KEBBI STATE

2021

DEBT SUSTAINABILITY ANALYSIS & DEBT MANAGEMENT STRATEGY (DSA-DMS) REPORT

Table of Contents

Chapter 1: Introduction

Kebbi State Debt Sustainability Analysis (KS - DSA) covers the period of 5-year historical from 2016 to 2020 and 10-year projection 2021-2030, under various macroeconomic assumptions and shock scenarios. To ensure that State debt stock remains sustainable in the medium to long-term, the State's macroeconomic framework is used to assess the current and future debt levels, as well as its ability to meet debt service obligations as and when due, and without compromising growth and development.

The Kebbi State DSA-DMS forecast for primary balance that comprises the difference between revenue and expenditure, plus the existing debt service (interest payment and principal repayments). The revenue was based on the harmonized revenue law of the state government, which provided for capital gains tax, and other property tax to expand the tax base to maximally increase the state internally generated revenue that are considered achievable. Also, the state forecasts increased recurrent and capital expenditures with expected growth in the National economy with cascading effects in the State's economy leading to increase in overall economic activities in the private sector, as well as job creation in the public sector.

Coronavirus Disease (COVID-19) which appeared in Asia gradually became a global pandemic in the early days of year 2020. The global fight against the deadly virus led to the shutdown of the economies of the world and this affects Nigeria's revenue that accrued to the State. Both import and export commodities were affected. This unprecedented dire situation led to recession in some part of the world. Nigeria had it fear share of the COVID-19 pandemic recession due to fall in the revenue and this seriously led to loss of job, businesses and lives. Nigeria and many countries are currently experiencing various degrees of economic difficulties due the consequences of policies like lockdown, which came into effect in many parts of the world to contain the virus. The COVID -19 pandemic hit Kebbi State around March 2020 and this adversely affected the economy's positive economic performance.

In its effort to cushion the effect dwindling revenue, Kebbi State Government has put in place a harmonized revenue law to expand the tax net and boost Internally Generated Revenue. The increase in Internally Generated Revenue is expected to positively impact on the debt obligations and economic development of the State. The State plans to augment the State budget through borrowings from domestic and external loans. Consequently, the MTDS had to be adjusted to ensure the financing gap of government is met.

Chapter 2: The State Fiscal and Debt Framework

Kebbi State Government Budget prepared in line with the Federal Government's outlook for each fiscal year, by using oil price benchmark per barrel to project the Statutory allocation, considered inflation rate and exchange rate during projections. The economy is the primary and critical component of life, the Kebbi State Government submitted an Economic Policies and Procurement Bills to the State House of Assembly with a view to transforming the State economy in urban and rural area, particularly health care, agriculture, education, agriculture, Small Medium Enterprises, solid minerals. This is expected to boost Internal Generated Revenue.

Kebbi State Government Budget is driven by Agriculture, youth empowerment and provide an enabling environment for Small Medium Enterprises to grow and pave way for industrial development of the State's government. The Government also rolled out a social intervention programme to provide support to the poor and the unemployed; reconstructed and equipped skills acquisition centres to provide training for women and youth towards self-reliance; and building the critical infrastructure needed to speed up the development of the State.

In the first quarter of the 2020, however, the Coronavirus Disease (COVID-19) which appeared in Asia gradually became a global pandemic. The global fight against the deadly virus led to the shut down of the economies of the world and this affects Nigeria's revenue that accrued to the State. Both import and export commodities were affected. This unprecedented dire situation led to recession in some part of the world. Nigeria had it fear share of the COVID-19 pandemic recession due to fall in the revenue and this seriously led to loss of job, businesses and lives. In addition, the world economy suffers greatly due the consequences of policies like lockdown, which came into effect in many parts of the world to contain the virus. Nigeria and many countries are currently experiencing various degrees of economic difficulties.

The Government has put in place a harmonized revenue law to expand the tax net and boost Internally Generated Revenue. The increase in Internally Generated Revenue is expected to positively impact on the debt obligations as well as economic development of the State. The State plans to augment the State budget through borrowings from domestic loans and external loans.

2.1 Medium-Term Budget Forecast

Kebbi State Government's Medium-Term Budget Forecast determine the accessible resources and ensured the use of these resources for the medium term. Medium-Term Expenditure Framework is a five-year period projection as well as source document for the preparation of State Budget proposal to be tabled before the State House of Assemble. Medium-Term Budget Planning implies approval of State Budget law for one year, and determination of maximally allowable expenditure levels for the subsequent two years.

Kebbi State's Medium-term covers macroeconomic analysis, government's fiscal policy objectives for medium term, state budget revenue projections and state budget expenditure ceilings for each ministry and their agencies (MDAs) for medium term. The details of the macroeconomic assumptions are as shown in the table below.

Kebbi State Medium Term Expenditure Framework (MTEF), 2022-2023

Fiscal Framework

Item	2022	2023	2024
Recurrent Revenue			
Statutory Allocation	51,919,284,685	57,217,665,135	62,597,094,582
VAT	19,471,429,962	22,198,506,753	25,222,857,984
IGR	15,190,532,532	15,950,059,159	16,747,562,117
Excess Crude / Other Revenue	4,775,836,996	5,014,628,846	5,265,360,288
Total Recurrent Revenue	**91,357,084,175**	**100,380,859,893**	**109,832,874,971**
Recurrent Expenditure			
Personnel Costs	34,158,808,193	35,866,748,602	37,660,086,033
Social Contribution and Social Benefit	6,614,437,114	6,945,158,970	7,292,416,918
Overheads	11,668,128,055	13,418,347,263	14,357,631,572
Public Debt Service	3,135,745,773	3,449,320,350	3,794,252,385
Total	**55,577,119,135**	**59,679,575,186**	**63,104,386,908**
Transfer to Capital Account	**44,721,612,863**	**49,642,932,530**	**55,670,135,886**
Capital Receipts			
Grants	43,044,519,278	35,553,052,003	31,238,571,262
Other Capital Receipts	12,820,107,602	0	0
Total	**55,864,626,880**	**35,553,052,003**	**31,238,571,262**
Reserves			
Contingency Reserve	2,126,815,538	1,639,420,434	1,576,413,738
Planning Reserve	3,190,223,307	2,459,130,650	2,364,620,607
Total Reserves	**5,317,038,845**	**4,098,551,084**	**3,941,034,344**
Capital Expenditure	**109,965,385,869**	**86,814,118,419**	**83,821,300,368**
Discretional Funds	85,670,436,465	70,121,921,333	69,061,600,117
Non-Discretional Funds	24,294,949,404	16,692,197,086	14,759,700,252
Financing (Loans)	14,696,184,970	5,716,684,970	853,627,565
Total Revenue (Including Opening Balance)	**170,859,543,849**	**150,592,244,689**	**150,866,721,621**
Total Expenditure (including Contingency Reserve	**170,859,543,849**	**150,592,244,689**	**150,866,721,621**
Ratios			
Growth in Recurrent Revenue	21.48%	9.88%	9.42 %
Growth in Recurrent Expenditure	14.97%	7.38%	5.74 %
Capital Expenditure Ratio	66.23%	59.28%	57.13 %
Deficit (Financing) to Total Expenditure	8.60%	3.80%	0.57%

Kebbi State's Budget Policy Thrust

The overall size of the 2022 budget will be based on resource estimates as provided in the Fiscal Strategy Paper (FSP) and sector allocations in line with the State`s development priorities.

The 2022 budget will focus on Agriculture and Rural Development, Infrastructural Development, Health, Education, Water Supply and Sanitation, Environment, Lands and Housing, Culture and Tourism and Youth and Women Empowerment. In the entire sub sectors, priority will be given to on-going projects.

The 2022 Budget Policy thrust is as follows: -

a. The Planning instrument of Medium-Term Sector Strategies will be the basis for MDAs 2022 budget proposal;

b. Strict Adherence to the principles and letters of Fiscal Responsibility Law (FRL) 2010 and State Public Procurement Law (PPL), 2010 in the day-to-day implementation of the budget;

c. Prompt payment of State counterpart contributions to attract additional resources for funding projects and programmes;

d. Completion of critical on-going projects that have attained between 75% to 80% level of completion;

e. New projects will only be provided for after ensuring adequate provision for on-going projects;

f. Sustain investment in Agriculture to achieve self-sufficiency in food production and security;

g. Use Result Based Monitoring and Evaluation (RBM&E) framework to track project and programme implementation;

h. Strengthen Social Safety Net Programmes to further mitigate the impact of the current economic situation on the poor and vulnerable groups within Kebbi State;

i. Improve revenue base of the State through effective and efficient collections from the existing sources and exploration of new sources by revenue generating MDAs;

j. Continued sustenance of free education programme including School feeding programme and ensuring quality control in the education system;

k. Construction of new and Maintenance of existing physical infrastructure and facilities (Roads, Water and Public buildings);

l. Strengthen public service for efficiency, productivity and value for money through capacity building and incentives;

m. Strengthen provision of social services through whole School and Hospital approach.

n. Prioritize investment in projects and programmes that will enhance job creation, employment generation and contribute to poverty reduction;

o. Improve funding of MDAs for better service delivery;

p. Strengthen coordination of partners` activities in line with the State`s development priorities;

q. Adequate provision and timely payment of MDAs outstanding debts/liabilities with Kebbi State Debt Management Department (DMD);

r. Increase allocation to address issues of insecurity in the State; and,

s. Prioritize allocation and release of fund to post-Covid-19 recovery programmes.

Legislative Framework for Public Financial Management in Kebbi State

The fundamental law governing Public Financial Management (PFM) in Nigeria and Kebbi State in particular is the 1999 Constitution as amended. Section 120 and 121 of the Constitution provides that all revenues accruing to Kebbi State Government shall be received into a Consolidated Revenue Fund (CRF) to be maintained by the Government and no revenue shall be paid into any other fund, except as authorized by the State House of Assembly (SOHA) for a specific purpose. The withdrawal of funds from the CRF shall be authorized by the SOHA through the annual budget or appropriation process. The Governor of Kebbi State shall prepare and lay expenditure proposals for the coming financial year before the SOHA, and the SOHA shall approve the expenditure proposal by passing an Appropriation Law. The Appropriation Law shall authorize the executive arm of government to withdraw and spend the amounts specified from the CRF.

Institutional Framework for Public Financial Management in Kebbi State

The Constitution vests the executive powers of the State in the Governor. The Constitution provides that "the Governor shall cause to be prepared and laid before the House of Assembly on or before the last business day of August of each financial year, containing estimates of the revenues and expenditure of the State for the next three financial years". The Governor of Kebbi State exercises his executive powers directly or through the Deputy Governor, the Commissioners, Special Advisers, Permanent Secretaries, and other officers in the public service of the State.

2.2 State's Revenue policies: Kebbi State Government introduced new "Revenue Bill 2020" the bill make provision for the repeal and re-enactment of a law no. 002 of 2019 for the administration and collection of revenue accrued to the Kebbi State Government and local government. Under the new bill the "Taxable person" includes an individual or body, individuals, family, corporation sole, trustee or executor or a person who carries out in a place an economic activity, a person exploiting tangible or intangible property for the purpose of obtaining income there from by way of trade of business or person or agency of government acting in that capacity.

Purpose of the new bill are as follows:

- To establish a single Central revenue account (herein after called "the Account") for all the internally generated revenue of the state.
- The account should be utilized by SIRS for the purpose of capturing the total revenue collection of the state.
- The account shall be maintained and operated with the designated IGR reporting Bank, which shall account for all revenues collected by Lead Bank through designated collecting Bank as may from time to time be authorized by the Governor or any other person authorized by him.

2.3 State's Expenditure Policies: Kebbi State's Expenditure Policies drives through a State's Comprehensive Development Framework (CDF) which is to develop a holistic socioeconomic development strategy that puts together all major elements affecting the development of the State. The effort represents a shared vision of all stakeholders, a development framework that is designed to guide short and medium-term state development plans and ensure effective linkage to the budget through a Medium-Term Expenditure Framework with sufficient flexibility to respond to emerging needs and exigencies.

This section provides a brief review of the development process of the State since its creation, the overall development objectives, and priorities, as well as its mission and vision. The section also gives an overview of the conceptual underpinnings for the sustainable economic development of the State outlined in the Kebbi State CDF.

Government spending drives economic activity either through the development of large-scale infrastructural projects or through the provision of resources to the poor in the form of social grants. Investments in education and health have long-term economic benefits.

