

GOMBE STATE OF NIGERIA



GOMBE STATE DEBT SUSTAINABILITY ANALYSIS AND MEDIUM-TERM DEBT STRATEGY

(DSA-MTDS 2025)

GOMBE STATE DSA-MTDS REPORT

DEVELOPED BY THE

GOMBE STATE DEBT MANAGEMENT AGENCY

MINISTRY OF FINANCE

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Chapter One

Introduction

1.1 Background

The State Debt Sustainability Analysis (S-DSA) Toolkit, developed by the Debt Management Office (DMO) and reviewed by the World Bank, provides a framework for assessing subnational debt sustainability across Nigeria. In line with this, the 2025 Gombe State Debt Sustainability Analysis (DSA) reviews financial developments from 2020 to 2024 and projects the State's fiscal capacity from 2025 to 2034. The analysis, conducted by Gombe State's Technical Team, evaluates recent trends in revenue, expenditure, and debt accumulation, as well as the fiscal and economic policies currently implemented by the State Government. It also examines how ongoing fiscal reforms, such as improved revenue mobilization, prudent debt management, and expenditure efficiency affect the State's long-term debt sustainability. Various scenarios and sensitivity analyses were carried out to assess how Gombe State's public finances would respond to potential macroeconomic and fiscal shocks. The objective is to guide the State Government in making evidence-based decisions on borrowing, fiscal planning, and program implementation in line with its medium-term development priorities and fiscal responsibility framework.

1.1.1 Policy Objective

The main purpose of the **Gombe State Debt Sustainability Analysis and Medium-Term Debt Management Strategy (DSA-MTDS)** is to assess the trends and patterns of the State's public finances for the period **2020 to 2024**, and to evaluate its **Debt Sustainability and Debt Management Strategies** for the period **2025-2034**. The analysis highlights recent developments in revenue generation, expenditure performance, and public debt dynamics, alongside the fiscal and economic policies adopted by the Gombe State Government to strengthen fiscal discipline and enhance debt transparency. A comprehensive debt sustainability and debt management strategy assessment was undertaken, incorporating scenario and sensitivity analyses to test the resilience of the State's public finances against macroeconomic shocks. The outcome provides a forward-looking framework to guide prudent borrowing, efficient resource allocation, and sustainable debt management practices in alignment with the State's fiscal and development priorities.

1.1.2 Methodology

The Debt Sustainability Analysis and Medium-Term Debt Management Strategy (DSA-MTDS) for Gombe State was conducted in September 2025 using the World Bank/DMO DSA-MTDS Toolkit. The analysis covered the historical period of 2020-2024 and the projection period of 2025-2034, providing an evidence-based framework for assessing the State's fiscal and debt outlook. Participating agencies in the exercise included the Debt Management Agency (DMA), Budget Office, Treasury Office, Ministry of Finance, and the Internal Revenue Service (IRS) of Gombe State. Their joint participation ensured comprehensive data validation, inter-agency coordination, and consistency with both national and State-level fiscal policies.

1.2 Summary of Findings

The analysis of Gombe State's debt sustainability for the 2025 DSA-MTDS exercise reveals that the State's debt position remains moderately sustainable in the medium term, supported by improved fiscal performance, enhanced debt management coordination, and progress in implementing the State's long-term development priorities. However, the fiscal outlook continues to face pressures from inflation, interest rate fluctuations, and exchange rate volatility, particularly in light of the national macroeconomic environment and subsidy reforms.

Key achievements include the continued implementation of revenue-enhancing reforms such as the Land Use Charge, the deployment of digital revenue systems, and the fiscal discipline embedded in the Gombe State 10-Year Development Plan (2021–2030). These initiatives have strengthened revenue performance and contributed to improved transparency in public finance management. Despite these gains, the State must maintain prudent borrowing practices and strengthen its fiscal buffers to withstand economic shocks.

The key findings from the 2025 DSA–MTDS are summarized as follows:

I. Findings on Revenue Trends (2025–2034)

- a. Total revenue is projected to grow from ₦165.93 billion in 2025 to ₦1.21 trillion by 2034, representing an average annual growth rate of approximately 25.7%.
- b. The State's Federal Allocation is projected to increase substantially, from ₦120.25 billion in 2025 to ₦1.08 trillion by 2034, indicating stronger intergovernmental fiscal inflows.
- c. Internally Generated Revenue (IGR) is expected to grow consistently from ₦25.66 billion in 2025 to ₦90.27 billion in 2034, averaging 11.6% annual growth, supported by the ongoing automation of tax administration.
- d. On average, debt-to-GDP is expected to remain moderate, averaging around 11%, consistent with national sustainability thresholds.

II. Findings on Expenditure Projections (2025–2034)

- a. Total expenditure is expected to rise from ₦349.87 billion in 2025 to ₦1.24 trillion by 2034, reflecting investments in key sectors such as infrastructure, education, and health.
- b. Capital expenditure is projected to grow significantly, averaging 11.5% annual growth, from ₦253.90 billion in 2025 to ₦940.28 billion in 2034, underscoring the State's focus on growth-enabling infrastructure.
- c. Recurrent expenditure, including personnel, overhead, and debt charges, will average 38.1% of total spending, demonstrating improved expenditure efficiency and fiscal discipline.
- d. Personnel and overhead costs will continue to be rationalized to allow greater fiscal space for capital investment.

III. Findings on Debt Trends (2025–2034)

- a. Gombe State's total debt stock is projected to increase from ₦176.05 billion in 2025 to ₦274.92 billion by 2034, largely driven by capital investments financed through a mix of concessional domestic and external borrowing.
- b. The Debt-to-Revenue ratio is expected to decline gradually from 187% in 2025 to 113% by 2033, indicating an improving debt-carrying capacity.

- c. Debt service payments are forecasted to increase from ₦26.20 billion in 2025 to ₦84.66 billion by 2034, reflecting higher amortization and interest payments as projects mature.
- d. The Debt Service-to-Revenue ratio averages 38.7% over the projection period, slightly above the recommended 40% ceiling but expected to moderate with stronger revenue performance.
- e. The baseline scenario concludes that, although the debt service ratios slightly exceed recommended benchmarks in the near term, Gombe State's debt remains sustainable in the medium term, provided the State continues its prudent debt management and fiscal reforms.

1.3 Overall Results

The comprehensive results of the 2025 Gombe State DSA-MTDS confirm that the State's debt portfolio remains sustainable, with an improving revenue base, disciplined expenditure control, and a strong commitment to transparency and accountability in fiscal operations.

The analysis highlights steady progress in debt management coordination, efficient utilization of borrowed funds for productive capital projects, and continuous reforms to enhance internally generated revenue. The framework projects sustained fiscal stability through 2034, provided the State maintains prudent borrowing, enhances its fiscal buffers, and continues implementing structural reforms.

Based on the analysis, the following key recommendations are made:

- i. **Strengthen IGR Performance:** Expand digital tax systems and block leakages to increase efficiency and transparency in revenue collection.
- ii. **Maintain Fiscal Discipline:** Control recurrent expenditure and align spending strictly with revenue inflows and development priorities.
- iii. **Enhance Debt Management:** Negotiate concessional financing terms, monitor debt sustainability indicators closely, and avoid high-cost borrowings.
- iv. **Diversify Revenue Base:** Broaden the tax base and promote private sector growth through public-private partnerships (PPPs) and investment incentives.
- v. **Promote Fiscal Transparency:** Continue to uphold fiscal accountability, as reflected in Gombe's BudgIT ranking (6th nationally, with a 74/100 transparency score) and two-time first position in Nigeria's Ease of Doing Business.
- vi. **Establish a Contingency Reserve:** Develop fiscal buffers to absorb macroeconomic shocks, such as fluctuations in FAAC and inflation.
- vii. **Invest in Capacity Building:** Strengthen technical capacity across revenue, budget, and debt management institutions to ensure accurate forecasting and prudent fiscal planning.

By implementing these measures, Gombe State will continue to strengthen its fiscal resilience, sustain its debt position within manageable levels, and enhance the overall effectiveness of its development financing strategy.

Note: The DSA-MTDS Report is based on the exchange rate of ₦1,300 to US \$1 from Federal Debt Management Office Assumption for the year 2025.

Chapter Two

Gombe State Fiscal and Debt Framework

2.1 Fiscal reform in last 3-5 years

Over the past five years, the Gombe State Government has sustained a comprehensive fiscal reform agenda aimed at improving public financial management, strengthening fiscal discipline, and promoting inclusive economic growth. These reforms are anchored on the Gombe State 10-Year Development Plan (2021–2030) and implemented through strategic frameworks in Public Financial Management (PFM), Tax Administration, Public Procurement, and Human Resource Management.

To institutionalize fiscal discipline and improve governance, several critical laws and policies have been enacted or amended, including:

- i. Gombe State Fiscal Responsibility Law (FRL), amended 2018
- ii. Gombe State Financial Management Law, 2017
- iii. Gombe State Financial Regulations and Stores Regulations, 2017
- iv. Gombe State Public Procurement Law, 2017
- v. Gombe State Debt Management Agency Law, 2021 (establishing the Gombe State Debt Management Office – DMO)
- vi. Gombe State Audit Law, amended 2023 (strengthening the independence of the Office of the Auditor-General)
- vii. Gombe State Public Financial Management (PFM) Law, enacted 2024

The PFM Law 2024 represents a milestone in ensuring fiscal transparency, accountability, and compliance with international financial reporting standards. It harmonizes budget preparation, execution, accounting, reporting, and audit functions across Ministries, Departments, and Agencies (MDAs). The Law also establishes frameworks for performance-based budgeting and introduces a Medium-Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) process.

The State has implemented far-reaching measures to modernize its financial systems, including:

- i. Full operationalization of the Treasury Single Account (TSA) to consolidate government revenues and reduce leakages.
- ii. Automation of payment processes through the Government Integrated Financial Management Information System (GIFMIS).
- iii. Migration to cashless transactions for MDAs to enhance efficiency and accountability.
- iv. Establishment of the Budget and Fiscal Planning Directorate to strengthen evidence-based budgeting and fiscal forecasting.
- v. Roll-out of e-audit and digital procurement systems under the Public Procurement Bureau to ensure transparency in contract awards.

These initiatives have improved fiscal discipline, expenditure control, and compliance with approved budgets.

Revenue Mobilization and IGR Growth

Despite national economic headwinds such as inflation, exchange rate volatility, and the impact of fuel subsidy removal, Gombe State has made significant progress in strengthening its revenue base through institutional and technological reforms.

Key initiatives include:

- i. Establishment of a comprehensive taxpayer database and automation of revenue collection under the Gombe State Internal Revenue Service (GIRS).
- ii. Harmonization of multiple taxes and levies across MDAs and LGAs to reduce duplication and improve taxpayer compliance.
- iii. Deployment of digital tax systems and electronic invoicing to enhance real-time monitoring of collections.
- iv. Formation of an Executive Revenue Mobilization and IGR Committee chaired by the Honourable Commissioner for Finance and Economic Development to coordinate and review revenue performance.
- v. Partnership with development partners such as USAID, NGF-SFTAS, and ACRoSAL on fiscal transparency, budget reliability, and tax harmonization.
- vi. Introduction of targeted reforms to expand the tax net, formalize small and medium enterprises (SMEs), and strengthen property and land-based revenues through the Gombe Geographic Information Systems (GOGIS) and Land Administration Modernization programs.

As a result, the State's Internally Generated Revenue (IGR) has shown a steady upward trend between 2021 and 2024, driven primarily by PAYE, business premises, road taxes, and service charges. These efforts are expected to sustain growth in IGR between 2025 and 2027, thereby reducing dependence on federal allocations.

Fiscal Policy Objectives

The overarching goal of these fiscal reforms is to achieve macroeconomic stability, promote job creation, enhance infrastructure investment, and ensure fiscal sustainability. With the enactment of the PFM Law 2024 and continuous modernization of financial systems, Gombe State is now better positioned to:

- i. Strengthen fiscal governance and accountability;
- ii. Improve service delivery through efficient resource allocation;
- iii. Enhance domestic revenue mobilization; and
- iv. Foster sustainable and inclusive economic development.

The State's Internally Generated Revenue (IGR) is estimated based on economic activity, revenue administration reforms, and contemporary economic challenges. Rising inflation, foreign exchange instability, and the removal of fuel subsidies have placed pressure on household incomes and overall State revenues. Despite these challenges, traditional revenue sources such as PAYE and fees remain primary contributors to actual revenue collections.

2.2 Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) 2025 – 2027 and 2024 Budget

2.2.1 Approved 2025 Budget

The 2025 Budget of Gombe State was prepared against the backdrop of ongoing macroeconomic adjustments and fiscal reforms in Nigeria, shaped by both domestic and global developments. Key influences include the continued impact of fuel subsidy removal, exchange rate unification, and high inflationary pressures, which have affected purchasing power and the cost of governance. Despite these challenges, the State Government remains committed to fiscal prudence, efficient resource allocation, and sustainable economic growth, in line with the Gombe State 10-Year Development Plan (2021–2030) and the Federal Government’s medium-term fiscal framework. The 2025 budget emphasizes revenue mobilization, inclusive growth, and infrastructure-driven development, while safeguarding social welfare and economic stability.

For 2025, Gombe State’s total revenue projection stands at approximately ₦349.87 billion, sourced from a combination of Internally Generated Revenue (IGR), Statutory Allocations, Value Added Tax (VAT), Other Statutory Revenues, Grants and Aids, Opening Balance, Domestic and External Loans, and Proceeds from Asset Sales. The total approved expenditure for 2025 amounts to ₦349.87 billion, distributed as follows:

- i. Debt Repayment (Interest and Principal): ₦26.20 billion
- ii. Recurrent Expenditure: ₦95.97 billion
- iii. Capital Expenditure: ₦227.70 billion

The 2025 budget underscores Gombe State’s strategic focus on strengthening fiscal resilience, enhancing debt sustainability, and expanding capital investment to stimulate economic diversification and job creation, even in the face of prevailing economic headwinds.

Highlights of the 2025 Approved Budget

The 2025 Approved Budget of Gombe State emphasizes fiscal sustainability, revenue expansion, and targeted social and economic investments. It aligns with the 2025–2027 Medium-Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) and is guided by the provisions of the Gombe State Fiscal Responsibility Law. The 2025 Budget demonstrates the government’s resolve to consolidate economic gains, strengthen public financial management, and promote inclusive development amid macroeconomic challenges.

Key Strategic Priorities:

- i. **Revenue Optimization:** The State continues to intensify efforts to enhance Internally Generated Revenue (IGR) through improved tax collection systems, the expansion of the taxpayer database, and full implementation of the business case reforms by the Internal Revenue Service (IRS).
- ii. **Capital over Recurrent Expenditure:** The 2025 budget maintains a strong capital bias, prioritizing infrastructure development, social sector investment, and economic diversification to stimulate job creation and private sector growth.

- iii. **Fiscal Responsibility and Transparency:** Strengthened fiscal controls and accountability mechanisms will guide expenditure efficiency, ensuring that every naira spent delivers measurable value.
- iv. **Mitigating Economic Pressures:** Fiscal adjustments continue to address inflationary trends, subsidy removal impacts, and exchange rate volatility, with targeted interventions to cushion vulnerable households.

Impact of Economic Reforms

The 2025 budget reflects adjustments to accommodate current macroeconomic realities such as:

- i. **Fuel Subsidy Removal:** Increased investment in transport infrastructure and social welfare schemes to reduce the impact of higher living costs.
- ii. **Exchange Rate Reform:** Fiscal adjustments to attract concessional funding and private investment through public-private partnerships.
- iii. **Inflationary Pressures:** Emphasis on domestic production, agricultural value chain development, and price stabilization programs.
- iv. **Security and Governance:** Sustained funding for internal security and community resilience programs to protect lives, property, and investments.

Looking Ahead

The 2025 fiscal framework emphasizes leveraging the Gombe State Public Financial Management (PFM) Law, enacted in 2024, which provides a robust foundation for efficient fiscal governance. By focusing on prudent debt management, enhanced revenue generation, and targeted social programs, Gombe State aims to sustain its growth trajectory, create jobs, and reduce poverty.

Close monitoring of budget implementation and a collaborative approach with development partners will be crucial to achieving the outlined objectives and ensuring that the budget contributes to inclusive and sustainable development across the State.

2.2.2 Indicative Three-Year Fiscal Framework

The fiscal projections under the 2026–2028 MTEF emphasize sustainable financing, expenditure prioritization, and fiscal discipline:

i. Revenue Mobilization

- Total recurrent revenue is projected to grow from ₦283.06 billion in 2026 to ₦364.00 billion in 2028.
- Statutory allocation remains the primary revenue source, rising from ₦62.36 billion in 2026 to ₦101.88 billion in 2028.
- Internally Generated Revenue (IGR) increases from ₦30.62 billion in 2026 to ₦33.76 billion in 2028, supported by improved enforcement, automation, and policy reforms.

- Grants and other capital receipts also show modest growth, with total capital receipts increasing from ₦17.37 billion in 2026 to ₦18.15 billion in 2028.

ii. Expenditure Prioritization

- Recurrent expenditure rises from ₦126.21 billion in 2026 to ₦139.27 billion in 2028, reflecting controlled increases in personnel spending, social benefits, and debt service.
- Personnel costs rise from ₦52.95 billion in 2026 to ₦58.38 billion in 2028.
- Social benefits move from ₦12.65 billion in 2026 to ₦9.96 billion in 2028, noting the dip in 2027 (₦9.49 billion) as shown in the table.
- Debt servicing stands at ₦21.94 billion in 2026 and then declines to ₦13.98 billion in 2027 and ₦13.98 billion in 2028, remaining well within sustainability thresholds.

iii. Capital Investment

- Capital expenditure remains the State's priority, rising from ₦327.55 billion in 2026 to ₦365.54 billion in 2028.
- The allocation supports critical infrastructure, health, education, and agriculture, with discretionary capital spending making up the largest share.

iv. Debt and Deficit Financing

- Financing (loans) is projected at ₦130.27 billion in 2026, rising to ₦138.54 billion in 2028, reflecting the State's planned mix of concessional and project-tied borrowing.
- The borrowing strategy remains aligned with debt sustainability limits, with increased reliance on external funded projects to minimize refinancing risks.

v. Fiscal Balances

- Despite increased spending, the State projects a balanced fiscal position, supported by prudent management of reserves and improved domestic revenue performance.

Implications for Fiscal and Debt Policies (2026-2028):

The projections highlight key fiscal trends and their implications for fiscal and debt policies:

- Revenue Sustainability:** Strengthening IGR systems and expanding the tax base remain central to reducing dependence on volatile federal allocations.
- Expenditure Efficiency:** Cost containment measures and digitalized expenditure monitoring will sustain fiscal balance.
- Debt Sustainability:** The financing strategy ensures the debt-to-revenue ratio remains within the acceptable fiscal threshold.

- iv. **Fiscal Resilience:** The State's growing fiscal reserves and contingency planning will enhance resilience against economic shocks.

The State's fiscal strategy is geared toward achieving developmental objectives while maintaining fiscal sustainability, ensuring that resources are allocated effectively to optimize social and economic outcomes.

Gombe State Medium Term Fiscal Framework

Gombe State Fiscal Framework 2026 - 2028

Item	2025 Original Budget	2026 Forecast	2027 Forecast	2028 Forecast
Opening Balance	120,000,000,000	60,092,210,087	30,200,003,530	35,200,002,026

Recurrent Revenue				
Statutory Allocation	15,000,000,000	62,359,612,354	81,539,023,060	101,880,228,719
VAT	50,000,000,000	82,114,292,941	98,594,140,651	116,421,735,240
IGR	25,660,245,000	30,622,178,040	32,153,286,942	33,760,951,289
Other Federation Account Revenues	55,250,000,000	107,399,971,228	109,547,970,653	111,738,930,066
Other Recurrent Revenues (Recurrent Grants)	813,575,500	564,970,000	556,411,500	200,000,000
Total Recurrent Revenue	146,723,820,500	283,061,024,563	322,390,832,806	364,001,845,314

Recurrent Expenditure				
Personnel (Salaries, Allowances and Contributions)	32,245,765,000	52,949,796,400	55,597,286,220	58,377,150,531
Social Benefits	8,034,000,000	12,649,876,321	9,487,407,241	9,961,777,603
Overheads	38,088,750,000	38,084,892,176	46,082,719,533	56,313,083,269
Grants, Contributions and Subsidies	411,200,000	587,091,813	616,446,404	634,939,796
Public Debt Service	37,225,000,000	21,942,693,781	13,978,436,864	13,978,436,864
Total	116,004,715,000	126,214,350,491	125,762,296,261	139,265,388,063
Transfer to Capital Account	150,719,105,500	216,938,884,159	226,828,540,074	259,936,459,277

Capital Receipts				
Capital Grants	15,750,000,000	13,370,000,000	13,055,500,000	13,446,525,000
Other Capital Receipts	3,500,000,000	4,000,000,000	4,500,000,000	4,700,000,000
Total	19,250,000,000	17,370,000,000	17,555,500,000	18,146,525,000

Reserves				
Contingency Reserve		6,863,064,693	7,051,816,727	7,984,036,947
Planning Reserve		7,613,116,074	9,063,055,056	9,535,584,134
		0	0	0
Total Reserves	0	14,476,180,767	16,114,871,783	17,519,621,081

Capital Expenditure	253,897,785,000	327,553,784,816	350,470,387,012	365,538,674,990
Discretionary Funds	248,497,785,000	313,940,668,742	333,697,331,956	347,878,090,856
Non-Discretionary Funds	5,400,000,000	6,000,000,000	7,710,000,000	8,125,000,000
Planning and Climate Reserves	0	7,613,116,074	9,063,055,056	9,535,584,134

Financing (Loans)	99,671,378,547	130,307,968,880	148,338,165,690	138,540,383,122
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Total Revenue (Including Opening Balance)	385,645,199,047	490,831,203,530	518,484,502,026	555,888,755,462
Total Expenditure (including Reserves)	369,902,500,000	460,631,200,000	483,284,500,000	512,788,100,000

Closing Balance	12,727,745,000	30,200,003,530	35,200,002,026	43,100,655,462
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Ratios				
Growth in Recurrent Revenue	-52.21%	92.92%	13.89%	12.91%
Growth in Recurrent Expenditure	84.85%	8.80%	-0.36%	10.74%
Capital Expenditure Ratio	68.64%	72.76%	74.39%	73.14%
Deficit (Financing) to Total Expenditure	26.95%	28.29%	30.69%	27.02%
Deficit (Financing) to GDP Ratio	NA	NA	NA	NA

Source: Gombe State MTEF 2026-2028

2.2.3 The Key Objectives of Approved 2025 Budget

The 2025 Budget of Gombe State builds upon ongoing reforms and fiscal prudence to strengthen sustainable development, resilience, and inclusive growth. It aligns with the State's 10-Year Development Plan (2021–2030) and Medium-Term Expenditure Framework (MTEF 2026–2028), with the following key objectives:

- i. **Enhancing Quality and Functional Education:** Deepen investment in science, technology, and technical education to equip citizens with practical skills for innovation and competitiveness.
- ii. **Expanding Healthcare Access:** Improve healthcare infrastructure and services to achieve universal health coverage across all local government areas.
- iii. **Promoting Inclusive Empowerment:** Strengthen youth and women empowerment initiatives to stimulate entrepreneurship, productivity, and job creation.
- iv. **Consolidating Development Plan Alignment:** Ensure that all programs and projects conform to the State's Development Plan and national development priorities.
- v. **Enhancing Internal Security:** Sustain peace and stability through community policing, social interventions, and conflict prevention mechanisms.
- vi. **Building Fiscal and Economic Resilience:** Manage fiscal risks arising from national subsidy reforms, inflation, and exchange rate volatility through prudent planning and expenditure control.
- vii. **Accelerating Infrastructure Completion:** Prioritize the completion of ongoing capital projects while initiating critical new investments in roads, energy, and ICT.
- viii. **Strengthening Revenue Mobilization:** Expand the State's Internally Generated Revenue (IGR) base through digitalization, tax reforms, and improved compliance mechanisms.
- ix. **Advancing Social Inclusion and Protection:** Deepen support for vulnerable groups, address gender-based violence, and strengthen social protection programs.
- x. **Improving Transparency and Accountability:** Enhance fiscal governance through open budgeting, performance tracking, and public financial management reforms.
- xi. **Fostering Economic Diversification:** Promote Public-Private Partnerships (PPP) and strategic investments in agriculture, solid minerals, and tourism to diversify the State's economy.

