DEBT MANAGEMENT OFFICE
NIGERIA

States Fiscal Transparency, Accountability and Sustainabilty

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

DEVELOPED BY THE

ANAMBRA STATE DEBT MANAGEMENT DEPARTMENT

IN COLLABORATION WITH

MINSITRY OF FINANCE
ANAMBRA STATE BUDGET OFFICE
ANAMBRA STATE INTERNAL REVENUE SERVICE
OFFICE OF THE ACCOUNTANT GENERAL
MINISTRY OF ECONOMIC PLANNING, BUDGET AND DEVELOPMENT PARTNERS
ANAMBRA STATE SFTAS PROJECT

DECEMBER, 2021

Table of Content

1. Introduction

The Debt Sustainability Analysis (DSA) analyzes trends and patterns in Anambra State's public finances during the period 2016-2020, and evaluates the debt sustainability in 2021-2030 (the long-term). The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the State. A debt sustainability assessment was conducted, and it includes scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances.

The main objective of the debt strategy is to ensure that the government's financing needs and payment obligations are met at the lowest possible cost, consistent with a prudent degree of risk. Consequently, for the four Debt Manage Strategy (DMS), the analysis calculates costs of carrying public debt, and measures risks associated to macroeconomic and fiscal shocks.

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

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

2. The State Fiscal and Debt Framework

Since after the recession of 2016 brought about by a fall in Crude oil price from $112 per barrel in 2014 to below $50 per barrel in 2016, Anambra State has introduced measures to grow its Internally Generated Revenue (IGR) to complement the statutory allocation from Federal Government in the mid-term and to contribute a higher share to the State's total revenue in the long-run. Some of these measures include: enrolling Ndi Anambra into the Tax net through the Anambra State Social Identity Number (ANSSID), eliminating cash-based revenue payments, automating tax administration processes, introduction of Treasury Single Account. These measures contributed in increasing the Internally Generated Revenue (IGR) figure from a monthly figure of N1.2 billion in 2016 to approximately N1.7 billion in 2019, and the State was on course to achieving N2.5 billion monthly in 2021 despite the COVID-19 lockdown and the lockdowns as a result of insecurity and unknown gunmen attacks.

On the expenditure side, the State also has implemented other strategies aimed at reducing recurrent expenditure, thus has contracted budget deficit and the need to borrow. Notable among these measures is automating the Payroll of both workers and pensioners and linking it to their Bank Verification Numbers to eliminate ghosts.

Following the COVID-19 pandemic which caused a fall in crude oil price, and the national and state-wide lockdown of businesses, Federal and State Governments were left with no option but to review their approved budgets downwards in line with the expected reductions in revenue. Other assumptions such as exchange rate, volume of oil production, inflation, GDP growth rate etc. were also adversely affected. The 2020 budget was revised from N137,135 billion to N114,971 billion indicating a reduction of 16.1%. Internally Generated Revenue (IGR) figure was reviewed downwards from N30 billion in the original budget to N27 billion representing a 10% reduction in IGR collections. Also, projection for loan receipts was reduced by 60**%,** in the revised budget from initially budgeted N16 billion to N10 billion. This revision was as a result of more conservative projections across external loan programs as a result of COVID-19.

For 2021, the State projected a budget size of N140.8 billion. out of which recurrent expenditure was estimated to gulp 38.6% of the total budget size, translating to N52 billion, the remaining 61.4% which translates to N86.24 billion was for capital expenditure. For 2022 fiscal year, the projected budget size is N140.09 billion, out of which recurrent expenditure is to gulp N60.9 billion (43%) while N81.1 (57%) will be used to finance for capital expenditure. To finance the budget, N65,87 billion is to be raised internally by optimizing the State's IGR windows through automation as well as strengthening enforcement initiatives and sustaining the growth of the tax net. N38.24 billion will be sourced externally from Statutory Allocations, VAT allocation is estimated at N18.06 billion and grants. N18.06 billion will be borrowed (N7.4billion from External and N6billion from Domestic sources) to cover for the deficit. Total expenditure, IGR and debt are projected to grow in the medium term by 5% yearly till 2024.

2.1 Medium Term Budget Forecast and Assumptions:

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

The purpose of Medium-Term Budget Forecast is to:

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

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

c) Provide indicative sector envelopes for the period 2022-2024

The 2021 fiscal outcomes and Multi-Year Budget Forecast for Anambra State 2022-2024 are presented in the table below.

Table 1: Medium Term Budget Forecast and assumptions

ITEM	2021 (N million)	2022 (N million)	2023 (N million)	2024 (N million)
BASIC ASSUMPTIONS				
National GDP (at current prices)	183,723,766.90	203,714,015.13	225,082,800.46	244,791,050.47
GDP Growth Rate (National)	3.00%	4.20%	2.30%	3.30%
State GDP (at current prices)	183,723,766.90	5,703,484.00	6,301,757.00	6,853,539.00
Oil Production Benchmark	1.86 mbpd	1.88 mbpd	2.23 mbpd	2.22 mbpd
Oil Price Benchmark	$40mbpd	$57mbpd	$57mbpd	$55mbpd
Exchange rate	US$1/N379	US$1/N379	US$1/N379	US$1/N379
Inflation	12.80%	13%	11%	10%
REVENUE				
Gross Statutory Allocation	36,425.00	38,246.24	40,158.56	42,166.48
Derivation				
Other FAAC transfers (exchange rate gain, augmentation, others)	4,369.80	4,588.24	4,817.65	5,058.54
VAT Allocation	17,202.00	18,062.09	18,965.20	19,913.46
IGR	62,737.70	65,874.56	69,168.29	72,626.70
Recurrent Revenue	**120,734.50**	**126,771.13**	**133,109.70**	**139,765.18**
Grants	7,306.90	7,672.25	8,055.87	8,458.66
Sales of Government Assets and Privatization Proceeds				
Capital Receipts	**7,306.90**	**7,672.25**	**8,055.87**	**8,458.66**
Total Revenue	**128,041.40**	**134,443.38**	**141,165.57**	**148,223.84**

EXPENDITURE				
Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	23,992.00	25,191.58	26,451.16	27,773.72
Overhead costs	21,970.00	23,068.47	24,221.89	25,432.98
Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	21,059.10	22,112.00	23,217.60	24,378.49
Debt servicing	17,638.34	16,151.63	11,404.83	5,513.04
Capital Expenditure	66,396.10	69,715.86	73,201.65	76,861.74
Total Expenditure	**151,055.54**	**156,239.54**	**158,497.13**	**159,959.97**
DEFICIT	**-23,014.14**	**-21,796.16**	**-17,331.56**	**-11,736.13**
New Domestic Borrowing	23,750.60	28,906.39	51,777.64	68,266.50
New External Borrowing	0	0	0	0

1. **Statutory Allocation -** the estimation for Statutory Allocation is based on the macroeconomic framework (both state and national) and the oil production forecast from the Nigerian National Petroleum Corporation (NNPC) for the years 2022 to 2024 as contained in the Federal Fiscal Strategy Paper of the federal government.

2. **VAT -** is based on the historical receipt of VAT in the past five years taking into consideration various reforms to VAT collections by the Finance Act of 2021, GDP growth and Inflation figures.

3. **Other Federation Account Transfers -** the estimation is based on the current and historical receipts (i.e. from January to May, 2021).

4. **Internally Generated Revenue (IGR) -** the estimation is based on a 5% increase in the IGR figure from the previous year's figure. The increase is expected from the reforms being carried out by the State Internal Revenue Service and the operationalization of some revenue windows like Property and Land Use Charge.

5. **Grants -** the internal grants are based on the actual receipts for 2020 and performance from the first quarter of 2021, together with confirmed grant expected from the World Bank, UNICEF and other donor agencies etc.

6. **Personnel:** Personnel Cost has been projected using the State five-year moving average of actual personnel cost factoring in the Minimum wage law. Also, promotions, retirement and staff need as proposed by MDAs in submitting their Budget Call Proposals were considered. e and possible new recruitment will necessitate a review**.**

7. **Overheads –** Overhead expenditure has been relatively stable over the years. However, due to rising price level it was increased by 5% for each year to take care inflationary trends.

8. **Capital Expenditure -** this is based on the State government development plan that was broken down into medium term plans. Consideration was given to inflation, exchange rate, the State GDP, and recurrent expenditure.

9. **Debt:** debt is based on the budget deficit observed from the revenue and expenditure projections while giving allowance to shortfalls in revenue collections and unbudgeted emergency expenses like Natural disasters and Pandemics.

3. The State Revenue, Expenditure, and Public Debt Trends (2016 – 2020)

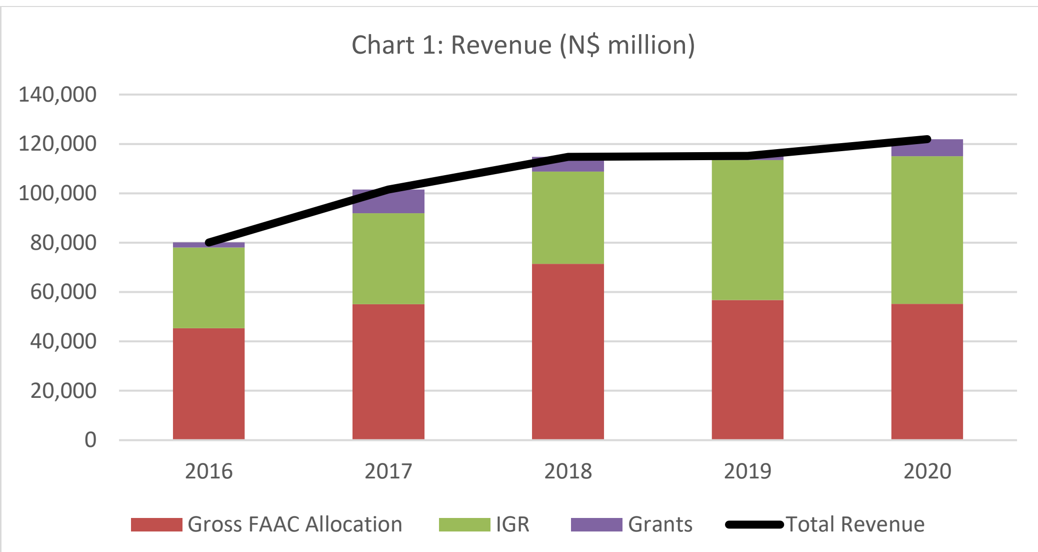
This section includes two subsections: (a) Revenue, Expenditure, Overall and Primary Balance and (b) Existing Public Debt Portfolio. In these subsections, the actual revenue, expenditure, primary and overall outturns in 2016-2020, and the outstanding debt stock trend in the same period are explained with particular emphasis on 2020.

3.1 Revenue, Expenditure, Overall and Primary Balance

Revenue

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

Chart 1: Revenue



Source: State's Financial Statements

From the Chart above, total revenue increased from N80 billion in 2016 to N120 billion in 2020, indicating a 50% increase. These growth trend were withnessed in all the revenue components for all the years apart from 2019 and 2020 where the IGR figure increased by 51% and 5% respectively to cover for the shortfall in Gross FAAC receipt brought about by a fall in Crude oil price and COVID-19 pandemic.

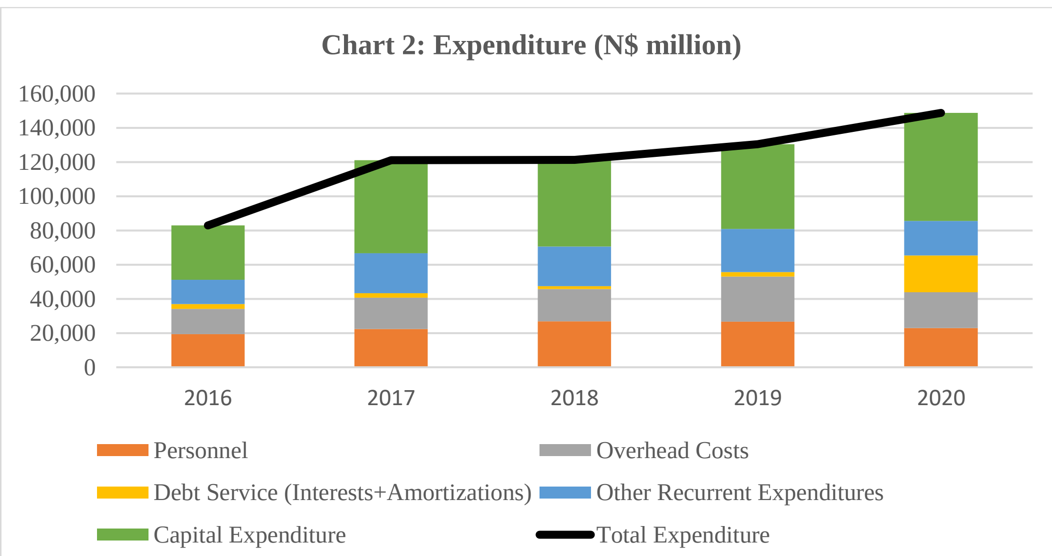
The State exhibited strong IGR growth during the review period. IGR grew by 83 percent between 2016 and 2020, while as a share of aggregate revenue (excluding grants), it also increased from 41% in 2016 to 50% in 2020. The improvement in IGR is mainly a result of tax administration reforms aimed at improving collection rates and broadening the tax revenue base. Worth of note here is the introduction of Anambra State Social Identity Number (ANSSID) which is a unique

Tax identity for all eligible taxpayers in the state, for payment of all IGR in the state. The ANSSID has helped streamline IGR payment into the State Treasury Single Account and also improved the IGR billing system.

