KADUNA STATE

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

DECEMBER 2024

TABLE OF CONTENT

CHAPTER ONE

1.1 Background and Objectives

The Debt Sustainability Analysis (DSA) analyses trends and patterns in the State's public finances during the period 2019-2023 and evaluates the debt sustainability in 2024-2033 (the long term). The analysis highlights recent trends in revenue, expenditure, public debt and the related policies adopted by the State. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, in order 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 existence 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 Years 2020 and 2021, the former certainly impacted by COVID-19 and the latter likely to suffer from second wave and/or legacy challenges and will likely result in significant increases in borrowing.

With the analysis done, these borrowings showed Kaduna State below the Debt to Revenue ratio threshold of 200% all through the historical years but above the threshold in 2024 and the MTEF years of 2025 -2027. It is actually expected to be at 333% in 2024 while it gradually normalizes in the medium to the long term. All other performance indicators remain favorable for the rest of the projection years

Furthermore, over the medium term, given revenue projections (which are very prudent from a Federation Account Allocation Committee (FAAC) perspective),which we expect to increase in the actuals owing to the reforms being carried out by the present administration, the removal of fuel subsidy and liberalization of the foreign exchange regime, the prudent management of recurrent cost despite the rising inflation and maintenance of Capital Expenditure at reasonable levels, Kaduna will significantly reduce its debt burdens under the liquidity and solvency lenses.

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 and must increase above projected levels as a matter of fact. State must continue to make effort to bring more people into the tax net, block all revenue loopholes and improve IGR. Debt managers must also work to reduce the state's exposure to debt.

.3 Long Term Debt Sustainability for Kaduna State

The State exhibits a solid debt position that appears sustainable in the long term. FAAC is forecasted to grow proportionately faster than the other revenue sources (IGR and 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 good management of public debt

Federation Account revenue estimates (Statutory Allocation, VAT) for the period 2025-2027 are again as per the Kaduna State MTEF which are based on elasticity forecasting. Beyond this (i.e. from 2023) it is assumed that Statutory Allocation will continue to increase (this is a prudent assumption) where VAT rate remains at 7.5% with a possibility of further increment due to reforms and policy's undergoing reviews and discussions at the Federal level.

IGR forecasts for 2024 is based on the approved 2024 budget, and thereafter until 2027 on the MTEF. This is premised on 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.

Grants are anticipated to continue to grow moderately throughout the period 2024- 2033 even though we projected decline in some years due to anticipated programmes. Kaduna State Government (KDSG) will, as part of the Kaduna State Development Plan (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 2024 approved budget as a base, personnel costs are forecast to rise by 9.7% and overheads by 12.7% on the average over the period 2024-2033. Capital expenditure is forecast to grow by 17.6% on the average from 2024-2033.

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 especially in the long term.

The summary of the indicators with thresholds are as follows:

- The debt stock as a share of SGDP is expected to be at its peak at 14% in 2024 and further decline to 5% by 2033. When compared to the 25% threshold, this is highly favorable to the state.
- The ratio of debt to revenue with a threshold of 200% witnessed a breach of 333%, 260%, 220% and 205% for 2024, 2025, 2026 and 2027% respectively but with a steady and favorable decline from 2028 to 2033.
- Debt service as a ratio of revenue will hover between 15% to 19% from 2024 to 2033 which is way below the threshold of 40%. This is due to the fiscal reforms driving revenue growth and improved debt management practice 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 fairly sustainable under the baseline scenario and the majority 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 is expected to decline from 34% in 2024 to 20% in 2033.
- Interest as a share of Revenue is also expected to be at its peak at 13% in 2028 but decline to 8% in 2033. These outputs remain under control for the state all through the future years.
- External debt as a share of Revenue will also be at its highest at 12% in 2024.

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 so as to set its FAAC and Grants for infrastructural development. The increasing generation and collection of IGRs from 2019 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 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 2024-2033. It is aimed that this classification or borrowing, regardless of final source, is capped at 30% interest considering present economic realities with a favourable maturity period.

The 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 2% to 2.5% 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 S1 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 structured 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 Kaduna State Government recognizes the need to adopt a policy stance that is consistent with the core principles of Public Financial Management (PFM), namely:
• Aggregate fiscal discipline.
• Allocation of resources to priority needs
• Efficient and effective use of resource to deliver public services and create assets. To enhance the state's ability to adhere to the above principles,

The Kaduna State Government updated and passed several PFM laws over the last five years, including:

- Fiscal Responsibility Law.
- Public Procurement Law.
- Public Finances (Control and Management) Law.
- Tax Codification and Consolidation Law.
- Audit Law. In support of the implementation of the provisions of these laws, KDSG has also established the following institutions:
- Planning and Budget Commission (PBC) (formerly the Ministry of Planning and Budget).
- Economic Intelligence Unit (EIU).
- Public Procurement Authority (PPA).
- Debt Management Department (DMD);
- Fiscal Responsibility Commission (FRC).

These along with the existing institutions (KADIRS, MOF, OAG, and OAUG) are charged with overseeing the delivery of the above principles of PFM.

Fiscal Policy Direction
To achieve the above principles of PFM, KDSG adopts the following policy positions in regard to the aggregate financing estimates for this plan through Medium Term Expenditure Framework (MTEF) and Annual Budget processes over the period 2021 - 2025:

- KSDG will aim to achieve a 60:40 capital recurrent expenditure ratio. Any budgeted or actual ratio falling outside +/- 5 per cent of 60 per cent in favour of capital will be justified, in writing, to the Appropriations and the Public Accounts Committees of the State House of Assembly.

- Aggregate annual salary increments by MDAs will not exceed inflation unless based on the implementation of a new policy initiative.
- Centralization of procurement of core items.
- KDSG will aim, by the end of the SDP implementation period (i.e., 2025), to fund all recurrent expenditure (including debt servicing), through IGR while FAAC allocation and VAT receipts will be used for capital development.
- Ongoing projects will be given priority during budget preparation and implementation. All capital expenditure (projects) proposals must include explicit justification for inclusion in the budget based on contribution to the outcomes of this State Development Plan.
- KDSG will, through the Kaduna State Economic Intelligence Unit (EIU), undertake its own research and form its own estimates of Federation Account revenues based on prudent macroeconomic and mineral assumptions. The analysis and justification for these estimates will be contained within the state's annual rolling MTEF documents and other EIU research publications and will allow for reasonable buffers against short term fluctuations (price, production). Reassessment of these assumptions will be undertaken and presented, with modifications as necessary, in the annual budget.
- Kaduna State Government will set aside (unappropriated) a contingency reserve of not less than 1 per cent of recurrent revenues (IGR and Federation Account).
- The annual deficit to GDP ratio will be capped at 3 per cent based on the latest 84 available state GDP statistics and national growth and inflation forecasts. This does not include a one-off restructuring of debt.
- All revenues of the State, including of parastatals, will be recorded, and managed under the purview of the Accountant General through the Treasury Single Account (TSA) process. All expenditures, including grant and loan financed projects with external financing, will be executed through the State Integrated Financial Management Information System (SIFMIS). This and other initiatives to ensure efficient use of cash will be laid out in a Cash Management Policy for the state.
- To protect future generations and ensure inter-temporal efficiency, KDSG will aim not to exceed the following Debt Liquidity and Solvency Ratios within the implementation period of the plan:
    - Debt Stock to GDP Ratio of 25 per cent.
    - Debt Servicing to Recurrent Revenue Ratio of 25 per cent.
    - Domestic-Foreign Debt Ratio within the range of 40-60 per cent.
- The Kaduna State Government will establish a sinking fund to repay the principal on any interest only debts.
- Within the first year of the Plan, KDSG will clear 30 per cent of existing expenditure arrears through various debt financing initiatives and will proactively limit the build-up of new arrears–this requires commitment control, a strict limit on the carry forward of payment vouchers (and other creditor balances) between fiscal years and tight Due Process to ensure contractors do not invoice until the work completion is verified. KDSG will aim to limit the stock of expenditure arrears at the end of the fiscal year to 2 per cent of total budgeted expenditure for the year (in line with PEFA Dimension 22.1 Grade A score) with any breach of this percentage having to be justified in writing to the Parliamentary Accounts

Committee.

- Fiscal risks will be analyzed in the annual rolling MTEF documents and will be monitored by a committee chaired by the Commissioner of Finance.
- The Kaduna State Government will also undertake a PEFA assessment to enhance the core principles of PFM.

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 thrive in order to 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 this 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 (KAD-IRS) 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.

2.1 The 2024 Budget and 2025-2027 MTEF

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 2025-2027 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, 2019- 2023

3.0 Introduction

The figures captured in this section of the report reflects the audited financial statement position for the historical years (2019 -2023). The state debts report also aligns with the 2023 Q4 State Debt Report submitted the DMO.

3.1 Revenue, Expenditure, Overall & Primary Balance

i. Aggregate State TOTAL Revenue trend in the last five years and its composition in 2023

The state revenue for the period under review comprises all forms of revenue that accrued to the state with the exception of 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 N131,210M in 2019 to N201,137M in 2023.

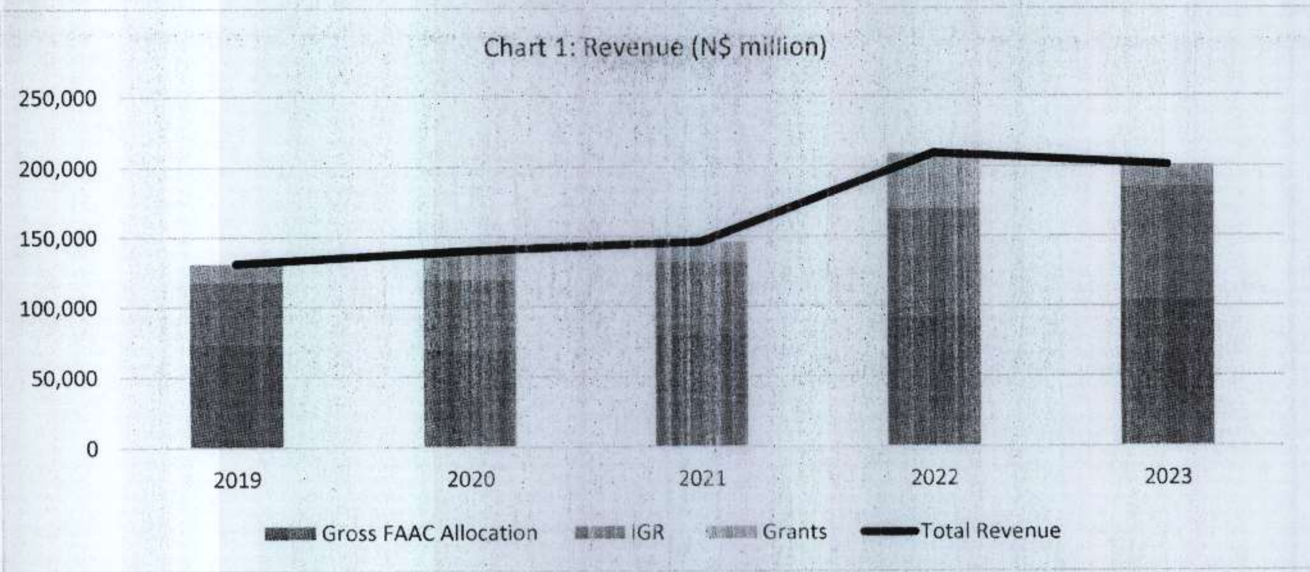
VAT and IGR made up for a larger proportion of the growth. VAT grew steadily during this period which is indicative of the rate that has been increased from 5% to 7.5%.

The Kaduna State Tax Codification and Consolidation Law supported IGR growth.

