GOMBE STATE OF NIGERIA

GOMBE STATE DEBT SUSTAINABILITY ANALYSIS AND MEDIUM-TERM DEBT STRATEGY (DSA-MTDS 2023)

GOMBE STATE DSA-MTDS REPORT

DEVELOPED BY THE

GOMBE STATE DEBT MANAGEMENT AGENCY
MINISTRY OF FINANCE

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Chapter One
Introduction

1.1 Background

The State Debt Sustainability Analysis (S-DSA) Toolkit was created by the Debt Management Office of Nigeria and underwent a review by the World Bank. Its purpose is to examine the financial developments in the State from 2018 to 2022 and assess the State's capacity to manage its debt in the long term, spanning from 2023 to 2032. Gombe State's Technical Team conducted a Debt Sustainability Analysis (DSA), which included an evaluation of recent revenue, expenditure, public debt trends, and the policies implemented by the State Government, while taking into account the State's policy direction. This assessment involved analyzing various scenarios and sensitivity factors to gauge how the State's public finances might perform in the future. The goal is to assist Gombe State Government in making informed decisions regarding the execution of its programs and the issuance of new loans, based on the most up-to-date trends in the State's public finances.

1.1.1 Policy Objective

The main purpose of Gombe State DSA-MTDS is to assess the trends and patterns of public finances for the period 2018 to 2022 and evaluate Debt Sustainability and Debt Management Strategies of the State in 2023-2032.

The analysis highlights recent trends in revenue, expenditure, and public debt, and the related policies adopted by the State. A debt sustainability and debt management strategies assessment were conducted, including scenario, sensitivity analysis and debt management strategies, to evaluate the prospective performance of the State's public finances.

1.1.2 Methodology

The date of conducting the DSA-MTDS of Gombe State is September 2023 and the tool kit used for the report is the World Bank/DMO DSA-MTDS Template, while, the scope of data covered the historical period of 2018-2022 and the projection period of 2023-2032, and the participated agencies are; the Debt Management Agency (DMA), Budget Office, the Treasury Office, State Bureau of Statistics and the Internal Revenue Service (IRS) of Gombe State.

1.2 Summary of Findings

The State demonstrates a moderately sustainable debt position for the medium term. This medium debt position is a result of the State's average performance in generating revenue internally, which was bolstered by successful tax administration reforms introduced in May 2020, as well as the development of the Gombe State 10-year Development Plan. Additionally, it's worth noting the introduction of the Land Use Charge as a new revenue source, designed with incentives to discourage tax defaulters. The State has effectively managed its recurrent expenditure growth and reduced its public debt levels in response to challenges such as the effect of subsidy removal, high increase in inflation rate, and fluctuations in exchange rates.

Considering the State's economic forecasts and reasonable assumptions regarding its revenue and expenditure policies moving forward, the outlook for the State's public debt in the medium term appears sustainable. Therefore, the key findings are summarized as follows:

i. **Findings on Revenue Trends Going Forward, Reflecting National Revenue Trends**
- The State's Federal Allocation is projected to increase by an average of 28.31 percent from 2023 to 2032.
- The average percentage of Debt to State Gross Domestic Product (GDP) is expected to averagely at 5 percent from 2023 to 2032.
- Internally Generated Revenue (IGR) is anticipated to grow by an average of 20.69 percent from 2023 to 2032.

ii. **Findings on Expenditure Projections for 2023-2032**
- State expenditure is expected to remain stable during this period.
- Real aggregate expenditure is projected to grow by 9.62 percent in 2023-2032.
- Capital spending is anticipated to show positive average growth of 15.87 percent, while recurrent expenditure is projected to decrease modestly by 6.93 percent.
- Recurrent spending, which includes personnel costs, overheads, and debt charges, constitutes an average of 15.38 percent of total spending during this period.

iii. **Findings on Debt Trends Going Forward**
- Debt is forecasted to increase from N193.29 billion in 2023 to N212.34 billion in 2032.
- However, there is a decline in the State's Debt Stock capacity as a percentage of public debt to revenue from 2023 to 2032 (from 187% to 113%).
- Debt service is expected to increase from N29.79 billion to N60.04 billion from 2022 to 2032.
- There is an improvement in the State's repayment capacity of the public debt position to revenue, with an average of 39 percent from 2023 to 2032.
- The analysis of the Baseline Scenario concludes that the State will be able to maintain the sustainability of its debt in the medium term, as it remains within the threshold limits of 200 percent for debt and 40 percent for debt services.

1.3 Overall Results

The comprehensive analysis of the State's Debt Sustainability Assessment and Medium-Term Debt Strategy (DSA-MTDS) indicates a sustainable economic environment within the State, encompassing aspects such as revenue generation, expenditure control, management of public debt, and the implementation of related policies.

Based on the framework provided by the DSA-MTDS Analysis template, the following recommendations are made:

1. **Enhance Internal Revenue Generation (IGR) and Revenue Collection Integrity:** It is imperative for the State to enhance its efforts in increasing Internal Generated Revenue (IGR) by addressing and rectifying any existing revenue leakages.

This involves improving the efficiency and transparency of revenue collection processes to maximize revenue inflows.

2. **Prudent Expenditure Management:** The State should exercise strict fiscal discipline by minimizing expenditure to the utmost possible extent. This entails carefully scrutinizing and optimizing all budgetary allocations to ensure resources are allocated efficiently and in line with the State's priorities.
3. **Effective Public Debt Management:** The State should focus on managing its public debt more effectively, which includes negotiating favorable interest rates with lending institutions. By engaging in sound debt management practices, the State can reduce the cost of servicing its debt, thereby freeing up resources for developmental projects.
4. **Diversify Revenue Sources:** In addition to improving IGR, the State should explore opportunities for diversifying its revenue sources. This may involve exploring new sectors, promoting investments, and considering innovative revenue-generating mechanisms to reduce dependence on a single revenue stream.
5. **Enhance Financial Reporting and Transparency:** Implement robust financial reporting and transparency mechanisms to provide clear insights into the State's financial health. This transparency fosters trust among stakeholders and investors and ensures accountability in financial management. Gombe state has been ranked an impressive 6th out of 36 states by BudgIT, with a commendable score of 74/100. These is as the result in commitment to fiscal transparency and accountability that earned a significant distinction in the 2023 fiscal transparency index publish by BudgetIT, a reputable fiscal policy tracking organization in Nigeria, and two times 1st position in ease of doing business in Nigeria.
6. **Develop a Contingency Plan:** Given the uncertainties in the economic environment, it is advisable for the State to establish a contingency plan that outlines steps to be taken in the event of unexpected financial challenges. This plan can help mitigate risks and ensure the State's financial stability during crises.
7. **Engage in Capacity Building:** Invest in the capacity building of relevant personnel involved in financial management to ensure they possess the skills and knowledge necessary for effective fiscal management and debt negotiation.

By implementing these recommendations, the State can further strengthen its economic resilience and ensure the continued sustainability of its financial position.

Note: The DSA-MTDS Report is based on the exchange rate of N435.57 to US $1 from National Medium Expenditure Framework (MTEF) prepared in 2022, which is yet to be reviewed alongside other macroeconomic indicators to reflect current economic realities.

Chapter Two
Gombe State Fiscal and Debt Framework

2.1 Fiscal reform in last 3-5 years

Over the past four to six years, the Gombe State Government has initiated a series of fiscal reforms aimed at enhancing economic development. These reforms encompass the Gombe State 10-year Development Plan for 2021-2030, as well as initiatives within Public Financial Management (PFM) and Human Resource Management (HRM). The latter includes specific sub-divisions such as Budget reform, Audit reform, Public Procurement reform, Tax Administration reform, and Civil Service & Pension reform. These reform efforts have resulted in the enactment of laws designed to regulate the implementation of fiscal policies within the State. These laws include the Gombe State Fiscal Responsibility Law (FRL), Amended in 2018; Gombe State Finance Management Law from 2017; Gombe State Government Financial Regulations and Store from 2017; Gombe State Public Procurement Law from 2017, Gombe State Debt Management Agency Law 2021, and the Gombe State Audit Law, Amended in 2021.

For instance, the FRL outlines provisions for creating the implementation body, establishing a medium-term fiscal framework, governing public expenditure processes, managing borrowing procedures, promoting transparency and accountability in governance, and adhering to principles of sound financial management.

The fiscal policy measures of the State have primarily aimed to advance macroeconomic goals, including stimulating rapid economic growth, generating job opportunities, and executing critical capital projects that bolster the economy. While the specific policy measures may change periodically, these overarching objectives have remained relatively consistent.

Estimations of the State's Internal Generated Revenue (IGR) are determined as a percentage of the State's economic activity, considering revenue administration reforms, and the impact of the COVID-19 pandemic. Following the implementation of the treasury single account, it is not anticipated that IGR projections in the short term will surpass the 2023 approved estimates. Nevertheless, actual revenue collections primarily originate from traditional sources such as PAYE and fees. It is anticipated that ongoing efforts, including the establishment of a taxpayer database by the Board of Internal Revenue Service, the refinement of the TSA, the executive management committee, the transition from cash to cashless transactions, and support from development partners for tax rate harmonization/review, will contribute to revenue enhancement and address issues related to tax avoidance and evasion. The Internal Revenue Service has introduced additional revenue sources to bolster income, leading to the expectation of annual IGR growth from 2022 to 2025.

2.2 Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) 2024 – 2026 and 2023 Budget

2.2.1 Approved 2023 Budget

The 2023 Budget was formulated against a backdrop of considerable economic challenges, both globally and domestically, as Nigeria faced persistent headwinds primarily driven by a high rate of inflation. These challenges have emanated from various factors, including a global economic inflation, and heightened uncertainty in the global economic landscape. These circumstances have exerted significant pressure on the Nigerian economy.

Considering the aforementioned fiscal assumptions and parameters, Gombe State has estimated its total revenue available for funding the 2023 Budget at approximately N191.417 billion. This revenue comprises a combination of sources, encompassing Internally Generated Revenue, Statutory Allocation, Value Added Tax, Other Statutory Revenue, Domestic Grants, Foreign Grants, Opening Balance, Domestic Loans, Foreign Loans, and the Sale of Government Assets.

In contrast, the Gombe State Government has proposed an aggregate expenditure of N176.016 billion for the year 2023. This expenditure plan includes provisions for Debt Repayment (both Interest and Principal) amounting to N42.6 billion, Recurrent Expenditure totaling N76.552 billion, and Capital Expenditure amounting to N99.463 billion.

The key highlights of the 2023 Approved Budget emphasize the financial outcomes for the fiscal year 2023 and the fiscal policy strategies for the subsequent year, 2024, as well as the 2024-2026 Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP). These strategies align with the State's fiscal responsibility law, which advocates for prudent public expenditure and financial management. They encompass:

a. Aligning the State government's income and expenditure within the constraints of available resources and maintaining fiscal sustainability.
b. Enhancing Internally Generated Revenue (IGR) through the implementation of the recently submitted business case of the Internal Revenue Service (IRS).
c. Prioritizing capital expenditure over recurrent expenditure to achieve a more favorable balance.
d. Implementing a budget process framework that supports strategic prioritization and rational resource allocation, in line with the State's development policy objectives.
e. Ensuring strict adherence to due process in budget execution, coupled with a commitment to accountability, transparency, and prudence throughout the public financial management process.

It is crucial to closely monitor the implementation of the 2023 budget, especially considering the prevailing security situation, the recently developed 10-year Development Plan for Gombe State, Gombe state investment summit 2023 (GO Invest) and the impact of the fuel subsidy removal on the fiscal and economic outlook. Furthermore, it is advisable to focus on securing foreign concessional rate debt rather than accumulating higher-interest domestic debt in future debt drawdowns.

The combined effects of the high inflation rate and the subsidy removal have necessitated significant adjustments in terms of total revenues, expenditures, and debt compared to the original 2023 budget. These adjustments have entailed substantial reductions in expenditures while concurrently increasing support for marginalized and vulnerable groups who have borne the brunt of the economic contraction. The Economic and Growth Recovery Program, aimed at fostering social inclusion through job creation and support for the poorest and most vulnerable members of society, may face some setbacks as a result of these challenges.

2.2.2 Indicative Three-Year Fiscal Framework

Gombe State's annual budget process relies on several key components, including the Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP), and Budget Policy Statement (BPS). These components collectively serve as the foundation for developing the Medium-Term Expenditure Framework (MTEF), offering critical insights into the context that informs the annual budget. From a fiscal perspective, the State Government has set forth a series of objectives and targets, including:

i. Prioritizing effective management of personnel and overhead expenditures to allocate more resources to capital development.
ii. Aiming for a minimum annual growth of 5% in Internally Generated Revenue (IGR) from 2024 to 2026.
iii. Restricting the financing of capital projects to non-loan sources.
iv. Pursuing the long-term goal of funding all recurrent expenditures with revenue of a recurrent nature, including IGR, Value Added Tax (VAT), and the non-mineral component of Statutory Allocation.
v. Diversifying sources of capital receipts and financing beyond loans, including grants and Public-Private Partnerships (PPP).
vi. Ensuring that projected capital receipts align with Memoranda of Understanding (MoUs) and agreements signed with development partners.
vii. Maintaining the State's debt position within the ratio specified by the Debt Management Office in Abuja.
viii. Giving priority to completing ongoing capital projects before initiating new ones.
ix. Promoting economic growth through targeted spending in areas of comparative advantage such as healthcare, education, agriculture, trade, and tourism.

The cornerstone of fiscal discipline and achieving fiscal realism is the Economic and Fiscal Update (EFU). The EFU provides comprehensive data and analyzed information on the state's economic and fiscal landscape, spanning local, national, and global contexts. This information forms the basis for crafting fiscal and macroeconomic assumptions and projections, which are subsequently outlined in the Fiscal Strategy Paper (FSP). The FSP goes further to encapsulate medium-term fiscal projections for both revenue and expenditure.

The EFU offers a balanced reflection of recent budget performance, identifying key factors that significantly influence the attainment of budgetary objectives and outcomes. These insights translate into subsequent fiscal plans. Importantly, the EFU establishes the context for the prospective Fiscal Strategy Paper (FSP), which in turn feeds into the Medium-Term Expenditure

Framework (MTEF). The MTEF strategically allocates resources in line with government policy objectives and priorities, as articulated in the budget policy statements.

Therefore, the FSP serves as an indispensable element in the annual budget process, determining the resources available to finance government's prioritized projects and programs in a sustainable manner. It aligns with the State's development policy objectives and priorities as outlined in existing policy documents. The FSP also provides rationale and substantiates estimates for medium-term major revenue and expenditure aggregates, including critical components of the MTEF process, such as fiscal targets, fiscal constraints, and assessments of fiscal risks. The indicative three-year fiscal framework for the period 2023-2025 is presented in the table below, representing a roadmap for prudent fiscal management and sustainable development.

Gombe State Medium Term Fiscal Framework

Fiscal Framework			
Item	**2024**	**2025**	**2026**
Opening Balance	14,000,000,000	12,000,000,000	10,000,000,000
Recurrent Revenue			
Statutory Allocation	48,580,853,000	53,141,834,000	62,175,945,780
Derivation			
VAT	21,599,385,000	26,517,326,000	23,880,644,219
IGR	14,912,784,000	16,776,882,000	23,349,647,287
Excess Crude / Other Revenue	10,300,000,000	10,609,000,000	10,927,270,000
Total Recurrent Revenue	**95,393,022,000**	**107,045,042,000**	**120,333,507,286**
Recurrent Expenditure			
Personnel Costs	23,014,195,000	23,704,621,000	32,160,305,622
Social Contribution and Social Benefit	10,000,000,000	10,200,000,000	10,404,000,000
Overheads	19,179,695,000	20,138,680,000	18,809,936,200
Grants, Contributions and Subsidies	131,351,299	137,918,864	144,814,807
Public Debt Service	21,348,610,142	25,305,334,957	30,513,213,494
Total	**73,673,851,441**	**79,486,554,821**	**92,032,270,122**
Transfer to Capital Account	**35,719,170,559**	**39,558,487,179**	**38,301,237,164**
Capital Receipts			
Grants	66,009,665,594	66,649,472,984	70,444,369,894
Other Capital Receipts	0	0	0
Total	**66,009,665,594**	**66,649,472,984**	**70,444,369,894**
Capital Expenditure	**58,769,904,000**	**69,426,915,000**	**72,689,700,000**
Discretional Funds	38,019,904,000	51,926,915,000	55,989,700,000
Non-Discretional Funds	20,750,000,000	17,500,000,000	16,700,000,000
Financing (Loans)	32,175,000,000	27,800,000,000	22,550,000,000
Total Revenue (Including Opening Balance)	**207,577,687,594**	**213,494,514,984**	**223,327,877,180**
Total Expenditure (including Contingency Reserve)	**137,576,657,714**	**154,329,755,074**	**170,406,219,946**
Closing Balance	10,000,000,000	10,000,000,000	5,000,000,000

Source: Gombe State MTEF 2024-2026

2.2.3 The Key Objectives of Approved 2023 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. compliance with the developmental plan in the Gombe State 10 years Development Plan.
v. ensure security of lives and properties of the residents of the State;
vi. combat the spread of Covid-19 and ameliorate the effects of same on people, SMEs and MSMEs across the State;
vii. ensure the completion of the on-going capital projects and also sustain the current investment in infrastructural facilities;
viii. sustain and intensify the current efforts in Independent Revenue generation;
ix. combat gender-based violence and facilitate social inclusion through target spending on the vulnerable and other marginalized group;
x. improve the State's public financial management to entrench transparency, accountability and integrity; and
xi. Strategic diversification of the State's economy using the Public Private Partnership (PPP) model.

2.2.4 Medium Term Policy Objectives and Targets

The overall medium-term policy objectives are:

i. To have higher proportion of capital expenditure compared to recurrent expenditure.
ii. Personnel expenditure is to be on stable marginal increase for 2023 - 2025.
iii. Decrease in overhead expenditure.
iv. Certain parastatals cover overhead expenditure from the revenue they generate.

Chapter Three

Gombe State Revenue, Expenditure, Public Debt Trend (2018-2022)

3.1 Revenue, Expenditure, Overall and Primary Balance

The State major source of revenue comprises Statutory Allocation, VAT, IGR, Excess Crude, and Capital receipts. While the major expenditure incurred by the State Government include the Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure.

3.1.1 Revenue Performance

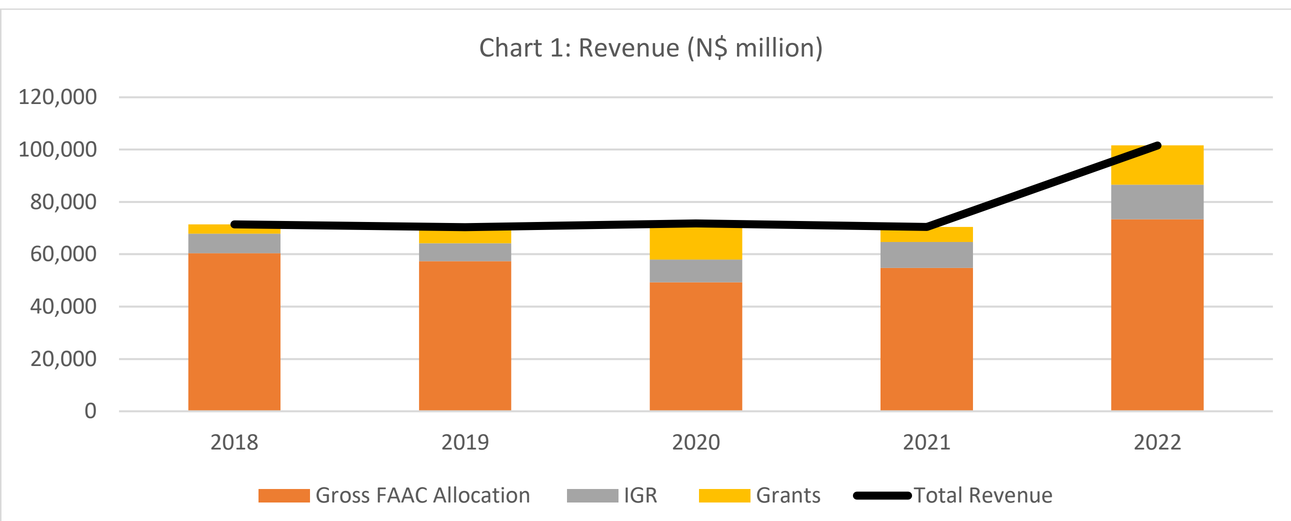
The revenue performance of the State is shown in Table 1 and Chart 1 below:

Table 1: Revenue

	2018	2019	2020	2021	2022
Total Revenue	71,462	70,364	71,753	70,491	101,578
Gross FAAC Allocation	60,379	57,412	49,286	54,736	73,368
IGR	7,490	6,832	8,637	10,023	13,223
Grants	3,593	6,120	13,829	5,731	14,987

Source: Gombe State DSA/MTDS Template, 2023

CHART 1: Revenue



Source: Gombe State DSA/MTDS Template, 2023

Total Revenue: The chart illustrates the total revenue in Naira for Gombe State over a five-year period, from 2018 to 2022. The data reveals some notable trends in the state's revenue generation. In 2018 and 2019, the total revenue remained relatively stable at around 70,000 million Naira. However, in 2020, there was a modest increase to 71,753 million Naira. Subsequently, in 2021, the total revenue experienced a slight decline to 70,491 million Naira.

