

**2020**

**REPORT OF THE**

**EBONYISTATE DEBT SUSTAINABILITY ANALYSIS**

**(S-DSA)**

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background**

##### **- Policy Objective**

Ebonyi State Debt Sustainability Analysis analyzes the trend and pattern in the State's public finances during the period 2015-2019. It evaluates the long term debt sustainability of the State between 2020 and 2029 and shows the recent trend in revenue, expenditure, and public debt with related policies adopted by the State.

- **Methodology**

The S-DSA was conducted between the 2<sup>nd</sup> and 4<sup>th</sup> of December, 2020, using the S-DSA tool kit provided by the Debt Management Office, Abuja.

Historic data of revenue, expenditure and public debt were obtained and analyzed from 2015 to 2019 and projections for the years 2020 to 2029 were obtained from this analysis using the appropriate assumptions. This analysis was carried out by a team consisting of officials from the Debt Management Department, Accountant General's office, Accounts Production, Budget and Planning and Internal Revenue of the State.

## 1.2 Summary of Findings

- i. The Gross Revenue of the State grew by 40.52% between 2015 and 2019; from ₦58.09 billion to ₦81.629 billion, and even though there was a drop in the years 2016 and 2018 when compared with years respectively preceding them, there was a general growth in Revenue trend.
- ii. As a result of the huge infrastructural development seen in Ebonyi State since the year 2015, the expenditure of the state grew to 81.92% as at 2019; it grew from ₦40.824 billion in 2015 to ₦74.266 billion in 2019. Expenditure outlook from the projection table show that the State Expenditure is expected to grow higher in the year 2020 to ₦135.008 billion, reaching a peak value of ₦140.707 billion in 2025 before declining to ₦131.955 billion in 2029.
- iii. The debt trend therefore shows that the long-term outlook (2020-2029) for the public debt appears sustainable for the State. As the State Internally Generated Revenue (IGR) grew from ₦3.599 billion in 2015 to ₦10.595 billion in 2019, it is projected that in 2029, the IGR of the State should be ₦39.582 billion this thereby creates solid debt position results from the State's performance in terms of mobilizing IGR as a result of a good tax administration reforms of the State Government, its control of recurrent expenditure growth and its low level of public debt. Given the State's own forecasts for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable.

## 1.3 Overall Results

- Current debt position in terms of debt sustainability
- Suggest whether the long-term outlook (2020-2029) for debt trend appears sustainable
- Recommendations

## CHAPTER TWO

### EBONYI STATE FISCAL AND DEBT FRAMEWORK

#### 2.1 Fiscal Reforms - Revenue and Expenditure in the last 3-5 years

The past 3-5 years have been important in the fiscal reform history of Ebonyi State. The fiscal reform is most evident in the way and manner the State's annual budgetary projections are made. Recent experience shows that the State Government is currently operating near-realistic budgeting contrary to what was previously obtainable.

In 2017, the State Government estimated total expenditures of ₦176.178 billion for the year. In the budget, total expected revenues were equal to total expected expenditures. However, out of this ₦176.178 billion, only the sum of ₦78.041 billion was realized as revenue, while only the sum of ₦71.281 billion was spent within the fiscal year. This leads to closing balance of ₦6.761 billion.

It is therefore rational to expect that the State's budget size for the next fiscal year will reduce from what it was in 2017. However, the 2018 budget size increased from ₦176.178 billion to ₦208.332 billion. Within the same year, actual revenues stood at ₦81.333 billion, while actual expenditures stood at ₦76.598 billion, thereby leading to surplus closing balance of ₦4.735 billion.

The relatively low performance of the budget in the two immediate past years led to a slight reduction in the budget size as at 2019 to the sum of ₦188.402 billion. Actual revenue in 2019 slightly reduced to ₦79.395 billion, while actual expenditures stood at ₦70.020 billion, and a surplus closing balance of ₦9.374 billion.

In all, the recent years have taught the State Government to make realistic revenue projections so as to have sufficient funds to implement the expenditure components of the budget. The State has also made significant efforts to increase internal revenues through various sorts of reforms that are targeted at increasing the tax base instead of the rates.

## **2.2 2020 Budget and MTEF, 2021- 2023.**

The 2020 budget of Ebonyi State followed the same downward trend as that of 2019 fiscal year. Initially starting off at an approved value of ₦178.137 billion, the 2020 budget of the State was further revised downwards to ₦132.002 billion as a result of COVID-19 health and economic effects. At the point of the revision, the State has become fully conscious of the need to make the revenue and expenditure projections to be as realistic as possible.

The State has not prepared a Medium Term Expenditure Framework (MTEF) for the period of 2021-2023). However, the 2021 budget of the State is at the point of being approved by the State House of Assembly. This budget has a total budget size of ₦122.852 billion. Just like the 2019 and 2020 budgets of the State, the 2021 budget size represents 6.93% reduction from the budget size of 2020 revised budget. In the 2021 budget of the State, total revenue is estimated at ₦118.852 billion, while the fiscal deficit of ₦4 billion will be financed through internal loans.

In 2022 and 2023, it is expected that the budget size will slightly increase in each of the two years. The slight increase is estimated at 5 percent increase from its previous year's value. This means, the total budget size of the State in 2022 and 2023 is expected to stand at ₦128.995 billion and ₦135.444 billion respectively. Importantly, the slight increases are not expected to exert any pressure on fiscal deficit which may lead to deficit financing through loans. The reason for this is that there are some public financial management reforms (including IGR reforms) that are expected to have started yielding fruits to the State in 2022 and 2023. That way, there may not be need to borrow even in the fact of increase in budget size of the State.

## **CHAPTER THREE**

### **REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE, 2015-2019**

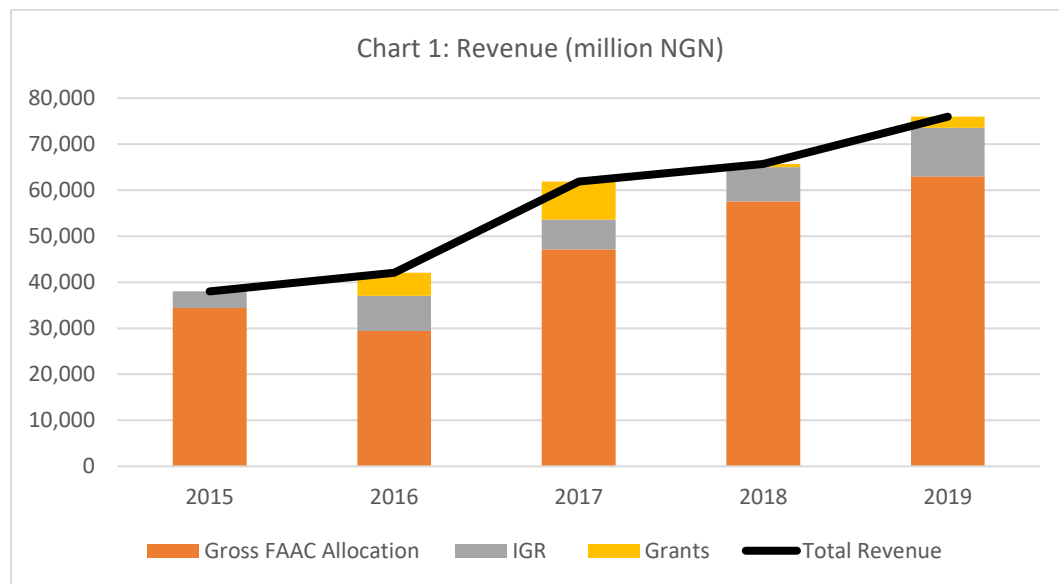
#### **3.1 Revenue, Expenditure and Fiscal Performance, 2015 – 2019**

The fiscal performance of any society (national or subnational) is usually assessed by the interrelationship between its revenue base and its spending capacities. In a balanced fiscal performance, all the realized revenues are usually spent on items important in the development efforts of the society. In a deficit fiscal performance, expenditures usually exceed revenues, in which cases, borrowing come handy to fill the fiscal gap. On the other hand, a surplus fiscal performance entails having more revenues than the entity will want to spend, in which case, whatever is not spent is saved as closing balance. The fiscal performance of Ebonyi State Government has mostly followed the second scenario of deficit fiscal performance. This is discussed in details under the subsections below:

##### **3.1.1 Revenue Performance**

The recent trend of performances of Ebonyi State revenues is as presented in figure 1 below:

### Revenue



As shown in figure 1 above, the total revenue of Ebonyi State has maintained an upward trend throughout the review period (i.e. 2015 – 2019). However, the rate of increase in total revenues of the State differs from year to year. In some years (like 2016 and 2018), the rate of increase was only marginal, while in some other years (like 2017 and 2019), the rate of increase was very significant.

On the other hand, Gross FAAC allocations almost maintained upward trend throughout the review period except in 2016, when it declined. In each of the other years where there were upward movements in Gross FAAC allocations, the rates of increase were also very significant.



Internally generated revenues of the State equally have similar trend as that of FAAC allocation, with an exception occurring in 2017 fiscal year. Like Gross FAAC allocations, increases in IGR were statistically significant in those years when it increased.

### 3.1.2 Expenditure Performance

Recent expenditure performance of Ebonyi State Government is as presented in figure 2 below:

#### Expenditure

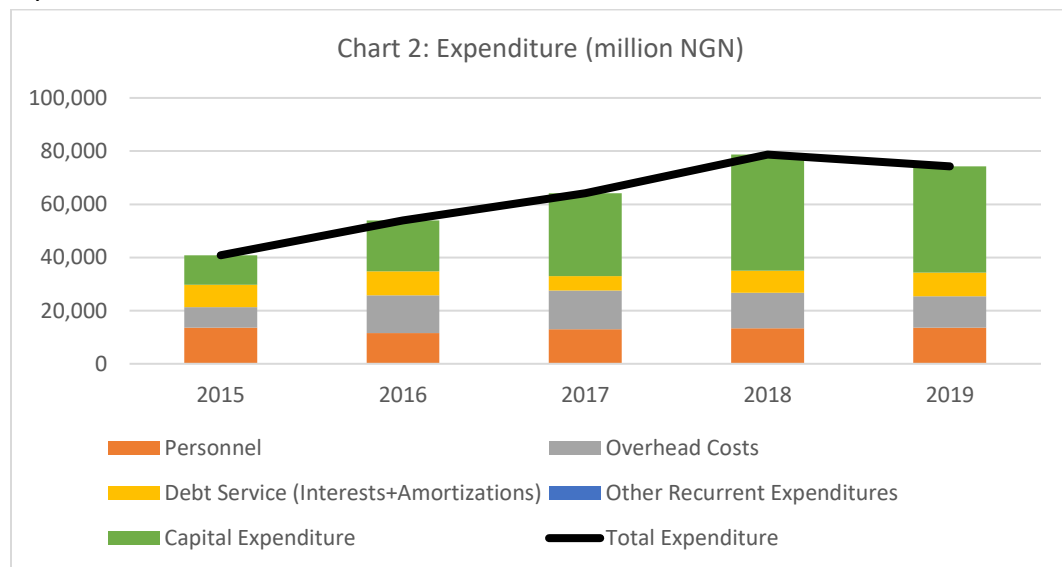


Figure 2 above shows that total expenditures increased throughout the review period, except in 2019 when it fell below the level of 2018. Similarly, capital expenditure increased steadily throughout the review period except in the same 2019 when it fell slightly below the 2018 value.

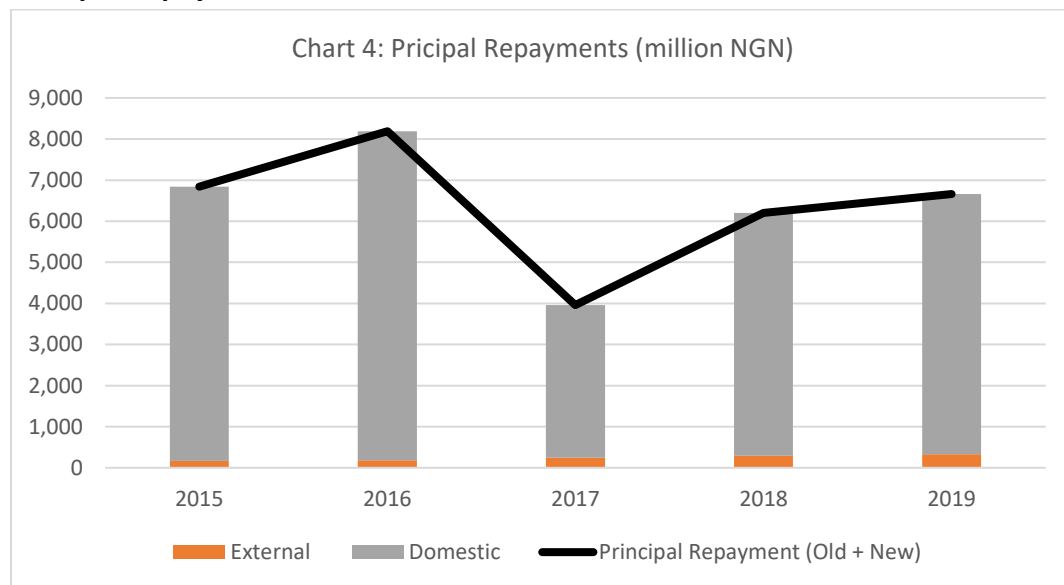
The State Government’s Personnel cost has remained almost stagnant throughout the review period. The value in 2019 is even slightly lower than the value as at 2015. On the other hand, the State Government’s Overhead cost slightly maintained an upward trend between 2016 and 2017 before following a downward trend afterwards. It is important to point out that the State has

drastically reduced the cost of governance by ensuring a decline or stable or downward movement of the State Government's personnel and overhead costs.

