



JIGAWA STATE GOVERNMENT

2024

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

Table of Contents

Chapter 1: Introduction	3
Chapter 2: The State Fiscal and Debt Framework.....	6
Chapter 3: The State Revenue, Expenditure, and Public Debt Trends (2018 - 2023)	11
Chapter 4: Debt Sustainability Analysis.....	16
Chapter 5: Debt Management Strategy	35
Annex I: Baseline Assumptions.....	40
Annex II: Jigawa State Baseline Scenarios, 2019-2033.....	41
Jigawa State - Technical Team	43

Chapter 1: Introduction

The State Debt Sustainability Analysis (S-DSA) Toolkit was created by the Debt Management Office of Nigeria and underwent a review by the World Bank. Its purpose is to examine the financial developments in the State from 2019 to 2023 and assess the State's capacity to manage its debt in the long term, spanning from 2024 to 2033. Jigawa State's Technical Team conducted a Debt Sustainability Analysis (DSA), which included an evaluation of recent revenue, expenditure, public debt trends, and the policies implemented by the State Government, while considering the State's policy direction. This assessment involved analysing various scenarios and sensitivity factors to gauge how the State's public finances might perform in the future. The goal is to assist Jigawa State Government in making informed decisions regarding the execution of its programs and the issuance of new loans, based on the most up-to-date trends in the State's public finances.

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

Growth prospects vary significantly across regions. GDP growth in the United States is projected to be 2.8% in 2025, before slowing to 2.4% in 2026. In the euro area, the recovery in real household incomes, tight labour markets and reductions in policy interest rates continue to drive growth. Euro area GDP growth is projected at 1.3% in 2025 and 1.5% in 2026. Growth in Japan is projected to expand by 1.5% in 2025 but

then decline to 0.6% in 2026. China is expected to continue to slow, with GDP growth of 4.7% in 2025 and 4.4% in 2026.

"The global economy has proved resilient. Inflation has declined further towards central bank targets, while growth has remained stable," OECD Secretary-General Mathias Cormann said. "Significant challenges remain. Geopolitical tensions pose short-term risks, public debt ratios are high and medium-term growth prospects are too weak. Policy action needs to safeguard macroeconomic stability – through monetary policy easing that is carefully calibrated to ensure inflationary pressures are durably contained and through fiscal policy that rebuilds fiscal space to preserve room to meet future spending pressures. To boost productivity and the foundations for growth, we must enhance education and skills development efforts, undo overly stringent constraints to business investment and successfully tackle the structural increase in labour shortages."

The Outlook highlights persistent uncertainty. An intensification of the ongoing conflicts in the Middle East could disrupt energy markets and hit confidence and growth. Rising trade tensions might risk hampering trade growth. Adverse surprises related to growth prospects, or the path of disinflation could trigger disruptive corrections in financial markets. Growth could also surprise on the upside. Improvements in consumer confidence, for example if purchasing power recovers quicker than anticipated, could boost spending. An early resolution to major geopolitical conflicts could also improve sentiment, and lower energy prices.

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stability and strengthen financial supervision and risk monitoring. Should market strains materialize, countries should provide liquidity promptly while mitigating the possibility of moral hazard. They should also build fiscal buffers, with the composition of fiscal adjustment ensuring targeted support for the most vulnerable. Improvements to the supply side of the economy would facilitate fiscal consolidation and a smoother decline of inflation toward target levels.

Nigeria is estimated to post a GDP of USD253 Billion in 2024 Down from USD 477 Billion in 2022 and USD 375 Billion in 2023. Nigeria Gross Domestic Product (GDP) grew by 2.86% at market price based on constant local currency. Aggregate is based on constant 2010 US Dollars. This growth rate is lower than the 3.25% recorded in 2022 and may be attributed to the challenging economic conditions being experienced. (Macro Trends of Nigeria GDP Growth Rate 1961 – 2024)

In conclusion, the Jigawa State Government has put in place a harmonized revenue law to expand the tax net and boost Internally Generated Revenue. The increase in Internally Generated Revenue is expected to positively impact on the debt obligations as well as economic development of the State. The State plans to augment the State budget through borrowings from domestic loans and external loans in as the Jigawa State Debt Risk is moderate because the indicators are below the threshold while others are above.

Chapter 2

The State Fiscal and Debt Framework

The 2023 Budget is planned to add-on the achievement of 2023 to attain the agenda of the renewed mandate for another 4-year term. Consistent with the provision of the overarching State development policy document (i.e., the State Comprehensive Development Framework).

2.1 Medium-Term Budget Forecast

Jigawa State Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) constitute the major components of the Annual Budget Process. These set of principles provides logical starting point for the development of Medium-Term Expenditure Framework (MTEF), which highlight the context of the annual budget. The key objective is to achieve fiscal realism and sustainability for both the medium and long-term development of the State through an institutionalized fiscal reform.

The foundation for any fiscal discipline and the attainment of fiscal realism starts with the Economic and Fiscal Update (EFU). It (the EFU) presents data and analyzed information on all the strata of the state, national and global economic and fiscal situations. This forms the basis for fiscal and macroeconomic assumptions and projections reflected in the Fiscal Strategy Paper which also goes further to manifest medium-term fiscal projections (revenue and expenditure). The EFU gives a measured reflection of recent budget performance identifying factors that significantly affects the attainment of budgetary outputs and outcomes which transmit into the subsequent fiscal plans.

The EFU provides the context for a prospective Fiscal Strategy Paper (FSP) that feeds into the Medium-Term Expenditure Framework (MTEF) where resources are strategically allocated considering Government policy objectives and priorities as dictated by the budget policy statements.

Thus FSP is an indispensable element in annual budget process as it determine the resources available to fund government prioritized projects and programmers in a

sustainable manner and consistent with its development policy objective and priorities as encapsulated in the existing policy document. It provides justification and corroborate the estimation for medium-term major Revenue and Expenditure aggregates including important components of the MTEF Process such as fiscal targets, fiscal constraints and an assessment of the fiscal risks.

In line with the Medium Term Budget forecast FSP strategy, the Government has reviewed its fiscal policies in the areas of Cash management, IGR, etc. These fiscal components are targeted towards boosting of revenue generation for Government financial obligation as well as investment,

Fiscal policies strongly recommend that the existing debt and new borrowing should be kept below the established threshold in line with the Fiscal Responsibility Act, 2007. The Fiscal Strategy Paper prioritized projects and programmes in a sustainable manner and consistent with its development policy objective of the Government.

The macroeconomic assumptions revealed the projected revenue from N138,826.60 2024, N157,021.30 in 2025, N153,954.30 million in 2026 and N159,148.50million in 2026. On the other hand, the expenditure was estimated at N215,412.90 2024, N194,567.20million in 2025, N193,947.70million in 2026 and N206,450.40million in 2027, respectively. The details of the macroeconomic assumptions are as shown in the table below.

Jigawa State Medium Term Expenditure Framework (MTEF), 2024-2027

Macroeconomic Assumptions	2024	2025	2026	2027
National Inflation	22.00%	15.75%	14.21%	33.00%
National Real GDP Growth	3.20%	4.60%	4.40%	5.50%
Budget Oil Production Volume (mbpd)	1.5000	2.0600	2.1000	2.3500
Projected Budget Benchmark Price (US\$ per barrel)	75.00%	75.00%	76.20%	75.30%
Average Exchange Rate (N/US\$)	1,300.00	1,200.00	1,100.00	1,000.00
Revenue				
Gross Statutory Allocation	48,692.40	49,056.70	50,213.10	52,558.40
Other FAAC transfers	11,885.00	12,614.40	13,343.90	14,073.40
VAT Allocation	21,305.50	22,051.20	22,823.00	23,621.80
IGR	50,843.50	51,455.00	53,097.20	54,771.30
Grants	9,285.50	7,744.50	8,202.60	8,661.20
Sales of Government Assets	546.40	562.80	579.60	597.00
Other Non-Debt Creating Capital Receipts	10,067.50	10,470.20	10,889.00	11,324.60
Total Revenue (A)	152,625.80	153,954.80	159,148.00	165,607.70
Expenditure				
Personnel costs	78,000.00	80,000.00	85,000.00	89,000.00
Overhead costs	50,000.00	22,814.50	22,280.40	22,746.30
Other Recurrent Expenditure*	7,865.00	7,953.80	11,592.00	15,438.20
Capital Expenditure	79,547.9	83,798.90	75,074.80	79,265.90
Total Expenditure (B)	215,412.90	194,567.20	193,947.20	206,450.40
New Domestic Borrowing	27,504.0	61,700.00	78,490.00	89,629.70

New External Borrowing	0.0	0.00	0.00	40,000.00
New Borrowing (C)	27,504.00	61,700.00	78,490.00	129,629.70
Budget Balance Variance (A+C-B)	(35,283.10)	19,758.60	38,497.60	88,787.00
Closing Balance	<u>59,820.00</u>	<u>24,536.90</u>	<u>44,295.50</u>	<u>82,793.10</u>
Opening Balance	<u>24,536.90</u>	<u>44,295.50</u>	<u>82,793.10</u>	<u>171,580.10</u>

Source: Jigawa State Government Micro Economic and Mineral/Fiscal Framework 2025-2027

*Other Recurrent Expenditure comprises Debt Charges and other recurrent Expenditure

State's Revenue policies: Jigawa State Comprehensive Development Framework (CDF) which is the key policy document of the State Government has outlined the focus of the State's Public Expenditure and Financial Management Reforms (PEFM) recognizing "exercise of control and stewardship in the use of public funds" as one of the primary objectives of the reforms. Ultimately, the reforms seem to entrench a good PFM system which is essential for the implementation of policies and the attainment of the overall State's developmental objectives.

Jigawa State Government introduced new "A ***Law to establish Economic Planning and Fiscal responsibility Council, 2009***" A law to provide for sound Public Expenditure and Financial Management in Jigawa State aimed at ensuring that for the purpose of overall economic development of the State Government strives towards the followings:

- Aligning its income and expenditure by keeping its spending limits within the dictates of its available resources;
- Ensuring that the budget process is pursued within a framework that supports strategic prioritization and rational resources allocation and in accordance with the overall development policy objectives of the state; and,
- Ensuring strict adherence to "due-process" in the budget execution as well as accountability, transparency and prudence in the entire public financial management.

Jigawa State Government introduced new " ***Jigawa State Revenue (Codification and Consolidation Law, 2019***" A Law to provide the harmonization, Consolidation

and Codification of all Jigawa State Internal Revenue and also to restructure the board of Internal Revenue with a view to sanitizing the Revenue system in the State in respect of Assessment, Collection and Remittance to Revenue Single Account (RSA) for effective service delivery in the State and Related Matters.

State's Expenditure policies: Jigawa's Expenditure Policies drives through a State's Comprehensive Development Framework (CDF) which is to develop a holistic socioeconomic development strategy that puts together all major elements affecting the development of the State. The effort represents a shared vision of all stakeholders, a development framework that is designed to guide short and medium-term state development plans and ensure effective linkage to the budget through a Medium-Term Expenditure Framework with sufficient flexibility to respond to emerging needs and exigencies.

This section provides a brief review of the development process of the State since its creation, the overall development objectives, and priorities, as well as its mission and vision. The section also gives an overview of the conceptual underpinnings for the sustainable economic development of the State outlined in the Jigawa State CDF.