The most striking observation is the significant surge in 2022, with total revenue reaching 101,578 million Naira.

Gross FAAC Allocation: The chart also provides insights into the gross FAAC (Federation Account Allocation Committee) allocation received by Gombe State during the same period. In 2018, the state received 60,379 million Naira through FAAC allocation, which decreased to 57,412 million Naira in 2019. However, in 2020, there was a more substantial decrease, with FAAC allocation dropping to 49,286 million Naira. The subsequent year, 2021, witnessed an increase to 54,736 million Naira. Notably, in 2022, there was a significant upswing, with FAAC allocation reaching 73,368 million Naira.

IGR (Internally Generated Revenue): The Internally Generated Revenue (IGR) figures indicate the state's ability to generate revenue from sources within its borders. In 2018, the IGR stood at 7,490 million Naira, showing a slight decrease to 6,832 million Naira in 2019. However, in 2020, there was a noticeable upturn, with IGR increasing to 8,637 million Naira. This positive trend continued into 2021, where the IGR further rose to 10,023 million Naira. In 2022, the IGR experienced significant growth, reaching 13,223 million Naira.

Grants: Grants represent financial assistance received by Gombe State from various sources. In 2018, grants amounted to 3,593 million Naira. The following year, 2019, saw an increase in grants to 6,120 million Naira. Notably, 2020 witnessed a substantial surge in grant funding, with grants reaching 13,829 million Naira. However, in 2021, grants decreased to 5,731 million Naira. Once again, in 2022, there was a notable increase in grants, with the figure climbing to 14,987 million Naira.

Implications and Effects:

These financial trends carry significant implications and effects for Gombe State. The steady growth in Internally Generated Revenue (IGR) signals improved revenue generation capabilities within the state, reducing its dependence on federal allocations. This enhanced fiscal autonomy empowers the state government to allocate resources more flexibly, contributing to improved financial management.

The substantial increase in total revenue in 2022 suggests potential economic growth and successful revenue-enhancing policies. This has a positive ripple effect on infrastructure development, recent GoInvest summit and the delivery of public services.

However, the fluctuations in grants, especially the decline in 2021, highlight the risks associated with over-reliance on external funding sources. Grants are subject to external factors and may not be consistent. Therefore, the state should prioritize sustainable revenue sources and prudent budget planning to ensure fiscal stability.

In summary, Gombe State's financial data underscores the importance of revenue diversification, fiscal autonomy, and sustainable financial management for economic development. While increased revenue is promising, the state must remain vigilant about its reliance on grants and continue to align its spending with its revenue capacity to support its development objectives effectively.

3.1.2 Expenditure Performance

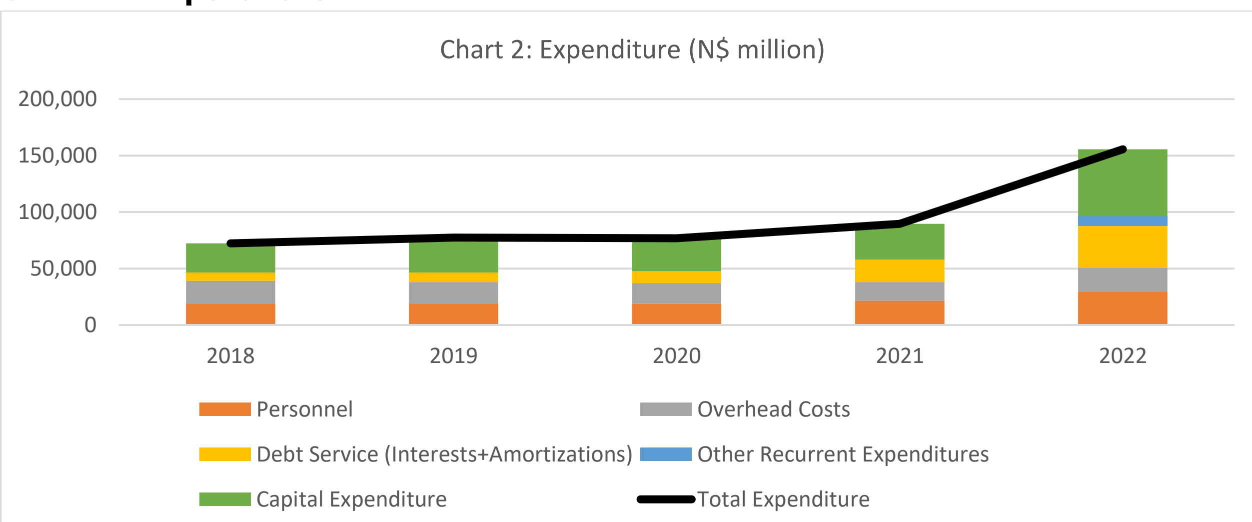
The expenditure performance of the State is shown in Table 2 and Chart 2 below:

Table 2: Expenditure

	2018	2019	2020	2021	2022
Total Expenditure	72,281	77,291	76,727	89,513	155,589
Personnel	19,277	19,330	18,776	21,438	29,161
Overhead Costs	19,877	18,716	18,274	16,506	21,505
Debt Service (Interests+Amortizations)	7,351	8,530	10,644	19,992	36,905
Other Recurrent Expenditures	0	0	0	0	8,875
Capital Expenditure	25,776	30,715	29,033	31,576	59,143

Source: Gombe State DSA/MTDS Template, 2023

CHART 2: Expenditure



Source: Gombe State DSA/MTDS Template, 2023

Total Expenditure: The chart displays the total expenditure for Gombe State, representing the sum of all financial outflows during the specified years. In 2018, the total expenditure was 72,281 million Naira. The subsequent year, 2019, witnessed an increase in total expenditure to 77,291 million Naira. However, in 2020, there was a slight decrease to 76,727 million Naira. Notably, in 2021, total expenditure experienced a significant uptick, reaching 89,513 million Naira. The most substantial increase occurred in 2022, with total expenditure soaring to 155,589 million Naira.

Personnel Costs: Personnel costs encompass expenses related to the salaries, wages, and benefits of government employees. In 2018, personnel costs amounted to 19,277 million Naira. This figure remained relatively stable in 2019 at 19,330 million Naira. In 2020, there was a slight decrease to 18,776 million Naira, followed by an increase to 21,438 million Naira in 2021.

In 2022, personnel costs grew significantly, reaching 29,161 million Naira due to the increase in numbers of the public servant in the state.

Overhead Costs: Overhead costs include various operational expenses incurred by the government, such as office rent, utilities, and administrative expenses. In 2018, overhead costs amounted to 19,877 million Naira, followed by a slight decrease to 18,716 million Naira in 2019. In 2020, overhead costs further declined to 18,274 million Naira. However, in 2021, there was a notable decrease to 16,506 million Naira. The decrease in 2019, 2020 and 2021 respectively is as a result of covid-19 while in 2022, overhead costs increased to 21,505 million Naira as a result of full government activities resume.

Debt Service (Interests + Amortizations): Debt service represents payments made by the state to service its debt, including interest payments and amortizations of the principal. In 2018, debt service amounted to 7,351 million Naira. This figure increased in 2019 to 8,530 million Naira and further rose to 10,644 million Naira in 2020. In 2021, there was a significant increase to 19,992 million Naira, indicating a substantial allocation to debt servicing. In 2022, debt service expenses escalated significantly to 36,905 million Naira. The increase in debt service is as a result of increase in debt stock of the state i.e. the federal government intervention such as Bridge Financing Facility, Healthcare facility and others.

Other Recurrent Expenditures: This category likely includes various recurrent expenses not categorized in personnel, overhead, or debt service. Notably, in the years 2018 to 2021, there were no reported expenses under this category. However, in 2022, other recurrent expenditures increased significantly to 8,875 million Naira.

Capital Expenditure: Capital expenditure refers to investments in long-term assets and infrastructure projects. In 2018, capital expenditure amounted to 25,776 million Naira, which increased to 30,715 million Naira in 2019. In 2020, there was a slight decrease to 29,033 million Naira. However, in 2021, capital expenditure rose to 31,576 million Naira, indicating continued investment in infrastructure. The most significant increase occurred in 2022, with capital expenditure surging to 59,143 million Naira, signaling a substantial allocation to development projects. The increase in capital expenditure in 2022 is as a result of mass infrastructure development in the state.

Implications and Effects:

The interpretation of this expenditure data reveals several important implications and effects:

i. **Increased Total Expenditure:** Total expenditure significantly increased in 2022, reflecting heightened government spending. This increase may be attributed to various factors, including the need for infrastructure development and servicing of debt.

ii. **Growing Personnel Costs:** The substantial growth in personnel costs indicates an expansion in the public workforce. This trend can impact the state's budget and require careful management of human resources.

iii. **Overhead Costs Fluctuation**: Overhead costs experienced fluctuations, with a notable increase in 2022. Effective cost management in this area is essential to optimize resource allocation.

iv. **Rising Debt Service**: The significant increase in debt service expenses underscores the importance of managing the state's debt portfolio efficiently. A high debt service burden can limit the funds available for development projects.

v. **Emergence of Other Recurrent Expenditures**: The appearance of other recurrent expenditures in 2022 suggests the emergence of new financial obligations or operational needs that were not present in previous years.

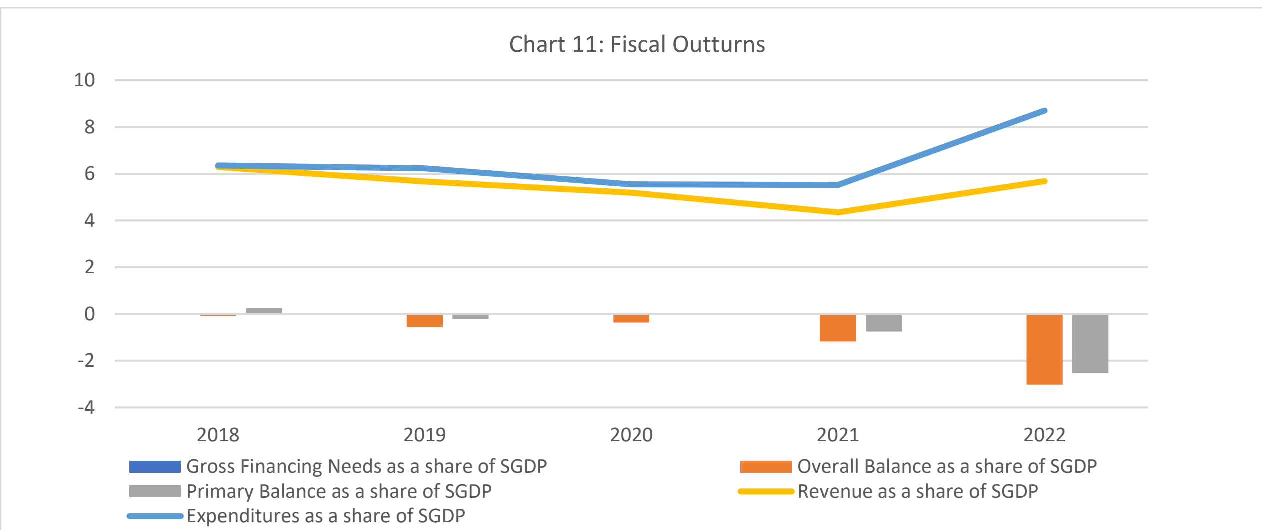
vi. **Robust Capital Expenditure**: The substantial allocation to capital expenditure in 2022 demonstrates a commitment to infrastructure development. This led to improved public infrastructure, economic growth, and job creation.

In summary, the expenditure data highlights the state's fiscal priorities, including investments in infrastructure and human resources. It also underscores the importance of prudent debt management to ensure fiscal sustainability, especially considering the rising debt service costs. Effective cost control measures will be crucial in optimizing resource utilization for development and service delivery.

3.1.3 Fiscal Outturns

The overall and primary balance of the State Fiscal Outturns is shown in Chart 11 below

CHART 11: Fiscal Outturns



Source: Gombe State Forecasts, 2023

Gross Financing Needs as a share of SGDP:

Gross Financing Needs represent the total amount required to cover the government's financial obligations, including debt servicing and other financing needs. In all the years from 2018 to 2022, Gross Financing Needs as a share of SGDP remained at 0%. This indicates that the state did not require additional financing beyond its Gross Domestic Product during this period.

Overall Balance as a share of SGDP:

The Overall Balance as a share of SGDP indicates the difference between total revenue and total expenditure, accounting for the size of the state's economy. In 2018 and 2020, the Overall Balance stood at 0% of SGDP, suggesting that the state's revenue equaled its expenditures in those years. In 2019, 2021, and 2022, the Overall Balance as a share of SGDP was negative, indicating that expenditures exceeded revenue. The negative balances suggest budget deficits during those years.

Primary Balance as a share of SGDP:

The Primary Balance measures the difference between total revenue and total expenditure, excluding interest payments on debt. In 2018, 2019, and 2020, the Primary Balance as a share of SGDP remained at 0%, indicating that the state's revenue was sufficient to cover non-debt-related expenditures. However, in 2021 and 2022, the Primary Balance was negative, signifying that the state had a deficit in its non-debt-related budget.

Revenue as a share of SGDP:

Revenue as a share of SGDP reflects the proportion of the state's Gross Domestic Product represented by its total revenue. In 2018 and 2019, revenue was 6% of SGDP, which means that the state's revenue constituted 6% of its economic output. In 2020, revenue dropped slightly to 5% of SGDP, and further declined to 4% of SGDP in 2021. However, in 2022, there was a recovery, with revenue increasing to 6% of SGDP.

Expenditures as a share of SGDP:

Expenditures as a share of SGDP illustrate the proportion of the state's Gross Domestic Product represented by its total expenditure. In 2018, 2019, and 2020, expenditures matched revenue at 6% of SGDP, indicating that the state's spending equaled its economic output during those years. In 2021, expenditures continued at 6% of SGDP, but increased to 9% of SGDP in 2022, suggesting a substantial expansion in government spending relative to the size of the economy.

Implications and Effects:

i. The consistent 0% Gross Financing Needs as a share of SGDP implies that the state did not need to seek additional financing beyond its economic capacity during this period, which is generally a positive indicator of fiscal sustainability.

ii. The negative Overall Balance as a share of SGDP in certain years suggests that the state experienced budget deficits during those periods, where expenditures exceeded revenue. This highlights the importance of careful budget planning and fiscal discipline to manage deficits effectively.

iii. The negative Primary Balance in 2021 and 2022 implies that the state had deficits in its non-debt-related budget, indicating the need for more effective control over non-debt expenditures.

iv. The fluctuations in Revenue as a share of SGDP underscore the variability in the state's revenue generation capacity, which may be influenced by economic conditions and revenue policies.

v. The increase in Expenditures as a share of SGDP in 2022 suggests a substantial expansion in government spending relative to the size of the economy. This could indicate increased investments or the need for tighter fiscal control, depending on the nature of the expenditures.

In summary, the data reflects the state's fiscal performance in relation to its Gross Domestic Product, highlighting the need for prudent fiscal management, control of deficits, and effective revenue generation to ensure fiscal sustainability and economic stability.

3.2 Gombe State Public Debt Portfolio, 2018-2022

3.2.1 Total Debt Stock

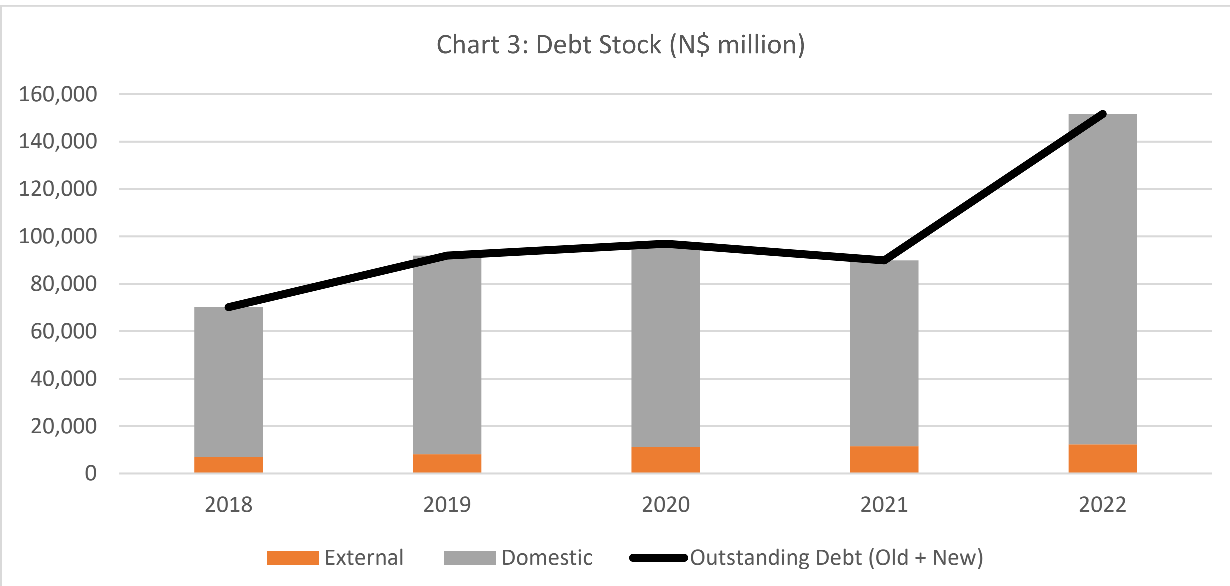
The trend of public debt service is highlighted in Table 3 and Chart 3 below:

Table 3: Debt Stock

	2018	2019	2020	2021	2022
Outstanding Debt (Old + New)	70,149	91,966	96,941	89,864	151,634
External	6,811	8,042	11,218	11,456	12,311
Domestic	63,338	83,924	85,723	78,409	139,323

Source: Gombe State DSA/MTDS Template, 2023

CHART 3: Debt Stock



Source: Gombe State DSA/MTDS Template, 2023

Outstanding Debt (Old + New):

Outstanding Debt represents the total amount of debt owed by the state, including both old debts carried over from previous periods and new debts incurred during the specified years. In 2018, the total outstanding debt was 70,149 million Naira. This figure increased in 2019 to 91,966 million Naira. In 2020, outstanding debt continued to rise, reaching 96,941 million Naira. However, in 2021, there was a slight decrease to 89,864 million Naira. The most significant increase occurred in 2022, with outstanding debt soaring to 151,634 million Naira.

External Debt:

External debt represents the portion of the state's debt that is owed to foreign creditors, such as international financial institutions and foreign governments. In 2018, external debt stood at 6,811 million Naira. This figure increased in 2019 to 8,042 million Naira and further rose to

11,218 million Naira in 2020. In 2021, external debt saw another increase, reaching 11,456 million Naira. However, in 2022, external debt increased only slightly to 12,311 million Naira.

