ECONOMIC AND FISCAL UPDATE (EFU), FISCAL STRATEGY PAPER (FSP) AND BUDGET POLICY STATEMENT (BPS)

October 2024

To Cover Period: 2025 - 2027

Document Control

Document Version Number:	Anambra State EFU-FSP-BPS Word Doc
Document Prepared By:	ANSG Budget Technical Working Team
Document Approved By:	Anambra Executive Council
Date of Approval:	22nd October, 2024
Date of Publication:	
Distribution List:	House of Assembly, Executives

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Abbreviations

AEO	African Economic Outlook
ANSG	Anambra State Government
BIR	Board of Internal Revenue
BRICS	Brazil, Russia, India, China, South Africa
BTL	Below The Line
CBN	Central Bank of Nigeria
CIT	Companies Income Tax
CPIA	Country Policy and Institutional Assessment
DMD	Debt Management Department
DPR	Department of Petroleum Resources
EFU	Economic and Fiscal Update
ESP	Economic Sustainability Plan
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FDI	Foreign Direct Investment
FIRS	Federal Inland Revenue Service
FR	Fiscal Responsibility
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
HRM	Human Resource Management
IGR	Internally Generated Revenue
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
LGA	Local Government Administration
MB&EP	Ministry of Budget and Economic Planning
MBPD	Million Barrels Per Day (Crude Oil production)
MDA	Ministry, Department, and Agencies
MDG	Millennium Development Goals
MOF	Ministry of Finance
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
MTSS	Medium-Term Sector Strategy
NCOA	National Chart of Accounts
NCS	Nigerian Customs Service (Revenues)
NBS	National Bureau of Statistics
NGN	Nigerian Naira
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
OAGS	Office of the Accountant General of the State
OECD	Organization for Economic Cooperation and Development
PAYE	Pay As You Earn
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Financial Management

PIA	Petroleum Industry Act
PITA	Personal Income Tax Act
PMS	Petroleum
PPP	Public Private Partnership
PSR	Public Service Rules
SHoA	State House of Assembly
USD	United States Dollar
VAT	Value Added Tax
WEO	World Economic Outlook

EXECUTIVE SUMMARY

Introduction

1. The Economic and Fiscal Update (EFU) provides comprehensive economic and fiscal analyses that serve as the foundation for the budget planning and preparation process. This document is primarily aimed at policymakers and decision-makers within the Anambra State Government (ANSG). Additionally, the EFU assesses budget performance, both historical and current, while identifying significant factors affecting its implementation.

2. Also, the Fiscal Strategy Paper (FSP) is an essential component of the Medium-Term Budget Framework (MTBF) and the annual budgeting process. It outlines the total resources available to fund the Government's projects and programs from a fiscally sustainable perspective.

3. The Budget Policy Statement (BPS) leverages the aggregate resource envelope and allocates this into indicative sector expenditure ceilings. This allocation aligns with the Government's policy priorities for socioeconomic development. Therefore, the combination of the EFU, FSP, and BPS becomes integral to a policy-driven budget process.

Economic Update

4. Global economic growth remains exceptionally strong, and inflation is returning to target levels despite concerns about a potential recession. Factors such as supply-chain disruptions from the pandemic, the Russian-led conflict in Ukraine, and subsequent global energy and food crises have contributed to a surge in inflation and synchronized monetary tightening worldwide. Global growth bottomed out at 2.3% in 2022, with projections of 3.2% for both 2024 and 2025.

5. The International Monetary Fund (IMF) anticipates a soft landing for global economic growth at 3.1% in 2024 and 3.2% in 2025. This growth will be driven by robust economic performance in the US and major emerging markets, avoidance of financial sector crises, and fiscal support in the Chinese economy (IMF, 2024). Nevertheless, the 2024-2025 forecast is below the historical average of 3.8% (2000–2019) due to global monetary tightening aimed at combating inflation, withdrawal of official support amid high debt levels, and low underlying productivity growth. The October 2024 World Economic Outlook (WEO) indicates that while the global economy will remain stable, it is likely to underperform.

6. The April 2024 WEO reports that while the surge in inflation did not cause an uncontrolled wage-price spiral, inflation is gradually declining. It peaked at 9.4% in 2022 but is projected to drop to 2.8% in 2024 and 2.4% in 2025. The October 2024 WEO predicts a smooth landing for disinflation, although geopolitical tensions could escalate, potentially causing sudden financial market volatility and tightening financial conditions. Issues in China's property sector may also lead to global repercussions through their impact on trade, alongside rising protectionism and ongoing geo-economic fragmentation.

7. The improvement in growth and inflation can be attributed to the fading of earlier energy shocks, a notable rebound in labour supply facilitated by strong immigration in many advanced economies, decisive monetary policy actions, and an enhanced monetary policy framework.

8. The April 2024 WEO projects improved financial conditions, equity valuations, and capital flows to most emerging economies, except China, which has already shown resilience. Additionally, some low-income economies are expected to see increased market access as Central Banks gradually move away from tight monetary policies.

9. Energy prices have dropped more rapidly than expected from their peak, partly due to increased oil production outside of the Organization of the Petroleum Exporting Countries (OPEC) and a boost in natural gas output, particularly in the United States. Increased exports of Russian oil, supported by a growing non-Western-aligned oil tanker fleet and Russia's establishment of maritime insurance, have also contributed to the global energy supply.

10. Fuel commodity prices are forecasted to decline in 2024 due to new supply, low demand, and high storage levels. Non-fuel commodity prices are expected to remain stable, with base metal prices projected to fall by 1.8% due to weaker industrial activity in Europe and China. Although global food commodity prices are anticipated to decline by 2.2% in 2024, they may rise due to plentiful global supplies of wheat and maize.

11. Debt, which increased during the pandemic, remains high, and significant budget deficits continue to elevate the debt burden across many economies. Interest payments on debt are projected to reach 14.3% of government revenue in 2024 for low-income economies. Fiscal policies are expected to tighten in 2024 and beyond, with higher taxes and reduced government spending impacting near-term economic activity across advanced, emerging, and developing economies.

12. Global oil demand is forecasted to be 1.3 million barrels per day in 2024, down from last year's expansion of 2.3 million barrels per day. The Organisation for Economic Co-operation and Development (OECD) is projected to grow by nearly 0.1 million barrels per day, while non-OECD demand is expected to remain at 2.3 million barrels per day.

Table 1 - Nigeria's Key Macroeconomic Indicators

Indicator	2021	2022	2023	Q1 2024*	2025*
National GDP Growth	**3.6**	**3.4**	2.9	2.9	**3.2**
National GDP (Billion USD 2010 constant prices)	**440.84**	**472.62**	**479.945**	**487.27***	**487.27**
Inflation (%)	**17.0**	**18.8**	**24.7**	32.5*	**25.0***
Exchange Rate (NGN: USD FX Rate)	**360**	**415**	**1500**	**1200**	**1200**
Unemployment rate	**5.26**	**3.83**	**3.58***	**3.58***	**3.58***
Balance of Payments (% of GDP)	**-0.7**	**0.2**	**1.7***	-0.5*	-0.7*

Source: (Economic Outlook) National Bureau of Statistics, (WEO) IMF; CBN

Table 2 - Anambra State Fiscal Update with performance 2023-2025

Item	2023 Budget	2023 Actual	BP	2024 Budget	% Increase	2025 Budget	% Increase
Opening Balance	43,184,849,905	43,184,849,905		30,174,967,211		65,000,000,000	
Recurrent Revenue							
Statutory Allocation	41,638,208,035	31,853,661,575	77%	68,695,839,497	65%	86,719,003,380	4%
Derivation	10,123,746,516	7,725,727,888	76%	8,019,130,302	-21%	11,245,055,620	15%
VAT	35,457,702,659	39,662,552,004	112 %	58,499,074,907	65%	92,466,089,123	30%
IGR	48,047,446,904	36,199,994,005	75%	50,068,484,221	4%	60,000,000,000	20%
Excess Crude / Other Revenue	14,220,333,800	64,915,753,690	456 %	64,303,215,515	352%	129,331,272,737	13%
Recurrent Revenue	**149,487,437,914**	**180,357,689,162**	**121 %**	**249,585,744,443**	**67%**	**289,461,420,860**	**16%**
Total Inflows	**192,672,287,819**	**223,542,539,067**	**116 %**	**279,760,711,654**	**45%**	**354,461,420,860**	**11%**
Recurrent Expenditure							
Personnel Costs	22,348,283,268	21,898,215,708	98%	30,170,834,080	35%	41,692,945,519	60%
Social Contribution and Social Benefit	14,500,000,000	11,918,707,651	82%	16,029,461,649	11%	21,639,773,226	20%
Overheads	27,420,846,366	23,937,964,967	87%	35,771,641,017	30%	56,825,428,535	30%

Item	2023 Budget	2023 Actual	BP	2024 Budget	% Increase	2025 Budget	% Increase
Grants, Contributions and Subsidies	14,490,196,755	1,695,900,289.00	12%	3,000,000,000	-79%	4,050,000,000	20%
Public Debt Service	16,717,136,484	2,536,869,170.00	15%	11,230,000,000	-33%	15,160,500,000	20%
Total	**95,476,462,873**	**61,987,657,785**	65%	**96,201,936,746**	**0.76%**	**139,518,647,280.79**	**36%**
Capital Receipts							
Grants	6,432,000,000	3,756,122,294	58%	9,531,000,000	48%	13,962,000,000	0%
Total	**6,432,000,000**	**3,756,122,294**	**58%**	**9,531,000,000**		13,962,000,000	**136%**
Reserves							
Capital Expenditure is broken down as follows:	**164,461,659,032**	**51,046,667,861**	31%	**313,930,288,526**	**91%**	**467,473,201,837**	**30%**
Financing (Loans)	**-60,833,834,086**			**-120,851,846,796**		**-148,118,428,258-**	

Table 2.1 - Summary of Half-Year Performance 2024

Activities	Budget	Actual	Performance
	H1 2024	**H1 2024**	**H1 2024**
Income			
Statutory Revenue	34,437,919,749	21,756,924,411	63%
Value Added Tax	29,249,537,454	52,533,345,047	180%
Internally Generated Revenue	25,034,242,110	16,532,646,542	66%
Grants	14,765,500,000		0%
Other Capital Receipts	36,161,172,708	46,333,041,621	128%
Total Revenue	**139,648,372,021**	**137,155,957,621**	**98%**
Recurrent Expenditure			
Personnel	15,085,417,040	9,383,505,211	62%
Overhead	17,885,820,509	3,675,828,228	21%
Social Benefits	8,014,730,824	3,538,547,710	44%

Loan Repayments	5,615,000,000	1,100,000,000	20%
CRF-Charges	1,500,000,000	2,141,346,311	143%
Total Recurrent Expenditure	**48,100,968,373**	**19,839,227,460**	**41%**

Macro-Fiscal Strategy and Key Assumptions

13. **Macro-economic and Mineral Assumptions** – The Macroeconomic framework is based on the national assumptions as shown below:

Table 3 - Macroeconomic Framework

The key parameters as well as other macroeconomic projections driving the medium-term revenue and expenditure framework have been revised in line with the emergent realities. The new figures are presented in the table below:

Item	2023 Actual	2024 Estimate	2025*	2026*	2027*
Inflation Assumption	28.92%	31.3	27.0	21	19
National Real GDP Growth	3.46%	3.1	3.0	3.1	3.2
Oil Production Benchmark (mbpd)	1.5	1.65	1.7	1.80	1.80
Oil Price Benchmark (USD)	78	75	75	72.57	95.13
NGN-USD Exchange Rate (NGN)	1500	1200	1200	1822	1911

Source: Federal Government/NBS/CBN/NNPC

Table 4 - The ANSG three-year fiscal framework for the period 2024-2027

Item	2024	2025	2026	2027
Opening Balance	43,184,849,905	65,000,000,000		
Recurrent Revenue				
Statutory Allocation	68,695,839,497	86,719,003,380	74,388,207,975	77,607,618,373
Derivation	8,019,130,302	11,245,055,620	9,248,503,581	9,248,503,581
VAT	58,499,074,907	92,466,089,123	83,653,677,117	92,019,044,829
IGR	50,068,484,221	60,000,000,000	66,000,000,000	72,600,000,000
Excess Crude / Other Revenue	64,303,215,515	129,331,272,737	80,126,218,773	88,138,840,651
Total Recurrent Revenue	**249,585,744,443**	**289,461,420,860**	**313,416,607,446**	**339,614,007,434**
Recurrent Expenditure				
Personnel Costs	30,170,834,080	41,692,945,519	57,928,001,433	69,513,601,720
Social Contribution and Social Benefit	16,029,461,649	21,639,773,226	23,082,424,775	27,698,909,729

Overheads	35,771,641,017	56,825,428,535	55,803,759,987	66,964,511,984
Grants, Contributions and Subsidies	3,000,000,000	4,050,000,000	4,320,000,000	5,184,000,000
Item	2024	2025	2026	2027
Public Debt Service	11,230,000,000	15,160,500,000	16,171,200,000	19,405,440,000
Total	**96,201,936,746**	**139,518,647,280.79**	**157,305,386,195**	**188,766,463,434**
Capital Receipts				
Grants	9,531,000,000	13,962,000,000	9,531,000,000	9,531,000,000
Other Capital Receipts				
Total	**9,531,000,000**	13,962,000,000	**23,831,000,000**	**25,261,000,000**
Reserves				
Contingency and Planning Reserve		17,526,416,157.27	17,399,175,486.58	18,759,045,485.97
Capital Expenditure	**313,930,288,526**	**467,473,201,837**	**448,920,312,592**	**493,812,343,852**
Financing (Loans)	**-120,851,846,796**	**-148,118,428,258**	**-286,377,266,827.70**	**-336,462,845,337.50**

14. **Budgeting Method:** The budget for 2025 will be prepared using a realistic estimate. If any changes occur throughout the year, the Executive will submit a revised budget to maximize opportunities.

15. **Statutory Allocation:** The projected Statutory Revenue, based on our own estimates, is N71.3 billion, reflecting a 10% increase from N68.6 billion estimated for 2024.

16. **Derivation:** The derivation projection is based on the actual figures from 2022 and 2023, anticipating a 10% increase from the previous actual value of N9.2 billion for 2025. This includes the 13% derivation fund allocated from oil production related to the state.

17. **VAT:** The estimate for Value Added Tax (VAT) is N76 billion for 2025, based on external factors.

18. **Other Federation Account Revenues:** An estimated N72.8 billion has been allocated for other Federation Account revenues in 2025, including possible refunds expected to accrue during the year and beyond.

19. **Internally Generated Revenue (IGR):** IGR projections are set at N60 billion for 2025, a 10% increase from the 2024 budget. These optimistic projections align with the ongoing revenue drive by the Anambra State Internal Revenue Service, which aims to close loopholes through digital payment platforms.

20. **Grants:** Modest amounts have been projected for grants based on historical data. The estimated grant amounts for 2025, 2026, and 2027 are N9.5 billion each year.

21. **Other Capital Receipts:** We are taking a conservative and transparent approach by assuming no capital receipts during this projection period. 9.

22. **Financing:** The financing estimate for the year is N18.5 billion, which will include both internal and external grants and loans sourced from government fundraising activities and other programs.

23. **Personnel Costs:** We have budgeted for a modest increase in the wage bill, raising it by 45% to N48 billion for 2025. This increase will cover the new minimum wage, promotions, and potential new recruitments.

24. **Social Benefits and Contributions:** Projections for social benefits and contributions for 2025, 2026, and 2027 are N19.1 billion, N23.5 billion, and N27.7 billion, respectively. This considers past expenditure trends.

25. **Overheads:** A modest increase of 35% has been assumed for overhead costs, reflecting the government's intention to improve the efficiency of its operations in light of persistent inflation and a rising cost of living.

26. **Grants, Contributions, Subsidies, and Transfers:** This category includes Consolidated Revenue Fund Charges (excluding pension gratuity and public debt charges) and Below the Line (BTL) Charges.

27. **Capital Expenditure:** Capital projects will be prioritized based on submissions from Ministries, Departments, and Agencies (MDAs).

Conclusion

28. It is important to note that the recent commitment by the Federal Government to recover funds from various sources, including the Nigerian National Petroleum Commission (NNPC) now known as NNPC Limited, as well as from customs and excise duties and stamp duties, could potentially generate substantial additional resources for the States. In light of this, it is recommended to regularly review the Fiscal Framework and adjust revenue projections as needed if significant new resources become apparent.

29. To ensure improved accountability of government assets, the following offices will capture the needs of MDAs in the 2025 Budget:

    - Vehicles – SSG's office
    - Counterpart Funds – Budget & Economic Planning
    - Utilities (Power, water) – Ministry of Power & Water Resources
    - Buildings – Ministry of Housing
    - Road Construction – Ministry of Works
    - ICT Hardware and Software – ICT Agency
    - Primary Research (Field Study) – Bureau of Statistics

30. We are reviewing and overhauling some of the budget lines for better clarity, and consistency – codes and description

31. No Budget envelope for MDAs. The budget will be guided by priority projects

32. Automation of Budget: The budget will be submitted through AMBIMAS

33. Assigning of new codes (Organisational Codes/Revenue) should be routed through the Ministry of Budget and Economic Planning going forward.

