



KATSINA STATE GOVERNMENT

DEBT SUSTAINABILITY ANALYSIS & DEBT MANAGEMENT STRATEGY (DSA-DMS) 2025 REPORT

CHAPTER 1

INTRODUCTION

Katsina State Debt Sustainability Analysis –Debt Management Strategy (DSA-DMS)

The Katsina State Debt Sustainability Analysis Debt Management Strategy (DSA-DMS) evaluates trends and patterns in the State's public finances over the period 2020–2024 and assesses the long-term debt sustainability for the next decade (2025–2034). The analysis highlights recent developments in revenue, expenditure, and public debt, together with the policy measures adopted by the State Government. By incorporating scenario and sensitivity analyses, the DSA aims to evaluate the prospective performance of the State's public finances and identify strategies to maintain fiscal stability in the medium and long term.

The main objective of Katsina State's debt management strategy is to ensure that the State's financing needs and debt-service obligations are met at the lowest possible cost, consistent with a prudent degree of risk. This strategy aligns with the State's macroeconomic framework, using key fiscal indicators to assess both current and projected debt levels and the State's capacity to meet obligations without compromising economic growth and development. The DSA-DMS also quantifies revenue and expenditure gaps, evaluates the cost of servicing existing debt, and projects future borrowing requirements to provide a clear foundation for sustainable debt-management policies.

The findings of the DSA-DMS indicate that Katsina State's long-term debt outlook (2025–2034) appears sustainable under the assumptions adopted. Robust revenue mobilization—particularly higher Internally Generated Revenue (IGR) supported by the Harmonized Revenue Administration Law of 2021 expanding the tax base to capital gains and property taxes—underpins this result. Expenditure projections anticipate controlled growth in personnel and overhead costs and a deliberate expansion of capital expenditure to stimulate private-sector activity, create employment, and reinforce the State's economic base. Provided these fiscal measures are maintained, the State's public debt trajectory remains on a sustainable path.

The sustainability of the strategy nevertheless depends on key macroeconomic variables GDP growth, oil production and prices, and exchange-rate stability that influence FAAC disbursements. It also reflects the level and terms of outstanding and new public debt, including the State's reliance on a prudent mix of concessional external loans and low-cost domestic financing. By pursuing a diversified financing approach and focusing on strategic investments in agriculture, trade, and industrial development, Katsina State strengthens its fiscal capacity and maintains an acceptable cost-risk profile. Given the State's forecasts and reasonable assumptions on revenue, expenditure, and borrowing policies going forward, the medium- to long-term outlook for the public debt portfolio appears consistent with debt-management objectives

The economy of the State is basically agrarian with a cultivable 2.4 million hectares of land out of which 1.6 million is under cultivation, leaving land area of 800,000 hectares, equivalent to one third of the total cultivable land available for investment. Agriculture is the backbone of Katsina State's economy and 75 percent of the population is involved in subsistent farming and livestock rearing. A vast proportion of the land is suitable for cultivation and a variety of crops can be grown. Current agricultural products include guinea corn, millets, maize, cowpeas, cotton, and groundnut. The State government is currently making effort to promote livestock production by providing variety of services such as pesticide sprays, subsidized chemical fertilizers and veterinary services to counter plant and animal diseases. Large deposits of metallic and iron-metallic minerals are found in the region. These include: Kaolin, asbestos, gold, uranium, nickel, chromites and silica sand.

The marketing channel for these crops consists mainly of three alternative channels. First is the movement from the producer through the rural wholesaler/assemblers and rural retailers to consumers. The second channel is the movement from the producers through the processors to either the rural assembler/retailers or to the urban market wholesalers, retailers and even consumers. The third is that arising directly from the producers to the rural or urban consumers/retailers. A substantial cross-border trade exists in grain between the international marketers and Niger Republic. Usually, these crops are sold as grains at farm gates, local markets or exported to other states in the

country. Intermediate processed products such as Flour, cooking oils, tuwo pap/ snack and mills are some of the pathways in the marketing of these crops. Maize and sorghum are used increasingly as partial substitute for wheat in bakery, biscuits and pastry industries as well as raw materials in the beverage and brewing industries. Household consumption of these crops has resulted in their limited availability for industrial use. Katsina State is major source for grains to industries located in other parts of the country. The markets where these products are sold in Katsina State are categorized into: international, large, medium and small markets depending on the size, the demographics of attendees and location. The international markets such as Jibia and Mai'adua cater for traders within the state and cross-border trading activities between the State and Niger Republic.

CHAPTER 2

KATSINA STATE FISCAL AND DEBT FRAMEWORK

Over the past three to five years, Katsina State has implemented a series of fiscal reforms to strengthen financial sustainability, transparency, and service delivery. Key measures include the adoption of the Integrated Payroll and Personnel Information System (IPPIS), the Treasury Single Account (TSA), and the International Public Sector Accounting Standards (IPSAS), which collectively enhance accountability and reduce leakages in public finance management. The State has also intensified efforts to expand its Internally Generated Revenue (IGR) base by introducing new revenue streams and automating tax administration to reduce dependence on federal allocations. In addition, pension system reforms and civil service rationalization have been undertaken to ensure the long-term viability of personnel-related spending.

The establishment of the Community Watch Corps has improved security across the State, creating a more stable environment for business activities and investments. Complementary investments in infrastructure such as the dualization of township roads, the construction of the Katsina Eastern Bypass, installation of solar-powered streetlights, and upgrading of health centres along with new initiatives like scholarships and expanded employment in the education sector, are designed to boost productivity and enhance human capital. These policy measures, combined with national developments such as the new minimum wage and macroeconomic reforms (fuel subsidy removal and exchange-rate liberalization), will influence the State's fiscal and debt trajectory over the medium to long term.

The 2025 Budget and the 2026–2028 Medium-Term Expenditure Framework (MTEF) reflect Katsina State's commitment to prudent fiscal management, inclusive growth, and sustainable debt practices. Building on the "Building Your Future" policy thrust of the 2024 Budget, the 2025 Budget Blueprint prioritizes revenue optimization, efficient resource allocation, and targeted capital investments in critical sectors such as education, health care, agriculture, infrastructure, and security. It aims for at least a 5% annual increase in IGR between 2024 and 2025, self-sufficiency in recurrent expenditure

funding through recurrent revenues, and strict adherence to borrowing limits prescribed by the Federal Debt Management Office. Loans are earmarked exclusively for capital projects, while grants and PPPs are emphasized for capital receipts to limit debt accumulation. The State also continues to prioritize the completion of ongoing capital projects before embarking on new initiatives. Although the Covid-19 pandemic depressed revenues and increased expenditure and debt in 2020–2021, Katsina State's current strategy focuses on rebuilding fiscal buffers, scaling up infrastructure and social investments, and maintaining a sustainable debt position. These objectives aim to stimulate economic diversification—especially in agriculture, trade, and tourism while ensuring a prudent cost-risk profile for the State's debt portfolio over the medium term.

2.1 Katsina State's Budget Policy Thrust

The 2024 and 2025 Budgets mark a progressive and ambitious fiscal plan for Katsina State, anchored on the "Building Your Future" policy, which aligns with the Sustainable Development Goals (SDGs), the African Union Agenda 2063, and Nigeria's national development priorities. The budgets continue to prioritize security, infrastructure, and social investments as key enablers of growth. Recognizing the direct link between security and economic development, Katsina State has significantly increased allocations to security and introduced innovative programs such as the Community Watch Corps, which have enhanced public safety and created a more conducive environment for business and investment. Alongside this, the government is scaling up critical infrastructure such as road dualization, installation of solar-powered streetlights, upgrading of health care facilities, and large-scale investments in education through scholarships and recruitment. These measures aim to enhance human capital, reduce unemployment, and position the State as an attractive investment hub capable of boosting Internally Generated Revenue (IGR) and diversifying its economic base.

In line with its policy priorities, the State has also emphasized environmental sustainability and economic diversification. Investments in renewable energy projects, improved natural resource management, and disaster risk reduction measures are being implemented to build resilience against future shocks. The policy thrust of the 2025 Budget focuses on:

- a. Scaling up revenue generation through automation, expansion of tax bases, and partnerships with the private sector;
- b. Prioritizing infrastructure development by expanding road networks, improving energy infrastructure, and supporting industrial growth;
- c. Advancing social investments by expanding educational programs and strengthening healthcare systems, especially primary and maternal care;
- d. Boosting economic diversification through value chain development in agriculture and support for small and medium enterprises (SMEs);
- e. Enhancing governance through transparent digital platforms and improved capacity of public servants; and
- f. Strengthening security measures to address emerging threats and support community policing initiatives.

2.2 Katsina State 2025 Budget Blueprint

The 2025 Katsina State Budget Blueprint provides a clear framework for effective fiscal planning and implementation, underscoring the State Government's commitment to sustainable economic growth, social development, and prudent financial management. Building on the foundations laid by the 2024 Budget, the Blueprint emphasizes efficient resource utilization, growth in Internally Generated Revenue (IGR), sustainable debt management, and targeted economic diversification. The fiscal strategy aims to achieve a minimum of 5 percent annual growth in IGR from 2024 to 2025, ensure self-sufficiency in funding recurrent expenditures from recurrent revenues, and maintain the State's debt position within the limits prescribed by the Federal Debt Management Office (DMO). Borrowing will remain strictly tied to capital investments with clear socio-economic benefits, while capital receipts will be sourced through grants, Public-Private Partnerships (PPPs), and agreements with development partners. Furthermore, priority will be accorded to the completion of ongoing capital projects before new ones are initiated, with spending directed toward sectors where the State holds a comparative advantage—such as agriculture, trade, and tourism—to foster inclusive and sustainable growth.

Although the COVID-19 pandemic adversely affected total revenues, expenditures, and debt levels during 2020 and 2021, Katsina State has demonstrated remarkable resilience by adopting fiscal reforms that rebuild buffers and strengthen its economic base. The 2025 Budget Blueprint reflects these recovery efforts, emphasizing improved capital allocation—with more than 76 percent of total spending dedicated to capital projects—and the expansion of revenue from non-loan sources, including enhanced tax administration and development partnerships. The State also prioritizes value-for-money in public spending through rigorous monitoring and evaluation of programs, ensuring transparency and efficiency. These measures align with the Sustainable Development Goals (SDGs) and are designed to secure a sustainable cost-risk profile for the State's debt portfolio, promote fiscal stability, and drive inclusive socio-economic growth for the people of Katsina State.

The Medium-Term Expenditure Framework (MTEF) 2025–2028 projects total recurrent revenue to rise steadily from ₦187.9 billion in 2025 to ₦302.4 billion by 2028, reflecting continued improvement in Federation Account Allocation Committee (FAAC) inflows and growth in Internally Generated Revenue (IGR). Statutory allocation is expected to reach ₦152.8 billion by 2028, while VAT collections are anticipated to grow at an average annual rate of 7 percent, driven by enhanced economic activity and improved compliance mechanisms. IGR is expected to expand through sustained reforms in tax administration and diversification of the State's revenue base.

On the expenditure side, recurrent expenditure is projected to remain stable, increasing moderately from ₦104.6 billion in 2025 to ₦108.5 billion in 2028. Personnel costs will be maintained at a sustainable level of about ₦53 billion, while overhead costs are expected to continue their gradual decline due to cost-control measures and process automation. Capital investment remains the priority of the State's fiscal policy, with transfers to the capital account projected to increase from ₦83.3 billion in 2025 to ₦180.5 billion by 2028. Consequently, total capital expenditure is projected to grow to ₦279.4 billion by 2028. Net financing requirements are expected to decline steadily from ₦13.3 billion in 2025 to ₦5.6 billion in 2028, reflecting the State's improving fiscal space, disciplined borrowing practices, and enhanced debt management capacity.

