



**ZAMFARA STATE GOVERNMENT  
NIGERIA**

**ZAMFARA STATE  
DEBT SUSTAINABILITY ANALYSIS (ZS - DSA)  
REPORT**

**2020**

December 2020

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## **1. INTRODUCTION**

Zamfara State Debt Sustainability Analysis covers the period 2015 to 2019 (5year historical) and 2020-2029 (10-year projection), under various macroeconomic assumptions, Shock scenarios and related policies adopted in the state. To ensure that State debt stock remains sustainable in the medium to long-term, by using the State's macroeconomic framework with a view to assessing the current and future debt levels, as well as its ability to meet debt service obligations as and when due, and without compromising growth and development.

Zamfara State Debt Sustainability Analysis forecast for primary balance that comprises the difference between revenue and expenditure, plus the existing debt service (interest payment and principal repayments). The State's Internal Revenue Services was restructured to boost revenue generation in the State. The reform was based on the State Revenue laws, which provided for capital gains tax, property tax, etc, in order to expand the tax base/web to maximally increase the State's Internally Generated Revenue that are considered achievable. However, the State also envisage increase in recurrent and capital expenditures with expected growth in the National economy, industries, agriculture and mining activities with vast effects on the State's economy. The forecast is in line with International Public Sector Accounting Standards (IPSAS) and consistent with our strategic plan in the medium to long-term vision.

## **2. THE STATE FISCAL AND DEBT FRAMEWORK**

Zamfara State Government has been active in involving the public in its budgetary preparation by way of citizens participation in budgeting, this is very important in the developing countries as a means of improving the performance and accountability of bureaucracies and improving social justice. As the economy is the primary and critical component of life, the State government has vibrant economic policies to harness the abundant economic potentials, particularly agriculture and solid minerals. In Q4, 2020 the State Government set up a State Economic Management Team. The Team is currently working hard to come up with a revised blueprint for the present and future economic development of the State.

The Zamfara State Government is making strenuous efforts to win the confidence of foreign investors to invest in the State, most especially in the mining, agriculture, and hospitality industry. The Government also rolled out a social intervention programme to provide support to the poor and the unemployed; reconstructed and equipped skills acquisition centre to provide training for women and youth towards self-reliance; and building the critical infrastructure needed to speed up the development of the State.

The COVID-19 (Corona Virus Disease) devastated the world in the early part of year 2020. The COVID-19 which appeared in China gradually became a global pandemic. The global fight against the deadly virus led to collapse of the economies of the leading industrialised countries because of which oil demand declined worldwide, as well as collapse in the commodity market. This pandemic led to recession in almost all the nations. In addition, the world suffers attendant consequences of policies like lockdown, which came into effect in many parts of the world to contain the virus. Many countries of the world including Nigeria are currently experiencing various degrees of economic difficulties due to pandemic. This has impacted on the revenue generation negatively.

The Government has put in place a harmonized revenue law to expand the tax net and boost internally generated revenue. The increase in IGR is expected to positively impact on the financial obligation of the State as well as the economic development of the State. The State plans to augment the State budget through borrowings from domestic loans and external loans.

## **Medium-Term Budget Forecast**

Zamfara State Medium-Term Budget Forecast (MTBF) is a fiscal arrangement that allow Government to extend the horizon for fiscal policy making beyond the annual budgetary calendar. Although the approval of the Annual budget law remains the key step in which important decisions on budgetary policy are adopted, most fiscal measures have budgetary implications that go well beyond the usual yearly budgetary cycle. As a result, a single year perspective provides a poor basis for sound fiscal planning.

**The Baseline macroeconomic assumptions for 2020 State DSA are based on the projections outlined in the Zamfara State's Medium-Term Budget Framework (MTBF) projection and indicative macroeconomic assumptions reflects the national policy directions and oil statutory revenue projection as contained in the Revised FGN MTEF 2021-2023.** Forecast cover the preparation, execution, and monitoring of multiannual budget plans and contain both expenditure and revenue projections as well as the resulting budget balances. The details of the macroeconomic assumptions are as shown in the table below.

<b>Macroeconomic Assumptions</b>	<b>2020 Revised Budget</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Budget Oil Production Volume (mbpd)	1.80	1.86	2.09	2.38
Projected Budget Benchmark Price (US\$ per barrel)	28	40	40	40
Average Exchange Rate (N/US\$)	360	379	379	379
<b>Revenue</b>				
Gross Statutory Allocation	31,200.00	32,292.00	33,422.22	34,592.00
Other FAAC transfers (exchange rate gain, augmentation, others)	1,200.00	1,218.00	1,236.27	1,254.81
VAT Allocation	12,200.00	12,932.00	13,707.92	14,530.40
IGR	15,940.26	16,896.68	17,910.48	18,985.11
Grants	14,273.10	14,487.20	14,704.50	14,925.07
Sales of Government Assets and Privatization Proceeds	2,000.00	2,030.00	2,060.45	2,091.36
Other Non-Debt Creating Capital Receipts	3,055.12	3,131.50	3,209.78	3,290.03
<b>Total Revenue</b>	<b>79,868.48</b>	<b>82,987.37</b>	<b>86,251.63</b>	<b>89,668.77</b>
<b>Expenditure</b>				
Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	22,308.00	23,311.86	24,360.89	25,457.13
Overhead costs	32,932.44	33,426.43	33,927.83	34,436.74
Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	1,871.04	1,936.53	2,004.30	2,074.45
Capital Expenditure	47,544.00	49,921.20	52,417.26	55,038.12
<b>Total Expenditure</b>	<b>104,655.48</b>	<b>108,596.02</b>	<b>112,710.28</b>	<b>117,006.45</b>
<b>Budget Deficit</b>	<b>-24,787.00</b>	<b>-25,608.64</b>	<b>-26,458.66</b>	<b>-27,337.68</b>
State GDP	1,656,726	1,921,426	2,186,126	2,450,826
<b>Deficit as % of GDP</b>	<b>-1.50</b>	<b>-1.33</b>	<b>-1.21</b>	<b>-1.12</b>
New Domestic Borrowing	28,319.61	24,148.65	25,476.28	21,581.40
New External Borrowing	5,287	13,000	20,000	29,000
<b>New Borrowing</b>	<b>24,787.00</b>	<b>25,608.64</b>	<b>26,458.66</b>	<b>27,337.68</b>

The forecast covers 2020-2029 macroeconomic analysis, government's fiscal policy for medium and long-term, state budget revenue projections and state budget expenditure ceilings for each ministry and their agencies (MDAs) for medium to long-term.

Zamfara State Government work with all stakeholders through collaboration, commitment, and partnership to achieve the following: sufficient levels of budget transparency; public participation in the budget; Strengthen monitoring & oversight of budget execution; and, Sustain improvements on open budgeting Government participatory.

### **State's Revenue policies**

Zamfara State House of Assembly has passed the long-awaited consolidated Revenue Bill into law. The Bill is to provide for the establishment of Fiscal Responsibility Agency with a view to

generating sufficient revenue for the state. Zamfara State has suffered from the activities of armed bandits and other criminalities in the last few years. These unholy activities have greatly affected virtually all aspects of life including revenue generation. This necessitated the State House of Assembly to finding ways of reviving the state Internally Generated Revenue. Presenting the committee's report to the house for consideration and passage into law, the Bill will improve the State revenue generation and block all leakages/wastages. The Bill adopted version of successful Revenue Laws of some neighboring States which will help in the free flow of economic activities across the States and the country at large.

### **State's Expenditure policies**

Government spending drives economic activities either through the development of large-scale infrastructural projects or through the execution of capital project and provision of resources to the citizens in the form of social grants. Investments in education and health have long-term economic benefits. Fiscal policy is the deliberate adjustment of government spending, borrowing or taxation to help achieve desirable economic objectives in a State.

### 3. THE STATE REVENUE, EXPENDITURE, AND PUBLIC DEBT TRENDS (2015 – 2019)

The State economy experienced a growth in 2019 with growth in the IGR from 24.75 percent in 2018 to 72.20 percent in 2019. This was due to economic reforms to improve tax and other service sectors, as well as other initiatives by the Government.

