OFFICE OF THE HONOURABLE COMMISSIONER

MINISTRY OF FINANCE, SOKOTO STATE.

USMAN FAROUK SECRETARIAT,
PMB 2106, SOKOTO STATE, NIGERIA.

REF:MOF/DMD/240/VOL1

18th December, 2024
The Director General
Debt Management Office
Abuja.

Dear Madam,

FORWARDING OF SOKOTO STATE 2024 DEBT SUSTAINABILITY ANALYSIS & DEBT MANAGEMENT STRATEGY REPORTS.

I am pleased to write and forward the State 2024 Annual debt sustainability analysis and debt management strategy reports.
These reports provide guidance to the state in its borrowing decisions as well as providing input into the state budget and other financial matters.
I therefore submit for reference and future correspondences.
Thank you for your continued support.

Egr, Muhammadu Jabbi Shagari
Hon. Commissioner,
Ministry of Finance, Sokoto

SOKOTO STATE GOVERNMENT

2024

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

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Chapter 1: Introduction

Sokoto State Debt Sustainability Analysis – Debt Management Strategy (DSA-DMS) covers the period of 5-year historical from 2019 to 2023 and 10-year projection 2024-2033, under various macroeconomic assumptions and Shock scenarios. To ensure that State debt stock remains sustainable in the medium to long-term, by using the State's macroeconomic framework, to assess the current and future debt levels, as well as its ability to meet debt service obligations as and when due, and without compromising growth and development.

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

Global growth is expected to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Global trade is gradually recovering, but risks persist due to geopolitical tensions and supply chain disruptions. Foreign direct investment (FDI) flows have shown resilience, with developing economies attracting a significant share of FDI inflows. However, FDI levels remain below pre-pandemic levels.

The continued Russian-Ukraine war, escalation of sanctions on Russia, the emergence of the Omicron variant of Covid-19 in late 2021, and the recent emergence of the XBB.1.5 Omicron sub-variant in January 2023, has led to renewed uncertainties and potential disruptions in global economic activities and made this forecast considerably uncertain. Vaccination efforts and containment measures continue to play a crucial role in managing the impact of the pandemic on the global economy. The Russia invasion of Ukraine has contributed to economic fragmentation as a significant number of countries sever commercial ties with Russia and risks derailing the post-pandemic recovery. It also threatens the rule-based frameworks that have facilitated greater global economic integration and helped lift millions out of poverty.

As economies continue to recover from the COVID-19 pandemic, global oil demand is rebounding, and oil price remains high due to the Russian-Ukraine War. However, the pace and sustainability of this recovery remain contingent upon factors such as global economic growth, energy transition policies, and the adoption of clean energy alternatives. Also, technological advancements, such as shale oil extraction, have contributed to an increase in non-OPEC supply, impacting global oil market dynamics. The increasing focus on reducing greenhouse gas emissions and transitioning to cleaner energy sources as well as evolving environmental regulations, such as carbon pricing mechanisms and stricter emission standards contribute to shaping the future landscape of the global oil industry. The IMF projects oil prices to fall by 24% in 2023 and further by 5.8% in 2024.

The effect of global economic integration has a significant effect on the Nigerian economy with positive and negative developments in parts of the globe having varying degrees of impact in the Nigerian economy. The shocks of higher commodity prices due to the ongoing Russia–Ukraine conflict which has led to a slow growth rate, regional disintegration among major global trading partners and blocks as well as the volatility in global monetary policy and capital flows are having implications on Nigeria. This has resulted in distributional and financial shocks, arising particularly from Nigeria's huge dependence on crude oil revenue.

Overall, the 2023 real GDP growth estimated by the World Bank has been revised to 2.9% from 3.2% projected in June 2022. The downward revision of Nigeria's growth forecast for 2023 was hinged on the persistent fuel and foreign exchange shortages, with the naira depreciating by over 30 percent in 2022 in the parallel market and further dampening economic activities.

According to the IMF forecast, it is expected that Nigeria's economy will expand by 3.2% in 2023. The Federal 2023-2025 MTEF anticipated 3.75% growth in 2023, decreasing to 3.0% in 2024 and later increasing to 3.46% in 2025. Stable oil prices coupled with reforms initiated by the passing of the Petroleum Industry Act (PIA), the Start-up Act, and the commissioning of the Dangote refinery in May 2023 are expected to boost the economy.

Sokoto State has maintained progressive economic growth with substantial improvements in business operations, economic activities, tourism, sports, and youth development. All of which will contribute to an impressive GDP performance in the State.

The State is a net exporter of selected crops, fisheries and livestock produce to other States (especially, Millet, Onions, Beans, Guinea corn etc.), although the movement of agricultural produce is not well-documented and computed to register meaningful contribution to the State economy. With the launch of the new IGR expansion strategy, which provides insight into effective taxpayer registration and detailed tax administration, the State will begin to collate useful data from the informal and formal sectors, thereby widening the tax base and tax net.

IGR in the State has seen an increase in performance of collections from PAYE and other taxes (WHT, Capital gain, levies, fines, etc) at a record of 24% and 53% respectively in 2022, collection from these sources and others are expected to be intensified over the next fiscal year, with a target to primarily ensure the State has a desire solvency and can fund its immediate recurrent revenue with internally generated revenue.

Financial prudency and effective management of public resources is the hallmark of good governance, with corresponding public financial management laws to keep a check on desired improvements in public finance, towards reducing wastages, closing leakages, and tackling corruption.

Air carriers in the State have significantly increased with the addition of AA Rano Airline, which will generally enhance the State tourism endowment and potential which is yet to be fully harnessed to improve its socioeconomic activities and Internally Generated Revenue. It is therefore imperative for the State to prioritize the development of these tourism sites in collaboration with the private sector.

Sokoto State is categorized as peaceful, as the Security situation in the State is relatively at all times calm, with the expectation that this is sustained to ensure the free flow of trade and commerce within the State, as well as its borders with Niger and other states such as Kebbi and Zamfara

Chapter 2: The State Fiscal and Debt Framework

The 2024 budget will focus on detailed investments in the Health Sector, Education, Agriculture and Rural Development, Infrastructural Development, Water Supply, Sanitation and Hygiene, Environment, Lands and Housing, Culture and Tourism, and Youth and Women Empowerment. In the entire sub-sectors, priority will be given to ongoing projects and new policy directions to reduce poverty and improve socioeconomic activity in Sokoto State.

Legislative Framework for Public Financial Management in Sokoto State

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

Institutional Framework for Public Financial Management in Sokoto State

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

Sokoto State's Budget Policy Thrust

The overall size of the 2024 budget will be based on resource estimates as provided in the Fiscal Strategy Paper (FSP) and sector allocations in line with the State development priorities. The 2024 budget will focus on detailed investments in the Health Sector, Education, Agriculture and Rural

Development, Infrastructural Development, Water Supply, Sanitation and Hygiene, Environment, Lands and Housing, Culture and Tourism, and Youth and Women Empowerment. In the entire sub-sectors, priority will be given to ongoing projects and new policy directions to reduce poverty and improve socioeconomic activity in Sokoto State

- The 2024 Budget Policy thrust is as follows: -
- The Planning instrument of Medium-Term Sector Strategies will be the basis for MDAs 2024 budget proposal;
- Strict Adherence to the principles of the Sokoto State Fiscal Responsibility Law (FRL) 2019 and the amended State Public Procurement and Public Private Partnership Law (PPL), 2019 in the day-to-day implementation of the 2024 budget;
- Institution of a vibrant cash management committee and strict implementation of the cash management plan and budget expenditure profile;
- Prompt payment of State counterpart contributions to attract additional resources for funding projects and programs;
- Completion of critical ongoing projects that have attained between 75% to 80% level of completion;
- projects and corresponding need identification assessment;
- Sustain investment in Agriculture, Trade, and Commerce to achieve self-sufficiency in food production, economic growth, and security;
- Use Result Based Monitoring and Evaluation (RBM&E) framework to track project and program implementation, with complementary performance audit;
- Strengthen Social Safety Net Programmes in line with the State Social Protection Policy to further mitigate the impact of the current economic situation of the poor and vulnerable groups within Sokoto State;
- Improve the revenue base of the State through effective and efficient collections from the existing sources and exploration of new sources by revenue-generating MDAs;
- Continued sustenance of free education programme including School feeding programme and ensuring quality control in the education system;
- Construction of new and Maintenance of existing physical infrastructure and facilities (Schools, Roads, Water, and public buildings);

- Strengthen public service for efficiency, productivity, and value for money through capacity building and incentives;
- Strengthen the provision of social services through the Whole School and Hospital approach. Revitalization of Sokoto State Water and drainage management systems to prepare communities and the environs to tackle cholera outbreaks and malaria;
- Prioritize investment in projects and programmes that will enhance job creation, employment generation and contribute to poverty reduction;
- Improve funding of MDAs for better service delivery, especially for overhead;
- Strengthen coordination of partners` activities in line with the State`s development priorities;
- Adequate provision and timely payment of MDAs' outstanding debts/liabilities with Sokoto State Debt Management Departments (DMD);
- Increase allocation to addressing issues of insecurity in the State; and
- Prioritise allocation and release of the fund to fuel subsidy removal palliative programmes.

Medium-Term Budget Forecast

Sokoto State Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) constitute the major components of the Annual Budget Process. These set of principles provides logical starting point for the development of Medium-Term Expenditure Framework (MTEF), which highlight the context of the annual budget. The key objective and targets for the State Government from a fiscal perspective are to:

a) Effectively manage personnel and overhead expenditure to allow greater resources for capital development.
b) Grow IGR by a minimum of 5% every year from 2024 to 2027.
c) Ensure loans will only be used for the implementation of capital projects.
d) Achieve long-term target of funding all recurrent expenditure with revenue of a recurrent nature (IGR, VAT, and Non-mineral component of Statutory Allocation).
e) Target sources of capital receipts and financing outside of loans (e.g., Grants, Public-Private Partnership, etc.).
f) Ensure projected Capital receipts are based on Memorandum of Understanding (MoUs) and other agreements signed with Development partners and Foreign Private Sector Partners.

g) Ensure that the State's Debt position is within the threshold and ratio set by the Federal Debt Management Office, Abuja.
h) Institute a formidable cash management committee to oversee the inflow and outflow of cash optimization, as well as maintain an effective budget expenditure profile.
i) Give priority to the completion of ongoing capital projects before new projects are commenced; and
j) grow the economy through targeted spending in areas of comparative advantage.

The foundation for any fiscal discipline and the attainment of fiscal realism starts with the Economic and Fiscal Update (EFU). It (the EFU) presents data and analyzed information on all the strata of the state, national and global economic and fiscal situations. This forms the basis for fiscal and macroeconomic assumptions and projections reflected in the Fiscal Strategy Paper which also goes further to manifest medium-term fiscal projections (revenue and expenditure). The EFU gives a measured reflection of recent budget performance identifying factors that significantly affects the attainment of budgetary outputs and outcomes which transmit into the subsequent fiscal plans. The EFU provides the context for a prospective Fiscal Strategy Paper (FSP) that feeds into the Medium-Term Expenditure Framework (MTEF) where resources are strategically allocated considering Government policy objectives and priorities as dictated by the budget policy statements.

In line with the Medium-Term Budget forecast FSP strategy, the Government has reviewed its fiscal policies in the areas of VAT, IGR, Non-mineral component of Statutory Allocation. These fiscal components are targeted towards boosting revenue generation for Government financial obligation as well as investment. By and large, the fiscal policies strongly recommend that the existing debt and new borrowing should be kept below the established threshold. The Fiscal Strategy Paper prioritized projects and programmes in a sustainable manner and consistent with its development policy objective of the Government.

Thus FSP is an indispensable element in annual budget process as it determine the resources available to fund government prioritized projects and programmes in a sustainable manner and consistent with its development policy objective and priorities as encapsulated in the existing policy document It provides justification and corroborate the estimation for medium-term major

Revenue and Expenditure aggregates including important components of the MTEF Process such as fiscal targets, fiscal constraints and an assessment of the fiscal risks.

The details of the macroeconomic assumptions are as shown in the table namely Sokoto State Medium Term Expenditure Framework (MTEF), 2024-2027.

Sokoto State Medium Term Expenditure Framework (MTEF), 2024-2026

Macroeconomic Assumptions	**2024**	**2025**	**2026**	**2027**
National Inflation	21.50%	33.20%	33.20%	33.20%
National Real GDP Growth	3.00%	3.10%	3.70%	3.10%
Oil Production Benchmark (MBPD)	1.3800	1.4700	1.5200	1.8000
Oil Price Benchmark (US$ per barrel)	$65.00	$77.40	$77.40	$77.40
NGN: USD Exchange Rate (N/US$)	750	1,414.00	1,414.00	1,414.00
Mineral Ratio	25%	30%	25%	25%
Revenue				
Gross Statutory Allocation	94,219.76	201,615.28	230,071.27	314,103.88
Other FAAC transfers	8,812.68	17,475.90	16,620.88	16,198.75
VAT Allocation	44,337.32	71,710.19	107,077.48	157,063.30
IGR	30,308.11	23,317.58	25,649.34	28,470.77
Grants	9,549.47	12,896.22	12,896.22	12,896.22
Privatization Proceeds	1,225.85	0.0	0.0	0.0
Other Capital Receipts	6,532.98	42,154.46	42,154.46	42,154.46
Total Revenue	**194,986.17**	**369,169.63**	**434,469.66**	**570,887.38**
Expenditure				
Personnel costs	40,837.46	43,142.12	47,887.75	53,634.28
Overhead costs	26,260.61	19,776.73	20,172.26	20,575.71
Other Recurrent Expenditure	22,088.82	43,861.97	45,536.33	54,670.47
Capital Expenditure	120,767.12	315,617.99	374,102.51	495,236.11
Total Expenditure	**209,954.01**	**422,398.81**	**487,698.85**	**624,116.57**
Budget Deficit	**-14,967.84**	**-53,229.18**	**-53,229.18**	**-53,229.18**
State GDP	4,285,525.00	4,957,795.00	5,636,925.00	6,271,784.00
Deficit as % of GDP	-0.73	-0.62	-0.88	-0.92
New Domestic Borrowing	41,982.50	22,432.70	26,101.40	31,172.70
New External Borrowing	0.0	45,216.00	39,248.00	57,230.00
New Borrowing	**41,982.50**	**67,648.70**	**65,349.40**	**88,402.70**

Other Recurrent Expenditure comprises Debt Charges and other recurrent Expenditure

Notes

- **Statutory Allocation**: - the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as explained in paragraph 98 in the Sokoto state EFU-FSP 2024-2027
- **Value Added Tax (VAT)**: - considering that changes in key macroeconomic parameters including the nature of impact of the volatile commodity prices and exchange rate on aggregate economic activity, VAT was forecasted using the elasticity forecast method.
- **Other Federation Account Distributions**: - the estimation is based on a projected own percentage increase of 20%, 15%, and 11% respectively for 2024-2027 to reflect the actual receipt over the previous years.
- **Internally Generated Revenue (IGR)**: - Internally Generated Revenue (IGR) – The New administration is expected to sustain and improve on existing tax administration reforms and IGR expansion strides. The forecast took into consideration the mild decline in IGR growth in 2023 at 0.67% and further ambition captured in the new Sokoto State IGR expansion strategy and several other efforts such as the planned review of rates, levies, and fines to reflect current economic trends associated with the hike in pump prices and commodities by business in the State. New streams of revenue sources such as Haulage fees, agricultural taxes (from Onion marketers, etc), pre-emptive taxes, expansion of collection from the informal sector, and the ongoing harmonization between the State IRS and the Joint Tax Board on tax leakages, are consciously considered in the 7% own percent increase in IGR for 2024. IGR is expected to catch up steadily at 10% and 11% for 2025 to 2027 respectively. The 2024 – 2027 fiscal forecast took into keen consideration the IGR actual performances and not the budget forecast, to ensure adequate projection, while reflecting on uncertainties with taxpayers' compliance with the new collection phase, the new Government administration reform programs and policies that may affect tax operations in the State. Although it is expected that the shocks from the projected high inflation, removal of fuel subsidy, exchange rate, and other intended policies of the Central Government will slow down business activities within the first few quarters of the fiscal year 2024, with resilience and strategic policy control, business and individuals are expected to bounce back better and continue paying and complying to taxes and tax regulations.

