ZamTracka

An analysis of Zamfara State's Fiscal Policies 2018 - 2022 :

A GUIDE TO FISCAL REFORMS

About Us

ZamTracka is a civic tech initiative that leverages on data and technology to entrench civic engagements around the subnational fiscal budgets and zonal interventions specifically at the subnational level in a bid to support citizens right to demand transparency, social accountability, institutional reforms, inclusiveness and effective service delivery.

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GLOSSARY

The list provides general descriptions, not precise legal definitions, of the terms commonly used in this document. However, the descriptions include legal and policy elements relevant to how these terms are understood and applied in practice.

Budget Timeline:
This refers to the dates of formal submission of the annual fiscal budget to the state's House of Assembly for scrutiny and subsequent assenting by the Executive Governor.

Budget Size:
The aggregation of all the revenue projections for a fiscal year gives a picture of the budget size.

Capital Revenue (Receipts):
This is a revenue component that funds capital expenditures and it includes debt instruments, grants and aids etc.

Recurrent Revenue:
This is a revenue component that funds recurrent expenditures and it includes statutory transfers and Internally Generated Revenue

Capital Expenditure:
This is an expenditure component on items or projects that increases economic growth

Recurrent Expenditure:
This is an expenditure component on items that ensures the smooth day to day running of government.

Gross Domestic Product (GDP):
This is a measure of the monetary value of final goods and services generated within the borders of a state or country.

Internally Generated Revenue:
this is the internally generated revenue obtained within a state in a given fiscal year

Debt Servicing:
This is the amount a state spends to pay back borrowed funds to foreign and domestic lenders through a series of scheduled payments

Domestic Debt Stock:
This is the quantum of debt the state owes domestic lenders.

External Debt Stock:
This is a portion of a state's debt obtained from foreign financial institution

Fiscal Sustainability:
This is the ability of government to sustain its current spending, tax and other policies in the long run without threatening government solvency or defaulting on some of its liabilities or promised expenditures

ABBREVIATIONS

COVID-19:	Corona Virus Disease.
DSA:	Debt Sustainability Analysis
DMO:	Debt Management Office
FY:	Fiscal Year
FAAC:	Federal Account Allocation Committee
FSA:	Fiscal Sustainability Analysis
GDP:	Gross Domestic Product
IGR:	Internally Generated Revenue
NBS:	National Bureau of Statistics
MDAs:	Ministries, Department and Agencies
MTEF:	Medium Term Expenditure framework
PAYE:	Pay As You Earn
SFTAS:	States Fiscal Transparency, Accountability and Sustainability
VAT:	Value Added Tax

DATA SOURCES

Data	Source(s)
Budget size	2018, 2019, 2020 and 2021 audit reports
Budget capital and recurrent revenues estimates	2018, 2019, 2020 and 2021 audit reports
Budget capital and recurrent expenditure estimates	2018, 2019, 2020 and 2021 audit reports
Budget revenue performances	2018, 2019, 2020 and 2021 audit reports
Budget Expenditure performances	2018, 2019, 2020 and 2021 audit reports
Total Revenue	2018, 2019, 2020 and 2021 audit reports (Recurrent Revenue + Cap ital Receipts (non-debt))
Total Expenditure	2018, 2019, 2020 and 2021 audit reports Actual Recurrent + Capital Expenditures (debt servicing inclusive
Domestic debt profile	Debt Management Office
Debt servicing	Debt Management Office, 2018, 2019, 2020 & 2021 Audit reports on debt repaymenrt
Debt servicing Sustainabilty analysis	Zamfara Ministry of Finance
Fiscal Sustainabilty analysis	2018, 2019, 2020 and 2021 audit reports

INTRODUCTION

INTRODUCTION

The primary objective of this report is to provide a comprehensive evaluation of Zamfara State's fiscal policies between 2018 and 2022. By examining budget revenues, expenditures, and trends, alongside debt stock and fiscal sustainability, the report seeks to identify strengths, weaknesses, and areas needing reform. This analysis is intended to serve as a guide for policymakers, economic stakeholders, and the broader community, facilitating informed decisions that will drive fiscal reforms. This project underscores a shared commitment to enhancing fiscal governance and economic stability in Zamfara State.

Focusing on a range of critical fiscal parameters, this report covers budget revenues, budget expenditures, revenue and expenditure trends, debt stock, and the overarching theme of fiscal sustainability. Each of these areas has been selected for its vital role in understanding the state's fiscal health and governance. By dissecting these components, the report aims to provide a holistic view of Zamfara's fiscal management practices and their implications for future policy-making and economic strategy.

The methodology employed in this analysis combines quantitative and qualitative approaches to ensure a robust evaluation of Zamfara State's fiscal policies. Data collection involved reviewing official budget documents, financial statements, and reports from relevant government agencies. This was complemented by interviews with key stakeholders, including government officials, financial experts, and representatives from civil society. The analysis also incorporates comparative studies with other regions to contextualize Zamfara's fiscal performance and policy outcomes.

Fiscal reforms are critical for enhancing economic efficiency, reducing vulnerabilities, and promoting sustainable development. For Zamfara State, addressing fiscal challenges through comprehensive reforms is essential for achieving long-term economic stability, improving public service delivery, and fostering an environment conducive to investment and growth. This report highlights the urgent need for reforms, drawing attention to the potential benefits of strategic fiscal management, including increased fiscal space, enhanced public trust, and the promotion of social welfare.

The report is structured to facilitate ease of understanding, beginning with an in-depth analysis of budget revenues and expenditures, followed by an examination of revenue and expenditure trends. Subsequent sections delve into debt stock and assess fiscal sustainability, culminating in recommendations for fiscal reforms. This structured approach allows readers to navigate through the complex fiscal landscape of Zamfara State, gaining insights into specific areas of interest.

This report is a modest attempt to set the stage for a comprehensive exploration of Zamfara State's fiscal policies and their implications. By highlighting the need for fiscal reforms and providing a roadmap for analysis, the report aims to engage a wide range of stakeholders in a meaningful dialogue about the future of fiscal governance in Zamfara State. We invite policymakers, economic analysts, and the public to engage with the findings and recommendations presented, fostering a collective pursuit of sustainable fiscal policies and economic development in Zamfara State. The beauty about this project is that, it is a wholly home-grown initiative.

OVERVIEW OF THE BUDGET PREPARATION PROCESS

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The budget preparation process is a crucial aspect of governance, encompassing various stages and considerations. Beginning with the identification of priorities, the government engages in a comprehensive assessment of the state's financial landscape. This involves evaluating revenue sources, historical expenditure patterns, and socioeconomic indicators to establish a realistic fiscal framework. Once priorities are established, the next step involves consultation with relevant stakeholders, including government agencies, local communities, and experts.

This participatory approach ensures that diverse perspectives are considered, fostering transparency and accountability in the budgetary decisions. It also helps align the budget with the needs and aspirations of the people, promoting inclusive development. Revenue estimation is a pivotal aspect of the budget preparation process. Zamfara State relies on a mix of sources, including internally generated revenue, federal allocations, and grants. Accurate forecasting of these revenues is essential for creating a balanced budget that meets the state's requirements without creating fiscal imbalances. Following revenue estimation, budgetary allocations are made to different sectors, such as education, healthcare, infrastructure, and agriculture.

Budget preparation also involves adherence to fiscal responsibility and accountability principles to prevent misuse of public funds.

This allocation process involves a careful balancing act, considering the priority areas identified earlier and the available financial resources. It requires a judicious distribution of funds to ensure equitable development across the state. Budget preparation also involves adherence to fiscal responsibility and accountability principles. Stringent financial management practices, including expenditure tracking and audit mechanisms, are. in place to prevent misuse of public funds. This ensures that the allocated resources are efficiently utilized to achieve the intended developmental goals. The final stage of the budget preparation process involves the approval and implementation of the budget. The state legislature plays a critical role in scrutinizing and approving the budget. Once approved, the government embarks on the implementation phase, translating budgetary allocations into tangible projects and programs.

The budget timeline refers to the dates of formal submission of the annual fiscal budget to the state's House of Assembly for Scrutiny and subsequent assenting by the Executive Governor. The need for its submission to the House of Assembly is to give room far consultations on the budget contents so they meet policy demands as well as the yearnings and aspirations of the common man. These consultations and scrutiny are the purview of the respective standing committees of The House and it is the

The earlier the budget is sent to the House of Assembly, the better.

cumulative product they present that is adopted by the House and sent for assenting by the Executive arm of the Government the Governor is the sole authority to sign the appropriation bill at the state level.

The need of early preparations thus, can never be overemphasized: the earlier the budget is sent to the House of Assembly, the better. Ideally, the fiscal budget for the coming year needs to be signed into law before the beginning of the new fiscal year. So, it's early assenting to law is always a win for the economy because it translates to readied fiscal plans for coming year.

Taking a cursory look at the how these delicate time lines perform, one could see a fluctuating trend between the ideal and the wrong.

Taking a cursory look at the how these delicate time lines perform, one could see a fluctuating trend between the ideal and the wrong. For example, the 2018 fiscal year budget was presented by the Governor to the House of Assembly on 4th, December, 2017 and assented into law on 21st, December, 2017 which was within the ideal timeframe. In contrast, that of 2019 was sent in on 18th March, 2019 and passed into law on 24th of same month! This was almost the end of Q1 for that same year without a substantive budget Also, the time frame for proper scrutiny of the proposed budget was too slim -5 working days - to have been thorough enough. The year 2020 too was no different. The budget was sent to the house December, 4th, 2019 but took more than 40 days to be signed (It was signed to law on the 11th, February, 2020).

However, The World Bank intervention through the State Fiscal Transparency, Accountability and Sustainability (SFTAS) initiative paved the way for a paradigm shift in the fiscal budget perspective. Through its P for R Mechanism, it incentivized radical fiscal reforms as witnessed in the scale and scope of the budgetary processes leading to the 2022 fiscal budget. The budgetary processes started as early June and by 30th, November, it had been submitted. Within this timeframe, The Ministry of Budget, Zamfara State conducted a statewide town hall meeting on the budget proposal - the first of its kind in the state. The proposal underwent due scrutiny involving budget defenses by respective MDAs among others and it got passed on an ideal date: 24th, December, 2021.

The budgetary timelines are indeed very crucial. As duly highlighted in The International Monetary Fund's (IMF) Fiscal Transparency Code, it is recommended that the Executive submits its budget proposal at least 3 months before the beginning of the new fiscal year to allow for robust scrutiny by the Legislative and subsequent early approval of the budget. If it's too short as we saw in the prelude to the adoption of the 2019 budget, then there will be limited time for this much needed scrutiny. Thus, the current reforms must be sustained beyond The SFTAS intervention of The World bank in order to institutionalize international best practices for fiscal transparency, accountability and efficiency.

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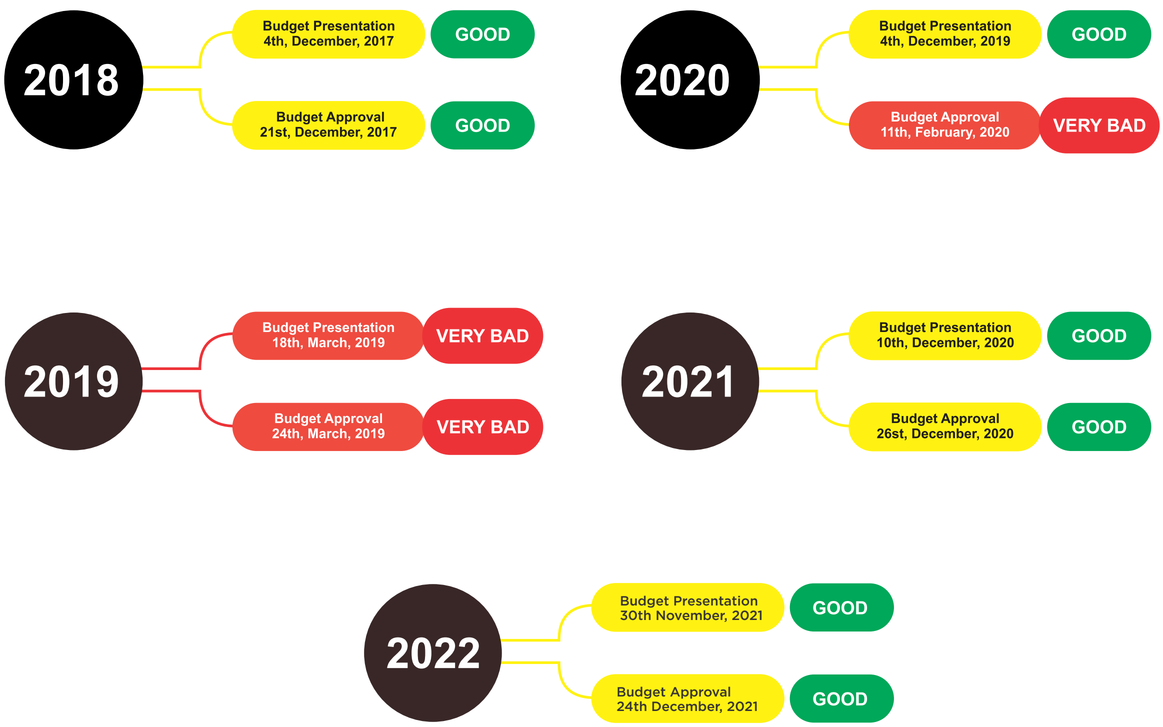

Fig 1: Budget size trend

BUDGET REVENUE

BUDGET SIZE

Zamfara state has as relatively small budge size when compared to some more economically vibrant states like Kano, Kaduna and Lagos obviously due to the small revenue pool.

Zamfara state's economy is largely influenced by external revenue pools that provide more than 50% of its annual revenue.

The aggregation of all the revenue projections for a fiscal year gives a picture of the budget size for that particular year. Zamfara state's economy is largely influenced by external revenue pools that provide more than 50% of its annual revenue. It is important to read the parameters right during budget preparations in order to arrive at realistic projections that support the expenditure policies for the fiscal year.

Zamfara state has as relatively small budge size when compared to some more economically vibrant states like Kano, Kaduna and Lagos obviously due to the small revenue pool. For the 2018 fiscal year, a budget of N133.6bn was passed, with a recurrent and capital budget of N49.5bn and N84.1bn respectively. In 2019 fiscal year, N135.4bn was approved which is a 1.3% increase and also with the capital budget taking more than 50% of the budget size.

The sum of N188bn was approved for 2020 fiscal year and this represents a 39% increase when compared to that of 2019 even though the state government was forced to review it downwards midyear to N127.3bn (32.8% decrease) due to the negative economic impact of the COVID-19 that crippled the economy.

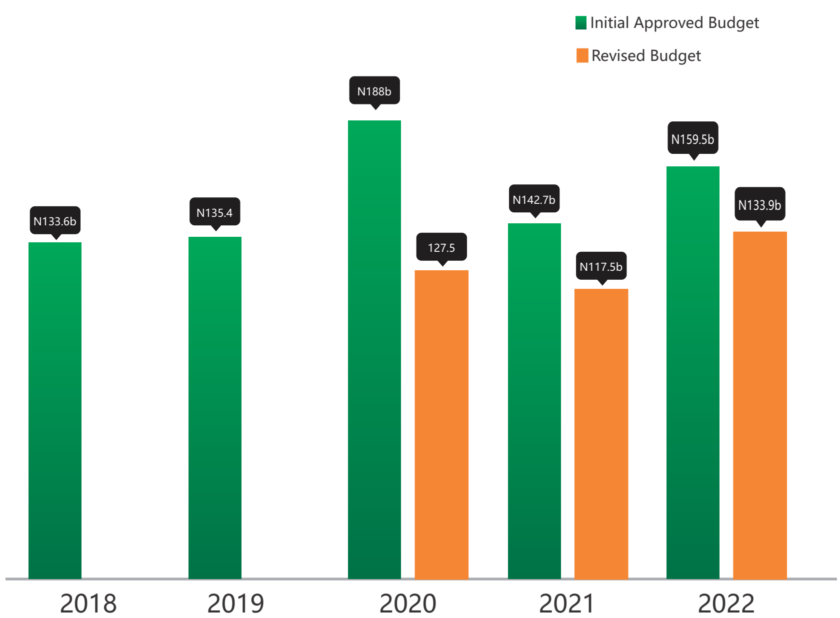

Chart 1: Budget size trend

The budget size has been on a steady decrease since 2020 even though earlier approvals were quite higher before being reviewed downwards. The 2021 budget was pegged at N142.7bn. As witnessed in 2020, the 2021 budget was also revised downwards to N117.5bn representing a 26.3% decrease, citing poor IGR performance and the ripple effects of the COVID-19 pandemic.

The 2022 budget witnessed quite an increase majorly due to planned increment in recurrent expenditures. A total of N159.5bn was approved for the fiscal year which represents a year-on-year increase of 11.7%. However, it was also downsized to poor revenue fortunes to N133.9bn, a decrease of 16.1% from the initial approval.

BUDGET REVENUE

The budget of Zamfara state relies heavily on external revenues mostly from the federal government accounts. The revenue components are: The statutory allocation which is the state's share of the federal revenue, VAT inclusive; the internally generated revenue; grant-in-aid and commercial bank loans to finance capital expenditures.

1. RECURRENT REVENUE

The recurrent budget fund the day-to-day components of running the government such as paying personnel's salaries and wages, Overheads, social benefits and debt servicing. Thus, this revenue bracket forms an important aspect of the budget and how actual receipts are able to meet approved projections is equally

In 2018, the approved recurrent revenue budget was N93.9bn out of the N133.6bn approved budget size. This is 70% of the total budget size for the fiscal year. In 2019, a deficit budget was made where the total revenue of N129bn was estimated to fund a total expenditure of N135.4bn. the approved recurrent revenue component was estimated at N56.4bn. It represents 43.7% of the total estimated revenue for the year.

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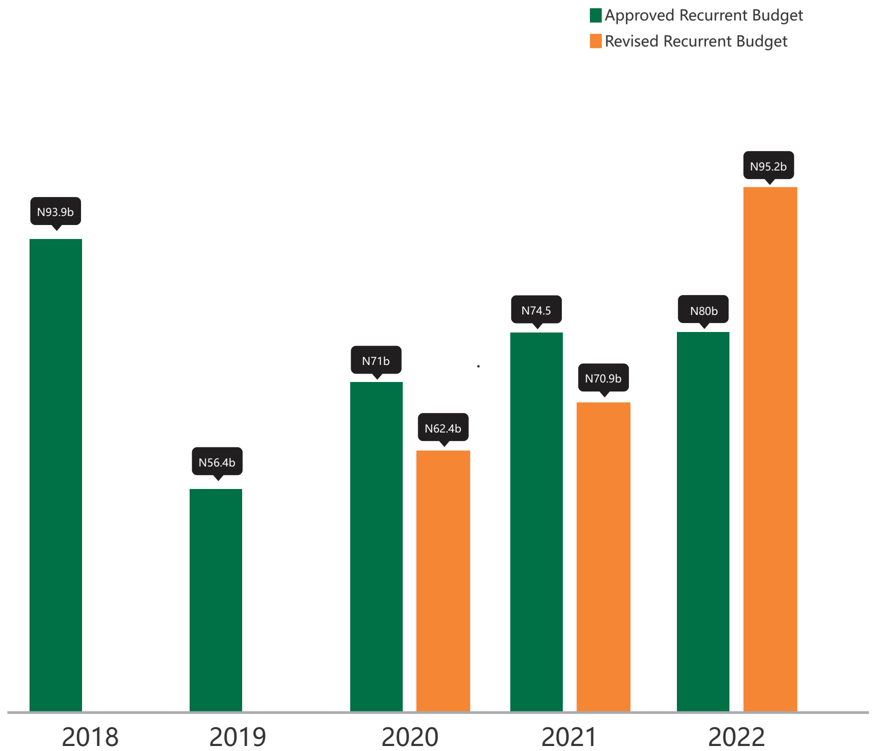

Chart 2: Recurrent Budget estimates

In 2020 saw an initial approval of N71bn. However, the Covid-19 Pandemic necessitated the downward review of the budget by 32.4% and with the recurrent budget shed down to N62.4bn, a decrease of 12% from the initial approval.

