



**AKWA IBOM STATE GOVERNMENT OF NIGERIA**

**DEBT SUSTAINABILITY ANALYSIS AND DEBT  
MANAGEMENT STRATEGY (STATE DSA-DMS)  
REPORT**

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**AKWA IBOM STATE DEBT MANAGEMENT OFFICE (AK DMO)**

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## **CHAPTER ONE**

### **INTRODUCTION**

The Akwa Ibom State Debt Sustainability Analysis highlights historical trends and patterns in the State's Public Finance during the period 2019 to 2023 and evaluates the debt sustainability in 2024 to 2033 (the long term). This analysis highlights the following: current trends in revenue, expenditure, public debt and the related policies and programmes adopted by the State. The Akwa Ibom State Debt Sustainability Assessment is conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances. The Debt Sustainability framework provides an objective assessment of debt sustainability in a given macro-economic context that outlines the State's Fiscal and Monetary stance under assumptions and conditions.

The main objective of the debt strategy is to ensure that the government financing needs and payment obligations are met at the lowest possible cost, consistent with a prudent degree of risk. In other words, for the State to achieve her development goals while minimizing the risk of experiencing debt distress. Consequently, the four debt management strategies calculate costs of carrying public debt; measure the risks associated with macroeconomic and fiscal shocks; realistically set fiscal targets and effectively allocate resources to strategic priorities using elements of the Medium-Term Expenditure Framework (MTEF). These are the Economic and Fiscal Update (EFU); Fiscal Strategy Paper (FSP) and Budget Policy Statements (BPS). The current edition of the MTEF covers the period 2025 - 2027.

The Akwa Ibom State exhibits a solid debt position that appears sustainable in the long term by digitalization of the State's Tax System which will enable the State to track down her internally generated revenue (IGR) and earnings from maintenance, repairs and overhaul (MRO) from Ikom international Airport also developing of Ikom Industrial City to complement Government efforts in the creation of enduring structure for employment and revenue generation. A solid debt position results from the State's strong performance in terms of mobilizing IGR, underpinned by the successful tax administration reforms introduced recently, its control of recurrent expenditure growth and its low level of public debt. Given the State's own forecasts for the economy and

reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable.

In preparing the debt sustainability analysis, assumptions are made concerning the State's revenue generation and expenditure over a ten-year period. Other assumptions are on the level and terms of outstanding as well as new public debt. It is recommended that Akwa Ibom State finance her deficit budget through commercial bank loans with maturity of 1 to 5 years including Agriculture loans, Infrastructure loans. The State should also borrow from the Capital market by issuing State Bonds with maturity of 6 years or longer, raise finance from other domestic sources. External financing should equally be sourced through concessional loans, e.g., World Bank, Africa Development Bank and Bilateral Loans.

## **CHAPTER TWO**

### **THE STATE FISCAL AND DEBT FRAMEWORK**

#### **2.1 FISCAL REFORMS:**

Akwa Ibom State has implemented the following fiscal reforms in the last 3 – 5 years.

- 1) Broadening and diversification of the State’s resource base through improvements in the collection of Internally Generated Revenue (IGR) and the development of other internally generated revenue sources in the maritime sector and in the coastal and inland water ways as well as harnessing revenue on landed properties.
- 2) Pursuing of foreign exchange revenue from airplane Maintenance, Other Aviation Repairs and Overhaul (MRO) facility at Ibom International Airport and opening of new regional routes to other countries.
- 3) Boosting production by local businesses through the promotion of trade, commerce and foreign tourism between the State and the rest of the world.
- 4) Encouraging and sustaining small and medium-scale enterprises through the development of an efficient and sustainable micro-credit framework as part of wealth creation and employment generation.
- 5) Developing of Ibom Industrial City to complement Government efforts in the creation of enduring structure for employment and revenue generation.
- 6) Developing the agricultural sector through supply of improved agricultural inputs, credit and extension.

#### **2.2 2025 - 2027 MTEF AND 2023 BUDGET**

Akwa Ibom State 2024 Budget aims at reducing dependence on statutory allocations as the main source of revenue to the State. This will be pursued by establishing more industries, improving internally generated revenue and providing the enabling environment which will encourage private investment in the State. The State Government will also create employment opportunities and improve the living standards of the people by providing basic infrastructures, enhancing security, developing human capital and continuing to boost services in education and healthcare. Akwa Ibom State has in the last two years embarked on the preparation of Medium-Term Expenditure Framework (MTEF). The document serves as a tool for Multi-year Fiscal Planning

and Budget formulation process aimed at enabling the State Government realistically set fiscal targets and effectively allocate resources to strategic priorities.

The main elements of the MTEF are:

1. **The Economic and Fiscal Update (EFU)**, which provides economic and fiscal analyses which form the basis for the budget planning process. It is aimed primarily at guiding policy and lawmakers in the State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant Global, National and State level factors affecting implementation.
2. **The Fiscal Strategy Paper (FSP)**, which determines the resources available to fund Government programs and projects from a fiscally sustainable perspective.
3. **The Budget Policy Statement (BPS)**, which states the overarching policy goals that will guide the Government's budget decisions and how the budget aligns with the Government's short-term intentions. It also states any changes to the government's long and short-term fiscal objectives and assesses how changes in the long-term fiscal objectives and short-term fiscal intentions situate with the principles of responsible fiscal management.

The current edition of the MTEF covers the period of 2025 - 2027. As a principle, the MTEF only recognizes approved budget figures as source data.

**Table 1: Overview of 2025 – 2027 Medium Term Budget Forecast**

<b>Items</b>	<b>2025 (N'Million)</b>	<b>2026 (N'Million)</b>	<b>2027 (N'Million)</b>
<b>Recurrent Revenue</b>			
Statutory Allocation	143,656.9	171,320.4	218,295.7
Derivation	342,079.1	383,582.1	499,906.2
VAT	61,581.5	82,915.2	107,905.8
IGR	62,353.3	68,588.7	75,447.5
Excess Crude /Other Revenue	10,000.0	12,000.0	11,000.0
<b>Total Recurrent Revenue</b>	<b>619,670.80</b>	<b>718,406.40</b>	<b>912,555.20</b>
<b>Recurrent Expenditure</b>	<b>319,822.75</b>	<b>340,964.44</b>	<b>369,653.28</b>
Personnel Cost	109,737.1	120,710.8	132,781.9
Social Contribution and Social Benefit	25,732.6	27,019.3	28,370.21

Overheads	138,274.1	152,101.5	167,311.7
Grants, contributions and Subsidies	1,078.9	1,132.9	1,189.5
Public Debt Service	45,000	40,000	40,000
<b>CAPITAL RECEIPTS</b>			
Opening Balance	80,000	60,000	40,000
Transfer to Capital Account	379,848.05	437,441.97	582,901.85
Grants	8,016.70	8,016.70	8,016.70
Other Capital Receipts	14,000	9,000	14,000
<b>Total Capital Receipts</b>	<b>481,865</b>	<b>514,459</b>	<b>644,919</b>
Financing (Loans)	53,305.00	71,432.06	71,432.06
<b>Total Capital Expenditure</b>	<b>535,170</b>	<b>585,891</b>	<b>716,351</b>
<b>Ratios</b>			
Growth in Recurrent Revenue	27.36%	15.93%	27.02%
Growth in Recurrent Expenditure	17.79%	6.61%	8.41%
Capital Expenditure Ratio	58.25%	60.13%	64.05%
Deficit (Financing) to Total Expenditure	6.88%	8.24%	6.83%

Source: Ministry of Economic Development & IDSP

## ASSUMPTIONS

The assumptions underlying Akwa Ibom State MTEF 2025 – 2027 are

**Statutory Allocation** - The estimate for statutory allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (National) and the mineral assumptions.

**Derivation** – The estimate for derivation is based on elasticity forecast using the macroeconomic assumptions stated above.

**VAT** – is also based on elasticity forecast using moving average of 5 years actual considering the effect of national Real GDP and inflation data as the explanatory variables for VAT growth.

**Other FAAC transfers** - are based on the actual receipts for 2022, 2023 and January to May 2024.

**Internally Generated Revenue (IGR)** – the estimation is own percentage adopting the growth rate in economic activity of the State and reform of revenue administration: minimum of 15% is proposed in 2025, 10% in 2026 and 2027 respectively.

**Grant** – External grants are based on signed grant agreements with the World Bank Programmes, UNICEF, USAID, UNDP and others are needed to be confirmed while blue-sky prospects were attached to specific program

**Other Capital Receipts** – are based on expected exceptional incomes, ecological fund from FGN and investment incomes.

**Financing (Net Loans)** – based on signed agreement with World Bank for NEWMAP, RAMP, ANRIN as well as commercial bank short term loans.

**Personnel** – own percentage of 90% growth for 2025, 10% for 2026 and 2027 respectively against the usual 3% annually forecast growth, this is to care take of the new minimum wage payment.

**Overheads** – own percentage of 20% growth for 2025, 10% in 2026 and 2027 respectively considering the rising inflation in the country.

**Social Contribution and Social Benefit** – own percentage on the assumption that pension and gratuity will increase annually by 5% for the three years in view.

**Grants and Contributions** – 5% annually based on three years moving average growth rate 2021 – 2023.

**Public Debt Service** – own value based on the inputs of the Office of the accountant General and the plan to implement the approval Arrears Clearance Framework (ACF) by the State DMO rather than calculated based on the memorandum with the creditors.

**Capital Expenditure** – estimated based on 1% of the total revenue in the state

## CHAPTER THREE

### REVENUE, EXPENDITURE AND PUBLIC DEBT TRENDS (2019-2023)

#### 3.1 Revenue, Expenditure and Overall Primary Balance

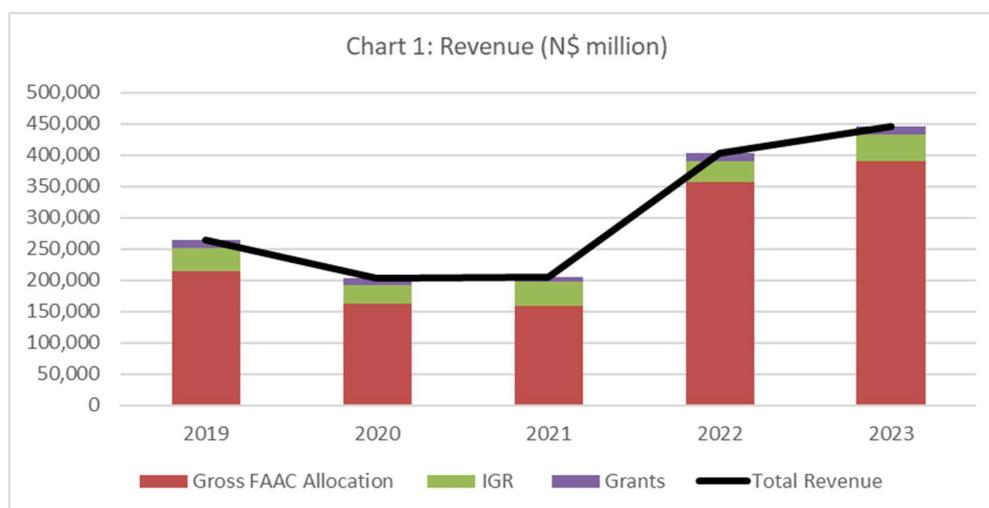
##### 3.1.1 Revenue Performance

Akwa Ibom State's Total Revenue in year 2023 stood at ₦445.7b compared to ₦403.9b in 2022, which represents a significant increase of ₦41.7b or 9.3%. The improvements recorded in Revenue profile from 2022 to 2023 is attributable to an 8.4% or ₦32.7b increment in the State's Gross FAAC allocations.

Over the 5-year historical period, the State's total revenue recorded a 40.5% nominal growth rate, the trend is presented in Table 1 and the Chart that follow:

**Table 2: Five Years Revenue Data**

	2019	2020	2021	2022	2023
<b>Total Revenue</b>	<b>264,985</b>	<b>203,612</b>	<b>204,573</b>	<b>403,939</b>	<b>445,670</b>
Gross FAAC Allocation	214,845	161,448	159,427	357,598	390,338
IGR	35,504	30,611	37,897	33,419	43,376
Grants	14,636	11,553	7,249	12,921	11,956



Source: Audited Financial Statements

### 3.1.1.1 FAAC Allocations

The Gross FAAC allocations that comprises Statutory Allocation, Derivation, VAT Allocation and Other FAAC Transfers (exchange rate gain, augmentation, etc), increased from ₦357.6b in 2022 to ₦390.3b in 2023. Comparative performance of each component part between years 2022 and 2023 show 6% decrement in Statutory Allocation; 97% decrement in Derivation; 89.6% increase in other FAAC Transfers and a 29.7% increase in VAT Allocation. Total FAAC allocations accounted for 87.6% of the State's Total Revenue in year 2023 as against the 81% recorded in 2019.

As a percentage of State GDP, FAAC Allocation increase from 3.5% in 2019 to 4.3% in 2023

**Table 3: Summary of Five Years' FAAC Allocation in N'Billion**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Net Statutory Allocation	41.399	34.079	35.601	39.193	36.695
Derivation	118.505	91.073	91.155	272.024	138.045
Other FAAC transfers	41.598	20.481	7.192	18.141	175.441
VAT Allocation	13.342	15.814	25.476	28.239	40.155
<b>Total FAAC Allocations</b>	<b>214.844</b>	<b>161.447</b>	<b>159.424</b>	<b>357.596</b>	<b>390.337</b>

Source: Audited Financial Statements

### 3.1.1.2 IGR

There was an increase 23% in Akwa Ibom State's Internally Generated Revenue (IGR) in 2023 which stood at ₦43.4b compared to ₦33.4b in 2022. The nominal growth rate of IGR over the 5-year historical period was 18.1%.

IGR generation provided 9.7% of the State's Total Revenue in 2023 compared to 13.4% in year 2019. As a share of State GDP, IGR decreased from 0.6% in 2019 to 0.5% in 2023.

It is expected that there will be improvement in IGR in the future (projection years) because of tax administration reforms which have been instituted to strengthen IGR collection. These reforms cover legal, institutional, and operational frameworks. Specifically, as a bedrock for other reforms, a new Revenue Administration law was passed, among other things, to consolidate State revenue code covering all State IGR sources. Collections were thereafter enhanced with improvement on all electronic platforms and payment gateways used by the State Internal Revenue Service. The State also expanded its Taxpayer database and developed an electronic tax-

payer database system. Revenue sources were expanded to include Introduction of Land Use Charge and all revenue leakages were blocked through automation processes.

### 3.1.2 Expenditure Performance

Akwa Ibom State’s Total Expenditure includes Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2023, the State’s total expenditure amounted to ₦427.5b compared to ₦324.9b as at end of December 2019, which represents a nominal growth of ₦102.5b or 24%. This significant increase can be attributed high level of inflation in the economy, implementation of new minimum wage for workers in 2021 and employment of more staff into the State Civil Service.

The nominal growth rate of the different expenditure items between 2019 and 2023 were: Personnel Cost 49.6%; Overhead cost 84.7%; Capital expenditure (0.7) %. Total debt service (interest and principal repayments) stood at ₦45.8b as at end of December 2023 compared to ₦65.2b as at end of December 2019, which represents a reduction of ₦19.4b or 42.4%.

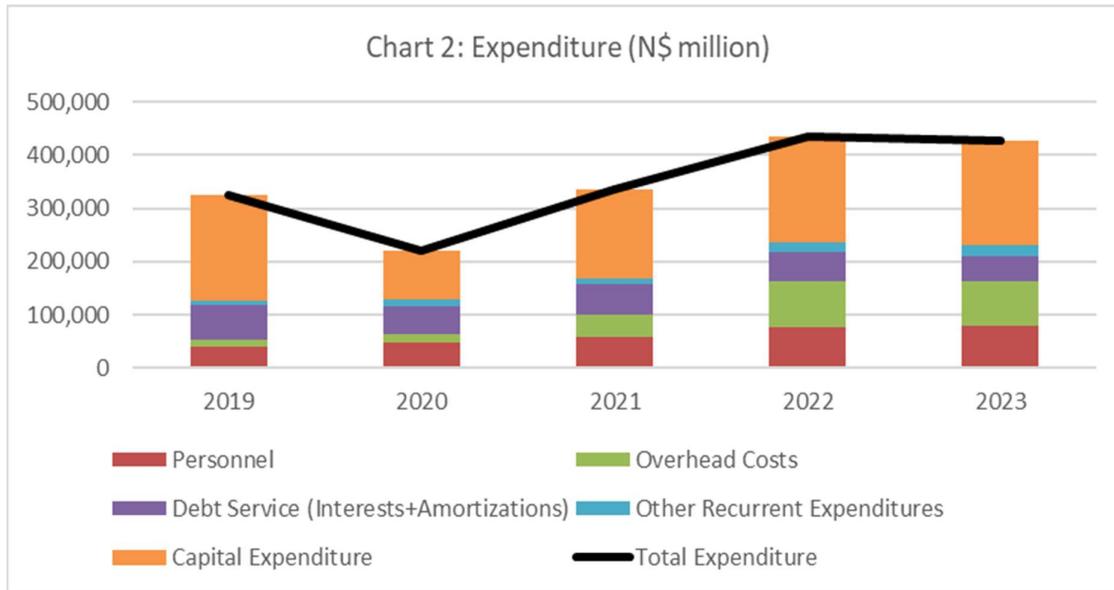
Comparatively, the respective expenditure items as percentage of total expenditure in 2023 were: Personnel cost 18.4%; Overhead cost 20%; Capital Expenditure 49.9%; Other recurrent expenditure 4.9% and Debt service 10.7%.

Table 4 and the chat that follow present a summary of the State’s 5-year expenditure performance.

