



2022

**ABIA STATE DEBT  
SUSTANABILITY  
ANALYSIS  
(DSA) REPORT**

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## **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 2017-2021 while also evaluating the ability of the state to sustain its debt in the long term (2022-2031). 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 thrust 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. However, the main objective of the debt strategy is to ensure that the government's financing needs and payment obligations are met at the lowest possible cost, consistent with a prudent degree of risk. Consequently, for the four DMS, the analysis calculates costs of carrying public debt, and measures risks associated to macroeconomic and fiscal shocks.

### **1.2 SUMMARY OF FINDINGS**

The result of Abia S-DSA Shows that Abia State debt portfolio reviews a low risk of sustainability 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 more 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. Also worthy of mention is the land used charge as a new Revenue head embedded with motives to reduce tax defaulters. 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.

The covid 19 pandemic with its attendant impact on the price of crude oil will most likely reduce the statutory allocation to state from the center.

*Also, the State pursues a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance, including external concessional loans and domestic low-cost financing. Given the State's own forecasts for the economy and reasonable assumptions concerning the State's budget and financing policies going forward, the medium-term cost-risk profile for the public debt portfolio appears consistent with debt-management objectives.*

## 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 Tax Codification and consolidation law no 7 of 2020
- Domestic debt management law of 2019
- Direct Bank lodgment
- Automations
- Biometric Capture etc

### 2.2 Abia State Approved 2022 Budget and Medium-Term Expenditure Framework

#### (MTEF)2023-2025

##### 2.2.1 Approved 2022 Budget.

As at the time of preparing this report the State MTEF 2023- 2025 was yet to be passed by the State House of Assembly hence MTEF 2023-2025 draft was used. The 2022 Budget was prepared amidst a challenging global and domestic environment due to the persistent headwinds from the Coronavirus pandemic. The resulting global economic recession, low oil prices and heightened global economic uncertainty have had important implication on our economy.

Based on the foregoing fiscal assumptions and parameters, the Abia State Total Revenue available to fund 2022 Budget is estimated at N147,282.2billion, this comprises of Statutory Allocation of N56,464.6billion, internally generated Revenue of N31,674.9billion, Grants and other Capital receipt expected stood at N59,142.7billion.

**Comment [NM1]:** Please add provisional new MTEF because these numbers are outdated and do not provide basis for an adequate analysis.

**Comment [OC2]:** The draft MTEF has being added.

**Comment [OC3]:** All reply should be sent to [agsofficeabiastate@gmail.com](mailto:agsofficeabiastate@gmail.com)

An aggregate expenditure of N147,282.2billion is proposed by Abia State Government in 2022. The 2022 Expenditure comprises, Recurrent Expenditure including Debt Repayments of N67, 502.3billion and Capital Expenditure of N79, 779.9billion.

### 2.2.2 Indicative Three-Year Fiscal Framework

The indicative three-year fiscal framework for the period 2022-2025 is presented in the

Table below.

Table 1

ITEM	2023	2024	2025
NATIONAL INFLATION	11.02%	11.02%	11.02%
NATIONAL REAL GDP GROWTH	3.86%	3.86%	3.86%
OIL PRODUCING BENCHMARK(MBPD)	1.6	1.6	1.6
OIL PRICE BENCHMARK	\$70	\$70	\$70
NGN: USD EXCHANGE RATE	410	410	410
OTHER ASSUMPTIONS			
MINERAL RATIO	36%	36%	36%
<b>RECURRENT REVENUE</b>			
STATUTORY ALLOCATION	43,393,237,600.00	55,125,624,401.00	59,260,046,233.00
NET DERIVATION	7,000,000,000.00	7,525,000,000.00	8,089,375,006.00
VAT	13,458,085,651.00	27,094,928,558.00	29,127,048,203.00
OTHER STATUTORY REVENUE	3,861,408,100.00	4,151,013,713.00	4,462,339,746.00
IGR	30,923,100,700.00	39,692,335,780.00	42,669,260,670.00
<b>TOTAL RECURRENT REVENUE</b>	<b>98,635,832,051.00</b>	<b>133,588,902,452.00</b>	<b>143,608,069,858.00</b>
<b>RECURRENT EXPENDITURE</b>			
PERSONNEL/EMPLOYEES SOCIAL BENEFIT	42,995,289,000.00	44,070,174,117.00	45,171,928,901.00

OVERHEADS	19,192,659,300.00	19,672,485,221.00	20,164,301,006.00
OTHER RECURRENT EXPENDITURE	12,856,816,100.00	23,428,236,527.00	24,013,942,450.00
<b>TOTAL RECURRENT EXPENDITURE</b>	<b>75,044,764,400</b>	<b>87,170,895,865.00</b>	<b>89,350,172,357.00</b>
<b>CAPITAL RECIEPTS</b>			
GRANTS	33,248,759,571.00	38,507,599,594.00	41,395,669,583.00
OTHER CAPITAL RECIEPTS	16,778,400,000.00	8,000,000,000.00	6,000,000,000.00
<b>TOTAL</b>	<b>50,027,159,571.00</b>	<b>46,507,599,594.00</b>	<b>47,395,669,583.00</b>
CAPITAL EXPENDITURE	82,472,739,900.00	83,503,652,805.00	84,547,448,803.00
FINANCING	25,632,912,678.00	29,390,555,380.00	31,594,847,038.00
TOTAL BUDGET SIZE	157,517,504.300	170,674,548,670.00	173,897,621,160.0
RATIOS			
GROWTH IN RECURRENT REVENUE	11.91%	35.43%	7.5%
GROWTH IN RECURRENT EXPENDITURE	11.17%	16.16%	2.5%
CAPITAL EXPENDITURE AS A PERCENTAGE OF RECURRENT REVENUE	83.61%	62.51%	58.87%

Source Abia State MTEF 2023-2025

The State Government has in the past two years maintained an increase in the internally generated revenue because of continues revenue drive embarked upon by the state government, and this increment is expected to continue in the coming years except for 2023 where it is expected to increase by 2.37%.

### 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 spectrums 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 -2.3%, 28.36%, and 7.5% in 2023-2025.
- III. To harness the public, corporate and private individual Grants to boost the State Revenue.
- IV. Give priority to cushioning the effect of coronavirus pandemic through Agricultural re-engineering and provision of healthcare facilities, palliatives, and economic rebound initiatives like Macro-Credit Loans
- V. Work on the natural endowments in the three senatorial zones to efficiently draw out resources that will boost the State economy.
- VI. 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, 2017-2021**

#### **3.1 REVENUE**



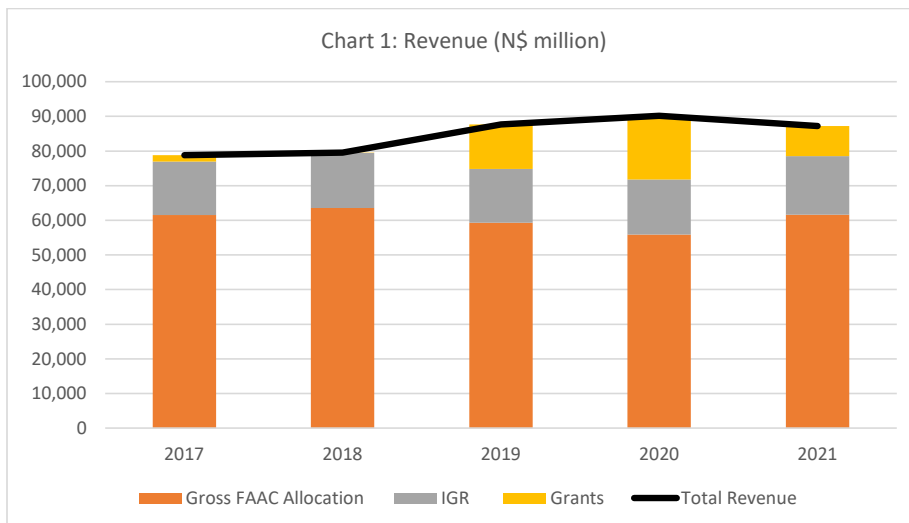
Abia State Total Revenue including grant increased steadily throughout the period under review except for 2021 where it decreased slightly. The total revenue of the State grew from N78.803billion in 2017, to N90.217billion in 2020 and decreased slightly to N87.237billion in 2021. The State's Revenue has shown improvements from 2017-2020 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 which increased the internally generated Revenue. The gross FAAC allocation which comprises of statutory allocations, derivations, VAT allocation, exchange rate gain, Augmentation among others increased from N61.493billion in 2017 to N63.598 in 2018 which represent an increase of N2.105billion or 3.42%. however, the gross allocation dropped between 2019 and 2020 to N59.340billion and N55.883billion representing 6.70% and 5.82% decrease respectively.

Abia State Internally Generated Revenue (IGR) showed a steady increase throughout the period under review except for 2019 where it decreased marginally. The IGR increased from N15.462billion in 2017 to N15.831billion in 2018 which also represent an increase of N369million or 2.38%. However, it decreases slightly to N15.500billion in 2019 which represents a decrease of N331million or 2.1%. In 2020 and 2021 it increased slightly again to N15.921billion and N16.880billion which represents an increase of N421million or 2.72% and N959million or 6.02% 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 ABIA STATE REVENUE 2017-2021**

	2017	2018	2019	2020	2021
Total State Revenue (N'Million)	78,803	79,524	87,642	90,217	87,237
Distribution of Revenue Allocation to State Govt. (N'Million)	61,493	63,598	59,340	55,883	61,648
IGR	15,462	15,831	15,500	15,921	16,880
Grants	1,848	95	12,802	18,413	8,709

**Chart 1 ABIA STATE REVENUE 2017-2021**



Source Abia state published financial statement

From the chart above, it can be seen that the bulk of the States revenue comes from gross FAAC allocation followed by IGR. Effort is on ground to increase the States IGR significantly to boost the total revenue of the State. To achieve this, various reform activities have been on ground which contributed to the growth in IGR of the State in the past two years. Revenue from Grant increased in 2020 because of SFTAS program.

### 3.2 Expenditure Performance

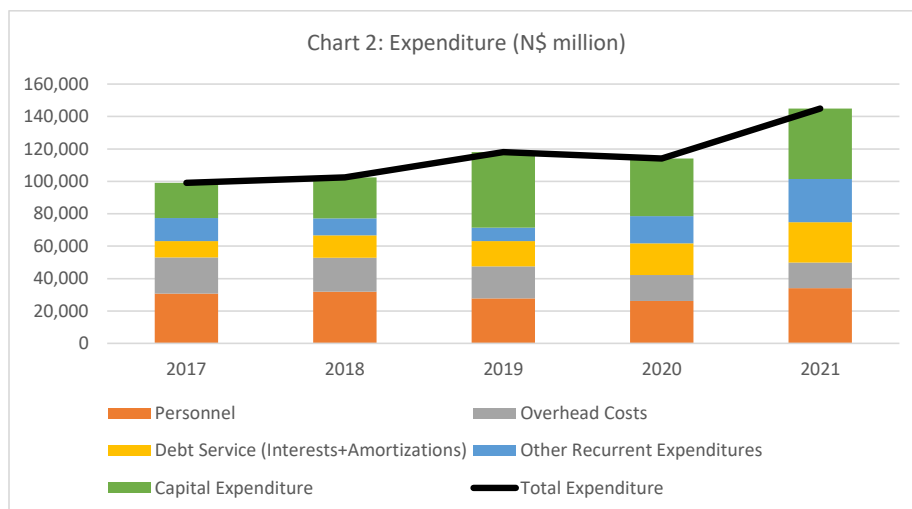
The State's Total Expenditure includes Capital Expenditure, Personnel Cost, Overhead Costs, Other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2018 Abia State total expenditure amounted to N102.355billion compared to N99.004billion as at the end of December 2017, which represent a growth of N3.351billion or 3.38%. In 2019, it increased to N117.969billion representing an increase of N15.614billion or 15.25% increment. However, the State total expenditure decreased in 2020 to N114.100billion representing a reduction of N3.869billion or 3.28% because of the effect of COVID-19 pandemic and increased significantly in 2021 to N144.992billion representing an increase of N30.892billion or 27.07%. The State personnel cost increased to N31.979billion in 2018 from N30.713billion in 2017 representing a growth of N1.266billion or 4.12%. It decreased to N27.845billion and N26.274billion in 2019 and 2020, representing a decrease of N4.134billion and N1.571billion or 12.93% and 5.64% respectively. However, in 2021 personnel cost increased to N34.005billion representing an increase of N7.731billion or 29.42%. The overhead cost decreased steadily throughout the period under review. The overhead cost decreased from N22.337billion in 2017 to N15.809billion in 2021 representing a decrease of N6.528billion or 29.23% throughout the period under review. The total debt service that

comprises the interest payment and principal repayment stood at N24.895billion at the end of 2021 compared to N10.109billion as it was in 2017. On the other hand, other recurrent expenditure experienced decrease in the first two years under review from N14.119billion in 2017 to N8.204billion in 2019 and increased significantly in 2020 and 2021 to N16.772billion and N26.761billion respectively. This increment was as a result of increase in the payment of consolidated revenue fund charges. The State capital expenditure increased steadily throughout the period under review from N21.726billion to N43.522billion in 2021. However, there was a decrease in the state capital expenditure in the year 2020 from N46.603billion in 2019 to ₦35.534billion in 2020 representing a decrease of N11.069billion or 23.75% decrease. The decrease was because of the effect of covid 19 pandemic which grumbled activities globally.

