



DEBT MANAGEMENT OFFICE  
NIGERIA

# **STATE DEBT SUSTAINABILITY ANALYSIS AND DEBT MANAGEMENT STRATEGY**

**(STATE DSA - DMS)**

**DEVELOPED BY THE**

**ADAMAWA STATE DEBT MANAGEMENT AGENCY (DMA)**

**IN COLLABORATION WITH**

**THE WORLD BANK/SABER PROGRAMME**

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# CHAPTER ONE

## INTRODUCTION

### **1.1 Background of Debt Sustainability.**

A State's Debt is said to be sustainable when the Government is able to meet its Debt service obligations without recourse to extreme financing.

Debt sustainability is done to determine the extent of robustness of the state's current and future revenues in meeting these Debt service obligations.

This Debt Sustainability Analysis analyzes the trends and patterns in the State's public finances during the period 2019 - 2023 and evaluates the debt sustainability in projected period 2024 - 2033 (the long-term). The analysis highlights recent trends in revenue, expenditure, and public debt of the state, and the related policies adopted by the State. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances.

### **1.2 BACKGROUND**

The State's Debt Sustainability Analysis (S-DSA) Toolkit was developed by Debt Management Office (DMO), Nigeria and reviewed by the World Bank to analyze the trends and patterns in the State's public finances during the period of 2019 - 2023 while also evaluating the ability of the State to sustain its debt in the long term (2024 – 2033). The DSA carried out by Adamawa State's Technical Team appraised recent Revenue, Expenditure, State Public debt trends, and related policies adopted by the State Government, while considering the policy thrust of the State. A sub-national sustainability assessment was conducted using baseline scenarios and sensitivity analysis in order to evaluate the prospective performance of the State's

public finance in the long run. The intention is to assist the Adamawa state Government in striking a balance between the State's programs execution and new borrowings by utilizing recent trends in the State's public finances.

### **1.3 SUMMARY OF FINDINGS**

The results of the Adamawa State DMS-DSA shows that the State's debt portfolio appears to be sustainable in the short term to medium term, but it will be sustainable in the long run if the arrears clearance frame work(ACF) and verification protocolsof post SFTAS are sustained, as they are presently, as they are updated quarterly and also when the state Debt Management Agency's borrowing guidelines are strictly adhered to.

The State has made giant strides in IGR mobilization through the recently introduced, improved, tax administration reforms. The State's revenue office is now autonomous with more competent personnel to follow through on the state's vision with the assistance of up-to-date technology. Also worthy of mention is the Land use Charge as a new revenue head embedded with motivators to reduce tax defaulters. Given the State's forecasts for the economy and reasonable assumptions concerning its revenue and expenditure policies, there is a need to cut down on recurrent expenditure in order to reduce the deficit which can disrupt the forecast by increasing Debt Stock and debt Service payment astronomically.

## **CHAPTER TWO**

### **THE ADAMAWA STATE FISCAL AND DEBT FRAMEWORK**

#### **2.1 Fiscal Reforms in the State**

Adamawa State fiscal policy measures have been driven by objectives such as the need to promote macro-economic policy objectives, such as promoting rapid growth of the state, generating employment and maintaining price levels. Although policy measures change frequently, these objectives have remained relatively constant.

The reform of revenue administration is ongoing, with implementation of Treasury Single Account (TSA), IGR projection in the immediate term is expected to surpass 2023 approved estimates, and however, actual collections are largely expected to rise due to plucking of leakages. It is believed that current effort to establish taxpayer database by BIR, perfection of the TSA and technical support from development partners towards harmonization/review of tax rate and other efforts focused on plucking leakages and dealing with the phenomena of tax avoidance/evasion, collection is hoped to improve. Also, the Board of Internal Revenue has introduced more revenue sources intended to boost inflows such as ground rent and other collections from the grains and cattle markets etc. Therefore, IGR is expected to grow annually from 2024 up to 2032.

The Fiscal Reforms being implemented by the Adamawa State Government in the last four to six years include the Public Financial Management (PFM) and Human Resource Management (HRM) which are sub-divided into Budget reform, Audit reform, Public Procurement reform, Tax Administration reform, and Civil Service & Pension reform. These reforms led to the enactment of Laws that regulates implementation of Fiscal Policies in the State. The Laws are Adamawa State Fiscal

Responsibility Law (FRL), 2020 Amended; Adamawa State Finance Management Law, 2017; Adamawa State Government Financial instructions and Store, 2024 (ongoing), Adamawa State Public Procurement Law 2017 and Adamawa State Audit Law, 2021 Amended, Medium term fiscal framework (MTFF), Medium Term Sector Strategy (MTSS) and State borrowing guide lines.

## **2.2 Adamawa State Approved 2024 Budget and Medium-Term Expenditure Framework (MTEF), 2024-2026**

### **2.2.1 Approved 2024 Budget**

The Approved 2024 Budget is in line with the 2024- 2026 Medium-term Expenditure Framework and Fiscal Strategy Paper (MTEF and FSP). The total proposed budget Estimated budget size of N346.32 which represents the total proposed Annual Budget estimate is being earmarked for the Recurrent Services and Capital budget of the state.

Based on the foregoing fiscal assumptions and parameters, the Adamawa State total revenue available to fund the 2024 Budget is estimated at N279.450 billion, this includes Internally Generated Revenue N12.418 billion which constitutes about 6.6% of the total projected Revenue, Statutory FAAC Allocation N134.333 which constitutes 72% of the total estimated Revenue and Grants N39.714 billion which represents 21% of the total projected expenditure respectively.

#### **Total projected Revenue:** Table 1.

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Total Revenue	279,450	168,369	265,730	312,410
Gross FAAC Allocation	218,854	141,229	213,659	255,423
IGR	22,241	22,241	29,439	33,855
Grants	38,355	4,900	22,632	23,132

The 2024 proposed projected Expenditure comprises of Total estimated expenditure of N346.329 billion, Overhead cost of N53.855 billion constitutes 0.02% of the total projected Revenue, Debt service (interest + amortization) N60.488 billion, constitutes of about 17%, other recurrent expenditure of N22.667 billion constitutes 6.5%, personnel cost of N39.549 billion constitutes 11% of the total projected Revenue and Capital Expenditure of N169.771 Billion representing 49%, due largely to the huge infrastructure outlay witnessed in the State (Urban renewal) and to justify the implementation of the implementation of the new minimum wage in the state respectively. Adamawa State's total expenditure is projected to drop from N346.32 in 2024 to N185.257 in 2025 due largely to net off of about four intervention facilities from the federal Government and the Governors forum as noted in table 2, debt services may drop to N22.269 in 2025 from N60.488 in 2024. our projections show tremendous increase in oil revenues due to the unrest in Eastern Europe (Russia-Ukraine war) which has created scarcity of oil products internationally. By extension, this has raised the price of oil to over \$100 per barrel. This is expected to result in greater FAAC for Adamawa State in 2023- 2024. However, normalcy is projected to return by 2024, leading to availability of the product, hence decline in price of the commodity, accounting for the shortfall in projected oil revenue for the State in 2025.

## **Total projected Expenditure:Table 2**

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Total Expenditure	346,329	185,257	311,355	365,437
Personnel	39,549	47,458	56,950	68,340
Overhead Costs	53,855	47,559	24,737	26,685
Debt Service (Interests+Amortizations)	60,488	22,269	32,676	44,747
Other Recurrent Expenditures	22,667	10,390	8,634	8,865
Capital Expenditure	169,771	57,581	188,357	216,800

Below is a table depicting the budget balances of the projected years 2024-2027 which shows the difference between the revenue including debt proceeds and expenditure

**Table:3**

<b>Budget Balance</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<b>-20,780</b>	<b>3,589</b>	<b>489</b>	<b>-1,524</b>

The table below shows the financing needs of the projected years 2024- 2028, which indicates the States borrowing requirements based on the financial activities of the State.

**Table:4**

<b>Financing Needs</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
	<b>46,099.1</b>	<b>20,476.7</b>	<b>46,122.5</b>	<b>51,503.5</b>	<b>89,646.3</b>

Overhead allocations are transferred to MDAs monthly, subject to warrants and availability of funds for the smooth running, Performance against budget has been poor year on year occasioned by dwindling fortune of the revenue of the state. Going forward, overhead expenditure must be brought under control, to ensure that cost of governance is not more than necessary.

Aside from the legislation made by the state assembly to raise a state Bond of N100 billion in four tranches, year by year i.e. N25 billion for each year, starting from the year 2021, the state Debt Management Agency has advised the State to seek soft

loans from the federal government through on-lending as they are cheaper in terms of pricing. In the year under review (2024), the new/ existing Government of the state has firmly settled for infrastructural development, this explains the increase in capital expenditure by almost 58% from N70.008 billion in 2023 to N169.771 billion in 2024.

### **2.2.2 Medium Term Budget Policy Objectives and Targets 2024 -2026**

The overall medium-term policy objectives are:

1. The purpose of this Medium-Term Budget Framework (MTBF) document is three-fold:
  - i. To provide a backwards looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update;
  - ii. To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTFF; and
  - iii. Provide indicative sector envelopes for the period 2024-2026.

#### **Budget Policy Statement.**

It is aimed primarily at budget policy makers and decision takers in Adamawa State Government. The Economic and Fiscal update (EFU) also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:

- Overview of Global, National and State Economic Performance;
- Overview of the Petroleum Sector.

- Trends in budget performance over the last six years.

The Fiscal Strategy Paper (FSP) is a key element in the State Medium Term Expenditure Framework (MTEF) process and annual budget process. As such, it determines the resources available to fund the Government's growth and poverty reduction programme from a fiscally sustainable perspective.

## **CHAPTER THREE**

### **The Adamawa State Revenue, Expenditure, and Public Debt Trends (2019 - 2023)**

#### **3.1 Revenue, Expenditure and Overall and Primary Balance**

Adamawa State mostly depends on the State's share of Statutory Allocation from the Federation Account, Value Added Tax (VAT) and to some extent Internally Generated Revenue (IGR). Other sources like Excess Crude oil, Ecological and Stabilization funds are not regular. The State also gets substantial amount on Capital Receipts.

The Gross FAAC allocation of the State accounts for about 83% performance to total recurrent revenue of the state in 2019, it slightly went down in 2020 to N55.709 i.e. to about 80% as a result as a result of the impact of COVID 19, total revenue dropped slightly from 2020 to 2021 still due to the impact of COVID 19, and slightly rose to about N86.337 in 2022.

The average Internally Generated Revenue (IGR) of N9.705 billion accounts for about 14% of the total Revenue in 2019 and also contributed nearly 15% of total Revenue in 2021. The IGR is expected to increase by 23% in 2024 from 2023 figures. With the recent Tax Administration Reform by the state which includes the Introduction of Land Services, Automated Tax Collection of all forms, Treasury Single Account (TSA), etc., it is expected that there will be tremendous improvement in the performance of the State IGR.

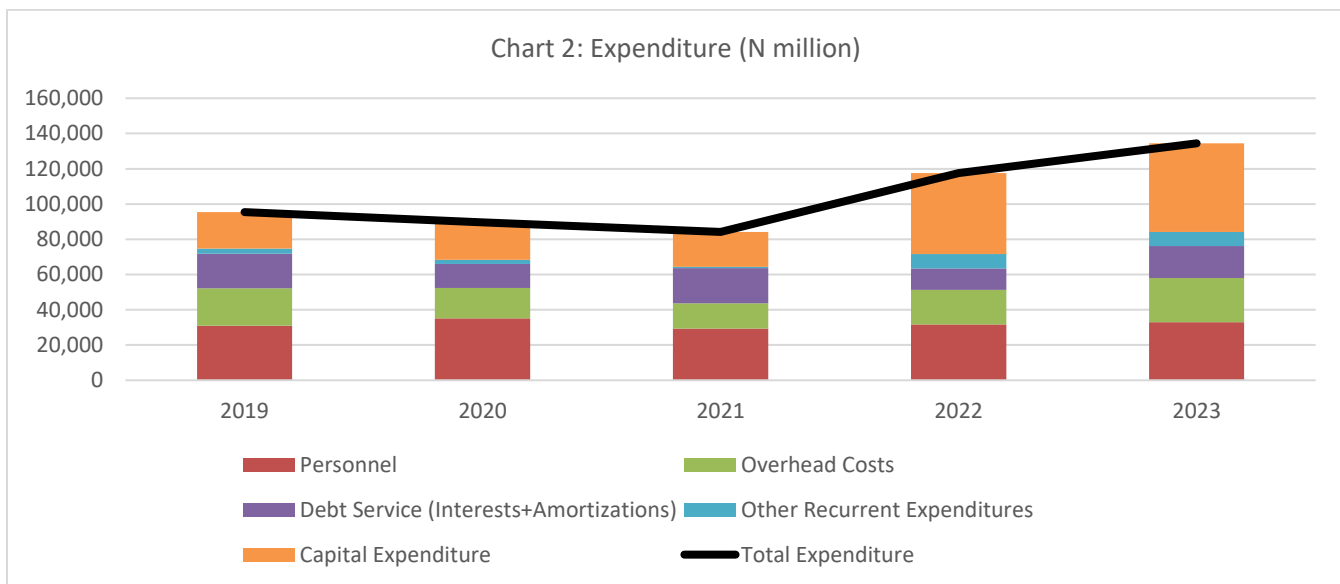
The historical chart below depicts the revenue pattern of the state from 2019 to 2033, it depicts the historical period from 2019-2023, it is projected that in 2024, it will rise to about N279.450 billion due to increased federal allocation to the state as shown in chart 16, during the year under review, it is projected to drop by about

40% in 2025 from 2024 due largely to drop in daily petroleum consumption which is projected to drop by 92%.

Between 2024 and 2033, the (projection period) total revenue is projected to grow from N279.450 billion to N471.135 billion representing an increase of about 41%. The State also recorded a 23% increase in its IGR moving from N17.066bn in 2023 to N22.2411bn in 2024. The decline in 2020 IGR from N9.705 in 2019 to N7.740 was caused by Covid-19 pandemic while recovery and government interventions like tax relief led to improved revenue generation in the following year.

## Chart 2: Expenditure

Chart 2 above depicts Aggregate (Total) Government Expenditure i.e., Recurrent and Capital Expenditure, in the historical period (2019-2023).