Table 2.1: Katsina State Medium-Term Fiscal Framework (₦'million)

Item	2025	2026	2027	2028
Recurrent Revenue				
Statutory Allocation	91,067.82	91,523.20	137,459.70	152,768.40
VAT	58,157.36	66,912.33	86,041.06	92,063.93
Internally Generated Revenue (IGR)	38,645.41	41,111.54	43,577.68	57,609.87
Total Recurrent Revenue	187,870.59	199,547.07	267,078.43	302,442.20
Recurrent Expenditure				
Personnel	51,488.40	51,893.30	52,298.20	53,012.50
Overhead Costs	26,300.20	25,460.90	24,621.50	23,589.80
Debt Service	15,356.56	19,380.90	18,683.27	18,204.10
Other Recurrent	11,432.90	11,089.90	10,746.90	10,750.00
Total Recurrent Expenditure	104,578.06	107,825.00	106,349.87	108,556.40
Transfer to Capital Account	83,292.53	91,722.07	160,728.56	180,503.40
Capital Receipts				
Grants	19,360.20	20,328.20	20,734.80	21,065.90
Other Capital Receipts	65,675.92	46,291.14	65,285.22	77,841.22
Total Capital Receipts	85,036.12	66,619.34	86,020.02	98,907.12
Capital Expenditure	181,600.20	185,232.20	253,864.20	279,410.50
Net Financing	13,271.55	26,890.79	7,115.62	5,646.22

CHAPTER 3

THE STATE REVENUE, EXPENDITURE, AND PUBLIC DEBT TRENDS (2020-2024)

The Katsina State economy experienced a growth in Internally Generated Revenue (IGR) from ₦10,822.3 million in 2020 to ₦29,408.0 million in 2024, representing an increase of about ₦18.59 billion, or approximately 171.8% growth over the period. This impressive growth in IGR can be attributed to various economic reforms aimed at improving the tax system and enhancing service sectors. The State government also introduced other initiatives that contributed to the expansion of revenue generation, thereby strengthening the financial base of the State and supporting its developmental goals.

3.1 Revenue and Expenditure

3.1.1 Revenue:

The State's economy comprises Statutory Allocation, VAT Allocation, Internally Generated Revenue (IGR), Grants and Capital Receipts. Katsina State's total revenue stood at ₦94,449 million in 2020, ₦116,963 million in 2021, ₦131,710 million in 2022, ₦156,329 million in 2023, and rose sharply to ₦449,727 million in 2024. This steady increase, particularly the surge in 2024, reflects improved fiscal capacity due to ongoing economic and revenue mobilisation reforms, including tighter expenditure controls and enhanced capital receipts.

3.1.1.1 Gross FAAC Allocation:

Katsina State recorded consistent growth in its FAAC allocations during the review period, with allocations of ₦73,419 million in 2020, ₦79,729 million in 2021, ₦95,082 million in 2022, ₦112,345 million in 2023, and a substantial rise to ₦340,682 million in 2024. This increase mirrors the impact of national policy shifts in oil subsidy removal, exchange rate harmonisation, and improved remittances to subnational governments through FAAC.

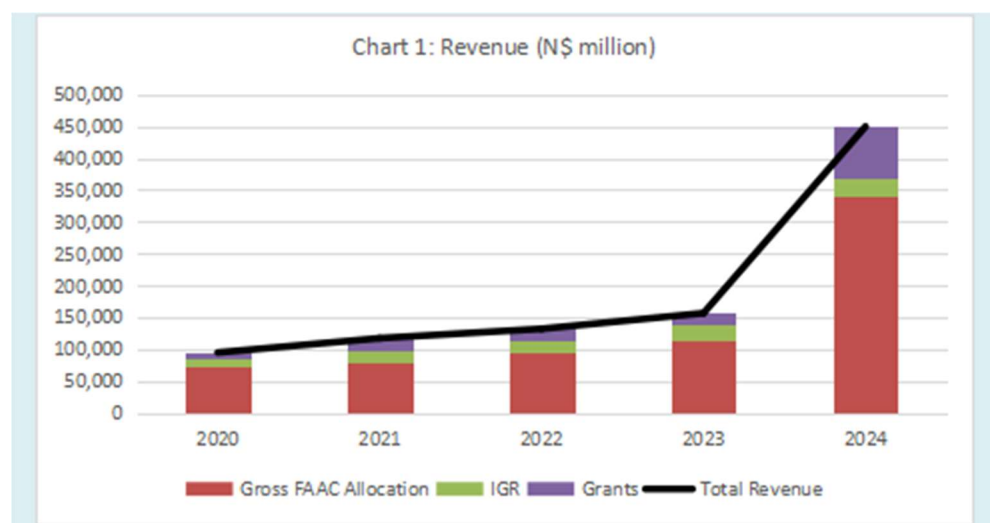
3.1.1.2 Internally Generated Revenue:

Katsina State witnessed a significant improvement in IGR performance, growing from ₦10,822 million in 2020 to ₦19,179 million in 2021, ₦18,473 million in 2022, ₦26,084 million in 2023, and ₦29,408 million in 2024. The improvement reflects the State's ongoing tax reforms aimed at improving collection efficiency, expanding the tax net, automating processes and broadening the tax base. These initiatives have helped strengthen the State's fiscal independence and resilience.

3.1.1.3 Grants:

Grants received by the State Government—comprising both internal and external sources—also showed remarkable growth within the review period. The State received ₦10,208 million in 2020, ₦18,055 million in 2021, ₦18,155 million in 2022, ₦17,901 million in 2023, and a dramatic increase to ₦79,638 million in 2024. This surge in 2024 reflects increased access to conditional and performance-based grants as well as partnerships with development agencies, aimed at accelerating infrastructure and human capital projects.

		2020	2021	2022	2023	2024
1	Total Revenue	94,449	116,963	131,710	156,329	449,727
2	Gross FAAC Allocation	73,419	79,729	95,082	112,345	340,682
3	IGR	10,822	19,179	18,473	26,084	29,408
4	Grants	10,208	18,055	18,155	17,901	79,638



3.1.2 Expenditure

The State's Total Expenditure covers Capital Expenditure, Personnel Costs, Overhead Costs, other recurrent expenditure, and Debt Service (interest payments and principal repayments). Katsina State recorded a total expenditure of ₦111,939 million in 2020, ₦130,913 million in 2021, ₦166,681 million in 2022, ₦188,171 million in 2023, and a significant rise to ₦424,244 million in 2024. This growth reflects the State's scaling up of capital projects and debt servicing obligations, alongside recurrent expenditure pressures.

3.1.2.1 Personnel

Katsina State's Personnel Costs stood at ₦31,627 million in 2020, ₦31,722 million in 2021, ₦40,532 million in 2022, ₦40,284 million in 2023, and rose to ₦52,198 million in 2024. The 2024 figure reflects increased wage commitments, recruitment drives, and adjustments in remuneration scales to strengthen public service delivery.

3.1.2.2 Overhead Costs

The State's Overhead Costs amounted to ₦16,295 million in 2020, ₦16,194 million in 2021, ₦25,904 million in 2022, ₦27,979 million in 2023, and further increased to ₦37,539 million in 2024. This upward trend highlights increased spending on government operations, administrative activities, and service delivery support.

3.1.2.3 Debt Service (Interests + Amortizations)

Debt Service—covering interest and amortisation payments stood at ₦3,592 million in 2020, ₦10,062 million in 2021, ₦28,201 million in 2022, ₦14,375 million in 2023, and more than doubled to ₦29,752 million in 2024. This reflects a growing emphasis on meeting debt obligations and ensuring fiscal sustainability.

3.1.2.3 Other Recurrent Expenditure

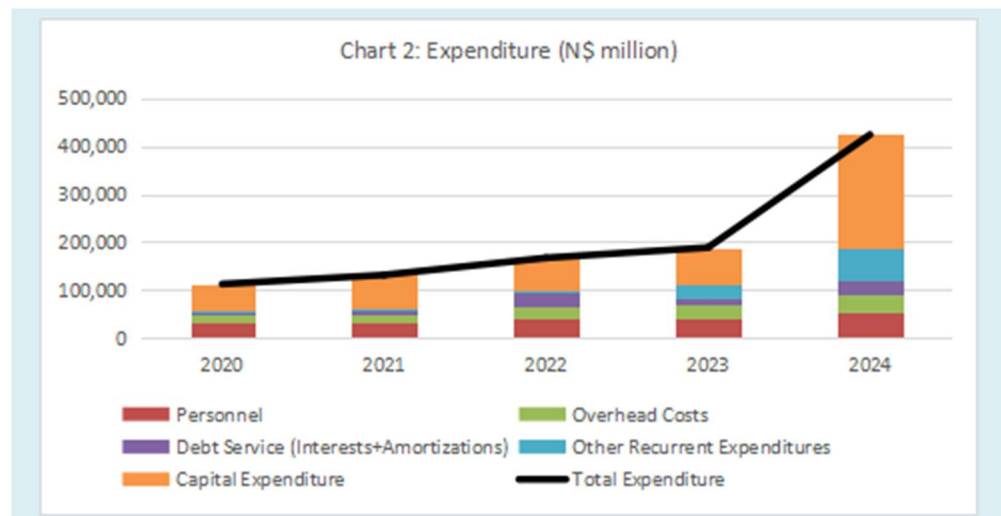
Other Recurrent Expenditure rose sharply to ₦30,523.2 million in 2023 compared with ₦4,072.8 million in 2022, representing an increase of ₦26,450.4 million within one year.

This growth reflects higher allocations for transfers, grants, subventions, and other operational costs beyond personnel and overhead spending. (If the 2024 figure becomes available, this line can be updated accordingly.)

3.1.2.4 Capital Expenditure

The actual Capital Expenditure stood at ₦75,010.6 million in 2023 compared with ₦67,971 million in 2022, ₦68,498 million in 2021, and ₦55,425 million in 2020, representing an actual growth of ₦19,585.6 million from 2020 to 2023 (or ₦20,631.6 million when compared with the 2019 base of ₦54,379 million). This upward trend indicates sustained investment in infrastructure, social services, and other capital projects aimed at boosting the State's long-term development.