Note:

The DSA-MTDS report is based on the exchange rate of N1,300 to US \$1 from the national Medium-Term Expenditure Framework (MTEF) prepared in 2023, which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities.

Chapter 3

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

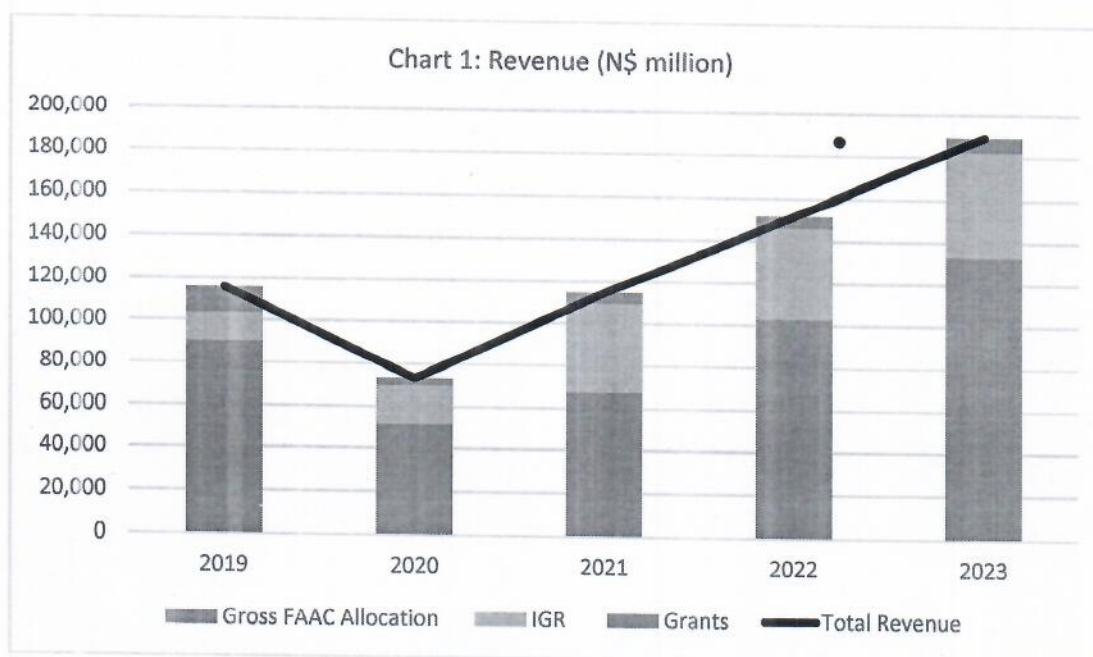
The Jigawa State economy experienced a growth under Internally Generate Revenue (IGR) from N13,750.00 million in 2019 to N49,164.00 million in 2023, which represent an increase of N35,414.00 million or 72 percent. This was due to economic reforms to improve tax and other service sectors, as well as other initiatives by the Government.

3.1 Revenue and Expenditure

Revenue - The State's economy comprises Statutory Allocation, Derivation, VAT Allocation, IGR, and Capital Receipt. the State's Revenue increase from N115,520.00 million in 2019, N73,206.00 million in 2020, N114,533.00 million in 2021, with an increase in 2022 which stood at N37,012.00 million and shape rises in 2023 at amounted to N37,665.00 million was as a result of revenue improvement initiatives.

- a. The record for the Jigawa State's FAAC allocation stood at N89,870 million in 2019, N50,828 million in 2020, N67,238 million in 2021, N102,836 million in 2022 and N133,169.30 million in 2023, respectively.
- b. Jigawa witnessed modest growth and significant improvement in the State **Internally Generated Revenue (IGR)**, where the IGR grew from N13,750 million in 2019, N19,080 million in 2020, N42,006 million in 2021, N43,148 million in 2022, with an increase in 2023 which recorded at N49,163.70 million. The improvement in IGR is mainly due to the tax reforms aimed at improving collection efficiency and broadening the tax revenue base, the increase was as a result of tax reform activities as started earlier.

Revenue	2019	2020	2021	2022	2023
Total Revenue	115,520	73206	114,533	151,545	189,210.0
Gross FAAC Allocation	89,970	50,828	67,238	102,836	133,169.2
IGR	13,750	19,080	42,006	43,148	49,164.00
Grants	11,800	3,298	5,289	5,562	6,878

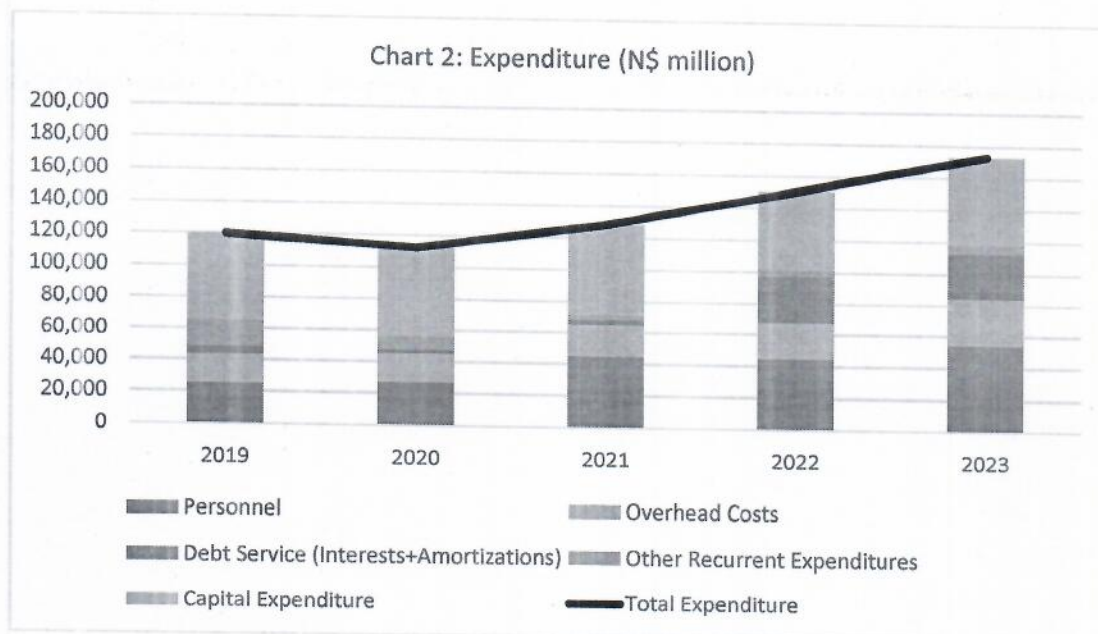


Expenditure- The State's Total expenditure covers Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment) recorded at N119,731 million in 2019, N127,954 million 2020, N127,954 million in 2021, N150,609 million in 2022, and N173,413 million in 2023, respectively.

Personnel recorded at N25,259 million, N26,968 million, N44,241 million, N44,176 million and N54,402 million in 2019, 2020, 2021, 2022 and 2023, respectively. Overhead cost amounted from N18,456 million in 2019 and N30,157 million in 2023. Capital Expenditure amounted to N53,970 million in 2019, N57,272 million in 2020, N56,210 million in 2021, N49,238 million in 2022, and N55,050 million in 2023 respectively.

Expenditure Performance	2019	2020	2021	2022	2023
Total Expenditure	119,731	112,518	127,954	150,609	173,413
Personnel	25,259	26,968	44,241	44,176	54,402

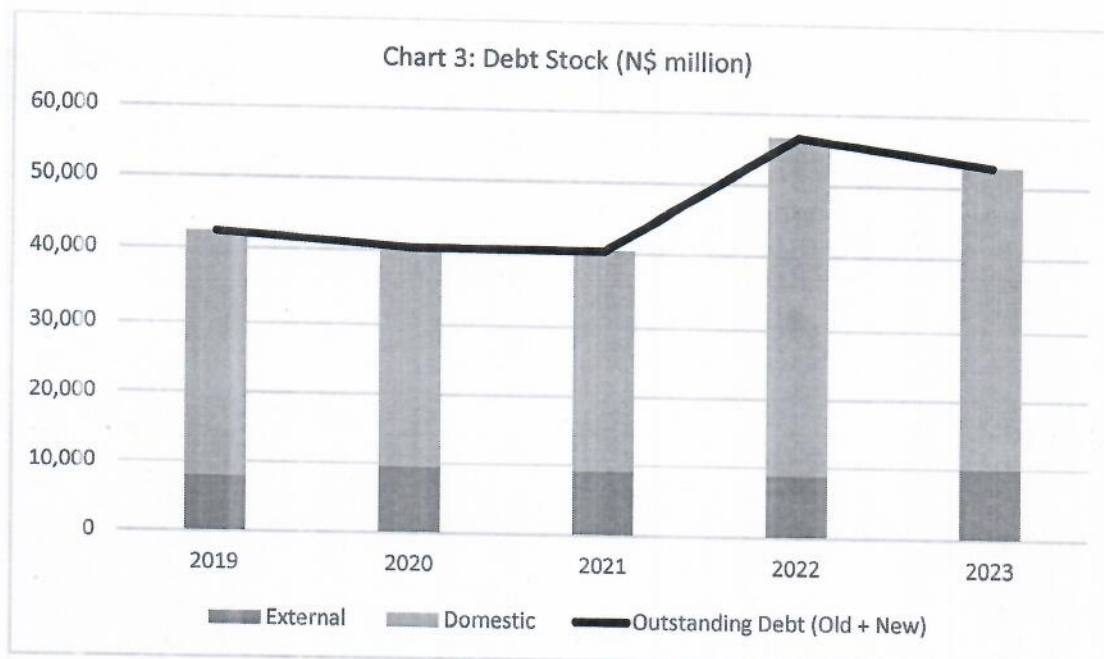
Overhead Costs	18,456	18,290	21,149	24,196	30,157
Debt Service (Interests + Amortizations)	4,790	2,231	2,983	29,321	27,718
Other Recurrent Expenditures	17,256	7,756	3,371	3,679	6,086
Capital Expenditure	53,970	57,272	56,210	49,238	55,050



3.2 Existing Public Debt Portfolio

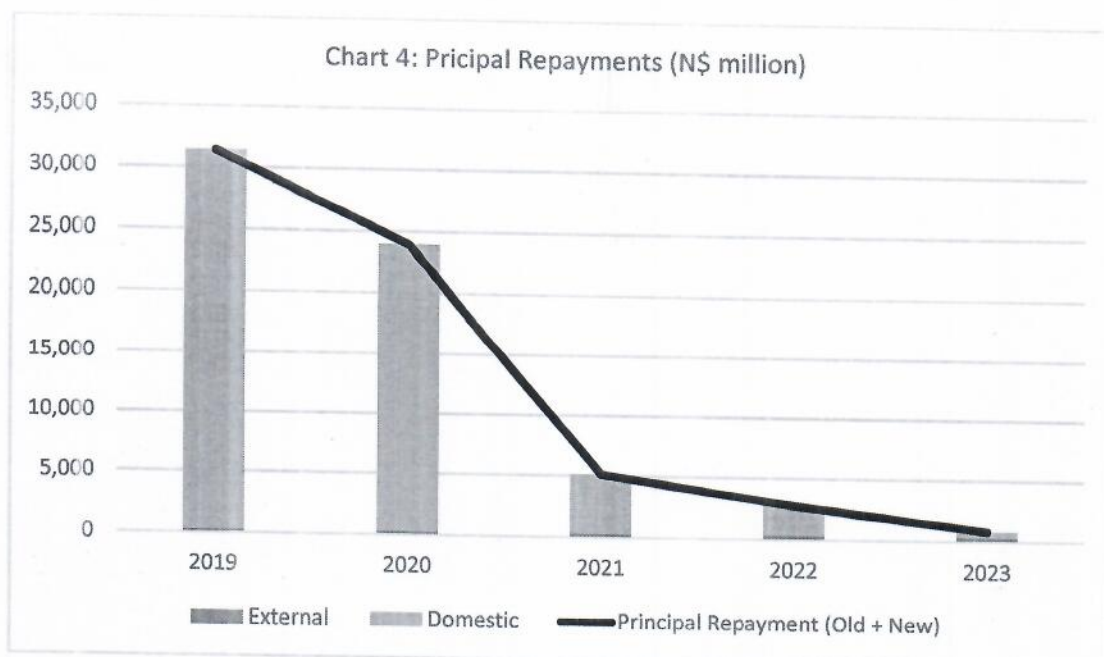
- a. Debt Stock - Jigawa State Total Debt comprised External and Domestic Debts which was amounted at N40,242 in 2020 compared to N52,709 million in 2023, which representing an increase of NN12,467 million or 30.9 percent respectively. The External Debt grew from N7,837 million in 2019 to N9,952 million in 2023, and the Domestic Debt stock stood at N34,611 million in 2019 to N42,758 million in 2023.

