2023

ABIA STATE DEBT SUSTANABILITY ANALYSIS/ DEBT MANAGEMENT STRATEGY (DSA-DMS) REPORT

CONTENTS

1.0 INTRODUCTION

1.1 BACKGROUND

The State Debt Sustainability Analysis (S-DSA) Toolkit was developed by Debt Management Office, Nigeria and reviewed by the World Bank to analyze the trends and patterns in State public finances during the period of 2018-2022 while also evaluating the ability of the state to sustain its debt in the long term (2023-2032).

The DSA carried out by Abia State Technical team appraised recent Revenue, Expenditure, State Public Debt trends, and Related Policies adopted by the State Government, while considering the policy trust of the State.

A sub national Sustainability assessment was conducted using baseline scenarios and sensitivity analysis in order to evaluate the prospective performance of the State public finances going forward. The intention is to assist Abia State Government in striking a balance between the States program execution and new borrowings by utilizing recent trends in the State public finances.

1.2 SUMMARY OF FINDINGS

The result of Abia State S-DSA Shows that Abia State debt portfolio appears sustainable in the long term. The State has made giant strides in IGR mobilization through the recently introduced, improved, tax administration reforms. The State's revenue office has been equipped with competent personnel to follow through on the state's vision with the assistant of up-to-date technology hence, the full automation of the State's Revenue System. The Government of Abia State has also engaged in the continuous training of Revenue personnel, aggressive monitoring and enforcement of revenue collection, restructuring of all sections/departments in the State Revenue Office.

Given the State's forecast for the economy and reasonable assumptions concerning its revenue and expenditure policies, there is need to cut down on recurrent expenditure to reduce the deficit which can disrupt the forecast by increasing debt stock and debt service payment astronomically.

2.0 **ABIA STATE FISCAL AND DEBT FRAMEWORK**.

2.1 Fiscal Reforms in the last 4 to 6 years

The fiscal reforms being implemented by Abia State government in the last four to six years include the Public Financial management (PFM) and Human resource Management (HRM) which are sub divided into budget reform, Audit reform, public procurement reform which has led to reduction of wastes through transparency in procurement and due process, Tax administration reform, and civil service and pension reform. These reforms led to the enactment of the following laws/policies

- Procurement law of 2019
- Debt management law of 2019
- Fiscal responsibility law
- Abia State Government Financial Regulations
- Abia State Fiscal Responsibility Law, 2012.
- Abia State Audit Law, 2021
- Abia State tax Codification and consolidation law no 7 of 2020
- Domestic debt management law of 2019
- Direct Bank lodgme
- Automations
- Biometric Capture etc

2.2 **Abia State Approved 2023 Budget and Medium-Term Expenditure Framework (MTEF)2024-2026**

2.3 2.2.1 **Approved 2023 Budget**.

The 2023 Budget was prepared amidst a challenging global and domestic environment resulting from global economic recession, low oil prices and heightened global economic uncertainty which had serious implication on our economy.

Based on the foregoing fiscal assumptions and parameters, the Abia State Total Revenue available to fund 2023 Budget is estimated at N131.816billion. This includes Internally Generated Revenue, Statutory Allocation, Net Derivation, Value Added Tax, Other Statutory Revenue, Domestic Grants, Foreign Grants, Domestic Loans, and Foreign Loans respectively.

An aggregate expenditure of N131.816billion is proposed by Abia State Government in 2023. The 2023 Expenditure comprises, Debt Repayment (Interest and Principal) of N4.400billion, Recurrent Expenditure excluding Debt Repayments of N58.225billion and Capital Expenditure of N69.191billion respectively.

2.2.2 **Indicative Three-Year Fiscal Framework**

The indicative three-year fiscal framework for the period 2024-2026 is presented in the Table Below:

Table 1: Abia State Medium Term Fiscal Framework

ABSG 2023 BUDGET AND 2024-2026 ABSG MTEF				
ITEM	2023	2024	2025	2026
OPENING BALANCE				
RECURENT REVENUE				
STATUTORY ALLOCATION	43,393,200,000.00	85,510,851,765.00	106,848,202,546.00	131,465,301,765.00
DERIVATION	7,000,000,000.00	3,936,062,546.00	5,018,479,747.00	6,199,298,511.00
VAT	13,458,100,000.00	40,185,919,612.00	51,659,341,410.00	64,853,233,843.00
IGR	30,923,100,000.00	25,278,669,560.00	25,278,669,564.00	25,278,669,560.00
EXCESS CRUDE/OTHER REVENUE	3,861,400,000.00	11,301,821,136.00	6,849,777,866.00	6,542,266,759.00
TOTAL RECURRENT REVENUE	**98,635,800,000.00**	**166,213,324,619.00**	**195,654,471,133.00**	**234,338,770,438.00**
RECURENT EXPENDITURE				
PERSONNEL COSTS	32,995,300,000.00	41,606,430,370.00	45,767,073,407.00	50,343,780,747.00
SOCIAL CONTRIBUTION AND SOCIAL WELFARE	10,000,000,000.00	10,000,000,000.00	12,000,000,000.00	12,500,000,000.00
OVERHEADS	19,192,700,000.00	20,416,150,256.00	22,457,765,281.00	24,703,541,809.00
GRANTS, CONTRIBUTIONS AND SUBSIDES	-	3,456,816,100.00	3,000,000,000.00	2,456,816,100.00
PUBLIC DEBT SERVICE	12,856,800,000.00	20,000,000,000.00	20,000,000,000.00	20,000,000,000.00
TOTAL	**75,044,800,000.00**	**95,479,396,726.00**	**103,224,838,688.00**	**110,004,138,656.00**
TRANSFER TO CAPITAL ACCOUNT	**23,591,000,000.00**	**70,733,927,893.00**	**92,429,632,445.00**	**124,334,631,782.00**
CAPITAL RECEIPTS				
GRANTS	6,100,000,000.00	16,698,539,350.00	16,698,539,350.00	16,698,539,350.00
OTHER CAPITAL RECEIPTS	16,778,400,000.00	-	-	-
TOTAL	**22,878,400,000.00**	**16,698,539,350.00**	**16,698,539,350.00**	**16,698,539,350.00**
RESERVES				
CONTIGENCIES RESERVE	5,950,534,962.00	5,950,534,962.00	7,048,344,316.00	8,643,594,283.00
PLANNING RESERVE	4,760,427,970.00	4,760,427,970.00	5,638,675,453.00	6,914,875,427.00
TOTAL RESERVES	**10,710,962,932.00**	**10,710,962,932.00**	**12,687,019,769.00**	**15,558,469,710.00**
CAPITAL EXPENDITURE	**82,472,700,000.00**	**108,299,736,309.00**	**128,279,866,558.00**	**157,313,415,958.00**
DISCRETIONAL FUNDS		88,560,476,422.00	108,540,606,672.00	137,514,156,071.00
NON-DISCRETIONAL FUNDS		19,739,259,886.00	19,739,259,886.00	19,739,259,886.00
FINANCING (LOANS)	**46,714,262,932.00**	31,578,231,997.00	31,838,714,536.00	31,838,714,536.00
TOTAL REVENUE(INCLUDING OPENING BALANCE)	**168,228,462,932.00**	**214,490,095,966.00**	**244,191,725,016.00**	**282,876,024,324.00**
TOTAL EXPENDITURE (INCLUDING CONTIGENCY RESERVE)	**168,228,462,932.00**	**214,490,095,966.00**	**244,191,725,016.00**	**282,876,024,324.00**

2.2.3 **The Key Objectives of Approved 2023 Budget**

I. Supporting the reinvention of typical Abia and Aba enterprising spirit and ingenuity to stimulate industrialization through the establishment of Cottage industries in the 17 LGAs.
II. Proper prioritization of needs to limit programmes and projects only to those that will render maximum value to the greatest number of Abians while guaranteeing value for money in their implementation.
III. Careful identification, harmonization and monitoring of revenue generation windows for effective mobilization towards attaining our set goals for 2023.
IV. Putting appropriate measures in place to cushion revenue leakages, economic waste in resources utilization and to ensure proper resource redistribution.
V. Strengthening our public financial management and procurement mechanisms to ensure synergy in resource management and results obtained from them.
VI. Identification and promotion of service providers in all sectors that will lead innovations and inventions across all spectrum of product and services to deliver employment and sustainable development in every part of the State.
VII. Re-jigging of our Agencies to make them capable of interpreting the government visions and delivering multi-sectorial growth for the whole of Abia State.

2.2.4 Medium Term Policy Objectives and targets

The overall medium-term policy objectives are:

I. Create efficiencies in personnel and overhead expenditure to allow greater resource for capital development.
II. Grow IGR by a minimum of 65.82%, in 2023. However, IGR is expected to decline by 18.25% in 2024 and remain constant until 2026 when the automation process is expected to be fully completed thereby increasing IGR annually from 2027 by 4.3% until 2032.
III. To harness the public, corporate and private individual Grants to boost the State Revenue.

IV. Work on the natural endowments in the three senatorial zones to efficiently draw out resources that will boast the State economy.

V. Have a long-term plan of Funding all Recurrent Expenditure with Recurrent Revenue (IGR, VAT, DERIVATION, STATUTORY REVENUE AND OTHER STATUTORY REVENUE)

CHAPTER 3.0 REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE, 2018-2022

3.1 REVENUE

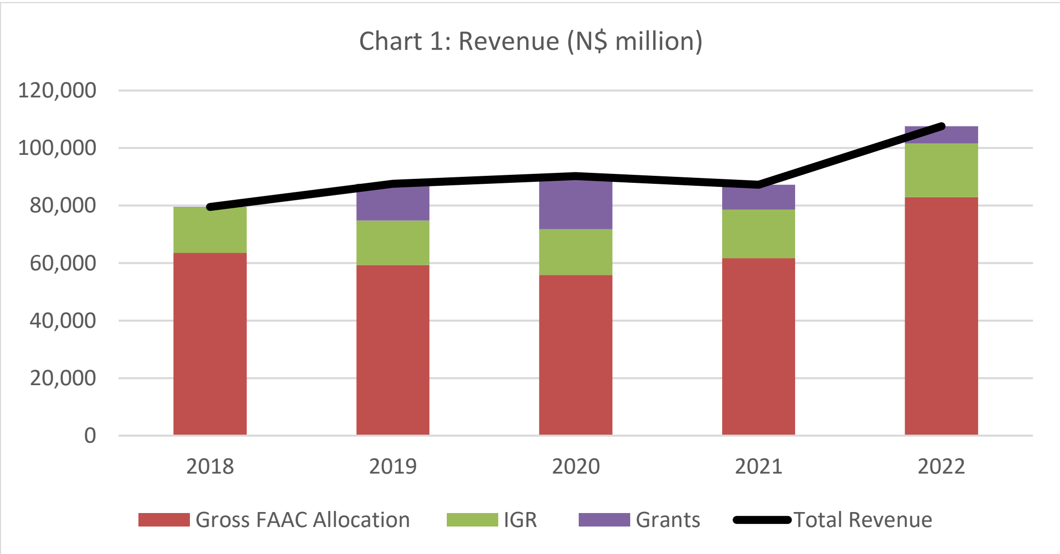
Abia State total Revenue increased throughout the period under review except for 2021 where it declined marginally. The total revenue grew to N90.217billion in 2020 from N79.52Billion in 2018 then declined to N87.237billion in 2021. However, the total Revenue increased significantly to N107.593billion in 2022 representing an increase of N20.4billion or 23.3%, The Revenue has shown improvements from 2018-2022, due to increased growth in the financial resources to the real sector of the economy, and effective implementation of the Economic policies in the State. The gross FAAC allocation comprises the statutory allocations, derivations, VAT allocation, and exchange rate gain, augmentation among others decreased from N63.6billion in 2018 to N59.3billion in 2019 which represent a decrease of N4.3billion or 6.7% decrease, it further decreased to N55.9billion in 2020 representing a decrease of N3.5Billion or 5.8%. However, the state share of Gross FAAC Allocation Increased to N61.6billion and N82.9Billion in 2021 and 2022 respectively representing an increase of N5.8billion or 10.3% and N21.3Billion or 34.5% increase respectively.

