DEBT MANAGEMENT OFFICE
NIGERIA

States Fiscal Transparency, Accountability and Sustainabilty

RIVERS STATE

DEBT SUSTAINABILITY ANALYSIS (DSA)

&

DEBT MANAGEMENT STRATEGY (DMS)

REPORT - 2023

Debt Management Department, Ministry of Finance, Rivers State.

Table of Content

CHAPTER 1

1. Introduction[1]

Public Debt Management is the process of establishing and executing a strategy for managing public (government) debt in order to raise the required amount of funding, achieve its risk and cost objectives and to meet any other debt management goals that a government might have set, such as developing and maintaining an efficient market for government securities. The primary aim of public debt management is to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. Debt Sustainability Analysis (DSA) and Debt Management Strategy (DMS) are key guiding components of effective public debt management.

A Debt Sustainability Analysis (DSA) assesses how a country's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. The DSA takes into consideration a country's five-year historical macroeconomic data and ten-year projected data to assess the level of risk of debt distress. The framework provides an objective assessment of debt sustainability in a given macroeconomic context, that outlines a country's fiscal and monetary stance under certain assumptions and conditions. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability.

It is best practice for countries (including Sub-nationals) to periodically carry out a debt sustainability analysis of its debt portfolio and review its debt management strategies. Thus, in line with International best practice, Nigeria and its component States undertake the conduct of the Debt Sustainability Analysis (DSA) exercise on an annual basis. The Rivers State Government conducts an annual Debt Sustainability Analysis (DSA) and Debt Management Strategy (DMS) with a view to ascertaining the sustainability or otherwise of the State's current and future debts, as well as identifying the key risks and vulnerabilities associated with the State's debt portfolio. This is to enable the State fashion out appropriate mitigation measures where necessary.

Conducting a DSA-DMS involves the preparation of baseline macro and debt assumptions by a multi-disciplinary team of experts from different

Government institutions. Based on the assumptions, the model projects public debt over the medium to long term and compares the projected levels to country-specific thresholds to assess the risk of debt distress. The Rivers State 2023 DSA-DMS was conducted by the State DSA Team. The team analyzed the trends and patterns in the State's public finance in the historical years 2018-2022 and evaluated the sustainability of her debts in the projected years 2023-2032. The analysis thus provides a peep into the financial outlook of the State both in historical perspective and the potential perspective. It takes into consideration recent trends in some financial variables such as revenues, expenditures and public debts and related policies adopted by the State Government.

A Debt Management strategy (DMS) is a plan that the government intends to implement over the medium term in order to achieve a desired composition of the government debt portfolio, which reflects the government's preferences with regard to the prevalent cost and risk. Those preferences capture the government's debt management objectives - for example, ensuring that the government's financing needs and payment obligations are met at the lowest possible cost, consistent with a prudent degree of risk. An effective DMS has a strong focus on managing costs and risk exposures embedded in the debt portfolio - specifically, potential variations in the overall cost of debt servicing and its impact on the budget.

The result of the DSA shows the State exhibits a solid debt position that appears sustainable in the long term. This is attributed to the State's strong performance in terms of internally generated revenue (IGR) mobilization, underpinned by:

- the successful tax administration reforms introduced by the State recently
- its control of recurrent expenditure growth and
- its low level of public debt profile.

Given the State's 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.

The State Government pursues a prudent debt management strategy that maintains an adequate cost of carrying debt and an admissible exposure to risks. A prudent debt management strategy emerges from the State's reliance on a mix of sources of finance, including external concessional loans and domestic low-cost financing. Given the State's own forecasts for the economy and reasonable assumptions concerning the State's budget and financing policies going forward, the medium-term cost-risk profile for the public debt portfolio appears consistent with debt-management objectives.

2. CHAPTER 2

THE STATE FISCAL AND DEBT FRAMEWORK

Following the re-emergence of democratic governance in 1999, the Government of Nigeria (both National and sub-national) have continued to seek improved ways of conducting her business affairs to enhance public service delivery, making it more result oriented and impactful. Accordingly, the Rivers State Government has carried out series of reforms to strengthen transparency and accountability in governance and public financial management, reduce corruption, re-engineer her business processes and procedures for efficient and effective service delivery (performance and outcome).

Specifically, over the last five years the Rivers State Government has initiated and enacted some reform-oriented laws, such as:

- The Rivers State Debt Management Office (Establishment) Law.
- The Rivers State Fiscal Responsibility Law
- The Rivers State Infrastructure Development Finance Law
- The Rivers State Bureau on Public Procurement Law
- The Rivers State Bureau on Public Private Partnership Law
- The Rivers State Internal Revenue Service Law
- Rivers State Pension Law.
- Rivers State Audit Law

Other significant government policies/programmes aimed at strengthening public financial management include;

- Automation of the State's accounting system (implementation of a State Integrated Financial Management Information System - SIFMIS).

- Adoption and implementation of International Public Sector Accounting Standard (IPSAS).

In order to reduce her reliance on FAAC allocation and borrowing, the State Government has demonstrated great commitment to boosting domestic resources/revenue by fast tracking the implementation of the Internally Generated Revenue Mobilization Strategy, which addresses major bottlenecks and inefficiencies in tax administration in the State. This strategy includes"

- amending the State's Internal Revenue Service law,
- granting the Service autonomy,
- approval of special salary scale for the staff,
- streamline of operations through deployment of modern technology,
- recruitment and deployment of skill professionals and capacity building.

The strategy has resulted in improved revenue collection and consequently reduced reliance on FAAC allocation and borrowing.

Furthermore, the State Government's prudent expenditure management stance has resulted in significant reduction in government expenditure. Some of the measures taken by the State Government to curtail fraud and wastages include;

- stoppage of payment of salaries in cash,
- computerization of the payroll system (Integrated Payroll and Personnel information system),
- Periodic conduct/update of biometric exercise has significantly reduced payroll fraud.
- The implementation of Treasury Single Account (TSA).
- Creation of Development Reserve fund

These laws and policies are some of the reform measures recently introduced by the State government towards improving the State's fiscal variables.

The State's 2023 Budget is tagged "Budget of Consolidation and Continuity". According to the Governor, His Excellency, Barrister Nyesom Wike, the fiscal year 2023 budget is targeted at delivering economic growth, additional infrastructure and prosperity for citizens. The budget would therefore continue to focus on the quest of the State government for greater economic growth and fiscal consolidation, enhancing jobs and wealth creation, building first rate economic infrastructures and achieving equity and social protection through poverty reduction and economic inclusiveness. Thus the 2023 budget, just like the 2022 budget has its policy thrust focused on four cardinal and broad priorities:

- To accelerate economic recovery, drive growth and create opportunities for social progress;
- enhance human capital development and tackle poverty;
- strengthen our infrastructural base to accelerate economic development; and
- create a pathway to food security and improved well-being through sustainable mechanized agriculture.
- underpins our determination to expand what has been achieved and continue doing what we believe is best for driving sustainable economic growth, quality education, affordable healthcare, quality infrastructure and prosperity for our people

The 2023 budget size is **NGN555,666 million,** the sum of N350,977,495,537.00 is projected as capital expenditure for the fiscal year 2023 which represents about 63.2 per cent of the total budget and conforms to States practice of prioritising capital expenditures over recurrent.

The budget will be funded from the Federation Account Allocation Committee (FAAC) receipts, 13% Oil Mineral Derivation Fund, Internally Generated Revenue, bank loans, sales of state assets, and grants from development agencies.

The Rivers State 2023 - 2025 macro-economic framework and assumptions were premised on prevailing economic realities, and in consonance with the FGN 2023-2025 MTEF and IMF World Bank Economic Outlook. The State's fiscal policy is envisaged to control and enforce compliance with established spending and budgeting framework, which include aggregate fiscal discipline, allocative efficiency and effective spending. **It should be however noted, that for some inconceivable reasons, Rivers State had not published her 2024 – 2026 MTEF, hence we adopted the 2023 – 2025 MTEF in preparation of this report.**

The key assumptions of the 2023 budget which were predicated on the 2023 -2025(MTEF), are as follows:

- Crude oil bench mark of USD 3.67 per barrel
- Crude oil production estimates of 1.8 million barrel per day
- Exchange rate of N435.56 to the Dollar; and
- Gross Domestic Product growth rate of 2.30 per cent for medium term
- Inflation rate of 13.5 per cent.

The key targets of the Rivers State Government from a fiscal perspective are to:

- Create efficiencies in personnel and overhead expenditure to allow greater resources for capital development.
- Grow IGR by a minimum of 20% every year from 2023 – 2025;
- Ensure loans are used only for capital projects;
- Achieve long term target of funding all recurrent expenditure with revenue of a recurrent nature (IGR, VAT and non-mineral component of statutory allocation);
- Target sources of capital receipts and financing outside of loans (e.g. Grants, Public Private Partnership etc.).
- Give priority to the completion of ongoing capital projects before new projects are commenced and
- Grow the State economy through targeted spending in areas of comparative advantage.
-

Below is the revenue, expenditure and financing need per the 2023 – 2025 MTEF

	2023	2024	2025
Total Revenue (including opening bal)	755,666,987,238	591,333,578,583	676,975,984,557
Total expenditure (incl contingency reserve)	744,699,687,799	580,366,279,144	666,008,685,118
Financing gap	10,967,299,439 10,967,299,439		10,967,299,439

Based on the 2023 - 2025 MTEF, borrowing is projected to sky rock in 2022, then nosedive (65%) in 2023. The projected jump in borrowing in 2022 may be due to the desire of the State government to complete ongoing capital projects before the end of its tenor (May 2023). The projected borrowing in 2023, (NGN21,500 million) may be for the remaining five months (January - May) of the administration in 2023. It is envisaged that the State Government would borrow from commercial banks (term loans) to meet the financing gap, (the State Government is a prime customer to many commercial banks and enjoys favorable borrowing terms).

The impact of Covid-19 was very palpable in years 2020 - 2022, which slowed down global economic activities, leading to decline in federal transfers and recession within the national macroeconomic outlook. However, there appear to be a gradual recovering as shown in revenue projections in the 2023 – 2025 MTEF.

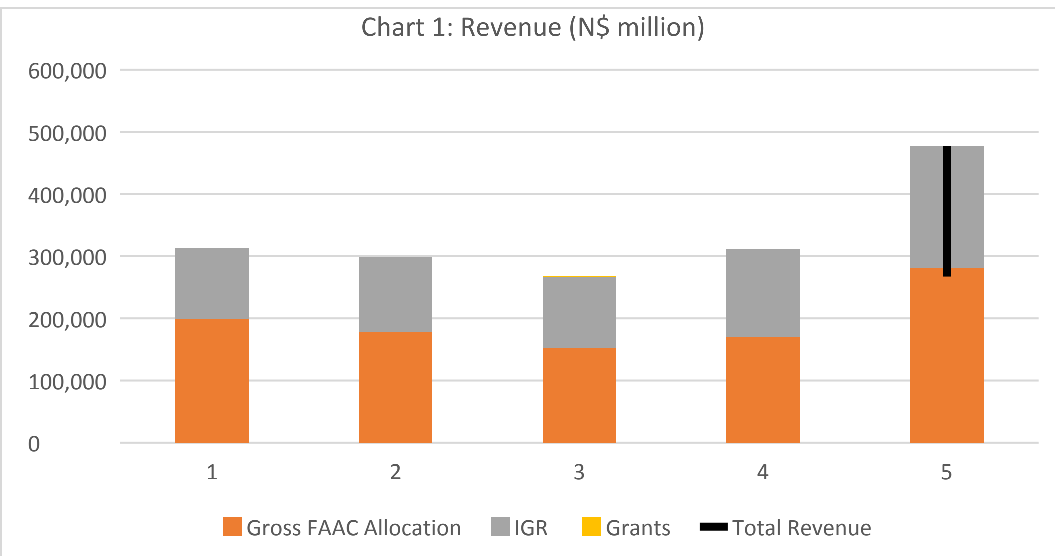
CHAPTER 3

THE STATE REVENUE, EXPENDITURE, AND PUBLIC DEBT TRENDS (2018 – 2023)

REVENUE:

The aggregate revenue receipt of the State in the last five years (2018 - 2022) was **NGN1,668,469m** (excluding loans)**.** During the period under review (2018 and 2022), the State witnessed a growth of 51% and 64 % in FAAC and IGR receipts respectively, though there were marginal drops in 2019 and 2020. Of course, the drop is attributable to the impact of Covid-19, which slowed down global economic activities in 2020, leading to decline in federal transfers and recession within the national macroeconomic outlook. Year 2021 and 2022 witnessed a marginal (59%) increase in revenue receipts relative to year 2020, signifying a gradual recovering from the impact of Covid_19.

DESCRIPTION	2018	2019	2020	2021	2022
FAAC ALLOCATION	200,061	178,921	152,027	170,696	280,645
IGR	112,772	119,888	114,465	141,382	196,663
GRANT	0	0	950	0	0
TOTAL	**312,833**	**298,809**	**267,442**	**312,078**	**477,308**



FAAC ALLOCATION:

FAAC Allocation (Statutory transfers) accounts for 64% (on the average) of the State's total revenue between 2018 - 2022. FAAC Allocation increased by 51% between 2018 and 2022, (increased year on year in 2021 and

2022, then dropped in 2019 and 2020) while as a share of total revenue, it dropped marginally from 63% in 2018 to 58% in 2022. The decline is largely due to drop in federal oil receipts due to the fall in oil prices, oil theft and attacks on oil production facilities.

FAAC revenue is derived from federal transfers, which is driven mainly by receipts from oil revenue, which in turn depends on global oil prices. The oil market is gradually recovering from the lull caused by Covid-19, which decelerated economic activities in most of 2020.

INTERNALLY GENERATED REVENUE (IGR):

IGR accounts for 41% (on the average) of the State's total revenue (2018 - 2022). The State showed strong IGR growth during the period under review, the IGR grew by 64% between 2018 and 2022, while as a share of aggregate revenue, it increased from 36% in 2018 to 41% in 2022. The improvement in IGR over the years is mainly due to the tax reforms introduced by the State government, aimed at improving collection efficiency, broadening the tax base and blocking leakages.

