DEBT MANAGEMENT OFFICE
NIGERIA

SFTAS
States Fiscal Transparency, Accountability and Sustainability

Anambra State Debt Sustainability Analysis and Debt Management Strategy (State DSA-DMS)

DEVELOPED BY THE

ANAMBRA STATE DEBT MANAGEMENT DEPARTMENT

IN COLLABORATION WITH

ANAMBRA STATE BUDGET OFFICE

ANAMBRA STATE INTERNAL REVENUE SERVICE

ANAMBRA STATE SFTAS PROJECT

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1. Introduction

The Debt Sustainability Analysis (DSA) analyzes trends and patterns in Anambra State's public finances during the period 2017-2021, and evaluates the debt sustainability in 2022-2031(the long-term). The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the State. A debt sustainability assessment was conducted, and it includes scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances.

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 Debt Manage Strategy (DMS), the analysis calculates costs of carrying public debt, and measures risks associated to macroeconomic and fiscal shocks.

The State exhibits a solid debt position that appears sustainable in the long term. A solid debt position results from the State's strong performance in terms of mobilizing IGR underpinned by the successful revenue administration reforms introduced recently, its measures to reduce recurrent to capital expenditure ratio and its low level of public debt. Given the State's own forecasts for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable.

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. The State Fiscal and Debt Framework

Since after the recession of 2016 which brought about a fall in Crude oil price from $112 per barrel in 2014 to below $55 per barrel in 2017, Anambra State has introduced measures to grow her Internally Generated Revenue (IGR) to augment her Statutory Revenue Allocation from Federal Government in the mid-term. Some of these measures include: enrolling Ndi Anambra into the Tax net through the Anambra State Social Identity Number (ANSSID), eliminating cash-based revenue payments, automating tax administration processes, introduction of Treasury Single Account. These measures contributed in increasing the Internally Generated Revenue (IGR) figure from a monthly figure of N1.8 billion in 2019 to approximately N2.2 billion in 2020, and the State is on course to achieving N3.3 billion monthly in 2022 despite the high level insecurity and unknown gunmen attacks.

On the expenditure side, the State also has implemented other strategies aimed/ targeted at reducing the cost of governance, thus has contracted budget deficit and the need to borrow. Notable among these measures is automating the Payroll of both workers and pensioners and linking it to their Bank Verification Numbers to eliminate ghosts and the conversion of all State Diesel powered Street Light to Solar powered.

Following the change in administration in March, 2022. The new administration came in with the idea of increasing the State internal revenue drive by centralizing the payment gateways and doing away with cash base revenue generation which gives way for fraud and embezzlement to enable the state embark on the robust infrastructural development which is one of the major agenda of the new administration.

The new administration revised the 2022 budget from a total of ₦141.9 billion to ₦169.6 billion indicating an increase of about 19.5%. A look at the revised budget shows that the internally generated revenue remained the same while the total borrowing was increased from 13.4 billion to 51.1 billion representing about 281.3%.

The 2022 state approved revised budget shows that total approved revenue excluding loan is ₦127.1 billion of which the opening balance is ₦3.7 billion, statutory allocation ₦28.6 billion, value added tax allocation ₦26.5 billion, other statutory allocation ₦6.2 billion, internally generated revenue (independent Revenue) ₦40.4 billion and Capital Receipt ₦21.6 billion respectively.

2.1 Medium Term Budget Forecast and Assumptions:

Medium-term budgetary frameworks (MTBFs) are those fiscal arrangements that allow government to extend fiscal policy making beyond the annual budgetary calendar. Anambra State adopted this measure in 2018 and produced it maiden Medium Term Expenditure Framework for 10 pilot sectors. Since then, the State has remained consistent with this approach.

The purpose of Medium-Term Budget Forecast is to:

a) Provide a summary of key economic and fiscal trends that will affect government spending in the future - Economic and Fiscal Update;

b) To set out medium term fiscal objectives and targets, including tax policy; revenue Mobilization; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper; and

c) Provide indicative sector envelopes for the period 2022-2025

The 2022 fiscal outcomes and Multi-Year Budget Forecast for Anambra State 2022-2025 are presented in the table below.

Table 1: Medium Term Budget Forecast and assumptions

Fiscal Framework		**Scenario 1: Realistic Estimate**	**Scenario 2: Optimistic Estimate FX Converge @ N650/$1 + Subsidy Removal**	**Current Situation**	
	2022 Revised	**2023F**	**2023F**	**2024F**	**2025F**
Inflow s					
Recurrent Revenue					
Statutory Allocation	28,560,517,149	37,973,063,771	66,320,290,162	45,621,665,949	49,940,640,460
Derivation	0	3,360,000,000	3,360,000,000	3,360,000,000	3,360,000,000
VAT	26,504,682,813	30,000,000,000	30,000,000,000	31,500,000,000	33,075,000,000
IGR	40,346,896,533	48,040,061,956	48,040,061,956	53,804,869,391	59,185,356,330
Excess Crude/ Other Revenue	6,284,324,998	3,938,298,057	3,938,298,057	3,750,760,054	3,750,760,054
Total Recurrent Revenue	**101,696,421,493**	**123,311,423,784**	**151,658,650,175**	**138,037,295,394**	**149,311,756,844**
Capital Receipts					
Grants	13,183,200,000	6,431,000,000	6,431,000,000	5,431,000,000	5,431,000,000
Other Capital Receipts	8,931,000,000	0	0	0	0
Total Capital Receipts	**22,114,200,000**	**6,431,000,000**	**6,431,000,000**	**5,431,000,000**	**5,431,000,000**
Total Receipts	**123,810,621,493**	**129,742,423,784**	**158,089,650,175**	**143,468,295,394**	**154,742,756,844**
Outflow s					
Recurrent Expenditure					
Personnel Costs	19,134,189,053	21,434,290,910	21,434,290,910	23,577,720,001	25,935,492,001
Social Contribution and Social Benefit	6,076,233,644	10,383,134,458	10,383,134,458	10,839,121,486	11,385,495,300
Overheads	24,331,118,320	26,046,315,873	26,046,315,873	28,047,366,036	30,623,943,753

Grants, Contributions, and Subsidies	3,452,502,686	7,350,000,000	7,350,000,000	7,717,500,000	8,103,375,000
Public Debt Service	7,468,044,954	11,251,439,770	11,251,439,770	13,051,439,770	13,051,439,770
Servicing Contractor Debt	919,171,014	5,000,000,000	5,000,000,000	5,000,000,000	5,000,000,000
Total Recurrent Expenditure	**61,381,259,671**	**81,465,181,011**	**81,465,181,012**	**88,233,147,293**	**94,099,745,824**
Capital Expenditure					
Discretional Funds	88,632,284,460	105,102,682,177	111,421,202,539	78,567,440,716	70,043,442,100
Non-Discretional Funds	19,614,200,000	3,431,000,000	3,431,000,000	3,431,000,000	3,431,000,000
Total Capital Expenditure	**108,246,484,460**	**108,533,682,177**	**114,852,202,539**	**81,998,440,716**	**73,474,442,100**
Planning Reserve	**0**	**4,743,560,595**	**4,905,573,937**	**4,236,707,385**	**4,168,568,921**
Total Expenditure (Budget Size)	**169,627,744,131**	**194,742,423,783**	**201,222,957,488**	**174,468,295,394**	**171,742,756,845**
Financing (Loans)	**51,137,720,188**	**65,000,000,000**	**43,133,307,313**	**31,000,000,000**	**17,000,000,000**

Source: Anambra State draft copy MTEF

- **Statutory Allocation** is estimated using two scenarios: the Realistic Estimate & the Optimistic Estimate (FX Converge @ N650/$1 + Subsidy Removal).

  The Realistic Estimate - This assumes that the subsidy on PMS (amounting to N6.72 trillion) will be fully provided by the Federation in 2023. The Statutory Revenue in Scenario one using national assumptions is estimated at N37.97bn which is a 32.95% increase from N28.56bn estimated in 2022 and a 22.18% decline from the 2021 actual of N48.79bn.

  The Optimistic Estimate - This assumes that a petrol subsidy will be provided up to mid-2023 (N3.36 trillion) and the foreign exchange in the Interbank and Parallel Market will converge at N650/$1. In addition, a more aggressive stance will be taken on the NNPC and CBN to remit dividends and operating surplus, including arrears, owed to the Federal Government. The Statutory Revenue in Scenario two using national assumptions save for foreign exchange is estimated at N66.32bn which is a 132% increase from N28.56bn estimated in 2022 and a 35.93% increase from 2021 actual of N48.79bn.
- **Derivation -** The projection for derivation is based on its value and the current receipt for derivation totals **N263M.** We projected **N300M** for 2023, 2024, and 2025. The 13% derivation fund is the amount set aside for a share of oil production derivable from the State.
- **VAT -** The estimate for VAT is based on external factors. This is estimated at N30bn for 2023.
- **Other Federation Account Revenues**– A modest estimate of N3.9 billion is only for other refunds that may likely accrue in 2023 and beyond
- **Internally Generated Revenue (IGR)** – The IGR projections were set at their values of N48billion for 2023, 12% and 10% growth from 2024 and 2025. These optimistic IGR projections are in line with the current revenue drive by the Anambra State Internal Revenue Service by blocking loopholes using digital platforms for payments of IGR.
- **Grants** – Over the forecast period, modest amounts have been projected for grants based on the level of grants received in the past. The estimated amount for 2023, 2024, and 2025 is N6.4billion, 5.4 billion, and 5.4 billion each year

- **Financing**– Financing is estimated to be N65 billion for the year under consideration. This will comprise (both internal and external) grants and loans, to be sourced from Government Fund Raising Activities and other programs.

- **Personnel** – We have assumed a modest increase in the wage bill of 12% has been assumed for 2023 and 10% subsequently in 2024 and 2025. This increase is expected to accommodate promotions and possible new recruitments.

- **Social Benefits and Social Contributions** - The projection for 2023, 2024, and 2025 is N10.38B, N10.83B, and 11.38 respectively. The projection considered the trend of actual expenditure for social benefit and contribution using a 5-year moving average

- **Overheads** – A modest increase of 3% a year has been assumed for overheads, reflecting the Government's intention to improve the efficiency of running its operations.

- **Grants, Contributions, Subsidies, and Transfers -** The Grant, Contributions, Subsidies, and Transfers Includes Consolidated Revenue Fund Charge (excluding pension gratuity and public debt charges) and Below the Line (BTL) Charges

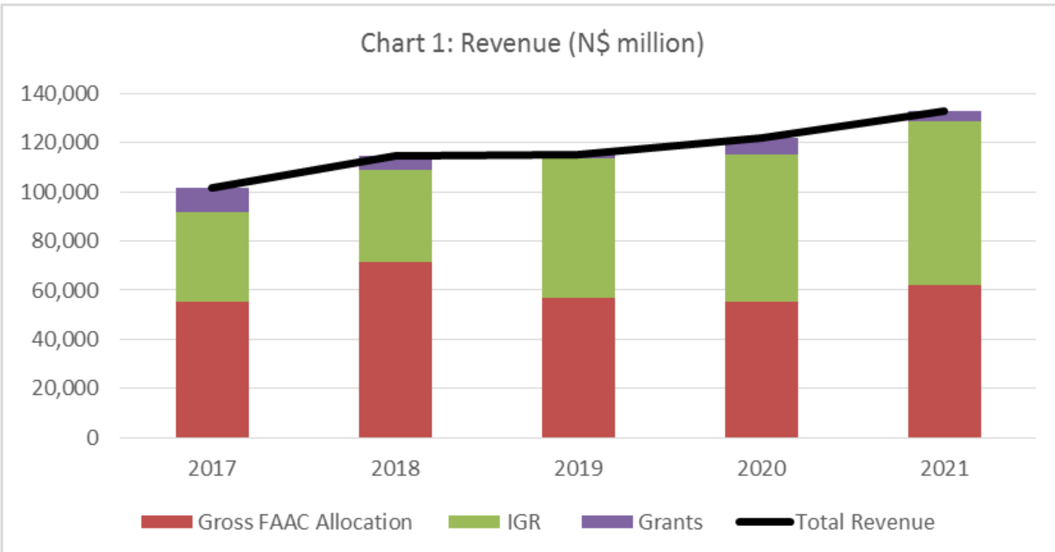
3.The State Revenue, Expenditure, and Public Debt Trends (2017 – 2021)

This section includes two subsections: (a) Revenue, Expenditure, Overall and Primary Balance and (b) Existing Public Debt Portfolio. In these subsections, the actual revenue, expenditure, primary and overall outturns in 2017-2021, and the outstanding debt stock trend in the same period are explained with particular emphasis on 2021.

3.1 Revenue, Expenditure, Overall and Primary Balance

Revenue

The State's total revenue comprises; Statutory Allocation from Federation Accounts Allocation Committee, Derivation, Value Added Tax Allocation, Internally Generated Revenue, and Capital Receipts.