Abia State Internally Generated Revenue (IGR) showed a steady increase throughout the period under review except for in 2019 where it decreased marginally. The IGR decreased from N15.8billion in 2018 to N15.5billion in 2019 which represents a decrease of N331million or 2.1%. In 2019, it increased to N15.9Billion, N16.9Billion and N18.6Billion in 2020-2022 respectively representing an increase of 2.7%, 6.0% and 10.5% respectively. Accordingly, several reform activities were instituted to strengthen the IGR collection. Specifically, some fiscal policies were introduced among other things which includes direct bank lodgment, Automation, increased payment channels, Biometric capture, Aggressive monitoring, and enforcement, generating and validation of receipts, integrating all the MDAs into the central system and developing of an electronic taxpayer database system. Revenue sources were also expanded to include the introduction of Land use Charge. All revenue leakages were blocked through this automation processes.

Table 2: 2018-2022 Abia State Revenue

	2018	2019	2020	2021	2022
Total Revenue	79,524	87,642	90,217	87,237	107,593
Gross FAAC Allocation	63,598	59,340	55,883	61,648	82,944
IGR	15,831	15,500	15,921	16,880	18,649
Grants	95	12,802	18,413	8,709	6,000

Source: Abia States Published Financial Statement



Source Abia state published financial statement

3.2 Expenditure Performance

The State's Total Expenditure includes Capital Expenditure, Personnel Cost, Overhead Costs, Other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2019 Abia State total expenditure amounted to N117.969billion compared to N108.4billion as at the end of December 2018, which represent a growth of N15.6billion or 15.3%. However, the State total expenditure decreased in 2020 to N114.100billion representing a reduction of N3.869billion or 3.28%. Subsequently, the State total expenditure increased to N145.0Billion representing 27.1% and N201.4Billion representing 38.9% in 2021 and 2022 respectively.

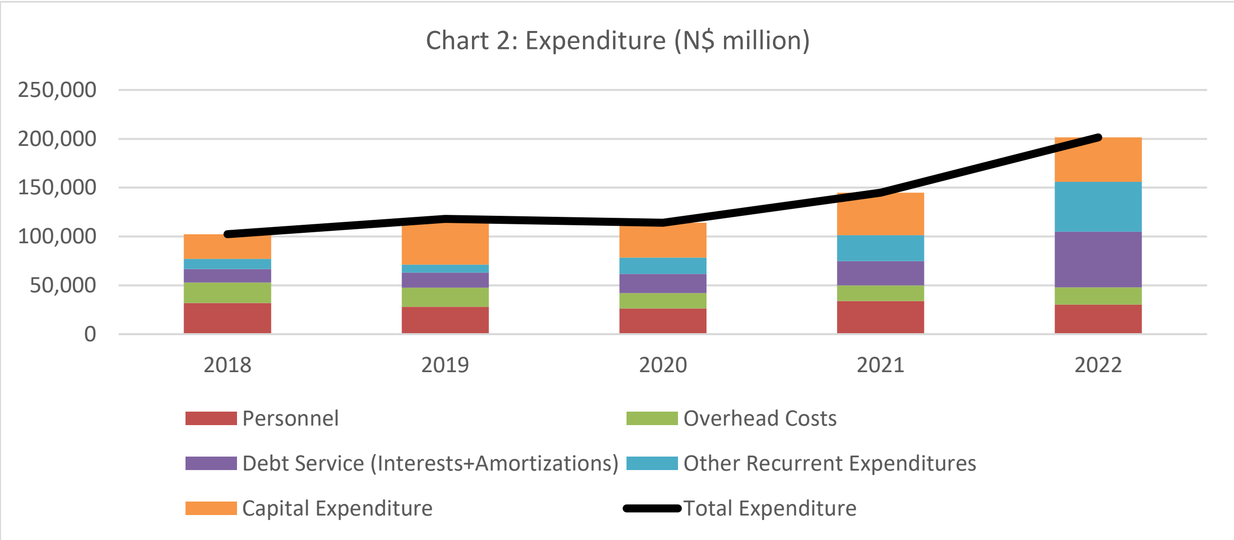
The State personnel cost decreased steadily throughout the historical year except for 2021 where it increased from N26.3Billion in 2020 to N34.0Billion representing an increase of N7.3Billion or 2934%. Also, Abia State overhead cost decreased steadily throughout the period under review except for the year 2022 where it increased from N15.8billion in 2021 to N17.6billion in 2022 representing an increase of N1.8billion or 11.5%

The total debt service that comprises the interest payment and principal repayment stood at N57.1billion at the end of 2022 compared to N13.8billion it was in 2018. Also other recurrent expenditure experienced an upward movement throughout the period under review except for 2019 where it reduced from N10.5Billion to N8.2Billion in 2019 representing 21.8% decrease.

The State capital expenditure increased steadily from N25.2billion in 2018 to N46.6billion in 2019 representing an increase of N21.4billion or 85.2% this is due to massive infrastructural developments in the state that year. However, the State's Capital Expenditure decreased to N35.534billion in 2020 representing a decrease of N11.069billion or 23.75%. The decrease was as a result of the effect of Coronavirus Pandemic which crumbled activities in 2020. Furthermore, in 2021 and 2022, the State capital expenditure increased to N43.5Billion and N45.4Billion representing an increase of 22.5% and 4.4% respectively.

Table 3: 2018-2022 Abia State Expenditure

	2018	2019	2020	2021	2022
Total Expenditure	102,355	117,969	114,100	144,992	201,429
Personnel	31,979	27,845	26,274	34,005	30,337
Overhead Costs	20,943	19,718	15,945	15,809	17,634
Debt Service (Interests+Amortizations	13,781	15,599	19,575	24,895	57,101
Other Recurrent Expenditures	10,497	8,204	16,772	26,761	50,935
Capital Expenditure	25,154	46,603	35,534	43,522	45,422



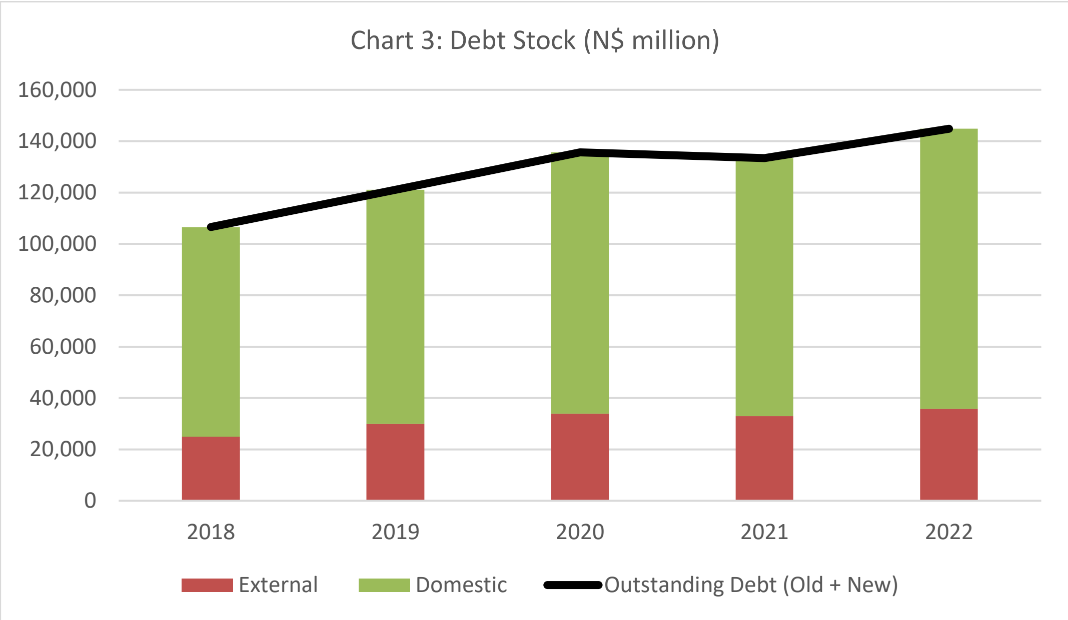
Source Abia state financial statement

3.3 STATE DEBT PORTFOLIO 2016-2020

Abia State's Debt stock amounted to N135.6billion as at end of December 2020 compared to N121.1billion as at end-December 2019, representing an increase of N14.5Billion or 12% and further increased to N144.8Billion in 2022 representing an increase of N9.3Billion or 6.8%. The increase in the total Debt stock was reflected in both Domestic and External debt components. The domestic debt stock increased from N81.6billion in 2018 to N109.1billion in 2022. While the external debt stock equally increased from N25.0billion in 2018 to N35.7billion in 2022.

Table 4: 2018-2022 Abia State Debt Stock Profile

	2018	2019	2020	2021	2022
Outstanding Debt (Old + New)	106,580	121,127	135,604	133,375	144,843
External	25,010	29,976	33,868	32,959	35,740
Domestic	81,570	91,151	101,736	100,416	109,103



Source Abia state financial statement

3.4 STATE **DEBT SERVICE 2016-2020**

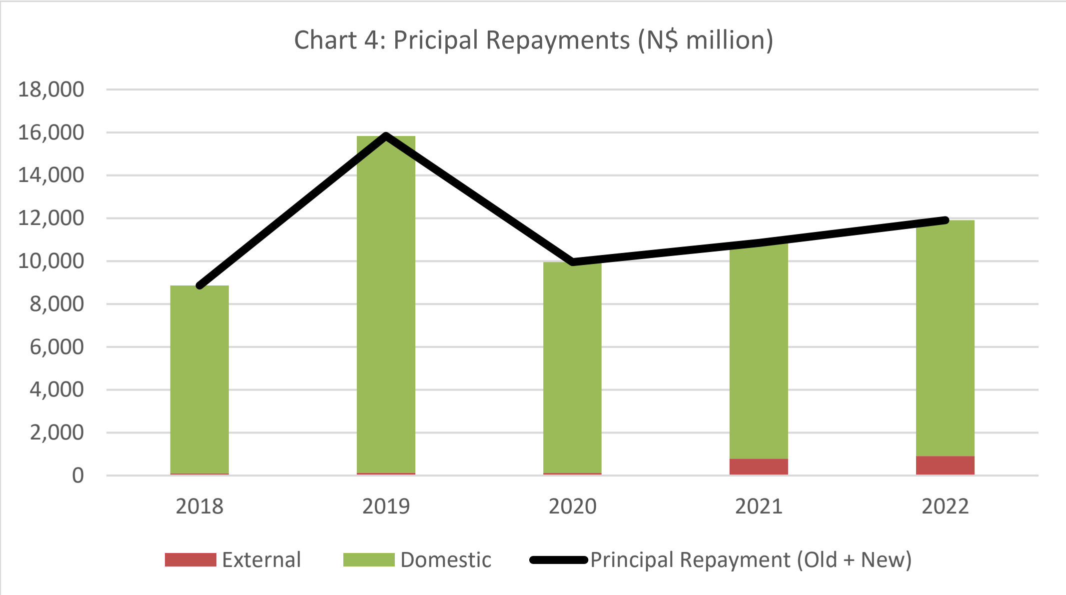
Abia State debt services Principal repayments amounted to N8.9Billion, N15.8Billion, N10.0Billion, N10.8billion and N11.9billion for 2018-2022 respectively. While the interest payment amounted to N7.3Billion in 2022 compared to N4.4billion it was in 2018. The principal repayment and interest payments were made up of both external debt and Domestic Debt.