EXPENDITURES:

Public expenditure management has been a challenging task, particularly in developing economies, which are in dear need of accelerated development. Government expenditures are mainly classified into:

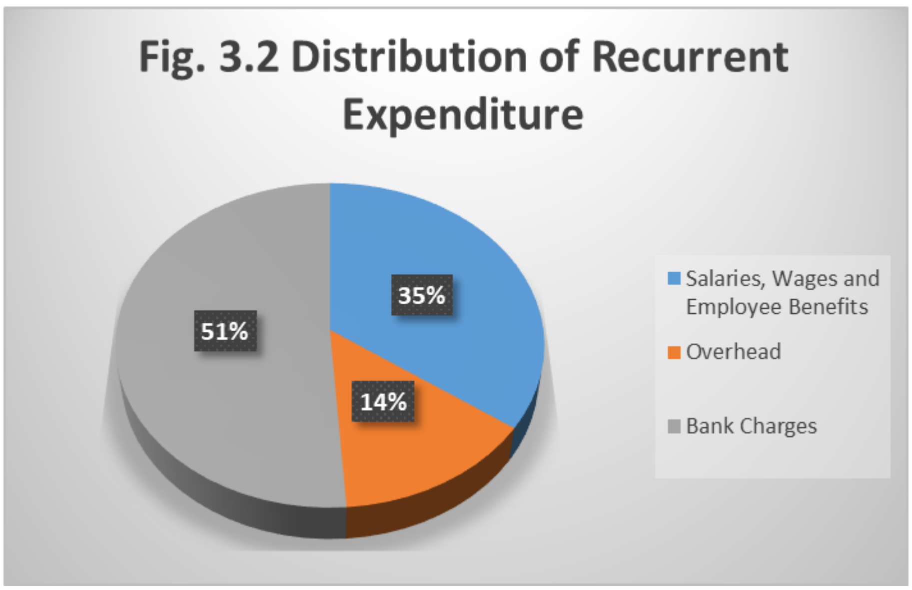
- Recurrent Expenditures
- Capital Expenditures

EXPENDITURE	2018	2019	2020	2021	2022
OPEX	132,629	113,929	113,229	131,402	106,693
CAPEX	224,746	221,938	168,360	413,225	351,691
TOTAL	357,375	335,867	281,589	544,627	458,384

The State expenditures dropped consistently through 2018 - 2020, then leaped in 2021 and dropped in 2022. During the period under review (2018 - 2022), real aggregate expenditure grew by 55%, and a significant proportion (105%) thereof were in respect of capital spending (the cause of the sharp upsurge in 2021) while recurrent spending (personnel costs, overheads, debt charges) accounts for 38% of total spending on average. It is a deliberate policy of the State government to transform the infrastructure landscape of the State, thus the substantial spending on capital expenditures.

A percentage distribution of the recurrent expenditure component (2022) is as follows:

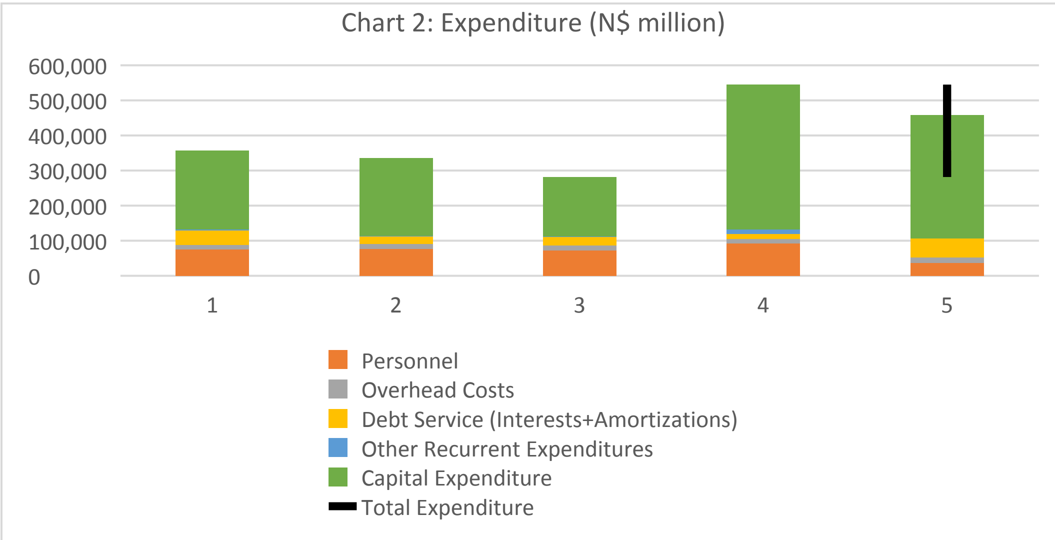
Salaries, Wages and Employee Benefits	37,145,000,000.00	34.81%
Overhead	15,000,000,000.00	14.06%
Bank Charges	54,548,000,000.00	51.13%
Total	**106,693,000,000.00**	100.00%



A comparative analysis of the recurrent expenditure further shows the following:

	2022 Actual	2021 Actual	2020 Actual
Personnel Costs	37,145.00	92,883.00	72,185.00
Operating Costs	69548.00	23,501.37	22,747.63
Total	**106,693.00**	**113,649.26**	**100,360.35**

It is obvious that the State Government has continued to pay particular attention to staff welfare as shown by the year-on-year increase in personnel cost. Further



FISCAL OVERTURNS:

The Fiscal Outturn Chart for the State shows the rise and fall of expenditure and revenue as a percentage of the State's GDP. Revenue maintained a steady fall from 2018 - 2022, but picked up in 2021and 2022. From the graph, expenditure rose in 2018, then exhibited serial falls in 2019 and 2020 and sparked up in 2021and 2022 (the sparked in 2020, 2021and 2022 is attributed to Covid_19 induced expenditures). As shown in the graph the State experienced fiscal overturn throughout the period under review (i.e. expenditures consistently surpassed revenues)

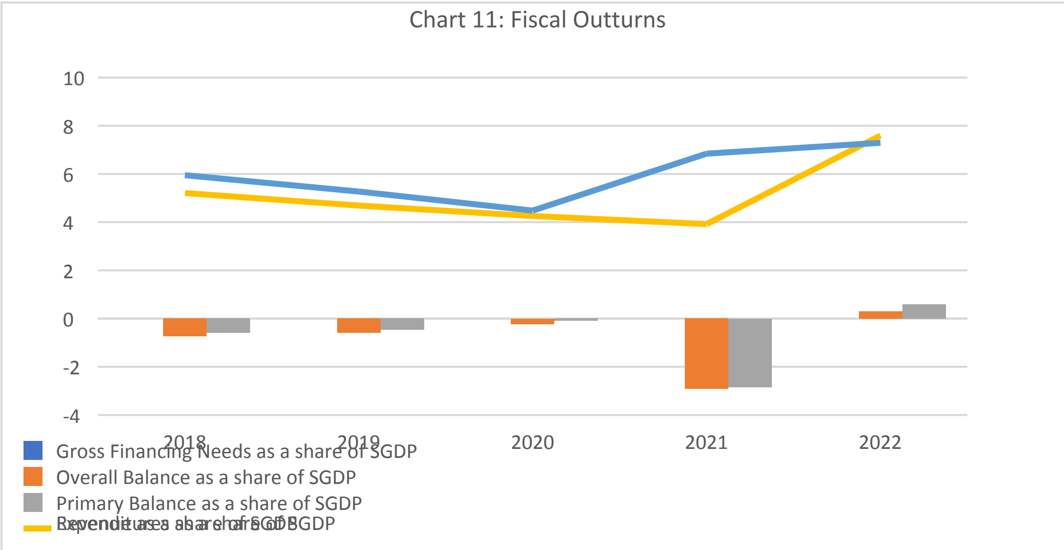


Chart 11: Fiscal Outturns

3.2) DEBT PROFILE:

The public debt includes the explicit financial commitments – like loans and securities – that have paper contracts instrumenting the government promises to repay. The State Government has consistently maintained a sustainable debt profile and demonstrated a strong commitment to honouring her debt obligations.

Outstanding Debt Stock (2018 - 2022):

DEBTS	2018	2019	2020	2021	2022
	NGN'm	NGN'm	NGN'm	NGN’m	NGN’m
Domestic	266,936	197,720	262,280	224,575	273,192
External	24,032	24,077	36,842	61,032	347’54
	290,968	**221,797**	**299,122**	**285,607**	**307,946**

The Debt portfolio of the State comprises domestic and external debts. As at December 2022, domestic debt and external debt account for 89% and 11% respectively, of the State’s total debt portfolio. The Domestic debt stock includes:

- Contractors Arrears
- Commercial Bank loan
- FGN Credit Facilities
- Pension and Gratuity Arrears

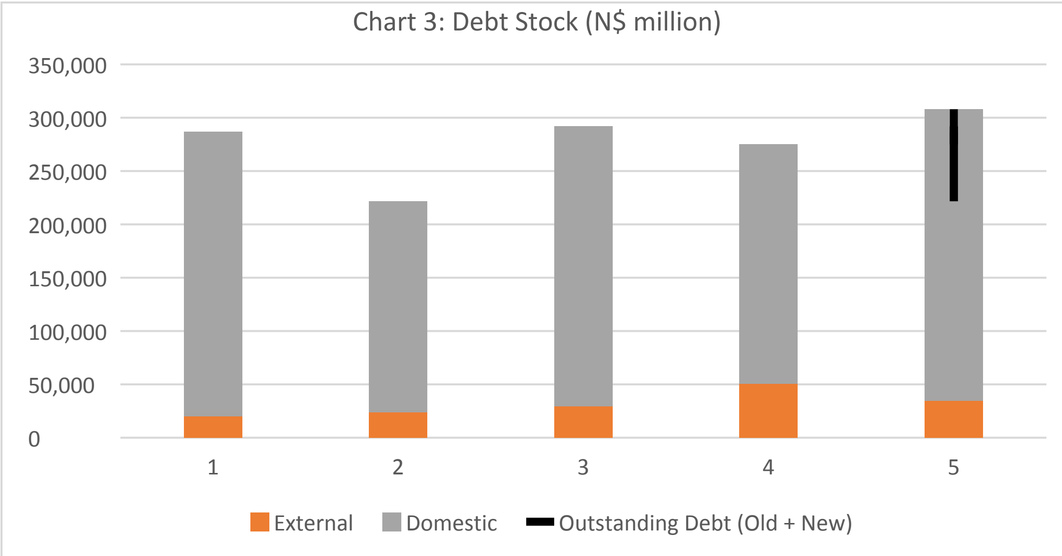
The external loans are mainly multilateral loans, sourced from the following windows:

- International Development Association (IDA)
- European Development Fund (EDF)
- International Fund for Agricultural Development (IFAD).

Total debt stock of the State as at December 2018 and 2022 were N266,936 billion, and NGN307,946 billion respectively, giving an increase of 15% over the period. The debt portfolio of the State exhibited a zigzag (rise and fall) movement over the period under review (2018 – 2022). There was a sharp increase in both domestic and external debts in 2018, relative to 2019, a deep fall in 2020 and a rise in 2021, then another deep fall (15%) in 2022. Covid_19 pandemic may have contributed to the surge in borrowing in 2020.

The external debt stock has experienced consistent rise and fall over the period under review. It rose from NGN19,819 billion in 2018 to NGN69,548 in 2022, (a 75% increase). A sharp leap (45%) was experienced in the external debt stock in 2022, relative to the 2021 figure, (this may be due to accelerated drawdown on the PH Water & Sanitation Project loan, to fast-track the completion of the project as scheduled, and the full drawn down on the SEEFOR project loan).

It would be recalled that on assumption of Office of the new administration in May 2015, most of the State Governments met empty treasuries with huge outstanding debts. Again, the country experienced a severe recession in 2016 which negatively impinged on government revenue, compelling most State governments (including our dear State) to resort to borrowing.



DEBT SERVICE:

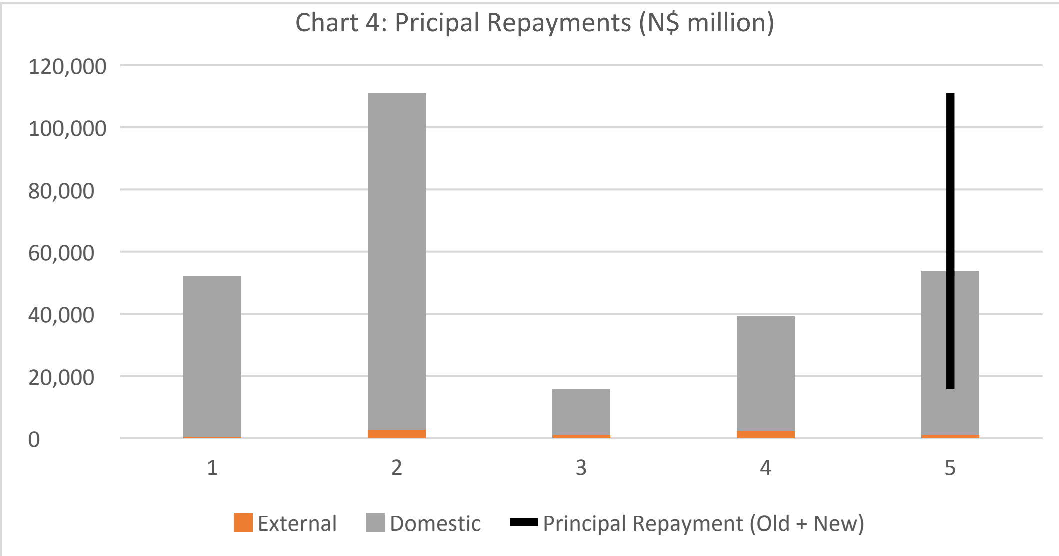
The State Government has continued to meet and honor her maturing debt service obligations as at when due. Total debt service payment in 2018 was **NGN 61,34** billion against **NGN72,25** billion paid in 2022, giving a rise of 17.8%. A significant proportion (84%) of this increase was recorded in 2021.

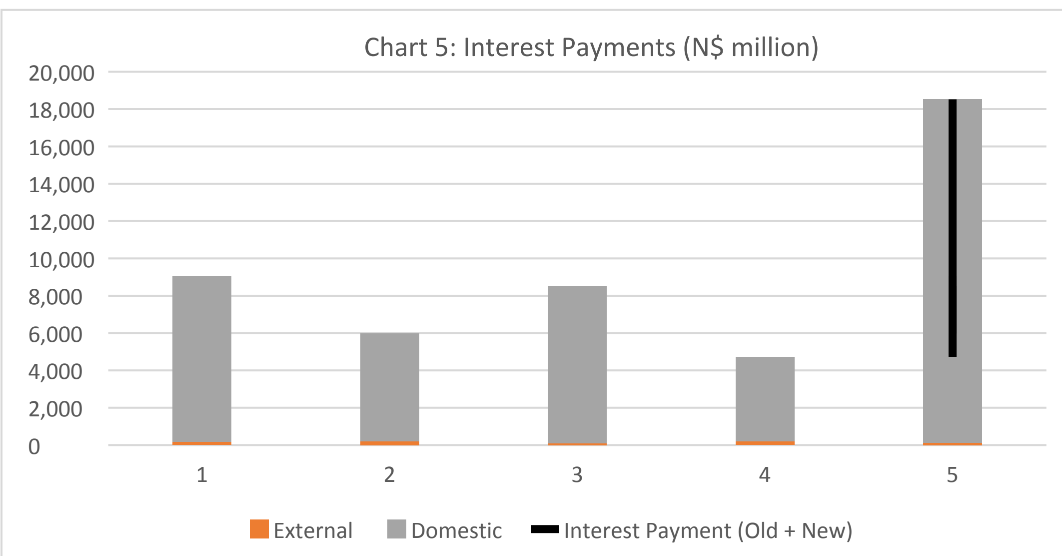
The State holds a low-cost, low-risk debt portfolio. The debt portfolio carried an average, implicit interest rate of 16% in 2019 - 2020 and the interest payments represented just about 10% of total government expenditure. In addition, the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Exposure to currency fluctuations is limited because the foreign currency-denominated liabilities are quite insignificant (only 21% of the total stock as at end 2021).

