DEBT MANAGEMENT OFFICE
NIGERIA

SFTAS
States Fiscal Transparency, Accountability and Sustainabilty

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 SFTAS PROJECT

MINSITRY OF FINANCE

OFFICE OF THE ACCOUNTANT GENERAL

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1. Introduction

Debt Sustainability Analysis (DSA) analyzes trends and patterns in Anambra State's public finance during the period 2018-2022, and evaluates the debt sustainability in 2023-2032 (long-term). The analysis highlights recent trends in revenue, expenditure, and public debt, and related policies adopted by the State government. A debt sustainability assessment was conducted which includes scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finance management.

The main objective of debt strategy is to ensure that government's financing needs and payment obligations are met as at when due and lowest possible cost, consistent with a prudent degree of risk. Consequently, analysis of the four debt management strategies (DMS) shows cost of carrying public debt, and measures the risk associated with macroeconomic and fiscal shocks.

Furthermore, analysis showed that Anambra State has solid debt position within the period under review that appears sustainable in the long term. The State's solid debt position emanated from its strong performance in terms of IGR mobilization which is underpinned by numerous successful revenue administration reforms and strict measures aimed at reducing recurrent to capital expenditure ratio. Considering the State economic forecasts vis-à-vis national forecast for national economic outlook, and some reasonable assumptions concerning the State's revenue and expenditure policies, the State's long-term outlook for public debt appears sustainable.

Finally, the State pursues a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risk. A prudent debt management strategy emerged from the State's reliance on a mix of sources of debt financing which includes external concessional loans and domestic low-cost debt instruments. Based on the State's economic forecast and reasonable assumptions underlining the State's budget estimates vis-a-vis financing options, medium-term cost-risk profile for the public debt portfolio appears consistent with debt-management objectives.

2. The State Fiscal and Debt Framework

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 and introduction of Treasury Single Account. These measures contributed to significant increase in Internally Generated Revenue (IGR) figure from a monthly figure of N1.8 billion in 2021 to approximately N2.2 billion in 2022, and the State was able to achieve N2.8b in July 2023 despite the high level insecurity and social unrest.

On the expenditure side, the State has implemented numerous strategies targeted at reducing cost of governance. This has contracted budget deficit and the need to borrow. Notable among these measures is automation of State's Payroll which links Civil Servant data to bank verification numbers (BVN) to eliminate ghost workers, and conversion of all State diesel powered Street Light to Solar powered.

The current administration of Prof. Charles Chukwuma Soludo came in with automation of IGR collection processes to increase internal revenue drive by centralizing the payment gateways and doing away with cash-based revenue collection which hitherto has been prone to fraud and corruption. To enable the state embark on a robust infrastructural development which is the major agenda of the current administration, the State has experienced unprecedented cost reduction measures to ensure value for money and cut waste.

The 2023 state approved budget shows that total revenue excluding loan is ₦199.1 billion of which the opening balance is ₦43.1 billion, statutory allocation ₦41.6 billion, derivation ₦10.1 billion, value added tax (VAT) allocation ₦35.4 billion, other statutory allocation ₦24.3 billion, internally generated revenue (independent Revenue) ₦48 billion and Capital Receipt ₦6.4 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 its 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 2: Optimistic Estimate FX Converge @ N650/$1 + Subsidy Removal**	**Current Situation**	
	2022 Revised	**2023F**	**2024F**	**2025F**
Recurrent Revenue				
Statutory Allocation	28,560,517,149	66,320,290,162	79,483,148,478	84,682,275,654
Derivation	0	3,360,000,000	3,360,000,000	3,360,000,000
VAT	26,504,682,813	30,000,000,000	31,500,000,000	33,075,000,000
IGR	40,346,896,533	48,040,061,956	53,804,869,391	59,185,356,330
Excess Crude/ Other Revenue	6,284,324,998	3,938,298,057	3,750,760,054	3,750,760,054
Total Recurrent Revenue	**101,696,421,493**	**151,658,650,175**	**171,898,777,923**	**184,053,392,038**
Capital Receipts				
Grants	13,183,200,000	6,431,000,000	5,431,000,000	5,431,000,000
Other Capital Receipts	8,931,000,000	0	0	0
Total Capital Receipts	**22,114,200,000**	**6,431,000,000**	**5,431,000,000**	**5,431,000,000**
Total Receipts	**123,810,621,493**	**158,089,650,175**	**177,329,777,923**	**189,484,392,038**
Recurrent Expenditure				
Personnel Costs	19,134,189,053	20,502,365,218	22,522,601,640	24,807,861,914
Social Contribution and Social Benefit	6,076,233,644	6,683,857,008	7,352,242,709	8,087,466,980
Overheads	24,331,118,320	24,683,155,716	25,917,313,502	27,213,179,177
Grants, Contributions, and Subsidies	3,452,502,686	3,970,378,389	4,367,415,898	4,804,157,488
Public Debt Service	7,468,044,954	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
Total Recurrent Expenditure	**61,381,259,671**	**72,091,195,882**	**78,241,013,619**	**82,961,105,329**
Capital Expenditure				

Discretional Funds	88,632,284,460	136,265,213,119	114,749,519,856	105,302,176,908
Non-Discretional Funds	19,614,200,000	3,431,000,000	3,431,000,000	3,431,000,000
Total Capital Expenditure	**108,246,484,460**	**139,696,213,119**	**118,180,519,856**	**108,733,176,908**
Planning Reserve	**0**	**5,302,241,251,**	**4,908,244,448**	**4,787,109,801**
Total Expenditure (Budget Size)	**169,627,744,131**	**217,809,650,175**	**201,329,777,923**	**196,484,392,038**
Financing (Loans)	**51,137,720,188**	**59,000,000,000**	**24,000,000,000**	**7,000,000,000**

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

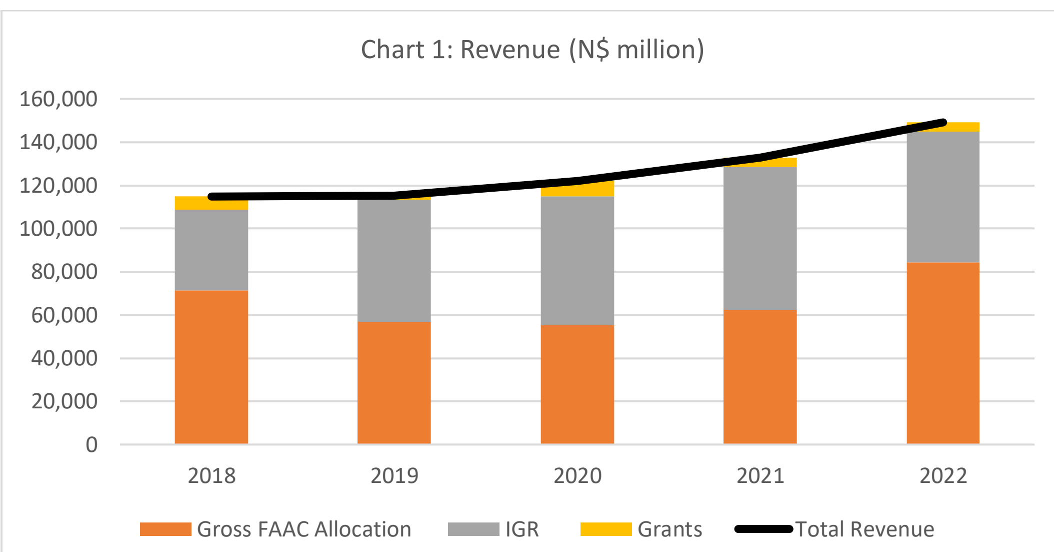
3. The State Revenue, Expenditure, and Public Debt Trends (2018–2022)

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 2018-2022, and the outstanding debt stock trend in the same period are explained with particular emphasis on 2022.

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.



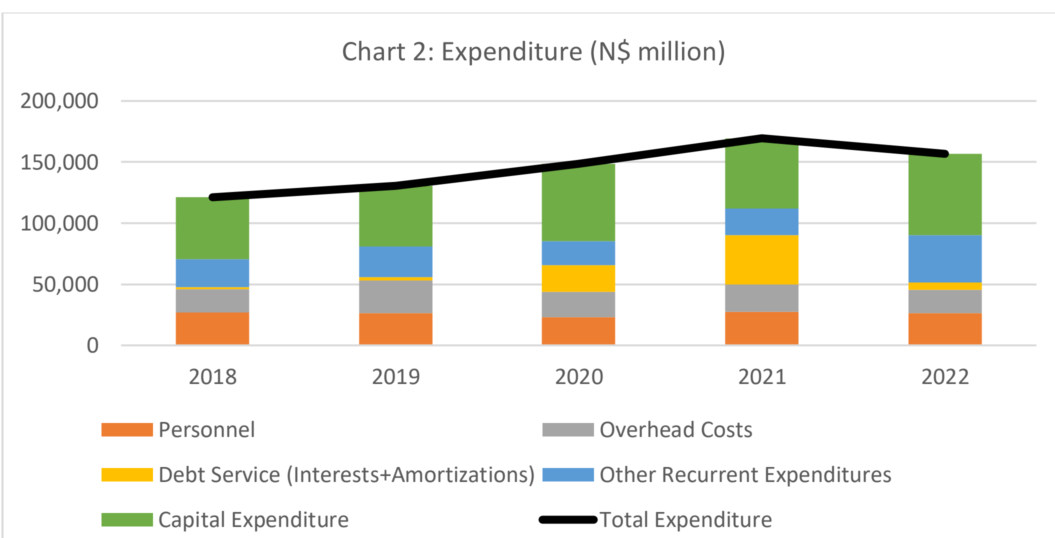
From the above chart, total revenue increased from N114.8billion in 2018 to N149.1 billion in 2022, indicating a 29.91% increase. Analyzing the growth trend of all the revenue components between 2018 and 2022, Gross FAAC decreased from ₦71.3b in 2018 to ₦56.7b in 2019. It eventually rose to ₦84.3b in 2022. The Internally Generated Revenue (IGR) component increased from N37.4 billion in 2018 to N56.6 billion in 2019, the figure went up to N66.2 billion in 2021, and eventually dropped to N60.4 billion in 2022. The drop in the 2022 (IGR) figure may be as a result of the weekly sit-at-home being observed in the south east and its resultant adverse effect on the economy of south eastern states. Also, the Grants reduced from N5.9 billion in 2018 to N4.3 billion in 2022.

During the period under review from 2018 to 2022, the State (IGR) grew by 61.5%. Taking a good look at the (IGR) as a share of aggregate revenue, it recorded 32.6% in 2018, while in 2022, it is 40.5%. The tax administration reforms aimed at improving collection rates and broadening the tax revenue base has contributed immensely to the growth of (IGR) in the State. It is worthy to mention that 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 has helped streamline IGR payment into the State Treasury Single Account and also improved the IGR billing system. The State also introduced the use of USSD code in the payment of taxes.

The Statutory FAAC allocation, which includes transfers from Excess Crude Account, increased by over 18% between 2018-2022.

The FAAC allocation shows a contribution of over 62% of the total revenue of Anambra State in 2018, and it decreased to 49.2% in 2019. It later increased to 56.5% in 2022. 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.

