



**ZAMFARA STATE GOVERNMENT
NIGERIA**

**ZAMFARA STATE
DEBT SUSTAINABILITY ANALYSIS-DEBT MANAGEMENT STRATEGY
(DSA-DMS) REPORT**

2025

Contents


1. INTRODUCTION	3
2. THE STATE FISCAL AND DEBT FRAMEWORK.....	7
3. THE STATE REVENUE, EXPENDITURE, AND PUBLIC DEBT TRENDS (2020–2024)	15
4. DEBT SUSTAINABILITY ANALYSIS	21
5. DEBT MANAGEMENT STRATEGY	33
Summary of 2025 DSA-DMS	37
Annex I: Baseline Assumptions.....	38
Annex II: Zamfara State Baseline Scenarios, 2020-2034	41

1. INTRODUCTION

Zamfara State Debt Sustainability Analysis (DSA) covers the period 2020 to 2024 (5-year historical) and 2025-2034 (10-year projection), under various macroeconomic assumptions, Shock scenarios and related policies adopted in the state. To ensure that State debt stock remains sustainable in the medium to long-term, by using the State's macroeconomic framework with a view to assessing the current and future debt levels, as well as its ability to meet debt service obligations as and when due, and without compromising growth and development.

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

Global growth is projected at 3.0 percent for 2025 and 3.1 percent in 2026. The forecast for 2025 is 0.2 percentage points higher than that in the reference forecast of the April 2025 World Economic Outlook (WEO) and 0.1 percentage points higher for 2026. This reflects stronger-than-expected front-loading in anticipation of higher tariffs; lower average effective US tariff rates than announced in April; an improvement in financial conditions, including due to a weaker US dollar; and fiscal expansion in some major jurisdictions. Global headline inflation is expected to fall to 4.2 percent in 2025 and 3.6 percent in 2026, a path similar to the one projected in April. The overall picture hides notable cross-country differences, with forecasts predicting inflation will remain above target in the United States and be more subdued in other large economies.


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Risks to the outlook are tilted to the downside, as they were in April 2025 WEO. A rebound in effective tariff rates could lead to weaker growth. Elevated uncertainty could start weighing more heavily on activity, also as deadlines for additional tariffs expire without progress on substantial, permanent agreements. Geopolitical tensions could disrupt global supply chains and push commodity prices up. Larger fiscal deficits or increased risk aversion could raise long-term interest rates and tighten global financial conditions. Combined with fragmentation concerns, this could reignite volatility in financial markets. On the upside, global growth could be lifted if trade negotiations lead to a predictable framework and to a decline in tariffs. Policies need to bring confidence, predictability, and sustainability by calming tensions, preserving price and financial stability, restoring fiscal buffers, and implementing much-needed structural reforms.

Policymakers' near-term challenge is to successfully manage the final descent of inflation to target, calibrating monetary policy in response to underlying inflation dynamics and where wage and price pressures are clearly dissipating, adjusting to a less restrictive stance. At the same time, in many cases, with inflation declining and economies better able to absorb effects of fiscal tightening, a renewed focus on fiscal consolidation to rebuild budgetary capacity to deal with future shocks, raise revenue for new spending priorities, and curb the rise of public debt is needed. Targeted and carefully sequenced structural reforms would reinforce productivity growth and debt sustainability and accelerate convergence toward higher income levels. More efficient multilateral coordination is needed for, among other things, debt resolution, to avoid debt distress and create space for necessary investments, as well as to mitigate the effects of climate change.

Economic growth is expected to be sluggish and marginal in 2025 due to low productivity in critical sectors and low levels of investments. The services sector will remain the main driver of economic growth but will be incapable of generating significant jobs in 2025. The oil sector will continue to rebound and also drive output in 2025. The full impact of various reform programs like fiscal and tax reforms and exchange rate management reforms is expected to be evident. Similarly, investments in critical sectors such as agriculture should increase. The commencement of the


Dangote refinery will support logistics and productivity in the economy, while export receipts from refined petroleum products will support foreign exchange inflows, thereby strengthening the naira

Inflation is expected to remain high in 2025, albeit at a moderately lower rate compared to 2024. The inflation rate is projected to average 31.81% in a bull case scenario, 34.52% in a base case scenario, and 37.16% in a bear case scenario. The sustained inflationary pressure will be driven by recurring challenges such as currency depreciation, food inflation due to insecurity and climate change impacts (such as flooding), high energy costs, and elevated logistics costs.

The exchange rate is projected to remain highly volatile in 2025. driven by internal and external economic conditions and geopolitical dynamics. Nigeria's heavy reliance on imports and the underdevelopment of key real economy sectors, such as agriculture and manufacturing, have played an underlying role in shaping the exchange rate trend


Nigeria's continued reliance on oil and gas export earnings remains a vital issue for the economy's stability and strength. A more diversified, robust, and dynamic economy and fiscal regime must be developed and harnessed to address the country's multifold challenges, including insecurity. multidimensional poverty, and unemployment. At the core of any diversification strategy is the need to promote a realistic and stable relationship between the government and the private sector. On its part, the government should be focused on creating the ideal environment for businesses and investors to thrive. This includes enacting policies that balance protecting the public and encouraging entrepreneurial risk. It also includes promoting a transparent, efficient, and customer-centric environment among government bodies and regulatory agencies.

On monetary policy, the Central Bank of Nigeria needs to reassess its approach to raising the MPR. The CBN has rapidly increased rates in 2024. However, this has not led to a significant decline in inflation due to the role of supply-side fundamentals. which continue to impact inflation significantly. Thus, there is a need to deploy


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collaborative, supply-side strategies that promote productivity in key areas such as food and energy.

Finally, the continued spate of insecurity poses a serious threat to realising Nigeria's 2025 ambitions and subsequent growth plans. The inability to tackle Nigeria's multifold security challenges could threaten productivity in the energy sector, the nation's ability to attract investment inflows, and growth activities in the non-oil sector. All tiers of government must take necessary steps to mitigate the growing impact of the trend on the economy and sociopolitical stability.


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2. THE STATE FISCAL AND DEBT FRAMEWORK

Zamfara State Government has been active in involving the public in its budgetary preparation by way of citizens participation in budgeting, this is very important in the developing countries as a means of improving the performance and accountability of bureaucracies and improving social justice. As the economy is the primary and critical component of life, the State government has vibrant economic policies to harness the abundant economic potential, particularly agriculture and solid minerals. The State Government set up a State Economic Management Team, for the purpose of revising and tracking the current and future economic development of the State.

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

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

Medium-Term Budget Forecast

The Economic and Fiscal Update (EFU) provides economic and fiscal analysis which forms the basis for budget planning process. It is aimed primarily at policy makers and decision takers in Zamfara State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.

On the other hand, Fiscal Strategy Paper (FSP) is a key element in Medium Term Budget Framework (MTBF) and annual budget process, and as such, it determines the resources available to fund Government projects and programmes from a fiscally sustainable perspective.


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Zamfara State Government decided to adopt the preparation of the MTEF for the first time in 2013 as part of the movement toward a comprehensive Public Financial Management process. This is the Tenth (10) rolling iteration of the document and covers the period 2025-2027.


The implication for the 2025-2027 forecast is that if more capital receipts are not obtained and the IGR increases, the same scenario may still be recorded since the State IGR cannot fund recurrent expenditure, but the debt stock continues to be remained sustainable over the period.

The MTEF documents strengthen top-down budgeting in line with the requirements of fiscal responsibility legislation. The document assists the State in achieving the following objectives:

- a. to ensure overall and proper linkage between policy, planning and budgeting.
- b. to improve fiscal policy formulation and implementation by instituting a medium-term budget framework as part of the regular economic management process.
- c. to improve budget allocations that reflect the State policy priorities and development needs of the State.
- d. to provide robust medium term expenditure programmes of selected critical MDAs.
- e. ensuring budget execution through more predictable cash releases, there by guaranteeing more effective service delivery.
- f. reducing deviation between budgeted and executed levels of expenditures.
- g. to improve cash management for Transparency and Accountability

This refers to the physical arrangement through which all PFM Process are being carried out. This process depends on whether the financial item is either revenue or expenditure. On the revenue side, the framework in this dimension provides the roles of the following institutions:

- a. Zamfara Internal Revenue Services (ZIRS) - It is the main revenue collecting Agency on behalf of the State Government. It was established by legislative act.


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- b. Office of the Accountant General. This Office collects not only those revenues primarily subsumed by the KIRS and other revenue collecting agencies, but also all accrued revenues from Federation Accounts and Capital receipts as may be from time to time. The Office of the Accountant General is an integral Division of Ministry of Finance which has five Departments headed by substantive Directors.
- c. On the expenditure side, the institutional framework in respect of expenditure emanates from the provisions of the approved Budget for the year under review. This budget document derives its source from four streams namely:
- Policy pronouncements by the Government.
 - Proposals from Ministries, Departments and Agencies of the State.
 - Citizens' Demand through Town Hall meeting Conducted in the State.
 - Public inputs through SHoA (conducted through public hearing and representations) and SHoA resolution.

The commitment in the budget is actualized through the issuance of Warrants to State Accountant-General (AG) initiated by MoPB, certified by Ministry of Justice and approved by the Executive Governor to carry out the mandate. The Warrant itself could be General or provisional. This instrument authorizes the AG to commence spending of public Funds within the stipulation of the approved legislative Budget of the year.

All MDAs serve as springboard for the implementation of the Budget provisions. In compliance with the Financial Instructions, relevant circulars and provisions, as well as other relative directives that from time to time are ushered in by the State Executive Council. The legislative arm of the Government also exercises oversight functions to ensure compliance with the contents of the approved Budget document as well as adherence to all available guiding rules and statutes.

Another important institutional framework in the circle of financial management in the State also includes the Public Procurement Bureau. This institution plays a significant role in ensuring compliance with the existing Monetary & Fiscal Policies by every Government establishment. It ensures adherence with the best practice: as well as monitors the execution of all capital projects.


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The foundation for any fiscal discipline and the attainment of fiscal realism starts with the Economic and Fiscal Update (EFU). It (the EFU) presents data and analyzes information on all the strata of the state, national and global economic and fiscal situations. This formed the basis for fiscal and macroeconomic assumptions and projections reflected in the Fiscal Strategy Paper which also goes further to manifest medium-term fiscal projections (revenue and expenditure). The EFU gives a measured reflection of recent budget performance identifying factors that significantly affect the attainment of budgetary outputs and outcomes which transmit into the subsequent fiscal plans.

The EFU provides the context for a prospective Fiscal Strategy Paper (FSP) that feeds into the Medium-Term Expenditure Framework (MTEF) where resources are strategically allocated considering Government policy objectives and priorities as dictated by the budget policy statements.

Thus FSP is an indispensable element in annual budget process as it determine the resources available to fund government prioritized projects and programmes in a sustainable manner and consistent with its development policy objective and priorities as encapsulated in the existing policy document It provides justification and corroborate the estimation for medium-term major Revenue and Expenditure aggregates including important components of the MTEF Process such as fiscal targets, fiscal constraints and an assessment of the fiscal risks. The details of the macroeconomic assumptions are as shown in the table below.

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


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The Baseline macroeconomic assumptions for 2025 State DSA are based on the projections outlined in the Zamfara State's Medium-Term Budget Framework (MTBF) projection and indicative macroeconomic assumptions reflect the national policy directions and oil statutory revenue projection as contained in the Revised FGN MTEF 2025-2027. The forecast covers the preparation, execution, and monitoring of multiannual budget plans and contains both expenditure and revenue projections as well as the resulting budget balances. The details of the macroeconomic assumptions are as shown in the table below.


