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

A GUIDE TO FISCAL REFORMS

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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:
Budget Timeline refers to the scheduled dates for submitting, reviewing, and obtaining approval for the annual fiscal budget from the legislative to the executive branch.

Budget Size:
Budget Size represents the total sum of all projected revenues for a fiscal year, showcasing the government's financial planning scope and the estimated fiscal resources available.

Capital Revenue (Receipts):
Capital Revenue (Receipts) refers to the funds received by a government from non-recurring financial sources, used primarily for capital expenditures such as infrastructure projects and long-term investments.

Recurrent Revenue:
Recurrent Revenue is the income that a government regularly receives from sources like taxes, fees, and grants, intended to cover ongoing operational expenses such as salaries and maintenance.

Capital Expenditure:
Capital Expenditure involves funds spent by a government on acquiring or maintaining fixed assets, such as buildings, roads, and equipment, intended for long-term use and investment.

Recurrent Expenditure:
Recurrent Expenditure is the government's ongoing spending on operational costs, including salaries, utilities, and maintenance, necessary for daily administration and services.

Gross Domestic Product (GDP):
Gross Domestic Product (GDP) is the total market value of all goods and services produced within a country over a specific time period, reflecting economic health.

Internally Generated Revenue (IGR):
Internally Generated Revenue (IGR) is the income earned by a government from its own sources, such as taxes, fees, and charges, independent of external funding.

Debt Servicing:
Debt Servicing refers to the payment of interest and principal on a government's debt, encompassing both the periodic interest charges and the repayment of the borrowed principal.

Domestic Debt Stock:
Domestic Debt Stock is the total amount of debt a government owes to lenders within the country, comprising loans and securities denominated in the nation's currency.

External Debt Stock:
External Debt Stock is the total amount of debt a government owes to foreign lenders, including international organizations, foreign governments, and private creditors.

Fiscal Sustainability:
Fiscal Sustainability refers to a government's ability to maintain its current spending, tax policies, and other financial obligations over the long term without risking insolvency or default.

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. The collaboration between ARDP and ZamTraka 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.

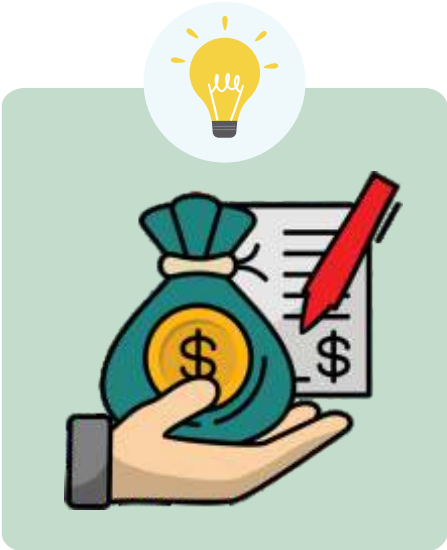
Fiscal reforms are critical for enhancing economic efficiency, reducing vulnerabilities, and promoting sustainable development. For Zamfara State, addressing fiscal challenges through comprehensive reforms is essential for achieving long-term economic stability, improving public service delivery, and 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. The collaboration between ARDP and ZamTraka reflects a concerted effort to enhance the state's economic resilience and prosperity. 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.

AN OVERVIEW OF BUDGET PREPARATION PROCESS

AN OVERVIEW OF BUDGET PREPARATION PROCESS



The process of preparing a budget is essential to governance, involving multiple steps and careful deliberation. It starts with pinpointing priorities, during which the government conducts an in-depth review of the state's financial situation. This review includes an analysis of revenue streams, past spending behaviors, and key socioeconomic trends to create a feasible financial plan. After setting these priorities, the process moves to engaging with key stakeholders such as government departments, community groups, and specialists.

This inclusive method guarantees the incorporation of a wide range of viewpoints, enhancing the clarity and responsibility of budgetary decisions. It ensures the budget reflects the community's needs and goals, thereby supporting equitable progress. The projection of revenue is a critical component of budget planning. Zamfara State's budget is underpinned by various revenue channels, including local revenue generation, federal contributions, and external grants. Precise revenue predictions are crucial to formulating a well-balanced budget that fulfills the state's demands without leading to fiscal discrepancies. After estimating revenues, financial distributions are assigned across various areas like education, healthcare, infrastructure, and agriculture.

The process of allocating funds is a meticulous exercise, weighing identified priorities against the funds at hand. It's about distributing resources wisely to foster uniform progress throughout the state. The crafting of the budget also mandates a commitment to fiscal discipline and integrity, with robust financial governance practices, such as monitoring expenditures and implementing audit systems, firmly established to safeguard against the misuse of state funds. This guarantees that resources are directed effectively towards the envisioned development objectives. Concluding the budget preparation, the next steps are its ratification and execution. Here, the legislative arm plays a pivotal role in examining and endorsing the budget. With approval secured, the administration moves to put the budget into action, transforming financial plans into real-world initiatives and services.

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

The budget timeline delineates the schedule for the formal presentation of the yearly fiscal budget to the state's House of Assembly for examination, followed by its approval by the Executive Governor. This process is crucial to allow for detailed discussions on the budget's specifics, ensuring alignment with policy objectives and the broader expectations of the populace. The thorough review and consultations fall under the jurisdiction of the House's designated standing committees. Their collective

The importance of early preparation for the budget process is paramount: the sooner the budget is submitted to the House of Assembly, the more advantageous it is.

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recommendations form the basis of the document that the House approves and forwards to the Executive branch for final endorsement. At this juncture, the Governor, as the highest executive authority within the state, holds the exclusive power to sign the appropriation bill into law.

The importance of early preparation for the budget process is paramount: the sooner the budget is submitted to the House of Assembly, the more advantageous it is. Optimally, the fiscal budget for the upcoming year should be signed into law before the onset of the new fiscal period. Early enactment into law is beneficial for the economy as it ensures fiscal plans for the forthcoming year are set in place well in advance.

Examining the performance of these critical timelines reveals a pattern that oscillates between ideal and suboptimal timings. For instance, the fiscal year 2018 budget was submitted by the Governor to the House of Assembly on December 4, 2017, and was duly enacted into law on December 21, 2017, fitting within the desired schedule. However, the 2019 budget submission deviated significantly, presented only on March 18, 2019, and ratified on March 24 of the same year. This delay meant nearly the first quarter had elapsed without an approved budget in place, and the brief span—merely five working days—allocated for detailed review hardly sufficed for a comprehensive examination. The year 2020 followed a similar pattern of delay; the budget was presented on December 4, 2019, yet it took over 40 days to receive assent, being signed into law on February 11, 2020.

However, the World Bank's State Fiscal Transparency, Accountability, and Sustainability (SFTAS) program introduced a significant change in fiscal budgeting approaches. Leveraging its Program-for-Results (P for R) mechanism, it encouraged substantial fiscal reforms, evident in the preparation and enactment of the 2022 fiscal budget. The budget process began unusually early, in June, and by November 30th, it had already been submitted. During this period, the Ministry of Budget in Zamfara State organized a groundbreaking statewide town hall meeting to discuss the budget proposal — a first for the state. This process included thorough examinations, with budget defenses conducted by various Ministries, Departments, and Agencies (MDAs) among other activities. The budget was subsequently passed on December 24th, 2021, marking it as accomplished within the optimal timeframe.

Budgetary timelines play a pivotal role in the fiscal management process, as emphasized by the International Monetary Fund's (IMF) Fiscal Transparency Code. The Code advocates for the Executive branch to present its budget proposal at least three months prior to the start of the new fiscal year. This timeframe is crucial to enable thorough examination by the Legislature and ensure timely budget approval. A compressed timeline, such as the one preceding the 2019 budget's adoption, severely restricts the opportunity for detailed scrutiny. Therefore, it's imperative that the reforms initiated under the World Bank's State Fiscal Transparency, Accountability, and Sustainability (SFTAS) program be maintained. Continuing these practices will help embed international standards of fiscal transparency, accountability, and efficiency well beyond the duration of the SFTAS initiative.

The intervention of The World Bank through its State Fiscal Transparency, Accountability, and Sustainability (SFTAS) initiative has significantly altered the fiscal budgeting landscape. Utilizing its Program for Results (P for R) mechanism, the initiative has spurred significant fiscal reforms, evident in the comprehensive and expanded budgetary procedures observed in the preparation of the 2022 fiscal budget. Initiating the budgetary process in early June and achieving submission by November 30th marked a notable improvement in timing. During this period, the Ministry of Budget in Zamfara State held a statewide town hall meeting to discuss the budget proposal, a pioneering event for the state. This phase of the process included meticulous scrutiny with budget defenses conducted by various Ministries, Departments, and Agencies (MDAs), leading to the budget's timely passage on December 24th, 2021.

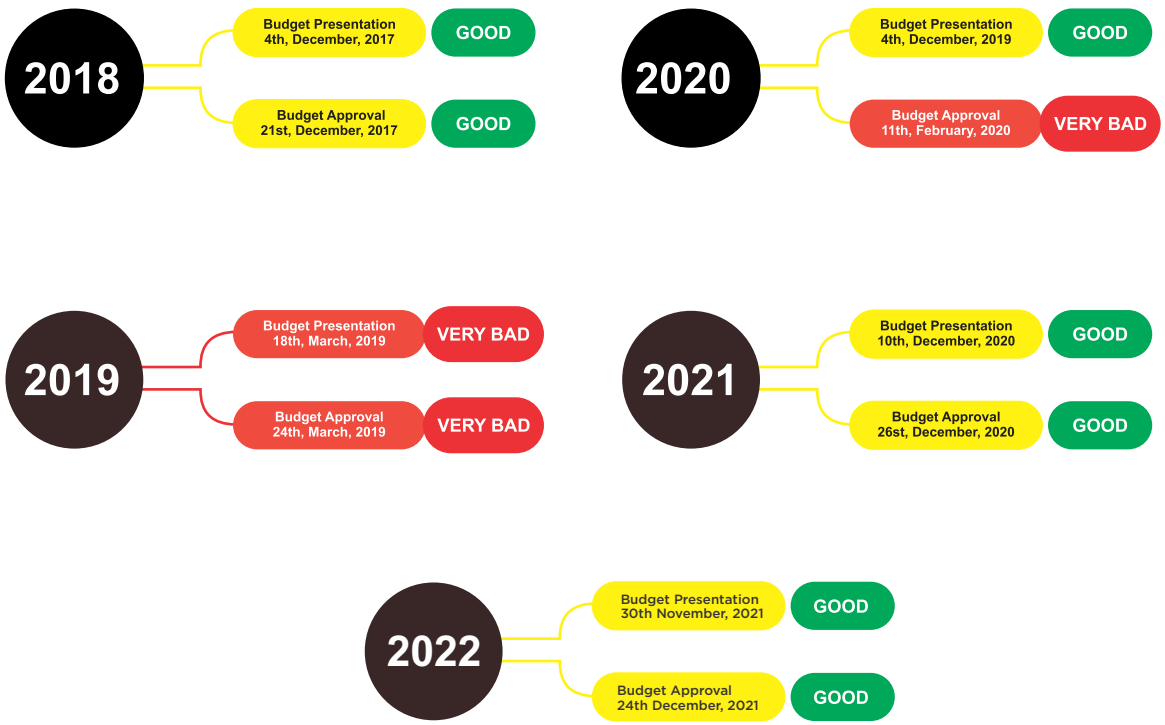

Fig 1: Budget size trend

BUDGET REVENUE

BUDGET SIZE

Combining all revenue projections for a fiscal year provides an overview of that year's budget size. Zamfara state's economy heavily relies on external revenue sources, accounting for over 50% of its annual revenue. Accurate parameter assessment during budget formulation is crucial to ensure realistic projections that align with the expenditure policies of the fiscal year.

Compared to economically stronger states like Kano, Kaduna, and Lagos, Zamfara operates with a relatively smaller budget due to its limited revenue sources. For the 2018 fiscal year, a total budget of N133.6 billion was passed, divided between a recurrent budget of N49.5 billion and a capital budget of N84.1 billion. The 2019 fiscal year saw a slight increase to N135.4 billion, amounting to a 1.3% rise, with the capital budget comprising over 50% of the total budget.

The 2020 fiscal year initially had an approved budget of N188 billion, representing a significant 39% increase from 2019. However, the adverse economic effects of the COVID-19 pandemic led to a midyear budget revision, reducing it to N127.3 billion, a 32.8% decrease, as the pandemic severely impacted the economy.

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Zamfara state's economy heavily relies on external revenue sources, accounting for over 50% of its annual revenue.

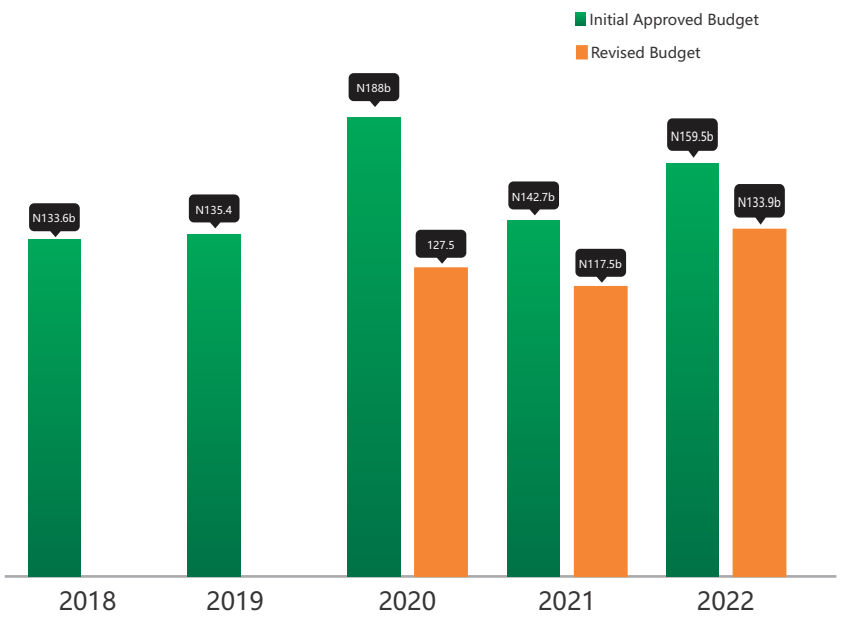

Chart 1: Budget size trend

Since 2020, the budget size for Zamfara state has seen a consistent decline, despite initially higher approved figures which were subsequently revised downward. The 2021 fiscal year started with a budget set at N142.7 billion. Similar to the previous year, the 2021 budget also underwent a revision, decreasing to N117.5 billion, which corresponds to a 26.3% drop. This adjustment was attributed to underperforming internally generated revenue (IGR) and the ongoing economic challenges stemming from the COVID-19 pandemic.

In 2022, the budget experienced a notable increase, largely due to a planned rise in recurrent expenditures. The fiscal year began with an approved budget of N159.5 billion, marking an 11.7% increase year-on-year. However, this amount too was later reduced due to poor revenue projections, settling at N133.9 billion—a 16.1% reduction from the initially approved figure.

BUDGET REVENUE

Zamfara state's budget predominantly depends on external sources of income, chiefly from federal government allocations. These revenue streams include the statutory allocation, which represents the state's portion of national revenue including Value Added Tax (VAT); its own internally generated revenue; grants-in-aid; and loans from commercial banks intended for capital expenditure projects.

1. RECURRENT REVENUE

The recurrent budget covers the operational costs of the government, including salaries and wages for personnel, overhead expenses, social benefits, and debt servicing. This segment of the budget is critical, as it reflects the government's ability to meet its projected revenue targets.

In 2018, the approved recurrent revenue budget amounted to N93.9 billion, making up 70% of the total approved budget of N133.6 billion for the year. The following year, 2019, saw the adoption of a deficit budget, with total revenues projected at N129 billion against expenditures of N135.4 billion. Within this framework, the recurrent revenue was pegged at N56.4 billion, accounting for 43.7% of the total estimated revenue for the year.

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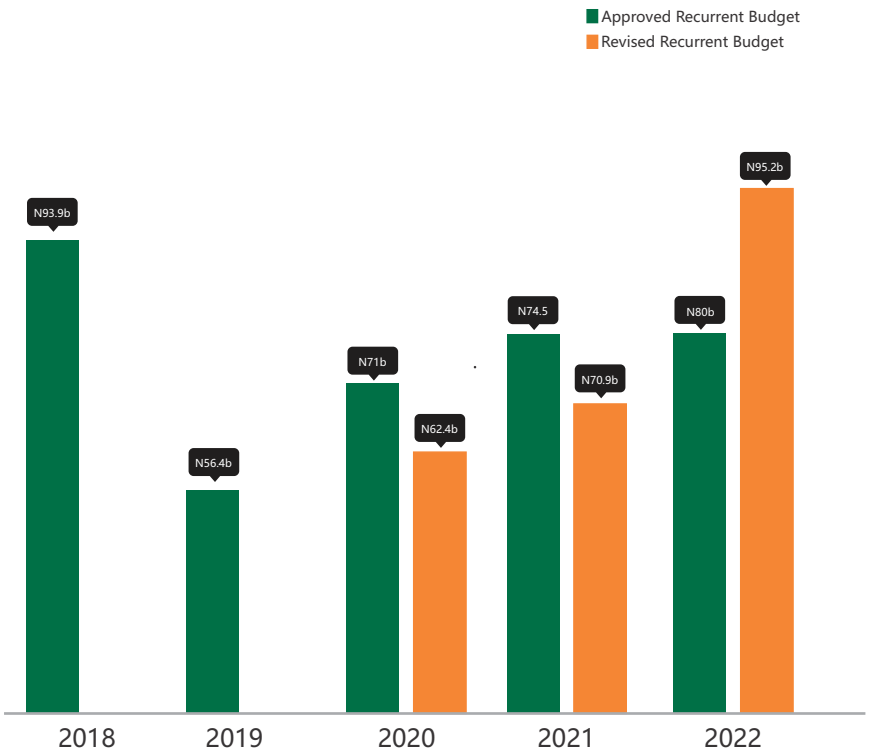

Chart 2: Recurrent Budget estimates

In 2020, the initial approval for the recurrent budget stood at N71 billion. However, the outbreak of the Covid-19 Pandemic led to a 32.4% reduction in the overall budget, bringing the recurrent expenditure down to N62.4 billion, a 12% cut from the original figure.

The year 2021 started with an initially approved recurrent budget of N74.5 billion, which was later adjusted down to N70.9 billion, accounting for 60.3% of the total estimated revenue for the year. This adjustment represented a 13.8% increase from the previous year.

For the fiscal year 2022, the recurrent revenue was set at N80 billion, marking a 7.4% year-on-year increase. A mid-year revision saw this figure rise by 19% to N95.2 billion, the highest amount ever allocated to this budget component. This increase was primarily due to the state government's implementation of the minimum wage.

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 lifeblood of the state's fiscal budget, functioning as a monthly allocation from the federal government's revenues shared among states according to a specified formula, as outlined in the revenue mobilization, allocation, and fiscal commission's act. Exclusive of VAT, this allocation, along with VAT, forms the backbone of the state's recurrent revenue profile. The importance of this revenue source necessitates that projections be made realistically to avoid fiscal risks.