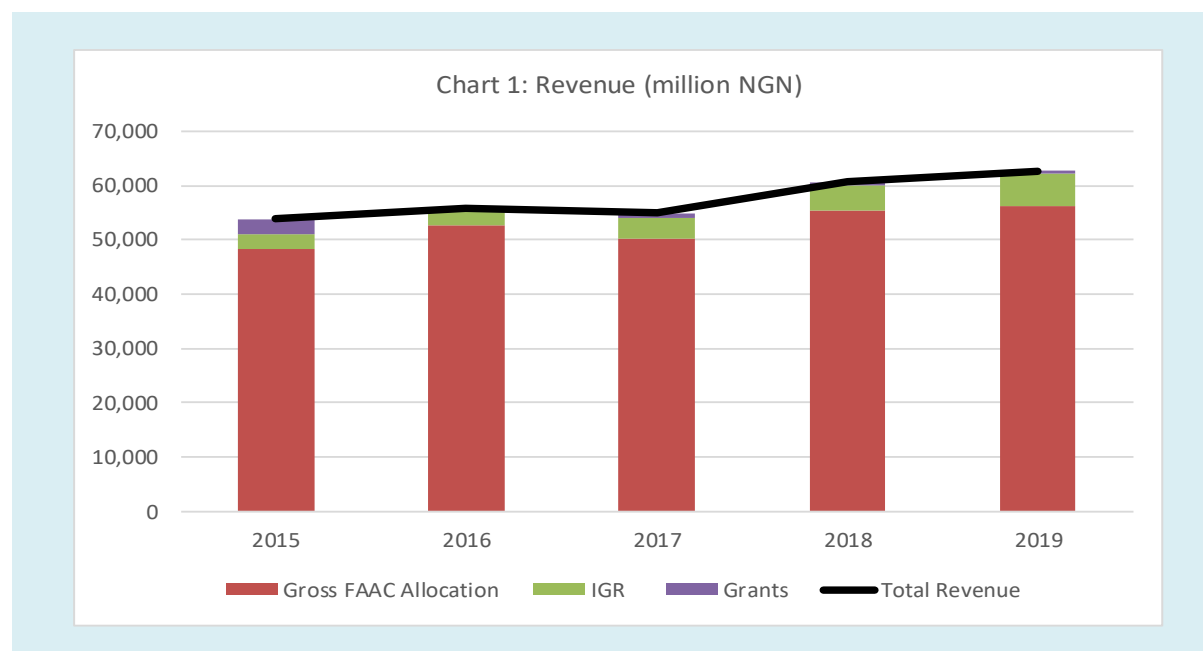
#### Revenue and Expenditure

The State's Revenue includes Statutory Allocation, VAT Allocation, IGR, and Capital Receipt. The State's economy grew as the State reported an average Revenue growth of 4.01 percent from 2015 to 2019. This growth increased the financial resources to the real sector of the economy, and effective implementation of the Economic Policies in the State. Statutory allocation, VAT allocation, and other transfers has increased from N48,239.22 million in 2015 to N56,194.10 million in 2019.

While the Internally Generated Revenue (IGR) shows steady growth during the period under review. IGR grew from N2,741.63 million in 2015 to N5,937.00 million in 2019. The improvement in IGR is mainly because of tax reforms aimed at improving collection efficiency and broadening the tax revenue base. The details of the revenue are as shown in the table below.

Revenue Performance	2015	2016	2017	2018	2019
Total Revenue	53,805.17	55,765.57	54,890.86	60,700.70	62,758.45
Gross FAAC Allocation	48,239.22	52,785.65	50,238.14	55,439.84	56,194.10
IGR	2,741.63	2,354.52	3,757.85	4,688.00	5,937.00
Grants	2,824.32	625.40	894.87	572.87	627.36

**Chart 1: Trends in Revenue Performance, 2015-2019**

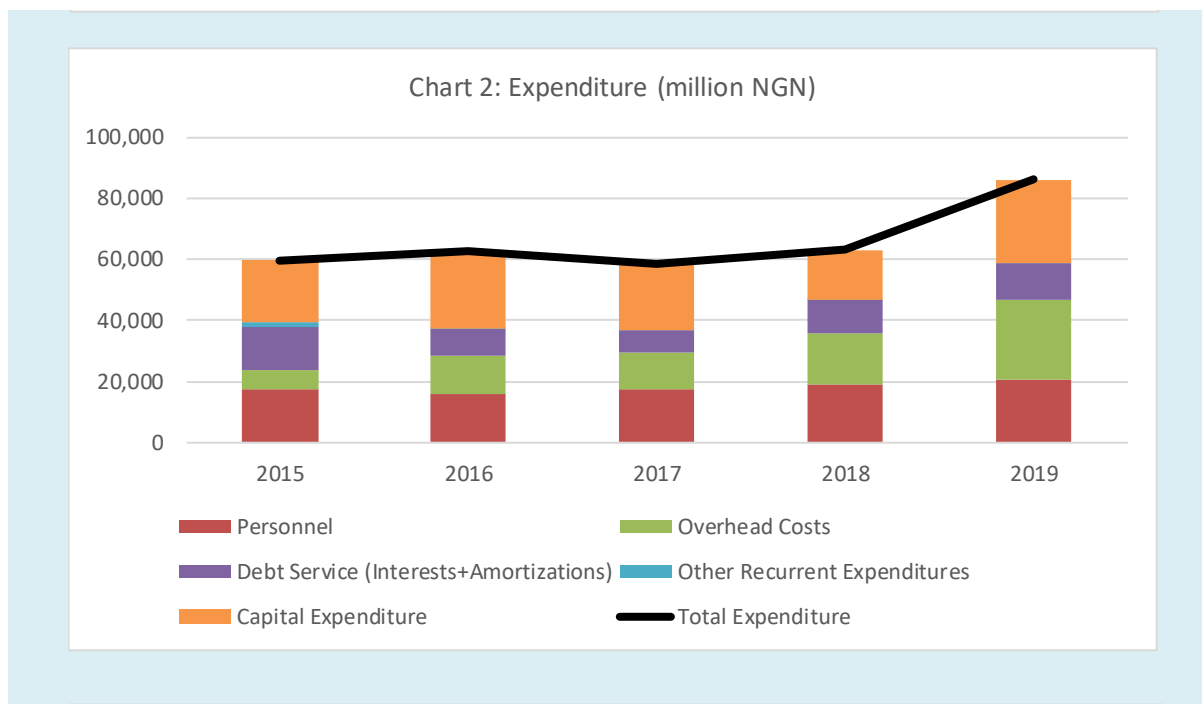




The State's Total Expenditure includes Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment), which recorded an increase from N62,933.79 million as at end-December 2018 to N85,932.86 million as at end-December 2019, which represent 36.54 percent increase or N22,999.07 million. The personnel cost shows an average increased of 4.49 percent from N17,661.26 million in 2015 to N20,791.36 million in 2019. The overhead cost stood at N26,109.44 million in 2019 compared to N16,675.64 million in 2018. Between 2016 to 2019, Capital expenditure grew from N25,543.33 million to N27,027.18 million or 66.27.18 percent, respectively. The details of the expenditure performance are as shown in the table below.

<b>Expenditure Performance</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total Expenditure	59,545.50	62,841.53	58,520.75	62,933.79	85,932.86
Personnel	17,661.26	16,014.55	17,317.58	19,112.03	20,791.36
Overhead Costs	6,303.11	12,185.89	12,318.31	16,675.64	26,109.44
Debt Service (Interests + Amortizations)	13,778.33	8,993.27	6,912.93	10,748.50	11,946.78
Other Recurrent Expenditures	1,728.12	104.49	105.49	142.60	58.10
Capital Expenditure	20,074.68	25,543.33	21,866.43	16,255.03	27,027.18

**Chart 2: Trends in Expenditure Performance, 2015-2019**



## Existing Debt Portfolio

*Subnational 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 term, consistent with a prudent degree of risk. In a broader macroeconomic context for public policy, governments should seek to ensure that both the level and rate of growth in their public debt are on a sustainable path and that the debt can be serviced under a wide range of circumstances, including economic and financial market stress, while meeting cost and risk objectives.*

*Every government faces policy choices concerning debt management objectives, in particular its preferred risk tolerance, the parts of the government balance sheet that debt managers should be responsible for, the management of contingent liabilities, and the establishment of sound governance for public debt management. Poorly structured debt portfolios, in terms of maturity, currency, or interest rate composition and large contingent liabilities, have been important factors in inducing or propagating economic crises in many countries throughout history.*

