



# **CROSS RIVER STATE**

**DEBT SUSTAINABILITY ANALYSIS**

**&**

**DEBT MANAGEMENT STRATEGY**

**(DSA - DMS) REPORT**

**2021**

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**2021**

**CROSS RIVER STATE DEBT SUSTAINABILITY ANALYSIS**

**AND DEBT MANAGEMENT STRATEGY**

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## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background**

Cross River State's Debt Sustainability Analysis used the toolkit developed by Debt Management Office, Abuja and reviewed by the World Bank to analyze the trends and patterns in the State's public finance during the period 2016-2020 historically, and also evaluate the ability of the State to sustain its debt in the long term 2021-2030. In conducting this exercise, the State's Technical Team looked at recent Revenue figures, Expenditures, Public Debt trends and other related policies was adopted in line with State's policy thrust. To ensure true assessment of the exercise, a sub-national assessment was conducted using baseline scenarios and sensitivity analysis to evaluate the prospective performance of Cross River State's Public finances going forward. The purpose of this laudable assessment is to assist Cross River State in striking a balance between the State's program execution and new borrowings to utilizing recent trends in the State's Public Debt Finances. The essence of the debt strategy is to ensure that the government's financing needs and payment obligation are met at the lowest possible cost, consistent with a prudent degree of risk. The DSA results also depended on the forecasts made by the Nigerian economy (GDP growth, oil production and prices and exchange rate). In order to evaluate the prospective performance of the State's public finances, trainings and virtual meetings were conducted by DMO in collaboration with the WORLD BANK. Data from the DMO and WORLD BANK was adapted for some historical and projected figures. We, equally used data collated from the State published Financial Statement for the period 2016-2020 and did projections from 2021-2030 in percentages. Although, in some cases we had to establish 2021 figures by dividing the historical figures according to the number of years. Information was obtained from DMO, WB, Cross State River Ministry of Finance, Accountant General's Office, National Bureau of Statistics, Internal Revenue Service, and Economic Planning Commission in populating the template, with Microsoft Excel. A committee was put in place to validate the procedure, recording, evaluation and analysis of the data collated and ensure its authenticity.

#### **1.2 Summary of Findings**

The result of Cross River State Debt Sustainability Analysis shows that the State's debt portfolio appears to be sustainable in the long term. The State has made giant strides in IGR mobilization through the recently improved, tax administration reforms. The State's revenue office is now autonomous with more competent personnel to drive the process of collections and the assistance of up to date technology. The State has finished plans to drive development levy as a new revenue head, this will help to beef-up revenues. Following the forecast trends for the economy and reasonable assumptions made concerning revenue and expenditure policies, there is every need to cut down on recurrent expenditure in order to reduce the deficit which can mar the forecast by increasing debt stock and debt service payment appropriately. The

impact of COVID-19 pandemic on prices of crude oil will most likely reduce the statutory allocation to the State from FAAC.

**1.2.1.** The emphasis now, the world over is on diversification and the need to increase revenue to meet up with exigencies. Realizing this posture, we assumed that all things being equal, the State revenue will grow astronomically in the coming years to take care of recurrent expenditures. The projection on Statuary Revenue and other sources revenue will greatly help to boost the economy and galvanize the system. However, the assumption proffered will be able to sustain expenditure in the future.

**1.2.2.** The Expenditure involves the Personnel Costs, Overhead Costs and the capital expenditures, all these costs are expected to grow dependent on the growth in revenue. The State forecasts, based on the assumption shows that revenue will sustain expenditure in the future.

**1.2.3.** It is observed that the State exhibits a debt stock position that seems to be sustainable in the long term, if the tax laws and administration are actually reform for the purpose of collecting more revenue. This position is premise by the fact that conscious efforts are on top gear to review some of our tax laws to work in tandem with current trends of events. At the moment the State is pursuing a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. This is made possible by the emergence of mix of sources of finance, including external and concessional loans and domestic low-cost financing. Considering the State's budget and financing policies spelt out in the relevant State finance laws, the medium term cost-risk profile for the public debt appears inconsistent with debt management objectives. Besides, FAAC allocation to the State is dwindling day by day, due to loss of oil wells and unstable oil prices in the world market. However, there are other reforms aimed at industrializing State-owned companies to increase IGR. The growth in revenue will not automatically revive the frontals of the State both in the medium and long-term if expenditure is not control. For this reason, our forecast therefore for the economy and assumptions made for the revenue and expenditure policies will sustain the public debt outlook.

### **1.3 Overall Results**

**1.3.1.** It is obviously that the State is clouded with very huge debt burden. This burden is caused by shortfall in revenue to settle outstanding debts, the consequent of this scenario is that the State is unsustainable. However, only one stream of payment is done which is those facility that are tied to irrevocable standing payment order, while other debts are left hanging. All things being equal and going forward, debt will be settled at due date and the trend points to the fact that the State will be sustainable in the future.

## CHAPTER TWO

### 2.0 CROSS RIVER STATE FISCAL AND DEBT FRAMEWORK

#### 2.1 FISCAL REFORMS IN THE LAST 4-6 YEARS

Within the past 4-6 years, the Cross River State Government had instituted, adopted and implemented a number of fiscal reforms to ensure transparency, accountability, and sustainability in the sourcing, management and utilization of State Public Financial resources for the purpose of achieving good governance in the State. Amongst these were the formulation/enactment and revision of various fiscal policies, Laws and plans for improved revenue generation, budgeting, accounting and auditing; effective and efficient treasury management; procurement of goods, works and services as well as sustainable debt management. The following highlights the outstanding fiscal policy legislations, strategies/programmes and initiatives rolled out for implementation within the public finance sector during the period:

- CRS Public Finance Law NO.12
- CRS Fiscal Responsibility Law NO. 13
- CRS Debt Management Department Law NO. 5
- CRS Public Procurement Law NO.1 ( Amended)
- CRS Amended Revenue Administration Law NO. 16
- CRS Local Government Harmonized fees/ Rates and Charges (2015)
- CRS Harmonized Fees, Levies and Charges for MDAs ( CRS House of Assembly Resolution 43 of Sept. 2016)
- Consolidated Revenue Code
- Implementation of the National minimum wage increase to workers of the State based on State Government's affordability
- Automation of Internal revenue collections through the pay-direct system platform
- Development and implementation of the Fiscal Strategy Paper (2020-2022) and the 2021 Proposed Medium Term Expenditure Framework to facilitate budget planning and expenditure monitoring and reporting
- Domestication of the National Chart of Accounts for budgeting, accounting and reporting
- State implementation of the 22 Point Fiscal Sustainability Plan (FSP 2015-2018) of the Federal Government for Budget Support Facility which was designed to improve transparency and accountability, increase public revenue, rationalize public expenditure, improve public finance management and facilitate sustainable debt management.
- Implementation of the Ministerial Single Account(MSA) /Treasury Single Account(TSA)
- Development and implementation of the CRS Growth and Development Strategy (2018-2048) with emphasis on infrastructural development and industrialization of the State

- Participation in and implementation of the EU-World Bank Assisted State and Local Government Reforms Project and the on-going FGN-World Bank assisted State Fiscal Transparency, Accountability and Sustainability Program for Results (SFTAS PforR)
- Biometric Registration of all State Civil Servants and pensioners and the linkage of Payroll with Bank Verification Number (BVN) to reduce payroll fraud
- Implementation of COVID-19 Tax Compliance Relief Program for individual tax payers and businesses. etc.

The implementation of the above fiscal measures ( some of which are still ongoing ) by the Cross River State Government have impacted immensely on the fiscal variables of revenues and expenditures of the State not only for the period 2015-2020 but would continue to do so even in the medium term and long term.

## **2.2 2021-2023 Medium-Term Expenditure Framework (MTEF), 2021 Appropriation Act (Budget)**

### **2.2.1 Approved 2021 Budget**

The 2021 State’s budget was prepared with many unforeseen problems in the global trend and the domestic front due to fall in global oil prices, instability, and the coronavirus pandemic which have serious effects to the State’s economy.

From the foregoing fiscal assumptions and parameters, the State total revenue made to fund the 2021 budget is estimated at N178.577 billion. This includes Internal Generated Revenue, Statutory Allocation, Value Added tax, Domestic Grants, Foreign Grants, Opening Balance, Domestic Loans, Foreign Loans, and Sale of Government Assets.

The expenditure of N178.824b is proposed by the State Government in 2021. These is made up of; Debt Repayment (Principal and Interest), statutory transfers, Recurrent Expenditure and Capital Expenditure.

### **2.2.2 Indicative Three Year Fiscal Framework**

The indicative three year fiscal framework for the period 2021-2023 is presented below.

<b>CROSS RIVER STATE MEDIUM TERM FISCAL FRAMEWORK</b>			
<b>MACRO-ECONOMIC FRAMEWORK</b>			
<b>ITEM</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
National Inflation	16.91percent	13.25percent	11.77percent
National Real GDP Growth	3.35percent	3.85percent	4.3percent
Oil Production Benchmark (MBPD)	2.2mbpd	2.36mbpd	3.36MBPD
Oil Price Benchmark	\$35	\$55	\$65
NGN:USD Exchange Rate	N379	N379	N379
Non-Oil (NbN) GDP	145,616.6	163,438.8	154,527.70
Oil GDP	13,873.9	16,146.1	17,585.90
Consumption (NbN)	136,214.70	151,079.70	183,588.80

Recurrent Revenue			
Statutory Allocation	50,739	58,461	60,334
VAT	16,757	19,270	22,161
IGR	22,495	24,744	25,981
Other FAAC Revenues	3,299	3,499	3,569
<b>Total Recurrent Revenue</b>	<b>93,290</b>	<b>105,975</b>	<b>112,045</b>
Recurrent Expenditure			
Personnel Cost	24,315	26,747	29,421
Overhead Cost	6,951	7,299	7,664
Consolidated Fund	11,223	13,071	11,259
Public Debt Charge	18,176	21,343	20,941
<b>Total</b>	<b>60,665</b>	<b>68,459</b>	<b>69,285</b>
<b>Transfer to Capital Account</b>	<b>32,625</b>	<b>37,516</b>	<b>42,760</b>
Capital Receipts			
Grants	10,968	11,187	11,411
Other Capital Receipts	45,321	48,785	50,374
<b>Total</b>	<b>56,289</b>	<b>59,973</b>	<b>61,785</b>
Reserves			
Contingency Reserve	0	0	0
Planning Reserve	0	0	0
<b>Total Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital Expenditure	<b>57,644</b>	<b>67,237</b>	<b>72,375</b>
Discretionary Funds	37,431	43,562	45,625
Non-Discretionary Fund	20,213	23,675	26,750
<b>Financing</b>	<b>11,893</b>	<b>11,085</b>	<b>17,949</b>
<b>Total Budget Size</b>	<b>161,472</b>	<b>177,032</b>	<b>191,779</b>
Ratios			
Growth in Recurrent Revenue	25.15percent	12.31percent	5.43percent
Growth in FAAC	36.71percent	14.64percent	6.04percent
Growth in IGR	-22.00percent	4.0percent	4.0percent
Growth of State GDP	19.61percent	10.88percent	10.49percent

The MTEF projections are N161.472 billion for 2021 and N177.032 billion for 2022, while some meaningful projections will be rolled over to 2023 and 2024 within the MTEF period. This will certainly equate inflow and outflow and balance the budgets of 2021 and 2022. The Strategy will give a deficit balance that is reducible from the bigger project provisions. In all, each sector will add up 40 percent in 2021 and also in 2022 and 2023.

The budget policy thrust for 2021-2023 is a commitment to create a conducive environment to enable Foreign Direct Investment and complete on-going projects in the State. The State is warming up to actualize the gains of previous budget and industrialization of the State.

However, proposed 2021 revised budget decreased by 86.63 percent from One Trillion, One Hundred Billion, One Hundred and Sixty Eight Million, Six Hundred and Sixty Five Thousand, One Hundred and Thirteen Naira (N1,100,168,654,113.00) to One Hundred and Forty Seven Billion, Eighty-Seven Million, Two Hundred and Forty Eight Thousand, Eight Hundred and Seventy Three and Ninety One Kobo (N147,087,248,873.91). The formulation of the State Budget was based on the Federal Government Oil Prices of \$35 per barrel. The 2022 approved budget also depended on the Federal Government Oil price of \$55 per barrel, as was expressed in the Medium Term Expenditure Framework.