In 2021, N74.5bn was initially approved before the budget was revised downwards to N70.9bn, representing 60.3% of the total estimated revenue for the year. Year on year, it represents an increase of 13.8%.

N80bn was approved as recurrent revenue for the 2022 fiscal year which is a year-on-year increase of 7.4%. However, it was upped by 19% to N95.2bn after the budget was revised mid-year. This is the highest ever amount approved for the component which was necessitated by the implementation of the minimum wage in the state by the government.

Year	Actual Budget	Recurrent Revenue	Contribution to main Budget
2018	N133.6bn	N93.9bn	70%
2019	N135.4bn	N56.4bn	41.7%
2020	N127.5bn	N62.4bn	48.9%
2021	N117.5bn	N70.9bn	60.3%
2022	N133.9bn	N95.2bn	71.1%

Table 1:Trend of Recurrent revenue budget estimates

This revenue source is the aorta of the fiscal budget of the state. It is a monthly allocation from the federal government's revenues that is shared amongst states according to a sharing formula as contained in the revenue mobilization, allocation and fiscal commission's act. This revenue is exclusive of VAT but together, they form the framework of the state's recurrent revenue profile. This reality makes it pertinent for projections to be realistic so as to avoid taking unnecessary fiscal risks.

In 2021, we saw a cautionary projection as the economy was on a positive note following a devastating economic year battered by high inflation and a negative GDP trajectory.

We took a cursory look at the projections in order to establish a trend in the estimates. In 2018, the approved estimated for this component was N46.02bn and in proceeding year, N48.1bn was approved. This is a 4.5% increase year on year. This appraisal had a huge impact on the projection for 2020 as observed in the approved estimate of N55bn which is a tangible 11.11% increase. This high estimate was subsequently downsized by 43.3% to N31.2bn due to the negative impact of the Covid-19 pandemic on the federal revenues as contained in 2020 revised budget.

In 2021, we saw a cautionary projection as the economy was on a positive note following a devastating economic year battered by high inflation and a negative GDP trajectory. We noticed a year-on-year decrease of 32.3% from the previous year's initial approval to N37.34bn, before it was also revised downwards by 12% to N32.8bn.

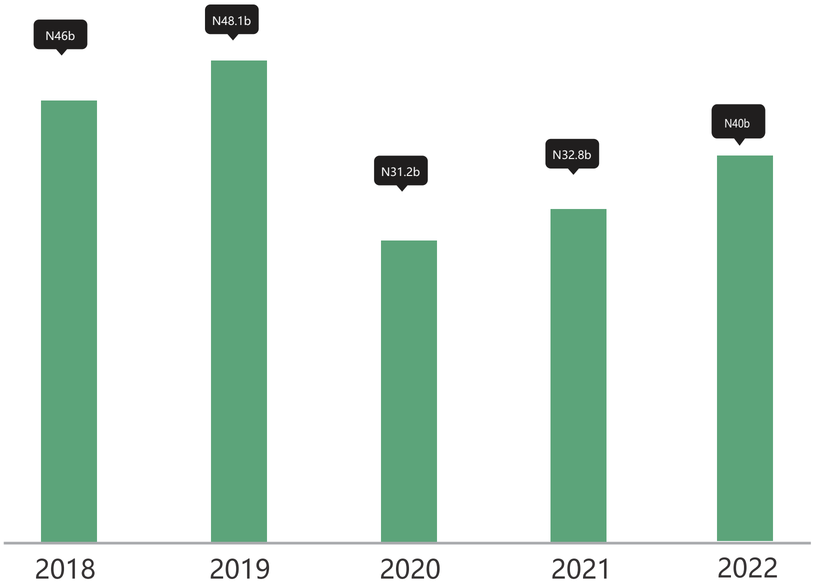

Chart 3: Budget trends for the statutory revenue

Juxtaposing it that of 2022 where N37.3bn was approved, there is a year-on-year increase of 13.7%. However, just like it was in the previous year, this figure for 2022 was also reviewed positively to N40bn in the mid-year, thus, realizing an increase of 7.3% on the initial approved figure.

In essence, there has been a gradual decrease in our projections of this essential revenue component which is the framework of our recurrent revenue profile. In the chapters to come, we will establish whether or not these projections were realistic by assessing performances for the periods and highlight why projections need to be birthed from critical examination of all vital economic indicators such that the margin for taking unnecessary fiscal risks is greatly reduced.

The Value Added Tax (VAT) is collected by the federal government at a specified rate and distributed to states. It forms a component of the recurrent budget. In 2018, the approved figure for this component was N9bn and in contrast with that of 2019, with an approval of N11bn, there is an increase of N2bn or 19% year on year. For the second consecutive year, there was an increase as noticed in 2020 where N12bn was initially approved before being further revised upwards by N200m to N12.2bn as observed in the revised 2020 budget.

In 2020, the federal government increased VAT collection rates from 5% to 7.5% which was a positive indicator for the very high projection observed in the 2021 budget. Initial approval was NI2.8lbn but was later reviewed upwards by 48.3% to NI9bn, the highest ever projection in the history of the state.

Year on year, it represented an increase of 55.7%. The upward approvals continued as seen in the 2022 fiscal year where N22bn was approved. This alone marked a year-on-year increase of 15.8%. Mid-year, a budget review was made which resulted in the upward review for the component to N25bn, representing an increase of13.6%.

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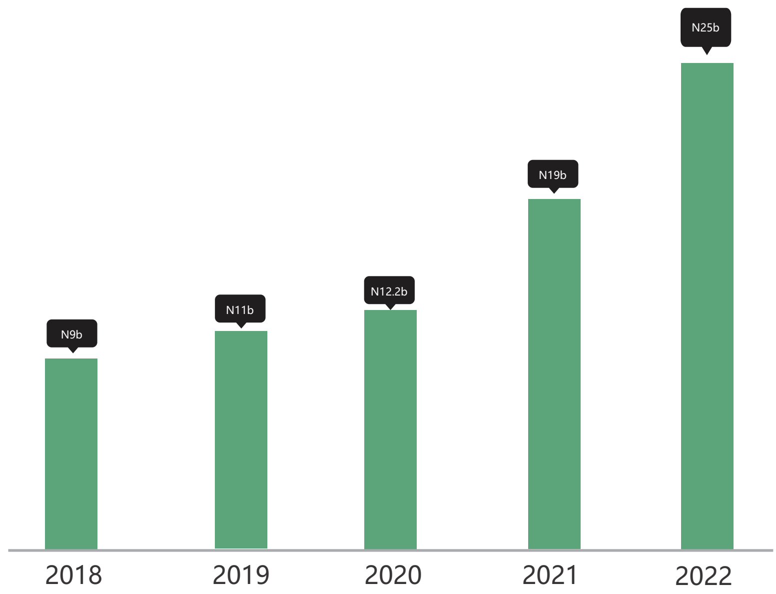

Chart 4: Budget trend for VAT

This is the revenue component generated independently by the state and the modalities for such generation are duly backed by extant local tax laws or joint tax laws. Zamfara state is among states with very low annual IGR and by taking cognizance of the dire status of socioeconomic indicators in the state, one could easily discern why. The IGR component makes roughly one-third the annual total revenue of the state and this has been the trend for years. The IGR sub components are the MDAs revenue; direct assessment; PAYE; Road tax.

The IGR component makes roughly one-third the annual total revenue of the state and this has been the trend for years.

The biggest contributor in this regard is the pay-as-you-earn which taxes from all the civil servant in the state. Next is the MDAs revenue, followed by the direct assessment. In states with stronger economies, the direct assessment and MDAS revenue sub-components are among the biggest contributors to the locally generated revenue chiefly because there are more commercially viable entities to leverage on. The perennial insecurity that has gripped the state's economy is also another factor because it erodes the economic incentives for investment mostly in the agriculture and mining sectors that up to today are under-exploited.

In 2018, a meagre N3.6bn was the approved projection. There was a notable increase in projection for 2019 as N6.34bn was approved representing a 76% increase. In 2020, the approved projection was N11.22bn and was further revised upwards by 42.06% to N15.94bn

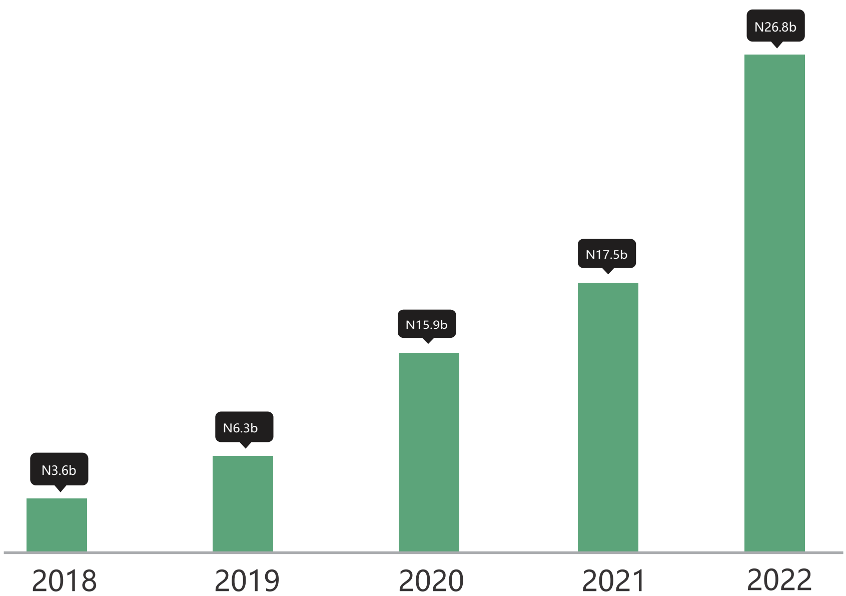

Chart 5: Budget trend for IGR

2021 saw a continuation in the upward trend to the tune of N24.34bn, a 116.9% increase year on year. However, it was reviewed downwards however to N17.50bn representing a 28.10% decrease.

The administrative shake up at the Zamfara state's board of internal revenue and the subsequent upheaval in terms of advocacy for tax payment by defaulters and the creation of an enforcement team among others created and optimism for improved generation and hence, the elevated figures. The impact is evident in 2022 as N20.2bn was proposed before being reviewed upwards to N26.8bn.

2. CAPITAL REVENUE

The capital budget funds Capital expenses by the government which includes capital projects such as constructions of schools, bridges, roads among others. This budget and how it is expended is critical because its performance has a direct impact on the society and thus, it should take the larger share of the total fiscal budget. In Zamfara state, the capital l budget component is funded by 3 sub-components: Capital development funds (Loans from local and foreign banks); Grants and aids and transfers recurrent revenue account.

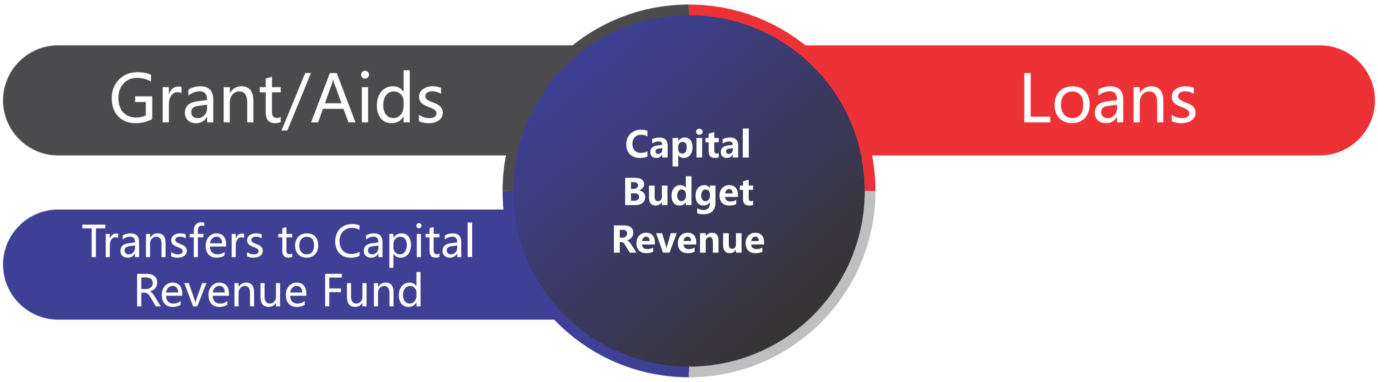

Fig 6: Capital Revenue components

In 2018, the approved capital revenue budget was pegged at N39.6bn which is relatively low when compared with that of the budget for recurrent revenue. It represents 30% of the total estimated revenue for the year. For 2019, the approved capital revenues were pegged at N72.6bn, representing 53.6% of total estimated revenue for the year. It also represents a year-on-year decrease of 83.3% in estimates for this component.

2020 was different as we noticed a substantial increase in the projected revenues for this capital budget. In the initial approved budget, N83.9bn was approved but was later revised down to N51.8bn was proposed, making 41% of the total estimated revenue for the year and also a year-on-year increase of 33.5%. In the succeeding year, 2021, a total of N68.3bn was initially the approved estimate for this component but it was downsized to N46.7bn in the revised budget passed to law later in that year. This final estimate contributes 39.7% of the total approved revenue for the year.

Year	Actual Budget	Capital Budget Revenue	Contribution to main Budget
2018	N133.6bn	N39.6bn	29.6%
2019	N135.4bn	N72.6bn	53.6%
2020	N127.5bn	N75.6bn	59.3%
2021	N117.5bn	N46.7bn	39.7%
2022	N133.9bn	N38.8bn	28.9%

Table 2: Budget trend for Capital revenue

1. LOANS

Loans are a critical revenue component for capital budget and the state has been borrowing over the years to fund capital projects. There are basically two categories of loans the state is a beneficiary of. They are the domestic loans and the external or foreign loans.

i DOMESTIC LOANS

These as the name implies are loan facilities accessed from local financial institutions such banks and private monetary institutions. In 2018, the approved domestic loan was N20.7bn and in the preceding fiscal year 2019, N20bn was approved for the same component. This is a year-on-year reduction of N700m. For 2020, we noticed an upward effort in the forecast in which N42.8bn was initially approved prior to the budget review which revised the figure to N41.8bn. The final figure represents a year-on-year increase of 109%.

For 2021, there was a downward projection for that of the preceding year. Initial projection in the approved budget was N26.8bn before it was reviewed upwards to N29.8bn in the revised budget. Year on year, this represents a decline of 28.7%. In 2022, there is an overall decrease in the final approval wherebN46.3bn was initially approved but later reviewed downwards by 71.9% to NI3bn. This is a year-on-year decrease of 56.4%

Loans
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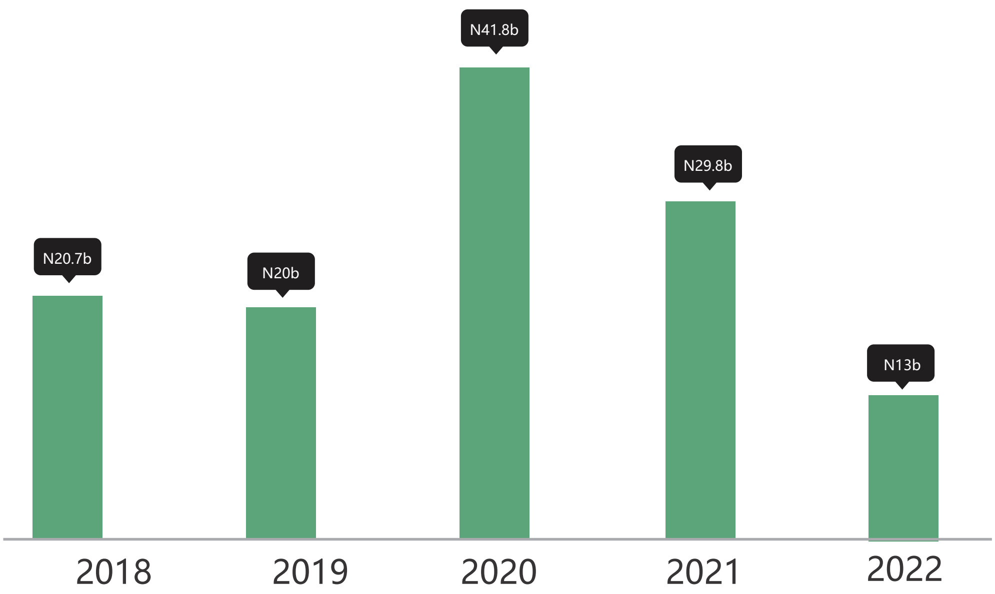

Chart 6: Budget trend for Domestic loan

ii. EXTERNAL LOANS

External loans are loans derived or sourced from foreign multilateral agencies and financial institutions such as The World Bank, The IMF or the China Exports and imports bank etc. Zamfara has over the years been a collector of this loan facility. In 2018, N500m was approved for this component while in 2019, N400m was proposed, indicating a slight decline of 20% year on year.

In 2020, 2021 and 2020, there was no budgetary provision for this loan component which taking into cognizance the foreign debt stock of the state among others, was the right call.

In 2020 and 2021, there were no budgetary provisions for this loan component

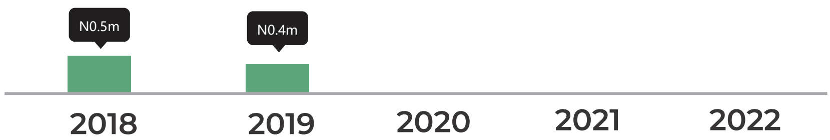

Chart 7: Budget trend for External loan

2. GRANTS IN AID

2022

There is a tangible boost for this component in 2022 where N16.9bn was initially proposed. After mid term review, it was reduced to N14.5bn which represents a year on year increase

These are development funds tied to a specific public intervention ranging from education, healthcare, agriculture, works etc. derived from both local and foreign development partners. They are either a lump sum or tied to certain milestones disbursed at regular intervals. In 2018, the total approved revenue estimate from this component was N6.8bn and in 2019, N120mn was approved, representing a year-on-year decrease of 98.2%.

In 2020 fiscal year, an upward trend was visible from the initial N20.5bn captured in the approved budget even though it was reviewed downwards to N12.3bn. It shows a 78% increase year on year. 2021 saw a lower estimate of an initial N1.5bn in the approved budget and later, N6.9bn in the revised Version of the budget. This shows a decrease in estimate of 43.9% year on year.

There is a tangible boost for this component in 2022 where NI6.9bn was initially proposed. After mid-term review, it was reduced to N14.5bn which represents a year-on-year increase of 110.%.