The State's FAAC allocation, including transfers from the excess crude account, increased by over 22% between 2016 and 2020. The FAAC allocation contributed over 50% to the total revenue of Anambra State from 2016 to 2019, with a slight decrease in 2020 due to the COVID-19 Pandemic lockdown that caused a decline in Crude oil price which is the main revenue earner for Nigeria. The highest share was in 2018 where the Gross FAAC allocation contributed 75% to the Total Revenue.

Revenue from Grants was below 3% for the years under review except for year 2017 where the grant figure contributed a share of 7.2% to the total revenue of Anambra State. The increase in Grant figure was as a result increase in grant from World Bank for SEPIP and SLOGOR projects.

Chart 2: Expenditure



Source: State's Financial Statements

From Chart 2 above, the expenditure exhibited a similar trend with the revenue, showing a regular growth rate of 49% in 2017 against 2016, then decreased by 19% in 2018. It also increased by 7% in 2019 and decreased slightly by 5% in 2020. This translates to a 35% growth from 2016 to 2020.

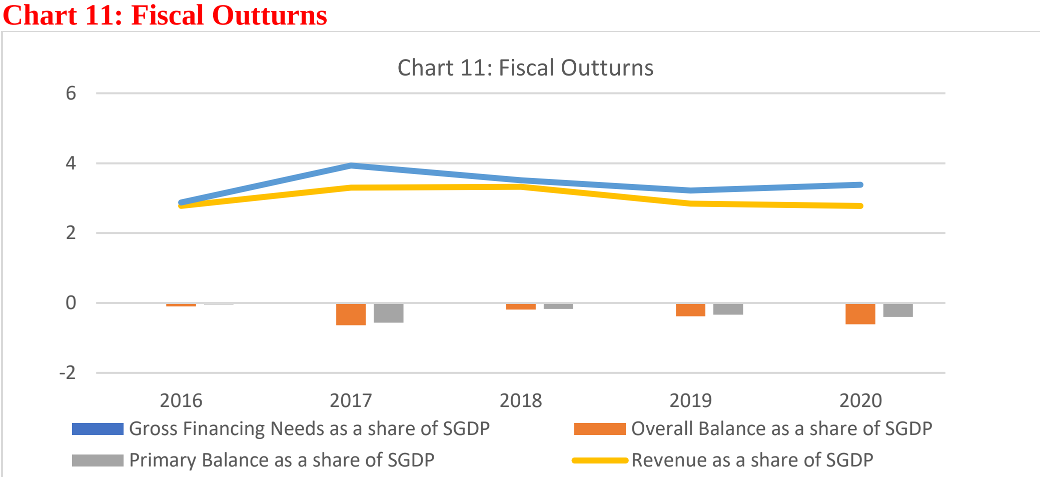
Capital expenditure: exhibited a constant growth in the period under review except for year 2019 when there was a slight reduction. From 2017 capital expenditure had a share of more than 45% of the total expenditure with 2020 being the highest, where the share of capital expenditure was 57% of the total expenditure. The increase in the share of capital expenditure witnessed across the year under review and especially in 2020 was due to the State Government's policy of spending more on capital projects in line with budget best practice, managing the COVID-19 Pandemic and to drive sustainable development.

Personnel cost: took the highest share of expenditure after Capital expenditure. As at 2016, it took a share of 23% estimated at N19,343.32 million to a share of 15% estimated at N 22,849.51 million and 13% estimated at N27,773.72 million in 2024 and expected to further to reduce to a share of 10% estimated at N37,219.44 in 2030.

Overhead cost: shared a similar pattern with the personnel cost each taking similar share of the total expenditure. The share of overhead cost to the total expenditure was 18% estimated at N14,829.62 million in 2016. The share reduced to 14% estimated at N20,923.78 and further to 9% estimated at N34,082.63 in 2030. Just like the Personal cost, the share of overhead cost decreased over the years under assessment despite increasing in absolute figure.

Debt servicing: has the least share for the year under review as a result of the low amount of debt owed by Anambra State. The share of debt servicing between 2016 and 2019 was below 3%. However, there was a spike in debt servicing in 2020 up to 15% of the total expenditure due to an increase in interest payments for both external and domestic debts. The main driver of the increase in external debt servicing is exchange rate increase while the rise in domestic debt servicing is due to the addition of the MSMEDF and Commercial Agric loans to the analysis from 2020.

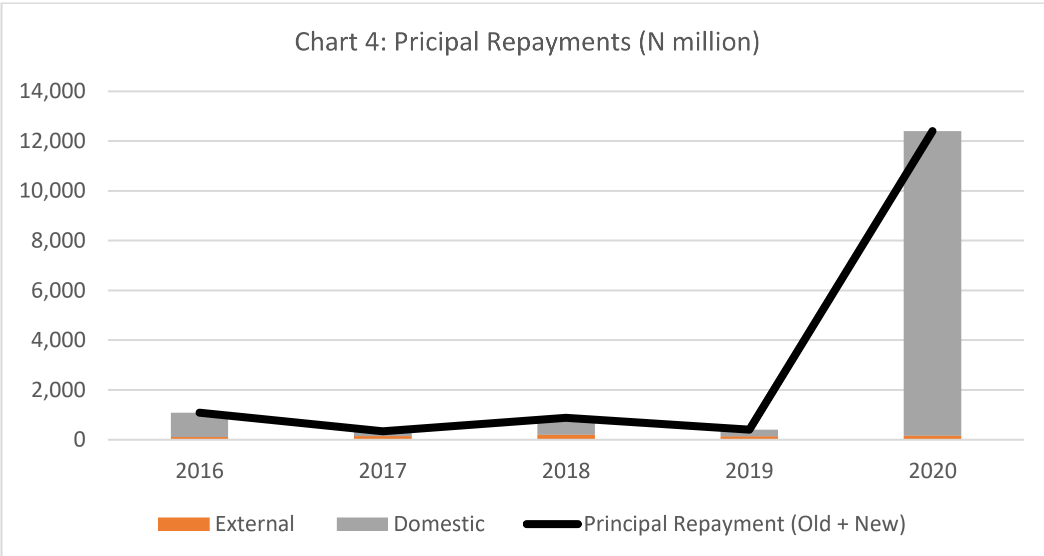
Chart 11: Fiscal Outturns



Source: State's Financial Statements

Chart 11 presents a variation of the total revenue and expenditure as a percentage of State-GDP. Total expenditure of the State as a percentage of the State GDP was below 3% in 2016, rose to 3.9% in 2017, after which it declined continuously through the years to 2.5% in 2020. Also, revenue exhibited a similar trend, taking a 3.3% and 3.6% share of the GDP in 2016 and 2017 respectively, then decreased through the years to 2% share in 2020, despite the continuous rise in IGR across the years under review. Since 2016 the overall balance depicts a zigzag movement increasing from 0.1% in 2016 to 0.6% in 2017 and decreasing to 0.2% in 2018 then increased continuously to 0.5% in 2020 due to the adjustment of personnel expenditure and of pensions and gratuities and the upturn of federal transfers.

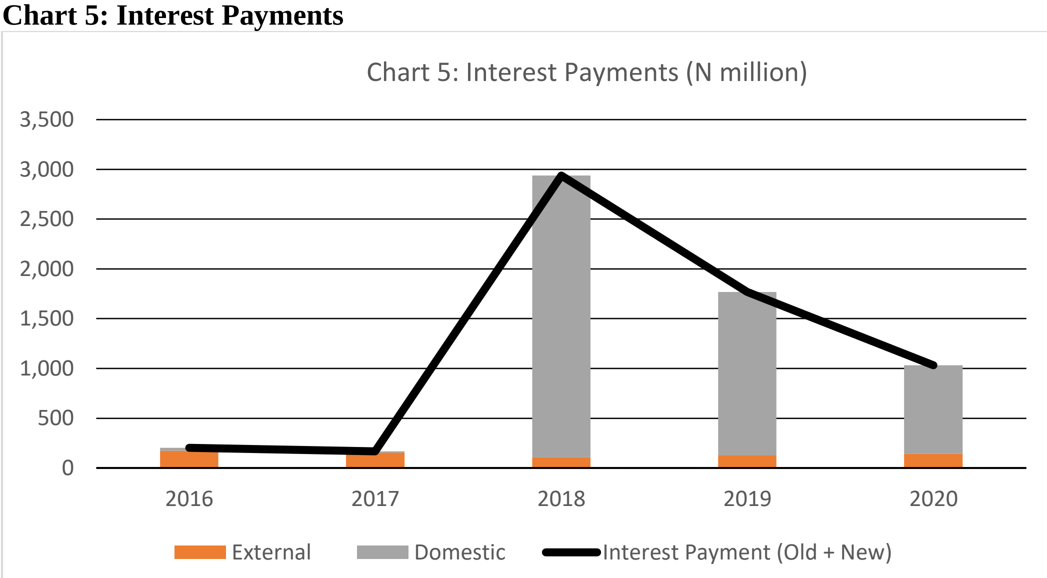
Chart 4: Principal Payments



Source: State's Financial Statements

From Chart 4, we can see that the most principal loan repayments are for domestic loans which have shorter maturity period. From 2016 to 2019 principal loan repayment for domestic loan did not exceed N1.5billion until in 2020 when repayment was more than N12billion. The spike in repayment was as a result of repayment of Contractors arrears which contributed about 92% of the total capital payment estimated at N11.2. The principal loan repayment for External loan within the five years period under review was between N109million and N155millon

Chart 5: Interest Payments

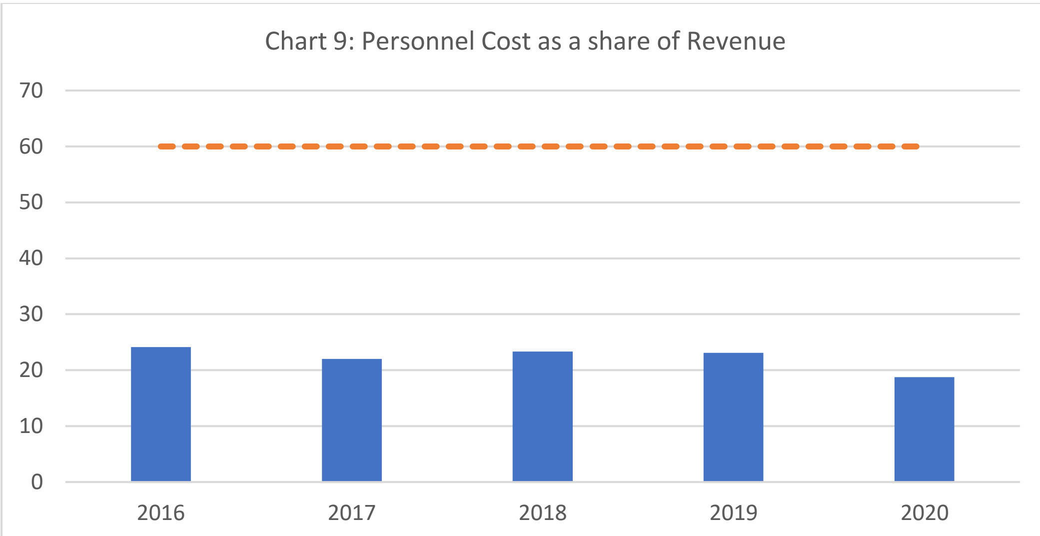


Source: State's Financial Statements

From Chart 5, it can be seen that interest payments on loans just like principal loan repayment is mostly for domestic loans. Apart from 2016 and 2017 interest payment for domestic loans take more than 90% of the total interest payment for the period under review. This increase is a result of repayment of Excess

Crude Account (ECA) loans in 2018 and in 2019, the repayment of Budget Support Facility (BSF) still kept the interest repayment on domestic loans high. The external debts have longer maturity period with and their interest repayment is spread over a longer period of time.

Chart 9: Personnel Cost



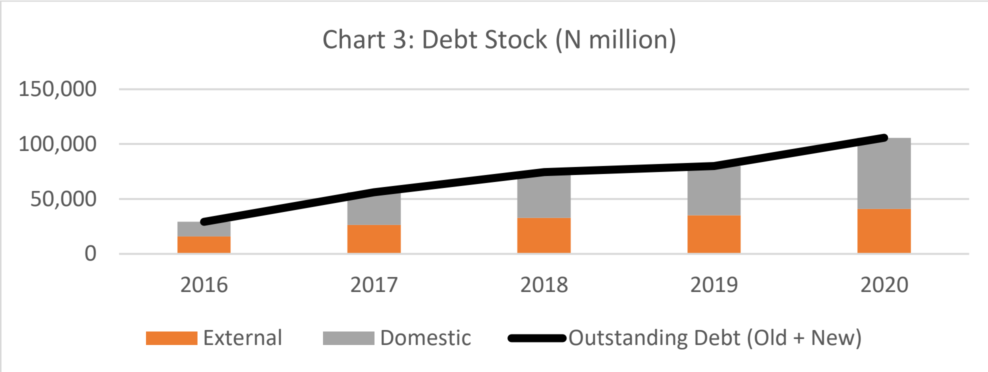
Source: State's Financial Statements

Chart 9, shows that the personnel cost share of the total revenue from 2016 to 2020 is below 30%, which is below the 60% threshold and has been decreasing over the years. The decrease is as a result of the State government's policy on continuous verification of Public Servants and automating the state payroll database, linking them to the Bank Verification Numbers of workers in the state to eliminate the incidence of ghost workers.

