2021

REPORT OF THE

EKITI STATE DEBT SUSTAINABILITY ANALYSIS AND DEBT MANAGEMENT STRATEGY

(STATE DSA-DMS)

TABLE OF CONTENTS

CHAPTER ONE

1.0 INTRODUCTION

1.1 Objective and Content of the State DSA-DMS Report

Ekiti State Government conducted the Debt Sustainability Analysis and Debt Management Strategy (State DSA-DMS) for the year 2021. The DSA analyzes the trends and patterns of the State's Public Finance during the period 2016 – 2020, and evaluates the State's long term debt sustainability between the years from the year 2021to 2030. The analysis highlights recent trends in the revenue, expenditure, public debt, and the related policies adopted by the State. A Debt Sustainability Assessment was conducted, along with scenario and sensitivity analysis to evaluate the prospective performance of the State's Public Finances.

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

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. State Debt Management Office

The State DSA-DMS was produced using the DSA-DMS Template and Toolkit developed by the Debt Management Office, in partnership with the World Bank Group to analyze the trends and patterns in the State's public finances during the period of 2016 0- 2020 while also evaluating the ability of the State to sustain its debt in the long term (2021-2030). The State Government undertook the conduct of the Debt Sustainability Analysis and Debt Management Strategy (State DSA-DMS) exercise for the year 2021. It is an exercise that takes into consideration the State's historical macroeconomic data from the period 2016 – 2020 and projected data from the period 2021 – 2030.

1.2 Summary of Findings and Results of the State DSA-DMS

The results of the 2021 Sustainability Analysis revealed that the long term outlook (2021-2030) for Ekiti State exhibits a solid debt position that appears sustainable in the long term. Total revenue (including grants and excluding other capital receipts is projected to increase from ₦70.62billion in 2020 to ₦219.937billion by 2030 **(chart 16)**. The State's total expenditure will expand from N85.85billion in 2020 to ₦218.953billion by 2030 **(chart 17)**.

The solid debt position results from the State's strong performance in terms of mobilizing Internally Generated revenue (IGR) – underpinned by the successful tax administration reforms introduced recently. Ekiti State Internal Revenue is now autonomous with more competent personnel to follow through on its vision with the assistance of up-to-date technology. Also worthy of note is the State's control of recurrent expenditure growth and its low level of public debt. The public debt and the State's repayment capacity are projected to rise due to modest increase in internal loans **(Chart 18)**. The State's debt will grow from ₦123.233 billion as of end 2020 to ₦266.52 billion by end of 2030. Total public debt considers non-contingent debt and the obligation to repay them is independent of the circumstances as well as excludes the contingent liabilities (i.e. guarantee, State-owned enterprises and non-guaranteed liabilities). The total domestic debt stock increased from ₦93.26billion in 2016 to ₦118.07billion in 2017. The domestic debt however, fell steadily to ₦78.72 in 2019 while it increased to ₦84.20 billion in 2020. Within the period 2016 – 2020, the value of the debt stock of Ekiti State increased by 14.47% (nominal growth rate) from ₦107.66billion in 2016 to ₦266.52billion in 2020. The increase in the trend of the public debt stock over the period 2016 – 2020 was as a result of the federal government bailout and budget support facility, increase in State government arrears and external financing.
The DSA results from certain assumptions and conditions concerning the State's Revenue (i.e. the performance in terms of mobilizing IGR) and Expenditure projections (i.e. Personnel and Overhead Costs and Capital expenditure measures) going forward. Given the State's forecasts for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable.

The State pursues a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance, including external concessional loans and domestic low cost financing. Given the State's own forecasts for the economy and reasonable assumptions concerning the State's budget and financing policies going forward, the medium-term cost-risk profile for the public debt portfolio appears consistent with debt management objectives.

CHAPTER TWO

2.0 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. Enactment of Ekiti State Debt Management Law 2020
iii. 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.
iv. 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;
v. 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 State's Board of Internal Revenue.
vi. 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.

In addition to the above, the Federal Government has also introduced some laws which may have consequent impact on the State fiscal variable (i.e. revenues and expenditures) among which is the Finance Act 2020.

2.2 2021 Ekiti State Approved Budget and Medium-Term Expenditure Framework (MTEF), 2021- 2024

2.2.1 Overview of Ekiti State 2021 Budget

Ekiti State Government 2021 Approved Budget Summary			
Item	**2020 Revised Budget**	**Actual January - December 2020**	**2021 Approved Budget**
Opening Balance			
Recurrent Revenue	**50,525,689,788.38**	**59,740,488,713.55**	**55,959,840,719.05**
Statutory Allocation	23,524,570,203.79	30,307,574,587.81	29,405,612,553.80
VAT	13,070,072,388.14	13,345,338,511.02	12,621,073,302.35
Internal Revenue	13,931,047,196.45	16,087,575,614.72	13,933,154,862.90
Recurrent Expenditure	**57,533,689,788.38**	**55,011,180,626.27**	**58,003,189,982.68**
Personnel	17,724,631,924.17	17,433,423,592.25	18,003,281,985.36
Overheads	20,531,985,314.66	19,674,035,614.07	17,374,501,783.74
Social Benefits	5,935,617,535.61	5,812,995,156.10	7,338,165,028.70
Grants and Subsidies	12,860,919,345.50	11,625,560,626.33	14,951,144,931.76
Debt Service	480,535,668.44	465,165,637.52	336,096,253.12
Transfer to Capital Accoun	**-7,008,000,000.00**	**4,729,308,087.28**	**-2,043,349,263.63**
Capital Receipts	**40,603,306,693.63**	**32,350,974,166.44**	**53,701,536,003.56**
Grants	12,662,509,678.75	12,836,007,526.80	19,816,834,180.00
Loans	20,215,103,704.62	11,789,273,329.38	22,048,801,823.56
Other Capital Receipts	7,725,693,310.26	7,725,693,310.26	11,835,900,000.00
Capital Expenditure	**33,595,306,693.63**	**30,407,090,479.52**	**51,663,186,739.99**
Total Revenue (including OB)	**91,128,996,482.01**	**92,091,462,879.99**	**109,661,376,722.61**
Total Expenditure	**91,128,996,482.01**	**85,418,271,105.79**	**109,666,376,722.61**

2.2.2 Ekiti State Fiscal Policy Strategies for the 2022 Budget

Macroeconomic Framework

The Macroeconomic framework is based on IMF national real GDP growth and inflation forecasts from the April, 2021 World Economic Outlook document and mineral benchmarks (oil price, production and NGN: USD exchange rate) from the 2021-2022 Federal Fiscal Framework.

Table 1: Ekiti State Macroeconomic Framework

Macro-Economic Framework				
Item	**2021**	**2022**	**2023**	**2024**
National Inflation	13.97%	11.70%	12.05%	11.68%
National Real GDP Growth	2.53%	2.31%	2.30%	2.32%
State Inflation	N/A	N/A	N/A	N/A
State Real GDP Growth	N/A	N/A	N/A	N/A
State GDP Estimate	N/A	N/A	N/A	N/A
Oil Production Benchmark (MBPD)	1.8600	1.8600	1.9500	2.1000
Oil Price Benchmark	$40.00	$57.00	$57.00	$55.00
NGN:USD Exchange Rate	379	410	410	410
Other Assumptions				
Mineral Ratio	31%	31%	32%	32%

Source: WOE, FGN-FSP, Federal Bureau of Statistics, State Bureau of Statistics

Fiscal Strategy and Assumptions

Policy Statement

The administration policy statement and operational ideology is to ensure that Ekiti State becomes an economic hub where people can go about their legitimate businesses and live their lives in dignity. This policy will not only guide the direction Government, it will also be a standard of measurement for all developmental issues including, budget preparation and budget implementation, budget discipline and control through transparency and accountability in Governance.

Objectives and Targets - The key targets from a fiscal perspective are:

i. to establish a fiscal framework consistent with Government Fiscal Policy, extant Rules such as the Ekiti Public Finance Management Law, Fiscal Responsibility Law, Public Procurement Law, among others for effective implementation of the proposed 2022 Budget;
ii. to maintain and increase the vibrant platform for the development of Agriculture and Micro, Small and Medium Scale Enterprises (MSMSEs) and Agribusiness in the State towards rapid job creation;
iii. to ensure speedy completion of all on-going developmental projects with a view to transforming the State;

iv. to further explore all revenue sources, expand tax base, to continue to use Treasury Single Account (TSA) with a view to improving and widening the revenue generation drive of the State hence, reducing the dependence on Federal Allocation;
v. to eliminate poverty through strategic and well-coordinated empowerment programmes and other social investment programmes;
vi. to contain the spread of COVID-19 pandemic and cushion its effects on the social and economic activities in the State;
vii. to strengthen the ease-of-doing business policy by through the creation of enabling environment for socio-economic activities in the State to build the trust of investors and attract more domestic and foreign Investors;
viii. to sustain current efforts aimed at improving Human Capital Development and capacity building in the State through strategic investments in qualitative education businesses, and healthcare delivery system, Agribusiness, etc;
ix. to promote good governance through E-Govt Initiative, Budget discipline, probity and accountability in the allocation and utilization of public funds; and
x. to further strengthen MSMEs and increase the Gross Domestic Product (GDP) of the State.

2.2.3 Ekiti State Medium Term Fiscal Framework

1. The indicative three-year fiscal framework for the period 2021-2024 is presented in the table below.

Table 2: Ekiti State Medium Term Fiscal Framework

Fiscal Framework

Item	2021	2022	2023	2024
Opening Balance	11,835,900,000	16,545,637,798	16,545,637,798	16,545,637,798
Recurrent Revenue				
Statutory Allocation	32,787,516,959	43,888,825,803	48,205,352,803	51,540,505,680
Derivation				
VAT	14,276,783,214	16,237,350,622	18,405,339,465	20,823,272,435
IGR	18,542,735,841	22,237,767,248	26,433,096,311	31,737,506,386
Excess Crude / Other Revenue	5,294,064,634	3,947,472,119	3,023,516,029	2,511,157,733
Total Recurrent Revenue	**70,901,100,647**	**86,311,415,792**	**96,067,304,608**	**106,612,442,234**
Recurrent Expenditure				
Personnel Costs	19,506,748,529	20,699,869,350	21,567,400,218	22,358,904,390
Social Contribution and Social Benefit	5,578,464,021	5,155,716,839	4,596,381,564	4,252,240,715
Overheads	23,940,837,052	27,903,424,197	32,044,185,514	36,999,398,713
Grants, Contributions and Subsidies	12,772,994,679	15,185,125,749	16,926,084,803	19,195,276,877
Public Debt Service	555,335,480	683,564,011	780,802,699	928,374,387
Total	**62,354,379,761**	**69,627,700,147**	**75,914,854,799**	**83,734,195,081**
Transfer to Capital Account	**20,382,620,886**	**33,229,353,443**	**36,698,087,608**	**39,423,884,951**
Capital Receipts				
Grants	21,472,125,000	23,622,025,000	17,590,025,000	16,590,025,000
Other Capital Receipts	0	1,000,000,000	1,000,000,000	1,000,000,000
Total	**21,472,125,000**	**24,622,025,000**	**18,590,025,000**	**17,590,025,000**
Reserves				
Contingency Reserve	3,239,816,476	3,728,246,512	3,730,912,992	3,876,396,499
Planning Reserve	4,136,850,032	5,142,852,680	5,630,647,120	6,157,904,002
Total Reserves	**7,376,666,508**	**8,871,099,192**	**9,361,560,112**	**10,034,300,501**
Capital Expenditure	**43,315,974,961**	**54,085,423,363**	**47,414,466,967**	**44,741,726,578**
Discretional Funds	12,588,056,601	21,407,605,003	20,868,648,607	19,245,908,218
Non-Discretional Funds	30,727,918,360	32,677,818,360	26,545,818,360	25,495,818,360
Financing (Loans)	25,383,533,381	21,650,781,910	18,033,552,270	14,307,754,926
Total Revenue (Including Opening Balance)	**129,592,659,028**	**149,129,860,500**	**149,236,519,676**	**155,055,859,958**
Total Expenditure (including Contingency Reserve)	**113,047,021,230**	**132,584,222,702**	**132,690,881,878**	**138,510,222,160**

Assumptions

2. **Statutory Allocation** – the estimation for statutory allocation is based on elasticity forecast, taking into consideration the macro-economic framework (National) and the mineral assumptions in the 2022-2024 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and Inflation data.

3. **VAT** - is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2022-2024 is in line with the current rate of collections (i.e 7.5%). This forecast is contingent upon the resolution of the agitation for collection and distribution of VAT in favour of the status quo. The forecast should be revisited if there are any changes to the VAT collection and distribution arrangement in the country.

4. **Other Federation Account Distributions** –The forecast method used is historical. The estimation is based on the actual Receipts from January to May, 2021. Furthermore, it is anticipated that incoming administration will pressure FAAC for excess crude distributions to hasten economic recovery from the devastating social economic impact of **COVID-19 pandemic.**

5. **Internally Generated Revenue (IGR)** – The forecast is calculated based on the projected growth rate. IGR is expected to increase annually by 20% in 2021 and 2022 and 15% annually in 2023 and 2024 based on IGR reforms initiatives being introduced by the current administration in the State.

6. **Grants** – projections from internal Grants (i.e. UBEC, CGS and SFTAS) are based on the actual receipts for 2020 and performance from January to April, 2021. External grants are based on signed Grant Agreements with the International Institutions e,g World Bank, UNICEF, EU, etc.

7. **Financing (Net Loans)** – The internal and external loans projections are based on borrowing expectations.

8. **Other Capital Receipts** – modest amount from sundry sources such as refund from Federal Government and transfers is provided for the years.

9. **Personnel** – The current administration began the payment of the consequential adjustment to workers on Grade 07-12 which was suspended in view of the economic realities. The administration intends to reinstate the consequential adjustment for GL 09-12 and offset the outstanding salaries of the workforce. Therefore, an increase is expected in personnel cost in 2022. The projection is based on Moving Average 5 years X-Outliers.

10. **Social Contributions and Social Benefits** - This includes pension, gratuity, contributions to Retirement Fund and benefits for past Political Office Holders. It is anticipated that the current growth rate will be maintained over the next 4 years. The estimation is based on MA with X-outliers to eliminate years of abnormal growth/decline

11. **Overheads** – These are Expenses relating to day-to-day operations and maintenance cost. It is projected that these would increase over the years due to prevailing economic realities of galloping inflation rate as witnessed in 2021. The estimation technique used is the MA 5years X-Outliers.

12. **Grants and Contributions** – Grants and contribution to Institutions in the State are estimated using the MA 5years X-Outliers.

13. **Public Debt Service** – This represents the State's total obligation on judgment debts and short-term borrowings. The MA 5years X-Outliers estimating method is used in making projections.
14. **Capital Expenditure** – This is the balance from the Recurrent Account plus Capital Receipts, less Planning and Contingency Reserves. The projection is contingent upon the Reserves and ease of accessing long term loans/Drawdown.
15. **Contingency and Planning Reserves** – 2.5% of Total Revenue has been allocated to Contingency Reserve to be set aside for future occurrence and appropriated in accordance with PFM Law during budget implementation. Also, 5% of the Total Revenue is set aside for Planning Reserve which will be allocated during Envelope Sharing/MDA, Budget defence when they will justify the need for the allocation or more resources over and above the given ceiling.

2.2.4 Analysis of the Medium-Term Policy for the period 2021-2024

The recurrent revenue is made up of statutory allocation, VAT, IGR and other revenue such as the Excess Crude. The recurrent revenue is expected to increase from ₦70,901,100,647.00 to N106,612,442,234.00 during the period 2021 – 2024. The increase is expected to flow from the expected increase in statutory allocation and Internally Generated Revenue. The ongoing revenue reform of the State is expected to result into a consistent increase in its IGR

The ceiling for the total budget size for 2022 fiscal year is **₦132,594,222,702.00** of which the sum of **₦69,627,700,147.00** will be for Recurrent Expenditure, **₦54,085,423,363.00** for Capital Expenditure, and **₦8,871,099,192.00** will be for contingency and planning reserve that will be allocated to sectors at bilateral discussion stage to fund critical expenditure items. The Capital Expenditure component of **₦54,085,423,363.00** is divided into Discretionary Capital expenditure of the sum of **₦21,407,605,003.00** that will be spent across all MDAs and non-discretionary Capital Expenditure of **₦32,677,818,360.00** which is specifically earmarked for projects and programmes in Health, Education, Infrastructure, Agriculture and Governance. The non-discretionary amount is in the form of loans and grants. The total capital spending will increase from ₦43,315,974,961.00 in 2021 to ₦54,085,423,363.00 in 2022. The trend would thereafter fall resulting into decrease in capital spending from ₦54,085,423,363.00 in 2022 to ₦47,414,466,967.00 and ₦44,741,726,578.00 in 2023 and 2024 respectively. The reduction is expected to be caused by projected decrease in the inflow of other revenues such as the Excess crude and capital receipts (i.e. grants).

