2025

ABIA STATE DEBT SUSTANABILITY ANALYSIS/ DEBTMANAGEMENT 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 2020-2024 while also evaluating the ability of the state to sustain its debt in the long term (2025-2034).

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

- Abia State Electricity Law of 2025
- Abia State Security Trust Fund Law as amended 2025
- 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 lodgments
- Automation
- Biometric Capture etc

2.2 Abia State Approved 2025 Budget and Medium-Term Expenditure Framework (MTEF)2026-2028

2.3 2.2.1 Approved 2025 Budget.

The 2025 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 implications on our economy.

Based on the foregoing fiscal assumptions and parameters, the Abia State Total Revenue available to fund the 2025 Budget is estimated at N679.991billion. 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 N750.281billion is proposed by the Abia State Government in 2025. The 2025 Expenditure comprises Recurrent Expenditure, Debt Repayments, and Capital Expenditure.

2.2.2 Indicative Three-Year Fiscal Framework

The indicative three-year fiscal framework for the period 2026-2028 is presented in the Table Below:

Table 1: Abia State Medium Term Fiscal Framework

Abia State Macroeconomic and Mineral Framework 2026 - 2028				
Item	**2025**	**2026**	**2027**	**2028**
National Inflation (CPI)	24.00%	23.00%	17.00%	15.00%
National Real GDP Growth	3.40%	3.20%	3.30%	3.30%
Oil Price Benchmark	$65.00	$55.00	$55.00	$55.00
Oil Production Benchmark (MBPD)	1.6500	1.7000	1.7500	1.8000
NGN:USD Exchange Rate	1500	1500	1500	1500
Other Assumptions				
Mineral Ratio (Before Subsidy)	18%	20%	22%	24%

Abia State Fiscal Framework 2026 - 2028				
Item	**2025 Original Budget**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**
Opening Balance	21,408,699,382			
Recurrent Revenue				
Statutory Allocation	340,528,000,000	343,440,000,000	401,825,000,000	470,135,000,000
Derivation	12,342,500,000	12,721,100,000	14,883,700,000	17,414,000,000
VAT	70,682,000,000	81,777,000,000	92,515,000,000	108,243,000,000
IGR	100,625,061,999	150,781,327,499	173,398,526,624	199,408,305,617
Other Federation Account Revenues	134,405,299,960	147,845,829,956	162,630,412,952	178,893,454,247
Other Recurrent Revenues (Recurrent Grants)	0	0	0	0
Total Recurrent Revenue	**679,991,561,341**	**736,565,257,455**	**845,252,639,575**	**974,093,759,864**
Recurrent Expenditure				
Personnel (Salaries, Allowances and Contributions) including Social Benefit	77,341,339,750	85,411,848,937	109,075,668,372	148,124,556,831
Overheads	37,980,132,601	32,314,287,104	35,771,475,930	40,954,558,991
Public Debt service	23,291,000,000	35,000,000,000	35,000,000,000	35,000,000,000
Capital Expenditure	611,669,000,000	589,252,000,000	676,202,000,000	779,275,000,000
Total Expenditure	**750,281,472,351**	**741,978,136,041**	**856,049,144,302**	**1,003,354,115,822**
Budget Balance Financing (Loans)	70,289,911,010	5,412,878,586	10,796,504,726	29,260,355,958

2.2.3 The Key Objectives of the Approved 2025 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 programs 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 2026.

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 products 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's visions and delivering multi-sectoral 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 resources for capital development.

II. Grow IGR by a minimum of 144% in 2025, 50% in 2026, and then a 15% increase in 2027.

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, 2020-2024

3.1 REVENUE

Abia State's total Revenue increased throughout the period under review except for 2021 where it declined marginally. The total revenue declined from N90.217 billion in 2020 to N87.237billion in 2021 representing a 3.3% decrease. However, the total Revenue increased significantly from N107.593billion in 2022 to N160.409 billion in 2023 and N362.825billion in 2024 representing an increase of N52.816billion or 49% and N202.416 or 126% in 2023 and 2024 respectively. The Revenue has shown improvements from 2020 - 2024, 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 which comprises the statutory allocations, derivations, VAT allocation, exchange rate gain, and augmentation among others increased from N55.883billion in 2020 to N61.648 billion in 2021 which represents an increase of N5.8 billion or 10.3%. It then increased to N82.994 billion in 2022 to N107.118billion in 2023 and N285.519billion in 2024 representing an increase of N21.296 billion, N24.174, N178.401 in 2022 to 2024 respectively.

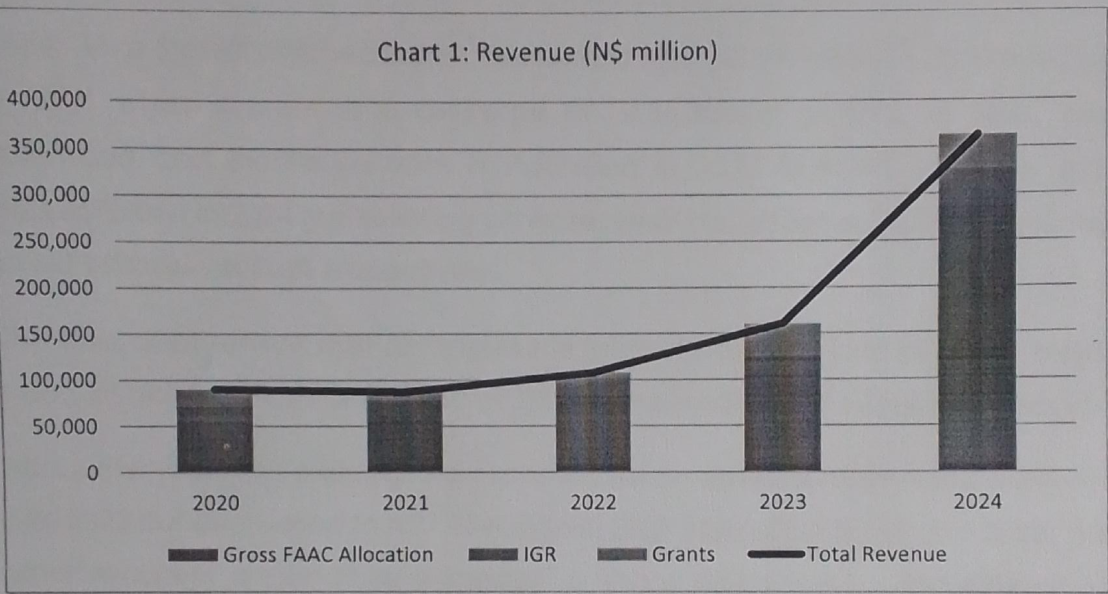
Abia State Internally Generated Revenue (IGR) showed a steady increase throughout the period under review except for in 2023 where it decreased marginally. The IGR decreased from N18.65 billion in 2022 to N17.99 billion in 2023 which represents a decrease of N0.66 billion or 3.55% decrease.

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 development of an electronic taxpayer database system. Revenue sources were also expanded to include the introduction of Land use Charges. All revenue leakages were blocked through this automation process.

Table 2: 2020-2024 Abia State Revenue

	2020	2021	2022	2023	2024
Total Revenue	**90,217**	**87,237**	**107,593**	**160,409**	**362,825**
Gross FAAC Allocation	**55,883**	**61,648**	**82,944**	**107,118**	**285,519**
IGR	**15,921**	**16,880**	**18,649**	**17,987**	**41,256**
Grants	**18,413**	**8,709**	**6,000**	**35,304**	**36,050**

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 Costs, Overhead Costs, Other recurrent expenditures, and Debt service (interest payment and principal repayment). In 2021 Abia State's total expenditure amounted to N144.9billion compared to N114.1billion as at the end of December 2020, which represent an increase of N30.89 billion or 27.1%. Also, the State total expenditure increased in 2022 to N201.43 billion representing an increase of N56.44billion or 39.0% increase. However, the State total expenditure decreased to N169.32Billion in 2023 from N201.43billion in 2022 which represents a decrease of N32.1billion or 15.9%. The

State total expenditure increased significantly to N320.905billion in 2024 due to massive infrastructural development ongoing in the State.

The State personnel cost increased from N26.27 billion in 2020 to N34.00 billion in 2021 which represents an increase of N7.7billion or 29.4%. However, in 2022 and 2023 Abia State Personnel Cost decreased from N34.00billion to N29.895billion and N30.337billion representing a decrease of 10% and 1.5% respectively. The State personnel cost increased to N35.074billion in 2024, representing an increase of 17.3% due to the implementation of N70,000 minimum wage by the State.