3.2 Existing Public Debt Portfolio

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

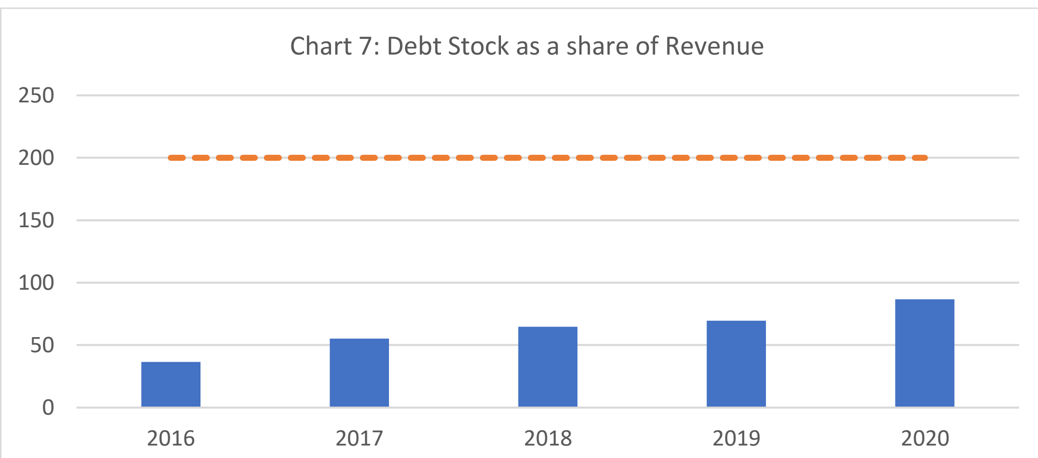
Chart 3: Debt Stock (N$ million)



Source: State's Financial Statements

From Chart 3, the State public debt amounted to N29 billion as at the end of 2016 and has increased rapidly since the collapse of oil prices to over N105 billion in 2020. The increase in domestic debt crowds out the increase in internally generated revenue recorded across the years (2016-2020) under review. As at 2016, the share of total public debt as a percentage of the State Total Revenue was 36%, this increased rapidly to 87% in 2020. However, in terms of the state GDP, in Nominal terms, the share of total public debt across the years increased from 1% in 2016 to 2.23% in 2020. The figure showing the State's public debt as a share of the total revenue is presented below:

Chart 7: Debt Stock as a share of Revenue



Source: State's Financial Statements

The State's public debt portfolio largely consists of internal loans. As at 2016, External debt was higher than Domestic debt, but in 2017, Domestic debt grew higher, increasing by 125%, while external debt grew by 65%. This growth in the two debt components continued to grow through the years but at a decreasing rate until 2020 when it witnessed another sharp increase making the share of domestic debt and external debt 69% and 31% respectively.

The major contributors to the rising public debt are: Excess Crude Account Backed Loan, Judgement Debts, Government-to-Government Debts, Contractors' Arrears, Pension and Gratuity Arrears, Commercial Agriculture Loan and Small and Medium Enterprise Development Fund.

Judging from the two charts presented above, it can be concluded that Anambra State holds a low-cost, moderate-risk debt portfolio. The debt portfolio carried an average, implicit interest rate of 9% in 2016-2020 and the interest payments represented just 4.6% of total expenditure. In addition, the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Exposure to currency fluctuations is limited because the foreign currency-denominated liabilities are only 46% of the total stock, with plans to reduce it to below 40 percent going forward. All internal loans and external loans have fixed-rate obligations, thus not affected by changes in interest rates. As these loans have maturities exceeding 10 years and include financing from the Federal Government and multilateral organizations. Rollover risk associated with potential deterioration of domestic financial conditions is negligible.

4. Debt Sustainability Analysis

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

Table 2: Anambra State Debt burden and performance indicators as at 2020

Indicator	Thresholds	Anambra State Score
Debt/SGDP	25%	2.41%
Debt/Revenue	200%	87%
Debt Service/Revenue	40%	11%
Personnel Cost/Revenue	60%	19%
Debt Service/FAAC Allocation	Nil	24%
Interest Payment/Revenue	Nil	1%
External Debt Service/Revenue	Nil	0.56%

Note: Nil means not available

Source: State’s Financial Statements

From the indicative threshold presented in Table 1, Public Debt as percentage of SGDP was between 1% and 2.41% which is very much below the threshold of 25%. Public Debt as a percentage of the total revenue was between 37% in 2016 and 87% in 2020, which is also below the 200% threshold. Debt servicing as a percentage of Total Revenue was below the threshold of 40% as the highest share of 11% was recorded in 2020 while previous years shares were below 5%. The personnel cost share as a percentage of total revenue was also below the threshold of 60%. The figure decreased from 24% in 2016 to 19% in 2020. The Anambra State performance against the indicative threshold shows that debt burden is very sustainable.

For the debt burden without threshold, Debt service as a percentage of FAAC allocation was below 6% from 2016 to 2019. The figure increased to 24% in 2020 and is projected to increase to 30% in 2021. The projected values indicate a continuous increase up to 191% by 2030. For interest payment as a percentage of revenue, the historical figure (2016-2020) was below 3%, also the projected figure (2021-2030) was between 2% and 6% throughout the year. Also, the figure for External Debt Service as a percentage of Revenue exhibited similar partner like that of interest payment. The figure was between 0.35% and 0.56% from 2016 to 2020. For the projected years, the figures were also between 0.56% and 0.85%. The Anambra State performance against variables without indicative threshold shows that debt burden is very sustainable even in the long-run.

4.1 Medium-Term Budget Forecast

Recovering from the recession of 2020 which saw Nigeria's GDP fall by 4.2%, The real GDP growth of Nigeria economy is projected to rise to 3% in 2021 and further to 4.2% in 2022 before it would drop to 2.3% in 2023, which can be attributed to the planned General elections which normally affects economic activities. Afterwards, the economy is expected to grow by 3.3% in 2024 as a result of political stabilization and the effects of the Economic Recovery and Growth Plan (2017-2020) of the Federal Government that is predicted on economic diversification.

Furthermore, the loan-deposit ratios of 60% expected of Deposit Money Banks by the Central Bank of Nigeria is equally expected to increase lending to the real sector and will bring about a reduction in Interest rate. The Passage of the Amendment to the Finance Act 2021 is expected to increase collections from Value Added Tax. With passage of Petroleum Industry Act (2021) into law more investment is expected in the oil and gas industry. This improved investor's confidence in the oil and gas sector will help increase oil production from 1.86 mbpd in 2021 to 2.22 mbpd in 2024, stimulate the local economy, increase Nigeria's foreign reserve, help sustain the country's exchange rate standing at US$1/N379 throughout the medium term and help keep inflation down from 12.80% in 2021 to below 10% in 2024.

The table below presents the Macro-Economic assumptions adopted by the State for the 2022-2024 Medium-Term Expenditure Framework.

Table 3: Macro-Economic Assumptions for 2022 - 2024 Medium-Term Budget Forecast

ITEM	2021	2022	2023	2024
BASIC ASSUMPTIONS				
National GDP (at current prices) (N)	183,723,766.90	203,714,015.13	225,082,800.46	244,791,050.47
GDP Growth Rate (National) (%)	3.00	4.20	2.30	3.30
State GDP (at current prices) (N)	183,723,766.90	5,703,484.00	6,301,757.00	6,853,539.00
Oil Production Benchmark (mbpd)	1.86	1.88	2.23	2.22
Oil Price Benchmark (US$/mbpd)	40	57	57	55
Exchange rate (US$/N)	379	379	379	379
Inflation (%)	12.80	13	11	10

Source: Anambra State Multi Year Budget 2022

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

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

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

Table 4: Medium-Term Budget Forecast

ITEM	**2021 (N million)**	**2022 (N million)**	**2023 (N million)**	**2024 (N million)**
REVENUE				
Gross Statutory Allocation	36,425.00	38,246.24	40,158.56	42,166.48
Derivation				
Other FAAC transfers (exchange rate gain, augmentation, others)	4,369.80	4,588.24	4,817.65	5,058.54
VAT Allocation	17,202.00	18,062.09	18,965.20	19,913.46
IGR	62,737.70	65,874.56	69,168.29	72,626.70
Recurrent Revenue	**120,734.50**	**126,771.13**	**133,109.70**	**139,765.18**
Grants	7,306.90	7,672.25	8,055.87	8,458.66
Sales of Government Assets and Privatization Proceeds				
Capital Receipts	**7,306.90**	**7,672.25**	**8,055.87**	**8,458.66**
Total Revenue	**128,041.40**	**134,443.38**	**141,165.57**	**148,223.84**
EXPENDITURE				
Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	23,992.00	25,191.58	26,451.16	27,773.72
Overhead costs	21,970.00	23,068.47	24,221.89	25,432.98
Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	21,059.10	22,112.00	23,217.60	24,378.49
Debt servicing	7,638.34	16,151.63	11,404.83	5,513.04
Capital Expenditure	66,396.10	69,715.86	73,201.65	76,861.74
Total Expenditure	**151,055.54**	**156,239.54**	**158,497.13**	**159,959.97**
DEFICIT	**-23,014.14**	**-21,796.16**	**-17,331.56**	**-11,736.13**
New Domestic Borrowing	23,750.60	28,906.39	51,777.64	68,266.50
New External Borrowing	0	0	0	0

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

4.2 Borrowing options

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

Borrowing Terms for New Domestic Debt (issued/contracted from 2021 onwards)	interest Rate (%)	Maturity (years)	grace period (years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.2	5	0
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.2	15	0
State Bonds (maturity 1 to 5 years)	0	0	0
State Bonds (maturity 6 years or longer)	0.15	7	0
Other Domestic Financing	0	0	0

For the reference debt strategy (S1), Anambra State plans borrowing only from Domestic sources, specifically Commercial Bank Loans with interest rate of not more than 20% and a maturity period of 6years and above. The Commercial Bank loans are without any grace period. We also planned to borrow Agric Loans, Infrastructure Loans to help us develop the State infrastructure and Micro Small and Medium Enterprise Development Fund (MSMSDF). These loans are with interest rate of not more than 20%, a maturity period of 6years and above. The Commercial Bank loans are without any grace period. The new domestic financing categories and defined in the reference debt strategy (S1) and the financing terms as presented in Table 3 are automatically applied on the alternative debt strategies (S2, S3 and S4). The details of the reference debt strategy are presented in the Table below.

Table 6: Strategy 1

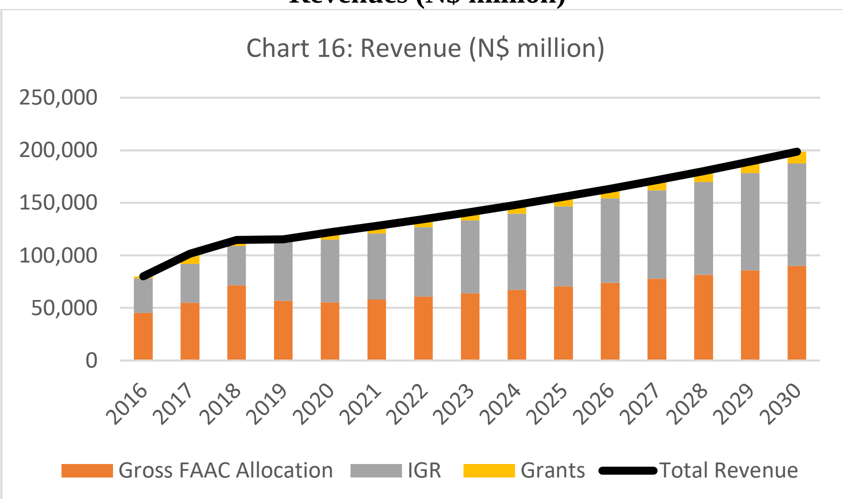
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)
Domestic Financing										
Commercial Bank loan (maturity 6 years or longer	23,750.6	1,762.3	3,067.9		5,792.4					
Other Domestic financing (Agric and)		27,144.1	48,709.7	68,266.5	81,276.5	101,306.8	121,679.5	141,565.7	161,453.4	181,276.4
Total gross borrowing requirements	23,750.6	28,906.4	51,777.6	68,266.5	87,068.9	101,306.8	121,679.5	141,565.7	161,453.4	181,276.4

4.3 DSA Simulation Results

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

4.3.1 Revenue: Total revenue (including grants and excluding other capital receipts) is projected to increase from N121,944 billion in 2020 to N198,634 billion by 2030. Internally Generated Revenue is expected to contribute more to this increase both in the medium and long-term. IGR share of the total revenue remained at 49% from 2019 up to 2030 while the share of federal allocation from FAAC remained at 45% with Grant contributing 6% within the same period. Details of the revenue growth and projections are presented in the Figure below:

Chart 16: Baseline Scenario Revenues (N$ million)



Source: State's Forecasts

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

4.3.2 Expenditure: Total expenditure is expected to increase from N148,684 million in 2020 to N378,765 million by 2030. Personnel cost which occupied a share of 23% at N19,343.32 million at reduced to 15% at N22,849.51 in 2020 and from the projections, it will further decrease to a share of 10% estimated at N37,219.44 in 2030 as a result of continuous reforms aimed at stamping out ghost workers and harmonizing the State Payroll.