Domestic Debt:

Domestic debt represents the portion of the state's debt that is owed to domestic creditors, such as banks, financial institutions, and individuals within the country. In 2018, domestic debt accounted for 63,338 million Naira, constituting the majority of the outstanding debt. This figure increased in 2019 to 83,924 million Naira and further rose to 85,723 million Naira in 2020. However, in 2021, there was a decrease to 78,409 million Naira. In 2022, domestic debt increased substantially to 139,323 million Naira.

Implications and Effects:

i. The substantial increase in outstanding debt from 2018 to 2022 indicates that the state has been actively borrowing to finance its operations and development projects. This is a strategy to address funding gaps and invest in critical infrastructure.

ii. The growth in external debt suggests that the state has been engaging with international creditors to secure financing. While external borrowing can provide access to capital, it also comes with foreign exchange risks and potential challenges in servicing foreign obligations.

iii. Domestic debt continues to be the predominant component of outstanding debt, highlighting the state's reliance on domestic creditors for financing. Managing domestic debt effectively is essential to maintain favorable borrowing terms and ensure stability in the domestic financial market.

iv. The increase in outstanding debt in 2022, both externally and domestically, indicates a significant expansion in borrowing, potentially driven by the need for capital to fund development projects or address economic challenges.

v. It is crucial for the state to manage its debt prudently to avoid over indebtedness, maintain debt sustainability, and allocate resources effectively for debt servicing and development priorities.

In summary, the data reflects the state's debt management strategy and its reliance on both external and domestic sources for financing. The state should continue to monitor its debt levels and ensure that borrowed funds are used efficiently for the benefit of its citizens while maintaining fiscal discipline.

3.2.2 Gombe State Principal Repayment, 2018-2022

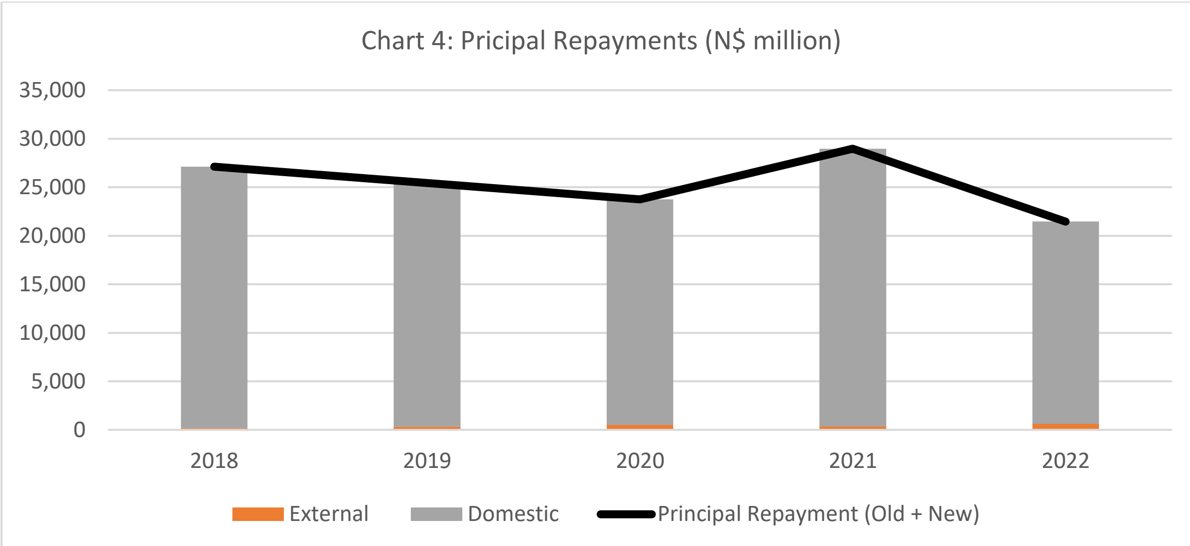
The Gombe State Principal Repayment for the period 2018-2022 is presented in the Table 4 and Chart 4 below

Table 4: Principal Repayment

	2018	2019	2020	2021	2022
Principal Repayment (Old + New)	27,130	25,429	23,762	28,972	21,460
External	175	324	515	338	606
Domestic	26,955	25,105	23,247	28,634	20,853

Source: Gombe State DSA/DMS Template, 2023

Chart 4: Principal Repayment



Source: Gombe State DSA/MTDS Template, 2023

Principal Repayment (Old + New):

Principal Repayment represents the total amount of principal (the original borrowed amount) that the state is required to repay on its outstanding debts, including both old debts carried over from previous periods and new debts incurred during the specified years. In 2018, the total principal repayment was 27,130 million Naira. This figure decreased slightly in 2019 to 25,429 million Naira and further declined to 23,762 million Naira in 2020. However, in 2021, there was an increase to 28,972 million Naira, followed by a decrease to 21,460 million Naira in 2022.

External Principal Repayment:

External principal repayment represents the portion of the state's principal repayment that is associated with debts owed to foreign creditors, such as international financial institutions and foreign governments. In 2018, external principal repayment was relatively low at 175 million Naira, indicating minimal external debt servicing. This figure increased in 2019 to 324 million Naira and further rose to 515 million Naira in 2020. In 2021, external principal repayment saw another increase, reaching 338 million Naira. In 2022, external principal repayment increased slightly to 606 million Naira.

Domestic Principal Repayment:

Domestic principal repayment represents the portion of the state's principal repayment that is associated with debts owed to domestic creditors, such as banks, financial institutions, and individuals within the country. In 2018, domestic principal repayment accounted for the majority of the total at 26,955 million Naira. This figure decreased slightly in 2019 to 25,105 million Naira and further declined to 23,247 million Naira in 2020. However, in 2021, there was an increase to 28,634 million Naira. In 2022, domestic principal repayment decreased to 20,853 million Naira.

Implications and Effects:

i. The data shows fluctuations in principal repayment over the five-year period, indicating variations in the state's debt servicing obligations. The decrease in 2022 suggests a lower requirement for principal repayment, potentially due to restructuring or reduced borrowing.

ii. External principal repayment remains relatively small compared to domestic repayment, indicating that a significant portion of the principal repayment obligation is associated with domestic debts. Managing domestic debt effectively is crucial to ensure financial stability within the country.

iii. The increase in external principal repayment in 2022 may reflect the servicing of foreign debt obligations or a change in the state's borrowing strategy.

iv. A decrease in total principal repayment in 2022, coupled with the increase in outstanding debt, suggests that the state may have refinanced or restructured its debt to reduce immediate repayment obligations.

In summary, the data reflects the state's debt servicing commitments, with variations in principal repayment over the years. The state should continue to manage its debt obligations effectively to ensure fiscal sustainability and allocate resources for both debt servicing and development priorities.

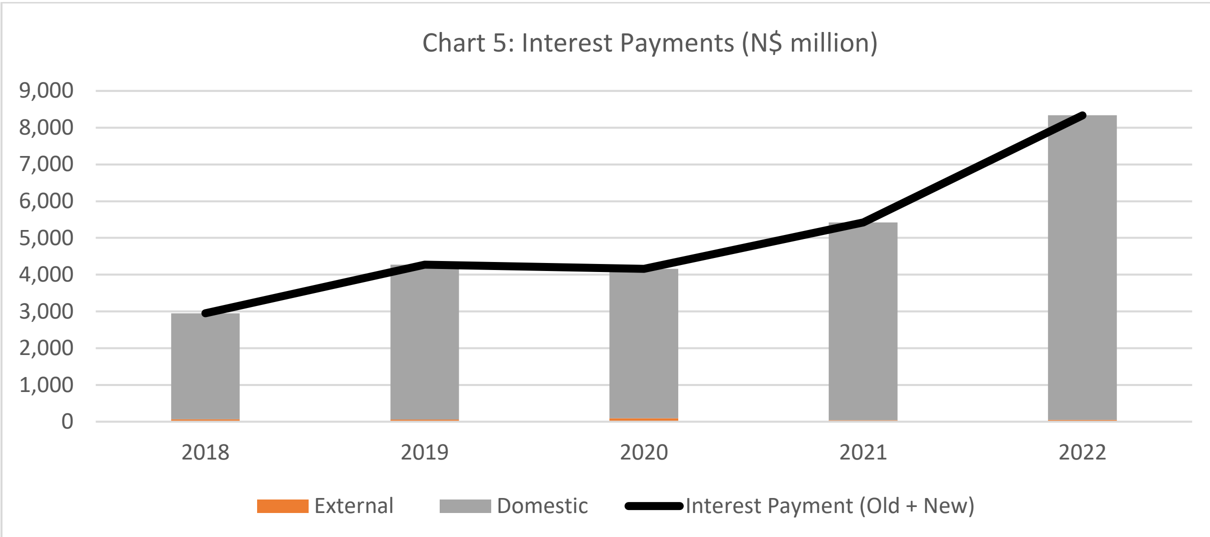
3.2.3 Gombe State Interest Repayment, 2018-2022

The interest payment for the period under review 2018-2022 is presented below:

Table 5: Interest Payment

	2018	2019	2020	2021	2022
Interest Payment (Old + New)	2,951	4,273	4,160	5,418	8,334
External	63	58	97	44	51
Domestic	2,887	4,215	4,064	5,374	8,284

Chart 5: Interest Payment



Source: Gombe State DSA/MTDS Template, 2023

Interest Payment (Old + New):

Interest Payment represents the total amount of interest payments made by the state on its outstanding debts, including both old debts carried over from previous periods and new debts incurred during the specified years. In 2018, the total interest payment was 2,951 million Naira. This figure increased in 2019 to 4,273 million Naira and remained relatively stable at 4,160 million Naira in 2020. In 2021, there was a notable increase to 5,418 million Naira, followed by a further increase to 8,334 million Naira in 2022.

External Interest Payment:

External interest payment represents the portion of the state's interest payment that is associated with debts owed to foreign creditors, such as international financial institutions and foreign governments. In 2018, external interest payment was relatively low at 63 million Naira, indicating minimal external debt servicing. This figure remained relatively stable in 2019 and 2020, at 58 million Naira and 97 million Naira, respectively. In 2021, external interest payment decreased significantly to 44 million Naira, followed by a slight increase to 51 million Naira in 2022.

Domestic Interest Payment:

Domestic interest payment represents the portion of the state's interest payment that is associated with debts owed to domestic creditors, such as banks, financial institutions, and individuals within the country. In 2018, domestic interest payment accounted for the majority of the total at 2,887 million Naira. This figure increased in 2019 to 4,215 million Naira and further rose to 4,064 million Naira in 2020. In 2021, domestic interest payment increased to 5,374 million Naira. In 2022, domestic interest payment further increased to 8,284 million Naira.

Implications and Effects:

i. The data reflects significant fluctuations in interest payments over the five-year period, with a substantial increase in 2022. This suggests variations in the state's debt servicing obligations, influenced by changes in debt structure, borrowing terms, and interest rates.
ii. The majority of interest payments are associated with domestic debts, indicating that a significant portion of the interest payment obligation is linked to debts owed to domestic creditors. Managing domestic debt effectively is crucial to ensure financial stability within the country.
iii. The relatively low external interest payments compared to domestic payments suggest that the state may have secured favorable borrowing terms for its external debt or that a significant portion of the debt is domestic in nature.
iv. The increase in interest payments in 2022 is due to a combination of factors, floating of SUKUK/Bond of 24.3B, increased interest rates.

In summary, the data reflects the state's interest payment commitments, with fluctuations over the years. Effective debt management and monitoring of interest rates are essential to ensure fiscal sustainability and allocate resources for both interest payments and development priorities.

3.2.2 Debt Composition

The State's debt portfolio largely consists of external borrowings (World Bank, African Development Bank, Islamic Development Bank, etc.) and the internal borrowings (Federal Government facilities, Bonds and commercial banks). The average of the State domestic debt is 90.04% while the average external debt is 9.96% for the period 2018 to 2022.

3.3 Cost and Risk Profile

To assess the cost risk of the outstanding debt profile for Gombe State over the period (2018 to 2022). Assessment Cost Risk were analyzed as follows:

i. The significant increase in both external and domestic debt levels indicates an elevated cost risk for Gombe State.
ii. Exchange rate fluctuations impact the cost of servicing external debt, because the local currency weakens against foreign currencies. This lead to higher debt servicing costs in local currency terms.
iii. Interest rate fluctuations affect the cost of servicing domestic debt. Rising interest rates increase the interest payments on domestic loans, adding to the overall cost of debt servicing.
iv. The state is closely monitoring its debt portfolio to mitigate cost risks. This involves strategies such as refinancing at favorable terms, diversifying the sources of debt, and implementing prudent fiscal management to reduce the overall reliance on debt.

In summary, the cost risk associated with Gombe State's debt profile is influenced by both external and domestic factors, including exchange rate fluctuations and interest rate movements. Prudent debt management and risk mitigation strategies are essential to ensure that the cost of servicing the debt remains manageable and sustainable.

Chapter Four

Concept of Debt Sustainability, Assumptions, Results Analysis and Findings

4.1 Introduction- Concept of Debt Sustainability

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 introducing 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 (World Bank, 2020).

4.2 Debt Sustainability Indicators and Thresholds

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

Table 1: Gombe State Debt burden indicators

Indicators	Thresholds	As at end-2022	Average 2018 to 2032
Debt as % of GDP	25%	8%	7%
Debt as % of Revenue	200%	149%	128%
Debt Service as % of Revenue	40%	29%	40%
Personnel Cost as % of Revenue	60%	29%	28%
Debt Service as % of FAAC Allocation	Nil	41%	52%
Interest Payment as % of Revenue	Nil	8%	6%
External Debt Service as % of Revenue	Nil	1%	1%

Source: Gombe State DSA/MTDS Template, 2023

Debt as % of GDP: This indicator measures the level of government debt relative to the size of the economy (Gross Domestic Product or GDP). As at the end of 2022, the government's debt is notably below the threshold of 25%, indicating that the government's debt burden, in relation to the overall economic output, is relatively low. Moreover, the average debt level over the period from 2018 to 2033 also suggests a stable and sustainable trajectory for the government's debt.

Debt as % of Revenue: This metric assesses the government's ability to service its debt using its total revenue. The debt level, as a percentage of revenue, stands comfortably below the threshold of 200%. This indicates that the government's revenue is generally sufficient to cover its debt obligations. However, it's noteworthy that the debt level did increase by the end of 2022 compared to the average over the specified period, which may call for careful fiscal management to maintain stability.

Debt Service as % of Revenue: This indicator represents the portion of government revenue allocated to service debt, including interest payments and principal repayments. The government's debt service costs, at 29% as of the end of 2022, are below the threshold of 40%. This is a positive sign as it indicates that a reasonable share of government revenue is available for other essential expenditures beyond debt servicing.

Personnel Cost as % of Revenue: Here, the proportion of government revenue spent on personnel costs, such as salaries and benefits, is assessed. At 29%, the government's personnel costs are significantly below the threshold of 60%. This suggests efficient management of human resources and a reduced risk of these costs crowding out other essential government expenditures.

Debt Service as % of FAAC Allocation: This metric focuses on the share of the Federation Account Allocation (FAAC) used to service debt. While no specific threshold is provided, the increasing trend in debt service as a percentage of FAAC allocation (41% as of the end of 2022) could indicate a growing reliance on revenue for debt servicing. This trend warrants attention as it may impact other budgetary allocations.

Interest Payment as % of Revenue: Specifically, this indicator measures the proportion of government revenue allocated solely for interest payments on debt. At 8%, this percentage is relatively low, indicating that only a modest portion of revenue is dedicated to interest payments. This is generally considered favorable for fiscal stability.

External Debt Service as % of Revenue: Lastly, this metric assesses the portion of government revenue allocated to servicing external debt, which refers to debt owed to foreign creditors. The low percentages, at 1% both at the end of 2022 and on average from 2018 to 2033, suggest that the government has been able to manage its external debt service within a reasonable share of revenue.

Overall, these indicators collectively paint a picture of the government's fiscal health. While the current status, as of the end of 2022, and the average over the specified period generally demonstrate favorable fiscal management, it's important to monitor trends over time to ensure long-term fiscal sustainability and prudent financial management.

4.3 Medium-Term Budget Forecast

The sustainability of the State's medium-term debt is closely tied to the gradual recovery of the Nigerian economy, a prospect that is expected to bolster the FAAC (Federation Account Allocation Committee) statutory allocation. In light of the current economic conditions marked by high inflation, largely attributed to the recent removal of fuel subsidies and a notable increase in the exchange rate, the State's outlook envisions a gradual economic rebound from 2024 to 2026. This revival is characterized by an anticipated 3% average annual expansion in real GDP and a concerted effort to bring domestic inflation levels back below the 10% mark by 2024. These optimistic prospects are rooted in several contributing factors, including a positive trajectory in global oil prices, a resurgence in domestic production, the application of prudent fiscal policies, and the pursuit of stability in the exchange rate utilized for international financial transactions.

In essence, while acknowledging the challenging economic backdrop characterized by elevated inflation and exchange rate fluctuations, the State's debt sustainability plan hinges on a carefully projected economic resurgence, driven by a combination of strategic measures and external economic dynamics.

One noteworthy development contributing to this economic recovery is the discovery of oil and gas deposit in the Gongola basin which is in the Kolmani Oil Fields at the Kolmani River Basin area in the Pindiga district of Akko LGA of Gombe State, signified by Oil Prospecting Licenses (OPLs) 809/810. This discovery aligns with the favorable global oil price trend and is expected to further bolster the State's revenue stream. Additionally, concerted efforts by the Nigerian government to enhance non-oil revenue sources, such as customs duties and VAT, are anticipated to enhance the State's financial position compared to the relatively subdued levels witnessed in 2021.

To reinforce debt sustainability, it is imperative that the State continues its ongoing initiatives to mobilize local revenue sources. The State Government's proactive measures, including the implementation of the 2020 Revenue Law, have strengthened internal revenue generation (IGR) and are set to persist in the coming years. Furthermore, the introduction of property tax, alongside other measures, promises to augment revenue streams. This shift towards enhancing local revenue aligns with the broader economic recovery, reinforcing fiscal stability.

In terms of expenditure, there are no expected policy changes regarding personnel and overhead costs. Historical trends in these areas are likely to remain unaltered, contributing to budgetary predictability. Moreover, policies aimed at cost reduction, such as those affecting personnel expenses and overhead costs, will persist. The State's ambitious 10-year development plan, currently in full implementation, is poised to significantly impact revenue generation, further fortifying the State's financial position, the creation of Muhammadu Buhari Industrial Park will also generate revenue to the state.

In summary, the combination of the oil discovery, the introduction of property tax in Gombe State and the Muhammadu Buhari Industrial Park is expected to enhance revenue and play a pivotal role in the State's debt management strategy. These positive developments underscore a commitment to fiscal sustainability and provide avenues for debt reduction, ultimately ensuring the State's long-term financial health.

4.4 Borrowing Assumptions

The Gombe State government has outlined its financing strategy for the period from 2023 to 2032, aiming to source funds primarily from a diversified set of channels to support its developmental initiatives. This multifaceted approach includes the following key components:

1. **Commercial Bank Loans (1-5 Years):** Approximately 16.59% of the financing will be secured through short to medium-term loans from commercial banks. These loans are

expected to have a maturity period ranging from one to five years, providing a relatively quick source of capital.

2. **Commercial Bank Loans (6 Years and Above):** An estimated 31.15% of the funding will come from commercial bank loans with longer maturities, exceeding six years. These loans offer a more extended repayment period, allowing for flexibility in managing debt obligations.
3. **State Bonds (1-5 Years):** The State plans to utilize State Bonds with a maturity period of one to five years to cover 13.60% of its financing requirements. State Bonds provide a stable and structured means of raising funds from the capital market.
4. **State Bonds (6 Years and Above):** A significant portion, around 25.13%, will be sourced through State Bonds with maturities extending beyond six years. These long-term bonds offer a sustainable approach to financing major projects and initiatives.
5. **External Financing – Concessional:** The State also anticipates securing approximately 13.53% of its funding through external sources, specifically concessional financing. This type of financing typically comes with favorable terms, including lower interest rates and extended grace periods, making it an attractive option for development projects.