Section 1 Introduction and Background

1.A Introduction

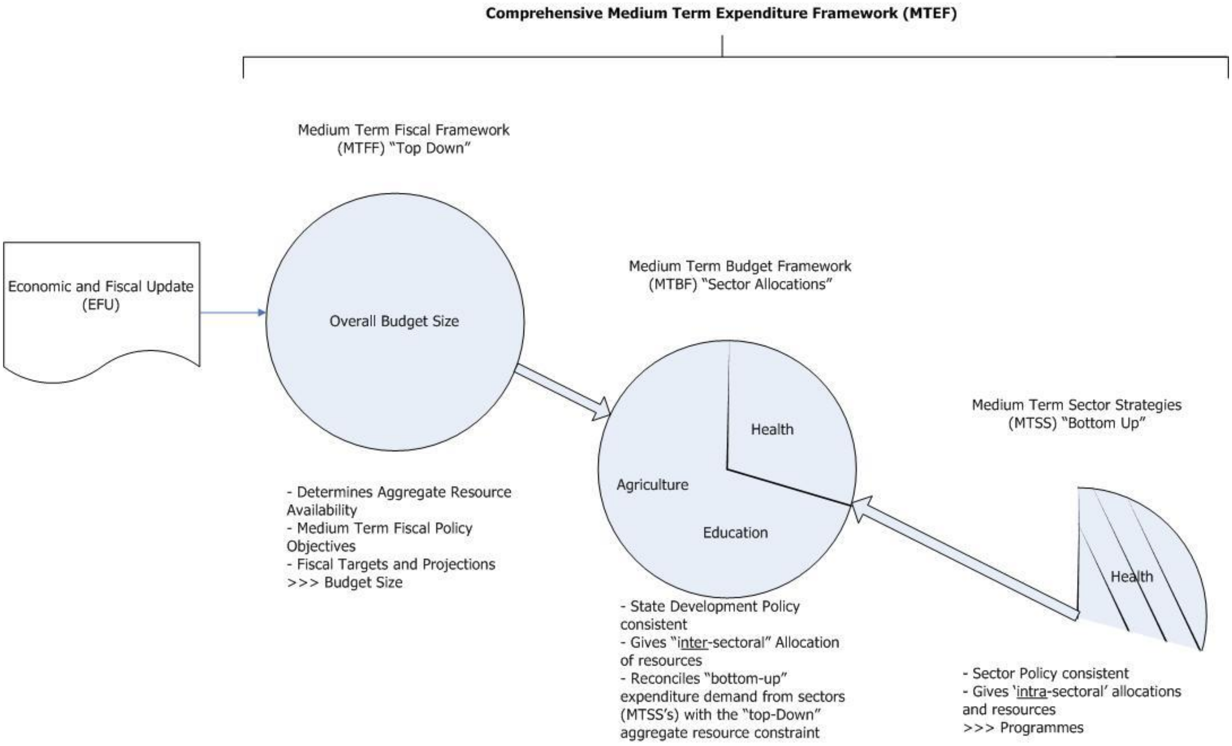
1. The Medium-Term Expenditure Framework (MTEF) is an open planning and budget formulation process used by the executive branch of government, particularly the Ministries of Budget and Economic Planning (MB&EP), and Finance (MoF). It establishes a realistic framework for allocating public resources in line with the government's strategic priorities while ensuring fiscal discipline.
2. The MTEF is a public financial management reform process aimed at ensuring efficient resource allocation to achieve macroeconomic stability. It facilitates better sectoral budget allocations, effective prioritization of expenditures based on socio-economic programs, improved budget predictability, increased accountability for expenditure outcomes, and enhanced credibility in budget decision-making.
3. Objectives of the MTEF - The MTEF process has two main objectives:
    a. Setting Fiscal Targets
    b. Allocating resources to strategic priorities within these targets
4. Structure of the MTEF Document This Medium-Term Expenditure Framework (MTEF) document consists of three sections:
    a. Economic and Fiscal Update (EFU)
    b. Fiscal Strategy Paper (FSP)
    c. Budget Policy Statement (BPS)
5. Economic and Fiscal Update (EFU): The EFU provides economic and fiscal analyses that serve as the foundation for the budget planning and preparation process. It is primarily aimed at policymakers and decision-makers in the Anambra State Government (ANSG). The EFU includes an assessment of historical and current budget performance and identifies significant factors affecting implementation.
6. Fiscal Strategy Paper (FSP): The FSP is a crucial component of the Medium-Term Budget Framework (MTBF) and the annual budget process. It defines the aggregate resources available to fund the government’s projects and programs from a fiscally sustainable perspective.
7. Budget Policy Statement (BPS): The BPS analyzes the aggregate resource envelope and allocates it into indicative sector expenditure ceilings aligned with the government’s policy priorities for socio-economic development.
8. Together, the EFU, FSP, and BPS form an integral part of a policy-driven budgeting process. ANSG adopted the preparation of the EFU-FSP-BPS for the first time in 2014, marking the beginning of a comprehensive MTEF process. This is the twelfth iteration of the document, covering the period from 2025 to 2027.

1.A.1 Budget Process

9. The budget process outlines the budget cycle within a fiscal year and is informed by the MTEF, which has three components:
    a. Medium-Term Fiscal Framework (MTFF)
    b. Medium-Term Budget Framework (MTBF)
    c. Medium Term Sector Strategies (MTSS)
10. The budget process begins with conception and progresses through preparation, execution, control, monitoring, and evaluation, returning to conception for the next year’s budget. Our budgeting process is participatory, allowing key stakeholders across the state to contribute through the Community Charter of Demand (CCD) and consultative forums. Participants, numbering over 200, will be drawn from MDAs, Civil Society Organizations (CSOs), Organized Private Sector (OPS), and Community-Based Organizations (CBOs) during the budgeting process.

11. The MTEF process is summarized in the diagram below:

Figure 1 - MTEF Process



1.A.2 Summary of Document Content

12. Following international best practices in budgeting, the Anambra State Government (ANSG) will produce a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP), and Budget Policy Statement (BPS) as the first step in the budget preparation cycle for the period 2025-2027.

13. This document serves three main purposes:

    a. To provide a historical summary of key economic and fiscal trends that will influence public expenditure in the future – Economic and Fiscal Update;

    b. To outline medium-term fiscal objectives and targets, including tax policy, revenue mobilization, public expenditure levels, deficit financing, and public debt – Fiscal Strategy Paper;

    c. To offer indicative resources available for the period 2025-2027 – Budget Policy Statement.

14. The EFU is presented in Section 2 and offers economic and fiscal analysis to guide the budget planning process. It is primarily intended for budget policymakers and decision-makers within the Anambra State Government. The EFU also assesses budget performance—both historical and current—and identifies significant factors affecting implementation. It includes: - An overview of global, national, and state economic performance, - Trends in budget performance over the past six years, - A debt statement and analysis of the debt position against relevant ratios.

15. The FSP, presented in Section 3, is a crucial component of the ANSG Medium Term Expenditure Framework (MTEF) process and the annual budget process. It determines the resources available to fund economic activities and poverty reduction programs from a fiscally sustainable perspective.

16. The BPS, presented in Section 4, analyzes the aggregate resources available that will be aligned with the government's policy priorities for socioeconomic development.

1.A.3 Preparation and Audience

17. The purpose of this document is to provide an informed basis for the 2025-2027

18. budget preparation cycle for all of the key Stakeholders, specifically:

- Executive Council (ExCo);
- State House of Assembly (SHoA);
- Anambra State Judiciary
- Ministry of Budget and Economic Planning (MB&EP); Ministry of Finance (MoF);
- All Government Ministries, Departments, and Agencies (MDAs);
- Civil Society organizations;
- Faith-Based Organization;
- Organized Private Sectors.

19. The document is prepared by the ANSG Budget Technical Working Team within the first two quarters of the year before the annual budget preparation period using data collected from International, National, and State organizations.

1.B Background

1.B.1 Legislative and Institutional Arrangement for PFM

20. **Legislative Framework for PFM in Anambra State** - The legal instruments and enactments governing PFM in Anambra State include the 1999 Constitution of the Federal Republic of Nigeria, Eastern Nigeria Finance (Miscellaneous) Act, 1957, and the Eastern Nigeria Financial Instructions, May 1963. Old Civil Service Rule of Anambra State revised to 1st July 1978, Anambra State Public Service Rule 2000 edition, Financial Regulations (FR), 2000, the Personal Income Tax Act (PITA) 2004 as amended 2011, Fiscal Responsibility Law 2010, Revenue Administration Law 2010, Public Procurement Law 2011 as amended 2020, Anambra State Public Finance Law 2020 and the occasional service circulars issued by the State Civil Service Commission.

As the ground norm of the country, the 1999 Constitution is the overriding law governing public financial management in Anambra State. Its provisions supersede and override the contents of any other law or provision in the State (and country) to the extent that other laws are inconsistent with the Constitution. The other PFM-related laws and provisions elaborate and expand on the provisions of the Constitution.

Anambra State has a complete set of finance regulatory instruments; the first of which is the Eastern Nigeria Finance (Miscellaneous) Act, 1957, and its derivative, then the Eastern Nigeria Financial Instructions, May 1963.

The old Civil Service Rules of Anambra State Revised to 1st July 1978 shall remain operational only to the extent of filling any lacuna in the PSR and FR but "in the event of any conflict between the old and the new rules, the latter shall prevail”. Also, by an official circular, the state adopted the Federal Public Service Rules (PSR) and Financial Regulations (FR), 2000 to apply the necessary changes to the state. Anambra State Public Service Rule 2000 edition (PRS) shows Human Resource Management (HRM) processes and tools including, job descriptions, roles, and responsibilities, recruitment, career, discipline, and boarding procedures, also the 2021 revised PSR which became operational on July 27, 2023 introduced several reforms, including a tenure system for permanent secretaries and directors. It is evident, however, that efforts at implementing the Law have not yet seriously altered the status quo.

21. The Financial Regulations (FR), 2000 is a set of detailed operational rules and guidelines for the day-to-day management of financial activities. They cover accounting, internal auditing stores procedures, routines, etc.

22. The Personal Income Tax Act (PITA) 2004 as amended in 2011 states an act to amend the imposition of income tax on individuals, communities, families, executors, and trustees, and to provide for the assessment collection, and administration of the tax.

23. Fiscal Responsibility Law 2010 (FRL) states the ability of the Government to balance its expenditure and revenue while ensuring inflation is contained.

24. Anambra State Revenue law was passed in 2011 as amended in 2024 and governs the operations of the Board of Internal Revenue (BIR) the level of autonomy given to it and the composition of the membership of its Board.

25. The 2011 Public Procurement Law as amended in 2020 governs the procurement of works, goods, and services by the Anambra State Government.

26. Anambra State Public Finance Law 2020 was set up to regulate Public Financial Management to ensure all revenue, expenditure, assets, and liabilities of the Government are managed efficiently and effectively, to meet the current and future challenges of the State and to provide for related matters.

27. **Institutional Framework for PFM in Anambra State** - The institutions for PFM in Anambra State are as follows: Ministry of Budget and Economic, Ministry of Finance, Office of the Accountant-General of the State (OAGS), Office of the Auditor-General (state), Anambra, Anambra State Public Procurement Agency (ANSPPA) and Anambra State House of Assembly (SHoA).

28. The Ministry of Budget and Economic Planning is at the apex of the budgeting and planning process, controlling both the capital and recurrent budgets. Consolidation of the recurrent and capital budgeting processes is a recent (2009) reform.

29. The Ministry of Finance is responsible for the State's revenue, treasury, and accounting functions.

30. The Office of the Accountant-General of the State (OAGS) performs the actual treasury functions of government, including accounting and internal audit. The OAGS is the creation of the Finance Act. However, the design was for the Office to be a powerful, semi-autonomous, and professional institution under the general supervision (not necessarily directive) of the Ministry of Finance. OAGS posts account officers to all Ministries, Departments, and Agencies (MDAs) with self-accounting status to carry out government treasury and accounting functions. In addition, they have sub-treasuries across the entire state (three pay offices and nineteen sub-treasuries in Anambra State) to facilitate government transactions. The OAGS also posts internal auditors to each MDA with a self-accounting status and to all sub-treasuries. However, internal audit is not a specialized, professional function in the State. Extant financial rules require internal auditors to ensure compliance of MDAs with applicable financial rules through a prepayment audit process. As in other state (and Federal) governments, internal auditors report directly to accounting officers of their MDAs but are under the Accountant General. Internal auditors are to review controls monthly, prepare reports for the accounting officers of their MDAs, and copy the Accountant General. The Accountant General should prepare a consolidated monthly internal audit report with copies to the Permanent Secretary, Commissioner of Finance, and the Auditor General.

31. The Office of the Auditor-General (state) also plays a key role in Anambra state's PFM process, auditing all government offices and reporting to the Legislature. The Office of the Auditor General (local governments) is a distinct state government institution that audits the accounts of local governments. It is the State's audit oversight over local governments.

32. Anambra State 2011 Public Procurement Law/Anambra State Public Procurement Law 2020 as amended governs the procurement of works, goods, and services. The Public Procurement Agency ensures fiscal transparency, compliance, and adherence to due process.

33. The Anambra SHoA completes the list of formal institutions for PFM in the State. The SHoA exercises approval and oversight functions over the budget process. It also has oversight responsibility over budget implementation, accounting, and audit processes.

1.B.2 Overview of Budget Calendar

34. The indicative Budget Calendar for the Anambra State Government is presented below and is consistent with the ANSG Budget Process Manual:

Table 5 - 2025 Budget Calendar

S/N	ACTIVITY	TIMELINE
1	Presentation of Medium-Term Expenditure Framework (MTEF)	22nd October
2	Development of 2025 Priority Projects	August - October
3	Budget Stakeholder Consultative Meeting	8th August
4	Issuance of Y2025 Call Circular	17th September – 30th Sept
5	Submission of MTEF to HoA	28th Oct
6	MDAs Budget Submission & Bilateral Discussions	3rd Oct – 25th October
7	Evaluation of Proposals	01st – 04th November
8	Presentation of Y2025 draft Estimates to ANSEC	5th November
9	Presentation of draft Y2025 Estimates to the House of Assembly	12th November
10	Budget Defense with HoA	November
11	The passing of the Y2025 Appropriation Bill by HoA	December
12	Assent of Y2025 Budget by the Governor	December
13	Publishing of Approved Budget	Before Dec 31st

Section 2 Economic and Fiscal Update

2.A Economic Update

2.A.1 Global Economy

35. Global economic growth remains exceptionally strong, and inflation is returning to target despite gloomy predictions of a recession. This recovery follows supply chain disruptions in the aftermath of the pandemic, a Russian-initiated war in Ukraine that triggered a global energy and food crisis, a significant surge in inflation, and synchronized monetary policy tightening worldwide. Global growth bottomed out at 2.3% in 2022 and is projected to be 3.2% in 2024 and 2025, respectively.

36. The International Monetary Fund (IMF) projects a soft landing for global economic growth at 3.1% in 2024 and 3.2% in 2025. This growth is driven by resilient performance in the US and major emerging market economies, avoidance of financial sector crises, and fiscal support within the Chinese economy (IMF, 2024). The forecast for 2024-2025 is below the historical (2000–2019) average of 3.8% due to global monetary tightening aimed at combating inflation, withdrawal of official support amidst high debt levels, and low underlying productivity growth. The October 2024 World Economic Outlook (WEO) predicts the global economy to remain stable but unimpressive.

37. According to the World Economic Outlook (April 2024), the surge in inflation did not trigger an uncontrolled wage-price spiral, and inflation is gradually declining. It peaked at 9.4% in 2022 and is expected to drop to 2.8% in 2024 and 2.4% in 2025. The October 2024 WEO anticipates a smooth landing as slower growth in inflation continues, although geopolitical tensions could flare up, sudden eruptions of financial market volatility might tighten financial conditions, and issues in China's property sector may create global spillovers affecting trade, alongside rising protectionism and continued geo-economic fragmentation.

38. The improvement in growth and inflation results from the fading of earlier energy shocks, a significant rebound in labour supply supported by strong immigration flows in many advanced economies, decisive monetary policy actions, and an improved monetary policy framework.

39. The World Economic Outlook (April 2024) projects improved financial conditions, equity valuations, and capital flows to most emerging economies, except for China, which has already shown buoyancy. Additionally, some low-income economies may see increased market access given the prospect of central banks exiting from tight monetary policy.

40. Debt, which increased during the pandemic, remains high, and significant budget deficits continue to raise the debt burden in many economies. Interest payments on debt are also increasing, reaching 14.3% of general government revenue in low-income economies in 2024. A tightening of fiscal policy is expected in 2024 and beyond, with higher taxes and reduced government spending across advanced, emerging, and developing economies, which will likely affect near-term economic activity.

41. Global oil demand is forecasted to be 1.3 million barrels per day in 2024, down from last year's 2.3 million barrels per day expansion. The Organisation for Economic Co-operation and Development (OECD) is projected to grow by almost 0.1 million barrels per day, while the non-OECD is expected to remain at 2.3 million barrels per day. For global oil supply, the forecast for non-OPEC liquids production growth is 1.4 million barrels per day year-on-year, while OPEC natural gas liquids and non-conventional liquids are expected to grow by 5.44 million barrels per day year-on-year (Global Economic Prospect 2023 edition).

42. Crude oil prices have been increasing, rising from USD 86.08 in 2022 to USD 88.80 in 2023, and reaching USD 93.12 in 2024. This upward trend is influenced by several factors, including a recent 7.7 percent surge in crude oil production, geopolitical tensions, conflicts, and disruptions in oil-producing regions, all of which impact supply. Additionally, natural disasters, political developments, and unexpected supply disruptions contribute to price volatility. The exchange rate of the Nigerian naira (NGN) against major currencies also affects oil prices; a weaker naira relative to the US dollar can lead to higher local prices for imported oil.

43. Fuel commodity prices are projected to decline in 2024 due to new supply, low demand, and high storage levels. Non-fuel commodity prices are expected to remain broadly stable in 2024, although base metal prices may fall by 1.8% due to weaker industrial activity in Europe and China. Food commodity prices are anticipated to decrease by 2.2% in 2024, although there may be increases due to abundant global supplies of wheat and maize.

44. According to the World Economic Outlook (WEO) from April 2024, global growth is expected to rise from 1.6 percent in 2023 to 1.7 percent in 2024, and to 1.8 percent in 2025. Advanced economies are projected to grow by 2.7 percent in 2024, before slowing to 1.9 percent in 2025 due to gradual fiscal tightening and a softening labour market, which will slow aggregate demand. In contrast, growth in emerging economies is projected to remain stable at 4.2 percent in both 2024 and 2025. For low-income economies, growth is expected to gradually increase from 4.0 percent in 2023 to 4.7 percent in 2024 and 5.2 percent in 2025. In sub-Saharan Africa, growth is projected to rise from an estimated 3.4 percent in 2023 to 3.8 percent in 2024, reaching 4.0 percent in 2025.

45. Inflation is forecasted to fall from an annual average of 6.8 percent in 2023 to 5.9 percent in 2024, and further to 4.5 percent in 2025. In advanced economies, inflation is expected to decline by 2.0 percent in 2024 and return to rates near their pre-pandemic average (2017-2019), averaging 2.0 percent in 2025. Meanwhile, emerging markets and developing economies are anticipated to return to their pre-pandemic average of 5.0 percent the following year.

