DEBT MANAGEMENT OFFICE
NIGERIA

SFTAS
States Fiscal Transparency, Accountability and Sustainabilty

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

FCT- DSA-DMS REPORT

DEVELOPED BY THE DEBT MANAGEMENT UNIT, FCTA TREASURY DEPARTMENT

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1.0 Introduction

The DSA analyzes trends and patterns in the FCT's public finances during the period 2017-2021, and evaluates the debt sustainability in 2022-2031 (the long-term). The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the FCT. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances.

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

The FCT exhibits a solid debt position that appears sustainable in the long term. A solid debt position results from the State's strong performance in terms of mobilizing IGR—underpinned by the successful tax administration reforms introduced recently (through the establishment of the FCT-Internal Revenue Service), which resulted from improved revenue collection mechanism, institutional reforms in revenue collected by some revenue generating agencies and the administration's drive to improve revenue collection. The cutting down on recurrent expenditures and low level of public debt is also part of the reasons for solid debt position for the FCT.

Given the FCT's own forecasts for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable from the State's strong performance in terms of mobilizing IGR; underpinned by the successful implementation of the FCT-Internal Revenue Service and implementation of the Treasury Single Account policy reforms introduced between 2015 and 2020.

1.2 Summary of Findings

The results of the FCT's S-DSA show that the State's debt portfolio appears to be sustainable in the long term. The FCT has made giant strides in IGR mobilization through the recently introduced FCT Internal Revenue Service (FCT IRS), Treasury single account, the implementation of IPSAS (International Public Sector Accounting Standard), GIFMIS (Government Integrated Financial Management Information System), improved, tax administration and reforms.

Other state developments such as the minimum wage increase has also influenced the fiscal variables for both expenditure and revenues for the FCT.

The FCT's revenue office is now autonomous with more competent personnel to follow through on the FCT's vision with the assistance of up-to-date technology. Given the FCT's forecasts for the economy and reasonable assumptions concerning its revenue and expenditure policies, there is a need to cut down on recurrent expenditure in order to reduce the deficit which can disrupt the forecast by increasing Debt Stock and Debt Service payment astronomically. This has been achieved to a large extent by the introduction of Integrated Payroll and Personnel Information System (IPPIS) and Treasury Single Account (TSA).

2.0 FCT'S STATE FISCAL AND DEBT FRAMEWORK

2.1 Fiscal Reforms In The Last 3 to 5 years.

Some of the fiscal reforms that the FCT has implemented within the last 3 to 5 years include some of the following: The Introduction of the IPPIS (Integrated Payroll and Personnel information system), Zero based budgeting, Treasury single account, the implementation of IPSAS (International Public Sector Accounting Standard), and GIFMIS (Government Integrated Financial Management Information System). Other state developments such as the minimum wage increase has also influenced the fiscal variables for both expenditure and revenues for the FCT.

In reviewing the FCT 2022 Appropriation budget, the FCT administration-maintained Personnel Costs as provided in the appropriation and cut 25% on Overhead Costs and Capital Expenditure of all SDAs.

The FCT 2022 Budget is designed to ensure the realization of the 2022 revenue projections, adopt appropriate counter-cyclical fiscal policies and enhance the efficiency of fiscal incentives.

The Proposed FCT Statutory revenue and Expenditure Budget for the 2023 fiscal year was submitted to the National Assembly on the 11th November, 2022 for deliberation and approval. Hence the exact figures can not be provided as deliberations are still on-going.

Debt Forecast: The FCT intends to significantly increase debt service for its two domestic debts, starting from the 2023 fiscal year. This will ensure continuous and uninterrupted service on the existing domestic debts.
The COVID-19 pandemic also adversely affected the economy of the FCT on the total revenues, capital expenditure and debt service within the year 2022 fiscal year.

2.2 FCT'S Approved 2022 Budget and Medium-Term Expenditure Framework (MTEF), 2022- 2024.

2.2.1 Approved 2022 Budget

The 2022 Budget was prepared following the global challenges and mitigations as a result of the global Coronavirus Pandemic. The aftermath of global economic recession, low oil prices and heightened global economic uncertainty have had important implications for our economy, with trickle effects on subsequent years.

Based on the foregoing fiscal assumptions and parameters, the FCT's State total revenue available to fund the 2022 Budget is estimated at ₦607,952,023,580 billion. This includes Internally Generated Revenue, Statutory Allocation, Value Added Tax, Other Statutory Revenue, Domestic Grants, Foreign Grants, Opening Balance, Domestic Loans, Foreign Loans and Sale of Government Assets, respectively.

An aggregate expenditure of ₦607,952,023,580 billion is proposed by the FCT's Government in 2022, which includes personnel costs of the sum of ₦76,569,904,857 billion, overhead costs of ₦138,199,851,110 billion and Capital expenditure of the sum of ₦393,182,267,614 billion.

2.2.2 Indicative Three-Year Fiscal Framework

The indicative three-year fiscal framework for the period 2022-2024 is presented in the table below.

FCT MEDIUM TERM FISCAL FRAMEWORK

	FCT MTBs	**2022**	**2023**	**2024**	**2025**
A.	**Key Parameters**				
	Oil Price Benchmark (US$/b	62	70	66.0	62.0
	Oil Production (mbpd)	1.88	1.69	1.83	1.83
	Exchange Rate (N/$)	410.10	435.57	435.92	437.57
	inflation (%)	16.11	17.16	16.21	17.21
	GDP Growth Rate (%)	4.2	3.75	3.30	3.46
	Fiscal Indicators (Billion Naira)				
B.	**Revenue**	**607,952.02**	**398,454.77**	**434,087.93**	**464,239.54**
1	Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	57,230.50	68,991.10	65,613.10	70,407.60
1.a.	of which Net Statutory Allocation ('net' means of deductions)	56,645.34	68,372.14	64,909.45	69,710.89
1.b.	of which Deductions	585.16	618.96	703.65	696.71
2	Other FAAC transfers (exchange rate gain, augmentation, others)	26,268.40	18,402.90	23,393.50	28,815.50
3	VAT Allocation	22,620.79	23,051.70	26,094.80	29340.60
4	IGR	231,554.10	199,697.30	237,899.80	271,800.90
5	Capital Receipts	-	88,311.77	81,086.73	63,874.94
6.a.	Grants	-	-	-	
6.b.	Sales of Government Assets and Privatization Proceeds	8,000.00	8,400.00	8,800.00	9,200.00
6.c.	Other Non-Debt Creating Capital Receipts	-	-	-	
6.d.	Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	262,278.23	79,911.77	72,286.73	54,674.94
C.	**Expenditure**	**607,952.02**	**398,454.77**	**434,087.93**	**464,239.54**

1	Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	76,569.90	80,669.90	87,444.30	94,380.40
2	Overhead costs	138,199.58	90,669.90	100,023.10	108,361.80
3	Interest Payment	269.40	37,413.96	40,533.30	43,198.92
4	Capital Expenditure	393,182.27	148,990.15	163,889.16	180,278.07
5.	Amortization (Principal)Payments.	38,418.00	40,541.96	42,198.07	38,020.35
D.	**Budget Balance**				
1.	Budget Balance (' + ' means surplus, ' - ' means deficit)	-	-	-	
E.	**Financing Needs**				
1.	Primary balance				
2.	Debt Service	38,687.40	77,955.92	82,731.37	81,219.24
2.a.	Amortizations	38,418.00	40,541.96	42,198.07	38,020.35
2.b.	Interests	269.40	37,413.96	40,533.30	43,198.92
F.	**Financing Sources**				
1.	Domestic Borrowing				
1.a	State Bonds (Maturity 1-5 years)				
1.b	State Bonds (Maturity 6 years or longer)	153,747.73	24,992.73	26,190.53	23,116.62
1.c	Other Domestic Financing (CBN)	76,873.87	12,496.37	13,095.27	11,558.31
2.	External Borrowing				
2.a.	External Financing (Concessional Loans eg World Bank, ADB)	1,098.80	574.00	0	0
2.b.	External Financing (Bilateral Loans eg China EXIM Bank)	64,370.00	41,848.70	33,000.90	19,946.50

2.2.3 Key Objectives of Approved 2022 Budget

Some of the key objectives of the approved 2022 FCT Budget includes some of the following:

i. To combat the aftermath of COVID on the economic development of the FCT, as well as improve the FCT's health care delivery system;

ii. To sustain and intensify the efforts of independent revenue generation i.e. the FCT's Revenue board;
iii. To improve the FCT's Public Financial Management through the FCT Treasury Department, by entrenching transparency and accountability;
iv. To implement strategic diversification of the FCT's economy using the Public Private Partnership Model (PPP);
v. To sustain the completion of ongoing capital projects in the FCT and satellite towns.
vi. To complete the scheme for lighting up all major roads and neighborhoods in the FCT.
vii. To build 5000 units of affordable housing in the FCT; and
viii. To accelerate the execution of all on-going roads, rails and infrastructure projects, and improving FCT's intermodal transportation system.
ix. To spearhead the implementation of SUKUK projects within the FCT.
x. To work towards the implementation of Green Projects within the FCT.

2.2.4 Medium Term Policy Objectives and Targets

The overall medium-term policy objectives are:

i. To grow the Internally generated Revenue (IGR) by a minimum of 15% every year for the medium term (2022-2025);
ii. To enhance efficiency in personnel and overhead expenditure for greater allocation for capital projects and development and to allow greater resource for capital development;
iii. To prioritize on mitigating the effects of the coronavirus pandemic through provision of healthcare facilities, palliatives, support for rural farmers, agricultural re-engineering and economic rebound initiatives like Micro-Credit loans;
iv. To ensure peace and stability within the FCT, by support to indigenes and residents, by the provision of requisite support to security agencies for crime control and prevention;
v. To harness public, corporate and private/individual grants to boost the FCT's revenue;
vi. To have a long-term target of funding all Recurrent Expenditure with Recurrent Revenue (IGR, VAT and Statutory Allocation); and

vii. To grow the economy through targeted spending in areas of comparative advantage.