In addition, there was a decrease in revenue from Grant by 27.9% between 2018 and 2022. The year with the highest revenue from Grant is 2020, with a 5.7% share of total revenue. The figure forGrants increased in 2020, and it was as a result of increase in Grants from World Bank for SEPIP and SLOGOR projects.



From Chart 2 above, there was an increase in expenditure from N121.2 billion in 2018 to N156.5 billion in 2022, which indicates a 29.1% growth rate.

Capital expenditure: There was an increase in this expenditure category between 2018 and 2020 from N50 billion to N63 billion, and later decreased in 2021 to N57 billion. In 2022, there was a massive increase to N66 billion. In 2018, the share of capital expenditure to total expenditure is 41.7% and it increased to 42.3% in 2022. This represents a slight increase of 1% between 2018 and 2022. The increase in the share of capital expenditure witnessed across the year under review and especially in 2022 was due to the State Government's policy of spending more on capital projects like road construction, in line with budget best practice to drive sustainable development for a livable and prosperous state.

Personnel cost: This took the highest share of expenditure after capital expenditure, except in 2021 where debt service was the second highest after capital expenditure. As at 2018, the share of personnel cost to total expenditure was 22.1%, and it reduced to 16.7% in 2022.

Overhead cost: Between 2018 and 2022 this expenditure category increased by 1.24%. The share of overhead cost to the total expenditure was 15.69% in 2018, and it increased to 20.3% in 2019. It eventually dropped to 12.29% in 2022.

Debt servicing: From 2018 to 2022, there was an increase in this category. It went from N1.5 billion in 2018 to N6.2 billion, representing 294.09% increase. The share of debt servicing to total expenditure in 2018 was 1.3%, and it increased to 14.5% in 2020. It further increased to 23% in 2021 and later decreased to 3.97% in 2022. The reduction in external debt service in 2022 is as a result of the settlement of some categories like MSMEDF and AADS. The aforementioned debt categories have been cleared hence, they no longer exist in 2022.

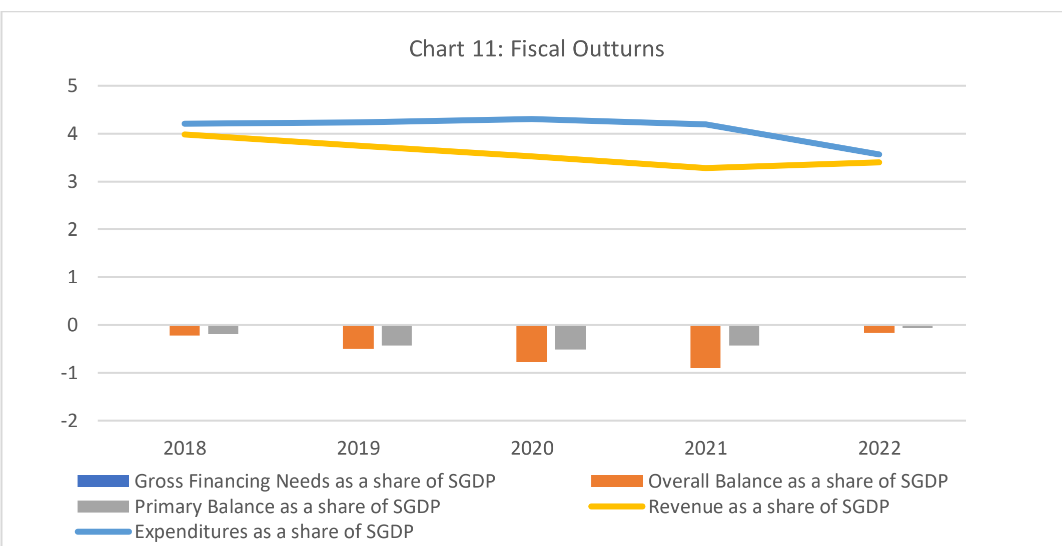
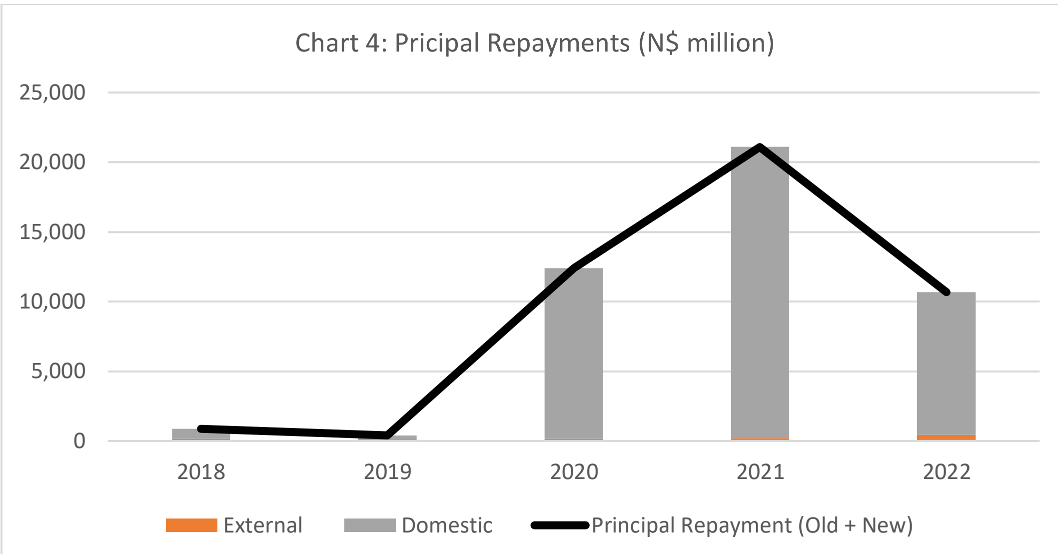
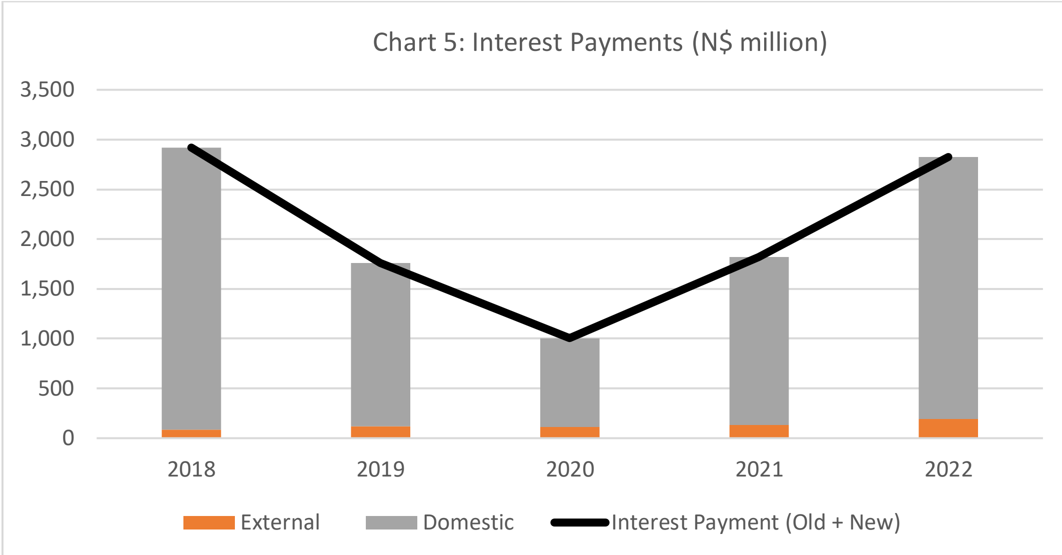


Chart 11 presents a variation of the total revenue and expenditure as a percentage of State-GDP. Total expenditure of the State as a percentage of the State GDP was 4% in 2018, and it maintained same all through to 2022. Also, revenue as a share of GDP exhibited a similar trend in 2018 to 2020 at 4% and it reduced to 3% in 2021 and 2022. Since 2018 the overall balance depicts a zigzag movement reducing from 0% in 2018 and 2019 to -1% in 2020 and 2021. It later returned to 0% in 2022.



From Chart 4, there was a decrease in principal repayment by 52.7% from 2018 to 2019. It increased by 3,004.4% from 2019 to 2020. There was a huge decline in the percentage difference between 2020 and 2021 at 70.4%. It eventually dropped to -49.3% in 2022. 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 2018 to 2020, the sum total of principal loan repayment for domestic loan is N13.1billion. Then, in 2021, repayment was more than N20billion and later decreased to N10billion in 2022. The drop in repayment as at 2022 was as a result ofsettlement of some debt categories like MSMEDF and AADS in 2021.The principal loan repayment for External loan within the five years period under review (2018 – 2022) was between N167million and N455millon.



From chart 5, it indicates that interest payments on loans within the period of review, is mostly for domestic loans. The share of interest payment on domestic loans was 97.03% in 2018. It thereafter decreased to 93.3% in 2019. In 2020, it dropped to 88.5%, and later stood at 93.2% in 2022. The decrease in 2020 was as a result of the suspension of debt servicing by the Federal Government on categories such as Excess Crude Account loan (ECA), and Budget Support Facility (BSF), which later resumed in 2021. The external debts have longer maturity period and their interest repayment is spread over a longer period of time.