46. According to the WEO April 2024, world trade growth, which was 5.1 percent in 2022 and 2.4 percent in 2023, is expected to rebound to 3.0 percent in 2024 and 3.3 percent in 2025. This growth is attributed to resilient global economic recovery, easing supply chains, and the restoration of global manufacturing output (WTO, 2023). Over the next decade, a multi-polar order is expected to emerge, with the BRICS nations and advanced economies setting, enforcing, and contesting current global rules and norms, leading to a new world order.

47. The current account balance narrowed in 2023 and is projected to continue narrowing in 2024, following a significant increase in 2022 due to the war in Ukraine, uneven recovery from the pandemic, and the rapid tightening of US monetary policy. It is anticipated to narrow gradually as the influence of these factors diminishes.

48. Creditor and debtor positions remained historically elevated in 2022 and 2023, reflecting the offsetting effects of widening current account balances and the strength of the US dollar, which caused valuation gains in countries with long positions in foreign currency. These elevated positions are expected to moderate only slightly as the current account balances narrow over the medium term.

49. Despite resilient growth performance, the global economy is still being affected by new commodity price spikes amid regional conflicts, persistent inflation, and financial stress, a faltering recovery in China, disruptive fiscal adjustments, debt distress, and a growing distrust in government that is eroding reform momentum.

Table 6 - Real GDP Growth: Selected Countries

Country	**Actual**					**Forecast**		
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2029**
Mexico	-0.3	-8.6	5.7	3.9	3.2	2.4	1.4	2.1
Indonesia	5.0	-2.1	3.7	5.3	5.0	5.0	5.1	5.1
Turkey	0.8	1.9	11.4	5.5	4.5	3.1	3.2	3.5
United States	2.5	-2.2	5.8	1.9	2.5	2.7	1.9	2.1
Germany	1.1	-3.8	3.2	1.8	-0.3	0.2	1.3	0.7
United Kingdom	1.6	-10.4	8.7	4.3	0.1	0.5	1.5	1.4
China	6.0	2.2	8.4	3.0	5.2	4.6	4.1	3.3

Ghana	6.5	0.5	5.1	3.1	2.3	2.8	4.4	5.0
South Africa	0.3	-6.0	4.7	1.9	0.6	0.9	1.2	1.4
Brazil	1.2	-3.3	4.8	3.0	2.9	2.2	2.1	2.0
Angola	-0.7	-5.6	1.2	3.0	0.5	2.6	3.1	3.6
Nigeria	2.2	-1.8	3.6	3.3	2.9	3.3	3.0	3.3

World Economic Outlook April 2024

Table 7 - Inflation (CPI): Selected Countries

Country					Actual	Forecast		
	2019	2020	2021	2022	2023	2024	2025	2029
Mexico	3.6	3.4	5.7	7.9	5.5	4.0	3.3	3.0
Indonesia	2.8	2.0	1.6	4.1	3.7	2.6	2.6	2.5
Turkey	15.2	12.3	19.6	72.3	53.9	59.5	38.4	18.6
United States	1.8	1.2	4.7	8.0	4.1	2.9	2.0	2.1
Germany	1.4	0.4	3.2	8.7	6.0	2.4	2.0	2.0
United Kingdom	1.8	0.9	2.6	9.1	7.3	2.5	2.0	2.0
China	2.9	2.5	0.9	2.0	0.2	1.0	2.0	2.0
Ghana	7.1	9.9	10.0	31.7	37.5	22.3	11.5	8.0
South Africa	4.1	3.3	4.6	6.9	5.9	4.9	4.5	4.5
Brazil	2.7	3.2	8.3	9.3	4.6	4.1	3.0	3.0
Angola	17.1	22.3	25.8	21.4	13.6	22.0	12.8	7.4
Nigeria	11.4	13.2	17.0	18.8	24.7	26.3	23.0	14.0

World Economic Outlook April 2024

2.A.2 Africa

50. The African economy is gradually improving after four challenging years marked by a liquidity crisis, macroeconomic imbalances, persistent global inflation, and tighter monetary policies. These factors led to higher borrowing costs and increased pressure on exchange rates, preventing any country from issuing Eurobonds.

51. The continent is now recognized as the second fastest-growing economy after Asia. In 2024, Africa is expected to account for eleven of the twenty fastest-growing economies. The countries projected to show robust economic performance include: Niger (11.2%), Senegal (8.2%), Libya (7.9%), Rwanda (7.2%), Côte d'Ivoire (6.8%), Ethiopia (6.7%), Benin (6.4%), Djibouti (6.2%), Tanzania (6.1%), Togo (6%), and Uganda (6%).

52. Forecasts indicate that East Africa will continue to lead the continent's growth momentum, with growth anticipated to rise to 5.1% in 2024 and 5.7% in 2025. North Africa's growth is expected to stabilize at 3.9% in 2024, with a slight increase to 4.1% in 2025. Central Africa's growth is projected at 3.5% for 2024, but a recovery in private consumption, along with increased mining investment and exports, could push growth to 4.1% in 2025. In West Africa, growth is expected to reach 4% in 2024 and 4.4% in 2025. Strong performance in most countries in the region should offset slowdowns in Nigeria and Ghana, although the

announced withdrawal of Burkina Faso, Mali, and Niger from ECOWAS raises concerns about the sustainability of these gains amid growing uncertainty.

53. According to the African Economic Outlook published in April 2024, economic recovery is expected to persist, with growth projections rising from 3.4% in 2023 to 3.8% in 2024, and reaching 4.0% in 2025. The IMF report for 2024 indicates that real GDP declined for a second consecutive year, dropping from 4.0% in 2022 to 3.3% in 2023 due to increased macroeconomic fragility, conflicts, persistent global economic uncertainties, and a sluggish recovery among major trading partners. However, a rebound in GDP growth to 3.8% is anticipated in 2024, and 4.1% in 2025, driven largely by expansion in the information and communications technology, services, and construction sectors.

54. Inflationary pressures in Africa have intensified and remain significantly high, hindering improvements witnessed elsewhere in the world. Average inflation was estimated at 17.8% in 2023, the highest level in over a decade. However, it is expected to decrease as public debt ratios stabilize, with several countries, including Côte d'Ivoire, Benin, and Kenya, issuing Eurobonds in 2024 after a two-year hiatus from international markets.

55. Fiscal deficits have improved significantly, as a quicker-than-expected recovery from the pandemic boosted revenue. This has led to a stabilization of the average fiscal deficit at 4.0% of GDP in 2023, compared to 6.9% in 2020, marking the lowest level since the pandemic began. Public debt ratios have largely stabilized around 60% of GDP in 2023 and are projected to ease further this year.

56. There are also signs of a resurgence in selective capital flows to the region. Foreign direct investment rose to 2.0% of GDP in 2023, suggesting a continuation of post-pandemic recovery.

57. Nonetheless, several key downside risks remain. Persistent inflation, rising geopolitical tensions, and funding squeezes continue to challenge the continent's governments, which are grappling with financing shortages, high borrowing costs, and impending debt repayments. These factors could disrupt trade and investment flows, increase food and commodity prices, and hinder the much-needed easing of monetary conditions. Additionally, they could jeopardize fiscal consolidation and lead to increased regional conflicts and political instability, potentially diverting resources from development and social support toward defense spending.

58. Monetary policy should be implemented to maintain price stability and support structural reforms aimed at diversifying funding sources and economies. Furthermore, additional support from the international community is crucial to fostering a more inclusive, sustainable, and prosperous future for the region.

2.A.3 Nigerian Economy

Macroeconomic

59. **The Economy** - Global economic integration significantly impacts the Nigerian economy, with both positive and negative developments around the world affecting it in various ways. Nigeria is gradually recovering despite facing numerous challenges, including the pandemic, Russia's unprovoked war on Ukraine, a problematic currency redesign, the removal of fuel subsidies, fuel scarcity, and a currency float. These issues have contributed to spiraling inflation and a currency crisis with far-reaching consequences.

60. **Real GDP Growth** - Real GDP growth in Nigeria slowed due to the impacts of cash crises, subsidy removal, and Naira depreciation on economic activities. It declined from 3.54% in the second quarter to 2.54% in the third quarter of 2023. This figure is higher than the 2.25% recorded in the same quarter of 2022. The year-on-year growth for the fourth quarter of 2023 was 2.74%. The growth was primarily driven by the services sector, which grew by 3.99%, contributing 52.70% to the aggregate.

61. **IMF Growth Projections** - The IMF (2024) projects Nigeria's GDP growth to reach 3.0% in 2024, up from 2.8% in 2023, with a forecast of 3.1% in 2025. This anticipated growth is contingent upon successful reforms, including the removal of fuel subsidies, exchange rate unification, and further monetary tightening, all aimed at enhancing fiscal stability, moderating inflation, and stabilizing the Naira exchange rate. These reforms are expected to boost investor confidence and promote overall macroeconomic stability.

62. **Inflation Rate** - Nigeria's inflation rate soared in 2023, reaching an 18-year high of 28.92% in December, driven mainly by the removal of petroleum subsidies, exchange rate depreciation, and a loose monetary policy stance, as indicated by negative real interest rates. As of 2023, the poverty rate stood at 46%, with about 104 million people living below the poverty line (World Bank, 2023).

63. **Oil Sector Challenges** - Since mid-2014, the negative effects of fluctuating oil prices and inconsistent oil production have exposed the Nigerian economy to domestic and external shocks. In 2023, the oil sector continued to underperform in terms of crude oil production and export revenue, showing only marginal improvement over 2022. Average daily crude oil production in the first three quarters of 2023 was 1.39 mbpd, compared to 1.37 mbpd in the same period of 2022—far below the peak production level of 2.02 mbpd achieved in 2019. Key factors contributing to low crude oil production and decreased foreign direct investment in Nigeria's oil and gas sector include climate change effects, rising operational risks manifested as high inflation and foreign exchange shortages, an uncertain fiscal and regulatory environment, portfolio rationalization, oil theft, pipeline vandalism, and sabotage by local communities. This situation has resulted in a low production capacity due to aging infrastructure and declining operational capabilities. Notably, no direct investments were recorded in Q2 2023. The sector has witnessed significant divestments by international oil companies such as Eni, Shell, and Total Energies, which are selling off their assets in onshore, swamp, and shallow water operations.

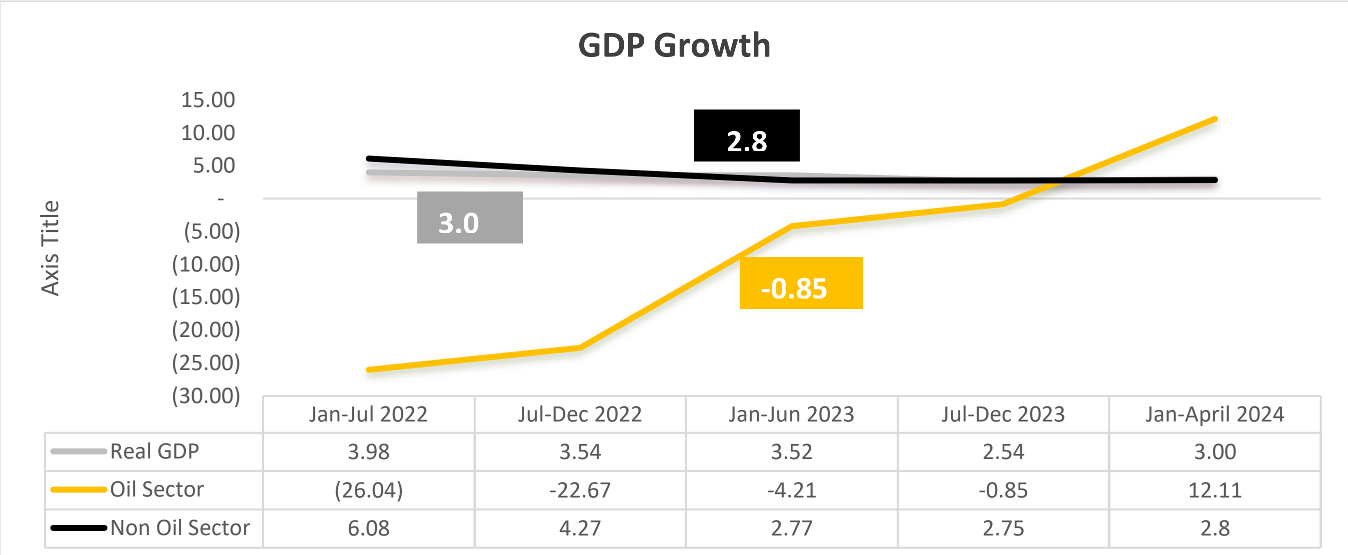
64. **Future Production Prospects** - Despite current challenges, Nigeria aims to increase daily crude output to meet the OPEC+ quota of 1.5 mbpd for 2024 and potentially the budget production target of 1.78 mbpd. This effort will be supported by new initiatives to expand Nigeria's natural gas output and utilization through various production agreements with international partners, including a memorandum of understanding with Saudi Arabia. Projects such as the ongoing USD 2.80 billion Ajaokuta–Kaduna–Kano gas pipeline and the commencement of operations by Dangote, BUA, and other local modular refineries are set to enhance production capabilities.

65. **Public Debt** - Public debt has escalated due to a notable fiscal expenditure deficit of 76.35% quarter-on-quarter in Q2 2023, rising from N49.85 trillion in Q1 2023 to N97.91 trillion by Q4 2023 (Debt Management Office, 2023). It is estimated to increase by 16.5 trillion against the 2024 budget target of N13.72 trillion based on historical fiscal revenue trends, which reflect a 50% average revenue performance along with prevailing challenges to revenue growth.

66. **Monetary Policy Adjustments** - The monetary policy rate (MPR) was raised from 17.5% in January 2023 to 18.75% in November 2023 and reached 27.25% in September 2024. Consequently, the average lending rate now hovers around 34%. These adjustments to the MPR aim to moderate inflation, which has persisted above 20% since the beginning of 2023.

67. The national quarterly real GDP growth and year-on-year inflation rates from 2020 to 2023 are shown in Figures 2 & 3 below.

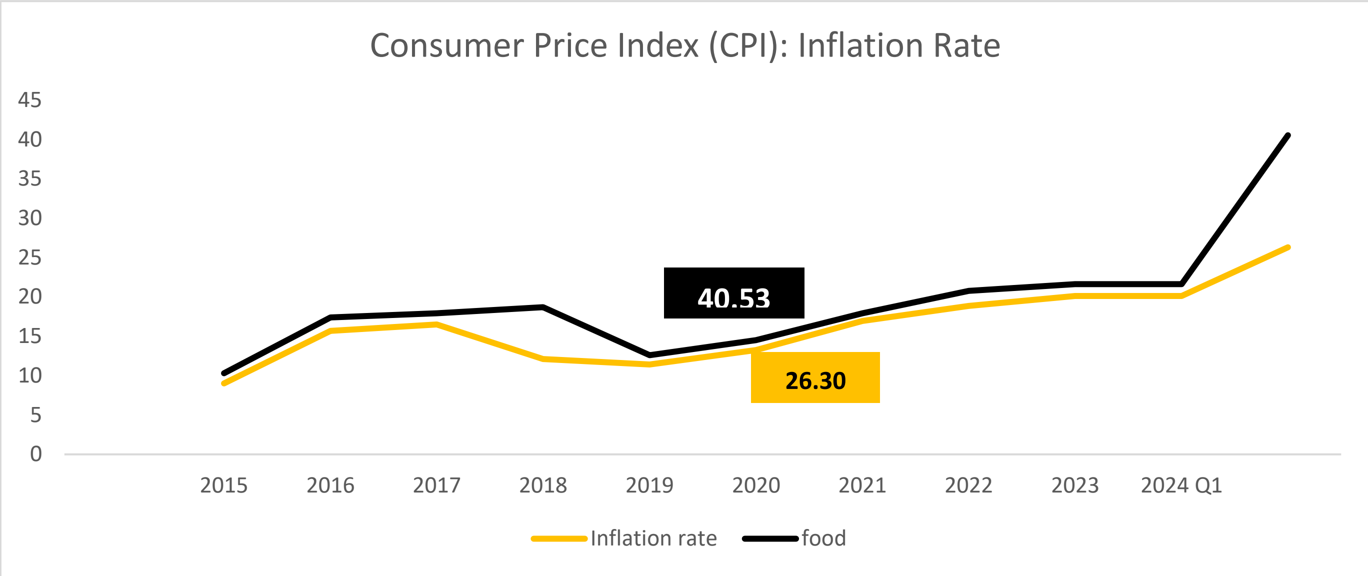
Figure 2 - Nigeria's Real GDP Growth vs Oil & Non-Oil Sector Growth



	Jan-Jul 2022	Jul-Dec 2022	Jan-Jun 2023	Jul-Dec 2023	Jan-April 2024
Real GDP	3.98	3.54	3.52	2.54	3.00
Oil Sector	(26.04)	-22.67	-4.21	-0.85	12.11
Non Oil Sector	6.08	4.27	2.77	2.75	2.8

Source(s): NBS

Figure 3 - Customer Price Index (CPI): Year on Change %



Source(s): NBS

68. **Foreign Exchange Rate** – In 2023, the naira depreciated against the dollar by 96.55%. Consequently, the official exchange rate on January 1, 2023, was N461.50/$, while on December 29, 2023, it had depreciated further to N907.11/$. Between December 2023 and March 2024, the naira weakened further, reaching N1,900/$. However, by April 2024, it had strengthened to approximately N1,100/$ and is currently hovering around N1,600/$.

69. **Gross Foreign Reserves** – Foreign reserves declined by 11.55% (US$4.28 billion), dropping from US$37.06 billion in January 2023 to US$33.78 billion in December 2023. This decline was attributed to low oil production and exports, falling foreign investment inflows, and reduced diaspora remittances, despite high demand for foreign exchange and continuous interventions by the Central Bank of Nigeria (CBN) in the foreign exchange market. Nigeria has ranked as the second-highest remittance receiver after Egypt over the last decade.

70. **Exchange Rate Dynamics** – The NGN/USD exchange rate, a key parameter for crude oil revenue, along with the benchmarks assumed in the Federal Government budgets from January 2023 to May 2024 and the status of foreign reserves, is illustrated in Figures 4 and 5.