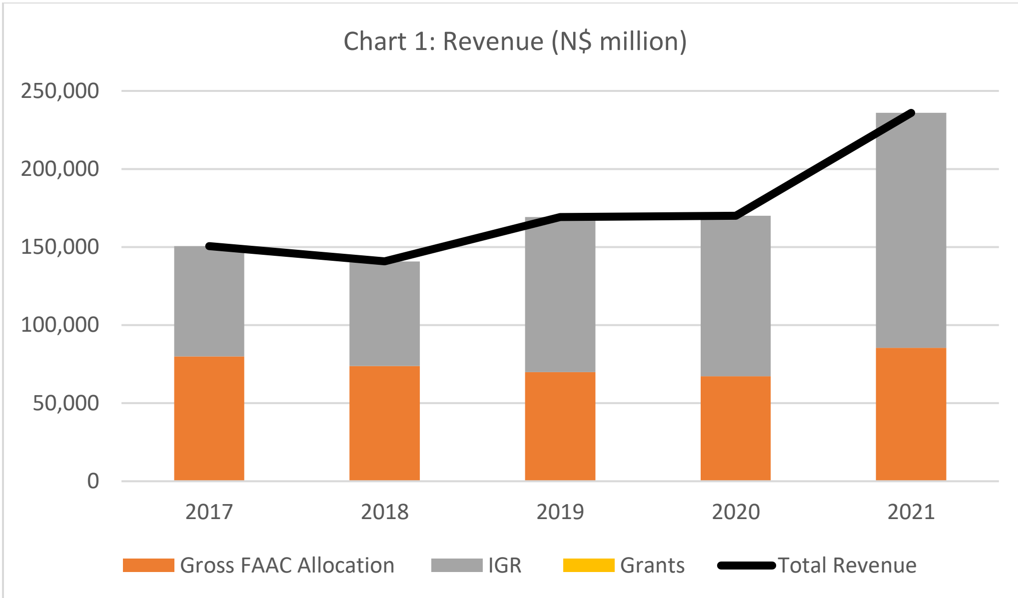
3.0 REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE, 2017-2021

3.1 Revenue

The FCT's Revenue stood at ₦199,734,000,000 billion in the period of 2020 compared to ₦273,365,000,000 billion in 2021, which represents an increase of ₦73,631,000,000 billion. The Revenue has shown improvements from 2017 to 2021, due to the growth increased in the financial resources to the real sector of the economy, and effective implementation of the Economic Policies in the FCT. The Gross FAAC allocation that comprises the Statutory allocation, derivations, VAT allocation, exchange rate gain, augmentation among others increased from ₦5,858,000,000 billion in 2020 to ₦16,987,100,000 billion in 2021, an increase of ₦11,129,100,000.

The FCT's Internally Generated Revenue (IGR) shows a growth during the period under review. The IGR shows a significant growth of 39.38% (₦70,650,630,000 billion in 2017) to 55.07% (₦150,540,500,000 billion in 2021). The improvement in IGR was mainly because of tax administration reforms and a few other reform activities instituted to strengthen the IGR collection. These reforms covered legal, institutional, and operational frameworks, with the FCT-IRS initiative which was introduced in the year 2015 and the collection of PAYE (Pay as you Earn) which has since been collected by the FCT- Internal Revenue Service, and other taxes due to us (e.g., Stamp duty, WHT Enterprise and PIT (Personal Income Tax etc.) contributing to an increase in the GDP and Internal Growth rate of 15.69%, an increase of ₦79,889,870,000.

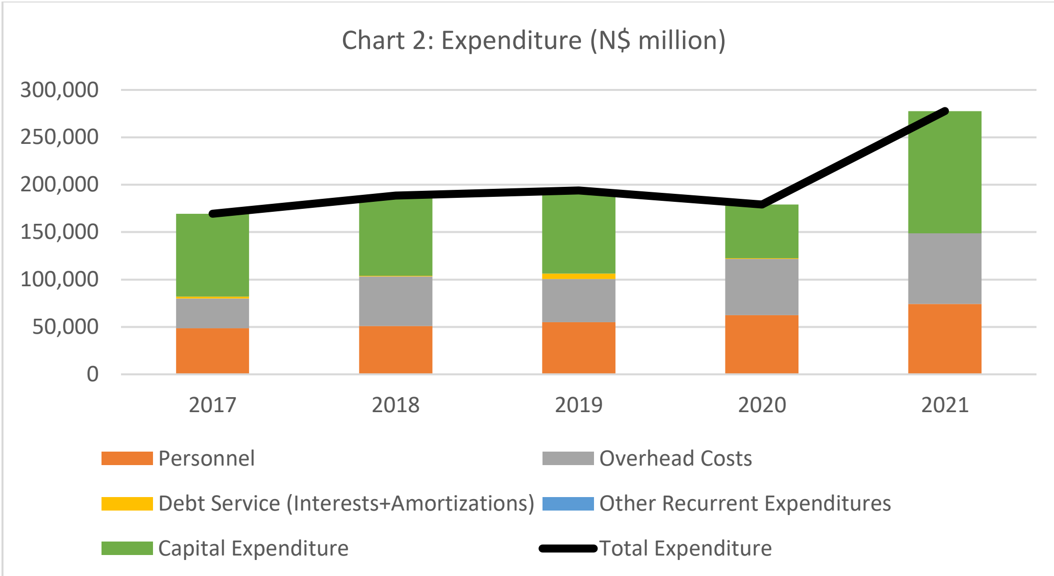
	2017	**2018**	**2019**	**2020**	**2021**
Total Revenue	150,563	140,850	169,191	170,077	235,934
Gross FAAC Allocation	79,912	73,706	69,823	67,251	85,394
IGR	70,651	67,144	99,368	102,826	150,541
Grants	0	0	0	0	0



3.2 Expenditure Performance

The FCT's Total Expenditure includes Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2021 FCT's total expenditure amounted ₦277,733,100,000 billion compared to ₦169,380,500,000 billion as at end of December 2017, which represent a growth of ₦108,352,600,000 billion. The personnel cost stood at ₦48,648,400,000 billion in 2017, ₦50,794,900,000 billion in 2018, ₦54,839,200,000 billion in 2019, ₦62,494,500,000 billion in 2020, and ₦74,139,900,000 billion in 2021, respectively. The overhead cost stood at ₦74,597,400,000 billion in 2021 compared to ₦31,217,700,000 billion in 2017. Capital expenditure amounted to ₦128,995.8 billion in 2021, ₦56,711.2 billion in 2020, ₦87,842.1 billion in 2019, ₦84,872.9 billion in 2018, and ₦87,554.4 billion in 2017, respectively. The Total debt service that comprises the interest payment and principal repayment stood at ₦524.1 billion as at end-December 2020.

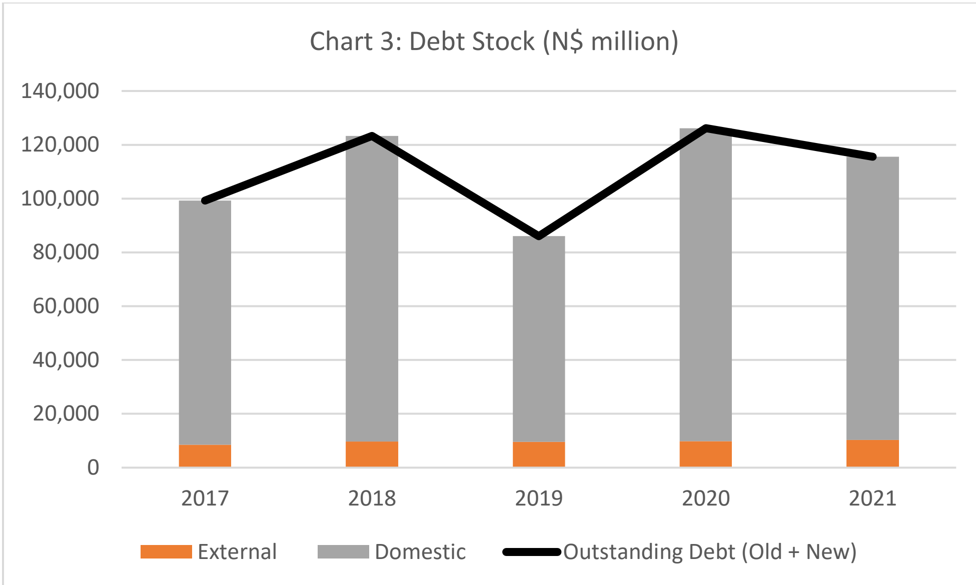
	2017	**2018**	**2019**	**2020**	**2021**
Total Expenditure	169,381	188,696	193,976	179,027	277,733
Personnel	48,648	50,795	54,839	62,495	74,140
Overhead Costs	31,218	52,580	45,733	59,297	74,597
Debt Service (Interests+Amortizations)	1,960	449	5,561	524	0
Other Recurrent Expenditures	0	0	0	0	0
Capital Expenditure	87,554	84,873	87,842	56,711	128,996



3.3 State Debt Portfolio, 2017 - 2021

The FCT's Debt stock amounted to ₦115,555 billion as at end-December 2021 compared to ₦126,181 billion as at end-December 2020, representing a decrease of ₦10,626 billion. The decrease in the Total Debt stock was reflected in only the Domestic Debt components. The external debt stock increased from ₦9,813 billion in 2020 to ₦10,324 billion in 2021 due to exchange rate disparity, while the domestic debt stock significantly decreased from ₦116,369 billion in 2020 to ₦105,231 billion in 2021.

	2017	**2018**	**2019**	**2020**	**2021**
Outstanding Debt (Old + New)	99,260	123,325	86,024	126,181	115,555
External	8,538	9,739	9,569	9,813	10,324
Domestic	90,722	113,586	76,455	116,369	105,231



The total debt stock for the medium term 2017 to 2021 experienced dips and rises for the various years, with a peak period in 2020, at an estimated value of ₦126,181,000,000 for both external and domestic debt stock.

