2023

BAYELSA STATE DEBT SUSTAINABILITY ANALYSIS-

DEBT MANAGEMENT STRATEGY

(DSA-DMS) REPORT

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BAYELSA STATE TECHNICAL TEAM
LIST OF PARTICIPATING AGENCIES

CHAPTER ONE:

1.1 BACKGROUND

The DSA analyses trends and patterns in the State's public finances during the period 2018-2022 and evaluates the debt sustainability in 2023 – 2032. The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the State. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, to evaluate the prospective performance of the State's public finances.

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

The framework consists of two complementary components: the analysis of the sustainability of total public debt and that of total external debt. Each component includes a baseline scenario based on a set of macroeconomic projections that articulate the government's intended policies, with the main assumptions and parameters clearly laid out, and a series of sensitivity tests applied to the baseline scenario, providing a probabilistic upper bound for the debt dynamics under various assumptions regarding policy variables, macroeconomic developments, and financing costs. The paths of debt indicators under the baseline scenario and the stress tests allow to access the vulnerability of the State to a payment crisis.

1.2 SUMMARY OF FINDINGS/ OVERALL RESULTS

The State exhibits a solid debt position that appears sustainable in the long term. A solid debt position that results from the State's strong performance in terms of mobilizing IGR underpinned by successful tax administration and civil service reforms introduced in the last few years, and its control of recurrent expenditure growth. Given the State's own forecast for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook of the public debt appears sustainable.

The State 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/bilateral 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 the State's debt- management objectives.

CHAPTER TWO:

BAYELSA STATE FISCAL AND DEBT FRAMEWORK:

2.1   FISCAL REFORMS IN THE LAST 3 TO 5 YEARS

Although both the Federal and State governments are still feeling the effect from the decline in revenue due to COVID 19 pandemic, the need for State and Local Governments to generate adequate revenue from internal and other sources to cushion the effect of such unexpected natural disaster in the future cannot be over emphasized. To this end, Bayelsa State Government has embarked on several Fiscal reforms in the last 3 – 5 years for economic development. Some of the reforms include Civil service reform, Pension and Tax reforms, Bayelsa State Health Scheme (BHIS), Single Treasury Account (TSA) and internal revenue reforms. No doubt these has led to a slight but consistent increase in IGR and a steady personnel and overhead costs in the last 3 years. The State has also established policies and frame works such as Arrears Clearance Framework, Medium Term Expenditure Framework, and implementation of the National Minimum wage which have an overall effect on the State's fiscal variables.

2.2   2024 – 2026 MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF), 2023 APPROPRIATION ACT (BUDGET)

Bayelsa state 2024 – 2026 macroeconomic framework and assumptions were premised on prevailing economic realities and accordingly, crude oil benchmark assumptions (price, production, and exchange rate) are based on both international and national forecast data. This include International Monetary Fund (IMF), World Economic Outlook (WEO) update 2 July 2023, provides that global growth is projected to fall from 3.5 % in 2022 to 3.0 % in both 2023 and 2024 on an annual average basis. Compared with projections in the April 2023 WEO, growth has been upgraded by 0.2% point for 2023 with no change for 2024. Despite the decline, oil prices have remained above the five-year trend, boosting growth in oil-exporting countries since the recession at the peak of Covid-19. Growth in this group, estimated at 4.0% in 2022 is projected to strengthen an average of 4.2% in 2023 and 2024. The oil output effect, notably in Libya and Nigeria, could also shore up economic growth as production improves following efforts to tackle insecurity and oil theft.

Source: IMF WEO, July 2023, NBS Reports, CBN Reports, NNPC Reports, OPEC Reports and US Energy Information Administration Reports.

Macro-Economic Framework

Item	2023	2024	2025	2026
National Inflation	22.00%	20.00%	15.50%	15.20%
National Real GDP Growth	3.20%	3.00%	3.00%	3.00%
Oil Production Benchmark (MBPD)	1.5000	1.6000	1.7000	1.8000
Oil Price Benchmark	$75.00	$65.00	$65.00	$65.00
NGN: USD Exchange Rate	750	750	750	750
Mineral Ratio	25%	25%	30%	35%

ASSUMPTIONS OF THE 2024 – 2026 MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

1. **Opening Balance** – Bayelsa State have opening balance, there was no corresponding closing balance. This was due largely to operational cash management which is been currently addressed by the State.

2. **Statutory Allocation –** the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as contained in OPEC May 2023 Monthly Oil Market Report, US Energy Information Administration Short Term Energy Outlook (STEO) June 2023 (Global / Regional Reports) NNPC Monthly Report 2023 (a little out of date), NNPC FAAC Report 2023, December 2023 FAAC Distributions, Federal Government 2024-2026 MTEF Final Version, Nigeria Economic Sustainability Plan and FAAC Schedule 1

3. **VAT** – considering the 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 elasticity forecast method. This forecast might change if macroeconomic assumptions change.

4. **Derivation-** Derivation was forecasted using the elasticity forecast method. This forecast might change if macroeconomic assumptions change and Oil price changes due to the current war in Ukraine and Russia.

5. **Other Federation Account Distributions** – the estimation is based on own value from the States estimation. This was based on the current receipt (i.e., from January to June 2023). The State anticipates an increase in Other FAAC revenue especially from Derivation. The increase in oil production anticipated is due largely to security of oil installation in the region. Again, the steady price of oil will lead to an increase in Derivation accruable to the State.

6. **Internally Generated Revenue (IGR) –** This was forecasted using own value. The current administration has sustained reforms such as Automation of Revenue Management and harmonization of revenues between State and Local Governments. These measures have started yielding results. In forecasting IGR, we considered the state economic conditions and outlook,

performance in the 1ˢᵗ quarter of the current fiscal year 2023 as well as historical trend over the last five years. It is anticipated that IGR will grow by 8.7% in 2023 but increase on a rate of 19.3% in 2024, 9.4% in 2025 and 13.3% in 2026. Consequently, an own percentage has been used to forecast IGR for the period 2024 – 2026. The estimated total of N23,869,070,000.00 billion is achievable by 2024 following the actual IGR of N18,392,415,062.00 in the year 2022 and the current year 2023 performance between January – June totalling N9,649,142,666.18 billion and the State's Government commitment towards drastic drive for revenue generation.

7. **Grants –** The internal grants were based on the actual receipts for 2022. External grants are based on signed grant agreements with the development partners.

8. **Financing –** Bayelsa State intends to secure an internal loan/borrowing in 2023. All other internal and external loans are projections based on signed agreements between the State government and commercial banks. The State is already in negotiation with these commercial banks for the State loan.

9. **Other Capital Receipts** – The projection for the derivation refund is based on the litigation which the State Government have won against the Federal Government. It is expected that the Federal Government would make refund to the State in 2023.

10. **Personnel** – Personnel Cost was forecasted using own percentage. The on-going staff verification is to check abnormalities in the pay roll. The State is determined to sustain the trend in checking payroll frauds and reduce outrageous increase in personnel cost. It is anticipated that the number of political office holders will also increase as well as the implementation of annual promotions/increments of the recent employees and old civil servants. The projected increase is attributed to the anticipated increase in minimum wage in Nigeria.

11. **Overheads** – Overhead was forecasted using own percentage. Annual figures fluctuated between 2018 and 2022. Increment of 2.4% has been proposed for 2024, -2.1% in 2025 and 5% in 2026 respectively. The 2.4% increase in 2024 is because of the impact of inflation.

12. **Social Contribution and Social Benefits** – This was forecasted using own percentage. A substantial amount is being owed as pension and gratuity payments. It is appropriate to make adequate provision for these items and other social commitments. Hence, the own value, representing computation for outstanding commitments as well as estimation for next medium term.

13. **Grants, Contributions, Subsidies, and transfers** – The projection for grants, contributions, subsidies, and transfer was based on State own percentage. This is based on the anticipated changes due largely to the political will of the State government to support agencies in the State to be more productive.

14. **Public Debt Charge** – Public Debt Charge was forecasted using own value. This is based on the projected principal and interest repayments for 2024, 2025 and 2026 respectively.

15. **Capital Expenditure** – Capital Expenditure was forecasted using own percentage. This is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above. The percentage of capital to recurrent expenditure from 2018 to 2023 was in the range of 33% to 43%. However, the percentage of capital expenditure in 2024, 2025 and 2026 is expected to be -4%, -42.9% and 7.9% respectively.

16. **Exchange Rate** - The State 2023 DSA-MTDS report is based on the exchange rate of N435.56 to US $1 from the national Medium-Term Expenditure Framework (MTEF) prepared in 2022 which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities.

2.2.1 APPROVED 2023 BUDGET

The 2023 Budget was prepared amidst a challenging global and domestic environment. The on-going Russia – Ukraine, Israeli – Palestine conflict, and the fuel subsidy removal which has led to slow growth rate, volatility in global monetary policy and capital flows, low oil prices and heightened global economic uncertainty have had important implications for Bayelsa State. Bayelsa State total revenue available to fund the 2023 Budget is estimated at N389.4 billion. This includes Internally Generated Revenue, Statutory Allocation, Value Added Tax, Other Statutory Revenue, Domestic Grants, Foreign Grants, Opening Balance, Domestic and Foreign Loans respectively.

An aggregate expenditure of N389.4 billion is proposed by the Bayelsa State Government in 2023. The 2023 proposed Expenditure comprises, Recurrent Expenditure of N212.8 billion, and Capital Expenditure of N176.6 billion, respectively.

BAYELSA STATE MEDIUM TERM FISCAL FRAMEWORK

Bayelsa State Medium Term Fiscal Framework	APPROPRIATION			
Item	**2023**	**2024**	**2025**	**2026**
Opening Balance	12,211,578,924.00	13,625,000,000.00	8,000,000,000.00	8,000,000,000.00
Recurrent Revenue				
Statutory Allocation	36,000,000,000.00	57,000,000,000.00	100,964,078,806.00	124,225,515,932.00
Derivation	185,000,000,000.00	108,703,769,000.00	84,000,000,000.00	84,000,000,000.00
VAT	25,000,000,000.00	36,000,000,000.00	36,000,000,000.00	36,000,000,000.00
Other Non-Debt Creating Receipts	15,000,000,000.00	21,878,773,768.00	20,000,000,000.00	20,000,000,000.00
IGR	20,000,000,000.00	23,869,070,000.00	26,101,464,000.00	29,559,369,000.00
Other FAAC Revenue	28,300,000,000.00	43,000,000,000.00	-	-
Total Recurrent Revenue	**309,300,000,000.00**	**290,451,612,768.00**	**267,065,542,806.00**	**293,784,884,932.00**

Recurrent Expenditure				
Recurrent Expenditure				
Personnel Costs	81,778,900,043.84	52,344,096,116.00	82,058,084,905.00	86,160,989,150.00
Overheads	79,018,354,898.00	80,921,769,000.00	79,220,597,411.00	83,181,627,282.00
Public Debt Service	-	43,245,160,000.00	46,577,150,000.00	56,147,000,000.00
Other Recurrent Expenditure	52,000,000,000.00	31,589,321,313.00	32,992,302,845.00	34,425,582,530.00
Total	**212,797,254,941.84**	**208,100,346,429.00**	**240,848,135,161.00**	**259,915,198,962.00**

Transfer to Capital Account	-	-	-	-

Capital Receipts

Grants	16,700,000,000.00	16,700,000,000.00	12,700,000,000.00	12,700,000,000.00
Other Capital Receipts (Financing Loans)	51,159,999,639.84	57,000,000,000.00	50,000,000,000.00	50,000,000,000.00
Total	**67,859,999,639.84**	**73,700,000,000.00**	**62,700,000,000.00**	**62,700,000,000.00**

Capital Expenditure	176,574,323,622.00	161,192,453,022.00	93,495,039,746.00	100,524,579,305.00
Planning and Reserve	-	8,483,813,317.00	3,422,367,899.00	4,045,106,665.00
TOTAL	**176,574,323,622.00**	**169,676,266,339.00**	**96,917,407,645.00**	**104,569,685,970.00**
Total Revenue (Including Opening Balance)	**389,371,578,563.84**	**377,776,612,768.00**	**337,765,542,806.00**	**364,484,884,932.00**
Total Expenditure (including Contingency Reserve)	**389,371,578,563.84**	**377,776,612,768.00**	**337,765,542,806.00**	**364,484,884,932.00**

Closing Balance				

Ratios				
Growth in Recurrent Revenue	-37.23%	-6.09%	-8.05%	10.00%
Growth in Recurrent Expenditure	44.04%	-2.21%	15.74%	7.92%
Capital Expenditure Ratio	45.35%	42.67%	27.68%	27.58%
Deficit (Financing) to Total Expenditure	45.35%	44.91%	28.69%	28.69%
Deficit (Financing) to GDP Ratio	NA	NA	NA	NA

2.2.2 INDICATIVE THREE-YEAR FISCAL FRAMEWORK

The indicative three-year fiscal framework for the period 2024-2026 as presented in the table above shows that total revenue will reduce from N377.8 billion in 2024 to N364.5 billion in 2026 inclusive of loans of N57 billion, N50 billion and N50 billion to finance the deficits in years 2024, 2025 and 2026 respectively.

The state plans to fund the deficit through borrowing from both external (Bilateral/Concessional) and domestic loans at prevailing market rates with considerable risks.

