



Adamawa State EFU-FSP-BPS 2024-2026

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

Economic and Fiscal Update (EFU),

Fiscal Strategy Paper (FSP) and

**Budget Policy Statement
(BPS)**

June 2023



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List of Abbreviations

ACF	Arrears Clearance Framework
ADAS	Adamawa Agric-Business Support Program
ADSG	Adamawa State Government
ASBIR	Adamawa State Board of Internal Revenue
ASBPP	Adamawa State Bureau of Public Procurement
ASPC	Adamawa State Planning Commission
BPS	Budget Policy Statement
BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CIT	Companies Income Tax
CPIA	Country Policy and Institutional Assessment
CRF	Consolidated Revenue Fund
CSO	Civil Society Organizations
DMA	Debt Management Agency
DMS	Debt Management Strategy
DSA	Debt Sustainability Analysis
EFU	Economic and Fiscal Update
EIA	Energy Information Administration
ESP	Economic Sustainability Programme
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FIRS	Federal Inland Revenue Service
FRC	Fiscal Responsibility Commission
FRL	Fiscal Responsibility Law
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
GOE	Government Owned Enterprises
HRM	Human Resource Management
IGR	Internally Generated Revenue

IMF	International Monetary Fund
JTB	Joint Tax Board
MBPD	Million Barrels Per Day
MDA	Ministries, Department and Agencies
MEDA	Ministries, Extra-Ministerial Department and Agencies
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
MYBF	Multi-Year Budgeting Framework
NBS	National Bureau of Statistics
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
OAuG	Office of the Auditor General
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PITA	Personal Income Tax Act
PMS	Premium Motor Spirit (Petrol)
SHoA	State House of Assembly
SME	Small Medium Enterprises
VAT	Value Added Tax
WEO	World Economic Outlook

Executive Summary

The Economic Management Reform Framework is designed to guide annual budgets and planning; Fiscal Framework forms an integral part, setting out the underlying assumptions for revenue projections, proposed expenditure plans and fiscal targets. The Fiscal Framework therefore enables the State Government to *allocate resources based on its identified priorities, control resources and enforce compliance with established spending limits*. This is aimed at achieving a sound budget system with tripartite objectives of aggregate fiscal discipline, allocation efficiency and technical efficiency of spending.

The production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Adamawa State Government (ADSG) for the period 2024-2026.

The purpose of this 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; and
- iii. Provide indicative sector envelopes for the period 2024-2026 which constitute the Budget Policy Statement.

The Economic and Fiscal Update (EFU) provides economic and fiscal analyses which form the basis for budget planning process aimed primarily at policy makers and decision takers in Adamawa State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.

The Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements of the Medium-Term Budget Framework (MTBF) in Medium Term Expenditure Framework (MTEF) to determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective. Adamawa State Government decided to adopt the preparation of the EFU-FSP-BPS for the first time in 2021 as part of the movement towards a comprehensive MTEF process.

This document reviewed the Global and National Macro-Economic factors affecting the inflow of the revenue to the country and Adamawa State in particular. Macroeconomic stability of the country has

suffered a great setback majorly as result of the result of ongoing Russia-Ukraine conflict which has led to slow growth rate, regional disintegration among major global trading partners and blocks, as well as the volatility in global monetary policy and capital flows. Overall, 2023 real GDP growth estimated by the World Bank have been revised to 2.9% from 3.2% projected in June 2022. The downward revision of Nigeria's growth forecast for 2023 was hinged on the persistent fuel and foreign exchange shortages, with the naira depreciating by over 30 percent% in 2022 in the parallel market to further dampen economic activities. According to the IMF forecast, it is expected that Nigeria's economy will expand by 3.2% in 2023. The Federal 2023-2025 MTEF/FSP anticipates 3.75% growth in 2023, falling to 3.30% in 2024 and 3.46% in 2025.

The State's approved revenue for the 2022 budget was N138.87b (including capital receipts). Total revenue generated (including capital receipts) was N96.17b which represented 88.75% of the total approved revenue. The most performing revenue item was Independent Revenue (IGR) with budget of N11.52b and actual of N13.18b representing performance of 114.38% (refer to figure 12 on page 33). This is followed by Statutory Allocation with budget of N93.61b with an actual of N67.28b representing a performance of 71.87% (refer to figure 10 on page 31). Next was Capital Receipts with budget of N58.50b and actual of N29.26b equivalent to performance of 50.02%. The 2022 IGR performance of the State is worth commendation as the State achieved and surpassed its budget target. However, more revenue can be generated with Government harnessing other sources of revenue generation and by placing emphasis on automation and blocking leakages.

The approved figure for both recurrent and capital expenditure was N163.63b for 2022. Capital expenditure accounted for N64.77b while recurrent expenditure was N98.86b representing 40.0% and 60.0% respectively. The total actual capital expenditure in 2022 was N38.00b representing 35.07% of the approved total expenditure. Total actual personnel expenditure was N30.41b representing 80.5% budget performance. Social contribution and benefit were N8.16b representing 89.73%, overhead was N20.88b representing 64.31% performance (refer to figures 17-19 and 22 on pages 38-40, and 43).

Total Projected Revenue (including capital receipts) for 2024, 2025 and 2026 are N225.07, N198.67 and N196.14 respectively (refer to table 9 on page 46). The State IGR collection has been on the average of **N11.51b** annually for the past 3 years, while **N16.47b** is projected for the 2023 fiscal year. Refer to figure 12 and table 9 on pages 33 and 51)

To achieve the desired development from 2024 to 2026 as enshrined in the State Development Plan 2016-2030 and Medium Term Development Plan 2021-2025, fiscal strategies such as macro-economic and fiscal stability, economic diversification, infrastructural development, job creation, social inclusion, improving revenue and managing expenditures are proposed.

The State Government has also taken a giant step to increasing its fund by signing an Agro business bond of N100b covering 4 years (2022-2025) to be drawn in equal tranches of N25b annually. The first tranche collected in 2022 has been used to liquidate the outstanding loans to the tune of about N12 billion. The bond is also being utilized to finance the government's Adamawa Agric-Business Support Program (ADAS), refinance existing loans, reduce the backlog of arrears of pensions to make the State PENCON compliant and to boost the State's IGR. Adamawa State Government is also advised to lay emphasis on exploring the solid minerals sector and again key into Development through Public Private Partnership (PPP) and Donor Partners' interventions in implementing targeted projects to States.

In relation to Adamawa State Economy, the State enjoys relatively good GDP performance. The GDP of the state was estimated to be ₦2.66 trillion in 2021, making it the 18th largest economy among the 36 states of Nigeria and the largest in the North-East region. Agriculture is the major driver of Adamawa State economy with the predominance of subsistence and non-mechanized agriculture; therefore the growth of the State's economy is predicated on increased transformation of the agricultural value chain (large scale agricultural production and agro-based industrial production).

Although the trend of IGR in the State over the years has been varied, the present administration has demonstrated strong determination to change the prevailing situation of the State's IGR. Between 2018 and 2019, IGR grew by 46.73% from N6.61b to N9.70b. However, the 2020 pandemic was responsible for the decline of IGR by 17.65% in 2020 to N7.99. Thereafter, IGR recovered and grew by 62.82% and 1.26% with N13.01b and N13.18b in 2021 and 2022, respectively (see figure 12 on page 33). The consolidated debt and contingent liabilities of the State were analysed. These include total debt stock, debt service, sustainability nature and fiscal implementation of contingent liabilities of the state. Consequently, the solvency ratio (total public debt to total recurrent revenue) of 226.87% as at 31st December 2022 is above the prescribed threshold of 150%, while the State total external debt to gross FAAC of 75.48% is favourable and within the 150% threshold. The liquidity ratio of 13.11% (against its threshold of 40%), which is used in measuring the State's ability to meet its debt service obligations is also very much favourable, while domestic debt service to IGR stands at 114.51% far exceeds the threshold of 15% and requires urgent attention (refer to table 7 page 48).

Fiscal risks that may affect the success of the State's plan were examined. These include inflow from federal allocations, natural disasters like floods, security matters like insurgency, farmers' herder's crisis, fire outbreak, diseases etc. The volatility in the price and production of crude oil are the major reasons for fluctuations in revenue that comes to the State from the federation account. This puts more pressure on the State coffers, which affects debt services and other monthly obligations of the State.

It is worthy to note the highly commendable efforts of USAID State2State Activity towards the production of this document by way of the extensive capacity building accorded the MTEF Technical team.

Also commended is the commitment and professional competence exhibited by the representatives of the relevant MDAs that put this document together.

1 Introduction and Background

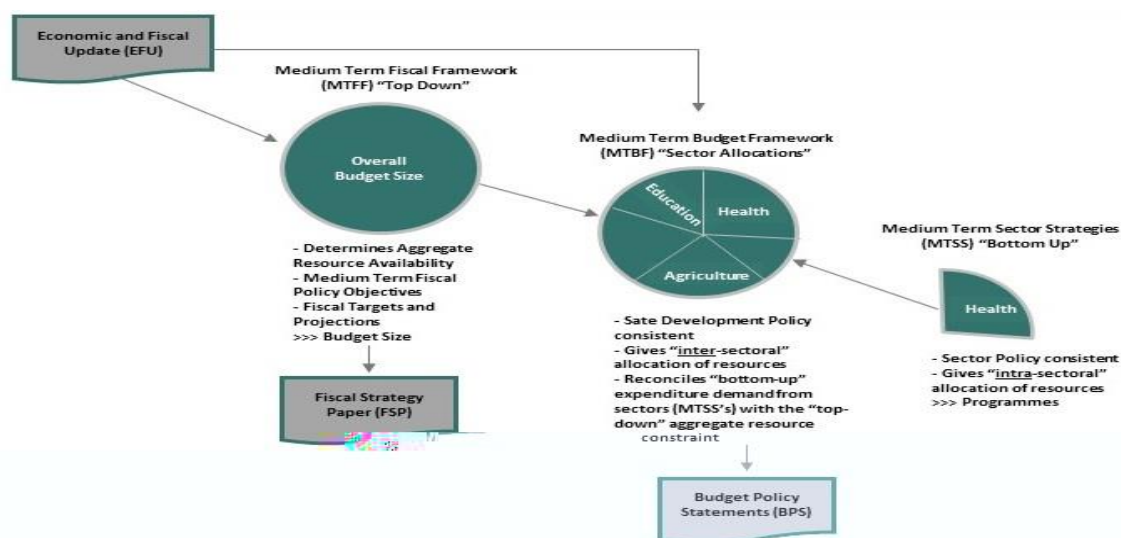
1.A Introduction

1. The Economic and Fiscal Update (EFU) provides economic and fiscal analyses which form the basis for budget planning process. It is aimed primarily at policy makers and decision takers in Adamawa State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.
2. On the other hand, Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process, and as such, they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.
3. Adamawa State Government decided to adopt the preparation of the EFU-FSP-BPS for the first time in 2021 as part of the movement toward a comprehensive MTEF process. This is the fourth iteration of the document and covers the period 2024 -2026.

1.A.1 Budget Process

4. The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:
 - i. Medium Term Fiscal Framework (MTFF);
 - ii. Medium Term Budget Framework (MTBF);
 - iii. Medium Term Sector Strategies (MTSS).
5. It commences with the conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year's budget.
6. The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

7. In accordance with international best practice in budgeting, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Adamawa State Government (ADSG) for the period 2024-2026.
8. 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 MTF; and
 - iii. Provide indicative sector envelopes for the period 2024-2026 which constitute the Budget Policy Statement.
9. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis to inform the budget planning process. It is aimed primarily at budget policy makers and decision takers in Adamawa State Government. The 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; and
 - Trends in budget performance over the last six years.
10. The FSP is a key element in the ADSG 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.

1.A.3 Preparation and Audience

11. The purpose of this document is to provide an informed basis for the 2024-2026 budget preparation cycle for all the key Stakeholders, specifically:
 - State House of Assembly (SHoA);
 - Executive Council (ExCo);
 - Adamawa State Planning Commission;
 - Ministry of Finance
 - Ministry of Budget and Economic Planning
 - All Government Ministries, Departments and Agencies (MDAs); and
 - Civil Society Organizations (CSOs).

12. The document is prepared within the first two quarters of the year prior to the annual budget preparation period. It is prepared by Adamawa State Government (EFU-FSP-BPS) Working Group using data collected from International, National and State organisations.

1.B Background

1.B.1 Legislative and Institutional arrangement for Public Financial Management (PFM)¹

13. Legislative Framework for PFM in Adamawa State –The Constitution of the Federal Republic of Nigeria 1999 (as amended). The Constitution is the overarching law that governs the conduct of public financial management in the whole country, including Adamawa State. Every other law flow from the Constitution, and any law made by any government that conflicts with provision of the Constitution shall be voided on the grounds of the conflict or the extent of the conflict with the Constitution. Specifically, Sections 120 to 129 provide for the power and control over public funds of the State including budget, expenditure and auditing of public funds; while sections 162 to 168 make provision for the determination and administration of public revenues of the Federation, and each tier of government.

- **The Adamawa State Public Finances (Control and Management) Law 2016**, amongst other things, provides for the institutional and procedural mechanisms for the control and management of public finance, public funds, estimate of revenue and expenditure, loans, guarantees and grants, accounting, and reporting, as well as the control of the finances of State enterprises. It also has general provisions on the management of state properties, and penalties and surcharges for the infraction of the law. The 2016 law replaces the Public Finances (Control and Management) Law 1983 of Adamawa State, which replaced their pre-independent precursor law - The Finance (Control and Management) Act 1958 - that was generally applicable to Nigeria government and inherited by states. Adamawa State has made good progress with the enactment of PFM laws such as the Adamawa State Debt Management Agency Law 2011 Fiscal Responsibility Commission (Amendment) Law 2021, and Public Procurement (Amendment) Law 2020, which adequately provide for the management of public finances in the state. These laws are the basis for the state's financial regulations.
- **The Financial Regulations of the Federal Government of Nigeria 2009**. Adamawa State uses the Federal Government's Financial Regulations 2009. The Financial Regulations is based on the Adamawa State Public Finances (Control and Management) Law 2016 and provides detailed guidelines and procedures for handling the financial dealings of the state

¹ Based on 2021 PFM Assessment for Adamawa State

including treatment of revenues and expenditure transactions, recording, control, audit and reporting of public revenues and expenditure. The Financial Regulations is meant to be followed strictly by officers controlling and administering votes in government, including heads of MDAs, accounting officers, accountants, and those providing oversight on the use of public funds, such as internal auditors, external auditors and the public accounts committee of the state house of assembly.

- **The Adamawa State Fiscal Responsibility Commission (Repeal and Re-enactment) Law No 13 of 2021**, which repeals and re-enacts the Adamawa FRCL 2018, is modeled after the Federal Fiscal Responsibility Act 2007. The law, which provides for the prudent, sustainable, transparent, and accountable management of the financial resources of the State, also has jurisdiction over local governments. The law establishes the Adamawa State Fiscal Responsibility Commission and a Governing Board that should provide general policy guidelines for administration of the law. The Adamawa State FRCL under Part III section 18 provides for the preparation of Medium-Term Expenditure Framework while Part IV sections 20 and 20 provide for the preparation of the Annual Budget accompanied by the Medium-Term Expenditure Framework.

- **Adamawa State Public Procurement Bureau Law 2020** amends and replaces the Adamawa State Public Procurement Law, 2013. The law establishes the Adamawa State Board on Public Procurement and the Bureau of Public Procurement as the regulatory authorities responsible for the monitoring and oversight of public procurement, harmonizing the existing government policies and practices, liaising with federal counterpart bodies by regulating, setting standards and developing the legal framework and professional capacity for public procurement in Adamawa State and for related matters.

Section 20 of the Law provides that a procuring entity shall plan its procurement and integrate its procurement expenditure into its yearly budget. Each procuring entity is also required to establish a Procurement Planning Committee (section 23). All public procurement should be conducted based only on procurement plans supported by prior budgetary appropriations (section 18(b)).

- **Adamawa State Revenue Administration Law No 12 of 2020** is the substantive revenue administration law of the State. It updates the Adamawa State Board of Internal Revenue Law, 2007. The Tax Administration Law of 2020, which was deemed to have taken effect from January 1, 2019, establishes the Adamawa State Internal Revenue Service and the Governing Board (i.e., the Board of Internal Revenue). It makes provision for the administration and collection of revenues due to the Adamawa State

Government and Local Government Councils and establishes the relevant administrative structures for the enforcement of the law.

- **The Adamawa State Debt Management Agency Law No 2 of 2011** which came into effect on March 7, 2011, provides for the establishment of the Adamawa State Debt Management Agency and its functions, as well as the debt management committee. It also provides guidelines for external borrowing, execution of external loan agreements, conditions for approval of loans, determination of the state's debt profile or debt stock, terms and conditions for loans and government guarantees. The law is to be implemented alongside other PFM laws such as the Fiscal Responsibility Law, and the Public Finances (Control and Management) Law.
- **The Adamawa State Audit (Amendment) Law No 7 of 2021** - Adamawa State is among the very few states in Nigeria that has a modern audit law. This law provides for the office of the State Auditor General, its powers, and functions. The law also provides for the establishment of the State Audit Commission, which has responsibility for the appointment, promotion, dismissal, and exercise of disciplinary control over staff of the Commission and the Office of the Auditor General. The provisions of the law, if fully implemented, seek to guarantee the financial and operational autonomy of the Office of the Auditor General, which can strengthen its independence.
- **Adamawa State Local Government Audit (Amendment) Law No 8 of 2021** - The Adamawa State Local Government Audit Law establishes the Office of the Auditor General for Local Governments, its structure, functions, powers, and funding. The law also prescribes the audit process to be followed by the Auditor General Local Governments in the conduct of audits at the local government councils, and its relationship with the public accounts committee of the state house of assembly.
- **Occasional treasury circulars.** The Adamawa State Ministry of Finance and Budget, Office of the Accountant General or the State Executive Council may issue from time to time, when it becomes necessary, additional policies, rules, and procedures to guide the conduct of public financial management in the state.

14. **Institutional Framework for PFM in Adamawa state** - The Constitution vests executive powers of the state in the Governor. The Constitution provides that "the Governor shall cause to be prepared and laid before the House of Assembly at any time before the commencement of each financial year, estimates of the revenues and expenditure of the State for the next

following financial year”². The Governor of Adamawa State exercises his executive powers either directly or through the Deputy Governor, the Commissioners, Special Advisers, Permanent Secretaries, and other officers in the public service of the State.

15. Specifically, Adamawa State Executive Council (EXCO) formulates the policies of the State Government and considers and recommends the state budget to the House of Assembly. On passage, the Governor signs the appropriation bill into law.
16. Adamawa State Government’s public administration is conducted through 106 ministries, departments, and agencies (MDAs); including 24 ministries, each with a commissioner. The key PFM institutions in Adamawa State are as presented below:
 - **Ministry of Finance** is responsible for the management of the state’s economy, financial management policy, borrowing, investment, loans, and advances, banking and treasury, boards of survey and boards of enquiry, etc. The Ministry has three important semi-autonomous agencies, namely the Office of the Accountant General for the State, the Board of Internal Revenues and Debt Management Agency.
 - **Ministry of Budget and Economic Planning** to be the primary Agency of the Government that facilitate efficient and effective mobilization, Planning, allocation and utilization of resources for socio-economic transformation of Adamawa State with the mission of ensuring a continuous and dynamic socio-economic policies through prudent and equitable resource management in the State. The Ministry is responsible for the economic planning and budgeting function of the Adamawa State Government. It coordinates, guides, and advises the MDAs on state development policy thrust and fiscal measures that the state adopts in the preparation of annual estimates, medium-term expenditure and revenue frameworks, as well as the fiscal strategy paper.
 - **Adamawa State Planning Commission (ASPC)** It monitors the execution of the State’s budget and coordinates the development of activities by international and local development partners in the State.
 - **The Office of the Accountant General (OAG)** is the treasury of the State Government; and chiefly responsible for the accounting, recording and reporting functions of the state government. It maintains the State’s accounting policies and procedures; manages the state’s revenue and expenditures across all the MDAs; deploys and supervises all accounting officers across the MDAs; and produces the in-year and year-end financial reports of the State.

² Section 121 (1) of Constitution of Federal Republic of Nigeria 1999 as amended

- **Adamawa State Board of Internal Revenue (ASBIR)** established by the Adamawa State Board of Internal Revenue Law 2007; and the Adamawa State Revenue Administration Law 2020. The Revenue Service is governed by a Board, and is responsible for the collection, control, administration, and accounting for all tax and non-tax revenues of the Adamawa State government. The Executive Chairman of the Service heads the Governing Board for the Service. The Board is the policy-making body for the Service and ensures that the Service performs its functions appropriately. The Board is a member of and participates in the formulation and execution of Joint Tax Board (JTB) policies on taxation, stamp duties and motor vehicle licensing.
- **Adamawa State Debt Management Agency (ASDMA)** is established by the Adamawa State Debt Management Agency Law No. 2 of 2011, and responsible for the management of the State and Local Government debts including leading on State debt strategy, debt sustainable analysis, maintenance of the domestic and external debt records of the state and advising the state government on debt matters. The Agency is supervised by a Debt Management Committee comprising the State Deputy Governor (as Chairman) and the Director Debt Management Agency as Secretary. Other members of the Committee are the Commissioner for Finance (as Vice Chairman), Commissioner for Local Government and Chieftaincy Affairs, State Attorney General, Chairman Planning Commission, Accountant General, and Special Adviser to the Governor on Budget and Economic Planning.
- **Adamawa State Bureau of Public Procurement (ADSPPP).** The Adamawa State Bureau of Public Procurement was established by the Adamawa State Public Procurement Law 2013, as amended in 2020. The Bureau is the central agency that provides guidance to all MDAs on matters concerning procurement in the state. It sets the guidelines and supervises the procurement processes of the MDAs. The procurement agency maintains the record of procurement across government and ensures that there is transparency and due process in the State's procurement management. The Bureau is governed by a Board responsible for its policy formulation and supervision headed by a Chairman and the Secretary of the Bureau as Secretary of the Board. The membership of the Board includes the Director General of the Bureau, representatives of some MDAs, relevant professional bodies, private sector, and civil society.
- **Office of the State Auditor General.** The Adamawa State Office of the Auditor General is a creation of the Audit Law Cap 58 of 1958 repealed and replaced by the Adamawa State Audit Law 2016. The Office is the supreme audit institution of the state, and is headed by the State Auditor General, who is a constitutionally designated officer. The Office provides a central accountability function in the Adamawa State Government including statutory

and continuous audits of the State Government; and supervises the audits of the non-ministerial and government owned enterprises. Unlike in most other Nigerian states, the Adamawa State office of the Auditor General is responsible for formulating and maintaining the internal controls and internal audits in all the state's MDAs. This practice conflicts with the provisions of the Adamawa State Finance (Control and Management) Law 2016, which stipulates in its section 17 (1 & 2) that "there shall be an Internal Audit Department under the Accountant-General" which should "coordinate, facilitate and provide quality assurance for internal audit activities within internal audit units in Government Ministries, Departments, Agencies and Local Governments bodies."