The evolution of the FCT's public debt stock between the year 2017 and 2021 are as follows: the debt stock for the year 2017 and 2021 was estimated at the value of ₦99,260,000,000 in 2017 and ₦115,555,000,000 respectively, thus an increase of ₦16,295,000,000 within the period. This is due to failure of timely repayments of debt stocks, penalty on delayed interest payments of debts and fluctuations in the exchange rate.

The portfolio of the existing debt stock at year end-2021, is as follows:

i. Domestic debt: The domestic stock for year end-2021 is estimated at a value of ₦105,231,000,000 which forms 91.07% of the total debt stock of ₦115,555,000,000.
ii. External Debt: The external stock for the year end-2021 is estimated at a value of ₦10,324,000,000 which forms 8.93% of the total debt stock of ₦115,555,000,000.

Public debt receipts and public debt disbursals are borrowings and repayments during the year, respectively, by the government. For the year end-2021, the FCTA's payments has been with zero (0) interest at the Naira value of the loans, with no roll over from previous years (2017 – 2021). The zero (0) interest repayment is majorly as a result of the TSA Policy which stopped MDAs from transacting with commercial banks, as most interest repayments as agreed in the MOU was to be remitted via commercial banks. The FCT had to agree with the DMO on a lump sum repayment plan.

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

Following the outstanding external and domestic debt stock categories used in the input sheet (World Bank (WB) (including International Development Association (IDA) and IBRD), Government-to-Government Debts and Contractors' Arrears) of the FCT.

i. **Public debt stock amount or share on total Revenue at year-end 2021 and its growth in the last five years.**

The FCT's public debt stock amounted to ₦115,555,000,000 at year end-2021 and has since increased as result of interest rate and penalties on repayment on DMO loans. The public debt stock trend between the period 2017 to 2021 was influenced by some of the following factors: Government Policies (TSA -Treasury Single Account) for the year 2017 and 2018, Debt Servicing Arrears payments, and the Paris Club bailout funds used for debt repayments for the year 2018 and 2019 and penalties on repayments which affected the debt stock.

ii. **The Existing Public Debt Portfolio composition at year end-2021.**

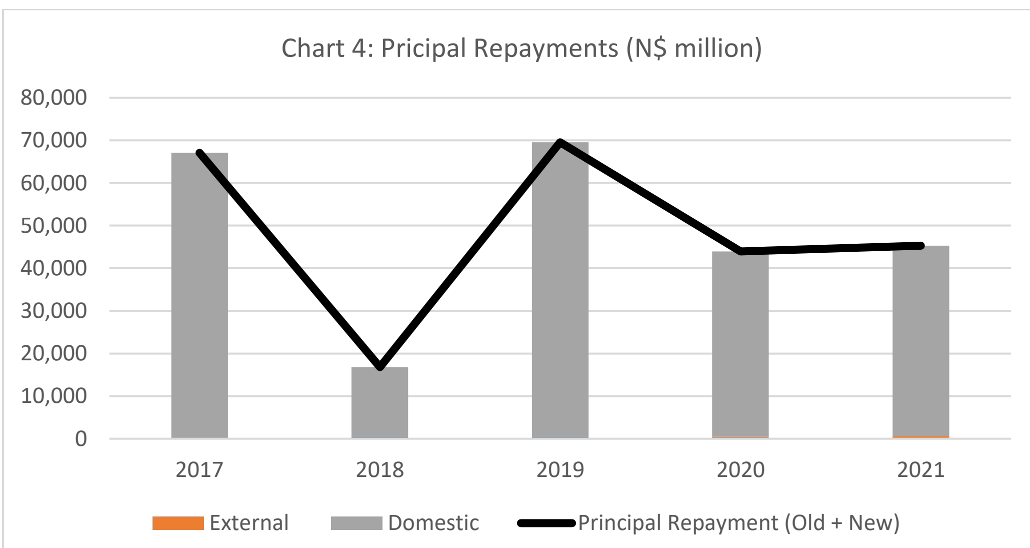
The FCT's debt stock portfolio largely consists of the internal debts, Government-to-Government Debts and Contractors' Arrears, an estimated value of 91.07% of the total debt stock at year end-2021. While the external debts are from the World Bank (WB), an estimated value of 8.93% at year end-2021, deducted at source.

iii. **Cost and risks exposure of the existing public debt portfolio at end-2021.**

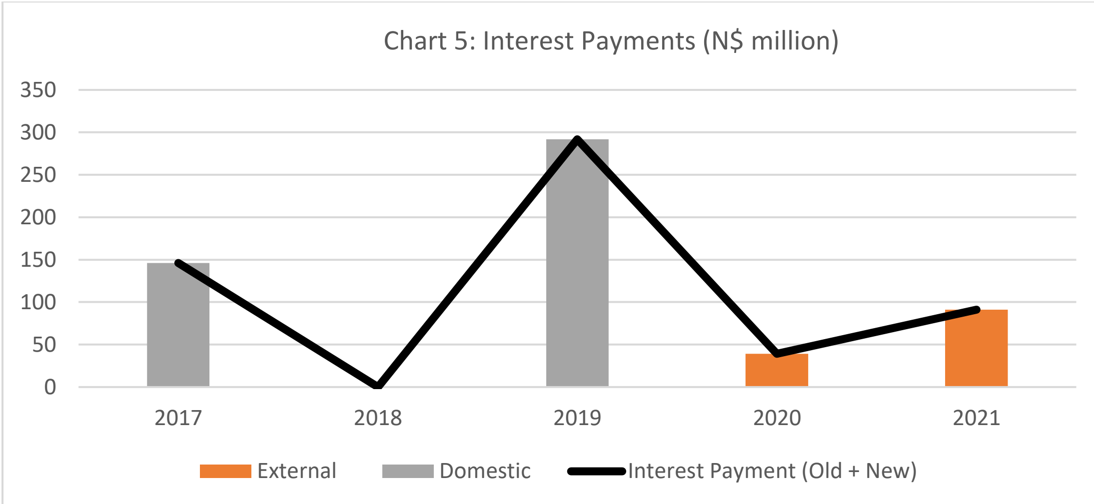
"**The FCT holds a high-cost, high-risk debt portfolio**. The debt portfolio carried an average, implicit interest rate of 15.17 percent in 2019-2020 and the interest. In addition, the debt portfolio is largely exposed to currency, interest rate, rollover risks and penalties on repayment. Exposure to currency fluctuations is limited because the foreign currency-denominated liabilities are only 8.93 percent of the total stock. Most internal loans and all external loans are fixed-rate obligations, thus not affected by changes in interest rates. As these loans have maturities running from 5 to 10 years and include financing from the Federal Government and multilateral organizations, rollover risk associated with potential deterioration of domestic financial conditions is negligible.

The FCT's State Debt Service amounted to ₦99,260,000,000 billion, ₦123,325,000,000 billion, ₦86,024,000,000 billion, ₦126,181,000,000 billion and ₦115,555,000,000 billion for 2017, 2018, 2019, and 2021 respectively. The principal repayment stood at ₦45,296,000,000 in 2021 compared to ₦67,094,000,000 billion in 2017. While the Interest Payment amounted to 91,000,000,000 billion in 2021 compared to 292,000,000,000 billion in 2019. The principal repayments and Interest Payment were made on External Debt for some years and Domestic Debt for other years (see Chart 4 and 5).

	2017	**2018**	**2019**	**2020**	**2021**
Principal Repayment (Old + New)	67,094	16,807	69,556	43,929	45,296
External	385	413	444	482	595
Domestic	66,709	16,394	69,111	43,447	44,701



	2017	**2018**	**2019**	**2020**	**2021**
Interest Payment (Old + New)	146	0	292	39	91
External	0	0	0	39	91
Domestic	146	0	292	0	0



4.0 Debt Sustainability Analysis

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

The FCT's DEBT SUSTAINABILITY ANALYSIS

Chart 21: Debt as a percentage of FCT's GDP (with indicative threshold of 25%). The sustainability position of the FCT's Total debt portfolio in the fiscal block shows a gradual ascending trend from 2017 to 2031, well below a threshold of 5. Even though the ratio has continued to increase steadily over the period under review peaking at a value of 2 percent in 2022 to 2025, it is well within the threshold insinuating room for additional further borrowing under the right circumstances.
Based on this, the FCT's GDP have potentials for growth and can also accommodate the FCT's debt stock, with minimal effect on the FCT's economy.

Chart 22 shows the Debt as a percentage of revenue which are below the threshold to the end of projection period. This means that the sustainability of the debt stock ratio to the revenue of the FCT is not threatened. The Debt Service as percentage of Revenue is mostly below the threshold for the entire projected period.

Chat 24 shows that the Personnel Cost as a percentage of Revenue is at low risk, since the average is 26 for the period 2017 to 2031 is well below the threshold of 60. This means that sustainability for the Personnel Cost ratio to the FCT's Revenue is not threatened. The FCT Government has continued to work towards various reforms, in its drive for revenue generation.

Debt Service as a percentage of Gross FAAC Allocation (without any indicative threshold) estimated to increase from 53 percent in 2021 to 86 percent in 2031, and Interest Payment as a percentage of Revenue revealed that, the maximum exposure of the FCT's Interest towards Revenue is 14 percent in the year 2031 with over-all positive outlook. Looking at the External Debt Service as a percentage of Revenue, the maximum exposure of the State Revenue towards External Debt shows that the External debt of the State was properly managed, peaking at 7 percent in year 2030 and 2031.

4.1 Medium-Term Budget Forecast

Some of the macroeconomic indicators under which the FCT DSA was conducted according to the DMO report for the year 2017, and the April 2020 IMF Press Release for the Emergency Support to Nigeria of $3.4 Billion to address the COVID-19 Pandemic, are as follows: Depreciating exchange rates (slide in Naira and high exchange rates), High cost of production, Power Outages, Oil price shocks, Slowdown in private sector credit growth, Low capital budget Release and Spending, Decline in domestic demand, unrest and suppressing economic activities.

