



**BORNO STATE
GOVERNMENT NIGERIA**

**BORNO STATE DEBT SUSTAINABILITY ANALYSIS
REPORT**

**DEVELOPED BY BORNO STATE DEBT
MANAGEMENT OFFICE**

AND

DEBT MANAGEMENT OFFICE ABUJA

IN

COLLABORATION WITH WORLD BANK

UNDER THE AUSPICES OF

SABER.

DECEMBER 2024

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CHAPTER ONE

INTRODUCTION

Debt Sustainability Analysis is a methodology use in ascertaining the sustainability of debt service in the medium and long term given current and proposed level of debt requirements for a state's development plan. Conducting a regular Debt Sustainability Analysis (DSA) is a best practice for states to identify risks and vulnerabilities associated with the debt profile and is a key tool for debt management. The conduct of the DSA involves a number of steps including, the preparation of baseline assumptions for macroeconomic and debt variables; Subjecting these assumptions to shocks checks; projecting the evolution of key debt burden ratios over the medium to long term; and comparing the projections to specific thresholds to assess the risk of debt distress. Emphasis is placed on key debt burden indicators, such as the size of debt relative to Gross Domestic Product (GDP), as well as the share of Internally Generated Revenue (IGR) needed to meet debt service obligations. The DSA exercise also identifies risks and vulnerabilities associated with the debt portfolio and proposes remedial measures for interventions in order to mitigate such risks and vulnerabilities.

1.1=EXECUTIVE SUMMARY

The main goal behind conducting debt sustainability analysis and debt management strategy is to ensure that the State's financing needs and payment obligations are met at the lowest possible cost both in medium and long term, and should be within a prudent degree of risk, determining the amount to be borrowed including its currency composition and terms of debt service, identifying suitable sources of financing and choices of debt instruments, ensure well-structured debt portfolio, i.e. in terms of maturity, currency, interest rate composition, ensure low risk, i.e. sustainable debt levels to avoid risk of default, including risk of high rollover costs as well as

market risks associated with changes in market prices, e.g. interest and exchange rates etc.

Borno State Medium-Term Debt Management Strategy (MTDS), 2025-2027, is formulated to guide the borrowing activities of the State Government in the medium-term. The framework compares alternative funding strategies available to Government as it pursues the desired structure of debt portfolio that reflects the selected strategy considering the costs and risk trade-offs in the medium-term. The State is contented with Strategy 1, it portrays moderate cost of debt service, as measured by the ratio of debt service to revenue and interest payments to revenue ratio, as well as low risk. the Strategy recognizes that the achievement of this objective, depends on significant increase in the Government's revenue

Borno State Debt Sustainability Analysis (DSA 2023)

Borno State Debt Sustainability Analysis and Debt Management Strategy (DSA-DMS) 2025-2027, is formulated to give guidance on the borrowing activities of the State Government and ascertaining the capacity of the state with regard to sustainability of its public debt and future debt service obligation over the medium to long term. The formulation and implementation of a DSA-DMS is one of the pillars of best practices in public debt management and is formulated based on the standard practice developed by the World Bank (WB) and Debt Management Office (DMO) Abuja. .

The current exercise DSA-DMS which covers the period (2025-2027 short term) and (2028-2033 long term) has been developed based on a number of considerations including: meeting Government's financing needs at minimal cost with prudent level of risk; the 2025-2027 Medium-Term Expenditure Framework (MTEF); the 2024 State Budget and the 2023 Audited Financial Statement (AFS).

The preparation of the DSA-DMS, 2025-2027 evolved from a several virtual Workshop organized by the Debt Management Office (DMO) Abuja, in which the relevant Ministries, Departments and Agencies (MDAs) of the Borno State Government, namely: Ministry of Finance and Economic Development, Ministry of Budget and Planning; and Office of the State Accountant-General (AGBOS); Borno State Debt Management Office were involved. The staff of the World Bank and DMO Abuja provided technical assistance. It is also part of the requirement in meeting the Eligibility Criteria under Disbursement Linked Indicator 7.2 in State Fiscal Transparency, Accountability and Sustainability (SFTAS) which will qualify the state to State Action on Business Enabling Reform (SABER) program.

The Borno State DSA analyzes trends and patterns in its State's public finances during the period 2019-2023 (medium term), and evaluates the debt sustainability in 2024-2033 (long-term). The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the State. A debt sustainability assessment was conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances. Borno State Debt Sustainability Analysis (DSA) for the period (2024-2033) indicate an increase in public expenditure (capital and recurrent), through concerted efforts toward increase in revenue generation as well as overall appraisal of debt status for the period stated. The analysis portrays immediate past trends in revenue, expenditure, and public debt, and the similar activity adopted by the Borno State. A debt sustainability assessment was conducted to reasonably forecast the evolution of future trends in Borno State's public finances.

The DSA exercise is from assumptions concerning the State's revenue i.e., the performance in terms of mobilizing (IGR) and expenditure projections (i.e., Personnel Cost, Overhead Costs and Capital expenditure measures). The DSA forecast for revenue were based on effective usage of the harmonized

revenue law accented to by His Excellency which provided for capital gains tax, stamp duty and other property tax to expand the tax base, identify and block leakage areas and to maximally increase the state internally generated revenue that are considered achievable.

The DSA looked at the level and terms of the outstanding and new public debt. Also, the state forecasts increased in recurrent and capital expenditures with expected growth in the National economy with cascading effects in the State's economy leading to increased staff employment in the public sector. The DSA results also depended on the forecasts made for the Nigerian economy (i.e., GDP growth, oil production and prices, exchange rate) and its implication on the FAAC Allocations.

Borno State shows a solid debt position in the medium term, and is evident that the State debt is sustainable and within the threshold of all indicative variables, taking into account of the fiscal policies stated above. The State plans to strictly control its recurrent and capital expenditure and also maintain a low public debt with a vigorous drive to clear outstanding arrears. The State pursues a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance, including external concessional loans and domestic low-cost financing. Given Borno State's own forecasts for the economy and reasonable assumptions concerning the State's budget and financing policies going forward, the medium-term cost-risk profile for the public debt portfolio appears consistent with debt-management objectives

CHAPTER TWO

STATE FISCAL AND DEBT FRAMEWORK

The challenging global economic context has impacted a lot on the Nigeria economy. However, domestic policies play a fundamental role in shaping Nigeria economic performance and resilience to further external shocks. The previous mix of fiscal, monetary and exchange rate policies like Naira re-design did not yield much needed desired improvement in growth, inflation and economic resilience. The new Government has recognized the need to chart a new course and has already made a commencement on critical reforms, such as removal of fuel subsidy, new minimum wage and foreign exchange harmonization. However, the nature of the causal relationship between fuel price and key macro-economic variables in Nigeria is such that if appropriate mitigation strategies are not well design, the removal of fuel subsidy will continue to have negative ripple effect on aggregate economic output, which will have an implication on sub-national government policies on budget, debt management strategy and other economic programmed.

In view of the above, the fiscal policy of Borno State Government focuses mainly on expanding the revenue base of the state, through programmed that will improve the independent revenue base of the state so as to reduce the state overdependence on FAAC Allocations. Also, efforts and strategies on control and enforcement of spending limits that will ensure sound budgeting system and fiscal consolidation over the medium term appropriately based on both revenue and expenditure measures. This will intensify and promote macro-economic policy objectives, such as promoting rapid growth and development of the state in every sector, generating employment opportunity and maintaining price stability levels. Policies for growth and development are subject to change periodically, however, these objectives have remained relatively constant. The basic policy direction of the State Government was to ensure effective and efficient implementation of the Twenty-Five (25) years Development Framework

and Ten (10) Years Strategic Transformation Plan Ten (10) pact which include human capital development, the reconstruction and rehabilitation of basic infrastructure and social services in terms of road networks, housing and electricity, water and sanitation, security, education development, health care facilities. The Government has put in place a harmonized revenue law in order to expand the tax net and boost internally generated revenue. The increase in IGR is expected to positively impact on the debt status of the state, other innovations in place include Borno State Contributory Health Care Management Agency, Community and Social Development Project etc.

The reform of revenue administration was successful with the implementation of Treasury Single Account in 2021, the IGR projection in the term is expected to surpass 2023 approved estimates, however, actual collections are largely expected to rise due to ongoing effort geared toward blocking leakages. It is believed that current effort to establish taxpayer's database by Borno State Board of Internal Revenue, complete perfection of the TSA and the technical support from the development partners toward harmonization/review of tax rate and other effort focused on blocking leakages and dealing with the phenomena of tax avoidance/evasion collection is hoped to improved.

Also, the Borno State Board of Internal Revenue has introduced more revenue sources intended to boost IGR inflows such as ground rent and other collection from grain and cattle markets etc. Also, as part of fiscal reform, Borno State has a set of laws and regulations that regulate its budget preparation and implementation as well as sustainable debt management. The laws are:

- Borno State Public Procurement Law 2019 (Amended 2020)
 - Borno State Fiscal Responsibility Law 2020
 - Borno State Internal Revenue Law 2020
 - Borno State Audit Law 2021 for State
 - Borno State Audit Law for 2021 for LGAs
 - Borno State Debt Management Law
- Among other laws.

Borno State 2024 Approved Budget and Medium-Term Expenditure Framework (M-TEF)

The Economic and Fiscal Update (EFU) provides economic and fiscal analyses which form the basis for budget planning process. It is aimed primarily at policy makers and implementers in Borno State Government. EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.

On the other hand, Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are two key elements in Medium Term Expenditure Framework (M-TEF) and annual budget process and as such, they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective. The analysis report uses last year's (2023) MTEF because of delay in preparing the 2024 MTEF but all current macro-economic variables are reflected.

The 2024 budget was prepared amidst a challenging global and domestic economic environment due to the war in Ukraine and the Middle East in the international scene, which contributed to a significant slowdown in global economic growth in 2024. In the domestic scene, an elevated inflation which complicated the trade-off between containing price pressures and safeguarding growth, high-interest rates caused by an upward review of the lending rate, as a result of tightened policies by the CBN Monetary Policy Committee, the effect of fuel subsidy removal, the flood disaster which has become a recurrent decimal, the upward review of wages and salaries etc.

Based on the foregoing fiscal assumptions and parameters, Borno State total revenue available to fund the 2024 budget is estimated at N358,732.2 billion, this includes Statutory Gross FAAC Allocation N174,380.50 billion which represents 18.6% of the estimated revenue, Internally Generated Revenue N27,492.7 billion which constitutes 7.7% of the total projected revenue, Capital Receipt of N156,858.3 billion which represents 13.7% of the projected revenue.

TABLE 1 - PROJECTED REVENUE				
	2024	2025	2026	2027
Total Revenue	358,733	251,537	256,626	309,070
Gross FAAC Allocation	174,381	180,881	224,302	274,591
IGR	27,493	24,134	26,547	29,202
Grants	156,859	46,522	5,777	5,277

Source; 2024 MTEF

The proposed expenditure in 2024 Budget totaling N358,732 billion, which comprises of N50,286.8 billion on personnel cost which constitute 14% of the estimated expenditure, N81,620.1 billion on other recurrent cost which constitute 22.8% of the estimated expenditure and capital expenditure of N208,371.3 billion which constitute 58.1 % of the estimated expenditure.

TABLE 2 - PROJECTED EXPENDITURE				
	2024	2025	2026	2027
Total Exp	358,733	251,537	256,626	308,670
Personel cost	50,286.8	39,190.93	45,069.20	49,576.15
Overhead cost	81,620.1	29,903.50	34,389.00	39,547.50
Other Recurrent Exp	18,453.9	68,414.5	73,761.2	82,708.0
Capital Expenditure	208,371.7	114,028.30	103,407.00	136,838.70

Source; 2024 MTEF

Overhead Cost which is contain in other recurrent expenditure in the table above comprises mainly of operational and maintenance cost for running day to day activities of the government. Overhead allocations are transferred to MDAs monthly subject to warrants and availability of fund.

Borno State government, going forward, will reduce overhead expenditure so as to bring cost of governance not more than necessary.

The Key Reform Drivers of Borno State Approved 2022 Budget

- 1-Ensure the completion of on-going project.
- 2-Reduction in the cost of running Government.
- 3-Create efficiencies in personnel and overhead expenditure to allow greater resources for execution of capital project and debt service.
- 4-Ensure speedy completion all capital project, most especially those marked critical by the Government.

- 5-To improve the state public financial management, to entrench transparency, accountability and sustainability which is a continuity of SFTAS ideals.
- 6-Diversify the internal revenue base and also reviewing revenue projections to reflects current realities.

Medium Term Budget Policy Objectives and Targets

The overall medium-term policy objectives are:

- 1- Borno State's policy direction focuses mainly on diversifying the revenue base of the state, through intensifying effort to improve the independent revenue base of the state so as to reduce the state's overdependence on FAAC allocations, Donor Partner grants and assisted projects.
- 2- Effort and strategies on control and enforcement of spending limits that will ensure sound budgeting system is being put in place. This will also include aggregate fiscal discipline, allocative efficiency and effective spending.
- 3- Pursuit of initiatives that would continue to generate economic growth and guarantee security. This would involve implementation of programs that generate employment and create wealth and ensure adequate security, grow the economy through targeted spending in areas of comparative advantage.
- 4- Furthermore, Borno State Government as priority area is to broaden governance reforms particularly in the area of policy and strategy, public expenditure and financial management, and public service management. As part of this process, government has introduced Borno State Integrated Financial Management Information System (BOSIFMIS) as part of the State Medium Term Development Plan and Medium-Term Sector Strategy for the key sectors.

CHAPTER THREE

BORNO STATE REVENUE, EXPENDITURE AND PUBLIC DEBT SERVICE (2019-2023)

3.1 Revenue, Expenditure and Overall Primary Balance

Greater portion of Borno State Government revenue to a large extent depend on Capital Receipt like Grant and Aid, the State's share of the Statutory Allocation from Federation Account, Value Added Tax and to some extent Internally Generated Revenue are contributing to the revenue base of the state. Other sources of income like excess crude oil, ecological fund, exchange rate gains and stabilization fund are irregular inflow. The bulk of the expenditure was in capital project, then personal cost and overhead cost.

Revenue Performance

The total revenue of Borno State in 2023 stood at N211,246.4 billion when compared with N132,150.6 billion in 2022, there was an increase of N79,095.8 billion which represent 59.9 %.

There was a low IGR performance in 2020, but a significance improvement was witness in 2021, then a decrease in 2022 then an improvement in 2023, due to an increase inflow of financial resources to the real sector of the economy and effective implementation of economic policies and programmed base on the ten (10) pact agenda for resuscitation of post insurgency Borno State, the revenue performance shows improvement from 2021 and 2022. Although, the huge revenue recorded 2022 was mainly driven by the large amount of grants received during the year, IGR mobilization and FAAC allocation shows significant improvement.