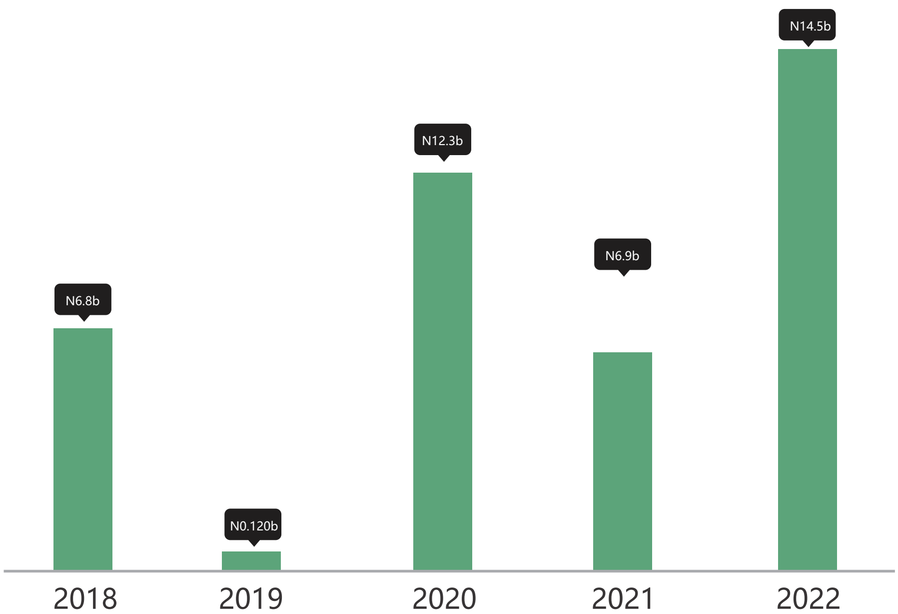

Chart 8: Budget trend for Aid In Grants

3. TRANSFERS TO CAPITAL ACCOUNT

These are transfers made from the recurrent revenue to capital funds in order to augment capital expenditures. There is a noticeable reduction in approved sums across the period.

In 2018, N46.2bn was approved while in 2019, there is a decrease of 27% year on year to N33.7bn. 2020 also saw the continuation of this trend where N17.3bn was approved which represents a year on year decrease of 48.6% from that of 2019. 2021 saw no appropriation for this component respectively while N14.5bn was approved in 2022.

Year	Actual Budget	Approved transfers
2018	N133.6bn	N46.2bn
2019	N135.4bn	N33.7bn
2020	N127.5bn	N17.3bn
2021	N117.5bn	-
2022	N133.9bn	N14.5bn

Table 3: Budget trend for transfers to capital fund

BUDGET EXPENDITURE

RECURRENT EXPENDITURE

Another **indicator** is the exponential rise in the number of political appointments in the state among others.

The fiscal budget entails two major components: the recurrent and capital budget components. The former contains estimates for recurrent burdens such as payment of salaries, overheads and debt servicing as these are the major sub-components of the recurrent budget. The latter contains estimates for Infrastructure/developmental projects across the fiscal year.

The state government as an employer of labor is mandated to effectively pay personnel costs as at when due and also reduce its debt burden, hence, the importance of getting not only the estimates right but the funds to service these critical needs.

We have been able to establish an upward trend in the approved budget for recurrent expenses which is attributed to the added recurrent expenses incurred from the establishment of new Ministries, departments and Agencies in the state as well as recruitment drives across sectors. Another indicator is the exponential rise in the number of political appointments in the state among others.

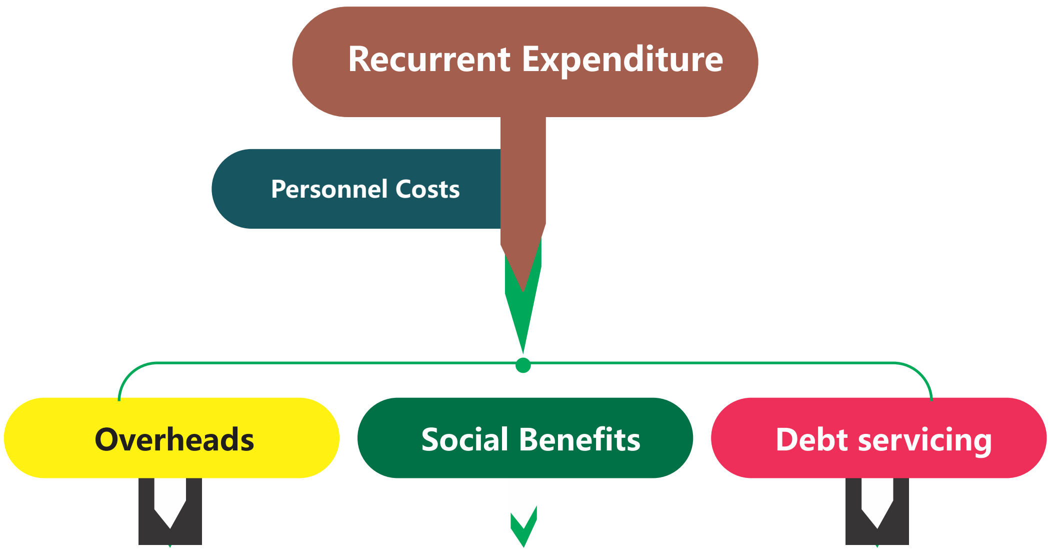

Fig 3: Components of Recurrent Expenditure

was N62.8bn and comparing it with that of 2020 with an initial approval of N71bn, there is an increase of N8.39bn before it was subsequently downsized by N12.7bn to N58.3bn in the revised version of the budget passed into law in Q3 of the fiscal year due to COVID-19 pandemic. For 2021, N64bn was the approved sum for recurrent expenditures, a year-on-year increase of N5.9bn or 9.9%.

There is a noticeable increase in the approved recurrent budget since 2018 but with a slight decrease in 2020 due to the pandemic. In 2018, it made up 34% of the total approved budget while that of 2019 made up 46.3%.

The 2020 recurrent budget made 45.7% while 2021 saw an increase in our recurrent budget in which it gulped 54.5% of the total budget. while 2022 got a recurrent expenditure budget of N73.5bn before being reviewed upwards to N99.4bn due to the plans to implement the national minimum wage. This gulped up 74.2% of the total estimated revenue for the year.

Year	Actual Budget	Recurrent Expenditure Budget	% to main Budget
2018	N133.6bn	N49.6bn	34%
2019	N135.4bn	N62.8bn	46.3%
2020	N127.5bn	N58.3bn	45.7%
2021	N117.5bn	N64bn	54.5%
2022	N133.9bn	N99.4bn	74.2%

Table 4: Trend of Recurrent Expenditure Budget

i PERSONNEL COSTS

Personnel costs cover the salary and wage bill of the state. The higher the figure budgeted for this component, the larger the workforce of the state. In 2018, the amount budgeted for this was N17.4bn. Since then, the approved budget for this component has been on the increase year on year since 2018.In the 2019 fiscal year, N21.9bn was appropriated, representing a significant increase of 25.8% year on year. 2020 also witnessed the continuation of this upward trend as N22.19bn was approved which represents a 3% increase year on year.

In 2021 and 2022, there was a year-on-year increase of 3.9% and 27.1% from the appropriation of N23.06bn and N30bn for the respective fiscal years.

ii. OVERHEADS

The overhead budget takes care of the expenses of running day-to-day administrative duties of various ministries, departments and Agencies. We have also noticed an annual increment in appropriations. In 2018, N21.5bn was approved while in 2019, N21.2bn was budgeted, showing a slight decrease of .3% year on year. The 2020 fiscal year highlighted a slight annual increase of 1.4% year on year as N21.5bn was approved 2021 saw a huge increment in the approval for this component in which N43.5bn was appropriated. This value represents a year-on-year increase of 102.3%, more than double the appropriation for same component last year. N28.6bn was appropriated in 2022 and this represents a year-on-year decrease of 34.3% year on year.

Personnel costs cover the salary and wage bill of the state. The higher the figure budgeted for this component, the larger the workforce of the state. In 2018, the amount budgeted for this was N17.4bn. Since then, the approved budget for this component has been on the increase year on year since 2018

iii. DEBT SERVICING

When governments borrow, there is always a fiscal framework to facilitate repayments. The repayment of the domestic debts stock is captured annually in the budget. The amount budgeted for internal/domestic debt servicing has been on an increase since 2018. In 2018, N5.0bn was approved. When compared to that of 2019 where N6.5bn was budgeted, there is an increase of N1.5bn or 30% year on year. In 2020, there was an increase of 13.8% year on year where N7.4bn was approved while in contrast with 202l where N33bn was budgeted, there is a whopping increase of 345.9% year on year.

This upward trend continued in 2022 where N40.7bn was allotted for internal debt servicing which is an increase of 23.3% year on year. The increase in trend noticed year on year was necessitated by the growing debt stock of the state and the intent by the government to reduce it. Hence, the annual increase in the amount earmarked for the component.

iv. SOCIAL BENEFITS

This component covers the financial obligation of paying pensions and gratuities of retirees from the state's civil service. Data of this component for both 2018 and 2019 fiscal year could not be identified from available documents. However, in 2020 and 2021, N8.lbn and N1.Sbn were approved for the respective year. In contrast, there is a decrease of 81.5% year on year. N3.4bn was approved in 2022 which showed a significant increase of 126.7% when compared to that of the previous year.

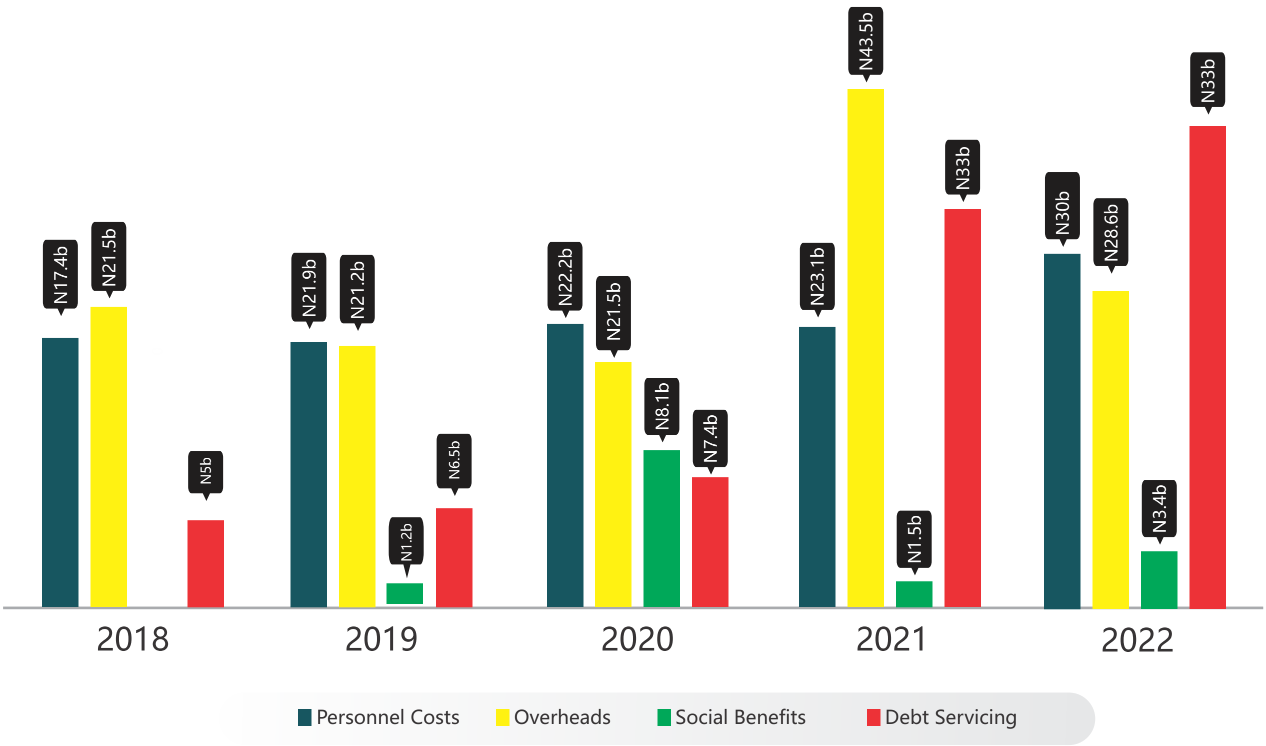

Chart 9: Multi-year, Multi-Component budgeting trends for Recurrent Expenditure

CAPITAL EXPENDITURE

The capital budget funds Capital expenses by the government which includes capital projects Such as constructions of schools, bridges, roads among others. This budget and how it is expended is critical because its performance has a direct impact on the society and thus, it should take the larger share of the total fiscal budget. In Zamfara state, the capital budget component is funded by 3 sub-components: Capital development funds (Loans from local and foreign banks); Grants and aids and transfers recurrent revenue account.

Reviewing the approved budgets for capital expenditures, there has been a visible reduction since 2O18. In 2018, the total sum of N841bn was approved for capital expenditures while in 2019, the approved budget for this item was N72.61bn. Juxtaposing this with that of the preceding fiscal year, there is a year-on-year decrease of 13.6%. 2020 fiscal year also saw a reduced approval of N69bn, a reduction of 5.3% year on year and when compared with that of 2019. 2022 with an approval of N52.5bn, has a noticeable decrease of 23.9% year on year. 2022 also saw another decreased estimate year on year where N34.5bn was approved. This decrease represents a decline of 34.3% year on year.

Reviewing the approved budgets for capital expenditures, there has been a visible reduction since 2018.

Year	Actual Budget	Capital Expenditure Budget	% Expenditure in main Budget
2018	N133.6bn	N84.1bn	62.9%
2019	N135.4bn	N72.6bn	53.6%
2020	N127.5bn	N69bn	54.1%
2021	N117.5bn	N52.5bn	44.7%
2022	N133.9bn	N34.5bn	25.8%

Table 5: Capital budget trends

BUDGET REVENUE TREND (2018 - 2022)

In this segment, we evaluate how each component of the approved estimates performed across the respective fiscal years. This is to give an insight into trends and establish to what extent. our forecasts have hit it right. How well a component performs is linked to how accurate is the Medium-Term Economic Framework of the state and if the margin between the approved and actual is wide, then we have to revisit our MTEF in order to be able to give a realistic forecast and avert the need to be revising the budget within a fiscal year

RECURRENT REVENUE

The actual recurrent revenue performance across the periods in view witnessed a year-on-year growth and thanks to an improving internal revenue generation base and improved share of VAT allocation. In 2018, the total recurrent revenue accrued the state was N63.5bn. Going to the next fiscal year 2019, there is an increase year on year of 0.41% where N63.7bn was accrued.

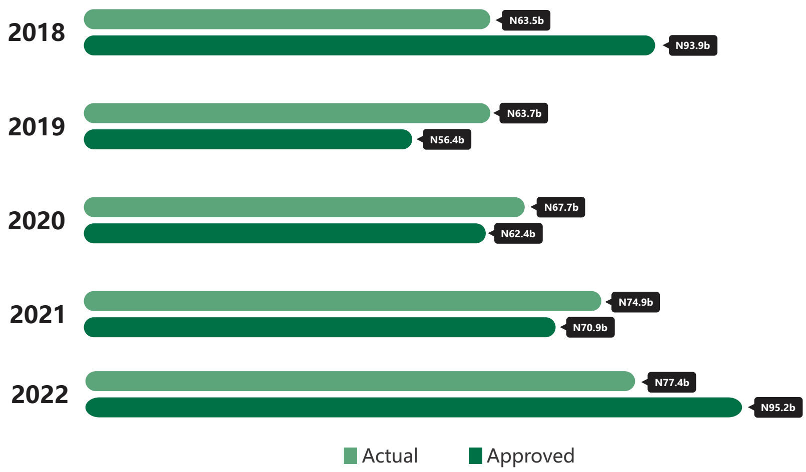

Chart 10: Recurrent Revenue Performance

In 2020 however, regardless of the COVID - 19 pandemic,, a total of N67.7bn was what accrued for the year, representing an increase of 5.9% from the 2019.

In 2020 however, the COVID – 19 pandemic affected oil revenues and resulted in a dip in total accruals. A total of N67.7bn was what accrued for the year, representing an increase of 5.9% from the 2019. 2021 saw the highest ever accruals in the history of the state. A total of N78.6bn was generated which represents a year-on-year increase of 31.2%.

2022 was a year the marked the highest recurrent revenue accruals where N77.2bn was collected. This represents a year-on-year increase of 3.1%.

Year	Actual Budget	Recurrent revenue	Actual performance	% performance
2018	N133.6bn	N93.9bn	N63.5bn	59.5%
2019	N135.4bn	N56.4bn	N63.7bn	113.3%
2020	N127.5bn	N62.4bn	N67.7bn	108.7%
2021	N117.5bn	N70.9bn	N74.9bn	105.6%
2022	N133.9bn	N95.2bn	N77.2bn	81.1%
Total Sum Accrued Across The Period			N347bn	

Table 6: comparative recurrent revenue performance.

I. STATUTORY ALLOCATION

This item is the foundation of the recurrent revenue component and since 2018, the revenue have been a steady decline year on year. In 2018, N43.7bn was accrued and in the 2019. It recorded its biggest revenues ever where N44.3bn was realised.

From 2019, a dip in outturns is realised where in 2020, N38.8bn was realized which is a decline of 12.4% year on year. A decline from 2020 was also realised in 2021 where a total of N35.2bn was accrued, representing a year-on-year decline of 9.2%.

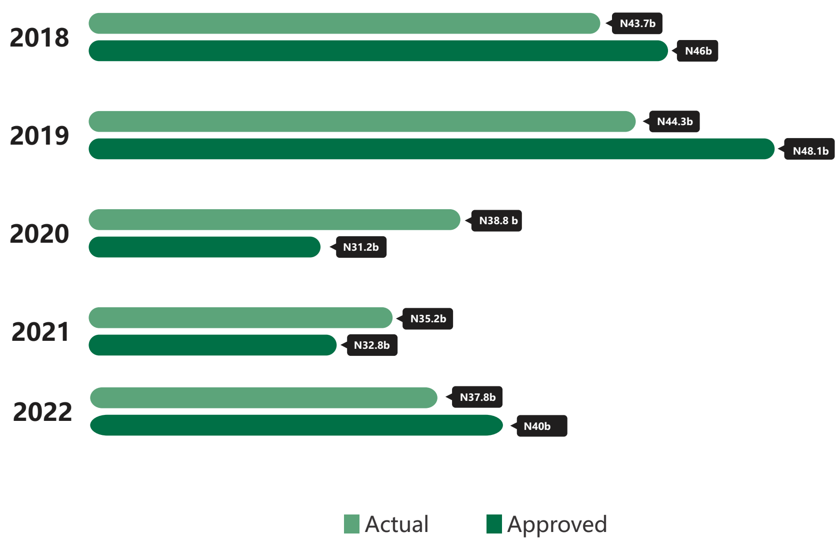

Chart 11: Statutory Allocation performance trend.

However, in 2022, a slight improvement was noticed; a total of N37.8bn was collected and when juxtaposed with that of the previous year, an increase of 7.8% was noticed.

The current reforms must be sustained beyond The SFTAS intervention of The World bank in order to institutionalize international best practices for fiscal transparency, accountability and efficiency.

ii. VALUE ADDED TAX

The state's share of Value Added Tax from the Federal Government has witnessed a substantial increase year on year and is chiefly due to the 2.5% increase in VAT collection rate from 5% to 7.5% in 2020.

In 2018, the actual share of VAT received was N11.02bn and in 2019, N11.9bn was received, making a year-on-year increase of 8.2%. 2020 saw another leap upwards where N14.5bn was received and when compared to that of 2021 which recorded the highest ever collection to the tune of N20.1bn, there is a whopping 38.6% increase year on year.

This upward trend is still evident in 2022 with a total collection of N24.4bn, effectively making it the highest collection in a fiscal year for the state so far. Year on yar, it represents a 21.4% increase.

The state's share of Value Added Tax from the Federal Government has witnessed a substantial increase year on year and is chiefly due to the 2.5% increase in VAT collection rate from 5% to 7.5% IN 2020.