Most internal loans and all external loans are fixed-rate obligations, thus not affected by changes in interest rates. The loans have maturities running from 3 to 40 years and include financing from the Federal Government and multilateral organizations, rollover risk associated with potential deterioration of domestic financial conditions is negligible.

Domestic/External Debt Service	2018	2019	2020	2021	2022
	NGN '000	NGN '000	NGN '000	NGN '000	NGN '000
Principal	52,244.55	111,004.06	15,731.11	39,713.80	53,726

Interest	9,092.46	5,979.78	8,518.88	4,787.04	18,522
	61,337.01	**116,983.83**	**24,249.99**	**44,500.85**	**72,248**





The debt service payment exhibited a sharp fall in 2019 (95%), 91% in 2020, dropped by 79% in 2021 and a sharp raise by 84% in 2022. The rise in debt service payments over the period is attributed to upsurge in borrowing by the State due to the impact of the 2016/2017 recession with its spillover effects. The decline in debt service payments in 2021 and 2022 is due mainly to the suspension of payment of maturing debt service obligations on FGN credit facilities to the State. It would be recalled that the FGN had in April 2020 temporarily suspended payment of maturing debt service obligations on her credit facilities to States to cushion the effect of Covid-19. FGN credit facilities accounts for 98% of the interest-bearing debts of the State as at December, 2021.

A significant proportion of the total debt service paid during the period under review (2018 – 2022) was in respect of domestic debts. Domestic debt service paid accounts for 97% of total debt service paid, while external debt service accounts for only 3%. Of course, this is due to the structure (tenure) of the loans, recall that external debts have long term tenure, while domestic debts have short term tenures. Principal and interest payments accounts for 89% and 11% respectively of the total debt service paid over the period.

CHAPTER - 4

DEBT SUSTAINABILITY ANALYSIS

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

DEBT BURDENS AND PERFORMANCE INDICATORS

With Indicative Thresholds	**Without Thresholds**
Debt/SGDP – 25%	Debt Service/FAAC Allocation
Debt/Revenue – 200%	Interest Payment/Revenue
Debt Service/Revenue – 40%	External Debt Service/Revenue
Personnel Cost/Revenue – 60%	

For Debt/GDP ratio – 25%

			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Baseline	20A	Debt Data as a % of GDP	**4.8**	**3.5**	**4.7**	**3.9**	**4.2**	**3.8**	**3.3**	**3.1**	**3**	**2.9**	**2.8**	**2.6**	**2.5**	**2.4**	**5.9**
Baseline	20B	Threshold	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**	**25**

Analysis – The debt ratio/GDP is at low risk, since the average of 3.56. for the period is well below the threshold of 25.

For the Debt/Revenue – 200

			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Baseline	21A	Debt Data as a % of Revenue	**93**	**74.2**	**110**	**89.9**	**90.1**	**80**	**72.5**	**80.4**	**87.3**	**94.8**	**98.3**	**105**	**113**	**121**	**88.9**
Baseline	21B	Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200

Analysis – The debt ratio/revenue is at medium risk, since the average 92.25 for the period is well below the threshold, 200.

For Debt Service/Revenue – 40%

			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Baseline	22A	Debt Data as a % of Debt service	**19.6**	**39.1**	**9.1**	**14.2**	**7.8**	**10.6**	**12.7**	**13.2**	**15.7**	**18.6**	**21**	**23.8**	**28.1**	**25.8**	**22.7**

Baseline	22B	Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40

Analysis – The Debt Service/Revenue is at low risk, since the average 18.8 for the period is well below the threshold, 40.

For Personnel Cost/ Revenue – 60%

			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Baseline	23A	Debt Data as a % of Debt service	**24**	**26**	**27**	**29.8**	**25.5**	**22.9**	**22.2**	**25.1**	**26**	**25.8**	**25.9**	**25.7**	**25.6**	**25.6**	**25.4**
Baseline	23B	Threshold	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**	**60**

Analysis – The Personnel Cost/Revenue is at medium risk, since the average of 25.68 for the period, is well below the threshold, 60.

4.1) MEDIUM-TERM BUDGET FORECAST

Preparation of annual budget is usually predicated on a three-five-year projection (Medium-term budget forecast) of the fiscal variables and the underlying macro-economic assumptions. Normally the State budget is tailored after the Federal Government's macro-economic framework.

The Rivers State Fiscal Responsibility Law 2010, makes mandatory provision, requiring the State Government to prepare the Medium-Term Expenditure Framework (MTEF) and Fiscal Strategy Papers (FSP), and submit same to the State House of Assembly. The MTEF and FSP is a three-five-year planning tool that defines government economic, social and development objectives and priorities. It details the strategies to achieving the government defined objectives, the macro-economic framework that indicates fiscal targets and estimates revenue and expenditure, including government financial obligations in the medium term. The documents also set out the underlying assumptions for these projections, provide an evaluation and analysis of the previous budget and an overview of consolidated debt and potential fiscal risks. In preparing the S-DSA Report of the State, recourse was made to the State's MTEF 2023 – 2025, as prepared by the Ministry of Budget and Economic Planning. The indicative three-year fiscal framework (Medium Budget forecast) for the period 2023 – 2025 is as presented in the table below:

Fiscal Framework

Item	2023	2024	2025
Opening Balance	10,967,299,439	10,967,299,439	10,967,299,439
Recurrent Revenue			
Statutory Allocation	58,438,649,638	63,911,265,839	69,755,130,803
Derivation	138,596,744,251	133,104,186,116	146,414,604,728
VAT	53,000,000,000	53,000,000,000	53,000,000,000
IGR	220,055,082,805	265,952,489,592	332,440,611,990
Excess Crude / Other Revenue	12,952,489,952	12,241,616,444	12,241,616,444
Total Recurrent Revenue	**483,042,966,646**	**528,209,557,991**	**613,851,963,965**
Recurrent Expenditure			
Personnel Costs	81,610,101,930	85,690,607,027	94,259,667,729
Social Contribution and Social Benefit	47,099,999,999	23,884,716,932	26,273,188,626
Overheads	15,155,827,538	14,986,510,503	15,280,363,650
Grants, Contributions and Subsidies	6,590,000,000	6,590,000,000	6,590,000,000
Public Debt Service	24,793,763,029	24,793,763,029	24,793,763,029
Total	**175,249,692,497**	**155,945,597,491**	**167,196,983,034**
Transfer to Capital Account	**318,760,573,588**	**383,231,259,939**	**457,622,280,370**
Capital Receipts			
Grants	4,700,000,000	4,700,000,000	4,700,000,000
Other Capital Receipts	35,456,721,153	25,456,721,153	25,456,721,153
Total	**40,156,721,153**	**30,156,721,153**	**30,156,721,153**
Reserves			
Contingency Reserve	0	0	0
Planning Reserve	18,472,499,765	21,221,034,083	24,940,585,104
Total Reserves	**18,472,499,765**	**21,221,034,083**	**24,940,585,104**
Capital Expenditure	**350,977,495,537**	**403,199,647,570**	**473,871,116,980**
Discretional Funds	347,777,495,537	399,999,647,570	470,671,116,980
Non-Discretional Funds	3,200,000,000	3,200,000,000	3,200,000,000
Financing (Loans)	21,500,000,000	22,000,000,000	22,000,000,000
Total Revenue (Including Opening Balance)	**555,666,987,238**	**591,333,578,583**	**676,975,984,557**
Total Expenditure (including Contingency Reserve)	**544,699,687,799**	**580,366,279,144**	**666,008,685,118**
Closing Balance	10,967,299,439	10,967,299,439	10,967,299,439
Ratios			
Growth in Recurrent Revenue	27.93%	9.35%	16.21%
Growth in Recurrent Expenditure	21.06%	-11.02%	7.21%
Capital Expenditure Ratio	67.83%	73.13%	74.90%
Deficit (Financing) to Total Expenditure	3.95%	3.79%	3.30%
Deficit (Financing) to GDP Ratio	NA	NA	NA

In I

ASSUMPTIONS UNDERPINNING THE MTB FORECAST

The adverse effects of Covid-19 pandemic is still very much with us, and has continued to cause so much disruptions and uncertainties in World economic outlook. The State's Medium-Term Budget Forecast is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation. According to the Federal Government and State's own forecasts, the Nigerian economy is expected to gradually recover in the period 2023-2025. Such a moderate recovery will be supported by higher oil prices in 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 levels observed in 2020/2021, thus improving the State's revenue profile.

1. **Opening Balance –** 2,184,256,257.03 is the opening balance for 2022 final year.6,934,758,872.01which is the closing balance for 2022 and was adopted to serve as the opening balance for 2023.

2. **Statutory Allocation –** the estimation for statutory allocation is based on own value taking into consideration the fiscal assumptions derived from the State MTEF of 2022 -2024 to retain the values contained in the 2022 Appropriation of the State and the key macroeconomic and fiscal assumptions as contained in the FGN 2023 - 2025 MTEF as well as the mineral ratio for which we considered the mid-point between possible removal of subsidy.

3. **Derivation -** the estimation is based on own value taking into consideration the State 2022 -2024 MTEF to retain the values contained in the 2022 Appropriation of the State and key macroeconomic and fiscal assumptions as contained in the FGN 2023 - 2025 MTEF as well as the mineral ratio for which we considered the mid-point between possible removal of subsidy.

4. **VAT -** considering that changes in key macroeconomic parameters including the nature of impact of the volatile commodity prices and exchange rate on aggregate economic activity, VAT was forecasted using the own method to be able to retain the values contained in the 2022 Appropriation of the State. This forecast might change if macroeconomic assumptions change.

5. **Other Federation Account revenues –** considering the present state of the economy, own value was employed for crude oil and other federation sources of revenue.
6. **Internally Generated Revenue (IGR) –** total IGR for 2022 was N196,663 billion. Own value was employed as the forecast method after due consideration to the IGR values of the previous years. The State believes that reforms already put in place in the 2022 – 2023 fiscal year will yield substantial growth in the IGR to meet developmental needs of the State in the 2023 - 2025 fiscal year. This forecast might change with changes in the economic activities and employment.
7. **Grants –** The internal grants are based on the actual receipts for 2021, while external grants are based on signed grant agreements with development partners.
8. **Miscellaneous Capital Receipts** –
9. **Financing (Loans) –** in as much the Government has invested massively in the infrastructural needs of the State, it is expected that there will be a marked decrease in the loans.
10. **Personnel –** It is anticipated that the planned new recruitment and promotion of Civil servants will impact on the wage bill from the first quarter of 2023. In aggregate, growth is forecast at 5% per annum from 2023 to 2024 (based on 2022 Actuals) and 10% in 2025.
11. **Social Contribution and Social Benefits –** A substantial amount is being owed as pension and gratuity payment. It is appropriate to make adequate provision for these items and other social commitments. Hence, a 5% growth year on year is forecast for this item.
12. **Overheads –** Overhead has been relatively stable over the last five years. Consequently, own percentage method is used to forecast overhead for 2023 - 2025 at an annual rate of 3%, 5% and 2% per annum for 2023, 2024 and 2025 respectively.
13. **Grants, Contributions, Subsidies and Transfers -** Grants and contributions is estimated to be relatively stable every year between 2023 and 2025.
14. **Public Debt Service -** Is based on the projected principal and interest repayments for 2023 - 2025. Own value has been used to forecast public debt charges for 2023 - 2025.

15. **Contingency and Planning Reserves** – is estimated at 5% of Capital Expenditure Budget.
16. **Capital Expenditure –** is made up of capital account plus capital receipts plus loans less contingency / planning reserve as outlined above.

From the Medium-Term Budget Forecast (2023-2025), between 2023 and 2025, total revenue is projected to grow by 23%, against an increase of 22% in total expenditure. During the years under review, projected revenues would outstrip projected expenditure, giving rise to financing gap, as follows:

- 2023 NGN21,500,000,000
- 2024 22,000,000,000
- 2025 22,000,000,000

The financing gap would be financed through borrowing.

The ratio of recurrent and capital expenditure is expected to be stabilized at 25:75 in 2025, from 32:68 in 2022, implying that the State Government would commit more resources (including the borrowed fund) to capital projects which would rejig the State's economy, improve internally generated revenue and put the State in a better stead to service her debt obligations as at when due.

The adverse effects Covid-19 pandemic is still very much with us, and has continued to cause so much disruptions and uncertainties in World economic outlook. The State's Medium-Term Budget Forecast is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation. According to the Federal Government and State's own forecasts, the Nigerian economy is expected to gradually recover in the period 2023 - 2025. Such a moderate recovery will be supported by higher oil prices in 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 levels observed in 2021/2022, thus improving the State's revenue position/profile.

The sustainability of the State debt is also predicated on government sustained commitment to the implementation of the IGR Mobilization Strategy (tax reforms) aimed at improving collection efficiency, broadening the tax base and blocking revenue leakages to boosting domestic resources/revenue.

4.2) BORROWING OPTIONS

The planned borrowing of the State based on the baseline scenario are as follows:

2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
100,006	52,077	66,845	73,734	85,180	104,470	116,197	127,716	152,958	166,024	169,313	

The planned borrowing would bridge the financing gap and facilitate seamless implementation of the State government budget and the attainment of her development objectives. The State would explore available financing options, both domestic and external to meet the planned borrowing.

The borrowing terms (domestic and external) based on the baseline scenario for the new financing are as follows:

	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	22.00%	4	1
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	22.00%	7	0
State Bonds (maturity 1 to 5 years)	15.00%	5	1
State Bonds (maturity 6 years or longer)	14.00%	10	1
Other Domestic financing	9	20	1
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	1.00%	30	5

4.3) DSA SIMULATION RESULTS

REVENUE, EXPENDITURE, OVERALL AND PRIMARY BALANCE OVER THE LONG-TERM.