Table 3.1 Kaduna State Aggregate Revenue for 2019-2023

CLASS OF REVENUE	2019	2020	2021	2022	2023
Gross FAAC	73,487	68,994	79,427	92,532	104,283
IGR	44,228	50,769	52,412	77,087	80,900
Grants	13,495	20,270	14,312	39,780	15,954
Total Revenue	**131,210**	**140,033**	**146,151**	**209,399**	**201,137**

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



Source: Audited Financial Statements

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

Except for the drop in 2020, there has been a steady increase in Statutory Allocation since 2019. FAAC grew from N73,487M in 2019 to N104,283M in 2023 which represents an increase 42%.

This increase is due to the rise in 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 FIRS (Federal Inland Revenue Service) and Nigerian Custom Service which yields positive results.

VAT has constantly surged since the country exited recession not least as a result 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 N44,228M in 2019 to N80,900M in 2023 which represents 83% increase. The IGR figures have steadily been increasing over the years. This is as a result of the passage in 2016 of the Kaduna State Tax Codification and Consolidation Law which has greatly enhanced collections and reduced leakages in the state internal revenue framework. Also, a revision of the Tax law in Year 2020 brought significant changes, including the prohibition of cash collection and the digitization of the revenue system, which elevated revenue collection from N12 billion to over N50 billion.

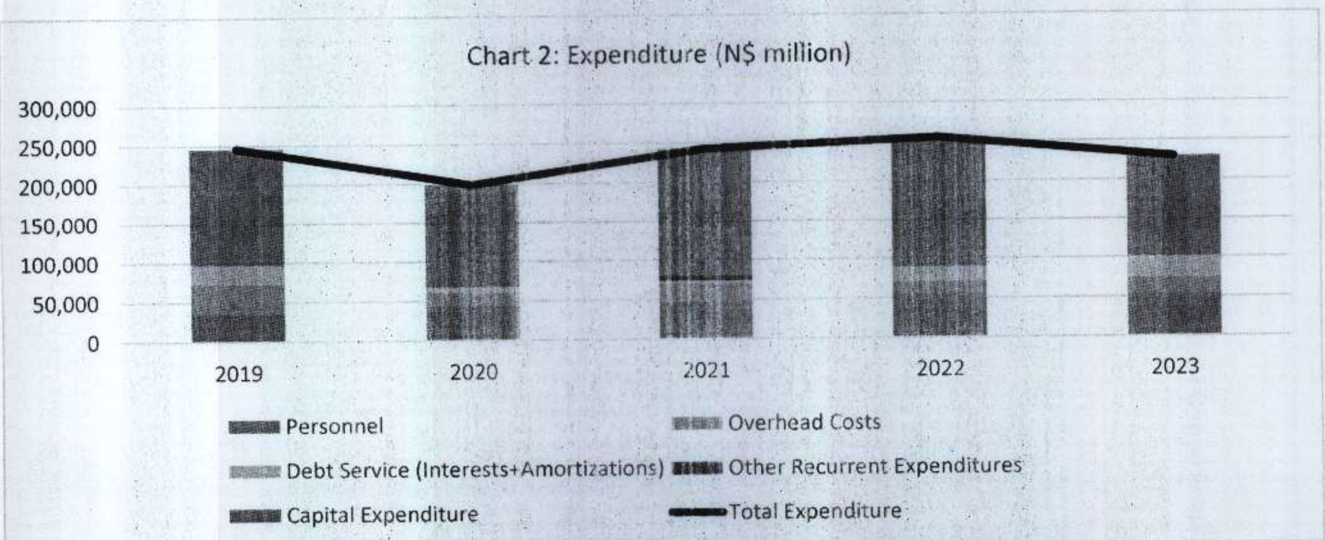
iv. **Aggregate (total) Expenditure trend in the last five years and its composition in 2023.**

The state expenditure can be classified as Recurrent (Personnel, Overheads, Debt Service and other Recurrent expenditure) and Capital Expenditure. The expenditure of the state declined by 7% from N246,091M in 2019 to N229,653M in 2023. Debt Service declined from 2020 but increased in 2023. The State made effort to keep a check on personnel and overhead expenditure to free up resources for capital investment. However, the minimum wage implementation did cause an increase in personnel cost all though the historical years. Expenditure as a percentage of state GDP was 7.39% in 2019 but declined to 4.17% in 2023.

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 2019-2023

EXPENDITURE	**2019**	**2020**	**2021**	**2022**	**2023**
Personnel	34,243	43,226	46,770	55,237	53,329
Overhead Costs	38,018	17,549	22,930	15,066	20,253
Debt Service (Interests+Amortizations)	25,257	6,906	4,139	18,970	27,499
Other Recurrent Expenditures	0	0	6,466	0	0
Capital Expenditure	148,572	131,036	162,635	165,587	128,573
Total Expenditure	**246,091**	**198,718**	**242,940**	**254,859**	**229,653**
% Increase		-19%	22%	5%	-10%

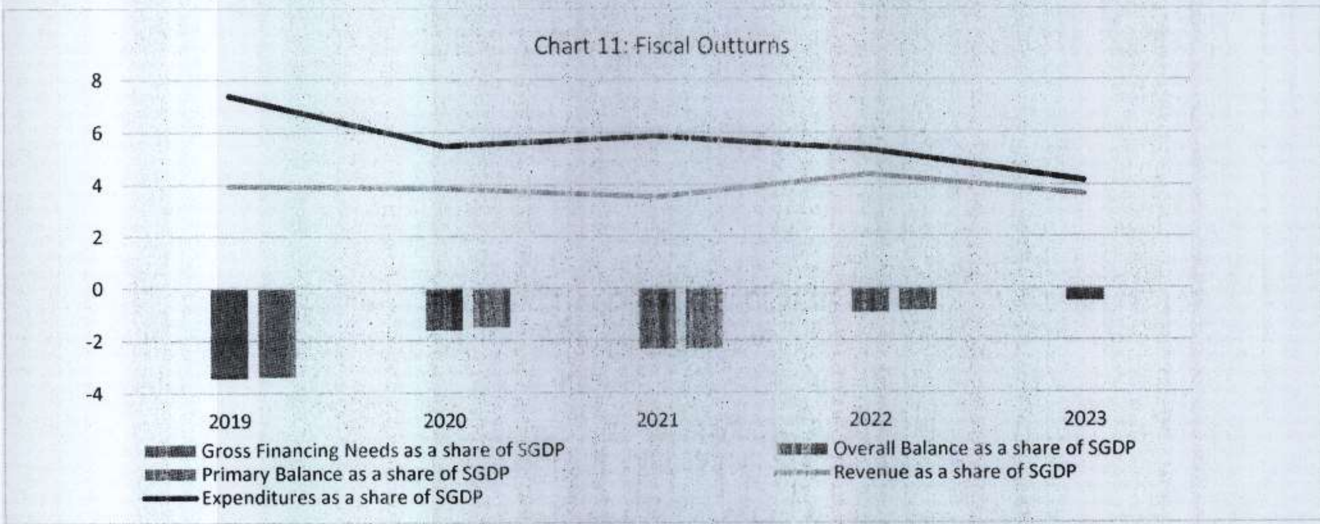


V. Main expenditure variations in the last five years by economic classification

The main expenditure variation happened with personnel cost due to the implementation of the N30,000.00 minimum wage review. Personnel cost rose by 56% from 2019 to 2023. Other categories of cost either witnessed a decline or marginal increase over the period.

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 improved during the review period. For the overall balance, it moved from a deficit of -3.45% in 2019 to -0.52% in 2023. The improvement in the overall balance can be attributed to the increase in FAAC. The primary balance which is a critical indicator of a government's short-term financial sustainability improved to -0.02% in 2023 from -3.41% in 2019. The state GDP also increased continuously over the five years of the historical period.



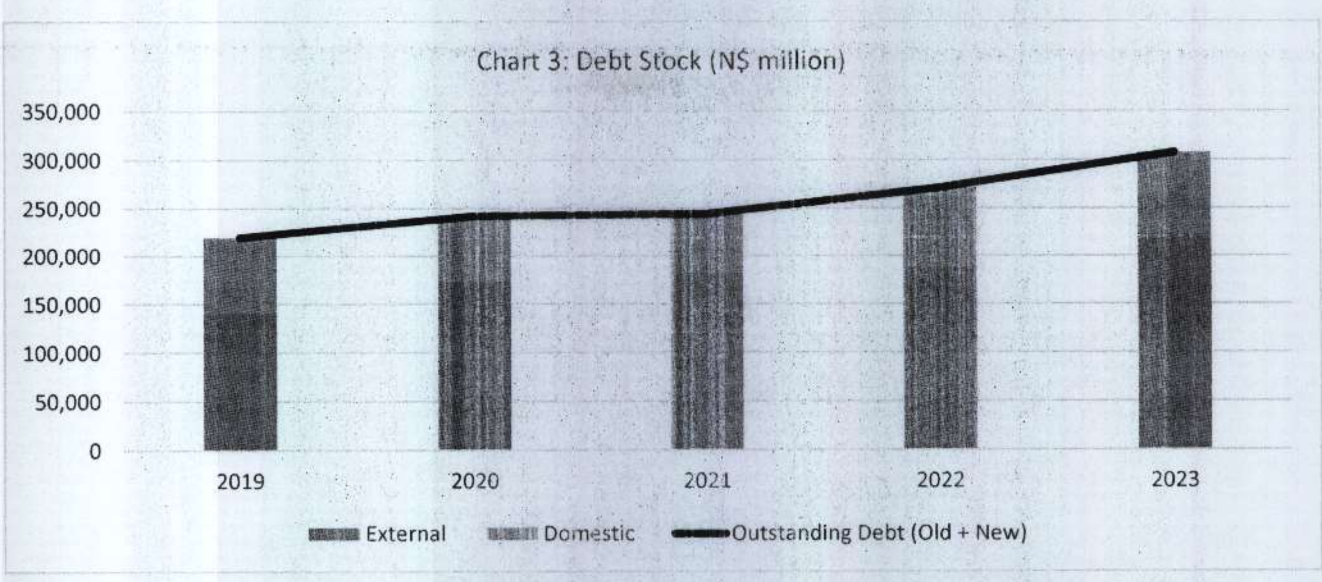
3.2 Kaduna State Existing Debt Portfolio

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-2023 and its growth in the last five years**

The State public debt as of end-2019 stood at N219,363M. It increased steadily all through the historical period because of the collapse of oil prices and the impact of Covid 19 in 2020 which necessitated decrease in FAAC allocations accruing to the state to decline. The debt stock figure had risen to N308,020M as at the end of 2023 which implies a 40% 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-2023.

The external component of the state debt stock as at December 2023 stood at N222,500M which is 72.24% of the entire state debt portfolio while the domestic debt stood at N85,520M representing 27.76% 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 at December 2023.

LOAN	AMOUNT	PERCENTAGE
External Debt	225,000	72.24%
Domestic Debt	85,520	27.76%
Total Debt (stock)	**308,020**	**100.00%**

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

The 2023 closing debt stock by item is summarised in the table below.

Category of Loan	Currency	Denomination	2023 Year End
World Bank (WB)	US Dollars	Million	565.92
African Development Bank (AfDB)	US Dollars	Million	13.85
Multilateral Creditor	US Dollars	Million	7.31
Total External Debt - Stocks	**US Dollars**	**Million**	**587.07**
Budget Support Facility	Naira	Million	17,243.07
Salary Bailout Facility	Naira	Million	11,826.86
Excess Crude Account Backed Loan	Naira	Million	8,270.53

Commercial Banks Loans	Naira	Million	6,774.38
Commercial Agriculture Loan	Naira	Million	7,634.93
Infrastructure Loan	Naira	Million	18,043.08
Contractors' Arrears	Naira	Million	8,969.92
Pension and Gratuity Arrears	Naira	Million	6,756.99
Total Domestic Debt - Stocks	**Naira**	**Million**	**85,519.77**

Note: Exchange rate for external loan is at N379: $1 as at 2023

iii. **Cost and risks exposure of the existing public debt portfolio at end-2023.**

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 declined from 34% to 2019 to 19% in 2023.