**Table 4: Summary of Five Years’ Total Expenditure in N’Billion**

Year	2019	2020	2021	2022	2023
<b>Total Expenditure</b>	324,913	220,897	336,139	436,047	427,461
<b>Personnel</b>	<b>39,616</b>	<b>46,834</b>	<b>57,670</b>	<b>76,902</b>	<b>78,627</b>
<b>Overhead Costs</b>	13,058	15,666	41,642	85,910	85,324
<b>Debt Service (Interests+Amortizations)</b>	65,235	51,977	58,777	55,048	45,799
<b>Other Recurrent Expenditures</b>	9,172	14,970	10,266	17,907	21,202
<b>Capital Expenditure</b>	197,833	91,450	167,783	200,281	196,509

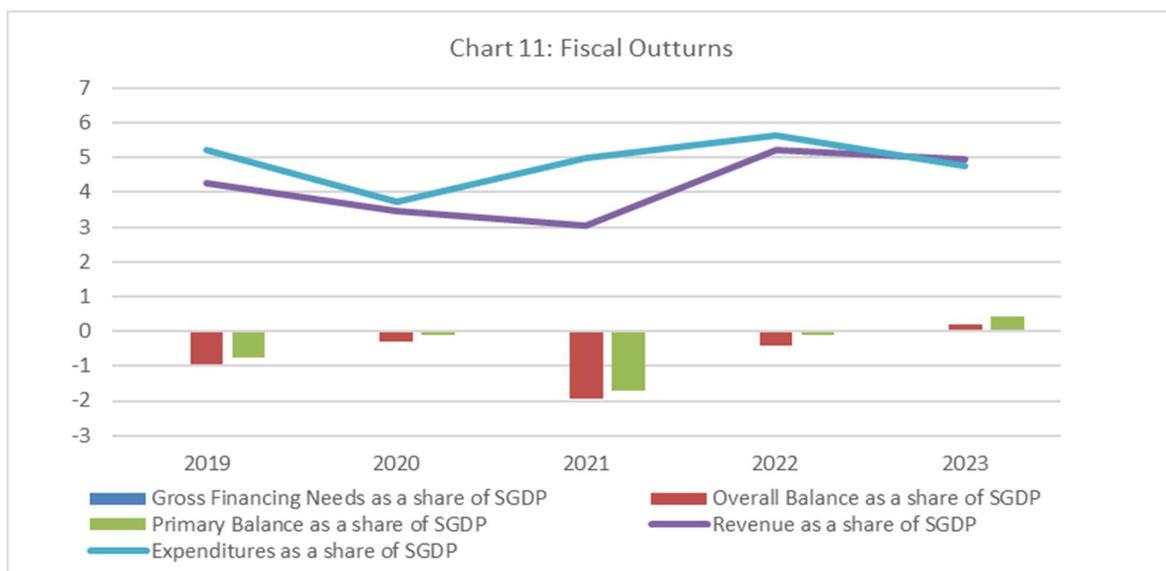
Source: Audited Financial Statements



Source: Audited Financial Statements

### 3.1.3 Overall and Primary Balance

The Primary Balance which is the difference between the State’s revenue and non-interest expenditure can be measured as a percentage of State GDP. The trend over the historical period revealed negative ratios thus: -0.96%, -0.29%, -1.95%, -0.41% and 0.20% for years 2019 to 2023 respectively. The overall balance trend also shows diminishing outcome in years 2019 to 2023. Year 2021 had the largest overall balance deficit of -1.95%

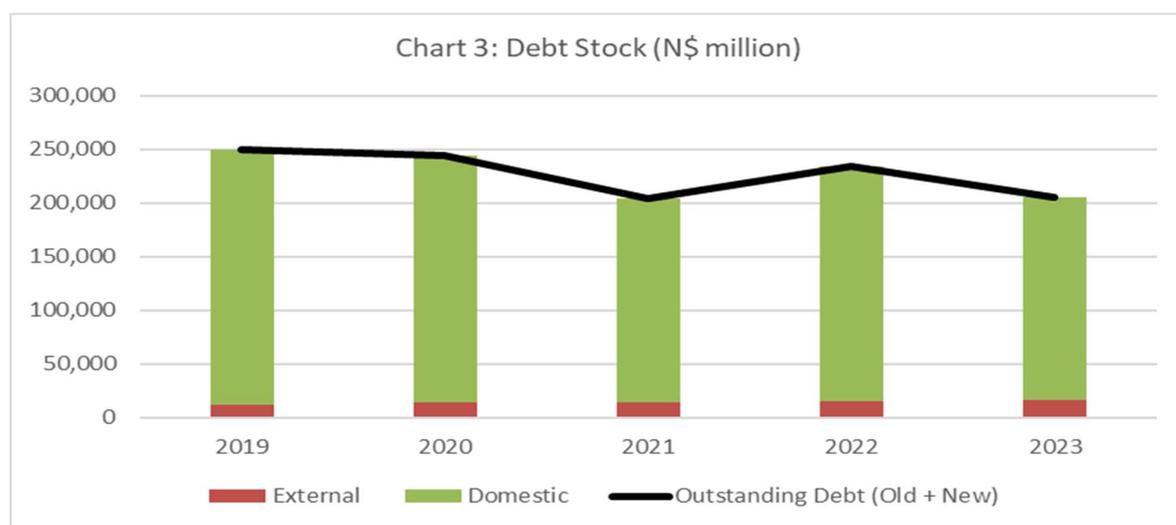


Source: Audited Financial Statements

### 3.2 Akwa Ibom State Existing Public Debt Portfolio, 2019-2023

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

Total Debt, broken into Domestic and Foreign (External) for the period 2019 – 2023 is shown in the graph below.



Source: Audited Financial Statements

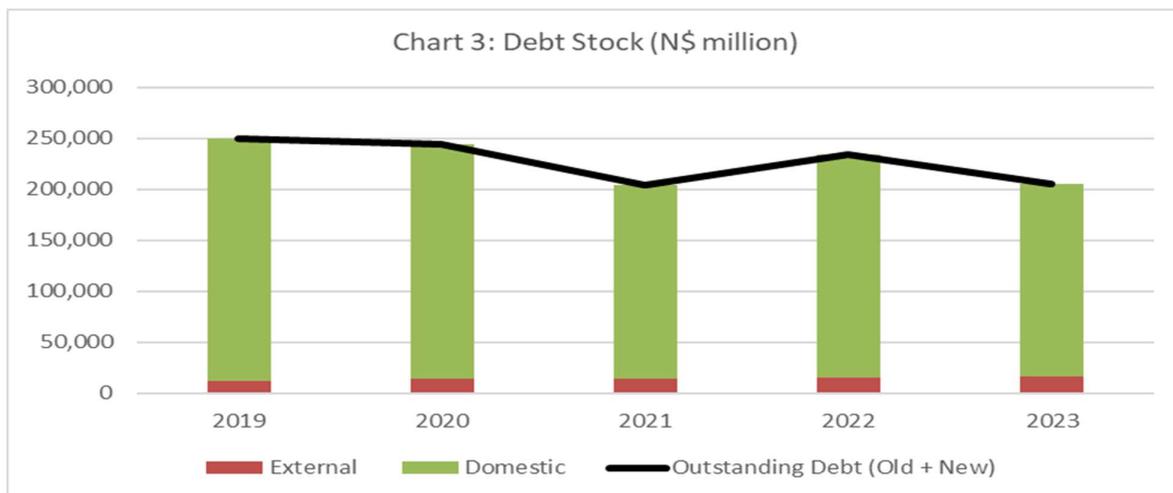
#### 3.2.1 Total Debt Stock

The Total Debt of the State rose by 13.30% in 2019, but in 2021, there was a drop in the total debt stock by 16.26%, over the 2020 figure due to a decrease in the domestic borrowing in 2021. However, in 2022, the total debt stock grew by 15.5% over 2021 closing balance and 2023 the total debt stock drop to 15.7%. over 2022 closing figure. The nominal rate of reduction over the historical period stood at 21.5%.

**Table 5: Summary of Five Years' Total Debt Stock in N'Billion**

	2019	2020	2021	2022	2023
<b>Outstanding Debt (Old + New)</b>	249,866	244,311	203,714	233,886	205,709
<b>External</b>	12,148	13,504	14,105	14,621	16,151
<b>Domestic</b>	237,718	230,807	189,609	219,265	189,558

Source: Audited Financial Statements



### 3.2.2 Debt Composition

The composition of External to Domestic debt as at end of 2023 was 8% to 92%, respectively, with 16% of the Domestic debt accruing to Contractors Arrears, 17.6% Pensions and Gratuities, while 12.6% of the Domestic debt is due to Commercial Banks, and 53.8% of the Domestic debt is for various loans from Federal Government (including the Budget Support, FGN Bond, FGN Loan Support, AADS, MSMEDF and Excess Crude account).

The 2023 closing debt stock by item is summarized in the table below:

**Table 6: State Debt Portfolio**

Item	Currency	Denomination	2023 YearEnd
<b>Total External Debt - Stocks</b>	US Dollars	Million	<b>42.6</b>
World Bank (WB) (including International Development Association (IDA) and IBRD)	US Dollars	Million	36.1
African Development Bank (AfDB) [including African Development Fund (AfDFP) and Africa Growing Together FUND]	US Dollars	Million	6.3
Multilateral Creditor (1) IDB and BADEA	US Dollars	Million	0.2
<b>Total Domestic Debt - Stocks</b>	Naira	Billion	<b>189,558.3</b>
Budget Support Facility	Naira	Billion	16,824.2
Restructured Commercial Bank Loans (FGN Bonds)	Naira	Billion	55,070.6
Excess Crude Account Backed Loan	Naira	Billion	4,971.3
Contractors' Arrears	Naira	Billion	31,067.6
Pension and Gratuity Arrears	Naira	Billion	33,430.6
Commercial Bank Loans	Naira	Billion	23,853.7
Micro Small Medium Enterprise Development Fund (MSMEDF)	Naira	Billion	1,695.6
FGN Family Home Loan Support	Naira	Billion	4,601.7
FGN Bridging financing	Naira	Billion	18,043.1

Source: Audited Financial Statements

The information in the Financial Statement and State Debt Sustainability Analysis is the same but it has been observed that debt information in the State Debt Report 4<sup>th</sup> quarter 2023 did not capture new debt and debt servicing in these two items Pension/Gratuity and Contractors Arrears for the last quarter. The slight difference between Financial Statement and State Debt Report 4<sup>th</sup> quarter 2023 is due to the fact that as at the time of preparing the report, the new debt and debt servicing was not finalized in the two affected item, while as at the time of preparing Financial Statement all the debt component was taking into consideration. But action has been taken in 1st quarter 2024 to be at par with the AG's office and the Financial Statement.

The Comparism Summarized is shown in the table below:

**State Debt Portfolio as at December, 2023**

Item	Currency	Denomination	2023 Financial Statement	2023 Q4 State Debt Report
<b>Total External Debt - Stocks</b>	US Dollars	Million	<b>42.6</b>	<b>42.6</b>
World Bank (WB) (including International Development Association (IDA) and IBRD)	US Dollars	Million	36.1	36.1
African Development Bank (AfDB) [including African Development Fund (AfDFP) and Africa Growing Together FUND]	US Dollars	Million	6.3	6.3
Multilateral Creditor (1) IDB and BADEA	US Dollars	Million	0.2	0.2
<b>Total Domestic Debt - Stocks</b>	Naira	Billion	<b>189,558.3</b>	<b>190,476.3</b>
Budget Support Facility	Naira	Billion	16,824.2	16,824.2
Restructured Commercial Bank Loans (FGN Bonds)	Naira	Billion	55,070.6	55,070.6
Excess Crude Account Backed Loan	Naira	Billion	4,971.3	4,971.3
Contractors' Arrears	Naira	Billion	31,067.6	35,193.8
Pension and Gratuity Arrears	Naira	Billion	33,430.6	30,222.5
Commercial Bank Loans	Naira	Billion	23,853.7	23,853.7
Micro Small Medium Enterprise Development Fund (MSMEDF)	Naira	Billion	1,695.6	1,695.6
FGN Family Home Loan Support	Naira	Billion	4,601.7	4,601.7
FGN Bridging financing	Naira	Billion	18,043.1	18,043.1

## CHAPTER FOUR

### DEBT SUSTAINABILITY ANALYSIS

#### 4.0 The Concept of Debt Sustainability

A Debt Sustainability Analysis (DSA) assesses how a State or Nation's current level of debt and prospective borrowing affects its present and future ability to meet debt service obligations. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability. The concept of debt sustainability refers to the ability of the government to honor its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden. Government therefore should endeavor to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the State, leading to serious financial crisis.

To assess Akwa Ibom State debt sustainability position, a comparison shall be made between the projections and acceptable threshold in key performance indicators. The table that follows, present the State's average forecasted debt burden indicators over a 10-year period (2024 – 2033).

**Table 7: Akwa Ibom State Debt Burden Indicators**

<b>Indicators</b>	<b>Thresholds</b>	<b>Ratio</b>
Debt as % of SGDP	25%	7%
Debt as % of Revenue	200%	162%
Debt Service as % of Revenue	40%	41%
Personnel Cost as % of Revenue	60%	14%
Debt Service as % of FAAC Allocation	Nil	45%
Interest Payment as % of Revenue	Nil	26%
External Debt Service as % of Revenue	Nil	5%

#### 4.1 Medium-Term Budget Forecast

Debt Sustainability Analysis of Akwa Ibom State is predicated on the continuation of recent efforts to grow the IGR of the State by 13%, on average, annually in the medium-term. The State's macroeconomic framework in the medium term is predicated on the National Bureau of Statistics' real GDP growth and inflation forecasts including, oil price, production and NGN: USD exchange rate, as well as the 2024 - 2026 Federal Fiscal Framework.

**Table 8: Akwa Ibom State Macroeconomic Framework Assumptions**

Items	2023	2024	2025	2026
National Inflation	33.20%	23.00%	15.10%	15.38%
National Real GDP Growth	3.30%	2.96%	2.98%	3.34%
Oil Production Benchmark (MBPD)	1.28	1.8	1.81	2.6
Oil Price Benchmark	\$78.02	\$80.00	\$80.00	\$74.00
NGN: USD Exchange Rate	1469	1314.94	1466.33	1438.22
Mineral Ratio	16%	16%	16%	%

**Table 9: Akwa Ibom State Indicative Three Year Fiscal Framework (MTEF 2025 – 2027)**

Items	2025 (N'Million)	2026 (N'Million)	2027 (N'Million)
<b>Revenue</b>			
Statutory Allocation	143,656.9	171,320.4	218,295.7
Derivation	342,079.1	383,582.1	499,906.2
VAT	61,581.5	82,915.2	107,905.8
IGR	62,353.3	68,588.7	75,447.5
Other FAAC Receipts	10,000.0	12,000.0	11,000.0
Capital Receipts			
<b>Expenditure</b>			
Personnel Cost	109,737.1	120,710.8	132,781.9
Overheads	25,732.6	27,019.3	28,370.2
Other Recurrent Expenditure	138,274.1	152,101.5	167,311.7
Capital Expenditure	432,659.6	497,937.3	638,169.6

The economy is expected to fully recover from the COVID-19 pandemic between 2025 - 2027, with the expectation of a higher than modest economic growth rate as indicated by the National Real GDP growing rate will be 12.0% in 2026; 10.1% in 2027. The domestic inflation is expected to be at its peak in 2025 (13.6%) and thereafter gradually reduce in the next two years. Most of the growth in GDP during the period will be driven by the anticipated increase in domestic oil refining capacity, telecommunications, crop production, slight growth in investment and employment, with the bulk of projected growth coming from the non-oil sector.

The State's fiscal policy is aimed at ensuring sound budgetary processes including fiscal discipline, allocative efficiency, and high impact spending. Some of the key targets/objectives include:

1. Growing IGR annually by a minimum of 15% in 2025, 10% for 2026 and 2027 respectively.
2. Effective management of personnel and overhead expenditure to create additional fiscal space for capital development;
3. Long term target of funding all recurrent expenditure through revenue of a recurrent nature (IGR, VAT and Non-mineral component of Statutory Allocation);
4. Preference for long term borrowing

The State has put in various Tax Administration reforms to strengthen its IGR in order to sustain its debt, these include the enactment of new Revenue Administration Law and Land Use Charge Administration Law. With these new reforms adopted by the State Government, the IGR of the State is expected to grow in the next few years and this will benefit the state towards overall economic recovery.

State revenue is expected to experience a sporadic increase in the medium term (2025 – 2027) as a result of the Payments by the Federal Government of 13% oil derivation arrears and IGR boost from property taxes with the Akwa Geographical Information System (GIS).

## 4.2. Borrowing Options/Borrowing Strategies (S)

### 4.2.1 Option A (S1)

Under the reference debt Strategy 1 (S1), it is projected that the current borrowing trend by the State in meeting financing needs from domestic and external sources, shall be maintained within periods 2024 to 2033. The key assumptions on the planned borrowings for Option A is that the State can raise projected financing needs for the ten-year period as follows:

- (a) The State can use Commercial Bank Loans (maturity 1 to 5 years) to raise 20% of projected financing needs for 4years that is from 2024 to 2028, and 40% in 2029, 2031 and 2032 while 30% for 2030 and 2033 with 35% interest rate, 3 years tenor and 3 months moratorium.
- (b) The State can use State Bonds (maturity 1 to 5 years) to provide 80% of financing needs in 2026 and 10% in 2028 with 20% interest rate, 5 years tenor and 6 months moratorium.
- (c) The State can use State Bonds (maturity 6 years or longer) to provide 60% of financing needs in 2029 and 2031, 2% in 2033 with 20% interest rate, 10 years tenor and 12 months moratorium.
- (d) The State can Other Domestic Financing to raise 80% of projected financing needs in 2024, 2025 and 2027 while 60% can be raised in 2032 with 15% interest rate, 15 years tenor and 12 months moratorium.
- (e) The State can use External Financing - Concessional Loans to provide 50% of financing needs in 2026 and 2033 while 70% in 2028 and 2030 with 8% interest rate, 15years maturity and 24months moratorium.