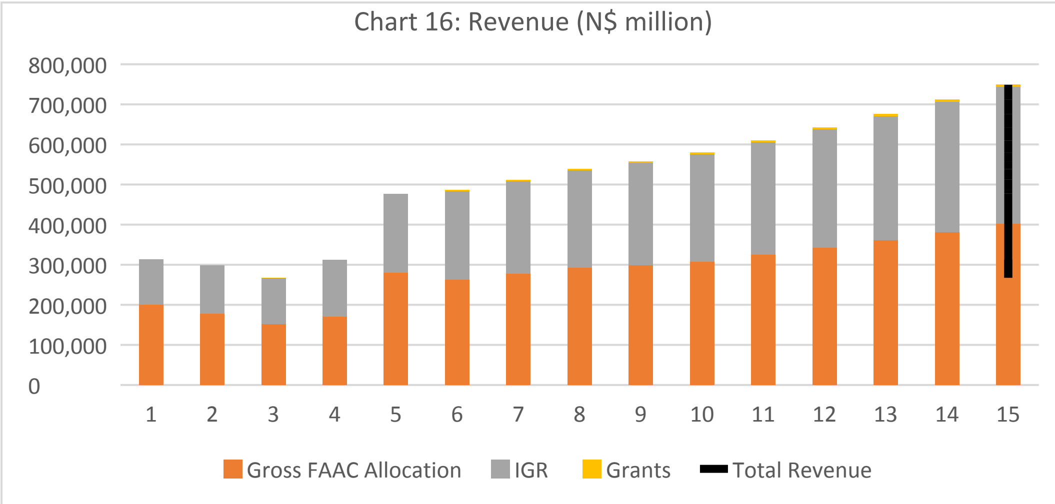
Revenue is expected to grow during the projected period, driven largely by expected improvement in FAAC revenue allocation and Internally Generated Revenue (IGR). FAAC revenue is estimated to increase by 52%, (from NGN262,986B in 2023 to NGN402,185B in 2032). Similarly, the IGR is estimated to increase by 55% (from N220,055B in 2023 to NGN341,378B in 2032).

In the Baseline Scenario under the reference debt strategy (S1), the State conserves debt sustainability. Total revenue (including grants and excluding other capital receipts) is projected to increase from N498.674 billion in 2022 to N651.370 billion by 2031. Total expenditure will increase from N465.758 billion in 2022 to N651.370 billion by 2031. Therefore, the fiscal deficit—computed as the difference between revenue and expenditure — is expected to remain within a range of N25.674 billion to N130.921 billion in nominal terms, compared to the 2022 deficit of N83.92 billion.

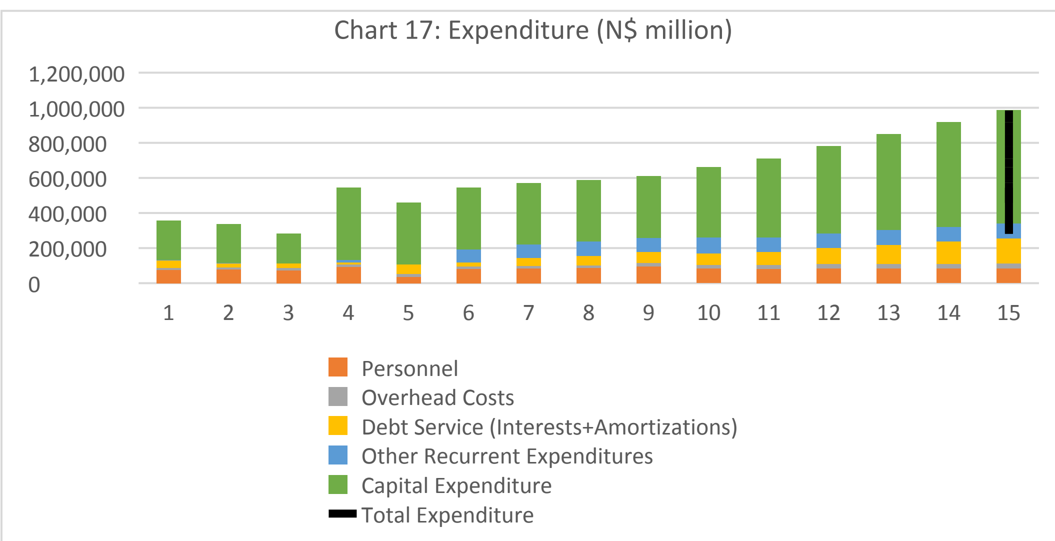
The debt profile of the debt would preserve sustainability in view of the following policies of the State Government:

- Reforms of the State's Revenue Service
- Prudent expenditure management
- Effective and efficient cash and debt management practices

The baseline projections for revenue, expenditure, primary and overall balance and Debt and debt service indicators and threshold are as follows:

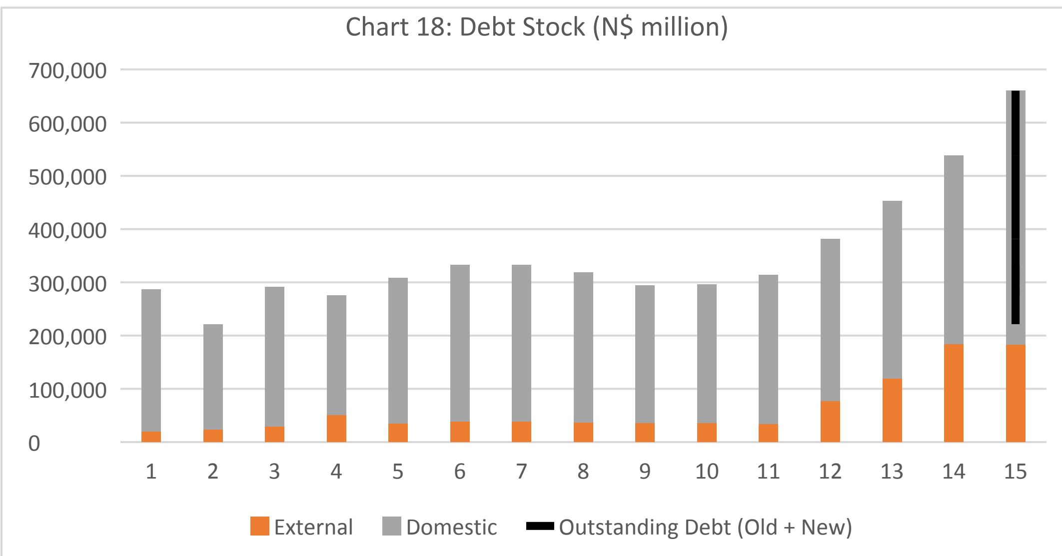


The estimated revenue for the State shows a rise and fall of Gross FAAC Allocation and IGR between the period 2018 to 2021, however, from 2022 the revenue estimates exhibit steady growth, reaching a peak value by the year 2025, then stabilize from 2025 to 2032.



Total expenditure increased in 2018, dropped in 2020, then had a sharp increase in 2021and dropped in 2022, mainly pushed by capital expenditure, then rose in 2023, thereafter maintain a moderate increase from 2024 to 2032, mainly propelled by debt service and personnel cost. However, the major driver of expenditure is capital expenditure, which suggest that the State is investing massively in infrastructure development.

Debt Stock:



The debt stock comprises domestic and external debts. Domestic debts account for a significant proportion of the State's debt portfolio. There is a surge in domestic debt stock during the period under review, as displayed by the chart. The debt stock exhibited a rise and fall movement between 2018 to 2024, then maintains a steady rise to 2032. It appears the debt stock chart does not correctly depict the movement in the debt stock per the baseline scenario. The baseline scenario shows declining movement from 2022 to 2032, which is contrary to the debt stock chart.

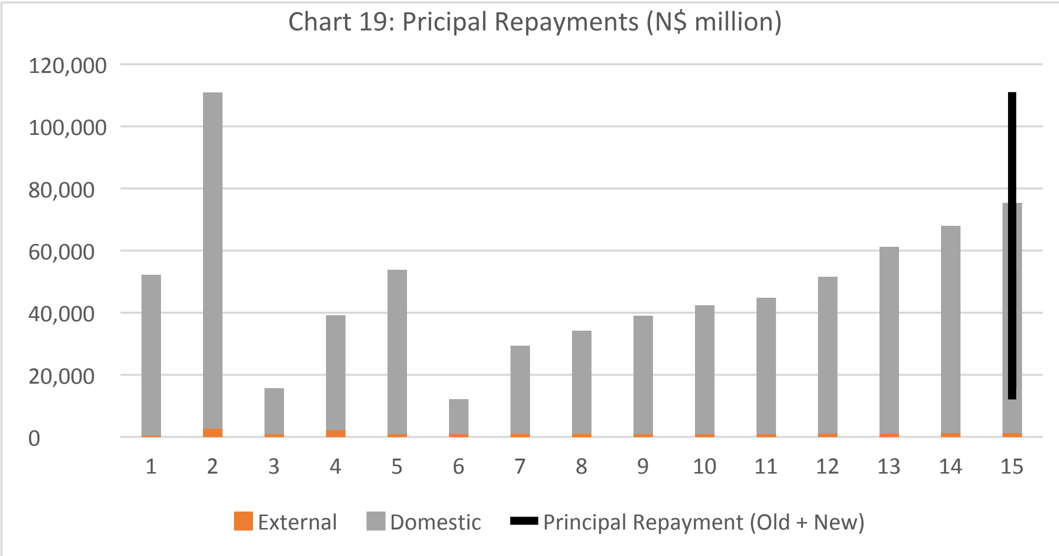


Chart 19: Pricipal Repayments (N$ million)
120,000
100,000
80,000
60,000
40,000
20,000
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
External
Domestic
Principal Repayment (Old + New)

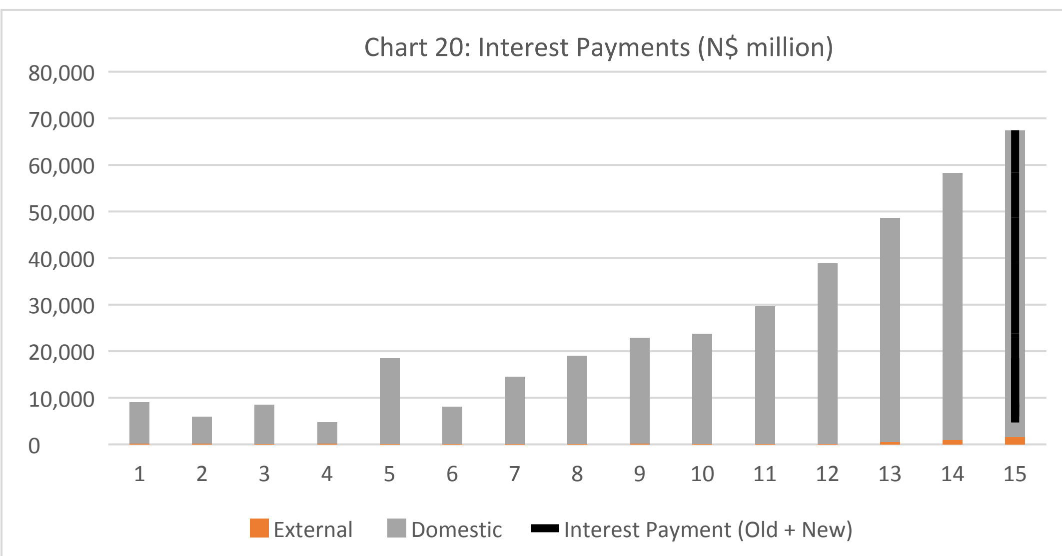


Chart 20: Interest Payments (N$ million)
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
External
Domestic
Interest Payment (Old + New)