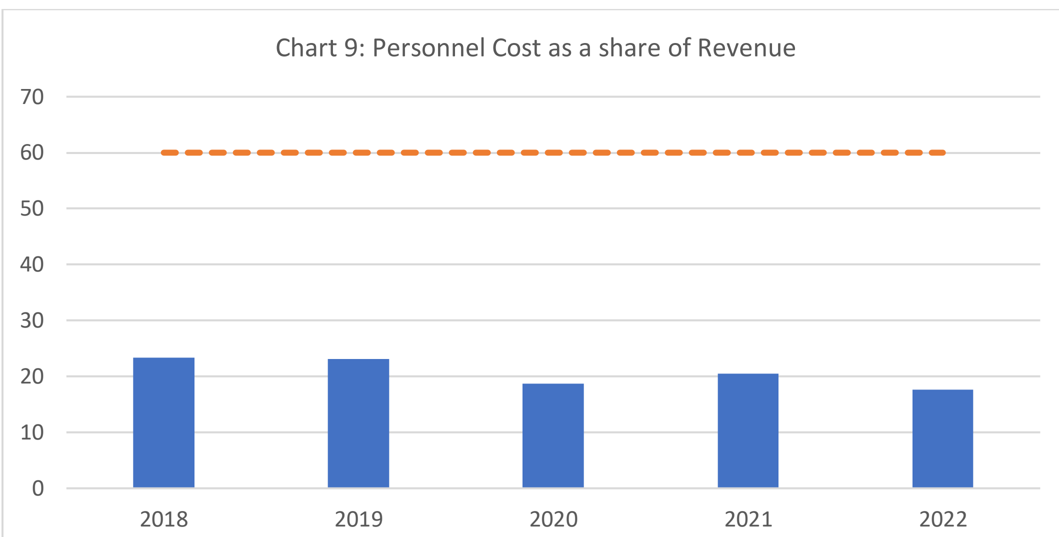
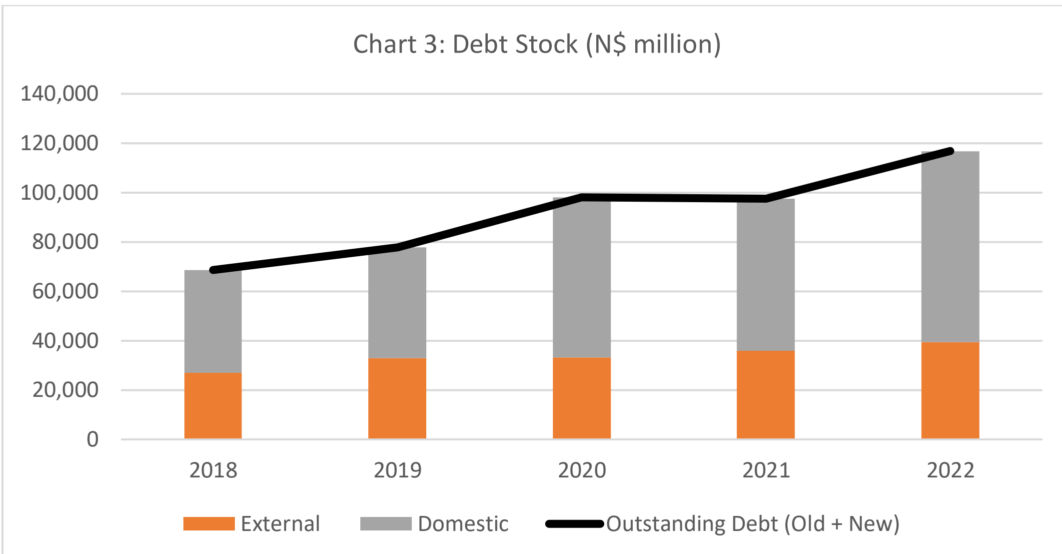


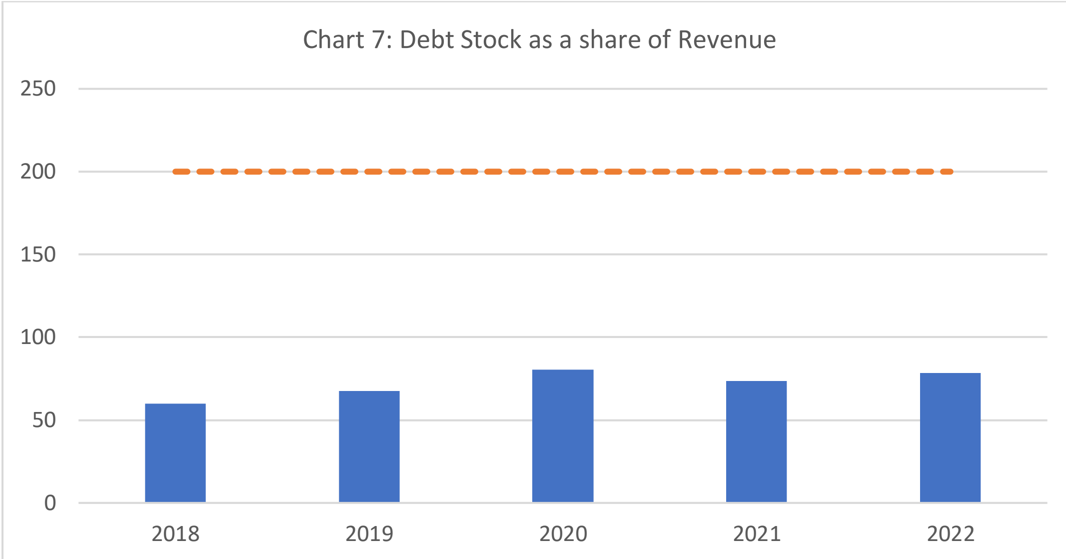
Chart 9 shows that from 2018 to 2022, the personnel cost share of total revenue is below 25%. This is below the 60% threshold. It stayed at 22% in both 2018 and 2019, and it dropped to 19% in 2020. There was a slight increase to 20% in 2021, and it subsequently reduced to 18% in 2022. The decrease is 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 inthe 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 which instrument the government's 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 owned enterprises non-guaranteed liabilities).



From Chart 3, the State public debt increased from N68.6billion in 2018 to N116.8billion in 2022.This increase was as a result of the government's commitment to the development of capital intensive projects. The external debt in 2018 was N27.1billion, and it increased to N39.8billion in 2022. Similarly, domestic debt increased from N41.5billion in 2017 to N77.4billion in 2022. The increase in domestic debt crowds out the increase in internally generated revenue recorded across the years (2018-2022) under review. As at 2018, the share of total public debt as a percentage of the State Total Revenue was 60%, and further increased to 78% in 2022. However, in terms of the state GDP, in nominal terms, the share of total public debt across the years was below 4% from 2018 to 2022. 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 rose by a wider margin during the period, it increased by 87%, while external debt grew by 45% from 2018 to 2022. The external debt kept increasing in every year while the domestic debt increased from 2018 to 2020 and later dropped in 2021. The domestic debt eventually increased in 2022.

The major contributors to the rising public debt are: Excess Crude Account Backed Loan, Judgement 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 2018-2022. 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 33.6% of the total stock in 2022. All Domestic loans and External loans have fixed-rate obligations, thus not affected by changes in interest rates. Quite a good numberof 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 2022

Indicator	Thresholds	Anambra State Score
Debt/SGDP	25%	3%
Debt/Revenue	200%	78%
Debt Service/Revenue	40%	9%
Personnel Cost/Revenue	60%	18%
Debt Service/FAAC Allocation	Nil	16%
Interest Payment/Revenue	Nil	2%
External Debt Service/Revenue	Nil	0%

Note: Nil means not available

Source: State's Financial Statements

From the indicative threshold presented in Table 1, Public Debt as a share of SGDP was between 1% and 3% which falls below the threshold of 25%. Public Debt as a share of the total revenue was 60% in 2018 and 78% in 2022, 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 in 2022 it was 9%. The personnel cost share as a percentage of total revenue was also below the threshold of 60%. The figure was 23% in 2018, and later decreased to 18% in 2022. The Anambra State performance against variables with indicative threshold shows that debt burden is very sustainable.

For the debt burden without threshold, Debt service as a share of FAAC allocation was below 25% from 2018 to 2020. This increased to 37% in 2021 and it later dropped to 16% in 2022. The projected values indicate a continuous increase up to 91% by 2032. For interest payment as a share of revenue, the historical figure (2018-2022) was below 4%, also the projected figure (2023-2032) was between 2% and 32% throughout the years. Also, External Debt Service as a share of Revenue was between 0% from 2018 to 2022, and 1% from 2023 to 2032 for the projected years. 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 at 3.75% in 2023, and it is expected to 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, and will help increase oil production from 1.69mbpd in 2023 to 1.83mbpd in 2024 and 2025.

This increase in oil production would stimulate the local economy, increase Nigeria's foreign reserve, and help sustain the country's exchange rate standing at US$1/N435 in 2023, which is projected to remain the same till to 2025.

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	**2023**	**2024**	**2025**
BASIC ASSUMPTIONS			
National GDP (at current prices) (N)	183,723,766.9	203,714,015.1	225,082,800.5
GDP Growth Rate (National) (%)	3.75%	3.30%	3.46%
State GDP (at current prices) (N)	6,525,533.5	7,497,060.6	8,340,878.1
Oil Production Benchmark (mbpd)	1.69	1.83	1.83
Oil Price Benchmark (US$/mbpd)	70	66	62
Exchange rate (US$/N)	435.57	435.92	435.57
Inflation (%)	17.16%	16.21%	17.21%

Source: Anambra State Multi Year Budget 2022

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 e-Payments, 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	2023	2024	2025
Recurrent Revenue				
Gross Statutory Allocation	28,560,517,149	66,320,290,162	79,483,148,478	84,682,275,654
Derivation	0	3,360,000,000	3,360,000,000	3,360,000,000
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Excess Crude/Other Revenue	6,284,324,998	3,938,298,057	3,750,760,054	3,750,760,054
Total Recurrent Revenue	**101,696,421,493**	**151,658,650,175**	**171,898,777,923**	**184,053,392,038**
Grants	13,183,200,000	6,431,000,000	5,431,000,000	5,431,000,000
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Total Capital Receipts	**22,114,200,000**	**6,431,000,000**	**5,431,000,000**	**5,431,000,000**
Total Receipts	**123,810,621,493**	**158,089,650,175**	**177,329,777,923**	**189,484,392,038**
Outflows				
Recurrent Expenditure				
Personnel Costs	19,134,189,053	20,502,365,218	22,522,601,640	24,807,861,914
Social Contribution and Social Benefit	6,076,233,644	6,683,857,008	7,352,242,709	8,087,466,980
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Grants, Contributions and Subsidies	3,452,502,686	3,970,378,389	4,367,415,898	4,804,157,488
Public Debt Service	7,468,044,954	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
Total Recurrent Expenditure	**61,381,259,671**	**72,091,195,882**	**78,241,013,619**	**82,961,105,329**
Capital Expenditure				
Discretional Funds	88,632,284,460	136,265,213,119	114,749,519,856	105,302,176,908
Non-Discretional Funds	19,614,200,000	3,431,000,000	3,431,000,000	3,431,000,000
Total Capital Expenditure	**108,246,484,460**	**139,696,213,119**	**118,180,519,856**	**108,733,176,908**
Planning Reserve	**0**	**5,302,241,251,**	**4,908,244,448**	**4,787,109,801**
Total Expenditure (Budget Size)	**169,627,744,131**	**217,809,650,175**	**201,329,777,923**	**196,484,392,038**
Financing (Loans)	**51,137,720,188**	**59,000,000,000**	**24,000,000,000**	**7,000,000,000**

Source: Anambra State MTEF 2022T

The DSA-MTDS report is based on the exchange rate of N435.56 to US $1 from the national Medium-Term Expenditure Framework (MTEF) prepared in 2022, which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities."

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. The State would increase both revenue and expenditure in 2023, in order to have enough funds to execute developmental projects and at the same time, meet up with debt servicing. Subsequently in 2024 and 2025, expenditure would drop while revenue continues to rise. This is aimed at avoiding unfavorable revenue to debt service ratio within the period.