FAAC Allocation in the last five years 2019-2023 (Charts 1)

The monthly subvention from Federation Account Allocation Committee to all the states of the Federation is part of state revenue. The Gross FAAC allocation which comprises of statutory allocation, VAT, derivations, exchange rate gain,

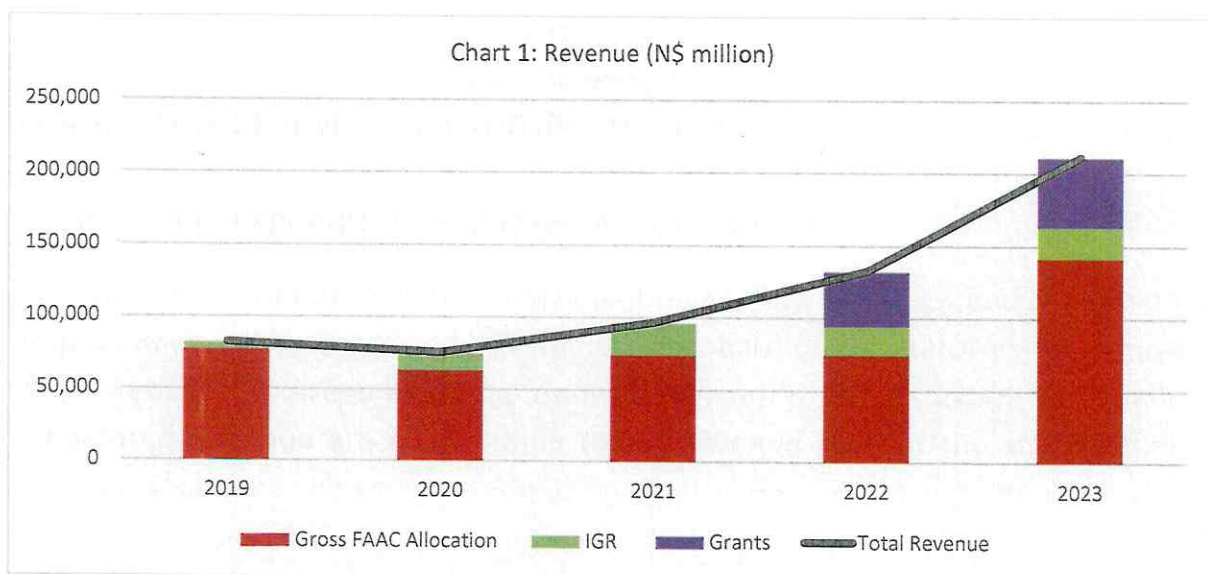
augmentation etc. increases from N 77,472 billion in 2019 compared to N142,197 billion in 2023 which show's a different of N64,725 billion or an increases of 46 %. But in 2020, 2021, and 2022 there was a decreased in FAAC allocation to the State, the decreased was due to many factors, impact of COVID 19 on global economy and it implication on domestic economy, the impact of periodic new interest regime introduced by CBN at different times due to exchange rate factor, an elevated inflation which slowdown activities in the domestic economy, the seasonal flood disasters that ravaged many state, the recent impact of the war in Middle East and the ongoing war in Ukraine as well as the impact of the insecurity in many State.

IGR Trend in last five years 2019-2023 (Chart 1)

The Internally Generated Revenue (IGR) in Borno State shows a significant performance during the period under review, the IGR increase from N4,766 billion in 2019 to N21,315.1 billion in 2023 with a slightly declined of N19,739.2 billion in 2022. There was an increase of N16,549.1 or an increase of 77.6% between 2019 and 2023. The improvement in IGR generation was mainly because of effective and efficient tax administration reform. The reform includes legal, institutional and operational frameworks. Several reforms were instituted to strengthen IGR collection, specifically, as a foundation for other reforms, new revenue administration was passed to consolidate state revenue code covering all the state IGR sources. Collection was thereafter enhanced with improvement on all electronic platforms and payment gateways use by state Internal Revenue Service. Revenue sources were expanded to include introduction of Land Charge and effort were made to block all revenue leakages through automation system. The table and the chart below show the revenue trend for the period under review:

TABLE 3 - REVENUE PERFORMANCE IN THE LAST FIVE YEARS 2019-2023					
	2019	2020	2021	2022	2023
Total Revenue	82,238	75,251	96,301	132,151	211,237
Gross FAAC Allocation	77,472	63,045	74,416	74,874	142,197
IGR	4,766	12,206	21,885	19,739	21,315
Grants	0	0	0	37,537	47,725

Source: Borno State 2024 DSA-DMS template



Source: Borno State 2024 DSA-DMS template

Expenditure Performance

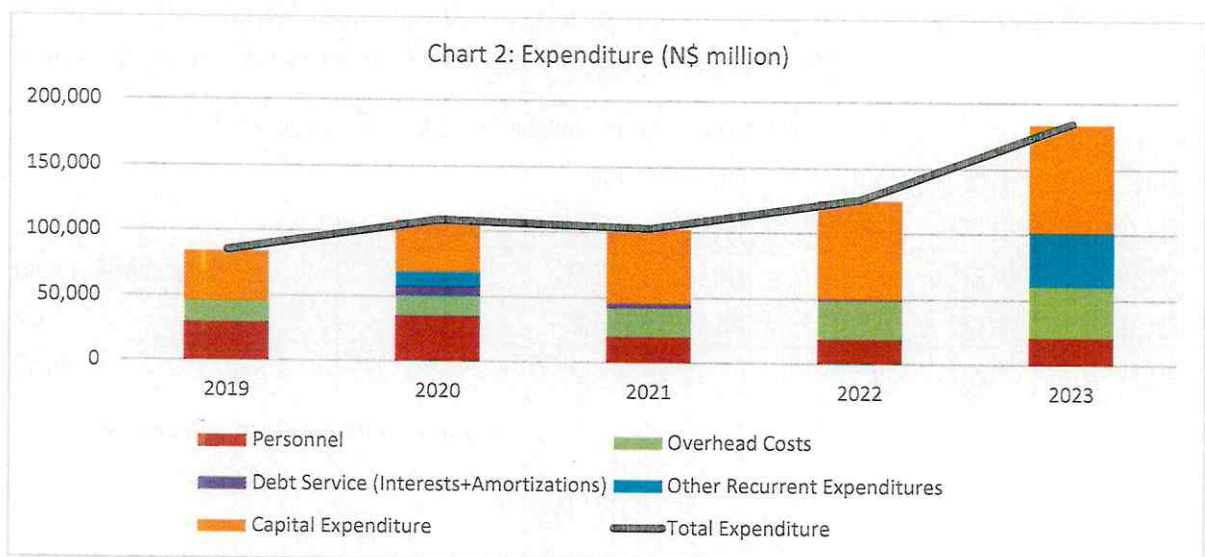
Aggregate (Total) expenditure in the last five years 2019-2024 and its composition (Chart 2)

The overall categories of Expenditure items are Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2023 Borno State total expenditure amounted N184,740 billion compared to N85,019 billion as at end December 2019, which represent a growth of N99,721 billion or 54% percent. The personnel cost stood at N30,177 billion in 2019, N35,457 billion in 2020, and N20,489 billion in 2021, N 20,010.0 in 2022 and N21,800 in 2023 respectively. The overhead cost stood at N 16,840 billion in 2019, N15,676 in 2020, N21,829 in 2021, N29,105 in 2022, compared to N38,998 billion in 2023 there was a significant increase. Other recurrent expenditure stood at N41,016 billion in 2023, compare with N11,527 in 2020 during the Covid 19 era, there was an increase of N29,489. Billion. "Other recurrent expenditure stand for non-debt service expenditure". Capital expenditure amounted to N38,423 in 2019, N39,209 billion in 2020, N56,613 billion in 2021, N75,066 billion in 2022 and N82,926 billion in 2023, respectively. During the period, the bulk of expenditure went to capital spending, while recurrent expenditure personnel costs, overheads, debt charges and non-debt service

expenditure also took substantial amount of the spending. Worthy of note is that personal cost expenditure drastically drops in 2021 and 2022 due to ongoing verification and biometric data capturing exercise conducted by Borno State Government on serving and retired civil servant, which resulted on flushing out ghost workers and pensioners thereby reducing the personnel cost significantly within that period. Also, overhead cost increases due to the activities of various committees set up by the State Government on relocation of IDPs to their respective villages and Local Government Areas within those periods, and due to the increased cost of repairs and maintenance of Government public facilities and infrastructures which includes repairs/maintenance of roads, renovation/rehabilitation of Schools, Hospitals, Purchase of drugs, medical equipment, improved welfare package for frontline medical personnel and establishment/equipment of the Security agencies across the State. The table and chart 2 below show

TABLE 4 - EXPENDITURE PERFORMANCE IN THE LAST FIVE YEARS 2019-2023					
	2019	2020	2021	2022	2023
Total Expenditure	85,019	108,862	103,031	125,869	184,740
Personnel	30,117	35,457	20,849	20,010	21,800
Overhead Costs	16,480	15,676	21,829	29,105	38,998
Debt Service (Interests+Amortization)	0	6,992	3,741	1,689	0
Other Recurrent Expenditures	0	11,527	0	0	41,016
Capital Expenditure	38,423	39,209	56,613	75,066	82,926

Source: Borno State 2024 DSA-DMS template Baseline Scenario

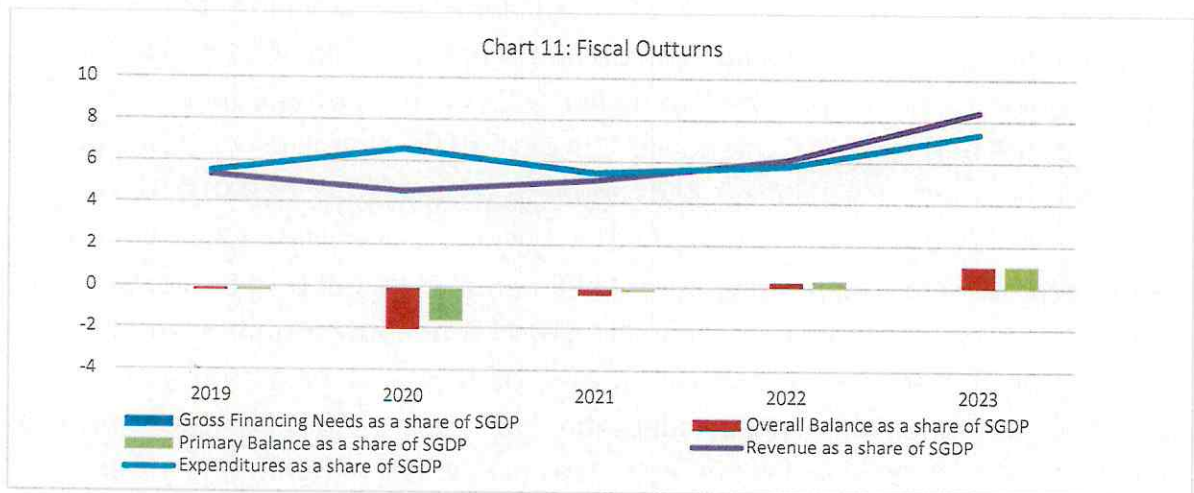


Main expenditure variations in the last five years by economic classification.

Borno state capital expenditure shows a significant variation, this is largely due to aggressive reconstruction and rehabilitation of basic infrastructures and social services rendered in the state arising from destruction of these facilities by Boko haram. The variations in personnel cost and overhead costs were also significant. (Chart 2).

Overall and primary balance trend in the last five years.

Borno State has a positive overall primary balance to SGDP in 2022 and 2023, negative balance in 2019, 2020 and 2021 as compared to SGDP. The balance shows -N1,724.8 billion in 2019, -N30,639 billion in 2020, -N3,886.7 billion in 2021, N6,281.2 billion in 2022 and -26,497.8. Some of the reason for negative budget balance or deficit are decline in crude oil price at the international market culminated to drop in revenue and FAAC allocation, the negative effect of ongoing war in Ukrain and the Middle East which affected both macro and micro economic performance across the globe, the perennial flood disaster ravaging many State there by affecting IGR performance etc. (Chart 11).



3.2 Existing Public Debt Portfolio

Public debts are explicit financial commitment (loans and securities) that have paper contract agreement the government promises to repay. Subnational Debt Management is the process of establishing and executing a process and 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 term, consistent with a prudent degree of risk. In a wider macroeconomic context for public policy, governments should seek to ensure that both the level and rate of growth in their public debt are on a sustainable path and that the debt can be serviced under a wide range of circumstances, including economic and financial market stress, while meeting cost and risk objectives.

Every government confront policy preference concerning debt management objectives, in particular its preferred risk tolerance, the parts of the government balance sheet that debt managers should be responsible for, the management of contingent liabilities, and the establishment of sound governance for public debt management. Poorly structured debt portfolios, in terms of maturity, currency, or interest rate composition and large contingent liabilities, have been important factors in inducing or causing inability to carry out debt service obligation and causing debt distress and crises.

Sound risk management practices are essential, given that a government's debt portfolio is usually one the largest financial portfolio in a State and can contain complex and risky financial structures, which have the potential to generate substantial risk to the government's balance sheet and overall financial stability. Debt crises have highlighted the importance of sound debt management practices.

Borno State composition of public debt portfolio as at Dec. 2023

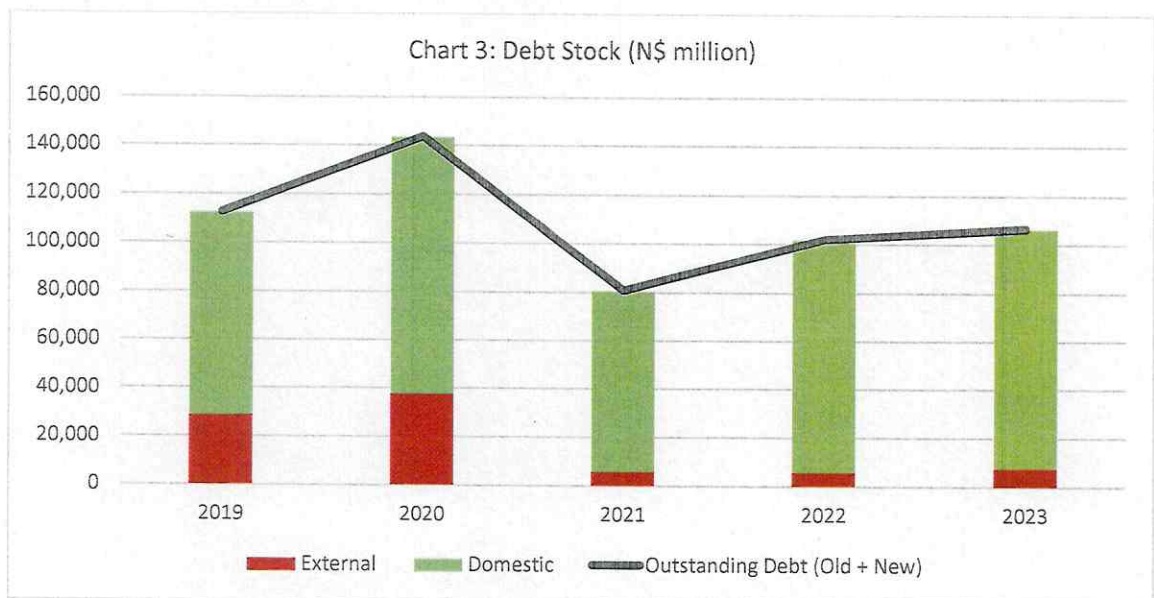
Borno State has a domestic debt that represents N98,771 which represent 92.71 percent of the total debt portfolio of the State Debt profile, while External debts represent 7.3 percent of the total debt profile of the State.