Zamfara State Medium-Term Budget Forecast (MTBF), 2026-2028

Items	2025	2026	2027	2028
Nominal GDP Growth (N'billion)	322,074,204.7	369,411,741.8	424,547,927.4	492,010,389.8
National Real GDP Growth	4.6%	4.4%	5.5%	5.5%
Oil Price Benchmark (US\$ per barrel)	75	76.2	75.3	75.3
Budget Oil Production Volume (mbpd)	2.06	2.10	2.35	2.35
Average Exchange Rate (N/US\$)	1,400	1,400	1,400	1,401
National Inflation	15.75%	14.21%	10.04%	110.04%
Revenue				
Gross Statutory Allocation	70,009.71	82,989.58	89,137.81	95,634.23
Other FAAC transfers	64,640.29	73,528.98	75,655.43	97,008.20
VAT Allocation	88,500.00	95,832.57	102,799.08	111,358.90
IGR	32,864.58	38,663.56	42,329.45	48,586.81
Grants	141,272.38	147,993.72	129,393.40	122,913.07
Sales of Govt Assets and Privatization Proceeds	0.0	0.0	2,184.1	3,215.0
Other Non-Debt Creating Capital Receipts	0.0	23,450.5	33,530.8	35,611.0
Total Revenue	397,286.96	462,458.93	475,030.04	514,327.24
Expenditure				
Personnel costs	58,386.83	65,480.79	68,619.63	74,558.46
Overhead costs	76,973.17	62,399.42	71,527.41	77,465.95
Other Recurrent Expenditure*	16,320.00	39,141.88	79,959.22	138,377.46
Capital Expenditure	394,334.58	390,314.77	279,914.45	281,320.24
Total Expenditure	546,014.58	557,336.86	500,020.71	571,722.12
New Borrowing				
	148,727.62	94,877.93	24,990.67	57,394.87
Budget Balance	-8,135.15	-19,174.50	-3,600.00	7,200.00

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Assumption of the MTEF, 2025-2028

- a. Statutory Allocations - The assumption is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data. Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.
- b. VAT – The estimation is based on elasticity forecast using the combined change in GDP and inflation rate. As the Nigeria VAT was projected using estimated aggregate nominal consumption, taking into account vatiable items and collection efficiency. Consumption expenditure on which VAT is charged is assumed to increase from an average of N97.32 trillion in 2025, to N104.18 trillion in 2026 and N119.42 trillion in 2027, after adjusting for exemptions, zero rated items and companies whose turnover fall below the N25 million threshold. Like the CIT, more VAT payers are expected to be brought into the tax net with the effective implementation of reform measures. The VAT projections over the medium-term are based on holding the rate at 7.5%. Raising the VAT rate however remains a policy option for government to keep in view over the medium term.
- c. Other Federation Account Distributions – The assumption is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data. Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.
- d. Internally Generated Revenue (IGR) – The Internally Generated Revenue is expected to grow at 18.74 percent within the MTEF period and 12.12 percent in 10 years due to the reform initiatives adopted by the current administration, which digitalised the tax payment through the TSA. Zamfara State Government internally generated revenue (IGR) expected to grow its fund development and public services, reduce reliance on fluctuating federal allocations, foster economic resilience, and enhance fiscal autonomy and accountability.
- e. Grants – The internal grants are mostly based on the expected grant from local donors and programs. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc.
- f. Financing (Net Loans) – the internal and external loans are projections based on agreement ZGS 2025-2028 EFU-FSP-BPS as the State government plan to borrow US\$55.4 million from IDB for ZACADEP Agric Program in 2025 Budget and US\$50.0 million from AfDB for SMAT ED Education Program is expected to be raise disburse in 2 years starting from 2026. Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2028.
- g. Personnel – It is anticipated that the new minimum wage of Seventy Thousand will increase the expenditure of personal cost in the State. As the 2025 FGN personnel cost expenditure is expected to increase significantly to align with the updated National Minimum Wage. Nation Wide the personnel cost for FY2023 was N3.83 trillion. As of July, the figure for FY2024 is N2.67 trillion, 65% of the N4.10 trillion appropriated in the 2024 Budget. For 2025, the personnel cost is projected to increase by about 60% due to adjustments in minimum wage and consequential adjustments, which will directly impact employees' salaries. Also, the employee and employer contributions will be affected as part of the personnel cost.
- h. Overheads – Overhead has been relatively stable over the years to date. It is anticipated that the status quo will definitely remain stable. Consequently, the estimation is own value calculated using the current growth rate. The provision for MDA overhead has been low over the years and is treated as a residual item. However, for FY2025, the overhead expenditure of MDAs will be increased to reflect and match the capital expenditure and consider the prices of goods and services.
- i. Capital Expenditure – The immediate imperative is to aggressively allocate resources to stimulate inclusive growth, create new jobs, and achieve sustainable development based on the new government policies and critical ongoing projects aligned to the revised Policies. Highlights on Some of the Projects to be Executed in 2024 Fiscal Year. Some of the projects to be undertaken by this administration in the course of implementation of the year 2025 budget are: Gusau Township Roads, Gusau International Airport, Construction of modern


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Secondary Schools across the State, Rehabilitation of JB Yakubu Secretariate, Construction of Modern Hospitals across the State etc.

The forecast covers 2025-2034 macroeconomic analysis, government's fiscal policy for medium and long-term, state budget revenue projections and state budget expenditure ceilings for each ministry and their agencies (MDAs) for medium to long-term. Zamfara State Government work with all stakeholders through collaboration, commitment, and partnership to achieve the following: sufficient levels of budget transparency; public participation in the budget; Strengthen monitoring & oversight of budget execution; and Sustain improvements on open budgeting Government participatory.

The state projected an increase of 25.9% for total revenue in 2025 amounting to N397,286M over the actuals of N315,526 in 2024. Total expenditure is also projected to grow by 94.5% in 2025 at N554,150 when compared to N284,976 for 2024. The huge leap in expenditure is due to the projection made for capital expenditure in the 2025 budget. The State is embarking on massive infrastructural development which is propelled by the increase in revenue accruable from FAAC. The reforms being implemented by the Federal Government has resulted in substantial increase in the revenue allocation to states. Though this projection has the possibility to expand the fiscal gap in the state, the increase in revenue from the Federal Government and the projected increase in the internally generated revenue will cushion the effect. The outlook of all the performance indicators gives credence to this as all remain positive all through the projection years


State's Revenue policies

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


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The State Government enacted Public Financial Management Law with a view to providing sound Public Expenditure and Financial Management in Zamfara State aimed at ensuring that for the purpose of overall economic development of the State Government strives towards the following:

- a. Limit or reduce government debt to prudent levels by ensuring that the budget deficit at the end of a financial year shall not exceed six per centum of the estimated gross state domestic product and to ensure that such levels be maintained thereafter.
- b. Ensure prudent management of the financial risks faced by the Government, having regard to changing economic circumstances.
- c. Adopt policies relating to spending which do not increase government debt to excessive levels.
- d. Adopt policies relating to spending and taxing, as are consistent with a reasonable degree of stability and predictability in the level of tax rates in the future.
- e. Ensure that the sum which is calculated as the guarantee and given as a percentage of the gross state domestic product for the current financial year along with the two preceding financial years, does not in the aggregate exceed 4.5 per centum.
- f. Ensure that at the end of a financial year the total liabilities of the Government (including external debt at the current exchange rates) do not exceed twenty per centum of the estimated gross state domestic product for that financial year and that at the end of the financial year.


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3. THE STATE REVENUE, EXPENDITURE, AND PUBLIC DEBT TRENDS (2020–2024)

The Zamfara State economy experienced a growth of 14.86 percent in 2024 to N25,456 million through independent revenue of the state (IGR). The increased signaled economic reforms that improved tax, as well as the implementations other policies that strengthen the state internal revenue that held within the period, such as ZAGIS Establishment LAW 2019, LAW Establishing ZIPA, Zamfara State 2024 Appropriation Law, Gazetted Amended Revenue Laws, Zamfara State Revised Revenue Law 2023 as well as 2024 Approved Revised Appropriations Law.

Revenue and Expenditure

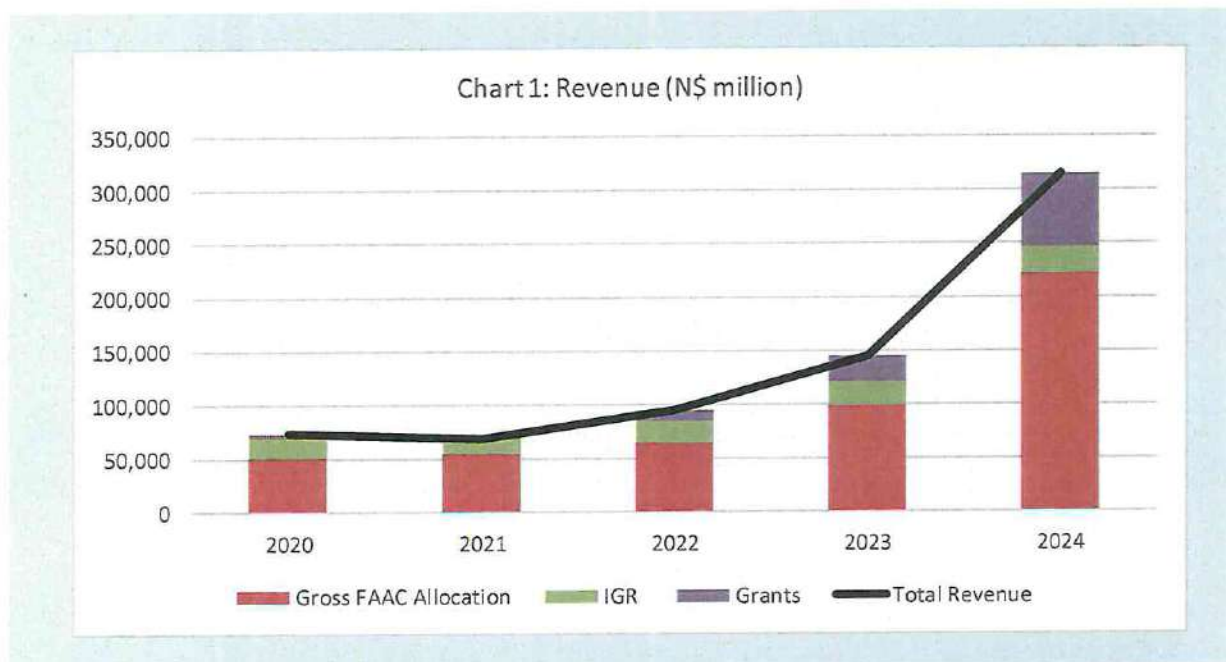
Zamfara State revenue increased 117.68 percent in 2024 to N315,526 million, the revenue comprised Statutory Allocation, Derivation, VAT Allocation, Capital Receipt and IGR. The Zamfara State's Revenue recorded N73,912 million in 2020, N68,762 million in 2021, N95,501 million in 2022, N144,949 million in 2023 respectively.

The FAAC allocation recorded an increased 125.00 percent in 2024 to N221,421 million, which comprised the Statutory Allocation, Derivation, VAT Allocation, and Capital Receipt respectively. The Internally Generated Revenue (IGR) recorded a steady growth over the historical period by 37.61 percent in 2024 from N18,499 million in 2020 to 25,456 million in 2024. The increased signaled economic reforms that improved tax, as well as the implementations other policies that strengthen the state internal revenue that held within the period, such as ZAGIS Establishment LAW 2019, LAW Establishing ZIPA, Zamfara State 2024 Appropriation Law, Gazetted Amended Revenue Laws, Zamfara State Revised Revenue Law 2023 as well as 2024 Approved Revised Appropriations Law. The actual grant received by Zamfara State Government comprises internal grants and external grants recorded N68,650 million in 2024. The details of the revenue are as shown in the table below.

Revenue Performance, 2020-2024 (NGN' Million)

Revenue Performance	2020	2021	2022	2023	2024
Total Revenue	73,912	68,762	95,501	144,949	315,526
Gross FAAC Allocation	51,847	55,321	65,610	98,411	221,421
IGR	18,499	12,964	19,414	22,162	25,456
Grants	3,566	477	10,477	24,376	68,650

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Expenditure - The State's Total expenditure covers Capital expenditure, Personnel costs, Overhead costs, other recurrent expenditure, and Debt service (interest payment and principal repayment) recorded an increased 157.78 percent in 2024 to N284,976 million from N110,551 million in 2020.

