REPORT OF THE

2022 DEBT SUSTAINABILITY ANALYSIS-DEBT MANAGEMENT STRATEGY

DECEMBER, 2022

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PREFACE

The 2022 Debt Sustainability Analysis (DSA)-Debt Management Strategy is the thirdofficial detailed debt sustainability analysis of Enugu State Government to be documented, having produced earlier 2020 and 2021 DSA-DMS.

The document is a product of the Enugu State Debt Management Office assisted by the offices of the State Accountant General, Ministry of Budget and Planning, Ministry of Finance and Economic Development at large, State Internal Revenue Service, and Enugu State Bureau of Statistics.

The inputs from these Ministries, Departments and Agencies contributed immensely in making the Enugu State 2022 Debt Sustainability Analysis –Debt Management Strategy a complete whole and a veritable tool for the State fiscal planning.

ACRONYMS

AFDI	AgenceFrancais du DevelopmentInternationale(French Agency for International Development.
DSA	Debt Sustainability Analysis
DMS	Debt Management Strategy
FAAC	Federal Accounts AllocationCommittee
FGN	Federal Government of Nigeria
FMFBNP	Federal Ministry of Finance Budget &National Planning
GDP	Gross National Product
GIS	Geographical Information System
IDA	International Development Association
IGR	Internally generated Revenue
MDA	Ministries, Departments and Agencies
MSMEDF	Micro, Small and Medium Enterprises Development Fund
NGN	Nigeria Naira
NEWMAP	Nigeria Erosion and Water Shed Management Project
PPP	Public Private Partnership
SFTAS	States Fiscal Transparency Accountability and Sustainability
SABER	State Action for Business Enabling Reforms
USD	United States of America Dollar
VAT	Value AddedTax

I. INTRODUCTION

Enugu State 2022 Debt Sustainability Analysis (DSA)- Debt Management Strategydiscusses trends and patterns in the state's public finances during the period 2017– 2021 and evaluates the debt sustainability in 2022-2031. The analysis highlights recent trends in revenue, expenditure and public debt and the related policies adopted by the State. A debt sustainability assessment is conducted including scenarios and sensitivity analysis in order to evaluate the prospective performance of the State's public finances.

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

From the result of the Debt Sustainability Analysis –Debt Management Strategy and given the State's own forecasts for the economy and reasonable assumptions made concerning the State's revenue and expenditure policies,the 2022-2031outlook for public debt, exhibits a solidprofile that appears sustainable. This solid debt position, results from the state's strong performance in terms of mobilization of Internally Generated Revenue (IGR) underpinned by the successful tax reforms introduced recently by the State Internal Revenue Service and enhanced by the State Fiscal Transparency Accountability and Sustainability (SFTAS) program, which encouraged property tax collection mechanism.

The State is also currently implementing the State's action for Business Enaling Reforms (SABER) which is a Federal Government program geared towards improving Internally Generated Revenue (IGR).

The State has also imbibed the culture of control on recurrent expenditure growth, moderation of capital expenditure measures,and low level of carrying-public debts.

Enugu State pursues a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. This prudent debt management stems from the State's reliance on a mix of sources of finance, including external concessional loans and domestic low-cost financing.

Given the State's own forecasts for the economy derived from the Federal Government Medium Expenditure Framework, and reasonable assumptions concerning the State's budget and financing policies going forward, the medium-term cost-risk profile of public debt portfolio appears consistent with debt management objectives.

2. STATE FISCAL AND DEBT FRAMEWORK

For the past five years, 2017-2021, the State has designed and implemented an aggressive Internally Generated Revenue (IGR) policy which has been yielding dividends while holding expenditure almost constant.This is evidenced by the consistent growth witnessed in IGR within the last five years. It is expected that the growth in the IGR will continue in future having into bear the currenton-going application of Geographical Information System (GIS) by the SFTASprogramme to improve State property records for taxation.

Also, the current on-going implementation by the State, the Federal-Government-backed State Action for Business Enabling Reforms (SABER) will increase future IGR.

However, the national minimum wage increase implemented in 2021with it'sconsequential adjustment will affect personnel expenditure pattern in 2022, 2023 and onwards.

The State fiscal and debt framework is based on key macroeconomic indicators which are usually used to evaluate the performance of an economy.The macroeconomic framework exhibits the benchmarks (oil production,price, real GDP growth, national Inflation and Naira:US Dollar exchange rate) as laid down in the Federal Government Medium Term Expenditure Framework for the period 2023-2025.

The FGNfigures represent a prudent macroeconomic framework from which the Enugu State Medium Term Fiscal Frameworkis drawn. The table below shows the forecast of the National Macroeconomic indicators which are also applicable to Enugu State Government.

Table IKey Macroeconomic Framework

ITEM	2023	2024	2025
Nationa Real GDP Growth%	3.75	3.30	3.46
Nation Inflation %	17.16	16.21	17.21
Exchange Rate(NGN:USD FX Rate)	435.57	435.92	437.57
Oil Price Benchmark (USD/b)	70.0	66.0	62.0
Oil Production Volume(mbpd)	1.69	1.83	1.83

Source: Nigeria 2023-2025 MTEF

Enugu State Fiscal Policy, Objectives and Targets

The Key Objectives and Targets of the State Fiscal Policy are as follows

i. improving the efficiency and effectiveness of spending through better expenditure supervision and control

ii. gradual fiscal consolidation through improved prioritization of public expenditures, including focusing capital expenditure on critical infrastructure administration

iii. achieving a better balance between capital and recurrent expenditure

iv. boosting revenue receipts by reviewing tax policy and strengthening tax administration, including identifying and plugging revenue leakages and

v. borrowing at lowest cost and lowest risk to achieve overall macroeconomic stability and debt sustainability.

In order to achieve the above, the State Government has a set of determined specific fiscal policy objectives and targets which include:

a. IGR growth rate increased to meet IGR target of 50% of the total resource envelope by 2025.

b. Maintain budget performance of not less than 90% (budget: actual).

c. Debt service charge to total revenue maintained at below 10%.

d. Maintain the capital expenditure to recurrent expenditure ratio at 60:40.

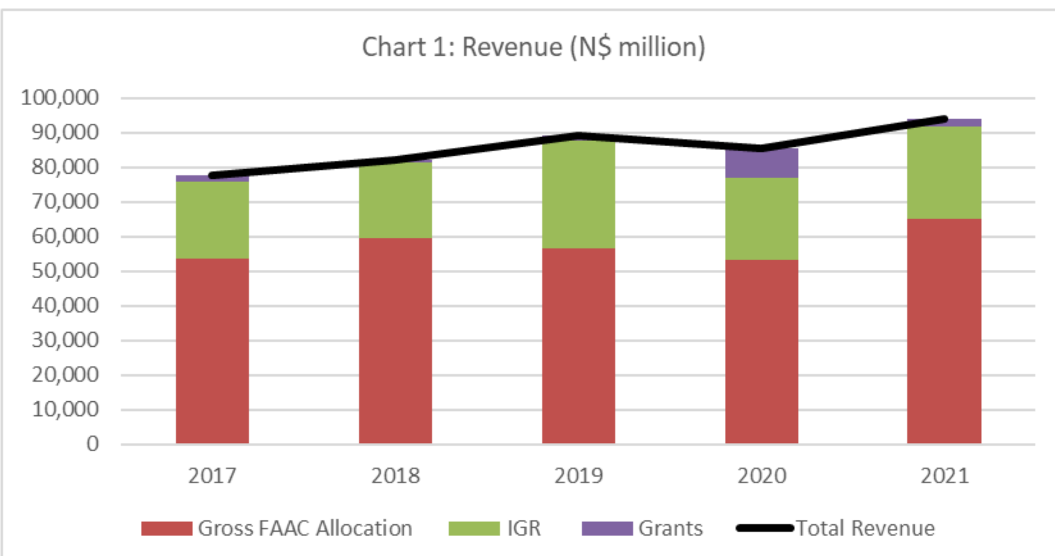
3.THE STATE REVENUE, EXPENDITURE, AND PUBLIC DEBT TRENDS (2017 -2021)

3.1.REVENUE, EXPENDITURE, OVERALL AND PRIMARY BALANCE

Revenue:

The State real revenue profile in the period under review (2017-2021) is as represented in **Chart1** below. (*real revenue)

	2017	2018	2019	2020	2021
Total Revenue	77,854	82,275	89,256	85,558	94,031
Gross FAAC Allocation	53,615	59,567	56,465	53,136	65,079
IGR	22,039	21,743	31,143	23,645	26,718
Grants	2,200	965	1,648	8,777	2,235



*real revenue = total revenue **less** capital receipts.

From the Chart, aggregate real revenue gradually increased from 2017 to 2019 respectively and dropped in year 2020 due to sharp decline in receipts from Federal allocation- (N89,256m in 2019 to N85,558m in 2020) and increased again by 9.90% to N94,031in 2021.

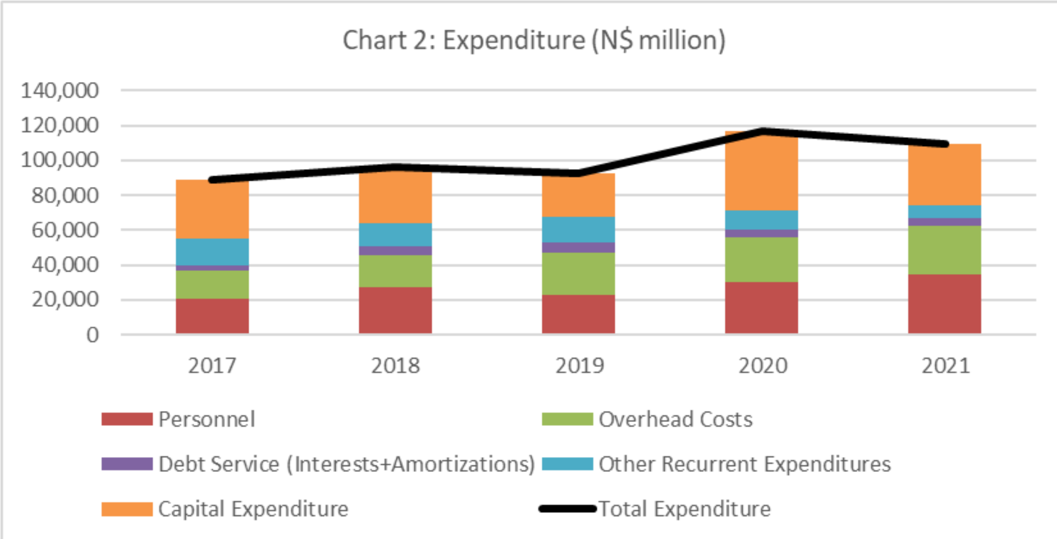
The total real revenue was N77,854m 2017which increased by 5.67%to N82,275m in 2018.This amount increased to N89,256m or by 8.48% in 2019. The total real revenue dropped to N85,558m in 2020 or by 4.14%over 2019 figure. The decrease from N89, 256m to N85,558m (or by 4.14%) in 2020 was due to sharp decrease in Federal transfers. However, the real revenue picked up in 2021 with an increase of 9.9% over the 2020 figure (N94,031m)

While Federal transfers contributed on the average 69.10%to the total real revenue in the period under review, there was a sharp decline in FAAC transfers in 2020 due to lower crude oil receipts occasioned by the COVID- 19 pandemic.

The average contribution of IGR to the total real revenue in the period under review is 29.21%. However, while the IGR yearly contribution decreased progressively from N22,039m in 2017 toN21,743m in 2018, or by 1.34% it increased by43% in 2019 and dropped by 24.07% in 2020 due to COVID-19pandemic then increased by 13% in 2021.Though the IGR growth rate in the period under review have not been even, -1.3% in 2018, 43% in 2019, -24,07% in 2020 and 13% in 2021, the improvement in tax administration reforms, effective and efficient tax collection system and plugging of revenue leakages, which started yielding dividends in 2019 and still on- going, will increase IGR generation going forward.

Expenditure

The State expenditure trend in the period under review is as depicted in **Chart 2** below.



From Chart 2 above, aggregate expenditure was N88,538m in 2017, which increased progressively to N96,107 m or 8.55% in 2018 witha drop in 2019 to N92,473m or a decrease by 3.8%. The total expenditure increased in 2020to N116,749.m or by 26.25 % due to extraordinary expenses to fight the COVID-19 pandemic and dropped by 6% (or N109,609m) in 2021.

Recurrent expenditure (personnel and overhead costs plus interest payments) have been on the increase over the analyzed periodmaintaining44%, 50%, 54%, 59% and60% of the total expenditure in the consecutive years.

Over the review period, the cost of running Government activities (overhead) has been on a steady increase culminating on a growth rate of 6.98% in 2020. The main expenditure variations in the period under review were in personnel cost and capital expenditure. Personnel cost showed variability over the review period with a marked increase of 31% in 2020 over the 2019 figure due to the implementation of the national minimum wage. The personnel cost increased by 35%, in 2018 and decreased by 18% in 2019 and increased again by 31% and 13% in 2020 and 2021 respectively.

Capital expenditure on the other hand has been volatile over the review period contributingon the average 33.8% of the total expenditure over the period or annually,38%, 33%, 27%, 39% and32%of the expenditure in each of the individual year (2017-2021).

Capital expenditure has not showed any definite pattern over the review period. However, there was a marked increase in 2020 by 81% over 2019 figure showing the State Government new policy to focus on the provision of critical infrastructure in the State.

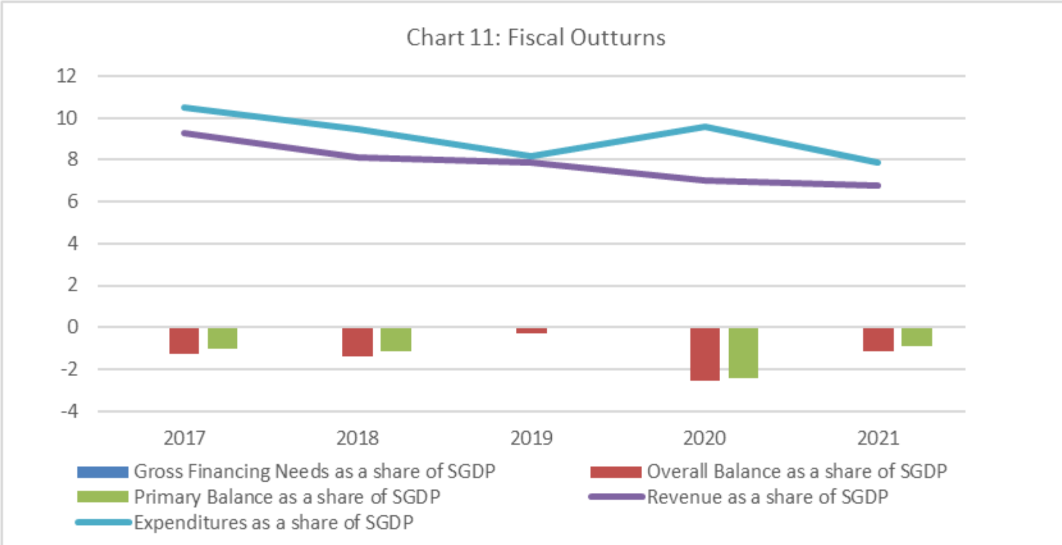


Chart 11 above shows the position of overall and primary balances over the review period. The overall balance of payment has been decreasing during the review period, from a surplus of 0.9% of SGDP in 2017 to 0.03% of SGDP in 2021 owing to the fall in capital receipts. In 2018 and 2020, overall balances drastically reduced to a deficit of 0.9% and 1.2% of SGDP, respectively, due to the adjustment of capital receipts and capital expenditure. On the other hand, in 2019 and 2021, primary fiscal balance partially recovered to a surplus of 0.9% and 0.03% respectively.

3.2.EXISTINGPUBLIC DEBT PORTFOLIO

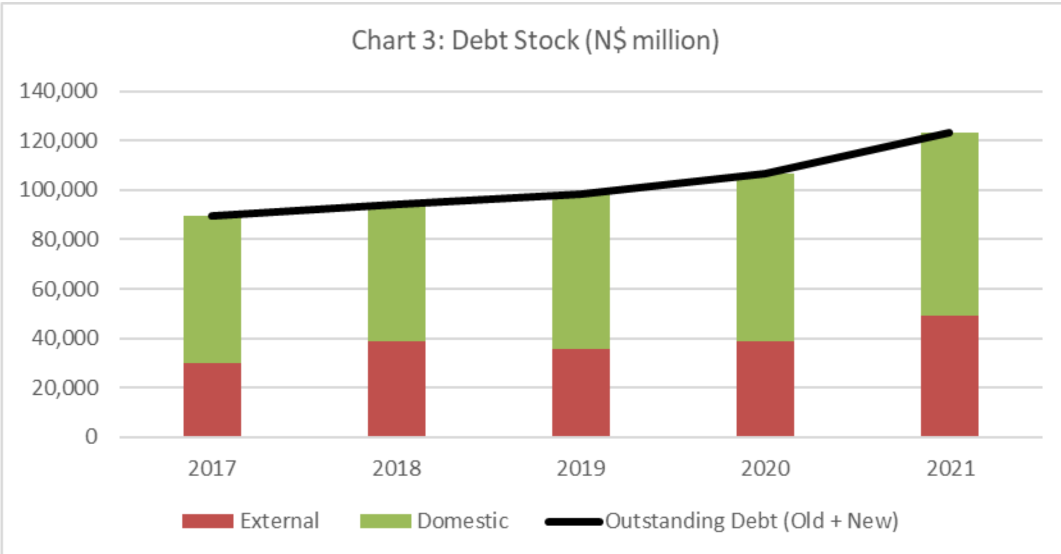
The State public debt includes the explicit financial commitments like loans and securities that have paper contractsinstrumenting the government promises to repay.

The State public debt came into being due to fiscal deficits which exists over period 2017 to 2021. Total revenue (including federal transfers, grants and IGR) has been in shortfall compared to State Government aspirations to provide needed services to the people. The decrease in Federal transfers was aggravated by the recession of 2017 in the which affected FAAC allocationsand hence increased need for borrowing.

Below is the historical debt stock table II, 2017 to 2021, reflected in the accompanying Chart 3.