Fiscal policy is the deliberate adjustment of government spending, borrowing or taxation to help achieve desirable economic objectives. Kebbi State Government introduced new Bill titled "Price Intelligence and Public Procurement Bill, 2020" the objected of the bill are as follows:

- Maximize economy and efficiency in public procurement;
- Promote economic development through public procurement
- Obtain value for money in public procurement;
- Promote integrity and engender public confidence in the public procurement process;
- Foster transparency in the public procurement process;
- Encourage participation in public procurement
- Provide for the fair and equitable treatment of all persons participating in public procurement proceedings; and,
- Encourage the State economic growth by enabling the participation of small and medium sized enterprises in Public procurement.

Chapter 3: The State Revenue, Expenditure, and Public Debt Trends (2016 - 2020)

The Kebbi State economy experienced a slight growth under Internally Generate Revenue (IGR) stood at N3,132 million in 2016, N4,425 million in 2017, N4,882 million in 2018, N7,367 million and N7,976 million in 2020 respectively.

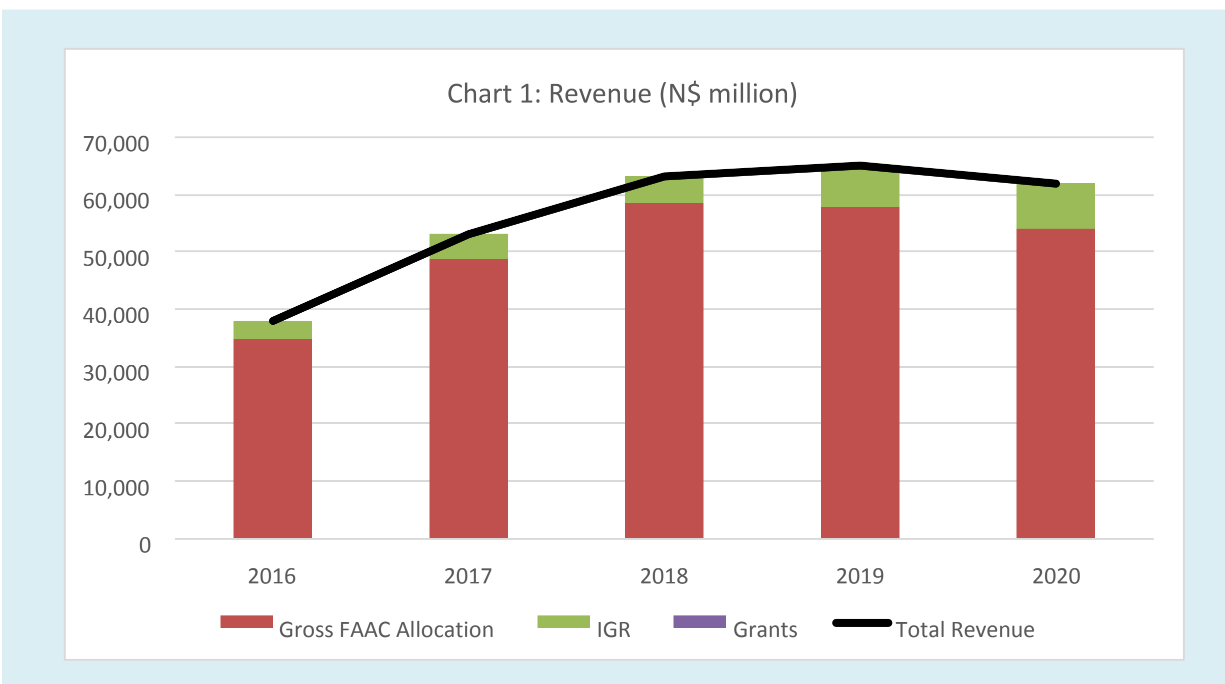
3.0 Revenue and Expenditure

3.1 Revenue - The State's economy comprises Statutory Allocation, Derivation, VAT Allocation, IGR, and Capital Receipt. the State's Revenue amounted to N62,102 million in 2020, N65,104 million in 2019, N63,296 million in 2018, N53,028 million in 2017 and N38,078 million respectively.

Gross FAAC Allocation: Kebbi recorded a declined in the review period relative to the preceding year, as the FAAC Allocations amounted at N34,946 million in 2016, N48,603 million in 2017, N58,414 million in 2018, N57737 million and N54,126 million, respectively.

Internally Generated Revenue: Kebbi witnessed modest growth and significant improvement in the State IGR, where the IGR grew from N3,132 million in 2016, N4,425 million in 2017, N4,882 million in 2018, N7,367 million in 2019 and N7,976 million in 2020, representing an increase of N4,844 million or 154.64 percent from 2016 to 2020. Accordingly, The improvement in IGR before pandemic is mainly due to the tax reforms aimed at improving collection efficiency and broadening the tax revenue base.

Revenue	2016	2017	2018	2019	2020
Total Revenue	38,078	53,028	63,296	65,104	62,102
Gross FAAC Allocation	34,946	48,603	58,414	57,737	54,126
IGR	3,132	4,425	4,882	7,367	7,976
Grants	0	0	0	0	0



3.2 Expenditure- The State's Total expenditure covers Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment) recorded at N78,743 million in 2020 which was lower compared to N93,769 million in 2019, N93,343 million in 2018 and 90,634 million in 2017.

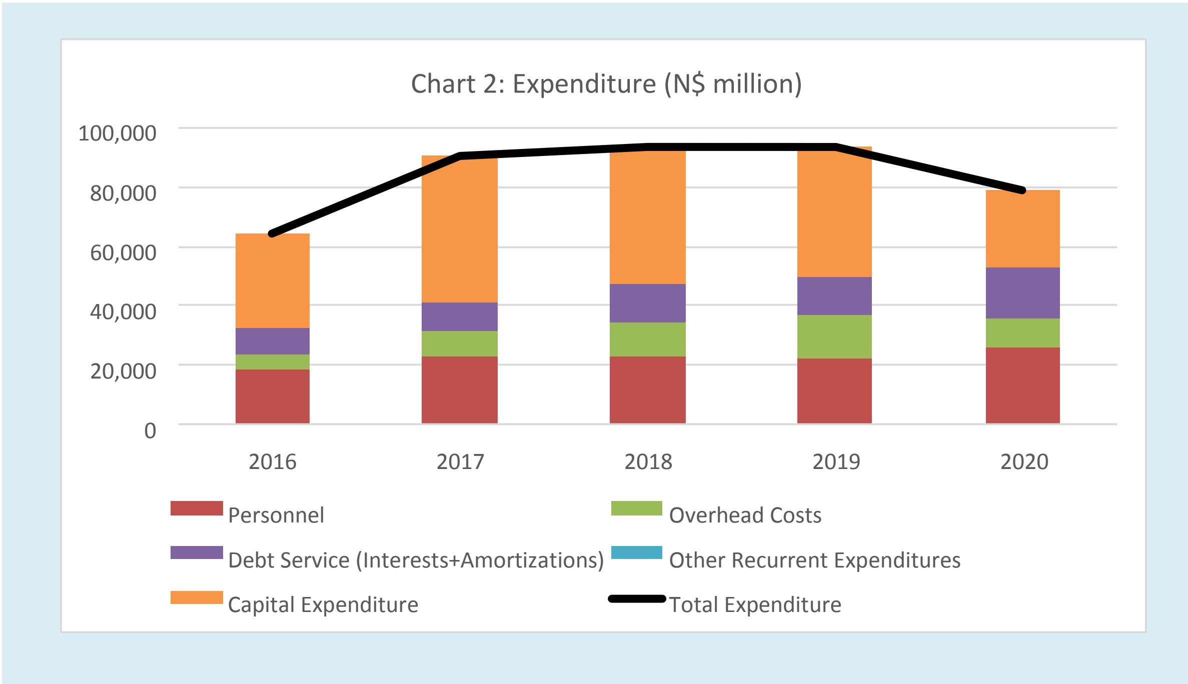
Personnel: Kebbi State Personnel costs stood at N18,634.40 million in 2016, N22,653.40 million in 2017, N22,743.10 million in 2018, N22,155.00 million in 2019 and N26,095.30 million in 2020, respectively.

Overhead Cost: Kebbi State Overhead costs amounted at N5,059.5 million in 2016, N8,754.90 million in 2017, N11,940.50 million in 2018, N14,548.00 million in 2019 and N9,643.10 million in 2020, respectively.

Debt Service: The Total debt service that comprises the interest payment and principal repayment stood at N8,745.09 million in 2016, N9,363.85 million in 2017, N12,328.00 million in 2018, N12,687.45 million in 2019 and N16,611.66 million in 2020, respectively.

Capital Expenditure: Capital Expenditure was N31,850 million in 2016, N49,673 million in 2017, N46,331 million in 2018, N44,379 million in 2019 and N26,344 million respectively, the decline was due to slow in activities during coronavirus pandemic.

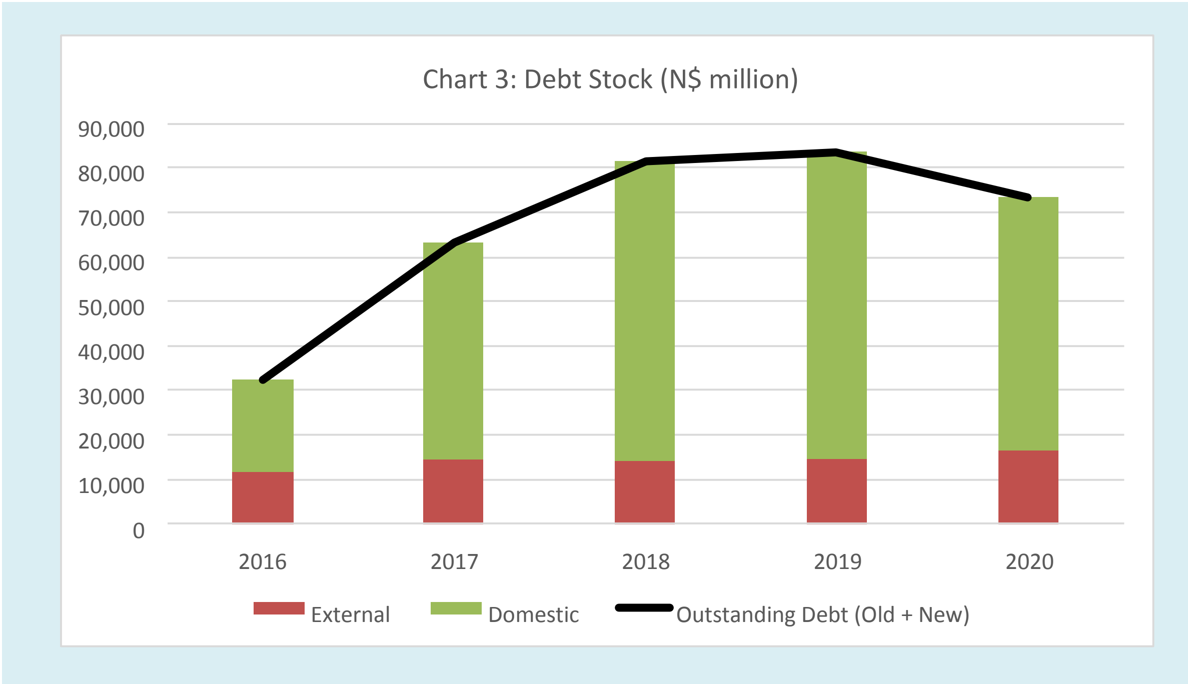
Expenditure Performance	2016	2017	2018	2019	2020
Total Expenditure	64,486	90,634	93,343	93,769	78,743
Personnel	18,634	22,653	22,743	22,155	26,095
Overhead Costs	5,059	8,755	11,941	14,548	9,643
Debt Service (Interests + Amortizations)	8,942	9,552	12,328	12,687	16,661
Other Recurrent Expenditures	0	0	0	0	0
Capital Expenditure	31,850	49,673	46,331	44,379	26,344



3.2 Existing Public Debt Portfolio

3.2.1 Debt Stock - Kebbi State Total Debt comprised External and Domestic Debts stood N73,338 million at December 31, 2020 compared to N83,620 million as at December 31, 2019. The State debt declined by 12.30 percent or N10,281 million, respectively. The External Debt grew by N2,174.00 million in 2020, while the Domestic Debt stock stood at N56,811 million in 2020 compared to N69,265 million in 2019.