It's important to note that the allocation of funds among these various sources is a strategic decision based on factors such as maturity, cost, and availability. Additionally, the choice to rely more on external concessional financing is influenced by the limitations associated with accessing loans from multilateral and bilateral sources, which often entail lengthy approval processes.

The borrowing assumptions also encompass a detailed consideration of the terms associated with both domestic and external borrowing. This includes aspects such as interest rates, maturity periods, and grace periods. These terms are critical in shaping the State's debt management strategy and ensuring that borrowed funds are utilized effectively for the benefit of Gombe State's development agenda.

4.4.1 Domestic Borrowing-Terms (interest rate, maturity and grace period)

The State Government has outlined its borrowing plans with a focus on securing the necessary funds for various development initiatives. These plans encompass a range of financial instruments and terms to meet specific funding requirements:

1. **Commercial Bank Borrowing (Short-Term):** The State Government is set to secure loans from commercial banks at an interest rate of 25%. These loans will have a relatively short maturity period of 3 years, with no grace period. The amounts to be borrowed include N17.048 billion (2025), N9.914 billion (2026), N19.476 billion (2028), N10 billion (2029), and N6.864 billion (2032). This strategy allows for prompt access to capital to address immediate needs.
2. **Commercial Bank Borrowing (Medium-Term):** To support mid-term financial requirements, the State Government plans to borrow sums ranging from N17.374 billion (2023) to N10 billion (2032) from commercial banks. These loans will carry a 25%

interest rate and have a longer maturity period of 7 years, without a grace period. This approach provides flexibility for financial planning over a more extended period.

3. **Bond Issuance (Short-Term):** The State Government intends to raise funds through bond issuance, borrowing N36.684 billion (2024) and N15.186 billion (2030). These bonds will carry an 18% interest rate and have a 5-year maturity period, with no grace period. Short-term bonds are ideal for addressing specific financial needs within a defined timeframe.
4. **Bond Issuance (Medium-Term):** Additionally, the State Government will utilize State bonds to secure funds, with borrowing amounts of N40 billion (2023), N20 billion (2028), N20 billion (2030), and N15.880 billion (2031). These bonds will carry an 18% interest rate and have a 7-year maturity period, with no grace period. This approach allows for structured financing of medium-term projects.

The choice of borrowing instruments and terms reflects a strategic approach to meet the State's financial requirements efficiently. These borrowing strategies consider factors such as interest rates, maturity periods, and grace periods, aligning them with the specific needs and timelines of various development projects. This comprehensive financial plan aims to ensure the State's ability to execute its initiatives while managing its debt responsibly.

4.4.2 External Borrowing-Terms (interest rate, maturity and grace period)

The State government is planning to borrow concessional borrowing of the sum of $118.55 million in 2027, with an expected interest rate of 2.5% per annum and 20 years maturity period with 5 years grace period.

4.4.3 Planned Debt Management Strategy

The State Government has outlined a comprehensive debt management strategy, underpinned by a set of guiding principles. These principles form the bedrock of the strategy, ensuring responsible and effective management of the State's debt obligations. The key principles that will steer this strategy are as follows:

1. **Fiscal Responsibility:** The State Government's commitment to fiscal prudence is paramount. All outstanding payments incurred by the government have been meticulously recorded and are under the purview of the Debt Management Department. This meticulous record-keeping ensures full transparency and accountability in managing financial commitments.
2. **Transparency:** The State places a strong emphasis on transparency in its borrowing practices. Clear and well-defined criteria for prioritizing borrowings will be established and communicated. These criteria will guide decision-making, promoting transparency and a well-informed approach to debt management.
3. **Accountability:** The State Debt Management Department plays a pivotal role in ensuring accountability. It has diligently accounted for all outstanding debts that require settlement. Moreover, proactive measures have been implemented to curtail the accumulation of new arrears, safeguarding the State's financial stability.

4. **Sustainability:** The State's debt management approach is designed to be sustainable. Payments on borrowings undertaken by the current Government have demonstrated the State's ability to maintain a sustainable debt level. This sustainable approach fosters long-term financial stability.

To facilitate the effective execution of this strategy, the Ministry of Finance will maintain rigorous control over the remaining debt stock and proposed borrowings. This proactive oversight ensures that adequate provisions are made in each subsequent annual budget. The budget allocations will be aligned with the agreed framework and the State government's schedule for debt servicing. Funding for debt settlements will be sourced from various channels, including:

i. **Statutory Allocation:** The State will utilize its statutory allocation to fulfill debt obligations, ensuring that these payments are given priority.
ii. **Internally Generated Revenue:** Revenue generated internally will be harnessed to support debt payments, reducing reliance on external sources.
iii. **Grants from the Federal Government:** Any grants received from the Federal Government will be strategically allocated to debt servicing, further bolstering the State's financial position.
iv. **Loans:** Where necessary, loans may be sourced to meet debt obligations, provided that they align with the principles of sustainability and fiscal responsibility.

This holistic approach to debt management underscores the State's commitment to sound financial practices, transparency, and accountability. It aims to ensure that debt remains within manageable limits and contributes to the State's overall fiscal health and sustainability.

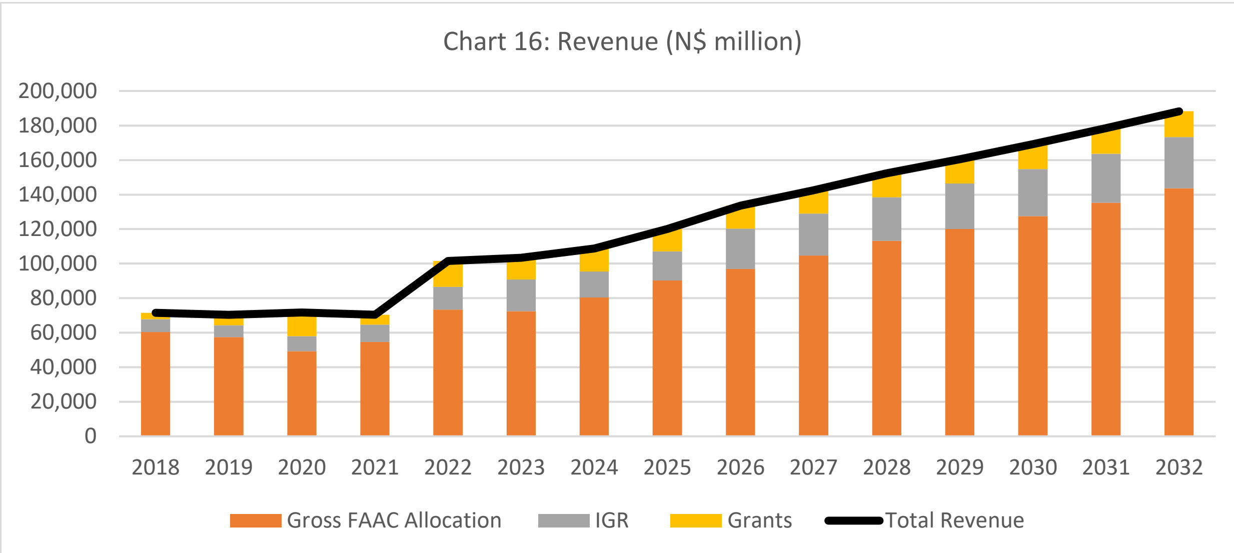
4.5 DSA Simulation Results and Findings

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on FAAC allocation. 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 15%. 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 Gombe State projected revenue from 2018 to 2032 is presented in Chart 16 below:



Source: Gombe State DSA/MTDS Template, 2023

This chart provides a summary of key financials figures for Gombe State over a series of years, from 2018 to 2032. The figures are categorized into various components of total revenue. The analysis of the figures for total revenue, gross FAAC allocation, internally generated revenue (IGR), and grants reveals significant financial trends. From 2018 to 2022, the average annual total revenue amounted to approximately ₦77.7 billion. However, from 2023 to 2032, there was a remarkable surge in total revenue, with an average annual figure of approximately ₦153.2 billion. This signifies a substantial growth in revenue during the latter period, more than doubling the earlier years. Similarly, the average annual gross FAAC allocation from 2018 to 2022 was approximately ₦59.8 billion, but from 2023 to 2032, there was a notable rise, with an average annual gross FAAC allocation of approximately ₦105.2 billion. This indicates a significant increase in federal allocations received during the latter period.

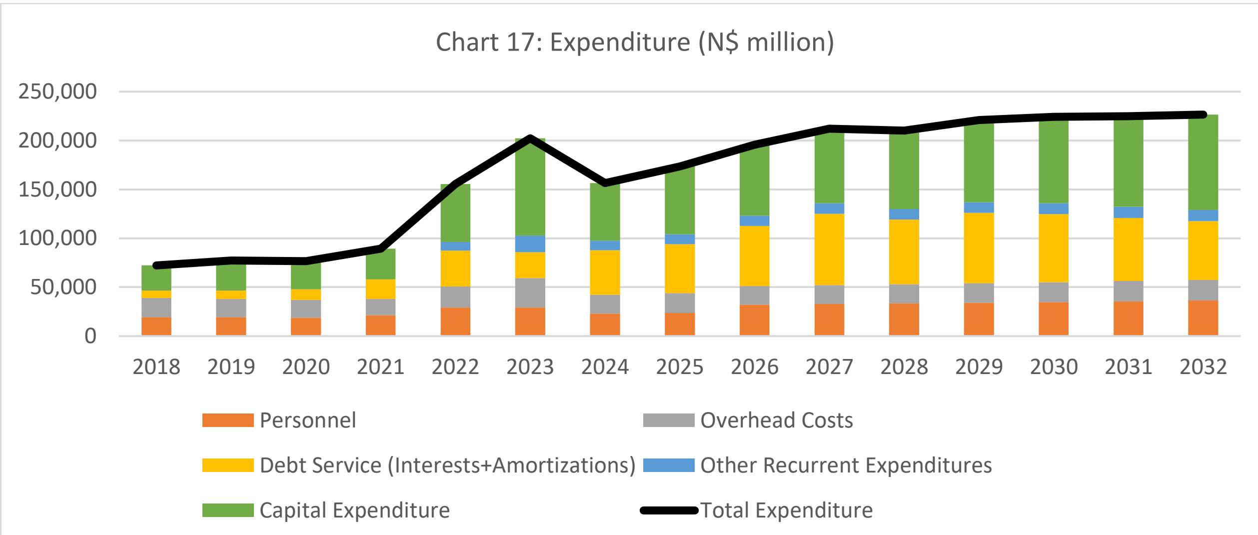
Furthermore, over the years from 2018 to 2022, the average annual IGR was approximately ₦9.2 billion, but from 2023 to 2032, there was a remarkable surge, with an average annual IGR of approximately ₦21.5 billion. This suggests a substantial improvement in the entity's ability to generate revenue internally. In contrast, grants remained relatively stable between 2018 and 2022, with an average annual figure of approximately ₦8.7 billion. From 2023 to 2032, grants continued to be consistent, with an average annual amount of approximately ₦13.5 billion.

These averages illuminate crucial financial trends. The substantial growth in total revenue, FAAC allocations, and IGR from 2023 onwards indicates improved financial health and a more robust revenue base. This could be attributed to successful revenue-generating initiatives and a positive economic environment. Such financial strength bodes well for the entity's ability to fund development initiatives and improve the well-being of its residents. However, prudent financial management remains essential to ensure the sustainability of these positive trends and to effectively allocate resources for continued growth and development.

The projections were sources from the Approved 2022 Budget; MTEF, 2023-2025; 2026-2031 projections as estimated by the Ministry of Finance and Economic Planning & Budget official.

4.5.2 Projected Expenditure- Chart 17

The Gombe State projected expenditure from 2023 to 2032 is presented in Chart 17 below:



Source: Gombe State DSA-DMS Template, 2023

In this analysis, the historical expenditure data spanning from 2018 to 2022 and project forward to the period from 2023 to 2032 was examined. The provided expenditure figures encompass various critical components of the budget, including Personnel Costs, Overhead Costs, Debt Service, Other Recurrent Expenditures, and Capital Expenditure. By dissecting these figures, the aim is to discern trends and potential implications for the Gombe State Government's fiscal outlook in the coming years. This analysis will shed light on the challenges and opportunities that may arise as expenditures evolve during this ten-year projection period.

Personnel costs have shown a consistent increase from $19,277 million in 2018 to $29,128 million in 2022. This substantial growth implies ongoing workforce expansion or wage increases. For the projection period, it is essential to anticipate continued growth in personnel costs, possibly exceeding $36,000 million by 2032. Implications include the need for workforce planning, cost containment strategies, and prudent negotiations regarding wage increases to manage this significant budgetary item effectively.

Overhead costs have generally trended upwards, reaching $30,280 million in 2022. These expenses may reflect administrative needs and operational costs. Implications for the future suggest the importance of monitoring overhead costs closely and optimizing administrative functions to prevent a further increase in overhead expenditures during the projection period.

Debt service costs have increased substantially, from $7,351 million in 2018 to $26,424 million in 2022, indicating a significant debt burden. For the projection period, it is imperative to anticipate continued growth in debt service costs, potentially exceeding $60,000 million by 2032. Managing this growth will require prudent debt management strategies, such as refinancing or exploring lower-interest borrowing options, to avoid excessive budgetary strain.

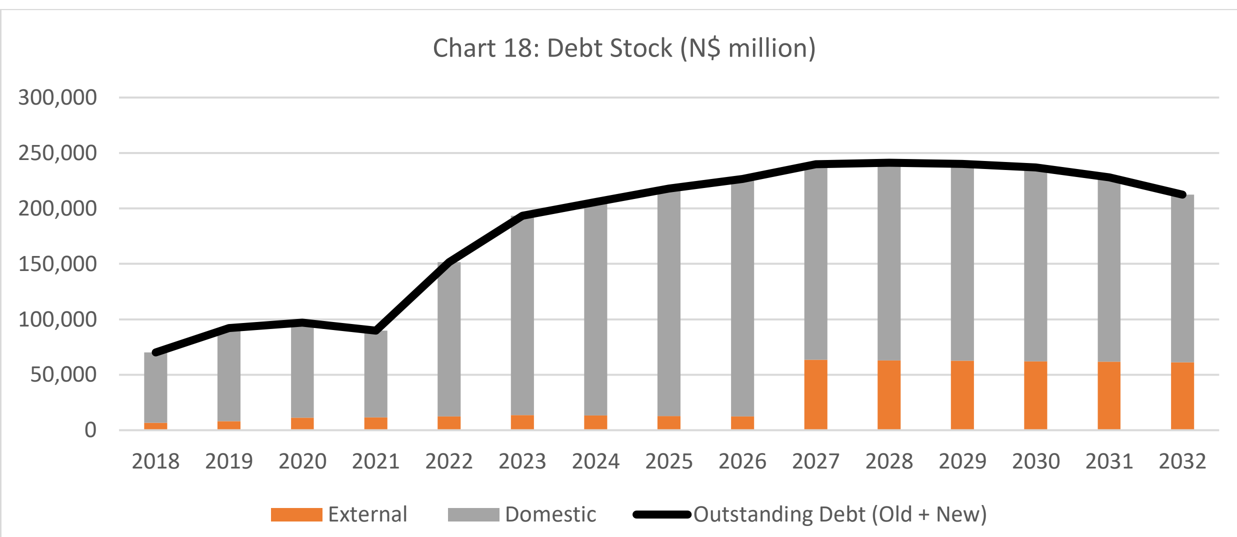
Other recurrent expenditures emerged in 2020 and reached $17,144 million in 2022. These expenses likely represent new initiatives or programs. Implications for the projection period include the need to assess the effectiveness and necessity of these initiatives rigorously. Ensuring that these expenses align with strategic goals and deliver measurable benefits will be vital to prevent unnecessary budgetary strain in the coming years.

Capital expenditure has shown the most significant increase, reaching $99,463 million in 2022, reflecting substantial investments in long-term assets or infrastructure. For the projection period, it is crucial to continue allocating a substantial portion of the budget to capital projects, possibly exceeding $100,000 million by 2032. Effective capital planning, project management, and exploration of financing options will be essential to manage this budgetary item efficiently.

In summary, based on historical data and the provided amounts, each expenditure component carries specific implications for the projection period (2023-2032). Managing these expenditures effectively will require careful planning, financial discipline, and a keen focus on aligning expenditures with strategic priorities to ensure fiscal sustainability during this period.

4.5.3 Projected Debt Stock- Chart 18

The Gombe State projected debt stock from 2023 to 2032 is presented in Chart 18 below:



Source: Gombe State DSA-DMS Template, 2023

Analysing the outstanding debt figures from 2018 to 2032, which include both old and new debt, reveals significant trends and implications for Gombe State Government:

The total outstanding debt has fluctuated over the historical period, with a notable peak in 2022 at $151,634 million. This suggests variations in borrowing needs and debt management strategies.

Looking ahead to the projection period (2023-2032), the trend indicates a continued increase in debt, reaching $240,098 million by 2029 before slightly declining. The consistent reliance on debt as a financing source implies a need for proactive debt management and financial planning.

External debt, which includes borrowing from foreign sources, showed a steady increase over the historical period. In 2022, it reached $12,311 million.

Projections for external debt indicate further growth, particularly between 2026 and 2027, when it is expected to spike significantly to approximately $63,076 million. This suggests the need to carefully manage external borrowing, considering exchange rate risks and terms of borrowing agreements.

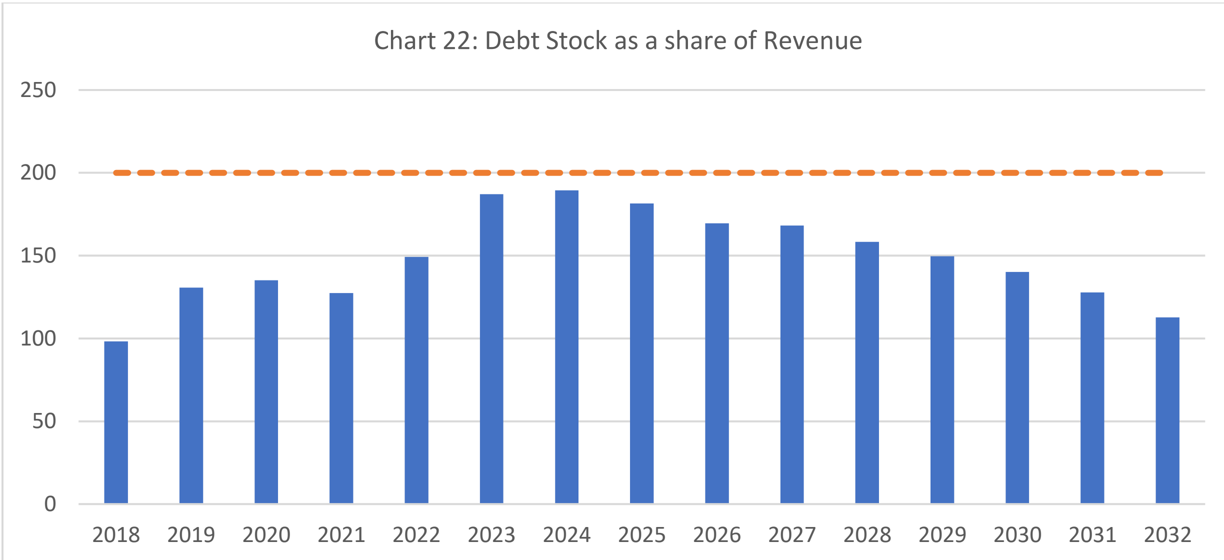
Domestic debt, representing borrowing within the country, constituted the majority of outstanding debt in the historical period, peaking at $139,323 million in 2022.

Projecting forward, domestic debt is expected to remain the dominant component of total debt, with a gradual increase over the projection period. This underscores the importance of monitoring domestic borrowing closely, managing interest rates, and ensuring a balanced debt portfolio.

In summary, the analysis of outstanding debt indicates a complex debt management landscape for Gombe State Government. While borrowing can serve as a critical tool for financing needs, the trends suggest the need for prudent debt management strategies, particularly with regard to external borrowing. Monitoring and adjusting borrowing practices to align with fiscal goals and economic conditions will be crucial during the projection period (2023-2032) to maintain fiscal stability.