- **The Adamawa State Office of the Auditor General Local Governments** is a State government agency established by the Adamawa State Local Government Audit Law, 2017. It is headed by the Auditor General for Local Governments, who is appointed by the Governor subject to the confirmation by the State House of Assembly. The Office provides statutory audits to all the 21 LGAs of Adamawa State. It regulates and ensures compliance with rules and regulations in local government financial management, as contained in the Financial Memorandum for Local Governments, and other extant circulars.
- **Adamawa State Fiscal Responsibility Commission (AFRC)** was established under the Adamawa State Fiscal Responsibility Law of 2013, which was repealed and re-enacted as the Adamawa State Fiscal Responsibility (Repeal and Reenactment) Law, 2018. The Commission is responsible for enforcement of the Fiscal Responsibility Law to promote prudent, sustainable, transparent, and accountable management of the financial resources of the State towards achieving the economic and fiscal objectives of the State. It is to work with all MDAs to achieve greater efficiency in the allocation and management of public expenditure, revenue collection, debt control, and transparency in fiscal matters. The Adamawa State Fiscal Responsibility Commission has a Board, whose Chairman is the Chief Executive and accounting officer of the Commission. There are other part-time members of the Commission cutting across Organized Private Sector, Organized Labor, Civil Society, representatives from each senatorial district of the State, representatives of the central public financial management agencies.

1.B.2 Overview of Budget Calendar

17. **Indicative Budget Calendar for Adamawa State Government is presented below:** The Key players in the budget planning and preparation process are the Ministries, Departments and Agencies (MDAs), the State Executive Council, State House of Assembly and Civil Society Groups. The State Ministry of Budget and Economic Planning coordinates and provides oversight and direction. Good practice requires an integrated top-down and bottom-up budgeting process, involving all parties in an orderly and timely manner. Each stage of the budget planning and preparation process must be performed in a particular manner and within a fixed timeline for the appropriation bill to be approved by State House of Assembly before the start of the financial year. Delays in approving the appropriation bill may create uncertainty about the level of approved expenditures and delays in some government activities, including implementation of major programs and projects.

Figure 2: Overview of the Reviewed Budget Calendar

S/N	Budget Activity	Months												Start	End Date	Responsibility	Output	
		J	F	M	A	M	J	J	A	S	O	N	D					J
Budget Planning and Preparations																		
1.	Sector Performance Review (Previous Year's Budget Performance Report)														January	June	Planning Commission, Ministry of Budget and Economic Planning, Accountant General	Sector Performance Review
2.	Preparation of Q1, Q2, Q3, and Q4 Budget performance Report															28 th April, 28 th July 28 th October ,28 th January	Planning Commission, Ministry of Finance, Ministry of Budget and Economic Planning, Accountant General and State Internal Revenue Service.	Q1, Q2, Q3, and Q4 Budget performance Report
3.	Preparation of Economic and Fiscal Update- Fiscal Strategy Paper- Budget Policy Statement (EFU-FSP-BPS) MTEF														April	July	Planning Commission, Min. of Budget and Economic Planning, Accountant General Office, Board of Internal Revenue, Debt Mgt Fiscal Responsibility Com. SHoA,	Draft EFU-FSP-BPS Document

																		Auditor General Office	
8.	Develop/Update Medium Term Sector Strategy (MTSS)													August	September			MDAs/ Sector Teams coordinated by Planning Commission, Min. of Finance, Ministry of Budget and Economic Planning, Accountant General Office, Board of Internal Revenue, Fiscal Responsibility Com. SHoA	MTSSs
9.	Issue Call Circular													April	July			Ministry of Budget & Economic Planning and Board of Internal Revenue	Call Circular Document
10.	Citizen Engagement													April	June			Ministry of Budget and Economic Planning, Min. of Finance, Other MDAs, and CSOs	Communities Needs/Projects
11.	Preparation and Submission by MDAs of 1 st draft Budget (incorporating update MTSS Budgets)														August			Ministry of Budget and Economic Planning, Min. of Finance, Board of Internal Revenue	Budget Submission
12.	Pre Treasury Board Meeting														September			Min. of Finance, Ministry of Budget and Economic Planning, Board of	1 st budget draft

2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

18. The International Monetary Fund's (IMF's) April 2023 World Economic Outlook (WEO) reported a highly uncertain trend in the performance of the global economy following the cumulative effects of the COVID-19 pandemic in 2020 and 2021, and Russia's invasion of Ukraine in 2022. The effects of these factors were worsened by a constrained demand globally, lingering supply disruptions, and commodity price spikes, resulting in inflation, reaching multidecade highs in 2022 in many economies, leading central banks to tighten monetary policies aggressively to bring it back toward their targets and keep inflation expectations anchored.
19. Global inflation has been pushed higher by demand pressures, including those from the lagged effects of earlier policy support, and supply shocks, including disruptions to both global supply chains and the availability of key commodities occasioned by COVID-19 and Russia-Ukraine war. Most commodity prices have eased, to varying degrees, largely due to the slowdown in global growth and ongoing concerns about the possibility of a global recession.
20. In some countries, inflation has also been spurred by large currency depreciations relative to the U.S. dollar, as well as tight labour market conditions. Although inflation is likely to gradually moderate over the course of the year, there are signs that underlying inflation pressures could become more persistent. In response, central banks around the world have been tightening monetary policies faster than previously expected, interest rate hikes and liquidity tightening measures aimed to balance inflation containment and economic stability have increased, particularly in emerging economies.
21. While this tightening is necessary for price stability, it has contributed to worsening the global financial conditions, which is exerting a substantial drag on economic activities. This drag is set to deepen given the lags between changes in monetary policy and its economic impacts, and the fact that real rates are expected to continue to increase. Similarly, asset prices have been in broad decline, investment growth has weakened substantially, and housing markets in many countries are worsening rapidly.
22. Financial conditions were also worsened with the unexpected failures of two specialized regional banks in the United States in mid-March 2023 and the collapse of confidence in Credit Suisse (a globally significant bank), bank depositors and investors are re-evaluating the safety of their holdings and shifting away from institutions and investments perceived as vulnerable; this will result to lower lending if depositors continue to perceive their holdings as vulnerable.

The war in Ukraine and geopolitical tensions have also had a significant impact on regional economies, trade relationships, and investor sentiments.

23. As economies continue to recover from the COVID-19 pandemic, global oil demand is rebounding, and oil price remains high due to the Russian-Ukraine War. However, the pace and sustainability of this recovery remain contingent upon factors such as global economic growth, energy transition policies, and the adoption of clean energy alternatives. Also, technological advancements, such as shale oil extraction, have contributed to increase in non-OPEC supply, impacting global oil market dynamics. The increasing focus on reducing greenhouse gas emissions and transitioning to cleaner energy sources as well as evolving environmental regulations, such as carbon pricing mechanisms and stricter emission standards contribute to shaping the future landscape of the global oil industry. The IMF projects oil price to fall by 24% in 2023 and further by 5.8% in 2024.
24. The continued Russian-Ukraine war, escalation of sanctions on Russia, the emergence of the Omicron variant of Covid-19 in late 2021 and the recent emergence of the XBB.1.5 Omicron sub-variant in January 2023, have led to renewed uncertainties and potential disruptions in global economic activities and made this forecast considerably uncertain. Vaccination efforts and containment measures continue to play crucial roles in managing the impact of the pandemic on the global economy. The Russia invasion of Ukraine has contributed to economic fragmentation as a significant number of countries sever commercial ties with Russia and risks derailing the post-pandemic recovery. It also threatens the rule-based frameworks that have facilitated greater global economic integration and helped lift millions out of poverty.
25. Global growth is expected to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Global trade is gradually recovering, but risks persist due to geopolitical tensions and supply chain disruptions. Foreign direct investment (FDI) flows have shown resilience, with developing economies attracting a significant share of FDI inflows. However, FDI levels remain below pre-pandemic levels.
26. Global headline inflation is set to fall from 8.7 percent in 2022 to 7.0 percent in 2023 on the back of lower commodity prices but underlying (core) inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases, shockwaves emanating from the Russian invasion of Ukraine, especially in energy and other commodity markets is still making market confidence unstable.
27. The demand for agricultural commodities is expected to increase and affect the price dynamics; rising population, changing dietary patterns, and growing middle-class populations in emerging economies coupled with uncertain weather condition and potential supply constraints will influence inflation rate in the medium term.

28. The increases in real interest rates due to inflationary pressure are likely to be temporary. The central banks of advanced economies are projected to ease monetary policy and bring real interest rates back toward pre-pandemic levels when inflation is brought back under control. Emerging markets, particularly the large ones are expected to gradually converge towards advanced economies' real interest rates as productivity increases.
29. Global unemployment rate is expected to vary across regions. The IMF projects the unemployment rate in advanced economies to decline to 5.0% in 2023, while emerging market and developing economies are expected to have an unemployment rate of around 6.3% in the same year. The degree of labour market flexibility, particularly cross-country labour and migration regulations will influence global employment levels in the coming years.
30. Public and private debt levels have increased globally, driven by pandemic-related spending and economic support measures. Global public debt is projected to reach around 107% of GDP in 2023 according to IMF.
31. As economies recover from the pandemic, global oil demand is expected to continue its rebound. However, the pace and sustainability of this recovery remain contingent upon factors such as global economic growth, energy transition policies, and the adoption rate of clean energy alternatives are earlier outlined.
32. The economic outlook (GDP growth rate and inflation rate) of selected countries is shown in Tables 3 and 4 below.
33. Countries selected are chosen to represent G20, BRINCS, MINT, N-11, Petro-economies, and other large African countries.

Table 2: Real GDP Growth – Selected Countries.

Table 2: Real GDP Growth - Selected Countries									
Country	Actual					Forecast			
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Mexico	2.2	-0.2	-8.2	4.8	3.1	1.8	1.6	1.9	1.8
Indonesia	5.2	5.0	-2.1	3.7	5.3	5.0	5.1	5.0	5.0
Türkiye	3.0	0.9	1.8	11.0	5.6	2.7	3.6	3.0	3.0
United States	2.9	2.3	-3.4	5.7	2.1	1.6	1.1	1.8	2.1
Germany	1.1	1.1	-4.6	2.8	1.8	-0.1	1.1	2.0	1.8
United Kingdom	1.7	1.7	-9.3	7.4	4.0	-0.3	1.0	2.2	2.0
China	6.8	6.0	2.2	8.1	3.0	5.2	4.5	4.1	4.0
Ghana	6.2	6.5	0.4	4.2	3.2	1.6	2.9	4.8	5.0
South Africa	1.5	0.1	-6.4	4.9	2.0	0.1	1.8	1.6	1.4
Brazil	1.8	1.2	-3.9	4.6	2.9	0.9	1.5	1.9	2.0
Angola	-2.0	-0.7	-5.6	0.7	2.8	3.5	3.7	4.0	4.1
Nigeria	1.9	2.2	-1.8	3.6	3.3	3.2	3.0	3.0	3.0

Source: IMF's World Economic Outlook, April 2023

Table 3: Inflation (CPI) – Selected Countries

Table 3: Inflation (CPI) - Selected Countries									
Country	Actual					Forecast			
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Mexico	4.9	3.6	3.4	5.7	7.9	6.3	3.9	3.3	3.1
Indonesia	3.3	2.8	2.0	1.6	4.2	4.4	3.0	2.7	2.6
Türkiye	16.3	15.2	12.3	19.6	72.3	50.6	35.2	24.9	20.0
United States	2.4	1.8	1.3	4.7	8.0	4.5	2.3	2.1	2.0
Germany	1.9	1.4	0.4	3.2	8.7	6.2	3.1	2.3	2.1
United Kingdom	2.5	1.8	0.9	2.6	9.1	6.8	3.0	1.8	2.0
China	1.9	2.9	2.5	0.9	1.9	2.0	2.2	2.2	2.2
Ghana	9.8	7.1	9.9	10.0	31.9	45.4	22.2	11.5	8.0
South Africa	4.6	4.1	3.3	4.6	6.9	5.8	4.8	4.5	4.5
Brazil	3.7	3.7	3.2	8.3	9.3	5.0	4.8	3.0	3.0
Angola	19.6	17.1	22.3	25.8	21.4	11.7	10.8	9.4	9.3
Nigeria	12.1	11.4	13.2	17.0	18.8	20.1	15.8	14.7	14.5

Source: IMF's World Economic Outlook, April 2023

2.A.1 Africa

34. The 2023 Africa's Macro-Economic Performance and Outlook of the African Development Bank reported that the estimated average growth of real GDP in Africa slowed to 3.8% in 2022 from 4.8% in 2021 as a result of the significant challenges faced by African economy following the Covid-19 shock and Russia's invasion of Ukraine. Despite the economic slowdown, 53 of Africa's 54 countries posted a positive growth rate. All the five regions of the continent remain resilient with a steady outlook for the medium-term.
35. Growth varied widely across countries and regions in 2022. Central Africa was reported to grow the fastest by 4.7%, up from 3.6% in 2021, Southern Africa growth decelerated the most, to about 2.5% in 2022 from 4.3% in 2021. West Africa growth slowed to 3.6% in 2022 from 4.4% in 2021, this reflects decelerations in Côte d'Ivoire and Nigeria, the region's two largest economies. North Africa growth is reported to have declined by 1.1 percentage points to 4.3% in 2022 from 5.4% in 2021 because of sharp contraction in Libya and the drought in Morocco. East Africa growth moderated to 4.2% in 2022 from 5.1% in 2021.
36. Inflation increased by 0.9 percentage point, to 13.8 percent in 2022 from 12.9 percent in 2021 (a slight revision from the estimated 13 percent in African Economic Outlook 2022), the highest rate in more than a decade. Africa's persistently high inflation reflects domestic factors such as expansionary public investment spending and, more important, the direct effect of imported inflation, driven mainly by external factors such as rising oil and food prices, exacerbated by supply chain disruptions. Inflation surpassed central bank's target rates for countries with explicitly defined bands, reaching double digits in 19 countries, with the highest rates in Zimbabwe, Sudan, and Ethiopia.

37. Many African currencies depreciated in 2022, especially in commodity-exporting countries and more globally integrated economies, like Algeria, Kenya, Nigeria, and South Africa. The currency against the dollar lost substantial value due to monetary policy tightening in the United States, weak investment flows and weak external demand amongst other factors. The depreciation rates ranged from 21% in Malawi to 69% in South Sudan.
38. The fiscal positions of African countries' have been stretched by Covid-19 policy responses and support for vulnerable populations against rising food and energy prices amid high debt and the impacts of climate change. These, coupled with Russian invasion of Ukraine, pushed price stability beyond most central banks' grasp and led to higher borrowing costs for sub-Saharan African countries as well as placed greater pressure on exchange rates.
39. The average fiscal deficit in Africa is estimated to have narrowed to 4.4 percent of GDP in 2022 from 5.2 percent in 2021 in the wake of fiscal strain induced by the COVID-19 pandemic. The average fiscal deficit increased sharply from 4.1 percent of GDP in 2019 to 6.9 percent in 2020, due to the fiscal stimulus measures that countries deployed to mitigate the pandemic's impact. The deficit narrowed in 2022 on improved revenue performance, especially in oil-exporting countries. Most net oil exporters posted surpluses, which partially offset Nigeria's sustained elevated fiscal deficit (5.3 percent of GDP in 2022) on the average for the group. Countries with fiscal surpluses include Angola, Chad, Congo, Equatorial Guinea, Gabon, and Libya, bringing the average deficit for the group to an estimated 3.6 percent of GDP in 2022, down from 4.8 percent in 2021.
40. The African Development Bank projected Africa to outperform the rest of the world in economic growth over the next two years, with real gross domestic product (GDP) averaging around 4% in 2023 and 2024. Africa's pre-Covid-19 top five performing economies are projected to grow by more than 5.5% on average in 2023-2024 and to reclaim their position among the world's 10 fastest-growing economies. These countries are Rwanda (7.9%), Côte d'Ivoire (7.1%), Benin (6.4%), Ethiopia (6.0%), and Tanzania (5.6%). Other African countries are projected to grow by more than 5.5% in the 2023-24 period. They are the Democratic Republic of Congo (6.8%), The Gambia (6.4%), Mozambique (6.5%), Niger (9.6%), Senegal (9.4%), and Togo (6.3%).
41. Sovereign external debt is projected to remain high, with lingering vulnerabilities, it declined marginally to 67% of GDP in 2022 from 68% in 2021. This ratio remains higher than the 61% of GDP in 2019, before the COVID-19 pandemic, but it is projected to stabilize at around 65% in 2023 and 2024. The stability in the debt ratio is, however, subject to great uncertainty due to growing financing needs associated with rising food and energy import bills, high debt service cost due to exchange rate depreciations, and rollover risks.

42. Debt vulnerabilities are likely to linger as countries continue to grapple with the economic shocks from the COVID-19 pandemic and Russia's invasion of Ukraine. At the end of September 2022, 23 African countries were either in debt distress (8 countries) or at high risk of debt distress (15 countries), up from 20 in 2020. Debt vulnerabilities in many of Africa's debt-distressed economies preceded the pandemic. Strikingly, these vulnerabilities have increased over time and since 2020 have been exacerbated by pandemic-related effects. These vulnerabilities have been on the increase since 2016, with more countries progressively sliding into debt distress or high risk of debt distress. The high debt burden, coupled with weak revenue performance, limits public sector investment capacity in Africa. Thus, restoring debt sustainability could expand fiscal space but will require debt reprofiling or an outright restructuring for some countries.
43. African Economic outlook is rigged with uncertainty due to the current soaring food and energy prices, tightening global financial conditions as inflationary pressures rise, and the associated increase in domestic debt service costs that continues to heighten the debt vulnerabilities of African countries. Climate change with its damaging impact on domestic food supply and the potential risk of policy reversal in countries holding elections in 2023 equally pose significant threats to this forecast.
44. Other downside factors to this forecast include the effect of the Russia–Ukraine conflict and related sanctions on Russia, and other socio-political and security issues. Overall, external position is expected to marginally improve, but uncertainty remains with increased food and energy prices weighing on commodity importers
45. Upside factors include enhancing resilience by boosting intra-Africa trade, especially in manufacturing products, to cushion economies from volatile commodity prices; accelerating structural reforms to build tax administration capacity and investments in digitalization and e-governance to enhance transparency; reducing illicit financial flows, and scaling up domestic resource mobilization; improving institutional governance and enacting policies that can leverage the private sector financing, especially in climate-proof and pandemic-proof greenfield projects; and mobilizing Africa's resources for inclusive and sustainable development. Sustainable growth will also require taking decisive action to reduce structural budget deficits and the accumulation of public debt in countries facing a high risk of debt distress or already in debt distress.

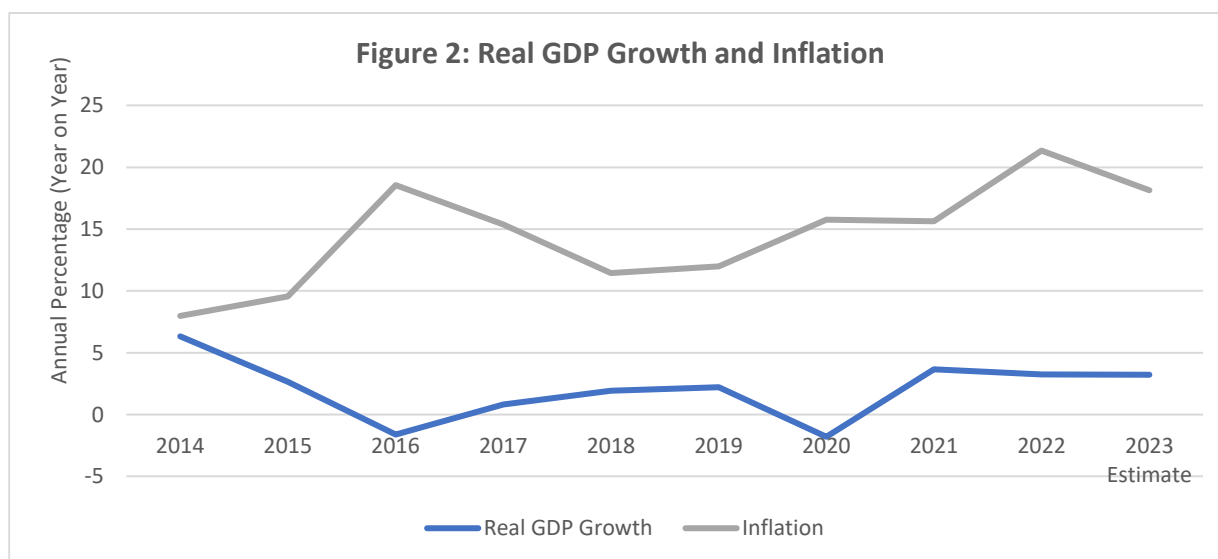
2.A.2 Nigerian Economy³

46. The effect of global economic integration has significant effect on Nigerian economy with positive and negative developments in parts of the globe having varying degrees of impact in the Nigerian economy. The shocks of higher commodity prices due to the ongoing Russia–Ukraine conflict which has led to slow growth rate, regional disintegration among major global trading partners and blocks as well as the volatility in global monetary policy and capital flows are having implications on Nigeria. These have resulted in distributional and financial shocks, arising particularly from Nigeria’s huge dependence on crude oil revenue.
47. The negative effect of oil price since mid-year 2014 and the volatility in oil production has continued to expose the Nigerian economy to both domestic and external vulnerabilities. Decline in oil exports even with increase in OPEC output quota for Nigeria further reinforced the oil price effects, a reversal of the current account surplus as well as pressures on the foreign reserves and the exchange rate. It is noteworthy that Nigeria has struggled to meet its oil production targets due to operational challenges and insecurity amid growing crude oil theft and pipeline vandalism.
48. To accommodate the pressures on reserves, Nigeria’s foreign exchange policy has been revised continually. This has generated some pass-through effects on the volume of trade and led to rising inflation, especially given the nature of the exchange rate changes and access restrictions. A flexible exchange rate policy has been instituted to stimulate trade and foreign investment in the economy, but its effect is yet to be felt in 2023.
49. Real GDP - Nigeria’s economy entered a recession in 2020, with the real GDP contracting by 1.8%, reversing three years of recovery from 2017 to 2020. This downturn resulted from the fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. However, in the fourth quarter of 2020, the Nigerian economy expanded by 0.11%; exiting one of its worst recessions, having posted a decline of 6.1% and 3.6% in 2020 Q2 and 2020 Q3, respectively. Data from the NBS as of May 25, 2023, reveals that the real GDP growth YoY from March 2011 to March 2023 shows an average real growth rate of 2.7% and a nominal growth rate of 3.1%. Note that the data reached an all-time high of 6.9 % in March 2011 and a record low of -6.1 % in June 2020.
50. Nigeria's economy advanced at a slower rate of 2.3% in the first quarter of 2023, compared to the 3.5% rise in the previous three-month period and below market expectations of a 3% growth. This marked the 10th consecutive quarter of growth, although the expansion was

³ Sources: IMF WEO, April 2023, NBS Reports, CBN Reports, NNPC Reports, OPEC Reports and US Energy Information Administration Reports.

considerably weaker compared to the prior period, partly attributed to the adverse impacts of the cash crunch experienced throughout the first quarter. Despite a deceleration in growth, the non-oil sector continued to be the main catalyst of the country's economic expansion, boosted by services.