TABLEIIHISTORICALDEBT STOCK

S/Nº	DESCRIPTION	2017 ₦'000,000	2018 ₦'000,000	2019 ₦'000,000	2020 ₦'000,000	2021 ₦'000.000
1.	External Debt	29,826	38,529	35,677	38,644	48,967
2.	Domestic Debt	59,746.	55,732	62,636	67,880	74,340
3.	TOTAL	89,572	94,261	98,313	106,544	123,307
4.	% of Domestic Debt	66.71%	59.13%	63.71%	63.73%	60.29%
5.	% of External Debt	33.29%	40.87%	36.29%	36.27%	39.71%
6.	$ Exchange Rate usd	253.2	305.8	306.5	326	379



As can be seen from the debt stock table and **Chart 3**, the State public debt has been on the increase from 2017(N89,572m) culminating in a total debt stock ofN123,207mby the year2021. At year-end, (2021) external debt stood at N48,967mor39.71% of the outstanding public debt while domestic debt was N74,340.3m, or 60.29% of the total debt which increased by 13.59%of2020debt outstanding.

The public debt growth in the period under review was caused mainly by Federal Government guaranteed loans due to the collapse of oil prices. These loans include:salary bailout, excess crude facility and the budget support facility whose maturity periods extend to 2022 and beyond.

By end of the year 2021, the outstanding public debt comprised largely of domestic loans60.29% and external debt 39.71%. The external loan is further broken down into AFD loan 1.84% of the total loan outstanding and IDA loans 37.95 %.

Details of the domestic loans are: budget support facility 17.77% of total debt, excess crude loan 7.16%, restructured commercial bank loan 4.34%, salary bail – out facility 3.01%, health intervention fund 1.34%, FAAC bridging facility 2.44% and micro, medium and small enterprises fund 0.1%

Unlike in 2020, In 2021, all the domestic loans of 74,340 are Federal Government Guaranteed loans with average interest rate of 9% and average maturity period of 18 years.Thus, Enugu State holds low cost, low risk debt portfolio as at end of 2020 and debt service represented 5% of the State total revenue in 2021. Though the debt portfolio is narrowly exposed to currency fluctuations, such exposure is limited because the foreign currency -denominated loans are only39.79% of the total loan stock.

Allthe internal loans and all external loans are fixed –rate obligations, thus not affected by changes in interest rates. Because the loan stock principallycomprised external loans with maturities running from 15-35 years and financing guaranteed by the Federal Government, rollover risk associated with potential deterioration of domestic financial conditions is negligible.

4.DEBT SUSTAINABILITY ANALYSIS

The concept of debt sustainability refers to the ability of the government to honour 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 actions to address the unwanted consequences of a heavy debt burden.

Table IIIDebt Burden Indicators (Historical only).

	Debt Burden Indicators	Threshold	Enugu State Performances				
			2017	2018	2019	2020	2021
1.	Debt/SGDP	25%	11%	9%	9%	9%	9%
	Debt/Revenue	200%	115%	115%	110%	125%	131%
3.	Debt Services/Revenue	40%	4%	14%	6%	4%	5%
4.	Personnel Cost/Revenue	60%	26%	33%	26%	35%	37%
5	Debt service/FAAC Allocation	-	6%	20%	9%	7%	7%
6	Interest Payment/Revenue	-	3%	3%	4%	2%	3%
7	External debt service/Revenue	-	1%	1%	1%	1%	1%

Table **III**represented graphically in Charts 6-above shows the debt burden indicators with and without thresholds over the review period 2017-2021, and Enugu State performances. Given the performances and the trend to continue in subsequent years, Enugu State public debt is sustainable.

The analysis of the projections (forecast period) is as presented in chapters 4.3 and 4.4 respectively.

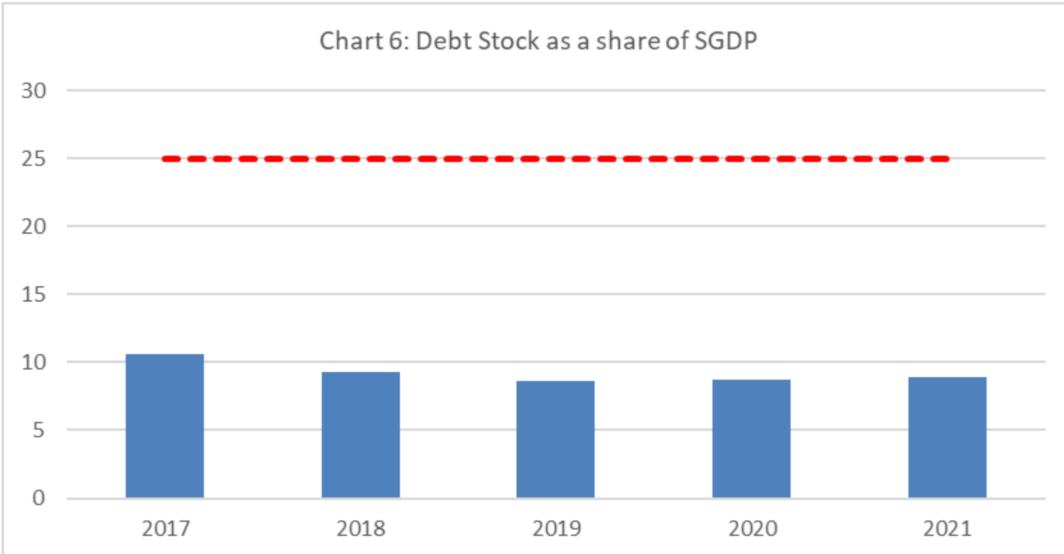


Chart 6: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2017
2018
2019
2020
2021

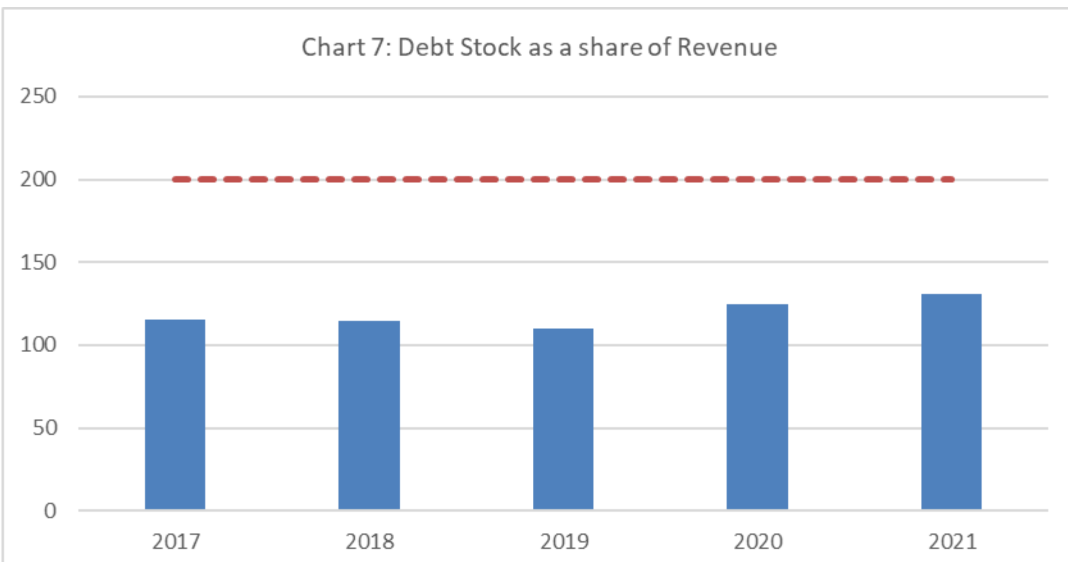


Chart 7: Debt Stock as a share of Revenue
250
200
150
100
50
0
2017
2018
2019
2020
2021

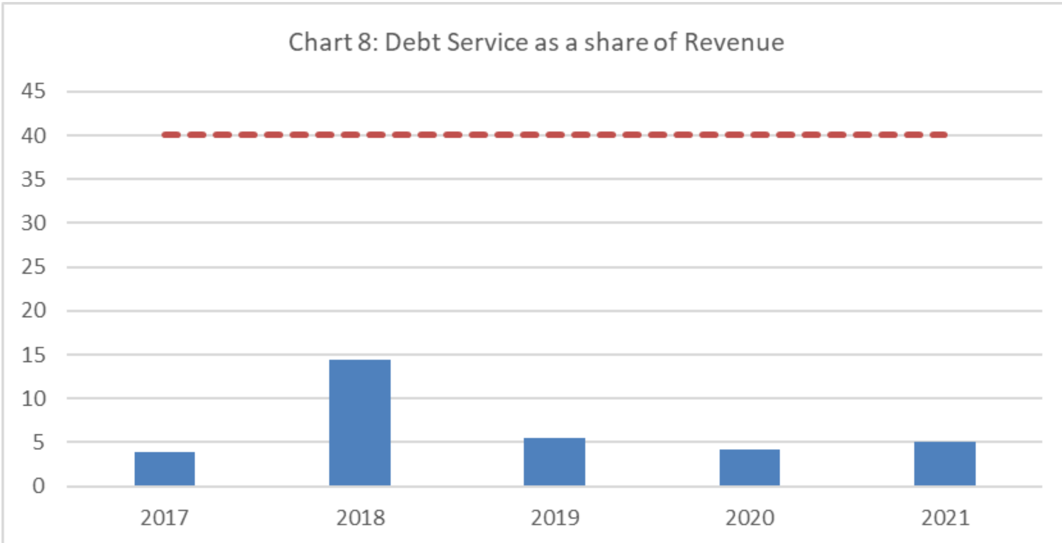


Chart 8: Debt Service as a share of Revenue
45
40
35
30
25
20
15
10
5
0
2017
2018
2019
2020
2021

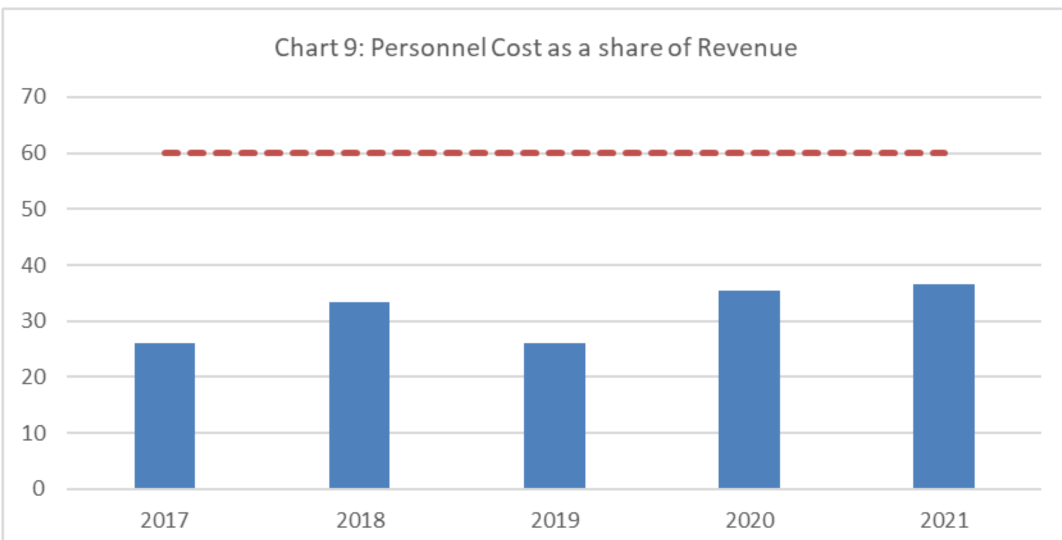


Chart 9: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2017
2018
2019
2020
2021

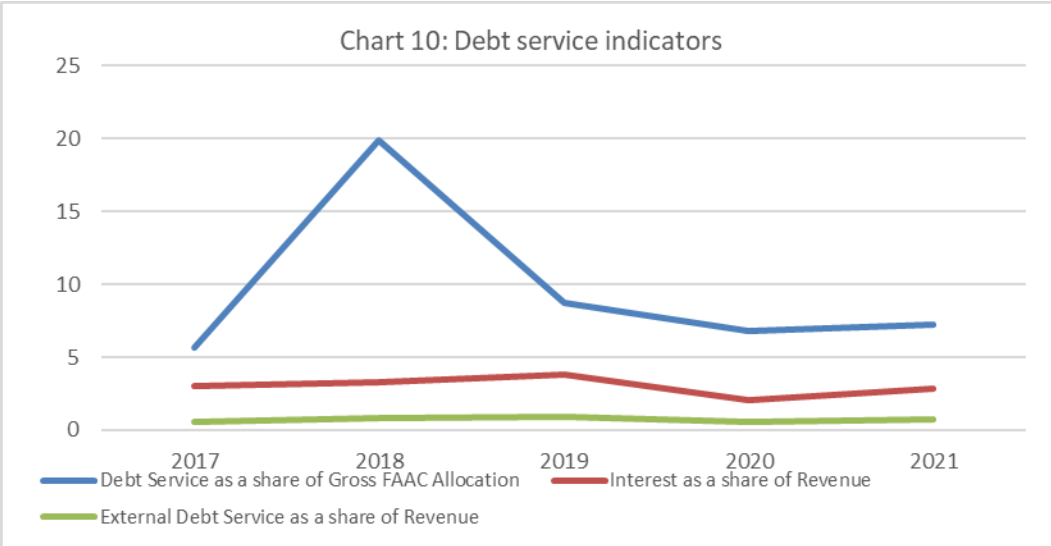


Chart 10: Debt service indicators
25
20
15
10
5
0
2017
2018
2019
2020
2021
Debt Service as a share of Gross FAAC Allocation
Interest as a share of Revenue
External Debt Service as a share of Revenue

4.1. MEDIUM – TERM BUDGET FORECAST

Assumptions

Table IV: Macroeconomic Framework

ITEM	2023	2024	2025
National Real GDP Growth%	3.75	3.30	3.46
Nation Inflation %	17.16	16.21	17.21
Exchange Rate(NGN:USD FX Rate)	435.57	435.92	437.57
Oil Price Benchmark (USD/b)	70.0	66.0	62.0
Oil Production Volume(mbpd)	1.69	1.83	1.83

The assumptions underlying the State Medium Term Budget forecasts are basically premised on the national key macroeconomic indicators. The national revenue projections are usually predicted on fiscal projections, which are usually used to evaluate the performance of an economy. The micro economy framework reflects the numeral sector benchmark (production, price and Naira: USD exchange rate as laid out in the Federal Government Medium term expenditure framework for the period 2023 – 2025 and Real GDP growthand inflation (CPI) are, as per the IMF, World Economic Outlook dated April 2022.

The National revenue projections are usually predicted on figures derived from these macroeconomic indicators, which also have major effect on revenue projections accruable to States and Local Governments and the Federal allocation accounts for about 70% of the aggregate resources envelop available to each State

Accordingly, reliance was made on the assumptions by the Debt Management Office/World Bank on key variables in the suggested figures for GDP, FAAC and VAT for states to use in the forecast period. Enugu State used those figures as forwarded.

HIGH LIGHTS OF ENUGU STATE MEDIUM TERM BUDGET ASSUMPTIONS.

Table **V** below are the highlights of Enugu State key assumptions for the Medium Term Budget Forecast on major variables.

	Revenue	The projection assumes total revenue to include capital receipts.
1	Gross Statutory Allocations	The projection by the DMO for Enugu State was adopted and used.
2	Other FAAC transfers	Other FAAC transfers are assumed to increase by 10% annually
3	VAT	The projection for Enugu State by the DMO was used for the MTB.
4	IGR	The IGR used in the projection is that forwarded by the State IRS after due considerations of the State programmes to increase IGR. See explanation in writing.
5	Grants	Grants are projected having regard that the final SFTAS grant will be received in 2022 and SFTAS has closed.
6	Sale of Govt. Assets.	Inflow from sale of Government assets is projected on the actual Government practice to monetize official vehicles to political office holders at the end of every 4 years of an administration.
7	Other non-debt creating capital receipts	The assumption here is that, this will steadily increase annually by 5% over the projection period.
	Expenditure	Total expenditure is assumed to all the expenditures as they appear in the in each year of the projection.
8	Personnel costs	Having implemented the National minimum wage, it is projected that personnel costs will increase by 3% annually.
9	Overhead cost	Overhead cost is also projected to increase by 3% over the projection period.
10	Amortization payments &Interest payments	These payments are assumed to be for existing debt obligations and new loans to be contracted as contained in the projection period.

11	Capital expenditure	This is assumed to decrease by 3.05 % in 2023 because it is an election year, and thereafter increase subsequently by 22.22% and 22.83%.
12	Budget balances(cash and bankbals.)	The actual cash and bank balances as at 2021 year end is used as the opening budget balance in the forecast period and thereafter the balance between inflow and outflow as per each year's budget.

FAAC& VAT

Revenues: Enugu State has no share in Derivation. The FAAC and Revenue figures in the projection periods are as forwarded by Debt Management Office and World bank which constitutes 70% of the State revenue throughout the projection period. The State revenue comprisesamong others (i) Gross statutory Allocation and (ii) Value Added Tax (VAT), figures used for FAAC and VAT in the projection periods are consistent with those forwarded by Debt Management Office/World Bank.It is therefore assumed that the approach, indices and formula apply by DMO/World Bank were sufficient and reliable to generate FAAC and VAT projections for the State.

IGR

The IGR figures in the projection period are those forwarded by the state internal revenue service after due diligence analysis and computations. those exercises took into accountefforts been made by the State Government to diversify its sources of revenue in order to ensure adequate resources to deliver dividends of democracy to the people.The efforts of the present administration include total overhaul of the structure of the State Internal Revenue Service, as well as its staff followed by full digitalization of the revenue collecting system of the State and the adoption of treasury single account to plug revenue leakages. Investments in key state economy were also pivotal to the IGR expected growth and these scenarios are assumed to continue over the forecast period to boost IGR in the State. Included in the assumption is the State participation in the implementation of the Federal Government State Action for Business Environment Reform (SABER) program.

Other FAAC Transfers

It is assumed that the other FAAC transfers will increase annually by 10% over the projection period and this is consistent with the prevailing receipts.

Other Non-Debt Creating Capital Receipts

Other Non-Debt Creating Capital Receipts is assumed to increase by 5% annually over the projection period.

Personnel Cost

The personnel cost included in the forecast period is derived from analysis of the actual personnel cost incurred due to the implementation of the recent minimum wage by the State and the expected personnel cost 2022-2031 including wages for new recruits and officers to replace retiring personnel. The State assumed that the regime of the current minimum wage and staff emoluments will continue throughout the plan period culminating in personnel cost increasing by 3% annually over the period.

Overhead costs.

Overhead cost is projected to increase by 3% annually over the projection period. Overhead expenditure is the operational and maintenance cost of running Government activities. It has been the policy of the present Government to scale down expenditure on overhead in relation to revenue to make available resources for developmental projects as reflected in State. Thus, forecast overhead moderates over the review period in relation to total revenue accruable per year.