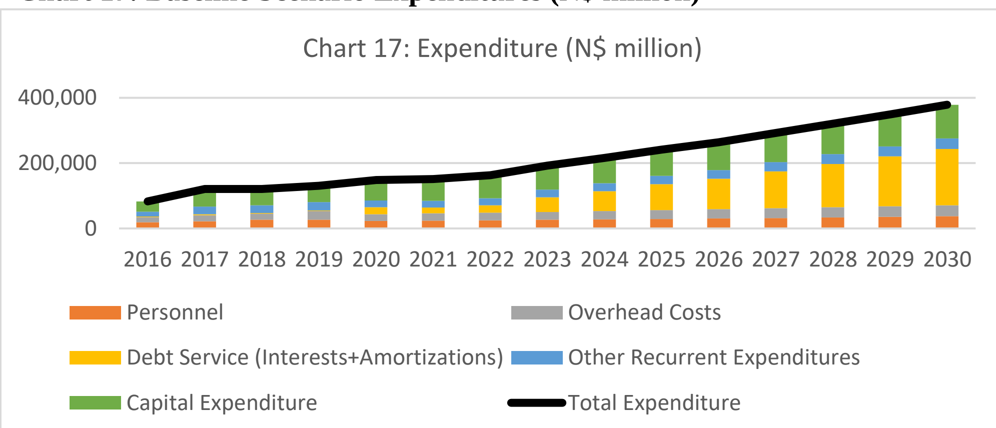
Overhead cost followed the same pattern with a 18% share in 2016, which reduced to a share of 14% in 2020 and projected to further reduce to a 9% share of the total expenditure by 2030.

For Capital expenditure, its share increased from a share of 38%, estimated at N 31,717.61 in 2016 to a share of 44% estimated at N66,396.06 in 2021 and further reduced to a share of 27% estimated at N103,002.08 in 2030. This increase, though at a decreasing rate in the medium t erm and in the long run was as a result of the State Government policy of spending more in capital project in line with budgeting best practice and for sustainable development.

For Debt servicing, the figure witnessed a continuous rise in absolute terms and in their share of the total revenue throughout the period under review. In 2016, debt servicing had a share of 3% estimated at N2,699.20 million of the total expenditure. This was increased to 14% at N21,620.47 million in 2020 and further to 45% estimated at N171,791.72 million in 2030. This increase in debt servicing figure throughout the period is a result of servicing of increasing domestic debts (both the historical and projections).

Therefore, the fiscal deficit computed as the difference between revenue and expenditure is expected to rise in nominal terms from N28,131 million in 2021 to N181,131 million in 2030, compared to the historical periods where it increased from N2,832.10 million in 2016 to N$26,740 million in 2020. Details of the historical and projected expenditure are presented in the table below:

Chart 17: Baseline Scenario Expenditures (N$ million)



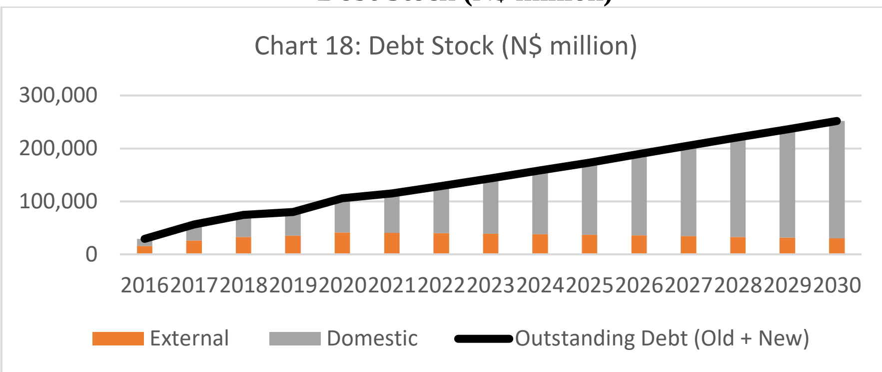
Source: State's Forecasts

4.3.3 Debt stock.

As a consequence of the modest increase in investment and domestic borrowings to finance the observed budget deficit, the public debt will increase. However, the State's repayment capacity will rise pari passu as can be seen in Charts 22 below. Debt is projected to raise from N105,765 million as of end-2020 to N 251,781 million by 2030 (Charts 18). The main driver of this increase in debt stock is the Domestic borrowings mainly from commercial banks, Agricultural and Infrastructure support loans. which increased from 45% estimated at N 13,280.72 million to 65% estimated at N74,381.94 million in 2021 and then to 88% estimated at N221,624.80 million in 2030. However, relative to the State's repayment capacity, the public debt position will improve: debt stock is expected to increase from 87 percent of Total Revenue in 2020 to 127 percent by 2030 which is still below the threshold of 200 (see Charts 18 below). As the fiscal deficit stabilizes in nominal terms over the next few years, and the public debt ratio improves, the analysis of the

Baseline Scenario under the reference debt strategy (S1) suggests the State will be able to preserve the sustainability of its debt both in the medium-term and in the long term.

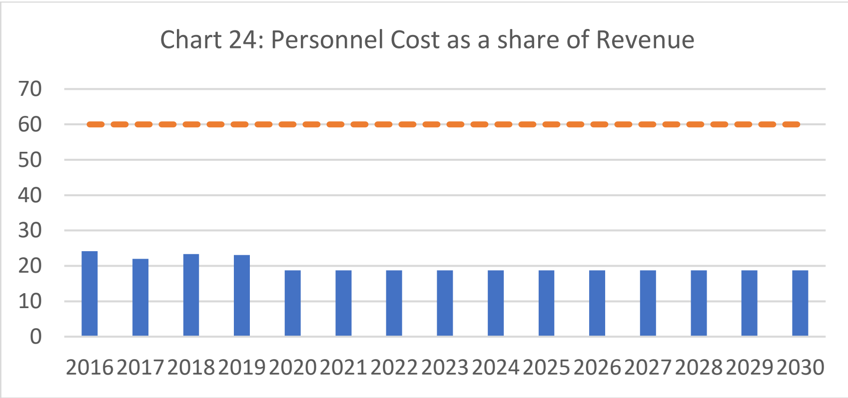
Chart 18: Baseline Scenario
Debt Stock (N$ million)



Source: State's Forecasts

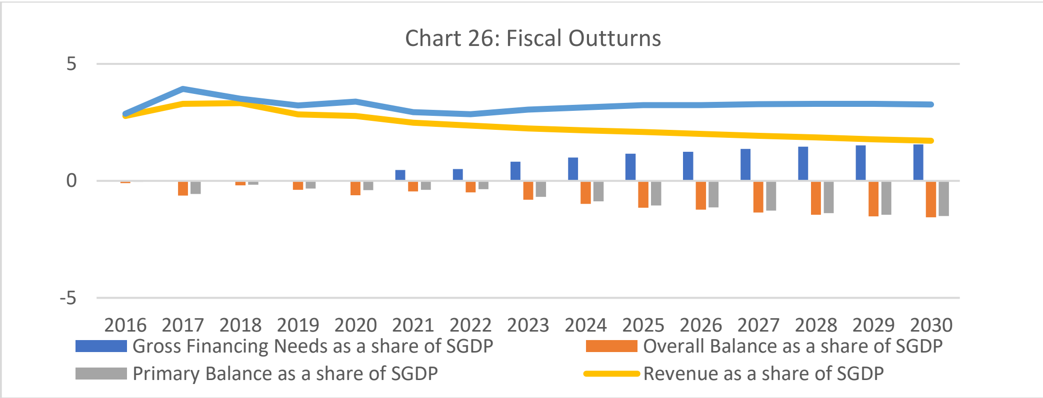
The following charts as described above are included below to aid understanding of the Anambra State debt sustainability analysis.

Chart 24: Baseline Scenario
Personnel Cost (as a share of Revenue)



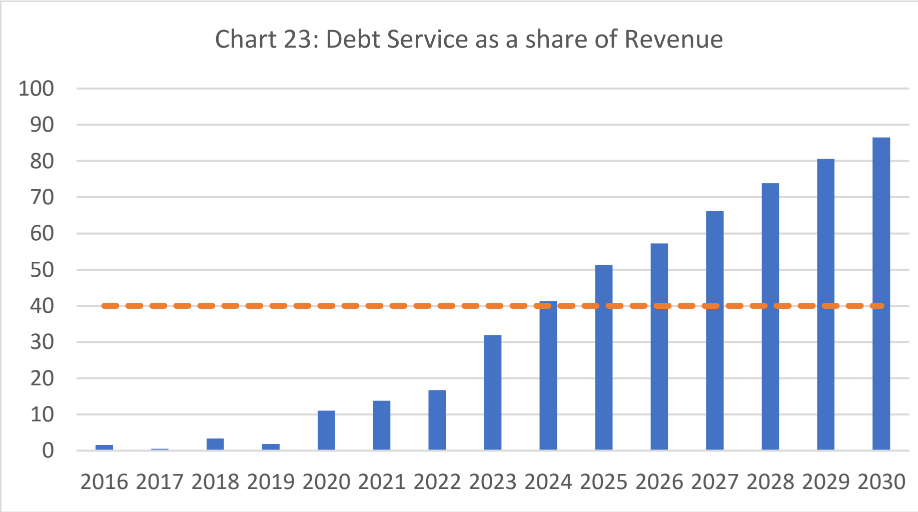
Source: State's Forecasts

Chart 26: Baseline Scenario
Fiscal Outturns



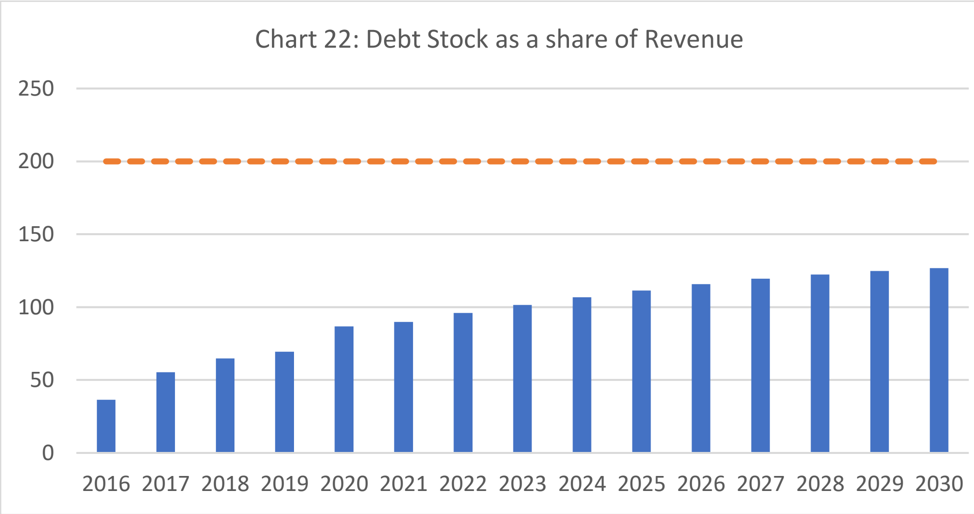
Source: State's Forecasts

Chart 23: Baseline Scenario
Debt Service (as a share of Revenue)



Source: State's Forecasts
Source: State's Forecasts

Chart 22: Baseline Scenario
Debt Stock (as a share of Revenue)



Source: State's Forecasts

Conclusion

The outcome of the 2021 DSA revealed that Anambra State Total Debt remains at a Moderate Risk of Debt distress with substantial space to accommodate some levels of shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The moderate risk is because a look at the results on the debt sustainability indicators the state performed well in all except for Debt service as a share of revenue whose figure exceeded the benchmark in the mid-term and long run (see chart 27).

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

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

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

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

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

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

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

Expenditure:

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

1. Reduction of cost of governance through the reduction of the share of recurrent expenditures of the total expenditure.
2. Comprehensive automation of Payroll Process through the application of verifiable BVN and allocation of ANSSID to Imo workers and pensioners. This has helped removed ghosts from the system and ensured a continuous cleaning of the state Personnel share of the total expenditure to reflect realities
3. The passage of Anambra State Public Procurement Law 2020 has an improved procurement practice for increased transparency and value for money according to the global best practices.

4. Introduction of Cash Management Strategy by the Accountant General has helped in the distribution of funds efficiently in line with the state priority, hence removing the incidence of channeling funds to projects without economic impact.