**Table 3 ABIA STATE EXPENDITURE 2017-2021**

	2017	2018	2019	2020	2021
Total Expenditure	99,004	102,355	117,969	114,100	144,992
Personnel	30,713	31,979	27,845	26,274	34,005
Overhead Costs	22,337	20,943	19,718	15,945	15,809
Debt Service (Interests+Amortizations)	10,109	13,781	15,599	19,575	24,895
Other Recurrent Expenditures	14,119	10,497	8,204	16,772	26,761
Capital Expenditure	21,726	25,154	46,603	35,534	43,522

**Chart 2 ABIA STATE EXPENDITURE 2017-2021**



Source Abia state financial statement

The above chart shows the composition of the States expenditure. In 2017 the bulk of the entire State Expenditure went to personnel cost followed by overhead cost then capital. In 2020 the bulk of the States expenditure went to capital projects followed by personnel cost then debt service and others. Also in 2021, the bulk of the States expenditure went to capital projects, personnel cost, other recurrent expenditure and others.

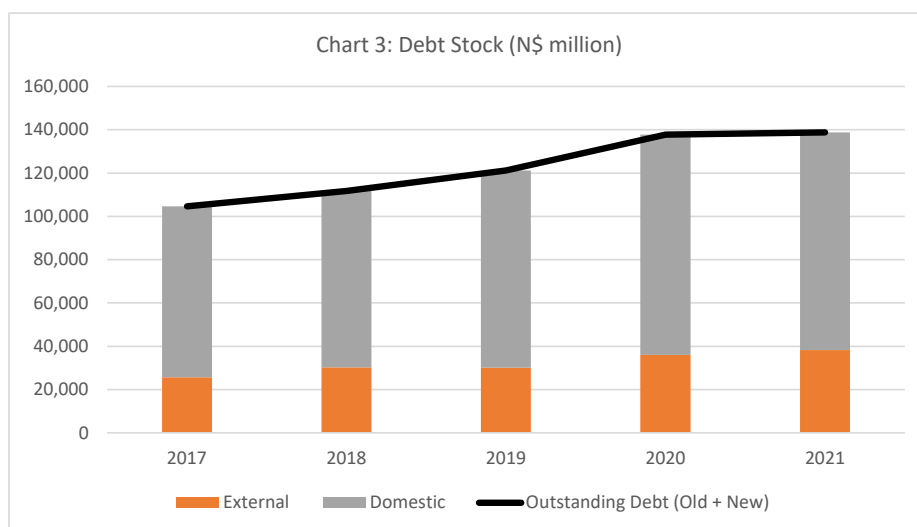
### 3.3 STATE DEBT PORTFOLIO 2017-2021

Abia State's Debt stock increased steadily throughout the period under review 2017-2021. The debt stock increased from N104.597billion in 2017 to N138.733billion in 2021, representing an increase of N34.136billion or 32.64% over the period. This is because of additional external facility procured by the State to make up for Revenue shortfall to finance major capital projects in the State. The domestic debt stock decreased from N101.736billion in 2020 to N100.416billion in 2021 owing to the full settlement of some facilities. While the external debt stock increased from N36.023billion in 2020 to N38.317billion in 2021.

**TABLE 4 ABIA STATE OUTSTANDING DEBT 2016-2020**

	2017	2018	2019	2020	2021
Outstanding Debt (Old + New)	104,597	111,776	121,197	137,759	138,733
External	25,696	30,206	30,046	36,023	38,317
Domestic	78,901	81,570	91,151	101,736	100,416

**CHART 3 ABIA STATE OUTSTANDING DEBT 2017-2021**



Source Abia state financial statement

Abia State debt Portfolio as at the end of 2021 consist of external debt of N38.317billion representing 28% and domestic debt of N100.416billion representing 72%. The State debt portfolio is minimally exposed to currency, rollover, and interest rate risks. Exposure to currency fluctuations is limited because the foreign currency-denominated loans are only 28% of total debt stock in 2021. Most of all the loans in Abia State are fixed-rate obligations, thus not affected by changes in interest rates. A large proportion of these loans have maturities ranging from 10 to 35 years and includes financing from the Federal Government. Therefore, rollover/refinancing risk associated with potential deterioration of domestic financial conditions is reasonably negligible.

### 3.4 ABIA STATE DEBT SERVICE

Abia State debt services (principal repayment and interest payment) amounted to N14.634billion, N13.272billion, N20.265billion, N14.023billion and N16.238billion for 2017, 2018, 2019, 2020 and 2021 respectively. The principal repayment stood at N10.642billion in 2021 compared to N10.437billion in 2017. While the interest payment amounted to N5.596billion at the end of 2021 compared to N4.197billion it was in 2017. The principal repayment and interest payments were made on both external debt and Domestic Debt (see Charts 4 and 5).

**TABLE 5 ABIA STATE PRINCIPAL REPAYMENT 2017-2021**

	2017	2018	2019	2020	2021
Principal Repayment (Old + New)	10,437	8,884	15,839	9,663	10,642
External	81	125	141	130	913

Domestic	10,356	8,758	15,698	9,533	9,729
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CHART 4 ABIA STATE PRINCIPAL REPAYMENT 2017-2021

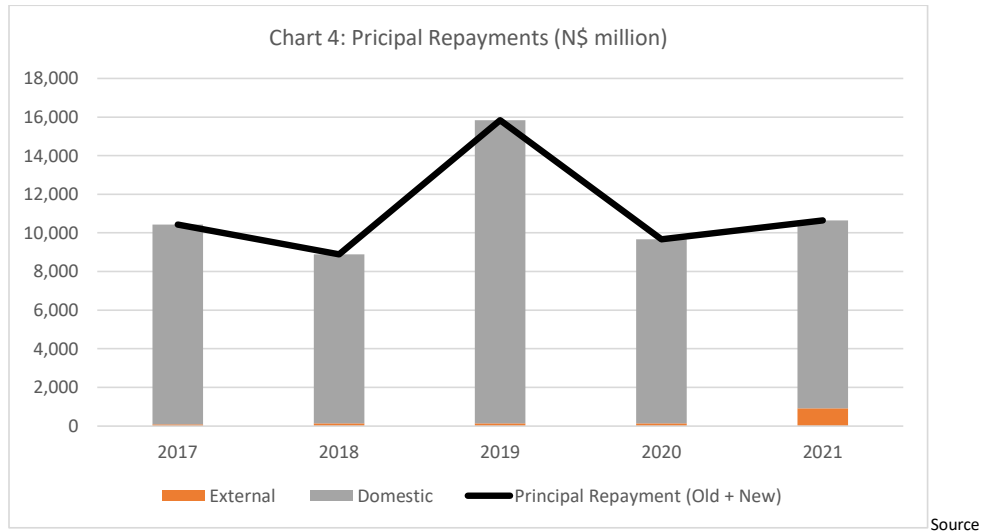
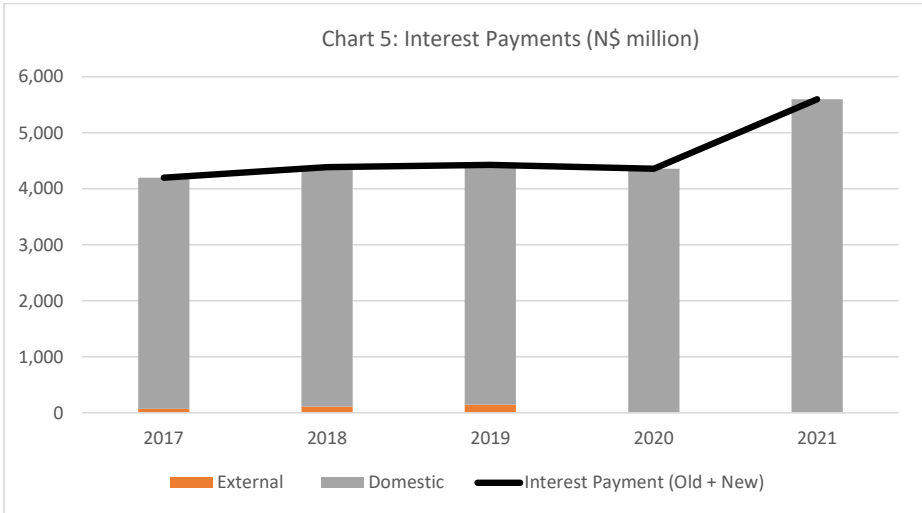


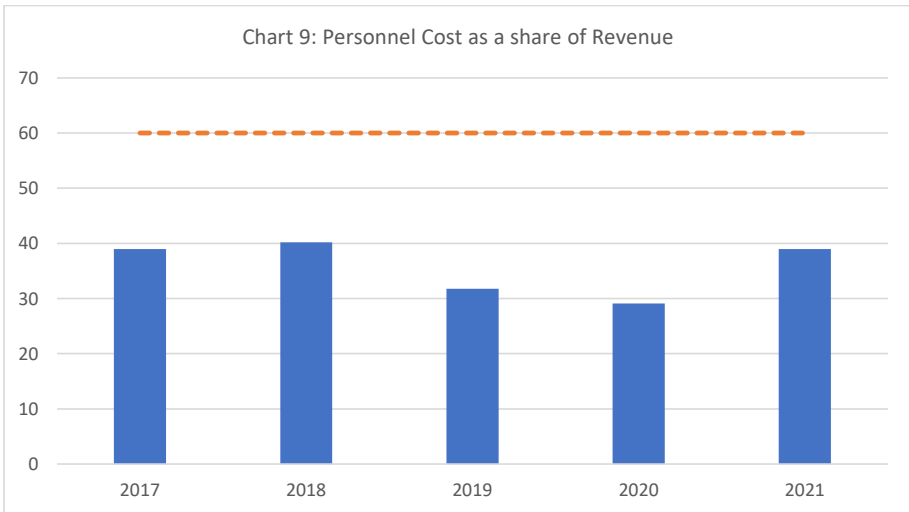
TABLE 6 ABIA STATE INTEREST PAYMENT 2017-2021

	2017	2018	2019	2020	2021
Interest Payment (Old + New)	4,197	4,388	4,426	4,360	5,596
External	73	113	147	7	8
Domestic	4,123	4,275	4,278	4,353	5,589