The Internally Generated Revenue in the approved budget was N72, 954,573,267 as against the sum of N20, 725,030,427 in the 2020 Revised Budget. This indicates a reduction of N52, 229,542,840. The following reasons are adduced for the drastic deductions:

- a. Fear of COVID- 19 pandemic is still affecting the overall collection of revenue
- b. Most of the business centers were closed, thus it became impossible to generate revenue,
- c. The introduction of a policy of tax cut and exemption of some individuals' tax payers and businesses.
- d. The original 2021 budget was over ambitious with outrageous forecast on revenue generation. However, the revised budget took care of all the blotted figures to ensure realistic collectable revenue.

The Personnel Cost, Overhead Cost and the Consolidated Fund Charges were all reduced in the revised budget to realistic numbers. The Capital Expenditure was also affected because of overdependence on MOUs which were never achieved. The original budget has N915, 268,606,107 as against N70, 793,770,666 in the revised budget. The State was expectant of receiving grants within the year and made a provision of N200, 000,000 which never came. In the revised budget, all Foreign Direct Investment and External Grants were dropped. This drop affected the reduction observed in the 2020 revised budget. The Commercial loans projection was N111, 354,382,939 against N39, 000,000,000 in the revised budget which is considered reliable and achievable.

The proposed 2021 budget size is N276b against N147b in the 2020 revised budget. This gives an increase of 47.02 percent. The effect of COVID 19 pandemic reduced efficiency in revenue collection, but with gradual subsiding of the pandemic, businesses are resuming fully. In that regard, the market economy ratio of 30 percent increase was used to determine 2021, 2022

and 2023. It is believed that farm work will stabilize and taxes defreeze will be freeze by Government policy.

### **2.3 Medium-Term Debt Management Strategy (MTDS)**

Cross River State Medium Term Management Strategy 2021-2023 is formulated to guide the borrowing activities of Government in the medium term. The framework compares alternative funding strategies available and pursue the desired structure of debt portfolio that reflects the selected strategy considering the costs and risk trade-offs in the medium term. However, the performance review for the indicators was not encouraging because the outcomes went beyond the targets set in the strategy. In the MTDS document we adapted a debt portfolio target of 60:40 for both domestic and external financing. This was done to encourage the domestic markets. At the moment, there is a significant drop in revenue due to pronouncement by the Governor on tax exemption to particular classes of workers and businesses. This has adversely affected Government's funding and presenting additional borrowing requirement to the Government.

#### **The Key Objectives of Approved 2021 Budget**

- a Ensure leveraging on the comparative advantage in Agriculture and Tourism to create job opportunities in the State;
- b Ensure the completion of all on-going Capital projects and sustain the current investment in infrastructural facilities;
- c Sustain and intensify the current efforts in independent revenue generation;
- d Improve the State's public financial management to entrench transparency, accountability and integrity;
- e Develop the social and economic infrastructure to support development in all ramifications;
- f Strategic diversification of the State's economy using the Public Private Partnership model

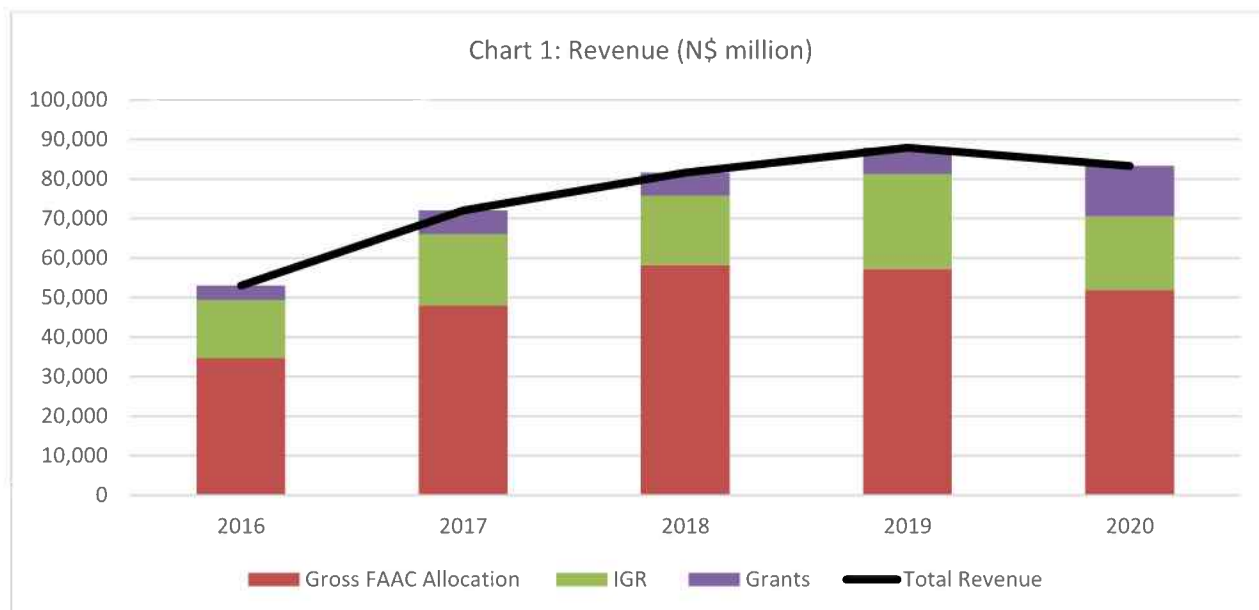
## CHAPTER THREE

### 3.0 REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE, 2016-2020

#### 3.1 REVENUE PERFORMANCE

There had been steady decline in revenue from 2016-2020, but in 2020 it was drastic as a result of COVID 19 pandemic. These pandemic affected all sectors of the economy including oil prices which invariably affected federation crude oil receipts as well as the Gross Statutory Allocation. Cross River State's revenue as at year 2020 is N83, 498.66 billion compared to N109, 549.47 billion in 2019 with a decrease of N26, 050.81 billion or 23.78 percent. The Revenue has improved from 2016-2020, as a result of this growth in the financial resources to the real economy, there will be effective implementation of the economic policies in the State. The Gross FAAC allocation is made up of Statutory, VAT, other FAAC Transfers allocations, is N57, 187.00 billion in 2019 to N51, 784.00 billion in 2020, which represents a decline of N5, 403.00 or 9.45%, the decline was as a result of the COVID-19 pandemic in 2020, that affected the price of crude oil globally and invariably has adverse consequences in statutory inflows to the State. In recent times, it has been observed that the federal allocation, including transfers from the excess crude account fell by 35 percent for the period 2016-2020, while as a percentage of GSDP, it fell from 1.3 percent in 2016 to 0.97 percent in 2020. The decline is largely attributable to a slide in federal oil receipts due to low oil prices and rebel attacks on oil production facilities. The State's Internally Generated Revenue (IGR) is galloping during the period under review, it shows an upward increase from N14, 721.04 billion in 2016 to N18, 745.57 billion in 2020. The determinant for the variations of the IGR has been the Tax laws and administration Reforms aimed at improving the collection of rates and broadening the tax revenue base. Suffice it to say that the State is witnessing strong IGR growth during the reviewed period. IGR grew by 19.60 percent in 2016 to 22.45 percent in 2020 as a share of aggregate revenue. These tax laws, expansion of the tax net, dedicated staff, and the automaton of the collection system introduced by the current Government will go a long way to tax collection and address cases of leakages often found in tax collection.

	'2016	'2017	'2018	'2019	'2020
<b>Total Revenue</b>	<b>75,118.63</b>	<b>87,210.47</b>	<b>121,048.49</b>	<b>109,549.47</b>	<b>83,498.66</b>
<b>Gross FAAC Statutory</b>	20,499.00	33,511.00	42,759.00	41,624.00	32,983.00
<b>Derivatives</b>	1,063.34	1,496.97	1,489.43	0.00	0.00
<b>Other FAAC</b>	5,040.00	3,035.00	2,989.00	3,891.00	4,230.00
<b>VAT</b>	8,011.00	9,931.00	10,932.00	11,672.00	14,571.00
<b>IGR</b>	14,721.04	18,104.56	17,552.11	24,093.84	18,745.57
<b>Capital Receipts</b>	25,784.25	21,131.94	45,326.96	28,268.63	12,969.09