Capital Expenditure

The capital expenditure forecast over the period 2023-2031, was after a careful review and analysis of the actual capital expenditure trend 2017-2021and the Government policy to focus more on developmental projects than recurrent expenditure (personnel and overhead). More importantly, reliance on forecast revenue by the FGN (based on projection that are consistent with the nominal GDP forecast for 2022-2031), that will accrue to the State over the forecast period. Based on these, and having into bear that 2023 is an election year it was assumed that the capital expenditure will increase by 5% in 2023 and thereafter 10%.

Other Recurrent Expenditure

Other Recurrent Expenditure were assumed to increase by 3% over the projection period.

Enugu State Medium Term Budget

Table VI

FISCAL FRAMEWORK	**2022 Budget**	**2023 Projection**	**2024 projection**	**2025 projection**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Opening Balance	**13,399,000**	**13,500,000**	**13,000,000**	**11,500,000**
Recurrent Revenue				
Statutory Allocation	35,000,000	37,800,000	41,700,000	42,500,000
VAT	21,510,000	25,812,000	30,974,000	44,603,000
IGR	29,429,000	31,585,000	34,811,000	35.100,000
Excess Crude/Other Revenue	4,700,600	5,170,700	5,687,800	6,286,600
Total Recurrent Revenue	**90,639,600**	**100,367,700**	**113,172,800**	**128,489,600**
Recurrent Expenditure				
Con. Rev Fund Charges(Int & Prin. Rpmts etc)	13,801,800	15,000,000.000	15,195,000	15,780,500
Personnel	35,368,600	36,429,700	37,525,600	38,651,400
Overheads	29,192,100	30,067,800	30,969,800	31,898,800
Total	**78,261,500**	**81,497,500**	**83,690,400**	**86,330,700**
Transfer to Capital Account	**25,777,100**	**32,370,200**	**42,482,400**	**53,658,900**
Capital Receipts				
Grants	12,125,000	3,000,000	3,298,000	2,200,000
Other Capital Receipts	70,400	73,900	77,600	81,500
Total	**12,195,400**	**3,073,900**	**3,375,600**	**2,281,500**
Planning Reserve		5,300,000	5,935,000	6,772,182.399
Total Reserves		**5,300,000**	**5,935,000**	**6,772,180**
Capital Expenditure	**51,624,000**	**50,051,600**	**56,168,300**	**68,992,220**
Net Financing	**13,651,500**	**19,907,500**	**16,245,300**	**19,824,000**
Total Budget Size	**129,885,500**	**136,849,100**	**145,793,700**	**162,095,100**
Budget Balance*	**(13,651,500)**	**(19,907,500)**	**(16,245,300)**	**(19,824,000)**
Ratios				
Growth in recurrent Revenue		1.07%	1.28%	1.35%

Growth in recurrent Expenditure		4.13%	2.69%	3.15%
Capital Expend.Ratio	39.74%	36.57%	38.53%	42.56%

***All revenues accruable to Government (including opening balance) less Government expenditure.**

NOTE: The Medium-Term Budget (MTB) is an expression of the State Government's public policy for the near future taking into consideration the necessary underlying assumptions. There are few instances where the MTB forecast above slightly differs from the figures adopted for the baseline projections.

It is largely due to the adjustments made in relation to inflation and rising crude oil prices in the global market.

ANALYSIS OF MEDIUM TERM BUDGET FORECAST

Basically, the state MTEF was prepared with reliance on the National outlook of economic activities such oil benchmark of $70,$66 and $62 within the three years, oil production volume of 1.69 mbpd, 1.83 and 1.83 mbpd in 2025. Average National real GDP growth rate of 3.5 over the years, and average inflation rate of 16.68% within the period under review.

As stated in the assumption table, the statutory allocation and VAT figures used throughout the projection period are those forwarded to the State by the DMO, which are believed to be realistic due the staff competence and available data to the DMO.

IGR though growing over the projection period, the expected growth did not show a definite pattern. The growth rate was 7.32 in 2023. 10.21 in 2024 and .8% in 2025.

However, Government expected collectible revenue showed a marked increase from N90,639.6m in 2022 to N128,489.6m in 2025. The growth rate is 10.73 in 2022, 12.58 in 2024 and 13.53% in 2025.

Recurrent Government expenditure increased from N78,261.5m or 60.24% of the total budget in 2022 to N81,497.5m or 63.43% of the budget in 2023. N83,690.4m or 61.47% in 2024 and in 2025 N 86,330.7m or 57.44%, showing increase rates of 4.13 in 2023, 2.29 in 2024 and .3% in 2025.

Personnel cost is 27.23% of the total budget size in 2022, 26.62% in 2023, 25.73% in 2024 and 23.84% in 2025.

Overhead costs on the other hand has a percentage of the total forecast budgeted amount as follows: 22.47% in 2022, 21.97% in 2023, 21,24 in 2014 and 19.68% in 2025.

Capital expenditure is expected to be N51,624m in 2022. This is expected to reduce to N50,051.6m in 2023 due the electioneering campaigns and the capital expenditure takes off to increase from N56,168.3m in 2024 to N68,992.22m in 2025.This is to achieve Government desired intention to maintain an average of 39.4% capital expenditure to recurrent expenditure over the projected period.

Generally, total government expected revenue less expected Government spending over the projected period produce budget balances of -N13,651.5m in 2022, -N19,907.5m in 2023, -N16,245.3m, in 2024 and –N19,824m in 2025.

Thesefiguresare also the borrowing requirements of the State in those years, and all give outcomes below the threshold of major debt indicators: debt /revenue, debt service /revenue, debt / state GDP personnel cost /revenue thus preserving the State debt sustainability.

This is in consonance with the state expansionary fiscal policy to achieve macroeconomic objectives and targets promote sound Public Financial Management andsuch as:

i. Promotion of rapid economic growth,through creation of job opportunities.

ii. Creation of a sustainable system of revenue generation for the State by increasing IGR and improving the viability of the state as a “ stand alone” entity that can back on it’s own revenue , raise capital and receive support from development institutions.

iii. Rationalizing every Naira of public expenditure by establishing and implementing systems that support strategic prioritization and rational resource allocation aimed at improving efficiency, reducing costs and plugging leakages.

iv. Strict adherence to due process as well as accountability , transparency and prudence in the entire public financial management.

v. Ensuring that the States debt position is maintained within the debt ratios set by the Debt Management Office, Abuja .

vi. Growing the economy through increased expenditure on critical sectors of the economy such as health ,education ,agriculture and human power development.

4.2. BORROWINGOPTIONS

Enugu State borrowing options 2022 -2031 are based on the assumptions made in 4.1 above and the result of the State forecast revenue and expenditure over the review period using suggested revenue variablesin the forecast period.

Borrowing Terms.

Borrowing Terms of New Debt (issued/contracted from 2022 onwards)

Borrowing Terms for New Domestic Debt (issued/contracted from 2022 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	20.00%	5	0
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	18.00%	8	0
State Bonds (maturity 1 to 5 years)	18.00%	5	0
State Bonds (maturity 6 years or longer)	17.00%	8	0
Other Domestic Financing	22.00%	3	0
Borrowing Terms for New External Debt (issued/contracted from 2022 onwards)		**Maturity (# of years)**	**Grace (# of years)**
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	1.00%	35	10

External Financing - Bilateral Loans	3.00%	25	8
Other External Financing	3.00%	20	7

Summary of Borrowing and Debt Projections (baseline scenario)

Table VII

Years	2022	2023	2024	2025	2026
	N'000,000	N'000,000	N'000,000	N'000,000	N'000,000
Borrowing Rqmt	13,651.5	19,907.5	16,254.3	19,824.0	24,722.0
Debt Stock	138,453	153,931.00	163,825	175,017.	189,081
Debt/Revenue	135	149	141	142.	143.
Debt Service /Revenue	6.	10.	12.	15	17
Debt /SGDP	9	8.	8	7.	7.
Personnel/Rev	34.	35.	32.	31.	30.

Years	2027	2028	2029	2030	2031
	N'000,000	N'000,000	N'000,000	N'000,000	N'000,000
Borrowing Rqmt	22,136.4	27,998.0	31,747.0	33,815.0	41,206.2
Debt Stock	197,839	211,181.	224,038	236,395	251,189
Debt/Revenue	136.	136.	137.	133.	136.
Debt Service /Revenue	18.	19.	23	24	27.
Debt /SGDP	6.	6.	6	5.	5.
Personnel/Rev	28.	27.	27	25.	25.

Enugu State Debt Burden Indicators

Table VIII

Indicators	Thresholds	December end 2021	Average 2017 to 2031
Debt as % of GDP	25%	9%	8%
Debt as % of Revenue	200%	131.%	132%
Debt Service as % of Revenue	40%	5%	14%

Personnel Cost as% of Revenue	60%	37%	30%

Analysis of Debt Projections (baselinescenario)

From table viii, the average percentage of debt to SGDP of the State by the end of the projection period, 2031 is 8% while the State debt to SGDP at the end of 2021 is 9%. This shows that the State debt to SGDP is strong over the projection period and highly below the threshold of 25%. This summary is represented by chart 21 in the State DSA/MTDS excel template.By the debt to SGDP behavior, the sustainability of the total State debt portfolio shows a steady decrease in absolute percentages till the end of the projection period , all well under the required threshold ,signifying that the State has potential for additional borrowing. Hence, the State GDP has potential for growth with morestate debts, which will have little or no effect on the State economy.

Char 22 shows the State debt as a percentage of revenue over period. The average percentage of debt to revenue figure of the state for the period 2017 to 2031 is 132% . The figure for the same ratio by the end of 2021 is 131% which shows that the result is quite below the threshold of 200%.

The debt service to revenue by end of 2017 was 4% and jumped up to 14% in 2018 , stepped down to 4% again in 2020. The ratio took off rising from 5% in 2021 steadily to 27% in 2031. The extraordinary increase in the debt service experienced in 2018 was due to State EXCO decision to clear all outstanding contractors arrears in that yearamounting to about N7bn. However, the average percentage of debt service to total revenue from 2017 to 2031 is 14% which is below the threshold and thus favourable for the State debt sustainability.

The average percentage of personnel cost to revenue in from 2017 to 2031 is 30% and this percentage by the end of December, 2021 is 37% . From 2021, personnel cost to total revenue continued to decrease till the end of the projection period 2031 when it is 25%.The percentages for the personnel cost to revenue are below the threshold of 60% and preserves the state debt sustainability.

BORROWING SOURCES FOR STRATEGY 1 AT A GLANCE 2022-2026

	Sources	**Years 2022-2026**				
1	**Domestic loans**	2022 ₦m	2023 ₦m	2024 ₦m	2025 ₦m	2026 ₦m
a	Comm. Bank loans, maturity 1-5yrs	9,551.5	1,921.5	11,375.3	3,879.0	7,301.0
b	Comm. Bank loans, maturity 6yrs and above					10,000.0
c	State bonds 6yrs and above		12,000.0		10,000.0	
	Total	9,551.5	13,921.5	11,375.3	13,879.0	17,301.0
	Percentage	**70%**	**70%**	**70%**	**70%**	**70%**
2	**External loans**	$m	$m	$m	$m	$m
	Total	10.0	14.6	11.9	14.4	18.1
	Percentage	**30%**	**30%**	**30%**	**30%**	**30%**

From 2022 to 2026 and on yearly basis, there is a fiscal deficit, which the State intends to fund through borrowing. Underbaseline scenario debt strategy (S1),borrowing sources are broadly categorized into two 70% domestic loans and 30% external loan (draw down). Inyear 2022,the total borrowing requirement is 13,651.5m which is expected to be financedthrough commercial bank loan at 20% (maturity 1-5years) and draw down from signed subsidiary on-lent concessional external loan of $10m.

The fiscal deficit of N19,907.5m in 2023 will be funded through commercial bank loans, issuance of bonds and draw down from concessional external loans. N1,921m will be borrowed from commercial bank at 20% (maturity 1-5years) while the state will issue bonds, N12,000m of maturity 6 years and above at 17% to make 70% of the gross borrowing requirement in the year. USD 14.6m is expected to be the draw down funds from concessional external loan representing 30% of the total borrowing requirement of the year.

In 2024, it is expected that there will be a budget deficit of N16,254.3, which will be funded, 70% commercial bank loan (N11,375.3m) and USD 11.9m draw down concessional external loan.

In 2025, there will be a budget deficit of N19,824.0m, this will be funded through the issuance of state bond N10,000m at 17% with maturity of 6year and above and borrowing of N3,879m at 20% from commercial bank, constituting 70% of gross borrowing requirement for the year. It is also expected that borrowing externally through draw down from external concessional loans will be USD14.5m in the year 2025.

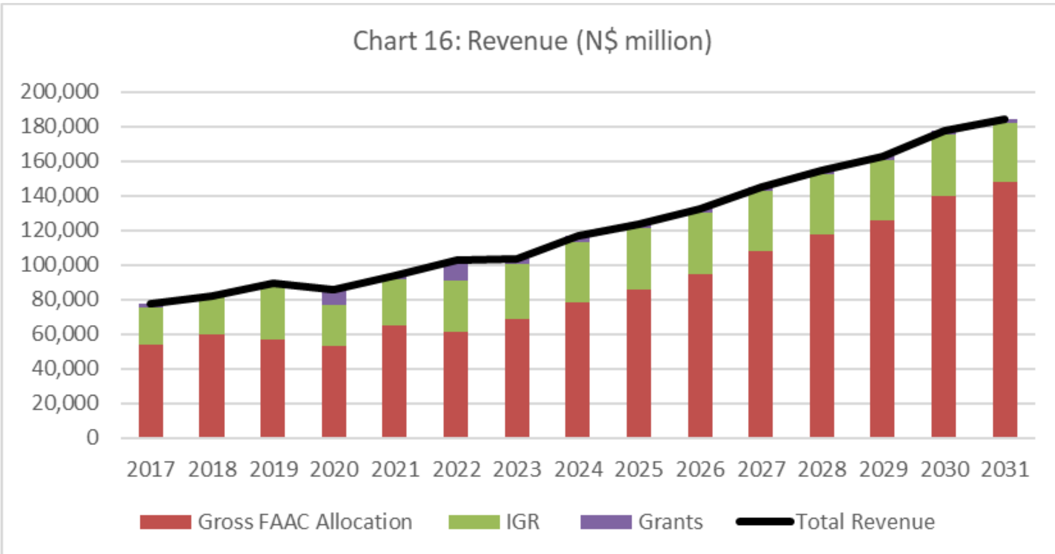
In 2026, it is expected that there will be a fiscal deficit of N24,722.0m. N17,301.0m will be sourced through commercial bank. N7,301.0m at 20% with maturity 1-5years while N10,000 at18% with maturity 6years and above, to make 70% of the gross borrowing requirement in the year. USD 18.1m is expected to be draw down funds from concessional external loan representing 30% of the total borrowing requirement of the year. From 2027, it is projected that all the projects for subsidiary external loans signed by the State must have been completed and hence no more draw dawn from external loans under this strategy.

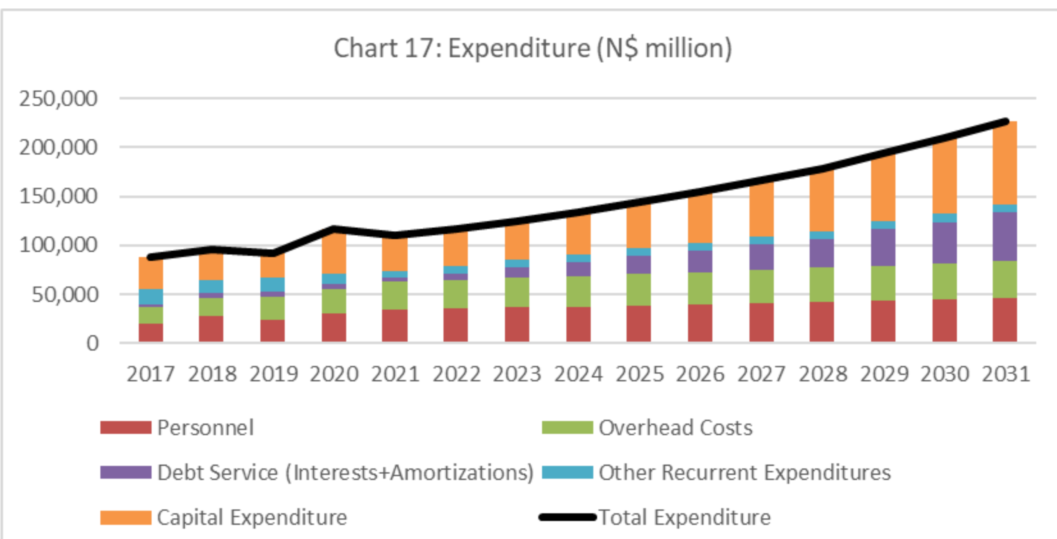
There will be budget deficits in 2027 through 2031. 2027 will be N2,2136.4m, 2028 27,998.0m, while there will be a deficit of N3,1747.2m in 2029, 2030 will be 33,815.3m and 2031 N41,206.2m. In those years all the short falls in budgeting will be financed through domestic borrowing.

In summary, under the baseline scenario through-out the projection period, all Enugu State debts are below the thresholds of the known debt indicators, suggesting that the State debt is sustainable over the medium to long term period.

4.3. DEBT SUSTAINABILITY ANALYSIS SIMULATION RESULTS

As shown in **Chart 16** and **Chart 17** below, in the baseline scenario under the reference debt strategy (S1), Enugu State preserves debt sustainability. The total revenue (including grants and excluding other capital receipts) is expected to expand from N94,031million in 2021 toN184,534millionby 2031 (Chart 16). In same manner, total expenditure will expand from N109,609.0million in 2021 to N227,389million by 2031 **(Chart 17)**.