Borno State public debt stood at N 106,541.0 billion as of end-2023 and has been increasing rapidly since the collapse of oil prices. Borno State total percentage of revenue to it public debt stock is about 50% as at the end of 2023. Public debt in

Borno State increases from 2019 to 2020, with the exception of 2021 and 2022 where there was a drop on the amount on debt stock due to reconciliation and confirmation of the validity of some of the loans. Borno State between the periods 2019 and 2023 also contracted loan for payment of Gratuity Arrears, Accelerated Agric Development Scheme Loan for resuscitation agriculture activities, Family Home Loan, Healthcare Project Loan for reconstruction houses destroyed as a result of insurgency, Differentiated Cash Reserved Requirement Loan and Humanitarian Crises Loan for general infrastructure development, apart from existing loans on Salary Bailout 1 and 2 Loan, Budget Support Facility and Excess Crude Account Loan. The detail of the debt stock are as shown in the Table and Chart 3 below.

TABLE 5 - TOTAL LOAN COMPOSITION IN LAST FIVE YEARS 2019-2023					
	2019	2020	2021	2022	2023
Outstanding Debt (Old + New)	112,581	143,632	80,715	102,036	106,541
External	29,195	38,009	6,082	5,901	7,770
Domestic	83,386	105,622	74,633	96,136	98,771

Source: Borno State 2024 DSA-DMS template



Source: Borno State 2024 DSA-DMS template

Debt Service

The composition of debt service are Principal Repayment and Interest Charges. The actual principal repayment is N8,818 billion in 2019, N23,236 in 2020, N13,505 in 2021, N7,113 in 2022 and N80,41 for both internal and external loan respectively.

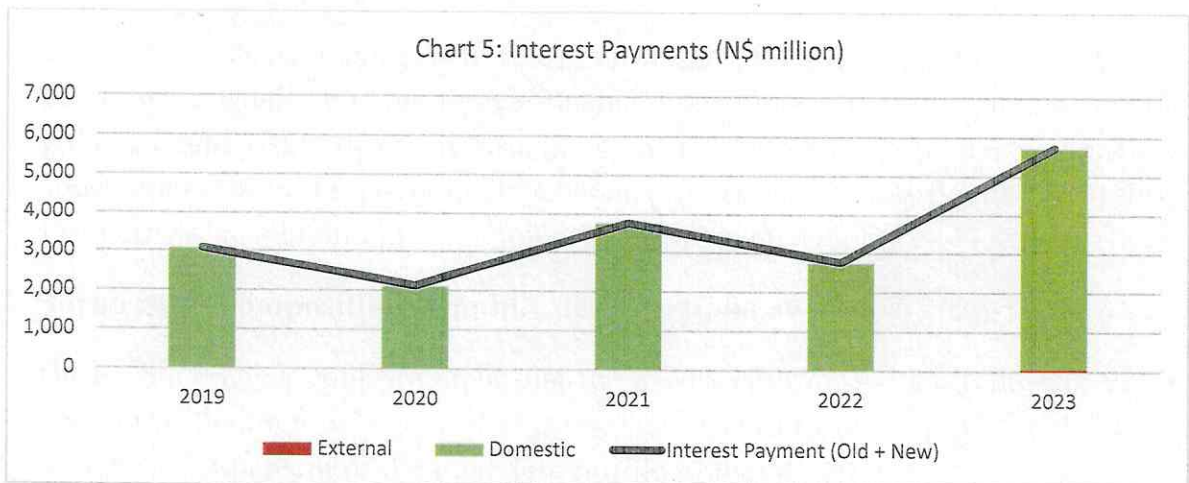
TABLE 6 - DOMESTIC AND EXTERNAL PRINCIPAL REPAYMENT IN THE LAST FIVE YEARS 2019-2023					
	2019	2020	2021	2022	2023
Principal Repayment (Old + New)	8,818	23,236	13,505	7,113	8,041
External	43	94	77	91	258
Domestic	8,776	23,142	13,428	7,022	7,783

Source: Borno State 2024 DSA-DMS template

Interest Payment amounted to N3,085 million in 2019, N2,123 million in 2020, N3,761 million in 2021, N 2,760 in 2022 and N5,729 in 2023 for both internal and external loan respectively.

TABLE 7 - DOMESTIC AND EXTERNAL INTEREST PAYMENT IN THE LAST FIVE YEARS 2019-2023					
	2019	2020	2021	2022	2023
Interest Payment (Old + New)	3,085	2,123	3,761	2,760	5,729
External	11	25	20	24	56
Domestic	3,074	2,098	3,741	2,736	5,673

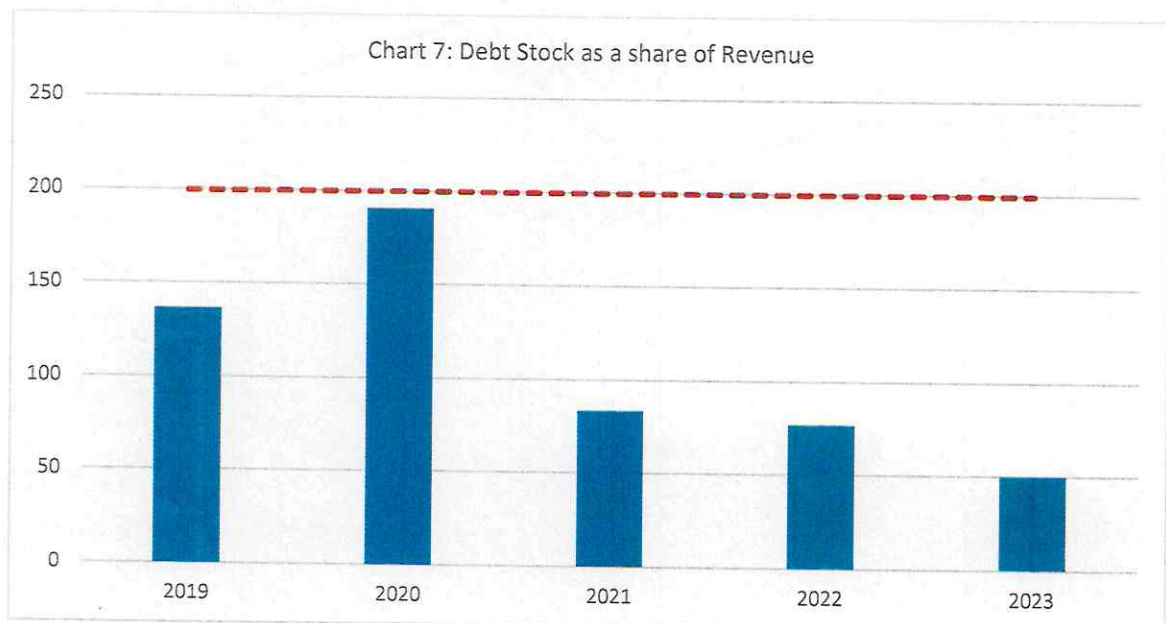
Source: Borno State 2024 DSA-DMS template



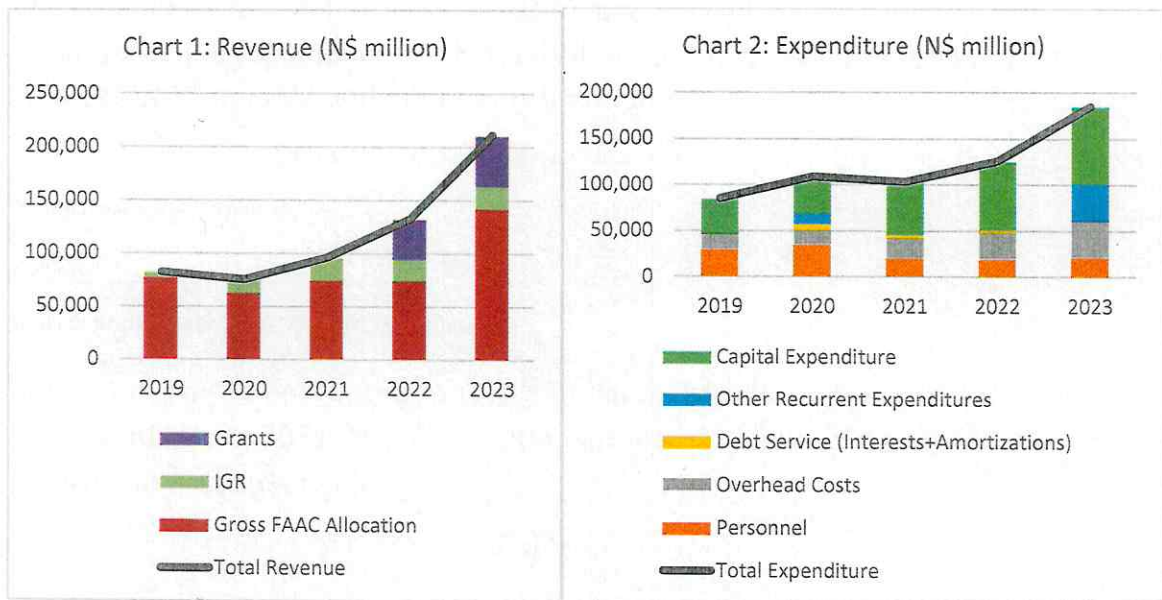
Source: Borno State 2024 DSA-DMS template

Cost and risk exposure of existing public debt portfolio as at end 2023

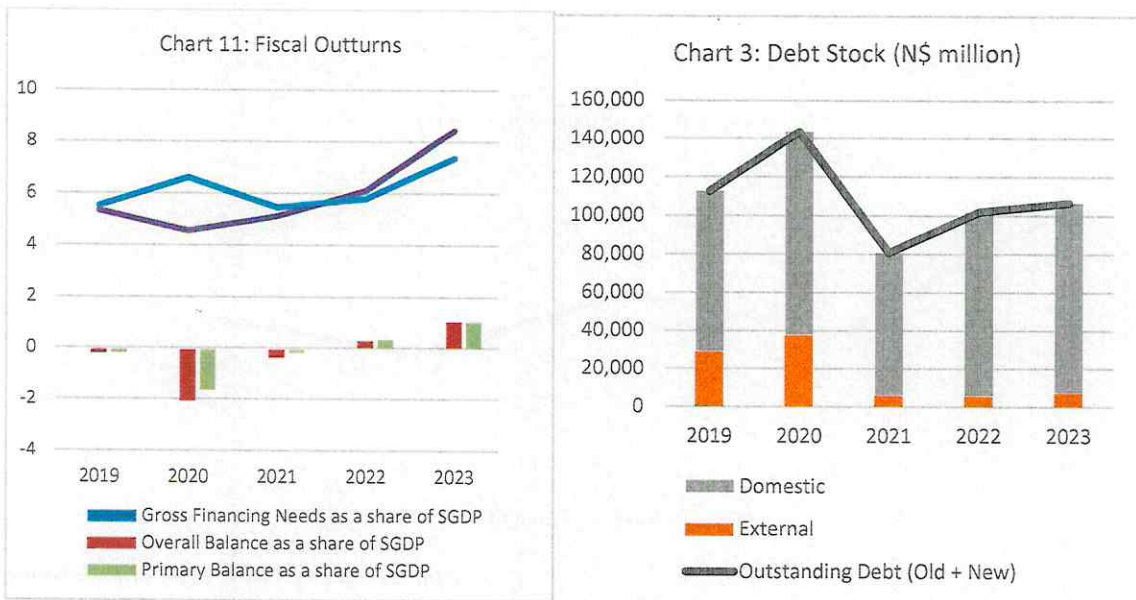
Borno State holds a low-cost, low-risk debt portfolio. The average debt portfolio showed the interest payments represented just 2 percent of total expenditure. Furthermore, the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Exposure to currency fluctuations is limited because the foreign currency denominated liabilities are only 7.3 percent of the total debt stock. All external loans are fixed-rate obligations not affected by changes in interest rates, except the domestic loans which are potentially will be affected by CBN monetary policy on Forex thus. As these loans have maturities running from 5 to 30 years and include financing from the Federal Government and multilateral organizations, rollover risk associated with potential deterioration of domestic financial conditions is negligible. The chart below depicts the State Debt Stock as a share of revenue which is below the prescribed threshold of 200, ranging from 5 years historical period up to the 10 years projected period, indicating that the state debt stock is within the debt carrying capacity in the period stated. Cautionary measure on reduction in the cost of running government, prudent management of scarce Government resources, enhanced revenue optimization, cutting down unnecessary overhead spending etc. must be monitor and effectively adhere to limit set out.



Source: Borno State 2024 DSA-DMS template



Source: Borno State 2024 DSA-DMS template



Source: Borno State 2024 DSA-DMS template

CHAPTER FOUR

INTRODUCTION

4.1 (a) Debt Sustainability Analysis

A debt sustainability analysis (DSA) assesses how a state current level of debt and prospective borrowing affect its present ability and capacity to meet future debt service obligations. The concept of debt sustainability refers to the ability of Government to honor its future financial obligation. A key factor for achieving public debt and external debt sustainability is the macro-economic stability. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of Government to maintain a sound fiscal policy over time without having to introduce major budgetary or debt adjustment 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. Government should endeavor to strike a balance between revenue and expenditure, so that any new loan incurred will not have a negative impact on the state in order to avoid any type of financial crises.

4.1 (b) Borno State Debt Sustainability Analysis and Threshold Indices

Borno State Debt burden indicators show that the Debt as a percentage of SGDP stood at 4 percent in 2023 as against the State Debt threshold of 25 percent. Debt as a percentage of Revenue stood at 50 percent as against a threshold of 200 percent in 2023, Debt service as a percentage of Revenue remained at 7 percent which is within the threshold of 40 percent. Personnel Cost as at end December 2023 was 10 percent compared to a threshold of 60 percent. The details of the debt burden indicators are as shown in the table below.

Debt burden indicators	State position as at Dec 2023	Threshold
Debt as % of SGDP	4	25
Debt as % of Revenue	50	200
Debt Service as % of Revenue	7	40
Personnel Cost as % of Revenue	10	60

Chart 21 shows the debt as a percentage of State GDP (with indicative threshold of 25%) for the projected period of 10 years. The sustainability position of the state total debt portfolio to GDP in the fiscal block shows a horizontal trend from 2024 to 2033 at 4 percent and below. The ratio has no increase beyond the 5 percent throughout projected period. Based on this, the State GDP have not shown growth and can also accommodate the state debt stock with minimal effect on the state economy.

Chart 22 shows the debt stock as a percentage of revenue, in 2020 (historical period) the debt to revenue ratio raise to the peak at 191 percent because of increased borrowing and depressed revenue cause by impact of COVID-19. The baseline sees debt to revenue ratio dropping to 77 in 2022 and the trend move relatively in the projected period of 2024, 2025, 2026 and 2027, it remain within the threshold throughout the projected period.

Chart 23 shows debt service as a percentage of revenue, debt service will naturally increase over the medium-term to long-term as the debt portfolio increases. It was below 40% threshold in the historical years throughout, it consistently remains below the threshold of 40% within the medium-term to long term.

Chart 24 Shows personnel cost as a percentage of revenue, it consistently remains below the threshold of 60% up to 2033.

External debt service as a percentage of revenue, the maximum exposure of the Borno State revenue to external debt shows that it was properly managed and the trend in the baseline projected period shows sign of no debt distress.

4.2 (c) Medium Term Budget Forecast

Borno State Medium Term Budget Forecast and Debt Sustainability Analysis were predicated base on state government continuous effort to expand the tax net or grow the IGR by 2.5% annually and restrict expenditure to essential services necessitated by the implementation of capital project in the medium term. The economy is expected to gradually grow from 2024-2027 with real GDP expanding at an annual average of 4

percent, domestic inflation decreasing below 8.12 percent. The moderate recovery will be supported by economic growth through diversification and increase in VAT share. The Tax administration reforms adopted by the State Government will also strengthen resources provided by IGR. To mitigate and fulfilled the financing need of the State Government in the Medium-Term, borrowing terms for new domestic debt (issued/contracted from 2024-2027 onwards) shall be at 35% interest rates with maturity periods of 5 and 7 years respectively. borrowing terms for new External Debt (issued/contracted from 2024-2027 onwards) is 2% with 30 years maturity period.

