



GOVERNMENT OF IMO STATE, NIGERIA

2023

IMO STATE

DEBT SUSTAINABILITY ANALYSIS

AND

DEBT MANAGEMENT STRATEGY

(DSA-DMS)

REPORT

(FOURTH EDITION)

DEBT MANAGEMENT OFFICE

MINISTRY OF FINANCE

(3rd Floor), Block 4 State Secretariat Complex,

Port Harcourt Road, Owerri,

Imo State, Nigeria.

Website: www.imostate.gov.ng



TABLE OF CONTENTS

FOREWORD..... 1

CHAPTER ONE..... 4

INTRODUCTION..... 4

 1.0 Introduction..... 4

 1.1 Background..... 5

 1.2 Summary of Findings..... 6

 1.3 Overall Results..... 7

CHAPTER TWO.....9

IMO STATE FISCAL AND DEBT FRAMEWORK..... 9

 2.1 Fiscal Reforms in the Last 3 to 5 years..... 9

 2.2 2024-2026 Medium-Term Expenditure Framework (MTEF), 2023 Appropriation Act (Budget) and 2022 Budget Performance..... 11

CHAPTER THREE.....16

THE STATE REVENUE, EXPENDITURE AND PUBLIC DEBT TRENDS (2018 – 2022).....16

 3.0 Introduction..... 16

 3.1 Revenue and Expenditure Performance, and Fiscal Outturns, 2018-2022..... 16

 3.2 Imo State Public Debt Portfolio, 2018-2022..... 20

CHAPTER FOUR..... 24

CONCEPT OF DEBT SUSTAINABILITY, ASSUMPTIONS, RESULTS ANALYSIS AND FINDINGS..... 24

 4.0 Introduction - Concept of Debt Sustainability..... 24

 4.1 Medium-Term Budget Forecast..... 24

 4.2 Borrowing Assumptions (Under the Reference or Baseline Strategy)..... 26

 4.3 DSA Simulation Results and Findings..... 28

 4.4 DSA Sensitivity Analysis (Shock Analysis)..... 32

CHAPTER FIVE..... 36

DEBT MANAGEMENT STRATEGY..... 36

 5.0 Introduction - Concept of Debt Management Strategy..... 36

 5.1 Alternative Borrowing Options (Alternative Strategies (S2, S3 & S4)..... 36

 5.2 DMS Simulation Results and Findings..... 38

 5.2.1 Debt Stock/Revenue..... 38

 5.2.2 Debt Service/Revenue..... 39

 5.2.3 Interest/Revenue..... 40

 5.2.4 DMS Assessment..... 41

LIST OF OTHER CHARTS..... 44

LIST OF ANNEXURES..... 47

IMO STATE DSA TECHNICAL TEAM..... 54

TECHNICAL ADVISERS..... 54



Protocol

GOOD WILL MESSAGE ON THE INAUGURATION OF THE IMO STATE SMALL CLAIMS COURT

Today marks a new dawn, and a new beginning in the administration of Justice in Imo State; how will the people have access to justice if its instrumentality is not accessible and affordable. Undoubtedly, this inauguration sets in motion a movement towards giving voice to the voiceless; speech to the speechless, and indeed it's a judicial empowerment for the common man.

Obviously, nobody will say, I can't seek redress in court because of costs, or I do not have anyone to speak for me. Everybody is empowered today by reason of this inauguration to speak for himself. No more delays; the days of technicalities are over; unnecessary adjournment is not part of the Practice Direction of Small Claims Court. Everyone is encouraged to take advantage of the opportunities granted by this new arrangement to further the course of his life, improve his standard of living and make society a worthy place to live in.

I advise the operators of the system to ensure the vision for the setting up the Small Claims Court is not truncated, rather you should put in your best and drive the wheel of justice to the satisfaction of litigants and other critical stakeholders.

The Small Claims Court initiative is a product of State Action on Business Enabling Reform, SABER; a program of Presidential Enabling Business Environment Council (PEBEC). PEBEC is a committee in the Office of the Vice President of Nigeria, saddled with the responsibility of achieving ease of doing business in the 36 states of the country and FCT. Small Claims Court is a reform initiated by PEBEC for achieving Quick determination of commercial disputes, which is an activity under Disbursement Linked Indicator eight (DLI 8). Consequently, all claimants that have liquidated monetary demand in a sum not exceeding N5,000,000.00 (Five Million Naira), excluding interest and costs that maybe awarded by the Court, should approach the Small Claims Court for quick resolution.



I sincerely express my heart of gratitude to **His Excellency, Dist Sen. Hope Uzodimma**, the **Executive Governor of Imo State** for creating an enabling environment for the citizens of this state to pursue their life ambitions in all segments of life in the State and beyond. Your Excellency, your support towards realizing the ideals of State Action on Business Enabling Reform in Imo State is commendable. Thanks a lot for holding the flag of transparency high in Imo State.

My appreciation also goes to the **Chief Judge of Imo State** for working round the clock to ensure the actualization of this project.

Kudos to the Imo State Judicial Committee on Small-Claims Court for a wonderful job well done.

Merry Christmas and a Happy New Year in advance.

nathanchuckuemeka

Chuck O.N. Chuckuemeka, MBA, CPA, FCA, CGMA, FMC, FIMC
Commissioner for Finance & Coordinating Economy
State Coordinator, SABER
18/12/23

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The State called Imo derives its name from the Imo River, which takes its course from the Okigwe/Akwa upland lying within latitudes 40.45'N and longitude 50.50'E and 70.25'E. The State was among the seven states created by the Federal Military Government on February 3rd, 1976; but before then was part of the old East Central State, now described as the South-Eastern region of the country. It occupies the area between the lower River Niger and the upper and middle Imo River; and is strategically located in the "heart" of the nine Igbo-speaking eastern states. Imo is bordered on the East by Abia State, on the West by the River Niger and Delta State, and on the North by Anambra State, while Rivers State lies to the South.

Imo State covers an area landmass of 5,289 Square km with a population of over 4.9 million people, which currently grows at an annual rate of 4.1%, and with a population density of 1,400 people per square km. Obviously, "The Eastern Heartland of Hope", as it is popularly called, prides itself in the vibrancy of its highly intelligent, educated and industrious manpower; in addition to the fertile but serene environment and safe ground for investments, especially in agriculture, agro-allied ventures, ICT, tourism and hospitality, and manufacturing.

The Imo State economy is highly dependent on agricultural production, especially the production of cassava which the by-products serve as staple food and industrial raw materials. Palm oil is another agricultural produce, which majority of her citizens rely on for cooking. The extraction of crude oil and natural gas is also a key industry, especially in Imo north and west.

The State currently has 27 Local Government Areas with three major urban centers or zones, namely; Owerri, Orlu and Okigwe. The State Capital – Owerri is popularly referred to as "The Entertainment Hub of the East" or "The Home of Hospitality" where tourism, entertainment and hospitality flourish.

Although before now, the State's economic outlook presented a dominant public service and agricultural sector picture. However, the Government is already changing the narratives and positively transforming the State from a predominantly public sector-driven economy to a more robust private sector-driven; as carefully planned by the **Shared Prosperity Administration**



under its Macro-Economic Blueprint anchored on its **"3-R" Strategic Initiatives** of *"RECONSTRUCTION, REHABILITATION AND RECOVERY"*. The ongoing infrastructural development revitalization and other laudable policies in the State bear magnificent witness to this fact, which aims at the ease of doing business and to prosper the lives of the citizens in the long run.

However, Imo like every other state in the country is at present confronted with the reality of servicing and sustaining its debt portfolio which has over the years grown owing to the huge need for infrastructural and human capacity developments resulting from loans (Internal and External) often taken by the government in achieving these developmental strides when funds are not readily available. Obtaining this financing gap or borrowing and its subsequent effective management, going forward, therefore, gave rise to this Debt Sustainability Analysis (DSA) and Debt Management Strategy (DMS) formulation in order to ensure that the government borrowing structure is at its lowest possible cost and least risk with its ability to meet all current and future payment obligations without exceptional financial assistance or going into default.

The essentiality of this 2023 Debt Sustainability Analysis and Debt Management Strategy (DSA-DMS) report, being the Fourth Edition, is therefore aimed at evaluating critical developments in the State's Historical Fiscal activities from 2018–2022, with a view to ascertaining its capacity to discharge its debts obligations as they fall due (liquidity) in the medium to long term (2023-2032) relative to vital variables especially Revenue; while an attempt is equally made to guide against over-borrowing(solvency) with the cautious deployment of prudent developmental and borrowing plans that the government intends to implement over the medium to long terms in order to achieve the desired composition of its debt portfolio (financing-gap), in addition to evaluating the cost-risk tradeoffs associated with different strategies.

1.1 Background

While on one hand the Debt Sustainability Analysis (DSA) is designed to highlight and analyze trends and patterns in the State's public finance during the historical period of 2018-2022 and evaluates the debt sustainability during the medium to long term of 2023-2032 with related policies recently adopted by the State, including a debt sustainability assessment conducted, scenarios and sensitivity analysis in order to properly evaluate the prospective performance of the State's public finance.

The main objective of the Debt Management Strategy (DMS) on the other hand is to ensure that the State Government's financing needs are well structured and payment obligations are met at the



lowest possible cost over the medium to long term, consistent with a prudent degree of risk that is within acceptable tolerances; especially as modern risk management has become an important tool for achieving strategic debt targets in the world of business and governance today. Thus, Four Debt Management Strategies have been formulated, and the analysis thereof calculates the costs of carrying public debt and measures the inherent risks associated with macro-economic and fiscal shocks using the updated tool-kit (**DSA-DMS Template**) developed by the Debt Management Office, Abuja-Nigeria in partnership with the World Bank.

The data used in this analysis were derived, among others, from the Financial Statements published by the Office of the Accountant General of the State; the State 2023 Appropriation Act; MTEF (2024-2026), and Macro-economic inputs from the Ministry of Budget and Economic Planning; Revenue reports from Imo State Internal Revenue Service; Debt Stock Reports of the Debt Management Office; and the Revenue projections from 2024 to 2032 from Debt Management Office and World Bank.

The State's Total Public Debt which stood at N180.66 billion in 2020 came down to N171.30 in 2021, before rising to a peak of N472.94billion in 2023. This is expected to steadily grow in both the medium and long run from N694.04 billion in 2025 to N1, 509.37billion at the end of December 2032 though. The Total Public Debt as a share of Revenue was 133% in 2018 before rising to 226% in 2019. It later declined to 211% in 2020 and further to an expected lowest point of 165% in 2021. From 2023 to 2029 though, increase is expected from 203% to 404% and taken a downward plunge to 398%, 385% and 364% in 2030, 2031 and 2032 respectively. As per the State's repayment capacity in terms of Debt Service to Revenue, it was only within its benchmark of 40% from 2018 to 2023; although with very highly risky figures of over 30% from 2024 to 2032.

This risky but positive Debt Service position and the subsequent improvement in the Public Debt Stock to Revenue ratio as stated above, are however only attainable given the State's continuous strong stand on effective cost of governance in terms of its recurrent expenditures, efficient integrated personnel information system via the linkage of the BVN and Imo State Social Benefit Number (IMSSBN) of staff, creation and efficient mobilization of IGR sources with automated process, blockage of revenues leakages, technologically driven and effectively monitored Treasury Single Account.

Others include the employment and training of more revenue officers in order to increase tax revenue collection, implementation of a self-help tax assessment electronic platform - Electronic

Payment, Filing System, and Registration; the revamping and diversification of the economy with the 3-Rs mantra, improved procurement practices for increased transparency and value for money; effective and efficient cash management system; and most importantly, *continuous ample provision for Debt Service in the Budget in order to hedge out unsustainability.*

1.2 Summary of Findings

Revenue and Expenditure data were analyzed to determine how sustainable the State debts are. Emphasis was drawn from Internally Generated Revenue, Federal transfers, and Grants to extrapolate for the solvency of the State in the long run, and just as the personnel cost, overhead cost, and other expenditure components were considered also in reaching the empirical conclusions.

- The Total Revenue (FAAC, IGR and Grants) received within this period (2018–2022) was N468.72 billion, and the Total Expenditure incurred was N632.31 billion with a deficit balance of N163.59billion.
- The peak of the Expenditure was in 2022 when Debt Service was N50.08 billion thereby accounting for 22.53% of the Total Expenditure of N222.31 billion, and Capital Expenditure was the highest at N86.38 billion which accounted for 38.85% of the Total Expenditure.
- The Total Revenue expected for the forecast period (2023–2032) is N2.710 trillion with an expected Total Expenditure of N4.668 trillion, amounting to a deficit balance of N1.958 trillion. This deficit is expected to majorly occur in 2023 wherein the expected Total Revenue (without Debt-Creating Borrowings) is N212.90 billion as against Total Expenditure of N499.52 billion. The reason for this deficit in 2023 is not far-fetched as the State Government is expected to review and implement a new Minimum wage and make provision for both human and infrastructural development capital projects, in addition to the expected conduct of the Imo State gubernatorial election.

1.3 Overall Results

Total Public Debt increased significantly in the projection years, portraying the State's repayment capacity relative to the public debt position surpassing the threshold of 200% in the year 2023 to 2032 from 203% to 364% respectively. Debt-to-SGDP, on the other hand, was below the threshold of 25% for both historical and projection periods; while Debt Service-to-Revenue projections were below the threshold of 40%, yet considerably too high and close to the threshold (especially from the year 2024 to 2032), thereby signifying danger. Personnel Cost-to-Revenue was also below the



threshold of 60% in the entire duration; just as the Fiscal Outturns showed stability in the long term aside from the deficits in 2022 and 2023 of the Overall Balance as a share of S-GDP.

The above empirical Baseline Scenario findings thus show that the State's Public Debt Ratios (Stock and Service) demonstrate a positive position from 2018 to 2023, which are significantly below the thresholds; however 2024 to 2032 results significantly altered our conclusion on the perceived moderate sustainability in the medium and long term. A further critical examination of the impact of the different shock scenarios (as shown in Chart 28), shows that the State's sustainability was threatened in the medium term right from the year 2024 as the Debt Stock to Revenue Ratio threshold under the Revenue and Expenditure shocks were significantly exceeded at 384% and 348% respectively and beyond 300% from 2024 for both.

From the foregoing, therefore, it suffices to conclude that the State will NOT be able to preserve the sustainability of its debt in the medium term and on the risk of unsustainability in the long term if continuous and significant efforts in revenues growth and revamps are not initiated as a matter of urgency; future borrowings are not curtailed and the present borrowings are not deployed to revenue generating ventures or projects with returns.

Notably, although transfers from the FAAC remain the major source of revenue to Imo, the present administration no doubt is consciously changing the narratives as IGR is now positively trending since 2020 with its increase from N18.81 billion to N26.83 billion in 2021. This recent development in the last three years was due to the pragmatic efforts being put in place to reverse the past trend where IGR was left unattended with untapped revenue sources and proliferated leakages.

Treasury Single Account (TSA) has also become sacrosanct in the system with automated revenue collection structure vigorously being pursued in collaboration with **Inter-switch Ltd.** Meanwhile, expansion and inclusion of revenue heads such as Land Use Charge and many more, hitherto not captured in the State's budget but very germane for the development of the State are equally being tracked to improve the sustainability of the State; in addition to the shrewd aggregate expenditure control policy, especially with the Personnel and Overhead Costs; and a robust debt management strategy.

CHAPTER TWO

IMO STATE FISCAL AND DEBT FRAMEWORK

2.1 Fiscal Reforms in the Last 3 to 5 years

Imo State Government in the last couple of years has been introducing and implementing a series of fiscal reforms and policies that have positively impacted the fiscal and debt paths of the State, with measurable growth in the Internally Generated Revenue (IGR) and expenditure efficiency while embracing transparency and accountability, especially under the current Administration. Some National Laws too such as the Petroleum Industry Act (PIA) and the Minimum Wage among others have taken turns in affecting the State's fiscal variables of expenditures and revenues.

- i. **The IPSAS Revenue Code:** The State recently became compliant with the implementation of the International Public Sector Accounting Standards (IPSAS) Revenue Code in order to streamline its Revenue Heads, boost revenue collection, prevent revenue payment evasion, and ensure accountability of revenues and conformity to best global practices. This feat no doubt made the Financial Statements for the year 2021 a complimentary standard and admiration among its peers and other states.
- ii. **The Petroleum Industry Act (PIA):** The newly accented PIA by President Muhammadu Buhari and its implementation expectedly has generally affected the Federal Allocations to states including Imo from 2021. The Law is meant to encourage more private sector investment and participation in the Oil sector for better proficiency, transparency and competitiveness among others to bring in more revenue.
- iii. **The Fiscal Responsibility Act:** The Law was to provide for the prudent management of the State's resources, ensure long-term macro-economic stability of the State's economy, and secure greater accountability and transparency in fiscal operations within a Medium Term Fiscal Policy Framework and for the establishment of the Fiscal Responsibility Commission to ensure the promotion and enforcement of the State's economic objectives. This was enacted in 2016 as Law No. 3.
- iv. **The Debt Management Law:** This Law was accented to in June 2021 and became fully domesticated in the State even though there existed before now an incomprehensive Imo State Debt Securities Issuance Law of 2016. With the advent of this new Law, the Debt Management Office of the State is fully birthed and

subsequently empowered to manage on behalf of the Government its Internal and External debts; in addition to the management, conduct and implementation of any debt issuance programme of the Imo State Government for the financing of its capital budget or public investment projects and commitments, and the restructuring of any existing debt. The Imo State Arrears Clearance Framework was equally promulgated.

- v. **The Audit Law:** To ensure and guarantee transparency and accountability in the use of public funds and other public properties, Audit Law No. 5 of 2021 (amended) was enacted for the establishment of the Audit Service Board, and the subsequent empowerment and independence of the Offices of the Auditor Generals (State and Local Government).
- vi. **The Tax Law Reform On PIT:** Furtherance to blocking Revenue leakages via tax assessment, collection, recovery and accounting, the Imo State Internal Revenue Service (IIRS) was solely empowered by the Revenue Administration Law No. 23 (2019) and the recent Circular on Prohibition of Personal Income Tax (PIT) and other taxes/revenue by any consultant/agent or body other than the IIRS to ensure transparency and accountability. This is expected to positively impact revenue generation.
- vii. **Automatic promotion for Civil/Public Servants :** The Government has uplifted the morale of Imo State's Civil Service by granting automatic promotion to all Civil/Public servants who are qualified for promotion in 2023 . This will enhance productivity and by extension , the general administration of the Public Service .
- viii. **The Civil Service and Pension System Reforms:** Among other reforms introduced by the State Government is the Biometric and BVN capturing of Workers and Pensioners. The exercise was undertaken to give credence to the monthly salary and pension payments. Today, every eligible civil servant and pensioner is known with a verifiable **Imo State Social Benefit Number (IMSSBN)** which has greatly curtailed the issue of ghost workers and pensioners in the State, thereby preventing fund leakages and freeing more funds for other developmental purposes.
- ix. **The Minimum Wage Increase:** Having successfully truncated salary and pension fraud by ensuring e-salary and pension payment with verifiable **BVN** via the **IMSSBN**, the State Government has equally implemented the new **N30,000.00 Minimum Wage** with the least junior civil servant going home with at least N30,000.00 as allowed

by the Labour Law. This is expected to increase the Total Expenditure at the end though.

- x. **The National Health Insurance Scheme:** The Health Agency was elevated to the Ministerial level to enable Public Servants and other citizens of the State enroll into the National Health Insurance Programme.
- xi. **Establishment of Imo State Geographical Information System (IGIS):** The Office was created to provide general land services and administration such as Land Management, Registrar Services, Enforcement, and Land acquisition on behalf of the State for revenue generation purposes.
- xii. **Creation of E-procurement Platform:** The State government's further amendment to the 2020 Procurement Act was the creation of an e-procurement platform for transparency and ease of securing contracts from the government.
- xiii. **Skill-Up Imo Digital Scheme:** The State Government created the Ministry of Digital Economy and E-Government to enhance the economy of the State .The Ministry is organized the training of 100,000 youths on different skills of ICT. Another training of 300,000 youths on new innovative and self-employment skills that will equip them to be productive and self-reliant.

Other Fiscal reforms undertaken and mentioned in the preceding 2020 and 2021 reports which include the Procurement Act, the Treasury Single Account (TSA) , the Cash Management Strategy and the Land Use Charge Administration Law 2020 are obviously still having continuous direct impacts on the fiscal efficiency of the State.

2.2 2024-2026 Medium-Term Expenditure Framework (MTEF), 2023 Appropriation Act (Budget) and 2022 Budget Performance

- i. **2024-2026 Medium-Term Expenditure Framework:** The MTEF provides a tool for multi-year fiscal planning and budget formulation process aimed at enabling the State Government to set fiscal targets and efficiently allocate scarce resources or public funds to strategic priorities for efficient and effective results or programmes. The key elements of the MTEF are the Macro-economic Framework (MEF), Fiscal Strategy Paper (FSP), Budget Policy Statement (BPS), Consolidated Debt Statement (CDS) and the Economic Fiscal Update (EFU).

1. **The MEF** sets out the macro-economic projections for the next three financial years based on several different sources of information such as the National Inflation, Real GDP growth, Oil Production, Oil Price Benchmark, CBN official exchange rate, the mineral ratio that reflects the percentage of the crude oil sales that get to the federation account, the State GDP and of course the recovery plans after the COVID-19 experience.
2. **The FSP** considers the overall policy of government along the State Developmental Plan of **"RECONSTRUCTION, REHABILITATION AND RECOVERY"** with the following key criteria: investment in education, healthcare, social welfare, security of lives and properties, good governance, rebuilding and expanding of decaying infrastructures, promotion of agriculture and food security; as well as its Cash Management Strategy and Procurement Act.
3. **The BPS** states the policy goals that will guide the Government's budget decisions in aggregate revenue and expenditure, and how the budget accords with the government's short-term intentions going forward. To achieve its vision the current administration will focus on five areas namely Economic Development, Agriculture, Social Welfare, Security and justice, and Governance. Consequently, financial resources will be strictly dedicated to meeting the objectives outlined in the State Developmental Plan.
4. **The CDS** describes the fiscal significance of the debt liability of the State Government and measures to reduce any such liability with the principles of responsible fiscal management; and more so with the passage of the Debt Management Law.
5. **The EFU** is a mid-year report that provides revised economic forecast for government next fiscal year .Further, it provides information on the current and projected financial position of government general sector .It is aimed primarily at policy makers and decision takers in government .It also provides an assessment platform for budget performance (both historical and current).

The MTEF 2024-2026 macro-economic assumptions as postulated by the State Ministry of Budget, Economic Planning and Statistics and the Budget Office of the Federation are shown in the table below, using key parameters as well as other macro-economic

projections driving the Medium-Term Revenue and Expenditure Framework in accordance with the Federal Government template.

The current Crude Oil market price sits at over \$73.96, however as projected and approved by the Federal Government of Nigeria, Crude Oil prices would lessen gradually from an average of \$96.57 to \$65, \$65 and \$65 per barrel in 2023, 2024, 2025 and 2026 respectively, which also matched the benchmarks the State has adopted.

Table 2.1: Macro-Economic Assumptions of 2022 and 2023 Imo State Budgets and 2024-2026 MTEF Assumptions

S/N	INDICATORS	2022 BUDGET	2023 MTEF	2024 MTEF	2025 MTEF	2026 MTEF
1	Oil Price (US \$/b)	57	97	73.96	73.76	69.90
2	Oil Production (mbpd)	1.88	1.1	1.78	1.80	1.81
3	NGN-USD Exchange Rate	N379.00	N435.57	N700.00.	N665.61.	N669.79.
4	Inflation	14.23%	16.86%	21.40%	20.30%	18.60%
5	GDP Growth (real)	3.00%	3.75%	3.76%	4.22%	4.70%
6	State GDP Growth Rate	4.2%	3.58%	3%	3%	3%
7	State Nominal GDP (N 'billion)	6,443.11	9,570.98	10,995.91	12,233.53	13,611.34

Source: FG MTEF 2024-2026 and WBG

While the National Gross Domestic Product (GDP) at 3% in 2022 is projected to rise to 3.75% in 2023, grow to 3.76% in 2024, increase to 4.22% in 2024, and a peak of 4.70% in 2026; the State's Nominal GDP was N6, 443.11billion in 2022 and projected to rise to N9,570.98billion, N10,995.91billion, N12,233.53billion and N13,611.34billion in 2023, 2024, 2025 and 2026 respectively. This report is based on the exchange rate of N435.56 to US \$1 from the national Medium-Term Expenditure Framework (MTEF) which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities.