Also, Abia State's overhead cost decreased from N15.9 billion in 2020 to N15.8billion in 2021 which represents a decrease of N136.3billion or 0.9%. In 2024, the State overhead cost increased from N17.63billion in 2022 to N24.02billion in 2023 and N23.857billion in 2024 representing an increase of N6.4billion or 36.2% and a decrease of N0.162billion or 0.6% respectively.

The total debt service that comprises the interest payment and principal repayment stood at N41.268billion at the end of 2024 compared to N19,575billion it was in 2020.

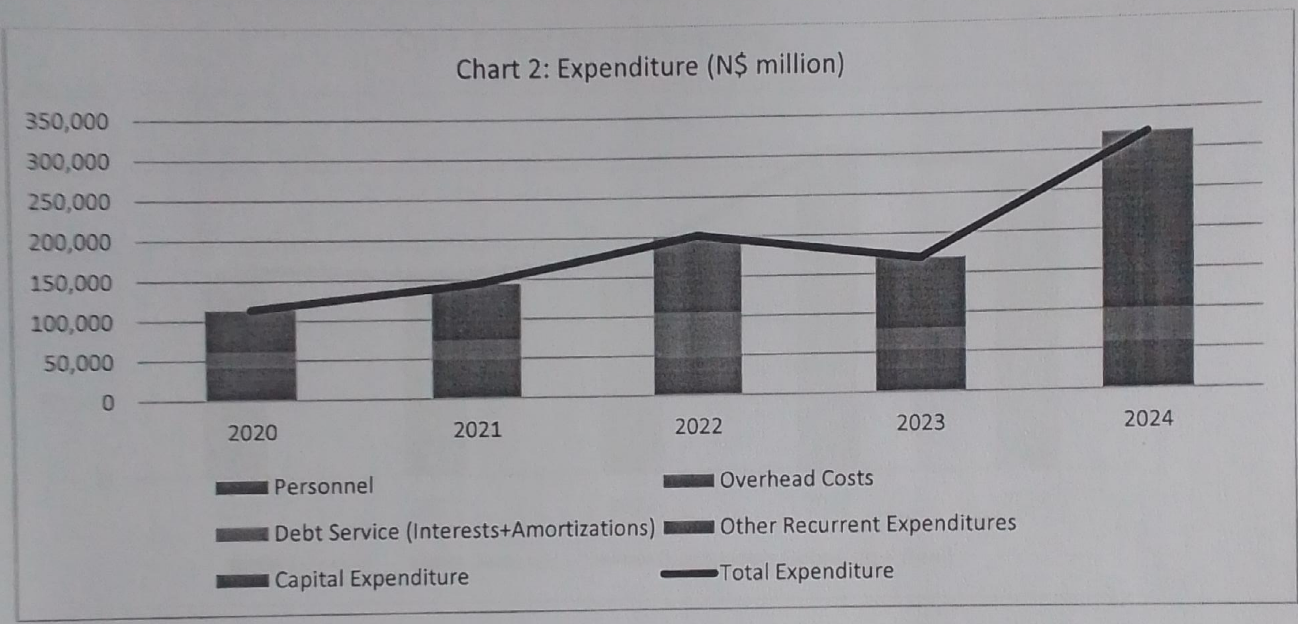
Also, other recurrent expenditure experienced an upward movement between 2020 and 2022 but decreased to N27.054billion in 2023 from N50.935billion in 2022. The state other recurrent expenditure witnessed a sharp decrease to N5.250billion in 2024 representing an 80.6% decrease.

The State capital expenditure increased throughout the period under consideration from N35.55billion in 2020 to N215.456billion in 2024 representing 506% increase since 2020. This increase is as a result of massive infrastructural developments ongoing in the State

Table 3: 2020-2024 Abia State Expenditure

	2020 N'Million	2021 N'Million	2022 N'Million	2023 N'Million	2024 N'Million
Total Expenditure	114,100	144,992	201,429	169,317	320,905

Personnel	26,274	34,005	30,337	29,895	35,074
Overhead Costs	15,945	15,809	17,634	24,019	23,857
Debt Service (Interests + Amortizations)	19,575	24,895	57,101	26,184	41,268
Other Recurrent Expenditures	16,772	26,761	50,935	27,054	5,250
Capital Expenditure	35,534	43,522	45,422	62,165	215,456



SourceAbia state financial statement

3.3 STATE DEBT PORTFOLIO 2020-2024

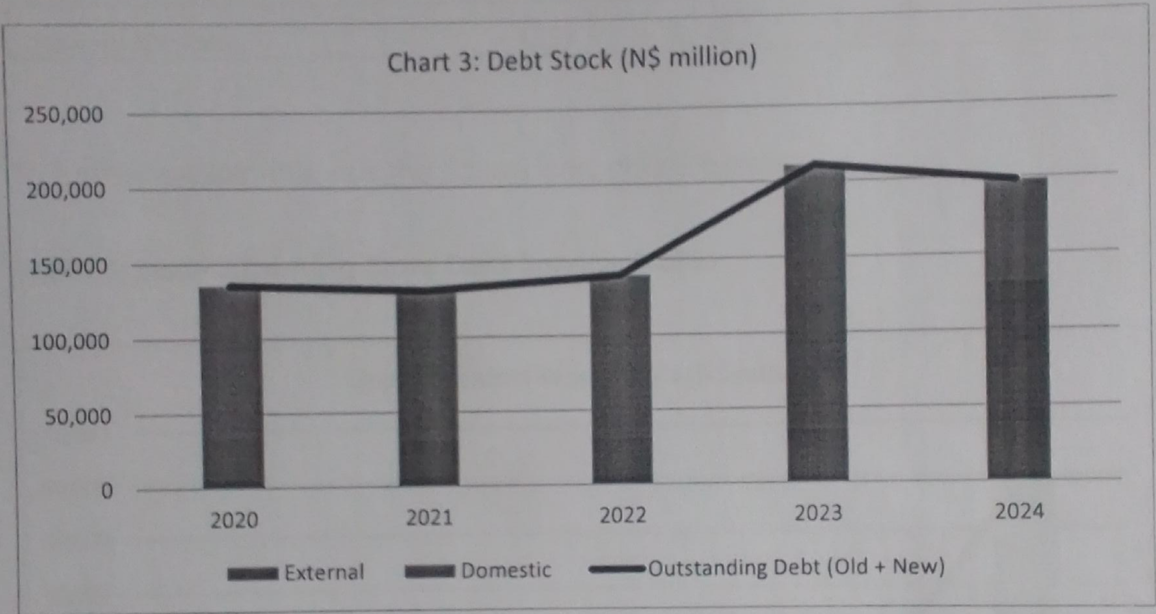
Abia State's Debt stock amounted to N135.53billion as at the end of December 2020 compared to N131.40billion as of December 2021, representing a decrease of N4.12Billion or 3.04% and increased to N139.86Billion in 2022 representing an increase of N8.45Billion or 6.43%. It further increased to N210.649 in 2023 representing a 51% rease. However, The State debt Stock decreased to N198billion in 2024 which esent a decrease of 6%.

The State external Debt stock stood at N158.3billion in N131.950billion in 2024 as against N33.791 it was at the end of 2020.

The State Domestic Debt decreased to N66.075billion in 2024 from N101.736billion it was in 2020.

Table 4: 2020-2024 Abia State Debt Stock Profile

	2020	2021	2022	2023	2024
Outstanding Debt (Old + New)	135,527	131,403	139,855	210,649	198,025
External	33,791	30,987	30,752	35,752	131,950
Domestic	101,736	100,416	109,103	174,897	66,075