Under the recurrent expenditure, the personnel costs are projected to rise from ₦19.52 billion in 2021 to ₦22.34 billion in 2024 with a decreasing growth rates of 6.12%, 4.19% and 3.67% for 2022, 2023 and 2024 respectively. This is due to the initiated Public Finance Management reform and the public sector reform to reduce payroll fraud as much as possible. However, in the overall, the total recurrent expenditures will increase from ₦62.4 billion in 2021 to ₦83.7 billion in 2024. Growth rate of the Public Debt Service will nosedive during the period 2022-2023 as a result of the ongoing State's debt management reforms

The key points and recommendations arising from Ekiti State MTFF are summarised below.

i. The National Government should intensify efforts towards mitigating the impact of COVID-19 pandemic and activities of the Herdsmen, kidnappers, Boko Haram in the North-East and other insurgent groups across the Country in order to achieve high level of revenue to finance the Budget

ii. The Recurrent Ratio to Capital Ratio is relatively normal. However, Budget discipline and monitoring should be sustained in order to achieve higher Budget performance

iii. Aggressive Internally Generated Revenue should be pursued to a level commensurate with ongoing economic activities in the State

iv. This document should serve as a tool for economic recovery, growth and sustainable economic development

v. Risk associated with political instability and unrest should be controlled to a bearable minimal

vi. The ultimate goal should modernize agriculture to ensure food security, employment and provide raw materials for industrial development

vii. Government Plans to improve macro-economic performance through service delivery in major areas such as road networks, water supply, power supply to provide the infrastructure needed for sustainable economic growth and development in all sectors of the Ekiti economy

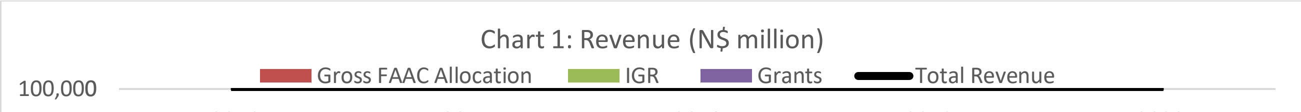
viii. The State Government is determined to curb poverty to reduce mortality rate and incessant illness in Ekiti State.

CHAPTER THREE

3.0 THE STATE REVENUE, EXPENDITURE AND PUBLIC DEBT TRENDS (2016-2020)

3.1 Revenue, Expenditure, Overall and Primary Balance

3.1.1 Revenue Performance



	2016	2017	2018	2019	2020
Total Revenue	39,969	54,893	62,641	82,319	70,618
Gross FAAC Allocation	30,175	41,774	50,166	49,778	46,952
IGR	9,794	13,119	12,196	16,530	10,909
Grants	0	0	279	16,011	12,756

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

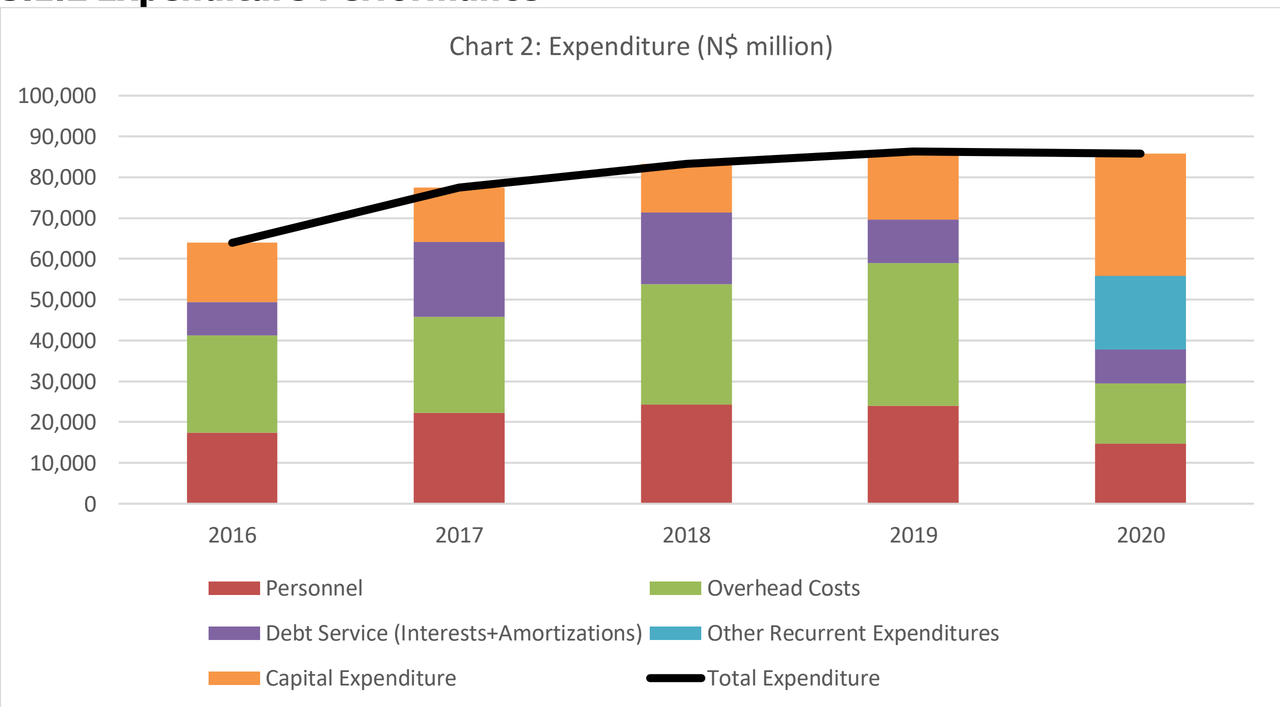
i. Statutory Allocation from the federal Government (Oil, Customs, and CIT tax revenues)
ii. Other FAAC transfers which include exchange rate gains, augmentations, among other (i.e. Excess Crude Accounts)
iii. VAT allocation
iv. Internally Generated Revenue (IGR) which include tax and non-tax independent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

Aggregate State TOTAL Revenue trend in the last five years and its composition in 2020 - The aggregate Total Revenue of the State initially shows a consistent increase during 2016-2019 period and thereafter decreased in the year 2020(Chart 1). The total revenue was ₦39.969 billion in the year 2016, and by 2019, had risen to ₦82.319 billion, largely driven by a growth in Gross FAAC allocation. However, the aggregate State revenue declined by ₦11.701 billion in year 2020 to ₦70.618 billion due to the adverse impact of the COVID-19 pandemic on the State IGR inflows and the monthly FAAC allocations. Within the period 2016 to 2020, the nominal growth rate of the Total Revenue stands at 76.68. The State invested in grant and donor funded opportunities, which started to yield results in 2019, when Ekiti State received over ₦16 billion as grants. The present administration has also established an Office for Development Partnerships, to attract grants from both local and international partners.

FAAC Allocation trend in the last five years - Within the analyzed 5 years-period, the Federal transfers registered an initial increase in the first three years (from 2016 to 2018). This trend, however, declined in the following two years (2019-2020) due to lower crude oil receipts. The State's federal allocation, including transfers from the excess crude account had an overall increase of 55.60% between 2016 – 2020. The FAAC allocations increased by 66.25% between 2016 – 2018 and later fell slightly by 6.41%. The decline is largely attributable to a slide in federal oil receipts.

Internally Generated Revenue in the last five years - The State exhibited a fairly volatile and strong Internally Generated Revenue (IGR) growth during the review period. The IGR grew by 11.38% between 2016 and 2020, though IGR as a share of aggregate revenue (excluding grants) had a decrease of 5.65% (24.50% in 2016 and 18.85% in 2020). The improvement in the IGR is mainly as a result of tax administration reforms initiated at the inception of the present administration in the year 2018. 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.

3.1.2 Expenditure Performance



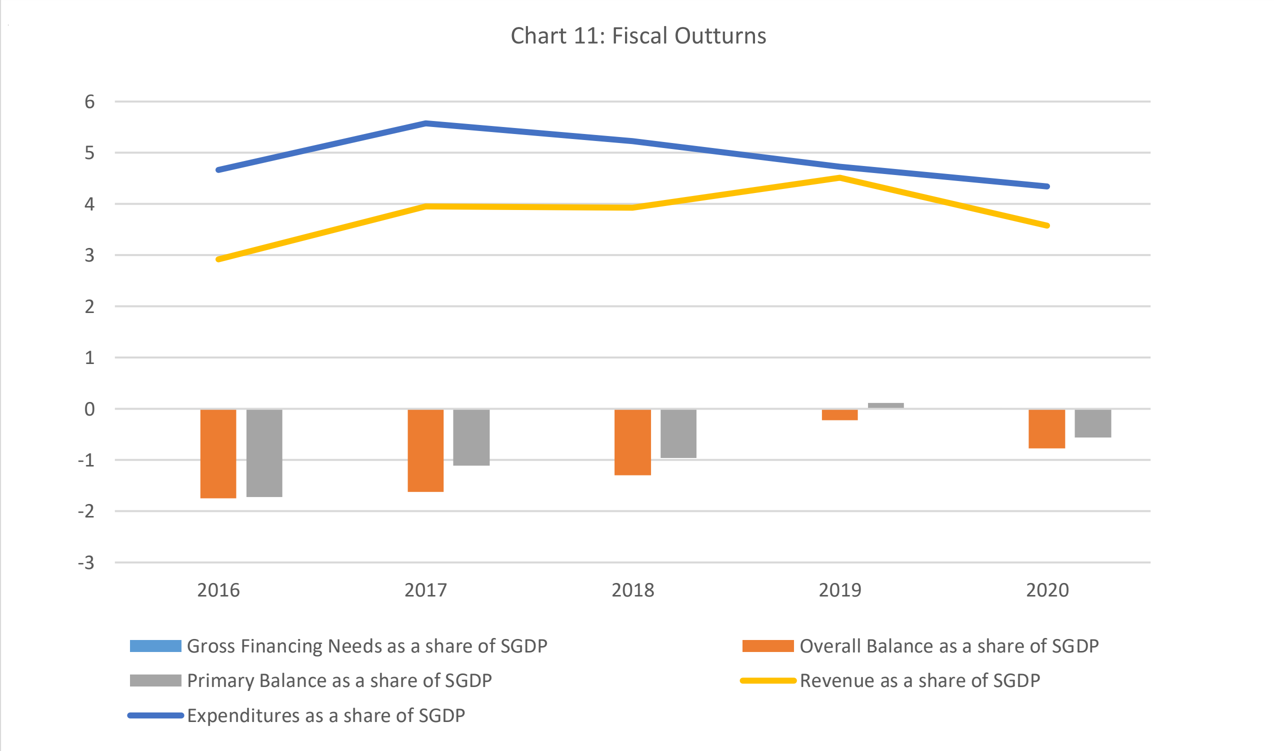
	2016	2017	2018	2019	2020
Total Expenditure	63,956	77,485	83,263	86,330	85,846
Personnel	17,459	22,327	24,257	24,055	14,685
Overhead Costs	23,824	23,427	29,621	34,872	14,786
Debt Service (Interests+Amortizations)	8,098	18,378	17,418	10,762	8,332
Other Recurrent Expenditures	0	0	0	0	18,080
Capital Expenditure	14,575	13,353	11,966	16,641	29,964

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.

Aggregate (total) Expenditure trend in the last five years and its composition in 2020 – Ekiti State's aggregate expenditure remained stable during the period 2016 – 2020 with nominal growth rate of 34.23%. As a percentage of State GDP (SGDP), aggregate expenditure averagely stood at 5.0% between 2016 – 2020. During the period, the bulk of expenditure went to recurrent spending – personnel costs, overhead, and debt service (interest + amortization) representing 78.23% of total spending on average.
The personnel component of the aggregate total expenditure had a decrease of ₦2.78 billion amounting to 15.89% reduction between 2016 and 2020, while **overhead cost** also reduced by 37.94% between the same period. This was a reflection of the fiscal policy of the new administration to ensure budget realism. On the other hand **other recurrent expenditures** excluding Personnel costs, overhead costs and interest payment which recorded nothing for years 2016 – 2019 recorded ₦18.08 billion in the year 2020.
The debt service component also increased marginally by 2.89%. The marginal increase was due to the successful debt management policy of the State Government. The **capital expenditure** experienced a substantial increase of 105.58% 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 – overall and primary balance trend in the last five years



The overall balance is calculated at total revenue including grants and excluding other capital receipts minus total expenditure including interest and principal payments; the primary balance as revenue minus total expenditure including amortization payments and excluding interest payments; and the gross financing need as the primary balance plus debt services and financing needs other than amortization payments.

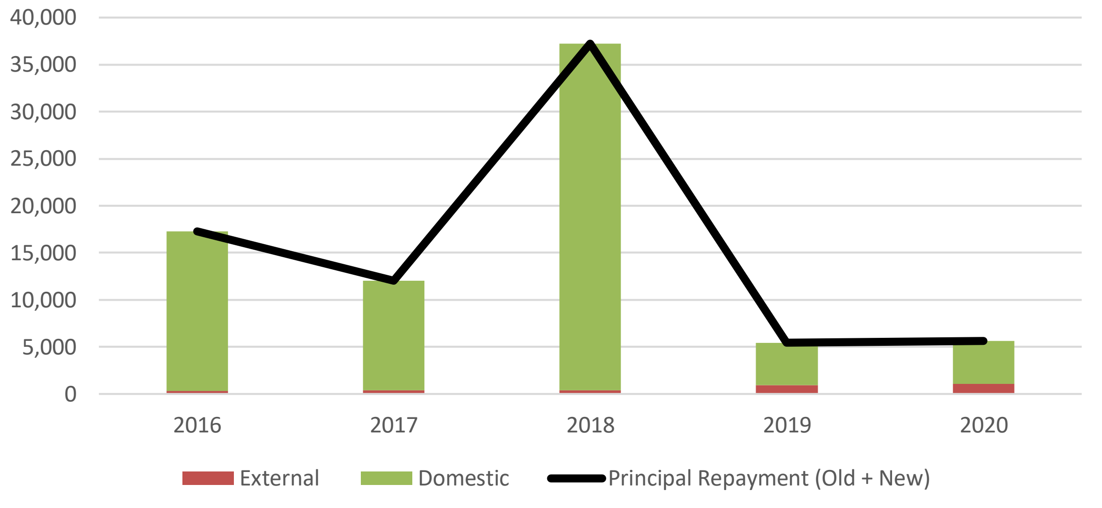
The overall fiscal balance and the primary fiscal balance declined continuously during the period under review. The overall balance declined from deficit of 2% of State Gross Domestic Products (S-GDP) in 2016 to deficit of 1% of S-GDP in 2020. The decline could be traced to the fall in the federal transfer (oil receipt) from the federal government. The primary fiscal balance declined during the reviewed period from a deficit of 2 percent of S-GDP in 2016 to a deficit of 1 percent of S-GDP in 2020 owing to the decline in federal transfers and the growth of capital expenditures. Both overall balance and primary balance had a recovery with 0% in the year 2019 respectively.

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.