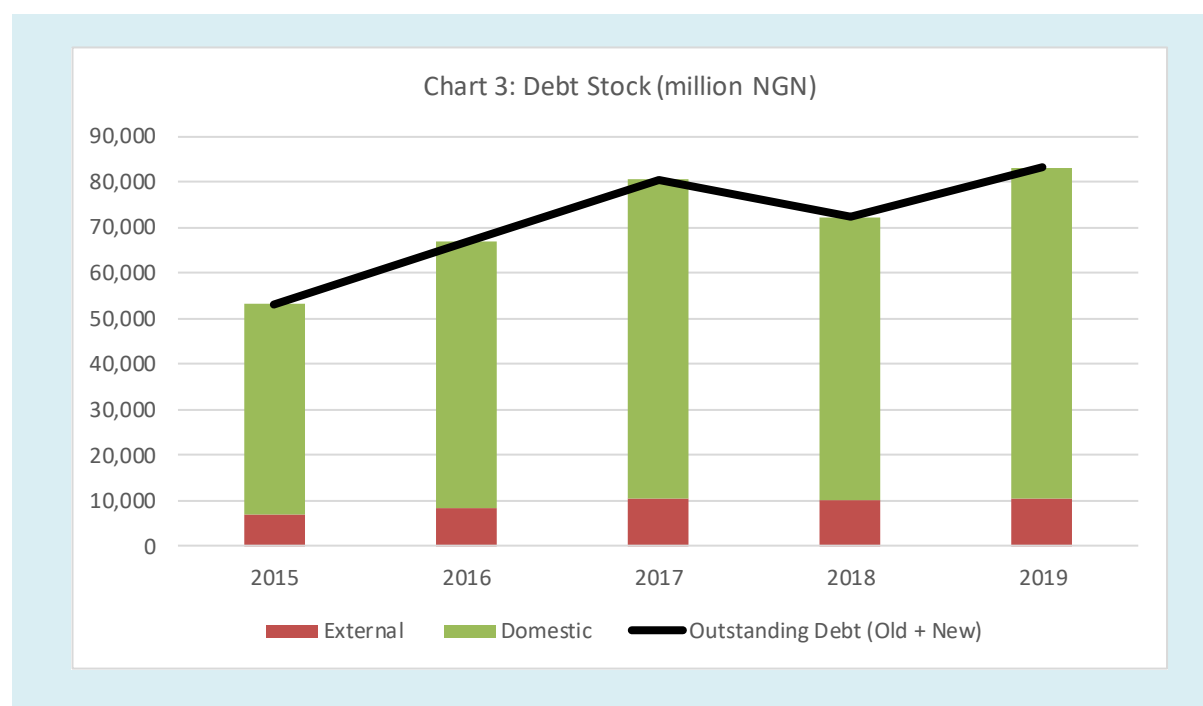
*Sound risk management practices are essential given that a government's debt portfolio is usually the largest financial portfolio in the country and can contain complex and risky financial structures, which have the potential to generate substantial risk to the government's balance sheet and overall financial stability. **Debt crises have highlighted the importance of sound debt management practices.***

## Debt Stock

Zamfara State Debt stock comprises of External and Domestic Debt, the total debt stock as at December 31, 2019 was N83,112.91 million compared to N72,237.49 million as at December 31, 2018, representing an increase of N10,875.42 million or 15.06 percent. The increase in the Debt stock was reflected in both Domestic and External Debt components. The Total External Debt stock as at December 31, 2019 was N10,596.70 million or 12.75 percent of the Total Debt stock, while the Total Domestic Debt stock was N72,516.21 million or 87.25 percent of the Total Debt stock. Whereas the increase in the external debt in the year was largely due to additional disbursements on existing Multilateral loans, the growth in the domestic debt was attributed to new loan from commercial banks loans. The details of the debt stock are as shown in the table below.

<b>Debt Stock</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Outstanding Debt (Old + New)	53,141.94	66,831.84	80,574.91	72,237.49	83,112.91
External	6,861.24	8,510.81	10,651.68	10,275.17	10,596.70
Domestic	46,280.69	58,321.02	69,923.23	61,962.32	72,516.21

**Chart 3: Total Debt Stock, 20215-2019**



### Debt composition

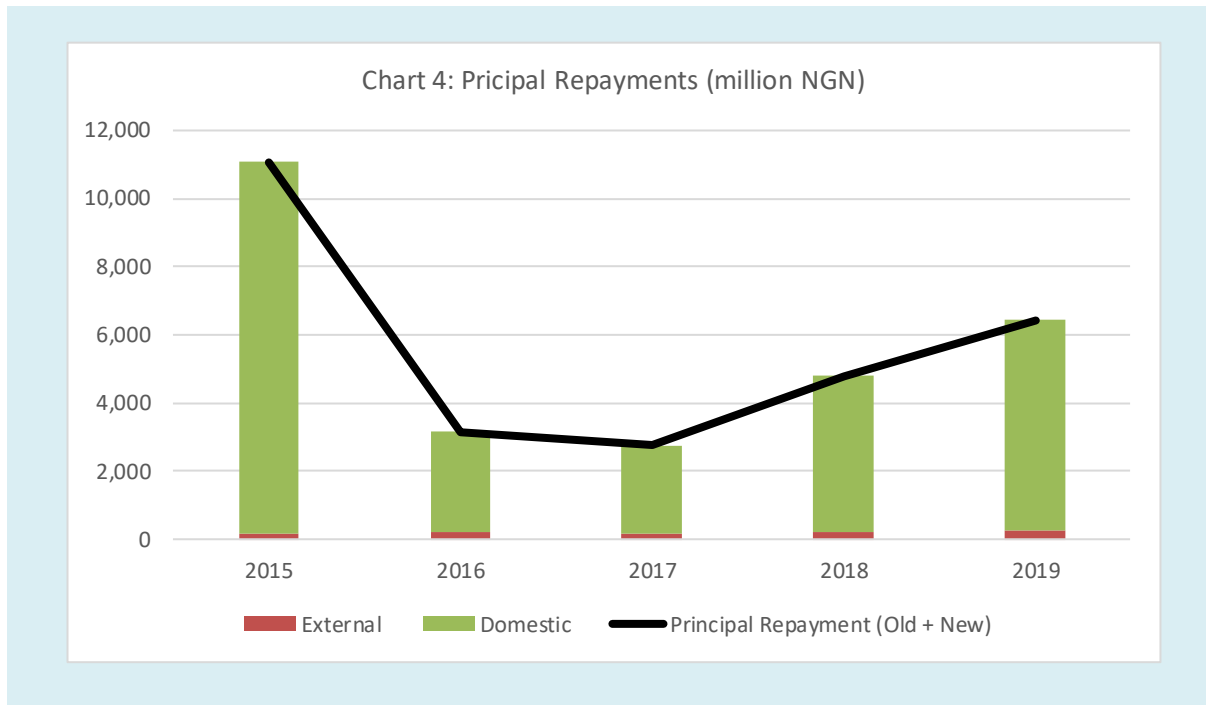
The main domestic debt portfolio consists of Bail out loans, Budget Support Facility, Excess Crude Account Backed Loan, Contractor's Arrears and Pensions & Gratuity arrears. While the External Debt includes World Bank (IDA and IFAD) and African Development Fund (AfDF). The ratio of External to Domestic Debt in the Total Debt portfolio was 12.75 percent external and 87.25 percent domestic as at December 31, 2019.

### Debt Service

The Zamfara State Debt Service amounted to N11,946.78 million as at end-December 2019 compared to N10,748.50 million as at end-December 2018, representing an increase of N1,198.28 million or 11.15 percent. The principal repayment showed a slight increase from N4,779.61 million to N6,440.74 million in 2018 and 2019, respectively. While the Interest Payment showed a slight decline from N5,948.89 in 2018 compared to N5,506.03 million in 2019. The principal repayments and Interest Payment made were on both External Debt and Domestic Debt. The details of the interest payment and principal repayment are as shown in the table below.

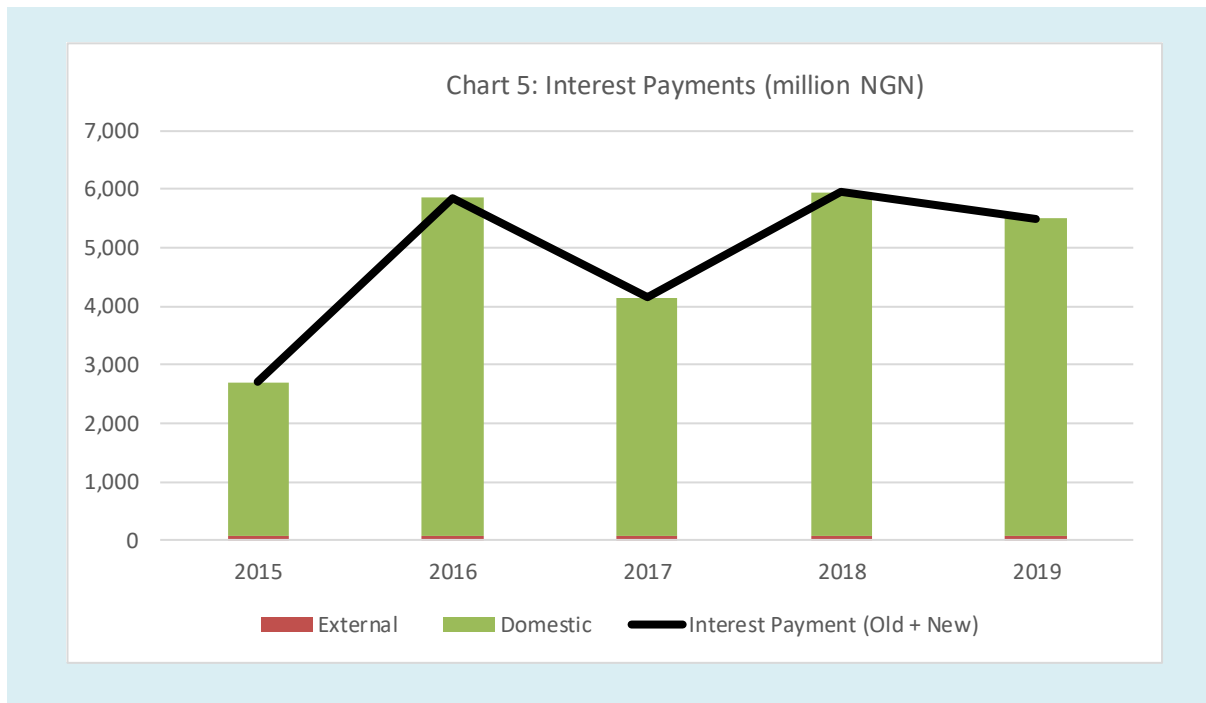
Principal Repayment	2015	2016	2017	2018	2019
Principal Repayment (Old + New)	11,071.90	3,144.77	2,763.36	4,799.61	6,440.74
External	167.40	196.55	160.09	210.19	280.31
Domestic	10,904.50	2,948.22	2,603.27	4,589.41	6,160.43