		2020	2021	2022	2023	2024
5	Total Expenditure	111,939	130,913	166,681	188,171	424,244
6	Personnel	31,627	31,722	40,532	40,284	52,198
7	Overhead Costs	16,295	16,194	25,904	27,979	37,539
	Debt Service (Interests+Amortizations)	3,592	10,062	28,201	14,375	29,752
9	Other Recurrent Expenditures	5,000	4,437	4,073	30,523	66,295
10	Capital Expenditure	55,425	68,498	67,971	75,011	238,461

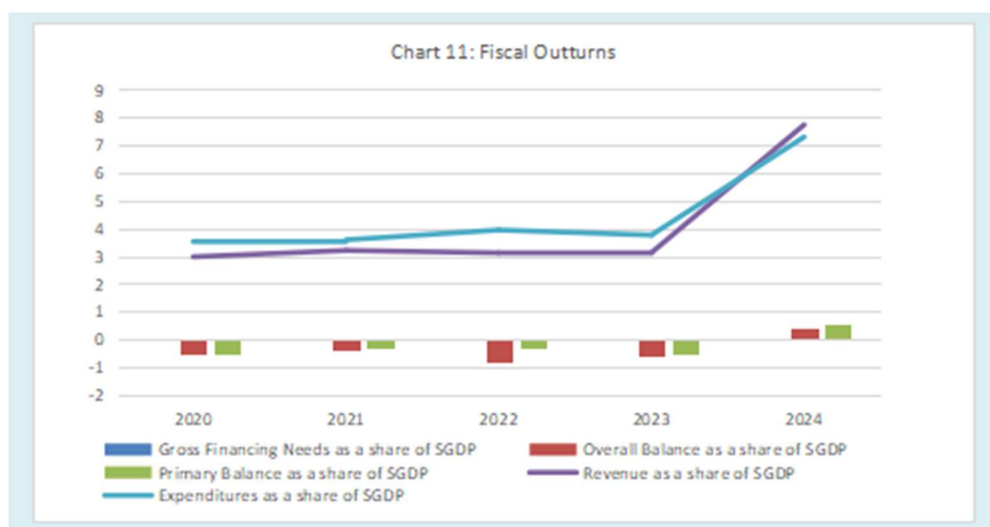


3.1.3 Overall and primary balance

The fiscal position of the State between 2020 and 2024 reflects a mixed but improving trend. In 2020, the overall balance recorded a deficit of about 1% of SGDP. This deficit narrowed significantly in 2021, reaching 0% and indicating a near-balanced budget,

before slipping back to a deficit of 1% in both 2022 and 2023. By 2024, however, the overall balance had returned to 0% of SGDP, reflecting substantial fiscal consolidation compared with the earlier deficits. The primary balance also fluctuated during the period under review. It stood at a deficit of 1% of SGDP in 2020, moved to 0% in both 2021 and 2022, returned to a deficit of 1% in 2023, and then improved markedly to a surplus of 1% in 2024. This shift into a surplus highlights the gradual easing of expenditure pressures and more effective control over debt servicing costs, particularly toward the end of the review period. Gross financing needs, as a share of SGDP, remained negligible at 0% throughout the 2020–2024 period, indicating that the State relied only minimally on new financing to cover its budgetary gaps.

This stability in financing needs, combined with the movement in balances, signals an underlying improvement in fiscal discipline over time. Revenues as a share of SGDP remained relatively stable at 3% from 2020 to 2023 before rising sharply to 8% in 2024, driven by improved internally generated revenue and higher federal allocations. Expenditures stayed steady at 4% of SGDP between 2020 and 2023 but rose to 7% of SGDP in 2024, reflecting expanded fiscal commitments, particularly in capital projects and personnel costs. These trends collectively point to a period of fiscal strain from 2020 to 2023, followed by strong consolidation in 2024. The improvement in the overall and primary balances, alongside stable gross financing needs, underscores the State's success in tightening expenditure management and strengthening revenue collection mechanisms toward the end of the review period.



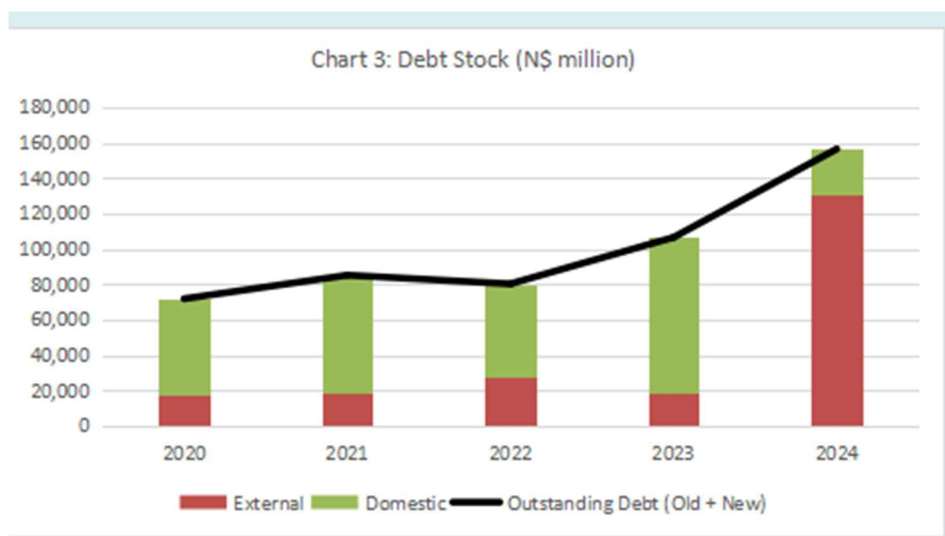
3.2 Existing Public Debt Portfolio

3.2.1 Debt Stock:

The Katsina State's Debt Stock comprises both External and Domestic debts. The State's total outstanding debt amounted to ₦156,330 million in 2024, compared to ₦106,417 million in 2023 and ₦80,159 million in 2022, representing a significant increase of ₦49,913 million between 2023 and 2024. This sharp rise was driven mainly by changes in the External Debt component, which rose substantially from ₦19,064 million in 2023 to ₦130,650 million in 2024, reflecting new borrowings and the effects of exchange rate adjustments on foreign-denominated loans. In contrast, the Domestic Debt component decreased markedly from ₦87,353 million in 2023 to ₦25,680 million in 2024, following repayments, restructuring, or a shift in borrowing preferences toward external concessional sources.

Between 2020 and 2023, the debt profile had shown a moderate upward trajectory, rising from ₦71,751 million in 2020 to ₦85,066 million in 2021, before dropping slightly to ₦80,159 million in 2022 and then surging to ₦106,417 million in 2023. The External Debt component increased from ₦17,186 million in 2020 to ₦28,036 million in 2022 due to exchange rate disparities, before falling to ₦19,064 million in 2023. Meanwhile, Domestic Debt grew from ₦54,565 million in 2020 to ₦66,676 million in 2021, decreased to ₦52,123 million in 2022, and then rose sharply to ₦87,353 million in 2023.

		2020	2021	2022	2023	2024
11	Outstanding Debt (Old + New)	71,751	85,066	80,159	106,417	156,330
12	External	17,186	18,390	28,036	19,064	130,650
13	Domestic	54,565	66,676	52,123	87,353	25,680



3. 2.2 Debt composition

The main domestic debt portfolio of Katsina State consists of the Budget Support Facility, Salary Bailout Loans, Excess Crude Account-Backed Loans, Micro, Small & Medium Enterprise Development Fund, Commercial Bank facilities, State Bonds, Contractors' Arrears, and Pensions & Gratuity arrears. The external debt stock is largely sourced from concessional facilities provided by the World Bank and other development partners. In 2024, the State's external debt rose sharply to ₦130,650 million, while domestic debt stood at ₦25,680 million, reflecting a significant rebalancing of the debt portfolio towards external concessional borrowing. In 2023, the composition of the debt stock comprised ₦19,064 million in external debt and ₦87,353 million in domestic debt, compared to ₦28,036 million in external debt and ₦52,123 million in domestic debt in 2022.

Earlier in the period, external debt grew from ₦17,186 million in 2020 to ₦18,390 million in 2021, and then to ₦28,036 million in 2022, driven by exchange rate fluctuations and drawdowns from existing multilateral facilities. Domestic debt rose from ₦54,565 million in 2020 to ₦66,676 million in 2021, then fell to ₦52,123 million in 2022 before surging to ₦87,353 million in 2023. This shift in composition by 2024 indicates a deliberate move by

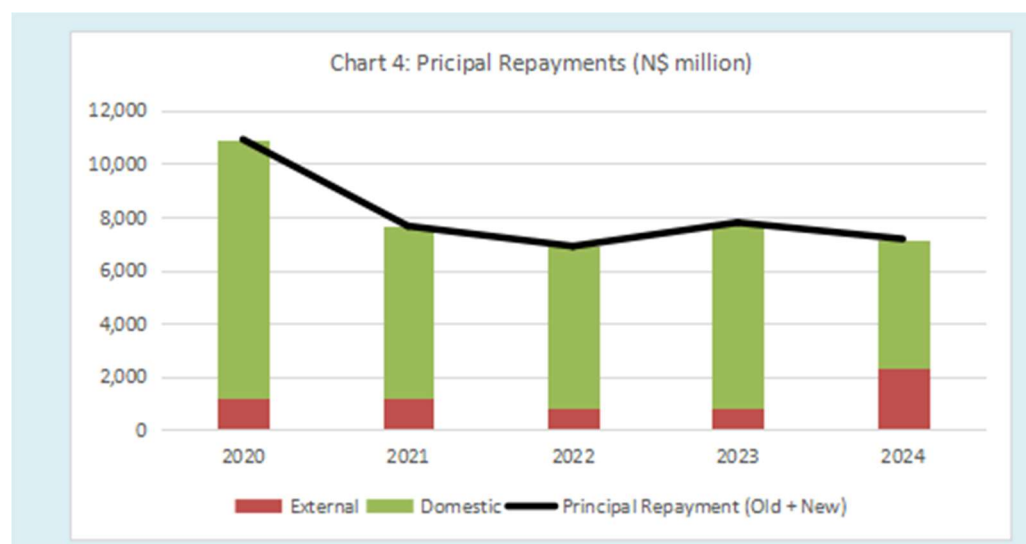
the State Government to reduce reliance on high-cost domestic borrowing in favour of lower-cost external concessional financing, thereby easing debt service pressures in the medium to long term while still supporting critical capital and social investments.

3.2.3 Debt Service:

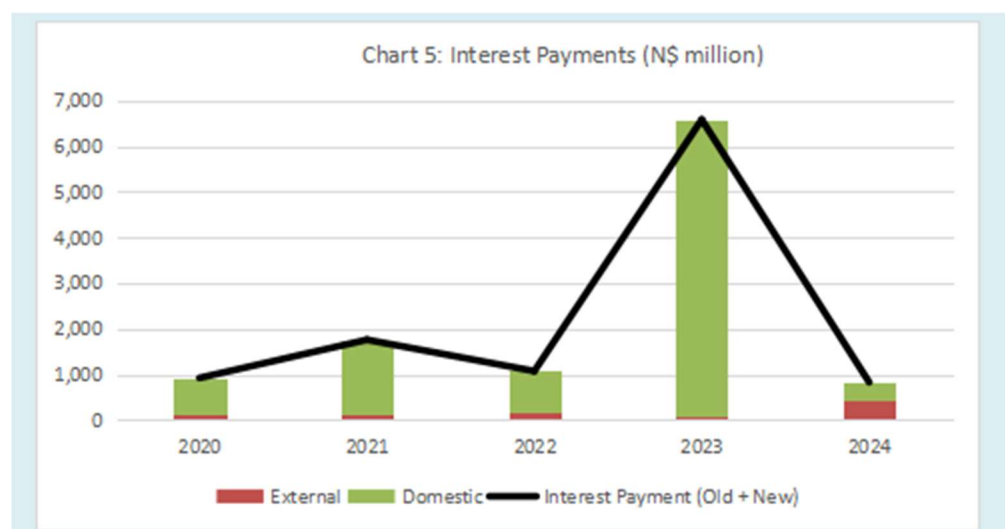
Katsina State's total debt service comprises both principal repayments and interest payments on its external and domestic debt obligations. In 2024, the actual principal repayment stood at ₦7,174 million, compared to ₦7,791 million in 2023, reflecting a slight decrease due to lower domestic repayments. Of this amount in 2024, ₦2,340 million was for external debt and ₦4,834 million for domestic debt. In 2023, principal repayments amounted to ₦7,791 million, of which ₦796 million was external and ₦6,995 million was domestic. This compares with ₦6,900 million in 2022 (₦815 million external; ₦6,085 million domestic), ₦7,659 million in 2021 (₦1,165 million external; ₦6,494 million domestic), and ₦10,913 million in 2020 (₦1,162 million external; ₦9,751 million domestic). Interest payments also fluctuated significantly over the period due to shifts in the composition of the debt portfolio.