CHART 5 ABIA STATE INTEREST PAYMENT 2017-2021

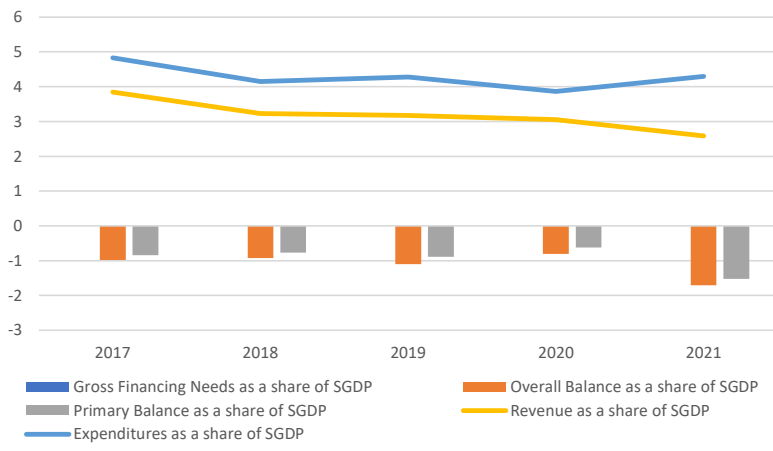


Source Abia state financial statement



**Personnel cost has remained within threshold throughout the historical period.**

Chart 11: Fiscal Outturns





#### **CHAPTER 4. DEBT SUSTAINABILITY ANALYSIS**

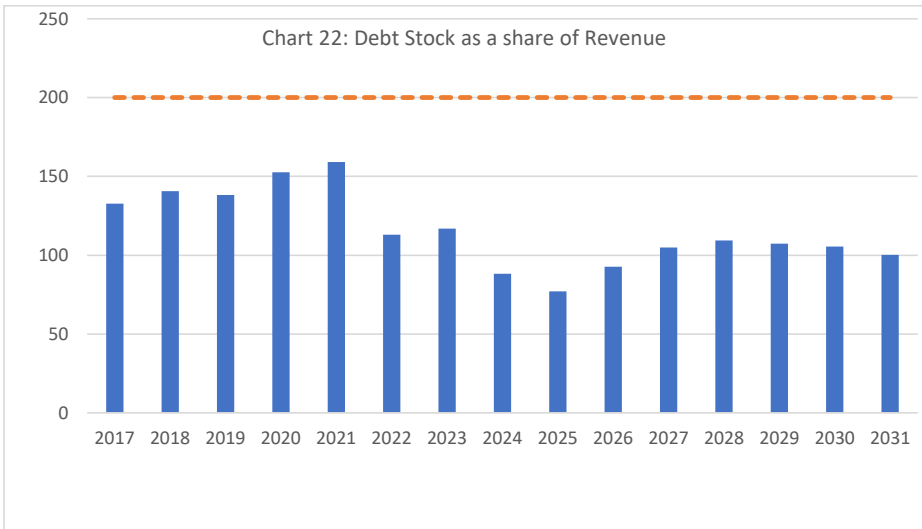
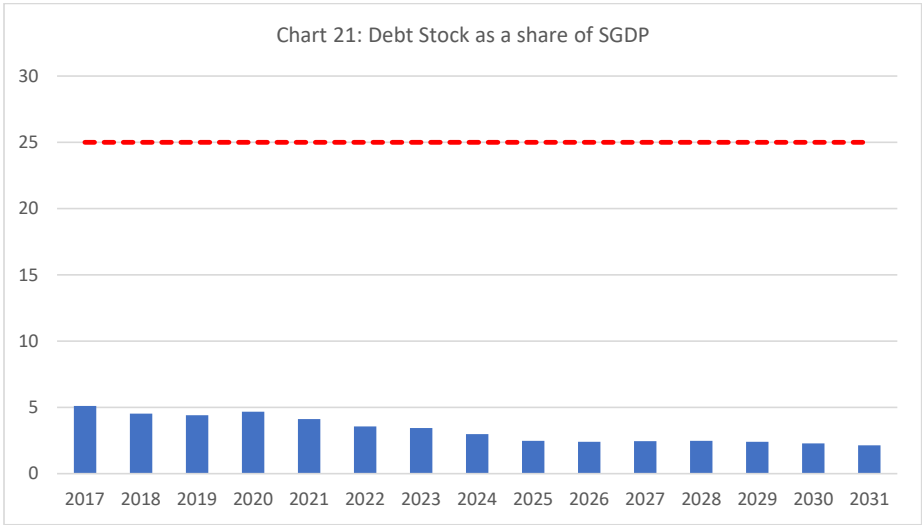
A debt sustainability analysis (DSA) assesses how a state or nation's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability. The concept of debt sustainability refers to the ability of the government to honor its present and future financial obligations without major distortion on its financial activities. 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.

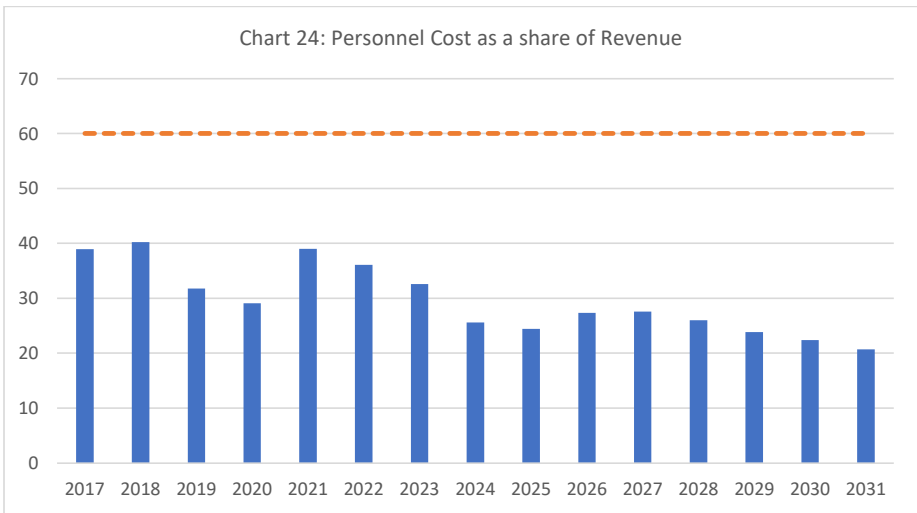
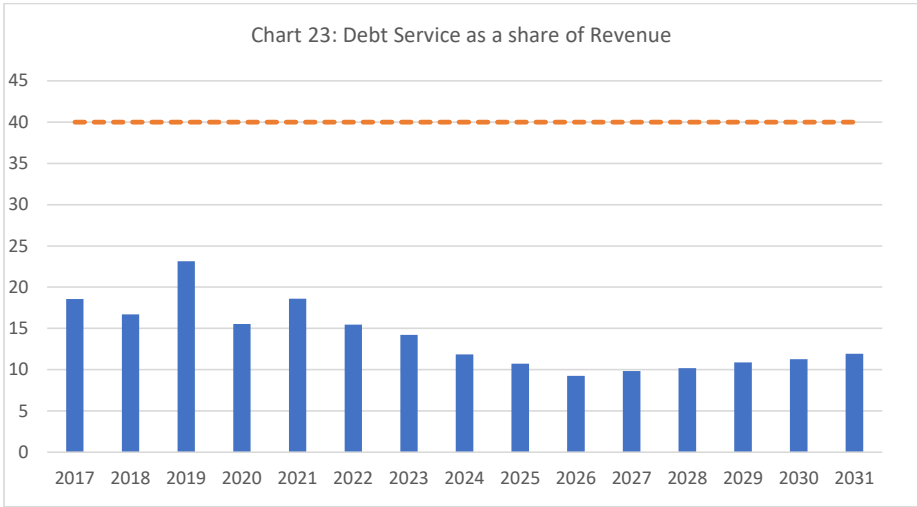
Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden. Government therefore should endeavor to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the State, leading to serious financial crises.

#### **ABIA STATE DEBT SUSTAINABILITY ANALYSIS (DSA)**

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.

Charts 22, 23 and 24 show that, Debt as a percentage of Revenue, Debt service as a share of Revenue and Personnel cost as a share of Revenue are all below their threshold to the end of the projection period. The government has in the past years maintained growth in IGR due to ongoing reforms in the system and this is expected to continue in the medium to long run to continue to grow revenue.





#### 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 -2.37%, 28.36%, and 7.5% in 2023 through 2025 then 2.3% in 2026 to 2031. This inflow is projected because of digitalization of Revenue process which is expected to be completed before the end of 2022 to block all existing leakages in the Revenue generating system of the State. The economy is expected to gradually recover from 2022 to 2025, with real GDP expanding at an average annual rate of 4 percent and domestic inflation decreasing below 10.94% by 2022. The moderate recovery will be supported by economic growth through diversification and increase in the share of VAT. The tax administration reforms adopted by the State government will also strengthened resources provided by the IGR, as well as numerous industries that will be attracted to the state through industrialization drive, and as a result of the world bank saber project which are expected to continue in the next few years. This will benefit the economy immensely.

TABLE 7:

#### ABIA STATE DEBT BURDEN INDICATOR AS AT THE END OF 2020

INDICATORS	THRESHOLDS	RATIO
Debt as % of SGDP	25%	5%
Debt as % of Revenue	200%	153%
Debt service as % of Revenue	40%	16%
Personnel cost as % of Revenue	60%	29%

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 about 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

The table below shows the borrowing options and borrowing mix of Abia State Government from 2022 to 2031.

**TABLE 8. BORROWING REQUIREMENT**

				2022	2023	2024
NATURE OF LOAN	INTEREST RATE	MATURITY PERIOD(YEARS)	GRACE PERIOD	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	18.00%	3	0	500.00	500.00	500.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	17.00%	7	0	1000.00	1000.00	1000.00
Other Domestic Financing	9.00%	15	2	6202.10	13895.09	9567.01
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	3.00%	20	5	0.00	12300.00	0.00
<b>TOTAL FINANCING</b>				<b>7702.10</b>	<b>27695.09</b>	<b>11067.01</b>

**Comment [NM4]:** Preferably provide this information in a table.

**Comment [OC5]:** Ok. done

**Comment [OC6]:** All replies should be forwarded to [agsofficeabiastate@gmail.com](mailto:agsofficeabiastate@gmail.com)

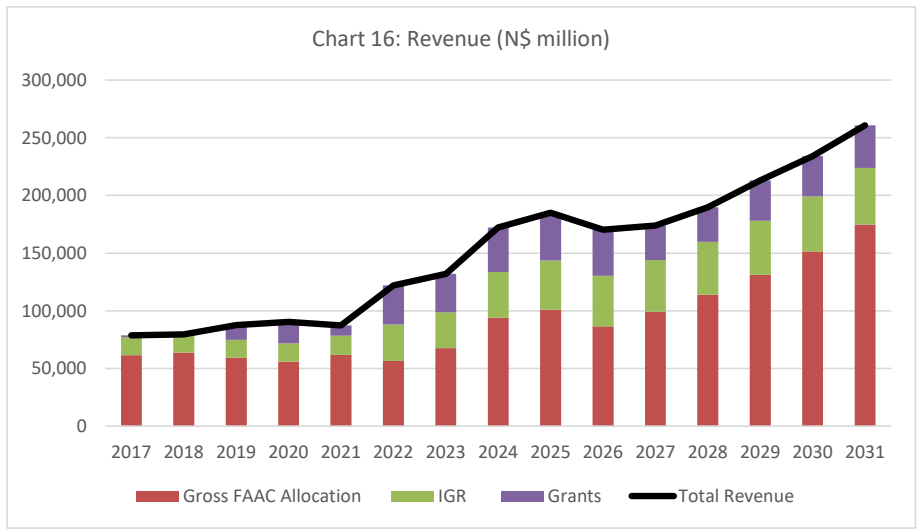
2025	2026	2027	2028	2029	2030	2031	2022-2032	
NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	TOTAL	PERCENTAGE OF TOTAL
500.00	500.00	500.00	500.00	500.00	500.00	500.00	5000.00	2.20%
1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	10000.00	4.32%
1383.11	954.61	19662.70	32945.64	17765.05	29078.52	27916.38	159370.21	68.76%
0.00	20500.00	12300.00	0.00	12300.00	0.00	0.00	57400.00	24.77%
<b>2883.11</b>	<b>22954.61</b>	<b>33462.70</b>	<b>34445.64</b>	<b>31565.05</b>	<b>30578.52</b>	<b>29416.38</b>	<b>231770.21</b>	<b>100%</b>