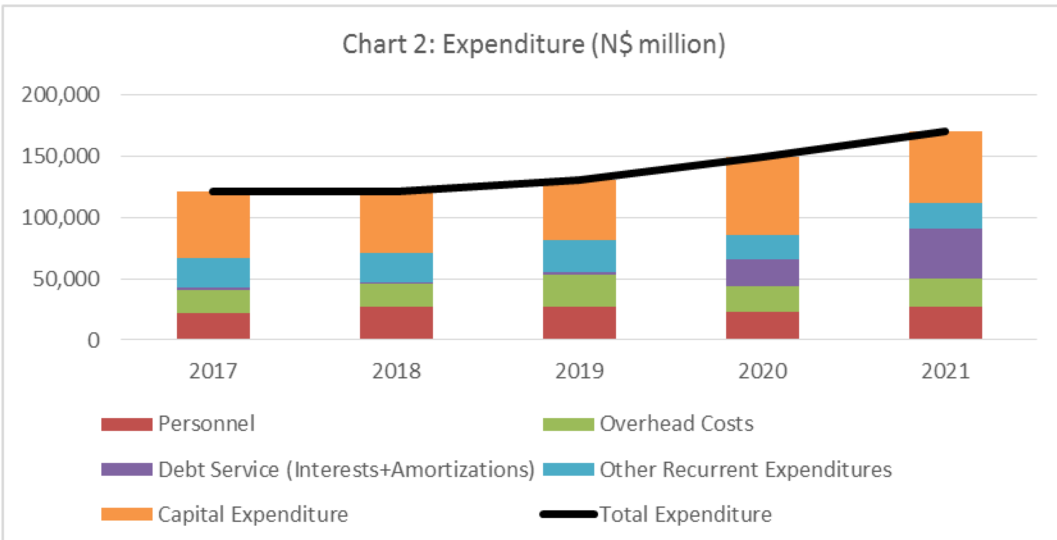
From the Chart above, total revenue increased from N101.5 billion in 2017 to N132.7 billion in 2021, indicating a 31.2% increase. A good look on the growth trend of all the revenue components between 2017 and 2021 under review, Gross FAAC increased from ₦55.1B in 2017 to ₦71.3B in 2018 and dropped to ₦62.3 in 2021. The IGR component increased slightly from N36.7 billion in 2017 to N37.4 billion in 2018, and massively increased to N66.2 billion in 2021. Then, the Grants reduced from N9.6 billion in 2017 to N4.1 billion in 2021.

The State exhibited strong IGR growth during the review period. IGR grew by 80.2 percent between 2017 and 2021, while as a share of aggregate revenue, it also increased from 36.1% in 2017 to 49.9% in 2021. The improvement in IGR is mainly a result of tax administration reforms aimed at improving collection rates and broadening the tax revenue base. Worth of note here is the introduction of Anambra State Social Identity Number (ANSSID) which is a unique Tax identity for all eligible taxpayers in the state, for payment of all IGR in the state. The ANSSID has helped streamline IGR payment into the State Treasury Single Account and also improved the IGR billing system.

The State FAAC allocation including transfers from the excess crude account, increased by over 13.1% between 2017 and 2021.

The FAAC allocation contributed over 50% of the total revenue of Anambra State in 2017, and in 2018 it increased to 62.1%. It eventually dropped to 47% in 2021. There was a slight decrease in 2020 due to the COVID-19 Pandemic lockdown that caused a decline in Crude oil price which is the main revenue earner for Nigeria. The highest share was in 2018 where the Gross FAAC allocation contributed 62.1% to the Total Revenue.

Revenue from Grants decreased largely by 57.3% between 2017 and 2021. The year with the highest revenue from Grants is 2017, with a 9.4% share of total revenue. Also, the share of Grants to total revenue in 2021 is 3.2%. In addition, the increase in Grants figure in 2017 was as a result of increase in Grants from World Bank for SEPIP and SLOGOR projects.



From Chart 2 above, the expenditure exhibited an increase from N121 billion in 2017 to N169.4 billion in 2021, which indicates a 40% growth rate.

Capital expenditure: This exhibited a reduction between 2017 and 2019 and later increased in 2020. It eventually reduced in 2021. In 2017, the share of capital expenditure to total expenditure is 44.9% and it reduced to 33.9% in 2021. This indicates a 10% reduction between 2017 and 2021. The increase in the share of capital expenditure witnessed across the year under review and especially in 2020 was due to the State Government's policy of spending more on capital projects in line with budget best practice, managing the COVID-19 Pandemic and to drive sustainable development.

Personnel cost: This took the highest share of expenditure after Capital expenditure, except in 2017 where other recurrent expenditure is the second highest after capital expenditure. As at 2017, the share of personnel cost to total expenditure was 18.4%, and it reduced to 16% in 2021.

Overhead cost: This exhibited an increase between 2017 and 2021 by 22.4%. The share of overhead cost to the total expenditure was 15.1% in 2017, and it increased to 20.3% in 2019. It eventually dropped to 13.2% in 2021.

Debt servicing: There was a significant increase in debt servicing from N2,555.6 in 2017 to N40,554.6 in 2021, representing 1,486.8% increase. The share of debt servicing from 2017 to

2019 was below 3%, and it increased to 14.5% in 2020. It further increased to 23% in 2021. The main driver of the increase in external debt servicing is exchange rate increase while the rise in domestic debt servicing is due to the addition of the MSMEDF, AADs and Commercial Agric loan.

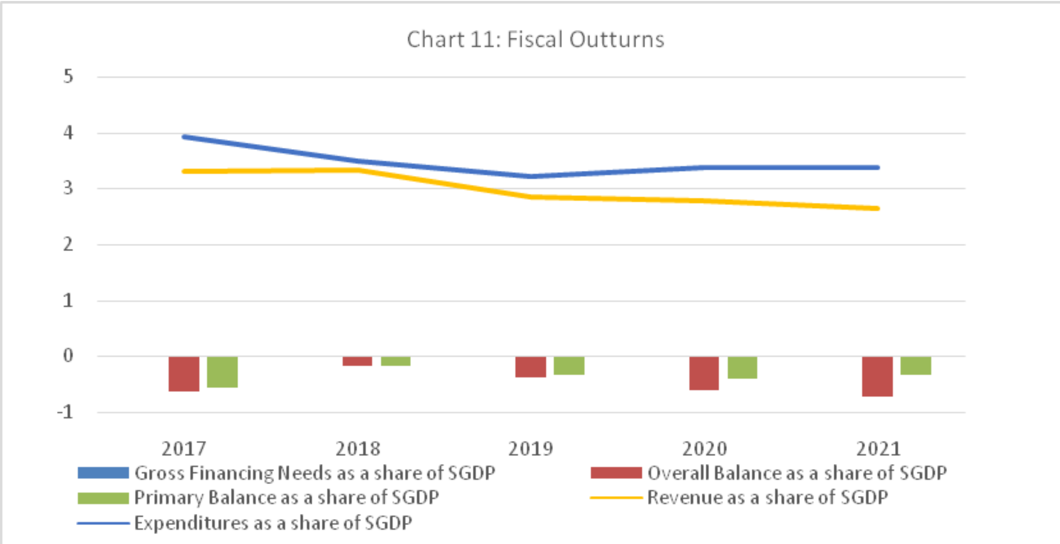
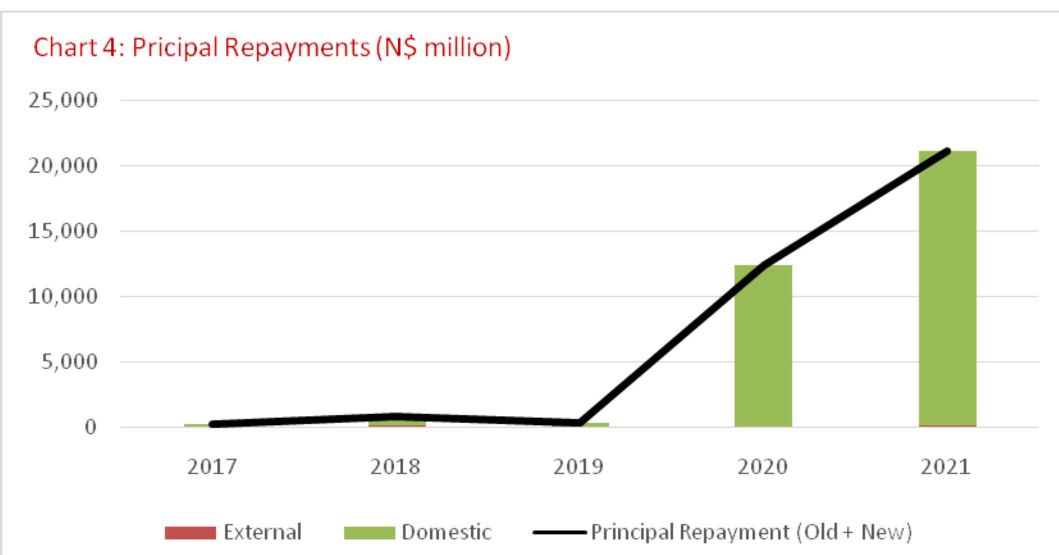
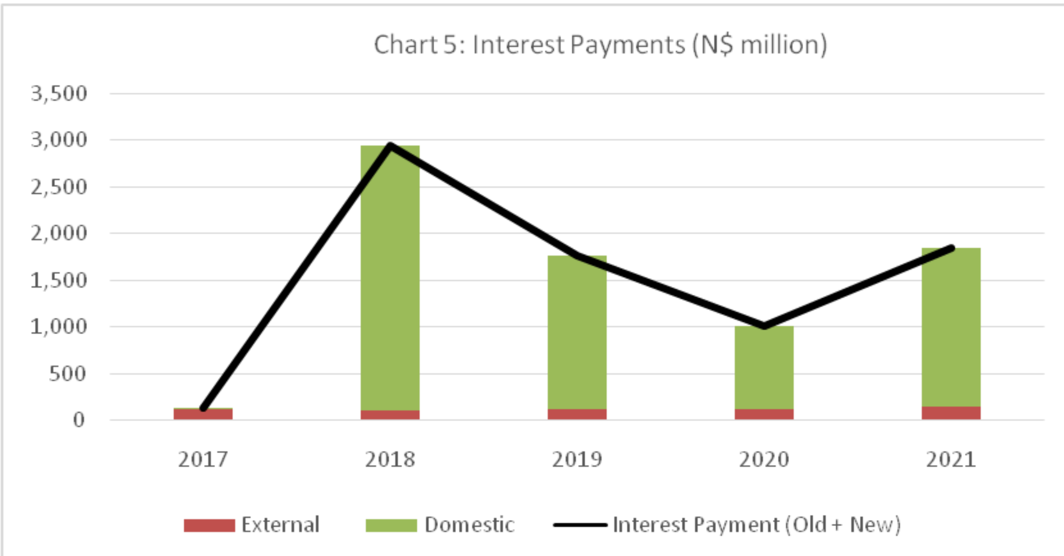


Chart 11 presents a variation of the total revenue and expenditure as a percentage of State-GDP. Total expenditure of the State as a percentage of the State GDP was below 4% in 2017, reduced to 3.5% in 2018, after which it declined continuously through the years to 3.5% in 2021. Also, revenue exhibited a similar trend, taking a 3.3% and 3.6% share of the GDP in 2017 and 2018 respectively, then decreased through the years to 2.7% share in 2021, despite the continuous rise in IGR across the years under review. Since 2017 the overall balance depicts a zigzag movement increasing from 0.1% in 2017 to 0.6% in 2018 and decreasing to 0.2% in 2019 then increased continuously to 0.5% in 2021 due to the adjustment of personnel expenditure and of pensions and gratuities and the upturn of federal transfers.



From Chart 4, we observed that the total principal repayment increased by 179.3% from 2017 to 2018, dropped by 54.6% in 2019. It then increased from 2019 to 2020 by 3,004.2% and by 70.5% from 2020 to 2021. The most principal loan repayments are for domestic loans which have shorter maturity period. From 2017 to 2019 principal loan repayment for domestic loan did not exceed N1.2billion until in 2020 when repayment was more than N12billion and further increased to more than N20billion. The spike in repayment was as a result of repayment of Contractors arrears. The principal loan repayment for External loan within the five years period under review was between N124.06million and N227.4millon



From chart 5, it can be seen that interest payments on loans within the period of review is mostly for domestic loans except in 2017. The share of interest payment on domestic loans was 10.1% in 2017. It thereafter increased by 96.4% in 2018 and later stood 91.5% in 2021. This increase was as a result of repayment of Excess Crude Account (ECA) loans in 2018 and 2019, the repayment of Budget Support Facility (BSF) still kept the interest repayment on domestic loans high. The external debts have longer maturity period and their interest repayment is spread over a longer period of time.