4.2Borrowing 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 are 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

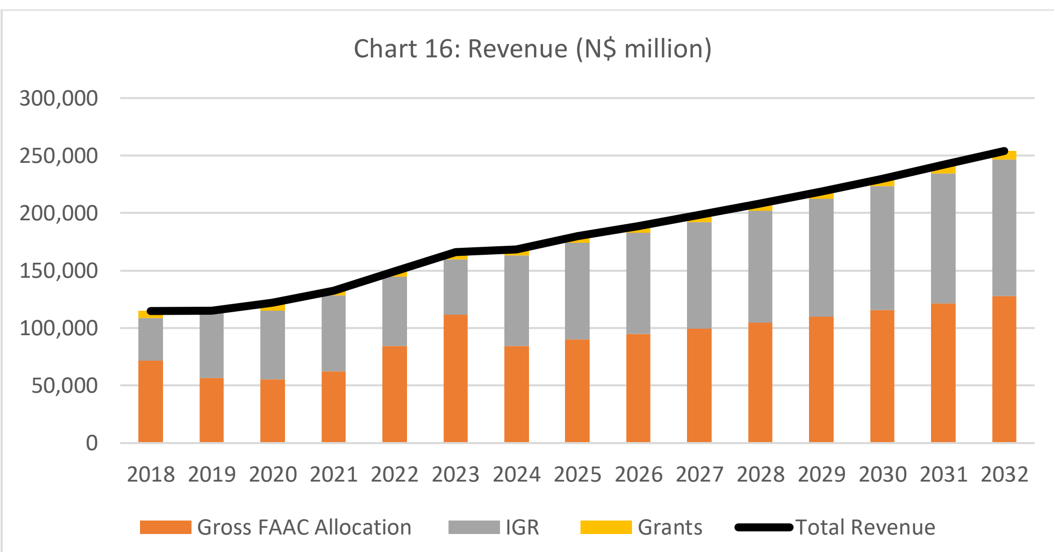
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)
Domestic Financing										
Commercial Bank loan (maturity 6 years or	72,473.5	47,631.8	39,254.1	29,664.3	32,811.6	37,583.4	41,762.3	45,842.6	52,675.3	57,842.3

longer)										
Other Domestic financing	37,936.3	23,503.8	27,638.4	13,053.7	16,141.2	16,817.1	17,599.7	18,758.4	17,749.4	18,877.9
Total gross borrowing requirements	110,409.8	71,135.6	66,892.5	42,718.0	48,952.8	54,400.5	59,362.0	64,601.0	70,424.7	76,720.2

4.3 DSA Simulation Results

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

4.3.1 Revenue: Total revenue including grants and excluding other capital receipts) is projected to increase from N149 billion in 2022 to N253 billion by 2032. Gross FAAC contributes more to this increase both in the medium and long-term. Gross FAAC share of the total revenue was 56% in 2022 and is projected to decrease to 50% in 2032. The share of Internally Generated Revenue was 40% in 2022 and decreased to 28% in 2023. It is expected to increase to 46% in 2032. The Grants share of Revenue in 2022 was 2.8%,and it increased to 3% in 2031. Details of the revenue growth and projections are presented in the Figure below:



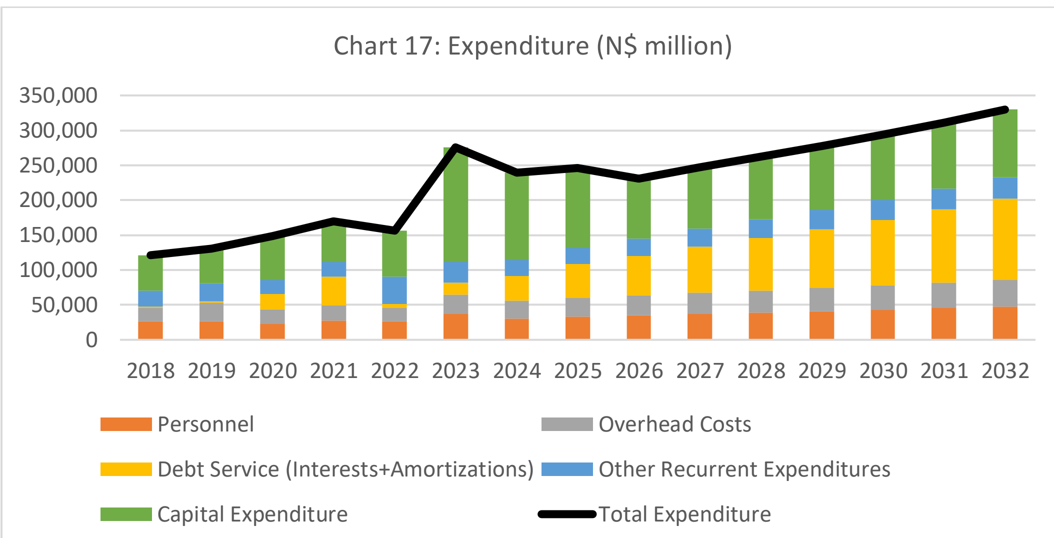
In the Baseline Scenario under the reference debt strategy (S1), the State preserves debt sustainability.

4.3.2 Expenditure: Total expenditure is expected to increase from N156 billion in 2022 to N329 billion by 2032. Personnel cost which occupied a share of 16% in 2022 is expected to decrease to 14% by 2032.

Overhead cost with a share of 12% in 2022, is projected to reduce to an 11% share of the total expenditure by 2032.

For capital expenditure, its share of total expenditure in 2022 was 42%, and it reduced to 29% in 2032.

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 simultaneously as can be seen in Chart 22 below. Debt is projected to rise from N116 billion as at end of 2022 to N578 billion by 2032 (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 66% in 2022 and then to 94% in 2032. The debt stock as a share of total revenue is expected to increase from 78% in 2022 to 227% by 2032. From 2022 to 2027, the debt stock as a share of total revenue was below the threshold of 200. It eventually gets to rise above the threshold in 2028, considering the chart 22 below.This shows negative implication for the State debt profile and if it is not adequately tackled, it will endanger the State's chances of further borrowing. Therefore, the State is advised to open up 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

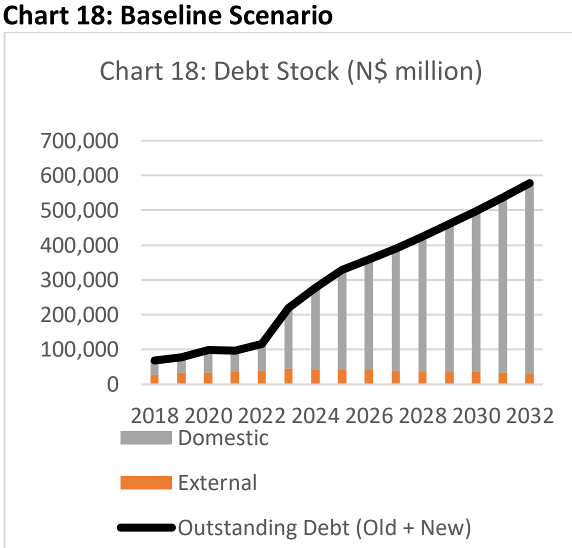
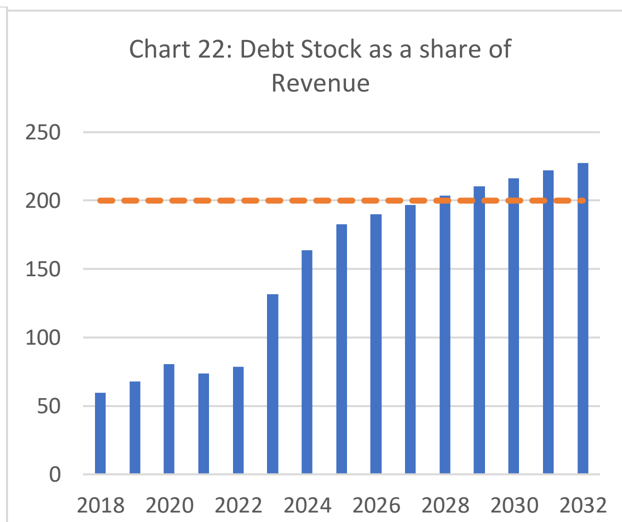


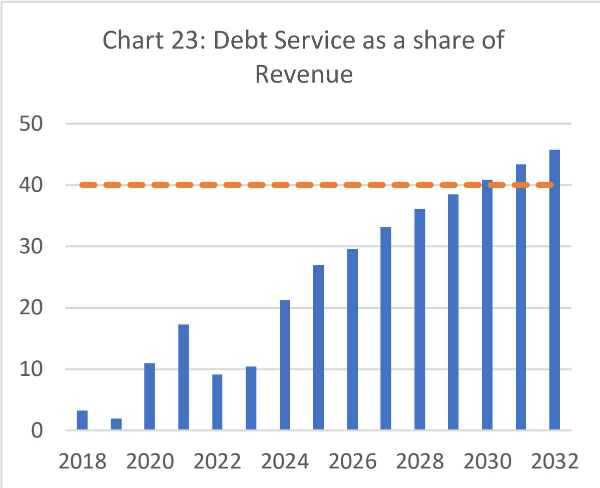
Chart 22: Baseline Scenario

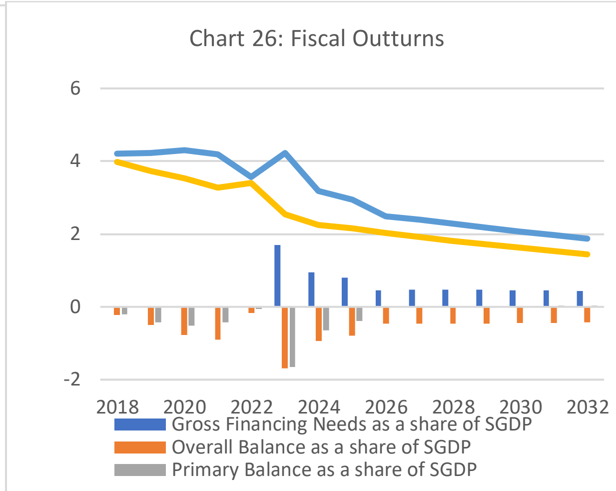


Source: State's Forecast

Chart 23: Baseline Scenario

Chart 26: Baseline Scenario





Source: State's Forecast

Conclusion

The outcome of the 2023 DSA revealed that Anambra State'stotal debt is 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 except 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 to further improve 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 entire State, introducing USSD payment options and Anambra State IGR payment app are presently 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. Making functional 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 with 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 2023-2032 grow in line with their respective historical average growth rates observed in 2018-2022. 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 grew 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 2024 when it was 164% and increased to 228% in 2032, against the threshold of 200%. Also the Debt service as a percentage of revenue exhibited a similar pattern as it grew to 27% in 2025 and later to 46% in 2032 against the threshold of 40%. Personnel cost as a percentage of revenue remained far below the threshold throughout the projected period. The figure for grants throughout the historical and projected years is relatively low. Therefore, the state is advised to look towards attracting more grants, while more effort should be put into increasing the IGR.It is also important for our State to curtail expenditure, 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 SGDP remains lower than the threshold across the projected years, while debt stock as a share of revenue rose above the threshold in 2028 at 204%. Debt service as a percentage of revenue grew more than the threshold in 2030 at 41%, and it got to 46% by 2032.