	2019	2020	2021	2022	2023
Outstanding Debt (Old + New)	42,427	40,242	40,362	56,628	52,709
External	7,837	9,450	9,029	8,769	9,952
Domestic	34,611	30,970	31,334	47,858	42,758

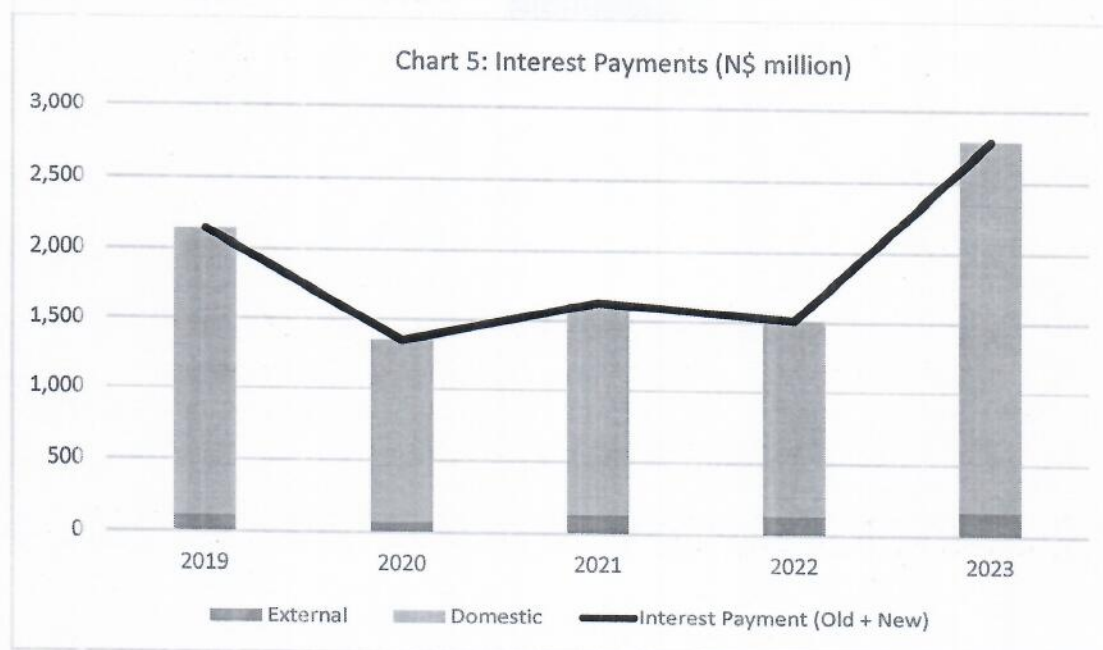


- b. The Jigawa State Debt Service amounted at N3,619 million in 2023 which comprises the principal repayment of N436 million and interest payment of N3,183 million. The principal repayments and Interest Payment made were on both External Debt and Domestic Debt (chart 4 and 5).

Principal Repayment	2019	2020	2021	2022	2023
Principal Repayment	31,388	23,945	5,104	2,757	834
External	189	212	222	317	271
Domestic	31,199	23,733	4,882	2,440	563



Interest Payment	2019	2020	2021	2022	2023
Interest Payment	2,141	1,353	1,633	1,514	2,785
External	110	63	129	130	165
Domestic	2,031	1,284	1,503	1,384	2,620



Chapter 4

Debt Sustainability Analysis

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

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

Indicators	Thresholds	Ratio
Debt as % of GDP	25%	3.10
Debt as % of Revenue	200%	80
Debt Service as % of Revenue	40%	3.56
Personnel Costas % of Revenue	60%	60.65
Debt Service as % of FAAC Allocation	Nil	4.90
Interest Payment as % of Revenue	Nil	2.42
External Debt Service as % of Revenue	Nil	0.40

Source: Jigawa State DMD

4.2 Borrowing Options

The borrowing options are considered due to the timing of government's cash flows throughout the fiscal year. Domestic financing serves as one of the main sources of borrowing and given the limited funding envelopes from the external borrowing with long processing time required, domestic borrowings are mainly through: the commercial banks, Federal Government and other Central Bank of Nigeria (Interventions) loans are main source of financing. See below the proposed financing;

Borrowing Terms for New Domestic Debt (issued/contracted from 2023 onwards)	Interest Rate (%)	Mat urit y (# of yea rs)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	36.00%	5	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	35.50%	6	1
State Bonds (maturity 1 to 5 years)	15.50%	5	1
State Bonds (maturity 6 years or longer)	17.00%	10	1
Other Domestic Financing	9.00%	7	1
Borrowing Terms for New External Debt (issued/contracted from 2023 onwards)	Interest Rate (%)	Mat urit y (# of yea rs)	Grace (# of years)
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2.47%	30	7
External Financing - Bilateral Loans	1.15%	20	5
Other External Financing	3.00%	7	5

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Domestic Financing										
Commercial Bank Loans 1 <= 5 years		61,700	0.0	0.0	0.0	148,100	100,050	90,000	110,000	120,000
Commercial Bank Loans - 6 years >	27,50400	0.0	78,490	89,629.7	119,533.4	0.0	94,617	95,000	0.0	50,000.0
State Bonds - 1 <= 5 years)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	129,083.5	0.0
State Bonds - 6 years >	0.0	0.0	0.0	0.0	0.0	0.0	0.0	59,217.4	0.0	104,219.8
Other Domestic Financing	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0
Domestic Financing (NGN' Million)	27,504	61,700	278,490	89,629.7	119,533.4	148,100	194,667	244,217.4	239,083.5	274,921.8.0
External Financing										
External Financing - Concessional Loans (e.g. WB, AfDB)	0.0	0.0	0.0	40.0	20.0	40.0	0.0	60	0	30
External Financing - Bilateral Loans	0.0	0.0	0.0	0.0	25.0	15.0	60.0	10	100	111
Other External Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23
External Financing (US\$' Million)	0.0	00	0.0		45	55	60.0	70.0	170	164
Gross Borrowing Requirements (N' Million)	27,504	61,700	278,490	129,629	164,533.4	203,100	254,667	314,217.4	256,083.5	438,921.8

Planned Borrowing

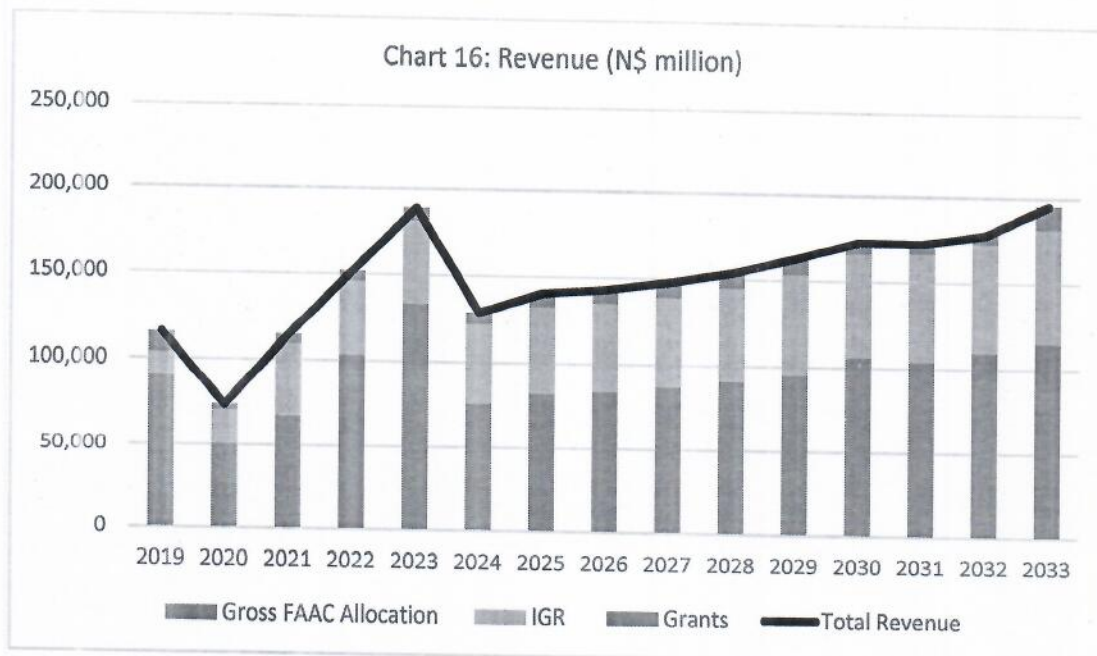
4.3.1 DSA Simulation Results

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

Revenue is expected to grow during the projected period, driven largely by expected improvement in FAAC allocation and Internally Generated Revenue (IGR) over the projection period, the Revenue projected to grow from N128,616 million in 2024, N153,686 million 2028 and N195,429 million in 2033, respectively.

The FAAC allocation is estimated to increase from N75,514 million in 2023 to N114,986 million in 2032. Similarly, the IGR projected to increase from N46,262 million in 2023 to N67,222 million in 2033, and Grants projected at N6,840 million in 2024, N 7,744million in 2026, N8,661 million in 2028, N6.840 million in 2030, and N13,221 million in 2033, respectively. The grant was based on signed agreements with the following a. Capital Domestic Aids b. Domestic Grants c. Global Education Grants

(World Bank - BESDA Project) d. Basic Healthcare Provision Fund Receipts - estimated at N21.41 billion f. Foreign Grants g. UNICEF Primary Healthcare Grants h. Sasakawa Global Agricultural Grants i. Global Alliance for Vaccine (GAVI) Fund Grants - projected to N13.20 billion.