### 4.3 DSA SIMULATION RESULTS.

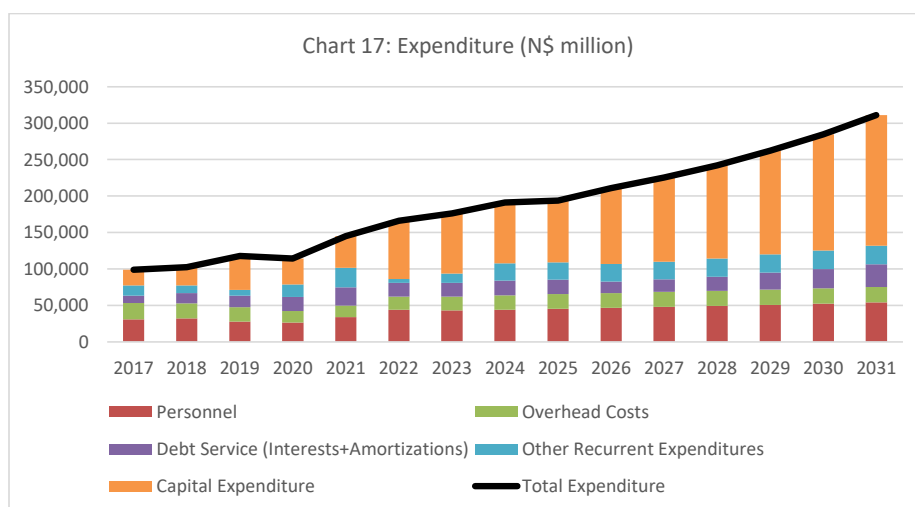
Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the over dependence on oil revenue sources. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversify its revenue sources. 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.

From the chart below, Chart 16, the bulk of the State Revenue flows from the FAAC Allocation. Abia State total revenue (including grants) is expected to increase from N87.237billion in 2021 to N260.729billion in 2031, representing an increase of N173.492billion or 198.87% over the projection period. Distribution of Revenue allocation to States FAAC is projected to grow from N61.648billion in 2021 to N174.822billion in 2031, representing an increase of N113.174billion or 183.58%. Grant is also projected to grow from N8.709billion in 2021 to N37billion in 2031. These projections were sourced from the approved 2022 budget MTEF, 2023-2025, 2026 -2031 projections were as estimated by Federal Revenue and Revenue sharing Assumptions of DMO for FAAC and Abia State Planning Commission and Budget officials for Grants

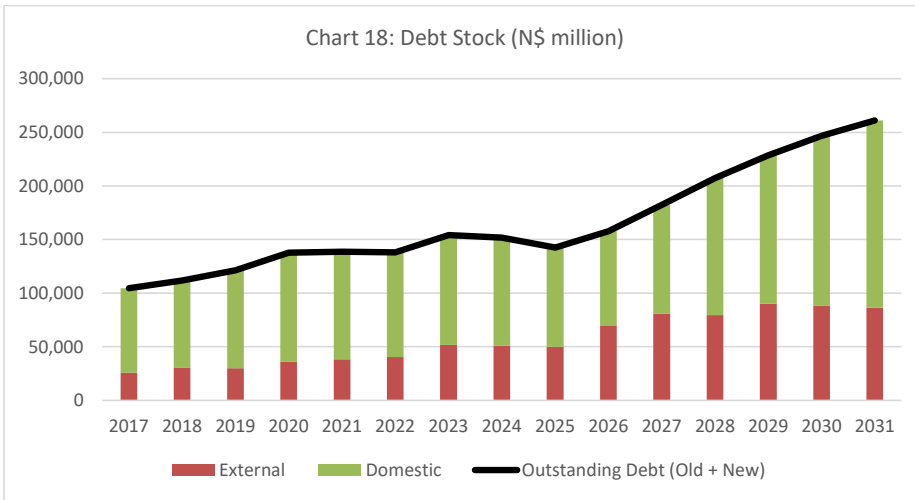
The internally generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the State as well as employing appropriate technology to get the desired result including digitalization of revenue system in the state. In addition, efforts will be made to bring more businesses in the informal sector into the Tax net. IGR is estimated to grow by N32.027billion or 189.74% (from N16.880billion in 2021 to N48.907billion in 2031) over the projection period of the Approved 2022 Budget; MTEF, 2023-2025 projections and as estimated by Abia State Planning Commission and Budget Officials for 2026-2031.



Total expenditure including principal repayment and interest payment is projected at N144.992billion in 2021 to N310.976billion in 2031 respectively, indicating expected stability in the state growth recovery. Personnel costs, overhead costs, other recurrent expenditures, and debt service are estimated to grow/decrease from N34.005billion in 2021 to N53.938billion in 2031, N15.809billion in 2021 to N21.405billion in 2031, N26.761billion in 2021 to N25.491billion in 2031 and N24.895billion in 2021 to N31.159billion in 2031 respectively. Capital Expenditure estimated to increase over the projection period from N43.522billion in 2021, to N178.983billion in 2031 over the projection period of the Approved 2021 Budget; MTEF, 2021-2023 projections and as estimated by Abia State Planning Commission and Budget Officials for 2025-2031.

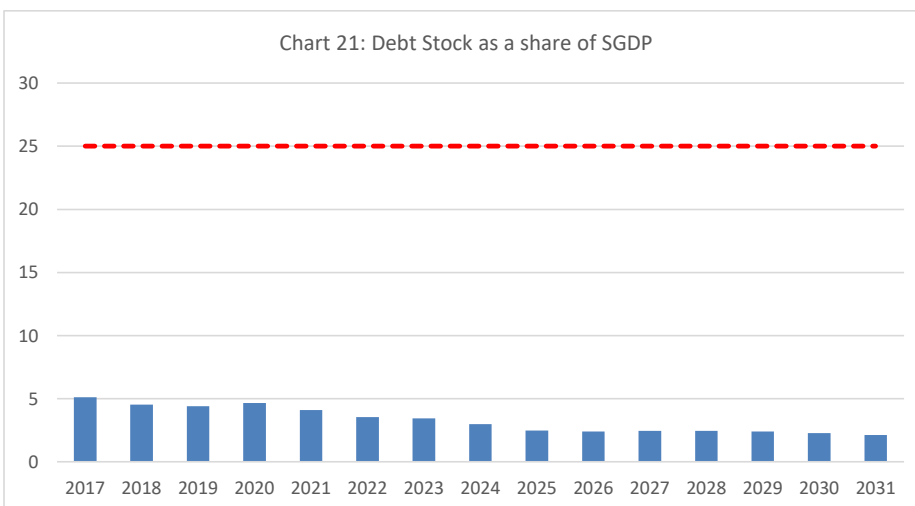


As a result of the State’s modest increase in GDP, improvement in IGR, increase in personnel costs, overhead cost, and Capital expenditure. The increase in projected expenditure increased the debt through primary balance. Abia State debt stock is estimated to increase from N138.733billion in 2021 to N261.229billion in 2031, representing an increase of N122.496billion or 88.30% over the projection period. External debt is projected to increase by N48.193billion or 125.78% from 2021-2031 and domestic debt to increase by N74.303billion or 73.99% from 2021 to 2031.

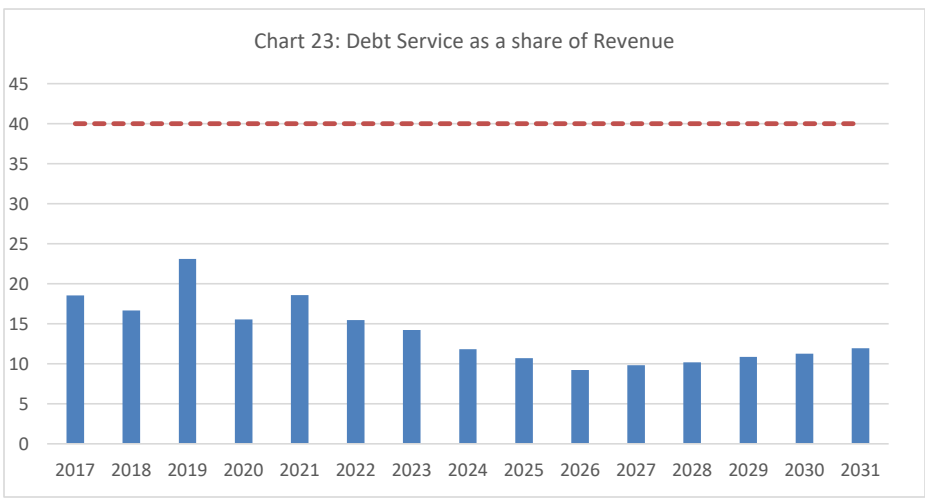
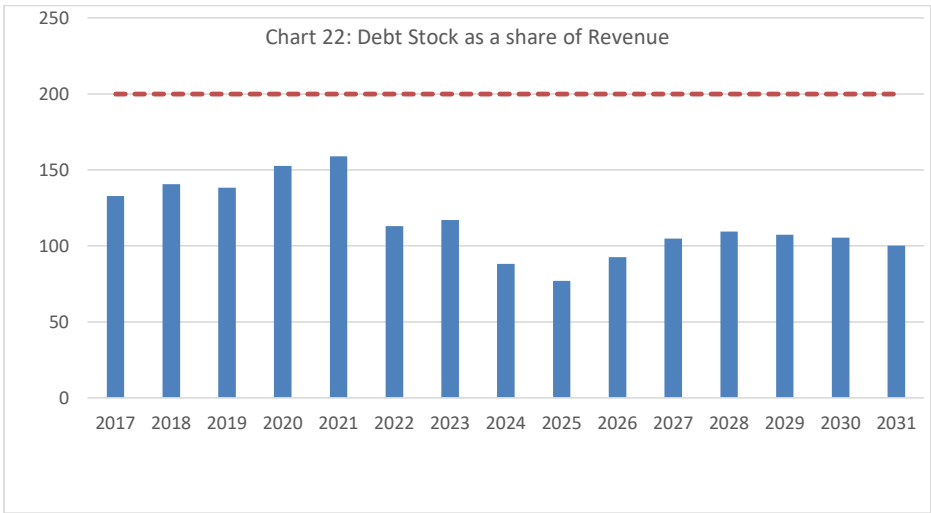