This framework underscores Gombe State's determination to consolidate previous gains while positioning the State for sustainable economic transformation and inclusive prosperity.

2.2.4 Medium Term Policy Objectives and Targets

The medium-term fiscal policy objectives for 2026–2028 are designed to ensure fiscal sustainability, efficiency, and value for money. The key targets include:

- i. **Capital Expenditure Priority:** Maintain a higher proportion of capital expenditure relative to recurrent expenditure to drive growth and development.
- ii. **Controlled Personnel Cost Growth:** Keep personnel expenditure on a stable and marginal increase trajectory over the medium term.

- iii. **Efficient Overhead Management:** Achieve gradual reduction in overhead expenditure through efficiency measures and digital reforms.
- iv. **Self-Sustaining Agencies:** Encourage key parastatals and agencies to finance their operations from internally generated revenue, reducing pressure on the State Treasury.
- v. **Debt Sustainability Commitment:** Align new borrowing with projects that have direct economic and social returns while maintaining a sustainable debt profile.
- vi. **Enhanced Revenue Automation:** Fully integrate revenue collection systems to improve accuracy, transparency, and accountability.

These objectives reaffirm Gombe State Government's dedication to prudent fiscal management, economic diversification, and improved service delivery for its citizens.

Chapter Three

Gombe State Revenue, Expenditure, Public Debt Trend (2020-2024)

3.1 Revenue, Expenditure, Overall and Primary Balance

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

3.1.1 Revenue Performance

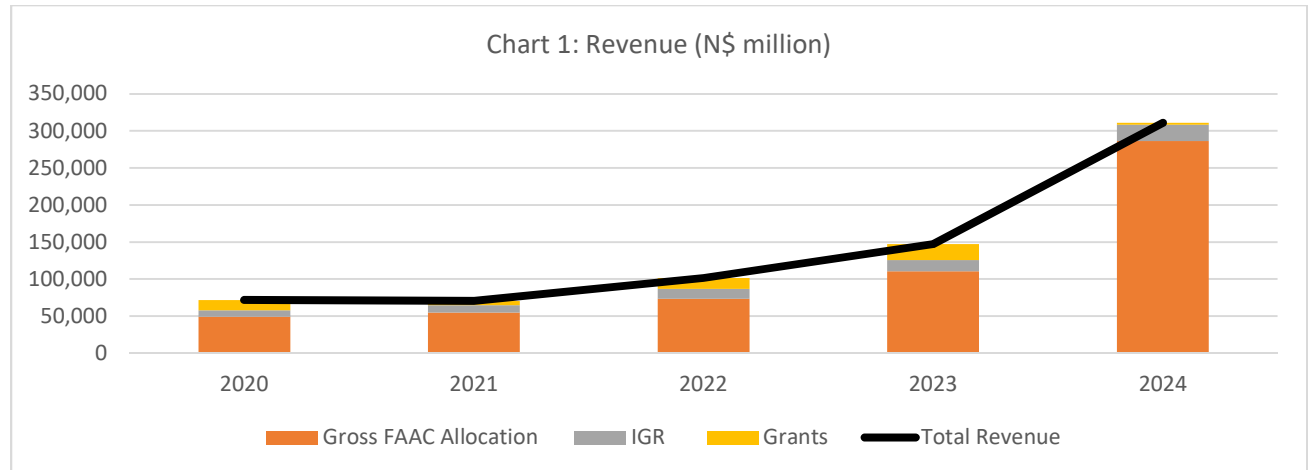
The revenue performance of the State is shown in Table 1 and Chart 1 below:

Table 1: Revenue

Denomination	₦ Million	₦ Million	₦ Million	₦ Million	₦ Million
Year	2020	2021	2022	2023	2024
Total Revenue	71,753	70,491	101,578	147,276	311,137
Gross FAAC Allocation	49,286	54,736	73,368	110,494	286,219
IGR	8,637	10,023	13,223	15,179	21,948
Grants	13,829	5,731	14,987	21,603	2,971

Source: Gombe State DSA/MTDS Template, 2025

CHART 1: Revenue



Source: Gombe State DSA/MTDS Template, 2025

Total Revenue for Gombe State reflects substantial growth, continuing a positive trajectory from previous years. The State's total revenue increased from ₦101,578 million in 2022 to ₦311,137 million in 2024, indicating a notable rise of approximately 206% over the two years. This surge signifies strong fiscal performance, with contributions from diverse revenue sources, including FAAC, IGR, and grants.

Gross FAAC Allocation: The Federation Account Allocation Committee (FAAC) allocation to Gombe State shows a consistent upward trend, rising from ₦49,286 million in 2020 to ₦286,219

million in 2024. This increase reflects growing federal transfers, providing the State with a stable revenue source that complements its internally generated revenue.

IGR (Internally Generated Revenue): Internally Generated Revenue (IGR) also experienced significant growth, rising from ₦8,637 million in 2020 to ₦21,948 million in 2024. This demonstrates the State's improving capacity to generate revenue locally, reducing reliance on external sources and supporting fiscal autonomy for infrastructure projects and development programs.

Grants: Grants fluctuated over the period, starting at ₦13,829 million in 2020, peaking at ₦21,603 million in 2023, and declining to ₦2,971 million in 2024. This variability underlines the importance of strategic planning to avoid over-reliance on grants and maintain stable revenue flows.

Implications and Effects:

- i. **Increased Total Revenue:** The rise in total revenue reflects effective revenue-enhancement strategies and economic growth, enabling infrastructure development and improved public service delivery.
- ii. **Fiscal Autonomy through IGR Growth:** The upward trend in IGR enhances financial self-reliance, supporting sustainable development initiatives independent of federal allocations.
- iii. **Dependence on Grants:** The variability of grant funding highlights the risks of relying on external sources. Diversifying revenue streams remains crucial for fiscal stability.

In summary, the financial trends for 2024 show strengthened revenue generation, improved federal transfers, and the need for strategic financial planning to ensure long-term fiscal health.

3.1.2 Expenditure Performance

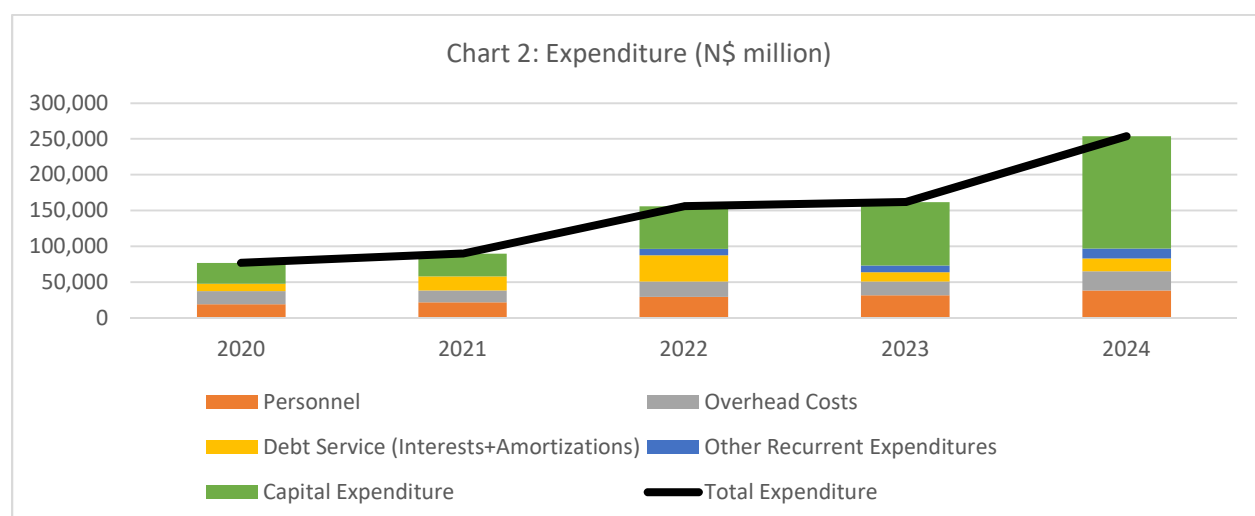
The expenditure performance of the State is shown in Table 2 and Chart 2 below:

Table 2: Expenditure

Denomination	₦ Million	₦ Million	₦ Million	₦ Million	₦ Million
Year	2020	2021	2022	2023	2024
Total Expenditure	76,727	89,513	155,589	161,731	253,668
Personnel Costs	18,776	21,438	29,161	31,273	38,072
Overhead Cost	18,274	16,506	21,505	19,375	26,864
Debt Service (Prin & Int.)	10,644	19,992	36,905	12,914	18,103
Other Recurrent Expend.	0	0	8,875	9,368	13,899
Capital Expenditure	29,033	31,576	59,143	88,801	156,729

Source: Gombe State DSA/MTDS Template, 2025

CHART 2: Expenditure



Source: Gombe State DSA/MTDS Template, 2025

Total Expenditure: The chart illustrates the total expenditure for Gombe State from 2020 to 2024. In 2020, total expenditure was ₦76,727 million, increasing slightly in 2021 to ₦89,513 million. A major increase occurred in 2022, with expenditure reaching ₦155,589 million, followed by a modest rise to ₦161,731 million in 2023. The most significant increase occurred in 2024, when total expenditure soared to ₦253,668 million.

Personnel costs, which encompass salaries, wages, and benefits for government employees, were ₦18,776 million in 2020. This figure increased to ₦21,438 million in 2021 and rose again to ₦29,161 million in 2022. Similarly, an increase occurred in 2023, with personnel costs reaching ₦31,273 million, reflecting the state's expanding public workforce, which continued into 2024 at ₦38,072 million.

Overhead costs, including operational expenses such as office rent, utilities, and administrative expenses, stood at ₦18,274 million in 2020, decreasing slightly to ₦16,506 million in 2021. Overhead costs increased in 2022 to ₦21,505 million but decreased again in 2023 to ₦19,375 million. In 2024, overhead costs rose to ₦26,864 million.

Debt Service (Interest + Amortizations): Debt service represents payments made by the state to service its debt, including interest and principal repayments. In 2020, debt service stood at ₦10,644 million, rising to ₦19,992 million in 2021. In 2022, it increased to ₦36,905 million, before decreasing to ₦12,914 million in 2023. In 2024, debt service was ₦18,103 million.

Other Recurrent Expenditures: These cover various unclassified operational costs and were not reported in 2020 and 2021. In 2022, they amounted to ₦8,875 million, rising slightly to ₦9,368 million in 2023 and reaching ₦13,899 million in 2024.

Capital Expenditure: Capital expenditure, reflecting investments in long-term infrastructure projects, stood at ₦29,033 million in 2020, increasing slightly to ₦31,576 million in 2021. It rose again in 2022 to ₦59,143 million and grew significantly in 2023 to ₦88,801 million. This growth was driven by large-scale infrastructure development, continuing in 2024 with capital expenditure reaching ₦156,729 million.

Implications and Effects:

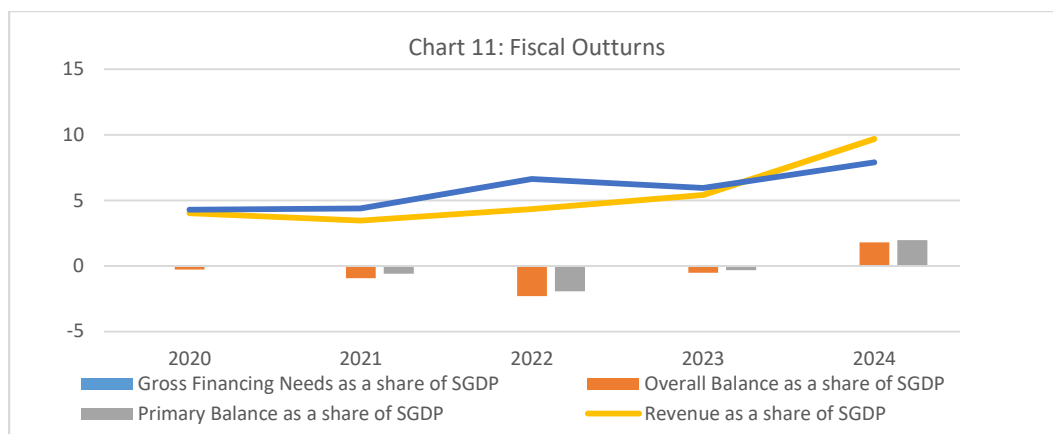
- i. **Increased Total Expenditure:** The surge in total expenditure, particularly in 2023 and 2024, reflects a strategic emphasis on large-scale infrastructure projects and debt servicing, responding to both urgent fiscal needs and long-term development goals.
- ii. **Growing Personnel Costs:** The rise in personnel costs indicates an expanding public workforce, which requires efficient resource allocation and sustainable wage policies.
- iii. **Fluctuating Overhead Costs:** Overhead costs fluctuated, especially in 2023. Careful management of administrative expenses is crucial to protect development spending.
- iv. **Rising Debt Service Burden:** The changes in debt service allocations highlight the need to manage the State's debt portfolio effectively, ensuring a balanced approach to borrowing.
- v. **Emergence of Other Recurrent Expenditures:** New recurrent expenditures should be monitored to prevent unforeseen fiscal pressures.
- vi. **Commitment to Capital Expenditure:** The rise in capital expenditure, particularly in 2023 and 2024, underscores Gombe State's commitment to long-term infrastructure projects, such as Muhammadu Buhari Industrial Park (Premier Seeds, Leather Factory, etc.), supporting economic growth, job creation, and improved public services.

In conclusion, the expenditure data highlights the State's fiscal management priorities, including infrastructure investment and public service expansion, while emphasizing the importance of effective debt management and cost control for long-term development.

3.1.3 Fiscal Outturns

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

CHART 11: Fiscal Outturns



Source: Gombe State DSA/MTDS Template, 2025

Gross Financing Needs as a share of SGDP:

Gross Financing Needs represent the total amount required to cover the government's financial obligations, including debt servicing and other financing needs. In all the years from 2020 to 2024, Gross Financing Needs as a share of SGDP remained at 0%. This indicates that the State did not require additional financing beyond its Gross Domestic Product during this period.

Overall Balance as a share of SGDP:

The Overall Balance as a share of SGDP indicates the difference between total revenue and total expenditure, accounting for the size of the State's economy. In 2020, the Overall Balance stood at 0% of SGDP, suggesting that the state's revenue equaled its expenditures. In 2021, 2022 and 2023, the Overall Balance as a share of SGDP was negative, indicating that expenditures exceeded revenue. The negative balances suggest budget deficits during those years. In 2024, the balance improved slightly at 2% of SGDP, showing a significant reduction in the deficit.

Primary Balance as a share of SGDP:

The Primary Balance measures the difference between total revenue and total expenditure, excluding interest payments on debt. In 2020, the Primary Balance as a share of SGDP remained at 0%, indicating that the State's revenue was sufficient to cover non-debt-related expenditures. However, in 2021 and 2022, the Primary Balance was negative, signifying that the State had a deficit in its non-debt-related budget. This highlights the need for more effective control over non-debt expenditures. In 2023 it is at 0% which implied it recovery and in 2024, the Primary Balance improved significantly at 2% of SGDP, showing a significant reduction in the deficit.

Revenue as a share of SGDP:

Revenue as a share of SGDP reflects the proportion of the State's Gross Domestic Product represented by its total revenue. In 2020, revenue was 4% of SGDP. In 2021, there was a slight decrease to 3% of SGDP, but it rises again to 4% of SGDP in 2022 and further increase to 5% in 2023 while in 2024 it increased significantly to 10 % of the SGDP. The fluctuations

underscore the variability in the State's revenue generation capacity, influenced by economic conditions and revenue policies.

Expenditures as a share of SGDP:

Expenditures as a share of SGDP illustrate the proportion of the State's Gross Domestic Product represented by its total expenditure. In 2020 and 2021, expenditures were at 4% and 4% of SGDP respectively, which matched revenue. In 2022, expenditures increased at 7% of SGDP and it decreased to 6% in 2023, indicating a substantial expansion in government spending (Mega Projects such as SHoA, Judicial Complex etc.) relative to the size of the economy. This increase suggests increased investments or the need for tighter fiscal control, depending on the nature of the expenditures. In 2024, expenditures increased slightly to 8% of SGDP, indicating some containment of spending.

Implications and Effects:

- i. The consistent 0% Gross Financing Needs as a share of SGDP implies that the State did not need to seek additional financing beyond its economic capacity during this period, which is generally a positive indicator of fiscal sustainability.
- ii. The negative Overall Balance as a share of SGDP in certain years suggests that the State experienced budget deficits during those periods, where expenditures exceeded revenue. This highlights the importance of careful budget planning and fiscal discipline to manage deficits effectively.
- iii. The negative Primary Balance in 2021 and 2022 implies that the State had deficits in its non-debt-related budget, indicating the need for more effective control over non-debt expenditures.
- iv. The fluctuations in Revenue as a share of SGDP underscore the variability in the State's revenue generation capacity, which may be influenced by economic conditions and revenue policies.
- v. The increase in Expenditures as a share of SGDP in 2022 suggests a substantial expansion in government spending relative to the size of the economy. This could indicate increased investments or the need for tighter fiscal control, depending on the nature of the expenditures.

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

3.2 Gombe State Public Debt Portfolio, 2020-2024

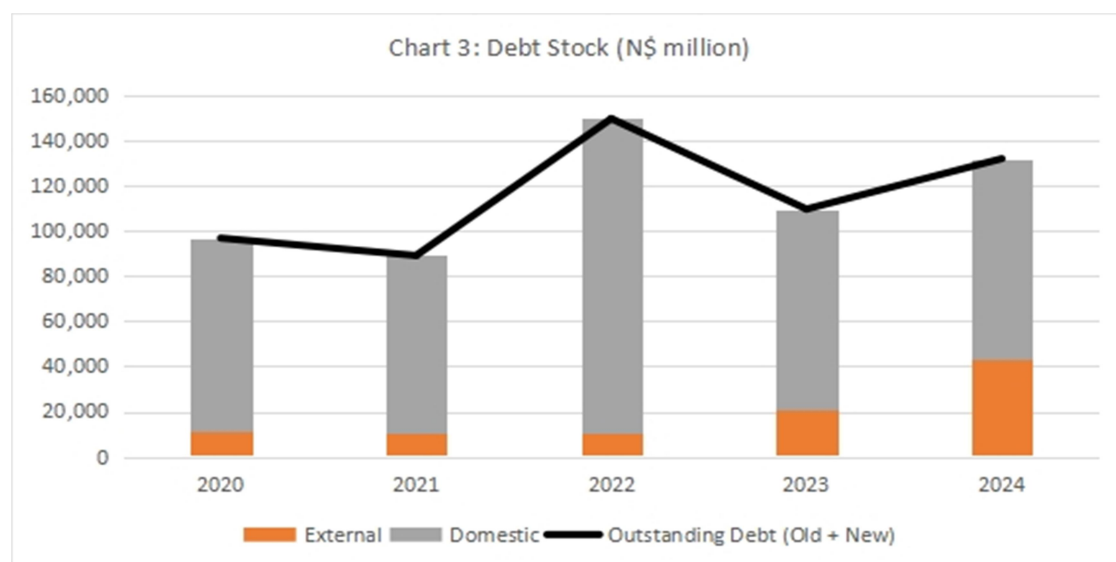
3.2.1 Total Debt Stock

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

Table 3: Debt Stock

Denomination	₦ Million	₦ Million	₦ Million	₦ Million	₦ Million
Year	2020	2021	2022	2023	2024
Outstanding Debt (Old + New)	96,915	89,179	149,912	109,773	132,138
External Debt	11,192	10,770	10,589	20,798	42,896
Domestic Debt Stock	85,723	78,409	139,323	88,975	89,242

Source: Gombe State DSA/MTDS Template, 2025

CHART 3: Debt Stock

Source: Gombe State DSA/MTDS Template, 2025

Outstanding Debt (Old + New): Outstanding Debt represents the total amount of debt owed by the State, including both old debts carried over from previous periods and new debts incurred during the specified years. In 2020, the total outstanding debt increased to ₦96,915 million. This amount declined to ₦89,179 million in 2021. In 2022, outstanding debt increased significantly to ₦149,912 million. However, in 2023, the outstanding debt stock reduced to ₦109,773 million, and it rose to ₦132,138 million in 2024. This increase reflects the State's continued borrowing to meet its financial obligations and funding of projects.