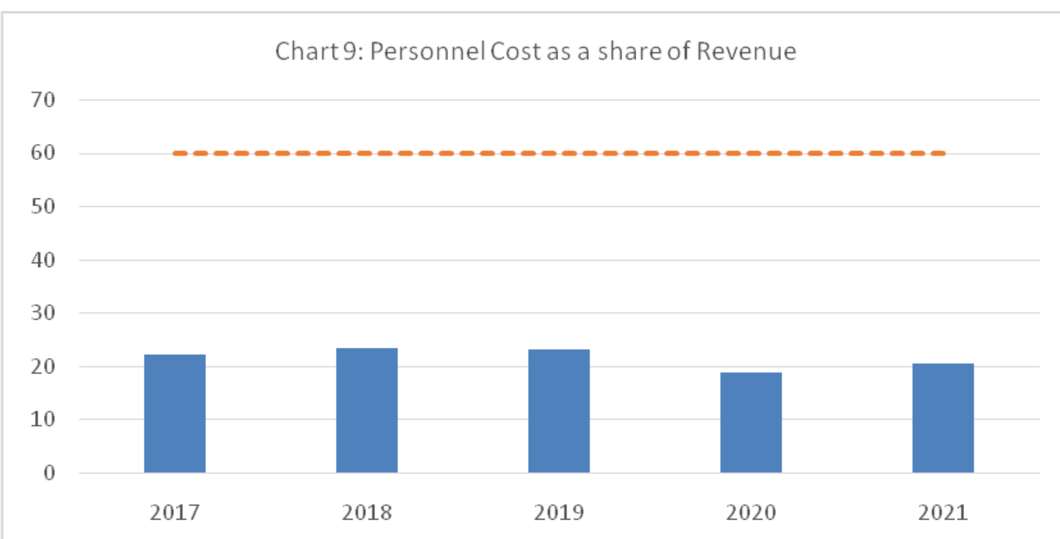
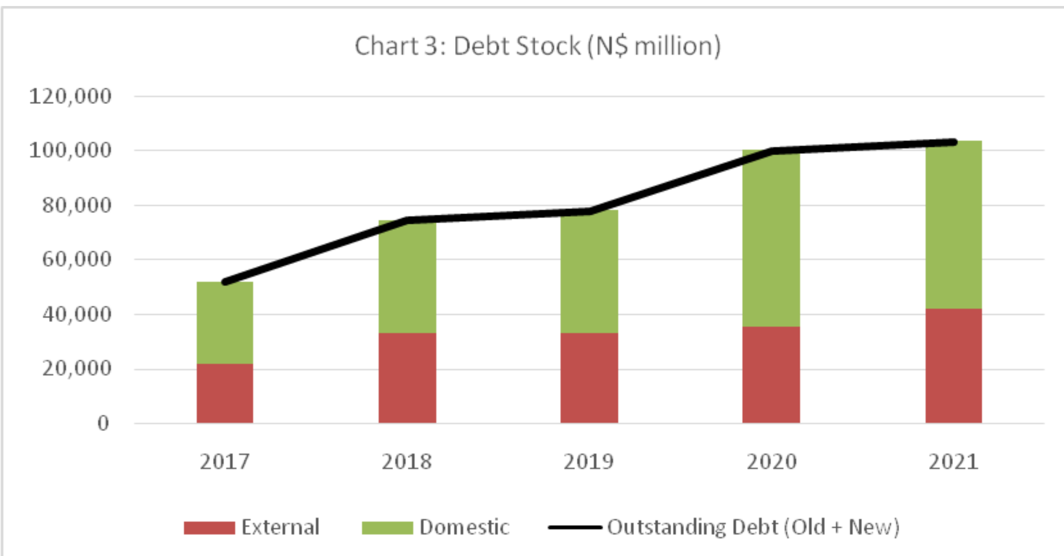


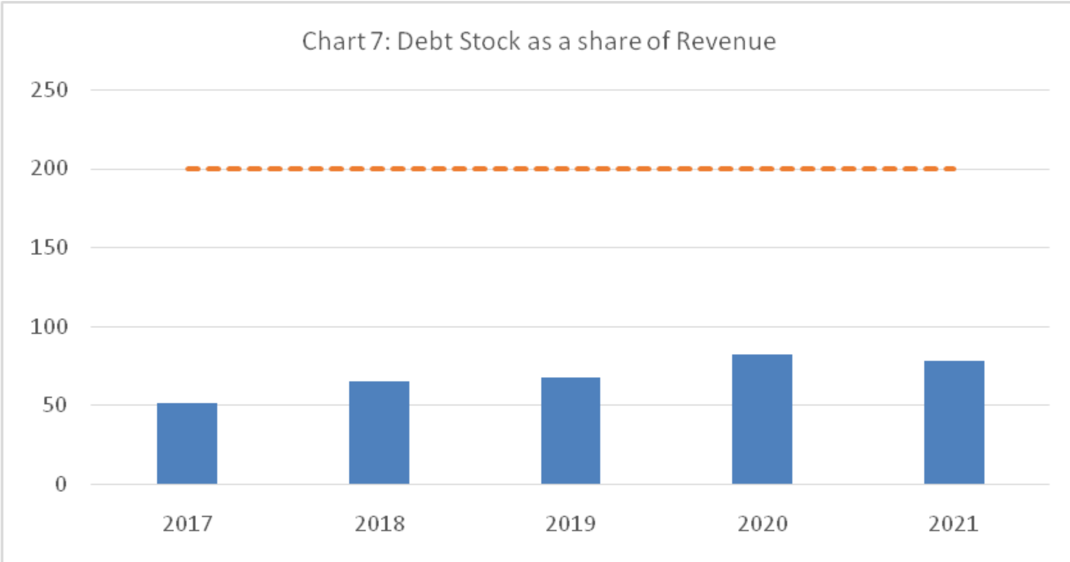
Chart 9 shows that the personnel cost share of the total revenue is below 25% from 2017 to 2021. This is below the 60% threshold. It slightly increased from 22% in 2017 to 23% in both 2018 and 2019. It then dropped to 20% in 2021. The decrease is as a result of the State government's policy on continuous verification of Public Servants and automating the state payroll database, linking them to the Bank Verification Numbers of workers which resulted to the elimination of ghost workers.

3.2 Existing Public Debt Portfolio

Public debt in this report includes the explicit financial commitments – like loans and securities – that have paper contracts instrumenting the government promises to repay. The State adopts this standard definition of public debt, which considers non-contingent debt and thus the obligation to repay them is independent of the circumstances, as well as excludes contingent liabilities (i.e. Guarantees, state own enterprises non-guaranteed liabilities).



From Chart 3, the State public debt amounted to N51.6billion as at the end of 2017 and has increased rapidly to N103.3billion in 2021. This increase was as a result of the government commitment to development of capital intensive projects. The External debt increased from 21.7 in 2017 to 41.8billion in 2021 while the domestic debt increased from 29.9bilion in 2017 to 61.5billion in 2021. The increase in domestic debt crowds out the increase in internally generated revenue recorded across the years (2017-2021) under review. As at 2017, the share of total public debt as a percentage of the State Total Revenue was 51%, and further increased to 78% in 2021. However, in terms of the state GDP, in Nominal terms, the share of total public debt across the years remained constantly 2% from 2017 to 2021. The figure showing the State's public debt as a share of the total revenue is presented below:



The State's public debt portfolio largely consists of Domestic loans. The external debt was lower than Domestic debt in all the years under review. Domestic debt grew higher, increased by 105.5%, while external debt grew by 92.2% from 2017 to 2021. The external debt kept increasing in every year while the domestic debt increased from 2017 to 2020 and later dropped in 2021 by 5% from what it was in 2020.

The major contributors to the rising public debt are: Excess Crude Account Backed Loan, Judgment Debts, Government-to-Government Debts, Contractors' Arrears, Pension and Gratuity Arrears, Commercial Agriculture Loan and Small and Medium Enterprise Development Fund.
Judging from the two charts presented above, it can be concluded that Anambra State holds a low cost, moderate-risk debt portfolio. The debt portfolio carried an average, implicit interest rate of 9% in 2017-2021. In addition, the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Exposure to currency fluctuations is limited because the foreign currency-denominated liabilities are only 40% of the total stock in 2021. All Domestic loans and External loans have fixed-rate obligations, thus not affected by changes in interest rates. Quite a good number of these loans have maturities exceeding 10 years and include financing from the Federal Government and multilateral organizations.

4. Debt Sustainability Analysis

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

Table 2: Anambra State Debt burden and performance indicators as at 2021

Indicator	Thresholds	Anambra State Score
Debt/SGDP	25%	2%
Debt/Revenue	200%	78%
Debt Service/Revenue	40%	17%
Personnel Cost/Revenue	60%	20%
Debt Service/FAAC Allocation	Nil	37%
Interest Payment/Revenue	Nil	1%
External Debt Service/Revenue	Nil	0.56%

Note: Nil means not available

Source: State's Financial Statements

From the indicative threshold presented in Table 1, Public Debt as percentage of SGDP was between 1% and 2% which is very much below the threshold of 25%. Public Debt as a percentage of the total revenue was between 51% in 2017 and 78% in 2021, which is also below the 200% threshold. Debt Service as a percentage of Total Revenue was below the threshold of 40% as the highest share of 17% was recorded in 2021 while previous years shares were below 11%. The personnel cost share as a percentage of total revenue was also below the threshold of 60%. The figure increased to 23% in 2018, and later decreased to 20% in 2021. The Anambra State performance against the indicative threshold shows that debt burden is very sustainable.

For the debt burden without threshold, Debt service as a percentage of FAAC allocation was below 25% from 2017 to 2020. The figure increased to 37% in 2021 and is projected to decrease to 27% in 2022. The projected values indicate a continuous increase up to 76% by 2031. For interest payment as a percentage of revenue, the historical figure (2017-2021) was below 4%, also the projected figure (2022-2031) was between 2% and 28% throughout the years. Also, the figure for External Debt Service as a percentage of Revenue exhibited similar pattern like that of interest payment. The figure was between 0.35% and 0.56% from 2017 to 2021. For the projected years, the figures were 1%. The Anambra State performance against variables without indicative threshold shows that debt burden is not fantastically sustainable even in the long-run.

4.1 Medium-Term Budget Forecast

The real GDP growth of Nigeria's economy is projected to rise from 3.4% in 2022 to 3.75% in 2023, before it would drop to 3.46% in 2025.

With passage of Petroleum Industry Act (2021) into law, more investment is expected in the oil and gas industry. This improved investor's confidence in the oil and gas sector will help increase oil production from 1.6 mbpd in 2022 to 1.83 mbpd in 2024 and 2025.
This increase in oil production would stimulate the local economy, increase Nigeria's foreign reserve, help sustain the country's exchange rate standing at US$1/N416 in 2022 and may further increase to US$1/435 throughout the medium term.

The table below presents the Macro-Economic assumptions adopted by the State for the 2023-2025 Medium-Term Expenditure Framework.

Table 3: Macro-Economic Assumptions for 2023 - 2025 Medium-Term Budget Forecast

ITEM	2022	2023	2024	2025
BASIC ASSUMPTIONS				
National GDP (at current prices) (N)	202,916,342.7	234,768,903.0	266,288,246.0	301,864,355.7
GDP Growth Rate (National) (%)	3.4%	3.75%	3.30%	3.46%
State GDP (at current prices) (N)	5,778,839.2	6,685,965.8	7,583,602.8	8,596,772.1
Oil Production Benchmark (mbpd)	1.6	1.69	1.83	1.83
Oil Price Benchmark (US$/mbpd)	73	70	66	62
Exchange rate (US$/N)	416	435.57	435.92	435.57
Inflation (%)	13%	17.16%	16.21%	17.21%

Source: Anambra State Multi Year Budget 2022 (Draft copy)

The State's Debt sustainability analysis is predicated on the continuation of recent efforts to mobilize local revenue sources by expanding revenue sources, blocking all revenue leakages and automation of revenue collection. Presently the State Internal Revenue Service has undertaken reforms to ensure effective revenue administration by deploying technology and training its staff to drive these reforms as against relying on external service providers. The service in addition has set up a self-service portal that aids Electronic Payment and Filing System (e-Services) to cover ePayments, e-Filing, and e-Registration.

On the expenditure side, the control of recurrent expenditure growth with an unchanged policy concerning personnel and other operating expenses; improved procurement practices for increased transparency and value for money; and most importantly, continuous budgetary provisions for Debt Service to ensure debt sustainability.