**Chart 4: Principal Repayment**



<b>Interest Payment</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Interest Payment (Old + New)	2,706.43	5,848.49	4,149.57	5,948.89	5,506.03
External	66.32	75.23	79.47	80.66	83.11
Domestic	2,640.12	5,773.26	4,070.10	5,868.23	5,422.92

**Chart 5: Interest Payment**



#### 4. DEBT SUSTAINABILITY ANALYSIS

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

The ratio of Zamfara State Debt as percent of GDP slightly increased from 5.86 percent in 2018 to 5.97 percent in 2019. The ratio is within the State Debt threshold of 25 percent. Debt as % of Revenue stood at 132.43 percent in 2019 compare to 119.01 percent in 2018. Debt service as % of Revenue remained at 19.04 percent which is within the threshold of 40 percent. Personnel Cost as at end December 2019 was 33.13 percent compared to threshold of 60 percent. The ratios of Debt Service as % of FAAC, Interest Payment as % Revenue, and External debt service as % of Revenue remained at 21.26 percent, 8.77 percent, and 0.58 percent in the corresponding period of 2019. The details of the debt burden indicators are as shown in the table below.

##### Zamfara State Debt Burden Indicators

	Threshold	2015	2016	2017	2018	2019
Debt as % of GDP	25	6.33	7.20	7.32	5.86	5.97
Debt as % of Revenue	200	98.77	119.84	146.79	119.01	132.43
Debt Service as % of Revenue	40	25.61	16.13	12.59	17.71	19.04
Personnel Cost as % of Revenue	60	32.82	28.72	31.55	31.49	33.13
Debt Service as % of Gross FAAC Allocation	Nil	28.56	17.04	13.76	19.39	21.26
Interest as % of Revenue	Nil	5.03	10.49	7.56	9.80	8.77
External Debt Service as % of Revenue	Nil	0.43	0.49	0.44	0.48	0.58
Gross Financing Needs as % of State GDP	Nil	0.00	0.00	0.00	0.00	0.00
Overall Balance as % of State GDP	Nil	-0.68	-0.76	-0.33	-0.18	-1.66
Primary Balance as % of State GDP	Nil	-0.36	-0.13	0.05	0.30	-1.27
Revenue as % of State GDP	Nil	6.41	6.01	4.99	4.92	4.51
Expenditures as % of State GDP	Nil	7.09	6.77	5.32	5.10	6.17

## Borrowing options

**Gross Financing Needs is the sum of budget deficits and funds required to roll over debt that matures over the year.** Zamfara State Government intends to source its Gross Financing Needs mainly through domestic borrowing from commercial Banks, domestic debt market (State Bonds) Federal Government and other Central Bank of Nigeria (Interventions) over the projection period, 2020 to 2029, due to the limited funding envelopes from the external borrowing with long processing time required loans from Multilateral and Bilateral. The details of the Financing options are as shown in the table below.

### Financing Option

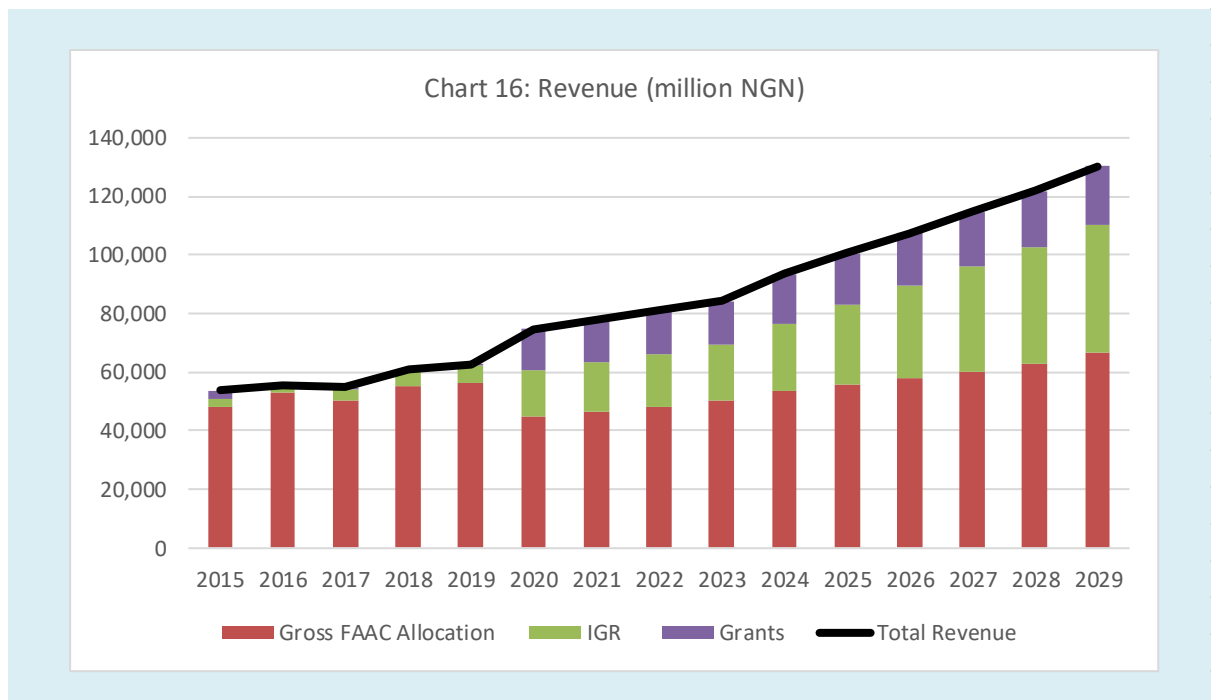
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>New Domestic Financing (NGN' Million)</b>										
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	8,540.57		2,102.31	6,581.40	4,000.00	2,000.00	5,000.00	4,012.01		5,249.17
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	19,500.00	7,983.03	13,373.97	15,000.00	2,000.00	15,030.66	17,116.96	7,045.97	3,233.43	10,421.29
State Bonds (maturity 1 to 5 years)				0		8,000.98				
State Bonds (maturity 6 years or longer)		16,165.62	10,000.00		0				18,441.82	
Other Domestic Financing										
<b>Domestic Financing</b>	<b>28,040.57</b>	<b>24,148.65</b>	<b>25,476.28</b>	<b>21,581.40</b>	<b>6,000.00</b>	<b>25,031.64</b>	<b>22,116.96</b>	<b>11,057.98</b>	<b>21,675.25</b>	<b>15,670.46</b>
<b>New External Financing (US\$' Million)</b>										
External Financing - Concessional Loans (e.g., WB, AfDB)	14.69	34.3	26.39	76.52	46.45	18.28	13.81	39.74		
External Financing - Bilateral Loans			26.39		26.14					
Other External Financing										
<b>External Financing</b>	<b>14.69</b>	<b>34.3</b>	<b>52.78</b>	<b>76.52</b>	<b>72.59</b>	<b>18.28</b>	<b>13.81</b>	<b>39.74</b>	<b>0</b>	<b>0</b>
<b>Total Gross Borrowing Requirements</b>	<b>33606.61</b>	<b>37148.65</b>	<b>45476.28</b>	<b>50581.4</b>	<b>33514.42</b>	<b>31961.1</b>	<b>27349.74</b>	<b>26121.19</b>	<b>21675.24</b>	<b>15670.46</b>

*Note: Gross Financing Needs (defined as the sum of budget deficits and funds required to roll over debt that matures over the year.*

## DSA Simulation Results

Zamfara State Revenue (including grant and excluding other capital receipts) is estimated an average grow of 6.37 percent or N98,621.49 million during the projected period, this is driven largely by expected improvement in FAAC allocation in average of N54,667 million over the projection period from 2020 to 2029. The FAAC allocation is estimated to increase from N74,813.00 million in 2020 to N130,201 million in 2029. Similarly, the IGR estimated to grow from N15,940.00 million in 2020 compare to N43,820 million in 2029, respectively. The details of the revenue projections are as shown in the table below.