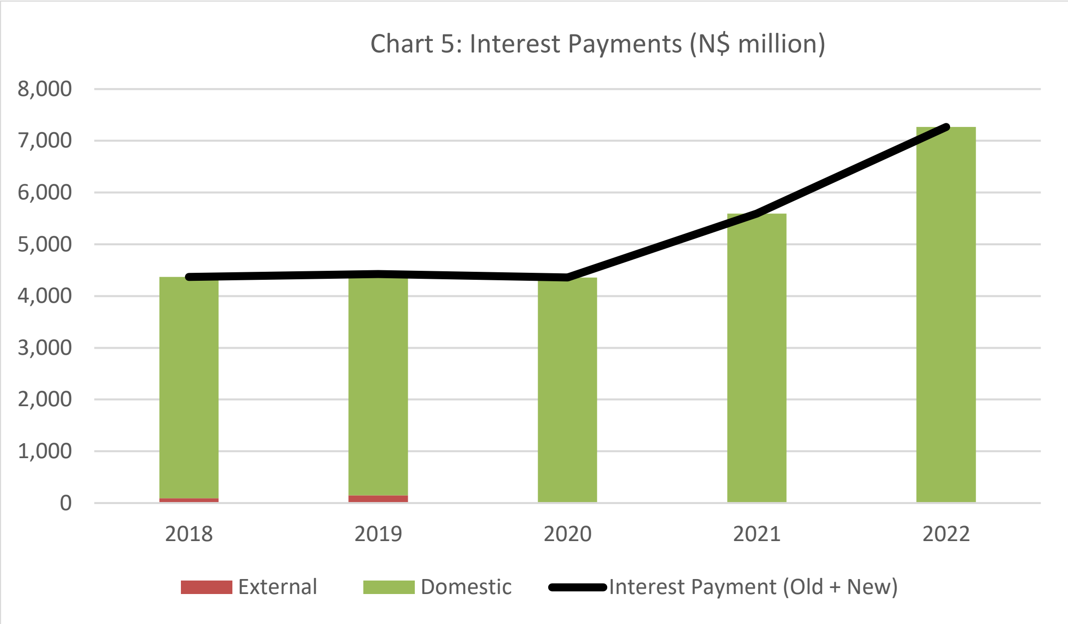
To further explain this, see the Tables and charts below.

Table 5: 2018-2022 Abia State Debt Service Profile

	2018	2019	2020	2021	2022
Principal Repayment (Old + New)	8,862	15,839	9,957	10,844	11,905
External	104	141	123	786	913
Domestic	8,758	15,698	9,834	10,058	10,991

	2018	2019	2020	2021	2022
Interest Payment (Old + New)	4,369	4,425	4,359	5,595	7,267
External	94	147	6	7	8
Domestic	4,275	4,278	4,353	5,589	7,260





CHAPTER 4. DEBT SUSTAINABILITY ANALYSIS

A debt sustainability analysis (DSA) assesses how a state or nation's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability. 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. Government therefore should endeavor to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the State, leading to serious financial crises.

ABIA STATE DEBT SUSTAINABILITY ANALYSIS

Chart 21 shows the Debt as a percentage of State GDP (with indicative threshold of 25%). The State's debt as a percentage of GDP has remain within the threshold throughout the period under review, insinuating room for further borrowing under the right circumstances. Based on this, the State GDP has potentials for growth and can also accommodate the State's debt stock, with minimal effect on the economy of the State.

Chart 22, chart 23 and chart 24 shows that, the debt as a percentage of Revenue, debt service as a percentage of revenue and personnel cost as a percentage of revenue are all below the threshold to the end of projection period respectively. The Government is coming up with various reforms in its revenue drive. Debt as a percentage of Gross FAAC Allocation (without any indicative threshold) estimated to decrease from 27% in 2023 to 16% in 2030, increased to 18% in 2031 and decreased to 17% in 2032. Interest payment as a percentage of revenue increased from 6% in 2023 to 9% in 2031 then decreased to 8% in 2032. This reveals that the maximum exposure of the state interest towards revenue is at 9% in the year 2031. Looking at external debt service as a percentage of Revenue, the maximum exposure of the State's Revenue towards External debt shows that the External Debt of the State was properly managed, peaking at 2% in the years 2029 to 2032.

4.1 **MEDIUM-TERM BUDGET FORECAST**

Debt sustainability analysis of the State is predicted on the continuation of recent effort to grow the IGR of the State annually by a minimum of 65.8% in 2023. Internally Generated Revenue (IGR) is collected by BIR and revenue collecting MDA's. The major sources of IGR are PAYE, lands and land Services, withholding tax, dividends from state investments, fine, fees, licenses and other sources. IGR has grown year-on-year since 2018 to 2022, from 15.4billion to 18.64 billion over the period, which represents an average annual growth rate of approximately 4.3% per annum. However, actual collections were lower than the budget in 2017, 2018, 2019, 2021 and 2022. Insufficient IGR collection has been attributed to insecurity within the region. This has resulted to the State projecting a decline in IGR to N25.3Billion in 2024 to 2026 then increase constantly by 4.3% per annum throughout the projection period of 2032.

Table 5: ABIA STATE DEBT BURDEN INDICATOR AS AT THE END OF 2021

INDICATORS	THRESHOLDS	RATIO
Debt as % of SGDP	25%	5%
Debt as % of Revenue	200%	153%
Debt service as % of Revenue	40%	19%
Personnel cost as % of Revenue	60%	39%
Debt service as % of FAAC	Nill	27%
Interest payment as % of Revenue	Nill	6%
External debt service as % of Revenue	Nill	1%

The state has put in various Tax administration reforms to strengthen its IGR in other to sustain its debt, these include the automation of the revenue system in the state, generating and validation of receipt, restructuring to block all existing loopholes among others will help to grow the state IGR in the next few years and this will benefit the State towards overall economic recovery. On the other hand, the civil service reform policies being implemented with regard to personnel cost and overhead cost, which are likely to maintain their historical trend and possibly keep them under watch to grow within the projected values to forestall unsustainability in the overall system.

4.2 BORROWING OPTIONS

From a total estimated new borrowing of N474.7billion from 2023 to 2032, Abia State government intends to source about N20billion representing 4.2% of total new borrowing from Commercial Bank Loans (maturity 6 years and above), N5.0billion representing 1.1% from Commercial Bank loans maturing (1-5years), N340.8billion representing 71.8% of the new borrowing through other domestic financing, External concessional financing of about N108.9billion representing 22.9% will also be accessed.

TABLE 6: ABIA STATE BORROWING OPTION AND BORROWING MIX

The table below shows the borrowing options and borrowing mix of Abia State Government from 2023 to 2032.

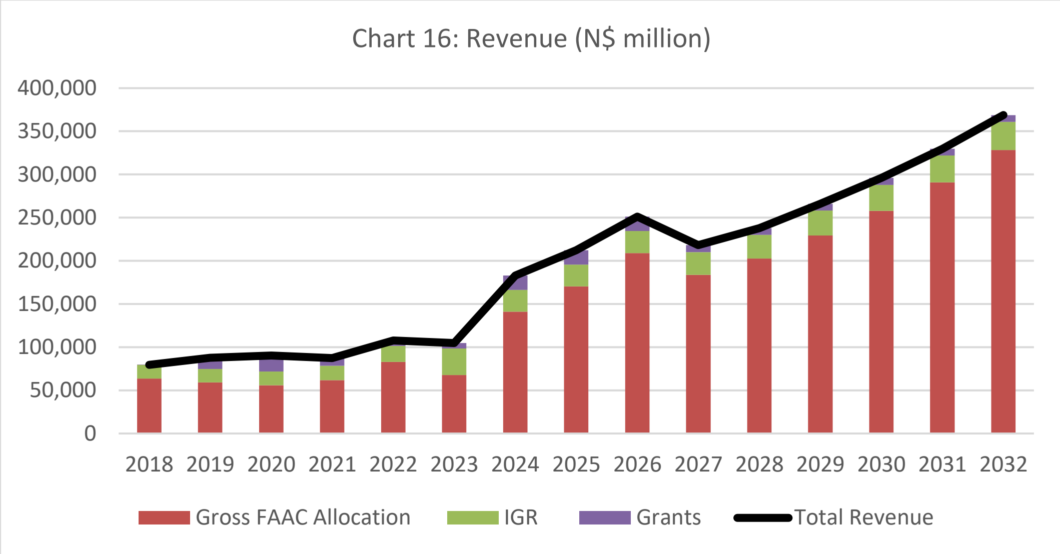
Nature of Facility	Interest Rate (%)	Maturity (# of years)	Grace (# of years)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032	% of Total
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.22	3	0	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	5,000.00	1.05
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.22	7	0	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	20,000.00	4.21
State Bonds (maturity 1 to 5 years)	0.22	3	1	-	-	-	-	-	-	-	-	-	-	-	-
State Bonds (maturity 6 years or longer)	0.22	10	2	-	-	-	-	-	-	-	-	-	-	-	-
Other Domestic Financing	0.09	15	2	29,938.57	25,545.04	2,536.58	20,025.51	32,153.14	53,073.51	33,680.14	57,515.75	36,614.98	49,675.09	340,758.31	71.79
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	0.03	20	5	21,780.00	-	21,780.00	-	21,780.00	-	21,780.00	-	21,780.00	-	108,900.00	22.94
Total				54,218.57	28,045.04	26,816.58	22,525.51	56,433.14	55,573.51	57,960.14	60,015.75	60,894.98	52,175.09	474,658.31	100.0

4.3 DSA SIMULATION RESULTS.

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the over dependence on oil revenue sources. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversify its revenue sources. The medium-term target is to increase the revenue to GDP ratio by 15%. Higher revenue collection will enable the government to deliver public services more effectively, enhance infrastructure investment and improve investment in human capital.