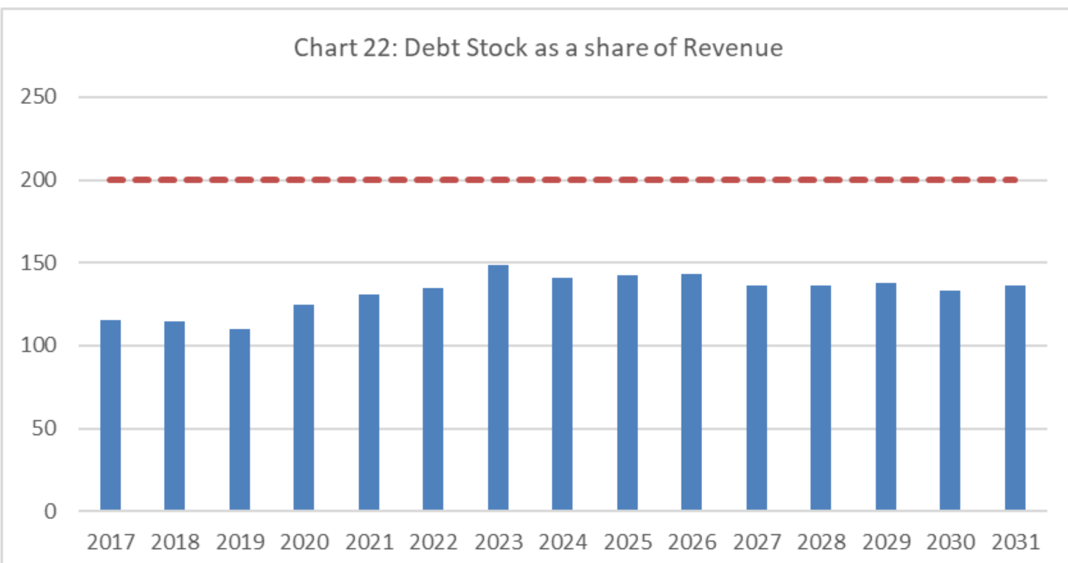
Below are **Charts 18, 22** and **23.**

As evidenced by Chart 22 and Chart 23, due modest increase in investment and external borrowings, the State public debt will stabilize from 2024and debt stock to total revenue ratio will improve **(Chart 22)**. The state debt service to revenue ratio will increase steadily from 6% in 2022 to27% 20231.

Debt is projected to rise from N123,307 million as of end 2021 to about N251,189 million by 2031**(Chart 18)**. However, relative to the statesrevenue capacity, the public debt as a share of revenue will steadily increase from 131% in 2021 to 136% in 2031 with debt service to revenue of about 27% by the year 2031 (Chart 23). Though huge but has not crossed the threshold of 40%.

Thepersonnel cost as a share of revenue has a specific threshold of 60%. The analysis shows that the personnel cost as a share of total revenue will reduce from 37% in 2021 to 25% by 2031.

As the fiscal deficit stabilizes in nominal terms over the projected period and the public debt ratio stabilizes, the analysis of the baseline scenario under the reference debt strategy (S1) suggests that the State will be able to preserve the sustainability of its debt in the medium term period.



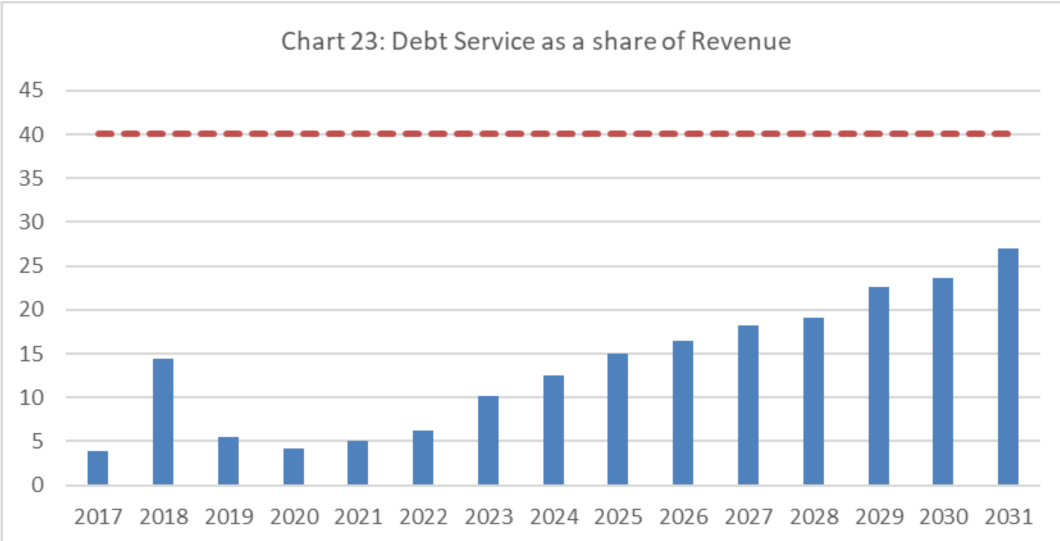


Chart 23: Debt Service as a share of Revenue
45
40
35
30
25
20
15
10
5
0
2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031

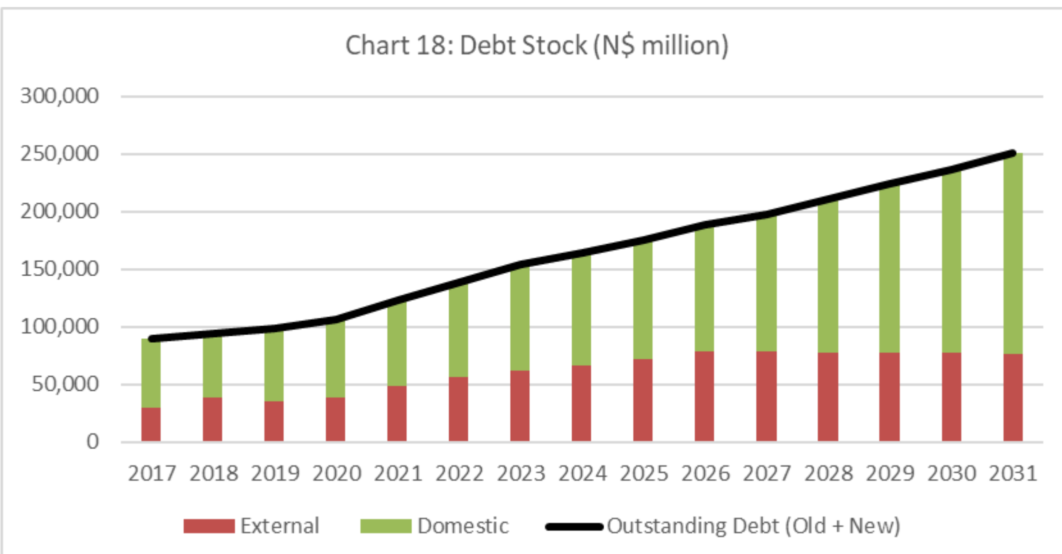
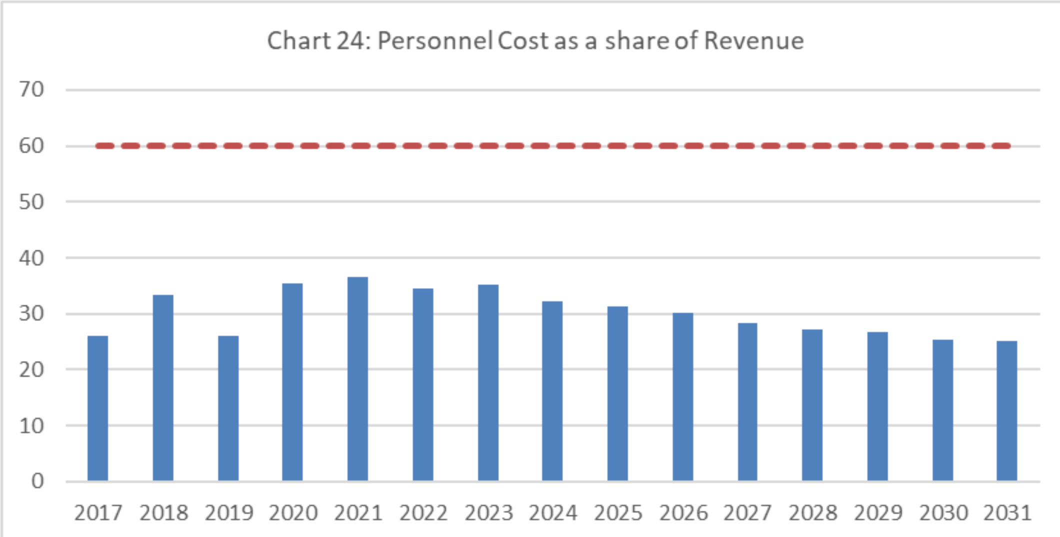
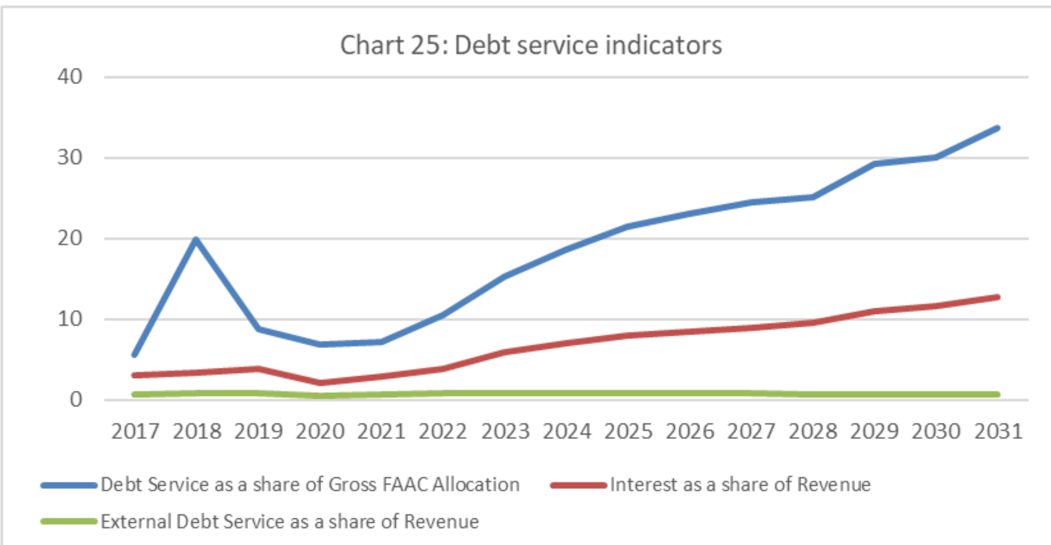


Chart 18: Debt Stock (N$ million)
300,000
250,000
200,000
150,000
100,000
50,000
0
2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031
External
Domestic
Outstanding Debt (Old + New)

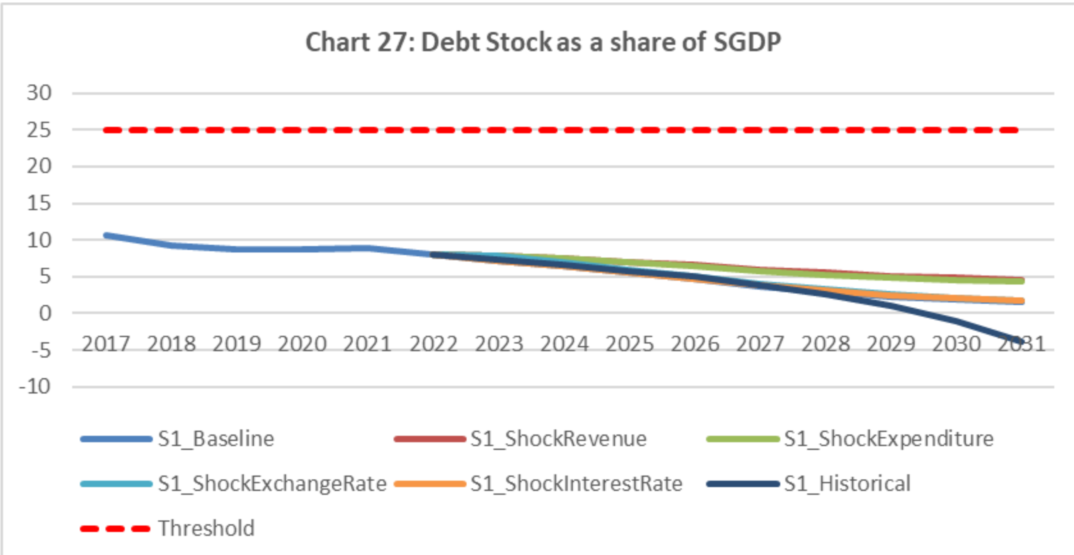




4.4. DEBT SENSITIVITY ANALYSIS

The sensitivity analysis was carried out to determine the effects of shocks on macroeconomic conditions that influence the state fiscal deficits and hence debt sustainability in juxtaposition with the baseline debt strategy (S1) and Enugu state debt positions. These shocks are: exchange rate increase by 20%, interest rate increase by 2%, revenue decrease by 10% and expenditure increase by 10% over the projected period. Also considered is the baseline position if the historical trends were to continue.

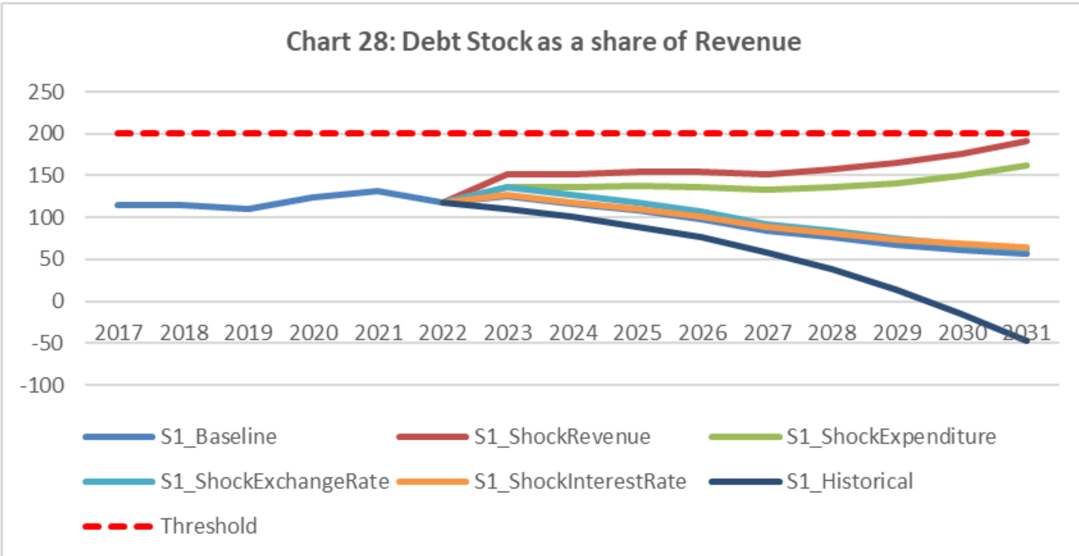
The outcome of the analysis show that the States debt sustainability would deteriorate moderately if the exchange rate, interest rate, revenue and expenditure shocks materialize under the reference debt strategy(S1)as the state debt stock will continue to increase in all the shock positions. These are shown belowin Charts 27, 28, 29 and 30 with the accompanying descriptions.



With a shock in exchange rate, the State debt stock in 2022 from the baseline status will increase from N138,452.80mto N186,354.24m in 2025.In 2026 the deviation will be N200,281.56m or 7.47%and by 2030, the total debt stock will change from N246,550.55m to N261,049.06m in 2031.

The State total debt stock to State GDP will drop from 8.65% in 2022 in the baseline (S1) to 7.35% in 2025 and further to7.0% in 2026, a decrease of 0.35%, allwithout crossing the threshold of 25%. Total debt to total revenue will increase steadily from 2022 to 2026 and thereafter start decreasing. Total debt to revenue which is 134.73%in 2022 will rise to 143.22% in 2026, an increase of 8.49%, and thereafter decrease to 136.12% in 2031.

Total debt service to total revenue in 2022 under the baseline is6.29% which increased to 8.65% with the shock in the same year. Coincidentally, personnel cost to total revenue appears to have the same ratios (34.42) both the baseline and with the exchange rate shock in debt strategy (S1).



Shock in revenue may be occasioned by dwindling receipts from sale of crude oil and hence reduced transfers to states from the Federal Government (FAAC Allocation, VAT and other transfers from the Federal Government).

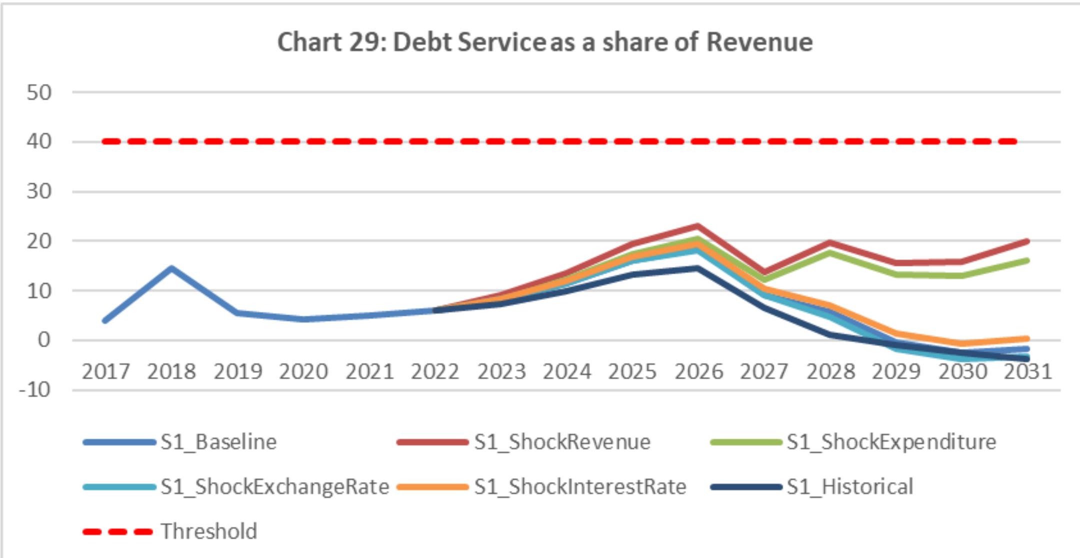
Shock in revenue (decrease by 10%) will in the first instance increase the gross borrowing needs of the State in 2022 under the baseline (N13,651.50m) to N13,721.90m the same year. In the same manner the State borrowing needs of N24,722.0m in 2026 will increase to N40,965.63m and hit N87,982.10 in 2030 instead of N41,206.2m under the baselinedebt strategy (S1) in the same year.

With a shock in revenue the total debt to total revenue ratio of 134.73%in 2022 under the baseline scenario will be the same and thereafter increase steadily in 2026to 203.83%with a continuous increase till 2031 when it will be 255.16% under the baseline strategy.

In the baseline (S1) total debt to State GDP is 8.6% in 2022 which will steadily decrease to 7% in 2026 and further to 5% in 2031. Under a shock scenario in revenue in the debt strategy (S1), the total debt to State GDP will be8.65% in 2022 and will increase steadily to 8.97 in 2026.