Figure 4 - Official vs Parallel Market Exchange Rate (USD to NGN)

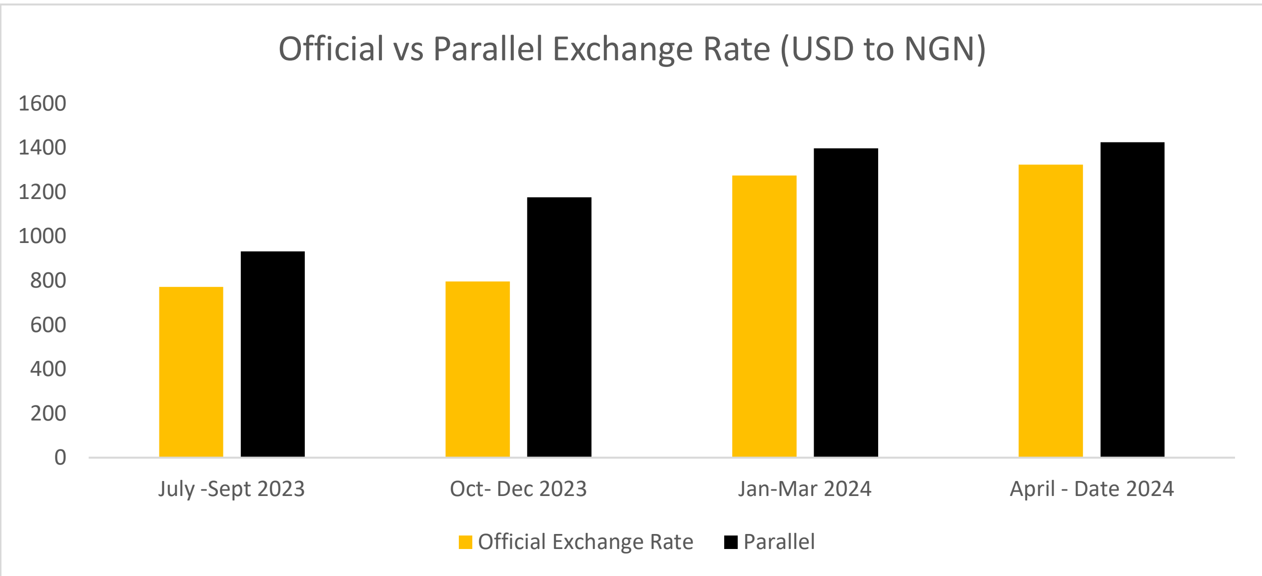
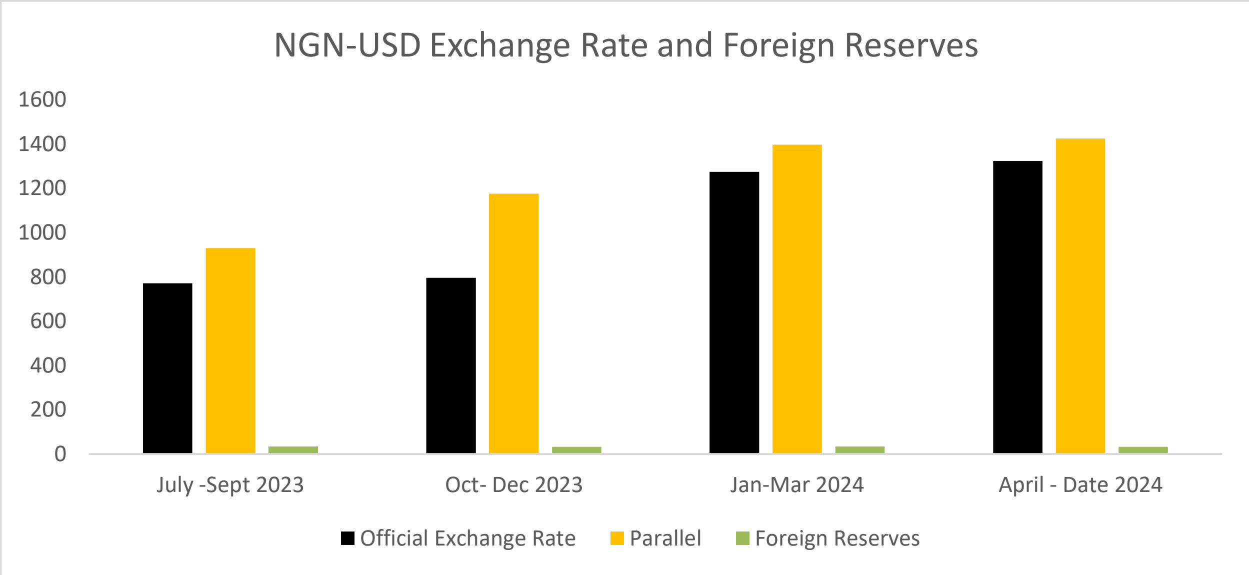


Figure 5 - NGN-USD Exchange Rate and Foreign Reserves



Sources: CBN, NBS, Federal Budget Documents

Note that devaluations coincide with (1) crude oil /production/price drop (2) fluctuation in foreign reserves, Instability in currency, and evidence of some merging of exchange rate windows (official, Import, and export (I&E)).

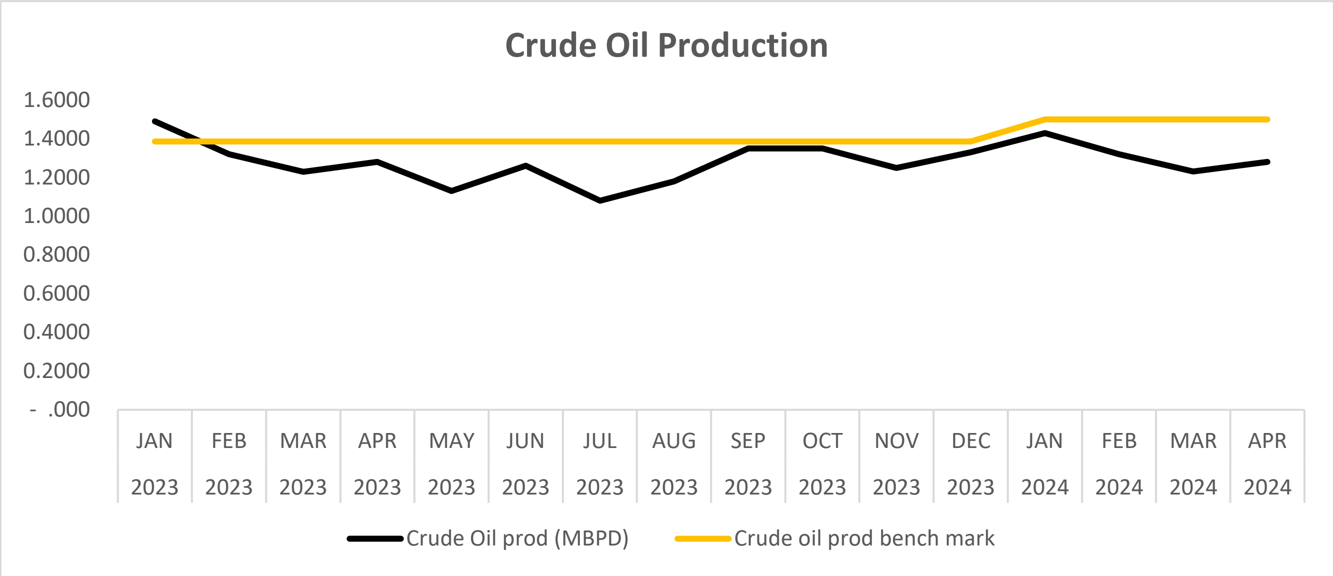
71. The price of crude oil has been on an upward trend since the onset of the Ukraine-Russian conflict on February 24, 2022. It rose from US$89.69 in late February 2022 to US$117.17 by early June 2022, indicating an increase of 23% in less than four months. This surge in crude oil prices has primarily been driven by the conflict, coupled with the inability of OPEC and non-OPEC members to ramp up production levels when the conflict began. However, since September 2022, crude oil prices have started to decline and continue to decrease in 2023. It is projected that prices will average US$83 per barrel in 2023 and US$78 per barrel in 2024, largely due to anticipated policy shifts in China.

72. Nigeria's crude oil production reached a record low of 1.015 million barrels per day in September 2022. In 2023, it averaged around 1.2 million barrels per day, and in the first quarter of 2024, it increased to an average of 1.398 million barrels per day. By the end of the second quarter of 2024, production is expected to be 1.345 million barrels per day. These figures remain significantly below the OPEC-approved quota of 1.5 million barrels per day. The decline in production can be attributed to several challenges, including a shift towards renewable energy that has led to reduced oil-centric investments, as well as political and security risks, crude production sabotage, pipeline vandalism, and technical issues.

73. Additional factors that may influence crude oil production in the medium term include the implementation of new reforms from the recently passed Petroleum Industry Act (PIA) and any potential boycott of Russian oil stemming from the ongoing conflict in Ukraine.

74. Crude oil production (including condensates) from January 2023 to April 2024, along with the benchmark, is presented in Figure 6

Figure 6 - Crude Oil Production



Note that crude oil production has steadily declined over the last eight years and OPEC put crude oil production at around 1.25MBPD in 2023 and 1.5MBPD in 2024 which is below Nigeria's OPEC production quota of 1.386MBPD in 2023 and 1.5MBPD in 2024.

75. The Economic Sustainability Plan (ESP) and the National Development Plan focus on the deregulation of refined petroleum prices and the establishment of a sustainable framework for maintaining the national strategic stock. They also include the remittance of 100% of royalties and taxes paid to the Nigerian National Petroleum Corporation (NNPC) into the Federation Account, along with sustained periodic reconciliation with the Department of Petroleum Resources (DPR) and the Federal Inland Revenue Service (FIRS). Key implementations involve Finance reforms, VAT reforms, the development of business continuity plans for tax and customs administration, the rationalization of ineffective tax incentives and exemptions, and increased remittances and recovery of unremitted revenues from Government-Owned Enterprises (GOEs).

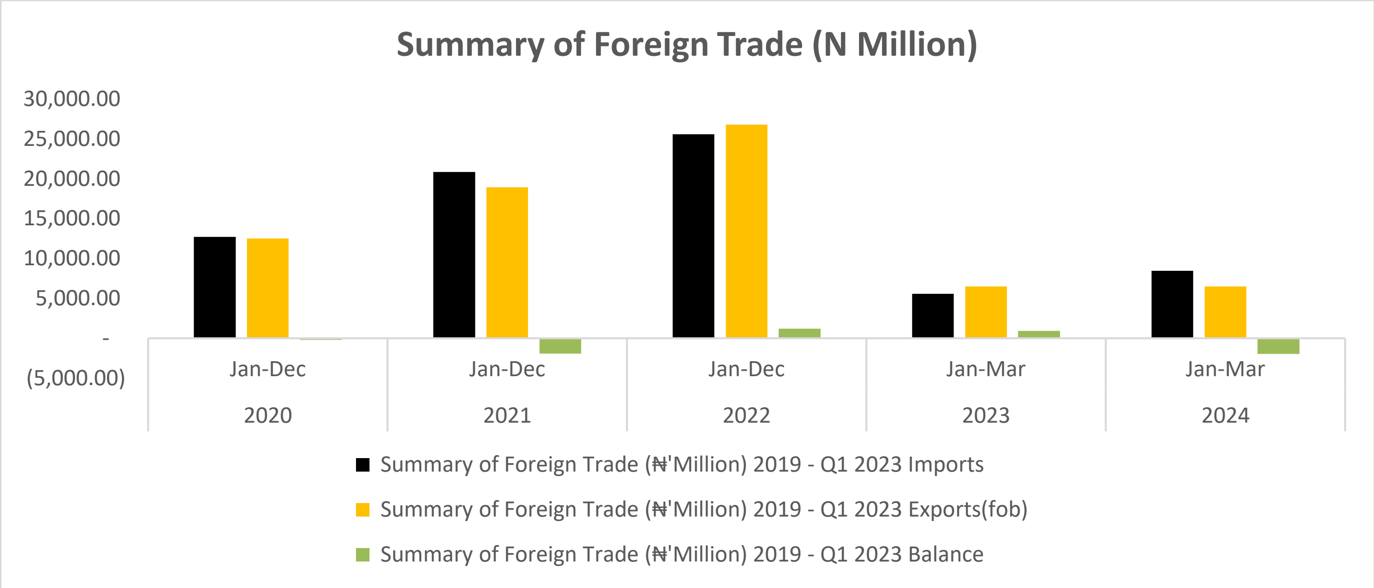
76. In terms of foreign trade, Nigeria's total merchandise trade reached ₦18,804.29 billion in Q3 2023, comprising ₦10,346.60 billion in exports and ₦8,457.68 billion in imports. This represents a growth of 54.62% compared to Q2 2023 and a 53.16% increase compared to Q3 2022, driven by heightened trade activities during this period. Total crude oil revenue surged by 83.23% to ₦8.54 trillion in Q3, up from ₦4.66 trillion in Q3 2022. This increase was due to growth in oil output and export volumes, while non-oil exports contributed ₦67.56 billion, or 6.55%. The trade balance for the quarter was ₦1.89 trillion, marking increases of 47.70% and 33.33% over the values of ₦1,726.25 billion and ₦6,343.53 billion recorded in the previous and corresponding quarters of 2022, respectively (NBS, 2023). This marks consecutive quarters of positive trade balance starting from Q4 2022. A favorable trade balance growth of 3% is expected in 2024. Exports in the quarter amounted to ₦32.17 billion, representing 0.50% of total exports to Spain, India, the Netherlands, Indonesia, and France, consisting of crude oil, non-crude oil, and other non-oil products.

77. The commodity with the highest export value during this period was ‘mineral products’, valued at ₦9,737.21 billion, or 94.11% of total export value, followed by prepared foodstuffs, beverages, spirits, vinegar, and tobacco, which totaled ₦140.57 billion (1.36% of total exports), and ‘vegetable products’ at ₦138.95 billion (1.34% of total exports).

78. The current account recorded a small surplus of USD 3,280 million, but GDP decreased by 0.3% as of December 2023, down from a 0.1% growth in 2022. Gross international reserves declined from $37.1 billion in 2022 to $32.9 billion in 2023. The nonperforming loans ratio stood at 4.2% in 2022 and 4.1% in 2023, remaining below the regulatory requirement of 5%. The

capital adequacy ratio was 13.8%, exceeding the regulatory benchmark of 10% in 2022 and 10.5% in 2023, including a 2.5% conservation buffer. The multidimensional poverty rate increased to 40.1%, while unemployment rose to 33.3%, both showing a 5% increase in the third quarter of 2023 from 4.2% in 2022.

Figure 6 - Summary of Foreign Trade (N Million)



34. In 2022 Capital importation, FPI, and Other Investments accounted for 45.8% and 45.4% respectively, while FDI accounted for trifle 8.8%. In 2023 capital importation, Nigeria received 60.8% of its inflow into other investments. FPI recorded 29.5% while FDI recorded only 9.7%. Also, in 2024 (Q1 and Q2), the country recorded 58.2% FPI, 39.4% Other investment, and 2.5% FDI.

35. This shows that the country has struggled to attract significant FDI in the years under review. The few that came in were to trading and manufacturing sectors. Most of the funds received in the year came from the UK (11.03%), South Africa (14.02%), and the Netherlands (49.93%).

36. So far in the year, 47.5% came to Abuja, and 53.5% came to Lagos. Other States have yet to attract foreign capital so far in the year.

Figure 7 - Capital Importation by Investment Type and Sector

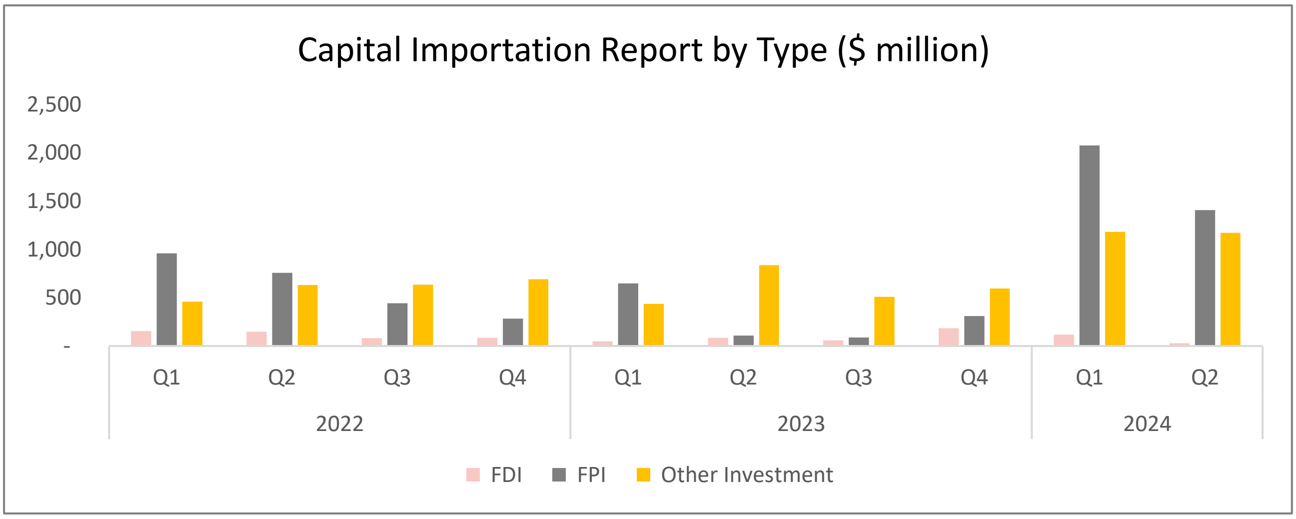
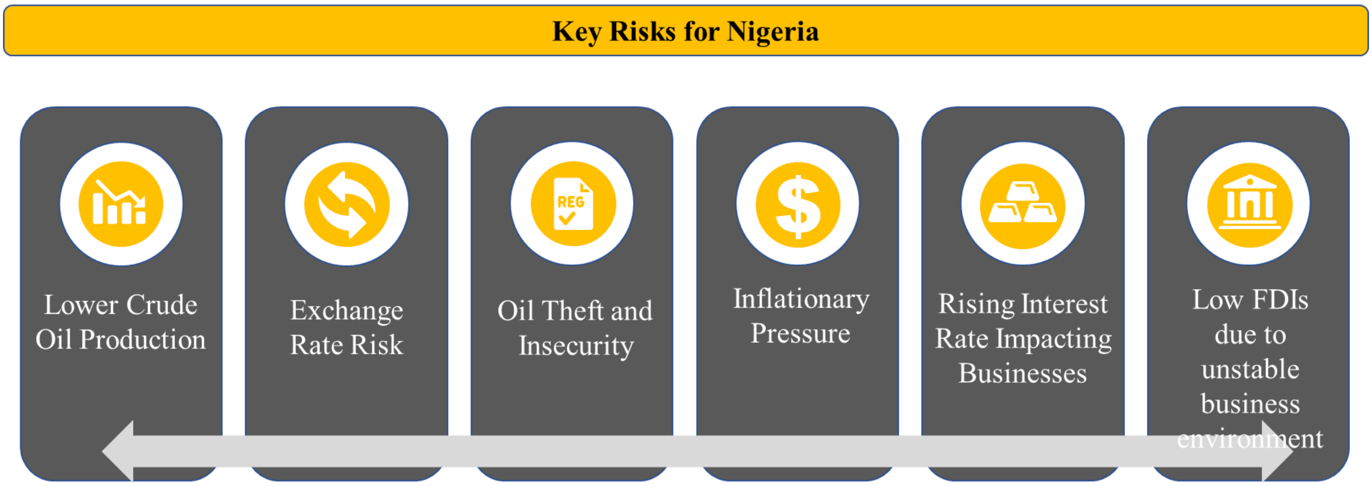