- ii. **2023 Appropriation Act (Budget):**The 2023 Fiscal Year Budget called ***Budget of Wealth Expansion*** was signed into law on 22nd December 2022 and is based on the above macro-economic assumptions (as shown in Table 2.1 above).An aggregate Sum of N474,466,276,267.00 was appropriated by the Imo State House of Assembly with a Recurrent Expenditure of N100,904,085,430.00 representing 21.27% while the Capital Expenditure is N373,562,190,831.00 representing 78.73% of the Total Budget Estimate.

This is further broken down in Table 2.2 below in terms of its Expected Revenue and Expenditure heads. While the Total Revenue is made up of 32.48% Recurrent Revenue and

67.52% of Capital Receipts, the Total Expenditure comprises 21.27% of Recurrent Expenditure and 78.73% of Capital Expenditure.

Further deduced from the Table, the 2023 Budget policies favour an aggressive revenue drive both internally and externally, as the target for the IGR is pegged at N83,481,199,152.00 representing 54.18% of the Expected Recurrent Revenue, while FAAC accounts for the balance of the Recurrent Revenue of N70,605,663,451.55. The expectation is obviously high for IGR, compared to 2022 which had N63, 158,291,155.00 as security challenges previously faced in the South-East are being consciously and systematically curbed.

Table 2.2: The Description of 2023 Budget (Revenue & Expenditure Sources)

S/N	DESCRIPTION	AMOUNT IN NAIRA (N)	%
A	RECURRENT REVENUE:	154,086,862,604.00	32.48%
1	IGR	83,481,199,152.45	
2	Gross Statutory (FAAC)	35,014,489,617.65	
3	VAT	15,774,358,033.37	
4	13% Derivation	11,683,583,906.84	
5	Other FAAC Transfers	8,133,231,893.69	
B	CAPITAL RECEIPTS:	320,379,413,663.00	67.52%
1	Aids and Grants	58,813,402,969.00	
2	CDF (Domestic Loans/ borrowings Receipt)	261,566,010,694.00	
	TOTAL REVENUE:	474,466,276,267.00	100
C	RECURRENT EXPENDITURE:	100,904,085,430.00	21.27%
1	Personnel Cost (Including Pension & Gratuity)	24,790,153,211.61	
2	Overhead Cost	74,073,107,520.39	
3	Public Debt Service (Prin. + Int.)	2,040,824,698.00	
D	CAPITAL EXPENDITURE:	373,562,190,837.00	78.73%
1	Administration Services Sector	129,668,414,767.00	
2	Economic Sector	204,028,843,362.00	
3	Law and Justice Sector	2,885,731,912.00	
4	Social Services Sector	36,979,200,796.00	
	TOTAL EXPENDITURE:	474,466,276,267.00	100

Source: Imo State 2023 Appropriation Act

The State also hopes to access funds from Aids and Grants to the tune of N58, 813,402,969.00 and N261, 566,010,694.00 from Internal Loans in order to co-finance this Budget, as well spelt out below in Table 2.3.

Table 2.3: 2023 Budget Capital Receipts Composition

S/N	DESCRIPTION	AMOUNT IN NAIRA (₦)	%
1	Main envelop - budgetary allocation	98,902,905,.00	30.87%
2	Capital development fund	23,603,800,000.00	7.37%
3	European Union	127,000,000,000.00	39.64%
4	Int. Bank for Reconstruction & Development (IBRD)	2,976,464,779.00	0.93%
5	United Nations Children's Fund (UNICEF)	12,404,305,454.00	3.87%
6	United States Agency for International Development (USAID)	2,310,000,000.00	0.72%
7	Donation by State Governments	698,388,097.00	0.22%
8	Donations by Fed. Government owned companies	52,483,550,093.00	16.38%
	TOTAL CAPITAL RECEIPTS:	320,379,413,663.00	100

Source: Imo State 2023 Appropriation Act

Massive roads construction to be actualized with the above Capital Receipts includes Owerri-Mbaise, Mbaise-Umuahia, Owerri-Orlu, Owerri-Okigwe, and Owerri-Aba. Other infrastructural projects include the dredging and beautification of Nworie Beach for recreational purposes and the completion of the underground flood drainage/control systems within the Owerri Metropolis. The Capital Expenditures provisions as captured in the Budget are shown in Table 2.4 below.

Table 2.4: 2023 Budget Capital Expenditure Composition

S/N	DESCRIPTION	AMOUNT IN NAIRA (₦)	%
1	Purchase of Fixed Assets	16,087,947,966.00	4.31%
2	Construction / provision of Fixed Assets	234,164,992,923.00	62.68%
3	Rehabilitation / repairs of Fixed Assets	63,766,717,920.00	17.07%
4	Acquisition of non-tangible Assets	59,542,532,028.00	15.94%
	TOTAL CAPITAL EXPENDITURE	373,562,190,837.00	100

Source: Imo State 2023 Appropriation Act

- iii. **2022 Budget Performance Assessment:** The “**2022 Shared Wealth Prosperity Budget of Wealth Creation 2**” was pegged at N381,462,947,677.00, which comprised N96,746,349,775.00 Recurrent Expenditure and N284,716,597,902.00 Capital Expenditure, including an expected Recurrent Revenue of N142,855,407,203.00 with a Capital Receipts of N238,607,540,474.00 as shown in Table 2.3 below.

Evaluating the 2022 Budget performance, the Recurrent Revenue of N106,350,591,687.02 was realized representing 26.46% of its budget, even though the target of its IGR was not met by 73.54%. The Capital Receipt on the other hand was N117,403,481,631.31



representing 49.% of its budget, with Aids and Grants accounting for N5,808,697,350.00 while Borrowings (Internal and External) accounted for N111,594,784,281.31.

The Expenditure segment, on the other hand, has an actual Recurrent Expenditure of N101,802,974,685.35 representing 105.23% of its budgeted of N96,746,349,775.00. The Capital Expenditure's actual performance was N86,380,129.981.95 as against its budget provision of N284,716 597,902.00, thereby depicting a performance of 30.34%. The general global economic downturn was a major setback in achieving the expectation in this regard.

From Table 2.5 below, the Actual Performance shows a positive Cash Balance of N1,445,068,651.23 which when added to the Opening Balance of N31,887,059,426.91 presents a Closing Balance of N33,332,128,078.14; and this represents a decreasing performance compared to the previous year . The State wishes to maintain a yearly Minimum Cash and Bank Balance of N2 billion in the projections from 2023 before taking on any Borrowing Plan.

Table 2.5: The 2022 Budget and Its Performance Assessment

S/N	DESCRIPTION	2022 BUDGET (₦)	2022 ACTUAL (₦)	VARIATION (₦)	DEGREE OF PERF. (%)
A	RECURRENT REVENUE:	142,855,407,203.00	106,350,591,687.02	36,504,815,516	26.46
1	IGR	63,158,291,155.00	16,711,346,111.18	46,446,945,043.82	
2	Gross Statutory (FAAC)	37,928,242,046.00	39,469,921,987.86	-1,541,679,941.86	
3	VAT	21,195,059,109.00	26,631,254,393.83	-5,436,195,284.83	
4	13% Derivation	11,316,346,243.00	17,906,795,598.41	-6,590,449,355.41	
5	Other FAAC Transfers	9,257,468,650.00	5,631,273,595.94	3,626,195,054.06	
B	CAPITAL RECEIPTS:	238,607,540,474.00	117,403,481,631.31	121,204,058,843	49.20
1	Aids and Grants	214,106,654,391.00	5,808,697,350.00	156,019,650,891.00	
2	CDF (Domestic Loans/ borrowings Receipt)	24,500,886,083.00	111,594,784,281.31	-87,093,898,198.31	
	TOTAL REVENUE:	381,462,947,677.00	223,754,073,318.53	157,708,874,359	58.66
C	RECURRENT EXPENDITURE:	96,746,349,775.00	101,802,974,685.35	5,056,624,910.35	105.23
1	Personnel (Incl. Pens. & Grat.)	41,224,292,509.14	38,963,920,150.53	2,260,372,358.61	
2	Overhead Cost	46,336,057,265.86	46,881,608,944.93	-545,551,679.	
3	Public Debt Service	9,186,000,000.00	15,957,445,589.89	-6,771,445,589.89	
D	CAPITAL EXPENDITURE:	284,716,597,902.00	86,380,129,981.95	198,336,467,920	30.34
1	Administration Services Sector	61,021,343,753.00	10,253,289,688.49	50,768,054,064.51	
2	Economic Sector	150,220,462,049.00	68,493,992,407.48	81,726,469,641.52	
3	Law and Justice Sector	6,428,292,100.00	1,555,809,777.49	4,872,482,322.51	
4	Social Services Sector	67,046,500,000.00	6,077,038,108.49	60,969,461,891.51	
E	LOAN REPAYMENT:	0.00	34,125,900,000.00	34,125,900,000.0	
	TOTAL EXPENDITURE:	381,462,947,677.00	124,629,967,141.86	256,832,980,535	32.67
	CASH BALANCE:				
	NET CASH: (TR-TE)		1,445,068,651.23		
	OPENING BALANCE		31,887,059,426.91		
	CLOSING BALANCE:		33,332,128,078.14		

Source: Imo State 2022 Appropriation Act and 2022 Financial Statements

CHAPTER THREE

THE STATE REVENUE, EXPENDITURE AND PUBLIC DEBT TRENDS (2018 – 2022)

3.0 Introduction

Significantly examined here are the State's historical performances under the different categories of Revenue, Expenditure, Overall and Primary Balance, including Public Debt Portfolio from 2018 to the year 2022.

3.1 Revenue and Expenditure Performance, and Fiscal Outturns, 2018-2022

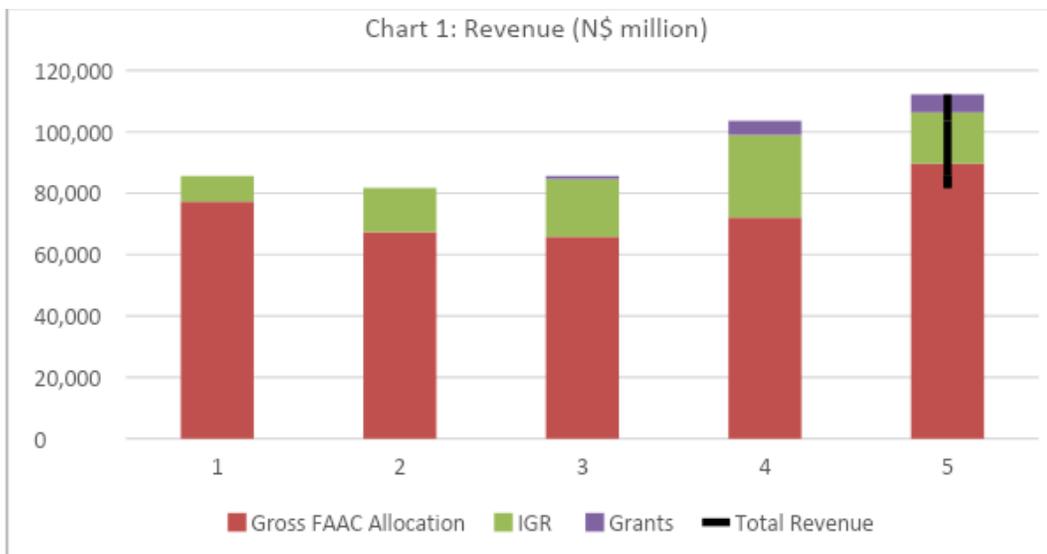
i. **Aggregate Total Revenue trend in the last five years and its composition in 2022:**

The State's Aggregate Revenue, which is a composition of FAAC, IGR and Grants (excluding Proceeds from Debt Creating Receipts and other Non-Debt Creating Receipts), grew reasonably within the period under review from its approximated N85.606 billion in 2018 to N113.209 billion in 2022 at a growth rate of about 75.62%; and this owing majorly to the Gross FAAC transfer and the IGR that contributed 80.21% and 14.64% respectively, as depicted in Table 3.1 and Chart 1 below.

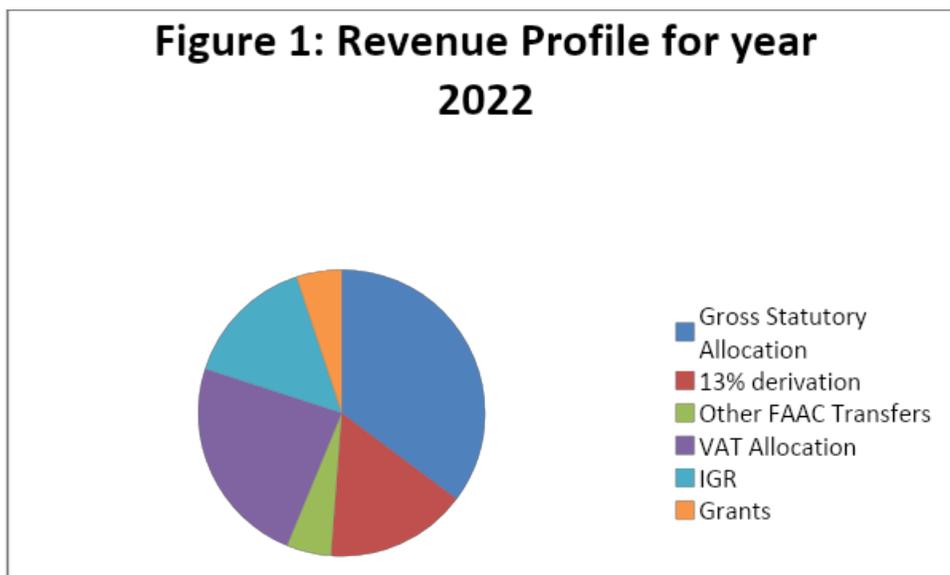
Table 3.1: Aggregate Total Revenue Trend in the last Five Years

S/N	REVENUE COMPOSITION	AMOUNT IN NAIRA (in Millions)					(2022) REV. COMP. AS % OF TOTAL REVENUE
		2018	2019	2020	2021	2022	
1	Gross Statutory Allocation	44,210	42,812	35,747	36,837	39,470	34.86%
2	13% Derivation	6,000	9,307	8,738	9,985	17,907	15.82%
3	Other FAAC Transfers	15,132	2,201	6,300	3,644	6,631	5.86%
4	VAT Allocation	11,998	13,036	15,550	21,644	26,681	23.57%
	Gross FAAC Transfers	77,339	67,356	65,829	72,109	89,639	80.21%
5	IGR	8,267	14,386	18,805	26,832	16,711	14.64%
6	Grants	0.00	0.00	1,000.00	4,638	5,809	5.13%
	TOTAL REVENUE	85,606	81,742	85,634	103,579	113,209	

Source: State's Financial Statements



Source: State’s Financial Statements



Source: State’s Financial Statements

From Figure 1 above, the Total Revenue composition in the year 2022 has Gross Statutory Allocation accounting for 34.86%, Derivation 15.82%, Other FAAC Transfers provided 5.86%, VAT 23.57%, while IGR produced 14.64% and Grants delivered 5.13%.

- ii. **Gross FAAC Transfers trend in the last five years:** As shown in Table 3.1 and Chart 1 above, Transfers from FAAC in 2018 stood at N77.34billion and then decreased to N67.36billion in 2019 before taking another downturn of about 2.27% to N65.83 billion in 2020. This drop in 2020 was due to the decline in Crude Oil prices in the International market and the obvious impact of COVID-19 as most businesses, companies, and global

economies were shut for a period close to a year. Security challenges across the country equally aided Revenue to dwindle in 2020.

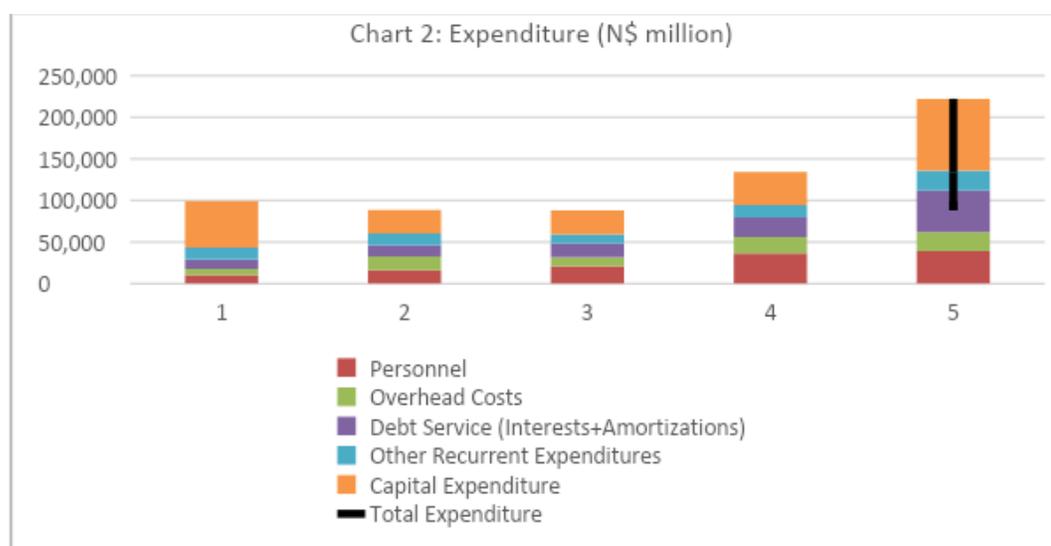
However, Gross FAAC Transfers rose to N72.11 billion in 2021 and N89.64 billion with Crude oil prices increasing even as COVID-19 vaccination rates increased, loosening pandemic-related restrictions, and a growing economy resulted in global petroleum demand rising faster than petroleum supply.

- iii. Internally Generated Revenue (IGR) trend in the last five years:** The IGR of the State was N8.26 billion for the year ended 2018 before an increase of 74.12% in 2019 to the value of N14.39. The scenario maintained an upward trend since 2020 from N18.81 billion to N26.83 billion in 2020 and 2021 respectively. The sharp increase in 2020 and 2021 was due to the introduction of Treasury Single Accounts, blockages of revenue leakages, recovery of some outstanding PAYEs from Federal Institutions in the State, a further impact of revenue drive, and economy-impacting policies. However, there was a sharp decline of 37.72% to the tune of N16.71 billion. This was caused by the security challenges forcing to stay at home on Mondays, therefore reducing productivity.
- iv. Grants trend in the last five years:** The grants received were in 2020, 2021 and 2022 to the tune of N1 billion, N4.64 billion and N5.81 billion respectively. These last three amounts came as a result of the different efforts of the State Government (in terms of transparency and accountability) by ensuring that the State embraces all activities of the Federal Government and Foreign Donor Agencies that will attract investments and free monies to improve the economy of the State. Some of these programmes include SFTAS (P4Rs), NG-CARES, CSDP and many more.
- v. Aggregate Expenditure trend in the last five years and its composition in 2022:** The State's Total Expenditure represents the composition of the following costs - Personnel, Overhead, Debt Service (Interests plus Amortizations), Other Recurrent Expenditures and Capital Expenditure. As shown in Table 3.2 and Chart 2 below, the Aggregate sum which stood at N99.02. billion in 2018 before the downward trends of N88.81 billion and N88.03 billion in 2019 and 2020 respectively, and then an increase to N134.15 billion and N222.31 billion in 2021 and 2022 respectively . While the major influence in the period under review is Capital Expenditure, the year 2022 had a close-range competition among two major expenditure components of Capital Expenditure and Debt Service with each gulping N86.38 billion (38.85%) and N50.08 billion (22.53%) respectively of the Total Expenditure.

Table 3.2: Aggregate Expenditure Trend in the last Five Years

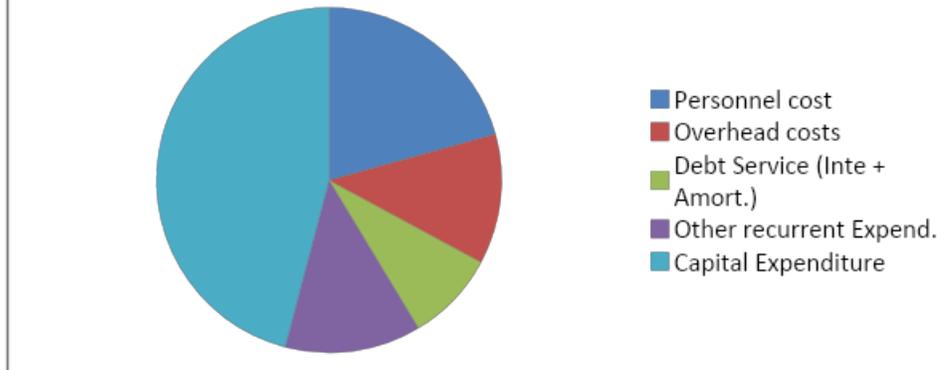
S/N	EXPENDITURE COMPOSITION	AMOUNT IN NAIRA (in Millions)					(2022) EXP. COMP. AS % OF TOT. EXP.
		2018	2019	2020	2021	2022	
1	Personnel Cost	10,231	16,453	21,167	36,439	38,964	17.53%
2	Overhead Costs	7,667	16,384	10,372	19,728	22,888	10.30%
3	Debt Service (Inte. + Amort.)	11,214	13,016	16,325	23,564	50,083	22.53%
4	Other Recurrent Expend.	14,289	14,291	11,598	14,432	23,994	10.79%
	Total Recurrent Expenditure	43,401	60,144	59,462	94,163	135,929	61.15%
5	Capital Expenditure	55,615	28,669	28,565	39,982	86,380	38.85%
	TOTAL EXPENDITURE	99,016	88,813	88,027	134,145	222,309	

Source: State's Financial Statements



Source: State's Financial Statements

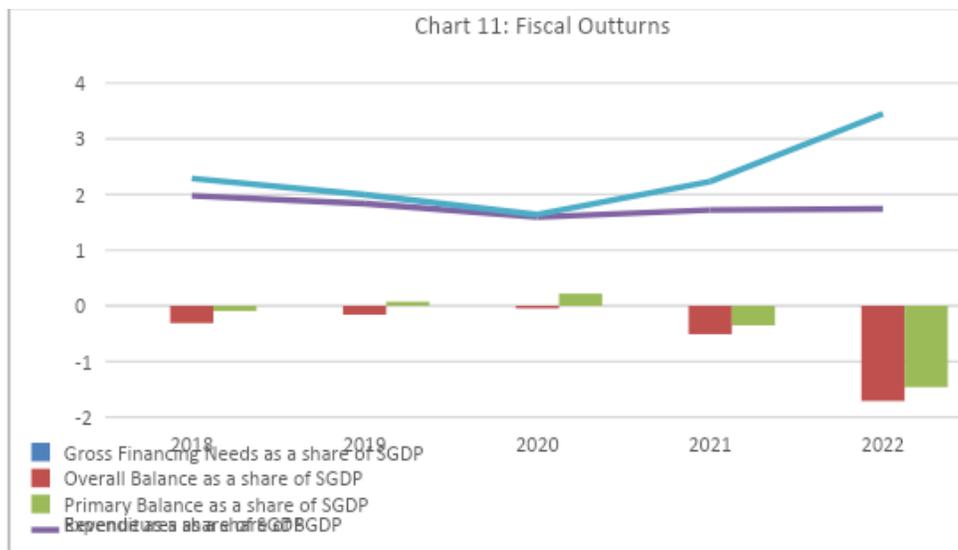
Figure 2: Expenditure Profile for year 2022



Source: State's Financial Statements

Summarily, the Expenditure composition for 2022 as shown in Figure 2 above portrays Personnel Cost gulped 17%, Overhead 10%, Debt Service accounted for 23%, while Other Recurrent Expenditure took 11% and Capital Expenditure 39%.