Source Abia state financial statement

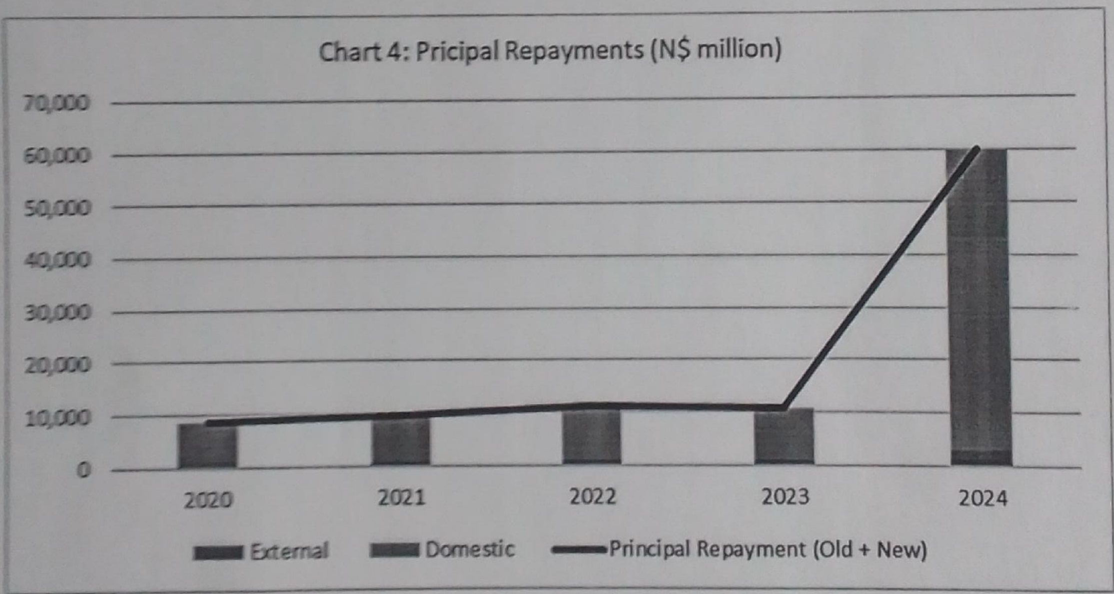
3.4 **STATE DEBT SERVICE 2020-2024**

Abia State debt services Principal repayments amounted to N8.65 billion, N9.47 billion, N11.20 billion, N10.76billion, N59.985 billion for 2020 - 2024 respectively. While the interest payment amounted to N7.266billion in 2022 compared to N4.36billion it was in 2020. The principal repayment and interest payments were made up of both external debt and Domestic Debt.

	2020	2021	2022	2023	2024
Principal Repayment (Old + New) N'Million	8,650	9,471	11,205	10,756	59,985
External N'million	122	739	786	913	3,133
Domestic N'million	8,527	8,733	10,419	9,842	56,852
	2020	2021	2022	2023	2024
Interest Payment (Old + New) N'million	4,359	5,595	7,266	6,539	1,570
External N'million	6	6	7	8	26
Domestic N'million	4,353	5,589	7,260	6,531	1,544

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

Table 5: 2020-2024 Abia State Debt Service Profile



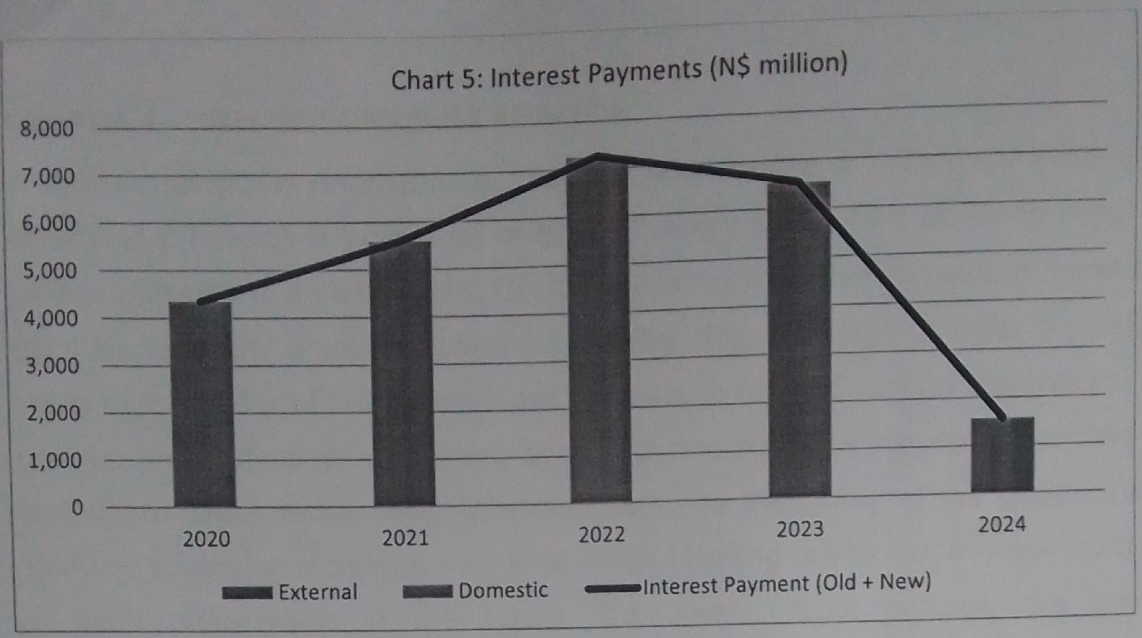


Chart 5: Interest Payments (N$ million)
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2020
2021
2022
2023
2024
External
Domestic
Interest Payment (Old + New)

bt sustainability analysis (DSA) assesses how a state or nation's current level of t and prospective borrowing affect its present and future ability to meet debt ce obligations. It is a consensus that a key factor for achieving external and public t sustainability is macroeconomic stability. The concept of debt sustainability rs to the ability of the government to honor its future financial obligations. Since cies and institutions governing spending and taxation largely determine such gations, Debt sustainability ultimately refers to the ability of the government to ntain sound fiscal policies over time without having to introduce major budgetary debt adjustments in the future. Conversely, fiscal policies are deemed ustainable when they lead to excessive accumulation of public debt, which could entually cause the government to take action to address the unwanted nsequences of a heavy debt burden. Government therefore should endeavor to ke a balance between revenue and expenditure, so that any debt incurred will not pact negatively on the State, leading to serious financial crises.

BIA STATE DEBT SUSTAINABILITY ANALYSIS

hart 21 shows the Debt as a percentage of State GDP (with an indicative threshold f 25%). The State's debt as a percentage of GDP has remained within the threshold hroughout the period under review, insinuating room for further borrowing under the ght circumstances. Based on this, the State GDP has potential growth and can also ccommodate the State's debt stock, with minimal effect on the economy of the tate.

Charts 22 and 24 shows that, debt stock as a share of revenue and personnel cost as a share of revenue are below the threshold, but chart 23 which represents debt ervice as a share of revenue remained below the threshold Throughout the historical and projection periods. The Government is coming up with various reforms in its evenue drive that will constantly keep revenue at an increase.

Debt service as a share of Gross FAAC Allocation (without any indicative threshold) is estimated to decrease from 23% in 2020 to 22% in 2024, then to 3%,2% and 1% in the following years.

interest as a share of Revenue remained between 0% and 7% for all the historic and projection years.

4.1 MEDIUM-TERM BUDGET FORECAST

Debt sustainability analysis of the State is based on the continuation of a recent effort to grow the IGR of the State annually by a minimum of 129% in 2024. Internally Generated Revenue (IGR) is collected by BIR and revenue-collecting MDAs. The major sources of IGR include PAYE, Land Services, withholding tax, dividends from state investments, fines, fees, licenses, and other revenue streams. IGR has grown year-on-year from 2020 to 2022, increasing from 15.9 billion to 18.64 billion over the period, and then decreased to N17.9 billion in 2023. However, it increased to N41.256billion in 2024. This represents an average annual growth rate of approximately 36% per annum.

Table 5: ABIA STATE DEBT BURDEN INDICATOR AS AT THE END OF 2024

	Threshold	Ratio
Debt as % of SGDP	25%	4%
Debt as % of Revenue	200%	55%
Debt Service as % of Revenue	40%	17%
Personnel cost as % Revenue	60%	10%
Debt Service as % of FAAC	Nill	22%
Interest Payment as % of Revenue	Nill	0%
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, and 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, 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 N85.443billion from 2025 to 2034, the Abia State government intends to source about N62.343billion, representing 73% of total new borrowing, from Commercial Bank Loans (maturity 6years and above), N36.1billion representing 1.18% of the new lending through other domestic financings, and concessional external funding of about N23.1billion representing 27% 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 2024 to 2033.