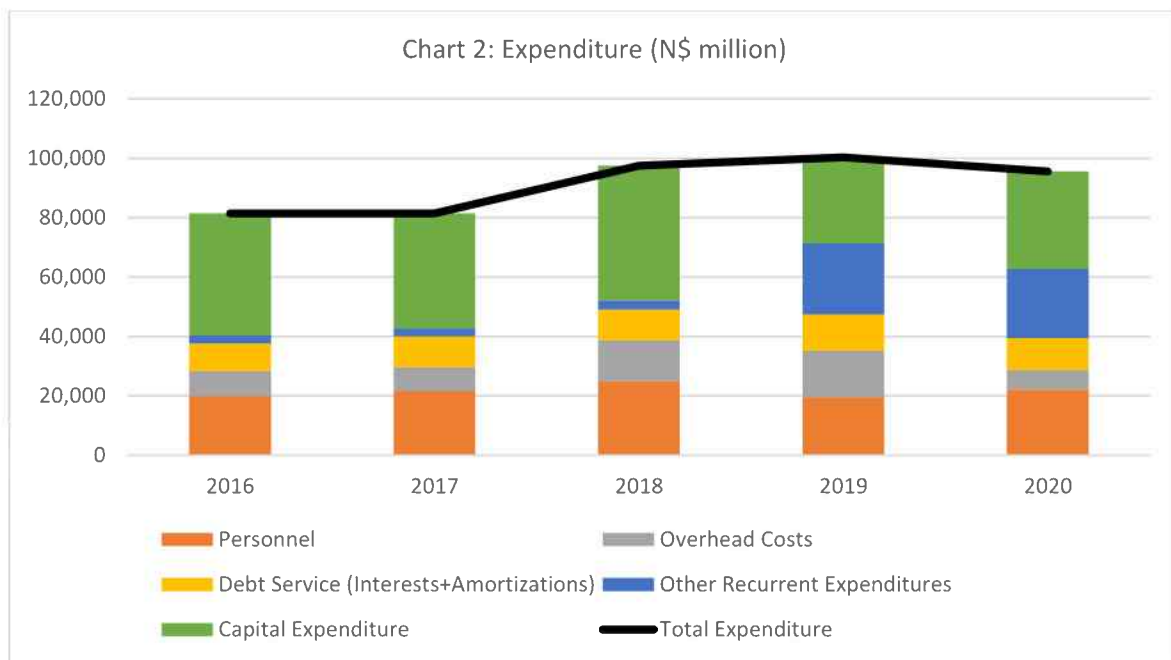


### 3.2 Expenditure Performance

#### 3.2.1 TOTAL EXPENDITURE TREND

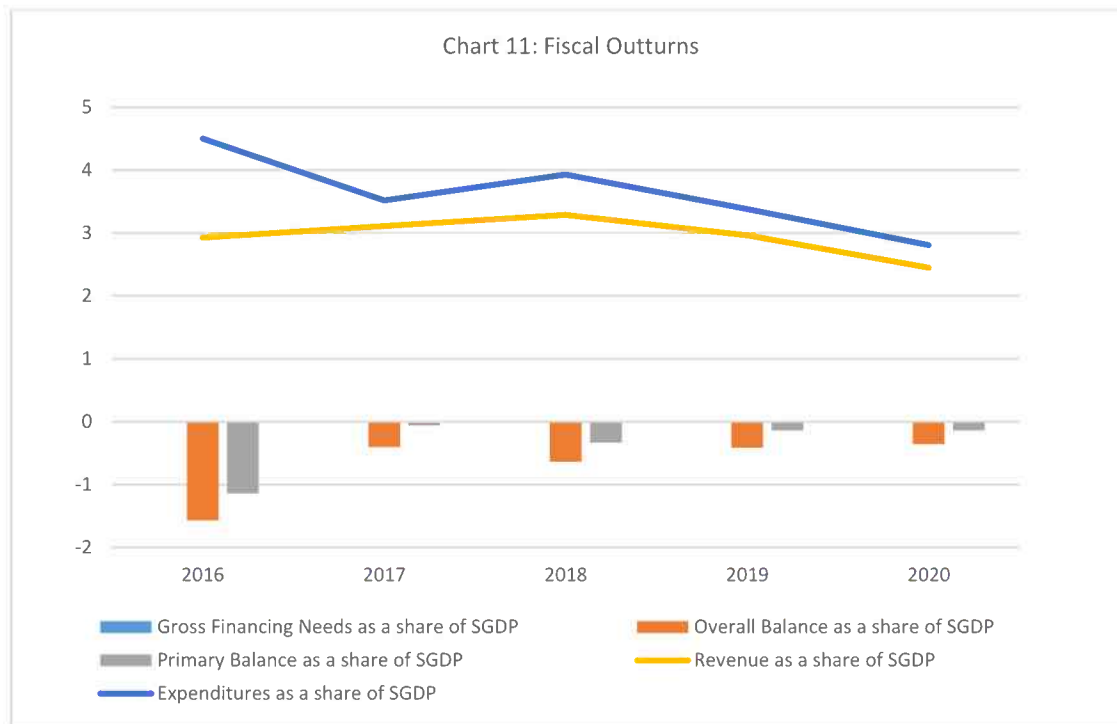
Total Expenditure trend in the last five years is stable. It is made up of Capital Expenditure, Personnel cost, Overhead costs and debt service for the period 2016 to 2020. . However, for the period 2016-2020, real aggregate expenditure grew by 23 percent. In 2020, the State's total capital expenditure was N95, 529.92 billion compared to N81, 422.53 billion, which represents an increase of N14, 107.39 billion or 14.77 percent. As a percentage of GSDP, aggregate spending decreased from 4.50 percent in 2016 to 2.81 percent in 2020. The personnel cost stood at N22, 104.61 billion in 2020, compared to N19, 469.91 billion in 2019 respectively. The overhead cost stood at N8, 620.22 billion in 2020 compared to N15, 771.00 billion in 2019 respectively. The capital expenditure stood at N32, 860.35 billion in 2020 compared to N29, 012.05 billion in 2019 respectively. Capital spending was relatively volatile but showed positive growth of 41.61 percent over the analyzed period, while recurrent expenditure registered a modest growth of 11.6percent. During the period, the bulk of expenditure went to capital expenditure representing 41 percent of total spending on average. Other expenditure represents 59 percent of the total spending. The total debt service comprises the principal payment and interest payment stood at Nbillion in 2020 compared to Nb in 2016.

	`2016	`2017	`2018	`2019	`2020
<b>Total Expenditure</b>	<b>81,422.53</b>	<b>81,423.50</b>	<b>97,407.36</b>	<b>100,291.85</b>	<b>95,529.92</b>
<b>Personal Cost</b>	19,838.13	21,498.67	24,866.92	19,469.91	22,104.61
<b>Overhead Cost</b>	8,434.08	8,142.95	13,813.76	15,771.00	6,620.22
<b>Debt Service (Interest + Amortization)</b>	9,338.84	10,304.36	10,356.70	12,097.44	10,646.70
<b>Other Recurrent Expenditure</b>	2,671.67	2,756.60	2,971.69	23,941.45	23,298.04
<b>Capital Receipts</b>	41,139.81	38,720.92	45,478.30	29,012.05	32,860.35



### 3.3 FISCAL OUTTURNS

The fiscal outturns shows that there is decline in 2016 and 2018, while in 2017 and 2019 there is hike in the outturns. Thus 2020 revenue of N83, 498.66m with 2020 expenditure of N95, 529.92 gives a negative balance of (N12.031.3). The overall balance outturns increased from 0.89 percent of SGDP in 2016 to 1.25 percent in 2020 as a result of Paris's Club refunds. In 2017 and 2020, the overall balance grew to a surplus Of 0.94 and 1.84 percent of SGDP, as a result of slight adjustment of personnel expenditure and upturn of Federal transfers. On the contrarily, primary fiscal balance declined to 0.35 percent of SGDP in 2016, and grew in-between 2017 to 2019 and fell in 2020 to 0.35 percent of SGDP, owing to the growth in capital expenditure.



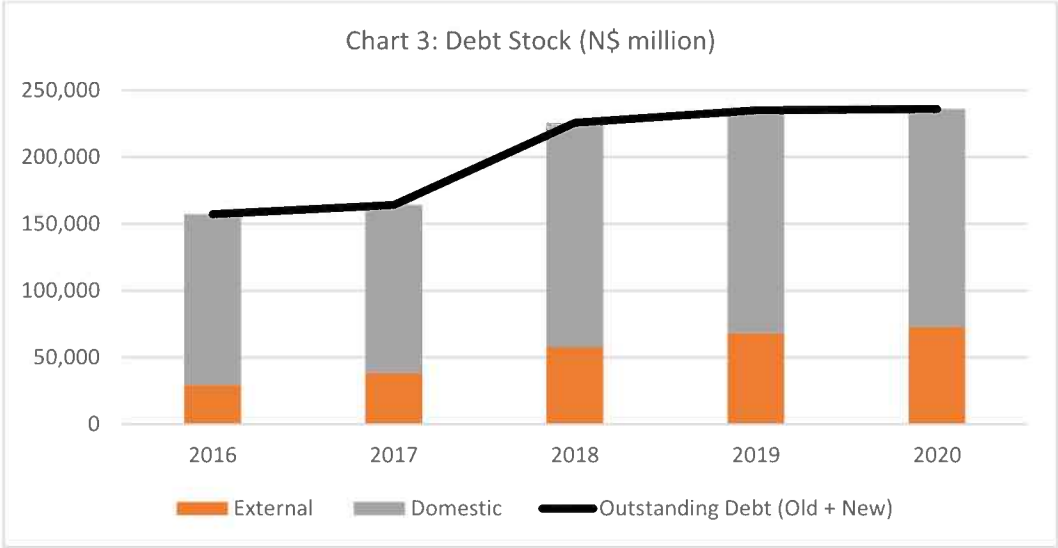
### 3.4 Cross River State Public Debt Portfolio

According to the definition as selected by DMO and World Bank; the public debt includes the explicit financial commitments like loans and securities that have paper contracts instrumenting the government promises to pay

#### 3.4.1 Public Debt Stock 2016-2020

The evolution of public debt in Cross River State started over the preceding years as a result of paucity of fund to cope with the operations of government and the inability of government to focus on credible measures aimed at reducing debt stock. The situation became so bad with the seizure of oil wells from the State. However, The Cross River State's debt stock is made up of external and domestic debts. The total debt stock in year 2020 amounted to N236, 031.90 billion compared to N245, 149.40 billion in 2019, and there was a decrease of N10, 117.50 billion or 4 percent. In 2020, the share of external debt as a percentage of total debt is 31 percent, while domestic debt is 69 percent. The External Debt is made up of: WB 31 percent and AFDB 69 percent; and Domestic Debt is made up of: the Budget Support facility 7 percent, Salary Bailout 3 percent, Restructured Commercial Bank loan 13 percent, Excess Crude Account 4 percent, State Bond 1percent, Agricultural loan 0 percent, Government to Government 9 percent, Contract arrears 17 percent,, Judgment debts 0 percent, Commercial bank loans 0 percent, Pension and Gratuity 8 percent, and other liabilities 6 percent. In all, the State's debt portfolio is largely consist of internal loans.

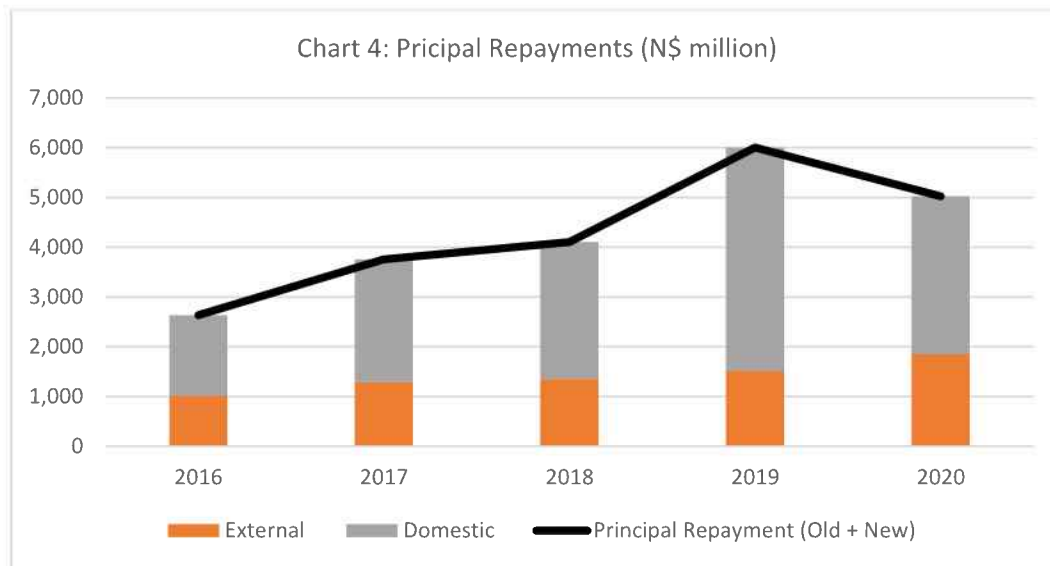
	`2016	`2017	`2018	`2019	`2020
<b>Outstanding Debt (Old+New)</b>	<b>171,727.09</b>	<b>173,277.64</b>	<b>239,499.68</b>	<b>246,149.40</b>	<b>236,031.90</b>
<b>External Debt</b>	<b>43,585.0</b>	<b>47,628.9</b>	<b>71,543.8</b>	<b>79,195.8</b>	<b>72,949.9</b>
<b>Domestic Debt</b>	128,142.09	125,648.71	167,955.85	166,953.58	163,082.00



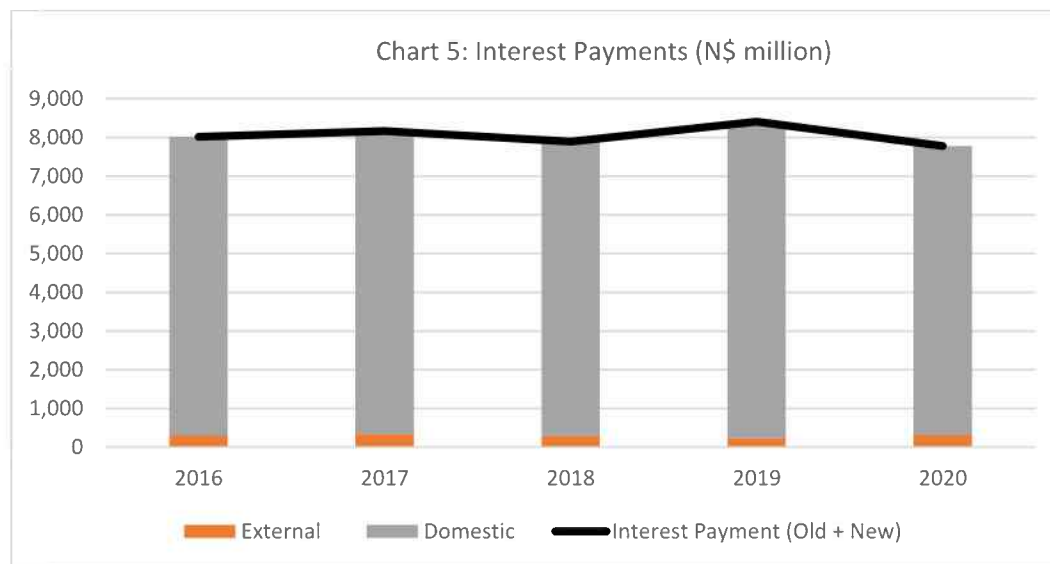
From Chart 3, there was a sharp increase in the debt stock from N171, 727.09 billion in 2016 to N236, 031.90 billion in 2020, due to additional financial commitment entered into by the State. These commitments have direct link to the increase in debt stock which occurs in years 2018, 2019, and 2020.