KEY OBJECTIVES OF THE 2023 (APPROPRIATION) BUDGET

The key targets for Bayelsa State Government from a fiscal perspective are:

- Create efficiencies in personnel and overhead expenditure to allow greater resource for capital development,
- Increase IGR from the average of N10 – N13 billion to an average of N20 billion every year from 2024 to 2026.
- Loans will only be used for capital expenditure projects.
- Long term target of funding all recurrent expenditure through revenue of a recurrent nature (IGR, VAT and Non-mineral components of Statutory Allocation).
- Target sources of capital receipts and financing outside of loans (e.g., Grants, PPP, ETC,); and
- Priority given to the completion of on-going capital projects before new projects are commenced.

2.2.3   MEDIUM TERM POLICY OBJECTIVES AND TARGETS

1. Sustain economic growth, ensure fiscal inclusion of all Bayelsans, support employment and   wealth creation through an entrepreneurship friendly environment.
2. Pursue fiscal policies that will promote the emergence of viable small and medium scale enterprises (SMSEs) in the State.
3. Promote diversification and ensure the creation of alternate sources of revenue in the State.
4. A mechanized local agriculture for agribusiness to thrive.
5. A tourism development plan to utilize the tourism potentials of Bayelsa and make it a world destination
6. A micro and macro internal business initiatives for Bayelsans to create more jobs
7. A mechanized local agricultural system for Argo business to thrive

POLICY STATEMENT

The State's Fiscal policy is envisaged to control and enforce compliance with established spending limits to achieve a sound budgeting system which includes aggregate fiscal discipline, allocative efficiency and effective spending that will propel the State economy to be among the top five (5) most developed States in the country by 2030.

CHAPTER 3:

THE STATE REVENUE, EXPENDITURE, FISCAL AND DEBT PERFORMANCE (2018 -2022)

3.1   REVENUE

I. AGGREGATE STATE TOTAL REVENUE:

The State's aggregate revenue from 2018 – 2022 is determined Mainly by Gross FAAC allocations, IGR and Grants

with FAAC allocations contributing the highest Percentage over the years as follows:

Year	2018	2019	2020	2021	2022
Total Revenue	187,637	176,143	149,395	180,278	353,608
Gross FAAC Allocation	173,521	161,335	134,049	159,502	327,463
IGR	14,116	14,808	12,496	18,595	18,392
Grants	0	0	2,850	2,182	7,752

Aggregate State revenue decreased from N187.6 billion in 2018 to N176.1 billion and N149.4 billion in 2019 and 2020 respectively 0wing to a sharp decline in federal transfers because of the Global pandemic (COVID 19) which led to a fall in oil price. But However, increased to N180.3billion and N353.6 billion in 2021 and 2022 respectively due to a gradual recovery in global economic activities.

ii. FAAC ALLOCATION TREND IN THE LAST FIVE YEARS:

Bayelsa State's Revenue stood at N353.6 billion in 2022 compared to N180.3 billion in the period of 2021, which represent an increase of N173.3 billion or 96.1%. The Gross FAAC allocation that comprises the Statutory allocation, derivations, VAT allocation, exchange rate gain, augmentation among others increased from N134.1 billion in 2020 to N159.5 billion in 2021, which represent an increase of N25.5 billion or 18.9%, the increase was due to the gradual recovery of economic activities from the global Corona virus Pandemic in years 2019 and 2020 respectively. The FAAC allocation further increased to N327.5 billion in 2022 showing that the economy is gradually recovering from the effects of the global pandemic in 2019.

iii. IGR TREND IN THE LAST FIVE YEARS:

The State exhibited slight IGR growth during the review period. IGR growth has been slight but stable, for example, IGR grew from 14.1 billion in 2018 to 14.8 billion in 2019 and declined to 12.5 billion in 2020 because of the global pandemic (COVID-19). However, IGR increased from 12.5 billion in 2020 to 18.6 and 18.4 billion in 2021 and 2022 respectively. The slight improvement in IGR is mainly because of tax administration reforms aimed at improving collection rates and broadening the tax revenue base by the State government.

Chart 1: Revenue (N$ million)
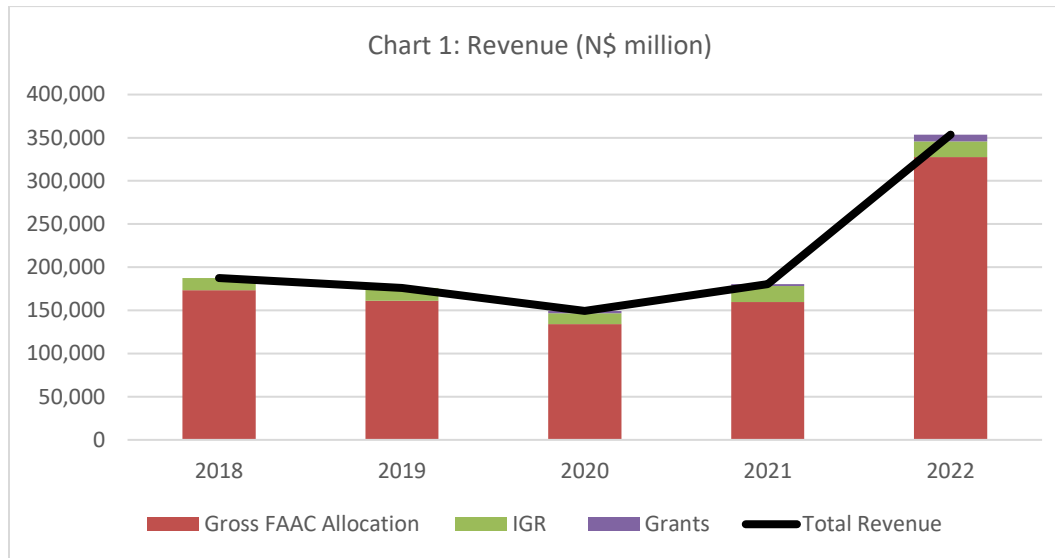
Source: State's Financial Statements

iv. BUDGET BALANCE IN THE LAST FIVE YEARS:

YEAR		2018	2019	2020	2021	2022
Budget Balance ('+'means surplus, '-'means deficit)		(27,054.40)	(4,401.80)	(18,233.70)	(17,882.20)	28,217.30
Opening Cash and Bank Balance		(326.90)	(27,381.30)	(31,783.10)	(50,016.80)	(67,899.00)
Closing Cash and Bank Balance		(27,381.30)	(31,783.10)	(50,016.80)	(67,899.00)	(39,681.70)

Bayelsa State had deficit budget balances of N27.1 billion, N4.4billion, N18.3billion, and N17.9billion in years 2018, 2019, 2020 and 2021 respectively. However, in 2022, the State had a surplus budget balance of N28.2 billion due to gradual recovery of the economy from the effects of the Covid 19 pandemic and improvement in FAAC revenues to the State.

The State's budget balances have been unsteady in the last 5 years due to unpredictable global economic crisis such as the Russia – Ukraine war, Israeli – Palestinian war, fall in crude oil prices and inflation.

iv. EXPENDITURE PERFORMANCE:

YEAR	2018	2019	2020	2021	2022
Total Expenditure	244,999	197,191	209,476	244,886	340,156
Personnel	60,742	49,823	49,028	46,233	51,330
Overhead Costs	69,845	42,543	48,770	42,539	59,880
Debt Service (Interests Amortizations)	40,224	47,671	39,996	41,862	47,813
Other Recurrent Expenditures	26,432	14,994	33,586	34,817	41,219
Capital Expenditure	47,755	42,159	38,096	79,434	139,914

The State's Total Expenditure includes Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment). In 2022 Bayelsa State total expenditure amounted to N340.2 billion compared to N245 billion as at end-December 2018, which represent a growth of N95.2 billion or 38.9 %. The personnel cost stood at N60.7 billion in 2018, N49.8 billion in 2019, N49 billion in 2020, N46.2 billion in 2021, and N51.3 billion in 2022, respectively. The overhead cost stood at N59.9 billion in 2022 compared to N42.5 billion in 2021. Capital expenditure amounted to N139.9 billion in 2022, N79.4 billion in 2021, N38.1 billion in 2020, N42.2 billion in 2019, and N47.8 billion in 2018, respectively. The Total debt service which comprises

the interest payment and principal repayment stood at N47.8 billion as at end-December 2022 compared to N40.2 billion as at end-December 2018. The increase is because of the payment of contingent liabilities (Contractors) for capital projects in 2022.

Chart 2: Expenditure (N$ million)
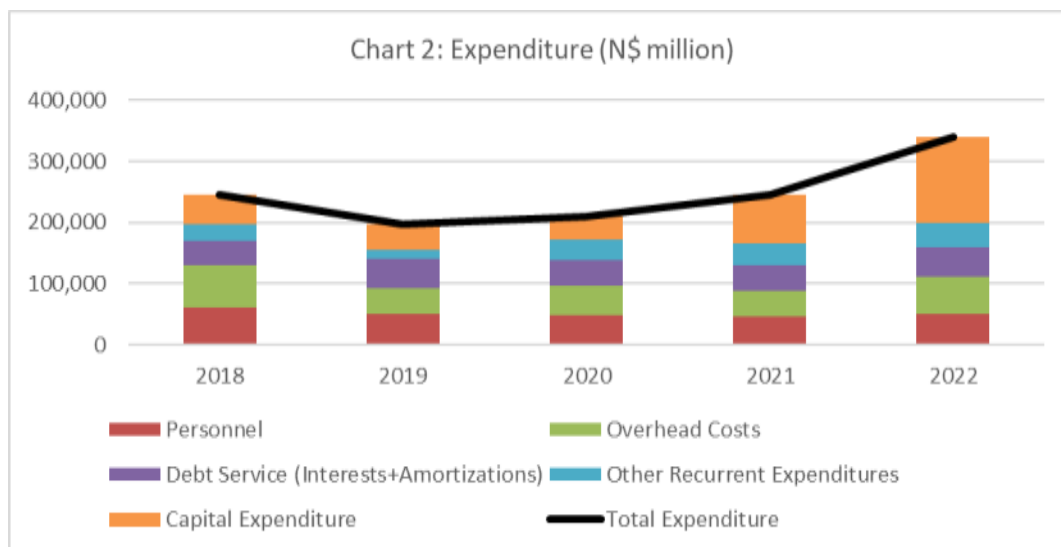
3.2   STATE DEBT PORTFOLIO, 2018 - 2022

Bayelsa State's Debt stock amounted to N173.4 billion as at end-December 2022 compared to N178.9 billion as at end-December 2021, representing a decrease of N5.5 billion or 3.1 %. The decrease in the Total Debt stock was reflected in only the domestic debt component which decreased from N158.6 billion in 2021 to N146.4 billion in 2022 representing a decrease of N12.2 billion or 7.7%. The external debt stock increased from N20.3 billion in 2021 to N27.1 billion in 2022 representing an increase of N6.8 billion or 33.5%. The increase in the external debt component is due to additional external (Multilateral) loans contracted during the year under review.

YEAR	2018	2019	2020	2021	2022
Outstanding Debt (Old + New)	144,374	166,124	163,407	178,946	173,432
External	14,331	18,194	19,279	20,310	27,061
Domestic	130,043	147,930	144,129	158,636	146,371

Chart 3: Debt Stock (N$ million)
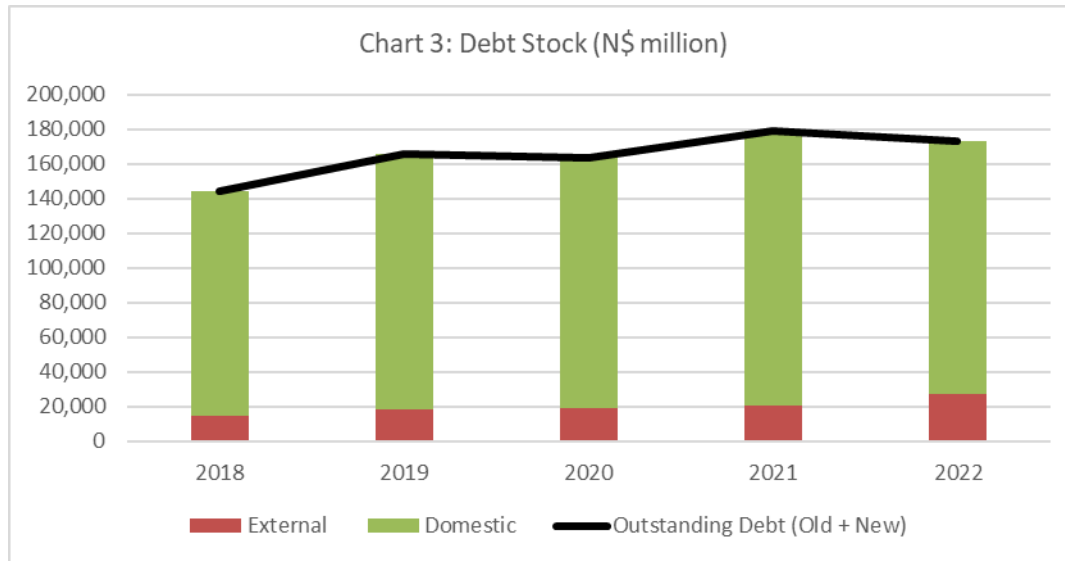
Source: State's Debt Management Department

Chart 3: shows a sharp increase in the Debt Stock from N144.4 billion in 2018 to N173.4 billion in 2022, due to receipt of new loans like the Commercial Agriculture Credit Scheme (CACS), Commercial Accelerated Agric Development Scheme (CAADS), CBN Health intervention funds and FGN Bridge Finance Facility from Federal Government. However, the Debt Stock decreased from N178.9 billion in 2021 to N173.4 billion in 2022 largely due to defrayment of State contractor's liabilities in 2022.

Bayelsa State Debt Portfolio as at end December 2022 consists of external debt N27.1 billion or 15.6% and Domestic debt amounted to N173.4 billion or 84.4 %, respectively.

The debt portfolio has an average domestic interest rate of 23.8% and average external interest rate of 5% in 2022. The State debt portfolio is minimally exposed to currency, rollover, and interest rate risks. Exposures to currency fluctuations is limited because the foreign currency denominated loans are only 15.6% of total debt stock in 2022. Most of all the loans in Bayelsa State are fixed-rate obligations, thus not affected by changes in interest rates. A large portion of these loans have maturities ranging from 10 to 35 years and include financing from the Federal Government and Multilateral organizations. Therefore, rollover/refinancing risk associated with potential deterioration of domestic financing conditions is reasonably negligible.

Bayelsa State Debt Service amounted to N19.5 billion, N22.3 billion, N20.3 billion, N16.8 billion and N29.5 billion for 2018, 2019, 2020, 2021 and 2022 respectively. The principal repayment stood at N19.5 billion in 2018 compared to N29.5 billion in 2022 representing an increase of N10 billion or 51.3%.

YEAR	2018	2019	2020	2021	2022
Principal Repayment (Old + New)	19,450	22,339	20,249	16,838	29,530
External	228	306	337	326	455
Domestic	19,222	22,034	19,912	16,512	29,075

Chart 4: Pricipal Repayments (N$ million)
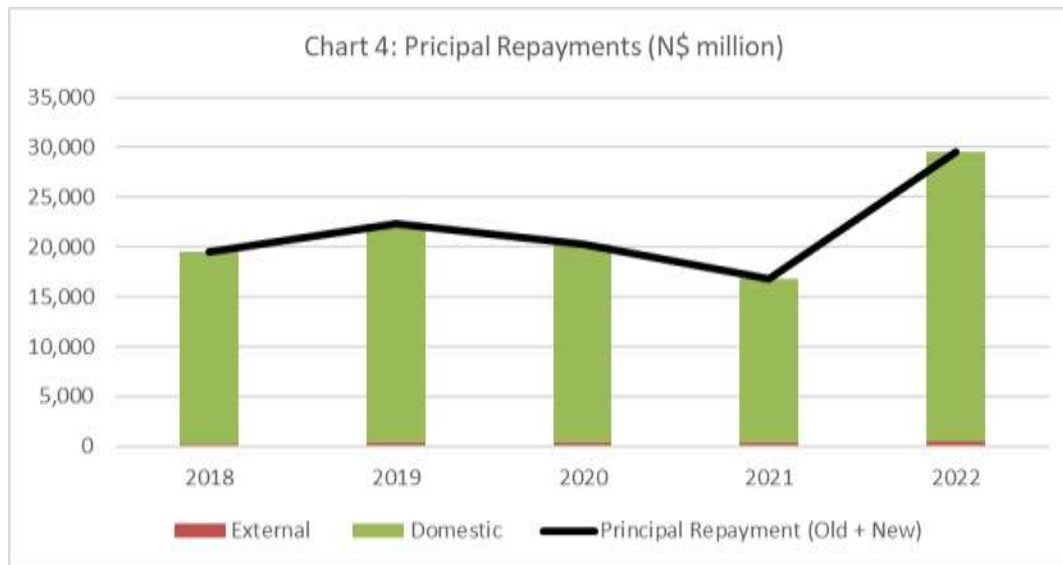
Source: State's Financial Statements

While the Interest Payment amounted to N18.7 billion in 2022 compared to N13.6 billion in 2021 representing an increase of N5.1 billion or 37.5%. The principal repayments and Interest Payments made were both on External and Domestic debts (see chart 4 and 5).

	2018	2019	2020	2021	2022
Interest Payment (Old + New)	17,402	18,277	17,477	13,643	18,737
External	101	122	153	130	152
Domestic	17,300	18,155	17,324	13,512	18,586
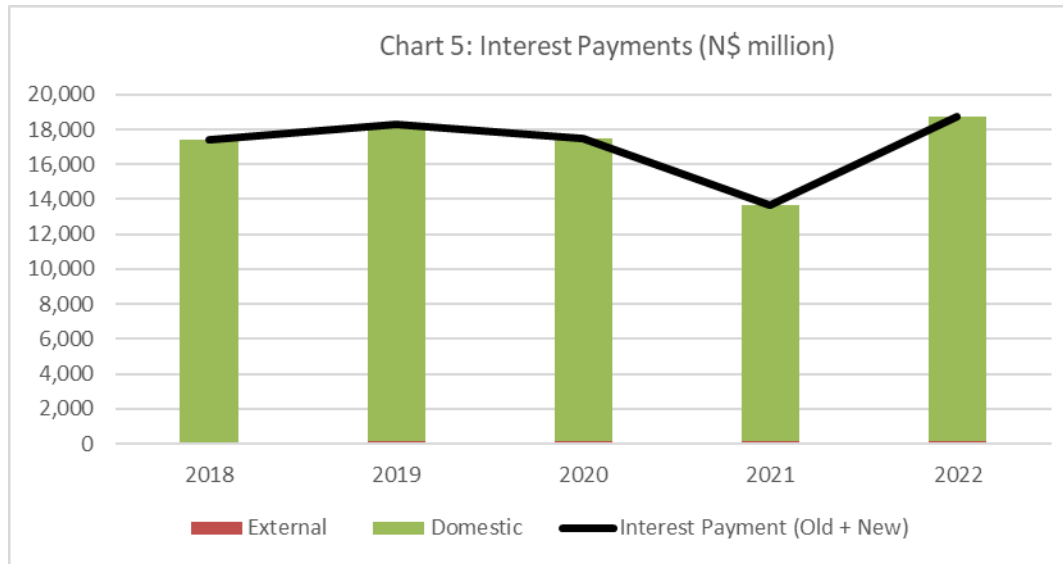
Source: State's Debt Management Department

CHAPTER 4:

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

4.0   INTRODUCTION: - CONCEPT OF 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 unwanted Consequences of a heavy debt burden". Government therefore

should endeavor 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.

BAYELSA STATE DEBT SUSTAINABILITY ANALYSIS

The indicative threshold for Debt/GDP is 25% but the State maintains a sustainable 5% Debt/GDP ratio in 2022. The indicative threshold for debt as a percentage of revenue is 200% while the state maintained 49% in 2022 which is sustainable. Also in 2022, the State maintained a 14% debt service /Revenue ratio which is sustainable considering the indicative threshold of 40%. The State also maintained a 15% ratio of personnel cost/Revenue in 2022 which is sustainable going by the 60% indicative threshold. Finally, Debt service as a percentage of Gross FAAC Allocation, Interest payment as a percentage of Revenue, and External debt service as a percentage of Revenue is 15%, 5%, and 0% respectively in 2022 which are all within the threshold insinuating room for additional further borrowing for development with favourable risk and cost. Based on this, the State's GDP have potentials for growth and can also accommodate the State's debt stock, with minimal effect on the State economy. Debt as a percentage of revenue, and Personnel Costs are below the threshold to the end of projection period, while Debt Service as percentage of Revenue bridged the threshold in 2027, 2030, 2031 and 2032 respectively. The Government should establish policies and reforms in its revenue drive to boost the State IGR which is considerably low. Debt Service as a percentage of Gross FAAC Allocation (without any indicative threshold) estimated to increase from 15% in 2022 to 49% in 2027 and 55%, 53% in 2031 and 2032 respectively. Interest Payment as a percentage of Revenue revealed that, the maximum exposure of the State Interest towards Revenue is 22% in year 2027, and 21% in 2026 and 2030 with over-all positive outlook. Looking at the External Debt Service as a percentage of Revenue, the maximum exposure of the State is 8% in year 2031.

BAYELSA STATE DEBT BURDEN INDICATORS AS AT END-2022

INDICATORS	THRESHOLD	RATIO
Debt as % of GDP	25%	5
Debt as % of Revenue	200%	49
Debt Service as % of Revenue	40%	14
Personnel Cost as % of Revenue	60%	15
Debt Service as % of FAAC	Nil	15
Interest as % of Revenue	Nil	5
External Debt service as % of Revenue	Nil	0

4.1 MEDIUM TERM BUDGET FORECAST

The State debt sustainability analysis is predicated on the continuation of recent efforts to grow the IGR of the State annually in the medium term. The economy is expected to gradually recover in the period 2024 – 2026, with real GDP expansion from 2.3% in 2022 to 3.0% in 2024, 2025, and 2026 respectively while domestic inflation is expected to decrease below 20% by 2025 and 2026 respectively. The moderate recovery will be supported by economic growth through diversification and increase in the share of VAT following the new National VAT rate of 7.5%. The Tax Administration reforms adopted by the State Government will also strengthen resources provided by IGR, as well as numerous industries that are being attracted to the State through industrialization drive which are expected to continue in the next few years. This will no doubt benefit the State economy immensely.

The State Government has put in place various Tax Administration reforms to strengthen its IGR to sustain its debt, these include the enactment of a new Revenue Administration Law and Automated tax collection system. With these new reforms adopted by the State Government, the IGR of the State is expected to grow in the next few years, and this will benefit the state towards overall economic recovery. On the other hand, the Civil Service Reform Policies being implemented with regards to personnel and overhead cost, are likely to be more stable than their historical trends.

4.2   BORROWING ASSUMPTIONS / OPTIONS

The State intends to cover its gross financing needs from two categories of commercial bank loans i.e., (1-5 years tenor and above 6-years tenor with no moratorium period) and through Bonds ranging from 1 – 5year tenor and above 6-year tenor with moratorium period. The State also intends to borrow from external sources (Bilateral and Concessional) within the forecast period.

Borrowing terms for new financing contracted from 2023 onwards:

Description	Maturity	interest rate	Grace period
Commercial bank loan	1-5 years	23%	0
Commercial bank loan	6 years and above	23%	1
Bonds	1-5 years	24.5%	0
Bonds	6 years and above	24.5%	0
Bilateral loans (External)	1-45 years	5%	3
Concessional loans (External)	1-45 years	5%	3

The macroeconomic assumptions of the borrowing needs between 2023 – 2032 are: a gradual recovery of the global economy between 2024-2026, Reduction of inflation rate in 2024 - 2026, increase in oil prices, Stabilization of exchange rate, and increase in VAT and FAAC allocation by 2024.

The State intends to secure internal loan/borrowing in 2023. All other internal and external loans are projections based on already signed agreements. The projections made in the EFU-FSP-BPR for deficit financing is based on agreements between the State government and commercial banks.

4.2.1   BORROWING REQUIREMENTS FROM 2023 - 2032

INSTRUMENTS	TENOR	STRATEGY 1 N000"
COMMERCIAL BANKS	1 - 5 YEARS	256.7
COMMERCIAL BANKS	ABOVE 6 YEARS	220.5
BONDS	1 - 5 YEARS	0
BONDS	ABOVE 6 YEARS	292.1
CONCESSIONAL LOANS	CONCESSIONAL LOANS	0.25

BILATERAL LOANS	BILATERAL LOANS	0.2
TOTAL		**769.8**

The 2023 DSA-DMS report considers the best option of borrowing from both internal and external sources for deficit financing in the projection period bearing in mind associated cost and risks. Strategy 1 which comprises of borrowing from both internal and external sources requires N769.8 billion for deficit financing from 2022 – 2032. This is cheaper compared to Strategy 2 (N1,744.2) billion, Strategy 3 (N1,882.3) billion and Strategy 4 (N2,083.4) billion respectively for deficit financing within the same period.

Strategy 4 is the most expensive option with a requirement of N2,083.4 billion borrowing from only bonds with a tenor of 6 years and above. This is followed by Strategy 3 with a total deficit financing requirement of N1,882.3 billion borrowing from commercial banks and bonds within the projection period of 2022 – 2023. Strategy 2 considers borrowing from only commercial banks for deficit financing within the projection period and requires N1,744.2 billion from 2022 – 2023.

4.3   DSA SIMULATION RESULTS

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on oil revenue sources. Government should remain committed and focused in using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium-term target is to increase the Revenue-to-Debt Service ratio. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital development.

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

 In the baseline scenario, under the reference debt strategy (S1), the State preserves debt sustainability. Total revenue (including grants and excluding other capital receipts) is projected to increase from N353.6 billion in 2022 to N468.4 billion by 2032 (chart 16) representing an increase of N114.8 billion or 32.5%.

Gross FAAC Allocation is projected to grow from N327.5 billion in 2022 to N387.1 billion in 2032, which represents an increase of N59.6 billion or 18.2%. Grants is projected to grow from N7.8 billion in 2022 to N18.7 billion in 2032 representing an increase of N10.9 billion

or 139.7%. The projection sources were from the Approved 2023 Budget; State MTEF 2024-2026; 2027-2032 projections as estimated by the State DMD extrapolated.

The Internally Generated Revenue (IGR), and tax system should further be strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the state as well as employing appropriate State-of-the-art technology. In addition, efforts should also be made to attract more businesses from the informal sector into the tax net. IGR is estimated to grow by N44.1 billion or 239.7 % (from N18.4 billion in 2022 to N62.5 billion in 2032), over the projection period of the Approved 2023 Budget; MTEF, 2024-2026; 2027-2032 projections as estimated by the State DMD.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total Revenue	187,637	176,143	149,395	180,278	353,608	311,000	285,273	259,766	286,485	350,701	372,579	395,195	418,634	442,989	468,370
Gross FAAC Allocation	173,521	161,335	134,049	159,502	327,463	274,300	244,704	220,964	244,226	303,510	319,934	336,504	353,224	370,101	387,142
IGR	14,116	14,808	12,496	18,595	18,392	20,000	23,869	26,102	29,559	33,491	37,945	42,992	48,710	55,188	62,528
Grants	0	0	2,850	2,182	7,752	16,700	16,700	12,700	12,700	13,700	14,700	15,700	16,700	17,700	18,700

Chart 16: Revenue (N$ million)
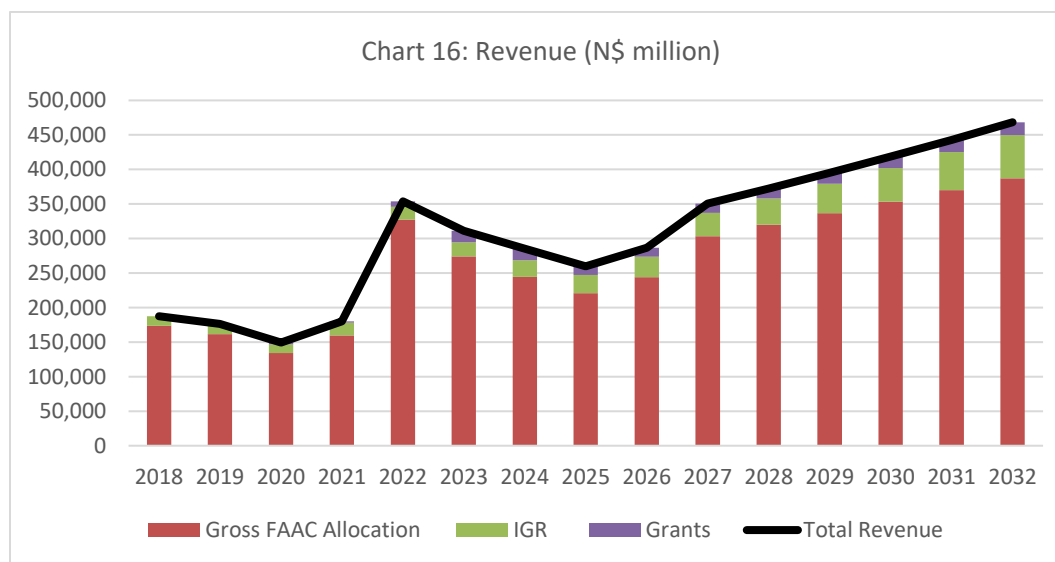
Source: State's forecast

Total expenditure is projected at N423 billion in 2023, N386 billion in 2024, N356.6 billion in 2025, N409 billion in 2026, N470.7 billion in 2027, N478.3 billion in 2028, N492 billion in 2029, N535.9 billion in 2030, N581.2 billion in 2031 and N600 billion in 2032 respectively, indicating stability in the state growth recovery. Personnel Costs, Overhead Cost, Debt Service, and Capital Expenditure is estimated to increase from N51.3 billion in 2022 to N92.2 billion in 2032, N59.9 billion in 2022 to N95.2 billion in 2032, N47.8 billion in 2022 to N206.2 billion 2032, and N140 billion in 2022 to N166 billion in 2032, while Other Recurrent Expenditure is estimated to decrease from N41.2 billion in 2022 to N40.4 billion in 2032 representing a decrease of N0.8 billion or 1.9%. Source; Approved 2023 Budget; MTEF, 2024-2026; 2027-2032 projections as estimated by the State Ministry of Budget and State DMD extrapolated.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total Expenditure	244,999	197,191	209,476	244,886	340,156	422,974	385,978	356,598	408,992	470,653	478,271	492,028	535,853	581,145	599,938
Personnel	60,742	49,823	49,028	46,233	51,330	81,779	52,344	82,058	86,161	87,161	88,161	89,161	90,161	91,161	92,161
Overhead Costs	69,845	42,543	48,770	42,539	59,880	79,018	80,922	79,221	83,182	85,182	87,182	89,182	91,182	93,182	95,182
Debt Service (Interests+Amortizations)	40,224	47,671	39,996	41,862	47,813	33,602	51,446	65,409	100,654	149,949	144,533	144,532	173,818	203,730	206,231
Other Recurrent Expenditures	26,432	14,994	33,586	34,817	41,219	52,000	31,589	32,992	34,426	35,426	36,426	37,426	38,427	39,426	40,426
Capital Expenditure	47,755	42,159	38,096	79,434	139,914	176,574	169,676	96,917	104,570	112,935	121,970	131,728	142,266	153,647	165,939

Source: State's forecasts

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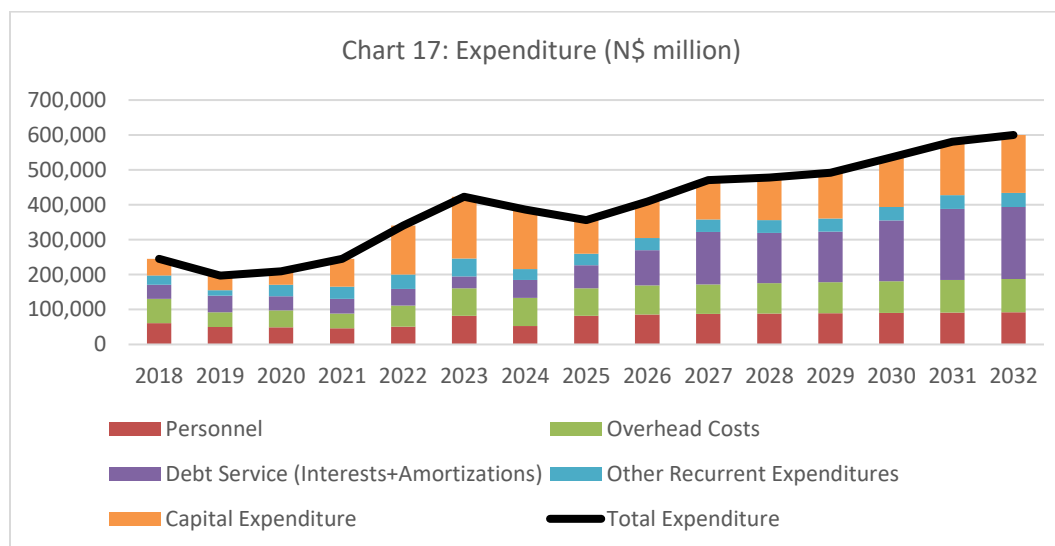
- The projected increase in expenditure (Personnel cost, Overhead costs, other recurrent expenditures, and Capital Expenditure) results in increase in debt through Primary Balance.
- Bayelsa State's Debt Stock is estimated to increase from N173.4 billion in 2022 to N520.4 billion in 2032, representing an increase of N347 billion or 200.1% over the projection period. External Debt is projected to increase from N27.1 billion in 2022 to N100.5 billion in 2032 representing an increase of N73.4 billion or 270.9% and Domestic Debt is expected to increase from N146.4 billion in 2022 to N419.9 billion in 2032 representing an increase of N273.5 billion or 186.8% over the projection period.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Outstanding Debt (Old + New)	144,374	166,124	163,407	178,946	173,432	302,101	355,391	409,628	472,530	498,610	510,233	519,479	523,787	522,891	520,370
External	14,331	18,194	19,279	20,310	27,061	139,165	138,250	137,335	136,421	207,064	190,680	174,253	157,826	129,084	100,517
Domestic	130,043	147,930	144,129	158,636	146,371	162,936	217,141	272,293	336,109	291,546	319,553	345,226	365,961	393,807	419,853

Chart 18: Debt Stock (N$ million)
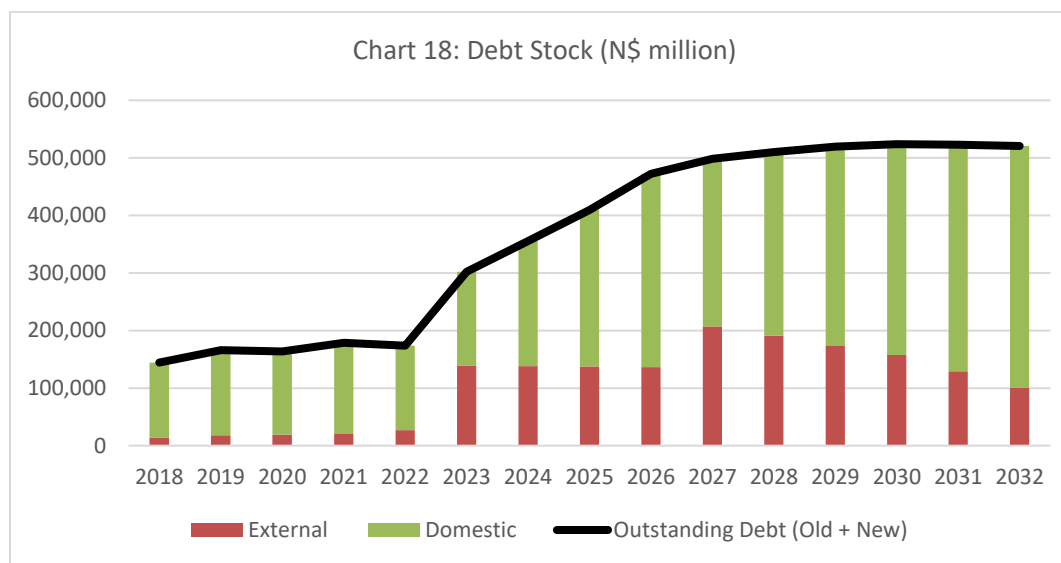
Source: State's forecasts

BAYELSA STATE MAIN FINDING

The Baseline Scenario results shows that the ratio of Debt as % of GDP is projected at 6% in 2023, 6% in 2025, 6% in 2027, 5% in 2029, 5% in 2030 and 4% in 2032 respectively, as against the indicative threshold of 25 percent. This means that there is room for the state to borrow more for capital development and economic growth under favourable conditions and risks.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Debt as % of SGDP	7	5	4	5	5	6	6	6	6	6	6	5	5	4	4
Threshold	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25

Chart 21: Debt Stock as a share of SGDP
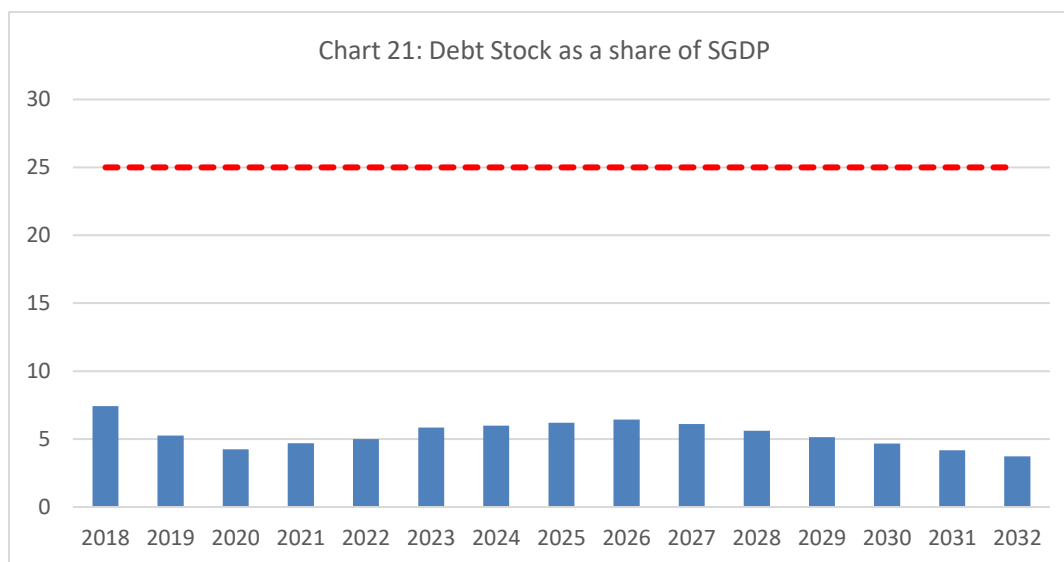
Source: State's forecasts

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Debt as % of Revenue	77	94	109	99	49	97	125	158	165	142	137	131	125	118	111
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200

The ratio of Debt as % of Revenue is estimated at 97% in 2023, 158% in 2025, 142% in 2027, 131% in 2029 and 111% in 2032 respectively, although the ratio of Debt as % of Revenue remains below the threshold of 200% over the projection period with the highest percentage of 165 in 2026. The implication of this is that the State's FAAC revenue is overburdened by debt service. Therefore, the State must quickly deploy other revenue sources like Grants, Donations, and the State IGR for debt service in other to free up FAAC revenue for other development activities.

Chart 22: Debt Stock as a share of Revenue
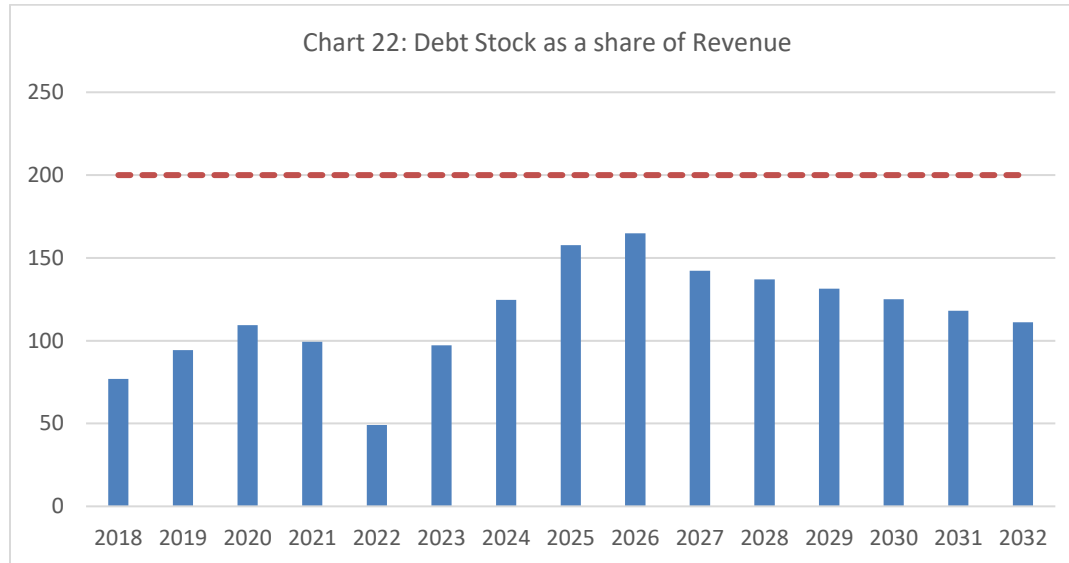
Source: State's forecasts

Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remain under the threshold over the projection period from 2023 to 2032 except in years 2027,2030, 2031, and 2032 where the threshold was breached by 3%, 2%, 6%, and 4% respectively. This is because of government's conscious efforts and policies to keep expenditures under control.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Debt Service as % of Revenue	20	23	25	17	14	11	18	25	35	43	39	37	42	46	44
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Personnel Cost as % of Revenue	32	28	33	26	15	26	18	32	30	25	24	23	22	21	20
Threshold	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

Chart 23: Debt Service as a share of Revenue

Source: State's forecasts

Chart 24: Personnel Cost as a share of Revenue
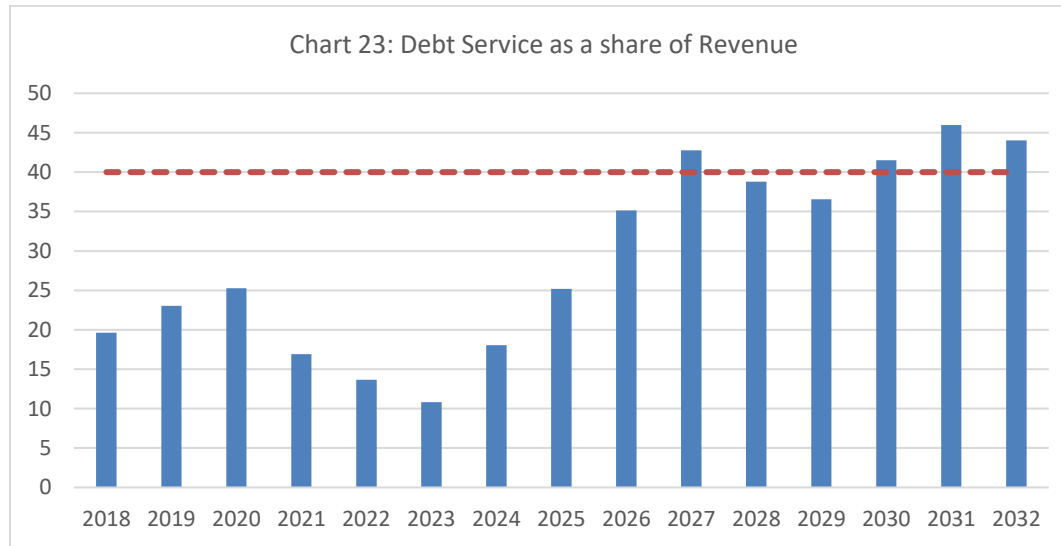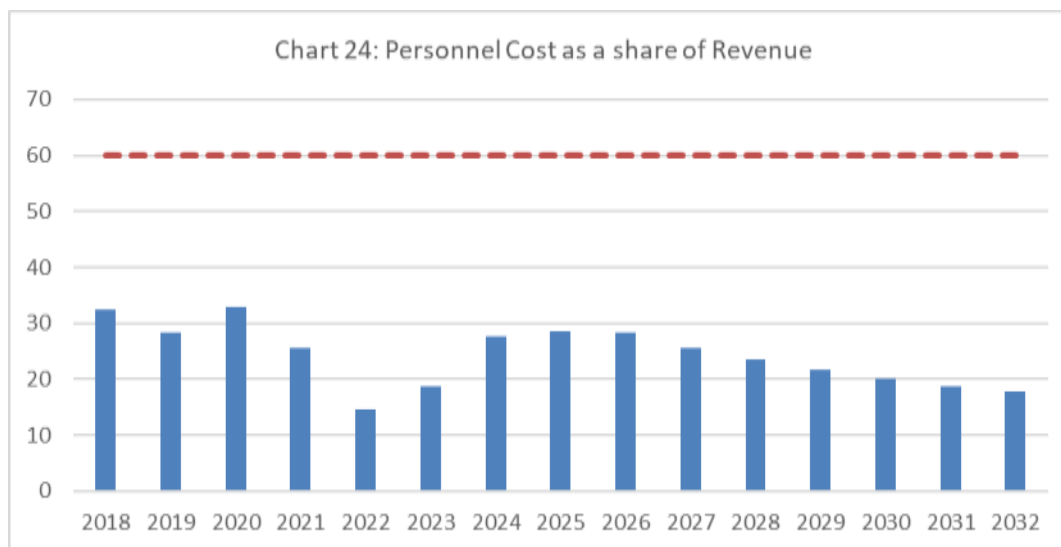
Source: State's forecast

CONCLUSION

Bayelsa State DSA result shows that, the State remains at the MODERATE Risk of Debt Distress. The State remains sensitive to the revenue shocks, interest rate shocks, exchange rate shocks, and expenditure shocks indicating that an increase in aggregate output, does not result to a proportionate increase in revenue. There is, therefore, the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the state. The State should also continue the implementation and strengthening of already existing policies like "Arrears Clearance Framework, Single Treasury Account (TSA), Integrated Personnel and Payroll System (IPPS)" etc. This has become critical, given the continued volatility in the FAAC allocation and the unpredictable global economy.

4.4   DSA SENSITIVITY ANALYSIS (SHOCK ANALYSIS)

The State faces important sources of 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 is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the baseline scenario under the reference debt strategy (S1) discussed in the previous sub-section. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

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The 2023 DSA analysis shows that Bayelsa State remains at moderate risk of debt distress under sensitivity analysis.

The State DSA analysis shows deterioration related to revenue, expenditure, exchange rate and interest rate shocks that would lead to increase in Gross Financing Needs over the projection period. The shocks applied breached the threshold as follows; Debt as percentage of Revenue: Revenue shock from 2026, 2028 – 2032 and expenditure shocks in 2032. Debt Service as percentage of Revenue: revenue shock from 2026 to 2032, Expenditure shocks from 2027 to 2032, Exchange rate shock from 2027 - 2032 and interest rate shock from 2027 to 2032. Personnel cost as percentage of revenue and Debt as percentage of SGDP remained within the thresholds both in the baseline and shock scenarios. There is therefore an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC). Since the State's IGR base is small, government should consider policies and partnerships that will attract investors to the State thereby increasing the IGR base to avoid over-dependence on FAAC revenue.

Source: State's forecasts

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Chart 29: Debt Service as a share of Revenue
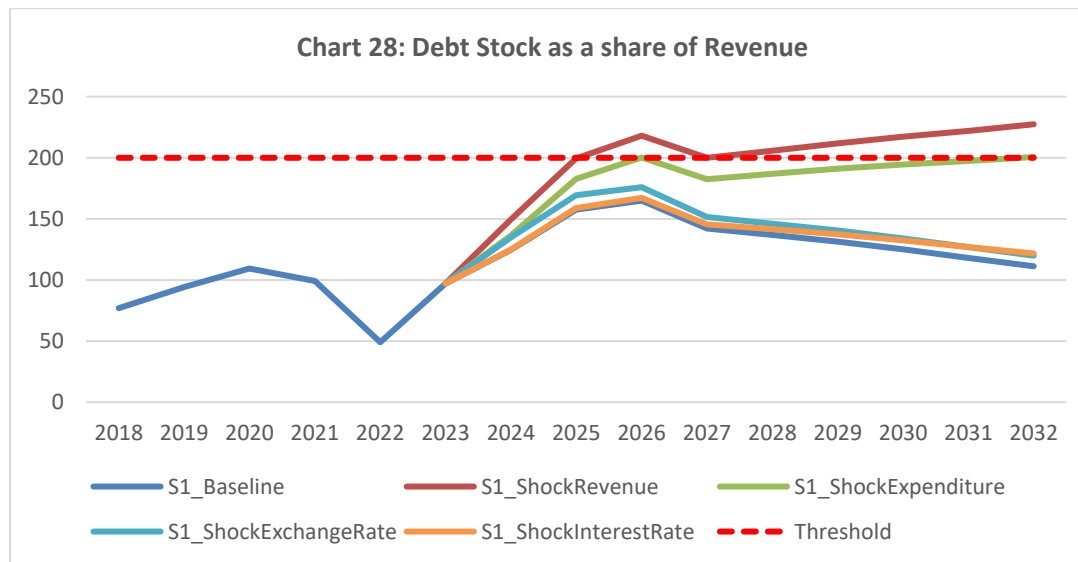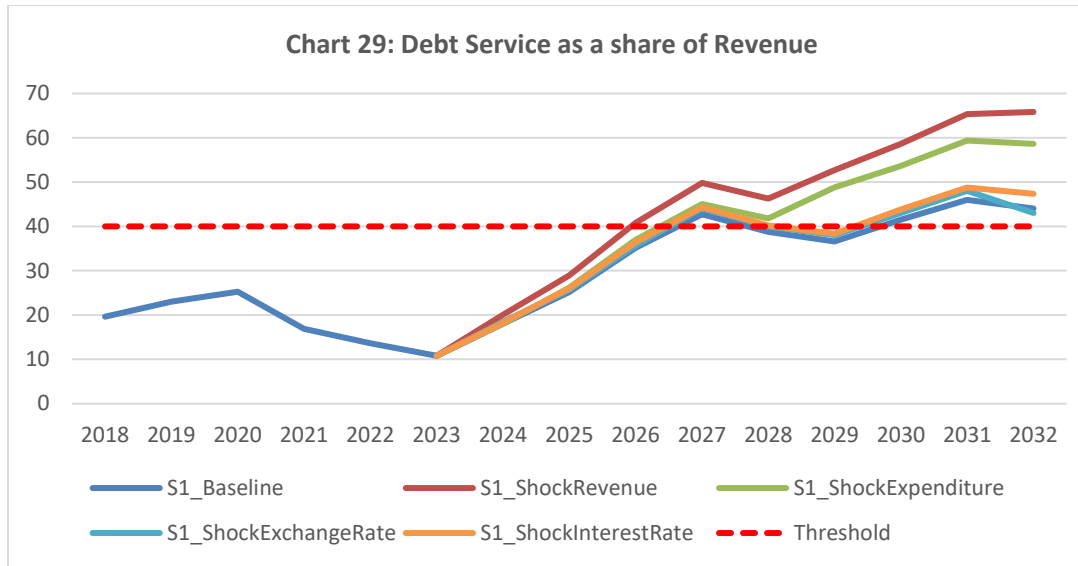
Source: State's forecasts

CHAPTER FIVE

5.0 DEBT MANAGEMENT STRATEGY

Public Debt Management is the process of establishing and executing a strategy for managing the government's debt to raise the required amount of funding at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk.
For any Debt Management Strategy (DMS), its 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 projected in the most adverse scenario).

Debt Management Performance Indicators (DMPI)

DESCRIPTION	THRESHHOLD	PERCENTAGE
Debt Stock/Revenue %	200	142%
Debt Service/Revenue%	40	43%
Interest/Revenue%	0	22%

5.1 ALTERNATIVE BORROWING OPTIONS

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2023 and MTEF, 2024-2026. External gross borrowing under Concessional loans is N0.25 billion over the strategic period mainly through World Bank and African Development Bank; and the bilateral loan accounts for N0.2 billion over the strategic period respectively. Although external loans are preferable to domestic loans due to the advantages they have, which includes lower interest rate, more affordable, lower fees, and longer repayment period. However, they are not readily available because they must be guaranteed by Federal Government (on-lending).

 The Domestic gross financing comprises commercial bank loans and State bonds. The Domestic Financing under the Commercial Bank loans (maturity of 1-5 years) amounts to N256.7 billion, Commercial Bank loans (maturity above 6 years) is N220.5 billion. Commercial loans are used here because they have the lowest interest rates compared to other domestic loans. They are also quick to access and are readily available.

 State bonds (Maturity above 6 years) accounts for N292.1 billion over the DMS period of 2023 to 2032. State bonds are also considered here because they have less restrictions to obtain, they have low volatility, high liquidity and the State also stands to enjoy legal protection.

Debt Management Strategy 1 financing mix is driven by funding of current account deficit, foreign direct investment (FDIs), rollover and exchange rate risk mitigation, and funding of huge infrastructure demand to stimulate economic growth.

The policy objectives that motivate borrowing from the proposed instruments in the alternate strategies (S2), (S3), and (S4), (commercial banks and bonds.) are generally for risk mitigation, development of domestic debt markets, funding of specific expenses, and securing liquid assets for cash management.

Debt Management Strategy 2, (Proposed instrument, Commercial loans (1 – 5 years) is N894.6 billion and (above 6years) is N849.6 billion) is driven by funding of specific expenses such as capital investment, and to secure liquid assets for cash management. Commercial loans are considered because of low interest rates compared to other domestic loans. They are also quick to access and are readily available.

Debt Management Strategy 3, (proposed instrument, Commercial loan (above 6years) is N933.6 billion and bonds (1 – 5 years) is N948.7 billion) is driven by funding of specific expenses such as capital investment to secure liquid assets for cash management, development of domestic debt market, and funding of huge infrastructural capital development projects. The mix of commercial loans and bonds are considered in Strategy 3 to see how the State will fare over the MTDS-DSA projection period.

Debt Management Strategy 4, (proposed instrument, Bonds (above 6years) is N2,083.4 billion) is driven by current account deficit, and funding of huge infrastructure demand to stimulate economic growth. Only State bonds are considered in Debt Management Strategy 4 because they have low volatility, less restrictions and have high liquidity compared to other domestic loan instruments.

5.2 DMS SIMULATION RESULTS

The cost risk trade off charts illustrates the performance of the alternative strategies with respect to three (3) debt burden indicators:

1. Debt as a share of Revenue
2. Debt Service as a share of Revenue, and
3. Interest as a Share of Revenue

a. DEBT AS A SHARE OF REVENUE:

➢ Strategy 1 shows the Cost ratio of Debt to Revenue is estimated to increase from 97.1 % in 2023 to 142.2 % in 2027, as against Strategy 2 (172.8 %), Strategy 3 (176 %) and Strategy 4 (179.1 %) over the DMS period of 2023 - 2027, compared with the associated risk of Strategy 1 (57.7 %), Strategy 2 (61.1%), Strategy 3 (61.5 %) and Strategy 4 (61.8%), respectively. (Chart 33 & 34)

➢ Analysis using this debt indicator of "debt to revenue" shows that S1 is the least costly and least risky which was estimated at 142.2% and 57.7% compared to Strategy 2 (172.8 % and 61.1 %) Strategy 3 (176 % and 61.5 %), respectively. On the other hand, Strategy 4 is the costliest and riskiest strategy which was estimated at 179.1 % and 61.8 %, which concentrated only on State bond borrowings over the DMS period of 2023-2027. (Chart 33 & 34)

Debt Stock as % of Revenue (including grants and...	2022	2023	2024	2025	2026	COST 2027	RISK measu...
Strategy #1 & Baseline Outlook	49.0	97.1	124.6	157.7	164.9	142.2	57.7
Strategy #1 & Adverse Shock		97.1	149.5	199.5	218.2	199.9	
Strategy #2 & Baseline Outlook	49.0	97.1	131.5	174.5	190.2	172.8	61.1
Strategy #2 & Adverse Shock		97.1	157.2	218.2	246.2	233.9	
Strategy #3 & Baseline Outlook	49.0	97.1	132.2	176.2	192.4	176.0	61.5
Strategy #3 & Adverse Shock		97.1	158.0	220.0	248.7	237.5	
Strategy #4 & Baseline Outlook	49.0	97.1	132.2	176.9	194.5	179.1	61.8
Strategy #4 & Adverse Shock		97.1	158.0	220.8	251.0	240.9	

Chart 33. Debt Stock as a share of Revenue
(including grants and excluding other capital receipts)

Source: State's forecasts

Chart 34. Cost-Risk Trade Off

(Cost in vertical axis, Risk in horizontal axis)
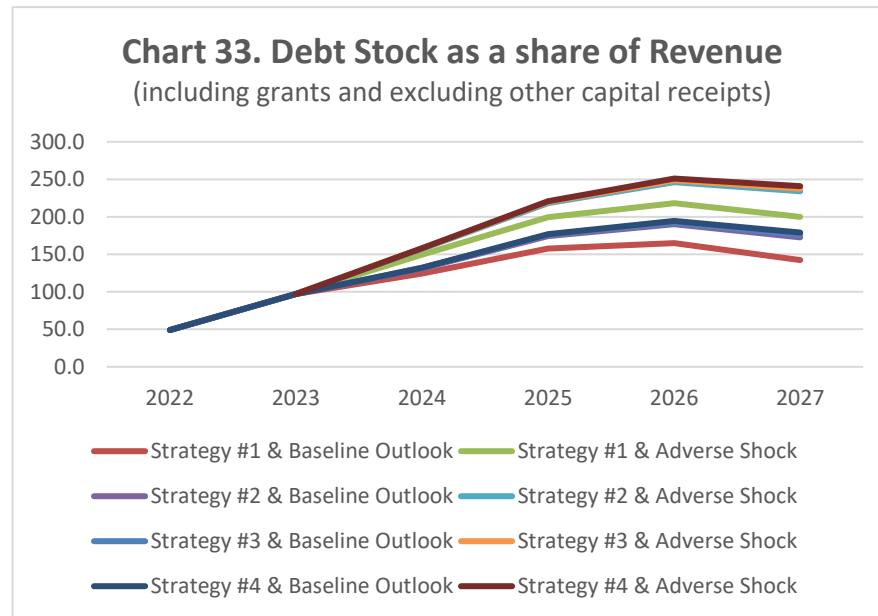
Source: State's forecasts

b. DEBT SERVICE AS A SHARE OF REVENUE:

➢ In terms of "Debt Service to Revenue", Strategy 1 has the lowest costs of 10.8 % in 2023 to 42.8 % in 2027 and lowest risks of 7 % compared to Strategy 2 (costs at 59.2 % and risks at 8.9 %), Strategy 3 (costs at 60.8 % and risks at 9 %) and Strategy 4 (costs at 60.4 % and risks at 9 %) respectively, as at end of the strategic period of 2027.

➢ Strategy 1 has the lowest costs at 42.8 % and minimum risks at 7.0 % under the "Debt Service to Revenue", followed by Strategy 2: costs at 59.2 % and risks at 8.9 %, while Strategy 3 is the costliest and riskiest strategy as the domestic debt financing considered only Commercial banks and State Bonds with a cost of 60.8% and an associated risk of 9.0% at the end of the strategic period of 2027. (Chart 37 & 38)

Debt Service as % of Revenue (including grants a	2022	2023	2024	2025	2026	COST 2027	RISK measu
Strategy #1 & Baseline Outlook		10.8	18.0	25.2	35.1	42.8	7.0
Strategy #1 & Adverse Shock		10.8	20.0	29.0	40.8	49.8	
Strategy #2 & Baseline Outlook		10.8	32.5	42.8	50.5	59.2	8.9
Strategy #2 & Adverse Shock		10.8	36.2	48.6	57.9	68.0	
Strategy #3 & Baseline Outlook		10.8	33.3	43.7	51.4	60.8	9.0
Strategy #3 & Adverse Shock		10.8	37.0	49.5	58.9	69.8	
Strategy #4 & Baseline Outlook		10.8	30.4	47.4	57.6	60.4	9.0
Strategy #4 & Adverse Shock		10.8	33.8	53.7	65.7	69.4	

Chart 37. Debt Service as a share of Revenue
(including grants and excluding other capital receipts)

Legend:
- 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

Source: State's forecasts

Chart 38. Cost-Risk Trade Off
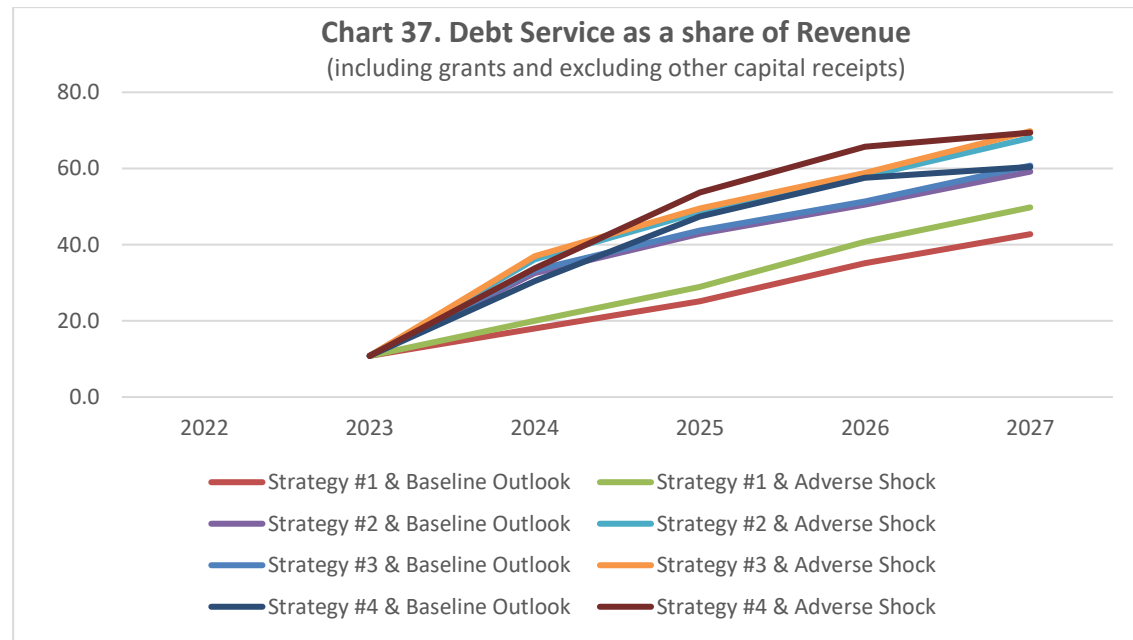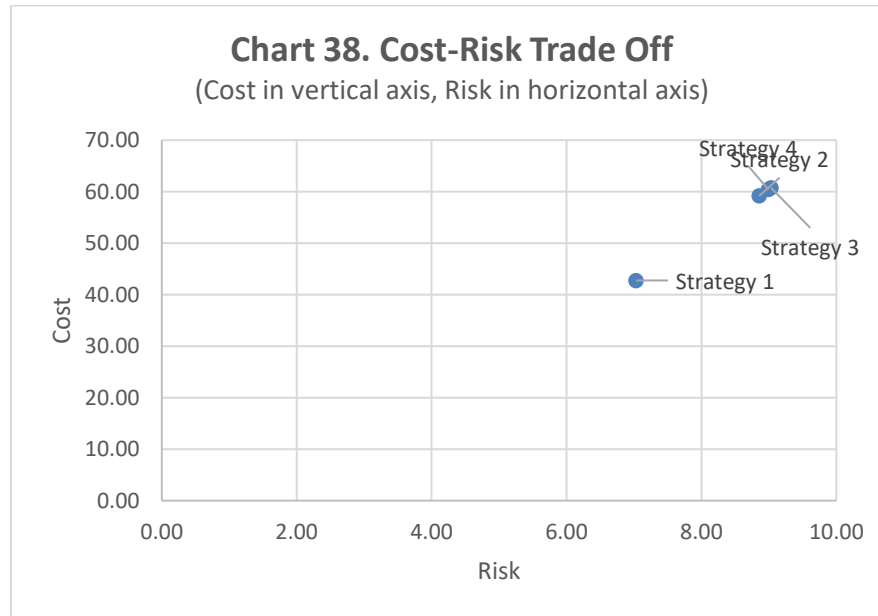
(Cost in vertical axis, Risk in horizontal axis)

c. INTEREST AS A SHARE OF REVENUE

➢ Strategy 1 has the least costs with regards to "Interest as a percentage of revenue". This is projected to increase from 5.3% in 2023 to 22.3% in 2027 with an associated Risk of 4.8%, whilst Strategy 4 is the most costly and riskiest strategy at 35 % and 6.2% compared to Strategy 2 with a moderate cost and risk of 32.3% and 5.9% and Strategy 3 with estimated costs and risks of 33.6% and 6 .0% as at end of the strategic period of 2027.

➢ The ratios of Interest as percent of Revenue analysis shows that S1 yielded the lowest costs and risks due to a mix of external financing. The external debt service terms contain lower interest rates, longer maturity and grace period compared to S2 and S3 with moderate costs and risks. However, S4 is the most costly and riskiest strategy over the analysis period of 2023 – 2027. (Chart41 & 42)

Interest as % of Revenue (including grants and e)	2022	2023	2024	2025	2026	COST 2027	RISK measu
Strategy #1 & Baseline Outlook		5.3	9.8	16.9	21.0	22.3	4.8
Strategy #1 & Adverse Shock		5.3	10.9	19.7	25.1	27.0	
Strategy #2 & Baseline Outlook		5.3	16.7	26.1	30.9	32.3	5.9
Strategy #2 & Adverse Shock		5.3	18.5	30.0	36.1	38.2	
Strategy #3 & Baseline Outlook		5.3	17.4	27.0	31.7	33.6	6.0
Strategy #3 & Adverse Shock		5.3	19.3	31.0	37.0	39.6	
Strategy #4 & Baseline Outlook		5.3	17.4	27.7	33.1	35.0	6.2
Strategy #4 & Adverse Shock		5.3	19.3	31.7	38.6	41.2	

Chart 41. Interest as % of Revenue
(including grants and excluding other capital receipts)

Legend:
- 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

Source: State's forecasts
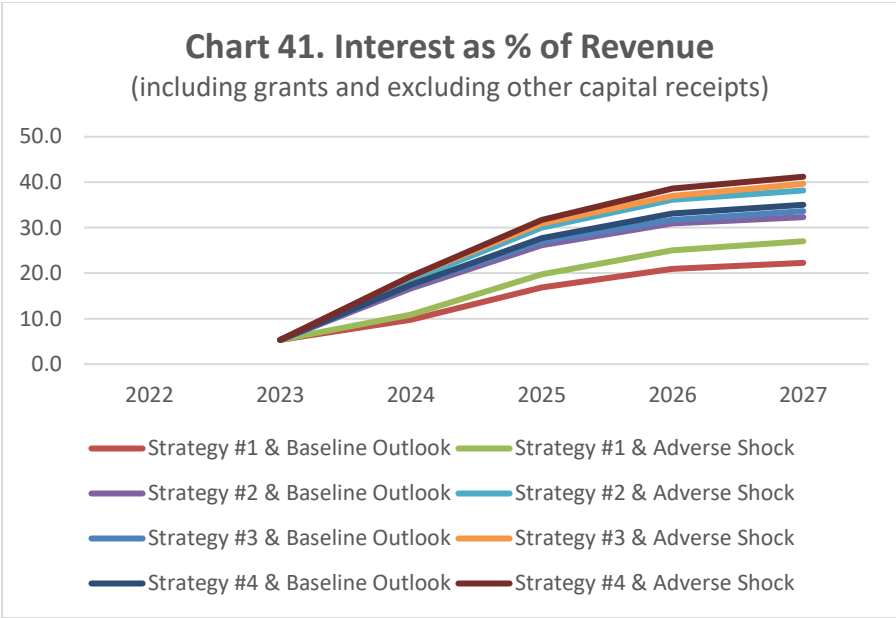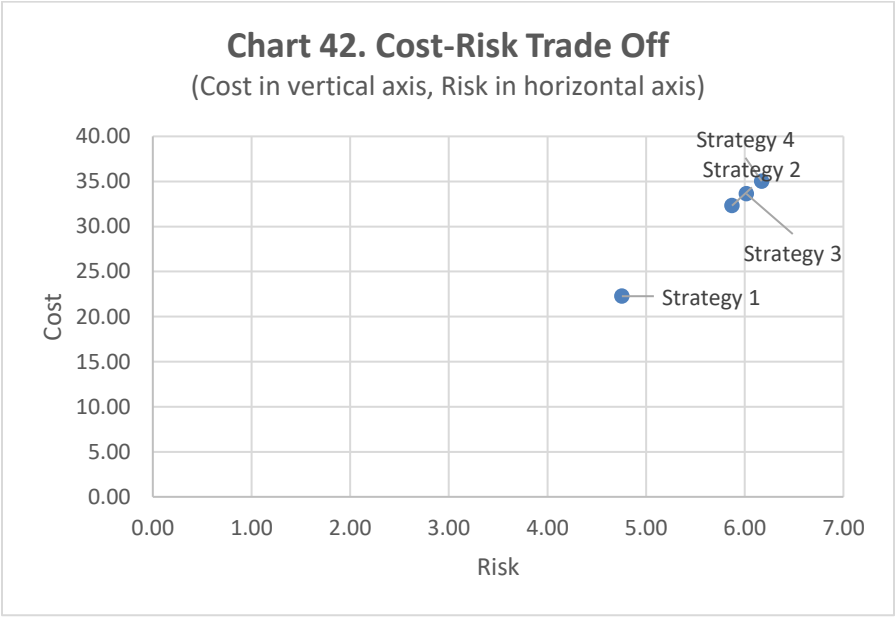
Chart 42. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)

5.3 DMS ASSESSMENT

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term to long-term. Considering the Analytical Tool's results (of costs and risks assessment) using the liquidity and solvency ratios, **Strategy 1 is considered the most feasible of all the strategies to implement in the short to medium-term and would also improve the State's portfolio debt position relative to the base year 2022**.

In comparison to the current debt position, Bayelsa State debt portfolio stood at N173.4 billion as at end-2022, which is expected to increase to N520.4 billion under Strategy 1 to the end of the strategic period, compared to Strategy 2 (N1,031.9 billion), Strategy 3 (N1,094 billion), and Strategy 4 (N1,174.8 billion). In addition, 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 (S1) is selected as the preferred strategy for the 2023-2027 assessment period.

The Debt Management Strategy (DMS), 2023-2027 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 2023 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS have been evaluated within the medium-term context.

LIST OF ANNEXURES:

ANNEXURE 1: TABLE OF ASSUMPTIONS

2023		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	State real and nominal GDP figures were obtained from Federal Debt Management office	NBS /WBG/FBS
Revenue	Revenue	Sum of the Components	Financial Statements / FAAC / Annual estimates/MTEF.
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here) 1.a. of which Net Statutory Allocation ('net' means of deductions)	Projections based on State annual Estimates, State MTEF 2024 - 2026 and State Projections 2027 - 2032 (Extrapolated) GSA estimated to increase by 2% from 2027 to 2032.	Financial Statements / FAAC / Annual estimates/State DMO (projections 2027 - 2032) extrapolated

	1.b. of which Deductions		
	2. Derivation (if applicable to the State)	Projections based on State annual estimates, State MTEF 2024 - 2026 and State Projections 2027 - 2032 (Extrapolated) Derivation is expected to grow by 10billion from 2027 to 2032. Derivation was forecasted using the elasticity forecast method.	Financial Statements / FAAC / Annual estimates/State DMO (projections 2027 - 2032) extrapolated
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Projections based on State annual estimates, State MTEF 2024 - 2026 and State Projections 2027 - 2032 (Extrapolated). Other FAAC transfers is assumed to increase by 2billion from 2027 to 2032	Financial Statements/FAAC/MTEF/Annual Estimates
	4. VAT Allocation	Projections based on State annual estimates, State MTEF 2024 - 2026 and State Projections 2027 - 2032 (Extrapolated) VAT is estimated to grow by 5% from 2027 to 2032. VAT was forecasted using the elasticity forecast method.	State DMO 2027 - 2032 projections Extrapolated/State MTEF/Annuel Estimates
	5. IGR	IGR is projected to increase by 13.3% from 2027 to 2032 (Expected revenue due to State government revenue reforms). The current administration has sustained reforms such as Automation of Revenue Management and harmonization of revenues between State and Local Governments	Financial Statements / SBIR / MTEF /Annual Estimates
	6. Capital Receipts	Sum of the Components	Financial Statements/FAAC/MTEF/ Appropriation
	6.a. Grants	Grants is projected to increase by 1billion from 2027 to 2032. (External grants are based on signed grant agreements with the State's development partners)	Financial Statements/FAAC/MTEF/ Appropriation
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**	Sum of components	Financial Statements / FAAC / Annual estimates/MTEF.
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel cost is projected to increase by 1billion from 2027 to 2032 (Government policy on controlled expenditure).	Financial Statements/ MTEF/ Appropriation
	2. Overhead costs	Overhead cost is projected to increase by 2billion from 2027 to 2032 (Government policy on controlled expenditure) The projected increase in overhead is because of anticipated increase in development activities, inflation and exchange rate.	Financial Statements/ MTEF/ Appropriation

	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Actual expected interest payments in the future from State Loan amortization schedules	DMD/FAAC/DMO/CBN
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Other recurrent expenditure is expected to increase by 1billion from 2027 to 2032 (Government policy on controlled expenditure). The estimate is based on anticipated increase in oil production due to security of oil installation in the region. Again, the steady price of oil will lead to an increase in Derivation accruable to the State. Capital expenditure is projected to increase by 8% from 2027 to 2032.	Financial Statements/ MTEF/ Appropriation
	5. Capital Expenditure		Financial Statements/ MTEF/ Appropriation
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	state Audited financial Statements	Financial Statements
Debt Amotization and Interest Payments	**Debt Outstanding at end-2022**	**Actual Domestic and External debt stock as at 31st December 2022**	**Financial Statements/DMD/DMO**
	External Debt - amortization and interest	Amortization and interest payment estimated using profiles recorded in DMO including external debt service paid through FAAC deductions	DMO/CBN/DMD
	Domestic Debt - amortization and interest	Amortization and interest payment estimated using profiles recorded in DMD including those paid directly by the state through FAAC deductions	DMO/DMD/CBN/Financial statements
	New debt issued/contracted from 2023 onwards	Generated automatically by WBG-DMO DSA Template 2023	DMO/WBG
	New External Financing	**Current expected Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)**	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	(interest rate 5%, maturity (10 years) and grace period (3 year))	DMO/CBN/DMD
	External Financing - Bilateral Loans	(interest rate 5%, maturity (10 years) and grace period (3 year))	DMO/CBN/DMD
	Other External Financing		
	New Domestic Financing	**Current expected Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)**	

	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	(interest rate 23%, maturity (5 years) and grace period (0 year))	State DMD/DMO/CBN
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	(interest rate 23%, maturity (10 years) and grace period (1 year))	State DMD/DMO/CBN
	State Bonds (maturity 1 to 5 years)	(interest rate 24.5%, maturity (5 years) and grace period (0 year))	State DMD/DMO/CBN
	State Bonds (maturity 6 years or longer)	(coupon rate (24.5%) maturity (7 years) and grace period (0))	State DMD/DMO/CBN
	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)	256.7 billion (interest rate 23%, maturity (5 years) and grace period (0 year)) Projections based on expected capital investment by State Government and securing of liquid assets for cash management e.g., lands, buildings, machinery, equipment etc. Assumption: Lower domestic interest rates, Quicker access to funds, and shorter application process	State DMD
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	220.5 billion (interest rate 23%, maturity (10 years) and grace period (1 year)) Projections based on expected capital investment by State Government and securing of liquid assets for cash management e.g., lands, buildings, machinery, equipment etc. Assumption: Lower domestic interest rates, Quicker access to funds, and shorter application process	State DMD
	State Bonds (maturity 1 to 5 years)	0 billion (Coupon rate 24.5%, maturity (5 years) and grace period (0 year)). Assumption: Low volatility, High liquidity, legal protection, huge capital, and less restrictions.	State DMD
	State Bonds (maturity 6 years or longer)	292.1 billion (coupon rate (24.5%) maturity (7 years) and grace period (0)) Projections based on expected current account deficit financing and funding of huge capital	State DMD

		infrastructure by government. Low volatility, High liquidity, legal protection, huge capital, and less restrictions	
	Other Domestic Financing		
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	0.25 billion Dollars (interest rate 5%, maturity (10 years) and grace period (3 year)) Projections based on foreign direct investment and rollover and exchange rate risk mitigation by government, and for deficit financing. Assumptions: Lowest interest rates, lower fees, longer repayment periods, On-lend borrowing by Federal Government	State DMD /Federal DMO
	External Financing - Bilateral Loans	0.2 billion Dollars (interest rate 5%, maturity (10 years) and grace period (3 year)) Projections based on foreign direct investment and rollover and exchange rate risk mitigation by government, and for deficit financing. Assumptions: Lowest interest rates, lower fees, longer repayment periods, On-lend borrowing by Federal Government	State DMD /Federal DMO
	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)	894.6 billion (interest rate 23%, maturity (5 years) and grace period (0 year)) Projections based on expected capital investment by State Government and securing of liquid assets for cash management. Assumption: Lower domestic interest rates, Quicker access to funds, and shorter application process	State DMD
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	849.6 billion (interest rate 23%, maturity (10 years) and grace period (0 year)) Projections based on expected capital investment by State Government and securing of liquid assets for cash management. Assumption: Lower	State DMD

		domestic interest rates, Quicker access to funds, and shorter application process	
	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 S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	0 billion (interest rate 23%, maturity (5 years) and grace period (0 year)). Assumption: Lower domestic interest rates, Quicker access to funds, and shorter application process	State DMD
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	933.6 billion (interest rate 23%, maturity (10 years) and grace period (0 year)) Projections based on expected capital investment by State Government and securing of liquid assets for cash management. Assumption: Lower domestic interest rates, Quicker access to funds, and shorter application process	State DMD
	State Bonds (maturity 1 to 5 years)	948.7 billion (interest rate 24.5%, maturity (5 years) and grace period (0 year)) Projections based on expected current account deficit financing and funding of huge capital infrastructure by government e.g., roads, schools, markets etc. Low volatility, High liquidity, legal protection, huge capital, and less restrictions	State DMD

	State Bonds (maturity 6 years or longer)	0 billion (coupon rate (24.5%) maturity (7 years) and grace period (0)). Low volatility, High liquidity, legal protection, huge capital, and less restrictions	State DMD
	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 S4	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)	0 billion (Coupon rate 24.5%, maturity (5 years) and grace period (0 year)). Low volatility, High liquidity, legal protection, huge capital, and less restrictions	State DMD
	State Bonds (maturity 6 years or longer)	2,083.4 billion (coupon rate (24.5%) maturity (7 years) and grace period (0)) Projections based on expected current account deficit financing and funding of huge capital infrastructure by government. Construction of roads, bridges, and other capital infrastructure. Low volatility, High liquidity, legal protection, huge capital, and less restrictions	State DMD
	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	

Annexure ii: Historical and Projection Table

	Indicator		Actuals					Projections									
			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
			BASELINE SCENARIO														
	Economic Indicators																
	State GDP (at current prices)		1,941,876.00	3,155,779.00	3,847,397.00	3,819,587.00	3,472,193.00	5,157,801.00	5,925,699.00	6,592,655.00	7,335,153.00	8,161,275.00	9,080,438.00	10,103,123.00	11,240,987.00	12,507,003.00	13,915,604.00
	Exchange Rate NGN/US$ (end-Period)		253.19	305.79	306.50	326.00	379.00	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57
	Fiscal Indicators (Million Naira)																
	Revenue		**217,944.50**	**192,788.80**	**191,242.10**	**227,003.40**	**368,373.50**	**467,655.71**	**383,977.60**	**355,597.78**	**409,991.74**	**469,652.58**	**478,270.91**	**493,027.71**	**535,853.06**	**580,145.49**	**599,938.41**
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)		37,624.00	36,625.00	29,022.00	31,938.00	33,589.77	36,000.00	57,000.00	100,964.10	124,225.50	126,710.01	129,244.20	131,829.10	134,465.70	137,154.90	139,898.10
	1.a. of which Net Statutory Allocation ('net' means of deductions)		18,118.00	19,172.00	10,893.00	8,548.00	13,785.87	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		19,506.00	17,453.00	18,129.00	23,390.00	19,803.90	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)		116,072.00	104,593.00	76,569.00	94,830.00	183,037.99	185,000.00	108,703.80	84,000.00	84,000.00	94,000.00	104,000.00	114,000.00	124,000.00	134,000.00	144,000.00
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		9,720.17	9,784.23	15,471.08	18,000.00	87,046.85	28,300.00	43,000.00	0.00	0.00	45,000.00	47,000.00	49,000.00	51,000.00	53,000.00	55,000.00
	4. VAT Allocation		10,105.00	10,333.00	12,987.00	14,734.00	23,788.65	25,000.00	36,000.00	36,000.00	36,000.00	37,800.00	39,690.00	41,674.50	43,758.20	45,946.10	48,243.40
	5. IGR		14,115.59	14,808.23	12,496.03	18,594.56	18,392.42	20,000.00	23,869.10	26,101.50	29,559.40	33,490.80	37,945.10	42,991.80	48,709.70	55,188.10	62,528.10
	6. Capital Receipts		30,307.70	16,645.30	44,697.00	48,906.90	22,517.80	173,355.71	115,404.70	108,532.18	136,206.84	132,651.77	120,391.61	113,532.31	133,919.46	154,856.39	150,268.81
	6.a. Grants		0.00	0.00	2,850.00	2,181.60	7,752.04	16,700.00	16,700.00	12,700.00	12,700.00	13,700.00	14,700.00	15,700.00	16,700.00	17,700.00	18,700.00
	6.b. Sales of Government Assets and Privatization Proceeds		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	6.c. Other Non-Debt Creating Capital Receipts		24,138.60	14,285.86	25,000.00	26,000.00	14,765.72	15,000.00	21,878.77	20,000.00	20,000.00	21,000.00	22,000.00	23,000.00	24,000.00	25,000.00	26,000.00
	6.d. Proceeds from Debt-Creating		6,169.10	2,359.40	16,847.00	20,725.30	0.00	141,655.71	76,825.93	75,832.18	103,506.84	97,951.77	83,691.61	74,832.31	93,219.46	112,156.39	105,568.81

Borrowings (bond issuance, loan disbursements, etc.)															
Expenditure		244,998.90	197,190.60	209,475.80	244,885.60	340,156.20	422,974.01	385,977.60	356,597.78	408,991.74	470,652.58	478,270.91	492,027.71	535,853.06	581,145.49	599,938.41
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)		60,742.33	49,823.36	49,028.20	46,232.97	51,330.42	81,778.90	52,344.10	82,058.10	86,160.90	87,160.90	88,160.90	89,160.90	90,160.90	91,160.90	92,160.90
2. Overhead costs		69,845.48	42,542.86	48,770.01	42,539.37	59,879.52	79,018.40	80,921.77	79,220.60	83,181.60	85,181.60	87,181.60	89,181.60	91,181.60	93,181.60	95,181.60
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		17,300.80	18,155.20	17,324.30	13,512.60	18,737.10	16,576.33	27,910.09	43,814.34	60,049.32	78,077.03	72,464.31	78,945.67	84,906.35	90,678.16	98,141.69
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)		5,766.30	6,428.20	8,576.60	4,512.00	7,653.53	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		11,534.50	11,727.00	8,747.70	9,000.60	11,083.61	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)		26,432.28	14,994.20	33,586.30	34,817.30	41,219.29	52,000.00	31,589.30	32,992.30	34,425.60	35,425.60	36,425.60	37,425.60	38,426.60	39,425.60	40,425.60
5. Capital Expenditure		47,755.07	42,159.18	38,095.73	79,434.16	139,913.62	176,574.30	169,676.30	96,917.40	104,569.70	112,935.30	121,970.10	131,727.70	142,265.90	153,647.20	165,938.90
6. Amortization (principal) payments		22,922.90	29,515.80	22,671.30	28,349.20	29,076.32	17,026.08	23,536.04	21,595.04	40,604.62	71,872.15	72,068.41	65,586.24	88,911.72	113,052.04	108,089.72
Budget Balance (' + ' means surplus, ' - ' means deficit)		-27,054.40	-4,401.80	-18,233.70	-17,882.20	28,217.30	44,681.70	-2,000.00	-1,000.00	1,000.00	-1,000.00	0.00	1,000.00	0.00	-1,000.00	0.00
Opening Cash and Bank Balance		-326.90	-27,381.30	-31,783.10	-50,016.80	-67,899.00	-39,681.70	5,000.00	3,000.00	2,000.00	3,000.00	2,000.00	2,000.00	3,000.00	3,000.00	2,000.00
Closing Cash and Bank Balance		-27,381.30	-31,783.10	-50,016.80	-67,899.00	-39,681.70	5,000.00	3,000.00	2,000.00	3,000.00	2,000.00	2,000.00	3,000.00	3,000.00	2,000.00	2,000.00
Financing Needs and Sources (Million Naira)																
Financing Needs							156,655.71	98,704.70	95,832.18	123,506.84	118,951.77	105,691.61	97,832.31	117,219.46	137,156.39	131,568.81
i. Primary balance							-78,371.60	-49,258.57	-31,422.80	-21,852.90	29,997.41	38,841.10	47,699.60	56,598.60	65,573.80	74,662.60
ii. Debt service							33,602.41	51,446.13	65,409.38	100,653.94	149,949.18	144,532.71	144,531.91	173,818.06	203,730.19	206,231.41
Amortizations							17,026.08	23,536.04	21,595.04	40,604.62	71,872.15	72,068.41	65,586.24	88,911.72	113,052.04	108,089.72
Interests							16,576.33	27,910.09	43,814.34	60,049.32	78,077.03	72,464.31	78,945.67	84,906.35	90,678.16	98,141.69
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash							44,681.70	-2,000.00	-1,000.00	1,000.00	-1,000.00	0.00	1,000.00	0.00	-1,000.00	0.00

	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15
and Bank Balances)															
Financing Sources						156,655.71	98,704.70	95,832.18	123,506.84	118,951.77	105,691.61	97,832.31	117,219.46	137,156.39	131,568.81
i. Financing Sources Other than Borrowing						15,000.00	21,878.77	20,000.00	20,000.00	21,000.00	22,000.00	23,000.00	24,000.00	25,000.00	26,000.00
ii. Gross Borrowings						141,655.71	76,825.93	75,832.18	103,506.84	97,951.77	83,691.61	74,832.31	93,219.46	112,156.39	105,568.81
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						32,763.20	0.00	0.00	103,506.80	0.00	0.00	74,832.30	0.00	0.00	45,568.80
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	76,825.90	0.00	0.00	0.00	83,691.60	0.00	0.00	0.00	60,000.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						0.00	0.00	75,832.20	0.00	10,837.80	0.00	0.00	93,219.50	112,156.40	0.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						108,892.50	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	87,114.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.01	0.03	-0.02	0.04	-0.03	0.01	0.01	-0.04	-0.01	0.01
Debt Stocks and Flows (Million Naira)															
Debt (stock)	144,374.01	166,123.80	163,407.36	178,946.00	173,432.00	302,100.73	355,390.62	409,627.76	472,529.98	498,609.60	510,232.80	519,478.87	523,786.62	522,890.98	520,370.07
External	14,330.54	18,194.28	19,278.85	20,309.80	27,060.60	139,164.62	138,249.92	137,335.22	136,420.52	207,063.76	190,680.10	174,252.89	157,825.68	129,084.28	100,517.11
Domestic	130,043.47	147,929.52	144,128.51	158,636.20	146,371.40	162,936.11	217,140.70	272,292.54	336,109.46	291,545.84	319,552.70	345,225.98	365,960.94	393,806.70	419,852.96
Gross borrowing (flow)						141,655.71	76,825.93	75,832.18	103,506.84	97,951.77	83,691.61	74,832.31	93,219.46	112,156.39	105,568.81
External						108,892.50	0.00	0.00	0.00	87,114.00	0.00	0.00	0.00	0.00	0.00
Domestic						32,763.21	76,825.93	75,832.18	103,506.84	10,837.77	83,691.61	74,832.31	93,219.46	112,156.39	105,568.81
Amortizations (flow)	19,449.87	22,339.49	20,249.05	16,838.40	29,530.12	17,026.08	23,536.04	21,595.04	40,604.62	71,872.15	72,068.41	65,586.24	88,911.72	113,052.04	108,089.72
External	227.87	305.79	337.15	326.00	454.80	827.58	914.70	914.70	914.70	16,470.77	16,383.65	16,427.21	16,427.21	28,741.40	28,567.17
Domestic	19,222.00	22,033.70	19,911.90	16,512.40	29,075.32	16,198.50	22,621.34	20,680.34	39,689.92	55,401.38	55,684.75	49,159.03	72,484.51	84,310.64	79,522.55
Interests (flow)	17,401.63	18,277.14	17,477.05	13,642.61	18,737.15	16,576.33	27,910.09	43,814.34	60,049.32	78,077.03	72,464.31	78,945.67	84,906.35	90,678.16	98,141.69

	External		101.28	122.31	153.25	130.40	151.60	174.23	5,618.85	5,618.85	5,618.85	5,618.85	9,196.75	8,418.95	7,597.59	6,819.78	5,506.85
	Domestic		17,300.35	18,154.83	17,323.80	13,512.21	18,585.55	16,402.10	22,291.24	38,195.49	54,430.47	72,458.17	63,267.56	70,526.73	77,308.76	83,858.38	92,634.85
	Net borrowing (gross borrowing minus amortizations)							**124,629.63**	**53,289.89**	**54,237.14**	**62,902.22**	**26,079.62**	**11,623.21**	**9,246.07**	**4,307.75**	**-895.64**	**-2,520.91**
	External							108,064.92	-914.70	-914.70	-914.70	70,643.23	-16,383.65	-16,427.21	-16,427.21	-28,741.40	-28,567.17
	Domestic							16,564.71	54,204.59	55,151.84	63,816.92	-44,563.62	28,006.86	25,673.28	20,734.96	27,845.76	26,046.26
	Debt and Debt-Service Indicators																
Indicator1_baseline	Debt Stock as % of SGDP		7.43	5.26	4.25	4.68	4.99	5.86	6.00	6.21	6.44	6.11	5.62	5.14	4.66	4.18	3.74
Indicator2_baseline	Debt Stock as % of Revenue (including grants and excluding other capital receipts)		76.94	94.31	109.38	99.26	49.05	97.14	124.58	157.69	164.94	142.18	136.95	131.45	125.12	118.04	111.10
Indicator3_baseline	Debt Service as % of SGDP							0.65	0.87	0.99	1.37	1.84	1.59	1.43	1.55	1.63	1.48
Indicator4_baseline	Debt Service as % of Revenue (including grants and excluding other capital receipts)							10.80	18.03	25.18	35.13	42.76	38.79	36.57	41.52	45.99	44.03
Indicator5_baseline	Interest as % of SGDP							0.32	0.47	0.66	0.82	0.96	0.80	0.78	0.76	0.73	0.71
Indicator6_baseline	Interest as % of Revenue (including grants and excluding other capital receipts)							5.33	9.78	16.87	20.96	22.26	19.45	19.98	20.28	20.47	20.95
	Personnel Cost as % of Revenue (including grants and excluding other capital receipts)							26.30	18.35	31.59	30.08	24.85	23.66	22.56	21.54	20.58	19.68
	Adverse Shock Scenario is defined by the worst performance indicator measured in year 2027																
	For Debt Stock as % of SGDP the adverse shock is: Historical	Historical															
Indicator1_shock	Debt Stock as % of SGDP							5.86	8.00	11.36	15.85	20.66	23.14	17.48	-10.33	-91.14	-290.88

	For Debt Stock as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue															
Indicator2_shock	Debt Stock as % of Revenue (including grants and excluding other capital receipts)							97.14	149.53	199.50	218.16	199.87	205.87	211.85	217.21	222.06	227.42
	For Debt Service as % of SGDP the adverse shock is: Historical	Historical															
Indicator3_shock	Debt Service as % of SGDP							0.65	0.97	1.29	2.08	3.14	3.33	4.58	5.64	4.82	-0.52
	For Debt Service as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue															
Indicator4_shock	Debt Service as % of Revenue (including grants and excluding other capital receipts)							10.80	20.04	28.95	40.80	49.79	46.26	52.71	58.60	65.34	65.83
	For Interest as % of SGDP the adverse shock is: Historical	Historical															
Indicator5_shock	Interest as % of SGDP							0.32	0.52	0.90	1.36	1.92	2.14	2.40	2.03	-0.07	-6.24
	For Interest as % of Revenue (including grants and excluding other capital receipts) the adverse shock is: Revenue	Revenue															
Indicator6_shock	Interest as % of Revenue (including grants and excluding other capital receipts)							5.33	10.87	19.72	25.05	27.02	24.77	26.25	27.50	28.66	30.16

BAYELSA STATE TECHNICAL TEAM

1. Owoupele Daubri   Director, Bayelsa State DMD
2. Roland Sarah Oghe   Asst. Director, Budget, and Planning
3. Sikpi Loveday   Director, Final Accounts
4. Deborah Miedou   Bayelsa State DMD

LIST OF PARTICIPATING AGENCIES

1. Bayelsa State Debt Management Department
2. Board of Internal revenue
3. Ministry of Budget and Planning
4. Ministry of Finance
5. Office of the Accountant General

Signed: Honourable Commissioner for Finance

Bayelsa State Ministry of Finance

Name: Maxwell Ebibai

Date: 15/12/2023

Signed: Accountant General

Bayelsa State

Name: Ifeda Tukoy

Date: 15-12-2023

Signed: Bayelsa State Debt Management

Department

Name: OWOUPELE DAUBRI

Date: 15-12-2023