DEBT MANAGEMENT OFFICE
NIGERIA

SFTAS
States Fiscal Transparency, Accountability and Sustainabilty

STATE DEBT SUSTAINABILITY ANALYSIS AND DEBT MANAGEMENT STRATEGY

(STATE DSA - DMS)

DEVELOPED BY THE

TARABA STATE DEBT MANAGEMENT DEPARTMENT (DMD)

IN COLLABORATION WITH THE WORLD BANK

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CHAPTER ONE
INTRODUCTION

1.0 Background of Debt Sustainability

Debt Sustainability analysis (DSA) assesses how a country/ State's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that a key factor to achieving external and public debt sustainability is macroeconomic stability.

The objective of the DSA in this instance is to analyze trends and patterns in the State's public finances during the period 2017-2021, and evaluates the debt sustainability in 2022-2031 (the long-term). The analysis also highlights recent trends in revenue, expenditure, and 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 finances.

1.1 BACKGROUND

The State Debt Sustainability Analysis (S-DSA) Toolkit was developed by Debt Management Office, Nigeria and reviewed by the World Bank to analyze the trends and patterns in the State's public finances during the period of 2017 - 2021 while also evaluating the ability of the State to sustain its debt in the long term (2022 – 2031). The DSA carried out by Taraba State's Technical Team appraised recent Revenue, Expenditure, State Public debt trends, and related policies adopted by the State Government, while considering the policy thrust of the State. A sub-national sustainability assessment was conducted using baseline scenarios and sensitivity analysis in order to evaluate the prospective performance of the State's public finances going forward. The intention is to assist the Taraba state Government in striking a balance between the State's programs execution and new borrowings by utilizing recent trends in the State's public finances.

1.2 SUMMARY OF FINDINGS

The results of the Taraba State S-DSA shows that the State's debt portfolio appears to be sustainable in the long term. The State has made giant strides in IGR mobilization through the recently introduced, improved, tax administration reforms. The State's revenue office is now autonomous with more competent personnel to follow through on the state's vision with the assistance of up-to-date technology. Also worthy of mention is the Land Used Charge as a new revenue head embedded with motivators to reduce tax defaulters. Given the State's forecasts for the economy and reasonable assumptions concerning its revenue and expenditure policies, there is a need to cut down on recurrent expenditure in order to reduce the deficit which can disrupt the forecast by increasing Debt Stock and Debt Service payment astronomically. The Covid-19 pandemic with its attendant impact on the price of crude oil will most likely reduce the statutory allocation to the State from the center.

CHAPTER TWO

THE TARABA STATE FISCAL AND DEBT FRAMEWORK

2.1 Fiscal Reforms in the Last 4 to 6 years

Taraba State fiscal policy measures have been driven by objectives such as promoting rapid growth of the State, the need to promote macro-economic policy objectives, such as promoting rapid growth of the state, generating employment and maintaining price levels. Although policy measures change frequently, these objectives have remained relatively constant.

IGR projection in the immediate term is expected to surpass 2022 approved estimates. However, actual collections are largely expected to rise due to blockage of leakages. It is believed that current effort to establish taxpayer database by BIR and technical support from development partners towards harmonization/review of tax rate and other efforts focused on blocking leakages and dealing with the phenomena of tax avoidance/evasion, collection will improve. Also, the Board of Internal Revenue has introduced more revenue sources intended to boost inflows such as ground rent etc. therefore IGR is expected to grow annually in 2021 up to 2031.

The Fiscal Reforms being implemented by the Taraba State Government in the last four to six years include the Public Financial Management (PFM) and Human Resource Management (HRM) which are sub-divided into Budget reform, Audit reform, Public Procurement reform, Tax Administration reform, and Civil Service & Pension reform. These reforms led to the enactment of Laws that regulates implementation of Fiscal Policies in the State. The Laws are Taraba State Fiscal Responsibility Law; Taraba State Finance Management Law, Taraba State Government Financial Regulations and Store, and Taraba State Public Procurement Law. The FRL for instance, provides for the creation of the implementation organ, medium term fiscal framework, how public expenditure should be carried out, borrowing process, transparency and accountability in governance and principles of sound financial management.

2.2 Taraba State Approved 2022 Budget and Medium-Term Expenditure Framework (MTEF), 2022-2024

2.2.1 Approved 2022 Budget

The 2022 Budget was prepared amidst a challenging global and domestic environment due to the persistent headwinds from the Coronavirus Pandemic. The resulting global economic recession, low oil prices and heightened global economic uncertainty have had important implications for our economy.

Based on the foregoing fiscal assumptions and parameters, the Taraba State total revenue available to fund the 2022 Budget is estimated at N149.784 billion. This includes Internally Generated Revenue, Statutory Allocation, Value Added Tax, Other Statutory Revenue, Domestic Grants, Foreign Grants, Opening Balance, and Sale of Government Assets, respectively.

An aggregate expenditure of N149.784 billion is proposed by the Taraba State Government in 2022. The 2022 proposed Expenditure comprises, Overhead Cost N37.493 billion, Personnel Costs of N40.580 billion, and Capital Expenditure of N71.712 billion, respectively.

2.2.2 The Key Objectives of Approved 2022 Budget

i. Consolidate and improve on the provision of functional education strategy already embarked upon in the State, with emphasis on technical and technological aspects;

ii. Sustain and improve the State's healthcare delivery system;

iii. Enhance the overall improvement in human capital development such that will empower youths, artisans and market women for wealth and jobs creation;

iv. Ensure security of lives and properties of the residents of the State;

v. Combat the spread of Covid-19 and ameliorate the effects of same on people, SMEs and MSMEs across the State;

vi. Ensure the completion of the on-going capital projects and also sustain the current investment in infrastructural facilities;

vii. Sustain and intensify the current efforts in Independent Revenue generation;

viii. Combat gender-based violence and facilitate social inclusion through target spending on the vulnerable and other marginalized group;

ix. Improve the state's public financial management to entrench transparency, accountability and integrity; and

x. Strategic diversification of the state's economy using the Public Private Partnership (PPP) model.

2.2.3 Medium Term Policy Objectives and Targets

The overall medium-term policy objectives are:

i. Grow IGR by a minimum of 10% every year from 2021-2023;

ii. ii. To harness the public, corporate and private individual grants to boost the State's revenue;

iii. iii. Give priority to cushioning the effects of coronavirus pandemic through agricultural re-engineering and provision of healthcare facilities, palliatives and economic rebound initiatives like Micro-Credit loans;

iv. Grow the economy through targeted spending in areas of comparative advantage;

v. Sustaining the regime of peace being enjoyed in the State through provision or requisite support to security agencies for Crime Control and Prevention; and

vi. Have a long-term target of Funding all Recurrent Expenditure with Recurrent Revenue (IGR, VAT and Non-Mineral Compact of Statutory Allocation).

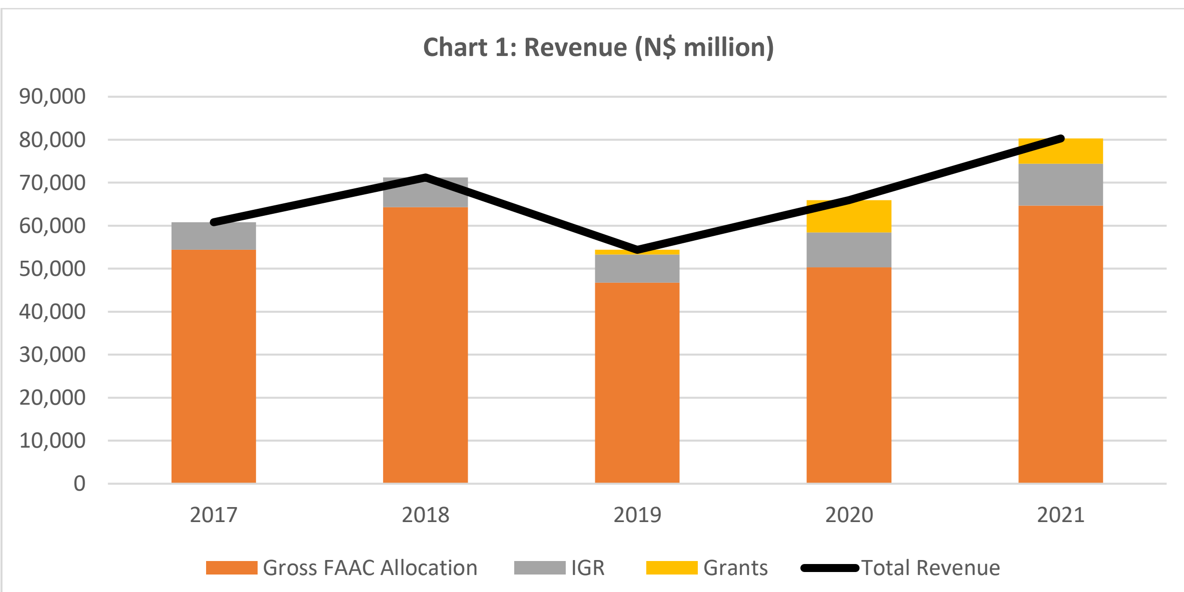
CHAPTER THREE

The Taraba State Revenue, Expenditure, and Public Debt Trends (2017-2021)

3.1 Revenue, Expenditure and Overall Primary Balance

The revenue of Taraba State depends on the State's share of Statutory Allocation from the Federation Account, Value Added Tax (VAT) and to some extent Internally Generated Revenue. Other sources like Excess Crude oil, Ecological and Stabilization funds are not regular. The State also gets substantial amount on Capital Receipts.

The actual revenue earned by Taraba State Government for the period 2017 - 2021 are shown and explained in Chart 1, while the actual expenditures incurred by the State are shown in Chart 2.

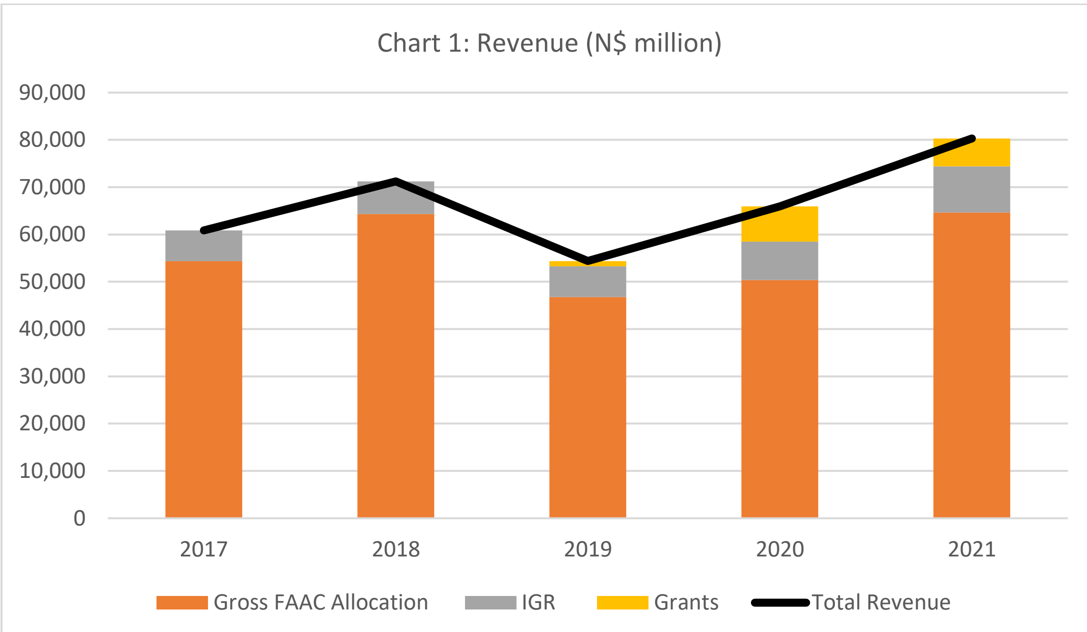


The Gross FAAC Allocation accounts for 89% performance to total recurrent revenue of the state in 2017 but slightly went up to 90% in 2018. However, 2019 the economy dropped slightly in 2019 and slightly picked up in 2020 and slightly increase in 2021 to 81%. However, it is expected to remain at 81% in 2022 projection.

The average Internally Generated Revenue (IGR) of N6.441b accounts for 11% of Gross FAAC Allocation in 2017 and also contributed 12% in 2021. The IGR is expected to remain at 12% in 2022.

Chart 1: Revenue (Historical)

The historical chart below shows the revenue pattern of the state from 2017 to 2021.



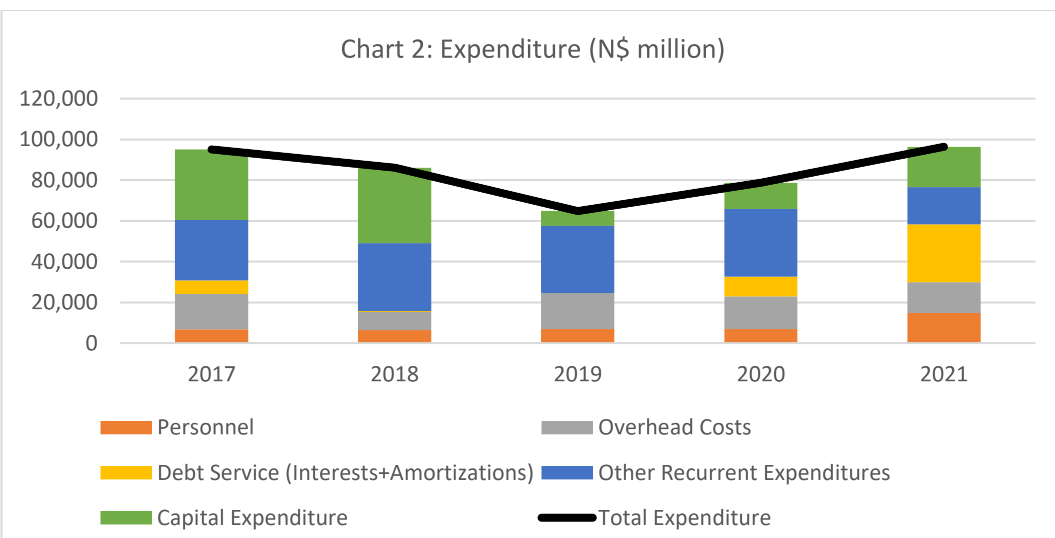
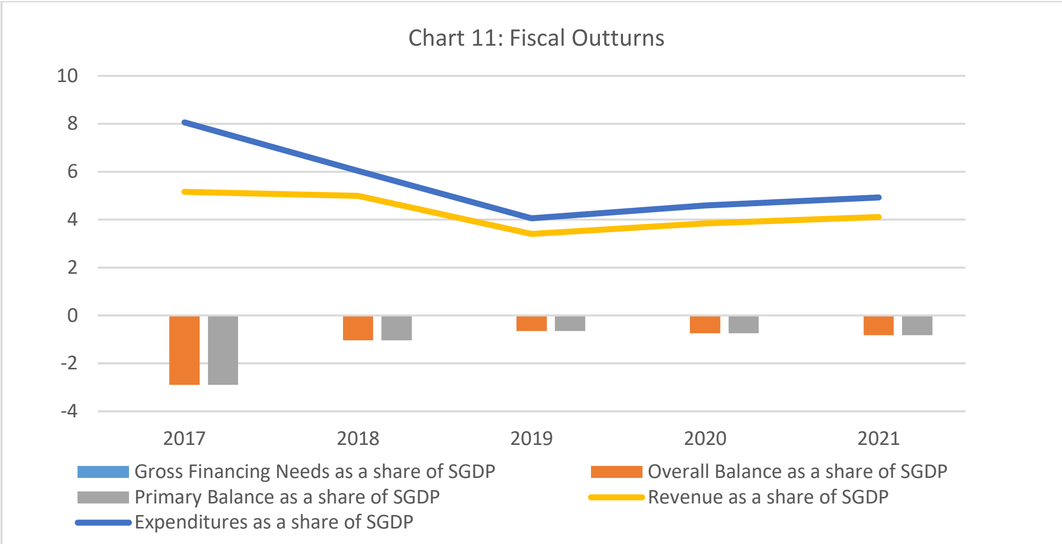


Chart 2 above shows total Government Expenditure i.e. Recurrent and Capital Expenditures. The recurrent expenditure includes Personnel Cost, Overhead Cost, Debt Service (Principal and Interest) and Consolidated Revenue Fund Charges (CRFC); while the capital expenditure is the total expenditure incurred on infrastructural development of the State.