Figure 7 - Risk Factors for Nigeria



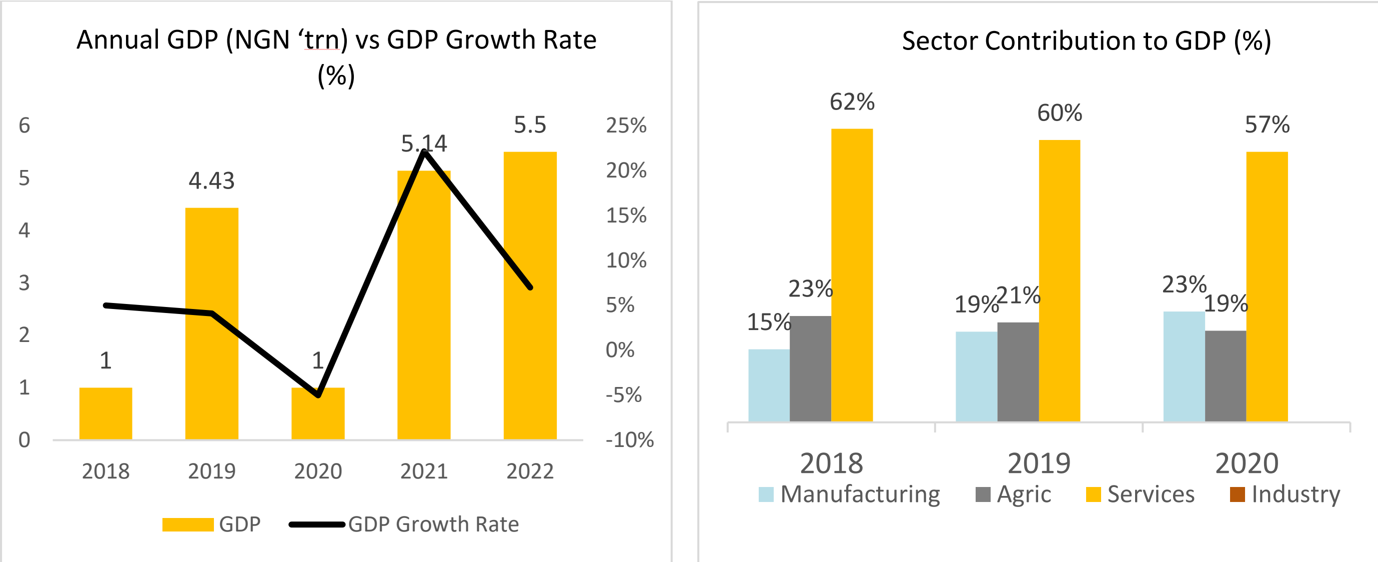
2.A.4 Anambra State Economy

79. The economy of Anambra State is significantly influenced by the national economy's performance, as well as developments in the global economic environment. A large portion of the state's workforce is involved in commercial activities, subsistence farming, and the service sector. In urban areas such as Nnewi, Onitsha, and Awka, trading is the primary occupation, followed by various services. Manufacturing also plays a role, with most firms located in Nnewi, Onitsha, and Awka. The state serves as a major center for commerce, industry, and transportation in the Southeast Geopolitical Zone of Nigeria and beyond.

80. Anambra has the 6th largest economy in Nigeria with an estimated GDP of N5.14 trillion in 2022. Anambra State's GDP and GDP growth rate contracted in 2020 due to COVID-19 but have rebounded following the resumption of economic activities in the country and globally. The State experienced an average GDP growth rate of 22% in 2021 and 7% in 2022 with the contribution of the manufacturing sector increasing year-on-year.

81. The manufacturing sector contribution accounted for 15% of the State's GDP in 2018 amounting to approximately NGN 657.82 billion. This has grown by 62% and in 2022, the manufacturing sector is estimated to have contributed 19% to the total GDP value of NGN 5.5 trillion. This growth in the manufacturing sector is driven by activities in the Food, Beverages, and Tobacco; Textile, Apparel, and Footwear; and the Construction subsectors. The services sector has consistently contributed almost 60% to the State's GDP. This contribution is driven by three major subsectors: Trade (~20% annually), Telecom and Information Services (~7% annually) and Technical Services (~6.5% annually). The agriculture sector has contributed an average of 20% to the State's GDP annually in the last five years with the Crop Production subsector accounting for 95% of the agriculture sector's contribution to GDP. Mining and Quarrying are the least contributors to the State GDP, with less traction in the exploration of natural gas, crude oil, and metal ore mining.

Figure 8 - Anambra State GDP & GDP Composition



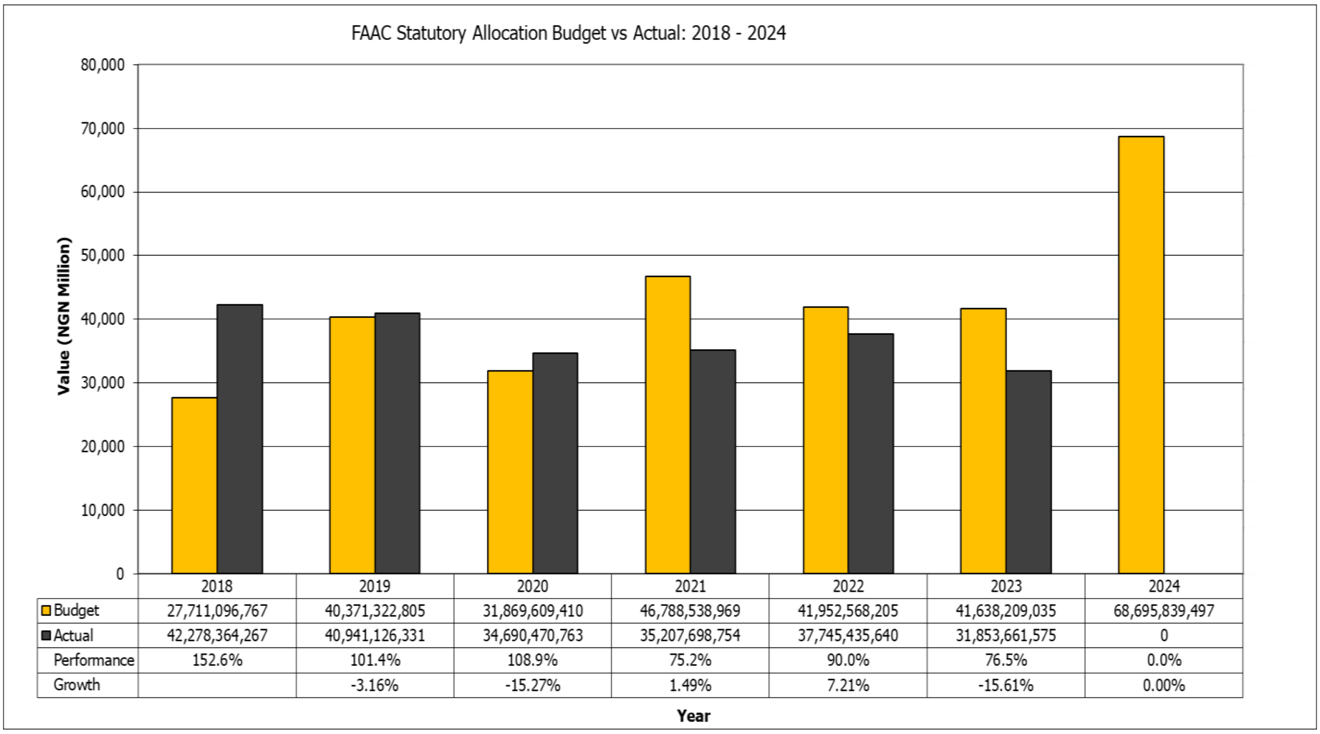
2.B Fiscal Update

2.B.1 Historic Trends

Revenue

82. On the revenue side, the document examines Statutory Allocation, VAT, IGR, other Federation Account revenues, and Capital Receipts (loans, grants, and other capital receipts) – comparing budget versus actual for the period 2018-2023 (six-year history) plus the 2024 budget.

Figure 9 - FAAC Statutory Allocation Budget vs Actual



	2018	2019	2020	2021	2022	2023	2024
Budget	27,711,096,767	40,371,322,805	31,869,609,410	46,788,538,969	41,952,568,205	41,638,209,035	68,695,839,497
Actual	42,278,364,267	40,941,126,331	34,690,470,763	35,207,698,754	37,745,435,640	31,853,661,575	0
Performance	152.6%	101.4%	108.9%	75.2%	90.0%	76.5%	0.0%
Growth		-3.16%	-15.27%	1.49%	7.21%	-15.61%	0.00%

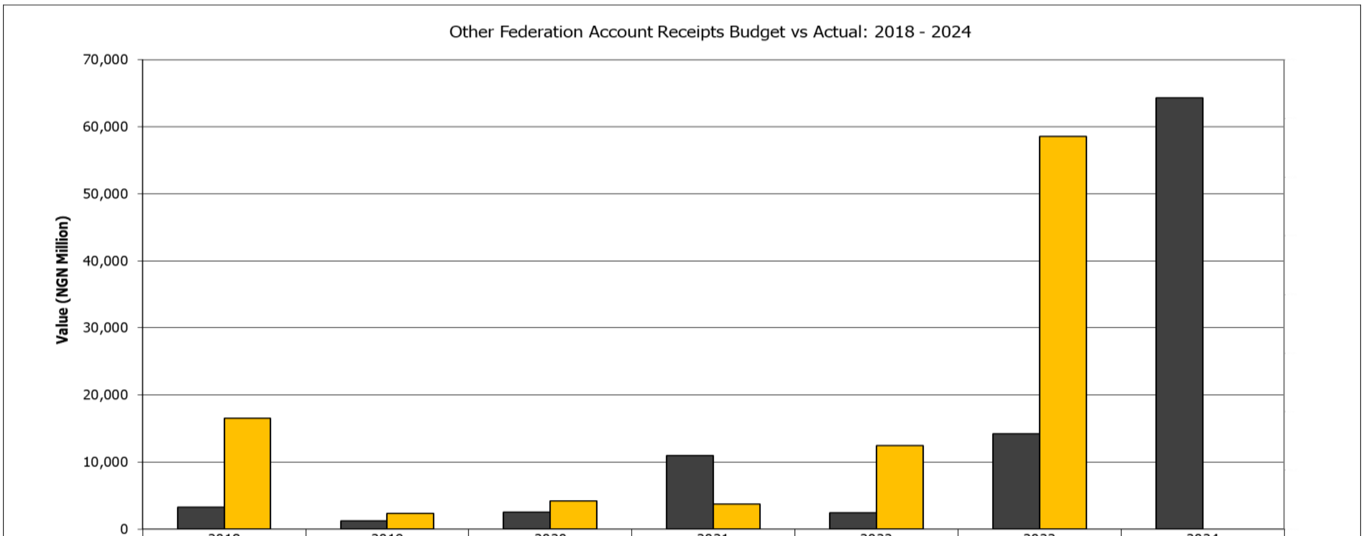
83. Statutory allocation refers to the amount distributed from the federation account each month, serving as the primary source of revenue for the state. The federation account is a general pool of revenue derived from both mineral sources (e.g., oil and gas) and non-mineral sources (e.g., customs, excise, and taxes collected by the FIRS). This revenue is allocated to the three tiers of government: Federal, State, and Local Government Areas (LGAs).

84. The receipts from statutory allocation have fluctuated over the review period. There was an increase in 2018; however, since 2019, these receipts have been declining.

85. Over the past few years, the performance of the budget against targets has been mixed. From 2018 to 2020, actual receipts exceeded the budget targets. In contrast, for the years 2021, 2022, and 2023, the performance fell short of budget expectations. The significant discrepancy between the budget and actual receipts during these years was primarily due to a sharp decline in oil prices in the international market.

86. Between 2018 and 2021, there were no derivation proceeds, as the state only began receiving revenue as an oil-producing state in 2022 and 2023, amounting to 4.04 billion and 3.25 billion, respectively. For 2025, we have budgeted 9.2 billion, with a monthly estimate of 770.7 million. We will also make proper projections for 2026 and 2027.

Figure 10 - Other Federation Account Receipts



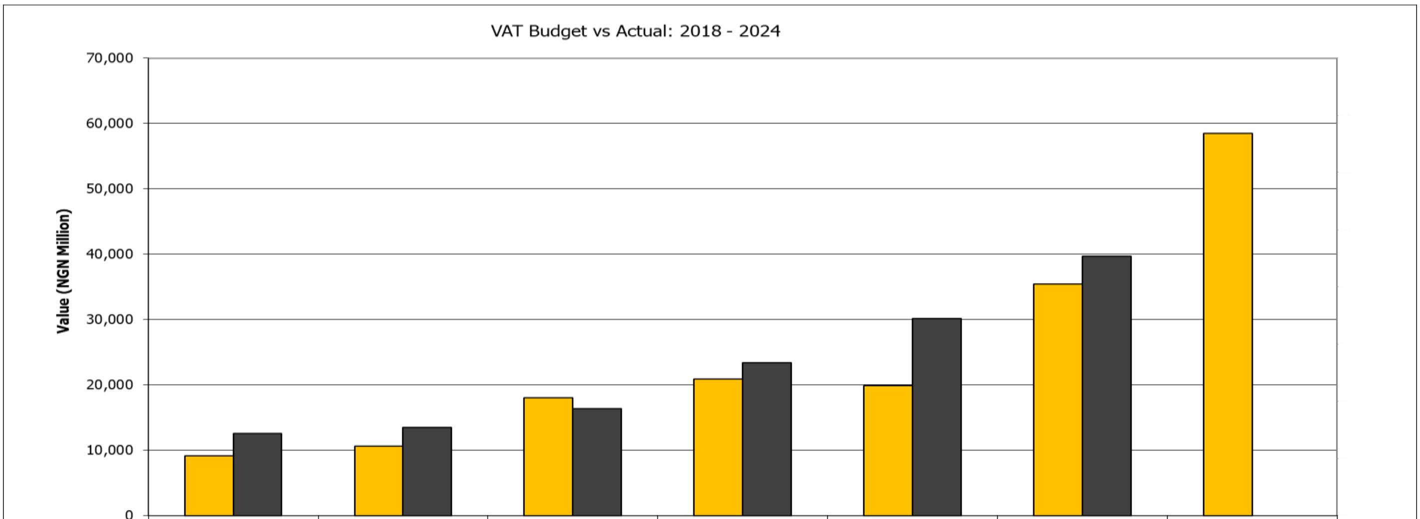
	2018	2019	2020	2021	2022	2023	2024
Budget	3,310,805,103	1,221,527,162	2,500,000,000	10,973,864,598	2,429,169,594	14,220,332,800	64,303,215,515
Actual	16,529,798,963	2,313,731,893	4,161,672,023	3,750,760,054	12,459,596,227	58,564,444,309	0
Performance	499.3%	189.4%	166.5%	34.2%	512.9%	411.8%	0.0%
Growth		-86.00%	79.87%	-9.87%	232.19%	370.03%	0.00%

Year

87. Other Federation Account Receipts are generated when the actual oil price, production levels, and exchange rates exceed the benchmarks set by the Federal Government. Estimating or budgeting for these receipts is challenging due to their significant month-to-month fluctuations. The Other Federation Account Receipts, as illustrated in the graph above, include NNPC refunds, refunds from the Paris Club, exchange rate differences, deduction refunds (such as bank charges and stamp duty), shares from solid minerals, excess PPT, forex equalization, and the ecological fund.

88. A review of actual receipts from 2018 to 2023 shows that Other Federation Account Receipts have varied between 16.529 billion and 58.56 billion.