- **Grants**: - The internal grants are based on calculated expected inflow for the period 2024-2027. External grants are based on signed grant agreements with the development partners.
- **Financing (Net Loans)**: - In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements and loan recorded in the state debt management strategy.
- **Personnel**: - The state has maintained digital staff records and periodic staff verification to check abnormalities associated with payroll, hence the improvements in personnel budget forecasts and performances. With the recent increase in youth employment in the public service and new appointments to be followed by the new administration in the State, the 2024 – 2027 personnel were forecasted at an own percentage of 10%,11%, and 12% respectively, which considered the halt in employment that might be witnessed in the fiscal year 2025 and 2027 building on the existing workforce strengthen and new employments in that will occur between 2024 and 2025. Additionally, for the 2024 fiscal year, there is speculation of an increase in the minimum wage as a result of the subsidy removal, which by bureaucracy and political engagement, might take its course by the end quarters of 2024.
- **Overheads**: - An Own percentage of 5% is sued to forecast a slight growth in 2024 and decline in 2025 a steady 2% in 2026 and 2027, as it is expected that MDAs will conform to strategic expenditure planning and optimization during the fiscal year. More so, the State cash management is expected to ensure effective releases, although Government transition is also considered in the year under forecast.
- **Social Contribution and Social Benefits: -** Pensions and gratuity payments are expected to remain the same at the level of 2024. Hence, a steady flow own percentage of 7%, 6%, and 6% respectively is adopted for 2025-2027.
- **Public Debt Charges**: - is based on the projected principal and interest repayments for 2024, 2024, to 2027 as captured in the State debt sustainability analysis. Hence, an own value based on the Debt sustainability analysis has been used, anticipating that public debt charge will remain largely stable with minimal growth over the medium term.
- **Transfer to Internal Revenue Services**: - 10% of the total IGR generated is to be transferred to the Internal Revenue Service for 2024, 2025, 2026 and 2027 The transfer is done by the

office of the Accountant General to the Revenue Service sequel to the submission of the monthly generation to the treasury. It is to cover the cost of collection and allowances of staff

- **Capital Expenditure**: - is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above. The percentage of capital to recurrent expenditure from 2020 to 2024 was in the range of 45.49% to 57.12%. However, the percentage of capital expenditure in 2025, 2026, and 2027 is expected to be 77.81%, 79.89% and 82-67% respectively.
- Strengthen public service for efficiency, productivity, and value for money through capacity building and incentives.
- Strengthen the provision of social services through the Whole School and Hospital approach. Revitalization of Sokoto State Water and drainage management systems to prepare communities and the environment to tackle cholera outbreaks and malaria.
- Prioritize investment in projects and programmes that will enhance job creation, employment generation and contribute to poverty reduction.
- Improve funding of MDAs for better service delivery, especially for overhead.
- Strengthen coordination of partners` activities in line with the State`s development priorities.
- Adequate provision and timely payment of MDAs' outstanding debts/liabilities with Sokoto State Debt Management Departments (DMD).
- Increase allocation to addressing issues of insecurity in the State.
- Prioritise allocation and release of the fund to fuel subsidy removal palliative programmes.

Chapter 3: The State Revenue, Expenditure, and Public Debt Trends (2019 - 2023)

The Sokoto State Internally Generate Revenue (IGR) recorded N19.030 million in 2019 however a decline occurred in 2020 as a result of Covid19 which stood at N12,026 million, the internally generated improved revenue for 2021 and 2022 recorded at N23,762 million and N23,11 million respectively. Unfortunately, there were a decrease of 5.51% in 2023 bringing the amount recorded to N18.160 million. Corrective measures have been taken to reverse the negatives trend. In the previous years the growth in IGR was due to economic reforms to improve tax and other service sectors, as well as other initiatives by the Government.

3.1 Revenue and Expenditure

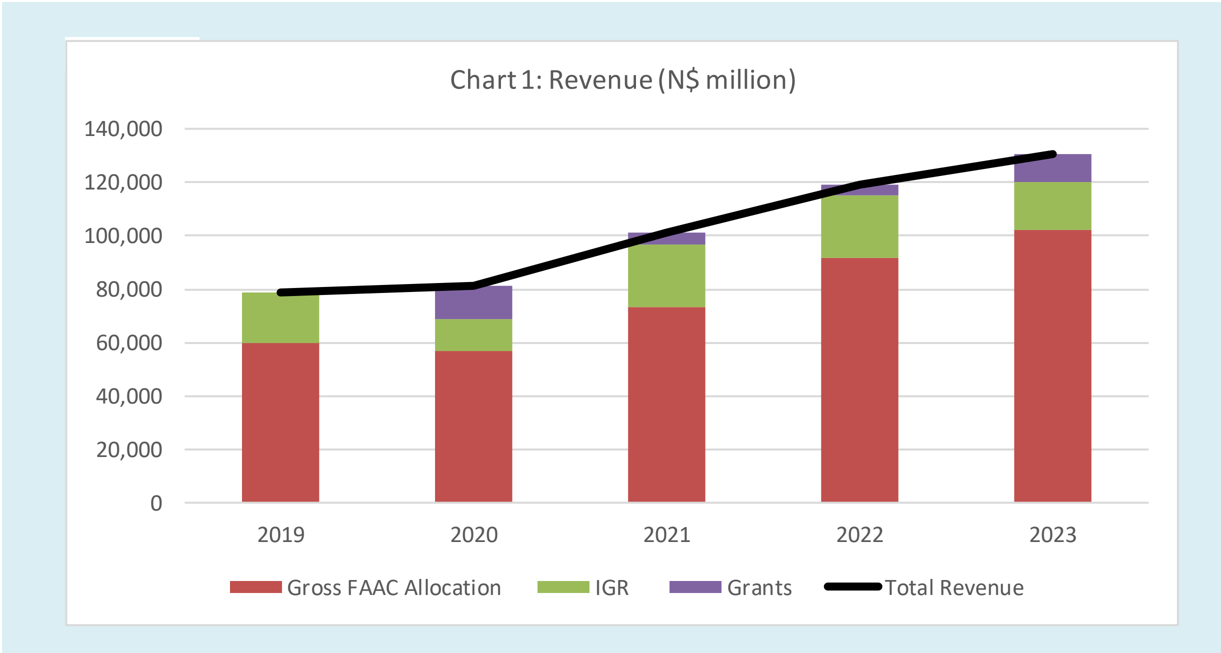
3.1.1 Revenue: The State's economy comprises Statutory Allocation, VAT Allocation, IGR, and Capital Receipt. The State's Revenue recorded an increase from N81.236 million in 2020 to N130.724 million in 2023.

3.1.1.1 Gross FAAC Allocation: Sokoto State recorded the FAAC Allocation at N59.983 million in 2019. N56.658 million in 2020, N73.116 million 2021. N91.836 million in 2022, N102.168 million in 2023. respectively, over the historical period.

3.1.1.2 Internally Generated Revenue: The Sokoto State Internally Generate Revenue (IGR) recorded N19,030 million in 2019 a decline occurred in 2020 as a result of Covid19 which stood at N12,026 million, the internally generated revenue for 2021 and 2022 recorded at N23,762 million and N23,11 million respectively. Unfortunately, the decrease was recorded in 2023 in which N18.160 million was recorded translating a decrease of 5.51% Corrective measures have been taken to reverses the negative trend. The previous improvement in IGR was mainly due to the tax reforms aimed at improving collection efficiency and broadening the tax revenue base.

3.1.1.3 Grants: The actual grant received by Sokoto State Government comprises internal grants and external grants received in five years recorded an increase in 2023 to N10.396 million.

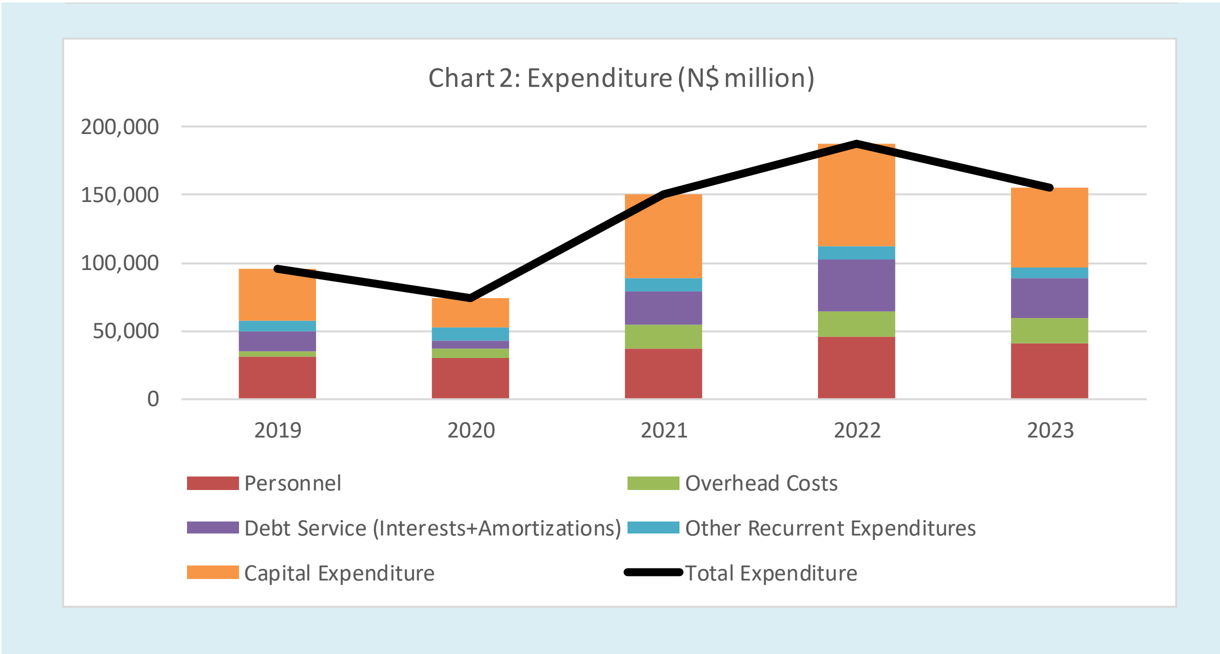
Revenue	2019	2020	2021	2022	2023
Total Revenue	79,012	81,236	101,233	119,019	130,724
Gross FAAC Allocation	59,983	56,658	73,116	91,836	102,168
IGR	19,030	12,026	23,762	23,111	18,160
Grants	0	12,551	4,354	4,073	10,396



3.1.2 Expenditure: Sokoto State's expenditure covers Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment) recorded at N95.119million in 2019, N74.397million in 2020, N150.685 million in 2021, N188.022 million in 2022, and N155.319 million in 2023 respectively.

Sokoto State Personnel costs stood at N30.981million in 2019, N29.936 million in 2020, N36.590 million in 2021, N45.605 million in 2022, and N41.166 million in 2023. State Overhead costs amounted at N3,833million in 2019, N6.783 million in 2020, N18.010 million in 2021, N18,164 million in 2022, and N17.938 million. Other Recurrent Expenditure recorded at N8.307 million in 2023. While the Capital Expenditure stood at N37.740 million in 2019, N22,064 million in 2020 and N62.379 million in 2021, N75,996 million 2022 and N58.583 2023 respectively.