Macro-Economic Outlook

Borno State medium-term debt sustainability is predicated on reduce overdependence on Federal transfers through improved independent revenue generation achievable via a technological-driven and autonomous Board of Internal Revenue that would strengthen IGR in order to sustain its debt service. Pursue initiative that would continue to generate economic growth and guarantee security. This would involve implementation of programmed that generate employment, create wealth and boost economic activities, ensure adequate security in order to have conducive atmosphere for IGR generation.

With the stoppage of subsidy regime in July 2023, the State medium term debt sustainability is also predicated upon gradual recovery of the Nigerian economy that will increase FAAC statutory Allocation. An anticipated moderate recovery will be supported by higher oil prices in the global markets, an increase on domestic production, prudent fiscal policy and stabilization of exchange rate relevant for international public financial transactions at its current level, Oil and Gas revenue as well as shared resources such as custom duties and VAT would then increase relative to the depressed levels observed before, thus improving the State's revenue position.

Fiscal Strategy and Assumption

Borno State's policy direction focuses mainly on diversifying the revenue base, through intensifying efforts to improve the independent revenue base of the state so as to reduce the state's overdependence on FAAC Allocations, Donor Partner grants and assisted projects. Furthermore, efforts and strategies on control and enforcement of spending limits that will ensure sound budgeting system is being put in place. This will also include aggregate fiscal discipline, allocative efficiency and effective spending. Also worthy of note is that, the DSA-MTDS report is based on the exchange rate of N1,745 to US from National Medium Term Expenditure Framework (MTEF) prepared in 2023, which is yet to be reviewed alongside other macroeconomic indicators to reflect current realities. The sum of N151,859 was anticipated as capital receipt (Grant and Donor) in 2024 budget due to pledges from local and international donor agencies. There will be enough capital to reduce the financing gap in fiscal policy and to carry out repairs and maintenance of Government public facilities and infrastructures which includes repairs/maintenance of roads, renovation/rehabilitation of Schools, Hospitals, Purchase of drugs, medical equipment, improved welfare package for frontline medical personnel and establishment/equipment of the Security agencies across the State.

TABLE 9 - Fiscal Framework				
Item	2024	2025	2026	2027
Opening Balance	5,000,000,000	1,500,000,000		
Recurrent Revenue				
Statutory Allocation	113,459,408,000.00	113,459,490,056	141,770,808,313	174,433,838,401
Derivation				
VAT	49,421,200,000.00	49,421,117,666	63,531,267,047	79,757,271,496
IGR	27,492,245,000.00	24,133,823,263	26,547,205,590	29,201,926,148
Excess Crude / Other Revenue	11,500,000,000.00	18,000,000,000	19,000,000,000	20,000,000,000
Total Recurrent Revenue	201,872,853,000.00	205,014,430,985	250,849,280,950	303,393,036,046
Recurrent Expenditure				
Personnel Costs	50,286,879,000.00	39,190,628,987	45,069,223,336	49,576,145,669
Social Contribution and Social Benefit		18,201,549,531	20,021,704,485	22,023,874,933
Overheads	81,620,016,000.00	29,903,486,730	34,389,009,739	39,547,361,200
Grants, Contributions and Subsidies		18,994,848,796	20,894,333,676	22,983,767,043
Public Debt Service	18,453,991,000.00	20,000,000,000	22,000,000,000	24,000,000,000
Total	150,360,886,000.00	126,290,514,045	142,374,271,235	158,131,148,845
Transfer to Capital Account		80,223,916,940	108,475,009,715	145,261,887,200
Capital Receipts				
Grants	102,109,839,000.00	14,592,140,000	5,777,126,000	5,277,126,000
Other Capital Receipts	49,749,454,000.00	0	0	0
Total	151,859,293,000.00	14,592,140,000	5,777,126,000	5,277,126,000
Reserves				
Contingency Reserve	28,055,000,000.00	5,030,737,420	5,132,528,139	6,173,403,241
Planning Reserve	28,456,967,000.00	6,187,317,847	5,712,606,786	7,526,950,660
Total Reserves	56,511,967,000.00	11,218,055,267	10,845,134,925	13,700,353,901
Capital Expenditure	208,371,260,000.00	114,028,301,674	103,407,000,791	136,838,659,299
Discretionary Funds		79,255,861,674	102,629,874,791	136,061,533,299
Non-Discretionary Funds		34,772,440,000	777,126,000	777,126,000
Financing (Loans)		30,430,300,000	0	0
Total Revenue (Including Opening Balance)	358,732,146,000	251,536,870,985	256,626,406,950	308,670,162,046
Total Expenditure (including Contingency Reserve)	358,732,146,000	251,536,870,985	256,626,406,950	308,670,162,046

Source: 2023 State MTEF

Assumption

- 1- Opening balance; An anticipated open balance of N5000,000,000.00 billion for the financial year (FY 2024). This is due to mainly to the expected increase in Statutory Allocation from FAAC.
- 2- Statutory Allocation; This is estimated using elasticity forecasting which projected N113,459,490,056 State share of FAAC allocation in 2024, N113,459,490,056 Share of FAAC in 2025, N141,770,808,313 Share of FAAC allocation in 2026 and N174,433,838,401 Share of FAAC allocation in 2027. This assumption is based on expected rise in crude prices and production rate as well as function of some refineries both private and government own predicted within the period.
- 3- VAT; Government share of VAT is also estimated using the elasticity forecasting which is projected to be N49,421,200,000. in 2024, N49,421,117,666 in 2025, 63,531,267,047 in 2026 and 79,757,271,496 in 2027 This sustained rise in VAT is based on the assumption that the increased VAT rate from 5% to 7.5% and the expanded area of coverage including areas such as banks and mobile phone transactions will no doubt make up the projections.
- 4- Other Federation Account — Excess Crude and other FAAC Revenues expected is earmarked at N11,500,000,0000 in 2024, N18,000,000,000 in 2025, N19,000,000,000 in 2026 and N20,000,000,000 in 2027 respectively. This takes care of fluctuation crude oil prices and production which at times rises and falls.

IGR; The state government anticipate to increase its revenue base, blocking the identified leakages and exploring new avenues of revenue sources. The most critical of all is to sustain and continuous enforcement of payment of ground rent by property owners and improving on IGR steadily by 2.5% annual growth. The sum of N27,492,245,000 is projected for 2024. There will be fall in revenue generation in the subsequent years in medium term due to flood disaster that ravaged many markets in September 2024 in Maiduguri and the unfortunate multiple fire incidences that destroyed many markets in Maiduguri and other cities in Borno State the commercial

nerve center of the North East of Nigeria, this will slow down economic activities and will affect revenue generation. Recovery effort was instituted by State government in order to bounce back the state to normal economic activities.

- 5- Grants; The State Government anticipate grant from international donors and local donor agencies who made pledges to the state because of more than a decade long insurgency that ravaged the state, the two recent natural disaster that also ravaged the state economy (2023 fire incidences and 2024 flood) . The sum of N151,859,293,000 is projected for 2024. But the subsequent years we anticipate low grant inflow.
- 6- Financing Need; Financing — The sum of N30,430,000,000 billion loans for 2025 will be incurred. The major source of financing is commercial bank loan and concessional loan from World Group.
- b. Personnel Cost; Personnel cost, overhead and public debt service was earmarking the sum of N50,286,879,000 billion, N81,620,016,000 billion, N18,453,991,000 billion respectively in 2024 budget.
- 7- Capital Expenditure; The sum N208,371,260,000 billion, N114,028,301,674 billion, N103,407,000.19 billion and N136,838,659,299 billion is to be expended.

Summary of MTB Forecast

○- The projections for the various revenue and expenditure items are premised on credible forecasting techniques based on global best practice. The volatility of the exchange rate in the 2024 resulted in high prices of goods and services.

○-Similarly, the fiscal policies and the budget policy statement are reflections of the State's economic status as well as the nation's economy while taking into consideration the global economic trend. Amendment to these projections were considered with care based on the improved economic environment as well as reasonable and credible forecasting techniques in the budget preparation.

O-The projections for revenue items, especially from the federation account were conservatively arrived at from a collection of forecasting options, so as to reflect the economic status of the State. The Internally generated revenue figure is less encouraging due to fire incidences that engulfed three major markets in February 2023 (Maiduguri Monday Market, Gaboru Market and Biu Timber Market) and the recent flood disaster that destroyed many commercial areas in Maiduguri and other Local Government Areas within the state which are major sources of revenue. 2024 half year (Jan-June) IGR performance was N12 billion, the projection for 2025 was arrived at based on own value performance in the half year of 2024.

O-Downside risks to economic development have been taken into consideration in the preparation of the 2025-2027 M-TEF

O-The Government will focus on eliminating waste and ensuring prudent and efficient use of scarce resources; and Extra budgetary spending will be sanctioned and discouraged.

O-Borno State must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process.

4.2 Borno State Borrowing Options

Gross Financing Needs is the sum of budget deficit and funds required to roll over debt that matures over the years. Borno State Government intend to source its Gross Financing Need mainly through domestic borrowing from Commercial Banks with interest of 35%, 5- or 6-years maturity and a grace period of 1 year over the projected period. Offer of Bonds in capital market with interest of 22%, maturity of 7 years and a grace period of a year over the projected period. Federal Government or other CBN Intervention with interest of 22%, maturity of 7 years and a grace of a year. over the projection period, 2024-2033, as well as external financing through concessional window either from Multilateral or Bilateral and other external financing available with 2% interest, maturity of 30 years and

a grace period of 10, 7 or 5 years. The details of the Financing options are shown on the table below;

TABLE 10 - New Domestic Financing in Million of Local Currency													
Borrowing Terms for New Domestic Debt (issued/contracted from 2024 onwards)	Interest	Maturity	Grace (# of years)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Rate (%)												
Commercial Bank Loans	35.00%	5	1	6,554.6	4,009.0	4,656.1	4,416.2	13,550.4	11,197.6	17,517.4	24,021.9	39,168.7	25,636.3
Commercial Bank Loans	35.00%	7	1	8,023.2	4,138.9	4,652.3	6,877.9	14,060.5	18,348.7	20,588.7	19,677.2	20,108.2	60,535.5
State Bonds	22.00%	7	1	0.0	0.0	0.0	0.0	0.0	6,332.8	0.0	0.0	15,389.9	13,437.5
State Bonds	22.00%	7	1	0.0	0.0	4,000.0	0.0	0.0	0.0	10,340.3	0.0	0.0	0.0
Other Domestic Financing	22.00%	0	0	6,000.0	3,000.0	0.0	4,436.4	0.0	0.0	0.0	13,609.2	0.0	0.0

TABLE 11 - New External Financing in Million US Dollars													
Borrowing Terms for New External Debt (issued/contracted from 2024 onwards)	Interest	Maturity	Grace (# of years)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Rate (%)												
External Financing - Concessional Loans	2.00%	30	10	5.0	0.0	5.0	0.0	0.0	0.5	0.5	8.0	0.0	0.0
External Financing - Bilateral Loans	2.00%	30	7	0.0	5.0	0.0	8.0	0.5	0.0	0.0	0.0	8.0	0.0
Other External Financing	2.00%	30	5	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	8.0

Source: Borno State 2024 DSA-DMS template

4.3 DSA Simulation Analysis Results

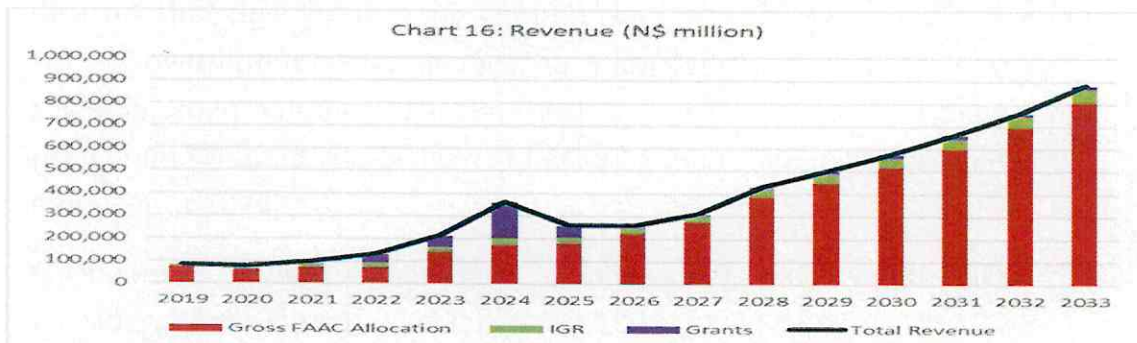
Revenue, Expenditure and Overall Primary Balance in the Long Term

In the Baseline Scenario, Borno State preserves debt sustainability. Total revenue (including grants and excluding other capital receipts) is projected to increase from N221,327 billion in 2023 to N878,861 billion by 2033 (Chart 16). Total expenditure will increase from N184,740 billion in 2023 to N978,561 billion by 2033 (Chart 17). Therefore, the fiscal deficit—computed as the difference between revenue and expenditure—is expected to remain within a range of N26,497 billion to N-75,739 billion in nominal terms in the long-run. Main finding and conclusion of the baseline scenario in terms of debt sustainability as a consequence of the modest increase in domestic and external borrowing, the public debt will rise in the projected period 2024 to 2033, and the State expenditure is higher than the revenue, the State's repayment capacity will be affected if pro-active measures are not taken to mitigate the impact of risen debt profile (Charts 22). Debt is projected to raise from N106,541 billion as at end-2023 to N396,117 billion by 2033. It is expected to increase from 7 percent of the Revenue in 2023 to 12 percent by 2033. As the fiscal deficit remain moderate in nominal terms

over the years, and the public debt ratio to revenue also remain moderate (within the threshold), the analysis of the Baseline Scenario suggests the State will be able to preserve the sustainability of its debt in the long-term.