Figure 11 – VAT



	2018	2019	2020	2021	2022	2023	2024
Budget	9,169,090,433	10,639,423,129	18,000,000,000	20,889,262,031	19,865,745,300	35,457,702,659	58,499,074,907
Actual	12,579,837,114	13,524,817,905	16,382,850,799	23,373,396,968	30,134,487,953	39,662,552,004	0
Performance	137.2%	127.1%	91.0%	111.9%	151.7%	111.9%	0.0%
Growth		7.51%	21.13%	42.67%	28.93%	31.62%	0.00%

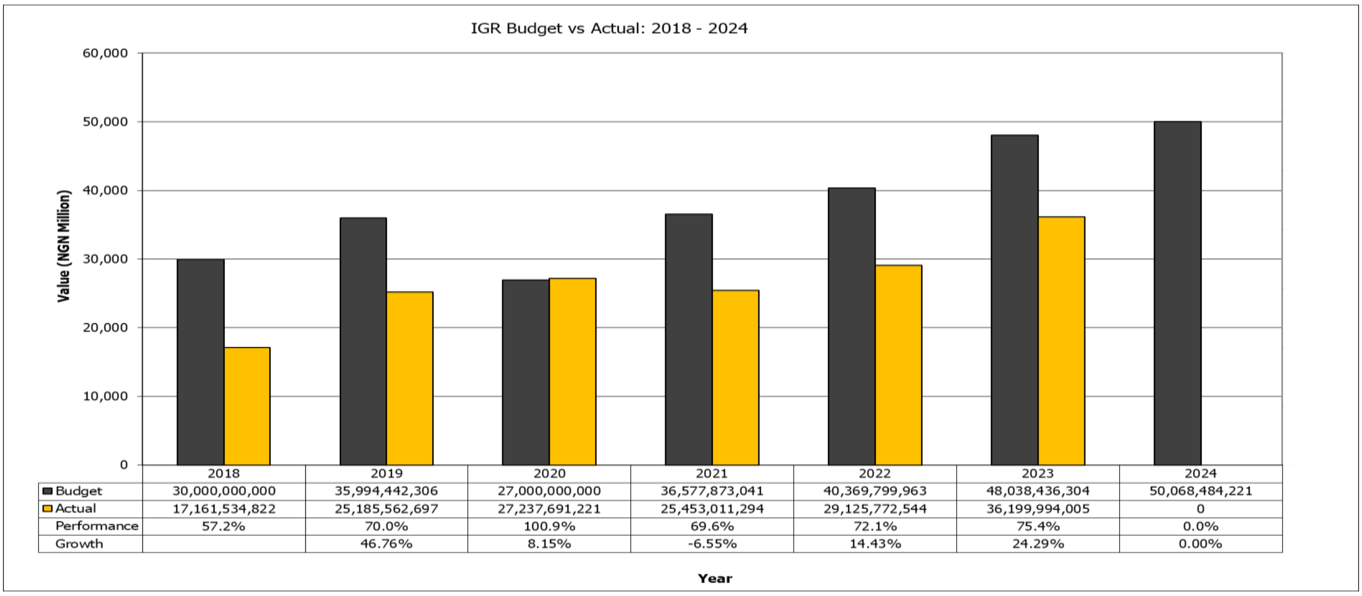
Year

89. VAT is an ad valorem tax collected throughout Nigeria and distributed to the three tiers of government according to various sharing ratios.

90. The graph clearly illustrates a consistent annual increase in VAT over the observed period. This steady growth is likely attributed to sustained real GDP growth and inflation in the Nigerian economy, as well as the VAT rate increase from 5% to 7.5% in 2021. With an actual VAT collection of 26.26 billion in the first quarter of 2024, it is anticipated that the full-year total will surpass the budget, similar to the actual figures for 2023.

91. The ANSG has consistently underestimated VAT revenues, as depicted in the graph above. Therefore, for the period 2025-2027, forecasts will be based on actual revenue trends rather than previous-year budgets.

Figure 12 – IGR

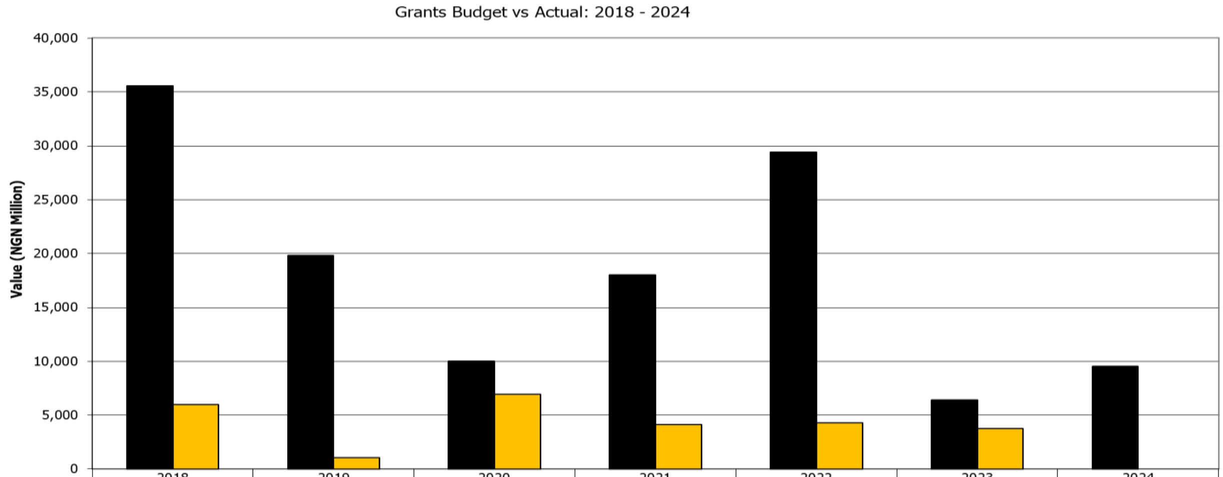


92. Internally Generated Revenue (IGR) is collected by the AIRS and other revenue-collecting agencies. A significant portion of IGR comes from Pay-As-You-Earn (PAYE) taxes, but it also includes fines, fees, land taxes, rents, licenses, sales, repayments and reimbursements, dividends, interest on state assets, and other earnings.

93. IGR collections have increased year-on-year since 2016. Performance against budget has been relatively strong, ranging from 57.2% to 100.9% over this period.

94. In forecasting IGR for the years 2025 to 2027, the performance of the first quarter of 2024 has been analyzed to determine whether the receipts align with previous trends and if the anticipated increases have been realized.

Figure 13 - Grants



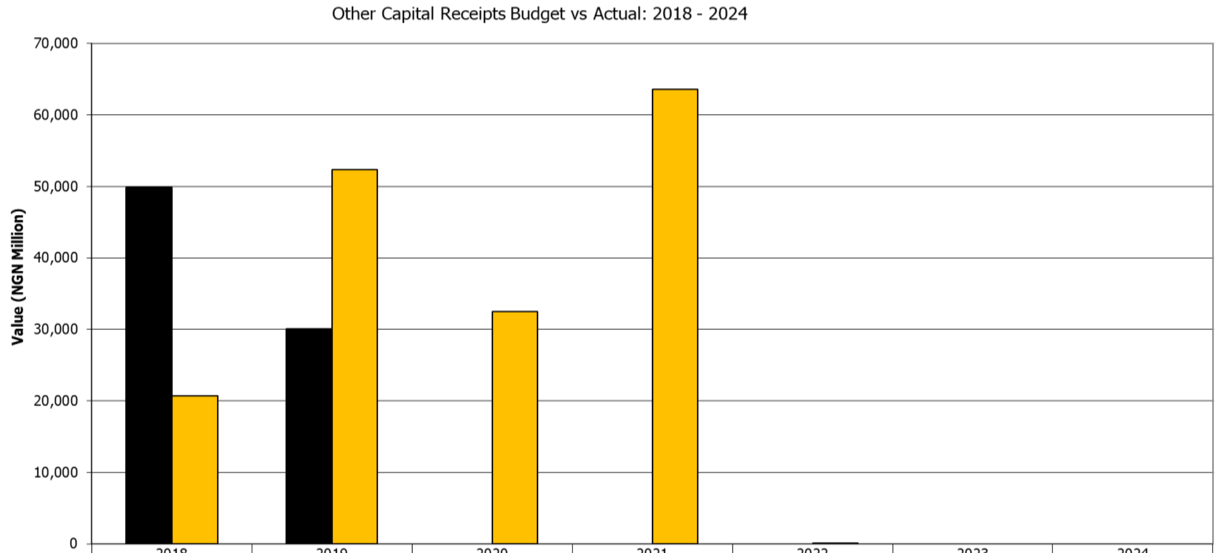
	2018	2019	2020	2021	2022	2023	2024
Budget	35,546,650,000	19,800,000,000	10,000,000,000	18,000,000,000	29,431,000,000	6,431,000,000	9,531,000,000
Actual	5,986,906,716	1,057,714,269	6,958,958,841	4,125,358,119	4,314,400,094	3,756,122,294	0
Performance	16.8%	5.3%	69.6%	22.9%	14.7%	58.4%	0.0%
Growth		-82.33%	557.92%	-40.72%	4.58%	-12.94%	0.00%

Year

95. Grants include Conditional Grant funds from the Federal Government, such as the Sustainable Development Goals (SDGs), Tertiary Education Trust Fund (TETFUND), Universal Basic Education Commission (UBEC), Solid Minerals Development Fund, and Internally Displaced Persons (IDP) funds. The performance figures may be skewed due to the lack of capture of development partners' grants, particularly from bilateral partners, in the ANSG accounts, as these funds do not pass through the treasury.

96. A review of grants from 2018 to 2023 revealed a significant divergence from actual receipts. This discrepancy is primarily due to the expectation that ANSG's strong fiscal performance would allow the state to access increased grants from International Development Partners. In 2021, 2022, and 2023, the state recorded actual performance rates of 22.9%, 14.7%, and 58.4%, respectively, with growth rates of -40.7%, 4.58%, and -12.94%. This indicates an inconsistency in grant receipts over the years being evaluated.

Figure 14 - Other Capital Receipts



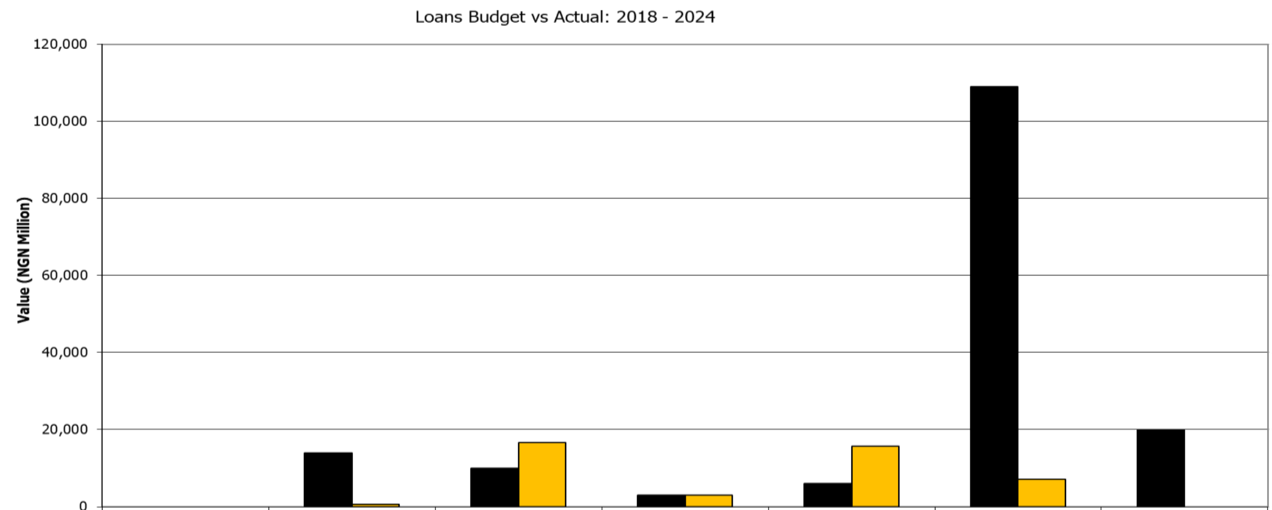
	2018	2019	2020	2021	2022	2023	2024
Budget	49,850,000,000	30,034,635,028	0	0	0	0	0
Actual	20,675,179,633	52,310,003,193	32,512,476,528	63,565,193,975	1,102,000	0	0
Performance	41.5%	174.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth		153.01%	-37.85%	95.51%	-100.00%	-100.00%	0.00%

Year

97. Other capital receipts from government fundraising activities and various miscellaneous sources.

98. During the review period, Other Capital Receipts were recorded in 2018, 2019, 2020, 2021, and 2022. In 2018, the actual Other Capital Receipts totalled N20.67 billion, which increased by N52.3 billion in 2019. However, there was a decline in 2020 due to the COVID-19 pandemic. In 2021, receipts rose to N63.56 billion, but there was a drop in 2022, and there were no actual receipts reported for 2023, as illustrated in the graph.

Figure 15 - Loans / Financing



	2018	2019	2020	2021	2022	2023	2024
Budget	0	14,000,000,000	10,000,000,000	3,000,000,000	6,000,000,000	109,028,694,691	20,000,000,000
Actual	0	700,000,000	16,607,433,256	3,007,180,457	15,763,887,164	7,070,611,665	0
Performance	0.0%	5.0%	166.1%	100.2%	262.7%	6.5%	0.0%
Growth		0.00%	2272.49%	-81.89%	424.21%	-55.15%	0.00%

Year

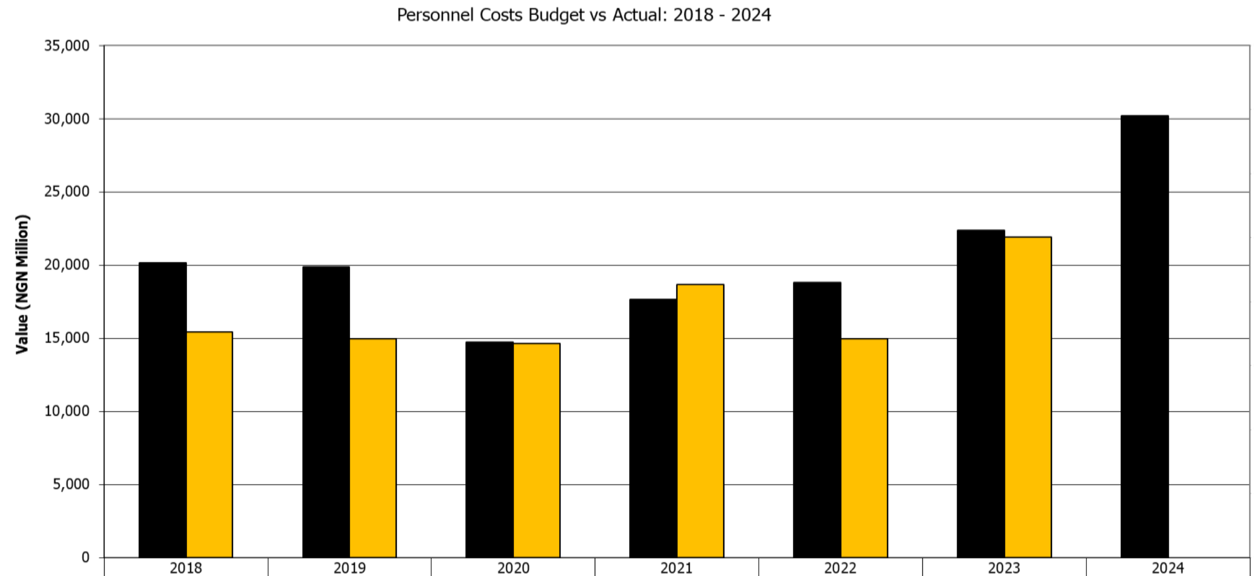
99. Loans can be sourced from both domestic and international providers. Domestic loans are obtained from sources such as bank loans and overdrafts, the Central Bank of Nigeria, and the Federal Government. On the other hand, foreign loans come from institutions like the World Bank and the African Development Bank.

100. The graph above illustrates the percentage performance of loans from 2018 to 2023, showing values of 0.0%, 5.0%, 166.1%, 100.2%, 262.7%, and 6.5% for each respective year. Notably, the State did not allocate any budget for loans in 2018. In 2020 and 2023, the State borrowed more from the Central Bank of Nigeria's Agricultural Credit Scheme and the contract finance facility.

Expenditure Side

101. The expenditure assessment includes Personnel (Salaries and Allowances), Social Benefits and Contributions, Overheads, Grants, Subsidies, Transfers, Debt Services, and Capital Expenditure, comparing budget versus actual for the period 2018-2023 (six-year history) and the 2024 budget.

Figure 16 - Personnel



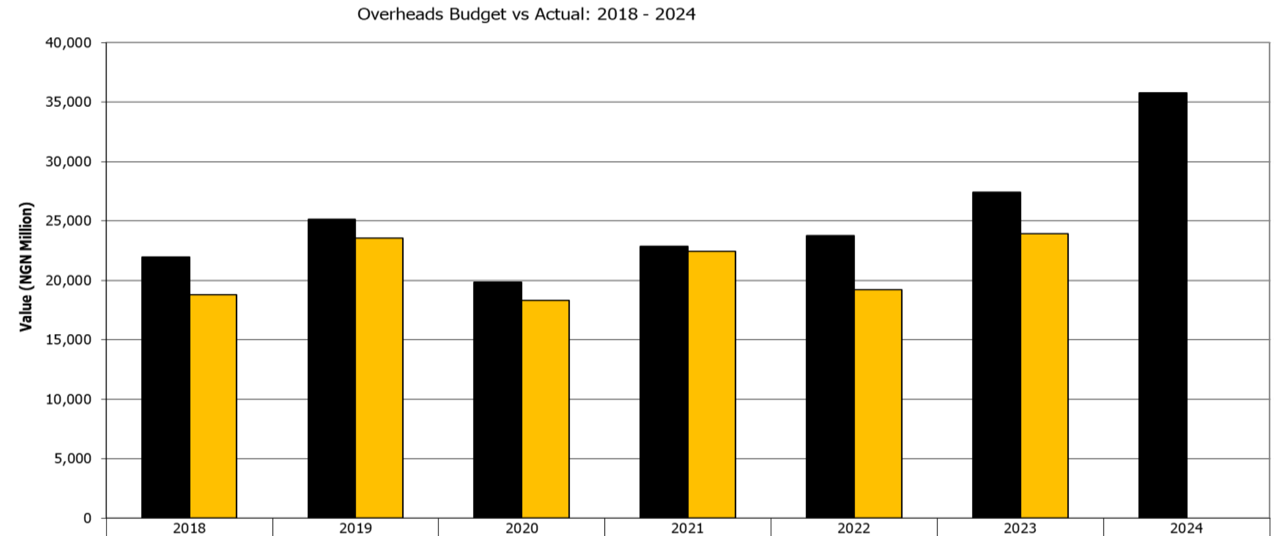
	2018	2019	2020	2021	2022	2023	2024
Budget	20,120,163,187	19,850,163,185	14,720,175,504	17,651,074,756	18,808,606,597	22,348,283,272	30,170,834,080
Actual	15,412,966,988	14,969,316,706	14,631,002,393	18,638,513,835	14,974,067,495	21,898,215,708	0
Performance	76.60%	75.41%	99.39%	105.59%	79.61%	97.99%	0.00%
Growth		-2.88%	-2.26%	27.39%	-19.66%	46.24%	0.00%

Year

102. Personnel expenditure includes the salaries and allowances for state employees.

103. Personnel costs have fluctuated significantly over the review period. They were budgeted at N20.1 billion in 2018 and N19.8 billion in 2019. In 2020, these costs dropped sharply to N14.7 billion due to the COVID-19 pandemic, which forced governments to revise their budgets. However, personnel costs increased again to N17.65 billion, N18.80 billion, and N22.3 billion in 2021, 2022, and 2023, respectively, due to a substantial increase in employment by the ANSG.