- vi. Main Expenditure Variations in the last five years by economic classification:** The variations among the components of the Total Expenditure - Personnel Cost, Overhead Cost, Other Recurrent Expenditure, Capital Expenditure and Debt Service occurred at diverse amounts under the reviewed periods; as each had its lowest and highest points in different years. But the most to have shown variation by value is the Overhead Cost which had N7.67 billion as the lowest figure in 2018, only to rise by about 298% to N22.89 billion in 2022. Other sharp variations are the Capital Expenditure which showed an increase of 146.28% from N39.98 billion in 2021 to N86.38 billion in 2022 and the Debt Service which went upwards from N11,214 in 2018 to N50.083 representing an increase of 122.39%.
- vii. Overall and primary balance trend in the last five years:** The Overall balance as a share of SGDP was zero (0) during this review period of 2018 to 2020, showing the consistency of FAAC Revenues to the State. The Primary fiscal balance has followed the same trend as the Overall Balance from 2018 to 2021. Revenue as a percentage of State GDP remained constant at 2% throughout the period under review, Expenditure as a percentage of State GDP stayed at 2% from 2018 to 2022 but increased to 3% in 2023 and 5% in 2024 respectively. This was due to the adjustment of expenditures and the upturn of FAAC revenues.



Source: State's Financial Statements

3.2 Imo State Public Debt Portfolio, 2018-2022

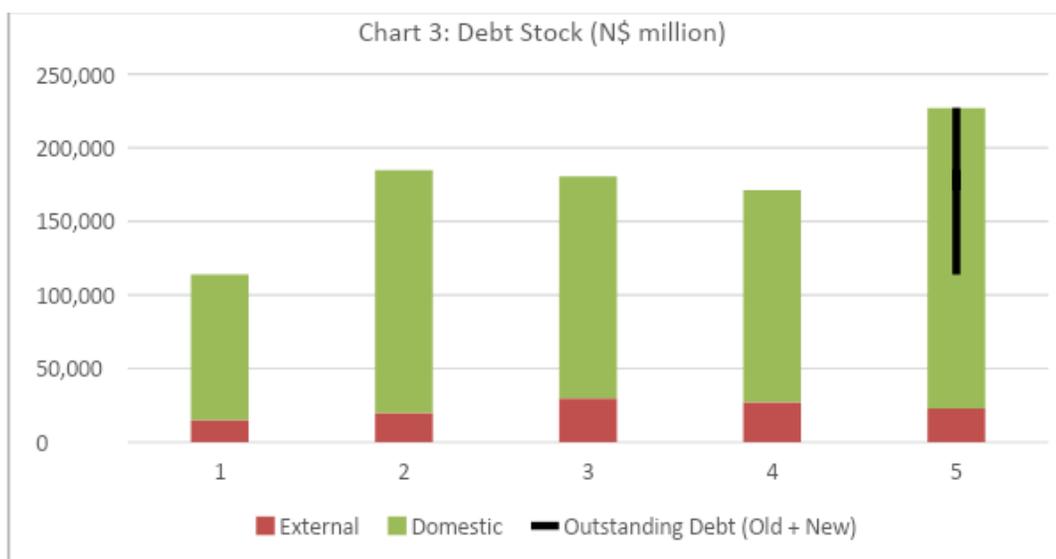
The State Public Debt includes explicit financial commitments (Internal and External) such as loans and securities or bonds that have paper contracts necessitating the Government promises to repay (ISPO); the contractors' obligations, pension and gratuity, and salary arrears inclusive.

- i. **Public Debt Stock Amount or its shares on Total Revenue at end-2022 and its growth in the last five years:** The State public debt stood at N113.87 billion as of 2018, rose to N184.88 billion in 2019 before coming down to N171.30 billion in 2021 and rising again to N227.14 billion in 2022. The percentage of Total Public Debt-to-Revenue was 133% in 2018 and rose significantly to 226% by 2019 before a downward drift to 101% by 2022. Budget Support Facility in 2018, including the massive surge in Contractors' Arrears, Pension and Gratuity Arrears, and CBN (MSMED Loans) acknowledgment in 2019 coupled with new External Loans and Dollar to Naira Exchange rate better explain the increase in 2018 and 2019. The securing of the Health Intervention Fund and the Differentiated Cash Reserve Ratio (DCRR) as well as more External Loans, such as the AFD-RAMP Loan of N8,882,691,816.40, for rural roads construction and other infrastructural development in 2020 and 2021 further explicate the significant surge of the Public Debt Stock at the end of 2020 going into 2021, despite the depletion in the Domestic Loans as shown in Table 3.3 and Chart 3 below.

Table 3.3: Imo Public Debt Stock Amount and share of Revenue (2018 –2022)

S/N	DEBT CATEGORY	AMOUNT IN NAIRA (in Millions)				
		2018	2019	2020	2021	2022
	Outstanding Debt (Old + New)	113,873	184,878	180,659	171,301	227,143
A	Domestic	98,782	165,032	150,959	144,047	204,224
B	External	15,091	19,846	29,700	27,254	22,919
	Total Revenue	85,606	81,742	85,634	103,579	223,754
	Debt as % of Revenue	133%	226%	211%	165%	101%

Source: State’s Financial Statements and Debt Profile



Source

Source: State’s Debt Profile

- ii. **The existing Public Debt Portfolio Composition at end-2022:** The Debt Portfolio of the State principally consists of External/Foreign and Internal/Domestic Loans. As at December 2022, the External Debt Stock made up of loans from IDA, AfDF, IFAD and EDF account for 10.09% of the Total Public Debt Profile; while the Domestic Loans comprising Budget Support, Salary Bailout, Restructured Commercial Bank (FGN Bond), Excess Crude Account, CBN-MSMED Fund, Healthcare Intervention Fund, Bridge Finance, Differentiated Cash Reserve Requirement (DCRR), Contractors’ Arrears, Salary Arrears, and Pension and Gratuity Arrears accounts for 89.91%.

From Figure 3 shown below, DCRR of 25% accounts for the largest chunk of the Domestic Debt Stock, followed by Contractors’ Arrears of 19%, and then Restructured Comm. Banks Loan of 16%, Salary Bailout Facility of 11%, Bridge Finance of 9%, Budget Support Facility



of 8%, Pension & Gratuity Arrears of 7%, Excess Crude Loan of 4%, CBN-Healthcare Fund of 1%, CBN-MSMEDF and Salary Arrears taking less than 1%.

The External on the other hand and as shown in Figure 4, consists of 86% of IDA, 9% of EDF, 4% of AfDB and 1% of IFAD.

Table 3.4: Imo State Public Debt Portfolio Composition As At December 2022

S/N	DEBT CATEGORY	AMOUNT (N)	%
A	DOMESTIC DEBTS:		
1	SALARY BAILOUT(FIDELITY BANK)	5,653,840,782.46	
	SALARY BAILOUT(ZENITH BANK)	17,339,369,720.51	
2	BUDGET SUPPORT FUND	17,294,629,247.69	
3	RESTRUCTURED COMM. BANKS LOANS	32,314,718,164.72	
4	EXCESS CRUDE LOAN	8,775,875,476.83	
5	CBN MSME DEVELOPMENT FUND	349,055,753.77	
6	CBN HEALTHCARE INTERVENTION FUND	1,781,738,914.49	
7	BRIDGE FINANCING	18,225,336,103.89	
8	CBN DIFFERENTIATED RESERVE RATIO (DCRR) LOANS	50,967,369,792.23	
9	CONTRACTUAL ARREARS	37,676,721,000.00	
10	PENSION & GRATUITY ARREARS	13,795,593,584.41	
11	SALARY ARREARS	50,043,183.62	
	Sub-total	204,224,291,725.13	89.91%
B	EXTERNAL DEBTS:		
1	INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)	19,733,741,278.33	
2	EUROPEAN DEVELOPMENT FUND (EDF)	1,966,341,578.17	
3	INTERNATIONAL FUND FOR AGRICULTURAL DEV. (IFAD)	306,034,763.44	
4	AFRICAN DEVELOPMENT BANK (AfDB)	912,395,936.72	
	Sub-total	22,918,513,556.66	10.09%
	GRAND TOTAL (A+B)	227,142,805,281.79	

Source: State's Debt Profile and Financial Statement

Domestic Debt Profile as at Dec 2022

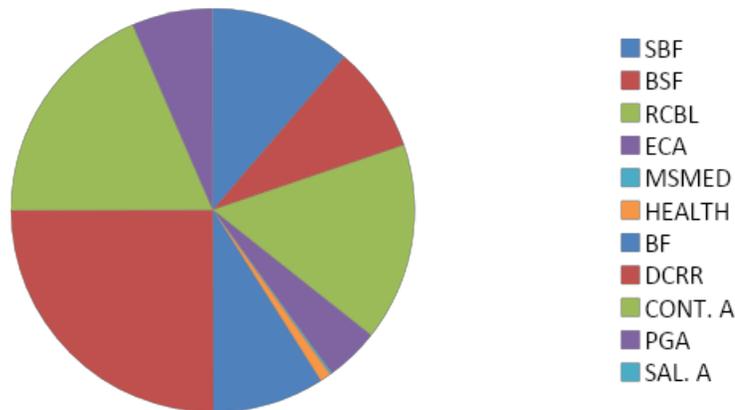
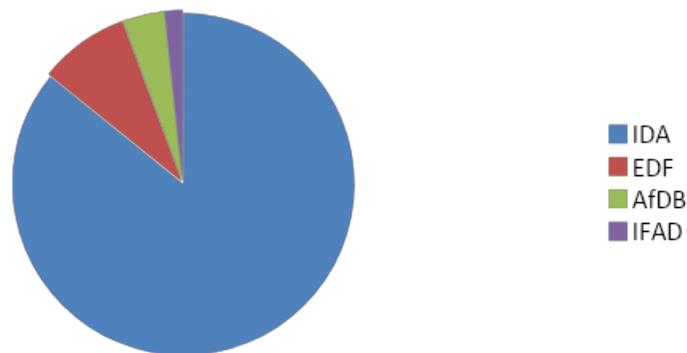


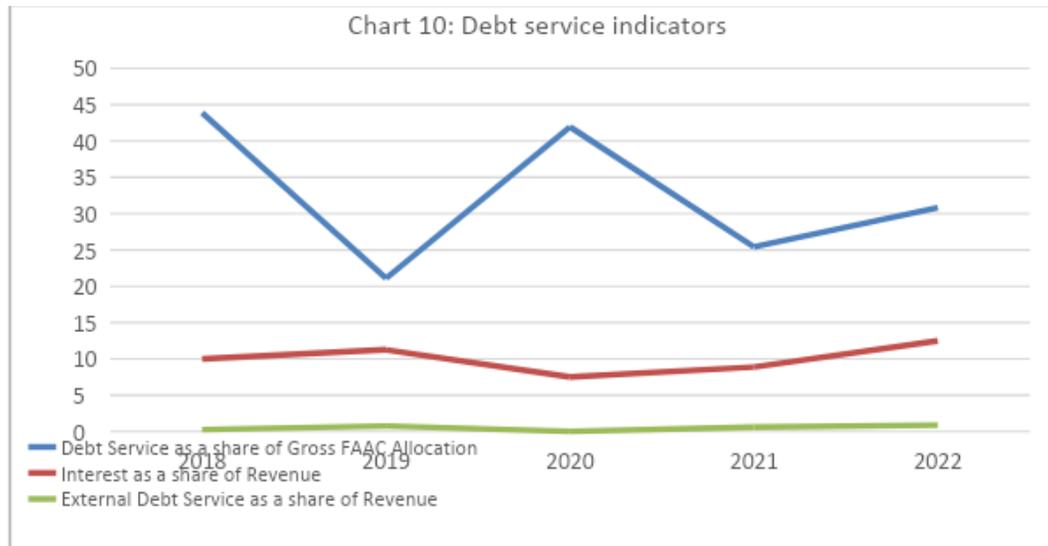
Figure 4: External Debt Profile as at Dec 2022



iii. **Cost and Risks Exposure of the existing Public Debt Portfolio at end-2022:** The Debt Portfolio has an average inherent interest rate of 12% in 2022, a 31% Debt Service as a share of Gross FAAC Allocation and 1% External Debt Service as a share of Revenue. 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 were only 10.12% of the total stock. More so, most of these Internal and External Loans are fixed-rate obligations, thus not affected by changes in interest rates. Rollover risk associated with potential deterioration of domestic financial



conditions is also highly negligible as these loans have maturities running from 10 to 40 years and as they are either secured from the Federal Government or multilateral organizations.



Source: State's Debt Profile

CHAPTER FOUR

CONCEPT OF DEBT SUSTAINABILITY, ASSUMPTIONS, RESULTS ANALYSIS AND FINDINGS

4.0 Introduction - Concept of Debt Sustainability

Debt sustainability, which is a forward-looking concept, simply refers to the ability of the government to honour its future financial obligations. In other words, it 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. This connotes that fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could in the long run cause the government to take action to address the unwanted consequences of a heavy debt burden.

Therefore to assess the State's Debt Sustainability, the following debt burden or performance indicators computed include: Solvency Thresholds for the fiscal block (combined external and domestic debt), which is the Present Value (PV) of Total Public Debt-to-GDP ratio set at 25% for states, PV of Total Public Debt-to-Revenue ratio set at 200%; Liquidity Thresholds for the PV of the Debt Service-to-Revenue ratio also set at 40% and "Personnel Cost-to-Revenue (set at 60% threshold).

In addition, other indicators without thresholds analyzed in this chapter include Debt Service as a percentage of Gross FAAC Allocation, Interest as a percentage of Revenue, and External Debt Service as a percentage of Revenue. These indicators are further buttressed later in this chapter.

4.1 Medium-Term Budget Forecast

The FGN 2024-2026 MTEF has been prepared against the backdrop of continuing global and domestic challenges in the aftermath of COVID-19; considering the following impacting factors:

- The ongoing Russia and Ukraine war that has assumed a new dimension with severe implications on food and energy prices;
- The resurgence of COVID-19 in some major economies, which has led to a slowdown in economic activities in those countries;
- Renewed elevated inflation in most countries, prompting monetary tightening in these economies with the inherent negative impact on capital inflow to emerging markets economies like Nigeria;

- Challenging domestic macroeconomic and business environment;
- The impact of the removal of the fuel subsidy, as the CBN has predicted a renewed pressure in the foreign exchange market and the accompanied naira depreciation; and
- The negative impact of insecurity on the domestic economy.

Drawing from the above, the State’s Medium-Term Debt sustainability is predicated upon a gradual recovery of the Nigerian economy after its recovery from recession for the fifth consecutive quarter, growing by 3.11% in real terms in Q1 2022. FAAC statutory allocation is expected to increase going forward, even as the Nigerian economy is expected to gradually recover in the period 2024-2026, with real GDP expanding at an average annual rate of 4.27% and domestic inflation averaging 20.10%. And with such a moderate recovery that will be supported by high oil prices in global markets, an increase in domestic production, economic diversification, prudent fiscal policy, oil and gas revenue, as well as shared resources such as customs duties and VAT that would then rub off on the State’s revenue from the Federal Government. The assumptions underlying the 2024-2026 Medium—Term Expenditure Framework indicate that economic growth rate over the next three years would be higher than the modest rate recorded since the end of the recession in 2020. Accordingly, economic growth is projected to increase to 3.76%, 4.22% and 4.78% in 2024, 2025 and 2026 respectively .

The table below presents the State’s Macro-Economic projections for the 2023-2025 Medium-Term Expenditure Framework on a yearly basis.

Table 4.1: Macro-Economic Assumptions for 2024 - 2026 MTEF

S/N	INDICATORS	2024 MTEF	2025 MTEF	2026 MTEF
1	Oil Price (US \$/b)	73.96	73.76	69.90
2	Oil Production (mbpd)	1.78	1.80	1.81
3	NGN-USD Exchange Rate	N700.00	N665.61	N669.79
4	Inflation	21.40%	20.30%	18.60%
5	GDP Growth (real)	3.76%	4.22%	4.70%
6	State GDP Growth Rate	3.00%	3.00%	3.00%
7	State Nominal GDP (N 'billion)	10,955.91	12,233.53	13,611.34

Source: FGN 2023-2025 MTEF and State’s Forecast

The State’s Debt sustainability analysis is predicated on the continuation of recent efforts to mobilize local revenue by expanding revenue sources, blocking all revenues leakages and automation of revenue collection, ensuring highly technologically driven Treasury Single Account for effective monitoring, employment and training of more revenue officers in order to increase tax

revenue collection, a self-help tax assessment electronic platform - Electronic Payment and Filing System (e-Services) to cover e-Payments, e-Filing, e-Registration. Others include the diversification of the economy and youths’ empowerment programmes in Micro-Small-Medium Enterprises; 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 ample provision for Debt Service in the Budget in order to hedge out unsustainability.

These various reforms presently adopted by the State Government to strengthen resources provided by IGR are expected to continue in the next years and thereby expected to lead to effective and efficient economic performance. On the premises of the above highlighted points, the Medium-Term Budget Forecast is made to aid the State in its projections. The table below therefore shows the forecasts for the relevant components of the Medium-Term Budget.

Table 4.2: Medium-Term Budget Forecast for 2024–2026

S/N	DESCRIPTION	2024 (₦)	2025 (₦)	20256 (₦)
A	RECURRENT REVENUE:	169,347,000,000	195,156,200,000.00	221,513,700,000.00
1	IGR	19,218,000,000	20,563,300,000	21,591,500,000
2	Gross Statutory (FAAC)	93,563,500,000	96,081,300,000	105,689,400,000
3	VAT	35,224,900,000	58,137,000,000	72,985,300,000
4	13% Derivation	13,782,400,000	12,741,000,000	13,537,300,000
5	Other FAAC Transfers	7,558,200,000	7,633,600,000	7,710,200,000
B	CAPITAL RECEIPTS:	6,950,000,000.00	3,950,000,000.00	3,950,000,000.00
1	Aids and Grants	3,000,000,000	0.00	0.00
2	CDF (Domestic Loans/ borrowings Receipt)	3,950,000,000	3,950,000,000	3,950,000,000
	TOTAL REVENUE:	176,297,000,000.00	199,106,200,000.00	225,463,700,000.00
C	RECURRENT EXPENDITURE:	114,784,190,000.00	119,431,290,000.00	122,632,964,000.00
1	Personnel Cost (Incl. Pen. & Grat.)	41,328,400,000	42,994,200,000	44,035,500,000
2	Overhead Cost (Including Covid-19)	55,376,000,000	57,453,310,000	58,664,500,000
3	Public Debt Service (Int. Payment)	18,079,790,000	18,983,780,000	19,932,964,000
D	CAPITAL EXPENDITURE:	117,073,200,000.00	125,268,350,000.00	134,307,600,000.00
E	LOAN REPAYMENT:	34,100,600,000.00	34,100,600,000.00	34,100,600,000.00
	TOTAL EXPENDITURE:	265,957,990,000.00	278,800,240,000.00	291,041,164,000.00
	BUDGET BALANCE (-/+):	-89,660,990,000.00	-79,694,040,000.00	-65,577,464,000.00

Source: State’s Forecast

4.2 Borrowing Assumptions (Under the Reference or Baseline Strategy)



Imo’s Total Public Debt Stock is slightly higher than the State’s Revenue, causing an increasing need for more funds to sustain the economic recovery and address the huge infrastructural deficits in the State in order to continue to attract investments and foster the intending human capital development.

From Table 4.2 above, the Budget Balances in the Medium-Term are -N89,660,990,000.00, -N79,694,040,000.00 and -N65,577,464,000.00 in the year 2024, 2025 and 2026 respectively. All borrowings are to be financed with new Planned Borrowings Assumptions expected to be in accordance with the Fiscal Responsibility Act, Debt Management Strategy and Medium-Term Expenditure Framework (MTEF) of the State and in conformity with the National as they all aim at restructuring the Debt Portfolio Mix for Domestic and External debts (at 65:35) minimal; including attaining a higher Long-term Tenured Debt relative to the Short-term in the Domestic Debt Portfolio Mix (that is an improved Bond Market activities); and with an encouraging External Concessional and Bilateral borrowings of not more than 3%.

Table 4.3: Borrowing Terms of New Debt from 2023 onwards

BORROWING CATEGORY	NEW BORROWING TERMS		
	Interest Rate	Maturity (Years)	Grace Period
NEW DOMESTIC BORROWING			
Commercial Bank Loans - Short term	23.00%	5	0
Commercial Bank Loans - Long term	20.00%	15	1
State Bonds - Short term	18.50%	5	0
State Bonds - Long term	18.50%	10	1
Other Domestic Financing	18.50%	15	1
NEW EXTERNAL BORROWING			
External Financing - Concessional Loans	1.00%	35	7
External Financing - Bilateral Loans	2.00%	20	5
Other External Financing	5.00%	20	5

Source: State’s Forecast

Domestically, loans will be sourced from commercial banks as well as State Bonds and other Domestic financing sources as appropriate in order to mitigate interest risk and insolvency. The same applies to External financing whereby loans will be obtained from Multi-lateral agencies such as World Bank, IMF, and ADB; Bilateral loans to be sourced from foreign governments such as France, China, USA, UK, etc, for capital developments or projects bearing in mind the Exchange Rate risk.

However, the priority of the State’s new borrowings shall be on Long-term Bonds in order to encourage the development of the Domestic Debt market and the general reduction of overall Debt

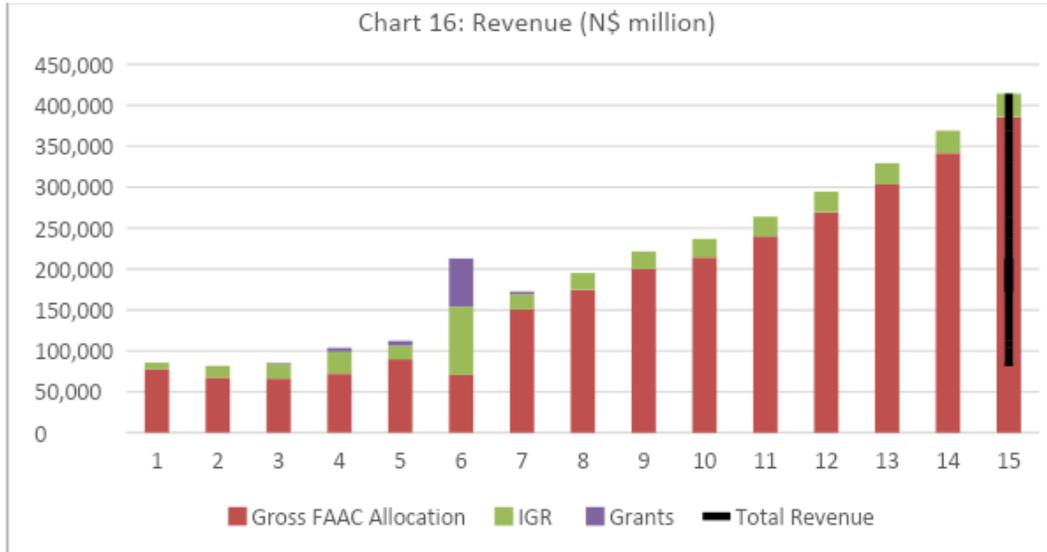
Servicing costs to the State. This shall be followed by Short-term Bonds despite having Commercial Bank Loans as the easiest to come by but for the inherent high-interest rates.

The Bonds sources (short and long) will include the two options of 5 years and 10 years maturities available therein at Interest Rates of 18.50% and grace periods of 0 and 1 year respectively. While other domestic financing sources from Pension Fund Administrators and so on could also be taken at an interest rate of 18.500%, maturity of 15 years and grace period of 1 year. Commercial Banks' borrowings, on the other hand, are expected at Interest Rates of 23% and 20%, grace periods of 0 and 1 year, and maturities of 5 and 15 years for short and long terms respectively. Short-term Commercial Banks borrowings are however maintained at an amount not greater than N1billion within any year.