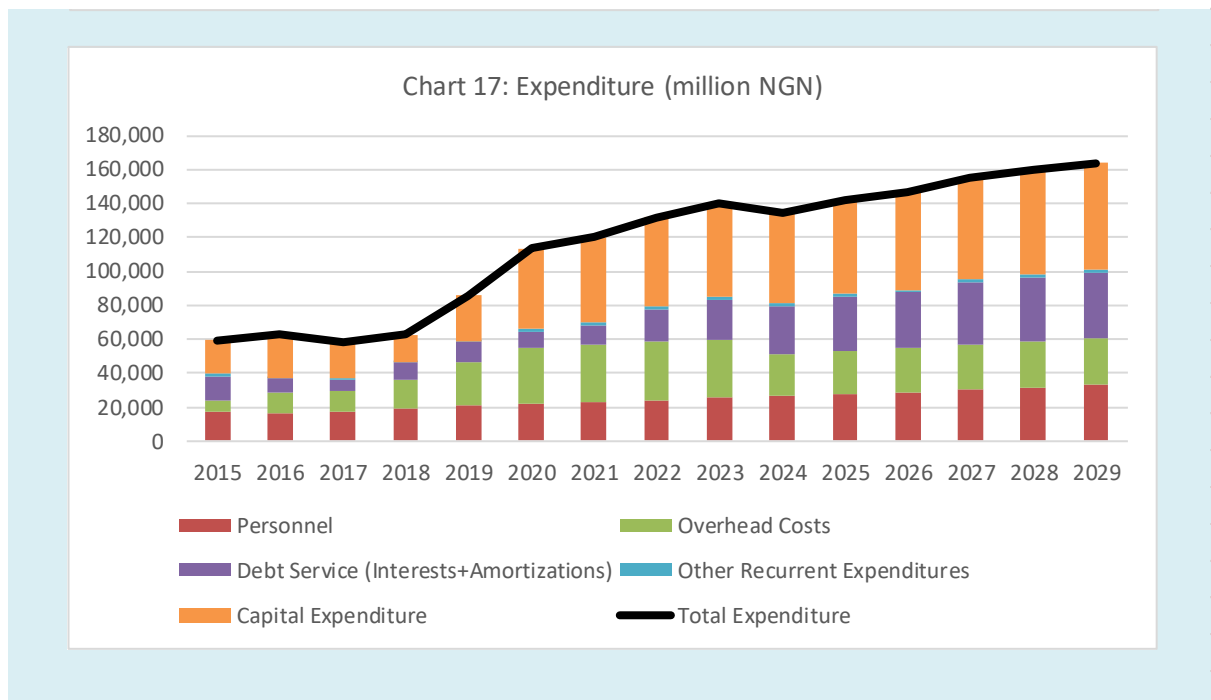
**Chart 6: State's Revenue**



## State Expenditure

The State Expenditure estimated an average increase of N140,815 million or 4.22 percent over the projection period, which was expected to grow to N164,017 million in 2029 from N113,870 million in 2020, respectively. indicating stability in the state growth recovery. The growth in the period is predicated on sustaining effective implementation of the new laws. Government is expected to continue its fiscal strategy of directing resources to the most productive and growth-enhancing sectors. The details of the expenditure projections are as shown in the table below.

**Chart 7: State's Expenditure**



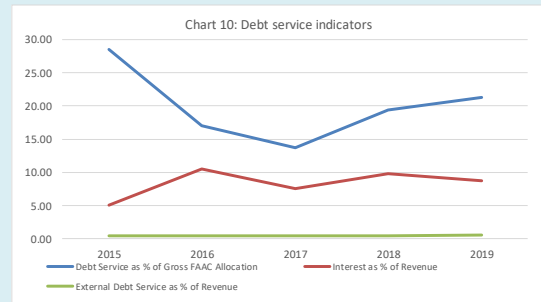
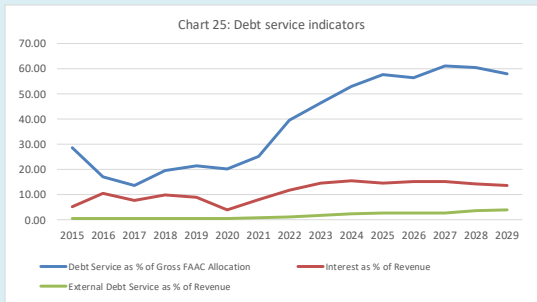
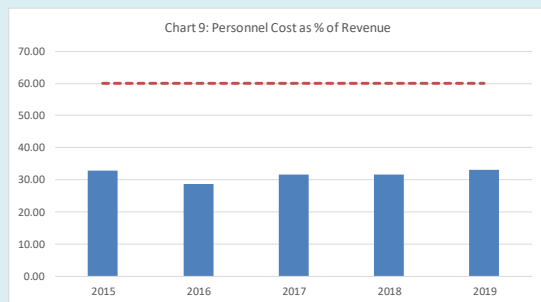
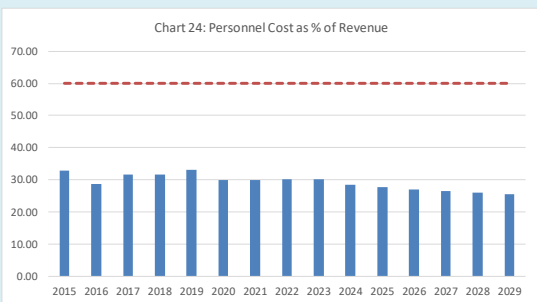
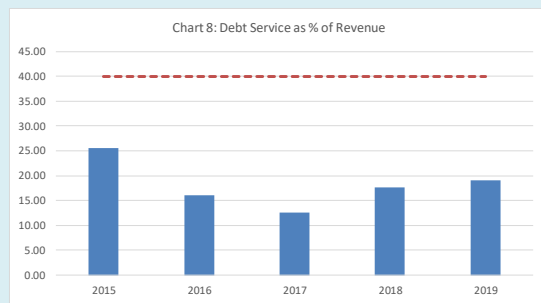
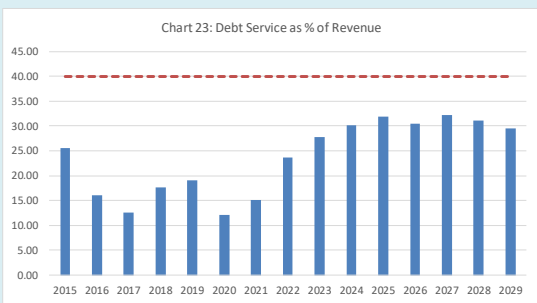
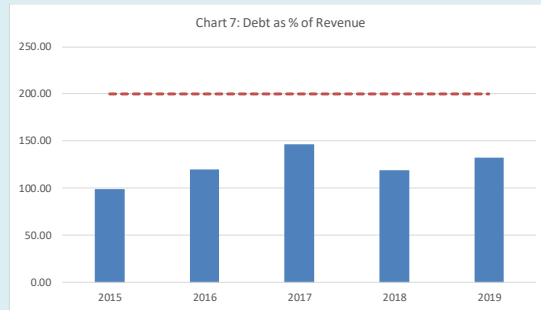
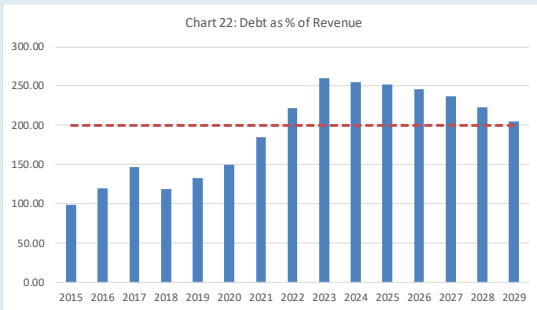
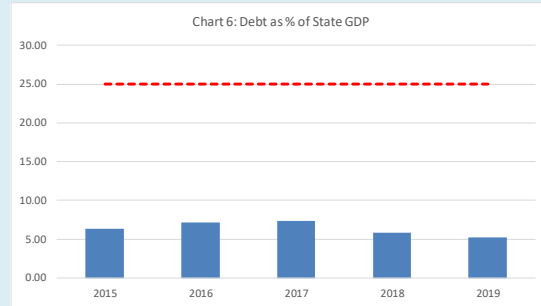
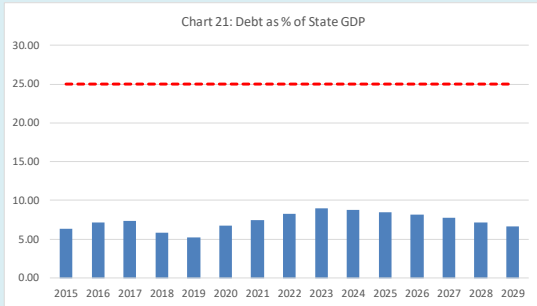
Primary Balance - Is the overall fiscal balance excluding net interest payments on state debt – it is equally important feature of short-run sustainability, as it illustrates to what extent a Government can honors its obligations without incurring additional debt. Side by side with net interest payments for debt servicing, which constitute an inflexible part of State budgeting. The primary balance provides a clearer picture of the state of fiscal management in a country/subnational. Zamfara State Government primary is guided by the State's MTEF, 2020-2022 and other government policies and reforms.