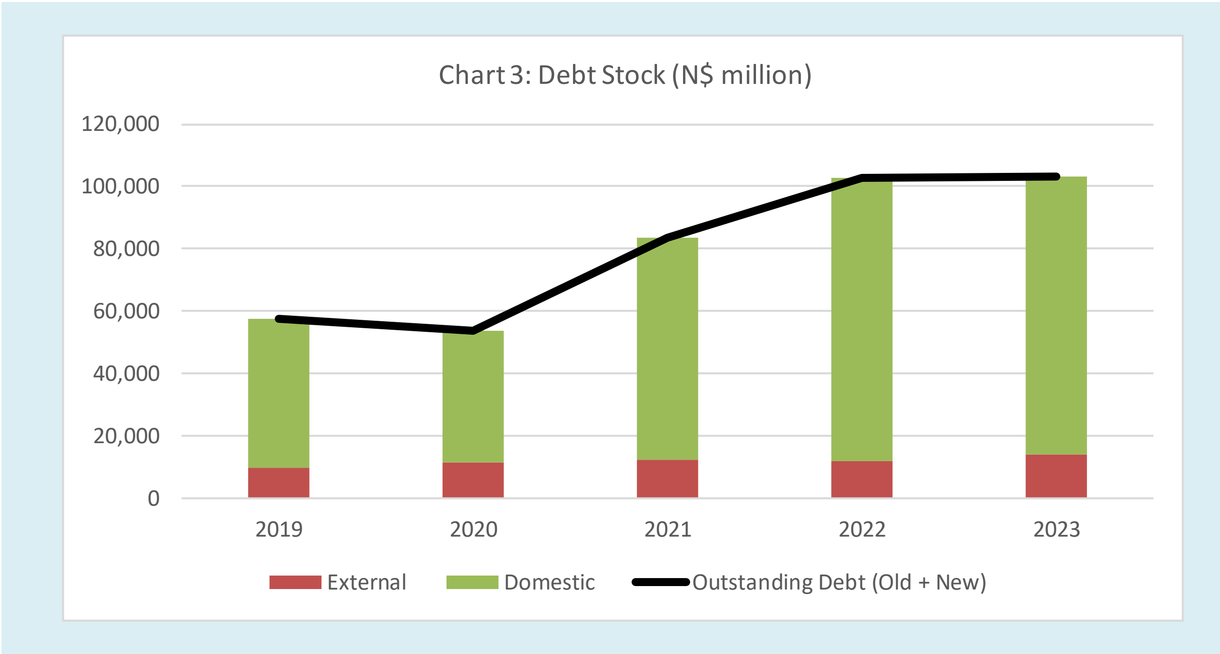
Expenditure Performance	2019	2020	2021	2022	2023
Total Expenditure	95,119	74,397	150,685	188,022	155,319
Personnel	30,981	29,936	36,590	45,605	41,166
Overhead Costs	3,833	6,783	18,010	18,164	17,938
Debt Service (Interests + Amortizations)	14,954	6,196	24,404	38,505	29,325
Other Recurrent Expenditures	7,611	9,417	9,302	9,751	8,307
Capital Expenditure	37,740	22,064	62,379	75,996	58,583



3.2 Existing Public Debt Portfolio

3.2.1 Debt Stock - Sokoto State Debt Stock comprised External and Domestic Debts which recorded an increase from N83.458 million in 2021 to N102.257 million in 2022, which represent an increase of N19,069 million or 18.60 percent. The External Debt and Domestic Debt recorded both increase and decrease of N1,891 million or 15.84 percent in 2023 and N1,379 million or 1.55 percent in 2023. Separately from 2021 to 2022. The increase in domestic debt stock was largely from Infrastructure Loan and Contractor's Arrears during the year, meanwhile a decrease in external debt of N236 million or 1.9 percent in 2023 is as a result debt repayment.

	2019	2020	2021	2022	2023
Outstanding Debt (Old + New)	57,281	53,830	83,458	102,527	103,039
External	9,571	11,467	12,168	11,932	13,823
Domestic	47,710	42,363	71,290	90,595	89,216

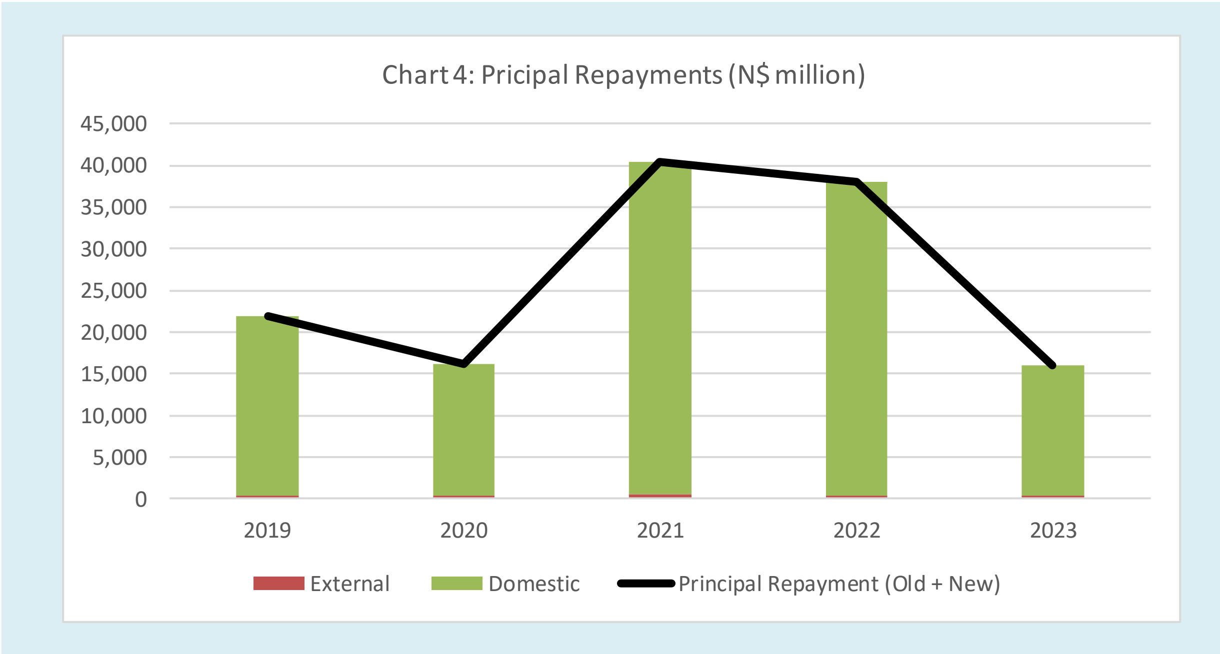


3.2.2 Debt composition: The main domestic debt portfolio consists of Budget Support, Salary Bailout, Excess Crude Account Backed Loan, Commercial Bank Loan, Commercial Agricultural Loan, Infrastructural Loan, Contractor's Arrears and Pensions & Gratuity arrears. While the External Debt includes World Bank (IDA and IFAD) and African Development Fund (AfDF). The composition of the domestic debt to external debt ratio constitutes at 86:58 in 2023 compared with the 88:36 2022

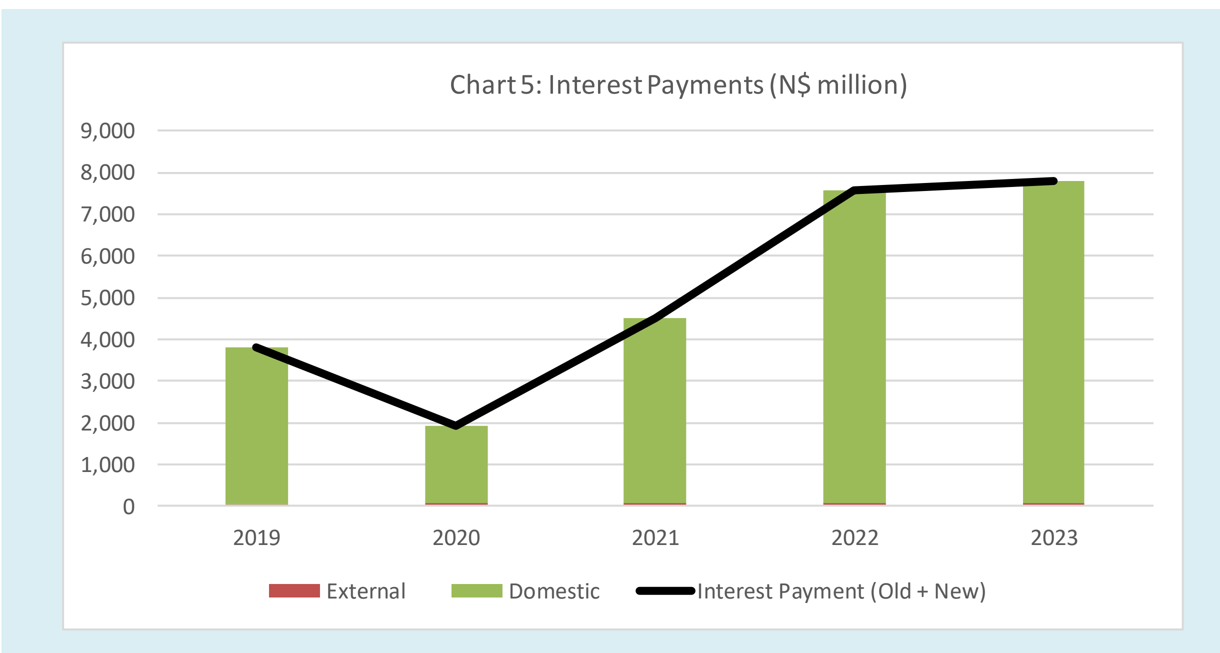
3.2.3 Debt Service: The total debt service comprises the interest payment and principal repayment which account to N25,808 million, N18,126million, N44,892 million, N45,545 million, and N23,812 million in 2019, 2020, 2021, 2022 and 2023 respectively.

The principal repayment recorded in Sokoto State stood at N16,002 million compared with the Interest payment which recorded at N7,810 million in 2023. (see charts 4 and 5, below).

Principal Repayment	2019	2020	2021	2022	2023
Principal Repayment	21,989	16,214	40,369	37,962	16,002
External	319	364	513	432	464
Domestic	21,670	15,850	39,856	37,531	15,538



Interest Payment	2019	2020	2021	2022	2023
Interest Payment	3,819	1,912	4,523	7,583	7,810
External	61	86	90	72	84
Domestic	3,758	1,827	4,433	7,510	7,726



3.2.4 Budget balance: The budget balance is the difference between opening and closing cash and bank balances which can be either surplus or deficit balance, for the historical years 2019, 2021,2022 the deficit balance was recorded of -N6,080.50, -N12,492.00 and -N12,167.56

respectively. Meanwhile it was recorded a surplus balance of N26,265.30, N23,101.45 for the year 2020 and 2023.

Budget balance	2019	2020	2021	2022	2023
Budget balance (means surplus or deficit)	-6,080.50	26,265.30	-12,492.00	-12,167.56	23,101.45
Opening cash and bank balance	7,532.28	1,451.92	27,717.22	15,225.22	3,057.66
Closing cash and bank balance	1,451.92	27,717.22	15,225.22	3,057.66	26,159.11

Chapter 4: Debt Sustainability Analysis

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

Table 1: Sokoto State Debt burden indicators as at end-2023

Indicators	Thresholds	Ratio
Debt as % of GDP	25%	2.84
Debt as % of Revenue	200%	78.82
Debt Service as % of Revenue	40%	18.21
Personnel Costas % of Revenue	60%	31.49
Debt Service as % of FAAC Allocation	Nil	23.31
Interest Payment as % of Revenue	Nil	5.97
External Debt Service as % of Revenue	Nil	0.42

Note: Nil means not available **Source:** Sokoto State DMD

4.1 Borrowing Options

The borrowing options is in line with the 2024 Sokoto State Approved Budget, which consider Domestic borrowing to serves as the main sources of borrowing with average ratio of 68.25 percent over the projection period from 2024 to 2033 and given remaining funding envelopes to come from external borrowing with long processing time required. The domestic borrowing is mainly from the commercial banks, Federal Government and other Central Bank of Nigeria (Interventions) loans are main source of financing which cover an average of 39.58 percent as percentage of the total, the State Bond cover an average of 28.67 percent.

Borrowing Options

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Domestic Financing in NGN' Million										
Commercial Bank Loans 1 <> 5 years	11765.5	0.0	3668.7	11751.4	8751.4	0.0	8624.9	8642.9	6925.6	3215.9
Commercial Bank Loans - 6 years >	11751.4	11751.4	11751.4	0.0	5175.0	0.0	0.0	2962.1	0.0	13288.2
State Bonds - 1 <> 5 years)	0.0	10681.2	10681.2	10681.2	0.0	0.0	9620.9	9620.9	0.0	0.0
State Bonds - 6 years >	18465.6	0.0	0.0	8740.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Domestic Financing	0.0	0.0	0.0	0.0	0.0	8624.9	0.0	0.0	0.0	0.0
Domestic Financing	**41,982.5**	**22,432.7**	**26,101.4**	**31,172.7**	**13,926.5**	**8,625.0**	**18,245.9**	**21,208.0**	**6,925.7**	**3,215.9**
External Financing in US$' Million										
External Financing - Concessional Loans (e.g., WB, AfDB)	0.0	23.3	16.3	35.5	42.3	18.3	0.0	0.0	0.0	0.0
External Financing - Bilateral Loans	0.0	14.3	19.3	0.0	17.3	19.3	0.0	0.0	0.0	0.0
Other External Financing	0.0	0.0	0.0	21.8	0.0	0.0	0.0	0.0	0.0	0.0
External Financing	**0.0**	**37.6**	**35.6**	**57.2**	**59.6**	**37.6**	**0.0**	**0.0**	**0.0**	**0.0**
Total Gross Borrowing Requirements in NGN' Million										
Total Gross Borrowing	**41,982.5**	**67,648.7**	**65,349.4**	**88,402.7**	**73,606.5**	**46,305.0**	**18,245.9**	**21,208.0**	**6,925.7**	**3,215.9**

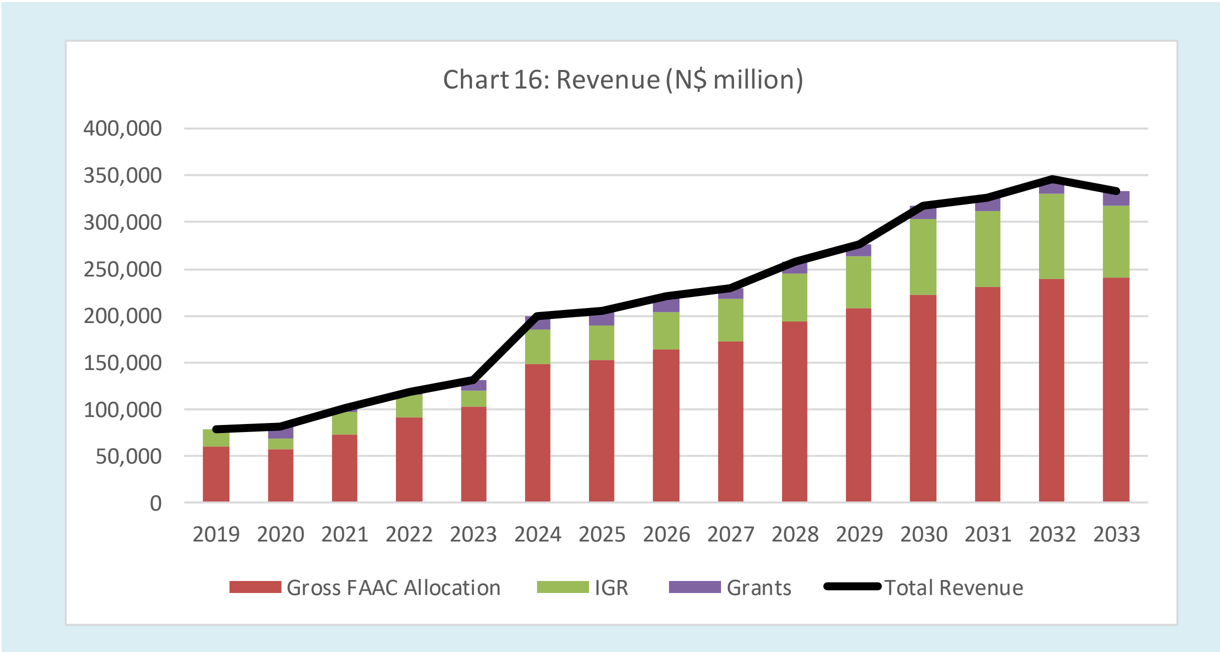
4.2 DSA Simulation Results

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

The Macroeconomic framework consider the IMF's national real GDP growth and inflation forecasts from 2024, IMF World Economic Outlook document, and mineral benchmarks (oil price, production, and NGN/USD exchange rate) from Federal Government of Nigeria's MTEF/FSP 2024-2026.