The external debt service increased from 2% in 2019 to 4% in 2013, it is still under control however, the exposure to currency fluctuations is high because the foreign currency denominated liabilities at the end of 2023 is 72% 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. 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 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	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Debt as % of SGDP	6.59	6.68	5.90	5.71	5.59	14.47	13.21	12.16	11.21	10.27	8.91	7.76	6.83	5.98	4.98
Threshold	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
Debt as % of Revenue	167.18	173.02	167.03	129.66	153.14	332.54	260.44	219.82	205.28	185.41	160.56	148.92	136.87	114.69	99.65
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
Service as %of	18.78	14.26	10.35	9.08	10.07	17.15	15.19	15.74	17.70	19.47	18.88	19.11	18.27	15.81	16.35
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Personnel Cost as % of Revenue	26.10	30.87	32.00	26.38	26.51	26.57	22.49	18.36	17.10	16.67	15.25	14.90	15.37	14.67	14.22
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 2020 at 6.68% while it is 14.47% in 2024 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 did not cross the threshold all the historical period but for the projection years, the threshold was crossed from 2024 - 2027. These are the budget and MEFT years. The situation is however projected to improve from 2028 – 2033 as the ratio steadily decline in the interest of the state.

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 and future years is not really threatened as only Debt/Revenue had threshold crossed for 4 years of the 10 years projection. All other performance indicators recorded positive numbers all through the future years.

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

INDICATORS	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Debt Service as a share of Gross FAAC Allocation	34	29	19	21	19	34	27	25	28	28	26	26	23	20	20
Interest as a share of Revenue	1	1	3	3	4	5	7	9	12	13	12	11	10	8	8
External Debt Service as a share of Revenue	2	1	3	4	4	12	9	7	6	5	5	5	6	5	5

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 Budget Policy Statement

1. The overall policy of the government when considering its budget remains along the line of the State Development Plan 2023-2027 with the following key criteria:
   - Invest in education, healthcare, and social welfare to ensure Kaduna residents are healthy, productive, and competitive.
   - Foster the security of lives and property throughout Kaduna State by targeting the roots and symptoms of intolerance and communal violence.
   - Institute a good governance system that is founded on a competent and responsive public service with zero tolerance for corruption.
   - Maintain, rebuild, and expand decaying infrastructure particularly water supply, electricity, and road networks to accelerate economic growth and create jobs.
   - Promote agriculture and food security and reform land administration as a basis for wealth creation and capital formation, while preserving and enhancing environmental management.

Objectives and Targets

2. The key targets from a fiscal perspective are:
   - Ensuring the actualization of the development priorities of the government as articulated in the State Development Plan (SDP) and respective Sector Implementation Plans (SIPs).
   - Maintaining a favourable proportion of Capital to Recurrent expenditure (at least a target of 60%:40%).
   - Maintain a sustainable debt position in line with Federal Debt Management Office (FDMO) criteria.
   - Expand the revenue base of the State by exploring untapped sources.
   - Improve economic growth through investment in infrastructure.
   - Eliminating wastages and other unjustifiable expenditures that are not linked to policy objectives.
   - Ensuring adequate provision of 2024 projects likely to be completed in 2025 or over the period of 2026 – 2027.
   - Ensure the inclusion of sector-wide public works programs with significant potentials for job creation across all local governments of the State

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 2022-2024 MTEF further expands on these assumptions.

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

Item	2024-Revised	2025	2026	2027
National Inflation	21.40%	15.75%	14.21%	10.04%
National Real GDP Growth	3.8%	4.6%	4.40%	5.5%
Oil Production Benchmark (MBPD)	1.76	2.06	2.10	2.35
Oil Price Benchmark	$77.96	$75.00	$76.72	$75.3
NGN: USD Exchange Rate	₦800.00	₦1,400	₦1,400	₦1,400

Source: Ministry of Finance, Budget & National Planning

The projected economic growth rate for the 2025-2027 Medium-Term Expenditure Framework indicates that growth is expected to increase gradually over the next three years. Real GDP is projected to increase to 4.6% in 2024, moderate to 4.4% in 2025 and then rise to 5.5% in 2026. The principal drivers are increased investments in infrastructure, agriculture, and social services. While the economy is still largely consumption-driven, most of the growth in real GDP during the period will be driven by the anticipated increase in domestic oil refining capacity, telecommunications, crop production, and employment, with the bulk of projected growth coming from the non-oil sector. Targeted investments through the Renewed Hope Infrastructure Development Fund will significantly improve growth.

Nominal consumption is projected to increase to N206.83 trillion in 2025 and N233.31 trillion and N263.95 trillion in 2026 and 2027, respectively, due to the expected increase in wages following the new minimum wage and cash transfers to households. These factors will also impact the inflation rate, which, although projected to decline to 15.8% in 2025, will remain at a lower double-digit level over the medium term.

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

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

The MTEF for Kaduna State for covering 2025 – 2027 and the 2024 Budget 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	**2024**	**2025**	**2026**	**2027**
Statutory Allocation	84,386,659,966	149,712,183,756	213,840,859,646	239,691,165,876
VAT	50,000,000,000	66,307,185,292	78,790,053,265	92,869,035,578
IGR	120,001,818,558	126,001,500,000	132,301,100,000	138,916,100,000
Excess Crude/Others	7,150,000,000.00	-	-	-
Total	**261,538,478,524**	**342,020,869,048**	**424,932,012,911**	**471,476,301,454**
Recurrent Expenditure				
Personnel	75,268,983,111	85,932,809,431	87,000,000,000	89,000,000,000
Social Benefits	0	12,000,000,000	12,000,000,000	12,000,000,000
Overheads	39,895,898,851	50,813,477,587	52,000,000,000	53,000,000,000
Public Debt Service	25,400,000,000	70,876,998,877	80,765,875,876	90,009,876,543
Total	**141,213,636,302**	**147,356,141,653**	**152,300,046,256**	**152,300,046,256**
Transfer to Capital account	**120,973,596,562**	**122,397,583,153**	**193,166,137,035**	**227,466,424,911**
Capital Receipts				
Grants	21,740,243,405	40,013,031,162	48,947,890,774	48,947,890,774
Other Capital Receipts	1,500,000,000.00	0	0	0
Total	**23,240,243,405**	**40,013,031,162**	**48,947,890,774**	**48,947,890,774**
Capital Expenditure	**217,706,417,516**	**322,862,654,938**	**390,722,761,785**	**402,181,288,946**
Discretional Funds	61,151,676,503	90,689,070,423	151,526,478,936	196,985,006,096
Non-Discretional Funds	156,554,741,013	232,173,584,514	239,196,282,849	225,196,282,849

Financing (Loans)	**73,492,577,548**	**160,452,040,623**	**148,608,733,976**	**125,766,973,261**

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 very 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.

Assumptions

- **Statutory Allocation** – The Fiscal and Economic Reforms being rolled out by the Federal Government has greatly improved Statutory Allocation since July 2023. The removal of Petroleum Motor Spirit (PMS), unification of Multiple Exchange Rates and Deregulated the FX market by floating of the Nigerian Naira against major Currencies has freed up more funds into the Federations Accounts. The projection of is based on elasticity of the non- oil component Statutory Allocation's (Custom and Excise Duty & Company Income Tax) using historical actual data from 2013 – 2023 and projected from 2025 – 2027 using combined GDP growth rate and inflation rate. 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 cognizance the 0.5% deduction of the Police Trust Fund from both the Mineral and Non-Mineral Revenue.
- **VAT** - The estimate for VAT is based on elasticity using 2013-2023 actuals and 2025-2027 real GDP growth and inflation. Historical elasticities are calculated for the period 2013-2023. Since the passage and approval of the 2020 Finance Bill into an Act, VAT was increased from 5% to 7.5%. This has greatly improved VAT collections and what is distributed from FAAC. The assumption on VAT also includes an additional 3% deduction from VAT for Northeast Development Company is recognized. We expect a further hike in VAT in the short to medium term as the Presidential Committee on Fiscal Policy and Tax Reforms are proposing to further increase it by 2.5% bringing it to 10%.
- **Excess Crude** - There are no provisions for revenue from excess crude because Excess Crude is a kind of stabilization fund that is distributed at discretion to the Federal Government and States or when the economy needs to be supported to cushion the effect of recession or economic downturn. This makes it not reasonable to budget or forecast excess crude.

- **Internally Generated Revenue (IGR)** – The State's IGR has grown by more than 300% since 2015 as a result of reforms, commitment and political will. The State recorded an increase of 7.5% in its 2023 IGR as compared with 2022 actual collections. The actual IGR collections for 2023 was used to project for 2025 to 2027 driven by past performances.
- **Grants** – 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 2025 to 2027 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. With the signing of the Kaduna Mutual Accountability Framework (K-MAF), we hope to see improved disclosure of grants support from the Development Partners.
- **Financing (Loans)** - The State has accessed World Bank, African Development Bank, Islamic Development Bank and other Foreign Institutions' Loans to finance its 2025 – 2027 Budget. These Loans are mostly non-discretional in nature, and they are tied to delivering a specific project or programme in a particular sector. A schedule of estimated capital receipts is captured in Annex 1.
- **Personnel** – The sudden removal of fuel subsidy on May 29, 2023, one month ahead of the planned removal date of June 30, 2023, has led to a sharp increase in the costs of transportation and other consumer goods. This has triggered agitations by the leading Labour Unions for an increase in the national minimum wage, as well as the provision of other palliatives to cushion the effects of the subsidy removal on citizens, especially workers. Hence, Personnel cost will be higher in 2025 in view of the upward review of the minimum wage to N70,000.00.
- **Overheads** – With the national MoM inflation rate at an all-time high of 33.69% as at April 2024, as well as the impact removal of energy subsidies (PMS and electricity from July 1, 2023) have had on consumer prices, the operational costs of government have increased significantly. Thus, 2025 will certainly see a very high increase in overheads compared to previous years.
- **Social Benefits** – The immediate past administration commenced a holistic review of minimum pensions receivable by pensioners under the Defined Benefits Scheme in the State. However, the exercise was not completed before the end of the administration's tenure, but given the cost-of-living realities, it is very likely the new government will consider an upward review of pensions, which will also impact overhead costs.
- **Debt Service** – With the floating of the Naira (devaluation), the debt service of Kaduna State is expected to jump steeply. The State's ability to cover debt

service with its operating balance may weaken unexpectedly. This may be due to lower-than-expected revenue, higher-than-expected expenditure, or an unexpected rise in liabilities or debt-service requirements. Kaduna's revenue structure is influenced by the state's weak socioeconomic profile and reliance on volatile transfers from the federal government. The State has broad responsibilities and high spending needs, and capital expenditure plays a key role in developing the local economy.

- **Capital Expenditure** - This is based on recurrent account surplus plus Capital receipts, i.e., internal and external grants, internal and external loans as well as other capital receipts. Capital expenditure is budgeted to be close to 60% of total expenditure in 2024. Priority to CAPEX will continue into 2025 – 2027 as we see a ratio of at least 60% for CAPEX and 40% for Recurrent Expenditure

4.2 Borrowings Assumptions

For the projection years of 2024 -2033, the deficit that is supposed to be financed by borrowing has been established by the DSA Analytical Tool. The table below shows the gross borrowing requirement from 2022-2031.