### **Main finding**

The Baseline Scenario results shows that the ratio of Debt as % of GDP is projected at 7.80 percent in 2020 and 10.14 percent in 2029, as against the indicative threshold of 25 percent. The ratio of Debt as % of Revenue estimated an increase of 144.72 percent in 2029 from 120.63 percent in 2020. Meanwhile, the ratios of Debt Service to Revenue and Personnel Cost to Revenue trends remains under the threshold over the projection period from 2020 to 2029, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively. The details of the debt and debt service indicators are as shown in the table below.

### Chart 8: Debt and Debt Service Indicators and Thresholds – Baseline Scenario



Debt Service as % of revenue in 2020, 2025, 2027 and 2029 were projected at 12.05 percent, 31.85 percent, 32.23 percent and 29.53 percent with threshold of 40 percent to the end of the projection period in the medium to long term. The Personnel Cost to Revenue remained under state threshold of 60 percent. **Thus, Zamfara State remained sustainable on the revenue and debt indicators, in which the baseline indicators remain under the threshold in medium and long-term.**

**a. Conclusion**

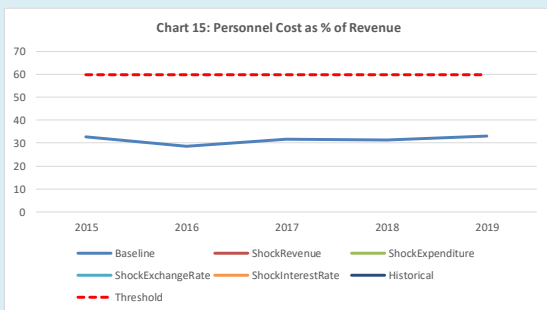
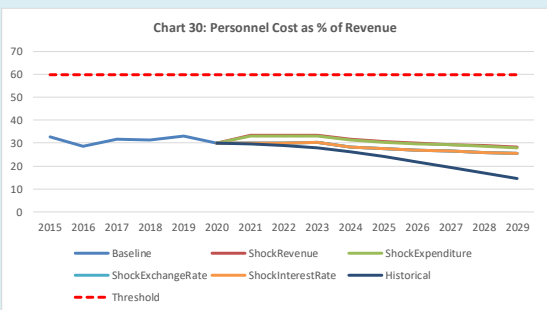
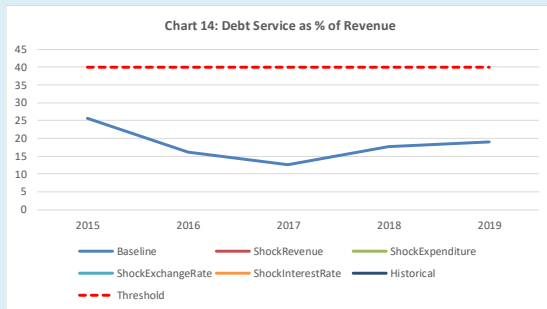
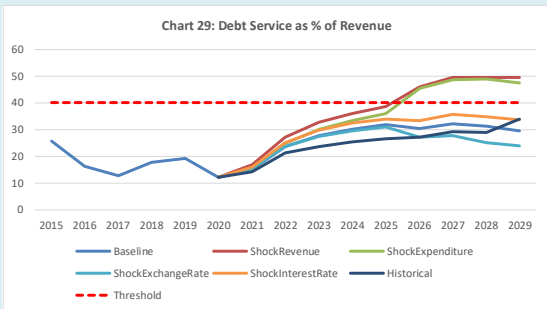
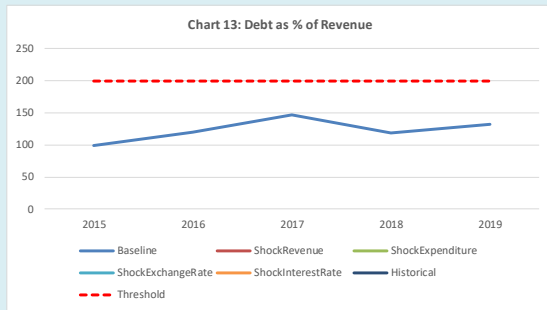
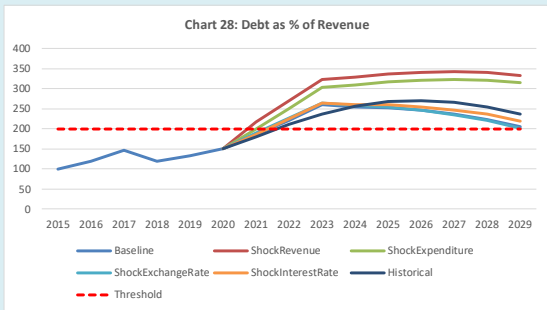
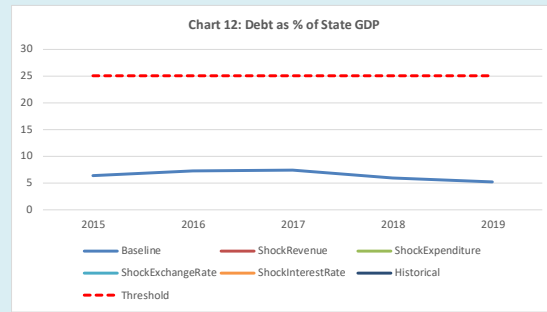
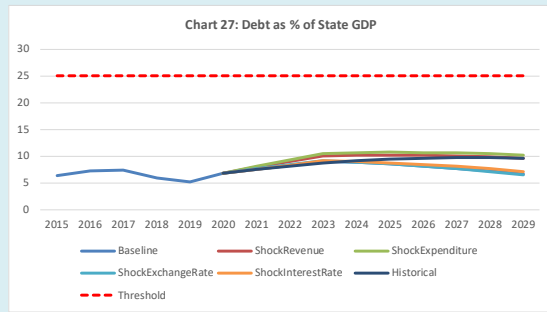
**The result of the 2020 DSA shows that Zamfara remains at a moderate risk of debt distress relative to the baseline scenario with Some-Space to accommodate shocks.**

However, debt sustainability remains mostly sensitive to the revenue shocks and expenditure shocks, indicating that an increase in aggregate output, does not result to a proportionate increase in revenue. There is, therefore, the urgent need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from crude oil (FAAC), as well as implement far-reaching policies that will bolster IGR into the state. This has become critical, given the continued volatility in the FAAC allocation.

**b. DSA Sensitivity Analysis**

**2020 DSA analysis shows that Zamfara remains at moderate risk of debt distress under sensitivity analysis,** were the ratio of debt as % of revenue and debt service as % of revenue breached the threshold in 2020 and 2025, respectively. Ratio of debt service as % of revenue breached the threshold under revenue shocks in 2029. The details of the debt sensitivity analysis are as shown in the table below.

# Chart 9: Debt and Debt Service Indicators and Thresholds



## Annex I: Baseline Assumptions

### Revenue Assumptions

The State's economy grew as the State reported an average Revenue growth of 4.01 percent from 2015 to 2019. This growth increased the financial resources to the real sector of the economy, and effective implementation of the Economic Policies in the State. It is envisaged that the oil revenue forecast base on the key projection parameters (oil prices in US\$, exchange rate, oil production) will boost revenue generation. The IGR is projected using time series analysis, VAT is projected with the assumption of its responsiveness to economic activities and projection on the changes in IGR. Aids and grants are assumed base on annual target growth rate of 5% in capital development.

### Expenditure Assumptions

Personnel cost for 2021 (moving forward) is projected with the assumption of minimum wage implementation. Overhead cost is projected on the assumption of fiscal policy to reduce cost of governance and pave way for improved capital investment and industrial development in the State.

### Borrowing Assumptions (Options)

**Domestic Borrowing** - Terms (interest rate, maturity and Grace Period)

Domestic borrowing is anticipated to be through the issuance of bond, with an interest rate of not more than 14% (but could be lower) and with repayment period of not less than 6 years..

**External Borrowing** - Terms (Interest rate, maturity and Grace Period):

External borrowings are usually tied to a specific project/program and is not envisaged for now though within the MTEF.

The details of the Borrowing Terms are as shown in the table below.