4.2.1 Revenue – Sokoto State Revenue is expected to increase over the projected period from N274.859 million in 2024 to N469.578 million in 2033, which present an increase from the FAAC allocation by N194.719 million or 70.84 percent, IGR by N39.900 million or 107.59 percent, and VAT N19.700 million or 32.35 percent, respectively.

Estimated on Revenue were sources from the Approved 2024 Budget; Economic & Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS), 2024-2026; the projections period from 2027-2032 projections as estimated by the official of Sokoto State Ministry of Budget and Economic Planning.



4.2.2 Expenditure – Expenditure projected to grow by N63.036 million or 25.37 percent over the projection period of 2024-2033, the Capital expenditure has the largest share over the estimated period. indicating stability in the state growth recovery. The growth in the period is predicated on sustaining effective implementation of the new laws. The government is expected to continue its fiscal strategy of directing resources to the most productive and growth-enhancing sectors, including Agriculture, Infrastructure, Manufacturing, Housing and Construction, Education, Health and Water Resources within the period.

Estimated on Expenditure were sources from the 2024 Approved Budget; Economic & Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS), 2024-2026; the projections period from 2027-2032 projections as estimated by the official of Sokoto State Ministry of Budget and Economic Planning.

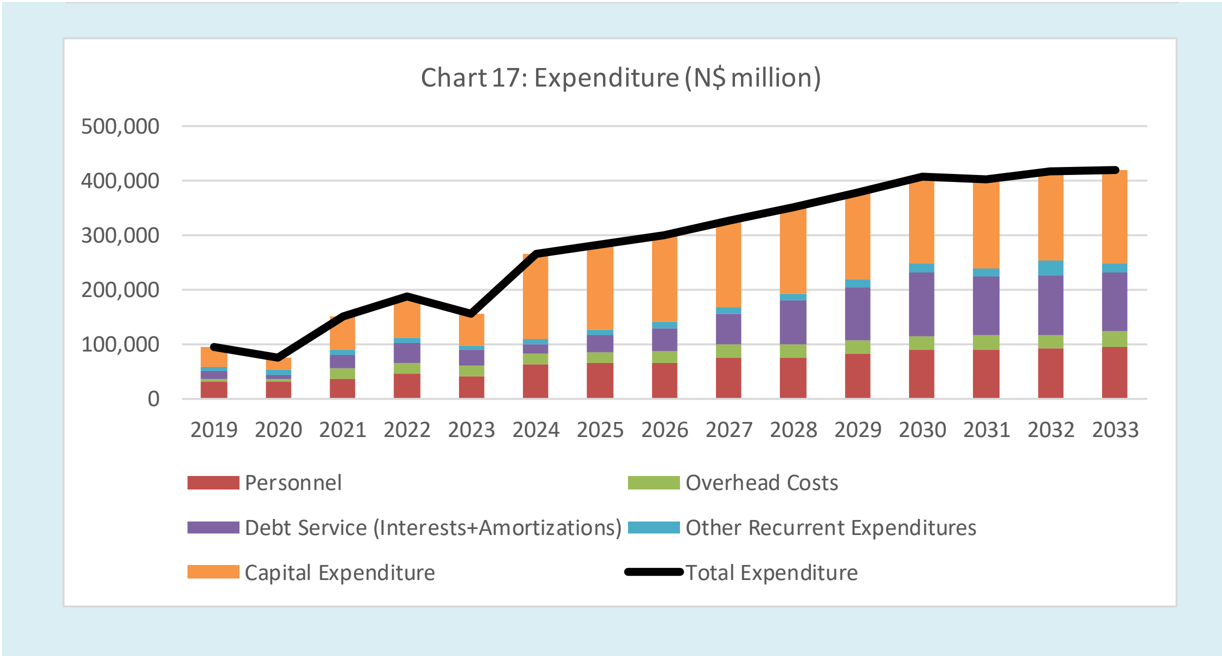
4.2.2.1 Personnel – The state has maintained digital staff records and periodic staff verification to check abnormalities associated with payroll, hence the improvements in personnel budget forecasts and performances. With the recent increase in youth employment in the public service and new appointments to be followed by the new administration in the State, the 2024 – 2026 personnel was forecasted at an own percentage of 10%,11%, and 12% respectively, which considered the halt in employment that might be witnessed in the fiscal year 2025 and 2026 building on the existing workforce strengthen and new employments in that will occur between 2024 and 2025 Additionally, for the 2024 fiscal year, there is speculation of an increase in the minimum wage because of the subsidy removal, which by bureaucracy and political engagement, might take its course by the end quarters of 2024.

4.2.2.2 Overheads – Overheads estimated to grow from N17.938 million in 2023 to N29.738 million in 2033. More so, the State cash management is expected to ensure effective releases, although Government transition is also considered in the year under forecast.

4.2.2.3 Total Debt Service – is based on the projected principal and interest repayments for 2024, 2025, and 2026. Hence, an own value has been used anticipating that public debt charge will remain largely stable with minimal growth over the medium term.

4.2.2.4 Other Recurrent Expenditures – other recurrent expenditure comprises Social Contribution and Social Benefits – Pensions and gratuity payments is expected to remain at the level of 2023 actual. Hence, the own percentage of zero growth is adopted over the projection period.

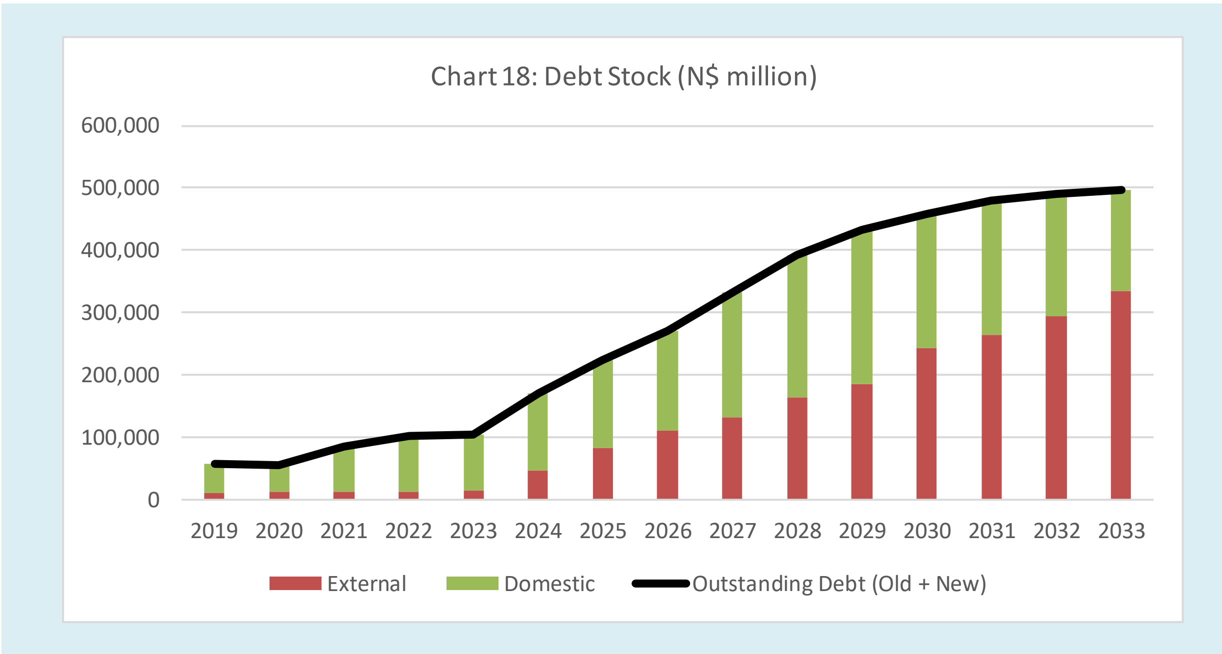
4.2.2.5 Capital Expenditure - is based on the balance from the recurrent account plus capital receipts, and less contingency reserve as outlined above. The percentage of capital expenditure in 2024, 2026 2028, 2030, and 2033 is expected to be 1.22 percent, 1.27 percent, 1.32 percent, 5.51 percent respectively

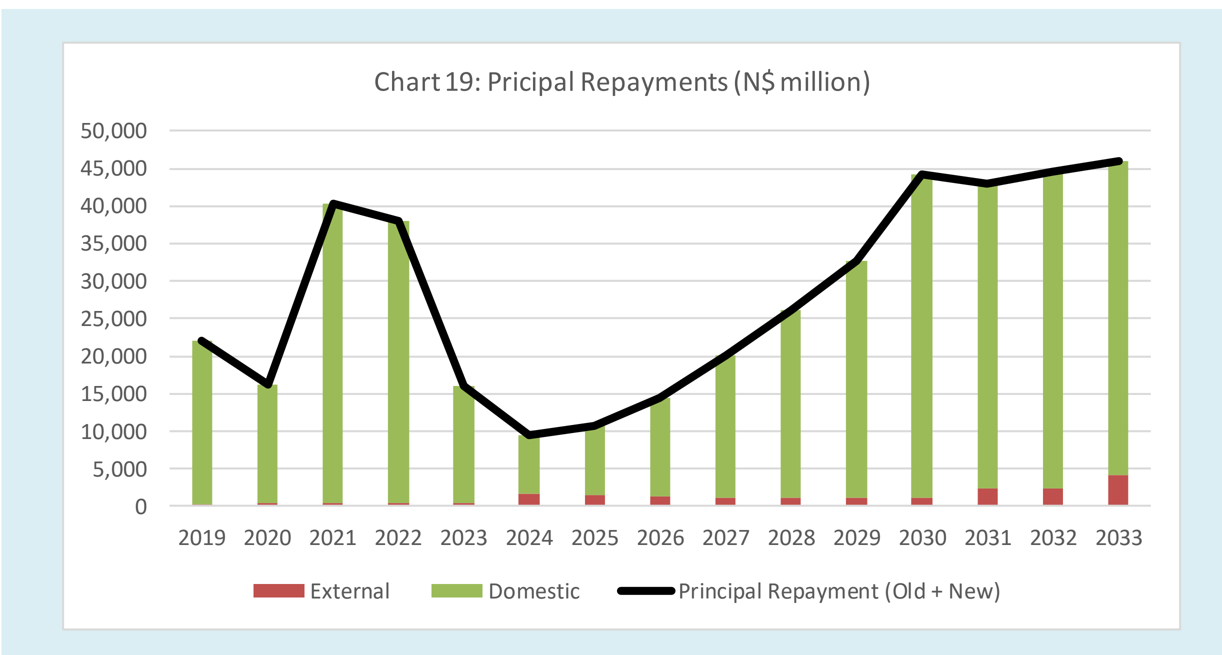


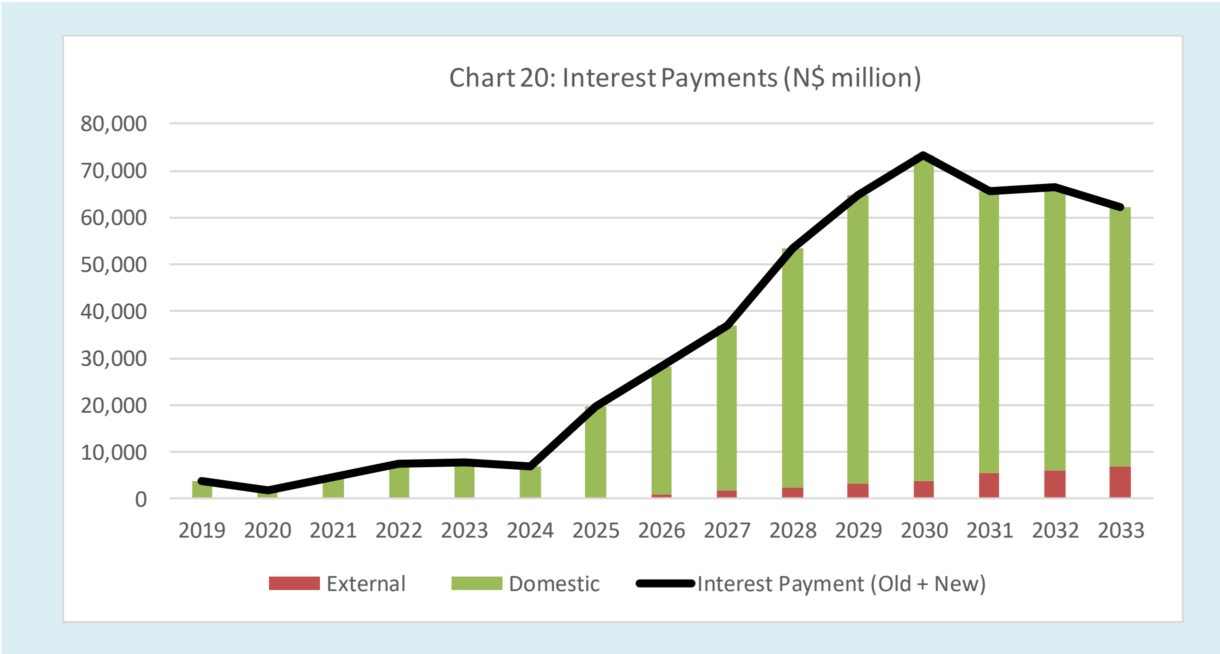
4.3 Primary Balance -The fiscal deficit of Sokoto State Medium Term Expenditure Framework (MTEF), 2024-2026, the estimate an average financing needs to stood N58,326 million over the projection period, which comprise the financing of N41,982.50 million in 2024, N67,648.70 million in 2025, and N65,349.40 million in 2026 respectively. **Gross Financing Needs is the sum of budget deficits and funds required to roll over debt that matures over the year.** The fiscal deficit projection beyond the MTEF period is hinged on the anticipated improvement in the revenue due to the various initiatives and reforms by the Government, as well as efficiency and quality of spending. Sokoto State should sustain the current Budget reform programme particularly as it relates to the preparation of a realistic budget, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Efforts should be made to prepare MTSS for other sectors not yet provided for.