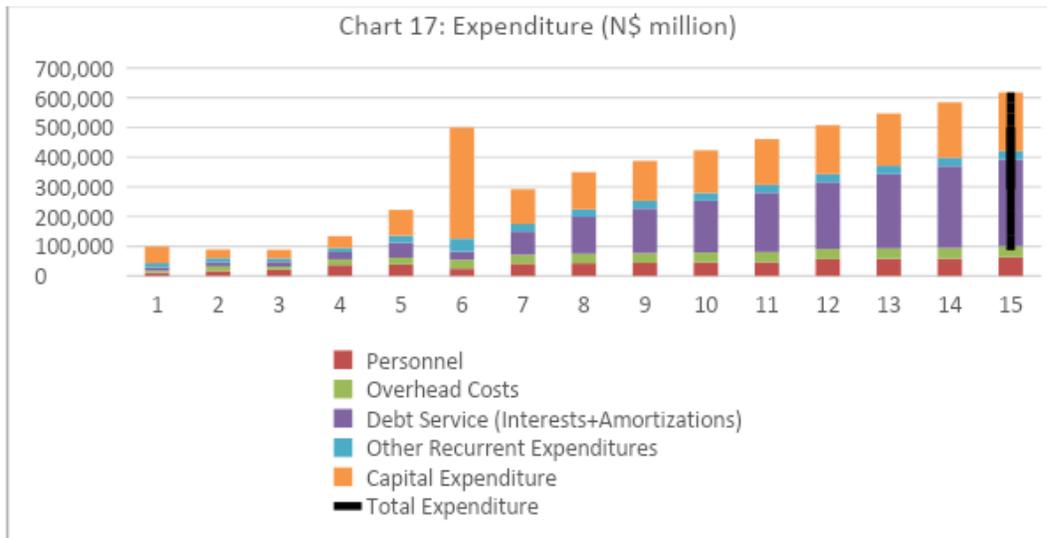
The External source most convenient of course is from Multi-laterals with 1% Interest Rate, maturity of 35 years and grace period of 5 years; and the Bilaterals with 2% Interest Rate, maturity of 20 years and grace period of 5 years will follow next in accordance with the State's Fiscal Responsibility Act. The Table of Assumptions of the State DSA-DMS Template included in the Annexure gives further clarifications in this regard.

4.3 DSA Simulation Results and Findings

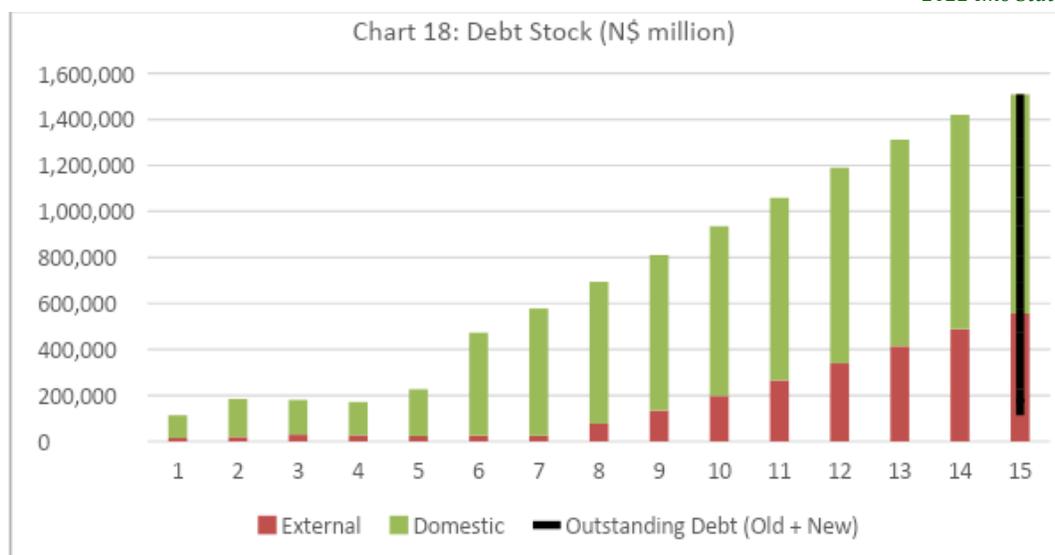
In the Baseline Scenario, Total Revenue (including grants and excluding other capital receipts) is projected to increase from N223.75billion in 2022 to N601.60billion by 2032, although a huge surge in Grants (N58.81 billion) and IGR (N83.49 billion) is expected in 2023 as shown in Chart 16 below. Total Expenditure, on the other hand, is expected to expand from N222.31billion in 2022 to N325.98billion by 2032, representing a fiscal surplus of N275.62billion in nominal terms, when compared to the deficit of N78.55 billion in 2022.



Source: State's Forecast



Source: State's Forecast



Source: State's Forecast

The Total Public Debt is projected to increase over time from N227.15 billion at the end of 2022 to N1,509.32 billion by 2032, as External Debt is anticipated to grow by N532.79 billion or 2,425% and Domestic Debt to increase by N749.38 billion or 467% over the projection period.

Table 4.4: Debt Burden/Performance Indicators (2018 - 2032)

INDICATORS	2018	2019	2020	2021	2022	2023	2024	2025
With Indicative Thresholds:								
Debt as % of SGDP (25%)	3	4	3	3	4	5	5	6
Debt as % of Revenue (200%)	133	226	211	165	203	222	335	356
Debt Service as % of Revenue (40%)	40	17	32	18	25	13	45	63
Personnel Cost as % of Revenue (60%)	12	20	25	35	35	12	24	22
Without Indicative Thresholds:								
Debt Service as a share of Gross FAAC Allocation	44	21	42	25	31	38	52	71
Interest as a share of Revenue	10	11	8	9	13	7	37	44
External Debt Service as a share of Revenue	0	1	0	1	1	0	1	1

INDICATORS	2026	2027	2028	2029	2030	2031	2032
With Indicative Thresholds:							
Debt as % of SGDP (25%)	6	6	6	6	6	6	6
Debt as % of Revenue (200%)	365	395	402	404	398	385	364
Debt Service as % of Revenue (40%)	68	74	76	76	76	75	70
Personnel Cost as % of Revenue (60%)	20	19	18	19	18	16	15
Without Indicative Thresholds:							
Debt Service as a share of Gross FAAC Allocation	75	81	83	83	82	81	76
Interest as a share of Revenue	45	48	49	48	47	45	43
External Debt Service as a share of Revenue	1	1	1	2	2	2	2

Source: State's Forecast

The Main Findings: As observed from Table 4.4 above, Total Public Debt increased significantly in the projection years, depicting the State's repayment capacity relative to the public debt position surged beyond 300% from the year 2024 to 2032 between 335% and 364% respectively; and with the peak of 404% in 2029. Debt-to-SGDP, on the other hand, was below the threshold of 25% for both historical and projection periods; while Debt Service-to-Revenue projections went above the threshold of 40% from 2024 onwards to 2032. Personnel Cost-to-Revenue was however below the threshold of 60% in the entire duration; just as the Fiscal Outturns showed stability in the long term aside from the deficit in 2023 of the Overall Balance as a share of S-GDP.

Despite the fact that the above empirical Baseline Scenario findings show that the State's Public Debt Ratios (Stock and Service) demonstrate a positive position from 2018 to 2023, which are significantly below the thresholds; 2024, 2025 and 2026 results significantly altered our conclusion on the perceived moderate sustainability in the medium term. Thus a further critical examination of the impact of the different shock scenarios (as shown in Chart 28 below), shows that the State's sustainability was threatened in the medium term right from the year 2024 as the Debt Stock to Revenue Ratio threshold under the Revenue and Expenditure shocks were significantly exceeded at 384% and 348% respectively and beyond 400% from 2026 for both.

From the foregoing therefore, it suffices to conclude that **the State will NOT be able to preserve the sustainability of its debt in the medium term and on the risk of unsustainability in the long term** if continuous and significant efforts in revenues growth and revamps are not initiated as a matter of urgency; future borrowings are not curtailed and the present borrowings are not deployed to revenue generating ventures or projects with returns.

Expected Policies to Avert Unsustainability: No doubt the State Government in recent time has embarked on various transformation policies and reforms in the areas of revenue boost and cost control, but more needed to be done in order to avert foreseeable future unsustainability and ensure the continued sustainability of the State as highlighted below.

- **Revenue:** The State is hopeful that its revenue base will improve considerably over time as a result of the following policies being championed by this Administration and some of which started in 2021, taking into cognizance that the State's major adverse effect or shock is inadequate revenue, especially Internally Generated Revenue (IGR):

1. The implementation of the **Treasury Single Account (TSA)** warehousing all revenue collections is to be further strengthened and monitored among all MDAs in the State.
2. A more robust IGR collection administration with effective Automation/IT system to stringently curtail leakages and diversions by the revenue collecting agencies of government; and the possible evasion from business owners in the State is currently ongoing. **Inter-switch Ltd** was engaged in this regard.
3. Necessary data are being gathered as regards the number of business premises, markets, shops, and so on that will aid the State in the projection of future revenue inflows and for other economic purposes. This information database was not available before now.
4. Articulation and creation of untapped and unaccounted revenue sub-heads hitherto eluding the State Government, especially from the formal and informal sectors such as the Land Use Charge revenue and others being facilitated and to fully materialize in due course. The Imo Geographical Information System (**IGIS**) was just launched to do more in this direction.
5. The present administration with its "**3-R**" Algorithm Macro-Economic Programme of **Recovery** of damaged economic structures, **Reconstruction** of core infrastructure, and **Rehabilitation** of component micro-economic institutions (Micro-Small-Medium Enterprises via Public Private Partnership –PPP; is expectant of a positive transformation in the business environment in the State and subsequent positive impact on revenue generation.
6. The State Government also just launched a **Digital Economy and E-Governance** Ministry to tap into the global scene of developing economy, gainfully engage the growing youth population and thereby foster the development of the State in the Information Communication Technology (ICT) sector. To this extent, over **15,000 Imo youths** have been sent for relevant training in different segments of the ICT sector which is to commence soon.
7. The State is equally partnering with Imo and Igbo sons and daughters (including those in the Diasporas) in the establishment of Small and Medium-Scale industries in order to absorb the unemployed fresh graduates; create wealth, and eventually generate more revenue for the government. A typical example is the replica of the ICT Hub or Computer Village in Lagos offered by our sons and daughters based in Lagos. This will

not only provide employment but further afford our young secondary school leavers and universities graduates the opportunity to develop themselves in the technology world; so doing generating enormous future IGR benefits to the State.

8. Furthermore, the State just recently trained over **30,000 Imo youths** in agricultural-related businesses and financial support as take-off grants in order to foster the economic well-being of these youths and the State benefitting in the long run.
 9. According to the Department of Petroleum Resources (DPR) records, Imo State currently has the highest deposit of natural gas in the country, and with the **Special Metering System** recently recommended by the administration of His Excellency Distinguished Senator Hope Uzodimma to identify the quantity of gas being piped to Bonny NLNG; more revenue is expected to accrue to the State.
 10. The Oguta/Orashi Development Project was inaugurated by the present government. The dredging of Oguta Lake will impact positively on the commercial activities and by extension on the State's economy.
- **Expenditure:** Other expected policies in terms of Expenditure control to avert this risk of unsustainability include the followings:
1. The continuous and effective cost of governance control in terms of its recurrent expenditures. Despite the increase in actual Personnel Costs from N21.17 billion in 2020 to N38.96 billion in 2022 which was done to cushion the effect of COVID-19 and the recent security challenges in the State; this administration has demonstrated intent of reducing the cost of governance by fixing N24.79 billion for Personnel Costs in the 2023 Appropriation Act.
 2. Comprehensive automation of the Payroll Process through the application of verifiable BVN and allocation of Imo State Social Benefit Number (**IMSSBN**) to Imo workers and pensioners. This has not only stopped the menace of payroll fraud and reduced the once-over-bloated Personnel Cost, but has tremendously freed funds and afforded the State Government the apple opportunity to capture hitherto outstanding and unpaid pensioners in the payment system. This also accounted for the increase in personnel cost since 2021.
 3. An improved procurement practice for increased transparency and value for money according to the global best practices is also being championed by this Administration so as to avoid over-bloated contracts. Now contracts are advertised, competitively bided

for, and awarded in a very transparent manner on an **e-procurement platform** by the State Bureau for Public Procurement and Price Intelligence, thus expenditure is monitored and controlled.

4. Public Servants have been keyed into the **National Health Insurance Scheme**. This will have an adverse effect on Personnel Costs. But on the long run, there will be improved productivity in the Public Service from a healthier workforce.

- **Cash Management:** Finally but not the least is the efficient and effective Cash Management Policy of the Government which will continue to lead to improve and robust cash collection and handling, with prudent disbursement and application of these funds in the State.

4.4 DSA Sensitivity Analysis (Shock Analysis)

This 2022 Imo State DSA covers four main scenarios, namely: four shock scenarios (Revenue, Expenditure, Exchange Rate and Interest Rate), while juxtaposing their deviations from the Baseline Scenario. Agreeably, the Baseline Scenario is premised on the evaluation of some macroeconomic variables including current and projected fiscal data; it is however paramount to mention that the Baseline Scenario faces diverse fiscal risks associated with the possibility of adverse country-wide macro-economic conditions and the reversal of the State's revenue and expenditure policies.

The State has thus undertaken a sensitivity analysis considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the Baseline scenario while considering both macroeconomic and policy shocks.

- **Shock Revenue Scenario:** From 2023, the impact of a 10% decline in all Revenue sources including Grants was measured, while Expenditures and other macroeconomic factors remain constant. The result obtained under this scenario showed a higher need for Total Gross Borrowing of N136.99 billion in 2024 as against N119.76 billion in the Baseline even as the deficit imbalance cuts across all the years of projections. The State's debt sustainability fell short with this scenario as the percentages of Debt to Revenue were above the threshold of 200% from the year 2024 going forward. Debt Service to Revenue on the other hand though showed positivity till 2024, and then became threatening thereafter as it crossed the threshold of 40% from 2024 onward. The Personnel Cost to Revenue ratios

were all below the threshold of 60% both in the medium to long terms; and the same as the Debt as a percentage of GDP. ***The current revenue drive is therefore not sufficient to guarantee the sustainability of the State, as the financial future of the State could be adversely affected despite the effort in keeping recurrent expenditures under check.***

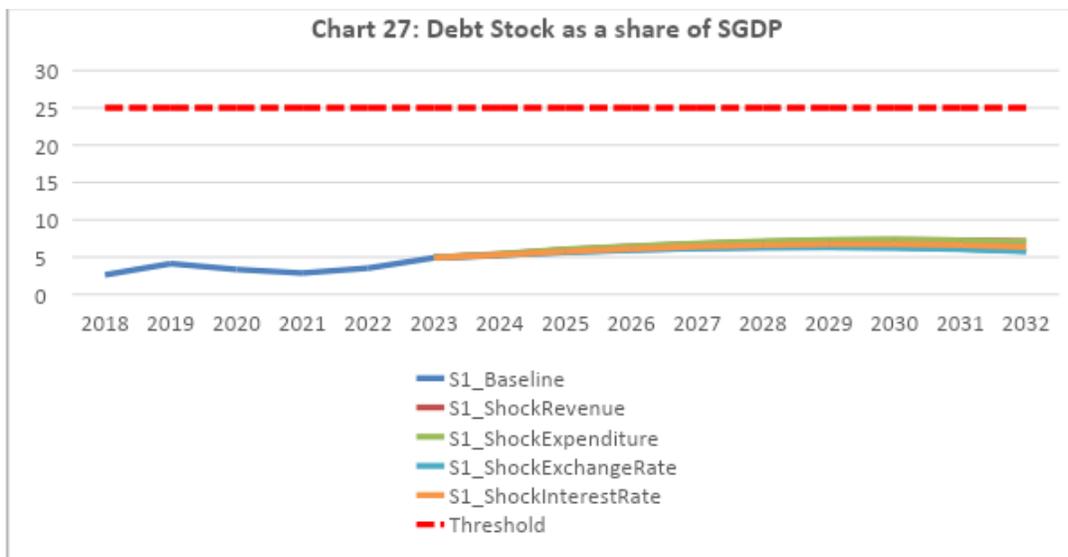
- **ShockExpenditure Scenario:** With a 10% increase in Personnel, Overhead, Recurrent and Capital Expenditure from 2024 while Revenue sources remain constant, the State's Total Gross Borrowing moved from N141.14billion in 2024 to N288.29billion in 2032 as against the Baseline Scenario figures of N119.76billion and N203.38 for 2024 and 2032 respectively. The State's debt sustainability became exposed and risky, especially from the year 2024 as the percentage of Debt to Revenue went beyond the threshold of 200%. Debt Service to Revenue in the medium term looked unsustainable, it also went above the threshold of 40% from the year 2024 to 2032. Personnel Cost to Revenue and Debt as a percentage of GDP however kept low profiles underneath their respective thresholds of 60% and 25% respectively throughout the years. ***Going forward, the current expenditure patterns should further be kept under check so as not to trigger unsustainability in the economy.***
- **ShockExchange Rate Scenario:** A 20% increase in Exchange Rate or the devaluation of the Naira in the year 2024, had just an iota of impact on the State's Total Gross Borrowing need as it reflected an increase of N248million only as against the Baseline Scenario figure; and almost same as in the other projection years. This of course is not farfetched as external borrowing is conscientiously maintained within its appropriate percentage of 30% to 35%. The State's debt sustainability thus looked moderately sustainable in all the indicators but for the very important indicator of Debt to Revenue ratio where the threshold was far surpassed from 2025 onwards; hence rendering ***the State's debt unsustainable.***
- **ShockInterest Rate Scenario:** The effect of a 2% yearly Interest Rate increment on domestic borrowing plans showed a projected fiscal deficit of N510.5 billion in 2024 as against the Baseline Scenario. Other projected years' deficits are equally not too distanced from the Baseline figures. However, the State's debt sustainability became exposed and risky, especially from the year 2023 as the percentage of Debt to Revenue went far beyond the threshold of 200%. The Debt Service to Revenue also came threatening from the year 2024 as it moved above 30% and very close to the threshold of 40%. From the



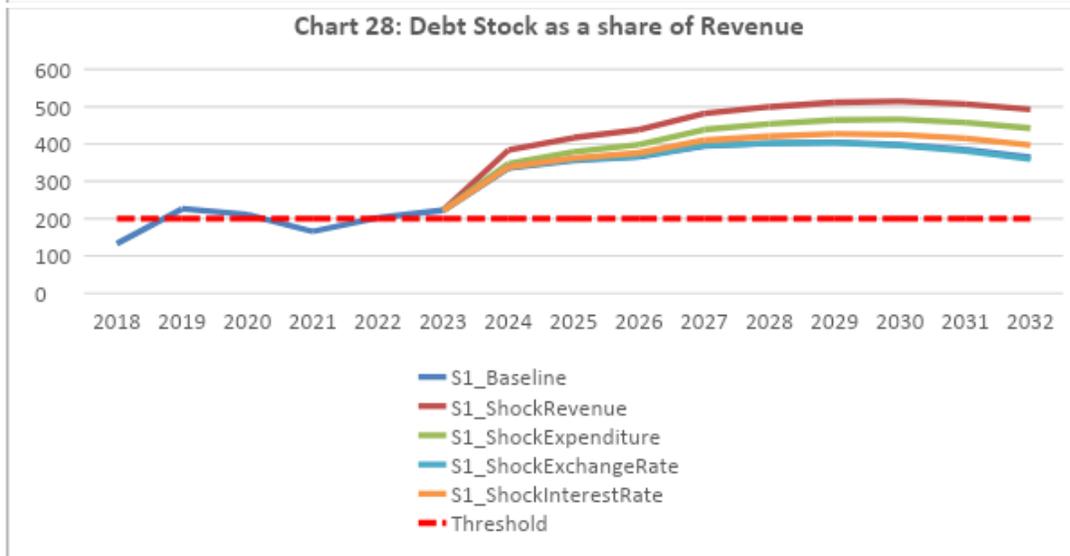
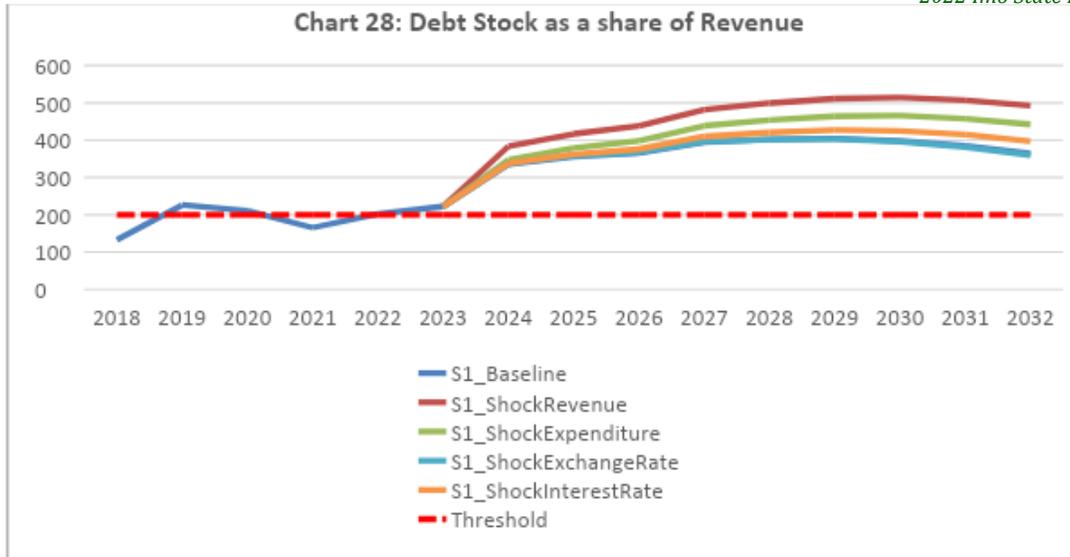
aforementioned, **the State's debt sustainability is at risk** if mitigating factors such as borrowing more from fixed interest rates and long term sources instead of floating rates is not embraced.

Conclusion: From the above shock scenarios, the 2023 DSA shows that **Imo State debt is unsustainable in both the medium-term and at a high risk of debt distress in the long-term under the conducted Sensitivity Analyses** as the current revenue position is considered not sufficient enough to secure the financial future of the State due to the adverse effect of the shock in the medium and long term. The current expenditure patterns should also be further kept under check and expending only on capital projects with economic returns so as not to trigger unsustainability in the economy over the long-term. As regards the Exchange Rate, the State is encouraged to continue to put its debt in a basket of currencies (a composition of many currencies, XDR (WB) bank Unit of Account, etc.) in order to hedge out unsustainability risk. More so is the Interest Rate Shocks by ensuring that most of its loans are in fixed rate, not floating rate.

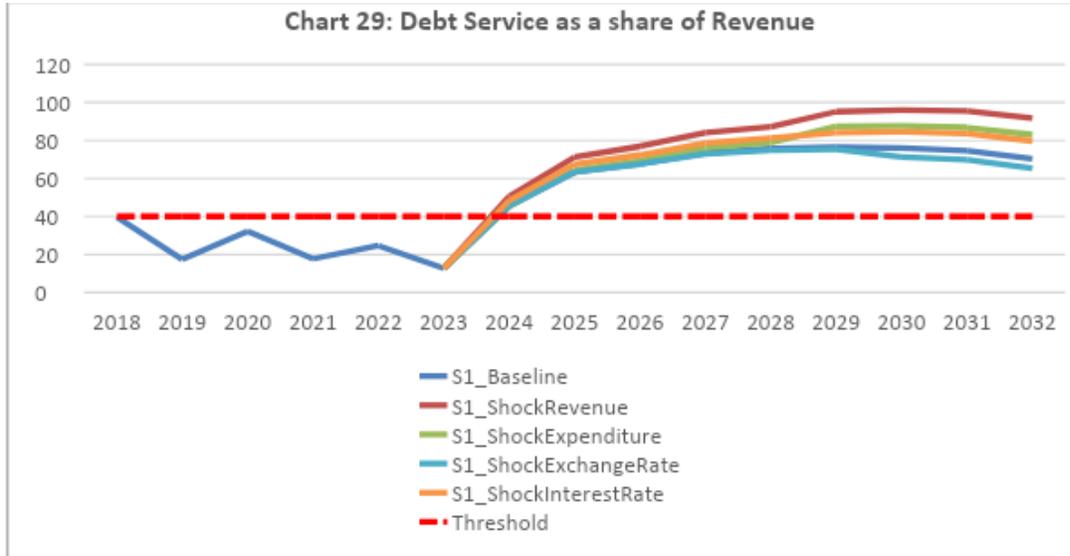
To this extent, bold, decisive and urgent action is urgently required to address revenue underperformance in the State, while efforts should be focused on improving tax administration and collection efficiency alongside business environment friendly policies. Foreign investors (local and international) should also be attracted with incentives for possible economic expansion.