The borrowing needs under S1 is projected to be at a minimum figure of ₦145.02billion, in year 2024 and at the peak – ₦550.79billion in year 2033.

**Table 10: Summary of Strategy 1 projected borrowings**

Borrowing Source		YEAR	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>New Domestic Financing in Million of Local Currency</b>												
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Millior	29,004.40	29,575.41	29,083.29	30,048.96	39,618.49	90,057.86	82,592.42	141,040.95	169,883.73	165,238.56
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Millior	-	-	-	-	-	-	-	-	-	-
State Bonds (maturity 1 to 5 years)	Naira	Millior	-	-	43,624.93	-	19,809.25	-	-	-	-	-
State Bonds (maturity 6 years or longer)	Naira	Millior	-	-	-	-	-	135,086.79	-	211,561.43	-	110,159.04
Other Domestic Financing	Naira	Millior	116,017.58	118,301.63	-	120,195.84	-	-	-	-	254,825.60	-
<b>New External Financing in Million US</b>												
External Financing - Concessional Loans (e.g., World Bank, African Development)	US Dollars	Millior	-	-	66.10	-	138.66	-	192.72	-	-	275.40
External Financing - Bilateral Loans	US Dollars	Millior	-	-	-	-	-	-	-	-	-	-
Other External Financing	US Dollars	Millior	-	-	-	-	-	-	-	-	-	-
Total Gross Borrowing Requirements (calculated by the Template Baseline)	Naira	Millior	145,021.98	147,877.04	145,416.43	150,244.80	198,092.45	225,144.65	275,308.08	352,602.38	424,709.34	550,795.21

### **Borrowing-Terms (interest rate, maturity and grace period)**

The projected borrowing options and terms available for the State (which can be utilized under Strategy 1 and other Alternative Strategies) are given below:

**Table 11: Borrowing Terms of New Debt (issued/contracted from 2023 onwards)**

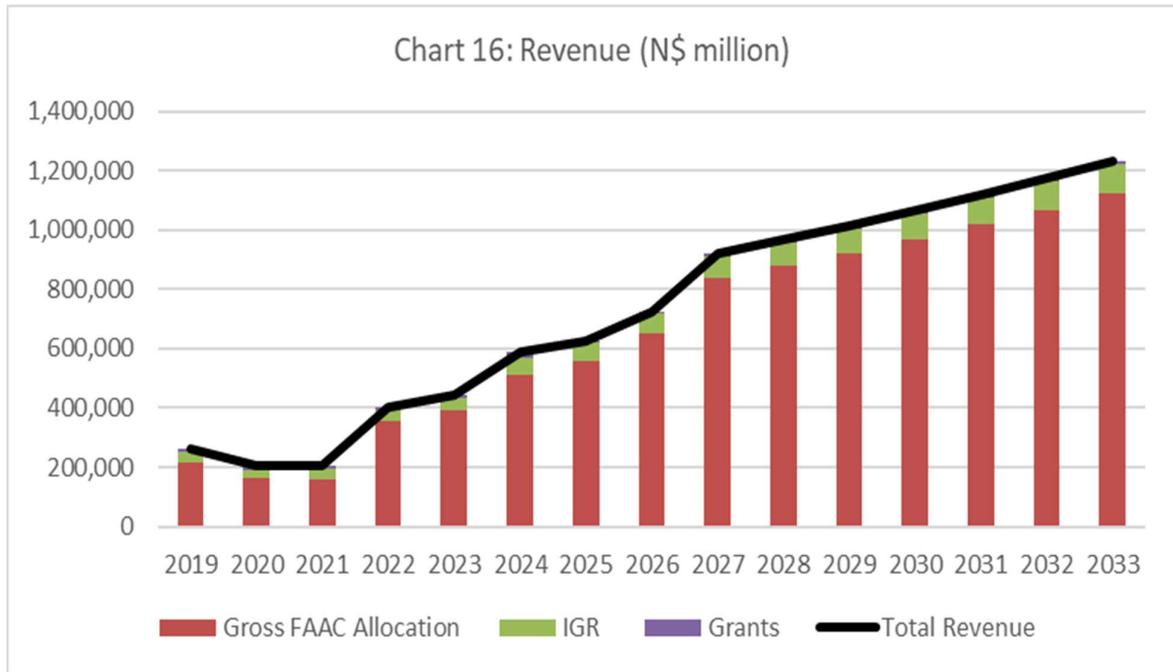
<b>Borrowing Terms for New Domestic Debt (issued/contracted from 2024 onwards)</b>	<b>Interest Rate (%)</b>	<b>Maturity (# of years)</b>	<b>Grace (# of years)</b>
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	35.00%	3	0.25
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	35.00%	6	0.5
State Bonds (maturity 1 to 5 years)	20.00%	5	0.5
State Bonds (maturity 6 years or longer)	20.00%	10	1
Other Domestic Financing	15.00%	15	1
<b>Borrowing Terms for New External Debt (issued/contracted from 2024 onwards)</b>	<b>Interest Rate (%)</b>	<b>Maturity (# of years)</b>	<b>Grace (# of years)</b>
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	8.00%	15	2
External Financing - Bilateral Loans	8.00%	10	1
Other External Financing	8.00%	5	0.5

### **4.3 DSA Simulation Results and Findings**

This section shall present the Baseline Scenario under the State’s reference debt strategy (S1) as indicated in the State’s DSA-DMS Template, in terms of projected revenue, expenditure, primary and overall balance, and debt / debt service indicators and thresholds.

#### **State Revenue Profile**

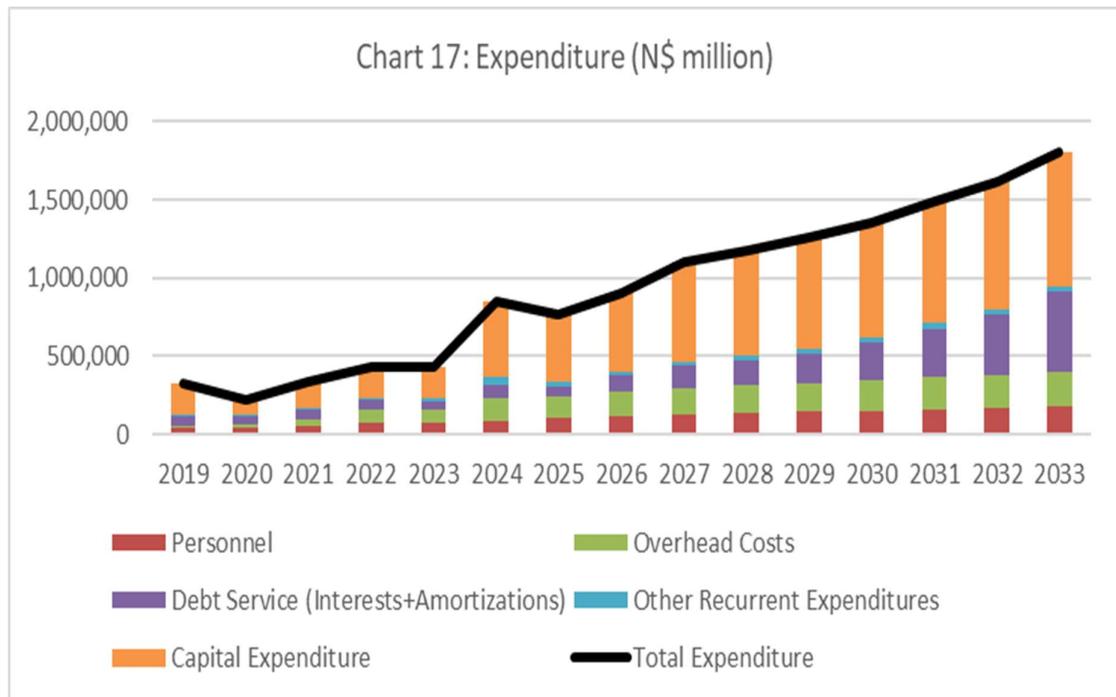
Revenue (as shown in Chart 16 below) is expected to gradually rise in the projection years, from ₦145.02billion in year 2024 to ₦550.79billion in 2033. The average annual nominal growth rate over the period is 11.13%. IGR is forecasted to grow proportionately higher (7.8% on the average) than the other revenue sources (FAAC, Grants). The State must take proactive measures to build up and sustain her IGR potentials to realize this feat.



State Expenditure Profile

Total Expenditure, from the baseline scenario, will grow on average by 11.1% per annum (as shown in Chart 17). It is noteworthy that a greater percentage of State expenditure is projected to be on Capital projects with an average growth rate of 11.13% over the 9-year period while a slight decrease between 2024 and 2025 by 10%. Personnel cost is proposed to increase by 10.6% while overhead had a decrease in 2025 but shoot up again in 2026 with continue increase over the period of 9 years by 5.3%. per annum

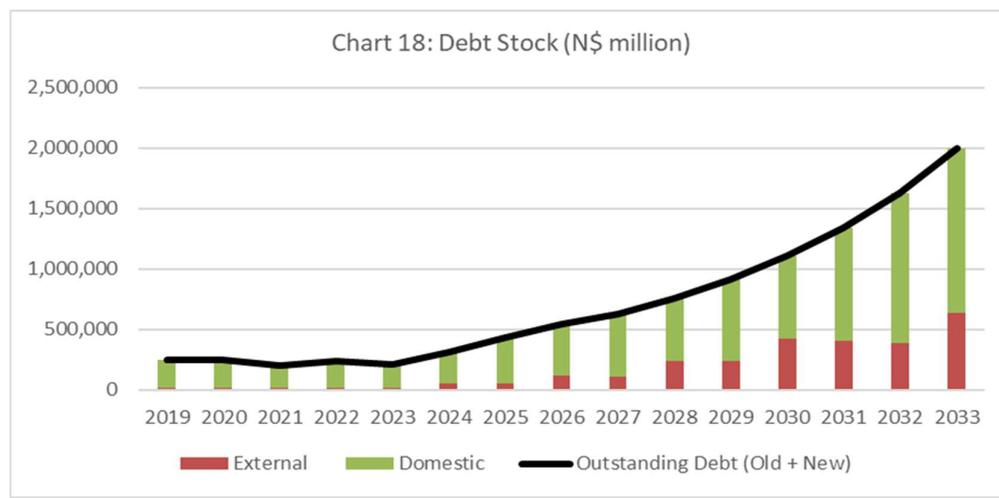
Debt servicing is estimated to grow steadily from 2026 to 2033 as a result of contracting new debt which would further increase the State’s debt burden. Other expenditure components are expected to increase annually by 2% between 2027 and 2033. The highest level of expenditure is expected in year 2033 (nominal value of N1,803.2b).



State’s Projected Debt Stock

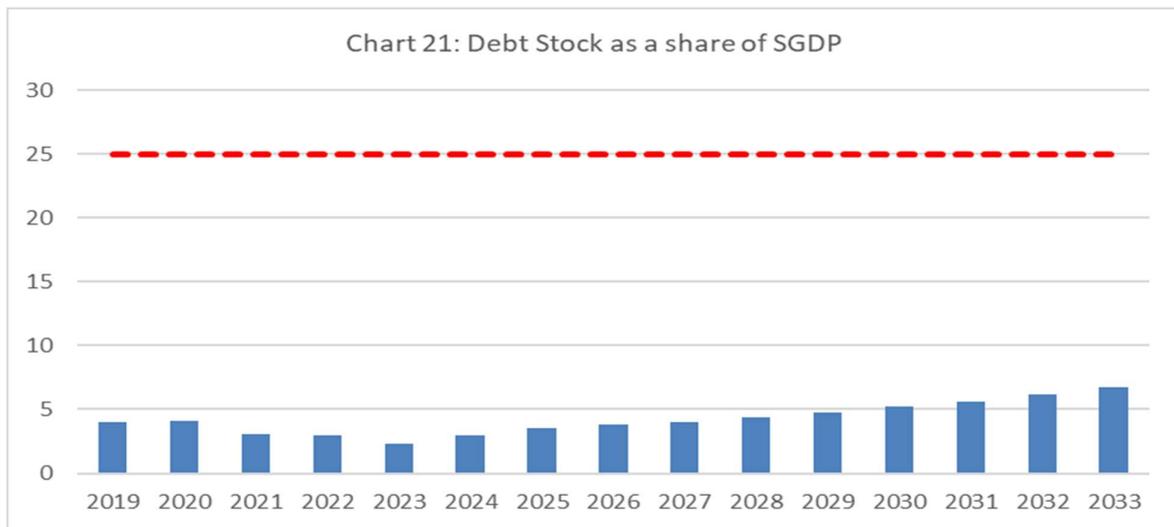
Chart 18 gives a picture of the State’s debt stock in the historical (2019 – 2023) and projected (2024 – 2033) years. The reference debt strategy will result in an annual increment of 42% in the State’s total debt stock. In nominal terms, debt stock will rise from N145b in 2024 to N550.8b in 2033. Domestic debt account for a greater percentage of the component, growing at an average rate of 40% over the 10-year period. External debt is also expected to increase on average, by 33% annually.

The projected State debt stock profile is quite alarming, thus concerted efforts and policies need to be put in place immediately to stem the tide.



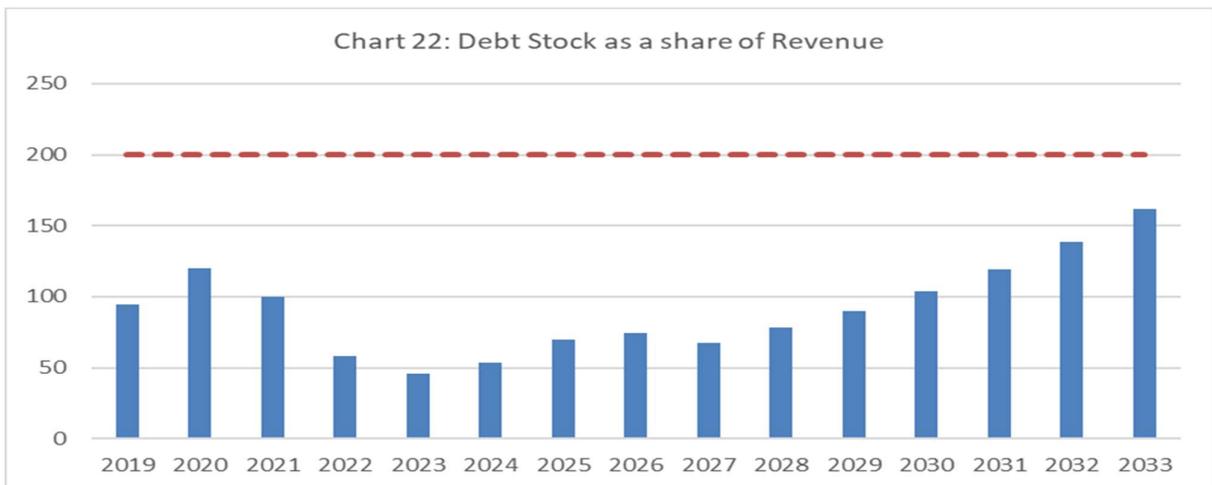
### **Debt Stock as Share of State Gross Domestic Product (SGDP)**

Chart 21 shows the Debt stock as a percentage of State GDP (with indicative threshold of 25%). The sustainability position of the State's debt portfolio in the fiscal block shows a gradual ascending trend from 2024 to 2033. The ratio which peaks at 7% in 2033, is well within the threshold, insinuating room for additional further borrowing under the right circumstances. Based on this, the State's GDP has potentials for growth and can also accommodate the State's debt stock, with minimal effect on the State economy.



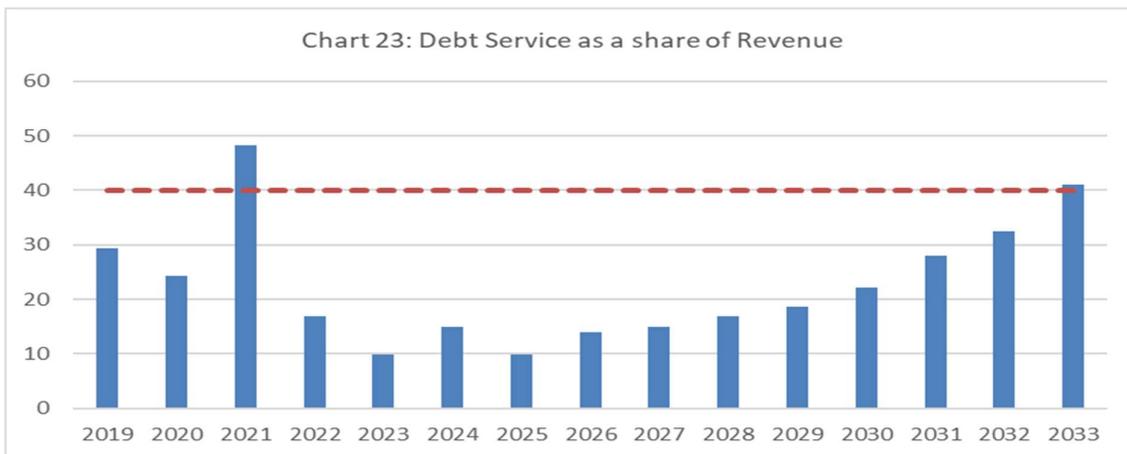
### **Debt Stock as Share of State Revenue**

Chart 22 presents the Debt Stock as percentage of Revenue (with indicative threshold of 200%), the percentages from 2024 to 2033 are below the threshold. Thus, signifying that the State's debt stock is healthy in the next 10 years. As such, the state can go for more loan.



