DEBT MANAGEMENT OFFICE
NIGERIA

States Fiscal Transparency, Accountability and Sustainabilty

STATE DEBT SUSTAINABILITY ANALYSIS AND DEBT MANAGEMENT STRATEGY

(STATE DSA - DMS)

DEVELOPED BY THE

ADAMAWA STATE DEBT MANAGEMENT AGENCY (DMA)

IN COLLABORATION WITH

THE WORLD BANK

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CHAPTER ONE
INTRODUCTION

1.0 Background of Debt Sustainability.

A State's Public Debt is considered sustainable, if the government is able to meet all its current and future payment obligations without exceptional financial assistant i.e. Extreme financing or Additional borrowing. Furthermore, Debt Sustainability Analysis (DSA) assesses how a state current level of debts and prospective borrowing affects its present ability to meet debt service obligations, it is a consensus that a key factor for achieving external and public debt sustainability is a macroeconomic stability.

Debt sustainability is aimed at determining the extent of robustness of the state's current and future revenues in meeting these Debt service obligations.

The Debt Sustainability Analysis analyzes the trends and patterns in the State's public finances during the period 2016 - 2020, and evaluates the debt sustainability in projected period 2021 - 2030 (the long-term). The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the State. A debt sustainability assessment is conducted, including scenario and sensitivity analysis, in order to evaluate the prospective performance of the State's public finances.

1.1 BACKGROUND

The State Debt Sustainability Analysis (S-DSA) Toolkit was developed by Debt Management Office, Nigeria and reviewed by the World Bank to analyze the trends and patterns in the State's public finances during the period of 2016 - 2020 while also evaluating the ability of the State to sustain its debt in the long term (2021 – 2030). The DSA carried out by Adamawa State's Technical Team appraised recent Revenue, Expenditure, State Public debt trends, and related policies adopted by the State Government, while considering the policy thrust of the State. A sub-national sustainability assessment was conducted using baseline scenarios and sensitivity analysis in order to evaluate the prospective performance of the State's public finances going forward. The intention is to assist the Adamawa state Government in striking a balance between the State's programs execution and new borrowings by utilizing recent trends in the State's public finances.

1.2 SUMMARY OF FINDINGS

The results of the Adamawa State S-DSA show that the State's debt portfolio appears to be sustainable in the long term. The State has made giant strides in IGR mobilization through the recently introduced, improved, tax administration reforms. The State's revenue office is now autonomous with more competent personnel to follow through on the state's vision with the assistance of up-to-date technology. Also worthy of mention is the Land Used Charge as a new revenue head embedded with motivators to reduce tax defaulters. Given the State's forecasts for the economy and reasonable assumptions concerning its revenue and expenditure policies, there is a need to cut down on recurrent expenditure in order to reduce the deficit which can disrupt the forecast by increasing Debt Stock and Debt Service payment astronomically. The Covid-19 pandemic with its attendant impact on the price of crude oil will most likely reduce the statutory allocation to the State from the center

CHAPTER TWO

THE ADAMAWA STATE FISCAL AND DEBT FRAMEWORK

2.1 Fiscal Reforms in the Last 4 to 6 years

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

The reform of revenue administration is ongoing, with implementation of Treasury Single Account (TSA), IGR projection in the immediate term is expected to surpass 2021 approved estimates, however, actual collections are largely expected to rise due to blockage of leakages. It is believed that current effort to establish taxpayer database by BIR, perfection of the TSA and technical support from development partners towards harmonization/review of tax rate and other efforts focused on blocking leakages and dealing with the phenomena of tax avoidance/evasion, collection will improve. Also, the Board of Internal Revenue has introduced more revenue sources intended to boost inflows such as ground rent etc. therefore IGR is expected to grow annually in 2021 up to 2030.

The Fiscal Reforms being implemented by the Adamawa State Government in the last four to six years include the Public Financial Management (PFM) and Human Resource Management (HRM) which are sub-divided into Budget reform, Audit reform, Public Procurement reform, Tax Administration reform, and Civil Service & Pension reform. These reforms led to the enactment of Laws that regulates implementation of Fiscal Policies in the State. The Laws are Adamawa State Fiscal Responsibility Law (FRL), 2020 Amended; Adamawa State Finance Management Law, 2017; Adamawa State Government Financial Regulations and Store, 2017; Adamawa State Public Procurement Law 2017 and Adamawa State Audit Law, 2017. The FRL for instance, provides for the creation of the implementation organ, medium term fiscal framework, how public expenditure should be carried out, borrowing process, transparency and accountability in governance and principles of sound financial management.

2.2 Adamawa State Approved 2021 Budget and Medium-Term Expenditure Framework (MTEF), 2021-2023

2.2.1 Approved 2021 Budget

The 2021 Budget was prepared amidst a challenging global and domestic environment due to the persistent headwinds from the Coronavirus Pandemic. The resulting global economic recession, low oil prices and heightened global economic uncertainty have had important implications for our economy.

Based on the foregoing fiscal assumptions and parameters, the Adamawa State total revenue available to fund the 2021 Budget is estimated at N68.088 billion. This includes Internally Generated Revenue, Statutory Allocation, Value Added Tax, Other Statutory Revenue, Domestic Grants, Foreign Grants, Opening Balance, and Sale of Government Assets, respectively.

An aggregate expenditure of N89.673 billion is proposed by the Adamawa State Government in 2021. The 2021 proposed Expenditure comprises, Debt Repayment (Interest and Principal) of N13.683 billion, Recurrent Expenditure of N54.689 billion, and Capital Expenditure of N21.303 billion, respectively.

2.2.2 The Key Objectives of Approved 2021 Budget

i. consolidate and improve on the provision of functional education strategy already embarked upon in the State, with emphasis on technical and technological aspects;

ii. sustain and improve the State's healthcare delivery system;

iii. enhance the overall improvement in human capital development such that will empower youths, artisans and market women for wealth and jobs creation;

iv. ensure security of lives and properties of the residents of the State;

v. combat the spread of Covid-19 and ameliorate the effects of same on people, SMEs and MSMEs across the State;

vi. ensure the completion of the on-going capital projects and also sustain the current investment in infrastructural facilities;

vii. sustain and intensify the current efforts in Independent Revenue generation;

viii. combat gender-based violence and facilitate social inclusion through target spending on the vulnerable and other marginalized group;

ix. improve the state's public financial management to entrench transparency, accountability and integrity; and

x. Strategic diversification of the state's economy using the Public Private Partnership (PPP) model.

2.2.3 Medium Term Policy Objectives and Targets

The overall medium-term policy objectives are:

i. Grow IGR by a minimum of 10% every year from 2021-2023;

ii. To harness the public, corporate and private individual grants to boost the State's revenue;

iii. Give priority to cushioning the effects of coronavirus pandemic through agricultural re-engineering and provision of healthcare facilities, palliatives and economic rebound initiatives like Micro-Credit loans;

iv. Grow the economy through targeted spending in areas of comparative advantage;

v. Sustaining the regime of peace being enjoyed in the State through provision or requisite support to security agencies for Crime Control and Prevention; and

vi. Have a long-term target of Funding all Recurrent Expenditure with Recurrent Revenue (IGR, VAT and Non-Mineral Compact of Statutory Allocation).

CHAPTER THREE

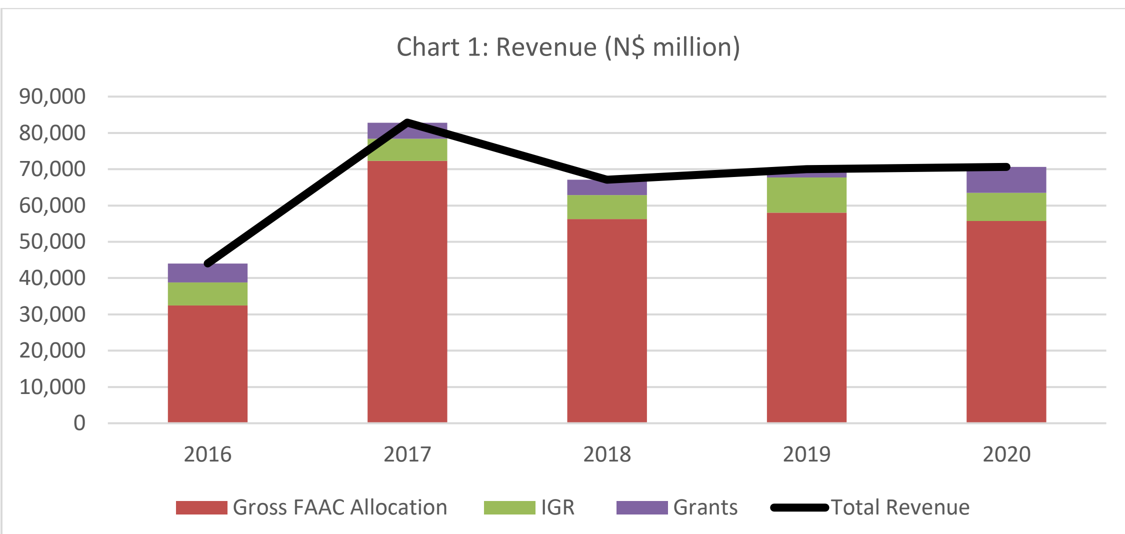
The Adamawa State Revenue, Expenditure, and Public Debt Trends (2016-2020)

3.1 Revenue, Expenditure and Overall and Primary Balance

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

The actual revenue earned by Adamawa State Government for the period 2016 - 2020 are shown and explained in Chart 1, while the actual expenditures incurred by the State are shown in Chart 2.

Chart 1: Revenue



The Gross FAAC Allocation accounts for 40% performance to total recurrent revenue of the state in 2016 but slightly went up to 73% as a result of the impact of economic recession experienced in the country in 2016. However, 2017 the economy picked up as a result of Federal Government Recovery Interventions and slightly dropped in 2018 and slightly picked up in 2019 and slightly increase in 2020 by 27% respectively. However, it is expected to increase by 18% in 2021 by projection.

The average Internally Generated Revenue (IGR) of N6.4b accounts for 14% of Gross FAAC Allocation in 2016 and also contributed 14% in 2020. The IGR is expected to increase by 47% in 2021. However, with the recent Tax Administration Reform by the state which includes the Introduction of Land Services, Automated Tax Collection of all forms, Treasury Single Account (TSA), etc., there will be tremendous improvement in the performance of the State IGR.

Chart 1: Revenue (Historical)

The historical chart below depicts the revenue pattern of the state from 2016 to 2030, it is projected that in 2021, it will raise to about (82.9b) and further astronomically to about (123.3b) in 2023 due largely to the proceed of bond issuance, which will stimulate Agric-business in the state, and reduce the expenditure due to pensions, thus making the state PENCOM complaint.

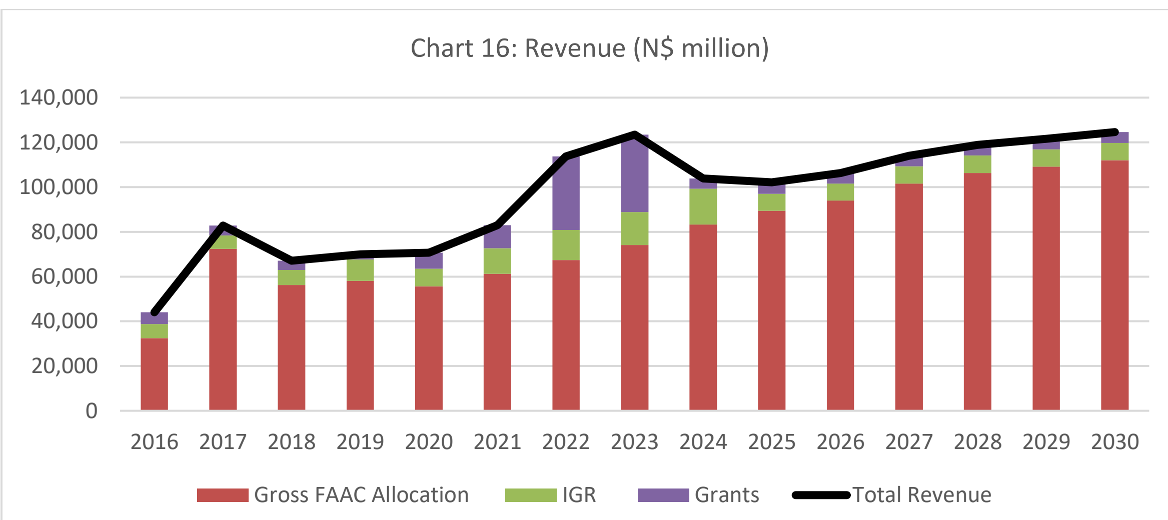


Chart 2: Expenditure

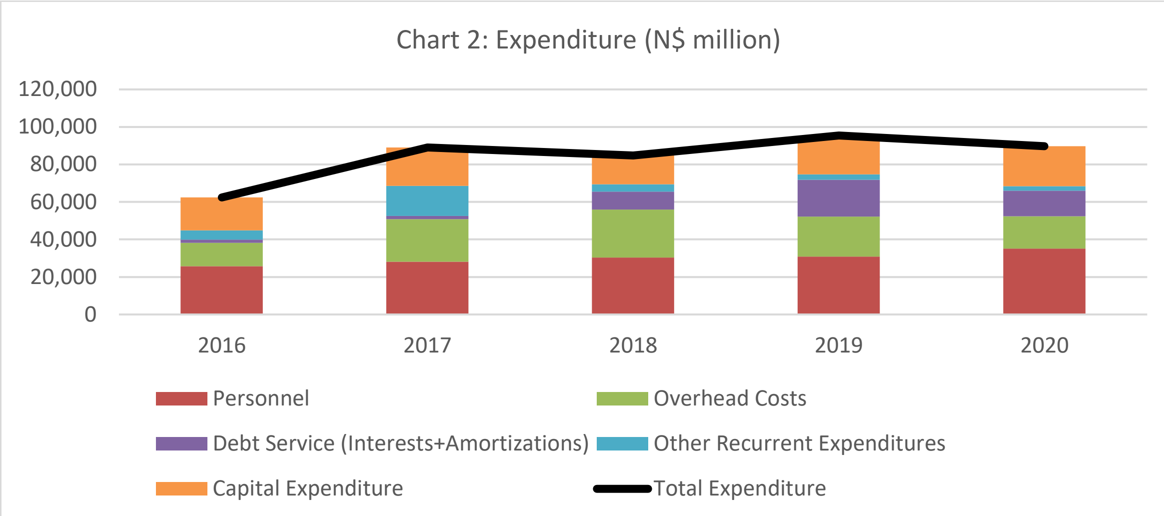
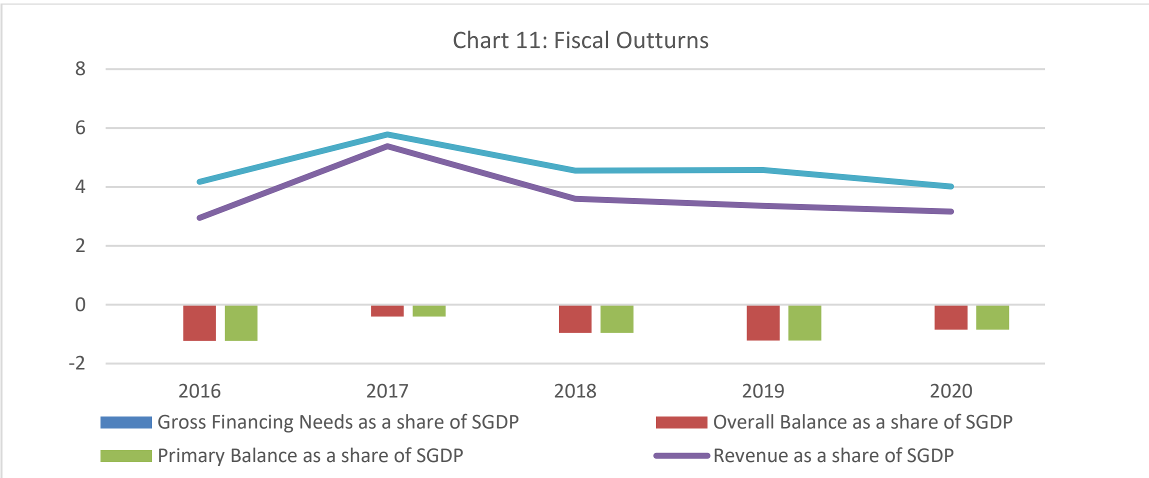


Chart 2 above depicts Aggregate (Total) Government Expenditure i.e. Recurrent and Capital Expenditures. The recurrent expenditure includes Personnel Cost, Overhead Cost, Debt Service (Principal and Interest) and Consolidated Revenue Fund Charges (CRFC); while the capital expenditure is the total expenditure incurred on infrastructural development of the State.

The personnel cost consists of salaries and allowances of all Ministries, Departments and Agencies as well as public and political office holders' emolument. The State personnel cost accounts for 36% of the State Total Expenditure from 2016. While in 2020 the personnel cost accounts for about 39% of Total Expenditure and is projected to account for 23% of Total Expenditure by the end of 2021. Overhead expenditure entails the cost of maintenance and operation of Government activities, even though it has been relatively volatile over the period 2016 - 2020. However, the overhead cost comprises of 20% of Total Expenditure of the state and is projected to account for 13% of Total Expenditure of the State by the end of 2021.

Capital Expenditure includes the main investment and implementation of programme and projects of government. The capital expenditure for the period (2016 - 2020) has been highly unstable, with the actual capital expenditure deviating significantly from the budget performance. The trend

expectation for budgeted and actual capital expenditure has been linear, with actual falling as budgeted figure declines. Over the period 2016 - 2020, the State capital expenditure to total expenditure accounts for 25% of the State Total Expenditure, while it slightly reduces to 24% of Total Expenditure and is projected to increase by 55% at the end of 2021.



3.2 Budget and debt out turn

In the fiscal out turn of the state, the revenue pattern has been on the steady increase of 593 billion in 2016 to 101.4 billion in 2025 at an average of 71.5%, while the expenditure pattern has been on the steady increase from 62.3billion in 2016 to 95.4 billion in 2019 and slightly dropped to 89.6 billion in 2020 with an average of 66.3% in the four years period under review

The year 2016 was closed with a budget balance of -3010.19 billion (deficit), which reduced further to -953.40 million in 2017, and the state went out of deficit in the year 2018 by 1,215.70 million to 11,754.24 billion (surplus) in 2020.

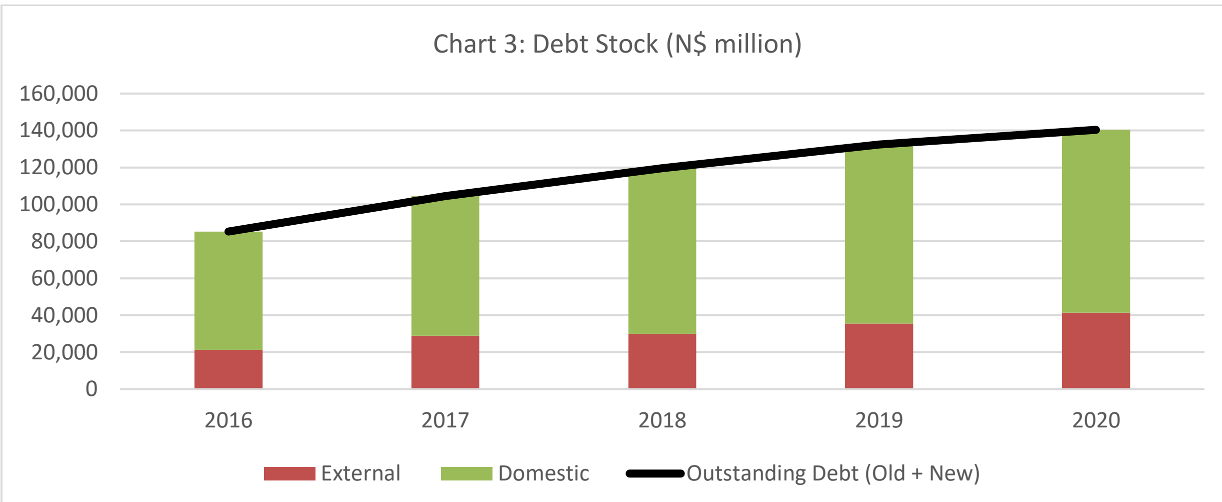
The budget outcomes of 2016-2020 was occasioned by the financing activities of the state, i.e. the debt outcomes increased by 122% which i.e. 12,36.87 million as domestic debt and 27,413.95 as external debt in the year 2020 and 188.52 million in 2016 and 3.402.94million in 2020 as foreign debt.

3.3 Existing Public Debt Portfolio

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

Chart 3: Debt Stock

	2016	2017	2018	2019	2020
Outstanding Debt (Old + New)	85,291	104,430	119,573	132,459	140,363
External	21,192	28,927	29,976	35,469	41,463
Domestic	64,099	75,502	89,598	96,991	98,900

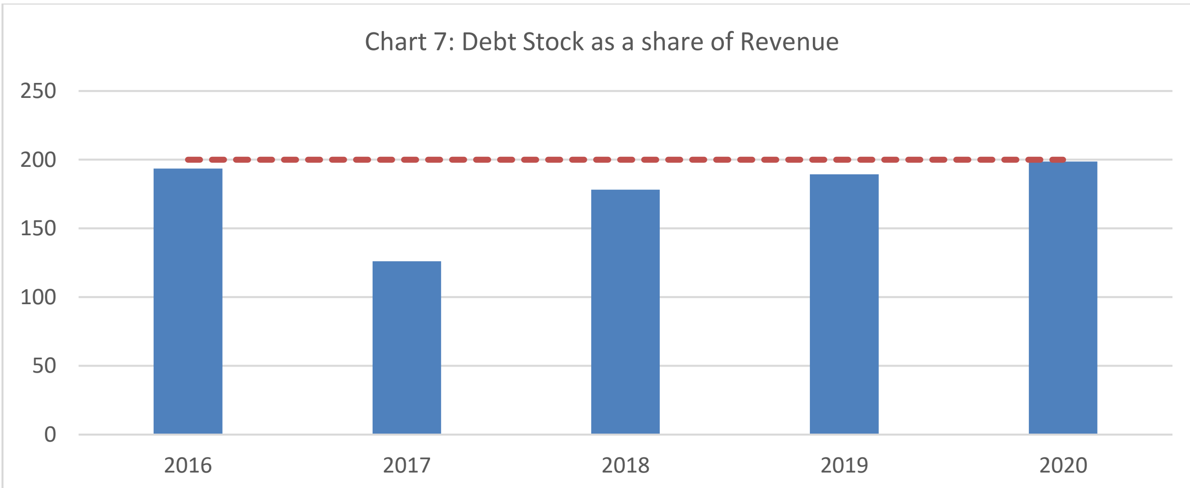


The debt stock is classified into two in the chart, which includes the External and Domestic debt.

The state public Debt as at 2016 ending stands at (85.2bn) constituting (21.19bn) external debt and (64.09bn) as domestic debts.

While State public debt amounted to N140.4bn at the end of 2020 and has been increasing since the collapse of oil prices. The State's debt portfolio largely consists of domestic debt with 70% and External stood at 30% of the Total debt stock as at the end of 2020 and Domestic debt is projected to increase by 75% while the External is expected to reduce by 25% at the end of 2021.

The State holds a medium-cost, and medium-risk debt portfolio. The debt portfolio carried an average, interest payments represented just 5 percent of total expenditure in the year 2020. In addition, the debt portfolio is narrowly exposed to currency, interest rate, and rollover risks. Most external loans are fixed, thus not affected by changes in interest rates. As these loans have maturities running from 5 to 30 years and include financing from the Federal Government and multilateral organizations.



The chart above depicts the state debt stock as a share of Revenue which is below the prescribe threshold of 200 indicating the state debt is within it Debt Charring Capacity in the period under review.

CHAPTER FOUR
DEBT SUSTAINABILITY ANALYSIS
4.0 INTRODUCTION

A debt sustainability analysis (DSA) assesses how a state or nation's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability. The concept of debt sustainability refers to the ability of the Government to honor its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the Government to maintain sound fiscal policies over time without having to introduce major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the Government to take action to address the unwanted consequences of a heavy debt burden. Government therefore should endeavor to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the State, leading to serious financial crisis.

4.1 ADAMAWA STATE DEBT SUSTAINABILITY ANALYSIS

The debt sustainability indicators and thresholds are shown in the Table 1 below:

Table 6: Adamawa State Debt burden indicators

Indicators	Thresholds	As at 2021	Average 2016 to 2030/Ratio
Debt as % of GDP	25%	4.7%	5.1%
Debt as % of Revenue	200%	198.9	167.5%
Debt Service as % of Revenue	40%	9.5%	17.4%
Personnel Cost as % of	60%	36.8%	40.4%
Debt Service as % of FAAC	Nil	12.9%	21.4%
Interest Payment as % of	Nil	5.3%	8.9%
External Debt Service as % of	Nil	0.6%	0.6%

Source: Adamawa State DSA/DMS Template, 2021

Chart 21 shows the Debt as a percentage of State GDP (with indicative threshold of 25%). The sustainability position of the State’s Total debt portfolio in the fiscal block shows a gradual ascending trend from 2016 to 2030. The ratio has continued to decrease steadily over the period under review stopping at a value of 2.4 percent in 2030, it is well within the threshold insinuating room for additional further borrowing under the right circumstances. Based on this, the State’s GDP have potentials for growth and can also accommodate the State's debt stock, with minimal effect on the State economy. Chart 22 shows the Debt as a percentage of revenue, Debt Service as percentage of Revenue and Personnel Costs are below the threshold to the end of projection period. The Government is coming up with various reforms, in its revenue drive. Debt Service as a percentage of Gross FAAC Allocation (without any indicative threshold) estimated to increase from 12.9 percent in 2021 to 24.8 percent in 2030, Interest Payment as a percentage of Revenue revealed that, the maximum exposure of the State Interest towards Revenue is 5.3 percent in the year 2021 with over-all positive outlook. Looking at the External Debt Service as a percentage of Revenue, the maximum exposure of the State Revenue towards External Debt shows that the External debt of the State was properly managed, peaking at 0.6 percent in year 2021.

4.2 MEDIUM-TERM BUDGET FORECAST

Debt sustainability analysis of the State is predicated on the continuation of recent efforts to grow the IGR of the State annually by 10 percent in the medium term. The economy is expected to gradually recover from 2021-2024, with real GDP expanding at an average annual rate of 3 percent and domestic inflation decreasing below 8.12 percent by 2023. The moderate recovery will be supported by economic growth through diversification and increase in the share of VAT. The Tax Administration reforms adopted by the State Government will also strengthen resources provided by IGR, as well as numerous industries that are being attracted to the State through industrialization drive, which are expected to continue in the next few years. This will benefit the economy immensely.

The State has put in various Tax Administration reforms to strengthen its IGR in order to sustain its debt, these include the enactment of new Revenue Administration Law, Land Use Charge Administration Law; with these new reforms adopted by the State Government, the IGR of the State is expected to grow in the next few years and this will benefit the state towards overall economic recovery. On the other hand, is the Civil Service Reform Policies being implemented with regard to personnel and overhead cost, which are likely to maintain from their historical trends.

4.3 ADAMAWA STATE BORROWING OPTIONS

Adamawa state government intends to finance its new borrowing from 2021 to 2030 mainly through Commercial Bank Loans (maturity 1-5 years) with an average of 15.82 percent, Commercial Bank Loans (maturity 6 year above) estimated at 28.73 percent, State Bonds (maturity 1-5 years) at 6.45 percent, and State Bonds (maturity 6 years above) at 38.72 percent, over projection period, compared with External financing – Concessional financing which was estimated at 10.10 percent. For external financing was due to the limited funding envelopes from the external borrowing with long processing time required loans from Multilateral and Bilateral.

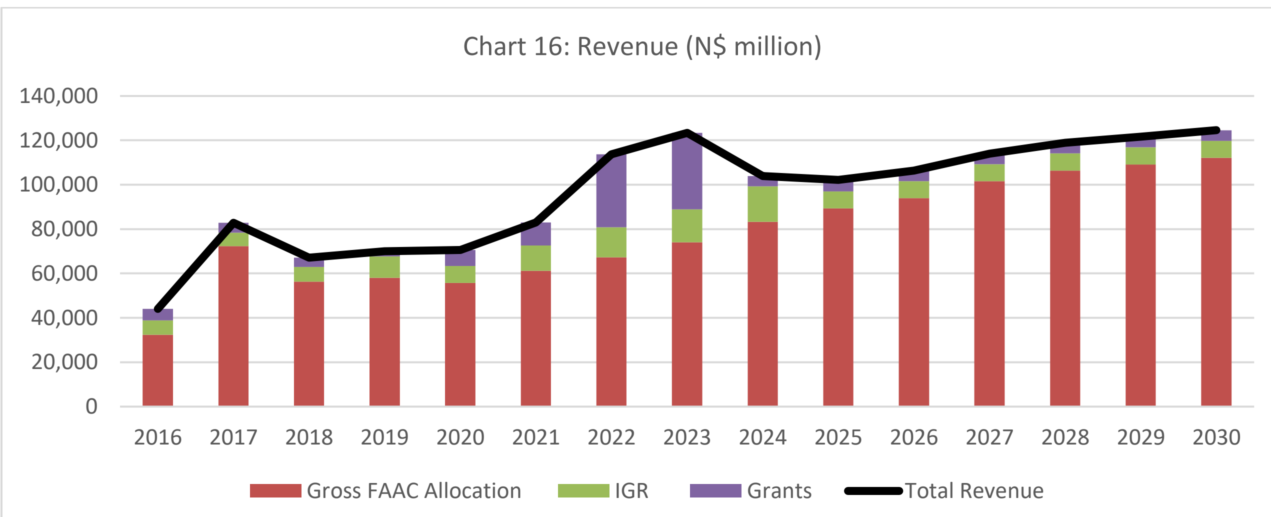
4.4 DSA SIMULATION RESULTS

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on oil revenue sources. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium-term target is to increase the Revenue-to-GDP ratio to 7%. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

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

4.5.1 Projected Revenue- Chart 16

The Adamawa State projected revenue from 2021 to 2030 is presented in Chart 16 below:



Source: Adamawa State DSA/DMS Template, 2021

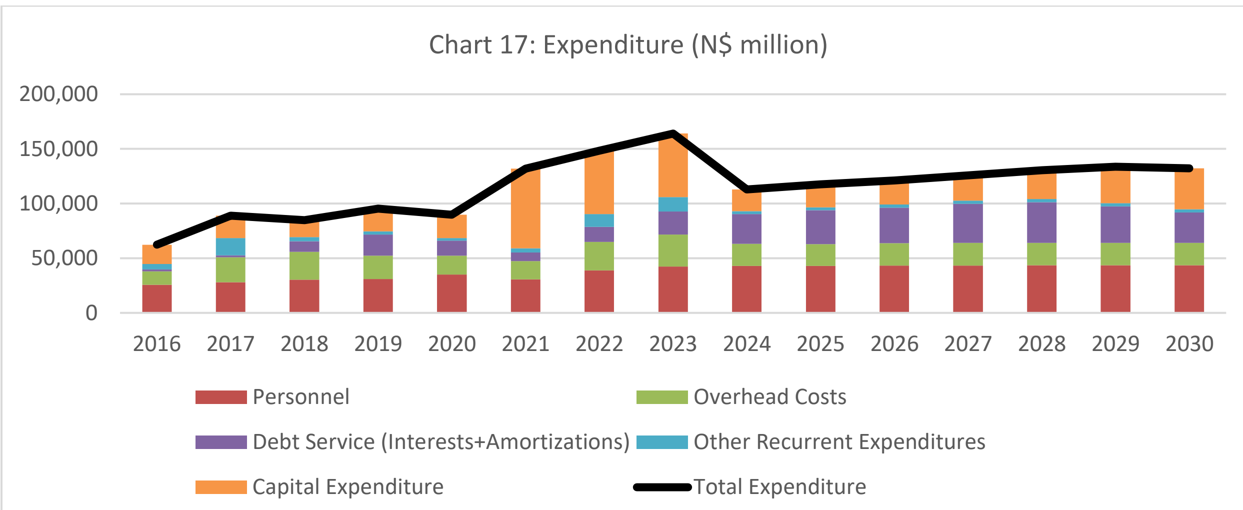
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenue	44,039	82,837	67,068	69,979	70,605	82,988	113,689	123,387	103,901	102,138	106,319	113,976	118,851	121,639	124,590
Gross FAAC Allocation	32,422	72,335	56,262	58,016	55,709	61,224	67,346	74,081	83,267	89,370	93,976	101,556	106,352	109,106	112,077
IGR	6,380	6,044	6,614	9,705	7,740	11,376	13,486	14,806	15,998	7,656	7,639	7,708	7,754	7,751	7,702
Grants	5,237	4,458	4,193	2,259	7,156	10,389	32,857	34,500	4,637	5,112	4,703	4,712	4,745	4,782	4,811

Adamawa State Total Revenue (including grants and excluding other capital receipts) is expected to increase from N70.605 billion in 2020 to N124.590 billion in 2030, representing an increase of N53.985 billion or 76.46 percent over the projection period. Gross FAAC Allocation projected to grow from N55.709 billion in 2020 to N112.077 billion in 2030, which expected to increase by N56.368 billion or 101 percent and Grants projected to grow from N7.156 billion in 2020 to N4.811 billion in 2030. The projections were sources from the Approved 2021 Budget; MTEF, 2022-2024; 2025-2030 projections as estimated by the Ministry of Finance & Budget official.

The Internally Generated Revenue (IGR)'s tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies in the state as well as employing appropriate technology. In addition, efforts will be made to bring more businesses in the informal sector into the tax net. IGR estimated to grow by N6.755 billion or 46.60 percent (from N7.740 billion in 2020 to N7.701 billion in 2030), over the projection period of the Approved 2021 Budget; MTEF, 2021-2023; 2024-2030 projections as estimated by the Ministry of Finance & Budget official.

4.5.2 Projected Expenditure- Chart 17

The Adamawa State projected expenditure from 2021 to 2030 is presented in Chart 17 below:



Source: Adamawa State DSA/DMS Template, 2021

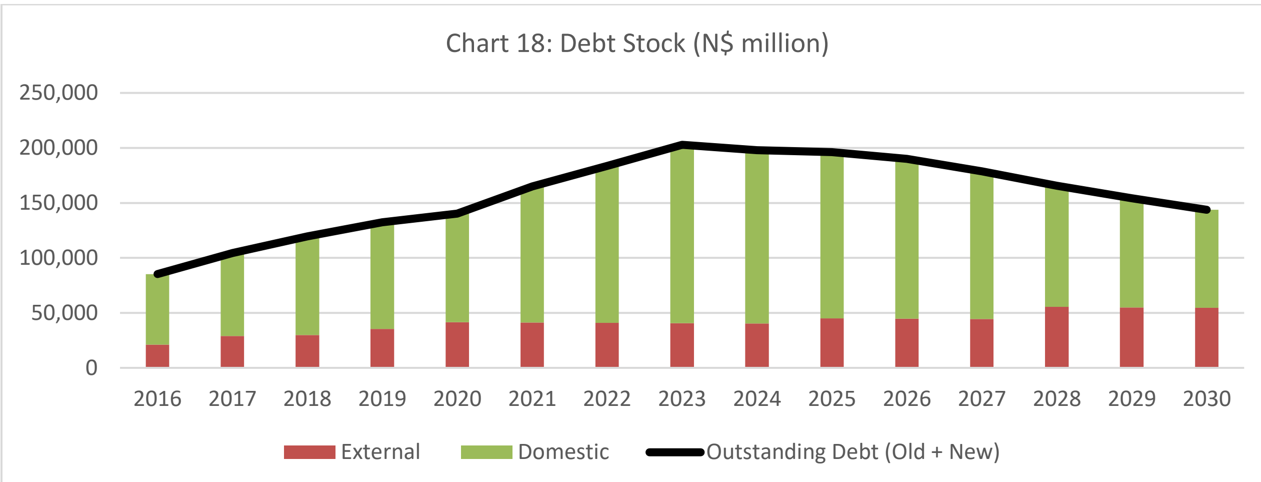
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Expenditure	62,395	88,981	84,837	95,438	89,673	131,912	148,230	164,027	112,990	117,600	121,260	125,848	130,596	133,607	132,253
Personnel	25,683	28,127	30,291	30,872	35,141	30,547	38,746	42,392	42,917	43,045	43,174	43,304	43,434	43,564	43,695
Overhead Costs	12,449	22,744	25,666	21,335	17,228	16,720	26,318	29,278	20,183	19,953	20,498	20,621	20,470	20,345	20,377
Debt Service (Interests+Amortizations)	1,705	1,719	9,548	19,573	13,682	7,884	13,468	21,117	27,428	30,899	32,503	35,857	37,249	33,608	27,751
Other Recurrent Expenditures	4,985	15,938	3,834	2,931	2,320	3,943	11,896	13,085	2,508	2,751	3,085	2,968	2,879	2,838	2,904
Capital Expenditure	17,572	20,453	15,498	20,727	21,303	72,818	57,802	58,154	19,954	20,952	21,999	23,099	26,564	33,252	37,525

Total expenditure projected at N131.912 billion in 2021, N148.230 billion in 2022, N164.027 billion in 2023, N112.990 billion in 2024, N117.600 billion in 2025, N121.260 billion in 2026, N125.848 billion in 2027, N130.596 billion in 2028, N133.607 billion in 2029 and N132.253 billion in 2030, respectively, indicating stability in the state growth recovery, Personnel Costs, Overhead Costs, Debt Service. Other Recurrent Expenditures estimated to decrease from N3.943 billion in 2021 to N2.904 in 2030, Personnel Costs will increase from N30.547 billion in 2021 to N43.695 billion in 2030, Overhead Costs from N16.720 billion in 2021 to N20.377 billion 2030, and Debt Service from N7.884

billion in 2021 to N27.751 billion in 2030. Capital Expenditure estimated to decrease over the projection period from N72.818 in 2021, N57.802 billion in 2022, N20.952 billion in 2025, N26.564 billion in 2028 and N37.525 billion in 2030, respectively, over the projection period as provided in the Approved 2021 Budget; MTEF, 2022-2024; 2025-2030 projections as estimated by the Ministry of Finance & Budget official.

4.5.3 Projected Debt Stock- Chart 17

The Adamawa State projected debt stock from 2021 to 2030 is presented in Chart 18 below:



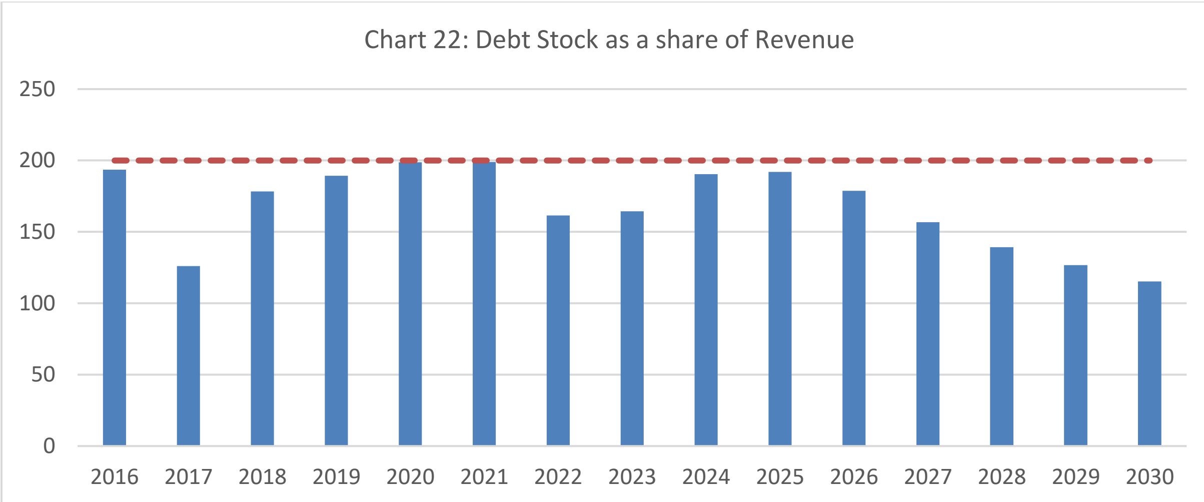
Source: Adamawa State DSA/DMS Template, 2021

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Outstanding Debt (Old + New)	85,291	104,430	119,573	132,459	140,363	165,026	183,615	202,833	197,929	196,141	189,957	178,724	165,506	154,241	143,732
External	21,192	28,927	29,976	35,469	41,463	41,212	40,943	40,649	40,335	45,018	44,729	44,433	55,341	55,038	54,736
Domestic	64,099	75,502	89,598	96,991	98,900	123,813	142,672	162,184	157,594	151,123	145,228	134,291	110,165	99,203	88,995

Adamawa State's Debt Stock estimated to decrease from N165.026 billion in 2021 to N143.732 billion in 2030, representing a decrease of N21.294 billion or 12.90 percent over the projection period. External Debt projected to increase by N1.273 billion or 32.01 percent and Domestic Debt to decline by N9.905 billion or 10.01 percent over the projection period.

4.5.4 Projected Debt as a Share of Revenue- Chart 22

The Adamawa State projected debt as share of revenue from 2021 to 2030 is presented in Chart 22 below:



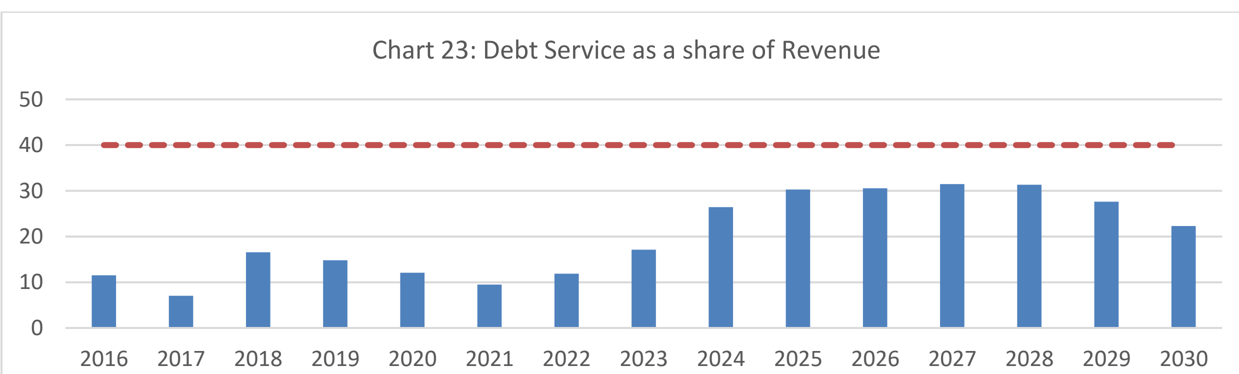
Source: Adamawa State DSA-DMS Template, 2021

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Debt as % of Revenue	194	126	178	189	199	199	162	164	190	192	179	157	139	127	115
Threshold	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200

As a consequence of the modest increase in investment and external borrowings, the public debt will decline and the State's repayment capacity will fall pari passu. Debt is projected to decline from 2021 to 2030. However, relative to the State's borrowing capacity, the public debt position will improve: it is expected to decrease from 199 percent of the Revenue in 2021 to 115 percent by 2030 with an average percent of 162%. As the fiscal deficit stabilizes in nominal terms over the next few years, and the public debt ratio improves, the analysis of the Baseline Scenario suggests the State will be able to preserve the sustainability of its debt in the medium-term because it is within the limit of the threshold of 200 percent.

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

The Adamawa State projected debt service as share of revenue from 2021 to 2030 is presented in Chart 23 below:



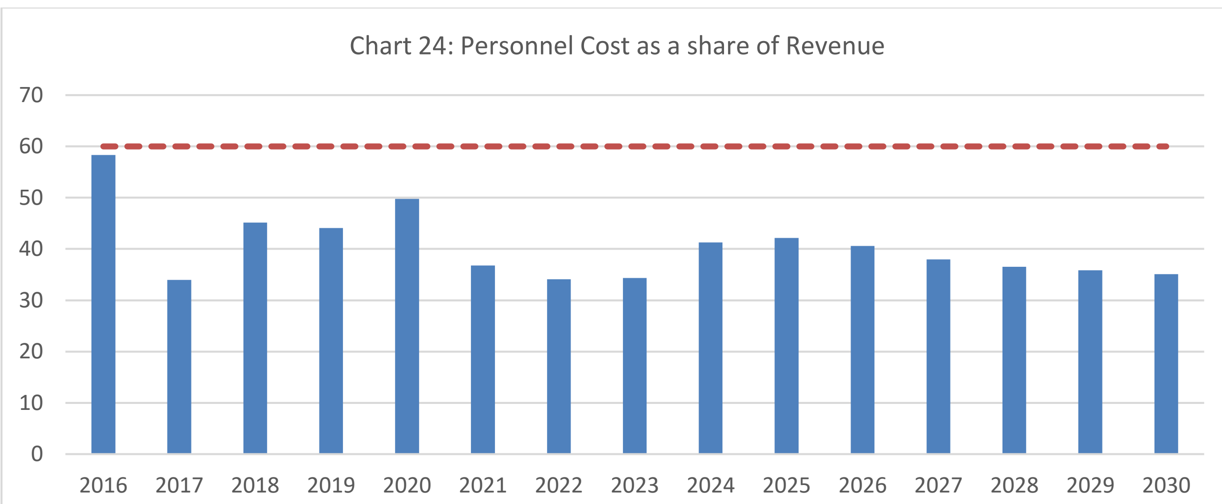
Source: Adamawa State DSA-DMS Template, 2021

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Debt Service as % of Revenue	12	7	17	15	12	10	12	17	26	30	31	31	31	28	22
Threshold	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40

As a consequence of the modest increase in investment and external borrowings, the public debt service will decline and the State's repayment capacity will fall pari passu. Debt Service is projected to increase from N4.380 billion as at 2021 to N10.276 billion by 2030 and with average of N11.036 billion. However, relative to the State's repayment capacity, the public debt position will improve: it is expected to increase from 12 percent of the Revenue in 2020 to 22 percent by 2030 and with average of 24 percent. As the fiscal deficit stabilizes in nominal terms over the next few years, and the public debt service ratio improves, the analysis of the Baseline Scenario suggests the State will be able to preserve the sustainability of its debt in the medium-term because it is within the limit of the threshold of 40 percent.

4.5.6 Projected Personnel Cost- Chart 24

The Adamawa State projected personnel cost from 2021 to 2030 is presented in Chart 24 below:



Source: Adamawa State DSA-DMS Template, 2021

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Personnel Cost as % of Revenue	58	34	45	44	50	37	34	34	41	42	41	38	37	36	35
Threshold	60	60	60	60	60	60	60	60	60	60	60	60	60	60	60

Personnel Cost is projected to rise from N30.547 billion as at 31st December 2021 to N43.695 billion by 2030 and with average of N41.482 billion. The personnel cost as share of revenue will decrease from 37 percent in 2021 to 35 percent in 2030 with an average of 37 percent. The analysis of the Baseline Scenario suggests the State will be able to preserve the sustainability of its personnel cost in the medium-term because it is within the limit of the threshold of 60 percent.

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

The Baseline Scenario results shows that the ratio of Debt as percentage of GDP is projected at 5 percent in 2021, 6 percent in 2023, 4 percent in 2026, 3 percent in 2028 and 2 percent in 2030, respectively, as against the indicative threshold of 25 percent. The ratio of Debt as percentage of Revenue estimated at 199 percent in 2021, 164 percent in 2023, 192 percent in 2025, 139 percent in 2028 and 115 percent in 2030, respectively, the ratio of Debt as percentage of Revenue remain below the threshold over the projection period. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2021 to 2030, with the strong minded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively.

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

a. Aligning State government’s income and expenditure by keeping spending limits within the dictates of available resources and fiscal sustainable debt position;

b. Boosting IGR by the recently submitted business case of IRS;

c. Emphasis on achieving a more favourable balance for capital expenditure through restraining the increasing trend in recurrent expenditure;

d. Ensuring that the budget process is pursued with a framework that supports strategic prioritization and rational resource allocation and under the overall development policy objectives of the State; and

e. Ensure strict adherence to due process in budget execution as well as accountability, transparency and prudence in the entire public financial management process.

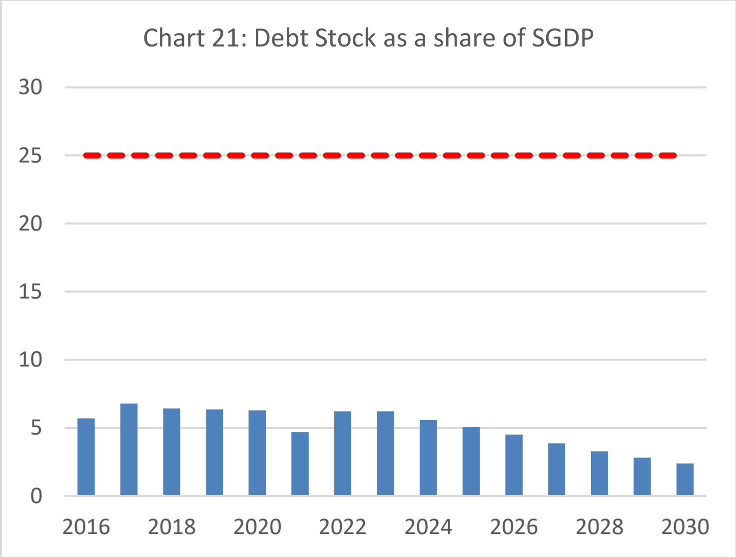


Chart 21: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2016
2018
2020
2022
2024
2026
2028
2030

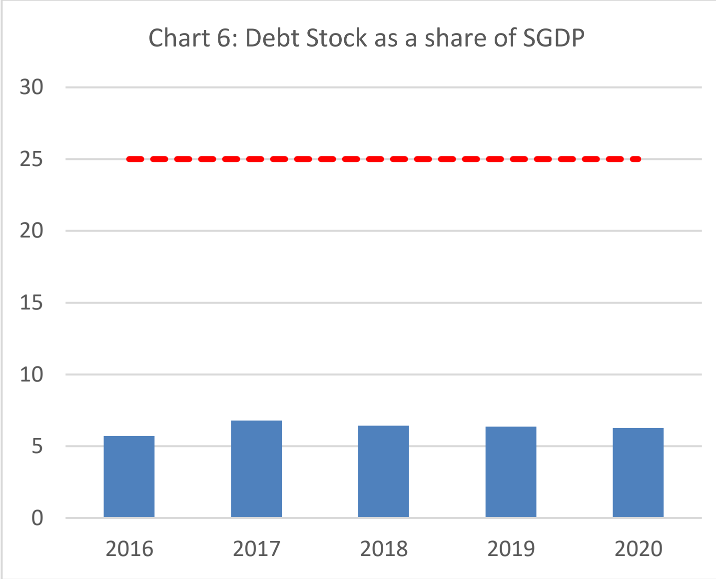


Chart 6: Debt Stock as a share of SGDP
30
25
20
15
10
5
0
2016
2017
2018
2019
2020

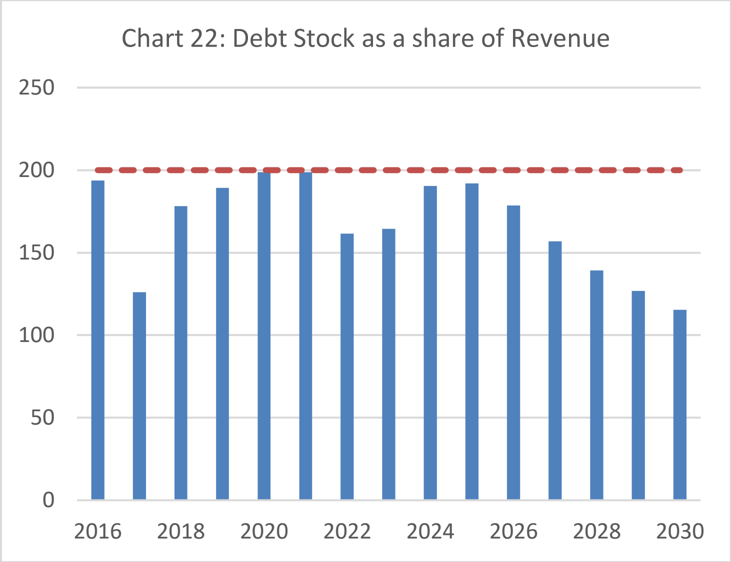


Chart 22: Debt Stock as a share of Revenue
250
200
150
100
50
0
2016
2018
2020
2022
2024
2026
2028
2030

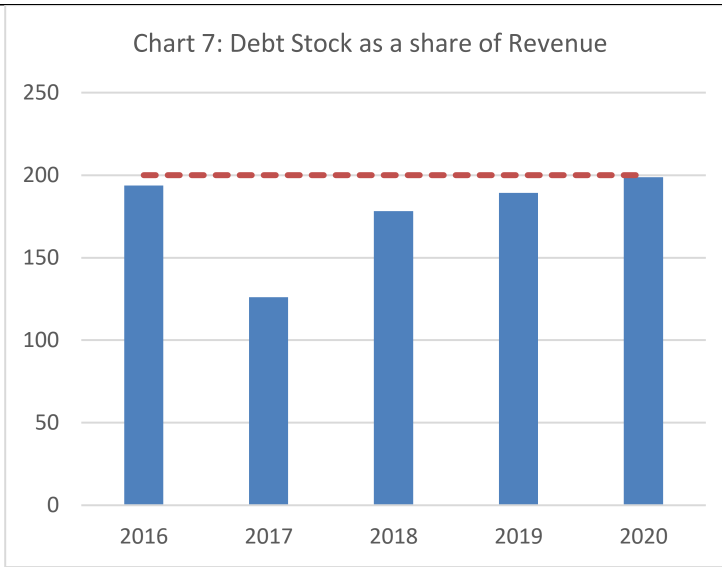
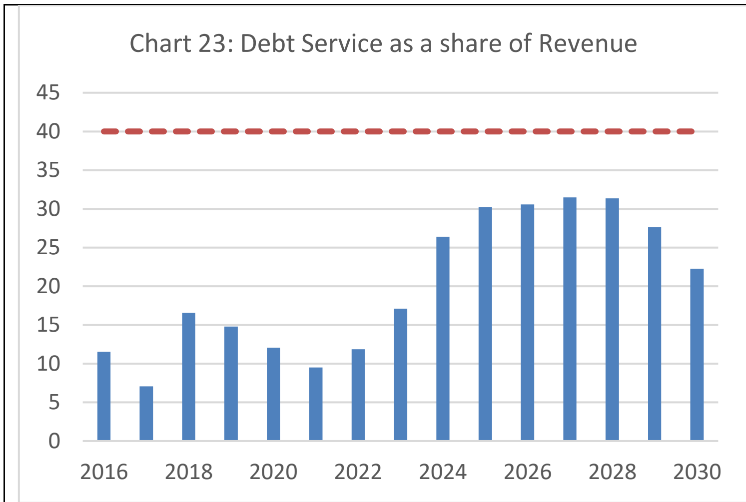
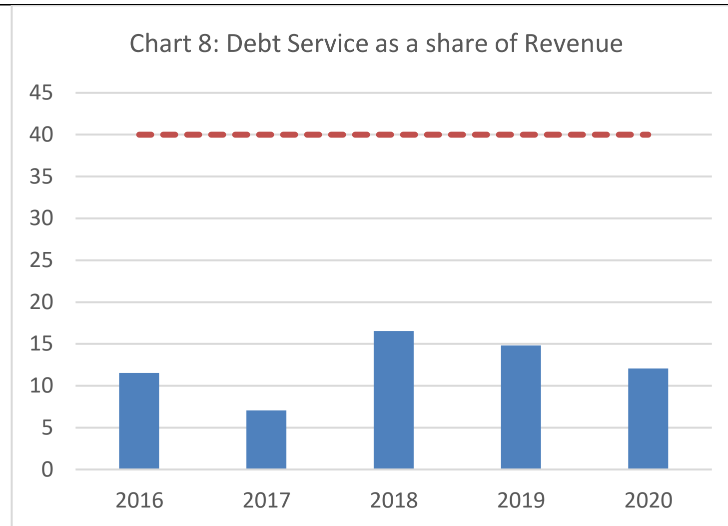
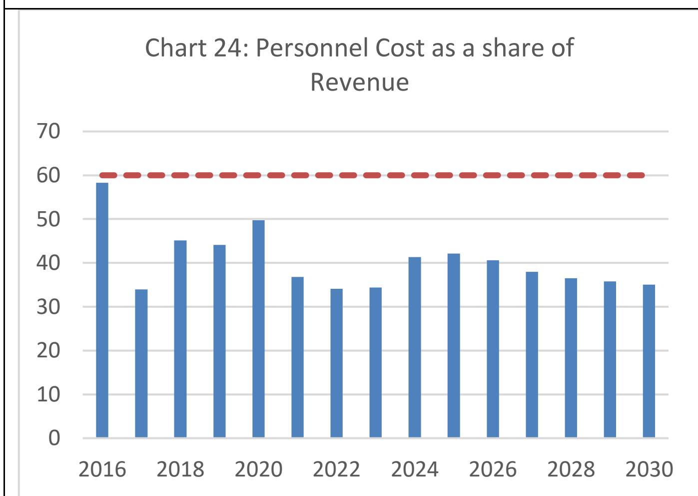
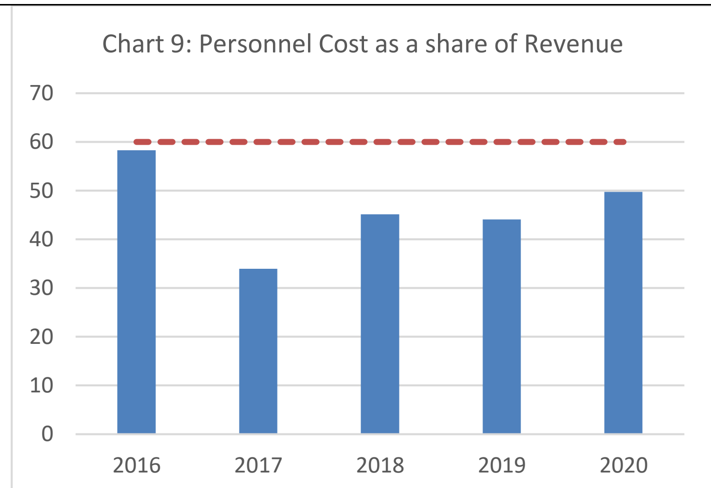


Chart 7: Debt Stock as a share of Revenue
250
200
150
100
50
0
2016
2017
2018
2019
2020









Source: Adamawa State DSA-DMS Template, 2021

4.6.1 CONCLUSION

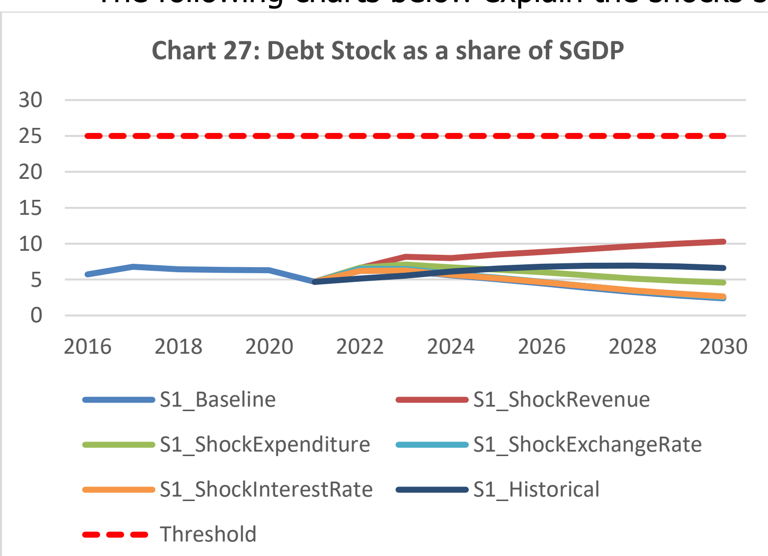
Adamawa State DSA result shows that, the State remains at the Low Risk of Debt Distress. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks, indicating that an increase in aggregate output does not result to a proportionate increase in revenue. There is, therefore, the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will boost the state IGR. This has become critical, given the continued volatility in the FAAC allocation.

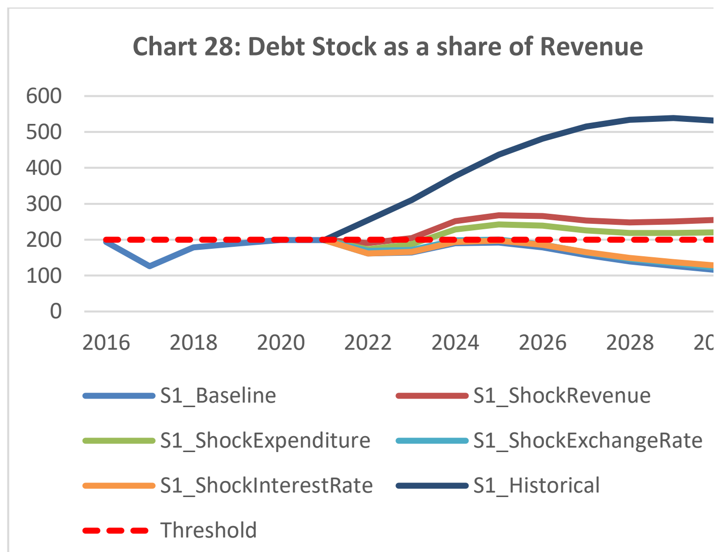
4.7 ADAMAWA STATE DSA SENSITIVITY ANALYSIS

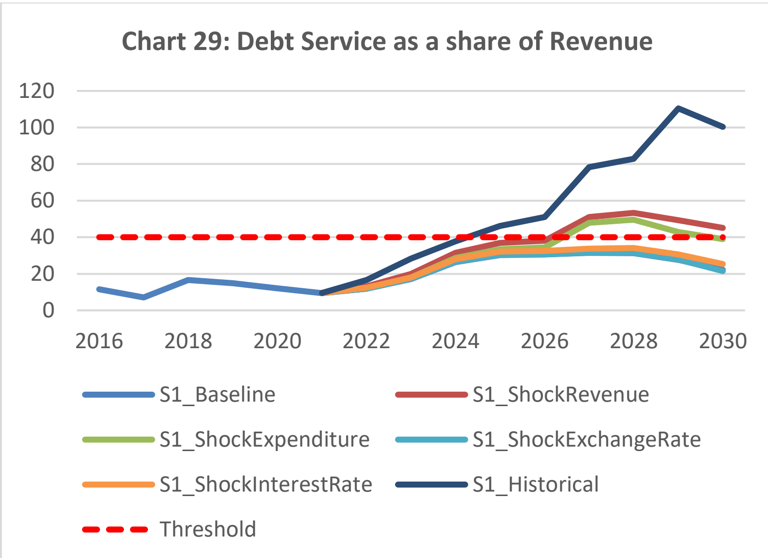
The State faces important sources of fiscal risks associated to the possibility of adverse country wide macroeconomic conditions and the reversal of the State's revenue and expenditure policies. A sensitivity analysis is undertaken considering macroeconomic shocks and policy shocks to evaluate the robustness of the sustainability assessment for the baseline scenarios discussed in the previous sub-sections. When considering both macroeconomic and policy shocks, it is assumed that external and domestic borrowings cover any revenue shortfall and additional expenditure relative to the baseline scenario discussed earlier.

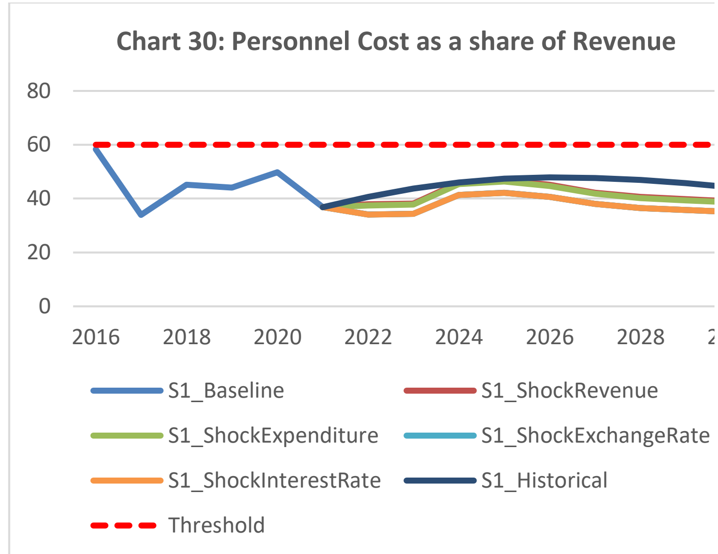
The 2021 DSA analysis shows that Adamawa remains at moderate risk of debt distress under sensitivity analysis. The State DSA analysis shows deterioration related to revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shock that would lead to increase Gross Financing Needs over the projection period. The shocks apply breached the threshold under debt as percent of GDP from 2028 to 2030 under historical shocks. The debt as percent of Revenue breached the benchmarks from 2026 to 2030 through Revenue shocks, Expenditure Shocks as well as Historical shocks. Debt service as percentage of Revenue breached the threshold under revenue and Expenditure Shocks in 2030. There is, an urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation.

The following charts below explain the shocks scenarios:









Source: Adamawa State DSA-DMS Template, 2021

CHAPTER FIVE

DEBT MANAGEMENT STRATEGY

5.0 Introduction

Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk (World Bank DSA-DMS, 2021). Debt Management Strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies, considering factors such as the macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

To assess the debt management strategies outcome, three debt performance indicators were utilized, "Debt Stock as a share of Revenue, Debt Service as a share of Revenue and Interest as a share of Revenue". However, the cost for DMS is measured by the expected value of a performance indicator in 2025 (as projected in the baseline scenario), while Risk for DMS is measured by the deviation from the expected value in 2025 caused by an un-expected shock (as projected in the most adverse scenario).

5.1 Alternative Borrowing Options

The State Government is planning to borrow through a commercial bank at an expected interest rate of 9% and 12% with 5 years and 7 years maturity and through bond with 5 years and 10 years maturity at an expected interest rate of 12.5% and 11.5%, also the State planned to borrow externally through concessional loans. The State proposed three alternative strategies (S2, S3, and S4) which consider the cost and risk and in order to mitigate certain risks (currency, interest rate and rollover), to develop domestic debt markets, to fund specific expenses (such as capital investments), and to secure liquid assets for cash management.

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2021 and MTEF, 2022-2024. External gross borrowing under Concessional loans accounts on average 10.10 percent over the strategic period mainly through World Bank and African Development Bank. The Domestic gross financing comprises commercial bank loans, State bonds and other domestic financing. The Domestic Financing under the Commercial Bank loans (maturity of 1-5 years) accounts on average 15.83 percent, Commercial Bank loans (maturity above 6 years) accounts on average 28.73 percent, and Other Domestic Financing accounts (state bond) on average of 45.37 percent over the DMS period of 2021 to 2030. Also, all the borrowing options were combined, where the State Government plans to cover the gross financing needs between 2021 and 2030 through borrowing the sum of N3.167 billion, N2.493 billion, N10.663, N3.119 and N6.00 billion in 2021, 2022, 2023, 2024 and 2026 respectively through commercial bank with 5 years maturity, N21.860 billion, N6.00 billion, N11.355 billion and N6.966 billion in 2022, 2024, 2027 and 2030 respectively through commercial with 6 years maturity, N10.684 billion in 2025 through State bond with 5 years maturity, N25.00 billion, N19.000 billion, N6.859 billion and N11.392 billion in 2021, 2023, 2026 and 2029 respectively through State bond with 7 years maturity and finally $13.2 million and $29.6 million in 2025 and 2028 through concessional loan.

Strategy 2 (S2) focus on financing through commercial bank loans: In this strategy it has been assumed the distribution between commercial bank with 5 years and 7 years maturity, where the State plans to cover the gross financing needs between 2021 and 2030. The borrowing distributions from 2021 to 2030, the State government will focus its financing through commercial bank loans with average 43.58 percent under maturity of 1-5 years and 56.42 percent under maturity of above 7 years over the strategic period. The State plans to cover the gross financing needs between 2021 and 2030 through borrowing the sum of N10.00 billion, N14.273 billion, N15.00 billion, N5.00 billion, N5.00 billion, N7.962 billion, N5.926 billion, N5.926 billion, N8.00 billion, N6.00 billion and N5.000 billion in 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029 and 2030 respectively through commercial bank with 5 years maturity, N18.167 billion, N10.00 billion, N16.178 billion, N6.552 billion, N14.797 billion, N10.000 billion, N10.00 billion, N6.223 billion, N6.618 billion and N7.844 billion in 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029 and 2030 respectively through commercial bank with 7 years maturity.

Strategy (S3) focus on financing through domestic debt market (State Bond): In strategy 3, the government decided to focus more of its financing from 2021 to 2030, through State Bonds (1-5 years), State Bonds (above 6 years), with an average of 40.88 percent and 59.12 percent, respectively. The State plans to cover the gross financing needs between 2021 and 2030 through borrowing the sum of N8.167 billion, N10.00 billion, N15.000 billion, N5.295 billion, N5.677 billion, N5.337 billion, N4.805 billion, N5.962 billion, N5.00 billion and N6.00 billion in 2021, 2022, 2023, 2024, 2025, 2026 2027, 2028, 2029 and 2030 respectively through State bond with 5 years maturity, N20.00 billion, N14.514 billion, N15.590 billion, N5.00 billion, N12.00 billion, N10.000 billion, N8.00 billion, N5.00 billion, N6.472 billion and N6.476 billion in 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029 and 2030 respectively through State with 7 years maturity.

Strategy (S4) focus on financing through one to five years facility, This Strategy (S4) considers the scenario where proportions of commercial bank (above 6 years) and State bond (above 6 years), with an average of 45.77 and 54.22 percent, respectively. The State plans to cover the gross financing needs between 2021 and

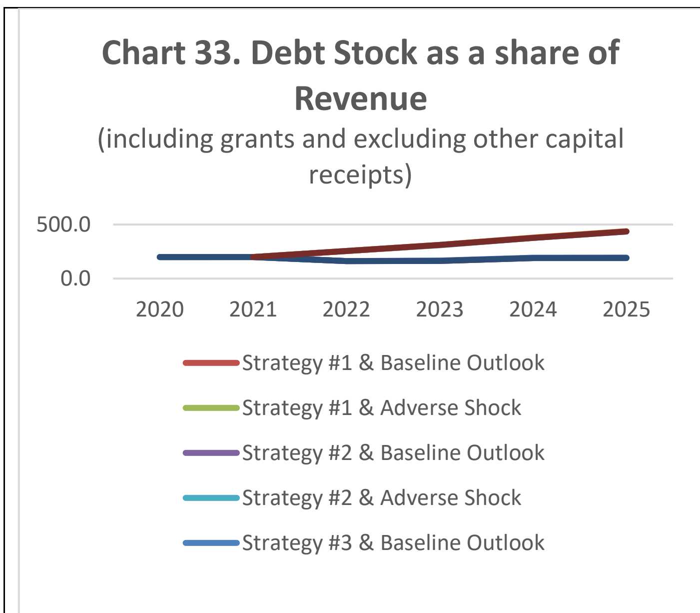
2030 through borrowing the sum of N10.00 billion, N14.00 billion, N17.854 billion, N4.070 billion, N10.000 billion, N10.000 billion, N10.00 billion, N6.983 billion, N5.650 billion and N10.000 billion in 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, and 2030 respectively through commercial bank with 5 years maturity, N18.167 billion, N10.364 billion, N15.00 billion, N10.00 billion, N14.140 billion, N13.390 billion, N9.097 billion, N10.00 billion, N10.00 billion and N6.573 billion in 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029 and 2030 respectively through State bond with above 6 years maturity.

5.2 DMS Simulation Results

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

5.2.1 Debt as a share of Revenue

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



Source: Adamawa State Forecasts, 2021

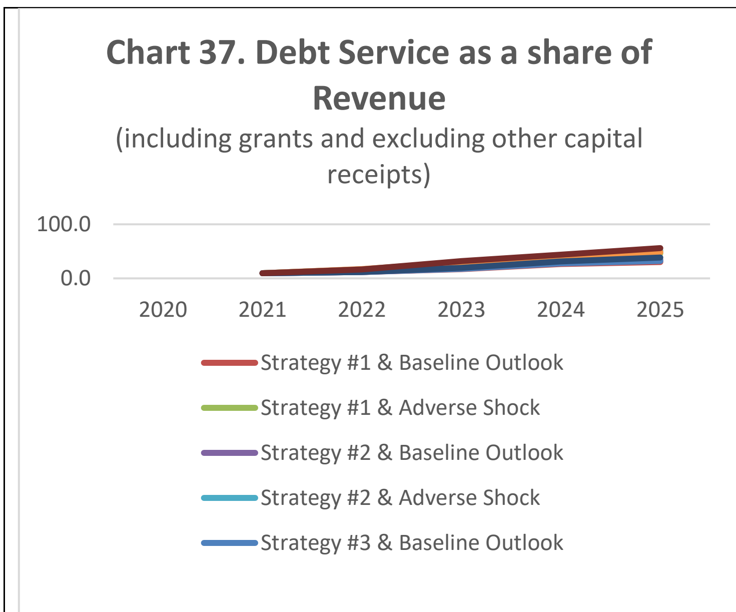
Debt Stock as % of Revenue (including grants anc	2020	2021	2022	2023	2024	COST 2025	RISK measu
Strategy #1 & Baseline Outlook	198.8	198.9	161.5	164.4	190.5	192.0	244.5
Strategy #1 & Adverse Shock		198.9	254.0	310.3	377.2	436.5	
Strategy #2 & Baseline Outlook	198.8	198.9	161.4	164.0	189.5	190.6	244.2
Strategy #2 & Adverse Shock		198.9	253.9	309.6	376.0	434.8	
Strategy #3 & Baseline Outlook	198.8	198.9	161.6	164.7	191.5	193.8	244.8
Strategy #3 & Adverse Shock		198.9	254.2	310.8	378.4	438.6	
Strategy #4 & Baseline Outlook	198.8	198.9	161.5	164.2	189.9	191.2	244.3
Strategy #4 & Adverse Shock		198.9	254.0	309.9	376.5	435.5	

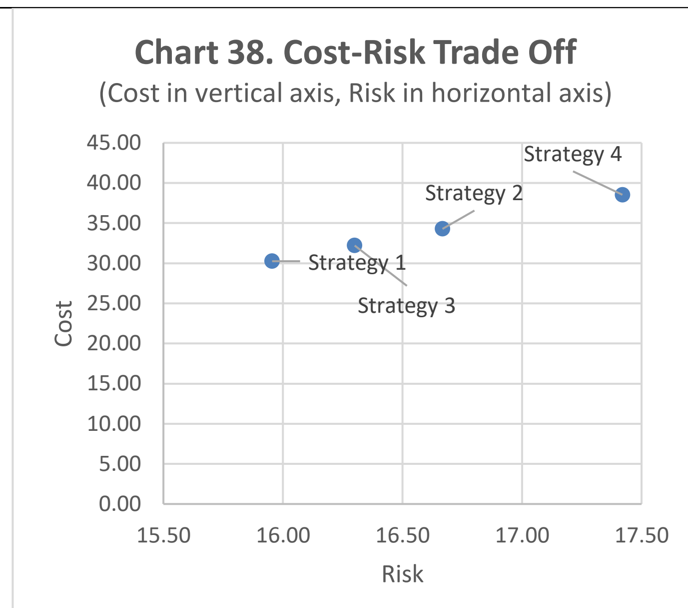
The result on Debt as share of revenue indicates that Reference Debt Strategy (S1) has a cost of 192% with adverse shock of 436.5% and risk at 244.5%. Alternative Strategy (S2) has a cost of 190.6% with adverse shock of 434.8% and risk at 244.2%. Alternative Strategy (S3) has a cost of 193.8% with adverse shock of 438.6% and risk at 244.8%. Alternative Strategy (S4) has a cost of 191.2% with adverse shock of 435.5% and risk at 244.3%.

To compare between the referenced strategy (S1) and alternative strategies (S2, S3, and S4), the result indicated that Debt/revenue of the alternative strategy (S2) has the lowest cost, adverse shock and risk of 190.6%, 434.8% and 244.2% respectively, compared to reference strategy (S1) and alternative strategies (S3 and S4).

5.2.2 Debt Services/Revenue

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





Source: Adamawa State Forecasts, 2021

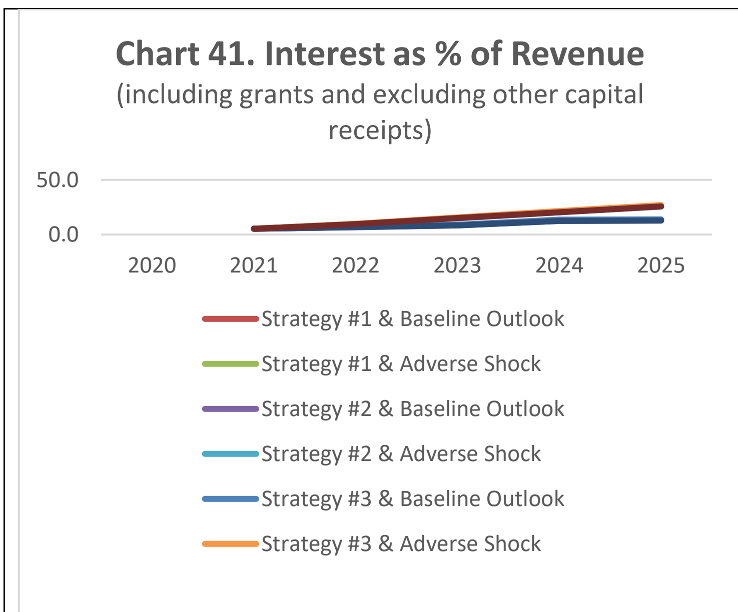
						COST	RISK measu
Debt Service as % of Revenue (including grants a	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	
Strategy #1 & Baseline Outlook		9.5	11.8	17.1	26.4	30.3	16.0
Strategy #1 & Adverse Shock		9.5	16.6	28.2	37.7	46.2	
Strategy #2 & Baseline Outlook		9.5	11.8	18.3	28.7	34.3	16.7
Strategy #2 & Adverse Shock		9.5	16.5	30.1	40.7	50.9	
Strategy #3 & Baseline Outlook		9.5	12.0	17.9	27.5	32.2	16.3
Strategy #3 & Adverse Shock		9.5	16.8	29.4	39.2	48.5	
Strategy #4 & Baseline Outlook		9.5	11.9	19.7	31.2	38.5	17.4
Strategy #4 & Adverse Shock		9.5	16.6	32.2	43.7	56.0	

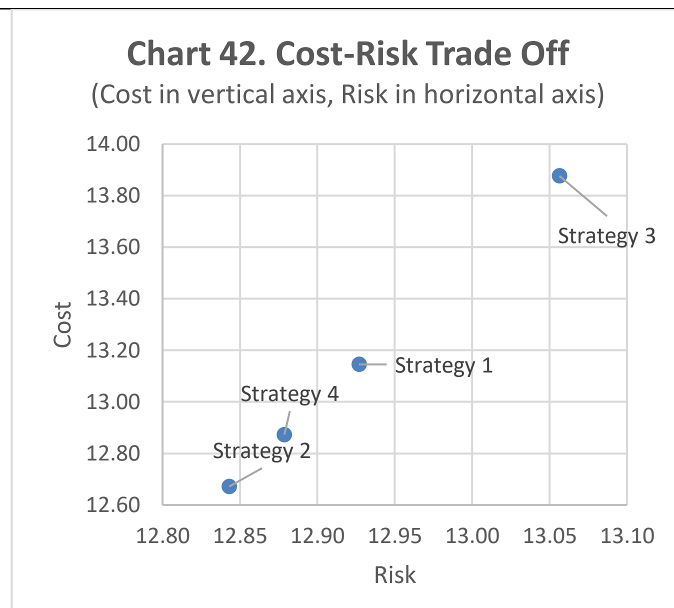
The result on Debt Service as share of Revenue indicates that the Reference Debt Strategy (S1) has a cost of 30.3% with adverse shock of 46.2% and risk at 16%. Alternative Strategy (S2) has a cost of 34.3% with adverse shock of 50.9% and risk at 16.7%. Alternative Strategy (S3) has a cost of 32.2% with adverse shock of 48.5% and risk at 16.3%. Alternative Strategy (S4) has a cost at 38.5% with adverse shock of 56.0% and risk at 17.4%.

To compare between the referenced strategy (S1) and alternative strategies (S2, S3, and S4), the result indicated that the Debt Service/Revenue of the reference strategy (S1) has the lowest cost, adverse shock and risk of 30.3%, 46.2% and 16% respectively, compared to the alternative strategies (S2, S3, and S4).

5.2.3 Interest/Revenue

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





Source: Adamawa State Forecasts, 2021

Interest as % of Revenue (including grants and e)	2020	2021	2022	2023	2024	COST 2025	RISK measu
Strategy #1 & Baseline Outlook		5.3	6.8	8.6	12.9	13.1	12.9
Strategy #1 & Adverse Shock		5.3	9.5	15.3	20.8	26.1	
Strategy #2 & Baseline Outlook		5.3	6.7	8.3	12.4	12.7	12.8
Strategy #2 & Adverse Shock		5.3	9.4	14.8	20.2	25.5	
Strategy #3 & Baseline Outlook		5.3	6.9	8.8	13.5	13.9	13.1
Strategy #3 & Adverse Shock		5.3	9.7	15.6	21.6	26.9	
Strategy #4 & Baseline Outlook		5.3	6.8	8.4	12.6	12.9	12.9
Strategy #4 & Adverse Shock		5.3	9.5	15.0	20.4	25.8	

The result on Interest as share of Revenue indicates that the Reference Debt Strategy (S1) has a cost of 13.1% with adverse shock of 26.1% and risk at 12.9%. Alternative Strategy (S2) has the cost of 12.7% with adverse shock of 25.5% and risk at 12.8%. Alternative Strategy (S3) has the cost of 13.9% with adverse shock of 26.9% and risk at 13.1%. Alternative Strategy (S4) has a cost of 12.9% with adverse shock of 25.8% and risk at 12.9%.

To compare between the referenced strategy (S1) and alternative strategies (S2, S3, and S4), the result indicated that the Interest/Revenue of the alternative strategy (S2) has the lowest cost, adverse shock and risk of 12.7%, 25.5% and 12.8% respectively, compared to referenced strategy (S1) and alternative strategies (S3 and S4).

5.2.4 DMS Assessment

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, although the Analytical Tool's results of costs and risks would suggest that the recommended strategy be S2 these results were just marginally better when compared with Strategy S1. **Strategy 1 was considered as the most feasible of the strategies to implement in the short to medium-term and it would still greatly improve the portfolio's debt position relative to the base year 2020**.

In comparison to the current debt position, Adamawa State debt portfolio stood at N140.363 billion as at end-2020, which expected to increase to N143.731 billion under Strategy 1 to the end of the strategic period, compared to Strategy 2 (N144.701 billion), Strategy 3 (N154.432 billion), and Strategy 4 (N145.765 billion). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for the 2021-2025.

The Debt Management Strategy, 2021-2025 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2021 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

The report concluded that, there is a need for the Adamawa State to diversify sources of revenue away from crude-oil (FAAC), as well as full implementation of policies that will boost IGR into the State. The State remains mostly sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks, indicating that an increase in aggregate output does not result to a proportionate increase in revenue. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2021 to 2030, with the strong minded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively.

Annex I. Table Assumptions

2021		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	The 58% increase in the State GDP is as of result Loans Prpjected in 2021 which would boost the Economic Activities of the state and will in turn Boost the State Revenue Generation.	National GDP
Revenue	**Revenue**	The Total Revenue of the State increases by 37% from 2021 to 2022 and by 85% in 2023 . But declined by 22.3% in 2024 due to fall in Grants in year 2024. The fall in Grants has to do with the expected completion of most of grants earning programmes/projects of the state before 2024 such as SFTAS.	AUDIT FINANCIAL REPORT AND ACCOUNTS
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	The Gross FAAC steadly increases by ~~8%~~ on the average annually from 2021 - 2024 as the current trend of inflows from SRA shows, Couple with the additional oil producing state/oil production and stability at the Reverine Areas.	AUDIT FINANCIAL REPORT AND ACCOUNTS
	1.a. of which Net Statutory Allocation ('net' means of deductions)		AUDIT FINANCIAL REPORT AND ACCOUNTS
	1.b. of which Deductions		AUDIT FINANCIAL REPORT AND ACCOUNTS
	2. Derivation (if applicable to the State)		AUDIT FINANCIAL REPORT AND ACCOUNTS
	3. Other FAAC transfers (exchange rate gain, augmentation, others)		AUDIT FINANCIAL REPORT AND ACCOUNTS
	4. VAT Allocation		AUDIT FINANCIAL REPORT AND ACCOUNTS
	5. IGR	The loans to be collected by the state are to boast the IGR through Agriculture , Land etc particularly from the year 2021 - 2024.	AUDIT FINANCIAL REPORT AND ACCOUNTS
	6. Capital Receipts		AUDIT FINANCIAL REPORT AND ACCOUNTS
	6.a. Grants	The Grants which are projected to increase by more than 200% from 2021 - 2022 and by 5 % from 2022 - 2023 suddenly declines in 2024 by 87% which would be as a result of completion of the grants earning projects and programmes such as SFTAS , State (Cares Funds), State Education Investment Program (SEPIP), Multisectoral Crisis Recovery Project (MCRP).	AUDIT FINANCIAL REPORT AND ACCOUNTS
	6.b. Sales of Government Assets and Privatization Proceeds		AUDIT FINANCIAL REPORT AND ACCOUNTS
	6.c. Other Non-Debt Creating Capital Receipts		AUDIT FINANCIAL REPORT AND ACCOUNTS
Expenditure	**Expenditure**	The Total Expenditure fluctuates between 2016 - 2030(62.4b-159.6b) from 2016 - 2023 the Total Expenditure increases from 62.4b to 198b, Because of Huge Infrastructural Development the State will undertake which will only be possible with Deficit financing that will be serviced in the subsequent years(2025 - 2030) . Hence this accounts for the decline in the total Expenditures(2025- 2030).	AUDIT FINANCIAL REPORT AND ACCOUNTS
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	The Reason for the oscilating Revenue projections which eventually stagnate the state Revenue is as a result of State newly employed Primary School Teachers who would be on the State Govt Payroll, and the State is olso planning to fully implement the (32,000)naira minimum wage for all the state civil servant between 2022 to 2023.However as the loans to be accessed in 2021 is going to be wholly expended on capital expenditue.	AUDIT FINANCIAL REPORT AND ACCOUNTS
	2. Overhead costs	As the Deficit financing widens up between 2021 - 2023 which are the years of Peak Infrastructural Development activities of the State , the Overhead Expenditures will increase because of additional Bridging finances but supressed in the subsequent years to align with the Best Practices.	AUDIT FINANCIAL REPORT AND ACCOUNTS
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)		AUDIT FINANCIAL REPORT AND ACCOUNTS
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Expenditure between 2021 - 2024 increase because of increase economic activities such as boosting the IGR which will attract 10% cost of collections as an expenditure , increased capital Expenditure which attracts payments of Taxes (VAT<WHT etc) and other grants given to other agencies/institutions of Government for effective and efficient running of Government.	AUDIT FINANCIAL REPORT AND ACCOUNTS
	5. Capital Expenditure	The Huge Defit financing in the implentation of the state budget occurs between 2021 - 2023 which makes it the highest ever in the state after which it declines to allow for gradual servicing of the already collected facilities.	AUDIT FINANCIAL REPORT AND ACCOUNTS
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**		
Debt Amotization and Interest Payments	**Debt Outstanding at end-2020**		
	External Debt - amortization and interest		
	Domestic Debt - amortization and interest		
	New debt issued/contracted from 2021 onwards		
	New External Financing	Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)	
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate(1.15%),maturity(30) ,Grace period7).	
	External Financing - Bilateral Loans	Interest rate(2.47%),maturity(20) ,Grace period (5).	
	Other External Financing	Interest rate (0%),maturity (0) ,Grace period(0).	
	New Domestic Financing	Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)	
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSME	Interest Rate=(9.00%),maturity (5),Grace period(1).	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and I	Interest Rate=(12.00%),maturity (7) ,Grace preiod(1).	
	State Bonds (maturity 1 to 5 years)	Interest Rate=(12.50%),maturity (5) ,Grace period(4).	
	State Bonds (maturity 6 years or longer)	Interest Rate=(11.50%) ,maturity(10) ,Grace period(9).	
	Other Domestic Financing	Interest Rate=(0%),maturity (0) ,Grace period(0).	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSME	Interest Rate=(9.00%),maturity (5),Grace period(1).	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and I	Interest Rate=(12.00%),maturity (7) ,Grace preiod(1).	
	State Bonds (maturity 1 to 5 years)	Interest Rate=(12.50%),maturity (5) ,Grace period(4).	
	State Bonds (maturity 6 years or longer)	Interest Rate=(11.50%) ,maturity(10) ,Grace period(9).	
	Other Domestic Financing	Interest Rate=(0%),maturity (0) ,Grace period(0).	
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate(1.15%),maturity(30) ,Grace period7).	
	External Financing - Bilateral Loans	Interest rate(2.47%),maturity(20) ,Grace period (5).	
	Other External Financing	Interest rate (0%),maturity (0) ,Grace period(0).	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSME	Interest Rate=(9.00%),maturity (5),Grace period(1).	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and I	Interest Rate=(12.00%),maturity (7) ,Grace preiod(1).	
	State Bonds (maturity 1 to 5 years)	Interest Rate=(12.50%),maturity (5) ,Grace period(4).	
	State Bonds (maturity 6 years or longer)	Interest Rate=(11.50%) ,maturity(10) ,Grace period(9).	
	Other Domestic Financing	Interest Rate=(0%),maturity (0) ,Grace period(0).	
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate(1.15%),maturity(30) ,Grace period7).	
	External Financing - Bilateral Loans	Interest rate(2.47%),maturity(20) ,Grace period (5).	
	Other External Financing	Interest rate (0%),maturity (0) ,Grace period(0).	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSME	Interest Rate=(9.00%),maturity (5),Grace period(1).	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and I	Interest Rate=(12.00%),maturity (7) ,Grace preiod(1).	
	State Bonds (maturity 1 to 5 years)	Interest Rate=(12.50%),maturity (5) ,Grace period(4).	
	State Bonds (maturity 6 years or longer)	Interest Rate=(11.50%) ,maturity(10) ,Grace period(9).	
	Other Domestic Financing	Interest Rate=(0%),maturity (0) ,Grace period(0).	
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate(1.15%),maturity(30) ,Grace period7).	
	External Financing - Bilateral Loans	Interest rate(2.47%),maturity(20) ,Grace period (5).	
	Other External Financing	Interest rate (0%),maturity (0) ,Grace period(0).	
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSME	Interest Rate=(9.00%),maturity (5),Grace period(1).	
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and I	Interest Rate=(12.00%),maturity (7) ,Grace preiod(1).	
	State Bonds (maturity 1 to 5 years)	Interest Rate=(12.50%),maturity (5) ,Grace period(4).	
	State Bonds (maturity 6 years or longer)	Interest Rate=(11.50%) ,maturity(10) ,Grace period(9).	
	Other Domestic Financing	Interest Rate=(0%),maturity (0) ,Grace period(0).	
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	Interest rate(1.15%),maturity(30) ,Grace period7).	
	External Financing - Bilateral Loans	Interest rate(2.47%),maturity(20) ,Grace period (5).	
	Other External Financing	Interest rate (0%),maturity (0) ,Grace period(0).	

Annex II. Historical and projections of the S1_Baseline Scenario

			Actuals							Projections					
Indicator	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	1,493,713.00	1,538,762.00	1,862,416.00	2,084,575.00	2,234,337.00	3,526,448.00	2,954,919.00	3,264,878.00	3,550,075.00	3,869,182.00	4,224,373.00	4,612,171.00	5,035,568.00	5,497,883.00	6,002,534.00
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00	379.00
Fiscal Indicators (Million Naira)															
Revenue	**59,384.51**	**88,027.60**	**86,053.10**	**94,508.30**	**101,427.40**	**122,770.33**	**148,619.17**	**164,685.04**	**113,536.30**	**118,441.50**	**119,918.87**	**126,066.61**	**130,780.52**	**133,697.19**	**132,251.41**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	24,113.10	62,372.87	45,090.04	42,772.06	34,422.90	40,905.27	44,995.79	49,495.37	56,919.70	62,611.70	66,994.52	73,694.97	77,378.67	78,253.00	80,152.00
1.a. of which Net Statutory Allocation ('net' means of deductions)	24,113.10	62,372.87	45,090.04	36,159.50	29,891.13	40,905.30	44,995.83	49,495.41	56,919.72	62,611.70	66,994.52	73,693.97	77,378.67	78,253.00	80,152.00
1.b. of which Deductions	0.00	0.00	0.00	6,612.56	4,531.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	0.00	0.00	0.00	3,281.91	6,654.90	1,500.00	1,650.00	1,815.00	2,999.91	2,943.51	2,452.54	2,595.83	2,698.34	2,738.03	2,685.65
4. VAT Allocation	8,309.13	9,962.09	11,171.98	11,961.61	14,630.81	18,818.64	20,700.51	22,770.56	23,347.60	23,814.55	24,528.99	25,264.86	26,275.45	28,114.73	29,239.32
5. IGR	6,379.82	6,044.49	6,613.76	9,704.65	7,739.81	11,375.50	13,485.79	14,806.48	15,997.50	7,656.13	7,639.39	7,707.97	7,753.59	7,750.92	7,701.60
6. Capital Receipts	20,582.47	9,648.05	23,177.34	26,788.07	37,979.00	50,170.92	67,787.08	75,797.63	14,271.59	21,415.61	18,303.44	16,802.99	16,674.47	16,840.51	12,472.84
6.a. Grants	5,236.98	4,457.72	4,192.59	2,258.83	7,156.32	10,388.86	32,857.00	34,499.85	4,636.70	5,112.28	4,703.47	4,712.06	4,745.44	4,781.99	4,811.05
6.b. Sales of Government Assets and Privatization Proceeds	0.00	0.00	0.00	0.00	0.00	11,615.00	10,576.50	11,634.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	1,794.10	6.62	3,315.14	0.00	5.70	0.00	0.00	0.00	515.37	618.44	740.99	735.25	718.41	665.69	695.76
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	13,551.39	5,183.71	15,669.61	24,529.24	30,817.00	28,167.06	24,353.58	29,663.63	9,119.52	15,684.89	12,858.98	11,355.68	11,210.62	11,392.83	6,966.04
Expenditure	**62,394.70**	**88,981.00**	**84,837.40**	**95,437.70**	**89,673.07**	**131,911.63**	**148,230.07**	**164,027.34**	**112,990.20**	**117,600.40**	**121,260.27**	**125,848.11**	**130,596.12**	**133,607.49**	**132,252.91**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	25,683.04	28,127.10	30,291.33	30,872.08	35,140.58	30,547.20	38,745.63	42,392.32	42,916.50	43,045.25	43,174.39	43,303.91	43,433.82	43,564.12	43,694.81
2. Overhead costs	12,448.65	22,743.86	25,666.36	21,334.82	17,228.32	16,719.73	26,318.39	29,277.88	20,183.24	19,952.92	20,497.84	20,620.53	20,470.32	20,344.97	20,377.32
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	0.56	0.48	0.83	0.00	0.00	4,379.76	7,702.83	10,672.41	13,404.91	13,426.43	13,460.54	13,267.60	12,820.36	10,950.33	10,276.11
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	0.00	0.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	4,985.43	15,938.40	3,834.04	2,930.61	2,319.97	3,942.90	11,895.93	13,085.26	2,507.98	2,751.34	3,085.28	2,967.67	2,879.00	2,838.26	2,904.31
5. Capital Expenditure	17,572.11	20,452.87	15,498.08	20,726.99	21,302.65	72,817.89	57,802.44	58,154.43	19,954.03	20,951.70	21,999.29	23,099.25	26,564.20	33,252.00	37,525.00
6. Amortization (principal) payments	1,704.91	1,718.50	9,547.10	19,573.25	13,681.60	3,504.14	5,764.85	10,445.05	14,023.53	17,472.76	19,042.94	22,589.15	24,428.42	22,657.81	17,475.36
Budget Balance (' + ' means surplus, ' - ' means deficit)	**-3,010.19**	**-953.40**	**1,215.70**	**-929.50**	**11,754.24**	**-9,141.30**	**389.10**	**657.70**	**546.10**	**841.10**	**-1,341.40**	**218.50**	**184.40**	**89.70**	**-1.50**
Opening Cash and Bank Balance	**4,372.30**	**1,362.11**	**409.00**	**1,624.40**	**695.00**	**12,449.20**	**3,307.90**	**3,697.00**	**4,354.70**	**4,900.80**	**5,741.90**	**4,400.50**	**4,619.00**	**4,803.40**	**4,893.10**
Closing Cash and Bank Balance	**1,362.11**	**408.71**	**1,624.44**	**695.00**	**12,449.20**	**3,307.90**	**3,697.00**	**4,354.70**	**4,900.80**	**5,741.90**	**4,400.50**	**4,619.00**	**4,803.40**	**4,893.10**	**4,891.60**
Financing Needs and Sources (Million Naira)															
Financing Needs						**39,782.06**	**34,930.08**	**41,297.78**	**9,634.88**	**16,303.33**	**13,599.97**	**12,090.92**	**11,929.03**	**12,058.52**	**7,661.79**
i. Primary balance						-41,039.46	-21,073.30	-19,522.62	18,339.66	15,436.95	17,562.11	23,984.34	25,504.15	21,639.32	20,088.17
ii. Debt service						7,883.90	13,467.68	21,117.46	27,428.45	30,899.19	32,503.48	35,856.76	37,248.77	33,608.15	27,751.47
Amortizations						3,504.14	5,764.85	10,445.05	14,023.53	17,472.76	19,042.94	22,589.15	24,428.42	22,657.81	17,475.36
Interests						4,379.76	7,702.83	10,672.41	13,404.91	13,426.43	13,460.54	13,267.60	12,820.36	10,950.33	10,276.11
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-9,141.30	389.10	657.70	546.10	841.10	-1,341.40	218.50	184.40	89.70	-1.50
Financing Sources						**39,782.06**	**34,930.08**	**41,297.78**	**9,634.88**	**16,303.33**	**13,599.97**	**12,090.92**	**11,929.03**	**12,058.52**	**7,661.79**
i. Financing Sources Other than Borrowing						11,615.00	10,576.50	11,634.15	515.37	618.44	740.99	735.25	718.41	665.69	695.76
ii. Gross Borrowings						28,167.06	24,353.58	29,663.63	9,119.52	15,684.89	12,858.98	11,355.68	11,210.62	11,392.83	6,966.04
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						3,167.10	2,493.00	10,663.60	3,119.50	0.00	6,000.00	0.00	0.00	0.00	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	21,860.60	0.00	6,000.00	0.00	0.00	11,355.70	0.00	0.00	6,966.00
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	10,684.90	0.00	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						25,000.00	0.00	19,000.00	0.00	0.00	6,859.00	0.00	0.00	11,392.80	0.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	0.00	0.00	0.00	5,000.00	0.00	0.00	11,210.59	0.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						-0.04	-0.02	0.03	0.02	0.00	-0.02	-0.02	0.03	0.03	0.04
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**85,291.08**	**104,429.67**	**119,573.40**	**132,459.30**	**140,363.00**	**165,025.92**	**183,614.65**	**202,833.23**	**197,929.21**	**196,141.34**	**189,957.38**	**178,723.90**	**165,506.10**	**154,241.12**	**143,731.80**
External	21,191.98	28,927.37	29,975.70	35,468.80	41,462.60	41,212.46	40,942.61	40,649.11	40,334.82	45,018.30	44,729.44	44,432.83	55,341.47	55,037.82	54,736.31
Domestic	64,099.10	75,502.30	89,597.70	96,990.50	98,900.40	123,813.46	142,672.04	162,184.11	157,594.39	151,123.04	145,227.94	134,291.07	110,164.63	99,203.30	88,995.50
Gross borrowing (flow)						**28,167.06**	**24,353.58**	**29,663.63**	**9,119.52**	**15,684.89**	**12,858.98**	**11,355.68**	**11,210.62**	**11,392.83**	**6,966.04**
External						0.00	0.00	0.00	0.00	5,000.00	0.00	0.00	11,210.59	0.00	0.00
Domestic						28,167.06	24,353.58	29,663.63	9,119.52	10,684.90	12,858.98	11,355.68	0.03	11,392.83	6,966.04
Amortizations (flow)	**1,583.58**	**1,956.61**	**6,381.65**	**5,279.40**	**3,998.80**	**3,504.14**	**5,764.85**	**10,445.05**	**14,023.53**	**17,472.76**	**19,042.94**	**22,589.15**	**24,428.42**	**22,657.81**	**17,475.36**
External	101.28	122.31	153.25	260.80	454.80	250.14	269.85	293.50	314.30	316.52	288.86	296.60	301.95	303.65	301.52
Domestic	1,482.30	1,834.30	6,228.40	5,018.60	3,544.00	3,254.00	5,495.00	10,151.55	13,709.24	17,156.25	18,754.08	22,292.55	24,126.46	22,354.17	17,173.84
Interests (flow)	**3,489.11**	**3,896.49**	**4,721.55**	**5,082.30**	**4,509.40**	**4,379.76**	**7,702.83**	**10,672.41**	**13,404.91**	**13,426.43**	**13,460.54**	**13,267.60**	**12,820.36**	**10,950.33**	**10,276.11**
External	151.91	152.89	214.55	228.20	303.20	250.14	254.69	267.73	268.21	268.79	319.41	321.77	323.68	452.29	451.83
Domestic	3,337.20	3,743.60	4,507.00	4,854.10	4,206.20	4,129.62	7,448.14	10,404.68	13,136.70	13,157.63	13,141.12	12,945.84	12,496.67	10,498.04	9,824.28
Net borrowing (gross borrowing minus amortizations)						**24,662.92**	**18,588.73**	**19,218.58**	**-4,904.02**	**-1,787.87**	**-6,183.96**	**-11,233.48**	**-13,217.80**	**-11,264.98**	**-10,509.32**
External						-250.14	-269.85	-293.50	-314.30	4,683.48	-288.86	-296.60	10,908.64	-303.65	-301.52
Domestic						24,913.06	18,858.58	19,512.08	-4,589.72	-6,471.35	-5,895.10	-10,936.88	-24,126.44	-10,961.33	-10,207.80
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	**5.71**	**6.79**	**6.42**	**6.35**	**6.28**	**4.68**	**6.21**	**6.21**	**5.58**	**5.07**	**4.50**	**3.88**	**3.29**	**2.81**	**2.39**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**193.67**	**126.07**	**178.29**	**189.28**	**198.80**	**198.85**	**161.51**	**164.39**	**190.50**	**192.04**	**178.67**	**156.81**	**139.25**	**126.80**	**115.36**
Debt Service as % of SGDP						**0.22**	**0.46**	**0.65**	**0.77**	**0.80**	**0.77**	**0.78**	**0.74**	**0.61**	**0.46**
Debt Service as % of Revenue (including grants and excluding other capital receipts)						**9.50**	**11.85**	**17.11**	**26.40**	**30.25**	**30.57**	**31.46**	**31.34**	**27.63**	**22.27**
Interest as % of SGDP						**0.12**	**0.26**	**0.33**	**0.38**	**0.35**	**0.32**	**0.29**	**0.25**	**0.20**	**0.17**
Interest as % of Revenue (including grants and excluding other capital receipts)						**5.28**	**6.78**	**8.65**	**12.90**	**13.15**	**12.66**	**11.64**	**10.79**	**9.00**	**8.25**
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						**36.81**	**34.08**	**34.36**	**41.31**	**42.14**	**40.61**	**37.99**	**36.54**	**35.81**	**35.07**

Dr. Ishaya John Dabari

22/12/2021

Honourable Commissioner
Ministry of Finance
Adamawa State