### 3.1.3 Fiscal Outturns

The suitability and sustainability of any society's fiscal operations largely depend on the amount of money it uses in servicing debts. Sometimes, principal repayment is not considered a problem as they may just constitute a minute proportion of total expenditure of the society. However, when some due interests are capitalized, principal may increase, thereby mounting pressure on principal repayment. This subsection therefore presents Ebonyi State Government's recent experiences in repayment of principals.

#### ***Principal Repayment***

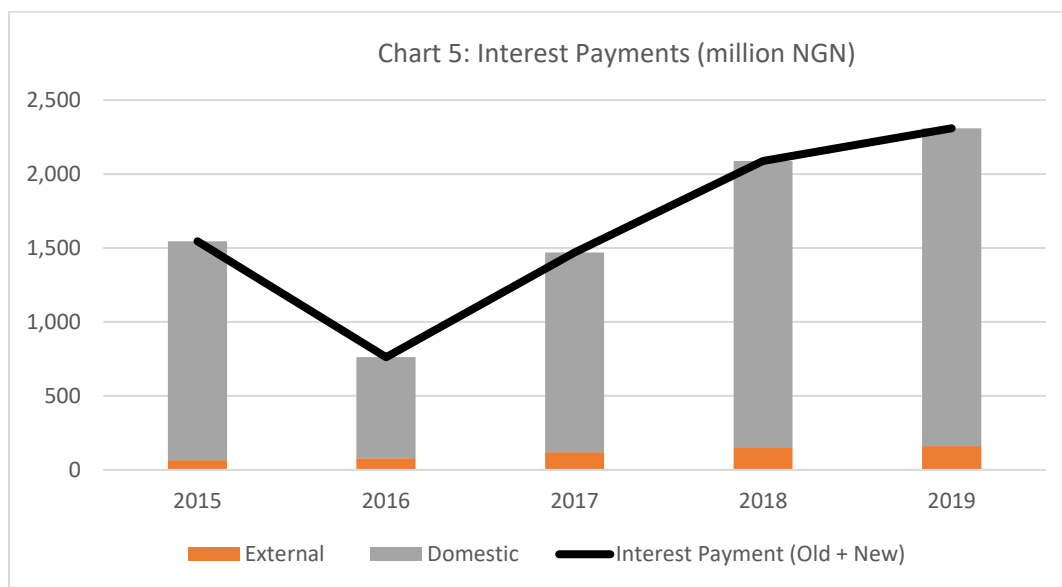


From the figure above, principal repayment has not maintained a steady trend throughout the study period. From an upward trend in 2016, the repayment fell in 2017 to less than 50% of its value in 2016. However, in 2018, it increased significantly by more than 50% of the 2017 value before recording a marginal increase in 2019.

It is important to note that the major component of the principal repayment has to do with domestic debt instruments. As a result, the oscillating movements in total principal repayment were greatly determined by oscillations in domestic principal repayments. On the other hand, external principal repayments have also been increasing, but the effects of the increases may not be felt in the total principal repayments due to the insignificant proportion of external principal repayment in the total principal repayment of the State Government.

### **Interest Payment**

The figure below shows that interest payment has also maintained oscillating movement, after a downward trend in 2016, interest payment increased throughout the rest of the review period.

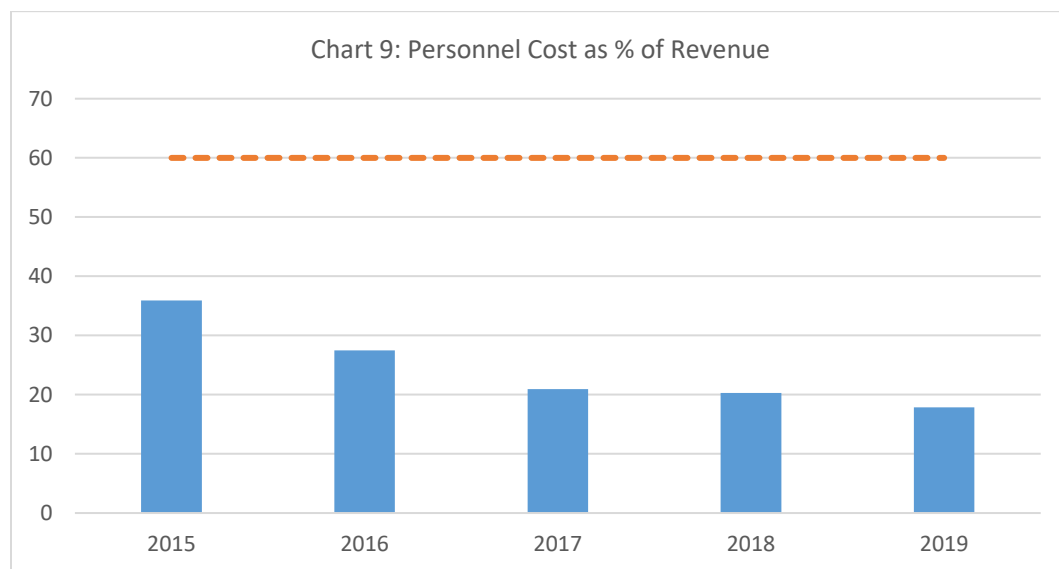


Just like the principal repayment discussed above, interest payment on domestic debt is a major component of the total interest payment and therefore greatly determined the movement of the total interest payment. That means, the oscillating movements in

total interest payment were greatly determined by oscillations in domestic interest payments. On the other hand, external interest payments have also been increasing, but the effects of the increases may not be felt in the total interest payments due to the insignificant proportion of external interest payment in the total interest payment of the State Government.

### ***Personnel Cost***

One of the benchmarks for considering the strength of the public financial management system of any state is to measure the ratio of the entity's personnel cost to its total revenue, and the ratio must not exceed 60% at any point in time. That means, the subnational entity must not be spending more than 60% of its revenues on personnel costs.



As can be deduced from the figure above, the highest ratio of personnel cost to revenue in Ebonyi State throughout the review period stood at below 40%. This is quite lower than the benchmark of 60%. In the rest of the years, personnel cost to revenue ratio

maintained a downward trend to stand at below 20 percent in 2019. That means that even in the worst-case scenario (2015), Ebonyi State personnel cost to revenue ratio was still within a sustainable range. In the best-case scenario (2019), the ratio is even less than 1/3 of admissible benchmark level.

### **3.2 Ebonyi State Debt Portfolio, 2015-2019**

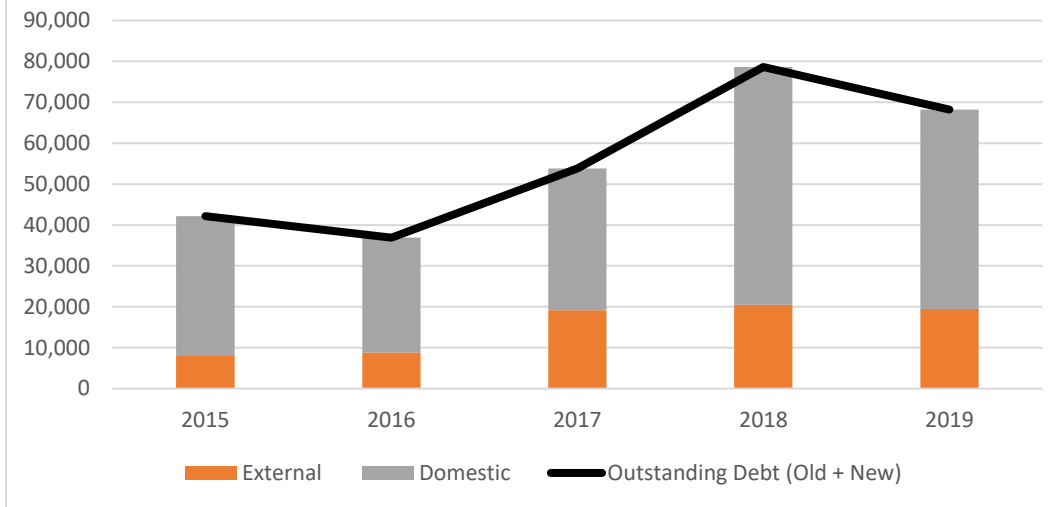
As a subnational entity in Nigeria, the total debt portfolio of Ebonyi State is regulated by existing rules and regulations in Nigeria, as set by the Debt Management Office, Abuja. Some of the rules are set as conditions that States must meet before contracting more debt instruments.

#### **3.2.1 Total Debt**

Like total revenue and total expenditures discussed earlier, Ebonyi State Government's total debt stock oscillated across the years. From a downward trend in 2016, total debt stock maintained an upward trend in 2017 and continued on the same upward trend even up to 2018 fiscal year. However, the total debt stock recorded a decrease from ₦78.63 billion in 2018 to ₦68.24 billion in 2019. These inferences are drawn from the figure below:

*Debt Stock*

Chart 3: Debt Stock (million NGN)



### 3.2.2 Debt Composition

As shown in the figure above, it is not only important to consider the size of the total debt stock, but also important to analyze the composition of such debt stock. The figure above shows that domestic debt stock forms a major share of the total debt stock of Ebonyi State throughout the review period. As at 2015, up to 81.08% of the total debt stock of Ebonyi State was made up of domestic debt instruments, while the remaining 18.92% were external. Similarly, in 2016, up to 76.04% of the total debt stock of Ebonyi State was made up of domestic debt instruments, while the remaining 23.96% were external. In 2017, the proportion of domestic debt instruments reduced to stand at 64.34% of total debt stock of Ebonyi State, while that of external increased to stand at 35.66% of total debt stock. The proportion of domestic debt instruments in the total debt stock of Ebonyi State increased again to 73.97% of total debt stock in 2018 before reducing slightly to 71.42% of total debt stock in 2019. On the other hand, the proportion of external debts in the total debt stock of Ebonyi State decreased to 26.03% of total debt stock in 2018 before increasing again to 28.58% of total debt stock in 2019.

The total debt stock remained unstable (no steady trend) throughout the review period. As a result, increase in the proportion of external debt in total debt stock of the State may not necessarily connote increase in the total stock of external debts. For instance, it has been stated that the share of external debt in total debt stock of Ebonyi State increased from 26.03% in 2018 to 28.58% in 2019. In the same 2019, external debt stock decreased from ₦20.47 billion in 2018 to ₦19.50 billion in 2019.

### **3.3 Cost and Risk Profile**

Another important component of debt sustainability discussion has to do with the cost and risk associated with debt accumulation. Therefore, this subsection critically examines the cost and risks associate with public debt in Ebonyi State.

#### *Debt as a Share of State GDP*

Debt to GDP ratio is another important indicator of debt sustainability. However, it is important to state that subnational GDP figures remain very scanty across the country. Where they exist at all, they are only for a few years. As a result, this study relies on State GDP figure estimated by the World Bank.

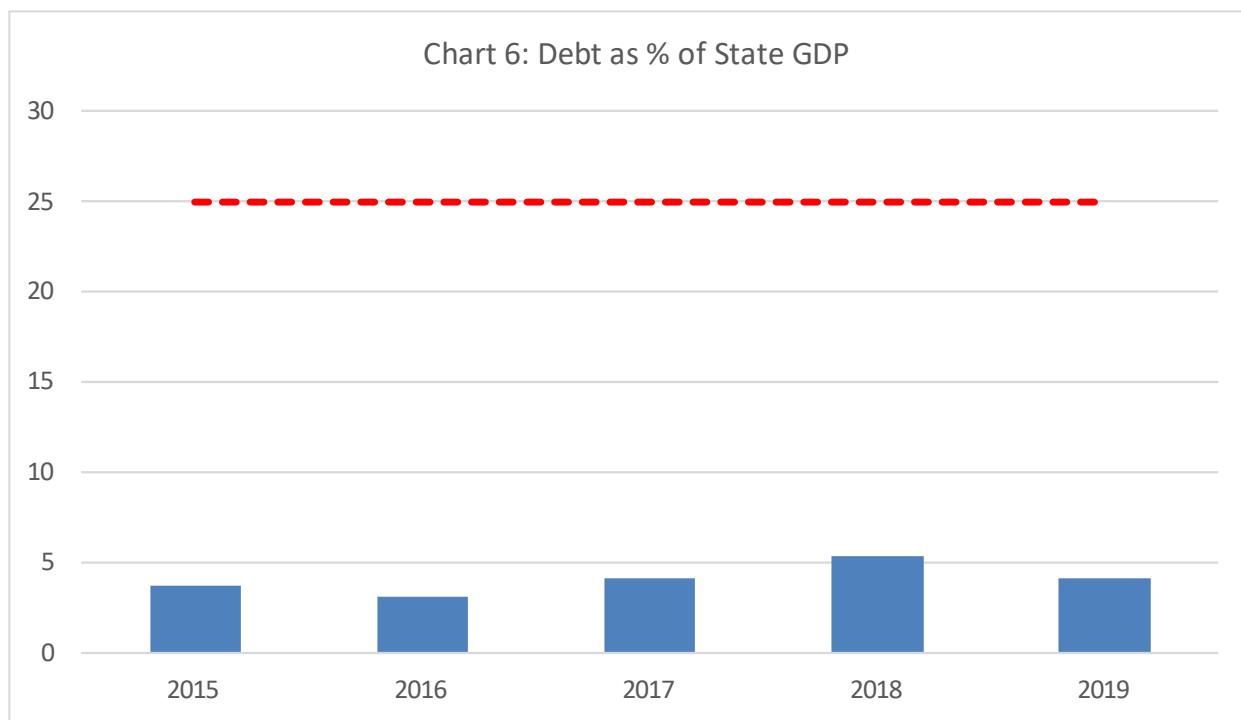


Figure 6 above shows that the benchmark for sustainable debt-to-GDP ratio is 25%. The same figure also shows that Ebonyi State recorded its highest debt-to-GDP ratio of a little over 5% in 2018. Apart from that particular year, debt-to-GDP ratio of Ebonyi State stood below 5% throughout the review period. That means that in terms of debt-to-GDP ratio, Ebonyi State Government has continued to maintain a sustainable debt level.