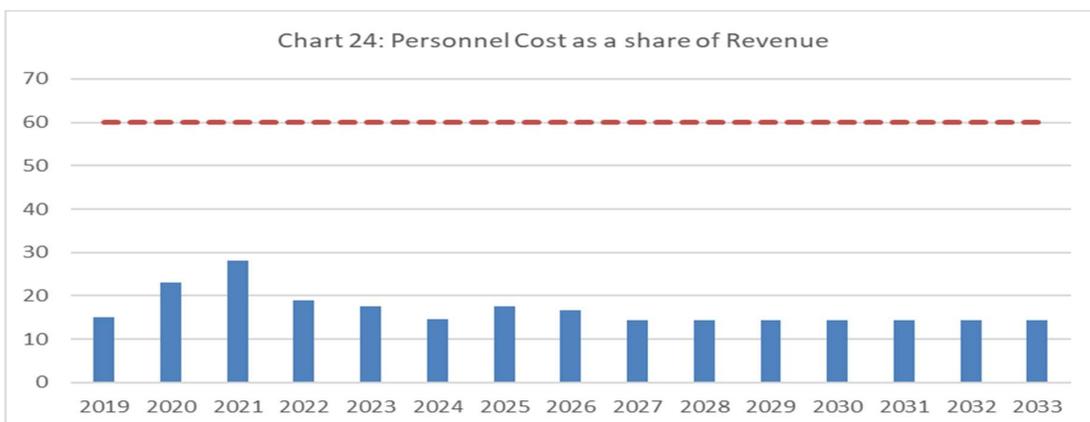
### **Debt Service as Share of State Revenue**

Chat 23 presents the Debt Service as a percentage of Revenue (with indicative threshold of 40%). the State will utilize below 40% of her total revenue in debt servicing with 2025 at the lowest. The chat revealed that the maximum exposure of the State revenue to debt service will be in year 2033 (at 41%), which implies that debt service obligations will stress the State’s cash flow significantly in the long term. This calls for prudent financial management to avert debt distress. The State should ensure that recurrent expenditures are controlled effectively (possibly maintained at not more than 40% of total expenditure), expenditure on capital projects are reduced significantly to the most basic needs in the medium term and increase internally generated revenue.



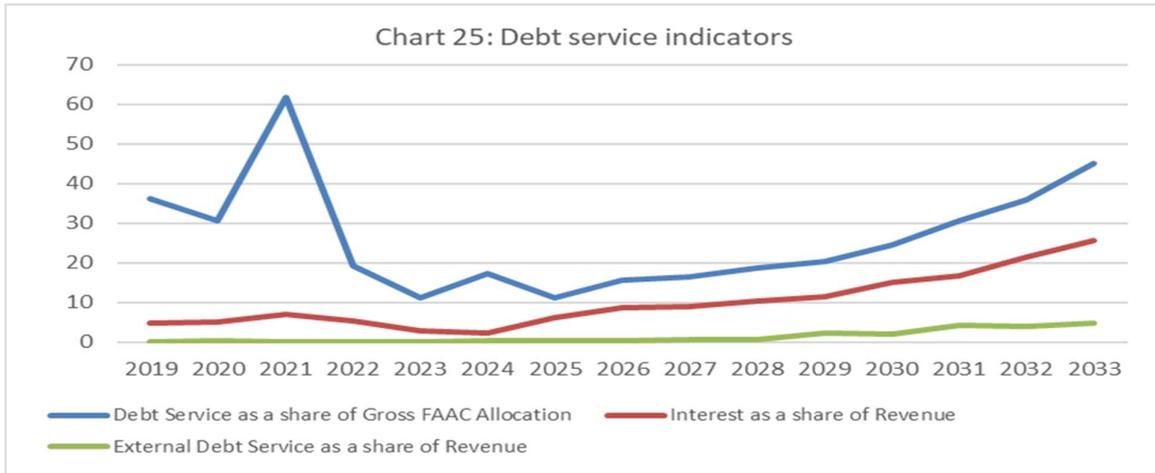
### **Personnel Cost to Revenue**

The State’s personnel cost under the baseline scenario indicates that on the average, 14% of total revenue shall be expended on personnel cost over the 10-year projection period. It further reveals that compared to the 60% threshold; the State has no threat in meeting future obligations to its staff force. This position is presented in Chart 24 that follow.



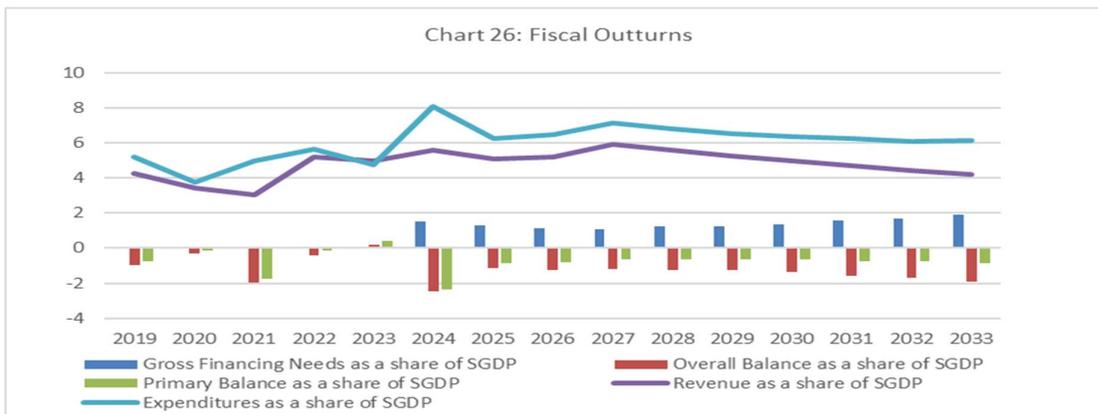
### Debt Service Indicators

As IGR takes a less prominent place in the State’s revenue portfolio, the increasing debt service to FAAC ratio is alarming. Growing at an average rate of 45.35% annually, the State’s Debt service ratio to FAAC collections is projected to grow from 19% in 2024 to 43% in 2033. And interest costs as share of revenue will rise from 2% in 2024 to 23% in 2033 while the External Debt Service will be below 5% over the period. These dynamics are shown in Chart 25 below.



### Fiscal Indicators

The resultant impact on the fiscal out-turns is negative in primary and overall balances throughout the review and projection periods. As the gross financing needs increases (on average, 2.76% of State GDP) between 2024 to 2033, the overall and primary balances measured as a percentage of State GDP will be -2.10% and -1.0%, on average, respectively. The revenue as share of State GDP will be at 5% in 2024 while at its peak in 2027 at 6% and in 2033 at 4%. The deteriorating position of these indices are induced by increased need to finance fiscal deficit and desire to invest in infrastructure. This is shown in Chart 26 that follow.



#### **4.4 DSA Sensitivity Analysis (Shock Analysis)**

Nigeria as a country and most of the 36 states, including Akwa Ibom State, are relatively susceptible to external shocks (as experienced for example in 2023 till date) due to removal of fuel subsidy. Akwa Ibom State faces important sources of fiscal risks associated to the possibility of adverse countrywide macroeconomic conditions and the reversal of the State's revenue and expenditure policies. A sensitivity analysis is undertaken in view of macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the baseline scenarios discussed in the previous sub-sections. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

##### **4.4.1 Revenue Shock**

The 15% revenue shock related to aggregate of Recurrent Revenues (FAAC and IGR) and Grants. Three of the four indicators used to assess shock have revenue as the denominator, meaning the shock will have a direct impact. As earlier stated, the impact of this shock will increase most significantly the debt to revenue and debt service to revenue, more than other ratios. By 2033, the ratio of debt stock to revenue would have reached 286.02% compared to 161.62% under the baseline scenario; while debt service to revenue would be 63.12% against 41.04%. This implies a moderate worsening of the State's public debt position and a build-up of fiscal vulnerability in the medium-term.

##### **4.4.2 Expenditure Shock**

This shock measures the effect of a 10% increase in expenditure on the State's debt sustainability. The Debt to GDP and Personnel expenditure ratios are being affected due to the proposed minimum wage but the debt to revenue and debt service to revenue deviating from the baseline substantially as other expenditures may crowd out debt service and cause the need for more borrowing, by 2033, the ratio will have reached 40%. The Debt Service ratio would also be on 40% by 2033. Again, this implies a better solvency ratios and debt position of the State.

##### **4.4.3 Exchange rate Shock**

Exchange Rate shocks will impact the value and servicing costs of foreign debt. As Akwa Ibom State has taken on considerably more foreign debt over the last five years, this shock has the

potential to impact and is the type of shock experienced regularly over the last five years given rising exchange rates.

Due to grace periods and low interest rates, the impact on most ratios is minimal over the period analyzed (i.e. to 2033) although it does have the risk of crowding out some other expenditures. The most concerning would be the debt to revenue ratio where the ratio is significantly higher than the 200% threshold at 162.3% in 2033, which represents a better the debt position for State.

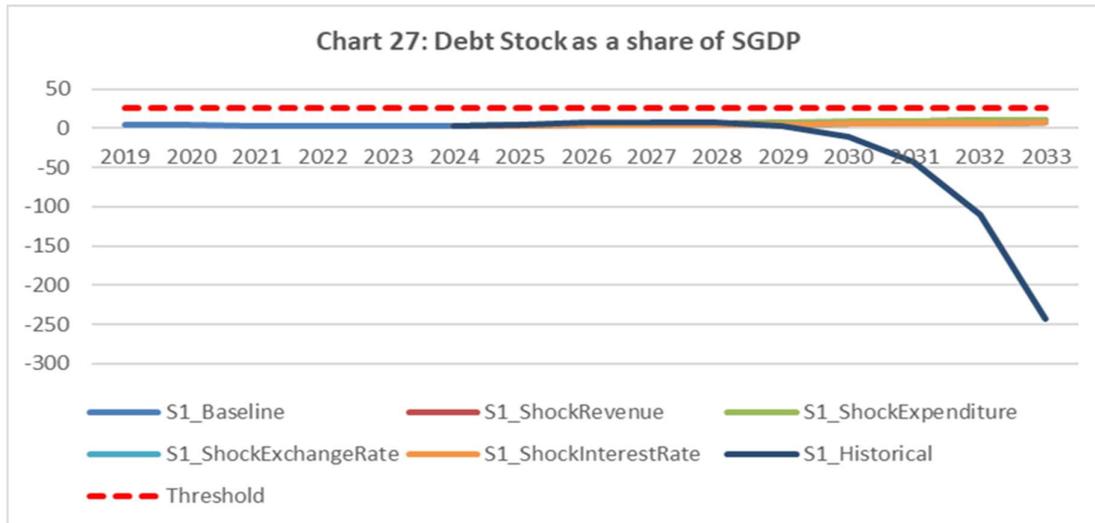
In the instance of an Exchange Rate shock, the Naira value of crude oil revenues would increase, meaning potential increase in Statutory Allocation to States which may offset some negative effects of the shock in nominal terms. This implies a moderate worsening of the State's public debt position and a build-up of fiscal vulnerability in the medium-term.

#### **4.4.4 Interest Rate Shock**

The interest rate shock has a moderate impact on the debt stock to revenue and debt service to revenue ratios as debt service (interest component) costs will decrease by 2033, thereby necessitating the acquisition of more debt. The impact would be a decrease in the ratio to 172% and 44.5% respectively— this is well below the 200% and slightly above 40% thresholds. The Debt to GDP ratio, has impacted positively when compared to the baseline of 6.8%. It Though the four shock indices (Revenue, Expenditure, Exchange Rate and Interest Rate) are still considerably below the 25% threshold. This implies a moderate worsening of the State's public debt position and a build-up of fiscal vulnerability in the medium-term.

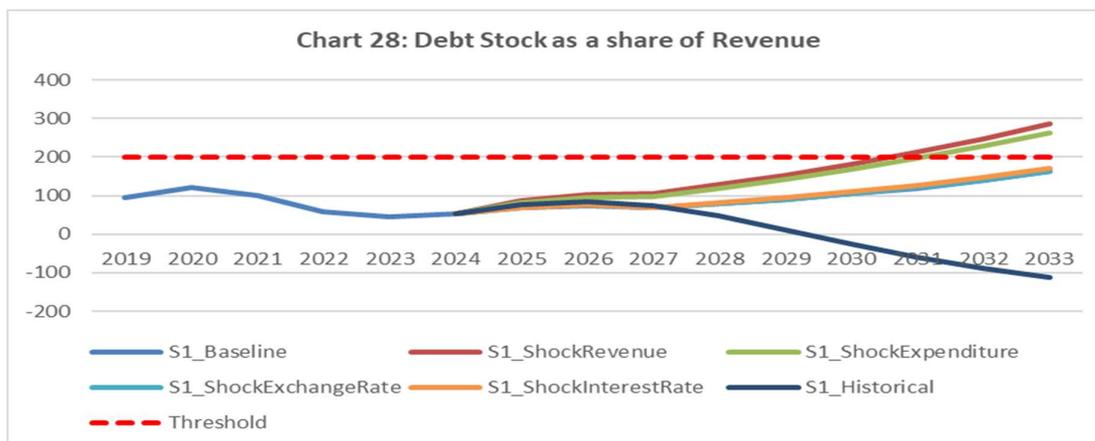
#### **4.4.5 DEBT STOCK AS SHARE OF SGDP**

Chart 27 below shows the Debt stock as a share of State GDP (with indicative threshold of 25%). The sustainability position of the State's debt portfolio in the fiscal block shows under the reference debt strategy (S1), a gradual ascending trend from 2024 to 2033. With shock Revenue ratio of 11% in 2033, Shock Expenditure ratio at 11%, Shock Exchange rate at 7%, Shock Interest rate at 7% while Historical show descending trend down to -243% in 2033, insinuating room for additional further borrowing under the right circumstances. Based on this, the State's GDP has potentials for growth and can also accommodate the State's debt stock.



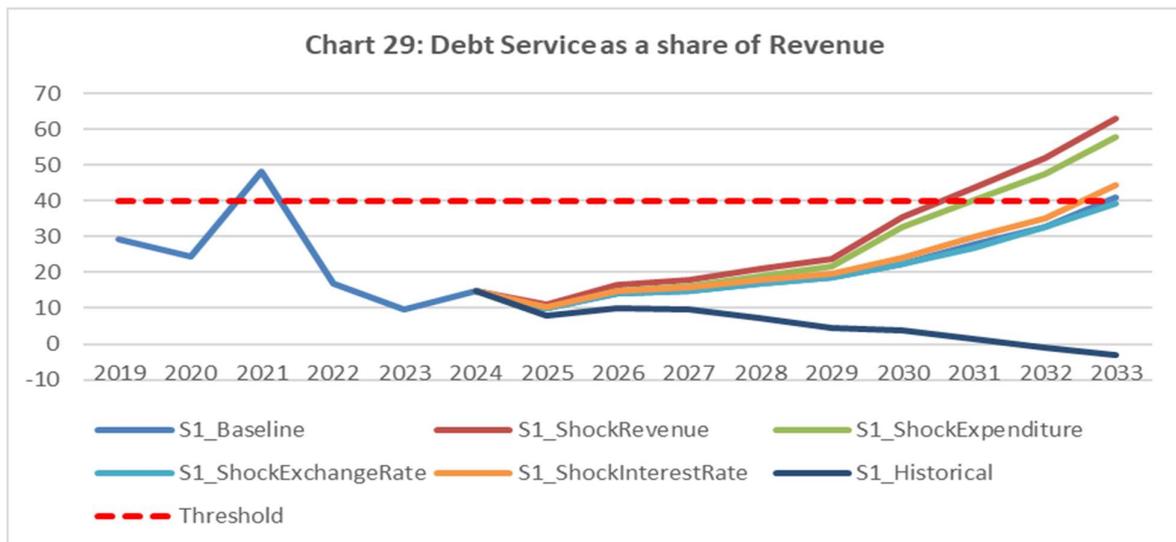
#### 4.4.6 DEBT STOCK AS SHARE OF REVENUE

Chart 28 below shows the Debt stock as a share of State Revenue (with indicative threshold of 200%). The sustainability position of the State’s debt portfolio in the fiscal block shows under the reference debt strategy (S1), shows ascending trend from 2024 to 2033. With shock Revenue above the threshold with ratio of 286% in 2033, Shock Expenditure ratio above the threshold at 264%, Shock Exchange rate at 162%, Shock Interest rate at 172% while Historical show descending trend down to -111% in 2033, as a result of both excessive deficits and diminished repayment capacity. The projected fiscal deficits increase systematically going forward and even double the imbalance expected by 2026 in the no-shock Scenario. In addition, the public debt ratio grows up to unsustainable levels in the next few years. Notably, therefore, a major risk for debt sustainability is the reversal of the State’s successful revenue mobilization efforts and a failure to maintain current patterns of expenditure growth.