	2019	2020	2021	2022	2023
Total Expenditure	95,438	89,673	84,168	117,626	134,435
Personnel	30,872	35,141	29,337	31,697	32,957
Overhead Costs	21,335	17,228	14,303	19,542	24,977
Debt Service (Interests+Amortizations)	19,573	13,682	19,916	12,181	18,244
Other Recurrent Expenditures	2,931	2,320	781	8,271	8,012
Capital Expenditure	20,727	21,303	19,830	45,935	50,245

Recurrent expenditure includes Personnel Cost, Overhead Cost, Debt Service (Principal and Interest) and Consolidated Revenue Fund Charges (CRFC); while the capital expenditure is the total expenditure incurred on infrastructural development of the State.

The personnel cost consists of salaries and allowances of all Ministries, Departments and Agencies as well as public and political office holders' emolument. The State personnel cost accounts for almost 32% of the State's Total expenditure from 2019. While in 2023 the personnel cost accounted for about 35% of Total expenditure, and is projected to account for about 41% of total expenditure by the end of 2024, due to increase in personnel cost as a result of the implementation of the new minimum wage of seventy thousand Naira, which was implemented in the state.

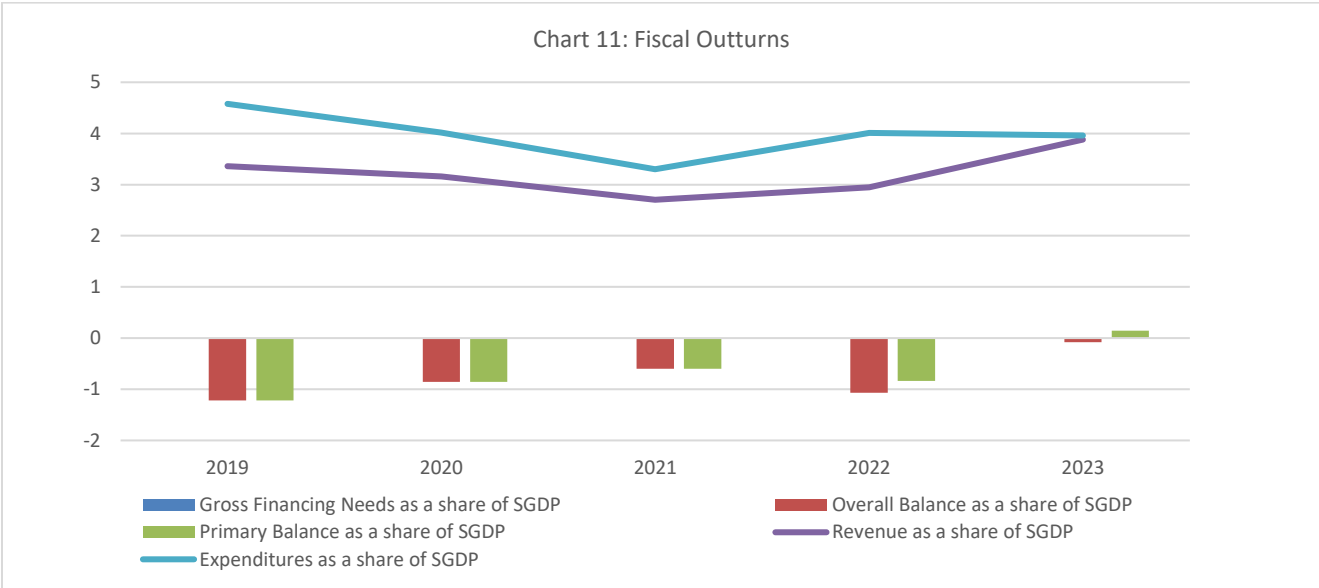
Overhead expenditure entails the cost of maintenance and operation of Government activities, even though it has been relatively volatile over the historical period, However, overhead cost is projected to account for about 16% of total expenditure of the State by the end of 2024.

Between 2020 and 2021, Adamawa State recorded a decline in its personnel cost from N35,141 billion to N29,337bn. This was as a result of retirements of about 2,000 senior civil servants. Also, between 2020 and 2021, the State government conducted a verification exercise for all civil servants that led to the identification and removal of ghost workers from its payroll.

In addition, overhead costs fell from N17,228bn in 2020 to N14,303bn in 2021. Deliberate steps such as slash in the running costs of MDAs by between 15%-25%, were taken by the Government. This was done to reduce the cost of running Government to free up more funds for capital projects in the State.

Capital Expenditure includes the main investment and implementation of programmes and projects of government. The capital expenditure for the period (2019 - 2023) has been highly unstable, with the actual capital expenditure deviating significantly from the budget performance. The State capital expenditure to total expenditure accounted for about 39.2% of the State total expenditure by the end of 2023.

Except for 2019 and 2021, Adamawa State has expended an average of N19.3 billion on Capital expenditure owing to competing demand and increase in recurrent expenditure without corresponding increase in the total revenue of the State. The highest capital expenditure recorded was N50.205 billion in 2023 in the historical period, while the lowest was N19.830 billion in 2021. Some major capital projects include the construction of 2 flyovers in the State capital, and additional 3 in the current year 2024, which informs the spike on chart 17, projecting the capital expenditure to about N169.779 billion in line with the urban renewal mandate of the current administration.



### 3.2 Budget and Debt Out-Turn

In the fiscal out turn of the state, the revenue pattern moved from N69.979 billion in 2019, to N70.605 in 2020, N68.948 in 2021, N86.337 in 2022, N131.753 in 2023. It is projected to increase to N471.135 billion by 2033. The expenditure pattern has been volatile throughout the projection period, it increased from N95.438 billion in 2019, N346.329 in 2024.

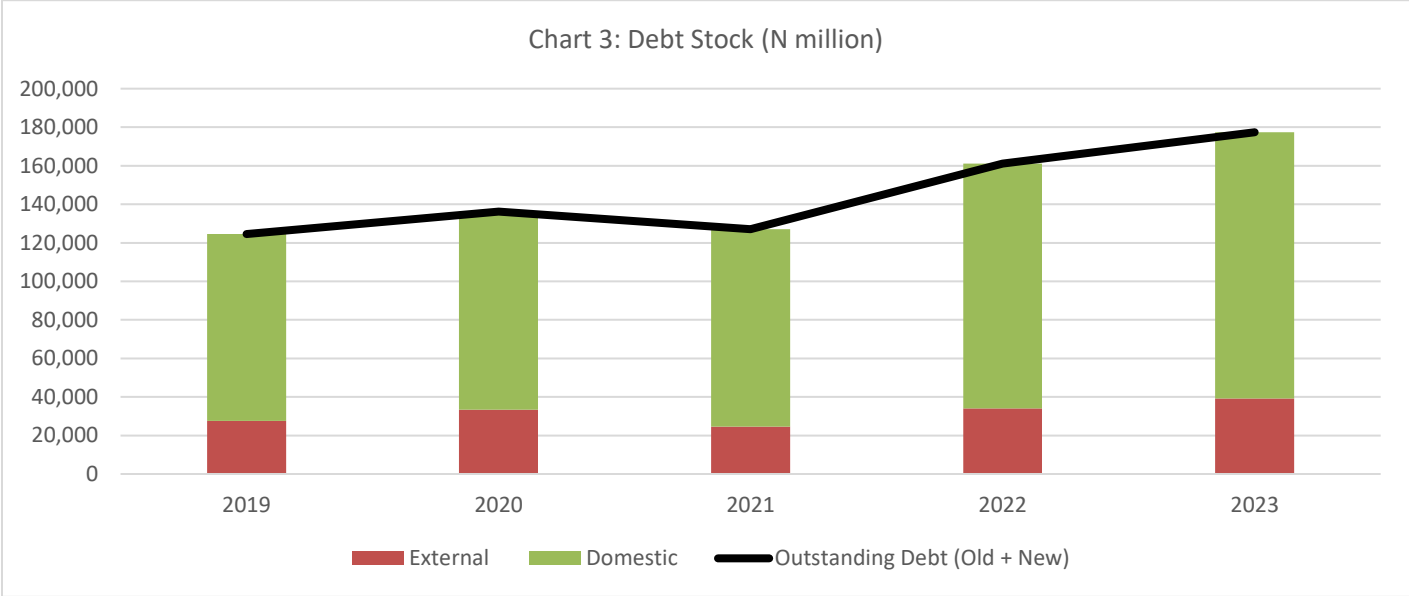
The year 2019 was closed with a budget balance of (N929.5) billion in 2019, i.e. the state went into deficit in 2019, then opened with N11.754 billion (surplus) in 2020, it then dropped to N1.372 billion (surplus) in 2021.

Some of the factors responsible for the fluctuations in revenue include the decline in oil production, price of oil at the international market, recessions in 2016 and 2020, and the effect of Covid-19 pandemic.

**3.3 Existing Public Debt Portfolio**

The Public debt includes the explicit financial commitments (loans and securities) that have paper contracts instrumenting the government promises to repay. The trend of public debt service is highlighted in Chart 3 below:

**Chart 3: Debt Stock**



	2019	2020	2021	2022	2023
Outstanding Debt (Old + New)	124,538	136,250	127,119	161,091	177,374
External	27,547	33,453	24,581	34,100	39,113
Domestic	96,991	102,797	102,538	126,991	138,261

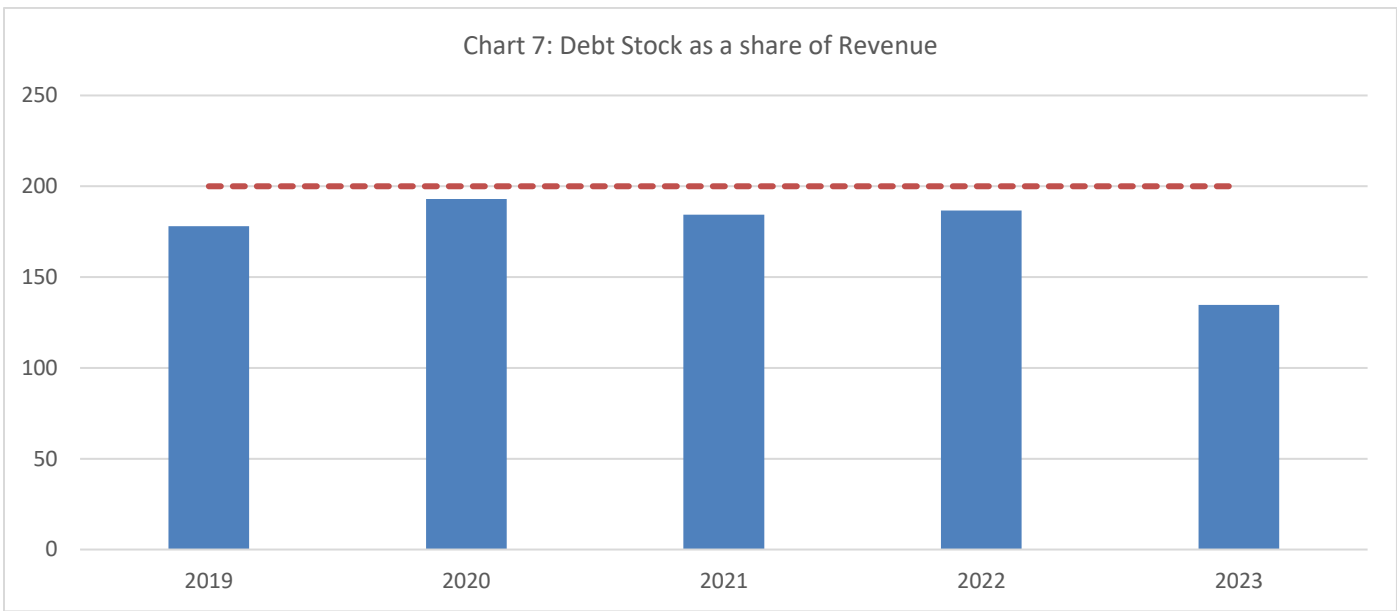
The debt stock is classified into two in the chart, which includes the External and Domestic debt.

The State's public debt as at 2019 ending stands at (N124.538bn) constituting (N96.991bn) domestic debt and (N27.547bn) as external debts.

While the State's public debt amounted to (N177.374bn) at the end of 2023, (the historical period)The State's debt portfolio largely consists of domestic debts with about 78% and external stood at about 22% of the total debt stock. At the end of 2022, Domestic debt is projected to increase by 19% from 2021 figures,mainly due to Bond floatation by the State. Adamawa state intends to float state Bonds serially within four years i.e., 2022- 2025 as legislated by the state assembly. The State holds a medium-cost, and medium-risk debt portfolio (external debt), the debt portfolio carried an average interest payment represented by6% as a share of revenue in the year 2023 as against

11% in the year 2022, the difference was occasioned by the refinancing of commercial bank loans in 2022, the debt portfolio is narrowly exposed to currency volatility, interest rate, and rollover risks. Most external loans are fixed, thus not affected by changes in interest rates, but affected by exchange rate volatility, as these loans have maturities running from 5 to 30 years and include financing from the Federal Government and multilateral organizations.

Chart 7: Debt Stock as a share of Revenue



	2019	2020	2021	2022	2023
Debt as % of Revenue	178	193	184	187	135
Threshold	200	200	200	200	200

The chart above depicts the state debt stock as a share of Revenue which is below the prescribed threshold of 200% i.e., in the historical years of 2019-2023, indicating that the state debt is within its Debt Carrying Capacity in the period under review i.e. (it depicts the state’s ability to service its debt in relation to the revenue earned by the state), therefore cautions should be taken by the government to further widen the revenue bracket of the State, and also strict adherence to the arrears clearance framework of the just concluded SFTAS program, just as it is updated on quarterly bases, to preserve sustainability.

## **CHAPTER FOUR**

### **DEBT SUSTAINABILITY ANALYSIS**

#### **4.1 INTRODUCTION**

A Debt sustainability analysis (DSA) assesses how a state or nation's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability. 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. 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.

#### **4.2 ADAMAWA STATE DEBT SUSTAINABILITY ANALYSIS**

The Debt sustainability indicators and thresholds are shown in the Table 6 below:

**Table 6: Adamawa State Debt burden indicators**

<b>Indicators</b>	<b>Thresh olds</b>	<b>As at 2023</b>	<b>Average 2019 to 2033/Ratio</b>
Debt as % of GDP	25%	6%	4.6%
Debt as % of Revenue	200%	135%	136.2%
Debt Service as % of	40%	40%	27%
Personnel Cost as % of Revenue	60%	25%	33.5%

**Source: Adamawa State DSA/DMS Template, 2024.**

The Chart above shows the Debt as a percentage of State GDP (with indicative threshold of 25%). The sustainability position of the State's total debt portfolio in the fiscal block as shown in the trend from 2019 to 2033. The ratio has continued to decrease steadily over the period under review dropping to 4.6% on average from 2019 up to 2033, it is well within the threshold. Based on this, the State's GDP has potentials for growth and can also accommodate the State's debt stock, with minimal effect on the State's economy. Chart 22 shows the Debt stock as a percentage of revenue.