Abia State total revenue (including grants and excluding other capital receipts) is expected to increase from N104.7billion in 2023 to N368.9billion in 2032, representing an average annual increment of 14.9% over the projection period. Gross FAAC allocation projected to grow from N67.7billion in 2023 to N328.3billion in 2032 being an average annual growth of 18.3%. Grant is also projected to grow from N6.1billion in 2023 to N16.7 billion in 2026 then reduce to N8billion for the rest of the projection year 2027-2032. . The projections were sourced from the approved 2023 budget, MTEF, 2024-2026, 2025 -2032 projections as estimated by Abia State Planning Commission and Budget officials.

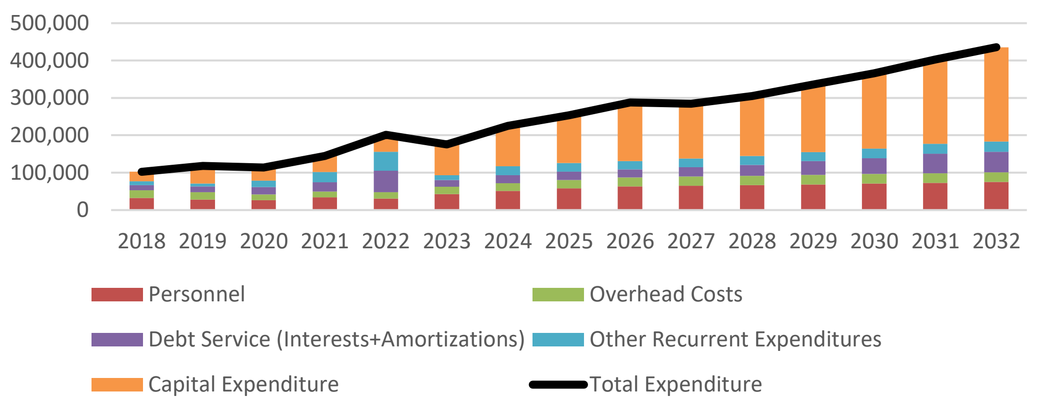
The internally generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the State as well as employing appropriate technology to get the desired result. In addition, efforts will be made to bring more businesses in the informal sector into the Tax net. IGR is estimated to grow by an annual average of 7.3% over the projection period of 2023-2032 as seen in the Approved 2023 Budget; MTEF, 2024-2026 projections and as estimated by Abia State Planning Commission and Budget Officials.



Expenditure comprises of Personnel cost, Overhead cost, Social Contribution & Social benefits, public debt service and Capital Expenditure. Total expenditure projected at N175.7billion in 2023, is expected to increase steadily to N435.6billion representing an average annual growth of 8.5% throughout the projection period of 2023-2032 indicating stability in the state growth recovery.

Personnel costs, overhead costs, debt service, and other recurrent expenditures estimated to grow from N43.0billion in 2023 to N75.0billion in 2032, N19.2billion in 2023 to N26.2billion in 2032, N18.2billion in 2023 to N55.0billion in 2032, and N12.9billion in 2023 to N26.8billion in 2032 respectively. Capital Expenditure is estimated to increase over the projection period from N82.5billion in 2023, to N180.7billion in 2029 then to N252.6billion in 2032 over the projection period of the Approved 2023 Budget; MTEF, 2024-2026 projections and as estimated by Abia State Planning Commission and Budget Officials for 2027-2032.

Chart 17: Expenditure (N$ million)

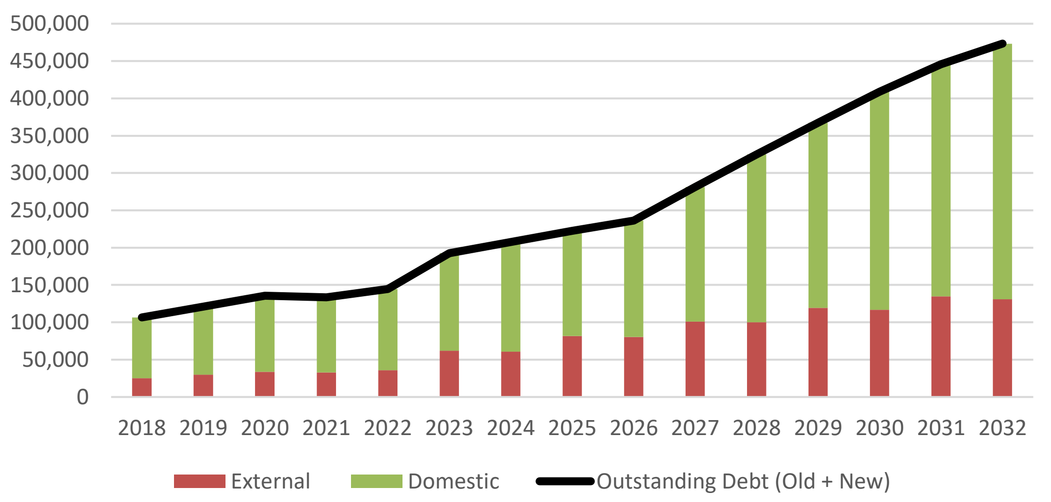


As a result of the State's modest increase in GDP, expected increase in Revenue, increase in personnel costs, overhead cost, other recurrent expenditure, and Capital expenditure. The increase in projected expenditure increased the debt through primary balance. Abia State debt stock is estimated to increase from N192.7billion in 2023 to N473.3billion in 2032 representing an annual average growth of N137.9billion or 12.8% over the projection period 2023-2032.

External debt is projected to grow from N60.8billion in 2024 to N81.5billion in 2025 representing 34.1% increase. It is expected to increase to N134.7billion and N130.8billion in 2031 and 2032 respectively.

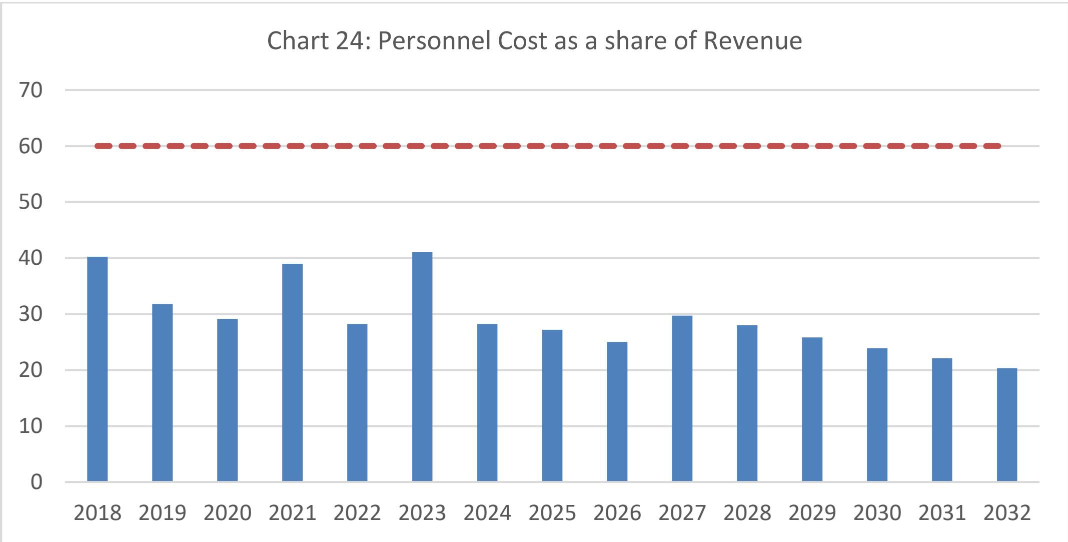
Domestic facility is expected to increase constantly throughout the projection period except in 2025 where it is expected to decrease from N146.6billion in 2024 to N141.1billion in 2025. Total Domestic facility is projected at N342.6billion in 2032.

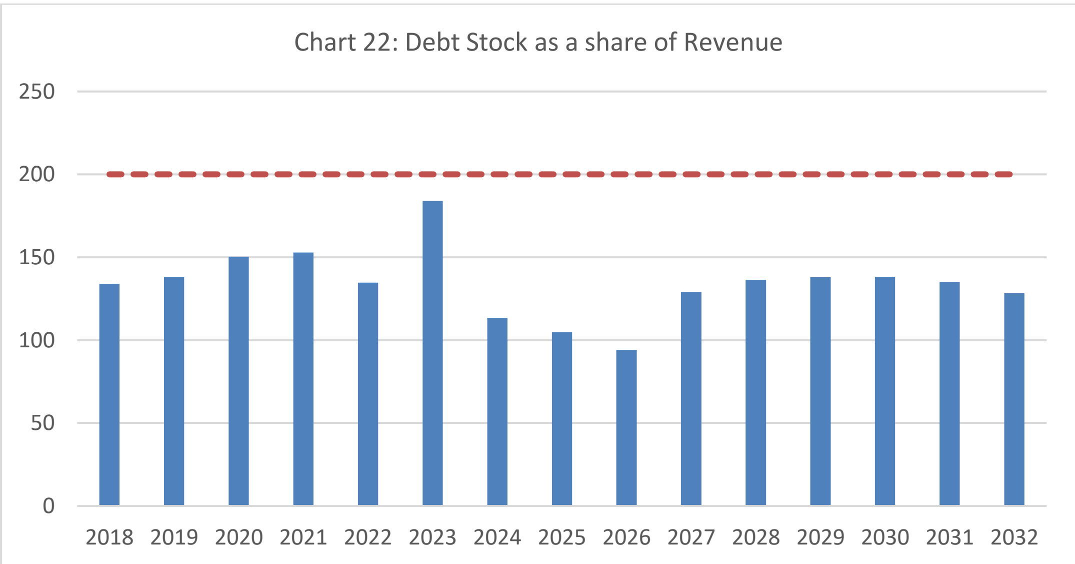
Chart 18: Debt Stock (N$ million)



ABIA STATE MAIN FINDING.

The baseline scenario result shows that the ratio of Debt as % of SGDP is projected at 4% throughout the projection period of 2023-2032 as against the indicative threshold of 25%. The ratio of debt as a percentage of revenue is estimated at 113% in 2024, 136% in 2028, 135% in 2031, and 128% in 2032. The debt as % of revenue remains below the threshold over the projection period. Meanwhile, the ratio of debt service and personnel cost to revenue trends remains under the threshold over the projection period from 2023 to 2032, with the strong-minded effort of the State Government through its various initiative and reforms in the key sectors of the state's economy.