The State services its loan obligation as and when due despite her huge outstanding debt stock position. The total principal repayment in 2019 was N6, 248.58 billion compared to N5, 023.33 billion in 2020. Chart 4, indicates that more principal repayment was done in 2019, while in other years it was gradually done. Also, the interest repayment in 2019 was N8, 443.8 billion compared to N7, 777.9 billion in 2020. Chart 5, shows that the interest repayment was galloping all through the historical years.

	`2016	`2017	`2018	`2019	`2020
<b>Principal Repayment (Old+ New)</b>	3,137.52	4,065.56	4,422.43	6,248.58	5,023.33
<b>External Debt</b>	1,517.74	1,593.63	1,673.31	1,756.97	1,844.82
<b>Domestic Debt</b>	1,619.78	2,471.93	2,749.12	4,491.61	3,178.51



	`2016	`2017	`2018	`2019	`2020
<b>Interest Repayment (Old+ New)</b>	<b>8,160.23</b>	<b>8,241.34</b>	<b>7,959.40</b>	<b>7,443.80</b>	<b>7,777.90</b>
<b>External Service</b>	445.4	413.1	356.3	261.5	314.6
<b>Domestic service</b>	7,715.06	7,828.23	7,603.16	8,182.30	7,463.31



### 3.4.2 Cost and Risk Exposure of Public Debt Portfolio at End-2020

The State holds a low cost, high-risk debt portfolio. The debt portfolio carried an average, implicit interest rate of 8 percent in 2019-2020 and the interest payments represented by 7.8 percent of total expenditure. In addition, the debt portfolio is narrowly exposed to currency,

interest rate and rollover risks. Exposure to currency fluctuation is limited because the foreign currency-denominated liabilities are only 31 percent of the total stock. Currently most internal loans have fixed rate obligations and external loans have fluctuating rate of interest obligations, thus they are affected by changes in foreign exchange rate. As these loans have maturities running from 5 to 40 years and includes finances from the Federal Government and the World Bank, rollover risk associated with potential deterioration of domestic financial conditions are negligible.

## CHAPTER FOUR

### 4.0 CONCEPT OF DEBT SUSTAINABILITY, UNDERLYING ASSUMPTIONS, RESULT ANALYSIS AND FINDINGS

#### 4.1 Concept of Debt Sustainability Analysis

The importance of Debt Sustainability cannot be over emphasized in contemporary times. The basis of DSA is to assess how the State's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that, a key factor for achieving external and public debt sustainability is macroeconomic stability. This concept 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. It should be the duty of Government to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the State, leading to serious financial crisis.

#### 4.2 The debt sustainability indicators and thresholds

In assessing debt sustainability, thresholds are used, but there are some with thresholds and others without thresholds. Debt Sustainability is analyze through the projections for these debt burden indicators. In comparing the indicative thresholds with debt strategy. From the foregoing, Chart 21 on the Debt to GDP the threshold is set at 25 percent and in comparing it with debt Strategy 1, it shows that within this range the State is sustainable from the historical point of view and to the projected values. The Debt to Revenue is pegged at 200 percent, from the comparison with S1, shows that the State is not sustainable during the historical year up to 2022 and sustainable in subsequent years. The Debt Service to Revenue is 40 percent, this is sustainable for the projected years. The personnel cost to Revenue is 60 percent, from the S1 table, this will be sustainable through the projected years. In all the State Government is reviewing

Debt sustainability indicators without thresholds are: Debt Service to FAAC Allocation from the S1 table, the figures shown are 30.8 percent for 2016 and 24.7 percent for 2020, the projected years are fluctuating from 28.4 percent in 2021 to 34.1 in 2030 percent. The interest payment to Revenue as per the table shows; the thresholds decreasing from 15.1 percent to 9.3 percent in the historical years and increased from the projected values. The External debt service to revenue is 2.5 percent in 2016 and 2.6 percent in 2020, there are slight variations and the projected values are fluctuating as shown in the S1.table.

### 4.3 Medium Term Budget Forecast

Debt sustainability analysis of the State is predicated on the continuation of recent efforts to grow the IGR of the State annually by 10 percent all things being equal in the medium term.

Looking at the macroeconomic situation under which DSA/DMS is conducted, there are economic, financial, social and political problems all over the world. These problems have a diversionary effect on the economy. Our situation as a Nation and State is not different. The observed problems are crowding the system thereby closing up some businesses. The oil sector is not left out, we have seen cases of instability and militancy creating problems that have adversely affected oil production. Oil is the main source of revenue, and if affected, the economy is grounded. In this case, the State is trying to diversify her economy to meet temporary financial stress and increase revenue. One of the essences of the DSA, is to gradually ensure that with the postulations made, the recovery process will be essay, and the effect will be seen in the increase in FAAC statutory allocation to States. It is forecasted that, the Nigerian economy will gradually recover in the period 2022 -2024, with real GDP expanding at 2023 at an average annual rate of 3 percent and domestic inflation decreasing below 10 percent by 2023. And that, such a moderate recovery will be supported by higher oil prices in the global markets, an increase in domestic production, prudent fiscal policy, and the stabilization of the exchange rate relevant for international public-sector financial transactions at its current level. Oil and gas revenue, as well as shared resources such as custom duties and VAT, would then increase relative to the depressed observed in 2020, thus improving the State's revenue position." This ugly scenario should give rise to diversification of the economy and domestic production, by assisting the small and medium term entrepreneurs with soft loans. It will also be appropriate to come up with measures that will streamline exchange rate difference to one digit interest rate. However, the State Government is working round the clock to strengthen resources provided by IGR, as well as upgrade industries that are attracted to the State through industrialization drive, which are expected to continue in the next few years.

<b>Cross River State Debt Burden Indicators as at end-2020</b>		
<b>Indicators</b>	<b>Thresholds</b>	<b>Ratios</b>
Debt as percentage of GDP	25 percent	6.94
Debt as percentage of Revenue	200 percent	283.33
Debt Service as percentage of Revenue	40 percent	15.37
Personnel Cost as percentage of Revenue	60 percent	26.37
Debt Service as percentage FAAC Allocation	Nil	24.72
Interest Payment as percentage of Revenue	Nil	9.34
External Debt Service as percentage of Revenue	Nil	2.59

Considering our outstanding debt position and the need to develop the State, various tax laws and administration have been put in place to strengthen tax drive and collection to increase revenue in the coming years. On the other hands, the Civil Service Reform Policies being implemented with regards to personnel and overhead cost, will likely decline from their historical trends.

#### **4.4 Borrowing Assumptions (Options)**

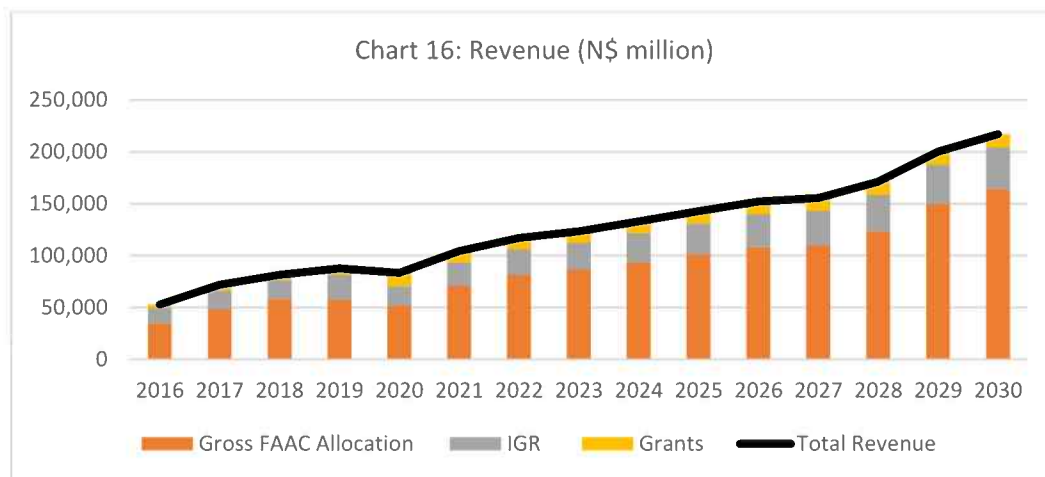
##### **4.4.1 Domestic Borrowing Terms**

The key assumption of the planned borrowing is to use the facilities for the restructuring of some commercial bank loans, buy-back some contract arrears, payment of pension and gratuity and infrastructure projects. The new borrowing under strategy 1, Commercial borrowings in 2027 ( maturity 1 to 5years) in the sum of N21, 217.9m is to defray some outstanding liabilities at an interest rate of 9 percent, maturity date of 3years and 0 grace period. Also, In 2024 (maturity 6years or loner), the State intends to borrow through the Commercial Bank window the sum of N16,535 at an interest rate of 12 percent, 5 years maturity date and 1 year grace period. The State Bond will be floated (maturity 1-5years) in 2022 (N11, 084.6m) and 2028 (N24, 800m) at an interest rate of 7.5 percent, maturity date of 2 years and 0 grace period. Also, the State Bond (maturity 6years or longer) in 2021(N11,893m) and 2029 (N23,203) at an interest rate of 8 period, maturity date of 4 years and 0 grace period. Other domestic financing in 2026 (N11,677) at an interest rate of 15 percent, maturity rate of 6 years and 0 years grace period. The new external financing is \$47.4t at an interest rate of 6.8 percent, maturity date of 30 years and 5 years grace period. In 2030, the sum to be borrowed is \$72.6t at an interest rate of 7.5 percent, maturity date of 25 years and 2 years grace period. Other external financing will be \$31t at an interest rate of 9 percent, maturity date of 15 years and 0 years grace period. .

#### **4.5 DSA SIMULATION RESULTS**

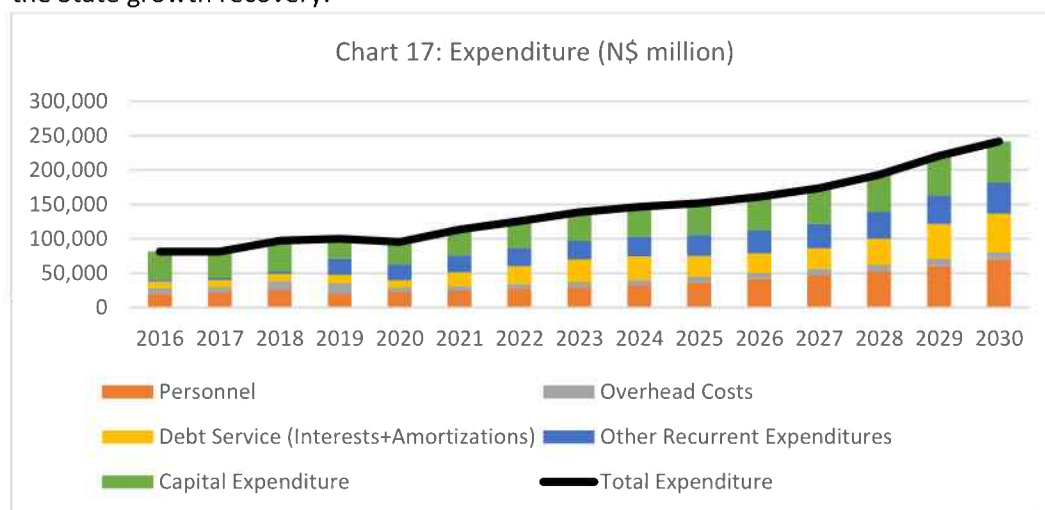
The observed shocks underscores the urgent need to significantly diversify and improve government revenues and reduce the dependence on oil revenues. Government is striving to use innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium-term targets is to increase the Revenue to GDP ratio to 2.45%. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment and improve investment in human capital.

The State total revenue trends over the analyzed period are encouraging, the revenue increased from N83, 498.66 billion in 2020 to N216, 990.29 billion in 2030, representing an increase of N13, 491.54billion or 231 percent over the projected period. Gross Federation Account Allocation Committee is projected to grow from N37, 213.00 billion in 2020 to N94, 137.75 billion in 2030, which is expected to increase by N56, 926.75 billion or 0.60 percent over the projected period. The fiscal difference is expected to decline by (N12,031.3) billion, due to COVID 19 pandemic in 2020 This trend is due to on-going reforms in the tax law and administration, over the medium term which will efficiently improve the collection system by automation, reorganizing some of the potent business practices in order to bring them into the tax net. IGR is expected to grow by N18, 745.57 billion in 2020 to N39, 799.85billion in 2030.