Nature of facility	Loan Tenure	Interest rate	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total	%
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	6years	30%	14,735.8	2,800.8	242.7	531.3	307.9	250.3	1,031.2	21,253.1	15,806.8	5,383.1	62,343.0	73%
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	20 years	3%	0.0	0.0	3,500.0	0.0	0.0	0.0	19,600.0	0.0	0.0	0.0	23,100.0	27%
Total Loan			14,735.8	2,800.8	3,742.7	531.3	307.9	250.3	20,631.2	21,253.1	15,806.8	5,383.1	85,443.0	100%

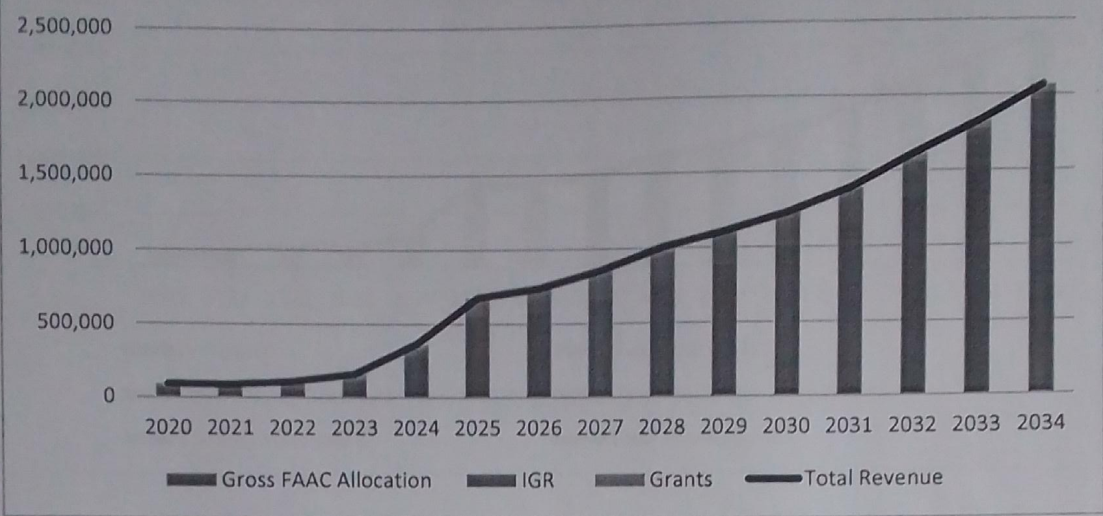
4.3 DSA SIMULATION RESULTS.

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the over-dependence on oil revenue sources. The government remains committed to using innovative ways to raise the revenues required to finance its expenditures 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's total revenue (including grants and excluding other capital receipts) is expected to increase from N678.583billion in 2025 to N2,062.89billion in 2034, representing an average annual increment of 13.2% over the projection period. Gross FAAC allocation projected to grow from N557.96billion in 2025 to N1,745.67billion in 2034. Being an average annual growth of 13.6%. Grant is also projected to experience an oscillating movement from N20billion in 2025 to N10billion in 2027, and further reduced to N15.0billion in 2029, then increased to N50billion in 2032 through 2034. through 2030. Projections were sourced from the approved 2024 budget, MTEF, 2026-2028, 2029 -2034 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 12.2% over the projection period of 2025-2034, as seen in the Approved 2025 Budget; MTEF, 2025-2027 projections, and as estimated by Abia State Planning Commission and Budget Officials.

Chart 16: Revenue (N$ million)



Abia State total expenditure comprises Personnel cost, Overhead cost, Social Contribution & Social benefits, public debt service, and Capital Expenditure. Total expenditure projected at N768.122 billion in 2025, is expected to slightly decrease in 2026 to N747.366billion in 2026. However, the State total expenditure is projected to increase steadily from 2027 to N2,093.281billion in 2034, representing an average annual growth of 11.9% throughout the projection period of 2025-2034, indicating stability in the state growth recovery.

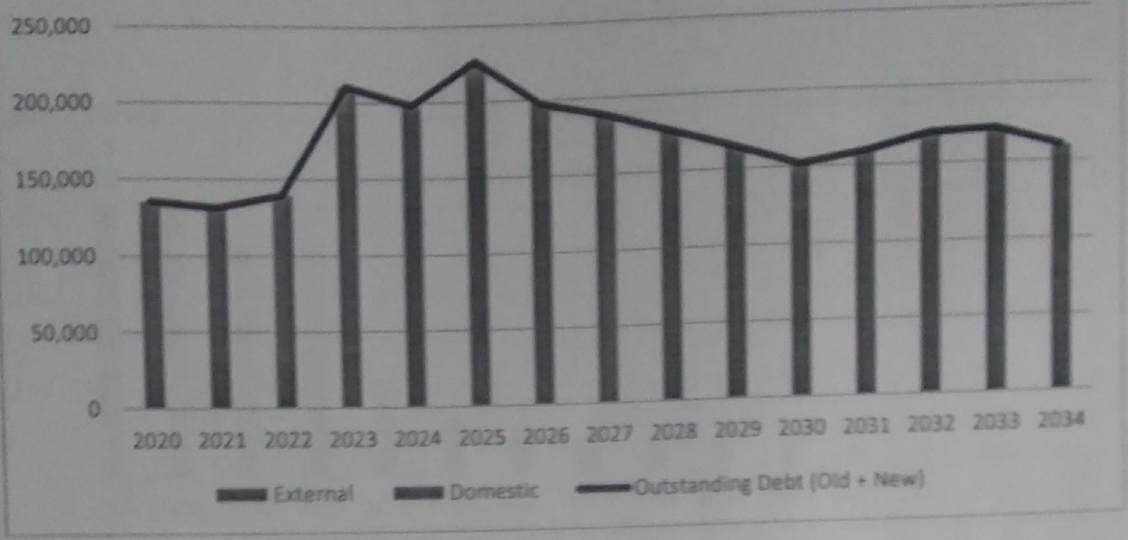
Personnel costs is projected to increase steadily from N77.341billion in 2025 to N176.869billion in 2034, representing an annual average growth rate of 10.22%.

Overhead costs only decreased in 2026 from N37.980billion in 2025 to N32.314billion in 2026. However, from 2027 onwards, overhead also experienced a steady increase to N48.902 in 2034. This recorded an average annual growth rate of 3.14%.

Debt service experienced a fluctuation in movement, while other recurrent expenditures are estimated to move slightly from N23.292billion in 2025 to N27.812billion in 2035, representing an average of 2%.

Capital Expenditure is estimated to increase over the projection period from N611.669billion in 2025, to N589.252billion in 2026, then maintain a steady increase to N1,811.608billion in 2034. This is sourced from the Approved 2025 Budget; MTEF, 2025-

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 to decline from 4% in 2025 to 1% in 2034, as against the indicative threshold of 25%.

The ratio of debt as a percentage of revenue is estimated at 33% in 2025, 12% in 2030, 8% in 2034. The debt as % of revenue remains below throughout the projection period of 2025 to 2034. Also, the ratio of debt service and personnel cost to revenue trends remains under the threshold over the projection period from 2025 to 2034. This is possible due to the strong-minded effort of the State Government exhibited through its various initiatives and reforms in the key sectors of the state's economy.

Chart 24: Personnel Cost as a share of Revenue

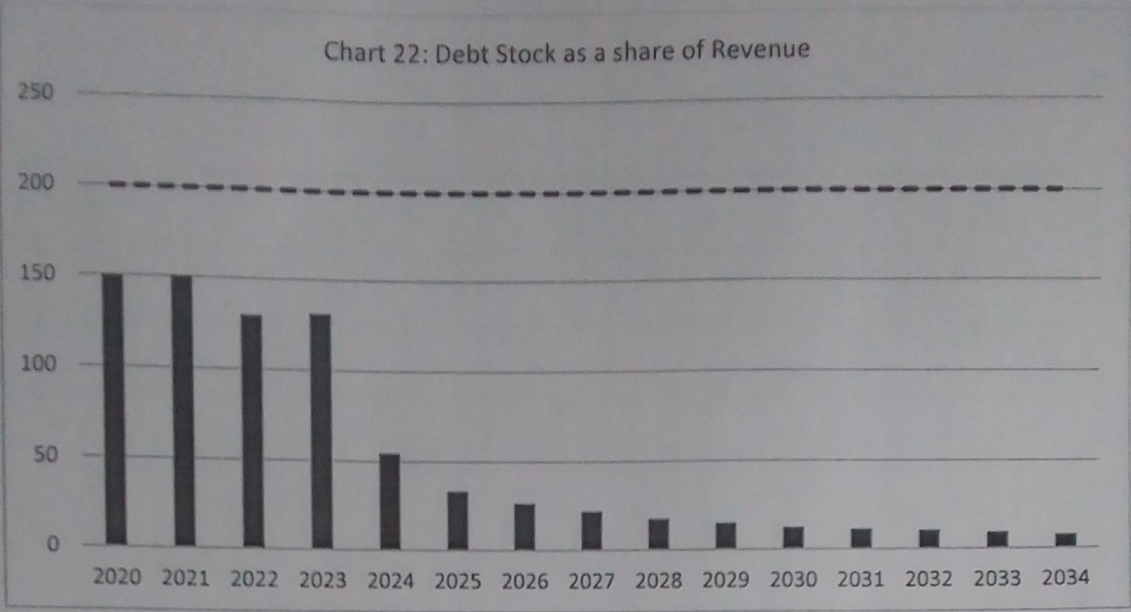


Chart 22: Debt Stock as a share of Revenue
250
200
150
100
50
0
2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034