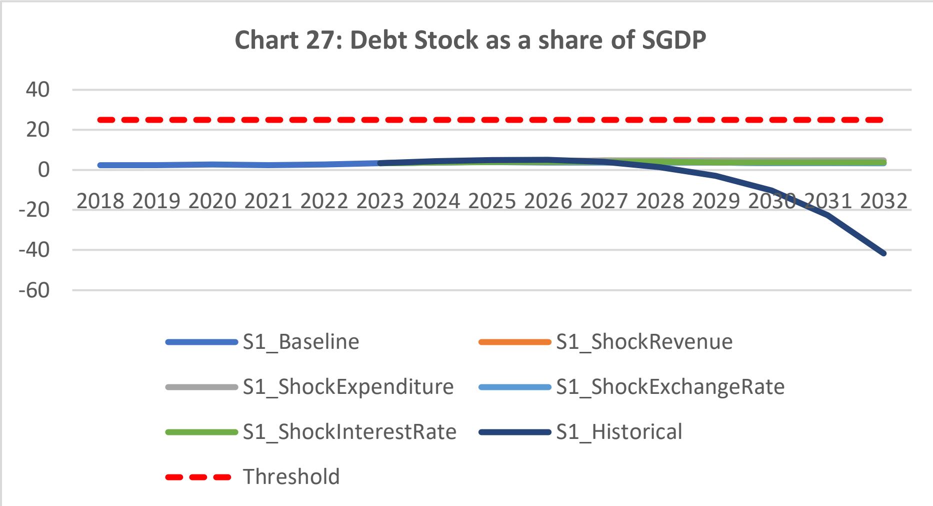
Personnel cost as a percentage of revenue remained far below the threshold throughout the projected period. The results of the shock scenario were consistent with the historical scenario. This implies a moderate worsening of the State's public debt position and a build-up of fiscal vulnerability in the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

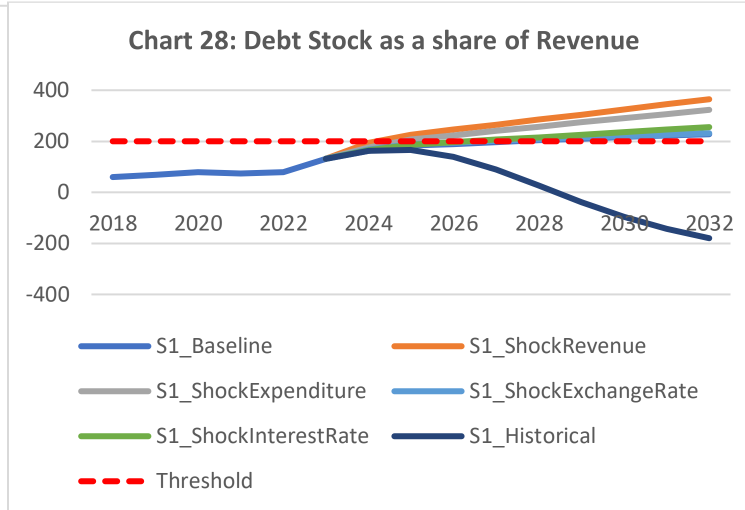
Conclusion:

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 an unsustainable debt level in the economy over the long term. .

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

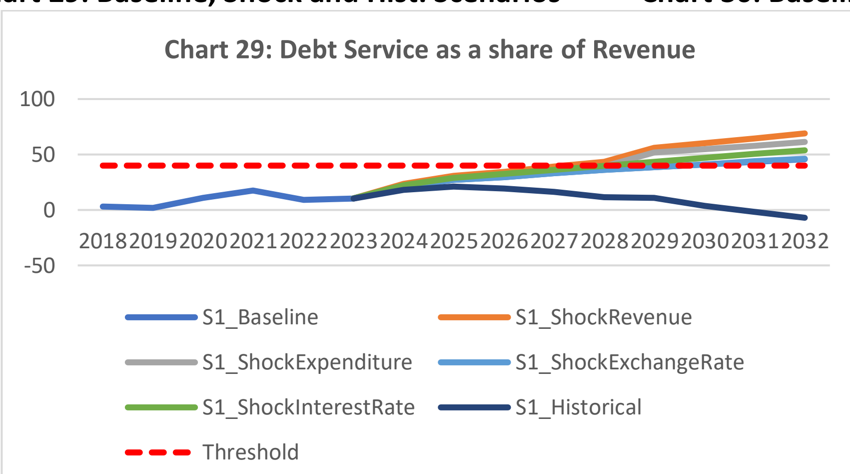
Chart 27: Baseline, Shock and Hist. Scenarios Chart28: Baseline, Shock and Hist. Scenarios

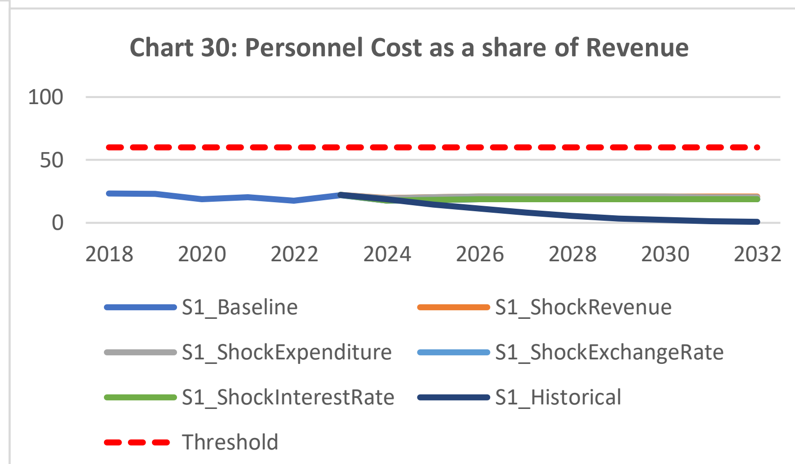




Source: State's Forecast

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 term, 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 Service/Revenue (%) and Interest/Revenue (%)[1]. For any DMS, its cost is measured by the expected value of a performance indicator in 2026 (as projected in the baseline scenario). Risk is measured by the deviation from the expected valuein 2026, 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 2023 and 2032 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

[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).

Strategy one maintain the MTEF Financing Mix highlighted in Section 4. It follows the broad parameters of the financing mix in the fiscal year 2022 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 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

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	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)	72,473.5	47,631.8	39,254.1	29,664.3	32,811.6	37,583.4	41,762.3	45,842.6	52,675.3	57,842.3
Other Domestic financing	37,936.3	23,503.8	27,638.4	13,053.7	16,141.2	16,817.1	17,599.7	18,758.4	17,749.4	18,877.9
Total gross borrowing requirements	110,409.8	71,135.6	66,892.5	42,718.0	48,952.8	54,400.5	59,362.0	64,601.0	70,424.7	76,720.2

Strategy 2

For DMS (S2), Anambra State plans to borrow from 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 84.4% while external is about 15.6% of the total borrowing.

Table 9: Strategy 2

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Domestic Financing										
Other Domestic Financing	79,658.6	58,567.2	25,524.1	19,174.7	17,811.4	16,307.6	13,890.1	10,398.6	6,171.2	601.9
External Financing										
External Financing – Concessional Loans (e.g WB, AFDB)	70.6	10.4	8.3	4.6	4.1	2.2	1.2	0.8	0.3	0.4
Total Gross Borrowing Requirements	110,409.8	63,097.1	54,139.3	21,178.3	19,597.2	17,265.9	14,412.8	10,747.1	6,301.9	776.1

Note: the figures of the external loans are in US$ and were converted using an exchange rate of US$1/N435.6

Strategy 3

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

Table 10: Strategy 3

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Domestic Financing										
Other Domestic Financing	110,409.8	66,787.2	58,751.3	24,986.0	23,748.5	21,812.5	19,377.7	16,125.9	12,155.0	7,143.4

Total Gross Borrowing Requirements	110,409.8	66,787.2	58,751.3	24,986.0	23,748.5	21,812.5	19,377.7	16,125.9	12,155.0	7,143.4

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

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
External Financing										
External Financing Concessional Loans (e.g WB, AFDB)	20.5	7.2	6.1	2.3	1.3	0.9	0.7	0.6	0.4	0.5
Other External Financing	233.0	118.0	109.9	36.1	41.2	36.2	30.9	23.7	15.2	4.3
Total Gross Borrowing Requirements	110,409.8	54,552.8	50,544.4	16,711.9	18,504.9	16,178.3	13,763.1	10,574.0	6,791.4	2,084.4

5.2 DMS Simulation Results

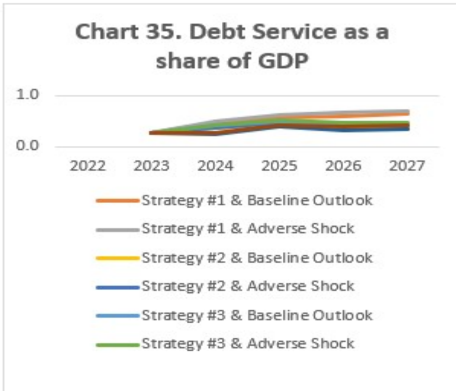
In this section, the results obtained from the four DMS, focusing on the three performance indicators (Debt/Revenue, Debt service/Revenue and Interest/Revenue) are presented and analyzed. The analysis includes comparisons between the reference debt strategy (S1) and the three alternatives (S2, S3, and 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 131.6% in 2023 to 197% in 2027. For debt strategy (S2), debt stock as a percentage of revenue is projected to increase slightly from 131.6% in 2023 to 158.3% in 2027. For debt strategy (S3), debt stock as a percentage of revenue is projected to increase from 131.6% in 2023 to 164.1% in 2027. For debt strategy (S4), debt stock as a percentage of revenue is projected to increase from 131.6% in 2023 to 140.7% in 2027. 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 197% and a risk of 68.1%. Under debt strategy (S2), the cost of adopting the strategy is 158.3% and a risk of 63.8%. For debt strategy (S3), the cost of adopting the strategy is 164.1% and a risk of 64.4%. While for debt strategy (S4), the cost of adopting the strategy is 140.7% and a risk of 61.8%. The chart is presented below for more emphasis.

Strategy 4 has the lowest cost and risks estimated at 140.7% and 61.8% respectively. Strategy 1 has the highest costs and risks of 197% and 68.1% respectively. This is compared to Strategy 2 and Strategy 3 that are estimated to have moderate costs and moderate risks during the projection period, 2023-2027.



Source: State's Forecasts

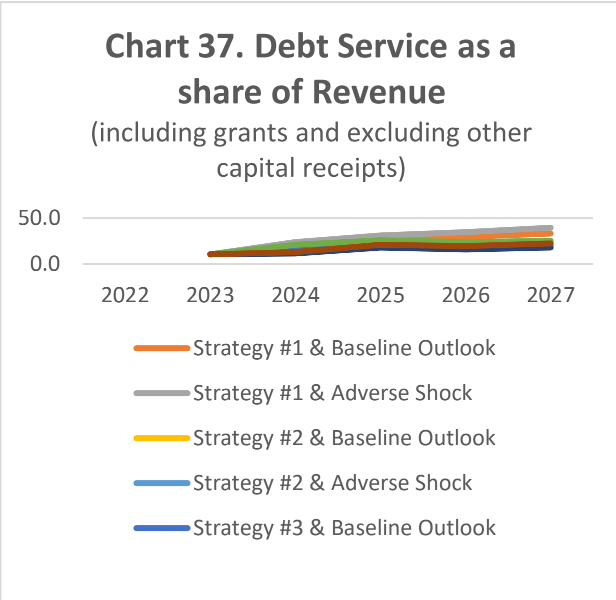
Source: State's Forecasts

5.2.2 Debt Service 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 10.5% in 2023 to 33.1% in 2027. For debt strategy (S2), debt service as a percentage of revenue is projected to increase from 10.5% in 2023 to 18.3% in 2027. For debt strategy (S3), debt service as a percentage of revenue is projected to increase from 10.5% in 2023 to 20.4% in 2027. For debt strategy (S4), debt service as a percentage of revenue is projected to increase from 10.5% in 2023 to 17.8% in 2027. 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 33.1% and a risk of 6.3%. Under debt strategy (S2), the cost of adopting the strategy is 18.3% and a risk of 4.6%. For debt strategy (S3), the cost of adopting the strategy is 20.4% and a risk of 4.9%. While for debt strategy (S4), the cost of adopting the strategy is 17.8% and a risk of 4.6%. The information is presented in the figure below.