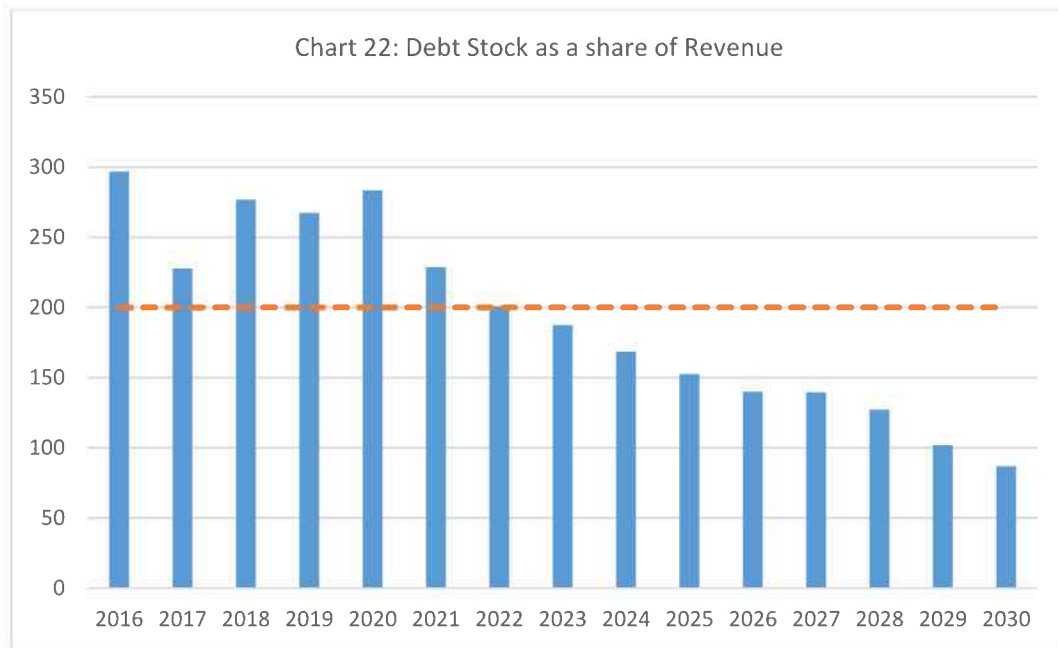
#### 4.5.1 Projected Expenditure

The total expenditure will expand by N95, 529.83 billion in 2020 to N185, 835.59 billion in 2030, which represents N90, 305.76 billion increase or 0.49 percent over the projected figures, indicating stability in the State growth recovery.



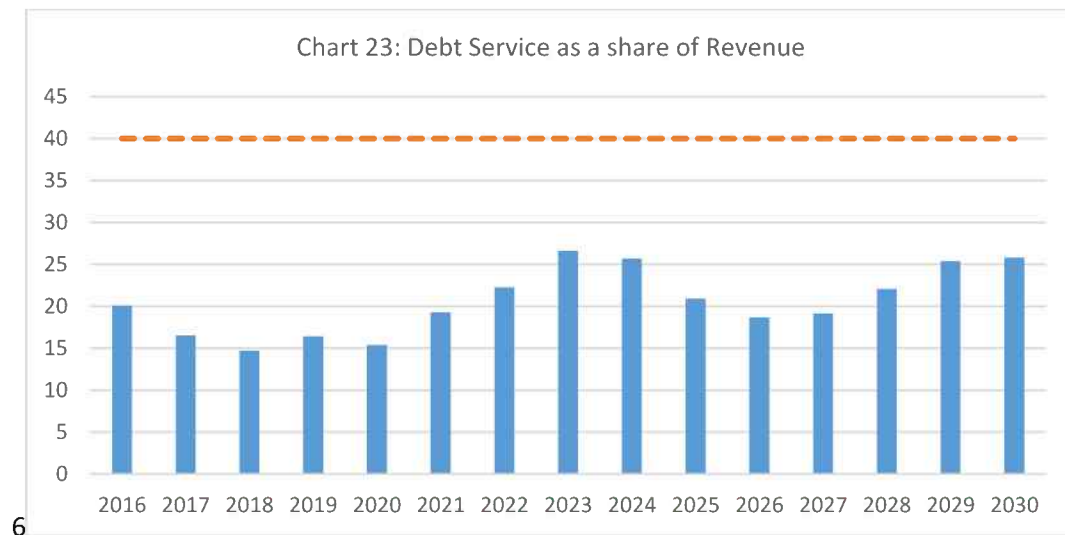
#### 4.5.2 Projected Debt as a Share of Revenue

From the graph, it is indicative that the state debt stock is above the thresholds from year 2016 to 2020 historical and in 2021 above the threshold while from years 2022 to 2030 the debt will be fully managed. This phenomenon is premised on the fact that the tax law and administration will be reviewed and standardized.



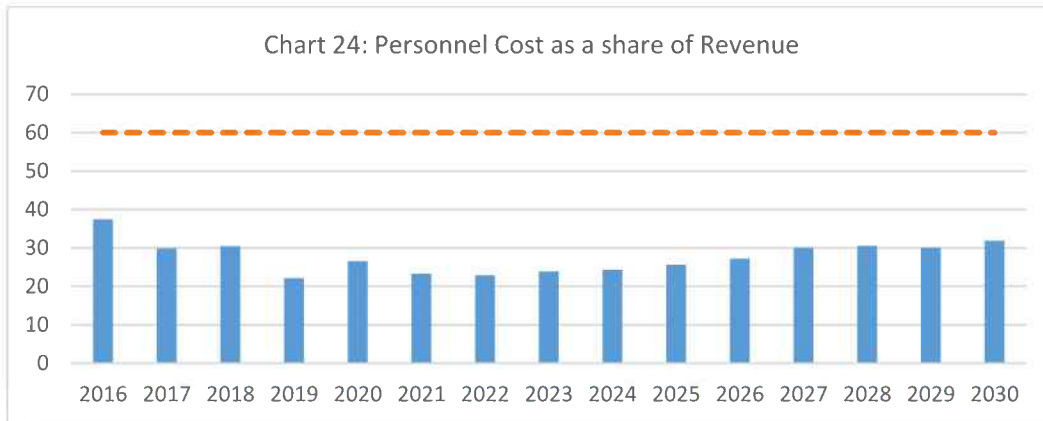
#### 4.5.3 Projected Debt Service as a Share of Revenue

Here, the debt service is below the thresholds in both the historical and projected years. This is an indication that Revenue will be available to service outstanding debt.

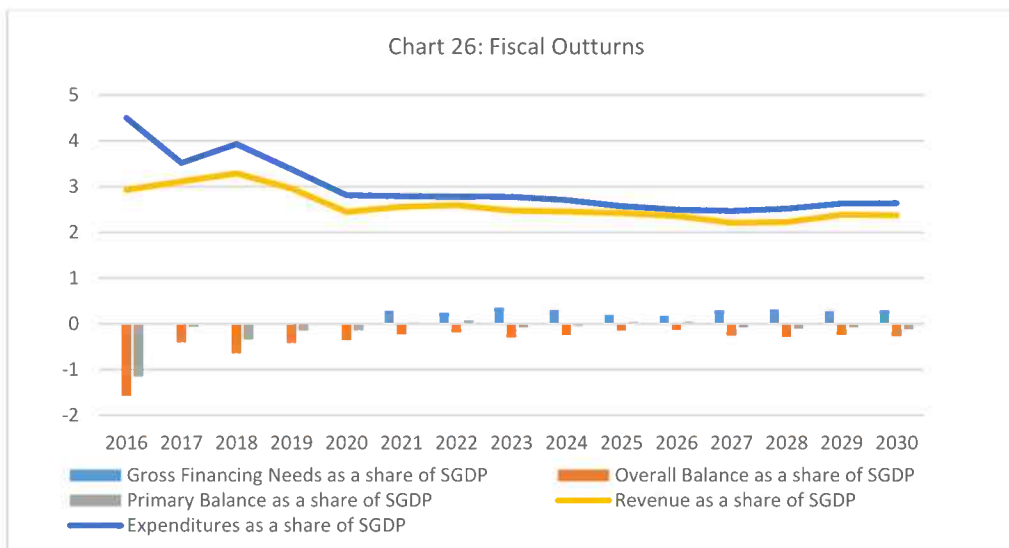


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#### 4.5.4 Projected Personnel Cost



#### 4.5.5 Fiscal Outturns



#### 4.6 FINDINGS AND CONCLUSION OF THE BASELINE SCENARIO IN TERMS OF DEBT SUSTAINABILITY

The baseline scenario results shows that the ratio of Debt as percentage of GDP is projected at 5.86 percent in 2021 and 2.06 percent in 2030, against the indicative threshold of 25 percent. The ratio of Debt as percentage of Revenue is projected at 228.61 percent in 2021, 200.81 percent in 2022 and remained below the threshold from 2023 to 2030 over the projected period. It also became obvious that the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remain below the threshold over the historical and projected years. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks, rollover shocks and historical shocks, showing that an increase in aggregate output, does not result to a proportionate increase in revenue. This should be

reawaken the authorities to put adequate measures in place to diversify the resources of revenue away from crude oil, as well as implement far-reaching policies that will increase IGR in the State. This is utmost considering the volatility in the FAAC allocation. In conclusion, conscious effort must be put in place to boost internally generated revenue by adopting all necessary protocol and measures that will pay-off in this regard.

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

The State is faced with some fiscal risks associated to the possibility of adverse country wide macroeconomic conditions and the reversal of the State's revenue and expenditure policies. A sensitivity analysis was undertaken considering macroeconomic shocks to evaluate the robustness of the sustainability assessment for the baseline scenarios discussed previously. In considering both macroeconomic and policy shocks, it is assumed that the external and domestic borrowings covers any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

##### **4.7.1 Revenue Shock**

The Baseline Scenario shows that at -10 percent deviation from the baseline, there will be gradual increase in the projected revenue in all its categories. The revenue shock figures appear all in red at -10 percent shock level, while the baseline figures are in blue.

##### **4.7.2 Expenditure Shock**

In the same vein, the Baseline Scenario shows a 10 percent deviation from the baseline with the increase in the projected expenditure. The figures for the baseline scenario are blue while that of the expenditure is red at 10 percent shock level

##### **4.7.3 Exchange Rate Shock**

The shock is based on an interest rate of 10, maturity period of more than six years and a grace period of 4 years with a 20 percent deviation from the baseline as Exchange rate changes. The shock will affect foreign loans, foreign direct investments and build up more debt stocks in case of default.

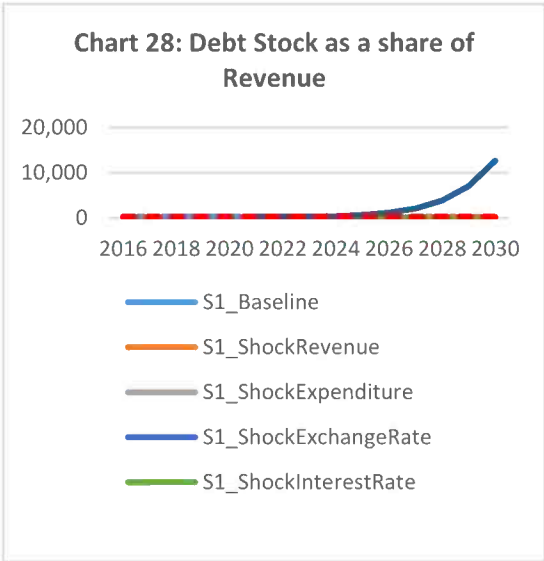
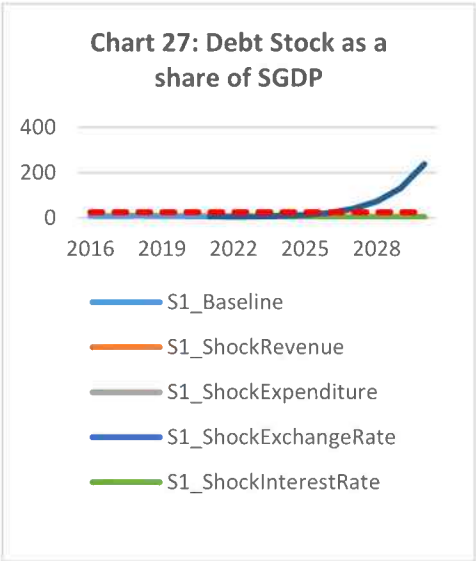
##### **4.7.4 Interest Rate Shock**

The shocks is as result volatility in interest rate variability. The interest rate of 12 percent is used, a maturity period of more than six years and a grace period of 4 years with a 2.0 percent deviation from the baseline. This will impact negatively on creditors and outstanding liabilities.