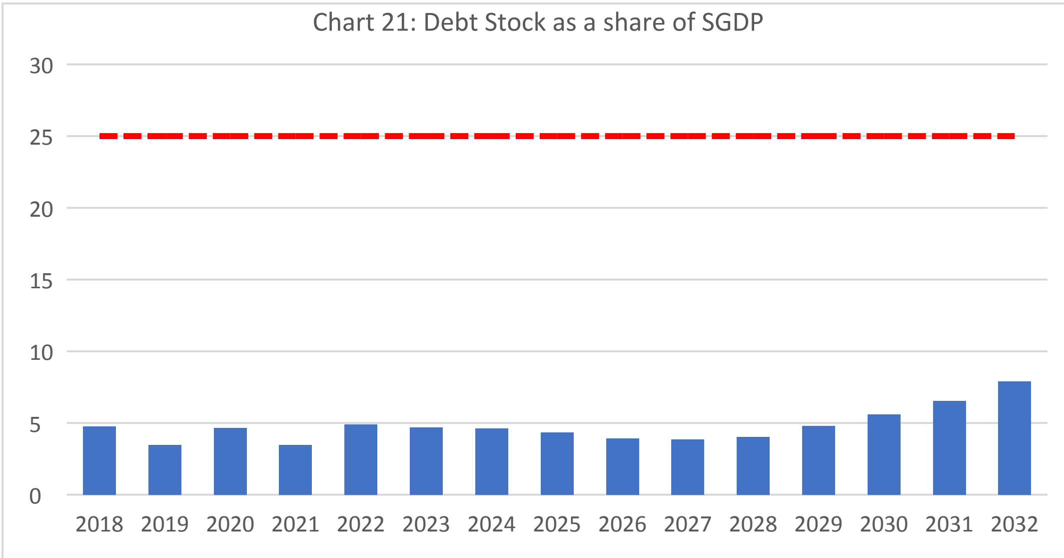


Chart 21: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032

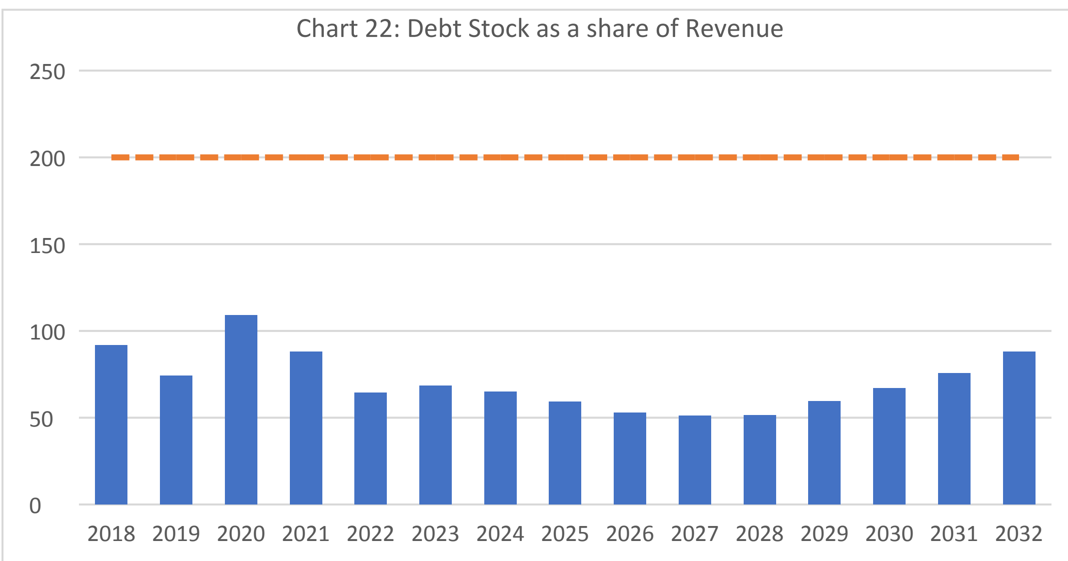
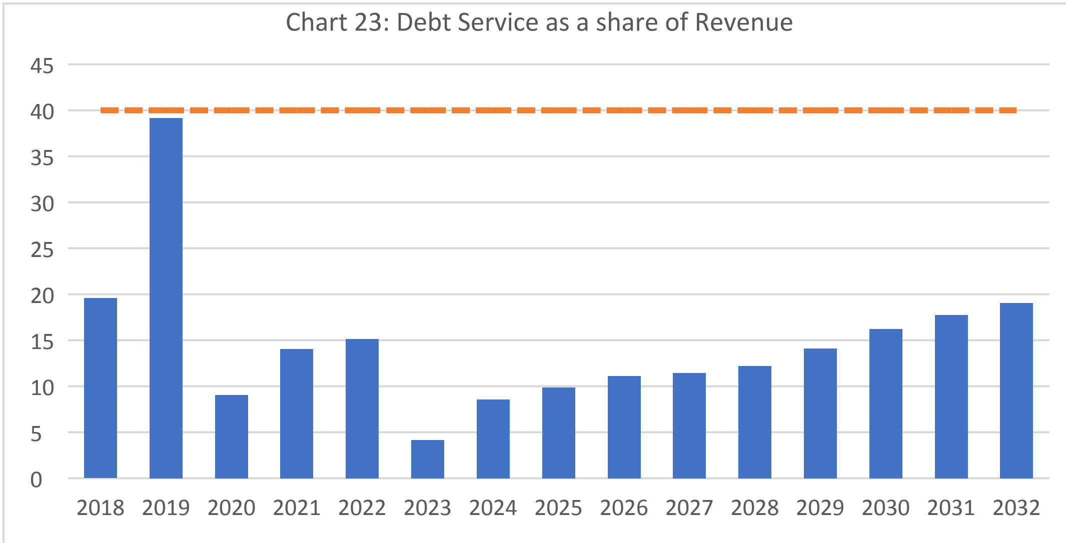
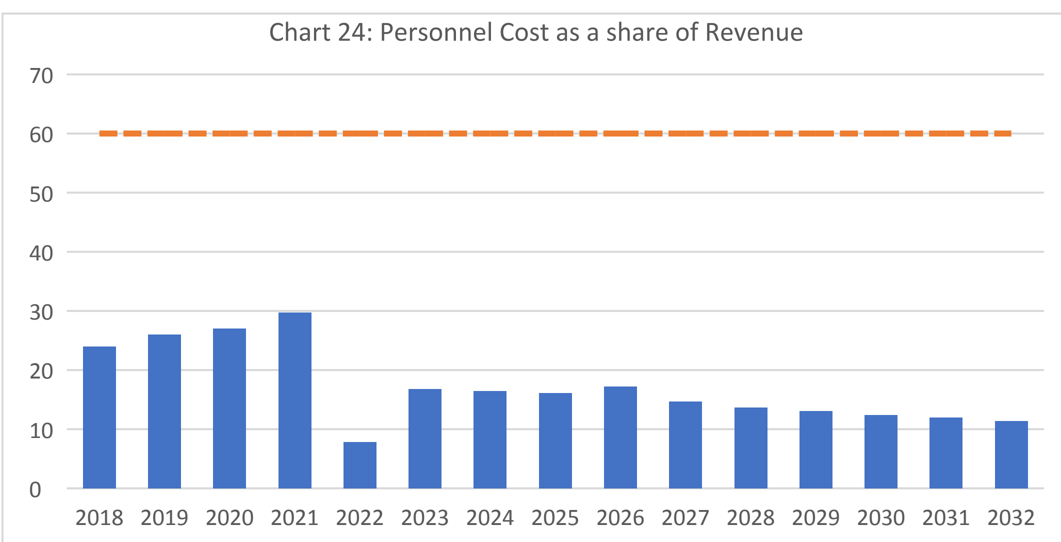


Chart 22: Debt Stock as a share of Revenue
250
200
150
100
50
0
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032



Debt service consumes an insignificant proportion of the State revenue, far below the 40% threshold, except in 2019, where it was almost at par with the threshold. It means that the State can conveniently meet her debt service obligations and has a sustainable debt portfolio.



This is quite below the threshold. It could imply that the government need to improve on staff related expenditures.

Chart 25: Debt service indicators

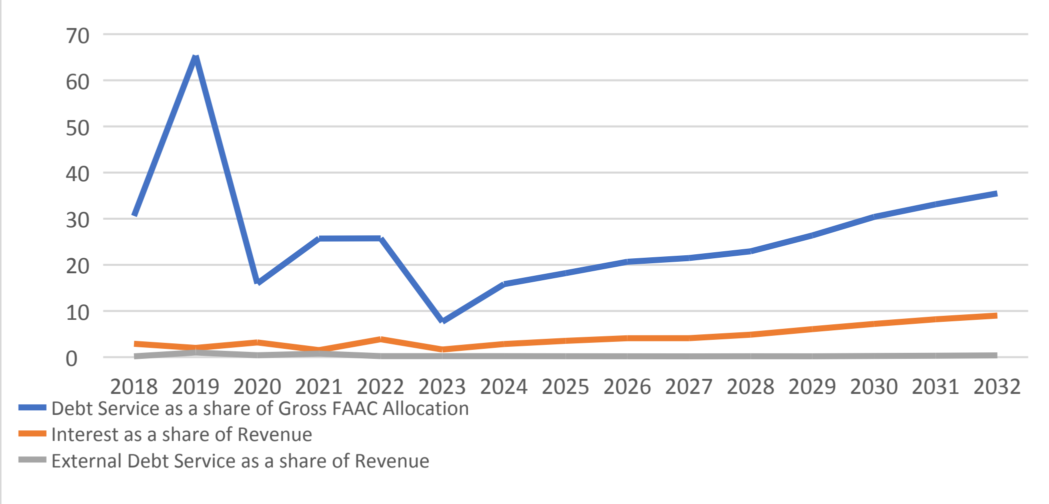
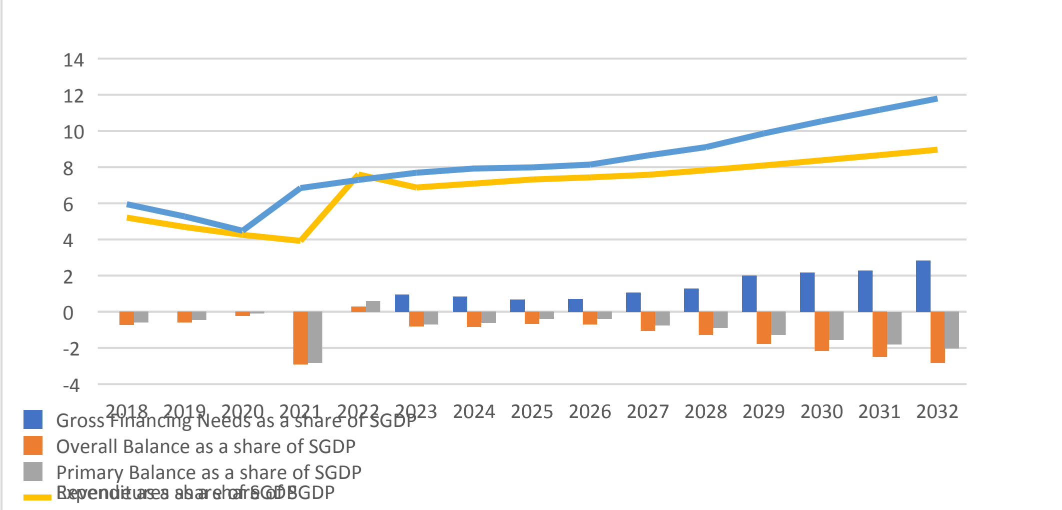


Chart 26: Fiscal Outturns



During the period under review (2018 - 2032), the State has consistently experienced fiscal outturn as displayed by the chart. The State expenditures have always surpassed her revenue, year on year, giving room to financing gaps/needs.

With the projected improvement of the State's debt ratios, it is evident from the analysis of the baseline scenario under the reference debt strategy (S1), that the State will be able to preserve the sustainability of her debt in the medium-term.

The outcome of the 2023 DSA shows that Rivers State's total debt remains at a very low risk of debt distress with substantial space to accommodate shocks. Rivers State risk rating remains at a moderate level of debt distress with capacity to accommodate shocks in revenue, expenditure, exchange rate and interest rate. The ongoing efforts by the State government towards improving revenue generation and diversifying the economy, through various initiatives and reforms in tax administration and collections, would improve the outlook for total debt with enhanced revenue performance. Thus, the revenue indicators and borrowing space are expected to improve in the medium to long-term.

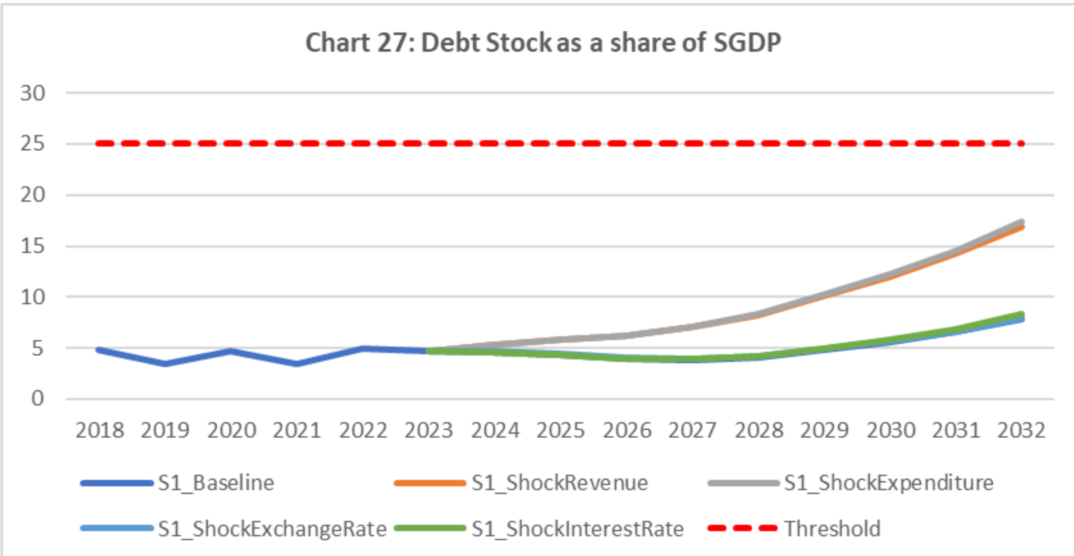
4.4) DSA SENSITIVITY ANALYSIS

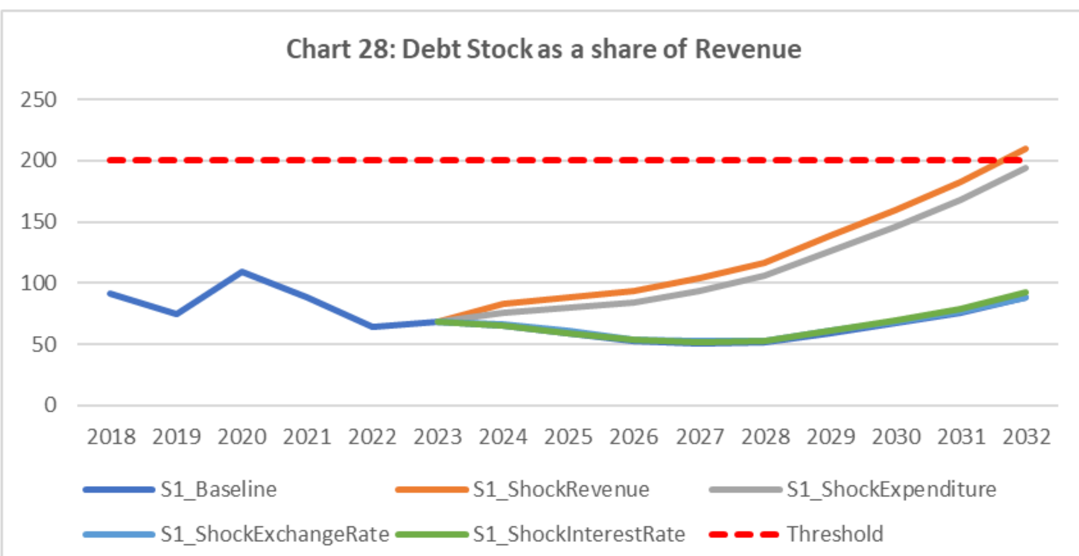
In a broader macroeconomic context for public policy, it's a rationale for governments to seek and ensure that both the level and rate of growth in their public debt is fundamentally sustainable, and can be serviced under a wide range of circumstances while meeting cost and risk objectives.

A sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the Baseline scenario under the reference debt strategy. While considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings would cover any revenue shortfall and additional expenditure relative to the baseline scenario.

The State's debt sustainability would deteriorate moderately if the exchange rate/interest rate shocks materialize under the reference debt strategy (S1), mainly as a consequence of a diminished repayment capacity. On the other hand, the public debt ratio will deteriorate—chiefly as a consequence of the revenue shortfall. This implies a moderate worsening of the State's public debt position and a build-up of fiscal vulnerability in the medium-term.

In conclusion, Rivers State Debt Portfolio remains sustainable in relation to the revenue shocks. Though, the projected size of the State's revenue, shows an average growth rate of 1.5% over the projection period (2023 - 2032), this is quite below the average growth rate of debt accumulation of 8.1%. However, the result obtained under the fiscal sustainability of the State External and Domestic Debt indicates that the State is at a low risk of debt distress.