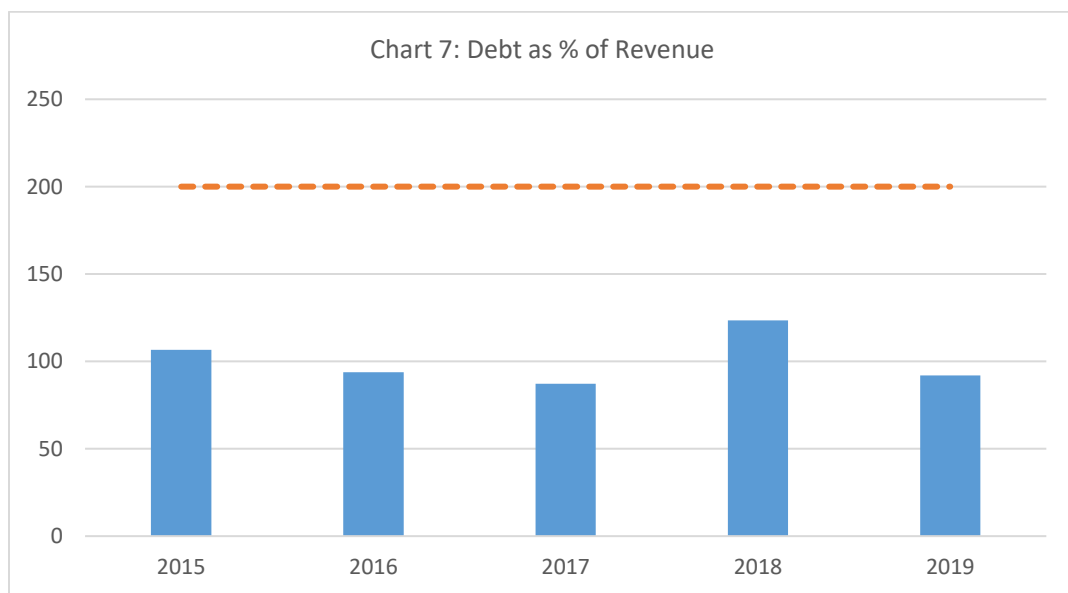
The implication of the above chart is that Ebonyi State Government still has the capacity to incur more debts within an acceptable and sustainable limit. As long as the State's GDP does not decline from the present level, the State Government can still incur more debt as much as four times the present debt level and still be considered sustainable.

*Debt as a Share of Revenue*

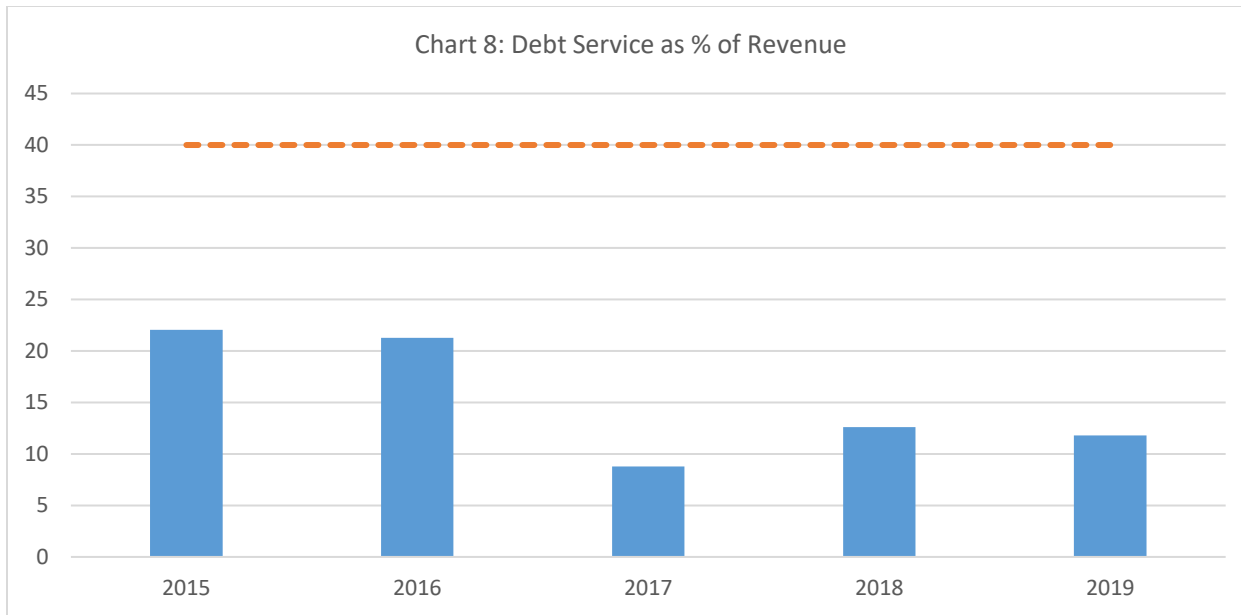


**Debt-to-revenue ratio** is one aspect of financial health that is used to evaluate and determine how much **debt** a State can handle and calculated by dividing the **debt** payments for a particular period by the monthly revenue of same period, expressed as a percentage.

In chat 7 below, the national threshold for debt to revenue is 200%, Ebonyi State Debt to Revenue ratio has dropped from 107% in 2015 to 92% in 2019. This in turn shows that the State is financially healthy and can still accommodate more debt in the preceding years.

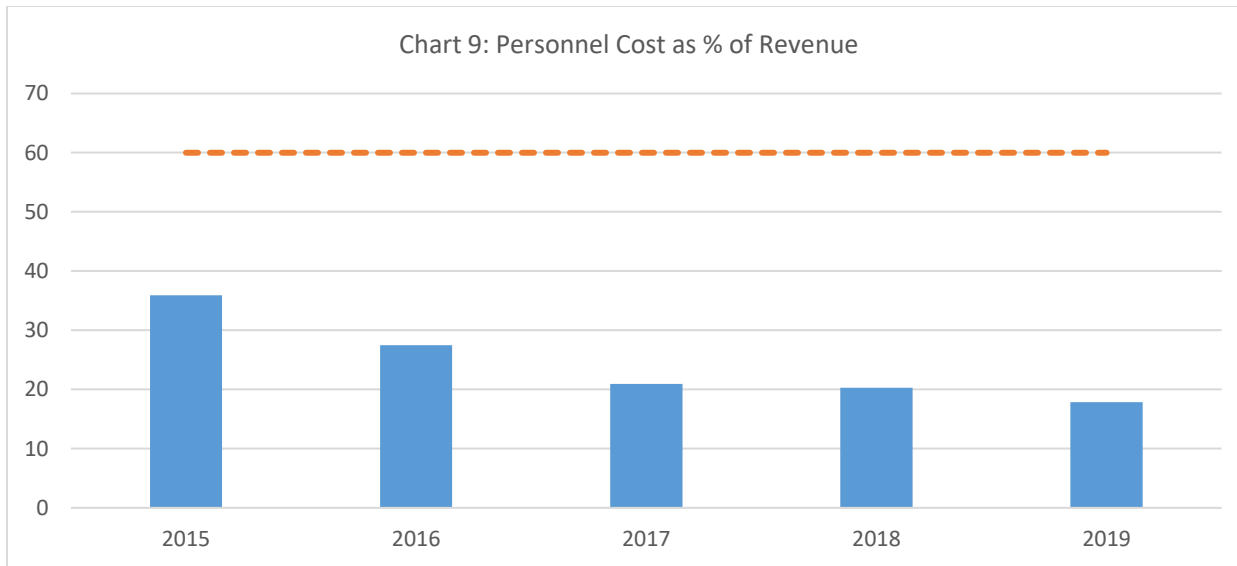


*Debt Service as a Share of Revenue*



**Debt service** is the financial resources required to cover the **repayment** of interest and principal on a **debt** for a particular period. As Ebonyi State Revenue grew from 2015 to 2019, the debt service to Revenue had continued to reduce from 22% in 2015 to 12% in 2019 which is far below the nation's threshold of 40%, indicating that the State has the capacity to incur and repay more debt.

#### *Debt Service Indicators*



While the personnel cost has relatively remained constant, with a slight increase, the revenue generation of the State has continued to grow exponentially from 2015 to 2019, thereby reducing the personnel cost to Revenue ratio. A review of personnel cost as a percentage of revenue share in chart 9 below shows that the State has maintained a reduced rate from 36% in 2015 to 18% in 2019 which is also below the 60% national threshold.

## CHAPTER FOUR

### CONCEPT OF DEBT SUSTAINABILITY, ASSUMPTIONS, RESULTS ANALYSIS AND FINDINGS

#### 4.0 Introduction - Concept of Debt Sustainability

At every point in time, creditors are mindful of the ability of debtor countries (as well as debtor subnational entities) to service loans and accruing liabilities promptly. This concern stems from the fact that these national and subnational entities will still need to meet up with their development investment needs despite meeting their debt service liabilities. This is how the concept of debt sustainability comes to be discussed.

In essence, the concept of debt sustainability refers to the idea of ensuring that national and subnational entities maintain a debt level that will still allow them to have sufficient financial resources to meet their development investment needs after meeting their debt servicing obligations. This concept takes into consideration the debt service obligations of the entities alongside their financial capacities of the entities. The concept helps developing countries to prevent debt crisis at every point in time.

Certain benchmarks have been set as criteria for measuring debt sustainability at the national and subnational government levels. These criteria are most important for developing countries where there are greater needs for governments to embark on investment in capital developmental projects. One of the benchmarks has to do with the ratio of debt service obligations to the total revenue of the subnational entity, which assesses the proportion of the State's revenues that is used for debt service.

#### 4.1 Medium Term Budget Forecast

Recent reforms in the public financial management (PFM) systems of national and sub national governments emphasize the need for medium term budget forecasts (MTBF) or at least a medium term expenditure framework (MTEF). The forecast or framework helps the government to make projections of expected expenditures (and revenues) for a future period of at least three years. Arguments for MTBF or MTEF are supported by the fact that most governments are elected for a period of more than one year, and therefore should be able to plan for a longer time than just one year (as is usually the case with annual budgets).

In the case of Ebonyi State, there is no medium term budget forecast (MTBF) or medium term expenditure framework (MTEF). The State Government still plans to produce a medium term expenditure framework (MTEF) within the next fiscal year. As such, all medium term budget forecasts of the State are based on a certain percentage rate of increment in the current values of the items.

#### **4.1.1 Revenue Assumptions**

Ebonyi State Government expects significant increases in the revenues in the coming years because of some reforms already being implemented in the area of internally generated revenues of the State. Therefore, revenue projections of the State Government take into account the expected increases.

However, given that the State does not yet have a medium term budget forecasts (MTBF) or medium term expenditure framework (MTEF), this analysis assumes an equal growth rate of revenue at 6% per annum in the medium term of 2021-2023.

#### **4.1.2 Expenditure Assumptions**

Just like revenue assumptions, Ebonyi State Government also expects significant increases in expenditures in the coming years because of some developmental needs of the State. Apart from personnel cost (which is currently on the decline), all other areas of expenditure of the State Government are expected to increase in the coming years. Therefore, the expenditure projections of the State Government take into account such expected increases in overhead costs and capital developmental projects.

As earlier stated, Ebonyi State does not yet have a medium term budget forecasts (MTBF) or medium term expenditure framework (MTEF). On that note, this analysis assumes an equal growth rate of total expenditures at 5% per annum in the medium term of 2021-2023.

#### **4.2 Borrowing Assumptions (Options)**

It is a common knowledge that budgets are forecasts of expected receipts and expenditures within a specified period of time. Whatever is expected to be spent but does not fall within the limit of what is expected to be received as revenue automatically

make up budget deficit. To be able to finance budget deficits, one of the most prominent options is to borrow. Therefore, this analysis assumes that any deficit that will be recorded within the forecast period will be finance through borrowing.

#### **4.2.1 Domestic Borrowing - Terms (interest rate, maturity and Grace Period)**

This is considered the easiest and fastest route for augmenting budget deficit in any fiscal year. Its ease arises from the fact that it can even be facilitated through informal relationship with commercial bank operators. The requirements and conditions for domestic borrowing to take place are not usually very stringent.

However, the costs (interest rates and maturity period) of borrowing internally are usually higher than those of external loans. It may actually be easier and faster to borrow from domestic sources, but may not be cheaper to do so. Apart from having relatively shorter maturity period, domestic loans also come with shorter grace period.

#### **4.2.2 External Borrowing - Terms (Interest rate, maturity and Grace Period)**

As inversely explained under domestic borrowing, external borrowing may be more difficult and take a slightly longer time to facilitate. External borrowing is most suitable for augmenting deficit arising from medium term budget forecast. That way, the processes and procedures could have been met within such a time the fund will still be relevant in meeting the deficit.

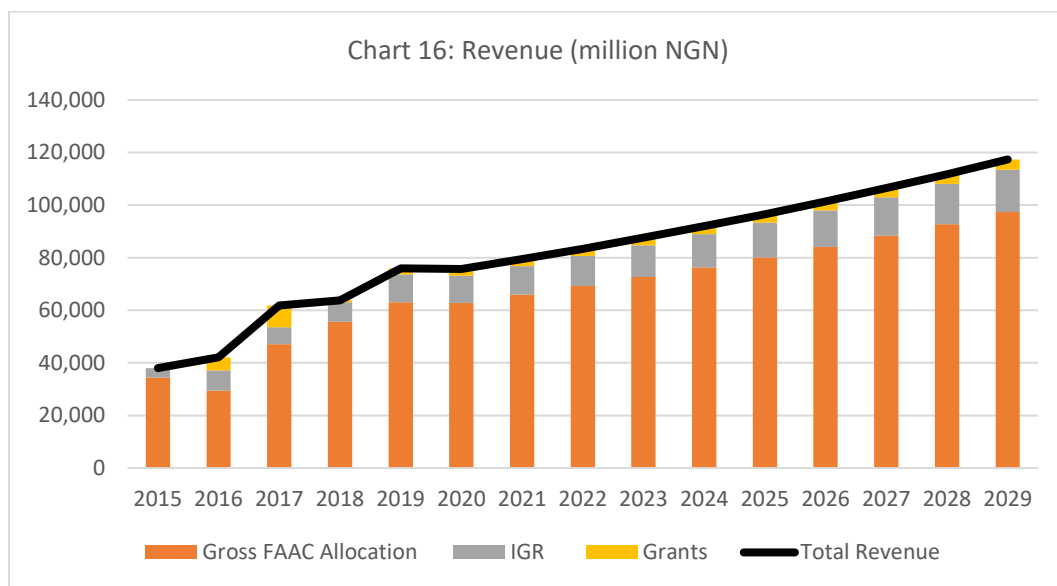
However, the costs (interest rates and maturity period) of borrowing externally are usually lower than those of internal loans. It may actually be more difficult and even take longer time to facilitate an external loan, yet it is usually cheaper to do so. Apart from having relatively longer maturity period, external loans also come with longer grace period.