The personnel cost consists of salaries and allowances of all Ministries, Departments and Agencies as well as public and political office holders' emolument. The State personnel cost accounts for 7% of the State Total Expenditure from 2017. While in 2021 the personnel cost accounts for about 15% of Total Expenditure and is projected to account for 18% of Total Expenditure by the end of 2022. Overhead expenditure entails the cost of maintenance and operation of Government activities. The overhead cost comprises of 16% of Total Expenditure of the state in 2021 and is projected to account for 18% of Total Expenditure of the State by the end of 2022.

Capital Expenditure includes the main investment and implementation of programs and projects of government. The capital expenditure for the period (2017 - 2021) has been highly unstable, with the actual capital expenditure deviating significantly from the budget performance. The trend expectation for budgeted and actual capital expenditure has been linear, with actual falling as budgeted figure declines. In the period 2017, the State capital expenditure to total expenditure accounts for 36% of the State Total Expenditure, while it slightly reduces to 21% of Total Expenditure in 2021 and is projected to increase to 24% in 2022.



3.2 Budget and debt outturn

In the fiscal out turn of the state, the revenue pattern has been on the steady increase of 60.84 billion in 2017 to 121.35 billion in 2026 at a ten year average of 12%, while the expenditure pattern has been on the slight decrease from 95.03 billion in 2017 to 78.8 billion in 2020 and slightly increase to 96.4 billion in 2021.

The year 2017 was closed with a budget balance of (34.19) billion (deficit), the state went out of deficit in the year 2018- 2020 by 401.32 million, 11.14 billion, 7.20 billion (surplus) respectively and entered a deficit of (3.70) billion in 2021.

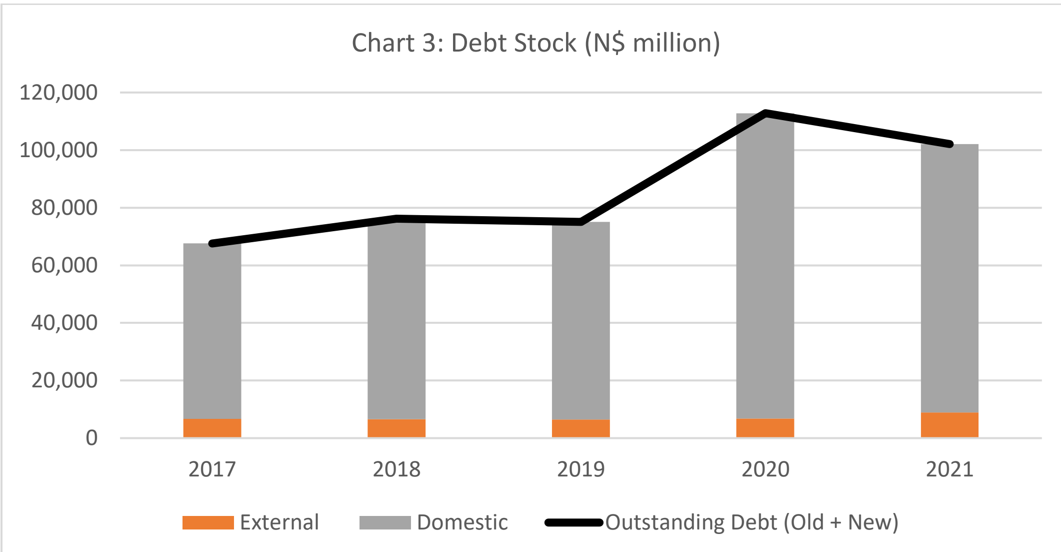
Taraba State activities of 2017-2021 was occasioned by the financing activities of the 15.29 billion, 21.58 billion, 20.02 billion, 12.36 billion respectively through domestic debt.

3.3 Existing Public Debt Portfolio

The Public debt are financial commitments (loans, guarantees and securities) that have paper contracts instrumenting the government promises to repay. The trend of public debt service is highlighted in Chart 3 below:

Chart 3: Debt Stock

	2017	2018	2019	2020	2021
Outstanding Debt (Old + New)	67,577	76,149	75,123	112,824	102,108
External	6,726	6,608	6,416	6,779	8,923
Domestic	60,851	69,541	68,707	106,045	93,185



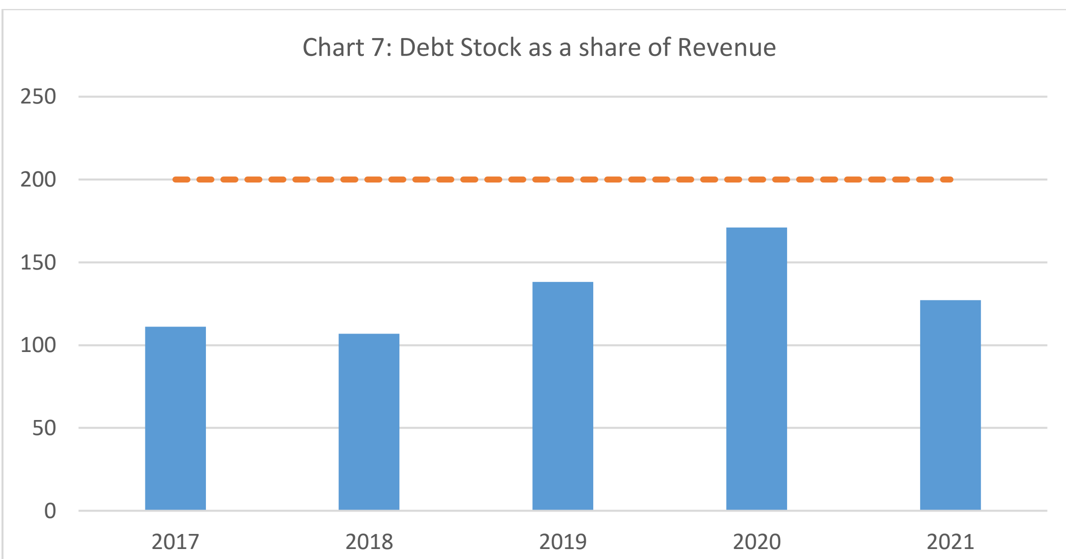
The debt stock is classified into two in the chart, which includes the External and Domestic debt. The state public Debt as at 2017 ending stands at (67.58 billion) constituting of (60.85 billion) domestic debt and (6.73 billion) as external debts.

While in 2021, State public debt amounted to N102.108 billion, the increasing is as a result of the falling oil prices. The State's debt portfolio largely consists of domestic debt. Below is the table depicting the yearly percentage of the debt constituent from 2017-2021.

	2017	2018	2019	2020	2021
External	10%	9%	9%	6%	9%
Domestic	90%	91%	91%	94%	91%
% Total	100%	100%	100%	100%	100%

The State holds a medium-cost, and medium-risk debt portfolio. The debt portfolio carried an average, interest payments represented just 6 percent of total expenditure in the year 2021. In addition, the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Most external loans are fixed, thus not affected by changes in interest rates. As these loans have maturities running from 5 to 30 years and include financing from the Federal Government and multilateral organizations.

Interest Payment as % of Expenditure	2017	2018	2019	2020	2021
Total Expenditure	95,027	86,113	64,837	78,763	96,356
Interest Payment (Old + New)	3,093	3,494	6,209	5,333	6,064
	3%	4%	10%	7%	6%



The chart above depicts the state debt stock as a share of Revenue which is below the prescribe threshold of 200 indicating the state debt is within it Debt Carrying Capacity in the period under review.

CHAPTER FOUR

4.0 DEBT SUSTAINABILITY ANALYSIS

i. Introduction

According to World Bank "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".

A debt sustainability analysis (DSA) assesses how a state or nation's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability. Government therefore should endeavor to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the State, leading to serious financial crisis.

ii. Taraba State Debt Sustainability Analysis

The debt sustainability indicators and thresholds are shown in the Table 1 below:

Table 6: Taraba State Debt burden indicators

Indicators	Thresholds	As at 2022	Average 2017 to 2031/Ratio
Debt as % of GDP	25%	5%	3.76%
Debt as % of Revenue	200%	123%	104.21%
Debt Service as % of Revenue	40%	13%	28.22%
Personnel Cost as % of Revenue	60%	18.00%	15.42%
Debt Service as % of FAAC	Nil	16.00%	34.40%
Interest Payment as % of	Nil	8.43%	9.71%
External Debt Service as % of	Nil	0.94%	0.97%

Source: Taraba State DSA/DMS Template, 2022

Chart 21 shows the Debt as a percentage of State GDP (with indicative threshold of 25%). The sustainability position of the State's Total debt portfolio in the fiscal periods shows a gradual decrease from 2017 to 2019 and increased in 2020. The ratio has continued to decrease steadily from 2021-2031 stopping at a value of 1 percent in 2031, which is well within the threshold indicating room for additional borrowing. Based on this, the State's GDP has potentials for growth and can also accommodate the State's debt stock with less shock on the State economy.

Chart 22 shows the Debt stocks as a percentage of Revenue (with indicative threshold of 200%). The sustainability position of the State's Total debt portfolio in the fiscal periods shows a gradual ascending trend from 2017 to 2020 and a gradual decrease from 2021-2031. The ratio has continued to decrease steadily over the period under review stopping at a value of 53 percent in 2031, which is well within the threshold indicating room for further borrowing.

The table above of Debt burden indicators shows Debt as a percentage of Revenue, Debt Service as percentage of Revenue and Personnel Costs as a percentage of Revenue are below the threshold to the end of projection period. It further spells out Government commitment on various reforms to harness revenue. Debt Service as a percentage of Gross FAAC Allocation (without any indicative threshold) estimated to increase from 16 percent in 2022 to 30 percent in 2031. Interest Payment as a percentage of Revenue revealed that, the maximum exposure of the State Interest towards Revenue is 8.43 percent in the year 2022, while is projected to stand at 9.71% in 2031. The maximum exposure of the State Revenue towards External Debt shows that the External debt of the State was properly managed, peaking at 0.94 percent in year 2022.

4.1 MEDIUM-TERM BUDGET FORECAST

Debt sustainability analysis of the State is predicated on the continuation of recent efforts to grow the IGR of the State annually by 8 percent on the average in the medium term. The economy is expected to gradually recover from 2022-2025, with real GDP expanding at an average annual rate of 4 percent and GDP Deflator Inflation percentage at 9.1 percent by 2024. The moderate recovery will be supported by economic growth through diversification and increase in the share of VAT. The Tax Administration reforms adopted by the State Government will also strengthen resources provided by IGR, as well as numerous industries that are being attracted to the State through industrialization drive, which are expected to continue in the next few years. This will benefit the economy immensely.

The State has put in various Tax Administration reforms to strengthen its IGR in order to sustain its debt, these include the enactment of new Revenue Administration Law, Land

Use Charge Administration Law; with these new reforms adopted by the State Government, the IGR of the State is expected to grow in the next few years and this will benefit the state towards overall economic recovery. On the other hand, Civil Service Reform Policies being implemented with regard to personnel and overhead cost, which are likely to maintain from their historical trends.

4.1.1 Medium Term Policy Thrust

In its efforts to improve efficiency in resource allocation while optimizing the impact of public expenditure, government will continue to programme its expenditure plans on predetermined medium-term plans and strategies to achieve development objectives.

4.1.2 Fiscal Policy Objectives and Strategies

The thrust of Government's fiscal policy in the medium-term is to sustain reforms, enhance fiscal resilience and ensure fiscal and debt sustainability. This will be achieved through the following:

i. Improving revenue mobilization.

ii. Creating fiscal space for infrastructural development.

iii. Ensuring sustainable deficit and debt levels.

iv Strengthen Monitoring and Evaluation

4.1.3 Improving Revenue Mobilizations

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on revenue from FAAC. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium-term target is to increase the State Internally Generated Revenue. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital. Recent reforms expanded government's fiscal space. Accordingly, these efforts will be sustained in the medium term to reap the full benefits. MDAs will still be required to use the new Appropriation Bill format to prepare their budgets, indicating revenues likely to be generated during the fiscal year.

Independent Revenues: To enhance independent revenue generation and collection, Government will continue to maximize the huge potentials and optimize the operational efficiency of Taraba State Internal Revenue Service (TIRS) to generate significant revenues to fund the state budget as obtainable in other states.

4.1.4 Creating Fiscal Space for Climate-Smart Infrastructural Development

Government will continue to pursue its fiscal strategy of targeted public sector infrastructure spending in 2022 – 2025. The most productive and growth-enhancing sectors will continue to be prioritised in the allocation of resources. The sectors include Security, Infrastructure (including Power and Transportation), Agriculture, Manufacturing, Housing and Construction, Education, Health, and Water Resources. This strategy is aimed at improving infrastructure, facilitating employment creation, and stimulating economic growth. Government will also continue to support the activities of Micro, Small and Medium-Scale Enterprises (MSMEs). Furthermore, Government will further strengthen the frameworks for concessions and public private partnerships (PPPs). Capital projects that are good candidates for PPP by their nature will be developed for private sector participation. It is expected that growth, in the medium term, will generate the revenue necessary for future expansion of public service delivery, rebuilding fiscal space, and narrowing new borrowing requirement. The strategy recognizes the need to deliberately cushion the effects of adjustments on the poor and economically vulnerable in a manner that creates opportunities for job creation, productivity, and inclusiveness.

4.1.5 2022 – 2025 Fiscal Strategy

The Taraba Rescue Plan has an overall goal of placing the State on the leading economy in the Northeast geo-political region by 2025. Though the effect of Covid 19 pandemic and the negative effect of the crisis in the international economies has impacted greatly on this plan thus causing serious distortion on it, much concerted effort must be taken to recover and keep pace with realities to meet target. To do this, some measures must be put in place to reduce non-essential expenditures and redirect excesses to capital development to recover critical infrastructures that boosts the growth and development of the economy.

While we still depend heavily on the Federation Account Allocation, stringent measures must be taken to curb revenue leakages and expansion of revenue base through exploration of vast resource laying fallow.

The State could also take advantage of the National and Multi-National Development Partners to augment its effort in mitigating the impact of the Russian – Ukraine War and the dwindling revenue from Federation Accounts to provides essential services to the citizenry.

Some of the fiscal objectives that will be pursued in the medium term include:

i. Support recovery measures to empower the people to own their livelihood.
ii. Continuing the improvement in the quality and efficiency of public spending by focusing on quick wins.
iii. Curtailing the growth of recurrent expenditure; and
iv. Striving to maintain a recurrent account/capital development fund ratio of 60:40.