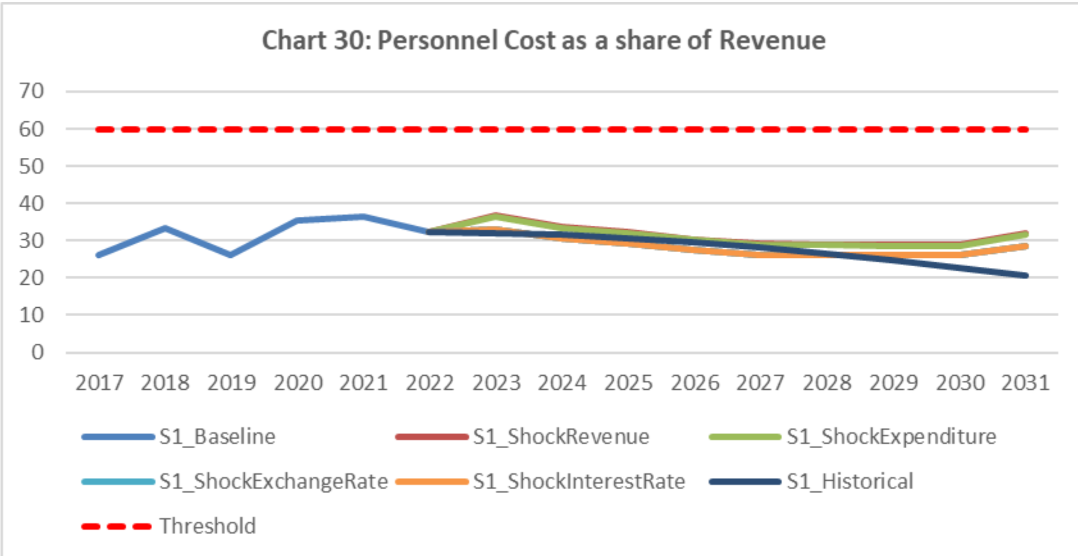
Still in revenue shock, debt service to revenue will be 11.31% in 2023 compared to 10.18% the same year under the baseline scenario. This will have a steady increase and by 2031, the deviation will be34.41% (46.72-11.31)signifying repayment difficulty as the 40%thresholds has been crossed.

From the revenue shock analysis, personnel cost to revenue will be impacted upon. It will initially increase from 34.42% in 2022 to 32.22% in 2024 and hereafter decrease from 31.38% in 2025 to 25.01 % in 3031 all under the baseline (S1) scenario. In the shock situation, the same ratio will increase from 34.42 % in 2022 to 35.8% in 2024 and from 2025, it will decrease steadily from 34.87% to 27.31% in 2031 compared to the baseline scenario.



With a shock in expenditure, the initial effect will be noticed in 2024when the debt service ratio will rise, from 6.79% under the baseline to 13.25.%. By 2027 the ratio will hit 30.24% as against 19.08% under the baseline scenario and at the end of the projected period, the debt service ratio will be 42.18% as against 27.05 under the baseline scenario.

TheState GDP to total revenue will also be affected should the shock in expenditure materialize. In 2023, the ratio will change from 8.65% to 8.93%. In 2026 it will be 9.05% as against 7% under baseline scenario and by 2031 which was 4.58% underS1 the percentage ratio will be 8.4%.



Under a shock scenario in expenditure, personnel cost to total revenue will jump to 29.66% in 2022 as against 26.96% under the reference debt strategy S1. In 2025 the ratio will ratio will have a deviation of 2.42% (26.42-24.20) and by 2030 the deviation will be 2.05% (22.61-20.56).

Historical:

In all the shock scenarios shown inCharts 27, 28, 29 and 30, when compared to the baseline (S1), historical trend approach shows increasedpositive ratios over the projected period.Under shock in revenue, total debt to SGDP which is 8.37% in 2023 and 7.02% in 2026 in the baseline, will change to 8.88% in 2023 and 9.08% in 2026. Still under shock in revenue, ratio will be 6.25% in 2027 and .16%by 2031 under historical. The same ratio under revenue shock , will turn out to 8.98% in 2027 and 8.51% by 2031 under baselinedebt Strategy (S1).

Total debt stock to total revenue is 133.13% in 2023, 111.54% in 2026 decreasing to 1.98% in 2031 under the baseline historical. Under shock in revenue, the debt stock to revenue will change to 176.57% in 2023,203.83% in 2026 increasing to 255.96% in 2031, crossing the threshold of 200%.

5.DEBT MANAGEMENT STRATEGY

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

Debt management strategies are assessed by the outcome of three key performance indicators namely: debt stock/revenue (%), debt service/revenue (%) and interest/revenue(%).
While the cost of any debt management strategy is measured by the expected value of a performance indicator, risk is measured by the deviation from the expected value (as projected in the baseline scenario) caused by un- expected shocks (as projected in the most adverse scenario). A debt management strategy starts with a borrowing option.

5.1. ALTERNATIVE BORROWING OPTIONS

Aside the baseline strategy (S1), the other three alternative Debt Management Strategies (DMS), S2, S3, and S4 have been selected by the state where the same interest rates and other conditions stated in the baseline (S1) strategy shall apply.

Under DMS (S2), The approach is to finance annual deficits (2022-2031) through domestic borrowing 20% and external borrowing 80%. The deficit of N13,651.5 will therefore be funded through borrowing from commercial banks N2,725m and draw-down from external loan $26.6.0m. The deficit of N17,253.2 in 2023 will be funded N3,436.2m and $33.7m. This approach will be applied throughout the projection years 2022 to 2031. Funds obtained will be used to provide amenities for the people in the State.

InS3, the State proposes to finance the yearly deficits (2021 -2031) through domestic loans 60% and external finances 40%. In this strategy, the initial deficit of N13,561.5 m in 2022 will be financed through borrowing of N8,198.5m from commercial banks$13.3m from external sources. For the deficit of N15,092.1 in 2024, the State Government will be funded through borrowing from commercial banks , N9,065.1 and external loan of $14,7m. There will be a deficit of N17,857.4m in 2025, which will be funded by , the issuance of State bond of 6 years and above maturity, N10,000.00m commercial bank loan of N723.4m and external loan of $10.6m.

All this will be to obtain sufficient funds for infrastructural development and at reduced interest rate compared to commercial bank rate.This also,to minimize rollover risk and contribute in the development of the local capital market.

Under S4, the strategy is 80% domestic loan and 20% external loan. Thus the deficit of N13,651.5m in 2022 will be financed by borrowing N10,986.5m from the commercial banks and external loan of $6.5m. Out of N17,401m deficit in 2024, N13,916m is to be sourced through commercial banks while the balance of $8.5m will be sourced externally. In 2025, the total deficit of N21,874m will be financed by $10.6m external loan and N2,528m from commercial banks while there will be issuance of bond to the tune of N15,000m in the samyear to make the total domestic funding to be 80%.

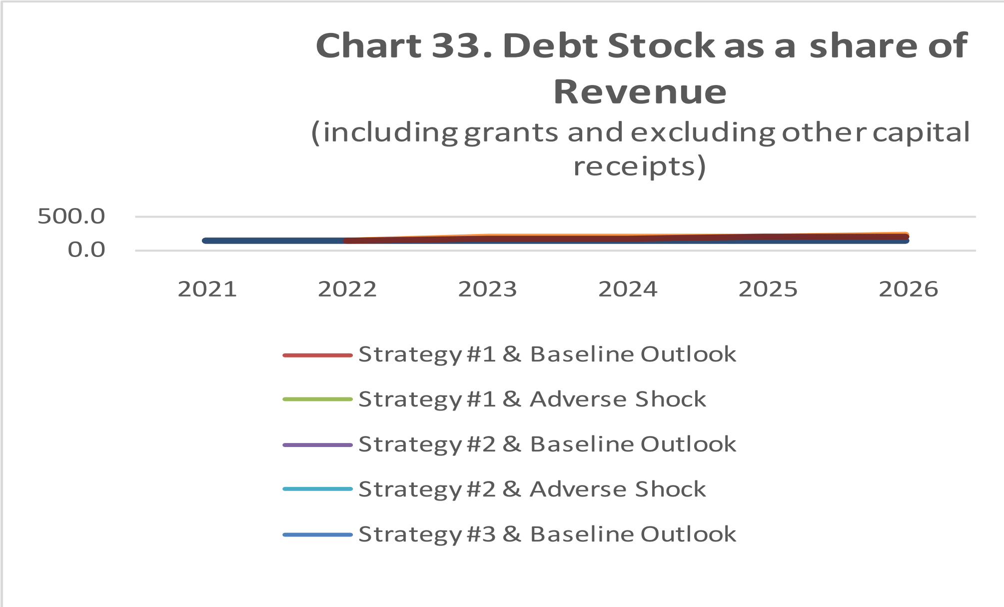
5.2. DEBT MANAGEMENT SIMULATION RESULTS

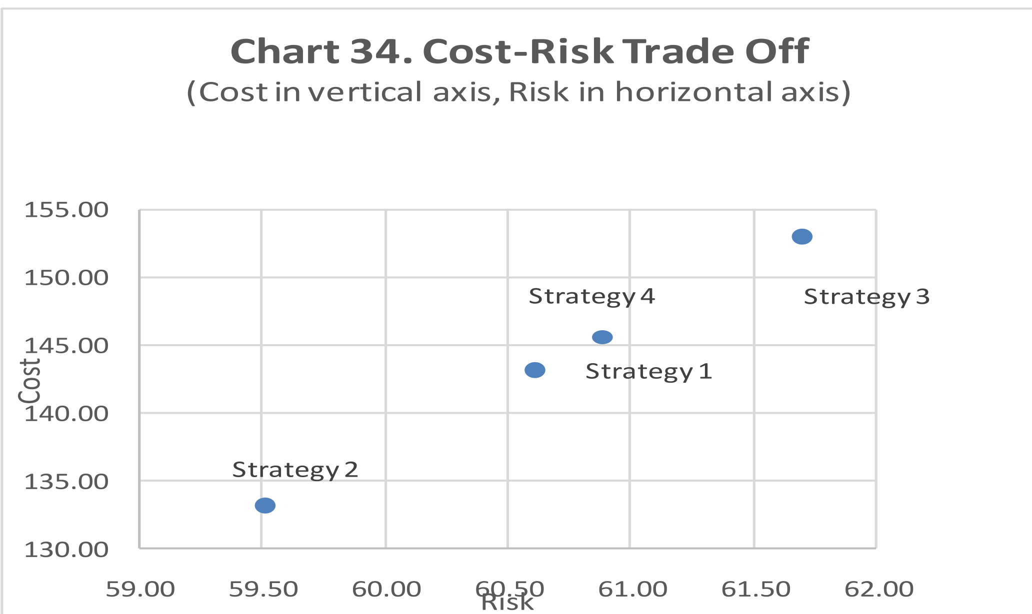
The focus here is to analyze, the most adverse scenario of each of debt-management performance indicators, in each of the debt strategies S2, S3 and S4 with the reference debt strategy S1. These indicators as earlier mentioned are total debt to the State GDP ,debt/revenue, debt service /revenue and.These will be analyzed,makingreference to debt strategy S1.

5.2.1.Total Debt Stock As Percentage of Total Revenue

						COST	RISK measured only in 2026
Debt Stock as % of Revenue (including grants and ex	2021	2022	2023	2024	2025	2026	
Strategy #1 & Baseline Outlook	131.1	134.7	148.9	140.7	142.1	143.2	60.6
Strategy #1 & Adverse Shock		134.7	176.6	178.0	191.2	203.8	
Strategy #2 & Baseline Outlook	131.1	134.7	147.7	137.2	135.6	133.3	59.5
Strategy #2 & Adverse Shock		134.7	175.2	174.3	184.0	192.8	
Strategy #3 & Baseline Outlook	131.1	134.7	149.7	143.4	147.8	153.0	61.7
Strategy #3 & Adverse Shock		134.7	177.4	181.1	197.6	214.7	
Strategy #4 & Baseline Outlook	131.1	134.7	149.2	141.4	143.6	145.7	60.9
Strategy #4 & Adverse Shock		134.7	176.9	178.9	192.9	206.5	

For Strategy #1, Adverse Shock is Revenue
For Strategy #2, Adverse Shock is Revenue
For Strategy #3, Adverse Shock is Revenue
For Strategy #4, Adverse Shock is Revenue





From the table page38(represented by **Charts 33** and **34**) and from 2023 to 2026, the baseline outlook of debt /revenue, including adverse shock under S1 is as follows: 325.5%, 318%, 333.3%and 352% 2026 with a total risk of 60.6 measured in 2026.

Under S2, and within the same projected period the figures are 322.9%,311.5%, 319.6% and 326.1% in 2026, with risk element of 59.5 measured in 2026.

S3 baseline outlook and its adverse shocks summed up for the four years to, 327.1%, 324.5%, 345.4%, 367.7% with a risk of 61.7 measured in 2026.

Under S4, and within the same projected period, the baseline outlook with adverse shock figures are 326.1%, 320.3%, 336.5%, 352.2% with risk element of 60.9.0 measured in 2026.

Baseline total cost is 1,329.5% risk is 60.9 (2023-2026)

Total deviation from baseline:

S2, 48.4% risk 1.1,

S3, -35.9% risk -1.1and

S4, -5.6%, risk -.3%.

Thus strategy with the lowest cost and the lowest risk is S2 (Chart 34 above). However, this strategy may not be implementable by State Government due to some qualitative issues whichshould be considered. The basic approach in S2 is that 20% of the financing requirement will come from domestic sources while 80% will come from drawn down from external loans. Therefore the qualitative issues to be considered should include, loan availability as and when needed by Government and loan negation period, legal authority for states to acquire foreign loans at will, etc.Taking all these into consideration, and using only debt/ revenue ratio S1 isrecommended on the premise that loan-able funds to enable Government deliver at the shortest possible time, will be readily available under S1 with 70% domestic loan and 30% from external sources.

From the analysis of the Debt Management Strategy performance indicators, S1 which is implementable is also acceptable as the State debt, under S1 is affordable, resilient to adverse shockscenarios and sustainable over the medium term and even beyond as seen below.

Under shock in exchange rate, total debt/revenue is 134.7 in 2022 through 151.3 in 2025 and 141.5 in 2031. The threshold remains 200. With a threshold of 25% Debt/State GDP is 8.6 in 2022 through 7.8 in 2025 and 5.2 in 2031. Debt service/revenue is 6.3 in 2022, 15% in 2025 and 26.1 in 2031. Personnel cost /revenue is 34.4 in 2022 through 31.4 in 2025 and 25 in 2031. The threshold remains 60%.

The performance indicators also show that the States debt is sustainable under interest rate shock. Here within the forecast period, debt /revenue is 134.7 in 2022 growing marginally to 142.3 in 2025 and terminating in 143.1 in 2031. Debt /SGDP is 8.6 in 2022 through 7.4 in 2025 and 5.2 in 2031. Debt service/revenue is 6.3 in 2022, 15.5 in 2025 and 29 in 2031, all well within the threshold of 40%. Personnel cost /revenue is 34.4 in 2022, 31.4 in 2025 and 25 in 2031.

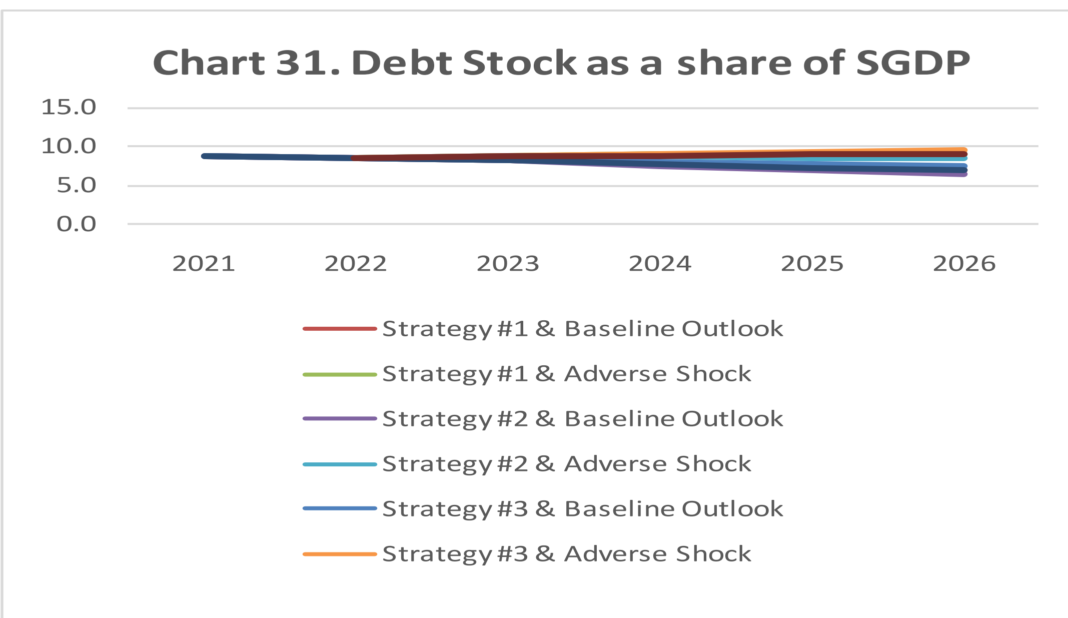
Under shock in revenue the State debt trend affords sustainability over the medium term. Debt /revenue is 134.7 in 2022 , 191.2 in 2025. Debt/SGDP is 8.6 in 2022 through 8.9 in 2025 and 8.4 in 2031. Debt Service / revenue is 6.3 in 2022, 18.3 in 2025 and 38.7 in 2031. Personnel cost /revenue is 34.4 in 2022, 34.9 in 2025 and 27.8 in 2031.