These reforms are continuous and are expected to be sustained throughout the medium-term, thus, are expected to lead to effective and efficient economic performance. The details of the premised on the macroeconomic assumptions and internal reforms informed the projections for the MediumTerm Budget Forecast as presented in the Table below:

Table 4: Medium-Term Budget Forecast

ITEMS	2022 (N million)	2023 (N million)	2024 (N million)	2025 (N million)
Recurrent Revenue				
Gross Statutory Allocation	28,560.52	37,973.06	45,621.67	49,940.64
Derivation		3,360.00	3,360.00	3,360.00
VAT	26,504.68	30,000.00	31,500.00	33,075.00
IGR	40,346.90	48,040.06	53,804.87	59,185.37
Excess Crude/Other Revenue	6,284.32	3,938.30	3,750.76	3,750.76
Total Recurrent Revenue	**101,696.42**	**123,311.42**	**138,037.30**	**149,311.76**
Grants	13,183.20	6,431.00	5,431.00	5,431.00
Other Capital Receipts	8,931.00	0	0	0
Total Capital Receipts	**22,114.20**	**6,431.00**	**5,431.00**	**5,431.00**
Total Receipts	123,810.62	129,742.42	143,468.30	154,742.76
Outflows				
Recurrent Expenditure				
Personnel Costs	19,134.19	21,434.29	23,577.72	25,935.49
Social Contribution and Social Benefit	6,076.23	10,383.13	10,839.12	11,835.50
Overheads	24,331.12	26,046.32	28,047.37	30,623.94
Grants, Contributions and Subsidies	3,452.50	7,350.00	7,717.50	8,103.38
Public Debt Service	7,468.04	11,251.44	13,051.44	13,051.44
Servicing Contractor Debt	919.17	5,000.00	5,000.00	5,000.00
Total Recurrent Expenditure	**61,381.26**	**81,465.18**	**88,233.15**	**94,099.75**
Capital Expenditure				
Discretional Funds	88,632.28	105,102.68	78,567.44	70,043.44
Non-Discretional Funds	19,614.20	3,431.00	3,431.00	3,431.00
Total Capital Expenditure	**108,246.48**	**108,533.68**	**81,998.44**	**73,474.44**
Planning Reserve	**0**	**4,743.56**	**4,236.71**	**4,168.57**
Total Expenditure (Budget Size)	**169,627.74**	**194,742.42**	**174,468.30**	**171,742.76**
Financing (Loans)	**51,137.72**	**65,000.00**	**31,000.00**	**17,000.00**

Source: Anambra State Draft Copy MTEF

From the Multi Year Budget forecast presented in Table 4, the implication of the measures and assumptions considered for the fiscal and debt policies is that Anambra's debt profile will be shielded from external factors like Crude oil prices, Exchange rate and interest rates fluctuations which are capable of deteriorating the state debt portfolio, thus making it not sustainable.

4.2 Borrowing options

Table 5: Loan categories and financing terms under the reference strategy

Borrowing Terms for New Domestic Debt (issued/contracted from 2021 onwards)	**Interest Rate (%)**	**Maturity (years)**	**Grace Period (years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	20	5	2
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	20	15	2
State Bonds (maturity 1 to 5 years)	0	0	0
State Bonds (maturity 6 years or longer)	15	7	0
Other Domestic Financing	9	20	0

For the reference debt strategy (S1), Anambra State plans borrowing only from Domestic sources, specifically Commercial Bank Loans with interest rate of not more than 20% and a maturity period of 6years and above. The Commercial Bank loans have a 2 year grace period. We also planned to borrow Agric Loans, Infrastructure Loans to help us develop the State infrastructure and Micro Small and Medium Enterprise Development Fund (MSMSDF). These loans are with interest rate of not more than 20%, a maturity period of 6years and above. The new domestic financing categories and defined in the reference debt strategy (S1) and the financing terms as presented in Table 3 are automatically applied on the alternative debt strategies (S2, S3 and S4). The details of the reference debt strategy are presented in the Table below.

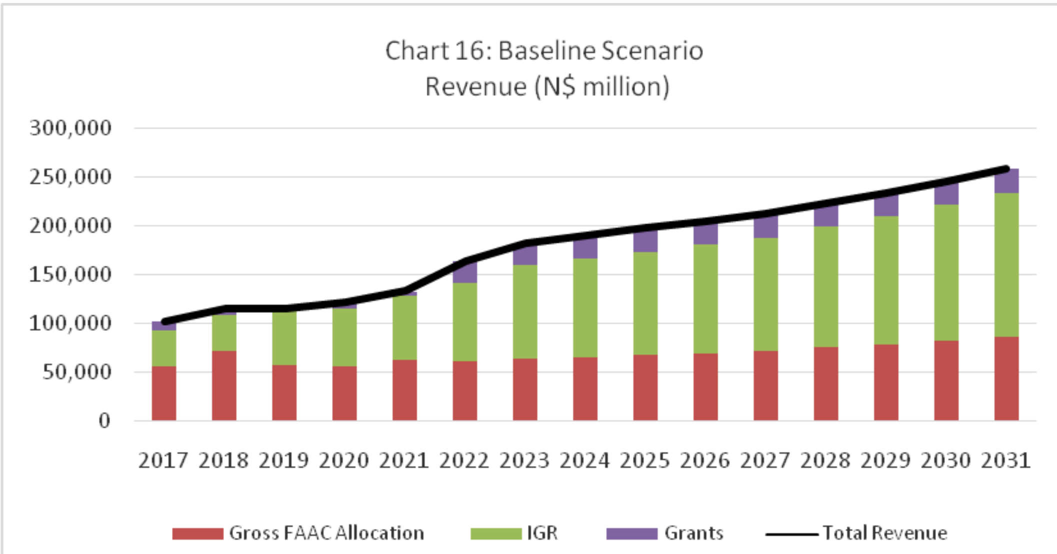
Table 6: Strategy 1

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)
Domestic Financing										
Commercial Bank loan (maturity 6 years or longer)	32,481.9	35,092.4	35,536.3	21,365.3	24,784.4	31,693.2	32,617.8	35,221.4	44,345.7	44,345.7
Other Domestic financing	15,000	32,900	10,996.8	12,844.8	15,210.2	11,145.2	12,229.9	18,576.8	20,041.2	32,457
Total gross borrowing requirements	47,481.9	67,992.4	46,533.1	34,210.1	39,994.6	42,838.4	44,847.7	53,798.2	64,386.9	76,892.7

4.3 DSA Simulation Results

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

4.3.1 Revenue: Total revenue (including grants and excluding other capital receipts) is projected to increase from N132.711 billion in 2021 to N221.300 billion by 2031. Gross FAAC is seems to contribute more to this increase both in the medium and long-term. Gross FAAC share of the total revenue was 46% in 2021 and is projected to increase to 52% in 2031. The share of Internally Generated Revenue was 49% in 2021 and decreased to 39.8% in 2022 and expected to increase to 44.9% in 2031. The Grants share of Revenue in 2021 was 3% and reduced to 2.9% in 2031. Details of the revenue growth and projections are presented in the Figure below:



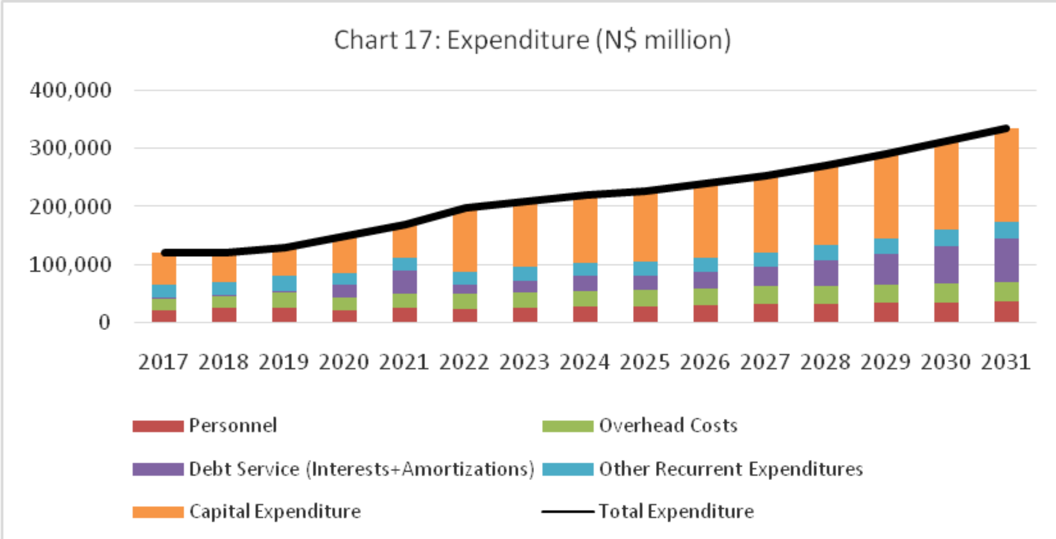
In the Baseline Scenario under the reference debt strategy (S1), the State preserves debt sustainability.

4.3.2 Expenditure: Total expenditure is expected to increase from N169.473 million in 2021 to N297.900 million by 2031. Personnel cost which occupied a share of 16% in 2021 is expected to increase to 17% by 2031.

Overhead cost with a share of 13% in 2021, and it is projected to reduce to a 12% share of the total expenditure by 2031.

For Capital expenditure, its share reduced from 44% in 2017 to a share of 33% in 2021, and it eventually increased to 29% in 2031.

Details of the historical and projected expenditure are presented in the table below:



4.3.3 Debt stock.

As a consequence of the modest increase in investment and domestic borrowings to finance the observed budget deficit, the public debt will increase. However, the State's repayment capacity will rise pare passé as can be seen in Chart 22 below. Debt is projected to rise from N140.780 million as at end of 2022 to N470.563 million by 2031 (Chart 18). The main driver of this increase in debt stock is the Domestic borrowings mainly from commercial banks, Agricultural and Infrastructure support loans, which increased from 68% in 2022 and then to 93% in 2031. However, relative to the State's repayment capacity, the public debt position will improve: debt stock is expected to increase from 101% of Total Revenue in 2022 to 213% by 2031, which is now above the threshold of 200 (see Chart 22 below). This shows negative implication of the State debt profile and if this is not adequately tackled, it will endanger the State chances of further borrowing. Therefore, the State is advised to open her more IGR potential windows and look forward to attracting more Grants.

The following charts as described above are included below to aid understanding of the Anambra State debt sustainability analysis.

Chart 18: Baseline Scenario

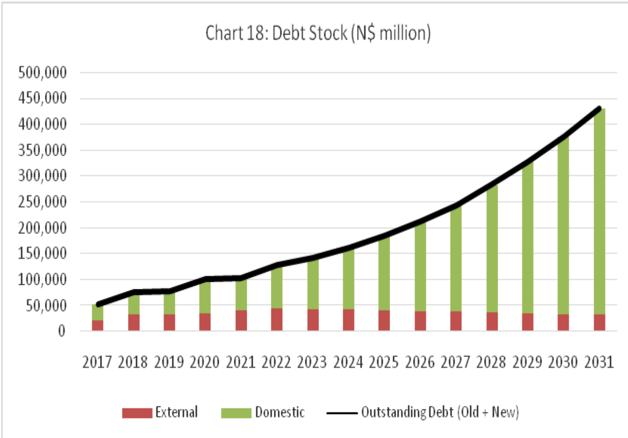
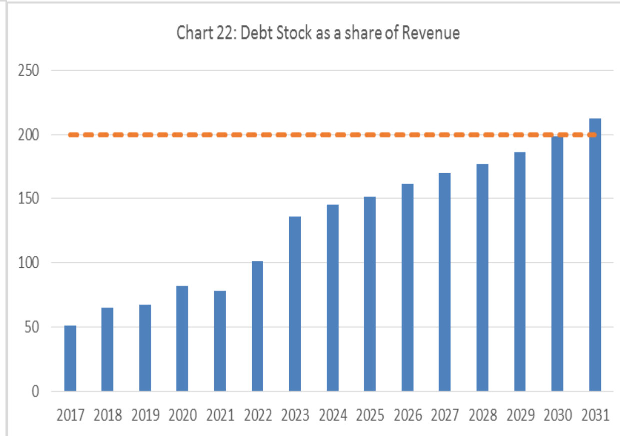


Chart 22: Baseline Scenario



Source: State's Forecast

Chart 23: Baseline Scenario

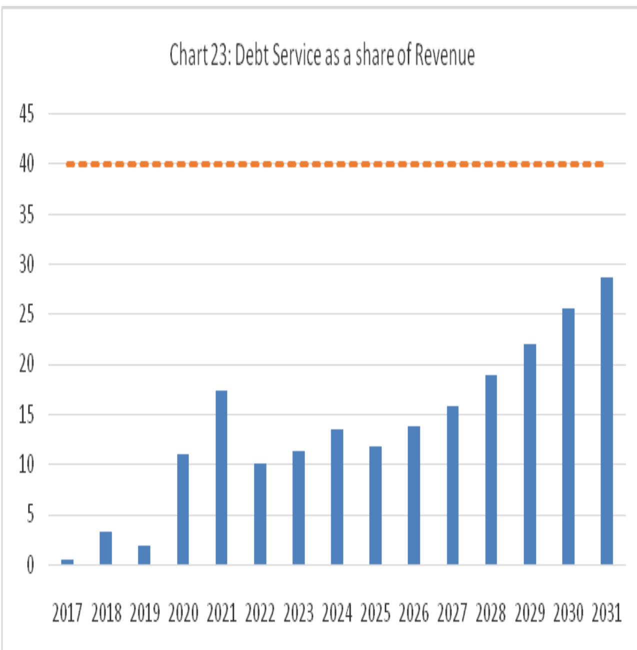
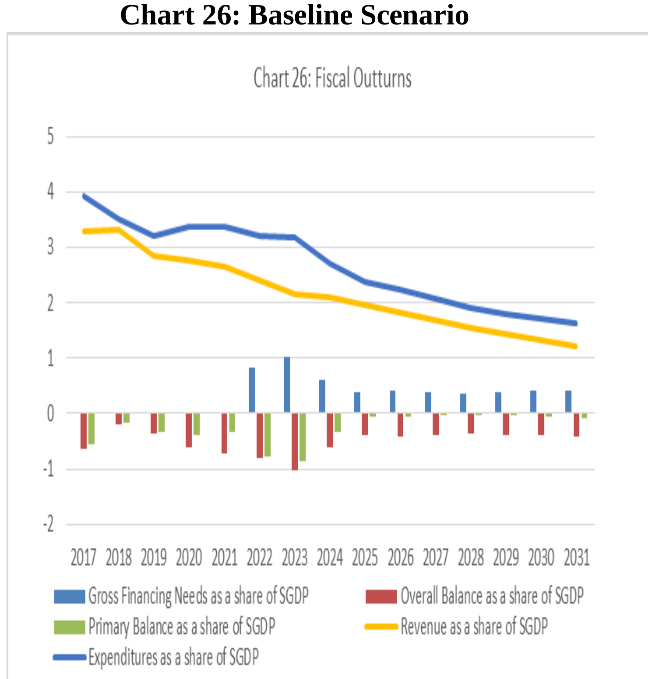


Chart 26: Baseline Scenario



Source: State's Forecast

Conclusion

The outcome of the 2022 DSA revealed that Anambra State Total Debt on the increasing Risk of Debt distress with substantial space to accommodate some levels of shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The risk is because a look at the results on the debt sustainability indicates the state performed well in all the scenarios expect for debt as share of revenue and debt service as share revenue whose figure exceeded the benchmark in the long run.