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

One of the major attempts of modern-day social scientists is to draw inference from existing history and make projections for the future. However, the projections are usually based on the assumption of *ceteris paribus* (i.e. *all things being equal*). This subsection therefore projects the financial situations of Ebonyi State in the next ten (10) years on the basis of historic data already discussed in the previous chapters.

#### **4.3.1 Projected Revenue**

Drawing inference from the historic data of Ebonyi State Government’s revenues over the last four years, this analysis projects the revenue trend in the next ten years as shown in figure 16 below:

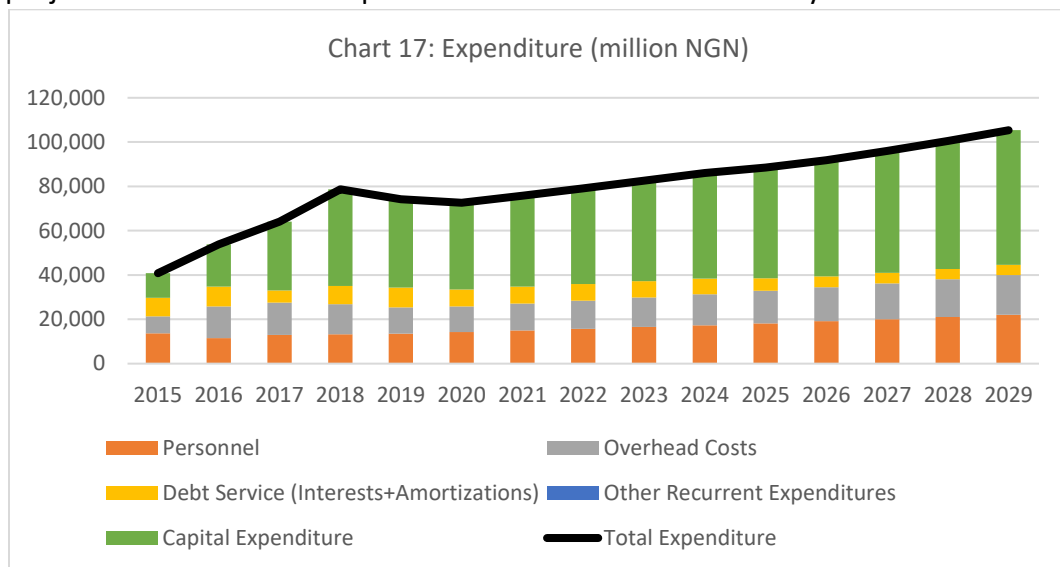


The projected total revenue of Ebonyi State Government as presented in figure 16 above shows that total revenue of the State is expected to fall below the 2020 level for the four-year period of 2021-2024. After this period, the State’s total revenue is expected to start increasing gradually.

Interestingly, beginning from 2021 (when the State’s total revenue is expected to decline), the share of IGR in the total revenue of Ebonyi State is expected to rise. This increase in projected IGR is premised on the ongoing IGR reforms of the State Government and expected yield of the reforms. At the same time, the total value of FAAC allocations to the State is also projected to decline on annual basis from 2020 fiscal year. The economic effects of the current COVID-19 pandemic are already a testimony to this projected decline.

#### 4.3.2 Projected Expenditure

Again, drawing inference from the historic data of Ebonyi State Government’s expenditures over the last four years, this analysis projects the State’s total expenditure trend over the next ten years as shown in figure 17 below:



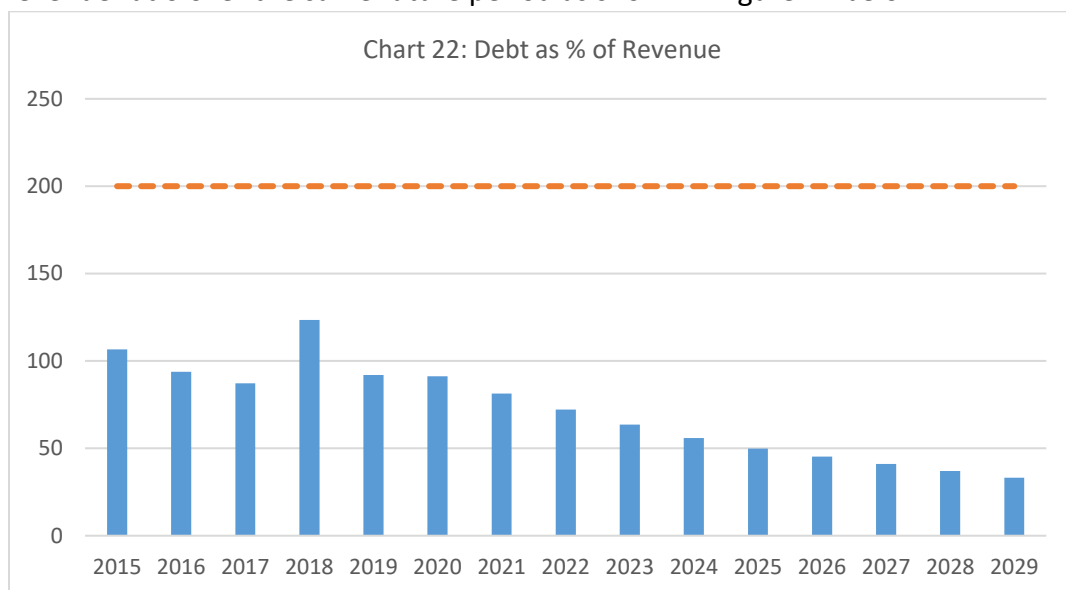
Following the trend of the projected total revenue as discussed under figure 16 above, the projected total expenditure of Ebonyi State Government as presented in figure 17 above shows that the total expenditure of the State is projected to fall below the 2020 level for the four-year period of 2021-2024 fiscal years. After this period, the State’s total expenditure is projected to slightly increase in 2025 before another round of gradual decline over another four-year period of 2026-2029 fiscal years.

Interestingly, personnel cost is not projected to significantly increase throughout the ten-year period of projected expenditures. On the other hand, the size of overhead cost of the State is projected to continuously be on the increase throughout the forecast period of 2020-2029 fiscal years. The size of debt service is projected to increase annually up to 2025 fiscal year before it begins a gradual decline. Similarly, the size of capital expenditures of the State is projected to continue to account for more than 50% of the total expenditures of the State up to 2024 fiscal year before it begins to gradual decline to the point of not accounting for more than 40% of the total expenditures of the State.

#### 4.3.3 Projected Debt as a Share of Revenue



Having projected the revenue of Ebonyi State Government over the next ten years, this subsection projects the State's debt to revenue ratio over the same future period as shown in figure 22 below:

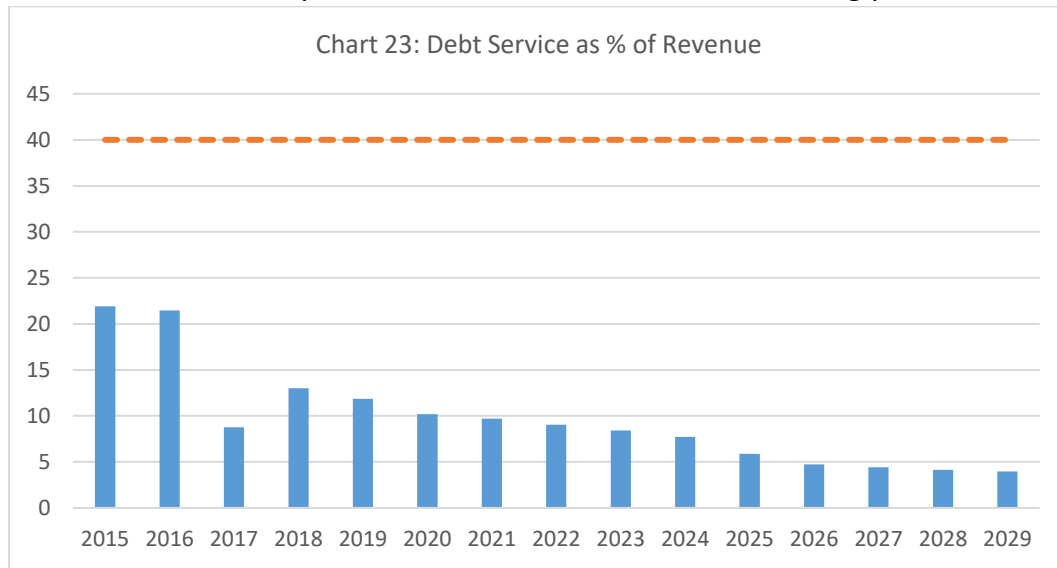


The projected debt-to-revenue ratio of Ebonyi State as presented in figure 22 above shows that throughout the projection period of 2020-2029, Ebonyi State operates at a sustainable level of debts. Optimal benchmark for debt-to-revenue ratio for subnational governments in Nigeria stands at 200% as shown by the red dotted line in figure 22 above, but the projected debt to revenue ratio of the State stands at a maximum of 87%. This projected ratio is even lower than the observed ratio of 124% as was the case in 2018 fiscal year.

It is important to point out that figure 22 above shows that in the years of the projected period (i.e. 2020-2029), the projected debt-to-revenue ratio of Ebonyi State maintained a decreasing trend per annum. That way, the projected debt-to-revenue ratio of Ebonyi State as at 2029 stands at 35%, which is quite lower than the 92% ratio observed in 2019 fiscal year.

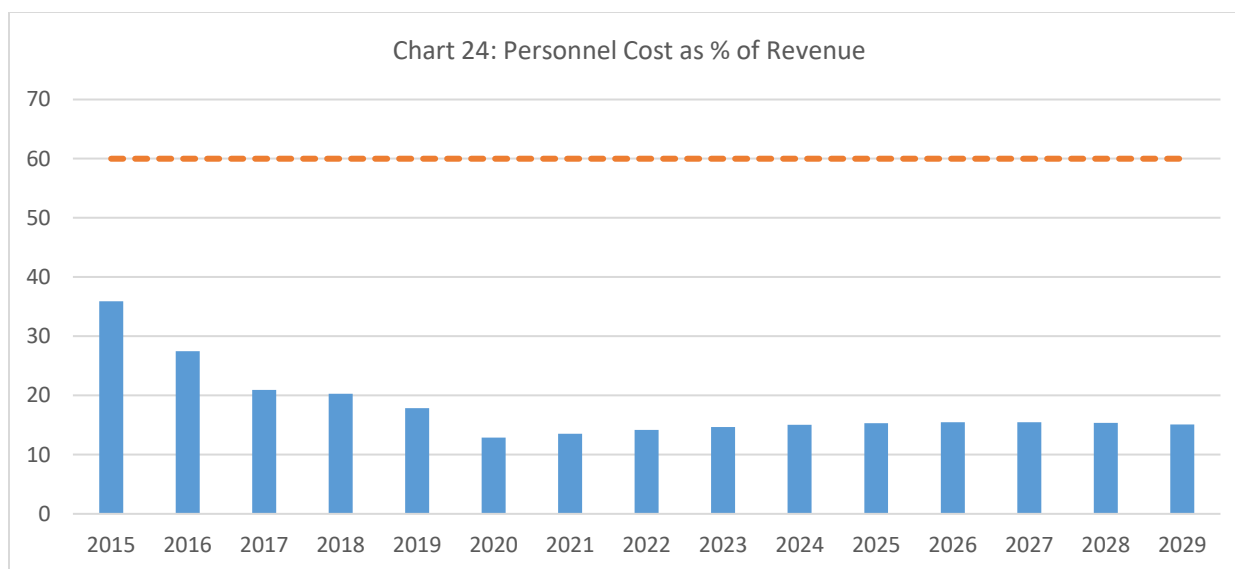
#### 4.3.4 Projected Debt Service as a Share of Revenue

When debts are contracted, debt service obligations increase. It is therefore important to also project the level of debt service to revenue ratio and analyze how sustainable it will be in the coming years.



Optimal and sustainable debt level implies that total debt service obligations of a State should not exceed 40% of the State’s total revenue. Within the projected period, the highest projected debt service obligations of the State stand at about 10% of the State’s projected total revenue as is the case in 2020 fiscal year. Across all other years within the projected period, total debt service obligations of the State stand at less than 10% of the State’s total revenue. This ratio is clearly within acceptable and sustainable region.