4.1.6 The Medium-Term Fiscal Framework (Assumptions Underlying Projections)

The 2022 – 2025 State MTEF/FSP is set to achieve fiscal discipline and stability. In line with MTEF procedures, the Medium-Term Fiscal Framework (MTFF) 2022 – 2025 is centred on projected aggregate resources available to Government to drive its various programmes and projects in the next 4 years. These projections are premised on some macro-economic assumptions as indicated in the table below:

Key Assumptions

S/No	Item	2023	2024	2025
1	National Inflation (%)	17.16%	16.21%	17.21%
2	National Real GDP Growth (%)	3.75%	3.30%	3.46%
3	Oil Production Benchmark (MBPD)	1.69	1.813	1.813
4	Oil Price Benchmark (US$/b)	$70.00	$66.00	$62.00
5	NGN: USD Exchange Rate (N/$)	435.02	435.92	437.57

Source: Fed. Min. of Finance, Budget & National Planning

4.1.7 Expected Revenue Inflow

From the above underlying assumptions, the revenue inflow to the state will be as follows:

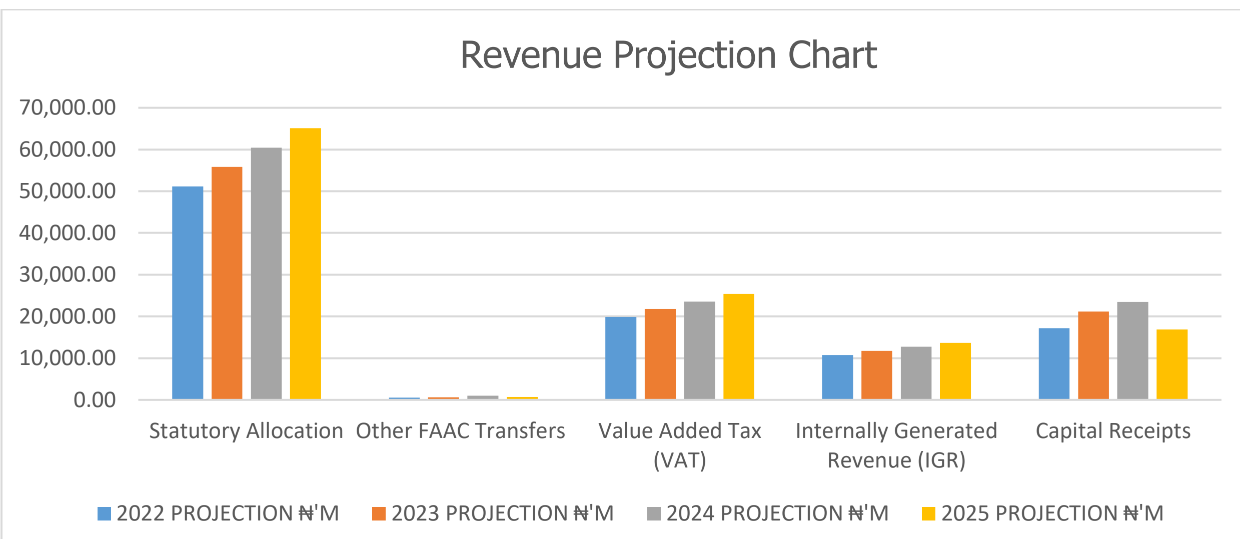
Revenue inflow

REVENUE	2022 PROJECTION ₦'M	2023 PROJECTION ₦'M	2024 PROJECTION ₦'M	2025 PROJECTION ₦'M
Statutory Allocation	51,159.81	55,810.70	60,461.59	65,112.48
Other FAAC Transfers	550.00	650.00	1000.00	670.00
Value Added Tax (VAT)	19,900.00	21,766.40	23,580.26	25,394.13
Internally Generated Revenue (IGR)	10,746.73	11,723.71	12,700.68	13,677.66
Capital Receipts	17,223.67	21,189.79	23,479.87	16,910.90
Total Collectible Revenue	**99,580.21**	**111,140.59**	**121,222.41**	**121,765.17**
Opening Balance	**18,490.38**	**26,623.31**	**31,947.97**	**38,337.57**
Available Revenue	**118,070.59**	**137,763.90**	**153,170.38**	**160,102.73**

Source: Ministry of Budget and Economic Planning

From the table above the sum of Ninety Nine Billion, Five Hundred and Eighty Million, Two hundred and Ten Thousand, Naira (₦99,580,210,000) only was Projected in 2022.

Figure 6: Revenue inflow Chart



Source: Ministry of Budget and Economic Planning

The chart above further buttress what is presented at the table on the revenue inflow. It shows a comparison between the Projected revenue items for the periods under consideration.

4.1.8 Expenditure Projection

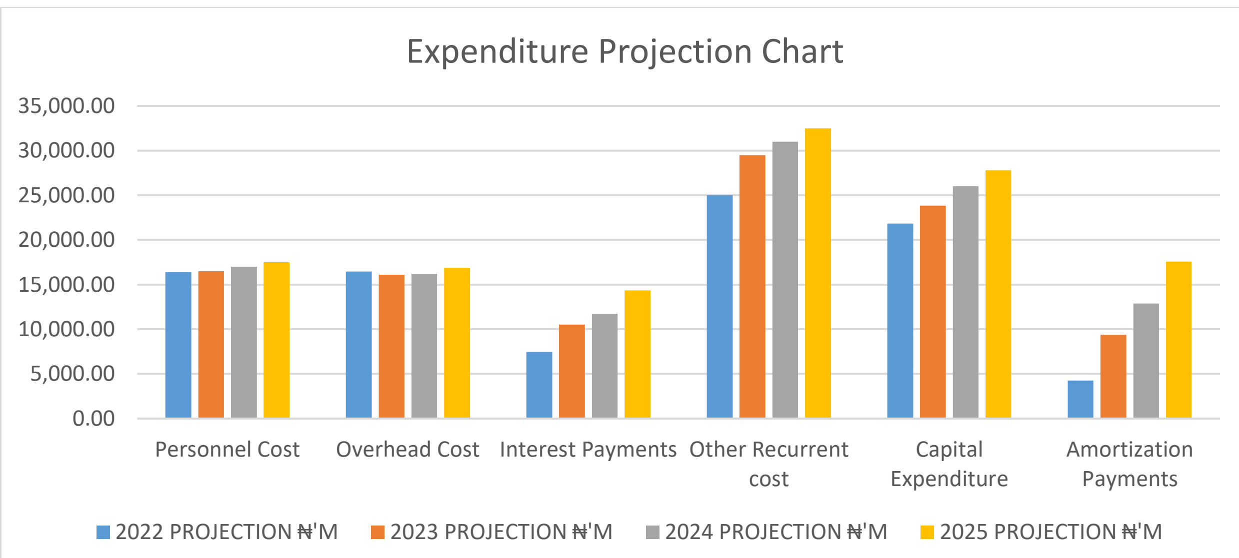
The above projected revenue is to be expended by the State on the following subheads: Personnel cost. Overhead Cost, Consolidated Revenue Fund Charges, Debt Servicing & Capital Developments.

Expenditure Table

Fiscal item	2022 PROJECTION ₦'M	2023 PROJECTION ₦'M	2024 PROJECTION ₦'M	2025 PROJECTION ₦'M
Personnel Cost	16,426.43	16,500.00	17,000.00	17,500.00
Overhead Cost	16,439.42	16,100.00	16,200.00	16,900.00
Interest Payments	7,488.81	10,524.66	11,739.76	14,356.52
Other Recurrent cost	25,000.00	29,500.00	31,000.00	32,500.00
Capital Expenditure	21,836.41	23,821.53	26,000.00	27,791.79
Amortization Payments	4,256.21	9,369.74	12,893.05	17,554.43
Total	**91,447.28**	**105,815.93**	**114,832.81**	**126,602.74**

Source: Ministry of Budget & Economic Planning, MoF & AG's Office)

Figure 7: Expenditure Chart



4.1.9 Focus of the Fiscal Framework

i. Expenditure for 2022 is set at a credible and sustainable level towards sectoral developments.

ii. Expenditure geared towards Poverty Alleviation and Sustainable Economic growth.

iii. Ensuring better transparency, accountability, and comprehensiveness of budget.

iv. Expansion of revenue base by promoting activities in the harnessed State gifted nature.
v. To continue to expand the State tax net to boost Internally Generated Revenue (IGR).
vi. To complete on-going projects and initiate new ones in the critical areas of need.
vii. To create conducive environment for investors and Donor Agencies to operate in the State.

The 2022 – 2025 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) of the State have been prepared against the backdrop of current global and national economic realities. The implementation of the Rescue Agenda will continue to look at prevailing realities and make necessary adjustments to ensure that the mission is on course and consolidated as well.

4.2 TARABA STATE BORROWING OPTIONS

Taraba State government intends to finance its activities from 2022 to 2031 mainly through Commercial Bank Loans (maturity 1-5 years) with an average of rate of 22 percent, Commercial Bank Loans (maturity 6 year above) estimated at 9 percent, State Bonds (maturity 1-5 years) at 5 percent, and State Bonds (maturity 6 years above) at 7 percent, over projection period, compared with External financing – Concessional financing which was estimated at 3 percent and Bilateral Loans of 2 percent. Focus on external financing was less due to the limited funding envelopes from the external borrowing with long processing time required for loans from Multilateral and Bilateral.

Below are tables of 4 various planned borrowing options (new bonds, new loans, etc.) as nominal amounts in millions of Naira:

OPTION 1	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing - Bilateral Loans	YEARLY TOTAL
2022	8,755.21	2,000.00			10,755.21
2023	5,933.29			8,200.00	14,133.29
2024	17,979.87				17,979.87
2025	16,910.90				16,910.90
2026	14,949.00	2,000.00			16,949.00

2027	10,610.06		6,150.00		16,760.06
2028	13,253.68				13,253.68
2029	21,977.02				21,977.02
2030	10,557.88	5,000.00			15,557.88
2031	16,924.51				16,924.51
TOTAL	**137,851.43**	**9,000.00**	**6,150.00**	**8,200.00**	**161,201.43**
% of Loan Total	**86%**	**6%**	**4%**	**5%**	

OPTION 2	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing - Bilateral Loans	YEARLY TOTAL
2022	8,755.21	2,000.00			10,755.21
2023	14,133.29				14,133.29
2024	13,469.87			10,250.00	23,719.87
2025	18,706.70				18,706.70
2026	10,531.87	5,000.00			15,531.87
2027	11,186.17		4,100.00		15,286.17
2028	11,496.54				11,496.54
2029	21,012.14				21,012.14
2030	9,407.40	5,000.00			14,407.40
2031	16,093.95				16,093.95
TOTAL	**134,793.14**	**12,000.00**	**4,100.00**	**10,250.00**	**161,143.14**
% of Loan Total	**84%**	**7%**	**3%**	**6%**	

OPTION 3	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	State Bonds (maturity 1 to 5 years)	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	External Financing - Bilateral Loans	YEARLY TOTAL
2022	8,755	2000				10,755
2023	14,133					14,133
2024	23,720					23,720
2025	15,882		10000			25,882
2026	11,895	2000		6150		20,045
2027	14,454					14,454
2028	14,495					14,495
2029	26,805				8200	35,005
2030	14,255	5000				19,255
2031	22,007					22,007
TOTAL	**166,401**	**9,000**	**10,000**	**6,150**	**8,200**	**199,751**
% of Loan Total	**83%**	**5%**	**5%**	**3%**	**4%**	

OPTION 4	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	State Bonds (maturity 1 to 5 years)	Other Domestic Financing	External Financing - Bilateral Loans	YEARLY TOTAL
2022	8,755.21	2,000.00				10,755.21
2023	14,133.29					14,133.29
2024	20,719.87			3,000		23,719.87
2025	22,261.70	5,000.00				27,261.70
2026	13,258.97		10,000			23,258.97
2027	19,668.23					19,668.23
2028	19,394.15					19,394.15
2029	21,749.48				10,250	31,999.48
2030	21,404.50	8,000.00				29,404.50
2031	24,913.98					24,913.98
TOTAL	**186,259.38**	**15,000.00**	**10,000.00**	**3,000.00**	**10,250.00**	**224,509.38**
% of Loan Total	**83%**	**7%**	**4%**	**1%**	**5%**	

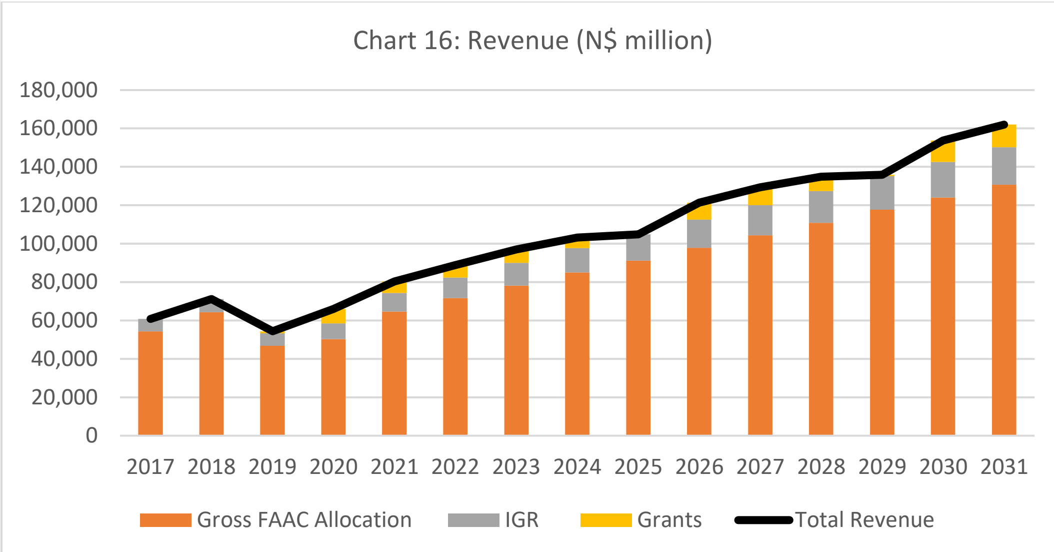
4.3 DSA SIMULATION RESULTS

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the reliance on oil revenue sources. Government remains committed to using innovative ways to raise its revenues required to finance its expenditure through revenue source diversification. The medium-term target is to increase the Revenue-to-GDP ratio to 7%. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

The main findings and result of the baseline scenario in terms of projected revenue, expenditure, primary and overall balance; and debt service indicators and thresholds are shown in the following charts below:

4.3.1 Projected Revenue- Chart 16

Taraba State projected revenue from 2022 to 2031 is presented in Chart 16 below:



Source: Taraba State DSA/DMS Template, 2022

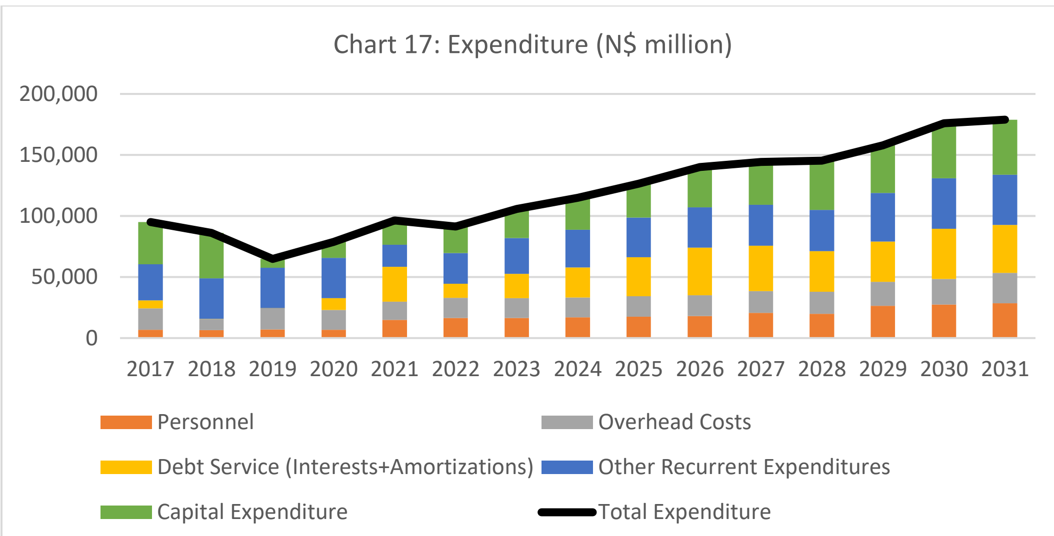
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Revenue	**60,835**	**71,226**	**54,398**	**65,941**	**80,298**	**88,825**	**97,007**	**103,243**	**104,854**	**121,347**	**129,366**	**134,959**	**135,901**	**153,796**	**161,996**
Gross FAAC Allocation	**54,394**	**64,304**	**46,751**	**50,352**	**64,648**	**71,610**	**78,227**	**85,042**	**91,177**	**97,871**	**104,326**	**110,851**	**117,666**	**124,060**	**130,695**
IGR	**6,441**	**6,922**	**6,533**	**8,115**	**9,770**	**10,747**	**11,724**	**12,701**	**13,678**	**14,655**	**15,632**	**16,609**	**17,586**	**18,563**	**19,540**
Grants	**-**	**-**	**1,114**	**7,473**	**5,880**	**6,468**	**7,057**	**5,500**	**-**	**8,821**	**9,409**	**7,500**	**650**	**11,173**	**11,761**

Taraba State Total Revenue (including grants and excluding other capital receipts) is expected to increase from N 80.30 billion in 2021 to N 162 billion in 2031, representing an increase of N81.70 billion or 102 percent over the projection period. Gross FAAC Allocation projected to grow from N64.65 billion in 2021 to N131 billion in 2031, which expected to increase by N66.05 billion or 102 percent, and Grants is projected to grow from N5.88 billion in 2021 to N11.761 billion in 2031.