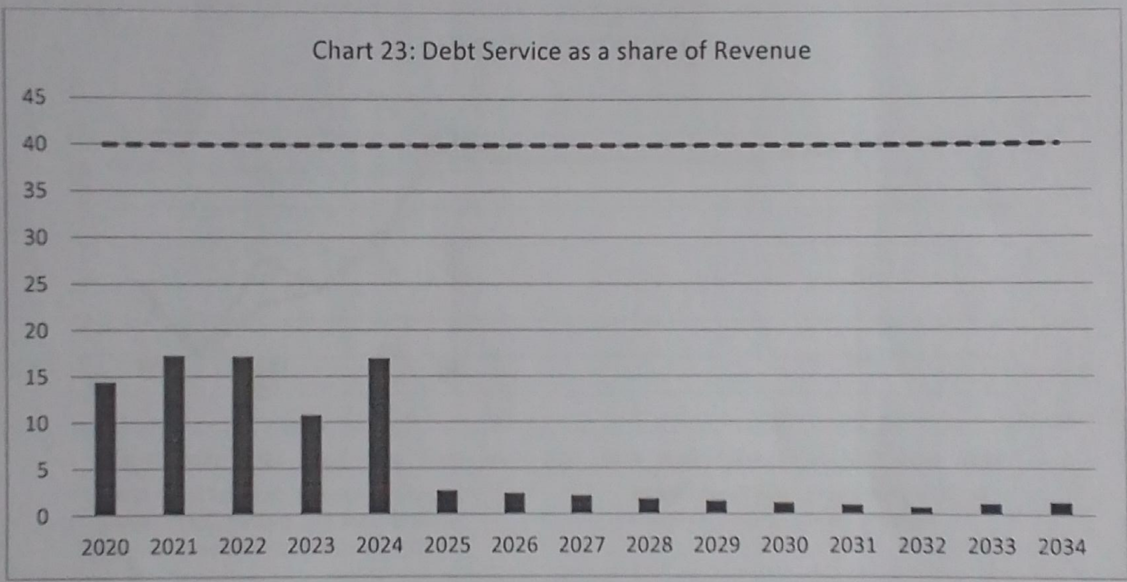
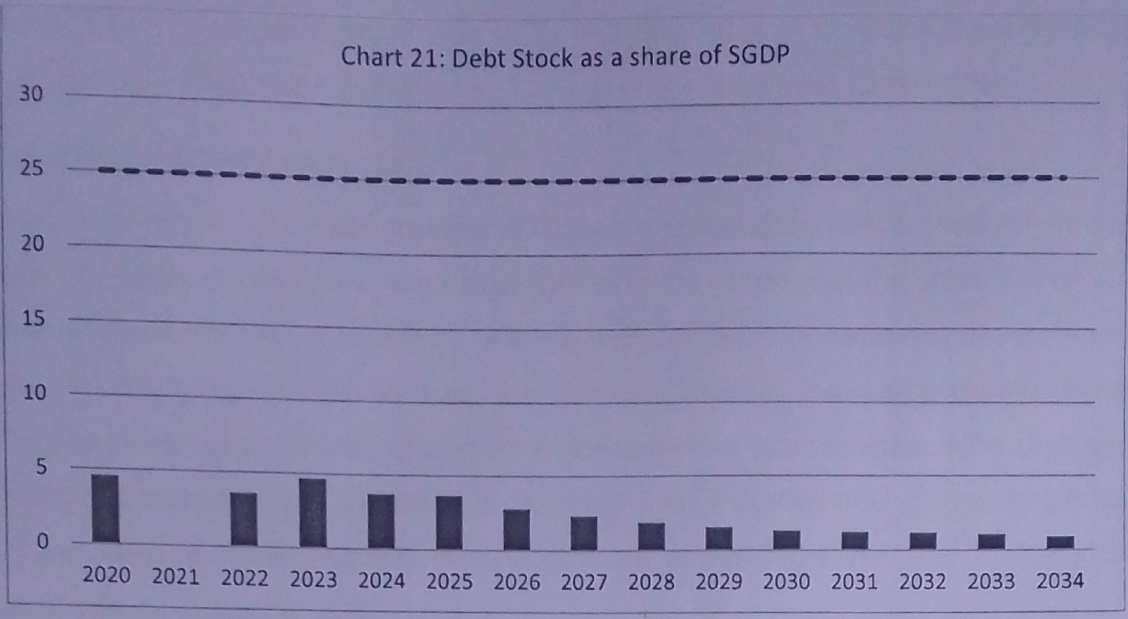
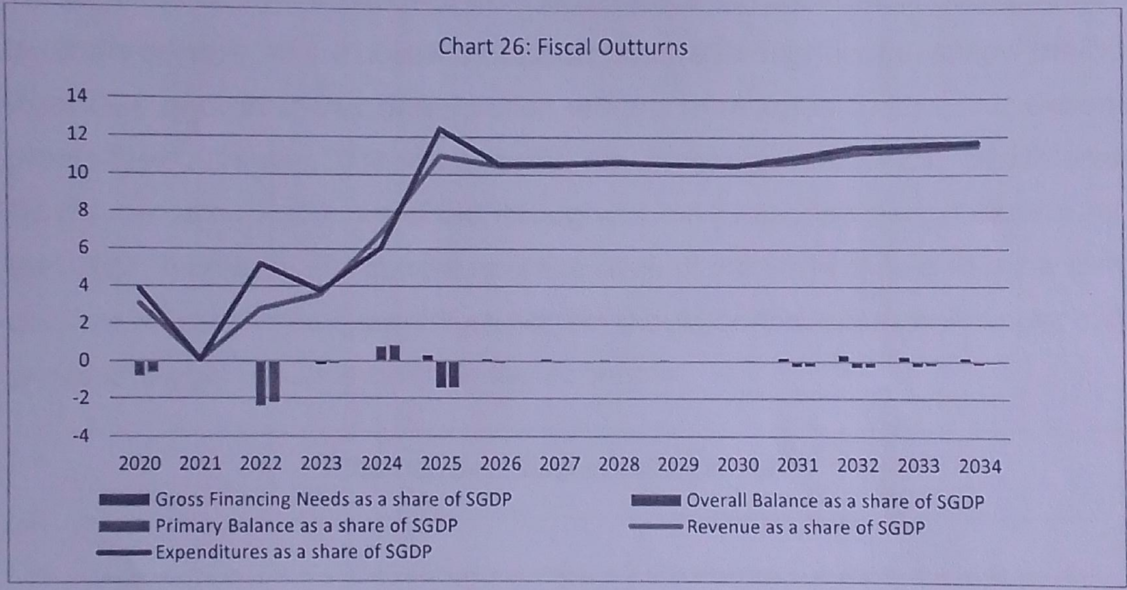


Chart 23: Debt Service as a share of Revenue
45
40
35
30
25
20
15
10
5
0
2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034





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 2024 DSA analysis shows that Abia State remains at a low risk of debt distress under sensitivity analysis. All the baseline appears positive throughout the review period. The State DSA analysis shows deterioration related to revenue shocks and expenditure shocks from 2026 and 2030 respectively with exchange rate shocks and interest rate shocks remaining within threshold throughout the projection period except for 2026 and 2027. 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