Thus, slowing down growth also influenced by the Non-Oil and Oil sectors. The rise in inflation in 2016 at 15.68% had doubled by 2017 attributed to high-cost transportation induced by the effects of exchange rate, structural challenges, inflation rates, food shortages, security challenges and increased financial regulatory risks, with already existing debts.

FCT's State Debt burden indicators as at end-2022

Indicators	Thresholds	Ratio
Debt as % of GDP	25%	2
Debt as % of Revenue	200%	111
Debt Service as % of Revenue	40%	11
Personnel Cost as % of Revenue	60%	23
Debt Service as % of FAAC Allocation	Nil	36
Interest Payment as % of Revenue	Nil	0.00
External Debt Service as % of Revenue	Nil	0.00

i. **The State's medium-term debt sustainability is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation**. According to the Federal Government and State's own forecasts, the Nigerian economy is expected to gradually recover in the period 2022-2031, with real GDP expanding and domestic inflation decreasing by 2010. Based on these predictions, an effort towards recovery by the FCT in the medium term would include increase in domestic production/activities for IGR, prudent fiscal policies, Improved efforts by the FCT-IRS towards boosting revenue collection, and with more efforts towards wider coverage and collection efficiency, using technology (with the introduction of REMITA Payment platform) to contribute greatly towards the improved revenue generation of the FCT. State Owned Enterprises (SOE) like Abuja Investment Company Limited - AICL, Abuja Enterprise Agency - AEA, Abuja Film Village - AFV etc. also require adjusting operations to become more fiscally responsible, to increase the FCT's Independent Revenue, as reins on fiscal indiscipline among the SOEs would yield higher revenue than projected.

ii. Debt sustainability analysis is predicated on the recent efforts to mobilize revenue generation from increased domestic production that favor responsible fiscal operations, aiding IGR for the FCT. These is expected to continue in the next few years and will benefit from the overall economic recovery. On the other hand, no new policies are anticipated with regard to personnel and overhead costs, which are thus likely to preserve the historical trends.

4.2 Borrowing Options

The FCT's government intends to finance its new borrowing from 2022 to 2031 mainly through State Bonds (maturity 1 to 5 years) estimated at 15.00% interest rate, State Bonds (maturity 6 years or longer) at 15.00% interest rate, Other Domestic Financing (CBN) at 15.5% interest rate. While the financing for External Borrowings from 2022 to 2025 include External Financing - Concessional Loans (e.g., World Bank, African Development Bank) estimated at 5.00% interest rate and External Financing – Bilateral Loans estimated at 2.50% interest rate.

The State Bonds (maturity 1 to 5 years) and State Bonds (maturity 6 years or longer) is based on FCT's data and projections, while Other Domestic Financing is based on data analysis by the CBN's Rate/ FCT's Projection.

On the other hand, the External Financing - Concessional Loans (e.g., World Bank, African Development Bank) is based on the data from the FCT's 2022 budget and data on grants and loans disbursed to the FCT including the World Bank Loan (N-Cares) and the China EXIM Bank Loans. The currency for these borrowing is in the Local Currency, Naira, and US Dollars for Domestic and External borrowings respectively.

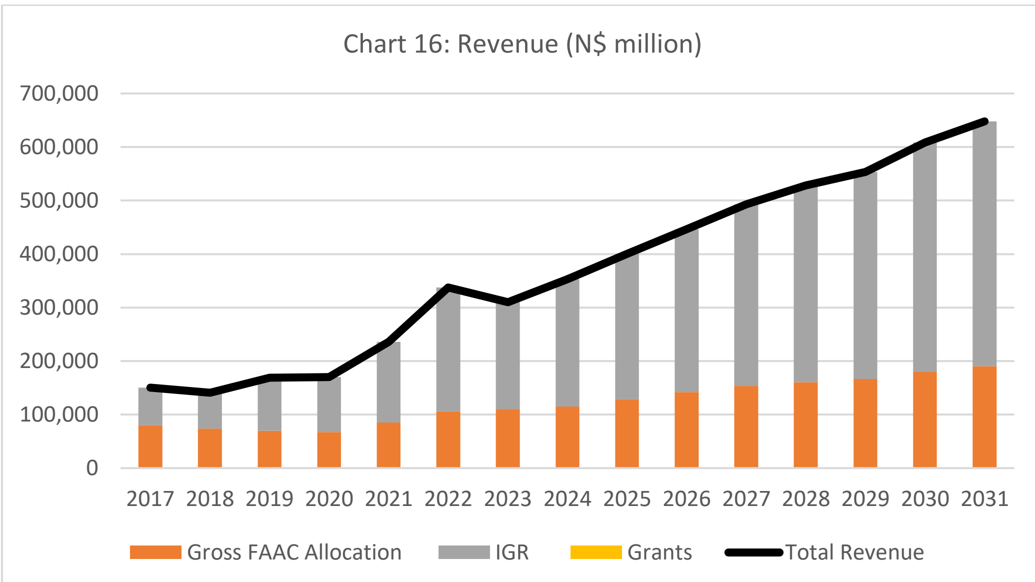
4.3 DSA Simulation Results

Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources i.e. the introduction of Remita etc. Recent shocks underscore the urgent need to significantly diversify and improve government revenues. The medium-term target is to increase the Revenue-to-GDP ratio to 25%. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

FCT's Total Revenue (excluding grants and including other capital receipts) is expected to increase from ₦337,674,000,000 billion in 2022 to ₦647,875,000,000 billion in 2031, representing an increase of ₦310,201,000,000 billion over the projection period. Gross FAAC Allocation is projected to grow from ₦106,120,000,000 billion in 2022 to ₦190,516,000,000 billion in 2031, which is expected to increase by ₦84,396,000,000 billion. The projections were sources from the Approved 2022 Budget; the NBS/ FCT; FGN

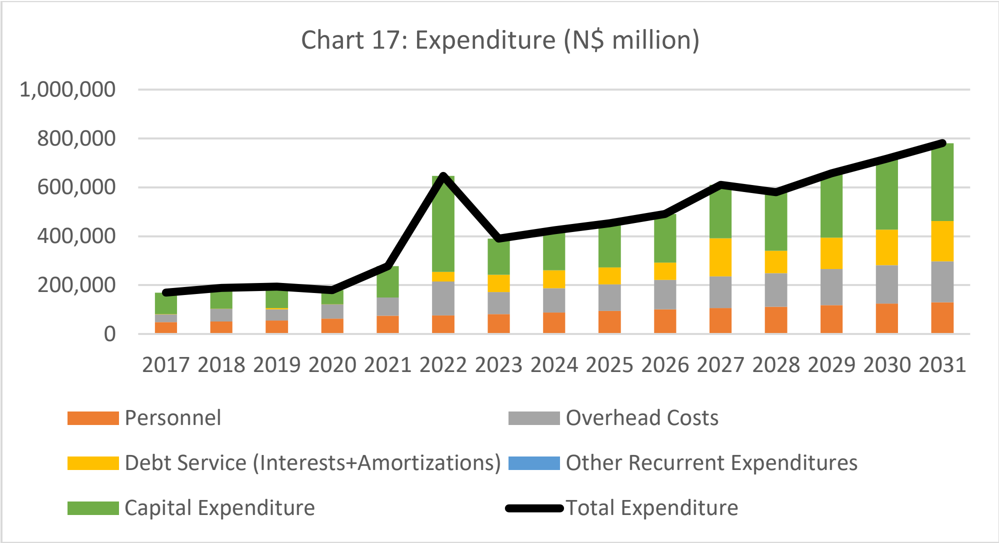
Published Revised MTEF, 2022-2025; 2022-2031 projections as estimated by the FCT Treasury, Budget and Debt Management Unit.

The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of the revenue agencies (the FCT IRS) in the FCT as well as employing appropriate technology (the introduction of Remita).
In addition, efforts to bring more businesses into the informal sector through the tax net. IGR is estimated to grow by ₦225,805,000,000 billion (from ₦231,554,000,000 billion in 2022 to ₦457,359,000,000 billion in 2031), over the projection period of the Approved 2021 Budget; the NBS/ FCT; FGN Published Revised MTEF, 2021-2023; 2024-2030 projections as estimated by the FCT Treasury, Budget and Debt Management Unit.



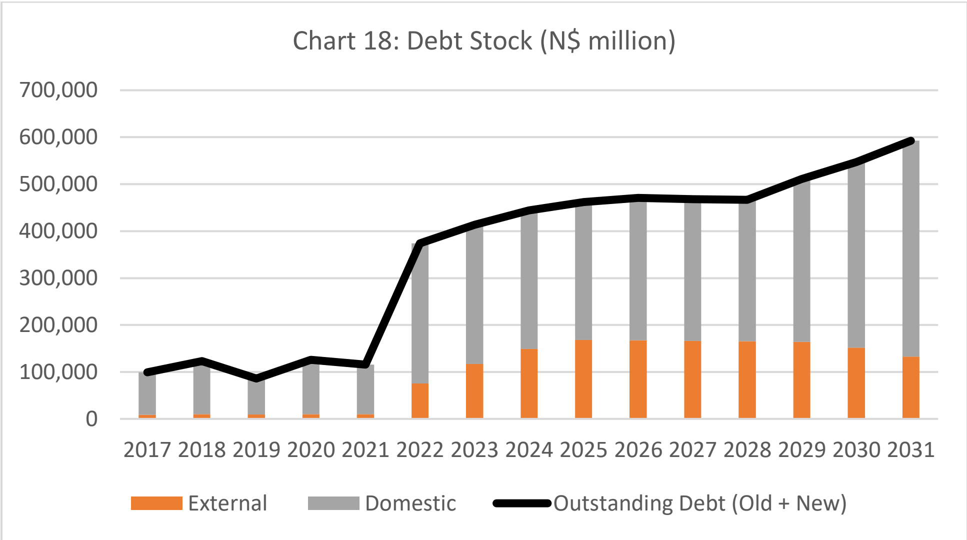
The revenue chart for projected period for the FCT between the year 2017 to 2031 shows a rise in the historical period, as well as the projected years in revenue, except for a decline experienced between 2022 and 2023, a dip from a value of ₦337,674,000,000 to ₦310,143,000,000 and a peak value in the year 2031 at ₦647,875,000,000.