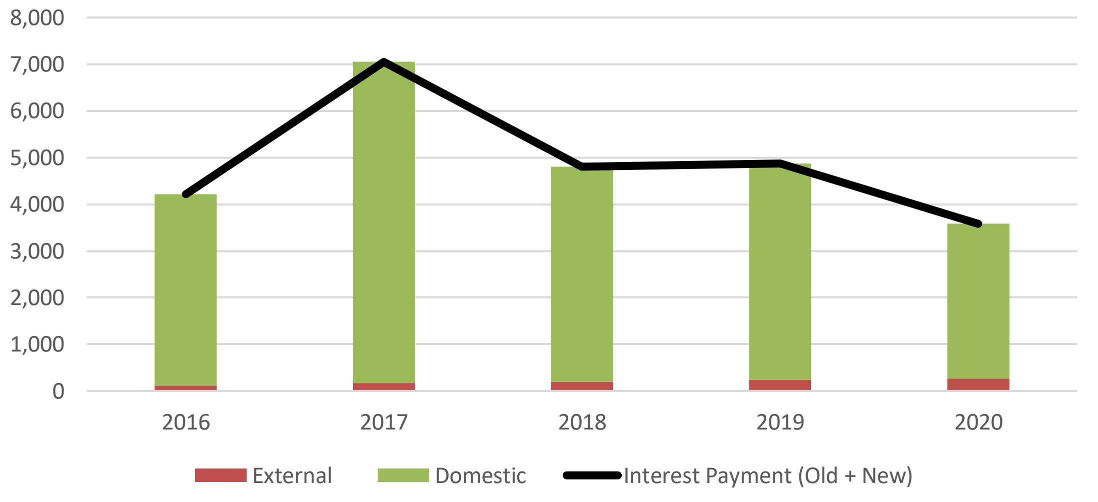
Chart 4: Pricipal Repayments (N$ million)



	2016	2017	2018	2019	2020
Principal Repayment (Old + New)	17,283	12,026	37,227	5,449	5,603
External	337	379	408	936	1,099
Domestic	16,946	11,647	36,819	4,513	4,504

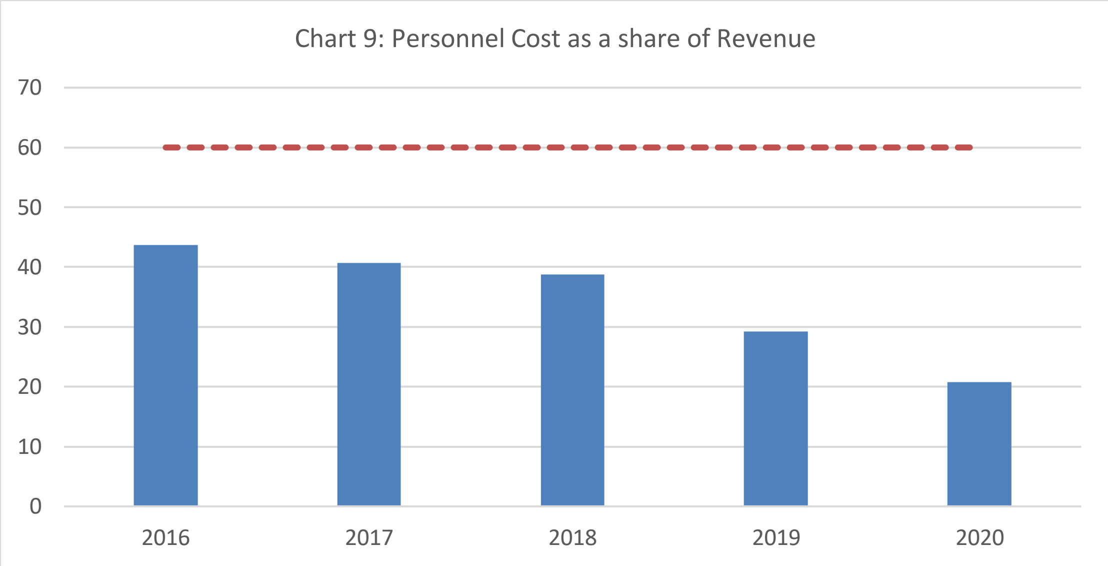
- Interest Payment

Chart 5: Interest Payments (N$ million)



	2016	2017	2018	2019	2020
Interest Payment (Old + New)	4,214	7,047	4,798	4,870	3,580
External	118	168	192	236	265
Domestic	4,096	6,879	4,605	4,634	3,315

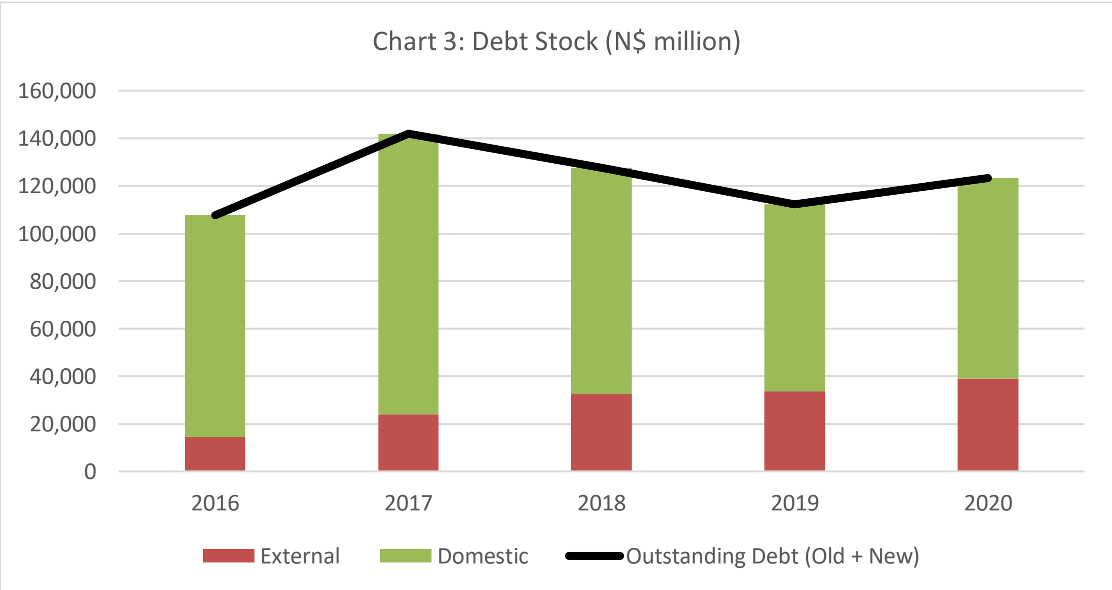
- Personnel Cost



	2016	2017	2018	2019	2020
Personnel Cost as % of Revenue	44	41	39	29	21
Threshold	60	60	60	60	60

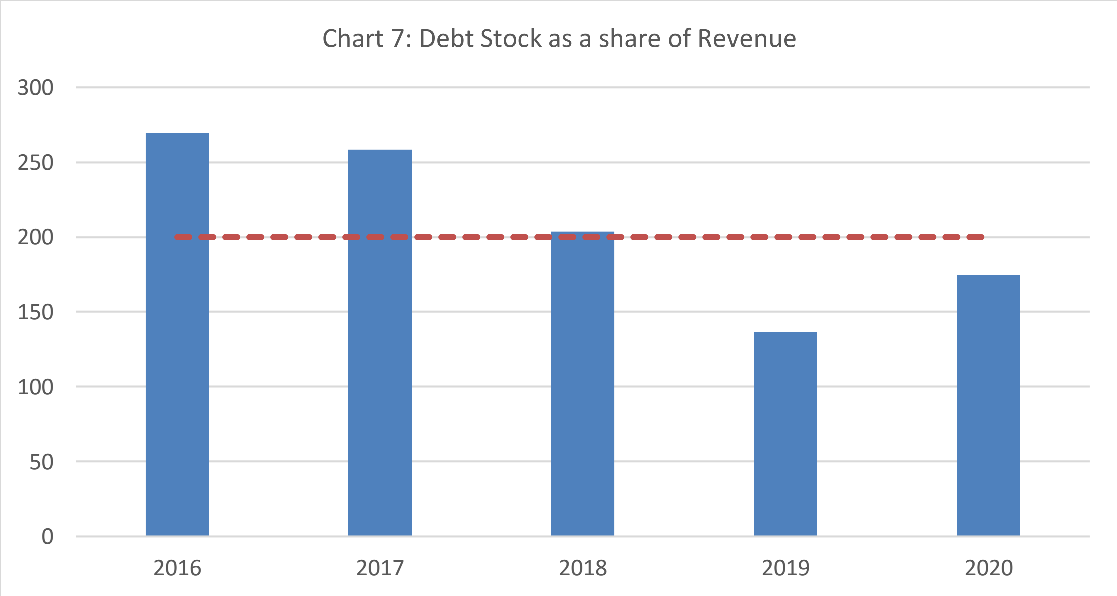
3.2 Existing Public Debt Portfolio of Ekiti State

3.2.1 The Evolution of the State Debt Stock between 2016 and 2020



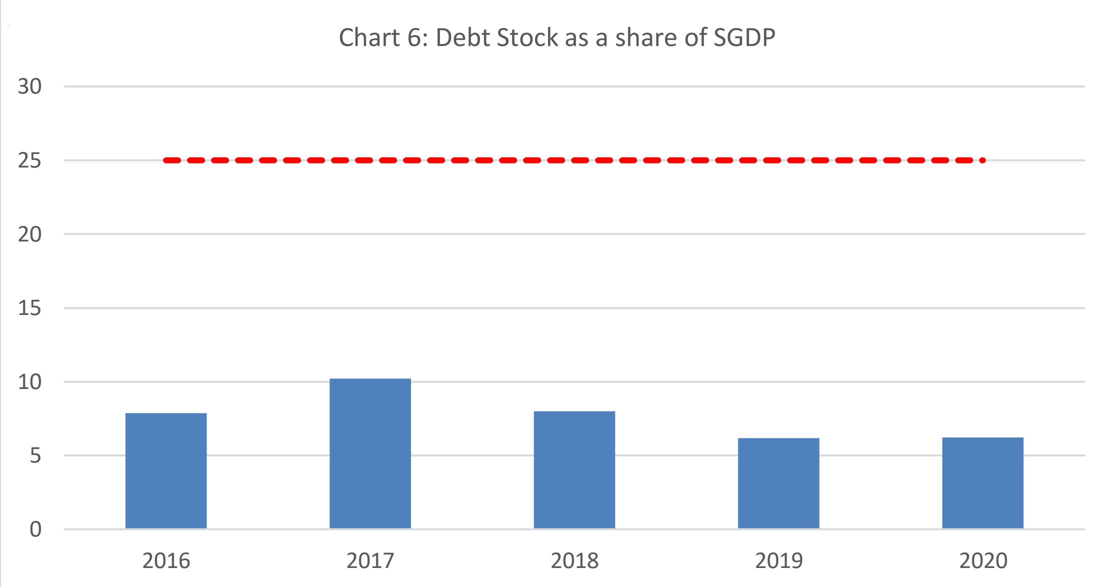
	2016	2017	2018	2019	2020
Outstanding Debt (Old + New)	107,656	141,935	127,535	112,286	123,233
External	14,401	23,868	32,553	33,568	39,037
Domestic	93,255	118,067	94,982	78,718	84,196

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 considers non-contingent debt and the obligation to repay them is independent of the circumstances as well as excludes the contingent liabilities (i.e. guarantee, State-owned enterprises and non-guaranteed liabilities). The total debt stock increased from ₦93.26billion in 2016 to ₦118.07billion in 2017. The debt stock however, fell steadily to ₦78.72 in 2019 while it increased to ₦84.20 billion in 2020. Within the period 2016 – 2020, the value of the debt stock of Ekiti State increased by 14.47% (nominal growth rate) from ₦107.66billion in 2016 to ₦123.23billion in 2020. The increase in the trend of the public debt stock over the period 2016 – 2020 was as a result of the federal government bailout and budget support facility, increase in State government arrears and external financing.



	2016	2017	2018	2019	2020
Debt as % of Revenue	269	259	204	136	175
Threshold	200	200	200	200	200

The debt-to-revenue ratio (debt stock as a share of revenue) rose above the threshold of 200% at 269%, 259% and 204% in 2016, 2017 and 2018 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 years 2019 and 2020 stood at 136% and 175% respectively. These are below the threshold of 200% for the period 2016 – 2020. Thereafter the ratio has been projected to experience a steady decline



	2016	2017	2018	2019	2020
Debt as % of SGDP	8	10	8	6	6
Threshold	25	25	25	25	25

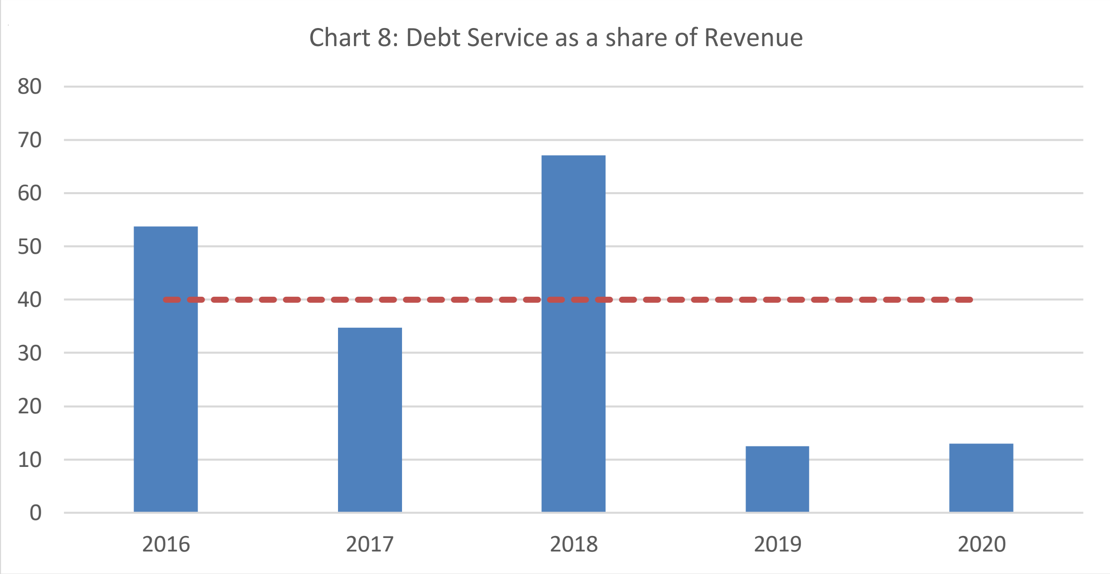
The debt stock as a share of SGDP ratios remain steadily below the threshold of 25% between the years 2016 – 2020. The ratio was 8% in year 2016 and 2018 and fell to 6% for the year 2019 and 2020 respectively.

3.2.2 Debt Portfolio Composition

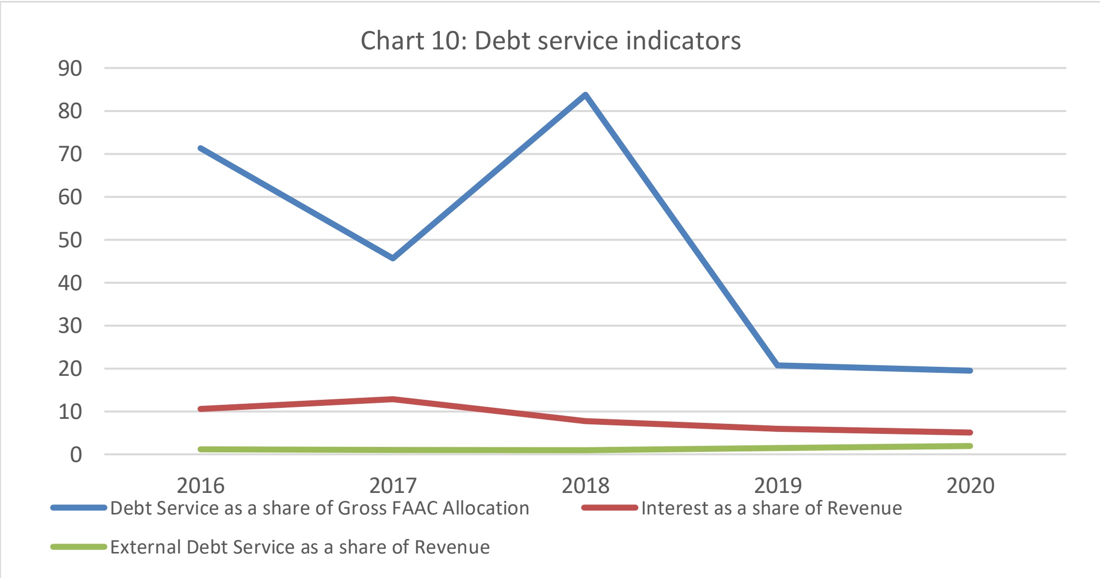
Ekiti State total public debt portfolio is made up of domestic (internal) debt and external (foreign) debt stock components. The domestic component includes budget support facility, salary bailout, FGN bond, ECA backed loan, commercial bank loan, State Bonds, Commercial Agriculture loan, judgment debt, contractors arrears, pension and gratuity arrears, salary arrears while the external debt stock comprises of World Bank and African Development Bank loans. The domestic debt stock makes up 68.32%, while external debt makes up the balance of 31.68% of the public debt portfolio as at end - 2020.