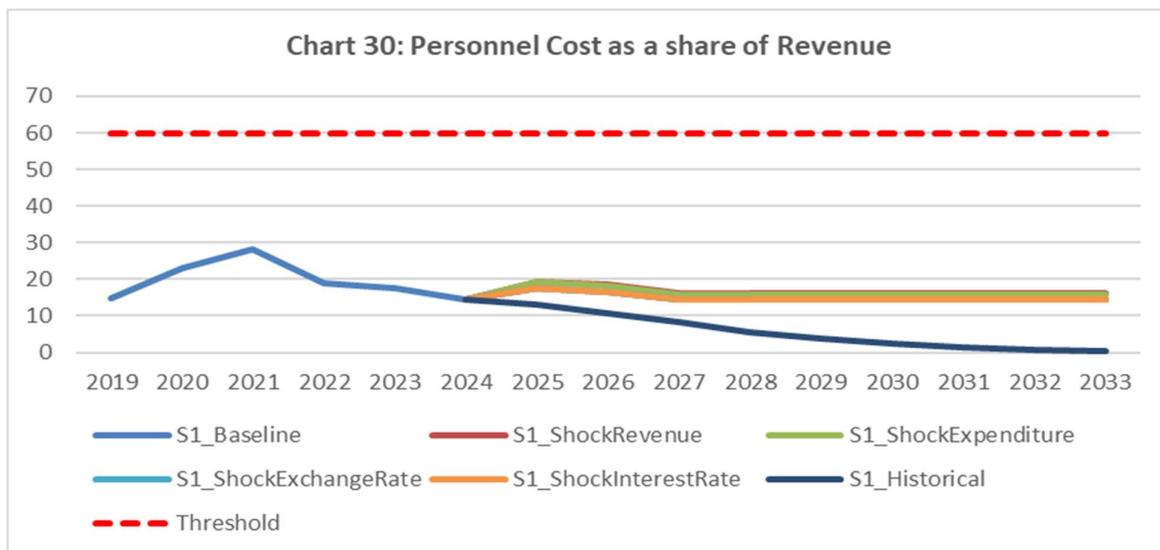
#### 4.4.7 DEBT SERVICE AS A SHARE OF REVENUE

Chart 29 below shows the Debt service as a share of Revenue (with indicative threshold of 40%). The sustainability position of the State’s debt portfolio in the fiscal block shows under the reference debt strategy (S1), shows ascending trend from 2024 to 2033. With shock Revenue above the threshold with ratio of 63% in 2033, Shock Expenditure ratio above the threshold at 58%, Shock Exchange rate at 39%, Shock Interest rate at 44% while Historical show descending trend down to -3% in 2033, as a result of both excessive deficits and diminished repayment capacity. Signifying a moderate worsening of the State’s public debt position and a build-up of fiscal vulnerability in the medium-term.



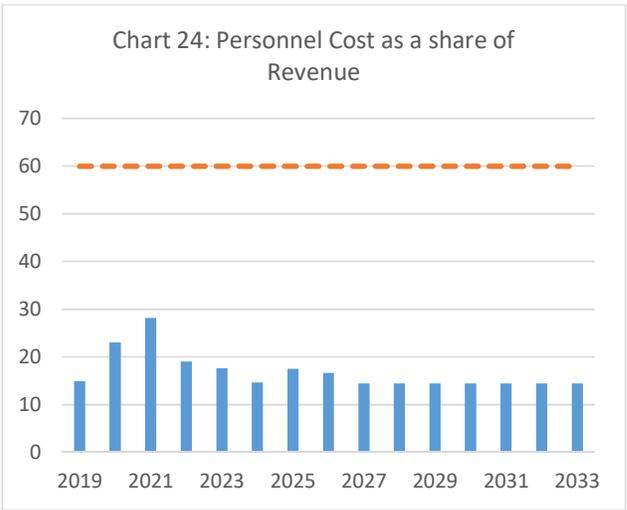
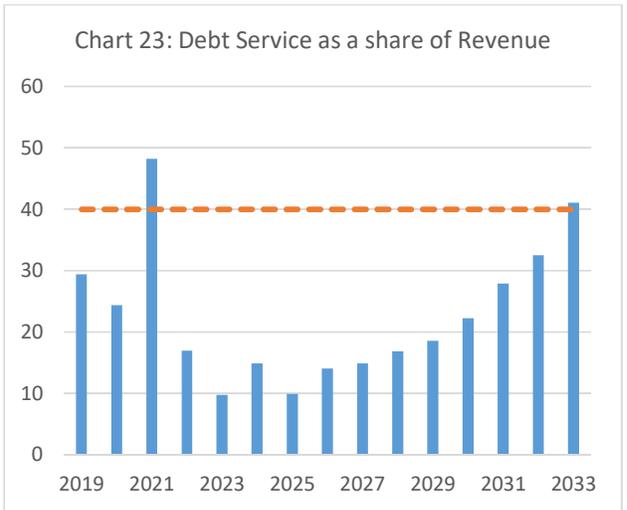
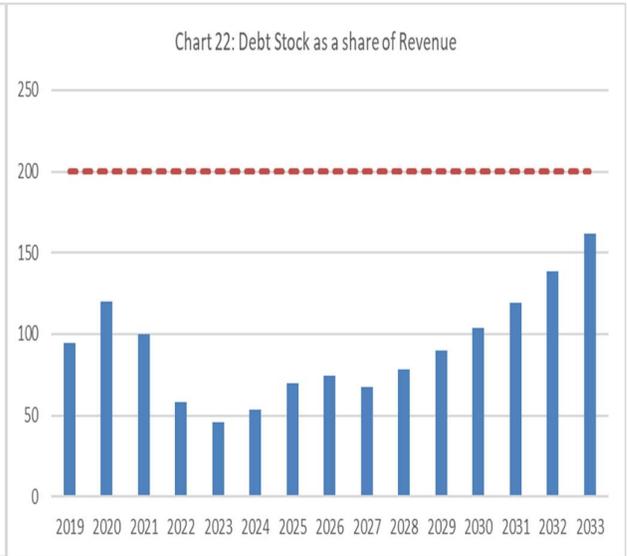
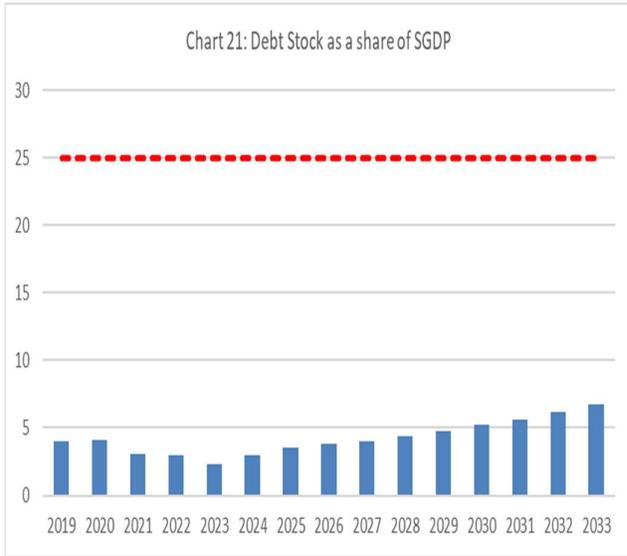
#### 4.4.8 PERSONNEL COST AS A SHARE OF REVENUE

Chart 30 below shows the Personnel cost as a share of Revenue (with indicative threshold of 60%). The sustainability position of the State’s debt portfolio in the fiscal block shows under the reference debt strategy (S1), shows ascending trend from 2024 to 2026. Then a slight drop in 2027 and remain constant to 2033, with shock Revenue ratio of 16% in 2033, Shock Expenditure ratio above the threshold at 16%, Shock Exchange rate at 14%, Shock Interest rate at 14% while Historical show descending trend down to 1% in 2033, Signifying a moderate worsening of the State’s public debt position and a build-up of fiscal vulnerability in the medium-term.



#### 4.5. Summary of Findings

The 2024 DSA analysis shows that Akwa Ibom State debt is sustainable in the future years, under sensitivity analysis the State’s debt portfolio in the fiscal block shows under the reference debt strategy (S1). The Akwa Ibom State DSA analysis shows moderate impact related to revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks, which shows that the State should maintained the Gross Financing Needs over the projection period, as a result of both excessive deficits and diminished repayment capacity. The projected fiscal deficits increase systematically going forward and even double the imbalance expected by 2026 in the no-shock Scenario. In addition, the public debt ratio grows up to unsustainable levels in the next few years. Notably, therefore, a major risk for debt sustainability is the reversal of the State’s successful revenue mobilization efforts and a failure to maintain current patterns of expenditure growth. There is an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR in the state. This has become critical, given the continued volatility in the FAAC allocation.



## **CHAPTER FIVE**

### **DEBT MANAGEMENT STRATEGY**

Debt management strategy is a possible framework that can be put in place to manage public debt. Public debt management refers to the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk.

The three debt-management performance indicators that shall be employed in assessing the debt management outcomes are: Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue.

#### **5.1 Alternative Borrowing Options**

In this section, other options that the State can utilize in raising resources to meet her financing deficit are discussed. These alternative debt management strategies are presented as S2, S3 and S4.

##### **Option B (S2)**

Under Strategy 2 (S2), The key assumptions on the planned borrowings for Option **B** is that the State can realize her gross borrowing requirements from both domestic and external sources, spread as listed hereunder:

- (i) The State can use Commercial Bank Loans (maturity 1 to 5 years) to raise 50% of projected financing needs for the 6 years (2024 to 2029) while 30% will run from 2030 to 2033 with 35% interest rate, 3 years tenor and 3 months moratorium.
- (ii) The State can use Commercial Bank Loans (maturity 6 years or longer) to provide 50% of financing needs in 2024 and 20% in 2032 with 35% interest rate, 6 years tenors and 6 months moratorium to provide for New Domestic Financing from 2024 to 2033.
- (iii) The State can State Bonds (maturity 1 to 5 years) to provide 50% of financing needs in 2026 and 2033 with 20% interest rate, 5 years tenor and 6 months moratorium.
- (iv) The State can use State Bonds (maturity 6 years or longer) to provide 50% of financing needs in 2028, 2030 and 2031 with 20% interest rate, 10 years tenor and 12 months moratorium.

- (v) The State can Other Domestic Financing to meet 50% of her projected financing needs in 2027 and 2029, while 20% in 2031 and 2033 with 15% interest rate, 15 years tenor and 12 months moratorium.

The borrowing needs under S2 is projected to be at a minimum figure of ₦145.02billion, in year 2024 and at the peak ₦780.38billion in year 2033.

**Table 11: Summary of Strategy 2 Projected Borrowings**

Borrowing Sources	Year		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>New Domestic Financing in Million of Local Currency</b>												
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Million	72,510.99	85,540.28	98,726.39	117,405.33	162,641.49	199,009.96	149,308.30	173,356.10	194,242.20	234,113.48
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Million	72,510.99	-	-	-	-	-	-	-	129,494.80	-
State Bonds (maturity 1 to 5 years)	Naira	Million	-	-	98,726.39	-	-	-	-	-	-	390,189.13
State Bonds (maturity 6 years or longer)	Naira	Million	-	-	-	-	162,641.49	-	149,308.30	288,926.84	-	-
Other Domestic Financing	Naira	Million	-	-	-	117,405.33	-	199,009.96	-	115,570.73	-	156,075.65
<b>New External Financing in Million US Dollars</b>												
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	US Dollars	Million	-	71.28	-	-	-	-	199.08	-	323.74	-
External Financing - Bilateral Loans	US Dollars	Million	-	-	-	-	-	-	-	-	-	-
Other External Financing	US Dollars	Million	-	-	-	-	-	-	-	-	-	-
Total Gross Borrowing Requirements (calculated by the Template Baseline Scenario)	Naira	Million	145,021.98	171,080.56	197,452.79	234,810.65	325,282.98	398,019.92	497,694.32	577,853.67	647,474.00	780,378.26

### Option C (S3)

Strategy 3 (S3): Under this strategy, the State can assess funding from the different domestic and external sources thus:

- (i) The State can use Commercial Bank Loans (maturity 1 to 5 years) to raise 30% of projected financing needs in 2024 to 2027, 20% in 2028 to 2031 and 40% in 2032 and 2033 with 35% interest rate, 3 years tenor and 3 months moratorium.
- (ii) The State can use Commercial Bank Loans (maturity 6 years or longer) to raise 30% of projected financing needs in 2029 with 35% interest rate, 6 years tenor and 6 months moratorium to provide for New Domestic Financing from 2024 to 2033.
- (iii) The State can State Bonds (maturity 1 to 5 years) to raise 20% of financing needs in 2028 and 2031 with 20% interest rate, 5 years tenor and 6 months moratorium.

- (iv) The State can use State Bonds (maturity 6 years or longer) to raise 20% of financing needs in 2025, 70% in 2027 and 60% in 2032 with 20% interest rate, 10 years tenor and 12 months moratorium.
- (v) The State can use Other Domestic Financing to meet raise 70% of projected financing needs in 2024, 50% in 2029 and 60% in 2031 with 15% interest rate, 15 years tenor and 12 months moratorium.
- (vi) The State can use External Financing - Concessional Loans to raise 70% of projected financing needs in 2026, 60% in 2028 and 80% in 2030 with 8% interest rate, 15years maturity and 24months moratorium.
- (vii) The State can use External Financing - Bilateral Loans raise 50% of financing needs in 2025 and 60% in 2033 with 8% interest rate, 10years maturity and 18 months moratorium.

The borrowing needs under S3 is projected to be at a minimum figure of ₦145billion, in year 2024 and at the peak ₦531billion in year 2033.

**Table 12: Summary of Strategy 3 Projected Borrowings**

Borrowing Sources		Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>New Domestic Financing in Million of Local Currency</b>												
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Million	43,506.59	45,233.24	45,554.74	48,462.57	41,559.65	48,826.97	58,524.89	69,245.99	159,206.59	212,774.82
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Million	-	-	-	-	-	73,240.46	-	-	-	-
State Bonds (maturity 1 to 5 years)	Naira	Million	-	-	-	-	41,559.65	-	-	69,245.99	-	-
State Bonds (maturity 6 years or longer)	Naira	Million	-	30,155.50	-	113,079.33	-	-	-	-	238,809.89	-
Other Domestic Financing	Naira	Million	101,515.38	-	-	-	-	122,067.43	-	207,737.97	-	-
<b>New External Financing in Million US Dollars</b>												
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	US Dollars	Million	-	-	96.63	-	124.68	-	234.10	-	-	-
External Financing - Bilateral Loans	US Dollars	Million	-	62.82	-	-	-	-	-	-	-	319.16
Other External Financing	US Dollars	Million	-	-	-	-	-	-	-	-	-	-
Total Gross Borrowing Requirements (calculated by the Template Baseline Scenario)	Naira	Million	145,021.98	150,777.48	151,849.13	161,541.90	207,798.26	244,134.87	292,624.44	346,229.96	398,016.48	531,937.04

## **Option D (S4)**

Strategy 4 (S4), Under this strategy, the State can assess funding from the different domestic and external sources thus:

- (i) The State can use Commercial Bank Loans (maturity 1 to 5 years) to raise 40% of projected financing needs in 2024 to 2026, 20% in 2027 to 2031 and 10% in 2032 and 2033 with 35% interest rate, 3 years tenor and 3 months moratorium/
- (ii) The State can use Commercial Bank Loans (maturity 6 years or longer) to raise 30% of financing needs in 2027, 80% in 2029 and 60% in 2032 with 35% interest rate, 6 years tenor and 6 months moratorium to provide for New Domestic Financing from 2024 to 2033.
- (iii) The State can raise 60% of financing needs in 2026 and 50% in 2033 with 20% interest rate, 5 years tenor and 6 months moratorium/
- (iv) The State can raise 30% of financing needs in 2028 and 2032 while 80% in 2030 with 20% interest rate, 10 years tenor and 12 months moratorium.
- (v) The State can raise 60% of projected financing needs in 2024, and 40% in 2033 with 15% interest rate, 15 years tenor and 12 months moratorium.
- (vi) The State can use External Financing - Concessional Loans to raise 60% of projected financing needs in 2025, and 50% in 2027 to 2028 with 8% interest rate, 15years maturity and 24months moratorium.
- (vii) The State can use External Financing - Bilateral Loans raise 80% of projected financing in 2031 with 8% interest rate, 10years maturity and 18 months moratorium.

The borrowing needs under S4 is projected to be at a minimum figure of ₦145billion, in year 2024 and at the peak ₦509billion in year 2033.

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**Table 13: Summary of Strategy 4 Projected Borrowings**

Borrowing Sources		Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>New Domestic Financing in Million of Local Currency</b>												
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Million	58,008.79	61,471.17	63,949.09	36,245.78	50,597.13	54,255.66	70,391.21	93,516.40	50,998.00	67,999.09
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Naira	Million	-	-	-	54,368.67	-	217,022.62	-	-	305,987.98	-
State Bonds (maturity 1 to 5 years)	Naira	Million	-	-	95,923.63	-	-	-	-	-	-	339,995.44
State Bonds (maturity 6 years or longer)	Naira	Million	-	-	-	-	75,895.70	-	281,564.82	-	152,993.99	-
Other Domestic Financing	Naira	Million	87,013.19	-	-	-	-	-	-	-	-	271,996.35
<b>New External Financing in Million US Dollars</b>												
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	US Dollars	Million	-	76.84	-	90.61	126.49	-	-	-	-	-
External Financing - Bilateral Loans	US Dollars	Million	-	-	-	-	-	-	-	374.07	-	-
Other External Financing	US Dollars	Million	-	-	-	-	-	-	-	-	-	-
Total Gross Borrowing Requirements (calculated by the Template Baseline Scenario)	Naira	Million	145,021.98	153,677.92	159,872.72	181,228.91	252,985.66	271,278.28	351,956.03	467,581.98	509,979.97	679,990.87

## 5.2 DMS Simulation Results

**Analysis of strategies & outcomes of the analysis:** The cost / risk trade-off charts illustrate performance of the alternative strategies with respect to four debt burden indicators.