Chart 17: Expenditure (rows 24-40)



The Expenditure chart for projected period for the FCT between the year 2017 to 2031 shows dips and rises in the historical period, as well as some dips and rises in the projected years for expenditure, except for a sharp decline experienced between 2022 and 2023, a rise from a value of ₦646,640,000,000 to a dip value of ₦390,796,000,000 and a peak value in the year 2031 at 781,095,000,000.

Chart 18: Debt Stock (42-59)



The Debt Stock chart shows a steady rise in Debt Stock for the period 2017 to 2031 with the initial value of ₦99,260,000,000 in 2017 to a projected value of ₦592,465,000,000 in the year 2031 (it is expected that the FCT should ideally, have paid off its debt, if no new debts are acquired or new borrowings. Also, the FCT's policies doesn't allow new borrowings without appropriate regulations from the Presidency and National Assembly).

FCT'S Main Findings

Main findings and conclusion of the baseline scenario under the reference debt strategy (S1) in terms of debt sustainability. As a consequence of the modest increase in investment and domestic borrowings, the public debt will decline and the FCT's repayment capacity will rise pari passu (Charts 18). Debt is projected to rise from ₦115,555 billion at the end of 2021 to ₦592,465 billion in 2031. However, relative to the FCT's repayment capacity, the public debt position will improve. As the fiscal deficit stabilizes in nominal terms over the next few years, and the public debt ratio improves, the analysis of the Baseline Scenario under the reference debt strategy (S1) suggests the State will be able to preserve the sustainability of its debt in the medium-term since all indicators are well below the threshold. Revenue, expenditure, and overall primary balance over the long-term.

In the Baseline Scenario under the reference debt strategy (S1), the State preserves debt sustainability. Total revenue (including grants and excluding other capital receipts) is projected to increase from N235,934 billion in 2021 to N647,875 billion by 2031 (Chart 16). Total expenditure will expand from N277,733 billion in 2021 to N781,095billion by 2031 (Chart 17). Therefore, the fiscal deficit computed as the difference between revenue and expenditure is expected to remain within a range of N41,799 to N133,220 billion (+-) in nominal terms.

Conclusion

The FCT DSA result shows that, the FCT remains at the Low Risk of Debt Distress**.** The FCT remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks, indicating that an increase in aggregate output, does not result to a proportionate increase in revenue.

There is, therefore, the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue (FAAC) as well as implement far-reaching policies that will further bolster the IGR for the FCT. This has become critical, given the continued volatility of FAAC allocations.

4.4 DSA Sensitivity Analysis

The FCT's DSA-DMS Template produces projections for debt and debt-service indicators, for the combination of four DMS strategies and six scenarios (i.e., there are 24 scenarios with their corresponding simulations). The key inputs for projecting these variables are the FCT's Government's own forecasts for State GDP, revenues, expenditures, and domestic and external borrowing opportunities for the FCT.

The main features for debt strategy (S1) include the above with S1 Historical and S1 Baseline. For the analysis, SI has listed the S1 Shock Exchange Rate, S1 Shock Revenue and S1 Shock Expenditure with a threshold of 25 for Debt Stock as a share of FCT's Revenue, a threshold of 200 for Debt Stock as a share of Revenue, a threshold of 40 for Debt Service as a share of Revenue and a threshold of 60 for Personnel Cost as a share of Revenue.

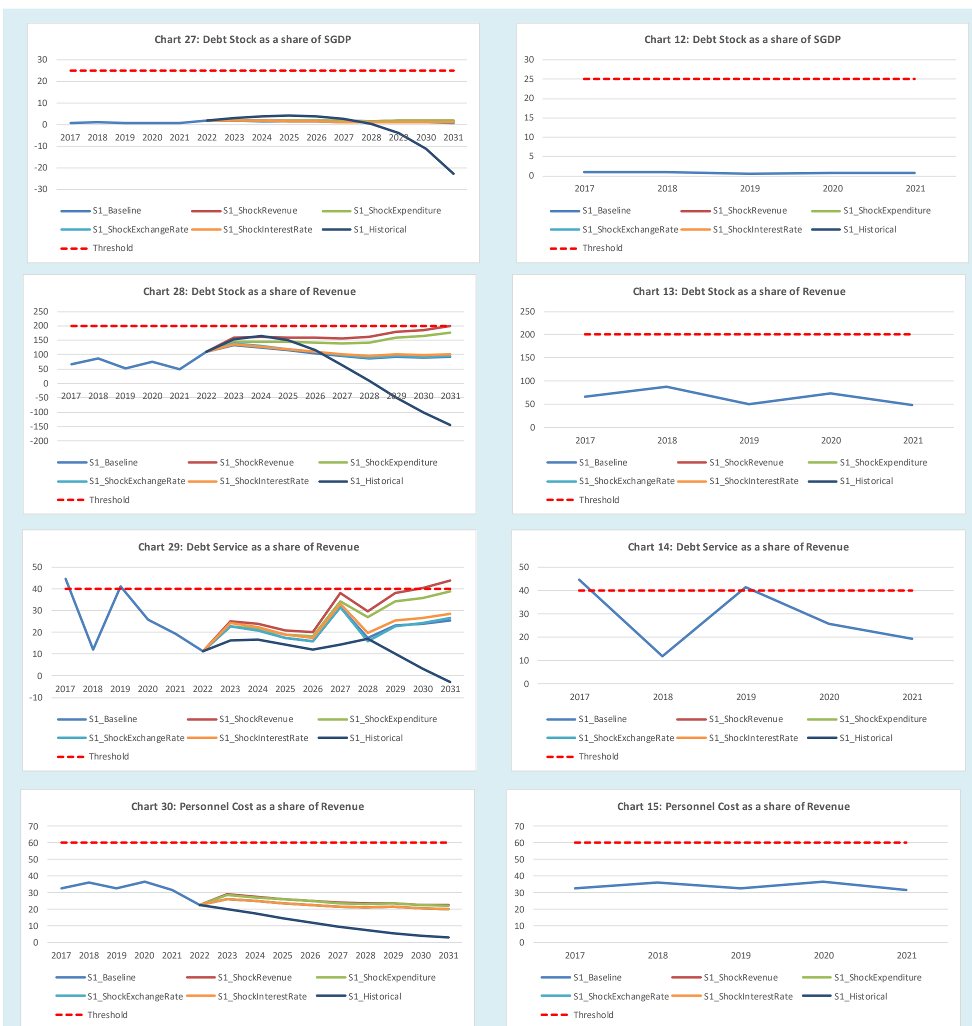
i. It is worthy to mention that a sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the Baseline scenario under the reference debt strategy (S1) for the FCT. Although the borrowing plan by the FCT includes external borrowing, the domestic borrowing covers any revenue shortfalls and additional expenditure relative to the baseline scenario for Debt Stock as a share of the FCT's GDP, Debt Stock as a share of Revenue, Debt Service as a share of Revenue and Personal cost as a share of Revenue.

The Debt Stock as a share of the FCT's GDP in respect to the baseline scenarios and the shocks are as follows: The Shock Exchange Rate and Shock Interest Rate moves along the path of the S1 baseline in 2022 and for the rest of the period, 2031. While the Shock Revenue and shock Expenditure slightly above but along the path of the S1 baseline in 2022 and for the rest of the period, 2031. They all stay well below the threshold of 25, maintaining an average value 2 and below.

The Debt Stock as a share of the Revenue in respect to the baseline scenarios and the shocks are as follows: The Shock Interest Rate and Shock Exchange Rate moves along the path of the S1 baseline in 2022 and for the rest of the period, 2031, while the Shock Revenue and Shock Expenditure deviates above away from the S1 baseline. Sustainability is not threatened for the period (2022 to 2031) as the shocks (Interest and Exchange Rate) remain well below the threshold of 200.

The Debt Service as a share of the Revenue in respect to the baseline scenarios and the shocks are as follows: Only the Shock Exchange Rate and Shock Interest Rate moves along the path of the S1 baseline in 2022 and for the rest of the period, 2030. While the Shock Revenue and Shock Expenditure deviates above and away from the S1 baseline. Sustainability is not threatened for the period (2022 – 2030), as the shocks remain well below the threshold of 40, except in the historical year in 2017 and 2019 when the threshold was slightly crossed.

The Personnel Cost as a share of the Revenue in respect to the baseline scenarios and the shocks are as follows: All Shocks (Shock Exchange Rate, Shock Interest Rate, Shock Revenue and Shock Expenditure) move along the path of the S1 baseline for the entire period (2022 – 2031). Sustainability is not threatened for the entire period as the shocks remain well below the threshold of 60.



5.0 Debt Management Strategy

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

The three debt-management performance indicators utilized to assess the debt-management strategies outcomes: Debt Stock/Revenue (%), Debt Services/Revenue (%), and Interest/Revenue (%) (while others Debt Stock/SGDP (%), Debt Service/GDP (%) and Interest/GDP (%) can be found on the DSA-DMU template).
In terms of the notion for cost and risk, for the DMS, the cost is measured by the expected value of a performance indicator in 2026 (as projected in the baseline scenario), while the risk is measured by the deviation from the expected value in 2026 caused by an un-expected shock (as projected in the most adverse scenario).

5.1 Alternative Borrowing Options

For the FCT administration, S1 and the three alternative DMS (S2, S3 and S4) have the following proposed instruments and policy Objectives that motivate them.

The proposed instruments for borrowing include State bonds (Government to Government borrowings, Sukuk loans) and Other Domestic Financing (CBN Loans). While the FCT external borrowings include the World Bank N-Cares Loan and the China EXIM Bank Loan. Other reasons for adopting these borrowing instruments include, mitigation of risks (currency, interest rate and rollover), to develop domestic debt markets, to fund specific expenses (such as capital investments), to secure liquid assets for cash management.