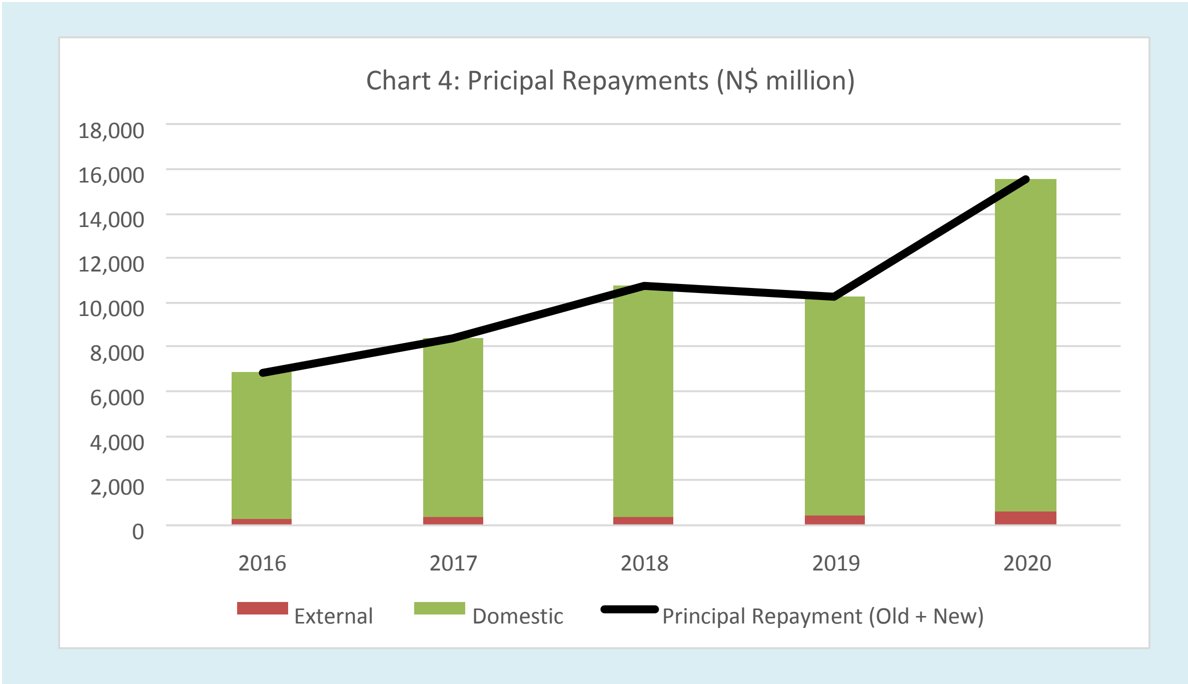
	2016	2017	2018	2019	2020
Outstanding Debt (Old + New)	32,323	63,352	81,420	83,620	73,338
External	11,672	14,623	13,978	14,354	16,528
Domestic	20,651	48,729	67,442	69,265	56,811



3.2.2 Debt composition - The main domestic debt portfolio consists of Budget Support Facility, Salary Bail-out facility, Excess Crude Account Backed Loan, Contractor's Arrears and Pensions & Gratuity arrears. While the External Debt includes World Bank (IDA and IFAD) and African Development Fund (AfDF). In 2020 the composition of external debt to domestic debt portfolio stood at 22.54 percent to 77.46 percent in 2020, compared to the debt composition of the external debt to domestic debt portfolio of 17.17 percent to 82.83 percent in 2019.

3.2.3 Debt Service amounted to N16,661 million in 2020 compared to N12,687 million in 2019, N12,328 million in 2018, N9,552 million in 2017 and N8,942 million in 2016 respectively. The principal repayment stood at N6,827 million in 2016, N8,378 million in 2017, N10,780 million in 2018, N10,242 million in 2019 and N15,576 million in 2020.

Principal Repayment	2016	2017	2018	2019	2020
Principal Repayment	6,827	8,378	10,780	10,242	15,576
External	262	325	376	428	600
Domestic	6,565	8,054	10,404	9,814	14,976



Kebbi state Interest Payment was N1,035 million in 2020 compared N2,323 million in 2019, N1,412 million in 2018, N985 million in 2017 and N1,918 million respectively.

Interest Payment	**2016**	**2017**	**2018**	**2019**	**2020**
Interest Payment	1,918	985	1,412	2,323	1,035
External	48	100	103	104	110
Domestic	1,870	886	1,310	2,219	925

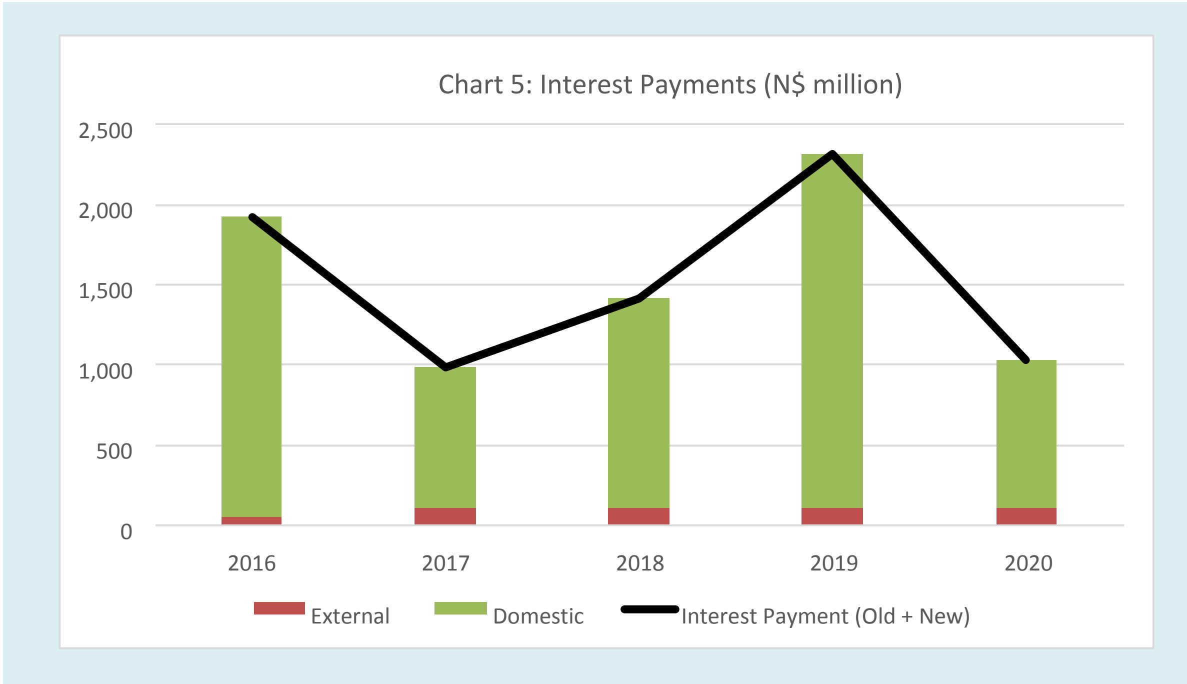


Chart 5: Interest Payments (N$ million)
2,500
2,000
1,500
1,000
500
0
2016
2017
2018
2019
2020
External
Domestic
Interest Payment (Old + New)

Chapter 4: Debt Sustainability Analysis

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

Table 1: Kebbi State Debt burden indicators as at end-2020

Indicators	Thresholds	Ratio
Debt as % of GDP	25%	4.86
Debt as % of Revenue	200%	118.09
Debt Service as % of Revenue	40%	26.75
Personnel Costas % of Revenue	60%	42.02
Debt Service as % of FAAC Allocation	Nil	30.69
Interest Payment as % of Revenue	Nil	1.67
External Debt Service as % of Revenue	Nil	1.14

Source: Kebbi State DMD

4.1 Borrowing Options

The borrowing options are considered due to the timing of government's cash flows throughout the fiscal year. Domestic borrowing serves as one of the main sources of borrowing with average ratio of 59.33 percent over the projection period from 2021 to 2030 and given the limited funding envelopes from the external borrowing with long processing time required, domestic borrowing are mainly through: the commercial banks, State bonds, Federal Government and other Central Bank of Nigeria (Interventions).

Borrowing Options

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Domestic Finan cing										
Commercial Bank Loans 1 <> 5 years	4,195.7	4,921.8	5,716.7	853.6	0.0	4,544.5	4,231.7	8,234.8	3,761.4	3,752.3
Commercial Bank Loans - 6 years >	4,704.3	3,000.0	0.0	0.0	0.0	3,191.6	0.0	4,004.2	0.0	0.0
State Bonds - 1 <> 5 years)	0.0	0.0	0.0	0.0	5,633.9		7,000.0	0.0	0.0	0.0
State Bonds - 6 years >	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Domestic Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External Financ ing										
External Financing - Concessional Loans (e.g., WB, AfDB)	2.1	17.9	0.0	0.0	0.0	35.9	11.5	0.0	13.2	0.0
External Financing - Bilateral Loans	0.0	0.0	0.0	0.0	21.8	0.0	0.0	0.0	0.0	22.6
Other External Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Finan cing										
Total Gross Borrowing Requirements	**9,704.3**	**14,696.2**	**5,716.7**	**853.6**	**13,890.0**	**21,352.4**	**15,596.5**	**12,239.0**	**8,761.4**	**12,331.8**

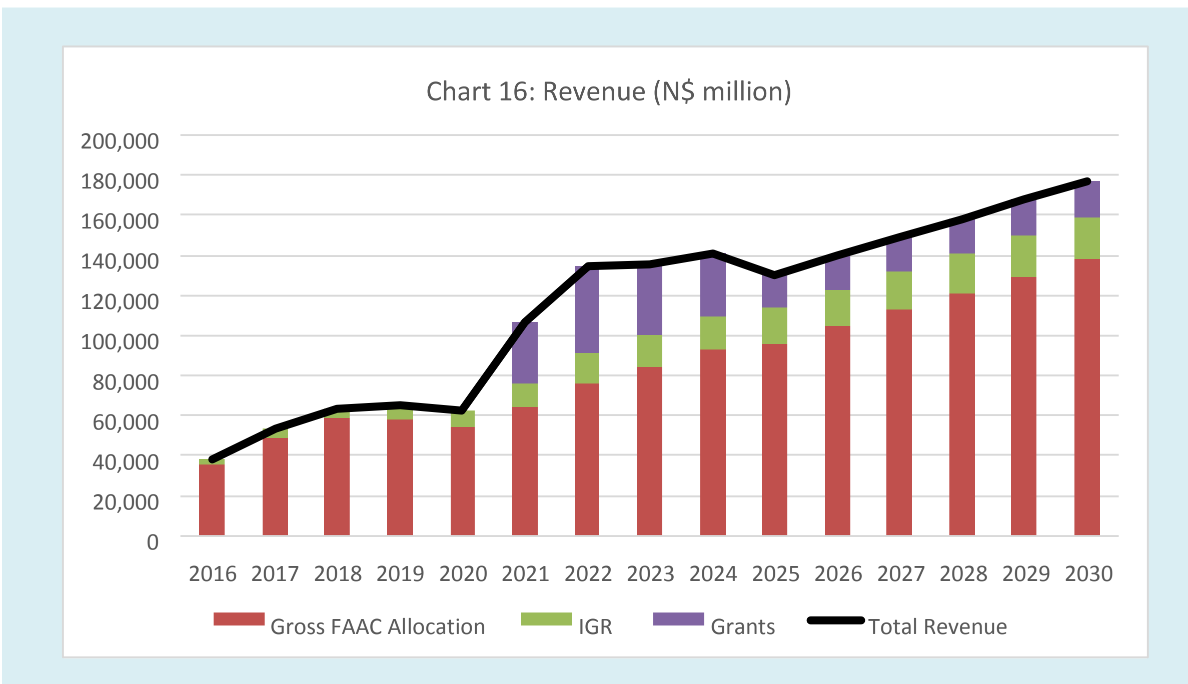
4.3.1 DSA Simulation Results

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

Revenue The Macroeconomic framework is based on IMF's national real GDP growth and inflation forecasts from April 2021, IMF World Economic Outlook document, and mineral benchmarks (oil price, production and NGN/USD exchange rate) from Federal Government of Nigeria's MTEF/FSP 2022-2024.