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 is projected to grow from N9.78 billion in 2021 to N19.54 billion in 2031 representing an increase of N9.77 billion or 102 percent over the projection period.

4.3.2 Projected Expenditure- Chart 17

Taraba State projected expenditure from 2022 to 2031 is presented in Chart 17 below:



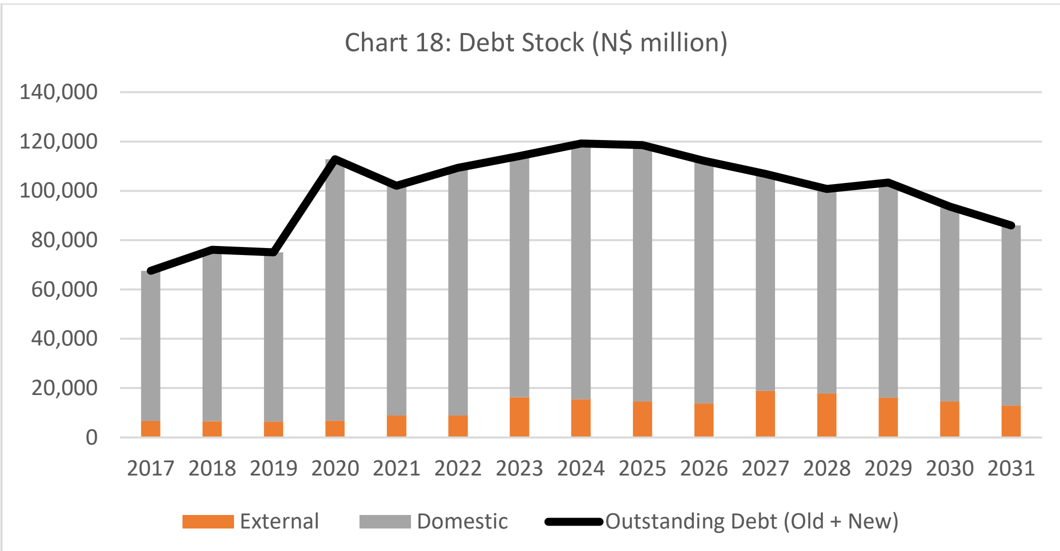
Source: Taraba State DSA/DMS Template, 2022

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Expenditure	95,027	86,113	64,837	78,763	96,356	91,447	105,816	114,833	126,603	140,146	144,176	145,313	157,878	175,854	178,920
Personnel	6,771	6,502	6,982	6,851	14,933	16,426	16,500	17,000	17,500	18,000	20,660	20,000	26,500	27,500	28,500
Overhead Costs	17,499	8,937	17,500	16,083	14,945	16,439	16,100	16,200	16,900	17,200	17,900	18,000	19,500	21,000	25,000
Debt Service (Interests+Amortizati	6,501	325	0.3399	9,749	28,489	11,745	19,894	24,633	31,911	38,846	37,116	33,313	33,178	41,134	39,200
Other Recurrent Expenditures	29,736	33,191	33,218	33,081	18,138	25,000	29,500	31,000	32,500	33,100	33,500	33,600	39,600	41,220	41,220
Capital Expenditure	34,520	37,159	7,137	13,000	19,851	21,836	23,822	26,000	27,792	33,000	35,000	40,400	39,100	45,000	45,000

Total expenditure projected at N91.447 billion in 2022, N105.81 billion in 2023, N114.83 billion in 2024, N126.60 billion in 2025, N140.146 billion in 2026, N144.176 billion in 2027, N145.313 billion in 2028, N157.878 billion in 2029, N175.854 billion in 2030 and N178.92 billion in 2031, respectively, indicating stability in the state growth and recovery, Personnel Costs, Overhead Costs, Debt Service, Other Recurrent Expenditures and Capital Expenditure.

4.3.3 Projected Debt Stock- Chart 18

The Taraba State projected debt stock from 2021 to 2030 is presented in Chart 18 below:



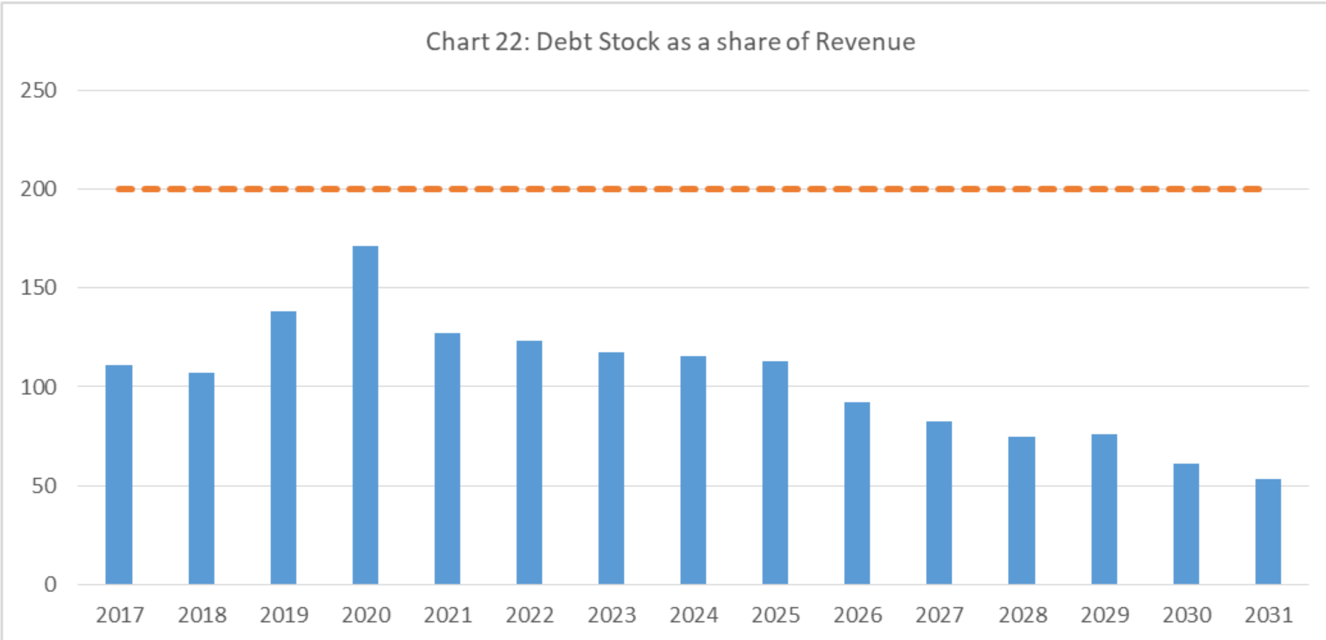
Source: Taraba State DSA/DMS Template, 2022

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Outstanding Debt (Old + New)	67,577	76,149	75,123	112,824	102,108	109,337	114,101	119,187	118,544	112,148	106,868	100,758	103,371	93,565	85,924
External	6,726	6,608	6,416	6,779	8,923	8,942	16,333	15,496	14,658	13,821	18,922	17,862	16,217	14,547	12,878
Domestic	60,851	69,541	68,707	106,045	93,185	100,395	97,767	103,692	103,886	98,327	87,945	82,896	87,154	79,018	73,046

Taraba State's Debt Stock is estimated to decrease from N109.337 billion in 2021 to N85.924 billion in 2031, representing a decrease of N23.41 billion or 21 percent over the projection period. External Debt projected to increase from N8.942 billion in 2022 to N 12.878 in 2023 representing an increase of N 3.934 billion or 44 percent and Domestic Debt to decline by N27.349 billion or 27 percent over the projection period.

4.3.4 Projected Debt as a Share of Revenue- Chart 22

The Taraba State projected debt as share of revenue from 2022 to 2031 is presented in Chart 22 below:



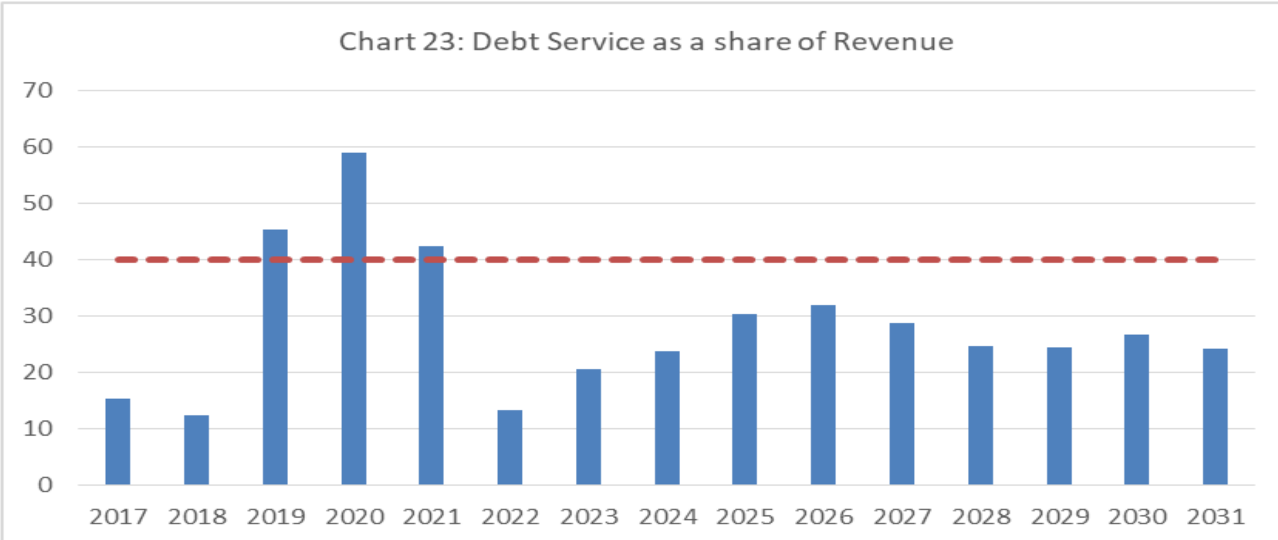
Source: Taraba State DSA/DMS Template, 2022

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Debt as % of Revenue	111	107	138	171	127	123	118	115	113	92	83	75	76	61	53
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200

As a result of careful diversification of sources of loans from domestic to external borrowings, the aggregate public debt will decline and the State's repayment pressure will decrease. Debt is expected to rise from 2022-207 and starts declining from 2028-2031. However, relative to the State's borrowing capacity, the public debt position will improve. As the fiscal deficit stabilizes in nominal terms over the years, and the public debt ratio improves, the analysis of the Baseline Scenario suggests the State will be able to preserve the sustainability of its debt in the medium-term because it is within the limit of the threshold of 200 percent.

4.3.5 Projected Debt Service as a Share of Revenue- Chart 23

The Taraba State projected debt service as share of revenue from 2021 to 2030 is presented in Chart 23 below:



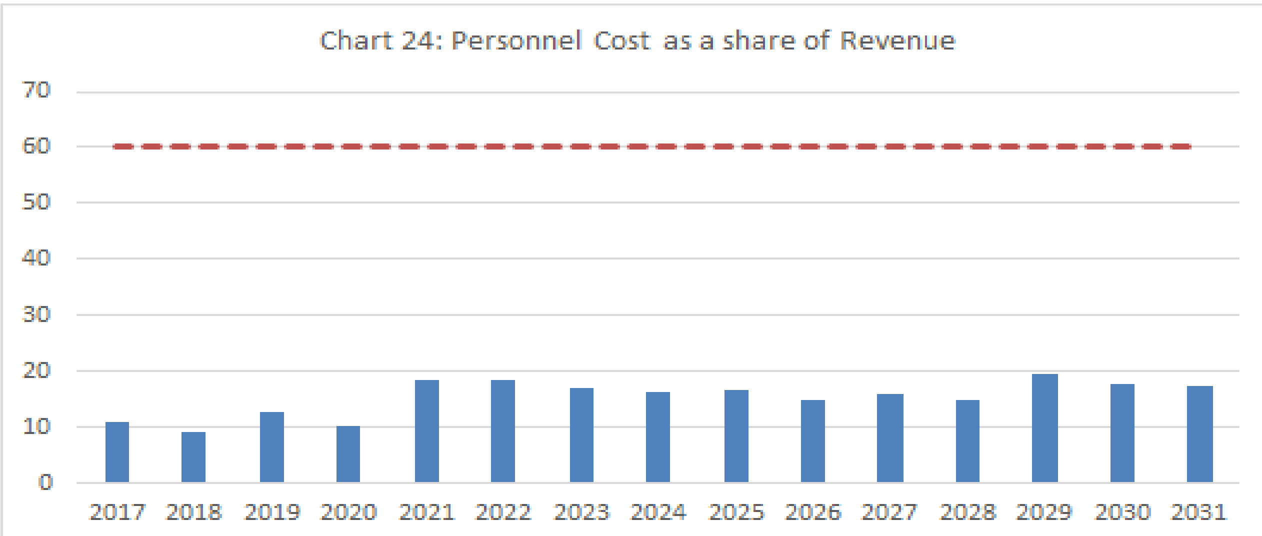
Source: Taraba State DSA/DMS Template, 2022

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Debt Service as % of Revenue	15	12	45	59	42	13	21	24	30	32	29	25	24	27	24
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40

Due to the increase of external borrowing in loan mix, the public debt service will decline from 2022-2031. This is partly due to Concessional external loan which comes with it low interest rate, longer repayment periods and interest rate stability. Debt Service from 2022-2031 is within the threshold as a result of stability of fiscal deficit over the projected years, and the public debt service ratio improves as indicated by the Baseline Scenario.

4.3.6 Projected Personnel Cost- Chart 24

The Taraba State projected personnel cost from 2021 to 2030 is presented in Chart 24 below:



Source: Taraba State DSA/DMS Template, 2022

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Personnel Cost as % of Revenue	11	9	13	10	19	18	17	16	17	15	16	15	19	18	18
Threshold	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

Personnel Cost is projected to rise from N16.43 billion in 2022 to N28.5 billion by 2031 with a percentage increase of about 74%. The personnel cost as share of revenue will remain stable at an average of 17% over the projected period 2022-2031 which is below the threshold of 60% as depicted above on the analysis of the Baseline Scenario.