However, the ongoing efforts by the government towards increasing revenue generation, through various reforms in Tax Administration and Collections, attracting more grant, as well as the Public Financial Management aimed at reducing the cost of governance will help improve further the outlook for Debt sustainability both in the medium term and in the long-term.

Detailed On-going and Expected Policies to Strengthen debt Sustainability in Anambra State:

Revenue:

In a bid to ensure and further strengthen the debt sustainability of the State, the State is hopeful that its internally generated revenue base will improve considerably over time as a result of the policies by the State Internal Revenue Service to shore up the revenue figures of the state to accommodate expenditure and debt servicing. Some of the policies are:

1. The implementation of the Treasury Single Account (TSA) to ensure that all revenue due to the state are collected and paid into one account to enhance revenue monitoring and accounting.

2. Introducing diverse revenue collection mechanisms to ensure a wider reach and reduce time wasted in making payment. These measures which include deploying Point of Sale (POS) Terminals to the whole states, introducing USSD payment options and Anambra State IGR payment app are presented being implemented with Interswitch LTD driving the process.

3. Continuous data collection and validation is being carried out with the introduction of Anambra State Social Identity Number (ANSSID) which is a unique identity for all eligible taxpayers and businesses in the state. ANSSID contains other specific data of taxpayers and businesses that will help the state categorize tax payers eligible for different categories of IGR and also help in projecting future revenue inflows and for other economic purposes.

4. Operationalizing of untapped revenue heads hitherto eluding the State Government especially the Land Use Charge revenue and Waste Management revenue.

Expenditure:

Policies being implemented by the State to further strengthen the debt position in terms of Expenditure control include:

1. Reduction of cost of governance through the reduction of the share of recurrent expenditures of the total expenditure.
2. Comprehensive automation of Payroll Process through the application of verifiable BVN and allocation of ANSSID to State workers and pensioners. This has helped removed ghosts from the system and ensured a continuous cleaning of the state Personnel share of the total expenditure to reflect realities
3. The passage of Anambra State Public Procurement Law 2020 and Anambra State Public Finance Law 2020 has an improved procurement practice for increased transparency and value for money according to the global best practices.
4. Introduction of Cash Management Strategy by the Accountant General has helped in the distribution of funds efficiently in line with the state priority, hence removing the incidence of channeling funds to projects without economic impact.

4.4 DSA Sensitivity Analysis

Anambra 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. To check this, a sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the Baseline scenario discussed in the previous sub-section. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

The following parameters were chosen for the purpose of sensitivity analysis; **Revenue, Expenditure, Exchange rate and Interest rate** as shock scenarios and a historical scenario which assume that the State GDP, revenues and primary expenditures in 2022-2031 grow in line with their respective historical average growth rates observed in 2017-2021. These scenarios are analyzed in terms of their deviation from the baseline scenario.

From the result, the State's debt sustainability is expected to moderately deteriorate if the revenue shock was to occur under the reference debt strategy (S1), as a result of diminished repayment capacity. The debt stock as a percentage of the SGDP remains lower than the threshold across the projected years. Personnel cost as a percentage of revenue remained far below the threshold throughout the projected period. The results of the shock scenario were consistent with the historical scenario except for debt stock as a percentage of revenue which grow above the threshold in the projected years. Therefore, a major risk for debt sustainability is the reversal of the State's successful revenue mobilization efforts in the attraction of more grants.

The State's debt sustainability is expected to largely deteriorate if expenditure shock were to occur under the reference debt strategy (S1), as a result of both excessive deficits and diminished repayment capacity. The public debt ratio grows up to unsustainable levels in the next few years. The debt stock as a percentage of the SGDP remains lower than the threshold across the projected years, while debt stock as a percentage of revenue started to witness risk from 2026 when it was 161% and increased to 213% in 2031 against the threshold of 200%. Also the Debt service as a percentage of revenue exhibited same pattern as it grew to 25% in 2026 and later to 40% in 2031 against the threshold of 40%. Personnel cost as a percentage of revenue remained far below the threshold throughout the projected period. A critical look on the data indicated a huge decrease in our Grants revenue window from N22b in 2022 to N6b in 2023 and a continued decrease till 2025 (MTEF). The State is therefore advised to look towards attracting more Grants while more efforts to increasing the IGR will be maintained. It is also important for our State to curtail expenditures especially on non economic activities.

The State's debt sustainability would deteriorate moderately if interest rate shocks materialize, mainly as a consequence of a diminished repayment capacity. The debt stock as a percentage of the SGDP and debt stock as a percentage of revenue remain lower than the threshold across the projected years. Debt service as a percentage of revenue grew more than the threshold from 2025, and about 80% above the threshold in 2030 through 2031.

Personnel cost as a percentage of revenue remained far below the threshold throughout the projected period. The results of the shock scenario were consistent with the historical scenario. This implies a moderate worsening of the State's public debt position and a build-up of fiscal vulnerability in the medium-term.

Conclusion:

The 2022 DSA shows that Anambra State remains moderately sustainable in the medium-term but at a high risk of debt distress in the long-term under the conducted Sensitivity Analysis as the current revenue position is considered not adequate to secure the financial future of the State because of the adverse effect of the shock in the long-term. The current expenditure patterns should also be further kept under check so as not to trigger unsustainability in the economy over the long term. The State is however sustainable under the Exchange Rate and Interest Rate Shocks across the four indicators.

The Charts below explain the State's debt sustainability position as explained in this section.

Chart 27: Baseline, Shock and Hist. Scenarios

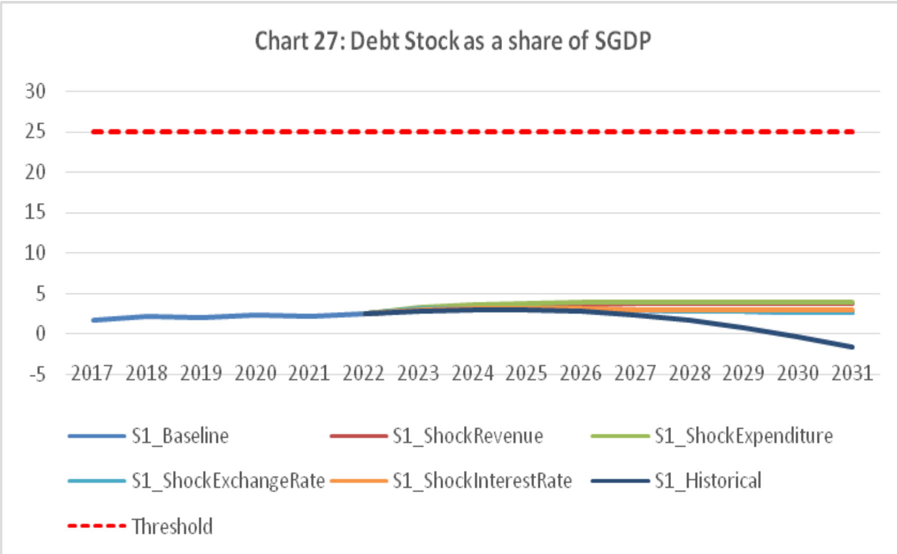
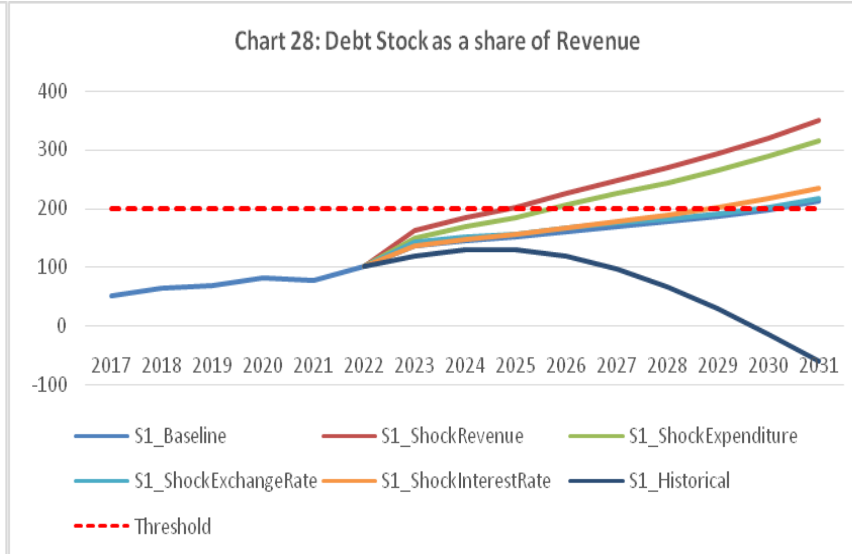


Chart 28: Baseline, Shock and Hist. Scenarios



Source: State's Forecast

Chart 29: Baseline, Shock and Hist. Scenarios

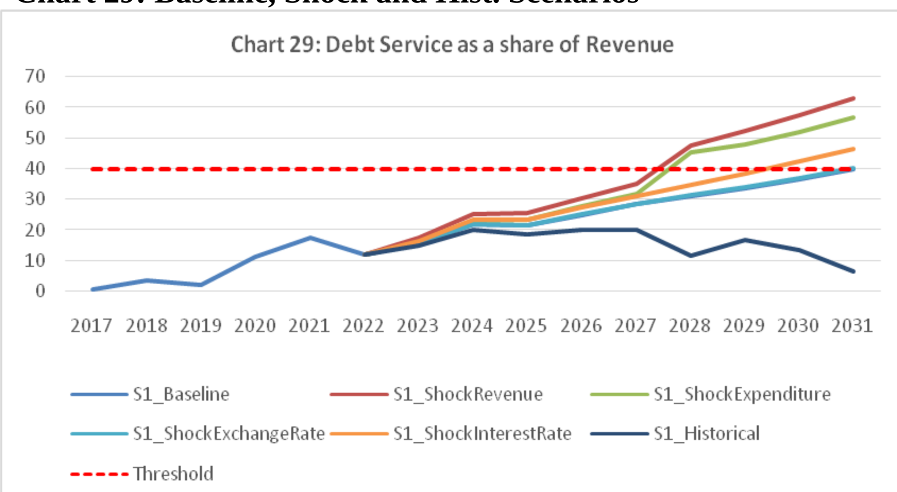
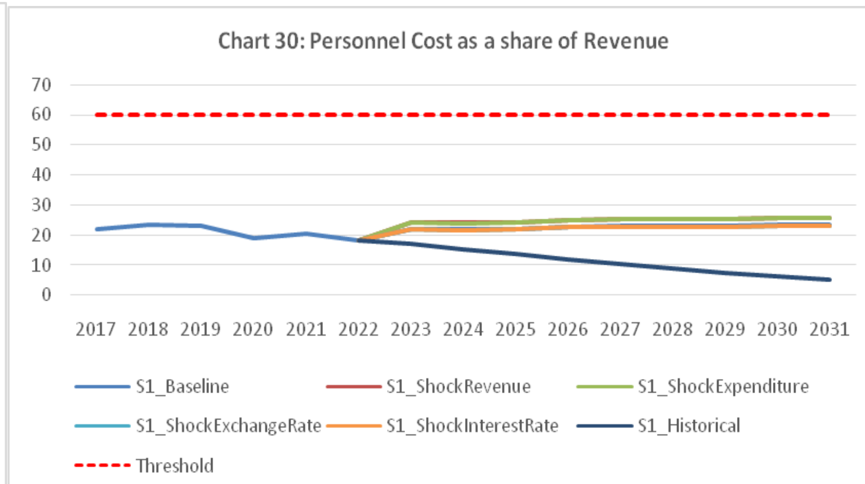


Chart 30: Baseline, Shock and Hist. Scenarios



Source: State's Forecast

5. Debt Management Strategy

Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk.