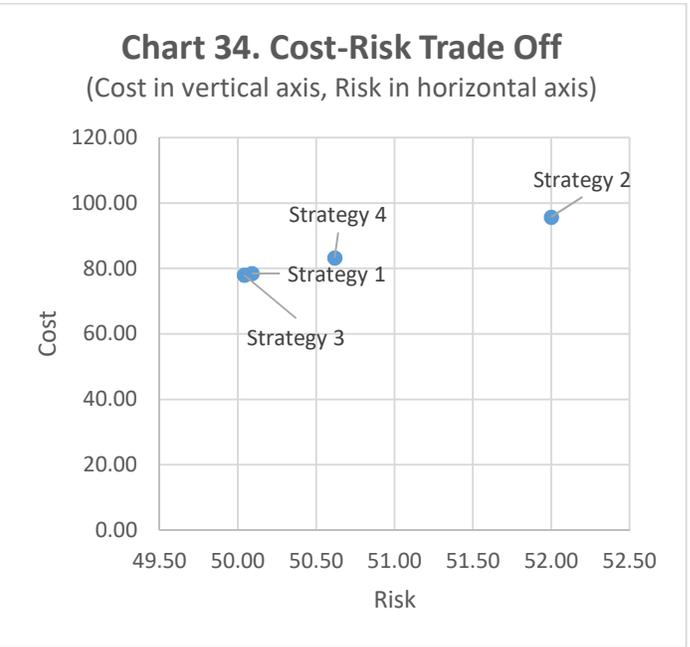
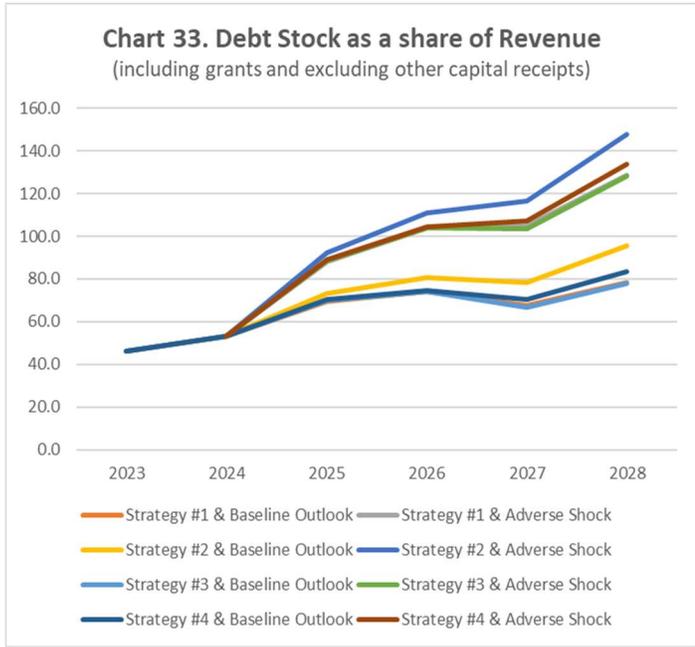
### 5.2.1 Debt stock as a share of Revenue:

In the Baseline scenario, the projected percentage of the State’s debt stock to revenue between 2024 to 2028 are expected to grow from 53.3% to 78.5%.

Under this performance indicator, the baseline outlook in 2028 indicates that adverse shock stems from historical data for all the debt management strategies.

- ✓ Strategy 1 offers the highest cost of borrowing – 78.5% with an Adverse Shock of 128.6%, with a risk component is 50.1%.
- ✓ For Strategy 2, the baseline outlook indicates that the cost of borrowing is 95.7%, the Adverse Shock is 147.7% and the risk component is 52.0%.
- ✓ In Strategy 3 borrowing cost of 78.0%, Adverse Shock of 128.1% and risk is 50.0%. this is the least cost and risk
- ✓ Strategy 4, has the least cost of borrowing of 83.2% while the Adverse Shock is 133.9% and the risk component is 50.6%.

Debt Stock as % of Revenue (including grants and	2023	2024	2025	2026	2027	COST RISK measured only in 2028	
						2028	2028
Strategy #1 & Baseline Outlook	46.2	53.3	69.4	74.2	67.8	78.5	50.1
Strategy #1 & Adverse Shock		53.3	88.2	103.9	104.7	128.6	
Strategy #2 & Baseline Outlook	46.2	53.3	73.1	80.7	78.5	95.7	52.0
Strategy #2 & Adverse Shock		53.3	92.3	111.2	116.6	147.7	
Strategy #3 & Baseline Outlook	46.2	53.3	69.9	74.0	66.6	78.0	50.0
Strategy #3 & Adverse Shock		53.3	88.8	103.7	103.4	128.1	
Strategy #4 & Baseline Outlook	46.2	53.3	70.3	74.8	70.2	83.2	50.6
Strategy #4 & Adverse Shock		53.3	89.3	104.5	107.4	133.9	



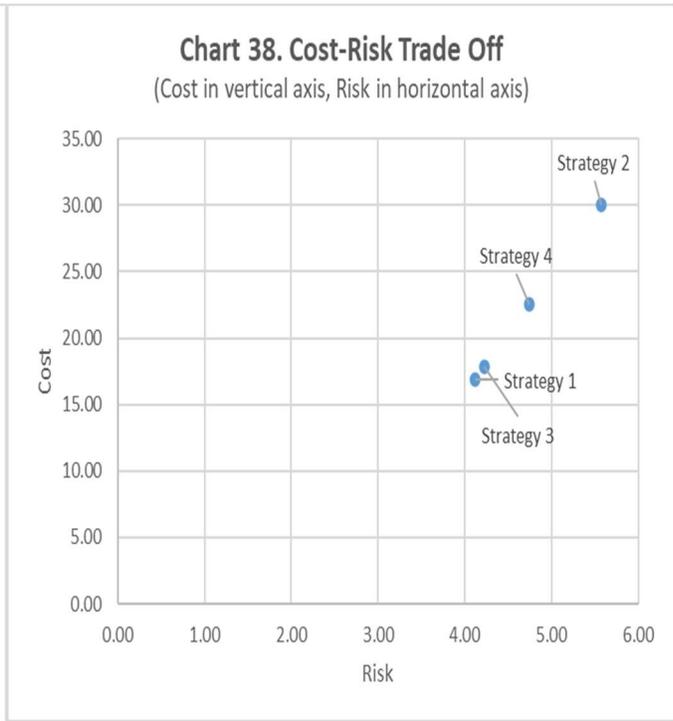
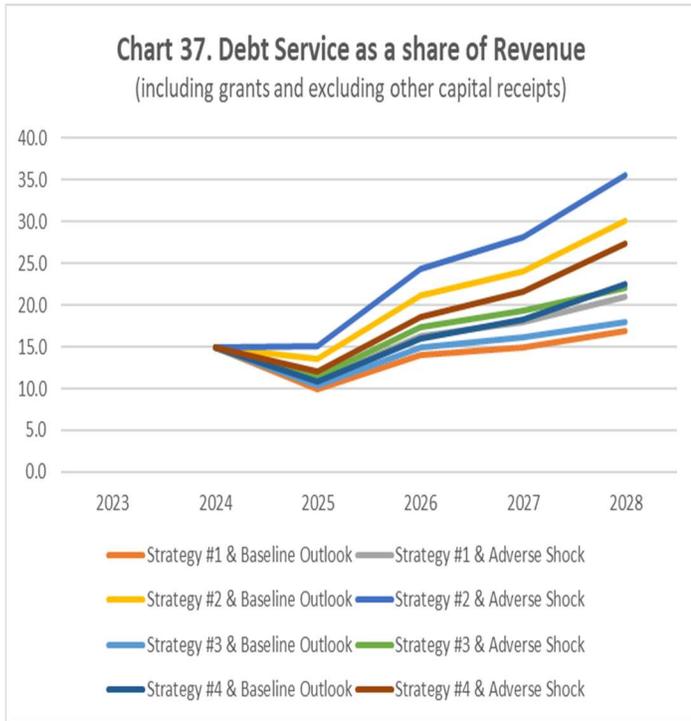
### 5.2.2 Debt Service as a Share Revenue:

In the Baseline scenario, the projected percentage of the State’s debt service to revenue between 2024 to 2028 are expected to grow from 14.9% to 16.9%.

Under this performance indicator, the baseline outlook in 2027 indicates that adverse shock stems from revenue for Strategies 1 – 3, while it would be historical for Strategy 4.

- ✓ Strategy 1, offers the highest cost of borrowing – 16.9% with an Adverse Shock of 21.0%, and a 4.1% risk. This is the least cost and risk
- ✓ In Strategy 2, the baseline outlook indicates that the cost of borrowing is 30.0%, the Adverse Shock is 35.6% and the risk component is 5.6%.
- ✓ In Strategy 3 borrowing cost of 17.9%, Adverse Shock of 22.1% and risk is 4.2%.
- ✓ Strategy 4, has the least cost of borrowing 22.6% while the Adverse Shock is 27.3% and the risk component is 4.7%.

Debt Service as % of Revenue (including grants a	2023	2024	2025	2026	2027	COST RISK measured only in 2028	
						2028	
Strategy #1 & Baseline Outlook		14.9	9.9	14.0	14.9	16.9	4.1
Strategy #1 & Adverse Shock		14.9	11.0	16.4	17.9	21.0	
Strategy #2 & Baseline Outlook		14.9	13.6	21.2	24.1	30.0	5.6
Strategy #2 & Adverse Shock		14.9	15.1	24.3	28.1	35.6	
Strategy #3 & Baseline Outlook		14.9	10.4	14.9	16.1	17.9	4.2
Strategy #3 & Adverse Shock		14.9	11.5	17.3	19.3	22.1	
Strategy #4 & Baseline Outlook		14.9	10.8	16.0	18.2	22.6	4.7
Strategy #4 & Adverse Shock		14.9	12.0	18.6	21.6	27.3	

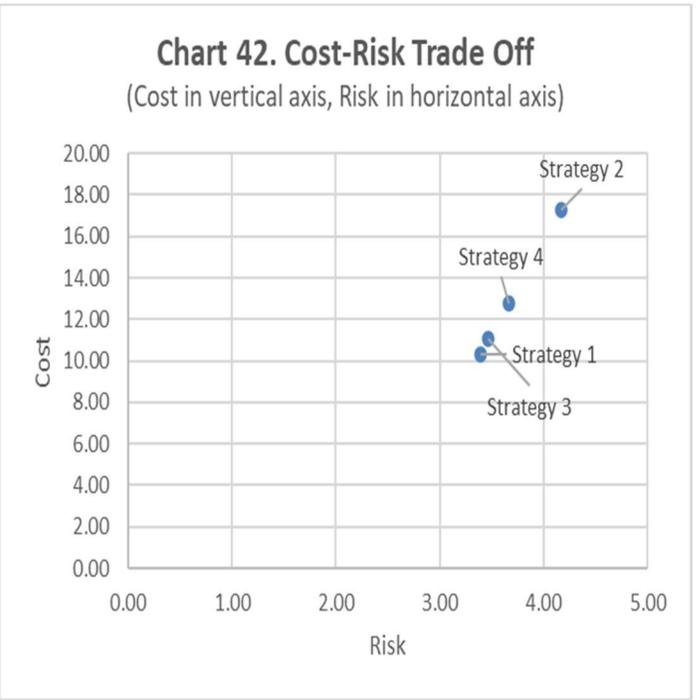
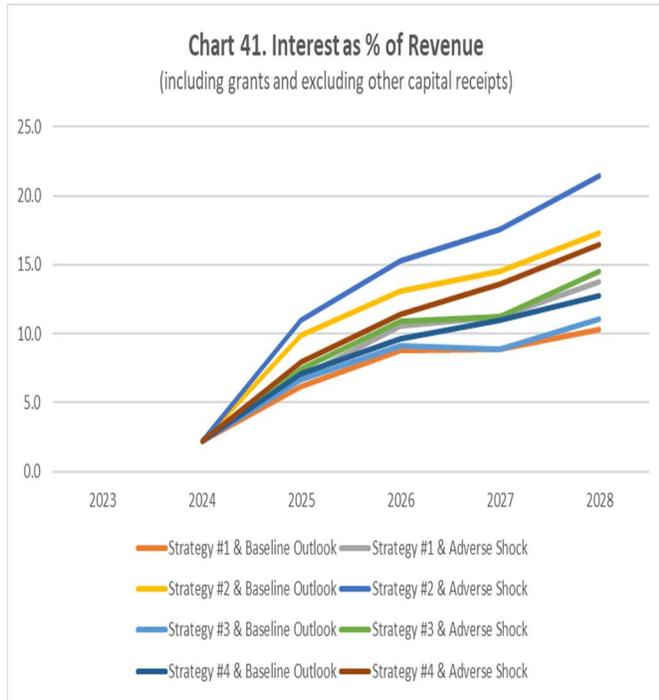


### 5.2.3 Interest as a share of Revenue

The percentage of interest payments on the State’s debt to revenue, between 2023 and 2027 increases from 2.2% to 10.3%.

- ✓ Under Strategy 1, this performance indicator reveals that the adverse shock stems from historical. It has the highest borrowing cost of 10.3%, adverse shock of 13.7% and risk of 3.4% compared to the alternative strategies.
- ✓ Cost of borrowing under Strategy 2 is 17.3%, adverse shock is 21.5%, while the risk is 4.2%.
- ✓ Strategy 3 has a borrowing cost of 11.0%, adverse shock is 14.5% and risk of 3.5%.
- ✓ In Strategy 4, the cost of borrowing is 12.8%, adverse shock is 16.4% while the risk component is 3.7%.

Interest as % of Revenue (including grants and e)	2023	2024	2025	2026	2027	COST RISK measured only in 2028	
						2028	2028
Strategy #1 & Baseline Outlook		2.2	6.2	8.8	8.9	10.3	3.4
Strategy #1 & Adverse Shock		2.2	6.9	10.5	11.3	13.7	
Strategy #2 & Baseline Outlook		2.2	9.9	13.1	14.6	17.3	4.2
Strategy #2 & Adverse Shock		2.2	11.0	15.3	17.5	21.5	
Strategy #3 & Baseline Outlook		2.2	6.7	9.1	8.9	11.0	3.5
Strategy #3 & Adverse Shock		2.2	7.4	10.9	11.2	14.5	
Strategy #4 & Baseline Outlook		2.2	7.1	9.6	11.0	12.8	3.7
Strategy #4 & Adverse Shock		2.2	7.9	11.4	13.6	16.4	



### 5.2.4 DMS Assessment

The major observations on the cost-risk profile of the four debt management strategies are presented in the table that follow:

**Table 14: Cost-Risk Profile of Projected DMS**

		Strategy 1	Strategy 2	Strategy 3	Strategy 4
Debt Stock as % of Revenue	Cost	78.5	95.7	78.0	83.2
	Risk	50.1	52.0	50.0	50.6
Debt Service as % of Revenue	Cost	16.9	30.0	17.9	22.6
	Risk	4.1	5.6	4.2	4.7
Interest as % of Revenue	Cost	10.3	17.3	11.0	12.8
	Risk	3.4	4.2	3.5	3.7

The reference Strategy (S1) has the least cost in two out of three performance indicators, also has the least risk in two out three performance indicators, while it came second in both cost and risk in one indicator. Strategy (S2) presents the highest borrowing cost in the three indicators and highest risk in three indicators. Strategy (S3) stands as the second on the rung in terms of lower borrowing cost in two indicators, also second in terms of risk profile two indicators, while it has the least both cost and risk in one indicator. Strategy (S4) is the third on the rung in both cost and risk in three performance indicators.

From the foregoing, Strategy (S1) seems to be the best option for the State in sourcing for funds to meet financing needs. Although moderate in terms of debt stock to revenue. probably because of the State's reliance on oil revenue, but with the recent diversification of revenue and tax reform in the State, the State can mitigate the cost and risk considerably. Strategy (S1) which is the reference debt strategy is hereby recommended as the best option for the State to consider in raising needed funds to cover the financing gap.

As a consequence of the borrowings envisaged in the reference debt-management strategy (S1), the interest burden and debt-service obligations will be moderate in relative to revenue. In addition, the exposure to currency risk and rollover risk will be mitigated. The share of foreign-currency debt will be slightly increase from 032% at end 2024 to 0.68% at end 2028. The share of public debt maturing in one year or less will be slightly increase from 2.20% at end 2024 to 10.34% at end 2028. This slight increase is due to the new foreign debt proposed in year 2026 and 2028.