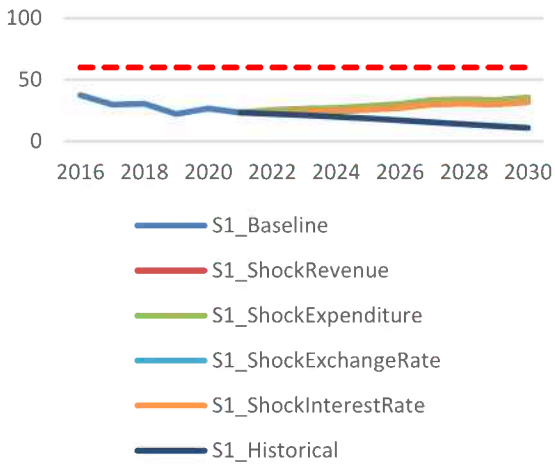
##### **4.7.5 Historical Shock**

The historical shock indicated that in 2019 the growth rate of GDP is 12.90 percent, Gross Statutory Allocation is --1.04 percent, Internally Generated Revenue is 37.27 percent, and Total Revenue is 6.32 percent.

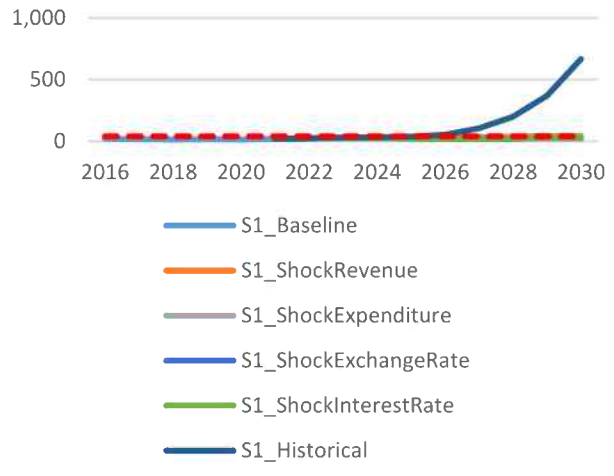
The State’s debt sustainability is expected to largely deteriorate if the revenue/expenditure shock were to occur, as a result of both excessive deficits and diminished repayment capacity. The projected fiscal deficits will increase systematically going forward and even double the imbalance expected by 2029 in the no-shock scenario. In addition, the public debt ratio grows sustainably all through the projected period. Notably, therefore, a major risk for debt sustainability is the reversal of the State’s successful revenue mobilization efforts and a failure to maintain current patterns of expenditure growth. It will also deteriorate moderately if the exchange rate/interest rate shocks materialize, mainly as a consequence of a diminished repayment capacity. The projected fiscal deficits exceed N-7.52billion from 2026 onwards, and hence are only slightly higher than the imbalances expected in the baseline scenario. On the other hand, the public debt ratio will deteriorate chiefly as a consequence of the revenue shortfall and will reach 194.15 percent of Total Revenue by 2021. This implies a moderate worsening of the State’s public debt position and a build-up of fiscal vulnerability in the medium term.



**Chart 30: Personnel Cost as a share of Revenue**



**Chart 29: Debt Service as a share of Revenue**



## CHAPTER FIVE

### 5.0 Debt Management Strategy

According to the proffered definition, 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 consistent with a prudent degree of risk. Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, considering factors such as macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs

### 5.1 Presentation of Performance indicators

The Debt Management strategy provides alternative strategies to meet the financing needs of the State. The Strategies are shown by the breakdown of funding mix for domestic and external debt and within the broad categories of domestic and external, share of each stylized instrument has been illustrated. Following, four strategies are assessed by the Government. The State's DSA, 2021-2025, analyses the debt management strategies outcome of the three debt management performance indicators namely: the debt stock to revenue with a threshold of 200 percent. The Debt Service to Revenue and Interest Rate to Revenue. The cost is measured by the expected value of a performance indicator in 2025, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2025 caused by an unexpected shock, as projected in the most adverse scenario.

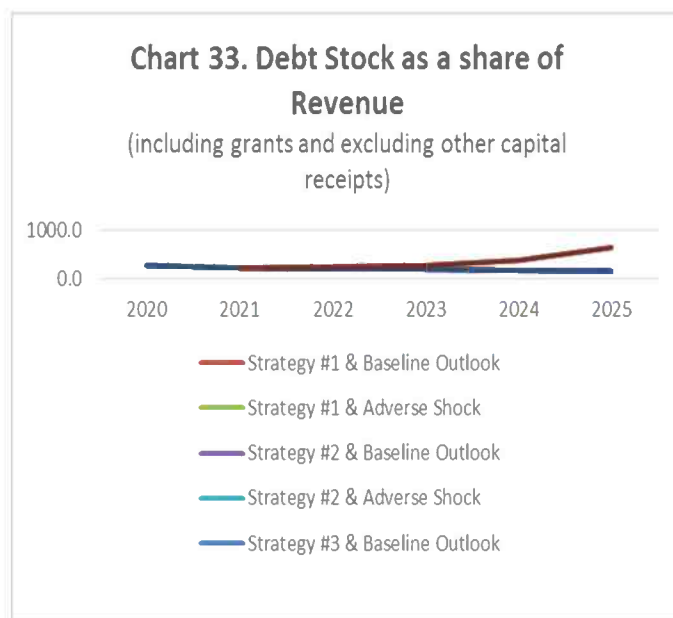
### 5.2 Alternative Borrowing Options

The Alternative borrowing option was conceived to take care of deficits. **In Strategy 1**, it is expected that the total sum of N133, 374.7 billion will be borrowed within the period 2021-2030, which is made of Domestic debt N81, 957.4 billion and External debt \$135.6 thousand. **In strategy 2**, the total amount intended to borrow is N185, 497.5m, distributed into domestic debt N135, 537.8m and \$131.8 external debt for the period 2021-2030. **In strategy 3**, the total amount projected to be borrowed is N188, 931m, shared into domestic debt N131, 330.5m and \$152 thousand external for the period 2021-2030. From the analysis, S1 should be the best borrowing option since it gives the least amount to be borrowed. The idea to borrow from the bond market is to overcome regular crises in interest rate variations and extended maturity date beyond 6years which Commercial Banks hardly do. Borrowing from the commercial bank is usually for a short period and for immediate interventions to mitigate exchange rate variations and to develop domestic debt markets. Borrowing from the multilaterals considered because of the low interest rate and the tenor for maturity is longer, but there is volatility in the exchange rate variations.

### 5.3 DMS Simulation Results

Analysis of strategies and outcomes of the analysis. The cost risk trade off charts shows the performance of the alternative strategies with respect to four debt burden indicators.

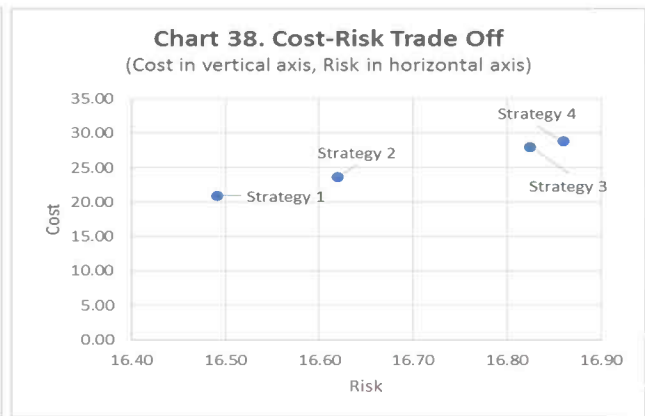
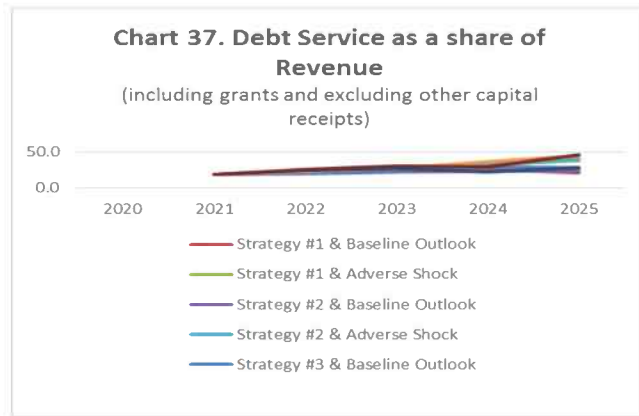
a. Strategy 1, shows the Cost ratio of Debt to revenue projected decreases from 5.9 percent compared to 3.7 percent in subsequent years against strategy 1, (12.6 percent), strategy 2, (12.8 percent), strategy 3, (12.9 percent) and strategy 4, (12.9 percent) over the DMS period of 2025, compared with the risk measured, Strategy 1, is 9.1 percent the same with other strategies. Analyzing the above, strategy 1 and 2 are the least costly and less riskier estimated at 12.8 percent and 9.1 percent, while S3 and S4 are more costly and riskier. This is an indication at more State Bonds borrowings and Commercial Bank Loans with little proportion of external financing over the DMS period of 2021-2025.



### 5.4 Debt Service/Revenue

Strategy 1 is the lowest cost ratio of 19.3 percent in 2021 compared to 20.9 percent in 2025 and lowest risk at 16.5 percent compared to strategy 2, (cost at 23.7 percent and risk at 16.6 percent), Strategy 3, (cost at 28.0 percent and risk at 16.8 percent), strategy 4, (cost at 28.8 percent and risk at 16.9 percent) as at the end of the strategy period 2025.

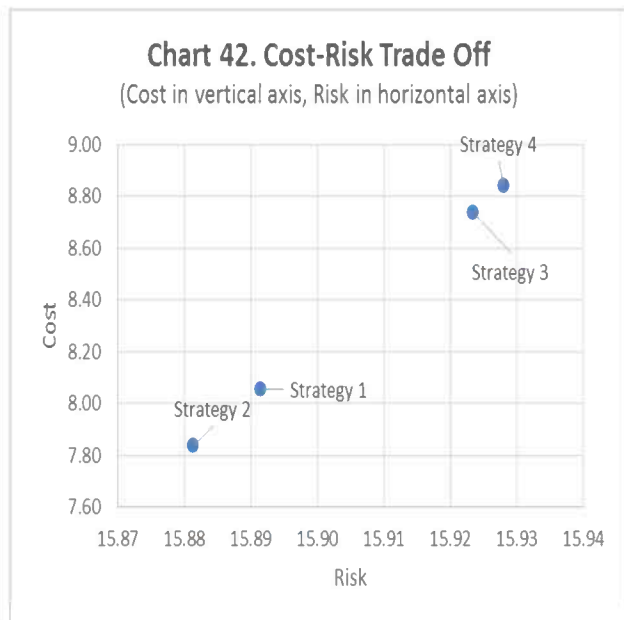
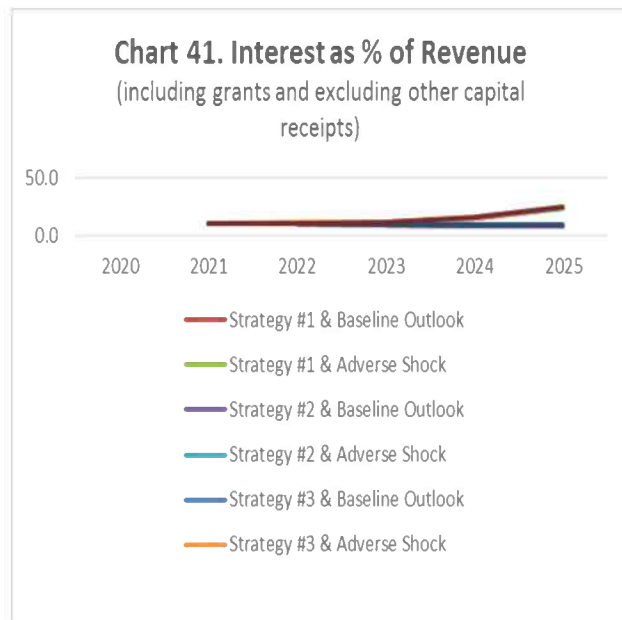
Strategy 1, has the lowest cost at 20.9 percent and less risk at 16.5 percent, followed by strategy 2, 3 and strategy 4 is the highest in terms of the cost and risk considering the domestic and bond loans financing with minimal external financing.