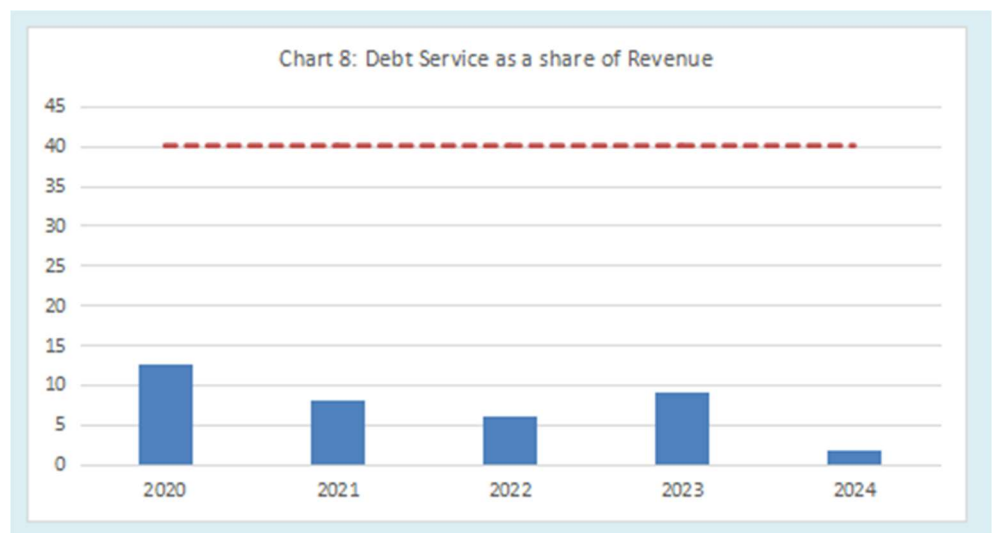
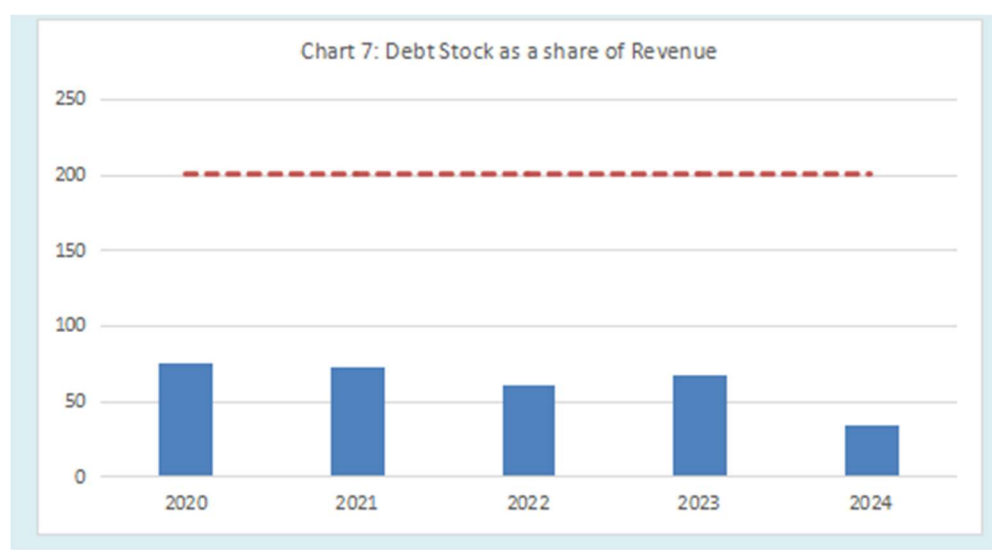
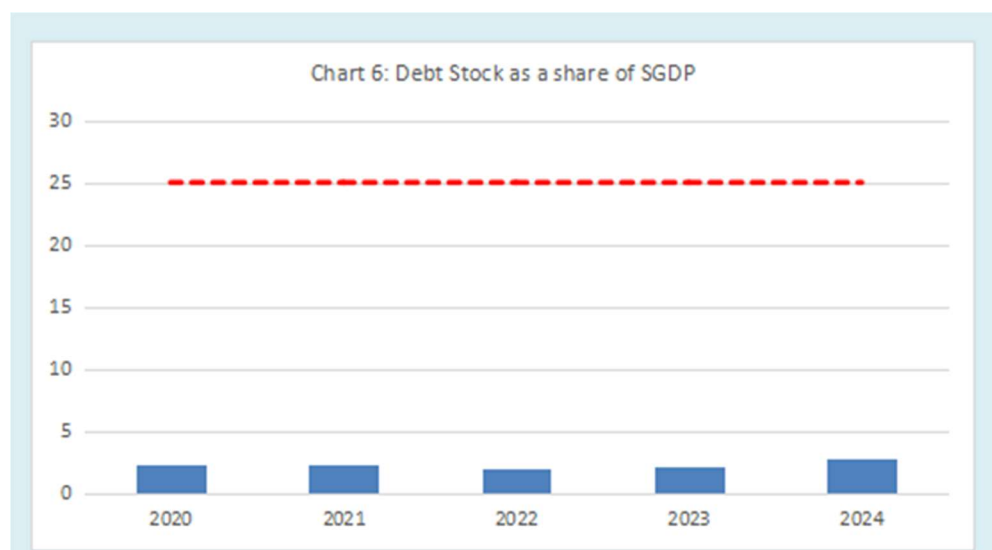
In 2024, total interest payments dropped to ₦829 million (₦429 million external; ₦400 million domestic) from ₦6,584 million in 2023 (₦76 million external; ₦6,508 million domestic). This followed ₦1,073 million in 2022 (₦163 million external; ₦910 million domestic), ₦1,759 million in 2021 (₦123 million external; ₦1,637 million domestic), and ₦922 million in 2020 (₦122 million external; ₦800 million domestic). This pattern shows that debt servicing costs rose sharply in 2023, driven by a surge in domestic interest payments, but fell drastically in 2024 following the State's shift from high-cost domestic borrowing to more concessional external financing. This rebalancing has helped to ease immediate debt service pressures and improve the sustainability of the State's debt profile going forward.

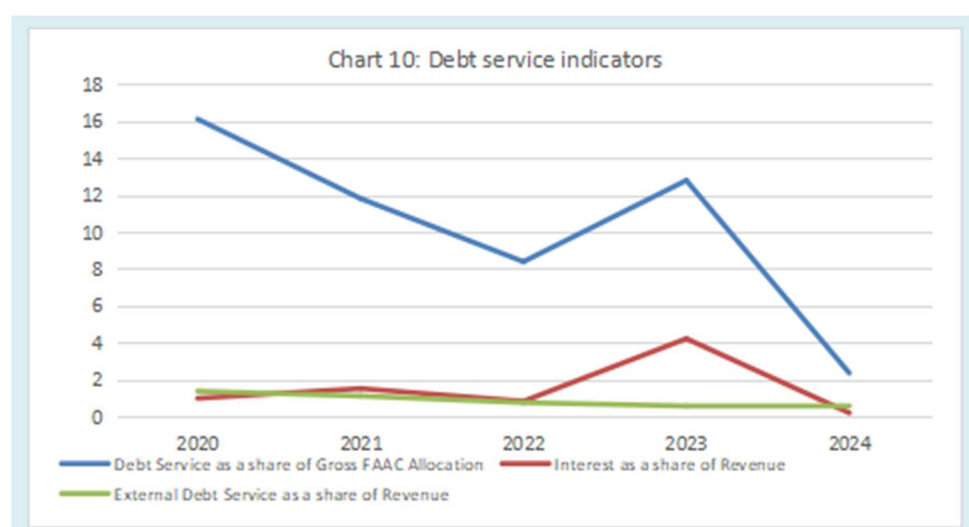
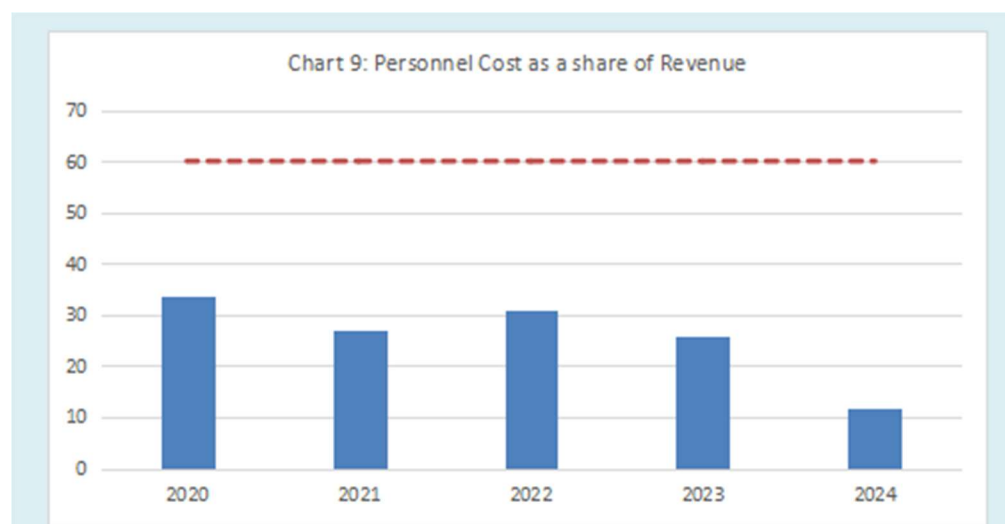
		2020	2021	2022	2023	2024
14	Principal Repayment (Old + New)	10,913	7,659	6,900	7,791	7,174
15	External	1,162	1,165	815	796	2,340
16	Domestic	9,751	6,494	6,085	6,995	4,834



		2020	2021	2022	2023	2024
17	Interest Payment (Old + New)	922	1,759	1,073	6,584	829
18	External	122	123	163	76	429
19	Domestic	800	1,637	910	6,508	400







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 4.1 Katsina state debt burden indicators as at end of 2024.

Indicator	Thresholds	Ratio
Debt as % of SGDP	25	3
Debt as % of Revenue	200	35
Debt Service as % of Revenue	40	2
Personnel Cost as % of Revenue	60	12

4.1 Medium-Term Budget Forecast

Katsina State's medium-term debt sustainability is predicated upon a gradual recovery of the Nigerian economy that will enhance FAAC statutory allocations and strengthen the State's fiscal resilience. According to Federal Government and State projections, the Nigerian economy is expected to grow steadily between 2026 and 2029, with real GDP growth averaging 3.7–3.8 percent from 2026 to 2028 before moderating slightly to 3.5 percent in 2029. Nominal GDP is forecast to rise from approximately ₦369.4 trillion in 2026 to ₦547.4 trillion in 2029, supported by GDP-deflator inflation of 10.6–11.7 percent, easing to about 7.5 percent by 2029.

This moderate economic recovery is underpinned by higher global oil prices, increased domestic crude production and refining capacity, prudent fiscal management, and the stabilization of the exchange rate at around ₦1,400/US\$. These conditions are expected to translate into stronger Federation Account inflows to subnational governments, including Katsina State. The State's own GDP is projected to grow from about ₦3.62 trillion in 2026 to ₦5.36 trillion in 2029, driven by expansions in agriculture, telecommunications, services, and light manufacturing. Collectively, these factors form the macroeconomic context for the State's Debt Sustainability Analysis and Debt Management Strategy baseline scenario.

Debt sustainability analysis is also predicated on the continuation of the State's ongoing fiscal and institutional reforms aimed at improving internally generated revenue (IGR) and optimizing expenditure efficiency. At the subnational level, Katsina State has embarked on tax administration reforms to expand the tax base, enhance compliance, and strengthen VAT and PAYE collection. These measures are expected to sustain annual IGR growth of at least 5 percent. VAT collections are projected to rise from ₦450.9 billion in 2026 to ₦722.1 billion in 2029, while Federation Account revenues are anticipated to grow due to improved oil receipts, non-oil taxes, and the effects of subsidy removal and a market-determined exchange rate.