The government must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process. If the benchmark price of crude in the Federal FSP is lower or higher than $65.00 per barrel used herein and IMF, World Bank, OPEC, and US Energy Information Administration Reports validate the oil price benchmark provided in Federal FSP, the State should revisit the assumptions and recalculate statutory allocation.

4.4 Debt Stock - Debt Stock is estimated to increase to N169,145 million, N269,550 million, N391,975 million, N457,824 million, N490,805 in 2024, 2026, 2028, 2030, and 2032 respectively. Sokoto State government expected to payment the Principal Repayment of N9,457 million in 2024 and N46,045 million in 2033, compared with the Interest Payment N6,874 million in 2024 and N62,109 million in 2033. (See Charts 18 to 20, below).







4.5 Main Key Findings

Under Baseline Scenario, the Debt Sustainability Analysis results show that the ratio of Debt as % of GDP is projected at 3.95percent in 2024, 4.75 percent in 2026, 5.06 percent in 2029, 3.88 percent in 2030, and 2.73 percent in 2033, respectively, as against the indicative threshold of 25 percent. Sokoto State would remain under the threshold for Debt to SGDP ratio of 25 percent over the projection period.

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

The 2024 DSA exercise shows that there is substantial Space to Borrow based on the state's current revenue profile. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remain under the threshold over the projection period from 2024-2033, with the strong-minded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.

The revenue-based indicators show that the Debt to Revenue for 2023 actual was 78.82 percent 2028 and 2033 were projected at 145.41 percent and 97-08 percent respectively and were still below the threshold of 200 percent.

The Debt Service to Revenue ratio over the projection period revealed the following: 2024 (8.18percent), 2027 (22,73 percent), 2030 (20.98 percent) and 2033 (18.15 percent), as against the threshold of 40 percent to the end of the projection period in the medium to long term.

The Personnel Cost to Revenue remained under state threshold of 60 percent from 31.49 percent in 2023 to 28.13 percent in 2033. Thus, Sokoto State Debt remained sustainable on the revenue and debt indicators given the percentage level. This is largely due to the Government various initiatives and reforms in the key sectors of the economy to be implemented in the years.

Sokoto State Debt Burden Indicators, 2024-2033

	Threshold	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Debt as % of SGDP	25	3.95	4.48	4.75	5.22	5.37	5.06	4.42	3.88	3.29	2.73
Debt as % of Revenue	200	84.69	108.50	121.04	142.59	145.41	141.86	120.04	114.21	101.89	97.08
Debt Service as % of Revenue	40	8.18	14.95	17.90	22.73	26.23	25.24	20.98	19.88	18.01	18.15
Personnel Cost as % of Revenue	60	31.67	31.60	29.35	32.89	29.45	29.86	28.40	27.72	26.26	28.13
Debt Service as a share of Gross FAAC Allocation	nil	11.07	20.11	24.13	30.26	34.77	33.64	29.91	28.12	26.04	25.20
Interest as a share of Revenue	nil	3.44	9.46	12.15	14.82	16.26	14.92	11.71	10.81	9.93	8.84
External Debt Service as a share of Revenue	nil	0.94	0.85	1.12	1.30	1.84	2.19	2.15	2.39	2.62	4.31
Gross Financing Needs as a share of SGDP	nil	1.27	1.50	1.35	1.53	1.17	0.91	0.51	0.52	0.39	0.33
Overall Balance as a share of SGDP	nil	-1.52	-1.60	-1.33	-1.49	-1.19	-0.97	-0.47	-0.34	-0.21	-0.32
Primary Balance as a share of SGDP	nil	-1.36	-1.21	-0.86	-0.95	-0.58	-0.43	-0.04	0.03	0.11	-0.07
Revenue as a share of SGDP	nil	4.66	4.13	3.92	3.66	3.70	3.57	3.68	3.40	3.23	2.81
Expenditures as a share of SGDP	nil	6.18	5.73	5.25	5.15	4.88	4.53	4.15	3.74	3.44	3.13

Chart 21: Debt Stock as a share of SGDP

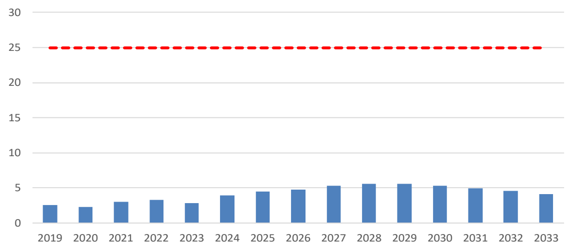


Chart 22: Debt Stock as a share of Revenue

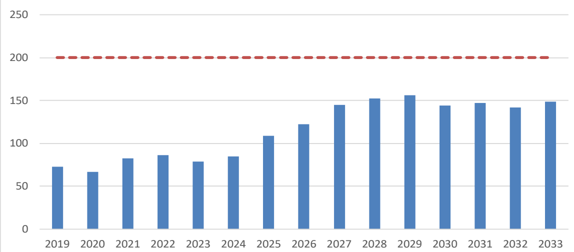


Chart 23: Debt Service as a share of Revenue

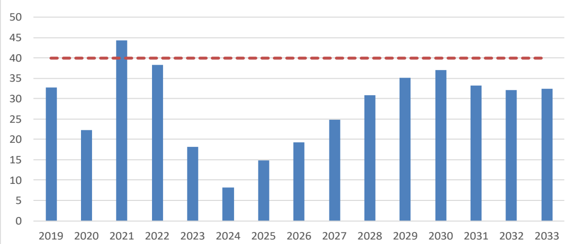


Chart 24: Personnel Cost as a share of Revenue

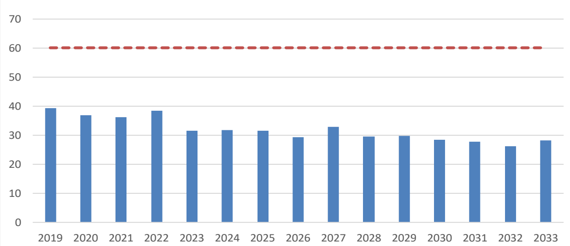


Chart 25: Debt service indicators

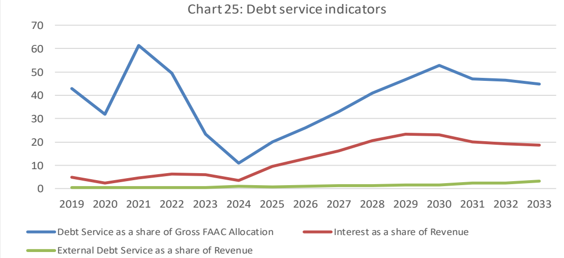


Chart 26: Fiscal Outturns

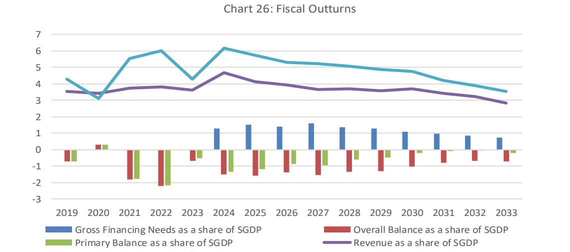


Chart 6: Debt Stock as a share of SGDP

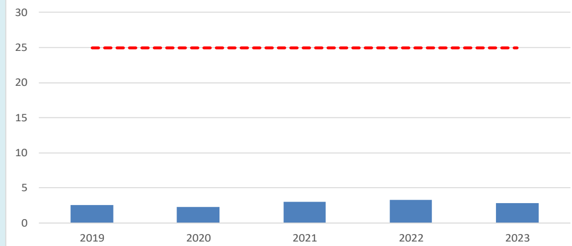


Chart 7: Debt Stock as a share of Revenue

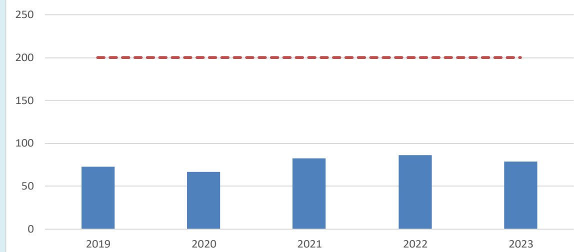


Chart 8: Debt Service as a share of Revenue

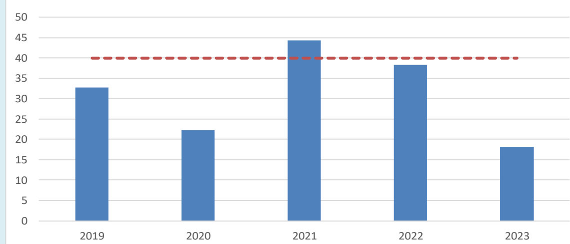


Chart 9: Personnel Cost as a share of Revenue

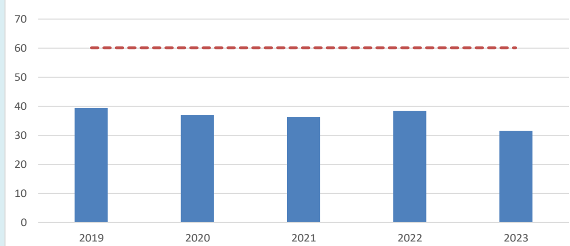


Chart 10: Debt service indicators

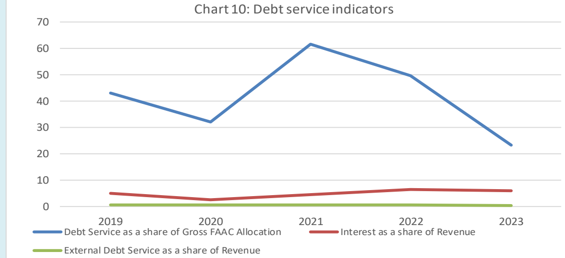
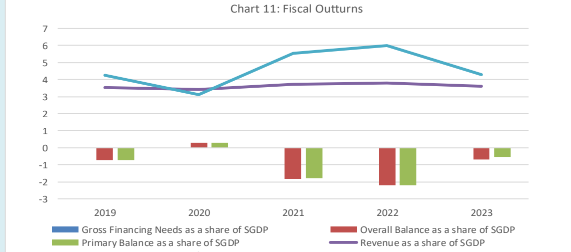


Chart 11: Fiscal Outturns



4.5 Conclusion

The outcome of the 2023 DSA revealed that Sokoto's Total Debt remains at a Moderate Risk of Debt distress with substantial space to accommodate shocks. Sokoto State Risk Rating remains at a Moderate Risk of debt distress with capacity to accommodate shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The ongoing efforts by the government towards improving revenue generation and diversifying the economy, through various initiatives and reforms in Tax Administration and Collections, as well as the Strategic Revenue Law, would improve the outlook for Total Debt with enhanced revenue performance. Thus, the Revenue indicators and Borrowing Space are expected to improve in the medium to long-term.

4.6 DSA Sensitivity Analysis

Sokoto State's 2024 DSA analysis remains at moderate risk of debt distress under sensitivity analysis. The State DSA analysis shows deteriorated or weakening ratios due to application of revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shock, that would lead to increase Gross Financing Needs over the projection period. The shocks apply breached the threshold under debt as percentage of Revenue from 2027 to 2029 (under revenue and expenditure shocks). The debt service as percent of Revenue breached the benchmarks from 2028 to 2030 through revenue and expenditure Shocks. There is an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implementing far-reaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation. The above shock narratives are considered under the pessimistic scenario.

The projections under the Sokoto State 2023 DSA remain sustainable on course with strict adherence to prudent debt management as well as fiscal discipline. With the provisions of law guiding domestic and international borrowing by Fiscal Responsibility Act, and Debt Management, the Government is positioned for prudent debt management and fiscal discipline in order to be able to honor its future financial obligations without recourse to any financing options.