### 5.5 Interest as a Share of Revenue

Strategy 2 is the least cost with regards to interest to Government revenue, which is projected at 10.1 percent in 2021 and a decline to 8.1 percent in 2025 and risk at 15.9 percent, while strategy 4 is the most costly and risky strategy at 8.8 percent and 15.9 percent at the end of the strategic period of 2025.

The ratio of interest to revenue analysis shows that S2 has the lowest cost and same risk level for S1, 3 and 4. There will be high external financing because of low interest rate, long maturity, and long grace period.



### 5.6 DMS ASSESSMENT

The preferred strategy was not solely based on the Analytical Tool Assessment of all four strategies but considered the ability to implement the chosen strategy successfully in the medium term. Therefore, the analytical tool's result of costs and risks would suggest the

recommended strategy to be S2, these results were marginally better when compared with strategy 3. Strategy 4, was considered as the most feasible of the strategies to implement in the short to medium term and it would still greatly improve the debts position portfolio relative to the base year 2020.

In comparison to the current debt position, the State debt portfolio stood at N236.032b as at end-2020, and is expected to increase to N637.5b under strategy 1 to the end of the strategy period, compared to strategy 2 N637.4b, Strategy 3 N640.0b, and strategy 4 N640.3b. 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, strategy 1 is selected as the most preferred strategy for the period 2021-2025.

The Debt Management Strategy, 2021-2021 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2021 budget. The cost-risk take-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

# ANNEXURE 1

## Table of Assumptions

Assumptions:		Projection Methodology	Source
<b>Economic activity</b>	State GDP (at current prices)	The SGDP used was adapted from Federal Bureau of National Statistics of Nigeria	
<b>Revenue</b>	<b>Revenue</b> 1. Gross Statutory Allocation ('gross' means with no deductions; do not 1.a. of which Net Statutory Allocation ('net' means of deductions) 1.b. of which Deductions 2. Derivation (if applicable to the State) 3. Other FAAC transfers (exchange rate gain, augmentation, others) 4. VAT Allocation 5. IGR 6. Capital Receipts 6.a. Grants 6.b. Sales of Government Assets and Privatization Proceeds 6.c. Other Non-Debt Creating Capital Receipts	Data adapted from the DMO/WB projected figures  Historical average was established for year 2021 and projected at 2 percent, 3 percent and 1 percent is assumed. This was adapted from the DMO/WB projected figures. IGR is projected at 2 percent, 1 percent, 5 percent, 6 percent and 7 percent respectively in the coming years.  Thus, historical total was obtained and divided by year 2021 GDP and multiplied the obtained figure by historical 2020 figure to have 2021 figure which is projected by 4 percent from years 2023-2025 and 5 percent from years 2026-2030. Sales of unseizable Government vehicles at the stated amount in 2017. There was payment of Paris Club refund in years 2016(N11,300.14), 2017(N12,150.69), 2018(N12,589.12), and 2019(N6,000.00) all in the sum of N42,049.94.	
<b>Expenditure</b>	<b>Expenditure</b> 1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other 2. Overhead costs 3. Interest Payments (Public Debt Charges, including interests deducted 4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs 5. Capital Expenditure	Considering the number of activities put in place at increasing revenue, we projected an increase of 10 percent for years 2021-2023, 13 percent (2025-2027), 12 percent (2028) and 15 percent (2029-2030). This cost is expected to increase by 5 percent (2021-2024) and 6 percent (2025-2030) to enable Government cope with other activities. The payments are tied to Irrevocable Standing Payment Order (ISPO) every month according to their amortization schedules. This is projected by 5 percent (2021-2024) and 8 percent (2025-2030). There are expectations of revenue growth in subsequent years as such we projected 15 percent for years 2021, 5 percent (2022-2024), 6 percent (2025-2027) and 5 percent (2028-2030).	
<b>Closing Cash and Bank Balance</b>	Closing Cash and Bank Balance	The projection for years 2021 to 2024 is 10 percent, while years 2025-2030 is 15 percent.	
<b>Debt Amortization and Interest</b>	<b>Debt Outstanding at end-2020</b> External Debt - amortization and interest Domestic Debt - amortization and interest  <b>New debt issued/contracted from 2021 onwards</b> <b>New External Financing</b> External Financing - Concessional Loans (e.g., World Bank, African Development Bank, Bilateral Loans External Financing - Bilateral Loans Other External Financing <b>New Domestic Financing</b> Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) State Bonds (maturity 1 to 5 years) State Bonds (maturity 6 years or longer) Other Domestic Financing	This is tied to amortization schedules. This is tied to amortization schedules.  Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#) Interest rate (6.80) percent; Maturity (30 years); Grace Period (5) Interest rate (7.50) percent; Maturity (25 years); Grace Period (2) Interest rate (9) percent; Maturity (15 years); Grace Period (0) Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#) Interest rate (9) percent; Maturity (3 years) percent; Grace Period (0) Interest rate (12) percent; Maturity (5 years) percent; Grace Period (1) Interest rate (7.50) percent; Maturity (2 years); Grace Period (0) Interest rate (8) percent; Maturity (4 years); Grace Period (0) Interest rate (15) percent; Maturity (6 years) Grace Period (0)	
<b>Proceeds from Debt-Creating corresponding to Debt Strategy 1</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1</b> <b>New Domestic Financing in Million Naira</b> Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) State Bonds (maturity 1 to 5 years) State Bonds (maturity 6 years or longer) Other Domestic Financing <b>New External Financing in Million US Dollar</b> External Financing - Concessional Loans (e.g., World Bank, African Development Bank, Bilateral Loans External Financing - Bilateral Loans Other External Financing	The total sum of N21,217.9m is projected annually in the year 2027 at an interest of 9 percent, maturity date at 3 years and 0 grace period The total sum of N16,535m is projected annually for year 2024 at an interest rate of 12 percent, maturity date at 5 years and 1 year grace period The total sum of N35,884m is projected annually for years 2022 and 2028 at an interest of 7.50 percent, maturity date at 2 years and 0 grace period The total sum of N35,096m is projected annually for years 2021(N11,893) and 2029(N23,203) at an interest rate of 8 percent, maturity date at 4 years and 0 grace period The total sum of N11,677m is projected annually for year 2026 at an interest rate of 15 percent, maturity date at 6 years and 0 grace period.  The sum of \$47.4m is projected annually for year 2023 at an interest rate of 6.80 percent, maturity date at 30 years and 5 years grace period. The sum of \$72.4m is projected annually for year 2030 at an interest rate of 7.50 percent, maturity date at 25 years and 2 years grace period. The sum of \$31m is projected for the year 2025 at an interest rate of 9.00 percent, maturity date 15 years and 0 grace period	
<b>Proceeds from Debt-Creating corresponding to Debt Strategy 2</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2</b> <b>New Domestic Financing in Million Naira</b> Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) State Bonds (maturity 1 to 5 years) State Bonds (maturity 6 years or longer) Other Domestic Financing <b>New External Financing in Million US Dollar</b> External Financing - Concessional Loans (e.g., World Bank, African Development Bank, Bilateral Loans External Financing - Bilateral Loans Other External Financing	The total sum of N20,443.7m is projected as follows: 2022 (N8,051.9) and 2030 (N12,391.8) at an interest rate of 9 percent, maturity date at 3 years and 0 grace period. The total sum of N33,678.3m is projected as follows: 2025 (N15,680.7) and 2028(N17,997.6) at an interest rate of 12 percent, maturity date at 5 years and 1 year grace period.  The total sum of N12,188.7m is projected for year 2023 at an interest rate of 8 percent, maturity date at 4 years and 0 grace period. The total sum of N15,626.7m is projected as follows: 2026 (N11,431.3) and 2029 (N4,195.4) at an interest rate of 12 percent, Maturity date 6 years and 0 grace period.  The total sum of \$31.4 is projected for year 2021 at an interest rate of 6.80 percent, maturity date at 30 years and 5 years grace period The total sum of \$38.3 is projected for year 2024 at an interest rate of 7.50 percent, maturity rate at 25 years and 2 years grace period. The total sum of \$66m is projected for year 2027 at an interest rate of 9.00 percent, maturity date at 15 years and 0 grace period.	
<b>Proceeds from Debt-Creating corresponding to Debt Strategy 3</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3</b> <b>New Domestic Financing in Million Naira</b> Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) State Bonds (maturity 1 to 5 years) State Bonds (maturity 6 years or longer) Other Domestic Financing <b>New External Financing in Million US Dollar</b> External Financing - Concessional Loans (e.g., World Bank, African Development Bank, Bilateral Loans External Financing - Bilateral Loans Other External Financing	The total sum of N13,238.4m is projected for year 2029 at an interest rate of 9 percent, maturity date 3 years and no grace period. The total sum of N21,069.5m is projected for year 2024 at an interest rate of 12 percent. Maturity date at 5 years and 1 year grace period. The total sum of N30,004.1m is projected as follows: 2023 (N14,962.1) and 2030 (N15,041.6) at an interest rate of 9 percent, maturity date 3 years and no grace period. The total sum of N37,385.6m is projected as follows: 2022 (N10,926.1) and 2027 (N26,459.5) at an interest rate of 8 percent, Maturity date of 4 years and no grace period. The total sum of N33,840.2m is projected as follows: 2021 (N11,893) and 2025 (N21,947.2) at an interest rate of 12 percent, maturity date of 5 years and no grace period.  The total sum of \$71.7m is projected for year 2028 at an interest rate of 6.80 percent, maturity date at 30 years and 5 years grace period. The total sum of \$60.1m is projected for year 2026 at an interest rate of 7.50 percent, maturity date at 25 years and 2 years grace period	
<b>Proceeds from Debt-Creating corresponding to Debt Strategy 4</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4</b> <b>New Domestic Financing in Million Naira</b> Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, State Bonds (maturity 1 to 5 years) State Bonds (maturity 1 to 5 years) State Bonds (maturity 6 years or longer) Other Domestic Financing <b>New External Financing in Million US Dollar</b> External Financing - Concessional Loans (e.g., World Bank, African Development Bank) External Financing - Bilateral Loans Other External Financing	The total sum of N13,238.4m is projected for year 2029 at an interest rate of 9 percent, maturity date at 3 years and no grace period. The total sum of N31,452.7m is projected as follows: 2023 (N18,713.4) and 2029 (N12,739.3) at an interest rate of 12 percent, maturity date at 5 years and 1 year grace period. The total sum of N24,129m is projected as follows: 2021 (N11,893) and 2024(N12,236)m at an interest rate of 7.50 percent, maturity date at 2 years and no grace period. The total sum of N39,322.8m is projected as follows: 2027 (N30,705.3) and 2030(N8,617.5) at an interest rate of 8 percent, maturity date at 4 years and no grace period. The total sum of N63,530m is projected as follows: 2024(N31,132.60), 2026(N14,892.7) and 2029(N17,504.7) at an interest rate of 15 percent, maturity date at 6 years and no grace period.  The total sum of \$91.2m is projected for year 2028 at an interest rate of 7.50 percent, maturity date of 25 years and 2 years grace period The total sum of \$60.8m is projected for year 2025 at an interest rate of 9.00 percent, maturity date of 15 years and no grace period	

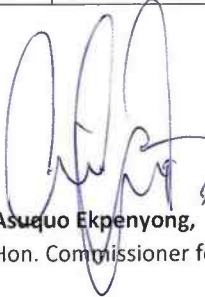
## Annexure 11.