<b>Borrowing Terms for New Domestic Debt (issued/contracted from 2020 onwards)</b>	<b>Interest Rate (%)</b>	<b>Maturity (# of years)</b>	<b>Grace (# of years)</b>
Commercial Bank Loans (maturity 1 to 5 years)	9.00%	5	1
Commercial Bank Loans (maturity 6 years or longer)	12.00%	7	1
State Bonds (maturity 1 to 5 years)	12.50%	5	4
State Bonds (maturity 6 years or longer)	11.50%	10	9
Other Domestic Financing			
<b>Borrowing Terms for New External Debt (issued/contracted from 2020 onwards)</b>	<b>Interest Rate (%)</b>	<b>Maturity (# of years)</b>	<b>Grace (# of years)</b>
External Financing - Concessional Loans (e.g., WB, AfDB)	2.47%	30	7
External Financing - Bilateral Loans	1.15%	20	5
Other External Financing			

		Projection Methodology	Source
<b>Assumptions:</b>			
<b>Economic activity</b>	State GDP (at current prices)		
<b>Revenue</b>	<b>Revenue</b>  1. Gross Statutory Allocation ('gross' means with no deductions)  of which Net Statutory Allocation ('net' means of deductions) of which Deductions 2. Derivation (if applicable to the State) 3. Other FAAC transfers (exchange rate gain, augmentation, others) 4. VAT Allocation 5. IGR 6. Capital Receipts Grants Sales of Government Assets and Privatization Proceeds Other Non-Debt Creating Capital Receipts	<p>The State's economy grew as the State reported an average Revenue growth of 4.01 percent from 2015 to 2019. This growth increased the financial resources to the real sector of the economy, and effective implementation of the Economic Policies in the State. It is envisaged that the oil revenue forecast base on the key projection parameters (oil prices in US\$, exchange rate, oil production) will boost revenue generation. The IGR is projected using time series analysis, VAT is projected with the assumption of its responsiveness to economic activities and projection on the changes in IGR. Aids and grants are assumed base on annual target growth rate of 5% in capital development.</p>	
<b>Expenditure</b>	<b>Expenditure</b>  1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other) 2. Overhead costs 3. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments) 4. Capital Expenditure	<p>Personnel cost for 2021 (moving forward) is projected with the assumption of minimum wage implementation. Overhead cost is projected on the assumption of fiscal policy to reduce cost of governance and pave way for improved capital investment and industrial development in the State.</p>	
<b>Closing Cash and Bank Balance</b>	Closing Cash and Bank Balance		
<b>Proceeds from Debt-Creating Borrowings</b>	<b>Planned Borrowings (new bonds, new loans, etc.)</b>  <b>New Domestic Financing in Million Naira</b> Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Inf Loans, and MSMEDF) Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Inf Loans, and MSMEDF) State Bonds (maturity 1 to 5 years) State Bonds (maturity 6 years or longer) Other Domestic Financing  <b>New External Financing in Million US Dollars</b> External Financing - Concessional Loans (e.g., World Bank, African Development Bank) External Financing - Bilateral Loans Other External Financing	<p>Domestic Borrowing - Terms (Interest rate, maturity and Grace Period)            Domestic borrowing is anticipated to be through the issuance of bonds, with an interest rate of not more than 14% (but could be lower) and with repayment period of not less than 6 years.</p> <p>External Borrowing - Terms (Interest rate, maturity and Grace Period):            External borrowings are usually tied to a specific project/program and is not envisaged for now though within the MTEF.</p>	
<b>Debt Amortization and Interest Payments</b>	<b>Debt Outstanding at end-2019</b> External Debt - amortization and interest Domestic Debt - amortization and interest  <b>New debt issued/contracted from 2020 onwards</b>  <b>New External Financing</b> External Financing - Concessional Loans (e.g., World Bank, African Development Bank) External Financing - Bilateral Loans Other External Financing  <b>New Domestic Financing in Million Naira</b> Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Inf Loans, and MSMEDF) Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Inf Loans, and MSMEDF) State Bonds (maturity 1 to 5 years) State Bonds (maturity 6 years or longer) Other Domestic Financing	<p>Insert the Borrowing Terms for New External Debt: interest rate (%), maturity (# years) and grace period (#)</p> <p>Insert the Borrowing Terms for New Domestic Debt: interest rate (%), maturity (# years) and grace period (#)</p>	

## Annex II: Zamfara State Baseline Scenarios, 2020-2029

	Actuals					Projections (Baseline Scenario)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Economic Indicators</b>															
State GDP (million NGN, at current prices)	839,289.91	928,435.06	1,100,458.02	1,233,010.18	1,392,026.15	1,156,726.08	1,183,065.45	1,217,059.38	1,235,315.27	1,278,551.31	1,329,693.36	1,376,232.63	1,396,876.12	1,452,751.16	1,503,597.45
Exchange Rate (NGN)/US\$ (end-Period)	196.49	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
<b>Fiscal Indicators (million NGN)</b>															
<b>Revenue</b>	<b>56,110.71</b>	<b>56,871.51</b>	<b>65,746.58</b>	<b>61,408.75</b>	<b>62,818.46</b>	<b>86,315.05</b>	<b>89,545.24</b>	<b>96,945.12</b>	<b>101,888.52</b>	<b>110,252.23</b>	<b>112,878.31</b>	<b>119,415.45</b>	<b>124,108.81</b>	<b>123,485.12</b>	<b>124,842.05</b>
1. Gross Statutory Allocation (*gross* means with no deductions; do not include VAT Allocation here)	37,936.10	44,405.63	40,428.77	43,711.55	44,315.33	31,200.00	32,000.00	35,200.00	37,720.00	42,592.00	46,851.20	51,536.32	53,689.95	56,358.95	59,594.84
of which Net Statutory Allocation (*net* means of deductions)	37,936.10	44,405.63	40,428.77	43,711.55	44,315.33	31,200.00	32,000.00	35,200.00	37,720.00	42,592.00	46,851.20	51,536.32	53,689.95	56,358.95	59,594.84
of which Deductions	206.82	236.51	206.82	246.50	276.13	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)	2,270.65	0.00	0.00	704.95	0.00	1,230.00	1,254.60	1,279.69	1,205.29	1,331.39	1,358.02	1,385.18	1,412.88	1,441.14	1,469.96
4. VAT Allocation	8,032.47	8,380.01	9,809.37	11,023.34	11,878.77	12,200.00	12,810.00	13,450.50	13,123.03	14,829.18	15,570.64	16,349.17	17,166.63	18,024.96	18,926.20
5. IGR	2,741.63	2,354.52	3,757.85	4,688.00	5,937.00	15,900.00	16,695.00	17,529.75	18,406.24	19,326.55	20,292.88	21,307.52	22,372.90	23,491.54	24,666.12
6. Capital Receipts	5,129.86	1,731.34	11,750.59	1,280.92	687.37	25,785.05	26,785.64	29,485.18	31,333.98	32,173.11	28,805.58	28,837.26	29,466.45	24,138.53	20,184.92
Grants	2,824.32	625.40	894.87	572.87	627.36	14,300.00	15,730.00	17,303.00	15,033.30	15,336.63	12,300.29	11,133.32	13,866.65	8,003.32	718.65
Sales of Government Assets and Privatization Proceeds	34.89	3.75	0.72	3.10	60.01	66.01	72.61	79.87	87.86	96.65	106.31	116.94	128.63	141.50	155.65
Other Non-Debt Creating Capital Receipts	2,270.65	1,102.20	10,855.00	704.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	0.00	0.00	0.00	0.00	0.00	11,419.04	10,983.03	12,102.31	16,212.82	16,739.83	16,398.98	17,587.00	15,471.16	15,993.71	19,310.62
<b>Expenditure</b>	<b>59,545.50</b>	<b>62,841.53</b>	<b>58,520.75</b>	<b>62,933.79</b>	<b>85,932.86</b>	<b>86,509.84</b>	<b>89,720.55</b>	<b>97,102.91</b>	<b>102,090.53</b>	<b>110,380.03</b>	<b>112,993.34</b>	<b>119,518.97</b>	<b>124,201.97</b>	<b>123,538.97</b>	<b>124,917.52</b>
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	17,661.26	16,014.55	17,317.58	19,112.03	20,791.36	22,200.00	23,644.00	23,996.88	23,958.82	24,029.99	26,510.59	26,750.81	28,500.82	29,010.84	30,531.06
2. Overhead costs	6,303.11	12,185.89	12,318.31	16,675.64	26,109.44	24,200.00	22,000.00	25,440.00	23,888.80	25,346.58	25,813.51	21,200.78	16,775.57	12,071.08	8,776.51
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	2,706.43	5,848.49	4,149.57	5,948.89	5,505.03	3,023.79	4,161.08	5,384.29	6,460.37	6,650.79	6,838.24	8,320.87	8,481.89	8,880.55	9,883.75
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	1,728.12	104.49	105.49	142.60	58.10	963.91	970.30	1,002.33	85.07	93.57	102.93	113.22	124.55	137.00	150.70
5. Capital Expenditure	20,074.68	25,543.33	21,866.43	16,255.03	27,027.18	30,131.53	33,549.34	34,253.88	38,364.35	44,694.46	44,081.22	54,725.57	61,019.01	63,750.32	65,318.74
6. Amortization (principal) payments	11,071.90	3,144.77	2,763.36	4,799.61	6,440.74	5,990.62	5,395.82	7,025.53	9,273.13	9,564.64	9,646.84	8,407.73	9,300.14	9,689.18	10,256.77
<b>Budget Balance (*+* means surplus, *-* means deficit)</b>	<b>21,493.54</b>	<b>32,391.34</b>	<b>55,931.50</b>	<b>74,190.69</b>	<b>49,990.95</b>	<b>-194.79</b>	<b>-175.31</b>	<b>-157.78</b>	<b>-142.00</b>	<b>-127.80</b>	<b>-115.02</b>	<b>-103.52</b>	<b>-93.17</b>	<b>-83.85</b>	<b>-75.47</b>
Opening Cash and Bank Balance	363.21	789.53	9,613.35	7,355.12	8,716.49	1,947.92	1,753.13	1,577.81	1,420.03	1,278.03	1,150.23	1,035.20	931.68	838.51	754.66
Closing Cash and Bank Balance	789.53	9,613.35	7,355.12	8,716.49	1,947.92	1,753.13	1,577.81	1,420.03	1,278.03	1,150.23	1,035.20	931.68	838.51	754.66	679.20