3.3 Cost and Risk Exposure of the existing public debt portfolio at end - 2020

The State's debt portfolio at end 2020 was held at a low-cost and low-risk. The debt portfolio carried on the average, an implicit interest rate (share of interest payments paid in 2020 on the public debt stock in 2019) of 3.19% in 2019-2020 and the interest payments as a share of the total revenue in 2020 (includes grants and excludes other capital receipts) was 5% at end – 2020. This means that the State did enter into minimal financial commitment with implicit interest rate. In addition, the interest payments represented just 4.17% of the total expenditure (including interest and amortization payments). The debt portfolio exposure to currency risk is 31.68% which indicates that the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Ekiti State's exposure to currency fluctuation is limited because the foreign currency-denominated liabilities are only a 31.68% of the total debt stock. As the average maturity of these loans are between 10 to 30 years and Ekiti State financial obligations including financing from the Federal Government and the multilateral organizations, rollover risk associated with potential deterioration of domestic financing condition is negligible.



	2016	2017	2018	2019	2020
Debt Service as % of Revenue	54	35	67	13	13
Threshold	40	40	40	40	40



	2016	2017	2018	2019	2020
Debt Service as a share of Gross FAAC Allocatioı	71	46	84	21	20
Interest as a share of Revenue	11	13	8	6	5
External Debt Service as a share of Revenue	1	1	1	1	2

CHAPTER FOUR

DEBT SUSTAINABILITY ANALYSIS

4.0 Introduction - Concept of Debt Sustainability Analysis

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. 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 Burden and Performance Indicators 2016 - 2030

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
WITH INDICATIVE THRESHOLDS	**Debt/SGDP**	8	10	8	6	6	7	8	8	8	8	7	6	6	5	5
	Threshold	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**
	Debt/Revenue	269	259	204	136	175	202	196	203	208	171	160	158	142	119	121
	Threshold	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**
	Debt Service/ Revenue	54	35	67	13	13	13	13	23	23	29	36	37	36	30	26
	Threshold	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**40**
	Personnel Cost/Revenue	44	41	39	29	21	25	21	19	18	12	12	13	12	11	11
	Threshold	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**
WITHOUT THRESHOLDS	**Debt Service / FAACAllocation**	71	46	84	21	20	21	25	39	39	45	56	59	57	46	39
	Interest/Revenue	11	13	8	6	5	5	9	12	13	14	14	14	13	11	10
	External Debt Service/Revenue	1	1	1	1	2	2	1	1	1	1	1	1	1	1	3

Source: Charts DSA Sheet of Ekiti State DSA-DMS Template

The above table contains Ekiti State debt burden and performance indicators. The Indicators were computed to assess the debt sustainability of the State, some with thresholds and others without thresholds.

4.1 Medium-Term Budget Forecast

4.1.1 Main features of the macroeconomic outlook under which the State DSA-DMS Baseline Scenario is being conducted

Ekiti State and Nigerian economy at large had been on a rough path even before the outbreak of COVID-19. Although the trajectory of economic growth had been improving since 2017, economic growth was still fragile and driven by just a few sectors. There is a high level of contagion across main macroeconomic indices in response to crude oil prices and production shocks – GDP, inflation, exchange rates and public expenditure all suffering. Nigeria's economy entered into recession in 2020, with the real GDP contracting by 1.8%, reversing three years of recovery from 2017 to 2020. This downturn resulted from the fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. However, in the fourth quarter of 2020, the Nigerian economy recovered and expanded by 0.11%; exiting one of its worst recessions, having posted a decline of 6.1% and 3.6% in 2020 Q2 and 2020 Q3, respectively. Ekiti State's medium-term sustainability is predicated upon a gradual recovery on the Nigeria economy that will increase FAAC statutory allocation. According to the Federal Government and State Government forecasts (Ekiti State MTEF, 2022-2024), the Nigeria economy is expected to sustain its economic recovery. The recovery is expected to be supported by higher oil prices in global markets, an increase in domestic production, prudent fiscal policy, and the stabilization of the exchange rate relevant for international public-sector financial transactions at its current level. Oil and gas revenue, as well as shared resources such as custom duties and VAT, would then increase thereby improving the State's revenue position.

4.1.2 Ekiti State's revenue and expenditure policies going forward under the baseline scenario.

Under the State's Debt Sustainability Analysis, the nation GDP growth rate is expected to have impact on the State's revenue. The DSA is also predicated on the continuation of recent efforts by Ekiti State Government 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. New policies are also being anticipated with regard to personnel and overhead costs. However, the State is expected is expected to ensure consistent annual increment in its personnel and overhead costs by making provision for steady annual increase of 5%.

Debt sustainability analysis of Ekiti is predicated on the continuation of recent efforts to grow the State's Internally Generated Revenue in the medium term. The economy of the State is expected to gradually recover from 2021-2024 with increase of 33.24% growth rate in the State's GDP from N2,347,783.0 in 2021 to N 3,128,154.0 by 2024. The moderate recovery will be supported by economic growth through diversification and increase in the share of VAT. The State Government adopted some Tax Administration reforms which are expected to strengthen resources provided by IGR and attract numerous industries through industrialization drive. The sustainability of these reforms would bring immense benefits to the economy of Ekiti State. The State has put in various Tax Administration reforms to strengthen its IGR in order to sustain its debt, these include the enactment of amended Ekiti State Internal Revenue Service Law 2020, Land Administration and Management Project Executive Order No 008. With these new law 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. In addition, the ongoing implementation of the State's Civil Service Reform Policies (Public

Service Rules Revised Edition, 2021, Payroll reforms) with regard to personnel and overhead cost are expected to decline in their growth rate.

4.2 Borrowing options

The following are the key assumptions on the planned borrowings of the reference debt management strategy (S1) for Ekiti State:

i. **names of debt instruments**

New Domestic Financing in Million of Local Currency			
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Million	
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Million	
State Bonds (maturity 1 to 5 years)	Naira	Million	
State Bonds (maturity 6 years or longer)	Naira	Million	
Other Domestic Financing	Naira	Million	
New External Financing in Million US Dollars			
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	US Dollars	Million	
External Financing - Bilateral Loans	US Dollars	Million	
Other External Financing	US Dollars	Million	

ii. **financing terms (maturity, grace period, and interest rate) of each of the debt instruments**

Borrowing Terms for New Domestic Debt (issued/contracted from 2021 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	9.00%	5	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	9.00%	10	2
State Bonds (maturity 1 to 5 years)	14.50%	5	1
State Bonds (maturity 6 years or longer)	16.90%	8	1
Other Domestic Financing	14.00%	7	0
Borrowing Terms for New External Debt (issued/contracted from 2021 onwards)	**Interest Rate (%)**	**Maturity (# of years)**	**Grace (# of years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	5.00%	5	3
External Financing - Bilateral Loans	5.50%	10	2
Other External Financing	6.00%	5	2

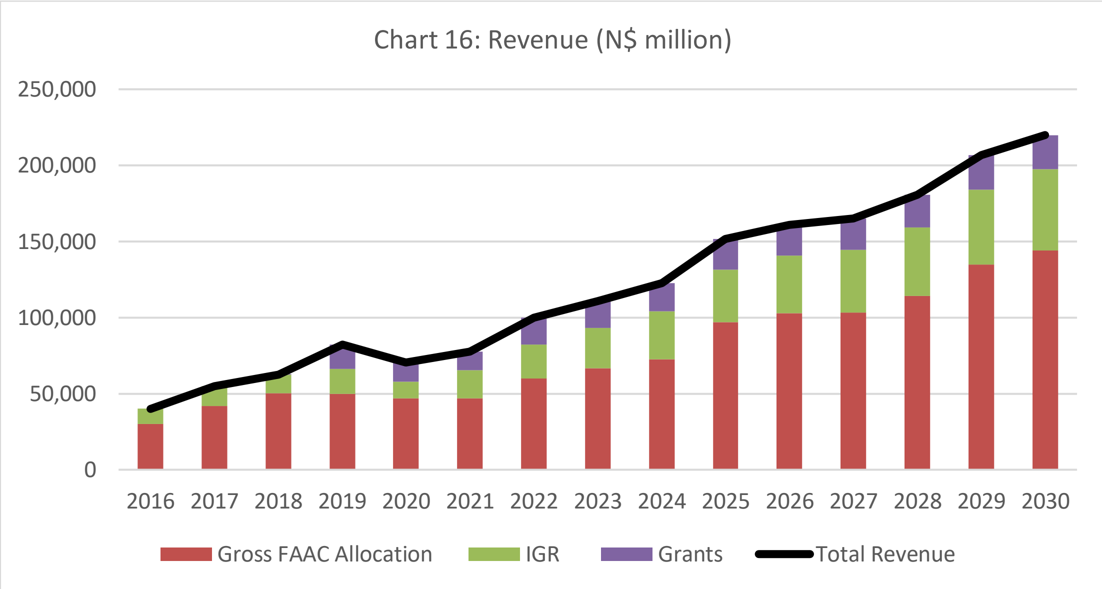
The total planned borrowings of the reference debt management strategy (S1) for Ekiti State within the projected period are reported in the table below:

2021 (N000,000)	2022 (N000,000)	2023 (N000,000)	2024 (N000,000)	2025 (N000,000)	2026 (N000,000)	2027 (N000,000)	2028 (N000,000)	2029 (N000,000)	2030 (N000,000)
39,393.4	**41,853.0**	**42,190.5**	**41,717.8**	**27,754.2**	**33,280.7**	**41,015.1**	**37,313.7**	**29,222.8**	**55,198.2**

4.3 Debt Sustainability Analysis Simulation Results and Findings

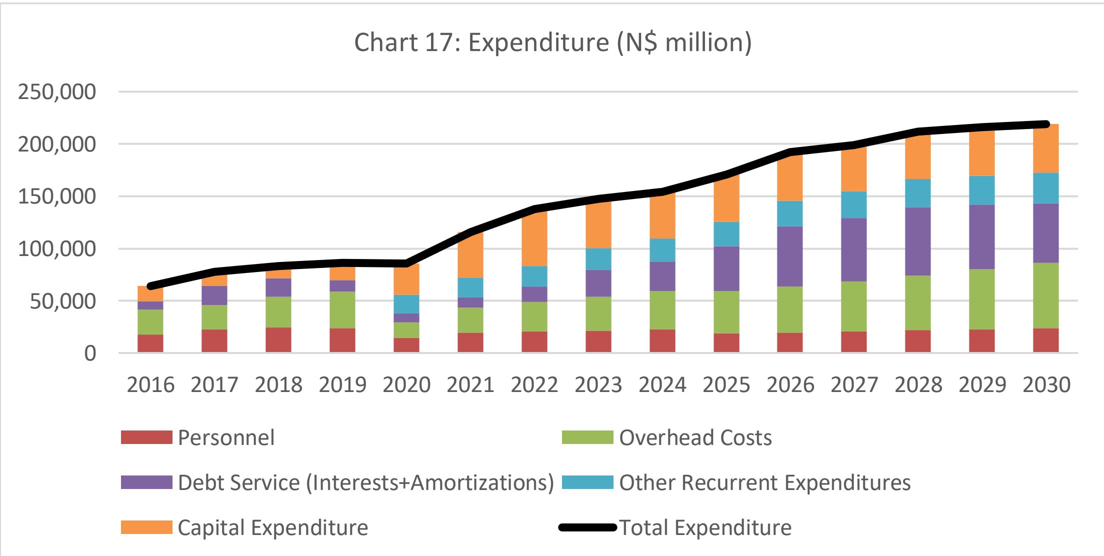
The main DSA findings and results of the Baselines Scenario under the reference debt strategy (S1) in terms of projected revenue, expenditure, primary and overall balance and debt and debt service indicators and thresholds are presented below:

4.3.1 Revenue



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenue	39,969	54,893	62,641	82,319	70,618	77,471	99,734	110,935	122,663	151,671	160,804	165,078	180,688	206,550	219,937
Gross FAAC Allocation	30,175	41,774	50,166	49,778	46,952	47,064	60,126	66,611	72,364	96,829	103,017	103,086	114,122	134,990	143,866
IGR	9,794	13,119	12,196	16,530	10,909	18,543	22,238	26,433	31,738	34,584	37,759	41,225	45,009	49,141	53,652
Grants	0	0	279	16,011	12,756	11,864	17,370	17,891	18,562	20,258	20,028	20,767	21,557	22,419	22,419

4.3.2 Expenditure



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Expenditure	63,956	77,485	83,263	86,330	85,846	115,705	137,487	147,725	154,404	170,901	191,889	199,149	211,730	215,876	218,953
Personnel	17,459	22,327	24,257	24,055	14,685	19,507	20,700	21,567	22,359	18,742	19,679	20,663	21,696	22,781	23,920
Overhead Costs	23,824	23,427	29,621	34,872	14,786	23,941	27,903	32,044	36,999	40,318	44,019	48,060	52,471	57,288	62,547
Debt Service (Interests+Amortizations)	8,098	18,378	17,418	10,762	8,332	9,958	14,865	25,770	28,328	43,315	57,487	60,629	65,616	61,617	56,470
Other Recurrent Expenditures	0	0	0	0	18,080	18,984	19,933	20,929	21,976	23,075	24,228	25,440	26,712	28,047	29,450
Capital Expenditure	14,575	13,353	11,966	16,641	29,964	43,316	54,085	47,415	44,742	45,453	46,477	44,358	45,235	46,143	46,567

4.3.3 Debt Stock

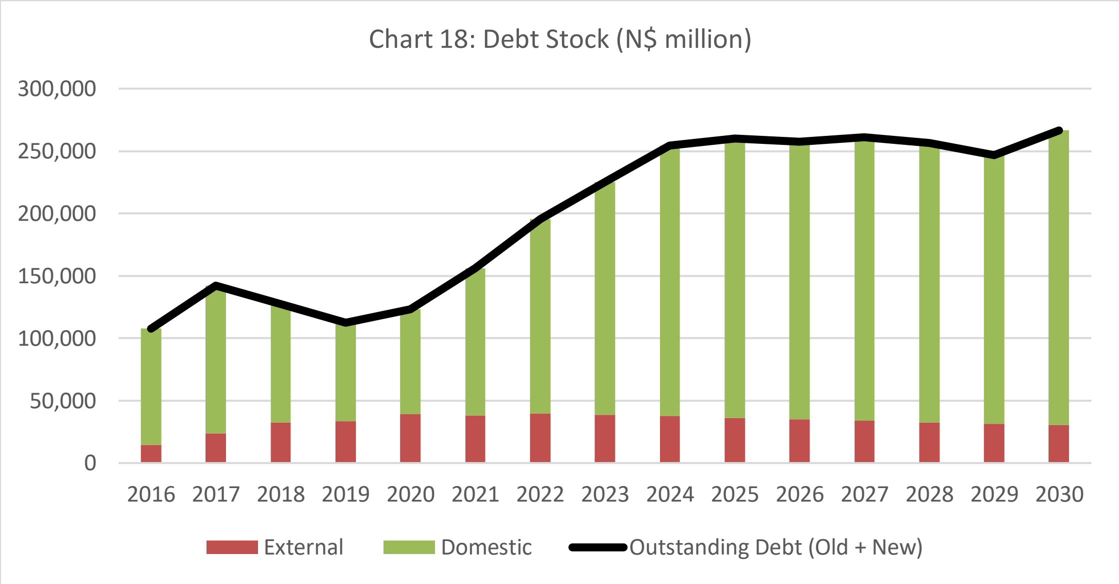


Chart 18: Debt Stock (N$ million)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Outstanding Debt (Old + New)	107,656	141,935	127,535	112,286	123,233	156,251	195,338	225,169	254,623	260,069	257,696	261,302	256,253	246,765	266,518
External	14,401	23,868	32,553	33,568	39,037	37,938	39,852	38,663	37,474	36,285	35,096	33,907	32,718	31,529	30,340
Domestic	93,255	118,067	94,982	78,718	84,196	118,313	155,486	186,506	217,149	223,784	222,600	227,395	223,535	215,236	236,178