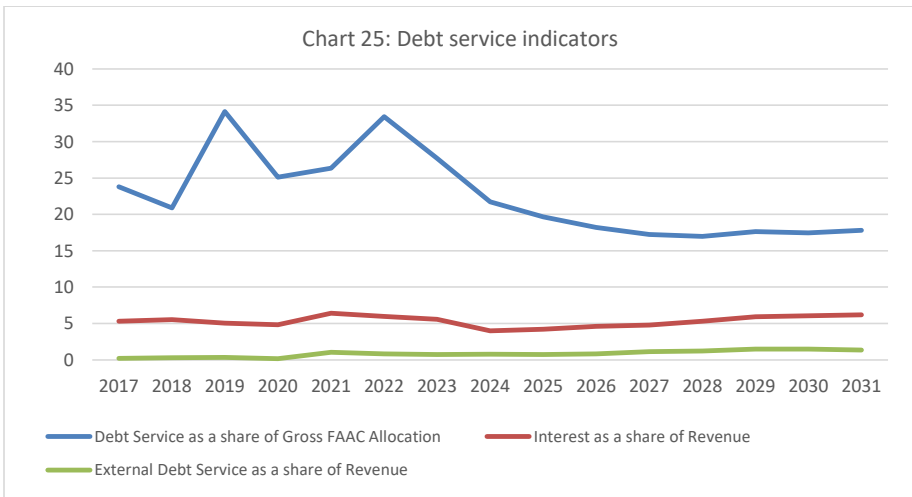
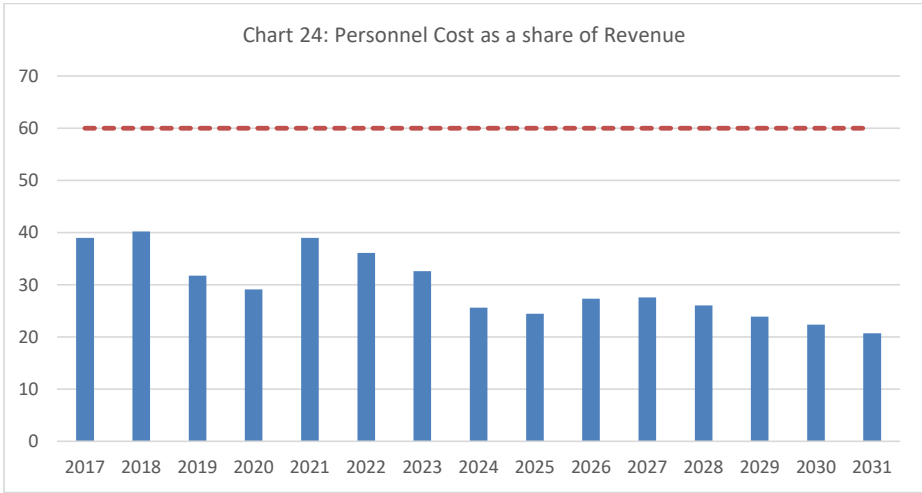
**ABIA STATE MAIN FINDING.**

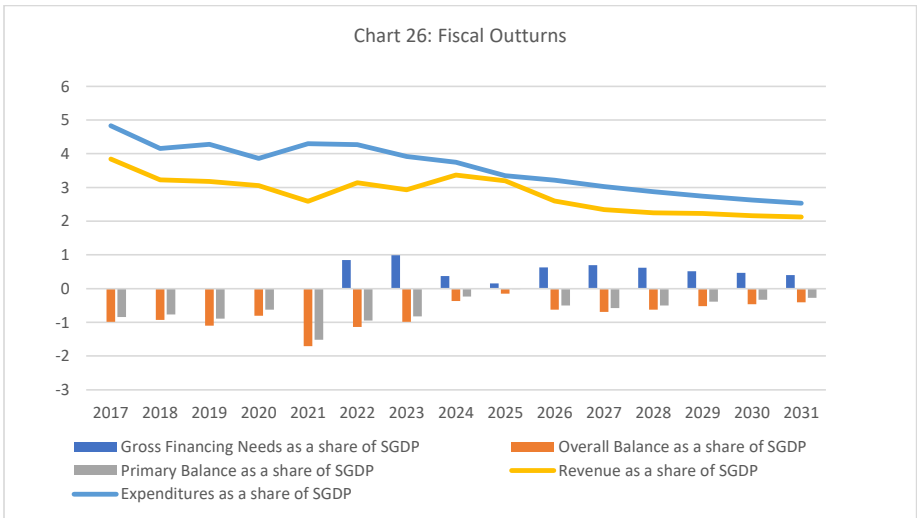
The baseline scenario result shows that the ratio of Debt as % of SGDP is projected at an average of 4% in 2021 and 2022, 3% in 2023 through 2024 and 2% in 2025 through 2031, respectively as against the indicative threshold of 25%. The ratio of debt as a percentage of revenue is estimated at 159% in 2021, 113% in 2022, 93% in 2026, 105% in 2027 and 100% in 2031 respectively. The debt as % of revenue remains below the threshold over the projection period. Also, the ratio of personnel cost to revenue trends remains under the threshold over the projection period from 2021 to 2031, with the strong-minded effort of the State Government through its various initiative and reforms in the key sectors of the state’s economy.











**CONCLUSION.**

Abia State DSA result shows that, the State remains at low risk of debt distress under the baseline scenario, expenditure shock, interest rate, and exchange rate shocks scenarios. The state remains mostly sensitive to the Revenue shock. In event of 10% decline in expected Revenue , the sustainability position of the State will be threatened over the long term period. 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 2022 DSA analysis shows that Abia State remains at low risk of debt distress under sensitivity analysis. The State DSA analysis shows in event revenue and expenditure turn out as planned that

- Comment [NM7]:** Remove S1 Historical scen from the graphs.
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the State will remain sustainable throughout the period under review 2022-2031. But in event of a 10% fall in Revenue, the Sustainability position will be threatened from 2029 where it will hit the threshold and slightly exceed threshold in 2030 and 2031.

#### **REVENUE SHOCK.**

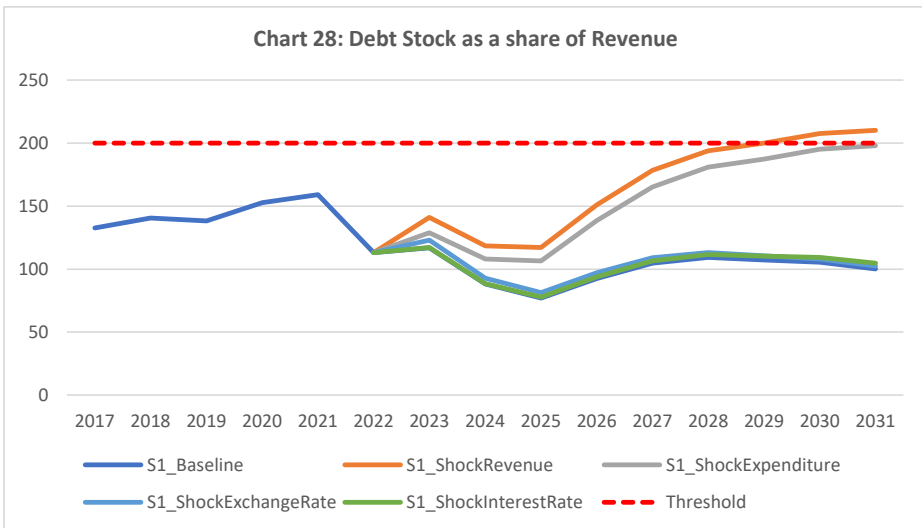
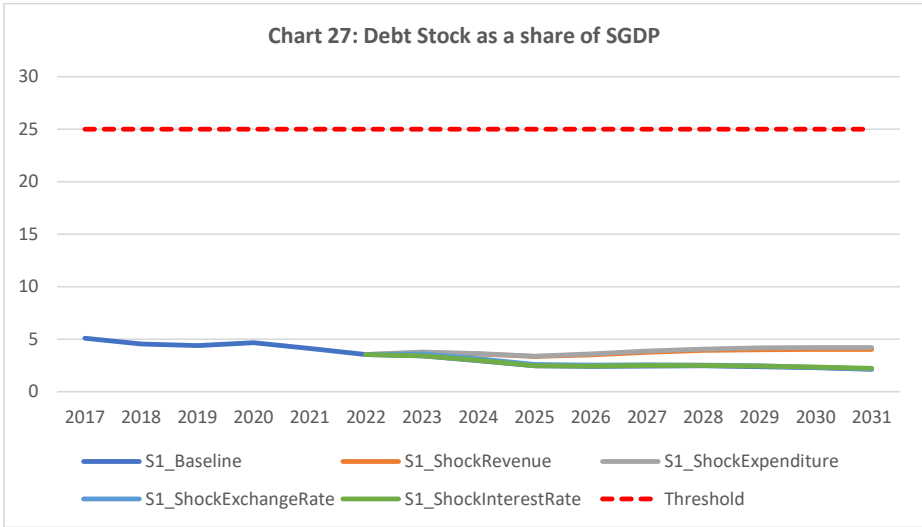
The debt as % of SGDP, debt service as % of Revenue and Personnel Cost as a percentage of revenue are all within the threshold throughout the projection period of 2022 to 2031. Debt as % of Revenue remain sustainable until 2029 where it hit the threshold of 200% to 210% in 2031. There is a risk of sustainability in the long run if anything should distort the expected Revenue. Therefore, the current revenue drive of the State should thus be sustained and even hyped to remain sustainable.

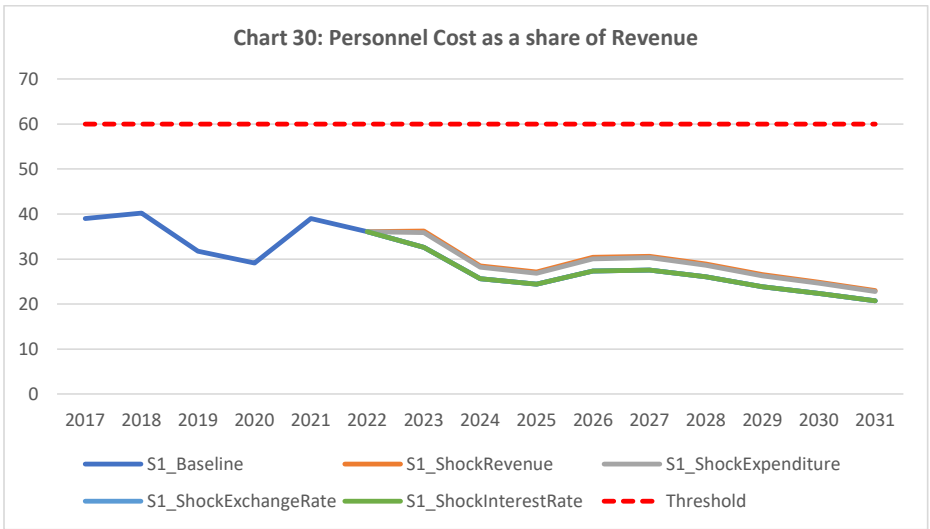
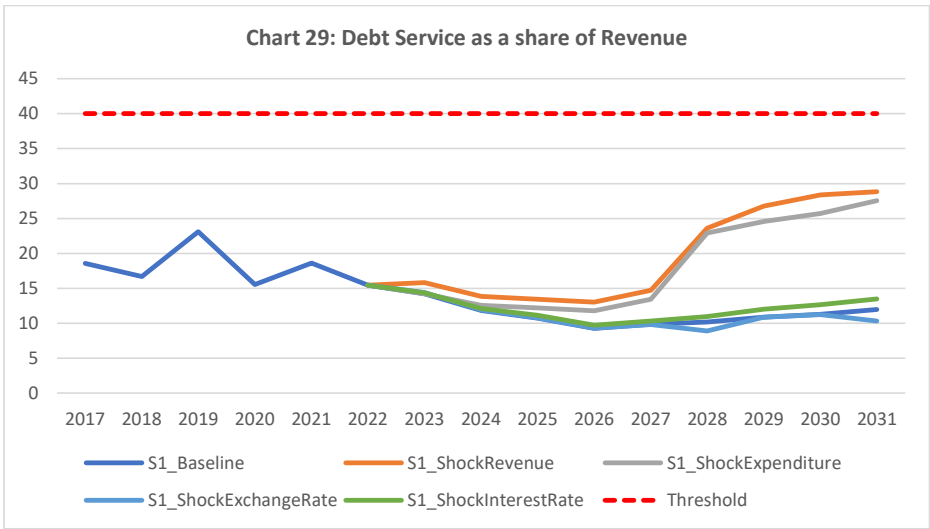
#### **EXPENDITURE SHOCK.**

All the solvency ratios (Total debt as % of State GDP, Total debt as % of Revenue and Personnel cost as % of Revenue) Total debt as a % of State GDP and Personnel cost as % of Revenue are within the threshold throughout the projection period of 2022-2031. In the same vein, in the event of rise in expenditure by 10%, the state will remain within threshold in all the indicators. But the state should continually put her expenditure under watch to remain sustainable.