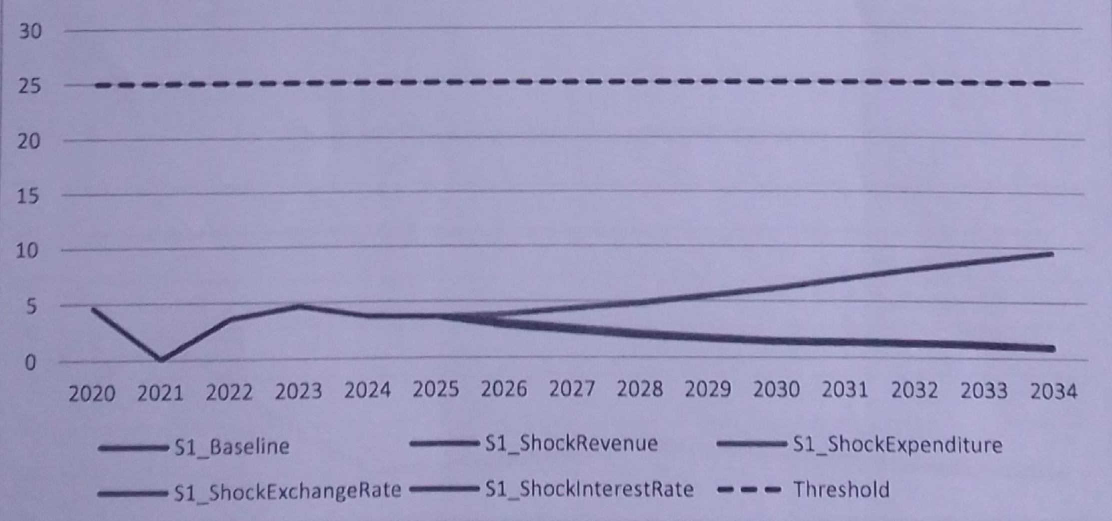


Chart 28: Debt Stock as a share of Revenue

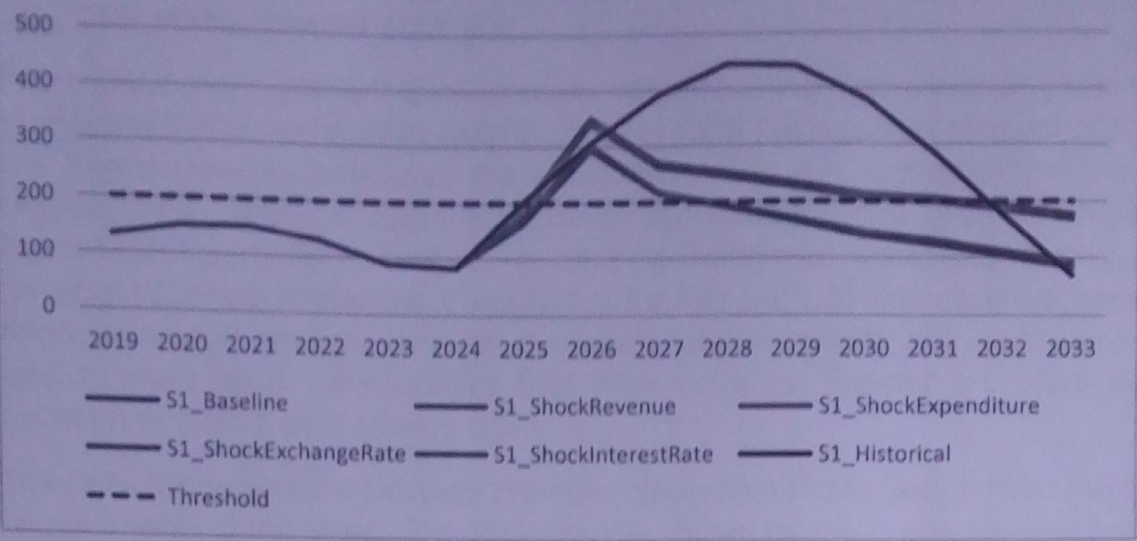


Chart 29: Debt Service as a share of Revenue

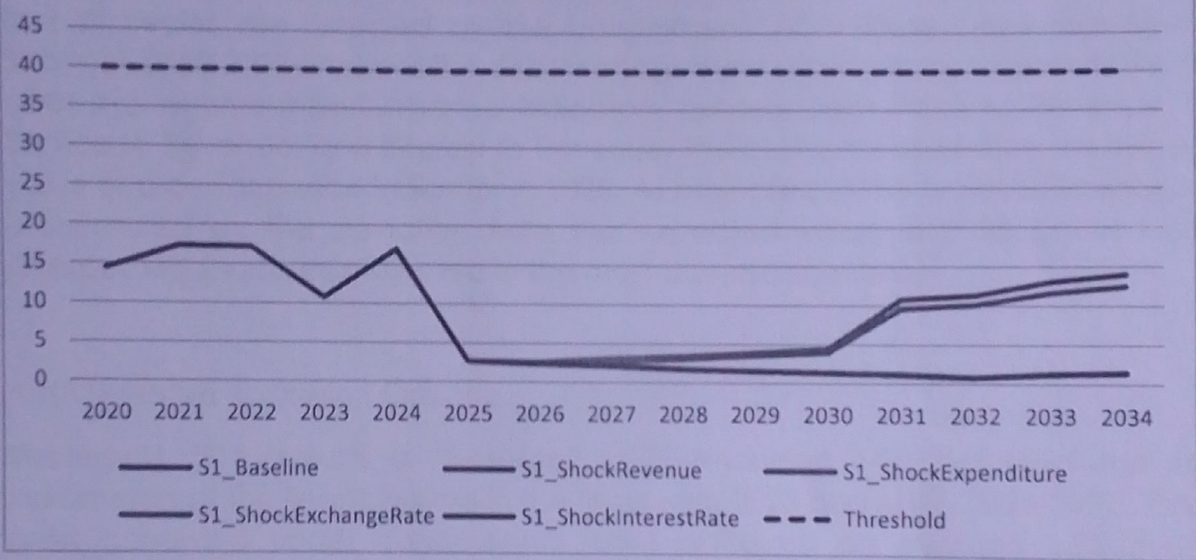


Chart 30: Personnel Cost as a share of Revenue

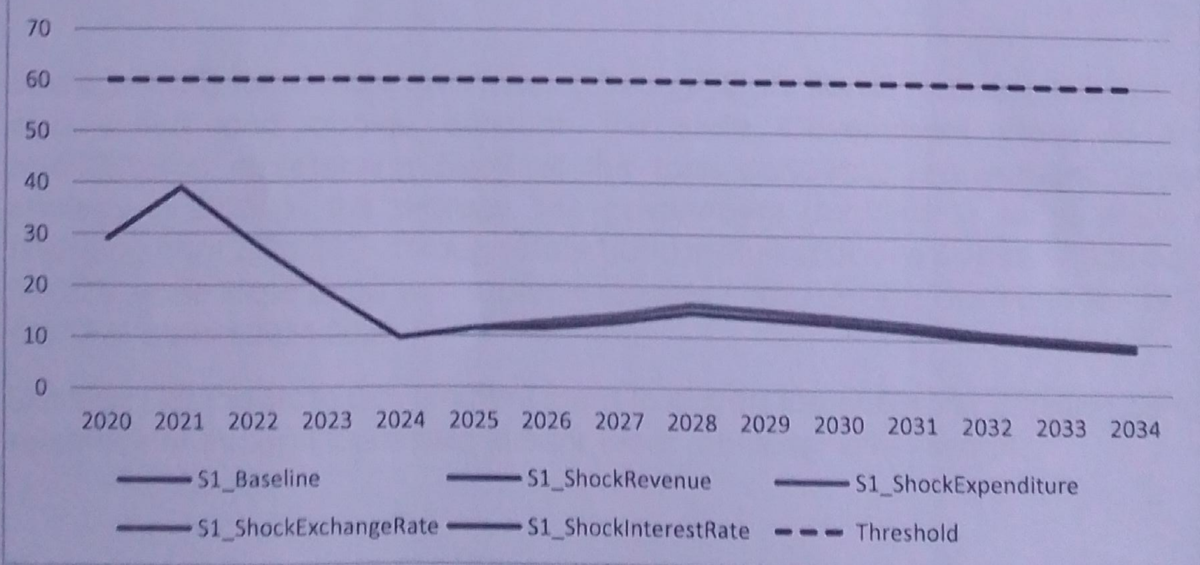


Chart 28: Debt Stock as a share of Revenue

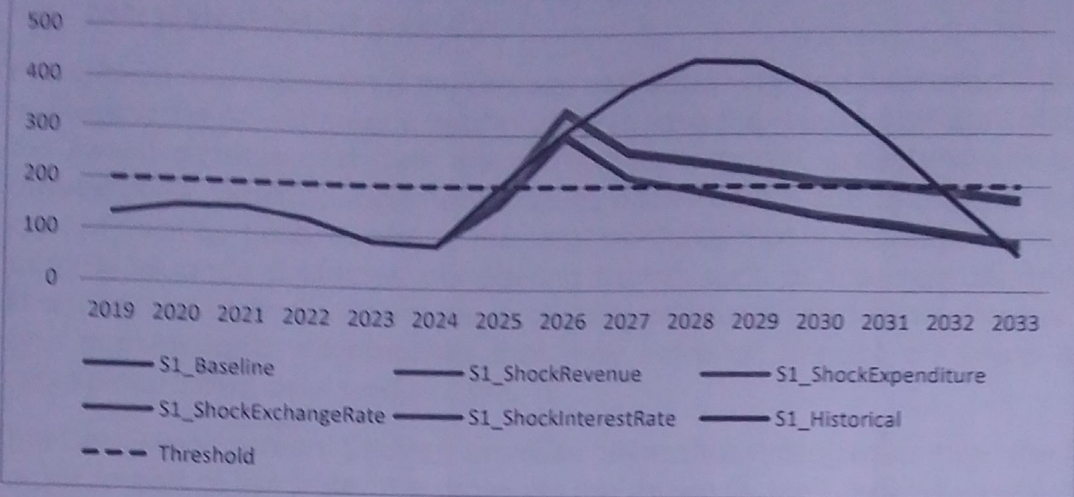


Chart 29: Debt Service as a share of Revenue

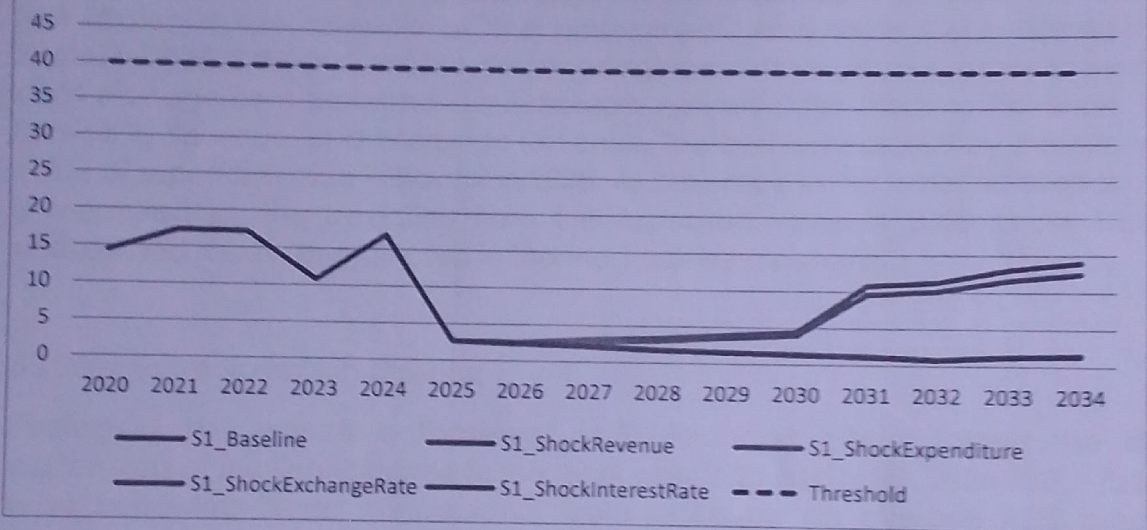
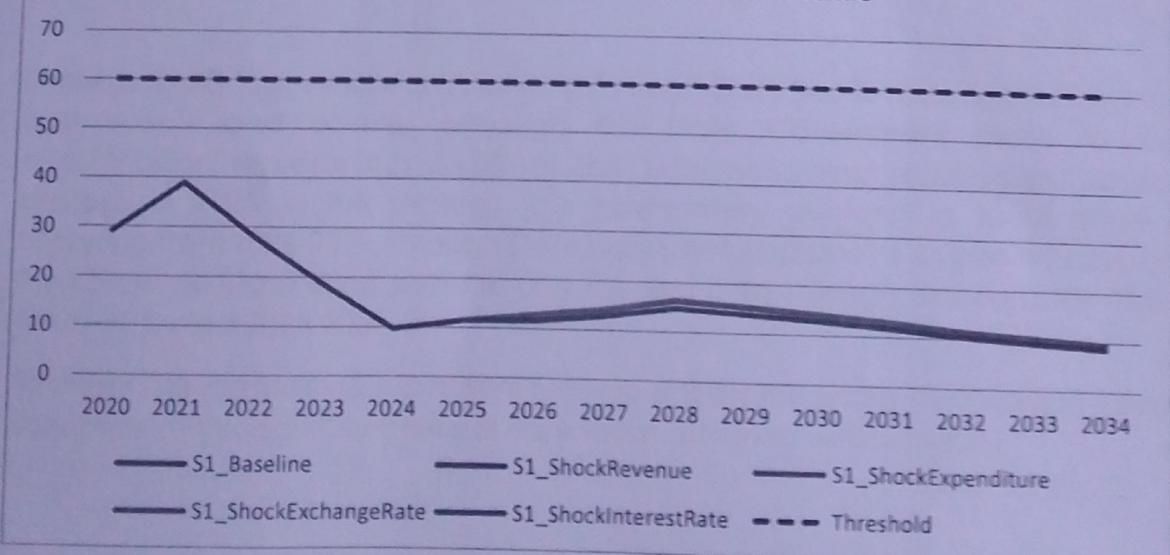


Chart 30: Personnel Cost as a share of Revenue



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 requirements of the 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, 2025-2029 analyzes 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 2028. As projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2028 caused by an unexpected shock, as projected in the most adverse scenario.

5.1 Alternative Borrowing Options.

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2025 and MTEF, 2026-2029. External gross borrowing under concessional loans accounts on average 16% over the strategic period, mainly through the World Bank and African Development Bank. The Domestic gross financing comprises commercial Bank loans maturing above 6 years which accounts for an average 84% over the DMS period of 2025-2029.

Strategy 2 (S2) focus more on financing through State Bonds maturing within 1-5years and 6years and above, although the State Government plans to borrow N14.736billion representing 58.6% of the total borrowing requirement under this strategy in 2025. In this strategy, the government decided to focus more of its financing from 2026-2029, through State bond maturing above 6 years which account for 22%, while State Bond with maturity ranging from 1-5years accounts for 19% over the DMS period 2025-2029.