A review of the projections revealed a trend in the estimates. In 2018, the component was estimated at N46.02 billion, with a slight increase to N48.1 billion the following year, marking a 4.5% year-on-year growth. This analysis significantly influenced the 2020 projection, which saw a substantial 11.1% increase to N55 billion. However, this figure was later adjusted down by 43.3% to N31.2 billion due to the adverse effects of the Covid-19 pandemic on federal revenues, as reflected in the 2020 revised budget.

In 2021, with the economy showing signs of recovery from a tough economic year marked by high inflation and a negative GDP trajectory, a more cautious projection of N37.34 billion was made. This was subsequently revised down by 12% to N32.8 billion, indicating a 32.3% year-on-year decrease from the previous year's initial approval.

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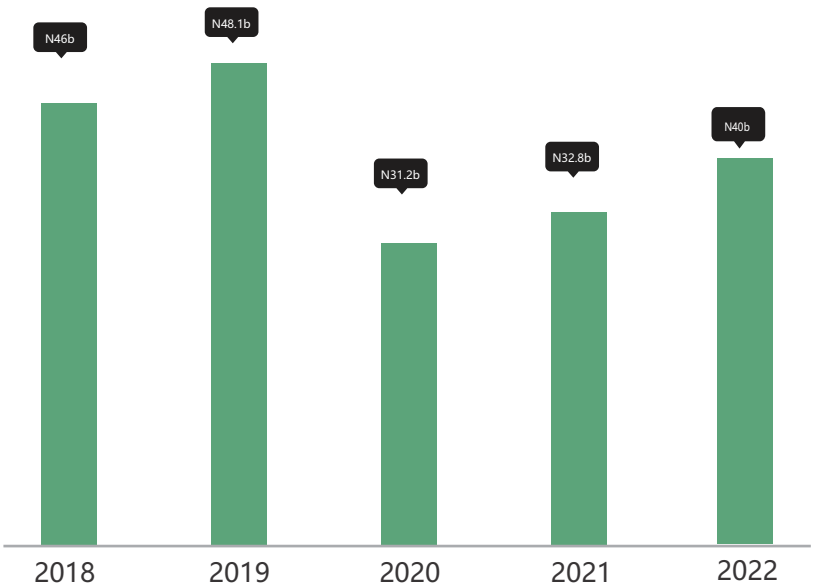

Chart 3: Budget trends for the statutory revenue

Comparing this to the 2022 approval of N37.3 billion, we see a 13.7% increase from the previous year. Similar to the preceding year, the 2022 figure was revised upwards mid-year to N40 billion, marking a 7.3% rise from the initially approved amount.

Thus, a pattern of gradually decreasing projections for this vital revenue source, which underpins our recurrent revenue profile, emerges. In subsequent chapters, we will determine the realism of these projections by evaluating performance over these periods. We aim to underscore the necessity of basing projections on a thorough analysis of all critical economic indicators, thereby minimizing the margin for unnecessary fiscal risks.

The Value Added Tax (VAT), collected by the federal government at a predetermined rate, is then distributed among the states, contributing to the recurrent budget. In 2018, the allocated figure for VAT revenue was N9 billion. By 2019, this amount increased by N2 billion or 19% year-on-year to N11 billion. The upward trend continued into 2020 with an initial approval of N12 billion, which was later adjusted to N12.2 billion, reflecting a minor increase in the revised budget.

The Value Added Tax (VAT), collected by the federal government at a predetermined rate, is then distributed among the states, contributing to the recurrent budget.

A significant move in 2020 saw the federal government raising the VAT rate from 5% to 7.5%, setting the stage for the notably high projection in the 2021 budget. The initial approved figure was N12.81 billion, which astonishingly surged by 48.3% to N19 billion after revision, marking the highest projection ever for the state and representing a 55.7% year-on-year increase.

The trend of increasing approvals persisted into the 2022 fiscal year, with N22 billion initially approved. This figure indicated a 15.8% year-on-year growth. Following a mid-year budget review, the VAT revenue component was adjusted to N25 billion, showcasing a 13.6% increase from the initial figure.

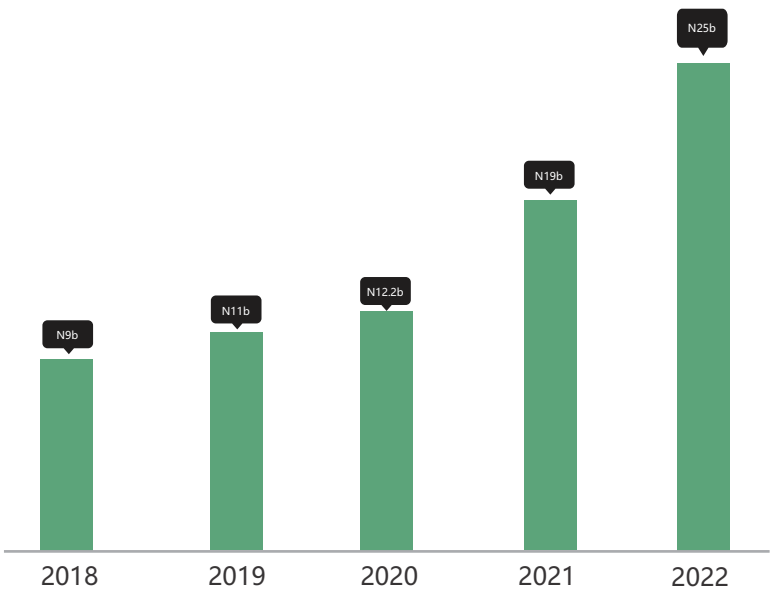

Chart 4: Budget trend for VAT

This revenue component, generated internally by the state, is established and regulated by existing local and joint tax laws. Among the states, Zamfara stands out for its notably low annual Internally Generated Revenue (IGR), a situation that can be attributed to the state's challenging socioeconomic conditions. Typically, the IGR accounts for about one-third of the state's total annual revenue, a trend that has persisted over the years. The IGR comprises several sub-components, including revenue from Ministries, Departments, and Agencies (MDAs), direct assessment, Pay-As-You-Earn (PAYE), and road tax.

PAYE, which taxes all civil servants in the state, is the most significant contributor to the IGR. This is followed by MDA revenues and then direct assessments.

PAYE, which taxes all civil servants in the state, is the most significant contributor to the IGR. This is followed by MDA revenues and then direct assessments. In states with more robust economies, direct assessments and MDA revenues are major IGR contributors, thanks to a larger number of commercially viable enterprises. However, the state's economic growth is hindered by ongoing security challenges, particularly affecting the agriculture and mining sectors, which remain underutilized.

In terms of figures, 2018 saw a modest approved IGR projection of N3.6 billion. There was a notable increase in the 2019 projection to N6.34 billion, marking a 76% rise. The 2020 projection was initially set at N11.22 billion and was later adjusted up by 42.06% to N15.94 billion.

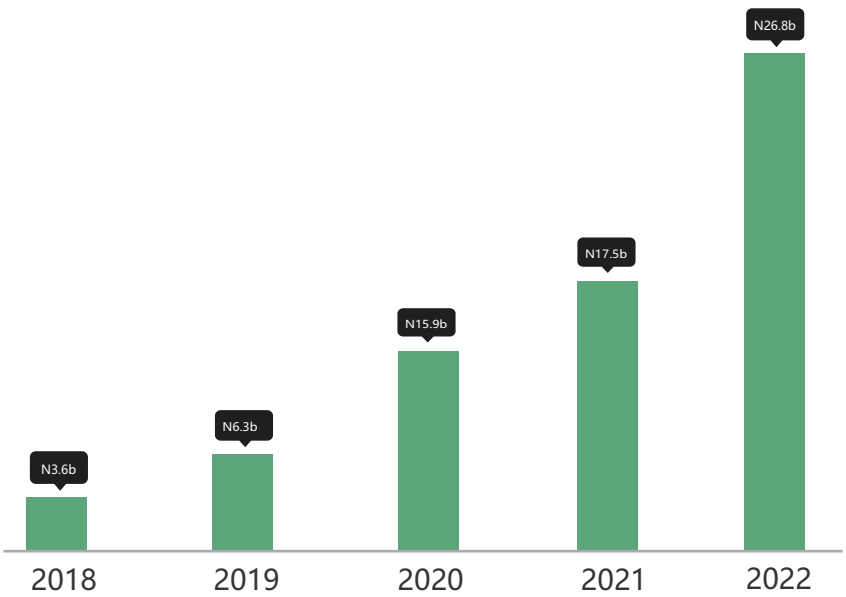

Chart 5: Budget trend for IGR

The positive trajectory in internally generated revenue (IGR) continued into 2021, with an initial projection of N24.34 billion, marking a dramatic 116.9% increase year over year. This figure was later adjusted down to N17.50 billion, reflecting a 28.10% reduction.

The optimism for an uptick in revenue generation stemmed from a significant administrative overhaul at the Zamfara State Board of Internal Revenue. Efforts included intensified advocacy for tax compliance among defaulters and the formation of an enforcement team, among other initiatives. These changes fostered a conducive environment for improved revenue collection, as evidenced in 2022. Initially, N20.2 billion was projected for that year's IGR, which was subsequently increased to N26.8 billion following these administrative improvements.

CAPITAL REVENUE

The capital budget is allocated for government capital expenditures, encompassing significant projects like the construction of schools, bridges, and roads. The allocation and expenditure of this budget are vital since they have a direct effect on societal development, warranting that it constitutes the majority of the total fiscal budget. In Zamfara State, the capital budget is supported by three sub-components: capital development funds (sourced from loans obtained from both local and international banks), grants and aids, and transfers from the recurrent revenue account.

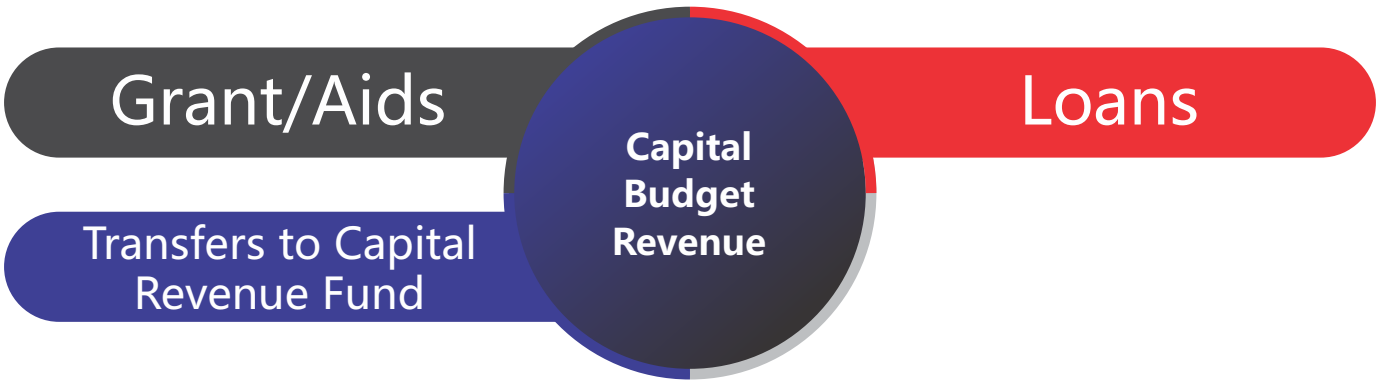

Fig 6: Capital Revenue components

In 2018, the capital revenue budget was set at N39.6 billion, a figure that was modest compared to the recurrent revenue budget, accounting for 30% of the year's total estimated revenue. By 2019, the capital revenues were significantly higher at N72.6 billion, making up 53.6% of the total estimated revenue for the year. This adjustment represents a notable year-on-year reduction of 83.3% in the budget estimates for this component.

The year 2020 saw a marked increase in the projected revenues for the capital budget. Initially, N83.9 billion was approved, but this amount was later adjusted downward to N51.8 billion in the revised budget, which constituted 41% of the total estimated revenue for the year, indicating a 33.5% year-on-year increase. In 2021, the capital budget began with an approved estimate of N68.3 billion but was subsequently reduced to N46.7 billion in the revised budget. This final figure represented 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 play a pivotal role as a revenue source for the capital budget, with the state relying on borrowing to finance its capital projects over the years. Essentially, there are two main types of loans from which the state benefits: domestic loans, sourced from within the country, and external or foreign loans, obtained from international lenders.

i DOMESTIC LOANS

As suggested by their designation, domestic loans are financial resources obtained from local financial entities such as banks and private monetary institutions. In 2018, the sanctioned domestic loan amount was N20.7 billion, which saw a slight decrease in the following fiscal year, 2019, with N20 billion approved, marking a year-on-year reduction of N700 million. The year 2020 witnessed an ambitious forecast with an initial approval of N42.8 billion, later adjusted to N41.8 billion after a budget review, translating to a significant year-on-year growth of 109%.

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In 2021, the projection slightly dipped from the previous year's high, with an initial figure of N26.8 billion set in the approved budget, which was then increased to N29.8 billion in the revised budget, indicating a 28.7% decline from the prior year. The year 2022 saw a further adjustment in projections, starting with an initial approval of N46.3 billion but experiencing a sharp revision downwards by 71.9% to N13 billion, resulting in a year-on-year decrease of 56.4%.

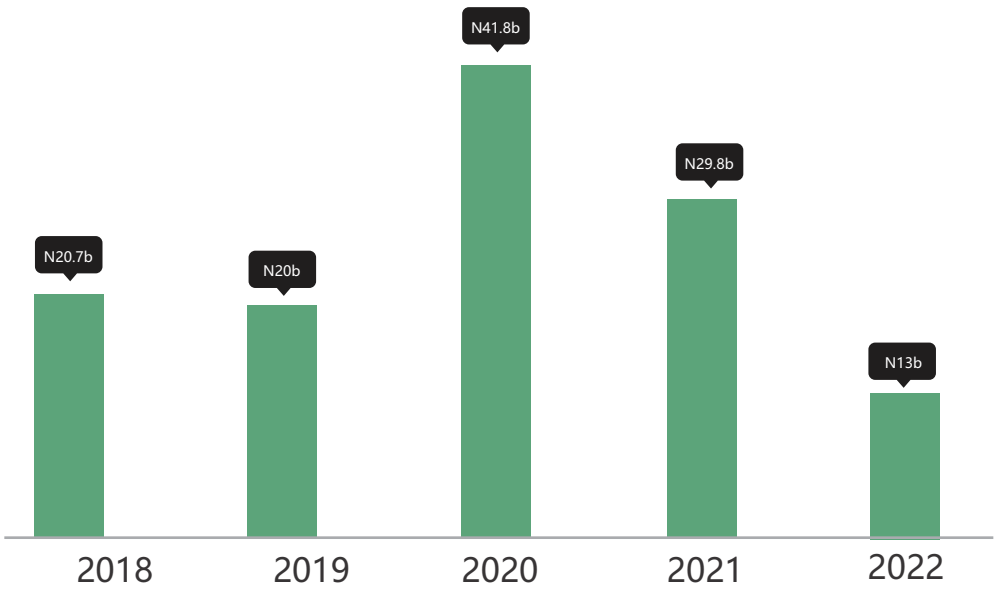

Chart 6: Budget trend for Domestic loan

ii. EXTERNAL LOANS

External loans consist of funds acquired from international multilateral organizations and financial institutions, such as The World Bank, the International Monetary Fund (IMF), or the China Exports and Imports Bank. Over the years, Zamfara has frequently availed itself of these external financing options. In 2018, the state allocated N500 million to this loan category, while in 2019, the proposal was scaled back to N400 million, reflecting a year-on-year decrease of 20%.

Interestingly, in the years 2020 and 2021, the budget made no provision for this type of loan. This decision, considering the state's foreign debt obligations and other factors, was deemed prudent.

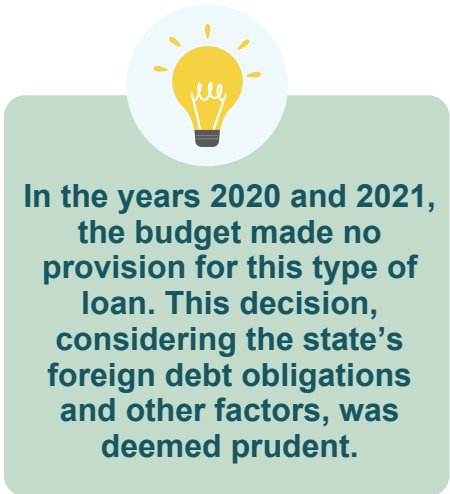

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Chart 7: Budget trend for External loan

2. GRANTS IN AID

The year 2022 saw a notable enhancement in the allocation for grants-in-aid, with an initial proposal of N16.9 billion. Following a mid-term review, this figure was adjusted to N14.5 billion, amounting to a substantial year-on-year growth of 110%.

Grants-in-aid refer to development funds allocated for specific public interventions in sectors such as education, healthcare, agriculture, and infrastructure. These funds are sourced from both local and international development partners and are provided either as a lump sum or in amounts tied to specific milestones, disbursed at regular intervals. In 2018, the total approved revenue estimate from grants-in-aid was N6.8 billion, but this figure saw a significant decrease in 2019 to N120 million, marking a year-on-year reduction of 98.2%.

The 2020 fiscal year observed a resurgence in the initial projection with N20.5 billion captured in the approved budget, which was later adjusted down to N12.3 billion, still representing a 78% increase from the previous year. In 2021, the initial budget estimate was a lower N1.5 billion, which was adjusted upwards in the revised budget to N6.9 billion, indicating a 43.9% year-on-year decrease in the estimate.

The year 2022 saw a notable enhancement in the allocation for grants-in-aid, with an initial proposal of N16.9 billion. Following a mid-term review, this figure was adjusted to N14.5 billion, amounting to a substantial year-on-year growth of 110%.

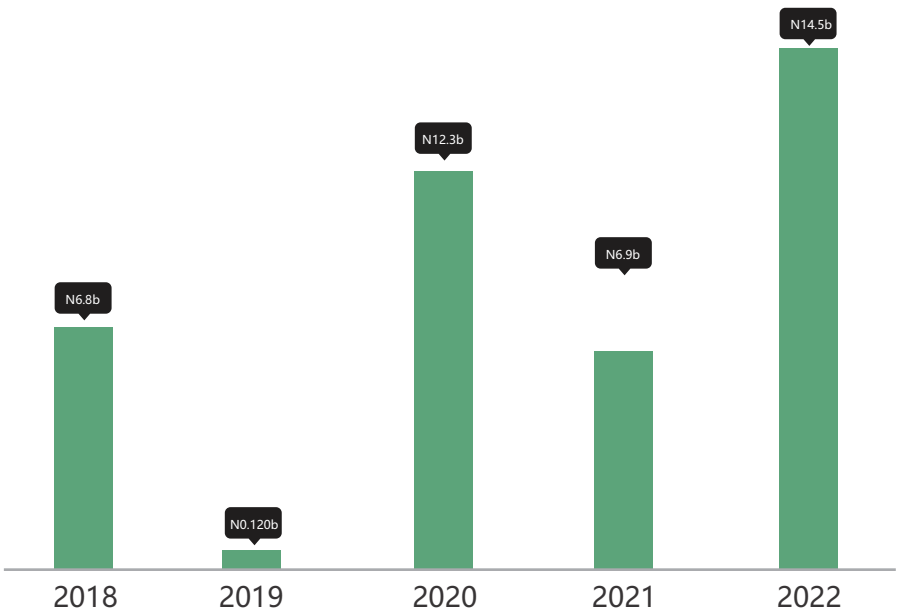

Chart 8: Budget trend for Aid In Grants

3. TRANSFERS TO CAPITAL ACCOUNT

Transfers from recurrent revenue to capital funds are financial reallocations designed to bolster capital expenditures. Over recent years, there's been a noticeable trend of reduction in the approved amounts for these transfers.