Three debt-management performance indicators were utilized to assess the debt-management strategies outcomes: Debt Stock/Revenue (%), Debt Services/Revenue (%) and Interest/Revenue (%)[1]. For any DMS, its cost is measured by the expected value of a performance indicator in 2025 (as projected in the baseline scenario). Risk is measured by the deviation from the expected value in 2025 caused by an un-expected shock (as projected in the most adverse scenario).

5.1 Alternative Borrowing Options

This section explains Anambra State's borrowing plans for the reference debt strategy (S1), the three alternative DMS (S2, S3 and S4), the financing terms and how the State plans to cover the gross financing needs between 2021 and 2030 under each of them

Table 7: Loan categories and financing terms under the alternative strategies

Borrowing Terms for New Domestic Debt (issued/contracted from 2021 onwards)	**Interest Rate (%)**	**Maturity (years)**	**grace period (years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	20	5	2
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	20	15	2
State Bonds (maturity 1 to 5 years)	0	0	0
State Bonds (maturity 6 years or longer)	15	7	0
Other Domestic Financing	9	20	0
Borrowing Terms for New External Debt	**Interest Rate (%)**	**Maturity (years)**	**Grace (years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2	20	2
External Financing - Bilateral Loans	3	20	1
Other External Financing	3	10	1

Strategy 1

Strategy one maintain the MTEF Financing Mix highlighted in Section 4. It follows the broad parameters of the financing mix in the fiscal year 2021 and MTEF, 2022-2025 which draws only from domestic sources specifically Commercial Bank Loans with interest rate of not more than 20% and a maturity period of 6years and above with 2 years grace period. We also planned to

[1] Other three debt-management performance indicators—not necessary to include in the report—are computed in Charts DMS (Debt Stock/SGDP, Debt Services/SGDP and Interest/SGDP).

borrow from Other Domestic financing with interest rate of 9% and 20 years maturity without grace period.

Details of the Strategy are presented in the Table below.

Table 8: Strategy 1

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)
Domestic Financing										
Commercial Bank loan (maturity 6 years or longer)	32,481.9	35,092.4	35,536.3	21,365.3	24,784.4	31,693.2	32,617.8	35,221.4	44,345.7	44,345.7
Other Domestic financing	15,000	32,900	10,996.8	12,844.8	15,210.2	11,145.2	12,229.9	18,576.8	20,041.2	32,457
Total gross borrowing requirements	47,481.9	67,992.4	46,533.1	34,210.1	39,994.6	42,838.4	44,847.7	53,798.2	64,386.9	76,892.7

Strategy 2

For DMS (S2), Anambra State plans borrowing from both External and Domestic sources. Under External Loan we plan borrowing from concessional loan at 2% for 20 years with 2 years grace, while under Domestic Loan, we plan borrowing from Other Domestic financing with interest rate of 9% and 20 years maturity without grace period.

In this strategy which is mixed with both Domestic and External borrowing, domestic loans gulped about 80.3% while external is about 19.7% of the total borrowing.

Table 9: Strategy 2

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Domestic Financing										
Other Domestic Financing	47,481.9	66,043.5	19,092.1	10,881.7	11,411.8	5,112.6	3,244.7	4,568.9	5,649.1	7,238.9
External Financing										

External Financing – Concessional Loans (e.g WB, AFDB)			56.0	25.7	21.8	29.3	22.3	22.9	25.1	27.1
Total Gross Borrowing Requirements	47,481.9	66.043.5	42,059.6	21,428.1	20,344.3	17,137.2	12,401.1	13,942.1	15,954.0	18,329.5

Note: the figures of the external loans are in US$ and were converted using an exchange rate of US$1/N410

Strategy 3

For DMS (S3), financing would be done exploring only Other Domestic financing with interest rate of 9% and 20 years maturity without grace period with zero exchange rate risk.

Table 10: Strategy 3

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Domestic Financing										
Other Domestic Financing	47,481.9	66,043.5	42,059.6	24,184.2	24,648.4	21,676.6	18,235.9	20,936.2	24,066.4	27,927.7
Total Gross Borrowing Requirements	47,481.9	66,043.5	42,059.6	24,184.2	24,648.4	21,676.6	18,235.9	20,936.2	24,066.4	27,927.7

Strategy 4

For (S4), the State chose not to borrow from domestic sources but to explore the option of going for only External financing, which includes both concessional loans and other external financing.

Concessional loans: the interest rate is 2%, with 20% maturity and a grace period of 2 years.

Other external financing: the interest rate is 3%, while the maturity is 10 years and a grace period of a year.

A breakdown of this borrowing option is presented in the Table below.

Table 11: Strategy 4

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
External Financing										
External Financing Concessional Loans (e.g WB, AFDB)	69.5	88.6	45.5	18.7	20.6	14.9	8.2	11	13.5	16.5
Other External Financing	46.3	59.1	30.3	12.5	13.8	9.9	5.5	7.3	9.0	11.0
Total Gross Borrowing Requirements	47.481.9	60,535.6	31,082.5	12,785.4	14,094.5	10,166.0	5,611.7	7,510.1	9,231.8	11,300.0

5.2 DMS Simulation Results

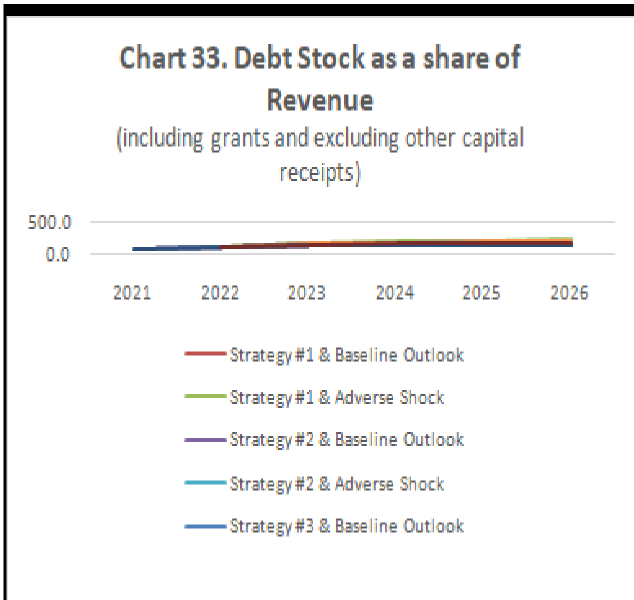
In this section, the results obtained from the four DMS, focusing on the three performance indicators (Debt/Revenue, Debt service/Revenue and Interest/Revenue) are presented and analyzed. The analysis includes comparisons between the reference debt strategy (S1) and the three alternatives (S2, S3, and S4).

5.2.1 Debt as a share of Revenue

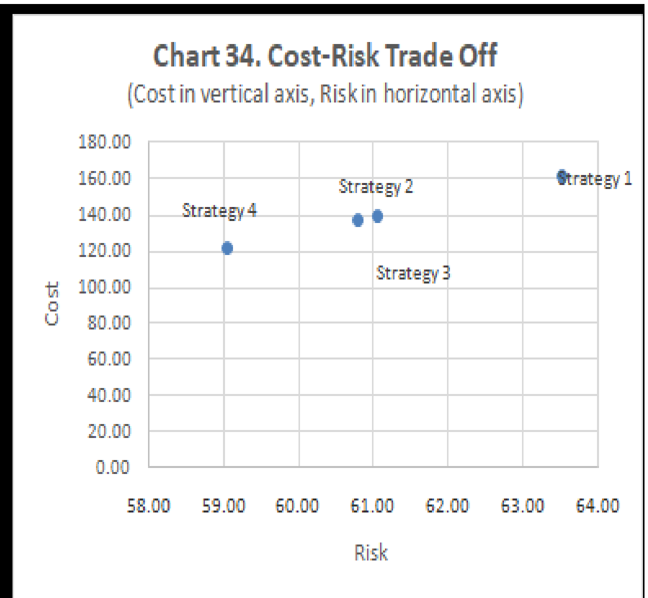
In the Baseline Scenario under the reference debt strategy (S1), the debt stock as a percentage of revenue (including grants and excluding other capital receipts) is projected to increase from 88.9% in 2022 to 101.3% in 2026. For debt strategy (S2), debt stock as a percentage of revenue is projected to increase slightly from 88.9% in 2022 to 89.8% in 2026. For debt strategy (S3), debt stock as a percentage of revenue is projected to increase from 88.9% in 2022 to 90.4% in 2026. For debt strategy (S4), debt stock as a percentage of revenue is projected to decrease from 88.9% in 2022 to 81.4% in 2026. The results from the strategies indicate that the State preserves debt sustainability. The information above is presented in the chart below.

For the cost-risk tradeoff, under the reference debt strategy (S1), the cost of adopting the strategy is 101.3% and a risk of 54.6%. Under debt strategy (S2), the cost of adopting the strategy is 89.8% and a risk of 53.3%. For debt strategy (S3), the cost of adopting the strategy is 90.4% and a risk of 53.4%. While for debt strategy (S4), the cost of adopting the strategy is 81.4% and a risk of 52.4%. The chart is presented below for more emphasis.

Strategy 4 has the lowest cost and risks estimated at 81.4% and 52.4% respectively. Strategy 1 has the highest costs and risks of 101.3% and 54.9% respectively. This is compared to Strategy 2 and Strategy 3 that are estimated to have moderate costs and moderate risks during the projection period, 2022-2026.



Source: State's Forecasts



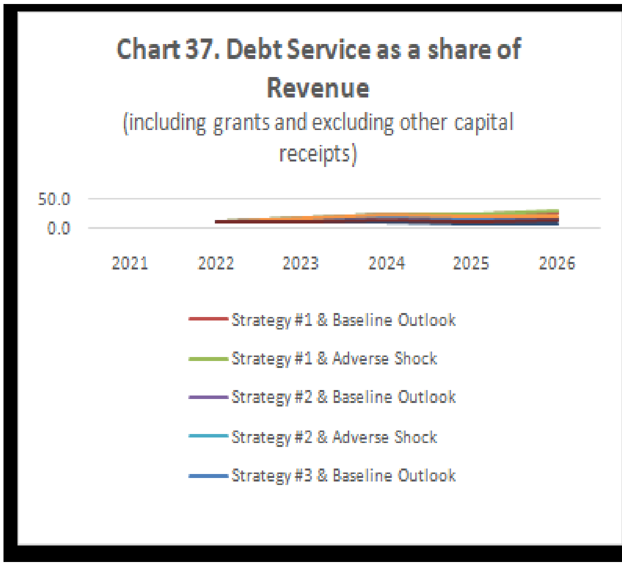
Source: State's Forecasts

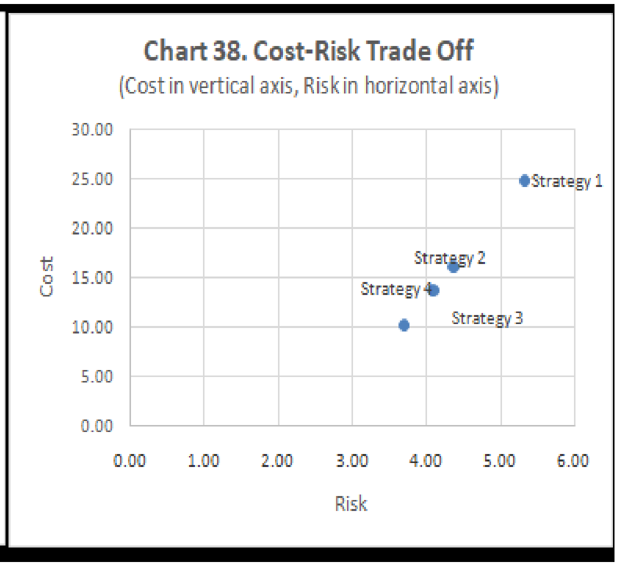
5.2.2Debt Services as a share of Revenue

In the Baseline Scenario under the reference debt strategy (S1), the debt service as a percentage of revenue is projected to increase from 10.7% in 2022 to 13.7% in 2026. For debt strategy (S2), debt service as a percentage of revenue is projected to decrease from 10.7% in 2022 to 9% in 2026. For debt strategy (S3), debt service as a percentage of revenue is projected to decrease from 10.7% in 2022 to 9.5% in 2026. For debt strategy (S4), debt service as a percentage of revenue is projected to decrease from 10.7% in 2022 to 6% in 2026. The results from the strategies indicate that the State preserves debt sustainability. The information is presented in the figure below

For the cost-risk tradeoff, under the reference debt strategy (S1), the cost of adopting the strategy is 13.7% and a risk of 3.9%. Under debt strategy (S2), the cost of adopting the strategy is 9% and a risk of 3.4%. For debt strategy (S3), the cost of adopting the strategy is 9.5% and a risk of 3.4%. While for debt strategy (S4), the cost of adopting the strategy is 6% and a risk of 3.1%. The information are presented in the figure below.