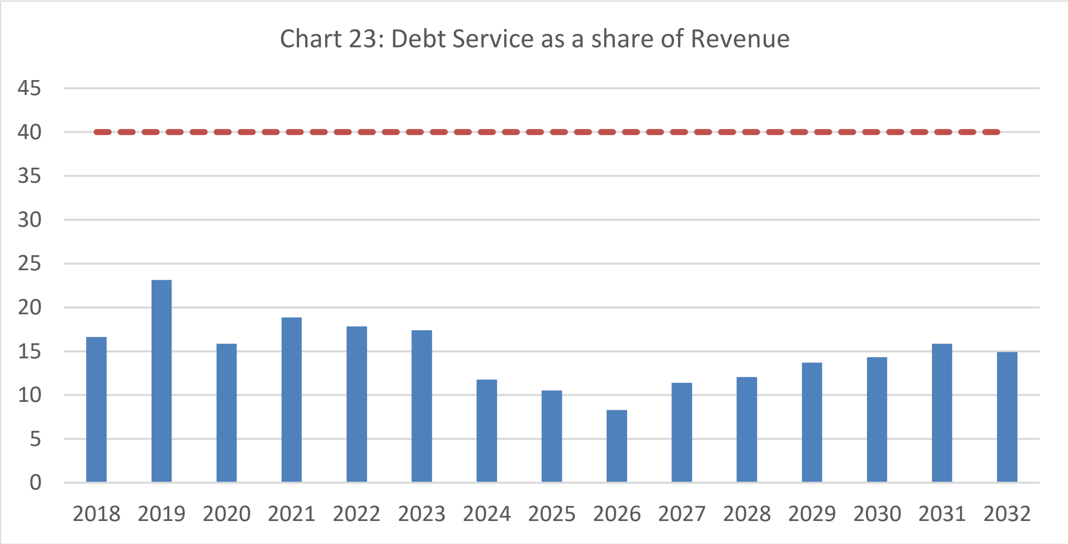


Chart 23: Debt Service as a share of Revenue
45
40
35
30
25
20
15
10
5
0
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032

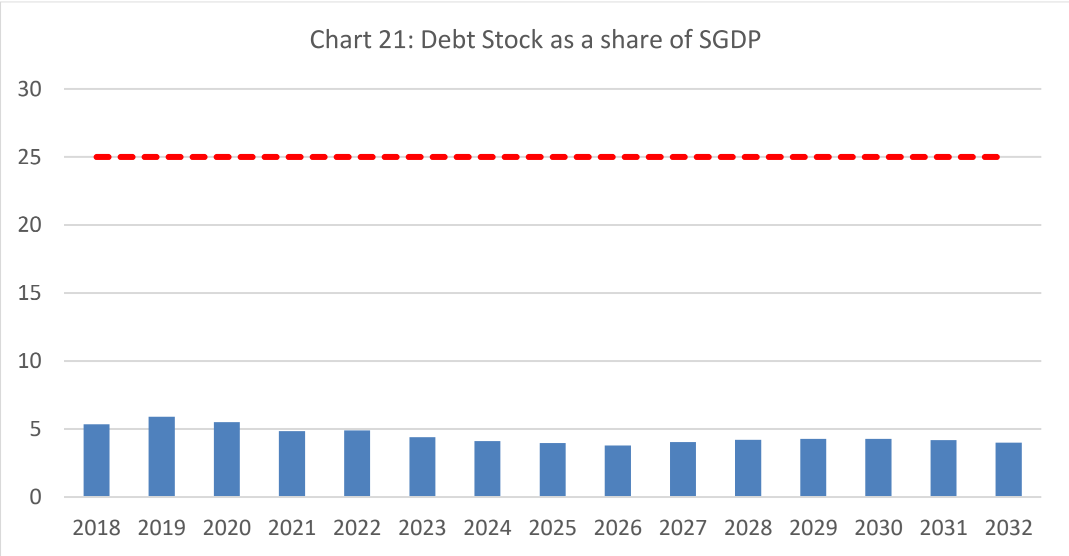


Chart 21: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032

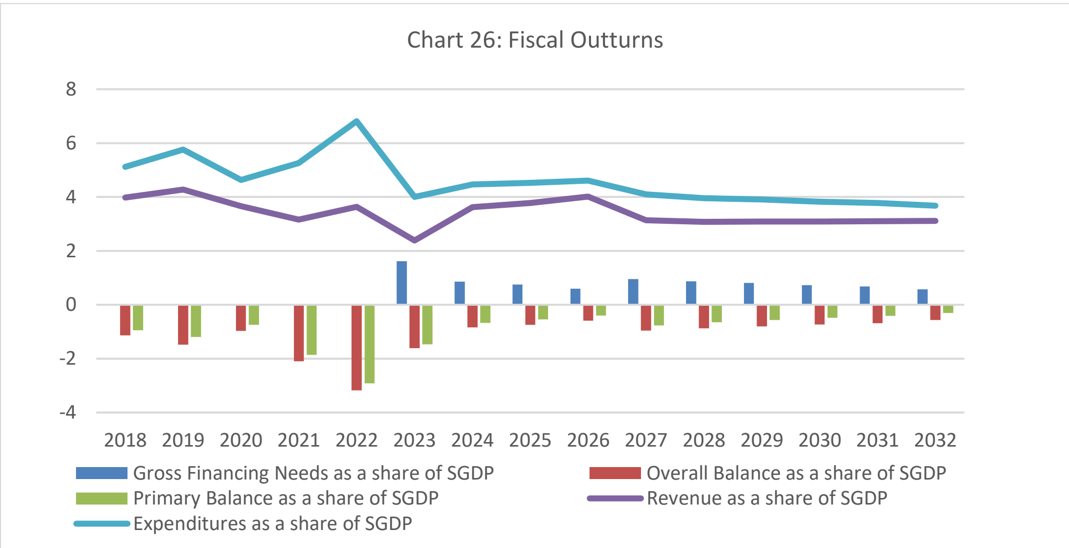


Chart 26: Fiscal Outturns
8
6
4
2
0
-2
-4
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
Gross Financing Needs as a share of SGDP
Overall Balance as a share of SGDP
Primary Balance as a share of SGDP
Revenue as a share of SGDP
Expenditures as a share of SGDP

CONCLUSION.

Abia State DSA result shows that, the State remains at the low risk of debt distress. The state remains mostly sensitive to the Revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks indicating that an increase in aggregate output, does not result to a proportionate increase in revenue. There is therefore, need for the authorities to continue in diversifying the sources of revenue away from Crude oil (FAAC) due to its volatility, as well as implement far reaching policies that will bolster IGR into the State in order to remain sustainable.

4.4 **DSA SENSITIVITY ANALYSIS.**

Abia State faces important sources of fiscal risks associated to the possibility of adverse country wide macroeconomic conditions and the reversal of the State's revenue and expenditure policies. A sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the baseline scenarios discussed in the previous sub-sections. When considering both macroeconomic shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

The 2023 DSA analysis shows that Abia State remains at a very low risk of debt distress under sensitivity analysis. All the baseline appears positive throughout the review period. The State DSA analysis shows moderate deterioration related to revenue shocks and expenditure shocks from 2028 and 2029 respectively with exchange rate shocks and interest rate shocks remaining within threshold throughout the projection period. Therefore, the current revenue drive of the State should thus be sustained and even hyped while expenditure pattern should continually remain under check so as not to trigger unsustainability in the economy.

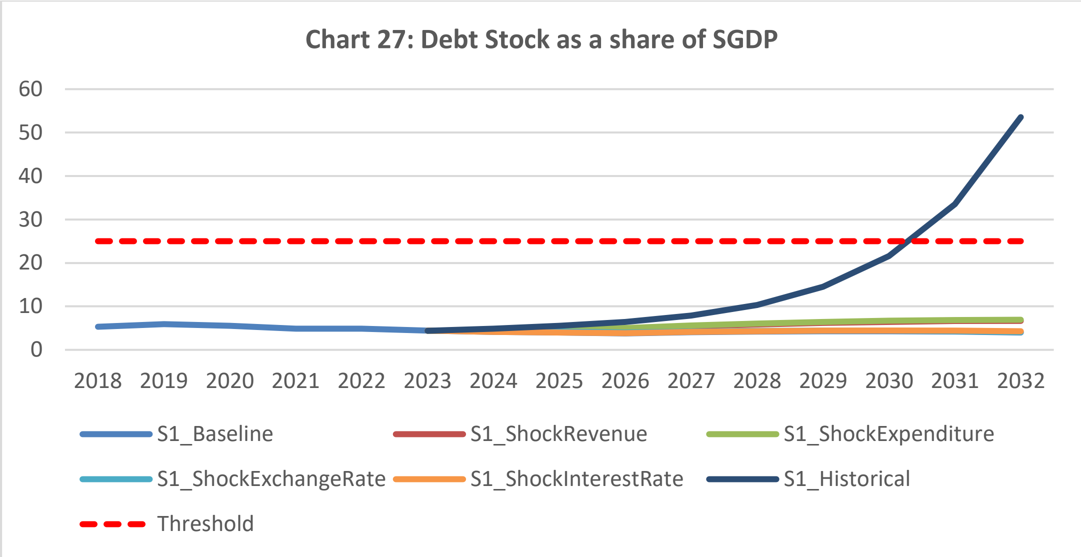


Chart 27: Debt Stock as a share of SGDP
60
50
40
30
20
10
0
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

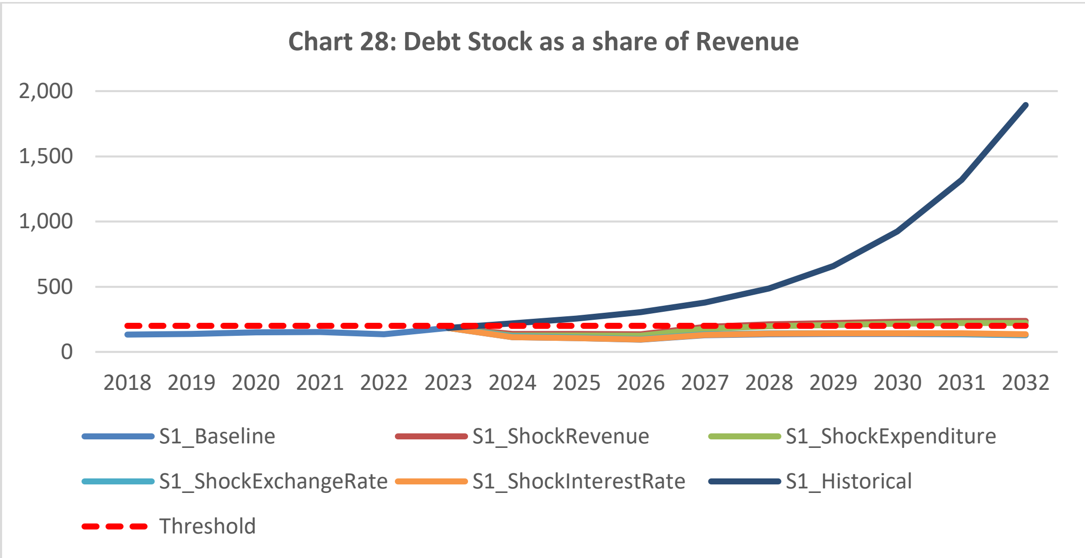


Chart 28: Debt Stock as a share of Revenue
2,000
1,500
1,000
500
0
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