Projected Revenue in the Long-Term (2024-2033)

Borno State revenue projection 2023-2033 is presented in the chart below;



Source: Borno State 2024 DSA-DMS template

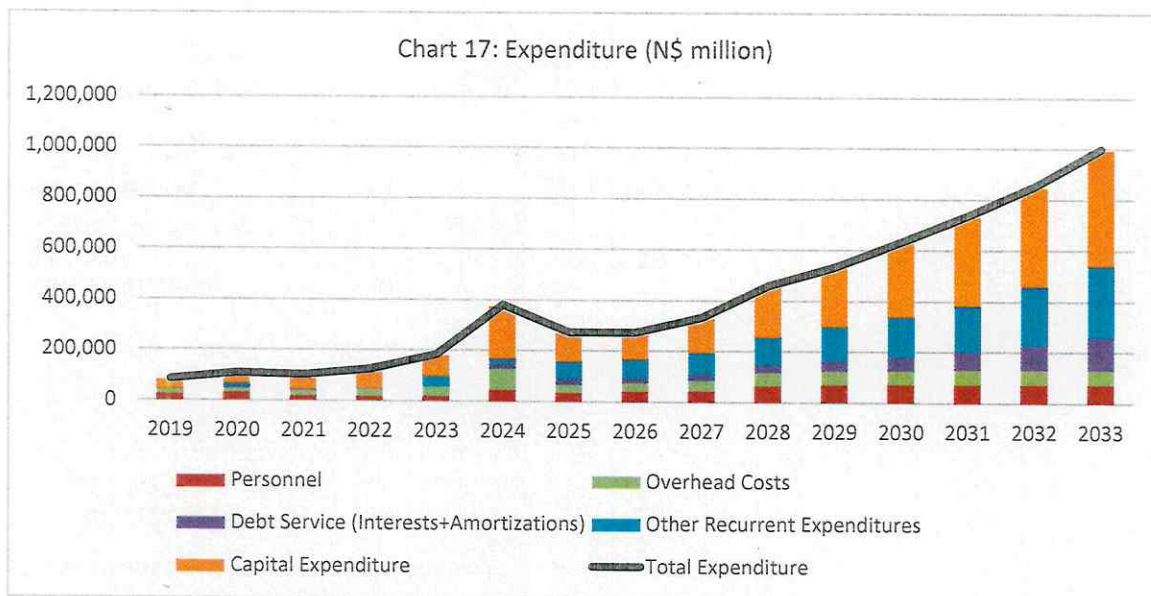
TABLE 12 - PROJECTED REVENUE IN THE LONG TERM														
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Revenue	75,251	96,301	132,151	211,237	358,733	256,537	256,626	309,070	429,836	496,922	574,045	660,222	757,369	878,861
Gross FAAC Allocation	63,045	74,416	74,874	142,197	174,381	180,881	224,302	274,591	387,126	447,157	517,394	599,571	695,718	808,209
IGR	12,206	21,885	19,739	21,315	27,493	24,134	26,547	29,202	39,711	42,765	40,874	42,874	50,874	58,874
Grants	0	0	37,537	47,725	156,859	51,522	5,777	5,277	3,000	7,000	15,777	17,777	10,777	11,777

Source: Borno State 2024 DSA-DMS template

Borno State Total Revenue (including grant and excluding other capital receipt) is expected to rise up from N358,733 billion in 2024 to N878,861 in 2033, an increase of N520,128 billion or 59.2 % over the projection period. Gross FAAC Allocation is projected to grow from N174,381 billion in 2024 to N808,209 billion in 2033, an increase of N633,828 billion or 78.4% over the projection period. IGR is projected to increase from N27,493 in 2024 to N58,874 in 2033 an increase of N31,384 or 53.3% in the long term. Also, Grant is projected to drop from N156,859 in 2024 to N5,277 In the Medium-Term projection, all the revenue indices are favorable to Borno State.

Projected Expenditure in the Long-Term (2024-2033)

Borno State projected expenditure in the long-term is presented the chart below;



Source: Borno State 2024 DSA-DMS template

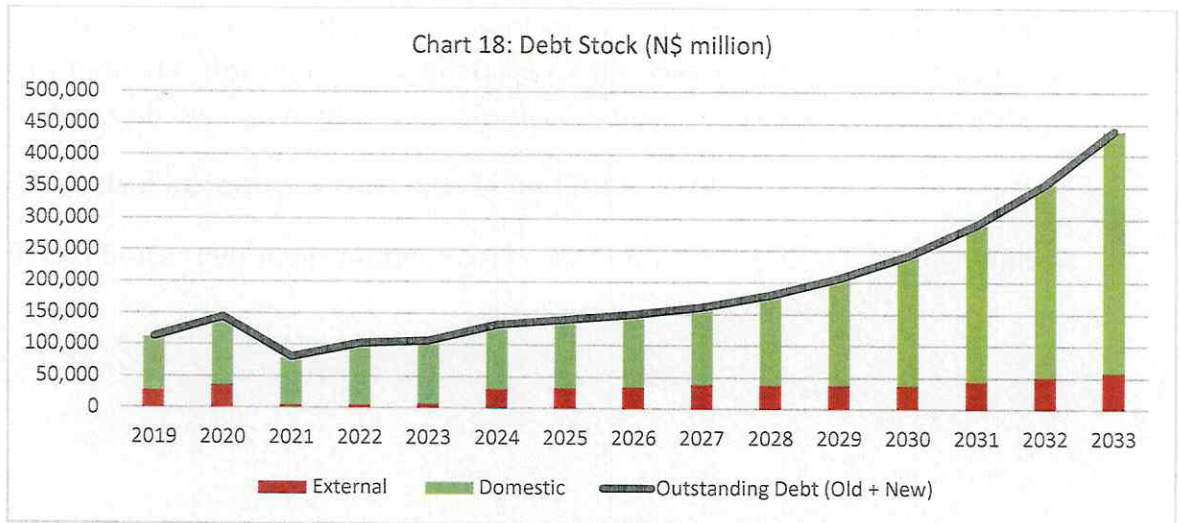
TABLE 13 - PROJECTED EXPENDITURE IN THE LONG TERM														
	2020	2021	2022	2023	2024	2025	2025	2027	2028	2029	2030	2031	2032	2033
Total Expenditure	108,862	103,031	125,869	184,740	380,288	273,046	275,071	333,673	459,479	533,136	632,383	735,961	851,728	999,306
Personnel	35,457	20,849	20,010	21,800	50,287	39,191	45,069	49,576	69,416	75,974	76,417	77,975	77,980	77,990
Overhead Costs	15,676	21,829	29,105	38,998	81,620	29,904	34,389	39,548	51,226	52,347	52,627	56,348	56,228	56,349
Debt Service (Interests+Amortizations)	6,992	3,741	1,689	0	21,556	21,509	18,444	25,003	30,315	40,120	55,470	74,569	97,369	128,354
Other Recurrent Expenditures	11,527	0	0	41,016	18,454	68,415	73,761	82,708	108,302	135,765	159,227	177,069	230,151	280,613
Capital Expenditure	39,209	56,613	75,066	82,926	208,371	114,028	103,407	136,839	200,219	228,930	288,642	350,000	390,000	456,000

Source: Borno State 2024 DSA-DMS template

Total expenditure is expected to increase from N380,288 billion in 2024 to N999,306 in 2033, an increase of N619,018 or 619.6 percent.

Projected Debt Stock in the Long-Term 2024-2033

Borno State Projected Debt Stock from 2024-2033 is presented in the chart below;



Source: Borno State 2024 DSA-DMS template

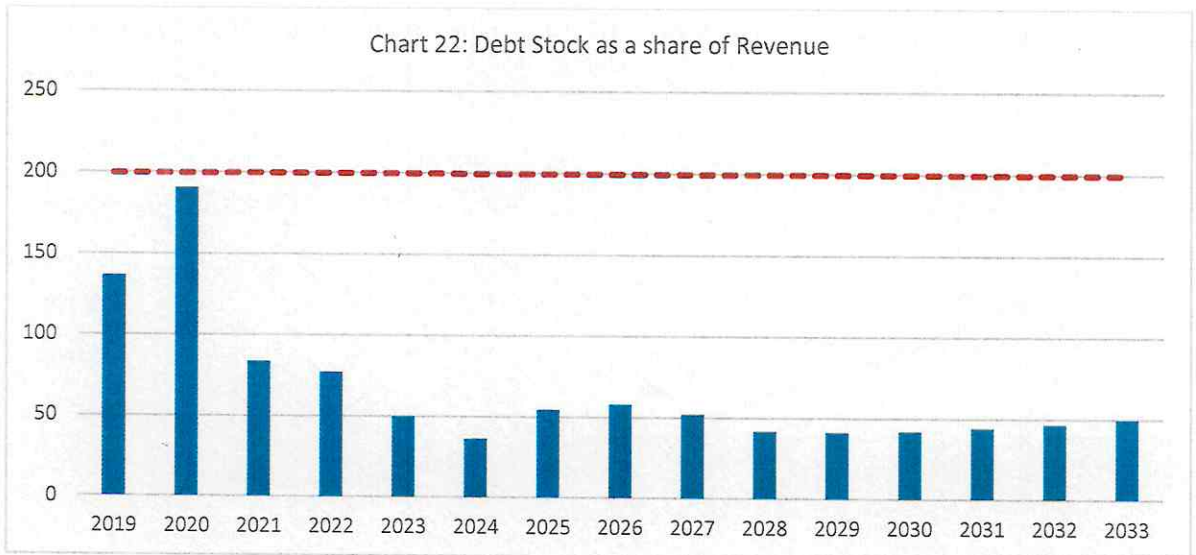
TABLE 14 - OUTSTANDING DEBT IN THE LONG TERM														
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Outstanding Debt (Old + New)	143,632	80,715	102,036	106,541	132,003	140,277	149,027	160,926	180,057	206,543	242,415	291,169	354,828	438,961
External	38,009	6,082	5,901	7,770	32,112	34,463	36,033	39,795	39,295	39,257	38,720	45,682	52,645	59,607
Domestic	105,622	74,633	96,136	98,771	99,891	105,814	112,994	121,131	140,763	167,286	203,695	245,486	302,183	379,354

Source: Borno State 2024 DSA-DMS template

Borno State debt stock (Domestic and External) is estimated to increase from N106,541 billion in 2023 to N438,961 billion in 2033, an increase of N332,420 or 75.73 percent.

Projected Debt as a Share of Revenue in the Long Term

Borno State projected debt as a share of revenue is presented below



Source: Borno State 2024 DSA-DMS template

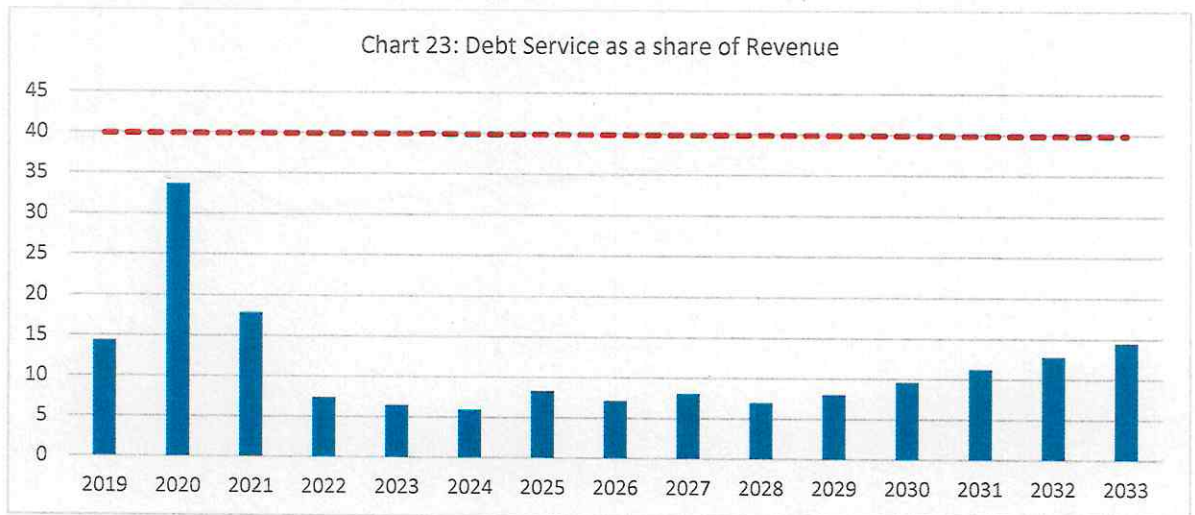
TABLE -15 Debt as % of Revenue in the longer term														
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Debt as % of Revenue	191	84	77	50	37	55	58	52	42	42	42	44	47	50
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200

Source: Borno State 2024 DSA-DMS template

The ratio of Debt as percentage of Revenue is estimated at 37% in 2024, 55% in 2025, 58% in 2026 and 52% in 2027 in the Medium Term. The ratio remains below the Threshold of 200% in the long-run, showing a favorable index of Debt Sustainability.

Projected Debt Service as a Percentage of Revenue

The projected debt service as a share of revenue is shown in chart 23 below;



Source: Borno State 2024 DSA-DMS template

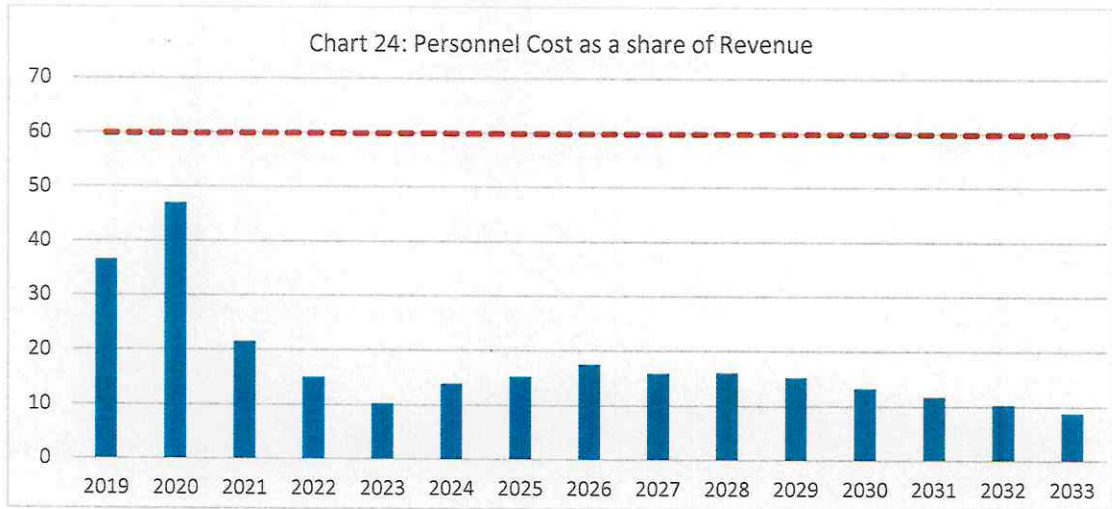
TABLE 16 - Debt Service as % of Revenue in the long term														
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Debt Service as % of Revenue	34	18	7	7	6	8	7	8	7	8	10	11	13	15
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40

Source: Borno State 2024 DSA-DMS template

The state debt as percentage of revenue is within the prescribed threshold of 40%, throughout projected period relative to the state borrowing capacity, public debt position will increase, it is expected to increase from 6% in 2024 to 15% in 2033 in debt as a share of revenue, thus, making the state to be able to carry out debt service obligation in the short and long term.

Personnel Cost as a Share of Revenue in the Project Period 2024-2027

Borno State Personnel Cost as a Percentage of Revenue is shown in 24 below



Source: Borno State 2024 DSA-DMS template

TABLE 17 - Personnel Cost as % of Revenue in the longer														
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Personnel Cost as % of Revenue	47	22	15	10	14	15	18	16	16	15	13	12	10	9
Threshold	60	60	60	60	60	60	60	60	60	60	60	60	60	60

Source: Borno State 2024 DSA-DMS template

Personnel cost as a share of revenue is projected to increase from 14% as at 2024 to 9% in 2033. The analysis of the Baseline Scenario suggests the state will be able to preserve the sustainability of its personnel cost in the medium-term to the long-run because it is within the limit of the prescribed threshold of 60%.

FINDING AND CONCLUSION OF THE BASELINE SCENARIO IN TERMS OF DEBT SUSTAINABILITY

Borno State is found to be sustainable within all the threshold in all the key indicators in historical period, medium-term and longer-term projected period.

The ratio of debt as a share revenue it is estimated at 37% in 2024, 55% in 2025, 58% in 2026 and 52% in 2027, debt is sustainable in the medium-term.