The Gross Financing needs between 2022 and 2031 will be covered using the following borrowing options:

Strategy 1 (S1) adopts State Bonds (maturity 6 years or longer) and Other Domestic Financing (CBN): The financing accounts on average 15.25 percent with a maturity of 5 to 10 years and 0 (zero) to 5 years grace period for the DMS period of 2022 to 2026.

While the External Financing – Concessional Loans (e.g World Bank, African Development Bank) and External Financing – Bilateral Loans: The financing accounts on average 3.75 percent with a maturity of 13 to 15years and 5 to 7years grace period for the DMS period of 2022 to 2026.

Strategy 2 (S2) adopts the borrowing option of State Bonds (maturity 6 years or longer) where the financing accounts for 15.00 percent, with a maturity of 10 years and zero (0) grace period for the DMS period of 2022 to 2026.

While the External Financing – Concessional Loans (e.g World Bank, African Development Bank) and External Financing – Bilateral Loans: The financing accounts on average 3.75 percent with a maturity of 13 to 15years and 5 to 7years grace period for the DMS period of 2022 to 2026.

Strategy 3 (S3) adopts the borrowing option of Other Domestic Financing (CBN), where the financing accounts for 15.5 percent with a maturity of 5 years and a grace period of 5 years for the DMS period of 2022 to 2026.

While the External Financing – Concessional Loans (e.g World Bank, African Development Bank) and External Financing – Bilateral Loans: The financing accounts on average 3.75 percent with a maturity of 13 to 15years and 5 to 7years grace period for the DMS period of 2022 to 2026.

Strategy 4 (S4) adopts the borrowing option of State Bonds (maturity 1 to 5 years) and Other Domestic Financing (CBN): The financing accounts on average 15.25 percent with a maturity of 5 years and a grace period of 2 to 5 years for the DMS period of 2021 to 2025.

While the External Financing – Concessional Loans (e.g World Bank, African Development Bank) and External Financing – Bilateral Loans: The financing accounts on average 3.75 percent with a maturity of 13 to 15years and 5 to 7years grace period for the DMS period of 2022 to 2026.

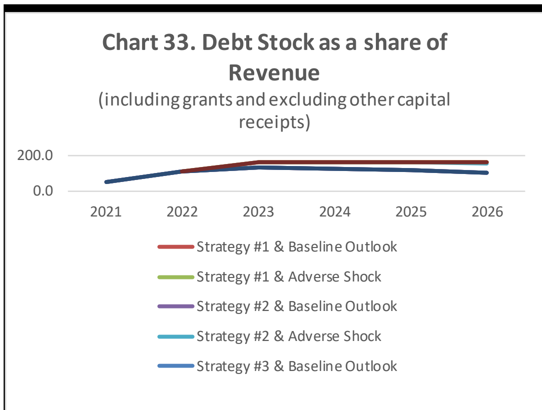
5.2 DMS Simulation Results

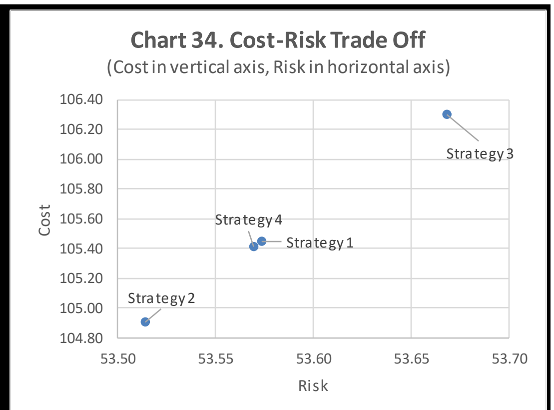
The following are our analysis of the four DMS, focusing on the three performance indicators namely: Debt Stock/ Revenue, Debt Service/ Revenue and Interest Rate/ Revenue.

a) Debt Stock as a Share of Revenue

- Strategy 2 shows the Cost ratio of Debt to Revenue estimated to decrease from 110.8 percent in 2022 to 104.9 percent, which is the lowest as against Strategy 4 (105.4 percent), Strategy 1 (105.4 percent) and Strategy 3 (106.3 percent), over the DMS period of 2026, compared with the Risks measured of Strategy 2 (53.5 percent), Strategy 4 (53.6 percent), Strategy 1 (53.6 percent) and Strategy 3 (53.7 percent), respectively.
- Analysis using this debt indicator of debt to revenue shows that S2 is least costly and riskier which was estimated at 110.8 percent and 53.5 percent compared to Strategy 4 (105.4 percent and 53.6 percent) Strategy 1 (105.4 percent and 53.6 percent), respectively.

  On the other hand, Strategy 3 is the costliest and riskiest strategy which was estimated as 106.3 percent and 53.7 percent, which concentrated on Other Domestic Financing (CBN) and External Financing over the DMS period of 2022-2026.

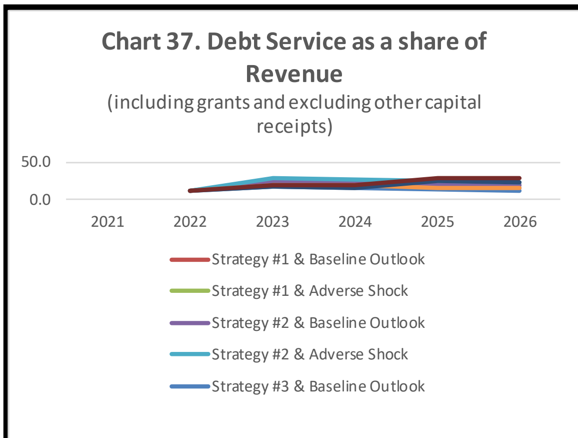


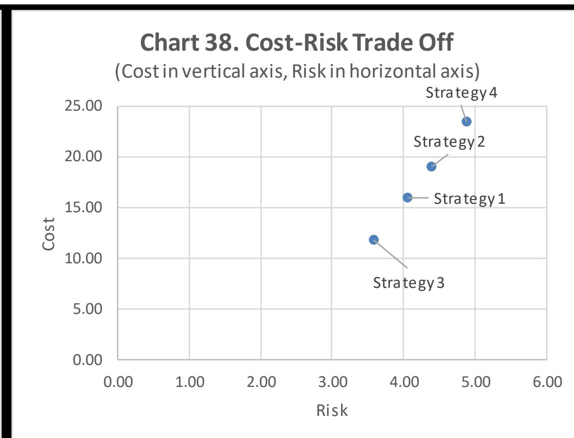


b) Debt Service as a Share of Revenue

- Strategy 3 shows the Cost ratio of Debt to Revenue estimated to increase from 11.5 percent in 2022 to 11.8 percent, as against Strategy 1 (15.9 percent), Strategy 2 (19.0 percent) and Strategy 4 (23.4 percent), over the DMS period of 2022- 2026, compared with the Risks measured of Strategy 3 (3.6 percent), Strategy 1 (4.0 percent), Strategy 2 (4.4 percent) and Strategy 4 (4.9 percent), respectively.

- Analysis using this debt indicator of debt to revenue shows that S3 is least costly and riskier which was estimated at 11.5 percent and 3.6 percent compared to Strategy 1 (15.9 percent and 4.0 percent) Strategy 2 (19.0 percent and 4.4 percent), respectively.
  On the other hand, Strategy 4 is the costliest and riskiest strategy which was estimated as 23.4 percent and 4.9 percent, which concentrated on more State bonds (maturity of 1 to 5 years) borrowings and External Financing over the DMS period of 2022-2026.



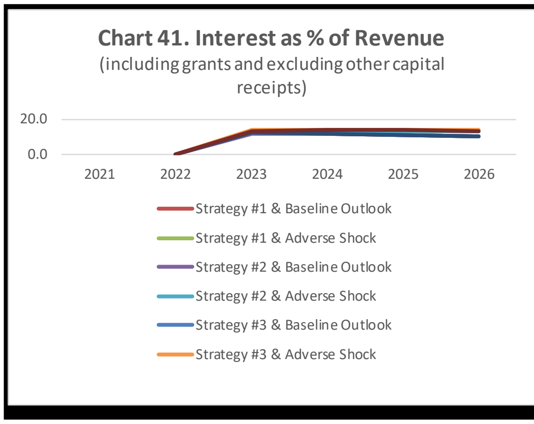


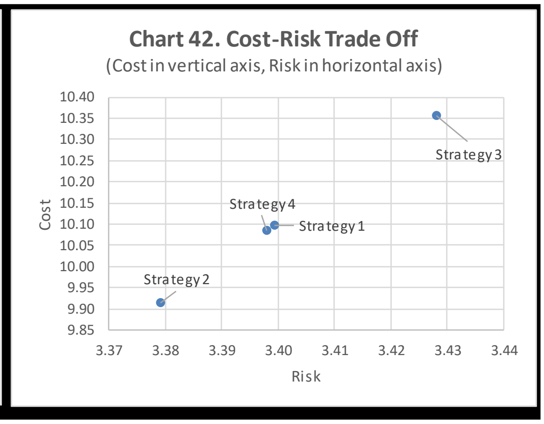
c) Interest Rate as a Share of Revenue

- Strategy 2 is the least costs with regards Interest to Government revenues, which projected to increase from 0.1 percent in 2022 to 9.9 percent and Risks at 3.4 percent, whilst Strategy 3 is the most costly and risky strategy at 10.4 percent and 3.4 percent, compared to Strategy 1 with moderate costs and risks of 10.1 percent and 3.4 percent and Strategy 4 also at the estimated costs and risks of 10.1 percent and 3.4 percent, as at end of the strategic period of 2022 - 2026.

- Analysis using this debt indicator of interest as a percentage of revenue shows that S2 is least costly and riskier which was estimated at 9.9 percent and 3.4 percent compared to Strategy 1 (10.1 percent and 3.4 percent) Strategy 4 (10.1 percent and 3.4 percent), respectively.
  On the other hand, Strategy 3 is the costliest and riskiest strategy which was estimated at 10.4 percent and 3.4 percent, which concentrated on more

State bonds (maturity of 1 to 5 years) borrowings, Other Domestic Financing (CBN) and External Financing over the DMS period of 2022-2026.