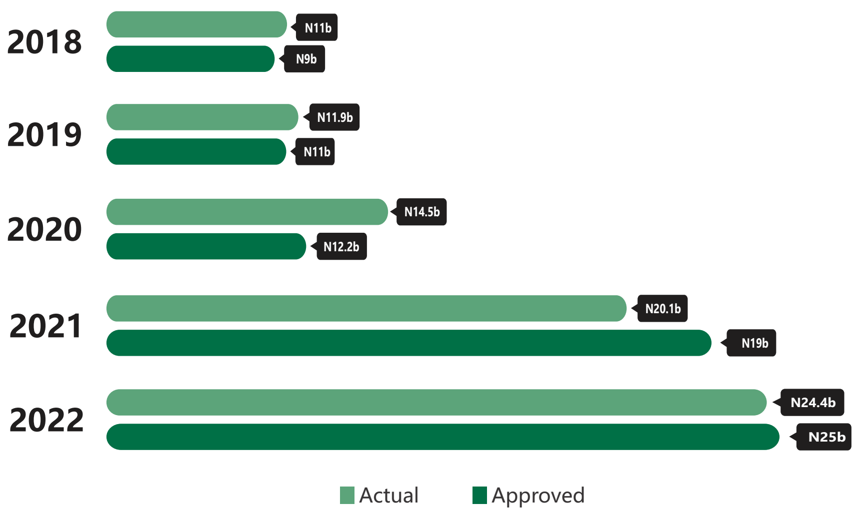

Chart 12: VAT Performance trends

iii. INTERNALLY GENERATED REVENUE

The IGR is another revenue component that has appreciated considerably across the period in view. In fact, the data available in 2021 shows more than 100% increment from the amounts accrued in 2018. From our research, we have found that the biggest contributor to this increment is the PAYE tax, followed by fees and the sale of government assets.

In 2018, a total sum of N4.7bn was generated and in 2019 fiscal year, N5.9bn was collected. This represents a year-on-year increase of 25.5%. 2020 saw a continuation in the upward trajectory where N6.6bn was collected while in 2021, the state recorded the highest ever revenue generation to the tune of N12.9bn.

Unfortunately, there was a significant decline in collection in 2022 where a total of N6.5bn was generated, representing a year on year decline of 49.6%.

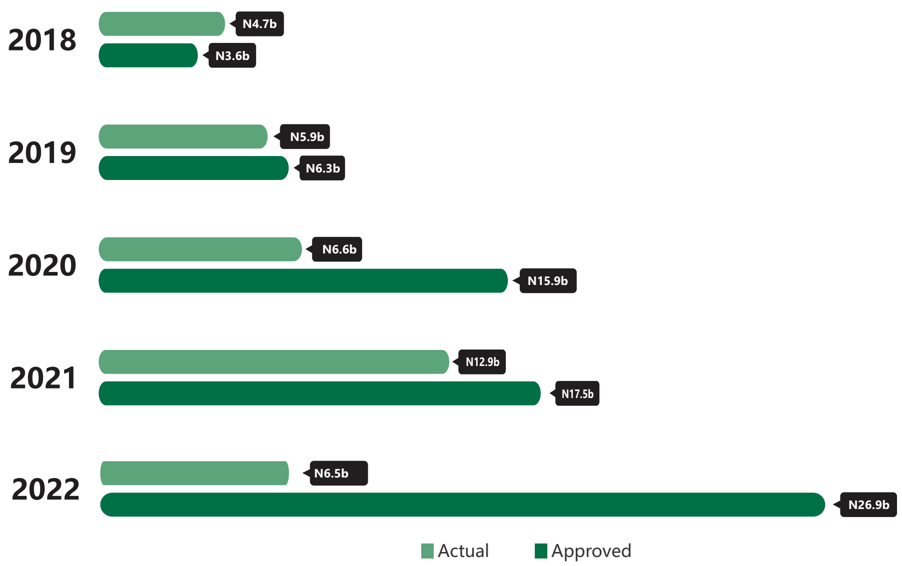

Chart 13: IGR Performance trends

The IGR is another revenue component that has appreciated considerably across the period in view. In fact, the data available in 2021 shows more than 100% increment from the amounts accrued in 2018.

The PAYE tax component recorded a significant boost in 2021 when compared to what was generated in the previous year. The sum of was N9.2bn was generated as PAYE and when compared to the N5.7bn generated by same component in 2020, there is a notable increase of 61% year on year.

The fees component also recorded a significant increase from 2020. A total of N15.8m was collected in 2020 but in 2021, this amount grew by 792% to N1.4bn. similar increment was noticed on general sales and general earning respectively where N1.67bn was collected in 2021 as to the N129m generated in 2020 for the earnings category respectively. This increase represents 1194.5% year on year. For the latter, the general earnings component, N64.7m was generated in 2020 but in 2021, N473.9m was generated which represents a year-on-year increase of 632.5%.

The upward trend in accruals is chiefly due to the sensitization and enforcement drives spearheaded by the Zamfara State board of internal revenue service. Also, the adoption of e-payment pathways has helped blocked revenue leakages during remittances.

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IGR Component	Actual 2020	Actual 2021	Increase	% Increase
PAYE	N5.7bn	N9.2bn	N3.5bn	61%
Fees– General	N15.8m	N1.4bn	N1.38bn	792%
Sales– General	N129m	N1.67bn	N1.54bn	1194.5%
Earnings– General	N64.7m	N473.9m	N409.2m	632.5%

Table 7: Comparative performance of key IGR Components

However, all the growth recorded were not sustained as seen in 2022 outturns where all major components outlined in the table above recorded negative growth. The PAYE component recorded N5bn, a year-on-year decline of 45.75%. The feed and sales components accrued N81m and N77.2m respectively, a far cry from the N1.4bn and N1.67bn registered in 2021 respectively.

CAPITAL REVENUE

The capital revenue funds all capital expenditures in the annual budget. Despite the COVID-19 Pandemic in 2020, capital funds recorded the highest outturn in the year within the period under view with N32.8bn. This however took a decline of 32.7% in 2021 when N22.7bn was collected.

Year	Actual Budget	Capital revenue Budget	Actual Performance
2018	N133.6bn	N39.6bn	N4.17bn
2019	N135.4bn	N72.6bn	N12.6bn
2020	N127.5bn	N75.6bn	N32.8bn
2021	N117.5bn	N46.7bn	N22.7bn
2022	N133.9bn	N38.8bn	N30.5bn

Table 8: Performance of Capital Revenue

This decline is due to the reduced ability of the state to borrow due to lack of bandwidth as a result of growing debt and limited revenues. Since 2018, Zamfara state has not borrowed externally

Despite the COVID - 19 pandemic in 2020, capital funds recorded the highest outturn for the period under view with

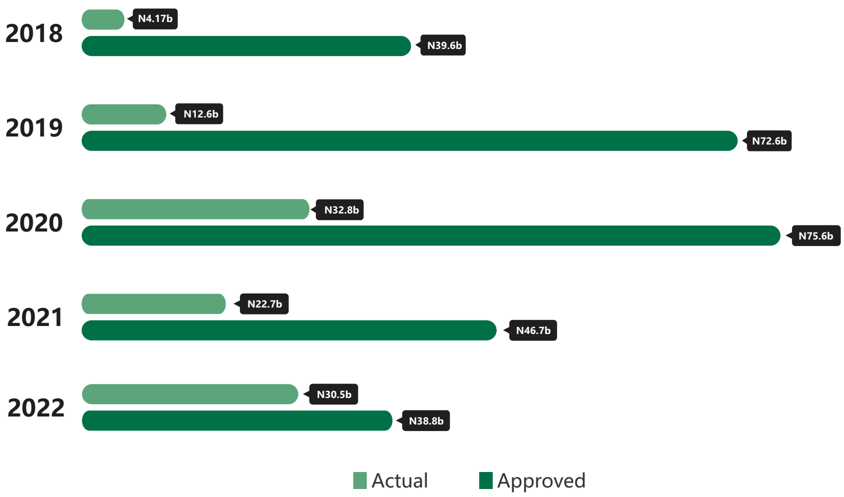

Chart 14: Capital revenue trend

I. DOMESTIC LOANS

Domestic loan is an integral part of the capital revenue. Taking a cursory look into the trend in actual collections, there is a noticeable increase in the size of loans received. From 2018 where N3.6bn was collected, it has increase year on year to N18.8bn borrowed in 2021.

2019 saw a receipt of N12bn and in contrast with what was received in 2018, an increase of 233.3% year on year. 2020 recorded the highest receipt within the period in view where N29.9bn was borrowed, a year-on-year increase of 149.1%. 2021 saw a slight reduction from what was actualized the year before as a total of N18.8bn was realized which represents a decrease of 37.1% year on year.

2022 saw a huge spike in borrowing beyond the total approved budgetary provision of N13bn to N47.2bn. This is 263.1% beyond the approval, representing an annual increase of 151.1%.

Domestic loan is an integral part of the capital revenue

37.1%
2021 saw a slight reduction from what was actualised the year before as a total of N18.8bn was realised which represents a decrease of 37.1% year on year.

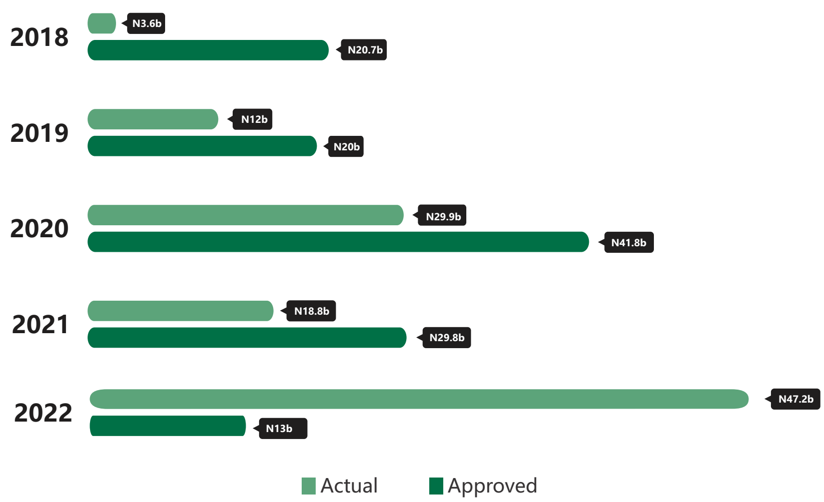

Chart 15: Domestic loan performance

2022 saw a huge spike in borrowings beyond the total approved budgetary provision of N13bn to N47.2bn. This is 263.1% beyond the approval, representing an annual increase of 151.1%.

Year	Actual Budget	Approved Domestic Loan	Actual Performance	% Performance
2018	N133.6bn	N20.7bn	N3.6bn	17.4%
2019	N135.4bn	N20bn	N12bn	60%
2020	N127.5bn	N41.8bn	N29.9bn	71.5%
2021	N117.5bn	N29.8bn	N18.8bn	63.1%
2022	N133.9bn	N13bn	N47.2bn	363.1%
Total Sum Accrued Across The Period			N111.5bn	

Table 9: Comparative percentage performance of domestic loan component

ii. EXTERNAL LOANS

External loans have recorded zero performance across the period in view. In fact, In 2021, it had no approved estimate. This is partly due to the outstanding backlog and the strictness of the terms of borrowing which has to be sanctioned by the federal government since it is to serve as the guarantor for such loan facility.

Also, the plan for servicing it lies with the federal government and as such, deducted from the meagre monthly federal allocation. Hence the reluctance to borrow externally.

Year	Actual Budget	Approved External Loan	Actual Performance	% Performance
2018	N133.6bn	N0.5m	-	0%
2019	N135.4bn	N0.4bm	-	0%
2020	N127.5bn	-	-	-
2021	N117.5bn	-	-	-
2022	N133.9bn	-	-	-
Total Sum Accrued Across The Period			0.00	

Table 10: Performance of External loans receipts

iii GRANT IN AID

Aids and grants received by the state have recorded considerable increase across the period with 2020 and 2021 being years with the biggest accruals. 2018 and 2019 yielded N572.9m and N627.4m respectively.

Due to the adoption of the SFTAS project by the world bank under the Performance for Results mechanism, the state was able to received performance grants which upped the total sums collected for the 2020 and 2021 to N2.9bn and N3.9bn respectively which represents a year-on-year increase of 34.5% year on year.

The NG-CAREs grants is a major contributor in 2022 capital revenue as a total of N10.5bn was received. This is the highest ever receipts for this component within the period in view which represents a year-on-year increase of 169.2% which is commendable.

Year	Actual Budget	Approved Grants and Aids	Actual Performance	% Performance
2018	N133.6bn	N6.8bn	N572.9m	8.4%
2019	N135.4bn	N120m	N627.4m	522.8%
2020	N127.5bn	N12.3bn	N2.9bn	23%
2021	N117.5bn	N6.9bn	N3.9bn	56.5%
2022	N133.9bn	N14.5bn	N10.5bn	72.4%
Total Sum Accrued Across The Period			N18.5bn	

Table 11: Performance of Grants and Aids

iv. TRANSFERS TO CAPITAL ACCOUNT

Transfers from the recurrent account is used to help augment capital expenditure. Since 2018, this funding component has recorded a steady annual increase. 2018 saw a performance of N10.9bn and the 2019 fiscal year saw a year-on-year increase of 49.5% where N16.3bn was transferred.

2020 witnessed the highest transfer of N18.6bn, a year-on-year increase of 14.1%. However, 2021 had no budgetary allocation for this component and recorded no performance while 2022 recorded a significant transfer of N27.1bn beyond the budgetary allocation of N14.5bn.

Transfers from the recurrent account is used to help augment capital expenditure.

Year	Actual Budget	Approved Transfers to Capital Account	Actual Performance	% Performance
2018	N133.6bn	N46.2bn	N10.9bn	23.6%
2019	N135.4bn	N33.7bn	N16.3bn	48.4%
2020	N127.5bn	N17.3bn	N18.6bn	107.5%
2021	N117.5bn	-	-	-
2022	N133.9bn	N14.5bn	N27.1bn	N186.9%
Total Sum Accrued Across The Period			N45.8bn	

Table 12: Performance of Transfers

CAPITAL REVENUE

The total revenue accrued the state within fiscal year is the sum total of all accruals from the Internally generated revenue, the Statutory transfers and the capital receipts (Grants and Aids) with the exclusion of accruals from loans.

Since 2018. the total revenue has been on an increase year on year. In 2018, N64.1bn was collected and in 2019, N64.4bn was the total revenue. 2020 saw the continuation of this upward trend despite the COVID-19 pandemic where N70.7bn was accrued. This represents an increase of 9.7% when compared to that of 2019. 2021 saw another leap chiefly due to the high outturns in IGR collection with N78.9bn being collected.

This positive Outlook is still evident in 2022 with a total collection of N87.7bn, a year-on-year increase of 11.2%. The IGR collected declined by almost 50% but was compensated by an increase in grants as well as the statutory revenues

YEAR	TOTAL REVENUE
2018	N64.1bn
2019	N64.4bn
2020	N70.7bn
2021	N78.9bn
2022	N87.7bn

Table 13: Total actual revenue collected (Non-debt)

EXPENDITURE TRENDS

RECURRENT EXPENDITURE

The actual total expenditure for the period in view has been increasing, from a little beyond half a N100bn – N64.5bn. In 2018 to over a N100bn in 2020. The increase in expenditure is commensurate to the increase in revenues which are visible in 2019 and 2020. COVID – 19 really affected economies the world over but Zamfara state witnessed an upturn in revenues firstly due to the increase in federal VAT rates as well as oil proceeds. Also, Zamfara collected the highest amount of domestic loans within the period in view.

2019 represented a year-on-year increase in expenditure of 32.2% where a total of N83.3bn was spent. When compared to the whopping N109.7bn worth of expenditure recorded in 2020, here is a year-on-year increase of 31.6% in annual expenditures. 2021 recorded a slight decline of 16.2% where N92.2bn was spent.

2022 recorded the highest expenditure so far in the state's history with a whopping NI33.9bn spent. The recurrent budget of Zamfara has witnessed a year-on-year increase since 2018 and as such, the performances also increased. It noteworthy to state that Zamfara, unlike other states, is able to offset her recurrent obligations with its total revenue (Gross FAAC + IGR) without actually resorting to indiscriminate borrowings from financial institutions which would have been contrary to the pledge that loans will be specifically tied to developmental works.

Over the years, the preference given to recurrent components Such as the bloated wage bill and the cost of servicing the ever-growing number of political appointees has further shrunken the limited revenues further for the provision of infrastructure such as construction of roads, schools and provision of affordable and accessible education and healthcare in the state.

Year	Total Expenditure
2018	N63bn
2019	N83.3bn
2020	N109.7bn
2021	N91.9bn
2022	N133.9bn

Table 14: Total Expenditure (Inclusive of Debt servicing)

I.PERSONNEL COST

Payment of personnel cost has seen a meteoric rise since 2018 with an increment of over N3bn as of 2021. In 2018, the overall cost of paying personnel was N16bn, representing 33.2% of total recurrent expenditure for the year. 2019, with a personnel cost expenditure of N17.1bn saw it consume 29.7% of total recurrent expenditure while 2020 with an expenditure of N21.7bn for the same item represents 31.8% of total recurrent expenditure for the year. 2021 gulped 27.4% of total recurrent expenditure with N19.7bn expended for the same component.

There is a tangible increase in 2022 year on year with a total expenditure of N24.1bn representing a 22.3% increase.

Year	Actual Recurrent expenditure	Actual Personnel Costs	% Performance to total recurrent expenditure
2018	N46.7bn	N16bn	34.2%
2019	N56.3bn	N17.1bn	30.3%
2020	N68bn	N21.7bn	31.9%
2021	N71.7bn	N19.7bn	27.4%
2022	N103.2bn	N24.1bn	23.4%

Table 16: Personnel cost Performance

2020 saw a hike in personnel costs due to some minor recruitments/reinstatements of some workers that were duly recruited but side-lined. Another huge contributor is the exponential rate at which political appointees are made. This is a call for concern taking into cognizance how they will be sustained by the state's meagre revenues while adding little or nothing in terms of value.

The increase in 2022 was due to the state government's adjustments to accommodate and fully implement the N30, 000 National Minimum Wage. This adjustment amounted to an increase of N4.4bn to the wage bill annually in contrast to 2021. However, it came with some serious challenges as many workers saw salary cuts instead of increases while many other MDAs were not affected by the increments at all.

ii OVERHEADS

In terms of Overheads, a tangible hike is evident across the period in view and even beyond the sums gulped by the payment of personnel which is a call for concern. In 2018, N16.7bn was expended, a 4.3% increase when compared to the amount expended on payment of personnel and a 34.6% gulped from the year's total recurrent expenditure. 2019 saw a continuation of the upward trend where N26.1bn was expended on overheads which represents a whopping 52.6% increase from the year's personnel cost and represents 45.4% of the year's recurrent expenditure and also a year-on-year increase of 56.3%. 2020 saw a year-on-year decrease of 10.3% with an expenditure of N23.4bn representing 34.3% of total recurrent expenditure and an increase of 7.3% when compared to the year's personnel expenditure.

2021 realized another decrease year on year of 17.5% with an expenditure of N19.3bn. when compared to the personnel expenditure and the total recurrent expenditure, it represents a decrease of 2% and 26.8% respectively.

There is a significant hike in this component in 2022. A total of N30.6bn was expended which is a year-on-year increment of 58.5%. This hike is not. unrelated to the electioneering preparation for the 2023 general elections as is evident in the change in expenditure patterns year on year for some critical MDAS. The administrative sector gulped N13bn and in contrast to that of 2021 where N8.bn was spent, there is an increase of 56.6% with the office of the Executive Governor gulping N8.8bn or 67.7% of total expenditure for the sector in the process. Other MDAs like Office of Secretary to the State Government and Ministry of Finance all witnessed year on year significant hikes in overhead expenses.