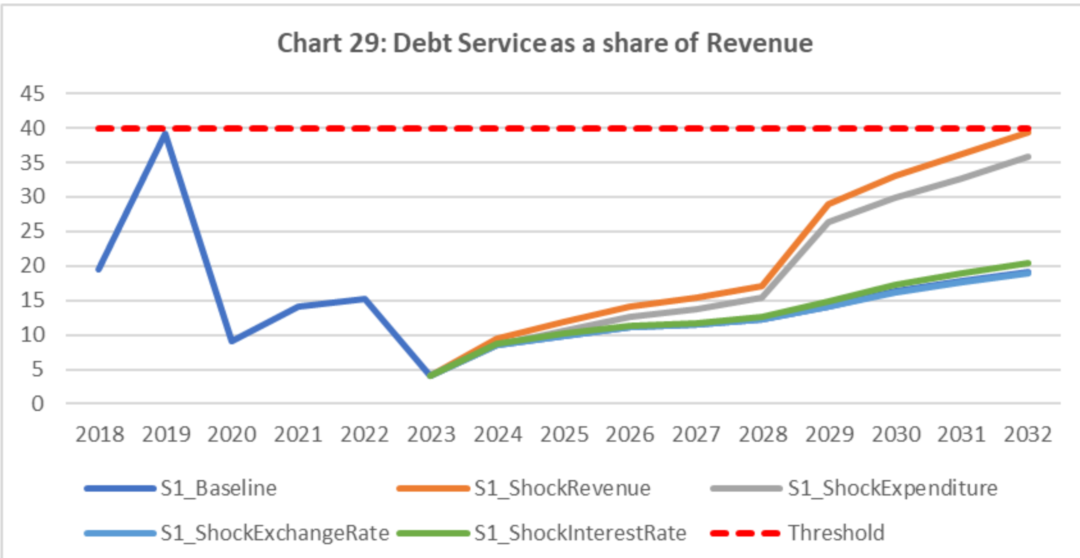


Chart 29: Debt Service as a share of Revenue
45
40
35
30
25
20
15
10
5
0
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
Threshold

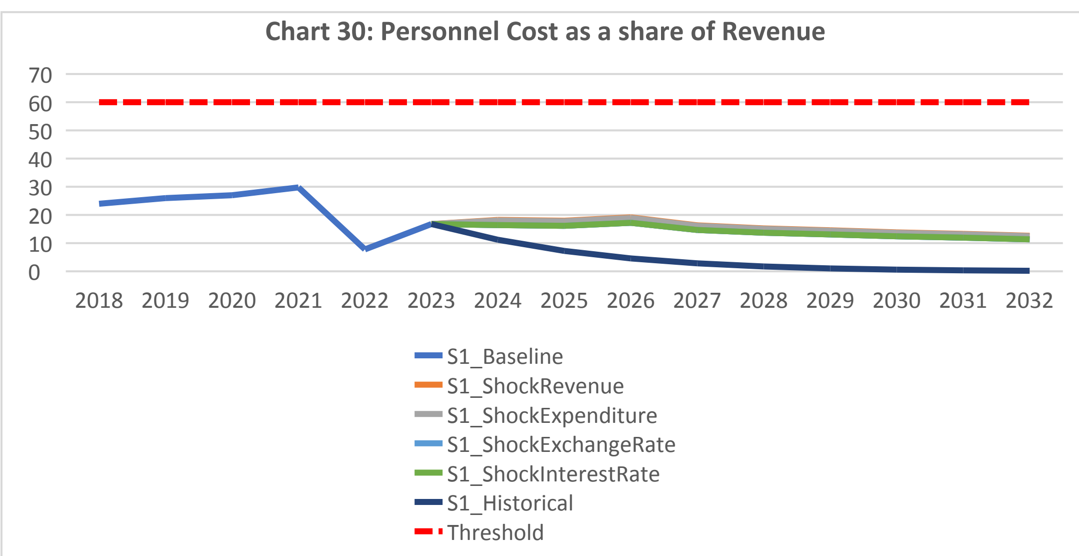


Chart 30: Personnel Cost as a share of Revenue
70
60
50
40
30
20
10
0
2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032
S1_Baseline
S1_ShockRevenue
S1_ShockExpenditure
S1_ShockExchangeRate
S1_ShockInterestRate
S1_Historical
Threshold

CHAPTER - 5.

DEBT MANAGEMENT STRATEGY

Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk.
It is imperative that public debt remains on a sustainable path, well-structured in terms of maturity, currency, or interest rate composition and a credible strategy is put in place to reduce excessive level of debt.

A Debt Management Strategy (DMS) cost is measured by the expected value of a performance indicator in 2027 (as projected in the baseline scenario). Risk is measured by the deviation from the expected value in 2027 caused by an un-expected shock (as projected in the most adverse scenario).

5.1) ALTERNATIVE BORROWING OPTIONS

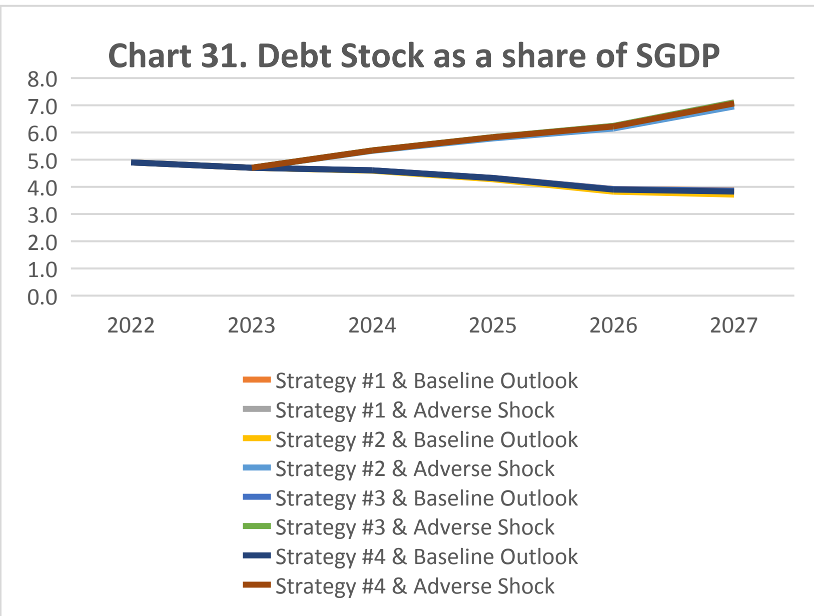
Besides the baseline strategy (S1), the State is also considering three other alternatives debt management strategies (S_2, S_3, S_4) to ensure it gets the best in terms of cost and risk configuration.

- In alternate Strategy S_2, the State intends to borrow fully from the domestic market (Commercial Bank loans and Bond market). This would minimize currency fluctuation risk, help to develop the domestic market.
- In alternate Strategy S_3, the State is also exploring the domestic market, though with concentration in long term facilities (capital market).
- In alternate Strategy S_4, the State would significantly explore the external market to take advantage of the low interest rate and longevity of tenor. Alternate S_3 is a blend of domestic and external loans.

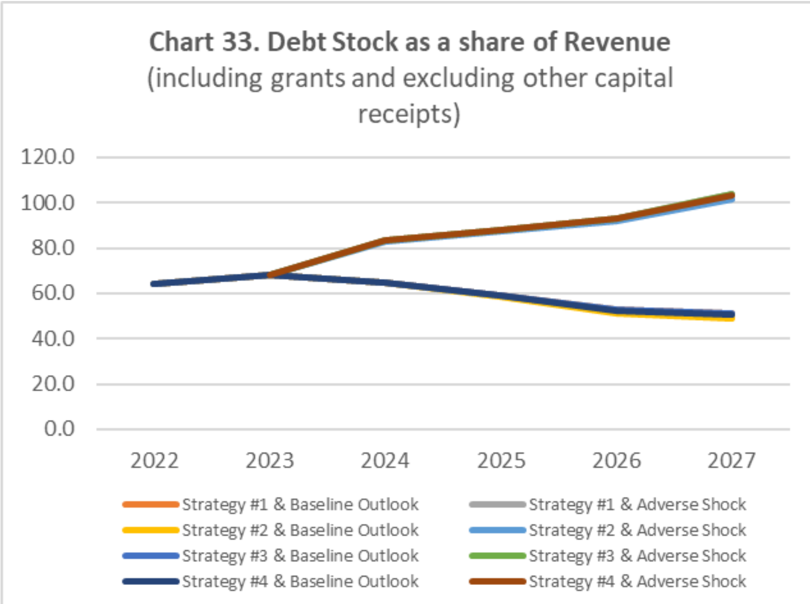
5.2) DMS SIMULATION RESULTS

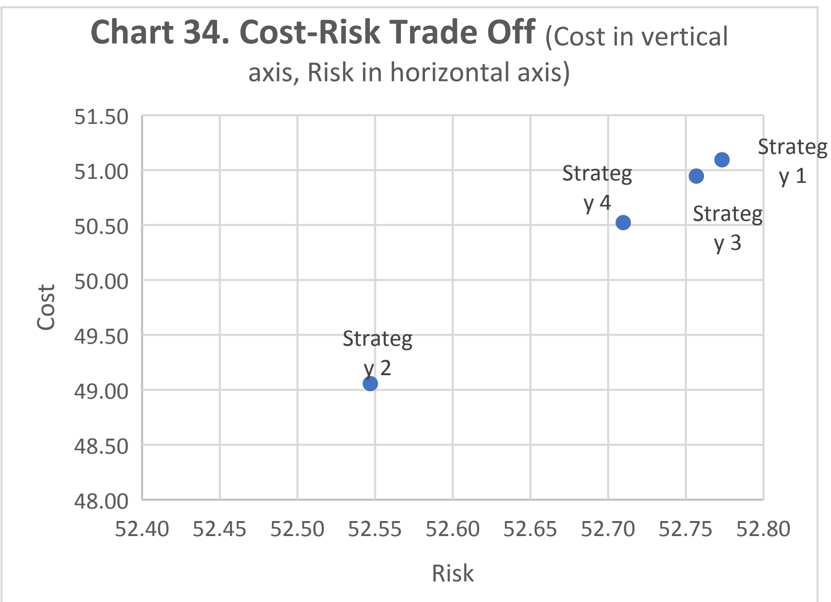
An analysis of the results obtained from the three debt management strategies (S_2, S_3, and S_4) and comparing them against the baseline strategy (S_1).

- For debt stock as a share of SGDP, S_2 exhibits the least adverse shock of 7.0, cost of 3.7 and risk of 3.2, relative to the baseline scenario (S_1) and S_3 and S_4.



- For debt stock as a % of revenue, S_2 exhibits the least adverse shock of 101.6, cost of 49.1 and highest risk of 52.5, relative to the baseline scenario (S_1) and S_3, S-4. It is the preferred strategy because of its low adverse effect and cost.





- For Debt service as a % SGDP, S_1 exhibits the least adverse shock of 1.0, cost of 0.9 and risk of 0.2, relative to the baseline scenario (S_2) and S_3, S_4.

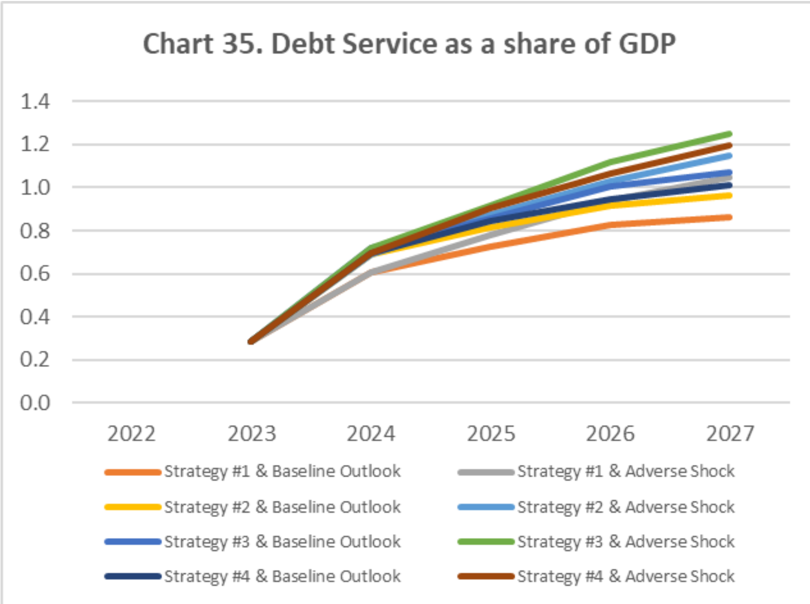


Chart 35. Debt Service as a share of GDP
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
2022
2023
2024
2025
2026
2027
Strategy #1 & Baseline Outlook
Strategy #1 & Adverse Shock
Strategy #2 & Baseline Outlook
Strategy #2 & Adverse Shock
Strategy #3 & Baseline Outlook
Strategy #3 & Adverse Shock
Strategy #4 & Baseline Outlook
Strategy #4 & Adverse Shock

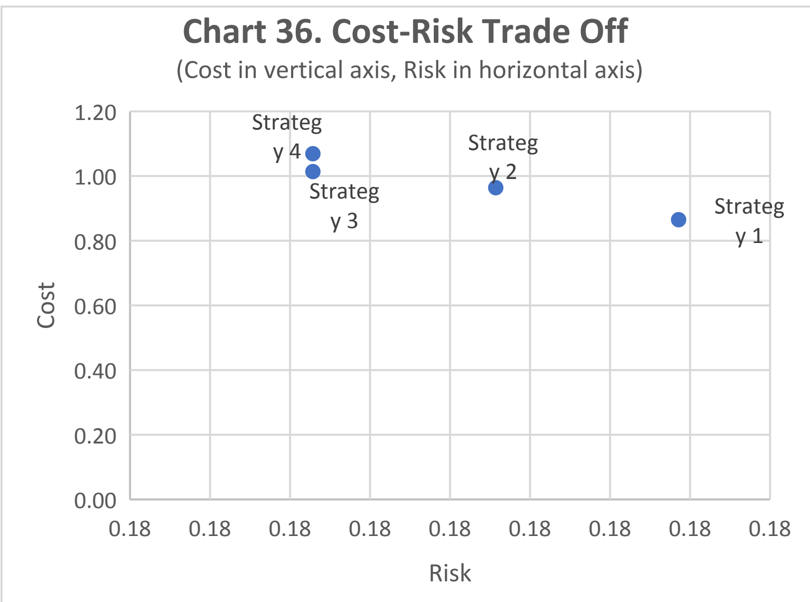
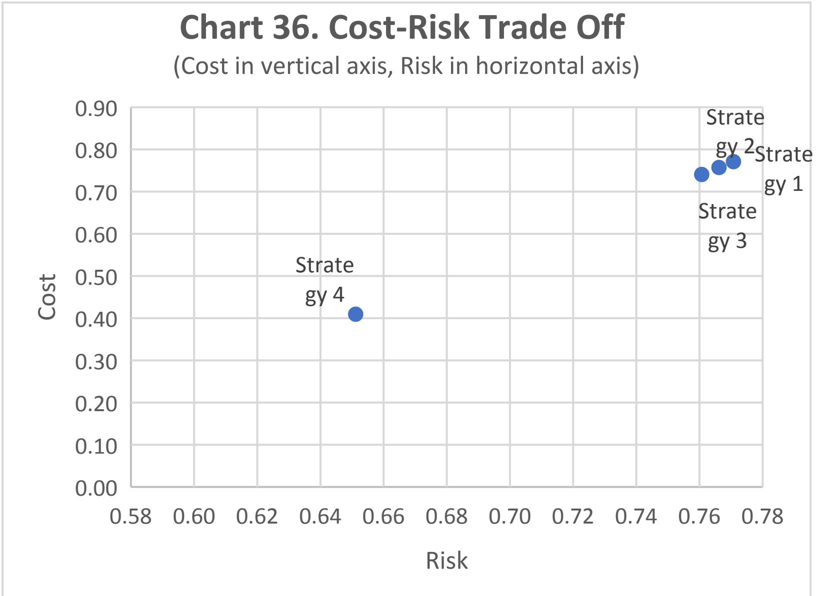
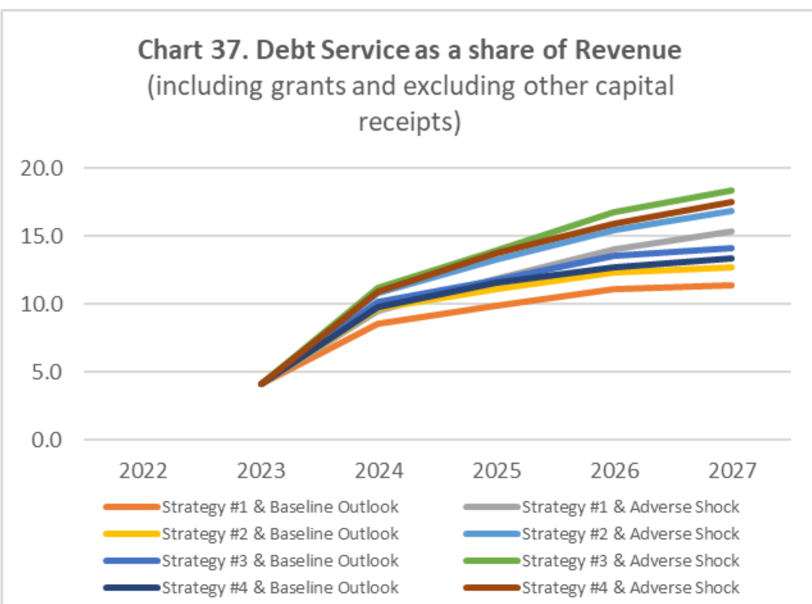


Chart 36. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)
Strateg y 4
Strateg y 3
Strateg y 2
Strateg y 1
1.20
1.00
0.80
0.60
0.40
0.20
0.00
Cost
0.18
0.18
0.18
0.18
0.18
0.18
0.18
0.18
0.18
Risk



- For Debt service as a % of Revenue, S_1 exhibits the least adverse shock of 15.4, cost of 11.4 and risk of 3.9, relative to the baseline scenario (S_2) and S_3, S_4.