4.3.4 Debt as a Share of Revenue

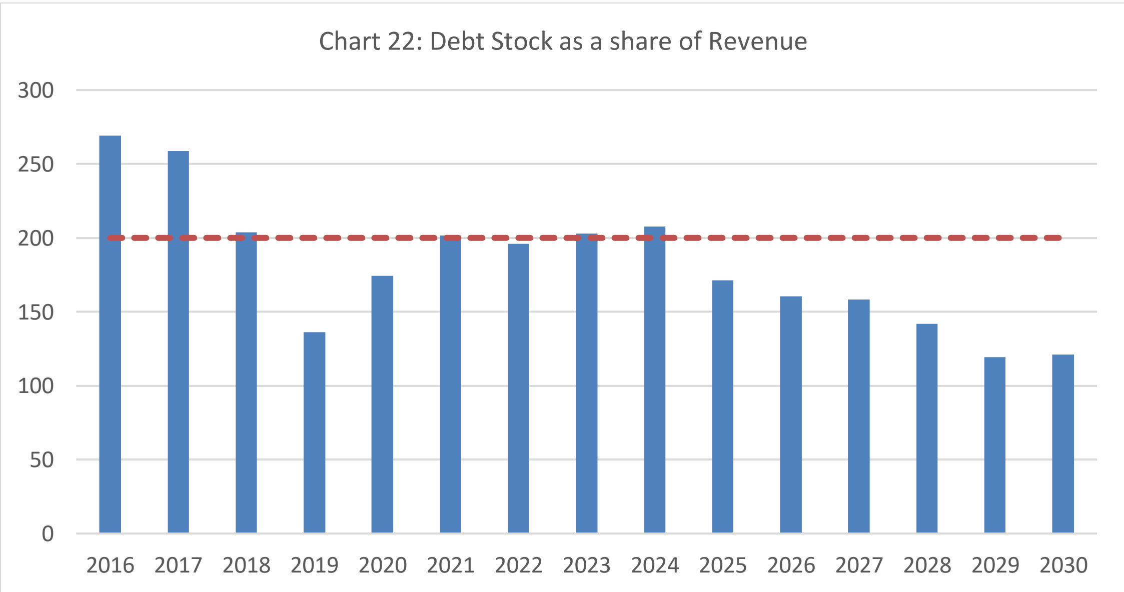
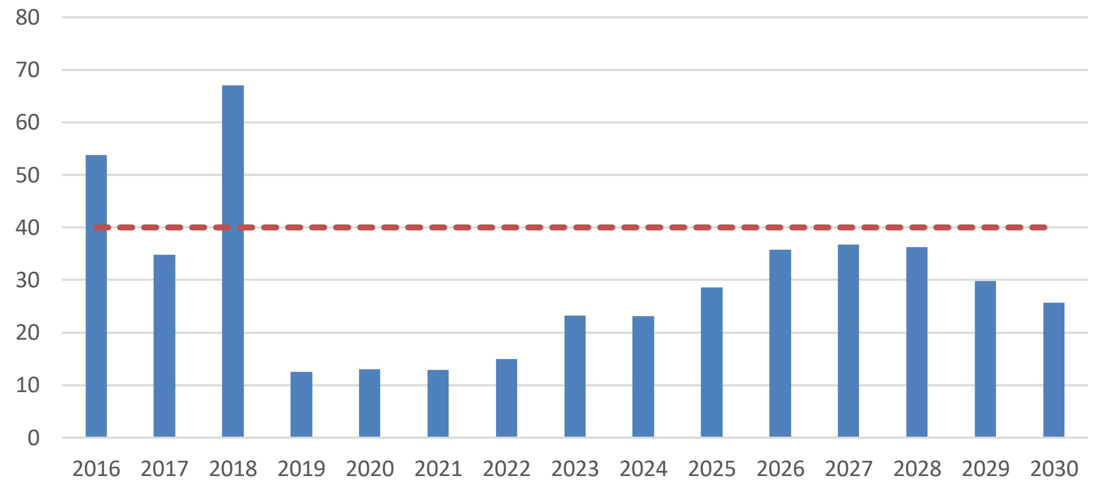


Chart 22: Debt Stock as a share of Revenue

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Debt as % of Revenue	269	259	204	136	175	202	196	203	208	171	160	158	142	119	121
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200

4.3.5 Debt Service as a Share of Revenue

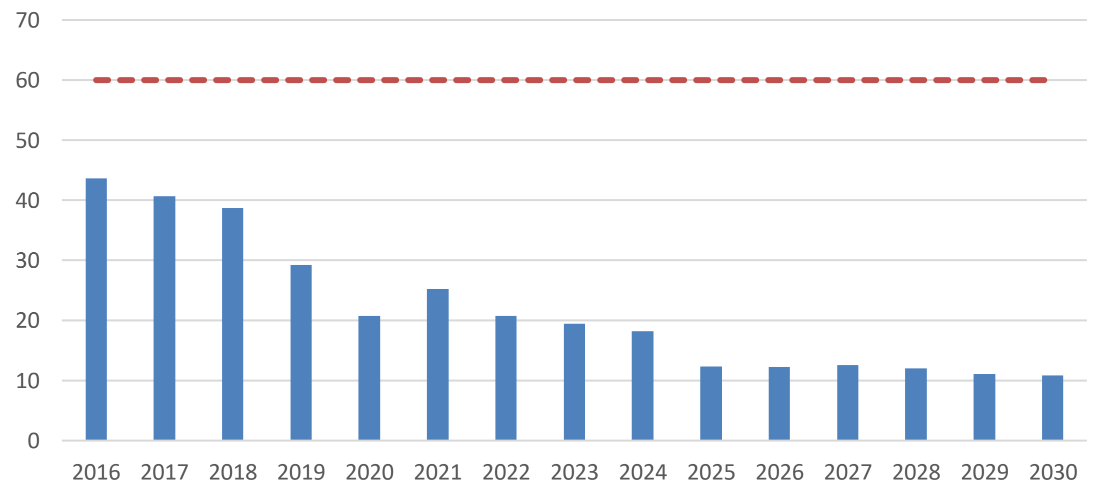
Chart 23: Debt Service as a share of Revenue



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Debt Service as % of Revenue	54	35	67	13	13	13	15	23	23	29	36	37	36	30	26
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40

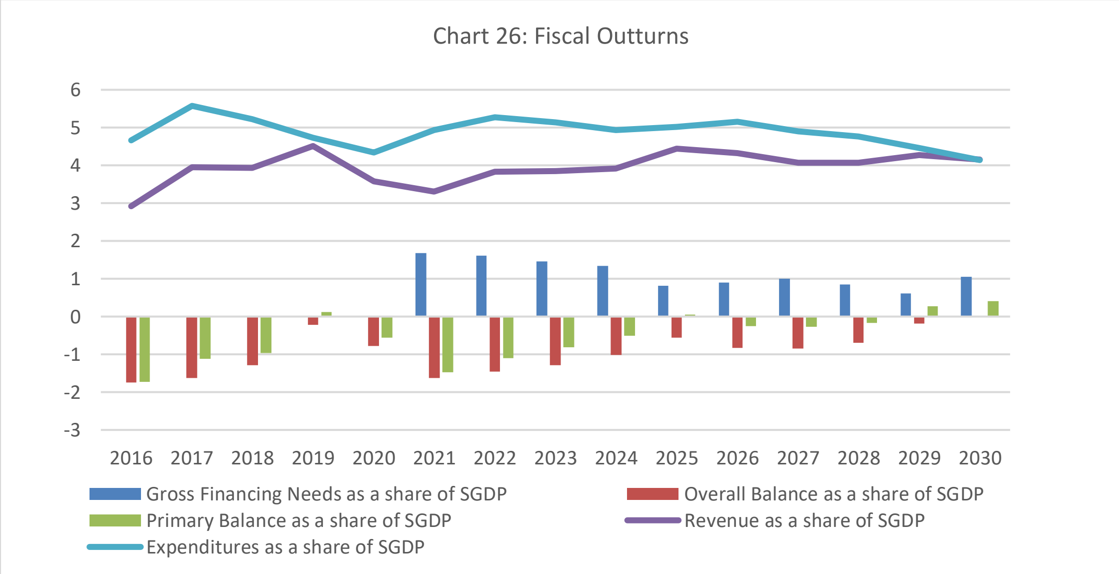
4.3.6 Personnel Cost as a share of Revenue

Chart 24: Personnel Cost as a share of Revenue



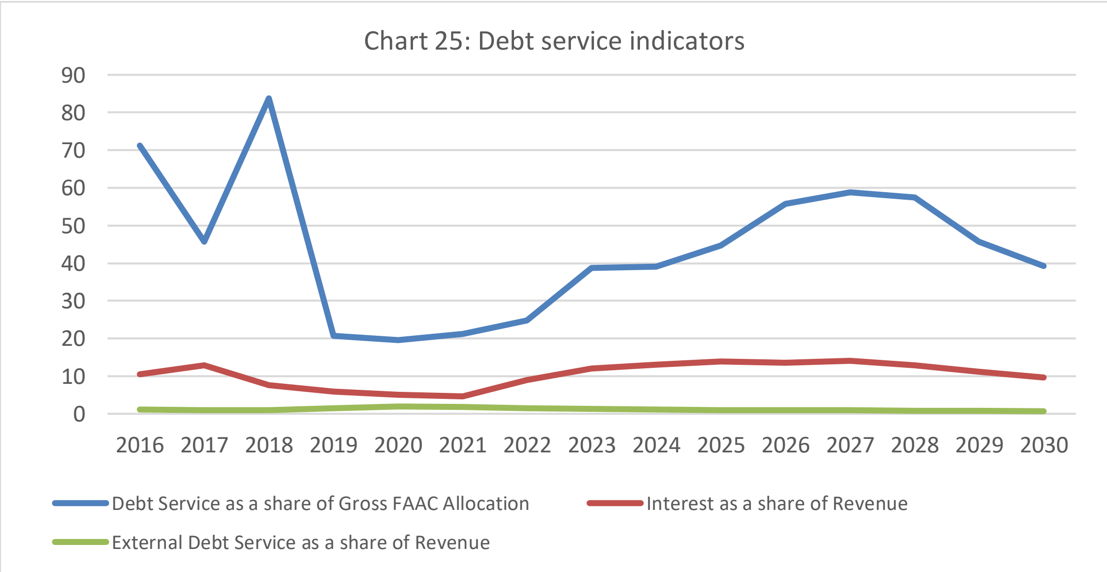
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Personnel Cost as % of Revenue	44	41	39	29	21	25	21	19	18	12	12	13	12	11	11
Threshold	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

4.3.7 Fiscal Outturns



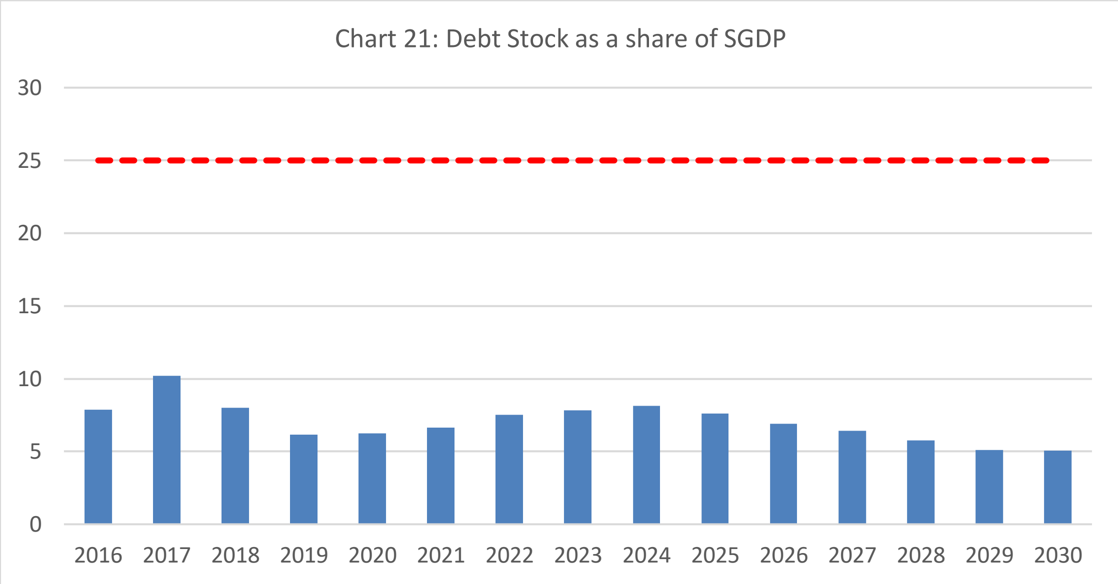
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gross Financing Needs as a share of SGDP	0	0	0	0	0	2	2	1	1	1	1	1	1	1	1
Overall Balance as a share of SGDP	-2	-2	-1	0	-1	-2	-1	-1	-1	-1	-1	-1	-1	0	0
Primary Balance as a share of SGDP	-2	-1	-1	0	-1	-1	-1	-1	-1	0	0	0	0	0	0
Revenue as a share of SGDP	3	4	4	5	4	3	4	4	4	4	4	4	4	4	4
Expenditures as a share of SGDP	5	6	5	5	4	5	5	5	5	5	5	5	5	4	4

Debt Service Indicators



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Debt Service as a share of Gross FAAC Allocatio	71	46	84	21	20	21	25	39	39	45	56	59	57	46	39
Interest as a share of Revenue	11	13	8	6	5	5	9	12	13	14	14	14	13	11	10
External Debt Service as a share of Revenue	1	1	1	1	2	2	1	1	1	1	1	1	1	1	1

Debt Stock as a share of SGDP



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Debt as % of SGDP	8	10	8	6	6	7	8	8	8	8	7	6	6	5	5
Threshold	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25

Main Findings and Conclusion of the Baseline scenario under the reference Debt strategy (S1) in term of debt sustainability.

Revenue, expenditure, overall and primary balance over long-term. In the Baseline Scenario under the reference debt strategy (S1), the State preserves debt sustainability. Total revenue (including grants and excluding other capital receipts is projected to increase from ₦70.62billion in 2020 to ₦219.94billion by 2030(chart 16). Total expenditure will expand from ₦85.85billion in 2020 to ₦218.95billion by 2030 (chart 17).

The public debt and the State's repayment capacity are projected to rise due to significant increase in internal loans (Chart 18). The State's debt will grow from ₦123.233 billion as of end 2020 to ₦266.518 billion by end of 2030 (116.27% rise). The increase would result from the projected increase in internal loan from ₦84.196 billion in 2020 to ₦236.178 billion by end 2030

However, the debt and the debt service indicators under the baseline scenario indicates the sustainability of the state's public debt trend and repayment capacity. **The debt stock as a percentage of revenue** declines from 175% in 2020 to 121% in 2030. The debt-revenue ratio is expected to stand under the threshold of 200% at 175% in 2021. The ratio would rise above the threshold at 202%, 203% and 208% by 2021, 2023 and 2024 and thereafter remain under the threshold of 200% within the remaining projected period. Likewise, **the debt service as a share of revenue** would be stable under the threshold of 40% within the projected years of 2020 - 2030. The debt service to revenue ratio is expected to stand at 0.13 by 2020 and rise maximally to 0.37 by 2027. However, the ratio would fall to 0.26 by year 2030. Flowing from the expected decrease in the debt commitment and repayment by the State Government, the debt service share of the State's revenue would stand below the threshold in the projected period 2020-2030.