In the ratio of Debt Service as a share of revenue, it is estimated at 6% in 2024, 8% in 2025, 7% in 2026 and 8% in 2027 and debt is sustainable in the medium.

In personnel cost as a share of revenue, it is projected to be stable and sustainable in the medium-term to long-term.

The baseline Scenario results shows that the ratio of Debt Stock as a percentage of GDP in the medium-term to the long-term are all below the threshold.

Borno State Government is planning to preserve the sustainability of the Debt position through the following policies that will be implemented:

The key targets from a fiscal perspective are:

- 1- To ensure a reduction in non-essential overhead spending in order to have enough resources for completion of ongoing project.
- 2- Create an effective and efficient expenditure in personnel and overhead to allow for enough resources for capital project.
- 3- Steady grow of IGR by a minimum of 2.5% in the medium term (2025 to 2027)
- 4- Achieve long term target of funding all recurrent expenditure with revenue of a recurrent nature (IGR, VAT and Non-mineral component of Statutory Allocation);
- 5- Grow the economy through targeted spending in areas of comparative advantage.
- 6- Diversify the internal revenue base and also reviewing revenue projections to reflect current realities.
- 7- Use loans to finance capital projects only, most especially those considered critical by the government.

The result of the 2024 DSA shows that Borno remains at a moderate or low risk of debt distress in the long-term relative to the baseline scenario with Some-Space to accommodate shocks. However, debt sustainability remains mostly sensitive to the revenue shocks and expenditure shocks, indicating that an increase in aggregate output, does not result to a proportionate increase in revenue. There is, therefore, the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC) and donors grant, diversify the internal revenue base and also reviewing revenue projections to reflect current realities, as well as implement far-reaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation and over relying in grants.

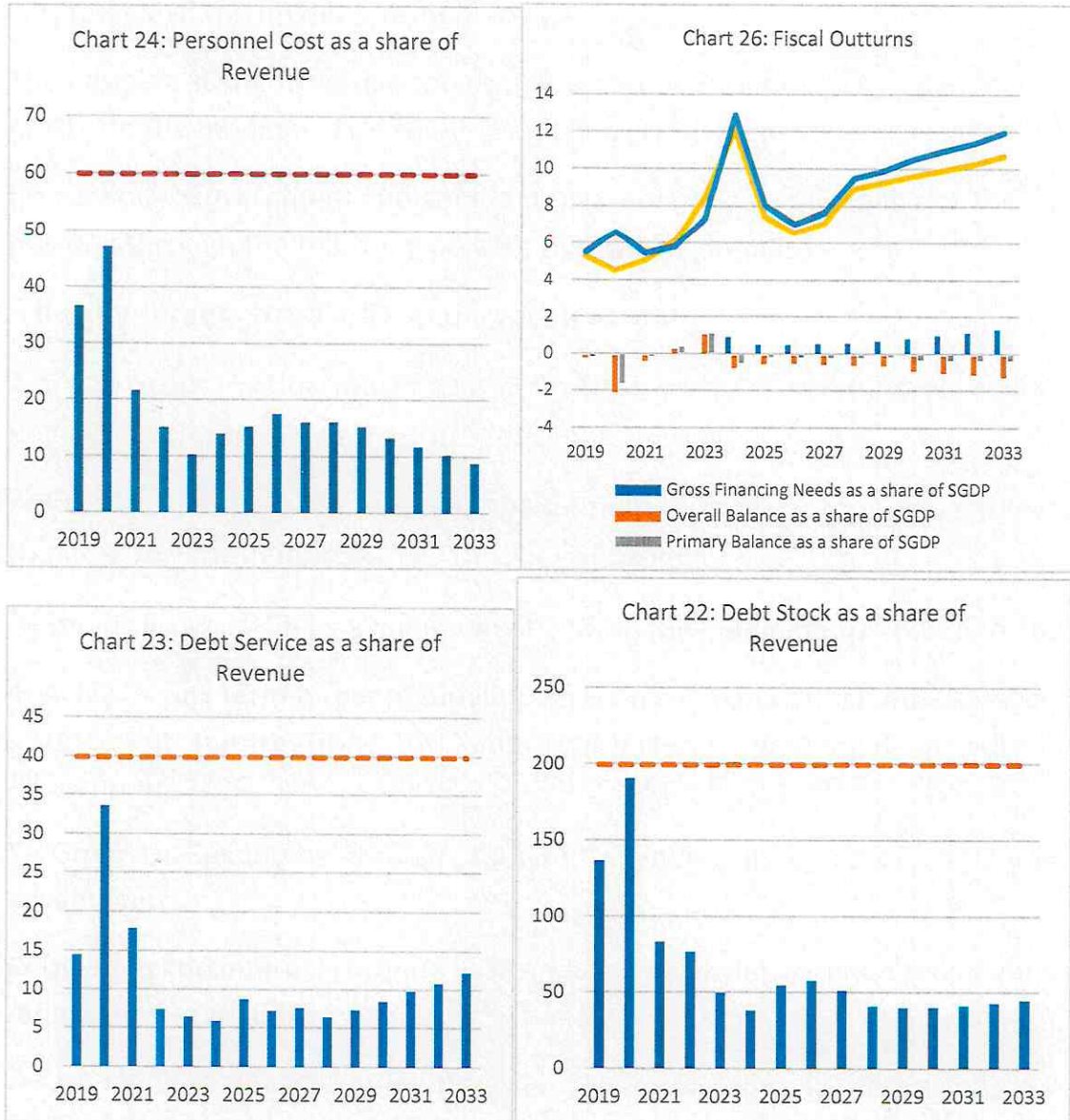
4.4 Risk of Debt Distress Under Indicative DSA Sensitivity Analysis

The Borno State DSA analysis shows did not show deterioration related to revenue shocks and that would not lead to increase Gross Financing Need over the projection period. Debt Stock as a share of revenue and Debt Service to Revenue ratio are all below indicative threshold throughout the projection period (2024-2033) under revenue shocks.

The analysis of two shocks as simulated (shock to revenue and shock to expenditure), all have lesser impact on the analysis on sustainability of debt service, (shock to interest rate and shock to exchange rate) all have lesser impact on ratio analyzed at the magnitude tested. The four shocks all have a less impact on Debt Service, but in terms of its deviation from the baseline scenario, what it entails is to plan for more future flexibility. But this deviation has no negative impacts within the period of analysis. The analysis shows the need to intensify effort to increase IGR, to ensure a balanced debt portfolio, not to borrow too excessively, and to create sufficient buffers within the ratio analysis so as not to breach them as a result of a shock. Fiscal buffers, including

contingency funds and debt service are finds and would also help alleviate the impact of shocks. The charts below explain the shocks scenarios

Source: Borno State 2024 DSA-DMS template



Source: Borno State 2024 DSA-DMS template

CHAPTER FIVE

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 State, the strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. The Borno State's Debt Management Strategy, 2025-2027, 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 2028 caused by an unexpected shock, as projected in the most adverse scenario.

5.1 Alternative Borrowing Options;

Borno State is planning to borrow through the Commercial Bank at an estimated interest rate of 25% with 5 years and 7 years maturity respectively, with a year grace period. Also, the State planned to borrow External Concessional loans, bilateral or other external creditors at 2% interest rate, maturity of 30 years and grace period of 10, 7 or 5 years. The State proposed 4 alternative strategies (S1, S2, S3 and S4) which consider cost and risk in order to mitigate certain risk (currency, interest rate and rollover) to develop domestic debt markets, to fund specific expenses (such as capital investment) and to secure liquid assets for the

cash management. The following four strategies are assessed by the State Government.

1= Strategy I(SI): reflects a "Baseline" M TEF Financing Mix: It follows the broad parameters of the financing mix under MTEF, 2025-2027. External gross borrowing under Concessional and Bilateral loans over the strategic period mainly from World Bank Group and African Development Bank. The State intends to contract external financing through concessional window of the World Bank and African Development Bank with an interest rate of 2 percent and other External Creditors over the DMS medium term (2025-2027) projection period.

The domestic gross financing comprises of commercial bank loans and other domestic financing. The State intend to borrow Commercial Bank loans with the maturity of 5-7 years and 35 percent interest, use capital market to raise fund through issuing of short term and long-term Bonds at 22% interest rate. Also, the state will explore the option of domestic financing window like the CBN intervention. The overall financing requirement under S1 amounted to N59,686.8 billion over the medium-term projected period.

2= Strategy 2(S2): focus on both commercial bank, external loans and other external financing: In this strategy, the government decided to focus its borrowing through commercial bank loans with average 35 percent interest under maturity of 1-5 years and commercial bank loan with average of 35% interest under maturity of 6 years and above, and external concessional loan with 2 percent interest under maturity of above 10, 7, and 5 years, over the strategic period, compared to other financing needs, Strategy 2 focuses on both commercial bank and External Concessional loans only for easy access to loan for critical projects in the State. The total borrowing requirement under S2 is N64,968.9 billion in the medium term.

3= Strategy 3(S3): focus its financing through External Concessional Loans, External bilateral loan, other external financing commercial bank loans and issuing long term bonds in the capital market. This Strategy (S3) considers the scenario where proportions of Commercial bank loans (1-5 years) with average of 35 percent interest, Commercial bank loans and external financing through Concessional, bilateral and other external financing loans with average of 0.02

percent, respectively. The borrowing requirement in total under S3 is N74,749.8 in the medium term.

4= Strategy 4(S4): Government focus its financing need by sourcing Federal Government Intervention Loans, Commercial Bank loans, short term Bonds and External Financing. In strategy 4, the government decided to finance its Commercial Bank loans (1-5 years) with an average of 35 percent interest, and Commercial Bank loans with the maturity of above 6 years with average of 35 percent interest, over the DMS projected period of 2025-2027. While Concessional loans under external financing has an average of 2% percent still. The total financing requirement under S4 is N65,321.9 The table explains the borrowing requirement under each strategy.

The table below explains the borrowing requirement under each strategy and percentages share from each financing sources in the medium term.

TABLE 18 - GROSS BORROWING REQUIREMENT UNDER ALL STRATEGIES					
Description	2025	2026	2027	TOTAL	PERCENTAGES
S1	17,147.9	18,808.4	23,730.5	59,686.9	22.6
S2	17,927.9	20,425.3	26,615.7	64,968.9	24.6
S3	20,082.9	24,113.1	30,553.8	74,749.8	28.3
S4	17,927.9	20,513.3	26,703.0	65,144.2	24.6

Source: Borno State 2024 DSA-DMS template

SHARE OF PERCENTAGES FROM FINANCING SOURCES					
SOURCES	2025	2026	2027	TOTAL	PERCENTAGES
Commercial Bank Loans (maturity 1 to 5 years)	4,009.0	4,656.1	4,416.2	13,081.3	18.4
Commercial Bank Loans (maturity 6 years or longer)	4,138.9	4,652.3	6,877.9	15,669.1	22.1
State Bonds (maturity 1 to 5 years)	0.0	0.0	0.0	0.0	0.0
State Bonds (maturity 6 years or longer)	0.0	4,000.0	0.0	4,000.0	5.6
Other Domestic Financing (CBN Interventions)	3,000.0	0.0	4,436.4	7,436.4	10.5
External Financing - Concessional Loans in USD (e.g., World Bank, African Development Bank)	0.0	5.0	0.0	5.0	12.1
External Financing - Bilateral Loans in USD	5.0	0.0	8.0	13.0	31.4
Other External Financing in USD	0.0	0.0	0.0	0.0	0.0

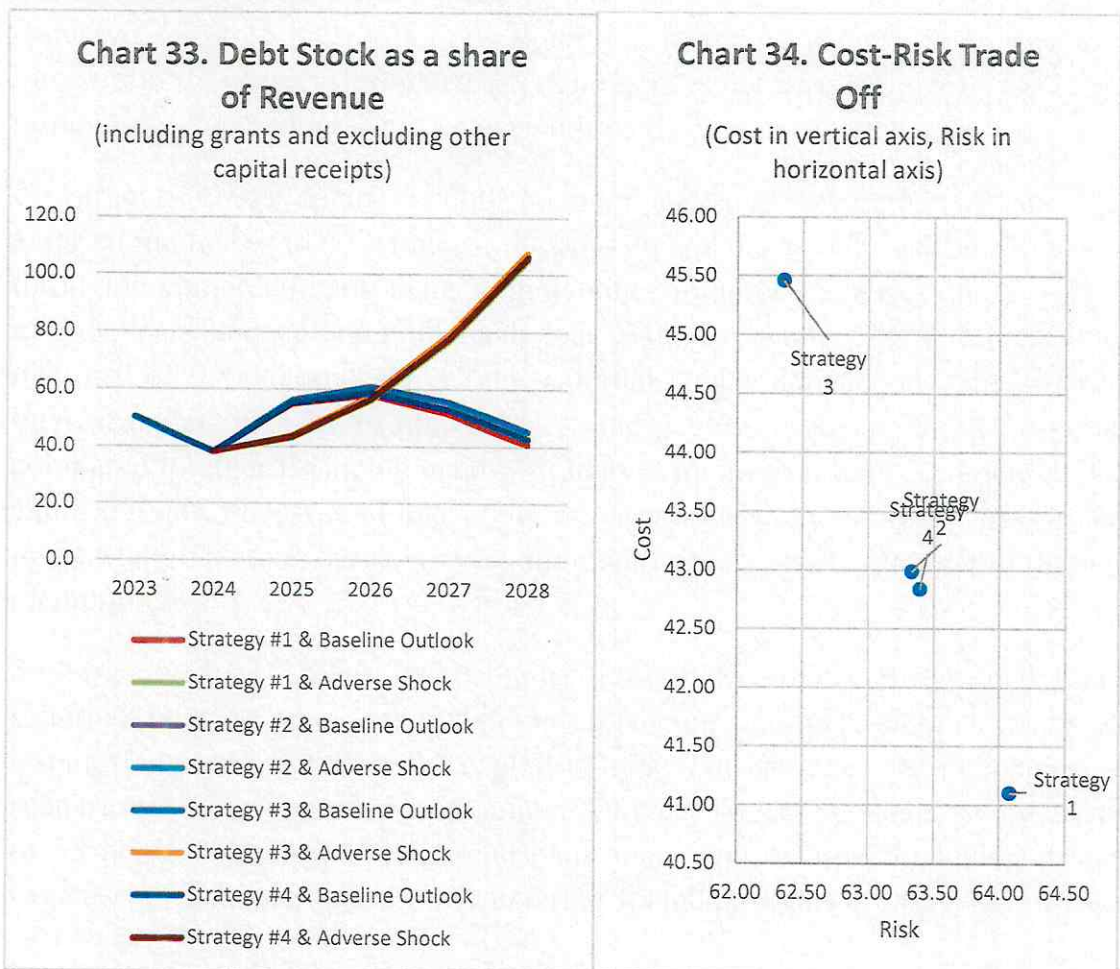
Source: Borno State 2024 DSA-DMS template

5.2 DSA Simulation Result

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

5.2.1 Debt stock as a Share of Revenue;

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



Source: Borno State 2024 DSA-DMS template

Debt Stock as % of Revenue (including grants and e	2023	2024	2025	2026	2027	COST RISK measu	
						2028	
Strategy #1 & Baseline Outlook	50.4	38.3	55.1	58.2	51.7	41.1	64.1
Strategy #1 & Adverse Shock		38.3	43.4	56.1	77.0	105.2	
Strategy #2 & Baseline Outlook	50.4	38.3	55.4	59.1	53.2	43.0	63.3
Strategy #2 & Adverse Shock		38.3	43.5	56.6	77.8	106.3	
Strategy #3 & Baseline Outlook	50.4	38.3	56.5	61.2	55.9	45.5	62.4
Strategy #3 & Adverse Shock		38.3	44.2	57.7	79.2	107.8	
Strategy #4 & Baseline Outlook	50.4	38.3	55.4	59.1	53.2	42.8	63.4
Strategy #4 & Adverse Shock		38.3	43.5	56.6	77.8	106.2	

Source: Borno State 2024 DSA-DMS template

Strategy 1 shows the Cost ratio of Debt to Revenue is estimated to increase from 38.3 percent in 2024 to 41.1 percent in 2028, adverse shock 105.2 with 64.1 level of risk. The risk is only measured in 2028.