On the expenditure side, the State aims to sustain a healthy balance between recurrent obligations and capital investment. Personnel costs are projected to increase moderately, maintaining fiscal discipline while ensuring wage obligations are met. Overhead costs are expected to follow historical trends, with efficiency measures introduced to curb wasteful spending. Meanwhile, capital expenditure is forecast to grow robustly, reflecting the administration's commitment to infrastructure, social services, and economic diversification. These assumptions underpin the Baseline Scenario in the State DSA-DMS Template and form the foundation of the 2026–2028 Medium-Term Expenditure Framework (MTEF).

Table 4.2: Medium-Term Macro-Economic Framework – Key Parameters for the National Macroeconomic Projections (2026–2029)

Item	2026	2027	2028	2029
Nominal GDP (₦ million)	369,411,742	424,547,927	492,010,390	547,423,060
Nominal GDP Growth (%)	14.70	14.93	15.89	11.26
Real GDP Growth (%)	3.67	3.80	3.79	3.50
GDP Deflator Inflation (%)	10.63	10.72	11.65	7.50
National Inflation (%)	14.21	10.04	9.50	8.90
Oil Production Benchmark (MBPD)	2.10	2.35	2.40	2.45
Oil Price Benchmark (US\$/bbl)	76.72	75.30	74.50	73.80
NGN:USD Exchange Rate	1,400	1,400	1,400	1,400
Katsina State GDP (₦ million)	3,615,244	4,154,834	4,815,055	5,357,350
Katsina State VAT (₦ million)	450,876	527,524	617,204	722,128

Source: Ministry of Budget & Economic Planning; NUPRC; BOF; NBS; Katsina State MTEF

Table 4.3: Katsina State Medium-Term Fiscal Framework

Item	2025 (₦' m)	2026 (₦' m)	2027 (₦' m)	2028 (₦' m)
Recurrent Revenue				
– Statutory Allocation	91,067.82	91,523.20	137,459.70	152,768.40
– VAT	58,157.36	66,912.33	86,041.06	92,063.93
– Internally Generated Revenue (IGR)	38,645.41	41,111.54	43,577.68	57,609.87
Total Recurrent Revenue	187,870.59	199,547.07	267,078.43	302,442.20
Recurrent Expenditure				
– Personnel	51,488.40	51,893.30	52,298.20	53,012.50
– Overhead Costs	26,300.20	25,460.90	24,621.50	23,589.80
– Debt Service	15,356.56	19,380.90	18,683.27	18,204.10
– Other Recurrent	11,432.90	11,089.90	10,746.90	10,750.00

Total Recurrent Expenditure	104,578.06	107,825.00	106,349.87	108,556.40
Transfer to Capital Account	83,292.53	91,722.07	160,728.56	180,503.40
Capital Receipts				
– Grants	19,360.20	20,328.20	20,734.80	21,065.90
– Other Capital Receipts	65,675.92	46,291.14	65,285.22	77,841.22
Total Capital Receipts	85,036.12	66,619.34	86,020.02	98,907.12
Capital Expenditure	181,600.20	185,232.20	253,864.20	279,410.50
Net Financing	13,271.55	26,890.79	7,115.62	5,646.22

Source: Katsina State Ministry of Budget and Economic Planning, MTEF 2025–2028.

4.2 Borrowing Options

The borrowing options are considered due to the timing of government's cash flows throughout the fiscal year. See below details of planned borrowing over the projection years;

Table 4.4 Borrowing options

New Domestic Financing in Million of Local Currency												
Commercial Bank Loans (maturity 1 to 5 years, including	Naira	Million		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Bank Loans (maturity 6 years or longer, including	Naira	Million		0.0	0.0	7,000.0	2,367.6	2,403.5	4,228.6	6,190.1	14,623.9	11,095.9
State Bonds (maturity 1 to 5 years)	Naira	Million		4,296.4	1,731.8	7,010.4	2,099.9	3,596.9	2,756.3	6,272.2	2,264.7	16,289.4
State Bonds (maturity 6 years or longer)	Naira	Million		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Domestic Financing	Naira	Million		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New External Financing in Million US Dollars												
External Financing: Concessional Loans (e.g., World Bank	US Dollars	Million		0.0	0.0	10.0	5.0	8.0	5.0	7.0	10.0	15.0
External Financing: Bilateral Loans	US Dollars	Million		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other External Financing	US Dollars	Million		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Planned Borrowing	Naira	Million		4,296.4	1,731.8	28,010.4	11,458.5	17,200.4	13,984.9	27,262.3	30,888.6	48,385.3

The borrowing terms for these category of financing options for both domestic and external instruments are detailed below:

Borrowing Terms for New Domestic Debt (issued/contracted from 2024 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	35.00%	5	1

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	37.00%	7	1
State Bonds (maturity 1 to 5 years)	23.75%	5	1
State Bonds (maturity 6 years or longer)	25.00%	10	2
Other Domestic Financing ()	34.00%	15	1
Borrowing Terms for New External Debt (issued/contracted from 2024 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2.50%	30	1
External Financing - Bilateral Loans	1.15%	20	1
Other External Financing	7.60%	10	1

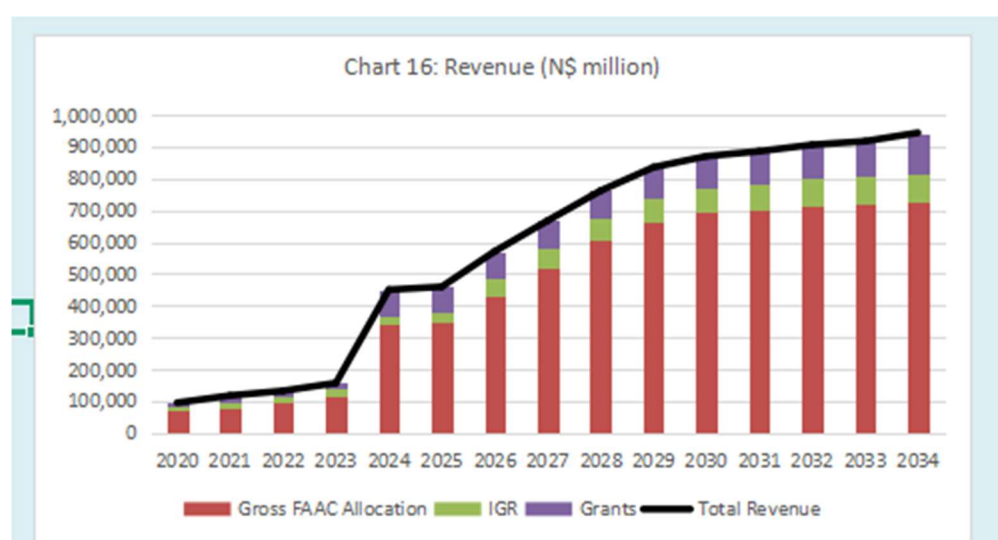
4.3 DSA Simulation Results

Revenue, expenditure, overall and primary balance over the long-term. Revenue The Macroeconomic framework is based on IMF's national real GDP growth and inflation forecasts from 2026, IMF World Economic Outlook document, and mineral benchmarks (oil price, production, and NGN/USD exchange rate) from Federal Government of Nigeria's MTEF/FSP 2026-2029.

4.2.1 Revenue

Katsina State's total revenue is projected to grow significantly over the medium and long term. The total revenue is expected to rise from ₦459.06 billion in 2025 to ₦943.44 billion by 2034. This growth will be driven largely by improvements in the Federation Account Allocation Committee (FAAC) allocations, internally generated revenue (IGR), and grants. Gross FAAC allocations are projected to increase steadily from ₦348.04 billion in 2025 to ₦726.13 billion in 2034, reflecting ongoing Federal Government fiscal reforms and increased inflows to the Federation Account. Internally generated revenue

(IGR), bolstered by state-level reforms and improved tax administration, is estimated to grow from ₦31.32 billion in 2025 to ₦90.59 billion in 2034. Grants, which also constitute an important revenue source for the State, are projected to rise from ₦79.70 billion in 2025 to ₦126.71 billion by 2034. These projections indicate a sustained upward trend in revenue across all major categories, demonstrating the State Government's commitment to diversifying and strengthening its revenue base. The data used for these estimates are derived from the approved 2025 Budget, the 2025–2027 Medium-Term Expenditure Framework (MTEF), and forward projections for 2028–2034 prepared by the Katsina State DSA-DMS Technical Team, drawing on reports from the Accountant General and the Debt Management Office. This comprehensive approach ensures that revenue projections are grounded in realistic assumptions, reflecting both current fiscal performance and anticipated policy outcomes.



4.2.2 Expenditure:

Katsina State's total expenditure is projected to rise significantly over the 2025–2034 period. Based on the updated projections, total expenditure is expected to increase from ₦483.45 billion in 2025 to ₦1.05 trillion by 2034. This growth reflects the State Government's strategy to sustain economic recovery and effectively implement new fiscal laws. Capital expenditure continues to take the largest share of spending over the period, signalling stability in the State's growth path and its emphasis on development-oriented investments. The Government remains committed to directing resources to

productive and growth-enhancing sectors such as agriculture, infrastructure, manufacturing, housing and construction, education, health, power and energy and water resources. The expenditure projections are derived from the approved 2025 budget, the 2025–2027 Medium-Term Expenditure Framework (MTEF), and projections for 2028–2034 prepared by the Katsina State Technical Team using the State Accountant General and Debt Management Office reports.

Personnel costs: are projected at ₦51.68 billion in 2025 and gradually decline to ₦50.70 billion by 2034. This trend reflects the ongoing staff verification exercise, the expected wave of retirements, and a deliberate reduction in the number of political office holders aimed at controlling payroll costs and improving efficiency in public service delivery.

Overhead costs: are estimated to increase moderately from ₦37.91 billion in 2025 to ₦42.65 billion by 2034. This increase reflects inflationary pressures and the State Government's commitment to sustaining essential government operations and maintaining service delivery standards.

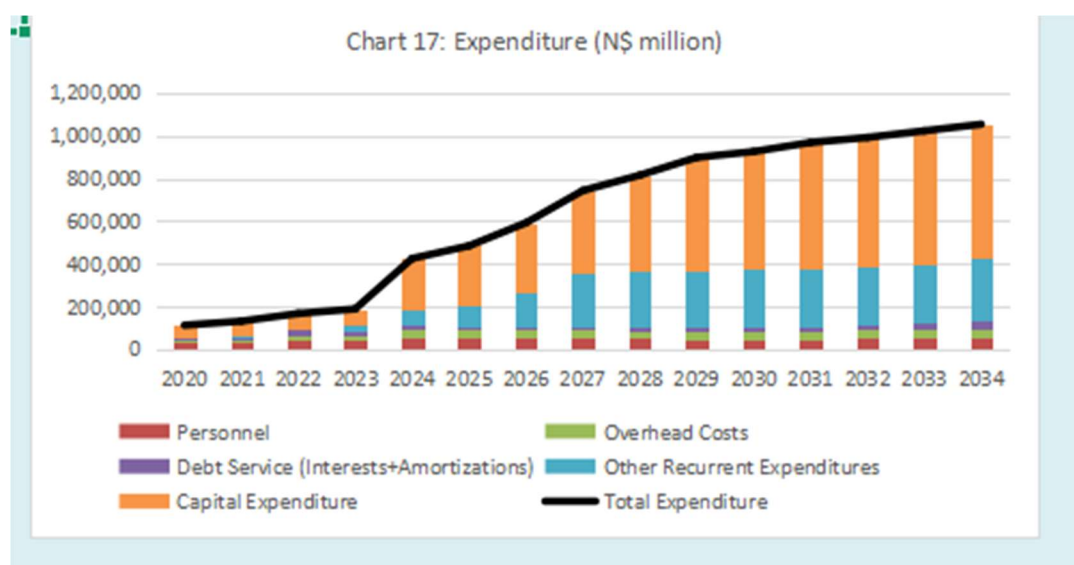
Debt service, which covers both interest payments and amortisation, is projected to move from ₦10.76 billion in 2025 to ₦36.57 billion by 2034. This represents a steady but controlled rise in public debt charges over the period, reflecting prudent borrowing and repayment strategies within the limits prescribed by the Federal Debt Management Office.