4.4 DSA Sensitivity Analysis

Anambra State faces important sources of fiscal risks associated to the possibility of adverse country-wide macroeconomic conditions and the reversal of the State's revenue and expenditure policies. To check this, a sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the Baseline scenario discussed in the previous sub-section. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

The following parameters were chosen for the purpose of sensitivity analysis; **Revenue, Expenditure, Exchange rate and Interest rate** as shock scenarios and a historical scenario which assume that the State GDP, revenues and primary expenditures in 2021-2030 grow in line with their respective historical average growth rates observed in 2016-2020. These scenarios are analyzed in terms of their deviation from the baseline scenario.

From the result, the State's debt sustainability is expected to moderately deteriorate if the revenue shock was to occur under the reference debt strategy (S1), as a result of diminished repayment capacity. The public debt ratio grows up to unsustainable levels in the next few years. Notably, therefore, a major risk for debt sustainability is the reversal of the State's successful revenue mobilization efforts. The debt stock as a percentage of the SGDP remains lower than the threshold across the projected years, while debt stock as a percentage of revenue increases above the threshold from 2027. Debt service as a percentage of revenue exhibited same pattern as it grew more than the threshold from 2024, more than doubled the threshold in 2027 and almost hit a 200% increase by 2030. Personnel cost as a percentage of revenue remained far below the threshold throughout the projected period. The results of the shock scenario were consistent with the historical scenario except for debt stock as a percentage of revenue which did not grow above the threshold in the projected years. Therefore, a major risk for debt sustainability is the reversal of the State's successful revenue mobilization efforts.

The State's debt sustainability is expected to largely deteriorate if expenditure shock were to occur under the reference debt strategy (S1), as a result of both excessive deficits and diminished repayment capacity. The public debt ratio grows up to unsustainable levels in the next few years. The debt stock as a percentage of the SGDP remains lower than the threshold across the projected years, while debt stock as a percentage of revenue increases above the threshold from 2028. Debt service as a percentage of revenue exhibited same pattern as it grew more than the threshold from 2024, doubled the threshold in 2027 and hit a 150% increase by 2030. Personnel cost as a percentage of revenue remained far below the threshold throughout the projected period. The results of the shock scenario were consistent with the historical scenario except for debt stock as a percentage of revenue which did not grow above the threshold in the projected years. Therefore, a major risk for debt sustainability is the failure to maintain current patterns of expenditure growth.

The State's debt sustainability would deteriorate moderately if the exchange rate shocks materialize, mainly as a consequence of a diminished repayment capacity. The debt stock as a percentage of the SGDP and debt stock as a percentage of revenue remain lower than the threshold across the projected years. Debt service as a percentage of revenue grew more than the threshold from 2024, doubled the threshold in 2029 through 2030. Personnel cost as a percentage of revenue remained far below the threshold throughout the projected period. The results of the shock scenario were consistent with the historical scenario. This implies a moderate worsening of the State's public debt position and a build-up of fiscal vulnerability in the medium-term.

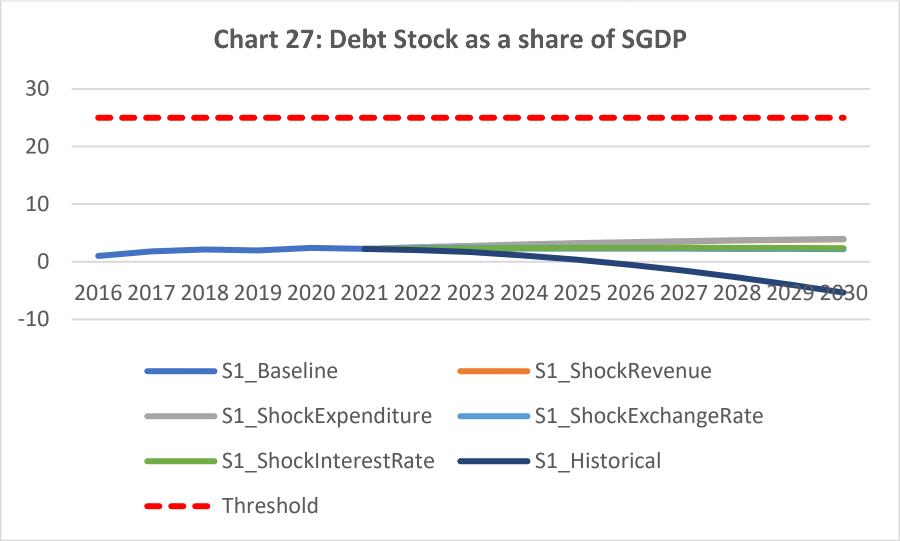
The State's debt sustainability would deteriorate moderately if interest rate shocks materialize, mainly as a consequence of a diminished repayment capacity. The debt stock as a percentage of the SGDP and debt stock as a percentage of revenue remain lower than the threshold across the projected years. Debt service as a percentage of revenue grew more than the threshold from 2024, doubled the threshold in 2029 through 2030. Personnel cost as a percentage of revenue remained far below the threshold throughout the projected period. The results of the shock scenario were consistent with the historical scenario. This implies a moderate worsening of the State's public debt position and a build-up of fiscal vulnerability in the medium-term.

Conclusion:

The 2021 DSA shows that Anambra State remains moderately sustainable in the medium-term but at a high risk of debt distress in the long-term under the conducted Sensitivity Analysis as the current revenue position is considered not adequate to secure the financial future of the State because of the adverse effect of the shock in the long-term. The current expenditure patterns should also be further kept under check so as not to trigger unsustainability in the economy over the long-term. The State is however sustainable under the Exchange Rate and Interest Rate Shocks across the four indicators.

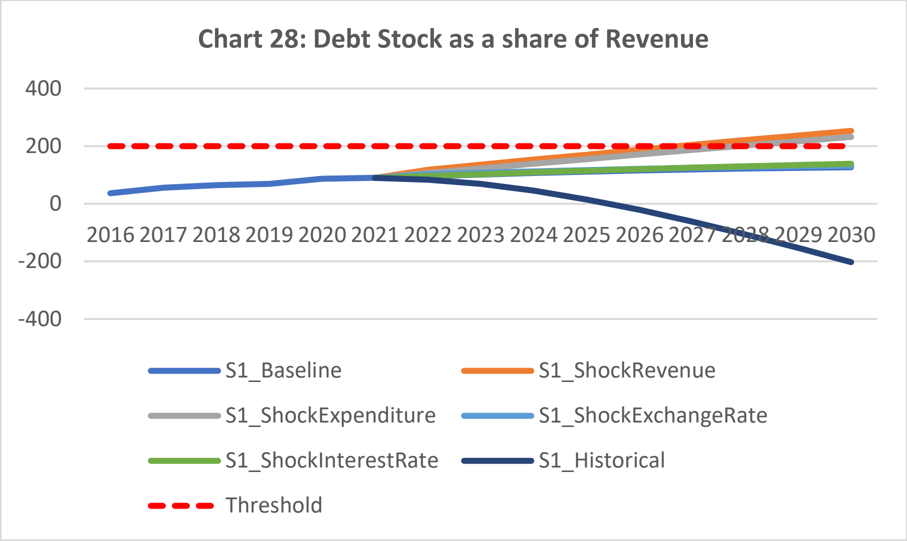
The Charts below explain the State's debt sustainability position as explained in this section.

Chart 27: Baseline, Shock and Hist. Scenarios
Debt Stock (as a share of GDP)



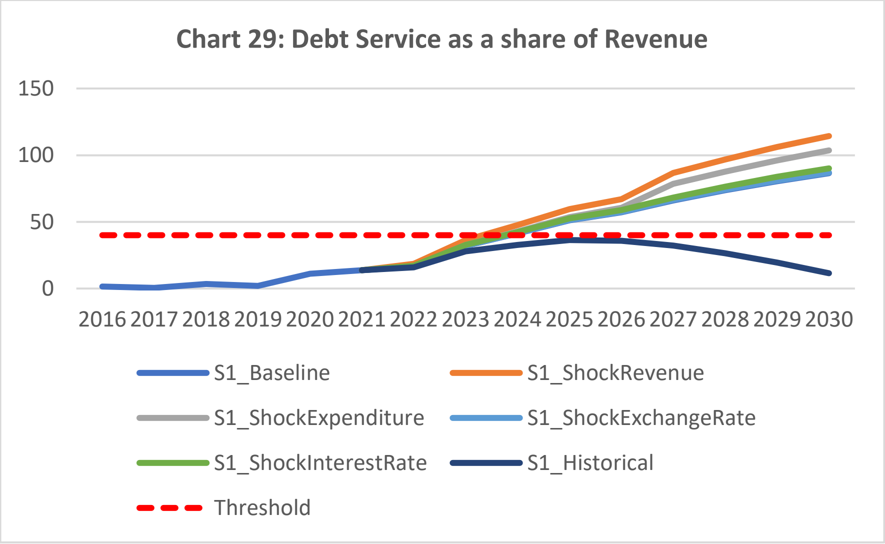
Source: State's Forecasts

Chart 28: Baseline, Shock and Hist. Scenarios
Debt Stock (as a share of Revenue)



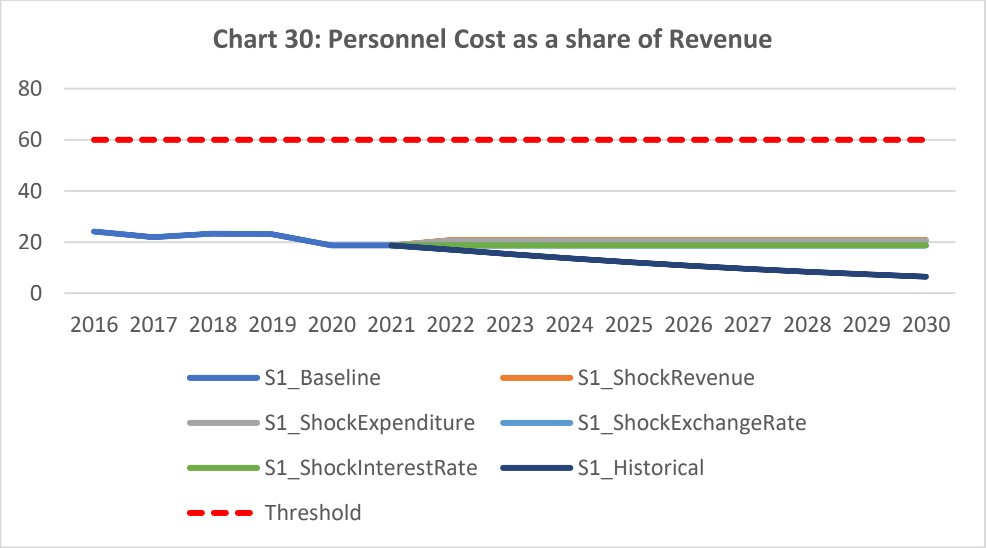
Source: State's Forecasts

Chart 29: Baseline, Shock and Hist. Scenarios
Debt Service (as a share of Revenue)



Source: State's Forecasts

Chart 30: Baseline, Shock and Hist. Scenarios
Personnel Cost (as a share of Revenue)



Source: State's Forecasts

5. Debt Management Strategy

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

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

5.1 Alternative Borrowing Options

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

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

Borrowing Terms for New Domestic Debt (issued/contracted from 2021 onwards)	**interest Rate (%)**	**Maturity (years)**	**grace period (years)**
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.2	5	0
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.2	15	0
State Bonds (maturity 1 to 5 years)	0	0	0
State Bonds (maturity 6 years or longer)	0.15	7	0
Other Domestic Financing	0	0	0
Borrowing Terms for New External Debt	**Interest Rate (%)**	**Maturity (years)**	**Grace (years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	0.02	20	2
External Financing - Bilateral Loans	0.03	20	1
Other External Financing	0.03	10	1

Strategy 1

Strategy 1 maintain the MTEF Financing Mix highlighted in Section 4. It follows the broad parameters of the financing mix in the fiscal year 2021 and MTEF, 2022-2024 which draws only from domestic sources specifically Commercial Bank Loans with interest rate of not more than 20% and a maturity period of 6years and above. We also planned to borrow Agric Loans, Infrastructure Loans to help us develop the State infrastructure and Micro Small and Medium Enterprise Development Fund (MSMSDF) and is expected to account for an average of 93% of

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

the total loan in the mid-term and 100% in the long run. Details of the Strategy are presented in the Table below.

Table 8: Strategy 1

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)	N (million)
Domestic Financing										
Commercial Bank loan (maturity 6 years or longer	23,750.6	1,762.3	3,067.9		5,792.4					
Other Domestic financing (Agric and)		27,144.1	48,709.7	68,266.5	81,276.5	101,306.8	121,679.5	141,565.7	161,453.4	181,276.4
Total gross borrowing requirements	23,750.6	28,906.4	51,777.6	68,266.5	87,068.9	101,306.8	121,679.5	141,565.7	161,453.4	181,276.4

Strategy 2

For DMS (S2), Anambra State plans borrowing from both External and Domestic sources. Under Domestic Loan, financing plan includes: Budget Support Facility etc with an interest rate of 9%, maturity period of 30 years and no grace period. while External financing would only concentrate on Concessional Loans with a 2% interest rate, 20 years maturity and a grace period of 2 years (e.g World Bank, African Development Bank). In this strategy, domestic loans account for an average of 83% in the mid-term and an average of 75% in the long-run.