#### 4.3.5 Projected Personnel Cost

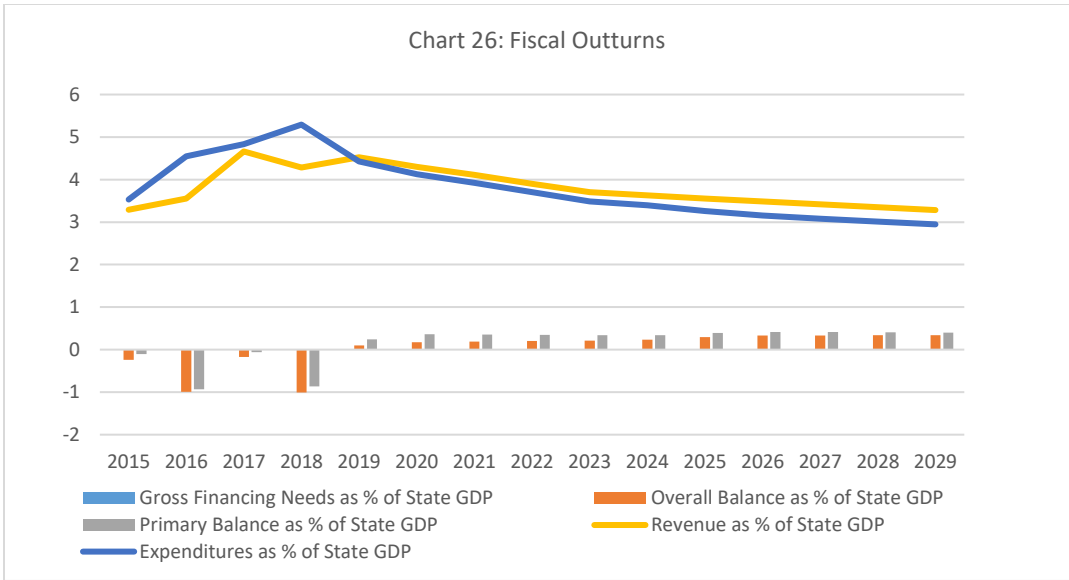


Ideally, the total personnel cost of running governments should not exceed 60% of the total revenues of the government. This is to make room for overhead costs and capital developmental projects in the State.

Following this position, it is clear from figure 24 above that the projected personnel cost of Ebonyi State Government within the period of 2020-2029 is even less than 20% of the projected revenues of the State Government on annual basis. This means that even if the benchmark is reduced to 20% or that the State Government doubles its workforce within the projection period, its personnel cost to revenue ratio will still be within a sustainable and acceptable region.

#### 4.3.6 Fiscal Outturns – Chart 26

The essence of fiscal policy is to use government revenues and expenditures to direct economic activities within the national or subnational entity. When the economic activities are properly directed with the revenue collection and expenditure tools of the government, the effects become obviously felt in the society. Figure 26 below presents the projected fiscal outturns of Ebonyi State Government for the period of 2020-2029.



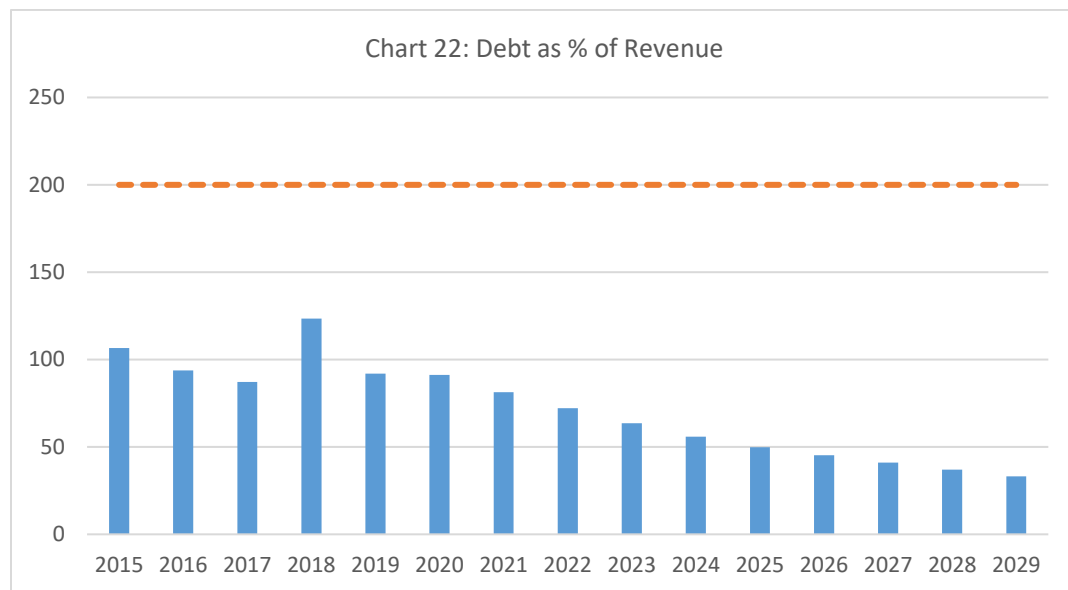
The fiscal outturns presented in figure 26 above show that the State’s total revenues and total expenditures for the projection period of 2020-2029 will maintain downward trends when measured as percentages of the State GDP. From projected total expenditure to GDP ratio of 4% in 2020, the projected total expenditure to GDP ratio is expected to decline below 3% in 2029 fiscal year. Similarly, projected total revenue to GDP ratio of the State is expected to decline from 4% in 2020 fiscal year to about 3% in 2029 fiscal year.

On the other hand, the trio of primary balance, overall balance and gross financing needs of the State refer to fiscal deficit/surplus that the State may record within the projection period. Each of these items is projected to stand at less than 1% of the State’s projected GDP per annum. Though there is no given benchmark for acceptable level, yet a record of 1% ratio of primary balance to GDP is quite impressive.

All the discussions on fiscal outturn above suggest that the present investments of the State Government will lead to improvement in the State’s GDP to the point that future fiscal deficits will not pose a challenge to overall debt sustainability of the State.

#### 4.3.7 Main Findings and Conclusion of the Baseline Scenario in Terms of Debt Sustainability

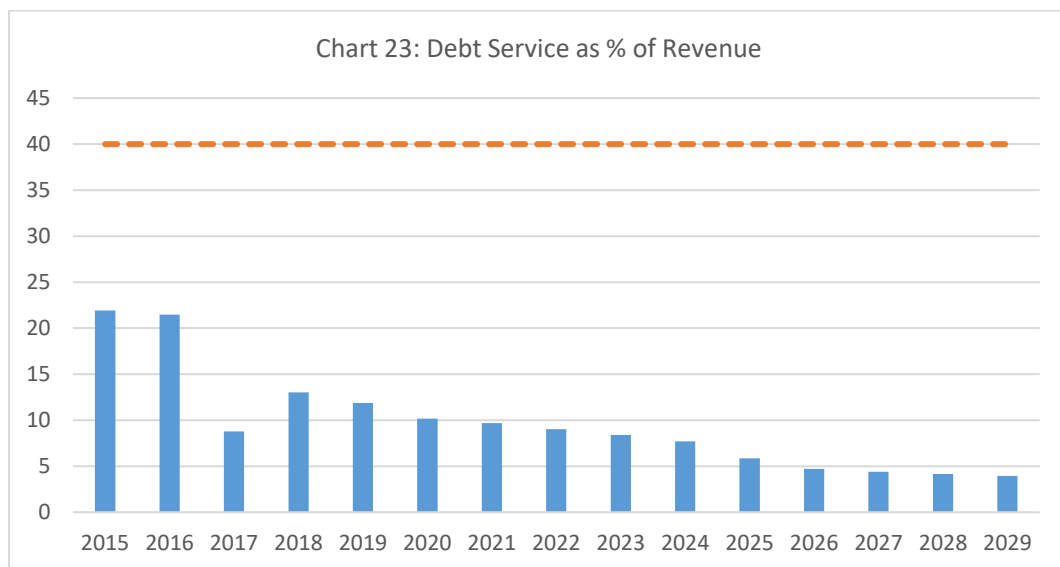
The main essence of all the discussions above is to arrive at a conclusion as it pertains to the current level of debt sustainability. In addition, the discussions help in forecasting the future level of debt sustainability. Figures 22 and 23 below show the current and future levels of debt sustainability of Ebonyi State based on historical evidence and projections.



As earlier discussed, the current level of debt to revenue ratio is within acceptable and sustainable region. The benchmark for a sustainable level of debt can only be attained when the total debt stock is up to 200% of the State's total revenue. However, in the case of Ebonyi State, the highest debt to revenue ratio that Ebonyi State Government has recorded in recent time stood at 124% as recorded in 2018 fiscal year. Following the 2018 highest record was the State's debt to revenue ratio, which stood at 107% in 2015 fiscal year. In the rest of 2016, 2017 and 2019 fiscal years, the State's total debt stood at less than 100% of the State's total revenue.

Based on the debt to revenue ratio criterion, it is obvious that the baseline scenario of Ebonyi State Government is still considered sustainable, which implies that the State still has the fiscal space to contract as much debts as it currently has and still be considered

sustainable. The benchmark for a sustainable debt-to-revenue ratio is 200% and the State's current ratio stands at less than 100%. It therefore implies that as long as the State's revenue does not fall below the current level, contracting more debts (up to as much more as the current level) will still leave the State within acceptable and sustainable region of debt-to-revenue ratio.

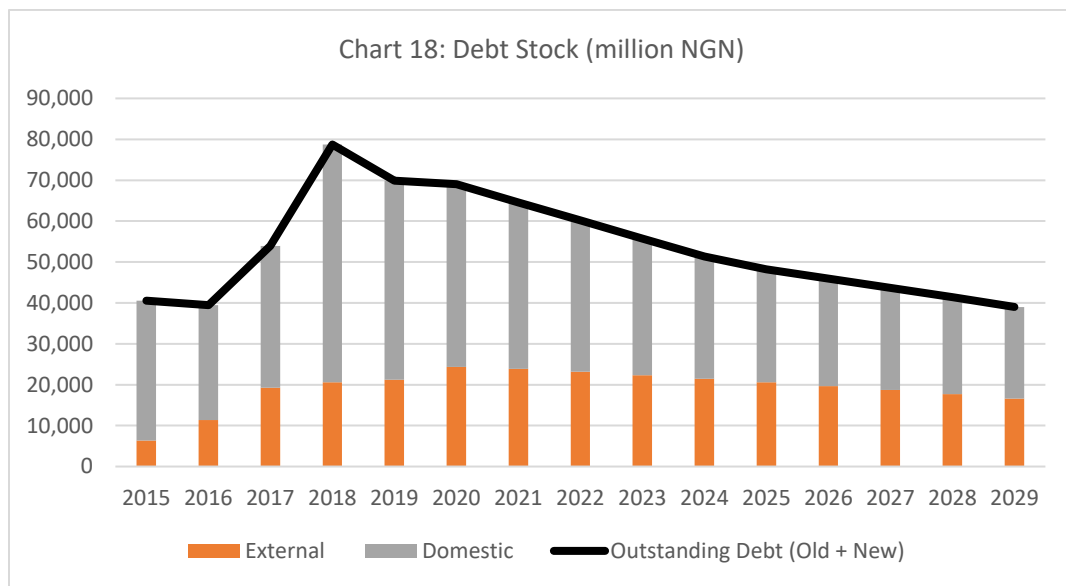


The current level of debt service to revenue ratio is within acceptable and sustainable region. The benchmark for a sustainable level of debt can only be attained when the total debt service obligation is up to 40% of the State's total revenue. However, in the case of Ebonyi State, the highest debt service to revenue ratio that the State recorded in recent time stood at 22% as recorded in 2015 fiscal year. Following the 2015 highest record was the State's debt service to revenue ratio, which stood at 21% in 2016 fiscal year. In the rest of 2017, 2018 and 2019 fiscal years, the State's debt service obligations stood at less than 15% of the State's total revenue.

Based on the debt service to revenue ratio criterion, it is obvious that baseline scenario of Ebonyi State Government still has the fiscal space to contract much more debts and carry their servicing obligations within a sustainable region. This conclusion is based on the fact the benchmark for a sustainable debt-service-to-revenue ratio is 40%, while the State's current ratio stands at less than 15% for most of the recent years. It therefore implies that as long as the State's revenue does not fall below the current level, adding

more debt service obligations (up to as much more as the current level) will still keep the State within acceptable and sustainable region of debt-service-to-revenue ratio.

Furthermore, the size of the State's total debt stock is another important indicator of debt sustainability that needs to be looked at. Figure 18 below presents the total debt stock of Ebonyi State. The figure equally shows the composition of the total debt stock.

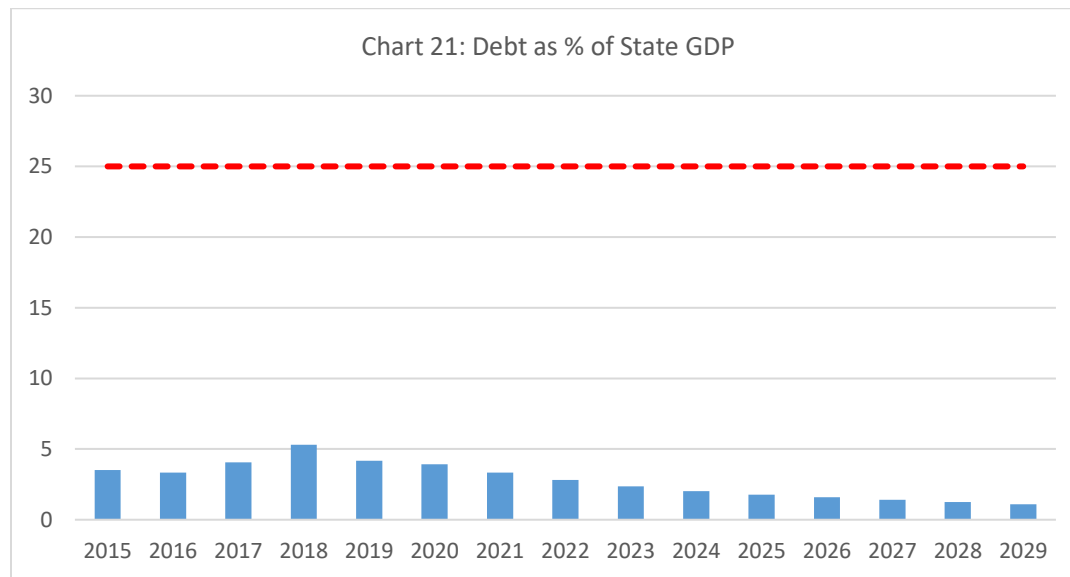


Another important conclusion of this analysis is that the State's total debt stock as currently composed can still be rejigged. The current composition of the State's total debt stock is more of domestic debts and little of external debts. Almost 75% and 67% of the total debt stock are made up of domestic debts in 2018 and 2019 fiscal years respectively.