4.3.2 Revenue is expected to grow during the projected period, driven largely by expected improvement through FAAC allocation from N64,218 million in 2021 to N137,981 million 2030 compared with the IGR which estimated to grow from N12,201 million to NN21,412 million in 2030.

The FAAC allocation is estimated to increase in the medium term from N64,218 million in 2021 to N84,431 million in 2024, IGR projected at N12,201 million in 2021, N15,191 million in 2022, and N15,950 million in 2023, respectively. Estimated on Revenue were sources from the Approved 2021 Budget; MTEF, 2023; and, the projections period from 2024-2030 projections as estimated by the official of Kebbi State Ministry of Budget and Economic Planning.



4.3.2 Expenditure is projected to grow from N153,427 million in 2016 to N207,818 million in 2030, the Capital expenditure has the largest share over the estimated period. indicating stability in the state growth recovery. The growth in the period is predicated on sustaining effective implementation of the new laws. Government is expected to continue its fiscal strategy of directing resources to the most productive and growth-enhancing sectors, including agriculture, youth, Housing, education, Health and Water Resources within the period

Kebbi State - Technical Team

1. **Umar Faruku Mohammed Jega**
2. **Abdulrahman A. Fakai**

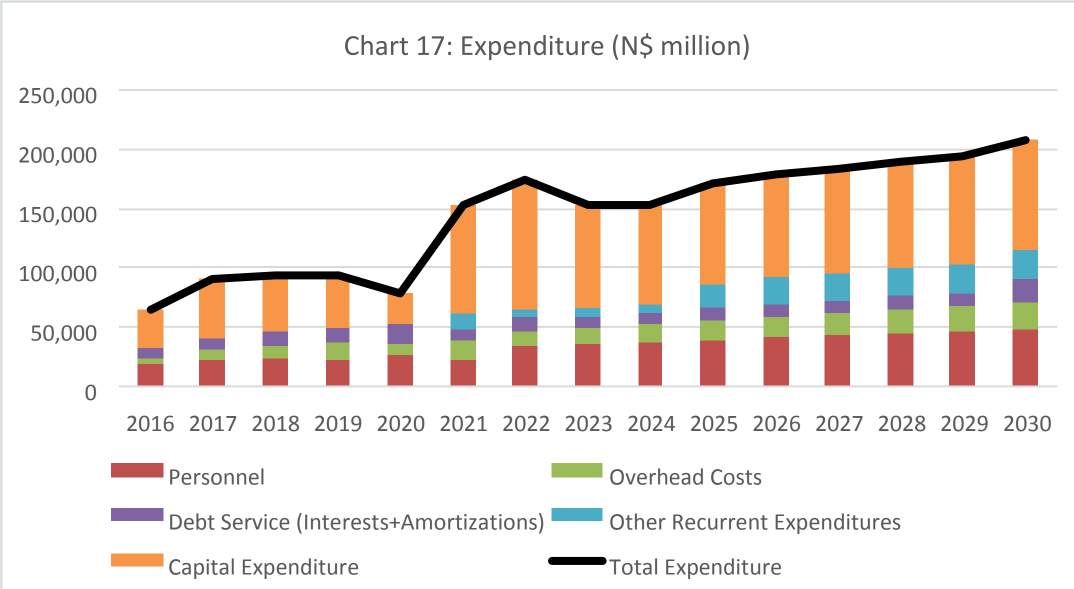
Personnel – The staff auditing is to check abnormalities in the pay roll. The State is determined to sustain the exercise to reduce personnel cost. It is anticipated that the number of political office holders will also be reduced, and the personnel cost is projected at N21,419 million in 2021, N37,600 million in 2024, N42,898 million in 2027 and N48,150 million in 2030 respectively.

Overheads – Annual increases were relatively low over the period 2015 and 2016. However, there was a large increase in 2017-2019 and fell in 2020. Moving average excluding outlier is used to forecast overheads because the expected growth rate for 2021-2030 is expected to substantially follow the trend recorded in the past five years, the overhead estimated at N16,715 million in 2021 compared with N22,561 million in 2030.

Total Debt Service – is based on the projected principal and interest repayments for 2021 to 2030. Hence, based on the projection public debt service will remain largely stable with minimal growth over the medium term.

Other Recurrent Expenditures – other recurrent expenditure comprises Social Contribution and Social Benefits – Pensions and gratuity payments is expected to remain at the level of 2020 actual. Hence, the own percentage of zero growth is adopted for 2022-2024.

Capital Expenditure - is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above. Capital expenditure was estimated at N92,138 million in 2021, N86,814 million in 2023, N85,390 million in 2025, N88,526 million in 2027, N91,662 million in 2029 and N93,231 million in 2030 respectively.



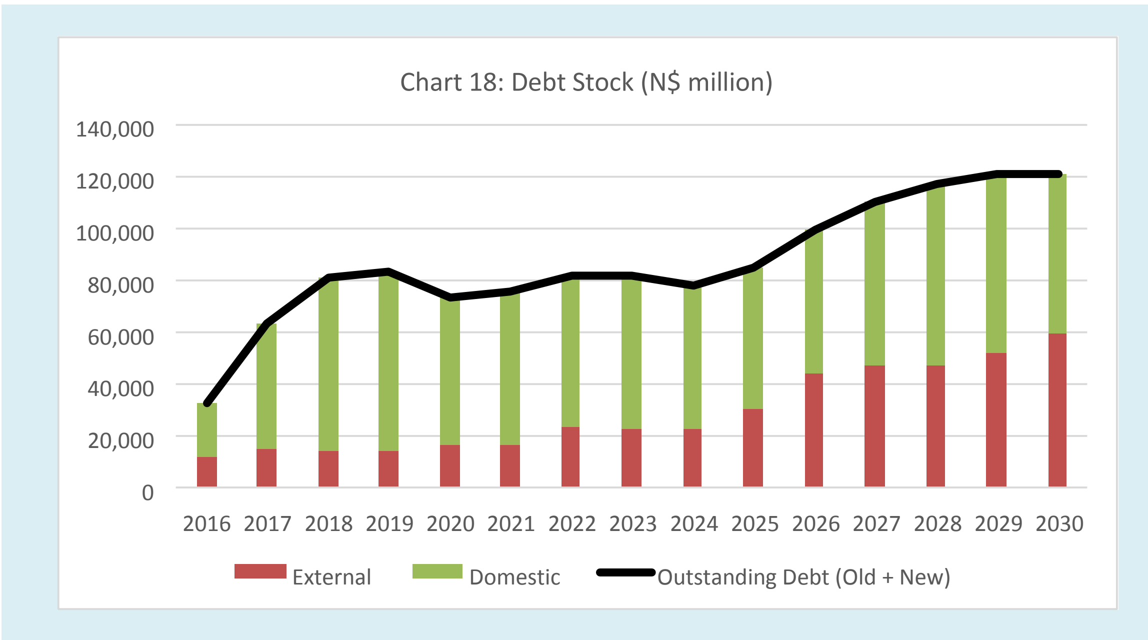
Primary Balance-The fiscal deficit of Kebbi State Medium Term Expenditure Framework (MTEF), 2021-2023, the estimate for 2021 was N9,704.3 million, 2022 was N14,696.2 million, and 2023 was N5,716.7 million, respectively. **Gross Financing Needs is the sum of budget deficits and funds required to roll over debt that matures over the year.** The fiscal deficit projection beyond the projection period of 2021 – 2023 is estimated to have an average of N12,146.4 million from 2024 to 2030. The fiscal deficit projection beyond the MTEF period is hinged on the anticipated improvement on the revenue due to the various initiatives and reforms by Government, as well as efficiency and quality of spending.

Kebbi State should sustain the current Budget reform programme particularly as it relates to the preparation of a realistic budget, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Efforts should be made to prepare MTSS for other sectors not yet provided for.

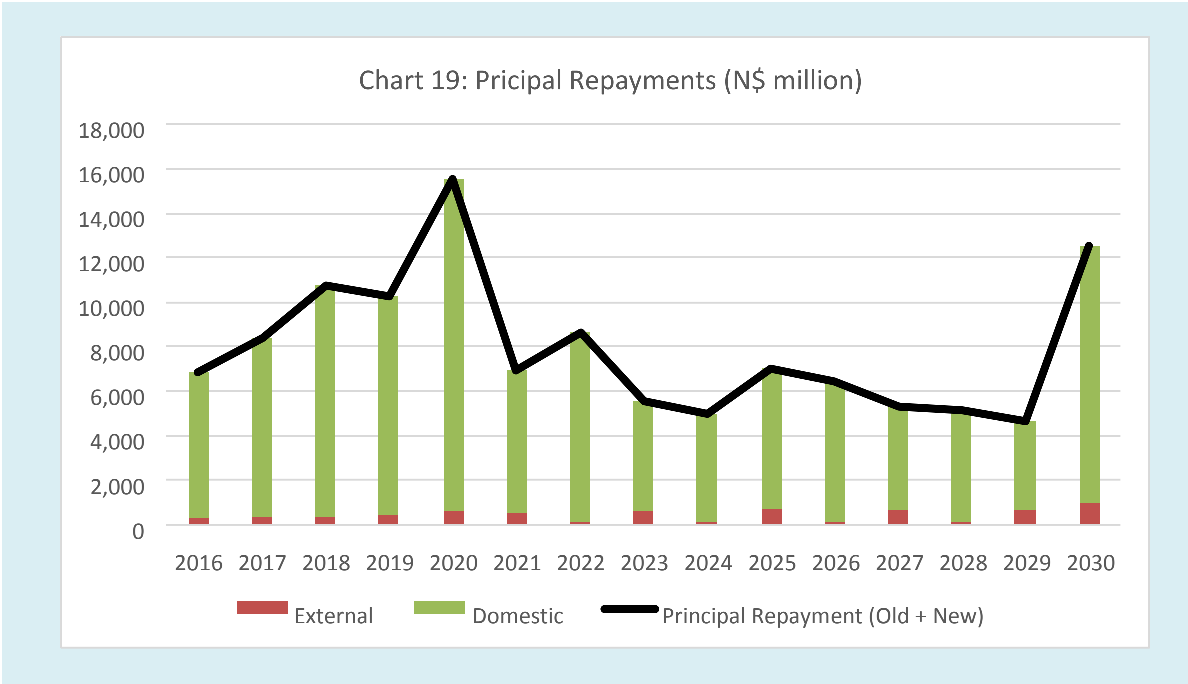
Kebbi State must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process. If the benchmark price of crude in the Federal FSP is lower or higher than $50 per barrel used herein and IMF, World Bank, OPEC and US Energy Information Administration

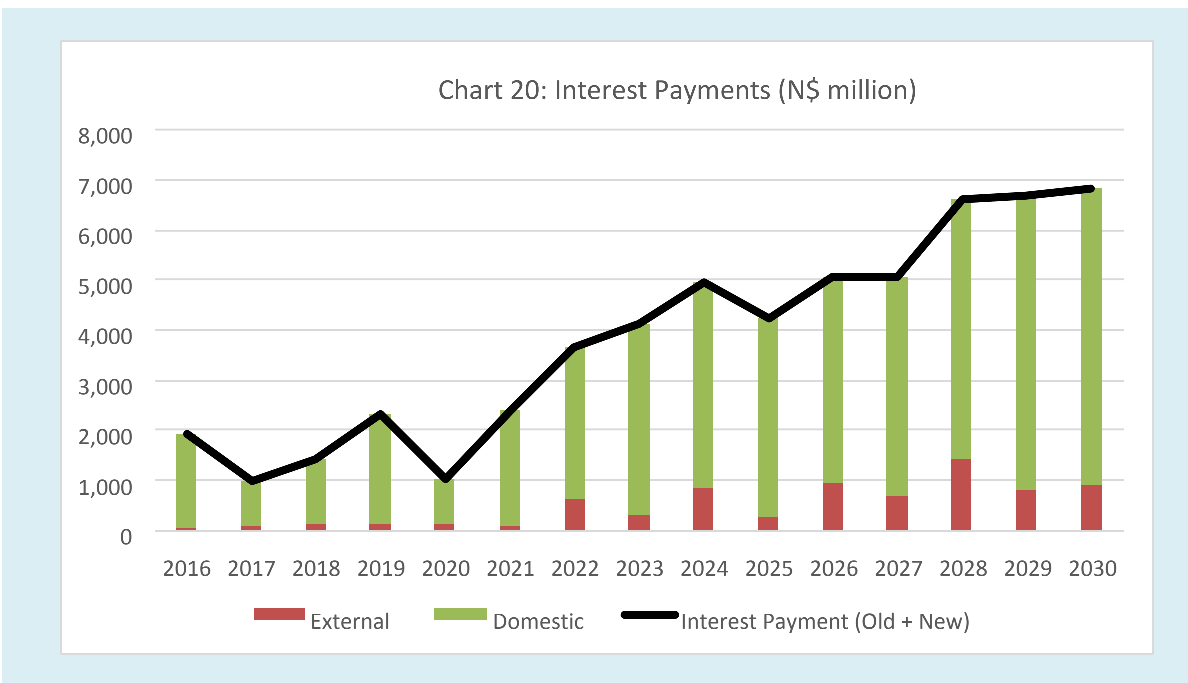
Reports validates the oil price benchmark provided in Federal FSP, the State should revisit the assumptions and recalculate statutory allocation.