In 2018, an allocation of N46.2 billion was approved for such transfers. By 2019, this amount had decreased by 27% year-on-year to N33.7 billion. The downward trend persisted into 2020, with an approval of N17.3 billion, marking a 48.6% year-on-year reduction from the 2019 figure. In 2021, there was notably no appropriation assigned to this component, whereas in 2022, the approved sum for transfers to capital funds was N14.5 billion.

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

The fiscal budget is composed of two primary elements: the recurrent and capital budget components. The recurrent budget covers regular expenses such as salaries, overhead costs, and debt servicing, which are crucial for the day-to-day operations of the government. The capital budget, on the other hand, is allocated for infrastructure and developmental projects planned for the fiscal year, aiming to spur growth and improve public services.

An analysis reveals a consistent increase in the budget allocated for recurrent expenses. This trend can be linked to additional costs arising from the establishment of new Ministries, Departments, and Agencies within the state.

As an employer, the state government is obligated to ensure timely payment of personnel costs and to work towards minimizing its debt obligations. This underscores the necessity of accurate budget estimates and securing adequate funds to meet these essential expenditures.

An analysis reveals a consistent increase in the budget allocated for recurrent expenses. This trend can be linked to additional costs arising from the establishment of new Ministries, Departments, and Agencies within the state, alongside recruitment efforts in various sectors. Furthermore, a significant factor contributing to this upward trend is the noticeable increase in political appointments, among other factors, adding to the state's recurrent expenditure load.

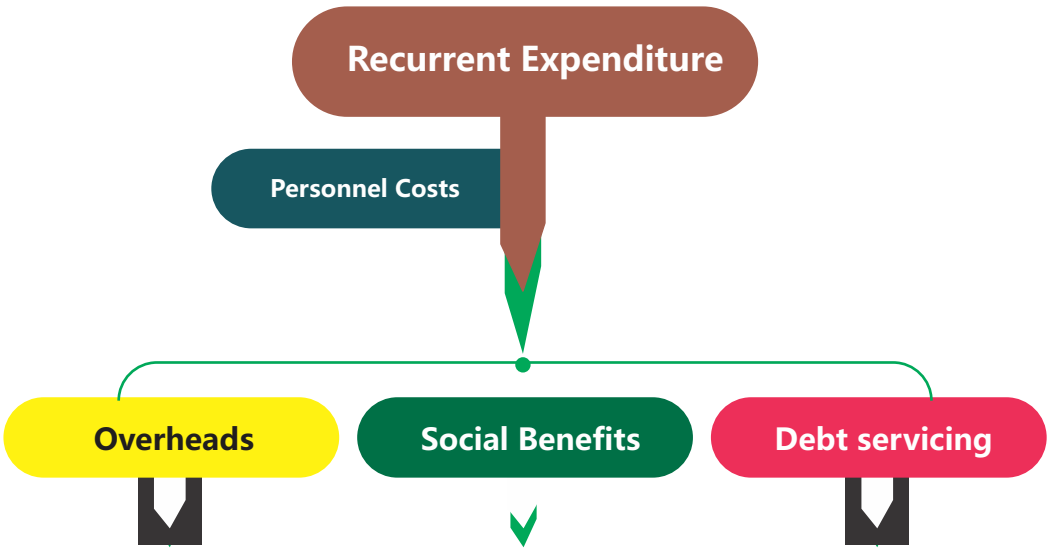

Fig 3: Components of Recurrent Expenditure

In 2019, recurrent expenditure amounted to N62.8 billion, and in comparison to 2020, which saw an initial approval of N71 billion, there was an increase of N8.39 billion. However, this figure was later reduced by N12.7 billion to N58.3 billion in the revised budget enacted in Q3 of the fiscal year, a decision driven by the financial strain imposed by the COVID-19 pandemic. For 2021, the approved amount for recurrent expenditures was N64 billion, marking a year-on-year growth of N5.9 billion or 9.9%.

Although there has been a general upward trend in the approved recurrent budget since 2018, 2020 experienced a slight decrease attributable to the pandemic's impact. In 2018, recurrent spending constituted 34% of the total approved budget, increasing to 46.3% in 2019.

The share of the recurrent budget in 2020 was 45.7%, but in 2021, it rose significantly to account for 54.5% of the total budget. In 2022, the recurrent expenditure budget was initially set at N73.5 billion but was later adjusted upwards to N99.4 billion, primarily to accommodate the implementation of the national minimum wage. This increase meant that recurrent spending consumed 74.2% of the total estimated revenue for the year, underscoring the growing fiscal pressure from regular government expenses.

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 encompass the salary and wage expenditures for the state's workforce. The budget allocation for this segment reflects the size of the state's employment roster. In 2018, the budget for personnel costs was set at N17.4 billion, marking the beginning of a consistent annual increase in this area.

By the 2019 fiscal year, the allocation rose to N21.9 billion, a significant year-on-year increase of 25.8%. The trend of growth continued into 2020, with N22.19 billion approved for personnel costs, indicating a 3% rise from the previous year.

Further increases were observed in 2021 and 2022, with year-on-year growths of 3.9% and 27.1%, resulting in allocations of N23.06 billion and N30 billion, respectively. These figures highlight the expanding financial commitment to the state's workforce over these years.

ii. OVERHEADS

The overhead budget is allocated for the daily administrative expenses of various ministries, departments, and agencies. This budget category has experienced yearly adjustments in its appropriations. In 2018, N21.5 billion was sanctioned for overhead costs. In 2019, the budget slightly decreased to N21.2 billion, reflecting a modest reduction of 0.3% year-on-year. The 2020 fiscal year saw a marginal annual increase of 1.4% with N21.5 billion approved once again.

Significant growth occurred in 2021, where the overhead budget surged to N43.5 billion, marking an extraordinary year-on-year rise of 102.3%, effectively doubling the previous year's allocation. However, in 2022, the appropriation was adjusted to N28.6 billion, resulting in a year-on-year reduction of 34.3%. This pattern illustrates the fluctuating nature of administrative expenditures within the state, influenced by various operational needs and fiscal strategies.

Personnel costs encompass the salary and wage expenditures for the state's workforce. The budget allocation for this segment reflects the size of the state's employment roster.

iii. DEBT SERVICING

Governments establish fiscal frameworks to manage the repayment of borrowed funds. The annual budget reflects the repayment of the domestic debt stock, with allocations for internal/domestic debt servicing witnessing a steady rise since 2018. Initially, N5.0 billion was allocated for this purpose in 2018. The following year, 2019, saw an allocation of N6.5 billion, marking a 30% increase or an additional N1.5 billion year-on-year. The upward trajectory continued into 2020 with N7.4 billion approved, representing a 13.8% increase from the previous year.

The trend took a dramatic turn in 2021, with a substantial allocation of N33 billion for debt servicing, illustrating a staggering 345.9% year-on-year surge. This significant increase was carried into 2022, where N40.7 billion was dedicated to internal debt servicing, amounting to a 23.3% year-on-year increase. This consistent rise in allocations is attributable to the state's expanding debt stock and the government's committed effort to mitigate it, hence the annual increments in the budget for this financial obligation.

iv. SOCIAL BENEFITS

This budget component is designated for fulfilling the state's financial responsibilities towards pensions and gratuities for retired civil service employees. Unfortunately, specific data for the fiscal years 2018 and 2019 are not available from the records accessed. Nonetheless, for the years 2020 and 2021, allocations were made at N8.1 billion and N1.5 billion, respectively, indicating a substantial decrease of 81.5% year-on-year. In a notable shift, the year 2022 saw an approved allocation of N3.4 billion for this purpose, marking a significant increase of 126.7% compared to the previous year. This variation in allocations reflects the adjustments made to address the financial needs associated with pension and gratuity obligations of the state's retirees.

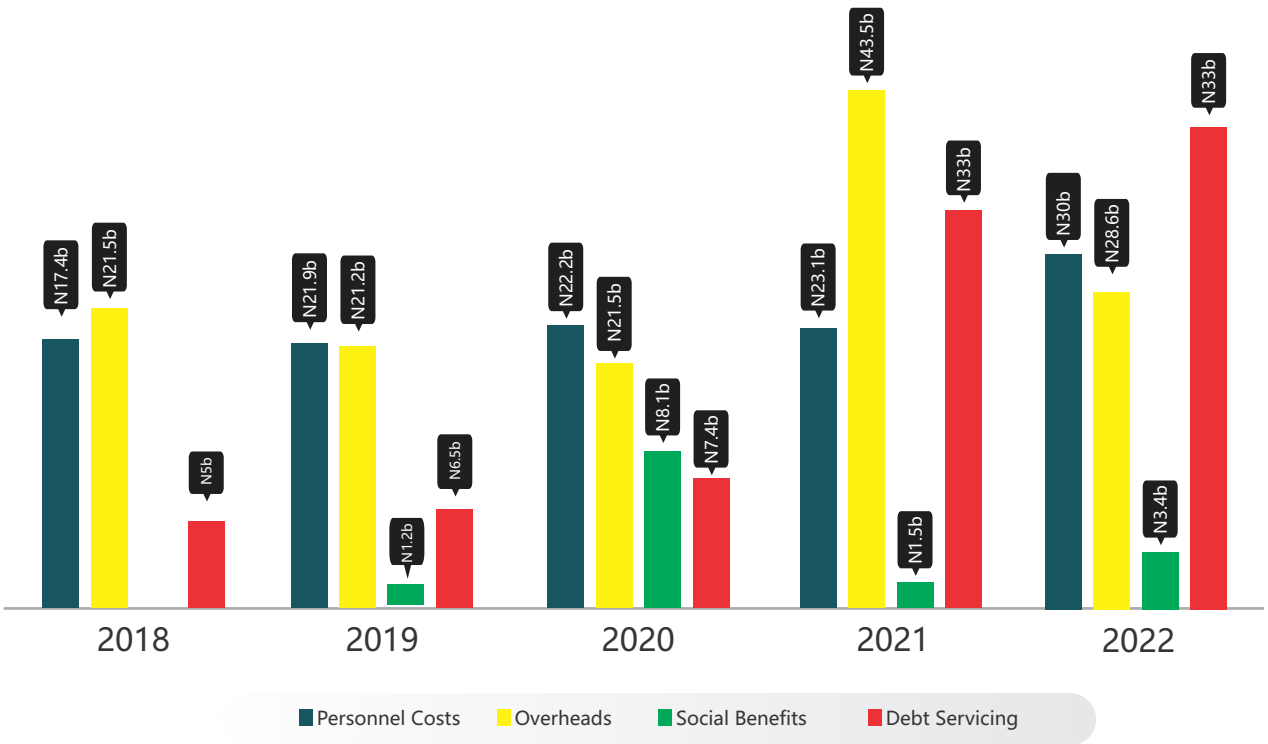

Chart 9: Multi-year, Multi-Component budgeting trends for Recurrent Expenditure

CAPITAL EXPENDITURE

The capital budget finances the government's capital expenditures, including essential projects like the construction of schools, bridges, and roads. The effectiveness of this budget directly influences societal development, warranting its significant portion of the total fiscal budget. In Zamfara state, funding for the capital budget is sourced from three sub-components: capital development funds (loans from both local and foreign banks), grants and aids, and transfers from the recurrent revenue account.

A review of capital expenditure budgets over the years shows a downward trend since 2018. The total allocation for capital projects in 2018 was N84.1 billion, while 2019 saw a reduced budget of N72.61 billion, marking a year-on-year decrease of 13.6%. The fiscal year 2020 continued this trend with a further reduced budget of N69 billion, a 5.3% decrease from 2019. The year 2022 experienced a significant drop to N52.5 billion, reflecting a 23.9% year-on-year reduction. Furthermore, the approved budget for capital expenditures saw an additional decrease in 2022, with N34.5 billion allocated, representing a 34.3% decline from the previous year. This consistent reduction underscores a need for strategic adjustments to prioritize and enhance capital investments critical for the state's development.

A review of capital expenditure budgets over the years shows a downward trend 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 section, we delve into the performance of each component of the approved budget estimates over various fiscal years. Our aim is to identify trends and assess the accuracy of our forecasts. The effectiveness of a budget component is closely tied to the precision of the state's Medium-Term Economic Framework (MTEF). A significant discrepancy between the approved estimates and the actual figures suggests a need to re-evaluate our MTEF. Doing so will enable us to generate more realistic forecasts and reduce the likelihood of mid-year budget revisions. This review is crucial for enhancing fiscal planning and ensuring the state's economic strategies are both effective and attuned to actual financial outcomes.

RECURRENT REVENUE

The actual performance of recurrent revenue over the observed periods has shown consistent year-on-year growth, largely attributed to an enhanced internal revenue generation capability and an increased share of VAT allocations. In 2018, the state's total recurrent revenue amounted to N63.5 billion. Moving into the fiscal year 2019, there was a modest year-on-year increase of 0.41%, resulting in a total of N63.7 billion being accrued.

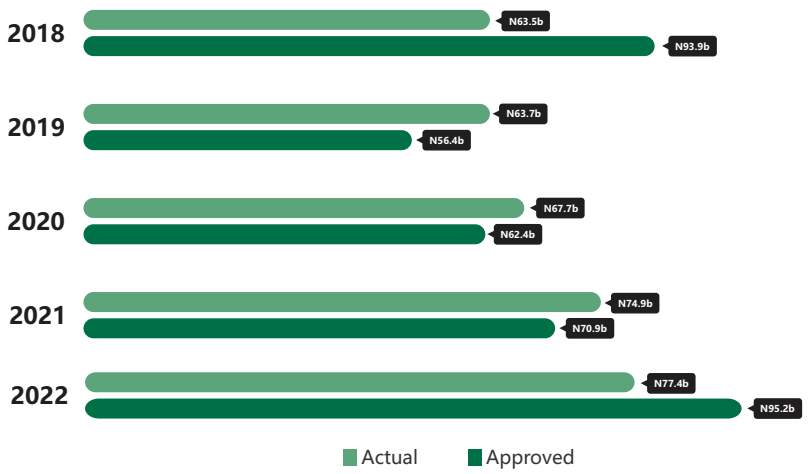

Chart 10: Recurrent Revenue Performance

Despite the adverse impacts of the COVID-19 pandemic on oil revenues in 2020, the total recurrent revenue still marked an increase.

Despite the adverse impacts of the COVID-19 pandemic on oil revenues in 2020, the total recurrent revenue still marked an increase. The year closed with N67.7 billion accrued, indicating a 5.9% rise from 2019's figures. The year 2021 set a record for the highest ever revenue accruals in the state's history, with a total of N78.6 billion generated, representing a significant year-on-year growth of 31.2%

The year 2022 continued this upward trend, albeit at a slower pace, achieving the highest recurrent revenue accruals to date with N77.2 billion collected. This amount reflects a year-on-year increase of 3.1%, showcasing the state's resilient revenue generation capabilities despite the challenging economic conditions.

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

Statutory allocation serves as a cornerstone for the recurrent revenue component, yet it has experienced a gradual decline year on year since 2018. Initially, in 2018, the revenue stood at N43.7 billion, with 2019 witnessing the highest revenues to date at N44.3 billion.

However, from 2019 onwards, a downturn in outcomes was noted. In 2020, the revenue dropped to N38.8 billion, marking a 12.4% decrease year on year. This downward trajectory continued into 2021, where revenue further decreased to N35.2 billion, representing a year-on-year decline of 9.2%. This trend highlights the fluctuations in statutory allocation over the years, impacting the overall recurrent revenue framework.

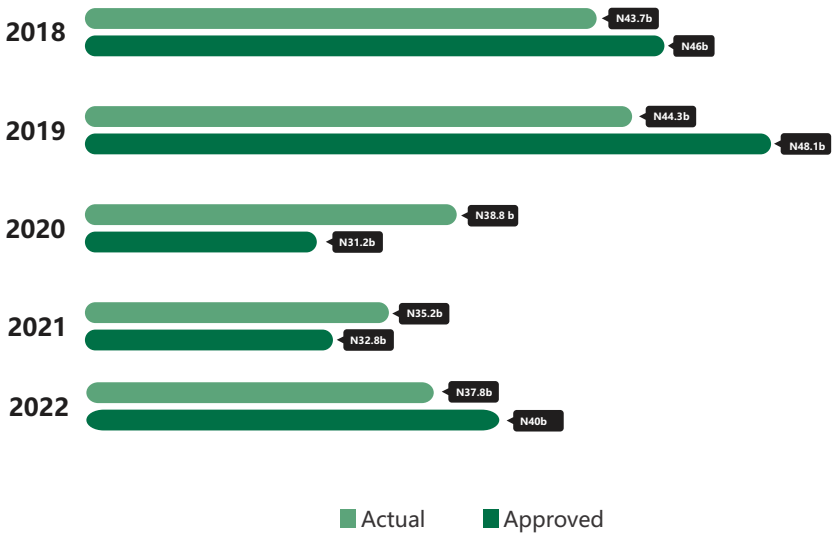

Chart 11: Statutory Allocation performance trend.

In 2022, a modest rebound was observed in the statutory allocation, with a total of N37.8 billion collected. This figure, when compared with the previous year's, signifies an improvement, showing an increase of 7.8%. This upward adjustment indicates a slight recovery in the foundational component of the recurrent revenue, marking a positive shift from the preceding downward trend.

Statutory allocation serves as a cornerstone for the recurrent revenue component, yet it has experienced a gradual decline year on year since 2018.

ii. VALUE ADDED TAX

The state's portion of Value Added Tax (VAT) distributed by the Federal Government has seen significant growth annually, primarily due to the VAT rate increase from 5% to 7.5% in 2020.

In 2018, the actual VAT share received was N11.02 billion, which rose to N11.9 billion in 2019, marking an 8.2% year-on-year increase. The upward trajectory continued into 2020, with a receipt of N14.5 billion. 2021 set a new record with the highest ever VAT collection for the state at N20.1 billion, a substantial 38.6% increase from the previous year.

This positive trend persisted into 2022, culminating in a total VAT collection of N24.4 billion, thus marking it as the highest fiscal year collection for the state to date. This represents a 21.4% increase year-on-year, showcasing a steady rise in VAT revenue contributions to the state's financial resources.