Figure 17 – Overheads



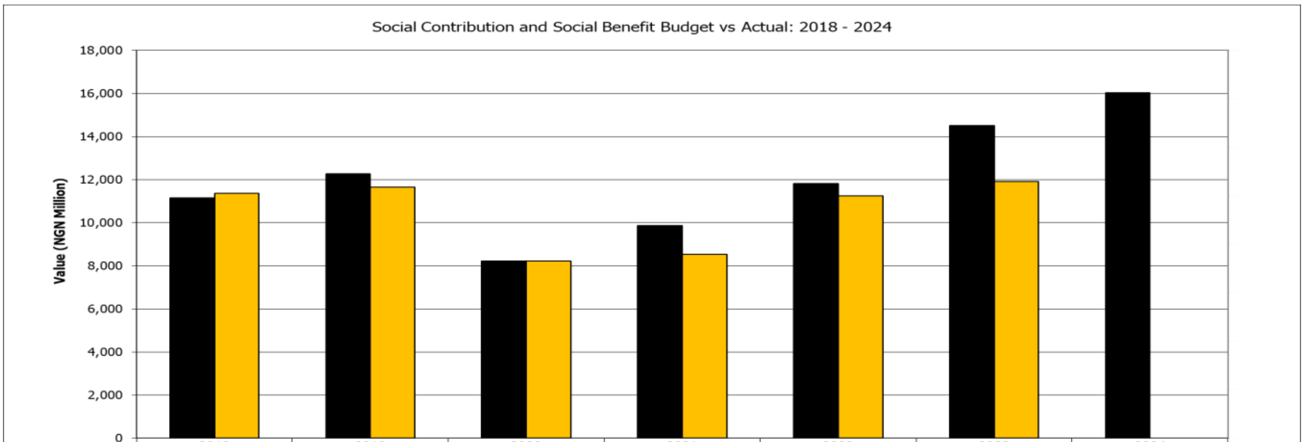
	2018	2019	2020	2021	2022	2023	2024
Budget	22,000,669,501	25,134,677,496	19,869,271,374	22,871,860,453	23,782,643,334	27,420,846,366	35,771,641,017
Actual	18,785,328,885	23,550,642,802	18,344,243,971	22,439,232,469	19,248,625,045	23,937,964,967	0
Performance	85.39%	93.70%	92.32%	98.11%	80.94%	87.30%	0.00%
Growth		25.37%	-22.11%	22.32%	-14.22%	24.36%	0.00%

Year

104. Overhead expenditure refers to the day-to-day running costs of the government, including the maintenance of state assets.

105. From 2018 to 2021, actual overhead expenditure consistently increased, rising from N23.5 billion in 2018 to N22.4 billion in 2021. There was a slight decrease in 2022, followed by an increase to N23.9 billion in 2023. Performance against the budget during this period (2018 to 2022) averaged around 90%.

Figure 18 - Social Contribution and Social Benefit Budget vs Actual: 2018 - 2024

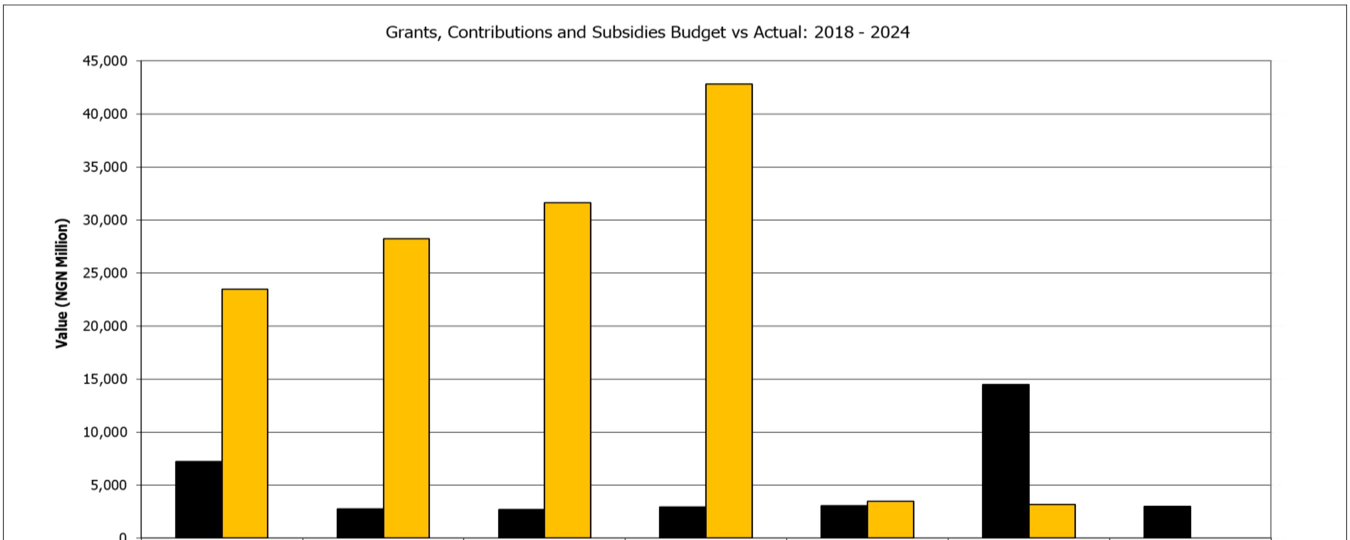


	2018	2019	2020	2021	2022	2023	2024
Budget	11,159,000,000	12,274,900,000	8,218,505,644	9,875,733,773	11,824,780,106	14,500,000,000	16,029,461,649
Actual	11,367,608,066	11,645,452,621	8,218,505,557	8,545,781,599	11,258,942,304	11,918,707,651	0
Performance	101.87%	94.87%	100.00%	86.53%	95.21%	82.20%	0.00%
Growth		2.44%	-29.43%	3.98%	31.75%	5.86%	0.00%

106. Social Contributions and Social Benefits encompass pension contributions, housing fund contributions, gratuities, pensions, death benefits, and severance allowances provided by the legislature and executive.

107. During the review period, the actual performance of Social Contributions and Social Benefits was inconsistent. This was largely due to the State's commitment to clearing all outstanding arrears related to pensions, gratuities, and other social benefits.

Figure 19 - Grants, Contributions, and Subsidies

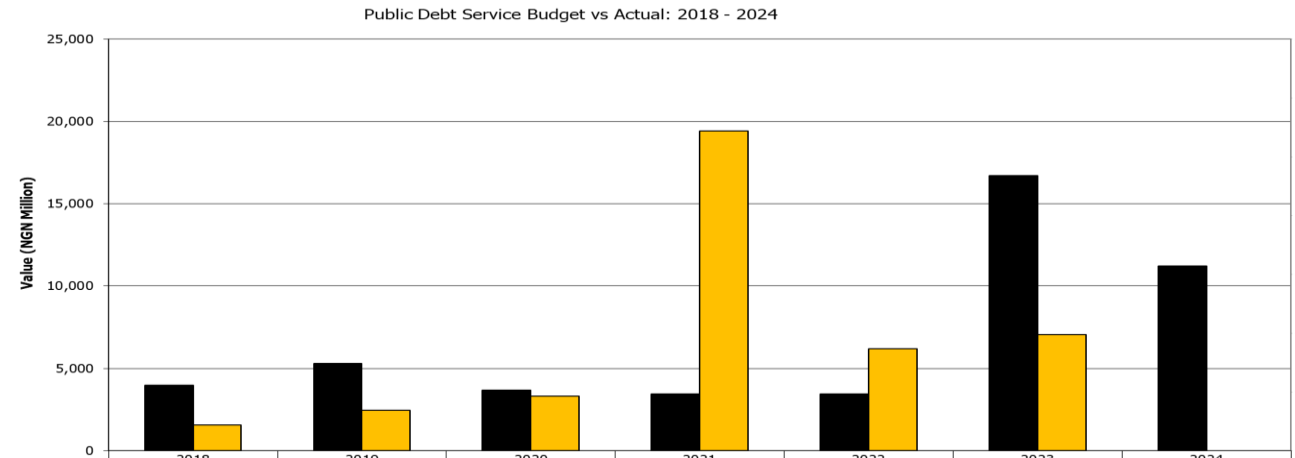


	2018	2019	2020	2021	2022	2023	2024
Budget	7,240,580,727	2,776,680,727	2,680,650,418	2,914,913,630	3,046,227,208	14,490,196,754	3,000,000,000
Actual	23,476,501,110	28,251,527,475	31,635,776,770	42,834,597,329	3,454,415,188	3,165,874,020	0
Performance	324.24%	1017.46%	1180.15%	1469.50%	113.40%	21.85%	0.00%
Growth		20.34%	11.98%	35.40%	-91.94%	-8.35%	0.00%

108. Grants, Contributions, and Subsidies encompass funding from multinational organizations, donor agencies, and below-the-line (BTL) payments.

109. During the review period, the actual Grants, Contributions, and Subsidies exceeded the budget due to unbudgeted BTL charges. These BTL transactions include withholding taxes owed to the Federal Inland Revenue Service (FIRS), VAT owed to FIRS, union dues deducted from salaries, loan deductions from salaries, adjustments to the monthly net pay control account, discrepancies in payroll, monthly pension control accounts, deductions at source, excess crude revenue, 2.5% withholding tax deductions for Anambra State, FAAC deductions at source, loan repayments to CACS, AADS FAAC deductions at source, revenue deposits, failed transactions or dishonored cheques, ASBA loan disbursements to beneficiaries, and health insurance deductions (ASHIA).

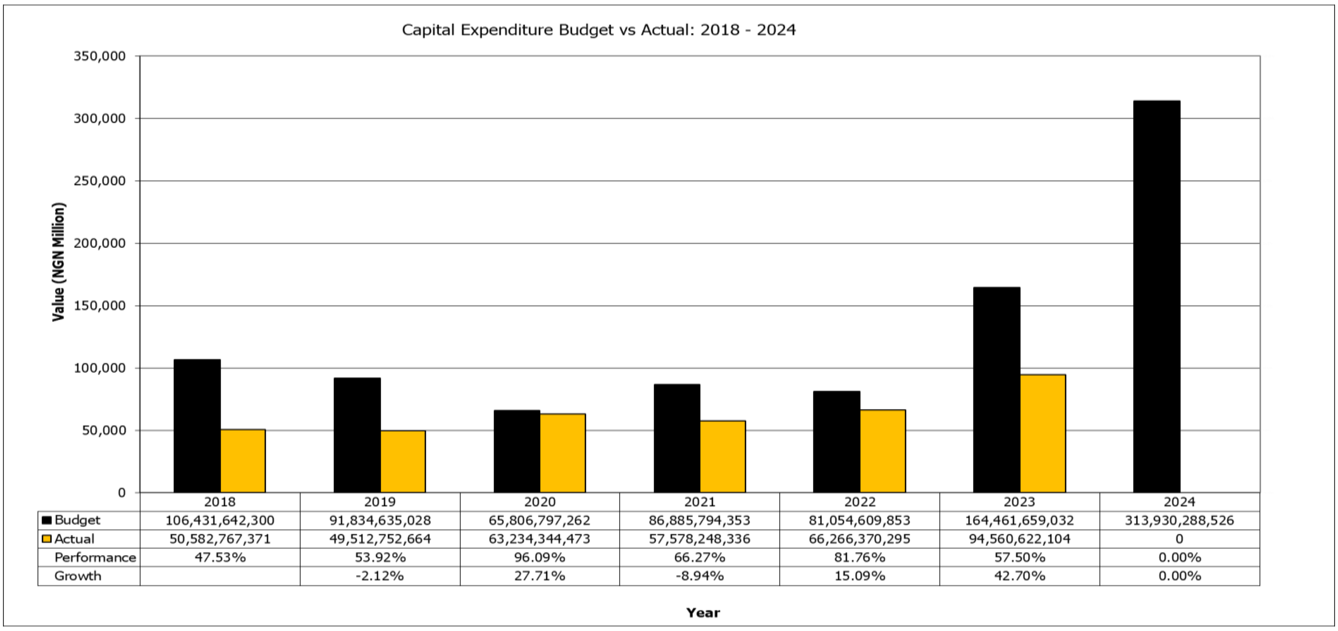
Figure 20 - Debt Service



	2018	2019	2020	2021	2022	2023	2024
Budget	3,962,952,933	5,299,615,373	3,675,861,018	3,452,502,686	3,452,502,686	16,717,136,483	11,230,000,000
Actual	1,575,335,106	2,470,903,681	3,325,658,940	19,436,496,073	6,208,357,057	7,070,611,665	0
Performance	39.75%	46.62%	90.47%	562.97%	179.82%	42.30%	0.00%
Growth		56.85%	34.59%	484.44%	-68.06%	13.89%	0.00%

110. The State Public Debt Service includes the repayment of both external and internal loans. Anambra State has performed well in managing its Public Debt Service relative to the budget. In 2021, the state focused on repaying several domestic loans, including those for agriculture, the judiciary, FAAC software, the ecological fund, and the health sector.

Figure 21 – Capital Expenditure

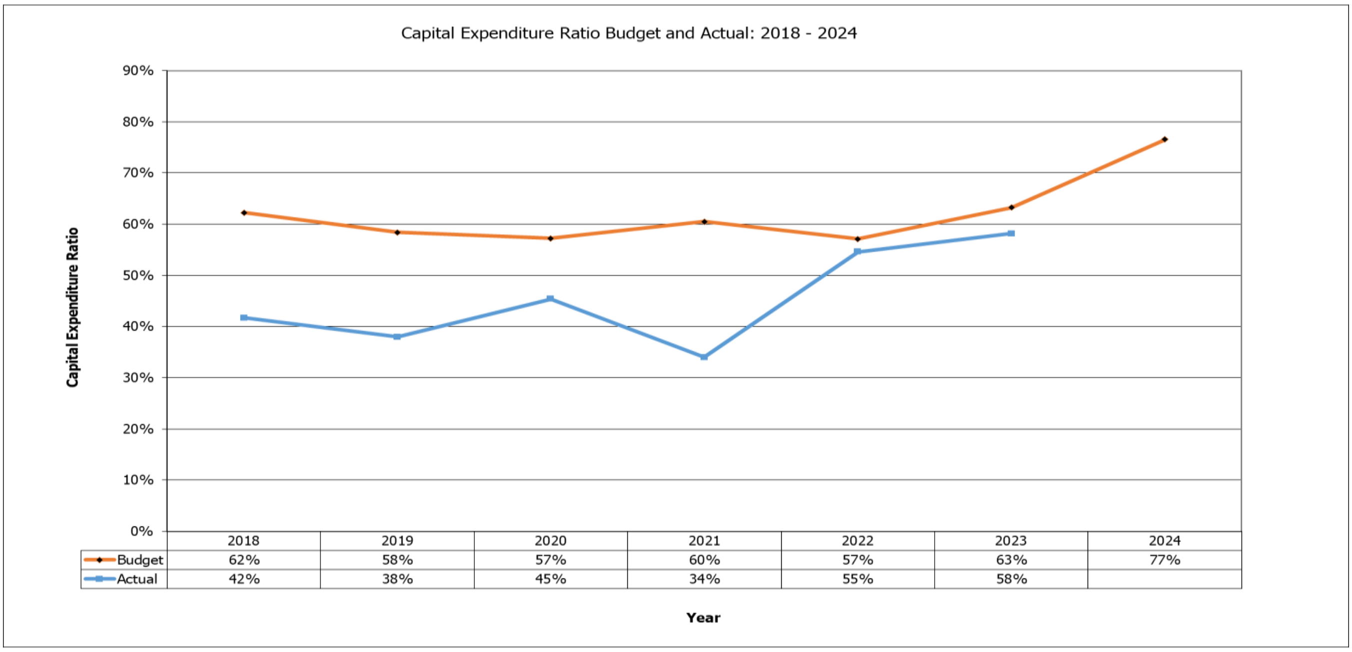


	2018	2019	2020	2021	2022	2023	2024
Budget	106,431,642,300	91,834,635,028	65,806,797,262	86,885,794,353	81,054,609,853	164,461,659,032	313,930,288,526
Actual	50,582,767,371	49,512,752,664	63,234,344,473	57,578,248,336	66,266,370,295	94,560,622,104	0
Performance	47.53%	53.92%	96.09%	66.27%	81.76%	57.50%	0.00%
Growth		-2.12%	27.71%	-8.94%	15.09%	42.70%	0.00%

111. Capital Expenditure refers to ANSG's investments in assets and programs.

112. Actual Capital Expenditure increased in 2018, 2019, and 2021, with a sharp and sustained rise noted in 2020 TO 2024.

Figure 22 - Capital Expenditure Ratio



	2018	2019	2020	2021	2022	2023	2024
Budget	62%	58%	57%	60%	57%	63%	77%
Actual	42%	38%	45%	34%	55%	58%	

113. The budgeted capital expenditure ratio has consistently remained above 50% of total expenditure. However, the actual expenditure for most of the reviewed period was below 50%, except in 2022.