The State's debt service as a percentage of FAAC allocation is projected to be 20% in 2020 and rise steadily to 59% in year 2027 and thereafter decrease to 39% in 2030. Within the projected period of 2020 – 2030, **the external debt service to revenue ratio** would exhibit a steady trend and oscillate between 1% - 2%. This is expected to result from the minimum of the State exposure to external debt**. Interest repayment to revenue** is expected to rise from 0.05 in 2020 to 0.14 by 2025 and 2026. The ratio would fall to 0.10 in 2030 through the State's various initiatives and reforms in the management of its public stocks.

The percentage of the **Ekiti State's debt on the S-GDP** remains under the threshold of 25% with an average ratio of 6.7% between 2020 and 2030. 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. This is showing the improvement in the public debt position. The analysis of the Baseline Scenario under the reference debt strategy (S1) suggests that the State will be able to preserve the sustainability of the debt in the medium-term.

Consequently, the outcome of the analysis under the Baseline Scenario reveals that Ekiti State domestic and external Debt Portfolio remains at a moderate risk of debt distress. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks. There is need for the State Government to fast-track its efforts aimed at further diversifying the revenue sources and implement revenue-driven policies.

4.4 DSA Sensitivity Analysis

4.4.1 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 sensitivity analysis, Ekiti State faces important sources of fiscal risks associated to the possibility of adverse country-wide macroeconomic conditions and the reversal of the State's revenue and expenditure policies. The sensitivity analysis used macroeconomic shocks and policy shocks to evaluate and assess the robustness of the sustainability assessment for the Baseline scenario under the reference debt strategy (S1) discussed in the previous sub-section. When considering both the macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario.

The DSA Sensitivity analysis for Ekiti State shall be conducted under six scenarios (one baseline scenario, four shock scenarios and one historical scenario). Shocks are measured as a percentage deviation from the baseline scenario.

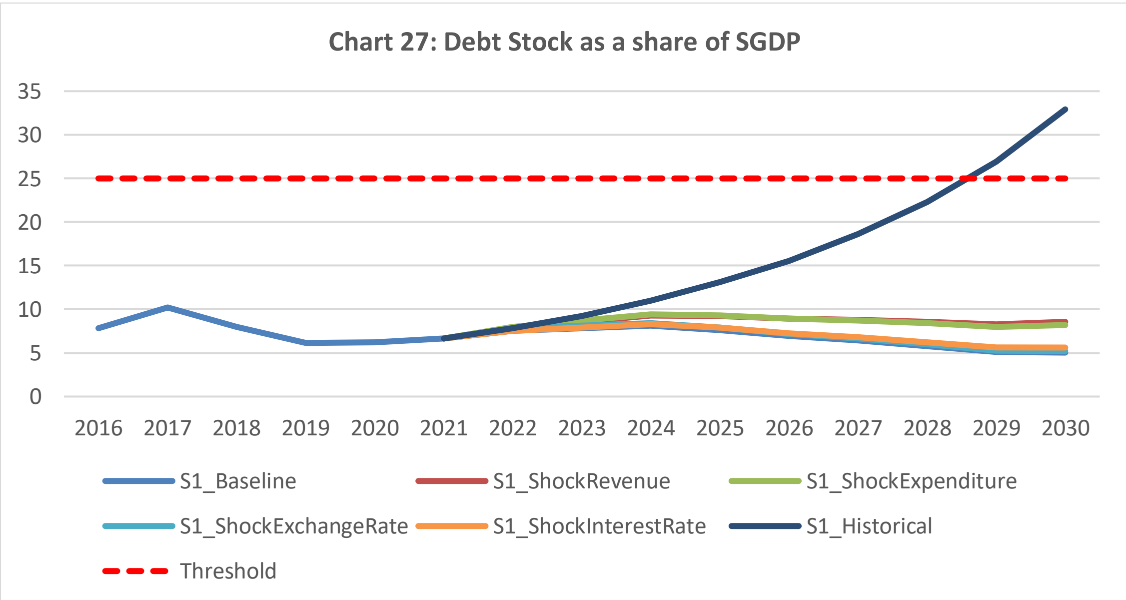
1. **Baseline** scenarios shows the fiscal projections provided by the State for the period 2021-2030. The 2021 projections include the 2021 Amended Budget figures. The

2021-2024 projections include the 2021-2024 State's MTEF figures. If the State does not produce forecasts for a 10-year period, the projections for 2024-2030 will be provided by the State based on the guidance of the DMO and the World Bank.

2. **Shock Revenue** scenarios includes a 10% decline of the Gross Statutory Allocation, Derivation, Other FAAC Transfers, VAT Allocation, IGR and Grants in nominal terms each year, starting from 2022 until 2030. Note we refer to Gross FAAC Allocation as the sum of Gross Statutory Allocation, Derivation, Other FAAC Transfers, and VAT Allocation.
3. **Shock Expenditures** scenario includes a 10% increase of the Personnel cost, Overhead cost, Other recurrent expenditure and Capital expenditure in nominal terms each year, starting in 2022 until 2030.
4. **Shock Exchange Rate** scenarios includes a one-time 20% devaluation (NGN/US$) in 2022. The exchange rate difference regarding the baseline is maintained over the projected period (2022-2030).
5. **Shock Interest Rate** scenarios includes a 200 basis points increase of the new domestic financing interest rate each year, starting in 2021 until 2030.
6. **Historical** scenario assumes that the State GDP, revenues and primary expenditures in 2022-2030 grow in line with their respective historical average growth rates observed in 2017-2020.

4.5 The DSA Sensitivity Analysis for Ekiti State

The findings and conclusions of each shock scenario and the historical scenario, under the reference debt strategy (S1) according to the debt sustainability are presented below:



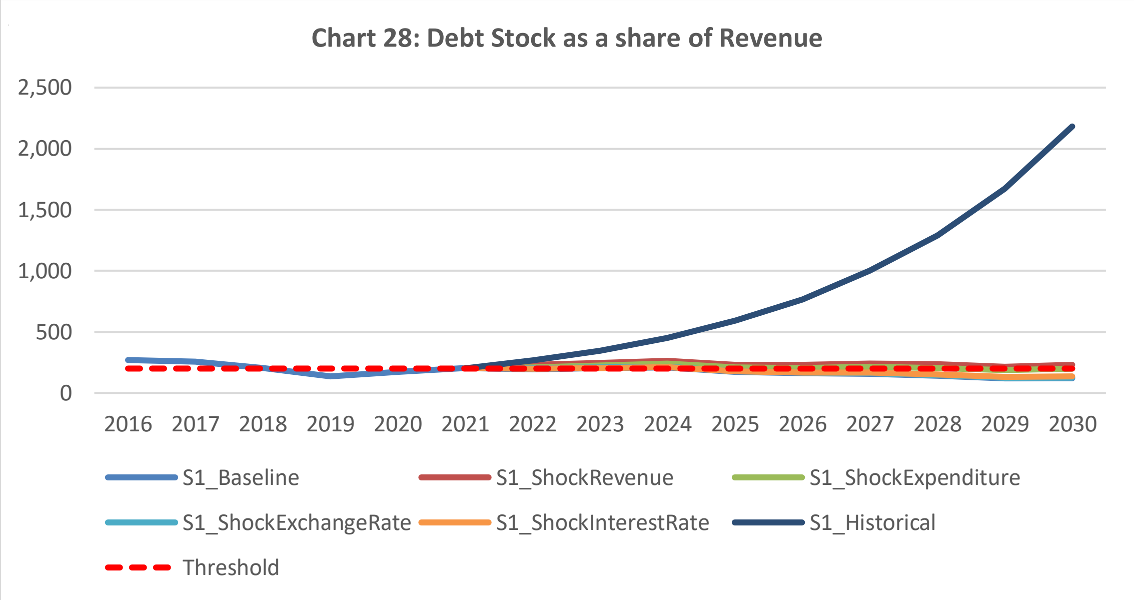


Chart 28: Debt Stock as a share of Revenue
2,500
2,000
1,500
1,000
500
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

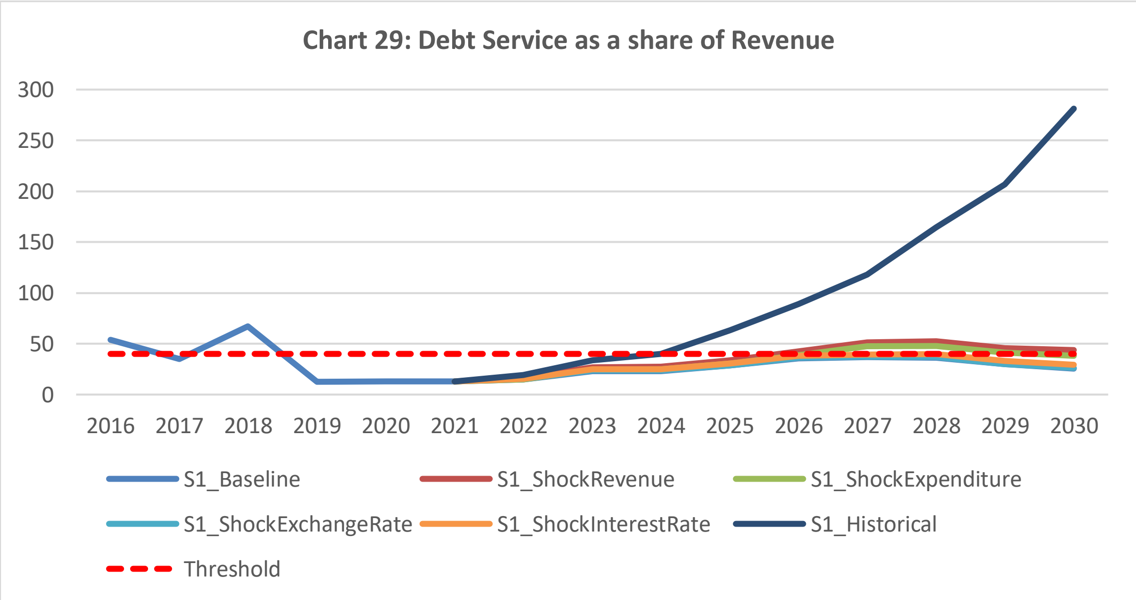
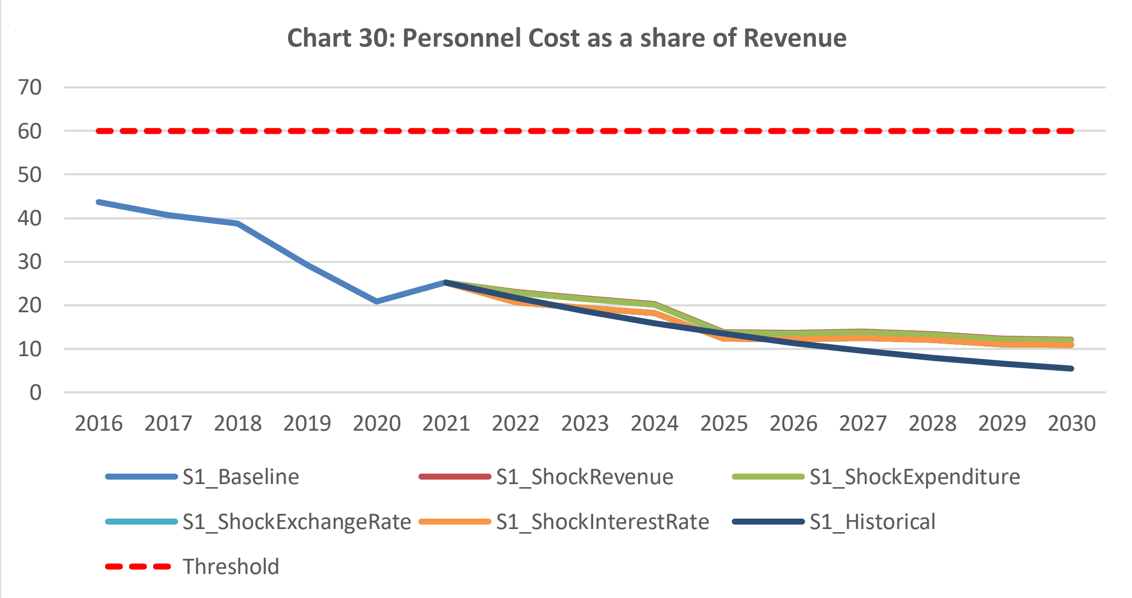


Chart 29: Debt Service as a share of Revenue
300
250
200
150
100
50
0
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold



The 2021 DSA analysis shows that Ekiti State remains at moderate risk of debt distress under the sensitivity analysis. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks. The shocks apply breached the threshold under debt as percent of SGDP from 2029 to 2030 under historical shocks. The debt stock as a share of revenue breached the benchmarks with the Revenue shocks from 2021 to 2030, Expenditure shocks from 2021 to 2028, Exchange rate Shocks from 2021 to 2024, Interest Rate Shocks in 2021, 2023 and 2024, Historical shocks from 2021 to 2030. Debt service as percentage of Revenue breached the threshold under the Revenue Shocks from 2026 to 2030, Expenditure shocks from 2027 to 2029, and under Historical Shocks from 2025 to 2030. In view of the above, there is, an urgent need for the State Government to fast-track efforts aimed at further diversifying the sources of revenue away from FAAC Allocations, as well as implement far-reaching policies that will bolster the State's IGR. This is very important in view of the continued volatility in the FAAC allocation.

CHAPTER FIVE

DEBT MANAGEMENT STRATEGY

5.0 Introduction - Concept of Debt Management Strategy

Definition of Public Debt Management

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.

There are three debt-management performance indicators utilized in this report to assess the debt-management strategies outcomes of Ekiti State

- Debt Stock as % of Revenue (including grants and excluding other capital receipts)
- Debt Service as % of Revenue (including grants and excluding other capital receipts)
- Interest as % of Revenue (including grants and excluding other capital receipts)

The **measure of cost** is simply the value of the given performance indicator obtained in the last projected year (2025) by combining the four strategies and the baseline outlook. The **measure of risk** is the change in the value of the given performance indicator in the fifth year of the projection when it moves from the baseline to the adverse shock. For example, if the debt service to revenue ratio in 2025 is expected to be 20% under the reference strategy S1 but the adverse shock scenario placed the same indicator in the value of 25% in 2025, then the risk of carrying the reference strategy S1 is 5 percentage points. The cost and Risk are only measured in 2025 for the baseline

5.1 Alternative Borrowing Options

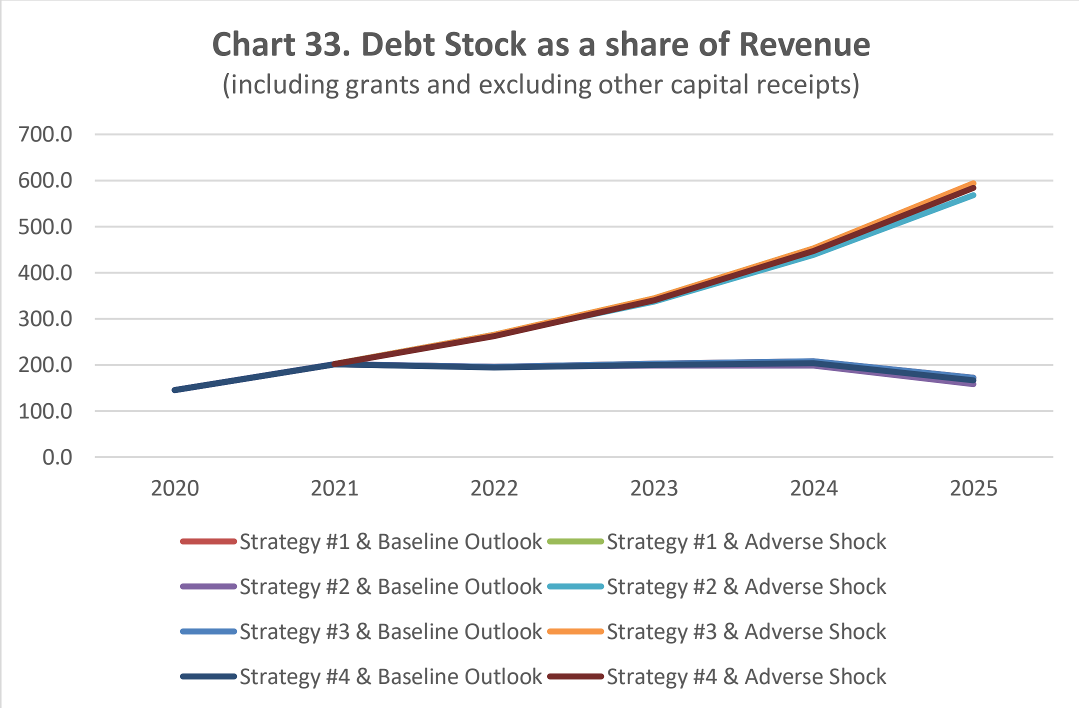
There are three alternative Debt Management Strategies for Ekiti State (S2, S3, and S4). The second alternative DMS (S2) focuses only on external financing. The State would borrow through foreign debt instruments such as concessional loans e.g. World Bank and African Development Bank, Bilateral Loans. This is due to the fact that the external financing is contracted under concessionary terms and conditions. On the other hand, the third Strategy (S3) encourages the State to borrow more from the internal sources (domestic financing) through domestic debt instruments such as Commercial bank loans, Bonds, and other domestic financing. This is done to ensure that the State have no or little exposure (zero risks) to foreign debt instrument for the development of domestic debt markets. The S4 gave fair consideration to all the financing instruments to fund specific expenses (such as capital investments) in the State.