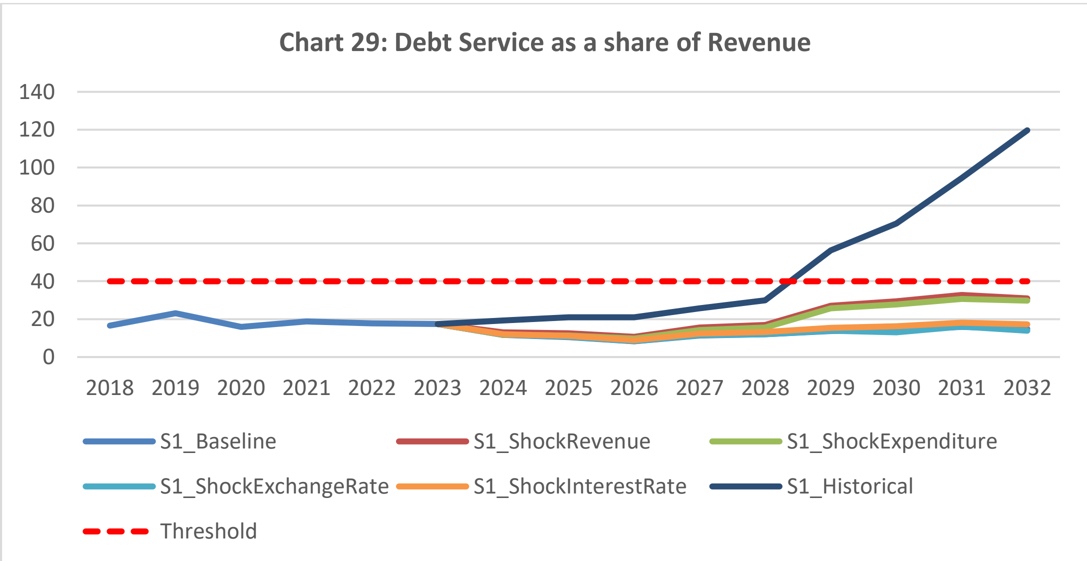


Chart 29: Debt Service as a share of Revenue
140
120
100
80
60
40
20
0
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

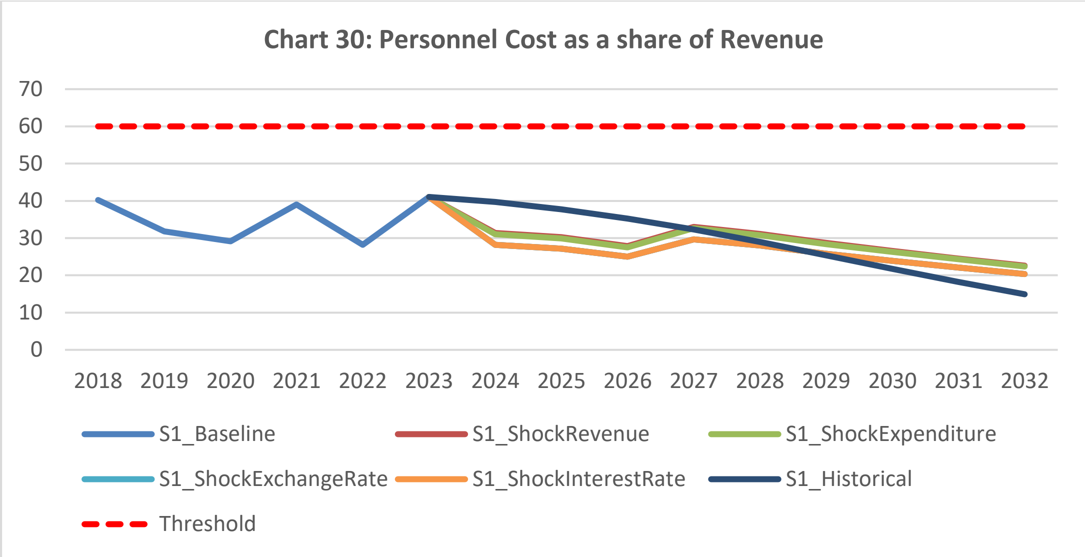


Chart 30: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

5.0 **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 cost and risks inherent in the current debt portfolio, as well as the debt portfolios that would arise from a range of possible issuance strategies, considering factors such as the macroeconomic and financial market environment, the availability of financing from the 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 requirement of State. The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external. The share of each stylized instrument has also been illustrated. The following four strategies are assessed by the government. Abia State Debt Management Strategy, 2023-2027 analyses the debt management strategies outcomes of the three debt management performance indicators namely Debt Stock to Revenue, debt Service to Revenue and interest to Revenue. The cost is measured by the expected value of a performance indicator in 2027. As projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2027 caused by an un-expected shock, as projected in the most adverse scenario.

5.1 Alternative Borrowing Options.

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2023 and MTEF, 2024-2027. For 2023-2027. External gross borrowing under concessional loans accounts on average 34.8% over the strategic period mainly through World Bank and African Development Bank. The Domestic gross financing comprises commercial Bank loans maturing 1-5years accounts for 1.3%, Commercial Bank loans (maturity above 6 years) account on average 5.3% and other Domestic loan accounts on average 58.6% over the DMS period of 2023-2027.

Strategy 2 (S2) focus more on financing through State Bonds maturing within 1-5years and 6years and above. In this strategy, the government decided to focus more of its financing from 2023-2027, through State bound maturing above 6 years which account for 67.4%, State Bond with maturity ranging from 1-5years accounts for 32.6% over the DMS period 2023-2027.

Strategy (S3) focus it's financing through short term commercial loan with maturity (1-5) over the DMS period 2023-2027 under this alternative strategy.

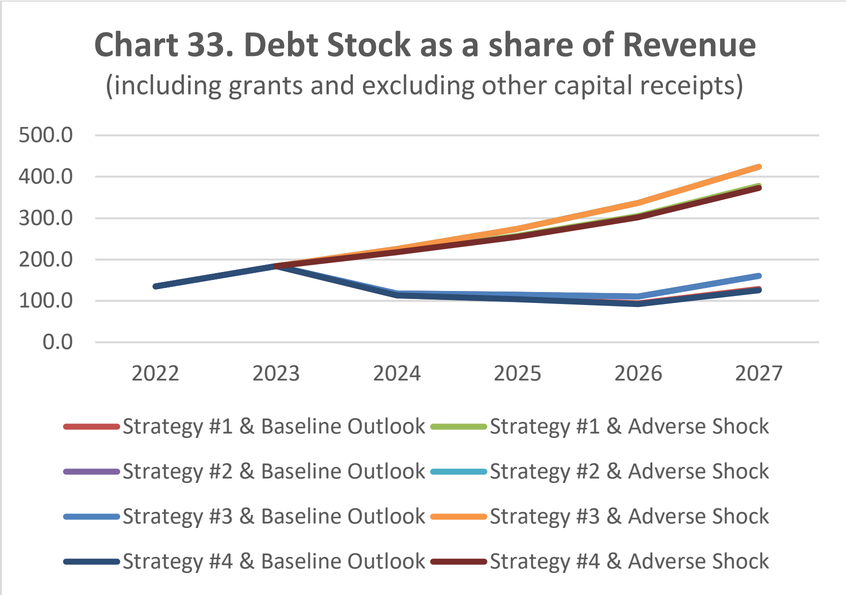
Strategy (S4) considers a mix of other domestic facility with External loan. 56.9% of the total loan requirement will be funded by other domestic loan while the balance of 43.1% from External facility within the DMS period 2023-2027.

5.2 DMS Simulation Results

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

A. Debt as a share of Revenue:
   - Strategy 1 shows the cost ratio to debt Revenue estimated to decrease from 184.0% in 2023 to 129.0% with a risk of 248.9% as against Strategy 2 with 160.6% in 2027, strategy 3 with 160.6%, and strategy 4 with 125.6% in 2027 and with a risk measure of strategy 2 at 263.5%, Strategy 3 at 260.3% and strategy 4 at 247.4% respectively.
   - Analyzing using this debt indicator shows that S4 is the strategy with the least cost and lowest risk estimated to be 125.6% and 247.4% compared with strategy 1 which has 129% and 248.9% and strategy 2 estimated at 160.6% and 263.5% risk. On the other hand, Strategy 3 is the costliest and riskiest strategy which was estimated at 160.6% and 263.5% risk which concentrated only on commercial borrowing with short maturity period of 1-5years.

STRATEGY	COST (DEBT REVENUE RATIO (%) IN 2025	RISK (%)
STRATEGY 1	129.0	248.9
STRATEGY 2	160.6	263.5
STRATEGY 3	160.6	263.5
STRATEGY 4	125.6	247.4



B Debt service as a share of Revenue:

- In terms of debt service to Revenue, Strategy 4 again, has the lowest cost and lowest risk, the cost decreased from 17.4% in 2023 to 8.7% in 2026 with a risk of 13.1% in 2027 compared with Strategy 1 with 11.4% cost and 14.3% risk in 2027, strategy 2 with 33.2% cost and 24.4% risk in 2027 and strategy 3 with a cost of 56.2% and risk of 35.0% in the year 2027.
- Strategy 4 has the lowest cost under the debt service to Revenue at 8.7% cost and 13.1% risk, followed by strategy 1 with cost at 11.4% and risk of 14.3%. Again strategy 3 is the costliest and riskiest strategy as the

debt financing considered only short-term commercial bank maturing 1-5 years.

STRATEGY	COST (DEBT SERVICE TO REVENUE RATIO (%) IN 2025	RISK (%)
STRATEGY 1	11.4	14.3
STRATEGY 2	33.2	24.4
STRATEGY 3	56.2	35.0
STRATEGY 4	8.7	13.1

Chart 37. Debt Service as a share of Revenue

(including grants and excluding other capital receipts)

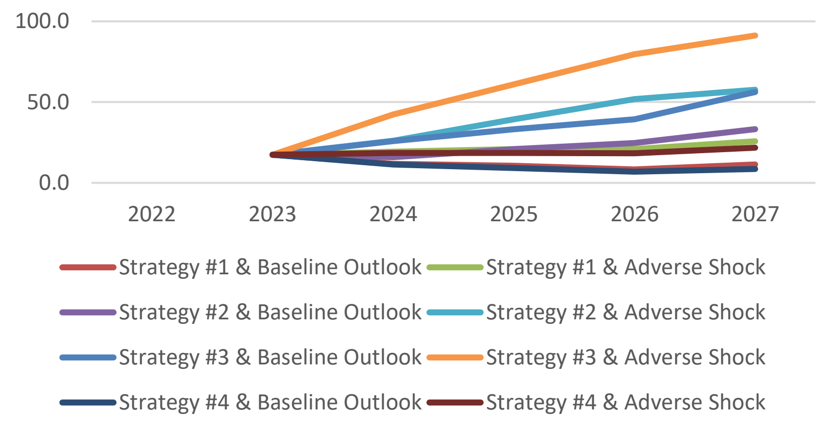


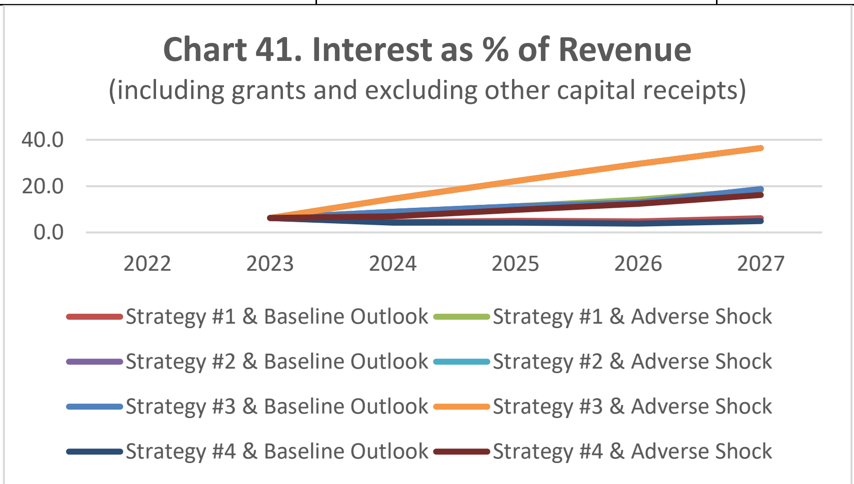
Chart 38. Cost-Risk Trade Off

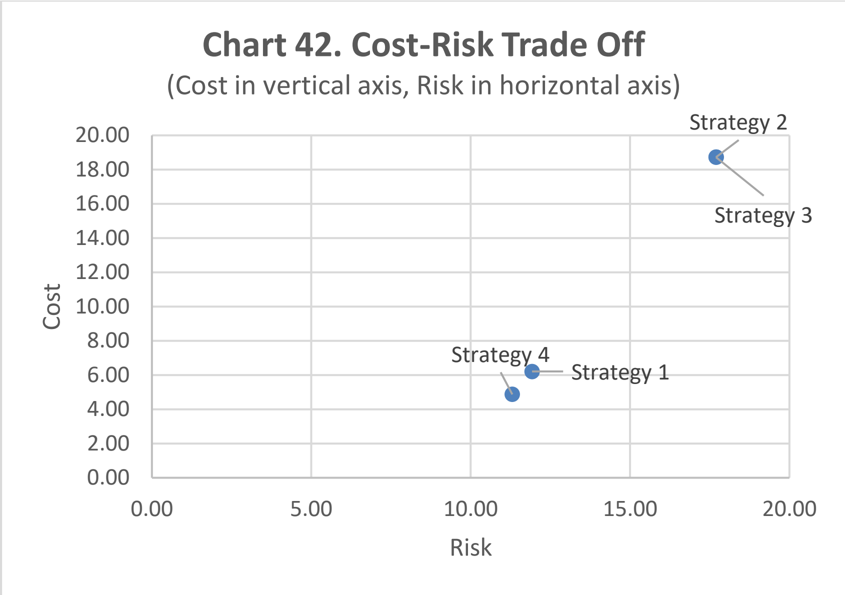
(Cost in vertical axis, Risk in horizontal axis)

C Interest as a share of Revenue

- Strategy 4 is the least cost with regards to interest/revenues ratio, which is projected to increase from 6.2% in 2023 to 4.9% in 2027 with a risk of 11.3%, while Strategy 2 and Strategy 3 are the costliest and the riskiest strategy with cost of 18.7% and risk of 17.7% compared to Strategy 1 with moderate cost of 6.2% and risk of 11.9% to the end of the strategic period 2027.
- The ratio of interest as a percentage of Revenue analysis shows that strategy 4 yields the lowest cost and risks due to high external financing, as the external debt service terms requirement has low interest rate, longer maturity, and grace period in concessional external financing, compared to strategy 1 with the moderate costs and risks.

STRATEGY	COST (INTEREST TO REVENUE RATIO (%) IN 2025	RISK (%)
STRATEGY 1	6.2	11.9
STRATEGY 2	18.7	17.7
STRATEGY 3	18.7	17.7
STRATEGY 4	4.9	11.3





5.3 DMS ASSESMENT

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. Therefore, although the Analytical tools result of Cost and risk would suggest the recommended Strategy to be Strategy 4 because of the presence of External facility. These results were just marginally better when compared to Strategy 1. **Strategy 1 was considered as the most feasible of the strategies to implement in the short to medium term and it will still greatly improve the debt portfolio's position relative to the base year 2023.**

In comparison to the current debt position, Abia State debt portfolio stood at N144.8billion as at end 2022, which expected an increase to N281.2billion under Strategy 1 at the end of the strategic period of 2027 compared with strategy 2 and Strategy 3 that has N350.1billion, and Strategy 4 that has N273.8billion all in 2027. In addition to this, the cost/risk tradeoffs 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. S1 is selected as the preferred strategy for the period 2023-2027. The Debt management Strategy, 2023-2027 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 2023 budget. The cost/risk tradeoff of alternative borrowing strategies under the DMS has been evaluated within the medium term context.

ASSUMPTION

ANNEXURES 1

2023		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	STATE GDP PROJECTION WAS PROVIDED FOR BY THE WORLD BANK GROUP IN CONJUCTION WITH THE DMO AND NATIONAL BUREAU OF STATISTICS	Debt Management Office, Abuja
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT All	2023, 2024-2026 were the State MTEF projections, while 2027 onwards were forecasts from Federal Revenue and Revenue sharing assumptions of DMO	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	1.a. of which Net Statutory Allocation ('net' means of deductions)		DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	1.b. of which Deductions		DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	2. Derivation (if applicable to the State)	2023, 2024-2026 were the State MTEF projections, while 2027 onwards were forecasts from Federal Revenue and Revenue sharing assumptions of DMO	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	2023-2026 were the State MTEF projections, while 2027 onwards were made in anticipation	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	4. VAT Allocation	2023-2026 were the State MTEF projections, while 2027 onwards were forecasts from Federal Revenue and Revenue sharing assumptions of DMO	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	5. IGR	2023-2026 were the State MTEF projections, while 2027 onwards forecasts were made using 4.3% increase representing Average Historical Growth from 2018-2022. Th	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	6. Capital Receipts	2023-2026 were the State MTEF projections, while 2027 projections onwards were done in anticipations	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	6.a. Grants	2023-2026 were the State MTEF projections, while 2027 projections onwards were done in anticipations	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts	The projections were done in anticipation.	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	2023-2026 were the State MTEF projections, while projection for 2027 upwards were made using 3% increase on the previouse year	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	2. Overhead costs	2023-2026 were the State MTEF projections, while projection for 2027 upwards were made using 1% increase on the previouse year	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC All	this is as it appears in the state Audited financial Statements.	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interes	2023-2026 were the State MTEF projections, while projection for 2027 upwards were made using 1% increase on the previouse year	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
	5. Capital Expenditure	2023-2026 were the state MTEF projections, while for 2027 upwards forcast were made using between 70% of expected recurrent revenue for the year.	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	The historical figures represents balances domiciled in all the comercial banks accounts that the state is operating, while 2023-2032 forcasts were done in anticipation	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
Debt Amotization and Interest P	**Debt Outstanding at end-2022**		
	External Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in DMO incliuding External debt service paid through FAAC deductions	amotization sheets
	Domestic Debt - amortization and interest	Amotization and interest payments estimated using repayment schedules including the ones paid directly by the State through FAAC deductions.	amotization sheets
	New debt issued/contracted from 2023 onwards		

	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructu	projections were made using 22% interest rate, 3 years maturity and no grace period	State Finacial Statement/amotization sheets
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrast	projections were made using 22% interest rate, 7 years maturity and no grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 1 to 5 years)	projections were made using 22% interest rate, 3 years maturity and 1 year grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 6 years or longer)	projections were made using 22% interest rate, 10 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
	Other Domestic Financing	projections were made using 9% interest rate, 15 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
Proceeds from Debt-Creating corresponding to Debt Strate	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructu	projections were made using 22% interest rate, 3 years maturity and no grace period	State Finacial Statement/amotization sheets
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrast	projections were made using 22% interest rate, 7 years maturity and no grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 1 to 5 years)	projections were made using 22% interest rate, 3 years maturity and 1 year grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 6 years or longer)	projections were made using 22% interest rate, 10 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
	Other Domestic Financing	projections were made using 9% interest rate, 15 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
	External Financing - Bilateral Loans	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
	Other External Financing	projections were made using 2% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
Proceeds from Debt-Creating corresponding to Debt Strate	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructu	projections were made using 22% interest rate, 3 years maturity and no grace period	State Finacial Statement/amotization sheets
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrast	projections were made using 22% interest rate, 7 years maturity and no grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 1 to 5 years)	projections were made using 22% interest rate, 3 years maturity and 1 year grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 6 years or longer)	projections were made using 22% interest rate, 10 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
	Other Domestic Financing	projections were made using 9% interest rate, 15 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
	External Financing - Bilateral Loans	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
	Other External Financing	projections were made using 2% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
Proceeds from Debt-Creating corresponding to Debt Strate	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructu	projections were made using 22% interest rate, 3 years maturity and no grace period	State Finacial Statement/amotization sheets
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrast	projections were made using 22% interest rate, 7 years maturity and no grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 1 to 5 years)	projections were made using 22% interest rate, 3 years maturity and 1 year grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 6 years or longer)	projections were made using 22% interest rate, 10 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
	Other Domestic Financing	projections were made using 9% interest rate, 15 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
	External Financing - Bilateral Loans	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
	Other External Financing	projections were made using 2% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
Proceeds from Debt-Creating corresponding to Debt Strate	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructu	projections were made using 22% interest rate, 3 years maturity and no grace period	State Finacial Statement/amotization sheets
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrast	projections were made using 22% interest rate, 7 years maturity and no grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 1 to 5 years)	projections were made using 22% interest rate, 3 years maturity and 1 year grace period	State Finacial Statement/amotization sheets
	State Bonds (maturity 6 years or longer)	projections were made using 22% interest rate, 10 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
	Other Domestic Financing	projections were made using 9% interest rate, 15 years maturity and 2 yeasr grace period	State Finacial Statement/amotization sheets
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
	External Financing - Bilateral Loans	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
	Other External Financing	projections were made using 2% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns

ANNEXURES II

			Actuals							Projections					
Indicator	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	1,999,965.55	2,049,858.31	2,464,473.13	2,758,449.21	2,956,623.68	4,391,943.98	5,045,820.40	5,613,743.23	6,245,991.06	6,949,445.81	7,732,127.14	8,602,957.96	9,571,866.10	10,649,897.52	11,849,342.23
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	435.60	435.60	435.60	435.60	435.60	435.60	435.60	435.60	435.60	435.60
Fiscal Indicators (Million Naira)															
Revenue	**97,231.60**	**116,175.40**	**119,228.00**	**150,333.90**	**190,363.40**	**175,732.77**	**225,956.94**	**254,169.58**	**288,562.81**	**284,464.04**	**305,588.82**	**336,110.53**	**365,947.51**	**402,836.19**	**436,037.66**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	40,196.80	36,825.20	32,109.10	30,918.00	37,744.50	43,393.20	85,510.90	106,848.20	131,465.30	104,705.52	115,176.07	126,693.67	139,363.04	153,299.35	168,629.28
1.a. of which Net Statutory Allocation ('net' means of deductions)	34,559.40	29,712.60	25,676.88	22,363.60	26,814.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions	5,637.40	7,112.60	6,432.20	8,554.43	10,930.50	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)	7,917.60	6,690.20	5,351.80	4,782.30	6,599.40	7,000.00	3,936.10	5,018.50	6,199.30	22,118.01	24,329.81	26,762.80	29,439.08	32,382.98	35,621.28
3. Other FAAC transfers (exchange rate gain, augmentation, others)	4,665.90	4,267.70	4,524.70	6,429.50	13,896.70	3,861.40	11,301.80	6,849.80	6,542.30	11,000.00	8,000.00	10,000.00	10,000.00	10,000.00	10,000.00
4. VAT Allocation	10,817.80	11,556.40	13,897.60	19,518.60	24,703.60	13,458.10	40,185.90	51,659.30	64,853.20	45,841.69	55,010.02	66,012.03	79,214.43	95,057.32	114,068.79
5. IGR	15,830.90	15,499.90	15,921.20	16,879.70	18,648.70	30,923.10	25,278.70	25,278.70	25,278.70	26,365.68	27,499.41	28,681.88	29,915.20	31,201.56	32,543.22
6. Capital Receipts	17,802.60	41,336.00	47,423.60	71,805.80	88,770.50	77,096.97	59,743.54	58,515.08	54,224.01	74,433.14	75,573.51	77,960.14	78,015.75	80,894.98	75,175.09
6.a. Grants	95.40	12,802.20	18,413.00	8,709.20	6,000.40	6,100.00	16,698.50	16,698.50	16,698.50	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00
6.b. Sales of Government Assets and Privatization Proceeds	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
6.c. Other Non-Debt Creating Capital Receipts	4,560.00	3,533.80	8,131.40	21,772.90	42,725.70	16,778.40	15,000.00	15,000.00	15,000.00	10,000.00	12,000.00	12,000.00	10,000.00	12,000.00	15,000.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	13,147.20	25,000.00	20,879.20	41,323.70	40,044.40	54,218.57	28,045.04	26,816.58	22,525.51	56,433.14	55,573.51	57,960.14	60,015.75	60,894.98	52,175.09
Expenditure	**102,354.80**	**117,968.60**	**114,100.10**	**144,991.50**	**201,428.80**	**175,747.51**	**225,281.16**	**253,875.17**	**288,175.96**	**284,707.12**	**305,388.98**	**335,829.18**	**365,649.69**	**402,496.09**	**435,648.45**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	31,979.10	27,845.00	26,273.80	34,004.60	30,336.60	42,995.30	51,606.40	57,767.10	62,843.80	64,729.11	66,670.99	68,671.12	70,731.25	72,853.19	75,038.78
2. Overhead costs	20,943.00	19,717.90	15,944.90	15,808.60	17,634.00	19,192.70	20,416.20	22,457.80	24,703.50	24,950.54	25,200.04	25,452.04	25,706.56	25,963.63	26,223.26
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	3,895.50	5,842.50	5,542.00	6,447.30	7,486.10	6,539.71	8,152.38	10,770.51	11,856.96	13,540.61	16,710.85	21,009.30	23,947.20	28,072.24	30,523.12
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	3,059.80	4,278.40	5,397.30	3,093.90	2,323.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	835.70	1,564.10	144.70	3,383.40	5,162.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	10,497.40	8,203.90	16,772.10	26,761.10	50,935.00	12,856.80	23,456.80	23,000.00	22,456.80	23,130.50	23,824.42	24,539.15	25,275.33	26,033.59	26,814.59
5. Capital Expenditure	25,154.40	46,603.20	35,533.90	43,521.80	45,422.30	82,472.70	108,299.70	128,279.90	157,313.40	147,021.63	161,010.72	180,705.27	201,552.23	225,358.85	252,603.80
6. Amortization (principal) payments	9,885.40	9,756.10	14,033.40	18,448.10	49,614.80	11,690.30	13,349.68	11,599.86	9,001.51	11,334.72	11,971.96	15,452.30	18,437.13	24,214.61	24,444.89
Budget Balance (' + ' means surplus, ' - ' means deficit)	**-5,123.20**	**-1,793.20**	**5,127.90**	**5,342.20**	**-11,065.40**	**-14.74**	**675.78**	**294.41**	**386.84**	**-243.08**	**199.84**	**281.35**	**297.81**	**340.09**	**389.21**
Opening Cash and Bank Balance	**8,512.80**	**3,389.60**	**1,596.40**	**6,724.30**	**12,066.50**	**1,001.10**	**986.36**	**1,662.13**	**1,956.55**	**2,343.39**	**2,100.31**	**2,300.15**	**2,581.50**	**2,879.32**	**3,219.41**
Closing Cash and Bank Balance	**3,389.60**	**1,596.40**	**6,724.30**	**12,066.50**	**1,001.10**	**986.36**	**1,662.13**	**1,956.55**	**2,343.39**	**2,100.31**	**2,300.15**	**2,581.50**	**2,879.32**	**3,219.41**	**3,608.63**
Financing Needs and Sources (Million Naira)															
Financing Needs						**70,996.97**	**43,045.04**	**41,816.58**	**37,525.51**	**66,433.14**	**67,573.51**	**69,960.14**	**70,015.75**	**72,894.98**	**67,175.09**
i. Primary balance						-52,781.70	-20,867.20	-19,151.80	-16,280.20	-41,800.88	-38,690.85	-33,217.20	-27,333.61	-20,268.04	-11,817.87
ii. Debt service						18,230.01	21,502.06	22,370.37	20,858.46	24,875.34	28,682.81	36,461.60	42,384.33	52,286.85	54,968.01
Amortizations						11,690.30	13,349.68	11,599.86	9,001.51	11,334.72	11,971.96	15,452.30	18,437.13	24,214.61	24,444.89
Interests						6,539.71	8,152.38	10,770.51	11,856.96	13,540.61	16,710.85	21,009.30	23,947.20	28,072.24	30,523.12
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-14.74	675.78	294.41	386.84	-243.08	199.84	281.35	297.81	340.09	389.21
Financing Sources						**70,996.97**	**43,045.04**	**41,816.58**	**37,525.51**	**66,433.14**	**67,573.51**	**69,960.14**	**70,015.75**	**72,894.98**	**67,175.09**
i. Financing Sources Other than Borrowing						16,778.40	15,000.00	15,000.00	15,000.00	10,000.00	12,000.00	12,000.00	10,000.00	12,000.00	15,000.00
ii. Gross Borrowings						54,218.57	28,045.04	26,816.58	22,525.51	56,433.14	55,573.51	57,960.14	60,015.75	60,894.98	52,175.09
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Domestic Financing						29,938.57	25,545.04	2,536.58	20,025.51	32,153.14	53,073.51	33,680.14	57,515.75	36,614.98	49,675.09
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						21,780.00	0.00	21,780.00	0.00	21,780.00	0.00	21,780.00	0.00	21,780.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Debt Stocks and Flows (Million Naira)															
Debt (stock)	**106,580.48**	**121,127.12**	**135,604.05**	**133,374.90**	**144,842.50**	**192,708.15**	**207,403.51**	**222,620.23**	**236,144.23**	**281,242.65**	**324,844.20**	**367,352.05**	**408,930.67**	**445,611.04**	**473,341.24**
External	25,010.08	29,976.22	33,868.25	32,958.60	35,739.70	61,807.28	60,757.49	81,487.69	80,437.90	101,168.10	100,118.30	119,396.51	116,894.71	134,720.92	130,767.12
Domestic	81,570.40	91,150.90	101,735.80	100,416.30	109,102.80	130,900.87	146,646.02	141,132.54	155,706.34	180,074.55	224,725.89	247,955.54	292,035.96	310,890.13	342,574.12
Gross borrowing (flow)						**54,218.57**	**28,045.04**	**26,816.58**	**22,525.51**	**56,433.14**	**55,573.51**	**57,960.14**	**60,015.75**	**60,894.98**	**52,175.09**
External						21,780.00	0.00	21,780.00	0.00	21,780.00	0.00	21,780.00	0.00	21,780.00	0.00
Domestic						32,438.57	28,045.04	5,036.58	22,525.51	34,653.14	55,573.51	36,180.14	60,015.75	39,114.98	52,175.09
Amortizations (flow)	**8,862.16**	**15,838.65**	**9,956.90**	**10,843.96**	**11,904.79**	**11,690.30**	**13,349.68**	**11,599.86**	**9,001.51**	**11,334.72**	**11,971.96**	**15,452.30**	**18,437.13**	**24,214.61**	**24,444.89**
External	103.81	140.66	122.60	785.66	913.39	1,049.80	1,049.80	1,049.80	1,049.80	1,049.80	1,049.80	2,501.80	2,501.80	3,953.80	3,953.80
Domestic	8,758.35	15,697.99	9,834.30	10,058.30	10,991.40	10,640.50	12,299.88	10,550.06	7,951.71	10,284.93	10,922.16	12,950.50	15,935.33	20,260.81	20,491.09
Interests (flow)	**4,368.58**	**4,425.18**	**4,359.43**	**5,595.02**	**7,267.48**	**6,539.71**	**8,152.38**	**10,770.51**	**11,856.96**	**13,540.61**	**16,710.85**	**21,009.30**	**23,947.20**	**28,072.24**	**30,523.12**
External	93.68	146.78	6.13	6.52	7.58	8.71	662.11	662.11	1,315.51	1,315.51	1,968.91	1,968.91	2,578.75	2,535.19	3,101.47
Domestic	4,274.90	4,278.40	4,353.30	5,588.50	7,259.90	6,531.00	7,490.27	10,108.40	10,541.45	12,225.10	14,741.94	19,040.39	21,368.44	25,537.05	27,421.65
Net borrowing (gross borrowing minus amortizations)						**42,528.27**	**14,695.36**	**15,216.72**	**13,524.00**	**45,098.42**	**43,601.55**	**42,507.85**	**41,578.62**	**36,680.37**	**27,730.20**
External						20,730.20	-1,049.80	20,730.20	-1,049.80	20,730.20	-1,049.80	19,278.20	-2,501.80	17,826.20	-3,953.80
Domestic						21,798.07	15,745.15	-5,513.48	14,573.80	24,368.21	44,651.34	23,229.64	44,080.42	18,854.17	31,684.00
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	5.33	5.91	5.50	4.84	4.90	4.39	4.11	3.97	3.78	4.05	4.20	4.27	4.27	4.18	3.99
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	134.02	138.21	150.31	152.89	134.62	183.99	113.39	104.83	94.07	128.99	136.48	138.02	138.18	135.06	128.32
Debt Service as % of SGDP						0.42	0.43	0.40	0.33	0.36	0.37	0.42	0.44	0.49	0.46
Debt Service as % of Revenue (including grants and excluding other capital receipts)						17.41	11.76	10.53	8.31	11.41	12.05	13.70	14.32	15.85	14.90
Interest as % of SGDP						0.15	0.16	0.19	0.19	0.19	0.22	0.24	0.25	0.26	0.26
Interest as % of Revenue (including grants and excluding other capital receipts)						6.24	4.46	5.07	4.72	6.21	7.02	7.89	8.09	8.51	8.27
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						41.05	28.21	27.20	25.03	29.69	28.01	25.80	23.90	22.08	20.34
Adverse Shock Scenario is defined by the worst performance indicator measured in year 2027															

LIST OF PARTICIPANTS

MRS ONYINYECHI EGUZOUWA	**CHIEF PROGRAMME ANALYST (DMD)**
MRS OFOR NNAMDI CHINOMNSO SANDRA ACA........	**CHIEF ACCOUNTANT (OFFICE OF THE ACCOUNTANT GENERAL)**
EJEM OBASI MOSES	**STATISTICIAN (DMD)**
MAXWELL ADIGHIBE	**CHIEF ACCOUNTANT (OFFICE OF ACCOUNTANT GENERAL)**
CHISOM BENNETH NORMAL	**ACCOUNTANT II (OFFICE OF ACCOUNTANT GENERAL)**

MIKE AKPARA

HONOURABLE COMMISSIONER MINISTRY OF FINANCE