4.5.4 Projected Debt as a Share of Revenue- Chart 22

The Gombe State projected debt as share of revenue from 2023 to 2032 is presented in Chart 22 below:



Source: Gombe State DSA-DMS Template, 2023

Analyzing the debt as a percentage of revenue over the given period (2018-2032) and comparing it to the established threshold of 200% reveals several significant trends and implications for the organization or government entity's financial stability:

1. **Debt as a Percentage of Revenue:**

The debt as a percentage of revenue has shown fluctuations over the historical period, with a peak of 149% in 2022. This metric indicates the extent to which debt obligations are consuming a portion of the organization's or government's revenue.

The projection period (2023-2032) demonstrates a consistent pattern of debt declining as a percentage of revenue, suggesting a potential improvement in the entity's fiscal health. By 2032, the debt is expected to stand at 113% of revenue, below the established threshold.

2. **Threshold Comparison:**

The established threshold of 200% signifies a critical point at which Gombe State Government's debt load may become unsustainable and could lead to financial instability.

Throughout the historical and projection periods, the debt as a percentage of revenue remains below the threshold, indicating a proactive approach to debt management and adherence to fiscal responsibility.

Implications:

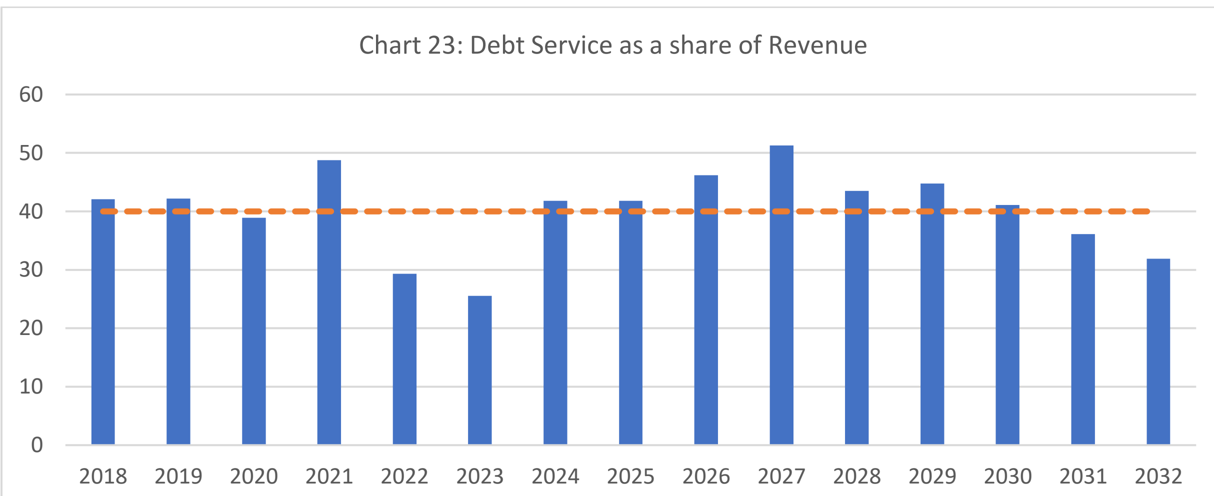
- **i.** The historical trend of debt approaching the threshold in 2022 could have raised concerns about fiscal sustainability. However, the projection period provides a positive outlook, with decreasing debt as a percentage of revenue, indicating a commitment to managing debt responsibly.

ii. It is crucial to continue monitoring and maintaining debt levels below the established threshold to ensure long-term financial stability.
iii. During the projection period, efforts to boost revenue, control expenditure growth, and implement effective debt management strategies will be essential to sustain the positive trend and safeguard against potential fiscal challenges.

In summary, the analysis of debt as a percentage of revenue reveals a positive trajectory, with Gombe State Government maintaining fiscal responsibility by keeping debt levels below the established threshold. However, continued vigilance and prudent financial management will be vital to secure long-term fiscal stability during the projection period (2023-2032).

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

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



Source: Gombe State DSA-DMS Template, 2023

Analyzing the ratio of Debt Service as a percentage of Revenue over the specified period (2018-2032) in comparison to the established threshold of 40% reveals important trends and implications for the financial health of the organization or government entity:

1. **Debt Service as a Percentage of Revenue:**

The ratio of Debt Service to Revenue has shown fluctuations over the historical period, reaching its lowest point in 2022 at 29%. This ratio reflects the share of revenue allocated to servicing debt obligations.

During the projection period (2023-2032), there is an overall upward trend, with Debt Service as a percentage of Revenue gradually increasing. By 2032, it is projected to reach 32%.

2. **Threshold Comparison:**

The established threshold of 40% serves as a critical point at which debt service obligations may become a significant burden on Gombe State's revenue.

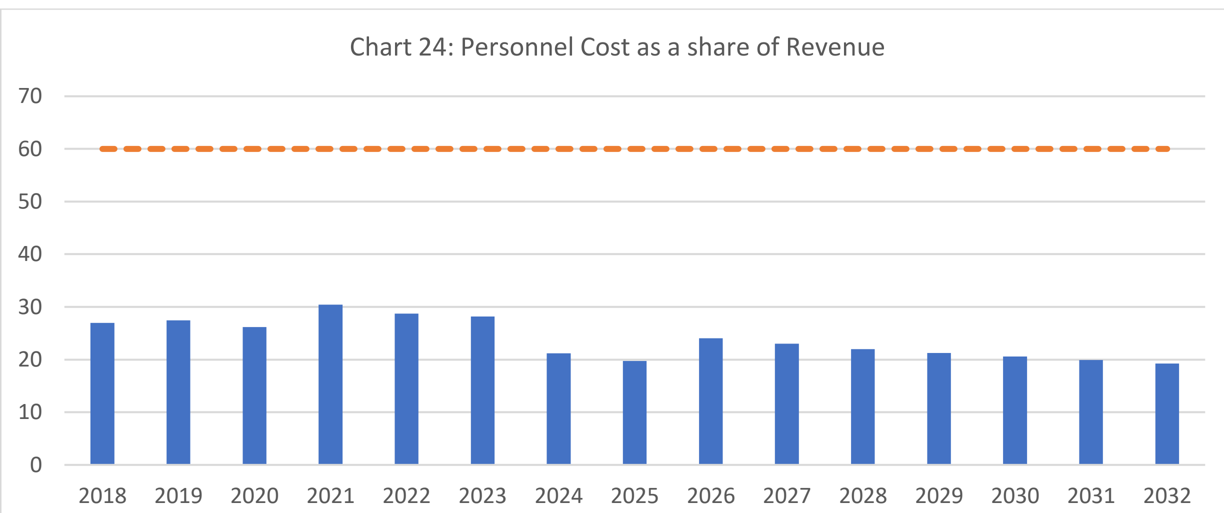
Implications:

i. Throughout the historical period, the Debt Service as a percentage of Revenue remained mostly below the threshold, indicating a relatively manageable debt service burden.
ii. While there has been some fluctuation, the projection period suggests that the Debt Service as a percentage of Revenue may approach or slightly exceed the 40% threshold. This implies that Gombe State Government will need to be vigilant in managing its debt service obligations and exploring options to maintain fiscal sustainability.
iii. It is important to closely monitor revenue growth, control debt service costs, and potentially explore refinancing or debt restructuring options to ensure that debt service remains within manageable limits during the projection period.

In summary, the analysis of Debt Service as a percentage of Revenue demonstrates a generally prudent approach to managing debt service obligations in the historical period. However, the projected upward trend suggests the need for continued diligence in debt management to prevent exceeding the established threshold and to maintain long-term fiscal stability during the projection period (2023-2032).

4.5.6 Projected Personnel Cost- Chart 24

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



Source: Gombe State DSA-DMS Template, 2023

Analyzing the ratio of Personnel Cost as a percentage of Revenue for Gombe State Government over the specified period (2018-2032) in comparison to the established threshold of 60% reveals important trends and implications for the state's fiscal health:

1. **Personnel Cost as a Percentage of Revenue:**

The ratio of Personnel Cost to Revenue has remained relatively stable and below the threshold throughout the historical period, with a peak of 30% in 2021. This ratio reflects the share of revenue allocated to covering personnel expenses.

During the projection period (2023-2032), there is a continued trend of keeping Personnel Cost as a percentage of Revenue well below the established threshold, with the lowest ratio projected at 19% in 2032.

2. **Threshold Comparison:**

The established threshold of 60% serves as a critical point at which personnel costs might become unsustainable and overly burdensome for the state's budget.

Implications:

i. Gombe State Government has demonstrated prudent fiscal management by consistently maintaining Personnel Cost as a percentage of Revenue below the 60% threshold.
ii. The stable and decreasing trend in personnel costs as a percentage of revenue during the projection period suggests a commitment to efficient workforce management and cost control.
iii. This allows the state to allocate a significant portion of its revenue to other critical areas, such as infrastructure development and social programs, which can contribute to overall economic growth and well-being.

In summary, the analysis of Personnel Cost as a percentage of Revenue indicates responsible fiscal management by the Gombe State Government. Maintaining this trend below the established threshold is essential to ensure that the state can allocate resources effectively across various sectors, fostering long-term economic stability and development during the projection period (2023-2032).

4.6 Main Findings and Conclusion of the Baseline Scenario in Terms of Debt Sustainability

The main findings and conclusion of the Baseline Scenario in terms of sustainability is divided into Projected Debt trend relative to Repayment Capacity (Revenue) going forward (Debt as a Share of Revenue- Chart 22 is 187 percent in 2023 and 113 percent by 2032) and an assessment of Fiscal Deficit and Debt Ratios (Debt Service as a Share of Revenue- Chart 23 is 26 percent in 2023 and 32 percent by 2032) it shows that the State's repayment capacity of the public debt position will improve as against the indicative threshold of 25 percent and 40 percent respectively. Therefore, it is concluded that 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. The fiscal policy that will be employed by Gombe State Government to stabilize the economy and correct economic imbalance in the period is mobilizing Internally Generated Revenue (IGR) underpinned by the successful tax administration reforms introduced in May 2020 and development of Gombe State 10 years Development Plan, also worthy of mention is the Land Used Charge as a new revenue head embedded with motivators to reduce tax defaulters. The State controls its recurrent expenditure growth and reduces the level of its public debt due to the collapse of oil prices, COVID-19 pandemic from the year 2019-2021 and exchange rate fluctuations. Given the State's forecasts for the economy and reasonable assumptions concerning the State's revenue and expenditure policies going forward, the long-term outlook for the public debt appears sustainable.

Main Findings:

1. **Debt Levels:** Gombe State Government has maintained relatively low levels of debt as a percentage of revenue throughout the historical period (2018-2022). While there were fluctuations in debt levels, the overall trend suggests responsible debt management. The projection indicates that debt levels will remain manageable and relatively stable during the projection period (2023-2032).
2. **Debt Service:** The analysis of debt service as a percentage of revenue reveals that Gombe State Government has consistently kept debt service obligations well below the established threshold of 40%. This reflects prudent debt management practices and ensures that the debt service burden remains manageable.

Conclusion:

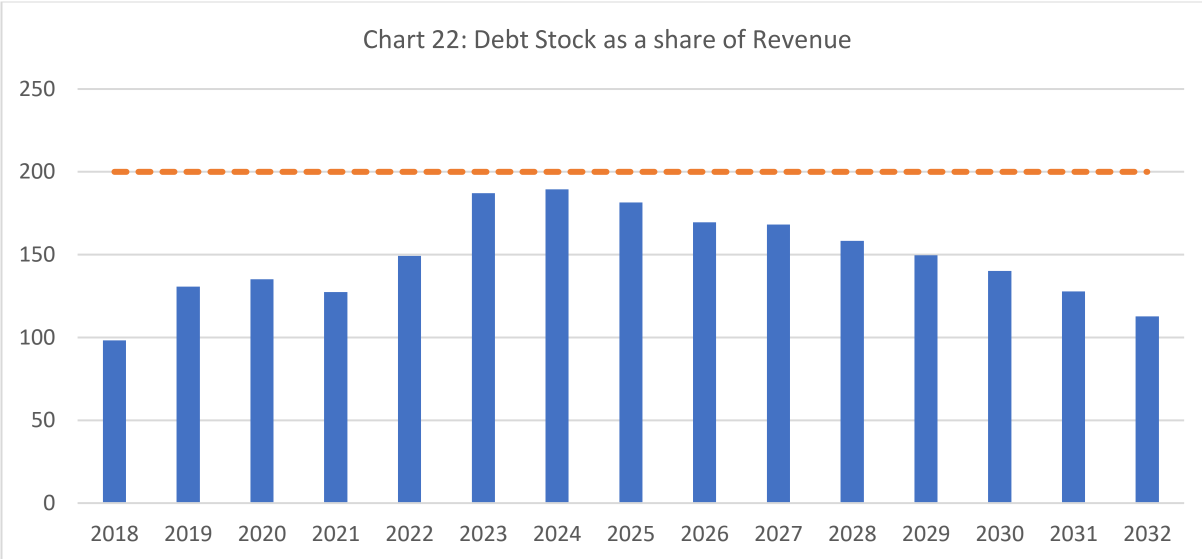
The baseline scenario for Gombe State Government indicates a strong commitment to debt sustainability and responsible fiscal management:

1. The state government has effectively managed its debt levels, ensuring they remain within manageable limits. This responsible approach is expected to continue during the projection period, contributing to long-term fiscal stability.
2. Debt service as a percentage of revenue has consistently remained below the established threshold, reflecting prudent debt management practices. The state is well-positioned to continue servicing its debt obligations without undue fiscal strain.

In conclusion, Gombe State Government's baseline scenario presents a positive outlook for debt sustainability, responsible fiscal management, and long-term financial stability. Continued prudent financial practices and vigilance in debt management will be essential to maintain this positive trajectory throughout the projection period (2023-2032).

4.6.1 Projected Debt trend relative to Repayment Capacity (Revenue) going forward (Debt as a Share of Revenue- Chart 22)

The Gombe State projected debt as share of revenue from 2023 to 2032 is presented in Chart 22 below:

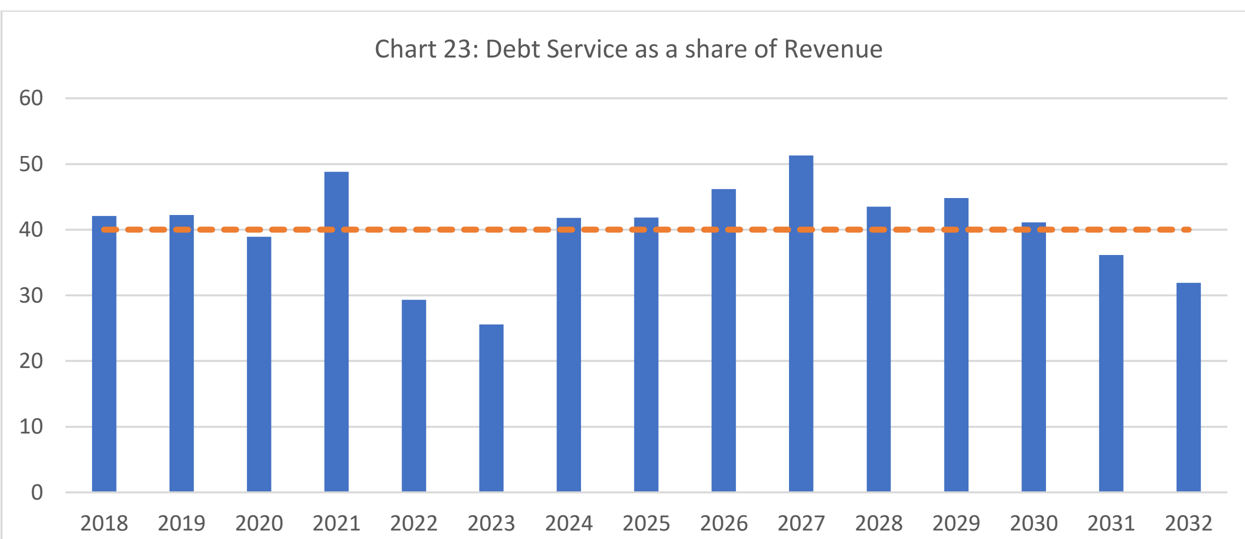


Source: Gombe State DSA-DMS Template, 2023

The State's repayment capacity of the public debt position will improve from 187 percent of the Revenue in 2023 to 113 percent by 2032; the fiscal deficit stabilizes in nominal terms over the next few years. From Chart 22-the analysis of the Baseline Scenario concluded that 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.

4.6.2 Assessment of Fiscal Deficit and Debt Ratios (Debt Service as a Share of Revenue) to the thresholds- Chart 23

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

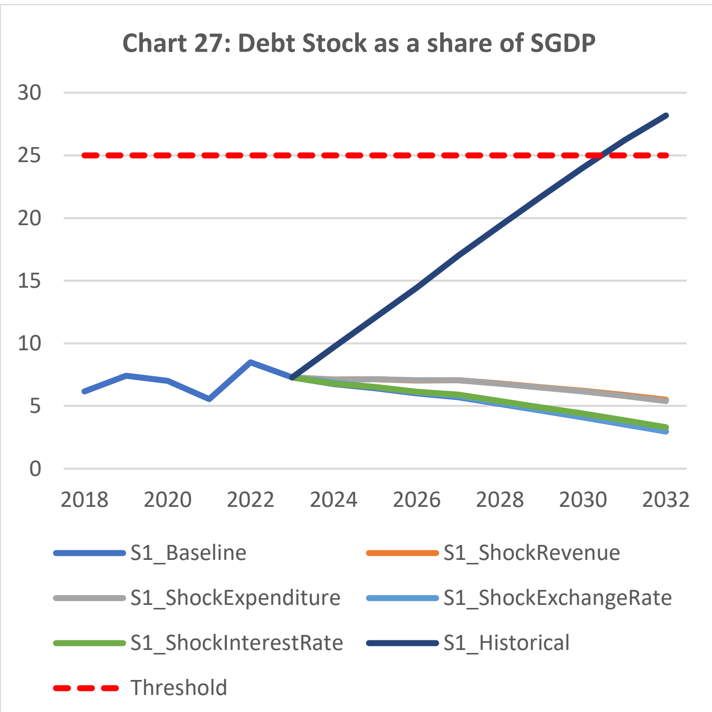


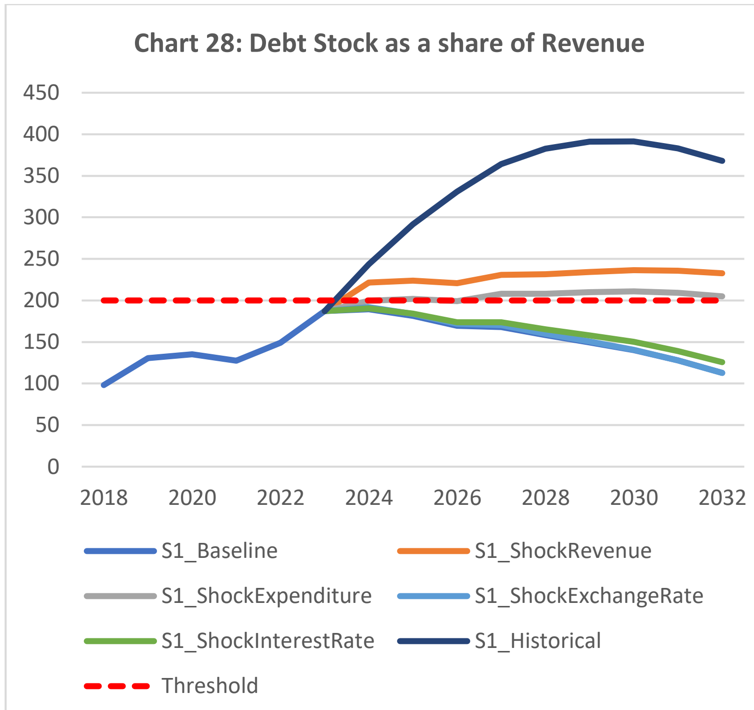
Source: Gombe State DSA-DMS Template, 2023

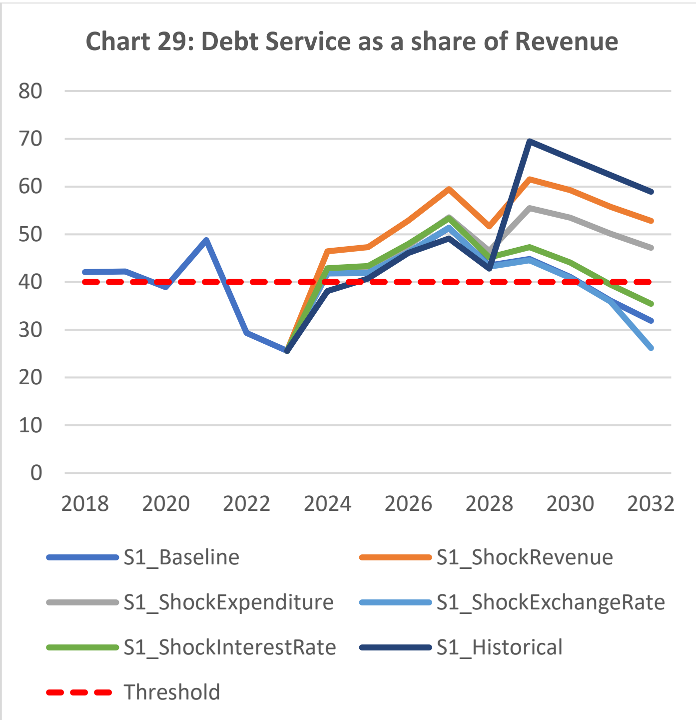
The State's repayment capacity of the public debt service position will be maintained at 26 percent of the Revenue in 2023 to 32 percent by 2032; the fiscal deficit stabilizes in nominal terms over the next few years. From Chart 23- the analysis of the Baseline Scenario concluded that the State will be able to preserve the sustainability of its debt Service in the medium-term because it is within the limit of the threshold of 40 percent.