Expenditure projected to grow by N219,997 million to N649,486 million over the projection period with Capital expenditure having the largest share over the estimated period. indicating stability in the state growth recovery. The growth in the period is predicated on sustaining effective implementation of the new laws. Government is expected to continue its fiscal strategy of directing resources to the most productive and growth-enhancing sectors, including Agriculture, Infrastructure, Manufacturing, Housing and Construction, Education, Health and Water Resources within the period.

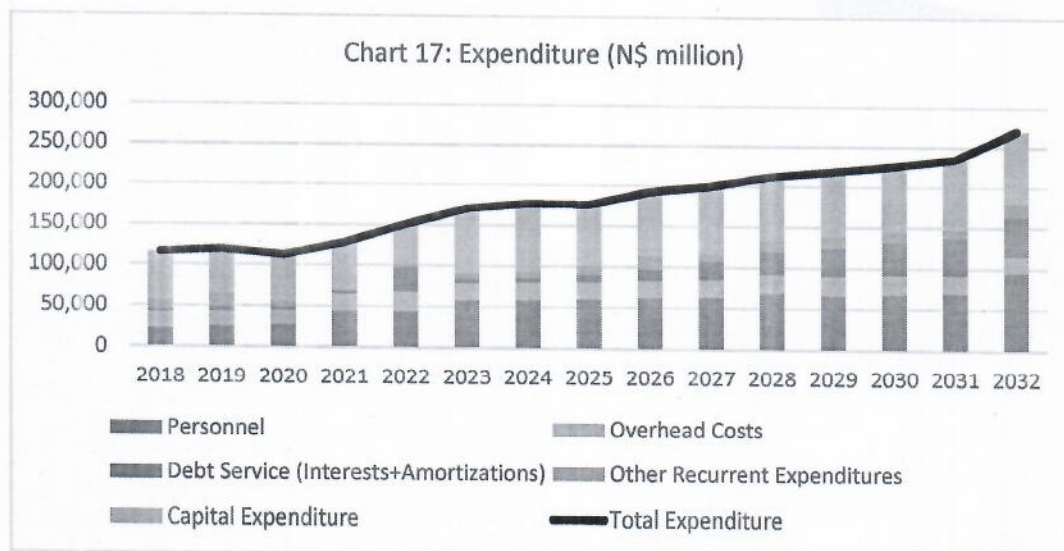
Personnel cost - The State is determined to sustain the trend to reduce personnel cost. It is anticipated that the number of political office holders will also be reduced, and the personnel cost is projected to increase from N78,000 million in 2024, N90,500 million in 2029, and N101,000 million in 2033 respectively.

Overheads – overhead costs estimated to increase from N50,00 million in 2024, N23,678 million in 2027, N24,144 million in 2030 and N19,442 million in 2033 respectively, the increase was due expectation from the substantive recorded in the past five years not until 2031 that it is projected to start declining.

Total Debt Service – is based on the projected principal and interest repayments over the projection period. Hence, an own value has been used anticipating that public debt charge will increase significantly over the years due to the projected level of borrowing.

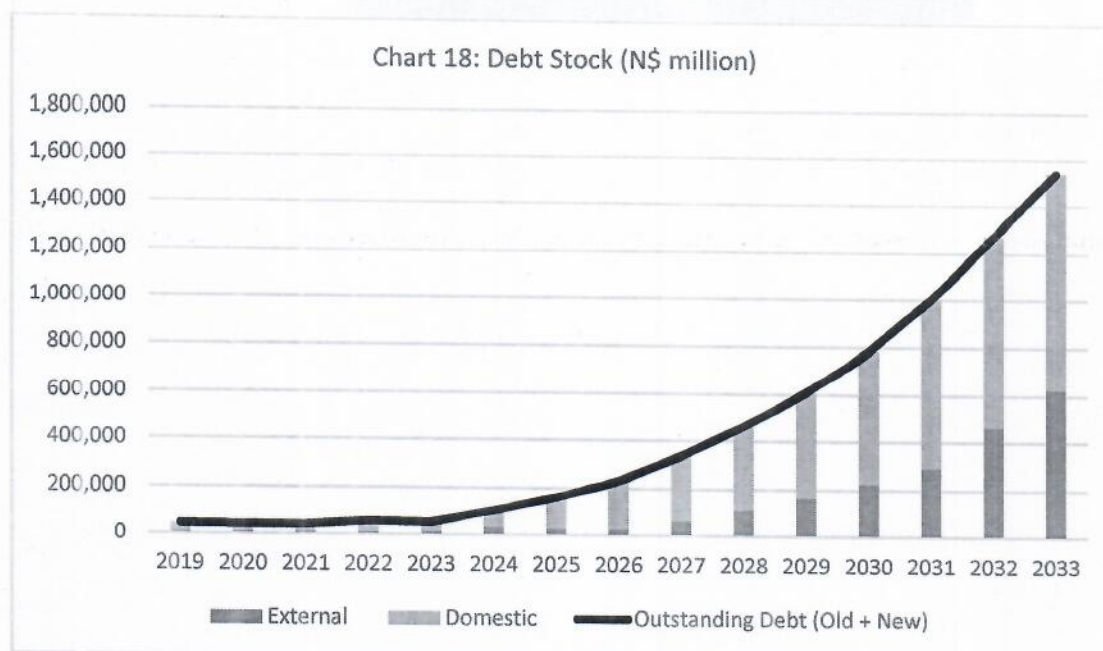
Other Recurrent Expenditures – other recurrent expenditure comprises Social Contribution and Social Benefits – Pensions and gratuity payments is expected to grow over the years. Other recurrent expenditure projected to N7,722 million in 2023, N10,691 million in 2027 and N17,078 million in 2032 respectively.

Capital Expenditure – capital expenditure projected at N79,548 million in 2024, N83,799 million in 2025, N75,075 million in 2026, N79,266 million in 2027, N83,011 million in 2028, N79,005 million in 2029, N78,702 million in 2030, N80,847 million in 2031, N86,996 million in 2032 and N88,555 million in 2033, respectively.



Gross Financing Needs (GFN) - is the sum of budget deficits and funds required to roll over debt that matures over the year. The GFN for Jigawa State 2024-2027 estimate at N8,937.34 million in 2024, N27,504 million in 2024, N278,490 million in 2026 and N129,629 respectively. The gross financing needs over the projection period of 2023 - 2033 is estimated at an average of N130,925.29 million. The fiscal deficit projection beyond the MTEF period is hinged on the anticipated improvement on the revenue due to the various initiatives and reforms by Government, as well as efficiency and quality of spending.

Debt Stock projected to N102,926 million in 2024, N229,823 million in 2026, N461,474 million in 2028, N783,550 million in 2030, N1,537,469 million in 2033, respectively.



The debt service comprises principal repayment and interest payment, the debt service was projected at N4,584 million in 2024, 14,308 million in 2026, 42,042 million in 2027, N99,092 million in 2028, N124,080 million in 2029, N3172,320 million in 2030, N231,183 million in 2031, N289,770 million in 2031, N377,973 million in 2032 and N423,411 million in 2033, respectively.

Chart 19: Pricipal Repayments (N\$ million)

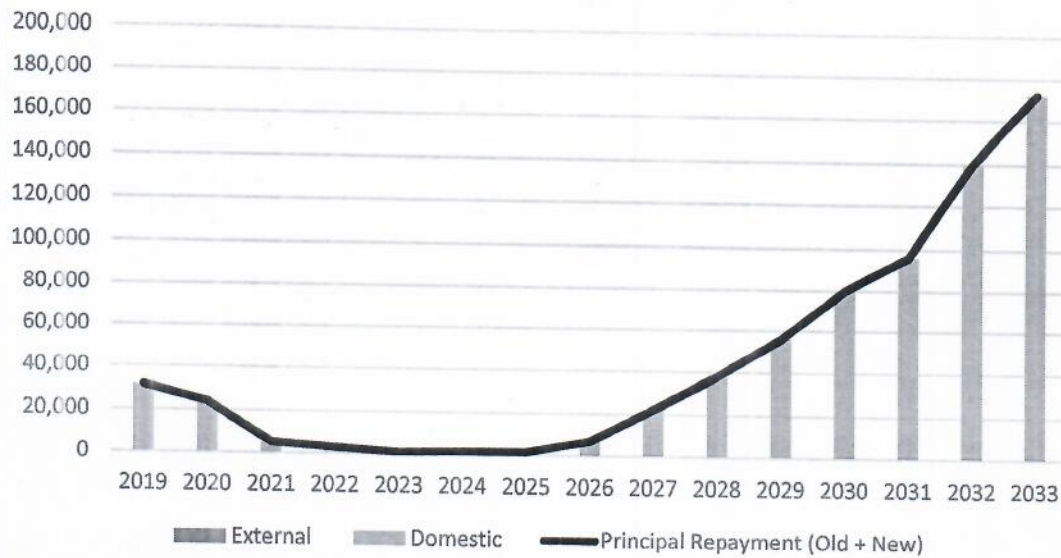
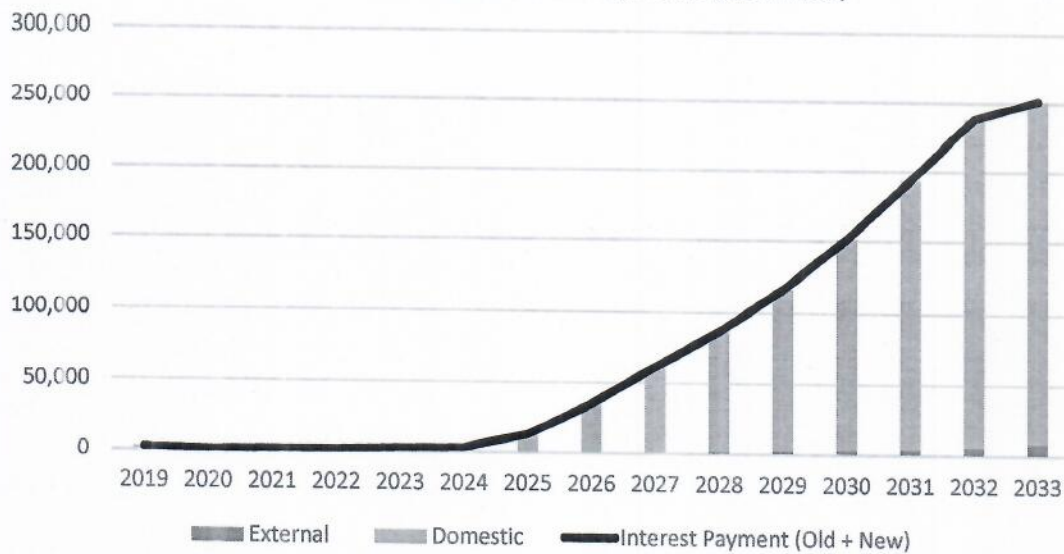


Chart 20: Interest Payments (N\$ million)



Main Key Findings

On the Total Debt Sustainability Analysis, the results show that the ratio of Debt to revenue remains below its indicative threshold under the Baseline scenario. Except for Revenue and Expenditure shocks that breached the threshold at around 2029, other shock scenarios remain positive. This indicates the state is likely at the risk debt distress over the projection period provided revenue and expenditure are kept under watch.

2023 DSA exercise shows that there is substantial Space to Borrow based on the state's current revenue profile. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2023 to 2032, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.