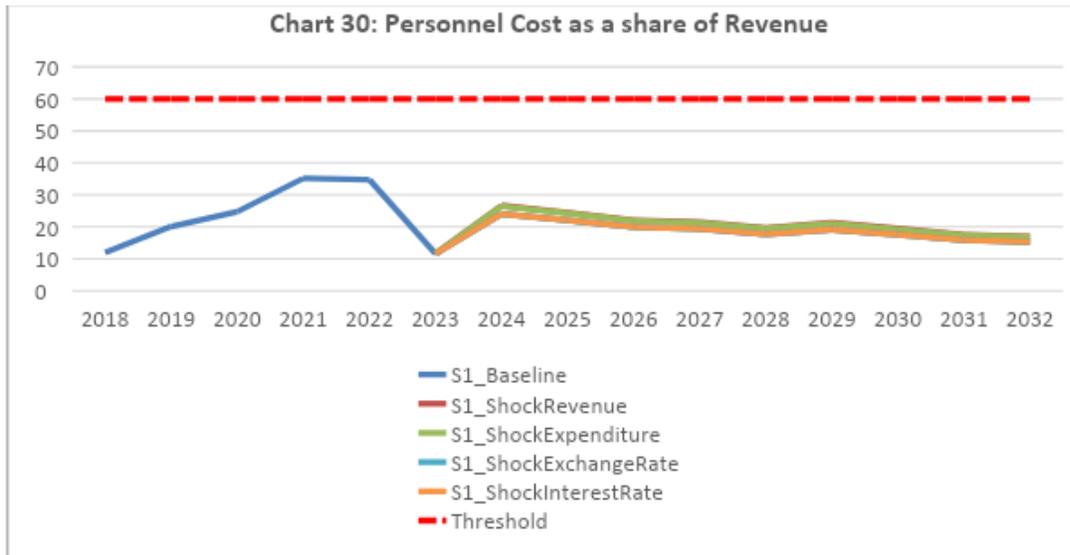
Source: State's Forecast



Source: State's Forecast



Source: State's Forecast



Source: State's Forecast

CHAPTER FIVE

DEBT MANAGEMENT STRATEGY

5.0 Introduction - Concept of Debt Management Strategy

Public Debt Management as defined involves 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 and to achieve other goals, such as developing the domestic debt market. To this extent, considering that modern risk management has become an important tool for achieving strategic debt targets, debt management strategy policy, therefore, has become a fundamental part of today's world of business and governance. Hence, the costs of carrying public debts and risks associated with macroeconomic and fiscal shocks are necessary to be conducted, measured and analyzed regularly.

The **Cost of carrying Public Debt** or **Implied Interest Rate** is a measure of the debt portfolio's cost of borrowing, determined by the weighted average interest rates of the different debt instruments in the portfolio and measured in this case, by the expected value of a performance indicator in 2027 (as projected in the baseline scenario). The **Risk** on the other hand includes among others, interest rate, foreign exchange, roll-over, credit, liquidity, solvency and operational risks; and is measured in this case by the deviation from the expected value in 2026 caused by an unexpected shock (as projected in the most adverse scenario of Revenue).

The Debt Management performance indicators derivable in this 2023 DSA-DMS Template thus include Debt Stock/Revenue (%), Debt Services/Revenue (%), Interest/Revenue (%), Debt Stock/SGDP (%), Debt Services/SGDP (%) and Interest/SGDP (%); however the three essentially utilized to assess the Debt Management Strategies outcomes in this Report include: Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue.

5.1 Alternative Borrowing Options (Alternative Strategies (S2, S3 & S4))

The three Alternative Debt Management Strategies (S2, S3 and S4) being proposed here are still being guided by the contents of the State's Fiscal Responsibility Act (2016, part IX), Debt Management Law (2016 and 2021), and the Medium-Term Expenditure Framework wherein the State Government can borrow using (Bonds, Commercial banks, Multilateral and Bilateral loans) under the following general conditions or fiscal policies:

- That the State Government can only borrow for capital expenditure and human capital developments provided that such borrowing shall be on concessional terms with a low-interest rate of 3% and a reasonably long amortization period subject to the approval of the State House of Assembly.
- That the State Government shall ensure that the level of Public Debt as a proportion of State income is held at a sustainable level.
- To mitigate certain risks (currency, interest rate and rollover).
- That the State Government may borrow from the capital market for the development of the domestic debt markets according to the DMD Law.
- To secure liquid assets for cash management according to the Cash Management policy of the State.

The Alternative Debt Management Strategies, their Cost and Risk implications on the Total Public Debt profile in the future were thus analyzed as follow:

a. Strategy 2 (S2): Domestic State Bond Focused Strategy

- Gross borrowings will be only from Domestic Market.
- New borrowings will be only from State bonds on both short and long terms.
- Short term bonds shall be 30% of the borrowings, while long term bonds shall be 70%.
- No External borrowing is to be sourced.

b. Strategy 3 (S3): All Domestic Borrowings Focused Strategy

- Gross borrowings will be only from Domestic Market.
- New borrowings will be from the diverse Domestic Markets.
- Short-term commercial bank loans and bonds shall be 20% each (i.e. 40%) of the Gross borrowings, while long-term commercial bank loans and bonds shall be 25% each (i.e. 50%).
- Other Domestic borrowing shall be 10% of the Gross borrowings.
- No External borrowing is to be sourced.

c. Strategy 4 (S4): Selected Domestic & External Borrowings Focused Strategy

- Gross borrowings will be from both Domestic and External Markets.
- New borrowings will be 70% from the Domestic Market and 30% of the External Market.



- Short-term commercial bank loans and long-term bonds shall be 30% and 70% respectively of the allocated Domestic Gross borrowings.
- External borrowing is to be sourced from Concessional and Semi-concessional funding (Multilateral and Bilateral), while the Residual will be market-based financing sourced from the International Financial Market (e.g. the issuances of Eurobonds) in the proportion of 40%, 40% and 20% respectively.

5.2 DMS Simulation Results and Findings

Table 5.1 below shows the Cost, Risk and Adverse Shock Indicators of the State’s Total Debt Portfolio as at December 31, 2027 in relation to the implementation of the different Debt Management Strategies. The burden performance indicators specifically utilized to assess these Debt Management Strategies outcomes mainly include: Debt Stock/Revenue (%), Debt Services/Revenue (%) and Interest/Revenue (%).

Table 5.1: Imo State DMS Cost, Risk and Adverse Shock Performance Indicators

INDICATORS	REFERENCE DMS			ALTERNATIVE DMS									MOST PREFERRED STRATEGY	2ND PREFERRED STRATEGY
	STRATEGY 1			STRATEGY 2			STRATEGY 3			STRATEGY 4				
	COST	RISK	ADV SHCK	COST	RISK	ADV SHCK	COST	RISK	ADV SHCK	COST	RISK	ADV SHCK		
Debt Stock as % of Rev.	394.9	1272	1667	403	1270	1673	414	1268	1682	363.9	1278	1641	S4	S1
Debt Service as % of Rev.	73.5	46.8	120.4	99.4	42.1	142	106	41.0	146.6	69.5	47.6	116.9	S4	S1
Interest as % of Rev.	48.0	51.5	99.4	55.0	50.2	105	59.5	49.4	108.8	38.8	53.1	91.9	S4	S1

Source: State’s Forecast

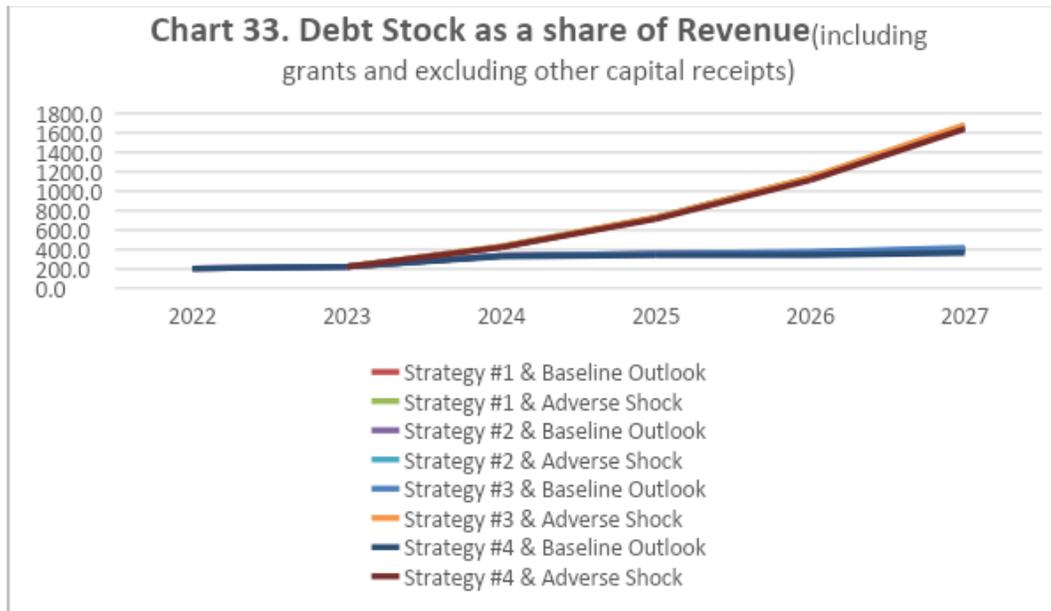
5.2.1 Debt Stock/Revenue

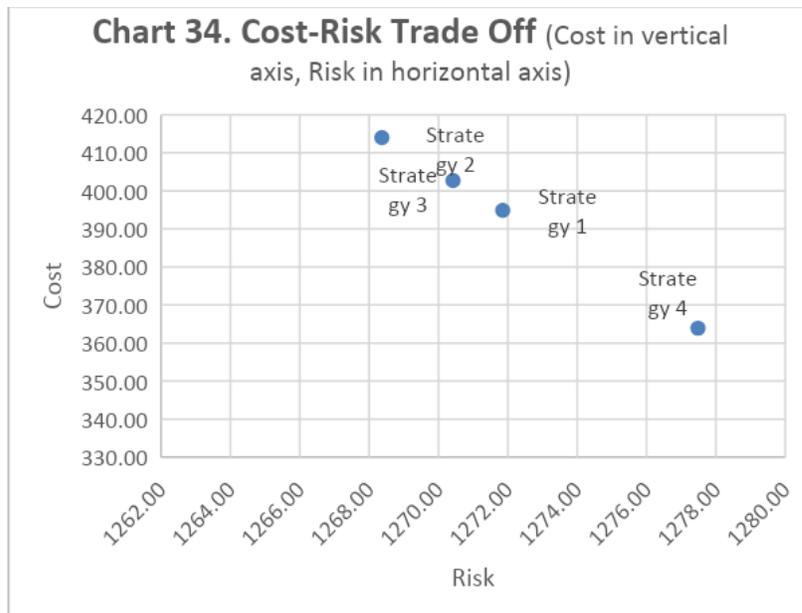
- Comment:** Under this performance indicator and as shown in Table 5.1 above and Chart 34 below, S4 Cost Ratio pushed up from 221.1% in 2023 to 363.9% in 2026 in the Baseline compared to S1 (221.1% to 394.9%), S2 (221.1% % to 402.7%) and S3 (221.1% to 414.0%) under the same period. Equally, the Risk Ratio of S4 as at 2026 depicted 1,277.5% as against 1,271.9%, 1,270.4.% and 1,268.4% of others - S1, S2 and S3 respectively. The Revenue Adverse Shock in 2026 also showed S4 having 1,641.4% when compared with S1, S2 and S3 which have 1,666.7%, 1,673.2% and 1,682.4% respectively. Apparently, since the DMS-related performance indicator outcomes are above the threshold of 200% under



the Cost Ratio and Adverse Shock, it suffices to say that the State's debt is NOT affordable and resilient to shocks over the medium to long term.

- ii. **Cost-Risk Trade-off Analysis:** The Debt Stock to Revenue shows S4 as the lowest trade-off DMS in terms of Cost (363.9%), when compared to S1 (394.9%), S2(402.9%) and S3 (414.0%). Meanwhile S3 shows the lowest trade-off DMS in terms of risk (1,268.4%), when compared to the S2 (1,270.4%), S1 (1,271.9%) and (1,277.5%). S4 has the lowest level of Revenue Adverse Shock of 1,641% and it is the most close to its risk ratio. From the foregoing, S4 is the least expensive and risky strategy. The inclusion of a reasonable amount of Foreign Loans and Bonds as a policy was a key factor as this helps to mitigate Interest, Market and Refinancing Risks.

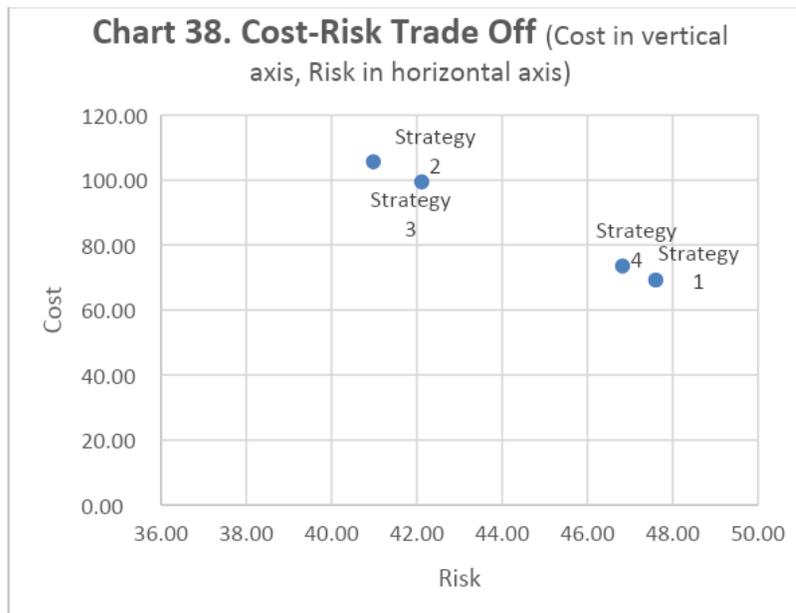
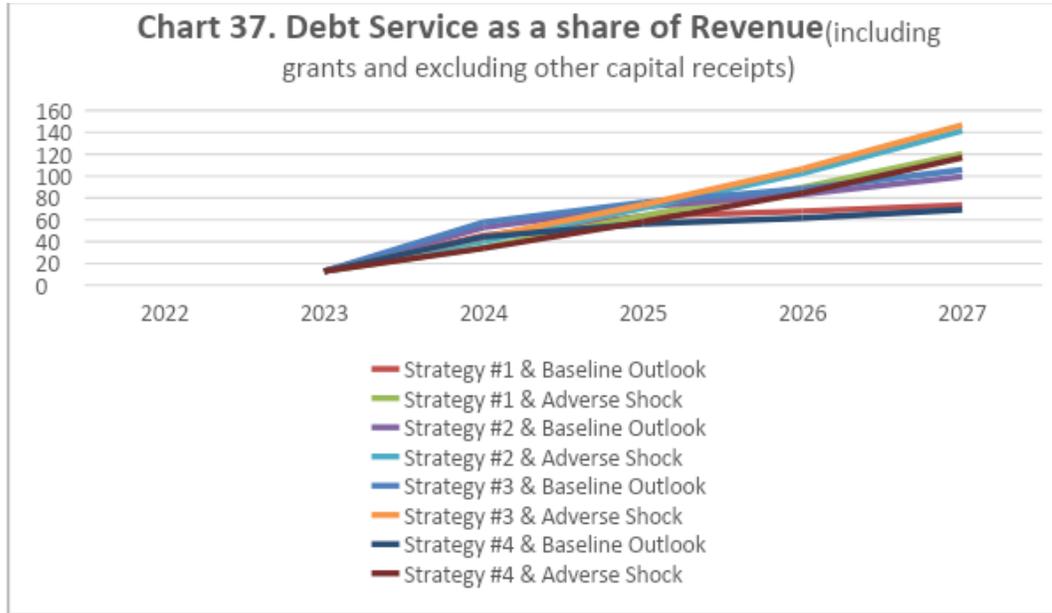




Source: State’s Forecast

5.2.2 Debt Service/Revenue

- i. **Comment:** The burden performance indicator of Debt Service to Revenue as shown in Table 5.1 above and Chart 38 below, shows S4 Cost Ratio steadily moved up from 12.7% in 2023 to 69.5% in 2027 in the Baseline as against S1 (12.7% to 73.5%), S2 (12.7% to 99.4%) and S3 (12.7% to 105.7%) during the same period. The Risk Ratio of S4 in 2026 showed 47.6% as against 46.8%, 42.1% and 41.0% of S1, S2 and S3 respectively. The Revenue Adverse Shock in 2027 on the other hand, indicated S4 has 116.9% when compared to S1, S2 and S3 which have 120.4%, 141.5% and 146.6% respectively. From the foregoing, the State’s debt is NOT satisfactorily affordable and resilient to shocks over the medium to long term since the DMS-related performance indicator’s threshold of 40% has been breached with the Cost Ratio and Adverse.
- ii. **Cost-Risk Trade-off Analysis:** Table 5.1 above and Charts 37 and 38 below show S4 as the lowest trade-off DMS in terms of Cost at the end of 2027 with 69.5% of the Debt Service to Revenue, compared to the S1 (73.5%), S2 (99.4%) and S3 (105.7%). The table and charts shows S3 as the lowest trade-off DMS in terms of risk (41.0%) when compared to S1 (46.8%), S2 (42.1%) and S4 (47.6%). The Revenue Adverse Shock also that S4 and S1 have the lowest levels of 116.3% and 120.4% respectively. This thus shows S4 as the preferred DMS with the lowest Risk.



Source: State’s Forecast

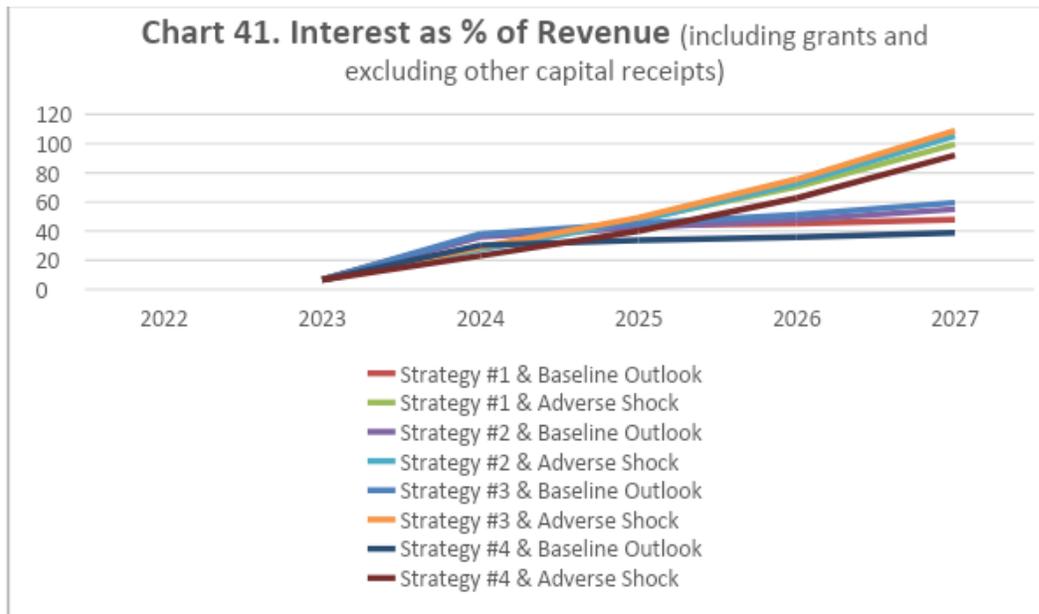
5.2.3 Interest/Revenue

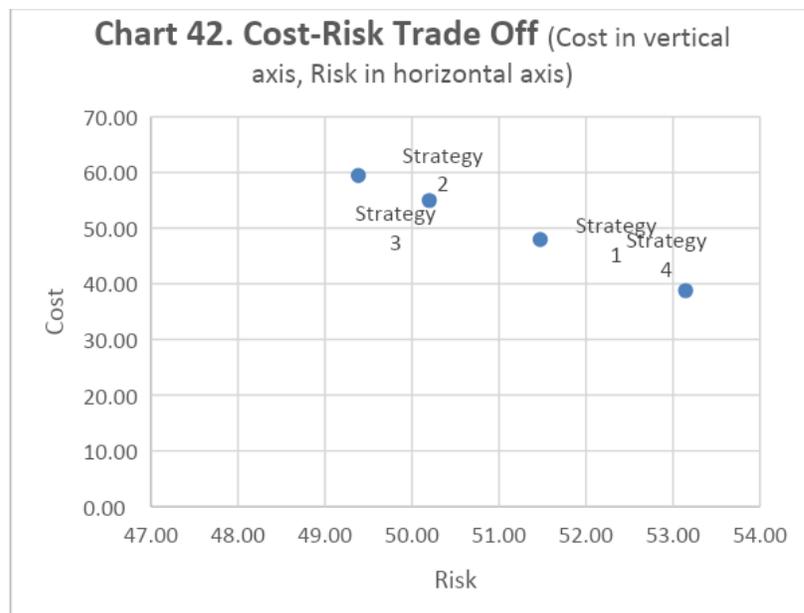
i. Comment: The Interest to Revenue burden performance indicator in Table 5.1 above and Chart 41 below, depicts S4 Cost Ratio steadily grew from 6.7 % in 2023 to 38.8% by 2027 in the Baseline compared to S1 (6.7% to 48.10%), S2 (6.7% to 55.0%) and S3 (6.7% to 59.5%) under the same period. On the other hand, Risk Ratio of S4 as at 2027 depicts 53.1% as against 51.5%, 50.2% and 49.4% of S1, S2 and S3 respectively. The Revenue Adverse Shock in 2026 equally shows S4 accounting for 91.9% as against S1, S2 and S3



which have 99.4%, 105.0% and 108.0% respectively. The State's debt is not considered moderately affordable and resilient to shocks over the medium-term under this performance indicator since the Adverse Shocks are too distanced from the Cost Ratios.

ii. **Cost-Risk Trade-off Analysis:** This burden performance indicator of Interest to Revenue, as depicted in Table 5.1 and Charts 41 and 42 below, shows S4 as the least trade-off DMS in terms of Cost of 38.8% of the Total Interest to Revenue, when compared to the S1 (48.1%), S2 (55.0%) and S3 (59.5%). Meanwhile S3 shows the lowest trade-off DMS in terms of risk of 49.4%, when compared to S1(51.5%), S2(50.2%) and S4(53.1%) respectively . S4 has the least Cost ratio whereas S3 has the least Risk ratio compared to the alternative Reference Debt Strategies; S1 and S2; thus indicating that S4 and S3 are the least costly and risky strategies, with the former being the preferred strategy.





Source: State's Forecast

5.2.4 DMS Assessment

Evaluating Table 5.1 and the subsequent charts presented above; there is no doubt that the most favourable and preferred of the four Debt Management Strategies that shows complete dominance with the most effective and efficient cost, least risk, and as well as least adverse revenue shock is Strategy Four (S4), using our Analytical Tool. However, with a critical and qualitative examination of the reality of events in the global economy of business and governance, this might not be totally true and obtainable. One of the reasons being that accessibility to Foreign Loans, more often than not, poses a serious challenge to the sub-nationals, let alone obtaining them on a yearly basis and more so within the short to medium term period under review.

The second preferred Debt Management Strategy, which is relatively or fairly higher than the S4 but lower than the other Alternative Debt Strategies (S2 and S3), is our Reference Debt Management Strategy (S1) and thereby considered and recommended as the most suitable, efficient and implementable strategy.

This is based on the following facts:

1. It is the most feasible, realistic, accessible and implementable within the short to medium term period of 2023 - 2027, as Foreign Loans were only sourced from 2025, unlike the S4 where External Loans borrowing commenced in the year 2023. Accessing Foreign Loans do take some time as seeking approval from the Presidency, Federal Ministry of Finance, the

National Assembly, and even the State House of Assembly is often a long process and a bottle-neck issue of over a year; and must be reflected in the Federal Government Budget on behalf of the sub-nationals. This is quite impracticable as reflected in S4, especially in the year 2023.