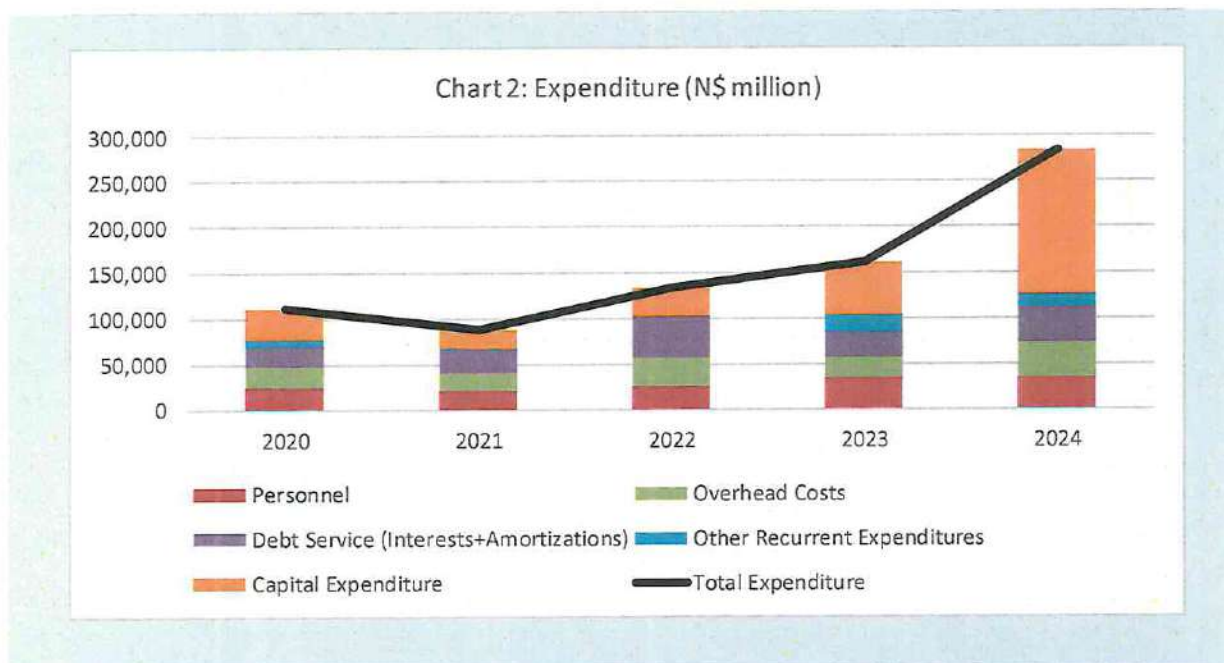
Personnel costs recorded N24,402 million in 2020, N26,376 million in 2022 and N34,210 million 2024, as the record presented the growth of personnel cost to 40.19 percent or N9,808 million within the historical period. The actual budget of Overhead Cost grows to N14,844 million or 63.32 percent in 2024 over the period.

Debt Service - The Total debt service is based on the existing debt stock which comprises the principal and interest repayments for 2020 to 2024. Other Recurrent Expenditure recorded N12,428 million in 2024 during the period. The Capital Expenditure increased 388.19 percent or N127,048 million in 2024 to N159,776 million from N32,728 million in 2020.

Expenditure Performance, 2020-2024 (NGN' Million)

	2020	2021	2022	2023	2024
Total Expenditure	110,551	87,673	133,054	161,068	284,976
Personnel	24,402	21,460	26,376	33,868	34,210
Overhead Costs	23,442	19,305	30,695	22,139	38,286
Debt Service (Interests + Amortizations)	22,698	26,675	45,214	29,153	40,276
Other Recurrent Expenditures	7,282	0	0	18,769	12,428
Capital Expenditure	32,728	20,234	30,769	57,139	159,776

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3.2 Existing Debt Portfolio

Subnational Debt Management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk. In a broader macroeconomic context for public policy, governments should seek to ensure that both the level and rate of growth in their public debt are on a sustainable path and that the debt can be serviced under a wide range of circumstances, including economic and financial market stress, while meeting cost and risk objectives.

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

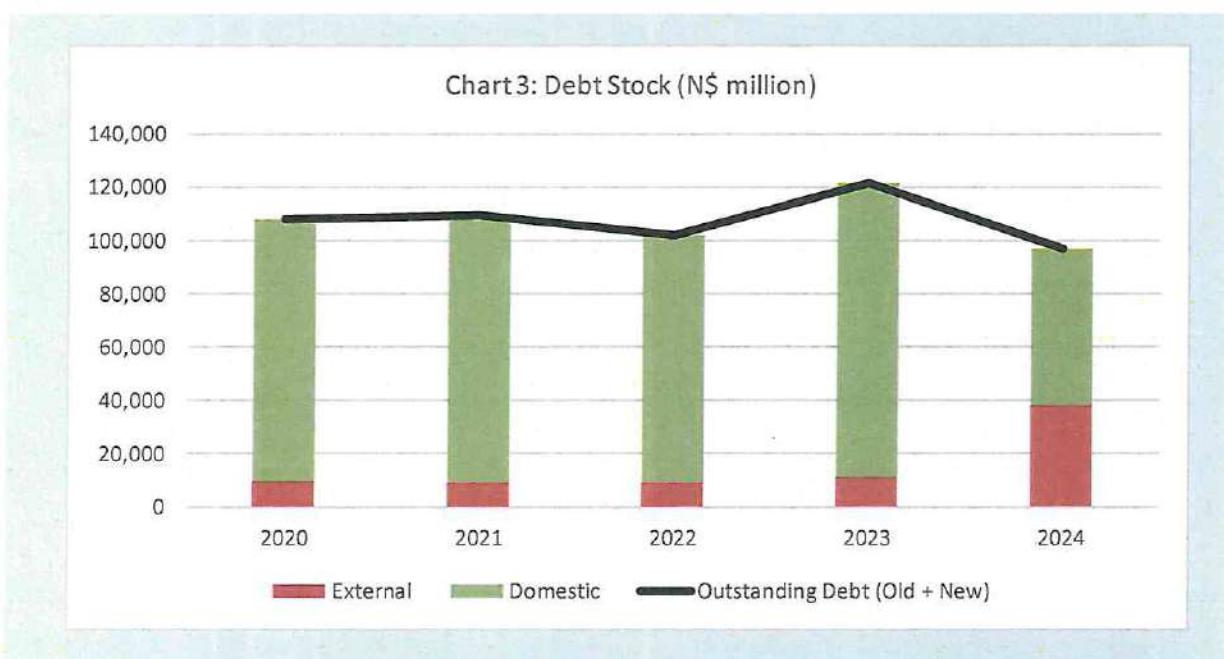
Sound risk management practices are essential given that a government's debt portfolio is usually the largest financial portfolio in the country and can contain complex and risky financial structures, which have the potential to generate substantial risk to the government's balance sheet and overall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

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The Zamfara State Debt stock decreased 25.15 percent or N24,433 million in 2024 to N97,144 million, the decline reflected in maturing of Budget Support Facility, Excess Crude Account Backed Loan, Government-to-Government Debts from the domestic stock over the period. The debt stock comprises External debt stock of N38,038 million in 2024 that signed increase compared with the previous year due to the additional disbursements on existing and new Multilateral loans, and Domestic Debt stood at N59,106 million in 2024. The details of the debt stock are as shown in the table below.

Debt Stock, 2020-2024 (NGN' Million)

	2020	2021	2022	2023	2024
Outstanding Debt	107,834	109,441	101,849	121,578	97,144
External	9,816	9,502	9,409	11,010	38,038
Domestic	98,018	99,940	92,441	110,567	59,106



Debt composition

The main domestic debt portfolio consists of Salary Bail out, Budget Support Facility, Restructured Commercial Bank Loans (FGN), Excess Crude Account Backed Loan, Contractor's Arrears, State Bonds, Commercial Agricultural Loan, Infrastructure Loan, Contractors' Arrears and Pensions & Gratuity arrears. While the External Debt includes World Bank (IDA and IFAD) and African Development Fund (AfDF). Therefore, the ratio of External debt to Domestic debt stood at 39.16 percent to 60.84 percent in 2024.

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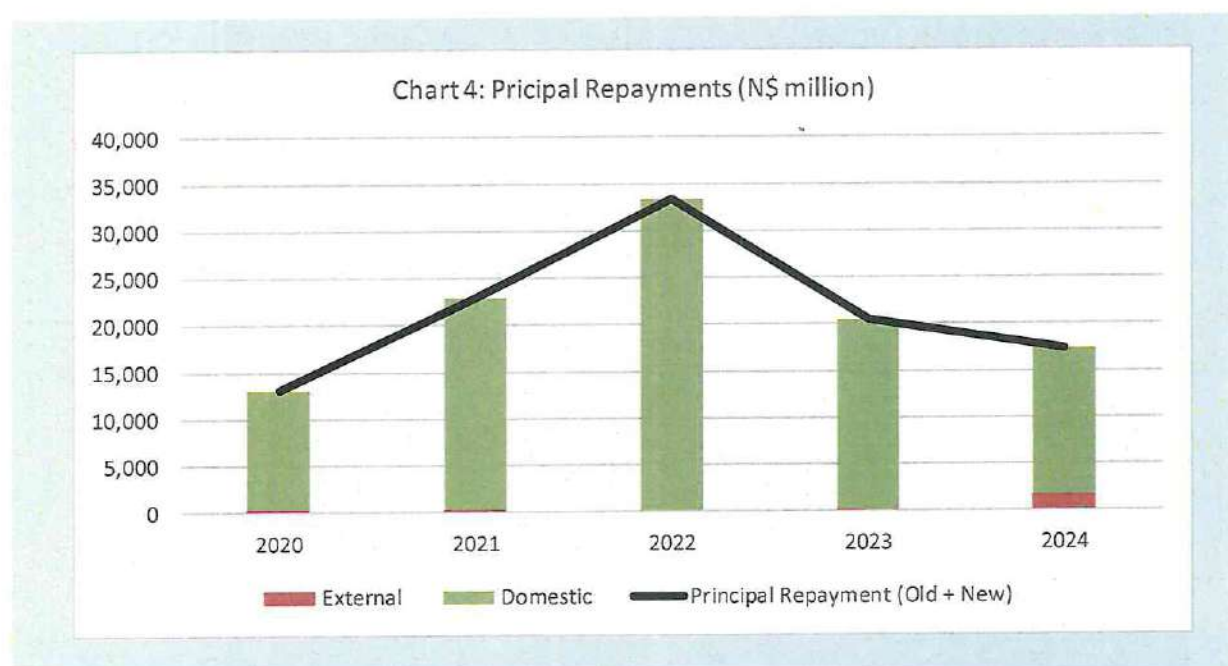
Debt Service

The Zamfara State total debt service comprises interest payment and principal repayment, that recorded N22,217 million in 2020, N42,847 million in 2022 and N20,198 million in 2024 respectively.