The ratio of Debt to GDP projected to 3.10 percent in 2024, 5.26 percent in 2026, 8.54 percent in 2028, 11.70 percent in 2030, 16.67 percent in 2033 respectively. Jigawa State would remain under the threshold for Debt to SGDP ratio for 25 percent over the projection period.

The revenue-based indicators show that the Debt to Revenue projected at 80 percent in 2024, 160.80 percent in 2027, 300.27 percent in 2029, 452.92 percent in 2030, and 786.71 percent in 2033, respectively and were still below the threshold of 200 percent.

The outcomes of Debt Service to Revenue estimates the ratios at 3.56 percent in 2024, 56.49 percent in 2027, 105.94 percent in 2030 and 167.85 percent in 2033 respectively, as against the threshold of 216.66 percent to the end of the projection period in the medium to long term.

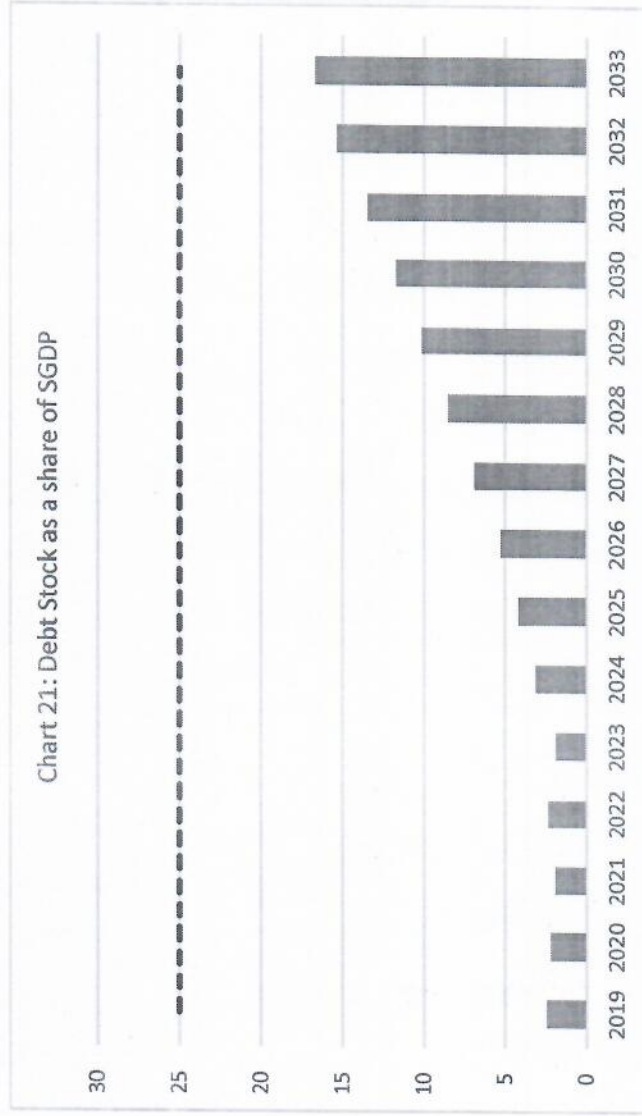
The Personnel Cost to Revenue remained under state threshold of 60 percent from 60.65percent in 2024, 59.47 percent in 2027, 53.18 percent in 2030 and 51.68 percent in 2033 respectively. Thus, Jigawa State Debt remained sustainable on the revenue and debt indicators.

Debt Service to Gross FAAC Allocation projected at 43.76, Interest to Revenue at 11.25 percent in 2032 and External Debt Service to Revenue at 1.26 percent at the end of projected period of 2032.

Jigawa State Debt burden indicators

	Thres hold	20 24	202 5	202 6	202 7	202 8	202 9	203 0	203 1	203 2	203 3
Debt as % of SGDP	25	3.1 0	4.1 8	6.8 9	8.5 3	8.5 3	10. 11	11. 70	13. 44	15. 33	16. 67
Debt as % of Revenue	200	80	114 .42	160 .80	226 .73	300 .27	374 .27	374 .27	452 .92	580 .27	786 .71
Debt Service as % of Revenue	40	3.5 6	10. 19	29. 42	56. 49	80. 74	105 .94	133 .63	167 .85	212 .25	216 .66
Personnel Cost as % of Revenue	60	60. 65	56. 98	59. 47	60. 27	58. 56	55. 64	53. 18	53. 87	55. 03	51. 68
Debt Service as a share of Gross FAAC Allocation		4.9 0	6.64	12.4 9	18.4 2	27.0 5	31.8 3	35.7 0	39.0 0	38.1 3	43.7 6
Interest as a share of Revenue		2.4 2	10.2 0	28.2 3	47.8 2	65.0 1	83.1 7	101. 66	130. 45	155. 36	150. 33
External Debt Service as a share of Revenue		0.4 0	0.34	0.58	0.57	0.85	0.79	0.98	0.98	1.07	1.26
Gross Financing Needs as a share of SGDP		1.1 4	1.88	2.05	2.90	3.26	3.58	3.98	4.40	5.11	4.93
Overall Balance as a share of SGDP		- 1.8 8	- 1.96	- 1.90	- 2.39	- 2.49	- 2.52	- 2.28	- 2.42	- 2.36	- 3.27
Primary Balance as a share of SGDP		- 2.6 6	- 1.45	- 1.32	- 1.67	- 1.68	- 1.68	- 7.75	- 1.80	- 2.18	- 2.20
Revenue as a share of SGDP		3.8 7	3.65	3.27	3.04	2.84	2.70	2.58	2.32	2.15	2.2

Expenditures as a share of SGDP		6.6 2	5.43	5.40	5.96	6.12	6.29	6.59	6.72	7.20	7.04
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Chart 26: Fiscal Outturns