Table 9: Strategy 2

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Domestic Financing										
Other Domestic Financing	21,200.0	35,641.3	45,632.9	49,320.0	51,621.8	54,379.9	55,854.6	57,055.5	57,541.7	56,533.5
External Financing										
External Financing –Concessional Loans (e.g WB, AFDB)	6.7				4.1	4.2				
Other External Financing		21.6	22.3	27.7	29.6	32.3	46.1	51.6	61.1	73.0
Total Gross Borrowing Requirements	23,750.7	43,823.9	54,084.6	59,825.9	64,363.8	68,205.8	73,315.1	76,600.5	80,702.4	81,215.7

Note: the figures of the external loans are in US$ and were converted using an exchange rate of US$1/N379

Strategy 3

For DMS (S3), financing would be done exploring only Domestic Financing options with zero exchange rate risk. These loans include: Budget Support, Accelerated Agric Development Scheme (AADs) etc. These loans have interest rates of 9% and 30-years maturity period. There is no grace period.

Table 10: Strategy 3

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Domestic Financing										
Other Domestic Financing	23,750.6	46,323.5	64,470.3	77,062.4	89,281.2	101,564.3	114,648.1	127,703.7	141,219.1	155,128.1
Total Gross Borrowing Requirements	23,750.6	46,323.5	64,470.3	77,062.4	89,281.2	101,564.3	114,648.1	127,703.7	141,219.1	155,128.1

Strategy 4

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

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

Bilateral Loans: the interest rate is 3%, while the maturity is 20 years and a grace period of a year.

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

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

Table 11: Strategy 4

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
External Financing										
External Financing Concessional Loans (e.g WB, AFDB)	62.7			23.7	30.0	30.3	32.2	37.0		
External Financing Bilateral Loans		30.7							34.0	40.3
Other External Financing		30.1	51.0	22.6	21.9	25.1	30.0	30.5	40.8	42.1
Total Gross Borrowing Requirements	23,750.6	23,047.9	19,313.2	17,538.2	19,664.3	21,008.1	23,569.2	25,602.7	28,333.3	31,231.6

5.2 DMS Simulation Results

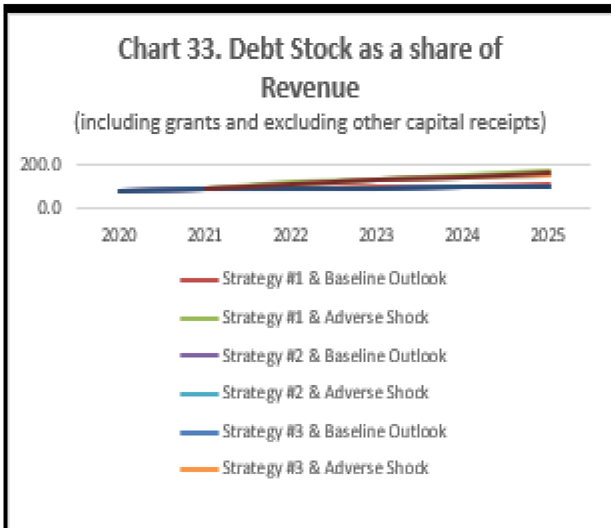
In this section, the results obtained from the four DMS, focusing on the three performance indicators (Debt/Revenue, Debt service/Revenue and Interest/Revenue) are presented and analyze. The analysis includes comparisons between the reference debt strategy (S1) and the three alternatives (S2, S3, and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

5.2.1 Debt as a share of Revenue

In the Baseline Scenario under the reference debt strategy (S1), the debt stock as a percentage of revenue (including grants and excluding other capital receipts) is projected to increase from 89.8% in 2021 to 111.3% in 2025. For debt strategy (S2), debt stock as a percentage of revenue is projected to increase from 89.8% in 2021 to 100% in 2025. For debt strategy (S3), debt stock as a percentage of revenue is projected to increase from 89.8% in 2021 to 98.9% in 2025. For debt strategy (S4), debt stock as a percentage of revenue is projected to increase from 89.8% in 2021 to 102.5% in 2025. The results from the strategies indicate that the State preserves debt sustainability. The information above is presented in the chart below.

For the cost-risk tradeoff, under the reference debt strategy (S1), the cost of adopting the strategy is 111.3% and a risk of 58.8%. Under debt strategy (S2), the cost of adopting the strategy is 100% and a risk of 57.5%. For debt strategy (S3), the cost of adopting the strategy is 98.9% and a risk of 57.4%. While for debt strategy (S4), the cost of adopting the strategy is 102.5% and a risk of 57.8%. The chart is presented below for more emphasis.

Strategy 3 has the lowest cost and risks estimated at 98.9% and 57.4% respectively. Strategy 1 has the highest costs and risks of 111.3% and 58.8% respectively. This is compared to Strategy 2 and Strategy 4 that are estimated to have moderate costs and moderate risks during the projection period, 2021-2025



Source: State's Forecasts

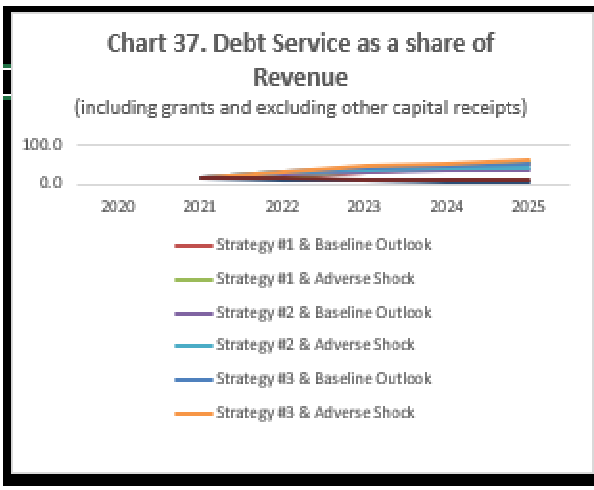
Source: State's Forecasts

5.2.2 Debt Services as a share of Revenue

In the Baseline Scenario under the reference debt strategy (S1), the debt service as a percentage of revenue is projected to increase from 13.8 percent in 2021 to 51.2 percent in 2025. For debt strategy (S2), debt service as a percentage of revenue is projected to increase from 13.8 percent in 2021 to 36.6 percent in 2025. For debt strategy (S3), debt service as a percentage of revenue is projected to increase from 13.8 percent in 2021 to 52.6 percent in 2025. For debt strategy (S4), debt service as a percentage of revenue is projected to decrease from 13.8 percent in 2021 to 7.9 percent in 2025. The results from the strategies indicate that the State preserves debt sustainability. The information is presented in the figure below

For the cost-risk tradeoff, under the reference debt strategy (S1), the cost of adopting the strategy is 51.2% and a risk of 8.3%. Under debt strategy (S2), the cost of adopting the strategy is 36.6% and a risk of 6.7%. For debt strategy (S3), the cost of adopting the strategy is 52.6% and a risk of 8.5%. While for debt strategy (S4), the cost of adopting the strategy is 7.9% and a risk of 3.5%. The information are presented in the figure below.

Thus, Strategy 4 has the lowest cost and risks estimated at 7.9% and 3.5% respectively. Strategy 3 has the highest costs and risks of 52.6% and 8.5% respectively. This is compared to Strategy 2 and Strategy 1 that are estimated to have moderate costs and moderate risks during the projection period, 2021-2025.



Source: State's Forecasts

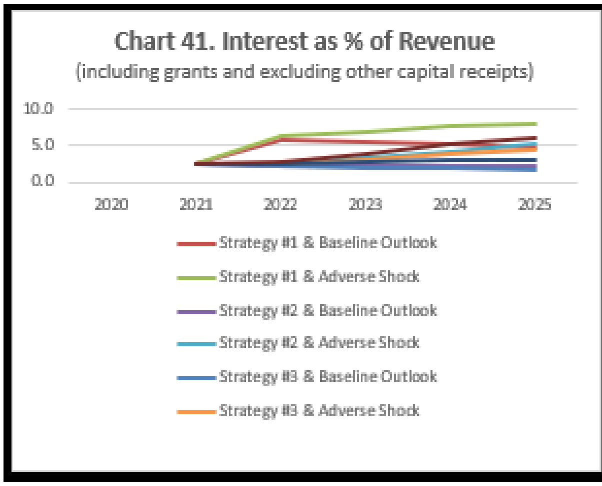
Source: State's Forecasts

5.2.3 Interest as a share of Revenue

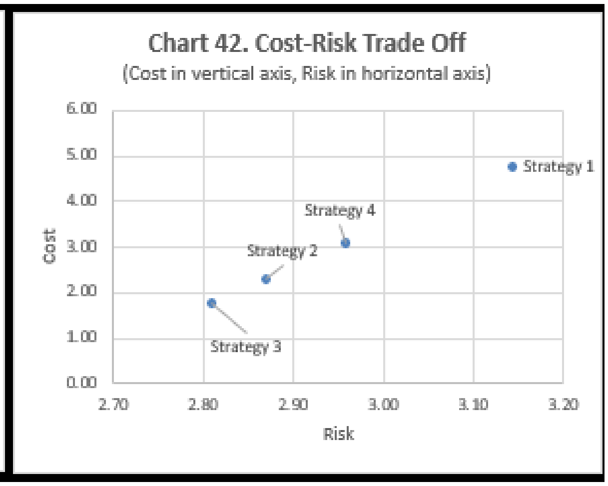
In the Baseline Scenario under the reference debt strategy (S1), interest as a percentage of revenue is projected to increase from 2.4 percent in 2021 to 4.8 percent in 2025. For debt strategy (S2), interest as a percentage of revenue is projected to increase from 2.4 percent in 2021 to 2.3 percent in 2025. For debt strategy (S3), interest as a percentage of revenue is projected to increase from 2.4 percent in 2021 to 1.8 percent in 2025. For debt strategy (S4), interest as a percentage of revenue is projected to increase from 2.4 percent in 2021 to 3.1 percent in 2025. The results from the strategies indicate that the State preserves debt sustainability. The information above is presented in the chart below.

For the cost-risk tradeoff, under the reference debt strategy (S1), the cost of adopting the strategy is 4.8% and a risk of 3.1%. Under debt strategy (S2), the cost of adopting the strategy is 2.3% and a risk of N2.9%. For debt strategy (S3), the cost of adopting the strategy is 1.8% and a risk of 2.8%. While for debt strategy (S4), the cost of adopting the strategy is 3.1% and a risk of 3%. The information above is presented in the chart below.

Thus, Strategy 3 has the lowest cost and risks estimated at 1.8% and 2.8% respectively. Strategy 1 has the highest costs and risks of 4.8% and 3.1%. respectively. This is compared to Strategy 2 and Strategy 4 that are estimated to have moderate costs and moderate risks during the projection period, 2021-2025



Source: State's Forecasts



Source: State's Forecasts

5.2.4 DMS Assessment

The Debt Management Strategy, 2021-2025 presents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

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

1. **For Debt stock as a percentage of revenue,** the performance of the reference strategy (S1) has a higher cost-risk profile of 111.3% and 58.8% respectively compared to the performance of the other three alternatives. Strategy 3 has the lowest cost and risks estimated at 98.9% and 57.4% respectively, while Strategy 2 and Strategy 4 are estimated to have moderate costs and moderate risks during the projection period, 2021-2025

2. **For Debt service as a percentage of revenue,** the performance of Strategy 4 has the lowest cost and risks estimated at 7.9% and 3.5% respectively. Strategy 3 has the highest costs and risks of 52.6% and 8.5% respectively while Strategy 2 and Strategy 1 are estimated to have moderate costs and moderate risks during the projection period, 2021-2025.

3. **For interest as a percentage of revenue,** the performance of the reference strategy (S1 has a higher cost-risk profile than the performance of the other three alternatives. Strategy 3 has the lowest cost and risks estimated at 1.8% and 2.8% respectively. Strategy 1 has the highest costs and risks of 4.8% and 3.1%. respectively while Strategy 2 and Strategy 4 are estimated to have moderate costs and moderate risks during the projection period, 2021-2025. However, the risks of the strategies are similar as there is not much observable difference.

Based on the analysis of each of the four strategies, the recommended strategy to be applied by the state in the mid-term to improve the State's debt portfolio relative to the base year 2020 is Strategy 3. The results (risk and cost) when applying Strategy 3 in the three debt-management performance indicators and in the other three (Debt Stock/SGDP, Debt Services/SGDP and Interest/SGDP) not included in the analysis, were better when compared with the reference Strategy (S1) and other alternative strategies (S2 and S4). When considered with the reference strategy, it complements the State's policy thrust on debt financing, on borrowing from domestic sources.

As a consequence of the borrowings envisaged in the reference debt-management strategy (S1), the interest burden, debt stock burden and debt-service obligations increased (relative to revenue). In addition, the exposure to currency risk and rollover risk will be moderated increased. The share of foreign-currency debt will be reduced from 39% at end-2020 to 21% at end-2025.