The Total Principal Repayment was recorded at N13,090 million in 2020, N33,363 million in 2022 and N17,398 million in 2024 respectively. the table of principal repayment below.33

Principal Repayment, 2020-2024 (NGN' Million)

	2020	2021	2022	2023	2024
Principal Repayment	13,090	22,902	33,363	20,434	17,398
External	283	289	126	222	1,721
Domestic	12,807	22,613	33,237	20,213	15,677

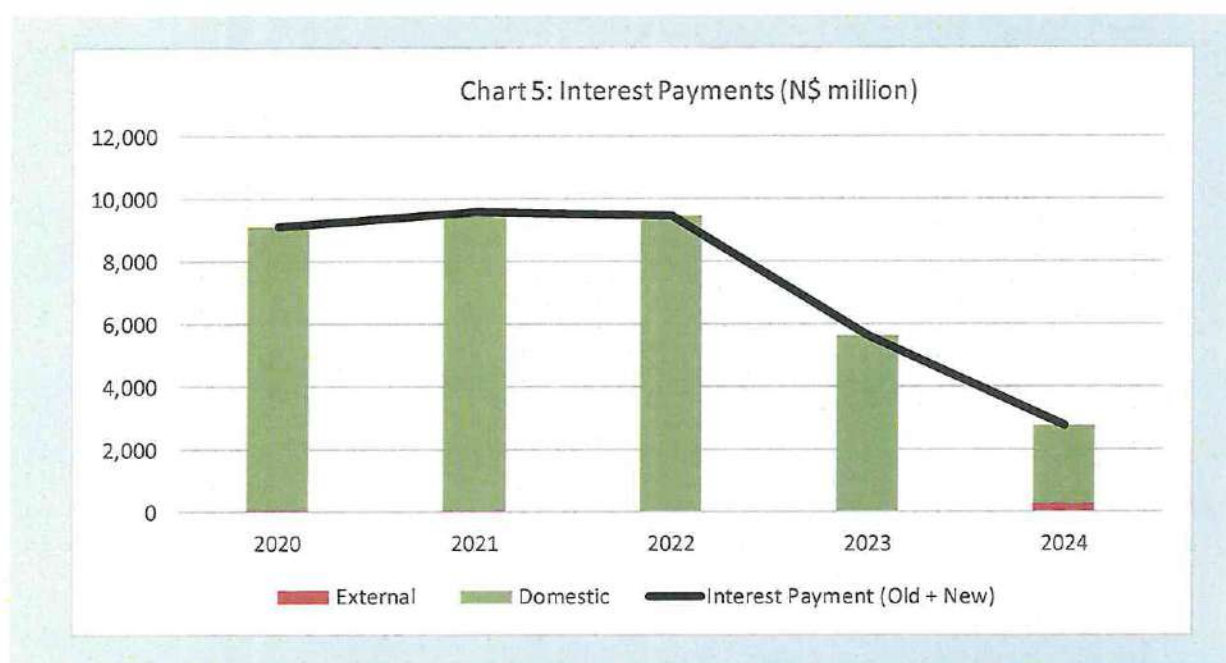


Interest Payment was recorded during the historical period as N9,127 million in 2020, N9,484 million in 2022, N2,800 million in 2024 respectively.

Interest Payment, 2020-2024 (NGN' Million)

	2020	2021	2022	2023	2024
Interest Payment	9,127	9,591	9,484	5,614	2,800
External	52	74	31	34	284
Domestic	9,075	9,516	9,453	5,580	2,516

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Budget Balance – the historical budget deficit of Zamfara State government recorded N19,807 million, N5,176 million and N34,441 million in 2020, 2022 and 2024 respectively. The analysis data revealed that the debt as percentage of revenue revealed the ratio of 145.9 percent in 2020, 106.6 percent in 2022, and 30.8 percent in 2024 respectively.

Budget Balance & Debt to Revenue Ratios, 2020-2024

	2020	2021	2022	2023	2024
Budget Balance (NGN' Million)	-19,807.04	10,200.84	5,176.00	30,110.50	34,441.13
Debt as percentage of Revenue (in percentage)	145.9	159.2	106.6	83.9	30.8

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4. DEBT SUSTAINABILITY ANALYSIS

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

The aims of the DSAs are to determine borrowing paths that can be maintained without facing debt-service difficulties or resorting to exceptional financing (i.e., debt rescheduling or accumulation of arrears). DSAs provide a link between debt dynamics and macroeconomic policies and are therefore forward-looking and probabilistic. Whether a country, and specifically its government, will be able to service its debt depends on its existing debt burden as well as its prospective policy stance (particularly the fiscal and exchange rate paths) and expected international developments (which may influence the cost of financing as well as the willingness of investors to roll over existing debts).

When governments face resource constraints, they often resort to borrowing to finance their expenditure plans. When outlays exceed revenues, a government has two basic options: eliminate the deficit by cutting expenditures or raising more revenues, or finance it through new (net) borrowing, which increases the stock of public debt. Governments may borrow by issuing securities, such as government bonds and bills, or through loans from domestic or foreign institutions.

The State debt burden indicators reveal the ratio of Debt to GDP 3.65 percent in 2024 which is far below the threshold of 25 percent, debt to Revenue ratio recorded 30.79 percent as against the threshold of 200 percent, debt service to Revenue stood at 6.40 percent compared with the benchmark of 40 percent, personnel cost to revenue accounted at 10.84 percent as against the threshold of 60 percent, as the debt service as percent of FAAC, interest payment as percent Revenue, and external debt service to revenue remained at 9.12 percent, 0.89 percent and 0.64 percent respectively. The 2024 ratios show declined in 2024 compared with the historical period except for external debt service to revenue ratio that increases as a result of naira devaluation that occur with the period. The details of the debt burden indicators are as shown in the table below.

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Zamfara State Debt Burden Indicators

	Threshold	2020	2021	2022	2023	2024
Debt as % of GDP	25	7.28	6.47	5.24	5.40	3.65
Debt as % of Revenue	200	145.89	159.16	106.65	83.88	30.79
Debt Service as % of Revenue	40	30.06	47.25	44.87	17.97	6.40
Personnel Cost as % of Revenue	60	33.02	31.21	27.62	23.37	10.84
Debt Service as % of Gross FAAC Allocation	Nil	42.85	58.74	65.31	26.47	9.12
Interest as % of Revenue	Nil	12.35	13.95	9.93	3.87	0.89
External Debt Service as % of Revenue	Nil	0.45	0.53	0.16	0.18	0.64

Borrowing options

Government borrowing can serve a number of purposes. It allows the government to smooth the time profile of expenditures, thus enhancing the efficiency of its spending, and of taxes, thereby reducing tax distortions. Sustained borrowing may be considered to finance public investments, viewed as critical to growth and development objectives, under the premise that these investments will generate the capacity to repay the corresponding debt.

Zamfara State Government intends to source its Gross Financing Needs mainly through domestic borrowing from commercial Banks, domestic debt market (State Bonds) Federal Government and other Central Bank of Nigeria (Interventions) over the projection period, 2025 to 2034, due to the limited funding envelopes from the external borrowing with long processing time required loans from Multilateral and Bilateral. The details of the New Borrowing terms and Financing options are as shown in the table below.

New Borrowing Terms

New Borrowing Terms			
Borrowing Terms for New Domestic Debt (issued/contracted from 2024 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
Commercial Bank Loans (maturity 1 to 5 years, including Agric Loans, Infrastructure Loans, and MSMEDF)	35.00%	4	0
Commercial Bank Loans (maturity 6 years or longer, including Agric Loans, Infrastructure Loans, and MSMEDF)	35.00%	10	2
State Bonds (maturity 1 to 5 years)	23.00%	5	0
State Bonds (maturity 6 years or longer)	23.00%	10	0
Other Domestic Financing	32.00%	5	1
Borrowing Terms for New External Debt (issued/contracted from 2024 onwards)	Interest Rate (%)	Maturity (# of years)	Grace (# of years)
External Financing - Concessional Loans (e.g., World Bank, African Development Bank)	2.47%	30	7
External Financing - Bilateral Loans	1.15%	20	5
Other External Financing	0.00%	0	0

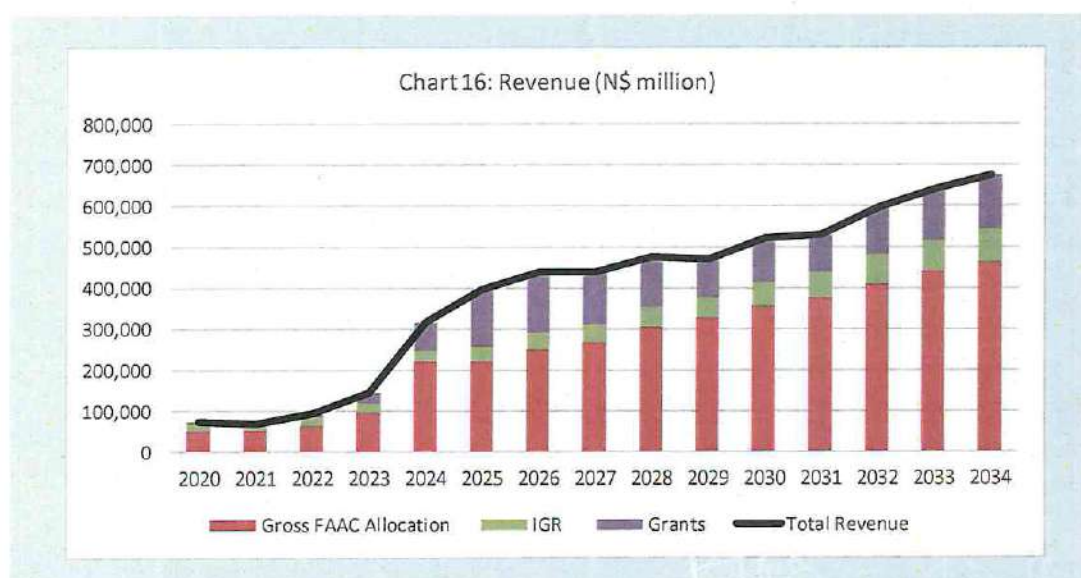
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Financing Option

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
New Domestic Financing (NGN' Million)										
Commercial Bank Loans (maturity 1 to 5 years)	17,600.0	10,000.0	0.0	26,562.1	21,345.7	0.0	15,443.1	21,927.5	9,234.1	8,804.5
Commercial Bank Loans (maturity 6 years)	0.0	0.0	0.0	0.0	0.0	12,377.3	0.0	0.0	0.0	0.0
State Bonds (maturity 1 to 5 years)	40,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23,474.2	32,842.8
State Bonds (maturity 6 years or longer)	0.0	36,380.4	0.0	0.0	0.0	40,532.9	0.0	0.0	0.0	0.0
Other Domestic Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New External Financing (US\$' Million)										
External Financing - Concessional Loans	56.9	34.6	17.9	22.0	9.7	32.3	0.0	26.5	20.0	0.0
External Financing - Bilateral Loans	0.0	0.0	0.0	0.0	24.3	0.0	18.6	0.0	0.0	25.0
Other External Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Gross Borrowing Requirements	148,727.6	94,877.9	24,990.7	57,394.9	69,056.5	98,125.3	41,496.4	58,965.6	60,708.3	76,647.3

DSA Simulation Results

Zamfara State Revenue is estimated to grow during the projected period from N397,287 million in 2025, N471,509 million in 2029, and N674,201 million in 2034, which largely driven by expected FAAC allocation to contribute 56.17 percent in 2025, 69.73 percent in 2029 and 69.05 percent in 2034. Internally Generated Revenue (IGR) estimated at N32,865 million in 2025, N47,159 million in 2029, and N77,725 million in 2034, respectively. The details of the revenue are shown on the table below. Estimated Revenue was sources from the 2025 Approved Budget; Medium Term Expenditure Framework (MTEF), 2025-2027; the projections period from 2028-2034 projections as estimated by the official of Zamfara State Ministry of Budget and Economic Planning.



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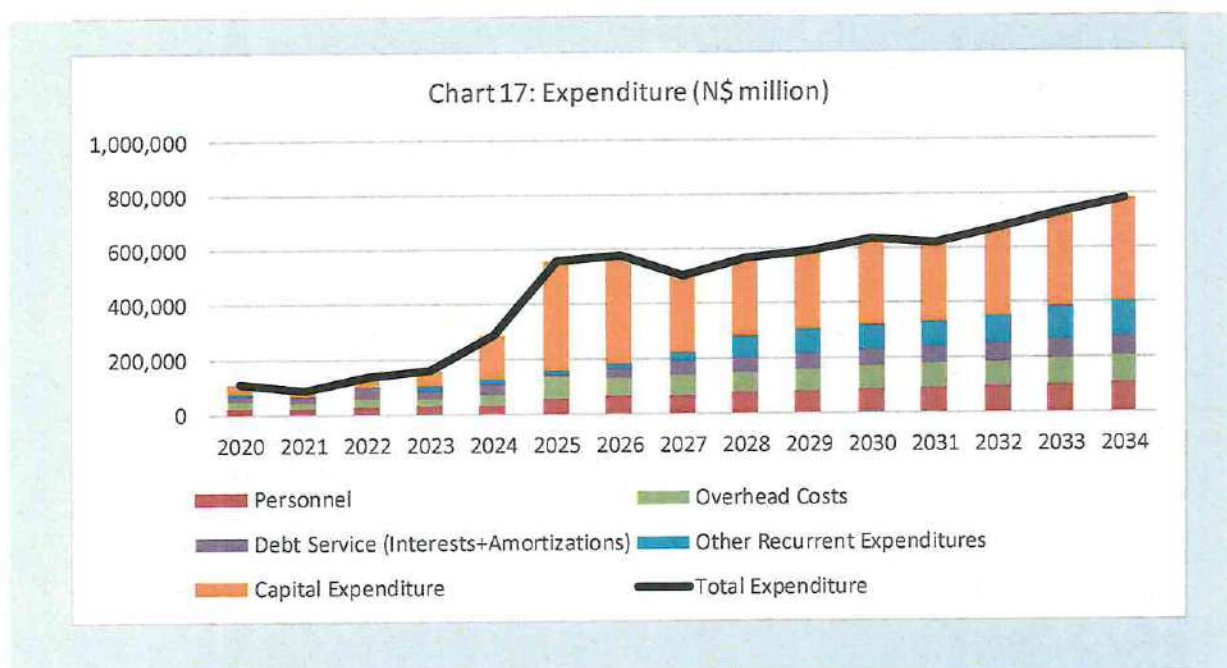
State Expenditure

Expenditure is projected to grow by N228,672 million or 41.27 percent from 2025-2034, the Capital expenditure has the largest share over the estimated period. indicating stability in the state growth recovery. The growth in the period is predicted to sustain effective implementation of all existing laws. The government is expected to continue its fiscal strategy of directing resources to the most productive and growth-enhancing sectors, including Agriculture, Infrastructure, Manufacturing, Housing and Construction, Education, Health and Water Resources within the period. The projection on the Expenditure were sources from the 2025 Approved Budget; Medium Term Expenditure Framework (MTEF), 2025-2027; the projections period from 2028-2034 projections as estimated by the official of Zamfara State Ministry of Budget and Economic Planning.

Personnel – The personnel cost is projected to increase within the historical period from 2025 to 2034 due to adjustments in minimum wage and consequential adjustments, which will directly impact employees' salaries. Also, the employee and employer contributions to pension and health insurance will be affected as part of the personnel cost. The personnel cost projected N58,387 million in 2025, N79,097 million in 2029 and N106,739 million in 2034. The Overheads are estimated at N40,011 million in 2024, N53,527 million in 2027, N60,576 million in 2030 and N66,760 million in 2033 respectively.

Total Debt Service is based on the projected principal and interest repayments for 2025-2034. Hence, an own value has been used anticipating that public debt charge will remain largely stable with minimal growth over the projection period. Other Recurrent Expenditure comprises Social Contribution and Social Benefits projected at N16,320 million in 2025, N85,276 million in 2029, and N121,798 million in 2034 respectively. Capital Expenditure is based on the balance from the recurrent account plus capital receipts, and less contingency reserve as outlined above. The capital expenditure is estimated at N394,335 million in 2025, N283,860 million in 2029, and N381,780 million in 2034 respectively.

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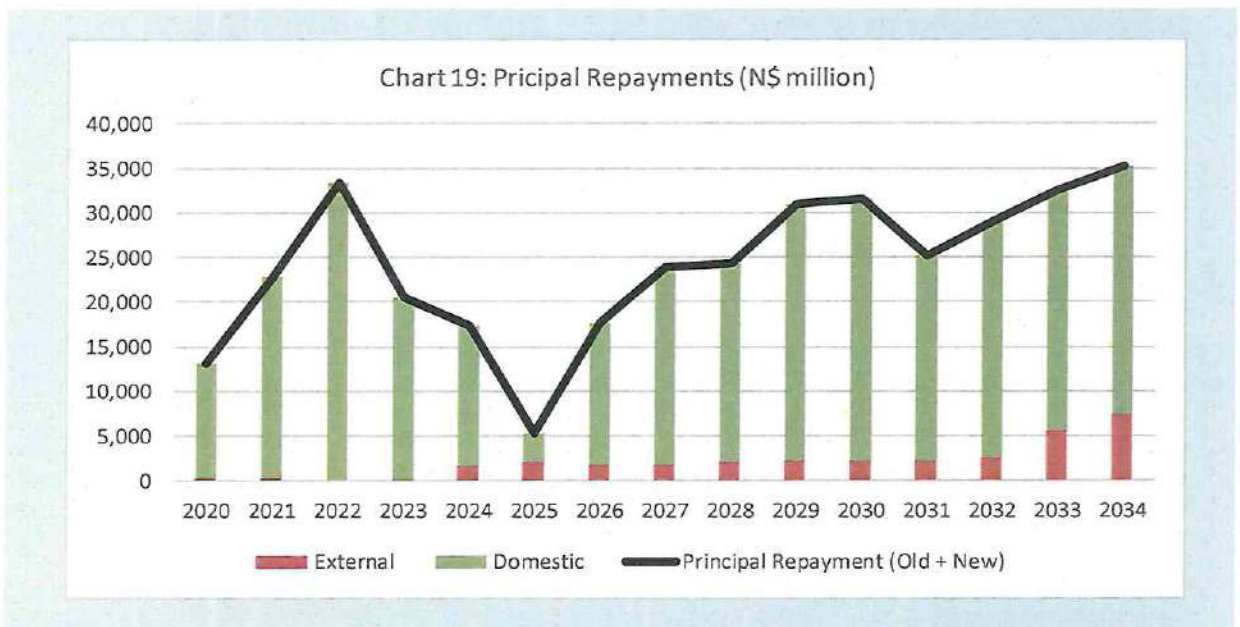
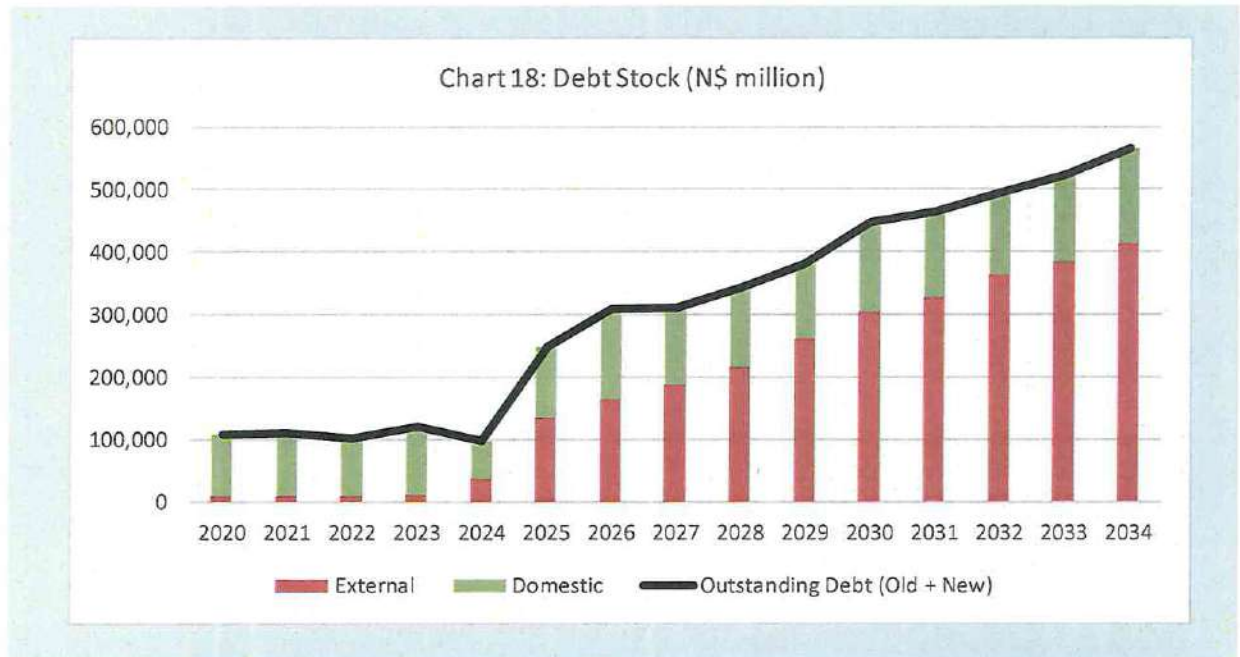
Primary Balance - Is the overall fiscal balance excluding net interest payments on state debt – it is equally important feature of short-run sustainability, as it illustrates to what extent a government can honors its obligations without incurring additional debt. Side by side with net interest payments for debt servicing, which constitute an inflexible part of State budgeting. The primary balance provides a clearer picture of the state of fiscal management in a country/subnational. The State Government primary balance is guided by the State's MTEF, 2024-2026 and other government policies and reforms.

Zamfara State should sustain the current Budget reform programme particularly as it relates to the preparation of a realistic budget, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Efforts should be made to prepare MTSS for other sectors not yet provided for. The state government must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process. If the benchmark price of crude in the Federal FSP is lower or higher than \$65 per barrel used herein and IMF, World Bank, OPEC and US Energy Information Administration Reports validate the oil price benchmark provided in Federal FSP, the State should revisit the assumptions and recalculate statutory allocation.

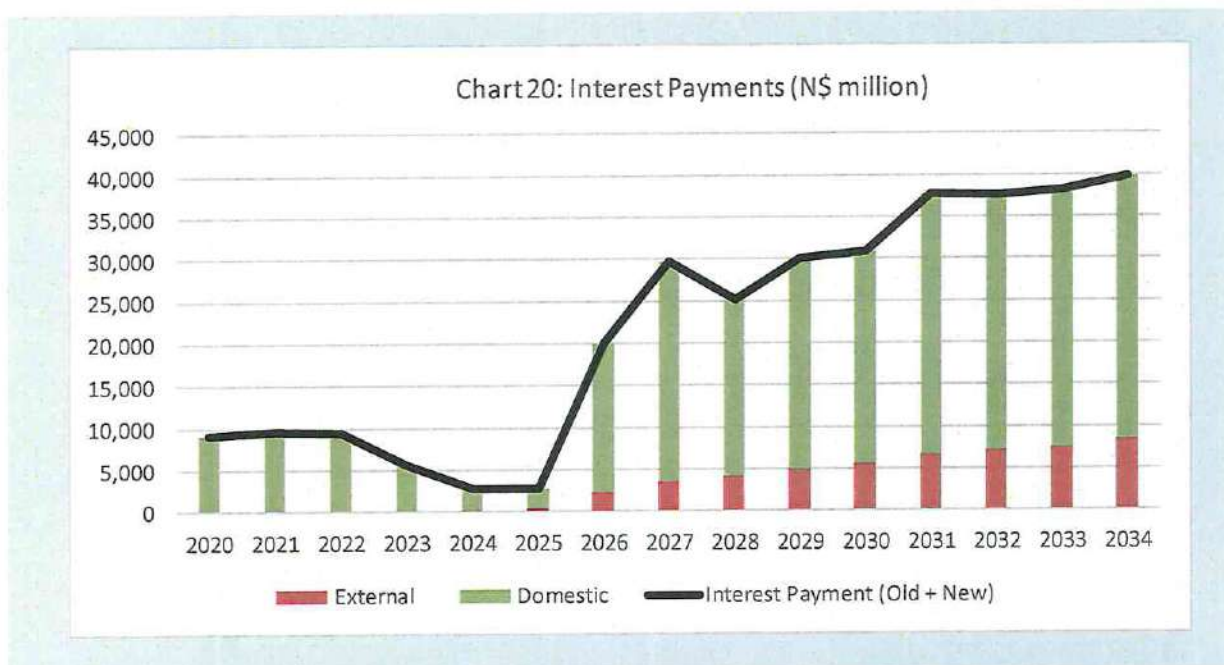
Debt Stock - Zamfara State's Debt Stock is estimated to stand at N249,416 million in 2025, N381,730 million in 2029, and N564,273 million in 2034 respectively. The debt service is based on the projected principal repayment and interest payments. Hence, based on the projection public debt service will increase due to expected disbursements on existing loans over the

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medium term. While the principal repayment was estimated to increase to N35,192 million in 2034, compared to Interest Payment of N39,855 million in 2034. (see Charts 18, 19 and 20, below).



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Main Key Findings

The 2024 Baseline Scenario results revealed that debt as % of GDP is projected an increase to 8.06 percent in 2025, 7.66 percent in 2030, and estimated a decline from 7.14 percent in 2031 to 6.29 percent in 2034, as against the indicative benchmarks of 25 percent. The debt as % of revenue ratio estimated an increase from 62.78 percent in 2025 to 83.70 percent in 2034 compared with the benchmarks of 200 percent. Meanwhile, the ratios of debt service to revenue projected 2.05 percent in 2025, 11.97 percent in 2030 and 11.13 percent in 2034 as against the benchmark of 40 percent and personnel cost to revenue trends remain under the threshold over

the projection period from 14.70 percent in 2025 to 15.83 percent in 2034, with the strongminded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy, respectively. The details of the debt and debt service indicators are as shown in the table below.

On the Total Debt Sustainability Analysis, the results show that the ratio of Debt to revenue remains below its indicative threshold under the Baseline scenario. Based on the Most Extreme Shock in Revenue, Expenditure, Exchange rate and Interest rate, all performance indicators show zero possibility of debt distress over the projection period.

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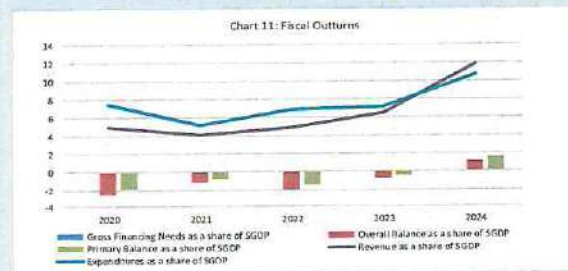
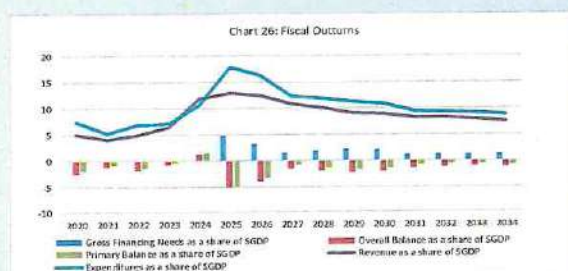
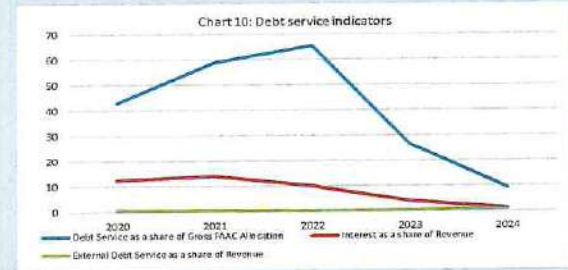
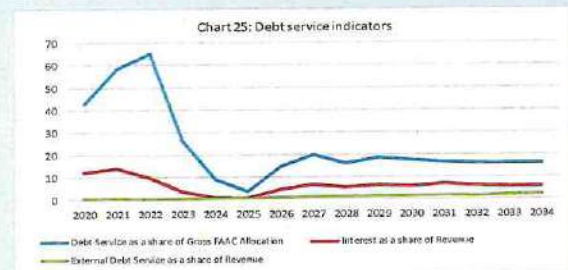
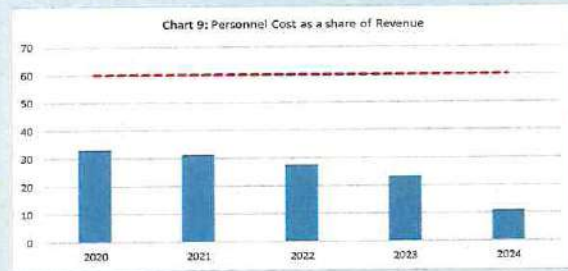
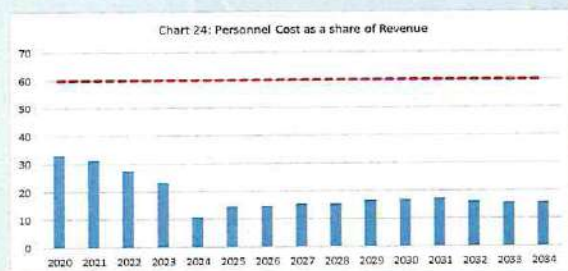
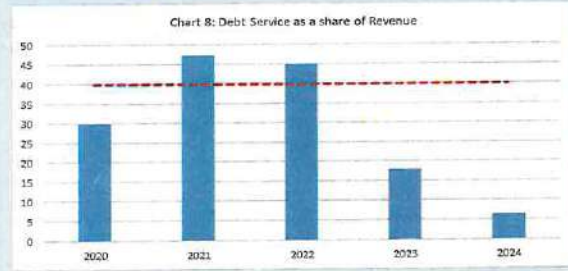
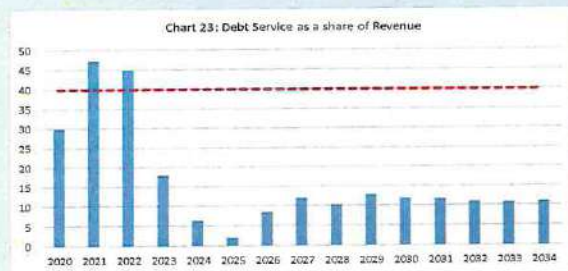
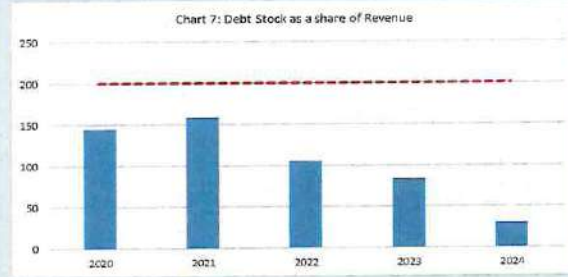
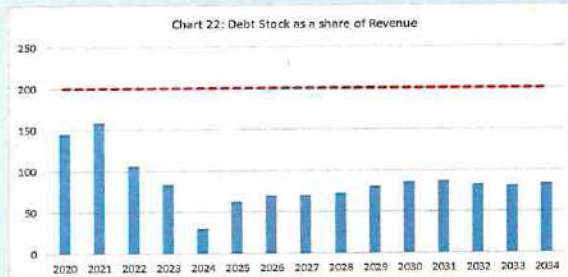
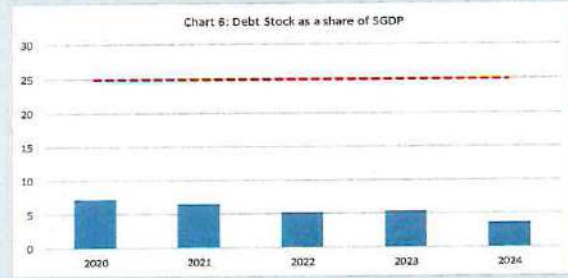
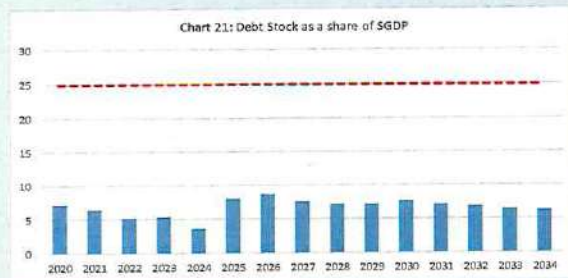
Zamfara State Debt Burden Indicators. 2025-2034

	Threshold	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Debt as % of SGDP	25	8.06	8.72	7.62	7.27	7.26	7.66	7.14	6.83	6.49	6.29
Debt as % of Revenue	200	62.78	70.49	70.70	72.28	80.96	86.06	87.51	83.12	81.45	83.70
Debt Service as % of Revenue	40	2.05	8.58	12.20	10.39	12.97	11.97	11.84	11.17	11.02	11.13
Personnel Cost as % of Revenue	60	14.70	14.92	15.62	15.68	16.78	16.82	17.36	16.16	15.79	15.83
Debt Service as a % of Gross FAAC Allocation	nil	3.65	14.92	20.03	16.25	18.60	17.51	16.67	16.16	16.04	16.12
Interest as a share of Revenue	nil	0.71	4.56	6.76	5.29	6.39	5.91	7.11	6.31	5.94	5.91
External Debt Service as a share of Revenue	nil	0.67	0.98	1.24	1.33	1.55	1.54	1.72	1.66	2.06	2.36

The DSA-DMS, 2025 exercise shows that there is substantial Space to Borrow based on the state's current revenue profile, as the ratios of debt service to revenue and personnel cost to revenue trends remain under the threshold over the projection period, with strong-minded efforts by the State Government through its various initiatives and reforms in the key sectors of the economy.

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Debt and Debt Service Indicators and Thresholds – Baseline Scenario



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Conclusion


The DSA analysis result for 2025 revealed that the Zamfara State debt burden remains at a low risk of debt distress relative to the baseline scenario with some-Space to accommodate shocks. However, debt sustainability remains at a Low Risk of debt distress with capacity to accommodate shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The ongoing efforts by the government towards improving revenue generation and diversifying the economy, through various initiatives and reforms in Tax Administration and Collections, as well as the Public Financial Management, would improve the outlook for Total Debt with enhanced revenue performance. Thus, the Revenue indicators and Borrowing Space are expected to improve in the medium to long-term.

DSA Sensitivity Analysis

2025 DSA sensitivity analysis revealed that the State debt burden remains at low risk of debt distress under sensitivity analysis. The analysis under pessimistic scenario shows that the state is not in any way threatened even if the risk crystalizes as all performance indicators remain positive all through the projection years. The shocks applied under debt stock to GDP, debt service to revenue and personnel cost to revenue all remains below the thresholds from 2025 to 2034, except for the debt stock to revenue that slightly close to the threshold through revenue shock with 199 percent in 2034, which indicated the need for the authorities to fast-track efforts aimed at further diversifying the sources of revenue away from FAAC allocation, as well as implementing far-reaching policies that will bolster the internal revenue.

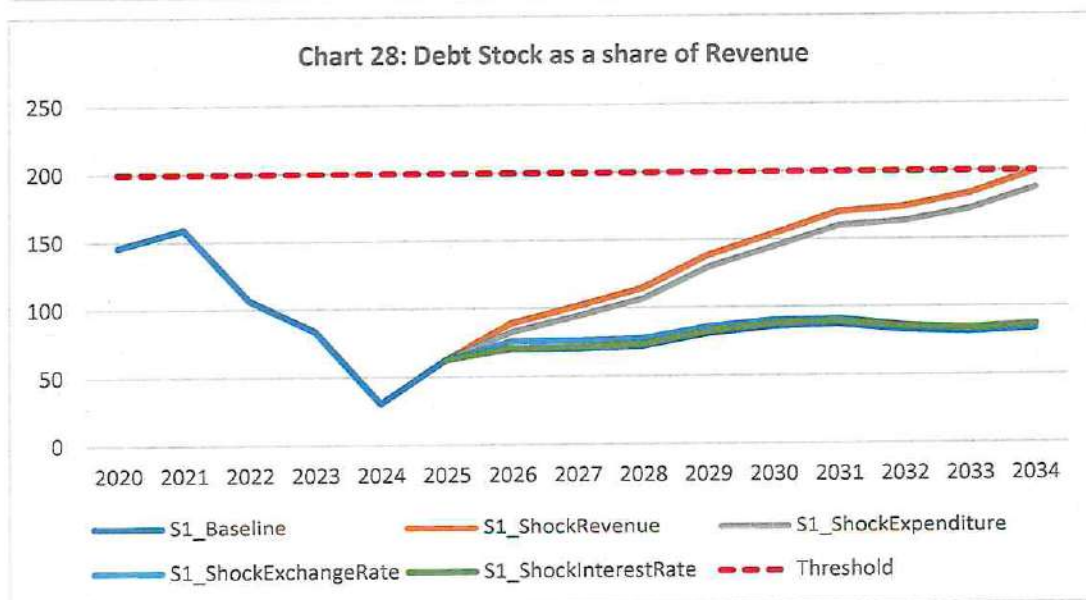
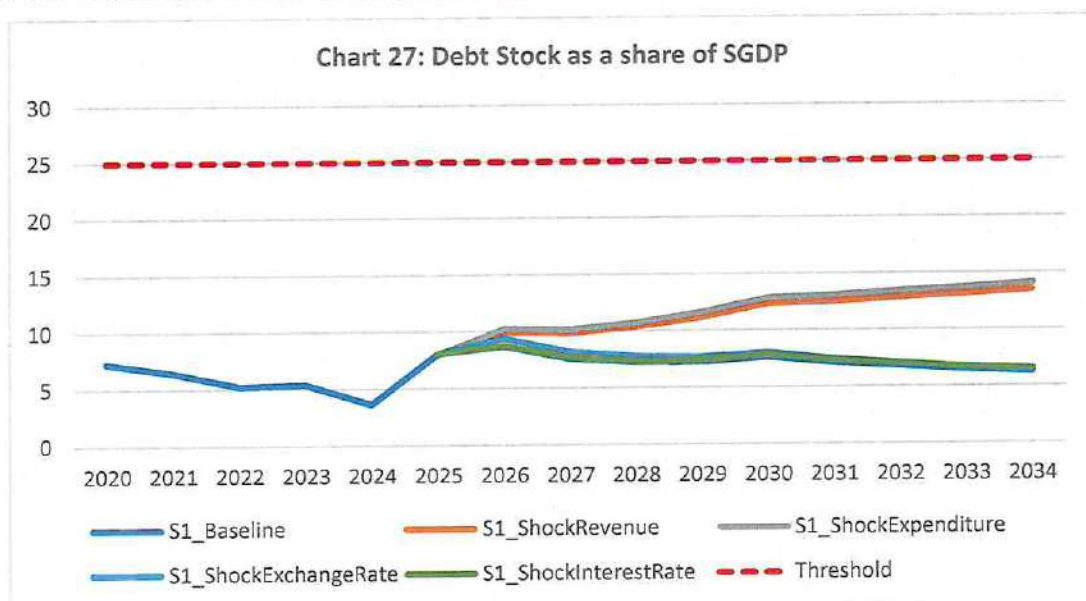
Strict adherence to prudent debt management as well as fiscal discipline contributed towards debt sustainability. With the provisions of law guiding domestic and international borrowing by Fiscal Responsibility Act, and Debt Management, the Government is positioned for prudent debt management and fiscal discipline to be able to honor its future financial obligations without recourse to any financing options.

The 2025 Zamfara debt sustainability analysis results show that the state debt remains sustainable due to strict adherence to prudent debt management as well as fiscal discipline. With the provisions of law guiding domestic and international borrowing by Fiscal Responsibility Act, and Debt Management, the Government is positioned for prudent debt management and fiscal discipline to be able to honor its future financial obligations. Fiscal policies guiding Cash Management and IGR are expected to consolidate on the gains of the State achievements.

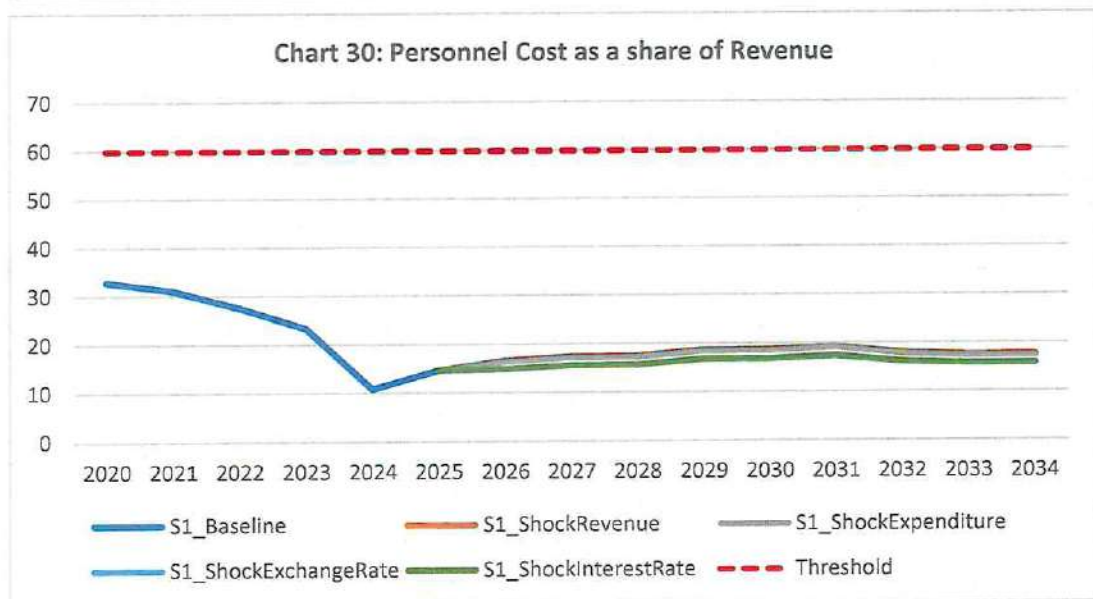
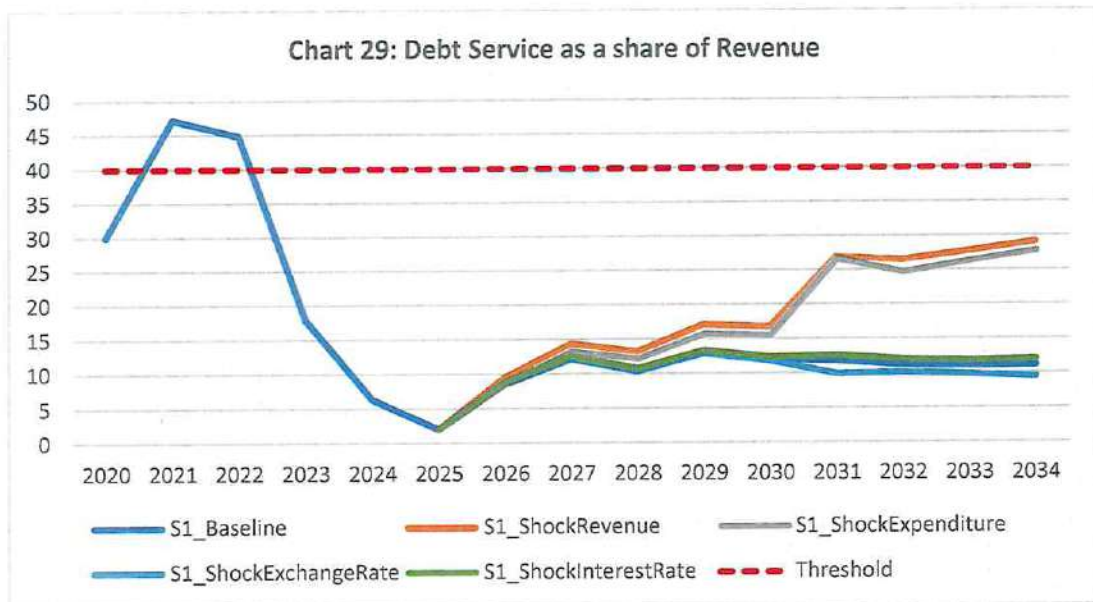

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With the MTB and FSP, the fiscal policy both on revenue expansion and expenditure control is targeted towards mobilization of funds for the budget as well as investments in the State. The Government has reviewed its fiscal policies in the areas of Cash management, IGR, etc. These fiscal components are targeted towards boosting revenue generation for Government financial obligation as well as investment, this is achievable through proper linkage between policy, planning and budgeting, as well as ensuring budget execution through more predictable cash releases to the affected projects. The Government is ready to apply fiscal policies necessary to achieve desired revenue generation, budget planning, as well as expenditure control, bearing in mind investment that will complement the efforts of the State's revenue generation.

Chart 9: Debt and Debt Service Indicators and Thresholds



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5. DEBT MANAGEMENT STRATEGY

Public debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals the government may have set, such as developing and maintaining an efficient market for government securities. The debt management strategy examines the costs and risks inherent in the current debt portfolio, as well as in the debt portfolios that would arise from a range of possible issuance strategies, in light of factors such as the macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

The risks inherent in the structure of the government's debt should be carefully monitored and evaluated. These risks should be mitigated to the extent feasible by modifying the debt structure, taking into account the cost of doing so. To guide borrowing decisions and reduce the government's risk, the authorities should consider the financial and other risk characteristics of the government's cash flow associated with external and domestic financing

The Debt Management Strategy provides alternative strategies to meet the financing requirements for Zamfara State. The strategies are shown by the breakdown of funding mix (domestic debt and external debt) and within the broad categories of domestic and external, the share of each stylized instrument has also been illustrated. The State's Debt Management Strategy, 2025-2029, analyses the debt management strategies outcomes of the three debt management performance indicators namely Debt Stock to Revenue, Debt Services to Revenue and Interest to Revenue. The cost is measured by the expected value of a performance indicator in 2028, as projected in the baseline scenario. Risk is measured by the deviation from the expected value in 2028 caused by an unexpected shock, as projected in the most adverse scenario. The following four strategies are assessed by the government.

5.1 Alternative Borrowing Options

Strategy 1 (S1) Reflects a "status quo" MTEF Financing Mix: It follows the broad parameters of the financing mix in the fiscal year 2025 and MTEF, 2025-2028. The domestic gross financing comprises commercial bank loans, State bonds and other domestic financing, as the Commercial Bank loans with the maturity of 1-5 years are projected to account on average of 19.35 percent, State Bond with the maturity of 1-5 years is estimated at 10.25 percent, State Bond with the maturity of above 6 years projected at 9.32 percent and the

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external gross borrowing under Concessional loans accounts on average 52.09 percent over the strategic period mainly through World Bank, as the bilateral windows expected to contribute 8.99 percent over the DMS period of 2025-2029.

Strategy 2 (S2) Focus more on financing through commercial bank loans: In this strategy it has been assumed the distribution between external and domestic borrowing remains the same in 2025 as its in strategy 1. With the remaining borrowing distributions from 2025 to 2029, the state government will focus its financing through commercial bank loans with an average of 16.55 percent under maturity of 1-5 years, 26.38 percent under maturity of above 6 years, State Bond with the maturity of 1-5 years is estimated at 9.10 percent, State Bond with the maturity of above 6 years projected at 9.44 percent other gross financing needs through the concessional estimated to account on average of 38.54 percent over the strategic period.

Strategy (S3) Focus its financing through domestic debt market: Under strategy 3, the Zamfara government decided to focus its financing from 2025 to 2029, through Commercial Bank loans (1-5 years) recorded an average of 14.69 percent, Commercial Bank loans with the maturity of above 6 years estimated at 12.07 percent, State Bond with the maturity of 1-5 years is estimated at 25.75 percent, State Bond with the maturity of above 6 years projected at 19.09 percent as well as Concessional loan that estimated at 28.39 percent respectively. This strategy considers the scenario where proportions of external and domestic debt instruments in 2025 remain the same with strategy 1.

Strategy (S4) increases the share of external borrowing: Strategy 4, The External Financing comprise the Concessional Loans with an average of 47.92 percent over the projected period, other are domestic financing comprises Commercial bank loans (1-5 years), Commercial bank loans (above 6 years), State Bonds (1-5 years) and State Bonds (above 6 years) with average financing of 18.33 percent, 6.81 percent, 18.98 percent and 7.95 percent over the projected period of 2029.

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.

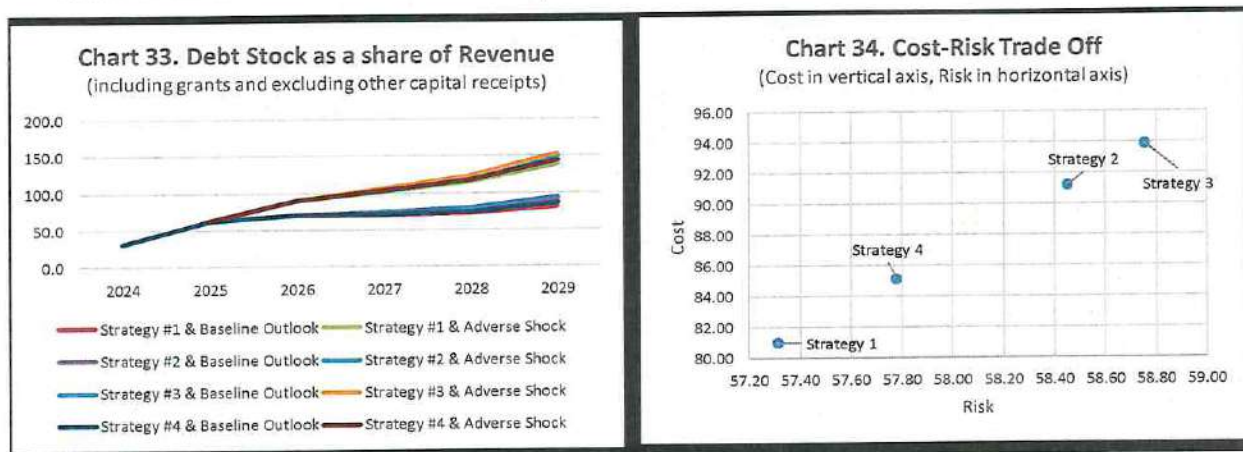
a. Debt as a share Revenue:

- Strategy 1 appeared as the lowest and best strategy under the Cost ratio of debt to revenue estimated at 80.96 percent, Strategy 4 (85.14 percent) Strategy 2 (91.20 percent), and Strategy 3 (93.92 percent) over the DMS period of 2029, as the Risks

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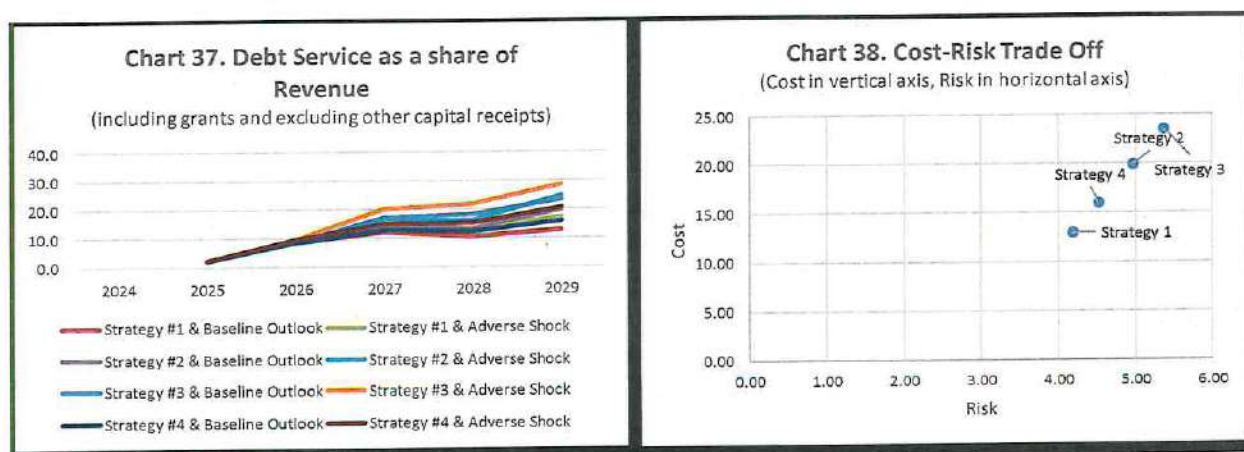
measured under Strategy 1 estimated at (57.32 percent), Strategy 4 (57.78 percent), Strategy 2 (58.45 percent), and Strategy 3 (58.75 percent) respectively.

- Under debt to revenue ratio the analysis revealed S1 as the most favourable and lowest strategy in terms of costs and risks indicators with the average measured by 80.96 percent and 57.32 percent against the Strategy 3 with the highest Costs and risks under debt to revenue over the DMS period.



b. Debt Service as a share of Revenue:

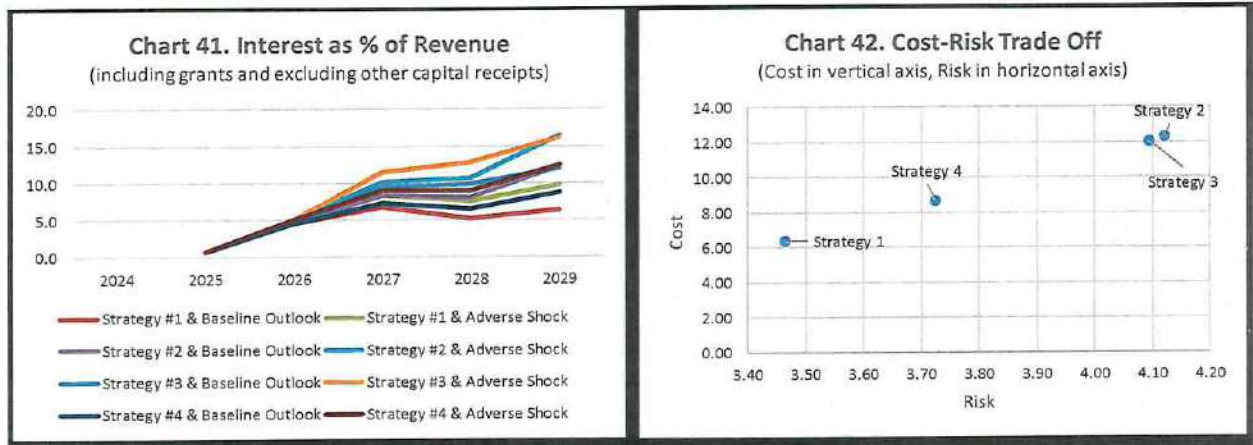
- In terms of Debt Service to Revenue, Strategy 1 has the lowest costs and risks of 12.97 percent and 4.20 percent compared to Strategy 4 and Strategy 2 with the moderate costs and risks of (15.98 percent and 4.53 percent) and (19.98 percent and 4.98 percent), as the S3 recorded highest costs and risks with 23.54 percent and 5.37 percent, respectively, as at end of strategy period of 2029.
- Strategy 1 appeared to be the best strategy under the debt service to revenue in terms of costs and risks indicators with the average measured 12.97 percent and 4.20 percent against Strategy 3 with the highest cost and risk, and recorded Strategies 4 and 2 with the costs and risks during the projection period.



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c. Interest as a share of Revenue

- The analysis indicated S1 with least costly regards to interest to revenues with an estimate of 6.39 percent, S4 costs at 4.78 percent, S3 costs 12.05 percent and S2 costs 12.29 percent, whilst the S1 projected with the least risks of 3.47 percent and S2 has the highest risks of 4.12 percent over the estimated period of 2029. The analysis show S1 as the best and favourable strategy over the strategic period.



5.3 DMS Assessment

Comparison to the current debt position of the Zamfara State, the State debt portfolio stood at N97,144.11 million as at end of 2024, which expected an increase to N381,729.78 million under S1 during the strategic period, compared to S2 (N429,999.64 million), S3 (N442,817.51 million), and S4 (N401,439.47 million). In addition to this, the cost/risk trade-offs are considered, using the debt to GDP, debt to revenue, debt service to GDP, debt service to revenue, interest to GDP and interest payment to GDP ratios, S1 is selected as the preferred strategy for period from 2025-2029. The Debt Management Strategy, 2025-2029 represents a robust framework for prudent debt management, as it provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the 2025 budget. The cost-risk trade-off of alternative borrowing strategies under the DMS has been evaluated within the medium-term context.

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, the DMS Analytical Tool's results of cost and risk show that baseline Strategy (S1) has the lowest costs and risks, as the analysis indicated that Strategy 4 and Strategy 2 were rated with the moderate costs and risks, and S3 was rated with highest costs and risks indicators. **The results of the analysis of the Cost and Risk Indicators, Costs and Risks trade-offs, and the Shock Scenarios show that the implementation**


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of S1 would facilitate the achievements of the objective of meeting governments financing needs at a lower cost and prudent degree of risk and is therefore recommended to the Zamfara State Government.

Summary of 2025 DSA-DMS

Zamfara State 2025 DSA analysis result revealed that the State debt burden remains at a low risk of debt distress relative to the baseline scenario with Some-Space to accommodate shocks. However, debt sustainability remains at a Low Risk of debt distress with capacity to accommodate shocks in Revenue, Expenditure, Exchange rate and Interest Rate. The ongoing efforts by the government towards improving revenue generation and diversifying the economy, through various initiatives and reforms in Tax Administration and Collections, as well as the Public Financial Management, would improve the outlook for Total Debt with enhanced revenue performance. Thus, the Revenue indicators and Borrowing Space are expected to improve in the medium to long-term.

The preferred strategy was not solely based on the Analytical Tool assessment of all four strategies but took into consideration the ability to implement the chosen strategy successfully in the medium-term. Therefore, It was considered that S1 is the most favorable among the strategies to implement within the short term and it would still greatly improve the portfolio's debt position relative to the base year.


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Annex I: Baseline Assumptions

- a. **Statutory Allocations** - The assumption is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data. Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.
- b. **VAT** – The estimation is based on elasticity forecast using the combined change in GDP and inflation rate. As the Nigeria VAT was projected using estimated aggregate nominal consumption, taking into account vatiable items and collection efficiency. Consumption expenditure on which VAT is charged is assumed to increase from an average of N97.32 trillion in 2025, to N104.18 trillion in 2026 and N119.42 trillion in 2027, after adjusting for exemptions, zero rated items and companies whose turnover fall below the N25 million threshold. Like the CIT, more VAT payers are expected to be brought into the tax net with the effective implementation of reform measures. The VAT projections over the medium-term are based on holding the rate at 7.5%. Raising the VAT rate however remains a policy option for government to keep in view over the medium term.
- c. **Other Federation Account Distributions** – The assumption is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data. Based on the underlying assumptions for the medium term, the Federation Account revenues are expected to increase as the government sustains its policy on petrol subsidy removal and a market-determined exchange rate. In addition, increases in non-oil taxes are projected to boost accretion into the Federation Account significantly.
- d. **Internally Generated Revenue (IGR)** – The Internally Generated Revenue is expected to grow at 18.74 percent within the MTEF period and 12.12 percent in 10 years due to the reform initiatives adopted by the current administration, which digitalise the tax payment through the TSA. Zamfara State Government internally generated revenue (IGR) expected to grow its fund development and public services, reduce reliance on fluctuating federal allocations, foster economic resilience, and enhance fiscal autonomy and accountability.

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- e. **Grants** – The internal grants are mostly based on the expected grant from local donors and programs. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc.
- f. **Financing (Net Loans)** – the internal and external loans are projections based on agreement ZGS 2025-2028 EFU-FSP-BPS as the State government plan to borrow US\$55.4 million from IDB for ZACADEP Agric Program in 2025 Budget and US\$50.0 million from AfDB for SMAT ED Education Program is expected to be raise disburse in 2 years starting from 2026. Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2025-2028.
- g. **Personnel** – It is anticipated that the new minimum wage of Seventy Thousand will increase the expenditure of personal cost in the State. As the 2025 FGN personnel cost expenditure is expected to increase significantly to align with the updated National Minimum Wage. Nation Wide the personnel cost for FY2023 was N3.83 trillion. As of July, the figure for FY2024 is N2.67 trillion, 65% of the N4.10 trillion appropriated in the 2024 Budget. For 2025, the personnel cost is projected to increase by about 60% due to adjustments in minimum wage and consequential adjustments, which will directly impact employees' salaries. Also, the employee and employer contributions will be affected as part of the personnel cost.
- h. **Overheads** – Overhead has been relatively stable over the years to date. It is anticipated that the status quo will definitely remain stable. Consequently, the estimation is own value calculated using the current growth rate. The provision for MDA overhead has been low over the years and is treated as a residual item. However, for FY2025, the overhead expenditure of MDAs will be increased to reflect and match the capital expenditure and consider the prices of goods and services.
- i. **Capital Expenditure** – The immediate imperative is to aggressively allocate resources to stimulate inclusive growth, create new jobs, and achieve sustainable development based on the new government policies and critical ongoing projects aligned to the revised Policies. Highlights on Some of the Projects to be Executed in 2024 Fiscal Year. Some of the projects to be undertaken by this administration in the course of implementation of the year 2025 budget are: Gusau Township Roads, Gusau International Airport, Construction of modern Secondary Schools across the State, Rehabilitation of JB Yakubu Secretariate, Construction of Modern Hospitals across the State etc.

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