# Annexure I

## Table of Assumptions

2024		Projection Methodology	Source
<b>Assumptions:</b>			
<b>Economic activity</b>	State GDP (at current prices)	The State GDP expected average growth rate between 2024 - 2033 is 13.6%	Debt Management Office, Abuja
<b>Revenue</b>	<b>Revenue</b>		
	1. Gross Statutory Allocation ('gross' means with no deductions)	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027 while from 2028 to 2033, 5% increment on 2027 MTEF projection is applied.	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
	1.a. of which Net Statutory Allocation ('net' means of net)	nil	
	1.b. of which Deductions	nil	
	2. Derivation (if applicable to the State)	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027 thereafter, 5% increment on 2027 MTEF projection is applied from 2028 to 2033.	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
	3. Other FAAC transfers (exchange rate gain, augmentation)	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027 while from 2028 to 2033, 5% increment on 2027 MTEF projection is applied.	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
	4. VAT Allocation	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027 thereafter, 5% increment on 2027 MTEF projection is applied from 2028 to 2033.	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
	5. IGR	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027 while from 2028 to 2033, 5% increment on 2027 MTEF projection is applied.	DSA Team, Ministry of Finance, Ministry of Economic Development and State Internal Revenue Service
	6. Capital Receipts	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027 while from 2028 to 2033, 5% increment on 2027 MTEF projection is applied.	
	6.a. Grants	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027 thereafter, 5% increment on 2027 MTEF projection is applied from 2028 to 2033.	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
	6.b. Sales of Government Assets and Privatization Proceeds	Nil	
	6.c. Other Non-Debt Creating Capital Receipts	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027 while from 2028 to 2033, 5% increment on 2027 MTEF projection is applied.	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
<b>Expenditure</b>	<b>Expenditure</b>		
	1. Personnel costs (Salaries, Pensions, Civil Servants Social Security Contributions)	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027, 8% increment on 2027 MTEF projection is applied from 2028 to 2033	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
	2. Overhead costs	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027, 5% increment on 2027 MTEF projection is applied from 2028 to 2033	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
	3. Interest Payments (Public Debt Charges, including Interest on External Debt)	The State made Projections based on facilities' Amortization Schedules	Amortization Schedules
	4. Other Recurrent Expenditure (Excluding Personnel Costs)	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027, 5% increment on 2027 MTEF projection is applied from 2028 to 2033	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
	5. Capital Expenditure	The State used Budget figures for 2024, MTEF projections are used for 2025 - 2027, 5% increment on 2027 MTEF projection is applied from 2028 to 2033	DSA Team, Ministry of Finance, Accountant General Office, Ministry of Economic Development and State Budget Office
<b>Closing Cash and Bank Balance</b>	<b>Closing Cash and Bank Balance</b>	The State closing cash and bank balance are N60B for 2022, N80B for 2025, N60B for 2026, and held constant at N40B from 2027 to 2033	DSA Team and Accountant General Office
<b>Debt Amortization and Interest Payments</b>	<b>Debt Outstanding at end-2023</b>		
	External Debt - amortization and interest	The State got her projections from Federal DMO schedules	DMO, Abuja
	Domestic Debt - amortization and interest	The State got her projections from different facilities' Amortization Schedules	State Accountant General Office
	<b>New debt issued/contracted from 2024 onwards</b>		
	<b>New External Financing</b>		
	External Financing - Concessional Loans (e.g., World Bank)	The State projected to use External Financing - Concessional Loans at 8% interest rate, 15 years maturity and 24 months moratorium to meet New External Financing from 2024 to 2033	DSA Team
	External Financing - Bilateral Loans	The State projected to use External Financing - Bilateral Loans at 8% interest rate, 10 years maturity and 18 months moratorium to meet New External Financing from 2024 to 2033	DSA Team
	Other External Financing	The State projected to use Other External Financing at 8% interest rate, 5 years maturity and 6 months moratorium to meet New External Financing from 2024 to 2033	DSA Team
	<b>New Domestic Financing</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including State Bonds)	The State projected to use Commercial Bank Loans (maturity 1 to 5 years) at 35% interest rate, 3 years tenor and 3 months moratorium to provide for New Domestic Financing from 2024 to 2033	DSA Team
	Commercial Bank Loans (maturity 6 years or longer, including State Bonds)	The State projected to use Commercial Bank Loans (maturity 6 years or longer) at 35% interest rate, 6 years tenor and 6 months moratorium to provide for New Domestic Financing from 2024 to 2033	DSA Team
	State Bonds (maturity 1 to 5 years)	The State projected to use State Bonds (maturity 1 to 5 years) at 20% interest rate, 5 years tenor and 6 months moratorium to provide for New Domestic Financing from 2024 to 2033	DSA Team
	State Bonds (maturity 6 years or longer)	The State projected to use State Bonds (maturity 6 years or longer) at 20% interest rate, 10 years tenor and 12 months moratorium to provide for New Domestic Financing from 2024 to 2033	DSA Team
	Other Domestic Financing	The State projected to use Other Domestic Financing at 15% interest rate, 15 years tenor and 12 months moratorium to provide for New Domestic Financing from 2024 to 2033	DSA Team

corresponding to Debt Strategy S1	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1</b>		
	<b>New Domestic Financing in Million Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including	The State can use Commercial Bank Loans (maturity 1 to 5 years) to raise 20% of projected financing needs for 4 years that is from 2024 to 2028, and 40% in 2029, 2031 and 2032 while 30% for 2030 and 2033 with 35% interest rate, 3 years tenor and 3 months moratorium.	DSA Team
	Commercial Bank Loans (maturity 6 years or longer, including	nil	DSA Team
	State Bonds (maturity 1 to 5 years)	The State can use State Bonds (maturity 1 to 5 years) to provide 80% of financing needs in 2026 and 10% in 2028 with 20% interest rate, 5 years tenor and 6 months moratorium	DSA Team
	State Bonds (maturity 6 years or longer)	The State can use State Bonds (maturity 6 years or longer) to provide 60% of financing needs in 2029 and 2031, 2% in 2033 with 20% interest rate, 10 years tenor and 12 months moratorium.	DSA Team
	Other Domestic Financing	The State can use Other Domestic Financing to raise 80% of projected financing needs in 2024, 2025 and 2027 while 60% can be raised in 2032 with 15% interest rate, 15 years tenor and 12 months moratorium.	DSA Team
Proceeds from Debt-Creating Borrowings	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank)	The State can use External Financing - Concessional Loans to provide 50% of financing needs in 2026 and 2033 while 70% in 2028 and 2030 with 8% interest rate, 15years maturity and 24months moratorium.	DSA Team
	External Financing - Bilateral Loans	nil	DSA Team
	Other External Financing	nil	DSA Team
corresponding to Debt Strategy S2	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2</b>		
	<b>New Domestic Financing in Million Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including	The State can use Commercial Bank Loans (maturity 1 to 5 years) to raise 50% of projected financing needs for the 6 years (2024 to 2029) while 30% will run from 2030 to 2033 with 35% interest rate, 3 years tenor and 3 months moratorium	DSA Team
	Commercial Bank Loans (maturity 6 years or longer, including	The State can use Commercial Bank Loans (maturity 6 years or longer) to provide 50% of financing needs in 2024 and 20% in 2032 with 35% interest rate, 6 years tenors and 6 months moratorium to provide for New Domestic Financing from 2024 to 2033	DSA Team
	State Bonds (maturity 1 to 5 years)	The State can use State Bonds (maturity 1 to 5 years) to provide 50% of financing needs in 2026 and 2033 with 20% interest rate, 5 years tenor and 6 months moratorium	DSA Team
	State Bonds (maturity 6 years or longer)	The State can use State Bonds (maturity 6 years or longer) to provide 50% of financing needs in 2028, 2030 and 2031 with 20% interest rate, 10 years tenor and 12 months moratorium.	DSA Team
	Other Domestic Financing	The State can use Other Domestic Financing to meet 50% of her projected financing needs in 2027 and 2029, while 20% in 2031 and 2033 with 15% interest rate, 15 years tenor and 12 months moratorium.	DSA Team
Proceeds from Debt-Creating Borrowings	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank)	The State can use External Financing - Concessional Loans to provide 50% of financing needs in 2025 and 2032 while 40% in 2030 with 8% interest rate, 15years maturity and 24months moratorium.	DSA Team
	External Financing - Bilateral Loans	nil	DSA Team
	Other External Financing	nil	DSA Team
corresponding to Debt Strategy S3	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3</b>		
	<b>New Domestic Financing in Million Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including	The State can use Commercial Bank Loans (maturity 1 to 5 years) to raise 30% of projected financing needs in 2024 to 2027, 20% in 2028 to 2031 and 40% in 2032 and 2033 with 35% interest rate, 3 years tenor and 3 months moratorium	DSA Team
	Commercial Bank Loans (maturity 6 years or longer, including	The State can use Commercial Bank Loans (maturity 6 years or longer) to raise 30% of projected financing needs in 2029 with 35% interest rate, 6 years tenor and 6 months moratorium to provide for New Domestic Financing from 2024 to 2033	DSA Team
	State Bonds (maturity 1 to 5 years)	The State can use State Bonds (maturity 1 to 5 years) to raise 20% of financing needs in 2028 and 2031 with 20% interest rate, 5 years tenor and 6 months moratorium	DSA Team
	State Bonds (maturity 6 years or longer)	The State can use State Bonds (maturity 6 years or longer) to raise 20% of financing needs in 2025, 70% in 2027 and 60% in 2032 with 20% interest rate, 10 years tenor and 12 months moratorium.	DSA Team
	Other Domestic Financing	The State can use Other Domestic Financing to meet raise 70% of projected financing needs in 2024, 50% in 2029 and 60% in 2031 with 15% interest rate, 15 years tenor and 12 months moratorium.	DSA Team
Proceeds from Debt-Creating Borrowings	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank)	The State can use External Financing - Concessional Loans to raise 70% of projected financing needs in 2026, 60% in 2028 and 80% in 2030 with 8% interest rate, 15years maturity and 24months moratorium.	DSA Team
	External Financing - Bilateral Loans	The State can use External Financing - Bilateral Loans raise 50% of financing needs in 2025 and 60% in 2033 with 8% interest rate, 10years maturity and 18 months moratorium.	DSA Team
	Other External Financing	nil	DSA Team
corresponding to Debt Strategy S4	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4</b>		
	<b>New Domestic Financing in Million Naira</b>		
	Commercial Bank Loans (maturity 1 to 5 years, including	The State can use Commercial Bank Loans (maturity 1 to 5 years) to raise 40% of projected financing needs in 2024 to 2026, 20% in 2027 to 2031 and 10% in 2032 and 2033 with 35% interest rate, 3 years tenor and 3 months moratorium	DSA Team
	Commercial Bank Loans (maturity 6 years or longer, including	The State can use Commercial Bank Loans (maturity 6 years or longer) to raise 30% of financing needs in 2027, 80% in 2029 and 60% in 2032 with 35% interest rate, 6 years tenor and 6 months moratorium to provide for New Domestic Financing from 2024 to 2033	DSA Team
	State Bonds (maturity 1 to 5 years)	The State can raise 60% of financing needs in 2026 and 50% in 2033 with 20% interest rate, 5 years tenor and 6 months moratorium	DSA Team
	State Bonds (maturity 6 years or longer)	The State can raise 30% of financing needs in 2028 and 2032 while 80% in 2030 with 20% interest rate, 10 years tenor and 12 months moratorium.	DSA Team
	Other Domestic Financing	The State can raise 60% of projected financing needs in 2024, and 40% in 2033 with 15% interest rate, 15 years tenor and 12 months moratorium.	DSA Team
Proceeds from Debt-Creating Borrowings	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank)	The State can use External Financing - Concessional Loans to raise 60% of projected financing needs in 2025, and 50% in 2027 to 2028 with 8% interest rate, 15years maturity and 24months moratorium.	DSA Team
	External Financing - Bilateral Loans	The State can use External Financing - Bilateral Loans raise 80% of projected financing in 2031 with 8% interest rate, 10years maturity and 18 months moratorium.	DSA Team
	Other External Financing	nil	DSA Team

## Annexure II

### Akwa Ibom State Baseline Scenario 2024 – 2033

	Actuals					Projections									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>BASELINE SCENARIO</b>															
<b>Economic Indicators</b>															
State GDP (at current prices)	6,226,622.21	5,910,210.71	6,746,370.65	7,753,659.44	8,982,079.22	10,609,371.80	12,273,664.55	13,954,939.66	15,526,614.74	17,275,299.72	19,220,930.36	21,385,687.64	23,794,250.71	26,474,078.19	29,455,721.25
Exchange Rate NGN/US\$ (end-Period)	253.19	305.79	306.50	326.00	379.00	1,300.00	1,200.00	1,100.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
<b>Fiscal Indicators (Million Naira)</b>															
<b>Revenue</b>	<b>346,070.96</b>	<b>210,709.36</b>	<b>376,784.40</b>	<b>508,562.60</b>	<b>457,850.94</b>	<b>750,021.98</b>	<b>812,768.05</b>	<b>932,875.89</b>	<b>1,169,382.49</b>	<b>1,306,583.41</b>	<b>1,428,385.37</b>	<b>1,579,578.04</b>	<b>1,713,831.58</b>	<b>1,840,250.81</b>	<b>2,032,793.90</b>
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	41,399.15	34,079.24	35,601.58	39,192.72	36,695.54	55,000.00	143,656.89	171,320.41	218,295.69	229,210.47	240,671.00	252,704.55	265,339.78	278,606.76	292,537.10
1.a. of which Net Statutory Allocation ('net' means of deductions)	41,399.15	34,079.24	35,601.58	39,192.72	36,695.50	55,000.00	143,656.89	171,320.41	218,295.69	229,210.47	240,671.00	252,704.55	265,339.78	278,606.76	292,537.10
1.b. of which Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	118,505.10	91,073.23	91,155.96	272,023.99	138,045.13	284,000.00	342,079.08	383,582.13	499,906.15	524,901.46	551,146.53	578,703.86	607,639.05	638,021.00	669,922.05
3. Other FAAC transfers (exchange rate gain, augmentation, others)	41,598.96	20,481.94	7,192.91	18,141.75	175,441.44	126,000.00	10,000.00	12,000.00	11,000.00	11,550.00	12,127.50	12,733.88	13,370.57	14,039.10	14,741.05
4. VAT Allocation	13,342.00	15,814.07	25,476.69	28,239.34	40,155.42	45,000.00	61,581.48	82,915.19	107,905.76	113,301.05	118,966.10	124,914.41	131,160.13	137,718.13	144,604.04
5. IGR	35,504.00	30,610.56	37,896.50	33,419.35	43,376.24	60,000.00	62,353.34	68,588.67	75,447.54	79,219.92	83,180.91	87,339.96	91,706.96	96,292.30	101,106.92
6. Capital Receipts	95,721.75	18,650.32	179,460.80	117,545.40	24,137.18	180,021.98	193,097.26	214,469.49	256,827.35	348,400.52	422,293.33	523,181.40	604,615.11	675,573.51	809,882.74
6.a. Grants	14,636.00	11,553.45	7,249.28	12,921.45	11,956.47	21,000.00	8,016.70	8,016.70	8,016.70	8,417.54	8,838.41	9,280.33	9,744.35	10,231.57	10,743.14
6.b. Sales of Government Assets and Privatization Proceeds	8,359.51	2,496.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	24,657.24	0.00	136,289.30	40,350.01	10,976.26	14,000.00	14,000.00	9,000.00	14,000.00	14,700.00	15,435.00	16,206.75	17,017.09	17,867.94	18,761.34
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	48,069.00	4,600.00	35,922.25	64,273.91	1,204.45	145,021.98	171,080.56	197,452.79	234,810.65	325,282.98	398,019.92	497,694.32	577,853.67	647,474.00	780,378.26
<b>Expenditure</b>	<b>324,913.01</b>	<b>220,897.37</b>	<b>336,138.90</b>	<b>436,047.40</b>	<b>427,460.72</b>	<b>855,077.78</b>	<b>792,768.05</b>	<b>952,875.89</b>	<b>1,189,382.49</b>	<b>1,306,583.41</b>	<b>1,428,385.37</b>	<b>1,579,578.04</b>	<b>1,713,831.58</b>	<b>1,840,250.81</b>	<b>2,032,793.90</b>
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	39,616.01	46,834.38	57,670.47	76,901.87	78,627.01	86,331.09	109,737.11	120,710.82	132,781.90	139,421.00	146,392.04	153,711.65	161,397.23	169,467.09	177,940.45
2. Overhead costs	13,057.69	15,666.01	41,641.90	85,909.68	85,324.14	147,034.35	138,274.11	152,101.52	167,311.67	175,677.25	184,461.12	193,684.17	203,368.38	213,536.80	224,213.64
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	12,200.75	9,994.30	15,514.71	22,569.34	20,515.60	12,983.45	62,098.25	95,114.22	133,967.35	167,257.75	223,055.47	283,513.61	330,683.11	407,575.56	491,643.91
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	12,200.75	9,994.30	15,514.71	22,569.34	13,159.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	0.00	0.00	0.00	0.00	7,356.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	9,171.66	14,969.95	10,266.36	17,906.93	21,201.86	43,000.00	26,811.53	28,152.11	29,559.71	31,037.70	32,589.58	34,219.06	35,930.01	37,726.51	39,612.84
5. Capital Expenditure	197,832.59	91,450.49	167,782.76	200,281.39	196,508.91	490,905.33	432,659.56	497,937.28	638,169.57	670,078.05	703,581.95	738,761.05	775,699.10	814,484.06	855,208.26
6. Amortization (principal) payments	53,034.31	41,982.24	43,262.70	32,478.20	25,283.20	74,823.55	23,187.49	58,859.94	87,592.29	123,111.68	138,305.20	175,688.51	206,753.75	197,460.78	244,174.81
<b>Budget Balance ('+' means surplus, '-' means deficit)</b>	<b>21,157.95</b>	<b>-10,188.01</b>	<b>40,645.50</b>	<b>72,515.20</b>	<b>30,390.20</b>	<b>-105,055.80</b>	<b>20,000.00</b>	<b>-20,000.00</b>	<b>-20,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Opening Cash and Bank Balance</b>	<b>10,534.96</b>	<b>31,692.91</b>	<b>21,504.90</b>	<b>62,150.40</b>	<b>134,665.60</b>	<b>165,055.80</b>	<b>60,000.00</b>	<b>80,000.00</b>	<b>60,000.00</b>	<b>40,000.00</b>	<b>40,000.00</b>	<b>40,000.00</b>	<b>40,000.00</b>	<b>40,000.00</b>	<b>40,000.00</b>
<b>Closing Cash and Bank Balance</b>	<b>31,692.91</b>	<b>21,504.90</b>	<b>62,150.40</b>	<b>134,665.60</b>	<b>165,055.80</b>	<b>60,000.00</b>	<b>80,000.00</b>	<b>60,000.00</b>	<b>40,000.00</b>						