Table 4.5 Total Gross Borrowing Requirements for 2024-2033

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Gross Borrowing Requirement	127,021.46	148,269.86	143,084.05	128,583.77	58,130.13	6,590.86	20,392.66	38,183.45	36,588.59	5,367.06

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

Table 4.6 Total Planned Borrowing for 2024-2033

New Domestic Financing in Millions of Local Currency										
	2024	2025	2026	2027	2028	2029	2030	2031	2033	2034
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.0	0.0	0.0	0.0	0.0	6,590.9	0.0	0.0	0.0	5,367.1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	29,756.5	25,091.3	15,585.6	56,917.7	0.0	0.0	0.0	0.0	0.0	0.0
State Bonds (maturity 1 to 5 years)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	36,588.6	0.0

State Bonds (maturity 6 years or longer)	0.0	51,178.6	37,495.5	0.0	18,508.5	0.0	20,392.7	0.0	0.0	0.0
Other Domestic Financing	19,265.0	0.0	35,003.0	21,666.1	19,621.6	0.0	0.0	38,183.4	.	0.0
New External Financing in Million US Dollars										
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	60.0	0.0	50.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0
External Financing - Bilateral Loans	0.0	60.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Other External Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Planned Borrowing	**127,021.5**	**148,269.9**	**143,084.1**	**128,583.8**	**58,130.1**	**6,590.9**	**20,392.7**	**38,183.4**	**36,588.6**	**5,367.1**

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 2022 onwards)			
Borrowing Terms for New Domestic Debt (issued/contracted from 2021 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	30.00%	4	0

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	30.00%	12	1
State Bonds (maturity 1 to 5 years)	22.00%	5	0
State Bonds (maturity 6 years or longer)	23.00%	15	1
Other Domestic Financing	9.00%	20	1
Borrowing Terms for New External Debt (issued/contracted from 2022 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2.00%	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.

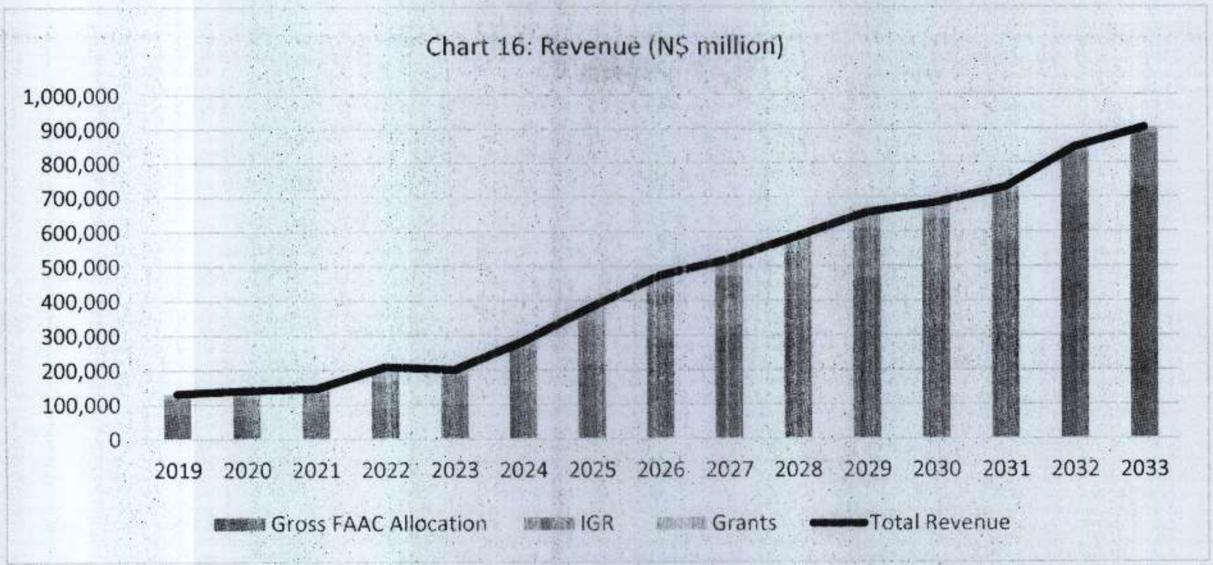
4.3 DSA Simulation Results

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

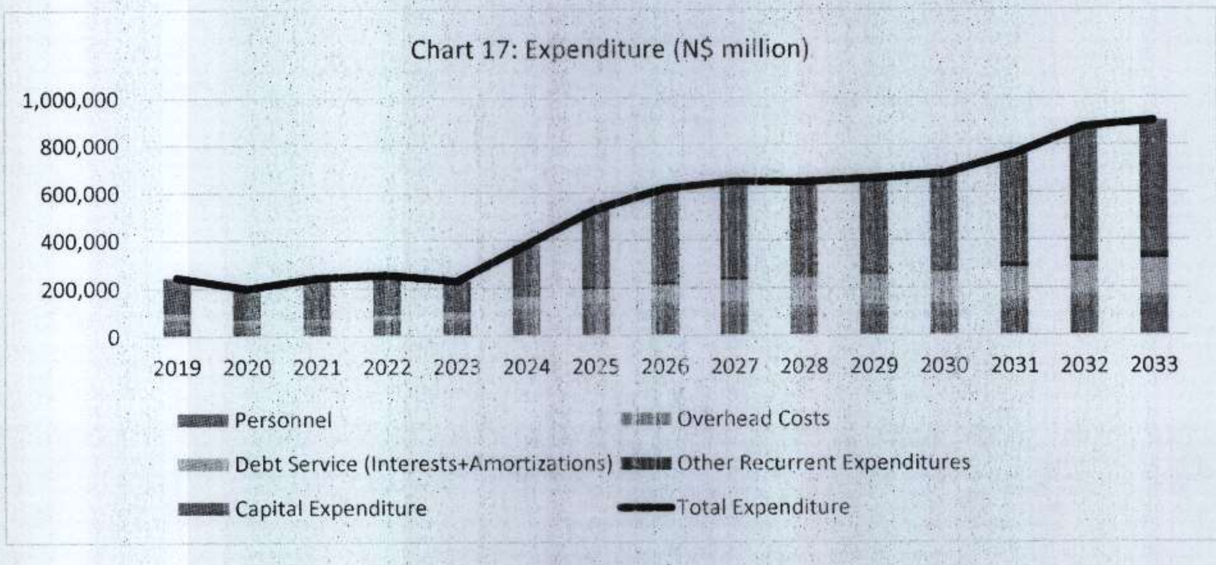
The objective of the debt sustainability analysis simulation exercise is to analyse the sustainability of the state's public debt portfolio and build an optimum debt strategy based on clearly defined macroeconomic framework.

Kaduna State Total Revenue (including grants and excluding other capital receipts) is expected to increase from N201,137M in 2023 to N904,401M in 2033, representing an increase of 350% percent over the projection period. Gross FAAC Allocation projected to grow from N104,283M in 2023 to N732,175M in 2033, which expected to increase by N627,892M while Grants is projected to grow from N15,954M in 2023 to N18,594M in 2033. The projections were sourced from the Approved 2024 Budget; MTEF, 2025-2027; 2028-2033 projections as estimated by the Ministry of Economic Planning & Budget official.

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 N72,731M (from N80,900M in 2023 to N153,631M in 2033).

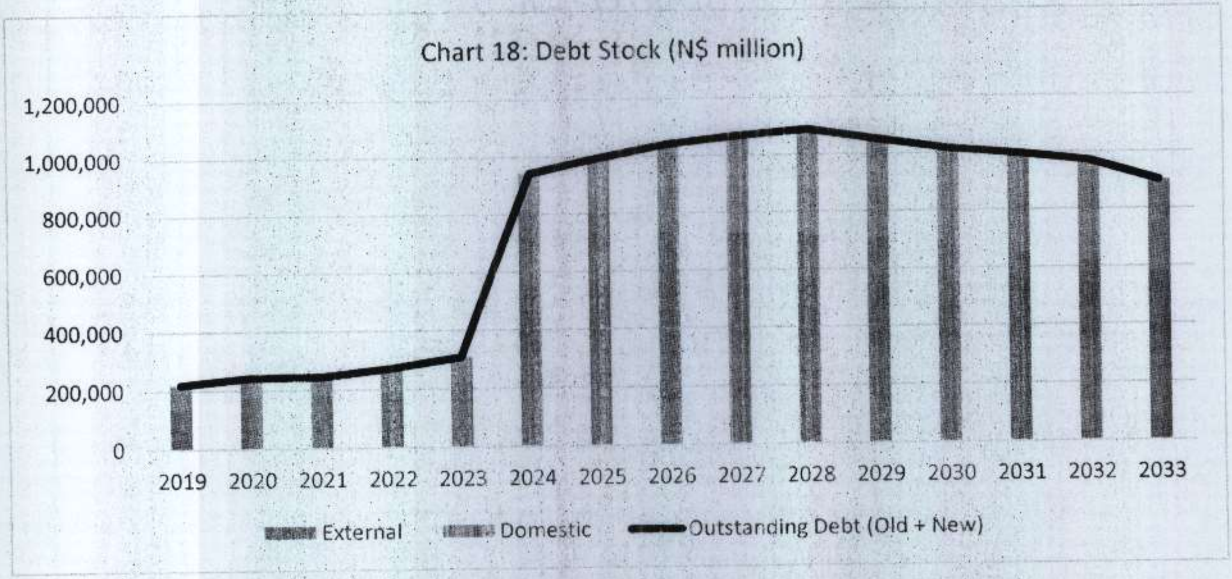


Total expenditure for the projection years will expand from N229,653M in 2023 to N904,798M in 2033. Expenditure was projected to grow massively due to inflation and the continued infrastructural development in the state. Within same period, personnel cost is projected to grow from N53,329M to N128,567M due to the recent N70,000 minimum wage review and the FG agreement with Labour Unions to review wages after every 3 years. Overhead is projected to move N20,253M to N42,890M while capital expenditure will grow from N217,706M to N555,448M as provided in the Approved 2024 Budget; MTEF, 2025-2027; 2028-2033 projections as estimated by the Ministry of Economic Planning & Budget.



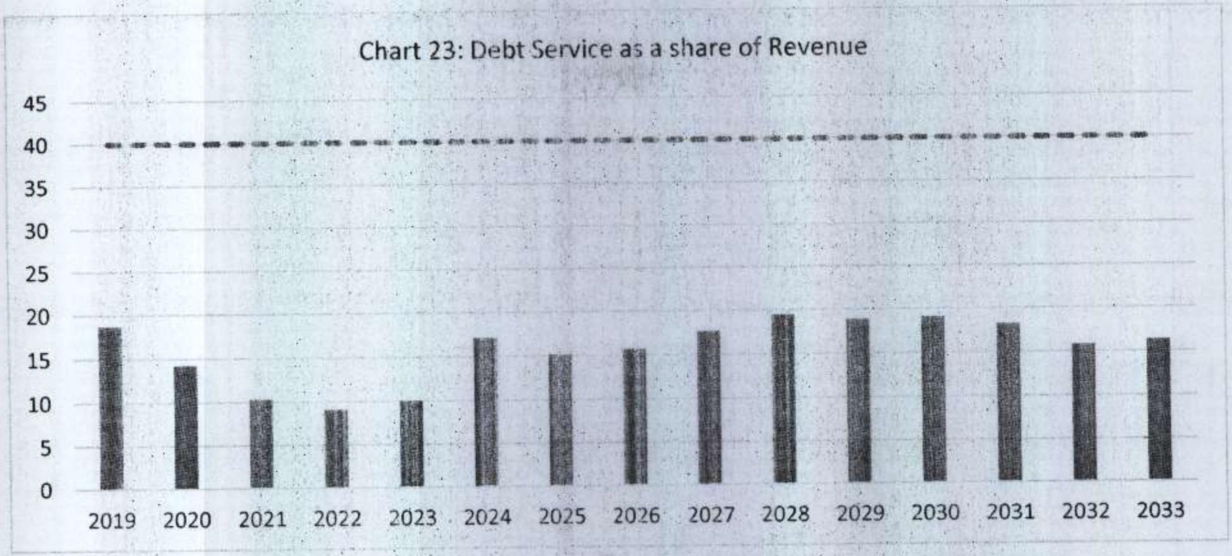
Therefore, the fiscal deficit—computed as the difference between revenue and expenditure—is expected to remain within a range of N127,021.5M to N5,367.1M in nominal terms.