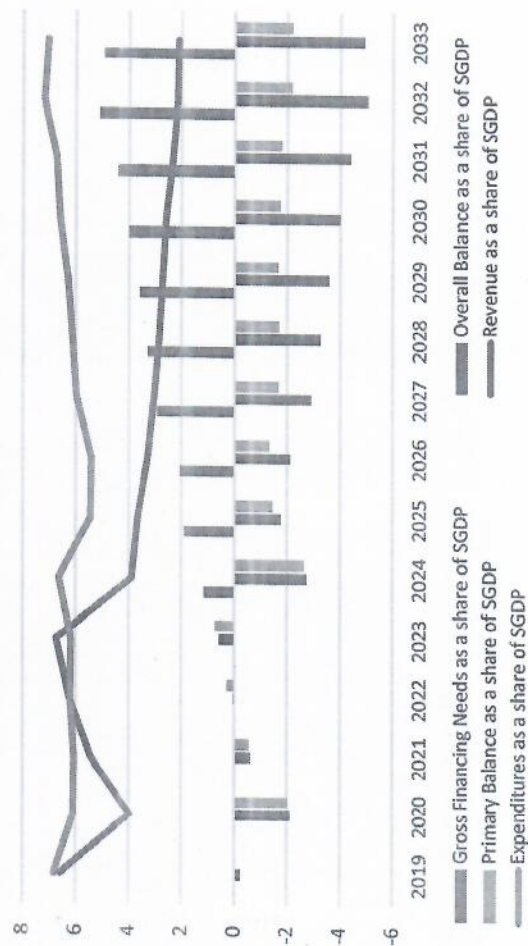


Chart 25: Debt service indicators

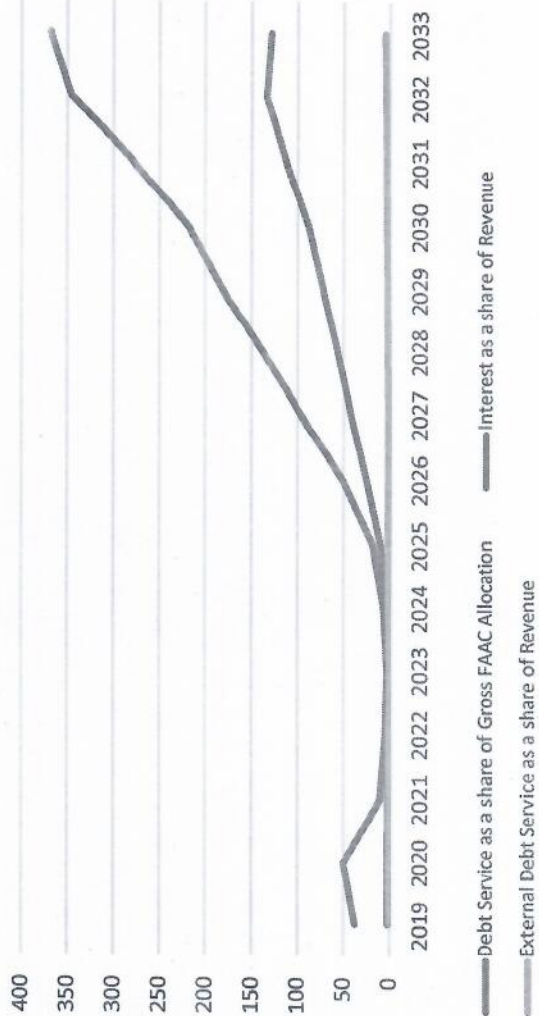
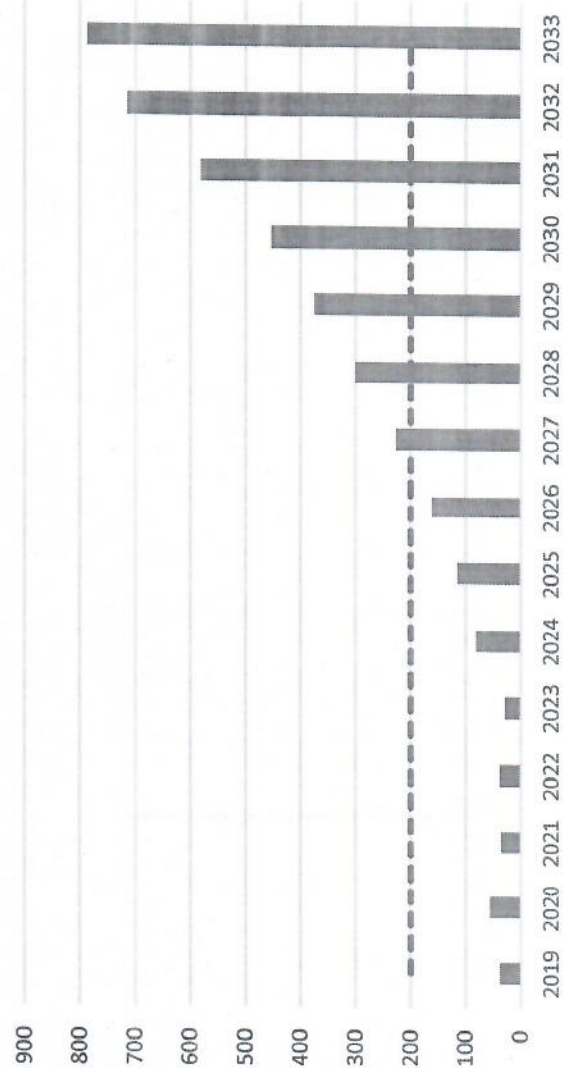
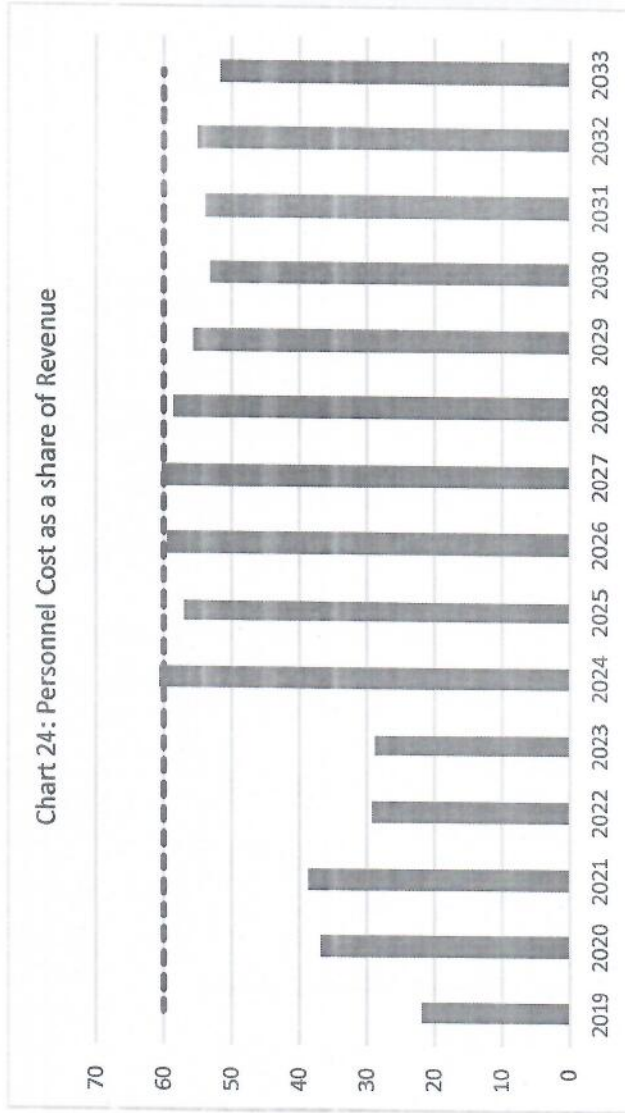
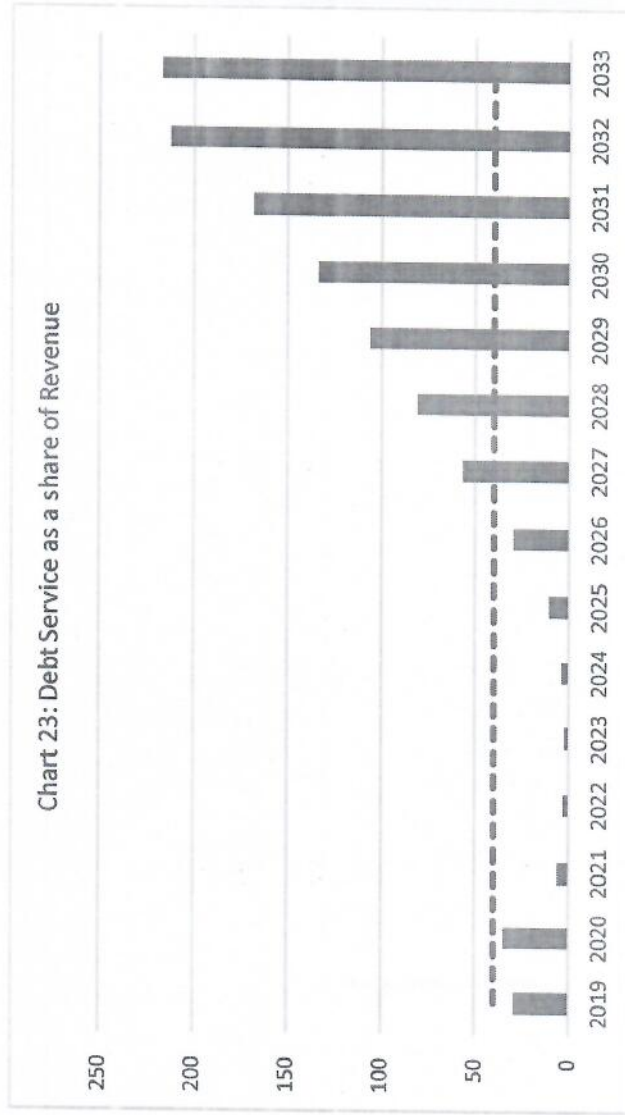


Chart 22: Debt Stock as a share of Revenue







Conclusion

The outcome of the 2024 DSA revealed that Jigawa's Total Debt remains at moderate Risk because some debt indicators are below the threshold while some are above.

4.3.2 DSA Sensitivity Analysis

Jigawa State, 2024 DSA analysis remains at low risk of debt distress under sensitivity analysis. The State DSA analysis shows deteriorating levels at the latter years of the projection period relating to revenue shocks and expenditure shocks that would lead to increase Gross Financing Needs over the projection period. The exchange rate shocks and interest rate shocks remain positive while and historical shock is not under consideration. There is an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation.

In line with the projections, the Jigawa State 2024 DSA remains sustainable of course with strict adherence to prudent debt management as well as fiscal discipline. With the provisions of law guiding domestic and international borrowing by Fiscal Responsibility Act, and Debt Management, the Government is positioned for prudent debt management and fiscal discipline in order to be able to honor its future financial obligations. Fiscal policies guiding Cash Management and IGR is expected to consolidate on the gains of the State achievements.

Chart 27: Debt Stock as a share of SGDP

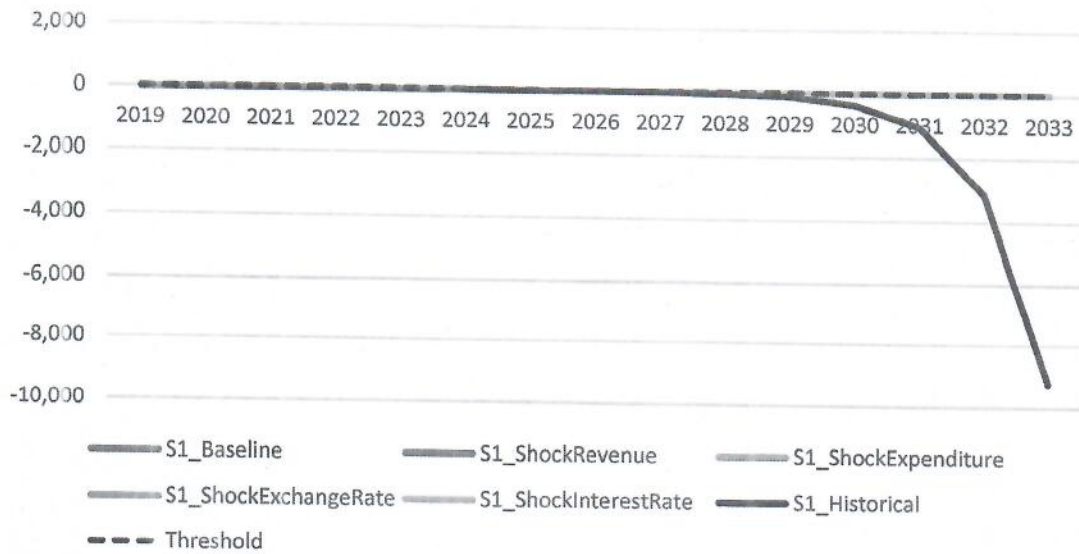
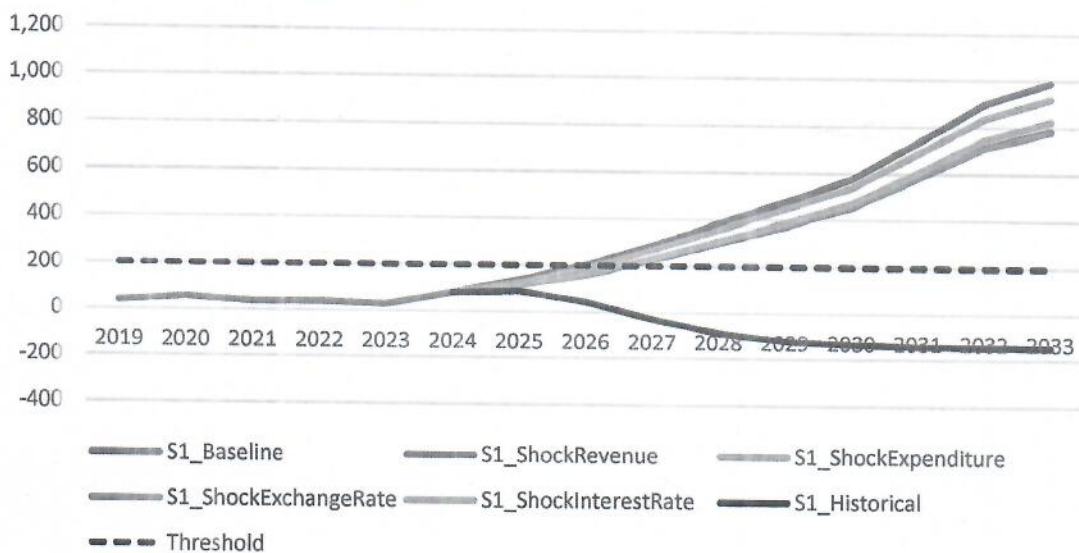
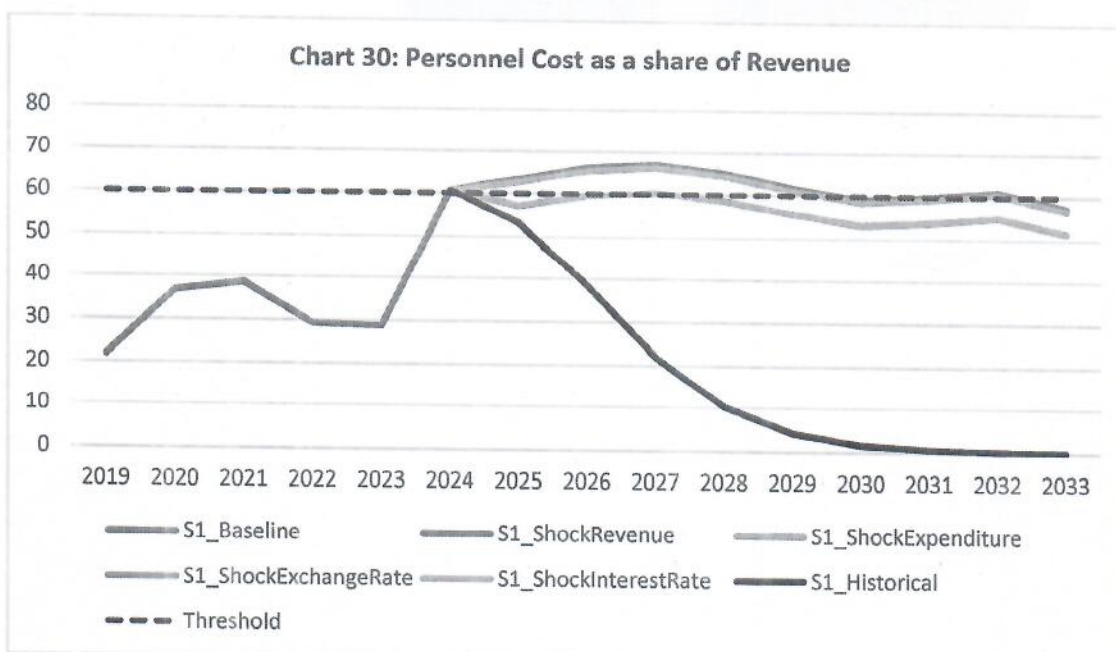
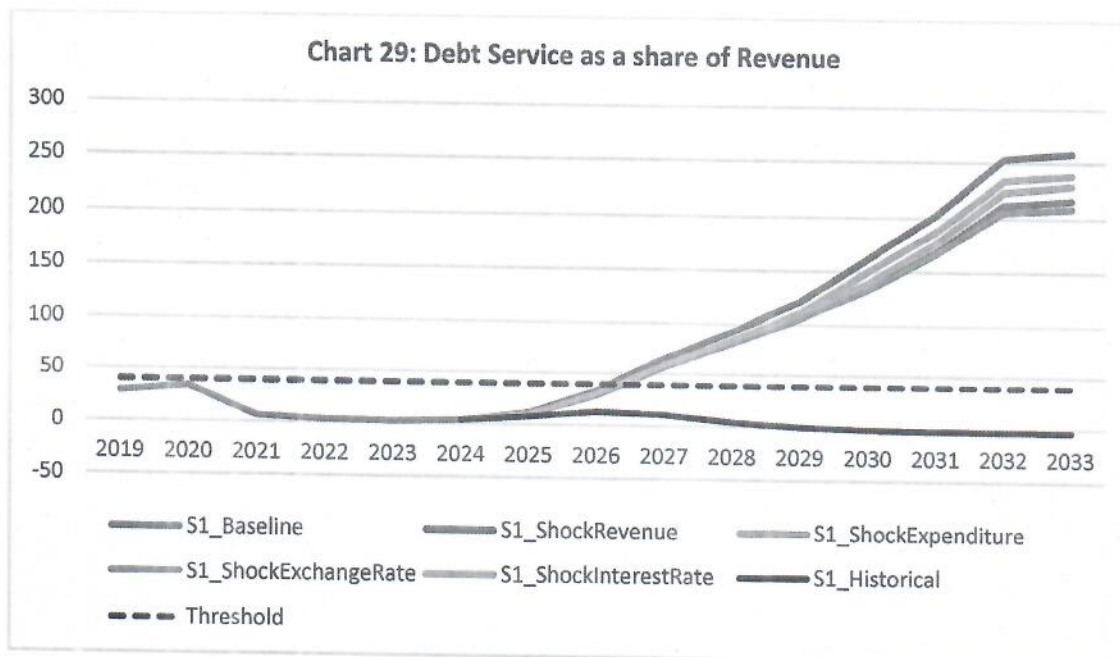