5.3 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's result of costs and risks would suggest that the recommended strategy be S2 these results were just marginally better when compared with Strategy S1. ***Strategy 2 was considered as the most feasible of the strategies to implement in the short to medium-term and it would still greatly improve the portfolio's debt position relative to the base year 2022***.

In comparison to the current debt position, FCT's debt portfolio stood at 49 billion as at end-2021, which expected an increase to 104.9 billion under Strategy 2 to the end of the strategic period, compared to Strategy 1 (105.4 billion), Strategy 4 (105.4 billion), and Strategy 3 (106.3 billion). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S2 is selected as the preferred strategy for the 2022-2026.

The Debt Management Strategy, 2022-2026 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of domestic borrowing to finance the 2022 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

Annex I. Table Assumptions

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	Macro Assumptions	NBS/FCT
Revenue	**Revenue**	The assumptions follow a linear Regression Model, Y = a + bX, where X is the explanatory variable and Y is the dependent variable. The slope of the line is b, and a is the intercept (the value of y when x = 0). 1. Linear relationship: There exists a linear relationship between the independent variable, x, (revenue) and the dependent variable, y, (historical years). 2. Independence: The residuals are independent. In particular, there is no correlation between consecutive residuals in time series data. 3. Homoscedasticity: The residuals have constant variance at every level of x. 4. Normality: The residuals of the model are normally distributed.	NBS/FCT
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	FGN MTEF 2021-2023 and extended forecast on oil revenue determinant variables (Prices, productions, Exchange rate e.t.c)	FGN Published Revised MTEF
	1.a. of which Net Statutory Allocation ('net' means of deductions)		
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)	Based on FGN GDP growth forecast 2021	Macro-economic unit
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Based on responsiveness to changes in IGR	Macro-economic unit
	4. VAT Allocation	Weighted moving average rate	
	5. IGR	Based on annual capital investment target	
	6. Capital Receipts		
	6.a. Grants		
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**	The assumptions follow a linear Regression Model, Y = a + bX, where X is the explanatory variable and Y is the dependent variable. The slope of the line is b, and a is the intercept (the value of y when x = 0). 1. Linear relationship: There exists a linear relationship between the independent variable, x, (revenue) and the dependent variable, y, (historical years). 2. Independence: The residuals are independent. In particular, there is no correlation between consecutive residuals in time series data. 3. Homoscedasticity: The residuals have constant variance at every level of x. 4. Normality: The residuals of the model are normally distributed.	NBS/FCT
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Trend analysis	
	2. Overhead costs	Trend analysis	FCTA'S Annual budget performance report
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Trend	FCTA'S Annual budget performance report
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		
	5. Capital Expenditure	Trend based on growth target (increased by 15% of prior year).	FCTA'S Annual budget performance report
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	Trend	FCTA's Annual Financial Report

Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	Trend	FCTA's Annual Financial Report
Debt Amotization and Interest Payments	**Debt Outstanding at end-2021**		
	External Debt - amortization and interest	Based on amortization schedules	Creditor
	Domestic Debt - amortization and interest	Based on amortization schedules	Issuing bank/ DMO Fed/ FCT DMU
	New debt issued/contracted from 2022 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Nil	Nil
	External Financing - Bilateral Loans	Nil	Nil
	Other External Financing	Nil	Nil
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Nil	Nil
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Nil	Nil
	State Bonds (maturity 1 to 5 years)	Borrowing Terms - Interest Rate of 15.00%, Maturity of 5 years and Grace Period of 2 years.	FCT's Projection
	State Bonds (maturity 6 years or longer)	Borrowing Terms - Interest Rate of 15.00%, Maturity of 10 years and Grace Period of 0 years.	FCT's Projection
	Other Domestic Financing (CBN)	Borrowing Terms - Interest Rate of 15.5%, Maturity of 5 years and Grace Period of 5 years.	CBN's Rate/ FCT's Projection
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)	Nil	Nil
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Nil	Nil
	State Bonds (maturity 1 to 5 years)	Nil	Nil
	State Bonds (maturity 6 years or longer)	Borrowing Terms - Interest Rate of 15.00%, Maturity of 10 years and Grace Period of 0 years.	FCT's Projection
	Other Domestic Financing (CBN)	Borrowing Terms - Interest Rate of 15.5%, Maturity of 5 years and Grace Period of 5 years.	CBN's Rate/ FCT's Projection
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Borrowing Terms - Interest Rate of 5.00%, Maturity of 15 years and Grace Period of 5 years.	World Bank Data/ MOU on N-Cares
	External Financing - Bilateral Loans	Borrowing Terms - Interest Rate of 2.50%, Maturity of 13 years and Grace Period of 7 years.	FCT Data and MOU on the China Exim Bank Loan
	Other External Financing	Nil	Nil
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)	Nil	Nil
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Nil	Nil
	State Bonds (maturity 1 to 5 years)	Borrowing Terms - Interest Rate of 15.00%, Maturity of 5 years and Grace Period of 2 years.	FCT's Projection
	State Bonds (maturity 6 years or longer)	Nil	Nil
	Other Domestic Financing (CBN)	Nil	Nil
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Borrowing Terms - Interest Rate of 5.00%, Maturity of 15 years and Grace Period of 5 years.	World Bank Data/ MOU on N-Cares
	External Financing - Bilateral Loans	Borrowing Terms - Interest Rate of 2.50%, Maturity of 13 years and Grace Period of 7 years.	FCT Data and MOU on the China Exim Bank Loan
	Other External Financing	Nil	Nil
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Nil	Nil
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Nil	Nil
	State Bonds (maturity 1 to 5 years)	Nil	Nil
	State Bonds (maturity 6 years or longer)	Nil	Nil
	Other Domestic Financing (CBN)	Borrowing Terms - Interest Rate of 15.5%, Maturity of 5 years and Grace Period of 5 years.	CBN's Rate/ FCT's Projection
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Borrowing Terms - Interest Rate of 5.00%, Maturity of 15 years and Grace Period of 5 years.	World Bank Data/ MOU on N-Cares
	External Financing - Bilateral Loans	Borrowing Terms - Interest Rate of 2.50%, Maturity of 13 years and Grace Period of 7 years.	FCT Data and MOU on the China Exim Bank Loan
	Other External Financing	Nil	Nil
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)	Nil	Nil
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Nil	Nil
	State Bonds (maturity 1 to 5 years)	Borrowing Terms - Interest Rate of 15.00%, Maturity of 5 years and Grace Period of 2 years.	FCT's Projection
	State Bonds (maturity 6 years or longer)	Nil	Nil
	Other Domestic Financing (CBN)	Borrowing Terms - Interest Rate of 15.5%, Maturity of 5 years and Grace Period of 5 years.	CBN's Rate/ FCT's Projection
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Borrowing Terms - Interest Rate of 5.00%, Maturity of 15 years and Grace Period of 5 years.	World Bank Data/ MOU on N-Cares
	External Financing - Bilateral Loans	Borrowing Terms - Interest Rate of 2.50%, Maturity of 13 years and Grace Period of 7 years.	FCT Data and MOU on the China Exim Bank Loan
	Other External Financing	Nil	Nil

Annex II. Historical and projections of the S1_Baseline Scenario

Insert the **table** included in the **S1_Tables sheet which refer to the baseline projections**

	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)	10,627,398.00	11,980,653.00	13,808,179.00	14,753,071.00	16,840,294.00	19,407,418.00	22,453,876.00	25,468,463.00	28,871,050.00	32,728,222.00	37,100,713.00	42,057,368.00	47,676,232.00	54,045,777.00	61,266,293.00
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	**179,385.90**	**165,888.20**	**193,319.60**	**199,734.00**	**273,365.00**	**641,764.20**	**390,795.72**	**424,737.12**	**452,730.46**	**490,715.50**	**609,682.91**	**580,681.00**	**657,553.61**	**717,155.85**	**781,095.44**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	40,240.21	60,345.50	58,436.81	47,679.75	49,398.58	57,230.50	68,991.10	65,613.10	70,407.60	75,711.30	81,361.00	83,285.80	82,235.50	87,662.50	91,950.70
1.a. of which Net Statutory Allocation ('net' means of deductions)	39,780.40	59,896.80	58,000.80	47,155.70	49,398.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions	459.90	448.70	436.00	524.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	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)	30,382.17	2,804.69	97.60	5,857.97	16,987.10	26,268.40	18,402.90	23,393.50	28,815.50	33,739.00	36,841.40	39,379.30	43,710.80	48,600.50	52,218.90
4. VAT Allocation	9,289.52	10,555.48	11,288.90	13,713.20	19,008.02	22,620.79	23,051.70	26,094.80	29,340.60	32,582.80	35,308.60	37,588.90	40,356.30	43,599.10	46,345.90
5. IGR	70,650.63	67,144.03	99,367.90	102,825.89	150,540.50	231,554.10	199,697.30	237,899.80	271,800.90	304,211.40	339,715.80	367,726.90	387,017.30	428,226.10	457,359.10
6. Capital Receipts	28,823.32	25,038.50	24,128.40	29,657.20	37,430.80	304,090.41	80,652.72	71,735.92	52,365.86	44,471.00	116,456.11	52,700.10	104,233.71	109,067.65	133,220.84
6.a. Grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	8,000.00	8,400.00	8,800.00	9,200.00	9,600.00	10,000.00	10,400.00	10,800.00	11,200.00	11,600.00
6.c. Other Non-Debt Creating Capital Receipts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	28,823.32	25,038.50	24,128.40	29,657.20	37,430.80	296,090.41	72,252.72	62,935.92	43,165.86	34,871.00	106,456.11	42,300.10	93,433.71	97,867.65	121,620.84
Expenditure	**169,380.50**	**188,696.30**	**193,975.70**	**179,027.20**	**277,733.10**	**646,639.50**	**390,795.72**	**424,737.12**	**452,730.46**	**490,715.50**	**609,682.91**	**580,681.00**	**657,553.61**	**717,155.85**	**781,095.44**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	48,648.42	50,794.92	54,839.17	62,494.50	74,139.91	76,569.90	80,669.90	87,444.30	94,380.40	100,657.70	106,028.80	111,204.50	118,109.30	124,283.10	130,089.90
2. Overhead costs	31,217.73	52,579.73	45,733.10	59,297.40	74,597.40	138,199.90	90,838.80	100,023.10	108,361.80	120,605.50	129,314.30	137,737.90	147,941.60	157,501.90	167,173.60
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	1,959.90	448.70	5,561.30	524.10	0.00	269.40	37,817.07	41,048.78	43,860.17	45,057.34	47,325.50	47,710.08	78,569.97	83,291.85	88,481.85
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	1,500.00	0.00	5,100.00	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.b. of which Interest deducted from FAAC Allocation	459.90	448.70	461.30	524.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	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
5. Capital Expenditure	87,554.40	84,872.91	87,842.10	56,711.20	128,995.80	393,182.30	148,990.15	163,889.16	180,278.07	198,305.88	218,136.46	239,950.11	263,845.12	290,339.62	319,373.60
6. Amortization (principal) payments	0.00	0.00	0.00	0.00	0.00	38,418.00	32,479.80	32,331.78	25,850.02	26,089.08	108,877.85	44,078.41	49,087.62	61,739.39	75,976.49
Budget Balance (' + ' means surplus, ' - ' means deficit)	**10,005.40**	**-22,808.10**	**-656.10**	**20,706.80**	**-4,368.10**	**-4,875.30**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Opening Cash and Bank Balance	**16,995.40**	**27,000.80**	**4,192.70**	**3,536.60**	**24,243.40**	**19,875.30**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**
Closing Cash and Bank Balance	**27,000.80**	**4,192.70**	**3,536.60**	**24,243.40**	**19,875.30**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**	**15,000.00**