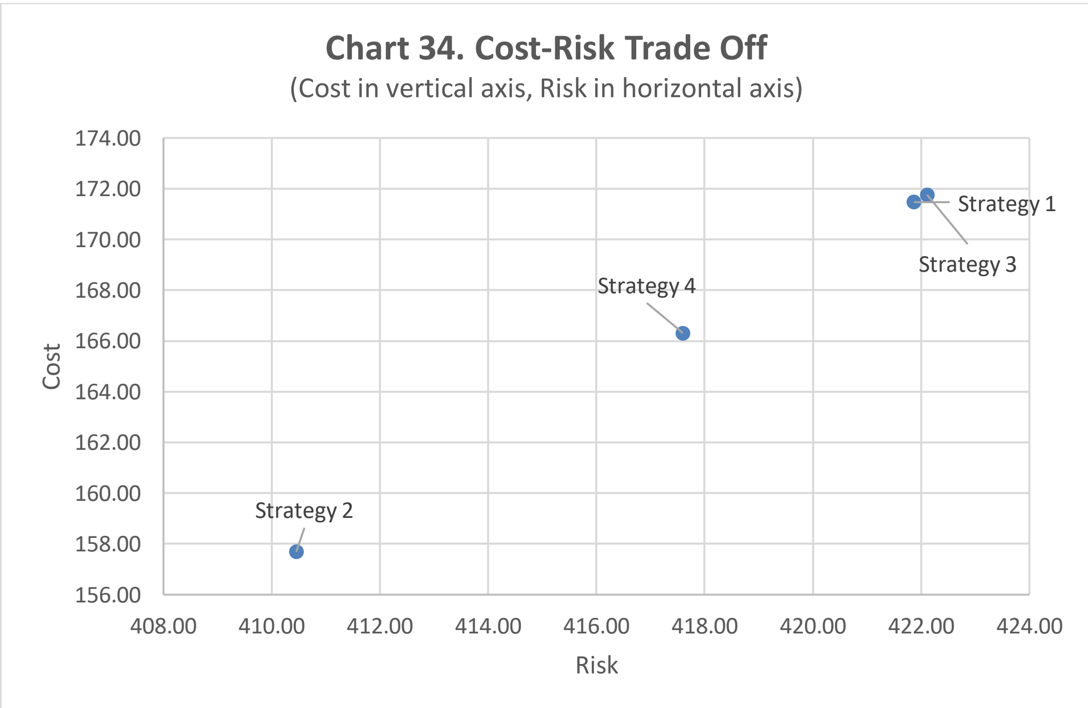
5.2 Debt Management Strategy (DMS) Simulation Results

The analysis of the results obtained from the four DMS, focuses on the three performance indicators. The three debt-management performance indicators are presented for the baseline and the most adverse scenario of the reference debt strategy (S1) and the alternative debt strategy (S2, S3, S4). It should be noted that there are no thresholds for the assessment of the debt-management performance indicators under the different debt strategies.

5.2.1 Debt/Revenue

Under the four strategies, the projected Debt/Revenue in the Baseline Scenario for period 2021 – 2025 fell continuously from 210.7% in 2021 to 166.8% on the average in 2025.



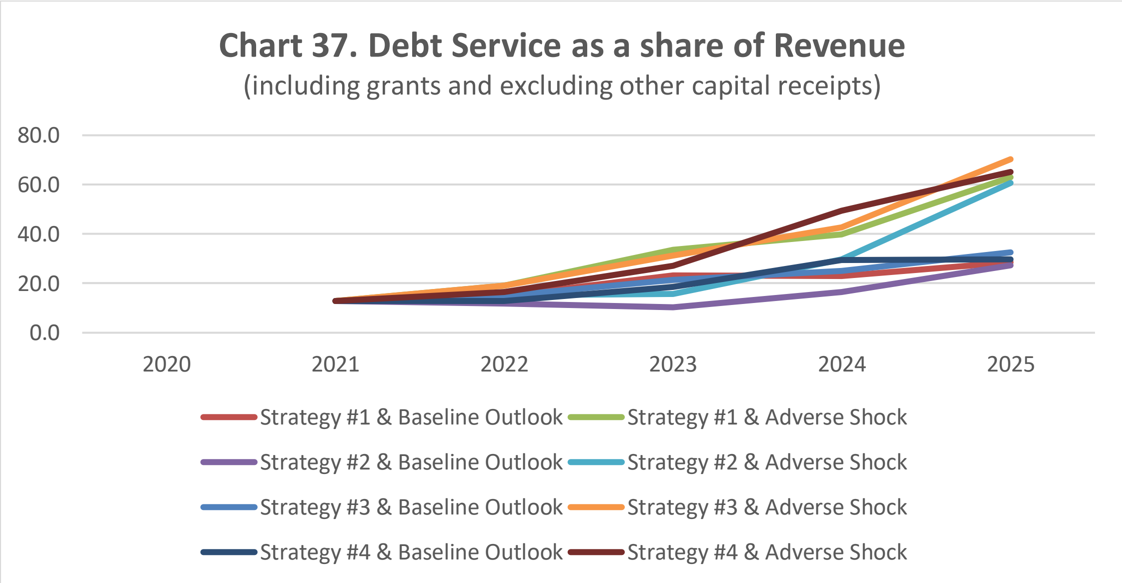


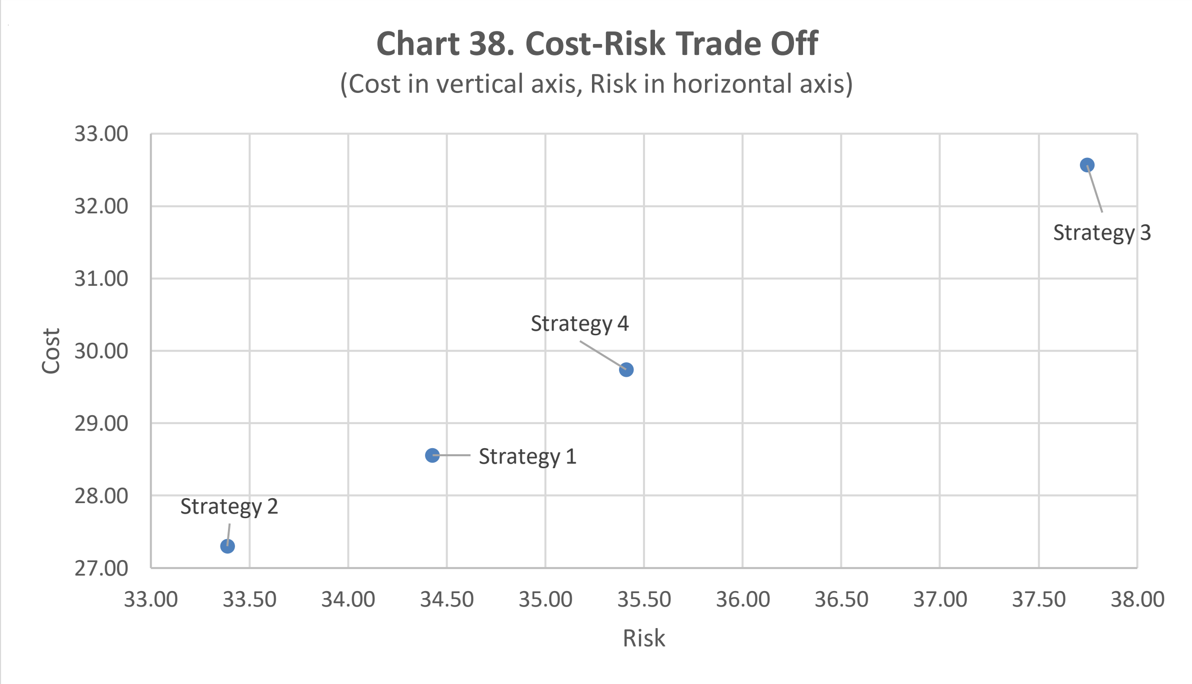
- ➢ The Cost-Risk Trade-off scatter plot shows the trade-off of the cost and risk for the four DMS. Looking at the chart, the preferred strategy combines the lesser cost couple with the lesser risk. For the debt/revenue indicator, the **alterative strategy (S2)** is the preferred one since it shows the lesser cost and the lesser risk (157.7% Cost and 410.5% Risk).

- Strategy 2 shows the Cost ratio of Debt to Revenue estimate to decrease from 201.7% in 2021 to 157.7%, as against Strategy 1 (171.5%), Strategy 3 (171.8%) and Strategy 4 (166.3%), over the DMS period of 2025, compared with the Risks measured of Strategy 2 (410.5%), Strategy 1 (421.9%), Strategy 3 (422.1%) and Strategy 4 (417.6%), respectively.
- Analysis using this debt indicator of debt to revenue shows that S2 is the least costly and risker which was estimated at 157.7% and 410.5% compared to S1 (171.5% and 421.9%), S3 (171.8% and 422.1%), S4 (166.3% and 417.6%) respectively. On the other hand, Strategy 3 is the costliest and riskiest strategy which was estimated at 171.8% and 422.1%, which concentrate on more domestic borrowings (commercial bank loans, state bonds and other domestic financing) with little proportion of external financing over the DMS period of 2021-2025.

5.2.2 Debt Service/Revenue

Under the four strategies, the projected Debt service/Revenue in the Baseline Scenario for period 2021 – 2025 rise on the average ratio of 12.9% to 29.6%

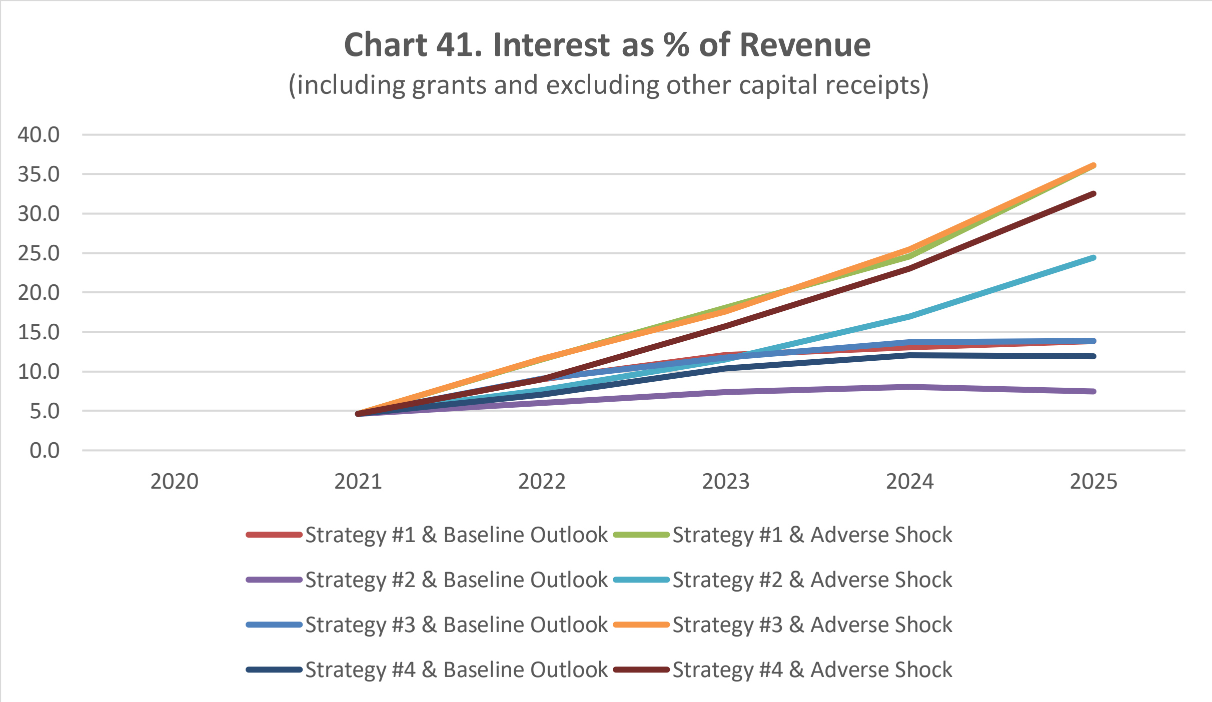


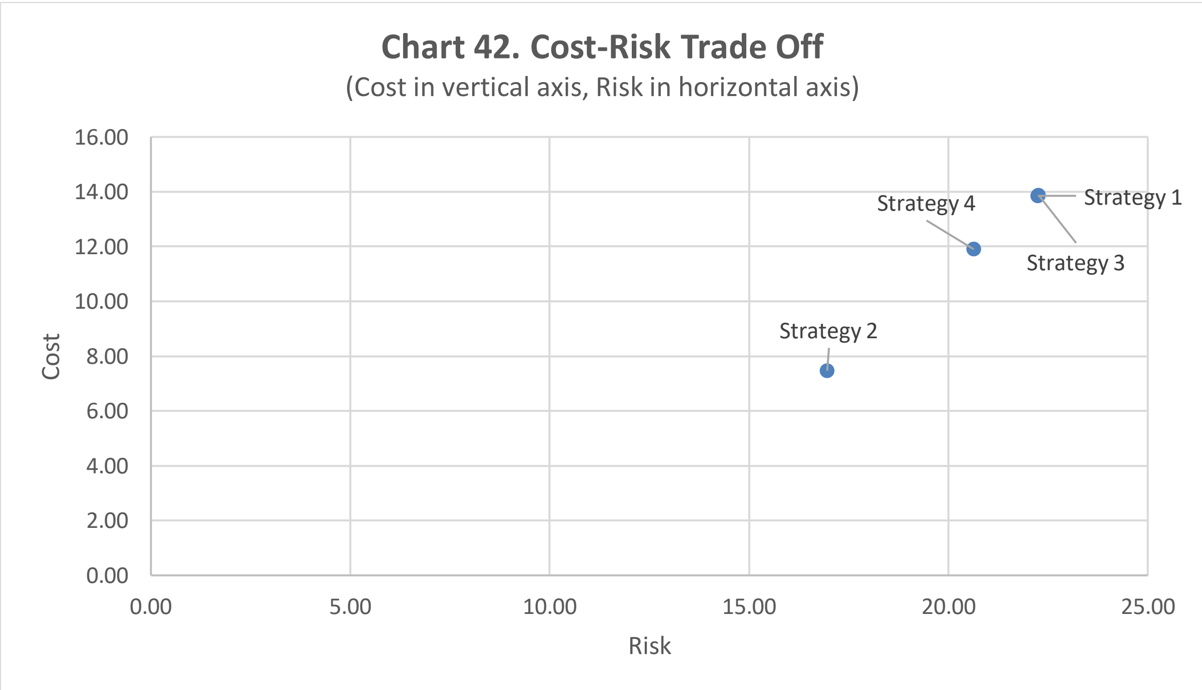


- Looking at the chart, the preferred strategy combines the lesser cost couple with the lesser risk. For the debt service/revenue indicator, the **alterative strategy (S2)** is the preferred one since it shows the lesser cost and the lesser risk (27.3% of Cost and 33.4% of Risk).
- In terms of debt Service to Revenue, Strategy 2 has the lowest costs of 12.9% in 2021 to 27.3% in 2025 and lowest risks of 33.4% compared to Strategy 1 (costs at 28.6% and risks at 34.4%), Strategy 3 (costs at 32.6% and risks at 37.7%) and Strategy 4 (costs at 29.7% and risks at 35.4%), respectively, as at end of the strategic period of 2025.
- Strategy 2 has the lowest cost at 27.3% and minimum risks at 33.4% under the Debt Service to Revenue, followed by Strategy 1 costs at 28.6% and risks at 34.4%. But the Strategy 3 is the costliest and riskiest strategy as the domestic debt financing considered more commercial bank loans and State Bonds.