Chart 28: Debt Stock as a share of Revenue





Chapter 5

Debt Management Strategy

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

The Debt Management Strategy provides alternative strategies to meet the financing requirements for Jigawa. 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. Following four strategies are assessed by the government. The Jigawa'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 2028, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2028 caused by an un-expected shock, as projected in the most adverse scenario.

5.1 Alternative Borrowing Option

Strategy 3 (S3) reflects a "status quo" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2024 and 2024-2027 Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS). External gross borrowing under Concessional loans accounts on average 28.70 percent over the projection period mainly through World Bank and African Development Bank; and the Domestic gross financing are Commercial bank loans, Bonds and Other Domestic Financing (CBN Intervention Loans). The Commercial Bank loans with the maturity of 1-5 years is projected at 9.26% over the strategic period and Commercial Bank loans with the maturity of above 6 years with an average of 12.11 percent, and State Bond with the maturity of 1-5 years is 8.52% while State

Bond with the maturity of 6 years and above is 12.40%. Other domestic financing is 29% over the projection period.

Strategy 2 (S2) focus more on financing through commercial bank loans: In this strategy it has been assumed the state government will focus its financing through commercial bank loans with 41.82 percent under maturity of 1-5 years and 51.18 percent under maturity of above 6 years over the projection period.

Strategy (S3) focus its financing through State Bonds. In strategy 3, the State government decided to focus its financing through State Bonds. This is in two categories; first is with 1-5 years maturity period while the other category of state Bond is with maturity of above 6 years. The short-term bond is proposed to be 42.98% while the Bond above 6 years is 57.01% respectively.

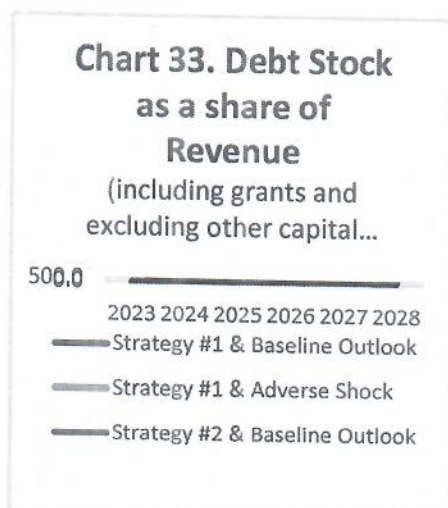
Strategy (S4) concentration is mainly on external borrowing. In this strategy, External Financing (Concessional Loans) projected at 27.22%, Bilateral Loans at 64.33% while Other External financing is projected at 8.45%.

5.2 DMS Simulation Results

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

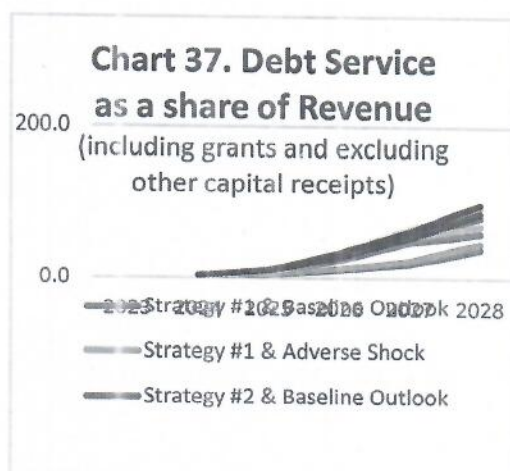
a. Debt as a share Revenue:

- Strategy 1 shows the Cost ratio of Debt to Revenue estimated at 300.3 percent in 2028, as against Strategy 4 (306.1 percent), Strategy 3 (264.3 percent) and Strategy 2 (218.9 percent), over the DMS period of 2028, compared with the Risks measured of Strategy 2 (71.8 percent), Strategy 3 (76.9 percent), Strategy 4 (81.5 percent) and Strategy 1 (80 percent), respectively.
- Analysis using this debt indicator of debt to revenue shows that S4 is the least costly and riskiest at 306.1 & 81.5 percent compared to S1 (300.3 percent and 80 percent), S2 (218.9 percent and 71.8 percent), and S3 (264.3 percent and 76.9 percent), over the DMS period of 2024-2028.



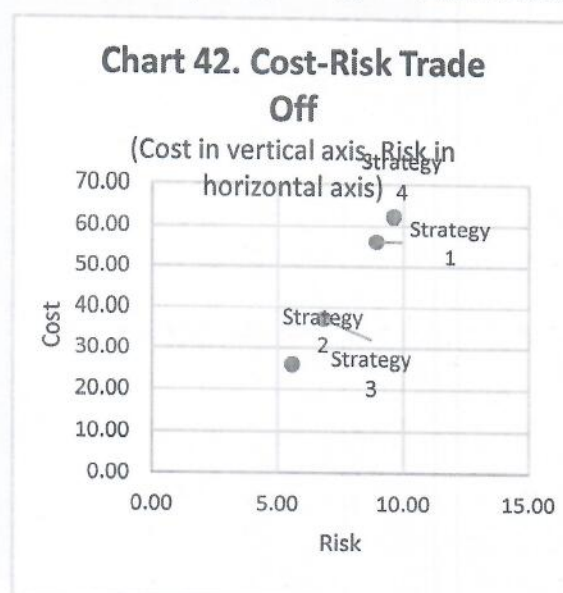
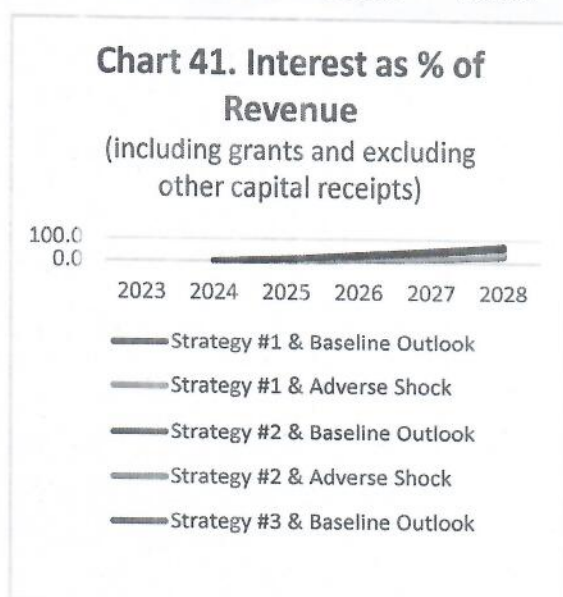
Debt Service as a share of Revenue:

- Strategy 2 is the least costly and riskiest with regards Debt Service to revenues, which projected at 84.9 percent and 12.1 percent, Strategy 1 (80.7 percent and 11.7 percent) Strategy 2 (39.4 percent and 7.1 percent) and Strategy 3 (59.8 percent and 9.3 percent) and with moderate costs and risks, as at end of the strategic period of 2028.
- The analysis shows that Strategy 2 yield the lowest costs and risks due to high external financing assumed in the Strategy, as the external debt service terms requirement has low interest rate, longer maturity, and grace period in concessional external financing. Compared to Strategy 4, Strategy 2 and Strategy 3.



b. Interest as a share of Revenue

- S4 is the least costly with regards Interest to revenue, which projected cost at 62.3 percent, Strategy 1 at 37.4 percent, S2 at 26.1 percent and S3 at 37.4 percent. Strategy 4 equally has the lowest risk at 9.6 percent, Compare to S1, S2 and S3 that estimated at 8.9 percent, 5.6 percent and 6.9 percent, as at end of the strategic period of 2028.
- The analysis shows that S2 yield the lowest cost and highest risk of 26.1 percent and 62.3 percent compared with Strategy 4 as the most costly and risky strategy as this concentrated on Commercial Bank Loans over the DMS period of 2024-2028



5.3 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. Although the Analytical Tool's results of cost and risk would suggest that the recommended strategy be S3 being the Strategy with the Lowest Cost and Risk for all the analyzed performance indicators but it is not implementable due to the constraints placed on External Financing. Therefore, ***it is considered that S3 is the most feasible of the strategies to implement in the short-term and it would still greatly improve the portfolio's debt position relative to the base year 2024.***

In comparison to the current debt position, Jigawa State debt portfolio stood at N52,724.70 million in 2023, which expected an increase to N461,473.99 million under S1 in 2028, compared to S2 (N336,467.23 million), S3 (N406,241.42 million), and S4 (N407,365.87 million). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S3 is selected as the preferred strategy for the 2024 -2028.