Kaduna State's Debt Stock estimated to increase from N308,020M in 2023 to N901,193M in 2033, representing an increase of N593,173M over the projection period. External Debt projected to grow from N222,500M to N584,122M while Domestic Debt to grow from N85,520M to N317,071M 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.

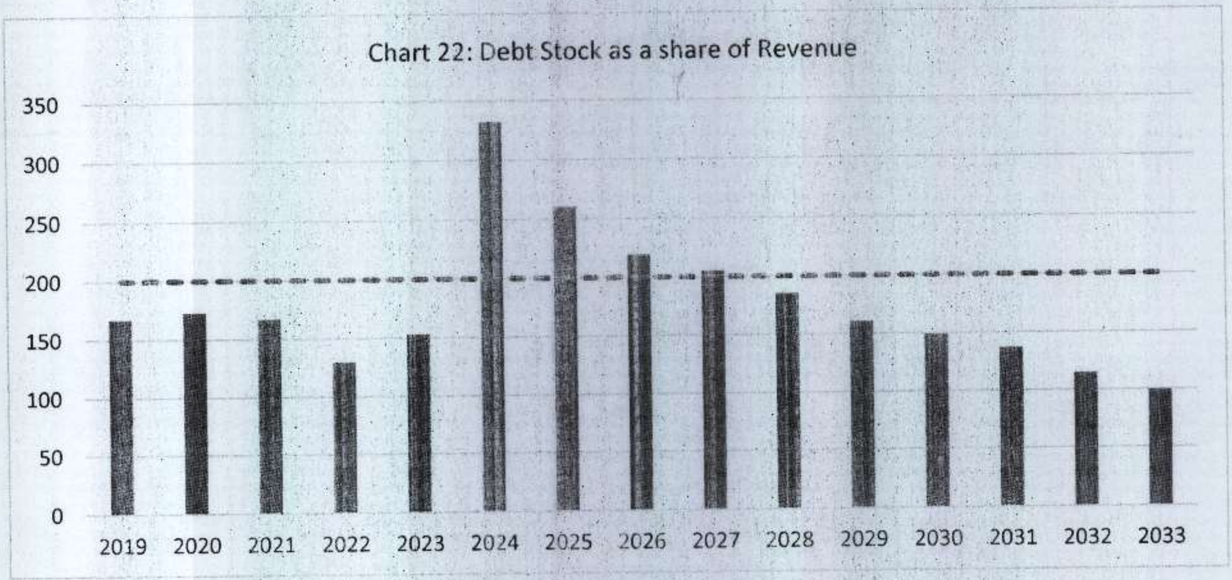


Main finding and conclusion of the baseline scenario under the reference debt strategy (S1) in terms of debt sustainability. The gross financing requirement necessitated creating new borrowings for the projection years. The state's debt is projected to rise from N308,020M as at end of 2023 and close with N901,193M in 2033.

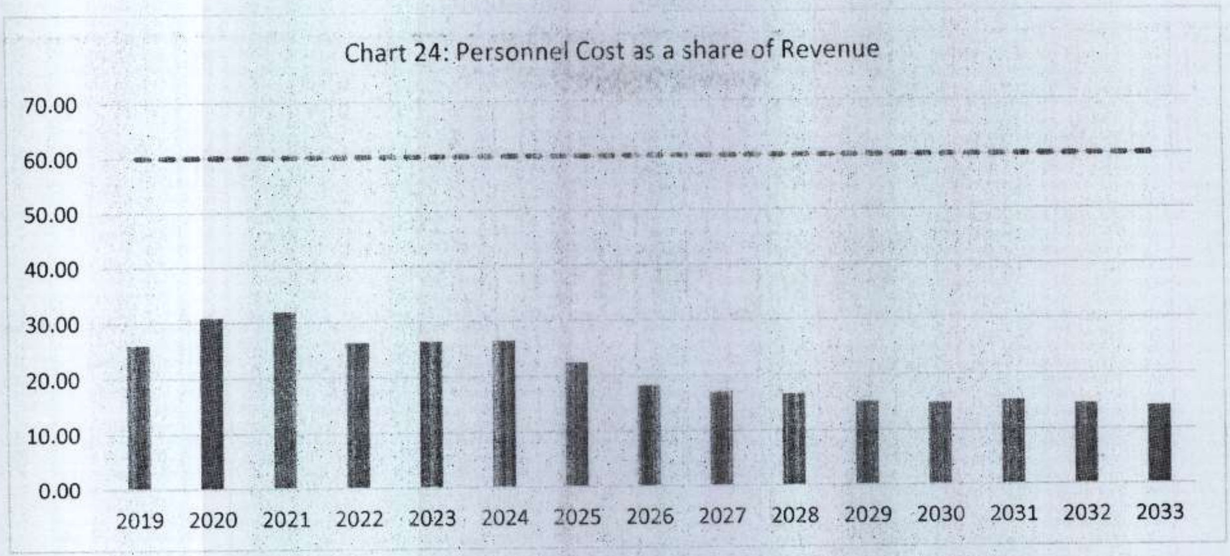
As a result of the increase in debt stock from 2023-2033, the state will continue to incur debt service cost, however, debt service obligations will be far below the debt service threshold of 40%. The debt service ratio did not breach the threshold all through the projection years.



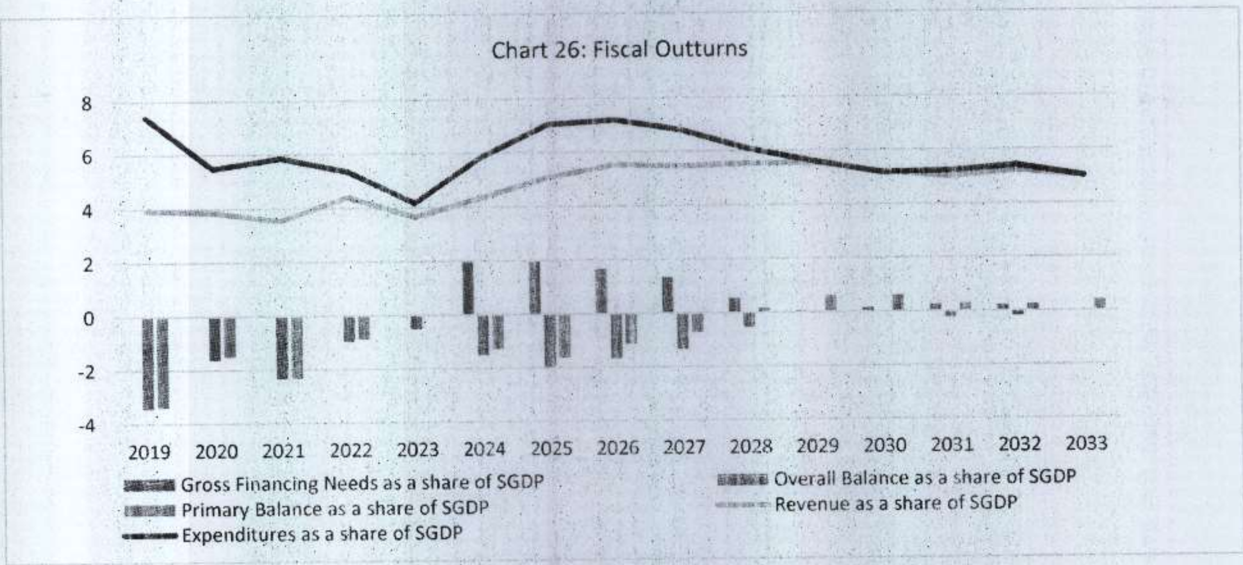
Debt as a share of revenue with a threshold of 200% was only breached by the state in the year 2024,2025,2026 and 2027 by 333%, 260%, 220% and 205% respectively which are with the medium term. In other subsequent years starting from 2028 to the rest of the projection period, the state witnessed a decline.



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.



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 show signs of improvement in the projection years.



Conclusion

Kaduna State DSA result shows that the State remains at low Risk of Debt Distress. Revenue and expenditure as a percentage of state GDP will rise in the medium term but improve into the projection years. Aside the few years in the Debt/Revenue indicator where the threshold was breached, the debt service indicators and others 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.

Most importantly, the revenue accruing from FAAC will most likely be higher than the projected figures as a result of the numerous reforms being embarked upon by the FG which is massively and positively impacting the returns into the federation account.

4.2 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 2024 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 some of 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.

All other 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.

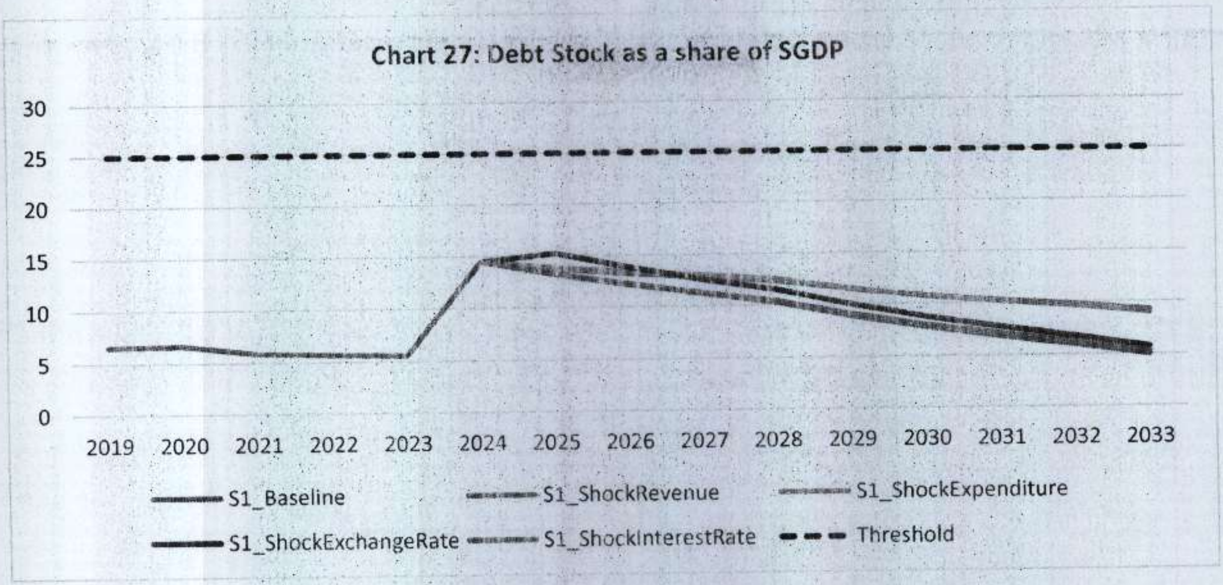


Chart 27: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
Threshold

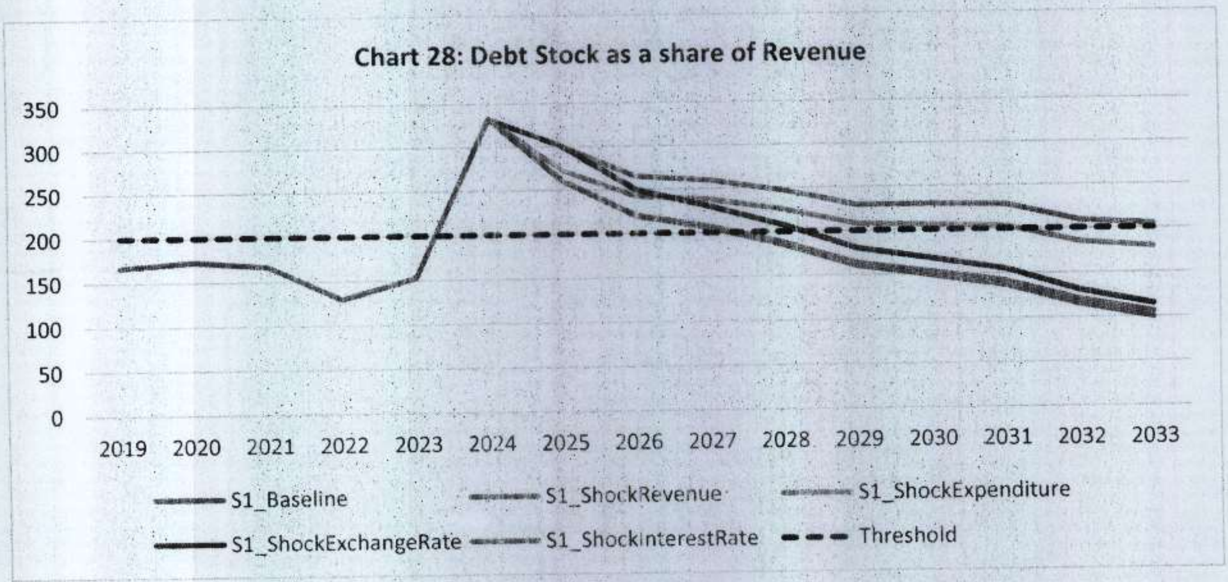


Chart 28: Debt Stock as a share of Revenue
350
300
250
200
150
100
50
0
2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
Threshold