Thus, Strategy 4 has the lowest cost and risks estimated at 6% and 3.1% respectively. Strategy 1 has the highest costs and risks of 13.7% and 3.9% respectively. This is compared to Strategy 2 and Strategy 3 that are estimated to have moderate costs and moderate risks during the projection period, 2022-2026.





Source: State's Forecasts

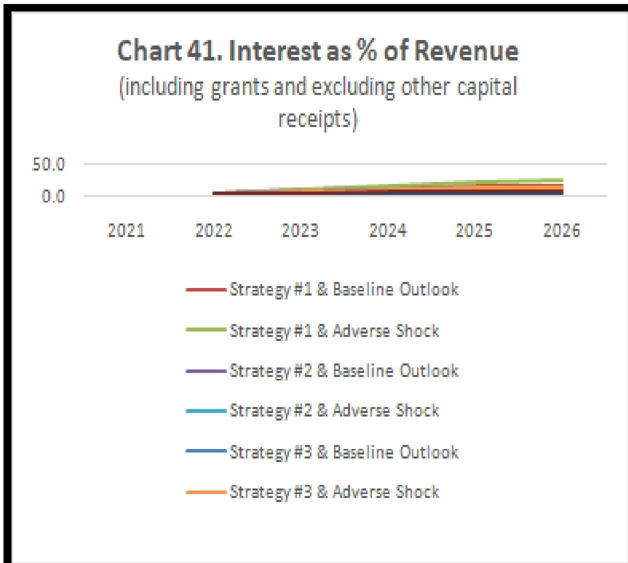
Source: State's Forecasts

5.2.3 Interest as a share of Revenue

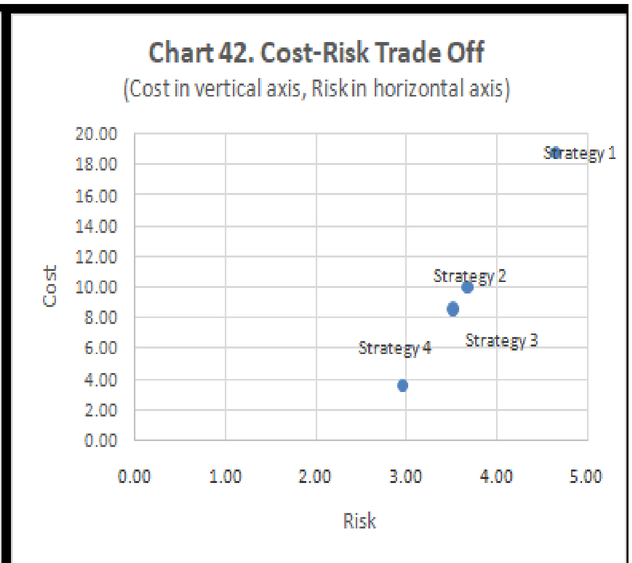
In the Baseline Scenario under the reference debt strategy (S1), interest as a percentage of revenue is projected to increase from 2% in 2022 to 9.6% in 2026. For debt strategy (S2), interest as a percentage of revenue is projected to increase from 2% in 2022 to 5.6 percent in 2026. For debt strategy (S3), interest as a percentage of revenue is projected to increase from 2% in 2022 to 5.9 percent in 2026. For debt strategy (S4), interest as a percentage of revenue is projected to increase from 2% in 2022 to 2.6 percent in 2025. The results from the strategies indicate that the State preserves debt sustainability. The information above is presented in the chart below.

For the cost-risk tradeoff, under the reference debt strategy (S1), the cost of adopting the strategy is 9.6% and a risk of 3.5%. Under debt strategy (S2), the cost of adopting the strategy is 5.6% and a risk of 3%. For debt strategy (S3), the cost of adopting the strategy is 5.9% and a risk of 3%. While for debt strategy (S4), the cost of adopting the strategy is 2.6% and a risk of 2.7%. The information above is presented in the chart below.

Thus, Strategy 4 has the lowest cost and risks estimated at 2.6% and 2.7% respectively. Strategy 1 has the highest costs and risks of 9.6% and 3.5% respectively. This is compared to Strategy 2 and Strategy 3 that are estimated to have moderate costs and moderate risks during the projection period, 2022-2026



Source: State's Forecasts



Source: State's Forecasts

5.2.4 DMS Assessment

The Debt Management Strategy, 2022-2026 presents 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 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Below are some key observations concerning the cost-risk profile as observed in the four DMS.

1. **For Debt stock as a percentage of revenue,** the performance of the reference strategy (S1) has a higher cost-risk profile of 101.3% and 54.6% respectively compared to the performance of the other three alternatives. Strategy 4 has the lowest cost and risks estimated at 81.4% and 52.4% respectively, while Strategy 3 and Strategy 2 are estimated to have moderate costs and moderate risks during the projection period, 2022-2026
2. **For Debt service as a percentage of revenue,** the performance of Strategy 1 has the highest cost and risks estimated at 13.7% and 3.9% respectively. Strategy 4 has the lowest costs and risks of 6% and 3.1% respectively. Strategy 2 and 3 are estimated to have moderate costs and moderate risks during the projection period, 2022-2026.

3. **For interest as a percentage of revenue,** the performance of the reference strategy (S1 has a higher cost-risk profile than the performance of the other three alternatives. Strategy 4 has the lowest cost and risks estimated at 2.6% and 2.7% respectively. Strategy 1 has the highest costs and risks of 9.6% and 3.5% respectively while Strategy 3 and Strategy 2 are estimated to have moderate costs and moderate risks during the projection period, 2022-2026. However, the risks of the strategies are similar as there is not much observable difference.

Based on the analysis of each of the four strategies, S4 is the preferred strategy because of the lowest costs and risks, but the State may not afford it considering the difficulty in accessing external loan, however the recommended strategy to be applied by the state in the mid-term to improve the State's debt portfolio relative to the base year 2022 is Strategy 2. The results (risk and cost) when applying Strategy 2 in the three debt management performance indicators and in the other three (Debt Stock/SGDP, Debt Services/SGDP and Interest/SGDP) not included in the analysis, were better when compared with the reference Strategy (S1) and other alternative strategy (S3). When considered with the reference strategy, it complements the State's policy thrust on debt financing, on borrowing from domestic sources.

As a consequence of the borrowings envisaged in the reference debt-management strategy (S1), the interest burden, debt stock burden and debt-service obligations increased (relative to revenue). In addition, the exposure to currency risk and rollover risk will be moderated increased. The share of foreign-currency debt will be reduced from 39% at end-2021 to 21% at end-2026.

Conclusion:

This Preferred Strategy (S2) in the State's Debt Management Strategy, 2022-2026, focuses on increased dependence on Long-term Domestic financing with low interest rate and long maturity. The external aspect of it is a concessional type that has low interest rate, long maturity and grace period. It gulped about 20% of the total borrowing in S2. The strategy ensures reduction in short-term instruments, especially short-term Commercial Banks Loans in order to protect the State's economy from refinancing risks. Relying more on domestic borrowing with little of External (concessional) loan is also expected to help in ensuring that the Cost Profile of the State's Public Debt portfolio is sustainable in the medium to long-term as the State's financing needs are met at minimum cost and with a low risk level.

To sustain the State economy and preserve the State's Debt Management portfolio and maintain adequate balance between the cost of carrying debt and the exposure to risks, some policies are proposed below:

1. The new regime of Government should strive to maintain the current policies of sustainable borrowings and prudent utilization of resources.

2. Strengthening the existing legal and institutional frameworks for efficient debt management.

3. Strengthening the existing legal and institutional frameworks for efficient revenue mobilization and resource utilization. For example, Public Procurement Law, Revenue Administration Law, Fiscal Responsibility Law, State Audit Law, Public Finance Law etc.

4. Ensuring a robust and focused public finance policy to guide government borrowings.

5. Support the Debt Management Department to ensure the availability of reliable and correct data for frequent evaluations of the State Debt portfolio, costs and risks.

6. Strengthening the capacity and competency of debt management staff of the state for effective and efficient public debt management.

Annex I. Table Assumptions

2022

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	The State GDP as projected from 2022-2031 are based on extract from NBS projections.	Debt Management Office, Abuja
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	The figures for 2023 to 2025 was gotten from the State MTEF document, while 5% markup was used to forecast between 2026 to 2031. Actuals of 2017 to 2021 were also used as extracted from the Audited Financial Statement. Same was used for all Federal Government Allocations. This projection was carried out after a careful study of the Federal Government Budget which is showing a positive return.	
	1.a. of which Net Statutory Allocation ('net' means of deductions)		
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)	This was gotten from the State MTEF document from 2023 - 2025. Then 5% mark up was used betweeen 2026 to 2031.	
	3. Other FAAC transfers (exchange rate gain, augmentation,		
	4. VAT Allocation		
	5. IGR	The figure for the period 2023 - 2025 was obtained from the State MTEF document and assumption of N15B as BTL Receipt was added. Thereafter, marked up by 5% from 2026 to 2031. The increase in mark up figures is as a result of the effort being made by the new Administration to Consolidate all State revenue windows and ensure all leakages are blocked.	
	6. Capital Receipts		
	6.a. Grants	The figures for 2023 to 2025 was gotten from the State MTEF document, while 3% markup was used to forecast between 2026 to 2031.	
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	The figures for 2023 to 2025 was gotten from the State MTEF document, while 8% markup was used in 2026 and 5% from 2027 to 2031. This is as a result of the new Administrations promise to employ over 5,000 teachers in years to come, increase in pensioners and advancement of existing staff.	
	2. Overhead costs	The figures for 2023 to 2025 was gotten from the State MTEF document, while 5% markup was used to forecast 2026 and 5% between 2027 to 2031.	
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Actuals as extracted from the Audited Financial Statement from 2017 to 2021.	
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	The figures for 2023 to 2025 was gotten from the State MTEF document, while 9% markup was used to forecast of 2026 and 3.5% between 2027 to 2031. This is because of the rate of inflation and other below the line expenditures which might occur during the year.	
	5. Capital Expenditure	The figures for 2023 to 2025 was gotten from the State MTEF document, while 2% deduction was used to forecast between 2026 to 2028 and later increased by 8% mark up with expection that the administration will embark on new project and/or maintenance of existing ones.	
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	The closing Cash and Bank Balance was also projected at 5% for each new year from 2023 to 2031.	

Debt Amotization and Interest Payments	**Debt Outstanding at end-2021**		
	External Debt - amortization and interest	External Debt (Amortization and Interest) was gotten from the DMO debt stock for the State as at end 2021	
	Domestic Debt - amortization and interest	Domestic Debt (Amortization and Interest) was as extracted from the State DMD Report as at end of December, 2021.	
	New debt issued/contracted from 2022 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)		
	External Financing - Bilateral Loans		
	Other External Financing		
	New Domestic Financing		
	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		
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)	On our new planned borrowing in Strategy 1, we planned borrowing only Domestic Loans, specifically from other Domestic financing and Commercial Bank Loans which has an Interest rate not more than 20% and a maturity period of 6 years and above.	Anambra State technical team
	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		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	There are no plans to borrow Externally due to time constraint.	Anambra State technical team
	External Financing - Bilateral Loans		
	Other External Financing		

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	On our new planned borrowing in Strategy 1, we planned borrowing only Domestic Loans, specifically from other Domestic financing and Commercial Bank Loans which has an Interest rate not more than 20% and a maturity period of 6 years and above.	Anambra State technical team
	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	There are no plans to borrow Externally due to time constraint.	Anambra State technical team
Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, 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	For Strategy 2, we planned borrowing from Domestic Loans under Other Domestic Financing like Budget Support Facility which has a maturity period of at least 20 years and above.	Anambra State technical team
	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	We also planned for External Financing on Concessional Loans only because of it's low interest rate and longer period of repayment plan.	Anambra State technical team
Creating Borrowings corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, 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	We planned Strategy 3 on only Domestic Financing with little or no exchange rate risks. This would help reduce the exchange rate risk and inflation effect on the borrowing.	Anambra State technical team
	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	There are no plans to borrow Externally.	Anambra State technical team
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) 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	There are no plans to borrow Domestically.	Anambra State technical team
	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	We made plans for External Financing, specifically Concessional Loans and Other External Financing as it has less cost of borrowing i.e lesser Interest rate with a very long maturity period.	Anambra State technical team