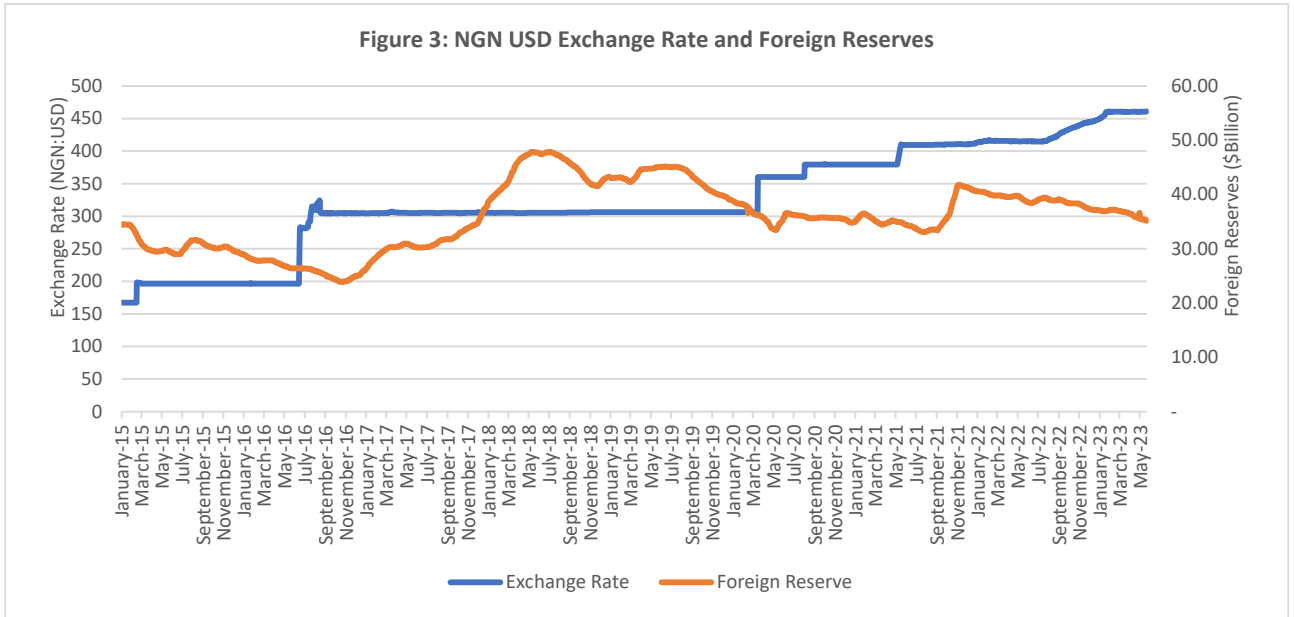
51. Overall, 2023 real GDP growth estimated by the World Bank have been revised to 2.9% from 3.2% projected in June 2022. The downward revision of Nigeria's growth forecast for 2023 was hinged on the persistent fuel and foreign exchange shortages, with the naira depreciating by over 30% in 2022 in the parallel market and further dampen economic activities.
52. According to the IMF forecast, it is expected that Nigeria's economy will expand by 3.2% in 2023. The Federal 2023-2025 MTEF anticipated 3.75% growth in 2023, decreasing to 3.0% in 2024 and later increase to 3.46% in 2025. Stable oil prices coupled with reforms initiated by the passing of the Petroleum Industry Act (PIA), the Start-up Act, and the commissioning of the Dangote refinery in May 2023 are expected to boost the economy.
53. Inflation (CPI) reached 21.34% (year-on-year) in December 2022 representing a 5.71 percent points higher than the rate recorded in December 2021 which stood at 15.63%. This shows a fast increase in the rate when compared to the corresponding period of 2020 although the rate dropped from the 21.47% witnessed in November 2022, but later rose to 21.82% in January 2023 according to the National Bureau of Statistics (NBS). This has resulted to tightening monetary policies with the Central Bank of Nigeria (CBN) increasing the interest rate from 18% to 18.5% in May 2023 to cushion the rising inflationary trend.
54. IMF forecast shows that inflation was expected to be at 16.1% by the end of 2022. The increase in actual inflation at end of 2022 has been attributed to a marginal increase in food inflation in the previous months, caused by increases in prices of bread and cereals, oil and fat, potatoes, yam and other tubers, fish, vegetables, fruits, and meat. The rate continually rises and is at 22.04% as of March 2023, a 6.52 percentage points higher than the rate recorded in March 2022 which was at 15.52%.
55. The national annual real GDP growth and year-on-year inflation rates from 2014 to 2022 and 2023 estimate are shown in Figure 3 below.

Figure 2: Real GDP Growth and Inflation

Data Source: WEO Database

56. Foreign Exchange Rate – the exchange rate at the Importers and Exporters window depreciated by 5.7% in 2022, closing the year at N461.5/\$1 compared to N435/\$1 recorded in 2021. Similarly, the Naira has devalued against the dollar from N460.85 to N461.04, N461.31 and to N465 by end of April 2023.
57. Foreign reserves have been on the decline since mid-2019 (25% drop from April 2019 to April 2020) and have remained relatively stable since the COVID pandemic. Foreign reserve stood at \$37.1 billion on December 31, 2022, compared to \$40.52 billion as of December 31, 2021. The reserve has been decreasing marginally amidst steady increase in global oil prices. Nigeria commenced January 2023 with \$36.99 billion, falling to \$35.53bn as of March 30, 2023, and further to \$35.19 as of May 22, 2023 according to the data from the Central bank of Nigeria (CBN), largely due to the CBN's effort to manage the depreciation of the Naira.
58. In 2022, arbitrage opportunities witnessed significant increase, weakening the convergence of foreign exchange windows. This is partly attributed to the ripples of economic downturn since the Russia–Ukraine conflict. Also, the fall in foreign reserve potentially condenses the policy options available to the CBN in controlling monetary aggregates.
59. The NGN:USD exchange rate, which is a key crude oil revenue parameter, for the period January 2015 to May 2023 is shown in Figure 4 below.

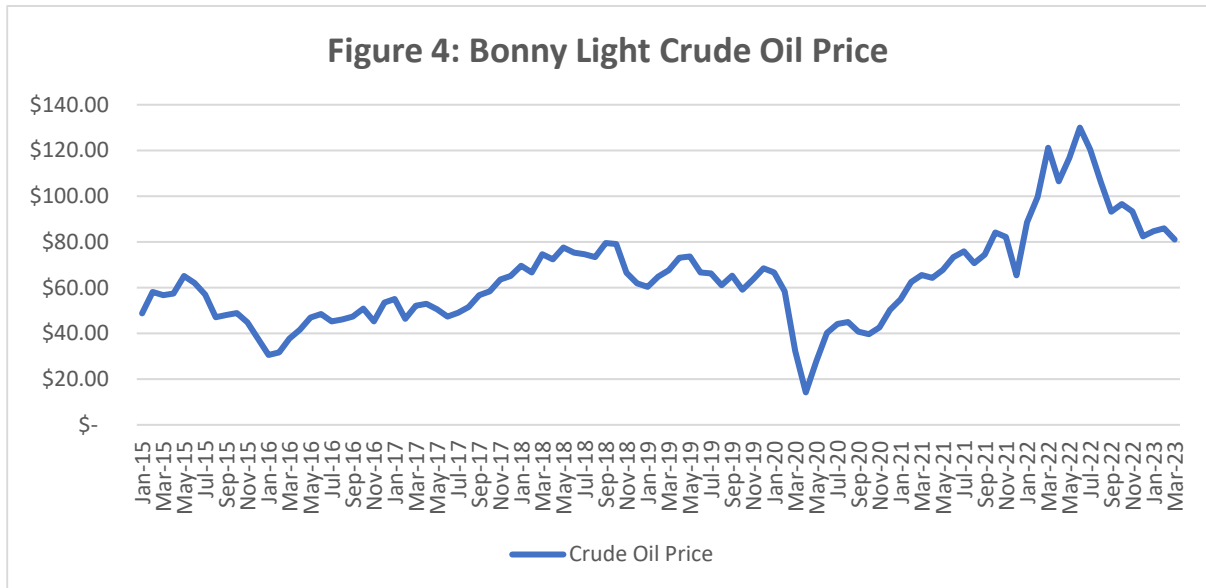
Figure 3: NGN USD Exchange Rate and Foreign Reserves



Data Source: CBN

60. Crude oil price has trended upward in 2022 following the Ukraine-Russian conflict which began on February 24th, 2022; rising from US\$99.64 in February 2022 oil price rose to US\$130.1 in June 2022 and closed but at US\$82.5 in December 2022. This implies that crude oil price generally increased in the first half of 2022 but gradually decreased in the second half.
61. The increase in the price of crude oil has been driven by the Ukraine-Russian conflict and other factors such as the failure of OPEC and non-OPEC members to increase their production level when the conflict began. Oil price picked up at US\$87.78 in January 2023 but declined in March to US\$79.24 due to the rising crude supply availability and the building of unsold cargoes for April loading, specifically in the Atlantic Basin. It is therefore important to always consider that the crude oil market is highly volatile, delicate, and unpredictable, reinforcing the rationale for a benchmark that is set significantly below the current/forecast price.
62. Crude Oil (Bonny Light) Price for the period of January 2015 to March 2023 from the data from CBN are presented in Figure 5 below.

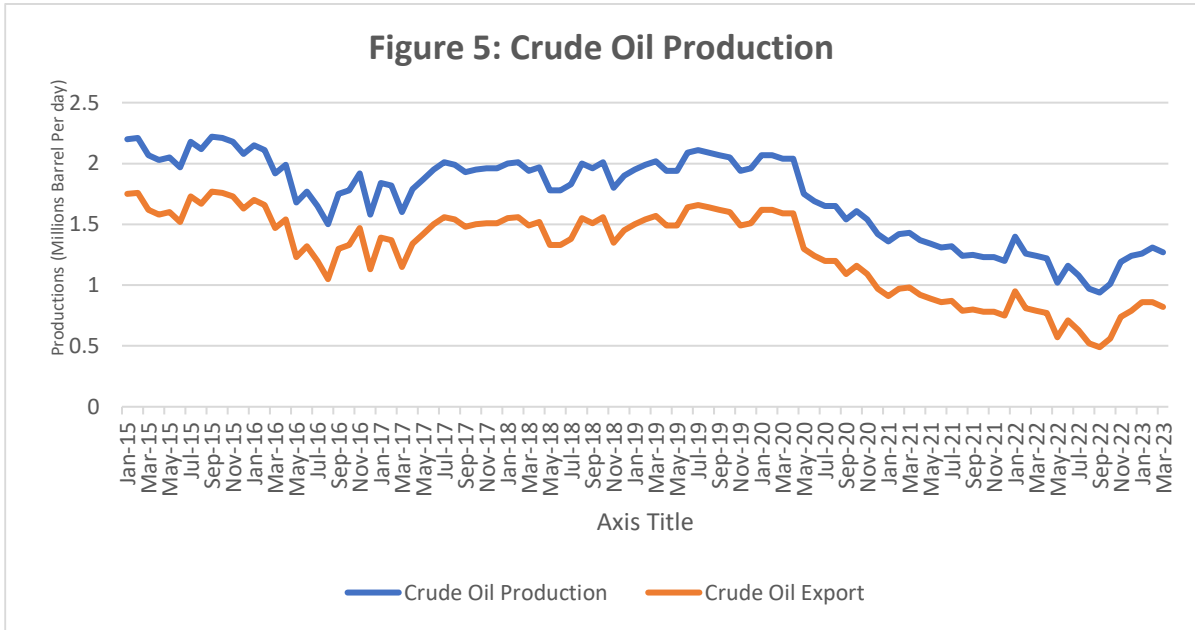
Figure 4: Bonny Light Crude Oil Price



Data Source: CBN

63. As indicated in Figure 5 above the current price (March 2023) is \$81.1. Energy Information Administration (EIA) is forecasting an average price of \$78.65 in 2023 and \$74.47 in 2024 for Brent Crude. The IMF forecast in its April 2023 WEO suggest a price of around \$73.13 in 2023 and \$68.90 in 2024 for Brent Crude – lower than the EIA forecasts and indicative of 24% decline in oil price in 2023 and 5.8% decline in 2024.
64. Crude Oil Production for Nigeria in the first quarter of 2023 rose by 11.63% to 1.280 million barrels a day compared to 1.147 million barrels produced daily in the fourth quarter of 2022. However, this number fell to an average of 0.998 million barrels per day (mbpd) in April 2023, representing a 21.3% decline compared to production recorded in March. The fall is happening despite a 1.8mbpd OPEC oil production quota for Nigeria in 2023, this quota is significantly higher than the current levels at which Nigeria is producing.
65. Lease condensate, which is captured as part of crude oil production from a budgeting perspective, is around 200,000 BPD. This put total production at around 1.4-1.5 MBPD (NNPC figures are out of date, the latest available figures are for July 2021). Several things are likely to impact crude oil production in the medium term, including the implementation of the Petroleum Industry Act (PIA), the commissioning of Dangote Refinery, and any significant boycott of Russian oil because of the conflict in Ukraine.
66. Crude Oil Production and Export (including condensates) for the period January 2015 to March 2023 from data from CBN is presented in Figure 6 below.

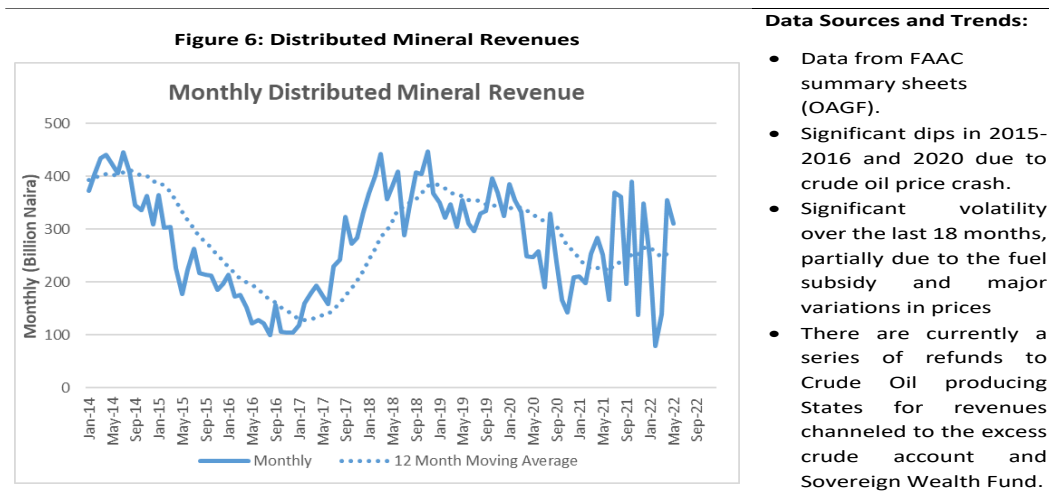
Figure 5: Crude Oil Production



Data Source: CBN

67. The implementation of the Finance ACT 2021 and Value Added Tax (VAT) reforms, development of business continuity plans for tax and custom administration and rationalization of ineffective tax incentives and exemptions as well as increased remittances and recovery of unremitted revenues from Government Owned Enterprises (GOEs) is critical to grow Nigeria’s fiscal space.
68. Monthly distributed Mineral Revenues (Statutory Allocation (SA) and Net Derivation (ND)) to the three tiers of government from January 2014 to May 2022 inclusive are shown in Figure 7 below.

Figure 6: Distributed Mineral Revenues

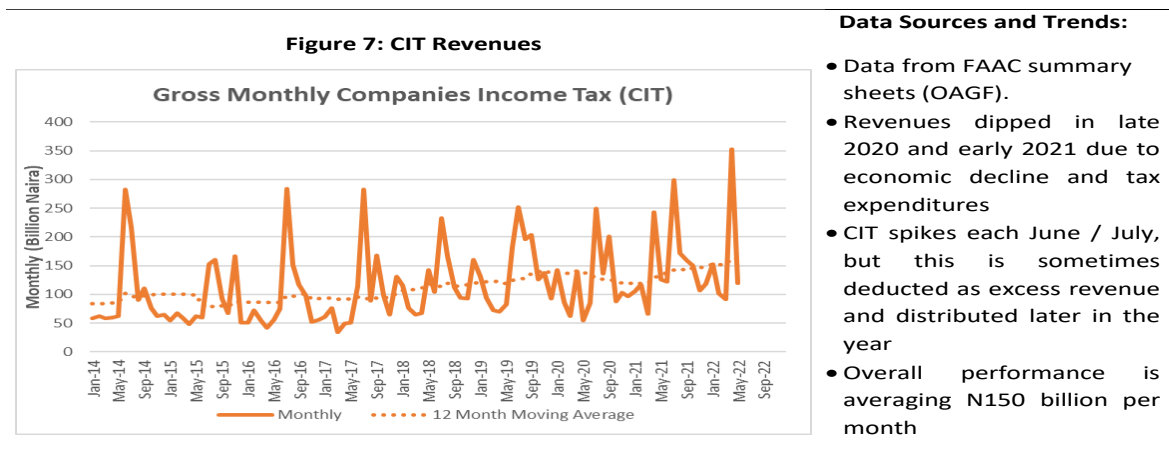


Data Sources and Trends:

- Data from FAAC summary sheets (OAGF).
- Significant dips in 2015-2016 and 2020 due to crude oil price crash.
- Significant volatility over the last 18 months, partially due to the fuel subsidy and major variations in prices
- There are currently a series of refunds to Crude Oil producing States for revenues channeled to the excess crude account and Sovereign Wealth Fund.

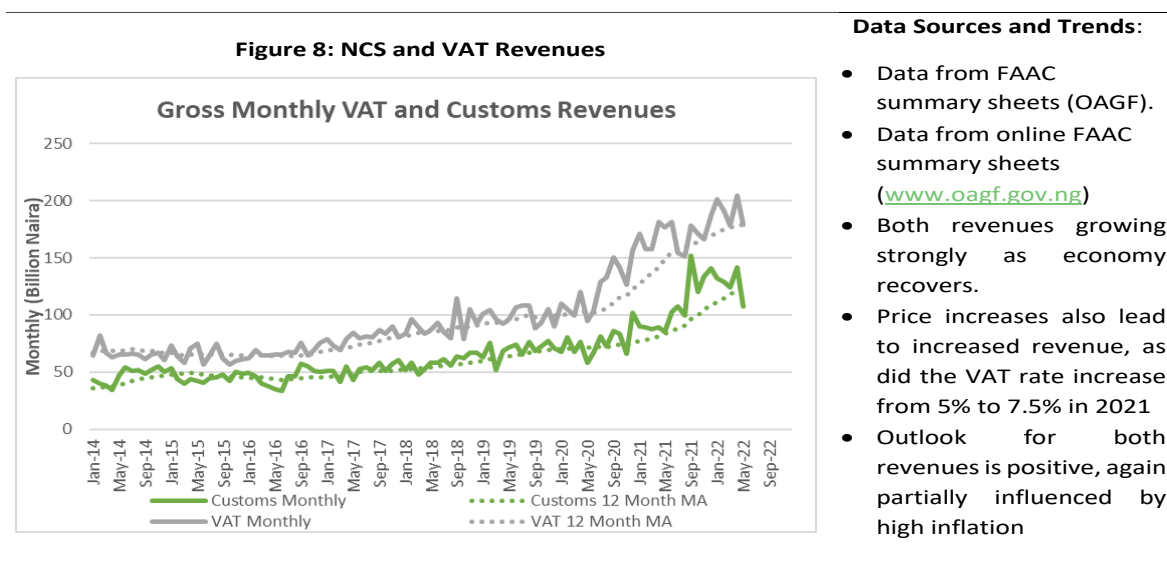
- 69. A total of N655.932 billion generated as revenue in the month of April 2023 was disbursed to the federal, states and local governments as allocation for May 2023. This was lower than the last month (March FAAC distributed in April) of N714.629 billion.
- 70. Gross Companies Income Tax (CIT) revenues, which are distributed as part of Statutory Allocation, from January 2014 to May 2022 inclusive are shown in Figure 8 below. The graph also includes linear trend.

Figure 7: CIT Revenues



- 71. The graph shows the annual spike in distributions (collections from the previous month) that is in line with the annual tax returns and payment cycle in FIRS. This generally happens in July because June collections are distributed in June, the month many companies file their return.
- 72. Nigeria generated a sum of N2.64 trillion from Company Income Tax (CIT) in 2022, an increase of 48.1% compared to 2021. High CIT in 2022 compared to the volume in 2021 is something to cheer Nigeria as this show growth of the non-oil sector. It is also a signal for policy makers towards planning for a sustainable increase for non-oil revenue.
- 73. Customs and Excise duties (NCS), which is distributed as part of Statutory Allocation, and Value Added Tax (VAT) which is distributed in its own right for the period January 2014 to May 2022 are shown in Figure 9 below.

Figure 8: NCS and VAT Revenues



74. VAT shows a clear upward trend since late-2015, rising to N2.46 trillion in 2022 from N2 trillion in 2021. This is to be expected as the general price level rose quite significantly over the same period, which should transfer straight into additional VAT (for VAT-able items). Given the increase in VAT from 5% to 7.5%, in the 2020 Finance Act, there have been significant spike in VAT from August 2020. There is still a level of monthly volatility that makes it slightly difficult to forecast. However, with the economy maintaining a positive real growth and inflation staying above 10% for a longer time, it is anticipated that VAT will continue to grow in nominal terms.
75. Exchange rate controls, import policy and devaluing Naira may have affected some Customs receipts. However, there are still some short-term volatility and Federal Revenue reforms is expected to increase collections in the medium term, but the timing of impact remains uncertain as Custom and Excise Duty stood at N1.7trillion as of the end of 2022.
76. The Federal Government, in April 2023, adopted a new Fiscal Policy Measures (FPM 2023) effective on May 1, 2023. The FPM provides for Supplementary Protection Measures (SPM) for the implementation of the ECOWAS Common External Tariff (CET) 2022 to 2026, increased excise duty rates on certain items such as tobacco and alcoholic beverages, introduced 10% excise duties on single use plastics and 2-4% green taxes on selected vehicles with over 2000cc engine size, as well as reduced import duty rates on some manufacturing items available to verifiable manufacturers.
77. The implementation of the President Bola Ahmed Tinubu' inaugural address on a unified exchange rate regime and the expected reduction in the importation of petroleum products when

Dangote Refinery commences production is expected to positively affect Nigeria's vulnerability to exchange rate volatility.

78. The policy thrust of the National Development Plan (NDP) 2021-2025, a medium-term plan for the implementation of the Nigeria Agenda - NA 2050 (Nigeria's long term development plan) include a broad-based real GDP growth rate of about 5% on average during the plan period; an increased employment generation of about 21 million jobs; and an inclusive growth that will lift 35 million people out of poverty over the plan period (2021-2025). The implementation of this will affect the aggregate macro-fiscal performance of Nigeria and will set the stage for achieving the government's target of lifting 100 million Nigerians out of poverty in 10 years under the National Poverty Reduction and Growth Strategy.
79. In addition, the March 2023 16 amendments to the 1999 Constitution of the Federal Republic of Nigeria (as amended) which gave powers to state governments to invest in railway and power infrastructure by moving railways and power from the exclusive list to the concurrent list is also expected to boost Nigeria's economic performance in the medium term.

2.A.4. Adamawa State Economy

80. Also known as the Land of Beauty, Adamawa State is endowed with vast arable land for agriculture, waterfalls, and landscape, with solid minerals like limestone, tantalite, and kaolin. The GDP of the state was estimated to be ₦2.66 trillion in 2021⁴, making it the 18th largest economy among the 36 states of Nigeria and the largest in the North-East region. It grew its IGR by 62.82% and 1.26% from N7.99b in 2020 to N13.01b and N13.18b in 2021 and 2022, respectively (see figure 12 on page 28).
81. In terms of business environment in Nigeria, Adamawa State moved from 18th position in 2010 to 11th position in 2023, in the 2nd Subnational Ease of Doing Business Ranking, out of the 36 States of the Federation and the FCT.⁵
82. The economic fundamentals of the state economy have been linked to national indices on the affected specific variables. Thus, the economic fortunes of the State are heavily dependent on the national economy. It is heavily reliant on federal allocations as 70.0% of its total revenue in 2022 was from Statutory Revenue.
83. The economy of Adamawa is heavily tilted and dependent upon agriculture. The Dangote group operates a sugar production factory in Numan which has a sugar refining capacity of 3,000 tonnes of cane per day. The markets found in state are incredibly important to its economic

⁴ BudgIT State of States 2022 Edition

⁵ Ease of Doing Business Subnational Baseline Survey January 2021.

activity and to its inhabitants. These markets, especially its cattle markets, enhance the development of economic activities in the state. Cash crops like groundnut and beans are grown while crops like rice, maize and sorghum are grown as food crops. It has a thriving livestock industry with around 1.5 million cattle and 64 grazing reserves, and international cattle markets in Mubi South, Ngurore, and Ganye. The State is a consumer of finished goods and services but is a producer of agricultural produce. However, this movement of agricultural produce is not well-documented and computed to register meaningful contribution to the State's economy. Consistent with the steady progress in economic growth and development, available data indicate that agriculture, especially crops and livestock, and fisheries as well as SMEs, which have the potential to generate large scale employment opportunities, are undergoing transformation.

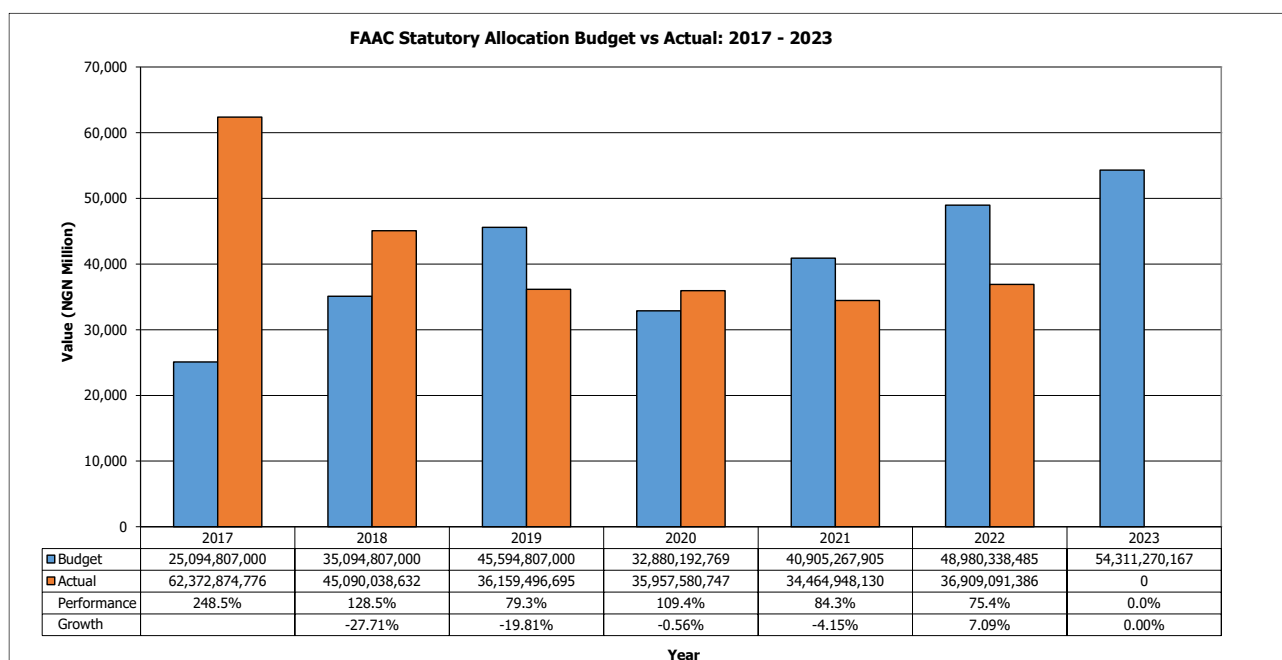
84. There is the predominance of subsistence and non-mechanized agriculture in the state. That is why the growth of the state's economy is predicated on increased transformation of the agricultural value chain (large scale agricultural production and agro-based industrial production). Although the trend of IGR in the State over the years has been varied, the present administration has demonstrated strong determination to change the prevailing situation of the state's IGR.

2.B Fiscal Update

2.B.1 Historic Trends

Revenue Side

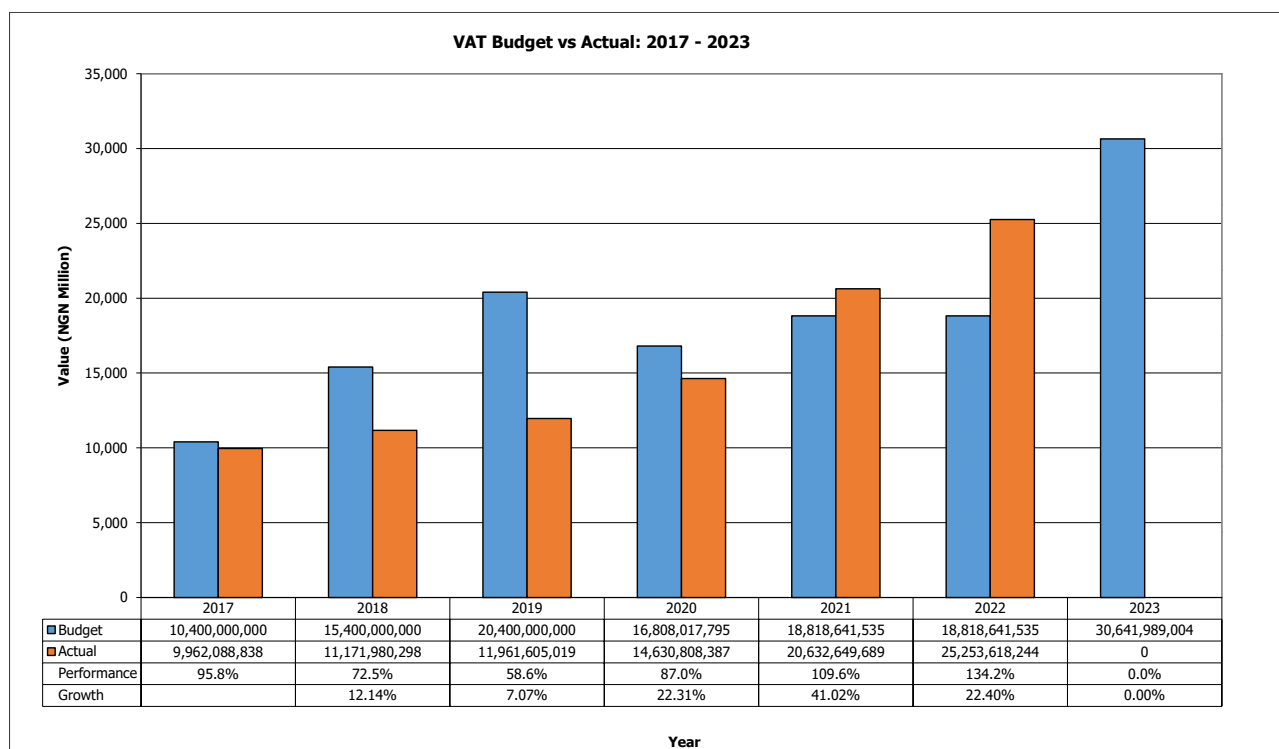
85. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2017-2023 (six year historic) and 2023 budget.

Figure 9: Statutory Allocation

Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

86. Statutory Allocation is a transfer from the Federation Allocation Accounts Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies' income tax, custom and excise duties) at the national level, which is then shared between the three tiers of government using sharing ratios. The extant revenue formula comprises a vertical revenue allocation formula of 52.68 percent for the Federal Government; 26.72 percent for states; and 20.60 percent for the local governments.
87. As shown in Figure 10 above, actual receipts decreased from 2017 to 2018 by -27.71% and -19.81% in 2019. There was further decrease of -0.56% in 2020. The actual performance in 2017 was ₦24.11 billion and ₦62 billion was reported as actual in 2017 including other transfers from FGN such as budget support fund to Adamawa State. There was a decline (-19.81%) in 2019, (-0.56%) in 2020 and (-4.15%) in 2021, respectively. Between 2021 and 2022 there was growth of 7.09%. The reasons for the drastic fall of statutory allocation in 2018, 2019, 2020 and 2021 the drop in global oil price, drop in oil production in Nigeria and the 2020 COVID-19 pandemic and its effects. The growth rate recorded in 2022 was as result of recovery from COVID-19 pandemic.

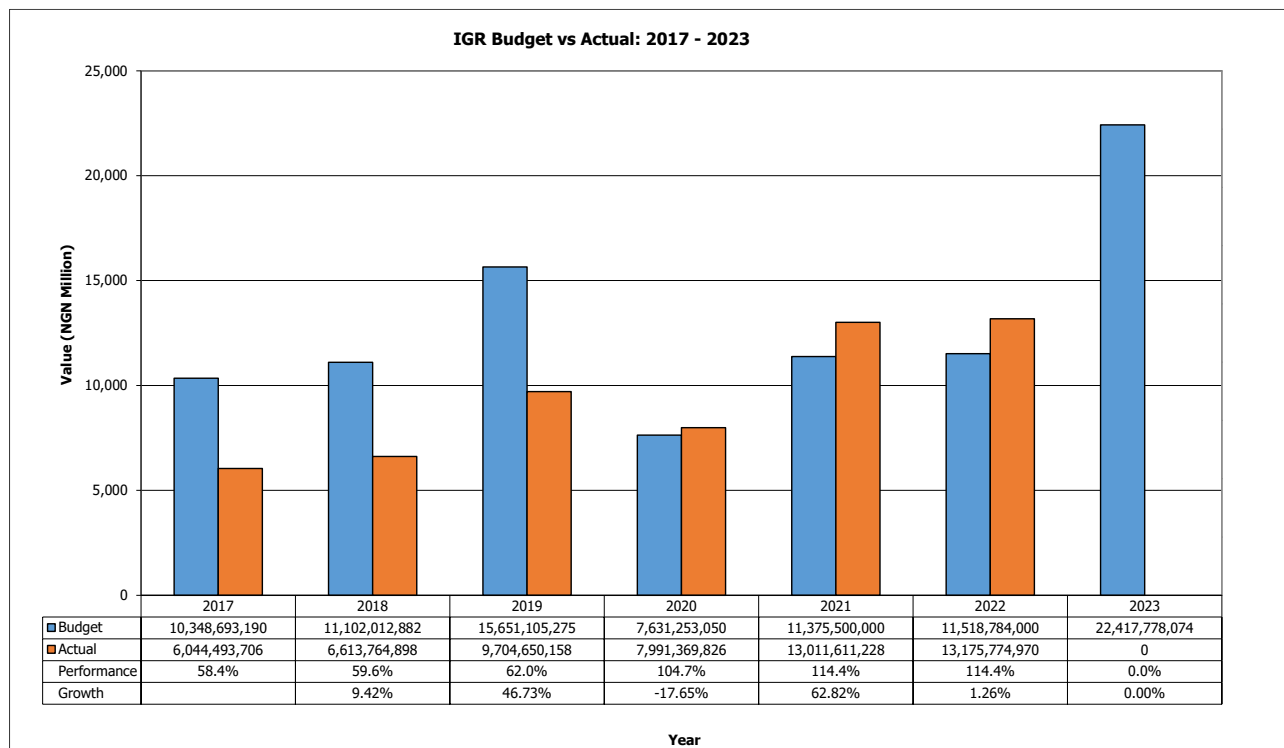
Figure 10: VAT



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

88. VAT is an ad valorem tax on most goods and services at a rate of 5% (2016-2019) and 7.5% from 2020. It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government on a monthly basis – partially based on set ratios, and partially based on the amount of VAT a particular state generated. States receive 50% of the total VAT collections nationally, from which Adamawa State receives around 2.14% of the states' allocation.
89. VAT receipts (see Figure 11) increased from years 2017 to 2018 by 12.14% and 7.07% in 2019 respectively. It then increased by 22.31% in 2020, this increase is largely due to the growth in nominal economic activity in Nigeria and increase of VAT rate from 5% to 7.5% in 2020. By 2021, VAT recorded another increase of 41.02% and 22.4% in 2022, partly due to the recovery from the pandemic.

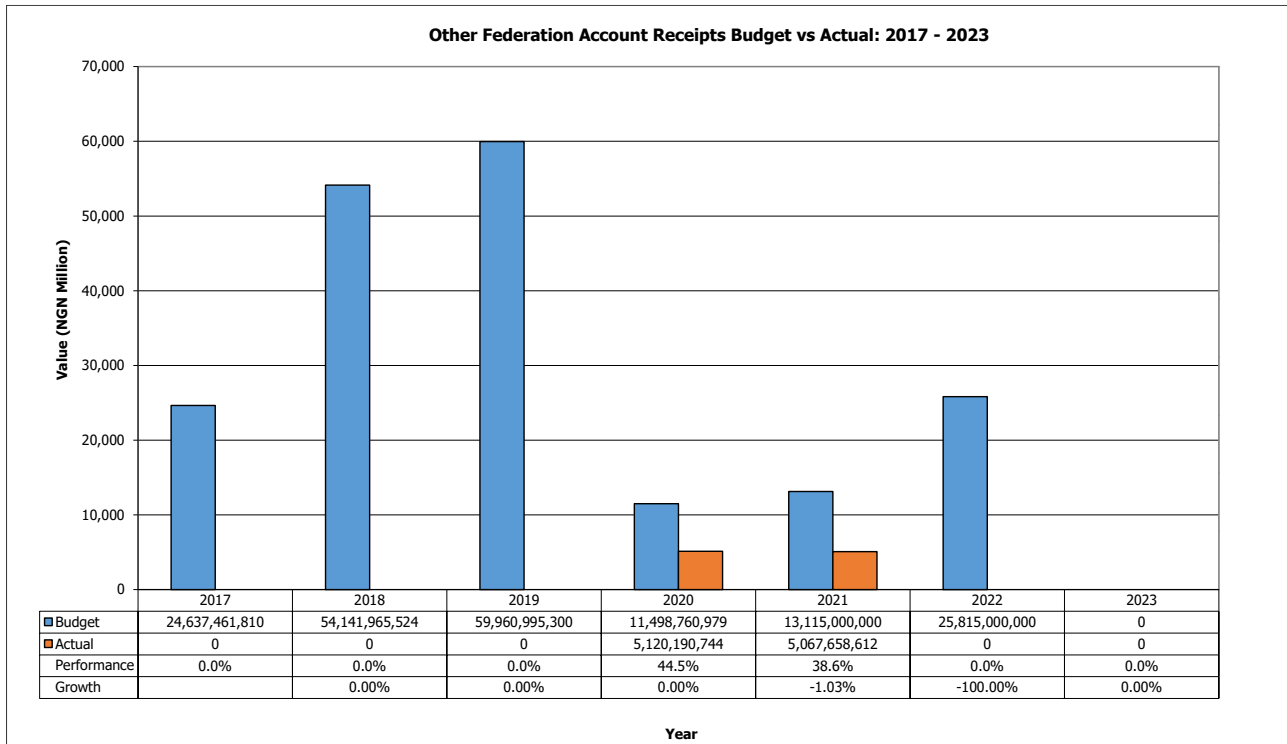
Figure 11: IGR



Source: 2017-2021 Adamawa State Report of the Accountant General and 2017-2022 Approved Budget

90. Internally Generated Revenue also known as Independent Revenue (IR) is revenue collected within Adamawa State relate to income tax (PAYE which represents the highest contributor to IGR), fines, levies, fees, and other sources of revenue within the state.
91. From 2017 – 2019 actual collections have been lower than the budget. IGR collections increased by 9.42% between 2017 and 2018 and by 46.73% in 2019. It then drastically declined by -17.65% in 2020 mainly due to the COVID-19 Pandemic. However, in 2020, actual collections exceeded that of the budget following the downward revision of the budget in July as a result of the pandemic. In 2021 and 2022, the State witnessed positive growth of 62.82% and 1.26% as a result of recovery from the effects of the pandemic.

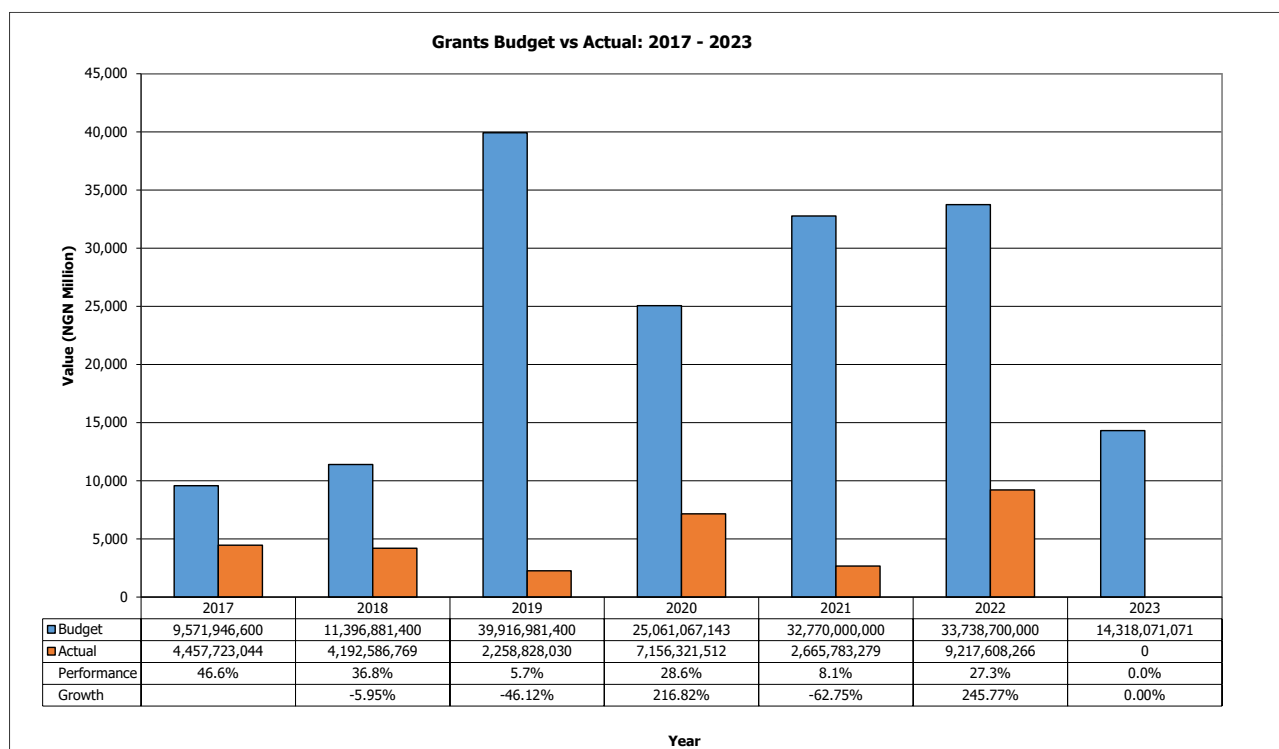
Figure 12: Other Federal Account Receipts Budget vs Actual:2017-2023



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

92. Other Federation Account Receipts are other receipts from Federation Accounts which include Exchange Gain, NNPC refund, Augmentation, etc.
93. Reporting of actual other federation account commenced in 2020 (Figure 13) as previous years receipts were reported as part of Statutory Allocation. The 2020 actual performance was 44.5% while 2021 recorded performance of 38.6%.

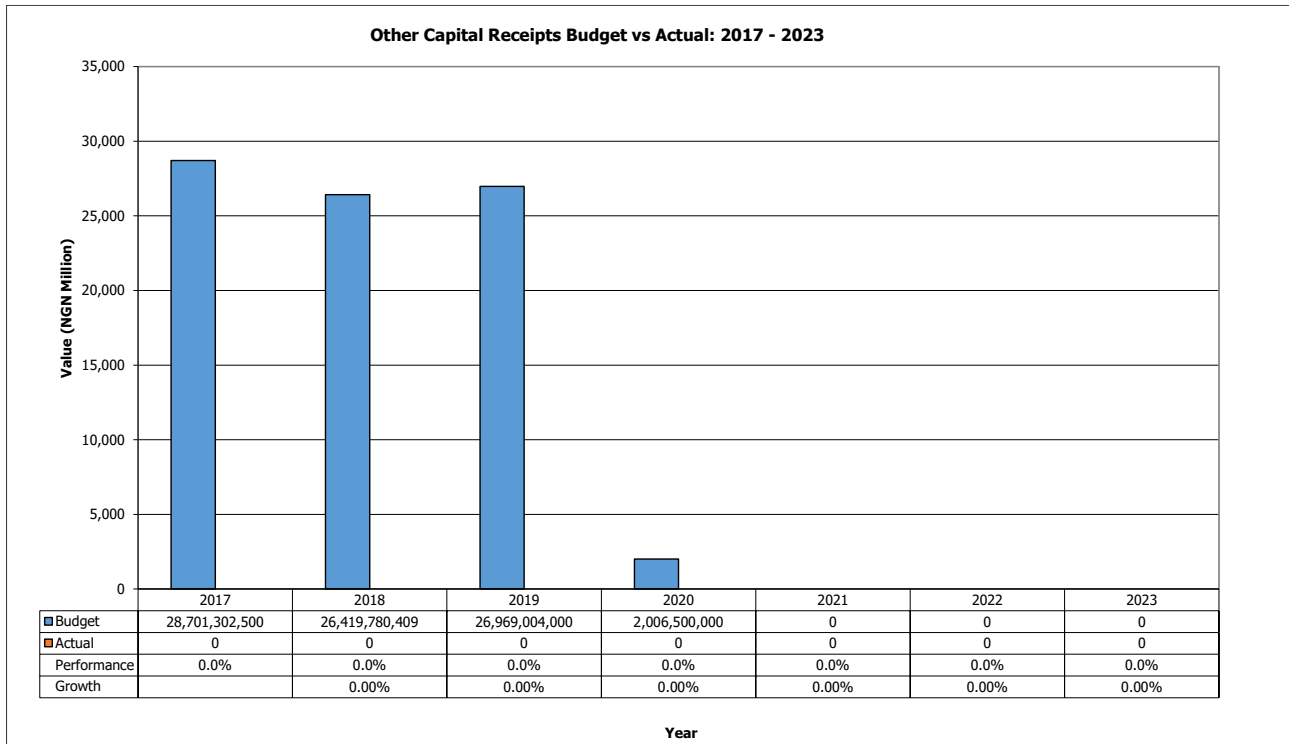
Figure 13: Grants



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

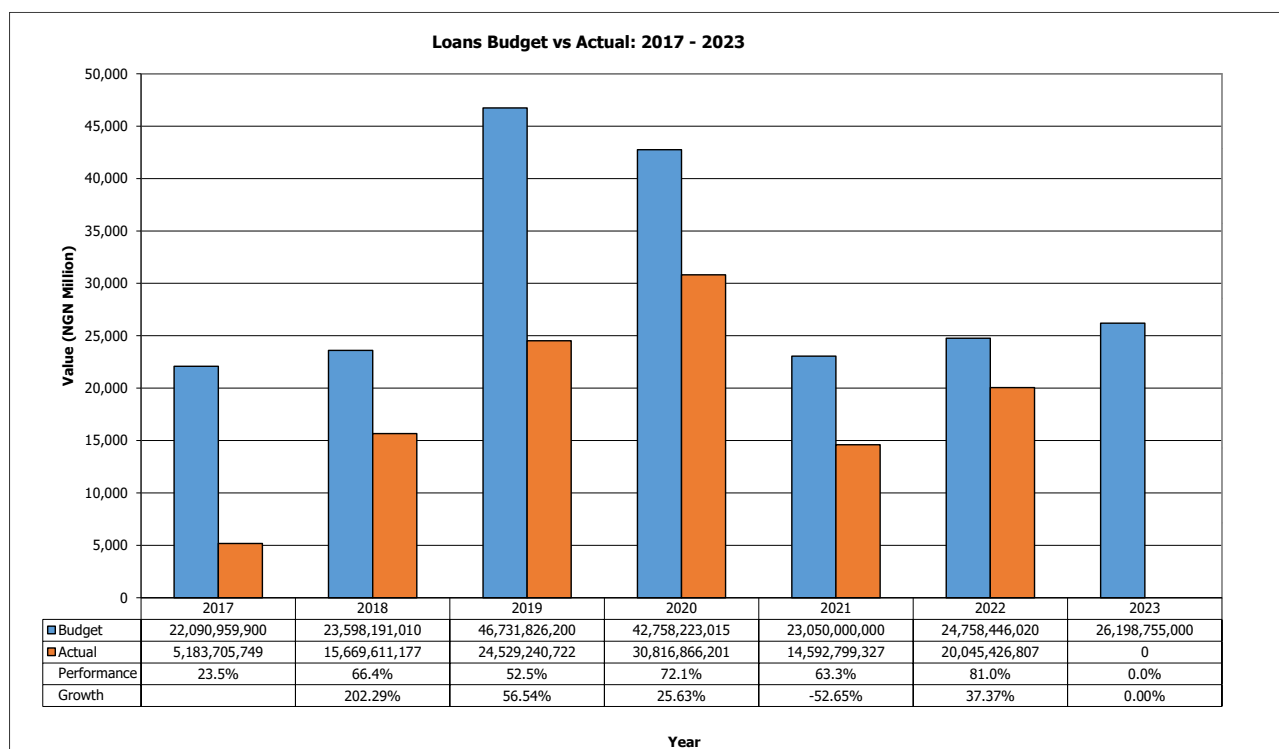
94. Grants are receipts from both internal and external sources such as Federal Government Sustainable Development Goals (SDGs) Conditional Grants Scheme, as well as grants from the international development partners (including Multi Sectoral Crisis Recovery Project (MCRP), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), European Union (EU) and United Nations Children’s Fund (UNICEF).
95. Actual performance, as shown in Figure 14) was 46.6% in 2017. It fell to 36.8% and 5.7% in 2018 and 2019, respectively. It then increased to 28.6% in 2020 but fell again to 8.1% in 2021 while 2022 recorded a higher performance of 27.3%. Grant estimates going forward should be realistically budgeted for to avoid low performance.

Figure 14: Other Capital Receipts



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

96. Other capital receipts as reported include refund on federal roads constructed by the State, budget support, Excess Paris Club deduction refund and refunds from withholding tax. Other capital receipts from Federal Government of Nigeria (FGN) (see Figure 15 above) were reported as part of Statutory Allocation, hence zero report for 2017 to 2020. Budget allocations from 2021 and 2023 were zero.

Figure 15: Loans/Financing

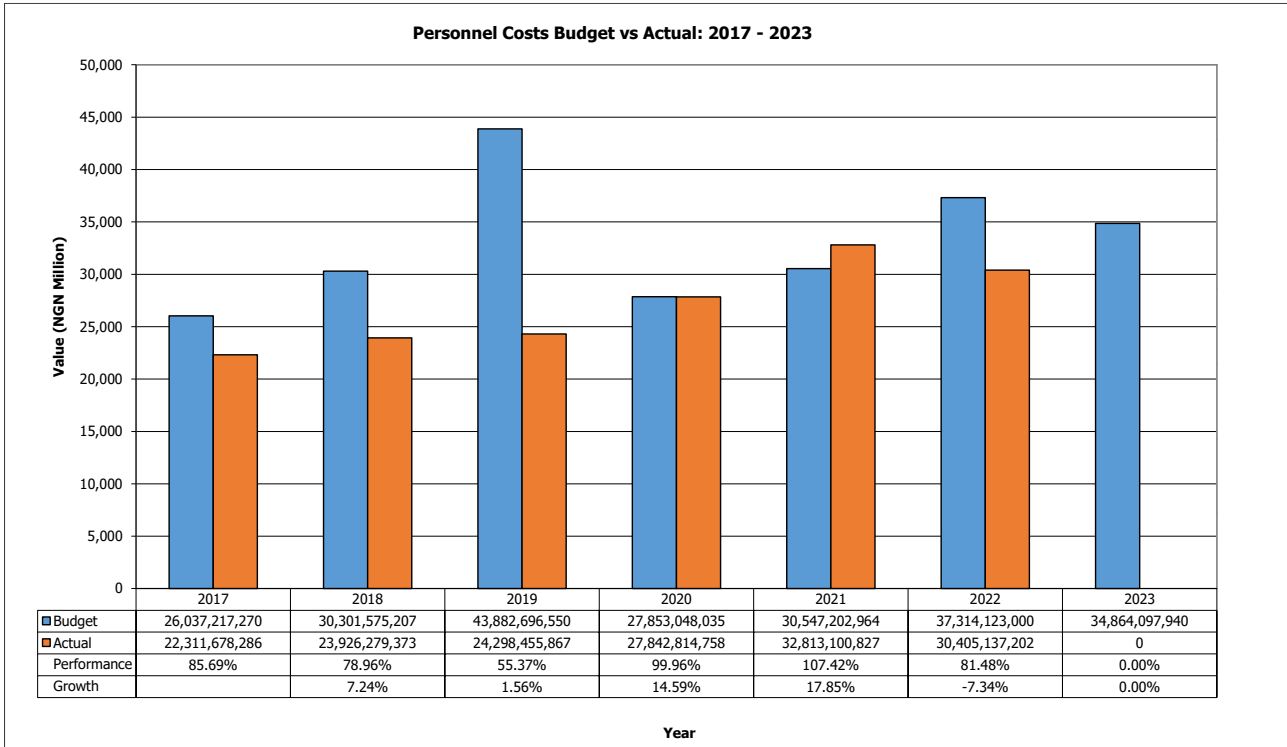
Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

97. Besides some short-term borrowing from banking facilities, financing has come in the form of various World Bank programmes (FADAMA, Health and Education sector support).
98. The performance for Loans/Financing as shown in Figure 16) was 23.5% in 2017, it then increased to 66.4% in 2018 and declined to 52.5% in 2019, it again increased to 72.1% in 2020 and decreased to 63.3% in 2021. Performance was 81% in 2022 this was due to realistic budgeting and preparation of the State's Debt Sustainability Analysis and Debt Management Strategy (DSA-DMS).

Expenditure Side

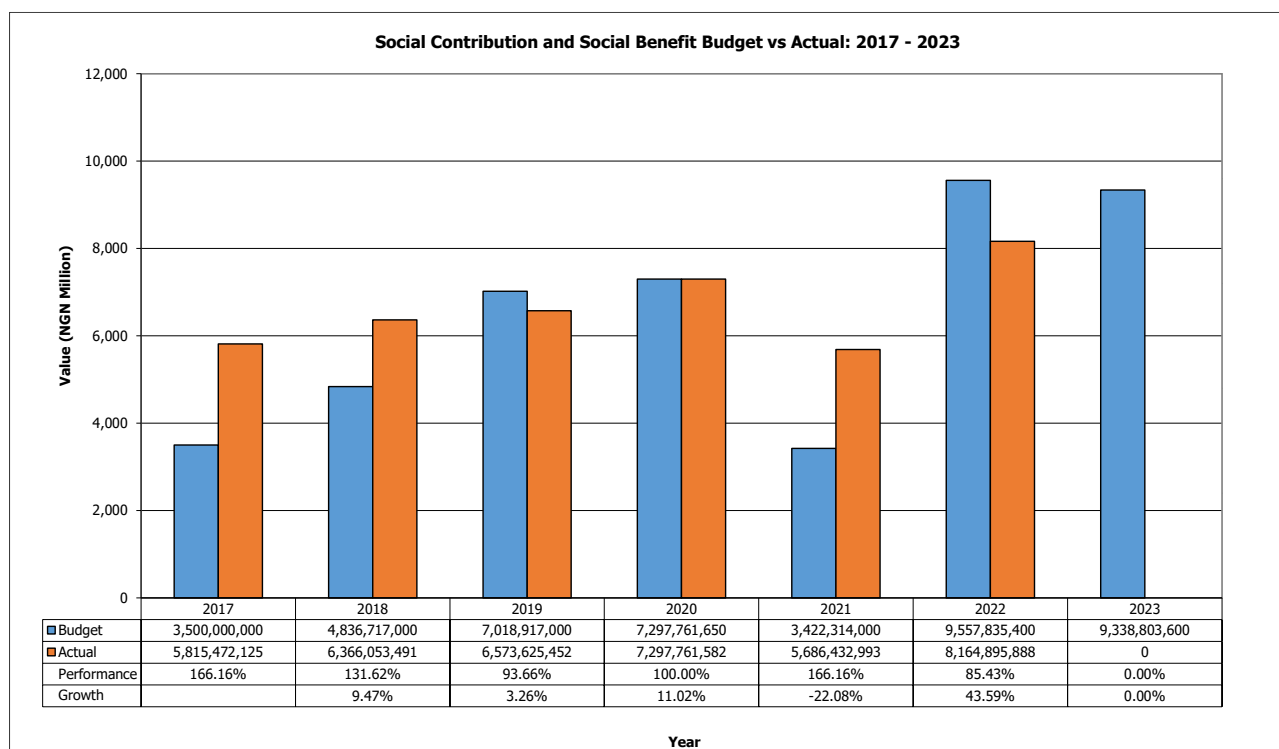
99. On the expenditure side, the document looks at Personnel, Social Contribution and Social Benefits, Overheads, Public Debt Service and Capital Expenditure – budget versus actual for the period 2017-2022 (six years) and 2023 budget.

Figure 16: Personnel



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

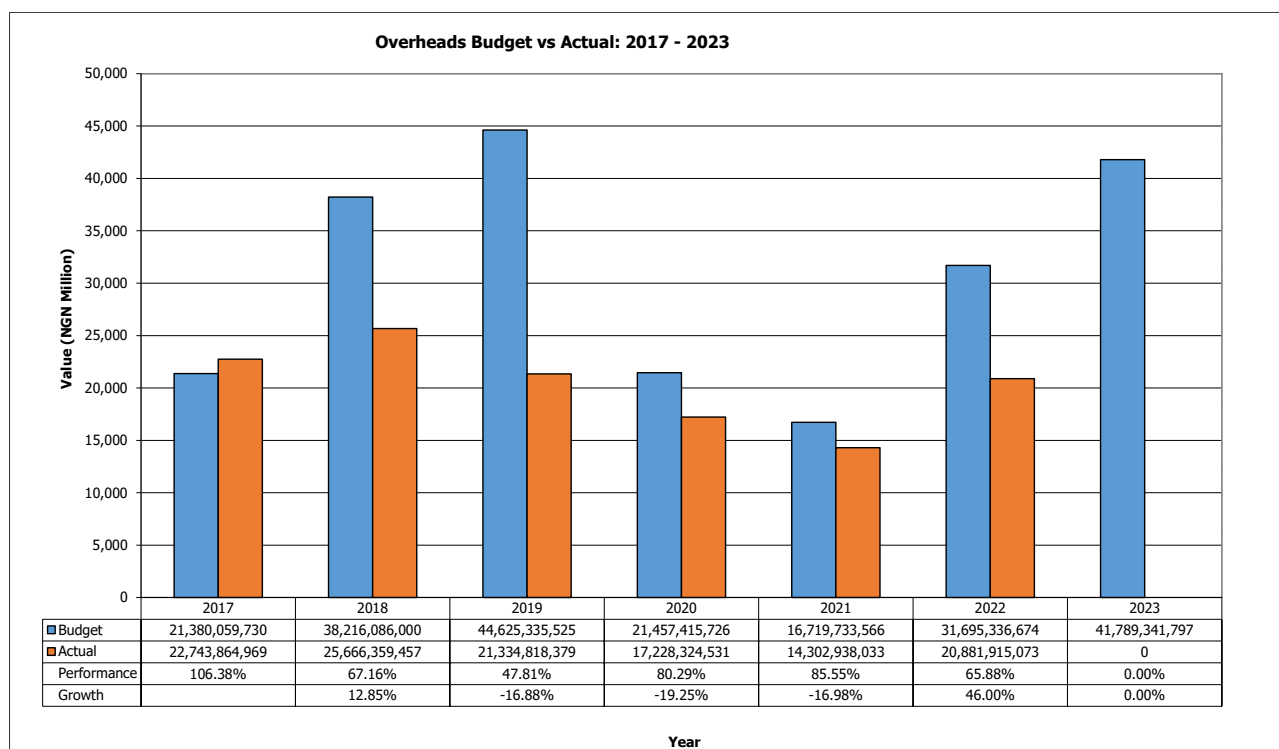
100. Personnel expenditure includes salaries, allowances, and benefits of core civil servants of the state. As shown in Figure 17, the performance of personnel costs was 85.69% in 2017. It was 78.96% and 55.37% in 2018 and 2019, respectively. However, performance was 99.96% and there was a growth of 14.59% in personnel cost in 2020 as a result of the implementation of the new minimum wage. There was performance of 107.42% and an increase in growth of 17.85% in 2021. In 2022, performance was 81.48% but growth fell by -7.34% due to retirements of workers and removal of ghost workers from the payroll after biometric capture exercise.
101. Actual expenditure has been close to budget in all years except 2019 because of the expectation of the implementation the new minimum wage.

Figure 17: Social Contributions and Social Benefits

Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

102. Social Contribution and Social Benefits include pension and gratuity, employees' benefits, severance allowance and death benefits. The actual figures (see Figure 18 above) have been on a steady increase since 2017 due largely to regular retirement of workers leading to high burden of pension and gratuities. Actual exceeded budget in 2017 and 2018 while the reverse was the case in 2019. However, in 2020 actual and budget were the same amount (i.e., 100% performance) while in 2021 actual increased by 66.16% because the State Government paid gratuity arrears. In an attempt to clear the backlog of gratuity and other liabilities, the State prepared and implemented an Arrears Clearance Framework (ACF) in 2022. Therefore, in 2022 there was a growth of 43.59% and performance of 85.43%.

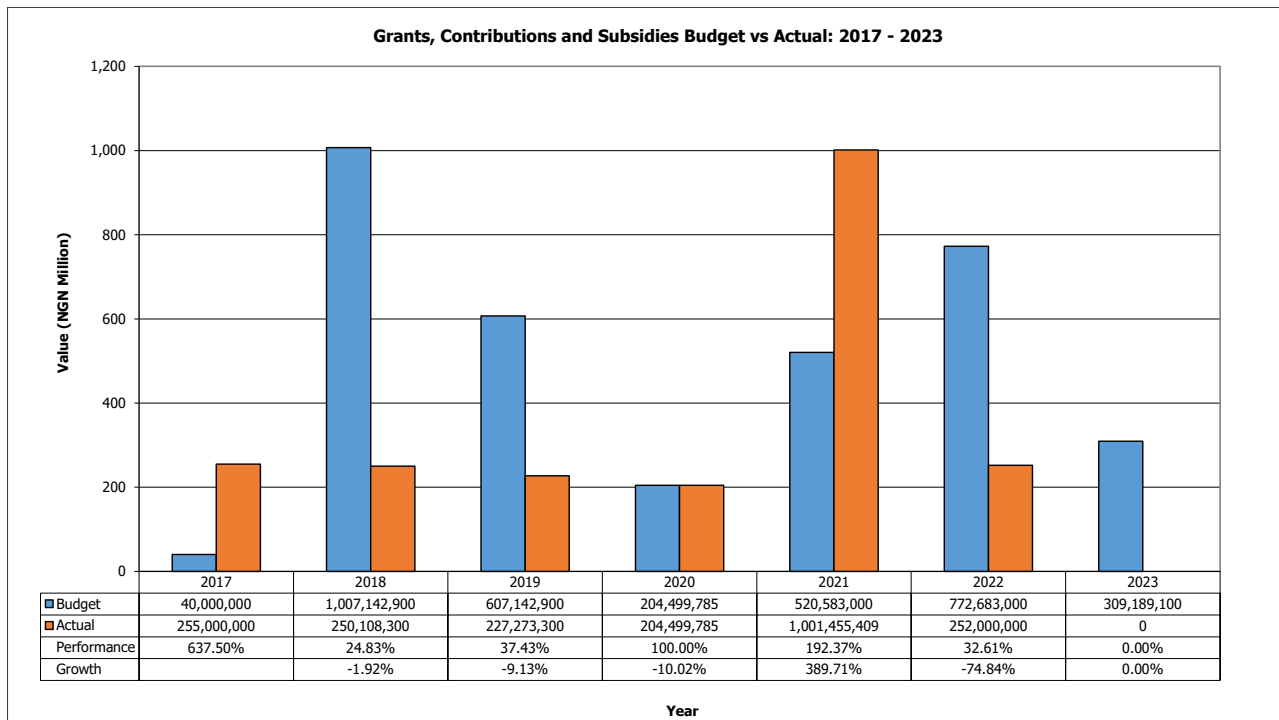
Figure 18: Overheads



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

103. Overheads comprise mainly of operational and maintenance costs for running day-to-day activities of the Government. Overhead allocations are transferred to MDAs monthly subject to warrants and availability of fund.
104. Overhead expenditure, as depicted in Figure 19, grew by 12.85% between 2017 and 2018. Deliberate steps were taken in the years 2019 to 2021 by reducing cost of running government to free up more funds for capital projects in the State recording -16.88%, -19.25% and -16.98% growth, respectively. In 2022, growth was 46% with performance of 65.88%. The increase in 2022 was due to inflation and higher exchange rate, leading to higher costs of goods and services.
105. Not surprising, performance against budget has been poor occasioned by dwindling fortune of the revenue year-on-year. Going forward, overhead expenditure must be brought under control, to ensure that cost of governance is not more than necessary.

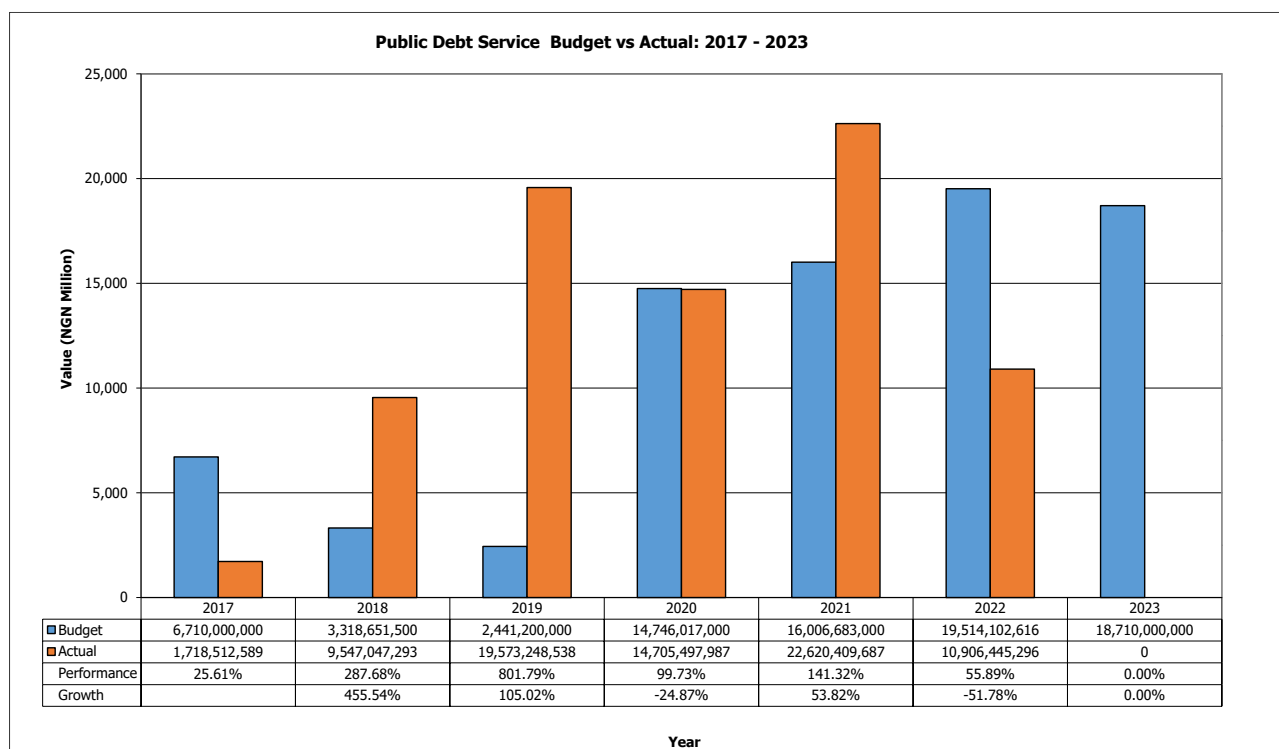
Figure 19: Grants, Contributions, Subsidies, Transfers



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

106. The actual performance in 2017 was 637.50% and it declined to 24.83% in 2018. Performance increased to 37.43%, 100% and 192.37% in 2019, 2020 and 2021 respectively as a result increased assistance from federal government and donor partners to cushion the effects of insurgency and COVID-19 Pandemic. In 2022, performance was 32.61% while growth fell by -74.84% (see Figure 20 above). This was as a result of a decline in grants associated with the Russia-Ukraine war and diversion of grants to the same region.

Figure 20: Public Debt Service

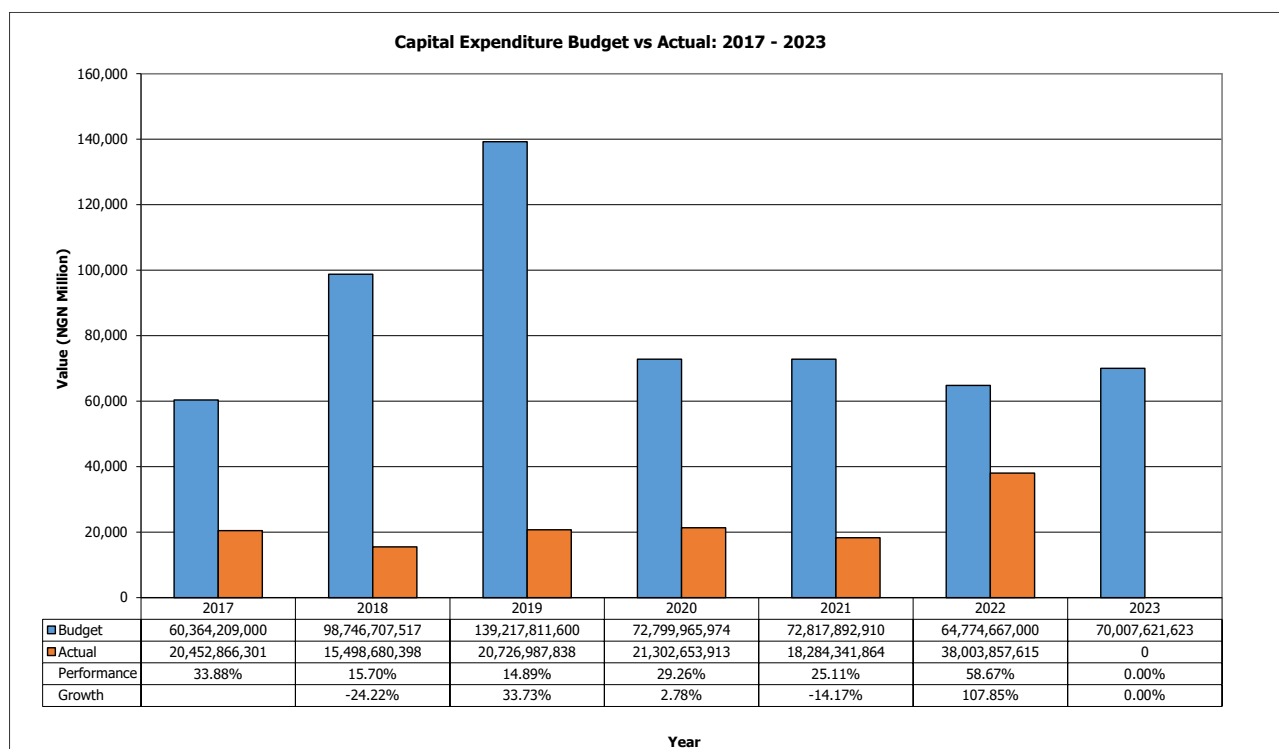


Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

107. Public Debt Charge includes payment for internal and external debt (principal and interest).

Figure 21 shows that in 2018, and 2019 State government paid more than budgeted amount on servicing debt. For example, in 2019 the state recorded performance of 801.7% (debt service charge growing from N9.54 billion in 2018 to N19.57 billion in 2019 with 105% growth). It then decreased by 24.87% and increased by 53.82% in 2020 and 2021 respectively. In 2022, there was a decrease of -51.78%.

108. The expansion in the loan repayment was because of upward review of the monetary policy rate (MPR) which is one of the determinants of the cost of funds. This influenced the upward review of the lending rate by commercial banks and new loans that the State acquired within that period. However, in 2020 public debt charge dropped to N14.7 billion and performance of 99.73%. The growth of 53.82% recorded in 2021 was as a result of refinancing of commercial bank loan (Term loan).

Figure 21: Capital Expenditure

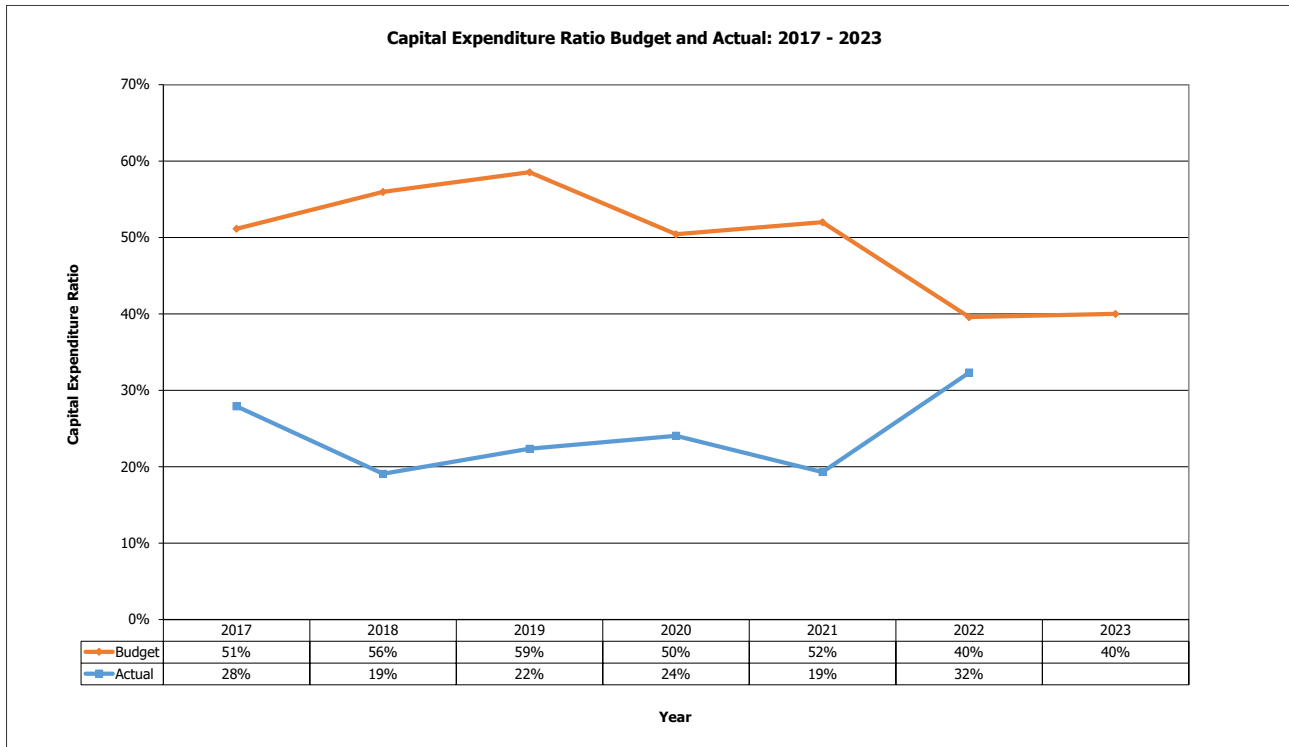
Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

109. Capital expenditure refers to projects that generate State assets (e.g., roads, schools, hospitals).

110. Except for 2018 and 2021, as shown in Figure 22, Adamawa State has expended an average of N20 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 N38 billion in 2022 while the lowest was N15.5 billion in 2018. Performance has been relatively low ranging between 14.89% in 2019 to 58.67% in 2022. Growth was recorded for years 2017 (16.39%), 2019 (33.73%), 2020 (2.78%) and 2020 (107.85%). Negative growth was recorded in 2018 (-24.22%) and 2021 (-14.17%).

111. Prudent forecasting of revenue, and hence the capital development fund, and tight control on recurrent expenditure, will help to both increase the level of capital expenditure and improve performance against budget going forward. This is important as the State should look to avoid wasted effort in preparing detailed capital expenditure submissions if they cannot, ultimately, be resource-backed.

Figure 22: Capital Expenditure Ratio



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

112. The actual capital expenditure ratio (see Figure 23 above) declined from 2017 to 2018 and a bit stable from 2018 to 2020. It will be observed that in all the years reviewed (i.e., 2017– 2022) the actual capital expenditure ratio (19%-32%) was lower than capital budget ratio (40%-59%).

By Sector

113. Performance by sector for (personnel, overhead and capital expenditures) varied over the period 2017-2023 as shown in Tables 4-6 below.

Table 4: Sector Personnel Expenditure – Budget Vs Actual

Personnel Expenditure by Sector						
No.	Sector	2022 2022 Budget	2022 2022 Actual	Performance	2023 2023 Budget	2024 2024 Allocation
1	Governor's Office	12,852,085,024	10,387,784,016	91.10%	15,590,868,797	364,526,480
2	Office of the Secretary to the State Government	2,473,498,000	0	14.18%	2,714,037,000	855,524,560
3	Adamawa State House of Assembly	2,770,660,000	2,326,804,573	70.29%	5,614,605,000	1,016,625,780
4	Ministry of Information and Strategy	346,911,000	198,558,364	64.40%	247,664,000	399,750,360
5	Office of the Head of Service	218,261,000	110,553,603	56.51%	477,815,000	8,269,083,180
6	Office of the State Auditor General	316,347,000	138,621,136	26.61%	188,962,000	292,565,120
7	Civil Service Commission (CSC)	24,442,000	16,507,694	56.45%	146,398,000	13,500,280
8	Local Government Service Commission	3,500,000	1,068,629	34.46%	1,824,000	3,506,220
9	Adamawa State Independence Electoral Commission	4,391,000	13,130,930	40.68%	3,908,000	24,267,480
10	Ministry for Special Duties	76,000,000	14,416,519	20.71%	23,875,000	4,178,740
11	Ministry of Agriculture	27,945,000	28,954,211	47.13%	18,322,000	390,056,440
12	Ministry of Finance	4,354,529,000	2,334,639,449	51.72%	27,782,964,100	1,154,316,596
13	Ministry of Commerce, Trade and Industries	100,000,000	68,488,496	62.96%	82,333,000	93,913,720
14	Ministry of Transportation	74,215,000	20,941,611	12.61%	38,902,000	88,408,000
15	Ministry of Mineral Resources Development	33,000,000	12,071,539	5.98%	37,214,000	11,068,200
16	Ministry of Works and Energy Development	19,633,000	11,770,303	26.80%	14,067,000	130,147,240
17	Ministry of Culture and Tourism	109,295,000	27,231,568	40.92%	58,393,780	132,183,720
18	Adamawa State Planning Commission	72,051,000	549,802,559	115.31%	148,102,000	972,045,960
19	Fiscal Responsibility Commission	29,290,000	21,683,129	60.15%	18,222,000	51,362,640
20	Ministry of Water Resources	52,625,000	30,665,333	42.38%	38,580,000	536,968,520
21	Ministry of Housing and Urban Development	209,250,000	153,150,775	53.47%	203,556,000	149,742,340
22	Ministry of Lands and Survey	64,771,000	29,717,523	59.52%	45,380,000	128,615,580
23	Ministry of Livestock & Aquaculture Development	18,000,000	22,518,879	29.89%	23,865,220	544,948,460
24	Ministry of Entrepreneurship Development	98,552,000	14,413,769	31.68%	34,634,000	39,243,520
25	Adamawa State Judicial Service Commission	713,576,000	528,905,402	72.64%	1,026,933,000	2,852,797,160
26	Ministry of Justice	211,548,000	289,686,114	98.72%	265,724,000	305,171,000
27	Min of Reconstruction, Rehab, Reintegration Humanitarian Ser	59,152,000	19,478,042	11.42%	47,881,000	5,131,620
28	Ministry of Youth & Sports Development	620,626,000	201,868,264	55.07%	233,350,000	72,077,460
29	Ministry of Women Affairs	142,905,000	17,698,345	18.61%	45,141,000	269,231,600
30	Ministry of Education and Human Capital Development	2,226,371,000	782,237,817	67.97%	1,098,061,000	10,904,345,060
31	Ministry of Health and Human Services	424,649,000	382,651,021	52.48%	1,488,762,000	4,518,678,220
32	Ministry of Tertiary and Professional Education	2,813,672,000	895,971,048	29.55%	2,964,209,000	7,883,003,380
33	Ministry of Environment and Natural Resources Development	15,000,000	4,188,447	321.88%	11,836,000	363,908,140
34	Ministry of Rural Infrastructure & Community Development	16,000,000	14,700,538	28.58%	14,049,000	42,788,440
35	Ministry for Local Government Affairs	102,586,650	24,233,716	191.07%	58,093,000	94,891,540

Table 5: Sector Overhead Expenditure – Budget Vs Actual

Overhead Expenditure by Sector						
No.	Sector	2022	2022		2023	
		2022 Budget	2022 Actual	Performance	2023 Budget	2024 Allocation
1	Governor's Office	12,852,085,024	10,387,784,016	91.10%	15,590,868,797	14,505,315,298
2	Office of the Secretary to the State Government	2,473,498,000	0	14.18%	2,714,037,000	5,508,004,000
3	Adamawa State House of Assembly	2,770,660,000	2,326,804,573	70.29%	5,614,605,000	4,225,952,000
4	Ministry of Information and Strategy	346,911,000	198,558,364	64.40%	247,664,000	339,206,080
5	Office of the Head of Service	218,261,000	110,553,603	56.51%	477,815,000	869,020,000
6	Office of the State Auditor General	316,347,000	138,621,136	26.61%	188,962,000	249,157,600
7	Civil Service Commission (CSC)	24,442,000	16,507,694	56.45%	146,398,000	64,000,000
8	Local Government Service Commission	3,500,000	1,068,629	34.46%	1,824,000	5,600,000
9	Adamawa State Independence Electoral Commission	4,391,000	13,130,930	40.68%	3,908,000	6,582,400
10	Ministry for Special Duties	76,000,000	14,416,519	20.71%	23,875,000	48,000,000
11	Ministry of Agriculture	27,945,000	28,954,211	47.13%	18,322,000	34,268,000
12	Ministry of Finance	4,354,529,000	2,334,639,449	51.72%	27,782,964,100	28,296,036,072
13	Ministry of Commerce, Trade and Industries	100,000,000	68,488,496	62.96%	82,333,000	141,652,800
14	Ministry of Transportation	74,215,000	20,941,611	12.61%	38,902,000	219,510,400
15	Ministry of Mineral Resources Development	33,000,000	12,071,539	5.98%	37,214,000	44,000,560
16	Ministry of Works and Energy Development	19,633,000	11,770,303	26.80%	14,067,000	3,212,027,200
17	Ministry of Culture and Tourism	109,295,000	27,231,568	40.92%	58,393,780	154,340,000
18	Adamawa State Planning Commission	72,051,000	549,802,559	115.31%	148,102,000	846,374,560
19	Fiscal Responsibility Commission	29,290,000	21,683,129	60.15%	18,222,000	32,696,000
20	Ministry of Water Resources	52,625,000	30,665,333	42.38%	38,580,000	53,760,000
21	Ministry of Housing and Urban Development	209,250,000	153,150,775	53.47%	203,556,000	68,155,200
22	Ministry of Lands and Survey	64,771,000	29,717,523	59.52%	45,380,000	72,320,000
23	Ministry of Livestock & Aquaculture Development	18,000,000	22,518,879	29.89%	23,865,220	41,894,240
24	Ministry of Entrepreneurship Development	98,552,000	14,413,769	31.68%	34,634,000	60,000,000
25	Adamawa State Judicial Service Commission	713,576,000	528,905,402	72.64%	1,026,933,000	887,069,440
26	Ministry of Justice	211,548,000	289,686,114	98.72%	265,724,000	567,120,000
27	Min of Reconstruction, Rehab, Reintegration Humanitarian Ser	59,152,000	19,478,042	11.42%	47,881,000	90,774,400
28	Ministry of Youth & Sports Development	620,626,000	201,868,264	55.07%	233,350,000	428,042,400
29	Ministry of Women Affairs	142,905,000	17,698,345	18.61%	45,141,000	68,560,000
30	Ministry of Education and Human Capital Development	2,226,371,000	782,237,817	67.97%	1,098,061,000	1,687,263,200
31	Ministry of Health and Human Services	424,649,000	382,651,021	52.48%	1,488,762,000	1,582,570,320
32	Ministry of Tertiary and Professional Education	2,813,672,000	895,971,048	29.55%	2,964,209,000	3,873,384,800
33	Ministry of Environment and Natural Resources Development	15,000,000	4,188,447	321.88%	11,836,000	23,200,000
34	Ministry of Rural Infrastructure & Community Development	16,000,000	14,700,538	28.58%	14,049,000	20,000,160
35	Ministry for Local Government Affairs	102,586,650	24,233,716	191.07%	58,093,000	75,156,240

Table
6:
Sector

Capital Expenditure – Budget Vs Actual

Capital Expenditure by Sector		2022	2022		2023	
No.	Sector	2022 Budget	2022 Actual	Performance	2023 Budget	2024 Allocation
1	Governor's Office	12,852,085,024	10,387,784,016	91.10%	15,590,868,797	5,119,393,700
2	Office of the Secretary to the State Government	2,473,498,000	0	14.18%	2,714,037,000	12,336,000,000
3	Adamawa State House of Assembly	2,770,660,000	2,326,804,573	70.29%	5,614,605,000	494,720,000
4	Ministry of Information and Strategy	346,911,000	198,558,364	64.40%	247,664,000	3,446,524,600
5	Office of the Head of Service	218,261,000	110,553,603	56.51%	477,815,000	20,704,300
6	Office of the State Auditor General	316,347,000	138,621,136	26.61%	188,962,000	13,986,100
7	Civil Service Commission (CSC)	24,442,000	16,507,694	56.45%	146,398,000	30,506,800
8	Local Government Service Commission	3,500,000	1,068,629	34.46%	1,824,000	21,000,000
9	Adamawa State Independence Electoral Commission	4,391,000	13,130,930	40.68%	3,908,000	1,453,000,000
10	Ministry for Special Duties	76,000,000	14,416,519	20.71%	23,875,000	26,341,000
11	Ministry of Agriculture	27,945,000	28,954,211	47.13%	18,322,000	1,855,250,900
12	Ministry of Finance	4,354,529,000	2,334,639,449	51.72%	27,782,964,100	6,378,663,100
13	Ministry of Commerce, Trade and Industries	100,000,000	68,488,496	62.96%	82,333,000	1,700,000,000
14	Ministry of Transportation	74,215,000	20,941,611	12.61%	38,902,000	241,000,000
15	Ministry of Mineral Resources Development	33,000,000	12,071,539	5.98%	37,214,000	419,675,000
16	Ministry of Works and Energy Development	19,633,000	11,770,303	26.80%	14,067,000	25,585,000,000
17	Ministry of Culture and Tourism	109,295,000	27,231,568	40.92%	58,393,780	640,000,000
18	Adamawa State Planning Commission	72,051,000	549,802,559	115.31%	148,102,000	2,673,300,000
19	Fiscal Responsibility Commission	29,290,000	21,683,129	60.15%	18,222,000	31,851,400
20	Ministry of Water Resources	52,625,000	30,665,333	42.38%	38,580,000	1,693,505,100
21	Ministry of Housing and Urban Development	209,250,000	153,150,775	53.47%	203,556,000	5,624,475,200
22	Ministry of Lands and Survey	64,771,000	29,717,523	59.52%	45,380,000	867,076,300
23	Ministry of Livestock & Aquaculture Development	18,000,000	22,518,879	29.89%	23,865,220	135,724,700
24	Ministry of Entrepreneurship Development	98,552,000	14,413,769	31.68%	34,634,000	397,199,600
25	Adamawa State Judicial Service Commission	713,576,000	528,905,402	72.64%	1,026,933,000	473,195,900
26	Ministry of Justice	211,548,000	289,686,114	98.72%	265,724,000	2,105,400,000
27	Min of Reconstruction, Rehab, Reintegration Humanitarian Ser	59,152,000	19,478,042	11.42%	47,881,000	379,000,000
28	Ministry of Youth & Sports Development	620,626,000	201,868,264	55.07%	233,350,000	4,624,291,400
29	Ministry of Women Affairs	142,905,000	17,698,345	18.61%	45,141,000	376,800,000
30	Ministry of Education and Human Capital Development	2,226,371,000	782,237,817	67.97%	1,098,061,000	15,978,000,100
31	Ministry of Health and Human Services	424,649,000	382,651,021	52.48%	1,488,762,000	7,045,060,100
32	Ministry of Tertiary and Professional Education	2,813,672,000	895,971,048	29.55%	2,964,209,000	7,685,000,100
33	Ministry of Environment and Natural Resources Development	15,000,000	4,188,447	321.88%	11,836,000	507,399,200
34	Ministry of Rural Infrastructure & Community Development	16,000,000	14,700,538	28.58%	14,049,000	4,090,790,900
35	Ministry for Local Government Affairs	102,586,650	24,233,716	191.07%	58,093,000	44,269,000

2.B.2 Debt Position

114. A summary of the consolidated debt position for Adamawa State Government is provided in the Table below.

Table 7: Debt Position as at 31st December 2022

Debt Sustainability Analysis			
A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2022
	Solvency Ratios	Percentage	Percentage
1	Total Domestic Debt/IGR	150%	941.13%
2	Total External Debt/Gross FAAC	150%	75.48%
3	Total Public Debt/Total Recurrent Revenue	150%	226.87%
4	Total Public Debt/State GDP Ratio	25%	No GDP Figure Available
	Liquidity Ratios	Percentage	Percentage
5	Domestic Debt Service/IGR	15%	114.51%
6	External Debt Service/Gross FAAC	10%	3.00%
8	Debt Service Deductions from FAAC/Gross FAAC	40%	13.11%
8	Total Debt Service/Total Recurrent Revenue	25%	22.50%
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2022			Naira
1	Total Domestic Debt		124,000,573,917
2	Total External Debt		46,920,360,052
3	Total Public Debt		170,920,933,969
4	Total Domestic Debt Service 2022		15,088,223,171
5	Total External Debt Service in 2022		1,862,541,054
6	Total Public Debt Service		16,950,764,225
C STATE GDP FOR 2022			
1	State GDP		0

115. Table 7 above shows that as at December 31, 2022 the State's total public Debt stock was N170,920,933,969 which was profiled into N124,000,573,917 as domestic debt stock and N46,920,360,052 as external debt stock in naira.

116. Total Domestic Debt/IGR threshold is 941.13% i.e. 791.13% above the threshold. This implies that more needs to be done to improve IGR generation in the State. Overall, this is an improvement from the 1087.79% recorded in 2020, equivalent to a drop of 146.66%.

117. Total External Debt/Gross FAAC threshold is favourable to the State at 75.48% against the threshold of 150%.

118. The analysis of Total Public Debt/Total Recurrent Revenue stands at 226.87% implies that it exceeds the threshold of 150% by 76.87%. In view of this increase there is need for the State to intensify effort to improve IGR performance through ease of doing business and partnership with Donor Agencies.

119. The analysis of Domestic Debt Service/IGR stands at 114.51% against the recommended threshold of 15%. Therefore, there is a gross increase of 99.51% above the threshold. This also demonstrates increase in the Domestic debt service without corresponding increase in IGR.
120. The analysis of External Debt Service/Gross FAAC shows the State in good standing at 3.00% against the threshold of 10%. This implies that the state borrows less in terms of External debt. The State is encouraged to borrow more external debts to meet up the recommended borrowing mix of 60/40.
121. For the analysis of Total Debt Service/Total Recurrent Revenue, the State is below the threshold by 2.5%, with a percentage of 22.50% against the threshold of 25%. The State needs to intensify efforts to improve IGR performance through public private partnerships and other good practices for domestic resource mobilization.
122. On a general note, the State's debt standing is near sustainable given that it falls within threshold for some of the parameters. However, for thresholds that include IGR, the State needs to improve in those aspects particularly through increased revenue generation.

3.C Indicative Three-Year Fiscal Framework

126. The indicative three-year fiscal framework for the period 2024-2026 is presented in the Table 10 below.

Table 9: Adamawa State Medium Term Fiscal Framework

Macro-Economic Framework

Item	2023	2024	2025	2026
National Inflation	16.10%	21.50%	20.50%	20.50%
National Real GDP Growth	3.40%	3.00%	3.00%	3.00%
State Inflation				
State Real GDP Growth				
State GDP Actual				
Oil Production Benchmark (MBPD)	1.5000	1.5000	1.7000	1.8000
Oil Price Benchmark	\$62.00	\$70.00	\$68.00	\$68.00
NGN:USD Exchange Rate	415	750	750	750
Other Assumptions				
Mineral Ratio	16%	30%	30%	30%

Fiscal Framework

Item	2023	2024	2025	2026
Opening Balance				
Recurrent Revenue				
Statutory Allocation	38,290,157,576	68,047,186,396.00	92,328,917,705	102,446,821,152
Derivation				
VAT	14,395,416,142	47,731,651,558.00	24,947,188,781	32,356,505,681
IGR	16,469,718,712	22,240,608,550.00	22,728,211,822	26,137,443,596
Excess Crude / Other Revenue	5,120,190,744	25,838,244,122.00	5,120,190,744	5,120,190,744
Total Recurrent Revenue	74,275,483,173	163,857,690,626.00	145,124,509,053	166,060,961,173

Recurrent Expenditure

Personnel Costs	31,925,394,062	35,236,311,816.00	35,197,746,954	36,957,634,301
Social Contribution and Social Benefit	8,777,263,080	7,742,260,940.00	9,676,932,546	10,160,779,173
Overheads	21,926,010,827	47,558,775,698.00	24,633,873,164	25,619,228,090
Grants, Contributions and Subsidies	264,600,000	2,647,351,280.00	291,721,500	306,307,575
Public Debt Service	19,524,102,616	18,194,886,392.00	20,360,394,133	19,607,055,615
Total	82,417,370,585	111,379,586,126	90,160,668,296	92,651,004,755
Transfer to Capital Account	-8,141,887,411	52,478,104,500	54,963,840,756	73,409,956,418

Capital Receipts

Grants	16,773,052,920	4,900,000,000.00	19,032,800,000	20,532,800,000
Other Capital Receipts	0	57,136,000,000.00	3,000,000,000	3,000,000,000
Total	16,773,052,920	62,036,000,000	22,032,800,000	23,532,800,000

Reserves

Contingency Reserve	0	0	0	0
Planning Reserve	1,399,308,275	5,725,705,225.00	5,425,582,038	5,174,637,821
Total Reserves	1,399,308,275	5,725,705,225	5,425,582,038	5,174,637,821

Capital Expenditure	26,586,857,233	114,514,104,500.00	103,086,058,719	98,318,118,597
Discretionary Funds	10,840,657,233	69,107,104,500.00	90,038,258,719	83,735,318,597
Non-Discretionary Funds	15,746,200,000	3,251,000,000.00	13,047,800,000	14,582,800,000
Financing (Loans)	19,355,000,000	42,156,000,000.00	31,515,000,000	6,550,000,000
Total Revenue (Including Opening Balance)	175,019,054,060.00	225,070,860,150.00	198,672,309,053	196,143,761,173
Total Expenditure (including Contingency Reserve)	175,019,054,060.00	225,070,860,150.00	198,672,309,053	196,143,761,173
Closing Balance				

Ratios				
Growth in Recurrent Revenue	-1.41%	69.15%	15.51%	14.43%
Growth in Recurrent Expenditure	38.63%	3.65%	5.55%	2.76%
Capital Expenditure Ratio	25.35%	53.74%	54.62%	52.76%
Deficit (Financing) to Total Expenditure	17.53%	19.82%	15.86%	3.34%
Deficit (Financing) to GDP Ratio	NA	NA	NA	NA

3.C.1 Assumptions

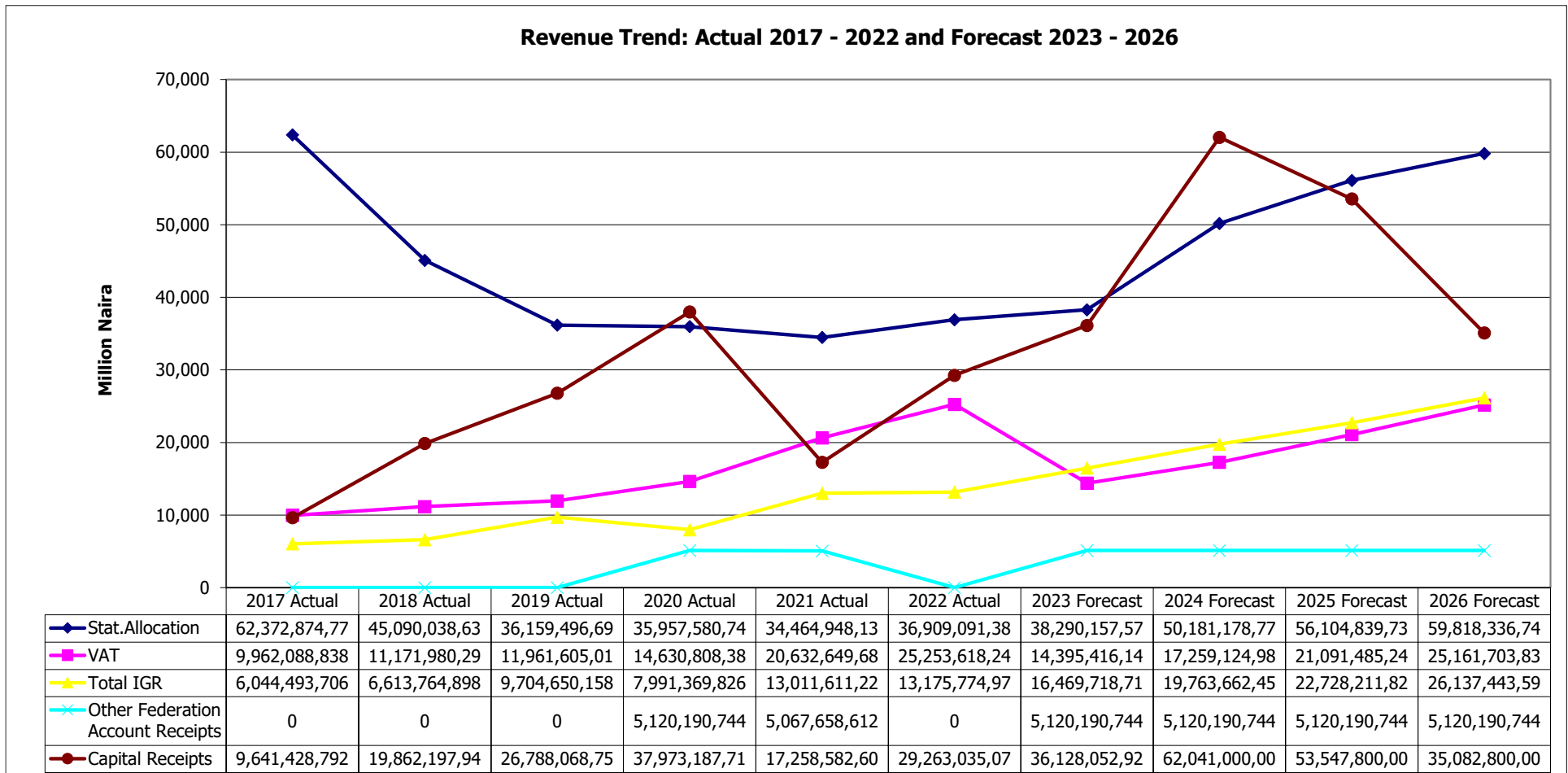
127. **Statutory Allocation** – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macro-economic framework as explained in paragraph 113 above.
128. **VAT** – is based on an elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2024-2026 is in line with the current rate of collections (i.e., 7.5%).
129. **Other Federation Account Distributions** – the estimation is based on the current receipt (i.e., from January to May 2023).
130. **Internally Generated Revenue (IGR)** – the estimation is own percentage taking into consideration the growing economic activity of the State and reform of revenue administration. The IGR performance for the first four months of 2023 is higher than the performance for corresponding period of 2021 by about 86%. However, collections for 2022 is only slightly higher than 2021 collections by about 1.26%. IGR is expected to grow by 10% annually in 2024, 2025 and 2026.
131. **Grants** – internal grants are largely from UBEC and TET Fund and these are included across the period 2024-2026. It is important that the relevant institutions in Adamawa State Government will put in place the necessary requirements to draw down UBEC and TET Fund.
132. **Financing (Net Loans)** – External loans are projected based on signed agreement. N15 billion is expected from commercial banks in 2023 and additional N25 billion is expected from the capital market in 2023 and 2024 as legislated. Also, N1.02 billion is expected from World Bank in 2024, N1.5 billion in 2025 and N1.83 billion in 2026 accordingly
133. **Personnel** – It is anticipated that the personnel costs will remain at the current level but will increase marginally due to promotion and annual notch increment. Own percentage of 5% is used to forecast personnel costs for 2024, 2025 and 2026.
134. **Social Contribution and Social Benefits** – It is anticipated that the pension and gratuity payment will remain at the current level but will increase marginally due to new retirees that will increase pension and gratuity payment. Own percentage of 5% is used to forecast Social Contribution and Social Benefit for 2024, 2025 and 2026.

135. **Overheads** – Overhead has been unstable over the last five years (increasing steadily to N25 billion in 2017 and declining in 2019 and 2020 to N17 billion). It is anticipated that Overhead will stabilise in 2021 and 2022 and increase in 2023. Own percentage of 5% is used for 2023, 7% for 2024, 5% for 2025 and 4% for 2026.
136. **Grants, Contributions, Subsidies and Transfers** – It is anticipated that Grants, Contribution will grow at 5% over the period. Therefore, own percentage of 5% is used to forecast this expenditure class for 2023, 2024, 2025 and 2026.
137. **Public Debt Service** - is based on the projected principal and interest repayment for 2022, 2023, 2024 and 2025.
138. **Capital Expenditure** – is based on the balance from the recurrent account plus capital receipts.

3.C.2 Fiscal Trends

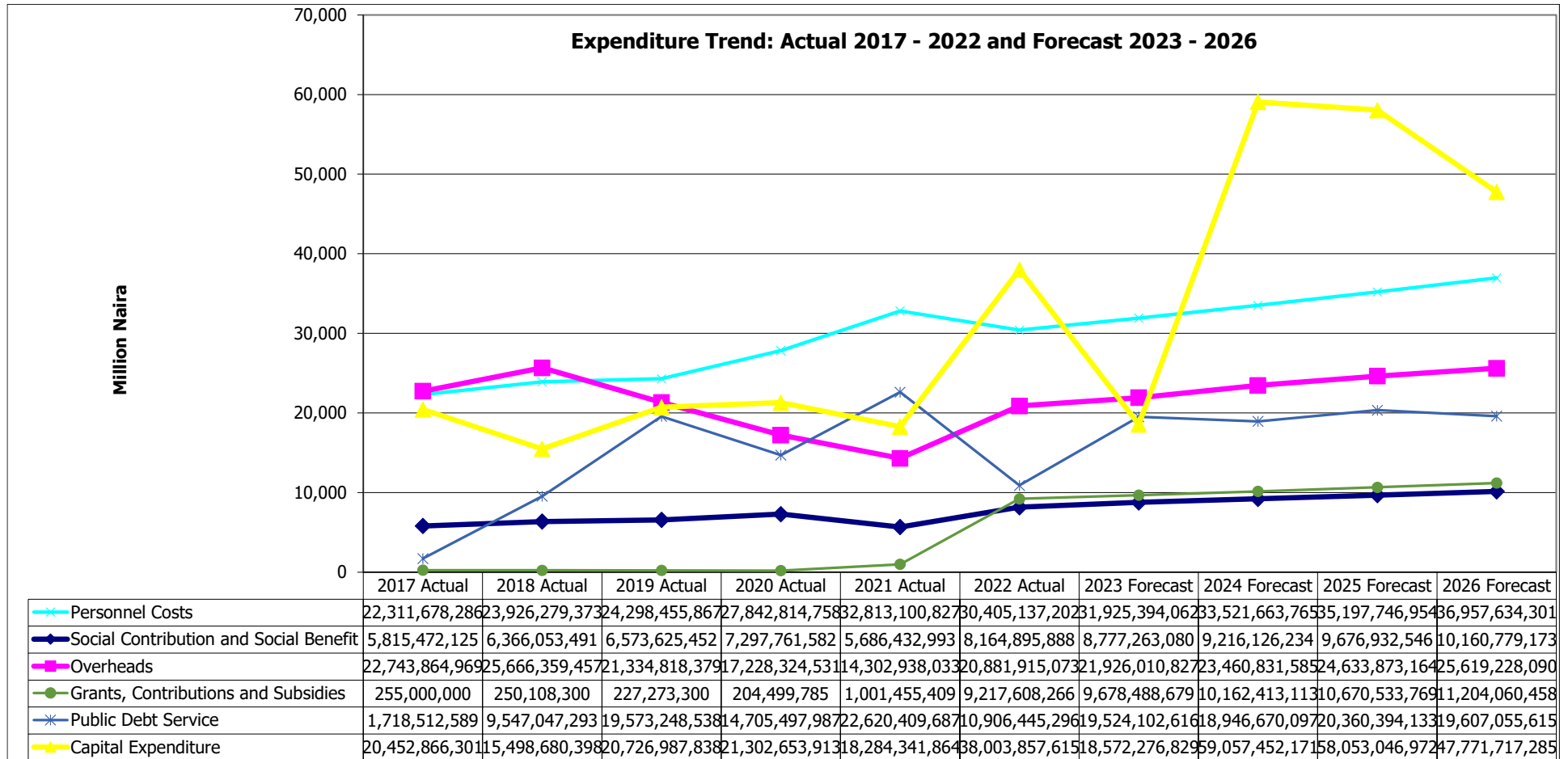
139. Based on actual figures for 2017-2022 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs (Figures 23 and 24) below.

Figure 23: Adamawa State Revenue Trend



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

Figure 24: Adamawa State Expenditure Trend



Source: 2017-2022 Adamawa State Report of the Accountant General and 2017-2023 Approved Budget

3.D Local Government Forecasts

140. Based on the Macroeconomic assumptions in section 3.A, the forecasting techniques noted in section 3.B and the vertical and horizontal sharing ratios from May 2022 – April 2023, the Federation Account revenues have been forecasted for the 21 Local Governments (LGs) of Adamawa State.

141. Forecasts for 2024 for the 21 Local Governments are provided in Table 10 below.

Table 10: Local Government Revenue Forecasts for 2024

Local Government Council	Statutory Allocation Share	VAT Share	2024			Total Transfer
			Statutory Allocation	VAT	Other Federation Account	
DEMSA	0.1294%	0.1068%	3,114,876,490	645,579,078	223,493,521	3,983,949,089
FUFORE	0.1581%	0.1126%	3,805,280,730	680,591,033	273,030,277	4,758,902,040
GANYE	0.1346%	0.1034%	3,240,197,632	624,646,497	232,485,359	4,097,329,488
GIREI	0.1178%	0.0961%	2,836,839,713	580,496,934	203,544,282	3,620,880,929
GOMBI	0.1166%	0.0996%	2,807,154,554	601,779,168	201,414,361	3,610,348,082
GUYUK	0.1247%	0.1063%	3,001,252,731	642,385,577	215,340,975	3,858,979,284
HONG	0.1358%	0.1045%	3,269,083,806	631,172,065	234,557,953	4,134,813,824
JADA	0.1421%	0.1043%	3,419,734,366	630,326,422	245,367,185	4,295,427,973
YOLA-NORTH	0.1235%	0.1107%	2,973,288,883	668,884,121	213,334,559	3,855,507,564
LAMURDE	0.1106%	0.0924%	2,662,189,181	558,233,081	191,013,042	3,411,435,304
MADAGALI	0.1124%	0.0971%	2,705,379,471	586,754,434	194,111,961	3,486,245,867
MAIHA	0.1100%	0.0920%	2,648,740,665	556,176,601	190,048,106	3,394,965,373
MAYO-BELWA	0.1276%	0.1010%	3,071,271,746	610,455,751	220,364,865	3,902,092,363
MICHIKA	0.1237%	0.1015%	2,977,416,067	613,269,813	213,630,686	3,804,316,566
MUBI NORTH	0.1180%	0.1006%	2,841,171,322	607,791,911	203,855,076	3,652,818,308
MUBI SOUTH	0.1100%	0.0958%	2,646,906,167	579,126,811	189,916,481	3,415,949,459
NUMAN	0.1045%	0.0877%	2,515,505,843	529,639,207	180,488,459	3,225,633,510
SHELLENG	0.1184%	0.1002%	2,849,654,000	605,198,001	204,463,711	3,659,315,713
SONG	0.1490%	0.1095%	3,586,910,521	661,696,802	257,362,135	4,505,969,458
TOUNGO	0.1277%	0.0794%	3,073,196,290	479,544,242	220,502,952	3,773,243,484
YOLA-SOUTH	0.1237%	0.1099%	2,978,159,065	664,170,276	213,683,996	3,856,013,337

3.E Fiscal Risks

142. The analysis and forecasting basis as laid out above implies some fiscal risks, including but not limited to the Risk Matrix in Table 11 below.

Table 11: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Militancy/Pipeline vandalism that could lead to reduction in daily oil production	Low	High	Dependence on Statutory allocation and Mineral derivation is crucial to the budget, however, clear prioritisation of projects in the capital budget is required. Increased IGR effort to decrease reliance on federal transfers and seeking alternative means of funding (grants, PPP etc.)

Risk	Likelihood	Impact	Reaction
Security situation countrywide could affect economic activity and oil production, resulting in risk to VAT and Statutory Allocation	Medium	High	The estimates for VAT and statutory allocation are not overly ambitious. In addition, clear prioritisation of projects in the capital budget is required. Increased IGR effort to decrease reliance on federal transfers and seeking alternative means of funding (grants, PPP etc.)
Risks associated with debt financing	Low	Medium	Use of external borrowing to finance budget deficit
Mismanagement and inefficient use of financial resources	Medium	High	Adherence to existing and new institutional and legal/regulatory framework that will require more transparent and efficient use of financial resources.
Floods, herdsmen/ farmers crises and other natural disasters impact on economic activity and hence IGR tax base, causing increased overhead expenditure	Medium	Medium	Increased investment to increase climate resilience (flood control and irrigation), improved security situation, adaptation, and awareness
Fuel Subsidy removal and its effect	High	High	Provision of palliatives to cushion the effect of subsidy removal.
Minimum wage increase	Medium	Medium	Policies to address inflation and price control

143. It should be noted however that no budget is without risk. The ongoing implementation of the 2023 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

4 Budget Policy Statement

4.A Budget Policy Thrust

144. The overall policy objectives are captured by the following points:

- Reduced over-dependence on Federal transfers through improved independent revenue generation achievable via a technological-driven and autonomous Board of Internal Revenue.
- Continuous improvement in access to - and quality of - public services, these include Agriculture, Environmental and Infrastructural Development, Education, Water and Health Care Delivery Systems at all levels. Inherent in this is the resolve of government to promote gender equality and inclusive development.
- Pursuit of initiatives that would continue to generate economic growth and guarantee security. This would involve implementation of programmes that generate employment and create wealth and ensure adequate security.
- Another major priority area is to broaden governance reforms particularly in the area of policy and strategy; public expenditure and financial management; and public service management. As part of this process, Government has started developing the Adamawa State Medium-Term Development Plan and Medium-Term Sector Strategy for the key sectors.

4.B Sector Allocations

145. The total forecast budget size for the 2024 fiscal year is **N225,070,860,150.00** of which the sum of **N111,379,586,126.00** (41%) will be for recurrent expenditure (i.e., Personnel, Social Contribution and Social Benefits, Overhead, and Public Debt Charge,), **N114,514,104,500.00** (59%) will be for capital expenditure out of which **N5,725,705,225** will be for planning reserve that will be allocated to sectors at bilateral discussion stage to fund critical expenditure items not envisaged at the stage of issuing budget call circular.

146. The capital expenditure component is in two parts, the discretionary capital expenditure of sum of **N111,263,104,500.00** (including planning reserve) that will be spent across all MDAs and non-discretionary capital expenditure of **N3,251,000,000.00** which is specifically earmarked for projects and programmes in Health, Education, Infrastructural Development, and Agriculture. The non-discretionary amount is in the form of loans and grants. (Table:9. Page 51).

147. Presented in Tables 12-14 below are the indicative three-year (2024-2026) capital expenditure and overhead envelopes for sectors. The basis for the envelopes is as follows:

- Non-Discretionary capital expenditure is allocated automatically to the relevant sectors.
- Discretionary capital expenditure is allocated using the average trend from 2019-2023 budget, and 2019-2022 actuals.
- These are combined to give the total sector envelopes.
- Personnel and Overhead expenditures are allocated using the average trend from 2019-2023 budget, and 2019-2022 actuals.

Table 12: Indicative sector Expenditure ceiling 2024-2026 (Personnel)

Personnel Expenditure by Sector		2022	2022		2023	
No.	Sector	2022 Budget	2022 Actual	Performance	2023 Budget	2024 Allocation
1	Governor's Office	12,852,085,024	10,387,784,016	91.10%	15,590,868,797	364,526,480
2	Office of the Secretary to the State Government	2,473,498,000	0	14.18%	2,714,037,000	855,524,560
3	Adamawa State House of Assembly	2,770,660,000	2,326,804,573	70.29%	5,614,605,000	1,016,625,780
4	Ministry of Information and Strategy	346,911,000	198,558,364	64.40%	247,664,000	399,750,360
5	Office of the Head of Service	218,261,000	110,553,603	56.51%	477,815,000	8,269,083,180
6	Office of the State Auditor General	316,347,000	138,621,136	26.61%	188,962,000	292,565,120
7	Civil Service Commission (CSC)	24,442,000	16,507,694	56.45%	146,398,000	13,500,280
8	Local Government Service Commission	3,500,000	1,068,629	34.46%	1,824,000	3,506,220
9	Adamawa State Independence Electoral Commission	4,391,000	13,130,930	40.68%	3,908,000	24,267,480
10	Ministry for Special Duties	76,000,000	14,416,519	20.71%	23,875,000	4,178,740
11	Ministry of Agriculture	27,945,000	28,954,211	47.13%	18,322,000	390,056,440
12	Ministry of Finance	4,354,529,000	2,334,639,449	51.72%	27,782,964,100	1,154,316,596
13	Ministry of Commerce, Trade and Industries	100,000,000	68,488,496	62.96%	82,333,000	93,913,720
14	Ministry of Transportation	74,215,000	20,941,611	12.61%	38,902,000	88,408,000
15	Ministry of Mineral Resources Development	33,000,000	12,071,539	5.98%	37,214,000	11,068,200
16	Ministry of Works and Energy Development	19,633,000	11,770,303	26.80%	14,067,000	130,147,240
17	Ministry of Culture and Tourism	109,295,000	27,231,568	40.92%	58,393,780	132,183,720
18	Adamawa State Planning Commission	72,051,000	549,802,559	115.31%	148,102,000	972,045,960
19	Fiscal Responsibility Commission	29,290,000	21,683,129	60.15%	18,222,000	51,362,640
20	Ministry of Water Resources	52,625,000	30,665,333	42.38%	38,580,000	536,968,520
21	Ministry of Housing and Urban Development	209,250,000	153,150,775	53.47%	203,556,000	149,742,340
22	Ministry of Lands and Survey	64,771,000	29,717,523	59.52%	45,380,000	128,615,580
23	Ministry of Livestock & Aquaculture Development	18,000,000	22,518,879	29.89%	23,865,220	544,948,460
24	Ministry of Entrepreneurship Development	98,552,000	14,413,769	31.68%	34,634,000	39,243,520
25	Adamawa State Judicial Service Commission	713,576,000	528,905,402	72.64%	1,026,933,000	2,852,797,160
26	Ministry of Justice	211,548,000	289,686,114	98.72%	265,724,000	305,171,000
27	Min of Reconstruction, Rehab, Reintegration Humanitarian Ser	59,152,000	19,478,042	11.42%	47,881,000	5,131,620
28	Ministry of Youth & Sports Development	620,626,000	201,868,264	55.07%	233,350,000	72,077,460
29	Ministry of Women Affairs	142,905,000	17,698,345	18.61%	45,141,000	269,231,600
30	Ministry of Education and Human Capital Development	2,226,371,000	782,237,817	67.97%	1,098,061,000	10,904,345,060
31	Ministry of Health and Human Services	424,649,000	382,651,021	52.48%	1,488,762,000	4,518,678,220
32	Ministry of Tertiary and Professional Education	2,813,672,000	895,971,048	29.55%	2,964,209,000	7,883,003,380
33	Ministry of Environment and Natural Resources Development	15,000,000	4,188,447	321.88%	11,836,000	363,908,140
34	Ministry of Rural Infrastructure & Community Development	16,000,000	14,700,538	28.58%	14,049,000	42,788,440
35	Ministry for Local Government Affairs	102,586,650	24,233,716	191.07%	58,093,000	94,891,540

Table 13: Indicative Sector Expenditure Ceilings 2024-2026 (Overhead)

Overhead Expenditure by Sector		2022	2022		2023	
No.	Sector	2022 Budget	2022 Actual	Performance	2023 Budget	2024 Allocation
1	Governor's Office	12,852,085,024	10,387,784,016	91.10%	15,590,868,797	14,505,315,298
2	Office of the Secretary to the State Government	2,473,498,000	0	14.18%	2,714,037,000	5,508,004,000
3	Adamawa State House of Assembly	2,770,660,000	2,326,804,573	70.29%	5,614,605,000	4,225,952,000
4	Ministry of Information and Strategy	346,911,000	198,558,364	64.40%	247,664,000	339,206,080
5	Office of the Head of Service	218,261,000	110,553,603	56.51%	477,815,000	869,020,000
6	Office of the State Auditor General	316,347,000	138,621,136	26.61%	188,962,000	249,157,600
7	Civil Service Commission (CSC)	24,442,000	16,507,694	56.45%	146,398,000	64,000,000
8	Local Government Service Commission	3,500,000	1,068,629	34.46%	1,824,000	5,600,000
9	Adamawa State Independence Electoral Commission	4,391,000	13,130,930	40.68%	3,908,000	6,582,400
10	Ministry for Special Duties	76,000,000	14,416,519	20.71%	23,875,000	48,000,000
11	Ministry of Agriculture	27,945,000	28,954,211	47.13%	18,322,000	34,268,000
12	Ministry of Finance	4,354,529,000	2,334,639,449	51.72%	27,782,964,100	28,296,036,072
13	Ministry of Commerce, Trade and Industries	100,000,000	68,488,496	62.96%	82,333,000	141,652,800
14	Ministry of Transportation	74,215,000	20,941,611	12.61%	38,902,000	219,510,400
15	Ministry of Mineral Resources Development	33,000,000	12,071,539	5.98%	37,214,000	44,000,560
16	Ministry of Works and Energy Development	19,633,000	11,770,303	26.80%	14,067,000	3,212,027,200
17	Ministry of Culture and Tourism	109,295,000	27,231,568	40.92%	58,393,780	154,340,000
18	Adamawa State Planning Commission	72,051,000	549,802,559	115.31%	148,102,000	846,374,560
19	Fiscal Responsibility Commission	29,290,000	21,683,129	60.15%	18,222,000	32,696,000
20	Ministry of Water Resources	52,625,000	30,665,333	42.38%	38,580,000	53,760,000
21	Ministry of Housing and Urban Development	209,250,000	153,150,775	53.47%	203,556,000	68,155,200
22	Ministry of Lands and Survey	64,771,000	29,717,523	59.52%	45,380,000	72,320,000
23	Ministry of Livestock & Aquaculture Development	18,000,000	22,518,879	29.89%	23,865,220	41,894,240
24	Ministry of Entrepreneurship Development	98,552,000	14,413,769	31.68%	34,634,000	60,000,000
25	Adamawa State Judicial Service Commission	713,576,000	528,905,402	72.64%	1,026,933,000	887,069,440
26	Ministry of Justice	211,548,000	289,686,114	98.72%	265,724,000	567,120,000
27	Min of Reconstruction, Rehab, Reintegration Humanitarian Ser	59,152,000	19,478,042	11.42%	47,881,000	90,774,400
28	Ministry of Youth & Sports Development	620,626,000	201,868,264	55.07%	233,350,000	428,042,400
29	Ministry of Women Affairs	142,905,000	17,698,345	18.61%	45,141,000	68,560,000
30	Ministry of Education and Human Capital Development	2,226,371,000	782,237,817	67.97%	1,098,061,000	1,687,263,200
31	Ministry of Health and Human Services	424,649,000	382,651,021	52.48%	1,488,762,000	1,582,570,320
32	Ministry of Tertiary and Professional Education	2,813,672,000	895,971,048	29.55%	2,964,209,000	3,873,384,800
33	Ministry of Environment and Natural Resources Development	15,000,000	4,188,447	321.88%	11,836,000	23,200,000
34	Ministry of Rural Infrastructure & Community Development	16,000,000	14,700,538	28.58%	14,049,000	20,000,160
35	Ministry for Local Government Affairs	102,586,650	24,233,716	191.07%	58,093,000	75,156,240

Table 14: Indicative Sector Expenditure Ceilings 2024-2026 (Total Capital Envelope)

Capital Expenditure by Sector						
No.	Sector	2022 Budget	2022 Actual	Performance	2023 Budget	2024 Allocation
1	Governor's Office	12,852,085,024	10,387,784,016	91.10%	15,590,868,797	5,119,393,700
2	Office of the Secretary to the State Government	2,473,498,000	0	14.18%	2,714,037,000	12,336,000,000
3	Adamawa State House of Assembly	2,770,660,000	2,326,804,573	70.29%	5,614,605,000	494,720,000
4	Ministry of Information and Strategy	346,911,000	198,558,364	64.40%	247,664,000	3,446,524,600
5	Office of the Head of Service	218,261,000	110,553,603	56.51%	477,815,000	20,704,300
6	Office of the State Auditor General	316,347,000	138,621,136	26.61%	188,962,000	13,986,100
7	Civil Service Commission (CSC)	24,442,000	16,507,694	56.45%	146,398,000	30,506,800
8	Local Government Service Commission	3,500,000	1,068,629	34.46%	1,824,000	21,000,000
9	Adamawa State Independence Electoral Commission	4,391,000	13,130,930	40.68%	3,908,000	1,453,000,000
10	Ministry for Special Duties	76,000,000	14,416,519	20.71%	23,875,000	26,341,000
11	Ministry of Agriculture	27,945,000	28,954,211	47.13%	18,322,000	1,855,250,900
12	Ministry of Finance	4,354,529,000	2,334,639,449	51.72%	27,782,964,100	6,378,663,100
13	Ministry of Commerce, Trade and Industries	100,000,000	68,488,496	62.96%	82,333,000	1,700,000,000
14	Ministry of Transportation	74,215,000	20,941,611	12.61%	38,902,000	241,000,000
15	Ministry of Mineral Resources Development	33,000,000	12,071,539	5.98%	37,214,000	419,675,000
16	Ministry of Works and Energy Development	19,633,000	11,770,303	26.80%	14,067,000	25,585,000,000
17	Ministry of Culture and Tourism	109,295,000	27,231,568	40.92%	58,393,780	640,000,000
18	Adamawa State Planning Commission	72,051,000	549,802,559	115.31%	148,102,000	2,673,300,000
19	Fiscal Responsibility Commission	29,290,000	21,683,129	60.15%	18,222,000	31,851,400
20	Ministry of Water Resources	52,625,000	30,665,333	42.38%	38,580,000	1,693,505,100
21	Ministry of Housing and Urban Development	209,250,000	153,150,775	53.47%	203,556,000	5,624,475,200
22	Ministry of Lands and Survey	64,771,000	29,717,523	59.52%	45,380,000	867,076,300
23	Ministry of Livestock & Aquaculture Development	18,000,000	22,518,879	29.89%	23,865,220	135,724,700
24	Ministry of Entrepreneurship Development	98,552,000	14,413,769	31.68%	34,634,000	397,199,600
25	Adamawa State Judicial Service Commission	713,576,000	528,905,402	72.64%	1,026,933,000	473,195,900
26	Ministry of Justice	211,548,000	289,686,114	98.72%	265,724,000	2,105,400,000
27	Min of Reconstruction, Rehab, Reintegration Humanitarian Ser	59,152,000	19,478,042	11.42%	47,881,000	379,000,000
28	Ministry of Youth & Sports Development	620,626,000	201,868,264	55.07%	233,350,000	4,624,291,400
29	Ministry of Women Affairs	142,905,000	17,698,345	18.61%	45,141,000	376,800,000
30	Ministry of Education and Human Capital Development	2,226,371,000	782,237,817	67.97%	1,098,061,000	15,978,000,100
31	Ministry of Health and Human Services	424,649,000	382,651,021	52.48%	1,488,762,000	7,045,060,100
32	Ministry of Tertiary and Professional Education	2,813,672,000	895,971,048	29.55%	2,964,209,000	7,685,000,100
33	Ministry of Environment and Natural Resources Development	15,000,000	4,188,447	321.88%	11,836,000	507,399,200
34	Ministry of Rural Infrastructure & Community Development	16,000,000	14,700,538	28.58%	14,049,000	4,090,790,900
35	Ministry for Local Government Affairs	102,586,650	24,233,716	191.07%	58,093,000	44,269,000

NOTE: Ceilings for the Recurrent components (Overhead and Personnel) are based on the average trend from 2019-2023 budget, and 2019-2022 actuals, while those of the following are based on:

- Non-Discretionary capital expenditure is allocated automatically to the relevant sectors.
- Discretionary capital expenditure is allocated using the average trend from 2019-2023 budget, and 2019-2022 actuals.
- These are combined to give the total sector envelopes.
- Personnel and Overhead expenditures are allocated using the average trend from 2019-2023 budget, and 2019-2022 actuals.
 - i. Social contribution and social benefits: these components comprise of pensions, gratuity etc.
 - ii. Grants, Contributions and Subsidies: these components comprise of grants to Local Governments, Grants to State MDAs, etc.
 - iii. Public debt service: these are repayment of loans and servicing of other debts by the State Government.

4.C Considerations for the Annual Budget Process

148. The budget call circular will include the following instructions to MDAs for the annual budget submissions:

- With a relatively small Capital Development Fund, priority must be given to completing ongoing projects.
- Budget submissions for capital projects must include full life-time capital investment requirements (costs) and sources of funding (particularly if grants and/or loans are being used to fund partially / fully the project).

5 Summary of Key Points and Recommendations

149. We summarise below a list of the key points arising in this document:

- a) The State should sustain the current Budget reform programme particularly as it relates to the preparation of a realistic budget, ensuring policy-plan-budget linkages, and early passage of the budget.
- b) The State needs to prepare and implement detailed debt sustainability analysis to better understand the nature, complexity, and monitor sustainability of its debt.
- c) The State should continue to monitor performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process.
- d) Grant estimates going forward should be realistically budgeted for to avoid low performance.
- e) Overhead expenditure must be brought under control, to ensure that cost of governance is not more than necessary.
- f) Prudent forecasting of revenue, and hence the capital development fund, and tight control on recurrent expenditure, will help to both increase the level of capital expenditure and also improve performance against budget.

APPENDIX I

Adamawa State Government 2024 Proposed Budget - Capital Receipts						
Receipt Description	Administrative Code and Description	Economic Code and Description	Fund Code and Description	2024	2025	2026
Total Capital Receipts				62,036,000,000.00	6,203,600,000.00	620,360,000.00
State Action for Business Enabling Reforms (SABER)	016100100100 - Office of the Secretary to the State Government	13020102 - CAPITAL GRANTS FROM FGN	08121 - WORLD BANK TRUST FUND	2,200,000,000.00	220,000,000.00	22,000,000.00
State Agric Development Programme (CARES Funds)	021500100100 - Ministry of Agriculture	13020102 - CAPITAL GRANTS FROM FGN	08121 - WORLD BANK TRUST FUND	1,000,000,000.00	100,000,000.00	10,000,000.00
Commercial Bank Loans/Restructured Loans	022000700100 - Office of the Accountant General	14030101 - DOMESTIC LOANS/ BORROWINGS FROM FINANCIAL INSTITUTIONS	09304 - COMMERCIAL BANK	27,656,000,000.00	2,765,600,000.00	276,560,000.00
Infrastructural Grant from FGN	022000700100 - Office of the Accountant General	14030101 - DOMESTIC LOANS/ BORROWINGS FROM FINANCIAL INSTITUTIONS	08304 - DONATIONS BY FED. GOVERNMENT	14,925,000,000.00	1,492,500,000.00	149,250,000.00
Adamawa Government BONDS	022000700100 - Office of the Accountant General	14030101 - DOMESTIC LOANS/ BORROWINGS FROM FINANCIAL INSTITUTIONS	09303 - BOND	14,000,000,000.00	1,400,000,000.00	140,000,000.00
Rural Access Mobility Project (RAMP)	022000700100 - Office of the Accountant General	14030201 - INTERNATIONAL LOANS/ BORROWINGS FROM FINANCIAL	09111 - INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)	500,000,000.00	50,000,000.00	5,000,000.00
World Bank Project-Fiscal Responsibility Commission	025000100100 - Fiscal Responsibility Commission	14030201 - INTERNATIONAL LOANS/ BORROWINGS FROM FINANCIAL	08304 - DONATIONS BY FED. GOVERNMENT	55,000,000.00	5,500,000.00	550,000.00
TET FUND Poly	056801800100 - Adamawa State Polytechnic Yola	13020102 - CAPITAL GRANTS FROM FGN	08304 - DONATIONS BY FED. GOVERNMENT	700,000,000.00	70,000,000.00	7,000,000.00
TET FUND ADSU	056802100100 - Adamawa State University Mubi	13020102 - CAPITAL GRANTS FROM FGN	08304 - DONATIONS BY FED. GOVERNMENT	1,000,000,000.00	100,000,000.00	10,000,000.00

	<i>Total Capital Receipts</i>	<i>62,036,000,000.00</i>
08	AIDS AND GRANTS	19,880,000,000.00
081	MULTILATERAL AIDS AND GRANTS	3,200,000,000.00
08121	WORLD BANK TRUST FUND	3,200,000,000.00
083	LOCAL AIDS AND GRANTS	16,680,000,000.00
08304	DONATIONS BY FED. GOVERNMENT	16,680,000,000.00
09	LOANS/ DEBTS	42,156,000,000.00
091	MULTILATERAL LOANS/ DEBTS	500,000,000.00
09111	INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)	500,000,000.00
093	LOCAL LOANS/ DEBTS	41,656,000,000.00
09303	BOND	14,000,000,000.00
09304	COMMERCIAL BANK	27,656,000,000.00