External Debt: External debt represents the portion of the State's debt owed to foreign creditors, such as international financial institutions and foreign governments. In 2020, external debt was ₦11,192million, decreasing to ₦10,770 million in 2021. The debt further decreased to ₦10,589 million in 2022; it significantly rose to ₦20,798 million in 2023. However, by 2024, external debt rose to ₦42,896 million. The increase in external debt indicates greater reliance on international borrowing, which could expose the State to foreign exchange risks and challenges in servicing foreign obligations.

Domestic Debt: Domestic debt represents the portion of the State's debt owed to domestic creditors, such as banks, financial institutions, and individuals within the country. In 2020, domestic debt was ₦85,723 million, decreasing to ₦78,409 million in 2021. It increased to

₦139,323 million in 2022 but decreased to ₦88,975 million in 2023, and it slightly rose to ₦89,242 million in 2024. Domestic debt has consistently been the largest component of the State's outstanding debt, highlighting the State's reliance on domestic creditors for financing developmental projects. Effective management of domestic debt is crucial to maintaining stability in the local financial market and ensuring favorable borrowing terms.

Implications and Effects:

- i. The substantial increase in outstanding debt from 2020 to 2024 indicates that the State has been actively borrowing to finance its operations and development projects. This strategy is likely used to address funding gaps and invest in critical infrastructure.
- ii. The growth in external debt suggests that the State has been engaging with international creditors to secure financing. While external borrowing provides access to capital, it also introduces foreign exchange risks and potential difficulties in servicing foreign obligations.
- iii. Domestic debt continues to be the predominant component of outstanding debt, reflecting the State's reliance on domestic creditors. Managing domestic debt effectively is essential to maintaining favorable borrowing terms and ensuring stability in the domestic financial market.
- iv. The sharp increase in outstanding debt in 2022, both externally and domestically, indicates a significant expansion in borrowing, likely driven by the need for capital to fund
- v. development projects or address economic challenges.
- vi. It is crucial for the State to manage its debt to ensure debt sustainability, and allocate resources efficiently for debt servicing and development priorities.

In summary, the data reflects the State's ongoing reliance on both external and domestic sources for financing. While borrowing is necessary for funding development, the State must continue to monitor its debt levels and manage them consistently to maintain fiscal discipline, and ensure that borrowed funds are used efficiently to benefit its citizens.

3.2.2 Gombe State Principal Repayment, 2020-2024

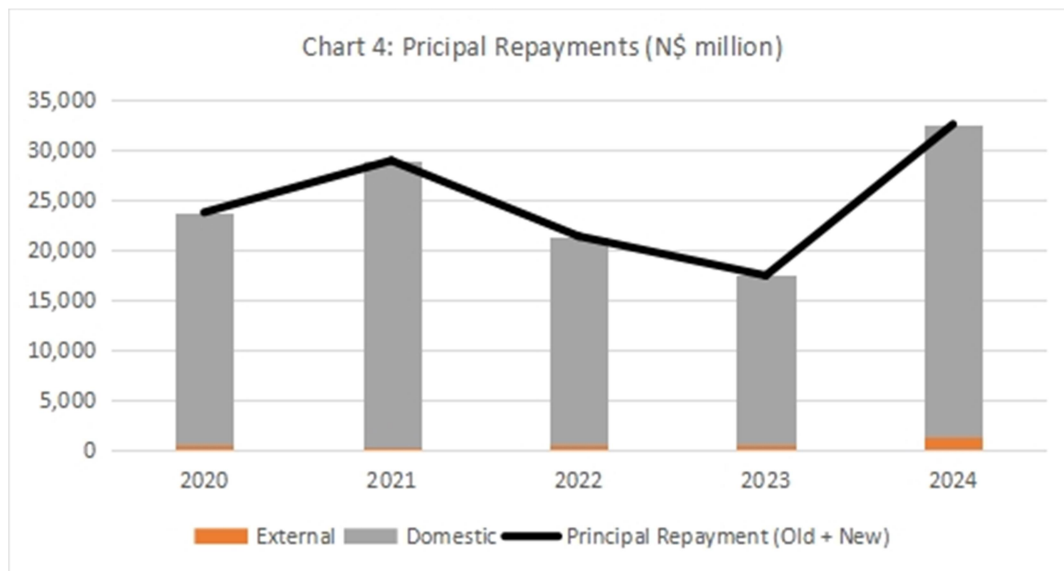
The Gombe State Principal Repayment for the period 2020-2024 is presented in the Table 4 and Chart 4 below

Table 4: Principal Repayment

Denomination	₦ Million	₦ Million	₦ Million	₦ Million	₦ Million
Year	2020	2021	2022	2023	2024
Principal Repayment (Old + New)	23,761	28,952	21,375	17,435	32,584
External Loan	514	318	522	393	1,348
Domestic Loan	23,247	28,634	20,853	17,042	31,236

Source: Gombe State DSA/DMS Template, 2025

Chart 4: Principal Repayment



Source: Gombe State DSA/MTDS Template, 2025

Principal Repayment (Old + New): Principal repayment refers to the amount of principal (the original borrowed amount) that the State is required to repay on its outstanding debts, including both old debts and new debts incurred during the specified years. In 2020, the State repaid ₦23,761 million, which increased slightly to ₦28,952 million in 2021. In 2022, the principal repayment decreased to ₦21,375 million and it further decreased in 2023 to ₦17,435 million. By 2024, the repayment raised significantly to ₦32,584 million. This increase in repayment may be attributed to debt restructuring, refinancing, or a reduction in borrowing obligations (Capital Bond of GOS repayment).

External Principal Repayment: External principal repayment refers to the portion of the State's principal repayment associated with debts owed to foreign creditors, such as international financial institutions and foreign governments. In 2020, external principal repayment stood at ₦514 million and decreased to ₦318 million in 2021. In 2022, it saw a further increased to ₦522 million, followed by a slight decrease to ₦393 million in 2023 and increased to ₦1,348 million in 2024. The increase in 2024 suggests a potential rise in external debt servicing obligations, as external debt repayment remains relatively small compared to domestic debt repayment.

Domestic Principal Repayment: Domestic principal repayment refers to the portion of the State's principal repayment associated with debts owed to domestic creditors, such as banks, financial institutions, and individuals within the country. In 2020, domestic principal repayment was ₦23,247 million, which increased to ₦28,634 million in 2021. In 2022, it decreased sharply to ₦20,853 million and it further decreased to ₦17,042 million in 2023. In 2024 it increased significantly to ₦31,236 million. The bulk of the principal repayment is attributed to domestic debt, reflecting the State's reliance on local financing for its operations and development.

Implications and Effects:

The fluctuations in principal repayment over the five (5) years indicate variations in the State's debt servicing obligations, suggesting a dynamic debt management strategy. The decline in 2022 could reflect reduced borrowing or refinancing of debts to manage repayment schedules.

External principal repayment remains relatively small compared to domestic debt servicing, indicating that the State has a heavy reliance on domestic creditors. Effective management of domestic debt is essential to maintaining financial stability within the State's financial system.

The increase in external principal repayment in 2022 may signal an effort to address foreign debt obligations or a shift in the State's borrowing mix to include more external loans.

The overall decrease in principal repayment in 2022, coupled with a significant rise in outstanding debt, suggests that the State may have restructured or refinanced its debt to reduce immediate repayment obligations, thus easing fiscal pressure in the short term.

In summary, the data shows the State's debt servicing commitments and how they have fluctuated over the period under review. Despite the variations, the State must continue to manage its debt obligations effectively, ensuring that it maintains fiscal discipline while meeting its debt servicing requirements. Refinancing and restructuring debt could provide short-term relief, but long-term fiscal sustainability requires a careful balance between debt servicing and developmental spending.

3.2.3 Gombe State Interest Repayment, 2020-2024

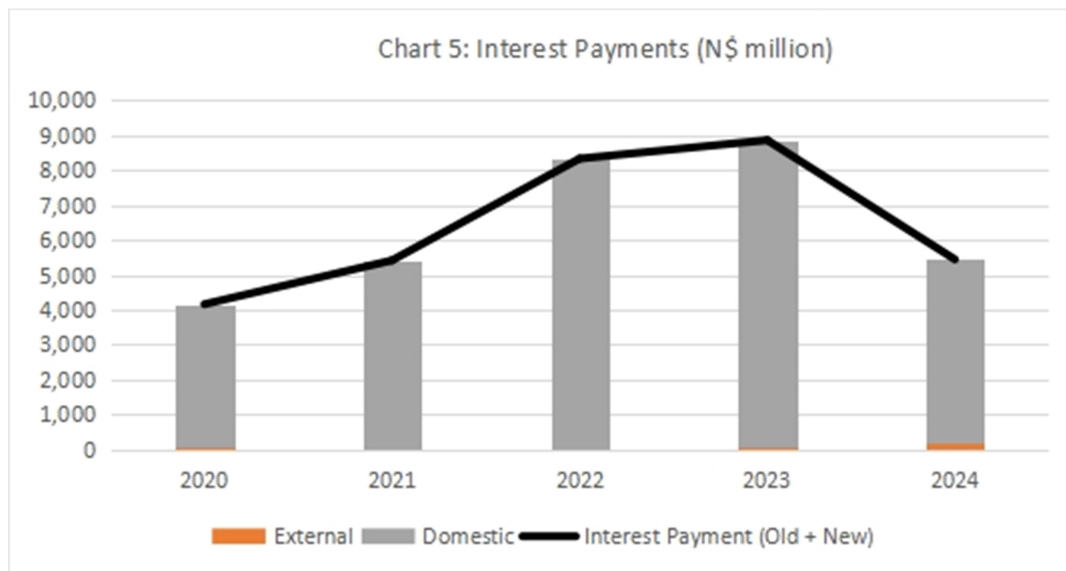
The interest payment for the period under review 2020-2024 is presented below:

Table 5: Interest Repayment

Denomination	₦ Million	₦ Million	₦ Million	₦ Million	₦ Million
Year	2020	2021	2022	2023	2024
Interest Repayment (Old + New)	4,160	5,415	8,327	8,856	5,445
External Loan	96	41	44	51	174
Domestic Loan	4,064	5,374	8,284	8,805	5,270

Source: Gombe State DSA/MTDS Template, 2025

Chart 5: Interest Payment



Source: Gombe State DSA/MTDS Template, 2025

Interest Payment (Old + New): Interest payment refers to the total amount of interest paid by the State on its outstanding debts, including both old debts carried over from previous periods and new debts incurred during the specified years. In 2020, the State's interest payment was ₦4,160 million. This amount increased in 2021 to ₦5,415 million and significantly increased in 2022 to ₦8,327 million. In 2023, it further increased to ₦8,856 million. In 2024 it decreased significantly to ₦5,445 million. This increase in 2020, 2021, 2022 and 2023 suggests that the State's debt servicing obligations have grown, potentially due to increased borrowing or a shift in the structure of the State's debts.

External Interest Payment: External interest payment represents the interest the State pays on its debts owed to foreign creditors, such as international financial institutions and foreign governments. In 2020, external interest payments were at ₦96 million. The external interest payment decreased in 2021 (₦41 million) and 2022 (₦44 million). In 2023, the figure increased slightly to ₦51 million, but significantly increased to ₦174 million in 2024. While external interest payments remain relatively low compared to domestic interest payments, the State's reliance on external borrowing is still noteworthy.

Domestic Interest Payment: Domestic interest payment represents the portion of the State's interest payments that are owed to domestic creditors, such as local banks, financial institutions, and individuals. In 2020, domestic interest payments were ₦4,064 million, which accounted for the majority of the State's interest obligations. This figure rose in 2021 to ₦5,374 million and significantly increased to ₦8,284 million in 2022. However, in 2023, domestic interest payments increased slightly to ₦8,805 million, it then decreased significantly to ₦5,270 million in 2024. The rise in domestic interest payments reflects a growing reliance on local financing.

Implications and Effects:

- i. The significant fluctuations in interest payments, especially the sharp increase in 2022, suggest variations in the State's debt servicing obligations. This could be due to changes in debt structure, the introduction of higher interest rate debt, or the refinancing of old debts with more costly financing options.
- ii. The majority of the State's interest payments are linked to domestic debts, underscoring the State's reliance on domestic creditors for financing. Effective management of domestic debt is crucial to ensure fiscal sustainability and to avoid overburdening the local financial system.
- iii. The relatively low external interest payments compared to domestic payments imply that the State may have secured favorable borrowing terms for its external debt or may have limited external debt relative to its overall debt portfolio.
- iv. The substantial increase in interest payments in 2022, particularly in domestic debt servicing, is likely due to factors such as the floating of the SUKUK/Bond (RM24.3 billion) and increased interest rates, which significantly raised the cost of borrowing for the State.

The data on interest payments highlights the State's growing debt servicing obligations, particularly in terms of domestic debt. While external interest payments remain relatively stable and low, domestic debt servicing has risen significantly. The increase in interest payments, especially in 2022, points to changes in the debt profile, including the issuance of new bonds (i.e. Capital Bond by GOS in 2024) and higher interest rates. Moving forward, effective debt management strategies and monitoring of interest rates will be essential to ensure fiscal sustainability and balance between debt servicing and development priorities.

3.2.4 Debt as Percentage of Revenues, 2020-2024

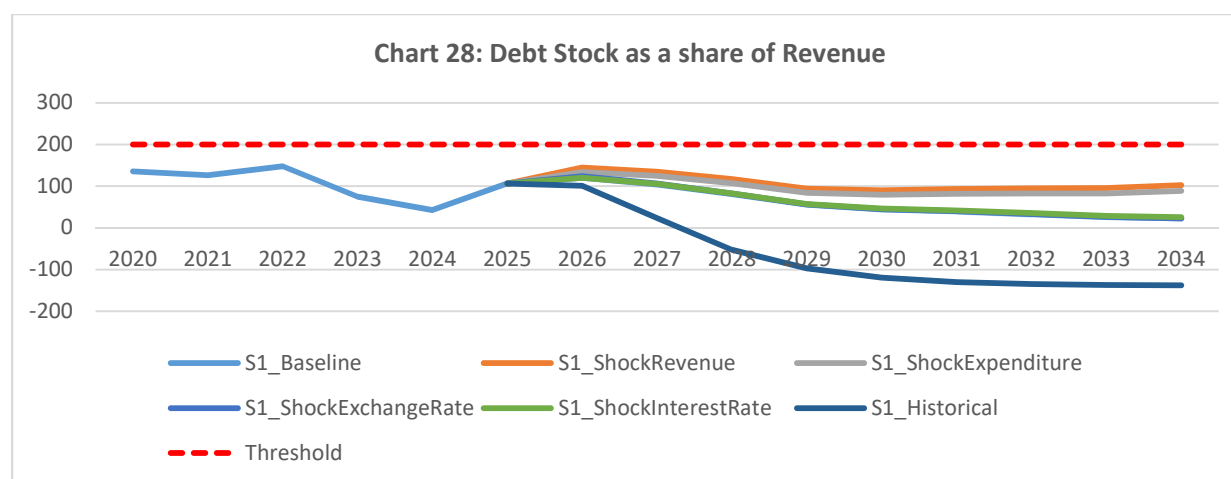


Table 6: Debt as Percentage of Revenues

	2020	2021	2022	2023	2024	2025
Debt as % of Revenue	135	127	148	75	42	106
Threshold	200	200	200	200	200	200

From 2020 to 2024, the average breakdown of the debt as % of revenue indicates that the State's revenue averagely accounts for 105% of the total debt. This suggests a heavy reliance on debt, which can have both advantages and challenges, including the potential for higher interest costs due to local market rates volatility and currency risk exposure.

Debt as Percentage of Revenues is 42% in 2024 and it rise to 106% in 2025 and then decreases to 103.78% by 2027 as projected are within the 200% threshold.

3.2.5 Budget Balances

Table 7: Budget Balance

Indicator	2020	2021	2022	2023	2024	2025
Budget Balance (' + ' means surplus, ' - ' means deficit)	3,987.19	-6,902.78	20,812.08	-8,890.79	90,216.30	-116,463.90
Opening Cash and Bank Balance	18,351.20	22,338.40	15,435.62	36,247.70	36,247.70	126,463.90
Closing Cash and Bank Balance	22,338.39	15,435.62	36,247.70	27,356.91	126,463.90	10,000.00

Source: Gombe State DSA/MTDS Template, 2025

From 2020 to 2024, the average breakdown of the budget balances indicates that the State's budget balances accounts for ₦19.84 billion. This suggests a State have surplus funds to execute capital projects.

Budget Balance is ₦90.22 billion in 2024 and it decrease to negative value of (₦116.46) billion in 2025 and zero by 2027 as projected.

Implication

The expected movement from surplus to deficit highlights the need for stronger revenue mobilisation and closer control of expenditure to maintain fiscal stability over the medium term.

3.2.6 Debt Composition

The debt portfolio of Gombe State consists of both **external** and **domestic** borrowings. The **external borrowings** are primarily sourced from international financial institutions such as the **World Bank, African Development Bank**, and the **Islamic Development Bank**. These borrowings typically come with foreign currency denominated loans, often involving specific conditions tied to project financing. On the other hand, **domestic borrowings** consist of facilities from the **Federal Government, Bonds**, and **loans** from **commercial banks**.

From 2020 to 2024, the average breakdown of the debt composition indicates that the State's **domestic debt** accounts for **88.8%** of the total debt, while **external debt** makes up **11.2%**. This suggests a heavy reliance on domestic sources of debt, which can have both advantages and challenges, including the potential for higher interest costs due to local market rates and currency risk exposure.

3.3 Cost and Risk Profile

The **cost and risk** associated with Gombe State's outstanding debt profile from 2020 to 2024 can be assessed by examining various factors that influence the State's ability to service its debt. These factors are:

- i. **Increase in Debt Levels:** The significant increase in both **external** and **domestic debt** levels over the years signals a higher **cost and risk**. This is because larger debt volumes mean higher servicing obligations, which can strain the State's fiscal resources, especially during periods of financial instability or economic downturns. An increased debt burden may limit the State's ability to allocate funds to essential development projects and public services.
- ii. **Exchange Rate Fluctuations:** The State's exposure to **external debt** makes it vulnerable to **exchange rate fluctuations**. A depreciation in the local currency (Naira) against foreign currencies means that the cost of servicing foreign-denominated debt increases in local currency terms. This leads to higher debt servicing costs and potential strain on the State's budget, as more Naira must be allocated to meet foreign debt obligations.
- iii. **Interest Rate Fluctuations:** **Interest rate fluctuations** have a significant impact on the cost of servicing **domestic debt**. When interest rates rise, the cost of servicing domestic loans increases, adding to the State's overall debt servicing burden. With an increasing domestic debt profile, the State's fiscal space could be squeezed if interest rates continue to rise, leading to higher fiscal pressures and potentially higher budget deficits.
- iv. **Debt Monitoring and Risk Mitigation:** To mitigate the risks associated with the debt portfolio, Gombe State is closely monitoring its debt levels and repayment obligations. The State is taking steps to reduce its cost and risks by employing strategies such as:
 - **Refinancing** existing debt at favorable terms to reduce interest rates and extend repayment periods.
 - **Diversifying** sources of debt to include low-cost loans and exploring non-traditional financing options.
 - Implementing **prudent fiscal management**, including spending controls and revenue-enhancing measures, to reduce reliance on debt and ensure that debt servicing remains sustainable.

The **cost and risk** associated with Gombe State's debt portfolio is driven by both **external and domestic** factors. The rise in both external and domestic debt, combined with exposure to **exchange rate** and **interest rate fluctuations**, elevates the overall cost and risk. However, through careful monitoring of its debt profile and the implementation of strategies such as refinancing, diversification of debt sources, and prudent fiscal management, the State aims to manage its debt servicing obligations in a sustainable way. Ensuring that the cost of servicing debt remains manageable will be crucial for Gombe State to maintain fiscal stability and support long-term development goals.

Chapter Four

Concept of Debt Sustainability, Assumptions, Results Analysis and Findings

4.1 Introduction- Concept of Debt Sustainability

The concept of debt sustainability refers to the ability of the government to honor its future financial obligations. Since policies and institutions governing spending and taxation largely determine such obligations, debt sustainability ultimately refers to the ability of the government to maintain, sound fiscal policies over time without introducing major budgetary or debt adjustments in the future. Conversely, fiscal policies are deemed unsustainable when they lead to excessive accumulation of public debt, which could eventually cause the government to take action to address the unwanted consequences of a heavy debt burden (World Bank, 2020).

4.2 Debt Sustainability Indicators and Thresholds

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

Table 1: Gombe State Debt burden indicators (S1-Baseline R582:Col K)

Indicators	Thresholds	As at end- 2024	Average 2020 to 2034
Debt as % of GDP	25%	4%	5%
Debt as % of Revenue	200%	43%	77%
Debt Service as % of Revenue	40%	12%	20%
Personnel Cost as % of Revenue	60%	12%	17%
Debt Service as % of FAAC Allocation	Nil	13%	26%
Interest Payment as % of Revenue	Nil	2%	7%
External Debt Service as % of Revenue	Nil	0.5%	0.9%

Source: Gombe State DSA/MTDS Template, 2025

Debt as % of GDP: Gombe State's debt remains well below the threshold of 25% of GDP, suggesting a relatively low debt burden relative to its economic output. However, the economic environment in Nigeria is influenced by changes in the Monetary Policy Rate (MPR), which was recently reduced by the Central Bank of Nigeria with 500 basis point from 27.5% to 27% (CBN 2025) in order to curb inflation. Higher MPR leads to higher borrowing costs, meaning that if Gombe State borrows more in the future, it could face higher interest payments due to the increased cost of debt. Despite the manageable current level, if interest rates remain high or continue to increase, the State's debt levels could become more expensive in the future. The **exchange rate** also plays a role, particularly if the State borrows externally. Depreciation of the Naira could lead to increased debt servicing costs when foreign currency obligations are considered.

Debt as % of Revenue: The indicator remains well below the 200 percent threshold. At the end of 2024, the debt-to-revenue ratio stands at 43 percent, which reflects a strong and manageable position. The long-term average for the period 2020 to 2034 is 77 percent.

Although this remains under the benchmark, it shows that the ratio is expected to fluctuate as revenues and borrowing requirements change over the projection horizon. The State should continue to manage new debt commitments with care, especially in years when revenue performance may weaken or borrowing conditions become less favourable

Debt Service as % of Revenue: Gombe's debt service as a percentage of revenue is relatively low, at 12% in 2024, which is a positive indicator that the State is not spending an excessive proportion of its revenue on servicing debt. However, the projection of 20% on average over the forecast period from 2025 to 2034 indicates a significant rise, which could place substantial pressure on the State's finances. With the **MPR decrease**, the cost of servicing existing and new debt may slightly decrease, particularly if the State has variable-rate loans or relies on new borrowings to finance projects. Similarly, the exchange rate could affect debt servicing for external loans, leading to a higher Naira cost for foreign currency-denominated debt.

Personnel Cost as % of Revenue: Personnel costs as a percentage of revenue is 12% which is below the 60% threshold, suggesting that Gombe State is managing its personnel costs effectively. Similarly, the **exchange rate** fluctuations may affect the cost of importing goods and services for government functions, indirectly impacting personnel costs if there is an increase in the cost of living or imported goods.

Debt Service as % of FAAC Allocation: The State is using 13% of its FAAC (Federation Account Allocation Committee) allocation to service its debt in 2024, as the threshold is zero. The forecasted average from 2025 to 2034 is 26% indicates that the State could become less reliant on its federal allocations to meet its debt obligations in the future. The **MPR decrease** could slightly reduce pressure on inflation, increasing the purchasing power of FAAC allocations, which may make it more challenging for the State to service its debt without jeopardizing other budget priorities. Furthermore, the exchange rate fluctuations can also affect the federal allocation since a weaker Naira may lead to lower allocations in real terms, which could exacerbate the situation.

Interest Payment as % of Revenue: In 2024, Gombe is paying 2% of its revenue on interest, which exceeds the threshold, signaling that interest payments are already consuming a portion of the State's income. The **MPR increase** is a key factor here, as it raises interest rates, leading to higher borrowing costs. Consequently, the State's interest payments could grow significantly in the future. Additionally, a devalued Naira could increase the cost of servicing external debt, further pushing up interest expenses as a percentage of revenue.

External Debt Service as % of Revenue: Currently, Gombe State's external debt service as a percentage of revenue is 0.5%. However, the **exchange rate** poses a risk if the State takes on more external debt in the future. A weakened Naira could increase the amount of local currency needed to meet external debt obligations, even if the nominal value of the debt remains constant.

Summary of Key Points with MPR and Exchange Rate Considerations:

Positive Indicators: Debt as a percentage of GDP, debt service as a percentage of revenue, and personnel costs as a percentage of revenue are currently at sustainable levels due to the fact that they are all below the required sustainability thresholds set by the World Bank as indicated in Table 4.1 above. The State is in a favorable position regarding external debt, and the 2024 figures show a relatively low dependence on debt servicing from FAAC allocations.

Concerns for the Future: The projections for future debt service and interest payments as a percentage of revenue suggest a potential fiscal strain. The MPR decrease will likely lower borrowing costs, and the exchange rate fluctuations could make foreign debt more expensive to service. The State's reliance on FAAC for debt servicing may become a huge burden if the federal allocation weakens due to inflation or exchange rate depreciation.

To address these challenges, Gombe State should focus on:

- i. Managing new borrowings with consideration for interest rate hikes and exchange rate risks.
- ii. Strengthening revenue generation to offset potential increases in debt servicing costs.
- iii. Monitoring the impact of inflation and exchange rate changes on the overall fiscal health and ensuring that the debt servicing burden does not undermine the State's financial sustainability.

4.3 Medium-Term Budget Forecast

The sustainability of Gombe State's medium-term debt is closely linked to the gradual recovery of the Nigerian economy, a trend expected to positively influence the Federation Account Allocation Committee (FAAC) statutory allocation. However, the current economic landscape is characterized by high inflation. Despite these challenges, the State's economic outlook foresees a gradual recovery between 2024 and 2026. This rebound is anticipated to feature a 3% average annual expansion in real GDP, alongside efforts to bring domestic inflation back below the 10% mark by 2024. These expectations are underpinned by several key factors, including the favorable trajectory of global oil prices, a revival in domestic production, the implementation of prudent fiscal policies, and efforts to stabilize the exchange rate for international financial transactions.

In essence, while the State faces a challenging economic environment marked by persistent inflation and exchange rate fluctuations, its debt sustainability plan is built on a projected economic recovery supported by strategic measures and favorable external economic dynamics.

One significant development bolstering this economic recovery is the discovery of oil and gas reserves in the Gongola Basin, located within the Kolmani Oil Fields in the Pindiga district of Akko Local Government Area (LGA) of Gombe State. The discovery, signified by Oil Prospecting Licenses (OPLs) 809/810, aligns with the ongoing positive global oil price trend and is expected to provide a substantial boost to the State's revenue streams. Additionally, the Nigerian government's focus on increasing non-oil revenue sources, such as customs duties and VAT, will

further enhance the State's financial position, especially compared to the relatively subdued levels of revenue seen in 2021.

To strengthen its debt sustainability, Gombe State must continue its efforts to mobilize local revenue sources. The proactive implementation of the 2020 Revenue Law has already contributed to an increase in internal revenue generation (IGR), and this trend is expected to continue in the coming years. Further revenue growth is anticipated with the introduction of property tax, alongside other measures designed to expand the State's revenue base. This shift towards enhancing local revenue is a critical element in supporting the broader economic recovery and ensuring fiscal stability.

On the expenditure side, no significant policy changes are expected regarding personnel and overhead costs. Historical trends in these areas are likely to remain stable, contributing to budgetary predictability. Additionally, cost-reduction policies aimed at curbing personnel expenses and overhead costs will continue. The State's ambitious 10-year development plan, which is currently in full implementation, is also expected to have a substantial positive impact on revenue generation, further strengthening the State's financial position. Furthermore, the creation of the Muhammadu Buhari Industrial Park is expected to generate significant revenue, enhancing the State's economic capacity.

In summary, the combination of the oil discovery in the Gongola Basin, the introduction of property tax, and the development of the Muhammadu Buhari Industrial Park will play a pivotal role in boosting Gombe State's revenue and enhancing its debt management strategy. These positive developments reflect a commitment to fiscal sustainability and provide the State with valuable opportunities for debt reduction, ultimately ensuring long-term financial health.

4.4 Borrowing Assumptions

The Gombe State government has outlined its financing strategy for the period from 2024 to 2033, aiming to source funds primarily from a diversified set of channels to support its developmental initiatives. This multifaceted approach includes the following key components:

1. **Commercial Bank Loans (1-5 Years):** Approximately 35% of the financing will be secured through short-term to medium-term loans from commercial banks. These loans are expected to have a maturity period ranging from one to five (1-5) years, providing a relatively quick source of capital.
2. **Commercial Bank Loans (6 Years and Above):** An estimated 35% of the funding will come from commercial bank loans with longer maturities, exceeding six years. These loans offer a more extended repayment period, allowing for flexibility in managing debt obligations.
3. **State Bonds (1-5 Years):** The State plans to utilize State Bonds with a maturity period of one to five years to cover 30% of its financing requirements. State Bonds provide a stable and structured means of raising funds from the capital market.
4. **State Bonds (6 Years and Above):** A significant portion, around 30%, will be sourced through State Bonds with maturities extending beyond six years. These long-term bonds offer a sustainable approach to financing major projects and initiatives.

5. **External Financing – Concessional:** The State also anticipates securing approximately 5% of its funding through external sources, specifically concessional financing. This type of financing typically comes with favorable terms, including lower interest rates and extended grace periods, making it an attractive option for development projects.

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

The borrowing assumptions also encompass a detailed consideration of the terms associated with both domestic and external borrowing. This includes aspects such as interest rates, maturity periods, and grace periods. These terms are critical in shaping the State's debt management strategy and ensuring that borrowed funds are utilized effectively for the benefit of Gombe State's development agenda (i.e., DEVAGOM 2020).

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

The State Government has outlined its borrowing plans with a focus on securing the necessary funds for various development initiatives. These plans encompass a range of financial instruments and terms to meet specific funding requirements: Strategy 1

1. **Commercial Bank Borrowing (Short-Term):** The State plans to secure loans from commercial banks with a maturity period of 1 to 5 years. In 2029, the State plans to borrow N23 billion, with no grace period and an interest rate of 35%. These loans will help meet immediate financial requirements, supporting projects that require quick funding.
2. **Commercial Bank Borrowing (Medium-Term):** For medium-term funding needs, the State will borrow sums from commercial banks with a maturity period exceeding 6 years. These loans will be projected at N40 billion in 2025, N52 billion in 2028, and N35 billion in 2032. The interest rate for these loans is also set at 35%, with no grace period. The medium-term loans offer flexibility and long-term support for developmental projects.
3. **Bond Issuance (Short-Term):** The State plans to raise funds through bond issuance, borrowing N70 billion in 2026 and N30 billion in 2030 and N14 billion in 2033. These bonds will carry an interest rate of 30% and will have a maturity period of 5 years, without any grace period. Short-term bonds will be primarily used for financing specific projects that need to be completed within a defined period.
4. **Bond Issuance (Medium-Term):** For medium-term funding, the State intends to issue bonds with maturities of 6 years or longer. These bonds, with interest rates of 30%, will be used to raise substantial amounts to support major infrastructure and developmental projects. Key bond issuances include N15 billion in 2025, N73 billion in 2026, N67 billion in 2031, and N25 billion in 2034. These bonds will help finance

projects with long-term economic impacts, allowing for structured and sustainable financing.

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

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

The State anticipates securing external financing through concessional loans from international institutions such as the World Bank and the African Development Bank. In 2027, concessional loans amounting to USD 89 million are expected. These loans, which offer favorable terms, including lower interest rates and longer repayment period, will provide a cost-effective source of financing for large-scale development projects.

4.4.3 Planned Debt Management Strategy

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

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

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

schedule for debt servicing. Funding for debt settlements will be sourced from various channels, including:

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

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

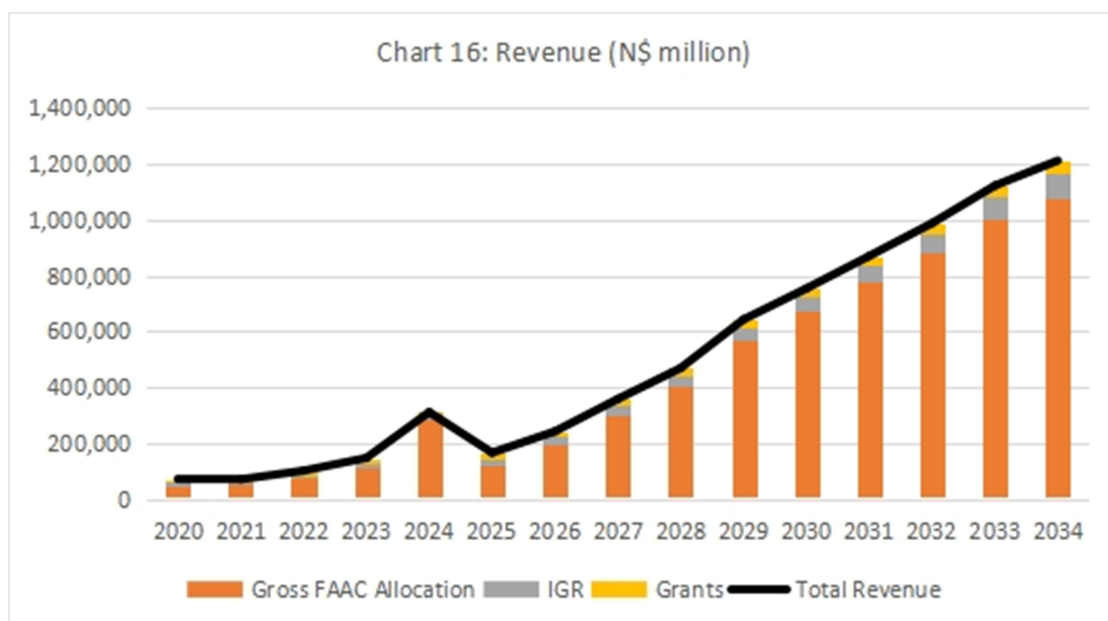
4.5 DSA Simulation Results and Findings

Recent shocks underscore the urgent need to significantly diversify and improve government revenues and reduce the dependence on FAAC allocation. Government remains committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium-term target is to increase the Revenue-to-GDP ratio to 15%. Higher revenue collections will enable Government to deliver public services more effectively, enhance infrastructure investment, and improve investment in human capital.

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

4.5.1 Projected Revenue- Chart 16

The Gombe State projected revenue from 2020 to 2034 is presented in Chart 16 below:



Source: Gombe State DSA/MTDS Template, 2025

The chart 16 above present the financial figures for Gombe State from 2020 to 2034, it reveals significant trends in revenue generation, with key components such as total revenue, gross FAAC allocation, internally generated revenue (IGR), and grants showing remarkable growth over time.

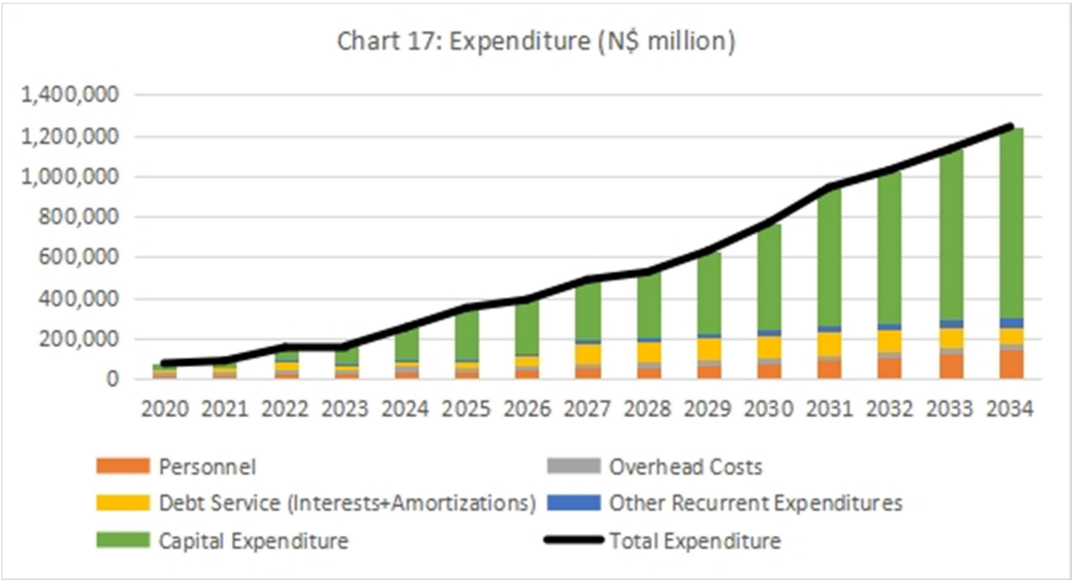
- i. **Total Revenue:** From 2020 to 2024 the average annual total revenue during this period was approximately ₦140 billion. While from 2025 onward total revenue saw a significant surge, with an average annual figure of approximately ₦682 billion. This sharp increase highlights the state's stronger revenue performance in the latter period, reflecting a more robust economic outlook and enhanced revenue generation strategies.
- ii. **Gross FAAC Allocation:** From 2020 to 2024 the average annual gross FAAC allocation was ₦115 billion. From 2025 onward, the gross FAAC allocation is projected to rise to an average of ₦601 billion. This indicates a significant increase in federal allocations, positioning Gombe State to benefit from greater intergovernmental transfers in the future.
- iii. **Internally Generated Revenue (IGR):** From 2020 to 2024, the average annual IGR for the state was approximately ₦14 billion. Whole from 2025 to 2034, the average annual IGR surged to approximately ₦52 billion in the later period. This suggests that Gombe State has made considerable progress in boosting its internal revenue generation, reducing its reliance on external sources and increasing fiscal autonomy.
- iv. **Grants:** Grants remained relatively stable during the 2020 to 2024, with an average value ₦12 billion annually. From 2025 to 2034, grants remained relatively stable, with an average annual value of ₦29 billion. While grants have not shown the same significant growth as other revenue sources, they continue to provide a crucial financial cushion for the State's development programs.

In conclusion, the data points to a positive trajectory in Gombe State’s financial health, with significant improvements in revenue generation. This financial growth provides a solid base for funding development initiatives and enhancing the well-being of the State’s residents. However, continued prudent management of these resources will be key to maintaining this momentum and ensuring the sustainability of the growth in the long-term.

These projections are based on the Approved 2025 Budget, the Medium-Term Expenditure Framework (MTEF) for 2026-2028, and estimates for 2029-2034 from the Ministry of Finance & Economic Development and Ministry of Budget & Economic Planning.

4.5.2 Projected Expenditure- Chart 17

The Gombe State projected expenditure from 2025 to 2034 is presented in Chart 17 below:



Source: Gombe State DSA-DMS Template, 2025

The financial figures for Gombe State from 2020 to 2034 provide insights into the expenditure trends across various categories, including personnel costs, overhead costs, debt service, other recurrent expenditures, and capital expenditure. This analysis highlights the historical growth and future projections, shedding light on the challenges and opportunities that may arise as Gombe State continues its fiscal journey in the coming years.

Personnel costs Personnel costs have seen a steady rise, increasing from ₦19 billion in 2020 to ₦38 billion in 2024. From 2025 to 2034, personnel costs are projected to continue growing, reaching an average of ₦82 billion annually by 2034. This consistent growth reflects increasing wages (N70,000 National Minimum Wage Policy), and expanding workforce requirements (i.e., GOSTEC). The growing personnel expenses imply the need for workforce planning and cost containment strategies to ensure sustainable management of this budget item.

Overhead costs: Overhead costs have fluctuated, with an increase from ₦18 billion in 2020 to ₦27 billion in 2024, peaking at ₦30 billion by 2034. These expenses, which cover administrative and operational functions, highlight the need for efficient resource allocation and optimization of

administrative functions. Managing overhead costs will be essential to preventing inefficiencies and ensuring that these costs do not grow disproportionately during the projected period.

Debt service costs: Debt service costs have shown a significant increase, from ₦11 billion in 2020 to ₦18 billion in 2024. Over the projection period from 2025 to 2034, these costs are expected to rise substantially, reaching a peak of ₦85 billion in 2034. This surge reflects the growing debt burden on the State, and effective debt management strategies, including refinancing options, renegotiating terms, or pursuing lower-interest borrowing, will be critical to mitigate the fiscal pressure from increasing debt obligations.

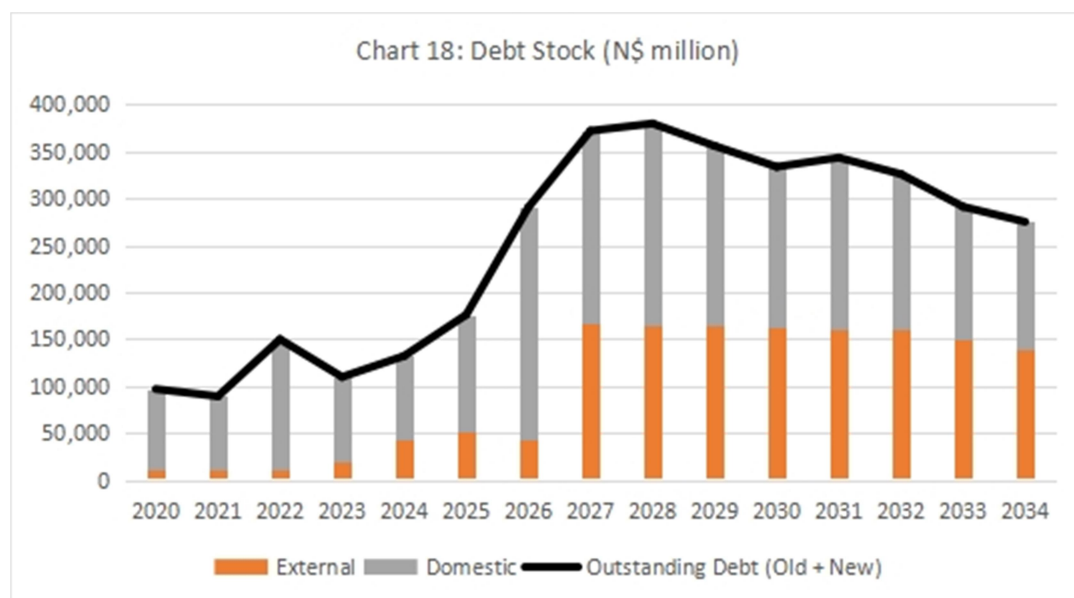
Other recurrent expenditures: Other recurrent expenditures began in 2022 at ₦9 billion and reached ₦14 billion in 2024. Projections show a gradual increase to ₦45 billion by 2034. This category likely covers new or expanding programs and services. It will be crucial to assess the necessity and effectiveness of these initiatives to ensure they are aligned with the State's long-term goals and to avoid unnecessary budgetary strain.

Capital expenditure has experienced a significant increase, rising from ₦29 billion in 2020 to ₦157 billion in 2024. Over the projection period, capital expenditure is expected to grow steadily, reaching ₦940 billion by 2034. This reflects Gombe State's commitment to infrastructure and development projects. Strategic planning, effective project management, and exploring alternative financing options will be vital to sustain and manage this high level of capital investment.

In conclusion, the data from 2020 to 2034 highlights significant fiscal trends, with notable increases in personnel costs, overheads, and capital expenditures, as well as substantial growth in debt service costs. By carefully managing these categories and aligning expenditures with long-term strategic goals, Gombe State can ensure a sustainable and robust fiscal outlook for the future. These projections are based on the approved 2025 budget and estimates for 2026-2034 from the Ministry of Finance & Economic Development and Ministry of Budget & Economic Planning.

4.5.3 Projected Debt Stock- Chart 18

The Gombe State projected debt stock from 2025 to 2034 is presented in Chart 18 below:



Source: Gombe State DSA-DMS Template, 2025

The provided outstanding debt data for Gombe State (2020–2034) reveals key trends and highlights the fiscal implications of the State's borrowing practices. The debt figures comprise both external and domestic borrowings, providing a comprehensive view of the State's debt profile.

The total outstanding debt Historical Trends (2020–2024): Total outstanding debt grew from ₦97 billion in 2020 to a peak of ₦132 billion in 2024, reflecting fluctuations in borrowing needs and debt management strategies. This increase likely stemmed from financing infrastructure projects and other government programs.

Projections (2025–2034): From 2024 onwards, total debt is projected to grow steadily, reaching ₦275 billion by 2034. The significant rise suggests a sustained reliance on debt financing, necessitating proactive financial planning to ensure fiscal sustainability.

External debt, Historical Trends (2020–2024): External debt increased moderately from ₦11 billion in 2020 to ₦43 billion in 2024.

Projections (2025–2034): External debt is projected to rise significantly from ₦51 billion in 2025 to ₦140 billion by 2034, with notable spikes around 2027 and 2031. This highlights the importance of carefully managing external borrowing due to exchange rate volatility and potential borrowing terms. The sharp increase around 2027 indicates reliance on foreign funding for large-scale projects.

Domestic debt, Historical Trends (2020–2024): Domestic debt has been the dominant component of Gombe State's borrowing, increasing from ₦86 billion in 2020 to ₦89 billion in 2024.

Projections (2025–2034): Domestic debt is expected to remain the major share of total debt, reaching ₦135 billion by 2034. While this highlights the government's preference for local

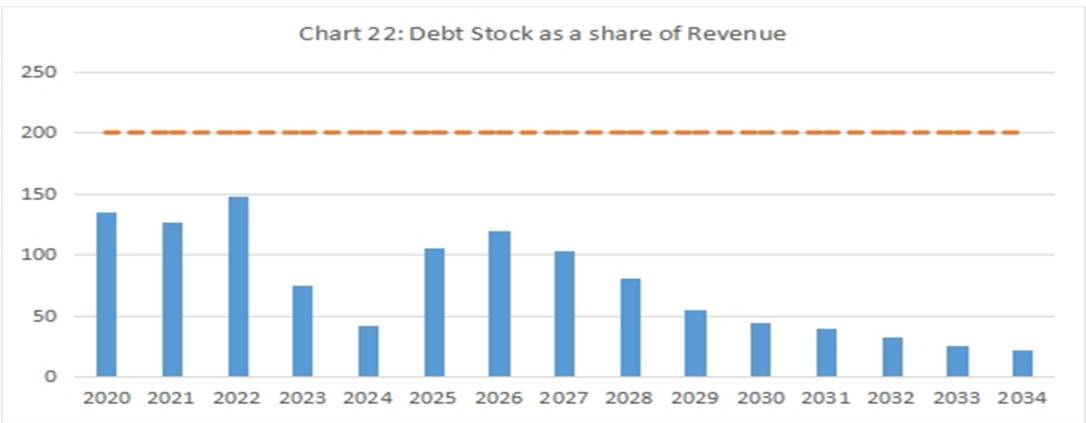
financing, it underscores the need to monitor domestic interest rates and ensure that borrowing remains affordable.

The analysis of Gombe State's outstanding debt (2020–2034) underscores the importance of sustainable borrowing practices and proactive debt management. While borrowing serves as a vital tool for financing development, it must be aligned with long-term fiscal goals to ensure economic stability and growth. By addressing these challenges, Gombe State can effectively navigate its debt obligations and foster sustainable economic development.

4.5.4 Projected Debt Stock as a Share of Revenue- Chart 22

The Gombe State projected debt stock as a share of revenue from 2020 to 2034 is presented in Chart 22 below:

Chart 22: Debt Stock as a Share of Revenue



Source: Gombe State DSA-DMS Template, 2025

Analyzing the debt as a percentage of revenue over the given period (2020-2034) and comparing it to the established threshold of 200% reveals several significant trends and implications for the or government financial stability:

1. Debt as a Percentage of Revenue:

Historical Trends (2020–2024):

Debt-to-revenue ratios ranged from 135% in 2020 to a peak of 42% in 2024, reflecting varying fiscal pressures. The increase in 2025 indicates a higher reliance on borrowing relative to revenue generation. During this period, the ratio remained below the 200% threshold, suggesting manageable fiscal conditions.

Projections (2025–2034):

A concerning rise is evident from 2026, with the debt-to-revenue ratio reaching 120% which is below the 200% threshold, it drops to 81% by 2028 and 23% by 2034. This indicates reduction in fiscal risks driven by increasing revenue growth within the State. The projection period reflects debt sustainability as the ratio is within the threshold.

2. Threshold Comparison:

The established threshold of 200% signifies that the historical and projection periods, the debt as a percentage of revenue remains below the threshold, indicating a proactive approach to debt management and adherence to fiscal responsibility.

Implications:

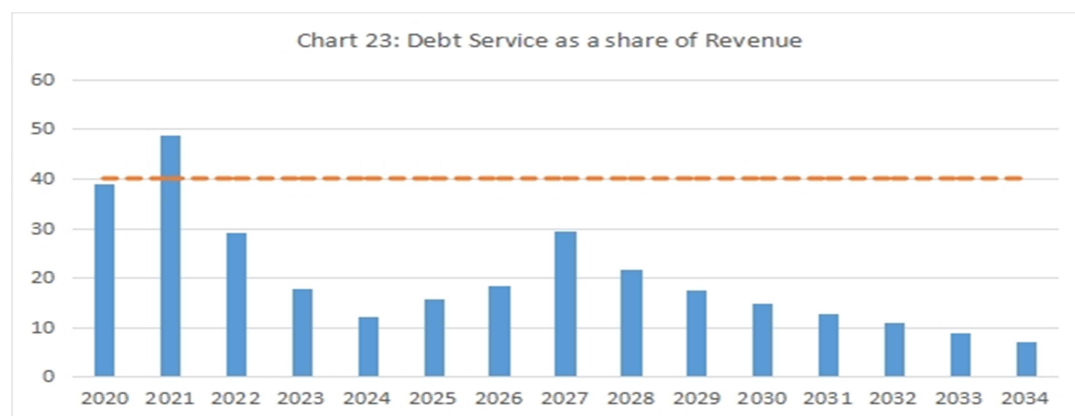
- i. Revenue Growth: Strengthening internal revenue generation mechanisms is essential. Investments in revenue-boosting sectors such as agriculture, trade, and industrial development could help stabilize the ratio.
- ii. Expenditure Controls: Implement strict fiscal discipline to manage operating costs and prioritize capital expenditures with high returns on investment.
- iii. Debt Management: Restructure debt where possible to extend maturities and reduce interest costs. Prioritize concessional loans over high-interest borrowing to reduce the debt burden.
- iv. Sustainability Measures: Focus on creating fiscal buffers and maintaining debt below the threshold to ensure room for unforeseen financial shocks.

In summary, the analysis of Gombe State's debt as a percentage of revenue underscores the need for full implementation of fiscal reforms. The debt-to-revenue ratio is within the 200% threshold from 2020 onwards. By implementing strategic measures to boost revenue, control spending, and improve debt management, Gombe State can mitigate risks and achieve long-term fiscal sustainability.

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

The Gombe State projected debt service as share of revenue from 2025 to 2034 is presented in Chart 23 below:

Chart 23: Debt Service as a Share of Revenue



Source: Gombe State DSA-DMS Template, 2025

Analyzing the ratio of Debt Service as a percentage of Revenue over the specified period (2020-2034) in comparison to the established threshold of 40% reveals important trends and implications for the financial health of the government.

1. Debt Service as a Percentage of Revenue:

Historical Trends (2020–2024): Debt service-to-revenue ratios fluctuated between 39% (2020) and 49% (2021). The lowest ratio, 12% in 2024, suggests relatively low debt servicing pressure, indicating an easing of fiscal strain compared to previous years.

Projection Period (2025–2034): Debt service obligations are projected to decline significantly to 7% by 2034, far which is below the 40% threshold.

2. Threshold Comparison:

The established threshold of 40% serves as a point at which debt service obligations may become sustainable if the State manages it debts well.

Implications:

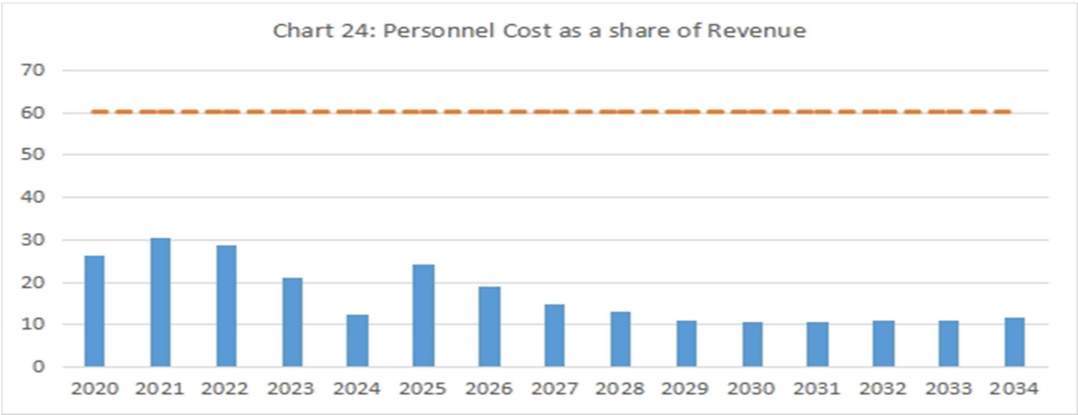
- i. **Revenue Strain:** Rising debt service obligations indicate that an increasing share of revenue will be directed toward debt repayment, limiting funds available for essential services and investments.
- ii. **Fiscal Sustainability:** The ratios from 2024-2034 indicated that the Gombe State government’s fiscal health in terms of debt service is at a sustainable level.

In summary, the analysis reveals that while Gombe State maintained relatively prudent debt service levels in the historical period as well as the projected in debt service as a percentage of revenue below the 40% threshold implies that the Gombe State debts servicing level is at a sustainable level. Proactively managing debt servicing costs and aligning borrowing practices with sustainable revenue growth will be essential to maintaining a healthy fiscal balance.

4.5.6 Projected Personnel Cost- Chart 24

The Gombe State projected personnel cost from 2025 to 2034 is presented in Chart 24 below:

Chart 24: Personnel Cost



Source: Gombe State DSA-DMS Template, 2025

Analyzing the ratio of Personnel Cost as a percentage of Revenue for Gombe State Government over the specified period (2020-2034) in comparison to the established threshold of 60% reveals important trends and implications for the State's fiscal health:

1. Personnel Cost as a Percentage of Revenue:

Historical Trends (2020–2024): The ratio remained stable during the historical period, ranging between 26% (2020) and 30% (2021). The peak of 30% in 2021 still lies comfortably below the 60% threshold, reflecting strong fiscal control over personnel expenses.

Projection Period (2025–2034): Personnel costs are projected to decrease slightly over time, stabilizing at around 11%–12% during most of the projection period, with a low of 12% in 2034. The consistent decrease signifies a strong commitment to maintaining efficient workforce-related expenditure relative to revenue.

2. Threshold Comparison:

The established threshold of 60% serves as a point at which personnel costs might become sustainable.

Implications:

- i. **Fiscal Flexibility:** By maintaining personnel costs well below the threshold, Gombe State ensures greater fiscal flexibility to fund other critical areas like infrastructure, healthcare, and education.
- ii. **Efficient Management:** The stable trend highlights effective workforce cost control, reducing risks of overspending on salaries and benefits.
- iii. **Positive Economic Impact:** Lower personnel costs as a percentage of revenue allow for increased investment in developmental projects, fostering economic growth and improving service delivery.

In summary, the analysis of Personnel Cost as a percentage of Revenue showcases Gombe State's commitment to responsible fiscal management. By maintaining personnel expenses well below the 60% threshold, the government preserves fiscal space for development initiatives and essential services. Sustaining this trend through proactive workforce and revenue management will contribute significantly to the State's long-term economic stability and growth during the projection period (2025–2034).

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

The baseline scenario analysis of Gombe State Government's debt sustainability covers two areas. The first is the projected debt trends in relation to revenue (Debt as a Share of Revenue). The second is the assessment of fiscal deficits and repayment capacity (Debt Service as a Share of Revenue). Under the baseline path, the Debt-to-Revenue ratio is projected to **decline** from 106 percent in 2025 to 23 percent by 2034. This sharp downward trend reflects

improved revenue performance and continued discipline in debt management. It also shows a gradual reduction in the State's dependence on borrowing relative to its internal fiscal capacity.

The Debt Service-to-Revenue ratio follows a similar pattern, falling from 16 percent in 2025 to 7 percent by 2034. This indicates a reduction in the share of revenue required for debt servicing and helps to ease fiscal pressure, especially in relation to funding essential services.

Main Findings:

The historical period (2020–2024) shows that Gombe State maintained moderate debt levels in relation to revenue. Although national economic challenges such as volatile oil revenue, inflation, and exchange rate pressures have influenced public finances, the outlook for 2025–2034 suggests that the State's debt position remains sustainable. The projected decline in the Debt-to-Revenue ratio supports a stable fiscal outlook. In addition, debt service obligations remain below the 40 percent critical benchmark throughout the projection period, confirming that repayment commitments do not impose undue strain on available resources.

The State has adopted several measures to strengthen fiscal sustainability. Revenue mobilization has been expanded through improvements in tax administration, broadening the tax base, and raising Internally Generated Revenue (IGR). The introduction of the Land Use Charge also provides an additional and more structured revenue line, supported by mechanisms to reduce default rates and improve compliance. Expenditure control has been maintained to allow better targeting of funds toward priority sectors, particularly infrastructure and economic development. Long-term frameworks such as the Gombe State 10-Year Development Plan continue to reinforce planning, coordination, and diversification.

Conclusion:

In summary, the baseline scenario presents a favourable trajectory for debt sustainability despite ongoing economic challenges. The State has maintained debt levels within sustainable limits, and its debt service obligations remain below established thresholds. Continued improvements in revenue generation, prudent expenditure management, and alignment with long-term development frameworks place the State on a stable fiscal path. Sustained vigilance and adherence to sound fiscal policies will remain essential for maintaining debt sustainability and achieving development objectives throughout the projection period from 2025 to 2034.

4.7 DSA Sensitivity Analysis (Shock Analysis)

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

Chart 27: Debt Stock as a share of SGDP

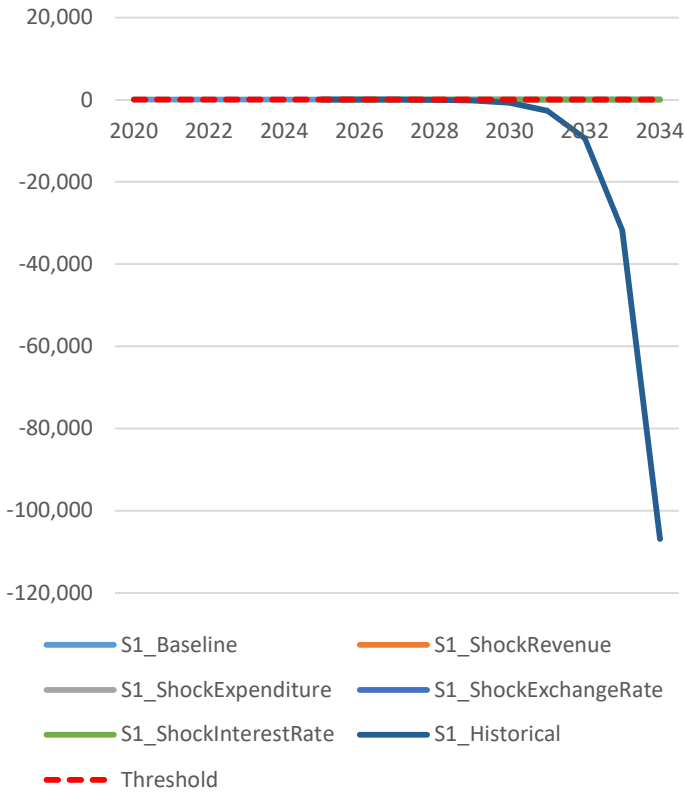


Chart 28: Debt Stock as a share of Revenue

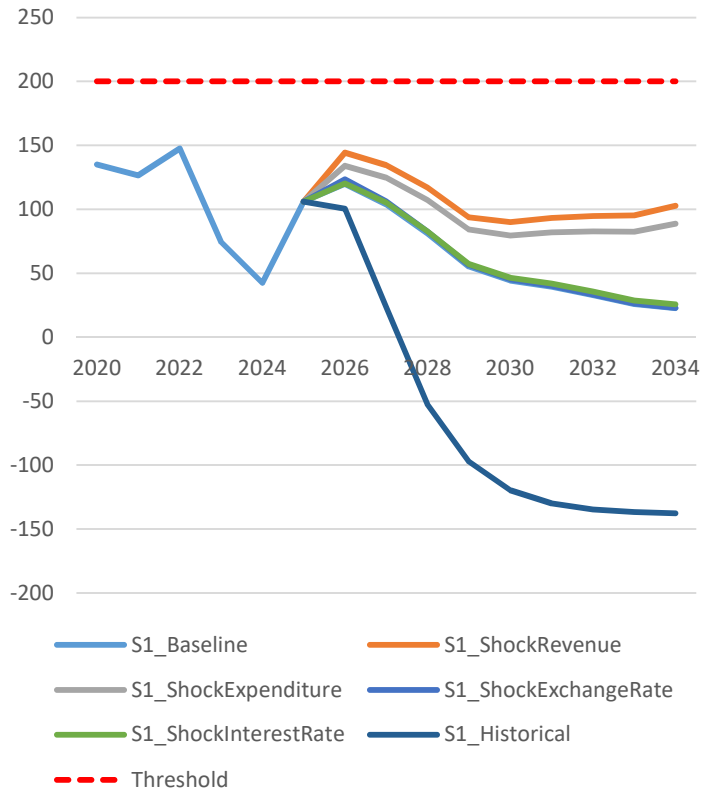


Chart 29: Debt Service as a share of Revenue

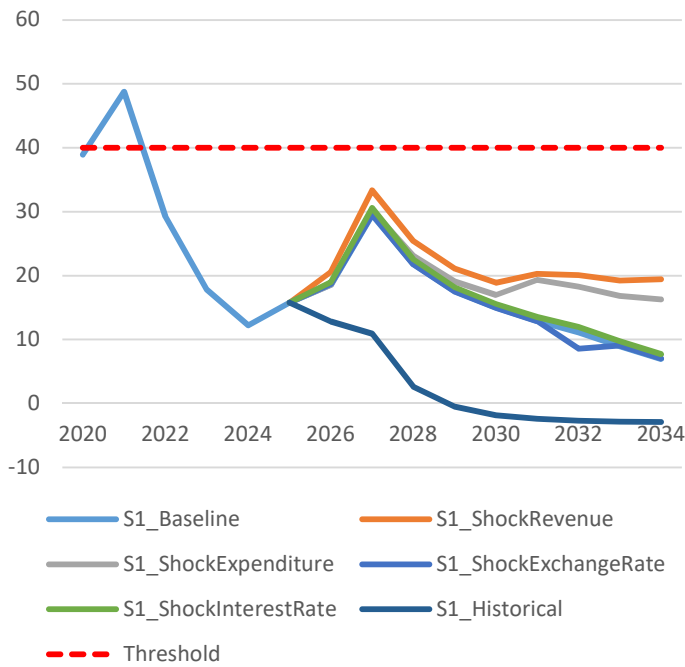
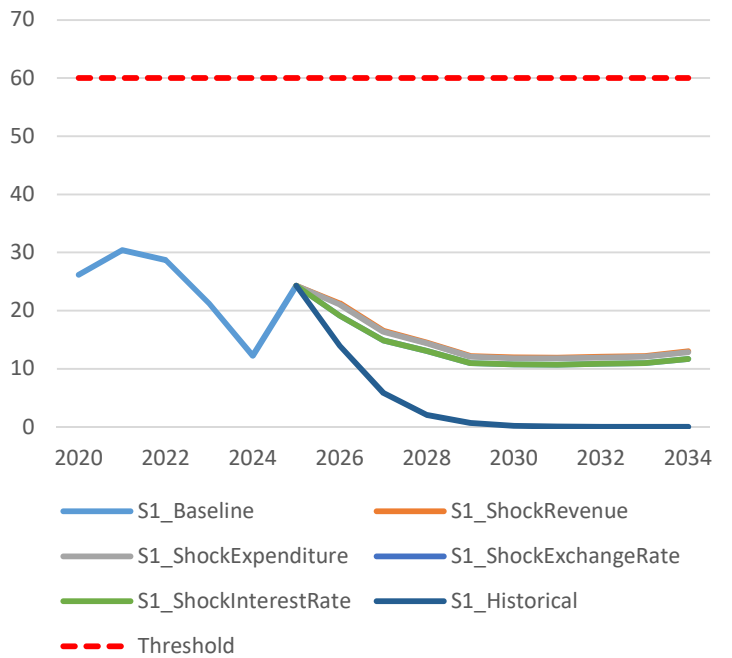


Chart 30: Personnel Cost as a share of Revenue



Source: Gombe State DSA-DMS Template, 2025

4.7.1 Debt-to-SGDP

The analysis of Gombe State's debt-to-SGDP ratio under the baseline scenario and various shock scenarios for the projection period (2025–2034) highlights trends in debt sustainability relative to the established threshold of 25%.

1. **Baseline Scenario (S1_Baseline):**

Under the baseline scenario, the debt-to-SGDP ratio remains close to zero throughout the projection period. The chart shows a stable and almost flat path from 2025 to 2034, reflecting controlled borrowing and consistent economic performance.

2. This reflects a stable but cautious trajectory for the State's debt management practices over the period, emphasizing the importance of maintaining fiscal discipline to avoid unsustainable debt levels.

3. **Shock Scenarios:**

Various economic shocks were modelled to assess their potential impact on Gombe State's debt sustainability. All shock lines remain close to the baseline, showing very limited deviation.

- i. **Shock Scenario 1 (S1_ShockRevenue):** A positive revenue shock stabilizes the debt-to-SGDP ratio at nearly the same level as the baseline. The chart indicates that even with revenue changes, the ratio remains around zero, showing the resilience of the debt position.
- ii. **Shock Scenario 2 (S1_ShockExpenditure):** An increase in expenditures results in a slight change, but the line still stays near the baseline. This shows that the expenditure shock does not push the debt ratio upward in any significant way.
- iii. **Shock Scenario 3 (S1_ShockExchangeRate):** Exchange rate movements show a mild effect. The line remains close to zero, indicating that the State's limited exposure to foreign-denominated debt keeps the ratio stable.
- iv. **Shock Scenario 4 (S1_ShockInterestRate):** Higher interest rates show only a small effect on the debt-to-SGDP ratio. The chart continues to display a flat path, suggesting manageable interest-rate risk.
- v. **Historical Scenario (S1_Historical):** The historical scenario remains stable until about 2031, after which it diverges sharply downward on the chart. This decline reflects the fiscal pressure associated with returning to historical patterns of borrowing and macro-fiscal behaviour. It signals the importance of maintaining current fiscal discipline to avoid a return to unfavourable trends.

Threshold:

Across all scenarios, Gombe State's debt-to-SGDP ratio remains far below the established threshold of 25%, signifying that the State is managing its debt within sustainable limits.

Conclusion:

The analysis indicates that Gombe State's baseline scenario reflects a stable debt-to-SGDP ratio, showing strong debt sustainability. Despite potential shocks, the debt levels remain well below the critical 25% threshold, demonstrating resilience. To ensure continued fiscal stability, the State must sustain robust revenue generation, prudent expenditure management, and strategic fiscal policies. This approach will support long-term economic objectives and protect against potential fiscal shocks.

4.7.2 Debt-to-Revenue

The analysis of Gombe State's debt as a percentage of revenue from 2025 to 2034 explores the trends under the baseline scenario, shock scenarios, and the established threshold of 200 percent.

1. Baseline Scenario (S1_Baseline):

Under the baseline scenario, the debt-to-revenue ratio begins at 106 percent in 2025. It rises to 120 percent in 2026 before starting a steady decline, falling to 23 percent by 2034. The figures show a clear downward trend after the temporary rise in 2026, which indicates a gradually easing burden of debt relative to revenue. Throughout the projection period, the ratio remains well below the 200 percent threshold.

2. Shock Scenarios:

- i. **Shock Scenario 1 (S1_ShockRevenue):** With stronger revenue performance, the ratio starts at 106 percent in 2025 and increases to 144 percent in 2026. It then declines through the rest of the period, reaching 103 percent by 2034. The pattern shows that improved revenues help moderate the pressure on debt, even though the initial rise in 2026 is higher than the baseline.
- ii. **Shock Scenario 2 (S1_ShockExpenditure):** Expenditure pressure results in a similar starting position of 106 percent in 2025. The ratio rises to 134 percent in 2026 and then decreases steadily to 89 percent by 2034. This highlights the importance of expenditure discipline, as the improvement over time is linked to better management of spending.
- iii. **Shock Scenario 3 (S1_ShockExchangeRate):** The exchange-rate shock maintains the starting point of 106 percent in 2025 and increases to 124 percent in 2026. The ratio then falls more sharply than in most other shocks, reaching 23 percent by 2034. This shows that while the exchange-rate effect raises the ratio initially, the long-term outcome remains favourable.
- iv. **Shock Scenario 4 (S1_ShockInterestRate):**
Higher interest costs raise the ratio to 120 percent in 2026 after the 106 percent level in 2025. The ratio then drops each year, reaching 26 percent by 2034. This scenario points to the sensitivity of the debt position to interest-rate changes, although the long-term effect remains manageable.
- v. **Historical Scenario (S1_Historical):** The historical path starts at 106 percent in 2025, increases slightly to 101 percent in 2026 and then falls sharply into negative territory from 2027 onward. By 2034 the ratio reaches about negative 138 percent. This pattern reflects the strong improvements associated with past fiscal conditions and shows how earlier favourable trends would significantly reduce the debt burden.

3. **Threshold:**

The threshold of 200 percent is not breached under any of the scenarios throughout the projection period. All values remain far below the limit, which confirms that the State's debt-to-revenue position is within sustainable bounds.

Conclusion:

The analysis shows that Gombe State's debt-to-revenue ratio remains manageable across the baseline and shock scenarios. Although the ratios rise in 2026, the steady decline afterward indicates improving sustainability. Continued attention to revenue mobilisation, efficient expenditure management, and prudent handling of interest-rate and exchange-rate exposures will help maintain the debt-to-revenue ratio below the 200 percent threshold and support long-term fiscal stability.

4.7.3 Debt Service-to-Revenue

The review of Gombe State's debt service as a share of revenue from 2025 to 2034 covers the baseline, the various shock scenarios, and the sustainability benchmark of 40 percent.

1. **Baseline Scenario (S1_Baseline):**

Under the baseline path, the debt service-to-revenue ratio stands at 16 percent in 2025 and falls steadily to 7 percent by 2034. This remains well below the 40 percent threshold and shows that the State's capacity to meet its obligations is not under strain.

2. **Shock Scenarios:**

- i. **Shock Scenario 1 (S1_ShockRevenue):** Higher revenue leads to a moderate ratio that settles at 19 percent in 2034. This suggests that improved revenue performance helps absorb debt service costs.
- ii. **Shock Scenario 2 (S1_ShockExpenditure):** Lower expenditures support better debt service outcomes, with the ratio improving to 16 percent by 2034. This points to expenditure control contributing to sustainability.
- iii. **Shock Scenario 3 (S1_ShockExchangeRate):** Exchange rate pressures ease over time, and the ratio declines to 7 percent by 2034. The result remains within sustainable limits.
- iv. **Shock Scenario 4 (S1_ShockInterestRate):** Higher interest rates place some pressure on servicing costs, but the ratio still drops to 8 percent by 2034. The outcome underscores the value of securing favourable borrowing terms.
- v. **Historical Scenario (S1_Historical):** This scenario shows a continuous decline, reaching negative values by 2034. The pattern indicates that conditions similar to past fiscal outcomes would significantly reduce debt service burdens.

3. **Threshold:**

Across all scenarios, the debt service-to-revenue ratio stays within the 40 percent benchmark, which points to sustainable servicing levels.

Conclusion:

Gombe State's debt service relative to revenue remains within manageable limits in the baseline case and under all shock scenarios. The trend reflects the State's progress in controlling expenditure, strengthening revenue efforts, restructuring existing obligations, and seeking better borrowing conditions. Together, these measures support long-term fiscal stability.

4.7.4 Personnel Cost-to-Revenue

The review of Gombe State's personnel cost as a share of revenue from 2025 to 2034 covers the baseline scenario, the shock scenarios, and the 60 percent sustainability benchmark.

1. Baseline Scenario (S1_Baseline):

Under the baseline path, the personnel cost-to-revenue ratio begins at 24 percent in 2025 and falls steadily to 12 percent by 2034. The decline reflects disciplined management of personnel spending, which stays well below the 60 percent threshold throughout the period.

2. Shock Scenarios:

- i. **Shock Scenario 1 (S1_ShockRevenue):** Higher revenue produces a modest improvement in the ratio, which declines to 13 percent by 2034. This indicates that stronger revenue inflows provide some relief in managing personnel costs.
- ii. **Shock Scenario 2 (S1_ShockExpenditure):** Reduced expenditures help to stabilize the ratio, which settles at 13 percent by 2034. The level remains comfortably below the threshold, confirming that personnel costs stay within sustainable limits.
- iii. **Shock Scenario 3 (S1_ShockExchangeRate):** Exchange rate movements show a steady improvement, with the ratio falling to 11 percent by 2034. The results suggest that external economic conditions exert little negative influence on personnel cost sustainability.
- iv. **Shock Scenario 4 (S1_ShockInterestRate):**
Interest rate pressures have a similar effect, with the ratio decreasing to 11 percent by 2034. This reflects a degree of resilience to changes in borrowing costs.
- v. **Historical Scenario (S1_Historical):** The historical pattern shows a pronounced decline that reaches 0 percent by 2034. While this indicates major fiscal adjustments, such a path may imply reductions that could hinder service delivery and broader fiscal balance.

3. Threshold:

In every scenario, the personnel cost-to-revenue ratio remains well below the 60 percent benchmark. This confirms that personnel spending does not pose a fiscal risk during the projection period.

Conclusion:

The analysis shows that the personnel cost-to-revenue ratio follows a sustainable course under the baseline and all shock scenarios. Revenue growth contributes to stability, expenditure remains manageable, and external shocks exert limited pressure on the ratio. Although historical trends point to sharp declines that may affect service delivery, the State's overall adherence to the 60 percent threshold signals firm fiscal discipline. Continued attention to personnel cost control, support for essential services, and broader revenue diversification will help maintain resilience and long-term fiscal sustainability.

Chapter Five

Debt Management Strategy

5.0 Introduction

Debt Management Strategy (DMS) is an integral component of the State's Medium-Term Debt Management Framework, aimed at ensuring that borrowing decisions are guided by cost and risk considerations in achieving fiscal and development objectives. The 2025 DSA–MTDS exercise of Gombe State assesses alternative borrowing strategies to determine an optimal financing mix that minimizes the cost of debt while maintaining a prudent degree of risk over the projection period (2026–2034).

This chapter presents the detailed outcome of the debt management strategy analysis undertaken using the World Bank/DMO Debt Sustainability and Medium-Term Debt Strategy (DSA–MTDS) Template. It evaluates the performance of four alternative borrowing strategies, i.e S1 to S4, based on projected debt service, interest-to-revenue ratios, and the overall sustainability of public debt under both baseline and shock scenarios.

The analysis integrates historical fiscal data (2020–2024) and macroeconomic assumptions for 2025–2034, focusing on key indicators such as:

- i. Debt stock-to-GDP and Debt stock-to-Revenue ratios;
- ii. Debt service-to-Revenue and Interest payment-to-Revenue ratios;
- iii. Gross borrowing requirements and debt composition by source and maturity;
- iv. Sensitivity to interest rate, exchange rate, and revenue shocks.

The results of the strategy simulation provide evidence-based guidance for selecting the most appropriate financing approach for the State's medium-term fiscal and debt management objectives.

5.1 Alternative Borrowing Options

The State Government's debt sustainability and management framework for the period **2025–2034** incorporates a blend of domestic and external financing options, designed to meet the State's fiscal requirements while balancing cost and risk. The debt strategies were modeled using the **World Bank/DMO DSA-MTDS Toolkit**, with parameters derived from the State's historical and projected debt data. The planned borrowings consider multiple instruments—**commercial bank loans, state bonds, and concessional external loans**—each assessed under four strategic scenarios (S1–S4).

Baseline Strategy (S1): Balanced Domestic and Concessional Financing Mix

Under the baseline scenario (S1), Gombe State plans to rely on a combination of **domestic borrowings and limited external concessional loans**. The key borrowing instruments include commercial bank loans with both short-term (1–5 years) and long-term (6+ years) maturities, as well as State bonds.

The total planned domestic borrowing ranges from ₦55.48 billion to ₦143.15 billion in the early years of the projection period, before declining to ₦23.37 billion in the later years. The main planned issuances are ₦55.48 billion in 2025, ₦143.15 billion in 2026, and ₦124.99 billion in 2027. Long-term commercial bank loans form the largest share of the borrowing plan, including ₦40 billion in 2025, ₦52.18 billion in 2028, and ₦34.85 billion in 2032.

The **State bonds** are planned for both medium- and long-term maturities, including ₦70 billion in 2026 (5-year bonds) and ₦73.15 billion in 2027 (7-year bonds). In addition, a concessional external loan of **\$89.3 million** is planned for 2027, reflecting the State's limited but strategic engagement with external financing.

Interest rates are assumed at **35% for commercial bank loans** and **30% for State bonds**, with maturities of 3, 5, and 7 years depending on the instrument. The strategy maintains alignment between total planned borrowings and gross borrowing requirements across all years, ensuring fiscal discipline.

Alternative Strategy (S2): Focus on Long-Term Commercial Bank Loans and State Bonds

Strategy 2 (S2) prioritizes **domestic long-term borrowing**, particularly through **commercial bank loans (6+ years)** and **State bonds (6+ years)**, while excluding external financing. This approach aims to reduce foreign exchange risk and dependency on external lenders.

Planned borrowings include ₦55.48 billion in 2024 and ₦143.92 billion in 2025 through long-term commercial loans, with significant issuances of ₦195.77 billion in 2028, ₦230.56 billion in 2031, and ₦361.02 billion in 2033. Long-term State bonds (6+ years) are equally central to the strategy, with borrowings such as ₦129.19 billion in 2026, ₦100.25 billion in 2027, and ₦361.02 billion in 2033.

This strategy reflects a **progressive domestic debt market development plan**, focusing on stability through predictable domestic instruments at controlled costs. However, it also implies higher domestic refinancing risks and potential crowding out of private sector credit.

Alternative Strategy (S3): Emphasis on Domestic Debt Market through State Bonds

Strategy 3 (S3) emphasizes **the domestic debt market**, mainly through **State bonds and short-term commercial loans**. This strategy aligns with the State's intention to build investor confidence in subnational securities while spreading maturities to manage rollover risks.

Planned borrowings in this scenario include ₦55.48 billion in 2025, ₦144.32 billion in 2026, and ₦156.72 billion in 2027, largely driven by 5-year State bonds and short-term commercial bank loans. The bond issuances rise sharply in later years, with ₦269.29 billion in 2032 and ₦414.05 billion in 2034.

The average interest rate for bonds remains at **30%**, with a 5-year maturity, while commercial loans attract **35% interest** with 3-year tenors. Although this structure promotes liquidity and domestic investor participation, it also carries the risk of frequent refinancing due to the shorter maturities.

Alternative Strategy (S4): Focus on Short-Term Domestic Borrowings

Strategy 4 (S4) centers on **short-term domestic borrowing instruments**, combining **State bonds and commercial bank loans with maturities of 1–5 years**. The objective is to enhance flexibility and align borrowings with near-term fiscal pressures.

Planned borrowings include ₦55.48 billion in 2025, ₦144.32 billion in 2026, and ₦122.01 billion in 2027, with subsequent bond issuances of ₦193.72 billion in 2032 and ₦248.23 billion in 2034. The 1–5-year bonds represent about 50–60% of total financing, while longer-term instruments (6+ years) remain below 40% across most years.

This strategy supports agile fiscal management but increases **rollover and interest rate risks**, given the short maturities and high domestic interest rates.

Comparative Analysis of Strategies (S1–S4)

Across the four strategies, **total planned borrowings and gross borrowing requirements are balanced** annually, confirming compliance with debt sustainability parameters.

- **S1** represents a balanced approach with concessional external financing and diversified maturities.
- **S2** deepens reliance on long-term domestic debt to reduce currency risk.
- **S3** builds domestic investor confidence via State bonds and short-term loans.
- **S4** enhances liquidity management but heightens refinancing exposure.

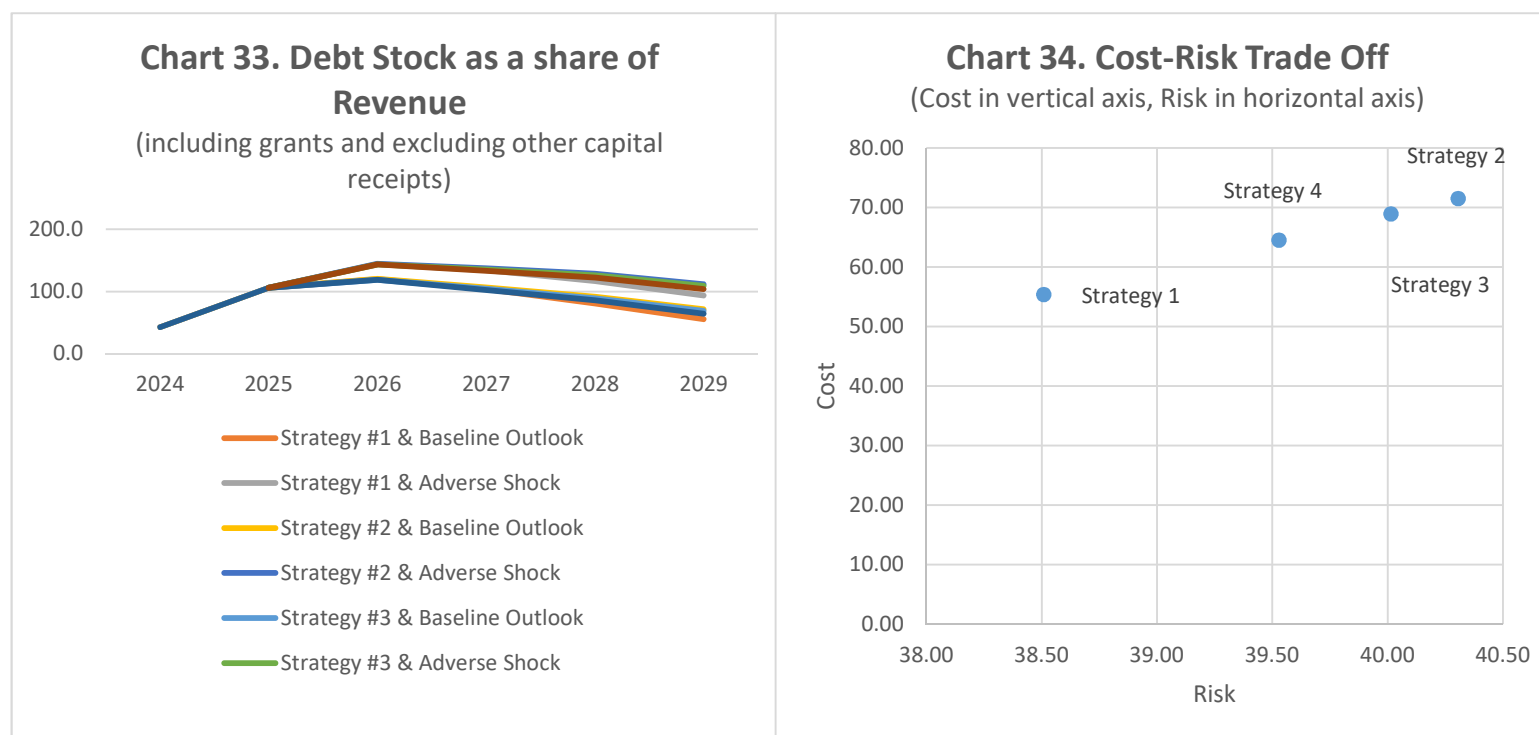
Overall, the **cost-risk trade-off** favors **S1 and S2** for long-term fiscal stability, while **S3 and S4** offer liquidity advantages. The adopted strategy will depend on market access, macroeconomic conditions, and the State's debt management capacity.

5.2 DMS Simulation Results

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

5.2.1 Debt as a share of Revenue

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



Source: Gombe State DSA/MTDS Template, 2025

The indicator measures the ratio of Gombe State's total debt stock to its total revenue (including grants but excluding other capital receipts), reflecting the State's debt burden relative to its income-generating capacity. Lower ratios indicate stronger fiscal sustainability, while higher ratios signal growing debt vulnerability.

The analysis covers four debt management strategies under both the **Baseline Outlook** and **Adverse Shock** scenarios for the period **2024–2029**, capturing trends in debt sustainability and exposure to potential fiscal risks.

1. Strategy 1 – Baseline Outlook

- The debt-to-revenue ratio begins at **42.5% in 2024**, showing a low initial debt burden.
- The ratio rises significantly to **119.8% in 2026**, indicating a temporary increase in debt exposure due to higher borrowing or slower revenue growth.
- After peaking, the ratio declines steadily, reaching 55.3% in 2029. By 2033, the risk-adjusted debt-to-revenue ratio is projected at 38.5%, reflecting a strong fiscal recovery and improved debt management.

- **Interpretation:** Strategy 1 maintains short-term borrowing pressure but demonstrates a solid medium-term adjustment path toward fiscal sustainability.

2. Strategy 1 – Adverse Shock

- Under adverse economic conditions, the ratio increases to **144.3% in 2026**, higher than the baseline, suggesting greater vulnerability.
- It improves gradually, declining to **93.8% by 2029**, but remains above the baseline trend.
- **Interpretation:** The strategy is moderately sensitive to economic shocks, with noticeable but manageable deviations under adverse conditions.

3. Strategy 2 – Baseline Outlook

- Starting at **42.5% in 2024**, the ratio increases to **120.2% in 2026**, peaking slightly higher than Strategy 1.
- After peaking, the ratio declines steadily, reaching 71.5% in 2029. By 2033, the risk-adjusted debt-to-revenue ratio is projected at 40.3%, indicating improved control of debt accumulation.
- **Interpretation:** Strategy 2 achieves a smoother reduction in debt burden over time and shows greater fiscal resilience than Strategy 1 under normal conditions.

4. Strategy 2 – Adverse Shock

- The ratio rises to **144.6% in 2026**, slightly above the Strategy 1 shock outcome, but it moderates to **111.8% in 2029**.
- **Interpretation:** Although Strategy 2 experiences higher temporary stress, it demonstrates gradual improvement, maintaining long-term debt sustainability under shocks.

5. Strategy 3 – Baseline Outlook

- Beginning at **42.5% in 2024**, the ratio rises to **119.0% in 2026** before steadily falling to **68.9% in 2029** and **40.0% by 2033**.
- The trend indicates controlled debt growth followed by effective consolidation.
- **Interpretation:** Strategy 3 presents a balanced and steady fiscal trajectory, combining manageable borrowing with sustained revenue growth.

6. Strategy 3 – Adverse Shock

- The ratio reaches **143.3% in 2026** and gradually declines to **108.9% in 2029**, mirroring Strategy 2's performance under shocks.
- **Interpretation:** Strategy 3 shows slightly better stability under stress, confirming its strength in managing debt vulnerabilities through improved fiscal discipline.

7. Strategy 4 – Baseline Outlook

- Starting at **42.5% in 2024**, the ratio peaks at **119.0% in 2026**, similar to Strategy 3.
- It then improves more sharply to **64.5% in 2029** and **39.5% by 2033**, marking the most consistent decline among all strategies.
- **Interpretation:** Strategy 4 reflects the strongest fiscal discipline under baseline conditions, indicating efficient debt control and faster convergence to sustainability.

8. Strategy 4 – Adverse Shock

- The ratio increases to **143.3% in 2026**, but improves steadily to **104.0% in 2029**.
- **Interpretation:** Even under shocks, Strategy 4 maintains one of the lowest debt-to-revenue ratios, suggesting high resilience and effective management of fiscal risks.

Across all strategies, the **Debt Stock as a share of Revenue** initially rises between **2025 and 2026**, driven by transitional fiscal pressures, before declining steadily through **2029 and beyond**.

- Under the **Baseline Outlook**, **Strategies 3 and 4** demonstrate superior performance, combining lower long-term ratios with steady improvements.
- Under **Adverse Shock** conditions, all strategies show increased debt vulnerability, but **Strategy 4** remains the most resilient.

Overall, Gombe State's debt position remains **sustainable**, with strong prospects for further improvement if current fiscal reforms, revenue diversification, and debt management practices continue.

5.2.2 Debt Services/Revenue

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

Chart 37. Debt Service as a share of Revenue
(including grants and excluding other capital receipts)

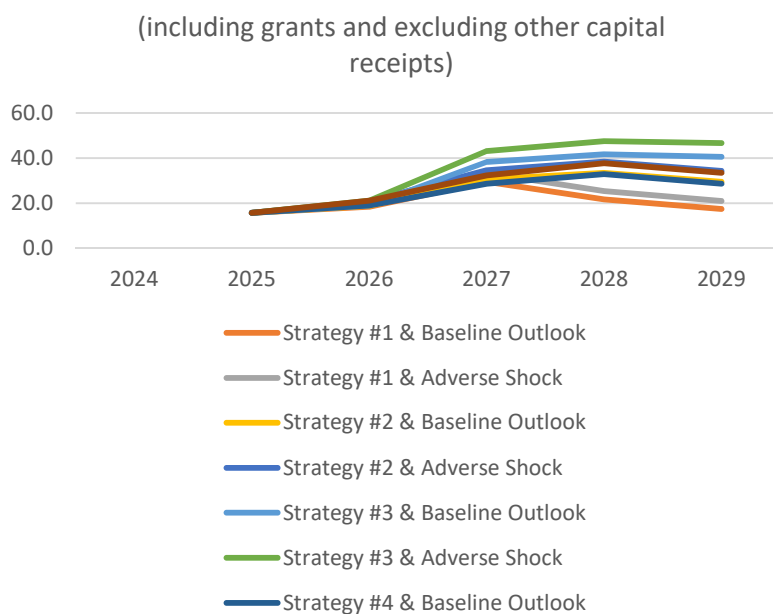
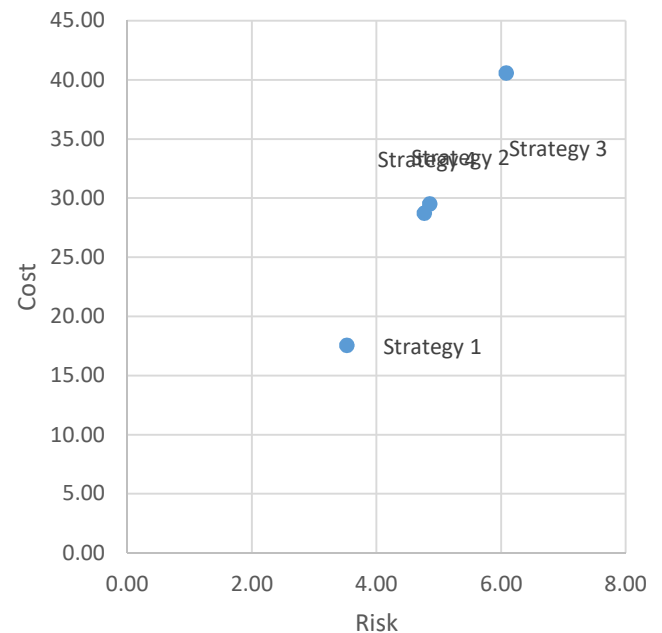


Chart 38. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)



Source: Gombe State DSA/MTDS Template, 2025

This indicator measures the proportion of Gombe State's total revenue allocated to servicing its debt obligations (interest and principal payments). A lower debt service-to-revenue ratio indicates stronger fiscal flexibility and sustainability, while higher ratios suggest growing repayment pressure and reduced fiscal space for capital or social spending.

The analysis evaluates the performance of the four debt management strategies under both **Baseline Outlook** and **Adverse Shock** scenarios for the period **2024–2029**. The results provide insights into the State's ability to manage debt repayment commitments and maintain fiscal balance under varying economic conditions.

1. Strategy 1 – Baseline Outlook

- The ratio begins at **15.8% in 2024**, indicating a moderate debt service burden relative to total revenue.
- It rises to **29.5% in 2026**, signaling a temporary increase in repayment obligations, possibly due to maturing debts or new borrowings.
- The ratio declines steadily thereafter, reaching 17.5% in 2028. By 2029, the risk-adjusted debt-to-revenue ratio is projected at 3.5%, reflecting strong debt reduction and improved fiscal management.

- **Interpretation:** Strategy 1 demonstrates strong long-term fiscal sustainability, as the debt service burden declines steadily after a mid-term peak, freeing up fiscal resources for development priorities.

2. Strategy 1 – Adverse Shock

- Under adverse economic conditions, the ratio rises more sharply to **33.4% in 2026** and then gradually declines to **21.1% in 2028**.
- The increase during the early years reflects heightened vulnerability to revenue fluctuations or higher interest costs.
- **Interpretation:** Despite temporary stress, Strategy 1 shows resilience, with debt service pressures easing toward the end of the projection period.

3. Strategy 2 – Baseline Outlook

- The ratio begins at **15.8% in 2024** and climbs to **30.7% in 2026**, slightly higher than Strategy 1.
- It rises to 33.6% in 2027 before declining to 29.5% in 2028, with the risk-adjusted debt-to-revenue ratio projected at 4.9% in 2029.
- **Interpretation:** Although Strategy 2 experiences higher near-term debt service costs, it demonstrates an effective downward adjustment toward 2029, suggesting improved fiscal control and repayment management in the long run.

4. Strategy 2 – Adverse Shock

- The ratio increases notably to **34.7% in 2026**, peaking at **38.5% in 2027**, before gradually declining to **34.4% in 2028**.
- **Interpretation:** Under shock conditions, Strategy 2 faces elevated repayment pressures. However, the manageable decline by 2028 suggests that with effective refinancing and revenue stabilization, the State can maintain debt service sustainability.

5. Strategy 3 – Baseline Outlook

- Starting at **15.8% in 2024**, the ratio rises steeply to **38.4% in 2026** and peaks at **41.8% in 2027**, remaining relatively high through **2028 (40.6%)** before falling to **6.1% in 2029**.
- **Interpretation:** Strategy 3 faces the highest short- to medium-term debt service pressure among the baseline strategies, but its later-year sharp improvement indicates effective restructuring or repayment strategies toward 2029.

6. Strategy 3 – Adverse Shock

- The ratio rises to **43.2% in 2026** and further to **47.6% in 2027**, remaining elevated through **2028 (46.7%)**.

- **Interpretation:** Under shocks, Strategy 3 exhibits significant fiscal vulnerability due to increased debt service obligations. This highlights the importance of maintaining debt restructuring flexibility and strengthening revenue mobilization to cushion external shocks.

7. Strategy 4 – Baseline Outlook

- The ratio begins at **15.8% in 2024** and rises to **28.7% in 2026**, lower than most other strategies.
- It stabilizes around **32.9% in 2027**, then improves to **28.7% in 2028** and drops significantly to **4.8% in 2029**.
- **Interpretation:** Strategy 4 demonstrates the best balance between short-term debt servicing and long-term sustainability under the baseline. The steady decline after 2027 indicates prudent debt management and growing fiscal space.

8. Strategy 4 – Adverse Shock

- The ratio climbs to **32.4% in 2026** and peaks at **37.8% in 2027**, before moderating to **33.5% in 2028**.
- **Interpretation:** Although external shocks increase the debt service burden, Strategy 4 remains relatively stable compared to others, showcasing its strong resilience and effective repayment strategy under fiscal stress.

The **Debt Service-to-Revenue** analysis reveals that all strategies experience a mid-term rise (2025–2027) before stabilizing toward **2029**.

- Under **Baseline Outlook**, **Strategy 4** achieves the most consistent and sustainable trajectory, combining manageable service costs with long-term fiscal improvement.
- Under **Adverse Shock**, **Strategies 1 and 4** show greater resilience, maintaining lower repayment pressure compared to Strategies 2 and 3.

Overall, Gombe State's debt service position remains **sustainable**. Continued efforts to strengthen Internally Generated Revenue (IGR), adopt concessional borrowing, and improve debt portfolio composition will further enhance the State's ability to service its debt without compromising essential public investments.

5.2.3 Interest/Revenue

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

Chart 41. Interest as % of Revenue
(including grants and excluding other capital receipts)

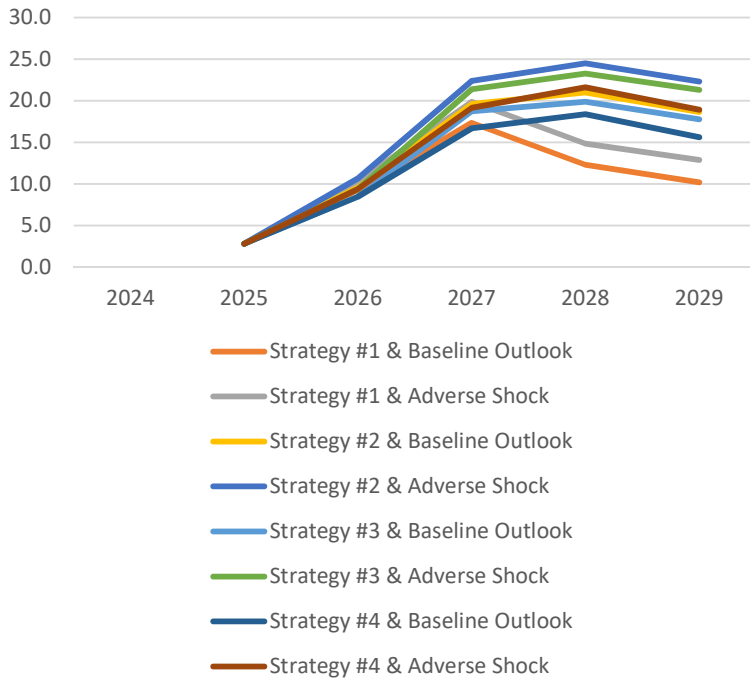
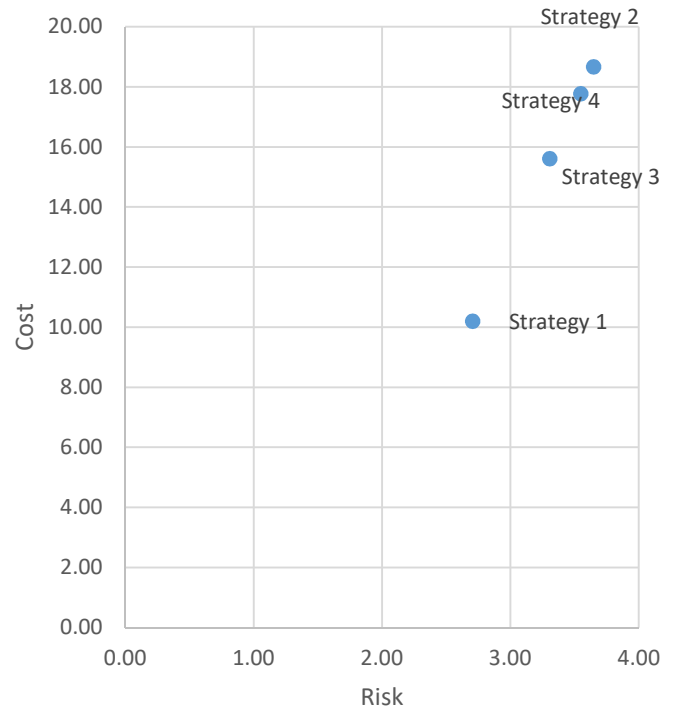


Chart 42. Cost-Risk Trade Off
(Cost in vertical axis, Risk in horizontal axis)



Source: Gombe State DSA/MTDS Template, 2025

This indicator assesses the proportion of Gombe State's total revenue committed to interest payments on debt. It serves as a key measure of the **cost of borrowing** and the **fiscal burden of debt servicing**. A lower interest-to-revenue ratio reflects effective debt management and a healthy debt portfolio, while a higher ratio indicates growing fiscal pressure and reduced flexibility for development expenditure.

The analysis examines the performance of four strategies under both **Baseline Outlook** and **Adverse Shock** scenarios for the period **2024–2029**, focusing on how the State's interest obligations evolve over time.

1. Strategy 1 – Baseline Outlook

- The ratio begins at **2.8% in 2024**, representing a modest share of revenue allocated to interest payments.
- It rises sharply to **17.3% in 2026**, indicating increased interest obligations due to new borrowings or higher interest rates.
- By **2028**, the ratio declines to **10.2%**, and further reduces to **2.7% in 2029**, showing significant improvement in debt servicing costs.

- **Interpretation:** Under the baseline scenario, Strategy 1 demonstrates a short-term rise in borrowing costs followed by a steady reduction, suggesting improved debt sustainability and effective cost management toward the end of the period.

2. Strategy 1 – Adverse Shock

- The ratio increases from **2.8% in 2024** to **19.9% in 2026**, peaking due to adverse fiscal or economic conditions.
- It later moderates to **12.9% in 2028**, though still higher than under the baseline scenario.
- **Interpretation:** Strategy 1 shows moderate vulnerability to economic shocks. While interest obligations increase substantially under pressure, the long-term outlook remains manageable as the ratio stabilizes toward the later years.

3. Strategy 2 – Baseline Outlook

- The ratio starts at **2.8% in 2024** and climbs steeply to **19.6% in 2026**, peaking further at **21.0% in 2027**.
- It then improves, declining to **18.7% in 2028** and **3.6% in 2029**.
- **Interpretation:** Strategy 2 exhibits higher short-term interest costs than Strategy 1, reflecting a more aggressive borrowing structure. However, the sharp decline by 2029 indicates that interest payments become more manageable over time, suggesting better fiscal recovery and reduced cost of borrowing in the long term.

4. Strategy 2 – Adverse Shock

- Interest payments rise significantly to **22.4% in 2026**, reaching **24.5% in 2027**, before easing slightly to **22.3% in 2028**.
- **Interpretation:** Strategy 2 shows substantial sensitivity to shocks, with elevated interest burdens over multiple years. The persistence of high ratios suggests a need for improved debt restructuring and lower-cost financing instruments to safeguard fiscal stability.

5. Strategy 3 – Baseline Outlook

- The ratio begins at **2.8% in 2024**, rising to **18.7% in 2026**, and peaking at **19.9% in 2027**.
- It gradually declines to **17.8% in 2028**, and further to **3.5% in 2029**, indicating relief from interest pressure toward the end of the forecast.
- **Interpretation:** Strategy 3 balances borrowing and repayment efficiently, maintaining moderate interest costs across the period. The late-year decline indicates effective management of the debt portfolio, possibly through refinancing or the maturity of higher-interest loans.

6. Strategy 3 – Adverse Shock

- Under adverse conditions, interest obligations rise to **21.4% in 2026** and **23.3% in 2027**, maintaining a high level through **2028 (21.3%)**.
- **Interpretation:** Strategy 3, while generally stable, still experiences a notable increase in interest costs under stress conditions. However, the consistent pattern implies predictable management of interest payments even in challenging circumstances.

7. Strategy 4 – Baseline Outlook

- Starting at **2.8% in 2024**, the ratio grows moderately to **16.7% in 2026** and **18.4% in 2027**, before declining to **15.6% in 2028** and **3.3% in 2029**.
- **Interpretation:** Strategy 4 records the lowest average interest burden among all baseline scenarios, demonstrating efficient cost control and a stable financing structure. The gradual decline reflects prudent borrowing and effective interest rate management.

8. Strategy 4 – Adverse Shock

- The ratio rises to **19.2% in 2026**, peaks at **21.6% in 2027**, and declines to **18.9% in 2028**.
- **Interpretation:** Even under economic stress, Strategy 4 maintains a moderate interest-to-revenue ratio compared to other strategies, highlighting its robustness and effective mitigation of borrowing costs.

Across all scenarios, the **Interest-to-Revenue** ratio demonstrates a common pattern of rising mid-term interest costs (2025–2027) followed by substantial improvement toward **2029**.

- Under **Baseline Outlook**, **Strategy 4** stands out as the most cost-effective and stable, offering the lowest average interest burden with a steady downward trend.
- Under **Adverse Shock**, **Strategies 1 and 4** remain comparatively resilient, maintaining more manageable interest obligations than Strategies 2 and 3.

Overall, the analysis indicates that Gombe State's debt cost profile is **sustainable**, with long-term fiscal relief expected as high-interest obligations mature. Strengthening debt management practices, adopting concessional borrowing, and diversifying financing sources will further stabilize interest payments and enhance fiscal resilience over time.

5.2.4 DMS Assessment

The formulation of Gombe State's Debt Management Strategy (DMS) for the 2025–2034 period combines both **quantitative analysis** and **practical feasibility considerations**. While the analytical results of the Debt Sustainability and Medium-Term Debt Strategy (DSA-MTDS) indicate that **Strategy 3 (S3)** delivers marginally better outcomes in terms of cost and risk, its

dependence on frequent access to the capital market for bond issuance poses implementation challenges.

Given Gombe State's evolving fiscal environment, limited exposure to the domestic bond market, and existing banking relationships for concessional and infrastructure-related loans, the State has adopted **Strategy 4 (S4)** as the **preferred and most implementable option** for the medium term.

1. Cost and Risk Assessment

The cost and risk indicators across all strategies show that Gombe State's debt remains sustainable under the baseline scenario, but Strategy 4 provides the most balanced combination of **affordability, predictability, and implementability**.

Under the **Baseline Outlook**, Strategy 4 achieves:

- **Debt Stock as % of Revenue:** Declines steadily from **106.1% in 2025** to **39.5% in 2029**, indicating progressive debt reduction and fiscal consolidation.
- **Debt Service as % of Revenue:** Reduces from **19.0% in 2025** to **4.8% in 2029**, showing effective debt servicing management.
- **Interest as % of Revenue:** Drops from **8.4% in 2025** to **3.3% in 2029**, reflecting a decreasing interest burden due to improved debt mix and lower-cost borrowing.

Under the **Adverse Shock Scenario**, the State's debt indicators remain within acceptable thresholds, with **Debt Stock-to-Revenue** peaking at **104.0% in 2028**, reaffirming the resilience of Strategy 4 to revenue or macroeconomic shocks.

2. Cost–Risk Trade-offs

Strategy 4 strikes the right balance between cost and risk. Although its long-term borrowing costs are slightly higher than Strategy 3's, it offers **lower refinancing risk** and **greater portfolio stability** by focusing on debt instruments with **medium to long-term maturities**.

The strategy limits exposure to short-term and high-interest obligations, relying instead on a blend of **commercial bank loans** (for infrastructure, agriculture, and MSME support) and **State bonds** with maturities of six years or longer. This approach ensures a predictable repayment schedule while maintaining fiscal flexibility.

3. Composition of Borrowing Instruments

Under Strategy 4, the composition of debt instruments is structured to support both developmental priorities and fiscal sustainability:

- **Commercial Bank Loans (≥ 6 years maturity):** These include concessional or structured facilities from domestic banks such as **Agric Loans, Infrastructure Loans,** and **MSMEDF facilities**. They provide accessible funding for key sectors without overexposure to market volatility.
- **State Bonds (≥ 6 years maturity):** Used selectively to finance large-scale capital projects when conditions are favorable. Rather than annual issuances, the State plans **occasional bond placements** aligned with project pipelines and debt sustainability benchmarks.

This mix provides a **diversified, cost-effective, and implementable borrowing framework**, supporting growth while maintaining debt sustainability.

4. Feasibility and Implementation Capacity

Strategy 4 is grounded in the State's **institutional capacity and fiscal reality**. It aligns with the operational experience of the **Debt Management Agency (DMA)** and leverages established partnerships with commercial banks and development institutions.

Unlike Strategy 3, which heavily depends on consistent access to the capital market, Strategy 4 allows for **gradual and controlled borrowing**, limiting exposure to market-driven refinancing pressures. This makes it more compatible with the State's **budgetary processes, cash flow dynamics**, and **institutional readiness**.

5. Sensitivity to Shocks

The State's debt sustainability remains stable under simulated adverse conditions. Strategy 4's resilience to shocks—such as FAAC fluctuations, exchange rate movements, and interest rate hikes—demonstrates its robustness. The moderate borrowing pace and focus on long-term maturities reduce the likelihood of liquidity pressures or debt distress during periods of macroeconomic instability.

6. Debt Service and Personnel Cost Ratios

Under Strategy 4, both the **Debt Service-to-Revenue** and **Personnel Cost-to-Revenue** ratios remain comfortably below the policy thresholds through 2033. This allows the State to maintain sufficient fiscal space for capital investments and social spending, ensuring debt service obligations do not crowd out developmental priorities.

Conclusion

Based on the comprehensive assessment of cost-risk indicators, debt composition, and implementation feasibility, **Strategy 4 (S4)** is adopted as the **preferred Debt Management Strategy** for Gombe State for the period 2025–2034.

While **Strategy 3** presents slightly lower numerical costs, its reliance on regular capital market access renders it less practical in the State's current context. **Strategy 4**, on the other hand, provides a prudent, flexible, and executable pathway that blends long-term commercial bank loans with selective State bond issuances, minimizing refinancing and market risks.

The success of this strategy will depend on:

- Continued efforts to **enhance Internally Generated Revenue (IGR)** through fiscal reforms;
- **Diversifying the revenue base** beyond oil-related FAAC allocations;
- Ensuring **strict adherence to borrowing guidelines** and prioritization of concessional debt; and
- Strengthening the capacity of the **Debt Management Agency (DMA)** for debt recording, analysis, and reporting.

In summary, **Strategy 4** offers a well-balanced and sustainable framework that reflects both the analytical evidence and the practical realities of Gombe State's fiscal operations. It promotes fiscal stability, strengthens debt sustainability, and supports the State's development objectives in the medium to long term.

Annexes

Annex I: Table Assumption

		Projection Methodology	Source
Assumptions:			
Economic activity	State GDP (at current prices)	The projected GDP from 2026-2028 was calculated based on the National GDP, using a price of \$80.21 per barrel, with average changes factored in from National GDP trends. From 2028 to 2033, projections assume steady improvement in economic performance, further bolstered by historical trends and fiscal policies.	Word Bank/DMO Estimate
Revenue	Revenue		
	1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	Estimated using elasticity forecasts based on national macroeconomic assumptions in the Federal Government's MTEF/FSP for 2026-2028, and historical revenue flows linked to the National GDP and inflation. Gross Statutory Allocation stood at N15 billion in the early period, rising to N52 billion by the end, reflecting federal revenue flows. Future projections from 2028-2034 anticipate an average increase tied to improving national economic conditions.	Audited Financial Report/ MTEF
	1.a. of which Net Statutory Allocation ('net' means of deductions)	After deductions, the net allocation mirrored the gross figures, as no deductions were reported during the period under review.	
	1.b. of which Deductions		
	2. Derivation (if applicable to the State)	Not applicable to the State for the period under review.	
	3. Other FAAC transfers (exchange rate gain, augmentation, others)	Including exchange rate gains and statutory augmentations, the transfers recorded an exceptional peak of N252 billion in 2024. However, in line with prevailing fiscal prudence and the need to align with more realistic revenue expectations, the 2025 budget was conservatively set at N52 billion. This approach reflects the State's cautious stance, given the uncertainty surrounding the sustainability of such high inflows. The underlying assumption is that while federal fiscal policies and external factors previously created favorable conditions, future projections are built on a moving average approach that accounts for expected economic moderation. Accordingly, estimates for the projection period have been structured around a moderate growth path, balancing optimism with fiscal realism.	Audited Financial Report/ MTEF
	4. VAT Allocation	VAT allocation increased from N50 billion to N425 billion, this increment was supported by national tax reforms and a progressive VAT increment to 10% in 2025 and 12.5% in 2026, 2027 & 2028. Future projections from 2028-2033 propose gradual growth based on changes in Progressive VAT Rate, GDP and inflation, following similar trends from 2025-2027.	Audited Financial Report/ MTEF
	5. IGR	IGR rose steadily from N25.6 billion to N90 billion, reflecting ongoing revenue reforms. Key drivers included improved tax administration, implementation of the Treasury Single Account (TSA), and harmonization of tax policies. Future increases will depend on the successful execution of reforms such as tax base expansion and leakage prevention.	Audited Financial Report/ MTEF
	6. Capital Receipts		Audited Financial Report/ MTEF
	6.a. Grants	Insignificant inflows from capital receipts stood at N5 billion, driven by grants and loans. Future projections also stood at the N5 billion.	Audited Financial Report/ MTEF
	6.b. Sales of Government Assets and Privatization Proceeds		
	6.c. Other Non-Debt Creating Capital Receipts		
Expenditure	Expenditure		
	1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	Personnel costs rose from N40.2 billion to N141 billion, primarily due to minimum wage and new public service appointments. From 2028-2033, personnel expenses are expected to increase, tied to ongoing public sector reforms and national minimum wage adjustments to Seventy Thousand Naira Minimum wage policy.	Audited Financial Report/ MTEF
	2. Overhead costs	The State overhead costs increased exponentially in 2024 from N19.3 billion to N26.8 billion, but the government plan to reduce cost of governance in 2025 where N19 billion was budgeted, this was due to the shift of government spending to capital investment. Whereas from 2029 to 2034 an average increase was proposed, derived from the average percentage of 2026 to 2028 amount which is based on MTEF 2026-2028 and the increment was proposed because of day to day running of Government activities.	Audited Financial Report/ MTEF
	3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	Based on the amortization schedules of public debt, interest payments, including FAAC deductions, remained manageable at N8,744.1 million. Future projections will follow the debt repayment schedules in place.	Audited Financial Report/ MTEF/Amortization Schedule
	4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	Other recurrent expenses increased from N10 billion to N44 billion, covering essential government services. These costs are projected to rise gradually, based on historical spending patterns and service demands.	
	5. Capital Expenditure	Capital spending rose sharply from N253 billion to N940 billion, driven by investments in critical infrastructure such as roads, healthcare, and education. From 2029-20334, capital expenditure will continue to grow as the State embarks on new developmental projects and with expectation of increase in the revenue generation, the average percentage of 2026 to 2028 amount is based on 2026-2028 MTEF and the State intend to embark more developmental projects therefore capital expenditure will grow during the period.	Audited Financial Report/ MTEF
Closing Cash and Bank Balance	Closing Cash and Bank Balance	The closing balance increased due to higher-than-expected FAAC allocations, peaking in 2024. Future projections for the cash balance from 2029-2034 was based on the projected revenue and expenditure, and also in line with prior trends and projected budgetary performance.	Audited Financial Report/ MTEF
Debt Amotization and Interest Payments	Debt Outstanding at end-2024		
	External Debt - amortization and interest	External debt, mostly concessional loans from the World Bank and African Development Bank, carried low interest rates (average of 5%) and long-term repayment plans of 30 years.	Audited Financial Report/ MTEF/Amortization Schedule
	Domestic Debt - amortization and interest	Domestic debt, primarily from commercial banks, averaged interest rates of 35%, with bonds ranging at 30%. Future amortization schedules are factored into the budget.	Audited Financial Report/ MTEF/Amortization Schedule
	New debt issued/contracted from 2025 onwards		
	New External Financing		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State Government is planning to borrow \$88.9 million in the projection period 2025 to 2034 at a concessional interest rate of 5% with 20 years maturity period and 5 years grace period.	Audited Financial Report/ MTEF/Amortization Schedule
	External Financing - Bilateral Loans	The State has no any plan for Bilateral loans	Audited Financial Report/ MTEF/Amortization Schedule
	Other External Financing	No Plan for other external financing	Audited Financial Report/ MTEF/Amortization Schedule
	New Domestic Financing		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	For commercial bank loans, those with a maturity of 1 to 5 years include N281,655.8 million under Strategy 1 at a 35% interest rate, and N81,057.6 million under Strategy 2 (no interest rate provided), while Strategies 3 and 4 indicate no planned borrowings.	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	For loans with a maturity of 6 years or longer, Strategy 1 includes N313,183.5 million at a 35% interest rate, Strategy 3 plans for N81,057.6 million (no interest rate provided), and Strategies 2 and 4 show no planned borrowings.	Audited Financial Report/ MTEF
	State Bonds (maturity 1 to 5 years)	In terms of state bonds, the maturity of 1 to 5 years sees Strategy 1 planning for N170,000 million at a 30% interest rate and Strategy 2 planning for N1,181,989.4 million at the same interest rate. Strategies 3 and 4 indicate no planned borrowings in this category.	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	For bonds with a maturity of 6 years or longer, Strategy 1 includes N476,130.6 million at a 30% interest rate, while Strategies 2 and 3 plan for N890,628.8 million and N625,163.7 million respectively (no interest rates provided).	Audited Financial Report/ MTEF
	Other Domestic Financing	No plan of borrowing for Other Domestic Financing	Audited Financial Report/ MTEF

Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S1	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S1		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State plans to borrow a total of ₦23 billion at 35% interest rate with an average maturity period of 3 years within the projection period of 2025–2034 for Strategy S1.	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State plans to borrow a total of ₦127 billion at 35% interest rate with an average maturity period of 7 years within the projection period of 2025–2034 for Strategy S1.	Audited Financial Report/ MTEF
	State Bonds (maturity 1 to 5 years)	The State plans to borrow a total of ₦114 billion at 30% interest rate with an average maturity period of 5 years for Strategy S1 within the projection period of 2025–2034.	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	The State plans to borrow a total of ₦181 billion at 30% interest rate with an average maturity period of 7 years for Strategy S1 within the projection period of 2025–2034.	Audited Financial Report/ MTEF
	Other Domestic Financing	No plan for other domestic financing	Audited Financial Report/ MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State Government is planning to borrow externally a total of \$89.3 million at an average interest rate of 5% with a 20-year maturity period and 5 years grace period within the projection period of 2025–2034 for Strategy S1.	Audited Financial Report/ MTEF
	External Financing - Bilateral Loans	The State has no any plan for Bilateral loans	Audited Financial Report/ MTEF
	Other External Financing	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S2	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S2		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has no plan to borrow in this strategy	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State plans to borrow ₦55 billion, ₦144 billion, ₦107 billion, ₦196 billion and ₦269 billion in 2025, 2026, 2028, 2031 and 2033 respectively, making a total of ₦772 billion in the projection period 2025–2034.	Audited Financial Report/ MTEF
	State Bonds (maturity 1 to 5 years)	The State has no plan to borrow in this strategy	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	The State plans to borrow ₦129 billion, ₦100 billion, ₦127 billion, ₦231 billion and ₦361 billion in 2027, 2029, 2030, 2032 and 2034 respectively, making a total of ₦948 billion in the projection period 2025–2034.	Audited Financial Report/ MTEF
	Other Domestic Financing	The State has no plan to borrow in this strategy	Audited Financial Report/ MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	External Financing - Bilateral Loans	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	Other External Financing	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S3	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S3		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State plans to borrow ₦144 billion, ₦235 billion, and ₦414 billion in 2026, 2028, 2031 and 2034 respectively, making a total of ₦939 billion in the projection period 2025–2034.	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has no plan to borrow from commercial bank for 1-5yrs in this strategy	Audited Financial Report/ MTEF
	State Bonds (maturity 1 to 5 years)	The State plans to borrow ₦55 billion, ₦156 billion, ₦171 billion, ₦165 billion, ₦269 billion and ₦301 billion in 2025, 2027, 2029, 2030, 2032 and 2033 respectively, making a total of ₦1,119 billion in the projection period 2025–2034.	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	The State has no plan to borrow from State bond for 1-5yrs in this strategy	Audited Financial Report/ MTEF
	Other Domestic Financing	The State has no plan to borrow from other domestic financing in this strategy	Audited Financial Report/ MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	External Financing - Bilateral Loans	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	Other External Financing	The State has no plan to borrow from other external in this strategy	Audited Financial Report/ MTEF
Proceeds from Debt-Creating Borrowings corresponding to Debt Strategy S4	Planned Borrowings (new bonds, new loans, etc.) for Debt Strategy S4		
	New Domestic Financing in Million Naira		
	Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has no plan to borrow from 1-5yrs in this strategy	Audited Financial Report/ MTEF
	Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	The State has no plan to borrow from commercial bank for the period of 6yrs or longer in this strategy	Audited Financial Report/ MTEF
	State Bonds (maturity 1 to 5 years)	The State plans to borrow ₦55 billion, ₦122 billion, ₦104 billion, ₦169 billion, ₦194 billion and ₦248 billion in 2025, 2027, 2028, 2031, 2032 and 2034 respectively, making a total of ₦893 billion in the projection period 2025–2034.	Audited Financial Report/ MTEF
	State Bonds (maturity 6 years or longer)	The State plans to borrow ₦144 billion, ₦95 billion, ₦117 billion and ₦212 billion in 2026, 2029, 2030 and 2033 respectively, making a total of ₦569 billion in the projection period 2025–2034.	Audited Financial Report/ MTEF
	Other Domestic Financing	The State has no plan to borrow through bonds in this strategy for the period of 6 and above years	Audited Financial Report/ MTEF
	New External Financing in Million US Dollar		
	External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	External Financing - Bilateral Loans	The State has no plan to borrow externally in this strategy	Audited Financial Report/ MTEF
	Other External Financing	The State has no plan to borrow other external financing in this strategy	Audited Financial Report/ MTEF

Annex II: Historical and projections of the S1_Baseline Scenario

Indicator	Actuals					Projections									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	BASELINE SCENARIO														
Economic Indicators															
State GDP (at current prices)	1,787,083.21	2,039,914.70	2,344,490.79	2,715,930.73	3,214,891.55	3,731,376.01	4,279,802.89	4,918,580.65	5,700,163.93	6,342,144.90	7,056,428.97	7,851,159.28	8,735,396.09	9,719,220.08	10,813,847.24
Exchange Rate NGN/US\$ (end-Period)	305.80	306.50	326.00	379.00	1,300.00	1,602.69	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00
Fiscal Indicators (Million Naira)															
Revenue	80,713.90	82,609.99	176,400.62	152,839.73	343,884.00	233,408.87	390,353.26	488,164.83	526,038.52	671,101.19	788,350.00	942,184.58	1,027,382.90	1,140,981.06	1,241,304.38
1. Gross Statutory Allocation ('gross' means with no deductions; do not include VAT Allocation here)	32,076.46	32,166.05	35,757.43	30,176.11	14,202.80	15,000.00	22,500.00	33,750.00	50,625.00	75,937.50	91,125.00	109,350.00	131,220.00	157,464.00	188,956.80
1.a. of which Net Statutory Allocation ('net' means of deductions)	32,076.46	32,166.05	35,757.43	30,176.11	14,202.80	15,000.00	17,250.00	19,837.50	22,813.13	26,235.09	30,170.36	34,695.91	39,900.30	45,885.34	52,768.14
1.b. of which Deductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Derivation (if applicable to the State)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other FAAC transfers (exchange rate gain, augmentation, others)	3,831.96	3,570.52	14,540.05	48,908.78	210,588.20	55,250.00	82,875.00	124,312.50	186,468.75	242,409.38	290,891.25	334,524.94	384,703.68	442,409.23	464,529.69
4. VAT Allocation	13,377.88	18,999.82	23,070.22	31,408.98	61,427.60	50,000.00	87,500.00	144,375.00	168,750.00	253,125.00	291,093.75	334,757.81	368,233.59	405,056.95	425,309.80
5. IGR	8,637.43	10,023.30	13,223.27	15,179.05	21,947.90	25,660.25	29,509.28	33,935.67	39,026.03	44,879.93	51,611.92	59,353.71	68,256.76	78,495.28	90,269.57
6. Capital Receipts	22,790.20	17,850.31	89,809.66	27,166.81	35,717.50	87,498.63	167,968.98	151,791.66	81,168.74	54,749.38	63,628.09	104,198.12	74,968.86	57,555.60	72,238.52
6.a. Grants	13,829.10	5,731.20	14,986.74	21,602.70	2,970.50	20,020.00	19,822.00	21,804.20	23,984.62	26,383.08	29,021.39	31,923.53	35,115.88	38,627.47	42,490.22
6.b. Sales of Government Assets and Privatization Proceeds	5,551.13	7,949.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.c. Other Non-Debt Creating Capital Receipts	3,410.00	4,169.91	13,905.84	5,564.12	10,089.50	12,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
6.d. Proceeds from Debt-Creating Borrowings (bond issuance, loan disbursements, etc.)	0.00	0.00	60,917.07	0.00	22,657.50	55,478.63	143,146.98	124,987.46	52,184.12	23,366.30	29,606.69	67,274.59	34,852.98	13,928.13	24,748.30
Expenditure	76,726.71	89,512.78	155,588.54	161,730.51	253,667.70	349,872.77	390,353.26	488,164.83	526,038.52	631,101.19	768,350.00	942,184.58	1,027,382.90	1,130,981.06	1,241,304.38
1. Personnel costs (Salaries, Pensions, Civil Servant Social Benefits, other)	18,775.90	21,437.75	29,161.29	31,272.93	38,071.90	40,279.80	46,321.77	53,270.04	61,260.54	70,449.62	81,017.07	93,169.63	107,145.07	123,216.83	141,699.35
2. Overhead costs	18,273.60	16,506.27	21,504.61	19,375.16	26,864.10	19,179.70	20,138.69	21,145.62	22,202.90	23,313.05	24,478.70	25,702.63	26,987.76	28,337.15	29,754.01
3. Interest Payments (Public Debt Charges, including interests deducted from FAAC Allocation)	4,800.01	6,776.85	8,744.11	5,811.09	5,616.20	4,636.87	22,453.16	62,129.37	57,740.59	65,519.41	61,137.59	54,841.03	57,320.02	52,238.66	43,842.02
3.a. of which Interest Payments (Public Debt Charges, excluding interests deducted from FAAC Allocation)	616.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.b. of which Interest deducted from FAAC Allocation	4,183.33	6,776.85	8,744.11	5,811.09	5,616.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Other Recurrent Expenditure (Excluding Personnel Costs, Overhead Costs and Interest Payments)	0.00	0.00	8,874.90	9,367.67	13,899.20	10,319.20	12,383.04	14,859.65	17,831.58	21,397.89	25,677.47	29,529.09	33,958.46	39,052.22	44,910.06
5. Capital Expenditure	29,033.40	31,576.47	59,142.50	88,801.22	156,729.20	253,897.80	266,592.69	293,251.96	322,577.15	403,221.44	524,187.88	681,444.24	749,588.66	839,539.30	940,284.02
6. Amortization (principal) payments	5,843.80	13,215.43	28,161.13	7,102.45	12,487.10	21,559.41	22,463.91	43,508.20	44,425.75	47,199.77	51,851.30	57,497.96	52,382.92	48,596.89	40,814.92
Budget Balance ('+' means surplus, '-' means deficit)	3,987.19	-6,902.78	20,812.08	-8,890.79	90,216.30	-116,463.90	0.00	0.00	0.00	40,000.00	20,000.00	0.00	0.00	10,000.00	0.00
Opening Cash and Bank Balance	18,351.20	22,338.40	15,435.62	36,247.70	36,247.70	126,463.90	10,000.00	10,000.00	10,000.00	10,000.00	50,000.00	70,000.00	70,000.00	70,000.00	80,000.00
Closing Cash and Bank Balance	22,338.39	15,435.62	36,247.70	27,356.91	126,463.90	10,000.00	10,000.00	10,000.00	10,000.00	50,000.00	70,000.00	70,000.00	70,000.00	80,000.00	80,000.00
Financing Needs and Sources (Million Naira)															
Financing Needs						67,478.63	148,146.98	129,987.46	57,184.12	28,366.30	34,606.69	72,274.59	39,852.98	18,928.13	29,748.30
i. Primary balance						-157,746.26	-103,229.90	-24,349.89	44,982.22	124,352.88	98,382.20	40,064.40	69,849.96	91,907.42	54,908.64
ii. Debt service						26,196.27	44,917.08	105,637.57	102,166.34	112,719.18	112,988.89	112,338.99	109,702.94	100,835.55	84,656.94
Amortizations						21,559.41	22,463.91	43,508.20	44,425.75	47,199.77	51,851.30	57,497.96	52,382.92	48,596.89	40,814.92
Interests						4,636.87	22,453.16	62,129.37	57,740.59	65,519.41	61,137.59	54,841.03	57,320.02	52,238.66	43,842.02
iii. Financing Needs Other than Amortization Payments (e.g., Variation in Cash and Bank Balances)						-116,463.90	0.00	0.00	0.00	40,000.00	20,000.00	0.00	0.00	10,000.00	0.00
Financing Sources						67,478.63	148,146.98	129,987.46	57,184.12	28,366.30	34,606.69	72,274.59	39,852.98	18,928.13	29,748.30
i. Financing Sources Other than Borrowing						12,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
ii. Gross Borrowings						55,478.63	143,146.98	124,987.46	52,184.12	23,366.30	29,606.69	67,274.59	34,852.98	13,928.13	24,748.30
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, infrastructure Loans, and MSME/DF)						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, infrastructure Loans, and MSME/DF)						40,000.00	0.00	0.00	52,184.10	0.00	0.00	0.00	34,853.00	0.00	0.00
State Bonds (maturity 1 to 5 years)						0.00	70,000.00	0.00	0.00	0.00	29,606.70	0.00	0.00	13,928.10	0.00
State Bonds (maturity 6 years or longer)						15,478.60	73,147.00	0.00	0.00	0.00	0.00	67,274.60	0.00	0.00	24,748.30
Other Domestic Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)						0.00	0.00	124,987.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Financing - Bilateral Loans						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other External Financing						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Residual Financing						0.03	-0.02	-0.06	0.02	0.00	0.00	-0.01	-0.01	-0.02	0.03
Debt Stocks and Flows (Million Naira)															
Debt (stock)	96,915.18	89,179.21	149,912.10	109,773.07	132,138.40	176,045.46	290,250.59	371,729.85	379,488.22	355,654.75	333,410.14	343,186.77	325,656.83	290,988.07	274,921.45
External	11,192.28	10,770.44	10,589.20	20,798.44	42,896.01	51,221.74	43,291.89	166,827.51	165,375.61	163,923.70	162,471.80	161,019.89	159,567.99	149,783.59	139,999.18
Domestic	85,722.90	78,408.77	139,322.90	88,974.63	89,242.39	124,823.72	246,958.69	204,902.34	214,112.61	191,731.05	170,938.34	182,166.88	166,088.84	141,204.48	134,922.27
Gross borrowing (flow)						55,478.63	143,146.98	124,987.46	52,184.12	23,366.30	29,606.69	67,274.59	34,852.98	13,928.13	24,748.30
External	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Domestic	55,478.63	143,146.98	124,987.46	88,974.63	89,242.39	124,823.72	246,958.69	204,902.34	214,112.61	191,731.05	170,938.34	182,166.88	166,088.84	141,204.48	134,922.27
Amortizations (flow)	23,760.90	28,952.10	21,374.92	17,435.03	32,583.79	21,559.41	22,463.91	43,508.20	44,425.75	47,199.77	51,851.30	57,497.96	52,382.92	48,596.89	40,814.92
External	514.31	317.86	521.60	393.05	1,348.20	1,662.11	1,								



**MAL. MUHAMMAD GAMBO MAGAJI, FCNA
HONOURABLE COMMISSIONER
MINISTRY OF FINANCE GOMBE STATE**