**Financing Needs and Sources (Million Naira)**

<b>Financing Needs</b>	<b>159,021.98</b>	<b>185,080.56</b>	<b>206,452.79</b>	<b>248,810.65</b>	<b>339,982.98</b>	<b>413,454.92</b>	<b>513,901.07</b>	<b>594,870.76</b>	<b>665,341.94</b>	<b>799,139.60</b>
i. Primary balance	-176,270.77	-79,794.82	-72,478.63	-47,251.01	-49,613.56	-52,094.24	-54,698.95	-57,433.90	-60,305.59	-63,320.87
ii. Debt service	87,807.01	85,285.74	153,974.16	221,559.64	290,369.42	361,360.68	459,202.12	537,436.86	605,036.35	735,818.72
Amortizations	74,823.55	23,187.49	58,859.94	87,592.29	123,111.68	138,305.20	175,688.51	206,753.75	197,460.78	244,174.81
Interests	12,983.45	62,098.25	95,114.22	133,967.35	167,257.75	223,055.47	283,513.61	330,683.11	407,575.56	491,643.91
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)	-105,055.80	20,000.00	-20,000.00	-20,000.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Financing Sources</b>	<b>159,021.98</b>	<b>185,080.56</b>	<b>206,452.79</b>	<b>248,810.65</b>	<b>339,982.98</b>	<b>413,454.92</b>	<b>513,901.07</b>	<b>594,870.76</b>	<b>665,341.94</b>	<b>799,139.60</b>
i. Financing Sources Other than Borrowing	14,000.00	14,000.00	9,000.00	14,000.00	14,700.00	15,435.00	16,206.75	17,017.09	17,867.94	18,761.34
ii. Gross Borrowings	145,021.98	171,080.56	197,452.79	234,810.65	325,282.98	398,019.92	497,694.32	577,853.67	647,474.00	780,378.26
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	72,510.99	85,540.28	98,726.39	117,405.33	162,641.49	199,009.96	149,308.30	173,356.10	194,242.20	234,113.48
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	72,510.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	129,494.80	0.00
State Bonds (maturity 1 to 5 years)	0.00	0.00	98,726.39	0.00	0.00	0.00	0.00	0.00	0.00	390,189.13
State Bonds (maturity 6 years or longer)	0.00	0.00	0.00	0.00	162,641.49	0.00	149,308.30	288,926.84	0.00	0.00
Other Domestic Financing	0.00	0.00	0.00	117,405.33	0.00	199,009.96	0.00	115,570.73	0.00	156,075.65
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	0.00	85,540.28	0.00	0.00	0.00	0.00	199,077.73	0.00	323,737.00	0.00
External Financing - Bilateral Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**Debt Stocks and Flows (Million Naira)**

<b>Debt (stock)</b>	<b>249,865.57</b>	<b>244,310.86</b>	<b>203,714.04</b>	<b>233,886.42</b>	<b>205,709.03</b>	<b>315,154.95</b>	<b>458,909.58</b>	<b>586,354.92</b>	<b>722,541.47</b>	<b>924,712.78</b>	<b>1,184,427.49</b>	<b>1,506,433.30</b>	<b>1,877,533.22</b>	<b>2,327,546.44</b>	<b>2,863,749.88</b>
External	12,148.04	13,503.52	14,105.13	14,621.10	16,150.71	53,799.63	133,770.13	121,349.93	109,235.42	102,701.85	96,199.79	288,806.02	282,620.67	600,291.31	578,940.29
Domestic	237,717.52	230,807.34	189,608.91	219,265.32	189,558.32	261,355.32	325,139.45	465,005.00	613,306.06	822,010.93	1,088,227.70	1,217,627.28	1,594,912.56	1,727,255.12	2,284,809.59
<b>Gross borrowing (flow)</b>						<b>145,021.98</b>	<b>171,080.56</b>	<b>197,452.79</b>	<b>234,810.65</b>	<b>325,282.98</b>	<b>398,019.92</b>	<b>497,694.32</b>	<b>577,853.67</b>	<b>647,474.00</b>	<b>780,378.26</b>
External						0.00	85,540.28	0.00	0.00	0.00	199,077.73	0.00	323,737.00	0.00	
Domestic						145,021.98	85,540.28	197,452.79	234,810.65	325,282.98	398,019.92	298,616.59	577,853.67	323,737.00	780,378.26
<b>Amortizations (flow)</b>	<b>65,301.07</b>	<b>39,413.21</b>	<b>84,494.03</b>	<b>46,611.95</b>	<b>31,391.90</b>	<b>74,823.55</b>	<b>23,187.49</b>	<b>58,859.94</b>	<b>87,592.29</b>	<b>123,111.68</b>	<b>138,305.20</b>	<b>175,688.51</b>	<b>206,753.75</b>	<b>197,460.78</b>	<b>244,174.81</b>
External	349.40	424.74	177.77	426.05	480.46	1,598.57	1,431.34	1,272.70	1,082.70	6,533.57	6,502.06	6,471.50	6,185.35	6,066.35	21,351.02
Domestic	64,951.67	38,988.47	84,316.26	46,185.90	30,911.45	73,224.98	21,756.15	57,587.24	86,509.59	116,578.11	131,803.14	169,217.01	200,568.39	191,394.43	222,823.79
<b>Interests (flow)</b>	<b>12,560.30</b>	<b>10,237.26</b>	<b>14,150.47</b>	<b>21,861.89</b>	<b>12,155.88</b>	<b>12,983.45</b>	<b>62,098.25</b>	<b>95,114.22</b>	<b>133,967.35</b>	<b>167,257.75</b>	<b>223,055.47</b>	<b>283,513.61</b>	<b>330,683.11</b>	<b>407,575.56</b>	<b>491,643.91</b>
External	86.28	90.21	33.99	86.79	95.86	312.36	273.92	6,511.49	5,908.69	5,898.39	5,449.94	5,001.98	20,455.90	19,997.23	45,431.52
Domestic	12,474.02	10,147.06	14,116.48	21,775.10	12,060.02	12,671.09	61,824.33	88,602.73	128,058.66	161,359.35	217,605.53	278,511.63	310,227.21	387,578.33	446,212.39
<b>Net borrowing (gross borrowing minus amortizations)</b>						<b>70,198.42</b>	<b>147,893.07</b>	<b>138,592.85</b>	<b>147,218.36</b>	<b>202,171.31</b>	<b>259,714.71</b>	<b>322,005.81</b>	<b>371,099.92</b>	<b>450,013.21</b>	<b>536,203.44</b>
External						-1,598.57	84,108.94	-1,272.70	-1,082.70	-6,533.57	-6,502.06	192,606.23	-6,185.35	317,670.65	-21,351.02
Domestic						71,797.00	63,784.13	139,865.55	148,301.06	208,704.87	266,216.77	129,399.58	377,285.28	132,342.57	557,554.47

Debt and Debt-Service Indicators

Debt Stock as % of SGDP	4.01	4.13	3.02	3.02	2.29	2.97	3.74	4.20	4.65	5.35	6.16	7.04	7.89	8.79	9.72
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	94.29	119.99	99.58	57.90	46.16	53.33	73.11	80.72	78.49	95.67	116.70	141.36	167.79	198.10	232.14
Debt Service as % of SGDP						0.83	0.69	1.10	1.43	1.68	1.88	2.15	2.26	2.29	2.50
Debt Service as % of Revenue (including grants and excluding other capital receipts)						14.86	13.59	21.20	24.07	30.04	35.60	43.09	48.03	51.50	59.65
Interest as % of SGDP						0.12	0.51	0.68	0.86	0.97	1.16	1.33	1.39	1.54	1.67
Interest as % of Revenue (including grants and excluding other capital receipts)						2.20	9.89	13.09	14.55	17.30	21.98	26.60	29.55	34.69	39.85
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						14.61	17.48	16.62	14.42	14.42	14.42	14.42	14.42	14.42	14.42

Adverse Shock Scenario is defined by the worst performance indicator measured in year 2028

For Debt Stock as % of SGDP the adverse shock is: Historical	Historical															
Debt Stock as % of SGDP						2.97	5.18	7.19	8.70	8.54	4.08	-9.48	-41.23	-107.81	-240.19	
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue															
Debt Stock as % of Revenue (including grants and excluding other capital receipts)						53.33	92.35	111.17	116.63	147.66	183.33	223.37	265.75	312.80	364.38	
For Debt Service as % of SGDP the adverse shock is: Historical	Historical															
Debt Service as % of SGDP						0.83	0.70	1.20	1.58	1.86	1.94	2.48	1.70	-0.67	-6.08	
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue															
Debt Service as % of Revenue (including grants and excluding other capital receipts)						14.86	15.10	24.32	28.10	35.62	42.71	58.51	66.13	73.03	83.80	
For Interest as % of SGDP the adverse shock is: Historical	Historical															
Interest as % of SGDP						0.12	0.51	0.78	1.04	1.20	1.29	1.05	0.09	-2.07	-6.68	
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue															
Interest as % of Revenue (including grants and excluding other capital receipts)						2.20	10.99	15.32	17.53	21.47	27.57	33.65	37.89	44.59	51.34	

### **Annex III. Minimum Requirements to Achieve DLI 7.2 on State DSA-DMS Report in 2024**

DLR description as per DLI Matrix & Definition/Description of DLR achievement

Annual state debt sustainability analysis and medium-term debt management strategy published by end of December 2023

States publish an annual State Debt Sustainability Analysis and Debt Management Strategy Report (SDSA-DMSR) by December 31, 2023.

The SDSA-DMSR must include the following: (1) medium-term budget forecasts; (2) detailed description of the debt portfolio and borrowing options; including a summary analysis of the projections of performance indicators used to assess Debt Management Strategy, and their implications for cost-risk profile of State debt portfolio in 2026; and (3) analysis of the debt and fiscal figures in the preceding calendar year.

The SDSA-DMSR must be published on a state official website.

See below for the detailed definition of the minimum requirements of the SDSA-DMSR for Year 2023.

The SDSA-DMSR 2023 must include:

For (1) medium-term budget (MTB) forecasts, the SDSA-DMSR 2023 must contain:

1.1 Presentation of MTB forecasts in either a table OR chart(s) (OR both table and chart(s)) with projected annual figures from 2023 to 2025 for all of the following variables:

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

AND

1.2 Description of assumptions underpinning the MTB forecasts from 2023 to 2026: either a table with assumptions OR corresponding explanations in writing (OR both) for all of the following variables:

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

AND

1.3 A summary analysis of MTB forecasts and their implications for fiscal and debt policies throughout the period 2023-2026: analysis (in writing) of whether and how the MTB forecasts inform the prospective fiscal and debt policies to be adopted at least in 2024 (for example, a commentary on whether fiscal adjustments should be adopted to preserve

debt sustainability, or whether there is sufficient fiscal space to adopt expansionary policies or support public investment).

AND

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

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

**For (2) detailed description of the debt portfolio and borrowing options, the SDSA-DMSR 2023 must contain:**

**2.1 Presentation of debt and borrowing projections in the baseline scenario: either a table OR charts (OR both) with projected figures from 2023 to 2033 for all of the following variables:**

- Debt Stock.
- Debt as % of Revenues.
- Debt Services as % of Revenues.
- Borrowings (requirements and/or sources).
- Debt stock as % of State GDP, *ONLY for states for which the official State GDP figures have been published by the National Bureau of statistics. Other states, can do this on an optional basis.*

AND

**2.2 Description of assumptions underpinning the borrowing options presented: either a table with assumptions OR corresponding explanations in writing (OR both) for all of the following variables:**

- Borrowing Sources (for example, external and domestic borrowings).
- Financing Terms (for example, maturity, interest rates, currency).

AND

**2.3 A summary analysis of the debt projections and their implications for debt sustainability and fiscal policies throughout the period 2023-2033: analysis (in writing) of:**

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

AND

**2.4 A summary analysis of the projections of performance indicators used to assess DMS throughout the period 2023-2026, and their implications for cost-risk profile of State debt portfolio in 2026. The analysis (in writing) should describe:**

- (i) whether DMS-related performance indicators suggest the State debt is affordable and resilient to shocks (or not) over the medium-term, and
- (ii) what debt-management policies can help preserve (or restore) an adequate balance between cost of carrying debt and the exposure to risks. For example, a commentary—based on comparisons between projections of DMS-related performance indicators in the baseline scenario and most-

The SDSA-DMSR 2023 must include:

For (1) *medium-term budget (MTB) forecasts*, the SDSA-DMSR 2023 must contain:

- 1.1** Presentation of MTB forecasts in either a table OR chart(s) (OR both table and chart(s)) with projected annual figures from 2023 to 2025 for all of the following variables:
- Revenues: Total Revenues, FAAC, Derivation (if applicable), IGR, Capital Receipts, and Grants.
  - Expenditures: Total Expenditures, Personnel Costs, Overhead Costs, Interest Payments, Capital Expenditures, and Amortization Payments.
  - Budget Balance.

AND

- 1.2** Description of assumptions underpinning the MTB forecasts from 2023 to 2026: either a table with assumptions OR corresponding explanations in writing (OR both) for all of the following variables:
- Revenues: Total Revenues, FAAC, Derivation (if applicable), IGR, Capital Receipts, and Grants.
  - Expenditures: Total Expenditures, Personnel Costs, Overhead Costs, Interest Payments, Capital Expenditures, and Amortization Payments.
  - Budget Balance.

AND

- 1.3** A summary analysis of MTB forecasts and their implications for fiscal and debt policies throughout the period 2023-2026: analysis (in writing) of whether and how the MTB forecasts inform the prospective fiscal and debt policies to be adopted at least in 2023 (for example, a commentary on whether fiscal adjustments should be adopted to preserve debt sustainability, or whether there is sufficient fiscal space to adopt expansionary policies or support public investment).

AND

- 1.4** The presentation and analysis in the entire forecast period need to be of adequate quality, and do not contain:
- iv) negative figures for revenue, expenditure or debt variables (budget balance can be negative);
  - v) contradictory or illogical statements or arguments (for example, the written text contains wrong assertions such as ‘sustainability is strengthened when the fiscal indicators deteriorate’);
  - vi) inconsistencies between the written assessment and the data, assumptions and projections presented in the document (for example, the written text refers to figures and projections significantly different from those reported in the tables and charts).

For (2) *detailed description of the debt portfolio and borrowing options*, the SDSA-DMSR 2023 must contain:

- 2.4** Presentation of debt and borrowing projections in the baseline scenario: either a table OR charts (OR both) with projected figures from 2023 to 2033 for all of the following variables:
- Debt Stock.
  - Debt as % of Revenues.
  - Debt Services as % of Revenues.
  - Borrowings (requirements and/or sources).
  - Debt stock as % of State GDP, *ONLY for states for which the official State GDP figures have been published by the National Bureau of statistics. Other states, can do this on an optional basis.*

AND

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

AND

- 2.6** A summary analysis of the debt projections and their implications for debt sustainability and fiscal policies throughout the period 2023-2033: analysis (in writing) of:
- (iii) whether debt projections and thresholds suggest the State debt is sustainable (or not) over the medium- to long-term; AND

- (iv) what fiscal policies can help preserve (or restore) debt sustainability (for example, a commentary—based on comparisons between debt projections and thresholds in the baseline scenario and shock scenarios—on (a) whether the State debt is sustainable (or not), and (b) what fiscal and debt policies should be adopted to preserve (or restore) debt sustainability).

AND

2.4 A summary analysis of the projections of performance indicators used to assess DMS throughout the period 2023-2026, and their implications for cost-risk profile of State debt portfolio in 2026. The analysis (in writing) should describe:

- (i) whether DMS-related performance indicators suggest the State debt is affordable and resilient to shocks (or not) over the medium-term, and
- (ii) what debt-management policies can help preserve (or restore) an adequate balance between cost of carrying debt and the exposure to risks. For example, a commentary—based on comparisons between projections of DMS-related performance indicators in the baseline scenario and most-adverse shock scenarios—on (i) whether the cost-risk profile of the State debt under the reference strategy is acceptable (or not), and (ii) what debt-management policies should be adopted to mitigate the cost and risk of the State debt portfolio.

AND

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

- (i) negative figures for debt and borrowing projections;
- (ii) contradictory or illogical statements or arguments (for example, the written text contains wrong assertions such as ‘sustainability is strengthened when the debt indicators deteriorate’);
- (iii) inconsistencies between the written assessment and the data, assumptions and projections presented in the document (for example, the written text refers to figures and projections significantly different from those reported in the tables and charts).

For (3) *analysis of the debt and fiscal annual figures in the preceding calendar year*, the SDSA-DMSR 2023 must contain:

**3.1** Presentation of revenue, expenditure, budget balance, and debt information, at least for 2023: either a table OR charts (OR both table and chart(s)) with historical figures for at least 2023 (but can extend to years preceding 2023) all of for the following variables:

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

AND

**3.2** A summary analysis of the information presented on revenue, expenditure, budget balance, and debt in 2023: analysis (in writing) of fiscal and debt situation in 2023 (for example, a commentary on budget and debt outcomes and economic trends, what may have affected them).

AND

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

- i) the fiscal and debt information for 2023 presented in the SDSAR 2023 and;
- ii) the fiscal and debt information presented in the 2023 Financial Statement and the 2023 Q4 State Debt Report.

AND

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

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

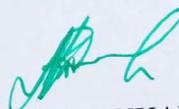
Data Sources

- State Ministry of Finance for: (1) the quarterly SDDR (submitted to the DMO and acknowledgements); (2) the 2023 SDSAR; and (3) the 2023 SDSA-DMSR.
- State official website(s) for the published 2023 SDSAR and 2023 SDSA-DMSR.
- State Debt Management Departments (DMDs) for additional information (if requested by the IVA).
- (Federal) Debt Management Office (DMO) for: (1) the guidelines and templates provided by DMO for the SDDR, the SDSAR, and the SDSA-DMSR; (2) the standard internal protocols used by DMO for reviewing and approving SDDR, assessing the SDSAR and assessing the SDSA-DMSR; (3) the State Domestic and External Debt Report (SDEDR) and supporting documentation (format and content detailed in DLI 9 for each state; (4) DMO's assessment of the SDSAR; and (5) DMO's assessment of the SDSA-DMSR.

**TEAM MEMBERS**

- XAVIER ESSIEN - HEAD, AKWA IBOM STATE DMO
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- IMAOBONG EKARIKA - HEAD, BACK OFFICE AKS.- DMO
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- UDUAK PHILIP - HEAD, MIDDLE OFFICE AKS. – DMO

**APPROVED BY**

  
**DR. NSIKAN L. NKAN**  
**HON. COMMISSIONER FOR FINANCE**

  
**DATE:**