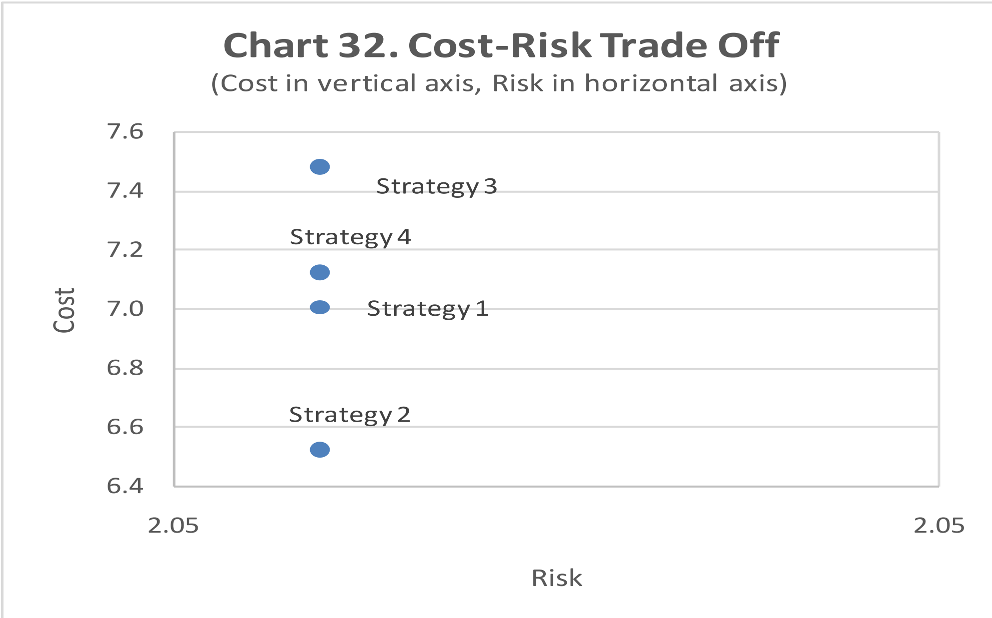
Just as in shock in revenue, the State debt is affordable in medium term under the expenditure shock. Debt/ revenue is 134.7 in 2022 and 173.64 in 2025. Debt /SGDP is 8.65 in 2022 through 8.98 in 2025 to 8.40 to 2031. Debt Service /revenue is 6.29 2022, 16.53 in 2025 and 37.19 in 2030. Personnel cost /revenue is 34.4 in 2022, 34.52 in 2025 and 27.51 in 2031.

5.2.2. Debt Stock As Percentage of State GDP

Debt Stock as % of SGDP	2021	2022	2023	2024	2025	COST 2026	RISK measured only in 2026
Strategy #1 & Baseline Outlook	8.9	8.6	8.3	7.8	7.4	7.0	2.0
Strategy #1 & Adverse Shock		8.6	8.9	9.0	9.0	9.1	
Strategy #2 & Baseline Outlook	8.9	8.6	8.2	7.6	7.0	6.5	2.0
Strategy #2 & Adverse Shock		8.6	8.9	8.8	8.6	8.6	
Strategy #3 & Baseline Outlook	8.9	8.6	8.4	8.0	7.6	7.5	2.0
Strategy #3 & Adverse Shock		8.6	9.0	9.1	9.3	9.5	
Strategy #4 & Baseline Outlook	8.9	8.6	8.3	7.8	7.4	7.1	2.0
Strategy #4 & Adverse Shock		8.6	8.9	9.0	9.1	9.2	

For Strategy #1, Adverse Shock is Expenditure
For Strategy #2, Adverse Shock is Expenditure
For Strategy #3, Adverse Shock is Expenditure
For Strategy #4, Adverse Shock is Expenditure





From the table page42 (represented by Charts 31 and 32) and from 2023 to 2026, the baseline outlook of debt stock /State GDP, including adverse shock under S1 is as follows: 17.2%, 16.8%, 16.4%and 16.1% in 2026 with a total risk of 2 measured in 2026.

Under S2, and within the same projected period the figures are 17.1%, 16.4%, 15.6% and 15.1% with risk element of 2 measured in 2026.

S3 baseline outlook and its adverse shock summed up in the four years (2023-2026) are, 17.4%, 17.1%, 16.9%, 17% with a risk of 2 measured in 2026.

Under S4, and within the same projected period, the baseline outlook with adverse shock figures are 17.2%, 16.8%, 16.5%, 16.3%with risk element of 2 measured in 2026.

Baseline total cost is 66.5% risk is 2 (2023-2026)

Total deviation from baseline:

S2, 2.3% risk 0

S3, -1.5% risk 0 and

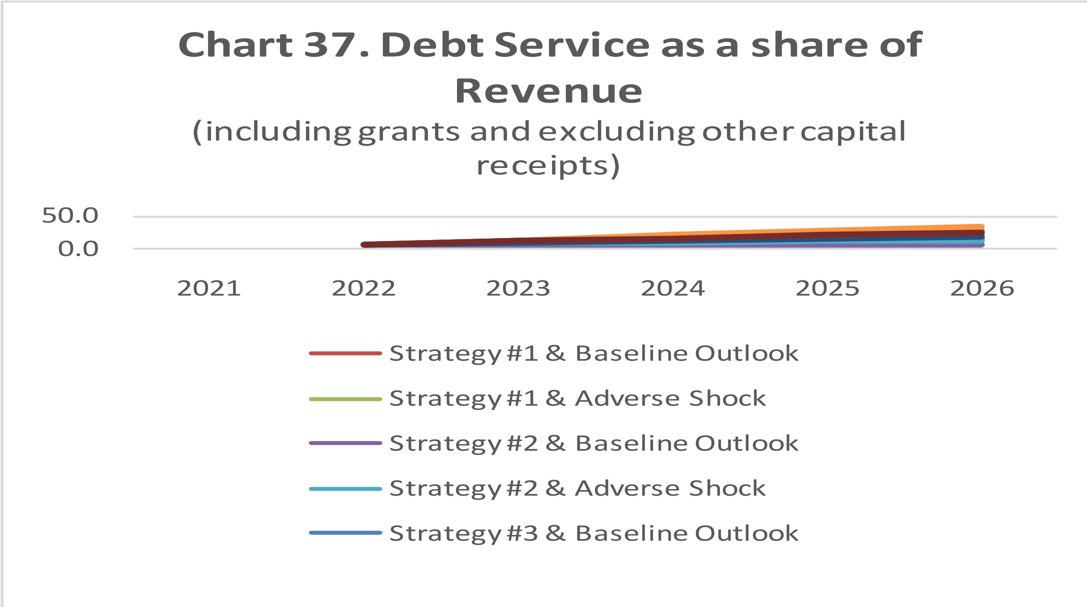
S4, -.3%, risk 0%.

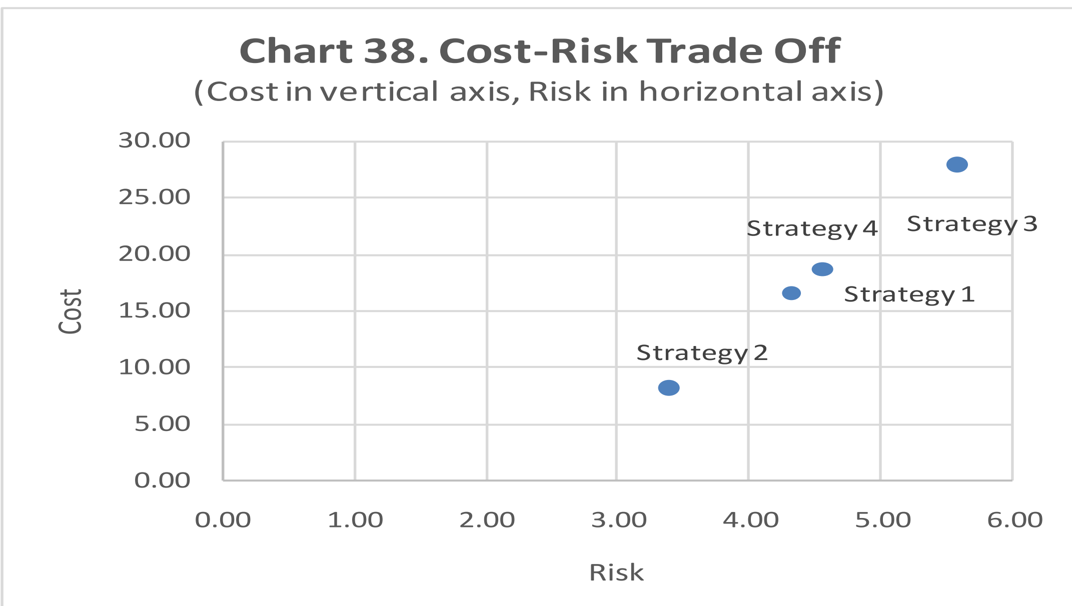
Thus strategy with the lowest cost is S2 (Chart 32 above) as all the strategies have the same risk component of 2 with a deviation of 0. But S2 may not be recommended because of certain qualitative factors already mentioned under total debt / revenue.

5.2.3. Debt Service As Percentage of Total Revenue

						COST	RISK measured only in 2026
Debt Service as % of Revenue (including grants and e	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	
Strategy #1 & Baseline Outlook		6.3	10.2	12.5	15.0	16.5	4.3
Strategy #1 & Adverse Shock		6.3	11.3	14.7	18.3	20.9	
Strategy #2 & Baseline Outlook		6.3	7.6	8.0	8.1	8.1	3.4
Strategy #2 & Adverse Shock		6.3	8.5	9.7	10.7	11.5	
Strategy #3 & Baseline Outlook		6.3	11.7	17.4	22.4	27.9	5.6
Strategy #3 & Adverse Shock		6.3	13.0	20.1	26.5	33.5	
Strategy #4 & Baseline Outlook		6.3	10.7	13.5	16.6	18.6	4.6
Strategy #4 & Adverse Shock		6.3	11.9	15.8	20.1	23.2	

For Strategy #1, Adverse Shock is Revenue
For Strategy #2, Adverse Shock is Revenue
For Strategy #3, Adverse Shock is Revenue
For Strategy #4, Adverse Shock is Revenue





From the table page 44 (represented by Charts 37 and 38) and from the year 2023, debt service/ total revenue baseline outlook cost is added to the adverse shock in each strategy and assigned one risk measured in 2026.

Under strategy S1, the baseline outlook with its adverse shock is 21.5% in 2023, 27.2% in 2024, 33.3% in 2025 and 37.4% in 2026 with 4.3 risk measured in 2026.

For S2, within the same period and in the same order, the combined cost each year from 2023 is 16.1%, 17.7, 18.8% and 19.6% with 3.4 risk measured in 2026.

Under S3, the baseline outlook with its adverse shock is 24.7% in 2023, 37.5% in 2024, 48.9% in 2025, and 61.4% in 2026 with 5.6 risk measured in 2026.

For S4, within the same period and in the same order, the combined cost each year is 22.6%, 29.3%, 36.7%, and 41.8% with 4.6 risk measured in 2026.

The baseline total cost is 119.4 %risk 4.3 (2023-2026)

Total deviation from baselinein the same period:

S2, 47.2% risk .9

S3, -53,1%risk -1.3and

S4, -10.7%, risk -0.3

The strategy with the lowest cost and lowest risk using debt service /revenue is S2 However, this is not recommended because of reasons already proffered.

5.2.4. Debt ServiceAs Percentage of State GDP

						COST	RISK measured only in 2026
Debt Service as % of SGDP	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	
Strategy #1 & Baseline Outlook		0.4	0.6	0.7	0.8	0.8	0.1
Strategy #1 & Adverse Shock		0.4	0.6	0.7	0.9	0.9	
Strategy #2 & Baseline Outlook		0.4	0.4	0.4	0.4	0.4	0.1
Strategy #2 & Adverse Shock		0.4	0.4	0.5	0.5	0.5	
Strategy #3 & Baseline Outlook		0.4	0.7	1.0	1.2	1.4	0.1
Strategy #3 & Adverse Shock		0.4	0.7	1.0	1.2	1.5	
Strategy #4 & Baseline Outlook		0.4	0.6	0.7	0.9	0.9	0.1
Strategy #4 & Adverse Shock		0.4	0.6	0.8	0.9	1.0	

For Strategy #1, Adverse Shock is Expenditure
For Strategy #2, Adverse Shock is Expenditure
For Strategy #3, Adverse Shock is Historical
For Strategy #4, Adverse Shock is Expenditure

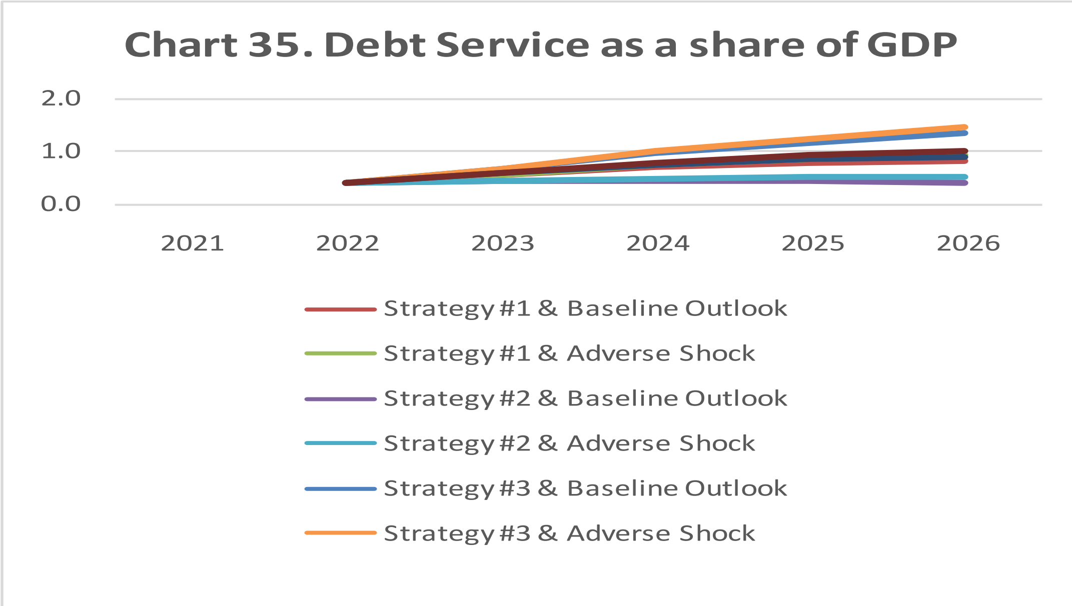


Chart 35. Debt Service as a share of GDP
2.0
1.0
0.0
2021
2022
2023
2024
2025
2026
Strategy #1 & Baseline Outlook
Strategy #1 & Adverse Shock
Strategy #2 & Baseline Outlook
Strategy #2 & Adverse Shock
Strategy #3 & Baseline Outlook
Strategy #3 & Adverse Shock

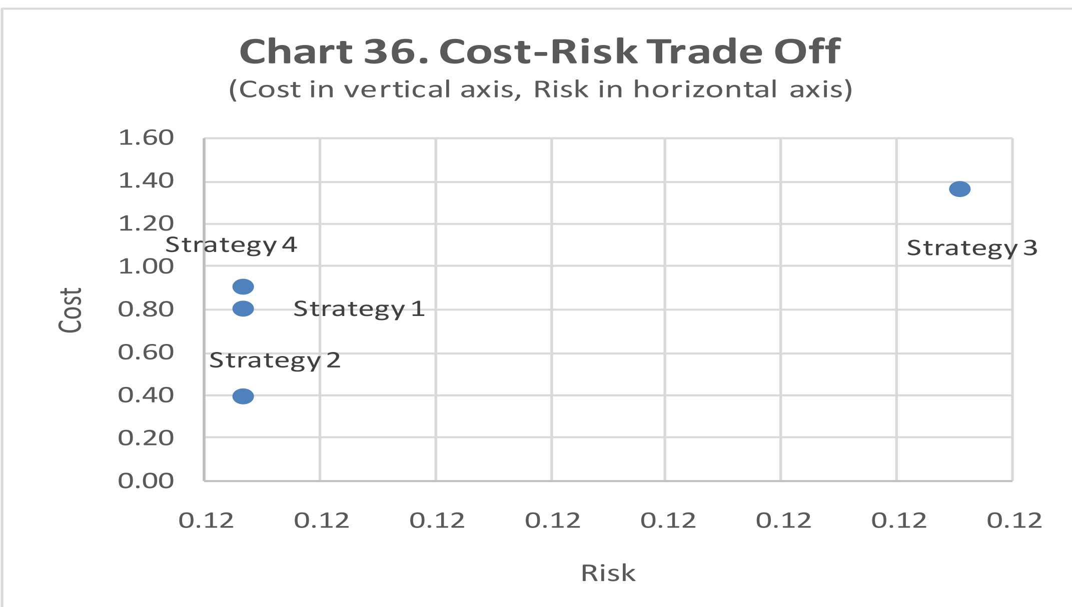


Chart 36. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
Cost
Strategy 4
Strategy 1
Strategy 2
Strategy 3
0.12
0.12
0.12
0.12
0.12
0.12
0.12
0.12
Risk

From the table page 46(represented by Charts 35 and 36) and from the year 2023, debt service/ State GDP baseline outlook cost is added to the adverse shock in each strategy and assigned one risk measured in 2026.

Under strategy S1, the baseline outlook with its adverse shock is 1.2% in 2023, 1.4% in 2024, 1.7% in 2025and 1.7% in 2026 with 0.1 risk measured in 2026.

For S2, within the same period and in the same order, the combined cost each year is .8%, .9%, .9% and .9% with 0.1risk measured in 2026.

Under S3, the baseline outlook with its adverse shock is 1.4% in 2023, 2% in 2024, 2.4% in 2025, and 1.9.% in 2026 with 0.1 risk measured in 2026.

For S4, within the same period and in the same order, the combined cost each year is 1.2%, 1.5%, 1.8%, and 1.9% with .1 risk measured in 2026.

The baseline total cost is 6% risk 0.1(2023-2026)

Total deviation from baseline the same period:

S2, 2.5% risk0,

S3, -2.7%risk 0and

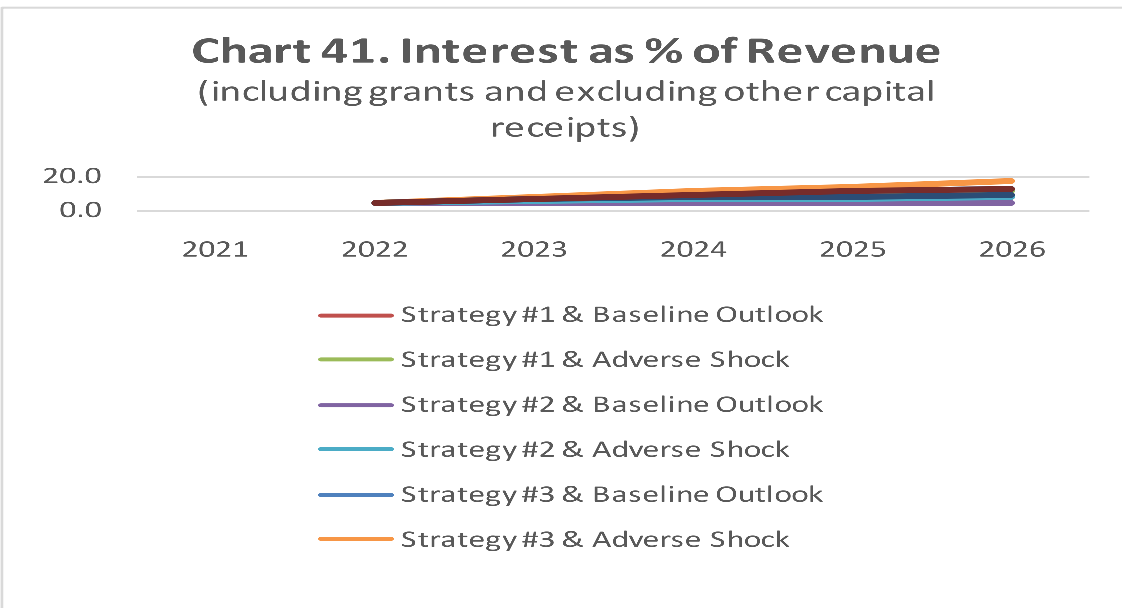
S4, - 0.4%, risk 0.