2. With a relatively lower proportion of External Debt, it is least exposed to Foreign Exchange Risk and external shock.
3. It has realistic Borrowing Plans that are within the arm bit of the State's MTEF, Fiscal Responsibility Act (FRA), and Debt Management Law.
4. The Borrowing Plan supports the development of the Domestic Market without exposing it to any risk of Interest Rate, Market, Liquidity, and many more.
5. In addition to the above and as a result of the Borrowings envisaged in the Reference Debt-Management Strategy (S1), the State's debt position is projected to comparatively rise from its current figure of N222.31 billion at the end of 2022 to N236.82 billion in 2027 and further to N414.34 billion in 2032, as against S2 (N247.49 billion in 2027 and N486.17 billion in 2032), S3 (N980.46 billion in 2027 and N2,048.78 billion in 2032), and S4 (N861.81 billion in 2027 and N1,302.67 billion in 2032). The above thus shows the superiority of the S1 to others.
6. In addition to the aforementioned and considering the necessary parameters of burden performance indicators such as the Debt to GDP, Debt to Revenue, Debt service to GDP, Debt service to Revenue, and Interest to Revenue, S1 is selected as the Most Preferred Strategy for the period 2023-2027 and even beyond; as it gives the State better stability and the least risk-exposed strategy.

Conclusion:

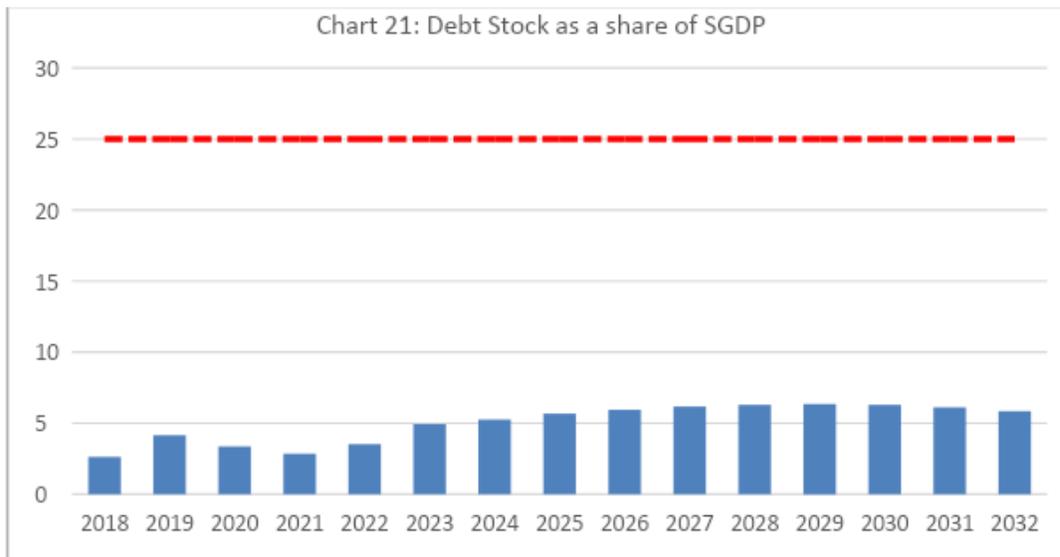
This Preferred Strategy (S1) in the State's Debt Management Strategy for 2023-2027, focuses on increased dependence on Long-term Tenured Domestic and External financing with the corresponding reduction in short-term instruments, especially short-term Commercial Banks Loans in order to moderate refinancing risks. It is also anticipated to help in ensuring that the Cost Profile of the State's Public Debt portfolio is maintained at a sustainable level in the medium to long term, and at the same time to ensure that government's financing needs are met at minimum cost and with a prudent level of risk.



The relevant policies and reforms to the preservation and sustainability of the State's Debt Management thus among others include:

- ❖ Government subscription to the principle of prudent and sustainable borrowings and effective utilization of resources.
- ❖ Strengthening the existing legal and institutional frameworks for efficient debt management.
- ❖ Continuous building of a viable Domestic Market through Bonds.
- ❖ The establishment of a disciplined and well-focused public finance policy in terms of government borrowing policy.
- ❖ Ensuring the availability of reliable and correct data for frequent evaluation.
- ❖ Regular evaluation of the costs and risks of existing debt portfolio and potential borrowings.
- ❖ Strengthening the development of the capacity and competency of debt management staff for effective public debt management in the State.

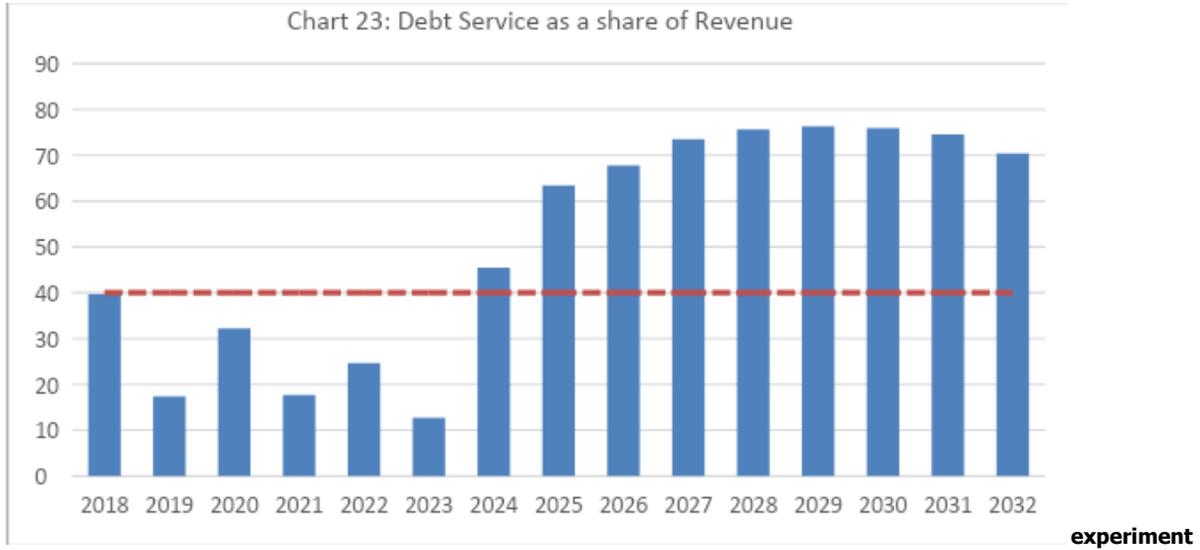
LIST OF OTHER CHARTS



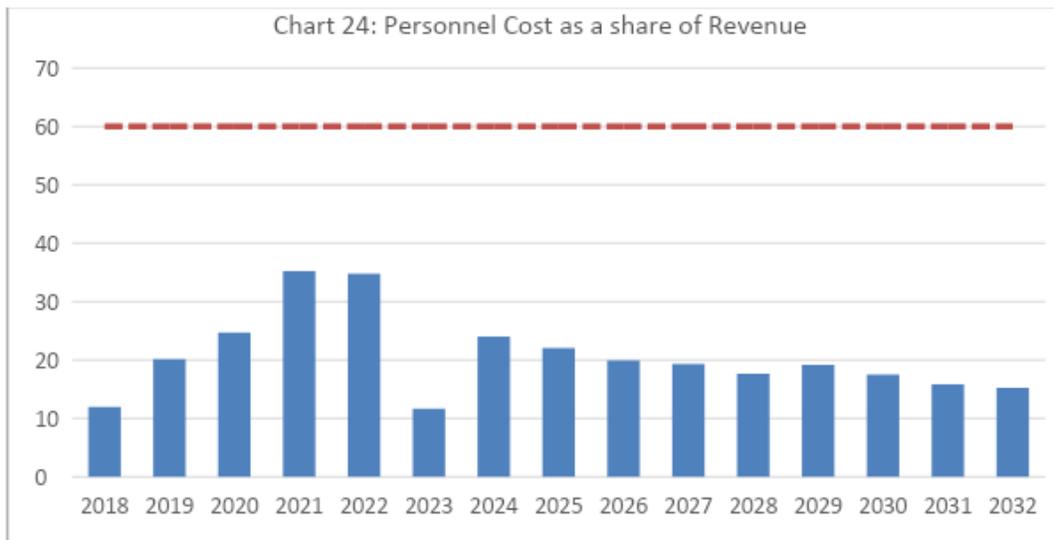
Source: State's Forecast



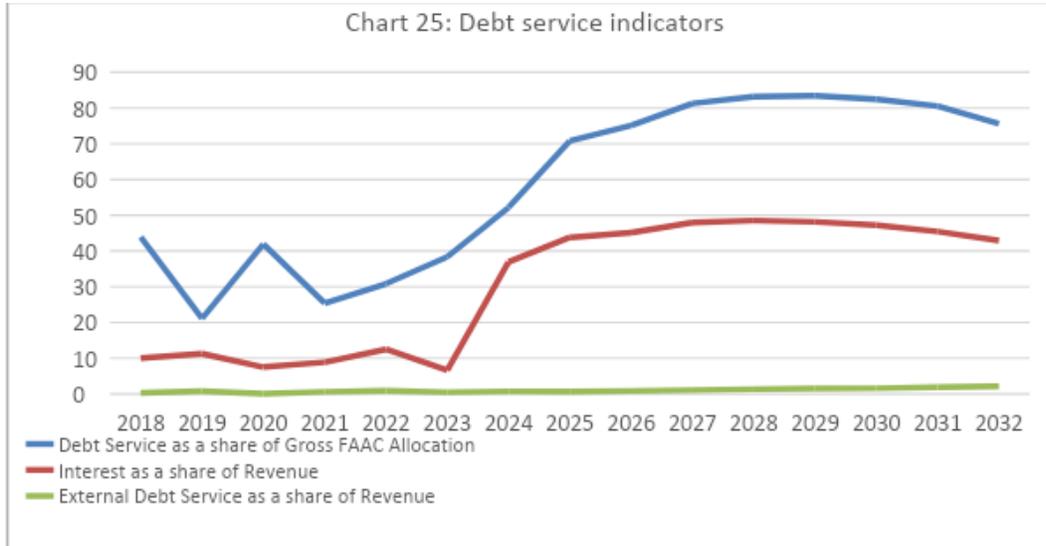
Source: State's Forecast



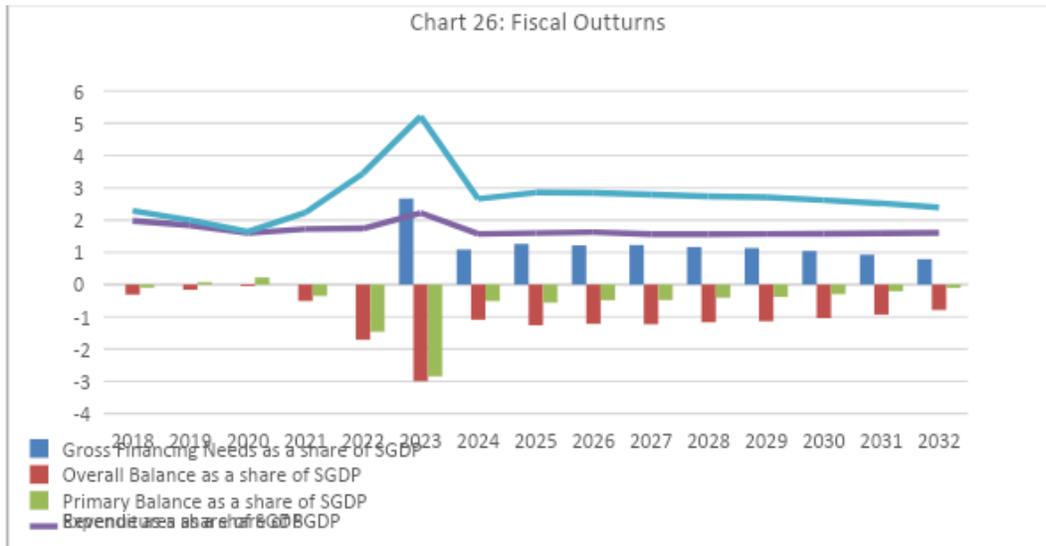
Source: State's Forecast



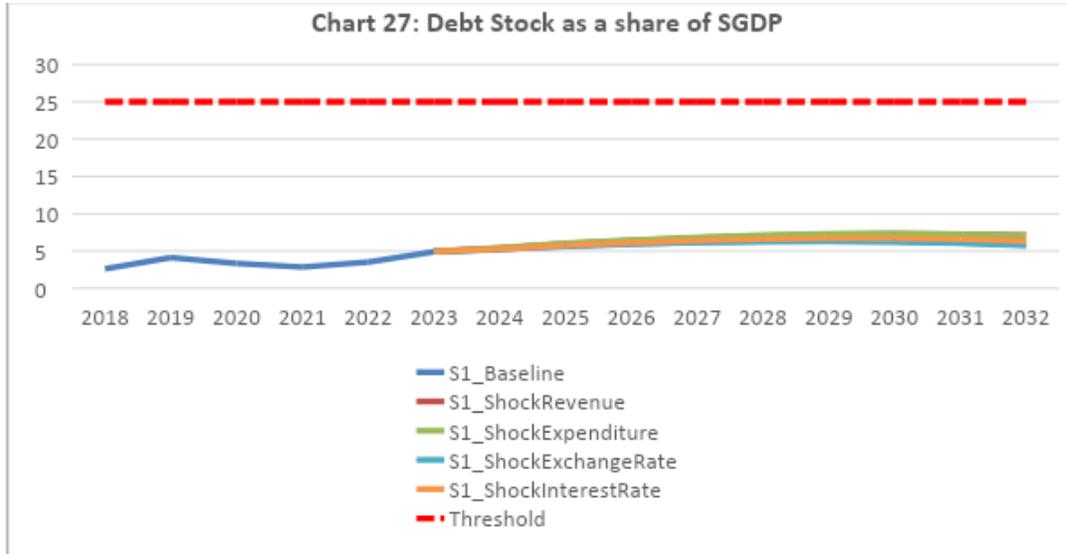
Source: State's Forecast



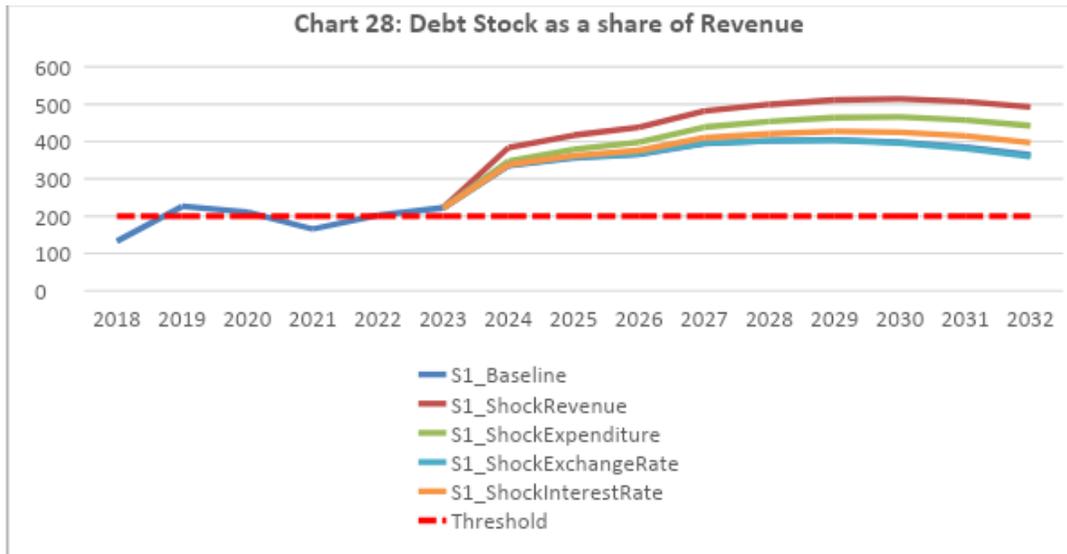
Source: State's Forecast



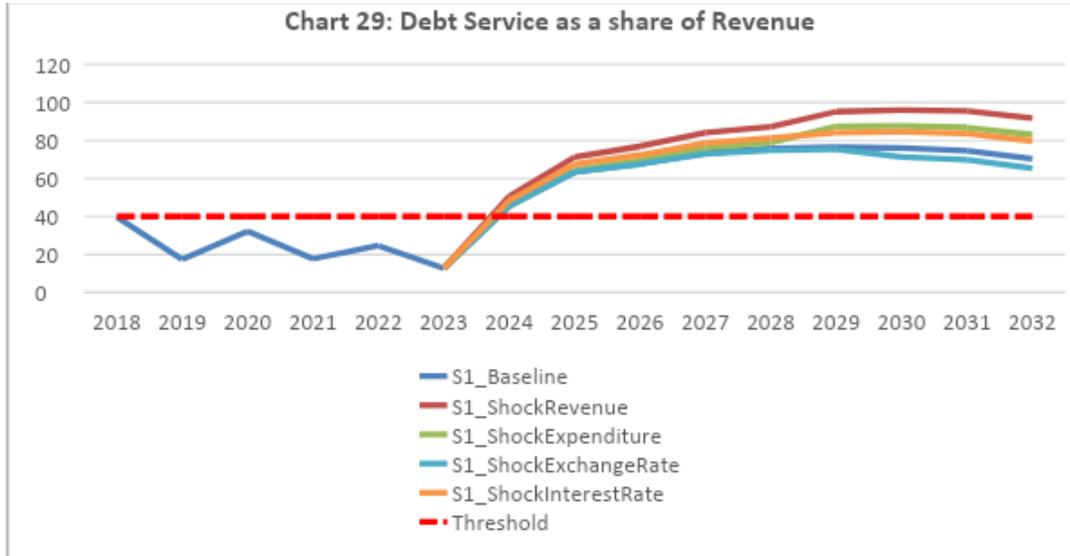
Source: State's Forecast



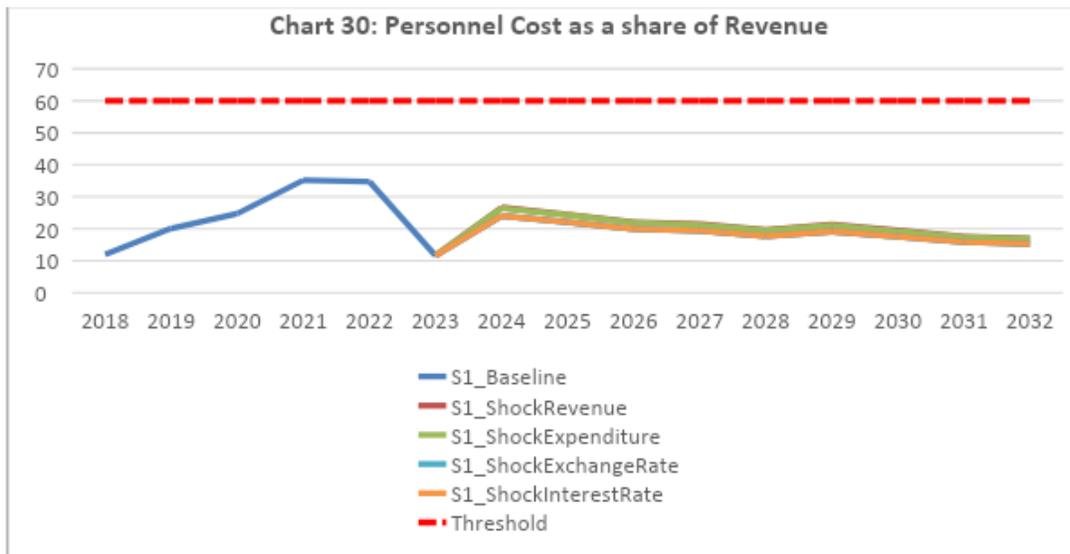
Source: State's Forecast



Source: State's Forecast



Source: State's Forecast



Source: State's Forecast

LIST OF ANNEXURES

Annexure 1: Table of Assumptions

2022		Projection Methodology	Source
Assumptions			
Economic activity	State GDP (at current prices)	State GDP projection was provided for by the World Bank Group in conjunction with the DMO, and NBS	Debt Management Office, Abuja
Revenue			
Revenue	Revenue		
	1. Gross Statutory Allocation ('Gross' means with no deductions; do not include VAT Allocation)	2022 was the State Budget, while 2023 onward were forecasts from Federal on Revenue and Revenue Sharing assumptions based on FG MTEF 2022-2024	State Budget & Budget Office of the Federation
	1.a. of which Net Statutory Allocation ('Net' means of deductions)	2022 was the State Budget, while 2023 onward were forecasts from Federal on Revenue and Revenue Sharing assumptions based on FG MTEF 2022-2024	State Budget & Budget Office of the Federation
	1.b. of which Deductions	2022 was the State Budget, while 2023 onward were forecasts from Federal on Revenue and Revenue Sharing assumptions based on FG MTEF 2022-2024	State Budget & Budget Office of the Federation
	2. Derivation (if applicable to the State)	2022 was the State Budget, while 2023 onward were forecasts from Federal on Revenue and Revenue Sharing assumptions based on FG MTEF 2022-2024	State Budget & Budget Office of the Federation
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	2022 was the State Budget, while 2023 onward were forecasts from Federal on Revenue and Revenue Sharing assumptions based on FG MTEF 2022-2024	State Budget & Budget Office of the Federation
	4. VAT Allocation	2022 was the State Budget, while 2023 onward were forecasts from Federal on Revenue and Revenue Sharing assumptions based on FG MTEF 2022-2024	State Budget & Budget Office of the Federation
	5. IGR	2022 was the State Budget provision, while 2023 was the average of 2021 with an increase of 1.2% extending to 2024, 2025 - 2031 increased with 1.5% of previous year	State Budget and BIR
	6. Capital Receipts	2022 was the State Budget provision, 2023 - 2024 was 45% of the Expected Recurrent Revenue, while 2025 - 2031 is projected using 50% of Expected Recurrent Revenue	State Budget and Min. of Budget & Financing
	6.a. Grants	As contained in the 2022 State Budget including the expected STAS Grant	State Budget and Min. of Budget & Financing
	6.b. Sales of Government Assets and Privatization Proceeds	No projection made for now	
	6.c. Other Non-Debt Creating Capital Receipts	2022 was the State Budget provision, while 2023 onward projections were made in anticipation	State Budget and Min. of Budget & Financing
Expenditure			
Expenditure	Expenditure		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	2022 was State Budget provision, 2023-2031 with average 8% annual increment of the previous year and provision made for New Min. Wage every 5 years at 5% (2025 - 2029)	State Budget and Min. of Budget & Financing
	2. Overhead costs	2022 was State Budget provision, 2023 and onward forecasts made using 4% increment of the previous year figure	State Budget and Min. of Budget & Financing
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	2022 was State Budget provision, 2023 and onward provisions are generated by Template	State Budget and Min. of Budget & Financing
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest)	2022 was State Budget provision, with average 5% annual increment of the previous year and 5% provision made for New Min. Wage years (2025 & 2029)	State Budget and Min. of Budget & Financing
	5. Capital Expenditure	2022 was State Budget provision, onward forecasts made using range of 45% (2023-2025) to 50% (2026-2031) of Expected Recurrent Revenue	State Budget and Min. of Budget & Financing
Closing Cash and Bank Balance	Closing Cash and Bank Balance	A minimum of N2 billion Closing Cash and Bank Balance was made for the projections	State Budget and Min. of Budget & Financing
Debt Amortization and Interest Payments			
Debt Outstanding at end-2021	Debt Outstanding at end-2021		
	External Debt - amortization and interest	The Reconciled Amortization and interest payments Schedules from the DMO	DMO and NGF
	Domestic Debt - amortization and interest	The Reconciled Amortization and interest payments Schedules from the DMO	DMO and NGF
	New debt issued/contracted from 2022 onwards		
	New External Financing		
	External Financing- Concessional Loans (e.g., World Bank, African Development Bank)	Project on made using interest rate of 1% with 35 years repayment and 7 years grace period	State Budget and Min. of Budget & Financing
	External Financing- Bilateral Loans	Project on made using interest rate of 2% with 30 years repayment and 5 years grace period	State Budget and Min. of Budget & Financing
	Other External Financing	Project on made using interest rate of 5% with 20 years repayment and 5 years grace period	State Budget and Min. of Budget & Financing
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	Project on made using interest rate of 15% with 5 years repayment and 0 year grace period	State Budget and Min. of Budget & Financing
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Project on made using interest rate of 14% with 15 years repayment and 1 year grace period	State Budget and Min. of Budget & Financing
	State Bonds (maturity 1 to 5 years)	Project on made using interest rate of 9% with 5 years repayment and 0 year grace period	State Budget and Min. of Budget & Financing
	State Bonds (maturity 6 years or longer)	Project on made using interest rate of 9% with 10 years repayment and 1 year grace period	State Budget and Min. of Budget & Financing
	Other Domestic Financing	Project on made using interest rate of 9% with 15 years repayment and 1 year grace period	State Budget and Min. of Budget & Financing