Debt to Revenue peaks in 2022 to 187% because of increased borrowing and depressed revenue in the light of COVID-19, however, as noted by Federal Government, this ratio is far more a revenue issue than a debt issue, and with positive dynamics in Federation Account Receipts (based on mineral revenues, CIT, Customs and VAT) beyond the prudent forecasts under the baseline.

The baseline sees the Debt service to Revenue ratio breaching the threshold at 58% and 50% against the threshold of 40% in 2021 and 2022 respectively, due mainly to huge debt service from the state's bond raised in 2021 and the debt refinancing activities in 2022 accordingly.

For Debt Service as percentage of Revenue (chart 23), debt service will naturally increase over the medium term as the debt portfolio increases. It was below the 40% threshold in the historical years 2019 to 2020 until in 2021 where it appears to be almost 58%, largely due to refinancing of some commercial bank loans, exceeding the threshold. Projections for 2028-2031 also shows an ascending order, but still falls within the prescribed threshold of 40%.

Personnel Costs as a share of Revenue consistently remained below the prescribed threshold of 60% up to 2033 i.e. the end of the projected period, with its peak 50% in 2020. This is shown in chart 24.

Looking at the external debt Service as a percentage of Revenue, the maximum exposure of the State revenue towards external debt shows that the external debt of the State was properly managed in year 2022. In 2021, debt service to FAAC ratio spiked to 71%, up from 15% in 2020. This was caused by the consolidation of commercial bank loans, As IGR takes a more prominent place in the State's revenue portfolio, the increasing debt service to FAAC ratio is expected to become of less concern because of the ongoing revenue drive in the state. These dynamics are shown in Chart 25.

#### **4.2 MEDIUM-TERM BUDGET FORECAST**

Debt Sustainability Analysis of the State is predicated on the continuation of recent efforts to grow the IGR of the State annually by 10 percent in the medium term. The economy is expected to gradually recover from 2021 - 2024, with real GDP expanding at an average annual rate of 3 percent and domestic inflation decreasing below 30% percent by end of 2024. The moderate recovery will be supported by economic growth through diversification and increase in the share of VAT. 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 benefit the economy immensely.

The State has put in various Tax Administration reforms to strengthen its IGR in order to sustain its debt, these include the enactment of new Revenue Administration Law, Land Use Charge Administration Law. 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, is the Civil Service Reform Policies being implemented regarding personnel and overhead cost, which are likely to be maintained from their historical trends.

#### **4.2.1 Macroeconomic Outlook**

Adamawa State has published its 2024-2026 State Fiscal Strategy Paper (FSP) which includes GDP and revenue growth projections for the state. Furthermore, the Adamawa State 2024-2026 MTEF further expands on these assumptions particularly with regards Mineral sector assumptions. The precise details in these documents can be found on Adamawa State Ministry of Finance website [mof.ad.gov.ng](http://mof.ad.gov.ng), however the Macro-Mineral framework for the MTEF is provided below.

The State's medium-term debt sustainability is predicated upon a gradual recovery of the Nigerian economy that will increase FAAC statutory allocation. According to the Federal Government and State's own forecasts, the Nigerian economy is expected to gradually recover in the period 2022-2024, with real GDP expanding at an average annual rate of 3 percent and domestic inflation decreasing below 30 percent by 2024. 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 2021-2023, thus improving the State's revenue position.

Debt sustainability analysis is also predicated on the continuation of recent efforts to mobilize local revenue sources, and on unchanged policies concerning personnel and other operating expenses. At local level, the tax administration reforms adopted by the State Government to strengthen resources provided by IGR, are expected to continue in

the next few years and will benefit from the overall economic recovery. On the other hand, no new policies are anticipated with regards to personnel and overhead costs, which are thus likely to preserve their historical trends.

#### **4.2.2 Revenue and Expenditure Assumptions**

Federation Account revenue estimates (Statutory Allocation, VAT) for the period 2024-2026 are again as per the Adamawa State MTEF which are based on elasticity forecasting (see MTEF for more details).

The Adamawa State bond (2022-2025) will be collected in 4 tranches of N25 billion each. The first tranche collected in 2022 has been used to liquidate the outstanding loans to the tune of about N12 billion. The balance is being used to improve the IGR through agro-businesses. In the year 2024, the existing Government has firmly settled for infrastructural development as explained in their agenda of Urban renewal, this explains the increase in capital expenditure to N169.771 billion in 2024 (chart 17).

Between 2023 and 2024, our projections show tremendous increase in oil revenues due to the unrest in eastern Europe (Russia-Ukraine war) which has created scarcity of oil products internationally. By extension, this has raised the price of oil to over \$100 per barrel and also due to the removal of fuel subsidy, this results in greater FAAC for Adamawa State in 2023 and 2024 accordingly. However, normalcy is projected to return by 2024, leading to availability of the product, hence decline in price of the commodity, which accounts for the shortfall in projected oil revenue for the State in 2025.

#### **4.3 ADAMAWA STATE BORROWING OPTIONS**

Adamawa State Government intends to finance its new borrowings from 2024 to 2033 (for the Ten years Projection period) reference to the State's four borrowing Strategies adopted.

In Debt strategy 1(S1) baseline scenario, the State Planned to borrow majorly from the Domestic Capital Market (State Bond) maturing 1-5 year at 24.5% with 1 year grace period.i.e.,projected to be sourced from The Nigerian Stock Exchange. The grand total of N616.007.1 billion to be sourced from both domestically and externally, However, the state is borrowing majorly from the domestic capital market (Bond)amounting to N88.000.00 which constitutes 14% of the totaldomesticborrowing requirements for the ten years projection. within the Ten years projection period 2024- 2033,N662,106.2 billion forms the total planed borrowing, (both domestic and external)i.e. commercial banks loan, the capital market, and external loans. The currency for domestic borrowing is naira, while external borrowing is US dollars.

Also, in Debt strategy 2(S2), the State Plans to borrow mainly from the domestic Capital Market (State Bond) maturing 6 years and above at 25% with 1 year grace period, and 10 years maturity period amounting to N85000.0 billion representing12% of total borrowing. N740,873.9 billion the grand total of both the domestic and external borrowing which constitutes the gross borrowing requirements within the ten years projection period 2024-2033. The currency for domestic borrowing is naira while external borrowing is US dollars.

In Debt strategy 3(S3), The State Plans to borrow majorly from the domestic Capital Market maturing in 1-5 years at 24.5% with 1 year grace period, and 5 years maturity period, amounting to N163,447.2billion, constituting 33% of the total borrowing requirements in the projection period ,and bond maturing 6 years longer valued N90,000.0constituting 10% of the total borrowing requirement, The State is projected to source some of the loans from the domestic financial Institutions , The grand total of both domestic and external borrowing which constitute the gross borrowing requirements

within the ten years projection period 2024-2033 is N852,379.0. The currency for domestic borrowing is naira while external borrowing is US dollars.

Also, in Debt strategy 4(S4), The State Plans to Borrow majorly from the domestic Commercial Banks maturing 6 years and above at 36.5% with 1 year grace period, with 7 years maturity, valued at N131,867.8 which constitutes 16% of the total gross borrowing of N820,100.2 billion. The State is projected to source the State loans from the Domestic Financial Institutions i.e. the Commercial Banks. The total gross borrowing requirements N820,100.2 billion is the grand total of both domestic and external borrowing which constitute the gross borrowing requirement within the ten-year projection period 2024-2033. The currency for domestic borrowing is naira while external borrowing is US dollars.

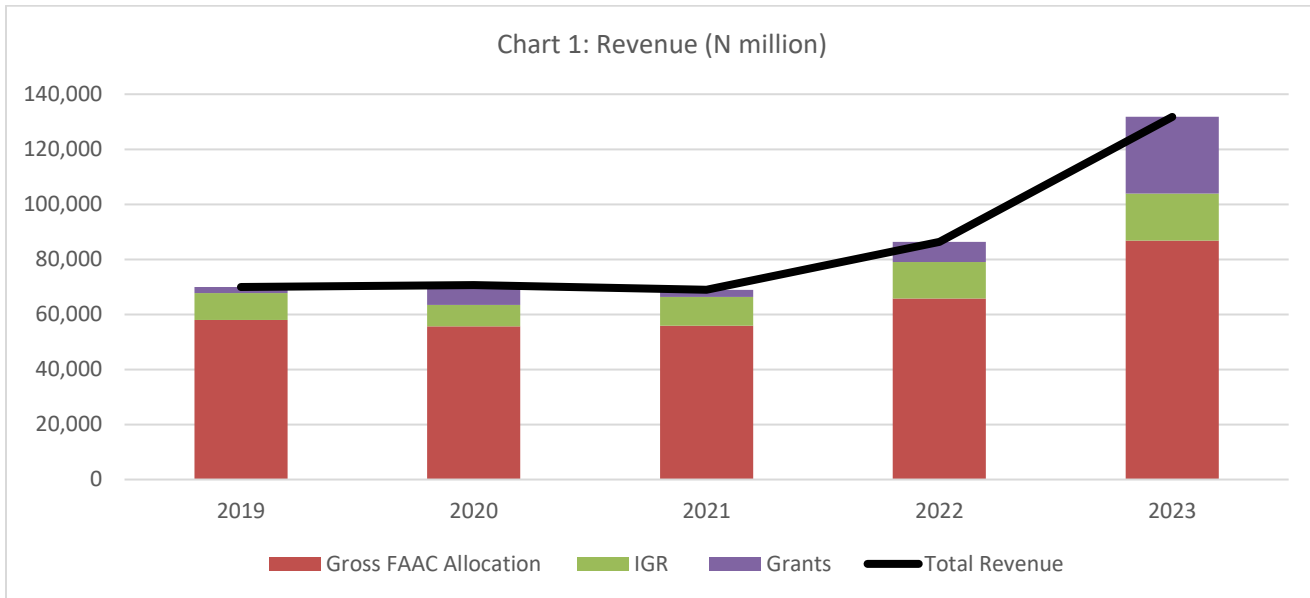
#### **4.4 DSA SIMULATION RESULTS**

Recent Shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on oil revenue sources. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure, and diversifying its revenue sources. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

The main findings and result of the baseline scenario in terms of revenue, expenditure, primary and overall balance; and debt service indicators and thresholds are shown in the following charts below:

##### **4.5.1 Historical Revenue-Chart 16**

The Adamawa State projected revenue from 2024 to 2033 is presented in Chart 16 below:



**Source: Adamawa State DSA/DMS Template, 2024**

	2019	2020	2021	2022	2023
Total Revenue	69,979	70,605	68,948	86,337	131,753
Gross FAAC Allocation	58,016	55,709	55,937	65,738	86,851
IGR	9,705	7,740	10,375	13,326	17,066
Grants	2,259	7,156	2,636	7,273	27,836

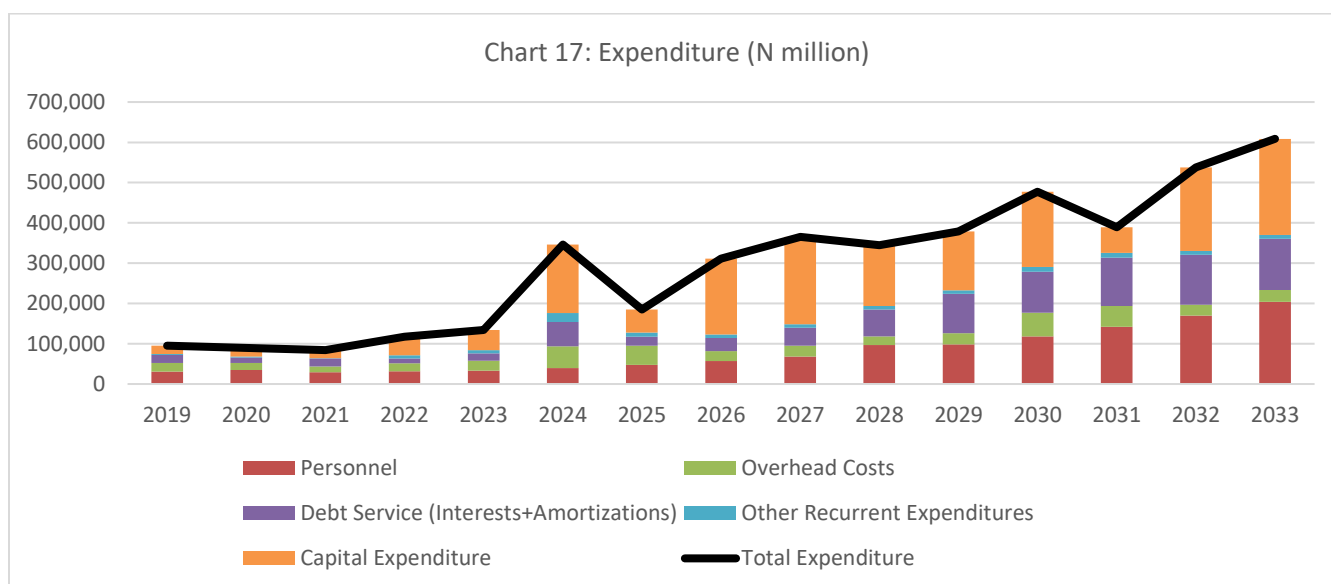
Adamawa State's total revenue (including grants and excluding other capital receipts) is expected to increase from 86,337 billion in 2022 to N131,753 billion in 2023, representing an increase of N45,416 billion over the historical period. Gross FAAC Allocation projected to grow from N58,016 billion in 2019 to N86,851 billion in 2023, which represents an increase of N28,835 billion, and IGR is projected to grow from N9,705 billion in 2019 to N17,066 billion in 2023, representing an increase of N7,361 billion, due mainly from the proceeds of the revenue projected to be earned from the local cattle markets of the ongoing Agribusiness in the state, while Grant grew

from N2,259 billion in 2019 to N27,836 billion in 2023, representing a decrease of N25,577 billion over the historical period(2019-2023).

Adamawa State is projected to receive greater FAAC revenues in 2023 and 2024, due mainly from the removal of fuel subsidy, and with the implementation of the new minimum wage in the state, personnel cost is projected to grow from N39,549 billion in 2024 to N47,458 billion in 2025, as shown in chart 17 below.

#### 4.5.2 Projected Expenditure-Chart 17

The Adamawa State’s projected expenditure from 2024 to 2033 is presented in Chart 17 below:



Source: Adamawa State DSA/DMS Template, 2024

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Expenditure	95,438	89,673	84,168	117,626	134,435	346,329	185,257	311,355	365,437	344,883	379,182	477,356	388,791	537,630	608,681
Personnel	30,872	35,141	29,337	31,697	32,957	39,549	47,458	56,950	68,340	97,008	98,410	118,092	141,710	170,052	204,062
Overhead Costs	21,335	17,228	14,303	19,542	24,977	53,855	47,559	24,737	26,685	21,496	27,474	59,240	52,315	27,211	29,353
Debt Service (Interests+Amortizations)	19,573	13,682	19,916	12,181	18,244	60,488	22,269	32,676	44,747	66,481	97,896	101,488	119,999	123,676	127,033
Other Recurrent Expenditures	2,931	2,320	781	8,271	8,012	22,667	10,390	8,634	8,865	9,098	8,813	11,789	11,429	9,498	9,752
Capital Expenditure	20,727	21,303	19,830	45,935	50,245	169,771	57,581	188,357	216,800	150,800	146,589	186,748	63,339	207,193	238,480

Total expenditure is projected at N346,329 billion in 2024, N185,257 billion in 2025, N311,355 billion in 2026, N365,437 billion in 2027, N344,833 billion in 2028, N379,182 billion in 2029, N477,356 billion in 2030, N388,791 billion in 2031, N537,630 billion in 2032 and N608,681 billion in 2033, respectively, indicating a near stability in the state.

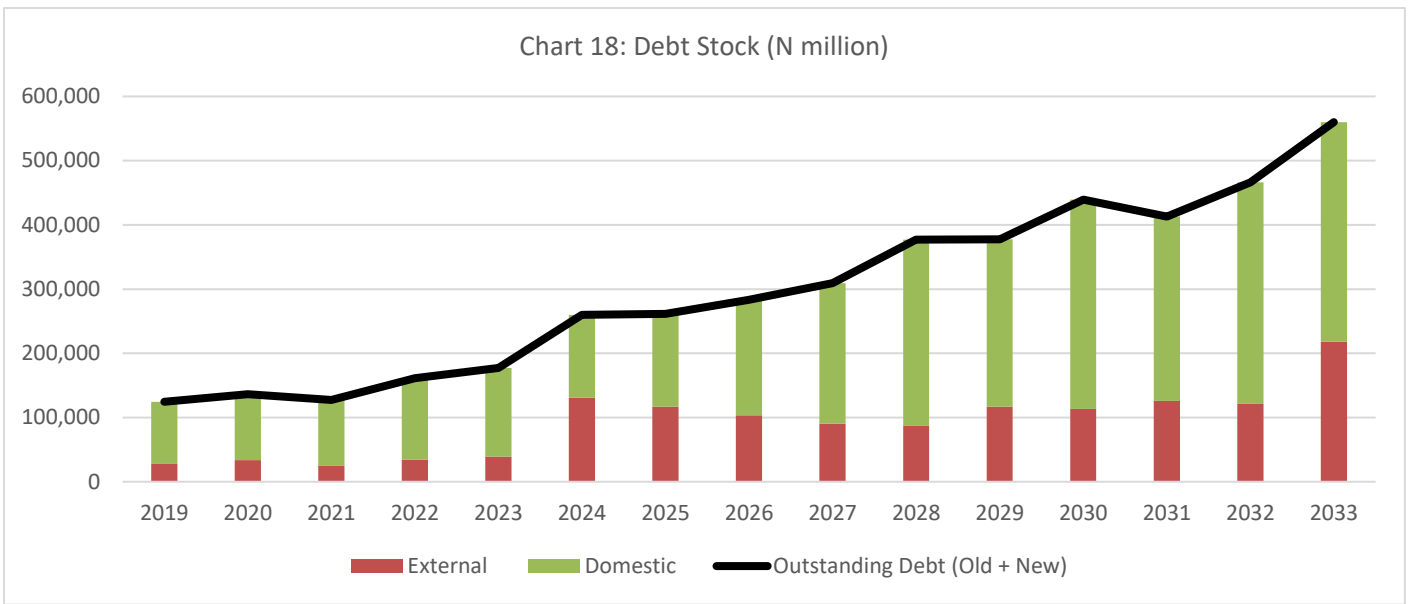
Growth recovery, Personnel Costs, Overhead Costs, debt Service, other recurrent expenditures estimated to increase from N20.050 billion in 2023 to N42.978 in 2031, Personnel Costs will increase from N44.203 billion in 2023 to N104.228 billion in 2032, Overhead Costs from N22,667 billion in 2024 to N9,752 billion in 2033, and Debt Service from N60,488 billion in 2024 to N127,033 billion in 2033. Capital Expenditure estimated to increase slightly over the projection period from N169,771 in 2024, to N238,480 billion in 2033, over the projection period as provided in the Approved 2024 Budget; MTEF, 2024-2026.

The Adamawa State bond (2022-2025) will be collected in 4 tranches of N25 billion each. The first tranche collected in 2022 has been used to liquidate the outstanding commercial Bank loans to the tune of about N12 billion. The balance is being used to improve the IGR through agri-businesses.

#### **4.5.3 Projected Debt Stock-Chart 18**

The Adamawa State projected debt stock from 2024 to 2033 is presented in Chart 18 below:

Chart 18: Debt Stock (N million)



**Source: Adamawa State DSA/DMS Template, 2024**

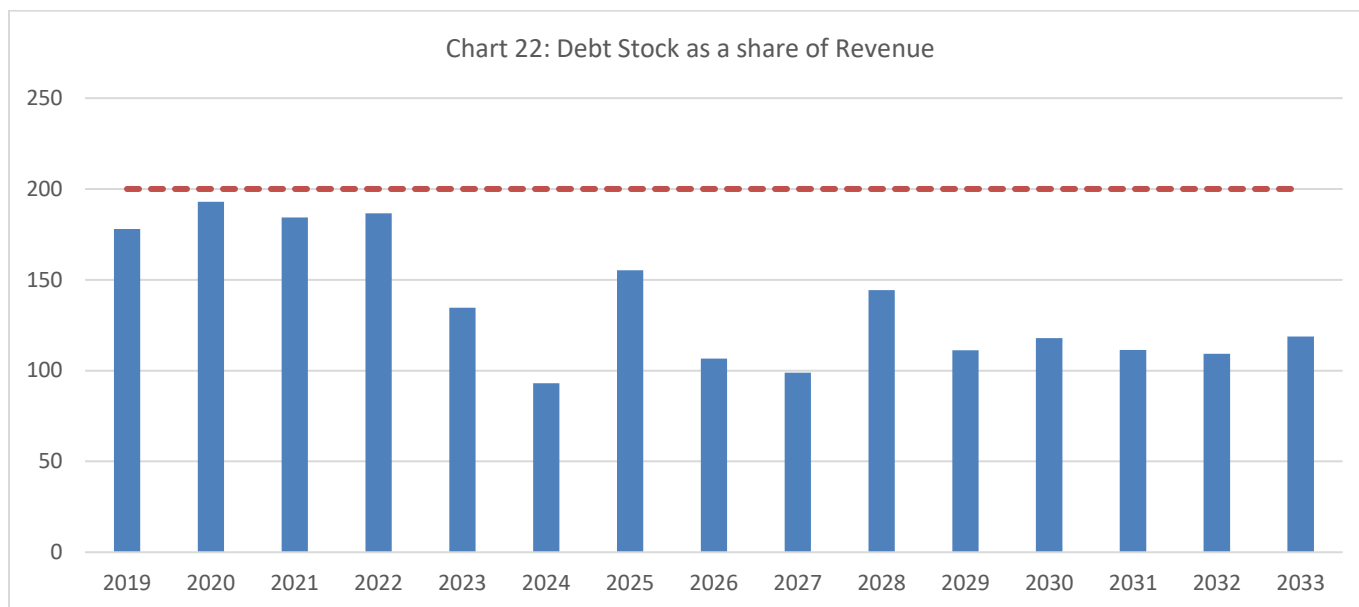
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Outstanding Debt (Old + New)	124,538	136,250	127,119	161,091	177,374	259,930	261,349	283,363	309,106	377,027	377,457	439,327	413,020	466,119	559,965
External	27,547	33,453	24,581	34,100	39,113	130,650	117,120	103,620	90,700	86,900	116,900	113,500	125,800	121,900	218,200
Domestic	96,991	102,797	102,538	126,991	138,261	129,280	144,229	179,743	218,406	290,127	260,557	325,827	287,220	344,219	341,765

Adamawa State’s Debt Stock is estimated to increase from N259.930 billion in 2024 to N559.965 billion in 2033, representing an increase of N300.035 billion over the projection period. External Debt is projected to increase by N87,550 billion and Domestic Debt to increase by N212,485 billion over the projection period 2024 to 2033.

In the short and medium terms (2019-2024) historical period, Adamawa State is found to be sustainable as it lies within the threshold of 200%, from 2024-2033 (projection period) the State was found to be sustainable as it did not exceed the threshold as regards debt stock as percentage of revenue, the ratio remains below the threshold of 200% in both the projection and historical periods.

#### 4.5.4 Projected Debt as a Share of Revenue-Chart 22

The Adamawa State projected debt as share of revenue from 2024 to 2033 is presented in Chart 22 below:



**Source: Adamawa State DSA-DMS Template, 20224**

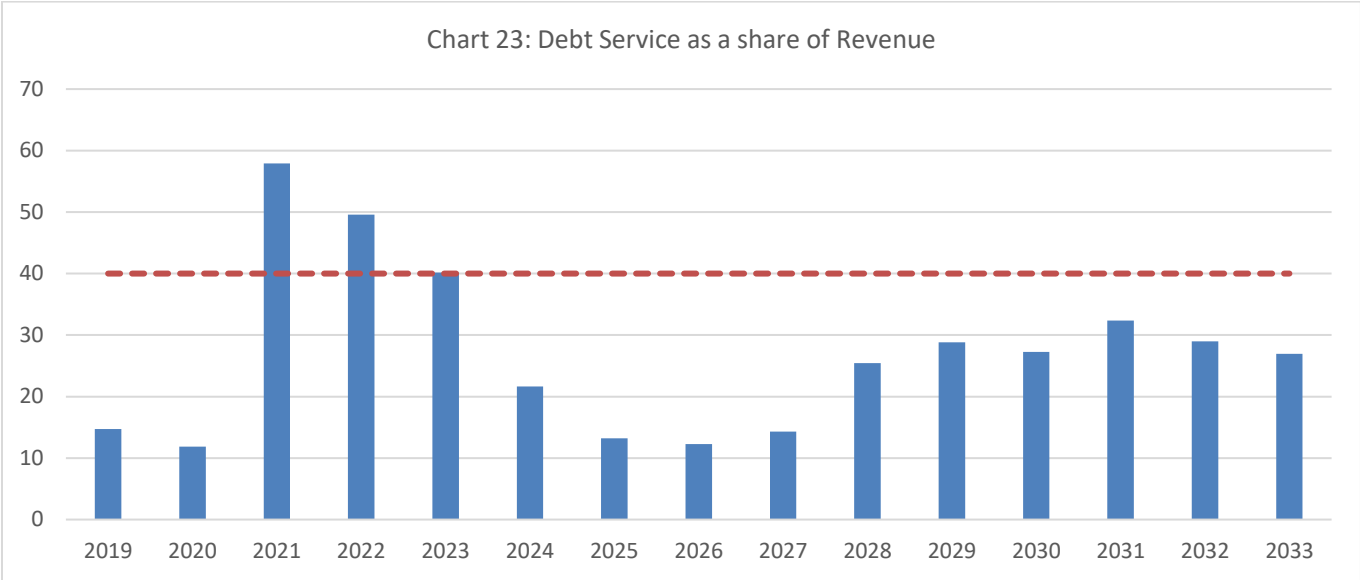
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Debt as % of Revenue	178	193	184	187	135	93	155	107	99	144	111	118	111	109	119
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200

As a consequence of the increase in exchange rate parity, external debt repayment figures will increase, total public debt will increase, and the State’s repayment capacity will slightly fall. Debt as percentage of revenue is projected to decline from 2022 to 2024, however, the State Debt as a percentage of Revenue appears to be sustainable from the historical period through the projection period, this is because it did not exceed the prescribed threshold of 200%. For the state to preserve sustainability, it must take stringent measures on its revenue drive.

In the final analysis, the state was found to be sustainable from both the historical period 2019-2024, and the projected period 2024- 2033. As a mitigating measures, the state needs to reduced over-dependence on Federal transfers through achievable via a technological-driven and autonomous State Board of Internal Revenue.

**4.5.5 Projected Debt Service as a Share of Revenue-Chart 23**

The Adamawa State projected debt service as share of revenue from 2023 to 2032 is presented in Chart 23 below:



**Source: Adamawa State DSA-DMS Template, 2024**

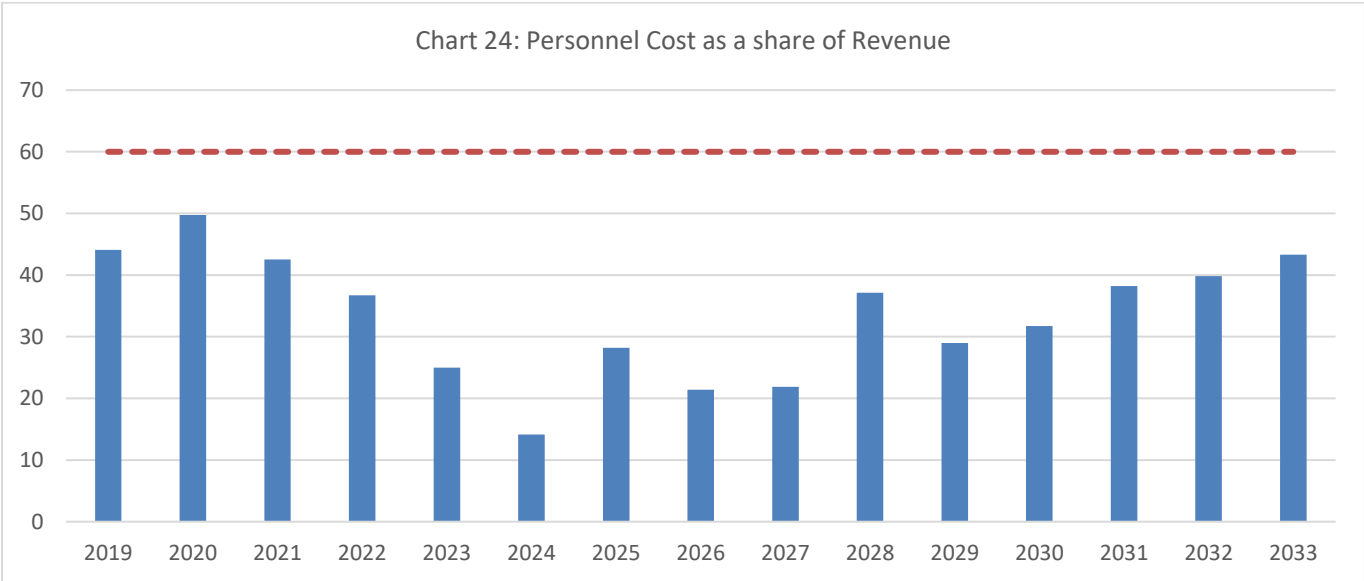
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Debt Service as % of Revenue	15	12	58	50	40	22	13	12	14	25	29	27	32	29	27
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40

In two years, historical period (2019-2020) the debt service appears to be sustainable within the threshold of 40%,however, the outlier (spike) depicted in 2021and 2022, is as a result of the principal repayment, which accounts for 58% of debt service as a share of revenue as against the 40% threshold.

This is occasioned by the state Bond floated in the year 2021, of which (N11, 585.6bn) is to refinance some commercial Bank loans. From the year 2023, the debt service remained within the threshold (40%) up to the end of projected year 2033.

**4.5.6 Projected Personnel Cost- Chart 24**

The Adamawa State projected personnel cost from 2023 to 2032 is presented in Chart 24 below:



**Source: Adamawa State DSA-DMS Template, 2024**

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Personnel Cost as % of Revenue	44	50	43	37	25	14	28	21	22	37	29	32	38	40	43
Threshold	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

Personnel Cost as a share of Revenue is projected to rise from 14% as at 2024 to an increase of 67% by 2033. The analysis of the Baseline Scenario suggests that the State

will be able to preserve the sustainability of its personnel cost in the medium-term because it is within the limit of the prescribed threshold of 60%..

#### **4.6 ADAMAWA MAIN FINDING AND CONCLUSION OF THE BASELINE SCENARIO IN TERMS OF DEBT SUSTAINABILITY**

In the final analysis, the state was found to be sustainable from the projected period 2024-2033 i.e. over the long-term. However, it was also found to be sustainable within the threshold of 200% within the historical period 2024 up to the period 2033 in the projection i.e. in the short and medium terms.

The ratio of Debt as percentage of Revenue is estimated at 93% in 2024, 155% in 2025, 107% in 2026, 99% in 2027 and 119% in 2033. Thus, the ratio remains below the threshold of 200% from the historical to projection period through and through.

The Baseline Scenario results shows that the ratio of Debt stock as percentage of GDP is projected at 6% in 2024, 6% in 2025, 5% in 2026, 5% in 2027, 6% in 2028 and 5% in 2032, respectively, as against the indicative threshold of 25%.

The ratios of Debt Service to Revenue remained within the threshold of 40% from 2019 to 2020 except for the year 2021 and 2022 which recorded a spike of 58%, and 50% respectively, 40% in 2023, this was caused by the principal repayment totaling N34,090 billion and refinancing of some commercial bank loans through state Bond issuance. Thereafter, it was found to be sustainable all through within the projection period 2024-2033.

Personnel Cost to Revenue trends remains under the threshold (60%) over the projection period from 2024 to 2033, and also within the historical period 2019 to 2024, with the strong-minded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively. The highest ratio recorded is 50% in

2020, however, the State Government is planning to preserve the sustainability of the debt position through the following policies that will be implemented by the State Government:

- a. Aligning State government's income and expenditure by keeping spending limits within the dictates of available resources and fiscal sustainable debt position;
- b. Boosting IGR by the recently submitted business case of IRS;
- c. Emphasis on achieving a more favourable balance for capital expenditure through restraining the increasing trend in recurrent expenditure;
- d. Ensuring that the budget process is pursued with a framework that supports strategic prioritization and rational resource allocation and under the overall development policy objectives of the State.

e. Sustain the efforts to increase IGR e.g. through plugging of revenue leakages,

ensuring a balanced debt portfolio, not to borrow too excessively, and to create sufficient buffers within the ratio analysis so as not to breach them as a result of a shock;

f. Providing fiscal buffers, including contingency funds and debt service funds, to also help alleviate the impact of shocks;

g. Consideration should also be given to the scenario where more of these shocks occurs simultaneously, as it has happened in 2020, the magnitude is higher, or more persistent (e.g. multiple exchange rate depreciation of the period). Again, this emphasizes the need to borrow to invest, and ensure that investment is made in the areas that have greater economic and social benefit to the State.

h. Pursuing alternative financing models like Public Private Partnerships (PPP).

Chart 21: Debt Stock as a share of SGDP

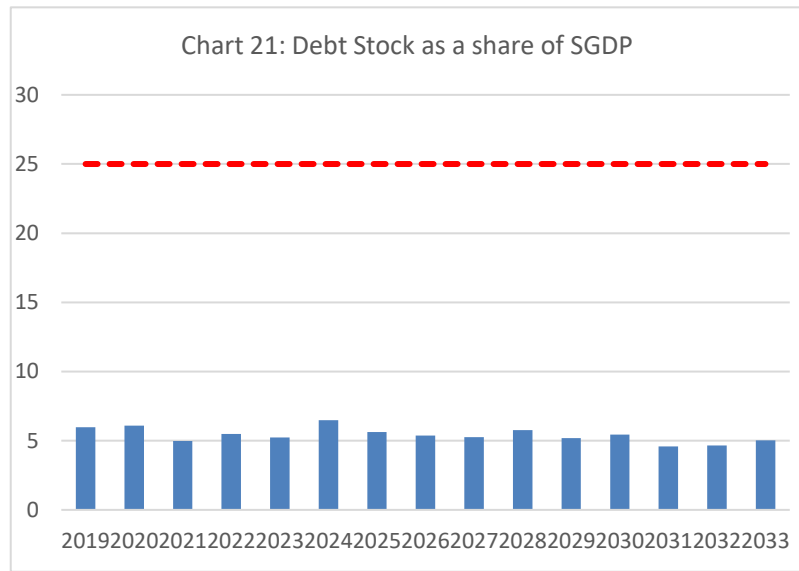


Chart 22: Debt Stock as a share of Revenue

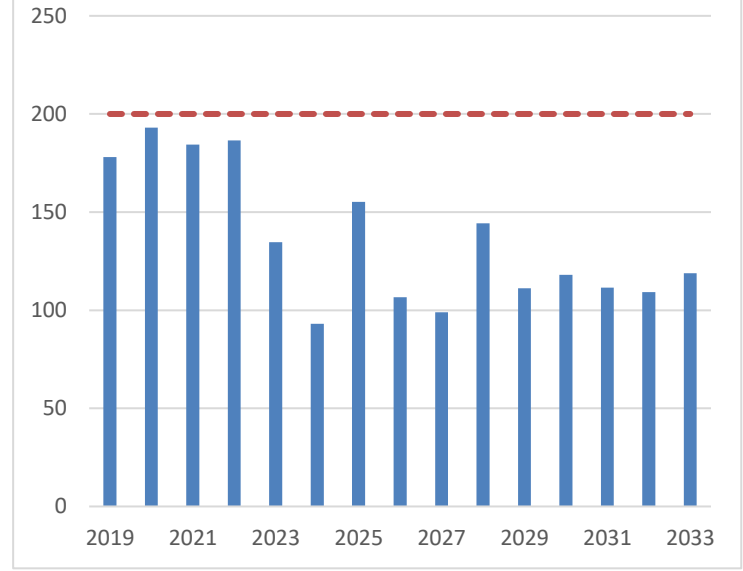
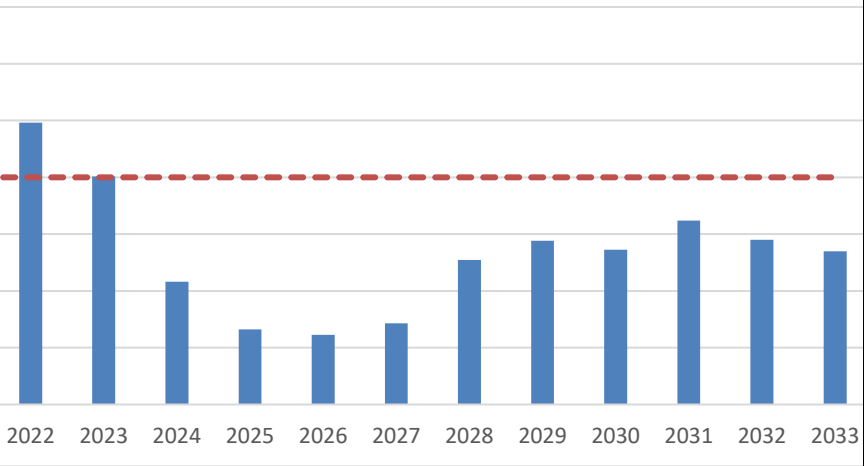
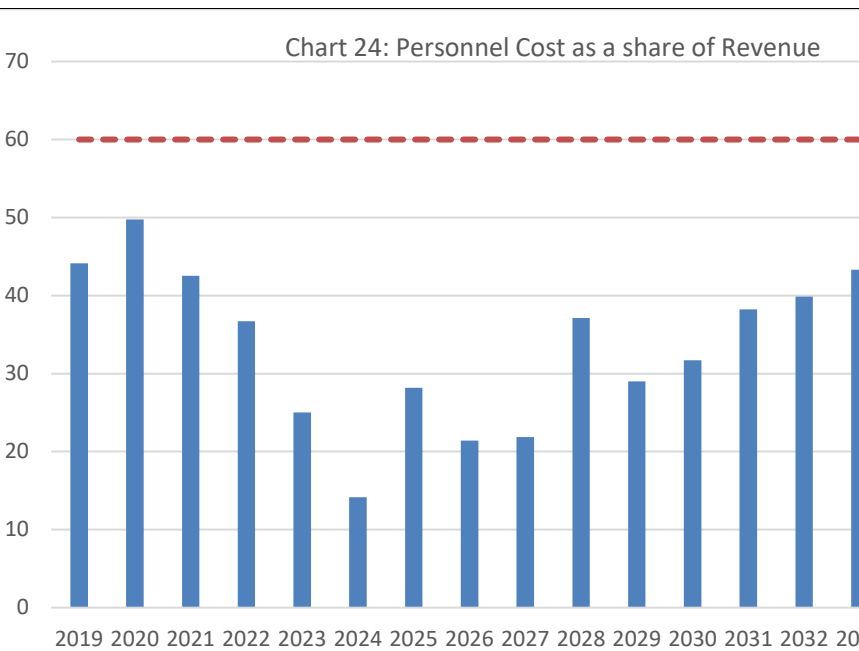


Chart 23: Debt Service as a share of Revenue





**Source: Adamawa State DSA-DMS Template, 2024**

#### 4.6.1 CONCLUSION

Adamawa State DSA result shows that, the State remains at low risk of debt distress.

The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks, indicating that an increase in aggregate output does not result to a proportionate increase in revenue. There is therefore the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will boost the state IGR such as the legislation by the state assembly to issue state Bonds to the tune of N100 billion from the year 2021-2024 i.e. in four tranches through the Agric Business support Program, to among other things refinance existing loans, reduce the backlog of arrears of pensions to make the State PENCON compliant and to boost the State's IGR. This has become critical, given the continued volatility in the FAAC allocation. However, the State appears to be sustainable in the short term to

medium term, but it will be unsustainable in the long term if all the technical inputs/measure are not put into considerations.

#### **4.7 ADAMAWA STATE DSA SENSITIVITY 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 scenarios discussed in the previous sub-sections. 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.

#### **The 2024 DSA analysis shows that Adamawa remains at low risk of debt distress under sensitivity analysis.**

The debt stock as percent of Revenue did not breach the thresholds in both the historical and projection periods, through Revenue shocks, Expenditure Shocks as well as Historical shocks. Debt service as percentage of revenue breached the threshold under revenue and Expenditure Shocks in 2021, and 2022.

The four shocks as simulated (shock revenue, shock expenditure, shock interest rate, shock exchange rate) all have impacts on the ratios analyzed at the magnitudes tested. These four shocks all have a marked impact on Debt Service, but in terms of its deviations from the baseline scenario, what these entails is to plan for future flexibility, but these deviations may have further negative impacts beyond this period i.e. the period of analysis.

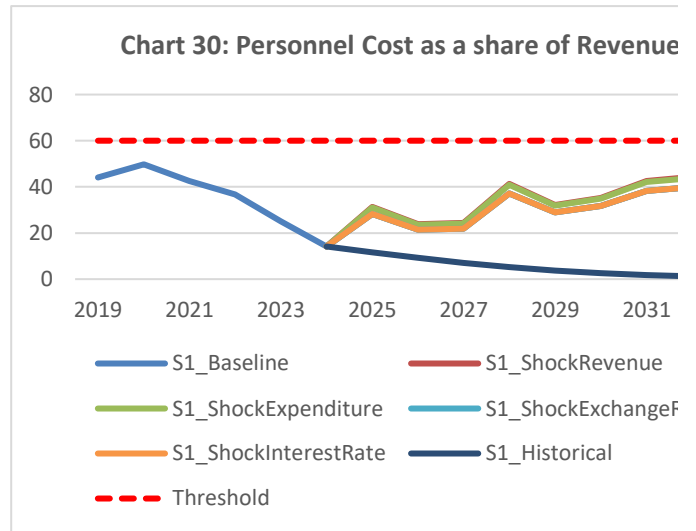
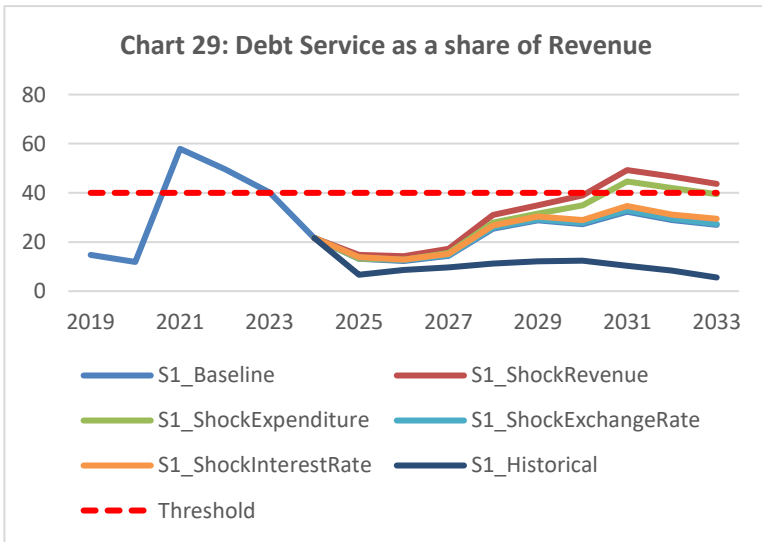
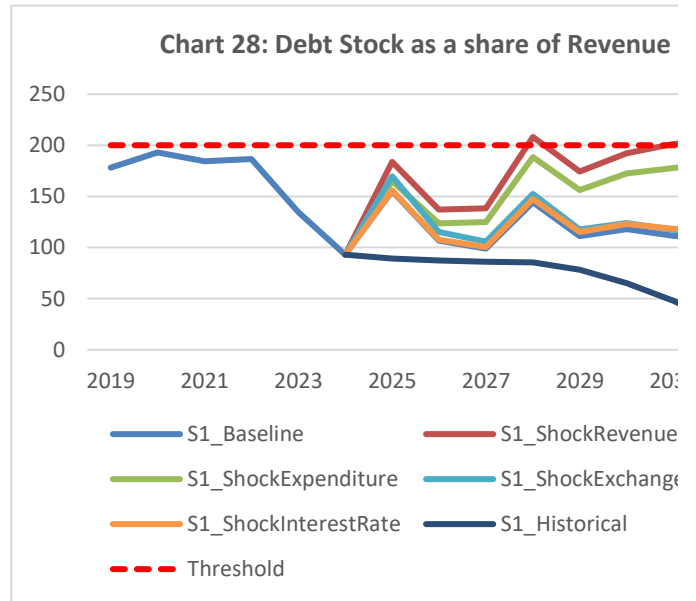
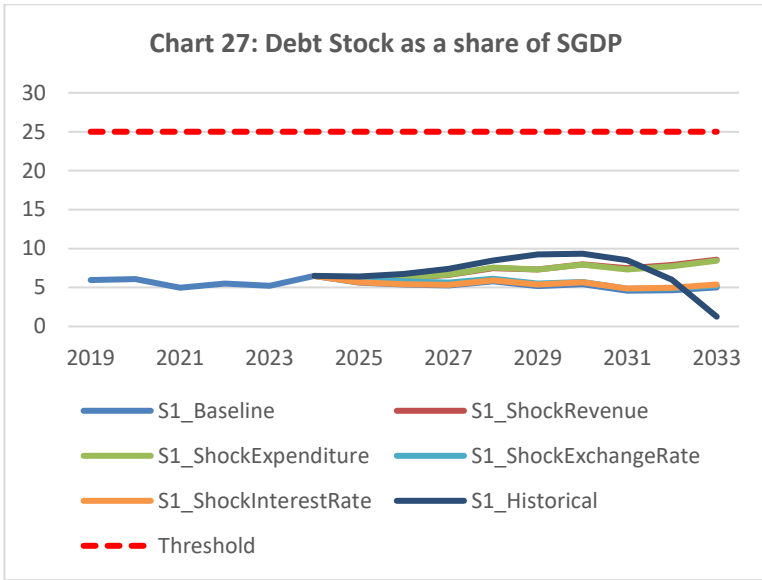
This serves as a reminder on the need to continue the effort to increase IGR, to ensure a balanced debt portfolio, not to borrow too excessively, and to create sufficient buffers

within the ratio analysis so as not to breach them as a result of a shock. fiscal buffers, including contingency funds and debt service funds, would also help alleviate the impact of shocks.

Consideration should also be given to the scenario where more of these shocks occurs simultaneously, as it has happened in 2020, the magnitude is higher, or more persistent (e.g. multiple exchange rate depreciation of the period). Again, this emphasizes the need to borrow to invest, and ensure that investment is made in the areas that have greater economic and social benefit to the State.

There is, an 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 boost IGR in the state. This has become critical, given the continued volatility in the FAAC allocation.

The following charts below explain the shocks scenarios:



Source: Adamawa State DSA-DMS Template, 2024

In the charts above, the sustainability analysis in the shock scenario shows debt stock as percentage of revenue being sustainable all through from the historical period 2019-2024, and the projected period 2024-2033.

Whereas debt service sustainability i.e. Debt service as a percentage of revenue is seen to be sustainable in the historical period 2019-2020, while the State was unsustainable largely due to huge debt repayment (consolidation) during the period 2021-2022, it remained at 24% on average over the ten years projected period i.e. 2024-2033.

## **CHAPTER FIVE**

### **DEBT MANAGEMENT STRATEGY**

#### **5.1 Introduction**

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 (World Bank DSA-DMS, 2021). Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies, considering factors such as the macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

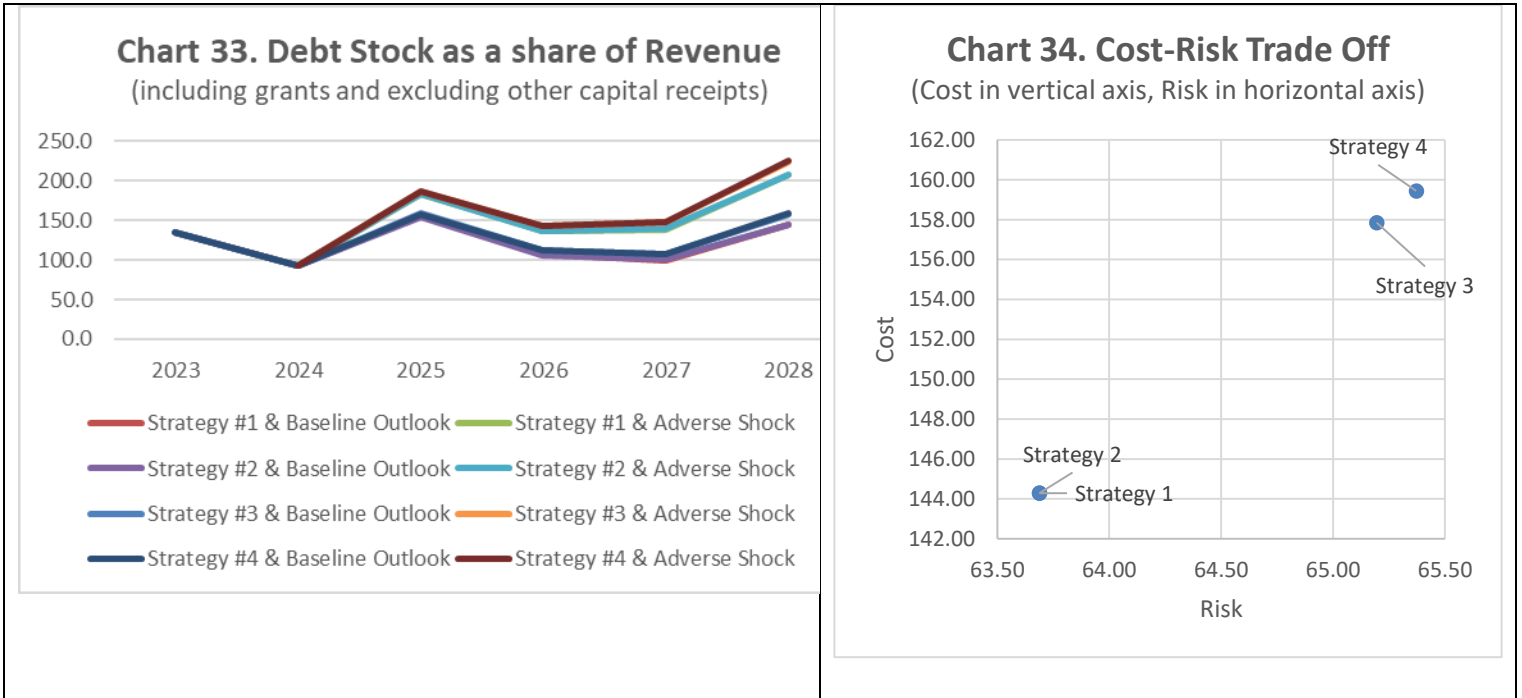
To assess the debt management strategies outcome, three debt performance indicators were utilized, "Debt Stock as a share of Revenue, Debt Service as a share of Revenue and Interest as a share of Revenue". However, the cost for DMS is measured by the expected value of a performance indicator in 2028 (as projected in the baseline scenario), while Risk for DMS is measured by the deviation from the expected value in 2028 caused by an un-expected shock (as projected in the most adverse scenario).

#### **5.2 DMS Simulation Results**

Analysis of strategies & outcomes of the analysis, the cost risk trade off charts illustrates the performance of the alternative strategies with respect to four debt burden indicators. Results were obtained from the four DMS (S1, S2, S3, and S4) and the analysis will focus on three performance indicators which include Debt/Revenue, Debt Service/Revenue and Interest/Revenue, also the reference debt strategy (S1) will be compared with the alternative strategies (S2, S3 and S4) to facilitate the drafting and exposition.

### 5.2.1 Debt as a share of Revenue

The share of debt as percentage of revenue and cost-risk trade-off for the referenced strategy (S1) and alternatives strategies (S2, S3, and S4) are presented in the Chart 33 and 34:



Source: Adamawa State Forecasts, 2024

Debt Stock as % of Revenue (including grants and ex	2023	2024	2025	2026	2027	COST RISK measured only in 2028	
						2028	
Strategy #1 & Baseline Outlook	134.6	93.0	155.2	106.6	98.9	144.3	63.7
Strategy #1 & Adverse Shock		93.0	183.6	137.2	138.2	208.0	
Strategy #2 & Baseline Outlook	134.6	93.0	155.1	106.4	100.4	144.3	63.7
Strategy #2 & Adverse Shock		93.0	183.4	136.9	139.9	208.0	
Strategy #3 & Baseline Outlook	134.6	93.0	158.4	112.2	107.9	157.9	65.2
Strategy #3 & Adverse Shock		93.0	187.1	143.4	148.2	223.0	
Strategy #4 & Baseline Outlook	134.6	93.0	158.1	111.7	107.1	159.4	65.4
Strategy #4 & Adverse Shock		93.0	186.8	142.9	147.3	224.8	

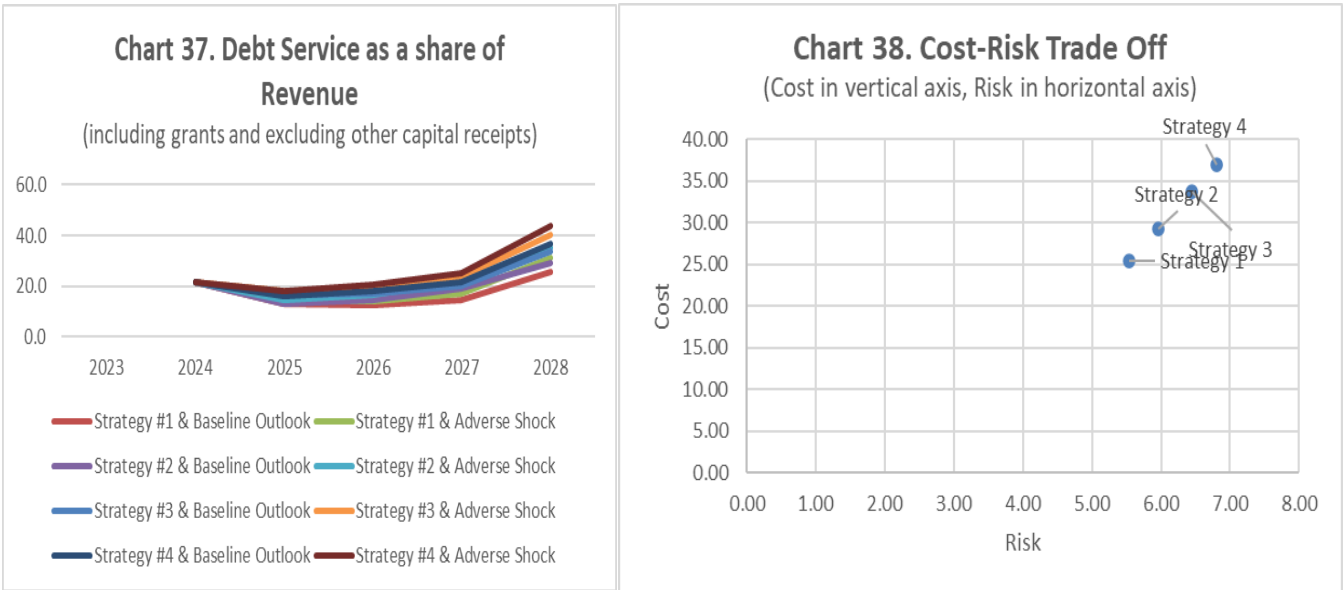
For Strategy #1, Adverse Shock is Revenue  
 For Strategy #2, Adverse Shock is Revenue  
 For Strategy #3, Adverse Shock is Revenue  
 For Strategy #4, Adverse Shock is Revenue

The result on Debt as share of revenue indicates that Reference Debt Strategy (S1) has a cost of 144.3% with adverse shock of 208.0% and risk at 63.7%, Alternative Strategy (S2) has a cost of 144.3% with adverse shock of 208.0% and risk at 63.7%, Alternative Strategy (S3) has a cost of 157.9% with adverse shock of 223.0% and risk at 65.2%. Alternative Strategy (S4) has a cost of 159.4% with adverse shock of 224.8% and risk at 65.4%.

To compare between the referenced strategy (S1) and alternative strategies (S2, S3, and S4), the result indicated that Debt/Revenue of the alternative strategy(S2) has the lowest cost, adverse shock and risk of 162.5%, 226.1% and risk of 63.6% respectively, compared to reference strategy (S3) and alternative strategies (S4).

**5.2.2 Debt Service/Revenue**

The share of debt services as percentage of revenue and cost- risk trade-off for referenced strategy and alternatives strategies are presented in the chart 37 and 38:



**Source: Adamawa State Forecasts, 2024**

Debt Service as % of Revenue (including grants and e	2023	2024	2025	2026	2027	RISK measured only in 2028	
						COST 2028	RISK
Strategy #1 & Baseline Outlook		21.6	13.2	12.3	14.3	25.4	5.5
Strategy #1 & Adverse Shock		21.6	14.7	14.2	17.2	31.0	
Strategy #2 & Baseline Outlook		21.6	13.1	14.6	19.0	29.3	6.0
Strategy #2 & Adverse Shock		21.6	14.5	16.7	22.3	35.3	
Strategy #3 & Baseline Outlook		21.6	16.4	16.9	20.0	33.6	6.4
Strategy #3 & Adverse Shock		21.6	18.2	19.3	23.5	40.1	
Strategy #4 & Baseline Outlook		21.6	16.1	18.0	21.5	36.9	6.8
Strategy #4 & Adverse Shock		21.6	17.9	20.5	25.2	43.7	

For Strategy #1, Adverse Shock is Revenue

For Strategy #2, Adverse Shock is Revenue

For Strategy #3, Adverse Shock is Revenue

For Strategy #4, Adverse Shock is Revenue

The result on Debt Service as share of Revenue indicates that the Reference Debt Strategy (S1) has a cost of 25.4% with adverse shock of 31.0% and risk at 5.5%. Alternative Strategy (S2) has a cost of 29.3% with adverse shock of 35.3% and risk at 6.0%. Alternative Strategy (S3) has a cost of 33.6% with adverse shock of 40.1% and risk at 6.4%, Alternative Strategy (S4) has a cost at 36.9% with adverse shock of 43.7% and risk at 6.8%.

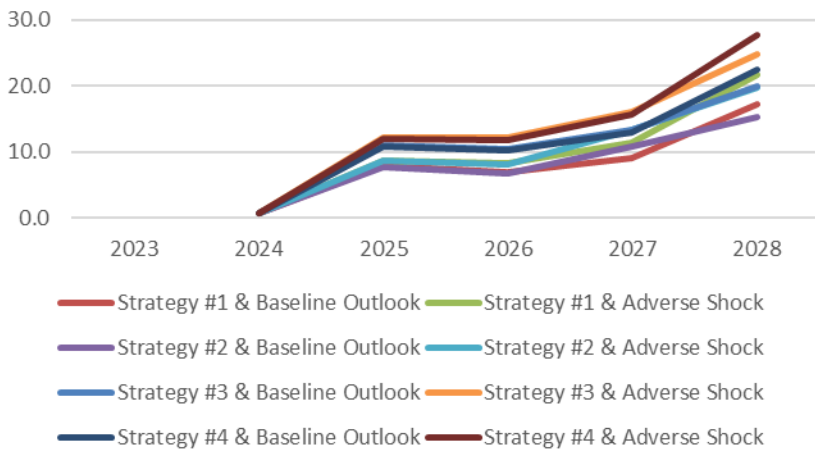
To compare between the referenced strategy (S1) and alternative strategies (S2, S3, and S4), the result indicated that the Debt Service/Revenue of the reference strategy (S1) has the lowest cost, adverse shock and risk of 25.4%, 31.0% and 5.5% respectively, compared to the alternative strategies (S2, S3, and S4).

### 5.2.3 Interest/Revenue

The share of interest as percentage of revenue and cost- risk trade-off for referenced strategy and alternatives strategies are presented in the chart 41 and 42:

**Chart 41. Interest as % of Revenue**

(including grants and excluding other capital receipts)



**Chart 42. Cost-Risk Trade Off**

(Cost in vertical axis, Risk in horizontal axis)



**Source: Adamawa State Forecasts, 2024**

Interest as % of Revenue (including grants and excluc	2023	2024	2025	2026	2027	COST RISK measured only in 2028	
						2028	2028
Strategy #1 & Baseline Outlook		0.7	7.9	6.9	9.1	17.1	4.6
Strategy #1 & Adverse Shock		0.7	8.8	8.2	11.4	21.7	
Strategy #2 & Baseline Outlook		0.7	7.7	6.8	10.8	15.3	4.4
Strategy #2 & Adverse Shock		0.7	8.6	8.1	13.3	19.7	
Strategy #3 & Baseline Outlook		0.7	11.0	10.5	13.3	19.9	4.9
Strategy #3 & Adverse Shock		0.7	12.2	12.2	16.1	24.9	
Strategy #4 & Baseline Outlook		0.7	10.8	10.2	12.9	22.5	5.2
Strategy #4 & Adverse Shock		0.7	11.9	11.9	15.7	27.7	

For Strategy #1, Adverse Shock is Revenue  
 For Strategy #2, Adverse Shock is Revenue  
 For Strategy #3, Adverse Shock is Revenue  
 For Strategy #4, Adverse Shock is Revenue

The result on Interest as share of Revenue indicates that the Reference Debt Strategy (S1) has a cost of 17.1% with adverse shock of 21.7% and risk at 4.6%, Alternative Strategy (S2) has the cost of 15.3% with adverse shock of 19.7% and risk at 4.4%, Alternative Strategy (S3) has the cost of 19.9% with adverse shock of 24.9% and risk at 4.9%, Alternative Strategy (S4) has a cost of 22.5% with adverse shock of 27.7% and risk at 5.2%.

To compare between the referenced strategy (S1) and alternative strategies (S2, S3, and S4), the result indicated that the Interest/Revenue of the alternative strategy (S2) has the

lowest cost, adverse shock and risk of 15.3%, 19.7% and 4 % respectively, compared to referenced strategy (S1) and alternative strategies (S3 and S4).

#### **5.2.4 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. The Analytical Tool's results of costs and risks suggests that the recommended strategy be S1, these results were just marginally better when compared with Strategy S2. Strategy 1 was considered as the most feasible of the strategies to implement in the short to medium-term and it would still greatly improve the portfolio's debt position relative to the base year 2024.

### **FAR REACHING RECOMMENDATIONS**

The Debt Management Strategy, 2024 - 2033 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 2024 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term

The report concluded that, there is a need for the Adamawa State to diversify sources of revenue away from crude-oil (FAAC), as well as full implementation of policies that will boost IGR into the State. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, as it has been observed that external debt service figures has increased by over 100% due mainly to Dollar- exchange disparity (on Amortization Projections), interest rate shocks and historical shocks, indicating that an increase in aggregate output does not result

to a proportionate increase in revenue, the spike depicted in debt service in the year 2021 and 2022, was as a result of refinancing and consolidation of some commercial bank loans through state Bond issuance that peaked the total debt repayment to the tune of gulping over 58% of debt service as percentage of revenue in 2021 and 50% in 2022 as against the threshold of 40%. Meanwhile, the ratio of Personnel Cost to Revenue trends remains under the threshold of 60% over the historical, peaking at 50% highest in 2020, and also within the projection period from 2024 to 2033.

## Annex I. Table Assumptions

2024		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	Adamawa State GDP is Premised on the Estimated DMO and World Bank figures provided in Annex 1 of the Guidance note for the whole projections period 2024-2033	Debt Management Office Abuja, National Bureau of Statistics, and The World Bank.
Revenue	Revenue	The Total Revenue is averagely estimated to increase sharply by 68.6% from 2024 - 2033 due largely to fuel subsidy removal which is expected to generate a lot of money to the government treasury.	Statutory FAAC Allocation, Internally Generated Revenue (IGR) and Grants both Domestic and External, DMO Suggested projections.
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	The State Gross Statutory Allocation is projected to increase by 89.2% averagely from 2023 to 2033, the end of historic period as result Fuel subsidy Removal.	(FAAC) Federation Allocation Account Committee, DMO Suggested projections
	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)	Based on DMO Suggested Gross Statutory Allocation and the State MTEF, and the current Economic Realities i.e. Subsidy Removal and inflation trend that is expected to impact positively on the economy.	DMO Suggested Gross Statutory Allocation and the State MTEF.
	4. VAT Allocation	VAT is premised on the suggested projections from DMO, Bureau of Statistics and World Bank.	DMO Suggested Gross Statutory Allocation and the State MTEF.
	5. IGR	The State IGR i.e. independent revenue is projected to increase by average 46% from 2024-2033 due to Government drive in plugging of Revenue leakages, Expansion of revenue base through expansion of	State Board of Internal Revenue.

		tax base by the State Board of Internal Revenue.	
	6. Capital Receipts		
	6.a. Grants	The State Grants is expected to decrease averagely by-36% in the projection period 2024 - 2033 due to Rounding up of Grant Awarding Programs,ie Education Implementation program (SEIP), Multisectoral Crises Recovery program (MCRP),SFTAS.	DSA Team, Ministry of Finance and Economic Development,Grant awarding institutions.
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		

<b>Expenditure</b>	<b>Expenditure</b>	The StateTotal Expenditure is projected to increase by 75.7% from 2024 - 2033 due largely to Cost of logistic of day to day Government Operations and Activities i.e Increase in Electricity tarriff, Cost of meeting Infrastructural deficits, Cost of Employment in order to Reduce <u>Un</u> employment rate, Cost of Salary Increases.	Office of the Accountant-General of the State,Ministry of Finance,DSA-DMS Team.
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel Cost expected to grow sharply from 2024 - 2033 by 415% due to the minimum wage increase policy of the federal government and the Employment drive of the State to reduce unemployment rate of the state's populace.	Office of the Accountant-General of the State,Ministry of Finance,DSA-DMS Team.
	2. Overhead costs	Overhead Cost is expected to fluctuate due to huge cost of running government i.e. increase in electricity tarrif, cost of fueling cars and machineries.	Office of the Accountant-General of the State,Ministry of Finance,DSA-DMS Team.
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Interest Payment(Debt Service) is Estimated to averagely increase by 105% during the projection period 2024-2033 due to huge Government Borrowings in order to meet its Infrastructural deficits in a bit to attain Urban Renewal and the Net off of huge debt stocks due to Reconciliation between the State and federal government on government Interventions Funds ie(Bridge Finance Facility,FederalGovrnt bail-out Fund,Excess crude backed	Office of the Accountant-General of the State,Ministry of Finance,DSA-DMS Team.DMO,Federal ministry of Finance,Governors Forum.

		loan,Budget support Funds)	
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Is expected to fluctuate due to cost of electricity tariff, cost of fuel.	Office of the Accountant-General of the State,Ministry of Finance,DSA-DMS Team.
	5. Capital Expenditure	Capital expenditure is avaragely expected to increase by 41% due to Cost of meeting Infrastructural deficits and Urban Renewal drive of the state government.	Office of the Accountant-General of the State,Ministry of Finance,DSA-DMS Team.
<b>Closing Cash and Bank Balance</b>	<b>Closing Cash and Bank Balance</b>	The Balances Remaining in the accounts at end of an accounting period of each year of the projection perioiod 2024 - 2033.is Extrpolated on basis five year moving average of the historic years of 2019 to 2023.	Office of the Accountant-General of the State,Ministry of Finance,DSA-DMS Team,State Debt Management Agency.
<b>Debt Amotization and Interest Payments</b>	<b>Debt Outstanding at end-2023</b>		
	External Debt - amortization and interest	The External debt are mainly from World Bank and African Development Bank at an average interest of 1.75%, while some debt are concessional , the average period is 18 years .	World Bank, African Development bank and other International lenders,Amortizations Schedules.
	Domestic Debt - amortization and interest	The Domestic debt are mainly from commercial banks and Federal Government of Nigeria, at an average interest rate of 30.4%, and average period is 7 years.	From the Domestic Capital market.andCommercial Banks and Federal Government Intervention Funds, Amortizations Schedules.
	<b>New debt issued/contracted from 2024 onwards</b>		
	<b>New External Financing</b>	Adamawa State Intend to Borrow Externally concessional and Bilateral for the ten years projected period (2024 - 2033) from World Bank and African Development Bank at an average interest rate of 2.1%, average 23 years maturity and average grace period of 4 years.	
	External Financing - Concessional Loans (e.g., World Bank,	Interest rate (1.5%), maturity(20yrs), Grace period(5yrs)	World Bank, African Development bank and other International lenders

	African Development Bank)		
	External Financing - Bilateral Loans	Interest rate (2.0%), maturity(15yrs), Grace period(3yrs)	World Bank, African Development bank and other International lenders
	Other External Financing	Interest rate (0%), maturity(0yrs), Grace period(0yrs)	
	<b>New Domestic Financing</b>	Adamawa State Intend to Borrow Domestically from the Domestic Commercial Banks and the Domestic Capital Market(The Nigerian Stock Exchnge),Federal Government Interventions Funds for the ten years projected period (2023-2032) at an average interest rate of 30.4%, average 7 years maturity and average grace period of 1 years.	<b>From the Domestic Capital market.andCommerciAL Banks and Federal Government Intervention Funds.</b>
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	Interest rate (35.5%), maturity(5yrs), Grace period(1yr)	From the Domestic CommerciAL Banks and Federal Government Intervention Funds.
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	Interest rate (36.50%), maturity(7yrs), Grace period(1yr)	From the Domestic CommerciAL Banks and Federal Government Intervention Funds.
	State Bonds (maturity 1 to 5 years)	Interest rate (24.5%), maturity(5yrs), Grace period(1yr)	From the Domestic Capital market.
	State Bonds (maturity 6 years or longer)	Interest rate (25%), maturity(10yrs), Grace period(1yr)	From the Domestic Capital market.
	Other Domestic Financing	Interest rate (0), maturity(0), Grace period(0)	

<b>Proceeds from Debt-Creating Borrowings</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1</b>		
<b>corresponding to Debt Strategy S1</b>	<b>New Domestic Financing in Million Naira</b>	In Debt strategy 1 Which constitute the Reference Strategy, Base Line Scenario the State Intends to Borrow Majorly from the Capital Market Bond Maturing 6 years and Above at 25% interest rate ,matuaring 6yrs and above and a grace period of 1yrs.Amounting to (N290,698.3)billion representing 44% of the total Borrowing mix of (N662,106.20)billion of which Total Domestic Borrowing of (N513,106.20)billion constituting 78% and Total External Borrowing of	The Capitatal,Commercialbanks,From Government to Government,World Bank and African Development Bank.

	(N149,000)billion constituting 22% of the Borrowing mix of the Projected Period of 2024 to 2033.		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		From Domestic Commercial Banks.
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		From Domestic Commercial Banks.
	State Bonds (maturity 1 to 5 years)		From the Domestic Capital Markets.
	State Bonds (maturity 6 years or longer)	In Debt Strategy S1 The State Intends to Borrow majourly from Domestic Capital Market Bond maturing 6 years and above at 25% interest rate.	From the Domestic Capital Markets.
	Other Domestic Financing		
	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate (1.5%), maturity(20yrs), Grace period(5yrs)	World Bank, African Development bank and other International donors
	External Financing - Bilateral Loans	Interest rate (2.0%), maturity(15yrs), Grace period(3yrs)	World Bank, African Development bank and other International donors
	Other External Financing	Interest rate (0%), maturity(0yrs), Grace period(0yrs)	World Bank, African Development bank and other International donors
			World Bank, African Development bank and other International donors
<b>Proceeds from Debt-Creating Borrowings</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2</b>		
<b>corresponding to Debt Strategy S2</b>	<b>New Domestic Financing in Million Naira</b>	In Debt strategy 2, State Intends to Borrow Majorly from the Capital Market at 24.5% interest rate Bond matuaring 1-5 years and a grace period of 1yrs .The sum of (N327026.7) billion representing 44.14% of the Total Borrowing Mix of (N740,873.90) billion for the projected period 2024-2033.	From Domestic Commercial Banks.
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans,		From Domestic Commercial Banks.

	and MSMEDF)		
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		From Domestic Commercial Banks.
	State Bonds (maturity 1 to 5 years)	In Debt Strategy S2 The State Intends to Borrow majorly from Domestic Capital Market Bond maturing 1 to 5 years at 24.5% interest rate.	From the Domestic Capital Markets.
	State Bonds (maturity 6 years or longer)		From the Domestic Capital Markets.
	Other Domestic Financing		
	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate (1.5%), maturity(20yrs), Grace period(5yrs)	World Bank, African Development bank and other International donors
	External Financing - Bilateral Loans	Interest rate (2.0%), maturity(15yrs), Grace period(3yrs)	World Bank, African Development bank and other International donors
	Other External Financing	Interest rate (0%), maturity(0yrs), Grace period(0yrs)	World Bank, African Development bank and other International donors
			World Bank, African Development bank and other International donors
<b>Proceeds from Debt-Creating Borrowings</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3</b>		
<b>corresponding to Debt Strategy S3</b>	<b>New Domestic Financing in Million Naira</b>	In Debt strategy 3, State Intends to Borrow Majorly from the Commercial Banks at 36.5% interest rate Bond maturing 6 years and above and a grace period of 1yrs .The sum of (N274,077.60)billion representing 32% of the Total Borrowing Mix of (N852,379) billion for the projected period 2024-2033	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		From Domestic Commercial Banks.
	Commercial Bank Loans (maturity 6 years or longer,		From Domestic Commercial Banks.


	including Agric Loans, Infrastructure Loans, and MSMEDF)		
	State Bonds (maturity 1 to 5 years)		From the Domestic Capital Markets.
	State Bonds (maturity 6 years or longer)	In Debt Strategy S3 The State Intends to Borrow majourly from Domestic Commercial bank maturing 6 years and above at 36.5% interest rate.	From the Domestic Capital Markets.
	Other Domestic Financing		
	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate (1.5%), maturity(20yrs), Grace period(5yrs)	World Bank, African Development bank and other International donors
	External Financing - Bilateral Loans	Interest rate (2.0%), maturity(15yrs), Grace period(3yrs)	World Bank, African Development bank and other International donors
	Other External Financing	Interest rate (0%), maturity(0yrs), Grace period(0yrs)	World Bank, African Development bank and other International donors
			World Bank, African Development bank and other International donors
<b>Proceeds from Debt-Creating Borrowings</b>	<b>Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4</b>		
<b>corresponding to Debt Strategy S4</b>	<b>New Domestic Financing in Million Naira</b>	In Debt strategy 4 the State Intends to Borrow Majorly from the Commercial bank loan at 35.5% interest rate matuaring 1yr to 5yrs and a grace period of 1yrs(N248,020.40)billion representing 32% of the Total Borrowing Mix of (N820,100.20) billion for the projected period 2024-2033	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)		From Domestic Commercial Banks.
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)		From Domestic Commercial Banks.
	State Bonds	In Debt Strategy S4 The State Intends	From the Domestic Capital

	(maturity 1 to 5 years)	to Borrow majourly from Domestic Commercial bank maturing 1 to 5 years at 36.5% interest rate.	Markets.
	State Bonds (maturity 6 years or longer)		From the Domestic Capital Markets.
	Other Domestic Financing		
	<b>New External Financing in Million US Dollar</b>		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate (1.5%), maturity(20yrs), Grace period(5yrs)	World Bank, African Development bank and other International donors
	External Financing - Bilateral Loans	Interest rate (2.0%), maturity(15yrs), Grace period(3yrs)	World Bank, African Development bank and other International donors
	Other External Financing	Interest rate (0%), maturity(0yrs), Grace period(0yrs)	World Bank, African Development bank and other International donors

# Annex II. Historical and projections of the S1\_Baseline Scenario

Indicator	2019	2020	Actuals 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	BASELINE SCENARIO														
<b>Economic Indicators</b>															
State GDP (at current prices)	2,084,575.20	2,234,336.74	2,550,444.40	2,931,246.79	3,395,647.06	4,010,839.95	4,640,020.63	5,275,621.45	5,869,788.32	6,530,873.22	7,266,412.82	8,084,792.57	8,995,342.33	10,008,442.76	11,135,643.62
Exchange Rate NGN/US\$ (end-Period)	253.19	305.79	306.50	0.00	0.00	1,300.00	1,200.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
<b>Fiscal Indicators (Million Naira)</b>															
<b>Revenue</b>															
1. Gross Statutory Allocation (gross' means with no deductions; do not include VAT Allocation here)	94,608.30	101,427.31	85,540.49	107,341.17	161,753.30	325,548.73	188,845.82	311,852.70	361,913.05	350,953.34	373,694.06	478,474.14	388,987.45	537,438.34	609,977.63
1.a. of which Net Statutory Allocation ('net' means of deductions)	42,772.10	34,422.90	30,319.90	40,980.30	31,214.47	145,284.08	68,047.20	154,068.70	180,260.38	129,787.49	170,346.08	178,863.38	187,806.55	197,196.88	207,056.72
1.b. of which Deductions	51,836.20	67,004.41	55,220.59	66,360.87	130,538.83	180,264.65	123,838.62	157,783.93	181,652.67	131,169.90	143,347.98	161,619.74	167,979.80	177,841.46	182,920.91
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	3,281.91	16,694.30	4,934.47	5,120.20	20,552.98	25,838.24	25,838.24	5,120.19	5,120.19	21,700.00	26,633.39	26,633.39	21,805.72	27,411.79	27,411.79
4. VAT Allocation	11,961.61	16,690.81	20,682.65	19,637.72	35,902.21	47,731.65	47,731.65	70,940.24	70,940.24	81,949.21	95,800.98	110,180.28	131,200.93	153,563.58	179,669.99
5. IGR	9,704.65	7,739.81	10,374.73	13,325.61	17,066.19	22,240.61	22,240.61	29,439.17	33,855.05	23,552.64	23,552.64	30,911.13	24,520.27	24,520.27	32,456.68
6. Capital Receipts	26,780.07	37,978.89	19,228.77	28,677.34	57,836.40	84,454.14	25,276.65	68,754.39	74,635.37	94,039.29	57,301.28	129,909.96	23,003.99	163,381.04	163,381.04
6.a. Grants	2,258.83	7,156.32	2,635.97	7,773.10	27,838.39	38,355.30	1,897.60	1,897.60	4,900.00	21,631.90	5,047.00	23,330.86	5,198.41	24,010.18	24,010.18
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	0.00	5.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	24,529.24	30,816.87	16,592.80	21,404.24	30,000.00	46,099.14	20,476.65	46,122.49	51,903.47	89,646.29	34,190.52	106,084.11	18,405.58	110,735.64	138,842.40
<b>Expenditure</b>															
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	95,437.75	89,073.10	84,627.72	117,625.80	134,434.90	346,328.82	185,256.74	311,354.62	365,437.00	344,883.23	379,181.87	477,355.69	389,791.11	537,629.52	608,681.03
2. Overhead costs	30,872.08	35,140.58	31,696.70	31,696.70	32,957.21	39,548.65	47,458.38	56,950.06	68,340.07	97,008.10	98,409.70	118,091.76	141,709.97	170,051.96	204,062.36
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	21,348.82	17,228.32	14,302.84	19,541.98	24,979.81	53,854.77	47,558.77	24,779.18	26,884.95	21,496.18	27,474.49	59,240.25	52,114.65	27,210.90	29,351.45
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Account Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	20,726.99	21,302.65	19,830.17	45,934.94	50,243.73	169,770.69	57,581.00	188,356.88	216,800.00	150,800.00	146,839.00	186,747.76	63,339.10	207,192.57	238,480.00
5. Capital Expenditure	19,573.25	13,681.57	19,916.45	5,448.80	10,675.30	58,950.50	9,007.70	14,347.72	16,341.31	21,724.83	33,760.05	44,214.63	44,712.93	59,178.81	44,996.74
6. Amortization (principal) payments	-928.45	11,754.21	1,372.77	-9,884.63	27,318.40	-20,780.09	3,889.18	498.08	-1,523.94	6,070.00	-5,487.81	1,122.45	196.14	-98.18	1,296.60
Budget Balance ('+' means surplus, '-' means deficit)	1,623.81	694.41	12,448.71	13,821.50	3,596.90	13,255.30	10,475.21	14,964.39	14,562.47	13,938.53	15,108.53	13,620.72	14,743.17	14,939.32	14,748.13
Opening Cash and Bank Balance	694.41	12,448.71	13,821.50	3,596.90	13,255.30	10,475.21	14,964.39	14,562.47	13,938.53	15,108.53	13,620.72	14,743.17	14,939.32	14,748.13	16,044.73
Closing Cash and Bank Balance	694.41	12,448.71	13,821.50	3,596.90	13,255.30	10,475.21	14,964.39	14,562.47	13,938.53	15,108.53	13,620.72	14,743.17	14,939.32	14,748.13	16,044.73
<b>Financing Needs and Sources (Million Naira)</b>															
<b>Financing Needs</b>															
i. Primary balance	46,099.14	20,476.65	46,122.49	51,503.47	89,646.29	34,190.52	106,084.11	18,405.58	110,735.64	138,842.40	138,842.40	138,842.40	138,842.40	138,842.40	138,842.40
ii. Debt service	60,488.10	22,268.58	32,676.17	44,746.75	66,480.59	97,855.84	101,487.54	119,999.02	123,676.33	127,033.48	127,033.48	127,033.48	127,033.48	127,033.48	127,033.48
Amortizations	58,590.50	9,007.70	14,347.72	16,341.31	21,724.83	33,760.05	44,214.63	44,712.93	57,635.89	44,996.74	57,635.89	44,996.74	57,635.89	44,996.74	57,635.89
Interests	1,897.60	13,260.88	18,328.45	28,405.44	44,755.76	64,835.79	57,272.91	75,286.09	66,040.44	82,036.75	66,040.44	82,036.75	66,040.44	82,036.75	66,040.44
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)	-20,780.09	3,889.18	498.08	-1,523.94	6,070.00	-5,487.81	1,122.45	196.14	-98.18	1,296.60	-98.18	1,296.60	-98.18	1,296.60	-98.18
<b>Financing Sources</b>															
i. Financing Sources Other than Borrowing	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
ii. Gross Borrowing	46,099.14	20,476.65	46,122.49	51,503.47	89,646.29	34,190.52	106,084.11	18,405.58	110,735.64	138,842.40	138,842.40	138,842.40	138,842.40	138,842.40	138,842.40
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 1 to 5 years)	46,099.14	20,476.70	46,122.50	0.00	88,000.00	0.00	90,000.00	0.00	90,000.00	0.00	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Domestic Financing	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
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	33,000.00	0.00	0.00	0.00	0.00	0.00	100,000.00
External Financing - Bilateral Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,000.00	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	0.00	0.00	0.00	0.00	0.00
Residual Financing	0.04	-0.05	-0.01	-0.03	0.04	0.03	0.04	0.03	0.04	0.03	0.04	0.03	0.04	0.03	0.04
<b>Debt Stocks and Flows (Million Naira)</b>															
<b>Debt (stock)</b>															
External	124,537.54	136,250.41	127,118.90	161,090.80	177,373.80	259,929.64	261,348.60	283,363.36	309,105.52	377,026.98	377,457.45	439,326.92	413,019.57	466,119.32	559,964.99
Domestic	27,547.04	33,453.01	24,581.30	34,099.60	39,112.80	130,650.00	117,120.00	103,620.00	90,700.00	86,900.00	116,900.00	113,500.00	125,800.00	121,900.00	216,200.00
Gross borrowing (flow)	96,990.50	100,797.40	100,537.60	136,891.20	138,261.00	129,279.64	144,226.60	179,743.36	218,400.52	200,116.98	200,507.45	326,824.92	287,219.57	344,213.32	341,764.99
External	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
Domestic	96,990.50	100,797.40	100,537.60	136,891.20	138,261.00	129,279.64	144,226.60	179,743.36	218,400.52	200,116.98	200,507.45	326,824.92	287,219.57	344,213.32	341,764.99
Amortizations (flow)	5,246.47	3,910.94	33,988.73	33,290.40	45,069.60	58,590.50	9,007.70	14,347.72	16,341.31	21,724.83	33,760.05	44,214.63	44,712.93	57,635.89	44,996.74
External	227.87	366.94	429.10	929.10	1,667.60	3,510.00	3,480.00	3,740.00	3,500.00	3,800.00	3,400.00	3,400.00	3,700.00	3,900.00	3,700.00
Domestic	5,018.60	3,544.00	33,559.63	32,361.30	43,402.00	55,080.50	5,527.70	10,607.72	12,841.31	17,324.83	30,360.05	40,814.63	41,012.93	53,735.89	41,296.74
Interests (flow)	5,046.33	4,478.83	5,946.40	9,537.36	7,872.40	1,897.60	13,261.28	18,328.45	28,405.44	44,755.76	64,835.79	57,272.91	75,286.09	66,040.44	82,036.75
External	177.23	244.63	245.20	280.36	303.20	1,040.00	960.00	990.00	900.00	900.00	1,395.00	1,395.00	1,715.00	1,815.00	1,815.00
Domestic	4,869.10	4,234.20	5,701.20	9,257.00	7,569.20	857.60	12,301.28	17,338.45	27,505.44	43,855.76	63,257.79	55,877.91	73,891.09	64,225.44	80,221.75
Net borrowing (gross borrowing minus amortizations)	-12,091.36	11,466.95	31,774.77	35,162.15	97,921.46	430.47	61,865.48	430.47	61,865.48	26,307.15	33,099.75	93,846.47			

AUGUSTINA M. WANAMITHA

 16/12/2024

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**Honourable Commissioner  
Ministry of Finance,  
Adamawa State.**