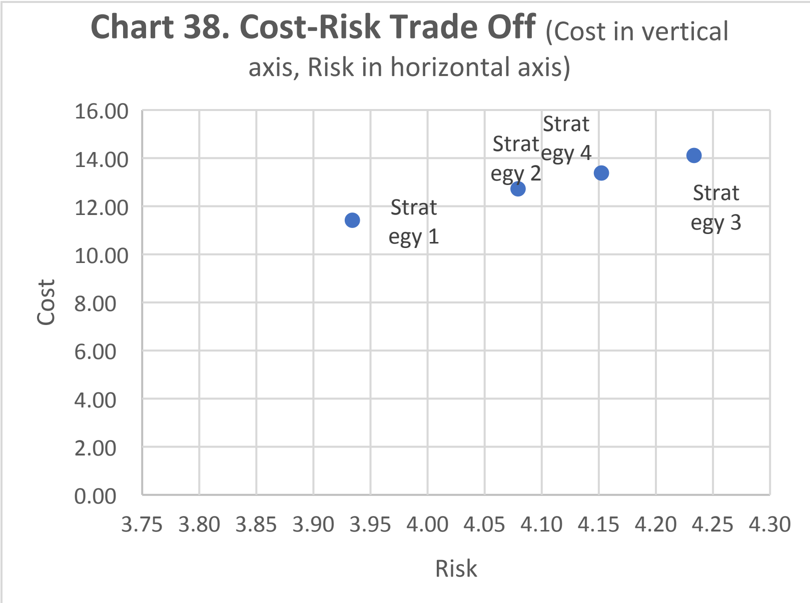


Chart 38. Cost-Risk Trade Off (Cost in vertical axis, Risk in horizontal axis)
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00
Cost
Strategy 1
Strategy 2
Strategy 4
Strategy 3
3.75
3.80
3.85
3.90
3.95
4.00
4.05
4.10
4.15
4.20
4.25
4.30
Risk

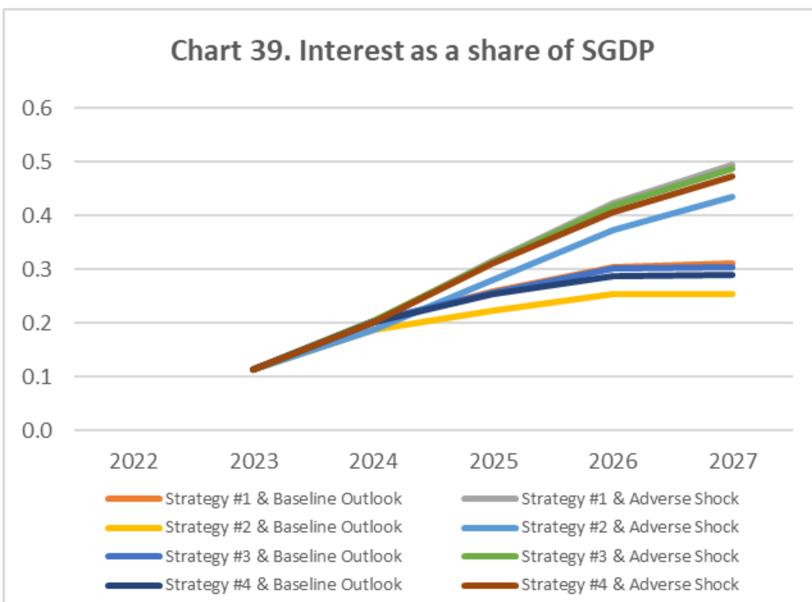
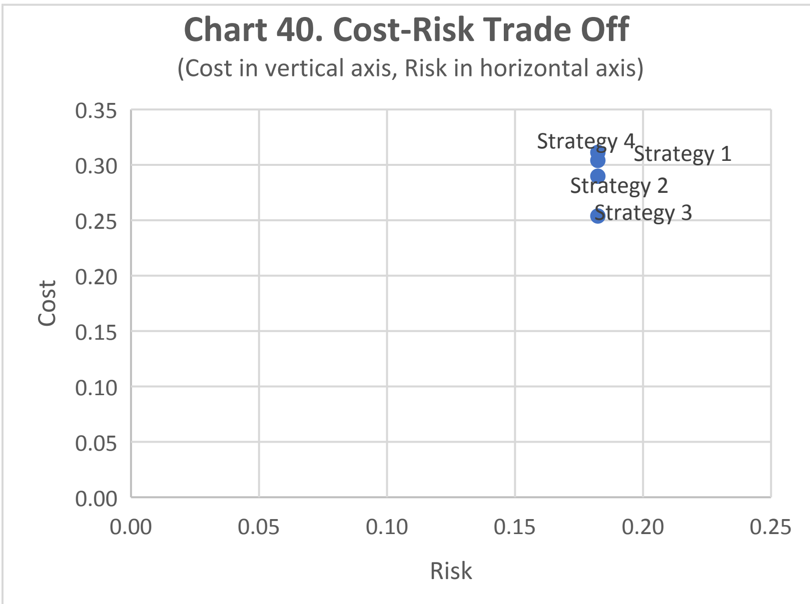
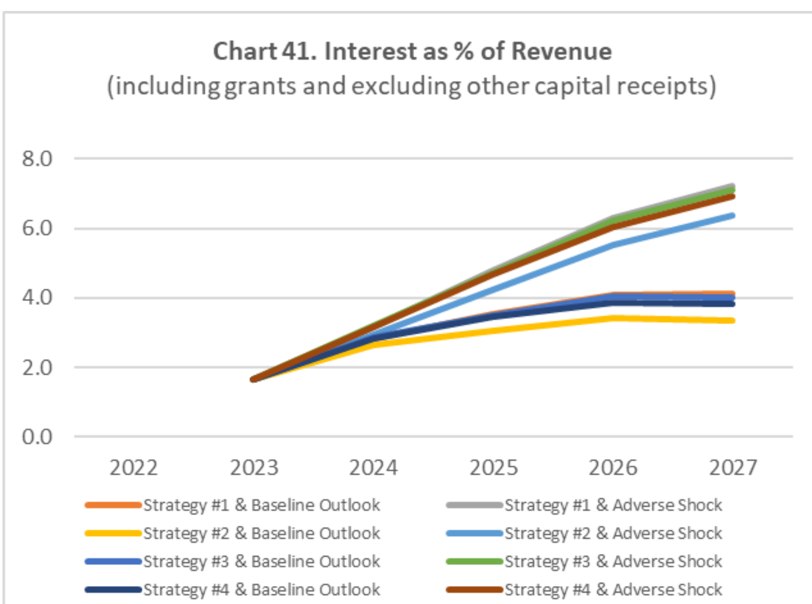
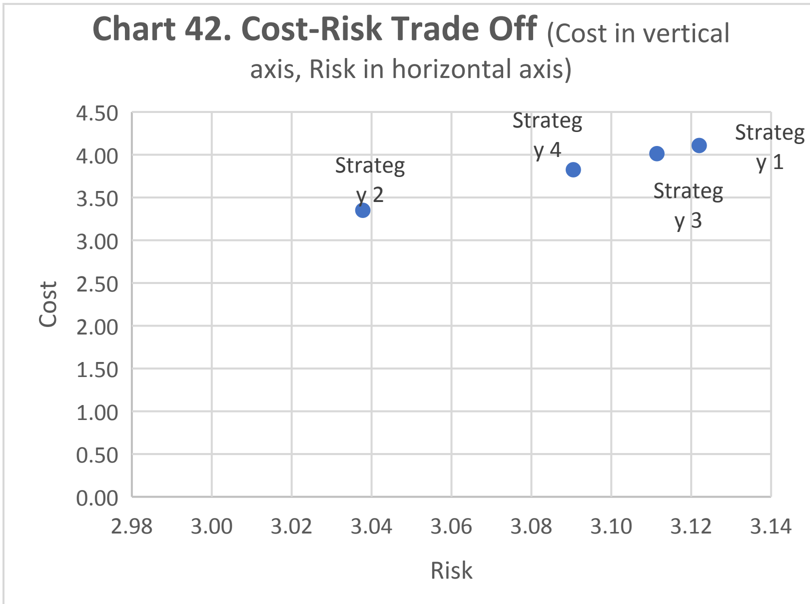


Chart 39. Interest as a share of SGDP
0.6
0.5
0.4
0.3
0.2
0.1
0.0
2022
2023
2024
2025
2026
2027
Strategy #1 & Baseline Outlook
Strategy #2 & Baseline Outlook
Strategy #3 & Baseline Outlook
Strategy #4 & Baseline Outlook
Strategy #1 & Adverse Shock
Strategy #2 & Adverse Shock
Strategy #3 & Adverse Shock
Strategy #4 & Adverse Shock

- For interest as a % of SGDP, S_2 exhibits the least adverse shock of 0.4, cost of 0.3 and risk of 0.2, relative to the baseline scenario (S_1), S_3 and S_4.







- For interest as a % of Revenue, S_2 exhibits the least adverse shock of 6.4., cost of 3.4. and risk of 3.0., relative to the baseline scenario (S_1) S_3 and S_4.

5.2.4) DMS ASSESSMENT

The cost and risk profile exhibited by the various Debt Management Strategies (DMS) are summarized below:

- For debt stock as a per cent of SGDP:
  S_1 and S_3 exhibit the highest adverse shock (7.1), cost (3.9) and risk (3.2). It is the least preferred strategy.

- For debt Stock as a percentage of revenue:

S_1 exhibits the highest adverse shock (103.9), cost (51.1), and risk 52.8, while S_2 exhibits the least adverse shock (101.6), cost (49.1) and risk (52.5).

- For debt service as a per cent of SGDP:
  S_3 exhibit the highest adverse shock (1.3), cost (1.1) and risk (0.2). followed by S_4 and S_2.
- For Debt service as a percentage of Revenue

S_3 exhibits the highest adverse shock (18.3), cost (14.1), and risk of 4.2).

The DMS related performance indicators suggest that the State's debt is affordable and resilient to shock over the medium-term.

ANNEX I: BASELINE ASSUMPTIONS

- Revenue Assumptions:
  This includes oil revenue forecast base on the key projection parameters (oil prices in $, exchange rate, oil production).
- The IGR is projected using time series analysis,
- VAT is projected with the assumption of its responsiveness to economic activities and projected on the changes in IGR.
- Aids and grants are projected based on annual target growth rate of 10.8% in capital development.

Expenditure Assumptions:

- Personnel cost for 2023 (moving forward) is projected with the assumption of minimum wage implementation.
- Consolidated revenue charges are projected on the weighted changes in IGR.
- Overhead cost is projected on the assumption of fiscal policy to reduce cost of governance and pave way for improved capital investment and industrial development in the State. The Government also rolled out a social intervention programme to provide support to the poor and the unemployed; reconstructed and equipped skills acquisition centres to provide training for women and youth towards self-reliance; and building the critical infrastructure needed to speed up the development of the State.

- Borrowing Assumptions (Options) Domestic Borrowing - Terms (interest rate, maturity and Grace Period). Domestic borrowing is anticipated to be through the issuance of bond, with an interest rate of not more than 17% (but could be lower) and with repayment period of not more than 6 years.

- External Borrowing - Terms (Interest rate, maturity and Grace Period): External borrowings are usually tied to a specific project/program and is not envisaged for now though within the MTEF. Grace period for the IDA window is usually 10 years.