Debt Stock Kebbi State's Debt Stock estimated to increase from N76,142.33 billion in 2021, N82,179.21 billion in 2022, N82,310.25 billion in 2023, N78,160.95 billion in 2024, N85,066.83 billion in 2025, N99,953.59 billion in 2026, N110,223.81 billion in 2027, N117,286.14 billion in 2028, N121,406.93 billion in 2029, and N121,154.00 billion in 2030, respectively.



Principal Repayment estimated to increase from N6,900.28 billion in 2021 to N12,584.67 billion in 2030, compared with the Interest Payment N2,386.68 billion in 2021 to N6828.43 billion in 2030. (see Charts 18 to 20, below).





Main Key Findings

On the Total Debt Sustainability Analysis under Baseline Scenario, the Debt Sustainability Analysis results shows that the ratio of Debt as % of GDP is projected at 4.23 percent in 2021, 4.12 percent in 2022, 3.73 percent in 2023, 3.26 percent in 2024, 3.25 percent in 2025, 3.50 percent in 2026, 3.54 percent in 2027, 3.45 percent in 2028, 3.27 percent in 2029 and 2.99 percent in 2030, respectively, as against the indicative threshold of 25 percent.

On the Total Debt Sustainability Analysis, the results show that the ratio of Debt to revenue remains below its indicative threshold under the Baseline scenario. However, based on the Most Extreme Shock in Revenue, Expenditure, Exchange rate and Interest rate, and historical remains moderate debt distress over the projection period.

2021 DSA exercise shows that there is substantial Space to Borrow based on the state's current revenue profile. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2021 to 2030, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.

The revenue-based indicators show that the Debt to Revenue at 71.18 percent in 2021, 60.55 percent in 2023, 71.43 percent in 2026, 73.96 in 2028 and 68.35 percent in 2030the trends remains below the threshold of 200 percent. Kebbi State would remain under the threshold for Debt to SGDP ratio for 25 percent over the projection period.

For the Debt Service to Revenue, the outcome estimates the ratios in 2021 (8.68 percent), 2024 (7.14 percent) 2026 (8.23 percent), 2028 (7.43 percent) and 2030 (10.95 percent), as against the threshold of 40 percent to the end of the projection period in the medium to long term.

The Personnel Cost to Revenue remained under state threshold of 60 percent from 20.02 percent in 2021 to 27.17 percent in 2030. Thus, Kebbi State Debt remained sustainable on the revenue and debt indicators.

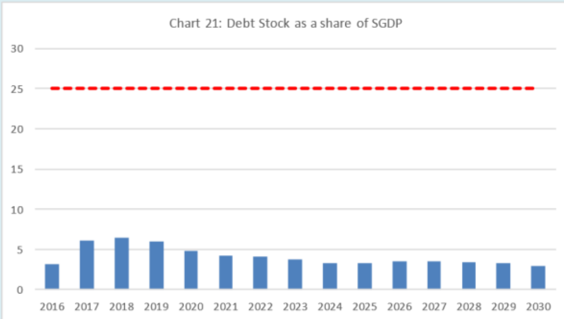


Chart 21: Debt Stock as a share of SGDP
0 5 10 15 20 25 30
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

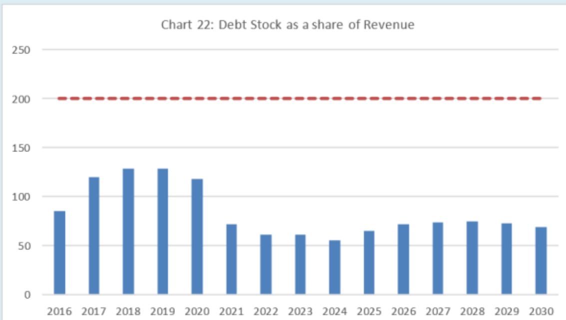


Chart 22: Debt Stock as a share of Revenue
0 50 100 150 200 250
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

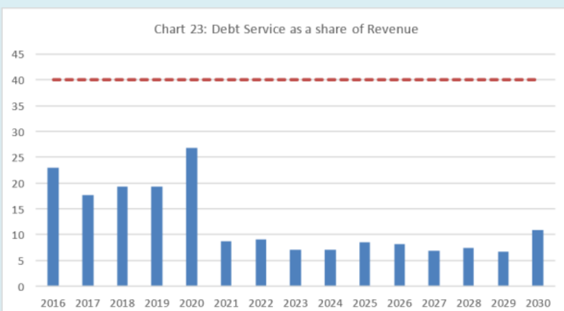


Chart 23: Debt Service as a share of Revenue
0 5 10 15 20 25 30 35 40 45
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

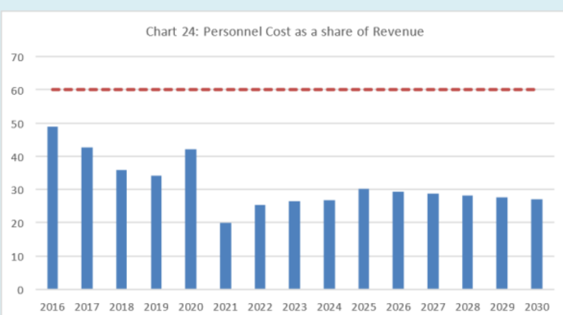


Chart 24: Personnel Cost as a share of Revenue
0 10 20 30 40 50 60 70
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

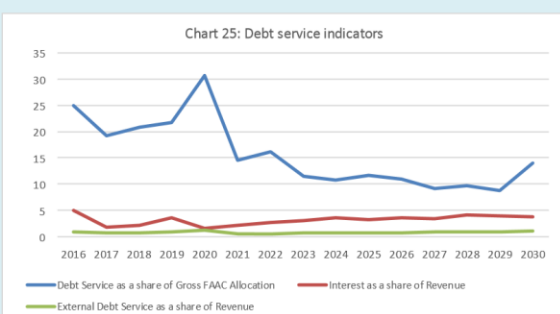


Chart 25: Debt service indicators
0 5 10 15 20 25 30 35
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
Debt Service as a share of Gross FAAC Allocation
Interest as a share of Revenue
External Debt Service as a share of Revenue

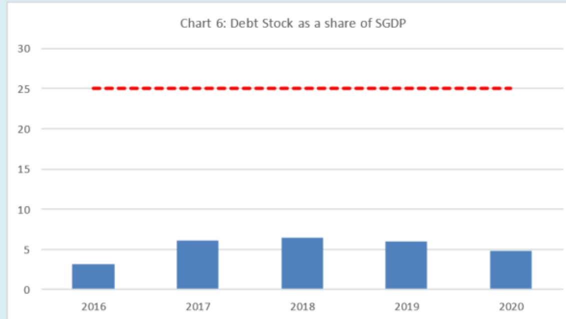


Chart 6: Debt Stock as a share of SGDP
0 5 10 15 20 25 30
2016 2017 2018 2019 2020

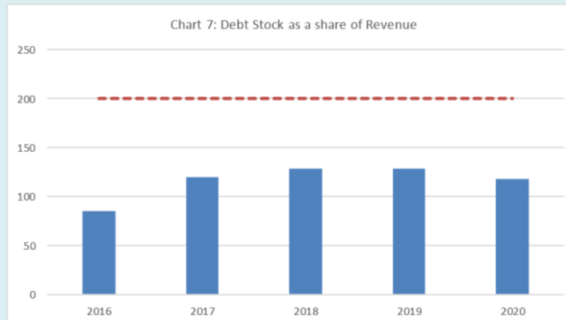


Chart 7: Debt Stock as a share of Revenue
0 50 100 150 200 250
2016 2017 2018 2019 2020

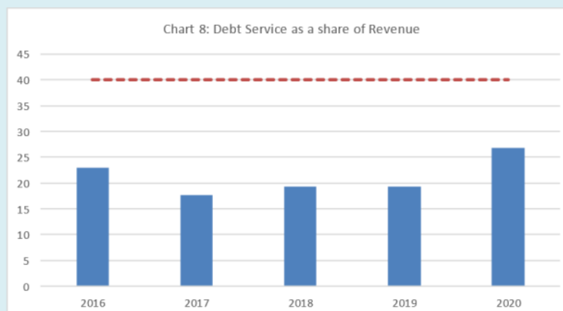


Chart 8: Debt Service as a share of Revenue
0 5 10 15 20 25 30 35 40 45
2016 2017 2018 2019 2020

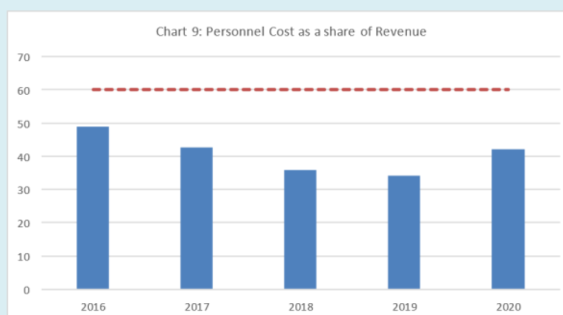


Chart 9: Personnel Cost as a share of Revenue
0 10 20 30 40 50 60 70
2016 2017 2018 2019 2020

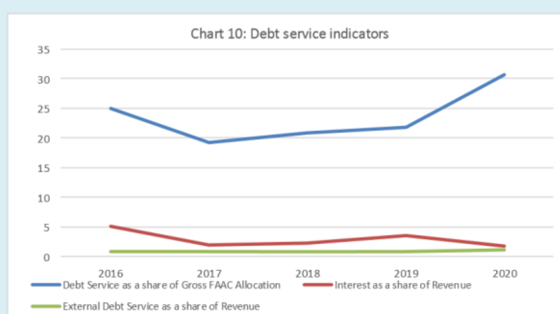


Chart 10: Debt service indicators
0 5 10 15 20 25 30 35
2016 2017 2018 2019 2020
Debt Service as a share of Gross FAAC Allocation
Interest as a share of Revenue
External Debt Service as a share of Revenue

Conclusion

The outcome of the 2020 DSA revealed that Kebbi State's Total Debt remains at a Moderate Risk of Debt distress with substantial space to accommodate shocks. Kebbi State Risk Rating remains at a Moderate Risk of debt distress with capacity to accommodate shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The ongoing efforts by the government towards improving revenue generation and diversifying the economy, through various initiatives and reforms in Tax Administration and Collections, as well as the Strategic Revenue Law, would improve the outlook for Total Debt with enhanced revenue performance. Thus, the Revenue indicators and Borrowing Space are expected to improve in the medium to long-term.

4.3.2 DSA Sensitivity Analysis

Kebbi State, 2021 DSA analysis remains at moderate risk of debt distress under sensitivity analysis. The State DSA analysis shows deteriorate related to revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shock, that would lead to increase Gross Financing Needs over the projection period. The shocks apply all the indicators are still below the thresholds during the projection period. There is, a need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the state.