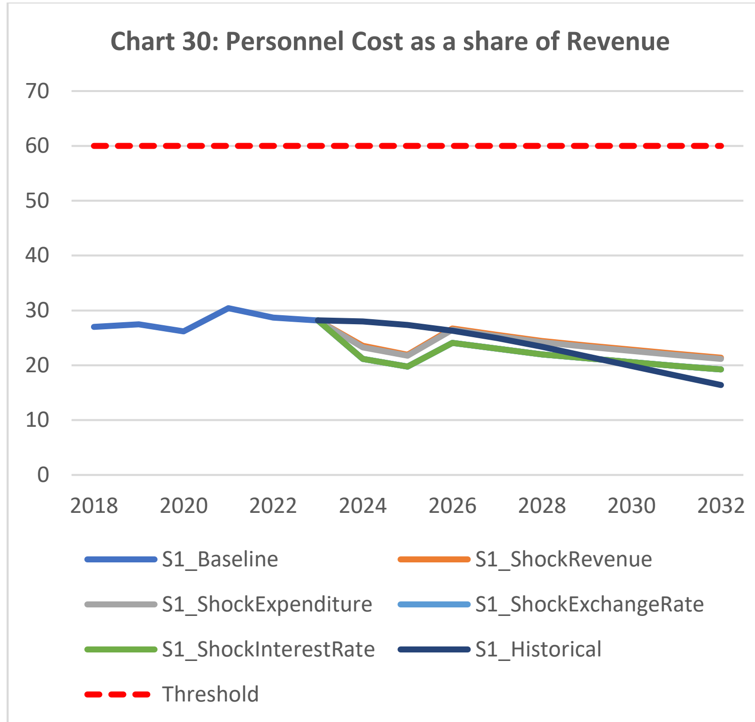
4.7 DSA Sensitivity Analysis (Shock Analysis)

This section explains the Shock analysis of the DSA which include four shock scenario (Shock revenue, shock expenditure, shock exchange rate, shock interest rate) and one historical scenario. The main features of the other five scenarios (four shock scenarios and one historical scenario) in terms of its deviation from the baseline scenario is to plan for the future flexibility (unforeseen circumstance) of revenue, expenditure, exchange rare, and interest rate. The following charts below explain the shocks scenarios:









Source: Gombe State DSA-DMS Template, 2023

4.7.1 Debt-to-SGDP

The analysis of the shock scenarios for Gombe State Government's debt-to-SGDP ratio for the projection period 2023 to 2032, as compared to the baseline and threshold values:

1. **Baseline Scenario (S1_Baseline):** In the baseline scenario, Gombe State's debt as a percentage of SGDP starts at 8% in 2022 and gradually decreases to 3% by 2032. This indicates a favourable trajectory for debt sustainability.
2. **Shock Scenarios:** Several shock scenarios have been considered, each affecting different aspects of the state's economy.

i. **Shock Scenario 1 (S1_ShockRevenue):** This shock impacts revenue positively, with an increase of 7% annually from 2023 to 2032. However, despite the revenue boost, the debt as a percentage of SGDP remains relatively stable, suggesting that revenue growth alone may not significantly impact debt sustainability in Gombe State.

ii. **Shock Scenario 2 (S1_ShockExpenditure):** This shock increases expenditures by 7% annually from 2023 to 2032. Despite the increased expenditure, the debt as a percentage of SGDP does not see a substantial rise, indicating that careful expenditure management could mitigate the impact on debt sustainability.

iii. **Shock Scenario 3 (S1_ShockExchangeRate):** This shock affects the exchange rate, leading to a decrease in debt as a percentage of SGDP. A weaker local currency can reduce the debt burden when a significant portion of the debt is denominated in foreign currency. This scenario suggests a potential positive impact on debt sustainability.

iv. **Shock Scenario 4 (S1_ShockInterestRate):** This shock impacts interest rates, reducing the debt as a percentage of SGDP. Lower interest rates can lead to reduced debt service costs, contributing to better debt sustainability for Gombe State.

v. **Historical Scenario (S1_Historical):** The historical scenario, reflecting past trends, shows a more significant increase in the debt as a percentage of SGDP, reaching 28% by 2032. This scenario underscores the importance of maintaining the favorable baseline trend and avoiding historical debt levels.

Threshold:

The established threshold of 25% serves as a crucial point of reference for debt sustainability in Gombe State. All scenarios, including the historical one, remain below this threshold, suggesting that the state is currently maintaining debt within sustainable limits.

Conclusion:

i. Gombe State's baseline scenario indicates a favorable trajectory for debt sustainability, with a decreasing trend in debt as a percentage of SGDP.

ii. The shock scenarios, while impacting different economic factors, generally do not lead to debt levels surpassing the threshold of 25%. This suggests that the state has some room to absorb shocks without breaching critical debt sustainability levels.

iii. Effective management of revenue, expenditure, exchange rates, and interest rates is essential to maintain the positive trend observed in the baseline scenario and ensure long-term fiscal stability for Gombe State.

4.7.2 Debt-to-Revenue

Analyzing the shock scenarios for Gombe State's debt as a percentage of revenue for the projection period from 2023 to 2032, as compared to the baseline and threshold values, provides insights into potential impacts on debt sustainability:

1. **Baseline Scenario (S1_Baseline):** In the baseline scenario, Gombe State's debt as a percentage of revenue starts at 149% in 2022 and gradually decreases to 113% by 2032. This baseline trend indicates an improving fiscal situation, with debt becoming more manageable relative to revenue.
2. **Shock Scenarios:** Several shock scenarios have been considered, each affecting different aspects of the state's fiscal situation.

i. **Shock Scenario 1 (S1_ShockRevenue):** This shock significantly boosts revenue, with a substantial increase from 2023 onwards. Despite the revenue increase, the debt as a percentage of revenue remains relatively high. This suggests that revenue growth alone may not fully address the existing debt burden.

ii. **Shock Scenario 2 (S1_ShockExpenditure):** This shock increases expenditures, contributing to a rise in the debt as a percentage of revenue. While the impact is noticeable, it remains within manageable limits, given the baseline trend.

iii. **Shock Scenario 3 (S1_ShockExchangeRate):** This shock, affecting the exchange rate, leads to a substantial decrease in debt as a percentage of revenue. A weaker local currency can reduce the debt burden when a significant portion of the debt is denominated in foreign currency. This scenario suggests a positive impact on debt sustainability.
iv. **Shock Scenario 4 (S1_ShockInterestRate):** This shock, impacting interest rates, lowers the debt as a percentage of revenue. Lower interest rates can reduce debt service costs, contributing to better debt sustainability.
v. **Historical Scenario (S1_Historical):** The historical scenario, reflecting past trends, shows a significant increase in debt as a percentage of revenue, reaching 364% in 2032. This scenario emphasizes the importance of maintaining the favorable baseline trend and avoiding historical debt levels.

Threshold:

The established threshold of 200% serves as a reference point for debt sustainability. All scenarios, including the historical one, remain below this threshold, indicating that Gombe State is currently managing its debt within sustainable limits.

Conclusion:

i. Gombe State's baseline scenario indicates a favorable trend of decreasing debt as a percentage of revenue, implying improved fiscal management over the projection period.
ii. The shock scenarios, while impacting different economic factors, generally do not lead to debt levels surpassing the established threshold of 200%. This suggests that the state has some capacity to absorb shocks without breaching critical debt sustainability levels.
iii. Effective management of revenue, expenditure, exchange rates, and interest rates is essential to maintain the positive trend observed in the baseline scenario and ensure long-term fiscal stability for Gombe State during the projection period (2023-2032).

4.7.3 Debt Service-to-Revenue

Analyzing the shock scenarios for Gombe State's Debt Service as a percentage of revenue for the projection period from 2023 to 2032, as compared to the baseline and threshold values, provides insights into potential impacts on debt service sustainability:

1. **Baseline Scenario (S1_Baseline):** In the baseline scenario, Gombe State's Debt Service as a percentage of revenue starts at 29% in 2022 and gradually increases to 32% by 2032. While there is an upward trend, it remains below the threshold of 40%, indicating manageable debt service costs relative to revenue.
2. **Shock Scenarios:** Several shock scenarios have been considered, each affecting different aspects of the state's fiscal situation.

i. **Shock Scenario 1 (S1_ShockRevenue):** This shock significantly boosts revenue, with a notable increase from 2023 onwards. Despite the revenue increase, the Debt Service as a percentage of revenue remains stable, suggesting that revenue growth can partially offset higher debt service costs.
ii. **Shock Scenario 2 (S1_ShockExpenditure):** This shock increases expenditures, contributing to a rise in Debt Service as a percentage of revenue. While the impact is noticeable, it remains within manageable limits, given the baseline trend.
iii. **Shock Scenario 3 (S1_ShockExchangeRate):** This shock, affecting the exchange rate, leads to a substantial decrease in Debt Service as a percentage of revenue. A weaker local currency can reduce debt service costs when a significant portion of the debt is denominated in foreign currency. This scenario suggests a positive impact on debt service sustainability.
iv. **Shock Scenario 4 (S1_ShockInterestRate):** This shock, impacting interest rates, lowers Debt Service as a percentage of revenue. Lower interest rates can reduce debt service costs, contributing to better debt service sustainability.
v. **Historical Scenario (S1_Historical):** The historical scenario, reflecting past trends, shows a significant increase in Debt Service as a percentage of revenue, reaching 69% in 2032. This scenario emphasizes the importance of maintaining the favorable baseline trend and avoiding historical debt service levels.

Threshold:

The established threshold of 40% serves as a reference point for debt service sustainability. All scenarios, including the historical one, remain below this threshold, indicating that Gombe State is currently managing its debt service obligations within sustainable limits.

Conclusion:

i. Gombe State's baseline scenario indicates a generally manageable trend in Debt Service as a percentage of revenue, suggesting prudent debt service management over the projection period.
ii. The shock scenarios, while impacting different economic factors, generally do not lead to debt service levels surpassing the established threshold of 40%. This implies that the state has some capacity to absorb shocks without breaching critical debt service sustainability levels.
iii. Effective management of revenue, expenditure, exchange rates, and interest rates will be essential to maintain the positive trend observed in the baseline scenario and ensure long-term fiscal stability for Gombe State during the projection period (2023-2032).

4.7.4 Personnel Cost-to-Revenue

Analyzing the shock scenarios for Gombe State's Personnel Cost as a percentage of revenue for the projection period from 2023 to 2032, as compared to the baseline and threshold values, provides insights into potential impacts on personnel cost sustainability:

1. **Baseline Scenario (S1_Baseline):** In the baseline scenario, Gombe State's Personnel Cost as a percentage of revenue starts at 29% in 2022 and gradually decreases to 19% by 2032. This indicates a favorable trend of decreasing personnel costs relative to revenue, which is important for fiscal sustainability.
2. **Shock Scenarios:** Several shock scenarios have been considered, each affecting different aspects of the state's fiscal situation.

   i. **Shock Scenario 1 (S1_ShockRevenue):** This shock moderately increases revenue from 2023 onwards. The impact on personnel costs as a percentage of revenue is minimal, with a slight decrease. It suggests that revenue growth alone may have limited effects on personnel cost sustainability.

   ii. **Shock Scenario 2 (S1_ShockExpenditure):** This shock decreases expenditures slightly, contributing to a minor reduction in personnel costs as a percentage of revenue. While the impact is noticeable, it remains within manageable limits.

   iii. **Shock Scenario 3 (S1_ShockExchangeRate):** This shock, affecting the exchange rate, leads to a decrease in personnel costs as a percentage of revenue. A weaker local currency can reduce personnel costs when a significant portion of the expenses is denominated in foreign currency. This scenario suggests a positive impact on personnel cost sustainability.

   iv. **Shock Scenario 4 (S1_ShockInterestRate):** This shock, impacting interest rates, lowers personnel costs as a percentage of revenue. Lower interest rates can reduce financing costs associated with personnel expenses.

   v. **Historical Scenario (S1_Historical):** The historical scenario, reflecting past trends, shows a relatively stable personnel cost as a percentage of revenue. It emphasizes the importance of maintaining the favorable baseline trend and avoiding historical personnel cost levels.

Threshold:

The established threshold of 60% serves as a reference point for personnel cost sustainability. All scenarios, including the historical one, remain well below this threshold, indicating that Gombe State is currently managing personnel costs within sustainable limits.

Conclusion:

i. Gombe State's baseline scenario indicates a favorable trend of decreasing personnel costs as a percentage of revenue, suggesting effective control over workforce-related expenses.

ii. The shock scenarios, while impacting different economic factors, generally do not lead to personnel costs exceeding the established threshold of 60%. This implies that the state has some capacity to absorb shocks without breaching critical personnel cost sustainability levels.

iii. Effective management of revenue, expenditure, exchange rates, and interest rates will be essential to maintain the positive trend observed in the baseline scenario and ensure long-term fiscal stability for Gombe State during the projection period (2023-2032).

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 2027 (as projected in the baseline scenario), while Risk for DMS is measured by the deviation from the expected value in 2027 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 25% with 3 years and 6 years maturity and through bond with 5 years and 7 years maturity at an expected interest rate of 18%, 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.

These comparisons highlight the varying significance of each class of borrowing in the context of the total planned borrowing for the entire period from 2023 to 2032. Commercial Bank Loans and State Bonds were the primary sources of financing, with External Financing playing a relatively minor role in the overall borrowing strategy. The proportions changed from year to year, reflecting the organization's evolving financial priorities and strategies.

Strategy 1 (S1) reflects a "Baseline" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2023 and MTEF, 2024-2026. External gross borrowing under Concessional loans accounts on average 6.05 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 16.59 percent, Commercial Bank loans (maturity above 6 years) accounts on average 31.15 percent, and Other Domestic Financing accounts (state bond) on average of 38.73 percent over the DMS period of 2023 to 2032. Also, all the borrowing options were combined, where the State Government plans to cover the gross financing needs between 2023 and 2032 through borrowing the sum of N57.374 billion, N36.684 billion, N37.048 billion in 2025, 2028, and 2030, respectively, through commercial bank with 3 years maturity, N39.914 billion, N51.638 billion, and N39.476 billion in 2023, 2027, and 2029, respectively, through commercial with 7 years maturity, N41.471 billion and N35.186 billion in 2024 and 2026, respectively, on through State bond with 5 years maturity, N25.880 billion in 2022 through State bond with 7 years maturity, and finally $16 million in 2031 through concessional loan."

Strategy 2 (S2) focuses on financing through commercial bank loans: In this strategy, it has been assumed the distribution between commercial banks with 5 years and 7 years maturity, where the State plans to cover the gross financing needs between 2022 and 2031. The borrowing distributions from 2022 to 2031, the State government will focus its financing through commercial bank loans with an average of 54.76 percent under maturity of above 6 years and 45.24 percent under maturity of 1-5 years over the strategic period. The State plans to cover the gross financing needs between 2022 and 2031 through borrowing the sum of N57.374 billion, N42.349 billion, N43.749 billion, N45.915 billion, and N60.130 billion in 2024, 2026, 2028, 2030, and 2031, respectively, through commercial bank with 3 years maturity, N115.384 billion, N42.349 billion, N43.749 billion, N60.130 billion, and N67.767 billion in 2022, 2023, 2025, 2027, and 2028, respectively, through commercial bank with 7 years maturity."

Strategy (S3) focuses its financing through the domestic debt market (State bond). In strategy 3, the government decided to focus more of its financing from 2022 to 2031, through Commercial Bank (6 years and above), State Bonds (above 6 years), with an average of 34.95 percent and 65.05 percent, respectively. The State plans to cover the gross financing needs between 2022 and 2031 through borrowing the sum of N57.374 billion, N40.437 billion, N43.071 billion, N42.835 billion, and N55.022 billion in 2023, 2025, 2026, 2028, and 2030, respectively, through Commercial Bank with maturity of 6 years and above, N115.384 billion, N43.071 billion, N55.022 billion, N58.870 billion, and N62.773 billion in 2022, 2024, 2027, 2029, and 2031, respectively, through State Bond with 7 years maturity."

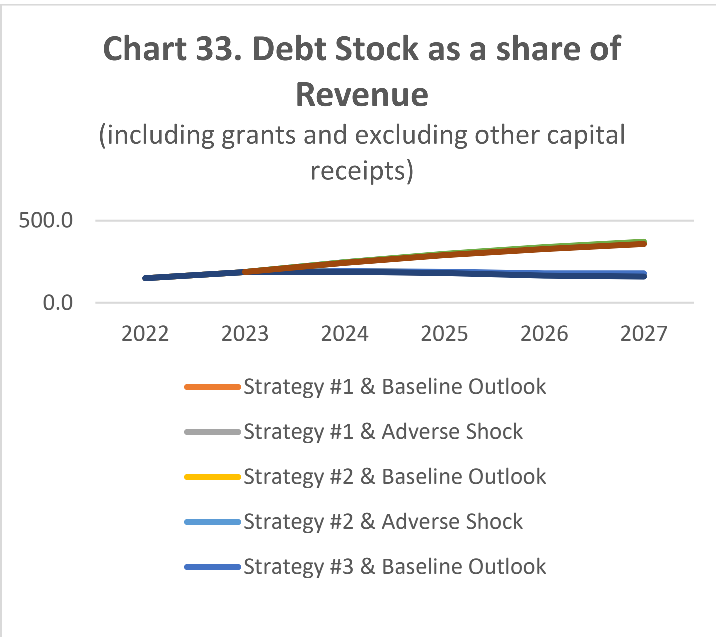
Strategy (S4) focuses its financing through one to five years facility. This Strategy (S4) considers the scenario where proportions of commercial bank (1-5 years) and State bond (1-5 years), with an average of 53.99 percent and 46.01 percent, respectively. The State plans to cover the gross financing needs between 2022 and 2031 through borrowing the sum of N57.374 billion, N38.333 billion, N36.819 billion, N37.694 billion, and N47.163 billion in 2022, 2024, 2027, 2029, and 2031, respectively, through State Bonds with 1-5 years maturity and N36.819 billion, N37.694 billion, N40.613 billion, N44.214 billion, and N41.380 billion in 2023, 2025, 2026, 2028, and 2030, respectively, through State Bond with 6 years or longer maturity."