Year	Actual Recurrent expenditure	Actual Overhead costs	% Performance to total recurrent expenditure
2018	N46.7bn	N16.7bn	46.7%
2019	N56.3bn	N26.1bn	46.3%
2020	N68bn	N23.4bn	34.4%
2021	N71.7bn	N19.3bn	26.9%
2022	N103.2bn	N30.6bn	29.7%

Table 17: Overhead Cost Analysis

Year	Actual Recurrent expenditure	Actual Overhead costs	Year on Year difference
2018	N46.7bn	N16.7bn	56.3% Increase
2019	N56.3bn	N26.1bn	
2019	N56.3bn	N26.1bn	10% decrease
2020	N68bn	N23.4bn	
2020	N68bn	N23.4bn	17.5% decrease
2021	N71.7bn	N19.3bn	
2021	N71.7bn	N19.3bn	58.5% Increase
2022	N103.2bn	N30.6bn	

Table 18: Y/Y Comparative analysis

Year	Actual Overhead costs	Actual Personnel costs	Difference
2018	N16.7bn	N16.0bn	4.2%
2019	N26.1bn	N17.1bn	34.5%
2020	N23.4bn	N21.7bn	7.3%
2021	N19.3bn	N19.7bn	-2%
2022	N30.6bn	N24.1bn	21.2%

Table 19: Comparative analysis of Overheads and Personnel cost

iii. PENSIONS/SOCIAL BENEFITS

Social benefits is also a recurrent component used to offset pensions and gratuities. It also witnessed an increase across the period most especially from 2018-2020. In 2018, N1.6bn was expended while in 2019, an increase of 74% was noticed year on year where N2.8bn was spent. N2.5bn was spent in 2020, representing a decrease year on year of 10.7% when compared to the N1.5bn spent in 2021, it is a noticeable 40% decrease. There was a verification exercise in 2020 that resulted in a decrease of the total bill. In 2022 however, N2.2bn was expended on this component, amounting to a year-on-year increase of 46.7%.

Year	Actual Social Benefits	% performance to total recurrent expenditure	Year on Year difference
2018	N1.6bn	3.3%	74% Increase
2019	N2.8bn	4.9%	
2019	N2.8bn		10.7% decrease
2020	N2.5bn	3.7%	
2020	N2.5bn		40% decrease
2021	N1.5bn	2.1%	
2021	N1.5bn		46.7% Increase
2022	N2.2bn	2.1%	

Table 20: Y/Y Social benefit expenditure trend

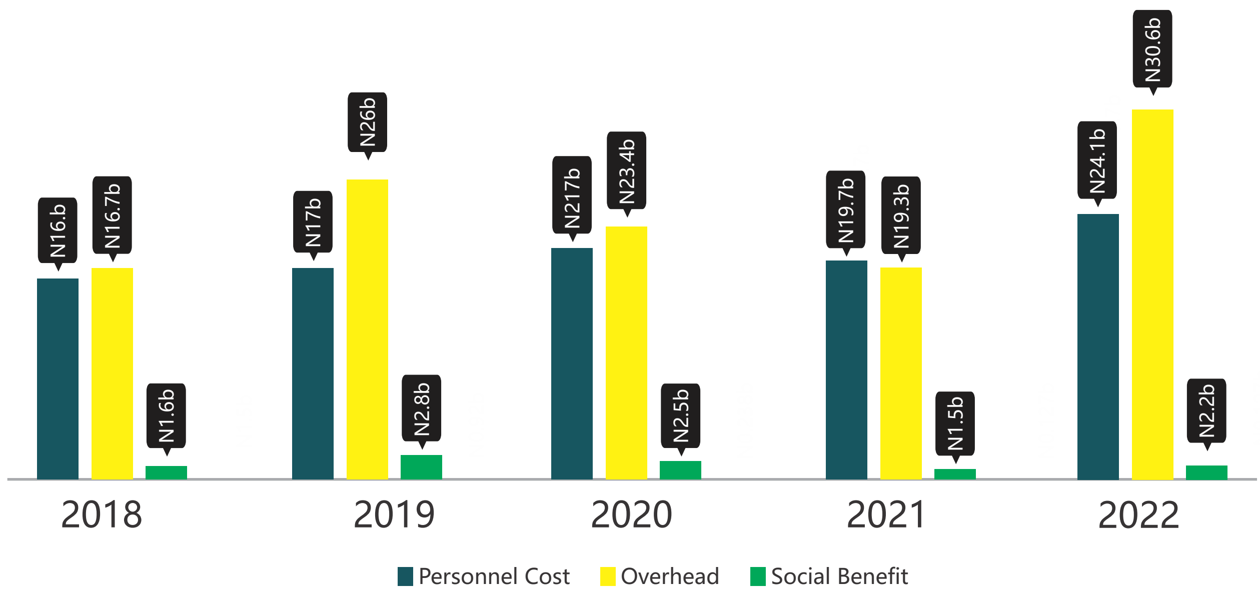

Chart 17: Recurrent expenditure performance (Excluding debt servicing)

SUSTAINABILITY OF BLOATED RECURRENT BILL

The state's recurrent expenditure continues to rise due factors Such as the expansion of the state's workforce due to recruitment drives witnessed in 2018 and 2019. Another reason is the increase in the size of the government which has greatly increased the cost of running the government. In 2018, the total actual recurrent expenditure including debt servicing was N46.9bn but in 2019, there is a 20.3% increase year on year in which N56.4bn was expended. This trend continued in 2020 with a total expenditure of N68.bn, a year-on-year increase of 20.9%. 2021 witnessed a recurrent expenditure of N72bn which represents an increase from the previous year of 4.7%and an overall increase of 49.3% since 2018.

Due to the implementation of the national minimum wage by state, the personal cost increase contributed to the exponential rise of this Component to N103.2bn, a year-on-year increase of 43.9%.

Year	Total Expenditure	Actual Recurrent expenditure	% Performance to actual expenditure
2018	**N63bn**	**N46.7bn**	**74.1%**
2019	**N83.3bn**	**N56.3bn**	**67.5%**
2020	**N109.7bn**	**N68bn**	**61.9%**
2021	**N91.9bn**	**N71.7bn**	**78.3%**
2022	**N133.9bn**	**N103.2bn**	**77.1%**

Table 15: Performance of recurrent expenditure

The biggest contributors to the increasing recurrent expenditure are the increase in workforce, bloated overheads, servicing of political appointees and unsustainable debt servicing. All these components combined starves the states of the fiscal space to invest hugely in capital works such as infrastructure and provision of basic amenities.

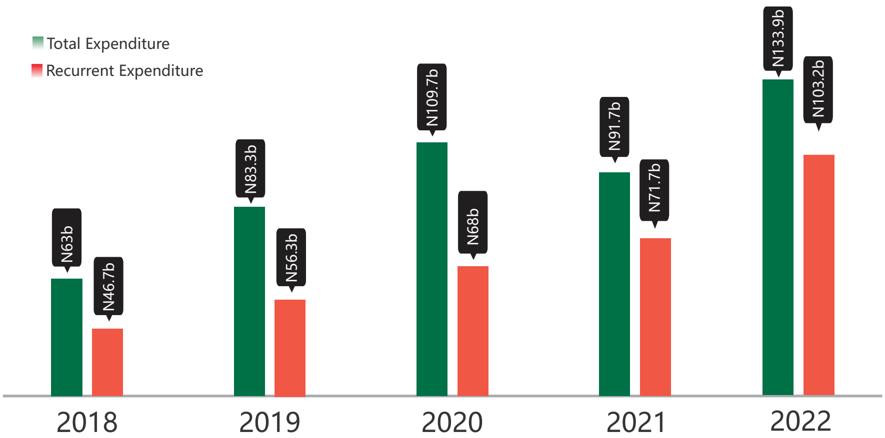

Chart 16: Recurrent expenditure performance against total expenditure

CAPITAL EXPENDITURE

The more investments a government makes in this aspect , the more the quality of lives of the common man improves as well as the economy having a positive trajectory.

Capital expenditures have a direct bearing on both the citizens and the economy in general. The more investments a government makes in this aspect which include but not limited to infrastructural project such as construction of roads, schools, hospitals and provision of other basic social amenities, the more the quality of lives of the common man improves as well as the economy having a positive trajectory.

In Zamfara, there a huge capital expenditure gap which is palpable in the dire socioeconomic realities. With an 80% rural population, the need to invest hugely in capital expenditures cannot be overemphasized. A cursory look at both the capital budget as well as the actual capital expenditure paints a picture of lack of prioritization as both components are on a decline across the period in view

The capital budget shrunk by 37.6% from 2018 to 2021 while performances have been fluctuating across the same period In view. The main reason why there is a perennial abysmal performance of this component is an inadequate lack of planning which is seen in the disparity between the policy trusts and expenditures. This moreover, is not wholly tied to lack of funding/revenue generation but can be traced to lack of informed knowledge on the realities of the macroeconomic environment and a huge politicization of the project implementation.

CAPITAL EXPENDITURE PERFORMANCE

Year	Approved Capital Expenditure estimates	Actual Capital expenditures	% Performance	Total Expenditure	% against total expenditure
2018	N39.6bn	N16.3bn	19.3%	N63bn	25.8%
2019	N72.6bn	N27bn	37.2%	N83.3bn	32.4%
2020	N75.6bn	N41.7bn	59.2%	N109.7bn	38%
2021	N52.5bn	N20.2bn	38.5%	N91.9bn	21.9%
2022	N31.9bn	N30.8bn	96.6%	N133.9bn	23%

Table 21: Capital expenditure performance

As seen in the table above, there is a huge disparity between the budgeted capital expenditures and the actual performances. The first 2 years of this analysis: 2018 – 2019 performances less than 50% of what was budgeted. There is a year-on-year increase of 65.6% in expenditures when actuals of 2019 is compared to that of 2018. This upward trend continued in 2020 where a 54.4% increase is seen year on year. However, there is dip in expenditures in 2021 despite huge total revenues in excess of N90bn accrued. Only a paltry N20.2bn was expended which represents a year-on-year decline of a whopping 51.6%.

In 2022 however, the capital expenditure estimate was significantly downsized to N31.9bn from an initial approval of N85.9bn. thus, with an annual expenditure of N30.8bn for the year, the performance is significant but the quantum is still critically small to foster tangible socioeconomic renaissance in the state.

Across the period in view, focus needs to be shed on the actual revenues for capital expenditures and it is evident that the revenues have been dwindling. With less revenues, the space to invest in the people becomes tight and thus, greater reference needs to be accorded to this component in order to address the dire, perennial socioeconomic realities in the state.

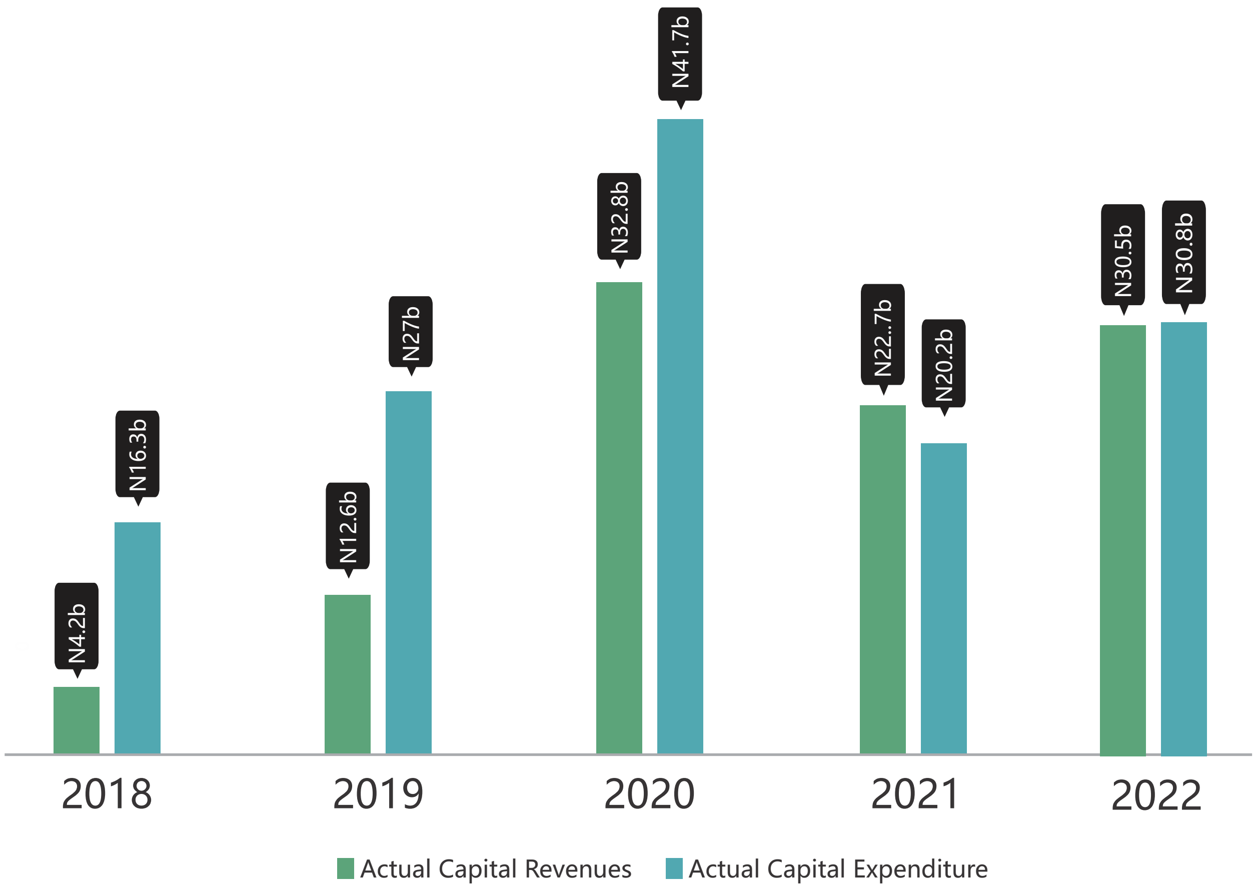

Chart 18: Capital expenditure against total capital revenue

RECURRENT-CAPITAL EXPENDITURE RATIO: AN EXPANSIVE GULF

Based on the audited financial reports used as the basis of this report, it is evident that successive administrations in Zamfara across the period in view prioritized recurrent expenditure over capital expenditure that has the most impact on the socioeconomic profile of the state. This is evident in the ever-increasing disparity in both estimates and expenditure for both capital and recurrent components respectively.

Across the period in view, a total expenditure of N481.8bn was made out of which N345,9bn was expended on recurrent expenses while N135.9bn was spent on capital expenditures across the state. With these figures, recurrent expenditure gulped 71.7% of the state's total expenditure while capital expenditure with all its importance got 28.3%. Taking a cursory look into the expenditure patterns. an unsustainable debt repayment plan and huge overhead costs are to blame to the exponential rise in the recurrent expenditure component in 2022.

Year	Total Expenditure	Total Recurrent Expenditure	Priority level	Total Capital Expenditure	Priority level
2018	N63bn	N46.7bn	74.1%	N16.3bn	25.9%
2019	N83.3bn	N56.3bn	67.5%	N27bn	32.5%
2020	N109.7bn	N68bn	61.9%	N41.7bn	38.1%
2021	N91.9bn	N71.7bn	78%	N20.2bn	22%
2022	N133.9bn	N103.2bn	77%	N30.8bn	23%
2018-2022	N481.8bn	N345.9bn	71.7%	N135.9bn	28.3%

Table 22:Y/Y Expenditure patterns

With an average of 70% annual recurrent expenditure across the period in view, starving capital expenditures of requite funds, it has no doubt contributed to the very abysmal socioeconomic statistics we post perennially. In order to reverse this retrogression, we need to ensure that more funds are freed up for capital expenses so that it consumes at least, 60% of our total annual expenditure.

EXPENDITURE PRIORITY CHART

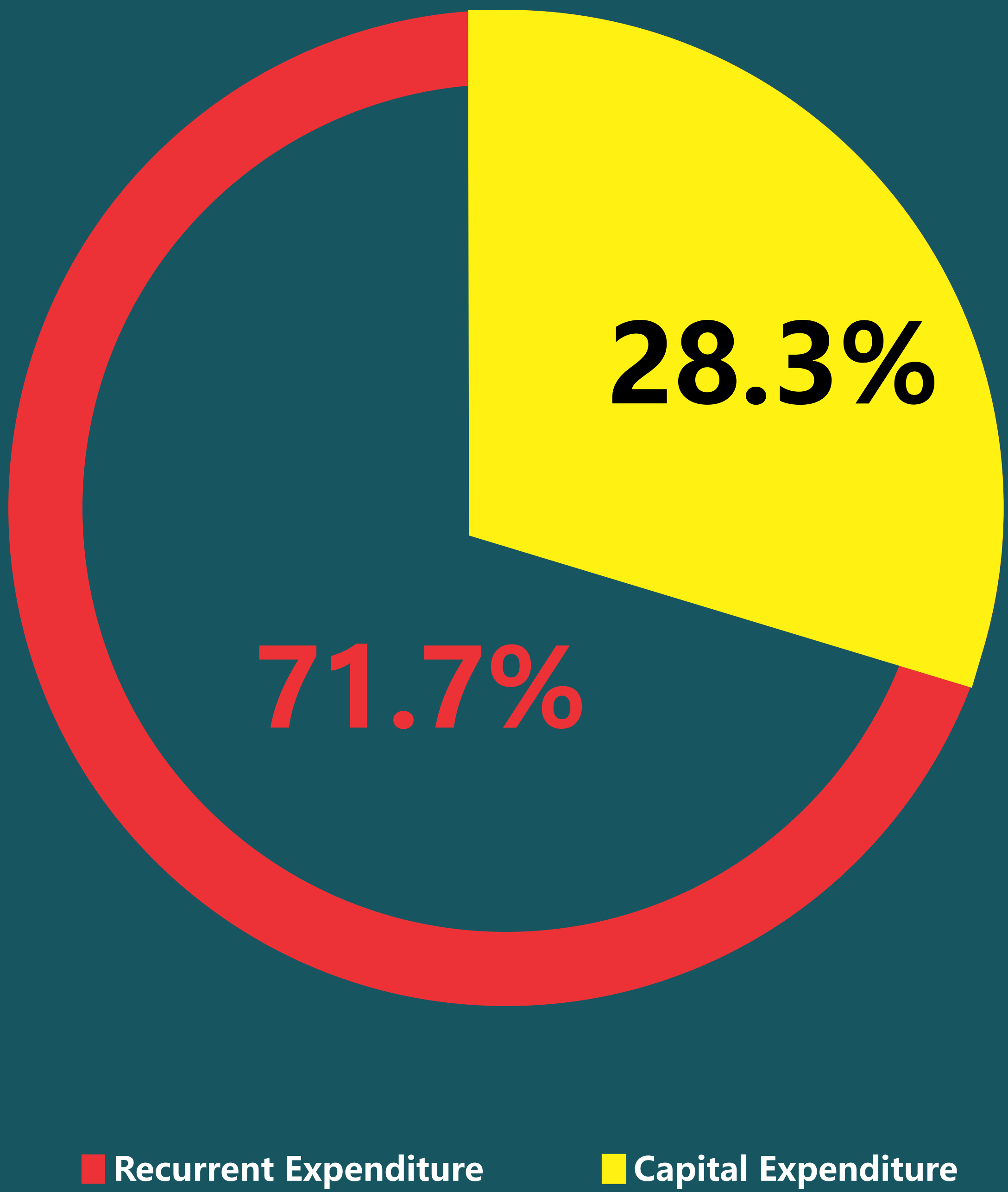

Chart 19: Expenditure patterns as a % of total expenditure

DEBT STOCK

DEBT PROFILE

Zamfara state's debt stock has risen considerably across the period in view from N59.9bn as at December 2018 to N99.9bn same time 2021 excluding External debt stock. The reasons for the widening debt stock are hinged on fiscal deficits due to revenue shortfalls as well as expansionary fiscal policies. Zamfara state's gradual and continuous growth in its debt stock over the years can be traced back to 2015 when the government of that time began building its debt stock portfolio as a result of her need to execute major capital expansion projects and thus, the need to fund these projects arose.
From 2011 to 2013, the total domestic debt stock of the state grew from N12.9m in 2011 to N28.2m in 2013. External debt stock was also a steady rise within same period where it grew by 22.8% from $26.3m in 2011 to $32.3m in 2013. It is clear that since 2011,

Zamfara had a considerable external debt stock compared to its domestic debt stock from the same period in view. The domestic debt portfolio took an exponential rise beyond the billion Naira mark for the first time in 2014 where as at December same year, the stock was a whopping N11.1bn, reflecting a year-on-year increase from 2013 of 3864%. The external debt stock too saw a year-on-year increase of 9.9% where $35.3m was the stock as at 2014 year ended and the upward trend continues.