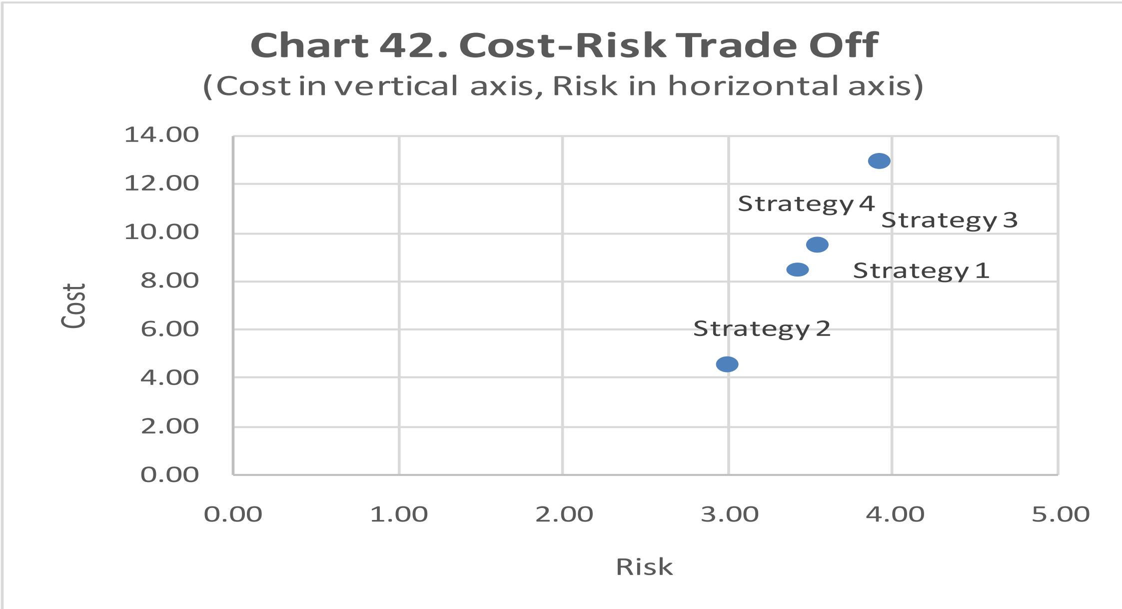
The strategy with the lowest cost using debt service /State GDP is S2, holding the risk factor constant as above but is not implementable as stated above because of some qualitative e reasons.

5.2.5. Interest Payment As Percentage of Total Revenue

Interest as % of Revenue (including grants and excluc	2021	2022	2023	2024	2025	COST 2026	RISK measured only in 2026
Strategy #1 & Baseline Outlook		3.8	5.9	7.0	7.9	8.5	3.4
Strategy #1 & Adverse Shock		3.8	6.5	8.6	10.5	11.9	
Strategy #2 & Baseline Outlook		3.8	4.6	4.7	4.7	4.6	3.0
Strategy #2 & Adverse Shock		3.8	5.2	6.0	6.9	7.5	
Strategy #3 & Baseline Outlook		3.8	6.6	9.1	11.0	13.0	3.9
Strategy #3 & Adverse Shock		3.8	7.4	10.9	13.9	16.9	
Strategy #4 & Baseline Outlook		3.8	6.2	7.5	8.8	9.5	3.5
Strategy #4 & Adverse Shock		3.8	6.8	9.2	11.4	13.0	

For Strategy #1, Adverse Shock is Revenue
For Strategy #2, Adverse Shock is Revenue
For Strategy #3, Adverse Shock is Revenue
For Strategy #4, Adverse Shock is Revenue





From the table page 49 (represented by Charts 41 and 42) and from the year 2023, interest payment/ total revenue baseline outlook cost is added to the adverse shock in each strategy and assigned one risk measured in 2026.

Under strategy S1, the baseline outlook with its adverse shock is 12.4% in 2023, 15.6% in 2024, 18.4% in 2025 and 20.4% in 2026 with 3.4 risk measured in 2026.

For S2, within the same period and in the same order, the combined cost each year is 9.8%, 10.7%, 11.6% and 12.1% with 3.0 risk measured in 2026.

Under S3, the baseline outlook with its adverse shock is 14% in 2023, 20% in 2024, 24.9% in 2025, and 29.9% in 202 with 3.9risk measured in 2026.

For S4, within the same period and in the same order, the combined cost each year is 13%, 16.7%, 20.2%, and 22.5% with 3.5 risk measured in 2026.

The baseline total cost is 66.8%risk 3.4 (2023-2026)

Total deviation from baseline in the same period:

S2, 22.6 % risk .4

S3, -22%risk - .5and

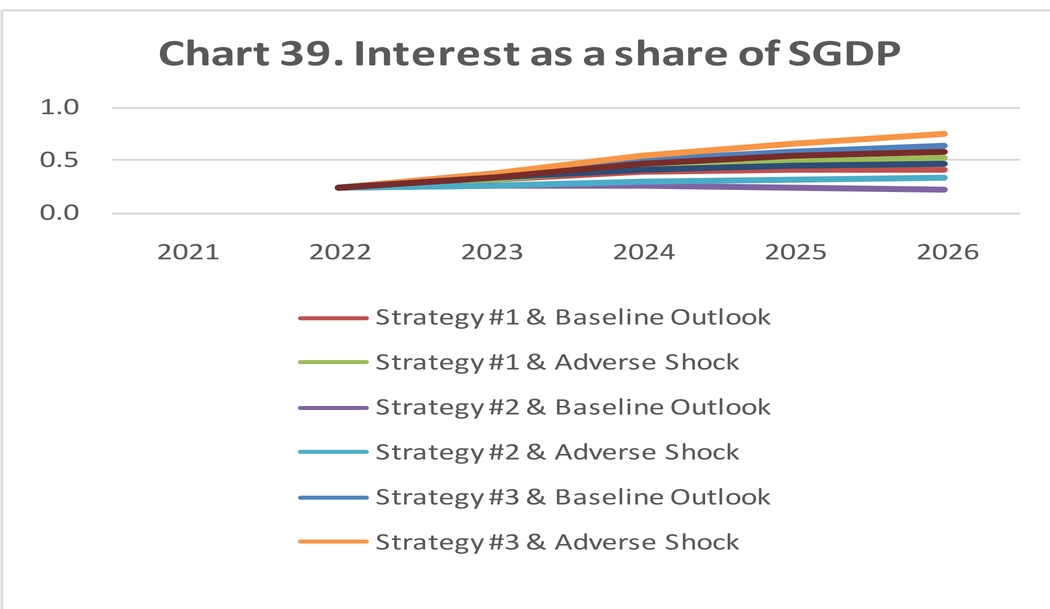
S4, -5.6%, risk -.1

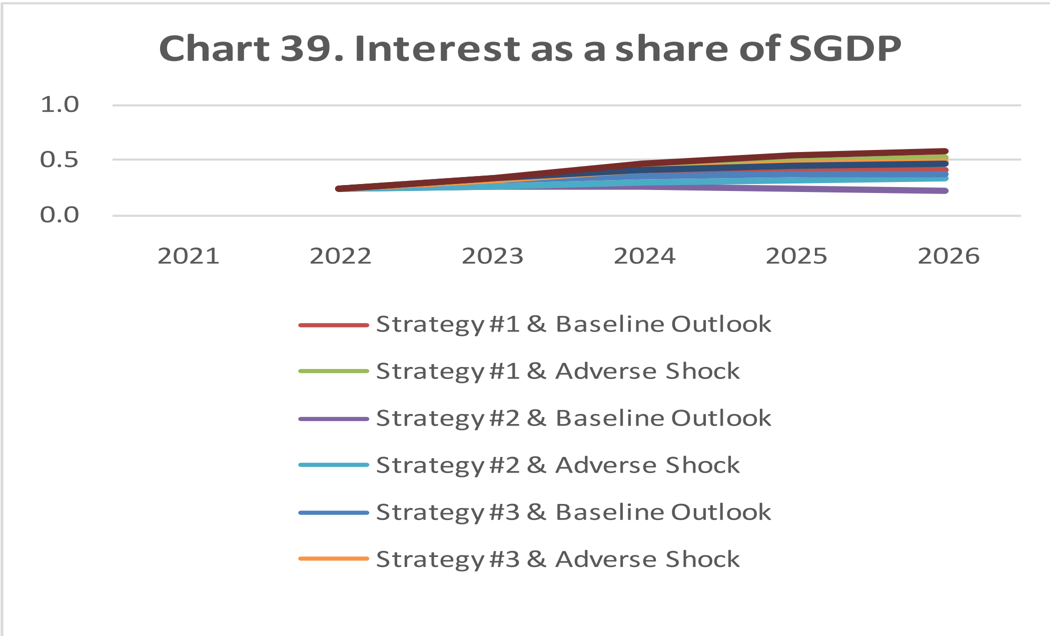
The strategy with the lowest cost and lowest risk using interest payment /revenue is S2 but others considerations are necessary, for instance easy accessibility of the required funds due to legal restrictions on external borrowing and required time for foreign loan negotiation. So S2 may practically unimplimentable.

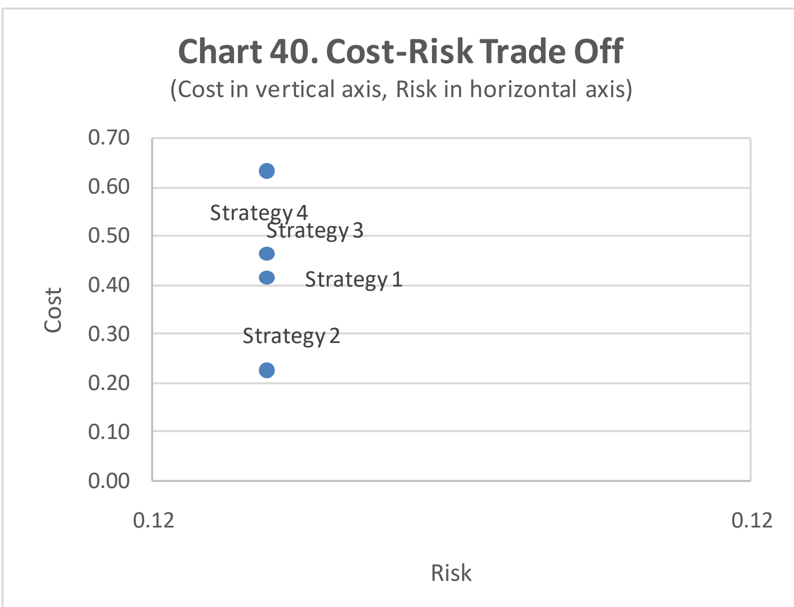
5.2.6. Interest Payment As Percentage of State GDP

						COST	RISK measured only in 2026
Interest as % of SGDP	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	
Strategy #1 & Baseline Outlook		0.2	0.3	0.4	0.4	0.4	0.1
Strategy #1 & Adverse Shock		0.2	0.3	0.4	0.5	0.5	
Strategy #2 & Baseline Outlook		0.2	0.3	0.3	0.2	0.2	0.1
Strategy #2 & Adverse Shock		0.2	0.3	0.3	0.3	0.3	
Strategy #3 & Baseline Outlook		0.2	0.4	0.5	0.6	0.6	0.1
Strategy #3 & Adverse Shock		0.2	0.4	0.5	0.7	0.7	
Strategy #4 & Baseline Outlook		0.2	0.3	0.4	0.5	0.5	0.1
Strategy #4 & Adverse Shock		0.2	0.3	0.5	0.5	0.6	

For Strategy #1, Adverse Shock is Expenditure
For Strategy #2, Adverse Shock is Expenditure
For Strategy #3, Adverse Shock is Expenditure
For Strategy #4, Adverse Shock is Expenditure







From the table page 51 (represented by Charts 39 and 40) and from the year 2022, interest payment/ State GDP baseline outlook cost is added to the adverse shock in each strategy and assigned one risk measured in 2026.

Under strategy S1, the baseline outlook with its adverse shock is .6% in 2023, .8% in 2024, .9% in 2025 and .9% in 2026 with 0.1 risk measured in 2026.

For S2, within the same period and in the same order, the combined cost each year is .6%, .6%, .5% and .5% with 0.1 risk measured in 2026.

Under S3, the baseline outlook with its adverse shock is .8% in 2023, 1% in 2024, 1.3% in 2025, and 1.5% in 2026 with 0.1 risk measured in 2026.

For S4, within the same period and in the same order, the combined cost each year is .6%, .9%, 1%, and 1.1% with 0.1 risk measured in 2026.

The baseline total cost is 3.2 risk 0.1 (2023-2026)

Total deviation from baseline in the same period:

S2, 1.0% risk 0

S3, -1.2%risk 0and

S4, -.4%, risk 0

Given that all the strategies have 0 (zero) risk, the strategy that has the lowest cost is strategy 2 , but recommendation is not strictly based on quantitative outcome and thus S2 may not be implemented..

5.3. DEBT MANAGEMENT STRATEGY ASSESSMENT

The analysis in **5.1** and **5.2** have centred on the best strategy for the State Government to borrow (borrowing options). Four strategies have been identified with strategy S1 as the reference debt strategy. The assessment results using three key debt management- performance indicators (debt/revenue, debt service to/revenue and interest payment /revenue) are used for recommendation.
In all the three performance indicators used and applying elements of qualitative considerations, S1 the reference strategy is better and is hereby recommended.

Quantitatively in all ramifications and outlook S2 has a lowest cost and risk in terms of loan procurement. This is followed S3. However,qualitative considerations have to be taken into account. In recommending S1 for implementation the quantum of loan required, easy accessibility to the loan and the legal issues involved in foreign loans negotiation, time duration to conclude and disburse external loans, were given precedence in recommending S1.

As a consequence of the borrowings envisaged in the reference debt management-strategy (S1), will provide the need funds at the at the required time with all the major debt management indicators below the internationally acceptable threshold throughout the projected period.

Finally, from the analysis and the result of the DMS-related performance indicators in the baseline (S1) including most adverse shock scenarios (revenue, exchange rate, interest rate and expenditure shocks) the state debt is affordable. It is also resilient to shocks and is sustainable over the medium term (2022-2026), without fiscal adjustment, and the cost –risk profile of the State debt under the reference strategy is acceptable.

ANNEXURES

ANNEXURE I: TABLE OF ASSUMPTIONS

Assumptions:			
Economic activity	State GDP (at current prices)		Debt Management Office, Abuja
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	The projection for Gross Statutory Allocaton by the DMO was adopted for use	Debt Management Office Abuja
	1.a. of which Net Statutory Allocation ('net' means of deductions)		Audited Financial Statements/MTEF
	1.b. of which Deductions	It was assumed that deductions from the Gross Statutory Allocations will steadly increase by 1% annually.	Audited Financial Statements/MTEF
	2. Derivation (if applicable to the State)	Not applicable to Enugu State	
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Other FAAC transfers were assumed to increase by 10% annually	Audited Financial Statements/MTEF
	4. VAT Allocation	The VAT used was as projected and forwarded to the State by the DMO	Debt Management Office Abuja
	5. IGR	IGR was as projected by the State IRS after due consideration of the State programmes to increse IGR	State Internal Revenue Service
	6. Capital Receipts		
	6.a. Grants	Grants were projected having regards that the final SFTAS grant will be received in 2022 and SFTAS has closed.	Audited Financial Statements/MTEF
	6.b. Sales of Government Assets and Privatization Proceeds	Projected on the assuption that Government sells off vehicles to Political office holders at the end of every 4 yrs	Audited Financial Statements/MTEF
	6.c. Other Non-Debt Creating Capital Receipts	The assuption here was that this will steadlyincease by 5% over the projection period.	Audited Financial Statements/MTEF
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel costs were to grow by 3% over the projection period	Audited Financial Statements

	2. Overhead costs	Just like the personnel costs, the overhead cost were assumed to increase by 3% over the projection period	Audited Financial Statements
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Interests projected were intersts payable on existing debt obligations	Audited Financial Statements
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		Audited Financial Statements
	5. Capital Expenditure	Because 2023 is election year, capital expenditure was projected at 5% increase in 2022 and 2023 and thereafter 10% over the projection period.	
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	A que was taken from the historical cash balances to project for the period- 2022 to 2031	Audited Financial Statement/MTEF
Debt Amotization and Interest Payments	**Debt Outstanding at end-2021**		
	External Debt - amortization and interest	As contained in the 2021 Audited Financial Statements	Audited Financial Statements
	Domestic Debt - amortization and interest	As contained in the 2021 Audited Financial Statements	Audited Financial Statements
	New debt issued/contracted from 2022 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	It is assumed that the inerest rate of 1% and the tenor will generate the aamortization schedule	Audited Financial Statements
	External Financing - Bilateral Loans	N/A	
	Other External Financing	N/A	Audited Financial Statements
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	It is assumed that the inerest rate of 20% and the tenor will generate the aamortization schedule	Audited Financial Statements

	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	It is assumed that the inerest rate of 18% and the tenor will generate the aamortization schedule	Audited Financial Statement
	State Bonds (maturity 1 to 5 years)	N/A	Audited Financial Statement
	State Bonds (maturity 6 years or longer)	It is assumed that the inerest rate of 17% and the tenor will generate the aamortization schedule	Audited Financial Statement
	Other Domestic Financing	N/A	Audited Financial Statement
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	From 2022 to 2026, N 34,028.3m, is the total sum projected to come from commercial banks with maturity 1-5 years	Audited Financial Financial Statements/MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	From 2022 to 2026 N10,000.00m, is the total sum projected to come from commercial banks with longer maturity period	Audited Financial Financial Statements/MTEF
	State Bonds (maturity 1 to 5 years)		Audited Financial Financial Statements/MTEF
	State Bonds (maturity 6 years or longer)	From 2022 to 2026 N22,000.00m ,is the total State bonds of longer maturity expected to be issued within the period	Audited Financial Financial Statements/MTEF
	Other Domestic Financing		Audited Financial Financial Statements/MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	From 2022 to 2026 $69.1m, is the aggregate expected draw down from subsidiary loan agreements signed	Audited Financial Financial Statements/MTEF