5.2.3 Interest/Revenue

Under the four strategies, the projected Interest/Revenue in the Baseline Scenario for period 2021 – 2025 experienced persistent increase.





- A Look at the chart shows that the preferred strategy combines the lesser cost couple with the lesser risk. Like the previous indicators, for the interest/revenue indicator, the **alterative strategy (S2)** is the preferred one since it shows the lesser cost and the lesser risk with risk of 7.5% and cost of 17.0%.
- Strategy 2 is the least costs with regards to Interest to Revenues which is projected to increase from 4.6% in 2021 to 7.5% and minimum Risks at 17.0%, whilst

Strategy 3 is the most costly and risky strategy at 13.9% and 22.3%, compared to Strategy 4 with moderate costs and risks of 11.9% and 20.6% and Strategy 1 with estimated costs and risks of 13.8% and 22.2%, as at end of the strategic period of 2025.

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

5.2.4 Debt Management Strategy Assessment

The cost-risk profile observed in the four DMS revealed that it would be optimal for the State to operate under the alternative second Strategy (S2). Comparison of the performance of the reference strategy (S1) with the performance of the other three alternative strategies (S2, S3, and S4) proves that the best strategy under the three indicators is the second alternative strategy.

Strategy 2 was solely preferred based on the Analytical Tool Assessment of all the four strategies. However, the preferred strategy should not only be based on the Analytical Tool Assessment of all four strategies but also take into consideration, the ability to implement the chosen strategy in the medium-term. Therefore, although the Analytical Tool's results of costs and risks would suggest that the recommended strategy be S2. However, Strategy 2 cannot be implemented because it focused only on external financing. The Preferred strategy should have right combination of domestic and external financing which can be implemented. Consequently, Strategy 4 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 2020.

The cost/risk trade-offs are considered, using three debt management performance indicators which include debt to revenue, debt service to revenue, and interest to revenue ratios. In line with the indicators, S2 is preferred but S4 is feasible and selected as the Strategy for the period 2021 to 2025. These performance indicators show that the State debt is moderately affordable over the medium-term. The State debt under the indicators are however, are not resilient to shocks over the medium-term.

The debt Management Strategy, 2021-2025 represents a robust framework for prudent debt management, as it provides a systemic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2021 budget. The cost-risk trade-off of alternative under the DMS has been evaluated within the medium-term context. The

2021

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	As provided by the NBS, DMO and the World Bank Group	NBS, DMO & WBG
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Historical was as provided by the DMO. The projectsions for years 2021 to 2014 are inline with Ekiti State Medium Term Fiscal Framework for 2021-2024 projections while the projections for periods 2025 to 2030 are as provided by the NBS, DMO and the World Bank Group in line with the federal Government MTEF 2022-2024. State shares are calculated using the historical index of federation account revenue distribution across State Governments)	Ekiti State MTFF, NBS, DMO & WBG
	1.a. of which Net Statutory Allocation ('net' means of deductions)	Not applicable	
	1.b. of which Deductions	Not applicable	
	2. Derivation (if applicable to the State)	Not applicable	
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	The historical was as provided by the DMO. the state projections for 2021-2024 are based on the Federal Government MTFF2021-2024 projections.	DMO, Federal Government's MTEF 2022 - 2021
	4. VAT Allocation	Ekiti State projection for 2021-2024 are based on the State Government MTFF2021-2024 projections. The 2025-2030 projections are in line with the Federal Government MTEF 2022-2024. The State's share of VAT is calculated using historical (2020) state share of total derivation receipts (this is an approximation).	Ekiti State MTFF 2021-2014, DMO, Federal Government's MTEF 2022 - 2021
	5. IGR	Ekiti State projection for 2021-2024 for Internally Generated Revenue are based on the State Government MTFF2021-2024 projections. The IGR projectiosn for years 2025 - 2030 are projected to Tmove in line with the National GDP Growth Rate	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	6. Capital Receipts	Not applicable	
	6.a. Grants	In line with the projections by the State's Ministry of Finance and Economic Development	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	6.b. Sales of Government Assets and Privatization Proceeds	Not applicable	
	6.c. Other Non-Debt Creating Capital Receipts	Not applicable	
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	The projections for the personnel cost for the period 2021-2014 is base on the State Government Medium Term Fsical Framework for the period 2021-2024. Therafter, it is assumed that thePersonnel cost of Ekiti State Government would increase on annual basis. We therefore make a provision for a steady increase of 5% annually in the State' Personnel Costs for period 2025-2030.	MTFF, Ministry of Budget and Economic Planning, calculations by the DSA Team, Ministry of Finance and Economic Development. Ekiti State
	2. Overhead costs	Overhead costs is projected in line with the State Government MTFF for 2021-2024. It is projected that there will be an increament in the Overhead Cost of Ekiti State Government on annual basis for the period 2025-2030. We therefore make a provision of 5% steady annual increase	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Similar to other expenditure we make a projection of 5% steady annual increase in the Other Recurrent Expenditure	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	5. Capital Expenditure	The Capital Expenditure is expected to follow the State MTFF projections for 2021-2024 and the political reality in the State	
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	The Closing Cash and Bank Balance is projected to flow with the political reality in the State	
Debt Amotization and Interest Payments	**Debt Outstanding at end-2020**		
	External Debt - amortization and interest	As provided by the DMO, Abuja. Since the amortization is same for 2019 and 2020, we assume that the amortization repaymrnt would be contant overtime	DMO
	Domestic Debt - amortization and interest	as captured by the existing amortization schedule	
	New debt issued/contracted from 2021 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	interest rate (5.0%), maturity (5 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	External Financing - Bilateral Loans	interest rate (5.5%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other External Financing	interest rate (6.0%), maturity (5 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	interest rate (9.0%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	interest rate (9.0%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 1 to 5 years)	interest rate (14.50%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 6 years or longer)	interest rate (16.90%), maturity (8 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other Domestic Financing	interest rate (14.0%), maturity (7 years) and grace period (0 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for 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 (9.0%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	interest rate (9.0%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 1 to 5 years)	interest rate (15.50%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 6 years or longer)	interest rate (16.90%), maturity (8 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other Domestic Financing	interest rate (14.0%), maturity (7 years) and grace period (0 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	interest rate (5.0%), maturity (5 years) and grace period (3 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	External Financing - Bilateral Loans	interest rate (5.50%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other External Financing	interest rate (6.0%), maturity (5 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for 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 (9.0%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	interest rate (9.0%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 1 to 5 years)	interest rate (15.50%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 6 years or longer)	interest rate (16.90%), maturity (8 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other Domestic Financing	interest rate (14.0%), maturity (7 years) and grace period (0 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	interest rate (5.0%), maturity (5 years) and grace period (3 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	External Financing - Bilateral Loans	interest rate (5.50%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other External Financing	interest rate (6.0%), maturity (5 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for 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 (9.0%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	interest rate (9.0%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 1 to 5 years)	interest rate (15.50%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 6 years or longer)	interest rate (16.90%), maturity (8 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other Domestic Financing	interest rate (14.0%), maturity (7 years) and grace period (0 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	interest rate (5.0%), maturity (5 years) and grace period (3 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	External Financing - Bilateral Loans	interest rate (5.50%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other External Financing	interest rate (6.0%), maturity (5 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	**Planned Borrowings (new bonds, new loans, etc.) for 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 (9.0%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	interest rate (9.0%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 1 to 5 years)	interest rate (15.50%), maturity (5 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	State Bonds (maturity 6 years or longer)	interest rate (16.90%), maturity (8 years) and grace period (1 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other Domestic Financing	interest rate (14.0%), maturity (7 years) and grace period (0 year)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	interest rate (5.0%), maturity (5 years) and grace period (3 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	External Financing - Bilateral Loans	interest rate (5.50%), maturity (10 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning
	Other External Financing	interest rate (6.0%), maturity (5 years) and grace period (2 years)	Ekiti State DMO nd Ministry of Budget and Economic Planning

	Units	Scale		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
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		1,369,403	1,390,020	1,593,681	1,824,238	1,977,000	2,347,783	2,603,236	2,876,305	3,128,154	3,408,687	3,721,604	4,063,248	4,436,254	4,843,502	5,288,135
Nation GDP (at current prices)	Naira	Million		101,253,016	114,004,750	127,736,828	145,639,139	154,252,319	183,723,767	203,714,015	225,082,800	244,791,050	266,743,912	291,231,003	317,966,009	347,155,289	379,024,144	413,818,561
Exchange Rate NGN/US$ (end-Period)	Naira/USD			253	306	307	326	379	379	410	410	410	410	410	410	410	410	410
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		**64,781**	**67,397**	**72,638**	**89,193**	**84,850**	116,864	141,587	153,125	164,381	179,425	194,084	206,093	218,001	235,773	275,135
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT	Naira	Million		18,227	29,798	38,020	37,011	29,328	32,788	43,889	48,205	51,541	60,245	62,104	57,331	62,953	77,765	79,869
1.a. of which Net Statutory Allocation ('net' means of deductions)	Naira	Million		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1.b. of which Deductions	Naira	Million		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Derivation (if applicable to the State)	Naira	Million		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Other FAAC transfers (exchange rate gain, augmentation, others)	Naira	Million		4,366	2,699	1,769	1,631	3,714	0	0	0	0	0	0	0	0	0	0
4. VAT Allocation	Naira	Million		7,582	9,277	10,377	11,136	13,910	14,277	16,237	18,405	20,823	36,584	40,913	45,755	51,169	57,225	63,997
5. IGR	Naira	Million		9,794	13,119	12,196	16,530	10,909	18,543	22,238	26,433	31,738	34,584	37,759	41,225	45,009	49,141	53,652
6. Capital Receipts	Naira	Million		24,812	12,504	10,277	22,885	26,988	51,257	59,223	60,081	60,280	48,012	53,309	61,782	58,870	51,642	77,617
6.a. Grants	Naira	Million		0	0	279	16,011	12,756	11,864	17,370	17,891	18,562	20,258	20,028	20,767	21,557	22,419	22,419
6.b. Sales of Government Assets and Privatization Proceeds	Naira	Million		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6.c. Other Non-Debt Creating Capital Receipts	Naira	Million		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursement:	Naira	Million		24,812	12,504	9,997	6,874	0	39,393	41,853	42,190	41,718	27,754	33,281	41,015	37,314	29,223	55,198
6.d.1. of which Borrowings from Domestic bonds	Naira	Million		0	0	0	0	0										
6.d.2. of which Borrowings from Commercial bank loans	Naira	Million		22,102	8,495	288	700	9,630										
6.d.3. of which Borrowings from External loans	Naira	Million		2,710	4,009	9,710	6,174	4,602										
Expenditure	Naira	Million		**63,956**	**77,485**	**83,263**	**86,330**	**85,846**	115,705	137,487	147,725	154,404	170,901	191,889	199,149	211,730	215,876	218,953
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Naira	Million		17,459	22,327	24,257	24,055	14,685	19,507	20,700	21,567	22,359	18,742	19,679	20,663	21,696	22,781	23,920
2. Overhead costs	Naira	Million		23,824	23,427	29,621	34,872	14,786	23,941	27,903	32,044	36,999	40,318	44,019	48,060	52,471	57,288	62,547
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC A	Naira	Million		329	7,089	5,325	6,088	4,172	3,583	8,997	13,410	16,065	21,006	21,834	23,219	23,253	22,906	21,024
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducte	Naira	Million		0	0	0	0	858										
3.b. of which Interest deducted from FAAC Allocation	Naira	Million		0	0	0	0	3,315										
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Inte	Naira	Million		0	0	0	0	18,080	18,984	19,933	20,929	21,976	23,075	24,228	25,440	26,712	28,047	29,450
5. Capital Expenditure	Naira	Million		14,575	13,353	11,966	16,641	29,964	43,316	54,085	47,415	44,742	45,453	46,477	44,358	45,235	46,143	46,567
6. Amortization (principal) payments	Naira	Million		7,769	11,289	12,093	4,674	4,160	6,375	5,869	12,360	12,264	22,309	35,653	37,409	42,363	38,710	35,446
6.a. of which Amortization of Domestic bonds	Naira	Million		5,996	5,996	4,804	1,229	1,180										
6.b. of which Amortization of Commercial bank loans	Naira	Million		1,346	4,684	6,865	2,649	2,085										
6.c. of which Amortization of External loans	Naira	Million		428	608	423	796	894										
Budget Balance (' + ' means surplus, ' - ' means deficit)	Naira	Million		**825**	**-10,088**	**-10,624**	**2,863**	**-996**	1,159	4,100	5,400	9,977	8,524	2,195	6,945	6,271	19,896	56,182
Opening Cash and Bank Balance	Naira	Million		**6,919**	**13,578**	**5,388**	**-1,158**	**1,336**	340	1,499	5,599	10,999	20,976	29,500	31,695	38,640	44,911	64,807
Closing Cash and Bank Balance	Naira	Million		**7,744**	**3,490**	**-5,236**	**1,705**	**340**	1,499	5,599	10,999	20,976	29,500	31,695	38,640	44,911	64,807	120,989
Calculation of Financing Needs and Sources																		
Financing Needs	Naira	Million							**39,393.43**	**41,852.97**	**42,190.47**	**41,717.84**	**27,754.24**	**33,280.66**	**41,015.05**	**37,313.71**	**29,222.77**	**55,198.22**
i. Primary balance	Naira	Million	Sign +/- means source/use of funds						-28,276.00	-22,887.48	-11,020.58	-3,412.57	24,084.31	26,401.28	26,558.07	34,573.80	52,290.17	57,453.27
ii. Debt service	Naira	Million							9,958.38	14,865.49	25,769.89	28,328.27	43,314.55	57,486.86	60,628.62	65,616.48	61,616.68	56,469.59
Amortizations	Naira	Million							6,375.28	5,868.94	12,359.77	12,263.70	22,308.64	35,652.97	37,409.17	42,363.04	38,710.38	35,445.71
Interests	Naira	Million							3,583.10	8,996.55	13,410.11	16,064.56	21,005.92	21,833.89	23,219.45	23,253.43	22,906.30	21,023.88
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash	Naira	Million							1,159.05	4,100.00	5,400.00	9,977.00	8,524.00	2,195.08	6,944.51	6,271.03	19,896.26	56,181.91
Financing Sources	Naira	Million							**39,393.43**	**41,852.97**	**42,190.47**	**41,717.84**	**27,754.24**	**33,280.66**	**41,015.05**	**37,313.71**	**29,222.77**	**55,198.22**
i. Financing Sources Other than Borrowing	Naira	Million							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii. Gross Borrowings	Naira	Million	Gross Borrowing = Primary Deficit + Debt Service + Financing Needs Other than Amortizations - I						39,393.43	41,852.97	42,190.47	41,717.84	27,754.24	33,280.66	41,015.05	37,313.71	29,222.77	55,198.22
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 TECHNICAL TEAM

a. **Mrs. Lucy B. Bamisile** — **Ministry of Finance and Economic Development**

b. **Mr. Rotimi O. Ipinmoroti** — **Office of the Accountant-General**

c. **Mr. Mathew A. Olagoke** — **Head, Ekiti State Debt Management Unit**

d. **Mrs. Olamide Alake** — **Ministry of Budget and Economic Planning**

e. **Mr. Taye T. Adelusi** — **FP, SFTAS, Ekiti State.**

AKINTUNDE OYEBODE

HON. COMMISSIONER
MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT,
EKITI STATE
23rd December, 2021