4.4 TARABA STATE MAIN FINDING AND CONCLUSION OF THE BASELINE SCENARIO IN TERMS OF DEBT SUSTAINABILITY

The Baseline Scenario results shows that the ratio of Debt as percentage of GDP is projected at 5 percent in 2022, 4 percent each in 2023-2025, 3 percent in 2026, 2 percent each in 2027-2029 and 1 percent each in 2030-2031, respectively, as against the indicative threshold of 25 percent. The ratio of Debt as percentage of Revenue estimated at 123 percent in 2022, 118 percent in 2023, 113 percent in 2025, 75 percent in 2028 and 53 percent in 2031, respectively. The ratio of Debt as percentage of Revenue remain below the threshold over the projection period. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2022 to 2031.

However, the State Government envisages to maintain the debt sustainability through the adherence to following fiscal policies:

a. Aligning State government's income and expenditure by keeping spending limits within the dictates of available resources and fiscal sustainable debt position;

b. Strong cost cutting through cost benefit analysis of Government Expenditure especially Overheads.

c. Working toward improve IGR by the recently submitted business case of IRS;

d. Emphasis on achieving a more favorable balance for capital expenditure through restraining the increasing trend in recurrent expenditure;

e. Ensuring that the budget process is pursued with a framework that supports strategic prioritization and rational resource allocation and under the overall development policy objectives of the State; and

f. Ensure strict adherence to due process in budget execution as well as accountability, transparency and prudence in the entire public financial management process.

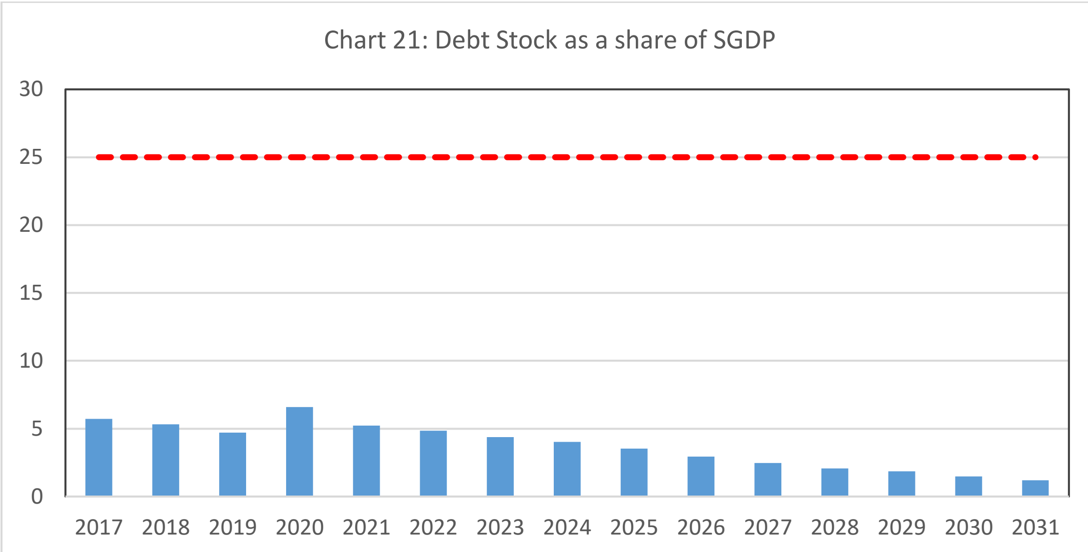


Chart 21: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031

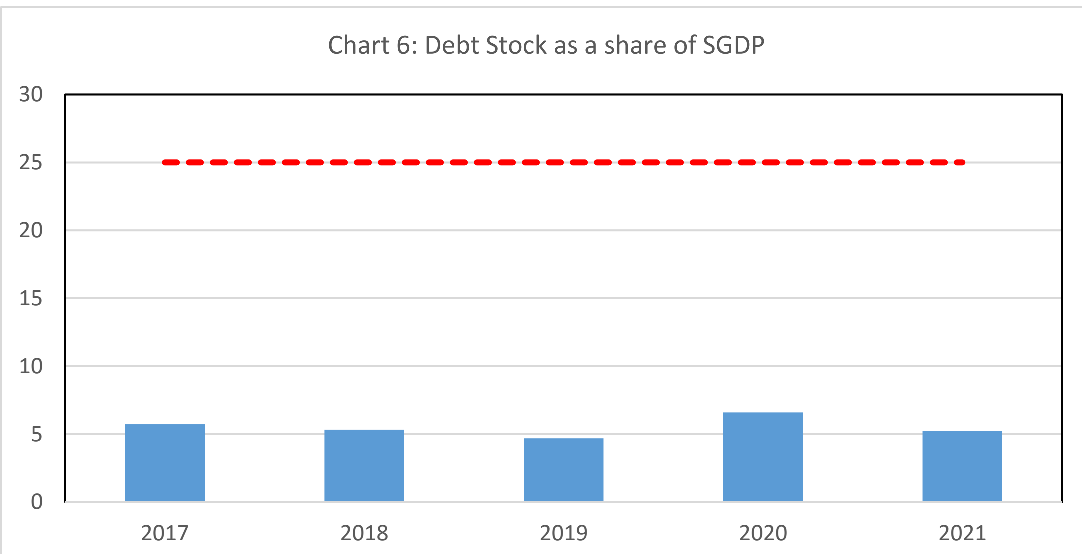


Chart 6: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2017
2018
2019
2020
2021

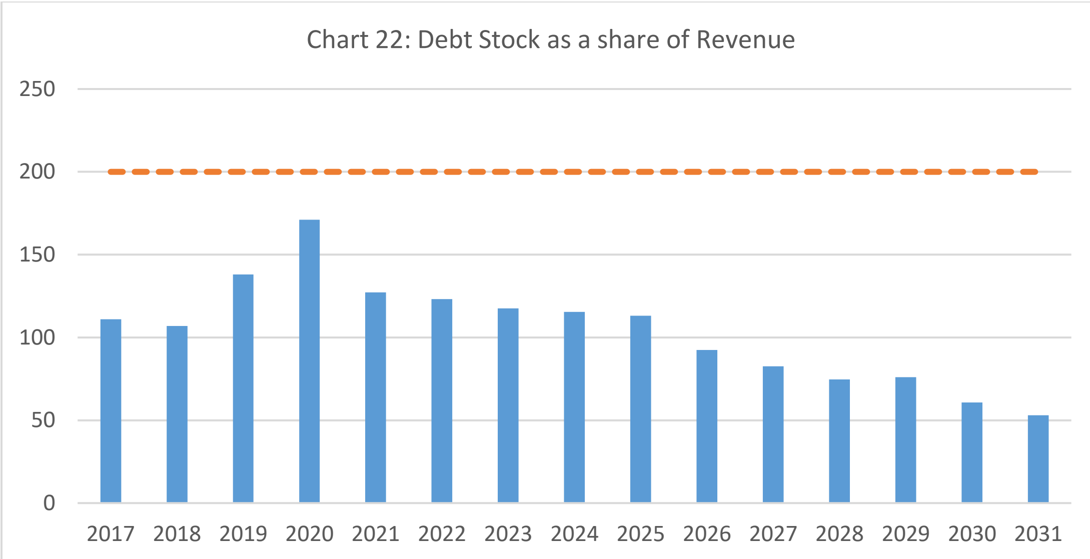


Chart 22: Debt Stock as a share of Revenue
250
200
150
100
50
0
2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031

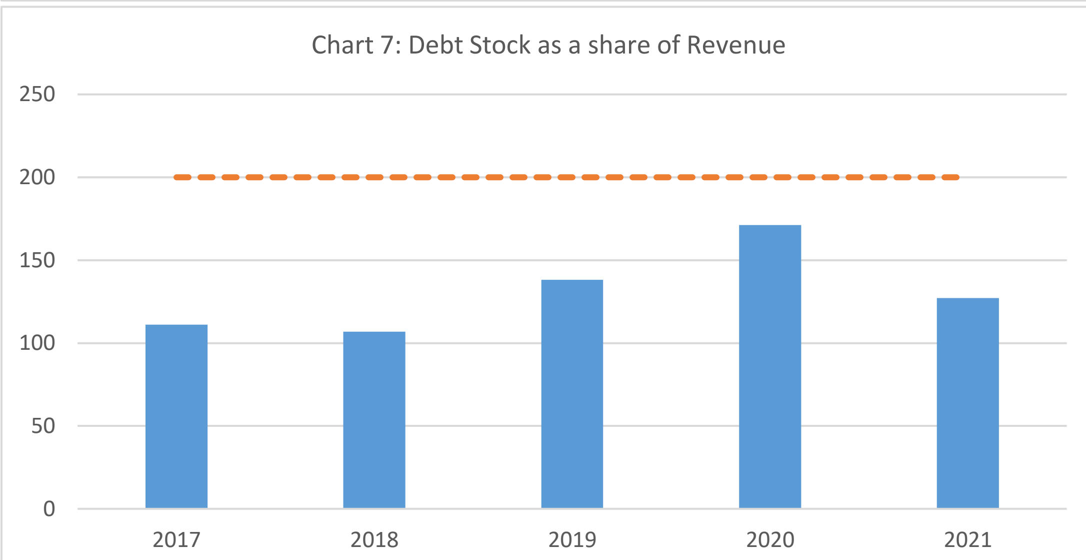


Chart 7: Debt Stock as a share of Revenue
250
200
150
100
50
0
2017 2018 2019 2020 2021

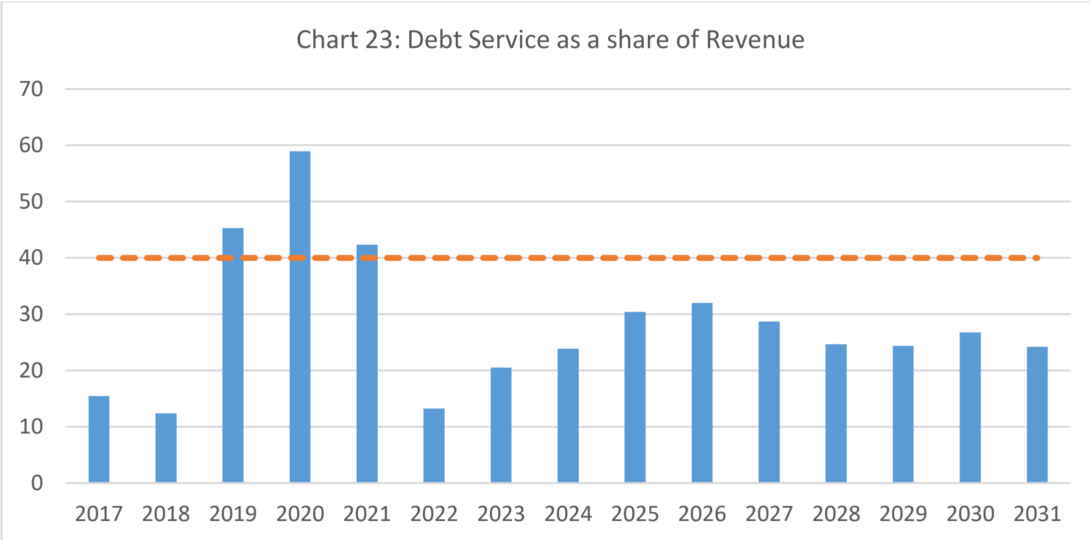


Chart 23: Debt Service as a share of Revenue
70
60
50
40
30
20
10
0
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031

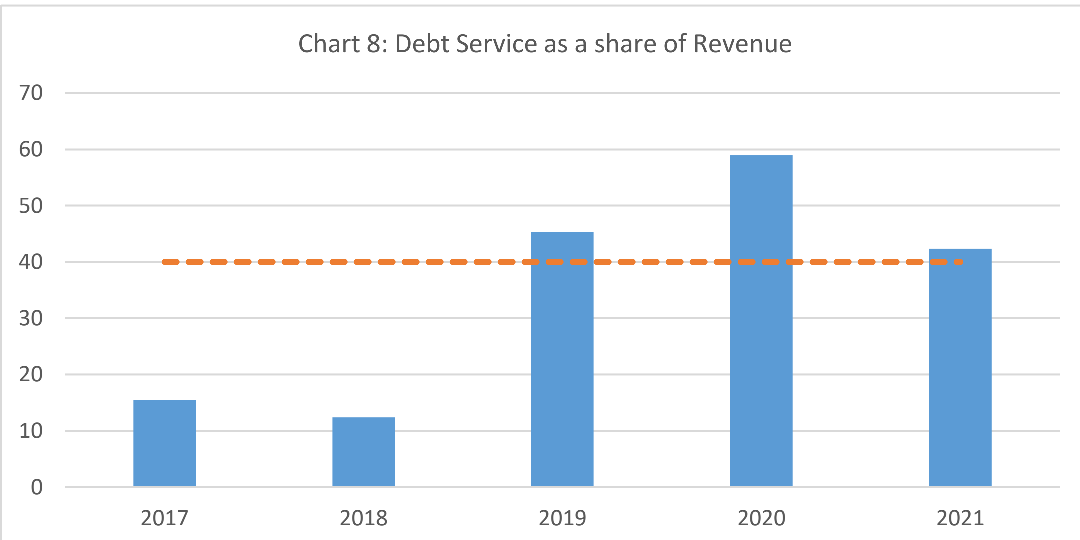


Chart 8: Debt Service as a share of Revenue
70
60
50
40
30
20
10
0
2017
2018
2019
2020
2021

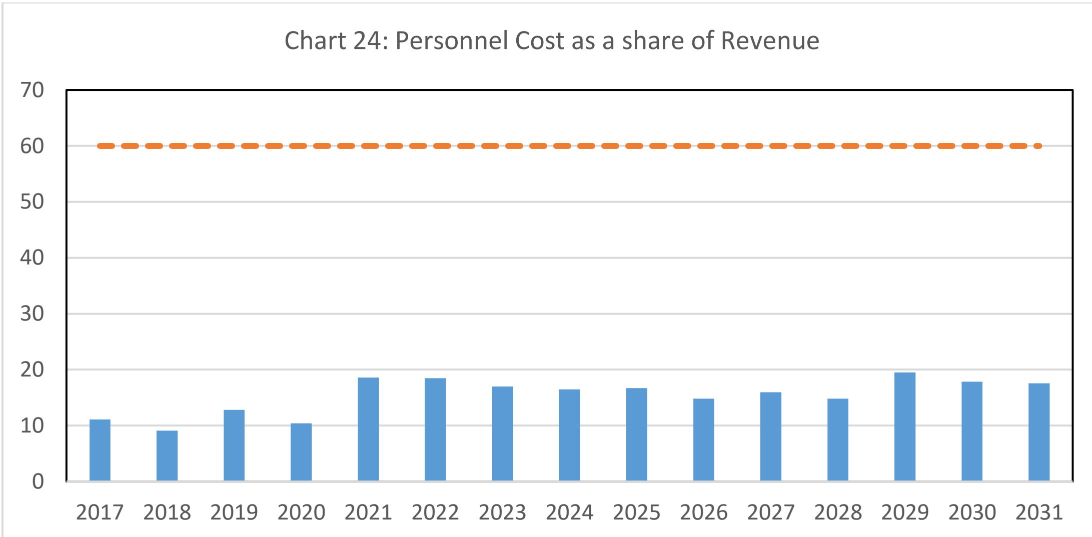


Chart 24: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031

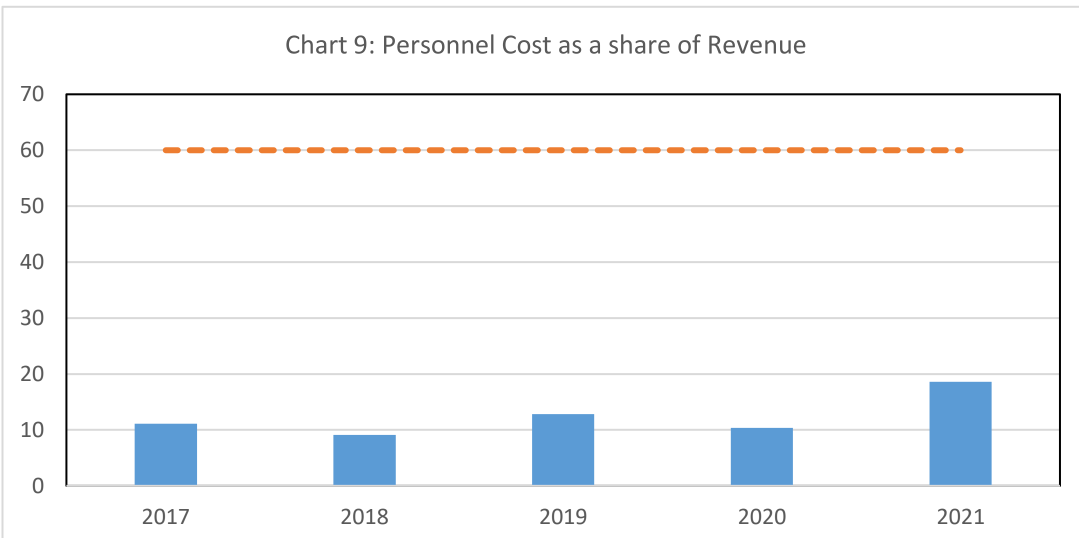


Chart 9: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2017
2018
2019
2020
2021

4.5 CONCLUSION

Taraba State DSA result shows that, the State remains at the Low Risk of Debt Distress. The State economy is sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks. For example, an increase in aggregate output results to a proportionate increase in revenue and vice-versa. There is, therefore, the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from dependent on FAAC revenue, as well as implement far-reaching policies that will boost the state IGR. This has become critical, given the continued volatility of Crude Oil Revenue.