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

Annex I: Baseline Assumptions

Statutory Allocations – Statutory Allocation – The Elasticity base forecasting method was used because of its dependence upon minerals and other macroeconomic parameters.

VAT – VAT – The Elasticity base forecasting method was used because of its dependence upon nonminerals and other macroeconomic parameters.

Other Federation Account Distributions – Other Federation Account receipts – Owing value is used because of its unpredictable nature.

Internally Generated Revenue (IGR) – Internally Generated Revenue (IGR) – Owing value is also used due to considering of combination of some factors such as actual collection trend of previous and current year, economic activities in the State, etc.

Grants – Grants – This was estimated base on the expectation of the implementation MDAs. The MDAs have full understanding of the expected grants and have the idea of what they have received as drawdowns and what are outstandings..

Financing (Net Loans) – Financing – This is arrived at by considering the magnitude of agreed loans to be drawn, how much was drawdown (if any) and expected amount to be reflected in the fiscal year.

Personnel – Personnel – Owing value is used taking into cognizance the actual expenditure and the projected amount to be end of the year, net of retirement and other exit, plus expected amount for new recruitments, promotions and yearly increments.

Overheads – Overheads – Owing value is used dependent on the other considerations apart from day-to-day running expenses, like implementation of some policies of government which are based on overhead costs, like payment of external examinations, school feeding, etc. Others include implementation of some capital projects which have overhead cost implications.

Capital Expenditure – Capital Expenditure – Owing value is used with consideration of expenditure trends of some projects that are ongoing and existing. Government directives are also considered.

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Annex II: Jigawa State Baseline Scenarios, 2019-2033

Indicator	2019	2020	Actuals		2022	2023	2024	2025	2026	2027	Projections		2031	2032	2033	
			2021	2022							2028	2029				
BASELINE SCENARIO																
Economic Indicators																
State GDP (at current prices)	179,786.00	165,007.00	212,860.00	240,562.00	240,562.00	240,562.00	332,727.00	384,363.00	4,370,539.00	4,862,740.00	5,410,455.00	6,012,723.00	7,452,072.00	8,231,362.00	9,255,076.00	
Exchange Rate (NGN/\$) (end-Period)	25.29	36.79	306.59	326.00	326.00	326.00	1,290.00	1,200.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	
Fiscal Indicators (Million Naira)																
Revenue	135,796.00	78,596.40	123,312.58	173,943.30	203,726.70	203,726.70	166,318.61	212,721.27	232,444.33	266,778.17	330,141.11	376,105.69	439,549.51	500,246.42	601,658.67	
1. Gross Statutory Allocation (gross means with no deductions; do not include VAT Allocation here)	43,948.18	34,970.00	38,593.28	41,944.30	39,202.20	39,202.20	42,952.00	48,592.42	49,098.65	50,215.07	52,095.40	55,813.38	65,814.14	61,501.18	63,560.16	
1a. of which Net Statutory Allocation (Net means of deductions)	43,948.18	34,970.00	38,593.28	41,944.30	39,202.20	39,202.20	42,952.00	48,592.42	49,098.65	50,215.07	52,095.40	55,813.38	65,814.14	61,501.18	63,560.16	
1b. of which Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
2. Derivation (if applicable to the State)	21,700.82	18,000.00	4,593.97	32,752.70	59,207.40	59,207.40	32,752.70	11,594.97	12,814.14	13,433.82	14,073.39	14,002.96	16,532.34	16,261.31	16,995.81	
3. Other FAAC transfers (exchange rate gain, augmentation, others)	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	12,700.00	
4. VAT Allocation	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	32,700.00	
5. Other	32,076.00	8,680.00	20,066.07	43,149.30	21,931.00	21,931.00	44,976.09	73,544.51	97,257.09	143,017.22	165,116.27	213,283.38	335,448.83	423,865.84	468,865.84	
6. Capital Receipts	18,900.00	3,298.00	5,269.33	5,961.00	6,877.50	6,877.50	6,946.29	7,744.07	7,744.07	8,202.63	8,661.20	9,134.76	8,640.29	9,540.29	13,210.00	
6a. Grants	12,700.00	0.00	0.00	0.00	0.00	0.00	5,946.35	5,466.35	5,466.35	5,784.64	5,987.03	6,334.39	6,334.39	6,334.39	862.00	
6b. Sales of Government Assets and Privatization Proceeds	9,500.00	0.00	3,726.70	9,260.40	0.00	0.00	9,698.32	10,867.53	10,867.53	10,869.04	11,234.61	12,470.23	12,738.04	12,738.04	862.00	
6c. Other Non-Deductible Capital Receipts	9,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
6d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	0.00	5,300.00	5,940.25	12,029.70	0.00	0.00	27,594.62	51,700.01	76,490.00	126,828.69	164,553.44	202,900.34	256,666.98	304,217.27	438,921.91	
Expenditure	118,731.24	112,513.63	127,354.27	159,609.08	173,413.00	173,413.00	215,357.81	206,874.87	235,390.72	286,376.17	330,394.73	376,455.19	441,249.51	500,724.42	595,898.67	
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	25,269.50	25,943.33	44,241.27	44,175.50	54,610.00	54,610.00	70,000.00	69,000.00	69,000.00	69,000.00	69,000.00	69,000.00	69,000.00	69,000.00	69,000.00	
2. Overhead costs	18,470.00	18,219.84	21,143.35	24,195.50	30,672.00	30,672.00	50,000.00	22,814.53	22,814.53	22,746.31	23,232.20	23,678.69	24,432.90	24,609.87	23,212.57	
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	3,072.41	1,440.39	1,957.04	5,303.40	4,203.00	4,203.00	3,182.70	12,868.32	35,194.72	61,204.49	68,190.00	18,486.06	18,133.74	183,789.22	227,767.53	
3a. of which Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	3,072.41	1,440.39	1,957.04	5,303.40	4,203.00	4,203.00	3,182.70	12,868.32	35,194.72	61,204.49	68,190.00	18,486.06	18,133.74	183,789.22	227,767.53	
3b. of which Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	3,072.41	1,440.39	1,957.04	5,303.40	4,203.00	4,203.00	3,182.70	12,868.32	35,194.72	61,204.49	68,190.00	18,486.06	18,133.74	183,789.22	227,767.53	
4. Other Recurrent Expenditure (Including Personnel Costs, Overhead Costs and Interest Payments)	12,500.00	7,796.26	3,270.79	3,379.70	6,096.00	6,096.00	7,962.00	7,953.02	11,592.43	15,439.21	19,581.35	12,952.09	16,220.65	12,497.28	17,077.84	
5. Capital Expenditure	53,876.00	67,273.37	65,209.82	43,338.20	55,090.00	55,090.00	73,547.91	82,796.80	75,074.94	78,365.86	83,001.18	79,095.49	80,047.13	86,396.54	88,995.00	
6. Amortization (Principal payments)	97.83	78.95	1,596.09	23,337.70	23,486.00	23,486.00	1,474.49	1,483.70	6,146.30	22,224.39	37,693.00	55,821.96	78,863.33	56,000.30	138,884.49	
Budget Balance ("+" means surplus, "-" means deficit)	16,866.76	-33,921.23	1,358.31	23,254.30	30,313.70	-33,686.40	3,846.40	-3,546.39	-3,546.39	-1,800.00	-853.61	-398.80	-1,700.00	-478.00	4,378.00	
Opening Cash and Bank Balance	22,770.13	38,834.89	4,913.66	6,271.37	23,506.30	55,828.60	6,853.60	6,853.60	6,853.60	6,453.61	5,353.61	4,590.08	4,200.00	2,500.00	2,822.00	
Closing Cash and Bank Balance	38,834.89	4,913.66	6,271.37	23,506.30	55,828.60	59,829.60	6,853.60	10,000.00	6,453.61	5,353.61	4,590.08	4,200.00	2,500.00	2,022.00	7,800.00	
Financing Needs and Sources (Million Naira)																
Financing Needs	16,866.76	-33,921.23	1,358.31	23,254.30	30,313.70	-33,686.40	3,846.40	-3,546.39	-3,546.39	-1,800.00	-853.61	-398.80	-1,700.00	-478.00	4,378.00	
I. Primary balance	22,770.13	38,834.89	4,913.66	6,271.37	23,506.30	55,828.60	6,853.60	6,853.60	6,853.60	6,453.61	5,353.61	4,590.08	4,200.00	2,500.00	2,822.00	
II. Debt service	97.83	78.95	1,596.09	23,337.70	23,486.00	23,486.00	1,474.49	1,483.70	6,146.30	22,224.39	37,693.00	55,821.96	78,863.33	56,000.30	138,884.49	
III. Financing Needs (Other than Amortization Payments (e.g., Variation in cash and bank balances))	16,866.76	-33,921.23	1,358.31	23,254.30	30,313.70	-33,686.40	3,846.40	-3,546.39	-3,546.39	-1,800.00	-853.61	-398.80	-1,700.00	-478.00	4,378.00	
Financing Sources	16,866.76	-33,921.23	1,358.31	23,254.30	30,313.70	-33,686.40	3,846.40	-3,546.39	-3,546.39	-1,800.00	-853.61	-398.80	-1,700.00	-478.00	4,378.00	
I. Financing Sources (Other than Amortization Payments (e.g., Variation in cash and bank balances))	16,866.76	-33,921.23	1,358.31	23,254.30	30,313.70	-33,686.40	3,846.40	-3,546.39	-3,546.39	-1,800.00	-853.61	-398.80	-1,700.00	-478.00	4,378.00	
II. Debt service	97.83	78.95	1,596.09	23,337.70	23,486.00	23,486.00	1,474.49	1,483.70	6,146.30	22,224.39	37,693.00	55,821.96	78,863.33	56,000.30	138,884.49	
III. Other Financing Sources	16,866.76	-33,921.23	1,358.31	23,254.30	30,313.70	-33,686.40	3,846.40	-3,546.39	-3,546.39	-1,800.00	-853.61	-398.80	-1,700.00	-478.00	4,378.00	
IV. Other Financing Sources	16,866.76	-33,921.23	1,358.31	23,254.30	30,313.70	-33,686.40	3,846.40	-3,546.39	-3,546.39	-1,800.00	-853.61	-398.80	-1,700.00	-478.00	4,378.00	
V. Other Financing Sources	16,866.76	-33,921.23	1,358.31	23,254.30	30,313.70	-33,686.40	3,846.40	-3,546.39	-3,546.39	-1,800.00	-853.61	-398.80	-1,700.00	-478.00	4,378.00	
Commitment Bank Loans (maturing 1 to 5 years, including Asset Loans, Infrastructure Loans, and MSMEDFI)	16,866.76	-33,921.23	1,358.31	23,254.30	30,313.70	-33,686.40	3,846.40	-3,546.39	-3,546.39	-1,800.00	-853.61	-398.80	-1,700.00	-478.00	4,378.00	

Jigawa State - Technical Team

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| 1. Mustapha Muhammad Ya'u | Chairman |
| 2. Sabo Muhammad | Secretary |
| 3. Mohammed Saleh Zakar | Member |
| 4. Haruna Danlami | Member |
| 5. Zakariyya Baba Yaro | Member |



ABDULLAHI S.G. SHEHU FCA
FOR HON. COMMISSIONER MINISTRY OF FINANCE JIGAWA STATE