Strategy 2 shows the Cost ratio of Debt to Revenue is estimated to increase from 38.3 percent in 2024 to 43 percent in 2028, adverse shock 106.3 with 63.3 level of risk. The risk is only measured in 2028.

Strategy 3 shows the Cost ratio of Debt to Revenue is estimated to increase from 38.3 percent in 2024 to 45.5 percent in 2027, adverse shock 107.8 with 62.4 level of risk. The risk is only measured in 2028.

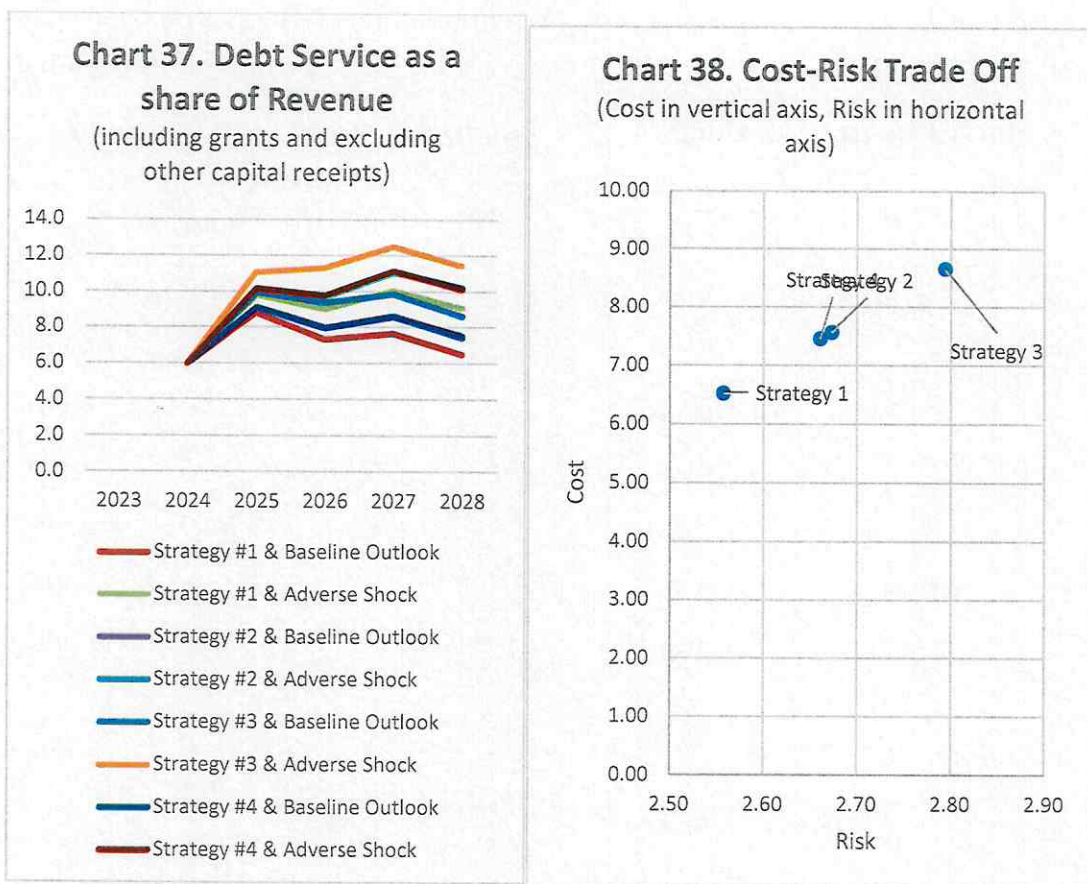
Strategy 4 shows the Cost ratio of Debt to Revenue is estimated to increase from 38.3 percent in 2024 to 42.8 percent in 2028, adverse shock 106.2 with 63.4 level of risk. The risk is only measured in 2028.

Analysis; Using the debt as percentage of revenue indicator, strategy 1 has least cost of 41.1 and risk of 64.1, strategy 2 has cost of 43 and risk of 63.3, strategy 3 has cost of 45.5 and risk of 62.4 and strategy 4 has cost of 42.8 and risk of 63.4. Strategy 3 have high cost 45.5 and strategy 1 have high risk of 64.1 Also strategy 1 have least cost of 41.1 and strategy 3 have least risk of 62.4. The table shows;

TABLE 19 - Debt as share of revenue		
	COST	RISK 2028
	2028	2028
S1	41.1	64.1
S2	43.0	63.3
S3	45.5	62.4
S4	42.8	63.4

5.2.2 Debt Service as a Share of Revenue:

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



Source: Borno State 2024 DSA-DMS template

Debt Service as % of Revenue (including grants and	2023	2024	2025	2026	2027	COST RISK measu	
						2028	2028
Strategy #1 & Baseline Outlook		6.0	8.8	7.3	7.7	6.5	2.6
Strategy #1 & Adverse Shock		6.0	9.8	9.0	10.1	9.1	
Strategy #2 & Baseline Outlook		6.0	9.1	8.0	8.6	7.6	2.7
Strategy #2 & Adverse Shock		6.0	10.2	9.7	11.1	10.3	
Strategy #3 & Baseline Outlook		6.0	10.0	9.4	9.9	8.7	2.8
Strategy #3 & Adverse Shock		6.0	11.1	11.3	12.5	11.5	
Strategy #4 & Baseline Outlook		6.0	9.1	8.0	8.6	7.5	2.7
Strategy #4 & Adverse Shock		6.0	10.2	9.8	11.1	10.1	

Source: Borno State 2024 DSA-DMS template

Strategy 1 shows the Cost of Debt Service to Revenue is estimated at 6.0 in 2024 to 6.5 in 2028 with 2.6 degree of risk and adverse shock of 9.1 The risk is measured only in 2028 as shown in the chart.

Strategy 2 shows the Cost of Debt Service to Revenue is estimated at 6.0 in 2024 to 7.6 in 2028 with 2.7 degree of risk and adverse shock of 10.3. The risk is measured only in 2028 as shown in the chart.

Strategy 3 shows the Cost of Debt Service to Revenue is estimated at 6.0 in 2024 to 8.7 in 2028 with 2.8 degree of risk and adverse shock of 11.5. The risk is measured only in 2028 as shown in the chart.

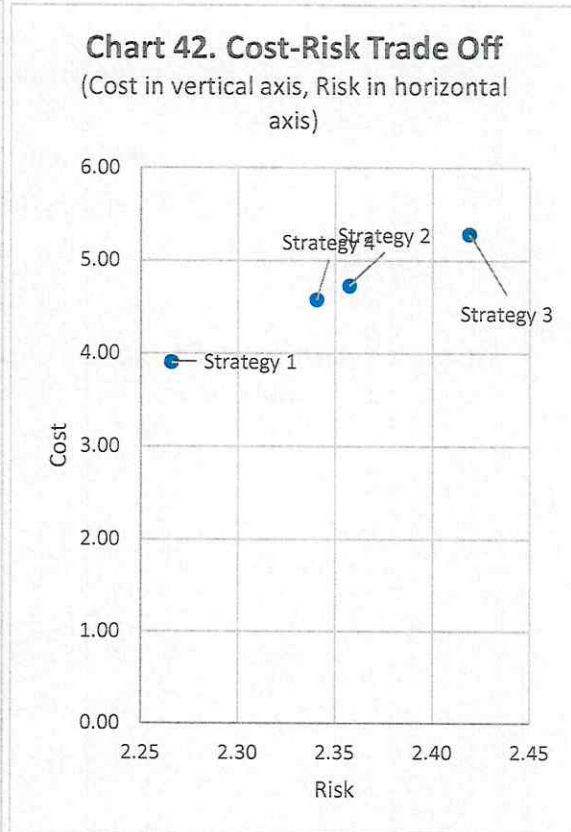
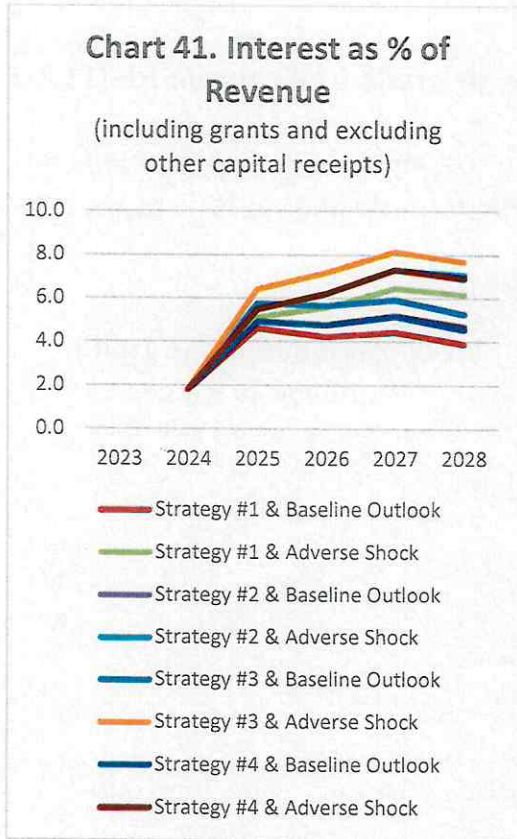
Strategy 4 shows the Cost of Debt Service to Revenue is estimated at 6.0 in 2024 to 7.5 in 2028 with 2.7 degree of risk and adverse shock of 10.1 The risk is measured only in 2028 as shown in the chart.

Analysis; Using debt service as percentage of revenue, strategy 1 has the least cost 6.5 and risk 2.6, strategy 2 has cost of 7.6 and risk of 2.7, strategy 3 has cost of 8.7 and risk of 2.8, and strategy 4 has the cost 7.5 and risk of 2.7. Strategy 1 has least cost and risk. The table below shows;

Debt service as share of revenue		
	COST	RISK 2028
	2028	2028
S1	6.5	2.6
S2	7.6	2.7
S3	8.7	2.8
S4	7.5	2.7

5.2.3 Interest as a Share of Revenue

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



Interest as % of Revenue (including grants and excluding other capital receipts)	2023	2024	2025	2026	2027	COST / RISK measure	
						2028	2028
Strategy #1 & Baseline Outlook	1.8	4.6	4.2	4.4	3.9	2.3	
Strategy #1 & Adverse Shock	1.8	5.1	5.6	6.5	6.2		
Strategy #2 & Baseline Outlook	1.8	4.9	4.8	5.2	4.7	2.4	
Strategy #2 & Adverse Shock	1.8	5.5	6.2	7.3	7.1		
Strategy #3 & Baseline Outlook	1.8	5.8	5.7	6.0	5.3	2.4	
Strategy #3 & Adverse Shock	1.8	6.4	7.2	8.2	7.7		
Strategy #4 & Baseline Outlook	1.8	4.9	4.8	5.2	4.6	2.3	
Strategy #4 & Adverse Shock	1.8	5.5	6.2	7.3	6.9		

Strategy 1 show cost of interest to revenue is estimated to increase from 1.8 in 2024 to 3.9 in 2028 with risk of 2.3 and adverse shocks of 6.2. The risk is measure in 2028 as shown in the table.

Strategy 2 Shows cost of interest to revenue is estimated to increase from 1.8 in 2024 to 4.7 in 2028 with risk of 2.4 and adverse shocks of 7.1. Risk is measure in 2028 as shown in the table.

Strategy 3 shows cost of interest to revenue is estimated to increase from 1.8 in 2024 to 5.3 in 2028 with risk of 2.4 and adverse shocks of 7.7. Risk is measure in 2028 as shown in table.

Strategy 4 shows cost of interest to revenue is expected to increase from 1.8 in 2024 to 4.6 in 2028 with risk of 2.3 and adverse shocks of 6.9. Risk is measure in 2028 as shown in the table.

Analysis; strategy 1 has least cost of 3.9 and lesser risk of 2.3, strategy 2 has cost of 4.7 and risk of 2.4, strategy 3 has cost of 5.3 and risk of 2.4 and strategy 4 has cost of 4.6 and risk of 2.3. The table below shows;

	COST	RISK 2028
	2028	2028
S1	3.9	2.3
S2	4.7	2.4
S3	5.3	2.4
S4	4.6	2.3

5.2.4 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Going by all assessment, the Analytical Tool's results of cost and risk shows that Strategy 1 has the low costs and high risks under debt service as a share revenue and moderate cost and risk in interest payment as a share of revenue and also least cost under debt stock as a share of revenue. Strategy I which is reference strategy considered the most feasible of the strategy to implement in the short-term which shows moderate cost and risk over the DMS projected period under debt as a share of revenue,

debt service as a share of revenue and interest as a share of revenue, and it would still improve the debt portfolio's position relative to the base year 2023 compare to the alternative strategies. In comparison to the current debt position, Borno State debt portfolio stood at N106,521 billion as at end-2023, it is expected to increase to N159,888 billion under S1 during the strategic period. Furthermore, 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 revenue ratios, Strategy 1 which is the reference strategy is selected as the preferred strategy for the 2025-2027 medium term debt strategy, which shows moderate cost over the DMS under debt stock as a share of revenue, moderate cost and risk over debt service as a share of revenue and moderate cost and risk over interest as a share of revenue.

Borno State opted for Strategy 1 because the state have set out medium term fiscal objectives and target, which include tax policy, revenue mobilization, limit on level of expenditure, deficit financing and public debt-fiscal strategy paper.

The Fiscal Strategy Paper prioritized projects and programmed 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, Fiscal Responsibility Act, 2007 as well as Debt Management Act, 2003 provides for prudent spending of public funds by cutting non-essential Overhead expenditure. The Government will always operate within the ambit of the law by keeping its debt stock below the established threshold at minimum cost and risk. The above stated policies are implementable under the chosen strategy (S1). Borno State Government can select any other alternative strategy in the future if the chosen strategy (S1) seems to be not feasible, so as to diversify the internal revenue base and also review revenue projections to reflect current realities

The cost of carrying debt and risk exposure depend largely on the debt management strategy adopted by the Government. The debt management strategy to be adopted will be able to provide for the Government the much-needed fund at minimum cost and risk without recourse to other financing

options. Given the projections, both Baseline and Optimistic scenario shows that the debt is sustainable and resilient, and this is due to high expectation on the revenue. The Debt management Strategy 1 (2025-2027) represent a robust framework for prudent debt management, as its provides a systematic approach to decision making on the appropriate composition of both external and domestic borrowing to finance 2024 budget,

The Debt management strategy to be adopted both in the baseline and the most adverse shock would be subjected to the principle of cost and risk analysis. The Government is expected by the Fiscal Responsibility Act, 2007, and the Debt Management Act, 2003, provides that the State to borrow or 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. The borrowed fund should be used for capital project as well as human capital development. Other strategy such as portfolio mix of domestic and external debt ratio in order to hedge against risk.