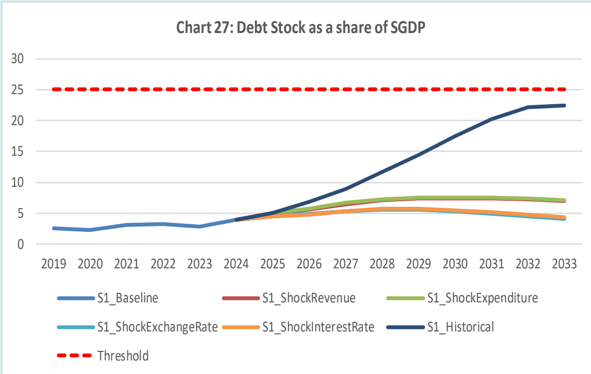


Chart 27: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

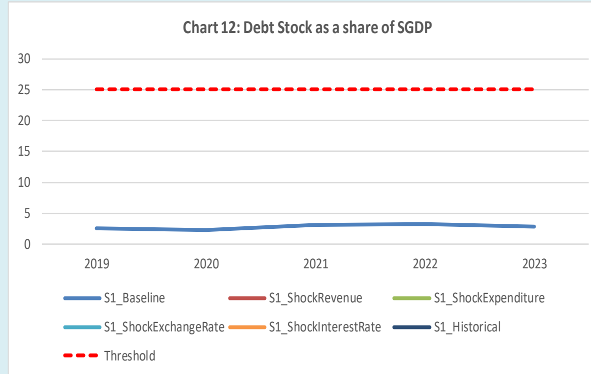


Chart 12: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2019 2020 2021 2022 2023
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

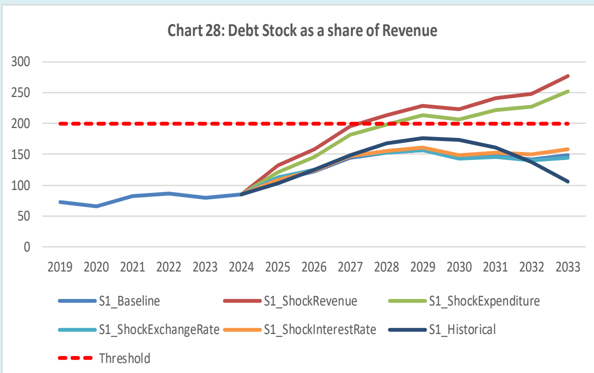


Chart 28: Debt Stock as a share of Revenue
300
250
200
150
100
50
0
2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

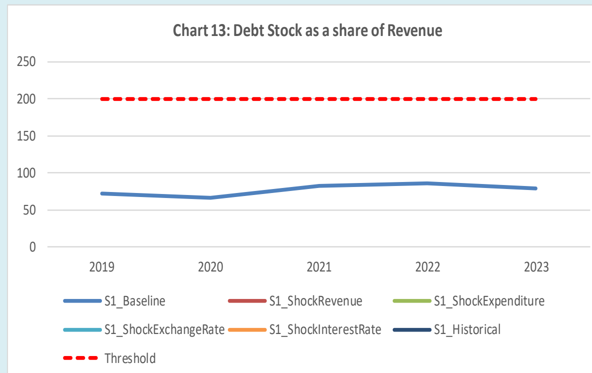


Chart 13: Debt Stock as a share of Revenue
250
200
150
100
50
0
2019 2020 2021 2022 2023
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

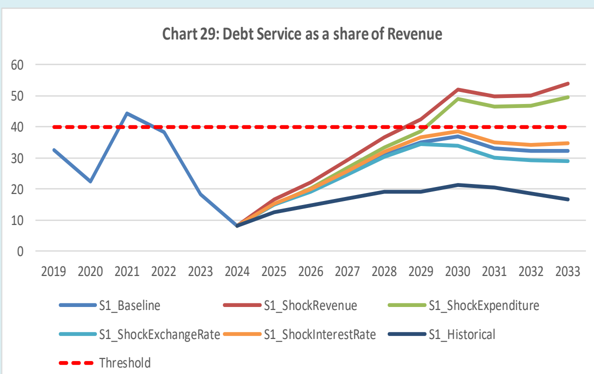


Chart 29: Debt Service as a share of Revenue
60
50
40
30
20
10
0
2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

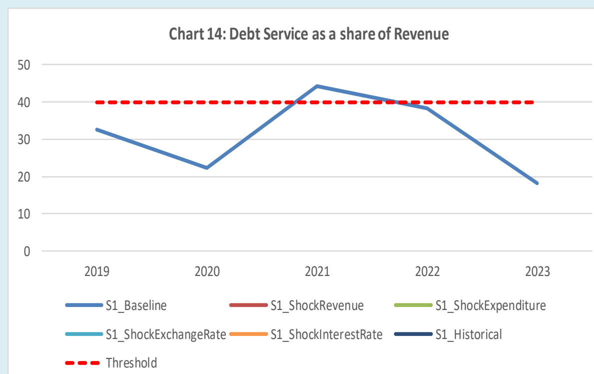


Chart 14: Debt Service as a share of Revenue
50
40
30
20
10
0
2019 2020 2021 2022 2023
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

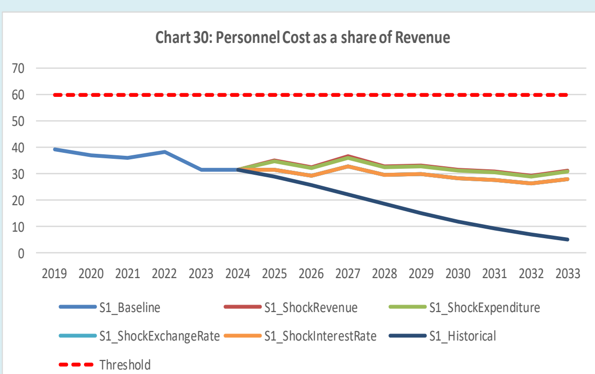


Chart 30: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

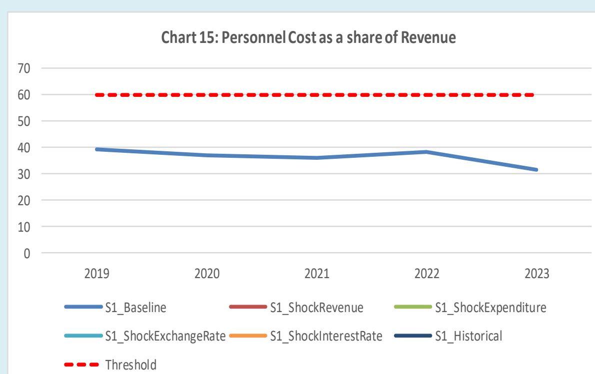


Chart 15: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2019 2020 2021 2022 2023
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

Chapter 5: Debt Management Strategy

Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies, in light of factors such as the macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

The Debt Management Strategy provides alternative strategies to meet the financing requirements for Sokoto. The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. The following three strategies are assessed by the government. Sokoto's Debt Management Strategy, 2024-2026, analyses the debt management strategies outcomes of the three debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2027, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2027 caused by an unexpected shock, as projected in the most adverse scenario.

5.1 Alternative Borrowing Options

Strategy 1 (S1) reflects a "status quo" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2024 and 2025-2026 Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS). External gross borrowing under Concessional loans accounts on average 45.66 percent over the strategic period. The Domestic gross financing comprises commercial bank loans, and State bonds. The Commercial Bank loans with maturity of 1-5 years is projected to account on average of 32.13 percent over the strategic period. The Commercial Bank loans (maturing 6 years above), State Bonds (maturing 1-5 years), and State Bonds (maturing 6 years above) estimated financing with an average of 22.21 percent, over the DMS period of 2024-2026.

Strategy 2 (S2) focuses more financing through commercial bank loans: In this strategy it has been assumed the distribution between external and domestic borrowing remains the same in 2024 as its in strategy 1. With the remaining borrowing distributions from 2025 to 2026, the state government will focus its financing through commercial bank loans with average 38.91 percent under 1-5 years tenure and 36.49 percent under above 6 years tenure, other gross financing needs through the State bond (maturing 1-5 years) and State bonds (maturing 6 years above) which was estimated to account on average of 12.13 percent and 12.47 percent over the strategic period.

Strategy (S3) focuses its financing through domestic debt market: In strategy 3, the government decided to focus its financing from 2025 to 2026, through State Bonds (1-5 years), State Bonds (above 6 years), Commercial Bank loans (1-5 years), Commercial Bank loans (above 6 years), and Concessional Loans with an average of 18.43 percent, 24.30 percent, 15.02 percent, 42.25 percent, respectively. This strategy considers the scenario where proportions of external and domestic debt instruments in 2023 remain the same with strategy 1.

Strategy (S4) increases the share of external borrowing: In this strategy, External Financing (Concessional Loans) represents an average of 26.59 percent from 2024-2026, Bilateral loans 10.75 percent, other gross financing comprises are through Commercial bank loans (1-5 years) and Commercial bank loans (above 6 years) with average period of 41.92 percent and 20.74 percent respectively.

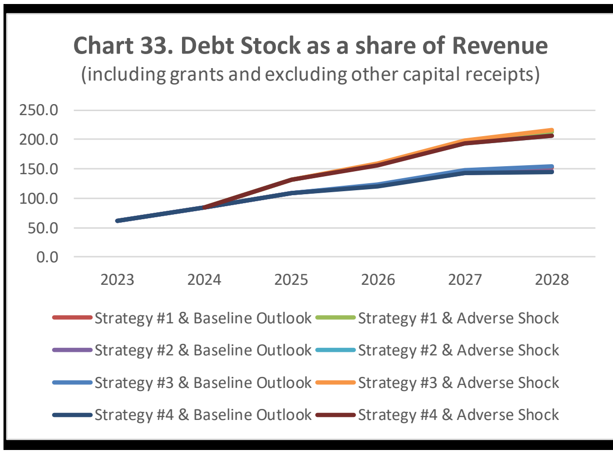
5.2 DMS Simulation Results

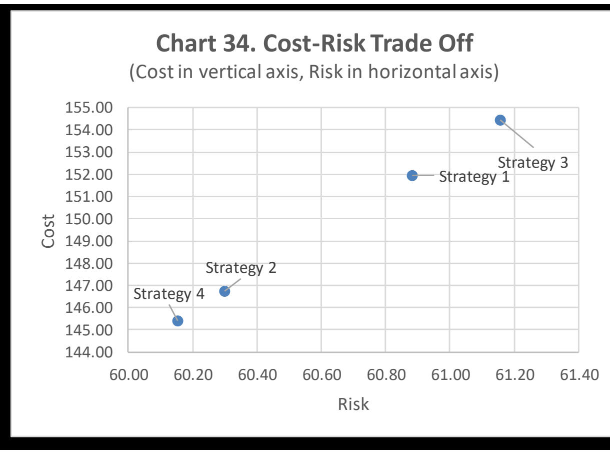
Analysis of strategies & outcomes of the analysis. The cost risk trade off charts illustrates the performance of the alternative strategies with respect to four debt burden indicators.

a. Debt as a share Revenue:

Strategy 1 shows the Cost ratio of Debt to Revenue was estimated at 152.0 percent, Strategy 2 (146.7 percent), Strategy 3 (154.4 percent) and Strategy 4 (146.4 percent), over the DMS period of 2028, compared with the Risks measured of Strategy 1 (60.9 percent), Strategy 2 (60.3 percent), Strategy 3 (61.2 percent) and Strategy 4 (60.2 percent), respectively.

The strategic analysis using the debt indicator of debt to revenue shows that S4 is the most prepared strategy with the least costly and risk compare with the S3 which is the costliest and risks strategy as concentrated on more Commercial Bank loans over the DMS period of 2024-2028.





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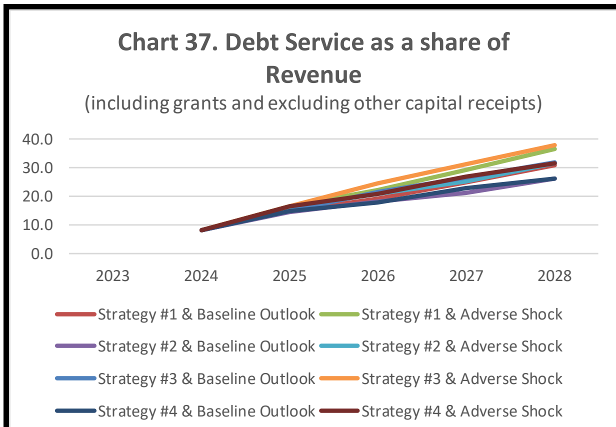
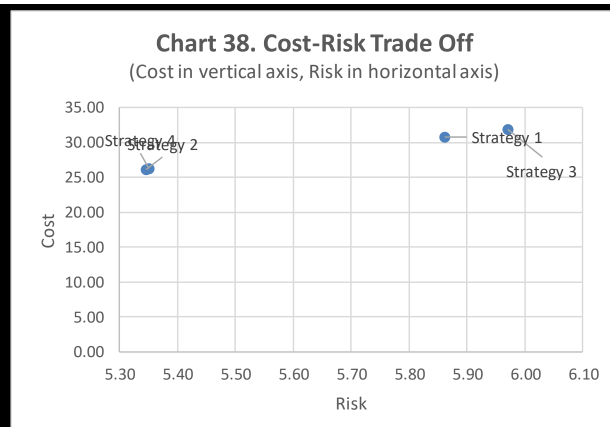
b. **Debt Service as a share of Revenue:**

In terms of Debt Service to Revenue, Strategy 2 has the lowest costs and risks of 26.2 and 5.3 percent compared with S4 (costs at 26.2 percent and risks at 5.4 percent), S3 (costs at 33.8 percent and risks at 6.0percent) and S1 (costs at 30,8 percent and risks at 5.9 percent), respectively, over the strategic period of 2028.

The strategic analysis indicated that S2 has the lowest costs and risks at 26.2 percent and 5.3 percent under the Debt Service to Revenue, and the S3 is the costliest and riskiest strategy compared with the S4 and S1 which are rated as moderate strategy over the period.



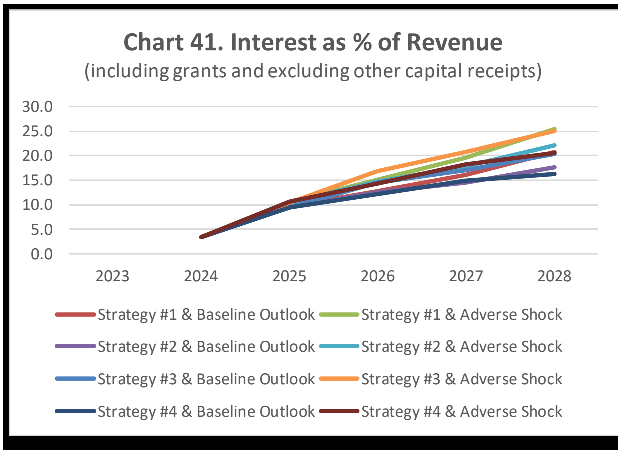


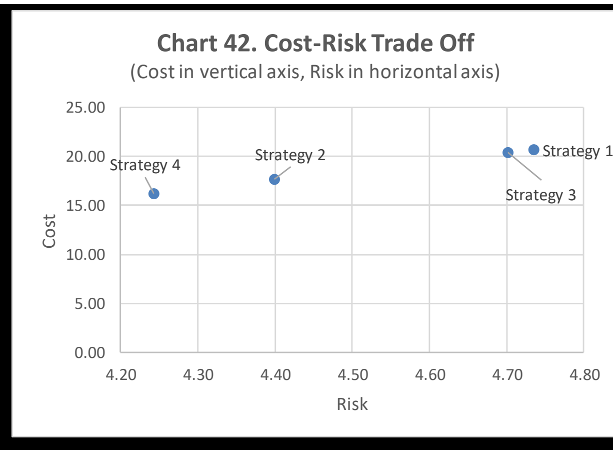
c. **Interest as a share of Revenue**

Strategy 1 has the highest costs and highest risks with regards Interest to revenues, which projected at 20.7 percent and 4.7 percent, and Strategy 4 has the lowest cost and least risks (16.3

percent and 4.2 percent), compared with the moderate S2 (17.7 percent and 4.4 percent) and S3 (20.4 percent and 4.7 percent) over the strategic period of 2028.

The strategic analysis indicates that S 4 is the most prepared strategy which has the lowest costs and risks due to financing mix compared to other Strategies, as the external debt service terms requirement has low interest rate, longer maturity and grace period in concessional external financing.





5.3 DMS Assessment

An important consideration when comparing alternative debt management strategies is a strategy which would best satisfy the government's stated debt management objectives to ensure its financing at minimum cost and risk while developing the domestic debt market. The government needs to follow the strategy which results in lengthening its maturity profile to reduce the refinancing risk along with providing sufficient external inflows in the medium term to reduce the pressure on domestic resources keeping in view cost-risk tradeoffs.

Based on cost and risk analysis of alternative strategies, a strategy, such as Strategy 4 is the most prepared strategy with the lowest costs and lowest risks, under debt as percentage of Revenue, debt service as percentage of revenue as well as interest as percentage of revenue. **The implementation of Strategy 4 seems more feasible than others considering the ability to implement the chosen strategy successfully in the medium-term**.

In comparison to the current debt position, Sokoto State debt portfolio stood at N103,039 million in 2023, which expected an increase to N169,145 million under S1 during the strategic period, compared to S2 (N222,371 million), S3 (N269,550 million), and S4 (N332,646 million). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S4 is selected as the preferred strategy for 2024-2028.

The Debt Management Strategy, 2024-2028 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2024 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Sokoto State's 2023 DMS remains at moderate risk of debt distress under sensitivity analysis. The State DSA performance indicators show that the State's debt is sustainable both under the Baseline and Optimistic scenarios from 2024 to 2033.

The Fiscal Strategy Paper prioritized projects and programmes in a sustainable manner and consistent with its development policy objective of the Government. The fiscal policies strongly recommend that the existing debt and new borrowing should be kept below the established threshold. Also, the Fiscal Responsibility Act provides for prudent spending of public funds.

Annex I: Baseline Assumptions

Statutory Allocation the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as explained in paragraph 98 in the Sokoto state EFU-FSP 2024-2026

Value Added Tax (VAT) considering that changes in key macroeconomic parameters including the nature of impact of the volatile commodity prices and exchange rate on aggregate economic activity, VAT was forecasted using the elasticity forecast method.

Other Federation Account Distributions the estimation is based on a projected own percentage decline of 20%, 15%, and 11% respectively for 2024-2026 to reflect the actual receipt over the previous years.

Internally Generated Revenue (IGR) Internally Generated Revenue (IGR) – The New administration is expected to sustain and improve on existing tax administration reforms and IGR expansion strides. The forecast took into consideration the mild decline in IGR growth in 2023 at 0.67% and further ambition captured in the new Sokoto State IGR expansion strategy and several other efforts such as the planned review of rates, levies, and fines to reflect current economic trends associated with the hike in pump prices and commodities by business in the State. New streams of revenue sources such as Haulage fees, agricultural taxes (from Onion marketers, etc), pre-emptive taxes, expansion of collection from the informal sector, and the ongoing harmonization between the State IRS and the Joint Tax Board on tax leakages, are consciously considered in the 7% own percent increase in IGR for 2024. IGR is expected to catch up steadily at 10% and 11% for 2025 and 2026, respectively. The 2024 – 2026 fiscal forecast took into keen consideration the IGR actual performances and not the budget forecast, to ensure adequate projection, while reflecting on uncertainties with taxpayers' compliance with the new collection phase, the new Government administration reform programs and policies that may affect tax operations in the State. Although it is expected that the shocks from the projected high inflation, removal of fuel subsidy, exchange rate, and other intended policies of the Central Government will slow down business activities within the first few quarters of the fiscal year 2024, with resilience and strategic policy control, business and individuals are expected to bounce back better and continue paying and complying to taxes and tax regulations.

Grants The internal grants are based on calculated expected inflow for the period 2024-2026. External grants are based on signed grant agreements with the development partners.

Financing (Net Loans) In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements and loan recorded in the state debt management strategy.

Personnel The state has maintained digital staff records and periodic staff verification to check abnormalities associated with payroll, hence the improvements in personnel budget forecasts and performances. With the recent increase in youth employment in the public service and new appointments to be followed by the new administration in the State, the 2024 – 2026 personnel were forecasted at an own percentage of 10%,11%, and 12% respectively, which considered the halt in employment that might be witnessed in the fiscal year 2025 and 2026 building on the existing workforce strengthen and new employments in that will occur between 2023 and 2024. Additionally, for the 2024 fiscal year, there is speculation of an increase in the minimum wage as a result of the subsidy removal, which by bureaucracy and political engagement, might take its course by the end quarters of 2024.

Overheads An Own percentage of 5% is sued to forecast a slight growth in 2024 and a steady 2% in 2024 and 2025, as it is expected that MDAs will conform to strategic expenditure planning and optimization during the fiscal year. More so, the State cash management is expected to ensure effective releases, although Government transition is also considered in the year under forecast.

Social Contribution and Social Benefits Pensions and gratuity payments are expected to remain the same at the level of 2023. Hence, a steady flow own percentage of 7%, 6%, and 6% respectively is adopted for 2024-2026.

Public Debt Charges is based on the projected principal and interest repayments for 2024, 2025, and 2026 as captured in the State debt sustainability analysis. Hence, an own value based on the Debt sustainability analysis has been used, anticipating that public debt charge will remain largely stable with minimal growth over the medium term.

Transfer to Internal Revenue Services 10% of the total IGR generated is to be transferred to the Internal Revenue Service for 2024, 2025, and 2026. The transfer is done by the office of the Accountant General to the Revenue Service sequel to the submission of the monthly generation to the treasury. It is to cover the cost of collection and allowances of staff

Capital Expenditure is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above. The percentage of capital to recurrent expenditure from 2020 to 2023 was in the range of 45.49% to 57.12%. However, the percentage of capital expenditure in 2024, 2025, and 2026 is expected to be 57.68%, 64.30% and 67.31% respectively.

2024

Assumptions:		Projection Methodology	Source
Economic activity	State GDP (at current prices)	State GDP projected using the actual S-GDP and projected N-GDP nominal growth rate	State Statistics, NBS and Debt Managemnet Office, Nigeria
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Statutory Allocation – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as explained in paragraph 132 of the Sokoto State EFU-FSP, 2024-2026. In this result area we witteness an increase achieved 83% against budgeted amount of N55,679 billiion within the year under review	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
	1.a. of which Net Statutory Allocation ('net' means of deductions)	Statutory Allocation – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as explained in paragraph 132 of the Sokoto State EFU-FSP, 2024-2026. This parameter equally improved based on the percentage achieved against budgeted amount of N55,679 billiion within the year under review .	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
	1.b. of which Deductions	Statutory Allocation – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as explained in paragraph 132 of the Sokoto State EFU-FSP, 2024-2026. It also improve significantly based on budget and achievement recorded under review.	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Other Federation Account Distributions – the estimation is based on the current receipt. In this result area we equally achieved 64% against target amount of N32,610 billiion within the year under review ,	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
	4. VAT Allocation	VAT – considering that changes in key macroeconomic parameters including the nature of impact of the volatile commodity prices and exchange rate on aggregate economic activity, VAT was forecasted using the elasticity forecast method. Inthis result area we have surpase the amount budgeted of N33,344 billion by achieving 106% in the year under review.	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
	5. IGR	Internally Generated Revenue (IGR) – the current administration has sustained internal revenue administration reforms. These measures have started yielding results. It is anticipated that IGR will grow by 25% in 2023 but decrease on a constant rate of 36% in 2024, 2025 and 2026. Consequently, an increase percentage has been used to forecast IGR for the period 2024 – 2026. In the year under review N18,160 billion was achieved against budget of N28,366 which translate to 64% achievement.	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
	6. Capital Receipts		
	6.a. Grants	Grants – The internal grants are based on calculated expected inflow for the period 2024-2026. External grants are based on signed grant agreements with the development partners in the year review our grant witness a slight increase to N10.395 billion with 86% against budgeted N12.046 billion	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts	Transfer to Internal Revenue Services – is 10% of total IGR to be transferred to Internal Revenue Service for 2024, 2025 and 2026. The transfer is done by the office of the Accountant General to the Revenue Service sequel to the submission of the monthly generation to the treasury. It is to cover the cost of collection and allowances of staff.	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel – Due to the rising condition off leaving couple with increase of unemployement The State is determined to sustain the trend to reduce personnel cost. It is anticipated that the number of political office holders will also be reduced, and the personnel cost is projected to register increase by 5% in 2024, 2025 and 2026 respectively, in the year under review N43,201 billion was budgeted and N41.165 billion expended which is 95.36% tthis may not be unconnected in emplying some medicals personal.	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
	2. Overhead costs	Overheads – Annual increases were relatively low over the period 2019 and 2020. However, there was a large increase in 2021-2022 and fell in 2023. Moving average excluding outlier is used to forecast overheads because the expected growth rate for 2024-2026 is expected to substantially follow the trend recorded in the past five years. However in the year under review N17.938 billon was expanded against budget of N33,145 billion which is 54% Our desire for continued cost reduction in this cost centre as in line with our future forecost shall prevail in the next coming years.	2024 Budget and EFU-FSP-BPS, 2024 -2026, DSA Team, Ministry of Finance and Ministry of Budget and Economic Planing. Sokoto State
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions, Equally in this cost centre the following percentage achieved in both amortazation and interest on domestic debt were 57% which is adgudge reasonable ,meanwhile onthe external debt fall short to 6.42% to the budgeted amount due to higher estimation.	Ministry of Finance Sokoto, Report of the Accountant General with Financial Statements 2023 Sokoto State
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Social Contribution and Social Benefits – Pensions and gratuity payments is expected to remain at the level of 2020 actual. Hence, the own percentage of zero growth is adopted for 2024-2026.	Ministry of Finance Sokoto, Report of the Accountant General with Financial Statements 2023 Sokoto State
	5. Capital Expenditure	Capital Expenditure – is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above. The percentage of capital to recurrent expenditure from 2019 to 2023 was in the range of 33% to 41%. However, the percentage of capital expenditure in 2024, 2025 and 2026 is expected to be 78.96%, 56.36% and 43.82% respectively.	Ministry of Finance Sokoto, Report of the Accountant General with Financial Statements 2023 Sokoto State
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	Financial Statements	Ministry of Finance Sokoto, Report of the Accountant General with Financial Statements 2023 Sokoto State
Debt Amotization and Interest Payments	**Debt Outstanding at end-2023**		
	External Debt - amortization and interest	Debt Charges – is based on the projected principal and interest repayments for 2024, 2025 and 2026. Hence, an own value has been used anticipating that public debt charge will remain largely stable with minimal growth over the medium term.	Debt Management Department Sokoto and Debt Management Office Abuja, Nigeria
	Domestic Debt - amortization and interest	Debt Charges – is based on the projected principal and interest repayments for 2024, 2025 and 2026. Hence, an own value has been used anticipating that public debt charge will remain largely stable with minimal growth over the medium term.	Debt Management Department Sokoto and Debt Management Office Abuja, Nigeria
	New debt issued/contracted from 2024 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing (Net Loans) – In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2024 Budget and EFU-FSP-BPS, 2024-2026
	External Financing - Bilateral Loans	Financing (Net Loans) – In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2024 Budget and EFU-FSP-BPS, 2024-2026
	Other External Financing	Financing (Net Loans) – In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2024 Budget and EFU-FSP-BPS, 2024-2026
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing (Net Loans) – In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2024 Budget and EFU-FSP-BPS, 2024-2026
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing (Net Loans) – In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2024 Budget and EFU-FSP-BPS, 2024-2026
	State Bonds (maturity 1 to 5 years)	Financing (Net Loans) – In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2024 Budget and EFU-FSP-BPS, 2024-2026
	State Bonds (maturity 6 years or longer)	Financing (Net Loans) – In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2024 Budget and EFU-FSP-BPS, 2024-2026
	Other Domestic Financing	Financing (Net Loans) – In 2024 Sokoto State intends to continue to leverage short term commercial loan to bridge funding gaps for capital projects pending inflow from IGR and FAAC during the year. All other internal and external loans are projections based on signed agreements.	2024 Budget and EFU-FSP-BPS, 2024-2026
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**	**Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)**	
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Gross Financing distributions was based on Sototo State's EFU-FSP-BPS, 2024-2026	2024 Budget and EFU-FSP-BPS, 2024-2026
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Gross Financing distributions was based on Sototo State's EFU-FSP-BPS, 2024-2026	2024 Budget and EFU-FSP-BPS, 2024-2026
	State Bonds (maturity 1 to 5 years)	Gross Financing distributions was based on Sototo State's EFU-FSP-BPS, 2024-2026	2024 Budget and EFU-FSP-BPS, 2024-2026
	State Bonds (maturity 6 years or longer)	Gross Financing distributions was based on Sototo State's EFU-FSP-BPS, 2024-2026	2024 Budget and EFU-FSP-BPS, 2024-2026
	Other Domestic Financing	Gross Financing distributions was based on Sototo State's EFU-FSP-BPS, 2024-2026	2024 Budget and EFU-FSP-BPS, 2024-2026
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Gross Financing distributions was based on Sototo State's EFU-FSP-BPS, 2024-2026	2024 Budget and EFU-FSP-BPS, 2024-2026
	External Financing - Bilateral Loans	Gross Financing distributions was based on Sototo State's EFU-FSP-BPS, 2024-2026	2024 Budget and EFU-FSP-BPS, 2024-2026
	Other External Financing	Gross Financing distributions was based on Sototo State's EFU-FSP-BPS, 2024-2026	2024 Budget and EFU-FSP-BPS, 2024-2026
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)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
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)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
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)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	State Bonds (maturity 1 to 5 years)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	State Bonds (maturity 6 years or longer)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	Other Domestic Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	External Financing - Bilateral Loans	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team
	Other External Financing	Financing distributions was agreed by the State DSA-DMS Technical Team	Sokoto State's DSA-DMS Technical Team