2022

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	The State Gross Domestic Product (SGDP) used was provided by the World Bank Group (WBG), National Bureau of Statistics (NBS)BS	Debt Management Office, Abuja
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	The key assumptions for FAAC revenue were predicated on the State' 2023 - 2025 MTEF assumptions, as highlighted in the Report. **It should be however noted, that for some inconceivable reasons, Rivers State had not published her 2024 - 2026 MTEF, hence we adopted the 2023 - 2025 MTEF in preparation of this report.**	DSA Team, Ministry of Finance. Rivers State
	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	With the enhanced rate and expected boost in economic activities due to the gradual recovery from Covid_19 pandemic, receipt from VAT is expected to increase.	
	5. IGR	IGR is projected to increase tremendously due to the radical reforms on going in the Service which is already yielding results.	DSA Team, Ministry of Finance. Rivers State

	6. Capital Receipts	Capital receipts would mainly come from transfers and borrowing	DSA Team, Ministry of Finance. Rivers State
	6.a. Grants		
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel cost is projected to increase due to expected employment into the service and possible salary increment	DSA Team, Ministry of Finance. Rivers State
	2. Overhead costs	Overhead cost is projected on the assumption of fiscal policy to reduce cost of governance and pave way for improved capital investment. It is also predicated on expected increase in general in price level.	DSA Team, Ministry of Finance. Rivers State
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Borrowing would increase over the years to meet the financing gap, so debt service is expected to increase	DSA Team, Ministry of Finance. Rivers State
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead		

	Costs and Interest Payments)	
	5. Capital Expenditure	Massive infrastructure is envisaged over the projected period, capital expenditure will be on the rise
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	8,334,784,872.01
Debt Amotization and Interest Payments	**Debt Outstanding at end-2022**	
	External Debt - amortization and interest	
	Domestic Debt - amortization and interest	
	New debt issued/contracted from 2022 onwards	
	New External Financing	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral Loans	
	Other External Financing	
	New Domestic Financing	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	Commercial Bank Loans (maturity 6 years or longer,	

	including Agric Loans, Infrastructure Loans, and MSMEDF)	
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**	
	New Domestic Financing in Million Naira	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral	

	Loans	
	Other External Financing	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**	
	New Domestic Financing in Million Naira	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral Loans	
	Other External Financing	
Proceeds from Debt-Creating Borrowings	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**	

corresponding to Debt Strategy S3	**New Domestic Financing in Million Naira**	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral Loans	
	Other External Financing	

Proceeds from Debt-Creating Borrowings	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**	
corresponding to Debt Strategy S4	**New Domestic Financing in Million Naira**	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and	

	MSMEDF)	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	
	State Bonds (maturity 1 to 5 years)	
	State Bonds (maturity 6 years or longer)	
	Other Domestic Financing	
	New External Financing in Million US Dollar	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	
	External Financing - Bilateral Loans	
	Other External Financing	

			Actuals							Projections					
Indicator	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	5,110,583.69	6,007,287.66	6,371,848.26	6,285,560.14	7,174,823.46	8,268,549.12	9,566,495.14	10,850,863.04	12,300,538.34	13,943,890.26	15,806,794.00	17,918,581.68	20,312,504.19	23,026,254.75	26,102,562.39
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00	410.00
Fiscal Indicators (Million Naira)															
Revenue	**284,133.19**	**312,832.76**	**298,808.62**	**266,492.24**	**312,077.98**	**498,674.14**	**506,453.54**	**545,974.49**	**566,375.36**	**584,675.40**	**599,632.10**	**624,753.59**	**640,547.39**	**663,331.26**	**673,926.04**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	31,483.44	59,363.28	54,838.72	31,483.44	38,190.31	53,027.39	58,438.85	63,911.27	60,715.70	59,587.57	61,375.20	60,000.00	61,112.95	62,066.33	63,216.45
1.a. of which Net Statutory Allocation ('net' means of deductions)	31,483.44	59,363.28	54,838.72	31,483.44	28,339.29	53,027.39	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	9,851.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	70,769.54	114,052.83	96,290.28	70,769.54	83,115.32	114,089.30	123,596.74	133,104.19	126,448.98	130,000.00	130,000.00	135,076.20	136,248.48	137,545.94	137,248.48
3. Other FAAC transfers (exchange rate gain, augmentation, others)	68,361.66	9,416.08	10,161.79	28,406.42	3,472.21	12,241.62	12,952.49	12,241.62	11,570.40	11,917.51	12,275.04	12,643.29	13,022.59	13,413.27	12,643.29
4. VAT Allocation	18,267.25	17,228.65	17,629.83	21,367.85	45,917.76	49,000.00	53,000.00	53,000.00	50,000.00	50,000.00	50,000.00	55,000.00	55,000.00	55,000.00	55,000.00
5. IGR	95,251.30	112,771.92	119,888.00	114,464.98	141,382.38	149,226.75	200,288.09	225,952.49	220,000.00	220,000.00	220,000.00	230,000.00	230,000.00	230,000.00	250,000.00
6. Capital Receipts	11,426.08	19,399.65	1,191.28	3,886.20	258,316.70	121,089.09	58,177.37	57,764.93	97,640.28	113,170.32	125,981.87	132,034.11	145,163.37	165,305.73	155,817.82
6.a. Grants	0.00	0.00	0.00	950.00	0.00	11,700.00	7,700.00	4,700.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	30,000.00
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	17.10	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
6.c. Other Non-Debt Creating Capital Receipts	0.00	0.00	0.00	2,936.20	0.00	5,456.72	5,456.72	5,456.72	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	11,426.08	19,399.65	1,191.28	0.00	258,299.60	83,932.37	25,020.65	27,608.21	61,640.28	77,170.32	89,981.87	96,034.11	109,163.37	129,305.73	99,817.82
Expenditure	**275,411.02**	**357,375.27**	**335,866.79**	**281,589.00**	**544,626.82**	**465,758.36**	**507,453.54**	**545,974.49**	**566,375.36**	**584,675.40**	**599,632.10**	**624,753.59**	**640,547.39**	**663,331.26**	**673,926.04**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	74,035.84	74,983.58	77,612.72	72,185.43	92,882.77	99,390.05	104,357.45	109,575.32	120,000.00	125,000.00	125,000.00	130,000.00	130,000.00	130,000.00	130,000.00
2. Overhead costs	12,533.60	12,985.38	13,008.98	14,719.80	13,099.72	13,993.01	14,692.66	14,986.51	17,000.00	17,113.63	17,613.63	18,113.63	18,613.63	19,113.63	19,113.63
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	10,352.56	9,113.48	7,636.80	8,781.57	6,249.63	12,136.32	25,004.09	26,953.62	27,631.57	32,938.02	36,907.14	42,875.37	47,753.89	53,055.87	57,834.47
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	5,244.53	3,948.98	1,554.86	4,505.51	340.51	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	5,108.03	5,164.50	6,081.94	4,276.06	5,909.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	3,731.48	3,459.15	2,101.86	1,530.05	11,944.48	7,090.00	6,590.00	6,590.00	7,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00
5. Capital Expenditure	155,059.71	224,745.80	221,937.96	168,359.96	413,225.22	314,903.11	334,198.74	352,849.65	360,000.00	360,000.00	360,000.00	365,000.00	365,000.00	365,000.00	365,000.00
6. Amortization (principal) payments	19,697.84	32,087.88	13,568.48	16,012.19	7,225.00	18,245.87	22,610.60	35,019.39	34,743.79	41,623.75	52,111.34	60,764.59	71,179.87	88,161.76	93,977.95
Budget Balance (' + ' means surplus, ' - ' means deficit)	**20,148.25**	**-25,142.86**	**-35,866.89**	**-11,210.56**	**25,767.85**	**32,915.79**	**-1,000.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Opening Cash and Bank Balance	**-3,611.58**	**16,536.67**	**-8,606.19**	**-44,473.08**	**-55,683.64**	**-29,915.79**	**3,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**
Closing Cash and Bank Balance	**16,536.67**	**-8,606.19**	**-44,473.08**	**-55,683.64**	**-29,915.79**	**3,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**	**2,000.00**
Financing Needs and Sources (Million Naira)															
Financing Needs						**109,389.09**	**50,477.37**	**53,064.93**	**87,640.28**	**103,170.32**	**115,981.87**	**122,034.11**	**135,163.37**	**155,305.73**	**125,817.82**
i. Primary balance						-46,091.11	-3,862.68	8,908.08	-25,264.92	-28,608.54	-26,963.39	-18,394.14	-16,229.61	-14,088.09	25,994.60
ii. Debt service						30,382.19	47,614.69	61,973.01	62,375.36	74,561.77	89,018.48	103,639.97	118,933.76	141,217.64	151,812.42
Amortizations						18,245.87	22,610.60	35,019.39	34,743.79	41,623.75	52,111.34	60,764.59	71,179.87	88,161.76	93,977.95
Interests						12,136.32	25,004.09	26,953.62	27,631.57	32,938.02	36,907.14	42,875.37	47,753.89	53,055.87	57,834.47
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						32,915.79	-1,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Sources						**109,389.09**	**50,477.37**	**53,064.93**	**87,640.28**	**103,170.32**	**115,981.87**	**122,034.11**	**135,163.37**	**155,305.73**	**125,817.82**
i. Financing Sources Other than Borrowing						25,456.72	25,456.72	25,456.72	26,000.00	26,000.00	26,000.00	26,000.00	26,000.00	26,000.00	26,000.00
ii. Gross Borrowings						83,932.37	25,020.65	27,608.21	61,640.28	77,170.32	89,981.87	96,034.11	109,163.37	129,305.73	99,817.82
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						21,301.60	25,020.60	0.00	20,000.00	0.00	20,000.00	0.00	30,000.00	0.00	20,000.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						62,630.80	0.00	27,608.20	0.00	0.00	0.00	20,000.00	0.00	50,000.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	41,640.30	0.00	69,981.90	0.00	79,163.40	0.00	19,817.80
State Bonds (maturity 6 years or longer)						0.00	0.00	0.00	0.00	77,170.30	0.00	76,034.10	0.00	67,681.80	60,000.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,623.90	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	0.00	0.00	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	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						-0.03	0.05	0.01	-0.02	0.02	-0.03	0.01	-0.03	0.03	0.02
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**209,760.19**	**290,871.87**	**221,756.86**	**293,800.80**	**280,594.74**	**350,863.35**	**353,273.40**	**345,862.22**	**372,758.71**	**408,305.27**	**446,175.80**	**481,445.32**	**519,428.81**	**560,572.77**	**566,412.64**
External	16,903.52	23,935.70	24,037.08	31,520.94	56,019.99	57,739.28	54,803.60	51,462.28	47,946.83	44,681.44	41,442.48	38,093.59	37,093.19	36,092.79	35,092.39
Domestic	192,856.67	266,936.17	197,719.78	262,279.86	224,574.75	293,124.07	298,469.80	294,399.94	324,811.88	363,623.83	404,733.33	443,351.73	482,335.63	524,479.99	531,320.25
Gross borrowing (flow)						**83,932.37**	**25,020.65**	**27,608.21**	**61,640.28**	**77,170.32**	**89,981.87**	**96,034.11**	**109,163.37**	**129,305.73**	**99,817.82**
External						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Domestic						83,932.37	25,020.65	27,608.21	61,640.28	77,170.32	89,981.87	96,034.11	109,163.37	129,305.73	99,817.82
Amortizations (flow)	**21,014.44**	**52,244.22**	**110,999.56**	**15,793.43**	**39,489.47**	**18,245.87**	**22,610.60**	**35,019.39**	**34,743.79**	**41,623.75**	**52,111.34**	**60,764.59**	**71,179.87**	**88,161.76**	**93,977.95**
External	382.17	472.70	2,754.59	1,069.28	2,501.40	2,862.82	2,935.69	3,341.32	3,515.45	3,265.38	3,238.97	3,348.89	1,000.40	1,000.40	1,000.40
Domestic	20,632.27	51,771.52	108,244.97	14,724.15	36,988.07	15,383.05	19,674.91	31,678.07	31,228.34	38,358.36	48,872.37	57,415.71	70,179.47	87,161.36	92,977.55
Interests (flow)	**10,402.15**	**9,092.32**	**5,979.44**	**8,524.83**	**4,765.29**	**12,136.32**	**25,004.09**	**26,953.62**	**27,631.57**	**32,938.02**	**36,907.14**	**42,875.37**	**47,753.89**	**53,055.87**	**57,834.47**
External	141.35	192.87	204.72	102.21	242.56	293.61	331.91	348.11	376.81	368.18	327.03	268.91	223.10	223.10	223.10
Domestic	10,260.80	8,899.45	5,774.72	8,422.62	4,522.73	11,842.71	24,672.18	26,605.51	27,254.76	32,569.85	36,580.11	42,606.46	47,530.79	52,832.77	57,611.37
Net borrowing (gross borrowing minus amortizations)						**65,686.50**	**2,410.05**	**-7,411.18**	**26,896.49**	**35,546.57**	**37,870.53**	**35,269.51**	**37,983.50**	**41,143.96**	**5,839.87**
External						-2,862.82	-2,935.69	-3,341.32	-3,515.45	-3,265.38	-3,238.97	-3,348.89	-1,000.40	-1,000.40	-1,000.40
Domestic						68,549.32	5,345.73	-4,069.86	30,411.94	38,811.95	41,109.50	38,618.40	38,983.90	42,144.36	6,840.27
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	**4.10**	**4.84**	**3.48**	**4.67**	**3.91**	**4.24**	**3.69**	**3.19**	**3.03**	**2.93**	**2.82**	**2.69**	**2.56**	**2.43**	**2.17**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**76.92**	**99.13**	**74.51**	**111.48**	**521.93**	**90.13**	**77.48**	**70.17**	**77.86**	**84.80**	**92.25**	**95.77**	**102.78**	**110.34**	**103.34**
Debt Service as % of SGDP						**0.37**	**0.50**	**0.57**	**0.51**	**0.53**	**0.56**	**0.58**	**0.59**	**0.61**	**0.58**
Debt Service as % of Revenue (including grants and excluding other capital receipts)						**7.80**	**10.44**	**12.57**	**13.03**	**15.49**	**18.41**	**20.62**	**23.53**	**27.80**	**27.70**
Interest as % of SGDP						**0.15**	**0.26**	**0.25**	**0.22**	**0.24**	**0.23**	**0.24**	**0.24**	**0.23**	**0.22**
Interest as % of Revenue (including grants and excluding other capital receipts)						**3.12**	**5.48**	**5.47**	**5.77**	**6.84**	**7.63**	**8.53**	**9.45**	**10.44**	**10.55**
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						**25.53**	**22.89**	**22.23**	**25.07**	**25.96**	**25.85**	**25.86**	**25.72**	**25.59**	**23.72**

Adverse Shock Scenario is defined by the worst performance indicator measured in year 2026		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
For Debt Stock as % of SGDP the adverse shock is: Historical	**Historical**										
Debt Stock as % of SGDP		**4.24**	**5.48**	**7.56**	**10.49**	**14.29**	**19.01**	**24.69**	**31.39**	**39.18**	**48.10**
For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical	**Historical**										
Debt Stock as % of Revenue (including grants and excluding other capital receipts)		**90.13**	**124.49**	**173.42**	**235.62**	**305.49**	**374.94**	**436.79**	**484.93**	**515.99**	**529.17**
For Debt Service as % of SGDP the adverse shock is: Historical	**Historical**										
Debt Service as % of SGDP		**0.37**	**0.54**	**0.78**	**0.92**	**1.22**	**1.58**	**3.09**	**4.35**	**5.41**	**6.74**
For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical	**Historical**										
Debt Service as % of Revenue (including grants and excluding other capital receipts)		**7.80**	**12.33**	**17.78**	**20.71**	**26.02**	**31.26**	**54.64**	**67.17**	**71.28**	**74.18**
For Interest as % of SGDP the adverse shock is: Historical	**Historical**										
Interest as % of SGDP		**0.15**	**0.29**	**0.40**	**0.57**	**0.82**	**1.12**	**1.49**	**1.94**	**2.45**	**3.05**
For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Historical	**Historical**										
Interest as % of Revenue (including grants and excluding other capital receipts)		**3.12**	**6.48**	**9.15**	**12.81**	**17.53**	**22.01**	**26.43**	**29.90**	**32.32**	**33.51**

Annex II: Rivers State Baseline Scenario, 2018 - 2032

Please see above and the excel spread sheet attached