The report concludes that there is a need for Borno State government to diversify sources of revenue away from FAAC allocation and donor grants, as well as full implementation of policies that will boost IGR into the State. The state remains mostly sensitive to revenue shock

Annex I: Baseline Assumptions

Statutory Allocations — the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2025-2027 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data.

VAT — is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2025-2027 is in line with the current rate of collections, if there are any changes to the VAT rates as proposed in the previously forecast, changes will be made to reflect the current reality .

Other Federation Account Distributions — the estimation is based on the current receipt.

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

Grants — The grants are mostly based on the expected grant from domestic and external donors and programs. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc

Financing (Net Loans) — the internal and external loans are projections based on agreement. Consolidated Revenue Fund Charges — this includes public debt charges (including is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2024-2027

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

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

Economic activity	State GDP (at current prices)	Source
Revenue		Ministry of Finance, and Economic Development. Borno State M-TEF 2024-2027 and the projection provided in the DSA DMS Template
1. Gross Statutory Allocation (gross' means with no deductions; do not include VAT Allocation here)		The Statutory Allocation is based on forecast provided in the data request sheet. The assumption is based on the removal of fuel subsidy which will result in an increase of cash flow to FAAC for sharing for the the three tiers of Government within the medium term period.
1.a. of which Net Statutory Allocation ('net' means of deductions)		The Statutory Allocation is based on forecast provided in the data request sheet. The assumption is based on the removal of fuel subsidy which will result in an increase of cash flow to FAAC for sharing for the the three tiers of Government within the medium term period.
1.b. of which Deductions		The Statutory Allocation is based on forecast provided in the data request sheet. The assumption is based on the removal of fuel subsidy which will result in an increase of cash flow to FAAC for sharing for the the three tiers of Government within the medium term period.
2. Derivation (if applicable to the State)		Devotion fund is not applicable to Borno State
3. Other FAAC transfers (exchange rate gain, augmentation, others)		Excess Crude and other FAAC revenues is expected to increase for the State Government in the medium term projected period based on the forecast provided in State MTEF. To take care of fluctuations in Crude Oil price and production rate which at times rises and falls, variation are taken care of by taking the average. Also removal of fuel subsidy regime in the oil sector will have a positive impact on the other FAAC transfers.
4. VAT Allocation		VAT is also part of FAAC allocation, Borno State Government share of VAT will also estimated to increase using the forecast provided in the DSA DMS template. The sustained rise is based on assumption that increased VAT rate from 5% to 7.5% and the expanded area of coverage will no doubt make up the projection
5. IGR		Borno State Government anticipate a minor increase in IGR generation due to flooding and fire incidence that ravaged many economic activities in the state and by blocking any identified leakages and exploring new avenues of revenue generation. The most critical of all is to sustain and continuous enforcement of Ground Rent by property owners and improving on IGR up to 2.5 percent growth.
6. Capital Receipts		The Government anticipate grants from International Donors and other local donors.
6.a. Grants		The Government anticipate grants from International Donors and other local donors.
6.b. Sales of Government Assets and Privatization Proceeds		Sales of State Government Estate on owner occupier bases is yet to be conceive in the State MTEF projection.
6.c. Other Non-Debt Creating Capital Receipts		Non Debt creating Capital received is conceived in State M-TEF projection in the medium term.
Expenditure		Ministry of Finance, and Economic Development. Borno State M-TEF 2024-2027
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)		With recent adoption of reviewed new minimum wage for Federal Civil Servant, it will come down to States equally. State Government Personnel cost Expenditure will increase because of the upward review of wages and salaries.
2. Overhead costs		Overhead cost is expected to increase because of expected increase in government activities in areas like constructions, rehabilitation, etc.
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		Interest payment is base on repayment schedule (amortization) but because of upward review of monetary policy by CBN and due to some macro economic indicators, interest payment is expected to increase.
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		There will be expenditure on Aids and Grant to IGIs in Borno State etc.
5. Capital Expenditure		Capital expenditure is expected to increase steadily with gradual implementation of the Borno States 10 year Strategic Transformation Plan (STP).
Closing Cash and Bank Balance		The closing cash and bank balances is by subtracting total expenditure from total revenue in the State Audited Financial, and add the closing cash and bank balance of previous year and it will the same method throughout the projection period.

Debt Amortization and Interest Payments	Debt Outstanding at end-2023	
	<p>External Debt - amortization and interest</p> <p>Domestic Debt - amortization and interest</p> <p>New debt issued/contracted from 2024 onwards</p> <p>New External Financing</p>	<p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office</p>
	<p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p> <p>New Domestic Financing</p>	<p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p>
	<p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p>	<p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p>
<p>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1.</p>	<p>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1.</p> <p>New Domestic Financing In Million Naira</p>	
	<p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing in Million US Dollar</p>	<p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p>
	<p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p>	<p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p> <p>Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF</p>

<p>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2</p>	<p>Planned borrowings (new bonds, new loans, etc.) for Debt Strategy S2 New Domestic Financing in Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing in Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p>	<p>The State intend to borrow domestically from commercial bank with 1 to 5 years maturity and moratorium of a year. Loan that are low risk and cost to fill the Financing Gap of the State. The categories of the loan are Agric related loan, Infrastructure and micro small and medium enterprises scheme loan. Repayment of the loans are base on agreed amortization.</p> <p>The State intend to borrow domestically from commercial bank with 6 years and above maturity and moratorium of a year. Loan that are low risk and cost to fill the Financing Gap of the State. The categories of the loan are Agric related loan, Infrastructure and micro small and medium enterprises scheme loan. Repayment of the loans are base on agreed amortization.</p> <p>Under Strategy 2, State will not explore the options of Short Term Bonds in the capital market, it will concentrate only on Commercial Bank Loans with short and long term maturity period and with a grace period of 1 year</p> <p>Under Strategy 2, State will not explore the options of Long Term Bonds in the capital market. It concentrate on Commercial Bank Loans with short and long term maturity period and with a grace period of 1 year</p> <p>Under Strategy 2, State will not explore the options of Other Domestic Financing, it will concentrate only on Commercial Bank Loans with short and long term maturity period and with a grace period of 1 year</p> <p>The State expects to access concessional loans from WBG only based on agreement at low interest rates (preferably 2%), 30 years maturity and 7 years grace period in order to finance capital project and for human capital development purpose. The repayment will be on agreed schedule (amortization)</p> <p>Borno State will source for External Bilateral loan with 2% interest rate and 30 years duration of debt service and a moratorium of 7 years, as it is part of proposal in M-TEF 2025-2027 medium term in order to achieve 10 years strategic transformation plan. The repayment will be on agreed schedule (amortization)</p> <p>Other external financing are projected based on Financing Gap with low cost and interest. As it is part of proposal in M-TEF 2025-2027 in the medium term.</p>
<p>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3</p>	<p>Planned borrowings (new bonds, new loans, etc.) for Debt Strategy S3 New Domestic Financing in Million Naira</p> <p>Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)</p> <p>State Bonds (maturity 1 to 5 years)</p> <p>State Bonds (maturity 6 years or longer)</p> <p>Other Domestic Financing</p> <p>New External Financing in Million US Dollar</p> <p>External Financing - Concessional Loans (e.g., World Bank, African Development Bank)</p> <p>External Financing - Bilateral Loans</p> <p>Other External Financing</p>	<p>The State intend to borrow domestically from commercial bank with 1 to 5 years maturity and moratorium of a year. Loan that are low risk and cost to fill the Financing Gap of the State. The categories of the loan are Agric related loan, Infrastructure and micro small and medium enterprises scheme loan. Repayment of the loans are base on agreed amortization.</p> <p>The State intend to borrow domestically from commercial bank with 6 years and above maturity and moratorium of a year. Loan that are low risk and cost to fill the Financing Gap of the State. The categories of the loan are Agric related loan, Infrastructure and micro small and medium enterprises scheme loan. Repayment of the loans are base on agreed amortization.</p> <p>Under Strategy 3, State will explore the options of Short Term Bonds in other to raise enough fund in the capital market, with 22% interest and a grace period of 1 year and maturity of 7 years.</p> <p>Under Strategy 3, State will explore the options of Long term bonds in other to raise enough fund in the capital market, with 22% interest and a grace period of 1 year and maturity of 7 years.</p> <p>Under Strategy 3, State will not explore the options of Other Domestic Financing, it concentrate on Commercial Bank Loans with short and long term maturity period and with a grace period of 1 year</p> <p>The State expects to access concessional loans from WBG in the medium term only, based on agreement at low interest rates (preferably 2%), 30 years maturity and 7 years grace period in order to finance capital project and for human capital development purpose. The repayment will be on agreed schedule (amortization)</p> <p>Borno State will source for External Bilateral loan in the medium term only, with 2% interest rate and 30 years duration of debt service and a moratorium of 7 years, as it is part of proposal in M-TEF 2025-2027 medium term in order to achieve 10 years strategic transformation plan. The repayment will be on agreed schedule (amortization)</p> <p>Other external financing are projected based on Financing Gap with low cost and interest in the medium term only. As it is part of proposal in M-TEF 2025-2027 in the medium term. Repayment is base on agreed amortization schedule.</p>

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)	The State intend to borrow domestically from commercial bank with 1 to 5 years maturity and moratorium of a year. Loan that are low risk and cost to fill the Financing Gap of the State. The categories of the loan are Agric related loan, infrastructure and micro small and medium enterprises scheme loan. Repayment of the loans are base on agreed amortization throughout the medium term and the long term.	Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State intend to borrow domestically from commercial bank with 6 years and above maturity and moratorium of a year. Loan that are low risk and cost to fill the Financing Gap of the State. The categories of the loan are Agric related loan, infrastructure and micro small and medium enterprises scheme loan. Repayment of the loans are base on agreed amortization in the medium to longer term	Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF
State Bonds (maturity 1 to 5 years)	Under Strategy 4, State will explore the options of Short Term Bonds in othe to raise enough fund in the capital market with 22% interest and a grace period of 1 year and maturity of 7 years.	Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF
State Bonds (maturity 6 years or longer)	Under Strategy 4, State will explore the options of Long Term Bonds in other to raise enough fund in the capital market, with 22% interest and a grace period of 1 year and maturity of 7 years.	Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF
Other Domestic Financing	The State will explore the option of other domestic financing like CBN intervention loans that are favourable to the state in terms of conditions attached, and repayment will be base on agreement.	Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF
New External Financing in Million US Dollar		
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State expects to access concessional loans from WBG only based on agreement at low interest rates (preferably 2%), 30 years maturity and 7 years grace period in order to finance capital project and for human capital development purpose. The repayment will be on agreed schedule (amortization)	Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF
External Financing - Bilateral Loans	Borno State will source for External Bilateral loan with 2% interest rate and 30 years duration of debt service and a moratorium of 7 years, as it is part of proposal in M-TEF 2025-2027 medium term in order to achieve 10 years strategic transformation plan. The repayment will be on agreed schedule (amortization)	Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF
Other External Financing	Other external financing are projected based on Financing Gap requirement with low cost and interest. As it is part of proposal in M-TEF 2025-2027 in the medium term. Repayment is based on amortization agreed on.	Ministry of Finance, and Economic Development. Borno State, Borno State Debt Management Office and 2024-2027 M_TEF

BASELINE 2019

Revenue

1. Grants from Government

2. Grants from Non-Governmental

3. Other Revenue

Expenditures (Million Naira)

Revenue

1. Grants from Government

2. Grants from Non-Governmental

3. Other Revenue

4. VAT Allowance

5. GST

6. Capital Gains

6.a. Gifts

6.b. Sales of Government Assets and Privatization Proceeds

6.c. Other Non-Operational Capital Receipts

6.d. Proceeds from Other Sources (Dividends, Royalties, Insurance, Penalties, etc.)

Expenditure

1. Personnel and Salaries

2. Overhead costs

3. Interest Payments

3.a. Interest Payments on Loans

3.b. Interest Payments on Bonds

4. Other Recurrent Expenditure

5. Capital Expenditure

6. Amortization (provisional payments)

Budget Balance (+ means surplus, - means deficit)

Opening Cash and Bank Balance

Closing Cash and Bank Balance

Financing Needs and Sources (Million Euro)

Financing Needs												
i. Financing Needs												
i. Primary balance												
ii. Debt service												
Amortizations												
Interests												
iii. Financing Needs Other than Amortization Payments (e.g. Variation in Cash and Bank Balances)												
Financing Sources												
i. Financing Sources Other than Borrowing												
ii. Gross Borrowing												
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEs)												
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEs)												
State bonds (maturity 1 to 5 years)												
State bonds (maturity 6 years or longer)												
Other Domestic Financing												
External Financing - Concessional loans (e.g. World Bank, African Development Bank)												
External Financing - Bilateral Loans												
Other External Financing												
Residual Financing												

Debt Stocks and Flows (Million Euro)

Debt (stock)												
External												
Domestic												
Gross borrowing (flow)												
External												
Domestic												
Amortizations (flow)												
External												
Domestic												
Interest (flow)												
External												
Domestic												
Net borrowing (gross borrowing minus amortizations)												
External												
Domestic												

Debt and Debt-Service Indicators

Indicator Base	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	
Debt Stock as % of GDP	136.90	7.35	8.75	4.31	4.74	4.27	4.67	4.15	3.85	3.71	3.68	3.75	3.90	4.14	4.45	4.84								
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		136.90	184.33	81.41	77.21	50.44	38.34	55.13	58.22	51.73	41.11	40.32	40.41	41.50	43.22	45.07								
Debt Service as % of GDP							0.73	0.66	0.49	0.55	0.59	0.69	0.82	0.99	1.12	1.31								
Debt Service as % of Revenue (including grants and excluding other capital receipts)							6.01	8.83	7.33	7.68	6.54	7.42	8.53	9.89	10.92	12.24								
Interest as % of GDP							0.22	0.35	0.28	0.32	0.35	0.44	0.53	0.64	0.72	0.84								
Interest as % of Revenue (including grants and excluding other capital receipts)							1.83	4.63	4.23	4.45	3.91	4.76	5.51	6.37	7.04	7.83								
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							14.02	15.28	17.56	16.04	16.15	15.29	13.31	11.81	10.30	8.87								

Adverse Shock Scenario is defined by the worst performance indicator measured in year 2028

Indicator Base	Historical
For Debt Stock as % of GDP the adverse shock is: Historical	
Debt Stock as % of GDP	4.67
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical	
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	38.34
For Debt Service as % of GDP the adverse shock is: Historical	
Debt Service as % of GDP	0.73
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	
Debt Service as % of Revenue (including grants and excluding other capital receipts)	6.01
For Interest as % of GDP the adverse shock is: Historical	
Interest as % of GDP	0.22
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	
Interest as % of Revenue (including grants and excluding other capital receipts)	1.83

MEMBERS OF TECHNICAL TEAM ON 2024 BORNO STATE DSA DMS

- 1- UMAR ALI KA'ANA.....DIRECTOR GENERAL BORNO STATE DMO
- 2- WAKIL HELMA BULAMA.....DIRECTOR COLLECTION BIRS
- 3- HAMZA ABATCHA.....DIRECTOR COMPUTER & FINAL ACCOUNT AG OFFICE
- 4- ABBA LIMAN MUSTAPHA.....Ag DIRECTOR PORTFOLIO MANAGEMENT BORNO STATE DMO
- 5- MUSA HAMZA..... BUDGET OFFICE

SIGN.....

NAME.....Umar Kawan Saboring

HONOURABLE COMMISSIONER, BORNO STATE MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT