# 2020

# REPORT OF THE

# EKITI STATE DEBT SUSTAINABILITY ANALYSIS

# (S-DSA)

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**EKITI State Technical Team**

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background

### 1.1.1 Policy Objective

Ekiti State Government conducted the Debt Sustainability Analysis (S-DSA) for the year 2020 to analyze the trends and patterns of the State's Public Finance during the period 2015 – 2019, and evaluate the State's long term debt sustainability between the years 2020 – 2029. The analysis highlights recent trends in the State's revenue, expenditure, public debt, and other related policies adopted by the State. The Debt Sustainability Assessment has been conducted with a view to evaluating the prospective performance of the State's Public Finances.

The State's DSA Framework provides an objective assessment of debt sustainability in a given macroeconomic context, that outlines her fiscal and monetary stance under certain assumptions and conditions.

### 1.1.2 Methodology

Ekiti State DSA was conducted and produced by the following Ministries, Department and Agencies (MDAs):

i. Ministry of Finance and Economic Development

ii. Ministry of Budget and Economic Planning

iii. Office of the Accountant-General and

iv. Debt Management Office

The S-DSA was produced using the Sub-National DSA Template and Toolkit developed by the Debt Management Office, in partnership with the World Bank Group. The State Government undertakes the conduct of the Debt Sustainability Analysis (DSA) exercise on an annual basis. It is an exercise that takes into consideration the State's historical macroeconomic data from the period 2015 – 2019 and projected data from the period 2020 – 2029 to assess the risk of debt distress in Ekiti State.

## 1.2 Summary of Findings

**1.2.1** The summary of the findings of Ekiti State DSA 2020 are as follows:

1. Revenue Profile

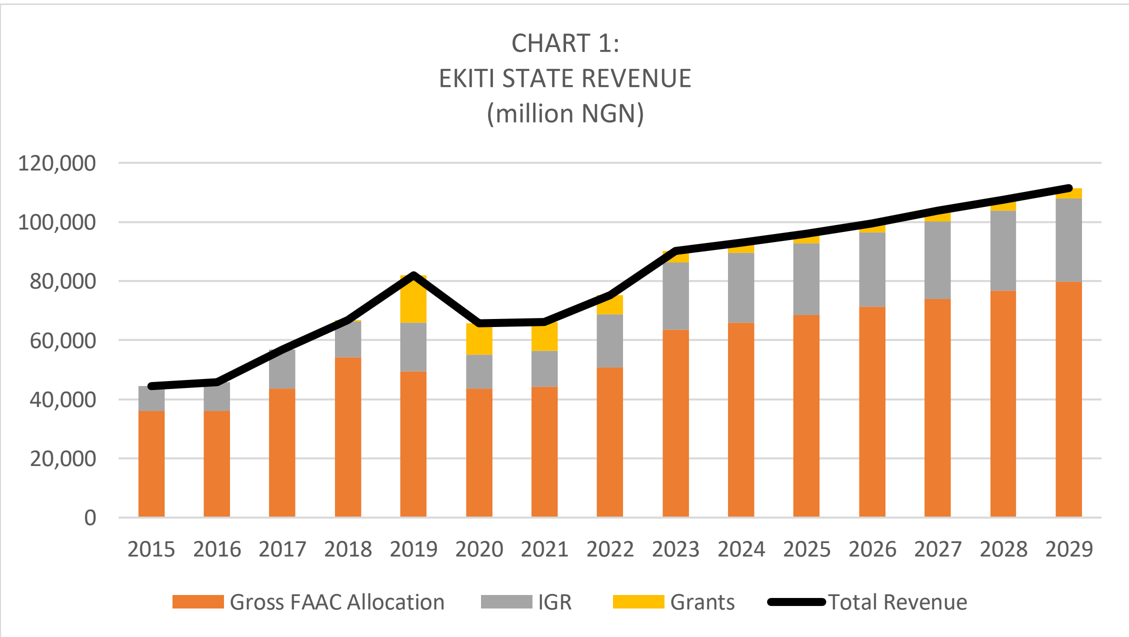
The revenue of Ekiti State had a consistent increase between 2015 and 2019. However, due to the impact of COVID-19, the State's revenue fell from N81.95 billion in 2019 to N65.71 in 2020. However, due to a combination of improvements in the global management of COVID-19, and deliberate fiscal and economic policies of the Government, revenues are expected to rise again from 2022.

The projected growth in revenues will be driven by the following:

1. Internal Revenue Service Autonomy: The implementation of the autonomy granted the Ekiti State Internal Revenue Service, by the EKIRS Law of 2019 (as amended), will significantly improve the Service's ability to grow Internally Generated Revenue (IGR). The autonomy will ensure a better qualified work force, and minimize Government interference in revenue collection matters.
2. Revenue Automation: The launch of Ekiti Revenue Automation System (ERAS) will minimize revenue leakages, while also enhancing the convenience of taxpayers, which will drive revenue growth.
3. Land Use Charge: The State Government is embarking on the digitization of land records and titles, and will introduce a land use

charge from 2021. This will significantly increase revenues and ensure Ekiti State now earns its legitimate property taxes.

4. Informal Sector Taxes: Agriculture and distributive trade constitute 70% of the State's economy, therefore the State has enhanced its ability to collect taxes from this largely informal sector. An enumeration of farmers and traders has been conducted, while a similar exercise for transporters is in progress. These initiatives will ensure Ekiti State can track the resulting tax revenues from the activities of these sectors.
5. Public Private Partnerships: The State Government has initiated a number of public private partnerships to increase economic activity and create jobs in Ekiti. This will have a positive effect on payroll and property taxes in the State.

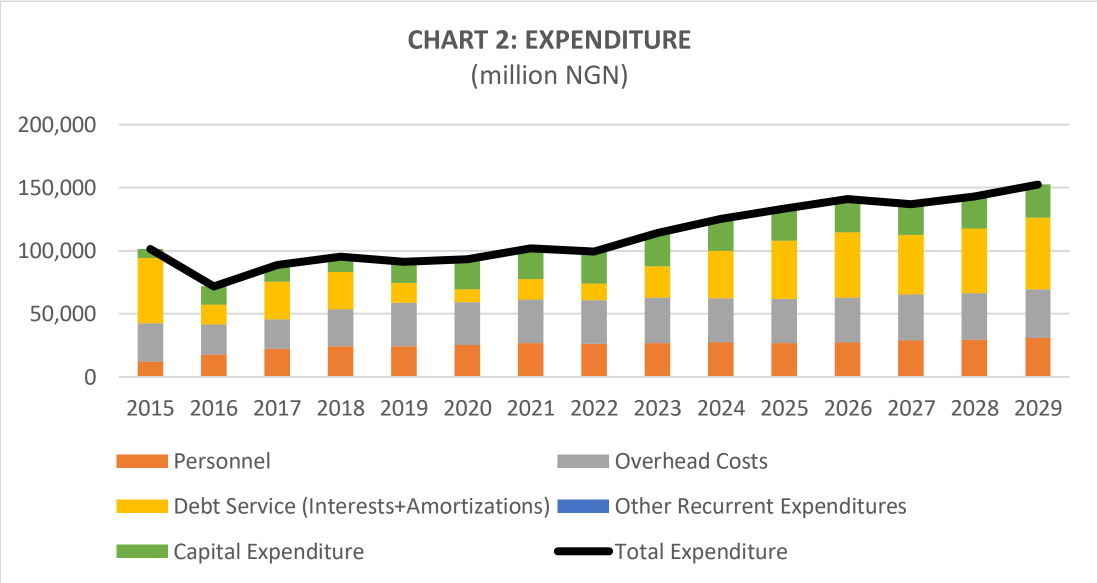


2. Expenditure Profile

The State's expenditure is projected to experience a steady increase from year 2020 to 2029. The increase in the expenditure is geared towards the following areas:

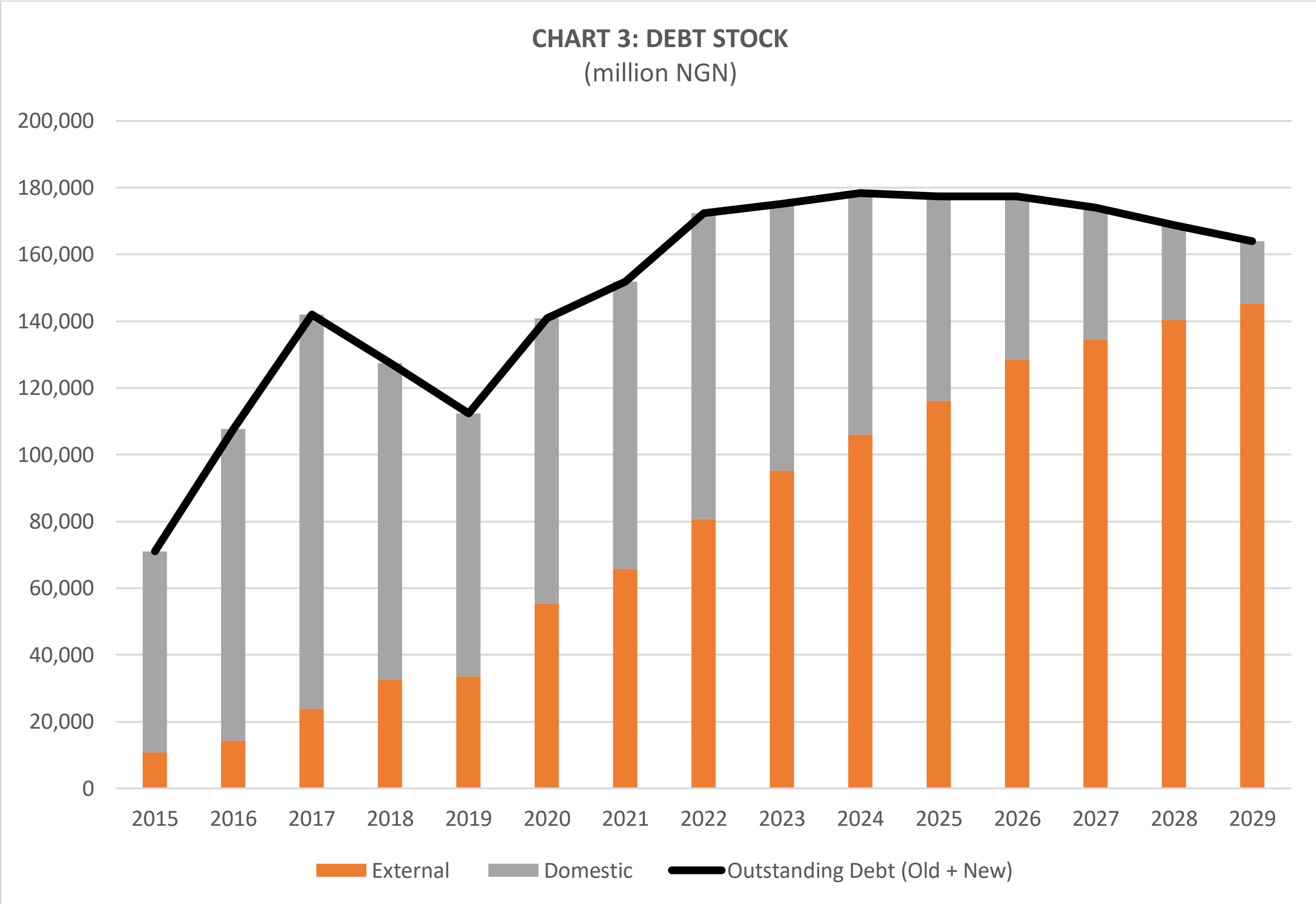
1. Improving infrastructure to enhance industrial and economic development. This includes investment in roads to connect economic clusters; mass housing projects to improve the housing stock; independent power projects to increase both grid and renewable energy supply; and an international airport, to open the landlocked state to passenger and cargo traffic.
2. Social investment to improve livelihoods. This includes cash transfer programmes to the poorest and most vulnerable residents; investment in improving healthcare, from primary to tertiary care; investments in WASH to deliver potable water across the State; and deliver environmental protection programmes to minimize the impact of erosion and other degradation factors in the State.
3. Agricultural development and food security programmes to leverage Ekiti's legacy as an agrarian economy. The investments in agriculture will be anchored around the Special Agro-Industrial Processing Zone, and will seek to open new land banks, provide irrigation solutions to guarantee all season farming, increase storage capabilities to minimize losses, as well as the provision of farm roads to increase access.
4. Knowledge Economy: The State is also keen to build on its legacy of being a knowledge driven people, by developing Ekiti Knowledge Zone, a knowledge

and service based Special Economic Zone (SEZ). This Zone will be a catalyst for job creation, and ensure Ekiti becomes a hub for technology jobs and digital skills in Nigeria. In addition, EKZ, Ekiti State Government is also investing in basic education, ensure the pipeline of future workers is developed and well suited to being competitive with peers across the world.




3. Debt Profile

Though Ekiti State debt stock shows a consistent increase from year 2019 to year 2028, this is mainly due an increase of 53.48% between 2019 and 2022, which moderates to 2.9% between 2023 and 2026. However, the debt stock is expected to gradually fall thereafter, as the State Government revenues increase, thereby reducing the need for additional debt. As part of its deliberate debt management strategy, the State will replace more expensive and shorter dated domestic debt with longer-term and low rate concessionary loans from development partners, while also ensuring most of the debt goes to income earning development projects.




## 1.3 Overall Results

The debt sustainability forecast of the State is satisfactory, underpinned by significant IGR growth, due to the tax administration reforms introduced by the State Government; moderation of recurrent expenditure growth; and capital investment in critical infrastructure to spur private investment. Given the State's own forecasts for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook (2020 – 2029) for Ekiti State public debt appears sustainable.

**Recommendations**

The key policy recommendations of the 2020 DSA exercise for Ekiti State are as follows:

a. A quick look at the baseline scenario of the State's debt indicators and their threshold revealed that the Debt-to-GDP ratio was within the threshold of 25% for the years under analysis (2015 – 2029) with a fiscal borrowing space/limit of 17%. Since the borrowing space/limit is a function of the size of the State's GDP, the projected borrowing limit should be adopted to guide the State Government's borrowing activities for 2021 and beyond;
b. Ekiti State Government is encouraged to sustain programmes to broaden the tax base, increase tax revenue collection, block leakages, and diversify its revenue sources;
c. As part of the initiatives at attracting new investments into the economy of Ekiti State and create new jobs, the Government is further encouraged to sustain its current efforts at implementing the Ease of Doing Business reforms in the State;
d. There is need to sustain Government's initiatives at reducing wastages through plugging of leakages and fostering fiscal transparency, by further strengthening the Bureau of Public Procurement and the Efficiency Unit in the State's Ministry of Finance;
e. In view of the uncertainty around the resources accruing to the State

Government from FAAC, as a result of the various shocks in the economy, the State Government should sustain the implementation of effective fiscal reforms such as the State Fiscal Transparency, Accountability Sustainability (SFTAS) programme for result with a view to achieving improved accountability and transparency, increase public revenue, rationalise public expenditure, improve public financial management and manage debt sustainably, to curtail the over-dependence on federal allocations;

f. As part of efforts at mobilising additional financing for infrastructure development, there is need to encourage credible Private Sector entities, to invest in infrastructure through the issuance of guarantees to priority sector areas, with high- impact on the economy;

g. There is also the need to creatively explore other alternative and viable sources of financing critical infrastructure projects, through Public-Private Partnership (PPP) arrangements – particularly concessions, to attract private capital either as equity, debt or mezzanine finance;

h. As part of efforts at enhancing overall public debt sustainability of the State, it is imperative to embark on capacity building initiatives for the State Debt Management Unit (DMU), so as to upscale their technical competence and skills in public debt management. This would help to enhance public debt management practices and thus, help realise overall public debt sustainability.

# CHAPTER TWO

# EKITI STATE FISCAL AND DEBT FRAMEWORK

## 2.1 Fiscal Reforms - Revenue and Expenditure in the last 3-5 years

Ekiti State Government had introduced and started implementation of some fiscal reform within the last 3 – 5 years. Among the reforms are the following:

i. Implementation of the Treasury Single Account via Remita Payment platform across the State for transparent and accountable revenue collection in the State.

ii. The State Government has introduced mandatory payment of 'Property Tax' payable by landlords and landowners across the 16 Local Government Areas of the state. The new tax policy was part of efforts to shore up the state's Internally General Revenues (IGR) for more infrastructural development. The new tax policy was part of efforts to shore up the State's Internally General Revenues (IGR) for more infrastructural development.

iii. Ekiti State Fiscal Responsibility Law No. 4, 2011 was repealed and re-enacted in the year 2019 to provide for the prudent management of the State resource; ensure long-term macro-economic stability, secure greater accountability and transparency in fiscal operation within a Medium-Term Fiscal Policy Framework (MTEF) and the establishment of the Fiscal Responsibility Commission;

iv. Ekiti State Board of Internal Revenue Law was passed and assented in year 2019 to boost internal revenue generation and enhance optimum collection of all taxes in the State. The law also included the provision for the Autonomy of the Board of Internal Revenue.

v. The State Government adopted the State Fiscal Transparency Accountability and Sustainability programme which was recently introduced by the World Bank to strengthen State-level fiscal transparency, accountability and sustainability; and also adopted Open Government Partnership to boost transparency in Government.

## 2.2 2020 Budget and MTEF, 2020- 2023

### 2.2.1 Overview of Ekiti State 2020 Budget

| S/N | | MINISTRY / DEPARTMENT | APPROVED ESTIMATES 2020 | ACTUAL EXPENDITURE Estimate Jan - April | REVIEW ESTIMATES BASED ON $20 ON 2020 APPROVED | % DISTRIBUTION |
|---|---|---|---|---|---|---|
| A | RECCURENT REVENUE | | | | | |
| 1 | 1 | Federal Allocation | 32,192,464,643.64 | 9,874,105,110.56 | 22,575,941,443.22 | 25% |
| | 2 | Internally Generated Revenue (MDAs) | 17,158,846,287.54 | 1,952,016,088.63 | 7,054,053,886.27 | 8% |
| | 3 | IGR (Tertiary Institutions) | 5,061,451,978.06 | 1,687,150,659.35 | 3,061,451,978.06 | 3% |
| | 4 | VAT | 10,800,000,000.00 | 3,940,597,533.50 | 10,848,970,123.33 | 12% |
| | 5 | Others:- Sundary Income | 1,881,649,000.00 | 611,815,611.39 | 659,541,332.12 | 1% |
| | 6 | Sundry Incomes: [FAAC Augmentation, Refund from NNPC] | 3,127,846,000.00 | - | 600,000,000.00 | 1% |
| | 7 | SFTAS 2018 | 4,387,500,000.00 | 1,008,000,000.00 | 1,008,000,000.00 | 1% |
| | 8 | SFTAS (2019 AND NEW ) | | - | 7,000,000,000.00 | 8% |
| | 10 | COVID 19 Proceed | | | 800,000,000.00 | 1% |
| | 11 | PAYEE REFUND – FEDERAL | - | 372,000,000.00 | 756,000,000.00 | 1% |
| | | Total Recurrent Revenue | 74,609,757,909.24 | 19,445,685,003.43 | 54,363,958,763.00 | 60% |
| | | | | | | |
| 2 | RECURRENT EXPENDITURE | | | | | |
| | 1 | Personnel Cost | 20,199,346,685.28 | 5,692,391,399.71 | 17,154,045,602.35 | 19% |
| | 2 | Overhead | 23,613,670,136.39 | 5,425,796,786.43 | 15,029,159,150.07 | 16% |
| | 3 | Expenditure:- IGR Tertiary Institutons | 5,061,451,978.06 | 1,687,150,659.35 | 3,061,451,978.06 | 3% |
| | 4 | Grants to Parastatals | 11,429,469,929.89 | 3,156,949,755.32 | 9,020,932,115.96 | 10% |
| | 5 | Consolidated Revenue Fund Charges | 10,882,836,819.75 | 4,567,713,604.78 | 10,098,369,916.56 | 11% |
| | | Total Recurrent Expenditure | 71,186,775,549.36 | 20,530,002,205.59 | 54,363,958,763.00 | 60% |
| | | | | | | |
| B | CAPITAL RECEIPTS | | | | | |
| 1 | 1 | Draw - Down: External (Grants/Loans) | 23,840,933,058.00 | 675,026,000.00 | 5,554,509,678.75 | 6% |
| | 2 | SDGs Conditional Grants Schemes (State and LGAs) | 250,000,000.00 | | - | 0% |
| | 3 | Innovative & Development Effectiveness for Acquisition of Skills (IDEAS) | 1,000,000,000.00 | | 100,000,000.00 | 0% |
| | 4 | Others Transferred from Prior Fiscal Year | 7,725,693,310.26 | 7,725,693,310.26 | 7,725,693,310.26 | 8% |
| | 5 | 2020 Loans Plan | 17,298,485,078.45 | 98,834,730.00 | 23,384,834,730.00 | 26% |
| | | Total: Capital Receipt | 50,115,111,446.71 | 8,499,554,040.26 | 36,765,037,719.01 | 40% |
| | | TOTAL REVENUE | 124,724,869,355.95 | 27,945,239,043.69 | 91,128,996,482.01 | 100% |
| | | | | | | |
| 2 | CAPITAL EXPENDITURE: | | | | | |
| | 1 | Capital Expenditure with Draw Down | 23,840,933,058.00 | 183,221,859.59 | 5,554,509,678.75 | 6% |
| | 2 | Capital Expenditure (Others) | 29,697,160,748.59 | 5,731,662,171.94 | 31,210,528,040.26 | 34% |
| | | Total Capital Expenditure | 53,538,093,806.59 | 5,888,611,531.53 | 36,765,037,719.01 | 40% |
| | | TOTAL EXPENDITURE | 124,724,869,355.95 | 26,418,613,737.12 | 91,128,996,482.01 | 100% |

### 2.2.2 Ekiti State Medium Term Fiscal Framework

1. The indicative three-year fiscal framework for the period 2020-2023 is presented in the table below.

**Table 2: Ekiti State Medium Term Fiscal Framework**

**Macro-Economic Framework**

| Item | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| National Inflation | 14.13% | 11.98% | 10.94% | 11.02% |
| National Real GDP Growth | -4.42% | 3.00% | 4.68% | 3.86% |
| Oil Production Benchmark (MBPD) | 1.7000 | 1.6500 | 2.0900 | 2.3800 |
| Oil Price Benchmark | $25.00 | $38.00 | $40.00 | $40.00 |
| NGN:USD Exchange Rate | 360 | 380 | 360 | 360 |
| **Other Assumptions** | | | | |
| Mineral Ratio | 34% | 30% | 30% | 30% |

| Recurrent Revenue | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Statutory Allocation | 39,076,613,748 | 39,676,613,748 | 40,676,613,708 | 40,876,613,748 |
| VAT | 11,813,639,751 | 12,728,830,236 | 14,351,857,182 | 16,015,425,240 |
| IGR | 15,238,333,822 | 17,524,083,895 | 19,276,492,284 | 21,204,141,513 |
| Excess Crude / Other Revenue | 9,441,756,378 | 9,441,756,378 | 9,441,756,378 | 9,441,756,378 |
| **Total Recurrent Revenue** | **76,170,343,699** | **79,371,284,257** | **82,746,719,592** | **86,337,936,879** |

**Recurrent Expenditure**

| | | | | |
|---|---|---|---|---|
| CRF Charges | 15,000,188,822 | 15,093,188,822 | 15,291,188,822 | 15,593,128,822 |
| Personnel | 17,299,009,956 | 20,080,449,388 | 22,429,360,674 | 24,725,484,949 |
| Overheads | 31,656,714,255 | 35,127,783,311 | 39,831,416,933 | 44,431,313,313 |
| **Total** | **64,048,913,033** | **70,301,421,520** | **77,353,966,429** | **84,249,987,084** |
| | | | | |
| **Transfer to Capital Account** | **12,121,430,666** | **9,069,862,737** | **5,392,753,163** | **2,087,949,796** |

**Capital Receipts**

| | | | | |
|---|---|---|---|---|
| Grants | 6,338,821,480 | 9,338,821,480 | 8,838,821,480 | 8,638,821,480 |
| Other Capital Receipts | 3,325,693,310 | 17,507,342,308 | 16,607,342,311 | 15,607,342,310 |
| **Total** | **9,664,514,790** | **26,846,163,788** | **25,446,163,791** | **24,246,163,790** |

**Reserves**

| | | | | |
|---|---|---|---|---|
| Planning Reserve | 3,808,517,185 | 3,968,564,213 | 4,137,335,980 | 4,316,896,844 |
| **Total Reserves** | **3,808,517,185** | **3,968,564,213** | **4,137,335,980** | **4,316,896,844** |

| | | | | |
|---|---|---|---|---|
| **Capital Expenditure** | **41,658,822,610** | **56,197,421,609** | **53,999,950,270** | **48,915,586,036** |
| Discretional Funds | 24,360,337,531 | 39,898,936,531 | 36,701,465,191 | 31,617,100,958 |
| Non-Discretional Funds | 17,298,485,078 | 16,298,485,078 | 17,298,485,078 | 17,298,485,078 |

| | | | | |
|---|---|---|---|---|
| **Net Financing (Deficit)** | 23,681,394,338 | 24,249,959,296 | 27,298,369,294 | 26,898,369,294 |

| | | | | |
|---|---|---|---|---|
| **Total Budget Size** | **109,516,252,827** | **130,467,407,342** | **135,491,252,678** | **137,482,469,964** |

Assumptions:

i. **Statutory Allocation** – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macro-economic framework (National) and the mineral assumptions in the 2020-2023 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and Inflation data.

ii. **VAT** - is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2021-2023 is in line with the current rate of collections (i.e. 7.5%). This forecast should be revisited if there are any changes to the VAT rates as proposed in the ERGP 2017 – 2020.

iii. **Other Federation Account Distributions** – the estimation is based on the current receipt (i.e. from January to May 2020). Furthermore, it is anticipated that new administrations will press FAAC for excess crude distributions in 2021 to fund new minimum wage and combat the social economic impact of COVID-19.

iv. **Internally Generated Revenue (IGR)** – based on IGR reforms initiatives being introduced by the current administration the State IGR is expected to increase IGR annually by 15% in 2019 and 2020 and 10% annually in 2021 and 2022. The forecast is calculated based on a moderate compounded annual growth rate.

v. **Grants** – The grants are based on the actual receipts for 2019 and performance from January to April 2020. However, the forecast is also based on the expectations driven by the Office of Development Partnerships, a dedicated office established by the current Government to coordinate engagement with development partners, led by a Special Adviser of Cabinet rank.

vi. **Financing (Net Loans)** – The domestic and external loans are projections based on the financing gap and borrowing plans of the State

vii. **Other Capital Receipts** – These are monies sundry sources such as refund from Federal Government and receipts from State investments.

viii. **Consolidated Revenue Fund Charges** - This includes public debt charges (or debt servicing), pensions, gratuity and benefits for Political office holders. It is anticipated that the current growth rate will be maintained over the next 4 years. The estimation is based on moving average excluding outliers, to eliminate years of abnormal growth/decline.

ix. **Personnel** – The current administration has suspended the recruitment exercise due to the present economic realities and it aims to offset the outstanding emolument of the workforce in 2021. Therefore, an increase is expected in personnel cost in 2021. The projection is a 5-year moving average, excluding outliers, and considers the suspension of the employment exercise for new recruits and the full implementation of the new minimum wage in the State.

x. **Overheads** – Expenses relating to elections caused the 78% and 10% increase witnessed in 2017 and 2018. Equally, the impact of COVID-19 means all non-essential programmes and activities will not be incorporated in the 2021 Budget.

Consequently, Overhead will decline slightly in 2020 and stabilise thereafter. The estimate is also based on a 50-year moving average, excluding outliers.

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

## CHAPTER THREE

## REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE, 2015-2019

### 3.1 Revenue, Expenditure and Fiscal Performance, 2015 – 2019

### 3.1.1 Revenue Performance

Ekiti State aggregate total revenue is made up of the following:

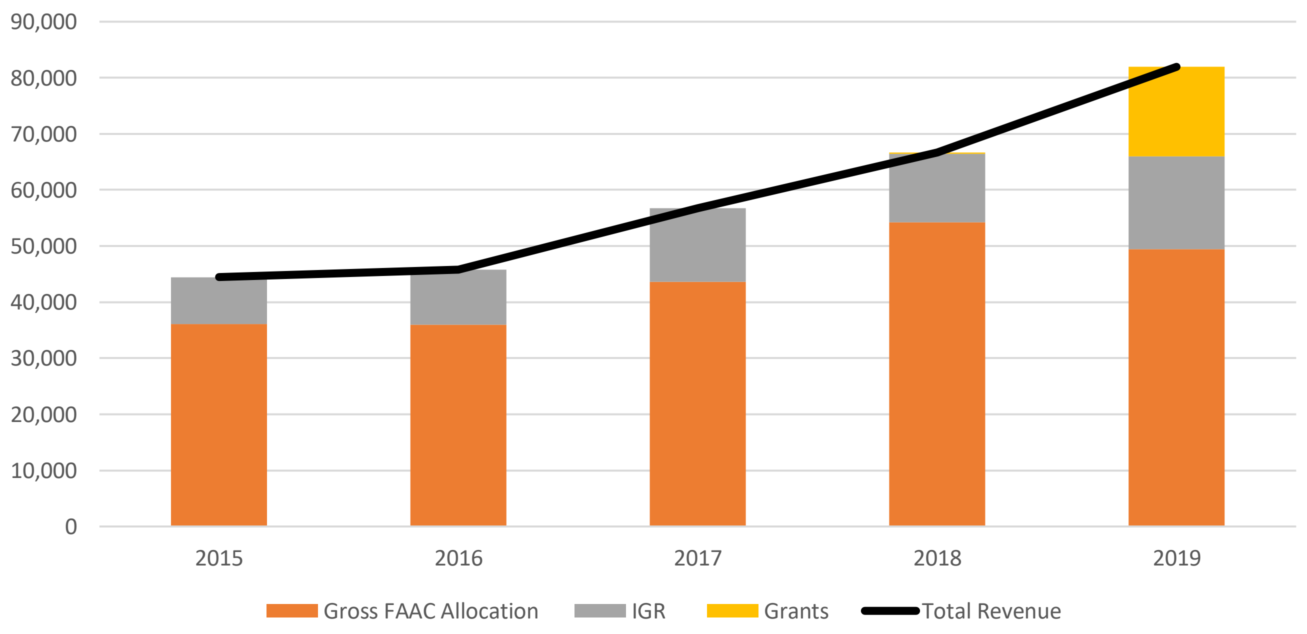
i. Statutory Allocation from the federal Government (Oil, Customs, and CIT tax revenues)
ii. Other FAAC transfers which include exchange rate gains, augmentations, among other (i.e. Excess Crude Accounts)
iii. VAT allocation
iv. Internally Generated Revenue (IGR) which include tax and non-tax independent revenues.
v. Capital Receipts includes grants (domestic and foreign), sales of government assets, proceeds from debt-creating borrowings, etc.

The aggregate Total Revenue of the State shows a consistent increase during 2015-2019 period (Chart 4). The total revenue was ₦44.47 billion in the year 2015, and by 2019, had risen to ₦81.95 billion, largely driven by a growth in Gross FAAC allocation. The State also invested in grant and donor funded opportunities, which started to yield results in 2019, when Ekiti State received over ₦19 billion as grants. The present administration has also established an Office for Development Partnerships, to attract grants from both local and international partners.

The State exhibited strong Internally Generated Revenue (IGR) growth during the review period. The IGR grew by 96.97% between 2015 and 2019, though IGR as a share of aggregate revenue had a marginal increase of 1.85% (18.32% in 2015 and 20.17% in 2019). The improvement in the IGR is mainly as a result of tax administration reforms initiated at the inception of the present administration. The reforms were aimed at improving the revenue collection and broadening the tax revenue base.

In addition, the State Government recently introduced the payment of land use charge tax by the owners of landed properties in Ekiti State. The payment of the tax will further increase the State's revenue, while the implementation of the Ekiti State Internal Revenue Law will trigger a significant increase in the revenue of the State.

**Chart 4**:
Total Revenue (million NGN)




### 3.1.2 Expenditure Performance

The expenditure items of the State can be classified under the following:

i. **Personnel costs** – Salaries, Pensions and Gratuity, Allowances and Contributions, etc.;

ii. **Overhead Costs** – Travel and Transport, Utilities, Materials and Supplies, Maintenance Services, etc.;

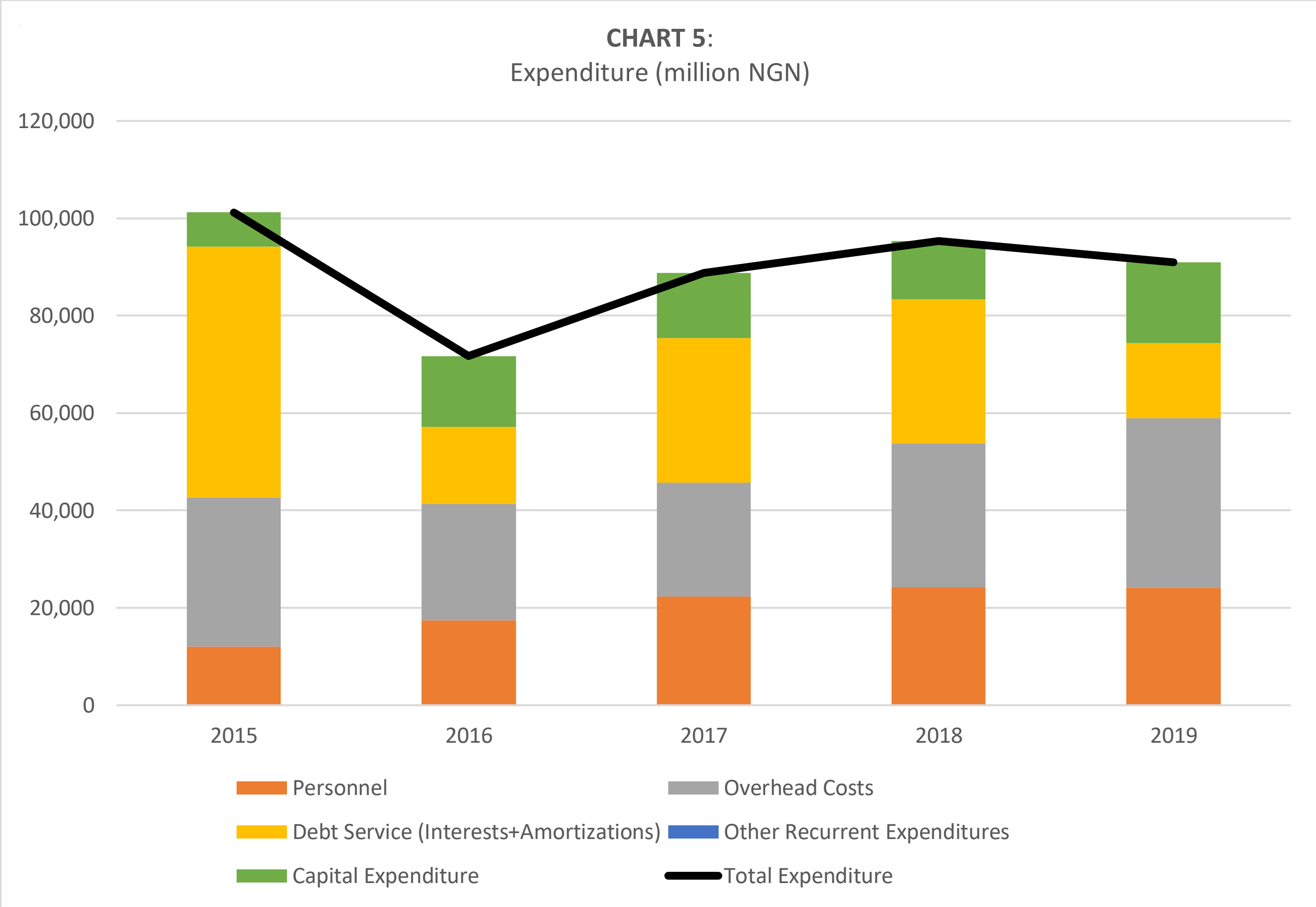
iii. **Other Recurrent Expenditure** – other recurrent expenditure excluding Personnel Costs, Overhead Costs and Interest Payments;

iv. **Capital Expenditure** – Acquisition of non-financial assets and capital transfer to Public Entities, among others;

v. **Amortized Payments** – amortized payments of State bonds, commercial bank loans, and external loans.

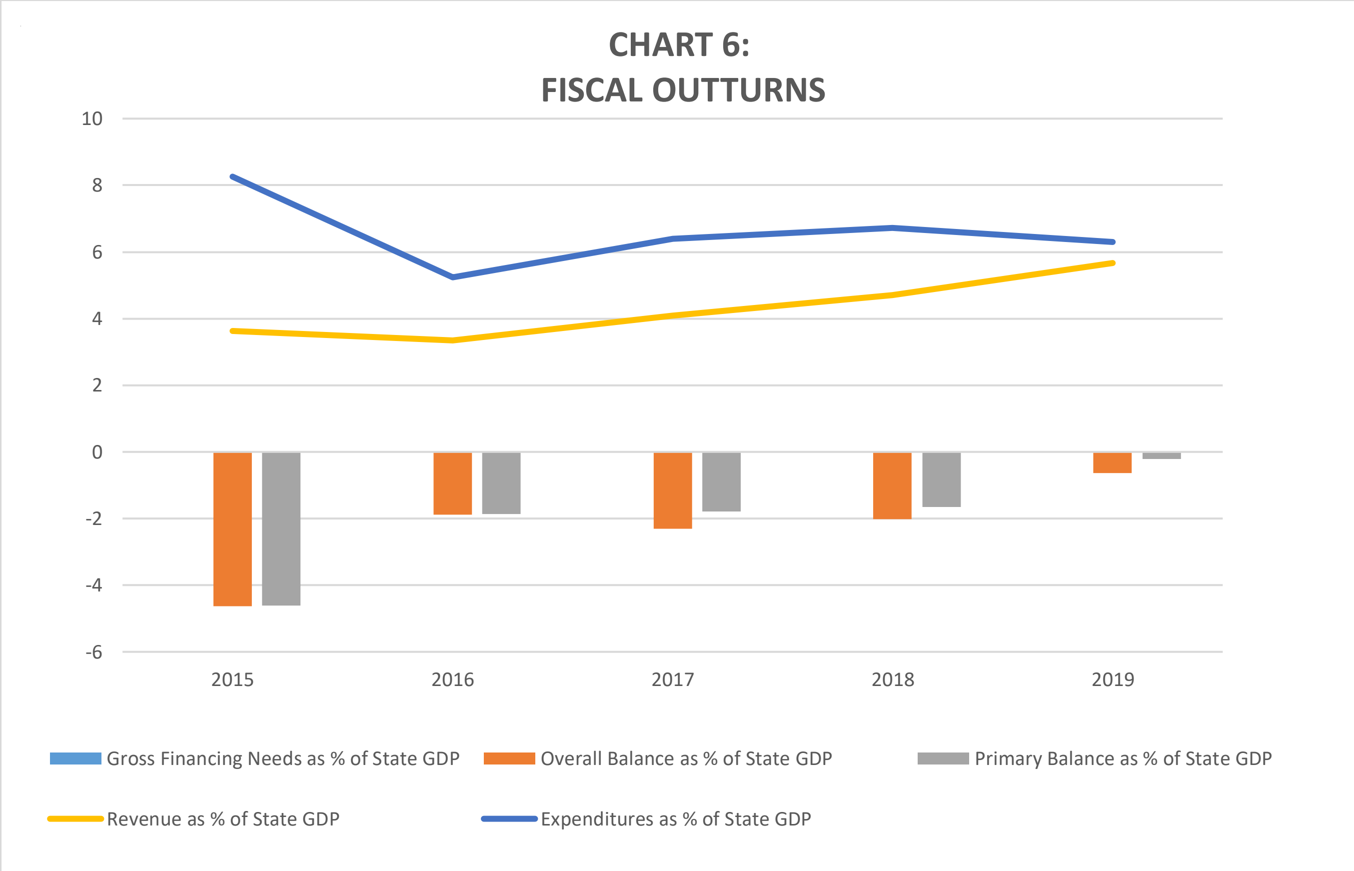
The personnel component of the aggregate total expenditure had a significant increase of 100% between 2015 and 2019, while overhead cost was only increased by 13.70% between the same period. This was because the new administration, which assumed office in October 2018, paid a number of outstanding salaries, effected promotion and also employed workers to fill vacancies.

The debt service component also reduced by 70.1%, driven by service component largely reduced by 70.01%. The decline was due to the restructuring of the State commercial bank loans by Federal Government. However, the capital expenditure experienced a substantial increase of 136.98% within the same period. The variation can be traced to the policy of the State Government- to embark on more capital project in order to deliver on the electioneering promises.




### 3.1.3 Fiscal Outturns

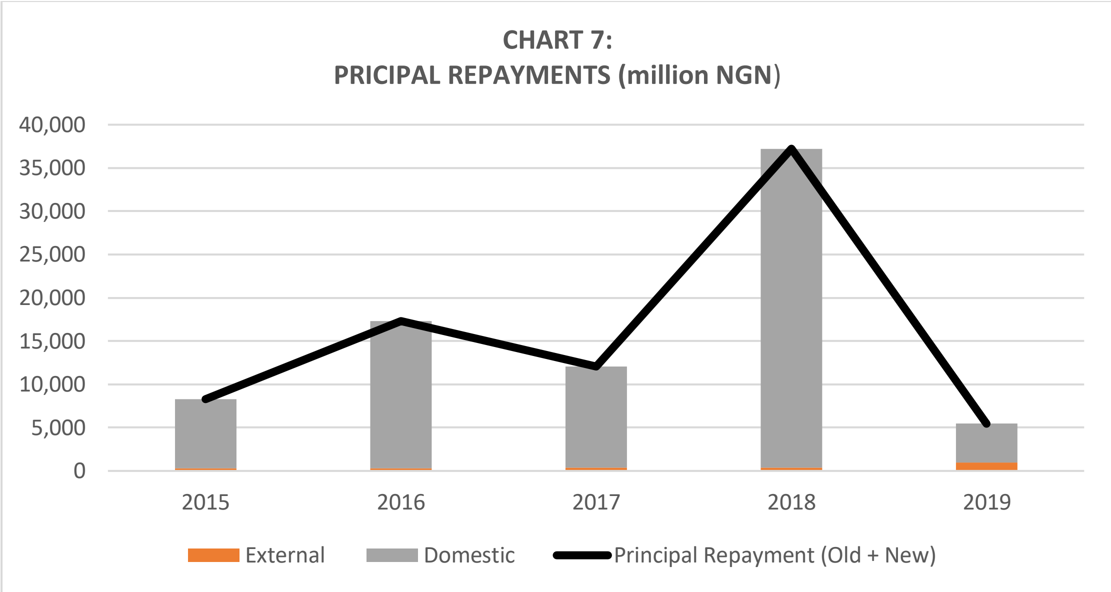
The overall fiscal balance and the primary fiscal balance declined continuously during the period under review. Both balances declined from deficit of 5.00% of State Gross Domestic Product (S-GDP) in 2015 to overall balance of deficit of 1% of S-GDP and primary balance of deficit of 0.1% of S-GDP in 2019. The decline could be traced to the fall in the federal transfer (oil receipt). While the overall fiscal balance experienced a partial recovery to a deficit of 2.05% of S-GDP in 2017, the primary fiscal balance had a steady decline in 2016, 2017 and 2018.



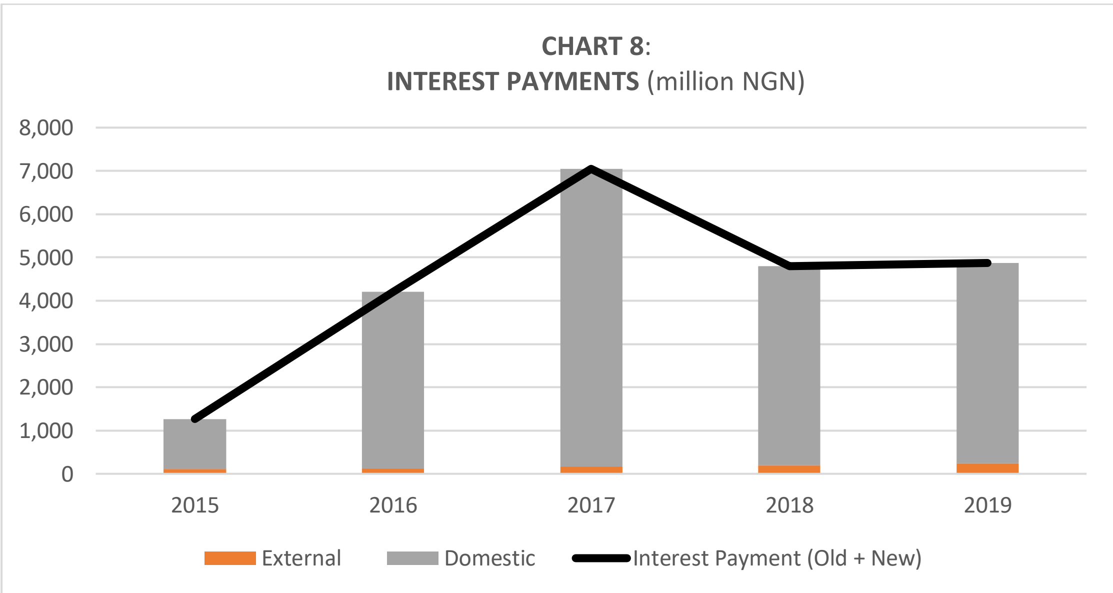

### 3.1.4 Optional Charts

- Principal Repayment

The State's repayment profile is dominated by domestic debt repayment, mainly due to it constituting most of the State's debt, and the much shorter maturity profile of domestic debt, when compared with concessionary foreign debt which tend to be much longer dated, with flexible moratorium periods.




- Interest Payment




- Personnel Cost

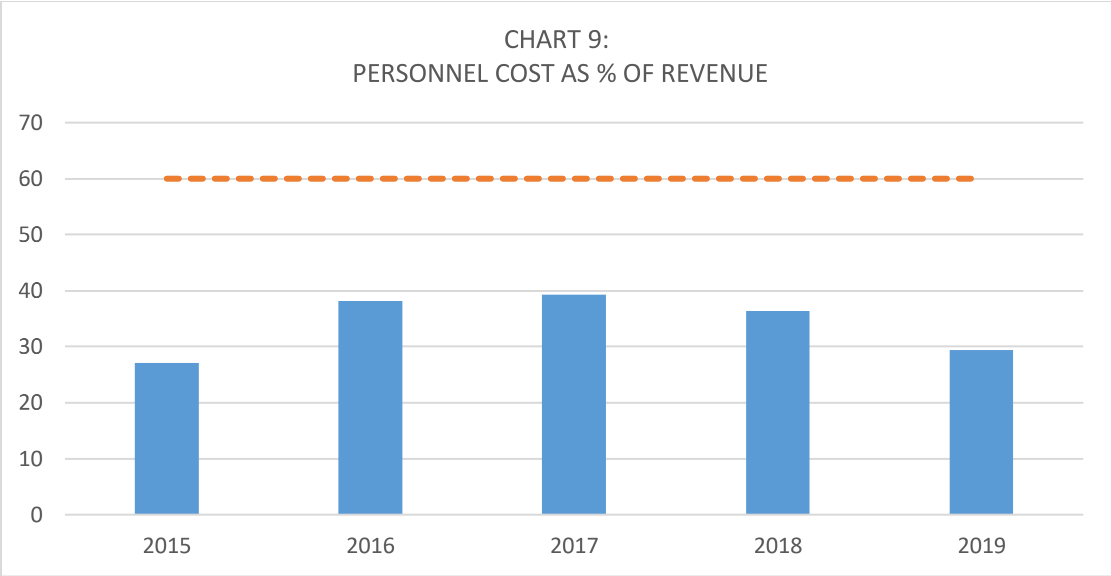


CHART 9:
PERSONNEL COST AS % OF REVENUE
70
60
50
40
30
20
10
0
2015
2016
2017
2018
2019

## 3.2 EKITI State Debt Portfolio, 2015-2019

### 3.2.1 Total Debt

The total public debt includes the explicit financial commitments – like loans and securities – that have paper contracts instruments which the State Government promises to repay. Total public debt excludes the contingent liabilities (i.e. guarantee, State-owned enterprises and non-guaranteed liabilities). Within the period 2015 – 2019, the value of the debt stock of Ekiti State increased by 4.30%.

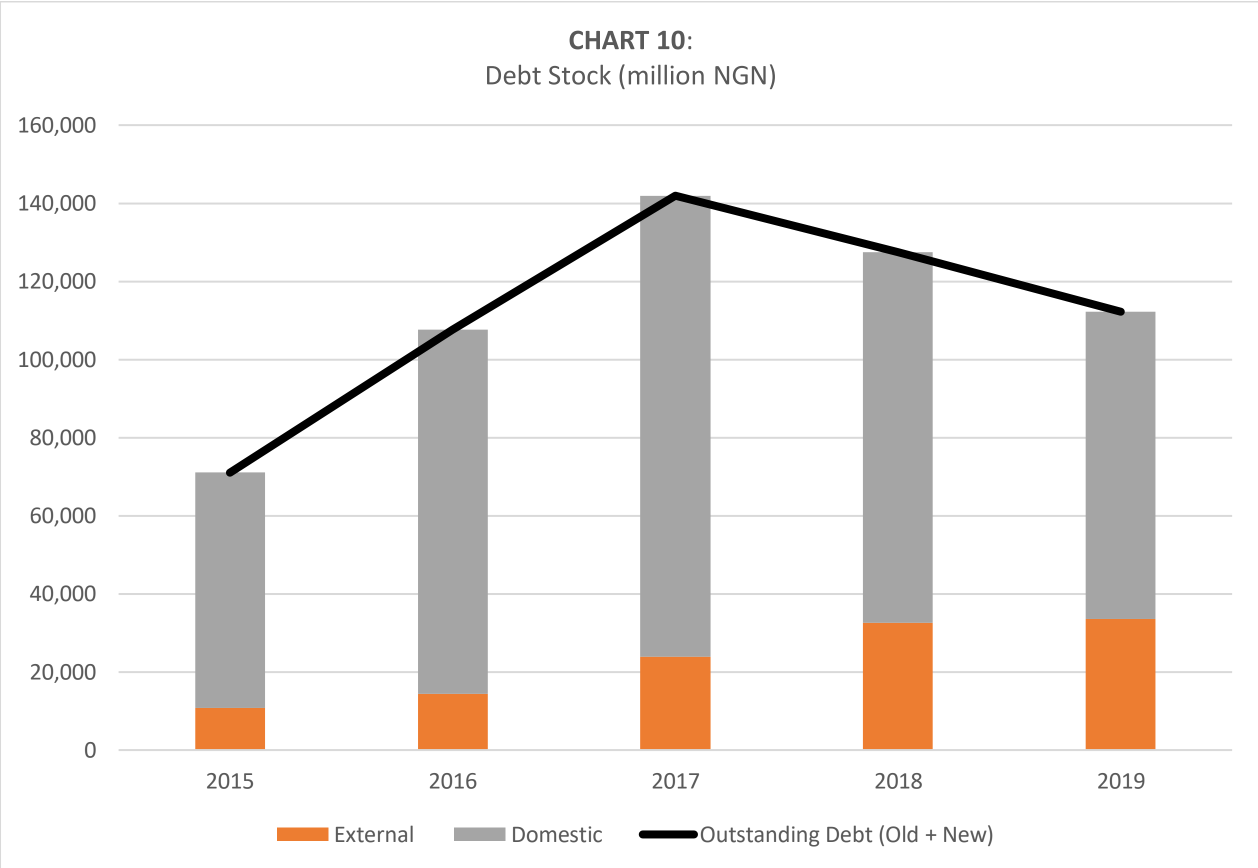
### 3.2.2 Debt Composition

The total debt is made up of domestic debt and external debt stock components, with domestic debt stock making up 70.10%, while external debt makes up the balance of 29.90% as at 2019.

## 3.3 Cost and Risk Profile

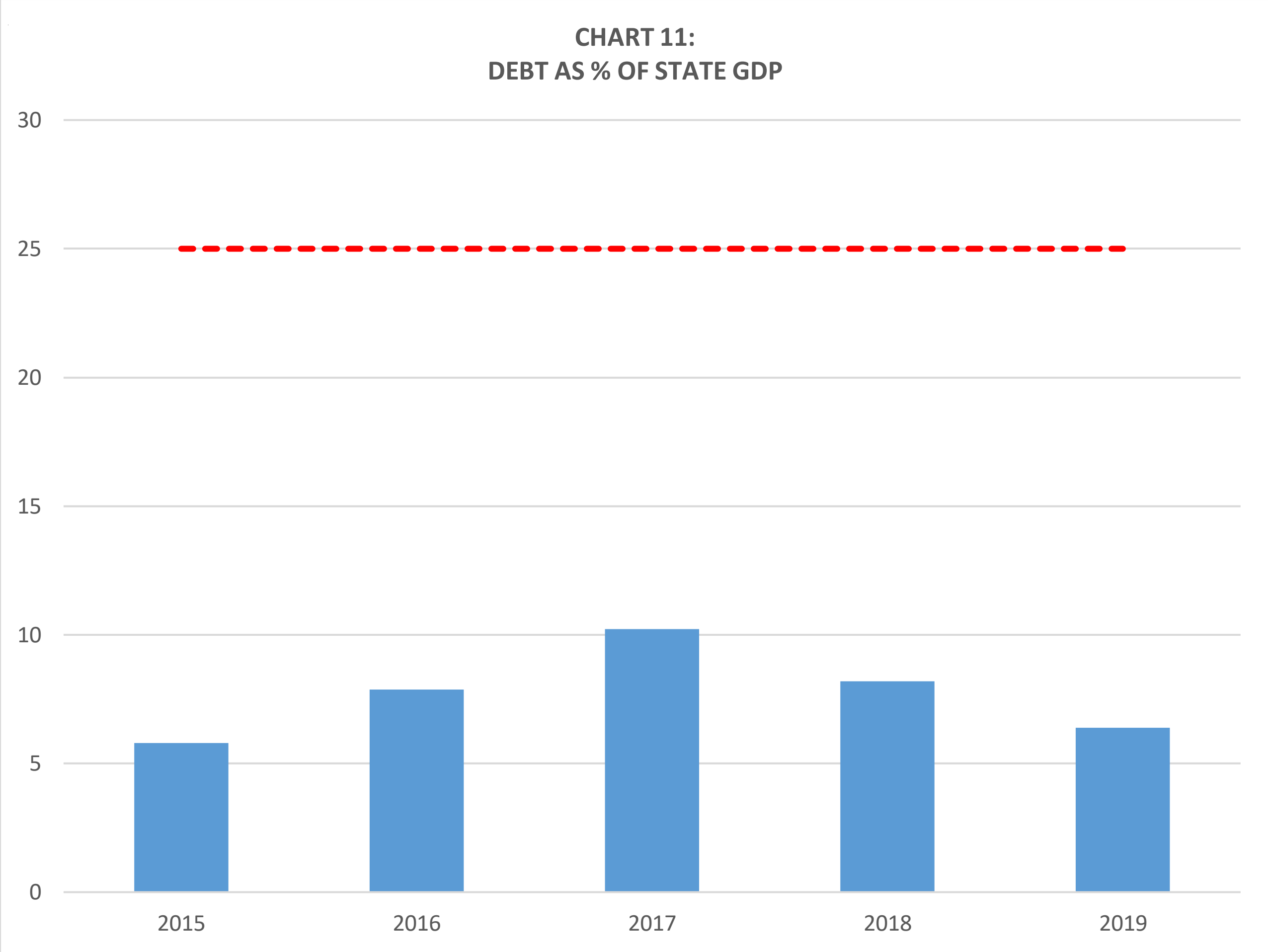
The State's debt portfolio at end 2019 was held at low cost and risk. The debt portfolio carried on the average an implicit interest rate of 10% in 2018-2019 and the interest payments as a share of the total expenditures was 16.96%.

The State's debt portfolio is narrowly exposed to currency, interest rate and rollover risks. The average implicit interest rate and the interest rate percentage of the total revenue recorded 0% in 2019. This means that the State did not enter into any financial commitment with implicit interest rate. In addition, the State's exposure to currency fluctuations is limited because the share of the foreign currency-denominated liabilities on the total debt stock is 29.90%. Most of the State's internal loans are non-fixed-rate obligation while the external loans are mostly fixed-rate obligations. The average maturity of most of these loans are between 8 to 12 years. Ekiti State financial obligations include financing from the Federal Government, commercial banks and the multilateral organizations with negligible rollover risk.



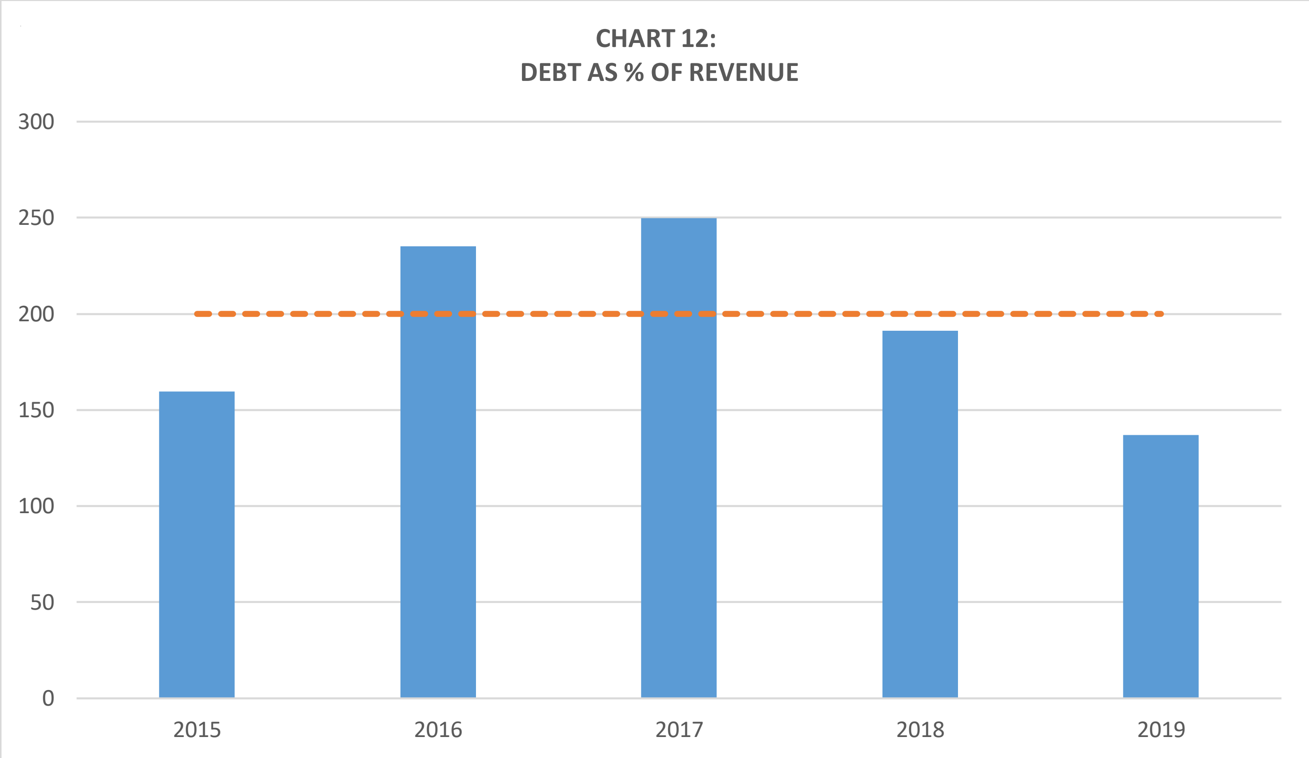

**Optional Charts**

- Debt as a Share of State GDP

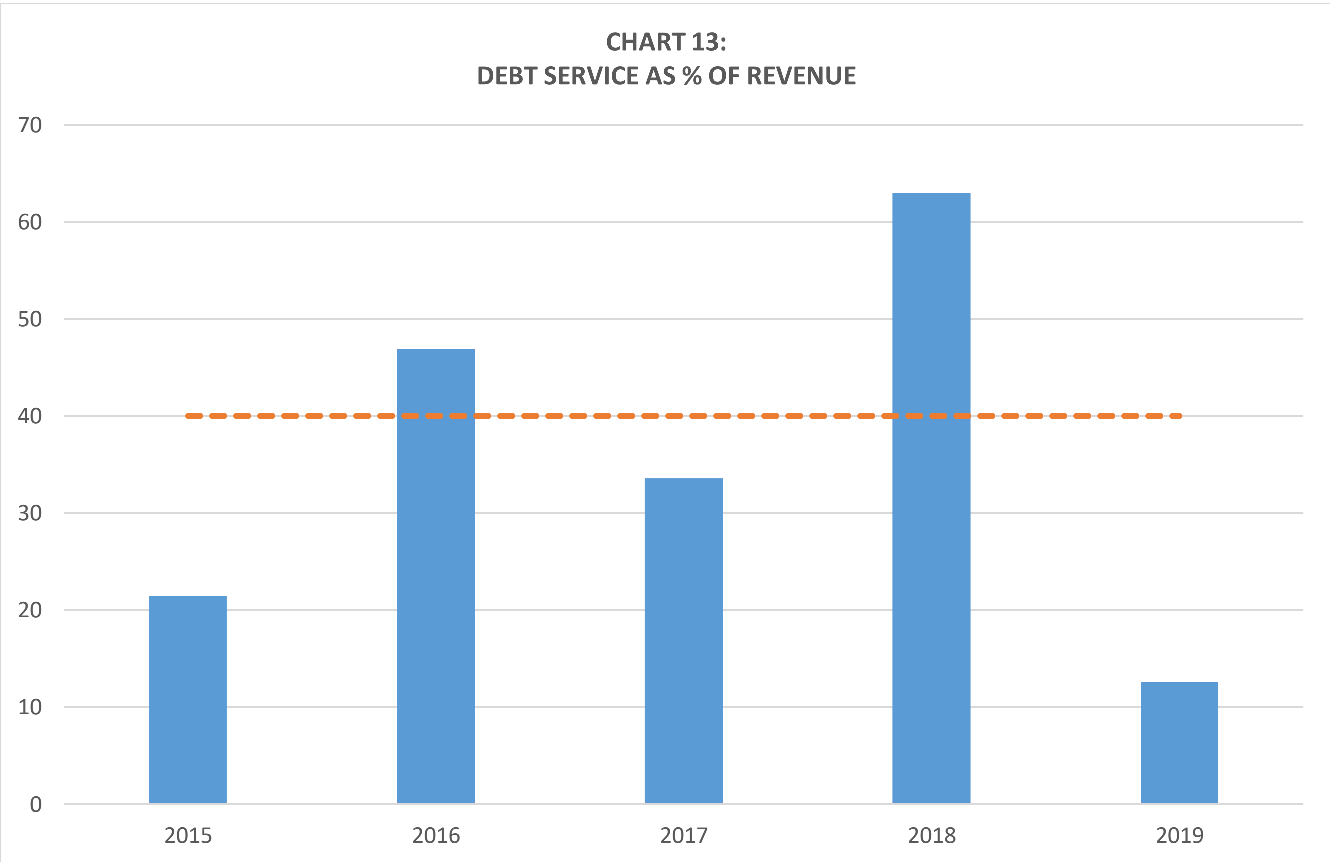



- Debt as a Share of Revenue

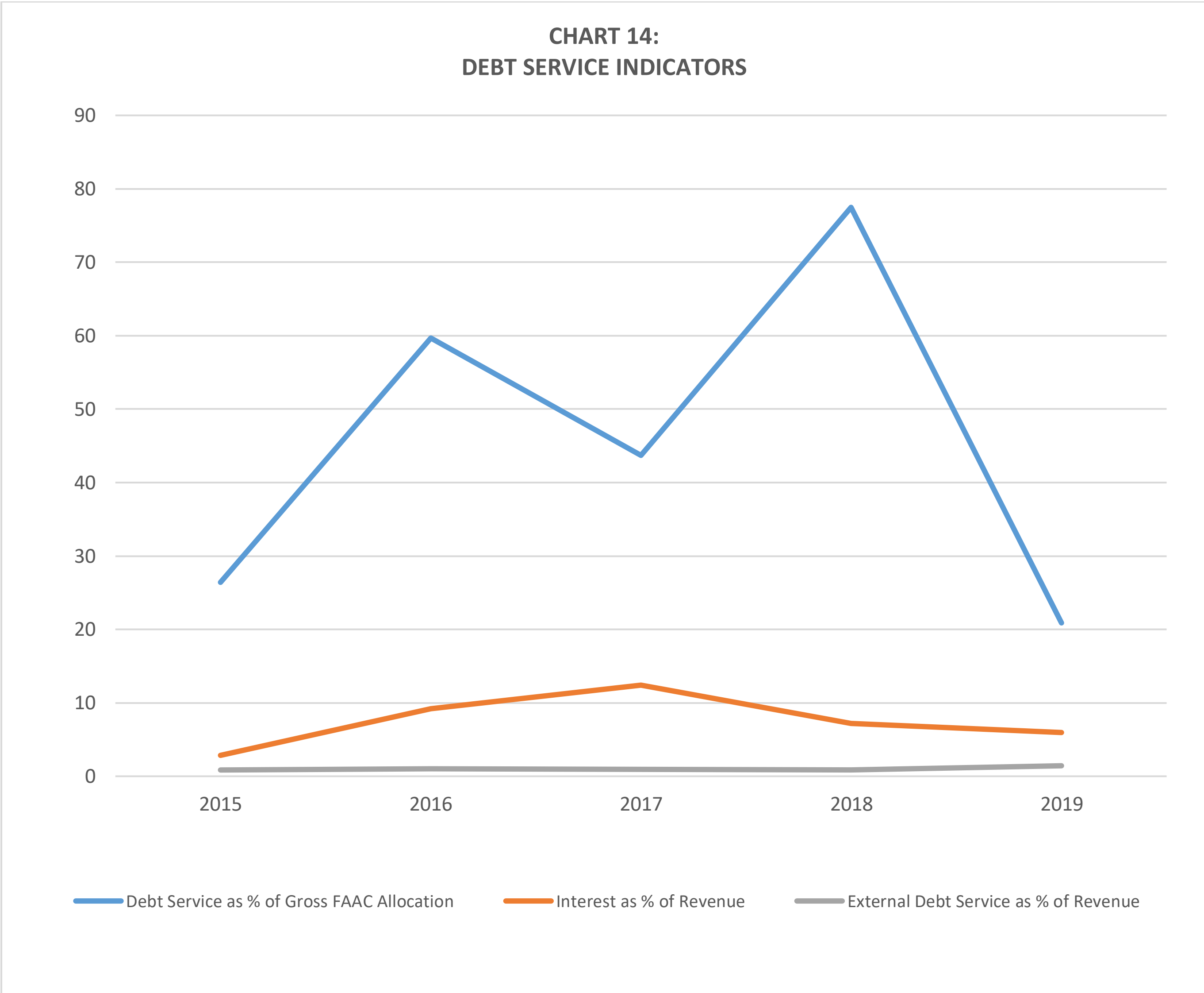
The debt-to-revenue ratio which was 160% in 2015 rose above the threshold to 235% and 250% in 2016 and 2017 respectively. The increase was due to the federal government bailouts facilities during the period. The share of public debt stock on total Revenue at end – 2019 stood at 137% which is below the threshold of 200% for the period 2015 – 2019. Thereafter the ratio has been projected to experience a steady decline.




- Debt Service as a Share of Revenue



- Debt Service Indicators



# CHAPTER FOUR

## CONCEPT OF DEBT SUSTAINABILITY, ASSUMPTIONS, RESULTS ANALYSIS AND FINDINGS

### 4.0 Introduction - Concept of Debt Sustainability

Definition of Debt Sustainability

The concept of debt sustainability refers to the ability of the government to honour its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. A country or sub-national's public debt is considered sustainable if the government is able to meet all its current and future payment obligations without exceptional financial assistance or going into default. 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. Debt sustainability is a situation in which the borrower is expected to be able to continue servicing its debts (the 'solvency' condition) without an 'unrealistically large' future correction to the balance of income and expenditure (IMF, 2001).

**Debt Sustainability Indicators and Thresholds**

| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **WITH INDICATIVE THRESHOLDS** | **Debt as % of GDP** | 6 | 8 | 10 | 8 | 6 | 8 | 7 | 8 | 7 | 7 | 6 | 6 | 5 | 5 | 4 |
| | ***Threshold*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** | ***25*** |
| | **Debt as % of Revenue** | 160 | 235 | 250 | 191 | 137 | 214 | 229 | 229 | 194 | 192 | 185 | 178 | 168 | 157 | 147 |
| | ***Threshold*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** | ***200*** |
| | **Debt Service as % of Revenue** | 21 | 47 | 34 | 63 | 13 | 16 | 24 | 17 | 28 | 40 | 48 | 52 | 46 | 48 | 51 |
| | ***Threshold*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** | ***40*** |
| | **Personnel Cost as % of Revenue** | 27 | 38 | 39 | 36 | 29 | 38 | 40 | 35 | 30 | 29 | 28 | 27 | 28 | 27 | 28 |
| | ***Threshold*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** | ***60*** |
| | | | | | | | | | | | | | | | | |
| **WITHOUT THRESHOLDS** | **Debt Service as % of Gross FAAC Allocation** | 26 | 60 | 44 | 77 | 21 | 23 | 36 | 26 | 39 | 57 | 67 | 72 | 64 | 67 | 71 |
| | **Interest as % of Revenue** | 3 | 9 | 12 | 7 | 6 | 7 | 10 | 10 | 10 | 11 | 12 | 12 | 12 | 12 | 12 |
| | **External Debt Service as % of Revenue** | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 3 | 12 | 18 | 17 | 19 | 21 | 24 |

## 4.1 Medium Term Budget Forecast

Ekiti State's Medium-Term Debt Sustainability is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation. The State's Medium Term Fiscal Framework is adopted for the sustainability analysis.

### 4.1.1 Revenue Assumptions

According to Ekiti State Medium Term Fiscal Framework for the period 2020 – 2023, the estimation for statutory FAAC allocation is based on an elasticity forecast taking into consideration the macro-economic framework (National) and the mineral assumptions in the 2020-2023 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 projected based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2021-2023 is in line with the current rate of collections (i.e. 7.5%). This forecast should be revisited if there are any changes to the VAT rates as proposed in the ERGP 2017 – 2020. IGR is estimated to grow based on IGR reforms initiatives being introduced by the current administration the State IGR is expected to increase IGR annually by 15% in 2019 and 2020 and 10% annually in 2021 and 2022. The forecast is calculated based on the projected growth rate.

#### 4.1.2 Expenditure Assumptions

**Personnel** – The current administration has suspended the recruitment exercise due to the present economic realities and it aims to offset the outstanding emolument of the workforce in 2021. Therefore, an increase is expected in personnel cost in 2021. The projection is based in the 5-year moving average excluding outliers.

**Overheads** – Expenses relating to elections caused the 78% and 10% increase witnessed in 2017 and 2018. Equally, the impact of COVID-19 had changed the narrative as all non-essential programmes and activities would not be incorporated in the 2021 Budget. Consequently, Overhead will decline slightly in 2020 and stabilise thereafter.

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

The DSA is also predicated on the continuation of recent efforts to mobilize local revenue sources, and on unchanged policies concerning personnel and other operating expenses. The fiscal reforms adopted by the State Government to strengthen resources provided by IGR, are expected to continue in the next few years and will benefit from the overall economic recovery. On the other hand, no new policies are anticipated with regard to personnel and overhead costs, which are thus likely to preserve their historical trends.

### 4.2 Borrowing Assumptions

The total planned borrowings of the State are reported in the table below:

| 2020 (₦000,000) | 2021 (₦000,000) | 2022 (₦000,000) | 2023 (₦000,000) | 2024 (₦000,000) | 2025 (₦000,000) | 2026 (₦000,000) | 2027 (₦000,000) | 2028 (₦000,000) | 2029 (₦000,000) |
|---|---|---|---|---|---|---|---|---|---|
| 28,738.27 | 20,283.30 | 25,898.76 | 18,647.69 | 30,109.74 | 33,109.62 | 39,324.96 | 31,775.75 | 32,801.24 | 38,562.30 |

The above planned borrowings within the projected period shall be covered with the domestic borrowing (local currency) and external borrowing (foreign currency) under the following terms and conditions:

- Domestic Borrowing - Terms (interest rate, maturity and Grace Period)

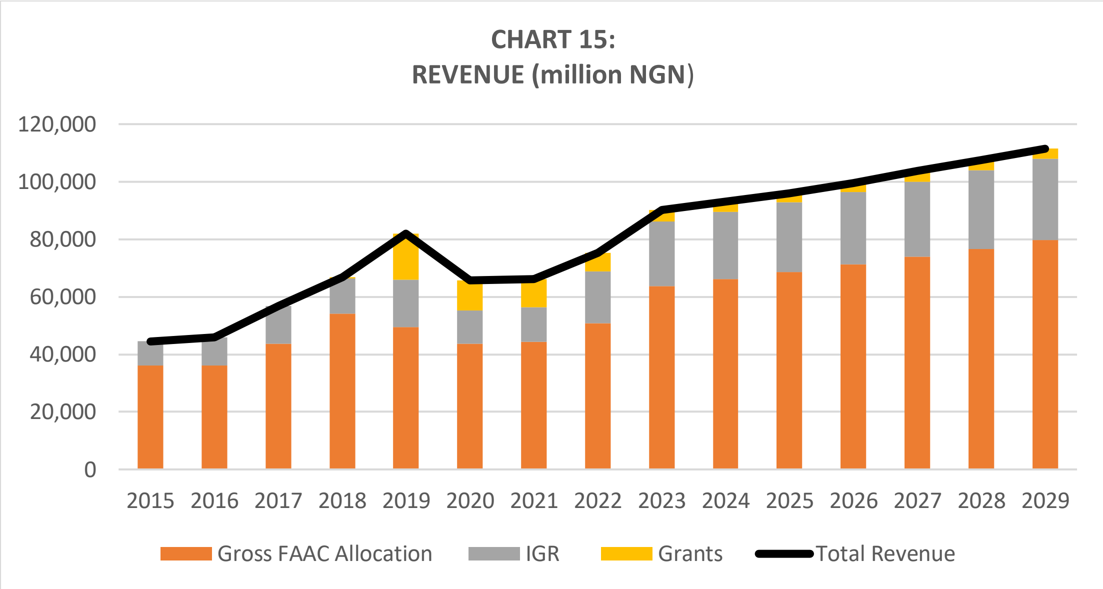
| **Borrowing Terms for New Domestic Debt (issued/contracted from 2020 onwards)** | **Interest Rate (%)** | **Maturity (# of years)** | **Grace (# of years)** |
|---|---|---|---|
| Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans and MSMEDF) | 9 | 5 | 1 |
| Commercial Bank Loans (maturity 6 years or longer, including Agric Loans and MSMEDF) | 9 | 10 | 2 |
| State Bonds (maturity 1 to 5 years) | | | |
| State Bonds (maturity 6 years or longer) | 14 | 7 | 0 |
| Other Domestic Financing | | | |

- External Borrowing - Terms (Interest rate, maturity and Grace Period)

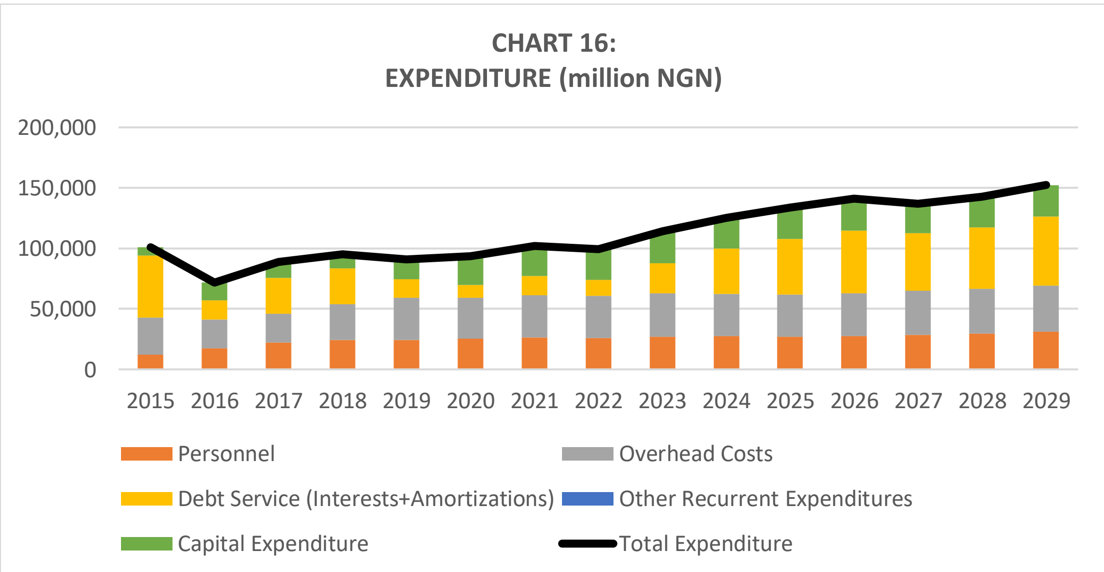
| **Borrowing Terms for New External Debt (issued/contracted from 2020 onwards)** | **Interest Rate (%)** | **Maturity (# of years)** | **Grace (# of years)** |
|---|---|---|---|
| External Financing - Concessional Loans (e.g., World Bank, African Development Bank) | 5 | 25 | 3 |

## 4.3 Simulation Results and Findings

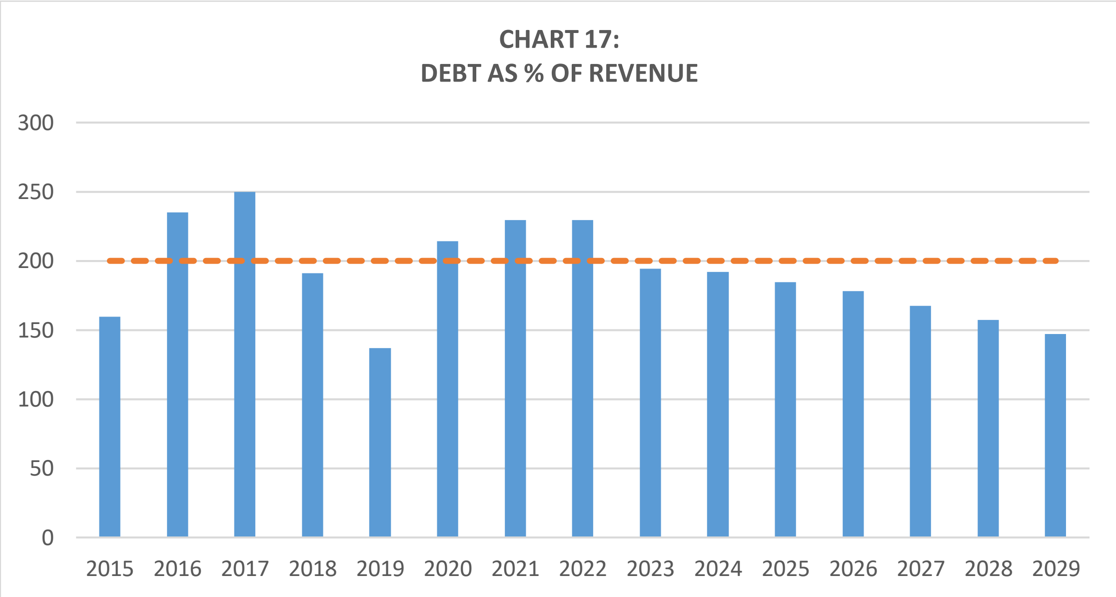
### 4.3.1 Projected Revenue



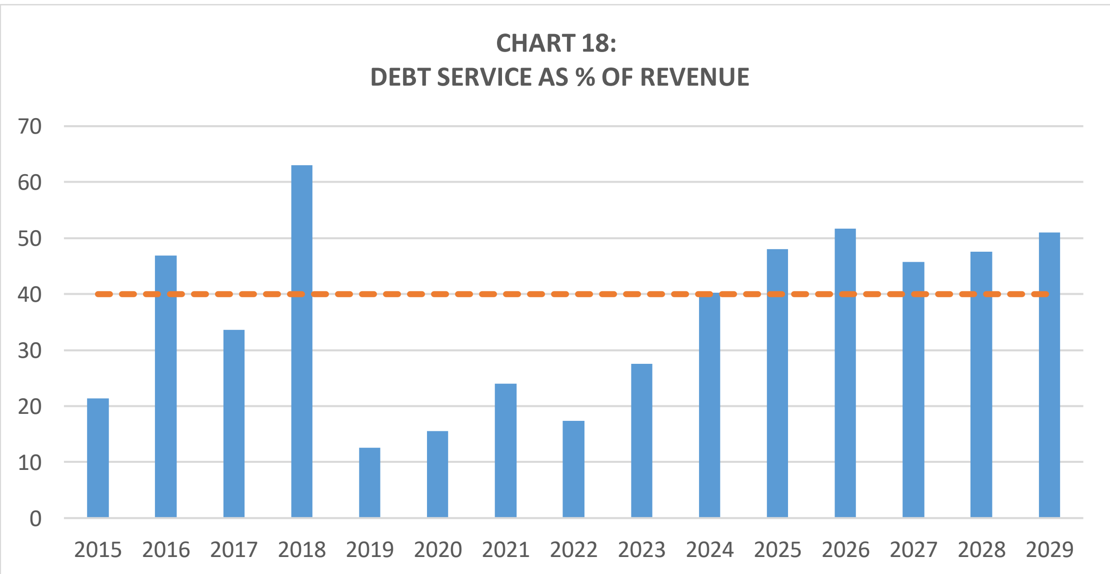

### 4.3.2 Projected Expenditure



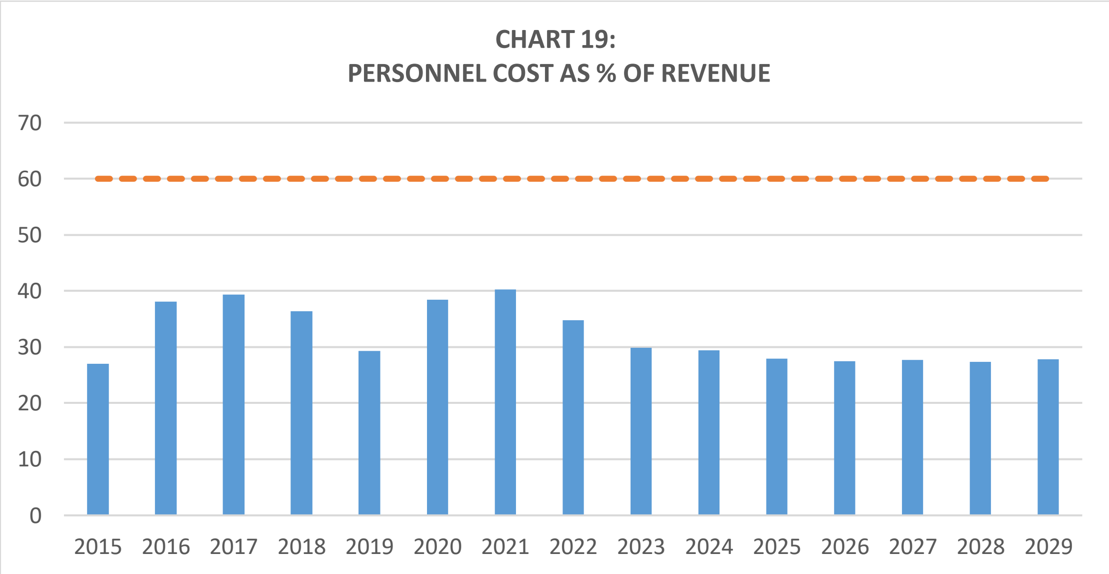
### 4.3.3 Projected Debt as a Share of Revenue



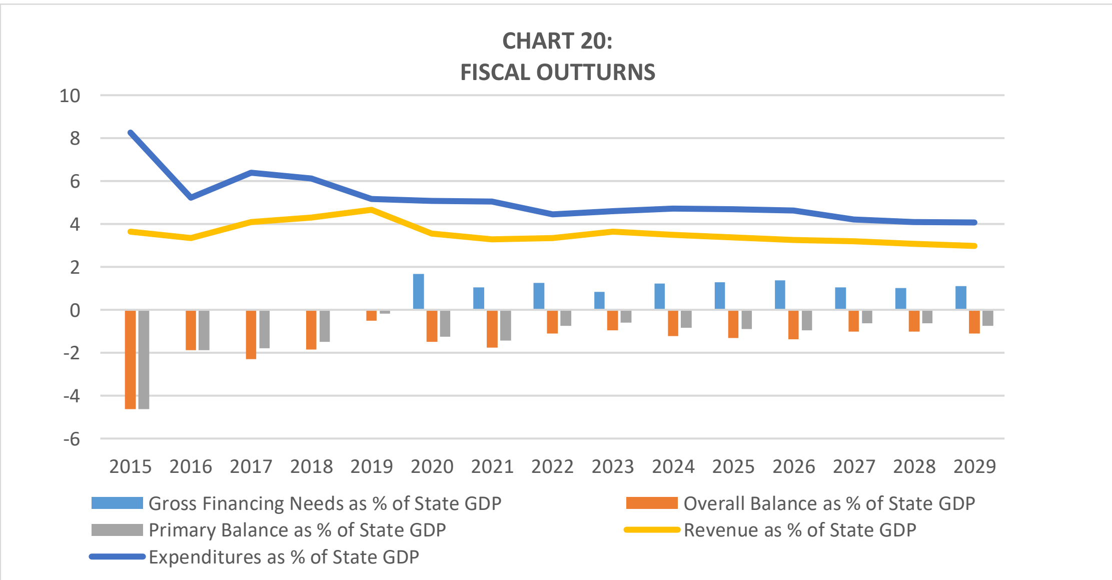

### 4.3.4 Projected Debt Service as a Share of Revenue



### 4.3.5 Projected Personnel Cost




### 4.3.6 Fiscal Outturns



### 4.3.7 Main Findings and Conclusion from the Baseline of Debt Sustainability

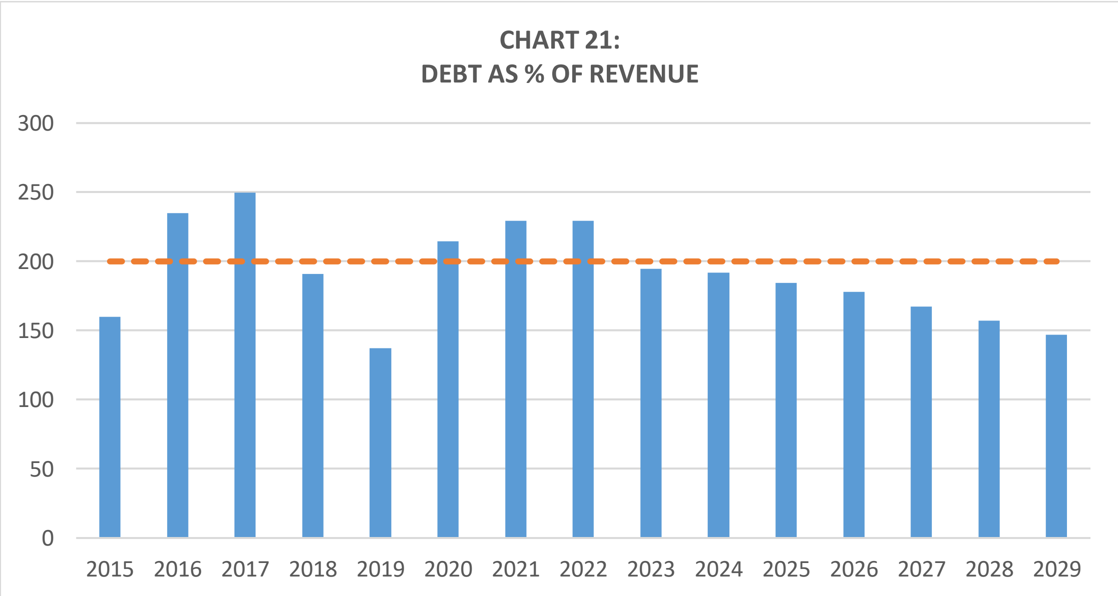
The debt and the debt service indicators under the baseline scenario indicate the sustainability of the state's public debt trend and repayment capacity. The percentage of the Ekiti State's debt on the S-GDP remains under the threshold of 25% with a projected reduction of 50% between 2020 and 2029 i.e. from 8% in 2020 to 4% in 2029. In the same manner, the debt as a percentage of revenue decline from 214% in 2020 to 147% in 2029. The share is projected to increase more that threshold of 200% in years 2020, 2021 and 2022 with 214%, 229% and 229% respectively. However, the rate shall remain under the threshold in the subsequent years. The debt service as a share of revenue would experience an increase of 218.75% between 2020 and 2029 (i.e.16% - 51%). The share is expected to remain under the threshold of 40% in years 2020, 2021, 2022 and 2023. Flowing from the expected increase in the debt commitment and repayment by the State Government, the debt service share of the State's revenue would stand above the threshold in the years 2025-2029.

The State's debt service as a percentage of FAAC allocation is projected to be 23% in 2020. In 2026, the ratio would increase to 72% and thereafter fall to 71% in 2029. Within the period of 2020 – 2023, the external debt service to revenue ratio would exhibit a steady trend and thereafter increase significantly. This is expected to result from the increase in the projected external debt of the State. Interest repayment to revenue is expected to be consistently close to 10% within the period 2020 - 2029.

The debt and the debt services indicators under the baselines scenario as presented above revealed that Ekiti would be able to preserve the sustainability of its public finances and debt in the long-term.

In the baseline scenario, the State preserves its debt sustainability. Total revenue (including grants and excluding other capital receipts) is projected to increase from N81.95 billion in 2019 to N111.45 billion by 2029 (chart 1). Total expenditure will expand from N93.4 billion in 2019 to N152.43 billion by 2029 (chart2).

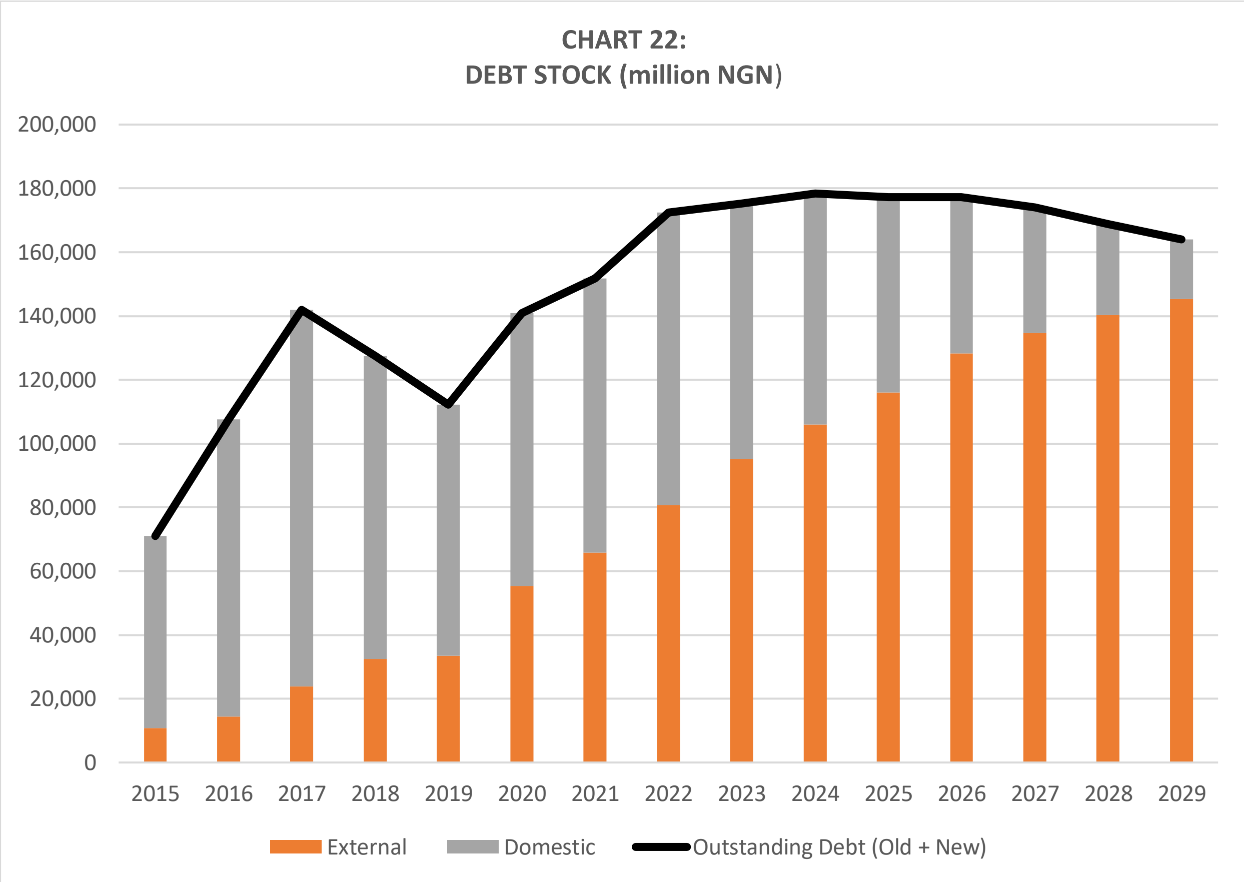
The public debt is expected to decline and the State's repayment capacity increase due to modest increase in investment and external borrowing (Chart 21).



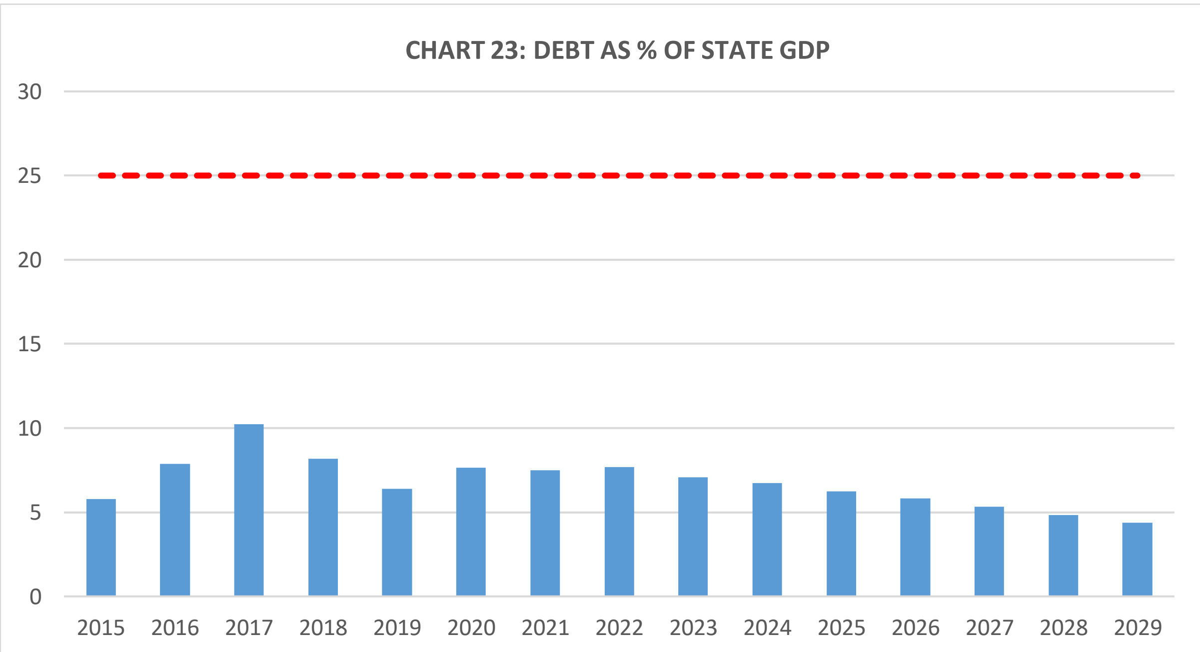

The State's debt will fall from ₦112.286 billion as of end 2019 to ₦163.931 billion by end of 2029. This is showing the improvement in the public debt position. The analysis of the Baseline Scenario suggests that the State will be able to preserve the sustainability of the debt in the long run. Consequently, the outcome of the analysis under the Baseline Scenario reveals that Ekiti State domestic and external Debt Portfolio remains at a low risk of debt distress.

**Optional Charts**

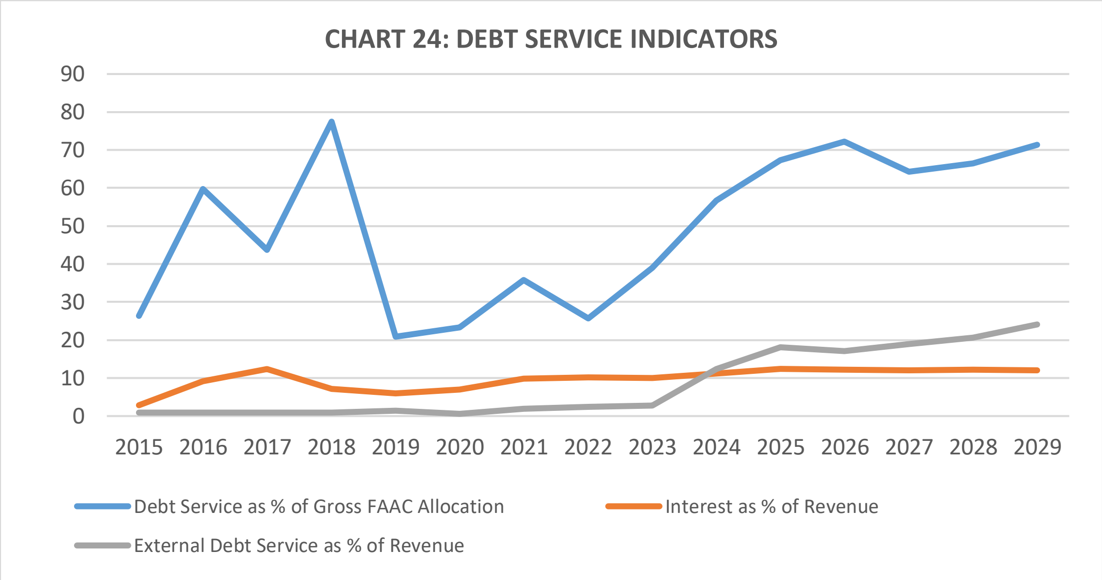
### 4.3.7 Debt Stock




### 4.3.8 Debt as a Share of State GDP



### 4.3.9 Debt Service Indicators



## 4.4 DSA Sensitivity Analysis (Shock Analysis)

### 4.4.1 Introduction

Sensitivity analysis determines how different values of an independent variable affect a particular dependent variable under a given set of assumptions. In other words, sensitivity analysis studies how the uncertainty in the output of a model or system can be divided and allocated to different sources of uncertainty in its inputs. A sensitivity analysis determines how different values of an independent variable affect a particular dependent variable under a given set of assumption.

Under the DSA for Ekiti State, sensitivity analysis was used to assess the robustness of the sustainability of the Baseline scenario. The DSA Sensitivity analysis shall be conducted under five scenarios (four shock scenarios and one historical scenario).

a. **Baselines scenario** shows the fiscal projections provided by the State for the period 2020 – 2029. The 2020 projections include the 2020 Amended Budget figures. The 2021-2023 projections include the 2021-2023 MTEF figures. The 10year period projections for 2024-2029 were provided based on the assumption table in line guidance of the DMO.
b. **Revenue Shock Scenario** includes a 10% decline of the Gross Statutory Allocation, Derivation, Other FAAC Transfer, VAT Allocation, IGR and Grant in nominal terms in each year starting from 2021 until 2029.

c. **Expenditure Shock Scenario** includes a 10% increase of personnel cost, overhead cost, other recurrent expenditures and capital expenditure in nominal terms each year, starting from 2021 to 2029.

d. **Interest Rate Shock Scenario** includes a 200 basis points increase of new domestic financing interest rate each year, starting in 2021 until 2029.

e. **Historical Scenario** assumes that the State GDP, revenue and primary expenditures in 2021 – 2029 grow in line with their revenue includes grants and excludes other observed in 2017 – 2017. Note that revenue includes grants and excludes other capital receipts and the primary expenditure is calculated as *personnel cost + overhead cost + other recurrent expenditures + capital expenditures*.

**The DSA Sensitivity Analysis for Ekiti State is presented in the charts below:**

CHART 25:
DEBT AS % OF STATE GDP

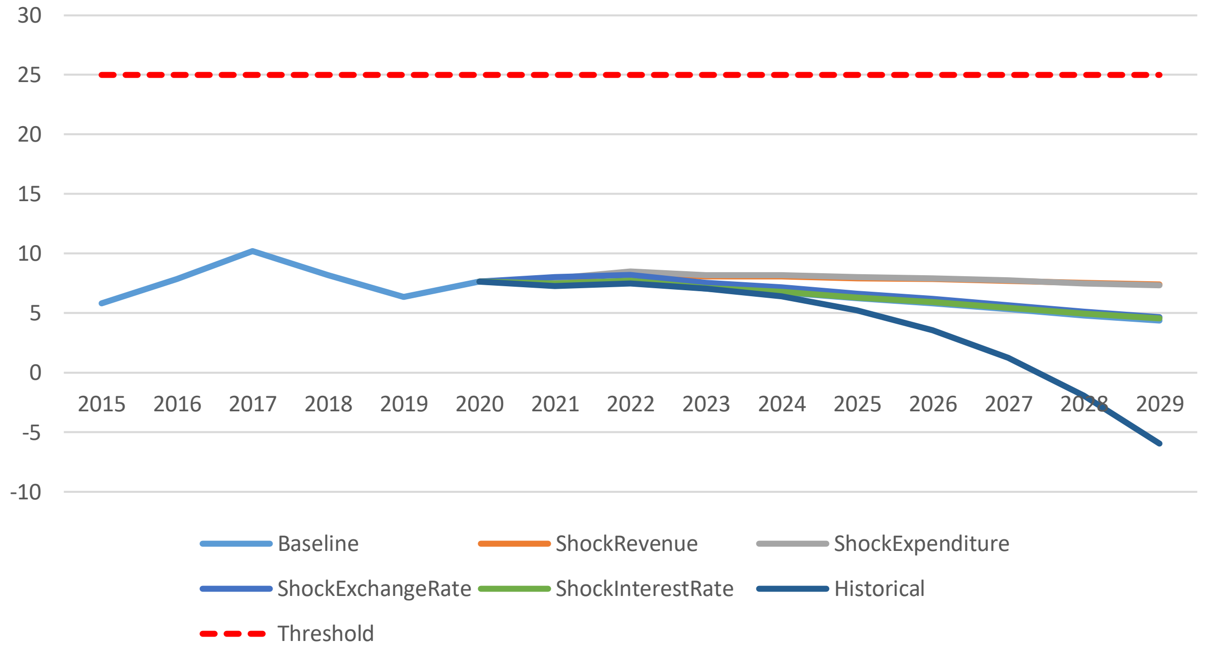
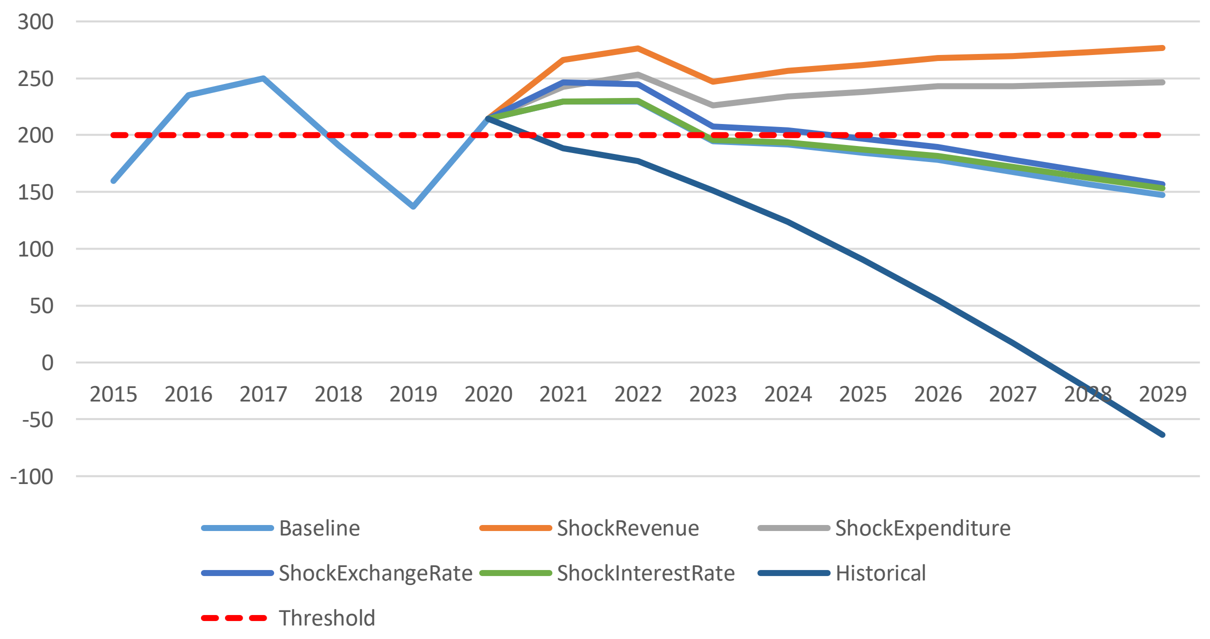



CHART 26:
DEBT AS % OF REVENUE



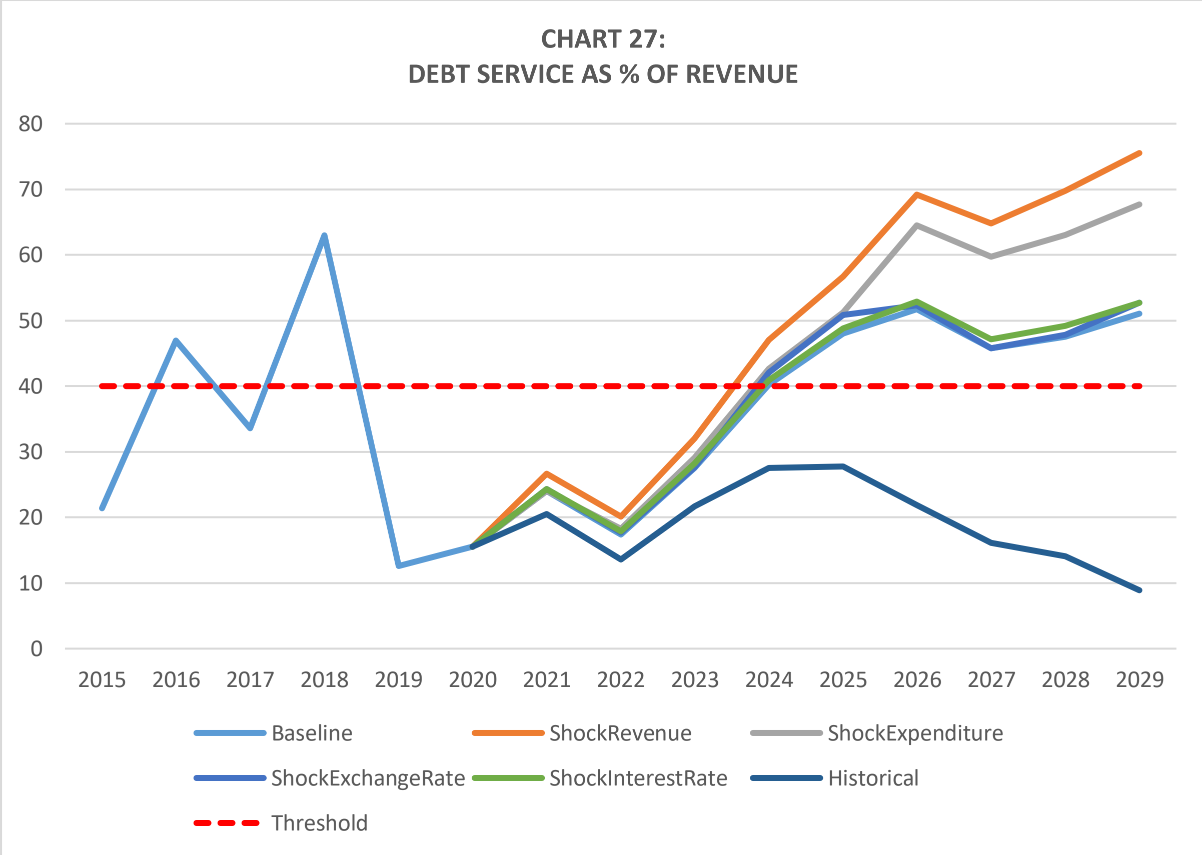


CHART 27:
DEBT SERVICE AS % OF REVENUE
80
70
60
50
40
30
20
10
0
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
Baseline
ShockRevenue
ShockExpenditure
ShockExchangeRate
ShockInterestRate
Historical
Threshold

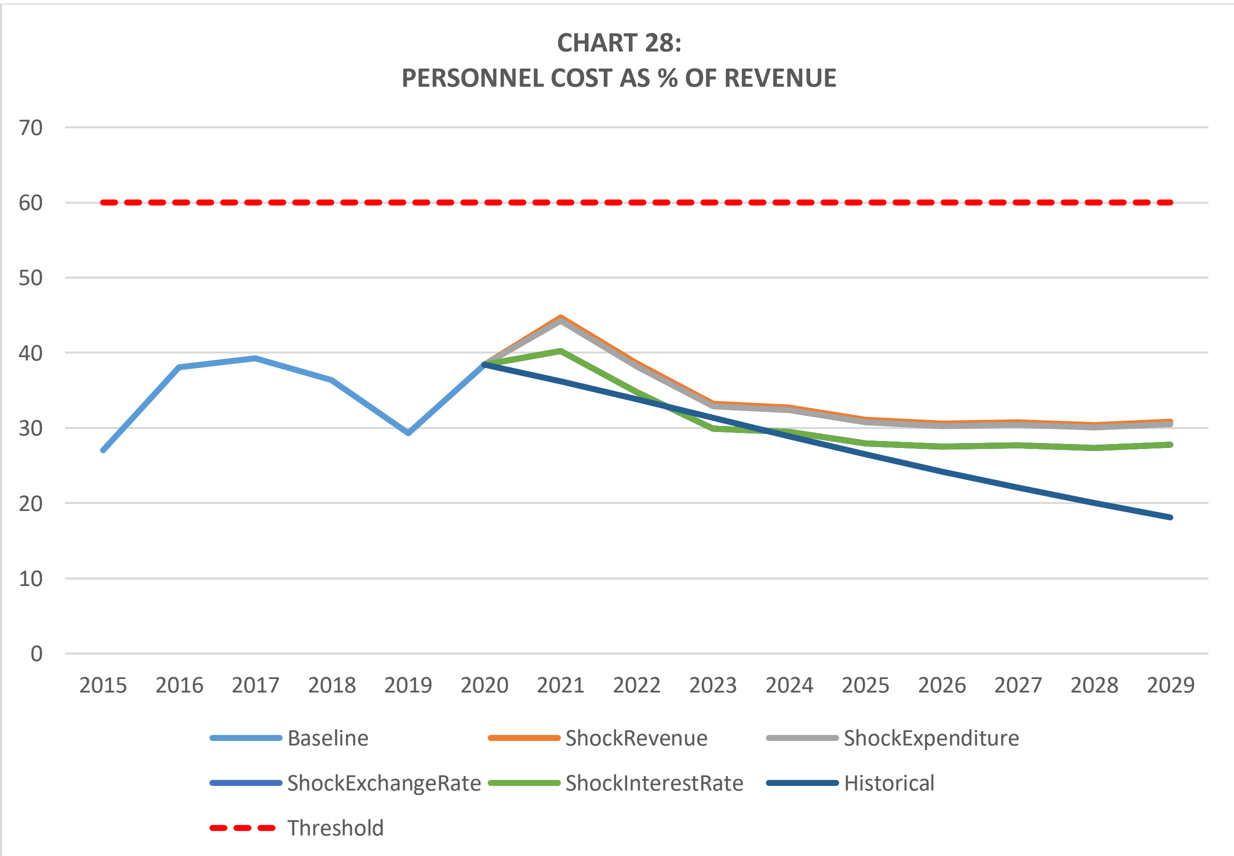


CHART 28:
PERSONNEL COST AS % OF REVENUE
70
60
50
40
30
20
10
0
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
Baseline
ShockRevenue
ShockExpenditure
ShockExchangeRate
ShockInterestRate
Historical
Threshold

# ANNEXURE

| Assumptions: | | |
|---|---|---|
| **Economic activity** | State GDP (at current prices) | As provided by the DMO and the World Bank Group |
| **Revenue** | **Revenue** | |
| | 1. Gross Statutory Allocation ('gross' means with no deductions) | The Grosss Statutory Allocation is projected to increase/decrese in line with the National GDP Growth Rate. |
| | of which Net Statutory Allocation ('net' means of deductions) | |
| | of which Deductions | |
| | 2. Derivation (if applicable to the State) | |
| | 3. Other FAAC transfers (exchange rate gain, augmentation, others) | The National GDP Growth Rate is projected to determine the changes in Other FAAC Transfers |
| | 4. VAT Allocation | The National GDP Growth Rate is projected to determine the changes in VAT Allocation |
| | 5. IGR | The National GDP Growth Rate is projected to determine the changes in IGR |
| | 6. Capital Receipts | The National GDP Growth Rate is projected to determine the changes in Capital Receipts |
| | Grants | State's projection |
| | Sales of Government Assets and Privatization Proceeds | |
| | Other Non-Debt Creating Capital Receipts | |
| **Expenditure** | **Expenditure** | |
| | 1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other) | It is projected that there will be an increament the personel cost of Ekiti State on annual basis. We therefore make a provision of steady annual increase in the State's Perssonel Costs |
| | 2. Overhead costs | It is projected that there will be an increament the overhead cost of Ekiti State on annual basis. We therefore make a provision of steady annual increase |
| | 3. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments) | |
| | 4. Capital Expenditure | State's Projections |
| **Closing Cash and Bank Balance** | **Closing Cash and Bank Balance** | |
| **Proceeds from Debt-Creating Borrowings** | **Planned Borrowings (new bonds, new loans, etc.)** | |
| | **New Domestic Financing in Million Naira** | |
| | Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Inf Loans, and MSMEDF) | It is expected that Ekiti State will access facility sum from commercial banks to provide counterfunding for respective Federal Government drowdown projects |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Inf Loans, and MSMEDF) | It is projected that the State would access Agric Loan to strenthen the commercialisation of the Agribusiness in the State in line with the 5 point Agenda of the State Government |
| | State Bonds (maturity 1 to 5 years) | |
| | State Bonds (maturity 6 years or longer) | The State intends to access the Capital Market for long term financial intrument to finance self-sustain revenue generating projects in the State |
| | Other Domestic Financing | |
| | **New External Financing in Million US Dollars** | |
| | External Financing - Concessional Loans (e.g., World Bank, African Development Bank) | it is expected that Ekiti State will benefit from the Federal Government concessional loans |
| | External Financing - Bilateral Loans | |
| | Other External Financing | |
| **Debt Amotization and Interest Payments** | **Debt Outstanding at end-2019** | |
| | External Debt - amortization and interest | as provided by the DMO, Abuja |
| | Domestic Debt - amortization and interest | as captured by the existing amortization schedule |
| | **New debt issued/contracted from 2020 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 (5%), Maturity (5 years) |
| | External Financing - Bilateral Loans | |
| | Other External Financing | |
| | **New Domestic Financing in Million Naira** | **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, Inf Loans, and MSMEDF) | interest rate (9%), Maturity (5 years) |
| | Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Inf Loans, and MSMEDF) | Interest rate (9%), Maturity (6 years) |
| | State Bonds (maturity 1 to 5 years) | |
| | State Bonds (maturity 6 years or longer) | Interest rate (14%), Maturity (7 years) |
| | Other Domestic Financing | |

| | Units | Scale | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1. Information on State's Gross Dometic Product (See Note 1 in Guidance for Completing Data Request for State DSA)** | | | | | | | | | | | | | | | | | | |
| State GDP (at current prices) | Naira | Million | | 1,225,223 | 1,369,403 | 1,390,020 | 1,557,450 | 1,758,308 | 1,843,036 | 2,025,417 | 2,239,196 | 2,478,910 | 2,655,409 | 2,844,474 | 3,047,001 | 3,263,947 | 3,496,340 | 3,745,279 |
| Nation GDP (at current prices) | Naira | Million | | 93,497,948 | 101,253,016 | 114,004,750 | 127,736,828 | 144,210,492 | 139,517,516 | 142,694,417 | 146,794,565 | 151,464,432 | 151,464,432 | 151,464,432 | 151,464,432 | 151,464,432 | 151,464,432 | 151,464,432 |
| Exchange Rate NGN/US$ (end-Period) | | | | 196 | 253 | 306 | 307 | 326 | 379 | 379 | 379 | 379 | 379 | 379 | 379 | 379 | 379 | 379 |
| Present Value Factor (PVF) | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| **3. Information on Revenues, Expenditure, and Financing Needs and Sources (See Note 3 in Guidance for Completing Data Request for State DSA)** | | | | | | | | | | | | | | | | | | |
| **Revenue** | Naira | Million | | **76,155.58** | **70,615.11** | **69,295.11** | **76,716.11** | **88,824.00** | 96326.09 | 87513.52 | 103035.40 | 110787.82 | 125230.12 | 132359.51 | 141144.85 | 137980.10 | 142687.36 | 152563.85 |
| 1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT | Naira | Million | | 25,166.81 | 18,227.17 | 25,352.83 | 38,019.91 | 36,817.36 | 32,192.46 | 31,658.76 | 35,441.98 | 44,418.73 | 46,084.43 | 47,812.60 | 49,725.10 | 51,559.96 | 53,519.24 | 55,660.01 |
| of which Net Statutory Allocation ('net' means of deductions) | Naira | Million | | 17,311.82 | 6,924.44 | 13,231.53 | 27,342.09 | 28,612.35 | 23,987.46 | 21,355.51 | 26,945.26 | 37,411.78 | 37,848.91 | 38,753.53 | 41,118.99 | 42,093.23 | 45,188.52 | 49,411.97 |
| of which Deductions | Naira | Million | | 7,854.99 | 11,302.73 | 12,121.30 | 10,677.82 | 8,205.01 | 8,205.01 | 10,303.25 | 8,496.73 | 7,006.95 | 8,235.52 | 9,059.07 | 8,606.12 | 9,466.73 | 8,330.72 | 6,248.04 |
| 2. Derivation (if applicable to the State) | Naira | Million | | 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) | Naira | Million | | 3,690.55 | 10,199.78 | 9,260.42 | 6,009.18 | 1,547.41 | 600.00 | 500.00 | 1,791.20 | 2,244.88 | 2,329.06 | 2,416.40 | 2,513.05 | 2,605.79 | 2,704.81 | 2,813.00 |
| 4. VAT Allocation | Naira | Million | | 7,217.08 | 7,582.36 | 9,059.09 | 10,214.62 | 11,044.20 | 10,848.97 | 12,111.19 | 13,558.47 | 16,992.56 | 17,629.78 | 18,290.90 | 19,022.54 | 19,724.47 | 20,474.00 | 21,292.96 |
| 5. IGR | Naira | Million | | 8,392.50 | 9,794.22 | 13,118.86 | 12,195.88 | 16,529.68 | 11,531.05 | 12,076.99 | 17,998.19 | 22,556.78 | 23,402.66 | 24,280.26 | 25,251.47 | 26,183.24 | 27,178.21 | 28,265.34 |
| 6. Capital Receipts | Naira | Million | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 41153.61 | 31166.58 | 34245.55 | 24574.88 | 35784.19 | 39559.36 | 44632.69 | 37906.64 | 38811.11 | 44532.56 |
| Grants | Naira | Million | | 0.00 | 0.00 | 0.00 | 279.47 | 16,011.01 | 10,533.69 | 9,864.00 | 6,369.92 | 3,891.02 | 3,561.93 | 3,258.00 | 3,028.32 | 3,767.37 | 3,556.53 | 3,418.79 |
| Sales of Government Assets and Privatization Proceeds | Naira | Million | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Non-Debt Creating Capital Receipts | Naira | Million | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,881.65 | 1,019.28 | 1,976.86 | 2,036.17 | 2,112.52 | 3,191.74 | 2,279.41 | 2,363.52 | 2,453.34 | 2,551.47 |
| Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, e | Naira | Million | | 31,688.64 | 24,811.57 | 12,503.93 | 9,997.05 | 6,874.35 | 28738.27 | 20283.30 | 25898.76 | 18647.69 | 30109.74 | 33109.62 | 39324.96 | 31775.75 | 32801.24 | 38562.30 |
| of which Borrowings from Domestic bonds | Naira | Million | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | | | |
| of which Borrowings from Commercial bank loans | Naira | Million | | 28,982.90 | 22,101.79 | 8,495.00 | 287.50 | 700.00 | | | | | | | | | | |
| of which Borrowings from External loans | Naira | Million | | 2,705.74 | 2,709.79 | 4,008.93 | 9,709.55 | 6,174.35 | | | | | | | | | | |
| **Expenditure** | Naira | Million | | **101,197.04** | **71,725.30** | **88,773.54** | **95,355.18** | **91,003.96** | 93402.85 | 102027.73 | 99593.44 | 114003.53 | 125321.11 | 133468.07 | 141086.78 | 137088.74 | 142787.50 | 152427.11 |
| 1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other) | Naira | Million | | 12,022.26 | 17,458.50 | 22,327.14 | 24,257.19 | 24,055.06 | 25,254.05 | 26,645.55 | 26,103.29 | 26,954.89 | 27,402.64 | 26,872.77 | 27,366.41 | 28,734.73 | 29,376.46 | 30,945.29 |
| 2. Overhead costs | Naira | Million | | 30,668.67 | 23,824.43 | 23,426.88 | 29,621.36 | 34,871.72 | 34,111.54 | 34,809.68 | 34,846.83 | 35,750.49 | 35,034.40 | 35,034.40 | 35,727.64 | 36,445.83 | 37,117.88 | 38,454.13 |
| 3. Interest Payments (Public Debt Charges, including interests deducted from FAAC A | Naira | Million | | 167.50 | 328.66 | 7,088.98 | 5,325.31 | 6,087.57 | 4575.46 | 6556.78 | 7661.43 | 9038.02 | 10463.59 | 11925.56 | 12199.37 | 12441.86 | 13029.69 | 13494.22 |
| of which Interest Payments (Public Debt Charges, excluding interests deducted | Naira | Million | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | | | |
| of which Interest deducted from FAAC Allocation | Naira | Million | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | | | | |
| 4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Inte | Naira | Million | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 5. Capital Expenditure | Naira | Million | | 7,022.03 | 14,575.13 | 13,353.31 | 11,966.14 | 16,640.86 | 23,840.93 | 24,699.21 | 25,588.38 | 26,509.56 | 25,463.90 | 25,452.60 | 26,476.90 | 24,358.07 | 25,234.96 | 26,143.42 |
| 6. Amortization (principal) payments | Naira | Million | | 25,658.29 | 7,769.28 | 11,288.61 | 12,092.59 | 4,674.38 | 5620.86 | 9316.51 | 5393.52 | 15750.57 | 26956.57 | 34182.74 | 39316.46 | 35108.26 | 38028.51 | 43390.06 |
| of which Amortization of Domestic bonds | Naira | Million | | 5,995.86 | 5,995.86 | 5,995.86 | 4,804.27 | 1,229.50 | | | | | | | | | | |
| of which Amortization of Commercial bank loans | Naira | Million | | 19,284.68 | 1,345.82 | 4,684.45 | 6,865.13 | 2,648.90 | | | | | | | | | | |
| of which Amortization of External loans | Naira | Million | | 377.75 | 427.61 | 608.31 | 423.20 | 795.98 | | | | | | | | | | |
| **Budget Balance (' + ' means surplus, ' - ' means deficit)** | Naira | Million | | **-25,041.46** | **-1,110.19** | **-19,478.43** | **-18,639.07** | **-2,179.96** | 2923.25 | -14514.22 | 3441.95 | -3215.71 | -90.98 | -1108.56 | 58.07 | 891.36 | -100.15 | 136.75 |
| **Opening Cash and Bank Balance** | Naira | Million | | **6,302.11** | **6,918.93** | **13,578.03** | **13,693.45** | **11,951.24** | 15,675.15 | 18,598.40 | 4,084.18 | 7,526.14 | 4,310.42 | 4,219.44 | 3,110.89 | 3,168.96 | 4,060.31 | 3,960.17 |
| **Closing Cash and Bank Balance** | Naira | Million | | **6,918.93** | **13,578.03** | **13,693.45** | **11,951.24** | **15,675.15** | 18,598.40 | 4,084.18 | 7,526.14 | 4,310.42 | 4,219.44 | 3,110.89 | 3,168.96 | 4,060.31 | 3,960.17 | 4,096.91 |
| Calculation of Financing Needs and Sources | | | | | | | | | | | | | | | | | | |
| **Financing Needs** | Naira | Million | | | | | | | **30,619.92** | **21,302.58** | **27,875.63** | **20,683.86** | **32,222.26** | **36,301.36** | **41,604.37** | **34,139.27** | **35,254.58** | **41,113.77** |
| i. Primary balance | Naira | Million | Sign +/- means source/use of funds | | | | | | -17,500.35 | -19,943.50 | -11,378.73 | 889.02 | 5,106.92 | 8,698.38 | 9,969.54 | 14,302.20 | 15,703.47 | 15,907.26 |
| ii. Debt service | Naira | Million | | | | | | | 10,196.32 | 15,873.30 | 13,054.95 | 24,788.59 | 37,420.16 | 46,108.30 | 51,515.83 | 47,550.11 | 51,058.20 | 56,884.28 |
| Amortizations | Naira | Million | | | | | | | 5,620.86 | 9,316.51 | 5,393.52 | 15,750.57 | 26,956.57 | 34,182.74 | 39,316.46 | 35,108.26 | 38,028.51 | 43,390.06 |
| Interests | Naira | Million | | | | | | | 4,575.46 | 6,556.78 | 7,661.43 | 9,038.02 | 10,463.59 | 11,925.56 | 12,199.37 | 12,441.86 | 13,029.69 | 13,494.22 |
| iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash | Naira | Million | | | | | | | 2,923.25 | -14,514.22 | 3,441.95 | -3,215.71 | -90.98 | -1,108.56 | 58.07 | 891.36 | -100.15 | 136.75 |
| **Financing Sources** | Naira | Million | | | | | | | **30,619.92** | **21,302.58** | **27,875.63** | **20,683.86** | **32,222.26** | **36,301.36** | **41,604.37** | **34,139.27** | **35,254.58** | **41,113.77** |
| i. Financing Sources Other than Borrowing | Naira | Million | | | | | | | 1,881.65 | 1,019.28 | 1,976.86 | 2,036.17 | 2,112.52 | 3,191.74 | 2,279.41 | 2,363.52 | 2,453.34 | 2,551.47 |
| ii. Gross Borrowings | Naira | Million | Gross Borrowing = Primary Deficit + Debt Service + Financing Needs Other than Amortizations - I | | | | | | 28,738.27 | 20,283.30 | 25,898.76 | 18,647.69 | 30,109.74 | 33,109.62 | 39,324.96 | 31,775.75 | 32,801.24 | 38,562.30 |
| **CONTROL: Financing Needs and Sources Must be Identical (i.e., no financing gap)** | | | | | | | | | **OK** | **OK** | **OK** | **OK** | **OK** | **OK** | **OK** | **OK** | **OK** | **OK** |

## EKITI STATE DEBT SUSTAINABILITY ANALYSIS (DSA) TECHNICAL TEAM

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|---|---|
| • Mrs Lucy Bamisile | Ministry of Finance and Economic Development |
| • Mr Olagoke M.O | Ministry of Finance and Economic Development |
| • Mrs Alake J. | Ministry of Budget and Economic Planning |
| • Mr Ipimoroti | Office of the Accountant-General |
| • Mr T.T. Adelusi | Focal Person (PforR), SFTAS, Ekiti State. |

**AKINTUNDE OYEBODE**
**HONOURABLE COMMISSIONER**
**MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT,**
**EKITI STATE**