#### **EXCHANGE RATE SHOCK/ INTEREST RATE SHOCK**

In event of shock to exchange rate. Abia State debt portfolio will experience no deterioration as all the indicators remain within threshold for Total debt as % of SGDP, Total debt as a percentage of Total revenue, personnel cost as % of total State Revenue and Total debt service as % of Total revenue. Equally, in event of interest rate shock, Abia state debt portfolio will equally experience no deterioration as all the indicators will equally remain within threshold throughout the period under review.





## 5.0 DEBT MANAGEMENT STRATEGY

Public debt management is the process of establishing and executing a strategy for managing the government's debt to raise the required amount of funding at the lowest possible cost over the medium to long term, consistent to a prudent degree of risk which is considered acceptable to the State. Debt management strategy examine 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 macroeconomics and financial market environment, the availability of financing from the different creditors and markets, and vulnerabilities that may have 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, 2022-2026 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 2026. As projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2026 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 2022 and MTEF, 2023-2025. For 2022-2026. External gross borrowing under concessional loans accounts on average 45.37% over the strategic period mainly through World Bank and African Development Bank. The Domestic gross financing comprises commercial Bank loans maturing 1-5years accounts on average 3.46%, Commercial Bank loans (maturity above 6 years) account on average 6.92% and other Domestic loan accounts on average 44.26% over the DMS period of 2022-2026.

TABLE 9 STRATEGY 1 -BASELINE STRATEGY

FINANCING	2022	2023	2024	2025	2026		
NATURE OF LOAN	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	TOTAL	%

NATURE OF LOAN	2022	2023	2024	2025	2026	TOTAL	%
	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA		
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	5,000.00	6.92
Other Domestic Financing	6,202.10	13,895.09	9,567.01	1,383.11	954.61	32,001.92	44.26
<b>TOTAL DOMESTIC FINANCING</b>	<b>7,702.10</b>	<b>15,395.09</b>	<b>11,067.01</b>	<b>2,883.11</b>	<b>2,454.61</b>	<b>39,501.92</b>	<b>54.63</b>
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	-	12,300.00	-	-	20,500.00	32,800.00	45.37
<b>TOTAL FINANCING</b>	<b>7,702.10</b>	<b>27,695.09</b>	<b>11,067.01</b>	<b>2,883.11</b>	<b>22,954.61</b>	<b>72,301.92</b>	<b>100</b>

Strategy 2 (S2) focus more on financing of budget deficit through State Bonds maturing between 1-5years and 6years and above for 2022-2026 period. State Bond with maturity ranging from 1-5years accounts for 10.93% and State Bond with maturity above 6 years accounts for 89.07% over the DMS period 2022-2026.

TABLE 10 DEBT MANAGEMENT STRATEGY 2



State Bonds (maturity 1 to 5 years)	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	10,000.00	10.93
State Bonds (maturity 6 years or longer)	5,702.10	25,896.74	12,896.30	6,998.47	29,985.23	81,478.84	89.07
TOTAL	7,702.10	27,896.74	14,896.30	8,998.47	31,985.23	91,478.84	100

Strategy (S3) considers the scenario where Government will focus on only commercial banks with maturity within 5 years to finance its gross borrowing requirements within the DMS period 2022-2026.

**TABLE DEBT MANAGEMENT STRATEGY 3**

FINANCING	2022	2023	2024	2025	2026		
NATURE OF LOAN	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	TOTAL	%
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	7,702.10	30,521.12	26,963.63	28,528.60	55,375.80	149,091.25	100

Strategy (S4) focus it's financing through External concessional loans and other Domestic Bank Loan;

External concessional loan accounts for an average of 53.51% while other domestic loan accounts for an average of 46.49% over the DMS period 2021-2025 under this alternative strategy.

**TABLE 11 DEBT MANAGEMENT STRATEGY 4**

FINANCING	2022	2023	2024	2025	2026		
NATURE OF LOAN	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	NEW FINANCING IN NAIRA	TOTAL	%

Other Domestic Financing	5,652.10	14,837.57	5,979.07	1,192.00	8,782.60	36,443.34	54.23
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2,050.00	12,300.00	4,100.00	-	12,300.00	30,750.00	45.76
TOTAL	7,702.10	27,137.57	10,079.07	1,192.00	21,082.60	67,193.34	100.00

### 5.1 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 increase from 113.0% in 2022 to 92.6% in 2026 with a risk of 58.4% as against Strategy 2 with 101.1 % in 2026, strategy 3 with 102.0%, and strategy 4 with 91.3% in 2026, and with a risk measures of 59.3, 59.4% and 58.3% for strategies 2, 3 and 4 respectively.

Analyzing using this debt indicator shows that S4 is the strategy with the least cost and lowest risk estimated at 91.3% and 58.3% compared with strategy 1 which has 92.6% and 58.4% followed by strategy 2 then Strategy 3 which happens to be the costliest and riskiest strategy.

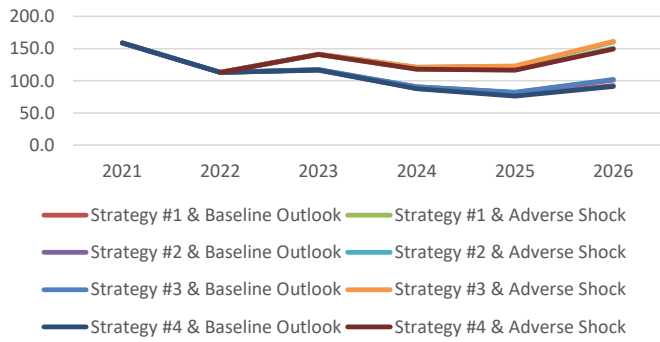
**TABLE 12**

#### **STRATEGY COST (DEBT REVENUE RATIO (%) IN 2026**

STRATEGY	COST DEBT REVENUE RATIO IN 2026	RISK %
1	92.6	58.4
2	101.1	59.3
3	102.0	59.4
4	91.3	58.3

**Chart 33. Debt Stock as a share of Revenue**

(including grants and excluding other capital receipts)



**Chart 34. Cost-Risk Trade Off**

(Cost in vertical axis, Risk in horizontal axis)

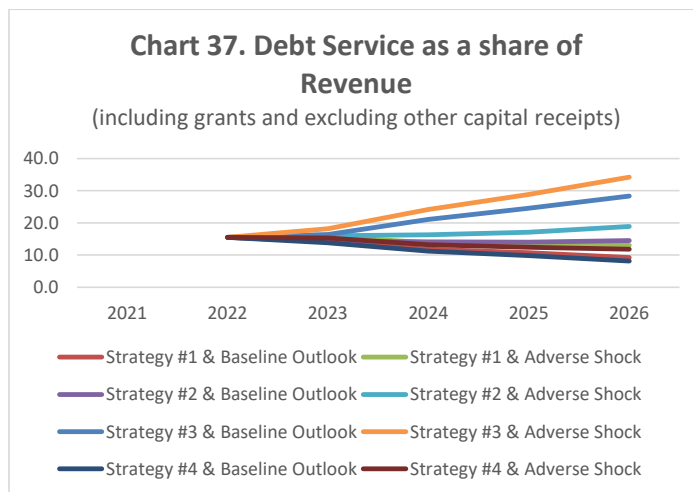


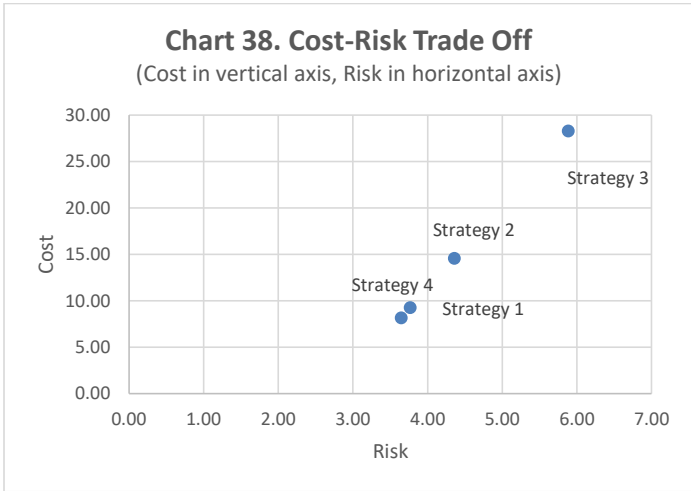
**TABLE 13**

**B Debt service as a share of Revenue:**

In terms of debt service to Revenue ratio analysis, Strategy 4 also, has the lowest cost and lowest risk, the cost decreased from 15.5% in 2022 to 8.2% in 2026 with a risk of 3.6% in 2026 compared with Strategy 1 with 9.3% cost and 3.8% risk in 2026, strategy 2 with 14.6% cost and 4.4% risk in 2026 and strategy 3 with a cost of 28.3% and risk of 5.9% in the year 2026. 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% 2026 DEBT SERVICE RATIO	RISK%
1	9.3	3.8
2	14.6	4.4
3	28.3	5.9
4	8.2	3.6





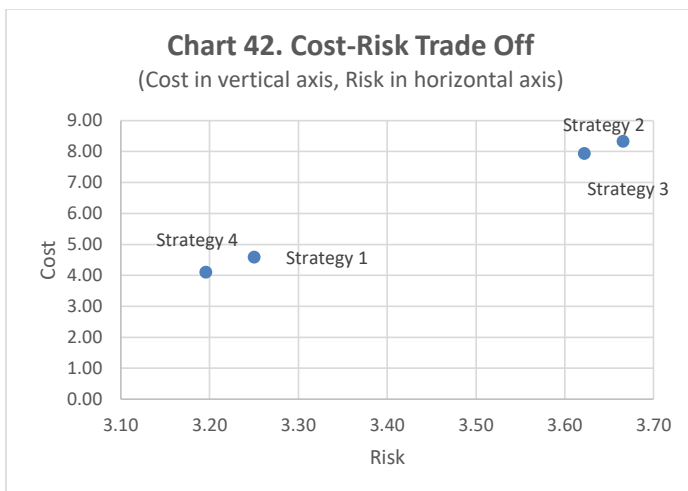
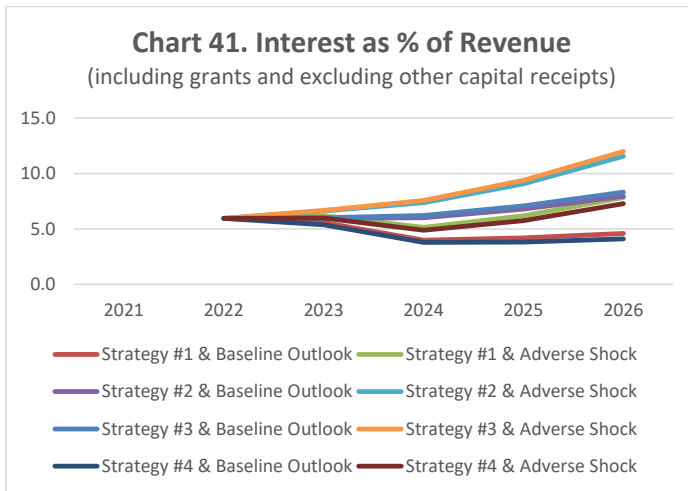
**C Interest as a share of Revenue**

Strategy 4 again is the least cost with regards to interest/revenues ratio, which is projected to increase from 6.0% in 2022 to 4.1% in 2026 with a risk of 3.2%, while Strategy 3 is again the costliest and the riskiest strategy with cost of 8.3% and risk of 3.7% compared to Strategy 1 with moderate cost of 4.6% and risk of 3.3% and Strategy 2 with estimated cost and risk of 7.9% and 3.6% at the end of the strategic period 2026. 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 and Strategy 2 with the moderate costs and risks. Strategy 3 is the most costly and riskiest strategy.