Strategy (S3) The State Government plans to access the entire N29.03billion borrowing requirement through Commercial Bank loans maturing within 5years.

Strategy (S4) focus it's financing through short term commercial bank loan with maturity (1-5) which accounts for 44.7% and Commercial Bank Loan (6 years and above) accounting for 32% over the DMS period 2025-2029 under this alternative strategy. The State plans to source the balance of 23% through other domestic financing.

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 33.4% in 2025 to 189.4% with a risk of 43%. Strategy 2 cost ratio also decrease from 33.4% in 2025 to 14.9% in 2029 with a risk of 43.1%. Strategy 3 and 4 cost ratio also decrease from both at 33.4% in 2025 to 15% and 14.8% in 2029 with a risk of 43.1%, and 43.0% respectively.

- Analyzing using this debt indicator shows that both S1 and S4 both have least risk of 43% but only S4 has the least cost of 14.8% in 2029. S2 and S3 has the same risk of 43.1% but S3 has the highest cost of 15%.

STRATEGY	COST (DEBT REVENUE RATIO (%) IN 2029	RISK (%)
STRATEGY 1	14.9	43.0
STRATEGY 2	14.9	43.1
STRATEGY 3	15.0	43.1
STRATEGY 4	14.8	43.0

Chart 33. Debt Stock as a share of Revenue
(including grants and excluding other capital receipts)

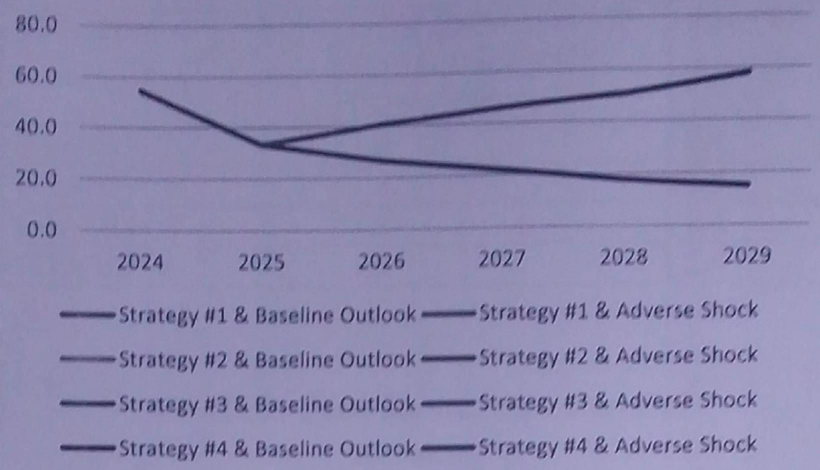
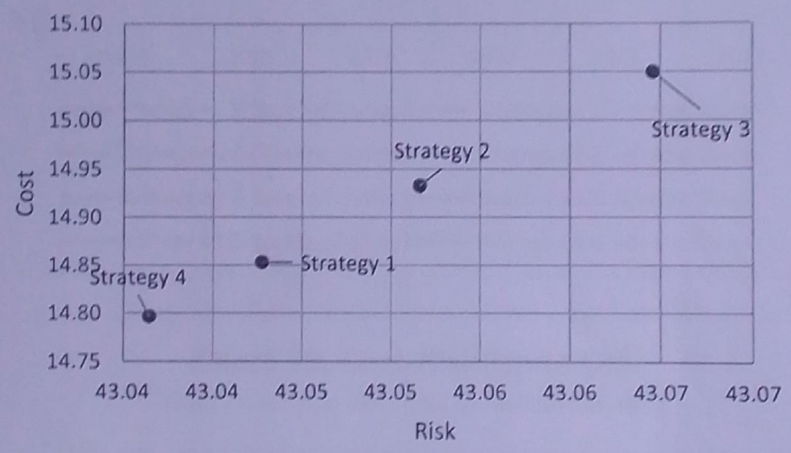


Chart 34. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)



B. Debt service as a share of Revenue:

- In terms of debt service to Revenue, all the Strategies recorded the same risk value of 2.4%. However, both S1 and S4 have least cost which decreased from 2.6% in 2025 to 1.5% in 2029. While Strategy 2 has a cost of 1.6%, Strategy 3 again recorded the highest cost of 1.8%.in the year 2029.
- The choice of the best strategy lies between Strategy 1 and strategy 4 which both recorded the least cost and risk.