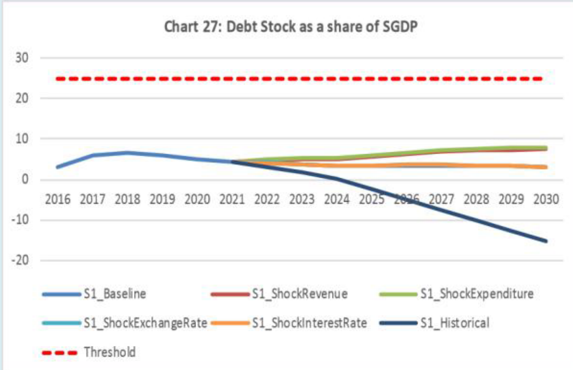


Chart 27: Debt Stock as a share of SGDP

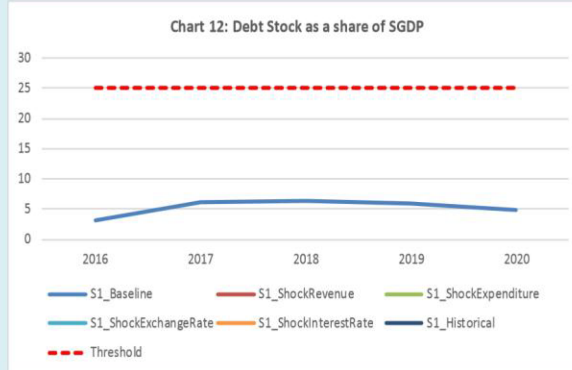


Chart 12: Debt Stock as a share of SGDP

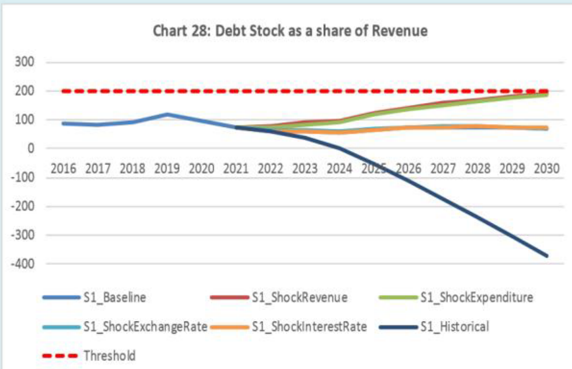


Chart 28: Debt Stock as a share of Revenue

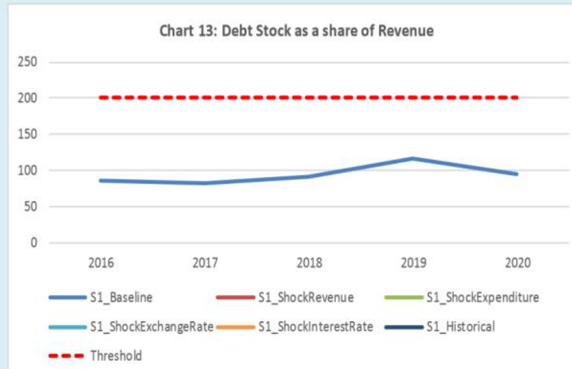


Chart 13: Debt Stock as a share of Revenue

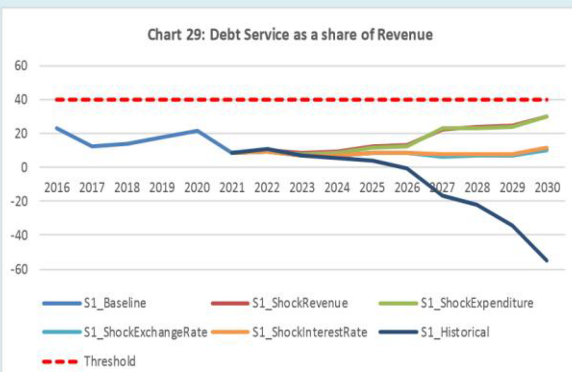


Chart 29: Debt Service as a share of Revenue

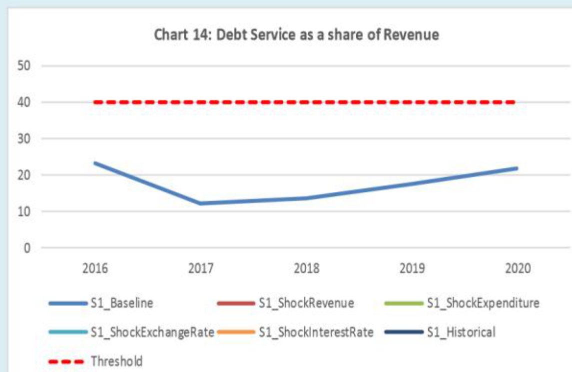


Chart 14: Debt Service as a share of Revenue

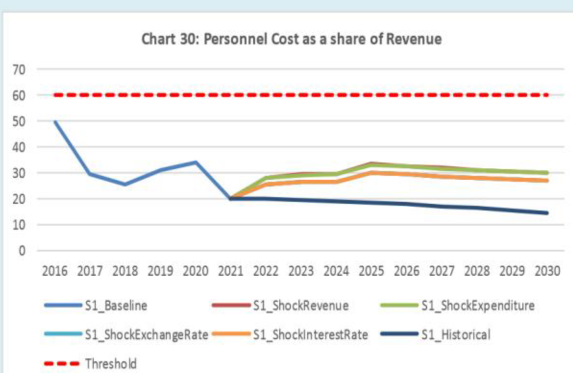


Chart 30: Personnel Cost as a share of Revenue

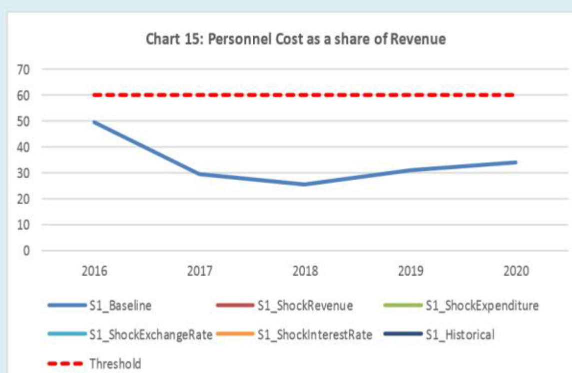


Chart 15: Personnel Cost as a share of Revenue

5. DEBT MANAGEMENT STRATEGY

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, in light of 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 Kebbi 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 Kebbi State's Debt Management Strategy, 2021-2025, 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 2025, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2025 caused by an un-expected shock, as projected in the most adverse scenario. The following four strategies are assessed by the government.

5.1 Alternative Borrowing Options

Strategy 1 (S1) Reflects a "status quo" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2021 and MTEF, 2022-2024. External gross borrowing under Concessional loans accounts on average 16.89 percent over the strategic period mainly through World Bank and African Development Bank; and the bilateral loans account on average of 18.40 percent, respectively. The Domestic gross financing comprises commercial bank loans, State bonds and other domestic financing. The Commercial Bank loans with the maturity of 1-5 years is projected to account on average of 34.97 percent over the strategic period. The Commercial Bank loans with the maturity of above 6 years and State Bonds (1-5 years) estimated with an average of 17.17 percent and 12.56 percent over the DMS period of 2021-2025.

Strategy 2 (S2) Focus more on financing through commercial bank loans: In this strategy it has been assumed the distribution between external and domestic borrowing remains the same in 2021 as its in strategy 1. The remaining of borrowing distributions from 2022 to 2025, the state government will focus its financing through commercial bank loans with average 45.05 percent under maturity of 1-5 years and 41.83 percent under maturity of above 6 years, other gross financing needs through external financing (concessional loans) which estimated to account on average of 13.12 percent and 6.88 percent over the strategic period.

Strategy (S3) Focus its financing through domestic debt market. In strategy 3, the government decided to focus its financing from 2021 to 2025, through Commercial Bank loans (1-5 years), Commercial Bank loans with the maturity of above 6 years and State Bonds (1-5 years) and Concessional Loans with an average of 25.52 percent, 16.20 percent, 56.52 percent and 1.76 percent, respectively. This strategy considers the scenario where proportions of external and domestic debt instruments in 2021 remains the same with strategy 1.

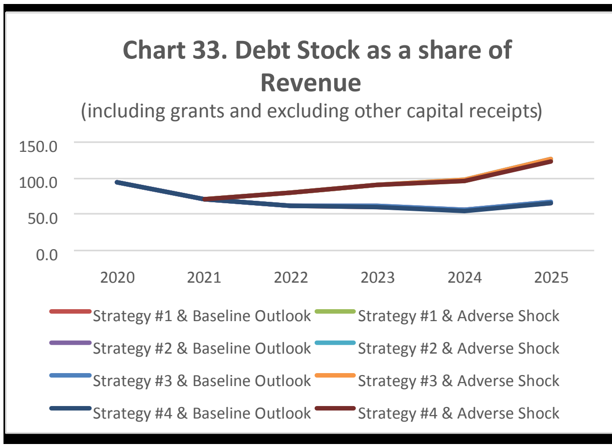
Strategy (S4) increases the share of external borrowing. In this strategy, External Financing (Concessional Loans) represents an average of 27.68 percent from 2021-2025, Bilateral loans 17.19 percent, other gross financing comprises other Domestic financing, Commercial bank loans (1-5 years) and Commercial bank loans (above 6 years) with average period of 32.74 percent and 22.39 respectively.

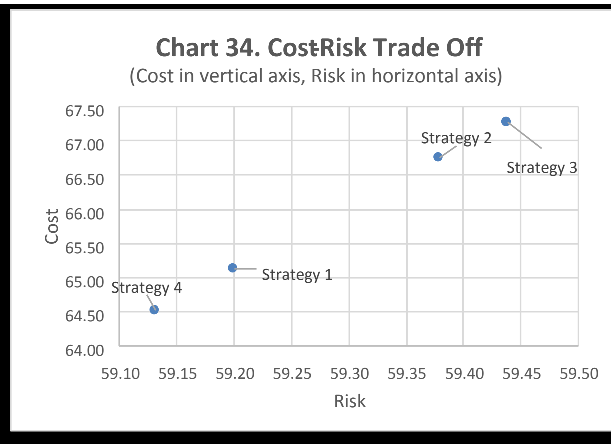
5.2 DMS Simulation Results

Analysis of strategies & outcomes of the analysis. The cost risk trade off charts illustrate the performance of the alternative strategies with respect to four debt burden indicators.

a. Debt as a share Revenue:

- Strategy 4 shows the Cost ratio of Debt to Revenue estimated at 64.5 percent in 2025, as against Strategy 1 (65.1 percent), Strategy 2 (66.7 percent) and Strategy 3 (67.3 percent), over the DMS period of 2025, compared with the Risks measured of Strategy 4 (59.13 percent), Strategy 1 (59.20 percent), Strategy 2 (59.38 percent) and Strategy 1 (59.44 percent), respectively.
- Analysis using this debt indicator of debt to revenue shows that S4 has the lowest costs and risks with the average measured by 64.5 percent and 59.13 percent compared with Strategy 1, Strategy and Strategy 3, compared with Strategy 3 with the highest Costs and risks under debt to GDP ratio. Strategy 4 is the riskiest strategy as this concentrated on more Concessional and bilateral financing with little proportion of domestic financing over the DMS period of 2021-2025.

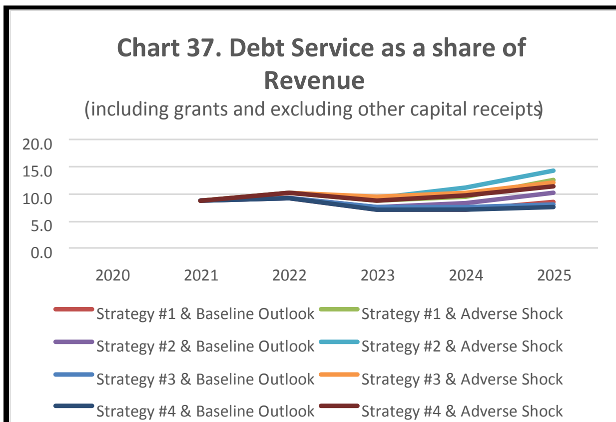


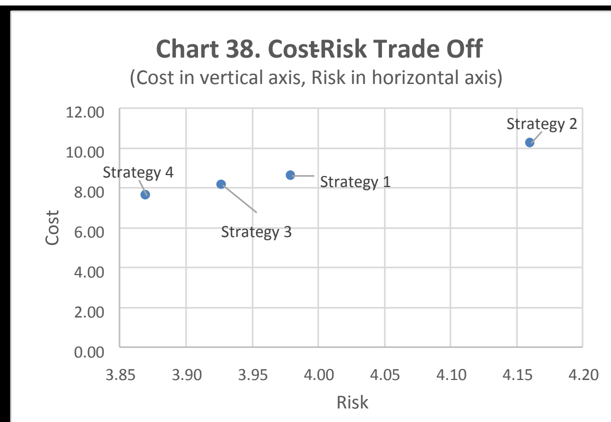


b. Debt Service as a share of Revenue:

- In terms of Debt Service to Revenue, Strategy 4 has lowest costs and risks with 7.60 percent and 3.87 percent by the end of strategi period compared with Strategy 1 of 8.59 percent and 3.98 and Strategy 3 of 8.11 percent and 3.93 percent all under moderate costs and risks, as against Strategy 2 with the highest costs and risks of 10.22 percent and 4.16 percent respectively, as at end of the strategic period of 2023.