Other recurrent expenditures: Include social contributions and benefits, are expected to grow sharply from ₦104.10 billion in 2025 to ₦298.22 billion by 2034. This increase underscores the State Government's expansion of social programmes and benefits designed to meet the needs of its citizens and improve welfare outcomes.

Capital expenditure: financed from recurrent account balances and capital receipts, is projected to increase from ₦279.00 billion in 2025 to ₦624.50 billion by 2034. This sustained increase highlights the State Government's determination to protect and

expand capital spending to drive infrastructure development, economic diversification, and long-term growth.

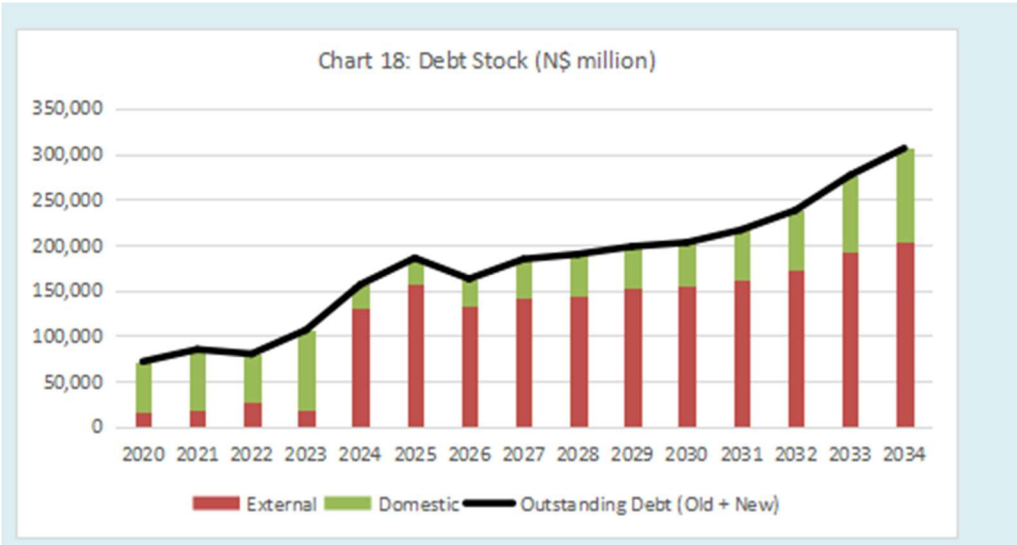
Overall, the expenditure framework for 2025–2034 demonstrates a deliberate shift towards increased capital investment, moderate control of recurrent costs, and sustainable debt servicing. These measures are designed to support Katsina State's long-term development agenda and ensure that fiscal policy continues to stimulate growth while maintaining financial discipline



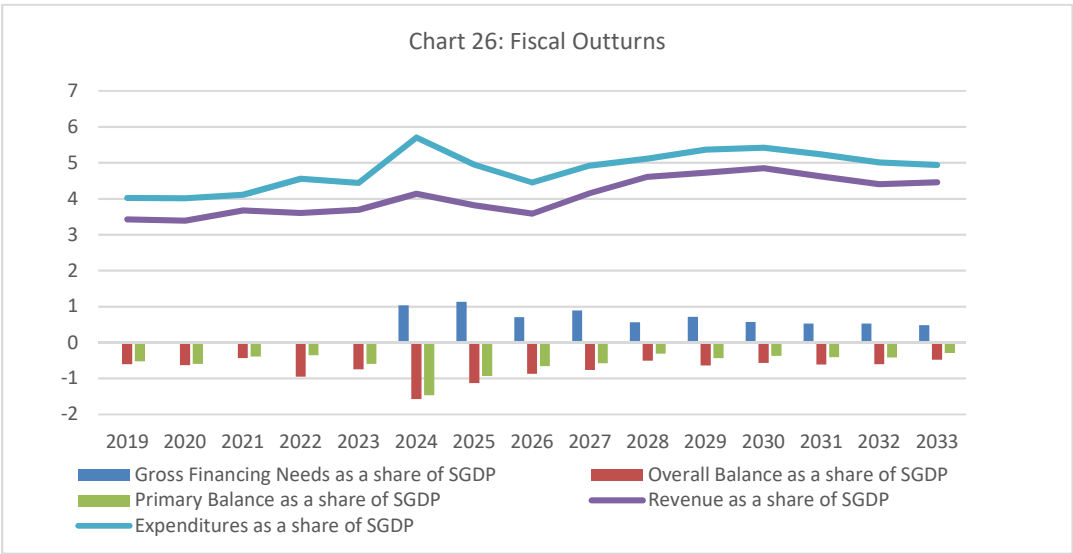
4.3 Debt Stock

Katsina State's total outstanding debt stock (old and new combined) is projected to rise steadily from ₦185.47 billion in 2025 to ₦305.99 billion by 2034. This includes both external and domestic components. The external debt component is expected to grow from ₦157.06 billion in 2025 to ₦203.14 billion in 2034, reflecting ongoing access to concessional financing from multilateral and bilateral sources such as the World Bank and other development partners. Meanwhile, the domestic debt component is projected to increase from ₦28.40 billion in 2025 to ₦102.85 billion by 2034, reflecting the use of domestic borrowing instruments such as bonds, contractor arrears, and pension/gratuity liabilities. The debt stock projections indicate the State Government's continued commitment to sustainable debt management, ensuring that loans are

directed mainly at capital expenditure and that debt service obligations remain within the thresholds prescribed by the Federal Debt Management Office.



The fiscal outturn chart looks at how gross financing need, overall balance, primary balance, revenue and expenditure, all as a share of the state GDP interacts. Primary balance which is the difference between the state's revenue and its non interest



expenditure can be measured as a percentage of state GDP.

There observed gradual and consistent decline of the Primary Balance and Overall Balance as we progress into the projection years.

4.4 Main Key Findings

Under the baseline scenario, the Debt Sustainability Analysis (DSA) shows that Katsina State's debt-to-GDP ratio remains comfortably below the indicative 25 percent threshold throughout the projection period. Specifically, debt-to-GDP is projected at about 3 percent in 2025, gradually easing to around 2 percent by 2034, reflecting prudent borrowing and a relatively strong revenue base. This outcome indicates that the State retains significant fiscal space for borrowing if needed.

Revenue-based indicators also remain favorable. The debt-to-revenue ratio is projected at about 78 percent in 2025, steadily improving to 44 percent by 2034, well below the 200 percent benchmark. This underscores the sustainability of current and planned debt levels under the existing revenue profile. Even under potential macroeconomic shocks—such as slower GDP growth or weaker FAAC inflows—the debt-to-GDP ratio would remain within sustainable levels, with only a slower pace of decline beyond 2028.

The personnel cost-to-revenue ratio remains well under the critical 60 percent benchmark, falling from roughly 18 percent in 2025 to 9 percent in 2034 as the ongoing staff verification exercise, retirements, and reduction in political appointees take effect. However, persistent inflationary pressures and higher recurrent costs (overheads and social programmes) could require reprioritization, potentially affecting capital spending and long-term growth objectives.

Debt-service-to-revenue ratios are also projected to remain below the 40 percent threshold over the projection period, although they may edge up temporarily if interest costs rise or amortization schedules tighten. External debt service-to-revenue ratios are expected to remain at about 1 percent by 2034, reflecting cautious management of foreign borrowing.

Overall, the DSA results confirm that Katsina State's debt strategy remains sustainable under the baseline scenario for 2025–2034, with moderate and manageable borrowing

commitments, continued emphasis on capital expenditure, and prudent fiscal management that strengthens resilience to external and domestic shocks.

4.6 DSA Sensitivity Analysis

Under the reference debt strategy (S1), Katsina State's 2025 Debt Sustainability Analysis incorporates one baseline scenario, four adverse-shock scenarios (revenue, expenditure, exchange-rate, and interest-rate shocks), and one historical scenario. These scenarios deviate from the baseline by applying exogenous shocks to key macro-fiscal variables. In the shock scenarios it is assumed that additional domestic and external borrowing would be used to finance revenue shortfalls or additional expenditures relative to the baseline. The historical scenario instead applies the State's average growth rates for 2020–2024 to the key variables, providing a backward-looking benchmark. This sensitivity analysis allows the State to evaluate the robustness of its debt position under potential macroeconomic or policy slippages.

Under a revenue shock modelled as a significant shortfall in FAAC inflows and internally generated revenue, the State's debt ratios worsen moderately compared to the baseline. Debt-to-SGDP rises from 3 percent in 2025 to about 8 percent by 2034 (vs. 2 percent in the baseline), while debt-to-revenue increases sharply from 43 percent in 2026 to around 153 percent by 2034. Debt service-to-revenue also accelerates, reaching 24 percent by 2034 (vs. 4 percent in the baseline). Personnel cost ratios remain below the 60 percent threshold but flatten at about 6 percent of revenue. These results indicate that a reversal of revenue-mobilisation gains would be the single largest risk to debt sustainability, although all indicators remain below their critical thresholds.

If expenditure growth accelerates above the baseline—for example from wage pressures or expanded social programmes—the State's debt sustainability deteriorates in a pattern similar to the revenue shock. Debt-to-SGDP climbs to 8 percent by 2034, and debt-to-revenue increases to 144 percent. Debt service-to-revenue also rises to 23 percent by the end of the projection period. Nevertheless, personnel cost ratios stay below 10 percent of revenue. This scenario highlights the importance of continued expenditure discipline and careful prioritisation of capital versus recurrent spending to prevent erosion of fiscal space.

Under an adverse exchange-rate movement, the effect on the State's debt ratios is relatively mild. Debt-to-SGDP stays at 2 percent throughout most of the period, and debt-to-revenue ratios fluctuate only slightly, ending at 35 percent by 2034. Debt service-to-revenue remains at or below 4 percent. Personnel costs as a share of revenue continue to decline to 5 percent by 2034. This suggests that, under current external debt composition, exchange-rate volatility poses a limited threat to Katsina State's debt sustainability.

An interest-rate shock—reflecting higher domestic borrowing costs or tighter credit conditions—has only a modest impact on the State's indicators under the reference strategy. Debt-to-SGDP stays around 2 percent, and debt-to-revenue increases only slightly to 33 percent by 2034. Debt service-to-revenue edges up to about 4 percent, remaining well below the 40 percent threshold. Personnel costs continue their gradual decline. This outcome reflects prudent debt management policies and a relatively low share of floating-rate or short-term debt.

Applying historical averages for 2019–2023 to key variables produces much lower revenue and higher volatility, which drives debt ratios into implausible negative territory by 2034 in the template (e.g., debt-to-SGDP collapsing to -349 percent). While this is largely a mechanical effect of applying past growth patterns to a changing base, it underlines the risks of relying on weaker revenue performance or stop-go fiscal policies. Overall, however, none of the adverse-shock scenarios breaches the indicative thresholds (25 percent of SGDP; 200 percent of revenue; 40 percent debt service-to-revenue; 60 percent personnel cost-to-revenue). The sensitivity analysis therefore confirms that Katsina State remains at low risk of debt distress based on the 10 years projections, provided that ongoing revenue and expenditure reforms, prudent borrowing, and strict fiscal discipline are maintained.