Conclusion:

This Preferred Strategy (S3) in the State's Debt Management Strategy, 2021-2025, focuses on increased dependence on Long-term Domestic financing with zero exchange rate risk. The strategy ensures reduction in short-term instruments, especially short-term Commercial Banks Loans in order to protect the State's economy from refinancing risks. Relying on domestic borrowing is also expected to help in ensuring that the Cost Profile of the State's Public Debt portfolio is sustainable in the medium to long-term as the State's financing needs are met at minimum cost and with a low risk level.

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

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

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

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

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

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

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

Annex I. Table Assumptions

2021		Projection Methodology	Source
Economic activity	State GDP (at current prices)	The State GDP as projected from 2021-2030 are based on extract from WBG projections.	
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	On carrying out our revenue projection, a mark up of 5% was used for each new year revenue. This was applied from the Gross Statutory allocation to the last revenue item for 2021-2030 projection. All figures entered	
	1.a. of which Net Statutory Allocation ('net' means of deductions)		
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		
	4. VAT Allocation		
	5. IGR		
	6. Capital Receipts		
	6.a. Grants		
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Same 5% mark up as used for our revenue was also used for our expenditure projections from 2021-2030. All figures are from the State Audited Financial Statement.	
	2. Overhead costs		
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		
	5. Capital Expenditure		
Closing Cash and Bank Balan	**Closing Cash and Bank Balance**	The closing cash and bank balance was also projected with a mark up of 5% for each new year.	
Debt Amotization and Interes	**Debt Outstanding at end-2020**		
	External Debt - amortization and interest	External Debt (Amortization and Interest) was gotten from the DMO debt stock for the State as at end 2020	
	Domestic Debt - amortization and interest	Domestic Debt (Amortization and Interest) was gotten from the DMO/CBN reconciled debt stock as at end 2020.	
	New debt issued/contracted from 2021 onwards		
	New External Financing	**Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)**	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Our External financing - Concessional Loans are planned with 2% Interest rate, 20 years maturity period and a grace period of 2 years. While Bilateral Loans and other External Financing both have 3% Interest rate, with	
	External Financing - Bilateral Loans		
	Other External Financing		
	New Domestic Financing	**Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)**	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The Domestic Loans were structured with a 20% Interest rate for Commercial Banks with a maturity period of 5 years and 15 years respectively. We also structured a State Bond of 15% interest rate with 7 years maturity	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)		
	State Bonds (maturity 6 years or longer)		
	Other Domestic Financing		

Proceeds from Debt-Creating corresponding to Debt Strate	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**	
	New Domestic Financing in Million Naira	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	On our new planned borrowing in Strategy 1, we planned borrowing only Domestic Loans, specifically Commercial Bank Loans which has an Interest rate of not more than 20% and a maturity period of 6 years.
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	There are no plans to borrow Externally due to time constraint.
	External Financing - Bilateral Loans	
	Other External Financing	
Proceeds from Debt-Creating corresponding to Debt Strate	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**	
	New Domestic Financing in Million Naira	

Proceeds from Debt-Creating Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4 corresponding to Debt Strate		
	New Domestic Financing in Million Naira	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	There are no plans to borrow domestically.
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	We made plans for External Financing, specifically Bilateral Loans as it has less cost of borrowing i.e lesser Interest rate with a very long maturity period.
	External Financing - Bilateral Loans	
	Other External Financing	

Annex II. Historical and projections of the S1_Baseline Scenario

Indicator			Actuals							Projections					
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	2,883,947.00	3,079,167.00	3,454,699.00	4,047,070.00	4,392,940.00	5,143,807.00	5,703,484.00	6,301,757.00	6,853,539.00	7,468,164.00	8,153,742.00	8,902,255.00	9,719,482.00	10,611,731.00	11,585,888.00
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00
Fiscal Indicators (Million Naira)															
Revenue	**97,215.51**	**109,204.59**	**115,211.60**	**136,030.96**	**147,847.00**	**151,791.93**	**163,349.80**	**192,943.18**	**216,490.34**	**242,703.93**	**264,723.59**	**293,267.08**	**321,732.67**	**350,628.71**	**379,910.53**
1. Gross Statutory Allocation ('gross' means with no deductions; do not	20,138.09	28,192.49	42,278.36	40,941.13	34,690.47	36,424.99	38,246.24	40,158.56	42,166.48	44,274.81	46,488.55	48,812.97	51,253.62	53,816.30	56,507.12
1.a. of which Net Statutory Allocation ('net' means of deductions)	18,389.20	26,441.57	40,703.03	38,470.22	31,451.74	33,024.33	34,675.54	36,409.32	38,229.79	40,141.28	42,148.34	44,255.76	46,468.54	48,791.97	51,231.57
1.b. of which Deductions	1,748.89	1,750.92	1,575.34	2,470.90	3,238.73	3,400.67	3,570.70	3,749.23	3,936.70	4,133.53	4,340.21	4,557.22	4,785.08	5,024.33	5,275.55
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	16,033.19	15,771.34	16,529.80	2,313.73	4,161.67	4,369.75	4,588.24	4,817.65	5,058.54	5,311.46	5,577.04	5,855.89	6,148.68	6,456.12	6,778.92
4. VAT Allocation	9,234.68	11,179.17	12,579.84	13,524.82	16,382.85	17,201.99	18,062.09	18,965.20	19,913.46	20,909.13	21,954.59	23,052.32	24,204.93	25,415.18	26,685.94
5. IGR	32,640.01	36,765.69	37,436.71	56,662.52	59,750.17	62,737.68	65,874.56	69,168.29	72,626.70	76,258.04	80,070.94	84,074.49	88,278.21	92,692.12	97,326.73
6. Capital Receipts	19,169.45	17,295.97	6,386.91	22,588.76	32,861.39	31,057.51	36,578.67	59,833.49	76,725.17	95,950.50	110,632.48	131,471.42	151,847.22	172,248.99	192,611.83
6.a. Grants	2,031.38	9,640.34	5,986.91	1,757.71	6,958.96	7,306.91	7,672.25	8,055.87	8,458.66	8,881.59	9,325.67	9,791.96	10,281.55	10,795.63	11,335.41
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	8,524.07	7,655.63	400.00	20,831.00	9,295.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan d	0.00	0.00	0.00	0.00	0.00	23,750.61	28,906.41	51,777.62	68,266.51	87,068.90	101,306.81	121,679.46	141,565.67	161,453.36	181,276.42
Expenditure	**82,909.45**	**121,072.39**	**121,200.52**	**130,400.59**	**148,684.30**	**151,053.79**	**162,574.71**	**192,129.34**	**215,635.81**	**241,806.67**	**263,781.46**	**292,277.85**	**320,693.97**	**349,538.08**	**378,765.37**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, ot	19,343.32	22,357.83	26,780.58	26,614.77	22,849.51	23,991.98	25,191.58	26,451.16	27,773.72	29,162.41	30,620.53	32,151.55	33,759.13	35,447.09	37,219.44
2. Overhead costs	14,829.62	18,333.01	19,013.74	26,465.56	20,923.78	21,969.97	23,068.47	24,221.89	25,432.98	26,704.63	28,039.86	29,441.86	30,913.95	32,459.65	34,082.63
3. Interest Payments (Public Debt Charges, including interests deducted	1,544.30	2,155.45	609.84	1,841.70	9,147.44	3,056.14	7,708.82	7,643.83	7,862.26	7,422.86	8,129.74	7,626.87	7,068.01	6,556.33	6,040.54
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits,	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Overhead costs	673.90	1,755.25	1,575.34	2,470.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead C	14,319.70	23,454.90	23,248.10	25,336.61	20,056.24	21,059.05	22,112.00	23,217.60	24,378.49	25,597.41	26,877.28	28,221.14	29,632.20	31,113.81	32,669.50
5. Capital Expenditure	31,717.61	54,371.00	50,582.77	49,512.75	63,234.30	66,396.06	69,715.86	73,201.65	76,861.74	80,704.82	84,740.06	88,977.07	93,425.92	98,097.22	103,002.08
6. Amortization (principal) payments	1,154.90	400.20	965.50	629.20	12,473.11	14,580.58	14,777.97	37,393.20	53,326.62	72,214.54	85,373.98	105,859.35	125,894.76	145,863.98	165,751.18

Indicator			Actuals							Projections					
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	BASELINE SCENARIO														
Budget Balance (' + ' means surplus, ' - ' means deficit)	**14,306.06**	**-11,867.79**	**-5,988.92**	**5,630.36**	**-837.50**	**738.14**	**775.09**	**813.85**	**854.54**	**897.27**	**942.13**	**989.24**	**1,038.70**	**1,090.63**	**1,145.16**
Opening Cash and Bank Balance	**13,521.93**	**27,827.94**	**15,960.17**	**9,971.29**	**15,601.65**	**14,763.71**	**15,501.85**	**16,276.95**	**17,090.79**	**17,945.33**	**18,842.60**	**19,784.73**	**20,773.97**	**21,812.66**	**22,903.30**
Closing Cash and Bank Balance	**27,827.99**	**15,960.15**	**9,971.25**	**15,601.65**	**14,763.71**	**15,501.85**	**16,276.95**	**17,090.79**	**17,945.33**	**18,842.60**	**19,784.73**	**20,773.97**	**21,812.66**	**22,903.30**	**24,048.46**
Financing Needs and Sources (Million Naira)															
Financing Needs						**23,750.61**	**28,906.41**	**51,777.62**	**68,266.51**	**87,068.90**	**101,306.81**	**121,679.46**	**141,565.67**	**161,453.36**	**181,276.42**
i. Primary balance						-5,375.74	-5,644.52	-5,926.75	-6,223.09	-6,534.24	-6,860.95	-7,204.00	-7,564.20	-7,942.41	-8,339.53
ii. Debt service						17,636.73	22,486.80	45,037.03	61,188.88	79,637.40	93,503.73	113,486.23	132,962.77	152,420.32	171,791.72
Amortizations						14,580.58	14,777.97	37,393.20	53,326.62	72,214.54	85,373.98	105,859.35	125,894.76	145,863.98	165,751.18
Interests						3,056.14	7,708.82	7,643.83	7,862.26	7,422.86	8,129.74	7,626.87	7,068.01	6,556.33	6,040.54
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						738.14	775.09	813.85	854.54	897.27	942.13	989.24	1,038.70	1,090.63	1,145.16
Financing Sources						**23,750.61**	**28,906.41**	**51,777.62**	**68,266.51**	**87,068.90**	**101,306.81**	**121,679.46**	**141,565.67**	**161,453.36**	**181,276.42**
i. Financing Sources Other than Borrowing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii. Gross Borrowings						23,750.61	28,906.41	51,777.62	68,266.51	87,068.90	101,306.81	121,679.46	141,565.67	161,453.36	181,276.42
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						23,750.60	1,762.30	3,067.90	0.00	5,792.38	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Domestic Financing						0.00	27,144.09	48,709.74	68,266.50	81,276.52	101,306.80	121,679.50	141,565.70	161,453.40	181,276.40
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.01	0.03	-0.02	0.01	0.00	0.01	-0.04	-0.03	-0.04	0.02

Indicator	2016	2017	Actuals 2018	2019	2020	2021	2022	2023	2024	Projections 2025	2026	2027	2028	2029	2030
	BASELINE SCENARIO														
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**29,202.14**	**56,216.85**	**74,337.66**	**80,095.17**	**105,765.28**	**114,935.30**	**129,063.74**	**143,448.17**	**158,388.06**	**173,242.42**	**189,175.25**	**204,995.36**	**220,666.28**	**236,255.65**	**251,780.89**
External	15,921.43	26,274.39	32,808.22	35,235.03	40,964.90	40,553.36	39,960.42	39,011.60	37,888.39	36,765.08	35,551.52	34,306.73	32,977.35	31,565.97	30,156.09
Domestic	13,280.72	29,942.46	41,529.45	44,860.15	64,800.38	74,381.94	89,103.32	104,436.57	120,499.66	136,477.34	153,623.73	170,688.63	187,688.92	204,689.68	221,624.80
Gross borrowing (flow)						**23,750.61**	**28,906.41**	**51,777.62**	**68,266.51**	**87,068.90**	**101,306.81**	**121,679.46**	**141,565.67**	**161,453.36**	**181,276.42**
External						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Domestic						23,750.61	28,906.41	51,777.62	68,266.51	87,068.90	101,306.81	121,679.46	141,565.67	161,453.36	181,276.42
Amortizations (flow)	**1,093.28**	**340.11**	**878.58**	**406.89**	**12,404.03**	**14,580.58**	**14,777.97**	**37,393.20**	**53,326.62**	**72,214.54**	**85,373.98**	**105,859.35**	**125,894.76**	**145,863.98**	**165,751.18**
External	108.64	149.84	202.29	133.66	155.39	411.54	592.94	948.82	1,123.21	1,123.31	1,213.56	1,244.79	1,329.38	1,411.38	1,409.88
Domestic	984.64	190.28	676.29	273.23	12,248.64	14,169.04	14,185.03	36,444.38	52,203.41	71,091.23	84,160.42	104,614.56	124,565.38	144,452.60	164,341.30
Interests (flow)	**201.58**	**167.20**	**2,937.76**	**1,767.69**	**1,032.50**	**3,056.14**	**7,708.82**	**7,643.83**	**7,862.26**	**7,422.86**	**8,129.74**	**7,626.87**	**7,068.01**	**6,556.33**	**6,040.54**
External	174.45	152.89	105.12	125.73	142.23	306.99	329.73	341.10	333.52	325.94	318.36	310.78	303.20	291.83	284.25
Domestic	27.14	14.31	2,832.64	1,641.96	890.27	2,749.15	7,379.09	7,302.73	7,528.74	7,096.92	7,811.38	7,316.09	6,764.81	6,264.50	5,756.29
Net borrowing (gross borrowing minus amortizations)						**9,170.02**	**14,128.44**	**14,384.43**	**14,939.89**	**14,854.37**	**15,932.83**	**15,820.11**	**15,670.91**	**15,589.38**	**15,525.24**
External						-411.54	-592.94	-948.82	-1,123.21	-1,123.31	-1,213.56	-1,244.79	-1,329.38	-1,411.38	-1,409.88
Domestic						9,581.56	14,721.38	15,333.25	16,063.10	15,977.68	17,146.39	17,064.90	17,000.29	17,000.76	16,935.12
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	**1.01**	**1.83**	**2.15**	**1.98**	**2.41**	**2.23**	**2.26**	**2.28**	**2.31**	**2.32**	**2.32**	**2.30**	**2.27**	**2.23**	**2.17**
Debt Stock as % of Revenue (including grants and excluding	**32.93**	**55.36**	**64.75**	**69.53**	**76.34**	**89.76**	**96.00**	**101.62**	**106.86**	**111.31**	**115.76**	**119.47**	**122.48**	**124.89**	**126.76**
Debt Service as % of SGDP						**0.34**	**0.39**	**0.71**	**0.89**	**1.07**	**1.15**	**1.27**	**1.37**	**1.44**	**1.48**
Debt Service as % of Revenue (including grants and excluding other capital receipts)						**13.77**	**16.73**	**31.90**	**41.28**	**51.17**	**57.22**	**66.14**	**73.80**	**80.57**	**86.49**
Interest as % of SGDP						**0.06**	**0.14**	**0.12**	**0.11**	**0.10**	**0.10**	**0.09**	**0.07**	**0.06**	**0.05**
Interest as % of Revenue (including grants and excluding other capital receipts)						**2.39**	**5.73**	**5.41**	**5.30**	**4.77**	**4.97**	**4.44**	**3.92**	**3.47**	**3.04**
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						**18.74**	**18.74**	**18.74**	**18.74**	**18.74**	**18.74**	**18.74**	**18.74**	**18.74**	**18.74**

Indicator	2016	2017	Actuals 2018	2019	2020	2021	2022	2023	2024	Projections 2025	2026	2027	2028	2029	2030
	BASELINE SCENARIO														
Adverse Shock Scenario is defined by the worst performance indicator measured in year 2025															
For Debt Stock as % of SGDP the adverse shock is: Expenditure															
Debt Stock as % of SGDP						**2.23**	**2.51**	**2.75**	**3.01**	**3.23**	**3.43**	**3.60**	**3.74**	**3.87**	**3.98**
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue															
Debt Stock as % of Revenue (including grants and excluding other capital receipts)						**89.76**	**117.78**	**135.45**	**153.03**	**170.07**	**187.45**	**204.36**	**220.86**	**237.07**	**253.06**
For Debt Service as % of SGDP the adverse shock is: Expenditure															
Debt Service as % of SGDP						**0.34**	**0.39**	**0.73**	**0.93**	**1.12**	**1.21**	**1.51**	**1.63**	**1.71**	**1.78**
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue															
Debt Service as % of Revenue (including grants and excluding other capital receipts)						**13.77**	**18.58**	**36.30**	**47.59**	**59.47**	**67.11**	**86.68**	**96.83**	**106.03**	**114.34**
For Interest as % of SGDP the adverse shock is: Expenditure															
Interest as % of SGDP						**0.06**	**0.14**	**0.14**	**0.15**	**0.15**	**0.17**	**0.17**	**0.17**	**0.17**	**0.17**
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue															
Interest as % of Revenue (including grants and excluding other capital receipts)						**2.39**	**6.37**	**6.86**	**7.61**	**7.91**	**9.06**	**9.42**	**9.82**	**10.31**	**10.87**

Annex III. Minimum Requirements to Achieve DLI 7.2 on State DSA-DMS Report in 2021

DLR description as per DLI Matrix & Definition/Description of DLR achievement
Annual state debt sustainability analysis and medium-term debt management strategy published by end of December 2021 States publish an annual State Debt Sustainability Analysis and Debt Management Strategy Report (SDSA-DMSR) by December 31, 2021. The SDSA-DMSR must include the following: (1) medium-term budget forecasts; (2) detailed description of the debt portfolio and borrowing options; including a summary analysis of the projections of performance indicators used to assess Debt Management Strategy, and their implications for cost-risk profile of State debt portfolio in 2025; and (3) analysis of the debt and fiscal figures in the preceding calendar year. The SDSA-DMSR must be published on a state official website. See below for the detailed definition of the **minimum requirements** of the SDSA-DMSR for Year 2021.
The SDSA-DMSR 2021 must include: **For *(1) medium-term budget (MTB) forecasts*, the SDSA-DMSR 2021 must contain:** **1.1 Presentation of MTB forecasts in either a table OR chart(s) (OR both table and chart(s)) with projected annual figures from 2021 to 2024 for all of the following variables:** - Revenues: Total Revenues, FAAC, Derivation (if applicable), IGR, Capital Receipts, and Grants. - Expenditures: Total Expenditures, Personnel Costs, Overhead Costs, Interest Payments, Capital Expenditures, and Amortization Payments. - Budget Balance. **AND** **1.2 Description of assumptions underpinning the MTB forecasts from 2021 to 2024: either a table with assumptions OR corresponding explanations in writing (OR both) for all of the following variables:** - Revenues: Total Revenues, FAAC, Derivation (if applicable), IGR, Capital Receipts, and Grants. - Expenditures: Total Expenditures, Personnel Costs, Overhead Costs, Interest Payments, Capital Expenditures, and Amortization Payments. - Budget Balance. **AND** **1.3 A summary analysis of MTB forecasts and their implications for fiscal and debt policies throughout the period 2021-2024: analysis (in writing) of whether and how the MTB forecasts inform the prospective fiscal and debt policies to be adopted at least in 2021** (for example, a commentary on whether fiscal adjustments should be adopted to preserve debt sustainability, or whether there is sufficient fiscal space to adopt expansionary policies or support public investment). **AND** **1.4 The presentation and analysis in the entire forecast period need to be of adequate quality, and do not contain:**

i) negative figures for revenue, expenditure or debt variables (budget balance can be negative);
ii) contradictory or illogical statements or arguments (for example, the written text contains wrong assertions such as 'sustainability is strengthened when the fiscal indicators deteriorate');
iii) inconsistencies between the written assessment and the data, assumptions and projections presented in the document (for example, the written text refers to figures and projections significantly different from those reported in the tables and charts).

For *(2) detailed description of the debt portfolio and borrowing options,* the SDSA-DMSR 2021 must contain:

2.1 Presentation of debt and borrowing projections in the baseline scenario: either a table OR charts (OR both) with projected figures from 2021 to 2030 for all of the following variables:
- Debt Stock.
- Debt as % of Revenues.
- Debt Services as % of Revenues.
- Borrowings (requirements and/or sources).
- Debt stock as % of State GDP, *ONLY for states for which the official State GDP figures have been published by the National Bureau of statistics. Other states, can do this on an optional basis.*

AND

2.2 Description of assumptions underpinning the borrowing options presented: either a table with assumptions OR corresponding explanations in writing (OR both) for all of the following variables:
- Borrowing Sources (for example, external and domestic borrowings).
- Financing Terms (for example, maturity, interest rates, currency).

AND

2.3 A summary analysis of the debt projections and their implications for debt sustainability and fiscal policies throughout the period 2021-2030: analysis (in writing) of:
(i) whether debt projections and thresholds suggest the State debt is sustainable (or not) over the medium- to long-term; AND
(ii) what fiscal policies can help preserve (or restore) debt sustainability (for example, a commentary—based on comparisons between debt projections and thresholds in the baseline scenario and shock scenarios—on (a) whether the State debt is sustainable (or not), and (b) what fiscal and debt policies should be adopted to preserve (or restore) debt sustainability).

AND

2.4 A summary analysis of the projections of performance indicators used to assess DMS throughout the period 2021-2025, and their implications for cost-risk profile of State debt portfolio in 2025. The analysis (in writing) should describe:
(i) whether DMS-related performance indicators suggest the State debt is affordable and resilient to shocks (or not) over the medium-term, and
(ii) what debt-management policies can help preserve (or restore) an adequate balance between cost of carrying debt and the exposure to risks. For example, a commentary—based on comparisons between projections of DMS-related performance indicators in the baseline scenario and most-

adverse shock scenarios—on (i) whether the cost-risk profile of the State debt under the reference strategy is acceptable (or not), and (ii) what debt-management policies should be adopted to mitigate the cost and risk of the State debt portfolio.

AND

2.5 The presentation and analysis in the entire forecast period need to be of adequate quality, and not contain:

(i) negative figures for debt and borrowing projections;

(ii) contradictory or illogical statements or arguments (for example, the written text contains wrong assertions such as 'sustainability is strengthened when the debt indicators deteriorate');

(iii) inconsistencies between the written assessment and the data, assumptions and projections presented in the document (for example, the written text refers to figures and projections significantly different from those reported in the tables and charts).

For *(3) analysis of the debt and fiscal annual figures in the preceding calendar year,* the SDSA-DMSR 2021 must contain:

3.1 Presentation of revenue, expenditure, budget balance, and debt information, at least for 2020: either a table OR charts (OR both table and chart(s)) with historical figures for at least 2020 (but can extend to years preceding 2020) all of for the following variables:

- Revenues: Total Revenues, FAAC, Derivation (if applicable), IGR, Capital Receipts, and Grants.
- Expenditures: Total Expenditures, Personnel Costs, Overhead Costs, Interest Payments, Capital Expenditures, and Amortization Payments.
- Budget Balance.
- Debt Stock.
- Debt as % of Revenues.

AND

3.2 A summary analysis of the information presented on revenue, expenditure, budget balance, and debt in 2020: analysis (in writing) of fiscal and debt situation in 2020 (for example, a commentary on budget and debt outcomes and economic trends, what may have affected them).

AND

3.3 A summary analysis (in writing) of the consistency between:

i) the fiscal and debt information for 2020 presented in the SDSAR 2021 and;

ii) the fiscal and debt information presented in the 2020 Financial Statement and the 2020 Q4 State Debt Report.

AND

3.4 The presentation and analysis in the entire historical period need to be of adequate quality, and not contain:

i) negative values for revenue, expenditure, debt service or debt stock figures;

ii) contradictory or illogical statements or arguments (for example, the written text contains wrong assertions such as 'sustainability is strengthened when the debt indicators deteriorate');

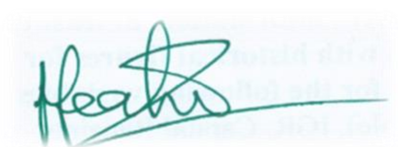
iii) inconsistencies between the written assessment and the data, assumptions and projections presented in the document (for example, the written text refers to figures significantly different from those reported in the tables and charts).

Data Sources

- **State Ministry of Finance** for: (1) the quarterly SDDR (submitted to the DMO and acknowledgements); (2) the 2020 SDSAR; and (3) the 2021 SDSA-DMSR.
- **State official website(s)** for the published 2020 SDSAR and 2021 SDSA-DMSR.
- **State Debt Management Departments (DMDs**) for additional information (if requested by the IVA).
- **(Federal) Debt Management Office (DMO)** for: (1) the guidelines and templates provided by DMO for the SDDR, the SDSAR, and the SDSA-DMSR; (2) the standard internal protocols used by DMO for reviewing and approving SDDR, assessing the SDSAR and assessing the SDSA-DMSR; (3) the State Domestic and External Debt Report (SDEDR) and supporting documentation (format and content detailed in DLI 9 for each state; (4) DMO's assessment of the SDSAR; and (5) DMO's assessment of the SDSA-DMSR.

Anambra State DSA Technical Team

S/N	NAME	MDA
1.	Obiora Obiabunmo	SSA to the Governor/State SFTAS Focal Person (PforR)
2.	Dennis Muomaife	State SFTAS Focal Person (TA)
3.	Joachim Acho	Budget Department, Ministry of Economic Planning Budget and Development Partners
4.	Francis Chibuko	Office of the State Accountant General
5.	Chibuzo Nwabue	Anambra State Internal Revenue Service
6.	Lotana Okoye	Debt Management Department



…………………………

Hon. Ifeatu Onejeme
Commissioner of Finance,
Anambra State.
30/12/2021