- S4 has the lowest costs and risks of 7.60 percent and 3.87 percent under the Debt Service to Revenue compared with S2 with highest costs and risks of 10.22 percent and 4.16 percent, Strategy 1 and 3 are considered as the moderate strategy by the end of strategy period.



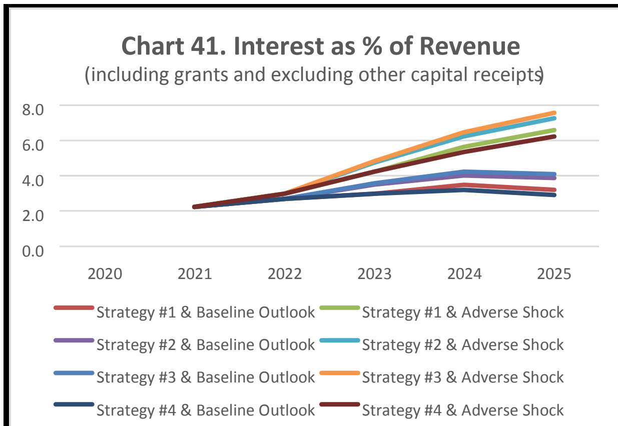


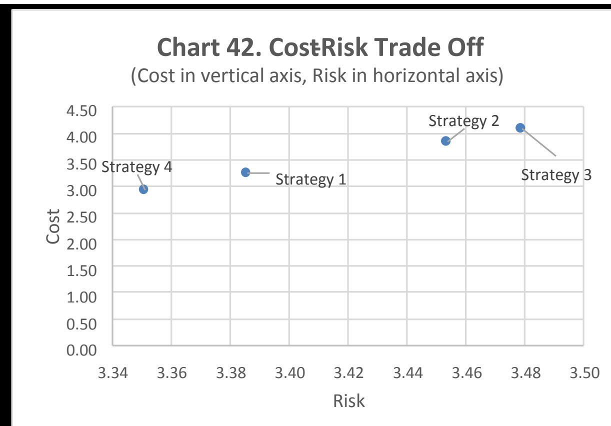
c. Interest as a share of Revenue

- S4 is the least costly and risky with regards Interest to Government revenues, which projected at

3.2 percent and 3.35 percent, whilst S3 is the riskiest strategy which estimated at 4.1 percent and 3.48 percent, compared to S1 and S2 with moderate costs of 3.2 percent and 3.9 percent compared with moderate risks 3.39 percent and 3.45 percent, as at end of the strategic period of 2023.

- The analysis shows that S4 yield the lowest cost due to high external financing assumed in S4, as the external debt service terms requirement has low interest rate, longer maturity and grace period in concessional external financing. Compared to S1 and S2 with the moderate costs and risks. S3 is the most costly and risky strategy.





5.3 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results of cost and risk would suggest that the recommended strategy be S4 these results were just marginally better when compared with Strategy S1. And though S1 did not meet the targeted Debt Service to Revenue, **it was considered that S1 is the most feasible of the strategies to implement in the shortterm and it would still greatly improve the portfolio's debt position relative to the base year 2020**.

In comparison to the current debt position, Kebbi State debt portfolio stood at N62,102 million as at end-2020, which expected an increase to N85,066.83 million under S1 during the strategic period, compared to S2 (N87,181.93 million), S3 (N87,876.84 million), and S4 (N84,261.45 million). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for the 2021-2025.

The Debt Management Strategy, 2021-2025 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 2021 budget. The cost-risk tradeoff of alternative borrowing strategies under the DMS has been evaluated within the mediumterm context.

Annex I: Baseline Assumptions

Statutory Allocations – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2020-2022 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data.

VAT – is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2020-2022 is in line with the current rate of collections due to covid-19 pandemic be revisited if there are any changes to the VAT rates as proposed in the previous forecast.

Other Federation Account Distributions – the estimation is based on the current receipt (i.e. from January to May, 2021). Furthermore, it is anticipated that new FAAC will investigate the crises that caused by the advent of the covid-19 pandemic so that the sharing formula would be investigate carefully.

Internally Generated Revenue (IGR) – the estimation is own value which is calculated based on the current growth rate marked up slightly to factor the current administration's reform initiatives to grow the IGR and all payments of any nature must be done through the

TSA

Grants – the internal grants are mostly based on the actual receipts for 2020 and performance from January to April 2021. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc

Financing (Net Loans) – the internal and external loans are projections based on agreement JGS 2021-2023 EFU-FSP-BPS Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021-2023

Personnel – it is anticipated that the new minimum wage will definitely have a negative impact on staff new recruitment because of the burden on the side of the government. This to some extent will reduce the state contribution for Contributory Pension Scheme in the state.

Overheads – overhead has been relatively stable over the years to date. It is anticipated that the status quo will definitely remain stable. Consequently, the estimation is own value calculated using the current growth rate.

Capital Expenditure – this is based on the balance from the recurrent account plus capital receipts, less than planning and contingency reserve as outlined above.

Assumptions:

		Projection Methodology	Source
Economic activity	State GDP (at current prices) State GDP projected using the actual S-GDP and projected N-GDP nominal growth rate		State Statistics and NBS
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Statutory Allocations – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2021 and 2022-2024 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data.	2021 Budget and MTEF, 2022-2024
	1.a. of which Net Statutory Allocation ('net' means of deductions)	Statutory Allocations – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2021 and 2022-2024 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data.	2021 Budget and MTEF, 2022-2024
	1.b. of which Deductions	Statutory Allocations – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2021 and 2022-2024 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data.	2021 Budget and MTEF, 2022-2024
	2. Derivation (if applicable to the State)		2021 Budget and MTEF, 2022-2024
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Other Federation Account Distributions – the estimation is based on the current receipt. Furthermore, it is anticipated that new FAAC will investigate the crises that caused by the advent of the covid-19 pandemic so that the sharing formula would be investigate carefully.	2021 Budget and MTEF, 2022-2024
	4. VAT Allocation	VAT – is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2021 and 2020-2022 is in line with the current rate of collections due to covid-19 pandemic be revisited if there are any changes to the VAT rates as proposed in the previous forecast	2021 Budget and MTEF, 2022-2024
	5. IGR	IGR - the estimation is own value which is calculated based on the current growth rate marked up slightly to factor the current administration's reform initiatives to grow the IGR and all payments of any nature must be done through the TSA	2021 Budget and MTEF, 2022-2024
	6. Capital Receipts		2021 Budget and MTEF, 2022-2024
	6.a. Grants	Grants - the internal grants are mostly based on the actual receipts and performance from the historical. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc	2021 Budget and MTEF, 2022-2024
	6.b. Sales of Government Assets and Privatization Proceeds		2021 Budget and MTEF, 2022-2024
	6.c. Other Non-Debt Creating Capital Receipts		2021 Budget and MTEF, 2022-2024
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personel Costs - it is anticipated that the new minimum wage will definitely have a negative impact on staff new recruitment because of the burden on the side of the gov	2021 Budget and MTEF, 2022-2024
	2. Overhead costs	overhead has been relatively stable over the years to date. It is anticipated that the status quo will definitely remain stable. Consequently, the estimation is own value calc	2021 Budget and MTEF, 2022-2024
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	5. Capital Expenditure	Capital Expenditure - this is based on the balance from the recurrent account plus capital receipts, less than planning and contingency reserve as outlined above.	2021 Budget and MTEF, 2022-2024
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	Financial Statements	2021 Budget and MTEF, 2022-2024
Debt Amotization and Interest Payments	**Debt Outstanding at end-2020**		
	External Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	Domestic Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions	DMO, Nigeria
	New debt issued/contracted from 2021 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	the internal and external loans are projections based on agreement Kebbi State's 2021 Budget and MTEF, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021 and 2022-2024	2021 Budget and MTEF, 2022-2024
	External Financing - Bilateral Loans	the internal and external loans are projections based on agreement Kebbi State's 2021 Budget and MTEF, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021 and 2022-2024	2021 Budget and MTEF, 2022-2024
	Other External Financing	the internal and external loans are projections based on agreement Kebbi State's 2021 Budget and MTEF, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021 and 2022-2024	2021 Budget and MTEF, 2022-2024
	New Domestic Financing		

	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	the internal and external loans are projections based on agreement Kebbi State's 2021 Budget and MTEF, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021 and 2022-2024	2021 Budget and MTEF, 2022-2024
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MS	the internal and external loans are projections based on agreement Kebbi State's 2021 Budget and MTEF, 2022-2024 Consolidated Revenue Fund Charges – this includes Mdebt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021 and 2022-2024	2021 Budget and MTEF, 2022-2024
	State Bonds (maturity 1 to 5 years)	the internal and external loans are projections based on agreement Kebbi State's 2021 Budget and MTEF, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021 and 2022-2024	2021 Budget and MTEF, 2022-2024
	State Bonds (maturity 6 years or longer)	the internal and external loans are projections based on agreement Kebbi State's 2021 Budget and MTEF, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021 and 2022-2024	2021 Budget and MTEF, 2022-2024
	Other Domestic Financing	the internal and external loans are projections based on agreement Kebbi State's 2021 Budget and MTEF, 2022-2024 Consolidated Revenue Fund Charges – this includes debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021 and 2022-2024	2021 Budget and MTEF, 2022-2024
Proceeds from Debt-Creating Borrowings	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**	**Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)**	
corresponding to Debt Strategy S1	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was based on 2021 Budget and MTEF, 2022-2024	2021 Budget and MTEF, 2022-2024
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MS	MFinancing distributions was based on 2021 Budget and MTEF, 2022-2024	2021 Budget and MTEF, 2022-2024
	State Bonds (maturity 1 to 5 years)	Financing distributions was based on 2021 Budget and MTEF, 2022-2024	2021 Budget and MTEF, 2022-2024
	State Bonds (maturity 6 years or longer)	Financing distributions was based on 2021 Budget and MTEF, 2022-2024	2021 Budget and MTEF, 2022-2024
	Other Domestic Financing	Financing distributions was based on 2021 Budget and MTEF, 2022-2024	2021 Budget and MTEF, 2022-2024
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was based on 2021 Budget and MTEF, 2022-2024	2021 Budget and MTEF, 2022-2024
	External Financing - Bilateral Loans	Financing distributions was based on 2021 Budget and MTEF, 2022-2024	2021 Budget and MTEF, 2022-2024
	Other External Financing	Financing distributions was based on 2021 Budget and MTEF, 2022-2024	2021 Budget and MTEF, 2022-2024
Proceeds from Debt-Creating Borrowings	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
corresponding to Debt Strategy S2	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MS	MFinancing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	DSA-DMS Technical Team

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

Annex II: Kebbi State Baseline Scenarios, 2020-2029

Indica	Actu					Projecti									
	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
	BASELINE														

Economic

State GDP (at current prices) 1,003,817.00 1,036,884.00 1,258,307.00 1,408,405.00 1,509,589.00 1,800,529.00 1,996,437.00 2,205,855.00 2,399,000.00 2,614,142.00 2,854,120.00 3,116,129.00 3,402,189.00 3,714,510.00 4,055,502.00

Exchange Rate NGN/US$ (end-Period) 253.19 305.79 306.50 326.00 379.00 379.00 379.00 379.00 379.00 379.00 379.00 379.00 379.00 379.00 379.00