Thus, Strategy 4 has the lowest cost and risks estimated at 17.8% and 4.6% respectively. Strategy 1 has the highest costs and risks of 33.1% and 6.3% respectively. This is compared to Strategy 2 and Strategy 3 that are estimated to have moderate costs and moderate risks during the projection period, 2023-2027.



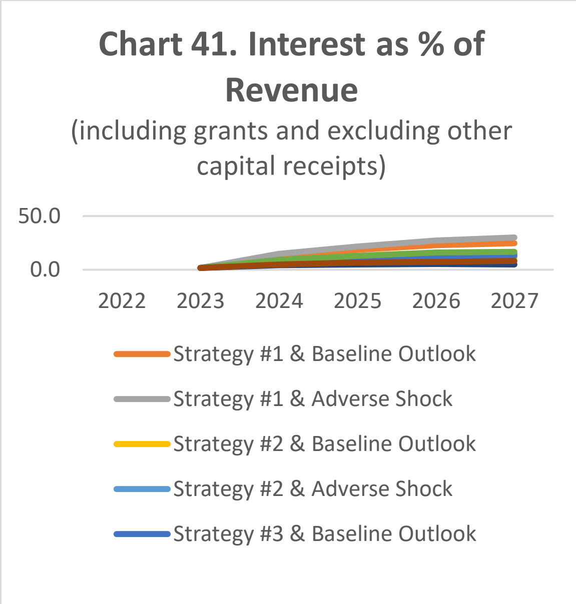
Source: State's Forecasts

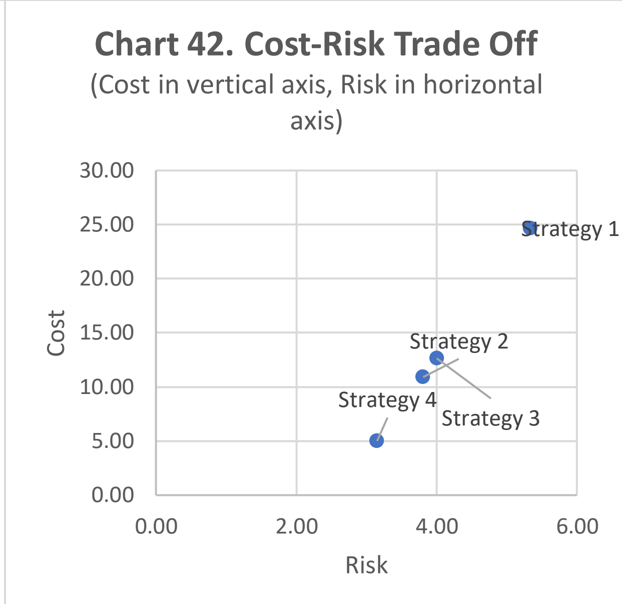
5.2.3 Interest as a share of Revenue

In the Baseline Scenario under the reference debt strategy (S1), interest as a percentage of revenue is projected to increase from 1.7% in 2023 to 24.7% in 2027. For debt strategy (S2), interest as a percentage of revenue is projected to increase from 1.7% in 2023 to 10.9% in 2027. For debt strategy (S3), interest as a percentage of revenue is projected to increase from 1.7% in 2023 to 10.9% in 2027. For debt strategy (S4), interest as a percentage of revenue is projected to increase from 1.7% in 2023 to 5% in 2027. 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 24.7% and a risk of 5.3%. Under debt strategy (S2), the cost of adopting the strategy is 10.9% and a risk of 3.8%. For debt strategy (S3), the cost of adopting the strategy is 12.6% and a risk of 4%. While for debt strategy (S4), the cost of adopting the strategy is 5% and a risk of 3.2%. The information above is presented in the chart below.

Thus, Strategy 4 has the lowest cost and risks estimated at 5% and 3.2% respectively. Strategy 1 has the highest costs and risks of 24.7% and 3.8% respectively. This is compared to Strategy 2 and Strategy 3 that are estimated to have moderate costs and moderate risks during the projection period, 2023-2027.





Source: State's ForecastsSource: State's Forecasts

5.2.4 DMS Assessment

The Debt Management Strategy, 2023-2027 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 of the four Debt Management Strategies:

1. **For Debt stock as a percentage of revenue,** the performance of the reference strategy 1 (S1) has a higher cost-risk profile of 197% and 68.1% respectively compared to the performance of the other three alternatives. Strategy 4 has the lowest cost and risk estimated at 140.7% and 61.8% respectively,while Strategy 3 and Strategy 2 are estimated to have moderate costs and moderate risks during the projection period, 2023-2027.
2. **For Debt service as a percentage of revenue,** the performance of Strategy 1 has the highest cost and risk estimated at 33.1% and 66.3% respectively. Strategy 4has the lowest costs and risks of 17.8% and 4.6% respectively. Strategy 2and 3 are estimated to have moderate costs and moderate risks during the projection period, 2023-2027.

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 5% and 3.2% respectively. Strategy 1 has the highest costs and risks of 24.7% and 5.3% respectively while Strategy 3 and

Strategy 2 are estimated to have moderate costs and moderate risks during the projection period, 2023-2027.

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 due to exchange rate fluctuations, 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 2023 is Strategy 2. The results (risk and cost) when applying Strategy 2 in the three debtmanagement 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 moderately increased. The share of foreign-currency debt will be reduced from 33% at end-2022 to 10% at end-2027.

Conclusion:

This Preferred Strategy (S2) in the State's Debt Management Strategy, 2023-2027, 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 14.1%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

1	2023			
2			**Projection Methodology**	**Source**
3	Assumptions:			
4	**Economic activity**	State GDP (at current prices)	The State GDP as projected from 2023-2032 are based on extract from NBS projections.	Debt Management Office, Abuja
5				
6	**Revenue**	**Revenue**		
7		1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	The figures for 2024 and 2025 were gotten from the State 2022 MTEF document, while 5% markup was used to forecast from 2026 to 2032. Actuals of 2018 to 2021 were also used as extracted from the Audited Financial Statement while figures for 2022 was from Audited Financial Statement. This projection was carried out after a careful study of the Federal Government Budget which is showing a positive return.	DSA Team, Ministry of Finance and Economic Development. Anambra State
8		1.a. of which Net Statutory Allocation ('net' means of deductions)		DSA Team, Ministry of Finance and Economic Development. Anambra State
9		1.b. of which Deductions		DSA Team, Ministry of Finance and Economic Development. Anambra State
10		2. Derivation (if applicable to the State)	This was gotten from the 2022 State MTEF document from 2024 - 2025. Then 8% mark up was used between 2026 to 2032.	
11		3. Other FAAC transfers (exchange rate gain, augmentation, others)		DSA Team, Ministry of Finance and Economic Development. Anambra State
12		4. VAT Allocation		DSA Team, Ministry of Finance and Economic Development. Anambra State
13		5. IGR	The figures for the period 2024 and 2025 were obtained from the 2022 State MTEF document and assumption of N25B as BTL Receipt was added. Thereafter, marked up by 5% from 2026 to 2032. 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.	DSA Team, Ministry of Finance and Economic Development. Anambra State
14		6. Capital Receipts		
15		6.a. Grants	The figures for 2024 and 2025 were gotten from the State MTEF document, while 5% markup was used to forecast between 2026 to 2032.	DSA Team, Ministry of Finance and Economic Development. Anambra State
16		6.b. Sales of Government Assets and Privatization Proceeds		
17		6.c. Other Non-Debt Creating Capital Receipts		
18				
19	**Expenditure**	**Expenditure**		
20		1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	The figures for 2024 and 2025 were gotten from the State MTEF document, while 8% markup was used in 2026 and 5% from 2027 to 2032. This is as a result of the new Administrations promise to increase staff salaries in years to come, increase in pensioners and advancement of existing staff.	DSA Team, Ministry of Finance and Economic Development. Anambra State
21		2. Overhead costs	The figures for 2024 and 2025 were gotten from the 2022 State MTEF document, while 5% markup was used to forecast 2026 to 2032.	DSA Team, Ministry of Finance and Economic Development. Anambra State
22		3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Actuals as extracted from the Audited Financial Statement from 2018 to 2022.	
23		4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	The figures for 2024 and 2025 were gotten from the State MTEF document, while 3% markup was used to forecast of 2026 and 3.5% between 2027 to 2032. This is because of the rate of inflation and other below the line expenditures which might occur during the year.	DSA Team, Ministry of Finance and Economic Development. Anambra State
24		5. Capital Expenditure	The figures for 2024 and 2025 were gotten from the State MTEF document, while the projection reduced by 25% in 2026, due to the completion of most capital projects by then. From 2027 to 2032, there is a 2% mark-up for maintenance of capital projects.	
25				
26	**Closing Cash and Ba**	**Closing Cash and Bank Balance**	A mark-up of 3% was applied from 2023 to 2025. There is also a 5% mark-up from 2026 to 2032.	
27				
28	**Debt Amotization an**	**Debt Outstanding at end-2022**		
29		External Debt - amortization and interest	External Debt (Amortization and Interest) was gotten from the DMO debt stock for the State as at end 2022.	DSA Team, Ministry of Finance and Economic Development. Anambra State