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	Planned Borrowing (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)	Up to planned occasional Short-term Borrowings from the Commercial Banks limited to ₦1.5 Billion Only of the 68% all located to Domestic Market	State Fiscal Responsibility Law & CMO Law
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	Up to planned Borrowings of the 73% Long-term Loans from Commercial Banks as deemed necessary and accessible of the 68% all located to Domestic Market	State Fiscal Responsibility Law & CMO Law
	State Bonds (maturity 1 to 5 years)	Up to planned Borrowings of the 23% Short-term Loans as deemed necessary and accessible of the 68% all located to Domestic Market	State Fiscal Responsibility Law & CMO Law
	State Bonds (maturity 6 years or longer)	Up to planned Borrowings of the 73% Long-term Loans from the Capital Market as deemed necessary and accessible of the 68% all located to Domestic Market	State Fiscal Responsibility Law & CMO Law
Other Domestic Financing	Up to planned occasional Borrowings from other Domestic Financing as deemed necessary and accessible of the 68% all located to Domestic Market	State Fiscal Responsibility Law & CMO Law	
New External Financing in Million USD Dollar			
External Financing- Concessional Loans (eg, World Bank, African Development Bank)	Up to planned Concessional Loans to be sourced out of the 33% all located to the Foreign market or External Borrowings	State Fiscal Responsibility Law & CMO Law	
External Financing- Bilateral Loans	Up to planned Bilateral Loans to be sourced out of the 28% all located to the Foreign market or External Borrowings	State Fiscal Responsibility Law & CMO Law	
Other External Financing	No Other External Borrowings	State Fiscal Responsibility Law & CMO Law	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	Planned Borrowing (new bonds, new loans, etc) for Debt Strategy S2		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	No Commercial Bank Borrowing but only Bonds	State Fiscal Responsibility Law & CMO Law
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	No Commercial Bank Borrowing but only Bonds	State Fiscal Responsibility Law & CMO Law
	State Bonds (maturity 1 to 5 years)	30% Short-term Bonds to be sourced from the Domestic Capital Market	State Fiscal Responsibility Law & CMO Law
	State Bonds (maturity 6 years or longer)	70% Long-term Bonds to be sourced from the Domestic Capital Market	State Fiscal Responsibility Law & CMO Law
Other Domestic Financing	No other Domestic Borrowing but only Bonds	State Fiscal Responsibility Law & CMO Law	
New External Financing in Million USD Dollar			
External Financing- Concessional Loans (eg, World Bank, African Development Bank)	No External Borrowing	State Fiscal Responsibility Law & CMO Law	
External Financing- Bilateral Loans	No External Borrowing	State Fiscal Responsibility Law & CMO Law	
Other External Financing	No External Borrowing	State Fiscal Responsibility Law & CMO Law	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	Planned Borrowing (new bonds, new loans, etc) for Debt Strategy S3		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	20% Short-term Commercial Banks Loans to be sourced	State Fiscal Responsibility Law & CMO Law
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	28% Long-term Commercial Banks Loans to be sourced	State Fiscal Responsibility Law & CMO Law
	State Bonds (maturity 1 to 5 years)	20% Short-term State Bonds to be sourced	State Fiscal Responsibility Law & CMO Law
	State Bonds (maturity 6 years or longer)	28% Long-term State Bonds to be sourced	State Fiscal Responsibility Law & CMO Law
Other Domestic Financing	10% other Domestic Borrowing to be sourced	State Fiscal Responsibility Law & CMO Law	
New External Financing in Million USD Dollar			
External Financing- Concessional Loans (eg, World Bank, African Development Bank)	No External Borrowing	State Fiscal Responsibility Law & CMO Law	
External Financing- Bilateral Loans	No External Borrowing	State Fiscal Responsibility Law & CMO Law	
Other External Financing	No External Borrowing	State Fiscal Responsibility Law & CMO Law	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	Planned Borrowing (new bonds, new loans, etc) for Debt Strategy S4		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans)	30% Short-term Commercial Banks Loans to be sourced out of the 70% all located to the Domestic market	State Fiscal Responsibility Law & CMO Law
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans)	None	State Fiscal Responsibility Law & CMO Law
	State Bonds (maturity 1 to 5 years)	None	State Fiscal Responsibility Law & CMO Law
	State Bonds (maturity 6 years or longer)	70% Long-term State Bonds to be sourced out of the 70% all located to the Domestic market	State Fiscal Responsibility Law & CMO Law
Other Domestic Financing	None	State Fiscal Responsibility Law & CMO Law	
New External Financing in Million USD Dollar			
External Financing- Concessional Loans (eg, World Bank, African Development Bank)	40% Concessional Loans to be sourced out of the 30% all located to the Foreign market or External Borrowings	State Fiscal Responsibility Law & CMO Law	
External Financing- Bilateral Loans	40% Bilateral Loans to be sourced out of the 20% all located to the Foreign market or External Borrowings	State Fiscal Responsibility Law & CMO Law	
Other External Financing	20% Other External Loans to be sourced out of the 30% all located to the Foreign market or External Borrowings	State Fiscal Responsibility Law & CMO Law	



Annexure 2: Baseline Scenario Projections

	Units	Scale	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
3. Information on State's Gross Domestic Product [See Note 3 in Guidance for Completing Data Request for State DSA]																	
State GDP [at current prices]	Naira	Million	4,449,524	5,370,611	6,011,247	6,443,111	7,354,664	8,475,805	9,806,285	11,122,846	12,618,858	14,293,402	16,203,000	18,367,721	20,821,649	23,603,421	26,756,838
Nation GDP [at current prices]	Naira	Million	114,004,750	127,736,828	145,639,139	154,252,319	176,075,502	202,916,343	234,768,903	266,288,246	301,864,356	342,193,434	387,910,476	439,735,316	498,483,954	565,061,410	640,576,287
Exchange Rate NGN/USD [end-Period]	Naira/USD		253	306	307	326	379	410	410	410	410	410	410	410	410	410	410
3. Information on Revenues, Expenditure, and Financing Needs and Sources [See Note 3 in Guidance for Completing Data Request for State DSA]																	
Revenue	Naira	Million	79,925	107,968	89,881	1,000,000	147,145	363,363	184,621	194,652	208,477	227,674	243,429	262,880	277,475	292,732	304,152
1. Gross Statutory Allocation [gross means with no deductions; do not include VAT]	Naira	Million	23,366	44,210	42,812	35,242	36,837	37,928	38,728	39,528	39,985	40,959	45,055	49,560	54,516	59,908	65,965
1.a. of which Net Statutory Allocation [net means of deductions]	Naira	Million	1,3865	33,747	31,895	25,767	25,457	16,547	14,709	15,944	16,001	16,975	21,071	25,576	33,348	38,800	44,797
1.b. of which Deductions	Naira	Million	9,501	10,463	10,917	9,475	11,381	21,381	24,020	23,584	23,984	23,984	23,984	23,984	21,168	21,168	21,168
2. Derivation [if applicable to the State]	Naira	Million	2,888	6,000	9,307	8,738	9,885	10,379	9,776	10,753	11,828	13,011	14,312	15,744	17,304	19,500	20,955
3. Other FARC transfers [exchange rate gain, augmentation, others]	Naira	Million	32,451	15,132	2,201	6,300	3,644	9,258	7,483	7,558	7,634	7,710	7,787	7,865	7,944	8,023	8,103
4. VAT Allocation	Naira	Million	8,801	11,998	13,036	15,550	21,644	21,195	26,594	31,913	38,296	45,955	55,146	66,175	79,400	95,292	114,350
5. IGR	Naira	Million	12,348	8,267	14,386	18,805	26,832	63,158	38,097	38,554	39,017	39,602	40,196	40,799	41,411	42,032	42,663
6. Capital Receipts	Naira	Million	70	22,621	2,139	15,468	48,204	221,445	63,942	65,945	71,717	80,437	80,932	82,736	76,876	68,367	52,116
6.a. Grants	Naira	Million	5	0	0	1,000	4,638	19,789	30,000	10,000	0	0	0	0	0	0	0
6.b. Sales of Government Assets and Privatization Proceeds	Naira	Million	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6.c. Other Non-Debt Creating Capital Receipts	Naira	Million	0	22,621	0	5,585	0	937	0	0	0	0	0	500	0	1,000	0
6.d. Proceeds from Debt-Creating Borrowings [bond issuance, loan disbursements]	Naira	Million	66	0	2,139	8,883	43,566	22,659	33,942	55,945	71,717	80,437	80,432	82,736	75,876	68,367	52,116
6.d.1. of which Borrowings from Domestic bonds	Naira	Million	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6.d.2. of which Borrowings from Commercial bank loans	Naira	Million	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6.d.3. of which Borrowings from External loans	Naira	Million	66	0	2,139	8,883	0	0	0	0	0	0	0	0	0	0	0
Expenditure	Naira	Million	79,799	99,015	86,802	88,027	194,344	393,250	184,621	194,652	208,477	227,674	243,429	262,880	277,475	292,732	304,152
1. Personnel costs [Salaries, Pensions, Civil Servant Social Benefits, other]	Naira	Million	17,368	10,321	16,463	21,167	36,439	41,224	40,899	42,560	42,999	43,290	43,599	44,098	44,860	44,999	45,498
2. Overhead costs	Naira	Million	4,780	7,667	16,384	10,372	19,728	27,602	28,401	28,946	29,444	30,293	30,844	31,538	32,156	32,818	33,683
3. Interest Payments [Public Debt Changes, including interest deducted from FRAC]	Naira	Million	7,960	9,411	10,428	14,218	9,489	9,706	11,744	15,098	18,619	22,900	27,379	31,330	34,762	37,203	38,678
3.a. of which Interest Payments [Public Debt Changes, including interest deducted from FRAC]	Naira	Million	612	758	1,223	6,371	2,032	0	0	0	0	0	0	0	0	0	0
3.b. of which Interest deducted from FRAC Allocation	Naira	Million	7,348	8,652	9,205	7,847	7,457	0	0	0	0	0	0	0	0	0	0
4. Other Recurrent Expenditure [Excluding Personnel Costs, Overhead Costs and Interest]	Naira	Million	12,344	14,289	14,291	11,598	14,432	18,734	18,993	18,993	19,593	20,000	20,193	20,770	20,993	21,393	22,393
5. Capital Expenditure	Naira	Million	3,5830	55,615	28,669	28,565	39,982	28,477	72,491	76,613	82,052	80,783	95,044	103,327	108,072	115,049	121,412
6. Amortization [principal] payments	Naira	Million	1,457	1,804	2,888	2,107	14,074	11,268	11,092	12,443	15,770	20,400	26,371	31,756	36,631	41,271	42,488
6.a. of which Amortization of Domestic bank loans	Naira	Million	38	14	0	0	0	0	0	0	0	0	0	0	0	0	0
6.b. of which Amortization of Commercial bank loans	Naira	Million	1,008	1,341	2,119	1,575	13,384	0	0	0	0	0	0	0	0	0	0
6.c. of which Amortization of External Loans	Naira	Million	411	449	469	533	690	0	0	0	0	0	0	0	0	0	0
Budget Balance ['+' means surplus, '-' means deficit]	Naira	Million	386	8952	-4,991	12,074	19,000	-29,887	0	0	0	0	0	0	0	0	0
Opening Cash and Bank Balance	Naira	Million	2,805	2,799	11,743	6,832	18,886	31,867	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Closing Cash and Bank Balance	Naira	Million	2,799	11,743	6,832	18,886	31,887	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Calculational Financing Needs and Sources																	
Financing Needs	Naira	Million						23,575.66	33,911.86	55,945.32	71,717.40	80,436.63	80,932.29	82,736.32	76,875.77	68,366.79	52,116.11
i. Primary balance	Naira	Million						-32,489.09	-11,105.14	-28,404.54	-37,327.74	-37,135.50	-27,182.79	-19,680.36	-5,482.26	10,105.98	29,000.11
ii. Debt service	Naira	Million						21,973.57	22,886.72	27,590.78	34,389.66	43,300.13	53,749.50	63,085.96	71,388.51	78,478.77	81,165.22
Amortizations	Naira	Million						11,267.70	11,092.30	12,442.65	15,770.27	20,400.31	26,370.75	31,755.57	36,631.11	41,270.71	42,488.41
Interests	Naira	Million						9,705.87	11,794.42	15,088.13	18,619.39	22,899.82	27,378.75	31,330.39	34,762.40	37,202.07	38,679.81
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Debt)	Naira	Million						-29,887.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Sources	Naira	Million						23,575.66	33,911.86	55,945.32	71,717.40	80,436.63	80,932.29	82,736.32	76,875.77	68,366.79	52,116.11
i. Financing Sources Other than Borrowing	Naira	Million						986.50	0.00	0.00	0.00	0.00	500.00	0.00	1,000.00	0.00	0.00
ii. Gross Borrowings	Naira	Million						22,689.16	33,911.86	55,945.32	71,717.40	80,436.63	80,432.29	82,736.32	75,875.77	67,366.79	52,116.11
CONTROL: Financing Needs and Sources Must be identical (i.e., no financing gap)																	



Annexure 3: Shock Revenue Scenario Projections

	Units	Shock (% deviation from Base)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1. Information on State's Gross Domestic Product [See Note 3 in Guidance for Completing Data Request for State DSA]																	
State GDP [at current prices]	Naira	Million	4,448,524	5,370,611	6,011,247	6,443,111	7,354,664	8,475,805	9,806,285	11,122,846	12,608,838	14,293,402	16,203,000	18,367,721	20,821,648	23,603,421	26,756,838
Nation GDP [at current prices]	Naira	Million	114,004,750	127,736,828	145,639,139	154,252,319	176,075,502	202,916,243	234,768,903	266,288,246	301,864,356	342,193,434	387,910,476	438,735,216	498,463,954	565,081,410	640,576,287
Exchange Rate NGN/US\$ [end-Period]	Naira/USD		253	306	307	326	379	410	410	410	410	410	410	410	410	410	410
3. Information on Revenues, Expenditure, and Financing Needs and Sources [See Note 3 in Guidance for Completing Data Request for State DSA]																	
Revenue	Naira	Million	79,925.00	107,967.50	89,880.50	100,003.20	147,045.52	363,263	184,621	195,857	210,889	231,373	248,601	284,834	301,429	320,013	336,488
1. Gross Statutory Allocation [cross' means with no deductions; do not include VAT]	Naira	Million	-300	23,366.00	44,210.00	42,811.60	35,242.00	36,837.37	37,928	34,855	35,935	35,987	36,863	40,550	44,604	49,064	53,971
1.a. of which Net Statutory Allocation [net means of deductions]	Naira	Million	-300	13,865.20	33,746.90	31,894.60	25,766.80	25,456.60	16,547	13,238	14,350	14,401	15,278	18,964	23,018	30,013	34,920
1.b. of which Deductions	Naira	Million	-300	9,500.70	10,463.10	10,917.00	9,475.20	11,380.80	21,381	21,618	21,586	21,586	21,586	21,586	21,586	19,051	19,051
2. Derivation (if applicable to the State)	Naira	Million	-300	2,888.40	5,999.60	9,307.10	8,737.80	9,984.57	10,379	8,798	9,678	10,645	11,710	12,881	14,170	15,386	17,145
3. Other FAAC Transfers [exchange rate gain, augmentation, others]	Naira	Million	-300	32,451.20	15,131.70	2,201.20	6,299.50	3,643.64	9,258	6,735	6,802	6,870	6,939	7,009	7,079	7,148	7,221
4. VAT Allocation	Naira	Million	-300	8,800.80	11,997.80	13,036.10	15,549.90	21,643.64	21,195	23,935	28,722	34,466	41,360	48,631	58,558	71,469	85,763
5. IGR	Naira	Million	-300	12,348.40	8,267.10	14,385.90	18,804.50	26,831.93	63,158	34,287	34,699	35,115	35,642	36,177	36,719	37,270	37,829
6. Capital Receipts	Naira	Million	-300	70.40	22,361.40	2,138.50	15,467.60	48,204.37	221,445	78,010	80,021	87,805	98,859	102,354	122,705	120,890	118,084
6.a. Grants	Naira	Million	-300	4.90	0.00	0.00	1,000.00	4,382.26	197,669	27,000	9,000	0	0	0	0	0	0
6.b. Sales of Government Assets and Privatization Proceeds	Naira	Million	-300	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0
6.c. Other Non-Debt Creating Capital Receipts	Naira	Million	-300	0.00	22,361.40	0.00	5,984.90	0.00	9,327	0	0	0	0	0	0	0	0
6.d. Proceeds from Debt-Creating Borrowings [bond issuance, loan disbursements]	Naira	Million	-300	65.50	0.00	2,138.50	8,882.70	43,566.11	22,639	49,010	71,021	87,805	98,859	101,854	122,705	119,890	118,084
6.d.1. of which Borrowings from Domestic bonds	Naira	Million	-300	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0
6.d.2. of which Borrowings from Commercial bank loans	Naira	Million	-300	0.00	0.00	0.00	0.00	43,566.11	0	0	0	0	0	0	0	0	0
6.d.3. of which Borrowings from External loans	Naira	Million	-300	65.50	0.00	2,138.50	8,882.70	0.00	0	0	0	0	0	0	0	0	0
Expenditure	Naira	Million	79,738.90	99,005.20	88,881.90	88,027.30	134,044.27	393,250	184,621	195,857	210,889	231,373	248,601	284,834	301,429	320,013	336,488
1. Personnel costs [salaries, pensions, Civil Servant Social Benefits, other]	Naira	Million	17,368.40	10,230.60	16,452.70	21,166.80	36,438.79	41,224	41,899	42,560	42,999	43,293	43,599	44,098	44,860	44,999	45,498
2. Overhead costs	Naira	Million	4,780.10	7,666.50	16,384.10	10,371.90	19,727.60	27,602	28,401	28,946	29,444	30,293	30,844	31,598	32,156	32,818	33,683
3. Interest Payments [Public Debt Charges, including interest deducted from FAAC]	Naira	Million	7,960.10	9,410.60	10,427.70	14,208.20	9,489.31	9,706	11,744	16,304	21,031	26,598	32,551	38,216	43,640	48,396	52,501
3.a. of which Interest Payments [Public Debt Charges, excluding interest deducted from FAAC]	Naira	Million	6,121.0	758.30	1,222.70	6,371.0	2,032.14	0	0	0	0	0	0	0	0	0	0
3.b. of which Interest deducted from FAAC Allocation	Naira	Million	1,839.10	8,652.30	9,205.00	7,847.20	7,457.17	0	0	0	0	0	0	0	0	0	0
4. Other Recurrent Expenditure [excluding Personnel Costs, Overhead Costs and Interest Payments]	Naira	Million	12,343.50	14,288.70	14,290.60	11,597.80	14,431.80	18,734	18,993	18,993	19,593	20,000	20,193	20,770	20,993	21,393	22,393
5. Capital Expenditure	Naira	Million	35,830.30	55,615.10	38,669.00	28,565.40	39,982.43	284,717	72,481	76,613	82,052	90,783	95,044	103,327	108,072	115,049	121,412
6. Amortization (principal) payments	Naira	Million	1,456.60	1,803.80	2,587.90	2,107.20	14,074.34	11,268	11,092	12,443	15,770	20,400	26,371	46,823	51,707	57,358	60,911
6.a. of which Amortization of Domestic bonds	Naira	Million	3,780	13.60	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0	0
6.b. of which Amortization of Commercial bank loans	Naira	Million	1,007.80	1,341.00	2,119.00	1,574.50	13,384.40	0	0	0	0	0	0	0	0	0	0
6.c. of which Amortization of External loans	Naira	Million	411.00	449.10	468.90	532.70	689.93	0	0	0	0	0	0	0	0	0	0
Budget Balance [+ means surplus, - means deficit]	Naira	Million	386.20	8,992.30	-4,991.40	12,075.90	13,001.20	-29,887	0	0	0	0	0	0	0	0	0
Opening Cash and Bank Balance	Naira	Million	2,804.90	2,791.00	10,743.90	6,801.90	18,885.80	31,887	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Closing Cash and Bank Balance	Naira	Million	2,791.00	10,743.90	6,801.90	18,885.80	30,887.00	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Calculation of Financing Needs and Sources																	
Financing Needs	Naira	Million						23,575.66	49,009.73	71,021.42	87,804.90	98,858.89	102,354.21	122,704.57	120,898.06	118,083.98	109,625.48
i. Primary balance	Naira	Million	Sign +/- means source/use of funds					-32,489.09	-26,173.01	-42,275.21	-51,003.72	-51,880.24	-43,432.45	-37,664.69	-25,942.16	-12,329.58	3,896.49
ii. Debt service	Naira	Million						20,973.57	22,886.72	28,746.21	35,801.18	46,998.65	58,921.79	65,089.88	95,347.70	105,754.40	113,471.97
Amortizations	Naira	Million						11,267.07	11,092.30	12,442.65	15,770.27	20,400.31	26,370.75	46,823.44	51,707.21	57,358.20	60,910.65
Interests	Naira	Million						9,706.67	11,744.42	16,303.56	21,030.91	26,598.34	32,551.05	38,216.44	43,640.49	48,396.19	52,591.31
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Debt)	Naira	Million						-29,887.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Sources	Naira	Million						23,575.66	49,009.73	71,021.42	87,804.90	98,858.89	102,354.21	122,704.57	120,898.06	118,083.98	109,625.48
i. Financing Sources Other than Borrowing	Naira	Million						966.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii. Gross Borrowings	Naira	Million						22,608.76	49,009.73	71,021.42	87,804.90	98,858.89	101,854.21	122,704.57	119,898.06	118,083.98	109,625.48
CONFIRM: Financing Needs and Sources Must be Identical (i.e., no financing gap)																	
								OK									