Fiscal Indicators

Revenue	**59,591.98**	**71,309.12**	**80,547.53**	**77,335.45**	**77,990.46**	**136,751.86**	**166,770.97**	**153,743.36**	**152,536.67**	**171,256.64**	**179,893.01**	**183,311.12**	**189,127.56**	**194,823.95**	**207,568.35**
1. Gross Statutory Allocation	21,525.00	35,189.00	44,899.00	43,707.00	34,635.00	42,117.10	51,919.28	57,217.67	62,597.09	67,922.49	73,261.40	78,600.30	83,939.21	89,278.11	94,617.02
('gross' means with no deductions;	21,525.00	35,189.00	44,899.00	43,707.00	34,635.00	42,117.10	51,919.28	57,217.67	62,597.09	67,922.49	73,261.40	78,600.30	83,939.21	89,278.11	94,617.02
do not include VAT 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 0.00
here)	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	0.00 0.00	0.00 0.00	0.00
1.a. of which Net Statutory	5,156.00	3,187.00	2,089.00	1,928.00	4,394.00	5,536.84	4,775.84	5,014.63	5,265.36	28,245.66	31,269.24	34,292.82	37,316.40	40,339.98	43,363.56
Allocation ('net' means of deductions)	8,265.00	10,227.00	11,426.00	12,102.00	15,097.00	16,563.71	19,471.43	22,198.51	25,222.09	17,519.75	18,298.26	19,076.78	19,855.29	20,633.81	21,412.32
1.b. of which Deductions	3,132.34	4,425.49	4,881.96	7,367.33	7,976.26	12,200.79	15,190.53	15,950.06	16,747.56	57,568.73	57,064.11	51,341.22	48,016.66	44,572.05	48,175.45
2. Derivation (if applicable to	21,513.64	18,280.64	17,251.57	12,231.12	15,888.20	60,333.42	75,413.88	53,362.50	42,704.57	16,924.09	17,109.61	17,295.13	17,480.65	17,666.17	17,851.69
the State)	0.00	0.00	0.00	0.00	0.00	30,554.79	43,044.52	35,553.05	31,238.57	7,760.46	6,289.60	4,818.75	3,347.90	1,877.04	406.19
3. Other FAAC transfers	0.00	0.00	0.00	0.00	0.00	16,025.13	0.00	0.00	0.00	18,994.18	12,312.50	13,630.82	14,949.14	16,267.45	17,585.77
(exchange rate gain,	30.83	25.64	51.57	31.12	84.20	4,049.23	17,673.18	12,092.77	10,612.37	13,890.00	21,352.39	15,596.52	12,238.98	8,761.39	12,331.81
augmentation, others)	21,482.80	8,255.00	0.00	2,200.00	0.00	9,704.26	14,696.18	5,716.68	853.63						
4. VAT Allocation										**170,956.64**	**179,393.01**	**183,411.12**	**189,927.56**	**194,623.95**	**207,818.35**
5. IGR	**64,486.04**	**90,633.72**	**93,343.05**	**93,768.51**	**78,742.99**	**153,427.45**	**174,712.62**	**152,743.36**	**153,036.67**	39,396.49	41,147.13	42,897.77	44,648.41	46,399.05	48,149.69
6. Capital Receipts	18,634.41	22,653.35	22,743.09	22,154.98	26,095.35	21,418.91	34,158.81	35,866.75	37,600.09	15,837.54	17,182.29	18,527.04	19,871.79	21,216.55	22,561.30
6.a. Grants	5,059.46	8,754.91	11,940.54	14,548.04	9,643.08	16,714.73	11,668.13	13,418.35	14,357.63	4,230.65	5,052.83	5,077.60	6,614.02	6,707.78	6,828.43
6.b. Sales of Government	6,819.56	8,360.56	10,711.69	10,141.52	15,356.57	2,386.68	3,646.56	4,113.35	4,962.30	0.00	0.00	0.00	0.00	0.00	0.00 0.00
Assets and Privatization	6,565.34	8,053.71	10,403.97	9,814.21	14,975.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24,463.66
Proceeds	254.22	306.85	307.73	327.31	380.58	0.00	0.00	0.00	0.00	19,118.32	22,587.39	23,056.46	23,525.53	23,994.60	93,230.59
6.c. Other Non-Debt Creating Capital Receipts	0.00	0.00	0.00	0.00	0.00	13,868.62	6,614.44	6,945.16	7,292.42	85,389.52	86,957.73	88,525.95	90,094.16	91,662.38	12,584.67
6.d. Proceeds from Debt-	31,849.71	49,673.16	46,331.30	44,378.84	26,343.69	92,138.23	109,965.39	86,814.12	83,821.30	6,984.11	6,465.63	5,326.30	5,173.65	4,643.60	
Creating Borrowings (bond	2,122.91	1,191.74	1,616.42	2,545.13	1,304.31	6,900.28	8,659.30	5,585.64	5,002.93						**-250.00**
issuance, loan disbursements,										**300.00**	**500.00**	**-100.00**	**-800.00**	**200.00**	**1,600.00**
etc.)	**-4,894.06**	**-**	**-**	**-**	**-752.53**	**-16,675.60**	**-7,941.65**	**1,000.00**	**-500.00**	**1,500.00**	**1,800.00**	**2,300.00**	**2,200.00**	**1,400.00**	**1,350.00**
	79,817.02	**19,324.60**	**12,795.53**	**16,433.06**	**26,369.77**	**25,617.24**	**8,941.65**	**1,000.00**	**2,000.00**	**1,800.00**	**2,300.00**	**2,200.00**	**1,400.00**	**1,600.00**	
Expenditure	**74,922.96**	**74,922.96**	**55,598.36**	**42,802.83**	**25,617.24**	**8,941.65**	**1,000.00**	**2,000.00**	**1,500.00**						
		55,598.36	**42,802.83**	**26,369.77**											

1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)
2. Overhead costs
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)
   - 3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)
   - 3.b. of which Interest deducted from FAAC Allocation
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)
5. Capital Expenditure
6. Amortization (principal) payments

Budget Balance (' + ' means surplus, ' - ' means deficit)

Opening Cash and Bank Balance

Closing Cash and Bank Balance

Annex II: Kebbi State Baseline Scenarios, 2020-2029…Cont'd

Financing Needs	**29,778.63**	**32,369.37**	**17,809.45**	**11,466.00**	**40,644.64**	**39,954.50**	**34,046.09**	**30,536.01**	**26,905.89**	**30,323.77**
i. Primary balance	-37,167.27	-28,005.16	-7,110.46	-2,000.76	-29,129.88	-27,936.03	-23,742.19	-19,548.34	-15,354.50	-11,160.66
ii. Debt service	9,286.96	12,305.86	9,698.99	9,965.24	11,214.77	11,518.46	10,403.90	11,787.67	11,351.38	19,413.11
Amortizations	6,900.28	8,659.30	5,585.64	5,002.93	6,984.11	6,465.63	5,326.30	5,173.65	4,643.60	12,584.67
Interests	2,386.68	3,646.56	4,113.35	4,962.30	4,230.65	5,052.83	5,077.60	6,614.02	6,707.78	6,828.43
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)	-16,675.60	-7,941.65	1,000.00	-500.00	300.00	500.00	-100.00	-800.00	200.00	-250.00
Financing Sources	**29,778.63**	**32,369.37**	**17,809.45**	**11,466.00**	**40,644.64**	**39,954.50**	**34,046.09**	**30,536.01**	**26,905.89**	**30,323.77**
i. Financing Sources Other than Borrowing	20,074.37	17,673.18	12,092.77	10,612.37	26,754.64	18,602.11	18,449.57	18,297.03	18,144.49	17,991.96

Financing Needs and Sources (Million Naira)

ii. Gross Borrowings						9,704.26	14,696.18	5,716.68	853.63	13,890.00	21,352.39	15,596.52	12,238.98	8,761.39	12,331.81
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						4,195.74	4,921.83	5,716.68	853.63	0.00	4,544.52	4,231.75	8,234.80	3,761.39	3,752.32
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						4,704.26	3,000.00	0.00	0.00	0.00	3,191.62	0.00	4,004.18	0.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	5,633.88	0.00	7,000.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						804.26	6,774.36	0.00	0.00	0.00	13,616.25	4,364.77	0.00	5,000.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	8,256.12	0.00	0.00	0.00	0.00	8,579.49
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						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**32,323.41**	**63,352.21**	**81,420.43**	**83,619.60**	**73,338.34**	**76,142.33**	**82,179.21**	**82,310.25**	**78,160.95**	**85,066.83**	**99,953.59**	**110,223.81**	**117,289.14**	**121,406.93**	**121,154.06**
External	11,672.42	14,622.71	13,978.10	14,354.11	16,527.80	16,788.55	23,463.04	22,859.42	22,761.22	30,367.12	43,889.48	47,574.68	47,485.38	51,770.84	59,341.25
Domestic	20,650.99	48,729.50	67,442.33	69,265.49	56,810.55	59,353.78	58,716.17	59,450.83	55,399.73	54,699.71	56,064.11	62,649.12	69,803.76	69,636.09	61,812.81
Gross borrowing (flow)						**9,704.26**	**14,696.18**	**5,716.68**	**853.63**	**13,890.00**	**21,352.39**	**15,596.52**	**12,238.98**	**8,761.39**	**12,331.81**
External						804.26	6,774.36	0.00	0.00	8,256.12	13,616.25	4,364.77	0.00	5,000.00	8,579.49
Domestic						8,900.00	7,921.83	5,716.68	853.63	5,633.88	7,736.14	11,231.75	12,238.98	3,761.39	3,752.32
Amortizations (flow)	**6,827.29**	**8,378.35**	**10,779.84**	**10,241.83**	**15,576.35**	**6,900.28**	**8,659.30**	**5,585.64**	**5,002.93**	**6,984.11**	**6,465.63**	**5,326.30**	**5,173.65**	**4,643.60**	**12,584.67**
External	261.96	324.64	375.88	427.62	600.37	543.51	99.86	603.62	98.21	650.21	93.89	679.57	89.31	714.54	1,009.07
Domestic	6,565.34	8,053.71	10,403.97	9,814.21	14,975.98	6,356.77	8,559.44	4,982.03	4,904.73	6,333.90	6,371.74	4,646.73	5,084.34	3,929.06	11,575.60
Interests (flow)	**1,917.80**	**985.50**	**1,412.41**	**2,322.62**	**1,035.31**	**2,386.68**	**3,646.56**	**4,113.35**	**4,962.30**	**4,230.65**	**5,052.83**	**5,077.60**	**6,614.02**	**6,707.78**	**6,828.43**
External	48.27	99.87	102.83	103.81	110.29	99.86	623.48	285.39	837.40	281.07	961.70	707.74	1,405.81	810.60	933.23
Domestic	1,869.53	885.63	1,309.59	2,218.81	925.02	2,286.81	3,023.08	3,827.96	4,124.91	3,949.58	4,091.13	4,369.86	5,208.21	5,897.18	5,895.20
Net borrowing (gross borrowing minus amortizations)						**2,803.98**	**6,036.89**	**131.04**	**-4,149.31**	**6,905.89**	**14,886.76**	**10,270.22**	**7,065.33**	**4,117.79**	**-252.86**
External						260.75	6,674.49	-603.62	-98.21	7,605.90	13,522.36	3,685.20	-89.31	4,285.46	7,570.41
Domestic						2,543.23	-637.61	734.66	-4,051.10	-700.02	1,364.40	6,585.02	7,154.64	-167.67	-7,823.28
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	**3.22**	**6.11**	**6.47**	**5.94**	**4.86**	**4.23**	**4.12**	**3.73**	**3.26**	**3.25**	**3.50**	**3.54**	**3.45**	**3.27**	**2.99**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**84.89**	**100.51**	**101.15**	**111.34**	**94.14**	**71.18**	**61.14**	**60.55**	**55.41**	**65.13**	**71.43**	**73.84**	**73.96**	**72.30**	**68.35**
Debt Service as % of SGDP						**0.52**	**0.62**	**0.44**	**0.42**	**0.43**	**0.40**	**0.33**	**0.35**	**0.31**	**0.48**

Debt Service as % of Revenue (including grants and excluding other capital receipts)	8.68	9.16	7.14	7.06	8.59	8.23	6.97	7.43	6.76	10.95
Interest as % of SGDP	0.13	0.18	0.19	0.21	0.16	0.18	0.16	0.19	0.18	0.17
Interest as % of Revenue (including grants and excluding other capital receipts)	2.23	2.71	3.03	3.52	3.24	3.61	3.40	4.17	3.99	3.85
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)	20.02	25.42	26.39	26.65	30.16	29.40	28.74	28.15	27.63	27.17

plementation of the new laws. Government is expected to continue its fiscal strategy of directing ources to the most productive and growth-enhancing sectors, including agriculture, youth, using, education, Health and Water Resources within the period

1. **Umar Faruku Mohammed Jega**
2. **Abdulrahman A. Fakai**
3. **Mohammed Umar Tilli**
4. **Usman Abubakar Kwaifa**
5. **Aminu Abdullahi**

D/Debt Mgt

pls upload and share with all relevant desks

14/12/21