4.7 CONCLUSION

The 2025 Debt Sustainability Analysis (DSA) indicates that Katsina State's total debt remains sustainable with a low risk of debt distress and ample capacity to absorb potential shocks. The State's risk rating continues to be assessed as low, with sufficient space to accommodate fluctuations in revenue, expenditure, exchange rates, and interest rates. Ongoing efforts by the government to strengthen revenue generation and diversify the economy—particularly through reforms in tax administration, improved collections, and the implementation of the Strategic Revenue Law—are expected to further enhance revenue performance and borrowing space over the medium to long term. Under all analyzed scenarios, Katsina State's debt remains sustainable, with key indicators (debt-to-GDP, debt-to-revenue, and debt service ratios) remaining well below critical thresholds throughout the projection period. However, sustaining this favorable outlook will require the continued implementation of revenue-enhancing reforms, prudent management of recurrent expenditures, and active monitoring of debt service obligations to mitigate the risks posed by macroeconomic or fiscal shocks. By maintaining these policies, Katsina State is well positioned to finance its development agenda while preserving long-term fiscal sustainability.

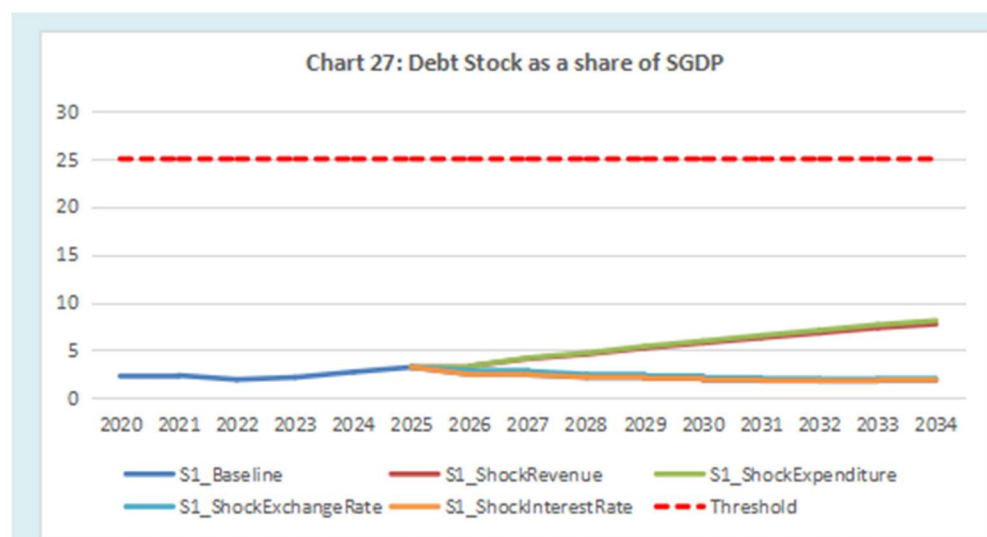


Chart 28: Debt Stock as a share of Revenue

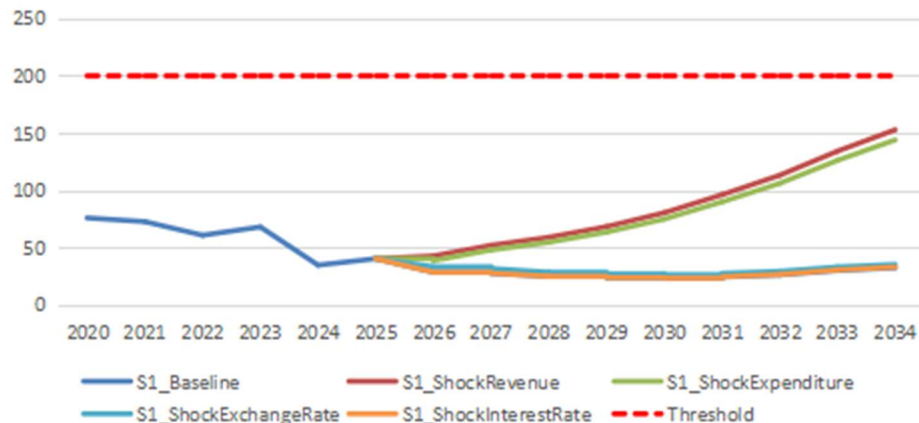


Chart 29: Debt Service as a share of Revenue

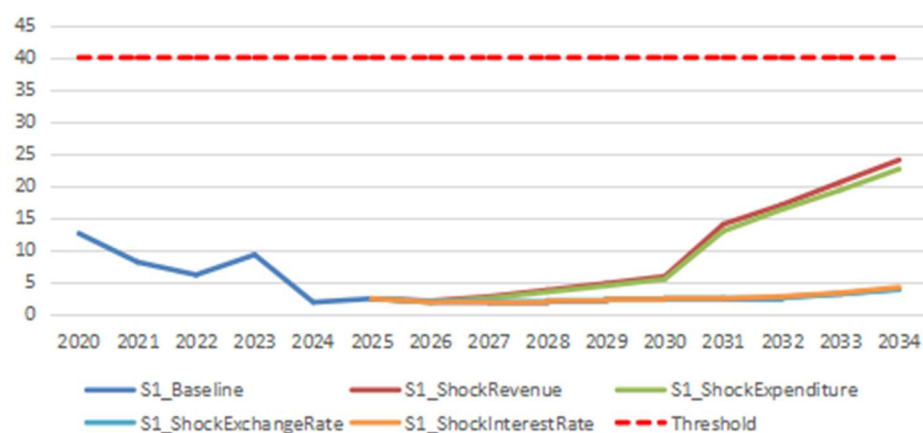
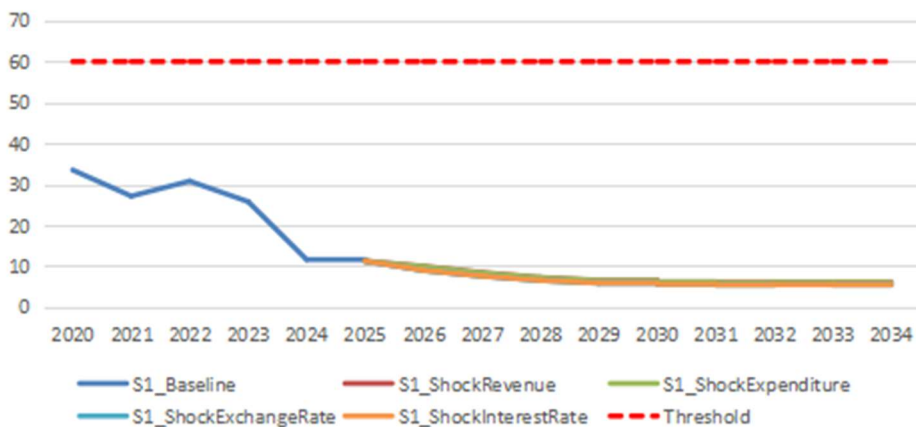


Chart 30: Personnel Cost as a share of Revenue



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. The Debt Management Strategy (DMS) evaluates the costs and risks associated with the current debt portfolio, as well as alternative portfolios that could arise from different borrowing strategies. This assessment considers factors such as the macroeconomic environment, financial market conditions, the availability of financing from various sources, and potential vulnerabilities that may affect future borrowing needs and debt servicing. The DMS assesses debt-management performance using three key indicators: Debt Stock to Revenue (%), Debt Services to Revenue (%), and Interest to Revenue (%). The "cost" of a debt management strategy is measured by the expected value of a performance indicator under the baseline scenario by 2034, while the "risk" reflects deviations from the expected value under the most adverse scenario due to unexpected macroeconomic or policy shocks.

5.1 Alternative Borrowing Options

The Katsina State administration has developed four borrowing strategies—S1, S2, S3, and S4—with distinct objectives and instruments to meet the state's gross financing needs from 2026 to 2034. These strategies aim to mitigate risks such as currency fluctuation, interest rate volatility, and rollover risks, while fostering domestic debt markets, funding capital investments, and ensuring liquidity for cash management. The borrowing options include a mix of domestic and external instruments: State Bonds (including Sukuk loans), Other Domestic Financing (such as CBN Loans), and External Borrowings (e.g., World Bank N-Cares Loans and China EXIM Bank Loans). The planned distribution of gross financing needs under each strategy is detailed below:

Strategy 1 (S1): adopts commercial bank loans (6 years or more) State Bonds (maturity 6 years or longer) and Other Domestic Financing (CBN): External gross borrowing under Concessional loans over the projection period

Strategy 2 (S2): focus more on financing through commercial bank loans (6 years or more) and State Bonds (maturity 6 years or longer) all through the projection years. State did not plan to access loans externally during the period

Strategy (S3): focus its financing through domestic debt market: In strategy 3, the government decided to focus its financing only through State Bonds (above 6 years all through the projection years.

Strategy (S4):The state set up this strategy to meet its gross financing need through Domestic financing; Commercial bank loans (1-5 years), and State bond (1-5 years)

5.2 DMS Simulation Results

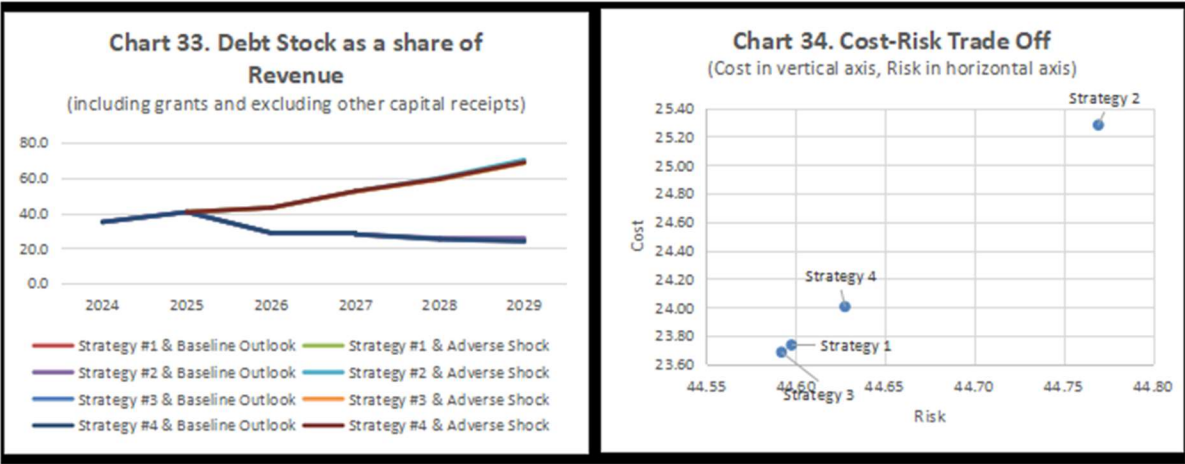
This section presents the simulation results for the State's Debt Management Strategies (DMS) across the three key performance indicators – Debt Stock/Revenue, Debt Service/Revenue and Interest/Revenue – under the baseline and adverse scenarios for the period 2024-2027. The analysis compares the reference debt strategy (S1) with the three alternatives (S2, S3 and S4) and highlights their respective cost-risk trade-offs. Risk is measured in 2029 for all strategies.

5.2.1 Debt/Revenue

Under the baseline scenario for 2024-2027, the projected Debt Stock as a percentage of Revenue (including grants) declines across all four strategies from 34.8 percent in 2024 to about 23–25 percent in 2029. Strategy 1 drops from 34.8 percent in 2024 to 23.7 percent in 2029; Strategy 2 from 34.8 percent to 25.3 percent; Strategy 3 from 34.8 percent to 23.7 percent; and Strategy 4 from 34.8 percent to 24.0 percent. This shows a broadly similar downward trajectory, with Strategies 1 and 3 achieving slightly lower debt-stock ratios than Strategies 2 and 4 by 2029.