Annexure 4: ShockExpenditure Scenario Projections

	Units	Scale	Shock (% deviation from Base)	2007	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
3. Information on State's Gross Domestic Product [See Note 3 in Guidance for Completing Data Request for State DSA]																		
State GDP (at current prices)	Naira	Million		4,449,524	5,370,611	6,011,247	6,443,111	7,354,664	8,475,805	9,806,285	11,122,846	12,608,858	14,293,402	16,203,000	18,367,721	20,821,649	23,603,421	26,756,838
Nation GDP (at current prices)	Naira	Million		114,004,750	127,736,828	145,639,139	154,252,219	176,075,502	202,916,343	234,768,903	266,268,246	301,864,356	342,193,434	387,910,476	439,735,216	498,483,954	565,061,410	640,576,287
Exchange Rate NGN/US\$ (end-Period)	Naira/US\$			253	306	307	326	379	410	410	410	410	410	410	410	410	410	410
3. Information on Revenues, Expenditure, and Financing Needs and Sources [See Note 3 in Guidance for Completing Data Request for State DSA]																		
Revenue	Naira	Million		79,92530	107,967.90	89,280.90	100,010.20	147,345.52	303,363	200,799	212,657	228,621	250,458	268,566	307,217	326,521	347,218	364,886
1. Gross Statutory Allocation (gross - means with no deductions; do not include V)	Naira	Million		23,366.00	44,210.00	42,211.60	35,242.00	36,837.37	37,928	38,728	39,928	39,985	40,959	45,055	49,580	54,516	59,968	65,965
1.a. of which Net Statutory Allocation (net - means of deductions)	Naira	Million		13,865.20	33,746.90	31,894.60	25,766.80	25,466.60	16,547	14,709	15,944	16,001	16,975	21,071	25,576	33,348	38,800	44,797
1.b. of which Deductions	Naira	Million		9,500.70	10,463.10	10,317.00	9,475.20	11,380.80	21,381	24,020	23,984	23,984	23,984	23,984	23,984	21,168	21,168	21,168
2. Derivation (if applicable to the State)	Naira	Million		2,888.40	5,999.60	9,307.10	8,737.80	9,984.57	10,379	9,776	10,753	11,828	13,011	14,312	15,744	17,318	19,050	20,955
3. Other FAAC Transfers (exchange rate gain, augmentation, others)	Naira	Million		32,451.20	15,131.70	2,201.20	6,299.50	3,643.64	9,238	7,403	7,558	7,634	7,710	7,787	7,865	7,944	8,023	8,103
4. VAT Allocation	Naira	Million		8,800.60	11,997.80	13,036.10	15,549.90	21,643.64	21,195	26,594	31,913	38,296	45,955	55,146	66,175	79,410	95,292	114,350
5. IGR	Naira	Million		12,348.40	8,267.10	14,385.90	18,004.50	24,631.93	63,152	28,097	28,550	39,017	39,602	40,196	40,789	41,411	42,027	42,663
6. Capital Receipts	Naira	Million		70.40	22,361.40	2,138.50	15,467.60	48,204.37	221,446	80,120	83,951	91,861	103,220	106,069	127,074	126,922	122,852	112,861
6.a. Grants	Naira	Million		4.90	0.00	0.00	1,000.00	4,638.26	19,728.69	30,000	10,000	0	0	0	0	0	0	0
6.b. Sales of Government Assets and Privatization Proceeds	Naira	Million		0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0	0
6.c. Other Non-Debt Creating Capital Receipts	Naira	Million		0.00	22,361.40	0.00	5,584.90	0.00	937	0	0	0	0	500	0	1,000	0	0
6.d. Proceeds from Debt-Creating Borrowings (bond issues, loan disbursements)	Naira	Million		65.50	0.00	2,138.50	8,882.70	43,566.11	22,639	50,120	73,951	91,861	103,220	105,569	127,074	124,922	122,852	112,861
6.d.1. of which Borrowings from Domestic bank	Naira	Million		0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0	0
6.d.2. of which Borrowings from Commercial bank loans	Naira	Million		0.00	0.00	0.00	0.00	43,566.11										
6.d.3. of which Borrowings from External loans	Naira	Million		65.50	0.00	2,138.50	8,882.70	0.00										
Expenditure	Naira	Million		79,798.90	99,052.00	88,201.90	88,027.90	134,344.27	393,250	200,799	212,657	228,621	250,458	268,566	307,217	326,521	347,218	364,886
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Naira	Million	300	17,368.40	10,230.60	16,462.70	21,168.80	36,438.79	41,224	46,088	46,816	47,299	47,628	47,959	48,508	49,346	49,499	50,148
2. Overhead costs	Naira	Million	300	4,780.10	7,666.50	16,384.10	10,371.90	19,727.60	27,602	31,242	31,840	32,388	33,322	33,928	34,738	35,372	36,100	37,051
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC)	Naira	Million		7,960.10	9,401.60	10,427.70	14,218.20	9,489.31	9,706	11,744	16,382	21,354	27,246	33,548	39,510	45,195	50,119	54,341
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC)	Naira	Million		6,121.00	7,583.30	1,222.70	6,371.00	2,032.14										
3.b. of which Interest deducted from FAAC Allocation	Naira	Million		7,348.00	8,652.30	9,205.00	7,847.20	7,457.17										
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest)	Naira	Million	300	12,343.50	14,288.70	14,290.60	11,597.80	14,431.80	18,734	20,892	20,892	21,552	22,000	22,212	22,846	23,092	23,532	24,632
5. Capital Expenditure	Naira	Million	300	35,830.30	55,815.10	28,669.00	28,565.40	39,982.43	284,717	79,740	84,274	90,257	99,861	104,548	113,660	118,879	126,554	133,553
6. Amortization (principal) payments	Naira	Million		1,456.60	1,803.80	2,587.90	2,107.20	14,074.34	11,268	11,092	12,443	15,770	20,400	26,371	47,934	54,637	61,414	65,272
6.a. of which Amortization of Domestic bonds	Naira	Million		378.00	1,360.00	0.00	0.00	0.00										
6.b. of which Amortization of Commercial bank loans	Naira	Million		1,078.00	1,341.00	2,119.00	1,574.50	13,384.40										
6.c. of which Amortization of External loans	Naira	Million		411.00	449.10	468.90	532.70	689.93										
Budget Balance ('+' means surplus, '-' means deficit)	Naira	Million		186.20	8,952.90	4,989.40	12,073.90	13,001.20	-29,887	0	0	0	0	0	0	0	0	0
Opening Cash and Bank Balance	Naira	Million		2,604.90	2,791.00	31,743.30	6,833.90	18,885.80	31,887	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Closing Cash and Bank Balance	Naira	Million		2,790.00	31,743.30	6,833.90	18,885.80	31,887.00	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Calculation of Financing Needs and Sources																		
Financing Needs	Naira	Million							23,575.66	50,120.24	73,950.71	91,860.86	103,220.20	106,069.09	127,073.88	125,921.83	122,851.91	112,861.41
i. Primary balance	Naira	Million	Sign +/- means source/use of funds						-32,489.09	-27,283.52	-45,115.65	-54,735.49	-55,573.89	-46,150.73	-39,629.73	-26,090.39	-11,318.88	6,751.50
ii. Debt service	Naira	Million							20,973.57	22,686.72	26,885.05	37,124.35	47,646.31	59,983.96	87,444.15	99,881.45	111,593.03	119,612.92
Amortizations	Naira	Million							11,267.70	11,092.30	12,442.65	15,770.27	20,400.31	26,370.75	47,939.98	54,636.90	61,414.16	65,271.98
Interests	Naira	Million							9,705.87	11,744.42	16,382.40	21,354.09	27,246.00	33,547.61	39,510.20	45,194.95	50,118.86	54,340.94
iii. Financing Needs Other than Amortization Payments (e.g., Variation in)	Naira	Million							-29,887.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Sources	Naira	Million							23,575.66	50,120.24	73,950.71	91,860.86	103,220.20	106,069.09	127,073.88	125,921.83	122,851.91	112,861.41
i. Financing Sources Other than Borrowing	Naira	Million							986.90	0.00	0.00	0.00	0.00	500.00	0.00	1,000.00	0.00	0.00
ii. Gross Borrowings	Naira	Million	Gross Borrowing = Primary Deficit + Debt Service + Financing Needs Other than Amortization						22,688.76	50,120.24	73,950.71	91,860.86	103,220.20	105,569.09	127,073.88	124,921.83	122,851.91	112,861.41
CONTROL: Financing Needs and Sources Must be Identical (i.e., no financing gap)																		
									OK									



Annexure 5: ShockExchange Rate Scenario Projections

	Units	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
3. Information on State's Gross Domestic Product [See Note 3 in Guidance for Completing Data Request for State DSA]																
State GDP (at current prices)	Naira Million	4,449,524	5,370,611	6,011,247	6,443,111	7,354,664	8,475,805	9,806,285	11,122,846	12,608,858	14,293,402	16,203,000	18,367,721	20,821,648	23,603,421	26,756,838
Nation GDP (at current prices)	Naira Million	114,004,750	127,736,828	145,639,139	154,252,219	176,075,502	202,916,343	234,768,903	266,268,246	301,864,356	342,193,434	387,910,476	439,735,316	498,483,954	565,081,410	640,576,287
Exchange Rate (NGN/US\$ (end-Period))	Naira/US\$	20.0	253	306	307	326	379	410	492.00	492.00	492.00	492.00	492.00	492.00	492.00	492.00
3. Information on Revenues, Expenditure, and Financing Needs and Sources [See Note 3 in Guidance for Completing Data Request for State DSA]																
Revenue	Naira Million	79,925.00	107,967.50	89,280.50	100,020.20	147,345.52	363,363	18,4834	194,910	208,491	227,349	242,697	261,931	272,189	285,636	295,689
1. Gross Statutory Allocation (Gross means with no deductions; do not include VAT)	Naira Million	23,366.00	44,210.00	42,811.60	35,242.00	3,683,737	379,288	38,728	39,928	39,985	40,959	45,055	48,560	54,516	59,968	65,965
1.a. of which Net Statutory Allocation (net means of deductions)	Naira Million	13,865.20	33,746.90	31,894.60	25,766.80	25,466.60	16,547	14,709	15,944	16,001	16,975	21,071	25,576	33,348	38,800	44,797
1.b. of which Deductions	Naira Million	9,500.70	10,463.10	10,917.00	9,475.20	11,380,080	21,381	24,020	23,984	23,984	23,984	23,984	23,984	21,188	21,168	21,168
2. Derivation (if applicable to the State)	Naira Million	2,888.40	5,899.60	9,307.10	8,737.80	9,989.457	10,379	9,776	10,753	11,928	13,011	14,312	15,794	17,319	19,050	20,955
3. Other FAAC transfers (exchange rate gain, augmentation, other)	Naira Million	32,451.20	15,131.70	2,201.20	6,299.50	3,643.64	9,238	7,403	7,558	7,634	7,710	7,767	7,865	7,944	8,023	8,103
4. VAT Allocation	Naira Million	8,800.80	11,997.80	13,036.10	15,548.90	21,643.64	21,195	26,594	31,913	38,296	45,955	55,146	66,175	79,410	95,292	114,350
5. IGR	Naira Million	12,348.40	8,267.10	14,385.90	18,804.50	26,831.93	63,158	38,097	38,554	39,017	39,602	40,196	40,799	41,411	42,032	42,663
6. Capital Receipts	Naira Million	70.40	22,361.40	2,138.50	15,467.60	48,204.37	21,445	64,155	66,203	71,731	80,112	80,200	81,787	71,590	61,270	49,683
6.a. Grants	Naira Million	4.90	0.00	0.00	1,000.00	4,638.26	19,786.69	30,000	10,000	0	0	0	0	0	0	0
6.b. Sales of Government Assets and Privatization Proceeds	Naira Million	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0	0
6.c. Other Non-Debt Creating Capital Receipts	Naira Million	0.00	22,361.40	0.00	5,584.90	0.00	9,337	0	0	0	0	50.00	0	1,000	0	0
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursement)	Naira Million	65.50	0.00	2,138.50	8,882.70	43,566.11	22,639	34,155	56,203	71,731	80,112	79,700	81,787	70,590	61,270	49,683
6.d.1. of which Borrowings from Domestic bonds	Naira Million	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0	0
6.d.2. of which Borrowings from Commercial bank loans	Naira Million	0.00	0.00	0.00	0.00	43,566.11	0	0	0	0	0	0	0	0	0	0
6.d.3. of which Borrowings from External loans	Naira Million	65.50	0.00	2,138.50	8,882.70	0.00	0	0	0	0	0	0	0	0	0	0
Expenditure	Naira Million	79,738.90	99,015.20	88,201.90	88,027.30	134,344.27	343,250	18,4834	194,910	208,491	227,349	242,697	261,931	272,189	285,636	295,689
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Naira Million	17,308.40	10,230.60	16,452.70	21,166.80	3,640.79	41,224	41,899	42,560	42,999	43,298	43,599	44,098	44,600	44,999	45,498
2. Overhead costs	Naira Million	4,780.10	7,666.50	16,384.10	10,371.90	19,727.60	27,602	28,401	28,946	29,444	30,293	30,844	31,586	32,155	32,818	33,683
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC)	Naira Million	7,960.10	9,401.60	10,427.70	14,218.20	9,489.31	9,706	11,778	15,148	18,424	22,265	26,436	29,948	32,894	34,843	35,827
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC)	Naira Million	6,121.10	758.30	1,222.70	6,371.00	2,032.24	0	0	0	0	0	0	0	0	0	0
3.b. of which Interest deducted from FAAC Allocation	Naira Million	7,348.00	8,652.30	9,205.00	7,847.20	7,457.17	0	0	0	0	0	0	0	0	0	0
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Naira Million	12,343.50	14,288.70	14,290.60	11,597.80	14,431.80	18,734	18,893	18,893	19,593	20,000	20,193	20,770	20,993	21,393	22,393
5. Capital Expenditure	Naira Million	35,830.30	55,615.10	28,669.00	28,665.40	39,802.43	284,717	72,481	76,613	82,052	80,783	85,044	103,227	116,072	115,049	121,412
6. Amortization (principal) payments	Naira Million	1,456.60	1,803.80	2,387.90	2,107.20	14,074.34	11,268	11,272	12,651	15,979	20,610	26,581	32,189	33,213	36,534	36,888
6.a. of which Amortization of Domestic bank loans	Naira Million	378.00	13.60	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0	0
6.b. of which Amortization of Commercial bank loans	Naira Million	1,078.60	1,341.00	2,119.00	1,574.50	13,384.40	0	0	0	0	0	0	0	0	0	0
6.c. of which Amortization of External loans	Naira Million	410.00	449.20	468.90	532.70	889.93	0	0	0	0	0	0	0	0	0	0
Budget Balance ('+' means surplus, '-' means deficit)	Naira Million	186.20	8,952.30	-4,921.40	12,073.90	13,001.20	-29,887	0	0	0	0	0	0	0	0	0
Opening Cash and Bank Balance	Naira Million	2,604.90	2,793.00	11,743.90	6,831.90	18,885.80	31,887	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Closing Cash and Bank Balance	Naira Million	2,791.00	11,743.90	6,831.90	18,885.80	31,887.00	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Calculation of Financing Needs and Sources																
Financing Needs	Naira Million						23,575.65	34,650.66	56,203.45	71,731.04	80,111.70	80,200.47	81,787.31	71,589.65	61,270.17	43,682.74
i. Primary balance	Naira Million						-32,469.09	-11,105.14	-28,404.54	-37,327.74	-37,186.50	-27,182.79	-19,680.66	-5,482.26	10,106.98	29,080.11
ii. Debt service	Naira Million						20,973.57	23,049.92	27,789.91	34,408.30	42,975.20	53,017.68	62,136.95	66,107.39	71,377.15	72,712.65
Amortizations	Naira Million						11,267.70	11,778.88	12,680.98	15,979.37	20,610.23	26,581.49	32,189.95	33,213.34	36,589.68	36,885.20
Interests	Naira Million						9,705.87	11,271.04	15,109.54	18,428.93	22,364.96	26,436.19	29,947.60	32,894.04	34,843.47	35,826.65
iii. Financing Needs Other than Amortization Payments (e.g., Variation in)	Naira Million						-29,887.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Sources	Naira Million						23,575.65	34,650.66	56,203.45	71,731.04	80,111.70	80,200.47	81,787.31	71,589.65	61,270.17	43,682.74
i. Financing Sources Other than Borrowing	Naira Million						986.90	0.00	0.00	0.00	0.00	500.00	0.00	1,000.00	0.00	0.00
ii. Gross Borrowings	Naira Million						22,688.75	34,650.66	56,203.45	71,731.04	80,111.70	79,700.47	81,787.31	70,589.65	61,270.17	43,682.74
CONTROL: Financing Needs and Sources Must be Identical (i.e., no financing gap)							OK									



Annexure 6: Shock Interest Rate Scenario Projections

	Units	Scale	Shock (% deviation from base)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1. Information on State's Gross Domestic Product [See Note 1 in Guidance for Completing Data Request for State DSA]																		
State GDP [at current prices]	Naira	Million		4,448,524	5,370,611	6,011,247	6,443,111	7,354,664	8,475,805	9,806,285	11,122,846	12,608,858	14,293,402	16,203,000	18,367,721	20,821,649	23,603,421	26,756,838
Nation GDP [at current prices]	Naira	Million		114,004,750	127,736,828	145,639,139	154,252,319	176,075,502	202,916,343	234,788,903	266,288,246	301,864,356	342,193,434	387,910,476	439,735,316	498,483,954	565,081,410	640,576,287
Exchange rate NGN/USD [end-Period]	Naira/USD			253	306	307	326	379	410	410	410	410	410	410	410	410	410	410
3. Information on Revenues, Expenditure, and Financing Needs and Sources [See Note 3 in Guidance for Completing Data Request for State DSA]																		
Revenue	Naira	Million		79,925.10	107,967.50	83,880.50	100,101.20	147,145.52	363,363	185,073	195,820	210,389	230,542	247,356	268,318	284,674	301,638	314,890
1. Gross Statutory Allocation [gross means with no deductions; do not include VAT]	Naira	Million		23,366.00	44,210.00	42,811.60	35,242.00	36,837.37	37,928	38,728	39,528	39,985	40,959	45,055	49,560	54,516	59,968	65,965
1.a. of which Net Statutory Allocation [net means of deductions]	Naira	Million		13,865.20	33,746.90	31,894.60	25,766.80	25,456.61	16,547	14,709	15,944	16,001	16,975	21,071	25,576	33,348	38,800	44,797
1.b. of which Deductions	Naira	Million		9,500.70	10,463.10	10,917.00	9,475.20	11,380.80	21,381	24,020	23,584	23,984	23,984	23,984	23,984	23,984	21,168	21,168
2. Derivation [if applicable to the State]	Naira	Million		2,888.40	5,599.60	9,307.10	8,737.80	9,884.57	10,379	9,776	10,753	11,828	13,011	14,312	15,744	17,318	19,550	20,955
3. Other FAAC transfers [exchange rate gain, augmentation, others]	Naira	Million		32,481.20	15,131.70	2,201.20	6,299.50	3,643.64	9,288	7,483	7,538	7,634	7,710	7,787	7,865	7,944	8,023	8,103
4. VAT Allocation	Naira	Million		8,800.80	11,997.80	13,036.10	15,949.90	21,643.64	21,195	26,594	31,913	38,296	46,955	55,146	66,175	79,410	95,292	114,350
5. IGR	Naira	Million		12,348.40	8,267.10	14,385.90	18,804.50	26,831.93	63,198	38,097	38,554	39,017	39,602	40,196	40,799	41,411	42,032	42,663
6. Capital Receipts	Naira	Million		70.40	22,361.40	2,138.50	15,467.60	48,204.37	221,446	64,395	67,113	73,639	83,305	84,859	88,165	84,075	77,292	62,854
6.a. Grants	Naira	Million		4.90	0.00	0.00	1,000.00	4,638.26	197,869	30,000	10,000	0	0	0	0	0	0	0
6.b. Sales of Government Assets and Privatization Proceeds	Naira	Million		0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0	0
6.c. Other Non-Debt Creating Capital Receipts	Naira	Million		0.00	22,361.40	0.00	5,884.90	0.00	937	0	0	0	0	500	0	1,000	0	0
6.d. Proceeds from Debt-Creating Borrowings [bond issues, loan disbursements]	Naira	Million		65.50	0.00	2,138.50	8,882.70	43,566.11	22,638	34,395	57,113	73,639	83,305	84,359	88,165	83,075	77,292	62,854
6.d.1. of which Borrowings from Domestic bonds	Naira	Million		0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0	0
6.d.2. of which Borrowings from Commercial bank loans	Naira	Million		0.00	0.00	0.00	0.00	43,566.11	0	0	0	0	0	0	0	0	0	0
6.d.3. of which Borrowings from External loans	Naira	Million		65.50	0.00	2,138.50	8,882.70	0.00	0	0	0	0	0	0	0	0	0	0
Expenditure	Naira	Million		79,738.90	99,015.20	88,811.90	88,027.30	134,144.27	393,250	185,073	195,820	210,389	230,542	247,356	268,318	284,674	301,638	314,890
1. Personnel costs [Salaries, Pensions, Civil Servant Social Benefits, other]	Naira	Million		17,388.40	10,230.60	16,452.70	21,166.80	36,438.79	41,224	41,899	42,560	42,999	43,298	43,599	44,098	44,660	44,999	45,488
2. Overhead costs	Naira	Million		4,760.10	7,666.50	16,384.10	10,371.90	19,727.60	27,602	28,401	29,444	29,444	30,243	30,844	31,598	32,156	32,818	33,683
3. Interest Payments [Public Debt Charges, including interest deducted from FAAC]	Naira	Million		7,960.10	9,410.60	10,427.70	14,218.20	9,489.31	9,706	12,197	16,266	20,541	25,768	31,306	36,306	40,794	44,207	46,548
3.a. of which Interest Payments [Public Debt Charges, excluding interest deducted from FAAC Allocation]	Naira	Million		612.10	788.30	1,222.70	6,371.00	2,032.14	0	0	0	0	0	0	0	0	0	0
3.b. of which Interest deducted from FAAC Allocation	Naira	Million		7,348.00	8,622.30	9,205.00	7,847.20	7,457.17	9,706	12,197	16,266	20,541	25,768	31,306	36,306	40,794	44,207	46,548
4. Other Recurrent Expenditure [Excluding Personnel Costs, Overhead Costs and Interest Payments]	Naira	Million		12,343.50	14,288.70	14,290.60	11,597.80	14,431.80	18,734	18,993	18,993	19,593	20,000	20,193	20,770	20,993	21,393	22,393
5. Capital Expenditure	Naira	Million		3,5830.30	55,615.10	28,669.00	28,565.40	39,982.43	284,717	72,491	76,613	82,052	90,783	95,044	103,327	108,072	115,048	121,412
6. Amortization [principal] payments	Naira	Million		1,466.60	1,803.80	2,587.90	2,107.20	14,079.34	11,268	11,092	12,443	15,770	20,400	26,371	32,218	37,799	43,192	48,356
6.a. of which Amortization of Domestic bonds	Naira	Million		37.80	13.60	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0	0
6.b. of which Amortization of Commercial bank loans	Naira	Million		1,007.80	1,341.00	2,119.00	1,574.50	13,284.40	0	0	0	0	0	0	0	0	0	0
6.c. of which Amortization of External loans	Naira	Million		421.00	449.20	468.90	532.70	899.93	0	0	0	0	0	0	0	0	0	0
Budget Balance [+ means surplus, - means deficit]	Naira	Million		186.20	8,952.30	-4,931.40	12,073.90	13,001.20	-28,887	0	0	0	0	0	0	0	0	0
Opening Cash and Bank Balance	Naira	Million		2,604.90	2,791.00	11,743.30	6,811.90	18,885.80	31,887	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Closing Cash and Bank Balance	Naira	Million		2,791.00	11,743.30	6,811.90	18,885.80	31,887.00	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Calculation of Financing Needs and Sources																		
Financing Needs	Naira	Million							235,756	34,394.63	57,113.15	73,688.91	83,304.71	84,898.08	88,164.61	84,055.36	77,291.91	62,854.07
i. Primary balance	Naira	Million	Sign + / - means source/use of funds						-32,489.09	-11,105.14	-28,404.54	-37,327.74	-37,136.50	-27,182.79	-19,680.36	-5,482.26	10,105.99	29,000.11
ii. Debt service	Naira	Million							20,973.57	23,289.49	28,708.61	35,311.17	46,168.21	57,675.29	69,514.28	79,980.10	87,398.68	91,904.18
Amortizations	Naira	Million							11,267.70	11,092.30	12,442.65	15,770.27	20,400.31	25,370.75	32,208.35	37,788.94	43,192.22	45,355.48
Interests	Naira	Million							9,706.87	12,197.19	16,265.97	20,540.90	25,767.90	31,305.54	36,307.94	40,794.16	44,207.66	46,547.70
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Debt)	Naira	Million							-29,887.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Sources	Naira	Million							235,756	34,394.63	57,113.15	73,688.91	83,304.71	84,898.08	88,164.61	84,055.36	77,291.91	62,854.07
i. Financing Sources Other than Borrowing	Naira	Million							936.90	0.00	0.00	0.00	0.00	500.00	0.00	1,000.00	0.00	0.00
ii. Gross Borrowings	Naira	Million	Gross Borrowing = Primary Deficit + Debt Service + Financing Needs Other than Amortization						22,638.76	34,394.63	57,113.15	73,688.91	83,304.71	84,398.08	88,164.61	83,075.36	77,291.91	62,854.07
CONFIRM: Financing Needs and Sources Must be Identical (i.e., no financing gap)																		
									OK									



IMO STATE DSA TECHNICAL TEAM

1. OLUJIMI OLUGBENGA AMOS, *CNA* DEBT MANAGEMENT OFFICE
2. AJUZIOGU EJIKE, *CPA* DEBT MANAGEMENT OFFICE
3. CHUKWU CALLISTUS, *ACA* OFFICE OF THE ACCOUNTANT GENERAL
4. OKPARA DAVID CHIBUZOR DEBT MANAGEMENT OFFICE
5. OKERE JOACHIM MINISTRY OF BUDGET, ECONOMIC PLANNING & STATISTICS

TECHNICAL ADVISERS

- ❖ DEBT MANAGEMENT OFFICE, Abuja
- ❖ WORLD BANK GROUP