4.6 TARABA STATE DSA SENSITIVITY ANALYSIS

The State faces fiscal risks associated to the possibility of adverse country wide macroeconomic conditions and the State's expenditure pressure on the meagre revenue. A sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the baseline scenarios discussed in the previous sub-sections. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenarios discussed earlier.

The 2022 DSA analysis shows that Taraba remains at moderate risk of debt distress under sensitivity analysis. The State DSA analysis shows slight declining related to revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks. The historical shock has been affected most from 2028-2031 which moves above the threshold under Debt as Percentage of Revenue, equally affected under Debt Service as % of Revenue from 2029-2031, and Personnel Cost as % of Revenue from 2027-2031. The shock Revenue affects Debt Service as % of Revenue from 2029-2031.

Above indicate a need for sound and holistic fiscal policies which will envelope the economic parameters. There is the need to increase Gross Financing Needs over the projection period. There is, an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from over reliance on FAAC revenue.

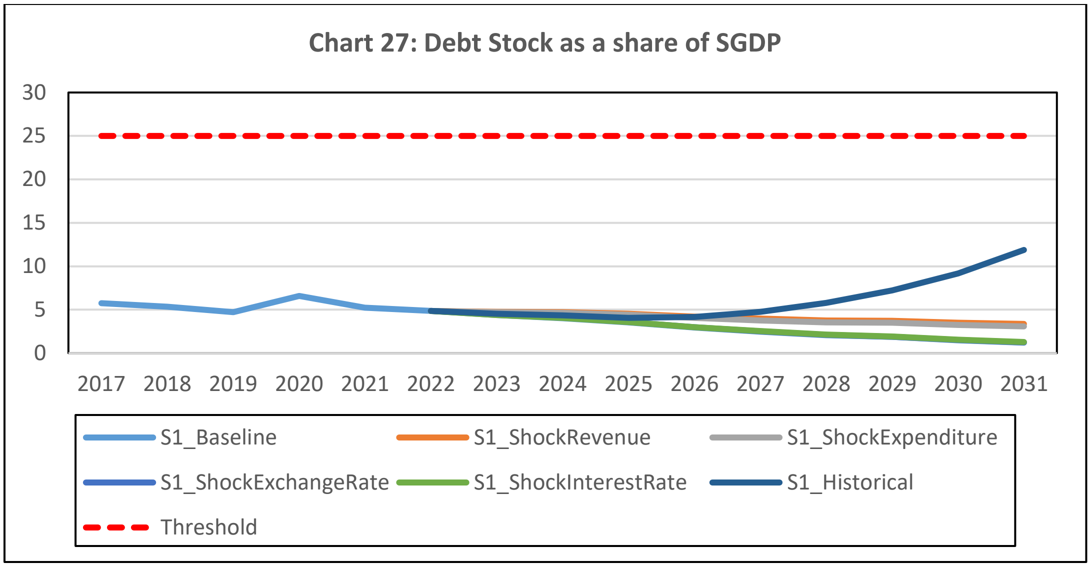


Chart 27: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

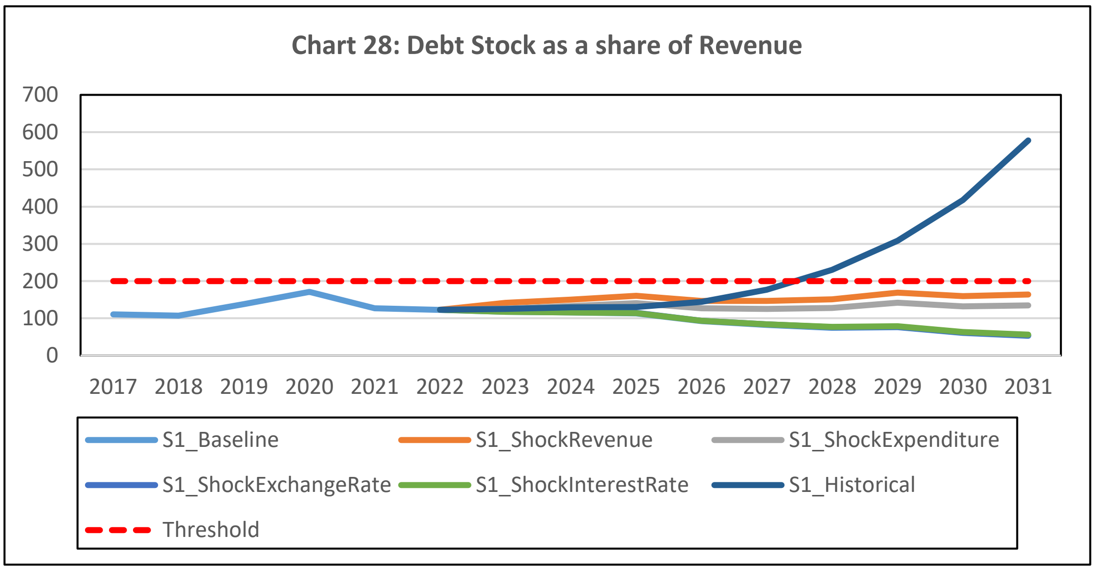


Chart 28: Debt Stock as a share of Revenue
700
600
500
400
300
200
100
0
2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

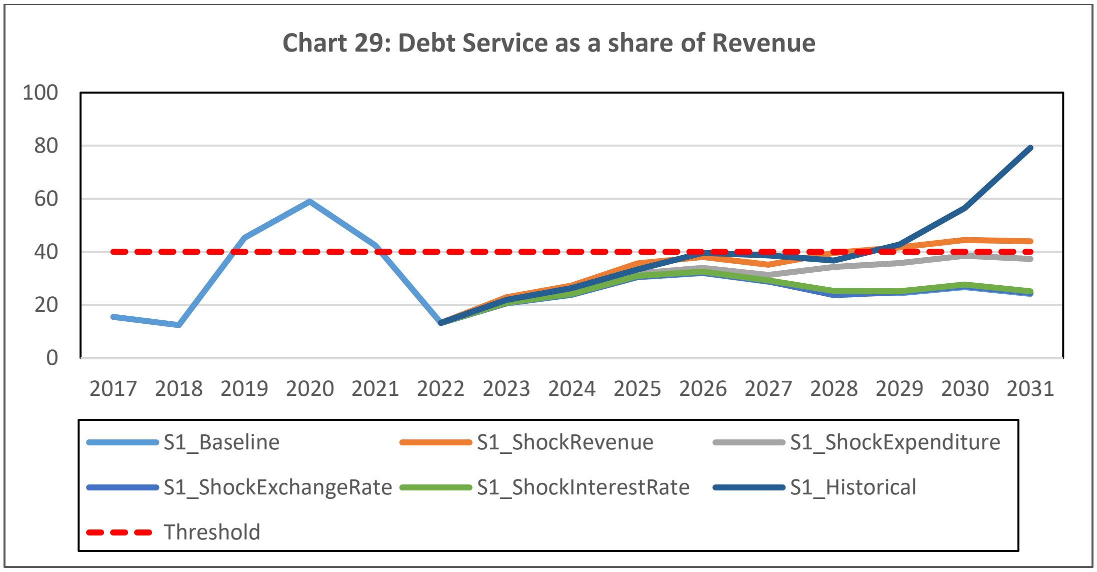


Chart 29: Debt Service as a share of Revenue
100
80
60
40
20
0
2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

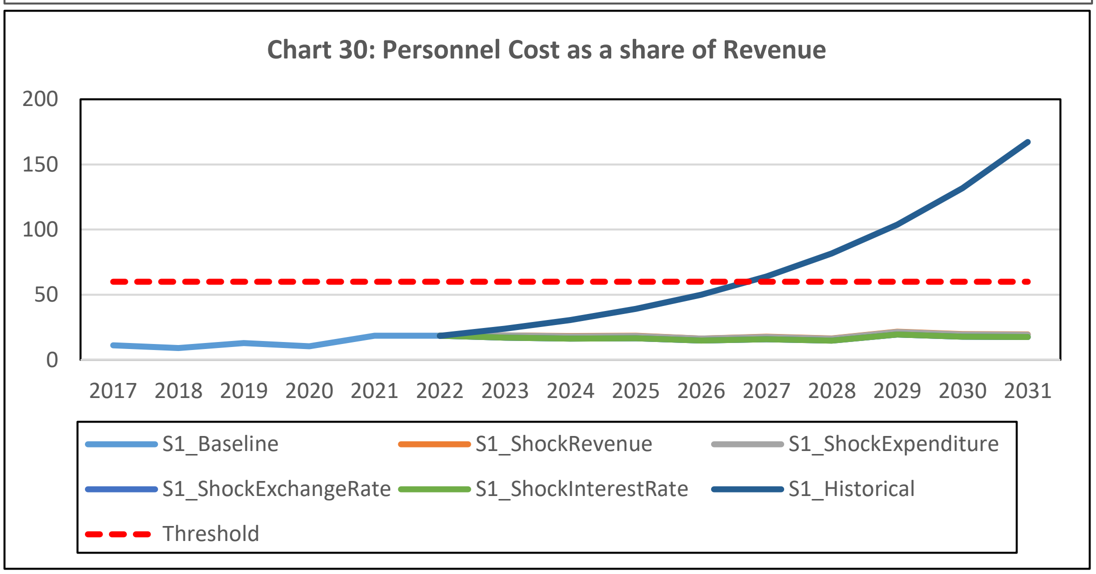


Chart 30: Personnel Cost as a share of Revenue
200
150
100
50
0
2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

CHAPTER FIVE

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 (World Bank DSA-DMS, 2021). 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.

To assess the debt management strategies outcome, three debt performance indicators were utilized, "Debt Stock as a share of Revenue, Debt Service as a share of Revenue and Interest as a share of Revenue". However, the cost for DMS is measured by the expected value of a performance indicator in 2026 (as projected in the baseline scenario), while Risk for DMS is measured by the deviation from the expected value in 2026 caused by an un-expected shock (as projected in the most adverse scenario).

5.1 Alternative Borrowing Options

The State Government is planning to borrow through a commercial bank at an expected interest rate of 22% and 9% with 5 years and 7 years maturity and through bond with 5 years maturity at an expected interest rate of 5%. Also the State planned to borrow externally through concessional loans. The State proposed four alternative strategies (S1, S2, S3, and S4) which consider the cost and risk and in order to mitigate against certain risks (currency, interest rate and rollover), to develop domestic debt markets, to fund specific expenses (such as capital investments), and to secure liquid assets for cash management.

Strategy 1 (S1) Reflects a "status quo" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2022 and MTEF, 2022-2024. External gross borrowing under bilateral loans agreement on average of 11 percent. 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 84 percent over the strategic period. The Commercial Bank loans with the maturity of above 6 years estimated with an average of 5 percent over the DMS period of 2022-2026.

Strategy 2 (S2) Focus on financing through bilateral Loans and the mix of Domestic Financing (commercial bank loans):

It follows a financing mix in the fiscal year 2022-2026. External borrowing under bilateral loans agreement on stands at 12 percent in 2024. The Domestic 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 79 percent over the strategic period. The Commercial Bank loans with the maturity of above 6 years estimated with an average of 8 percent over the DMS period of 2022-2026.

Strategy (S3) Focus on financing through bilateral Loans, State Bonds and the mix of Domestic Financing (commercial bank loans):: In strategy 3, the government decided to focus its financing from 2022 to 2026, through Commercial Bank loans (1-5 years) 79 percent, Commercial Bank loans with the maturity of above 6 years 4 percent, State Bonds (1-5 years) 11 percent, and Concessional Loans with an average of 7 percent.

Strategy (S4) Focus on financing through Other Domestic Financing, State Bonds and the mix of Domestic Financing (commercial bank loans):: In this strategy, Other Domestic Financing represents an average of 3 percent from 2022-2026, Commercial bank loans (1-5 years) 80 percent, State Bonds (1-5 years) 10 percent and Commercial bank loans (above 6 years) 7 percent.

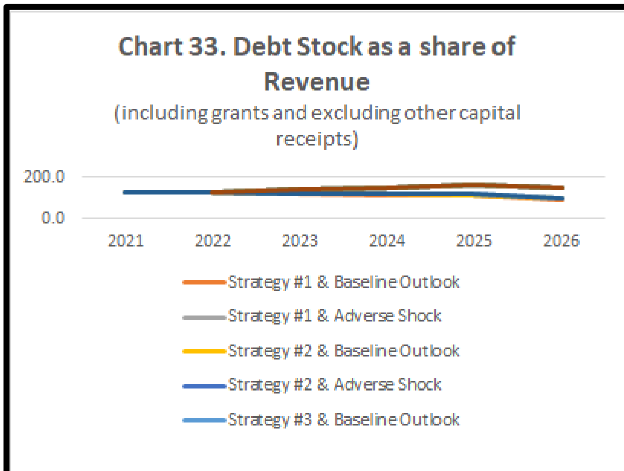
Note: In all the 4 strategies, we consider Domestic Commercial Bank Loans to constitute the highest in the mix because of closeness to the Commercial Banks, it takes few days to process and have a draw down compare with the rigorous nature of obtaining external facilities, in the event of additional borrowing requirement, Government will find it easy to meet the required documentations, etc.

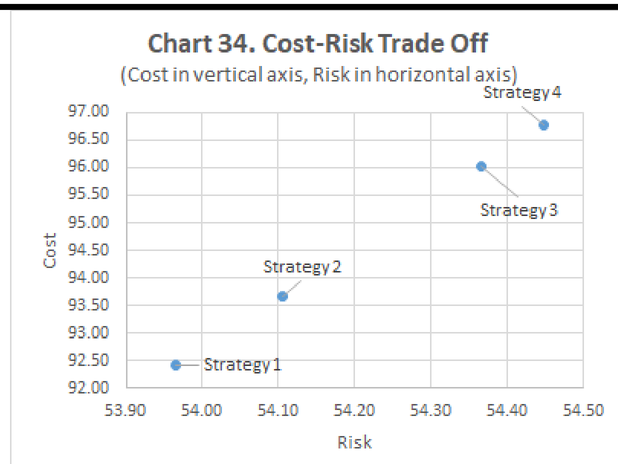
5.2 DMS Simulation Results

Analysis of strategies and the outcomes of the analysis, the cost risk trade off charts illustrate the performance of the alternative strategies with respect to four debt burden indicators. Results were obtained from the four DMS (S1, S2, S3, and S4) and the analysis will focus on three performance indicators which include Debt/Revenue, Debt Service/Revenue and Interest/Revenue, also the reference debt strategy (S1) will be compared with the alternative strategies (S2, S3 and S4) to facilitate the drafting and exposition.