However, this analysis has earlier shown that though it is easier and faster to contract domestic debt instruments, yet it is costlier to service them than external debts. This study therefore concludes that there is still room for the State to rejig the composition of her total debt stock by contracting more of external debt instruments in the coming years.

#### 4.3.8 Debt as a Share of State GDP

Debt-to-GDP ratio is another important criterion for measuring debt sustainability of any economy. This criterion has already been discussed in details in this S-DSA. However, this concept of debt-to-GDP ratio will help us arrive at a conclusion pertaining to the baseline scenario of Ebonyi State. Therefore, the study draws inference from the detailed discussions above to make conclusions at this point. Figure 21 below shows the current and future levels of debt sustainability of Ebonyi State based on historical evidence and projections of the debt-to-GDP ratio.

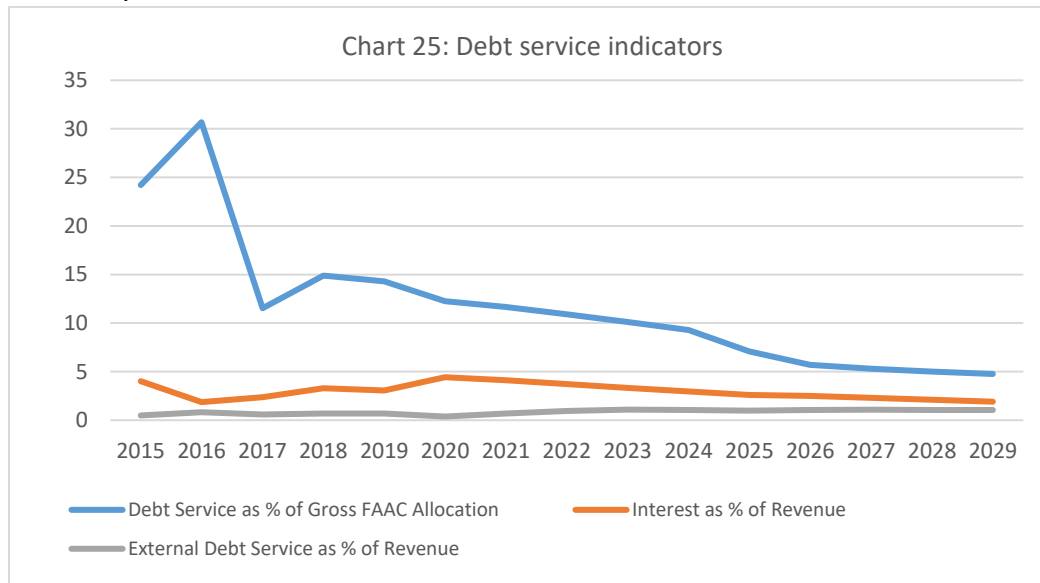


Based on the debt-to-GDP ratio presented in figure 21 above, Ebonyi State's debt-to-GDP ratio is still within sustainable region. The acceptable benchmark for debt-to-GDP ratio among Nigerian States is 25%, as shown with the dotted red line in figure 21 above. However, Ebonyi State still has debt-to-GDP ratio that hovers around 5% for the baseline period of 2015-2019 fiscal years. Even when projected for 2020-2029, the State's debt-to-GDP ratio falls below 5% for most of the years. As a result, Ebonyi State still has enough fiscal space to contract more debts considering this criterion of debt-to-GDP ratio.

#### 4.3.9 Debt Service Indicators



As is the case with debt stock indicators, debt service obligations are critical components of debt sustainability. In fact, the ability of any state (national or subnational) to meet up with her debt service obligations is considered more critical than the size of the debt accumulated. As a result, debt service indicators are critical in the determination of the sustainability or otherwise of the debt level of any State. Figure 25 below presents the status of various indicators of debt service of Ebonyi State as well as projections for the next ten years.



From figure 25 above, debt service obligations of Ebonyi State represented an average of 15% of the State’s allocation from FAAC within 2018 and 2019 fiscal years. Within the five-year period of 2015-2019, debt service obligations of the State rose to a peak ratio of 30% of the State’s FAAC allocation in 2016 fiscal year, and a minimum ratio of 11% of the State’s FAAC allocation in 2017. Within the projection period of 2020-2029, projected debt service obligation as a ratio of the State’s FAAC allocation has the least value of less than 10% in 2029 and a peak of a little above 10% in 2020 fiscal year.

Also, interest repayment as a share of Ebonyi State total revenue stood lower than 5% throughout the five-year period of 2015-2019. Within the projection period of 2020-2029, the projected interest repayment obligations of the State represent less than 10% of the

State's projected total revenue throughout the period. That means that it is only a small proportion of the State's projected revenue that will be required for servicing the State interest repayment obligations.

Furthermore, given that external debts of Ebonyi State only constitute a small proportion of the State's total debt stock, its debt service requirement is not expected to be huge. As a result, figure 25 above shows that external debt service of Ebonyi State as a share of the State's total revenue is less than 1% throughout the baseline period and even the projection period.

Based on the baseline scenario of debt service indicators discussed above, Ebonyi State debt service obligation is still within a very sustainable and acceptable region. The State can still accumulate more debts without exceeding the benchmarks acceptable for these indicators. Interestingly, the projections for debt service indicators of the State in the next ten years are also looking very good and sustainable.

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

##### *4.4.1 Introduction*

Usually, projections that are based on existing trend can be subject to some exogenous shocks. These exogenous shocks are unforeseen circumstances that are usually outside the control of those involved in the projections. To overcome such eventualities, this analysis does not just make conclusions only on the basis of the current trends and projections, but goes further to subject the baseline scenarios to sensitivity analysis so as to ensure that the sustainability of the baseline scenario are robust enough. This subsection therefore discusses the various baseline scenarios in the light of these exogenous shocks and how the sensitivity analysis takes care of their possible occurrence within the projection period.

##### *4.4.2 Revenue Shock*

The revenue of Ebonyi State is one of the variables with the greatest likelihood of being subject to exogenous shocks. This is because one of the major sources of revenue in the State (FAAC allocation) is subject to external determinants outside the control of the State. Even the second most important source of revenue in the State (IGR) is equally subject to some exogenous shocks. To be able to accommodate possible shocks coming from revenue shocks, this analysis makes provision for up to -10% shock in the revenue

projection of the State for the period of 2020-2029 fiscal years. The provision of revenue shock is sufficient to take care of any eventuality that may occur in the State's revenue within the projection period.

#### *4.4.3 Expenditure Shock*

Over the years, Ebonyi State expenditures have been following the State's revenue. It is a common knowledge that in a typical balanced fiscal policy, whatever is received as revenue is equally spent. It therefore follows that a shock in revenue will equally lead to a shock in expenditure. In some other cases, there could be expenditure shocks that are not necessarily driven by revenue shocks but by sudden developmental projects or natural disasters that necessitate spike in expenditures. To be able to accommodate such shocks, this analysis makes provision for up to 10% shock in the expenditure projection of the State for the period of 2020-2029 fiscal years. This provision of expenditure shock is believed to be sufficient to take care of any eventuality that may occur in the State's total expenditures within the projection period.

#### *4.4.4 Exchange Rate Shock*

Nigeria has been operating a managed-floating exchange rate regime. This exchange rate regime is to some extent an exogenously determined exchanged rate regime and therefore could be subject to exogenous shocks. This analysis therefore makes provision for up to 20% shock in the exchange rate of the country for the period of 2020-2029 fiscal years. This provision of exchange rate shock is believed to be sufficient to take care of any eventuality that may occur in the country's exchange rate within the projection period.

#### *4.4.5 Interest Rate Shock*

Interest rate is a jointly determined by demand for loanable funds and the prevailing inflation rate. Since these two determinants can change at any point in time or the other, they could trigger a spike in interest rate at any point in time. Therefore, this sustainability analysis makes provision for up to 2% shock in the interest rate projection of the State debts for the period of 2020-2029 fiscal years.

#### *4.4.6 Historical Shock*

Apart from the shocks already discussed along the line of the five variables above, there could be some other unforeseen factors that can alter the trend as contained in the projections. Such other shocks are generally built into historical shocks.

Having discussed the various shocks accommodated in this analysis, it become imperative to reconsider the various indicators of debt sustainability of Ebonyi State in the light of these shocks. Figures 27 – 30 below present the various indicators with provisions for the sensitivity analysis.

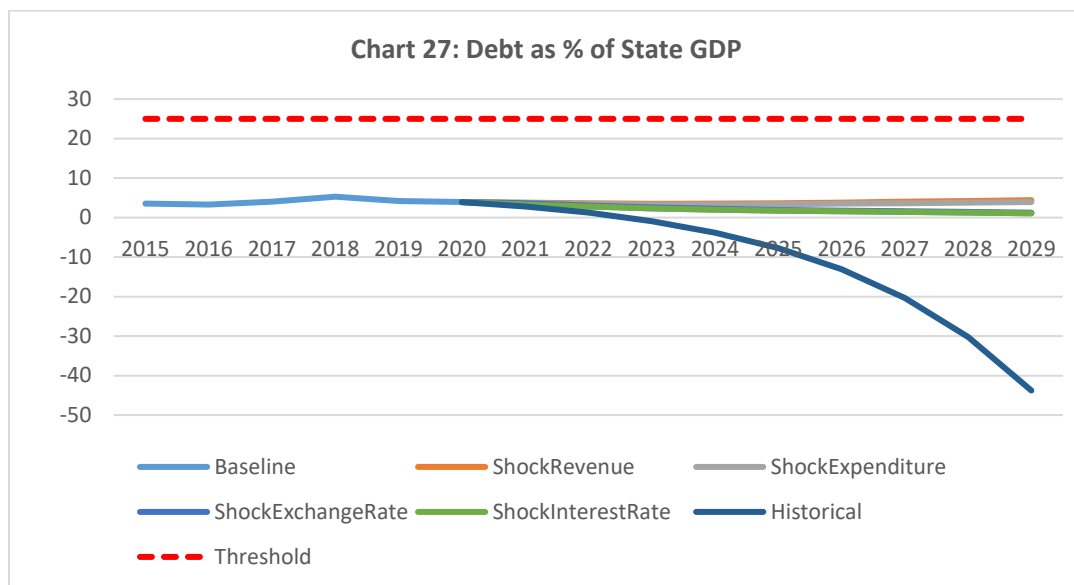
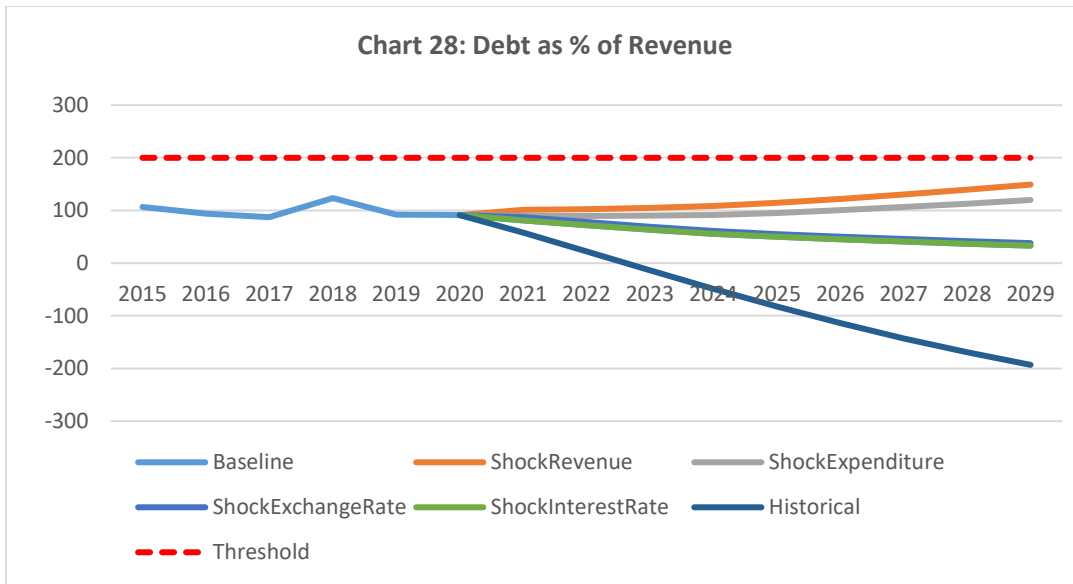


Figure 27 above shows that based on historical trend, Ebonyi State’s debt-to-GDP ratio will be on consistent declining trend from 2021 fiscal year. However, with the occurrence of any of revenue, expenditure, exchange rate or interest rate shocks, the State’s debt-to-GDP ratio will maintain almost a constant trend at less than 10% throughout the projection period of 2020-2029 fiscal years. Good enough, whatever the shocks may be, the State’s projected debt-to-GDP ratio is still much lower than the benchmark level.

Chart 28: Debt as % of Revenue



From figure 28 above, Ebonyi State's debt-to-revenue ratio will be on consistent declining trend from 2021 fiscal year based on historical trend. However, with the provisions for exchange rate or interest rate shocks, the State's debt-to-revenue ratio will continue to decline below 100%, which is much lower than the benchmark of 200%. Furthermore, the introduction of expenditure shocks will keep the projected debt-to-revenue ratio below 100%. Similarly, the introduction of revenue shocks will still maintain a decline in the State's projected debt-to-revenue ratio at below 100%.