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	The State GDP as projected from 2023-2032 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 2024 and 2025 were gotten from the State 2022 MTEF document, while 5% markup was used to forecast from 2026 to 2032. Actuals of 2018 to 2021 were also used as extracted from the Audited Financial Statement while figures for 2022 was from Audited Financial Statement. This projection was carried out after a careful study of the Federal Government Budget which is showing a positive return.	DSA Team, Ministry of Finance and Economic Development. Anambra State
	1.a. of which Net Statutory Allocation ('net' means of deductions)		DSA Team, Ministry of Finance and Economic Development. Anambra State
	1.b. of which Deductions		DSA Team, Ministry of Finance and Economic Development. Anambra State
	2. Derivation (if applicable to the State)	This was gotten from the 2022 State MTEF document from 2024 - 2025. Then 8% mark up was used betweeen 2026 to 2032.	
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		DSA Team, Ministry of Finance and Economic Development. Anambra State
	4. VAT Allocation		DSA Team, Ministry of Finance and Economic Development. Anambra State
	5. IGR	The figures for the period 2024 and 2025 were obtained from the 2022 State MTEF document and assumption of N25B as BTL Receipt was added. Thereafter, marked up by 5% from 2026 to 2032. 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.	DSA Team, Ministry of Finance and Economic Development. Anambra State
	6. Capital Receipts		
	6.a. Grants	The figures for 2024 and 2025 were gotten from the State MTEF document, while 5% markup was used to forecast between 2026 to 2032.	DSA Team, Ministry of Finance and Economic Development. Anambra State
	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 2024 and 2025 were gotten from the State MTEF document, while 8% markup was used in 2026 and 5% from 2027 to 2032. This is as a result of the new Administrations promise to increase staff salaries in years to come, increase in pensioners and advancement of existing staff.	DSA Team, Ministry of Finance and Economic Development. Anambra State
	2. Overhead costs	The figures for 2024 and 2025 were gotten from the 2022 State MTEF document, while 5% markup was used to forecast 2026 to 2032.	DSA Team, Ministry of Finance and Economic Development. Anambra State
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Actuals as extracted from the Audited Financial Statement from 2018 to 2022.	
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	The figures for 2024 and 2025 were gotten from the State MTEF document, while 9% markup was used to forecast of 2026 and 3.5% between 2027 to 2032. This is because of the rate of inflation and other below the line expenditures which might occur during the year.	DSA Team, Ministry of Finance and Economic Development. Anambra State
	5. Capital Expenditure	The figures for 2024 and 2025 were gotten from the State MTEF document, while the projection reduced by 25% in 2026, due to the completion of most capital projects by then. From 2027 to 2032, there is a 2% mark-up for maintenance of capital projects.	
Closing Cash and Ba	**Closing Cash and Bank Balance**	A mark-up of 3% was applied from 2023 to 2025. There is also a 5% mark-up from 2026 to 2032.	
Debt Amotization an	**Debt Outstanding at end-2022**		
	External Debt - amortization and interest	External Debt (Amortization and Interest) was gotten from the DMO debt stock for the State as at end 2022.	DSA Team, Ministry of Finance and Economic Development. Anambra State

			Projection Methodology	Source
2				
3	Assumptions:			
4	**Economic activity**	State GDP (at current prices)	The State GDP as projected from 2023-2032 are based on extract from NBS projections.	Debt Management Office, Abuja
5				
6	**Revenue**	**Revenue**		
7		1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	The figures for 2024 and 2025 were gotten from the State 2022 MTEF document, while 5% markup was used to forecast from 2026 to 2032. Actuals of 2018 to 2021 were also used as extracted from the Audited Financial Statement while figures for 2022 was from Audited Financial Statement. This projection was carried out after a careful study of the Federal Government Budget which is showing a positive return.	DSA Team, Ministry of Finance and Economic Development. Anambra State
8		1.a. of which Net Statutory Allocation ('net' means of deductions)		DSA Team, Ministry of Finance and Economic Development. Anambra State
9		1.b. of which Deductions		DSA Team, Ministry of Finance and Economic Development. Anambra State
10		2. Derivation (if applicable to the State)	This was gotten from the 2022 State MTEF document from 2024 - 2025. Then 8% mark up was used betweeen 2026 to 2032.	
11		3. Other FAAC transfers (exchange rate gain, augmentation, others)		DSA Team, Ministry of Finance and Economic Development. Anambra State
12		4. VAT Allocation		DSA Team, Ministry of Finance and Economic Development. Anambra State
13		5. IGR	The figures for the period 2024 and 2025 were obtained from the 2022 State MTEF document and assumption of N25B as BTL Receipt was added. Thereafter, marked up by 5% from 2026 to 2032. 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.	DSA Team, Ministry of Finance and Economic Development. Anambra State
14		6. Capital Receipts		
15		6.a. Grants	The figures for 2024 and 2025 were gotten from the State MTEF document, while 5% markup was used to forecast between 2026 to 2032.	DSA Team, Ministry of Finance and Economic Development. Anambra State
16		6.b. Sales of Government Assets and Privatization Proceeds		
17		6.c. Other Non-Debt Creating Capital Receipts		
18				
19	**Expenditure**	**Expenditure**		
20		1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	The figures for 2024 and 2025 were gotten from the State MTEF document, while 8% markup was used in 2026 and 5% from 2027 to 2032. This is as a result of the new Administrations promise to increase staff salaries in years to come, increase in pensioners and advancement of existing staff.	DSA Team, Ministry of Finance and Economic Development. Anambra State
21		2. Overhead costs	The figures for 2024 and 2025 were gotten from the 2022 State MTEF document, while 5% markup was used to forecast 2026 to 2032.	DSA Team, Ministry of Finance and Economic Development. Anambra State
22		3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Actuals as extracted from the Audited Financial Statement from 2018 to 2022.	
23		4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	The figures for 2024 and 2025 were gotten from the State MTEF document, while 3% markup was used to forecast of 2026 and 3.5% between 2027 to 2032. This is because of the rate of inflation and other below the line expenditures which might occur during the year.	DSA Team, Ministry of Finance and Economic Development. Anambra State
24		5. Capital Expenditure	The figures for 2024 and 2025 were gotten from the State MTEF document, while the projection reduced by 25% in 2026, due to the completion of most capital projects by then. From 2027 to 2032, there is a 2% mark-up for maintenance of capital projects.	
25				
26	**Closing Cash and Ba**	**Closing Cash and Bank Balance**	A mark-up of 3% was applied from 2023 to 2025. There is also a 5% mark-up from 2026 to 2032.	
27				
28	**Debt Amotization an**	**Debt Outstanding at end-2022**		
29		External Debt - amortization and interest	External Debt (Amortization and Interest) was gotten from the DMO debt stock for the State as at end 2022.	DSA Team, Ministry of Finance and Economic Development. Anambra State