Chart 29: Debt Service as a share of Revenue

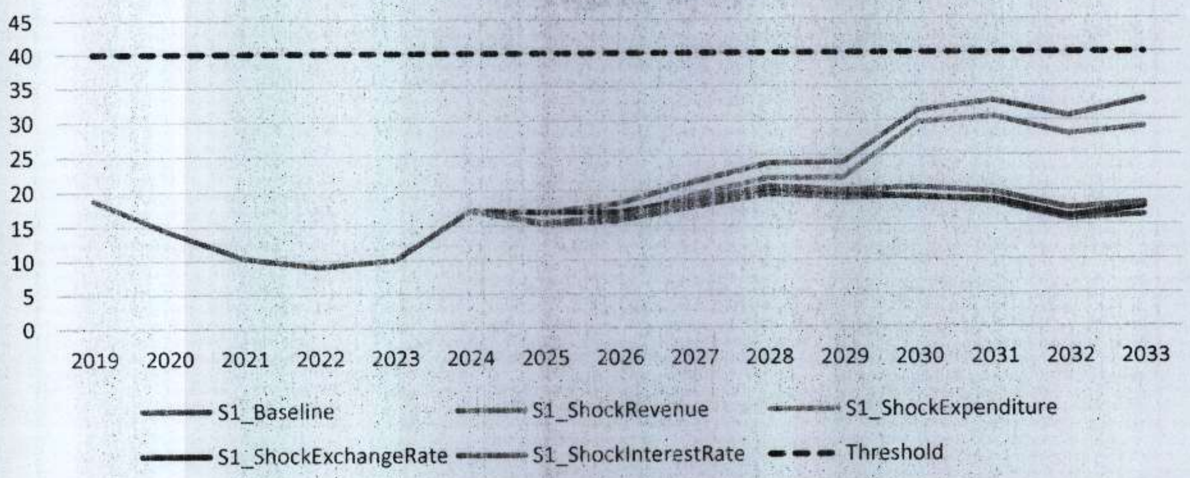
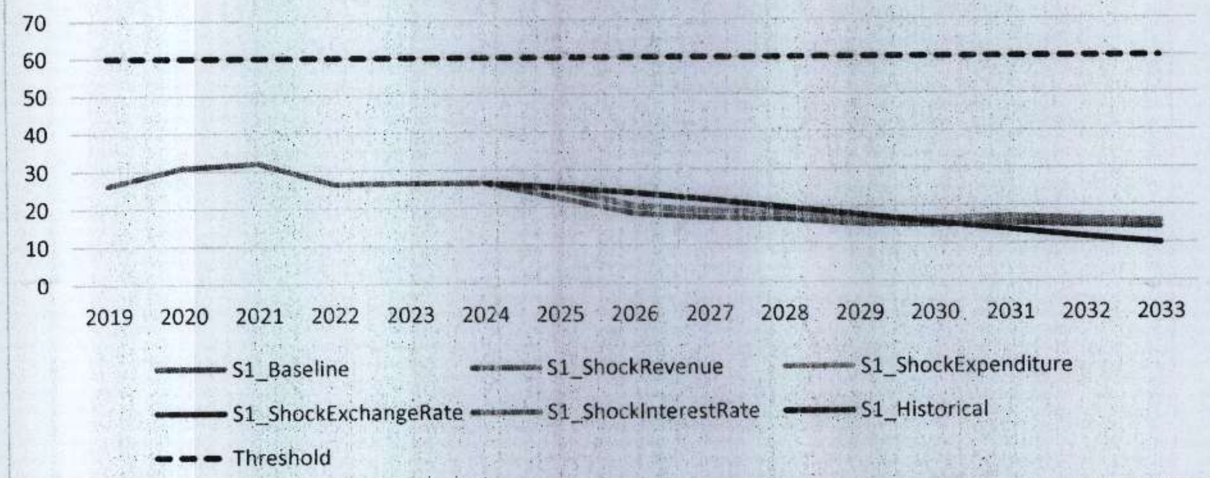


Chart 30: Personnel Cost as a share of Revenue



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 in order 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, 2024-2028, 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 2028, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2028 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 outperforms 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 2024-2033 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 and state bonds 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 N127,021.5M to N588,546.3M all through 2024-2033. 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 N127,021.5M to N346,295.1M from 2024-2033.

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 N127,051.5M to N961,761.6M from 2024-2033.
For all the four strategies, the borrowing assumptions remain the same;

Table 5.1 Borrowing Terms and Assumptions for New Loans

Borrowing Terms of New Debt (issued/contracted from 2022 onwards)			
Borrowing Terms for New Domestic Debt (issued/contracted from 2021 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	30.00%	4	0

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	30.00%	12	1
State Bonds (maturity 1 to 5 years)	22.00%	5	0
State Bonds (maturity 6 years or longer)	23.00%	15	1
Other Domestic Financing	9.00%	20	1
Borrowing Terms for New External Debt (issued/contracted from 2022 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2.00%	30	5
External Financing - Bilateral Loans	2.50%	20	5

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 2024-2028 when expressing debt as a percentage of revenue.

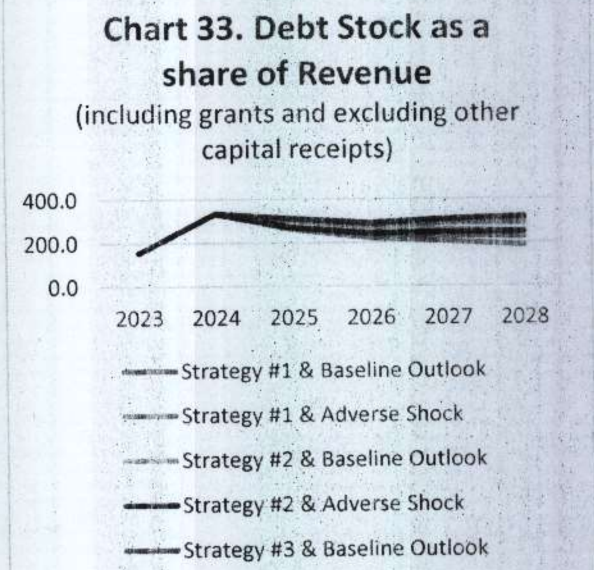
The baseline outlook(S1) presented the lowest cost and lowest risk in all the 4 strategies. Cost as at 2028 is projected to be 185.4% while the risk is 61.9%.

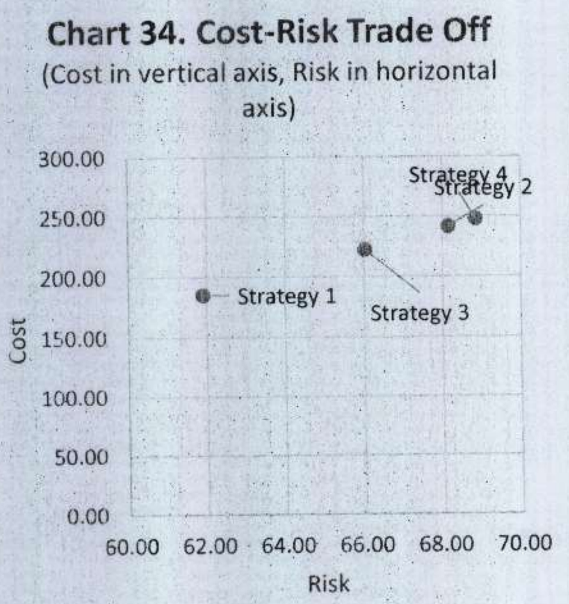
The adverse shock is Revenue.

						COST	**RISK measured only in 2028**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2028**
Strategy #1 & Baseline Outlook	153.1	332.5	260.4	219.8	205.3	185.4	61.9
Strategy #1 & Adverse Shock		332.5	300.5	265.0	259.6	247.3	
Strategy #2 & Baseline Outlook	153.1	332.5	268.8	241.2	244.2	241.6	68.1
Strategy #2 & Adverse Shock		332.5	309.8	288.8	302.9	309.7	

Strategy #3 & Baseline Outlook	153.1	332.5	266.5	234.1	232.4	222.5	66.0
Strategy #3 & Adverse Shock		332.5	307.2	280.9	289.8	288.5	
Strategy #4 & Baseline Outlook	153.1	332.5	268.8	241.2	247.3	247.9	68.8
Strategy #4 & Adverse Shock		332.5	309.8	288.8	306.3	316.7	

From the Cost-Risk trade off chart below, strategy 1 has the lowest cost and the lowest risk.





5.2.2 Debt Service/Revenue

The table below shows the performance of the state from 2024-2028 when expressing debt service as a percentage of revenue.

Under this performance indicator, strategy S1 in the year of measurement (2028) cost of 19.5% and 4.4% as risk which is the lowest when compared to other alternative strategies. Adverse shock is Revenue.

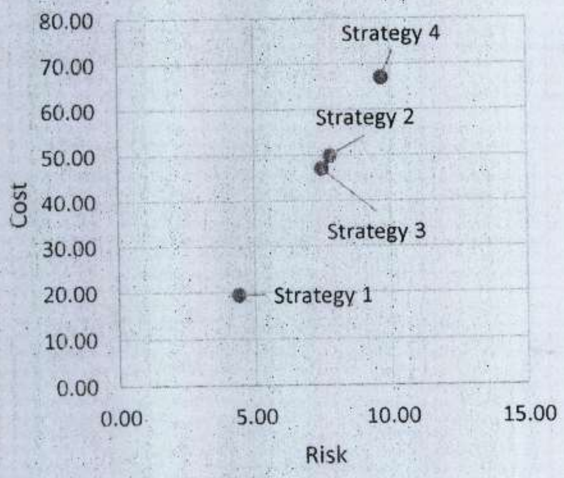
						COST	RISK measured only in 2028
Debt Service as % of Revenue (including grants and excluding other capital receipts)		**2024**	**2025**	**2026**	**2027**	**2028**	**2028**
Strategy #1 & Baseline Outlook		17.2	15.2	15.7	17.7	19.5	4.4
Strategy #1 & Adverse Shock		17.2	16.9	18.2	21.2	23.9	
Strategy #2 & Baseline Outlook		17.2	30.3	33.8	41.7	49.9	7.8

Strategy #2 & Adverse Shock		17.2	33.7	38.3	47.9	57.6	
Strategy #3 & Baseline Outlook		17.2	19.7	30.7	34.8	47.1	7.5
Strategy #3 & Adverse Shock		17.2	21.9	34.9	40.1	54.6	
Strategy #4 & Baseline Outlook		17.2	22.0	38.7	45.7	67.0	9.7
Strategy #4 & Adverse Shock		17.2	24.4	43.7	52.3	76.7	

From the Cost-Risk trade off, strategy 1 comes easily as the most preferred scenario being that it has the lowest cost and the lowest degree of risk.