Table 10 - Summary of Half-Year Performance 2024

Activities	Budget	Actual	Performance
	H1 2024	**H1 2024**	**H1 2024**
Income			
Statutory Revenue	34,437,919,749	21,756,924,411	63%
Value Added Tax	29,249,537,454	52,533,345,047	180%
Internally Generated Revenue	25,034,242,110	16,532,646,542	66%
Grants	14,765,500,000		0%
Other Capital Receipts	36,161,172,708	46,333,041,621	128%
Total Revenue	**139,648,372,021**	**137,155,957,621**	**98%**
Recurrent Expenditure			
Personnel	15,085,417,040	9,383,505,211	62%
Overhead	17,885,820,509	3,675,828,228	21%
Social Benefits	8,014,730,824	3,538,547,710	44%
Loan Repayments	5,615,000,000	1,100,000,000	20%
CRF-Charges	1,500,000,000	2,141,346,311	143%

Total Recurrent Expenditure	**48,100,968,373**	**19,839,227,460**	**41%**
Capital Expenditure by Sector			
Administrative Sector	8,644,055,310	983,841,713	11%
Economic Sector	119,952,656,701	41,707,343,695	35%
Justice Sector	3,430,912,000	1,654,017,341	48%
Social Sector	24,937,520,253	1,699,189,400	7%
Total Capital Expenditure	**156,965,144,264**	**46,044,392,149**	**29%**

114. In 2014, Anambra State adopted the National Chart of Accounts (NCOA), specifically its administrative segment, which includes five sectors: administration, law and justice, economic, and social. This framework also outlines a hierarchy of organizations, sub-organizations, and smaller divisions. Over the years, capital budgets were prepared following the requirements of this administrative segment of the NCOA. The financial statements for the period from 2013 to 2023 were prepared based on the International Public Sector Accounting Standards (IPSAS) using a cash basis and incorporating the NCOA.

115. For the 2023-2024 fiscal year, the Economic sector had the highest combined budgeted and actual capital expenditure, totaling N239.91 billion. The Social sector followed with a combined budgeted and actual capital expenditure of N49.88 billion. The Administrative and Law and Justice sectors recorded N17.28 billion and N6.87 billion, respectively. Among the main organizations, the Ministry of Works accounted for the majority of the combined budgeted and actual capital expenditure, with a total of N189.1 billion. This was followed by the Ministry of Education at N15.2 billion, the Ministry of Health at N15.1 billion, and the Ministry of Power and Water Resources at N9.5 billion. This trend for 2023-2024 was consistent with the previous fiscal year (2022-2023), where the Infrastructure and Social sectors ranked first and second in budgeted and actual capital expenditure.

116. The Ministry of Works (Infrastructure) had the highest capital expenditure among all main organizations, showing significant increases over the observed period. The Ministry of Education and the Ministry of Health ranked second and third in budgeted capital expenditure for 2024. This trend indicates the Government's priority toward Infrastructure, Education, Health, Housing, Public Utilities, Water, and the simultaneous development of other sectors.

2.B.2 Debt Position

117. A summary of the consolidated debt position for the Anambra State Government is provided in the table below.

Table 11 - Debt Position as of 31st December 2023

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2023**
	Solvency Ratios	**Percentage**	**Percentage**
1	Total Domestic Debt/IGR	150%	125.86%
2	Total External Debt/Gross FAAC	150%	72.34%
3	Total Public Debt/Total Recurrent Revenue	150%	83.77%
4	Total Public Debt/State GDP Ratio	25%	2702.96%
	Liquidity Ratios	**Percentage**	**Percentage**
5	Domestic Debt Service/IGR	15%	1.95%
6	External Debt Service/Gross FAAC	10%	1.19%
8	Debt Service Deductions from FAAC/Gross FAAC	40%	4.41%
8	Total Debt Service/Total Recurrent Revenue	25%	1.35%
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2023**		**Naira**
1	Total Domestic Debt		45,560,344,508
2	Total External Debt		96,453,054,161
3	**Total Public Debt**		**142,013,398,669**
4	Total Domestic Debt Service 2023		707,048,471
5	Total External Debt Service in 2023		1,581,622,788
6	**Total Public Debt Service**		**2,288,671,260**
C	**STATE GDP FOR 2023**		
1	**State GDP**		5,254,000,000

118. Anambra State has relatively low debt levels, with a total debt stock of N142.01 billion as of December 31, 2023. The debt servicing costs for 2023 amount to N2.28 billion, indicating that the Anambra State Government (ANSG) is well within most debt sustainability thresholds at 5.47%.

119. The only exception is the ratio of Domestic Debt Service to Internally Generated Revenue (IGR), which stands at 15%, exceeding the recommended threshold by 1.95%.

120. Public Debt Service performance in Anambra State against the budget has generally been good. It reached 74.26% in 2018, although it dropped to 39.7% in 2019. However, it improved again in 2020, 2021, 2022, and 2023.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

Table 12 - Macroeconomic framework based on the national assumptions & benchmarks for 2025– 2027

Item	2023 Actual	2024 Estimate	2025*	2026*	2027*
Inflation Assumption	28.92%	31.3	27.0	21	19
National Real GDP Growth	3.46%	3.1	3.0	3.1	3.2
Oil Production Benchmark (mbpd)	1.5	1.65	1.7	1.80	1.80
Oil Price Benchmark (USD)	78	75	75	72.57	95.13
NGN-USD Exchange Rate (NGN)	1500	1200	1200	1822	1911

IMF World Economic Outlook, EIA Outlook.

121. The macroeconomic framework was forecasted based on current indices and the anticipated turnaround in the economy due to changes in government policies, such as the removal of the fuel subsidy, the expected judgment on VAT collection, and NNPC Limited remittance.

Table 14 - The ANSG three-year view for the period 2023-2025

Item	2023 Budget	2023 Actual	BP	2024 Budget	% Increase	2025 Budget	% Increase
Opening Balance	43,184,849,905	43,184,849,905		30,174,967,211		20,000,000,000	
Recurrent Revenue							
Statutory Allocation	41,638,208,035	31,853,661,575	77%	68,695,839,497	65%	71,322,102,833	4%
Derivation	10,123,746,516	7,725,727,888	76%	8,019,130,302	-21%	9,248,503,581	15%
VAT	35,457,702,659	39,662,552,004	112%	58,499,074,907	65%	76,048,797,379	30%
IGR	48,047,446,904	36,199,994,005	75%	50,068,484,221	4%	60,000,000,000	20%
Excess Crude / Other Revenue	14,220,333,800	64,915,753,690	456%	64,303,215,515	352%	72,842,017,067	13%
Recurrent Revenue	**149,487,437,914**	**180,357,689,162**	**121%**	**249,585,744,443**	**67%**	**289,461,420,860**	**16%**

Item	2023 Budget	2023 Actual	BP	2024 Budget	% Increase	2025 Budget	% Increase
Total Inflows	**192,672,287,819**	**223,542,539,067**	**116%**	**279,760,711,654**	**45%**	**309,461,420,860**	**11%**
Recurrent Expenditure							
Personnel Costs	22,348,283,268	21,898,215,708	98%	30,170,834,080	35%	48,273,334,528	60%
Social Contribution and Social Benefit	14,500,000,000	11,918,707,651	82%	16,029,461,649	11%	19,235,353,979	20%
Overheads	27,420,846,366	23,937,964,967	87%	35,771,641,017	30%	46,503,133,322	30%
Grants, Contributions and Subsidies	14,490,196,755	1,695,900,289.00	12%	3,000,000,000	-79%	3,600,000,000	20%
Public Debt Service	16,717,136,484	2,536,869,170.00	15%	11,230,000,000	-33%	13,476,000,000	20%
Total	**95,476,462,873**	**61,987,657,785**	65%	**96,201,936,746**	**0.76%**	**131,087,821,829**	**36%**
Transfer to Capital Account	**97,195,824,946**	**161,554,881,282**		**183,558,774,908**		**178,373,599,031**	**-3%**
Capital Receipts							
Grants	6,432,000,000	3,756,122,294	58%	9,531,000,000	48%	9,531,000,000	0%
Other Capital Receipts				-		13,000,000,000	100%
Total	**6,432,000,000**	**3,756,122,294**	**58%**	**9,531,000,000**		**22,531,000,000**	**136%**
Total Inflow available for Capital Expenditure	**103,627,824,946**	**165,311,003,576**		**193,089,774,908**		**200,904,599,031**	**4%**
Reserves							
Contingency and Planning Reserve						17,526,416,157.27	
Capital Expenditure is	**164,461,659,032**	**51,046,667,861**	31%	**313,930,288,526**	**91%**	**408,109,375,084**	**30%**

Item	2023 Budget	2023 Actual	BP	2024 Budget	% Increase	2025 Budget	% Increase
broken down as follows:							
Discretional Funds						326,487,500,067	
Non-Discretional Funds						81,621,875,017	
Financing (Loans)	**-60,833,834,086**			**-120,840,513,618**		**-224,731,192,210**	

Table 15 - The ANSG three-year fiscal framework for the period 2025-2027

Item	2024	2025	2026	2027
Opening Balance	43,184,849,905	20,000,000,000		
Recurrent Revenue				
Statutory Allocation	68,695,839,497	71,322,102,833	74,388,207,975	77,607,618,373
Derivation	8,019,130,302	9,248,503,581	9,248,503,581	9,248,503,581
VAT	58,499,074,907	76,048,797,379	83,653,677,117	92,019,044,829
IGR	50,068,484,221	60,000,000,000	66,000,000,000	72,600,000,000
Excess Crude / Other Revenue	64,303,215,515	72,842,017,067	80,126,218,773	88,138,840,651
Total Recurrent Revenue	**249,585,744,443**	**289,461,420,860**	**313,416,607,446**	**339,614,007,434**
Recurrent Expenditure				
Personnel Costs	30,170,834,080	48,273,334,528	57,928,001,433	69,513,601,720
Social Contribution and Social Benefit	16,029,461,649	19,235,353,979	23,082,424,775	27,698,909,729
Overheads	35,771,641,017	46,503,133,322	55,803,759,987	66,964,511,984
Grants, Contributions and Subsidies	3,000,000,000	3,600,000,000	4,320,000,000	5,184,000,000
Public Debt Service	11,230,000,000	13,476,000,000	16,171,200,000	19,405,440,000
Total	**96,201,936,746**	**131,087,821,829**	**157,305,386,195**	**188,766,463,434**
Transfer to Capital Account	**196,568,657,602**	**178,373,599,031**	**156,111,221,251**	**150,847,544,000**

Item	2024	2025	2026	2027
Capital Receipts				
Grants	9,531,000,000	9,531,000,000	9,531,000,000	9,531,000,000
Other Capital Receipts	-	13,000,000,000	14,300,000,000	15,730,000,000
Total	**9,531,000,000**	**22,531,000,000**	**23,831,000,000**	**25,261,000,000**
Reserves				
Contingency and Planning Reserve		17,526,416,157.27	17,399,175,486.58	18,759,045,485.97
Capital Expenditure	**313,930,288,526**	**408,109,375,084**	**448,920,312,592**	**493,812,343,852**
Discretional Funds		326,487,500,067	359,136,250,074	395,049,875,081
Non-Discretional Funds		81,621,875,01	89,784,062,518	98,762,468,770
Financing (Loans)	**107,830,630,924.25**	**224,731,192,210.44**	**286,377,266,827.70**	**336,462,845,337.50**

122. The budget for 2025 will be prepared using realistic estimates. However, if any changes arise, the Executive will submit a revised budget during the year to maximize opportunities.

123. Statutory Allocation: The projection for Statutory Revenue is estimated at N71.3 billion, reflecting a 10% increase from the N68.6 billion estimated in 2024.

124. Derivation: The projection for derivation is based on actual figures from 2022 and 2023, estimating a 10% increase from the previous actuals, resulting in N9.2 billion for 2025. The 13% derivation fund represents the share of oil production allocated to the State.

125. VAT: The VAT estimate is based on external factors and is projected to be N76 billion for 2025.

126. Other Federation Account Revenues: An estimated N72.8 billion is projected for 2025. This may also include refunds expected to accrue in 2025 and beyond.

127. Internally Generated Revenue (IGR): IGR projections are set at N60 billion for 2025, reflecting a 10% increase from the 2024 budget. These optimistic projections align with the ongoing revenue drive by the Anambra State Internal Revenue Service, which aims to block loopholes through the implementation of digital payment platforms.

128. Grants: Modest amounts for grants have been projected based on past levels of grant receipts. The estimated amount for 2025, 2026, and 2027 is N9.5 billion each year.

129. Other Capital Receipts: We are being conservative and transparent by assuming no capital receipts during this projection period.

130. Financing: Financing is estimated at N18.5 billion for the year in question. This will include both internal and external grants and loans, sourced from government fundraising activities and other programs.

131. Personnel: A modest increase of 45% in the wage bill is projected, bringing it to N48.3 billion for 2025. This increase is intended to accommodate the new minimum wage, promotions, and possible new recruitment.

132. Social Benefits and Contributions: The projections for 2025, 2026, and 2027 are N19.1 billion, N23.5 billion, and N27.7 billion, respectively. These figures are based on the trend of actual expenditures for social benefits and contributions.

133. Overheads: A modest increase of 35% from the previous year has been assumed for overheads, reflecting the Government's intention to enhance operational efficiency considering persistent inflation and a high cost of living.

134. Grants, Contributions, Subsidies, and Transfers: This category includes charges from the Consolidated Revenue Fund (excluding pension gratuity and public debt charges) as well as Below the Line (BTL) charges.

135. Capital Expenditure: Capital projects will be prioritized based on submissions from Ministries, Departments, and Agencies (MDAs).

3.B Fiscal Strategy and Assumptions

Objectives and Targets

136. The key targets from a fiscal perspective are:

- Prudent & Transparent Fiscal Management – Doing more with less
- Mobilization of private capital
- Mainstreaming Citizen/Community ownership of development (Communities, foundations, individuals, diaspora e.g., adopt a school program, Neni model, etc.
- Strategic Partnerships – International Development Partners, Federal Government, Regional Integration, etc.
- Exploring alternative strategies for effectively increasing IGR - plug all leakages in the revenue collection system.
- Effective implementation of plans,
- Effective monitoring and evaluation
- Adherence to the Fiscal Responsibility Law.

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

137. ANSG's Policy Statement is based on its Strategic Economic Transformation Plan, which is anchored on a Vision and five development Pillars.

138. The State Vision is "To build a liveable and prosperous smart megacity" (A preferred place to live, learn, invest, work, relax and enjoy)

139. The expenditure of the present administration is governed by:

- Security of life and property; and Maintaining Law and Order.
- Transforming Anambra State into a formal, productive, and competitive economy underpinned by rapid industrialization, Agriculture, commerce, entertainment/leisure, creative industry, technology and innovation, solid mineral, oil, and gas from the dominantly informal commercial State;
- Improve the infrastructural status of the state; Road, transportation, ICT, etc;
- Developing Human Capital that is productive at home and exportable abroad
- Transforming public service, the justice system, and mainstreaming the Ndi Anambra's value system
- Tackling our existential threat; toward clean, green, planned, and sustainable cities, communities, and markets
- Building a comprehensive data hub for policy formulation and decision-making

4.A.1 Budget Policy Thrust

140. Streamlining Sectoral Programs and Projects This initiative aims to streamline sectoral programs and projects within the framework of the medium-term plan. Each sector and sub-sector has critical needs that, when fulfilled, will elevate the State's socio-economic development. Due to severe resource constraints, the competing needs of different sectors must be prioritized, and the necessary programs and projects should be sequenced by the Medium-Term Expenditure Framework (MTEF). Specifically, the 2025 budget will focus on the following areas:

- Resource Planning and Data Optimization: Between 2025 and 2027, the State will utilize its 50-Year Development Plan, Combined Transition Report, and Manifesto to guide estimates. To better align with current realities, the State will synchronize the MTEF with the Medium-Term Sector Strategy.
- Economic Transformation and Empowerment: The focus will be on transforming Anambra's economy through substantial investments in transport and power infrastructure, security, law enforcement, and strategic sectoral enhancements (such as leisure and entertainment parks, technological infrastructure, water resources, and urban regeneration). The social agenda will encompass investments in health, education, youth empowerment, and social protection, creating sustainable and inclusive wealth-creation opportunities in the State.
- Strategic Collaborations: The State aims to strengthen ties with Federal MDAs and key development partners (including the World Bank, European Union, United Nations System, etc.) to collaboratively address social investments, infrastructure, education, healthcare, and environmental sectors. These renewed partnerships will support the implementation of people-oriented programs aligned with the state development agenda. To ensure sustainability, the work plans of the State's development partners will align with the State's Development Plan.
- Development Partnership Coordination: Coordination efforts have been enhanced to ensure that donor-assisted projects fully align with the State's strategic priorities.

- Community Partnership: The State will promote citizen and community ownership of development initiatives through programs such as "Soludozie Anambra" encouraging community involvement from foundations, individuals, and the diaspora. A template for minimum standards in community governance development will be created.
- Maximizing Data Use in Planning: The State intends to leverage technology to enhance planning and decision-making.
- Increased Internally Generated Revenue: To improve fiscal sustainability, the State aims to boost Internally Generated Revenue. Measures will be implemented to enhance revenue collection by harmonizing enumerations across all revenue-generating agencies. Automation and enforcement will play significant roles in systematically and significantly increasing revenue generation.

141. These focus areas will guide the allocation of capital expenditure for the period 2025-2027

Key Points and Recommendations

142. We summarise below a list of the key points arising in this document:

I. The Fiscal Framework presented here was developed based on the latest available information at the time. However, the factors affecting fiscal estimates—such as inflation, oil production benchmarks, exchange rates, and oil theft—are dynamic and can have significant impacts. It is important to note that the recent commitment by the Federal Government to recover funds from various sources, including the Nigerian National Petroleum Corporation (NNPC) now Limited and Customs and Excise Duty, could provide substantial additional resources to the states. Therefore, it is recommended to continuously review the Fiscal Framework and adjust revenue projections if significant additional resources become apparent.

II. To enhance accountability for government assets, the following offices will gather the needs of Ministries, Departments, and Agencies (MDAs) for the 2025 Budget. Copies of these requests will be sent to the Ministry of Budget and Economic Planning:

- Vehicles – SSG's office
- Counterpart Funds – Budget & Economic Planning
- Utilities (Power, water) – Ministry of Power & Water Resources
- Infrastructure – Ministry of Works and Infrastructure
- Buildings – Ministry of Housing
- Road Construction – Ministry of Works
- ICT Hardware and Software – ICT Agency
- Primary Research (Field Study) – Bureau of Statistics
- No Budget envelope for MDAs. The budget will be guided by priority projects
- Assigning of new codes (Organisational Codes/Revenue) should be routed through the Ministry of Budget and Economic Planning

Prepared By:

Chiamaka Nnake

Commissioner for Budget & Economic Planning

Date: ……………………………………..

GOVERNMENT OF ANAMBRA STATE
NIGERIA