Comparing the cost-risk trade-offs in 2029, Strategy 1 records a cost (Debt Stock to Revenue) of 44.6 percent with a risk measure of 44.6 percent, while Strategy 2 shows a slightly higher cost of 44.8 percent and risk of 44.8 percent. Strategies 3 and 4 have costs of 44.6 percent each with risks of 44.6 percent. This suggests that Strategy 1

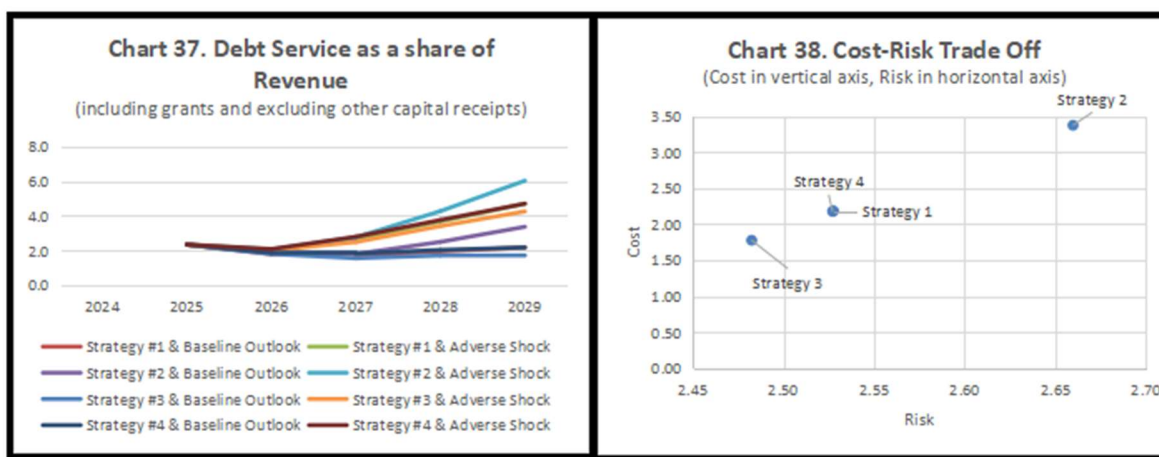
remains marginally less costly than Strategy 2 but all strategies cluster within a narrow risk band.



5.2.2 Debt Service/Revenue

In the baseline scenario, Debt Service as a percentage of Revenue (including grants) also shows low and fairly stable values. Strategy 1 falls from 2.3 percent in 2024 to 2.5 percent in 2029; Strategy 2 from 2.3 percent to 2.7 percent; Strategy 3 from 2.3 percent to 2.5 percent; and Strategy 4 from 2.3 percent to 2.5 percent. The adverse scenario produces higher ratios, especially for Strategy 2 (rising to 6.0 percent in 2028) and Strategy 4 (4.7 percent in 2028).

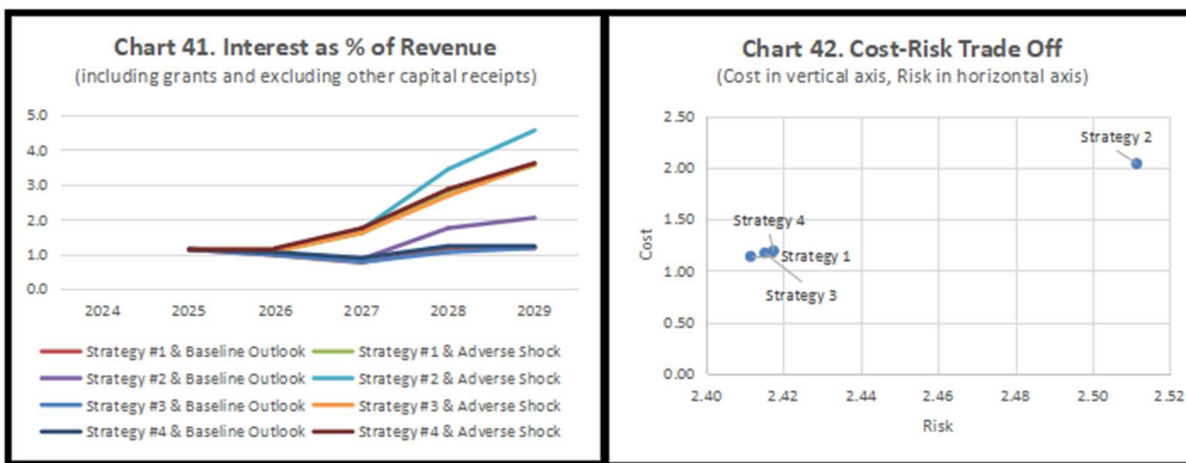
Regarding cost-risk trade-offs at end-period (2029), Strategy 1 shows the lowest cost and risk with Debt Service to Revenue at 2.5 percent and a risk measure of about 2.5 percent. Strategy 2's cost rises to 2.7 percent with a higher risk of 2.7 percent, while Strategies 3 and 4 both stand at 2.5 percent with risks around 2.5 percent. This indicates that, under this indicator, Strategy 1 delivers the lowest cost and risk combination, followed closely by Strategies 3 and 4, with Strategy 2 slightly more costly and riskier.



5.2.3 Interest/Revenue

For Interest as a percentage of Revenue (including grants), all strategies begin at 1.1 percent in 2024. By 2029 under the baseline scenario, Strategy 1 reaches 2.4 percent, Strategy 2 2.5 percent, Strategy 3 2.4 percent and Strategy 4 2.4 percent. The adverse scenario yields much higher values, with Strategy 2 peaking at 4.5 percent and Strategy 4 at 3.6 percent in 2028.

In terms of cost-risk trade-offs measured in 2029, Strategy 1 again records the lowest cost (2.4 percent) with a risk measure of 2.4 percent. Strategy 2's cost rises slightly to 2.5 percent with a higher risk of 2.5 percent, while Strategies 3 and 4 remain at about 2.4 percent with risk measures of 2.4 percent each. This shows Strategy 1 retains its advantage as the least-cost and least-risk option, with Strategy 2 consistently more expensive and risky, and Strategies 3 and 4 intermediate between them.



5.3 DMS Assessment

An important consideration when comparing alternative debt-management strategies is identifying the approach that best satisfies the Government's stated objectives of securing financing at minimum cost and risk while fostering the development of the domestic debt market. The simulation results show that the reference strategy (S1) already provides the most balanced cost-risk profile, with lower debt-service and interest burdens relative to revenue than the other three strategies. Nevertheless, the projections also indicate that the maturity structure of the debt portfolio and the composition between domestic and external borrowing are key levers in reducing refinancing pressure and maintaining fiscal flexibility.

Across the four debt-management strategies, the cost-risk profile shows that the reference strategy (S1) generally delivers the lowest cost and risk combination for all three indicators over the projection horizon. Under the baseline scenario, S1 maintains a gradual decline in Debt Stock to Revenue from 34.8 percent in 2024 to 23.7 percent in 2029, compared with slightly higher end-period ratios under S2 (25.3 percent), S3 (23.7 percent) and S4 (24.0 percent). In Debt Service to Revenue, S1 also records the lowest cost and risk at 2.5 percent in 2029, while S2 reaches 2.7 percent and S3 and S4 2.5 percent. Similarly, Interest to Revenue under S1 remains lowest at 2.4 percent versus S2 (2.5 percent) and S3 and S4 (2.4 percent each). This consistent pattern indicates that S1 outperforms the three alternatives by offering a slightly better cost profile and equal or

lower risk exposure, whereas S2 is marginally more expensive and riskier across all indicators, with S3 and S4 sitting close to S1 but not improving on it.

As a consequence of the borrowings envisaged under the reference debt-management strategy (S1), the State can expect an improvement in both the cost of carrying debt and exposure to market risks by 2027 relative to the current portfolio at end-2024. The downward trend in Debt Stock/Revenue and the stable Debt Service/Revenue ratios point to a gradual easing of the debt burden in relation to revenue. In addition, the projections show that interest costs will remain contained and rollover pressures will not increase materially. These outcomes suggest that S1 aligns well with the Government's debt-management objectives by supporting a sustainable debt path, moderating interest and service obligations relative to revenue, and maintaining a balanced risk exposure compared with the alternative strategies.

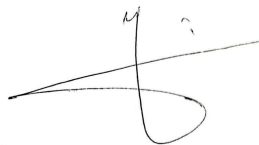
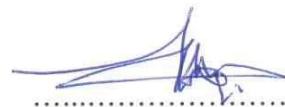
Recommendation:

The State should continue to implement the reference debt-management strategy (S1) as the preferred option, but strengthen it with measures aimed at lengthening the average maturity of its debt portfolio and diversifying its funding sources. This means prioritising longer-term domestic instruments where feasible, gradually replacing short-term obligations to reduce rollover risk, and complementing domestic borrowing with carefully selected concessional external inflows to ease pressure on domestic resources in the medium term. In addition, strengthening the domestic debt market through improved transparency, predictable issuance calendars and investor outreach will help reduce funding costs over time. By pursuing these actions, the State can preserve the low-cost, low-risk benefits of S1 while further enhancing its resilience to shocks and aligning with the Government's broader debt-management objectives.

Economic activity	Revenue	Expenditure	Projection Methodology		Source
			State GDP projected during the actual 5-GDP and projects IN-GDP, annual growth rate as provided by Federal DMO.	Projection Methodology	
Revenue	State GDP (at current prices)				DMO Management Office, Abajo
	1. Grant Statutory Allocation ("year" measure with no deduction; does not include 1.a. of which the Statutory Allocation ("net" measure of deduction))				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	1.a. of which the Statutory Allocation ("net" measure of deduction)				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	1.b. of which Deduction				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	2. Derivation (if applicable to the State)				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	3. Other FMO transfer (exchange rate gain, augmentation, other)				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	4. VAT Allocation				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	5. IGR				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	6. Capital Receipts				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	6.a. Grant				DMO Team, Ministry of Finance and Economic Development, Kotrina State
Expenditure	6.b. Subsidy of Government Assets and Privatization Proceeds				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	6.c. Other Non-Quota Creating Capital Receipts				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	1. Personnel Costs (Salaries, Pension, Civil Servant Social Benefits, other)				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	2. Overhead Costs				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	3. Interest Payments (Public Debt Charge, including interest on debt of the State)				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	4. Other Recurrent Expenditures (Excluding Personnel Costs, Overhead Costs)				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	5. Capital Expenditure				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	Clearing Cash and Bank Balances				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	Debt Repayment and Interest				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	Debt Outstanding at end-2024				DMO Team, Ministry of Finance and Economic Development, Kotrina State
Revenue	External Debt - amortization and interest				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	Domestic Debt - amortization and interest				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	New Debt Issued/Contracted from 2025 onwards				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	New External Financing				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	External Financing - Bilateral Loans				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	Other External Financing				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	External Debt - amortization and interest				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	Domestic Debt - amortization and interest				DMO Team, Ministry of Finance and Economic Development, Kotrina State
	New Debt Issued/Contracted from 2025 onwards				DMO Team, Ministry of Finance and Economic Development, Kotrina State

KATSINA STATE- TECHNICAL TEAM

1. Abdurrahman Lawal
Director Debt Management Department
Office of the Accountant General
2. Yahaya Aliyu Mai Bara
Senior Accountant
Office of the Accountant General
3. Bishir Bawa
Budget Officer
Ministry of Budget and Economic Planning
4. Abubakar Musa Mahuta
Program Analyst DMO
Office of the Accountant General
5. Abubakar Yusuf
Data Processing Officer DMO
Office of the Accountant General



MUHAMMAD BELLO KAGARA,
Honorable Commissioner of Finance,
Katsina State Ministry of Finance.