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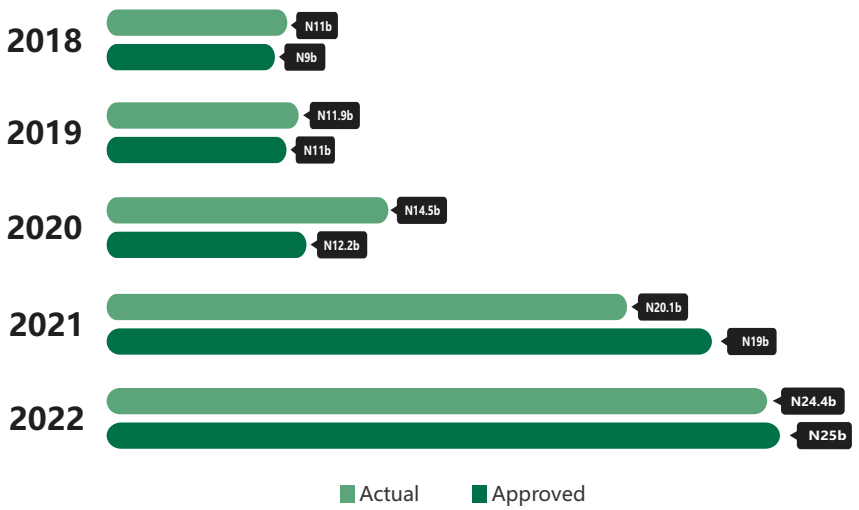


Chart 12: VAT Performance trends

iii. INTERNALLY GENERATED REVENUE

The Internally Generated Revenue (IGR) of the state has seen a notable rise over the observed period. Notably, 2021 figures demonstrated a significant leap, more than doubling the revenue accrued in 2018. Our findings indicate that the largest boost to this increase comes from the Pay-As-You-Earn (PAYE) tax, followed by fees and the sale of government assets.

In 2018, the IGR stood at N4.7 billion, climbing to N5.9 billion in the 2019 fiscal year, which marks a year-on-year growth of 25.5%. The upward momentum continued into 2020 with N6.6 billion collected. 2021 witnessed the state's highest ever IGR, reaching N12.9 billion.

However, 2022 experienced a significant downturn in revenue collection, with a total of N6.5 billion generated, indicating a substantial year-on-year decrease of 49.6%. This shift highlights the variability in the state's ability to generate revenue internally across different fiscal years.

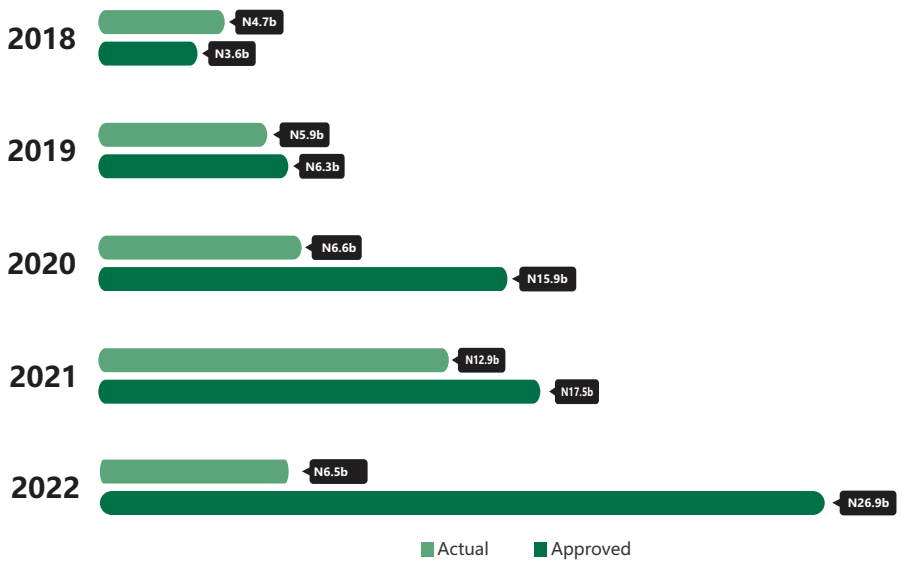


Chart 13: IGR Performance trends

The Internally Generated Revenue (IGR) of the state has seen a notable rise over the observed period. Notably, 2021 figures demonstrated a significant leap, more than doubling the revenue accrued in 2018.

The Pay-As-You-Earn (PAYE) tax component experienced a substantial uplift in 2021 compared to the revenue generated in the preceding year. A remarkable N9.2 billion was generated from PAYE, which, when compared to the N5.7 billion generated in 2020, shows a significant increase of 61% year-on-year.

The fees component also saw a notable rise from the figures of 2020. While N15.8 million was collected in 2020, this figure soared by 792% to N1.4 billion in 2021. Similarly, impressive growth was observed in the general sales and general earnings categories. In 2021, general earnings yielded N1.67 billion compared to N129 million in 2020, marking an astounding year-on-year growth of 1194.5%. Meanwhile, the general earnings component rose from N64.7 million in 2020 to N473.9 million in 2021, translating to a 632.5% increase year-on-year.

This remarkable increase in revenue accruals can be primarily attributed to the sensitization and enforcement initiatives led by the Zamfara State Board of Internal Revenue Service. Furthermore, the implementation of electronic payment methods has been instrumental in mitigating revenue leakages during the remittance process, contributing significantly to the upward trend in revenue collection.

This remarkable increase in revenue accruals can be primarily attributed to the sensitization and enforcement initiatives led by the Zamfara State Board of Internal Revenue Service.

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

Despite the significant growth observed in 2021, the momentum was not maintained in 2022, as evidenced by the downturns across all major revenue components. The PAYE tax component saw a decrease to N5 billion, marking a year-on-year decline of 45.75%. Similarly, the fees and sales components experienced drastic reductions, accruing N81 million and N77.2 million, respectively. These figures represent a stark contrast to the N1.4 billion and N1.67 billion recorded in 2021 for each category. This downturn underscores the challenges and variability inherent in revenue generation, highlighting the need for adaptive strategies to sustain growth.

CAPITAL REVENUE

Capital revenue is allocated for all capital expenditures within the annual budget. Remarkably, even amidst the challenges posed by the COVID-19 pandemic in 2020, capital funds reached their peak for the period under consideration, totaling N32.8 billion. Nevertheless, there was a notable decrease of 32.7% in 2021, with capital revenue dropping to N22.7 billion.

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

The observed decline in capital revenue in 2021 can be attributed to the state's diminished capacity to incur additional debt, constrained by an expanding debt load and limited revenue streams. Notably, since 2018, Zamfara state has refrained from securing external loans, reflecting its cautious approach to managing fiscal pressures and ensuring sustainability in its financial commitments.

Remarkably, even amidst the challenges posed by the COVID-19 pandemic in 2020, capital funds reached their peak for the period under consideration, totaling N32.8 billion.

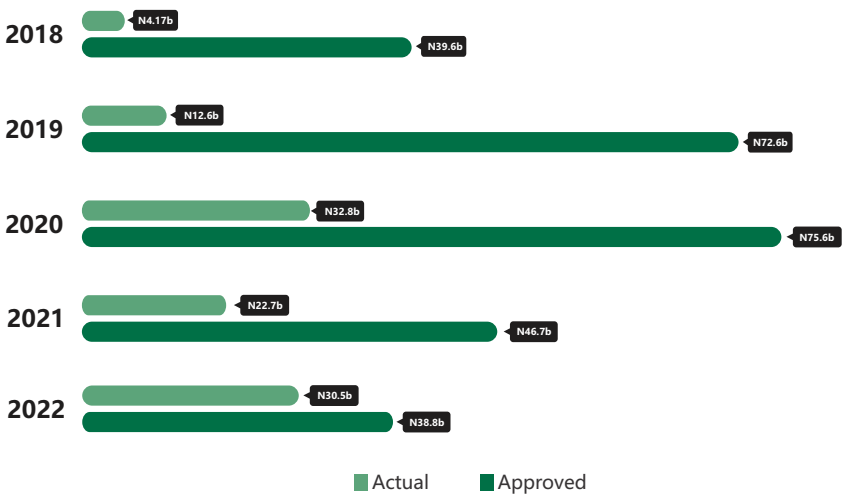


Chart 14: Capital revenue trend

I. DOMESTIC LOANS

Domestic loans play a crucial role in capital revenue generation. A detailed examination of the trend in actual collections reveals a progressive increase in the amount of loans secured. Starting from 2018, with N3.6 billion collected, there has been a consistent annual growth, culminating in N18.8 billion borrowed in 2021.

In 2019, the state received N12 billion in loans, marking a significant year-on-year increase of 233.3% from 2018. The year 2020 witnessed the highest loan receipt within the observed period, with N29.9 billion borrowed, representing a year-on-year growth of 149.1%. However, 2021 experienced a slight downturn from the previous year, with a total of N18.8 billion realized, indicating a 37.1% decrease year on year.

The year 2022 observed an extraordinary surge in borrowing, exceeding the total approved budgetary provision of N13 billion to reach N47.2 billion. This amount was 263.1% above the approved figure, showing an annual growth rate of 151.1%.

Domestic loans play a crucial role in capital revenue generation.

The year 2022 observed an extraordinary surge in borrowing, exceeding the total approved budgetary provision of N13 billion to reach N47.2 billion.

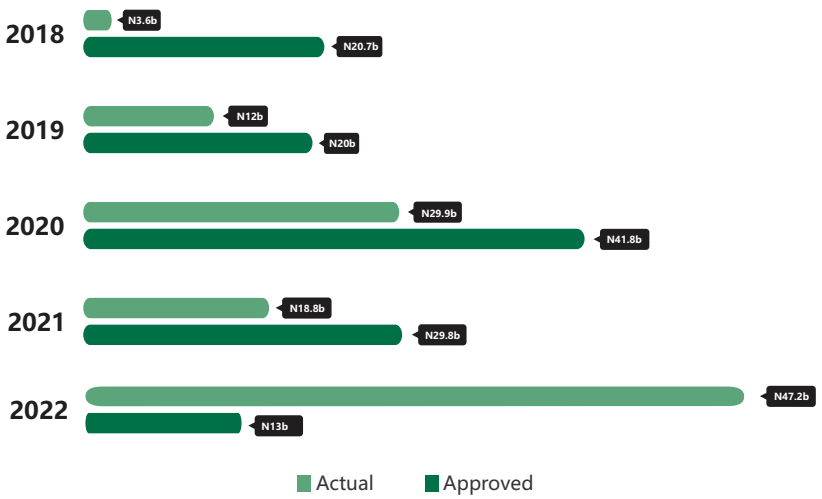


Chart 15: Domestic loan performance

In 2022, there was a significant escalation in borrowings, far surpassing the initially approved budgetary allocation of N13 billion, reaching N47.2 billion. This exceeded the authorized amount by 263.1%, denoting an annual surge of 151.1% in the volume of loans acquired.

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

Throughout the observed period, external loans have shown no activity, with 2021 notably having no approved estimates for such borrowing. This situation arises partly because of the existing backlog of debts and the stringent conditions attached to external borrowing, which require federal government approval since it acts as the guarantor for such loans. Moreover, the responsibility for servicing these loans falls to the federal government, which deducts the payments from the already limited monthly federal allocations. This scenario contributes to the hesitancy towards securing external loans.

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

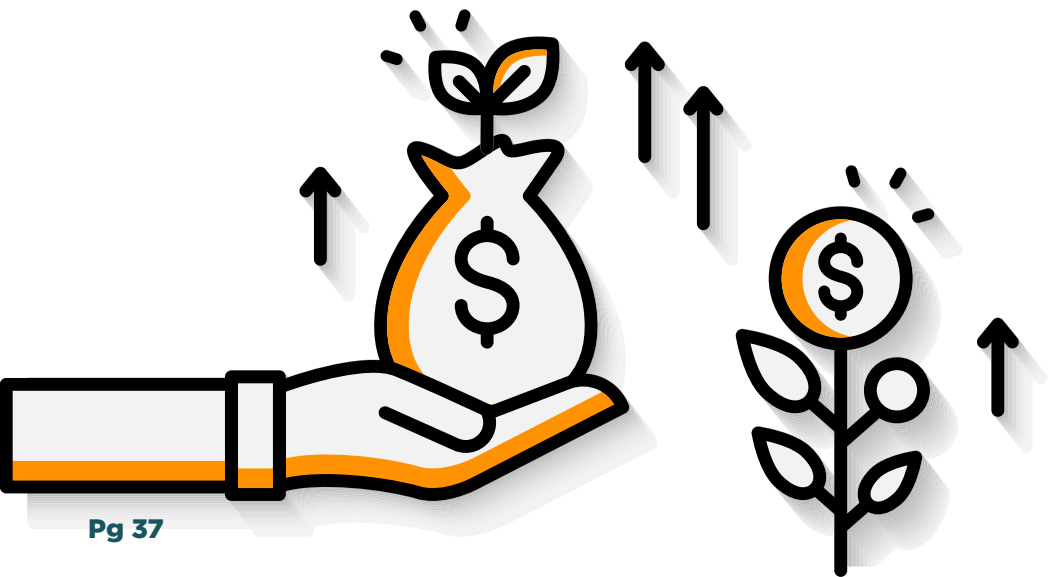
Aids and grants received by the state have shown a notable uptick throughout the observed period, with the years 2020 and 2021 marking the highest accruals. In 2018 and 2019, the figures stood at N572.9 million and N627.4 million, respectively.

The implementation of the State Fiscal Transparency, Accountability, and Sustainability (SFTAS) project by the World Bank, through its Performance for Results (P for R) mechanism, significantly increased the state's receipt of performance grants. This boost resulted in total sums of N2.9 billion and N3.9 billion being collected for 2020 and 2021, respectively, marking a year-on-year growth of 34.5%.

In 2022, the NG-CAREs grants played a pivotal role in the capital revenue, contributing N10.5 billion. This amount is the highest ever recorded for this component during the period under review, showcasing a year-on-year surge of 169.2%, which is indeed praiseworthy.

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 have been utilized to supplement capital expenditures. Observations since 2018 indicate a consistent yearly growth in this funding avenue. The year 2018 reported a transfer of N10.9 billion, and by the 2019 fiscal year, there was a significant year-on-year jump of 49.5%, resulting in N16.3 billion being transferred.

The year 2020 marked the peak of these transfers, reaching N18.6 billion, which constituted a 14.1% increase from the previous year. Notably, 2021 saw a departure from this trend, with no budgetary allocations made for this component, leading to a halt in transfers. In contrast, 2022 experienced a substantial transfer amounting to N27.1 billion, exceeding the budgetary provision of N14.5 billion.

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

Since 2018, the total revenue accruing to the state annually has been on an upward trajectory, aggregating all earnings from Internally Generated Revenue (IGR), Statutory transfers, and capital receipts (Grants and Aids), while excluding loan accruals.

In 2018, the state collected a total of N64.1 billion, with a slight increase in 2019 to N64.4 billion. Despite the challenges posed by the COVID-19 pandemic, 2020 continued to witness growth, accruing N70.7 billion—a 9.7% increase compared to 2019. The year 2021 marked another significant jump, primarily driven by substantial IGR outturns, totaling N78.9 billion in revenue.

The trend of positive growth persisted into 2022, with the state amassing a total of N87.7 billion, reflecting an 11.2% year-on-year increase. Notably, this increase occurred even as the IGR saw a decline of nearly 50%, offset by a rise in grants and statutory revenues, underscoring the diversified nature of the state's revenue sources and its resilience in maintaining fiscal growth.

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 total actual expenditure for the observed period has shown a steady increase, starting from just over half of N100 billion – N64.5 billion in 2018 – to exceeding N100 billion by 2020. This rise in expenditure mirrors the growth in revenues noted in 2019 and 2020. Despite the global economic disruptions caused by COVID-19, Zamfara state experienced revenue growth, initially spurred by the increase in federal VAT rates and oil proceeds. Additionally, Zamfara secured the highest amount of domestic loans during this timeframe.

In 2019, there was a 32.2% year-on-year surge in expenditure, totaling N83.3 billion. This pales in comparison to the N109.7 billion spent in 2020, marking a further 31.6% increase in annual expenditures. A slight decrease of 16.2% was observed in 2021, with N92.2 billion expended.

2022 witnessed the state's most substantial spending to date, amounting to a remarkable N133.9 billion. The recurrent budget of Zamfara has seen consistent annual increases since 2018, contributing to corresponding rises in performance. It is significant to note that Zamfara has managed to cover its recurrent obligations with total revenue (Gross FAAC + IGR) without resorting to widespread borrowing from financial institutions, adhering to the commitment that loans would be dedicated exclusively to development projects.

Over time, the prioritization of recurrent expenses, such as an inflated wage bill and the costs associated with a growing number of political appointees, has further constrained the already limited revenues. This has impacted the availability of funds for infrastructure development, including the construction of roads and schools, and the 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

Since 2018, the payment of personnel costs has experienced a significant surge, showing an increase of over N3 billion by 2021. In 2018, the total cost of personnel payments stood at N16 billion, accounting for 33.2% of the total recurrent expenditure for that year. By 2019, the personnel cost expenditure rose to N17.1 billion, consuming 29.7% of the total recurrent expenditure. In 2020, this figure escalated to N21.7 billion, which represented 31.8% of the total recurrent expenditure.

In 2021, personnel costs amounted to N19.7 billion, taking up 27.4% of the total recurrent expenditure. The year 2022 marked a notable year-on-year increase, with a total expenditure of N24.1 billion on personnel costs, indicating a 22.3% increase from the previous year.

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

In 2020, personnel costs witnessed a rise partly due to minor recruitment and reinstatements of some workers who, despite being properly recruited, had been previously sidelined. Another significant factor contributing to the increase was the rapid growth in the number of political appointees, raising concerns about sustainability given the state's limited revenues and the questionable added value of these appointments

The uptick in 2022 was attributed to the state government's adjustments to fully implement the N30,000 National Minimum Wage, leading to an additional N4.4 billion on the annual wage bill compared to 2021. Nonetheless, this adjustment introduced significant challenges, with many employees experiencing salary reductions instead of the anticipated increases, and several Ministries, Departments, and Agencies (MDAs) remaining unaffected by the wage increment.

ii OVERHEADS

Overhead costs have seen a significant increase throughout the observed period, surpassing even the expenditures on personnel, which raises concerns. In 2018, N16.7 billion was spent on overheads, marking a 4.3% increase compared to personnel payments and constituting 34.6% of that year's total recurrent expenditure. The trend continued upward in 2019, with N26.1 billion allocated to overheads, representing a substantial 52.6% rise over the personnel cost and accounting for 45.4% of the year's recurrent spending, alongside a notable year-on-year increase of 56.3%. In 2020, there was a 10.3% year-on-year decrease in overhead spending to N23.4 billion, which still represented 34.3% of total recurrent expenditure and showed a 7.3% increase over the personnel costs for the same year.

In 2021, there was a further decline in overhead expenses, with a 17.5% year-on-year decrease, totaling N19.3 billion. Compared to the personnel expenditure and the total recurrent expenditure, this represented a decrease of 2% and 26.8%, respectively.

However, 2022 experienced a significant surge in overhead costs, with a total of N30.6 billion spent, marking a year-on-year increase of 58.5%. This sharp rise can be linked to preparations for the 2023 general elections, as indicated by the shift in spending patterns among some key Ministries, Departments, and Agencies (MDAs). The administrative sector alone accounted for N13 billion of the overheads, up 56.6% from the N8.8 billion spent in 2021, with the Office of the Executive Governor alone consuming N8.8 billion or 67.7% of the sector's total expenditure. Other MDAs, such as the Office of the Secretary to the State Government and the Ministry of Finance, also recorded significant year-on-year increases in their 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 2019	N46.7bn N56.3bn	N16.7bn N26.1bn	56.3% Increase
2019 2020	N56.3bn N68bn	N26.1bn N23.4bn	10% decrease
2020 2021	N68bn N71.7bn	N23.4bn N19.3bn	17.5% decrease
2021 2022	N71.7bn N103.2bn	N19.3bn N30.6bn	58.5% Increase

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, a recurrent budget component designated for covering pensions and gratuities, also experienced fluctuations over the years, particularly noted between 2018 and 2020. In 2018, social benefits expenditure stood at N1.6 billion. By 2019, there was a significant 74% year-on-year increase, with N2.8 billion spent. The spending slightly decreased to N2.5 billion in 2020, marking a 10.7% reduction from the previous year. Compared to the N1.5 billion spent in 2021, there was a considerable 40% decrease, partly due to a verification exercise conducted in 2020 that led to a reduction in the overall bill. However, in 2022, there was a rebound in spending on this component, with N2.2 billion expended, representing a notable 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

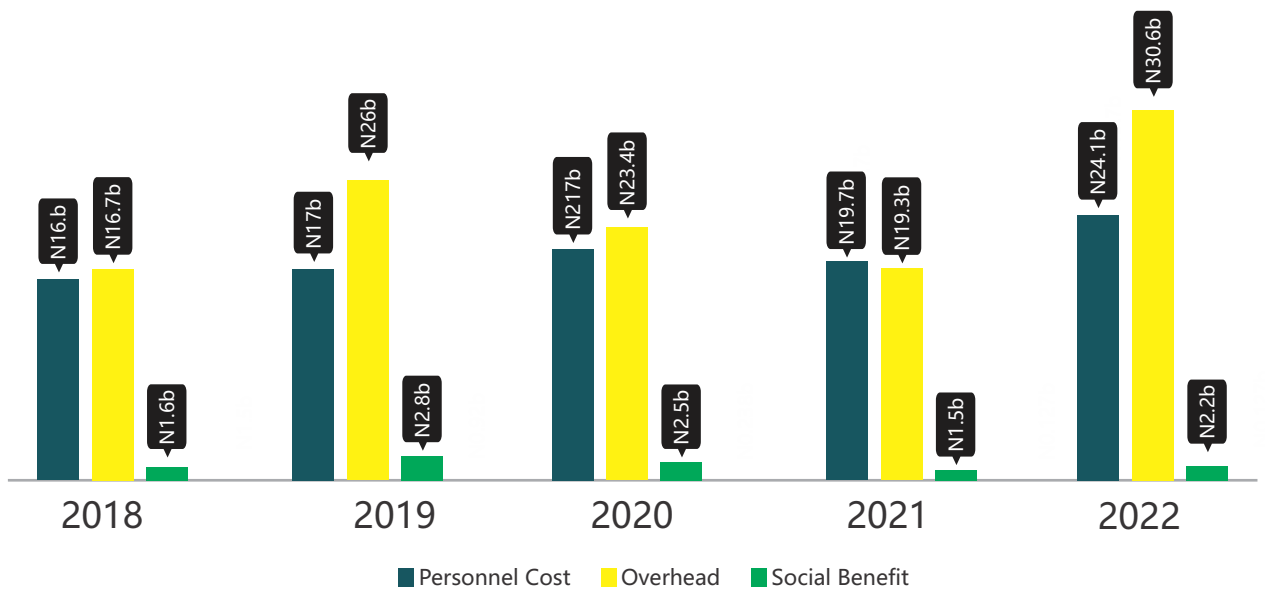


Chart 17: Recurrent expenditure performance (Excluding debt servicing)

BLOATED RECURRENT BILL

The recurrent expenditure of the state has been on an upward trajectory due to several factors, including the expansion of the state's workforce through recruitment drives in 2018 and 2019. Additionally, the enlargement of the government apparatus has significantly escalated operational costs. In 2018, the total actual recurrent expenditure, encompassing debt servicing, stood at N46.9 billion. By 2019, there was a substantial year-on-year increase of 20.3%, resulting in N56.4 billion being spent. This upward trend persisted into 2020, with total expenditure reaching N68 billion, marking a 20.9% increase from the previous year. In 2021, recurrent spending rose to N72 billion, a 4.7% increase from 2020 and an aggregate rise of 49.3% since 2018.

The implementation of the national minimum wage significantly influenced these dynamics, as the increase in personnel costs led to a sharp spike in this component to N103.2 billion, which represents a year-on-year growth 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 surge in recurrent expenditure can be attributed to several key factors: the expansion of the workforce, inflated overhead costs, the financial upkeep of political appointees, and burdensome debt servicing. Together, these elements significantly constrain the state's fiscal capacity, limiting the availability of funds for substantial investment in capital projects, such as infrastructure development and the provision of basic amenities.

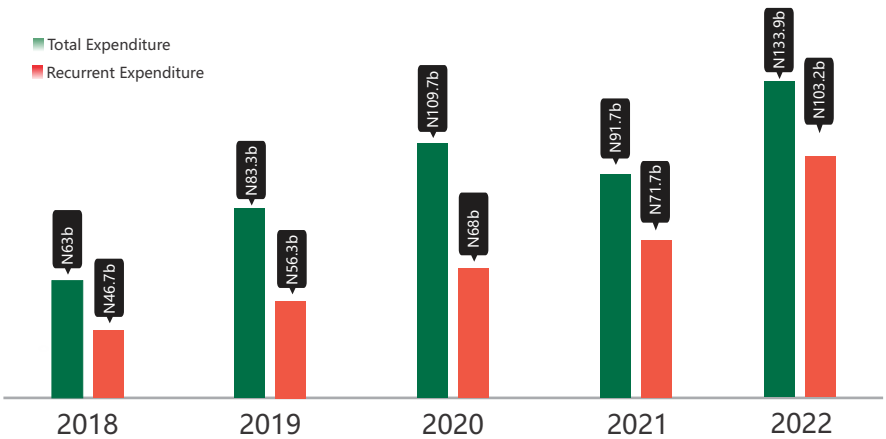


Chart 16: Recurrent expenditure performance against total expenditure

CAPITAL EXPENDITURE

Capital expenditures significantly impact both the citizenry and the overall economy. Investments in infrastructure such as roads, schools, hospitals, and other essential social amenities directly enhance the quality of life for individuals and stimulate positive economic growth.

In Zamfara, the gap in capital expenditure is evident and has tangible socioeconomic consequences. Given that 80% of the population resides in rural areas, the imperative for substantial capital investment is clear. However, an examination of both the capital budget and the actual capital expenditures reveals a trend of diminishing prioritization, with both aspects experiencing a decline over the observed period.

Investments in infrastructure such as roads, schools, hospitals, and other essential social amenities directly enhance the quality of life for individuals and stimulate positive economic growth.

From 2018 to 2021, the capital budget decreased by 37.6%, while the execution of these expenditures has seen fluctuations. The chronic underperformance in this area is primarily due to inadequate planning, evident in the mismatch between policy intentions and actual spending. This issue stems not just from funding or revenue generation challenges but also from a lack of accurate understanding of the macroeconomic context and the politicization of project execution.

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

The table above highlights a significant gap between the budgeted capital expenditures and their actual implementation. In the initial two years analyzed, 2018 to 2019, actual expenditures were less than 50% of the budgeted amounts. A comparison of 2019 to 2018 shows a year-on-year increase in expenditures of 65.6%, indicating an upward trend that persisted into 2020 with a 54.4% increase observed year-on-year. Despite this, 2021 saw a decrease in expenditures to N20.2 billion, even though total revenues exceeded N90 billion, marking a drastic year-on-year decline of 51.6%.

In 2022, the budget for capital expenditures was significantly reduced to N31.9 billion from an initial N85.9 billion. As a result, with an annual expenditure of N30.8 billion for the year, the execution rate is noteworthy. However, the absolute amount spent remains insufficient to drive significant socioeconomic improvement in the state.

Throughout the period analyzed, it's clear that capital expenditure revenues have been diminishing. With reduced revenues, the state's capacity to invest in critical areas is constrained, underscoring the need for enhanced focus on this component. Addressing the state's ongoing socioeconomic challenges necessitates prioritizing capital expenditures to ensure meaningful progress.

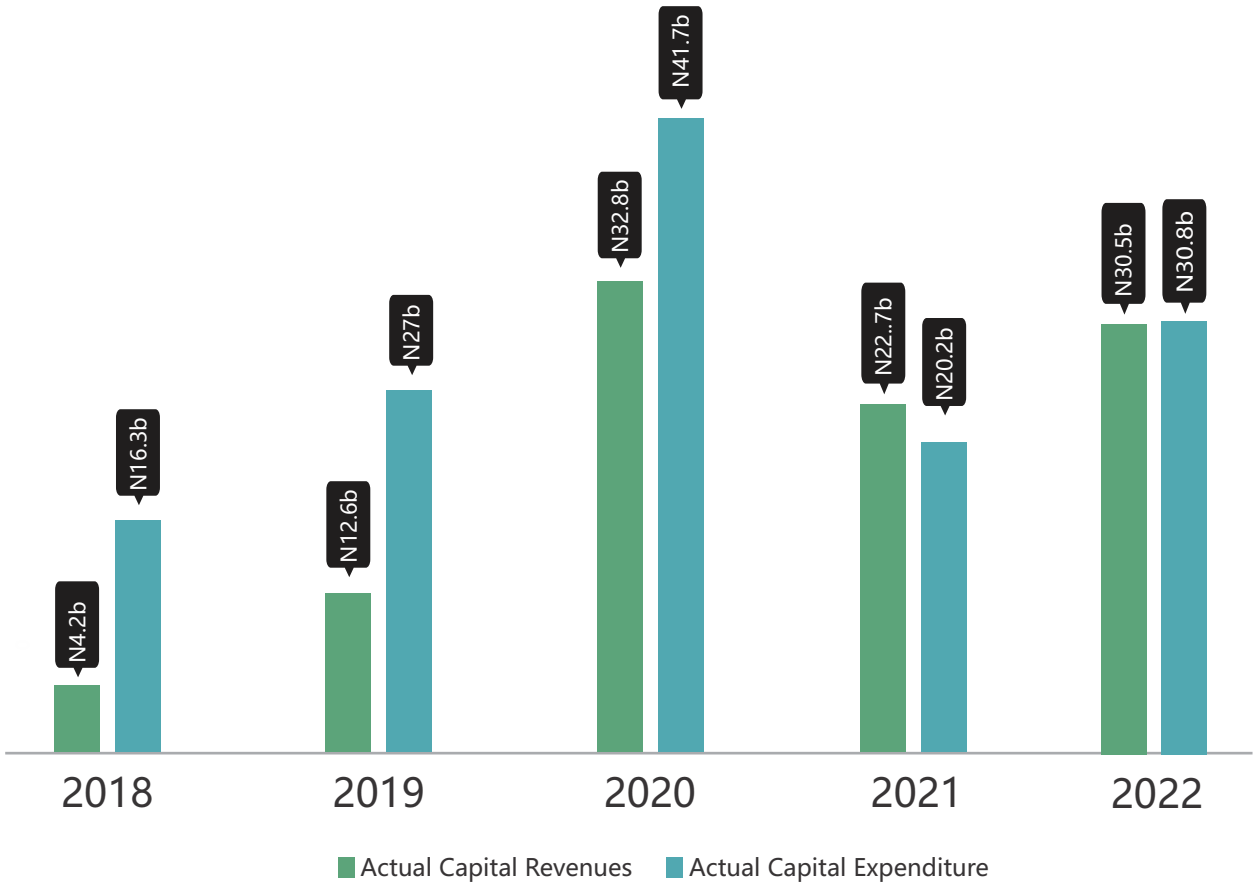


Chart 18: Capital expenditure against total capital revenue

RECURRENT-CAPITAL EXPENDITURE RATIO

The audited financial reports serving as the foundation for this analysis clearly demonstrate that, over the observed period, successive administrations in Zamfara have consistently favored recurrent expenditure over capital expenditure, despite the latter's significant potential to enhance the state's socioeconomic landscape. This preference is highlighted by the growing gap between the budgeted amounts and actual spending for both the capital and recurrent portions of the budget.

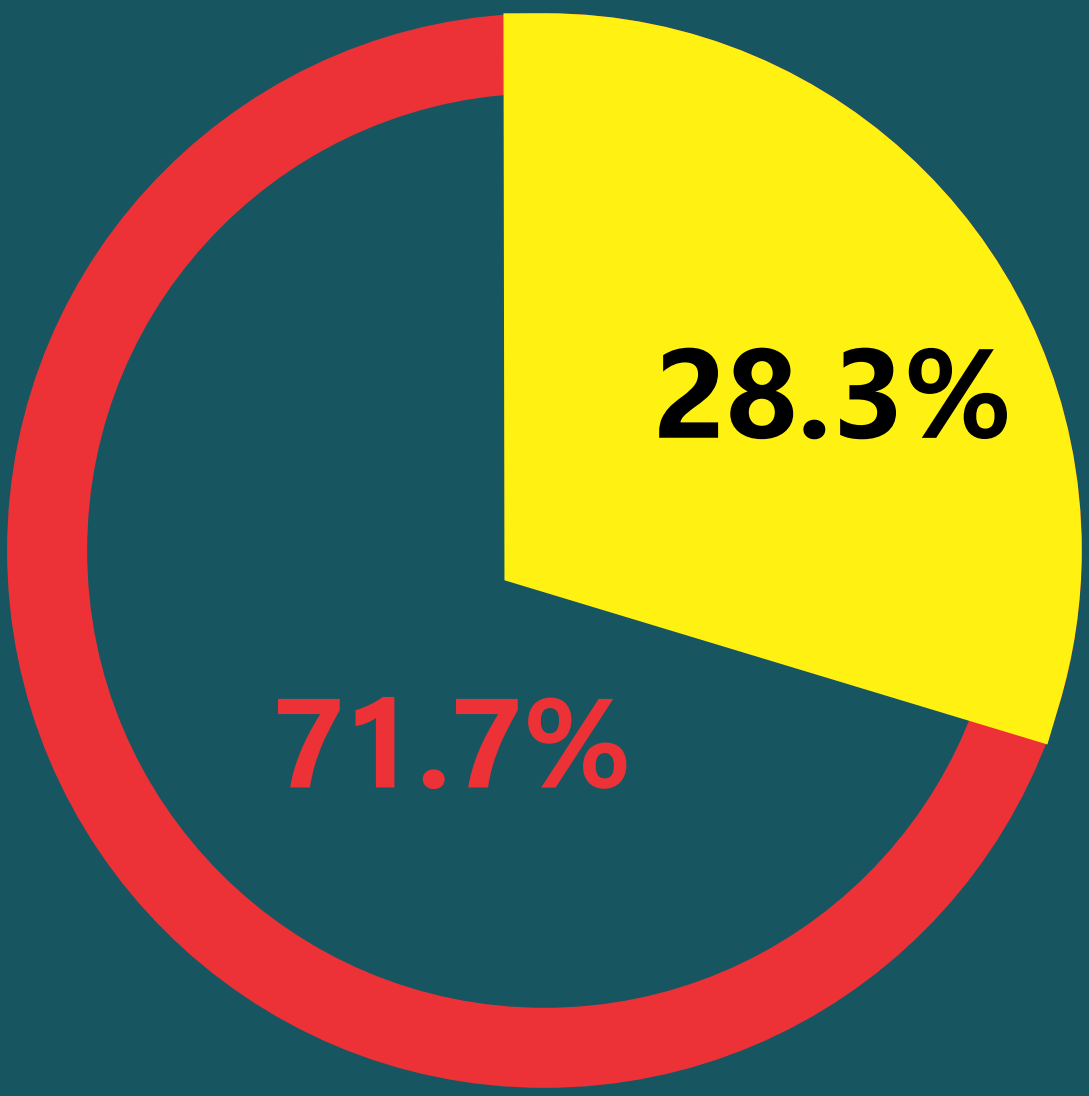
Throughout the period under review, Zamfara incurred a total expenditure of N481.8 billion, of which N345.9 billion was directed towards recurrent expenses, and N135.9 billion was allocated to capital projects. This distribution means that recurrent expenditure consumed 71.7% of the state's total expenditure, leaving only 28.3% for capital expenditure, which is crucial for development. An examination of the spending patterns reveals that an unsustainable debt repayment strategy and substantial overhead costs significantly contributed to the surge in recurrent expenditure observed 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

The persistent allocation of approximately 70% of the annual budget to recurrent expenditures throughout the observed period, at the expense of capital expenditures, has undeniably played a role in the state's consistently poor socioeconomic outcomes. To address this downward trend and improve the socioeconomic landscape, there's a critical need to reallocate financial resources, ensuring that a minimum of 60% of our total annual expenditure is dedicated to capital projects. This shift in budgetary priorities is essential for laying the groundwork for sustainable development and reversing the state's economic decline.

EXPENDITURE PRIORITY CHART



Recurrent Expenditure Capital Expenditure

Chart 19: Expenditure patterns as a % of total expenditure

DEBT STOCK

DEBT PROFILE

Zamfara State's debt profile has seen a significant increase from N59.9 billion in December 2018 to N99.9 billion by the same month in 2021, not including external debt. This rise in debt is attributed to fiscal deficits stemming from revenue shortfalls and expansionary fiscal policies. The trend of growing debt in Zamfara traces back to 2015, a period when the government began to accumulate a substantial debt portfolio to finance major capital projects due to the necessity of funding these initiatives.

Between 2011 and 2013, the state's total domestic debt stock escalated from N12.9 million to N28.2 million. Concurrently, external debt also experienced a steady increase, growing by 22.8% from $26.3 million in 2011 to $32.3 million in 2013. This period marked a significant external debt presence compared to domestic debt. However, 2014 saw the domestic debt leap over the billion Naira threshold for the first time, reaching N11.1 billion by December, a staggering 3864% increase from 2013. External debt continued its ascent, registering a 9.9% year-on-year growth to $35.3 million by the end of 2014, with the trend persisting upwards.

The continuous rise in Zamfara's debt, particularly domestic, is linked to a dependence on borrowing for capital project funding. Additionally, an increase in the public sector workforce and the government's size has led to a higher salary, wage bill, social benefits, and overall operational costs. Consequently, meeting recurrent obligations has placed a considerable strain on the state's limited revenue streams, exacerbating its fiscal challenges.

The state's lean revenue base, which has persistently remained limited, is another contributing factor to its fiscal challenges, with little effort directed towards enhancement. A heavy dependence on statutory allocations has hindered Zamfara's ability to develop alternative revenue streams that could support capital expenditures. Furthermore, poor investments driven by unrealistic and unfounded economic policies have yielded minimal returns, failing to offset the growing need for additional borrowing.

An examination of the total planned expenditures from 2018 to 2021, which amounted to N514 billion, against the total non-debt revenue of N275.9 billion accrued during the same period, reveals a fiscal deficit of 53.6%. This gap underscores the potential for a significant increase in debt stock had the planned expenditures been fully executed.

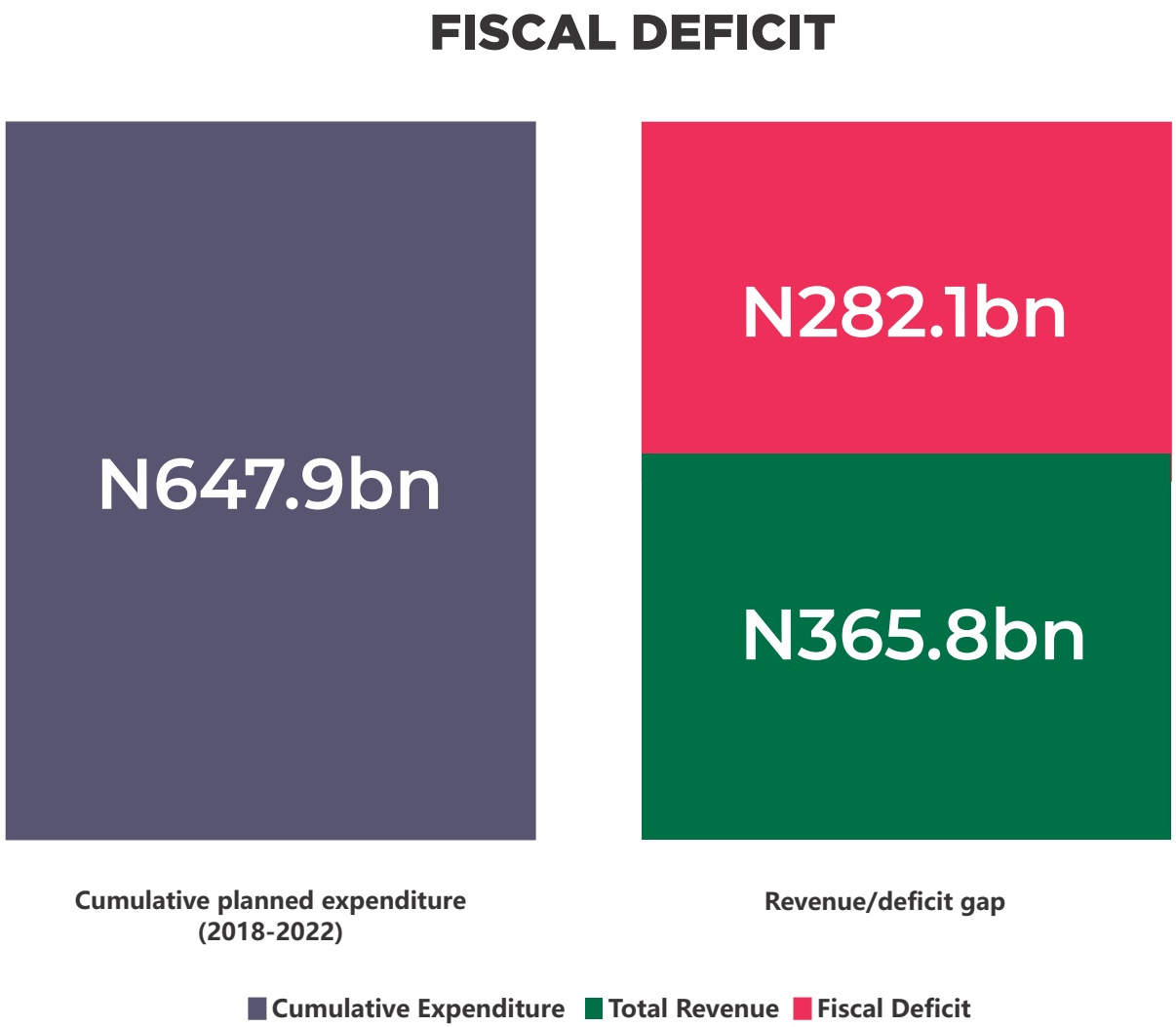


Fig 4: A cumulative indicator of fiscal deficit

DOMESTIC DEBT STOCK

Zamfara State's steady increase in debt stock since 2015 is attributable to the government's need to finance significant capital expansion projects. From 2011 to 2013, the state's total domestic debt stock escalated from N12.9 million to N28.2 million. Remarkably, in 2014, the debt portfolio surged past the billion Naira threshold for the first time, reaching N11.1 billion by the end of the year, a dramatic year-on-year growth of 3864% from 2013.

The trend of rising debt continued until a downturn in 2018, when the domestic debt stock fell to N59.9 billion, a 14.3% reduction from the previous year's N69.9 billion. However, this decline was temporary, as the debt stock climbed by 18.2% to N70.8 billion in 2019, maintaining an upward trajectory in subsequent years. By December 31, 2022, a significant uptick in domestic borrowing was recorded, with the debt stock elevating from N99.9 billion in 2021 to N112.2 billion, marking a 12.3% annual increase.

Notably, between 2011 and 2019, Zamfara's domestic debt stock astonishingly expanded by 774,318.6%, highlighting the substantial fiscal pressures and the reliance on borrowing to meet development and capital project needs over the years.

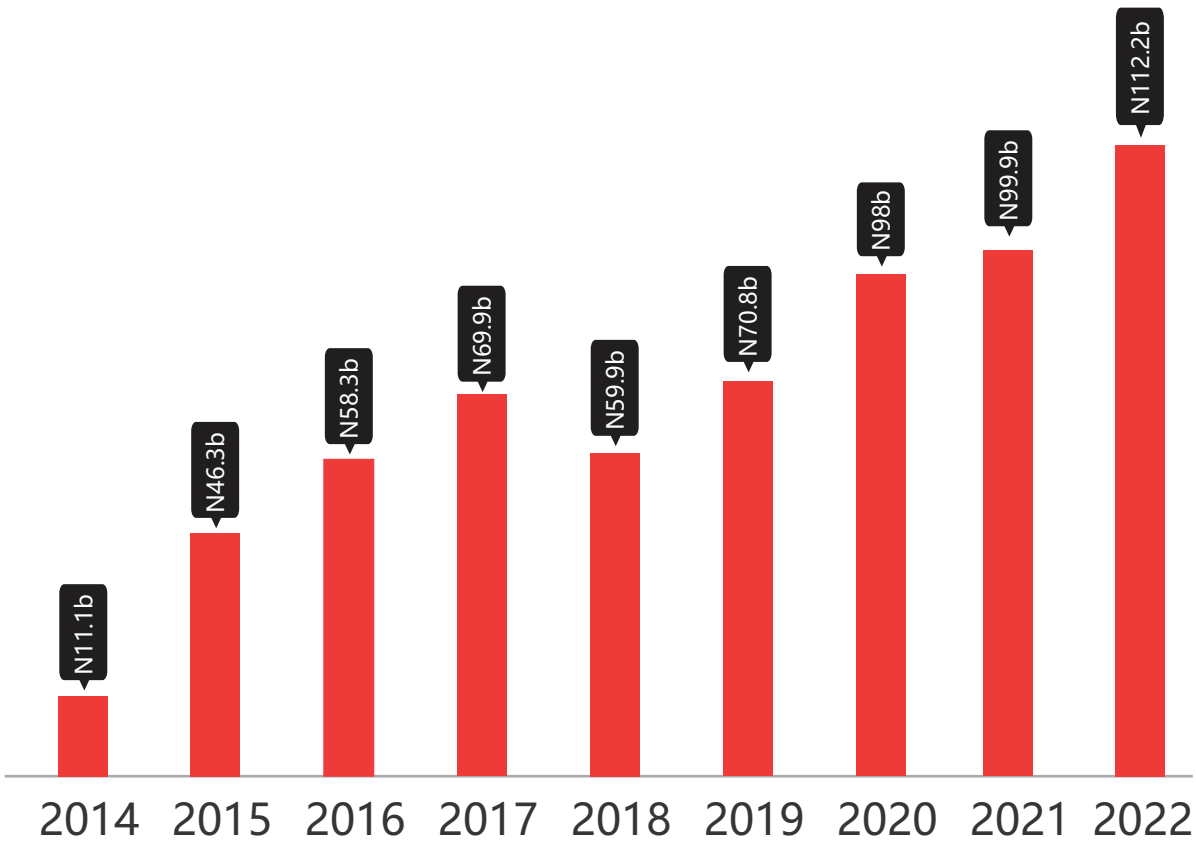


Chart 20: Domestic Debt Stock

ii EXTERNAL DEBT STOCK

Zamfara State's external debt began at a higher level compared to its domestic counterpart in 2011, starting at $26.6 million. Over the decade, this external debt stock saw a modest increase of 17.8%, reaching $31 million in 2021. This contrasts sharply with the domestic debt, which skyrocketed by over 7000% during the same period. The external debt experienced a notable period of growth between 2012 and 2014, increasing by 27.4% from $27.9 million to $35.5 million. However, since 2017, there has been a gradual annual decrease in this debt component, as the state refrained from acquiring new foreign loans. The most significant reduction occurred in 2022, with a year-on-year decrease of 6.8%.

The vast difference in the growth rates of the domestic and external debt stocks can primarily be attributed to the state's hesitancy to pursue loans from foreign financial entities. This reluctance stems from concerns over exchange rate volatility, which is heavily influenced by fluctuations in oil prices—a critical foundation of the economy—and the lengthy processing times associated with securing foreign loans.

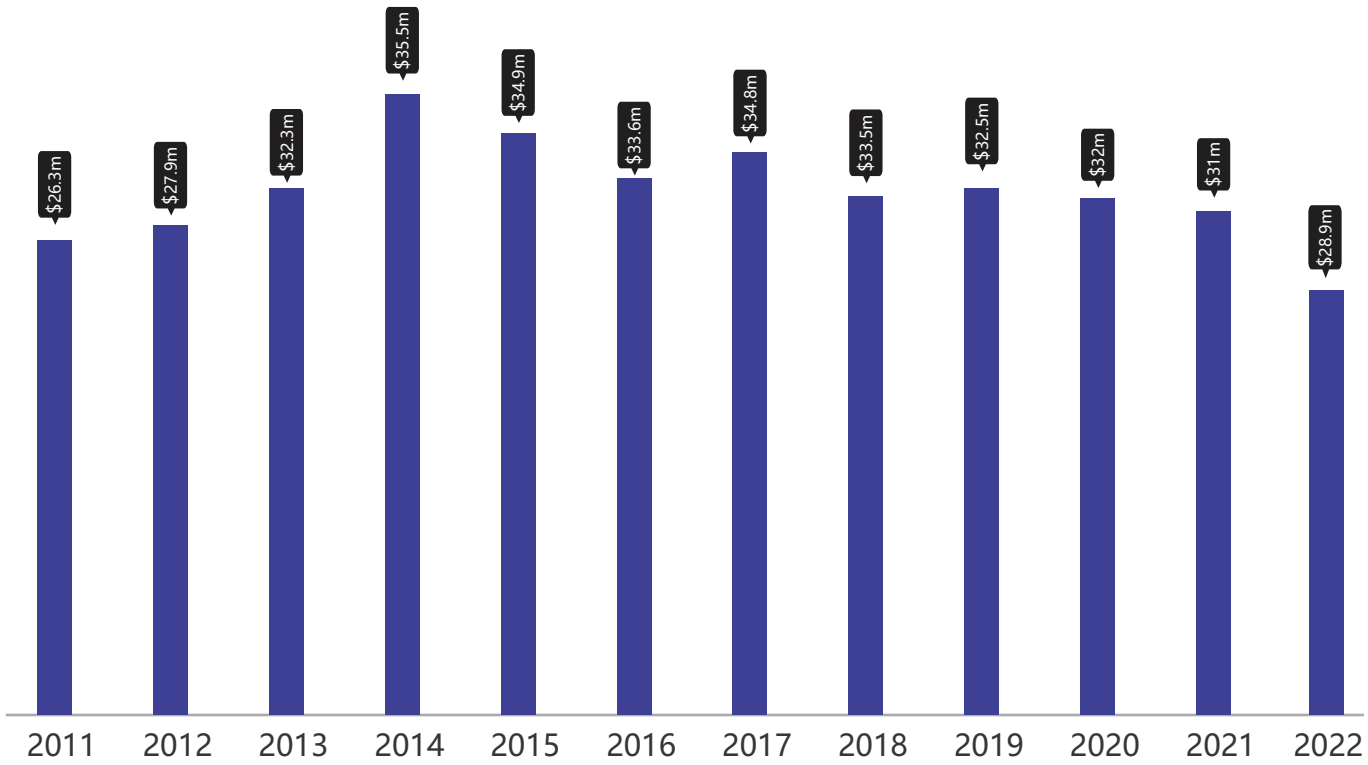


Table 21: External Debt Stock ($)

CUMULATIVE DEBT STOCK

From 2011 to 2022, Zamfara State's total debt stock escalated from N19.4 billion to N133.4 billion, marking a significant growth of 589.7%. The years 2015, 2019, and 2022 were particularly notable for their substantial increases in the debt stock.

When analyzing the composition of the debt stock, domestic borrowing accounts for a predominant share, comprising 83.9% of the total debt over the observed period. In contrast, external debt contributes only 16.1% to the total debt. The conversion of the external debt stock to Naira was based on the official exchange rate of N746 to $1 as of September 13, 2023, highlighting the predominance of domestic borrowing in the state's debt profile.

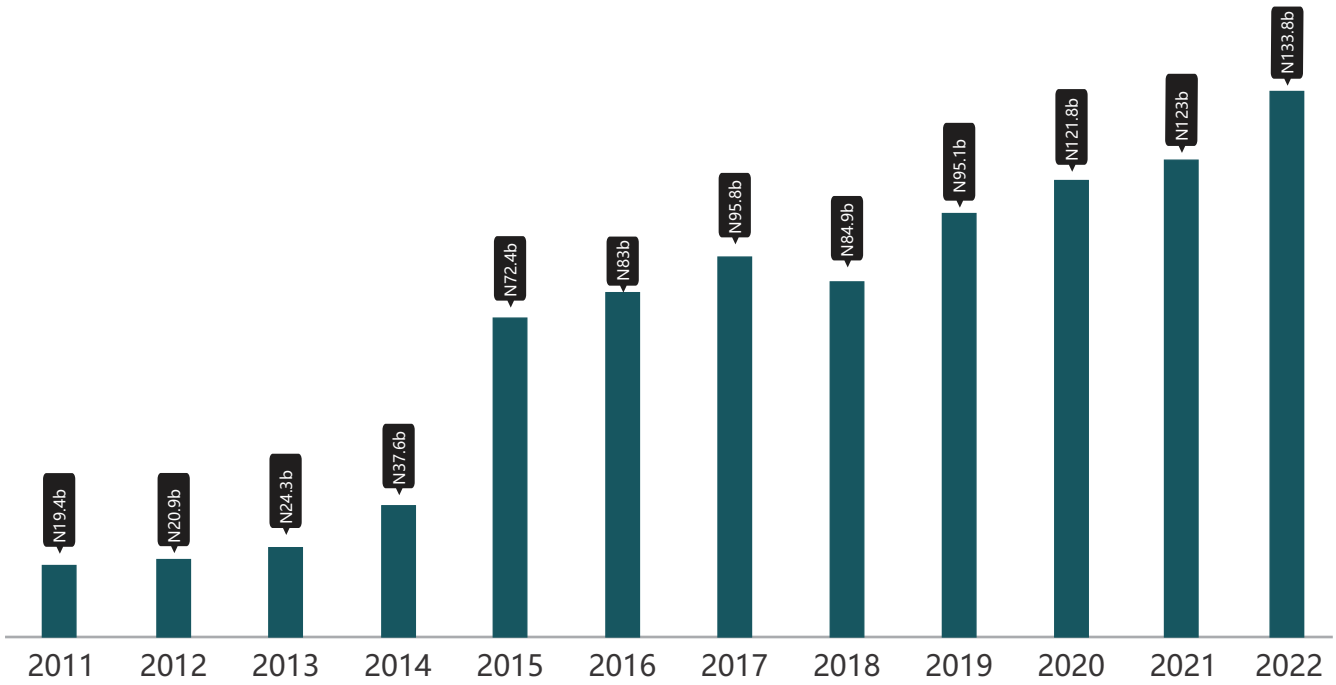


Chart 22: Cumulative Debt Stock

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 of Zamfara State was a mere 0.1% of the total debt, with external debt comprising the vast majority at 99.9%. This dynamic maintained external debt as the primary component of the state's overall debt until 2014, when domestic borrowing began to increase significantly.

By 2015, the shift was pronounced, with domestic debt accounting for 63.9% of the total debt and external debt reduced to 36.1%. Fast forward to 2022, and the domestic portion had swelled to constitute 83.9% of the total debt stock. The decrease in external debt acquisition can be attributed to the state's decision to minimize foreign borrowing due to the volatility in the oil market and the prolonged processing times for securing such loans, among other factors.

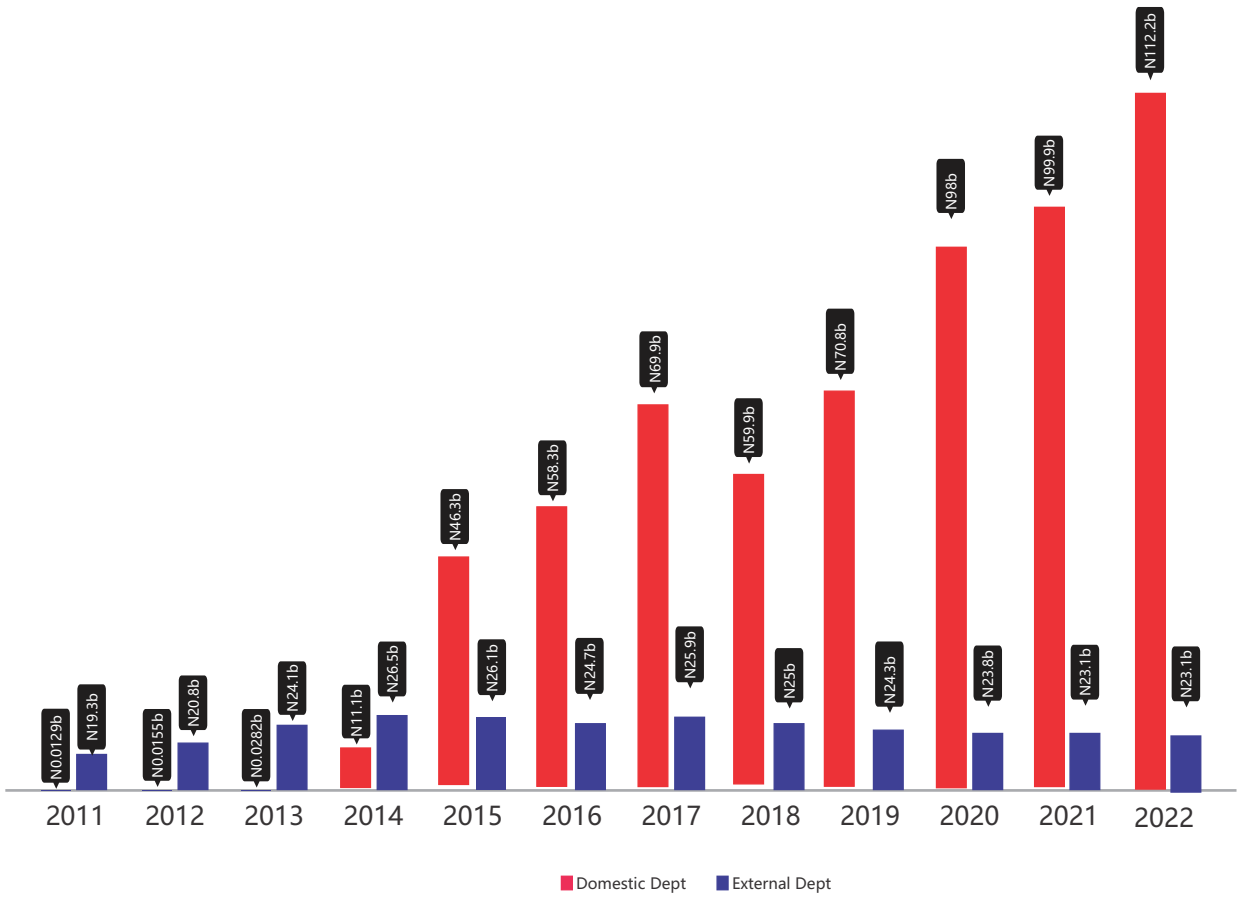


Chart 23:Y/Y Debt trend per stock

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 gap between the government's actual spending and its revenue widened from N4.5 billion in 2018 to N10.4 billion in 2019. In 2020, this discrepancy escalated to N39.2 billion, marking a substantial increase. The gap narrowed slightly in 2021 to N9.7 billion, but in 2022, it expanded dramatically to N46.2 billion, representing a year-on-year gap increase of 376.3%. This growing deficit has significantly contributed to the rise in public debt.

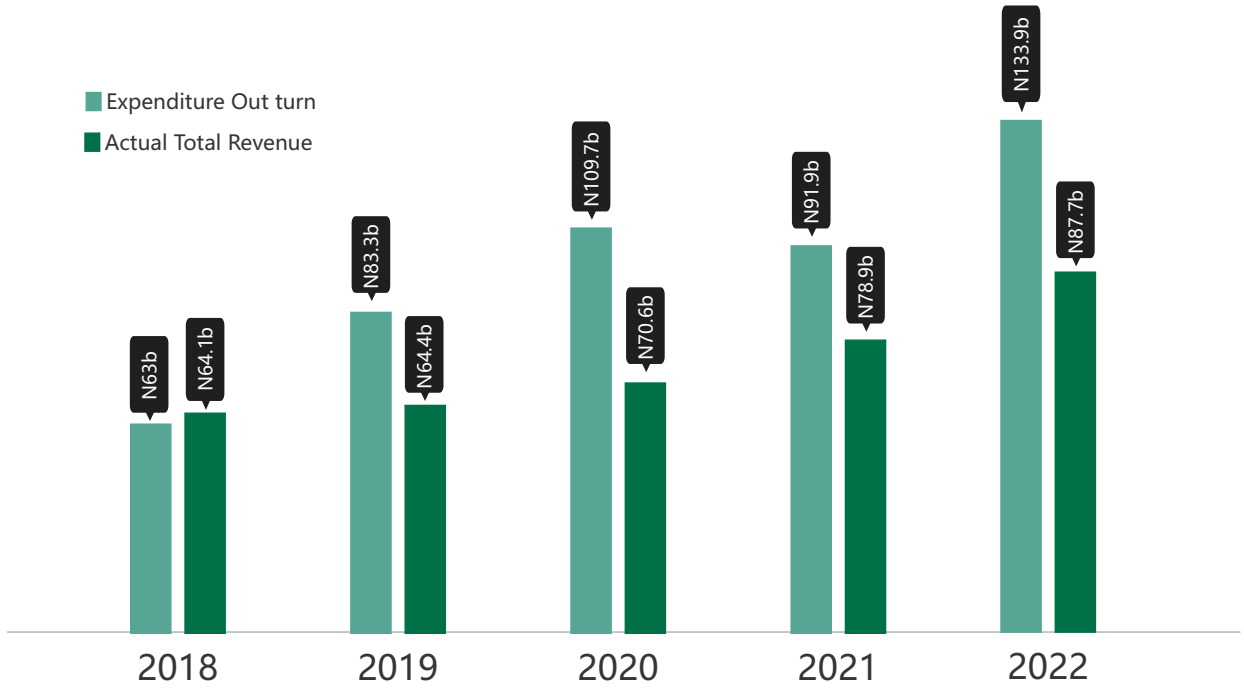


Chart 25: Y/Y Trend of Expenditure against available revenue

Zamfara State's heavy reliance on federal allocations, which are subject to the volatility of oil prices, renders its Internally Generated Revenue (IGR) a minor component of its total revenue. In 2018, the IGR constituted a mere 7.4% of the total revenue. Although there has been a year-on-year improvement since then, the highest contribution of IGR was in 2021, accounting for 18.9% of the total revenue. Despite this notable progress, Zamfara's IGR still falls significantly short of covering even half of its recurrent costs. Meanwhile, the state's recurrent expenditure continues to rise annually, exacerbating the fiscal challenge posed by the limited IGR.

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

The responsibility to service debt is crucial for maintaining fiscal stability, and the sustainability of the debt repayment plan is essential. The funds allocated by Zamfara State for debt servicing have seen a significant increase over the years. From 2018 to 2021, there was a dramatic rise of 271.8%, with N12.4 billion paid in 2018 and N46.1 billion in 2022. Although there was a slight decline of 16.9% in repayments from 2018 to 2019, this trend was quickly reversed with consistent increases in repayments through 2020 and 2021.

In 2022, the state experienced its highest expenditure on loan repayments, amounting to a staggering N46.1 billion, marking a year-on-year increase of 47.8%. This surge in debt service payments occurred alongside a notable performance dip in the Internally Generated Revenue (IGR), which saw a decline of over 50% compared to the previous year. This downturn in IGR performance likely contributed to the necessity for increased borrowing and, subsequently, higher debt service payments.

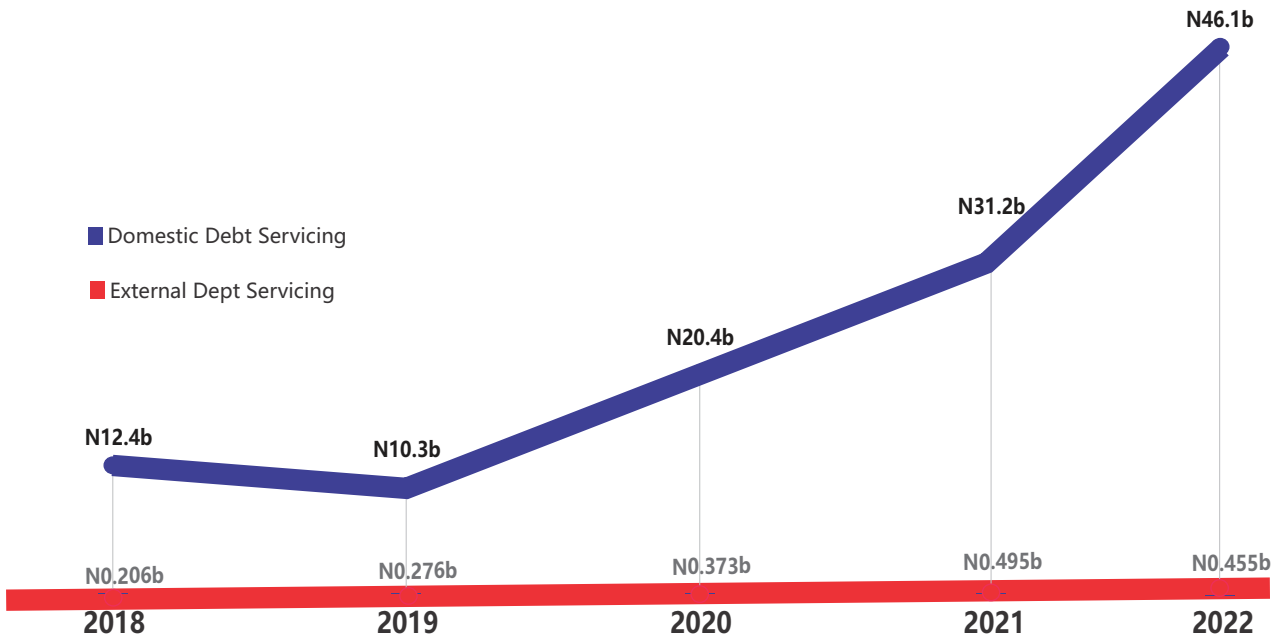


Chart 24: Y/Y Debt servicing trend

The ratio of debt service costs to Zamfara State's revenues is venturing into precarious territory. In 2018 and 2019, this ratio remained below the 20% mark, which is considered sustainable and well under the indicative threshold of 40%. However, the fiscal years 2020 and 2021 saw significant surges to 28.81% and 39.5% respectively, edging dangerously close to this threshold. Despite the financial strains faced in 2021, no substantial interventions were made to mitigate the increasing debt service burden, leading to an all-time high ratio of 45.7% in 2022. This marks the first instance of surpassing the threshold by more than 5%, risking the state falling into a debt trap if the trend of escalating debt servicing costs continues.

The 2020 Debt Sustainability Analysis (DSA) conducted by the state's Ministry of Finance projected far more optimistic debt servicing-to-revenue ratios of 17.2%, 13%, 30.7%, 8%, and 7% for the fiscal years 2018 through 2022, respectively. However, the actual figures significantly exceed these estimates, highlighting a crucial discrepancy. This deviation underscores the need for a comprehensive review of the DSA to ensure future projections more accurately reflect the state's fiscal reality and to devise strategies that will prevent unsustainable debt levels.

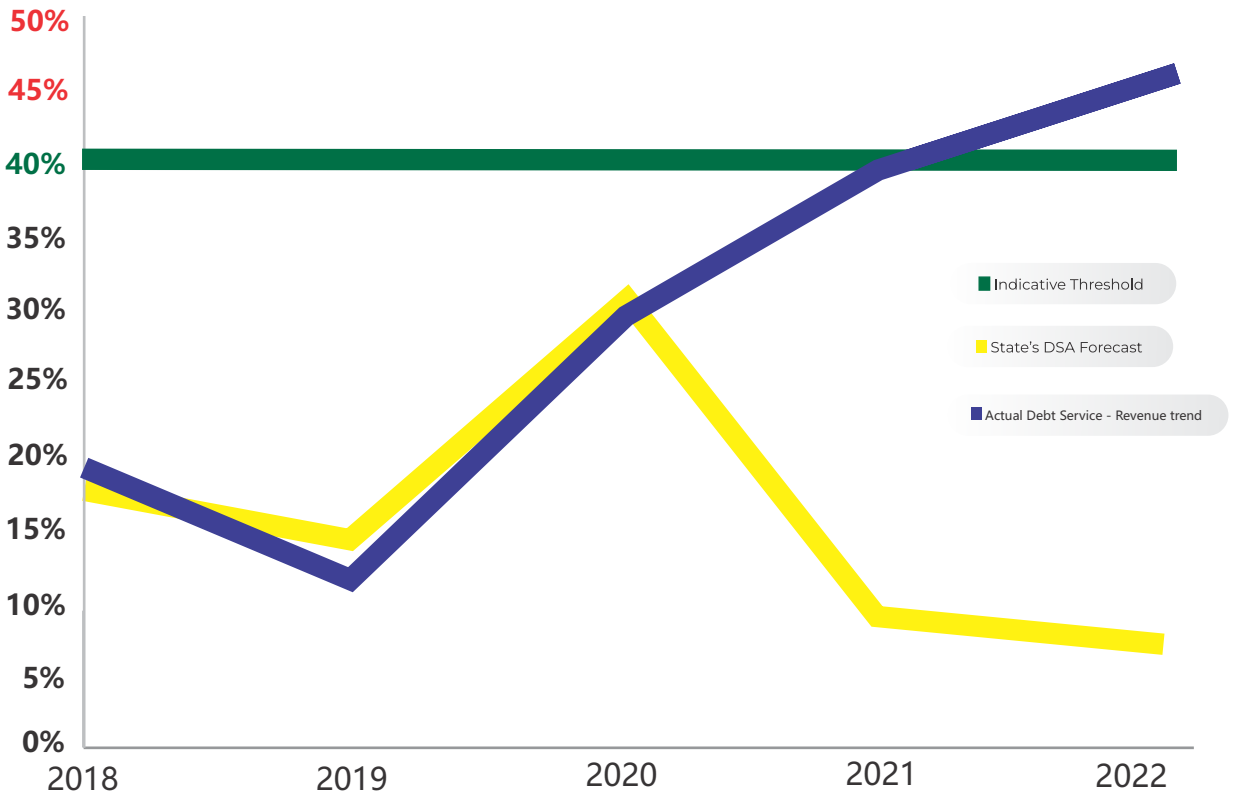


Chart 26: Debt service trends against indicative threshold

METRIC 1: DEBT-REVENUE RATIO

Zamfara State's economy heavily relies on federal allocations, which constitute over 60% of its total revenue (IGR + FAAC + Aid/Grants). There has been a notable increase in the debt-revenue ratio, particularly in 2019 and 2020, indicating that higher revenues have corresponded with an increase in debt throughout the period. To gauge the fiscal health of the state, we compared the debt to revenue ratio against the benchmark threshold of 200%. This analysis helps determine how much of the total revenue would remain for spending if the total debt stock were to be settled.

In 2018, the debt-revenue ratio stood at 132.4%, climbing to 147.7% in 2019, which marked an 11.6% year-on-year increase. The ratio saw a significant rise in 2020, reaching 172.3% with a 16.7% increase from the previous year. Both 2021 and 2022 witnessed slight declines in this ratio, recording 155.9% and 152.6% respectively, primarily due to an uptick in total revenues collected.

Consequently, by 2022, the state would be left with just 23.7% of its total revenue for both recurrent and capital expenditures, as a substantial portion would be allocated to debt servicing. This situation serves as an indicator of fiscal stress, underscoring the urgency to diversify the revenue base and reassess borrowing practices. Aligning with sustainable thresholds is vital for ensuring debt can be managed without severely impacting the economy, as currently evidenced.

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

The debt service-to-revenue ratio is a critical measure for evaluating debt sustainability, assessing the extent to which a loan repayment plan impacts available revenue. The International Monetary Fund (IMF) has set a benchmark of 22.5% as the threshold for the debt servicing to revenue ratio. However, in recent fiscal years, Zamfara State has consistently exceeded this limit, with the last three fiscal years showing a significant overshoot of sustainable levels. Since 2020, the threshold has been breached substantially.

Even when applying a more lenient threshold of 40% suitable for subnational assessments, 2021 highlighted a high-risk scenario, signaling that continuation along this trajectory is fiscally unsustainable. This was further evidenced in 2022, with no apparent reforms undertaken to mitigate the fiscal strain observed in the prior year. A staggering 45.7% of total revenues accrued were dedicated to debt servicing, which is well above sustainable levels, indicating a pressing need for fiscal adjustments to avert exacerbating the state's financial pressures.

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

In 2022, Zamfara State found itself in a precarious financial situation where, out of every N100 in revenue, N46.1 was allocated to debt servicing. This allocation significantly restricts the government's budget for both recurrent and capital expenditures, entrapping the state in a relentless cycle of borrowing to repay debts. This unsustainable loan repayment strategy, especially for a state grappling with revenue generation challenges, compounds its fiscal woes. The repercussions of this are felt not only in the state's economic stability but also in the socioeconomic wellbeing of its population, as diminishing capital revenues mean reduced inThe data underscores the critical need for Zamfara State to initiate comprehensive fiscal reforms to extricate itself from this financial predicament. It is clear that without significant adjustments to enhance revenue collection and rationalize expenditure, particularly in debt servicing, the state will continue to struggle with fiscal instability. This report emphasizes the urgency of implementing fiscal reforms to pave the way for sustainable financial management and improved socioeconomic outcomes for the state and its residents.

METRIC 3: DEBT-FAAC RATIO

The Debt-FAAC ratio evaluates the impact of debt service on Gross FAAC (FAAC+VAT) disbursements. Heavily reliant on federal allocations, Zamfara State is experiencing an increasing share of this crucial revenue pool being consumed by debt servicing. In 2018, debt service accounted for 26.7% of gross FAAC, decreasing to 18.3% in 2019 but then continuing an upward trajectory.

The significant rise in debt service costs relative to gross FAAC receipts in 2021 and 2022 culminated in a peak of 75.5% in 2022, marking the highest level recorded. This escalating fiscal strain highlights the urgent need for reform to prevent long-term financial challenges.

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

Zamfara State's GDP has seen consistent growth annually over the observed period, recording figures of N1.23 trillion, N1.39 trillion, N1.43 trillion, and N1.73 trillion for the fiscal years 2018, 2019, 2020, and 2021, respectively. Given a subnational threshold of 25% for this indicator, the data presented does not signify any notable concerns, as detailed 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 capacity of a government to timely pay its staff salaries and wages is a hallmark of effective governance. This metric evaluates a state's ability to meet its payroll obligations using available revenue, without the need for borrowing. An indicative threshold set at 60% of revenue suggests that a state's salary and wage expenditures should not exceed 60% of its annual revenue. Since 2019, when the percentage was at 24.1%, there has been a consistent annual increase, recording 26.5%, 30.7%, and 24.9% for the years 2019, 2020, and 2021, respectively. Notably, in 2022, this figure surged to 34.9%, marking a significant year-on-year increase of 81.7%.

This rise is primarily attributed to the state's initiative to adopt the N30,000 national minimum wage. Given the state's limited resources to accommodate this wage increase, it introduces fiscal pressure on an already constrained system. With the Internally Generated Revenue (IGR) experiencing a notable decline annually, it is imperative for efforts to be directed towards identifying and harnessing sustainable revenue sources.

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 is a critical evaluation of a government's long-term financial health, focusing on its capacity to uphold existing fiscal policies, including spending, taxation, and other public financial management practices, without necessitating drastic future adjustments. It critically examines the government's ability to persist with its current expenditure levels, tax regimes, and policy frameworks over an extended period, ensuring it doesn't risk solvency issues, default on its obligations, or fail to fulfill its promised expenditure commitments. This concept underscores the importance of sustainable financial practices that don't compromise future generations' ability to meet their needs or place undue financial burdens on them.

To accurately gauge the fiscal sustainability of Zamfara State, we've delineated five (5) specific metrics aimed at a comprehensive assessment of the state's fiscal health and policy effectiveness. These metrics are designed to scrutinize whether the fiscal strategies and policies adopted by Zamfara over the reviewed period are not only sustainable but also conducive to fostering economic stability, growth, and ensuring the socioeconomic well-being of its citizens. By examining these indicators, we seek to identify areas of strength and potential vulnerabilities within the state's fiscal management practices, with the ultimate goal of determining the viability of its economic and social development strategies in promoting long-term prosperity and financial integrity.

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 assesses the state's capacity to increase its Internally Generated Revenue (IGR) annually. A year that scores high on this metric shows significant IGR growth, indicating a reduced dependency on federal allocations for budget execution. Conversely, a year with a low score reflects poor IGR growth, suggesting an increased reliance on federal revenues. This metric is essential for understanding the state's fiscal independence and its ability to sustain and implement its budget through local revenue generation.

1st

2021

Index Score: 0.96

2nd

2019

Index Score: 0.26

3rd

2018

Index Score: 0.24

4th

2020

Index Score: 0.12

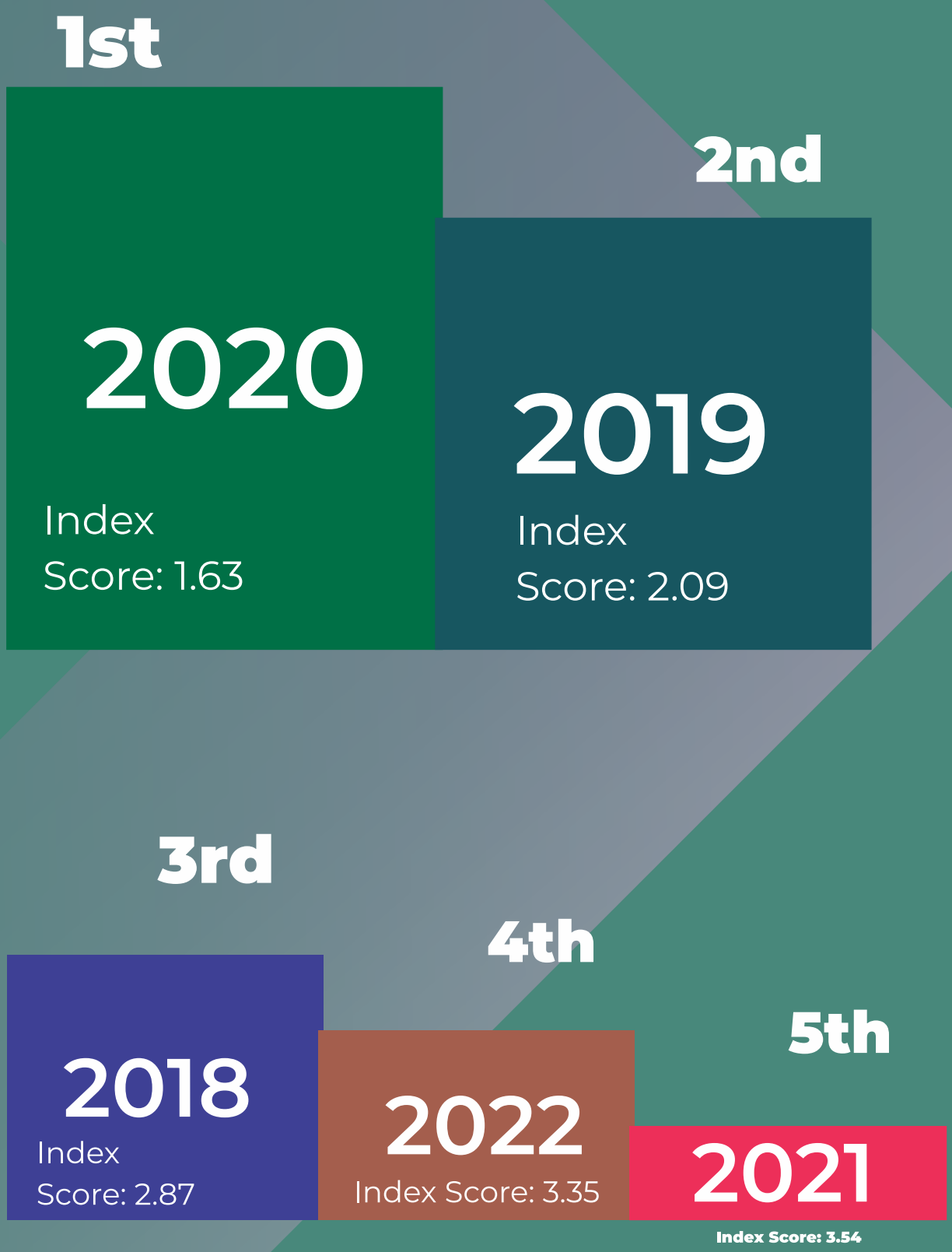
5th

2022

Index Score: -0.49

METRIC B

Metric B assesses the fiscal year's emphasis on capital versus recurrent expenditure. High-ranking years show a preference for capital expenditure, aligning with efforts to enhance the state's socioeconomic development. Lower-ranking years, however, indicate a focus on recurrent expenditure, which tends to have a lesser impact on long-term growth and social progress. This metric is pivotal in understanding the state's investment priorities and their implications for sustainable development.



METRIC C

Metric C examines the state's capability to cover its operational costs using only its Internally Generated Revenue (IGR), minimizing dependency on federal allocations. A higher score under this metric signifies a lesser reliance on federal funds, marking the state as more financially autonomous and viable independently. Conversely, lower scores reveal a substantial dependence on federal revenues for operational sustainability. This metric is crucial in assessing the state's fiscal independence and its ability to manage its expenditures through locally generated funds.

METRIC D

Metric D evaluates debt sustainability through four key indicators: the Debt-revenue ratio, Debt service-revenue ratio, Debt-GDP ratio, and the Personnel cost-revenue ratio. Higher scores in this metric suggest a healthier fiscal space, allowing for further borrowing to finance capital investment projects. Conversely, lower scores highlight a constrained capacity for sustainable borrowing, necessitating alternative financing strategies like Public-Private Partnerships (PPPs) to support capital investments within the state. This metric is instrumental in determining the state's borrowing capacity and its strategic approach to funding development projects.

1st

2018

Index Score: 0.42

2nd

2019

Index Score: 0.53

3rd

2021

Index Score: 0.54

4th

2020

Index Score: 0.57

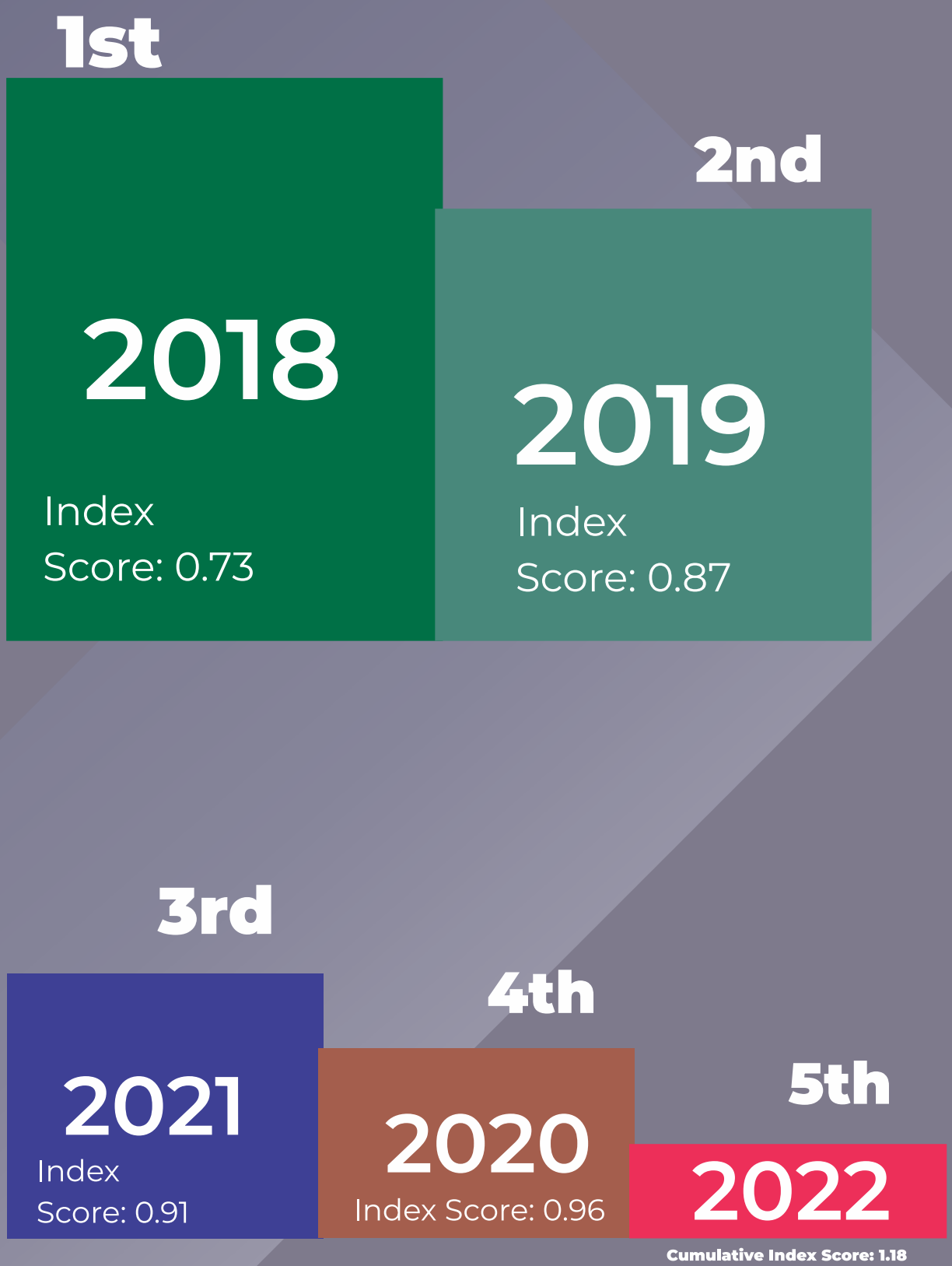
5th

2022

Cumulative Index Score: 0.6

METRIC E

Metric E gauges the state's capacity to allocate remaining funds from total revenue to capital expenditures after addressing debt and recurrent expenses. Higher scores indicate more available funds for capital projects, suggesting a solid fiscal foundation. Lower scores highlight financial constraints, emphasizing the need for Public-Private Partnerships (PPPs) to fund capital projects. This metric is key in assessing the state's investment potential and fiscal health.



GENERAL CONCLUSION

GENERAL CONCLUSIONS

Revenue Patterns

Despite the economic downturn caused by the COVID-19 pandemic, Zamfara State saw an increase in revenues, largely due to enhanced statutory transfers, especially from Value Added Tax. Additionally, grants and aids played a significant role in this achievement. There's also a notable rise in Internally Generated Revenues (IGR) since 2018, with a 174% increase up to 2021. A major portion of this improvement occurred in 2021, showing a 95.5% increase compared to the previous year. Yet, the progress was not maintained, as 2022's collections fell nearly 50% year on year. Given Zamfara's dependency on external revenues for its budget execution, the IGR's contribution of only 74% to total revenues by the end of 2022 indicates a vulnerability to fiscal instabilities should external revenues decrease. This dependency also leads to unrealistic revenue projections. To enhance fiscal stability, it's crucial for Zamfara to escalate efforts in boosting internal revenue mobilization.

Expenditure Patterns

Zamfara State's annual expenditures have escalated from N63.2 billion in 2018 to a record N133.9 billion in 2022, marking the highest spending in the state's history. Yet, from 2018 to 2022, a whopping 71.7% of the cumulative expenditure was directed towards recurrent costs, with significant portions allocated to inflated overheads, rising personnel costs, and an unsustainable debt service plan. Overhead costs surged by 56.3% from 2018 to 2019, experienced a 10.9% decrease in 2020, but climbed by 58.5% in 2022. In comparison to personnel costs, overheads showed substantial increases of 43%, 52.6%, and 73% for 2018, 2019, and 2020, respectively. Although a 29% reduction occurred in 2021, this trend reversed with a 21.29% rise in 2022. Capital expenditure patterns have varied, averaging N26.3 billion across the years. 2020 saw the peak with N41.7 billion spent, but 2021 experienced a 51.5% decrease to N20.2 billion. However, 2022 witnessed a moderate increase to N30.8 billion spent on capital projects.

Debt Outlook

Zamfara State's debt profile has consistently risen each year, with the total debt stock escalating from N84.9 billion in 2018 to N133.8 billion by 2022, where domestic debt constitutes 88.1% of this total. The external debt stock has remained stable, with no new borrowings activated during this period. This strategy has made the state less vulnerable to the risks associated with exchange rate fluctuations in terms of both borrowing and repaying debt.

Debt Sustainability Outlook

Debt servicing in Zamfara State has seen a significant rise, marking a 151.6% increase from 2018 to 2021, with amounts of N12.4 billion, N10.3 billion, N20.4 billion, and N31.2 billion paid

in each respective year. The state surpassed the IMF-recommended debt service to revenue ratio of 22.5% in 2020, a trend that continued into 2021 and 2022. The breach became more pronounced in 2022 when the ratio hit 45.7%, exceeding the subnational solvency threshold of 40%. Consequently, only 54.3% of total revenues were available for both recurrent and capital expenditures, signaling a critical need for fiscal action.

To address this, Zamfara must implement a sustainable debt servicing strategy to ensure repayments remain within permissible limits, thereby freeing up more funds. The personnel cost to revenue ratio, currently at 34.9% against a threshold of 60%, reflects the state's push to implement the national minimum wage. Yet, the state must explore revenue diversification to manage this fiscal pressure effectively. While other debt sustainability indicators remain within acceptable bounds, discrepancies between the Debt Sustainability Analysis report forecasts and actual results suggest a need for more accurate fiscal planning and analysis.

Fiscal Sustainability Outlook

In an unprecedented move, our team embarked on a comprehensive fiscal sustainability analysis, leveraging five critical metrics designed to accurately assess the state's financial health and directional trends over the observed period. This detailed examination aimed to shed light on the state's fiscal practices, identifying areas of strength and pinpointing those that require immediate attention or remedial action. By systematically analyzing annual fiscal performance, we sought to uncover underlying patterns that could inform strategic decision-making and policy formulation.

The year 2022 emerged as a focal point in our analysis, standing out as the most fiscally challenging period among the years under review. It was characterized by the highest composite index score, indicating a departure from fiscal sustainability norms and signaling potential risks to the state's economic stability. This outcome not only raises red flags regarding the state's current fiscal strategies but also calls into question the viability of its long-term financial planning. The data derived from each of the metrics present a nuanced picture of fiscal health, with several indicators surpassing sustainable thresholds by considerable margins. Such deviations from fiscal prudence highlight the pressing need for a thorough examination and recalibration of existing policies and practices.

The implications of these findings extend beyond mere numerical assessments, serving as a critical call to action for state authorities and policymakers. Addressing the issues identified requires a multifaceted approach, focusing on individual metrics that have strayed into unsustainable territory. By doing so, the state can begin to implement targeted fiscal reforms aimed at correcting course and steering towards a more sustainable fiscal future. These reforms should encompass a broad spectrum of strategies, from enhancing revenue generation and optimizing expenditure to prudent debt management and the implementation of efficiency-enhancing measures across all levels of government operations.

Such reforms will not only help in mitigating current fiscal challenges but also in building a solid foundation for sustainable growth and development in the future. The journey towards fiscal sustainability is complex and requires concerted efforts, strategic planning, and unwavering commitment to prudent financial management principles.

Increase Public Revenues

Zamfara State's economic sustainability is significantly dependent on external revenues, as detailed in this analysis. Achieving economic viability requires expanding fiscal capacity, emphasizing the importance of enhancing internal revenue generation. While there have been commendable improvements in revenue collection, these efforts fall short of sufficiently addressing the state's recurrent expenditures and minimizing dependency on federal allocations. To increase revenues sustainably, Zamfara should leverage its rich endowment of mineral resources. By effectively tapping into the extractive sector, the state can not only generate substantial additional revenue streams but also create employment opportunities, thereby contributing to broader economic growth and development.

Policy-Based Expenditure

The expenditure trends identified in this analysis reveal a disconnect between policy development and actual implementation in Zamfara State. Although policy directives formulated in 2021 aimed at enhancing the livelihoods of rural farmers by improving infrastructure such as roads, potable water, electricity, healthcare, and education, the actual allocations to these sectors have been insufficient to meet the stated objectives. This mismatch highlights the necessity for policies that reflect the socioeconomic realities of the state. Adopting a participatory approach to policy planning, formulation, and execution, which includes citizen involvement, could ensure that policies are relevant and effectively address the community's needs. Involving the public in the policy-making process can foster greater cohesion, cooperation, and commitment to implementing viable projects that have a significant impact on the populace, thereby ensuring that resources are directed towards initiatives that meaningfully improve living standards.

Prioritization of Capital Expenditure Over Recurrent Expenditure

Investing in capital expenditures is essential to address the continuous lack of socioeconomic growth in Zamfara State, as such investments can significantly drive economic growth and social development. The expenditure pattern from 2018 to 2022 reveals a concerning trend, with 71.7% of total expenditures allocated to recurrent expenses and only 28.3% directed towards capital expenditures. This distribution is counterproductive for a state like Zamfara, which struggles with limited revenues and substantial investment gaps. To foster economic prosperity, a strategic shift towards prioritizing capital investments is crucial. Capital investments not only lay the foundation for sustainable development but also have the potential to generate long-term economic benefits, underscoring the need for Zamfara to reallocate its financial resources more effectively towards these transformative expenditures.

Reduction in the Cost of Governance.

Zamfara State has experienced a consistent annual increase in non-debt recurrent expenditure, a trend that risks reaching unsustainable levels and potentially causing fiscal challenges. It's imperative to reevaluate and restructure the civil service to align with the state's current economic situation. A significant issue is the fixed nature of the state's income, with Internally Generated Revenue (IGR) accounting for less than 16% of total revenues. Despite this, the state has escalated its recurrent expenditure by establishing new MDAs and expanding the public service, often without adding economic value. Notably, overhead costs have surpassed personnel costs in 2018, 2019, and 2020, with a striking 212% increase observed in 2022. To address the swelling recurrent

expenses, a rationalization of MDAs, particularly by merging those with overlapping functions and eliminating non-essential ones, is suggested. This approach will not only streamline government operations but also unlock funds for critical capital investments, thereby fostering result-driven development and enhancing the state's fiscal health.

Debt Management Strategies

Zamfara State's debt service costs relative to its revenues are venturing into unprecedented levels. In the fiscal years 2018 and 2019, these costs were below 20%, maintaining sustainable levels well under the indicative threshold of 40%. However, a significant increase was observed in the years 2020 and 2021, with ratios of 28.81% and 39.5%, respectively, approaching the threshold. Despite this alarming trend in 2021, no immediate actions were taken to mitigate the situation, leading to a record-high ratio of 45.7% in 2022—surpassing the threshold by more than 5% and signaling the risk of a debt trap if this trajectory continues.

Our review of the 2020 Debt Sustainability Analysis (DSA) conducted by the state's Ministry of Finance revealed discrepancies between projected and actual debt service-revenue ratios, with actual figures significantly exceeding projections. For instance, projections were set at 12.29%, 15%, 30.7%, 8%, and 7% for the years 2018 through 2022, yet actual ratios were much higher. This discrepancy underscores the need for a comprehensive reassessment of the DSA.

Addressing this trend requires a strategic focus on revenue enhancement. By bolstering independent revenue sources, Zamfara can reduce its dependency on borrowing, thereby aligning its fiscal practices with sustainable thresholds. Enhancing revenue generation capabilities is essential for mitigating the state's debt burden and steering towards long-term fiscal sustainability.

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

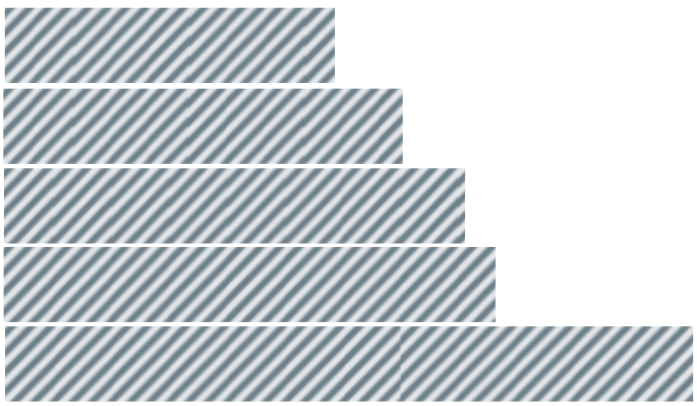
YEAR	GROSS FAAC	TOTAL REVENUE	% DEPENDENCY
2018	N54.7bn	N64.1bn	85.3%
2019	N56.1bn	N64.4bn	87.1%
2020	N53.3bn	N70.6bn	75.5%
2021	N55.3bn	N78.9bn	70.1%
2022	N61.1bn	N87.7bn	69.7%

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