136.98**	**42,636.78**	**74,183.88**
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						127,269.10	47,708.82	39,431.84	52,274.29	68,009.06	60,899.17	67,349.09	68,136.98	42,636.78	74,183.88
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	0.00	52,274.30	0.00	0.00	0.00	0.00	22,636.80	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						115,865.78	0.00	21,095.70	0.00	68,009.10	0.00	67,349.10	68,137.00	0.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	28,106.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						11,403.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	60,899.20	0.00	0.00	0.00	74,183.88
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	19,602.00	18,336.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,999.98	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.02	0.02	-0.01	-0.01	-0.04	-0.03	-0.01	-0.02	0.00	0.00
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**148,397.56**	**248,542.96**	**242,688.47**	**255,721.06**	**302,101.49**	**445,264.65**	**474,894.00**	**471,412.27**	**484,420.38**	**496,765.05**	**504,007.42**	**506,327.08**	**509,442.27**	**507,267.10**	**518,948.75**
External	57,538.04	169,644.65	173,934.11	194,010.05	218,806.56	243,136.30	254,039.11	263,395.83	254,347.37	246,070.97	237,687.91	228,934.23	217,965.82	226,263.95	214,117.78
Domestic	90,859.52	78,898.31	68,754.36	61,711.01	83,294.93	202,128.35	220,854.89	208,016.45	230,073.02	250,694.08	266,319.51	277,392.86	291,476.45	281,003.15	304,830.97
Gross borrowing (flow)						**127,269.10**	**47,708.82**	**39,431.84**	**52,274.29**	**68,009.06**	**60,899.17**	**67,349.09**	**68,136.98**	**42,636.78**	**74,183.88**
External						0.00	19,602.00	18,336.15	0.00	0.00	0.00	0.00	0.00	19,999.98	0.00
Domestic						127,269.10	28,106.82	21,095.69	52,274.29	68,009.06	60,899.17	67,349.09	68,136.98	22,636.80	74,183.88
Amortizations (flow)	**17,119.68**	**23,646.06**	**18,404.62**	**11,384.23**	**14,051.08**	**16,782.59**	**18,079.47**	**42,913.57**	**39,266.18**	**55,664.39**	**53,656.79**	**65,029.43**	**65,021.79**	**44,811.96**	**62,502.23**
External	1,465.97	2,088.21	942.79	2,934.00	7,091.92	8,346.91	8,699.19	8,979.44	9,048.46	8,276.40	8,383.05	8,753.68	10,968.41	11,701.85	12,146.17
Domestic	15,653.71	21,557.85	17,461.83	8,450.23	6,959.16	8,435.68	9,380.28	33,934.14	30,217.72	47,387.99	45,273.74	56,275.75	54,053.39	33,110.11	50,356.06
Interests (flow)	**1,039.57**	**1,452.21**	**1,570.76**	**4,057.14**	**6,372.38**	**8,859.11**	**33,572.19**	**37,671.10**	**36,821.44**	**42,809.83**	**47,412.47**	**44,208.70**	**47,083.21**	**50,380.96**	**49,577.96**
External	486.12	580.99	708.02	2,330.57	2,963.77	3,062.95	3,049.81	3,337.41	3,599.16	3,494.02	3,394.79	3,288.21	3,537.46	3,521.77	3,573.68
Domestic	553.44	871.22	862.74	1,726.57	3,408.61	5,796.15	30,522.38	34,333.68	33,222.28	39,315.81	44,017.68	40,920.49	43,545.76	46,859.18	46,004.27
Net borrowing (gross borrowing minus amortizations)						**110,486.51**	**29,629.35**	**-3,481.73**	**13,008.11**	**12,344.66**	**7,242.38**	**2,319.66**	**3,115.19**	**-2,175.18**	**11,681.66**
External						-8,346.91	10,902.81	9,356.71	-9,048.46	-8,276.40	-8,383.05	-8,753.68	-10,968.41	8,298.13	-12,146.17
Domestic						118,833.42	18,726.54	-12,838.44	22,056.57	20,621.06	15,625.43	11,073.35	14,083.60	-10,473.31	23,827.82

Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	6.40	9.23	8.43	7.68	8.33	8.26	7.67	6.84	6.32	5.83	5.31	4.80	4.34	3.88	3.57
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	125.22	189.42	173.31	174.97	144.27	232.79	205.05	172.63	168.98	166.56	158.98	154.15	139.68	144.30	137.09
Debt Service as % of SGDP						0.48	0.83	1.17	0.99	1.15	1.07	1.03	0.95	0.73	0.77
Debt Service as % of Revenue (including grants and excluding other capital receipts)						13.41	22.30	29.51	26.54	33.02	31.88	33.26	30.74	27.08	29.61
Interest as % of SGDP						0.16	0.54	0.55	0.48	0.50	0.50	0.42	0.40	0.39	0.34
Interest as % of Revenue (including grants and excluding other capital receipts)						4.63	14.50	13.80	12.84	14.35	14.96	13.46	12.91	14.33	13.10
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						24.57	21.16	17.90	17.91	18.07	17.85	18.09	17.11	19.33	19.55

Adverse Shock Scenario is defined by the worst performance indicator measured in year 2027											
For Debt Stock as % of SGDP the adverse shock is: Revenue	Revenue										
Debt Stock as % of SGDP		8.26	8.05	7.60	7.43	7.26	7.03	6.78	6.57	6.32	6.20
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)		232.79	238.95	213.10	220.76	230.45	233.87	242.03	235.13	261.02	264.39
For Debt Service as % of SGDP the adverse shock is: Revenue	Revenue										
Debt Service as % of SGDP		0.48	0.83	1.20	1.05	1.23	1.17	1.38	1.35	1.14	1.20
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)		13.41	24.78	33.54	31.11	39.22	38.84	49.20	48.13	47.11	51.13
For Interest as % of SGDP the adverse shock is: Revenue	Revenue										
Interest as % of SGDP		0.16	0.54	0.57	0.54	0.58	0.60	0.54	0.54	0.55	0.52
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue										
Interest as % of Revenue (including grants and excluding other capital receipts)		4.63	16.11	16.08	15.89	18.49	20.03	19.37	19.44	22.56	22.03

Approved by:

Nbshizzer

Shizzer Nasara Bada
Honourable Commissioner of Finance

16th December, 2023