Financing Needs and Sources (Million Naira)

Financing Needs						**304,090.41**	**80,652.72**	**71,735.92**	**52,365.86**	**44,471.00**	**116,456.11**	**52,700.10**	**104,233.71**	**109,067.65**	**133,220.84**
i. Primary balance						-270,278.31	-10,355.85	1,644.64	17,344.33	26,675.42	39,747.24	39,088.39	23,423.88	35,963.58	31,237.50
ii. Debt service						38,687.40	70,296.87	73,380.56	69,710.19	71,146.42	156,203.35	91,788.49	127,657.59	145,031.23	164,458.34
Amortizations						38,418.00	32,479.80	32,331.78	25,850.02	26,089.08	108,877.85	44,078.41	49,087.62	61,739.39	75,976.49
Interests						269.40	37,817.07	41,048.78	43,860.17	45,057.34	47,325.50	47,710.08	78,569.97	83,291.85	88,481.85
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-4,875.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Sources						**304,090.41**	**80,652.72**	**71,735.92**	**52,365.86**	**44,471.00**	**116,456.11**	**52,700.10**	**104,233.71**	**109,067.65**	**133,220.84**
i. Financing Sources Other than Borrowing						8,000.00	8,400.00	8,800.00	9,200.00	9,600.00	10,000.00	10,400.00	10,800.00	11,200.00	11,600.00
ii. Gross Borrowings						296,090.41	72,252.72	62,935.92	43,165.86	34,871.00	106,456.11	42,300.10	93,433.71	97,867.65	121,620.84
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						150,000.00	19,447.80	16,245.40	12,759.60	22,350.60	55,303.70	17,217.10	51,046.90	52,616.80	69,553.20
Other Domestic Financing (CBN)						80,621.60	10,382.23	13,689.57	10,459.77	12,520.43	51,152.37	25,083.03	42,386.83	45,250.90	52,067.57
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						1,098.80	574.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Bilateral Loans						64,370.00	41,848.70	33,000.90	19,946.50	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.01	-0.01	0.05	-0.01	-0.03	0.04	-0.03	-0.02	-0.05	0.07

Debt Stocks and Flows (Million Naira)

Debt (stock)	**99,259.96**	**123,324.89**	**86,023.83**	**126,181.30**	**115,554.66**	**374,071.51**	**413,844.43**	**444,448.57**	**461,764.41**	**470,546.34**	**468,124.60**	**466,346.29**	**510,692.38**	**546,820.65**	**592,464.99**
External	8,537.56	9,739.29	9,568.93	9,812.60	10,323.96	75,768.00	117,317.40	149,338.40	168,305.00	167,325.10	166,345.20	165,226.72	164,022.14	151,937.53	132,878.13
Domestic	90,722.40	113,585.60	76,454.90	116,368.70	105,230.70	298,303.51	296,527.03	295,110.17	293,459.41	303,221.24	301,779.40	301,119.57	346,670.24	394,883.12	459,586.86
Gross borrowing (flow)						**296,090.41**	**72,252.72**	**62,935.92**	**43,165.86**	**34,871.00**	**106,456.11**	**42,300.10**	**93,433.71**	**97,867.65**	**121,620.84**
External						65,468.80	42,422.70	33,000.90	19,946.50	0.00	0.00	0.00	0.00	0.00	0.00
Domestic						230,621.61	29,830.02	29,935.02	23,219.36	34,871.00	106,456.11	42,300.10	93,433.71	97,867.65	121,620.84
Amortizations (flow)	**67,094.25**	**16,806.91**	**69,555.63**	**43,929.38**	**45,296.20**	**38,418.00**	**32,479.80**	**32,331.78**	**25,850.02**	**26,089.08**	**108,877.85**	**44,078.41**	**49,087.62**	**61,739.39**	**75,976.49**
External	384.85	412.81	444.43	482.48	595.03	869.20	873.30	979.90	979.90	979.90	979.90	1,118.48	1,204.58	12,084.61	19,059.40
Domestic	66,709.40	16,394.10	69,111.20	43,446.90	44,701.17	37,548.80	31,606.50	31,351.88	24,870.12	25,109.18	107,897.95	42,959.93	47,883.04	49,654.77	56,917.09
Interests (flow)	**146.10**	**0.00**	**291.80**	**39.12**	**90.96**	**269.40**	**37,817.07**	**41,048.78**	**43,860.17**	**45,057.34**	**47,325.50**	**47,710.08**	**78,569.97**	**83,291.85**	**88,481.85**
External	0.00	0.00	0.00	39.12	90.96	114.80	1,783.09	2,858.01	3,674.83	4,165.29	4,157.09	4,148.89	34,311.20	31,354.93	28,454.36
Domestic	146.10	0.00	291.80	0.00	0.00	154.60	36,033.98	38,190.77	40,185.34	40,892.05	43,168.41	43,561.19	44,258.77	51,936.91	60,027.49
Net borrowing (gross borrowing minus amortizations)						**257,672.41**	**39,772.92**	**30,604.14**	**17,315.84**	**8,781.92**	**-2,421.74**	**-1,778.31**	**44,346.09**	**36,128.27**	**45,644.35**
External						64,599.60	41,549.40	32,021.00	18,966.60	-979.90	-979.90	-1,118.48	-1,204.58	-12,084.61	-19,059.40
Domestic						193,072.81	-1,776.48	-1,416.86	-1,650.76	9,761.82	-1,441.84	-659.83	45,550.67	48,212.88	64,703.75

Debt and Debt-Service Indicators

Debt Stock as % of SGDP	0.93	1.03	0.62	0.86	0.69	1.93	1.84	1.75	1.60	1.44	1.26	1.11	1.07	1.01	0.97
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	65.93	87.56	50.84	74.19	48.98	110.78	133.44	125.91	115.34	105.45	94.91	88.33	92.30	89.92	91.45
Debt Service as % of SGDP						0.20	0.31	0.29	0.24	0.22	0.42	0.22	0.27	0.27	0.27
Debt Service as % of Revenue (including grants and excluding other capital receipts)						11.46	22.67	20.79	17.41	15.94	31.67	17.38	23.07	23.85	25.38
Interest as % of SGDP						0.00	0.17	0.16	0.15	0.14	0.13	0.11	0.16	0.15	0.14
Interest as % of Revenue (including grants and excluding other capital receipts)						0.08	12.19	11.63	10.96	10.10	9.60	9.04	14.20	13.70	13.66
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						22.68	26.01	24.77	23.57	22.56	21.50	21.06	21.35	20.44	20.08

Adverse Shock Scenario is defined by the worst performance indicator measured in year 2026

For Debt Stock as % of SGDP the adverse shock is: Historical										
Debt Stock as % of SGDP	1.93	3.06	3.87	4.24	3.99	2.86	0.44	-3.85	-11.07	-22.85
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue										
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	110.78	159.37	161.55	159.88	159.02	157.47	161.73	179.19	186.34	200.33
For Debt Service as % of SGDP the adverse shock is: Historical										
Debt Service as % of SGDP	0.20	0.32	0.38	0.40	0.41	0.63	1.00	0.82	0.35	-0.47
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue										
Debt Service as % of Revenue (including grants and excluding other capital receipts)	11.46	25.18	23.88	20.87	19.99	38.22	29.73	38.08	40.40	43.92
For Interest as % of SGDP the adverse shock is: Historical										
Interest as % of SGDP	0.00	0.17	0.25	0.31	0.33	0.31	0.23	0.13	-0.19	-0.71
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue										
Interest as % of Revenue (including grants and excluding other capital receipts)	0.08	13.55	13.70	13.70	13.50	13.69	13.93	20.63	20.80	21.66

Zanna A. Hamza

Director, FCT Treasury.

List of Participants

1) Ekwueme Obiora J.	**Assistant Director, FCT Debt Mgt. Unit, Treasury**
2) Haruna Danjuma M.	**Revenue, Treasury**
3) Yusuf A. Taiwo	**FCT DMU, Treasury**
4) Opeolu E. Adeyemi	**FCT DMU, Treasury**