Annex II. Historical and projections of the S1_Baseline Scenario

Indicator	Actuals					Projections									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	2,883,946.71	3,079,167.42	3,454,698.83	4,047,069.82	4,392,940.10	6,525,533.49	7,497,060.56	8,340,878.12	9,280,269.52	10,325,459.87	11,488,364.79	12,782,241.87	14,221,841.87	15,823,576.81	17,605,707.14
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57
Fiscal Indicators (Million Naira)															
Revenue	**115,211.60**	**136,030.96**	**147,847.00**	**158,482.70**	**164,918.10**	**276,442.88**	**239,603.71**	**246,635.08**	**231,548.63**	**247,333.73**	**262,818.08**	**278,327.43**	**294,651.83**	**312,126.19**	**330,666.74**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	42,278.36	40,941.13	34,690.47	35,207.70	37,745.40	41,638.20	45,621.60	49,940.60	52,437.63	55,059.51	57,812.49	60,703.11	63,738.27	66,925.18	70,271.44
1.a. of which Net Statutory Allocation ('net' means of deductions)	40,703.03	38,470.22	31,451.74	32,049.30	35,024.30	24,921.10	40,603.20	44,447.10	46,669.46	49,002.93	51,453.07	54,025.73	56,727.01	59,563.36	62,541.53
1.b. of which Deductions	1,575.34	2,470.90	3,238.73	3,158.40	2,721.10	16,717.10	5,018.40	5,493.50	5,768.18	6,056.58	6,359.41	6,677.38	7,011.25	7,361.82	7,729.91
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	4,039.20	10,123.70	3,360.00	3,360.00	3,628.80	3,919.10	4,232.63	4,571.24	4,936.94	5,331.90	5,758.45
3. Other FAAC transfers (exchange rate gain, augmentation, others)	16,524.80	2,313.73	4,161.67	3,750.80	12,459.50	24,344.10	3,750.70	3,750.70	3,938.24	4,135.15	4,341.90	4,559.00	4,786.95	5,026.30	5,277.61
4. VAT Allocation	12,579.84	13,524.82	16,382.85	23,373.40	30,134.40	35,457.70	31,500.00	33,075.00	34,728.75	36,465.19	38,288.45	40,202.87	42,213.01	44,323.66	46,539.85
5. IGR	37,436.71	56,662.52	59,750.17	66,253.20	60,460.30	48,038.40	78,804.80	84,185.30	88,394.57	92,814.29	97,455.01	102,327.76	107,444.15	112,816.35	118,457.17
6. Capital Receipts	6,386.91	22,588.76	32,861.39	29,897.60	20,079.30	116,840.78	76,566.61	72,323.48	48,420.65	54,940.48	60,687.60	65,963.45	71,532.52	77,702.80	84,362.22
6.a. Grants	5,986.91	1,757.71	6,958.96	4,125.40	4,314.40	6,431.00	5,431.00	5,431.00	5,702.60	5,987.70	6,287.10	6,601.40	6,931.50	7,278.10	7,642.00
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	400.00	20,831.00	9,295.00	25,772.20	1.10	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	110,409.78	71,135.61	66,892.48	42,718.05	48,952.78	54,400.50	59,362.05	64,601.02	70,424.70	76,720.22
Expenditure	**121,200.52**	**130,400.59**	**148,684.30**	**169,473.00**	**156,562.40**	**276,079.00**	**239,228.92**	**246,249.04**	**230,885.93**	**246,637.89**	**262,087.45**	**277,560.27**	**293,846.32**	**311,280.40**	**329,778.65**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	26,780.58	26,614.77	22,849.51	27,184.30	26,233.00	36,848.20	29,904.80	32,895.30	35,526.92	37,303.27	39,168.43	41,126.86	43,183.20	45,342.36	47,609.48
2. Overhead costs	19,013.74	26,465.56	20,923.78	22,434.20	19,248.60	27,420.80	25,917.30	27,213.10	28,573.76	30,002.44	31,502.56	33,077.69	34,731.58	36,468.16	38,291.56
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	609.84	1,841.70	9,147.44	19,436.50	4,516.20	2,742.36	22,211.02	33,575.75	43,482.75	48,999.61	54,625.17	60,581.78	66,860.49	73,466.36	80,718.89
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	1,575.34	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	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	23,248.10	25,336.61	20,056.24	21,716.70	38,606.20	29,997.79	22,418.80	22,855.50	24,912.50	25,784.43	26,686.89	27,620.93	28,587.66	29,588.23	30,623.82
5. Capital Expenditure	50,582.77	49,512.75	63,234.30	57,578.20	66,266.30	164,461.70	125,165.50	114,860.00	86,145.00	87,867.90	89,625.26	91,417.76	93,246.12	95,111.04	97,013.26
6. Amortization (principal) payments	965.50	629.20	12,473.11	21,118.10	1,692.10	14,608.15	13,611.50	14,849.39	12,245.01	16,680.23	20,479.13	23,735.25	27,237.27	31,304.26	35,521.65
Budget Balance ('+' means surplus, '-' means deficit)	**-5,988.92**	**5,630.36**	**-837.50**	**-10,990.30**	**8,355.90**	**363.88**	**374.80**	**386.04**	**662.70**	**695.84**	**730.63**	**767.16**	**805.52**	**845.79**	**888.08**
Opening Cash and Bank Balance	**15,960.17**	**9,971.29**	**15,601.65**	**14,763.70**	**3,773.40**	**12,129.30**	**12,493.18**	**12,867.97**	**13,254.01**	**13,916.71**	**14,612.55**	**15,343.18**	**16,110.34**	**16,915.85**	**17,761.65**
Closing Cash and Bank Balance	**9,971.25**	**15,601.65**	**14,763.71**	**3,773.40**	**12,129.30**	**12,493.18**	**12,867.97**	**13,254.01**	**13,916.71**	**14,612.55**	**15,343.18**	**16,110.34**	**16,915.85**	**17,761.65**	**18,649.73**
Financing Needs and Sources (Million Naira)															
Financing Needs						**110,409.78**	**71,135.61**	**66,892.48**	**42,718.05**	**48,952.78**	**54,400.50**	**59,362.05**	**64,601.02**	**70,424.70**	**76,720.22**
i. Primary balance						-92,695.39	-34,938.30	-18,081.30	13,672.41	17,422.90	21,434.43	25,722.14	30,302.26	35,191.71	40,408.40
ii. Debt service						17,350.51	35,822.52	48,425.14	55,727.75	65,673.85	75,104.30	84,317.03	94,097.76	104,770.62	116,240.54
Amortizations						[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Indicator	Actuals 2018	2019	2020	2021	2022	Projections 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	2,883,946.71	3,079,167.42	3,454,698.83	4,047,069.82	4,392,940.10	6,525,533.49	7,497,060.56	8,340,878.12	9,280,269.52	10,325,459.87	11,488,364.79	12,782,241.87	14,221,841.87	15,823,576.81	17,605,707.14
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57
Fiscal Indicators (Million Naira)															
Revenue	**115,211.60**	**136,030.96**	**147,847.00**	**158,482.70**	**164,918.10**	**276,442.88**	**239,603.71**	**246,635.08**	**231,548.63**	**247,333.73**	**262,818.08**	**278,327.43**	**294,651.83**	**312,126.19**	**330,666.74**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	42,278.36	40,941.13	34,690.47	35,207.70	37,745.40	41,638.20	45,621.60	49,940.60	52,437.63	55,059.51	57,812.49	60,703.11	63,738.27	66,925.18	70,271.44
1.a. of which Net Statutory Allocation ('net' means of deductions)	40,703.03	38,470.22	31,451.74	32,049.30	35,024.30	24,921.10	40,603.20	44,447.10	46,669.46	49,002.93	51,453.07	54,025.73	56,727.01	59,563.36	62,541.53
1.b. of which Deductions	1,575.34	2,470.90	3,238.73	3,158.40	2,721.10	16,717.10	5,018.40	5,493.50	5,768.18	6,056.58	6,359.41	6,677.38	7,011.25	7,361.82	7,729.91
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	4,039.20	10,123.70	3,360.00	3,360.00	3,628.80	3,919.10	4,232.63	4,571.24	4,936.94	5,331.90	5,758.45
3. Other FAAC transfers (exchange rate gain, augmentation, others)	16,529.80	2,313.73	4,161.67	3,750.80	12,459.50	24,344.10	3,750.70	3,750.70	3,938.24	4,135.15	4,341.90	4,559.00	4,786.95	5,026.30	5,277.61
4. VAT Allocation	12,579.84	13,524.82	16,382.85	23,373.40	30,134.40	35,457.70	31,500.00	33,075.00	34,728.75	36,465.19	38,288.45	40,202.87	42,213.01	44,323.66	46,539.85
5. IGR	37,436.71	56,662.52	59,750.17	66,253.20	60,460.30	48,038.40	78,804.80	84,185.30	88,394.57	92,814.29	97,455.01	102,327.76	107,444.15	112,816.35	118,457.17
6. Capital Receipts	6,386.91	22,588.76	32,861.39	29,897.60	20,079.30	116,840.78	76,566.61	72,323.48	48,420.65	54,940.48	60,687.60	65,963.45	71,532.52	77,702.80	84,362.22
6.a. Grants	5,986.91	1,757.71	6,958.96	4,125.40	4,314.40	6,431.00	5,431.00	5,431.00	5,702.60	5,987.70	6,287.10	6,601.40	6,931.50	7,278.10	7,642.00
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	400.00	20,831.00	9,295.00	25,772.20	1.10	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	110,409.78	71,135.61	66,892.48	42,718.05	48,952.78	54,400.50	59,362.05	64,601.02	70,424.70	76,720.22
Expenditure	**121,200.52**	**130,400.59**	**148,684.30**	**169,473.00**	**156,562.40**	**276,079.00**	**239,228.92**	**246,249.04**	**230,885.93**	**246,637.89**	**262,087.45**	**277,560.27**	**293,846.32**	**311,280.40**	**329,778.65**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	26,780.58	26,614.77	22,849.51	27,184.30	26,233.00	36,848.20	29,904.80	32,895.30	35,526.92	37,303.27	39,168.43	41,126.86	43,183.20	45,342.36	47,609.48
2. Overhead costs	19,013.74	26,465.56	20,923.78	22,439.20	19,248.60	27,420.80	25,917.30	27,213.10	28,573.76	30,002.44	31,502.56	33,077.69	34,731.58	36,468.16	38,291.56
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	609.84	1,841.70	9,147.44	19,436.50	4,516.20	2,742.36	22,211.02	33,575.75	43,482.75	48,999.61	54,625.17	60,581.78	66,860.49	73,466.36	80,718.89
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	1,575.34	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	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	23,248.10	25,336.61	20,056.24	21,716.70	38,606.20	29,997.79	22,418.80	22,855.50	24,912.50	25,784.43	26,686.89	27,620.93	28,587.66	29,588.23	30,623.82
5. Capital Expenditure	50,582.77	49,512.75	63,234.30	57,578.20	66,266.30	164,461.70	125,165.50	114,860.00	86,145.00	87,867.90	89,625.26	91,417.76	93,246.12	95,111.04	97,013.26
6. Amortization (principal) payments	965.50	629.20	12,473.11	21,118.10	1,692.10	14,608.15	13,611.50	14,849.39	12,245.01	16,680.23	20,479.13	23,735.25	27,237.27	31,304.26	35,521.65
Budget Balance ('+' means surplus, '-' means deficit)	**-5,988.92**	**5,630.36**	**-837.50**	**-10,990.30**	**8,355.90**	**363.88**	**374.80**	**386.04**	**662.70**	**695.84**	**730.63**	**767.16**	**805.52**	**845.79**	**888.08**
Opening Cash and Bank Balance	**15,960.17**	**9,971.29**	**15,601.65**	**14,763.70**	**3,773.40**	**12,129.30**	**12,493.18**	**12,867.97**	**13,254.01**	**13,916.71**	**14,612.55**	**15,343.18**	**16,110.34**	**16,915.85**	**17,761.65**
Closing Cash and Bank Balance	**9,971.25**	**15,601.65**	**14,763.71**	**3,773.40**	**12,129.30**	**12,493.18**	**12,867.97**	**13,254.01**	**13,916.71**	**14,612.55**	**15,343.18**	**16,110.34**	**16,915.85**	**17,761.65**	**18,649.73**
Financing Needs and Sources (Million Naira)															
Financing Needs						**110,409.78**	**71,135.61**	**66,892.48**	**42,718.05**	**48,952.78**	**54,400.50**	**59,362.05**	**64,601.02**	**70,424.70**	**76,720.22**
i. Primary balance						-92,695.39	-34,938.30	-18,081.30	13,672.41	17,422.90	21,434.43	25,722.14	30,302.26	35,191.71	40,408.40
ii. Debt service						17,350.51	35,822.52	48,425.14	55,727.75	65,679.85	75,104.30	84,317.03	94,097.76	104,770.62	116,240.54

	Indicator	Actuals 2018	2019	2020	2021	2022	Projections 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
		BASELINE SCENARIO															
	Debt and Debt-Service Indicators																
Indicator1_baseline	Debt Stock as % of SGDP	2.38	2.53	2.83	2.41	2.66	3.35	3.68	3.93	3.86	3.78	3.70	3.60	3.50	3.39	3.28	
Indicator2_baseline	Debt Stock as % of Revenue (including grants and excluding other capital receipts)	59.78	67.63	70.68	73.47	70.84	131.60	163.84	182.52	189.87	197.00	203.79	210.24	216.35	222.11	227.62	
Indicator3_baseline	Debt Service as % of SGDP						0.27	0.48	0.58	0.60	0.64	0.65	0.66	0.66	0.66	0.66	
Indicator4_baseline	Debt Service as % of Revenue (including grants and excluding other capital receipts)						10.45	21.26	26.94	29.51	33.11	36.04	38.51	40.90	43.35	45.77	
Indicator5_baseline	Interest as % of SGDP						0.04	0.30	0.40	0.47	0.47	0.48	0.47	0.47	0.46	0.46	
Indicator6_baseline	Interest as % of Revenue (including grants and excluding other capital receipts)						1.65	13.18	18.68	23.03	24.70	26.21	27.67	29.06	30.40	31.79	
	Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						22.19	17.75	18.30	18.81	18.80	18.79	18.78	18.77	18.76	18.75	
	Adverse Shock Scenario is defined by the worst performance indicator measured in year 2027																
	For Debt Stock as % of SGDP the adverse shock is: Expenditure																Expenditure
Indicator1_shock	Debt Stock as % of SGDP						3.35	3.95	4.43	4.54	4.62	4.67	4.69	4.70	4.69	4.66	
	For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue																Revenue
Indicator2_shock	Debt Stock as % of Revenue (including grants and excluding other capital receipts)						131.60	193.16	225.16	245.07	265.05	285.00	304.92	324.81	344.68	364.65	
	For Debt Service as % of SGDP the adverse shock is: Historical																Historical
Indicator3_shock	Debt Service as % of SGDP						0.27	0.49	0.63	0.67	0.70	0.65	0.82	0.42	-0.25	-1.63	
	For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue																Revenue
Indicator4_shock	Debt Service as % of Revenue (including grants and excluding other capital receipts)						10.45	23.63	30.77	34.49	39.38	43.55	55.79	60.21	64.60	69.02	
	For Interest as % of SGDP the adverse shock is: Historical																Historical
Indicator5_shock	Interest as % of SGDP						0.04	0.30	0.45	0.54	0.54	0.48	0.31	0.00	-0.54	-1.40	
	For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue																Revenue
Indicator6_shock	Interest as % of Revenue (including grants and excluding other capital receipts)						1.65	14.65	21.59	27.29	30.04	32.64	35.20	37.72	40.20	42.77	

	Indicator	Actuals 2018	2019	2020	2021	2022	Projections 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
		BASELINE SCENARIO															
	For Interest as % of SGDP the adverse shock is: Historical																Historical
Indicator5_shock	Interest as % of SGDP						0.04	0.30	0.45	0.54	0.54	0.48	0.31	0.00	-0.54	-1.40	
	For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue																Revenue
Indicator6_shock	Interest as % of Revenue (including grants and excluding other capital receipts)						1.65	14.65	21.59	27.29	30.04	32.64	35.20	37.72	40.20	42.77	

SIGNED:

Okafor Izuchukwu
Commissioner for Finance,
Anambra State.