STRATEGY	COST (DEBT SERVICE TO REVENUE RATIO (%) IN 2029	RISK (%)
STRATEGY 1	1.5	2.4
STRATEGY 2	1.6	2.4
STRATEGY 3	1.8	2.4
STRATEGY 4	1.5	2.4

Chart 37. Debt Service as a share of Revenue

(including grants and excluding other capital receipts)

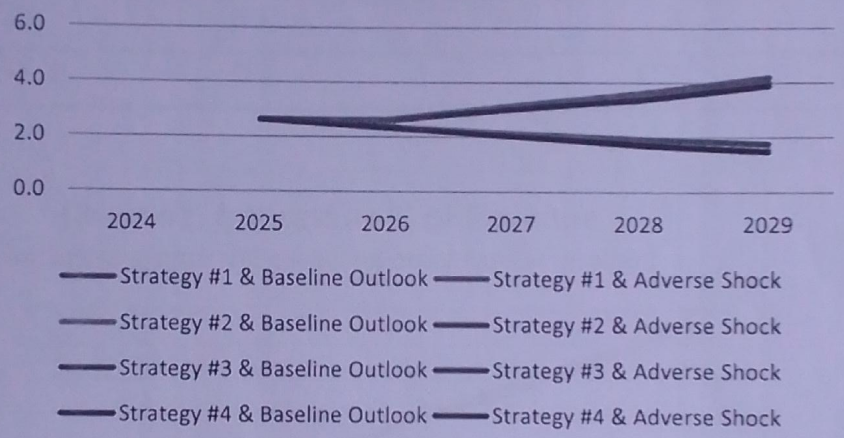
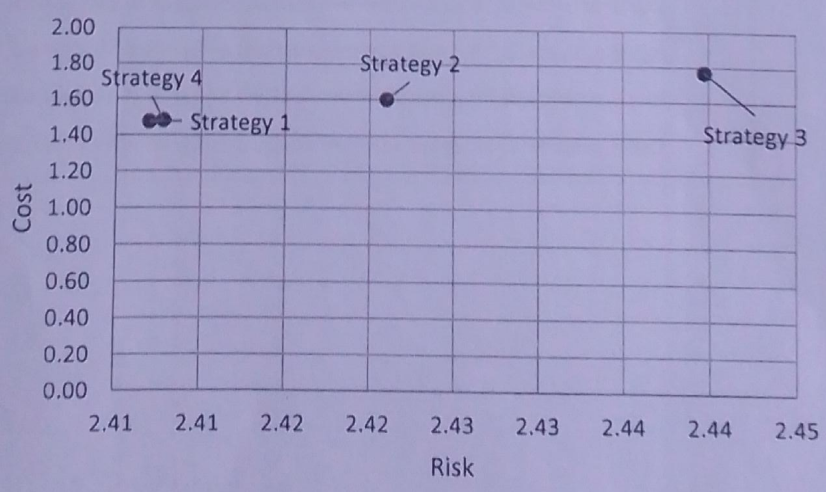


Chart 38. Cost-Risk Trade Off

(Cost in vertical axis, Risk in horizontal axis)

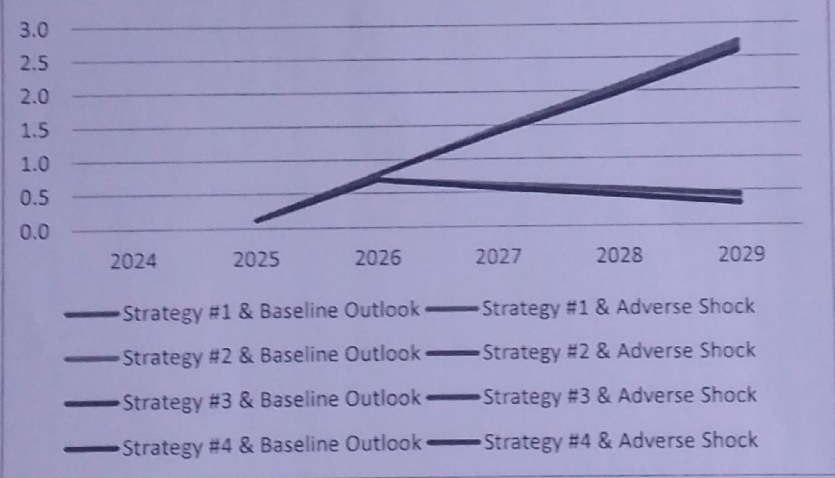


C Interest as a share of Revenue

- Again, all the strategies maintained a risk of 2.3% in 2029. Strategy 1 and Strategy 4 have again recorded the same least level of cost of 0.3%. Strategy 2 and Strategy 3 also recorded the same cost of 0.4%.
- The choice of the best strategy lies between Strategy 1 and strategy 4 which both recorded the least cost and risk.

STRATEGY	COST (INTEREST TO REVENUE RATIO (%) IN 2029	RISK (%)
STRATEGY 1	0.3	2.3
STRATEGY 2	0.4	2.3
STRATEGY 3	0.4	2.3
STRATEGY 4	0.3	2.3

Chart 41. Interest as % of Revenue
(including grants and excluding other capital receipts)



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 other domestic financing which has the most favourable borrowing terms among the domestic loan. 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 2025.**

ASSUMPTION

ANNEXURES 1

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	
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	As provided by DMO/WORLD BANK TEAM	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	1.a. of which Net Statutory Allocation ('net' means of deductions)		DSA Team, Ministry of Finance and Economic Development. Ekiti State
	1.b. of which Deductions		DSA Team, Ministry of Finance and Economic Development. Ekiti State
	2. Derivation (if applicable to the State)	As provided by DMO/WORLD BANK TEAM	
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	2025-2028 were the State MTEF projections, while 2028 onwards projections were made using average projected National GDP growth of 3.3%.	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	4. VAT Allocation	As provided by DMO/WORLD BANK TEAM	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	5. IGR	2025-2028 were the State MTEF projections, while 2028 onwards forecasts were made using a 5% increase. The State robust policy changes and implementations on the state IGR is expected to bring more business into the revenue web of the State, thus increasing the State IGR by an average of 5%.	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	6. Capital Receipts	2025-2028 were the State MTEF projections, while 2028 projections onwards were done in anticipations	
	6.a. Grants	The projections were done in anticipation.	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts	The projections were done in anticipation.	
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	2025-2028 were the State MTEF projections, while projections for 2028 upwards were made using a 3% increase on the previous year to accommodate annual salary increments, promotions and new recruitments.	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	2. Overhead costs	2025-2028 were the State MTEF projections, while projections for 2028 upwards were made using a 3% increase on the previous year to accommodate inflationary changes.	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	this is as it appears in the state Audited financial Statements.	
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	2024-2027 were the State MTEF projections, while projections for 2028 upwards were made using a 3% increase on the previous year.	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	5. Capital Expenditure	While the 2025 projection was based on the State's Actual Budget, the 2026 projections onwards were based on between 80% and 90% of the State's recurrent revenue.	
Closing Cash and Bank Balance	Closing Cash and Bank Balance	The historical figures represent balances domiciled in all the commercial bank accounts that the state is operating, while 2024 -2033 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	DSA Team, Ministry of Finance and Economic Development. Ekiti State
Debt Amotization and Interest Payments	**Debt Outstanding at end-2024**		
	External Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in DMO including External debt service paid through FAAC deductions	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	Domestic Debt - amortization and interest	Amotization and interest payments estimated using repayment schedules including the ones paid directly by the State through FAAC deductions.	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	New debt issued/contracted from 2025 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 2years grace period	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	External Financing - Bilateral Loans	projections were made using 3% interest rate, 20 years maturity and 2years grace period	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	Other External Financing	projections were made using 3% interest rate, 20 years maturity and 2years grace period	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	projections were made using 30% interest rate, 5 years maturity and no grace period	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	projections were made using 30% interest rate, 6 years maturity and no grace period	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	State Bonds (maturity 1 to 5 years)	projections were made using a 25% interest rate, 5 years maturity, and 1 year grace period	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	State Bonds (maturity 6 years or longer)	projections were made using 23% interest rate, 10 years maturity, and 2-year grace period	DSA Team, Ministry of Finance and Economic Development. Ekiti State
	Other Domestic Financing	projections were made using 9% interest rate, 20 years maturity, and a 2-year grace period	DSA Team, Ministry of Finance and Economic Development. Ekiti State

LIST OF PARTICIPANTS

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