Annex II: Sokoto State Baseline Scenarios, 2019-2033

	Actuals					Projections									
Indicator	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	2,227,338.53	2,387,356.57	2,725,113.04	3,131,994.90	3,628,199.88	4,285,524.61	4,957,795.09	5,636,925.39	6,271,784.12	6,978,143.80	7,764,057.25	8,638,484.19	9,611,393.48	10,693,876.67	11,898,274.53
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	1,300.00	1,200.00	1,100.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Fiscal Indicators (Million Naira)															
Revenue	**89,038.00**	**100,662.00**	**138,192.59**	**175,854.61**	**178,420.29**	**254,341.58**	**279,005.35**	**300,413.79**	**330,011.79**	**351,133.35**	**374,793.33**	**412,518.41**	**420,557.31**	**435,713.18**	**420,421.35**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	45,380.20	36,149.00	42,818.63	42,291.25	46,011.98	62,500.00	63,719.20	68,333.82	73,313.82	88,308.53	93,318.16	97,342.93	98,383.07	99,438.82	99,894.57
1.a. of which Net Statutory Allocation ('net' means of deductions)	45,380.15	36,149.00	42,818.63	42,291.25	46,011.98	62,500.00	63,719.20	68,333.82	73,313.82	88,308.53	93,318.16	97,342.93	98,383.07	99,438.82	99,894.57
1.b. of which Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	2,082.02	4,584.00	8,295.55	23,367.87	20,793.34	24,234.35	25,535.56	29,634.23	35,724.25	40,845.65	45,934.35	50,014.65	55,014.65	60,014.65	60,114.65
4. VAT Allocation	12,520.29	15,925.00	22,002.28	26,176.86	35,362.34	60,887.92	62,887.92	65,987.92	63,287.92	65,387.92	68,487.92	75,587.92	77,587.92	79,587.92	80,587.92
5. IGR	19,029.50	12,026.20	23,762.13	23,110.73	18,160.11	37,085.04	37,185.04	40,285.04	45,385.04	50,485.04	55,585.04	80,685.04	80,785.04	90,885.04	76,985.04
6. Capital Receipts	10,026.00	31,977.80	41,314.00	60,907.89	58,092.52	69,634.27	89,677.64	96,172.79	112,300.76	106,106.21	111,467.87	108,887.88	108,786.63	105,786.75	102,839.18
6.a. Grants	0.00	12,551.30	4,354.32	4,072.52	10,395.78	15,013.65	15,313.92	16,767.26	11,728.56	12,901.42	13,546.49	14,223.81	14,935.01	15,681.76	16,428.51
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	3,074.00	1,147.00	5,220.00	1,293.00	1,366.00	13,546.49	13,546.49	13,546.49	13,546.49	13,546.49
6.c. Other Non-Debt Creating Capital Receipts	0.00	0.00	0.00	0.00	0.00	9,564.10	5,675.38	5,788.89	6,078.33	6,382.25	10,701.36	12,036.43	15,588.25	20,757.67	22,127.08
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	10,026.00	19,426.50	36,959.65	56,835.37	10,314.52	41,982.53	67,541.33	68,396.64	93,200.86	85,456.55	73,673.53	69,081.14	64,716.89	55,800.84	50,737.10
Expenditure	**95,118.50**	**74,396.70**	**150,684.59**	**188,022.17**	**155,318.84**	**264,846.13**	**283,968.19**	**299,205.51**	**327,541.18**	**352,500.16**	**379,202.53**	**409,009.72**	**402,571.00**	**416,911.18**	**419,694.90**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	30,980.68	29,936.00	36,590.03	45,604.80	41,165.87	63,256.04	64,661.09	64,861.09	75,461.09	75,964.91	82,664.91	90,264.91	90,564.91	90,764.91	93,964.91
2. Overhead costs	3,832.60	6,783.07	18,009.88	18,164.26	17,938.07	19,731.88	20,718.48	21,818.48	22,918.48	23,718.48	24,458.48	24,918.48	25,518.48	25,918.48	29,738.48
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	0.00	316.90	316.90	316.90	5,184.11	6,874.00	19,692.53	28,252.41	36,861.72	53,372.15	64,657.17	73,218.83	65,524.58	66,512.95	62,109.33
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	0.00	316.90	316.90	316.90	5,184.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	7,611.42	9,417.25	9,301.65	9,751.43	8,307.45	10,060.23	11,460.23	12,560.23	13,456.56	13,960.23	14,360.23	14,860.23	15,460.23	25,880.23	17,480.23
5. Capital Expenditure	37,739.61	22,064.46	62,379.35	75,996.50	58,582.92	155,456.56	156,645.56	157,356.56	158,756.56	159,356.56	160,456.56	161,456.56	162,556.56	163,234.56	170,356.56
6. Amortization (principal) payments	14,954.20	5,879.00	24,086.78	38,188.29	24,140.41	9,467.41	10,790.30	14,356.75	20,086.78	26,127.83	32,605.20	44,290.71	42,946.24	44,600.06	46,045.39
Budget Balance (' + ' means surplus, ' - ' means deficit)	**-6,080.50**	**26,265.30**	**-12,491.98**	**-12,167.56**	**23,101.45**	**-10,504.55**	**-4,962.84**	**1,208.28**	**2,470.61**	**-1,366.81**	**-4,409.20**	**3,508.70**	**17,986.32**	**18,802.00**	**726.45**
Opening Cash and Bank Balance	**7,532.28**	**1,451.92**	**27,717.22**	**15,225.22**	**3,057.66**	**26,159.11**	**15,654.56**	**10,691.72**	**11,900.00**	**14,370.61**	**13,003.80**	**8,594.60**	**12,103.30**	**30,089.62**	**48,891.61**
Closing Cash and Bank Balance	**1,451.92**	**27,717.22**	**15,225.22**	**3,057.66**	**26,159.11**	**15,654.56**	**10,691.72**	**11,900.00**	**14,370.61**	**13,003.80**	**8,594.60**	**12,103.30**	**30,089.62**	**48,891.61**	**49,618.07**
Financing Needs and Sources (Million Naira)															
Financing Needs						**54,620.63**	**74,363.72**	**79,405.53**	**100,572.20**	**93,204.80**	**97,921.38**	**94,664.06**	**93,851.63**	**90,105.00**	**86,410.67**
i. Primary balance						-48,783.77	-48,843.73	-35,588.10	-41,153.10	-15,071.62	-5,068.22	26,354.18	32,605.51	39,810.01	22,470.50
ii. Debt service						16,341.41	30,482.83	42,609.15	56,948.49	79,499.99	97,262.36	117,509.54	108,470.82	111,113.01	108,154.72
Amortizations						9,467.41	10,790.30	14,356.75	20,086.78	26,127.83	32,605.20	44,290.71	42,946.24	44,600.06	46,045.39
Interests						6,874.00	19,692.53	28,252.41	36,861.72	53,372.15	64,657.17	73,218.83	65,524.58	66,512.95	62,109.33
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-10,504.55	-4,962.84	1,208.28	2,470.61	-1,366.81	-4,409.20	3,508.70	17,986.32	18,802.00	726.45
Financing Sources						**54,620.63**	**74,363.72**	**79,405.53**	**100,572.20**	**93,204.80**	**97,921.38**	**94,664.06**	**93,851.63**	**90,105.00**	**86,410.67**
i. Financing Sources Other than Borrowing						12,638.10	6,822.38	11,008.89	7,371.33	7,748.25	24,247.85	25,582.92	29,134.74	34,304.16	35,673.57
ii. Gross Borrowings						41,982.53	67,541.33	68,396.64	93,200.86	85,456.55	73,673.53	69,081.14	64,716.89	55,800.84	50,737.10
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						10,032.72	0.00	9,295.88	12,280.57	0.00	16,345.65	0.00	19,808.77	0.00	5,299.99
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						9,139.84	11,437.80	7,420.26	12,888.72	32,857.39	0.00	1,169.12	0.00	9,520.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	7,356.50	0.00	0.00	0.00	8,568.12	590.84	2,287.12
State Bonds (maturity 6 years or longer)						0.00	14,599.57	15,607.85	8,235.60	19,105.84	16,179.88	9,902.02	11,000.00	0.00	0.00
Other Domestic Financing						22,809.96	0.00	0.00	20,416.15	0.00	18,478.00	0.00	0.00	13,240.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	21,351.98	36,072.65	16,230.00	17,700.00	22,670.00	25,340.00	0.00	32,450.00	24,700.00
External Financing - Bilateral Loans						0.00	20,151.98	0.00	15,793.32	15,793.32	0.00	0.00	25,340.00	0.00	18,450.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	32,670.00	0.00	0.00	0.00
Residual Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**57,281.07**	**53,830.22**	**83,458.18**	**102,526.50**	**103,038.96**	**169,145.14**	**222,371.35**	**269,550.16**	**332,646.25**	**391,974.96**	**433,043.30**	**457,833.73**	**479,604.38**	**490,805.16**	**495,496.88**
External	9,570.57	11,466.98	12,168.05	11,931.60	13,823.03	45,822.72	82,332.91	110,197.94	130,979.13	163,248.32	184,694.18	241,480.05	264,476.37	294,582.68	333,562.48
Domestic	47,710.50	42,363.24	71,290.13	90,594.90	89,215.93	123,322.41	140,038.44	159,352.22	201,667.12	228,726.65	248,349.11	216,353.68	215,128.01	196,222.49	161,934.39
Gross borrowing (flow)						**41,982.53**	**67,541.33**	**68,396.64**	**93,200.86**	**85,456.55**	**73,673.53**	**69,081.14**	**64,716.89**	**55,800.84**	**50,737.10**
External						0.00	41,503.97	36,072.65	32,023.32	33,493.32	22,670.00	58,010.00	25,340.00	32,450.00	43,150.00
Domestic						41,982.53	26,037.37	32,323.99	61,177.54	51,963.23	51,003.53	11,071.14	39,376.89	23,350.84	7,587.10
Amortizations (flow)	**21,988.94**	**16,214.26**	**40,368.87**	**37,962.10**	**16,001.52**	**9,467.41**	**10,790.30**	**14,356.75**	**20,086.78**	**26,127.83**	**32,605.20**	**44,290.71**	**42,946.24**	**44,600.06**	**46,045.39**
External	319.02	363.89	512.66	431.60	463.95	1,591.37	1,468.96	1,346.55	1,224.13	1,224.13	1,224.13	1,224.13	2,343.69	2,343.69	4,170.20
Domestic	21,669.92	15,850.37	39,856.21	37,530.50	15,537.57	7,876.04	9,321.34	13,010.20	18,862.64	24,903.70	31,381.06	43,066.58	40,602.55	42,256.37	41,875.20
Interests (flow)	**3,818.58**	**1,912.25**	**4,523.15**	**7,582.62**	**7,809.76**	**6,874.00**	**19,692.53**	**28,252.41**	**36,861.72**	**53,372.15**	**64,657.17**	**73,218.83**	**65,524.58**	**66,512.95**	**62,109.33**
External	60.77	85.62	90.44	72.48	84.26	289.02	266.79	1,029.43	1,755.68	2,414.12	3,109.32	3,676.07	5,616.37	6,003.89	6,797.23
Domestic	3,757.82	1,826.63	4,432.71	7,510.14	7,725.50	6,584.98	19,425.74	27,222.97	35,106.03	50,958.03	61,547.85	69,542.76	59,908.22	60,509.06	55,312.10
Net borrowing (gross borrowing minus amortizations)						**32,515.11**	**56,751.03**	**54,039.89**	**73,114.09**	**59,328.71**	**41,068.33**	**24,790.43**	**21,770.65**	**11,200.79**	**4,691.71**
External						-1,591.37	40,035.01	34,726.11	30,799.19	32,269.19	21,445.87	56,785.87	22,996.31	30,106.31	38,979.80
Domestic						34,106.49	16,716.03	19,313.79	42,314.90	27,059.52	19,622.46	-31,995.44	-1,225.66	-18,905.53	-34,288.09
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	**2.57**	**2.25**	**3.06**	**3.27**	**2.84**	**3.95**	**4.49**	**4.78**	**5.30**	**5.62**	**5.58**	**5.30**	**4.99**	**4.59**	**4.16**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**72.50**	**66.26**	**82.44**	**86.14**	**61.29**	**84.69**	**108.66**	**121.96**	**144.98**	**151.97**	**156.41**	**144.04**	**146.80**	**142.01**	**148.35**
Debt Service as % of SGDP						**0.38**	**0.61**	**0.76**	**0.91**	**1.14**	**1.25**	**1.36**	**1.13**	**1.04**	**0.91**
Debt Service as % of Revenue (including grants and excluding other capital receipts)						**8.18**	**14.90**	**19.28**	**24.82**	**30.82**	**35.13**	**36.97**	**33.20**	**32.15**	**32.38**
Interest as % of SGDP						**0.16**	**0.40**	**0.50**	**0.59**	**0.76**	**0.83**	**0.85**	**0.68**	**0.62**	**0.52**
Interest as % of Revenue (including grants and excluding other capital receipts)						**3.44**	**9.62**	**12.78**	**16.07**	**20.69**	**23.35**	**23.04**	**20.06**	**19.25**	**18.60**
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						**31.67**	**31.60**	**29.35**	**32.89**	**29.45**	**29.86**	**28.40**	**27.72**	**26.26**	**28.13**

Sokoto State - Technical Team

1. **Bala Mahe Mohammed, Director Debt Management Department (DMD)**
2. **Aliyu Malami Sifawa, Director funds Department**
3. **Buhari Umar, Director Budget, Min. of Budget & Economic Planning**
4. **Ummaru Muhammad Anyalo, Head, ICT unit.**
5. **Ibrahim Shehu Abubakar, Chief Accountant Funds Department**
6. **Yakubu Hamza, Head, Back Office, Debt Management Department (DMD)**