TABLE 14 INTEREST AS A SHARE OF REVENUE

STRATEGY	COST IN TEREST AS % OF	RISK
----------	------------------------	------

	REVENUE IN 2026	
1	4.6	3.3
2	7.9	3.6
3	8.3	3.7
4	4.1	3.2



## 5.2 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 S4. These results were just marginally better when compared to Strategy1. 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 2021. In comparison to the current debt position, Abia State debt portfolio stood at N138.733billion as at end 2021, which expected an increase to N165.420billion under strategy 1 at the end of strategic period 2026, compared with strategy 2 that has N172.085billion, Strategy 3 with N173.652billion and Strategy 4 that has N155.452billion all in 2026. 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 2022-2026. The Debt management Strategy, 2022-2026 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 2022 budget. The cost/risk tradeoff of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

ANNEXURES 1

**TABLE OF ASSUMPTION**

		Projection Methodology	Source
<b>Assumptions:</b>			
<b>Economic activity</b>	State GDP (at current prices)	STATE GDP PROJECTION WAS PROVIDED FOR BY THE WORLD BANK GROUP IN CONJUNCTION WITH THE DMO AND NATIONAL BUREAU OF STATISTICS	Debt Management Office, Abuja
<b>Revenue</b>			
	<b>Revenue</b>		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	2022, 2023-2025 were the State MTEF projections, while 2026 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)	2022-2025 were the State MTEF projections, while 2026 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

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**Comment [OC12]:** noted

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3. Other FAAC transfers (exchange rate gain, augmentation, others)	2022-2025 were the State MTEF projections, while 2026 onwards were made in anticipation	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
4. VAT Allocation	2022-2025 were the State MTEF projections, while 2026 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	2022-2025 were the State MTEF projections, while 2026 onwards forecasts were made using 2.3% increase representing Average Historical Growth from 2017-2021. This increase is expected as a result of automation of the Revenue system in the state which has blocked all loopholes	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
6. Capital Receipts	2022-2025 were the State MTEF projections, while 2026 projections onwards were done in anticipations	DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission
6.a. Grants	2022-2025 were the State MTEF projections, while 2026 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**

	<p>1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)</p> <p>2. Overhead costs</p> <p>3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)</p> <p>4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)</p> <p>5. Capital Expenditure</p>	<p>2022-2025 were the State MTEF projections, while projection for 2026 upwards were made using 3% increase on the previous year</p> <p>2022-2025 were the State MTEF projections, while projection for 2026 upwards were made using 1% increase on the previous year</p> <p>this is as it appears in the state Audited financial Statements.</p> <p>2022-2025 were the State MTEF projections, while projection for 2026 upwards were made using 1% increase on the previous year</p> <p>2022-2025 were the state MTEF projections, while for 2026 upwards forecast were made using between 80% of expected recurrent revenue for the year.</p>	<p>DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission</p> <p>DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission</p> <p>DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission</p> <p>DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission</p> <p>DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission</p>
<p><b>Closing Cash and Bank Balance</b></p>	<p><b>Closing Cash and Bank Balance</b></p>	<p>The historical figures represents balances domiciled in all the commercial banks accounts that the state is operating, while 2022-2031 forecasts were done in anticipation based on the new financial management policy being adopted by the state. This was computed using 1% of expected recurrent revenue</p>	<p>DSA Team, Ministry of Finance and Economic Development. Abia State and State planning commission</p>
<p><b>Debt Amotization and Interest Payments</b></p>	<p><b>Debt Outstanding at end-2021</b></p>		

External Debt - amortization and interest

Amortization and interest payments estimated using profiles recorded in DMO including 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 2022 onwards**

**New External Financing**

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)

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

**New Domestic Financing**

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)

projections were made using 14% 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, Infrastructure Loans, and MSMEDF)

projections were made using 13% 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 14% 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 13% interest rate, 10 years maturity and 2 yearsr grace period

State Finacial Statement/amotization sheets

Other Domestic Financing

projections were made using 9% interest rate, 15 years maturity and 2 yearsr grace period

State Finacial Statement/amotization sheets

**Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1**

**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, Infrastructure Loans, and MSMEDF)  
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)  
State Bonds (maturity 1 to 5 years)  
State Bonds (maturity 6 years or longer)  
Other Domestic Financing

projections were made using 14% interest rate, 3 years maturity and no grace period	State Finacial Statement/amotization sheets
projections were made using 13% interest rate, 7 years maturity and no grace period	State Finacial Statement/amotization sheets
projections were made using 14% interest rate, 3 years maturity and 1 year grace period	State Finacial Statement/amotization sheets
projections were made using 13% interest rate, 10 years maturity and 2 yearr grace period	State Finacial Statement/amotization sheets
projections were made using 9% interest rate, 15 years maturity and 2 yearr grace period	State Finacial Statement/amotization sheets

**New External Financing in Million US Dollar**

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)  
External Financing - Bilateral Loans  
Other External Financing

projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns
projections were made using 2% interest rate, 20 years maturity and 5 years grace period	State Finacial Statement/DMO returns

**Proceeds from Debt-Creating Borrowings corresponding to**

**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2  
New Domestic Financing in Million**

<b>Debt Strategy S2</b>	<b>Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	projections were made using 14% interest rate, 3 years maturity and no grace period	State Financial Statement/amotization sheets
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	projections were made using 13% interest rate, 7 years maturity and no grace period	State Financial Statement/amotization sheets
	State Bonds (maturity 1 to 5 years)	projections were made using 14% interest rate, 3 years maturity and 1 year grace period	State Financial Statement/amotization sheets
	State Bonds (maturity 6 years or longer)	projections were made using 13% interest rate, 10 years maturity and 2 yearsr grace period	State Financial Statement/amotization sheets
	Other Domestic Financing	projections were made using 9% interest rate, 15 years maturity and 2 yearsr grace period	State Financial Statement/amotization sheets
	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Financial Statement/DMO returns
	External Financing - Bilateral Loans	projections were made using 3% interest rate, 20 years maturity and 5 years grace period	State Financial Statement/DMO returns
	Other External Financing	projections were made using 2% interest rate, 20 years maturity and 5 years grace period	State Financial Statement/DMO returns
<b>Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3</b>		
	<b>New Domestic Financing in Million Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	projections were made using 14% interest rate, 3 years maturity and no grace period	State Financial Statement/amotization sheets

Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)

projections were made using 13% 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 14% 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 13% interest rate, 10 years maturity and 2 yearsr 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 Bank)

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 Borrowings corresponding to Debt Strategy S4**

**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**

**New Domestic Financing in Million Naira**

Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)

projections were made using 14% 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, Infrastructure Loans, and MSMEDF)

projections were made using 13% 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 14% interest rate, 3 years maturity and 1 year grace period

State Financial Statement/amotization sheets

State Bonds (maturity 6 years or longer)

projections were made using 13% interest rate, 10 years maturity and 2 years grace period

State Financial Statement/amotization sheets

Other Domestic Financing

projections were made using 9% interest rate, 15 years maturity and 2 years grace period

State Financial Statement/amotization sheets

**New External Financing in Million US Dollar**

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)

projections were made using 3% interest rate, 20 years maturity and 5 years grace period

State Financial Statement/DMO returns

External Financing - Bilateral Loans

projections were made using 3% interest rate, 20 years maturity and 5 years grace period

State Financial Statement/DMO returns

Other External Financing

projections were made using 2% interest rate, 20 years maturity and 5 years grace period

State Financial Statement/DMO returns

## ANNEXURES II

Indicator	Actuals					Projections									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>BASELINE SCENARIO</b>															
<b>Economic Indicators</b>															
State GDP (at current prices)	2,049,858.00	2,464,473.00	2,758,449.00	2,956,624.00	3,374,918.00	3,889,389.00	4,499,921.00	5,104,067.00	5,785,970.00	6,558,976.00	7,435,255.00	8,428,605.00	9,554,666.00	10,831,170.00	12,278,214.00
Exchange Rate NGN/US\$ (end-Period)	253.19	305.79	306.50	326.00	379.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00
<b>Fiscal Indicators (Million Naira)</b>															
<b>Revenue</b>	<b>99,101.00</b>	<b>97,231.60</b>	<b>116,175.40</b>	<b>119,228.00</b>	<b>150,333.90</b>	<b>154,984.30</b>	<b>176,358.09</b>	<b>191,163.41</b>	<b>193,886.81</b>	<b>211,165.80</b>	<b>225,357.96</b>	<b>242,127.46</b>	<b>262,507.05</b>	<b>284,695.26</b>	<b>310,145.49</b>
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	26,550.70	40,196.80	36,825.20	32,109.10	30,918.00	37,307.70	43,393.20	55,125.60	59,260.00	36,889.00	40,578.00	44,635.00	49,099.00	54,009.00	59,410.00
1.a. of which Net Statutory Allocation ('net' means of deductions)	21,091.60	34,559.40	29,712.60	25,676.88	22,363.60	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	5,459.10	5,637.40	7,112.60	6,432.20	8,554.43	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)	3,899.20	7,917.60	6,690.20	5,351.80	4,782.30	5,524.80	7,000.00	7,525.00	8,089.40	7,501.00	8,251.00	9,076.00	9,983.00	10,982.00	12,080.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	21,491.00	4,665.90	4,267.70	4,524.70	6,429.50	1,154.60	3,861.40	4,151.00	4,462.30	1,448.50	1,545.60	1,649.10	1,759.60	1,877.50	2,003.30
4. VAT Allocation	9,552.20	10,817.80	11,556.40	13,897.60	19,518.60	12,477.50	13,458.10	27,094.90	29,127.00	40,722.00	48,866.00	58,640.00	70,368.00	84,441.00	101,329.00
5. IGR	15,462.30	15,830.90	15,499.90	15,921.20	16,879.70	31,674.90	30,923.10	39,692.30	42,669.30	43,650.69	44,654.66	45,681.72	46,732.40	47,807.24	48,906.81
6. Capital Receipts	22,145.60	17,802.60	41,336.00	47,423.60	71,805.80	66,844.80	77,722.29	57,574.61	50,278.81	80,954.61	81,462.70	82,445.64	84,565.05	85,578.52	86,416.38
6.a. Grants	1,847.70	95.40	12,802.20	18,413.00	8,709.20	33,950.90	33,248.80	38,507.60	41,395.70	40,000.00	30,000.00	30,000.00	35,000.00	35,000.00	37,000.00
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	1,884.10	4,560.00	3,533.80	8,131.40	21,772.90	25,191.80	16,778.40	8,000.00	6,000.00	18,000.00	18,000.00	18,000.00	18,000.00	20,000.00	20,000.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	18,413.80	13,147.20	25,000.00	20,879.20	41,323.70	7,702.10	27,695.09	11,067.01	2,883.11	22,954.61	33,462.70	34,445.64	31,565.05	30,578.52	29,416.38