# Historical and Projection of the S1 Baseline Scenario

Indicator	Actuals					Projections									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>ASELINE S1 (M/N/A)</b>															
<b>Economic Indicators</b>															
State GDP (at current prices)	1,808,632.00	2,314,949.00	2,480,348.00	2,967,907.00	3,400,928.00	4,067,940.00	4,510,557.00	4,983,696.00	5,420,068.00	5,906,140.00	6,448,324.00	7,040,280.00	7,688,578.00	8,392,205.00	9,162,610.00
Exchange Rate NGN/US\$ (end Period)	253.19	305.79	306.50	326.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00
<b>Fiscal Indicators (Million Naira)</b>															
<b>Revenue</b>															
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	75,118.63	87,210.47	121,048.49	109,549.47	83,498.66	116,150.77	128,178.76	141,404.42	149,701.78	154,607.20	163,735.67	176,749.05	195,927.68	223,350.30	244,493.23
1.a. of which Net Statutory Allocation ('net' means of deductions)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.b. of which Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deviation (if applicable to the State)	1,063.34	1,496.97	1,489.43	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)	5,040.00	3,035.00	2,989.00	3,891.00	4,230.00	3,299.40	3,431.38	3,568.63	3,711.38	3,822.72	3,440.45	4,055.52	4,136.63	4,219.36	4,303.75
4. VAT Allocation	8,011.00	9,931.00	10,932.00	11,672.00	14,571.00	16,756.65	19,270.15	21,160.67	25,484.77	29,817.18	34,886.10	41,165.60	48,575.41	58,290.49	69,948.59
5. IGR	14,721.04	18,104.56	17,552.11	24,093.84	18,745.57	22,494.68	24,744.15	25,981.36	27,540.24	29,468.06	31,530.82	33,107.36	34,762.73	37,196.12	39,799.85
6. Capital Receipts	25,784.25	21,131.94	45,326.96	28,268.63	12,969.09	22,861.04	22,272.09	29,359.76	28,174.39	23,738.24	24,025.30	33,996.57	37,645.91	36,177.33	40,607.04
6.a. Grants	3,675.56	5,981.26	5,868.84	6,618.99	12,776.61	10,968.09	11,187.45	11,411.20	11,639.42	11,988.61	12,348.27	12,718.71	12,845.90	12,974.36	13,104.10
6.b. Sales of Government Assets and Privatization Proceeds	0.00	5,000.00	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.c. Other Non-Debt Creating Capital Receipts	11,300.14	12,150.69	12,589.12	6,000.00	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.)	0.00	0.00	0.00	0.00	0.00	11,892.95	11,084.63	17,948.56	16,534.97	11,749.63	11,677.04	21,217.86	24,800.01	23,202.97	27,502.94
<b>Expenditure</b>															
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	19,888.13	21,488.67	24,886.92	19,469.91	22,104.61	24,315.07	26,746.58	29,422.24	32,363.36	35,750.60	41,234.77	46,686.99	52,309.63	60,145.73	69,161.59
2. Overhead costs	8,434.08	8,142.95	13,613.76	15,771.00	6,620.22	6,951.23	7,298.79	7,663.73	8,046.92	8,529.73	9,041.52	9,584.01	10,159.05	10,768.59	11,414.71
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	7,215.06	7,828.23	7,603.16	8,182.30	7,463.31	10,497.49	11,754.90	10,963.48	10,844.09	11,509.97	11,709.81	12,703.79	13,575.22	13,747.60	13,191.83
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	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.b. of which Interest deducted from FAAC Allocation	7,215.06	7,828.23	7,603.16	8,182.30	7,463.31	10,497.49	11,754.90	10,963.48	10,844.09	11,509.97	11,709.81	12,703.79	13,575.22	13,747.60	13,191.83
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	2,671.67	2,756.60	2,971.69	23,941.45	23,298.04	24,462.94	25,686.09	26,970.39	28,318.91	30,584.43	33,031.18	35,673.62	38,527.57	41,609.77	44,938.56
5. Capital Expenditure	41,139.81	38,720.92	45,478.30	29,012.05	32,860.35	37,789.40	36,678.87	41,662.82	43,745.86	46,370.71	49,152.96	52,102.13	54,702.24	57,442.60	60,314.73
6. Amortization (principal) payments	1,623.78	2,476.13	2,753.54	3,931.14	3,183.39	9,578.04	14,303.54	21,850.17	23,337.60	18,352.06	16,651.24	17,023.05	24,167.04	37,045.43	42,771.62
<b>Budget Balance ('+' means surplus, '-' means deficit)</b>	<b>-6,303.90</b>	<b>5,786.97</b>	<b>23,561.13</b>	<b>9,257.62</b>	<b>-12,031.26</b>	<b>2,556.59</b>	<b>2,709.99</b>	<b>2,872.59</b>	<b>3,044.94</b>	<b>2,689.70</b>	<b>2,824.19</b>	<b>2,965.40</b>	<b>2,490.93</b>	<b>2,590.57</b>	<b>2,694.19</b>
<b>Opening Cash and Bank Balance</b>	<b>22,339.41</b>	<b>16,035.50</b>	<b>21,822.50</b>	<b>45,383.60</b>	<b>54,641.20</b>	<b>42,609.90</b>	<b>45,166.49</b>	<b>47,876.48</b>	<b>50,749.07</b>	<b>53,794.02</b>	<b>56,483.72</b>	<b>59,307.90</b>	<b>62,273.30</b>	<b>64,764.23</b>	<b>67,354.80</b>
<b>Closing Cash and Bank Balance</b>	<b>16,035.50</b>	<b>21,822.50</b>	<b>45,383.60</b>	<b>54,641.20</b>	<b>42,609.90</b>	<b>45,166.49</b>	<b>47,876.48</b>	<b>50,749.07</b>	<b>53,794.02</b>	<b>56,483.72</b>	<b>59,307.90</b>	<b>62,273.30</b>	<b>64,764.23</b>	<b>67,354.80</b>	<b>70,048.99</b>
<b>Financing Needs and Sources (Million Naira)</b>															
<b>Financing Needs</b>															
i. Primary balance						11,892.95	11,084.63	17,948.56	16,534.97	11,749.63	11,677.04	21,217.86	24,800.01	23,202.97	27,502.94
ii. Debt service						10,739.18	17,683.79	17,737.68	20,691.66	20,802.09	19,508.21	11,474.39	15,433.18	30,180.63	31,154.70
- Amortizations						20,075.53	26,058.44	32,813.66	34,181.69	29,862.03	28,361.06	29,726.85	37,742.26	50,793.03	55,963.45
- Interests						9,578.04	14,303.54	21,850.17	23,337.60	18,352.06	16,651.24	17,023.05	24,167.04	37,045.43	42,771.62
iii. Financing Needs Other than Amortization Payments (e.g., in Variation in Cash and Bank Balances)						10,497.49	11,754.90	10,963.48	10,844.09	11,509.97	11,709.81	12,703.79	13,575.22	13,747.60	13,191.83
<b>Financing Sources</b>															
i. Financing Sources Other than Borrowing						2,556.59	2,709.99	2,872.59	3,044.94	2,689.70	2,824.19	2,965.40	2,490.93	2,590.57	2,694.19
ii. Gross Borrowings						11,892.95	11,084.63	17,948.56	16,534.97	11,749.63	11,677.04	21,217.86	24,800.01	23,202.97	27,502.94
- Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSME/DF)						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 MSME/DF)						0.00	0.00	0.00	16,535.00	0.00	0.00	0.00	0.00	0.00	0.00
- State Bonds (maturity 1 to 5 years)						0.00	11,084.60	0.00	0.00	0.00	0.00	0.00	24,800.00	0.00	0.00
- State Bonds (maturity 6 years or longer)						11,893.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23,203.00	
- Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	11,677.00	0.00	0.00	0.00	0.00
- External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	0.00	17,948.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27,502.90
- Other External Financing						0.00	0.00	0.00	0.00	11,749.60	0.00	0.00	0.00	0.00	0.00
- Residual Financing						-0.05	0.03	-0.04	-0.03	0.03	0.04	-0.04	0.01	-0.03	0.04
<b>Debt Stocks and Flows (Million Naira)</b>															
<b>Debt (Stock)</b>															
External	157,258.91	164,076.96	225,813.86	235,074.54	236,031.92	238,346.83	235,127.82	231,226.31	224,423.68	217,821.26	212,847.05	217,041.86	217,674.82	203,832.36	188,561.68
Domestic	29,116.82	38,428.15	57,858.01	68,120.96	72,949.92	71,429.76	70,093.36	86,775.60	85,558.82	96,125.44	94,178.31	92,240.93	90,585.79	88,277.14	113,513.53
<b>Gross borrowing (flow)</b>	<b>128,142.09</b>	<b>125,648.71</b>	<b>167,955.85</b>	<b>166,953.58</b>	<b>163,082.00</b>	<b>166,917.07</b>	<b>165,034.36</b>	<b>144,450.71</b>	<b>138,864.86</b>	<b>121,895.62</b>	<b>118,668.74</b>	<b>124,800.93</b>	<b>127,089.03</b>	<b>115,555.32</b>	<b>75,051.15</b>
External						11,892.95	11,084.63	17,948.56	16,534.97	11,749.63	11,677.04	21,217.86	24,800.01	23,202.97	27,502.94
Domestic						0.00	0.00	17,948.60	0.00	11,749.60	0.00	0.00	0.00	0.00	27,502.90
<b>Amortizations (flow)</b>	<b>2,633.70</b>	<b>3,757.71</b>	<b>4,102.34</b>	<b>6,002.89</b>	<b>5,023.33</b>	<b>9,578.04</b>	<b>14,303.54</b>	<b>21,850.17</b>	<b>23,337.60</b>	<b>18,352.06</b>	<b>16,651.24</b>	<b>17,023.05</b>	<b>24,167.04</b>	<b>37,045.43</b>	<b>42,771.62</b>
External	1,013.92	1,285.78	1,353.22	1,511.28	1,844.82	1,520.16	1,336.19	1,266.56	1,216.78	1,182.99	1,947.12	1,937.38	1,655.14	2,308.65	2,267.51
Domestic	1,619.78	2,471.93	2,749.12	4,491.61	3,178.51	8,057.88	12,967.35	20,583.61	22,120.82	17,169.07	14,704.12	15,085.67	22,511.90	34,736.78	40,504.11
<b>Interests (flow)</b>	<b>8,012.60</b>	<b>8,161.54</b>	<b>7,881.27</b>	<b>8,407.24</b>	<b>7,777.88</b>	<b>10,497.49</b>	<b>11,754.90</b>	<b>10,963.48</b>	<b>10,844.09</b>	<b>11,509.97</b>	<b>11,709.81</b>	<b>12,703.79</b>	<b>13,575.22</b>	<b>13,747.60</b>	<b>13,191.83</b>
External	297.54	333.31	289.11	224.94	314.57	379.00	454.80	545.76	1,876.17	2,008.82	3,225.47	3,344.47	3,501.37	3,703.76	3,626.13
Domestic	7,715.06	7,828.23	7,603.16	8,182.30	7,463.31	10,118.49	11,300.10	10,417.72	8,967.92	9,501.14	8,484.35	9,359.32	10,073.84	10,043.84	9,565.70
<b>Net borrowing (gross borrowing minus amortizations)</b>	<b>125,508.39</b>	<b>121,891.00</b>	<b>163,853.53</b>	<b>160,950.69</b>	<b>158,058.62</b>	<b>157,338.99</b>	<b>150,736.81</b>	<b>122,600.54</b>	<b>116,527.26</b>	<b>106,543.56</b>	<b>101,196.81</b>	<b>107,879.88</b>	<b>102,917.83</b>	<b>78,509.87</b>	<b>32,786.56</b>
External						11,892.95	11,084.63	17,948.56	16,534.97						

**CROSS RIVER STATE TECHNICAL TEAM**

S/N	NAME	DEPARTMENT	DESIGNATION
1	Ajah Francis Ajah, ACA, MBA, MSC, AMNIM.	Debt Management Dept.	Special Adviser
2	Oka Iwara Eteng	Min. of Finance	Focal Person, SFTAS PforR
3	Utum, Matthew Onen, ACA, MBA, AMNIM.	Debt Management Dept.	Director
4	Benjamin Ubi	Budget Office	Snr. Budget Officer
5	Lawrence Omaji	Accountant- General	Snr. Accountant

  
20/12/2024  
**Asuquo Ekpenyong,**  
Hon. Commissioner for Finance