	External Financing - Bilateral Loans		Audited Financial Financial Statements/MTEF
	Other External Financing		Audited Financial Financial Statements/MTEF
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	From 2022 to 2026, N 13,409.9m, is the total sum projected to come from commercial banks with maturity 1-5 years t 18%	Audited Financial Statements/MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	No plan for this in this strategy	Audited Financial Statements/MTEF
	State Bonds (maturity 1 to 5 years)	No plan for this in this strategy	Audited Financial Statements/MTEF
	State Bonds (maturity 6 years or longer)	No plan for this in this strategy	Audited Financial Statements/MTEF
	Other Domestic Financing	No plan for this in this strategy	Audited Financial Statements/MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	From 2022 to 2026 $130.6m, is the aggregate expected draw down from subsidiary loan agreements signed further borrowing at 1%	Audited Financial Statements/MTEF
	External Financing - Bilateral Loans	No plan for this in this strategy	Audited Financial Statements/MTEF
	Other External Financing	No plan for this in this strategy	Audited Financial Statements/MTEF
Proceeds from Debt-Creating Borrowings	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		

corresponding to Debt Strategy S3	**New Domestic Financing in Million Naira**		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	From 2022 to 2026, N 32,631.6m, is the total sum projected to come from commercial banks with maturity 1-5 years at 18%	Audited Financial Statements/MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	No plan for this in this strategy	Audited Financial Statements/MTEF
	State Bonds (maturity 1 to 5 years)	No plan for this in this strategy	Audited Financial Statements/MTEF
	State Bonds (maturity 6 years or longer)	No plan for this in this strategy	Audited Financial Statements/MTEF
	Other Domestic Financing	No plan for this in this strategy	Audited Financial Statements/MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	No plan for this in this strategy	Audited Financial Statements/MTEF
	External Financing - Bilateral Loans	No plan for this in this strategy	Audited Financial Statements/MTEF
	Other External Financing	No plan for this in this strategy	Audited Financial Statements/MTEF
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	From 2022 to 2026, N 40,793.7m, is the total sum projected to come from commercial banks with maturity 1-5 years at 18%	Audited Financial Statements/MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		Audited Financial Statements/MTEF
	State Bonds (maturity 1 to 5 years)	No plan to for this in this strategy	Audited Financial Statements/MTEF

	State Bonds (maturity 6 years or longer)	From 2022 to 2026 N40,000.00m , is the total State bonds of longer maturity expected to be issued within the period	Audited Financial Statements/MTEF
	Other Domestic Financing	No plan to for this in this strategy	Audited Financial Statements/MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	From 2022 to 2026 $49m, is the aggregate expected draw down from subsidiary loan agreements signed at 1%	Audited Financial Statements/MTEF
	External Financing - Bilateral Loans	No plan to for this in this strategy	Audited Financial Statements/MTEF
	Other External Financing	No plan to for this in this strategy	Audited Financial Statements/MTEF

ANNEXURE II: Historical and Projections of S1-Baseline Scenario

			Actuals					Projections									
	Indicator		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
			BASELINE SCENARIO														
	Economic Indicators																
	State GDP (at current prices)		842,070.00	1,014,235.00	1,135,218.00	1,216,775.00	1,388,921.00	1,600,648.00	1,851,908.00	2,100,539.00	2,381,171.00	2,699,295.00	3,059,921.00	3,468,727.00	3,932,149.00	4,457,484.00	5,053,004.00
	Exchange Rate NGN/US$ (end-Period)		253.19	305.79	306.50	326.00	379.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00
	Fiscal Indicators (Million Naira)																
	Revenue		**96,424.50**	**87,095.60**	**103,136.10**	**101,998.60**	**110,007.00**	**116,486.50**	**123,849.10**	**132,802.70**	**143,061.09**	**156,826.91**	**167,750.83**	**182,957.00**	**194,869.75**	**211,407.82**	**226,389.50**
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)		35,537.40	42,578.20	41,410.00	34,088.00	39,492.90	35,000.00	37,800.00	41,700.00	42,500.00	43,234.00	43,500.00	44,899.00	49,389.00	54,328.00	59,761.00
	1.a. of which Net Statutory Allocation ('net' means of deductions)		32,422.50	39,333.60	37,461.70	30,577.50	34,732.70	30,192.20	32,944.10	36,795.50	37,546.50	38,231.00	38,447.00	39,795.50	44,234.50	49,122.00	55,044.00
	1.b. of which Deductions		3,114.90	3,244.60	3,948.10	3,510.50	4,760.20	4,807.80	4,855.90	4,904.50	4,953.50	5,003.00	5,053.00	5,103.50	5,154.50	5,206.00	5,258.10
	2. Derivation (if applicable to the State)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		2,856.20	2,423.80	2,333.60	3,853.80	4,273.30	4,700.60	5,170.70	5,687.80	6,286.60	6,882.30	7,570.50	8,327.60	9,160.40	10,076.40	11,084.00
	4. VAT Allocation		15,221.40	14,564.50	12,721.00	15,194.40	21,312.30	21,510.00	25,812.00	30,974.00	37,169.00	44,603.00	56,524.00	64,228.00	67,074.00	75,484.00	76,989.00
	5. IGR		22,039.00	21,743.00	31,143.00	23,644.80	26,717.80	29,429.00	31,585.00	34,811.00	35,000.00	35,100.00	35,200.00	35,200.00	35,200.00	35,400.00	34,500.00
	6. Capital Receipts		20,770.50	5,786.10	15,528.70	25,217.60	18,210.70	25,846.90	23,481.40	19,629.90	22,105.49	27,007.61	24,956.33	30,302.40	34,046.35	36,119.42	44,055.50
	6.a. Grants		2,200.00	965.00	1,647.90	8,776.90	2,234.70	12,125.00	3,000.00	3,298.00	2,200.00	2,200.00	2,210.00	2,210.00	2,200.00	2,200.00	2,200.00
	6.b. Sales of Government Assets and Privatization Proceeds		0.00	0.00	9,057.50	0.00	0.00	0.00	500.00	0.00	0.00	0.00	520.00	0.00	0.00	0.00	540.00
	6.c. Other Non-Debt Creating Capital Receipts		0.00	2,487.80	0.00	20.40	67.00	70.40	73.90	77.60	81.50	85.60	89.90	94.40	99.10	104.10	109.30
	6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)		18,570.50	2,333.30	4,823.30	16,420.30	15,909.00	13,651.50	19,907.50	16,254.30	19,823.99	24,722.01	22,136.43	27,998.00	31,747.25	33,815.32	41,206.20
	Expenditure		**88,538.00**	**96,106.80**	**92,473.20**	**116,749.10**	**109,608.70**	**116,385.50**	**124,349.10**	**134,302.70**	**144,561.09**	**154,826.91**	**166,750.83**	**177,957.00**	**193,869.75**	**209,407.82**	**227,389.50**
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)		20,335.70	27,444.10	23,195.00	30,284.00	34,338.40	35,368.60	36,429.70	37,525.60	38,651.40	39,810.90	41,005.20	42,235.40	43,502.50	44,807.60	46,151.80
	2. Overhead costs		16,152.90	18,102.40	23,641.00	25,291.00	28,341.80	29,192.10	30,067.80	30,969.80	31,898.80	32,855.80	33,841.50	34,856.70	35,902.40	36,979.50	38,088.80
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		2,105.00	2,360.60	2,877.20	1,590.20	2,677.00	3,949.00	6,089.30	8,190.40	9,787.33	11,162.65	12,960.47	14,898.39	17,944.39	20,580.59	23,509.24
	3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)		0.00	50.60	92.80	47.80	6.40	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		2,105.00	2,310.00	2,784.40	1,542.40	2,670.60	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)		15,747.30	13,111.40	14,894.50	11,178.20	6,852.40	8,000.00	8,100.00	8,100.00	8,120.00	8,120.00	8,125.00	8,125.00	8,127.00	8,128.00	8,128.00
	5. Capital Expenditure		33,344.10	32,010.10	24,912.00	45,177.30	35,585.60	37,364.80	39,233.00	43,156.30	47,471.90	52,219.10	57,441.00	63,185.10	69,503.60	77,453.90	85,099.30
	6. Amortization (principal) payments		853.00	3,078.20	2,953.50	3,228.40	1,813.50	2,511.00	4,429.30	6,360.60	8,631.66	10,658.46	13,377.66	14,656.41	18,889.86	21,458.23	26,412.36
	Budget Balance (' + ' means surplus, ' - ' means deficit)		**7,886.50**	**-9,011.20**	**10,662.90**	**-14,750.50**	**398.30**	**101.00**	**-500.00**	**-1,500.00**	**-1,500.00**	**2,000.00**	**1,000.00**	**5,000.00**	**1,000.00**	**2,000.00**	**-1,000.00**
	Opening Cash and Bank Balance		**18,213.00**	**26,099.50**	**17,088.30**	**27,751.20**	**13,000.70**	**13,399.00**	**13,500.00**	**13,000.00**	**11,500.00**	**10,000.00**	**12,000.00**	**13,000.00**	**18,000.00**	**19,000.00**	**21,000.00**
	Closing Cash and Bank Balance		**26,099.50**	**17,088.30**	**27,751.20**	**13,000.70**	**13,399.00**	**13,500.00**	**13,000.00**	**11,500.00**	**10,000.00**	**12,000.00**	**13,000.00**	**18,000.00**	**19,000.00**	**21,000.00**	**20,000.00**
	Financing Needs and Sources (Million Naira)																
	Financing Needs							**13,721.90**	**20,481.40**	**16,331.90**	**19,905.49**	**24,807.61**	**22,746.33**	**28,092.40**	**31,846.35**	**33,919.42**	**41,855.50**
	i. Primary balance							-7,160.90	-10,462.80	-3,280.90	-2,986.50	-986.50	4,591.80	6,462.40	5,987.90	10,119.40	7,066.10
	ii. Debt service							6,460.00	10,518.60	14,551.00	18,418.99	21,821.11	26,338.13	29,554.80	36,834.25	42,038.82	49,921.60
	Amortizations							2,511.00	4,429.30	6,360.60	8,631.66	10,658.46	13,377.66	14,656.41	18,889.86	21,458.23	26,412.36
	Interests							3,949.00	6,089.30	8,190.40	9,787.33	11,162.65	12,960.47	14,898.39	17,944.39	20,580.59	23,509.24
	iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)							101.00	-500.00	-1,500.00	-1,500.00	2,000.00	1,000.00	5,000.00	1,000.00	2,000.00	-1,000.00
	Financing Sources							**13,721.90**	**20,481.40**	**16,331.90**	**19,905.49**	**24,807.61**	**22,746.33**	**28,092.40**	**31,846.35**	**33,919.42**	**41,855.50**
	i. Financing Sources Other than Borrowing							70.40	573.90	77.60	81.50	85.60	609.90	94.40	99.10	104.10	649.30
	ii. Gross Borrowings							13,651.50	19,907.50	16,254.30	19,823.99	24,722.01	22,136.43	27,998.00	31,747.25	33,815.32	41,206.20
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)							9,551.50	1,921.50	11,375.30	3,879.00	7,301.00	8,000.00	15,000.00	11,747.20	20,000.00	11,206.20
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)							0.00	0.00	0.00	0.00	10,000.00	2,136.40	12,998.00	0.00	13,815.30	0.00
	State Bonds (maturity 1 to 5 years)							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	State Bonds (maturity 6 years or longer)							0.00	12,000.00	0.00	10,000.00	0.00	12,000.00	0.00	20,000.00	0.00	30,000.00
	Other Domestic Financing							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)							4,100.00	5,986.00	4,879.00	5,945.00	7,421.00	0.00	0.00	0.00	0.00	0.00
	External Financing - Bilateral Loans							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Other External Financing							0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Residual Financing							0.00	0.00	0.00	-0.01	0.01	0.03	0.00	0.05	0.02	0.00
	Debt Stocks and Flows (Million Naira)																
	Debt (stock)		**89,571.85**	**94,261.06**	**98,312.50**	**106,543.80**	**123,307.10**	**138,452.80**	**153,931.00**	**163,824.70**	**175,017.03**	**189,080.58**	**197,839.34**	**211,180.93**	**224,038.32**	**236,395.41**	**251,189.25**
	External		29,825.75	38,529.06	35,676.60	38,663.60	48,966.80	56,580.00	62,074.00	66,461.00	71,914.00	78,843.00	78,351.00	77,859.00	77,367.00	76,875.00	76,383.00
	Domestic		59,746.10	55,732.00	62,635.90	67,880.20	74,340.30	81,872.80	91,857.00	97,363.70	103,103.03	110,237.58	119,488.34	133,321.93	146,671.32	159,520.41	174,806.25
	Gross borrowing (flow)							**13,651.50**	**19,907.50**	**16,254.30**	**19,823.99**	**24,722.01**	**22,136.43**	**27,998.00**	**31,747.25**	**33,815.32**	**41,206.20**
	External							4,100.00	5,986.00	4,879.00	5,945.00	7,421.00	0.00	0.00	0.00	0.00	0.00
	Domestic							9,551.50	13,921.50	11,375.30	13,878.99	17,301.01	22,136.43	27,998.00	31,747.25	33,815.32	41,206.20
	Amortizations (flow)		**696.17**	**9,151.19**	**1,511.15**	**1,854.50**	**2,045.40**	**2,511.00**	**4,429.30**	**6,360.60**	**8,631.66**	**10,658.46**	**13,377.66**	**14,656.41**	**18,889.86**	**21,458.23**	**26,412.36**
	External		227.87	305.79	459.75	326.00	416.90	492.00	492.00	492.00	492.00	492.00	492.00	492.00	492.00	492.00	492.00
	Domestic		468.30	8,845.40	1,051.40	1,528.50	1,628.50	2,019.00	3,937.30	5,868.60	8,139.66	10,166.46	12,885.66	14,164.41	18,397.86	20,966.23	25,920.36
	Interests (flow)		**2,333.37**	**2,706.46**	**3,414.45**	**1,753.10**	**2,675.00**	**3,949.00**	**6,089.30**	**8,190.40**	**9,787.33**	**11,162.65**	**12,960.47**	**14,898.39**	**17,944.39**	**20,580.59**	**23,509.24**
	External		227.87	336.36	337.15	163.00	265.30	328.00	369.00	428.86	477.65	537.10	611.31	611.31	611.31	611.31	611.31
	Domestic		2,105.50	2,370.10	3,077.30	1,590.10	2,409.70	3,621.00	5,720.30	7,761.54	9,309.68	10,625.55	12,349.16	14,287.08	17,333.08	19,969.28	22,897.93
	Net borrowing (gross borrowing minus amortizations)							**11,140.50**	**15,478.20**	**9,893.70**	**11,192.33**	**14,063.55**	**8,758.77**	**13,341.59**	**12,857.39**	**12,357.09**	**14,793.84**
	External							3,608.00	5,494.00	4,387.00	5,453.00	6,929.00	-492.00	-492.00	-492.00	-492.00	-492.00
	Domestic							7,532.50	9,984.20	5,506.70	5,739.33	7,134.55	9,250.77	13,833.59	13,349.39	12,849.09	15,285.84
	Debt and Debt-Service Indicators																
Indicator1_baseline	**Debt Stock as % of SGDP**		**10.64**	**9.29**	**8.66**	**8.76**	**8.88**	**8.65**	**8.31**	**7.80**	**7.35**	**7.00**	**6.47**	**6.09**	**5.70**	**5.30**	**4.97**
Indicator2_baseline	**Debt Stock as % of Revenue (including grants and excluding other capital receipts)**		**115.05**	**114.57**	**110.15**	**124.53**	**131.13**	**134.73**	**148.92**	**140.66**	**142.11**	**143.22**	**136.44**	**136.36**	**137.43**	**133.19**	**136.12**
Indicator3_baseline	**Debt Service as % of SGDP**							**0.40**	**0.57**	**0.69**	**0.77**	**0.81**	**0.86**	**0.85**	**0.94**	**0.94**	**0.99**
Indicator4_baseline	**Debt Service as % of Revenue (including grants and excluding other capital receipts)**							**6.29**	**10.18**	**12.49**	**14.96**	**16.53**	**18.16**	**19.08**	**22.59**	**23.69**	**27.05**
Indicator5_baseline	**Interest as % of SGDP**							**0.25**	**0.33**	**0.39**	**0.41**	**0.41**	**0.42**	**0.43**	**0.46**	**0.46**	**0.47**
Indicator6_baseline	**Interest as % of Revenue (including grants and excluding other capital receipts)**							**3.84**	**5.89**	**7.03**	**7.95**	**8.46**	**8.94**	**9.62**	**11.01**	**11.60**	**12.74**
	Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							**34.42**	**35.24**	**32.22**	**31.38**	**30.16**	**28.28**	**27.27**	**26.68**	**25.25**	**25.01**
	Adverse Shock Scenario is defined by the worst performance indicator measured in year 2026																
	For Debt Stock as % of SGDP the adverse shock is: Expenditure	**Expenditure**															
Indicator1_shock	**Debt Stock as % of SGDP**							**8.65**	**8.93**	**8.95**	**8.98**	**9.05**	**8.87**	**8.81**	**8.69**	**8.53**	**8.40**
	For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	**Revenue**															
Indicator2_shock	**Debt Stock as % of Revenue (including grants and excluding other capital receipts)**							**134.73**	**176.57**	**178.05**	**191.24**	**203.83**	**206.66**	**218.31**	**232.33**	**238.10**	**255.96**
	For Debt Service as % of SGDP the adverse shock is: Expenditure	**Expenditure**															
Indicator3_shock	**Debt Service as % of SGDP**							**0.40**	**0.57**	**0.74**	**0.86**	**0.92**	**1.01**	**1.35**	**1.46**	**1.48**	**1.54**

REFERENCES

1. Enugu State Government audited Financial Statements (2017-2021)

2. Enugu State Government Medium Term Expenditure Framework (2023-2025)

3.DMO/World Bank Developed DSA-DMSTemplate for States

4. Guidance Note for completing State DSA-DMS Template

5. Outline of the State DSA- DMS Report by DMO/World Bank

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