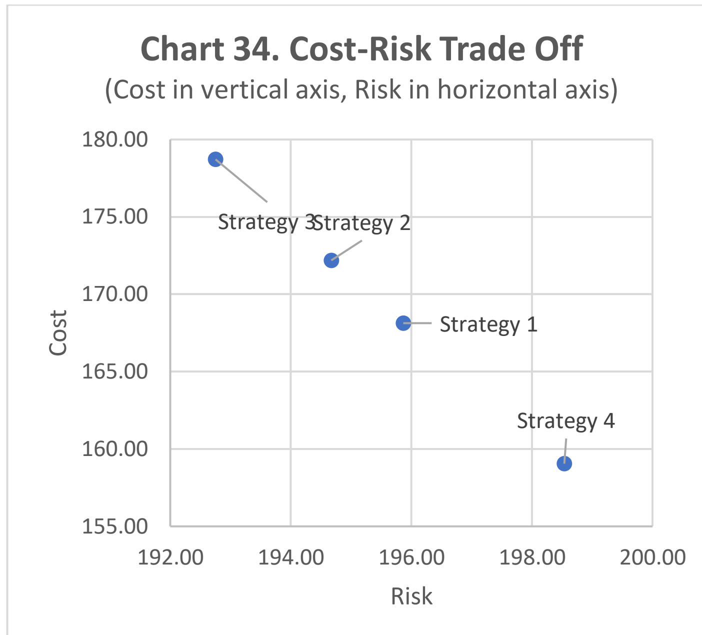
5.2 DMS Simulation Results

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

5.2.1 Debt as a share of Revenue

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





Source: Gombe State Forecasts, 2023

Source: Gombe State Forecasts, 2023

The result on Debt as share of Revenue indicates that:

1. **Strategy 1 & Baseline Outlook:** The debt stock as a percentage of revenue starts at 149.3% in 2022 and increases steadily to 195.9% in 2027. This indicates a growing debt burden over time under the baseline outlook.
2. **Strategy 1 & Adverse Shock:** Under an adverse shock scenario, the debt burden is higher compared to the baseline. It starts at 187.1% in 2022 and grows significantly to 364.0% in 2026. This suggests that Strategy 1 faces substantial challenges in managing debt under adverse conditions.
3. **Strategy 2 & Baseline Outlook:** Similar to Strategy 1, under the baseline outlook, Strategy 2 also starts at 149.3% in 2022. It increases slightly but remains relatively stable at 194.7% in 2027. This strategy appears to manage debt more consistently over time compared to Strategy 1.
4. **Strategy 2 & Adverse Shock:** Under the adverse shock scenario, Strategy 2 also experiences a higher debt burden. It starts at 187.1% in 2022 and increases to 366.9%

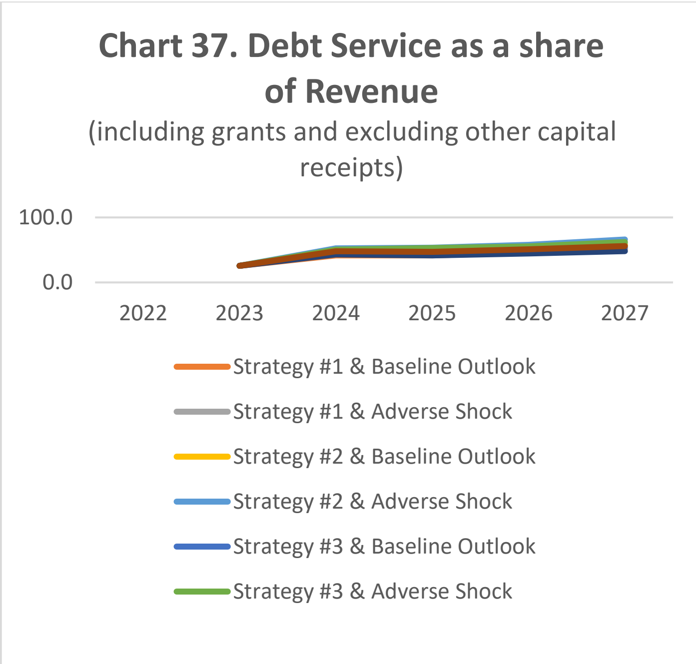
in 2026. While it performs similarly to Strategy 1 under adverse conditions, it shows some resilience in managing debt.

5. **Strategy 3 & Baseline Outlook:** Strategy 3 starts at 149.3% in 2022 under the baseline outlook, similar to the other strategies. It follows a moderate growth trajectory, reaching 192.8% in 2027. This strategy appears to maintain a relatively stable debt-to-revenue ratio over time.
6. **Strategy 3 & Adverse Shock:** Under adverse conditions, Strategy 3's debt burden starts at 187.1% in 2022 and increases to 371.5% in 2026. While it faces challenges, it performs relatively well compared to Strategy 1 and Strategy 2 in managing debt under adverse conditions.
7. **Strategy 4 & Baseline Outlook:** Strategy 4 starts at 149.3% in 2022 under the baseline outlook, like the other strategies. However, it exhibits a decreasing trend over time, reaching 159.0% in 2026 before rising to 198.5% in 2027. This strategy appears to have a more volatile debt management approach.
8. **Strategy 4 & Adverse Shock:** Under adverse conditions, Strategy 4's debt burden starts at 187.1% in 2022 and increases to 357.6% in 2026. It performs reasonably well compared to Strategy 1 and Strategy 2 under adverse conditions but is more volatile compared to Strategy.

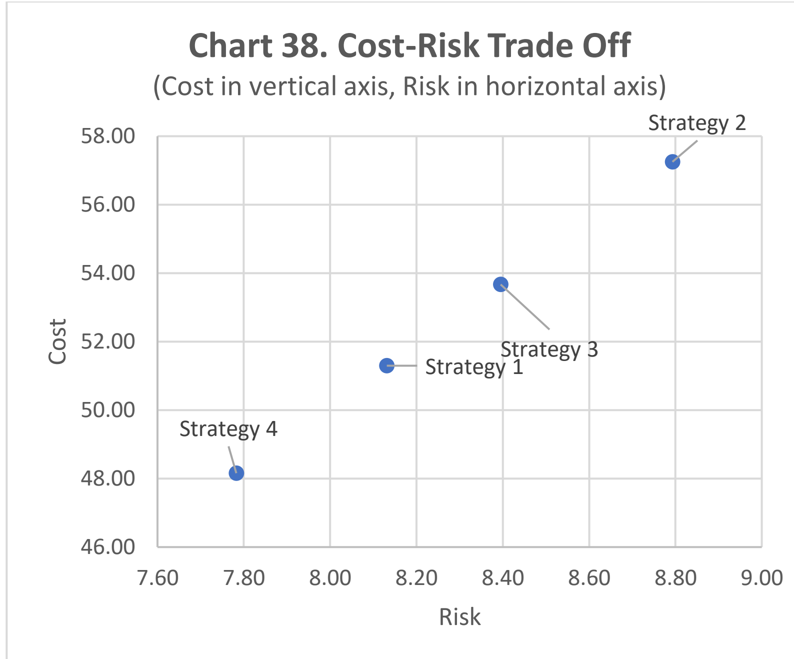
In summary, these numbers show how different strategies and economic outlooks affect the debt-to-revenue ratio over the specified years. Strategies 2 and 3 generally appear to manage debt more consistently under both baseline and adverse scenarios. Strategies 1 and 4 exhibit more volatility in debt management, especially under adverse conditions. It's important to consider these trends when making financial decisions and assessing the sustainability of these strategies.

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: Gombe State Forecasts, 2023



Source: Gombe State Forecasts, 2023

The result on Debt Service as share of Revenue indicates that:

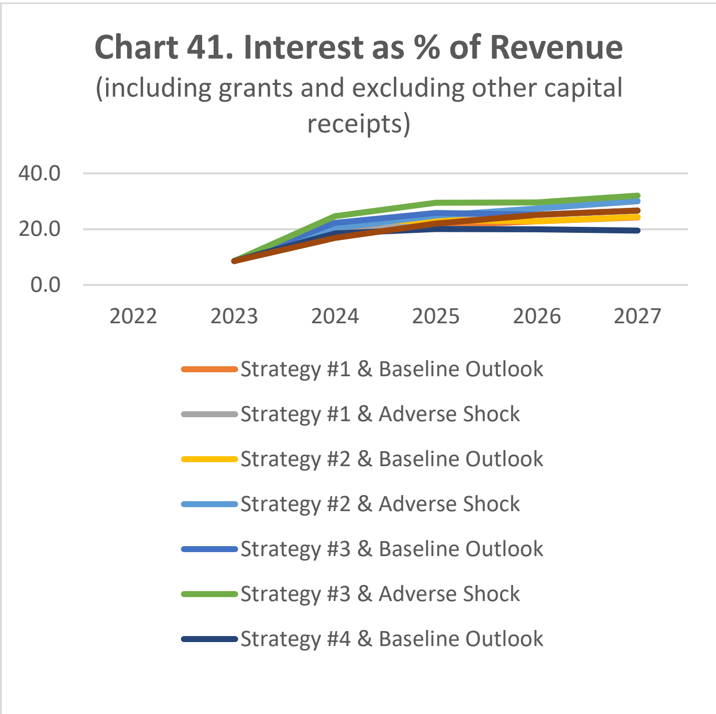
1. **Strategy 1 & Baseline Outlook:** the debt service as a percentage of revenue starts at 25.6% in 2023 and steadily increases to 51.3% by 2026. There is a significant drop to 8.1% in 2027. This suggests a stable trend with a much lower risk in 2027.
2. **Strategy 1 & Adverse Shock:** Similar to the baseline outlook, debt service as a percentage of revenue starts at 25.6% in 2023 and increases to 59.4% by 2026. In 2027, it's not provided (blank).
3. **Strategy 2 & Baseline Outlook:** The debt service as a percentage of revenue starts at 25.6% in 2023 and increases to 57.3% by 2026. It then drops significantly to 8.8% in 2027. This indicates a generally stable trend with a lower risk in 2027.
4. **Strategy 2 & Adverse Shock:** The debt service as a percentage of revenue starts at 25.6% in 2023 and increases to 66.0% by 2026. As with Strategy 1 under adverse shock.
5. **Strategy 3 & Baseline Outlook:** The debt service as a percentage of revenue starts at 25.6% in 2023 and increases to 53.7% by 2026. It then drops to 8.4% in 2027. This strategy exhibits a stable trend with lower risk in 2027.
6. **Strategy 3 & Adverse Shock:** The debt service as a percentage of revenue starts at 25.6% in 2023 and increases to 62.1% by 2026. Like the other strategies under adverse shock.

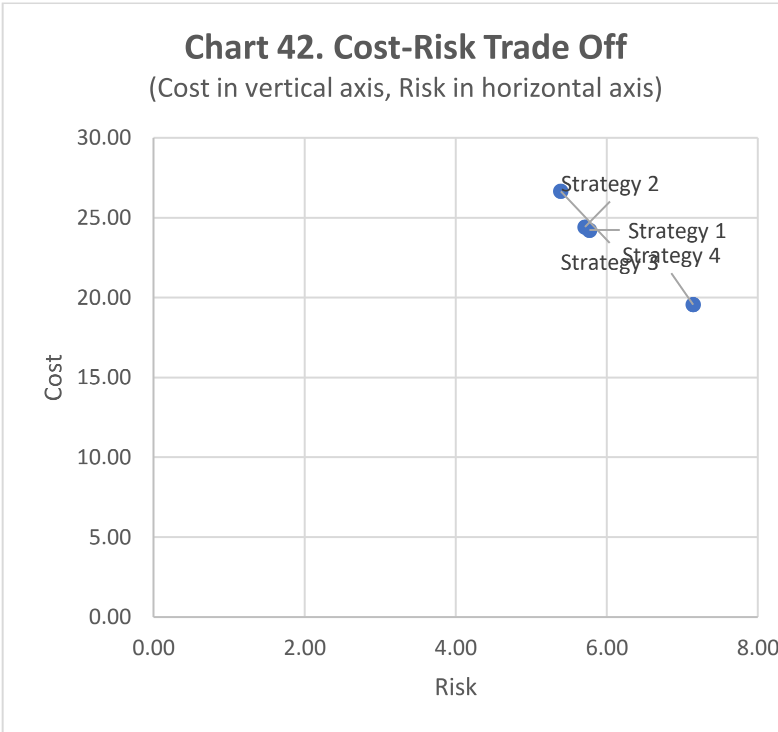
7. **Strategy 4 & Baseline Outlook:** The debt service as a percentage of revenue starts at 25.6% in 2023 and increases to 48.2% by 2026. It then drops to 7.8% in 2027. This strategy shows a stable trend with lower risk in 2027.
8. **Strategy 4 & Adverse Shock:** The debt service as a percentage of revenue starts at 25.6% in 2023 and increases to 55.9% by 2026.

In summary, all strategies show an increasing trend in debt service as a percentage of revenue over the years, indicating some level of risk. Strategies 2 and 3 exhibit relatively stable trends with moderate risk, while Strategies 1 and 4 have more pronounced increases in debt service burden, indicating higher risk.

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: Gombe State Forecasts, 2023 **Source: Gombe State Forecasts, 2023**

The result on Interest as share of Revenue indicates that:

1. **Strategy 1 & Baseline Outlook:** Interest as a percentage of revenue starts at 8.6% in 2022 and increases to 24.2% by 2026. There is a significant drop to 5.8% in 2027. This indicates a trend of increasing interest costs as a percentage of revenue, but with a notable reduction in risk in 2027.
2. **Strategy 1 & Adverse Shock:** Similar to the baseline outlook, interest as a percentage of revenue starts at 8.6% in 2022 and increases to 30.0% by 2026.

3. **Strategy 2 & Baseline Outlook:** Interest as a percentage of revenue starts at 8.6% in 2022 and increases to 24.4% by 2026. There is a significant drop to 5.7% in 2027. This suggests a trend of increasing interest costs as a percentage of revenue, but with a notable reduction in risk in 2027.
4. **Strategy 2 & Adverse Shock:** Interest as a percentage of revenue starts at 8.6% in 2022 and increases to 30.1% by 2026. Similar to Strategy 1 under adverse shock.
5. **Strategy 3 & Baseline Outlook:** Interest as a percentage of revenue starts at 8.6% in 2022 and increases to 26.6% by 2026. There is a significant drop to 5.4% in 2027. This indicates a trend of increasing interest costs as a percentage of revenue, but with a notable reduction in risk in 2027.
6. **Strategy 3 & Adverse Shock:** Interest as a percentage of revenue starts at 8.6% in 2022 and increases to 32.0% by 2026.
7. **Strategy 4 & Baseline Outlook:** Interest as a percentage of revenue starts at 8.6% in 2022 and increases to 19.6% by 2026. There is a significant increase to 7.1% in 2027. This indicates a trend of increasing interest costs as a percentage of revenue, with a notable increase in risk in 2027.
8. **Strategy 4 & Adverse Shock:** Interest as a percentage of revenue starts at 8.6% in 2022 and increases to 26.7% by 2026.

In summary, the provided data shows how interest costs as a percentage of revenue change over the years for different strategies. Most strategies exhibit a trend of increasing interest costs as a percentage of revenue, indicating some level of risk. However, the risk varies depending on the strategy, with Strategy 4 showing a notable increase in risk in 2027, while other strategies exhibit a reduction in risk in that year.

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 S3 these results were just marginally better when compared with referenced strategy (S1) and alternative strategies (S2 and S4). **Strategy 3 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 2022**.

Based on the analysis provided and the information about Gombe State's debt management strategy for the previous year, Strategy 3 (S3) emerges as the preferred choice for the following reasons:

1. **Cost and Risk Assessment:** Strategy 3 (S3) was marginally better in terms of costs and risks when compared to the referenced Strategy 1 (S1) and alternative strategies (S2 and S4). While all strategies showed an increasing trend in debt service costs, S3 exhibited a relatively stable trend with a moderate increase in debt service as a

percentage of revenue. This indicates a somewhat lower risk compared to other strategies.

2. **Cost-Risk Trade-offs:** S3 was selected based on an evaluation of cost-risk trade-offs, considering various ratios such as debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP, and interest payment to GDP ratios. S3 was found to be the most favorable strategy for the 2022-2025 period in terms of managing these trade-offs effectively.
3. **Prudent Debt Management Framework:** The Debt Management Strategy (DMS) for 2022-2026 was described as a robust framework for prudent debt management, and S3 aligns with this framework.
4. **Sensitivity to Shocks:** While Gombe State remained sensitive to various economic shocks, the choice of S3 likely considered the state's ability to withstand these shocks while maintaining fiscal stability.
5. **Debt Service and Personnel Costs:** S3 was projected to keep the ratios of Debt Service to Revenue and Personnel Cost to Revenue within acceptable thresholds over the projection period from 2022 to 2031. This indicates a commitment to managing debt service and personnel costs responsibly.

Given these factors, Strategy 3 (S3) appears to be the most well-rounded choice, considering both cost and risk management, debt reduction, and alignment with the prudent debt management framework. However, it's important to note that the final decision should also consider the specific economic and financial conditions prevailing in the current year and may involve additional factors not covered in the provided analysis.

The report concluded that, there is a need for the Gombe 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 2023 to 2032, with the strong-minded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively.