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

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



5.2.3 Interest/Revenue

Under this performance indicator, Strategy 1 equally has the lowest cost and risk at 13.1% and 3.7% respectively.

The table below shows the performance of the state from 2024-2028 when expressing interest as a percentage of revenue.

Adverse shock is in Revenue

						COST	RISK measured only in 2028
Interest as % of Revenue (including grants and excluding other capital receipts)		**2024**	**2025**	**2026**	**2027**	**2028**	**2028**
Strategy #1 & Baseline Outlook		5.2	6.7	9.5	11.5	13.1	3.7
Strategy #1 & Adverse Shock		5.2	7.4	11.3	14.3	16.8	
Strategy #2 & Baseline Outlook		5.2	13.5	21.6	27.7	34.8	6.1
Strategy #2 & Adverse Shock		5.2	15.0	24.7	32.3	40.9	

Strategy #3 & Baseline Outlook		5.2	11.2	16.4	22.3	26.2	5.1
Strategy #3 & Adverse Shock		5.2	12.4	18.9	26.3	31.4	
Strategy #4 & Baseline Outlook		5.2	13.5	21.6	30.8	38.3	6.5
Strategy #4 & Adverse Shock		5.2	15.0	24.7	35.7	44.8	

From the Cost-Risk trade off chart below, strategy 1 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, S1 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 72.24% of the state debt stock. Though the debt service implications are low with favorable 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 one comes good and its very implementable.

The current debt portfolio for Kaduna as of end of 2023 is N308,020M, the portfolio is expected to rise to N1,089,125M in 2028 in the S1, N1,419,149M in S2, N1,307,103M & N1,455,950.68 in S3 & S4 respectively. This implies there will be improvement by year 2028 if the reference strategy (S1) is implemented.

The Debt Management Strategy, 2024-2028 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 2024 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Annex 1

2024

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	State GDP projected using the actual S-GDP and projected N-GDP nominal growth rate	Debt Management Office, Abuja
Revenue	Revenue		
	1. Gross Statutory Allocation ('gross' means with 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.	Ministry of Finance Kaduna State
	1.a. of which Net Statutory Allocation ('net' mea	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.	Ministry of Finance Kaduna State
	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.	Ministry of Finance Kaduna State
	2. Derivation (if applicable to the State)		Ministry of Finance Kaduna State
	3. Other FAAC transfers (exchange rate gain, augme	Other Federation Account Distributions – the estimation is based on the current receipt (i.e. from January to May 2023).	Ministry of Finance Kaduna State
	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.	Ministry of Finance Kaduna State
	5. IGR	The State's IGR has grown by more than 300% since 2015 as a result of reforms, commitment and political will. The State recorded an increase of 7.5% in its 2023 IGR as compared with 2022 actual collections. The actual IGR collections for 2023 was used to project for 2025 to 2027 driven by past performances	Ministry of Finance Kaduna State
	6. Capital Receipts		
	6.a. Grants	Grants – The internal grants are based on calculated expected inflow for the period 2024-2026. External grants are based on signed grant agreements with the development partners.	Ministry of Finance Kaduna State
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	Expenditure		
	1. Personnel costs (Salaries, Pensions, Civil Servan	Removal of fuel subsidy has triggered agitations by the leading Labour Unions for an increase in the national minimum wage, as well as the provision of other palliatives to cushion the effects of the subsidy removal on citizens, especially workers. Hence, Personnel cost will be higher in 2025 in view of the upward of minimum wage to 70K	Ministry of Finance Kaduna State
	2. Overhead costs	Overheads – Moving average excluding outlier is used to forecast overheads because the expected growth rate for 2024-2026 is expected to substantially follow the trend recorded in the past five years.	Ministry of Finance Kaduna State
	3. Interest Payments (Public Debt Charges, includin	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	Ministry of Finance Kaduna State
	4. Other Recurrent Expenditure (Excluding Personne	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 2024-2026.	Ministry of Finance Kaduna State
	5. Capital Expenditure		
Closing Cash and Bank Bal:	Closing Cash and Bank Balance	Financial Statements	

Debt Amotization and Int	**Debt Outstanding at end-2023**	
	External Debt - amortization and interest	Public Debt Charges – is based on the projected principal and interest repayments for 2024, 2025 and 2026. Hence, an own value has been used anticipating that public debt charge will remain largely stable with minimal growth over the medium term.
	Domestic Debt - amortization and interest	Public Debt Charges – is based on the projected principal and interest repayments for 2024, 2025 and 2026. Hence, an own value has been used anticipating that public debt charge will remain largely stable with minimal growth over the medium term.
	New debt issued/contracted from 2024 onwards	
	New External Financing	
	External Financing - Concessional Loans (e.g., Worl	Financing (Net Loans) – In 2024 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.
	External Financing - Bilateral Loans	Financing (Net Loans) – In 2024 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.
	Other External Financing	Financing (Net Loans) – In 2024 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.
	New Domestic Financing	
	Commercial Bank Loans (maturity 1 to 5 years, incl	Financing (Net Loans) – In 2024 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.
	Commercial Bank Loans (maturity 6 years or longer	Financing (Net Loans) – In 2024 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.
	State Bonds (maturity 1 to 5 years)	Financing (Net Loans) – In 2024 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.
	State Bonds (maturity 6 years or longer)	Financing (Net Loans) – In 2024 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.
	Other Domestic Financing	Financing (Net Loans) – In 2024 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.

Proceeds from Debt-Crea	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**	
corresponding to Debt Str	**New Domestic Financing in Million Naira**	
	Commercial Bank Loans (maturity 1 to 5 years, incl	Projected to run at 30% interest rate with a 4 years maturity period and zero grace period
	Commercial Bank Loans (maturity 6 years or longer	Projected to run at 30% interest rate with a 12 years maturity period and 1 year grace period
	State Bonds (maturity 1 to 5 years)	Projected to run at 22% interest rate with a 5 years maturity period and zero grace period
	State Bonds (maturity 6 years or longer)	Projected to run at 23% interest rate with a 15 years maturity period and 1 year grace period
	Other Domestic Financing	Projected to run at 9% interest rate with a 20 years maturity period and 1 year grace period
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., Worl	Projected to run at 2% interest rate with a 30 years maturity period and 5 years grace period
	External Financing - Bilateral Loans	Projected to run at 2.5% interest rate with a 20 years maturity period and 5 years grace period
	Other External Financing	

Proceeds from Debt-Crea	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**	
corresponding to Debt Str	**New Domestic Financing in Million Naira**	
	Commercial Bank Loans (maturity 1 to 5 years, incl	Projected to run at 30% interest rate with a 4 years maturity period and zero grace period
	Commercial Bank Loans (maturity 6 years or longer	Projected to run at 30% interest rate with a 12 years maturity period and 1 year grace period
	State Bonds (maturity 1 to 5 years)	Projected to run at 22% interest rate with a 5 years maturity period and zero grace period
	State Bonds (maturity 6 years or longer)	Projected to run at 23% interest rate with a 15 years maturity period and 1 year grace period
	Other Domestic Financing	Projected to run at 9% interest rate with a 20 years maturity period and 1 year grace period
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., Worl	Projected to run at 2% interest rate with a 30 years maturity period and 5 years grace period
	External Financing - Bilateral Loans	Projected to run at 2.5% interest rate with a 20 years maturity period and 5 years grace period
	Other External Financing	

Proceeds from Debt-Crea	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**	
corresponding to Debt Str	**New Domestic Financing in Million Naira**	
	Commercial Bank Loans (maturity 1 to 5 years, incl	Projected to run at 30% interest rate with a 4 years maturity period and zero grace period
	Commercial Bank Loans (maturity 6 years or longer	Projected to run at 30% interest rate with a 12 years maturity period and 1 year grace period
	State Bonds (maturity 1 to 5 years)	Projected to run at 22% interest rate with a 5 years maturity period and zero grace period
	State Bonds (maturity 6 years or longer)	Projected to run at 23% interest rate with a 15 years maturity period and 1 year grace period
	Other Domestic Financing	Projected to run at 9% interest rate with a 20 years maturity period and 1 year grace period
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., Worl	Projected to run at 2% interest rate with a 30 years maturity period and 5 years grace period
	External Financing - Bilateral Loans	Projected to run at 2.5% interest rate with a 20 years maturity period and 5 years grace period
	Other External Financing	

Proceeds from Debt-Crea	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**	
corresponding to Debt Str	**New Domestic Financing in Million Naira**	
	Commercial Bank Loans (maturity 1 to 5 years, incl	Projected to run at 30% interest rate with a 4 years maturity period and zero grace period
	Commercial Bank Loans (maturity 6 years or longer	Projected to run at 30% interest rate with a 12 years maturity period and 1 year grace period
	State Bonds (maturity 1 to 5 years)	Projected to run at 22% interest rate with a 5 years maturity period and zero grace period
	State Bonds (maturity 6 years or longer)	Projected to run at 23% interest rate with a 15 years maturity period and 1 year grace period
	Other Domestic Financing	Projected to run at 9% interest rate with a 20 years maturity period and 1 year grace period
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., Worl	Projected to run at 2% interest rate with a 30 years maturity period and 5 years grace period
	External Financing - Bilateral Loans	Projected to run at 2.5% interest rate with a 20 years maturity period and 5 years grace period
	Other External Financing	