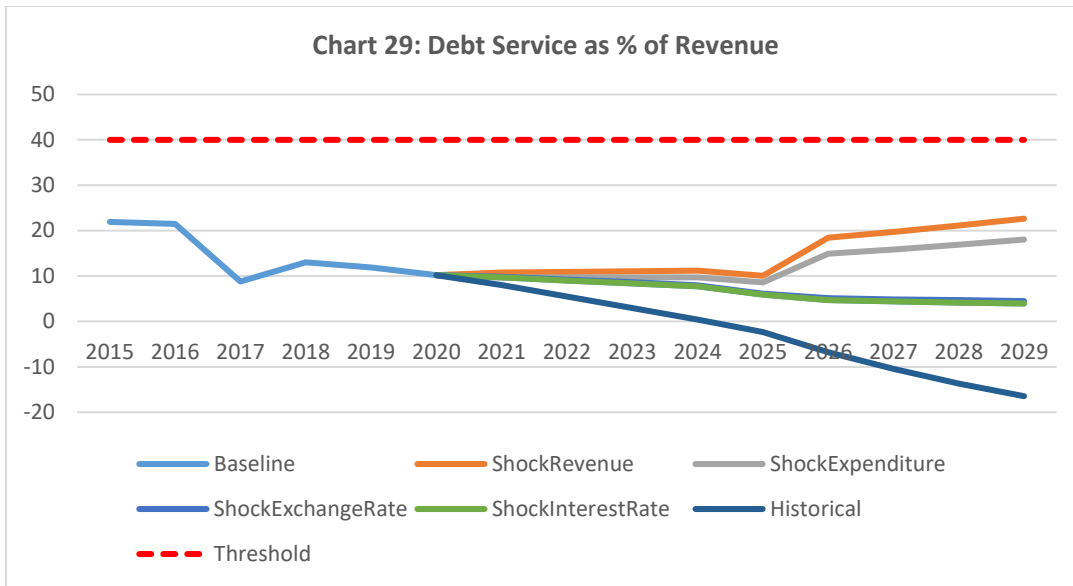


Figure 29 above presents Ebonyi State’s debt-service-to-revenue ratio in the light of the various shocks discussed above. As shown in the figure, the ratio will be on consistent declining trend from 2021 fiscal year based on historical trend. However, with provisions for exchange rate or interest rate shocks, the State’s debt-service-to-revenue ratio will gradually increase and settle at 10% between 2020 and 2024 fiscal years before a decline in 2025 fiscal year to below 10%. Between 2026 and 2029, the ratio will hover around 10% without much change. With any of these shocks, Ebonyi State’s projected debt-service-to-revenue ratio will still be within acceptable and sustainable region of less than 40%.

On the other hand, the introduction of either expenditure or revenue shocks will cause the State’s projected debt-service-to-revenue ratio to maintain similar trend as when exchange rate or interest rate shock between 2020 and 2029 fiscal years. With the expenditure or revenue shocks, the projected ratio will continue below 40% from 2020 fiscal year and hover around the same range till 2029. That means that the State’s debt-service-to-revenue ratio is sustainable by not exceeding the benchmark from 2020 fiscal year in the event of expenditure shocks.

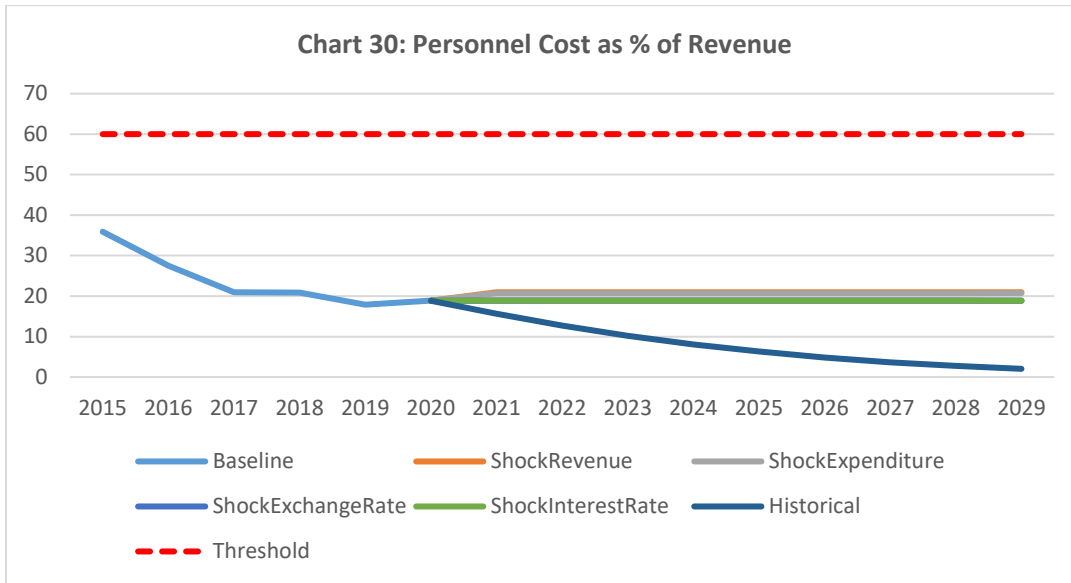


Figure 30 above presents the projected personnel-cost-to-revenue ratio of Ebonyi State. Based on historical trend, the ratio will be on consistent declining trend from 2021 fiscal year. However, provisions for any of exchange rate shocks, interest rate shocks, expenditure shocks and revenue shocks, ratio takes a slightly upward movement but still hovers around 20% mark. Good enough, the benchmark for personnel-cost-to-revenue ratio for Nigerian States stands at 60%, implying that Ebonyi State’s projected ratio of about 20% in the face of provisions for all the shocks is still within sustainable range.

**ANNEXURES**

1. Table of Assumptions

		Projection Methodology
<b>Assumptions:</b>		
<b>Economic activity</b>	State GDP (at current prices)	State GDP projected using the actual S-GDP and projected N-GDP nominal growth rate
<b>Revenue</b>	<b>Revenue</b>	

	1. Gross Statutory Allocation ('gross' means with no deductions)	Annual Percentage Nominal growth in VAT Allocation using National Nominal GDP growth of 5% with a 2% reduction in 2020
	of which Net Statutory Allocation ('net' means of deductions)	Annual Percentage Nominal growth in VAT Allocation using National Nominal GDP growth of 5% with a 2% reduction in 2020
	of which Deductions	Annual FAAC Deductions using Amortisation Schedule
	2. Derivation (if applicable to the State)	Annual Percentage Nominal growth in Derivation using National Nominal GDP growth of 4%
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Annual Percentage Nominal growth in Statutory Allocation using National Nominal GDP growth of 5%
	4. VAT Allocation	Annual Percentage Nominal growth in VAT Allocation using National Nominal GDP growth of 5% with a 2% reduction in 2020
	5. IGR	Annual Percentage Nominal growth in IGR using National Nominal GDP growth of 5% with a 2% reduction in 2020
	6. Capital Receipts	Annual Percentage Nominal growth in capital receipts using National Nominal GDP growth of 5% with a 2% reduction in 2020
	Grants	Annual Percentage Nominal growth using National Nominal GDP growth of 5% with a 2% reduction in 2020
<b>Expenditure</b>	<b>Expenditure</b>	
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Annual nominal inflation rate growth of 11.4%
	2. Overhead costs	Annual nominal inflation rate growth of 11.4%



	3. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Annual nominal inflation rate growth of 11.4%
	4. Capital Expenditure	Annual Percentage Nominal growth in Capital Expenditure using National Nominal GDP growth of 5%
		<b>Projection Methodology</b>
<b>Closing Cash and Bank Balance</b>	<b>Closing Cash and Bank Balance</b>	Target is annual Cash and Bank Balance
<b>Debt Amotization and Interest Payments</b>	<b>Debt Outstanding at end-2019</b>	
	External Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMO. Include the external debt service paid through FAAC deductions
	Domestic Debt - amortization and interest	Amortization and interest payments estimated using profiles recorded in the DMD. Include the ones paid directly by the State and through FAAC deductions and a 25% annual reduction
	<b>New External Financing</b>	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Redemption profile linear, repayment in 40 years with 5-year grace period. Interest rate: fix at 1%



2. Information on Outstanding Debt Stocks, Amortizations (Principal) Payments, and Interest Payments (See Note 2 in Guidance for Completing Data Request for State DSA)

Outstanding external debt stock by categories

Total External Debt - Stocks	US Dollars	Million	47.00	45.00	63.00	67.00	65.00	
World Bank (WB) (including International Development Association (IDA) and IBRD)	US Dollars	Million	47.00	45.00	63.00	67.00	65.00	

African Development Bank (AfDB) [including African Development Fund (AfDFP) and Africa Growing Together FUND]

US Dollars

Million

Multilateral Creditor (1) [Insert name]

US Dollars

Million

Multilateral Creditor (2) [Insert name]

US Dollars

Million

Multilateral Creditors (others) [insert list of all]

US Dollars

Million

Bilateral Creditor (1) [Insert name]

US Dollars

Million

Bilateral Creditor (2) [Insert name]

US Dollars

Million

Bilateral Creditors (others) [insert name]

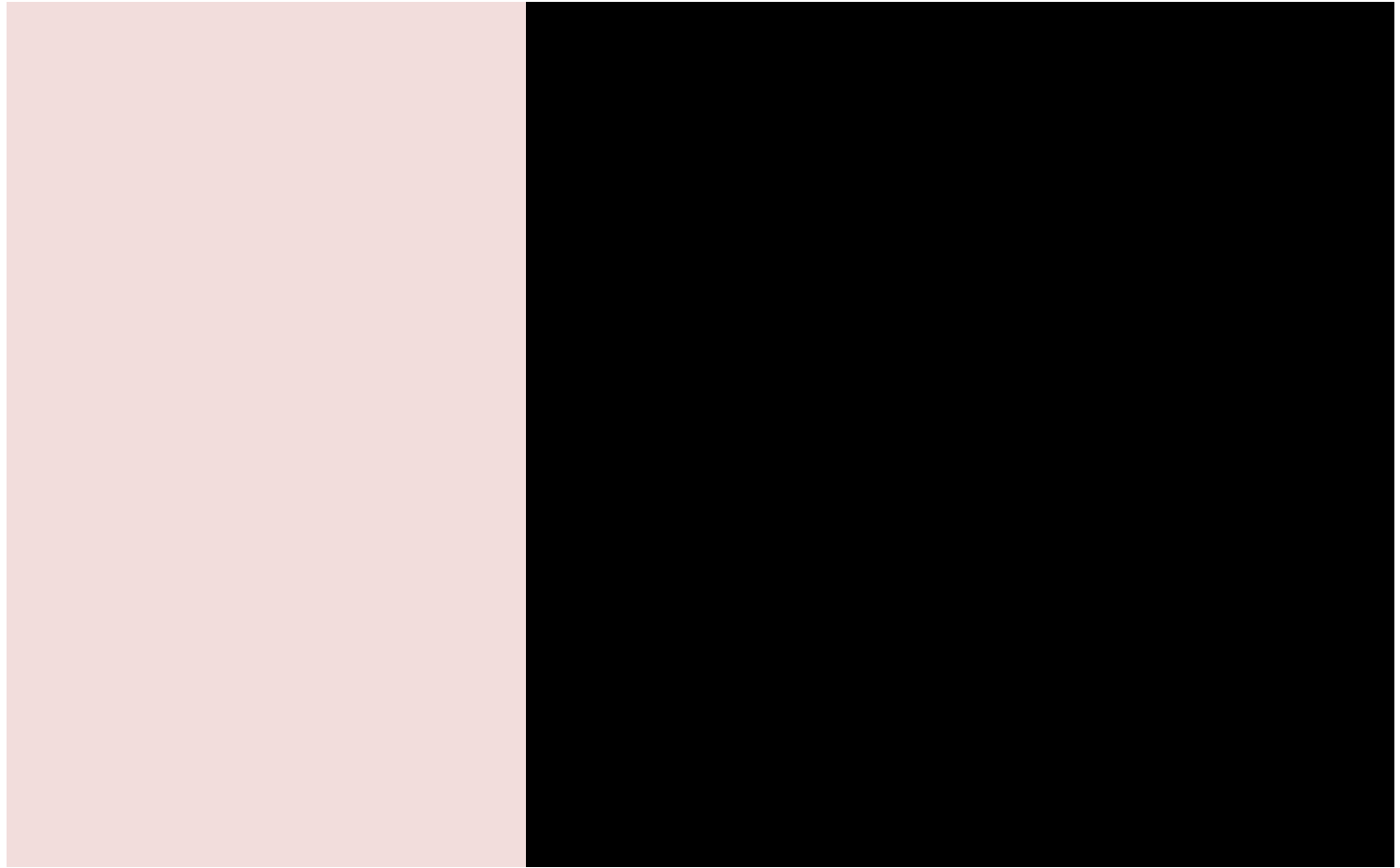
US Dollars

Million

Other External Debt

US Dollars

Million



Outstanding domestic debt stock by categories (matching State Quarterly Domestic Debt Report)

<b>Total Domestic Debt - Stocks</b>	Naira	Million	34,169.00	28,058.00	34,613.00	58,161.00	48,737.00	
Budget Support Facility	Naira	Million	0.00	0.00	0.00	17,569.00	17,530.00	
Salary Bailout Facility	Naira	Million	4,041.00	3,967.00	3,881.00	3,787.00	3,679.00	
Restructured Commercial Bank Loans (FGN Bond)	Naira	Million	0.00	0.00	0.00	0.00	0.00	
Excess Crude Account Backed Loan	Naira	Million	9,820.00	9,182.00	7,943.00	9,363.00	9,118.00	
Commercial Banks Loans	Naira	Million	4,617.00	0.00	2,686.00	2,241.00	0.00	
State Bonds	Naira	Million	0.00	0.00	0.00	0.00	0.00	
Commercial Agriculture Loan (CBN Development Financing Facility)	Naira	Million	1,873.00	1,176.00	5,559.00	5,281.00	6,152.00	
Infrastructure Loan (CBN Development Financing Facilities)	Naira	Million	0.00	0.00	0.00	0.00	0.00	