Annex II. Historical and projections of the S1_Baseline Scenario

	Actuals					Projections									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	3,079,167.42	3,454,698.83	4,047,069.82	4,392,940.10	5,014,440.88	5,778,839.15	6,685,965.80	7,583,602.79	8,596,772.12	9,745,300.87	11,047,273.07	12,523,188.75	14,196,286.77	16,092,910.68	18,242,923.55
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
Fiscal Indicators (Million Naira)															
Revenue	**109,204.59**	**115,211.60**	**136,030.96**	**147,847.00**	**158,482.70**	**186,292.47**	**205,277.80**	**189,550.57**	**182,528.02**	**191,479.06**	**195,549.30**	**199,367.61**	**210,030.32**	**220,926.80**	**232,600.05**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	28,192.49	42,278.36	40,941.13	34,690.47	35,207.70	28,560.50	37,973.00	45,621.60	49,940.60	52,437.63	55,059.51	57,812.49	60,703.11	63,738.27	66,925.18
1.a. of which Net Statutory Allocation ('net' means of deductions)	26,441.57	40,703.03	38,470.22	31,451.74	32,049.30	25,244.20	33,795.97	40,603.22	44,447.13	46,669.49	49,002.97	51,453.11	54,025.77	56,727.06	59,563.41
1.b. of which Deductions	1,750.92	1,575.34	2,470.90	3,238.73	3,158.40	3,316.32	4,177.03	5,018.38	5,493.47	5,768.14	6,056.55	6,359.37	6,677.34	7,011.21	7,361.77
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	3,360.00	3,360.00	3,360.00	3,528.00	3,704.40	3,889.62	4,084.10	4,288.31	4,502.72
3. Other FAAC transfers (exchange rate gain, augmentation, others)	15,771.34	16,529.80	2,313.73	4,161.67	3,750.80	6,284.30	3,938.20	3,750.70	3,750.70	3,863.22	3,979.12	4,098.49	4,221.45	4,348.09	4,478.53
4. VAT Allocation	11,179.17	12,579.84	13,524.82	16,382.85	23,373.40	26,504.70	30,000.00	31,500.00	33,075.00	34,067.25	35,089.27	36,141.95	37,226.20	38,342.99	39,493.28
5. IGR	36,765.69	37,436.71	56,662.52	59,750.17	66,253.20	55,346.90	63,040.00	68,804.80	74,185.30	77,894.57	81,789.29	85,878.76	90,172.70	94,681.33	99,415.40
6. Capital Receipts	17,295.97	6,386.91	22,588.76	32,861.39	29,897.60	69,596.07	66,966.60	36,513.47	18,216.42	19,688.40	15,927.71	11,546.31	13,622.77	15,527.82	17,784.94
6.a. Grants	9,640.34	5,986.91	1,757.71	6,958.96	4,125.40	22,114.20	6,431.00	5,431.00	5,431.00	5,593.93	5,761.75	5,934.60	6,112.64	6,296.02	6,484.90
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	7,655.63	400.00	20,831.00	9,295.00	25,772.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	0.00	0.00	0.00	0.00	0.00	47,481.87	60,535.60	31,082.47	12,785.42	14,094.47	10,165.96	5,611.71	7,510.13	9,231.80	11,300.05
Expenditure	**121,072.39**	**121,200.52**	**130,400.59**	**148,684.30**	**169,473.00**	**186,103.80**	**205,079.70**	**189,342.56**	**182,309.61**	**191,249.73**	**195,308.50**	**199,114.78**	**209,764.84**	**220,648.05**	**232,307.36**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	22,357.83	26,780.58	26,614.77	22,849.51	27,184.30	25,210.40	31,837.40	34,416.80	37,320.80	40,306.46	42,321.79	44,437.88	46,659.77	48,992.76	51,442.40
2. Overhead costs	18,333.01	19,013.74	26,465.56	20,923.78	22,439.20	24,331.10	26,046.30	28,047.30	30,626.90	32,158.25	33,122.99	34,116.68	35,140.18	36,194.39	37,280.22
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	2,155.45	609.84	1,841.70	9,147.44	19,436.50	3,010.90	4,139.56	5,830.72	6,383.89	6,480.66	6,532.35	6,451.68	6,230.20	6,035.14	5,895.52
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	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
3.b. of which Interest deducted from FAAC Allocation	1,755.25	1,575.34	2,470.90	0.00	0.00	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)	23,454.90	23,248.10	25,336.61	20,056.24	21,716.70	11,839.70	23,601.44	25,768.94	26,154.81	28,508.75	29,506.55	30,539.28	31,608.16	32,714.44	33,859.45
5. Capital Expenditure	54,371.00	50,582.77	49,512.75	63,234.30	57,578.20	108,246.50	108,533.60	81,998.40	73,474.40	72,004.91	70,564.81	69,153.52	74,685.80	80,660.66	87,113.52
6. Amortization (principal) payments	400.20	965.50	629.20	12,473.11	21,118.10	13,465.20	10,921.40	13,280.41	8,348.81	11,790.71	13,260.01	14,415.74	15,440.73	16,050.66	16,716.26
Budget Balance ('+' means surplus, '-' means deficit)	**-11,867.79**	**-5,988.92**	**5,630.36**	**-837.50**	**-10,990.30**	**188.67**	**198.10**	**208.01**	**218.41**	**229.33**	**240.80**	**252.83**	**265.48**	**278.75**	**292.69**
Opening Cash and Bank Balance	**27,827.94**	**15,960.17**	**9,971.29**	**15,601.65**	**14,763.70**	**3,773.40**	**3,962.07**	**4,160.17**	**4,368.18**	**4,586.59**	**4,815.92**	**5,056.72**	**5,309.55**	**5,575.03**	**5,853.78**
Closing Cash and Bank Balance	**15,960.15**	**9,971.25**	**15,601.65**	**14,763.71**	**3,773.40**	**3,962.07**	**4,160.17**	**4,368.18**	**4,586.59**	**4,815.92**	**5,056.72**	**5,309.55**	**5,575.03**	**5,853.78**	**6,146.47**
Financing Needs and Sources (Million Naira)															
Financing Needs						**47,481.87**	**60,535.60**	**31,082.47**	**12,785.42**	**14,094.47**	**10,165.96**	**5,611.71**	**7,510.13**	**9,231.80**	**11,300.05**
i. Primary balance						-30,817.10	-45,276.54	-11,763.34	2,165.69	4,406.23	9,867.19	15,508.54	14,426.29	13,132.75	11,604.43
ii. Debt service						16,476.10	15,060.96	19,111.12	14,732.69	18,271.36	19,792.35	20,867.42	21,670.93	22,085.80	22,611.78
Amortizations						13,465.20	10,921.40	13,280.41	8,348.81	11,790.71	13,260.01	14,415.74	15,440.73	16,050.66	16,716.26
Interests						3,010.90	4,139.56	5,830.72	6,383.89	6,480.66	6,532.35	6,451.68	6,230.20	6,035.14	5,895.52
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						188.67	198.10	208.01	218.41	229.33	240.80	252.83	265.48	278.75	292.69
Financing Sources						**47,481.87**	**60,535.60**	**31,082.47**	**12,785.42**	**14,094.47**	**10,165.96**	**5,611.71**	**7,510.13**	**9,231.80**	**11,300.05**
i. Financing Sources Other than Borrowing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii. Gross Borrowings						47,481.87	60,535.60	31,082.47	12,785.42	14,094.47	10,165.96	5,611.71	7,510.13	9,231.80	11,300.05
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						28,489.14	36,321.37	18,649.51	7,671.22	8,456.70	6,099.61	3,367.00	4,506.06	5,539.10	6,780.01
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						18,992.76	24,214.23	12,433.00	5,114.18	5,637.79	4,066.38	2,244.67	3,004.03	3,692.71	4,520.00
Residual Financing						-0.02	0.01	-0.04	0.02	-0.02	-0.03	0.04	0.04	-0.01	0.04

	2017	2018	Actuals 2019	2020	2021	2022	2023	2024	2025	Projections 2026	2027	2028	2029	2030	2031
	BASELINE SCENARIO														
Debt Stocks and Flows (Million Naira)															
Debt (stock)	51,697.54	74,261.26	77,987.56	100,036.68	103,344.00	140,779.97	190,394.17	208,196.24	212,632.85	214,936.62	211,842.57	203,038.54	195,107.94	188,289.08	182,872.87
External	21,755.08	32,731.81	33,127.41	35,236.30	41,803.70	92,048.90	151,559.49	179,301.70	184,473.59	187,473.27	184,899.13	176,636.07	169,267.80	163,032.96	158,222.49
Domestic	29,942.46	41,529.45	44,860.15	64,800.38	61,540.30	48,731.08	38,834.68	28,894.54	28,159.26	27,463.34	26,943.44	26,402.47	25,840.14	25,256.12	24,650.37
Gross borrowing (flow)						47,481.87	60,535.60	31,082.47	12,785.42	14,094.47	10,165.96	5,611.71	7,510.13	9,231.80	11,300.05
External						47,481.90	60,535.60	31,082.51	12,785.40	14,094.49	10,165.99	5,611.67	7,510.09	9,231.81	11,300.01
Domestic						-0.02	0.01	-0.04	0.02	-0.02	-0.03	0.04	0.04	-0.01	0.04
Amortizations (flow)	314.34	878.11	398.89	12,382.30	21,118.08	13,465.20	10,921.40	13,280.41	8,348.81	11,790.71	13,260.01	14,415.74	15,440.73	16,050.66	16,716.26
External	124.06	201.82	125.67	133.66	227.40	656.00	1,025.00	3,340.31	7,613.51	11,094.81	12,740.13	13,874.73	14,878.37	15,466.64	16,110.48
Domestic	190.28	676.29	273.23	12,248.64	20,890.68	12,809.20	9,896.40	9,940.10	735.30	695.90	519.88	541.01	562.36	584.02	605.78
Interests (flow)	140.90	2,937.51	1,760.17	1,012.61	1,839.96	3,010.90	4,139.56	5,830.72	6,383.89	6,480.66	6,532.35	6,451.68	6,230.20	6,035.14	5,895.52
External	126.59	104.88	118.21	122.34	155.39	356.70	1,508.57	2,953.22	3,627.69	3,750.66	3,823.25	3,763.79	3,563.60	3,390.13	3,272.42
Domestic	14.31	2,832.64	1,641.96	890.27	1,684.57	2,654.20	2,631.00	2,877.50	2,756.20	2,730.00	2,709.10	2,687.90	2,666.60	2,645.00	2,623.10
Net borrowing (gross borrowing minus amortizations)						34,016.67	49,614.20	17,802.07	4,436.61	2,303.76	-3,094.04	-8,804.03	-7,930.60	-6,818.86	-5,416.21
External						46,825.90	59,510.60	27,742.20	5,171.89	2,999.68	-2,574.14	-8,263.06	-7,368.27	-6,234.84	-4,810.47
Domestic						-12,809.23	-9,896.39	-9,940.14	-735.28	-695.92	-519.90	-540.97	-562.33	-584.02	-605.74
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	1.68	2.15	1.93	2.28	2.06	2.44	2.85	2.75	2.47	2.21	1.92	1.62	1.37	1.17	1.00
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	50.91	64.68	67.70	72.20	77.87	101.42	131.54	131.38	125.27	121.17	114.27	104.79	96.34	88.94	82.64
Debt Service as % of SGDP						0.29	0.23	0.25	0.17	0.19	0.18	0.17	0.15	0.14	0.12
Debt Service as % of Revenue (including grants and excluding other capital receipts)						11.87	10.41	12.06	8.68	10.30	10.68	10.77	10.70	10.43	10.22
Interest as % of SGDP						0.05	0.06	0.08	0.07	0.07	0.06	0.05	0.04	0.04	0.03
Interest as % of Revenue (including grants and excluding other capital receipts)						2.17	2.86	3.68	3.76	3.65	3.52	3.33	3.08	2.85	2.66
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						18.16	22.00	21.72	21.99	22.72	22.83	22.93	23.04	23.14	23.25
Adverse Shock Scenario is defined by the worst performance indicator measured in year 2026															
For Debt Stock as % of SGDP the adverse shock is: Expenditure — Expenditure															
Debt Stock as % of SGDP						2.44	3.13	3.24	3.14	3.02	2.85	2.65	2.49	2.36	2.25
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue — Revenue															
Debt Stock as % of Revenue (including grants and excluding other capital receipts)						101.42	157.27	168.05	172.55	180.23	185.20	187.71	191.81	197.51	204.88
For Debt Service as % of SGDP the adverse shock is: Expenditure — Expenditure															
Debt Service as % of SGDP						0.29	0.23	0.27	0.21	0.23	0.24	0.38	0.36	0.34	0.33
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue — Revenue															
Debt Service as % of Revenue (including grants and excluding other capital receipts)						11.87	11.56	14.21	11.29	14.00	15.35	24.72	26.67	28.31	29.86
For Interest as % of SGDP the adverse shock is: Expenditure — Expenditure															
Interest as % of SGDP						0.05	0.06	0.10	0.11	0.11	0.12	0.12	0.12	0.12	0.12
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue — Revenue															
Interest as % of Revenue (including grants and excluding other capital receipts)						2.17	3.18	4.90	5.83	6.61	7.41	8.16	8.87	9.65	10.51

Note: A draft copy of MTEF was used at time of preparing this report.

SIGNED:

Hon. Ifeatu Onejeme
Commissioner of Finance,
Anambra State.