Annex II

Indicator	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actuals					Projections									
BASELINE SCENARIO															
Economic Indicators															
State GDP (at current prices)	3,327,995.52	3,627,398.76	4,140,592.90	4,758,817.58	5,512,761.65	6,511,514.39	7,532,976.01	8,564,860.59	9,529,478.01	10,602,735.47	11,796,868.55	13,125,490.87	14,603,749.28	16,248,496.54	18,078,483.47
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	1,300.00	1,200.00	1,100.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Fiscal Indicators (Million Naira)															
Revenue	**192,043.20**	**175,202.60**	**216,678.52**	**244,424.33**	**303,087.73**	**411,800.18**	**530,303.76**	**616,963.96**	**649,007.96**	**645,558.31**	**661,496.19**	**703,905.70**	**767,233.20**	**883,574.50**	**909,767.76**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include	54,234.00	42,976.00	45,125.03	49,839.18	39,369.00	84,386.66	149,712.18	213,840.86	239,691.17	297,400.16	344,558.19	349,733.08	404,287.70	480,816.61	530,185.44
1.a. of which Net Statutory Allocation ('net' means of deductions)	48,389.00	36,520.00	36,796.24	40,640.30	12,156.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions	5,845.00	6,456.00	8,328.78	9,198.90	27,212.80	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)	2,387.00	5,464.00	4,276.51	8,927.70	16,659.76	7,150.00	0.00	0.00	0.00	1,400.00	1,670.00	1,330.00	670.00	940.40	940.40
4. VAT Allocation	16,866.00	20,554.00	30,025.81	33,765.57	48,254.38	50,000.00	66,307.19	78,790.05	92,869.04	105,384.19	123,299.50	144,260.42	168,784.69	197,478.09	201,049.36
5. IGR	44,228.04	50,768.52	52,412.31	77,087.43	80,900.21	120,001.82	126,001.50	132,301.10	138,916.10	136,863.63	140,969.54	142,379.24	138,107.86	149,156.49	153,631.18
6. Capital Receipts	74,328.00	55,440.10	84,838.88	74,804.50	117,904.40	150,261.70	188,282.90	192,031.94	177,531.66	104,510.33	50,998.96	66,202.96	55,382.95	55,182.91	23,961.38
6.a. Grants	13,495.19	20,270.11	14,311.76	39,779.50	15,953.92	21,740.24	40,013.03	48,947.89	48,947.89	46,380.20	44,408.10	45,810.30	17,199.50	18,594.32	18,594.32
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	2,541.88	0.00	0.00	1,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	0.00	0.00	15,522.57	0.00	18,480.74	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 disburser	60,833.00	35,170.00	52,462.67	35,025.03	83,469.73	127,021.46	148,269.86	143,084.05	128,583.77	58,130.13	6,590.86	20,392.66	38,183.45	36,588.59	5,367.06
Expenditure	**246,090.61**	**198,718.20**	**242,939.84**	**254,859.19**	**229,652.53**	**381,455.15**	**529,643.27**	**616,312.11**	**648,303.04**	**645,539.36**	**661,317.21**	**679,017.55**	**761,593.07**	**878,180.01**	**904,798.23**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	34,243.16	43,225.97	46,769.84	55,236.50	53,328.55	75,268.98	85,932.81	87,000.00	89,000.00	97,900.00	99,858.00	101,855.00	112,040.00	124,281.00	128,567.00
2. Overhead costs	38,018.32	17,549.41	22,930.09	15,065.60	20,252.52	39,895.90	50,813.48	52,000.00	53,000.00	29,644.00	29,572.80	34,487.30	39,384.80	48,890.00	42,890.00
3. Interest Payments (Public Debt Charges, including interests deducted from FA	1,473.02	3,829.82	0.00	3,408.61	27,498.81	14,854.57	25,562.81	45,002.25	59,861.92	77,042.57	79,468.99	76,612.24	74,932.86	70,927.34	72,272.79
3.a. of which Interest Payments (Public Debt Charges, excluding interests ded	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	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	0.00	0.00	6,465.73	0.00	0.00	0.00	12,000.00	12,000.00	12,000.00	0.00	0.00	0.00	20,000.00	25,000.00	30,000.00
5. Capital Expenditure	148,572.01	131,036.35	162,634.88	165,587.27	128,572.66	217,706.42	322,862.65	390,722.76	402,181.29	403,625.00	408,237.00	412,022.00	456,983.00	546,122.00	555,448.00
6. Amortization (principal) payments	23,784.10	3,076.62	4,139.30	15,561.20	0.00	33,729.28	32,471.52	29,587.09	32,259.84	37,327.78	44,180.41	54,041.01	58,252.41	62,959.67	75,620.44
Budget Balance ('+' means surplus, '-' means deficit)	**-54,047.41**	**-23,515.60**	**-26,261.32**	**-10,434.90**	**73,435.20**	**30,345.03**	**660.50**	**651.85**	**704.92**	**18.95**	**178.98**	**24,888.15**	**5,640.13**	**5,394.49**	**4,969.53**
Opening Cash and Bank Balance	**12,370.48**	**-41,676.93**	**-65,192.53**	**-91,192.50**	**-101,627.40**	**-28,192.20**	**2,152.83**	**2,813.33**	**3,465.17**	**4,170.09**	**4,189.04**	**4,368.02**	**29,256.17**	**34,896.30**	**40,290.79**
Closing Cash and Bank Balance	**-41,676.93**	**-65,192.53**	**-91,453.85**	**-101,627.40**	**-28,192.20**	**2,152.83**	**2,813.33**	**3,465.17**	**4,170.09**	**4,189.04**	**4,368.02**	**29,256.17**	**34,896.30**	**40,290.79**	**45,260.32**

Financing Needs						**128,521.46**	**148,269.86**	**143,084.05**	**128,583.77**	**58,130.13**	**6,590.86**	**20,392.66**	**38,183.45**	**36,588.59**	**5,367.06**
i. Primary balance						-49,592.58	-89,575.04	-67,842.86	-35,757.10	56,259.18	117,237.53	135,148.73	100,641.95	102,692.91	147,495.70
ii. Debt service						48,583.85	58,034.33	74,589.35	92,121.75	114,370.36	123,649.41	130,653.25	133,185.27	133,887.01	147,893.23
Amortizations						33,729.28	32,471.52	29,587.09	32,259.84	37,327.78	44,180.41	54,041.01	58,252.41	62,959.67	75,620.44
Interests						14,854.57	25,562.81	45,002.25	59,861.92	77,042.57	79,468.99	76,612.24	74,932.86	70,927.34	72,272.79
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						30,345.03	660.50	651.85	704.92	18.95	178.98	24,888.15	5,640.13	5,394.49	4,969.53
Financing Sources						**128,521.46**	**148,269.86**	**143,084.05**	**128,583.77**	**58,130.13**	**6,590.86**	**20,392.66**	**38,183.45**	**36,588.59**	**5,367.06**
i. Financing Sources Other than Borrowing						1,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii. Gross Borrowings						127,021.46	148,269.86	143,084.05	128,583.77	58,130.13	6,590.86	20,392.66	38,183.45	36,588.59	5,367.06
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	0.00	0.00	0.00	6,590.90	0.00	0.00	0.00	5,367.10
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						29,756.50	25,091.30	15,585.60	56,917.70	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	36,588.60	0.00
State Bonds (maturity 6 years or longer)						0.00	51,178.60	37,495.50	0.00	18,508.50	0.00	20,392.70	0.00	0.00	0.00
Other Domestic Financing						19,265.00	0.00	35,003.00	21,666.10	19,621.60	0.00	0.00	38,183.40		0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						78,000.00	0.00	55,000.00	0.00	20,000.00	0.00	0.00	0.00	0.00	0.00
External Financing - Bilateral Loans						0.00	72,000.00	0.00	50,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						-0.04	-0.04	-0.05	-0.03	0.03	-0.04	-0.04	0.05	-0.01	-0.04

Debt Stocks and Flows (Million Naira)

Debt (stock)	**219,363.37**	**242,283.40**	**244,116.17**	**271,503.21**	**308,020.13**	**942,005.82**	**994,969.95**	**1,041,694.08**	**1,068,322.42**	**1,089,124.77**	**1,051,535.21**	**1,017,886.86**	**997,817.90**	**971,446.82**	**901,193.44**
External	140,465.06	173,529.04	182,405.16	188,208.28	222,500.37	816,844.88	801,273.92	766,651.45	727,955.86	728,711.02	708,615.32	682,835.32	653,055.32	620,255.32	584,121.99
Domestic	78,898.31	68,754.36	61,711.01	83,294.93	85,519.77	125,160.94	193,696.03	275,042.63	340,366.56	360,413.75	342,919.88	335,051.54	344,762.58	351,191.50	317,071.45
Gross borrowing (flow)						**127,021.46**	**148,269.86**	**143,084.05**	**128,583.77**	**58,130.13**	**6,590.86**	**20,392.66**	**38,183.45**	**36,588.59**	**5,367.06**
External						78,000.00	72,000.00	55,000.00	50,000.00	20,000.00	0.00	0.00	0.00	0.00	0.00
Domestic						49,021.46	76,269.86	88,084.05	78,583.77	38,130.13	6,590.86	20,392.66	38,183.45	36,588.59	5,367.06
Amortizations (flow)	**23,286.88**	**18,402.43**	**11,208.73**	**13,059.33**	**13,110.33**	**33,729.28**	**32,471.52**	**29,587.09**	**32,259.84**	**37,327.78**	**44,180.41**	**54,041.01**	**58,252.41**	**62,959.67**	**75,620.44**
External	1,729.03	940.60	2,758.50	6,100.17	6,476.73	24,349.00	24,736.74	22,849.65	19,000.00	19,244.84	20,095.69	25,780.00	29,780.00	32,800.00	36,133.33
Domestic	21,557.85	17,461.83	8,450.23	6,959.16	6,633.60	9,380.28	7,734.78	6,737.45	13,259.84	18,082.94	24,084.72	28,261.01	28,472.41	30,159.67	39,487.10
Interests (flow)	**1,352.28**	**1,569.11**	**3,917.73**	**5,957.92**	**7,135.67**	**14,854.57**	**25,562.81**	**45,002.25**	**59,861.92**	**77,042.57**	**79,468.99**	**76,612.24**	**74,932.86**	**70,927.34**	**72,272.79**
External	481.06	706.37	2,191.17	2,549.31	1,900.31	9,101.81	9,553.97	10,142.71	9,979.29	11,001.48	11,156.81	11,729.00	11,681.00	10,574.00	10,386.00
Domestic	871.22	862.74	1,726.57	3,408.61	5,235.36	5,752.76	16,008.84	34,859.54	49,882.63	66,041.09	68,312.18	64,883.24	63,251.86	60,353.34	61,886.79
Net borrowing (gross borrowing minus amortizations)						**93,292.18**	**115,798.35**	**113,496.96**	**96,323.93**	**20,802.35**	**-37,589.56**	**-33,648.34**	**-20,068.96**	**-26,371.08**	**-70,253.38**
External						53,651.00	47,263.26	32,150.35	31,000.00	755.16	-20,095.69	-25,780.00	-29,780.00	-32,800.00	-36,133.33
Domestic						39,641.18	68,535.09	81,346.60	65,323.93	20,047.19	-17,493.86	-7,868.34	9,711.04	6,428.92	-34,120.05

Debt and Debt-Service Indicators																
Debt Stock as % of SGDP		6.59	6.68	5.90	5.71	5.59	14.47	13.21	12.16	11.21	10.27	8.91	7.76	6.83	5.98	4.98
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		167.18	173.02	167.03	129.66	153.14	332.54	260.44	219.82	205.28	185.41	160.56	148.92	136.87	114.69	99.65
Debt Service as % of SGDP							0.75	0.77	0.87	0.97	1.08	1.05	1.00	0.91	0.82	0.82
Debt Service as % of Revenue (including grants and excluding other capital receipts)							17.15	15.19	15.74	17.70	19.47	18.88	19.11	18.27	15.81	16.35
Interest as % of SGDP							0.23	0.34	0.53	0.63	0.73	0.67	0.58	0.51	0.44	0.40
Interest as % of Revenue (including grants and excluding other capital receipts)							5.24	6.69	9.50	11.50	13.12	12.13	11.21	10.28	8.37	7.99
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							26.57	22.49	18.36	17.10	16.67	15.25	14.90	15.37	14.67	14.22
Adverse Shock Scenario is defined by the worst performance indicator measured in year 2028																
For Debt Stock as % of SGDP the adverse shock is: Expenditure	Expenditure															
Debt Stock as % of SGDP							14.47	13.83	13.39	12.99	12.50	11.53	10.71	10.13	9.64	8.96
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)							332.54	300.49	265.03	259.64	247.31	229.52	229.48	228.00	209.13	204.45
For Debt Service as % of SGDP the adverse shock is: Expenditure	Expenditure															
Debt Service as % of SGDP							0.75	0.77	0.91	1.05	1.21	1.21	1.54	1.52	1.46	1.45
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)							17.15	16.88	18.21	21.18	23.87	23.94	31.37	32.79	30.55	32.96
For Interest as % of SGDP the adverse shock is: Expenditure	Expenditure															
Interest as % of SGDP							0.23	0.34	0.57	0.72	0.85	0.83	0.77	0.73	0.67	0.66
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)							5.24	7.43	11.27	14.29	16.81	16.45	16.37	16.22	14.53	15.00

Approved by:

Ibrahim Tanko Mohammed
Commissioner
27th December 2024