Micro Small and Medium Enterprise Development Fund (CBN Development Financing Facility)

Naira Million

0.00 0.00 0.00 0.00 2,000.00

Judgement Debts

Naira Million

90.00 93.00 93.00 100.00 185.00

Government-to-Government Debts

Naira Million

0.00 0.00 0.00 0.00 0.00

Contractors' Arrears

Naira Million

12,432.00 10,455.00 10,455.00 10,455.00 2,500.00

Pension and Gratuity Arrears

Naira Million

564.00 2,004.00 2,855.00 7,407.00 7,470.00

Salary Arrears and Other Staff Claims

Naira Million

477.00 926.00 926.00 1,743.00 0.00

Other Debts

Naira Million

255.00 255.00 215.00 215.00 103.00

Amortization (principal) Payments corresponding to Outstanding external debt by categories

Total External Debt - Amortizations (principal) Payments

US Dollars Million

1.00 0.95 0.80 0.95 1.10 0.66 1.25 1.88 2.32 2.32 2.32 2.32 2.56 2.68 2.84

World Bank (WB)  
(including  
International  
Development  
Association (IDA)  
and IBRD)

US  
Dollars

Million

1.00

0.95

0.80

0.95

1.10

0.66

1.25

1.88

2.32

2.32

2.32

2.32

2.56

2.68

2.84

African  
Development Bank  
(AfDB) [including  
African  
Development Fund  
(AFDF) and Africa  
Growing Together  
FUND]

US  
Dollars

Million

Multilateral  
Creditor (1) [Insert  
name]

US  
Dollars

Million

Multilateral  
Creditor (2) [Insert  
name]

US  
Dollars

Million

Multilateral  
Creditors (others)  
[Insert list of all]

US  
Dollars

Million

Bilateral Creditor  
(1) [Insert name]

US  
Dollars

Million

Bilateral Creditor  
(2) [Insert name]

US  
Dollars

Million

Bilateral Creditors  
(others) [Insert  
name]

US  
Dollars

Million

Other External  
Debt

US  
Dollars

Million





Micro Small and Medium Enterprise Development Fund (CBN Development Financing Facility)

Naira Million

0.00 0.00 0.00 0.00 0.00 0.00 313.00 386.00 398.00 410.00 422.00 72.00 0.00 0.00 0.00

Judgement Debts

Naira Million

0.00 0.00 0.00 93.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

Government-to-Government Debts

Naira Million

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 0.00

Contractors' Arrears

Naira Million

0.00 1,977.00 0.00 0.00 0.00 625.00 468.75 351.56 263.67 197.76 148.31 111.24 83.43 62.57 46.93

Pension and Gratuity Arrears

Naira Million

0.00 0.00 1,460.00 3,472.00 343.00 1,867.50 1,400.62 1,050.47 787.86 590.88 443.17 332.38 249.28 186.96 140.22

Salary Arrears and Other Staff Claims

Naira Million

0.00 0.00 0.00 0.00 1,743.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

Other Debts

Naira Million

0.00 0.00 0.00 0.00 215.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

Interest Payments corresponding to Outstanding external debt by categories

Total External Debt - Interest Payments

US Dollars Million

0.39 0.40 0.39 0.49 0.54 0.10 0.18 0.19 0.20 0.19 0.19 0.47 0.45 0.44 0.41

World Bank (WB) (including International Development Association (IDA) and IBRD)

US Dollars Million

0.39 0.40 0.39 0.49 0.54 0.10 0.18 0.19 0.20 0.19 0.19 0.47 0.45 0.44 0.41

African Development Bank (AfDB) [including African Development Fund (AfDFP) and Africa Growing Together FUND]

US Dollars

Million

Multilateral Creditor (1) [Insert name]

US Dollars

Million

Multilateral Creditor (2) [Insert name]

US Dollars

Million

Multilateral Creditors (others) [Insert list of all]

US Dollars

Million

Bilateral Creditor (1) [Insert name]

US Dollars

Million

Bilateral Creditor (2) [Insert name]

US Dollars

Million

Bilateral Creditors (others) [Insert name]

US Dollars

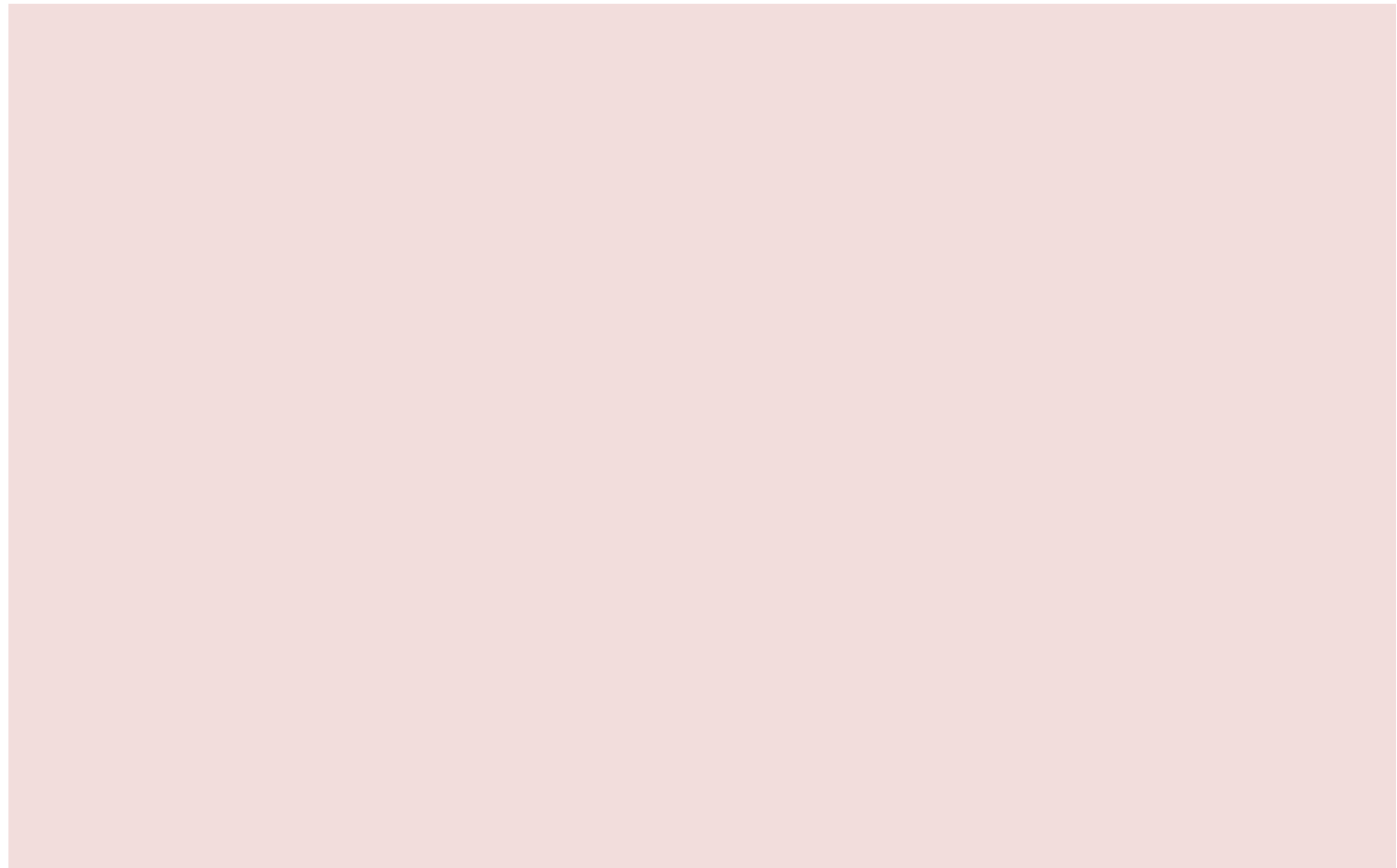
Million

Other External Debt

US Dollars

Million

Interest Payments corresponding to Outstanding domestic debt by categories





Salary Arrears and Other Staff Claims	Naira	Million	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	
Other Debts	Naira	Million	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	0.00

**3. Information on Revenues, Expenditure, and Financing Needs and Sources (See Note 3 in Guidance for Completing Data Request for State DSA)**

<b>Revenue</b>	Naira	Million	58,090.00	42,072.00	69,862.00	63,741.00	81,615.00	73,162.48	76,820.19	80,660.76	84,693.35	88,927.55	93,373.44	98,041.61	102,943.16	108,089.77	113,493.69
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Naira	Million	25,181.00	17,737.00	24,252.00	38,085.00	37,031.00	36,290.38	38,104.90	40,010.14	42,010.65	44,111.18	46,316.74	48,632.58	51,064.21	53,617.42	56,298.29
of which Net Statutory Allocation ('net' means of deductions)	Naira	Million	18,730.00	13,325.00	19,180.00	30,462.00	30,286.00	29,680.28	31,164.29	32,722.51	34,358.63	36,076.57	37,880.39	39,774.41	41,763.13	43,851.29	46,043.86
of which Deductions	Naira	Million	6,451.00	4,412.00	5,072.00	7,623.00	6,745.00	6,610.10	6,940.61	7,287.64	7,652.02	8,034.62	8,436.35	8,858.17	9,301.07	9,766.13	10,254.43
2. Derivation (if applicable to the State)	Naira	Million	0.00	0.00	0.00	0.00	40.00	41.60	43.26	44.99	46.79	48.67	50.61	52.64	54.74	56.93	59.21



1. Personnel costs  
(Salaries, Pensions,  
Civil Servant Social  
Benefits, other)

Naira Million

13,652.00 11,563.00 12,965.00 13,317.00 13,585.00

14,264.25 14,977.46 15,726.34 16,512.65 17,338.29 18,205.20 19,115.46 20,071.23 21,074.79 22,128.53

2. Overhead costs

Naira Million

7,708.00 14,216.00 14,614.00 13,447.00 11,752.00

11,516.96 12,092.81 12,697.45 13,332.32 13,998.94 14,698.88 15,433.83 16,205.52 17,015.80 17,866.59

3. Interest  
Payments (Public  
Debt Charges,  
including interests  
deducted from  
FAAC Allocation)

Naira Million

1,556.00 785.00 1,470.00 2,089.00 2,313.00

of which Interest  
Payments (Public  
Debt Charges,  
excluding interests  
deducted from  
FAAC Allocation)

Naira Million

191.00 0.00 44.00 224.00 0.00

of which Interest  
deducted from  
FAAC Allocation

Naira Million

1,365.00 785.00 1,426.00 1,865.00 2,313.00

2983.08 2842.29 2688.29 2519.85 2335.61 2174.80 2104.88 2041.92 1973.05 1897.72

4. Other Recurrent  
Expenditure  
(Excluding  
Personnel Costs,  
Overhead Costs  
and Interest  
Payments)

Naira Million

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

Naira Million

11,048.00 19,071.00 31,143.00 43,642.00 39,943.00

39,144.14 41,101.35 43,156.41 45,314.24 47,579.95 49,958.94 52,456.89 55,079.74 57,833.72 60,725.41

6. Amortization  
(principal)  
payments

Naira Million

6,860.00 8,244.00 3,960.00 6,203.00 6,673.00

of which  
Amortization of  
Domestic bonds

Naira Million

4,565.00 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

of which Amortization of Commercial bank loans	Naira	Million	2,104.00	8,004.00	3,716.00	5,913.00	6,334.00	1500.82	1641.61	1795.60	1964.04	2148.29	1081.52	671.17	734.13	802.99	878.32
of which Amortization of External loans	Naira	Million	191.00	240.00	244.00	290.00	339.00										
<b>Budget Balance (' + ' means surplus, '-' means deficit)</b>	Naira	Million	17,266.00	-11,807.00	5,710.00	-14,957.00	7,349.00										
<b>Opening Cash and Bank Balance</b>	Naira	Million	9,000.00	25,744.00	20,870.00	24,948.00	14,675.00										
<b>Closing Cash and Bank Balance</b>	Naira	Million	25,744.00	20,870.00	24,948.00	14,675.00	24,049.00	27,088.31	30,669.14	34,970.48	40,040.90	45,998.94	54,035.51	63,635.91	74,053.93	85,271.51	97,289.70

4. Information on  
Planned  
Borrowings  
Creating New  
Debt (new bonds,  
new loans, etc.)  
(See Note 4 in  
Guidance for  
Completing Data  
Request for State  
DSA)







**Total Gross Borrowing Requirements (calculated by the State DSA Template Baseline Scenario)**

Naira	Million																																						
																					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	0.00	0.00	0.00	0.00

**Borrowing Terms of New Debt (issued/contracted from 2020 onwards)**

**Borrowing Terms for New Domestic Debt (issued/contracted from 2020 onwards)**

	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans and MSMEDF)	10.00%	5	4
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans and MSMEDF)	10.00%	5	4
State Bonds (maturity 1 to 5 years)	10.00%	5	4

State Bonds (maturity 6 years or longer)	10.00%	5	4
Other Domestic Financing	10.00%	5	4

**Borrowing Terms  
for New External  
Debt  
(issued/contracted  
from 2020  
onwards)**

	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	10.00%	10	0
External Financing - Bilateral Loans	10.00%	10	0
Other External Financing	10.00%	10	0

**Ebonyi State Technical Team**

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Ministry of Finance	- Mr. Agu, David Onyinyechi
Ministry of Finance	- Mr. Samuel Oguta
Office of the Accountant General	- Mrs. Mfon Williamson
Budget and Planning	- Mr. Nwachukwu Nwankwegu
Revenue and Statistics	- Mr. Irem Sylvester

Approved By



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**Orlando Okechukwu Nweze**  
**Honorable Commissioner for Finance**