Many issues have been associated with Zamfara state's continuous rise in most specifically, the domestic stock among which is the unbridled reliance on loans to fund for its capital project financing. Also, the increase in public sector workforce and the size of the government has over the years resulted in higher public sector salary, wage bill, social benefits and overall cost of running the government, thus putting a heavy toll on the government to meet its recurrent obligations from the lean revenue base the state posts.

Another factor is the lean revenue base the state has which has perennially remained so without much efforts at enhancements. The huge over-reliance on the statutory allocation has made it difficult for the state to device alternative means to improved revenues that can be channeled towards capital expenditures. This coupled with bad investments due to unrealistic and unsubstantiated economic policies has resulted in little returns in cushioning the need to borrow more and more.

Taking a cursory look at the total planned expenditures from 2018 to 2021 pegged at N514bn and the total revenue (non-debt) of N275.9bn accrued cumulatively within the periods in view, there is a fiscal deficit of 53.6% which would have exponentially increased the debt stock were the planned expenditures implemented fully.

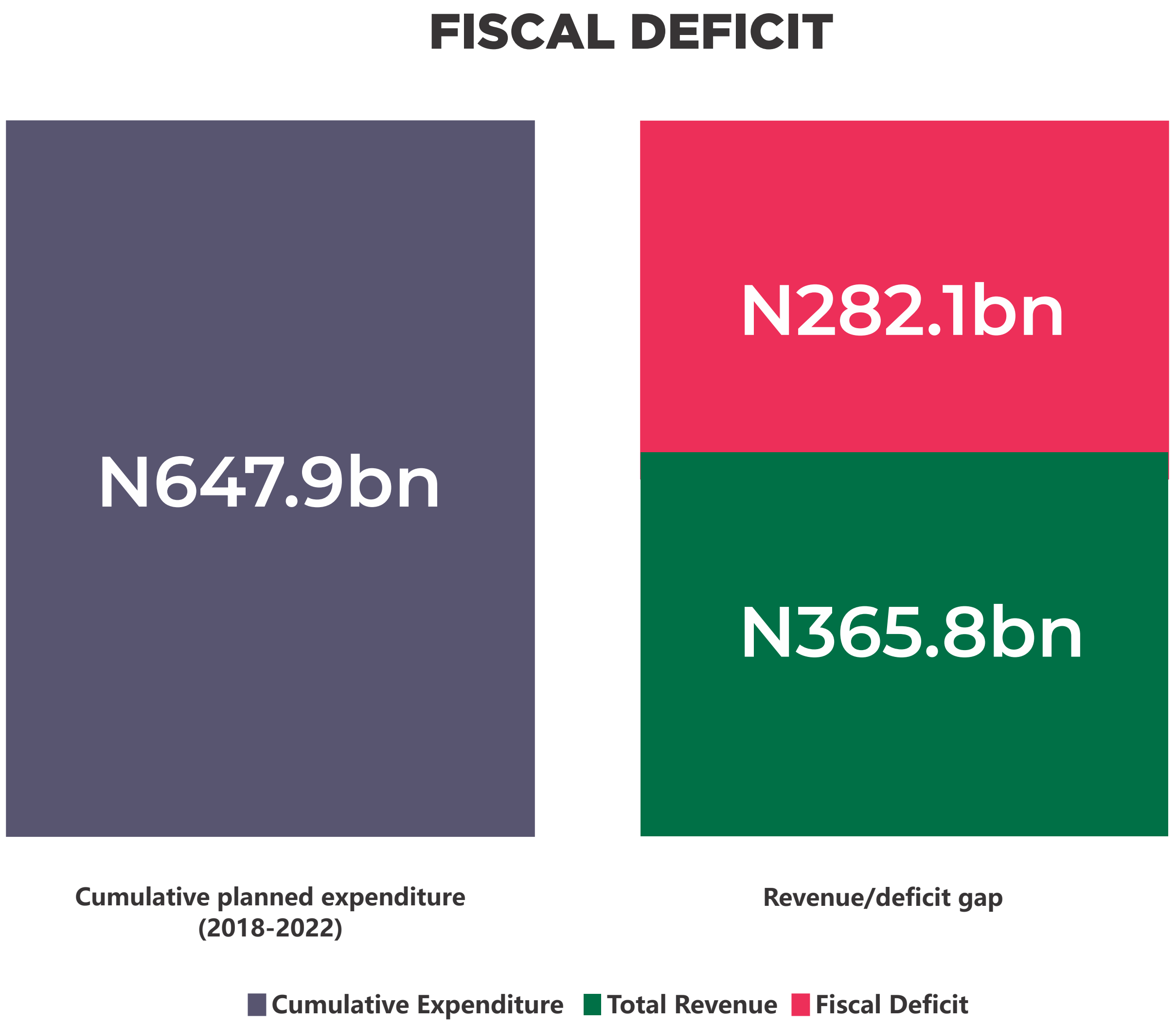

Fig 4: A cumulative indicator of fiscal deficit

I. DOMESTIC DEBT STOCK

Zamfara state's gradual and continuous growth in its debt stock over the years can be traced back to 2015 when the government of that time began building its debt stock portfolio as a result of her need to execute major capital expansion projects and thus, the need to fund these projects arose. From 2011 to 2013, the total domestic debt stock of the state grew from N12.9m in 2011 to N28.2m in 2013. The domestic debt portfolio took an exponential rise beyond the billion Naira mark for the first time in 2014 where as at December same year, the stock was a whopping N11.1bn, reflecting a year-on-year increase from 2013 of 3864%.

This upward trend continued till 2018 where a decrease in the domestic debt stock was visible. The previous year, the stock was pegged at N69.9bn but in 2018 year ended, it decreased by 14.3% to N59.9bn but this decrease was short-lived as it increased by 18.2% to N70.8bn in 2019 and since then, it has been on an increase year on year. 2022, a rise in domestic borrowing was noticed as at December 31st, 2022 where the stock rose from N99.9bn in 2021 to N112.2bn. This represents an annual increase of N12.3%. It is worthy of mentioning that from 2011 to 2019, our domestic debt stock has grown by a whopping 774318.6%.

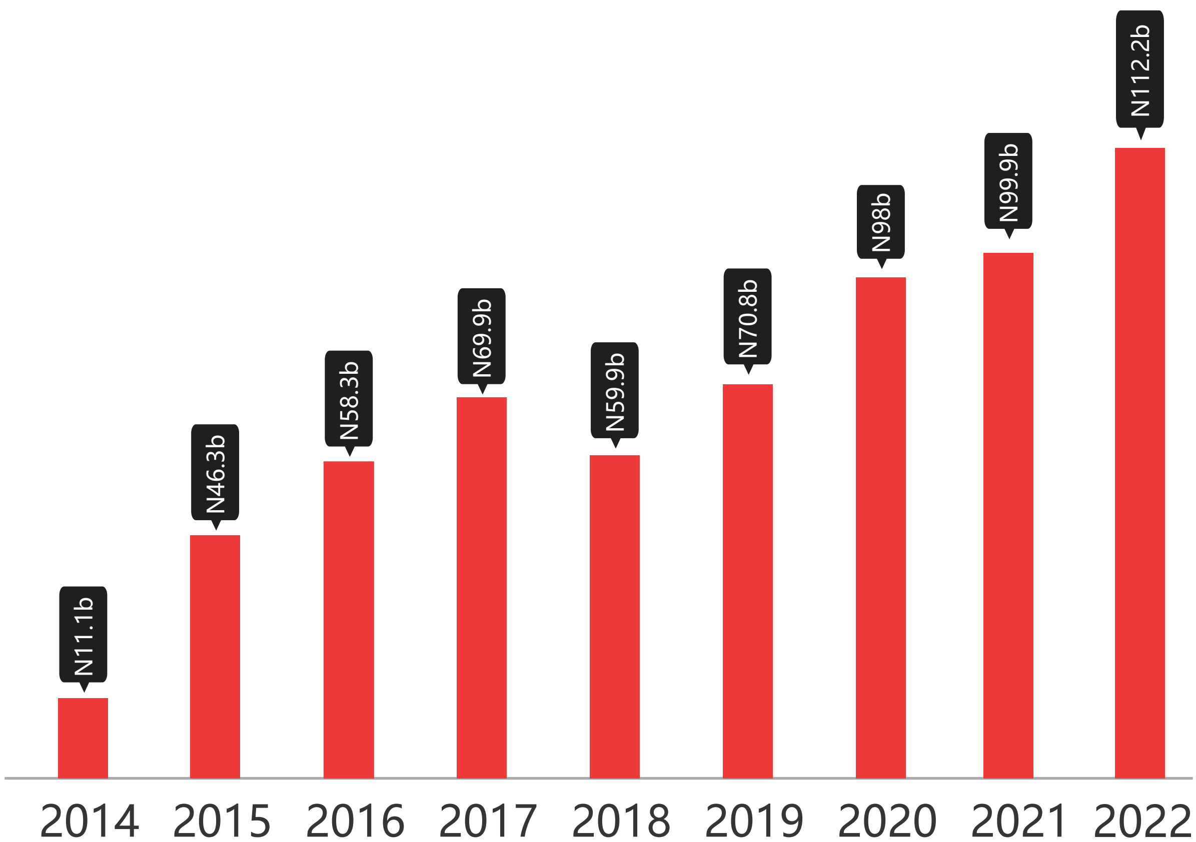

Chart 20: Domestic Debt Stock

ii. EXTERNAL DEBT STOCK

The external debt of the state actually started on higher scale when compared with the domestic stock from 2011. Since then starting at $26.6m in 2011 and for a decade now, the debt stock has increased only by 17.8% to $31m in total in 2021, in total contrast with that of the domestic stock which actually increased astronomically beyond 7000% across the state period in view. It noticed a period of rapid growth between 2012 to 2014, where it grew by 27.4% from $27.9m to $35.5m. However, there is a gradual decrease in the stock annually since 2017 as no fresh loans were collected in this component. The biggest decline was seen in 2022 with a year-on-year decline of 6.8%.

The reason for the huge disparity in size between the debt stocks is chiefly due to the reluctance of the state to seek loans from foreign financial institutions due to the exchange rate volatility due to the swings in the prices of oil which the economy is built on, coupled long processing periods.

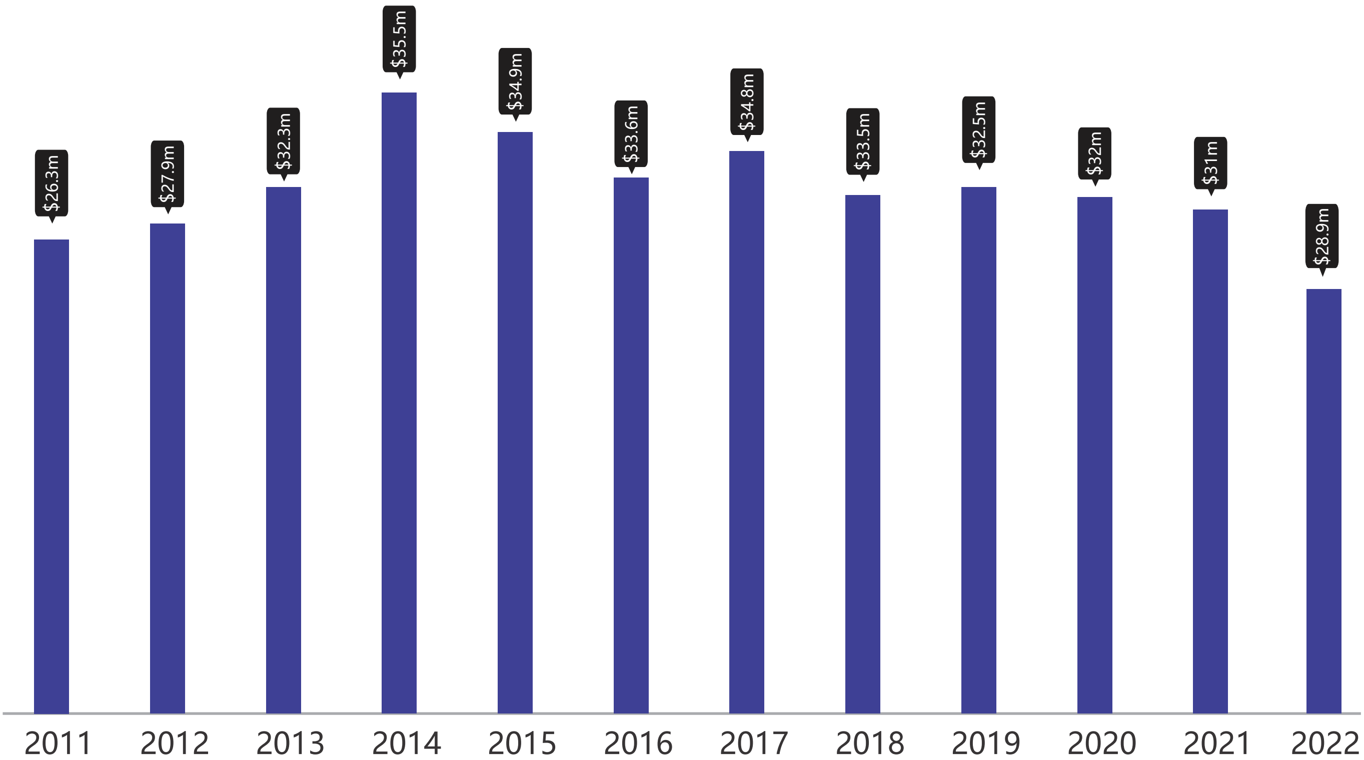

Table 21: External Debt Stock ($)

CUMULATIVE DEBT STOCK

The total debts stock of the state grew from N19.4bn in 2011 to N133.4bn in 2022. This represents a growth of 589.7%. 2015, 2019 and 2022 saw excessive growth in the debt stock.

A comparative analysis on sizes of the two debt stocks as a percentage of the total debt shows that the bulk of the debt was from domestic borrowing with a percentage of 83.9% while the external debt stock makes only 16.1% of the total debt for the period in view. The official exchange rate of N746 to $1 as at 13th September 2023 was used for the conversion of the external debt stock to Naira.

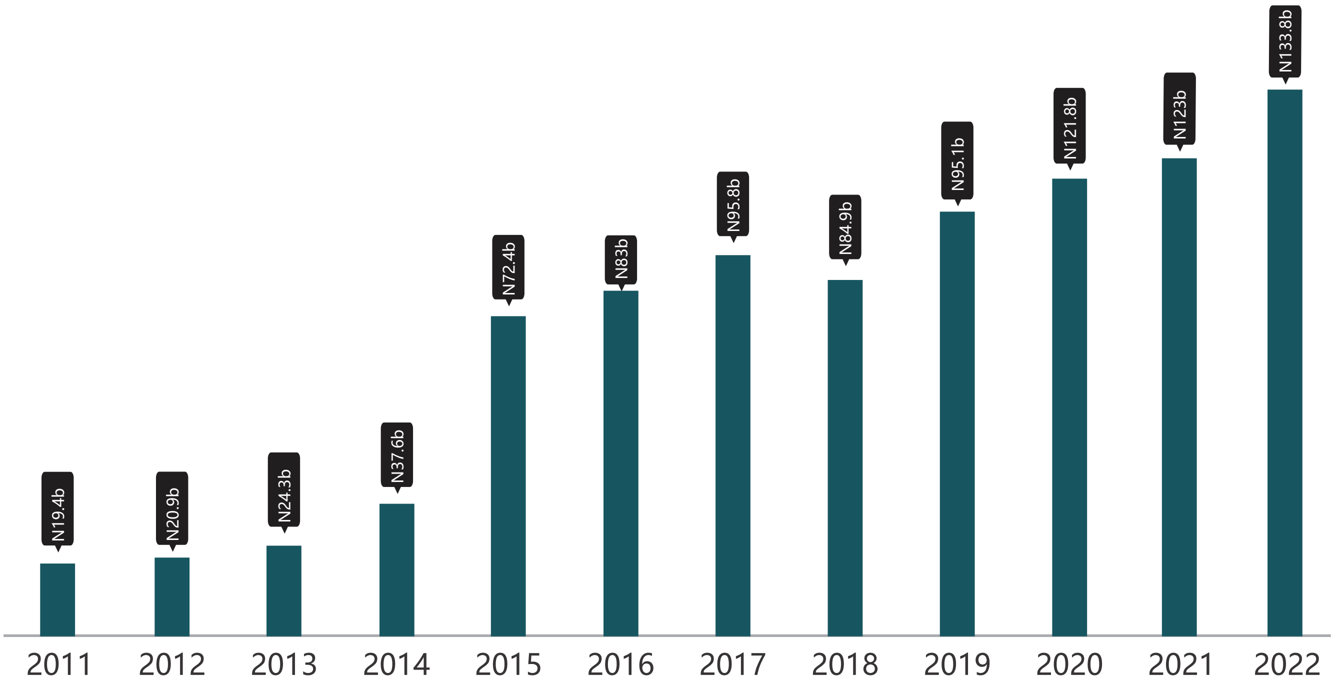

Chart 22: Cumulative Debt Stock

CUMULATIVE DEBT STOCK	
Domestic debt stock	N112.2bn
External Debt Stock	N21.6bn
Total Debt Stock	**N133.8bn**

Table 22: Debt per stock

In 2011, the domestic debt stock accounted for 0.1% of the total debt stock with the external debt stock accounting for the remaining 99.9%. The external stock kept it place as the biggest contributor to the state's total debt up until 2014 where the domestic stock started its upward accent.

By 2015, the domestic stock contributed 63.9% of the total debt, with the external making 36.1%. By 2022, it contributed 83.9% of the cumulative debt stock. The reduction in the external debt stock was due to the discontinuity in seeking them due to the fluctuation in the oil market and long processing periods among others.

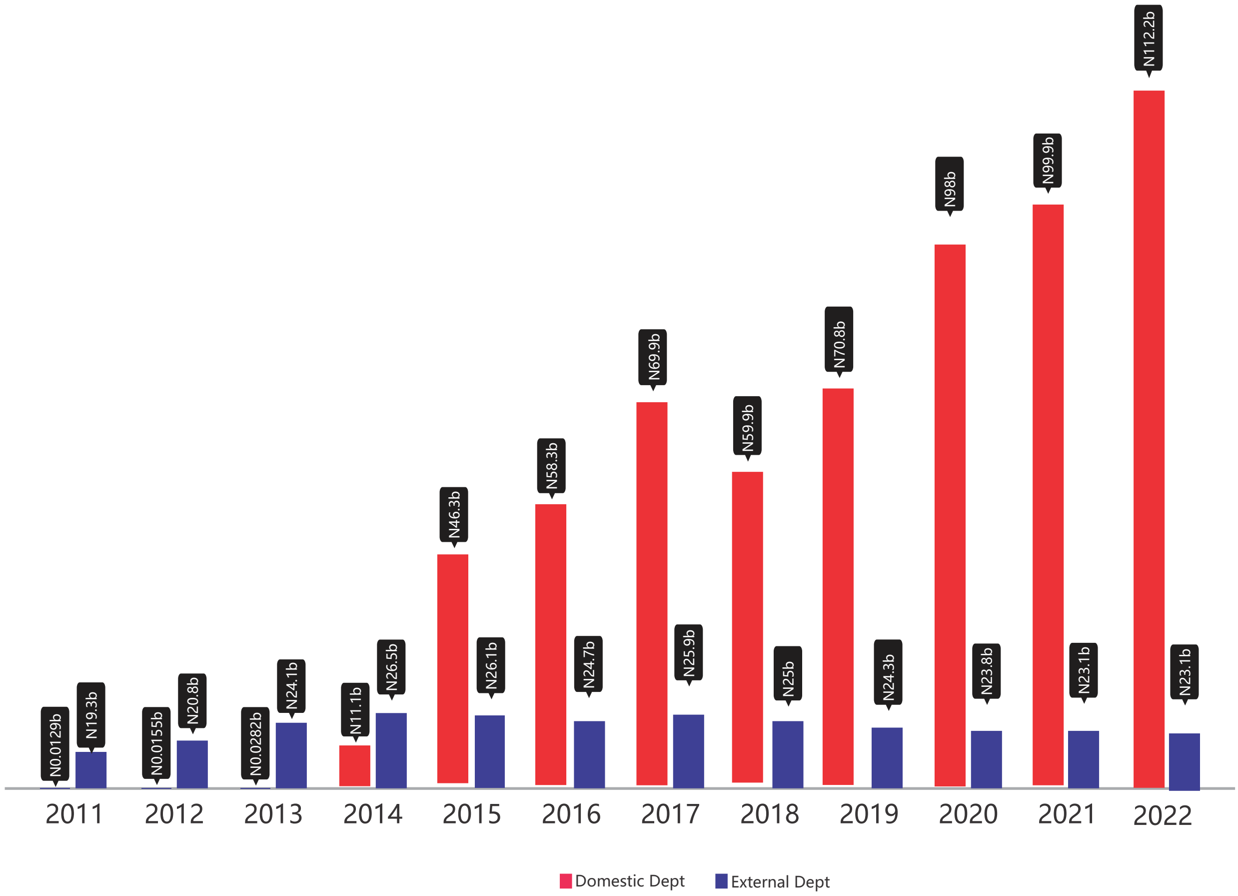

Chart 23:Y/Y Debt trend per stock

STOCK	STOCK SIZE	DEBT AS % OF TOTAL STOCK
Domestic debt stock	N112.2bn	83.9%
External Debt Stock	N21.6bn	16.1%

Table 23: Stock as a percentage of total debt

The difference between the government's actual spending and revenue rose f N4.5bn in 2018 to N10.4bn in 2O19. 2020 saw a gap of N39.2bn, representing a year-on-year increase of. 2021 saw a gap of 9.7bn while 2022 saw a gap pf N46.2bn, a year-on-year gap increase of 376.3%. The resulting deficit has fueled a significant rise in public debt

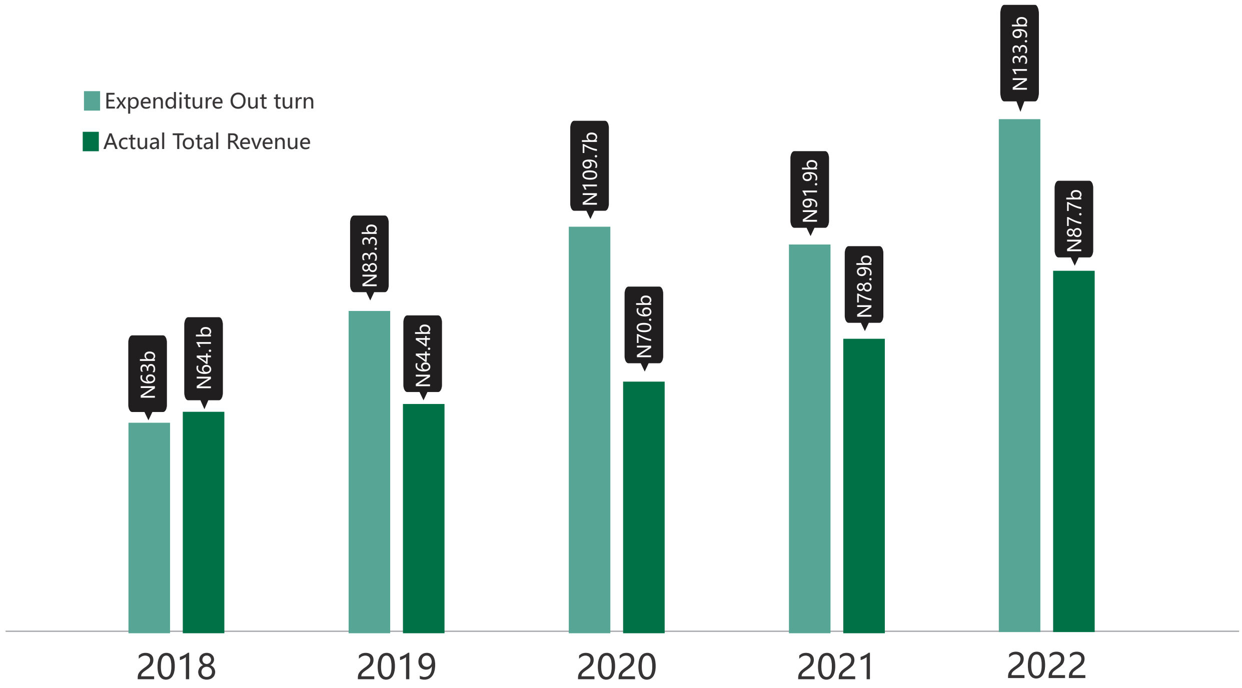

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Chart 25: Y/Y Trend of Expenditure against available revenue

The fact that the state is largely dependent on the federal allocation which is highly volatile due to the fluctuations in the oil prices means that the IGR is only a tiny fraction of the total revenue. In 2018, the IGR contributed a meagre 7.4% to the total revenue. Even though it has recorded a year-on-year improvement since then, its best contribution was in 2021 where it contributed to the total revenue by 18.9%. Even with this laudable improvement, Zamfara cannot meet half of its recurrent cost with the IGR alone. Despite this critical factor, the state's recurrent burden is on the increase year on year. This

YEAR	IGR	TOTAL REVENUE	RATIO
2018	N4.7bn	N64.1bn	7.3%
2019	N5.9bn	N64.4bn	9.1%
2020	N6.6bn	N70.6bn	9.3%
2021	N12.9bn	N78.9bn	16.3%
2022	N6.5bn	N87.7bn	7.4%

Table 26: IGR as a % of revenue

Also as regards to debt servicing, there is an obligation to repay debt and the sustainability of the debt repayment plan is pivotal in ensuring fiscal stability. The amount of money used by the state to service debt has been increasing across the period in view. From 2018 to 2021, it witnessed an increase of 271.8% where N12.4bn and N46.1bn was paid in 2018 and 2022 fiscal years respectively. From 2018 to 2019, there is a slight decline in repayments by 16.9% but this was short-lived as there is a steady increase in repayments in 2020 and 2021 respectively.

2022 saw the highest ever expenditure for loan repayments in the state's history with a whopping N46.1bn spent. This alone is a year-on-year increase of 47.8%. The IGR performed abysmally in the year losing over 50% of the size in the previous year and thus, might be the reason for the huge borrowing as well as significant debt repayments.

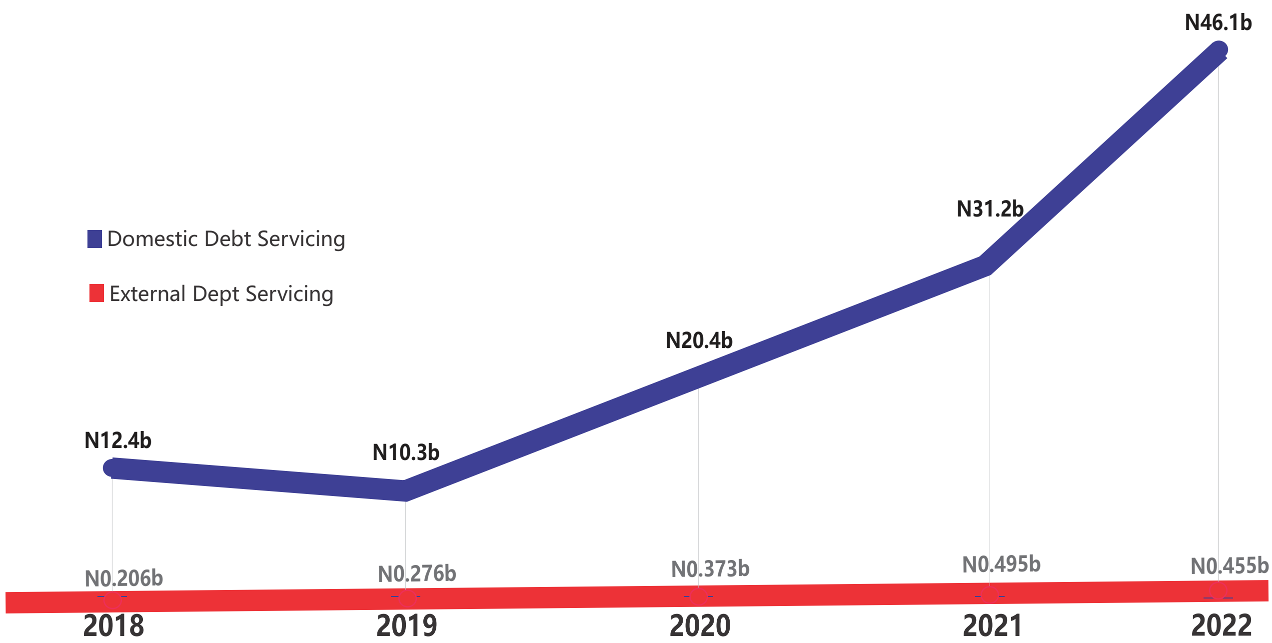


Chart 24: Y/Y Debt servicing trend

The cost of servicing the state's debt relative to its revenues is entering uncharted territory. In 2018 and 2019, the cost of debt service relative to revenues were at sustainable levels of below 20%. which is half of the indicative threshold of 40%. But from 2020 up to 2021 fiscal years, it has witnessed a huge increase of 28.81% and 39.5% respectively, just shy of reaching the indicative threshold. However, despite the stress encountered in 2021, no real-time measures were taken in order to address the hike and thus, it has exceeded the threshold with an all-time high record of 45.7% which effectively exceeds the threshold for the very first time by more the 5%. Zamfara could end up in a debt trap should debt servicing continue to rise to unsustainable levels.

We have studied the 2020 debt sustainability Analysis of the state prepared by the state's Ministry of Finance and the actual trend we have established is in contrary to the projections they gave. For example, they pegged the debt servicing- Revenue ratio at 17.2%, 13%, 30.7%, 8% and 7% for the respective fiscal years of 2018, 2019, 2020, 2021 and 2022, but looking at the actual outturns, they are way beyond those projections and by a significant margin. This Is another reason to holistically review the DSA.

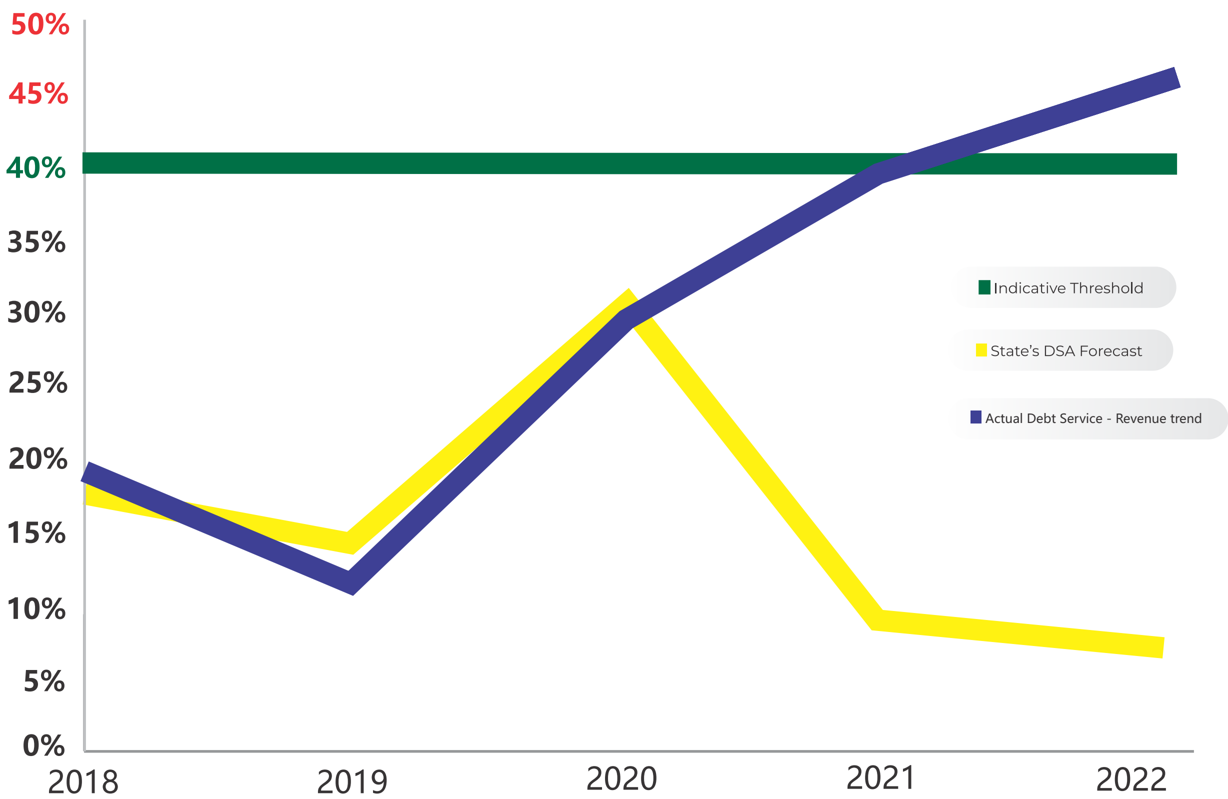


Chart 26: Debt service trends against indicative threshold

METRIC 1: DEBT-REVENUE RATIO

Zamfara states economy is built on the federal allocation which contributes more than 60% to the total revenue (|GR + FAAC+Aid/Grants). The debt-revenue ratio has been on increase with a tangible increase in 2019 and 2020. It is also noticed that higher revenues were proportional to increase in the debt across the period. We assessed the debt to revenue ration against the established threshold of 200% in order to evaluate what portion of the total revenue will be remaining for expenditures were the total debt stock be paid with such.

In 2018, the debt-revenue ratio was 132.4% and in 2019, it grew to 147.7%, representing a year-on-year increase of 11.6%. This component took a significant hike in 2020 by recording a 16.7% increase year on year with 172.3%. There is a slight decline in both 2021 and 2022 and this is chiefly due to the increase in total revenues collected with a debt to revenue ratio of 155.9% and 152.6% respectively.

In essence, what this translates to is that as at 2022, the state will have only 23.7% of its total revenue left for both recurrent and capital expenditure as a whole chunk of it will go straight to debt service. This indicator is a test for fiscal stress and the Outcomes further highlight the need to diversify revenue base and reevaluate borrowing patterns to fit into sustainable thresholds that will facilitate repayment without critically straining the economy as we see today.

YEAR	TOTAL REVENUE	TOTAL DEBT STOCK	DEBT-REVENUE RATIO
2018	N64.1bn	N84.9bn	132.4%
2019	N64.4bn	N95.1bn	147.7%
2020	N70.7bn	N121.8bn	172.3%
2021	N78.9bn	N123bn	155.9%
2022	N87.7bn	N133.8bn	152.6%

Table 24: Debt as a % of total revenue

METRIC 2: DEBT SERVICE-REVENUE RATIO

This indicator is very important in assessing debt sustainability. it checks to what degree the repayment plan for a loan is putting a stress on the available revenue IMF has benchmarked 22.5% as the threshold for debt servicing to revenue ratio but in the fiscal years in view, the state as exceeded this threshold in the last 3 fiscal years. Since 2020, the threshold has been significantly breached way beyond sustainable limits. Applying the conservative 40% threshold for subnational assessments,

2021 showed a high-risk outcome implying that continuing on that trend is not fiscally sustainable. It is seen clearly in 2022 that no reforms were made to address the stress noted in the previous year with 45.7% of total revenues accrued expended on servicing debt which is way beyond sustainable levels.

YEAR	TOTAL REVENUE	DEBT SERVICING	RATIO
2018	N64.1bn	N12.4bn	19.3%
2019	N64.4bn	N10.3bn	15.9%
2020	N70.7bn	N20.4bn	28.8%
2021	N78.9bn	N31.2bn	39.5%
2022	N87.7bn	N40.1bn	45.7%

Table 25: Debt service as a % of revenue

As of 2022, for every N100 the state earns in revenues, N46.1k is spent on servicing debt, thus leaving a tight purse for the government to do both recurrent and capital expenditures, this alone puts the state in a vicious cycle of borrowing and repaying. Coupled with this unsustainable loan repayment framework for a state with a revenue problem, it adds to fiscal miseries which directly and indirectly reflect on the socioeconomic profile of the state and its inhabitants because there is less and less capital revenues to invest In the people.

With this data, it is evident that for Zamfara state to come out of this quagmire, fiscal reforms are pertinent and that is what this report is seeking to buttress.

METRIC 3: DEBT-FAAC RATIO

This is another indicator used to evaluate debt sustainability where the Gross FAAC (FAAC+VAT) is used as a measure of evaluating stress caused by debt service. It is no news that most states in the country including Zamfara state heavily depend on the gross federal allocation to augment their meager internal revenues.

Taking a cursory look, it shows that debt servicing is taking an increasing toll on this precious revenue pool which the state so critically depends on. In 2018, it gulped 26.7% of gross FAAC. Even though it took a dip in 2019 to record 18.3%, it soon continued on the upward trajectory year on year. There is a significant rise in 2021 and 2022 as well due to an increase in debt service beyond the increase in total gross FAAC receipts. The 75.5% recorded in 2022 is highest so far which is another indicator of stress which must not be sustained

YEAR	GROSS FAAC	DEBT SERVICING	RATIO
2018	N54.7bn	N12.4bn	22.6%
2019	N56.2bn	N10.3bn	18.3%
2020	N53.3bn	N20.4bn	38.3%
2021	N55.3bn	N31.2bn	56.4%
2022	N61.1bn	N46.1bn	75.5%

Table 27: Debt service as a % of Gross FAAC

METRIC 4: DEBT-GDP RATIO

The GDP of Zamfara state has been steadily increasing year on year across the period in view with N1.23T, N1.39T, N1.43T and N1.73T in 2018, 2019, 2020 and 2021 fiscal years respectively. With the subnational threshold for this indicator pegged at 25%, there is no significant issues as indicated in the table below.

YEAR	GDP	TOTAL DEBT STOCK	GDP-DEBT RATIO
2018	N1.23T	N74.5bn	6.1%
2019	N1.39T	N103.3bn	7.4%
2020	N1.43T	N111.9bn	7.8%
2021	N1.73T	N113.4bn	6.5%
2022	N1.91T	N133.8bn	7%

Table 28: Debt stock as a % of GDP

METRIC 5: PERSONNEL COST-REVENUE RATIO

The ability of a government to pay salaries and wages to its staff as at when due is a quality of a good government but how? This indicator is Used to assess the state's capacity to exercise its obligations to its workforce with the revenue available without resorting to borrowing. The indicative threshold is 60% of revenue, meaning a state should not spend beyond 60% of its revenue in a given fiscal year. Since 2019 were it stood at 24.1%, there is a noticed year on year increase in this regard with 26.5%, 30.7% and 24.9% for 2019, 2022 and 2021 respectively. There is a significant increase in 2022 where it peaked at 34.9%, a year-on-year increase of 81.7%.

This hike is due to the state's efforts to implement the N30, 000 national minimum wage but with meagre resources to absorb the increment, it will reflect as a fiscal stress on an already stressed system and with internally generated revenue taking a significant dip year on year, efforts must be channeled toward sourcing sustainable means of revenue generation.

YEAR	TOTAL REVENUE	PERSONNEL COST	RATIO
2018	N64.1bn	N4.7bn	24.9%
2019	N64.4bn	N5.9bn	26.5%
2020	N70.6bn	N6.6bn	30.7%
2021	N78.9bn	N12.9bn	24.9%
2022	N87.7bn	N6.5bn	34.9%

Table 29: Personnel Cost as a % of Revenue

FISCAL SUSTAINABILITY METRICS

FISCAL SUSTAINABILITY

Fiscal sustainability refers to whether the government can maintain current policies without major adjustments in the future. It represents broadly the ability of government to sustain its current spending, tax and other policies in the long run without threatening government solvency or defaulting on some of its liabilities or promised expenditures.

For this, we have identified five (5) peculiar metrics to evaluate the fiscal sustainability of Zamfara with the aim of finding out whether or not the fiscal policies the state has adopted across the period in view are sustainable and can guarantee economic viability and socioeconomic prosperity.

METHODOLOGY OF ANALYSIS

Metric A looks at the ability to grow IGR Year on year.

Metric A
30%

$$\frac{\text{Current Year IGR - Previous Year IGR}}{\text{Previous IGR}}$$

Metric B looks at the ability to Prioritize Capital Expenditure with respect to total Revenue.

Metric B
30%

$$\frac{\text{Recurrent Expenditure}}{\text{Capital Expenditure}}$$

Metric C looks at the ability to do operating expenses with IGR only.

Metric C
20%

$$\frac{\text{Non-Debt Recurrent Expenditure}}{\text{IGR}}$$

Metric D analyzes the state's debt Sustainability using four major indicators

Metric D
10%

$$\frac{\text{Indicator (A+B+C+D)}}{4}$$

Metric E Ability to cover all the current expenses include debt servicing with their total revenue.

Metric E
10%

$$\frac{\text{Total Recurrent Expenditure}}{\text{Total Revenue}}$$

FISCAL SUSBTAINABILITY METRIC RATING

1st

2021

Cumulative Index Score: 1.82

2nd

2020

Cumulative Index Score: 2.09

3rd

2019

Cumulative Index Score: 2.26

4th

2018

Cumulative Index Score: 2.30

5th

2022

Cumulative Index Score: 2.69

METRIC A

Metric A looks at the ability to grow IGR year on year. The year with the high score indicates a substantial growth of the component year on year. The year that ranks lowly on this metric have a poor growth of the component year on year and thus, implies increased reliance on federal revenues to implement the budget.

1st
2021
Index Score: 0.96

2nd
2019
Index Score: 0.26

3rd
2018
Index Score: 0.24

4th
2020
Index Score: 0.12

5th
2022
Index Score: -0.49

METRIC B

Metric B looks at the prioritization of capital expenditure over recurrent expenditure in the fiscal year. Years with a high ranking prioritized capital expenditure in their expenditure pattern. Years with a low ranking translates to them prioritizing recurrent expenditures which has little impact on the socioeconomic outlook of the state.

1st

2020

Index Score: 1.63

2nd

2019

Index Score: 2.09

3rd

2018

Index Score: 2.87

4th

2022

Index Score: 3.35

5th

2021

Index Score: 3.54

METRIC C

Metric C looks at the ability of the state to use shoulder its running costs by using its IGR alone without huge reliance on the federal revenues. A higher rating indicates that there is a reduced dependence on federal revenues and it is more fiscally viable to exist as an independent entity. Years with low ratings indicate huge reliance on federal revenues for existence

1st

2021

Index Score: 3.14

2nd

2020

Index Score: 7.21

3rd

2018

Index Score: 7.29

4th

2019

Index Score: 7.79

5th

2022

Cumulative Index Score: 8.8

METRIC D

Metric D looks at debt sustainability. The index scores are derived from 4 debt sustainability indicators namely: Debt-revenue ratio; Debt service-reveneu ratio; Debt-GDP ratio and Personnel cost-revenue ratio. Years with higher rating indicates more fiscal width to borrow more to fund capital investment projects. Years with low ratings indicates limited space for sustainable borrowing and need to resort to other funding plans such as PPP in order to fund capital investments in th state.

1st

2018

Index
Score: 0.42

2nd

2019

Index
Score: 0.53

3rd

2021

Index
Score: 0.54

4th

2020

Index Score: 0.57

5th

2022

Cumulative Index Score: 0.6

METRIC E

Metric E looks at the ability to have more funds remaining from the total revenue for capital expenditures after servicing debt and other recurrent costs. Years with higher ratings indicate availability of more funds for capital investments. For years with low ratings, PPP models need to be adopted in order for the state to deliver on capital projects,

1st

2018

Index Score: 0.73

2nd

2019

Index Score: 0.87

3rd

2021

Index Score: 0.91

4th

2020

Index Score: 0.96

5th

2022

Cumulative Index Score: 1.18

GENERAL CONCLUSION

GENERAL CONCLUSIONS

Revenue patterns

Despite the COVID - 19 pandemic that shrunk revenues and crippled economies, Zamfara managed to accrue more revenues, thanks to the improvement in Statutory transfers most Specifically the Value Added Tax. Grants and aids also contributed tangibly to this feat. Moreover, there is an appreciable improvement in outturn of the Internally Generated Revenues year on year since 2018. There has been an increase of 174% from 2018 to 2021. Bulk of the improvements came in 2021 with an increase of 95.5% year on year. However, this gain was not sustained the collection in 2022 was almost 50% less year on year. However, Zamfara is a state that relies heavily on external revenues to implement her annual budget. At the end of the 2022 fiscal year, the IGR contributed ony 74% to the total revenues accrued which means that the state is more prone to fiscal shocks in the advent of dwindling external revenues. Furthermore, this has made the state to make unrealistic revenue forecasts. With this, it is pertinent for the state to attain an improved state of fiscal reliability by significantly improving the efforts to mobilize internal revenues.

Expenditure patterns

The cumulative expenditure has been on the increase year on year from N63.2bn in 2018 to N133.9bn in 2022 which is the highest ever annual expenditure in the state's history. However, 71.7% of cumulative expenditure made from 2018 to 2022 went into recurrent expenditures with bloated overheads, increase in personnel costs and unsustainable debt service plan taking a tangible chunk. Overhead costs expenditures have risen 56.3% when in 20i8to 2019. A drop of 109% was seen in 2020 year on year but it took another significant rise of 58.5% in 2022. When compared with personnel cost expenditure, there is a tangible difference in favor of overheads of 43%, 52.6%, 73% for 2018, 2019 and 2020 respectively. Only in 202l was a decline of 29% noticed although it was not sustained because it went up by 21.29% in 2022, The spending on capital expenditures have been fluctuating with an average cumulative expenditure of N26.3bn for the years. 2020 marked the highest with an expenditure of N41.7bn but this improvement was short lived as 2021 saw an expenditure of N20.2bn, a year-on-year decline of 51.5%. 2022 saw a slight increase where a total of N30.8bn was spent.

Debt Outlook

Zamfara state's debt stock has been on a year-on-year increase. the cumulative debt stock has risen from N84.9bn in 2018 to NI33.8bn in 2022 with the domestic debt stock accounting for 88.1%. The external debt stock has not witnessed any increase due to the fact that the state has not activated the facility for the period under review so the state is less susceptible to exchange rate volatility in terms of lending and repayment

Debt Sustainability Analysis

Debt servicing has also been on the increase. it recorded 151.6% increase from 2018 to 2021 as NI2.4bn, N10.3bn, N20.4bn and N31.2bn were paid for 2018, 2019, 2020 and 2021 fiscal years respectively. The IMF's recommended debt service to revenue ratio of 22.5% has been exceeded for the first time in 2020 and again in 2021 and 2022 respectively. The subnational debt service-to-revenue solvency threshold of 40% has been breached and by some margin in 2022 where it recorded 45.7%. This translates into only 54.3% of total revenues accrued were available to the state for both recurrent and capital expenditures. This is a red flag that indicates urgency of action. An effective and sustainable debt servicing framework needs to be adopted so that repayments and within allowable limits and more funds may be freed up in the process. Another indicator that needs to be looked into is the personnel cost to revenue ratio where it is currently at 34.9% on a scale of 60%. It is worthy of mentioning that this is not unrelated to the state's efforts to implement the national minimum wage. However, the state needs to start diversifying revenue poos in order to efficiently shoulder the added fiscal burden without further exacerbating the system. Other debt sustainability indicators are within sustainable limits even though forecasts from The Debt sustainability analysis report produced by the state's Ministry of Finance are in conflict with the actual outturns.

Fiscal sustainability Analysis

For the very first time, we conducted a fiscal sustainability analysis using five major metrics in order to ascertain annual fiscal direction and highlight trends that need consolidation or correction. 2022 Nas the most fiscally unsustainable year with the highest composite index from the fiscal years in view. Furthermore, there are serious calls for concerns on the respective outcomes from the indexes used. Some of the outcomes are way beyond Sustainable thresholds and needs to be treated on an individual basis. Thus, a precursor for fiscal reforms in the state.

POLICY IMPLICATIONS

Increase Public Revenues

Zamfara state is a state whose sustenance relies chiefly on external revenues as highlighted herein and economic viability comes with fiscal width, thus, the need to improve on the internal revenue generation. there have been decent improvements in collection but it is not enough to cover the state's recurrent burden and greatly reduce over reliance on federal allocation. Increasing revenues can be done sustainably by tapping into the extractive sector as the state is endowed with abundant reserves of cash minerals which if tapped, can create jobs and provide additional revenues streams for the economy.

Policy-based Expenditure

The expenditure patterns established in this research have clearly indicated the dearth of policy or its implementation in the state. We observed that policy thrusts to guide expenditure were formulated as seen in 2021 but the real-time expenditure betrayed such policies. For example, A policy thrust from 2021 fiscal year was to work in conjunction with other sub-sectors to raise the living standard of rural farmers through the provision of social and economic infrastructure such as roads, portable water, electricity, healthcare and education But the actual expenditures aforementioned sectors are actually not substantial enough to achieve the policy objective. Thus, policies should be informed by taking into cognizance socioeconomic realities. to do so, efforts should be participatory in nature where citizens are involved in policy planning, formulation and implementation, this will foster cohesion and cooperation as well as adoption and execution of only viable projects that will impact on the lives of the citizenry.

Prioritization of Capital Expenditure over recurrent Expenditure

Investments in capital expenditures is a requisite panacea to the dearth of socioeconomic growth the state has been perennially facing because they have the power to usher in economic growth and social development. As seen in the expenditure pattern, 71.7% of total expenditures made frorn 2018 to 2022 went to recurrent expenditures, while capital expenditures got 28.3%. This trend is retrogressive for a state like Zamfara with lean revenues and investment deficits. Going forward, there should be a preference for capital investments because it is only through that, can economic prosperity be achieved

Reduction in the cost of governance.

There has been a year-on-year increase in terms of non-debt recurrent expenditure and if not addressed, may reach unsustainable thresholds which could spell fiscal issues for the state. there is a need to restructure the civil service while taking into cognizance the contemporary economic realities of the state. The problem is the state's income streams are fixed with the IGR contributing less than 16% of total revenues but yet, the state continues to incur unnecessary recurrent burden by creating new MDAS and appointing more people into the public service, majority of which add no economic value to the state. Another point of notice is the ballooning of overhead costs beyond the personnel cost as seen in 2018, 2019 and 2020, with 2022 showing an increase of 212% In order for the recurrent expenditure to be trimmed down, there is likely a need for merging of MDAS with similar mandates and discard of those that are deemed not relevant to the contemporary realities of state building this will free up funds that could be injected into funding capital investments that will deliver result-oriented outputs.

Debt Management

The cost of servicing the state's debt relative to its revenues is entering uncharted territory. In 2018 and 2019, the cost of debt service relative to revenues were at sustainable levels below 20%, which is half of the indicative threshold of 40%. But from 2020 up to 2021 fiscal years, it has witnessed a huge increase of 28.81% and 39.5% respectively, just shy of reaching the indicative threshold. However, despite the stress encountered in 2021, no real-time measures were taken in order to address the hike an thus, it has exceeded the threshold with an all-time high record of 45.7% which effectively exceeds the threshold for the very first time by more the 5%. Zamfara could end up in a debt trap should debt servicing continue to rise to unsustainable levels.

We studied the 2020 debt sustainability Analysis of the state prepared by the states Ministry of Finance and the actual trend we have established is in contrary to the projections they gave. For example, they pegged the debt servicing-Revenue ratio at 12.29%, 15%, 30-7%, 8% and 7% for the respective fiscal years of 2018, 2019, 2020, 2021 and 2022, but looking at the actual outturns, they are way beyond those projections and by a significant margin. This is another reason to holistically review the DSA With this trend, debt sustainability can be attained by improving revenues. With more independent revenue, the need to borrow disproportionately will be minimized.

DATA CHARTS

IGR GROWTH

YEAR	PREVIOUS IGR	CURRENT IGR	YEAR ON YEAR GROWTH
2018	N3.8bn	4.7bn	23.6%
2019	N4.7bn	N5.9bn	25.5%
2020	N5.9bn	N6.6bn	11.8%
2021	N6.6bn	N12.9bn	95.4%
2022	N12.9bn	N6.5bn	-49.6%

STATE GROSS FAAC DEPENDENCY

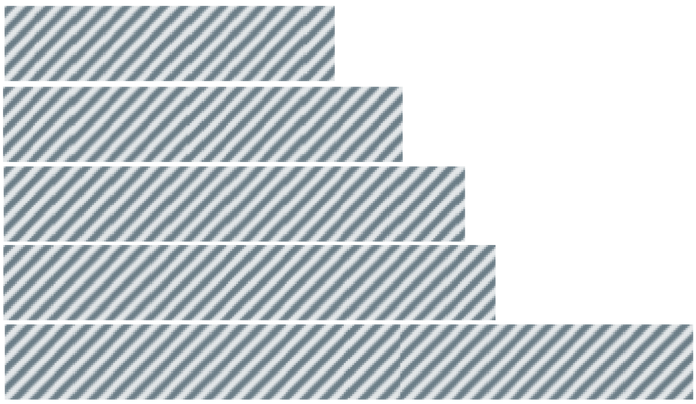
YEAR	GROSS FAAC	TOTAL REVENUE	% DEPENDENCY
2018	N54.7bn	N64.1bn	85.3%
2019	N56.1bn	N64.4bn	87.1%
2020	N53.3bn	N70.6bn	75.5%
2021	N55.3bn	N78.9bn	70.1%
2022	N61.1bn	N87.7bn	69.7%

RECURRENT EXPENDITURE (Non Debt)

YEAR	Recurrent Expenditure
2018	N34.3bn
2019	N46bn
2020	N47.6bn
2021	N40.5bn
2022	N57.2bn

RECURRENT EXPENDITURE (Debt Service Inclusive)

YEAR	Recurrent Expenditure + Debt Service
2018	N46.7bn
2019	N56.3bn
2020	N68bn
2021	N71.7bn
2022	N103.2bn



CAPITAL EXPENDITURE ASSESSMENT

YEAR	PREVIOUS YEAR	CURRENT YEAR	YEAR ON YEAR GROWTH
2018	N21.8bn	N16.3bn	-25.2%
2019	N16.3bn	N27bn	65.6%
2020	N27bn	N41.7bn	54.4%
2021	N41.7bn	N20.2bn	-51.5%
2022	N20.2bn	N30.8bn	52.5%

REVENUE GROWTH ASSESSMENT (Non Debt)

YEAR	PREVIOUS YEAR	CURRENT YEAR	% GROWTH
2018	-	N64.1bn	-
2019	N64.1bn	N64.4bn	0.46%
2020	N64.4bn	N70.6bn	9.62%
2021	N70.6bn	N78.9bn	11.75%
2022	N78.9bn	N87.8bn	11.2%

TOTAL DEBT STOCK

YEAR	TOTAL STOCK
2018	N84.9bn
2019	N95.1bn
2020	N121.8bn
2021	N123bn
2022	N133.8bn

DEBT SUSTAINABILITY METRIC

Year	Total Revenue	Total Expenditure	Total Debt. Stock	Total Debt Service	Debt. as % of Revenue 200%	Debt. Service as & of Revenue 40%	Personnel Cost as % of Revenue 60%	Debt as a % of GDP 25%	Composite score
2018	N64.1bn	N63bn	N74.5bn	N12.4bn	116.2%	19.3%	24.9%	6.1%	0.42
2019	N64.4bn	N83.3bn	N103.3bn	N10.3bn	160.4%	15.9%	26.5%	7.4%	0.53
2020	N70.6bn	N109.7bn	N111.9bn	N20.4bn	158.5%	28.8%	30.7%	7.8%	0.57
2021	N78.9bn	N91.9bn	N113.4bn	N31.2bn	143.7%	39.5%	24.9%	6.5	0.54
2022	N87.7bn	N133.9bn	N133.8bn	N46.1bn	152.6%	45.7%	34.9%	7%	0.60

FISCAL PERFORMANCE SHEET

Year	Gross FAAC	IGR	Total Revenue (Including Grants)	Recurrent Expenditure (Non Debt)	Recurrent Expenditure + Debt Servicing	Capital Expenditure
2018	N54.7bn	N4.7bn	N64.1bn	N34.3bn	N46.7bn	N16.3bn
2019	N56.1bn	N5.9bn	N64.4bn	N46bn	N56.3bn	N27bn
2020	N53.3bn	N6.6bn	N70.6bn	N47.6bn	N68bn	N41.7bn
2021	N55.3bn	N12.9bn	N78.9bn	N40.5bn	N71.7bn	N20.2bn
2022	N61.1bn	N6.5bn	N87.7bn	N57.2bn	N103.2bn	N30.8bn

FISCAL SUSTAINABILITY METRIC

Year	Metric A	Metric B	Metric C	Metric D	Metric E	Cumulative Metric Point
2018	0.24	2.87	7.29	0.42	0.73	2.31
2019	0.26	2.09	7.79	0.53	0.87	2.26
2020	0.12	1.63	7.21	0.57	0.96	2.09
2021	0.96	3.54	3.14	0.54	0.91	1.82
2022	-0.49	3.35	8.8	0.6	1.20	2.69