5.2.1 Debt as a share of Revenue

The share of debt as percentage of revenue and cost-risk trade-off for the referenced strategy (S1) and alternatives strategies (S2, S3, and S4) are presented in the Chart 33 and 34:





Source: Taraba State DSA-DMS Template 2022

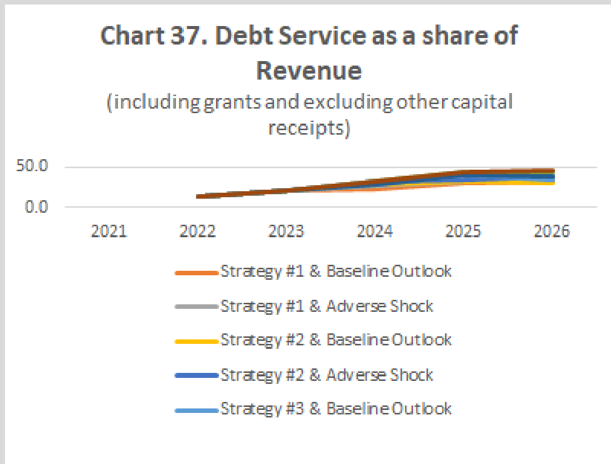
						COST	RISK measured only in 2026
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	
Strategy #1 & Baseline Outlook	127.2	123.1	117.6	115.4	113.1	92.4	54.0
Strategy #1 & Adverse Shock		123.1	141.8	150.7	160.5	146.4	
Strategy #2 & Baseline Outlook	127.2	123.1	117.6	117.0	114.6	93.7	54.1
Strategy #2 & Adverse Shock		123.1	141.8	152.4	162.2	147.8	
Strategy #3 & Baseline Outlook	127.2	123.1	117.6	117.0	116.5	96.0	54.4
Strategy #3 & Adverse Shock		123.1	141.8	152.4	164.4	150.4	
Strategy #4 & Baseline Outlook	127.2	123.1	117.6	117.0	116.4	96.8	54.4
Strategy #4 & Adverse Shock		123.1	141.8	152.4	164.3	151.2	

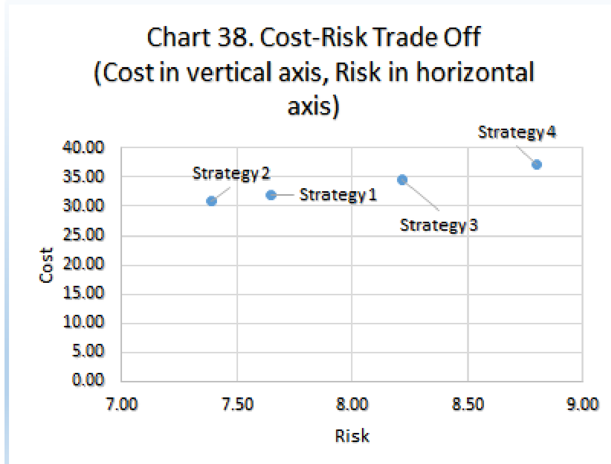
The result on Debt as share of revenue indicates that Reference Debt Strategy (S1) has a cost of 92.4% with adverse shock of 146.4% and risk at 54%. Alternative Strategy (S2) has a cost of 93.7% with adverse shock of 147.8% and risk at 54.1%. Alternative Strategy (S3) has a cost of 96% with adverse shock of 150.4% and risk at 54.4%. Alternative Strategy (S4) has a cost of 96.8% with adverse shock of 151.2% and risk at 54.4%.

To compare between the referenced strategy (S1) and alternative strategies (S2, S3, and S4), the result indicated that Debt/revenue of the referenced strategy (S1) has the lowest cost, adverse shock and risk of 92.4%, 146.4% and 54.0% respectively, compared to strategies (S2, S3, and S4).

5.2.2 Debt Services/Revenue

The share of debt services as percentage of revenue and cost- risk trade-off for referenced strategy and alternatives strategies are presented in the chart 37 and 38:





Source: Taraba State DSA-DMS Template 2022

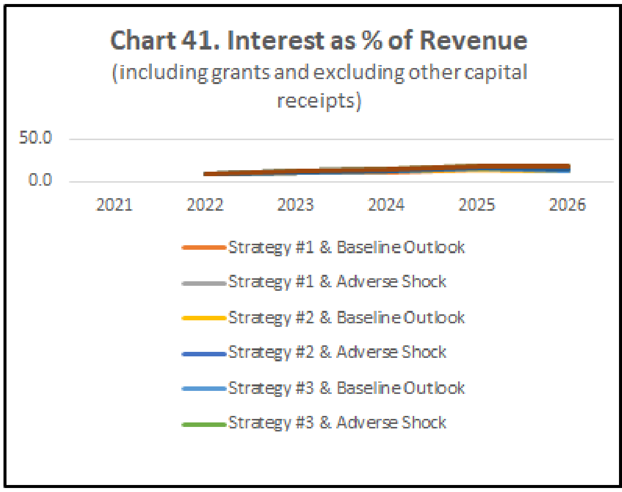
						COST	RISK measured only in 2026
Debt Service as % of Revenue (including grants and excluding other capital receipts)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	
Strategy #1 & Baseline Outlook		13.2	20.5	23.9	30.4	32.0	7.6
Strategy #1 & Adverse Shock		13.2	21.9	26.3	33.3	39.7	
Strategy #2 & Baseline Outlook		13.2	20.5	29.4	32.1	30.8	7.4
Strategy #2 & Adverse Shock		13.2	21.9	32.5	35.2	38.2	
Strategy #3 & Baseline Outlook		13.2	20.5	29.4	39.0	34.6	8.2
Strategy #3 & Adverse Shock		13.2	21.9	32.5	42.7	42.8	
Strategy #4 & Baseline Outlook		13.2	20.5	29.4	40.3	37.2	8.8
Strategy #4 & Adverse Shock		13.2	21.9	32.5	44.1	46.0	

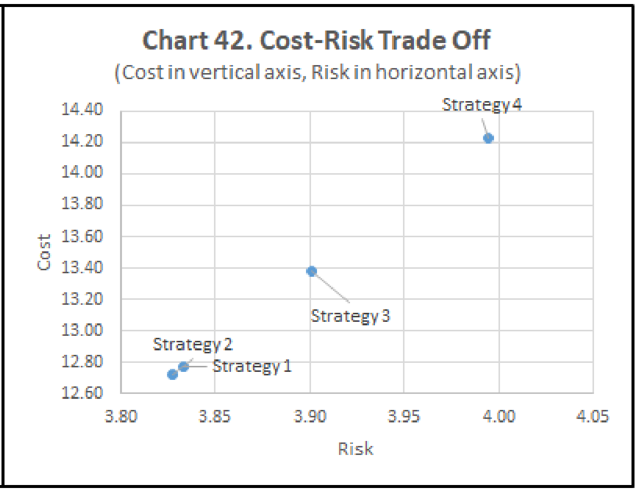
The result on Debt Service as share of Revenue indicates that the Reference Debt Strategy (S1) has a cost of 32.0% with adverse shock of 39.7% and risk at 7.6%. Alternative Strategy (S2) has a cost of 30.8% with adverse shock of 38.2% and risk at 7.4%. Alternative Strategy (S3) has a cost of 34.6% with adverse shock of 42.8% and risk at 8.2%. Alternative Strategy (S4) has a cost at 37.2% with adverse shock of 46.0% and risk at 8.8%.

To compare between the referenced strategy (S1) and alternative strategies (S2, S3, and S4), the result indicates that the Debt Service/Revenue of strategy (S2) has the lowest cost, adverse shock and risk of 30.8%, 38.2% and 7.4% respectively, compared to the alternative strategies (S1, S3, and S4).

5.2.3 Interest/Revenue

The share of interest as percentage of revenue and cost- risk trade-off for referenced strategy and alternatives strategies are presented in the charts 41 and 42 below:





Source: Taraba State DSA-DMS Template 2022

						COST	**RISK measured only in 2026**
Interest as % of Revenue (including grants and excluding other capital receipts)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	
Strategy #1 & Baseline Outlook		8.4	10.8	11.4	13.7	12.8	3.8
Strategy #1 & Adverse Shock		8.4	12.1	13.5	17.0	16.6	
Strategy #2 & Baseline Outlook		8.4	10.8	13.0	13.6	12.7	3.8
Strategy #2 & Adverse Shock		8.4	12.1	15.2	16.9	16.6	
Strategy #3 & Baseline Outlook		8.4	10.8	13.0	15.6	13.4	3.9
Strategy #3 & Adverse Shock		8.4	12.1	15.2	19.1	17.3	
Strategy #4 & Baseline Outlook		8.4	10.8	13.0	15.5	14.2	4.0
Strategy #4 & Adverse Shock		8.4	12.1	15.2	19.0	18.2	

The result on Interest as share of Revenue indicates that the Reference Debt Strategy (S1) has a cost of 12.8% with adverse shock of 16.6% and risk at 3.8%. Alternative Strategy (S2) has the cost of 12.7% with adverse shock of 16.6% and risk at 3.8%. Alternative Strategy (S3) has the cost of 13.4% with adverse shock of 17.3% and risk at 3.9%. Alternative Strategy (S4) has a cost of 14.2% with adverse shock of 18.2% and risk at 4.0%.

To compare between the referenced strategy (S1) and alternative strategies (S2, S3, and S4), the result indicates that the Interest/Revenue of the alternative strategy (S2) has the lowest cost, adverse shock and risk of 12.7%, 16.6% and 3.8% respectively, compared to strategies (S1, S3 and S4). Despite the fact that strategy S2 has equal risk percentage with strategy S1, it should be preferred because of its lower cost.

5.2.4 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 costs and risks would suggest that the recommended strategy be S2 these results were just marginally better when compared with Strategy S1. **Strategy 1 was considered as the most feasible of the strategies to implement in the short to medium term and it would still greatly improve the portfolio's debt position relative to the base year 2021**.

In comparison to the quantitative current debt position, Taraba State debt portfolio stood at N102.108 billion as at end-2021, which is expected to decrease to N85.924 billion under Strategy 1 to the end of the strategic period, compared to Strategy 2 (N86.291 billion), Strategy 3 (N94.495 billion), and Strategy 4 (N100.577 billion). 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 2022-2026. **The selection of S1 as a preferred strategy is because of its lower cost of debt of N85.924 in 2031.**

The Debt Management Strategy, 2022-2026 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 2022 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

The report concluded that, there is a need for the Taraba State to diversify sources of revenue away from FAAC, as well as full implementation of policies that will boost IGR into the State. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks, indicating that an increase in aggregate output does not result to a proportionate increase in revenue. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2022 to 2031, with the strong minded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively.

Annex I. Table Assumptions

2022

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	The Increase of the State GDP 49% from 2022 to 2025 is as a result of the loans projected in the years which is envisaged to boost economic activities and enhance delivery of social services in the State.	**State GDP**
Revenue	**Revenue**	The total Revenue of Taraba State increased by 7% from 2021 to 2022, 12% from 2022 to 2023, 9% from 2023 to 2024, .45% from 2024 to 2025 due to improvement in the revenue sources	Audited Financial Report
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Gross FAAC Allocation grows on the average 7% annually from 2022 to 2025. This could be as a result of improvement in the International Crude Prices especially the impact Russia-Ukraine war, USA Saudi Arabia mistrust, iran USA quackmire etc.	Audited Financial Report
	1.a. of which Net Statutory Allocation ('net' means of deductions)		
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		
	4. VAT Allocation		
	5. IGR	Improvement in the Revenue may be as a result of improvement of Government delivery of Investment infrastructure for the public which in return enhanced the trust to tax to the Government by the People. Furthermore, effective utilization of the contracted loan facilities will bring about improvement in the State revenue base.	Audited Financial Report
	6. Capital Receipts		
	6.a. Grants	Grrants are expected to increase by 10% from 2021 to 2022 and 9% from 2022 t0 2023, and drop by 22% from 2023 to 2024 and improve by 19% from 2024 to 2025. This could be due to Completion of grant earning Programs in the State Such as SFTAS.	Audited Financial Report
	6.b. Sales of Government Assets and Privatization Proceeds		

	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**	Taraba State total expenditure fluctuates between 2017 to 2031 (95.03b-178.92b). The expenditure increased to 114% from 2016 to 2017, while it increases from 2017 to 2025 on the aggregate by 39%. The expenditure increases aggregately from 2022 to 2031 by 66%. Although with all these increases, in between the years, the State experienced reduction in expenditure. This could be due cost cutting measures and reduction in labour force due to retirement.	Audited Financial Report
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	The State experienced an increase on Personnel cost from 2016 to 2017 by 21%, thereafter, the State experienced a drop in Personnel Cost from 2018 to 2020 due to retirement of Civil Servant inherited from the former Gongola State. There was a sharp increase in 2021 due to employment of RESCUE Teachers. From 2022 to 2031, it is expected Taraba State will experience mass retirement of Old and inherited staff from Gongola State.	Audited Financial Report
	2. Overhead costs	Taraba State is expected to maintain Stability in in its Overheads expenditure from 2022 to 2031. Financial prudency is expected to come into play as Government will move from previlous spending to capital Development.	Audited Financial Report
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Projected debt will start yielding interest which are due for repayment.	Audited Financial Report
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	From 2021 to 2025, the State will experience an increase in Other Recurrent Expenditure from 18.4 b to 32.5 b, this could be due to average increase in IGR and other sources of revenue to the State.	Audited Financial Report
	5. Capital Expenditure	The State from 2016 to 2017 witnessed an increase in Capital expenditure suc as renovation and constructions of Primary Schools, Constructions of Township Roads etc. 2017 hence form the basis for rejuvenation in the Capital Expenditure. From 2021 to 2031, the State is projecting to invest about 356.8 b in capital expenditure.	Audited Financial Report
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**		
Debt Amortization and Interest Payments	**Debt Outstanding at end-2021**		
	External Debt - amortization and interest		

	Domestic Debt - amortization and interest		
	New debt issued/contracted from 2022 onwards		
	New External Financing	**Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)**	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate @ 3%.with Loan periods of 15 years and a grace periods of %5years.	
	External Financing - Bilateral Loans	Interest rate @ 2%.with Loan periods of 20 years and a grace periods of 5 years.	
	Other External Financing		
	New Domestic Financing	**Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)**	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Interest rate @ 22%.with Loan maturity periods of 2 years.	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Interest rate @ 9%.with Loan maturity periods of 10 years.	
	State Bonds (maturity 1 to 5 years)	Interest rate @ 5%.with Loan maturity periods of 4 years and a grace periods of 4 years	
	State Bonds (maturity 6 years or longer)	Interest rate @ 7%.with Loan maturity periods of 6 years and a grace periods of 6 years	
	Other Domestic Financing	Interest rate @ 18%.with Loan maturity periods of 1 years.	
Proceeds from Debt-Creating Borrowings	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		
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)	Interest rate @ 22%.with Loan maturity periods of 2 years.	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Interest rate @ 9%.with Loan maturity periods of 10 years.	
	State Bonds (maturity 1 to 5 years)	Interest rate @ 5%.with Loan maturity periods of 4 years and a grace periods of 4 years	