Annexes
Annex I: Table Assumption

2023

Assumptions:		Projection Methodology	Source
Economic activity	State GDP (at current prices)	The price of 75 dollars per barrel from 2024-2026 was adopted, the projected GDP was calcultaed base on the National GDP taking into consideration the average changes in the National GDP	Word Bank/DMO Estimate
Revenue	**Revenue**		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	The estimatation is based on an elasticity forecast (National macro-economic, mineral assumptions in the FGN MTEF/FSP 2024-2026 framework). Its also from historical mineral revenues flows, National real GDP and inflation and Nigeria Governor's Forum Secretariat. Whereas from 2027 to 2032 an average increase was proposed, derived from the average percentage of 2024 to 2026 amount after considering Economic situatio of the country (Expecting the economy growth will improve).	Audited Financial Report/ MTEF
	1.a. of which Net Statutory Allocation ('net' means of deductions)		
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)		
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	The estimation of other FAAC transfer was based on the expected economic situation in the country i.e Inflation rate, and the recession, from 2027 to 2032 its with the hope the economy will improve therefore an increament was proposed.	Audited Financial Report/ MTEF
	4. VAT Allocation	VAT - is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2023-2026 is in line with the current rate of collections which is 7.5% as approved by the National Assembly. Whereas from 2027 to 2032 an average increase was proposed, derived from the average percentage of 2024 to 2026 amount and expecting economic improvement.	Audited Financial Report/ MTEF
	5. IGR	The estimation is based on own percentage taking into consideration the economic activity of the State, reform of revenue administration and the impact of inflation. Whereas from 2026 to 2032 an average increase was proposed, the percentage was derived from the average percentage of 2024 to 2026 amount and with the implementation of treasury single account, establishment of taxpayer database, the perfection of the TSA, establishment of Executive Management Committee, cash to cashless policy, 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, the collection will improve .	Audited Financial Report/ MTEF
	6. Capital Receipts		Audited Financial Report/ MTEF
	6.a. Grants	Grants are largely from Local Government contributions to the State Infrastructure and social sector projects and UBE. Whereas from 2027 to 2032 an average increase was proposed, derived from the average percentage of 2024 to 2026 amount and with the recent efforts on State Governmentdevelopment of 10-year development plan, however, donors are expected to key in with more grants in the coming years .	Audited Financial Report/ MTEF
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	**Expenditure**		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	The Personnel cost is anticipated to remain the same occasioned by COVID-19 Pandemic which is estimated as 3% for 2022-2024 and based on the State MTEF 2024-2026. Whereas from 2027 to 2032 an average increase was proposed, derived from the average percentage of 2024 to 2026 amount and personnel cost is expected to grow in the period under review due to the minimum wage policy by the Federal Government and the appointment of public service office holders.	Audited Financial Report/ MTEF
	2. Overhead costs	The State overhead costs increased exponentially in 2018 by 17.13% but the current administration is reducing cost of governance for capital investment from 2019 forward. Whereas from 2027 to 2032 an average increase was proposed, derived from the average percentage of 2024 to 2026 amount which is based on MTEF 2024-2026 and the increament was proposed because of day to day running of Government activities.	Audited Financial Report/ MTEF
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	The Interest payment is based on the amortization schedule of each facility	Audited Financial Report/ MTEF/Amortization Sche
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)		
	5. Capital Expenditure	It is based on the balance from the recurrent account plus capital receipts and is in the form of discretional and non-discretional capital expenditure. Whereas from 2027 to 2032 an average increase was proposed, derived from the average percentage of 2024 to 2026 amount which is based on 2024-2026 MTEF and the State intend to embark more developmental projects therefore capital expenditure will grow during the period.	Audited Financial Report/ MTEF
Closing Cash and Bank Balance	**Closing Cash and Bank Balance**	The method used to ascertain the closing cash and bank balance was based on ecomomic situation of the State and the Country, in 2020 the closing balance drop due to the economic hardship (Covid-19 pandemic and recession), from 2021 it start improving with the expectation of going out of recession, 2022 is based on the budget while from 2023 to 2025 is based on MTEF, while from 2026 to 2031 is based on average percentage from the the previous closing cash and bank balances	Audited Financial Report/ MTEF
Debt Amotization and Interest Payments	**Debt Outstanding at end-2022**		
	External Debt - amortization and interest	The Gombe State External debt are mainly from world bank and african development banks at an aveage interest rate of 2%, while some debt are concessional, the average period is 30 years	Audited Financial Report/ MTEF/Amortization Sche
	Domestic Debt - amortization and interest	The Gombe State Domestic debt are mainly Federal Government loans through commercial banks at the average interest rate of 9% and bonds at the rate of 14.5%-16% and other loans at the interest of 15-18.5%.	Audited Financial Report/ MTEF/Amortization Sche
	New debt issued/contracted from 2023 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State Government is planning to borrow $98.8 million in 2023 at a concessional interest rate of 2.5% with 20 years maturity period and 5 years grace period.	Audited Financial Report/ MTEF/Amortization Sche
	External Financing - Bilateral Loans	The State has no any plan for Bilateral loans	Audited Financial Report/ MTEF/Amortization Sche
	Other External Financing	No Plan for other external financing	Audited Financial Report/ MTEF/Amortization Sche
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State plan to borrow from Commercial Bank for the projection period (2023-2032) the averagely the sum of N7,675.60 and N32,944.80 for the period of 1-5 years for Strategies (S1 and S2) respectively with an interest rate of 25%.	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The Commercial Bank has a plan to borrow for the projection period (2023-2032) averagely the sum of N12,349.20 and N11,053.10 for the period of 6 years or longer for Strategies (S1 and S3) respectively with an interest rate of 25%.	Audited Financial Report/ MTEF

	State Bonds (maturity 1 to 5 years)	The State Bond has a plan to borrow for the projection period (2023-2032) averagely the sum of N6,736.70, N38,271.90, N26,870.90 for a period of 1-5 years for Strategies (S1, S2 and S4) respectively at an interest rate of 18% and will be from the Nigerian capital market.	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	The State Bond has a plan to borrow for the projection period (2023-2032) averagely the sum of N16,654.70, N38,889.50 and N24,158.50 for a period of 6 years or longer for Strategies (S1, S3 aand S4) respectively at an interest rate of 18% and will be from the Nigerian capital market.	Audited Financial Report/ MTEF
	Other Domestic Financing	No plan of borrowing for Other Domestic Financing	Audited Financial Report/ MTEF
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State is planning to borrow commercial bankthe sum of N63,303 million at 25% interest rate with an average period of 3 years, within the projection period of 2023-2032 for Strategy S1.	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The the State plan to borrow commercial bank the sum of N118,846 million at 25% interest rate with an average period of 6 years, within the projection period of 2023-2032 for Strategy (S1).	Audited Financial Report/ MTEF
	State Bonds (maturity 1 to 5 years)	The State to borrow in short-term through State Bond with the sum of N51,871 million at 18% interest rate with an average period of 5 years for Strategy (S1) within the projection period of 2023-2032.	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	The State plan to borrow through State Bond the sum of N95,880 million at 18% interest rate with an average period of 7 years for Strategy (S1) within the projection period of 2023-2032.	Audited Financial Report/ MTEF
	Other Domestic Financing	No plan for other domestic financing	Audited Financial Report/ MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State Government is planning to borrow externally the sum of $118.6 million at an average interest rate of 2.5% with 20 years maturity period and 5 years grace period within the projection period of 2023-2032 for Strategy (S1).	Audited Financial Report/ MTEF
	External Financing - Bilateral Loans	The State has no any plan for Bilateral loans	Audited Financial Report/ MTEF
	Other External Financing	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The the State plan to borrow commercial bank the sum of N239,598 million at 25% interest rate with an average period of 6 years, within the projection period of 2023-2032 for Strategy (S1).	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has no plan to borrow in this strategy	Audited Financial Report/ MTEF
	State Bonds (maturity 1 to 5 years)	The State plan to borrow through State Bond the sum of N359,602 million at 18% interest rate with an average period of 7 years for Strategy (S1) within the projection period of 2023-2032.	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	The State has no plan to borrow in this strategy	Audited Financial Report/ MTEF
	Other Domestic Financing	The State has no plan to borrow in this strategy	Audited Financial Report/ MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	External Financing - Bilateral Loans	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	Other External Financing	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has no plan to borrow from 1-5yrs in this strategy	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The the State plan to borrow commercial bank the sum of N266,301 million at 25% interest rate with an average period of 6 years, within the projection period of 2023-2032 for Strategy (S1).	Audited Financial Report/ MTEF
	State Bonds (maturity 1 to 5 years)	The State has no plan to borrow bond from 1-5yrs in this strategy	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	The State plan to borrow through State Bond the sum of N293,711 million at 18% interest rate with an average period of 7 years for Strategy (S1) within the projection period of 2023-2032.	Audited Financial Report/ MTEF
	Other Domestic Financing	The State has no plan to borrow from other domestic financing in this strategy	Audited Financial Report/ MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	External Financing - Bilateral Loans	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	Other External Financing	The State has no plan to borrow from other external in this strategy	Audited Financial Report/ MTEF
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	**Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4**		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has no plan to borrow from 1-5yrs in this strategy	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has no plan to borrow from commercial bank for the period of 6yrs or longer in this strategy	Audited Financial Report/ MTEF
	State Bonds (maturity 1 to 5 years)	The State to borrow in short-term through State Bond with the sum of N244,501 million at 18% interest rate with an average period of 5 years for Strategy (S1) within the projection period of 2023-2032.	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	The State plan to borrow through State Bond the sum of N176,584 million at 18% interest rate with an average period of 7 years for Strategy (S1) within the projection period of 2023-2032.	Audited Financial Report/ MTEF
	Other Domestic Financing	The State has no plan to borrow through bonds in this strategy for the period of 6 and above years	Audited Financial Report/ MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	External Financing - Bilateral Loans	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	Other External Financing	The State has no plan to borrow other external financing in this strategy	Audited Financial Report/ MTEF

Annex II: Historical and projections of the S1_Baseline Scenario

Indicator	Actuals 2018	2019	2020	2021	2022	Projections 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
BASELINE SCENARIO															
Economic Indicators															
State GDP (at current prices)	1,136,160.62	1,239,249.37	1,383,165.02	1,620,483.73	1,787,083.21	2,654,639.27	3,049,864.26	3,393,136.00	3,775,287.94	4,200,479.75	4,673,558.78	5,199,918.33	5,785,559.14	6,437,157.73	7,162,142.62
Exchange Rate NGN/US$ (end-Period)	253.19	305.79	306.50	326.00	379.00	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57	435.57
Fiscal Indicators (Million Naira)															
Revenue	**77,368.00**	**82,212.40**	**80,713.90**	**82,609.99**	**176,400.62**	**171,192.02**	**161,402.69**	**173,694.51**	**190,777.88**	**212,074.92**	**210,250.56**	**221,159.41**	**224,312.18**	**225,000.98**	**226,572.74**
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	40,051.56	38,784.81	32,076.46	32,166.05	35,757.43	42,000.00	48,580.85	53,141.83	62,175.95	68,393.54	75,232.89	80,499.20	86,134.14	92,163.53	98,614.98
1.a. of which Net Statutory Allocation ('net' means of deductions)	40,051.56	38,784.81	32,076.46	32,166.05	35,757.43	42,000.00	48,580.85	53,141.83	58,456.02	64,301.62	70,731.78	75,683.01	80,980.82	86,649.47	92,714.94
1.b. of which Deductions	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
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)	10,181.29	7,686.84	3,831.96	3,570.52	14,540.05	10,000.00	10,300.00	10,609.00	10,927.27	11,255.09	11,592.74	11,940.52	12,298.74	12,667.70	13,047.73
4. VAT Allocation	10,145.74	10,940.65	13,377.88	18,999.82	23,070.22	20,500.00	21,599.39	26,517.33	23,880.64	25,074.68	26,328.41	27,644.83	29,027.07	30,478.43	32,002.35
5. IGR	7,490.37	6,832.03	8,637.43	10,023.30	13,223.27	18,217.45	14,912.78	16,776.88	23,349.65	24,283.63	25,254.98	26,265.18	27,315.78	28,408.42	29,544.75
6. Capital Receipts	9,499.00	17,968.10	22,790.20	17,850.31	89,809.66	80,474.57	66,009.67	66,649.47	70,444.37	83,067.98	71,841.53	74,809.69	69,536.44	61,282.90	53,362.93
6.a. Grants	3,593.03	6,119.73	13,829.10	5,731.20	14,986.74	12,600.00	13,300.00	13,000.00	13,325.00	13,591.50	13,863.33	14,140.60	14,423.41	14,711.88	15,006.11
6.b. Sales of Government Assets and Privatization Proceeds	0.00	5,695.20	5,551.13	7,949.20	0.00	0.00	5,000.00	5,025.00	5,050.13	5,075.38	5,100.75	5,126.26	5,151.89	5,177.65	5,203.54
6.c. Other Non-Debt Creating Capital Receipts	5,905.94	6,153.16	3,410.00	4,169.91	13,905.84	10,500.00	11,025.00	11,576.25	12,155.06	12,762.82	13,400.96	14,071.00	14,774.55	15,513.28	16,288.95
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	0.00	0.00	0.00	0.00	60,917.07	57,374.57	36,684.67	37,048.22	39,914.18	51,638.29	39,476.49	41,471.83	35,186.59	25,880.10	16,864.34
Expenditure	**72,280.50**	**77,291.00**	**76,726.71**	**89,512.78**	**155,588.54**	**202,439.71**	**156,402.69**	**173,694.51**	**195,777.88**	**212,074.92**	**210,250.56**	**221,159.41**	**224,312.18**	**225,000.98**	**226,572.74**
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	19,276.64	19,330.17	18,775.90	21,437.75	29,161.29	29,128.25	23,014.20	23,704.62	32,160.31	32,803.51	33,459.58	34,128.77	34,811.35	35,507.58	36,217.73
2. Overhead costs	19,876.85	18,715.96	18,273.60	16,506.27	21,504.61	30,280.26	19,179.70	20,138.68	18,809.94	19,186.13	19,569.86	19,961.25	20,360.48	20,767.69	21,183.04
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	3,738.70	4,214.57	4,800.01	6,776.85	8,744.11	8,863.13	21,348.61	25,305.33	30,513.21	34,539.25	28,235.42	29,301.22	31,269.98	29,501.58	27,569.71
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	177.83	238.50	616.68	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	3,560.87	3,976.07	4,183.33	6,776.85	8,744.11	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)	0.00	0.00	0.00	0.00	8,874.90	17,144.45	10,000.00	10,200.00	10,404.00	10,612.08	10,824.32	11,040.81	11,261.62	11,486.86	11,716.59
5. Capital Expenditure	25,775.88	30,715.08	29,033.40	31,576.47	59,142.50	99,463.25	58,769.90	69,426.92	72,689.70	76,324.19	80,140.39	84,147.41	88,354.78	92,772.52	97,411.15
6. Amortization (principal) payments	3,612.43	4,315.19	5,843.80	13,215.43	28,161.13	17,560.38	24,090.28	24,918.96	31,200.72	38,609.75	38,020.98	42,579.94	38,253.96	34,964.75	32,474.51
Budget Balance ('+' means surplus, '-' means deficit)	**5,087.50**	**4,921.40**	**3,987.19**	**-6,902.78**	**20,812.08**	**-31,247.70**	**5,000.00**	**0.00**	**-5,000.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Opening Cash and Bank Balance	**8,342.30**	**13,429.80**	**18,351.20**	**22,338.40**	**15,435.62**	**36,247.70**	**5,000.00**	**10,000.00**	**10,000.00**	**5,000.00**	**5,000.00**	**5,000.00**	**5,000.00**	**5,000.00**	**5,000.00**
Closing Cash and Bank Balance	**13,429.80**	**18,351.20**	**22,338.39**	**15,435.62**	**36,247.70**	**5,000.00**	**10,000.00**	**10,000.00**	**5,000.00**	**5,000.00**	**5,000.00**	**5,000.00**	**5,000.00**	**5,000.00**	**5,000.00**
Financing Needs and Sources (Million Naira)															
Financing Needs						**67,874.57**	**52,709.67**	**53,649.47**	**57,119.37**	**69,476.48**	**57,978.20**	**60,669.09**	**55,113.03**	**46,571.03**	**38,356.82**
i. Primary balance						-72,698.75	-2,270.77	-3,425.17	-405.43	3,672.53	8,278.20	11,212.07	14,410.91	17,895.30	21,687.41
ii. Debt service						26,423.51	45,438.89	50,224.30	61,713.94	73,149.01	66,256.40	71,881.16	69,523.94	64,466.33	60,044.23
Amortizations						17,560.38	24,090.28	24,918.96	31,200.72	38,609.75	38,020.98	42,579.94	38,253.96	34,964.75	32,474.51
Interests						8,863.13	21,348.61	25,305.33	30,513.21	34,539.25	28,235.42	29,301.22	31,269.98	29,501.58	27,569.71
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-31,247.70	5,000.00	0.00	-5,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Sources						**67,874.57**	**52,709.67**	**53,649.47**	**57,119.37**	**69,476.48**	**57,978.20**	**60,669.09**	**55,113.03**	**46,571.03**	**38,356.82**
i. Financing Sources Other than Borrowing						10,500.00	16,025.00	16,601.25	17,205.19	17,838.19	18,501.71	19,197.26	19,926.44	20,690.93	21,492.48
ii. Gross Borrowings						57,374.57	36,684.67	37,048.22	39,914.18	51,638.29	39,476.49	41,471.83	35,186.59	25,880.10	16,864.34
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)						0.00	0.00	17,048.20	9,914.20	0.00	19,476.50	10,000.00	0.00	0.00	6,864.30
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)						17,374.60	0.00	20,000.00	30,000.00	0.00	0.00	31,471.80	0.00	10,000.00	10,000.00
State Bonds (maturity 1 to 5 years)						0.00	36,684.70	0.00	0.00	0.00	0.00	0.00	15,186.60	0.00	0.00
State Bonds (maturity 6 years or longer)						40,000.00	0.00	0.00	0.00	0.00	20,000.00	0.00	20,000.00	15,880.10	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	51,638.29	0.00	0.00	0.00	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						-0.03	-0.03	0.02	-0.02	0.00	-0.01	0.03	-0.01	0.00	0.04
Debt Stocks and Flows (Million Naira)															
Debt (stock)	**70,148.70**	**91,966.28**	**96,940.80**	**89,864.45**	**151,633.65**	**193,285.36**	**205,879.74**	**218,009.00**	**226,722.46**	**239,750.99**	**241,206.50**	**240,098.39**	**237,031.02**	**227,946.37**	**212,336.19**
External	6,810.80	8,042.18	11,217.90	11,455.67	12,310.76	13,696.56	13,244.84	12,793.12	12,341.40	63,527.97	63,076.25	62,624.53	62,172.82	61,721.10	61,269.38
Domestic	63,337.90	83,924.10	85,722.90	78,408.77	139,322.90	179,588.80	192,634.90	205,215.88	214,381.06	176,223.02	178,130.25	177,473.85	174,858.20	166,225.27	151,066.81
Gross borrowing (flow)						**57,374.57**	**36,684.67**	**37,048.22**	**39,914.18**	**51,638.29**	**39,476.49**	**41,471.83**	**35,186.59**	**25,880.10**	**16,864.34**
External						0.00	0.00	0.00	0.00	51,638.29	0.00	0.00	0.00	0.00	0.00
Domestic						57,374.57	36,684.67	37,048.22	39,914.18	0.00	39,476.49	41,471.83	35,186.59	25,880.10	16,864.34
Amortizations (flow)	**27,129.91**	**25,429.24**	**23,762.08**	**28,972.33**	**21,459.72**	**17,560.38**	**24,090.28**	**24,918.96**	**31,200.72**	**38,609.75**	**38,020.98**	**42,579.94**	**38,253.96**	**34,964.75**	**32,474.51**
External	174.70	324.13	515.49	338.09	606.40	451.72	451.72	451.72	451.72	451.72	451.72	451.72	451.72	451.72	451.72
Domestic	26,955.21	25,105.11	23,246.59	28,634.24	20,853.32	17,108.66	23,638.57	24,467.25	30,749.00	38,158.04	37,569.26	42,128.22	37,802.24	34,513.03	32,022.80
Interests (flow)	**2,950.63**	**4,272.67**	**4,160.47**	**5,418.00**	**8,334.33**	**8,863.13**	**21,348.61**	**25,305.33**	**30,513.21**	**34,539.25**	**28,235.42**	**29,301.22**	**31,269.98**	**29,501.58**	**27,569.71**
External	63.30	58.10	96.58	43.72	50.82	58.41	58.41	58.41	58.41	58.41	1,349.37	1,349.37	1,349.37	1,349.37	1,349.37
Domestic	2,887.33	4,214.57	4,063.88	5,374.28	8,283.51	8,804.72	21,290.20	25,246.93	30,454.80	34,480.84	26,886.05	27,951.86	29,920.61	28,152.22	26,220.35
Net borrowing (gross borrowing minus amortizations)						**39,814.18**	**12,594.38**	**12,129.26**	**8,713.46**	**13,028.53**	**1,455.51**	**-1,108.11**	**-3,067.37**	**-9,084.65**	**-15,610.18**
External						-451.72	-451.72	-451.72	-451.72	51,186.57	-451.72	-451.72	-451.72	-451.72	-451.72
Domestic						40,265.90	13,046.10	12,580.98	9,165.18	-38,158.04	1,907.23	-656.40	-2,615.65	-8,632.93	-15,158.46
Debt and Debt-Service Indicators															
Debt Stock as % of SGDP	**6.17**	**7.42**	**7.01**	**5.55**	**8.48**	**7.28**	**6.75**	**6.43**	**6.01**	**5.71**	**5.16**	**4.62**	**4.10**	**3.54**	**2.96**
Debt Stock as % of Revenue (including grants and excluding other capital receipts)	**98.16**	**130.70**	**135.10**	**127.48**	**149.28**	**187.08**	**189.41**	**181.61**	**169.63**	**168.13**	**158.40**	**149.60**	**140.09**	**127.75**	**112.82**
Debt Service as % of SGDP						**1.00**	**1.49**	**1.48**	**1.63**	**1.74**	**1.42**	**1.38**	**1.20**	**1.00**	**0.84**
Debt Service as % of Revenue (including grants and excluding other capital receipts)						**25.58**	**41.80**	**41.84**	**46.17**	**51.30**	**43.51**	**44.79**	**41.09**	**36.13**	**31.90**
Interest as % of SGDP						**0.33**	**0.70**	**0.75**	**0.81**	**0.82**	**0.60**	**0.56**	**0.54**	**0.46**	**0.38**
Interest as % of Revenue (including grants and excluding other capital receipts)						**8.58**	**19.64**	**21.08**	**22.83**	**24.22**	**18.54**	**18.26**	**18.48**	**16.53**	**14.65**
Personnel Cost as % of Revenue (including grants and excluding other capital receipts)						**28.19**	**21.17**	**19.75**	**24.06**	**23.00**	**21.97**	**21.27**	**20.57**	**19.90**	**19.24**

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