<b>Expenditure</b>	<b>99,003.90</b>	<b>102,354.80</b>	<b>117,968.60</b>	<b>114,100.10</b>	<b>144,991.50</b>	<b>166,169.30</b>	<b>176,283.01</b>	<b>191,071.01</b>	<b>193,759.48</b>	<b>211,067.47</b>	<b>225,221.75</b>	<b>241,970.24</b>	<b>262,325.11</b>	<b>284,484.19</b>	<b>310,976.47</b>
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	30,712.90	31,979.10	27,845.00	26,273.80	34,004.60	44,096.80	42,995.30	44,070.20	45,171.90	46,527.06	47,922.87	49,360.55	50,841.37	52,366.61	53,937.61
2. Overhead costs	22,337.00	20,943.00	19,717.90	15,944.90	15,808.60	18,127.50	19,192.70	19,672.50	20,164.30	20,365.94	20,569.60	20,775.30	20,983.05	21,192.88	21,404.81
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	2,867.20	3,895.50	5,842.50	5,542.00	6,447.30	7,268.10	7,357.39	6,897.46	7,778.52	7,811.01	8,282.84	10,083.29	12,655.54	14,151.54	16,141.43
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	2,031.90	3,059.80	4,278.40	5,397.30	3,093.90	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	835.30	835.70	1,564.10	144.70	3,383.40	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)	14,119.20	10,497.40	8,203.90	16,772.10	26,761.10	5,278.00	12,856.80	23,428.20	24,014.00	24,254.14	24,496.68	24,741.65	24,989.06	25,238.96	25,491.34
5. Capital Expenditure	21,725.80	25,154.40	46,603.20	35,533.90	43,521.80	79,779.90	82,472.70	83,503.70	84,547.40	104,168.96	115,116.21	127,745.45	142,353.60	159,293.39	178,983.29
6. Amortization (principal) payments	7,241.80	9,885.40	9,756.10	14,033.40	18,448.10	11,619.00	11,408.12	13,498.95	12,083.36	7,940.37	8,833.55	9,264.00	10,502.49	12,240.80	15,017.98
<b>Budget Balance (' + ' means surplus, ' - ' means deficit)</b>	<b>97.10</b>	<b>-5,123.20</b>	<b>-1,793.20</b>	<b>5,127.90</b>	<b>5,342.20</b>	<b>-11,185.01</b>	<b>75.08</b>	<b>92.40</b>	<b>127.33</b>	<b>98.33</b>	<b>136.21</b>	<b>157.22</b>	<b>181.94</b>	<b>211.07</b>	<b>-830.98</b>
<b>Opening Cash and Bank Balance</b>	<b>8,415.70</b>	<b>8,512.80</b>	<b>3,389.60</b>	<b>1,596.40</b>	<b>6,724.30</b>	<b>12,066.40</b>	<b>881.40</b>	<b>956.48</b>	<b>1,048.88</b>	<b>1,176.21</b>	<b>1,274.55</b>	<b>1,410.75</b>	<b>1,567.97</b>	<b>1,749.91</b>	<b>1,960.98</b>
<b>Closing Cash and Bank Balance</b>	<b>8,512.80</b>	<b>3,389.60</b>	<b>1,596.40</b>	<b>6,724.30</b>	<b>12,066.40</b>	<b>881.40</b>	<b>956.48</b>	<b>1,048.88</b>	<b>1,176.21</b>	<b>1,274.55</b>	<b>1,410.75</b>	<b>1,567.97</b>	<b>1,749.91</b>	<b>1,960.98</b>	<b>1,130.00</b>

#### Financing Needs and Sources (Million Naira)

<b>Financing Needs</b>						<b>32,893.90</b>	<b>44,473.49</b>	<b>19,067.01</b>	<b>8,883.11</b>	<b>40,954.61</b>	<b>51,462.70</b>	<b>52,445.64</b>	<b>49,565.05</b>	<b>50,578.52</b>	<b>49,416.38</b>
i. Primary balance						-25,191.80	-25,632.90	1,421.80	11,106.10	-25,104.90	-34,210.10	-32,941.14	-26,225.09	-23,975.10	-19,087.94
ii. Debt service						18,887.10	18,765.51	20,396.41	19,861.88	15,751.37	17,116.39	19,347.29	23,158.03	26,392.35	31,159.41
Amortizations						11,619.00	11,408.12	13,498.95	12,083.36	7,940.37	8,833.55	9,264.00	10,502.49	12,240.80	15,017.98
Interests						7,268.10	7,357.39	6,897.46	7,778.52	7,811.01	8,282.84	10,083.29	12,655.54	14,151.54	16,141.43
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-11,185.01	75.08	92.40	127.33	98.33	136.21	157.22	181.94	211.07	-830.98
<b>Financing Sources</b>						<b>32,893.90</b>	<b>44,473.49</b>	<b>19,067.01</b>	<b>8,883.11</b>	<b>40,954.61</b>	<b>51,462.70</b>	<b>52,445.64</b>	<b>49,565.05</b>	<b>50,578.52</b>	<b>49,416.38</b>
i. Financing Sources Other than Borrowing						25,191.80	16,778.40	8,000.00	6,000.00	18,000.00	18,000.00	18,000.00	18,000.00	20,000.00	20,000.00
ii. Gross Borrowings						7,702.10	27,695.09	11,067.01	2,883.11	22,954.61	33,462.70	34,445.64	31,565.05	30,578.52	29,416.38
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)						1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
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						6,202.10	13,895.09	9,567.01	1,383.11	954.61	19,662.70	32,945.64	17,765.05	29,078.52	27,916.38

External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	0.00	12,300.00	0.00	0.00	20,500.00	12,300.00	0.00	12,300.00	0.00	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)

<b>Debt (stock)</b>	<b>104,597.12</b>	<b>111,775.96</b>	<b>121,197.10</b>	<b>137,758.80</b>	<b>138,733.20</b>	<b>137,950.40</b>	<b>154,237.36</b>	<b>151,805.43</b>	<b>142,605.18</b>	<b>157,619.42</b>	<b>182,248.58</b>	<b>207,430.22</b>	<b>228,492.79</b>	<b>246,830.50</b>	<b>261,228.90</b>
External	25,696.22	30,205.56	30,046.20	36,023.00	38,316.90	40,462.90	51,774.80	50,786.70	49,798.60	69,310.50	80,622.40	79,634.30	90,126.20	88,318.10	86,510.00
Domestic	78,900.90	81,570.40	91,150.90	101,735.80	100,416.30	97,487.50	102,462.56	101,018.73	92,806.58	88,308.92	101,626.18	127,795.92	138,366.59	158,512.40	174,718.90
<b>Gross borrowing (flow)</b>						<b>7,702.10</b>	<b>27,695.09</b>	<b>11,067.01</b>	<b>2,883.11</b>	<b>22,954.61</b>	<b>33,462.70</b>	<b>34,445.64</b>	<b>31,565.05</b>	<b>30,578.52</b>	<b>29,416.38</b>
External						0.00	12,300.00	0.00	0.00	20,500.00	12,300.00	0.00	12,300.00	0.00	0.00
Domestic						7,702.10	15,395.09	11,067.01	2,883.11	2,454.61	21,162.70	34,445.64	19,265.05	30,578.52	29,416.38
<b>Amortizations (flow)</b>	<b>10,437.16</b>	<b>8,883.72</b>	<b>15,838.98</b>	<b>9,663.42</b>	<b>10,642.09</b>	<b>11,619.00</b>	<b>11,408.12</b>	<b>13,498.95</b>	<b>12,083.36</b>	<b>7,940.37</b>	<b>8,833.55</b>	<b>9,264.00</b>	<b>10,502.49</b>	<b>12,240.80</b>	<b>15,017.98</b>
External	81.02	125.37	140.99	130.40	913.39	988.10	988.10	988.10	988.10	988.10	988.10	988.10	1,808.10	1,808.10	1,808.10
Domestic	10,356.14	8,758.35	15,697.99	9,533.02	9,728.70	10,630.90	10,420.02	12,510.85	11,095.26	6,952.27	7,845.45	8,275.90	8,694.39	10,432.70	13,209.88
<b>Interests (flow)</b>	<b>4,196.63</b>	<b>4,388.04</b>	<b>4,425.52</b>	<b>4,359.82</b>	<b>5,596.08</b>	<b>7,268.10</b>	<b>7,357.39</b>	<b>6,897.46</b>	<b>7,778.52</b>	<b>7,811.01</b>	<b>8,282.84</b>	<b>10,083.29</b>	<b>12,655.54</b>	<b>14,151.54</b>	<b>16,141.43</b>
External	73.43	113.14	147.12	6.52	7.58	8.20	8.20	377.20	377.20	377.20	992.20	1,361.20	1,361.20	1,705.60	1,681.00
Domestic	4,123.20	4,274.90	4,278.40	4,353.30	5,588.50	7,259.90	7,349.19	6,520.26	7,401.32	7,433.81	7,290.64	8,722.09	11,294.34	12,445.94	14,460.43
<b>Net borrowing (gross borrowing minus amortizations)</b>						<b>-3,916.90</b>	<b>16,286.97</b>	<b>-2,431.94</b>	<b>-9,200.25</b>	<b>15,014.24</b>	<b>24,629.15</b>	<b>25,181.65</b>	<b>21,062.57</b>	<b>18,337.71</b>	<b>14,398.40</b>
External						-988.10	11,311.90	-988.10	-988.10	19,511.90	11,311.90	-988.10	10,491.90	-1,808.10	-1,808.10
Domestic						-2,928.80	4,975.07	-1,443.84	-8,212.15	-4,497.66	13,317.25	26,169.75	10,570.67	20,145.81	16,206.50

#### Debt and Debt-Service Indicators

Debt Stock as % of SGDP	5.10	4.54	4.39	4.66	4.11	3.55	3.43	2.97	2.46	2.40	2.45	2.46	2.39	2.28	2.13
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	132.73	140.56	138.29	152.70	159.03	112.99	116.95	88.21	77.08	92.60	104.80	109.36	107.30	105.43	100.19
Debt Service as % of SGDP						0.49	0.42	0.40	0.34	0.24	0.23	0.23	0.24	0.24	0.25
Debt Service as % of Revenue (including grants and excluding other capital receipts)						15.47	14.23	11.85	10.74	9.25	9.84	10.20	10.88	11.27	11.95
Interest as % of SGDP						0.19	0.16	0.14	0.13	0.12	0.11	0.12	0.13	0.13	0.13

Interest as % of Revenue (including grants and excluding other capital receipts)	5.95	5.58	4.01	4.20	4.59	4.76	5.32	5.94	6.04	6.19
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)	36.12	32.60	25.61	24.42	27.33	27.56	26.02	23.88	22.37	20.69
<b>Adverse Shock Scenario is defined by the worst performance indicator measured in year 2026</b>										
<b>For Debt Stock as % of SGDP the adverse shock is:</b>										
<b>Expenditure</b>										
Debt Stock as % of SGDP	3.55	3.78	3.64	3.40	3.59	3.86	4.07	4.18	4.22	4.20
<b>For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is:</b>										
<b>Revenue</b>										
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	112.99	141.05	118.32	117.16	150.99	178.41	193.97	200.05	207.65	210.20
<b>For Debt Service as % of SGDP the adverse shock is:</b>										
<b>Expenditure</b>										
Debt Service as % of SGDP	0.49	0.42	0.42	0.39	0.31	0.31	0.52	0.55	0.56	0.59
<b>For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is:</b>										
<b>Revenue</b>										
Debt Service as % of Revenue (including grants and excluding other capital receipts)	15.47	15.81	13.85	13.44	13.02	14.70	23.60	26.78	28.38	28.82
<b>For Interest as % of SGDP the adverse shock is:</b>										
<b>Expenditure</b>										
Interest as % of SGDP	0.19	0.16	0.16	0.18	0.19	0.20	0.22	0.25	0.26	0.27
<b>For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is:</b>										
<b>Revenue</b>										
Interest as % of Revenue (including grants and excluding other capital receipts)	5.95	6.20	5.13	6.18	7.84	9.06	10.45	11.77	12.60	13.38



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**Dr. Aham Uko**  
**Finance Commissioner, Abia**

## LIST OF PARTICIPANTS

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