## Annex II: Zamfara State Baseline Scenarios, 2020-2029...Cont'd

	Actuals					Projections (Baseline Scenario)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Financing Needs and Sources (million NGN)</b>															
<b>Financing Needs</b>						<b>11,485.05</b>	<b>11,055.64</b>	<b>12,182.18</b>	<b>16,300.68</b>	<b>16,836.48</b>	<b>16,505.29</b>	<b>17,703.94</b>	<b>15,599.79</b>	<b>16,135.21</b>	<b>19,466.27</b>
i. Primary balance						-2,665.44	-1,674.05	69.85	709.18	-748.86	-135.23	-1,078.86	2,089.07	2,350.67	588.78
ii. Debt service						9,014.40	9,556.90	12,409.81	15,733.50	16,215.41	16,485.08	16,728.60	17,703.03	18,569.79	20,140.52
Amortizations						5,990.62	5,395.82	7,025.53	9,273.13	9,564.64	9,646.84	9,407.73	9,300.14	9,689.18	10,256.77
Interests						3,023.79	4,161.08	5,384.29	6,460.37	6,650.79	6,838.24	8,320.87	8,481.89	8,880.55	9,883.75
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-194.79	-175.31	-157.78	-142.00	-127.80	-115.02	-109.52	-93.17	-83.85	-75.47
<b>Financing Sources</b>						<b>11,485.05</b>	<b>11,055.64</b>	<b>12,182.18</b>	<b>16,300.68</b>	<b>16,836.48</b>	<b>16,505.29</b>	<b>17,703.94</b>	<b>15,599.79</b>	<b>16,135.21</b>	<b>19,466.27</b>
i. Financing Sources Other than Borrowing						66.01	72.61	79.87	87.86	96.65	106.31	116.94	128.63	141.50	155.65
ii. Gross Borrowings						11,419.04	10,983.03	12,102.31	16,212.82	16,739.83	16,398.98	17,587.00	15,471.16	15,993.71	19,310.62
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						9,419.04	3,000.00	2,102.31	0.00	4,000.00	2,000.00	5,000.00	5,326.51	9,118.39	5,249.17
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						2,000.00	7,983.03	0.00	3,212.82	2,000.00	6,398.00	0.00	3,144.65	6,875.32	14,061.45
State Bonds (maturity 1 to 5 years)						0.00	0.00	0.00	0.00	0.00	8,000.98	0.00	0.00	0.00	0.00
State Bonds (maturity 6 years or longer)						0.00	0.00	10,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	0.00	0.00	13,000.00	0.00	0.00	12,587.00	7,000.00	0.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	10,739.83	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						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Debt Stocks and Flows (million NGN)</b>															
<b>Debt (stock)</b>	<b>53,141.94</b>	<b>66,831.84</b>	<b>80,574.91</b>	<b>72,237.49</b>	<b>83,112.91</b>	<b>90,264.11</b>	<b>95,851.32</b>	<b>100,928.10</b>	<b>107,867.79</b>	<b>115,042.99</b>	<b>121,795.13</b>	<b>130,974.40</b>	<b>137,145.42</b>	<b>143,449.96</b>	<b>152,503.81</b>
External	6,861.24	8,510.81	10,651.68	10,275.17	10,596.70	11,968.48	11,658.39	11,336.41	23,879.00	34,144.17	33,618.95	45,680.73	52,174.61	51,598.50	50,960.81
Domestic	46,280.69	58,321.02	69,923.23	61,962.32	72,516.21	78,295.63	84,192.92	89,591.69	83,988.79	80,898.82	88,176.18	85,293.67	84,970.82	91,851.46	101,543.00
<b>Gross borrowing (flow)</b>	<b>11,419.04</b>	<b>10,983.03</b>	<b>12,102.31</b>	<b>16,212.82</b>	<b>16,739.83</b>	<b>16,398.98</b>	<b>17,587.00</b>	<b>15,471.16</b>	<b>15,993.71</b>	<b>19,310.62</b>					
External						0.00	0.00	0.00	13,000.00	10,739.83	0.00	12,587.00	7,000.00	0.00	0.00
Domestic						11,419.04	10,983.03	12,102.31	3,212.82	6,000.00	16,398.98	5,000.00	8,471.16	15,993.71	19,310.62
<b>Amortizations (flow)</b>	<b>11,071.90</b>	<b>3,144.77</b>	<b>2,763.36</b>	<b>4,799.61</b>	<b>6,440.74</b>	<b>5,990.62</b>	<b>5,395.82</b>	<b>7,025.53</b>	<b>9,273.13</b>	<b>9,564.64</b>	<b>9,646.84</b>	<b>8,407.73</b>	<b>9,300.14</b>	<b>9,689.18</b>	<b>10,256.77</b>
External	167.40	196.55	160.09	210.19	280.31	350.99	310.09	321.98	457.41	474.67	525.22	525.22	506.12	576.11	637.69
Domestic	10,904.50	2,948.22	2,603.27	4,589.41	6,160.43	5,639.62	5,085.73	6,703.54	8,815.72	9,089.97	9,121.62	7,882.51	8,794.02	9,113.07	9,619.08
<b>Interests (flow)</b>	<b>2,706.43</b>	<b>5,848.49</b>	<b>4,149.57</b>	<b>5,948.89</b>	<b>5,506.03</b>	<b>3,023.79</b>	<b>4,161.08</b>	<b>5,384.29</b>	<b>6,460.37</b>	<b>6,650.79</b>	<b>6,838.24</b>	<b>8,320.87</b>	<b>8,481.89</b>	<b>8,880.55</b>	<b>9,883.75</b>
External	66.32	75.23	79.47	80.66	83.11	49.25	87.28	95.74	95.29	423.29	549.76	552.57	862.23	1,041.16	1,036.56
Domestic	2,640.12	5,773.26	4,070.10	5,868.23	5,422.92	2,974.54	4,073.80	5,288.54	6,365.08	6,227.50	6,288.48	7,768.30	7,619.66	7,839.39	8,847.19
<b>Net borrowing (gross borrowing minus amortizations)</b>						<b>5,428.42</b>	<b>5,587.21</b>	<b>5,076.78</b>	<b>6,939.69</b>	<b>7,175.20</b>	<b>6,752.14</b>	<b>9,179.27</b>	<b>6,171.02</b>	<b>6,304.53</b>	<b>9,053.85</b>
External						-350.99	-310.09	-321.98	12,542.59	10,265.16	-525.22	12,061.78	6,493.88	-576.11	-637.69
Domestic						5,779.42	5,897.30	5,398.77	-5,602.90	-3,089.97	7,277.36	-2,882.51	-322.86	6,880.65	9,691.54
<b>Debt and Debt-Service Indicators</b>															
Debt as % of GDP	6.33	7.20	7.32	5.86	5.97	7.80	8.10	8.29	8.73	9.00	9.16	9.52	9.82	9.87	10.14
Debt as % of Revenue	98.77	119.84	146.79	119.01	132.43	120.63	122.12	119.07	126.03	123.15	126.38	128.77	126.39	133.67	144.72
Debt Service as % of Revenue	25.61	16.13	12.59	17.71	19.04	12.05	12.18	14.64	18.38	17.36	17.11	16.45	16.39	17.30	19.11
Personnel Cost as % of Revenue	32.82	28.72	31.55	31.49	33.13	29.67	30.12	28.31	27.99	25.72	27.51	26.30	26.27	27.03	28.97
Debt Service as % of Gross FAAC Allocation	28.56	17.04	13.76	19.39	21.26	20.20	20.75	24.85	30.17	27.60	25.85	24.15	24.61	24.49	25.18
Interest as % of Revenue	5.03	10.49	7.56	9.80	8.77	4.04	5.30	6.35	7.55	7.12	7.10	8.18	7.82	8.27	9.38
External Debt Service as % of Revenue	0.43	0.49	0.44	0.48	0.58	0.53	0.51	0.49	0.65	0.96	1.12	1.06	1.26	1.51	1.59



## **2020 S-DSA Technical Team**

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- 2. Surajo Hassan: Ministry of Finance**
- 3. Abdullahi Suleiman Kurya: Debt Management Department**
- 4. Sani Abubakar Bukkuyum: Ministry of Budget & Economic Planning**
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