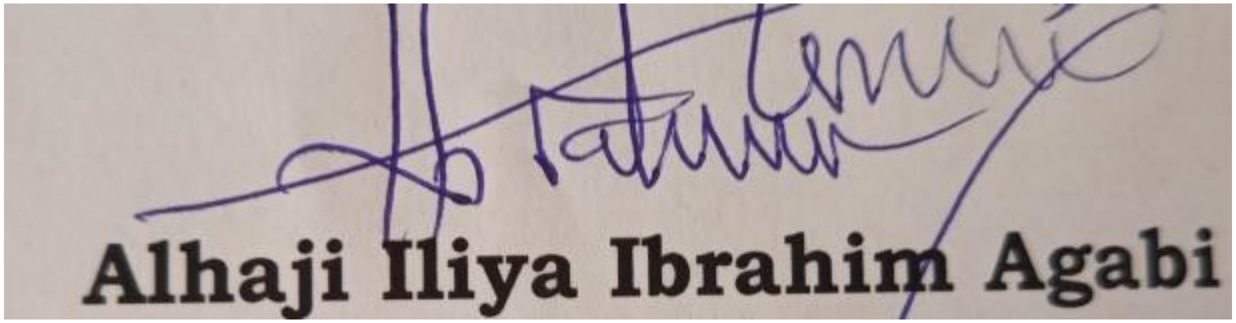
	State Bonds (maturity 6 years or longer)	Interest rate @ 7%.with Loan maturity periods of 6 years and a grace periods of 6 years	
	Other Domestic Financing	Interest rate @ 18%.with Loan maturity periods of 1 years.	
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate @ 3%.with Loan periods of 15 years and a grace periods of %5years.	
	External Financing - Bilateral Loans	Interest rate @ 2%.with Loan periods of 20 years and a grace periods of 5 years.	
	Other External Financing		
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)	Interest rate @ 22%.with Loan maturity periods of 2 years.	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Interest rate @ 9%.with Loan maturity periods of 10 years.	
	State Bonds (maturity 1 to 5 years)	Interest rate @ 5%.with Loan maturity periods of 4 years and a grace periods of 4 years	
	State Bonds (maturity 6 years or longer)	Interest rate @ 7%.with Loan maturity periods of 6 years and a grace periods of 6 years	
	Other Domestic Financing	Interest rate @ 18%.with Loan maturity periods of 1 years.	
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate @ 3%.with Loan periods of 15 years and a grace periods of %5years.	
	External Financing - Bilateral Loans	Interest rate @ 2%.with Loan periods of 20 years and a grace periods of 5 years.	
	Other External Financing		
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)	Interest rate @ 22% with Loan maturity periods of 2 years.	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Interest rate @ 9% with Loan maturity periods of 10 years.	
	State Bonds (maturity 1 to 5 years)	Interest rate @ 5% with Loan maturity periods of 4 years and a grace periods of 4 years	
	State Bonds (maturity 6 years or longer)	Interest rate @ 7% with Loan maturity periods of 6 years and a grace periods of 6 years	
	Other Domestic Financing	Interest rate @ 18% with Loan maturity periods of 1 years.	
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate @ 3% with Loan periods of 15 years and a grace periods of %5years.	
	External Financing - Bilateral Loans	Interest rate @ 2% with Loan periods of 20 years and a grace periods of 5 years.	
	Other External Financing		
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)	Interest rate @ 22% with Loan maturity periods of 2 years.	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Interest rate @ 9%.with Loan maturity periods of 10 years.	
	State Bonds (maturity 1 to 5 years)	Interest rate @ 5%.with Loan maturity periods of 4 years and a grace periods of 4 years	
	State Bonds (maturity 6 years or longer)	Interest rate @ 7%.with Loan maturity periods of 6 years and a grace periods of 6 years	
	Other Domestic Financing	Interest rate @ 18%.with Loan maturity periods of 1 years.	

	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate @ 3%.with Loan periods of 15 years and a grace periods of %5years.	
	External Financing - Bilateral Loans	Interest rate @ 2%.with Loan periods of 20 years and a grace periods of 5 years.	
	Other External Financing		

Annex II. Historical and projections of the S1_Baseline Scenario

Indicator		Actuals					Projections									
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
BASELINE SCENARIO																
Economic Indicators																
State GDP (at current prices)		1,179,144.90	1,428,373.87	1,598,758.26	1,713,617.39	1,956,055.14	2,254,234.98	2,608,090.93	2,958,245.11	3,353,466.65	3,801,489.80	4,309,368.84	4,885,100.51	5,537,749.94	6,277,593.33	7,116,279.80
Exchange Rate NGN/US$ (end-Period)		253.19	305.79	306.50	326.00	379.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00
Fiscal Indicators (Million Naira)																
Revenue		60,835.01	86,514.41	75,975.33	85,961.17	92,659.95	99,580.21	111,140.59	121,222.41	121,765.17	138,295.63	146,126.47	148,213.16	157,878.23	169,353.61	178,920.02
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)		31,116.44	43,710.87	35,686.61	37,075.07	46,508.92	51,159.81	55,810.70	60,461.59	65,112.48	69,763.38	74,414.27	79,065.16	83,716.05	88,366.94	93,017.83
1.a. of which Net Statutory Allocation ('net' means of deductions)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)		14,152.94	2,699.73	235.33	0.00	0.00	550.00	650.00	1,000.00	670.00	900.00	890.00	950.00	1,300.00	1,230.00	1,400.00
4. VAT Allocation		9,124.18	17,893.35	10,828.74	13,277.11	18,138.66	19,900.00	21,766.40	23,580.26	25,394.13	27,207.99	29,021.86	30,835.73	32,649.59	34,463.46	36,277.33
5. IGR		6,441.44	6,922.50	6,533.11	8,114.97	9,769.76	10,746.73	11,723.71	12,700.68	13,677.66	14,654.64	15,631.61	16,608.59	17,585.56	18,562.54	19,539.51
6. Capital Receipts		0.00	15,287.98	22,691.54	27,494.02	18,242.62	17,223.67	21,189.79	23,479.87	16,910.90	25,769.62	26,168.73	20,753.68	22,627.02	26,730.67	28,685.35
6.a. Grants		0.00	0.00	1,113.93	7,473.48	5,880.42	6,468.46	7,056.50	5,500.00	0.00	8,820.63	9,408.67	7,500.00	650.00	11,172.79	11,760.83
6.b. Sales of Government Assets and Privatization Proceeds		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)		0.00	15,287.98	21,577.61	20,020.54	12,362.20	10,755.21	14,133.29	17,979.87	16,910.90	16,949.00	16,760.06	13,253.68	21,977.02	15,557.88	16,924.51
Expenditure		95,026.84	86,113.09	64,836.86	78,762.98	96,355.66	91,447.28	105,815.93	114,832.82	126,602.73	140,145.63	144,176.47	145,313.16	157,878.23	175,853.61	178,920.02
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)		6,771.07	6,501.61	6,982.45	6,850.67	14,933.12	16,426.43	16,500.00	17,000.00	17,500.00	18,000.00	20,660.00	20,000.00	26,500.00	27,500.00	28,500.00
2. Overhead costs		17,498.71	8,936.99	17,499.92	16,082.88	14,944.93	16,439.42	16,100.00	16,200.00	16,900.00	17,200.00	17,900.00	18,000.00	19,500.00	21,000.00	25,000.00
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		0.00	0.00	0.00	0.00	0.00	7,488.81	10,524.66	11,739.76	14,356.52	15,500.67	15,076.20	13,949.62	13,813.89	15,770.07	14,634.38
3.a. of which Interest Payments (Public Debt Charges, excluding interests 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
3.b. of which Interest deducted from FAAC Allocation		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		29,735.74	33,190.69	33,217.52	33,080.72	18,137.52	25,000.00	29,500.00	31,000.00	32,500.00	33,100.00	33,500.00	33,600.00	39,600.00	41,220.00	41,220.00
5. Capital Expenditure		34,519.95	37,158.94	7,136.63	12,999.76	19,851.28	21,836.41	23,821.53	26,000.00	27,791.79	33,000.00	35,000.00	40,400.00	39,100.00	45,000.00	45,000.00
6. Amortization (principal) payments		6,501.37	324.86	0.34	9,748.94	28,488.81	4,256.21	9,369.74	12,893.05	17,554.43	23,344.96	22,040.27	19,363.54	19,364.34	25,363.54	24,565.64
Budget Balance (' + ' means surplus, ' - ' means deficit)		-34,191.84	401.32	11,138.47	7,198.19	-3,695.71	8,132.93	5,324.66	6,389.59	-4,837.57	-1,850.00	1,950.00	2,900.00	0.00	-6,500.00	0.00
Opening Cash and Bank Balance		37,639.95	3,448.11	3,849.43	14,987.90	22,186.09	18,490.38	26,623.31	31,947.97	38,337.57	33,500.00	31,650.00	33,600.00	36,500.00	36,500.00	30,000.00
Closing Cash and Bank Balance		3,448.11	3,849.43	14,987.90	22,186.09	18,490.38	26,623.31	31,947.97	38,337.57	33,500.00	31,650.00	33,600.00	36,500.00	36,500.00	30,000.00	30,000.00
Financing Needs and Sources (Million Naira)																
Financing Needs							10,755.21	14,133.29	17,979.87	16,910.90	16,949.00	16,760.06	13,253.68	21,977.02	15,557.88	16,924.51
i. Primary balance							9,122.74	11,085.77	13,042.54	10,162.48	20,046.63	22,306.41	22,959.47	11,201.21	19,075.73	22,275.51
ii. Debt service							11,745.02	19,894.40	24,632.82	31,910.94	38,845.63	37,116.47	33,313.16	33,178.23	41,133.61	39,200.02
Amortizations							4,256.21	9,369.74	12,893.05	17,554.43	23,344.96	22,040.27	19,363.54	19,364.34	25,363.54	24,565.64
Interests							7,488.81	10,524.66	11,739.76	14,356.52	15,500.67	15,076.20	13,949.62	13,813.89	15,770.07	14,634.38
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)							8,132.93	5,324.66	6,389.59	-4,837.57	-1,850.00	1,950.00	2,900.00	0.00	-6,500.00	0.00
Financing Sources							10,755.21	14,133.29	17,979.87	16,910.90	16,949.00	16,760.06	13,253.68	21,977.02	15,557.88	16,924.51
i. Financing Sources Other than Borrowing							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii. Gross Borrowings							10,755.21	14,133.29	17,979.87	16,910.90	16,949.00	16,760.06	13,253.68	21,977.02	15,557.88	16,924.51
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)							8,755.21	5,933.29	17,979.87	16,910.90	14,949.00	10,610.06	13,253.68	21,977.02	10,557.88	16,924.51
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)							2,000.00	0.00	0.00	0.00	2,000.00	0.00	0.00	0.00	5,000.00	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	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)							0.00	0.00	0.00	0.00	0.00	6,150.00	0.00	0.00	0.00	0.00
External Financing - Bilateral Loans							0.00	8,200.00	0.00	0.00	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							0.00	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)		67,576.80	76,149.04	75,122.97	112,824.40	102,108.24	109,337.11	114,100.66	119,187.48	118,543.95	112,147.98	106,867.78	100,757.93	103,370.61	93,564.95	85,923.83
External		6,725.54	6,608.43	6,416.11	6,779.14	8,923.25	8,941.75	16,333.50	15,495.89	14,658.27	13,820.66	18,922.47	17,861.57	16,216.74	14,547.36	12,877.99
Domestic		60,851.26	69,540.61	68,706.86	106,045.26	93,184.99	100,395.35	97,767.16	103,691.59	103,885.67	98,327.32	87,945.31	82,896.36	87,153.88	79,017.59	73,045.84
Gross borrowing (flow)							10,755.21	14,133.29	17,979.87	16,910.90	16,949.00	16,760.06	13,253.68	21,977.02	15,557.88	16,924.51
External							0.00	8,200.00	0.00	0.00	0.00	6,150.00	0.00	0.00	0.00	0.00
Domestic							10,755.21	5,933.29	17,979.87	16,910.90	16,949.00	10,610.06	13,253.68	21,977.02	15,557.88	16,924.51
Amortizations (flow)		6,325.63	5,331.16	18,433.20	33,544.17	27,953.88	4,256.21	9,369.74	12,893.05	17,554.43	23,344.96	22,040.27	19,363.54	19,364.34	25,363.54	24,565.64
External		128.83	165.62	104.18	294.43	870.40	711.36	808.26	837.61	837.61	837.61	1,048.19	1,060.90	1,644.83	1,669.38	1,669.38
Domestic		6,196.79	5,165.54	18,329.02	33,249.74	27,083.48	3,544.85	8,561.48	12,055.44	16,716.81	22,507.35	20,992.07	18,302.64	17,719.51	23,694.16	22,896.26
Interests (flow)		3,092.88	3,493.60	6,209.43	5,332.54	6,064.29	7,488.81	10,524.66	11,739.76	14,356.52	15,500.67	15,076.20	13,949.62	13,813.89	15,770.07	14,634.38
External		43.77	77.00	23.60	49.80	71.78	125.84	153.59	342.77	367.47	390.35	405.74	584.75	572.50	505.90	494.97
Domestic		3,049.11	3,416.60	6,185.83	5,282.74	5,992.51	7,362.97	10,371.07	11,397.00	13,989.05	15,110.32	14,670.47	13,364.86	13,241.40	15,264.17	14,139.42
Net borrowing (gross borrowing minus amortizations)							6,499.00	4,763.55	5,086.82	-643.53	-6,395.96	-5,280.20	-6,109.86	2,612.69	-9,805.66	-7,641.12
External							-711.36	7,391.74	-837.61	-837.61	-837.61	5,101.81	-1,060.90	-1,644.83	-1,669.38	-1,669.38
Domestic							7,210.36	-2,628.19	5,924.43	194.08	-5,558.35	-10,382.01	-5,048.95	4,257.52	-8,136.29	-5,971.75
Debt and Debt-Service Indicators																
Debt Stock as % of SGDP		5.73	5.33	4.70	6.58	5.22	4.85	4.37	4.03	3.53	2.95	2.48	2.06	1.87	1.49	1.21
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		111.08	106.91	138.10	171.10	127.16	123.09	117.62	115.44	113.06	92.42	82.61	74.66	76.06	60.84	53.04
Debt Service as % of SGDP							0.52	0.76	0.83	0.95	1.02	0.86	0.68	0.60	0.66	0.55
Debt Service as % of Revenue (including grants and excluding other capital receipts)							13.22	20.51	23.86	30.43	32.01	28.69	24.68	24.41	26.75	24.20
Interest as % of SGDP							0.33	0.40	0.40	0.43	0.41	0.35	0.29	0.25	0.25	0.21
Interest as % of Revenue (including grants and excluding other capital receipts)							8.43	10.85	11.37	13.69	12.77	11.65	10.34	10.16	10.25	9.03
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							18.49	17.01	16.47	16.69	14.83	15.97	14.82	19.50	17.88	17.59
Adverse Shock Scenario is defined by the worst performance indicator measured in year 2026																
For Debt Stock as % of SGDP the adverse shock is: Revenue	Revenue															
Debt Stock as % of SGDP							4.85	4.75	4.73	4.52	4.21	3.98	3.76	3.73	3.51	3.36
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)							123.09	141.80	150.66	160.53	146.38	147.16	151.39	169.03	159.36	164.14
For Debt Service as % of SGDP the adverse shock is: Historical	Historical															
Debt Service as % of SGDP							0.52	0.79	0.89	1.04	1.15	1.04	0.92	1.00	1.24	1.63
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical	Historical															
Debt Service as % of Revenue (including grants and excluding other capital receipts)							13.22	21.92	26.35	33.34	39.66	38.59	36.67	42.78	56.52	79.19
For Interest as % of SGDP the adverse shock is: Revenue	Revenue															
Interest as % of SGDP							0.33	0.40	0.42	0.48	0.48	0.44	0.39	0.37	0.38	0.35
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)							8.43	12.05	13.47	16.98	16.61	16.23	15.73	16.73	17.37	17.01



HONOURABLE COMMISSIONER, MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT