Bauchi State Government

Multi Year Budget Framework Document -

Economic and Fiscal Update (EFU),

Fiscal Strategy Paper (FSP) and

Budget Policy Statement (BPS)

For the Period: 2021 - 2023

By

State Planning Commission

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Abbreviations

BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CPIA	Country Policy and Institutional Assessment
CRF	Consolidated Revenue Fund
DMD	Debt Management Department
EFU	Economic and Fiscal Update
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
HRM	Human Resource Management
IGR	Internally Generated Revenue
IMF	International Monetary Fund
MDA	Ministry, Department and Agencies
MINT	Mexico, Indonesia, Nigeria and Turkey
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
NBS	National Bureau of Statistics
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
OAG	Office of the Accountant General
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PITA	Personal Income Tax Act
PMS	Premium Petroleum Spirit
SHoA	State House of Assembly
VAT	Value Added Tax
WEO	World Economic Outlook
BSBIR	Bauchi State Board of Internal Revenue
BSFRC	Bauchi State Fiscal Responsibility Commission
BSPPB	Bauchi State Public Procurement Board
BASG	Bauchi State Government

Section 1 Introduction and Background

1.A Introduction

The World today, is witnessing a new economic and social change, which put the entire Global economy on tight rope. Hence the effort to improve the annual budgeting process, through which governments in recent times continue to search for a more appropriate framework that embraces some degree of planning, efficient and transparent inter and intra-sectoral resource allocations, prioritizing expenditures and dedicating resources only to the most important activities as well as determining realistic and accurate aggregate available resource estimates is the only panacea to removing waste and ensuring effective budget. This has led the World Bank to encourage national and sub-national governments to move towards the medium term approach to economic planning and budgeting.

The most commonly used tool is the Medium Term Expenditure Framework (MTEF) which can facilitate a number of important outcomes such as:

- greater macroeconomic balance;
- improved inter - and intra-sectorial resource allocation;
- greater budgetary predictability for line ministries; and
- More efficient use of public financial and human resources.

Successful implementation of MTEF and its impact on budget management and fiscal performance vary widely across countries. The Medium Term Sector Strategy (MTSS) on the other hand is a plan that describes how a particular vote head or small cluster of vote Heads will deliver outputs that will contribute to cross-government outcomes.

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

The plan describe how this will be done realistically, in the medium-term – normally three years – and within the limitations of resource constraints. An MTSS is required to describe everything that a sector intends to do in a way that clearly demonstrates how outputs will contribute in the most effective and efficient possible way. It should therefore, describe "programs" which show how inputs and activities are directed at the production of outputs. Both the MTEF and the MTSS emphasizes the principles of Multi-Year Budgeting incorporating longer-term perspectives into annual budgeting processes.

The Economic and Fiscal Update (EFU) provides economic and fiscal analysis, which form the basis for the budget planning process. It also provides an assessment of budget performance and identifies significant factors affecting its implementation.

The Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) on the other hand are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process, and as such, they determine the resources available to fund Government projects and programmes.

1.A.1 Budget Process

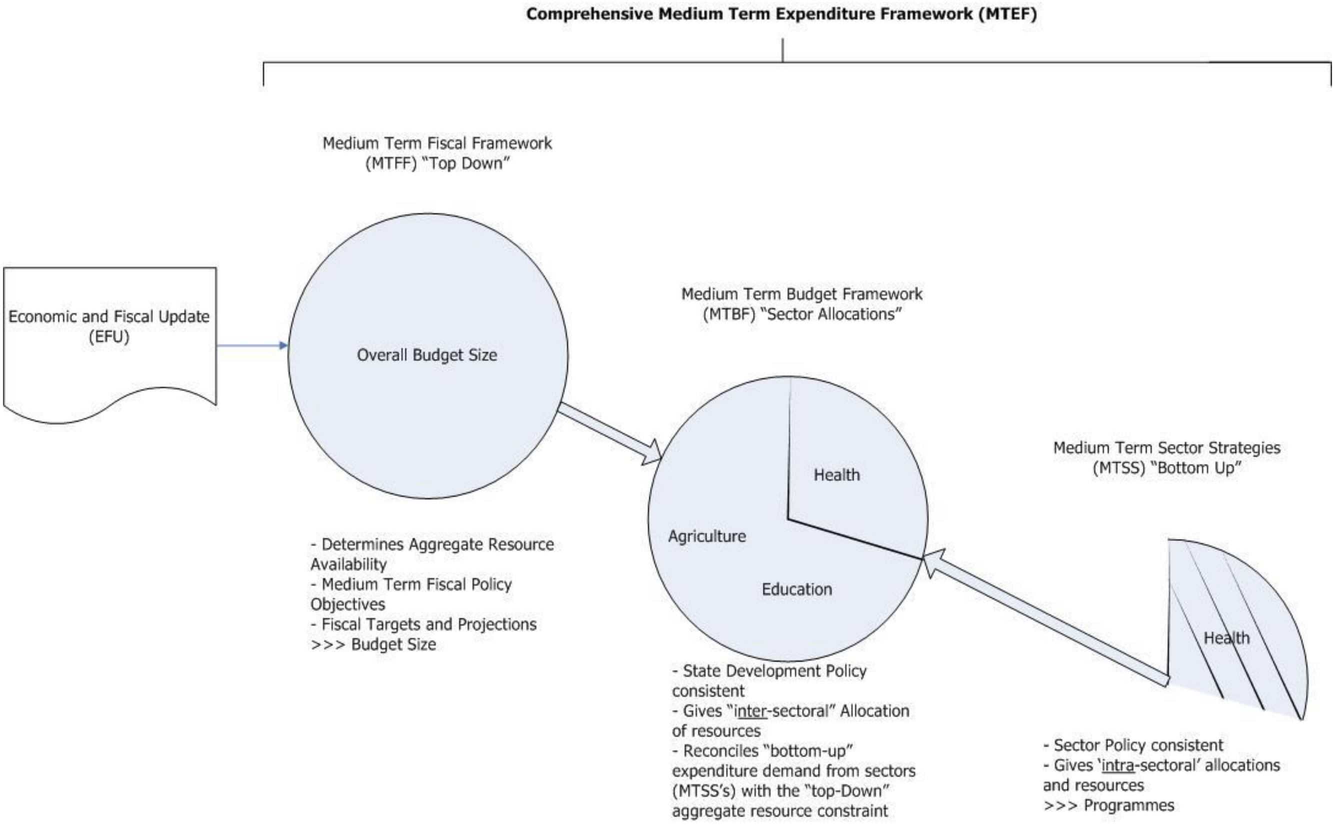
Budget serve as the medium through which government policies are translated into tangible results. However, it undergoes some processes. The processes describe the budget in a cycle within a fiscal year and can be classified under four main phases or stages namely; formulation, preparation, authorization and implementation. Conception of budget is informed by the MTEF process which has three main components that are key to the success of a public budget. These are:

i. Medium Term Fiscal Framework (MTFF);
ii. Medium Term Budget Framework (MTBF);
iii. Medium Term Sector Strategies (MTSS).

The Budget usually commences with the formulation or conception by the executive, the associated government agencies and key stakeholders through preparation, authorization, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year's budget.

The MTEF process is further summarised in the diagram below:

Figure 1: MTEF Process[1]



1.A.2 Summary of Document Content

The International best practice in budgeting requires that, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle. This document is an addendum to the earlier one which covers the period 2020-2022.

[1]Culled from DFID-SPARC EFU-FSP-BPS Guide

The purpose of this document can be classified in three-folds:

i. To have a summary of historical trend of key economic and fiscal events (revenue and expenditure) that will be the basis for forecast.

ii. To develop a Fiscal Strategy Paper (FSP) and MTEF document that capture objectives and targets for next three years, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt.

iii. To justify each allocation made, whether revenue or expenditure item(s)

The FS describes the economic overview and analysis of key variables that will affect the State Fiscal position like National Real Gross Domestic Product (GDP), State GDP, Inflation, Exchange rate, Production Benchmark and Oil Price. FS helps to achieve a balance between capital and recurrent expenditure in such a way that revenue receipts will be boosted by identifying and plugging revenue leakages, and in the process improve the effectiveness and efficiency of spending. It also describes the assumptions and risks that could affect budget implementation.

The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis in order to inform the budget planning process. It is aimed primarily at budget policy and decision makers. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:

- Overview of Global, National and State Economic Performance;
- Overview of the Petroleum Sector;
- Trends in budget performance over the last six years.

The FSP is a key element in the BASG Medium Term Expenditure Framework (MTEF) and annual budget processes. As such, it determines the resources available to fund projects and programmes on a fiscally sustainable perspective.

1.A.3 Preparation and Audience

The purpose of this document is to provide an informed basis for the reviewed 2020-2022 budget preparation cycles in line with the current COVID 19 Pandemic, for all the key stakeholders, specifically:

- His Excellency, the Executive Governor;
- The State Executive Council (ExCo);
- State House of Assembly (SHoA);
- Ministry of Finance (Treasury Division);
- All Government Ministries, Departments and Agencies (MDAs);
- Civil Society.

The document is prepared by the State Planning Commission using data collected from International, National and State organisations, particularly Nigerian Governors Forum, (NGF) State Transparency, Accountability and Sustainability (SFTAS) secretariat and other relevant organizations like the International Monetary Fund (IMF), the World Bank, African Development Bank and National Bureau of Statistics.

1.B.0 Background

1.B.1 Legislative and Institutional arrangement for Public Financial Management (PFM)

1. B.1.1 Legislative Framework for PFM in Bauchi State

The legal instruments and enactments governing PFM in Bauchi State include the 1999 Constitution of the Federal Republic of Nigeria (as amended); the Financial Regulations as revised in October 2009; the Personal Income Tax Act (PITA) 2011 (as amended); the Bauchi State Fiscal Responsibility Amendment Law 2009; the Bauchi State Planning Commission Law 2012 and the occasional service circulars. The 1999 Constitution is the overriding law governing public financial management in Bauchi State. Its provisions supersede and override the contents of any other law or provision in the State (and country) to the extent that other laws are inconsistent with the Constitution. The other PFM-related laws and provisions elaborate and expand on the provisions of the Constitution.

Bauchi state recently revised its financial instructions; this time titling it ***Financial Regulations.*** The law is the organic finance law that sets the agenda and establish institutions for public financial management. The Financial Regulations are the derived set of detailed operational rules and guidelines for day-to-day management of public funds. The regulations describe detailed accounting, internal auditing and stores procedures and routines.

1. B.1.2 Institutional Framework for PFM in Bauchi State

It is the responsibility of the Executive arm of the government to propose the budget and implement it through its Ministries, Departments and Agencies (MDAs) after legislative approval. Ministries, Departments and Agencies (MDAs) assist the Executive to perform these functions. MDAs receive authorization of the Governor to commence project execution, notwithstanding legislative approval. The Governor’s express authorization is necessary for MDAs to award contracts (notwithstanding that it is the approved budget) and for the treasury to honour due certificates.

The State Planning Commission is at the apex of the planning and budgeting processes. The Commission reviews the Budget of all sectors in the State, in line with the state government's policies and priorities, and collates monthly expenditure and revenue returns from MDAs.

The Ministry of Finance manages the finances of the State and has responsibility for revenue and expenditure, treasury and accounting functions.

The Office of the Accountant-General of the State (OAGS) performs actual treasury functions of government, including accounting and internal audit. The Accountant-General is expected to prepare a consolidated monthly internal audit report with copies to the Accounting officers, Commissioner of Finance, and the Auditor-General. OAGS also plays a key role in the state's PFM process, auditing all government offices and reporting to the Legislature. The Office of the Auditor General for Local Governments is also a distinct State Government institution that audits the accounts of Local Governments.

The Bauchi State House of Assembly (SHoA) exercises approval and oversight functions over the budget process. It also has oversight responsibility over budget implementation, accounting, and audit processes. The design is for accountants at the MDAs and sub-treasuries to render monthly, quarterly, half-yearly and annual returns to the Accountant General. The Accountant General prepares annual report and submits to the State Auditor General who in turn reports to the appropriate committee in the SHoA.

1.B.1.3 Overview of the Reviewed Budget Calendar

1. indicative Budget Calendar is presented below:

Table 1: Review of the Budget Calendar

Stage	Date (s)	Responsibility
Update of MYBF	May	SPC
Preparation and Publication of EFU-FSP-BPS	May	MDA's
Review by MDAs	June	SPC
Preparation and Submissions of reviewed proposals by MDAs	June	MDA's
Budget Deliberation/Discussion	June	SPC and MDA's
Compilation of the reviewed Budget	June	SPC
Submission of the reviewed draft Budget to ExCO.	June	SPC
Review, Approval and Transmission of Budget to the SHoA by ExCo.	June	ExCo
Review and Passage of Budget by SHoA	July	SHoA
Signing Appropriation Bill	July, End	Governor

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

Recent Developments:

The Global economy will take a severe hit this year as the Corona virus pandemic has brought economic activity to a near halt across the World. Just when economic hostilities between the US and China was beginning to soften thereby given hope to economic recovery, the World fell into a more dangerous economic/health threat through the COVID 19.

The pandemic is a health crisis that is impacting severely on economic activity. As a result of the pandemic, the global economy is projected to contract by -3 percent in 2020 which is worse than during the 2008-09 financial crisis. However, this situation may likely change if the pandemic fades in the second half of 2020 and containment effects can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes.

Commodity prices play a significant role as the average petroleum spot price per barrel are estimated at $35 in 2020 and $37.9 in 2021. For the years thereafter, oil future curves show that prices are expected to increase toward $45 but stay below their average 2019 level ($61.40). Metal prices are expected to decrease 15.0 percent in 2020 and 5.6 percent in 2021.

Growth in the advanced economy group – where several economies are experiencing wide spread outbreaks and deploying containment measures – is projected as at -6.1 percent in 2020. Most economies in the group are forecast to contract this year including United State (-5.9 percent), Japan (-5.2 percent), the United Kingdom (-6.5 percent), Germany

(-7.0 percent), Italy (-9.1 percent) and Spain (-8.0 percent). Among emerging market and developing economies, all countries face a health crisis, severe external demand shock, dramatic tightening in global financial conditions, and plunge in commodity price, which will have a severe impact on economic activity in commodity exporters. Overall, the group of emerging market and developing economies is projected to contract by -1.0 percent in 2020; excluding China, the growth rate for the group is expected to be -2.2 percent. Even in countries not experiencing widespread detected outbreaks as of the end of March (and therefore not yet deploying containment measures of the kind seen in places with outbreaks) they reflect large anticipated domestic disruptions to economic activity from COVID-19. The 2020 growth rate for the group excluding China is marked down 5.8 percent point relative to the January World Economic Outlook (WEO) projection. As discussed below, growth would be even lower if more stringent containment measures are necessitated by a wider spread of the virus among these counties.

Emerging Asia is projected to be the only region with a positive growth rate in 2020 (1.0 percent), albeit more than 5.0 percentage points below its average in the previous decade. In China, indicators such as industrial production, retail sales, and fixed asset investment suggest that the contraction in economic activity in the first quarter could have been about 8.0 percent year over year. Even with a sharp rebound in the remainder of the year and sizable fiscal support, the economy is projected to grow at a subdued 1.2 percent in 2020. Several economies in the region are forecast to grow at modest rates, including India (1.9 percent) and Indonesia (0.5 percent), and others are forecast to experience large contractions (Thailand, –6.7 percent).

Other regions are projected to experience severe slowdowns or outright contractions in economic activity, including Latin America (–5.2 percent)— with Brazil's growth forecast at –5.3

percent and Mexico's at –6.6 percent; emerging and developing Europe (–5.2 percent)—with Russia's economy projected to contract by –5.5 percent; the Middle East and Central Asia (–2.8 percent)—with Saudi Arabia's growth forecast at –2.3 percent, with non-oil GDP contracting by 4.0 percent, and most economies, including Iran, expected to contract; and sub-Saharan Africa (–1.6 percent)—with growth in Nigeria and South Africa expected at –3.4 percent and –5.8 percent, respectively. Following the dramatic decline in oil prices since the beginning of the year, near-term prospects for oil-exporting countries have deteriorated significantly: the growth rate for the group is projected to drop to –4.4 percent in 2020.

Real GDP in sub-Saharan Africa is projected to contract by −1.6 percent in 2020, the lowest level of growth. This is about 5.2 percentage points lower than envisaged in the October 2019 Regional Economic Outlook for Sub-Saharan Africa. The sharp downward revision largely reflects the fallout from the spread of COVID-19 and lower-than-expected commodity prices. In addition, individual factors, such as continued structural constraints (South Africa), policy adjustment (Ethiopia), and climate and other natural shocks (such as the locust invasion in eastern Africa) have also contributed to the downward revisions.

The economic fallout from the COVID-19 outbreak and low commodity prices is expected to be the largest in less diversified economies.

Growth in oil exporters is projected to decline from 1.8 percent in 2019 to −2.8 percent in 2020 (a downward revision of 5.3 percentage points from the October 2019 Regional Economic Outlook for Sub-Saharan Africa). In Nigeria, the largest economy in the region, GDP is expected to contract by −3.4 percent, mainly reflecting the large drop in oil prices and the impact of containment and mitigation measures on economic activity.

Other resource-intensive countries are expected to experience a decline in growth of about 5.0 percentage points, from 2.3 percent to −2.7 percent. In South Africa, disruptions caused by containment and mitigation measures and lower external demand are expected to compound existing structural constraints, with growth expected to fall from 0.2 percent in 2019 to −5.8 percent in 2020.

Non-resource-intensive countries are expected to see growth decline from 6.2 percent to 2.0 percent. Within this group, tourism- dependent countries (Cape Verde, Comoros, The Gambia, Mauritius, São Tomé and Príncipe, Seychelles) are expected to experience a severe downturn, with real GDP contracting -5.1 percent in 2020 after growing.

Table 2: Selected Countries: Real GDP, Consumer Prices

Real GDP Consumer Prices					Consumer Prices		
Projections *(Annual Percent Change)*					Projections *(Annual % Change)*		
Country:	**2019**	**2020**	**2021**		**2019**	**2020**	**2021**
Germany	0.6	-7.0	5.2		1.3	0.3	1.2
France	1.3	-7.2	4.5		1.3	0.3	0.7
Italy	0.9	-9.1	4.8		0.6	0.2	0.7
Russia	1.3	-5.5	3.5		4.5	3.1	3
Turkey	0.9	-5.0	5		15.2	12	12
Japan	0.7	-5.2	3		0.5	0.2	0.4
Korea	2	-1.2	3.4		0.4	0.3	0.4
China	6.1	1.2	9.2		2.9	3	2.6
India	4	4.2	1.9		7.4	4.5	3.3
Thailand	2.4	-6.7	6.1		0.7	-1.1	0.6
U S A	2.3	-5.9	4.7		1.8	0.6	2.2
Canada	1.6	-6.2	4.2		1.9	0.6	1.3
Brazil	1.1	-5.3	2.9		3.7	3.6	3.3
Argentina	-2.2	-5.7	4.4		53.5	.	.
Saudi Arabia	0.3	-2.3	2.9		-1.2	0.9	2
U A E	1.3	-3.5	3.3		-1.9	-1.0	1.5
Egypt	5.6	2	2.8		13.9	5.9	8.2
Nigeria	2.2	-3.4	2.4		11.4	13.4	12.4
Angola	-1.5	-1.4	2.6		17.1	20.7	22.3
South Africa	0.2	-5.8	4		4.1	2.4	3.2
Ghana	6.1	1.5	5.9		7.2	9.7	8.5
Kenya	5.6	1	6.1		5.2	5.1	5

Source: IMF's World Economic Outlook, April 2020.

Table 3: Real GDP Growth of Sub-Saharan Africa - Selected Countries

Country	2019	2020	2021
Sub-Saharan Africa (Oil Exporters):-			
Nigeria	2.2	-3.4	2.4
Angola	-1.5	-1.4	2.6
Gabon	3.4	-1.2	3.6
Chad	3.0	-0.2	6.1
Republic of Congo	-0.9	-2.3	3.4
Middle-Income African Countries:-			
South Africa	0.2	-5.8	4.0
Ghana	6.1	1.5	5.9
Côte d'Ivoire	6.9	2.7	8.7
Cameroon	3.7	-1.2	4.1
Zambia	1.5	-3.5	2.3
Senegal	5.3	3.0	5.5
Low-Income African Countries:-			
Ethiopia	9.0	3.2	4.3
Kenya	5.6	1.0	6.1
Tanzania	6.3	2.0	4.6
Uganda	4.9	3.5	4.3
Madagascar	4.8	0.4	5.0
Democratic Republic of Congo	4.4	-2.2	3.5

Source: IMF's World Economic Outlook, April 2020.

2.A.2 Nigerian Economy

Macroeconomic Analysis

The Nigeria recorded a lower economic growth in the first quarter of the year (Q1'2020), as the Gross Domestic Product (GDP) growth rate dropped to 1.87 percent, during the quarter, reflecting the impact of the COVID-19 pandemic on the economic activities across the country.

This GDP growth recorded in Q1'2020, the lowest quarterly GDP growth rate since third quarter of 2018, represents decline of 23 basis points when compared with the 2.55 percent GDP growth rate recorded in the fourth quarter of last year (Q4'2020). It also represents 68 basis points when compared with the 2.10 percent GDP growth rate recorded in the first quarter of last year (Q1'2019).

The Nigeria Bureau of Statistics (NBS) disclosed this in the Nigerian Gross Domestic Product Report (Q1 2020).

According to the NBS, the GDP growth was driven mainly by the Oil sector which grew by 5.06 percent during the quarter, though lower than the growth recorded in Q1'2019 and Q4'2019.

The coronavirus pandemic, lockdown measures put in place in major economic hubs, and depressed global crude prices have completely derailed the economy's already-fragile recovery from its 2016 recession. On the heels of the oil price crash in March, the private sector PMI plunged to a survey record low in April as evaporated demand crushed output and new orders. Notably, disruptions to supply chains and tighter Forex (FX) liquidity are also likely to stoke inflationary pressures. This, coupled with authorities' indication of abiding to the OPEC+ agreement struck in April to cut output in May and June, will be contracting the economy in Q2. In a bid to ease the economic pain, authorities started to gradually lift the lockdown in early May. Although this should enable an improvement in activity in the vast informal sector, possible retightening due to continued health concerns could exacerbate the economic impact.

Table 4: Nigeria Key Macroeconomic Indicators

Indicator	2019	2020	Proposed Revision 2020	Revised Projection 2021	Revised Projection 2022
Oil Price Benchmark (US$/b)	67.2	57.0	25.0	35.0	40.0
Oil Production (mbpd)	1.96	2.18	1.90	1.93	2.22
Exchange Rate (N/$)	305.0	305.0	360.0	360.0	360.0
Inflation (%)	11.98	10.81	14.13	11.93	10.92
Non-Oil GDP (N'bn)	131,810.1	129,692.6	130,846.1	132,125.4	134,492.1
Oil GDP (N'bn)	12,400.4	13,267.9	8,671.4	10,066.7	11,580.7
Nominal GDP (N'bn)	144,210.5	142,960.5	139,517.5	159,490.5	179,584.9
GDP Growth Rate (%)	2.27	2.93	(4.42)	2.88	4.53
Consumption (N'bn)	119,281.6	122,752.4	118,735.2	118,468.7	122,289.4

***Source**: Ministry of Finance, Budget & National Planning; NNPC; BOF; NBS*

Petroleum Sector

GROWTH PROSPECTS IN 2020: THE COVID-19 PANDEMIC AND THE OIL PRICE SLUMP A Global Recession

The world economy is expected to enter a recession, reflecting widespread disruptions from the COVID-19 pandemic. Global growth is projected to drop from 2.9 percent in 2019 to −3.0 percent in 2020, far lower than during the 2008–09 global financial crisis. Among the sub- Saharan African region's key trading partners, the euro area is expected to contract (from

1.2 percent in 2019 to −7.5 percent in 2020), and growth in China is to slow considerably (from 6.1 percent to 1.2 percent).

Oil prices have plunged by about 50 percent, reaching 18-year lows, reflecting a slump in global growth and the breakdown of the Organization of Petroleum Exporting Countries and other major oil producers (OPEC+) agreement regarding production cuts. Most other commodity prices are also lower—one exception is precious metals, such as gold, which have benefited from the risk-off sentiment.

Global financial conditions have tightened sharply in 2020. Investors have pulled out over $90 billion from emerging markets since the beginning of the crisis, the largest capital outflow on record. Financial markets in sub-Saharan Africa have also come under pressure: sovereign spreads in the region have increased by about 700 basis points since February 2020, reaching all-time highs, with the largest rise seen in oil exporters; bond issuances have stopped, and large capital outflows have also been recorded from the region's frontier and emerging markets.

Table 5: Economic Outlook for Nigeria, 2011-2019

Time Units	Real GDP million naira	Nominal GDP million naira	Trade million naira	Real GDP (%) %	Trade (%) %	Inflation %
2011	57,511,041.77	62,980,397.22	29,333,001.12	5.31	48.75	10.83
2012	59,929,893.04	71,713,935.06	28,071,190.67	4.21	-4.3	12.22
2013	63,218,721.73	80,092,563.38	21,261,086.29	5.49	-24.26	8.5
2014	67,152,785.84	89,043,615.26	23,459,656.50	6.22	10.34	7.98
2015	69,144,885.84	94,268,428.58	17,759,239.59	2.97	-24.3	9.55
2016	71,758,121.29	104,203,951.07	18,186,765.55	3.78	2.41	10.16
2017	75,369,068.74	114,054,967.67	23,844,677.11	5.03	31.11	9.49
2018	79,596,971.23	124,332,323.63	27,973,242.33	5.61	17.31	8.67
2019	84,064,363.50	134,950,445.87	31,228,982.25	5.61	11.64	8.54

Source: NBS April 2019

2.A.3 Bauchi State Economy

In 1976; Bauchi State comprising the present Gombe and Bauchi states was created out of the then North-Eastern State. The arrangement remained such until Gombe State was curved out in 1996.

The State is presently made up of 20 local Government Areas, namely: Alkaleri, Bauchi, Bogoro, Dambam, Darazo, Dass, Gamawa, Ganjuwa, Giade, Itas-Gadau, Jama'are, Katagum, Kirfi, Misau, Ningi, Shira, Tafawa-Balewa, Toro, Warji and Zaki.

People

Bauchi State has over 55 ethnic groups; the main being Hausa, Fulani, Gerawa, Jarawa, Sayawa, Bolawa, Kanuri, Kare-Kare, Warjawa, Zulawa and Badawa. However, Hausa language is more widely spoken. Though these different ethnic groups have their languages, customs, historical background, festivals, occupation patterns and beliefs, the peaceful coexistence with each other clearly demonstrates the unity in diversity of the people of the State.

With a high degree of interaction through economic activities and strengthened by inter communal marriages, there has arisen the acceptance and use of a common language, similarities of occupational practices and uniformity in dress modes.

Geography

Bauchi State is located between Latitude 90 3' and 120 3' north of the equator. Longitudinally, it lies between 80 5' and 110 east of the Greenwich Meridian.

The State is bordered by seven states namely Kano and Jigawa to the north; Taraba and Plateau to the south; Gombe and Yobe to the east and Kaduna to the west.

The State covers a total land area of 49,259.01 square kilometres which represents about 5.3% of Nigeria’s total land mass. Like most of the States of Northern Nigeria, Bauchi State shares two distinct ecological zones. The Sudan Savannah covers the southern part of the State, while the Sahel Savannah covers the western and northern parts of the State.

The state has a rainfall regime between 700mm and 1300 mm in the Sahel and the Sudan Savannah zones respectively. The vegetation zone covered by the Sudan Savannah is characterized by semi-desert, while the Sahel is covered by isolated thorny shrubs and sandy soils.

Bauchi State is blessed with a number of large rivers, which include the Jama’are, Gongola and Dindima in addition to a number of smaller ones which provide suitable basin for agricultural activities such as Crop production, Fishing, Livestock production and Irrigation purposes. These are further supported with other dams and lakes that support agriculture and electricity generation.

Occupation

The major occupation in Bauchi State is peasant farming employing traditional methods and implements. Other occupations in the State include fishing, hunting, blacksmithing, crafts and trading.

Population

The State had a reported population of 4,653,066 based on the 2006 census conducted. However, the projected population for the State as at 2016 stood at **6,537,300.** The break down on a Local Government basis is as follows:

Table 6: 2006 Bauchi State Populations

S/NO	LGA	Population Census 1991-11-26	Population Census 2006-03-21	Population Projection 2016-03-21
1	Alkaleri	257,871	328,284	461,200
2	Bauchi	356,923	493,730	693,700
3	Bogoro	...	83,809	117,700
4	Dambam	...	150,212	211,000
5	Darazo	163,831	249,946	351,200
6	Dass	50,281	90,114	126,600
7	Gamawa	...	284,411	399,600
8	Ganjuwa	144,758	278,471	391,200
9	Giade	...	156,022	219,200
10	Itas/ Gadau	135,707	228,527	321,100
11	Jama'are	70,436	117,482	165,100
12	katagum	195,066	293,020	411,700
13	Kirfi	...	145,636	204,600
14	Misau	...	261,410	367,300
15	Ningi	279,993	385,997	542,300
16	Shira	...	233,999	328,800
17	Tafawa/ Balewa	...	221,310	310,900
18	Toro	209,253	346,000	486,100
19	Warji	...	114,983	161,500
20	Zaki	...	189,703	266,500
	Total	**2,861,887**	**4,653,066**	**6,537,300**

From the table above, it is observed that the population projection is growing at the rate of 3.7%. this shows in 2017 and 2018 will rise to 6,821,138 and 7,057,045 respectively. In 2019 it is expected that the population will reach 7,318,156.

However, with the influx of Internally Displaced Persons (IDPs) from the neighbouring State, the population can be estimated to reach 8,318,156.

Economy

With the vast land of high soil quality, agriculture remains the backbone of the economy of the State. About 80% of the population is engaged in the production of food and cash crops.

The famous Yankari Game Reserve, which occupies an area of 2,224.59km is the nation's premier game reserve and is blessed with a variety of alluring wildlife and the natural Wikki Warm Spring with a constant temperature of 31*C which makes the Reserve a tourist haven of considerable attraction.

The abundant tourist potential of the State is further demonstrated by a number of other identified tourist attractions including the country's first Mining Beacon at Tilden-Fulani, the Panshanu Stone Heaps, the Lame-Burra Game Reserve, the Sumu Wildlife Park, the Geji Rock Paintings of the Neolithic age, the Babban Gwani Architectural designs at Bauchi and Kafin-Madaki and the International Birds Sanctuary of Udubo district. Of further significance is the tomb of the first Prime Minister of Nigeria; Sir Abubakar Tafawa-Balewa of blessed memory.

The State is also blessed with a number of untapped mineral resources. Mining activities on small scale basis in various parts of the State have revealed large deposits of Cassilerite, Limestone, Kaolin, Gypsum, Antimony, Iron-Ore, Gold, Marble, Columbite and zinc. Noticeable deposits of Petroleum related resources have also been discovered, while precious stones like Sulphur, Amities and Aquamarine are also available.

Table 7: Mineral Resource Endowment in Bauchi State

S/N	LOCAL GOVERNMENT AREA	MINERAL RAW MATERIALS	AGRO RAW MATERIALS
1	**ALKALERI**	Kaolin, Granite, Trona, Gypsum, Cassiterite, Clay, Tantalite, Mica, Iron ore, Gemstone, Lead/Zinc.	Maize, Millet, Sorghum, Groundnut, Cotton, Rice, Cowpea, Sheanut, Okro, Sugarcane, Timber, Gum Arabic, Mango, Poultry, Livestock.
2	**BAUCHI**	Granite, Gemstone, Iron Ore, Lead/Zinc, Barytes, Muscovite, Quartz, Kaolin, Columbite, Cassiterite.	Citrus, Mango, Sorghum, Maize, Cowpea, Rice, Livestock, Groundnut, Guava, Dairy, Okro, Gum Arabic, Fishery, Poultry
3	**BOGORO**	Tin, Granite, Iron Ore, Rutile, Tungsten, Copper, Talc, Ilmenite, Lead/Zinc, Gypsum, Columbite, Cassiterite, Zircon, Tantalite	Sorghum, Maize, Cow Pea, Groundnut, Wheat, Rice, Livestock, Poultry, Okro.
4	**DAMBAM**	Kaolin, Silica Sand, Talc, Glass Sand, Gypsum	Gum Arabic, Cowpea, Millet, Cassava, Cotton, Mango, Okro, Tomatoes, Sorghum, Groundnut, Poultry, Livestock
5	**DARAZO**	Clay, Kaolin, Iron Ore	Gum Arabic, Cashew, Ginger, Potato, Livestock, Millet, Cow pea, Maize, Sorghum, Sweet Potatoes, Groundnut, Mango, Poultry.

6	**DASS**	Clay, Salt, Granite, Gemstones, Rutile, Monazite, Ilmenite, Quartz, Feldspar, Cassiterite, Columbite, Tantalum, Zircon, Granite, Lead/zinc	Wheat, Gum Arabic, Sheanut, Maize, Cowpea, Rice, Tomatoes, Okro, Fishery, Poultry, Livestock
7	**GAMAWA**	Clay, Gemstone, Baryte, Trona	Gum Arabic, Cashew, Sheanut, Ginger, Yam, Livetock, Fishery, Millet, Sorghum, Groundnut, Cowpea, Poultry, Okro
8	**GANJUWA**	Clay, Silica Sand, Quartz, Mica, Granite, Gypsum, Gemstone, Kaolin	Maize, Rice, Groundnut, Millet, Sorghum, Cowpea, Gum Arabic, Poultry, Livestock.
9	**GIADE**	Clay, Granite, Laterite, Mica	Sugarcane, Groundnut, Maize, Sorghum, Millet, Wheat, Rice, Cowpea, Poultry, Livestock.
10	**ITAS-GADAU**	Clay, Granite	Maize, Millet, Groundnut, Sorghum, Cowpea.
11	**JAMA'ARE**	Silica Sand, Granite, Clay.	Sorghum, Wheat, Gum Arabic, Cashew, Fishery, Maize, Millet, Groundnut, Cassava, Cowpea, Dairy, Okro, Tomatoes, Mango, Poultry, Livestock.
12	**KATAGUM**	Silica Sand, Laterite, Iron Ore	Millet, Groundnut, Cassava, Fishery, Sorghum, Wheat, Rice, Cowpea, Tomatoes, Poultry, Livestock.
13	**KIRFI**	Clay, Granite, Kaolin, Quartz, Gypsum	Gum Arabic, Sheanut, Rice, Maize, Millet, Cowpea, Sorghum, Groundnut, Okro, Poultry, Livestock.
14	**MISAU**	Kaolin, Silica Sand, Clay, Gypsum.	Gum Arabic, Cowpea, Citrus, Millet, Cotton, Cassava, Sorghum, Groundnut, Poultry, Livestock.

15	**NINGI**	Tantalite, Cassiterite, Graphite, Rutile, Kaolin, Monazite, Ilmenite, Tungsten, Mica, Wolfram, Quartz, Lead/Zinc.	Timber, Sorghum, Groundnut, Cassava, Cotton, Cowpea, Okro, Gum Arabic, Tomatoes, Fishery, Poultry, Livestock, Sugarcane.
16	**SHIRA**	Clay, Granite, Gypsum, Mica	Sugarcane, Groundnut, Maize, Cowpea, Millet, Sorghum, Poultry, Livestock, Wheat, Rice.
17	**TAFAWA-BALEWA**	Tin, Granite, Iron Ore, Rutile, Feldspar, Tungsten, Talc, Ilmenite, Lead/Zinc, Coal, Barytes, Agate, Tantalum, Gypsum	Sorghum, Maize, Cowpea, Millet, Rice, Wheat, Tomatoes, Mango, Guava, Pepper, Poultry, Livestock.
18	**TORO**	Quartz, Columbite, Granite, Gemstone, Rutile, Monazite, Ilmenite, Cassiterite, Tungsten, Gemstones, Tantalum, Zircon, Mica, Iron Ore.	Maize, Poultry, Livestock, Millet, Cowpea, Potatoes (Sweet and Irish), Tomatoes, Mango, Guava, Vegetables, Garden Egg, Okro, Citrus.
19	**WARJI**	Tin, Graphite, Monazite, Ilmenite, Rutile, Quartz, Mica	Sugarcane, Sorghum, Groundnut, Cassava, Vegetables, Millet, Maize, Cowpea, Poultry, Livestock.
20	**ZAKI**	Clay, Silica Sand	Maize, Millet, Groundnut, Sorghum, Wheat, Rice, Tomatoes, Pepper, Fishery, Poultry, Cowpea, Livestock.

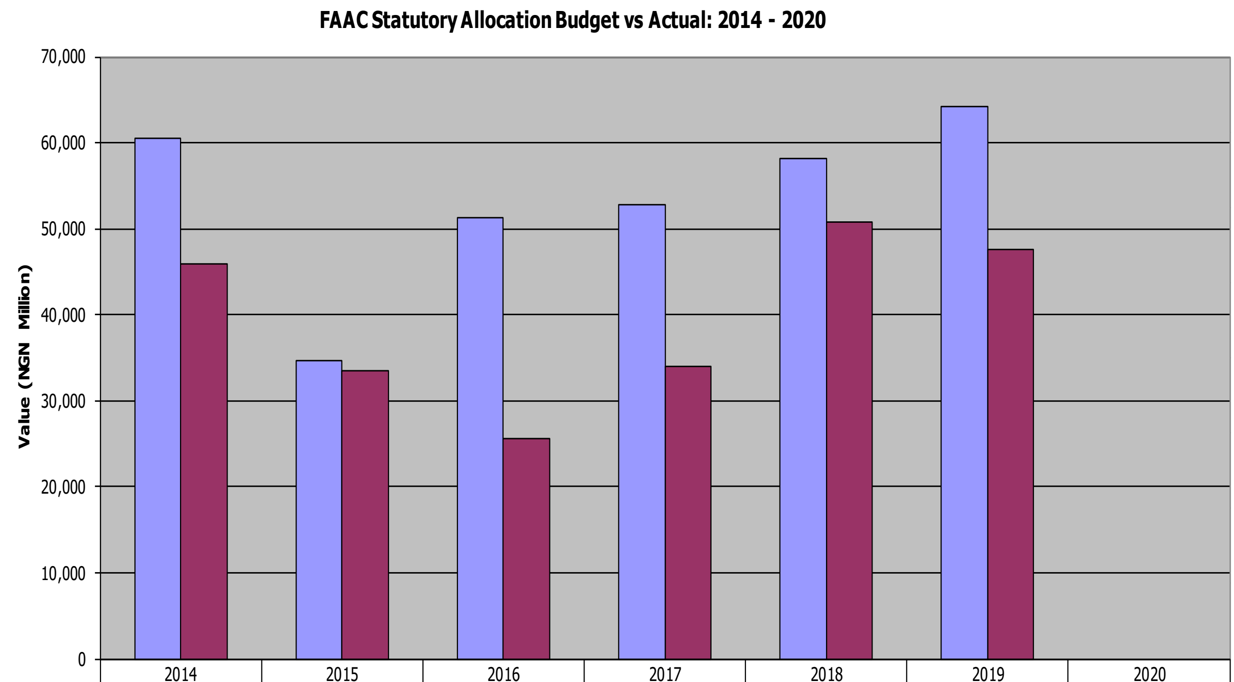
2.B Fiscal Update

2.B.1 Historic Trends

Revenue Components

This section of the document looks at the components of revenue items in terms of Approved Budget and the Actual Performance for the period of six years (2014 – 2019). This includes the Statutory Allocation, Value Added Tax (VAT), Internally Generated Revenue (IGR), Excess Crude and Capital Receipts.

Figure 2: Statutory Allocation

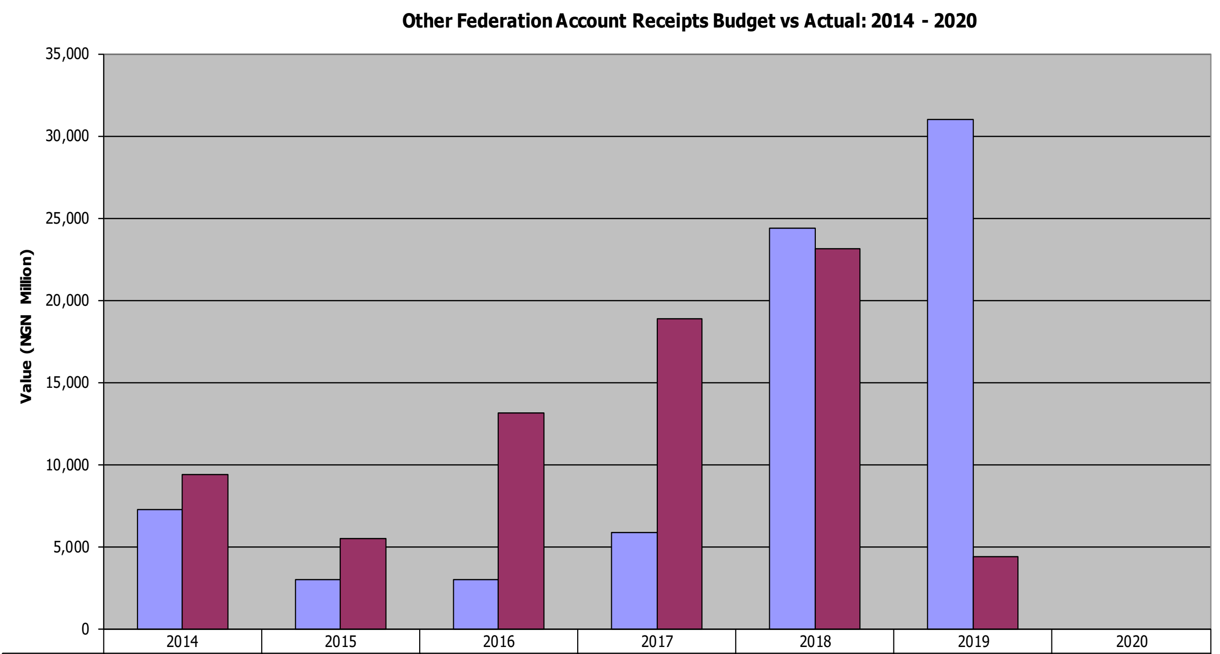


	2014	2015	2016	2017	2018	2019	2020
Budget	60,500,000,000	34,703,116,857	51,211,242,438	52,857,464,283	58,149,256,035	64,140,952,998	0
Actual	45,907,507,962	33,523,163,657	25,600,243,190	33,914,514,366	50,862,288,705	47,571,629,786	
Performance	75.9%	96.6%	50.0%	64.2%	87.5%	74.2%	
Growth		-26.98%	-23.63%	32.48%	49.97%	-6.47%	

Statutory Allocation is a transfer from the Federal Allocation Accounts Committee (FAAC) and is based on the collection of mineral (largely Oil) and non-mineral revenues (companies' income tax, customs and excise) at the national level, which is then shared between the three tiers of government using sharing ratios.

From the chart above, it can be seen that throughout the period of 2014-2019, actual statutory allocation received was less than budget estimates. In 2015 and 2016 statutory allocation growth rate witnessed a fall while the growth rate between 2017 and 2018 witnessed an improved growth rate. The fall between 2015 and 2016 was due to the fact that oil sector was hampered throughout within this period by supply disruption arising from oil theft, pipeline vandalism, falling price of crude oil in the international market and by weak investment in upstream activities with no new oil funds.

Figure 3: Other Federation Account Receipts



	2014	2015	2016	2017	2018	2019	2020
Budget	7,250,000,000	3,000,000,000	3,000,000,000	5,878,977,554	24,349,977,115	30,974,838,698	0
Actual	9,365,688,136	5,469,487,798	13,112,490,412	18,838,217,425	23,132,575,666	4,355,156,788	
Performance	129.2%	182.3%	437.1%	320.4%	95.0%	14.1%	
Growth		-41.60%	139.74%	43.67%	22.80%	-81.17%	

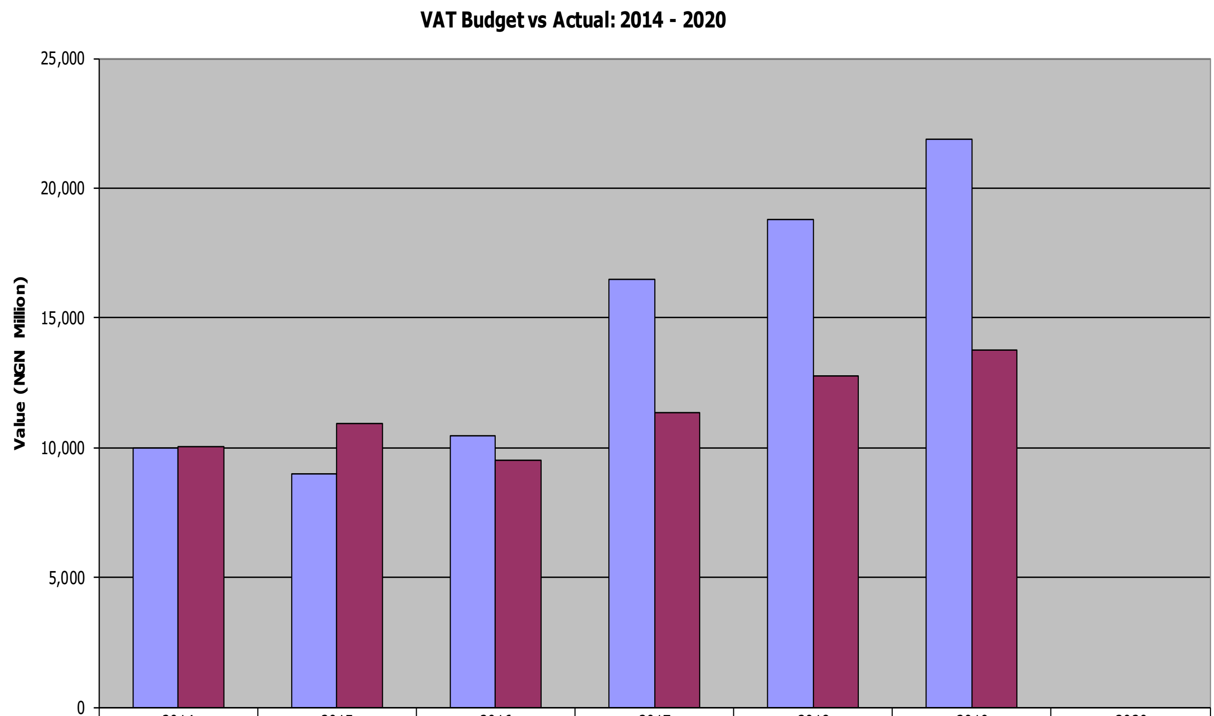
The items under Other Federation Account Receipts comprises of Excess crude, SURE-P, exchange gains, refunds from NNPC and FIRS, Refund from Paris Club, Bailout Funds and Budget Supports. The Excess Crude is generated when actual crude oil price, production and NGN: USD exchange rates exceed the benchmarks and hence excess revenue is generated.

2014-2015 saw significant excess crude distributions including the introduction of SURE-P. However, in 2014 and 2015 excess crude distributions dropped significantly and there are little funds left in the excess crude accounts for distribution going forward.

The years 2016 and 2017 witnessed a significant improvement above the Approved Budget. This is due to the introduction of some refunds like Budget Supports and the Paris Club refunds.

As at 2018 the Approved amount showed a significant improvement in relation to the actual performance as it recorded 95.0%. However, in 2019 there was increased in the total Approved Estimate but the actual performance showed a significant drop.

Figure 4: VAT



	2014	2015	2016	2017	2018	2019	2020
Budget	10,000,000,000	9,000,000,000	10,462,759,340	16,500,000,000	18,795,000,000	21,869,483,877	0
Actual	10,010,933,104	10,927,538,725	9,505,666,084	11,365,308,960	12,746,336,432	13,743,379,568	
Performance	100.1%	121.4%	90.9%	68.9%	67.8%	62.8%	
Growth		9.16%	-13.01%	19.56%	12.15%	7.82%	

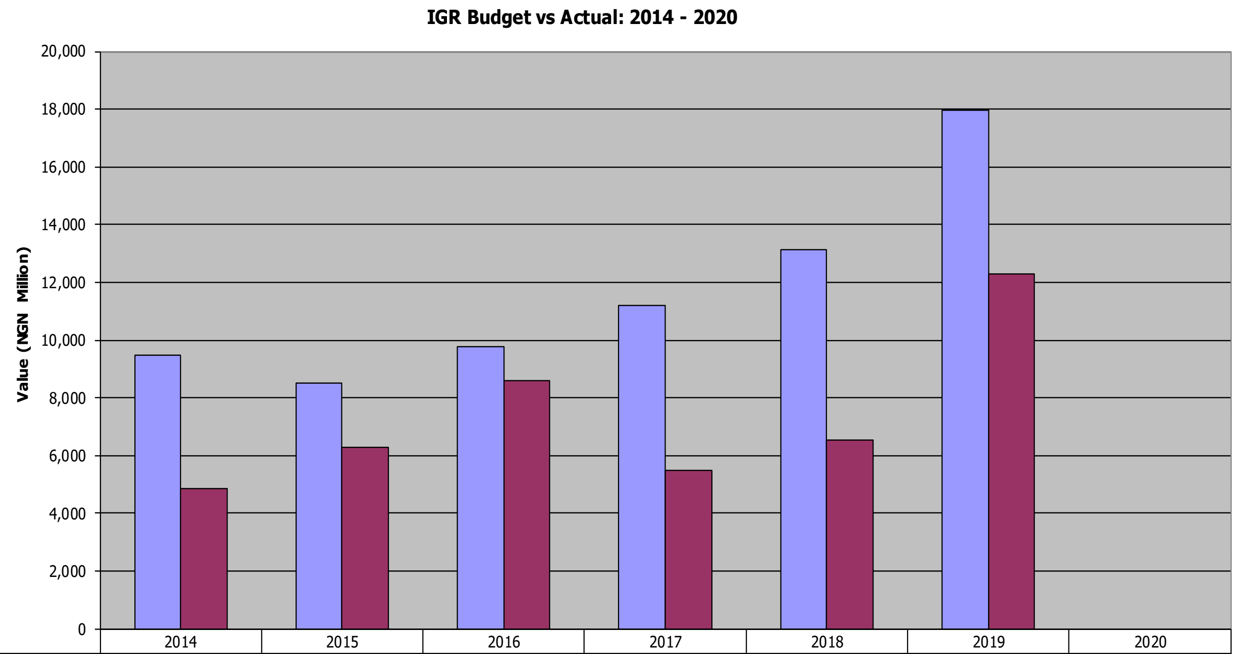
Year

VAT, is a tax on most goods and services at a rate of 5%. It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government on a monthly basis – partially based on set ratios, and partially based on the amount of VAT a particular state generated. States receive 50% of the total VAT collections nationally, from which Bauchi State gets around 4% of the state allocation.

VAT receipts between 2014 – 2016 performed significantly in relation to the amount approved and the actual amount received within this period.

However, VAT receipts have increased year-on-year since 2014 largely due to the growth in nominal economic activity in Nigeria.

Figure 5: IGR



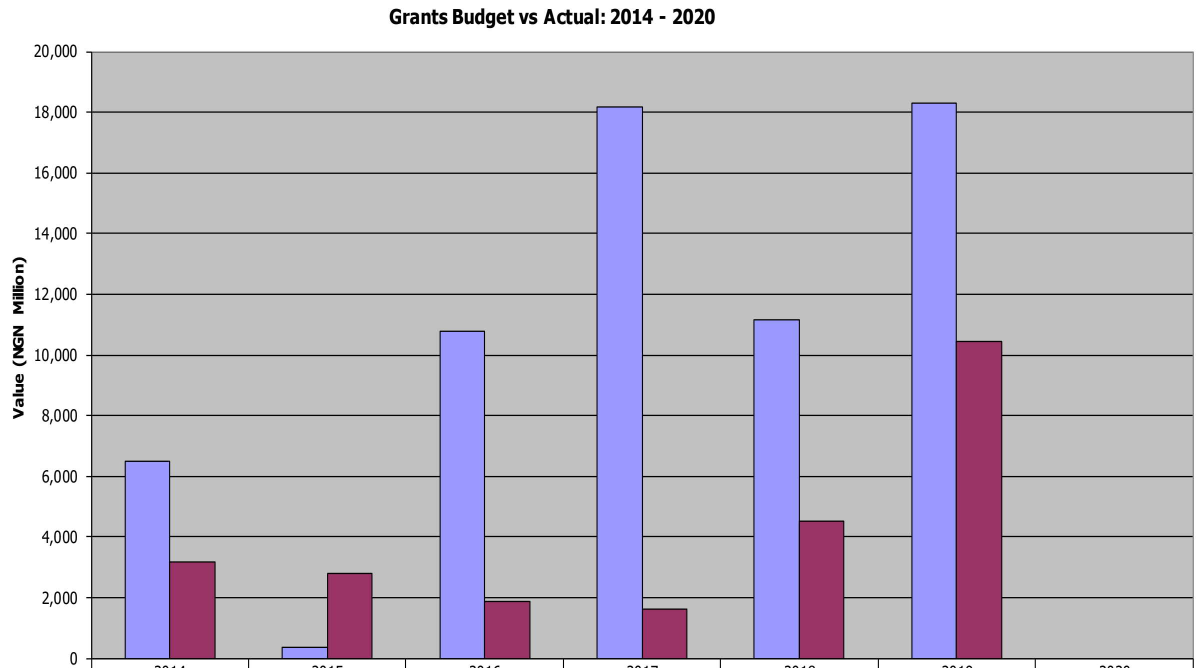
	2014	2015	2016	2017	2018	2019	2020
Budget	9,460,160,804	8,495,817,849	9,750,089,152	11,187,705,791	13,126,384,230	17,946,976,275	0
Actual	4,853,453,184	6,283,433,496	8,600,000,000	5,472,148,744	6,525,458,165	12,293,318,939	
Performance	51.3%	74.0%	88.2%	48.9%	49.7%	68.5%	
Growth		29.46%	36.87%	-36.37%	19.25%	88.39%	

Internally Generated Revenue is revenue collected within Bauchi state related to income tax. The Pay as You Earn (PAYE) represents the highest contributor to IGR. Some of these revenue items include fines, levies, fees and other sources of revenue within the state.

IGR has grown at a steady pace between 2014 to 2016 on an average of 10%. There was a drop in 2017 while in 2018 there is a slight increase when compared to the Approved Budget.

The IGR growth showed fluctuations within the periods under consideration as 2014 and 2017 shows a considerable fall while picking up in 2015, 2016 and 2018 respectively, while performance in 2019 was impressive as the highest figure was recorded in the history of the State.

Figure 6: Grants



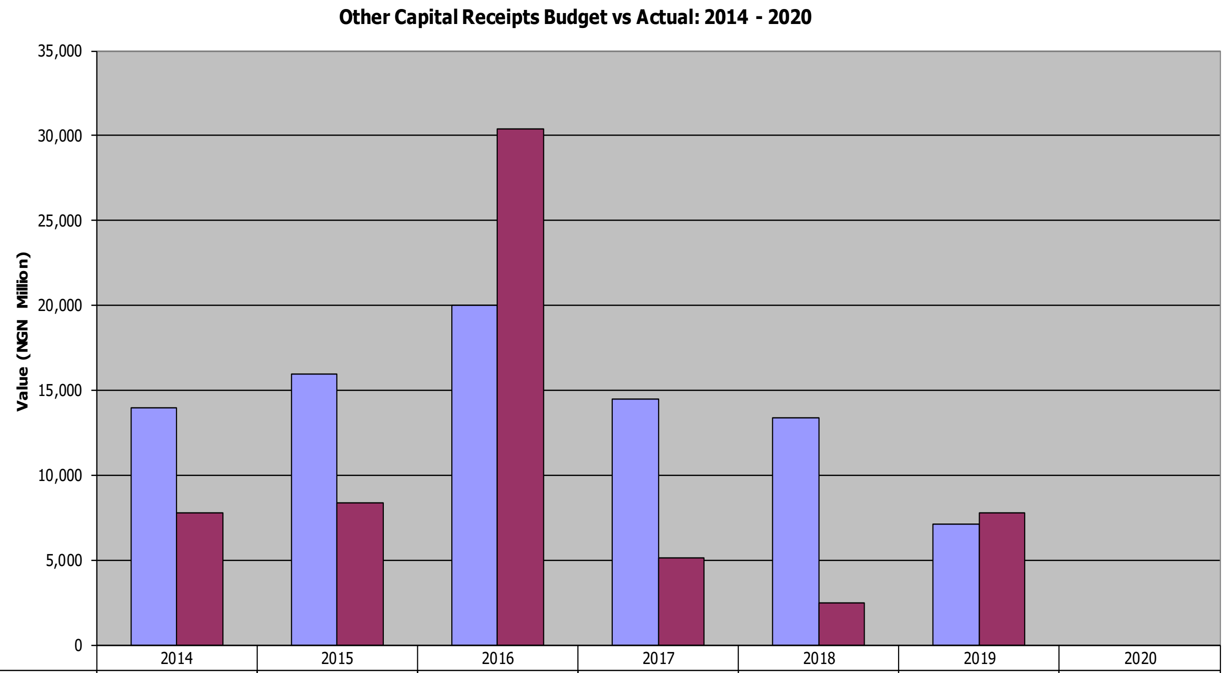
	2014	2015	2016	2017	2018	2019	2020
Budget	6,471,321,801	359,512,500	10,757,223,164	18,174,205,517	11,171,752,115	18,315,364,727	0
Actual	3,173,958,387	2,780,004,543	1,852,123,888	1,605,250,000	4,500,655,788	10,455,766,859	
Performance	49.0%	773.3%	17.2%	8.8%	40.3%	57.1%	
Growth		-12.41%	-33.38%	-13.33%	180.37%	132.32%	

Grants are receipts from Federal Government, International Development Partners, FGN Social Investment Program, SDGs Conditional Grants Scheme, as well as grants from (including UK - Department for International Development (DFID), European Union (EU) and United Nations Children's Fund (UNICEF). Bauchi State has proactively included as much grants expenditure "on-budget" as possible, even if the funds don't travel through the state treasury. This has greatly affected the Budget Size of the State. However, non-disclosure of actual performances by some of the development partners has affected the Chart.

Actual receipts have been below 50% over the period except in 2015 which recorded excellent performance versus the budget.

The growth performance in 2019 has increased to a significant level largely due to proactive measures taken by present administration in terms of creating conducive working environment and payment of GCCC.

Figure 7: Other Capital Receipts



	2014	2015	2016	2017	2018	2019	2020
Budget	13,929,191,190	15,954,089,887	20,012,285,697	14,481,803,200	13,391,000,000	7,084,300,000	0
Actual	7,796,779,450	8,363,741,689	30,410,918,998	5,143,745,001	2,474,379,089	7,802,917,665	
Performance	56.0%	52.4%	152.0%	35.5%	18.5%	110.1%	
Growth		7.27%	263.60%	-83.09%	-51.90%	215.35%	

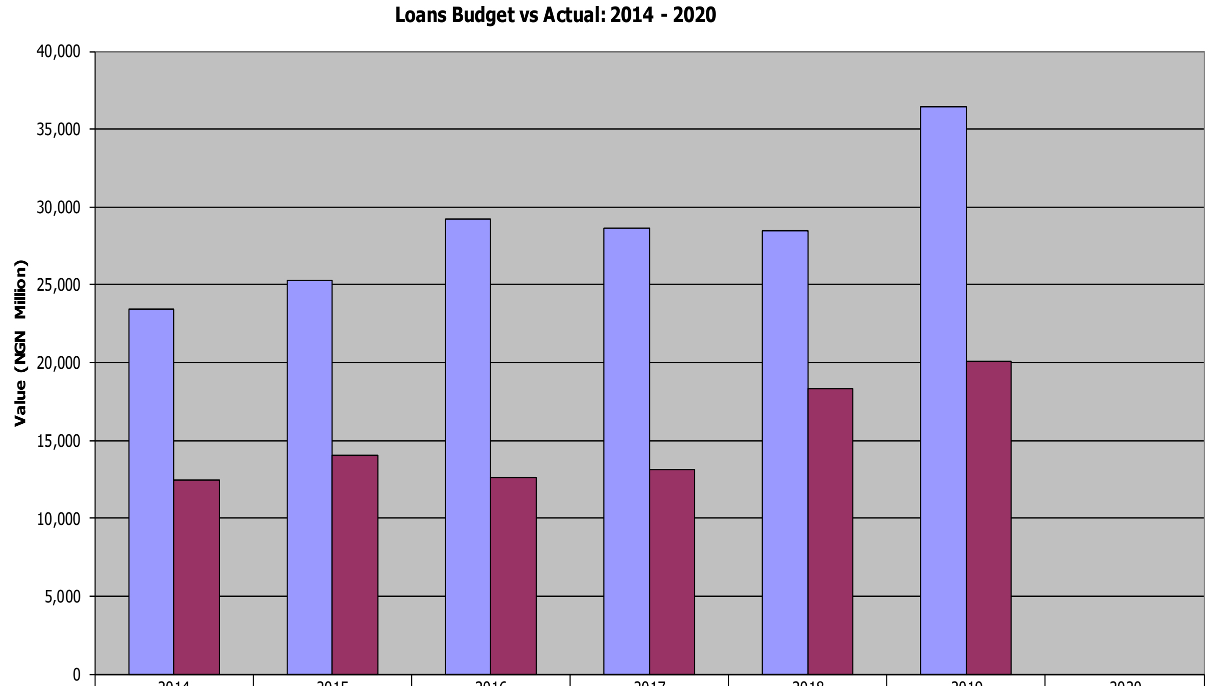
Year

Other Capital Receipts are associated with the income related to Joint Projects Accounts, Re-imbursement from the Federal Government and Ecological Funds.

In 2016, this income showed a great improvement as the amount Budget is less than actual performance while 2016 performed far below the Approved Budget.

The performance growth rate has shown a dismal growth rate in 2018. However, the period under consideration (2019) has shown a great improvement as the performance is above the Approved Estimates.

Figure 8: Loans



	2014	2015	2016	2017	2018	2019	2020
Budget	23,432,127,757	25,277,882,311	29,209,679,288	28,620,543,655	28,479,051,304	36,407,157,705	0
Actual	12,423,208,949	14,077,157,011	12,604,493,969	13,144,995,331	18,360,708,903	20,119,951,398	
Performance	53.0%	55.7%	43.2%	45.9%	64.5%	55.3%	
Growth		13.31%	-10.46%	4.29%	39.68%	9.58%	

Year

The instrument that is used to finance deficit is the loans. This is made up of domestic and international loans.

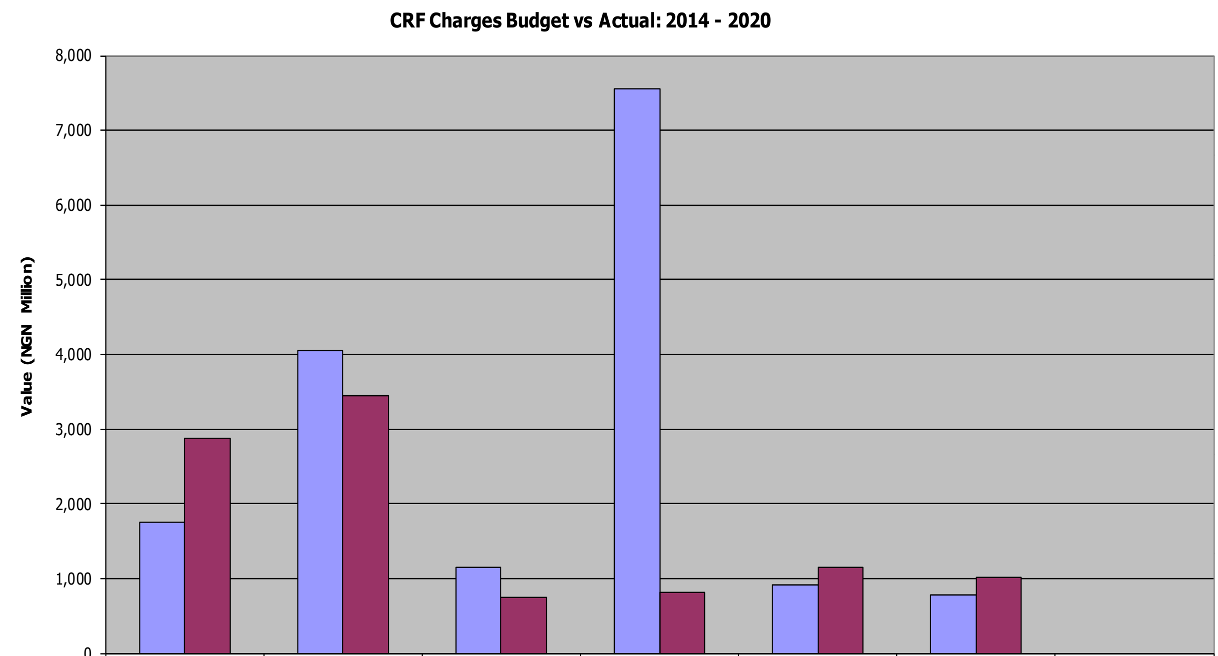
The Loans are mostly short-term and medium term borrowing from banking facilities. The financing has come in the form of various World Bank programmes (Agriculture, Health and Education sector support).

The year 2018 recorded a significant improvement, the trend continued in 2019 due to the proper take-off of some important critical project like Bauchi water supply and the situation is likely to improve in 2020.

Expenditure Components

On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2014-2019 (six years).

Figure 9: CRF Charges



	2014	2015	2016	2017	2018	2019	2020
Budget	1,748,806,985	4,053,981,654	1,141,146,581	7,560,784,583	905,780,781	778,691,461	0
Actual	2,873,488,034	3,443,540,002	753,163,733	818,106,985	1,147,445,860	1,013,780,411	
Performance	164.31%	84.94%	66.00%	10.82%	126.68%	130.19%	
Growth		19.84%	-78.13%	8.62%	40.26%	-11.65%	

CRF (Consolidated Revenue Fund) charges is related to salaries for statutory positions (e.g. the Auditor General, Judiciary and Sharia Court), the salaries of political office holders as well as public debt charges. Due to a strong public debt system the debt servicing costs have been well estimated over the period, and the salary increases for statutory positions have been relatively easy to forecast, and have increased steadily year-on-year due to cost of living increases.

The years 2014 and 2018 witnessed great performance above the budget while the other years for the periods under review recorded performance slightly above average.

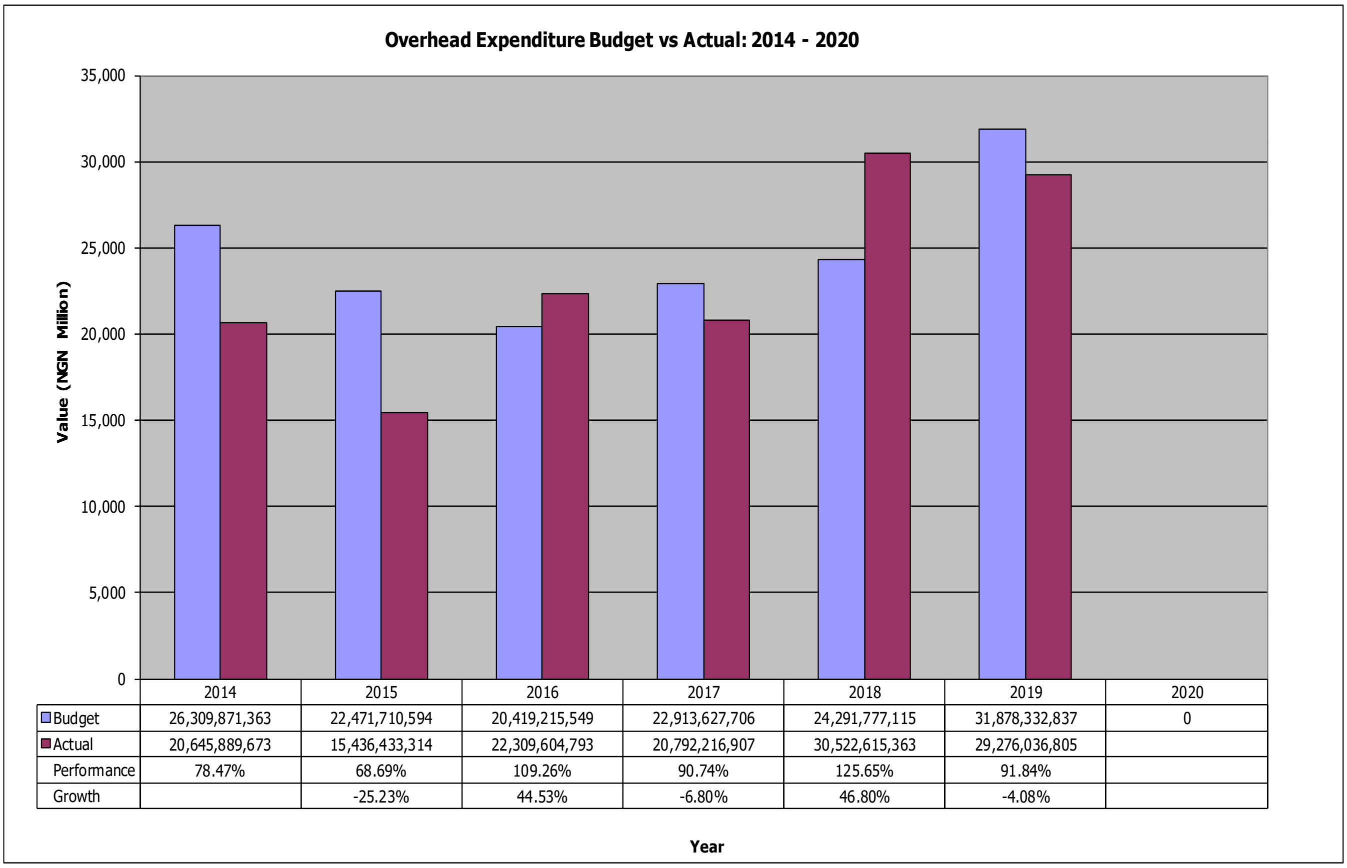
The worst performance was in the year 2017 where only 10.84% was recorded against the Budget.

Figure 10: Personnel

	2014	2015	2016	2017	2018	2019	2020
Budget	25,472,734,625	25,447,928,248	25,816,679,322	27,750,902,867	28,518,232,604	31,718,717,713	0
Actual	19,863,082,522	20,516,834,903	23,013,847,719	24,739,357,246	28,224,122,342	29,182,891,139	
Performance	77.98%	80.62%	89.14%	89.15%	98.97%	92.01%	
Growth		3.29%	12.17%	7.50%	14.09%	3.40%	

Personnel expenditure includes salaries, allowances and pensions costs of the state, most of which are disbursed directly by Head of Service. Personnel costs have risen year on year since 2014 at an average rate of 20% per annum, with particularly large increases in 2017 - 2018. However, for 2019 the figure slightly dropped from 98% to 92%, which may be attributed to the current Government effort aimed at cleaning both the nominal and payroll.

Figure 11: Overheads

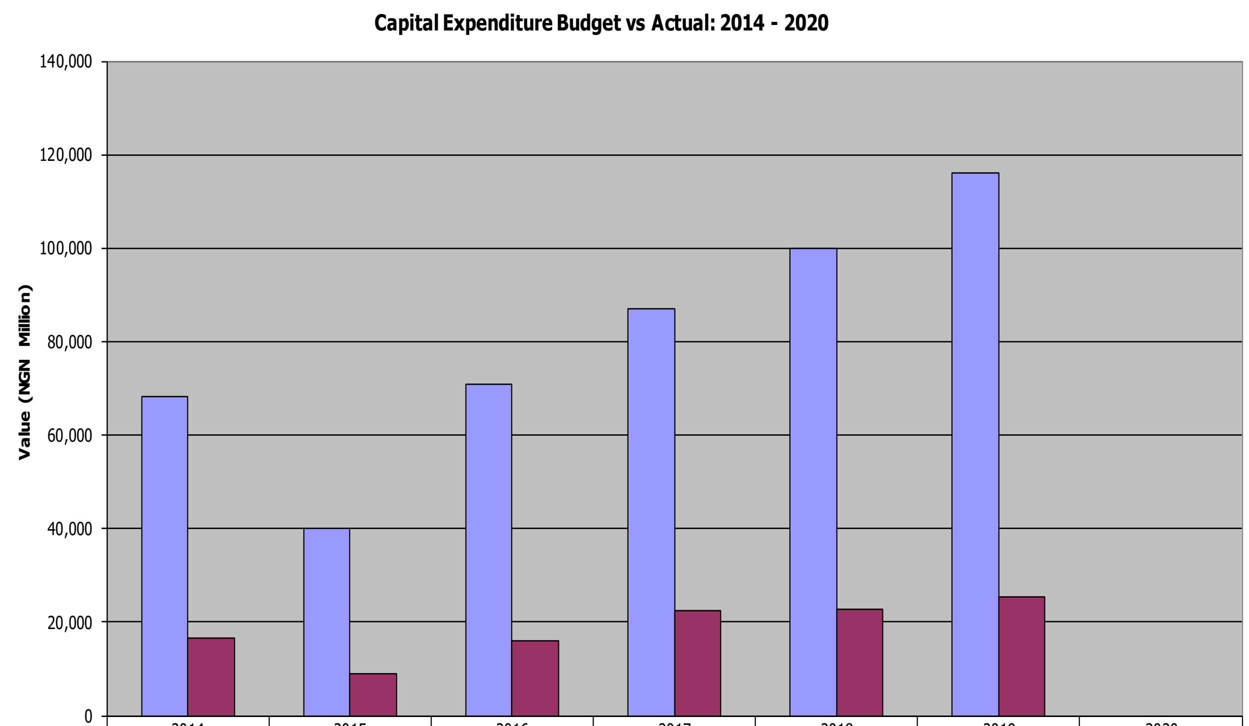


	2014	2015	2016	2017	2018	2019	2020
Budget	26,309,871,363	22,471,710,594	20,419,215,549	22,913,627,706	24,291,777,115	31,878,332,837	0
Actual	20,645,889,673	15,436,433,314	22,309,604,793	20,792,216,907	30,522,615,363	29,276,036,805	
Performance	78.47%	68.69%	109.26%	90.74%	125.65%	91.84%	
Growth		-25.23%	44.53%	-6.80%	46.80%	-4.08%	

Overheads comprise mainly of operational and maintenance costs for running day-to-day activities of the Government. Overhead allocations are transferred to MDAs on a monthly basis subject to warrants.

Overhead expenditure has been somewhat volatile over some periods observed – increasing and decreasing year on year with performance above budget in the years 2016 and 2018. However, the situation begins to normalized in 2019 with a performance of 92% against an excess expenditure of 125% in 2018.

Figure 12: Capital Expenditure



	2014	2015	2016	2017	2018	2019	2020
Budget	68,338,820,437	40,085,160,558	70,954,131,142	87,024,833,213	99,936,650,043	116,044,983,570	0
Actual	16,678,313,378	9,083,093,600	15,854,087,858	22,464,131,869	22,624,808,252	25,411,599,893	
Performance	24.41%	22.66%	22.34%	25.81%	22.64%	21.90%	
Growth		-45.54%	74.55%	41.69%	0.72%	12.32%	

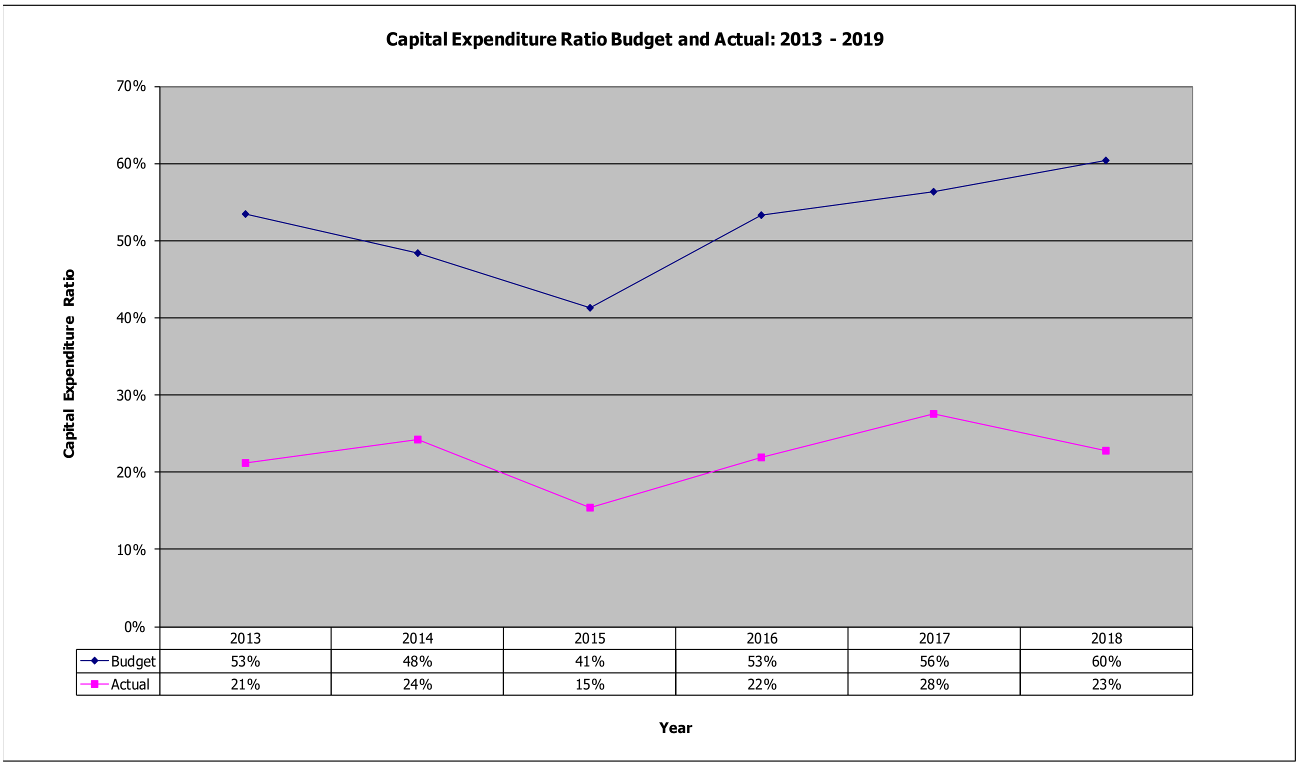
Year

Capital expenditure refers to projects that generate state assets (e.g. roads, schools, hospitals).

The overall performance for the Capital Expenditure is not encouraging as the highest performance recorded for the period under review is 25.81% which recorded in 2017.

Capital Expenditure has performed below 26% throughout the period under consideration with 2015 being the worse recorded performance of 17%. It slightly improved in 2019 despite the change of administration.

Figure 13: Capital Expenditure



The capital expenditure ratio was relatively stable between 40 and 60% between 2014 and 2016, and actually rose year on year during that period from a low of 43% to a high of 56%. However, 2015 saw a quite significant drop as revenues faltered and recurrent expenditure continued to grow.

By Sector

Performance by sector in respect to Personnel cost varied over the period 2014 – 2019 Administration, Economic, Regional, Social, and Law and Justice Sectors all recorded an average performance of less than 50%.

Overhead average performance by Sectors over the period shows that Administration Sector recorded 82.95% of the total performance.

The emphasis of expenditure over the term of the current administration has been on infrastructure which was, in dis-repair. The allocations of more than 50% of capital expenditure reflect this, and should ultimately boast economic activity in the state. However, the investment is on-going with the hope that capital investment can focus more in the social sector.

Large over expenditure by the governance sector is actually due to security challenges that bedevilled the State during the period under review.

As noted above, there was rationing of releases for capital expenditure in 2015 due to the short-falls in revenue.

Table 8: Sector Recurrent Expenditure (Personnel) – Budget Vs Actual

Personnel Expenditure by Sector

No.	Sector	2015 Budget	2015 Actual	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	Performance	Average Budget	Average Actual
1	Administration	25,034,075,171	17,476,232,366	17,090,493,669	11,921,696,695	15,801,403,279	16,518,510,388	23,317,425,846	28,655,999,420	91.79%	18.30%	36.63%
2	Economic	26,703,674,569	6,559,129,880	33,289,729,357	15,434,842,153	47,892,382,872	20,022,119,581	61,400,161,809	42,315,725,514	49.82%	38.12%	41.42%
3	Regional	1,128,325,847	127,938,560	3,378,734,204	705,855,206	3,537,319,729	657,544,614	5,241,863,536	351,058,739	13.87%	2.99%	0.91%
4	Social	34,658,825,240	4,513,131,678	30,112,206,089	3,194,556,622	40,158,954,340	5,352,503,961	59,574,575,717	24,142,635,476	22.62%	37.05%	18.27%
5	Law and Justice	5,586,147,305	296,511,133	2,083,749,750	997,520,940	2,501,400,699	705,670,232	5,559,595,204	3,628,122,038	35.78%	3.54%	2.76%
	Total	**93,111,048,133**	**28,972,943,617**	**85,954,913,069**	**32,254,471,616**	**109,891,460,919**	**43,256,348,776**	**155,093,622,112**	**99,093,541,188**	**45.85%**	**100.00%**	**100.00%**

Table 9: Sector Recurrent Expenditure (Overhead) – Budget Vs Actual

Overhead Expenditure by Sector

No.	Sector	2015 Budget	2015 Actual	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	Performance	Average Budget	Average Actual
1	Administration	20,076,159,055	12,281,339,206	8,941,447,614	10,591,228,244	9,129,929,128	15,673,578,394	13,395,293,144	18,435,666,185	110.55%	51.07%	70.82%
2	Economic	11,422,149,271	1,062,142,221	1,768,049,839	3,121,236,821	5,500,902,670	1,545,241,651	5,820,732,078	6,255,773,272	48.89%	24.28%	14.89%
3	Regional	9,537,700	8,210,550	32,537,700	16,563,761	25,629,526	9,482,495	20,417,135	17,572,315	58.82%	0.09%	0.06%
4	Social	4,651,567,217	2,709,106,905	3,444,046,724	1,952,448,635	7,482,813,181	3,188,302,461	6,747,797,788	1,600,725,847	42.33%	22.12%	11.75%
5	Law and Justice	268,550,000	285,511,133	814,700,000	718,906,297	727,353,201	375,611,906	654,499,321	613,453,703	80.87%	2.44%	2.48%
	Total	**36,427,963,242**	**16,346,310,015**	**15,000,781,877**	**16,400,383,758**	**22,866,627,706**	**20,792,216,907**	**26,638,739,466**	**26,923,191,322**	**79.72%**	**100.00%**	**100.00%**

Table 10: Sector Capital Expenditure – Budget Vs Actual

Capital Expenditure by Sector												
No.	**Sector**	**2015 Budget**	**2015 Actual**	**2016 Budget**	**2016 Actual**	**2017 Budget**	**2017 Actual**	**2018 Budget**	**2018 Actual**	**Performance**	**Average Budget**	**Average Actual**
1	Administration	2,165,060,000	1,651,353,157	8,149,046,055	1,330,468,451	6,671,474,151	844,931,994	7,224,686,954	741,760,745	18.87%	8.14%	6.68%
2	Economic	18,648,137,966	5,496,987,660	31,521,679,518	12,313,605,332	42,391,480,202	18,476,877,930	50,469,188,561	18,991,429,471	38.65%	48.12%	80.89%
3	Regional	1,056,821,847	119,728,010	3,346,196,504	689,291,445	3,511,690,203	648,062,119	5,126,243,185	265,536,635	13.21%	4.39%	2.52%
4	Social	14,677,042,107	119,728,011	26,668,159,364	1,242,107,988	32,676,141,159	2,164,201,500	35,379,079,751	2,582,614,750	5.58%	36.80%	8.94%
5	Law and Justice	2,796,960,000	11,000,000	1,269,049,750	278,614,643	1,774,047,498	330,058,326	1,737,451,591	43,403,652	8.75%	2.55%	0.97%
	Total	**39,344,021,920**	**7,398,796,838**	**70,954,131,192**	**15,854,087,858**	**87,024,833,213**	**22,464,131,869**	**99,936,650,042**	**22,624,745,252**	**22.99%**	**100.00%**	**100.00%**

2.B.2 Debt Position

A summary of the consolidated debt position for Bauchi State Government is provided in the table below:

Table 11: Debt Position as at 31st December 2019

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2019**
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	124.36%
2	Total Domestic Debt/IGR	150%	788.71%
3	Total External Debt/Total Revenue	50%	52.72%
4	Total Public Debt/Total Revenue	100%	177.09%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	2.23%
7	Total Debt Service/Total Revenue	15%	18.29%
8	Domestic Debt Service/IGR	10%	101.83%
			2019 Actual
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2019**		**Naira**
1	Total Domestic Debt		96,958,649,617
2	Total External Debt		41,105,900,372
3	**Total Public Debt**		**138,064,549,989**
4	Total Domestic Debt Service 2019		12,518,011,440
5	Total External Debt Service in 2019		1,740,741,523
6	**Total Public Debt Service**		**14,258,752,963**
C	**STATE GDP FOR 2019**		
1	**State GDP**		0

The State is well within most ratios with the exception of those related to IGR – specifically domestic debt to IGR solvency ratio and domestic debt service to IGR liquidity ratio. However, this is largely due to a low IGR base which must be built in the short-medium term. Once IGR is at a more appropriate level compared to the level of economic activity in the State, more domestic borrowing will be possible.

In the interim, although foreign exchange represents a risk, foreign loans represent a more affordable solution to borrowing.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

The Macroeconomic framework is based on IMF national real GDP growth and inflation forecasts from the April 2019 World Economic Outlook document, and mineral benchmarks (oil price, production and NGN: USD exchange rate) from the 2015-2017 Federal Fiscal Framework. The state real GDP growth is based on 65% of the national level; inflation is as per the national level of 11%.

The state actual GDP is 7.76% based on the 2018 State GDP computation conducted by the National Bureau of Statistics (NBS).

Table12: Bauchi State Macroeconomic Framework

Macro-Economic Framework

Item	2019	2020	2021	2022
National Inflation	14.13%	14.13%	9.00%	9.00%
National Real GDP Growth	-4.42%	-4.42%	6.00%	6.50%
State Inflation				
State Real GDP Growth				
State GDP Actual				
Oil Production Benchmark (MBPD)	1.9000	1.9000	2.3000	2.4000
Oil Price Benchmark	$25.00	$25.00	$54.00	$55.00
NGN:USD Exchange Rate	360	360	290	290
Other Assumptions				
Mineral Ratio	32%	32%	32%	32%

3.B Fiscal Strategy and Assumptions

Policy Statement

The State's fiscal policy is envisaged to control and enforce compliance with established spending limits to achieve sound budgeting system, which include aggregate fiscal discipline, allocative efficiency and effective spending. It also aimed at a robust fiscal response to COVID 19 pandemic.

Objectives and Targets

The key targets for the Government from a fiscal perspective are:

- Achieve a recurrent to capital expenditure ratio of between 57:43;
- To ensure reduction in non-essential overheads and capital expenditures i.e non COVID 19 response related budgetary items.
- Achieved 15% or more of the total budget expenditure on COVID 19 related items.
- To review downward other revenue projections.
- Adoption NGF projection revenue profile of N31.6b from FAAC and N14.8b from VAT.
- Maintenance of critical spending on core Government services.
- Incorporate the national COVID 19 interventions.
- To ensure adjustment of debt servicing and payment (re-schedulement and re-structuring)
- Allow 2.5% of revenue (CRF) for a contingency reserve;
- Loans will only be used for capital expenditure projects;
- Target sources of capital receipts and financing outside of loans (e.g. Aids and Grants, PPP, etc.).

3.C Indicative Three Year Fiscal Framework

The indicative three-year fiscal framework for the period 2020-2022 is presented in the table below:

Table 13: Bauchi State Medium Term Fiscal Framework

Macro-Economic Framework

Item	**2019**	**2020**	**2021**	**2022**
National Inflation	14.13%	14.13%	9.00%	9.00%
National Real GDP Growth	-4.42%	-4.42%	6.00%	6.50%
State Inflation				
State Real GDP Growth				
State GDP Actual				
Oil Production Benchmark (MBPD)	1.9000	1.9000	2.3000	2.4000
Oil Price Benchmark	$25.00	$25.00	$54.00	$55.00
NGN:USD Exchange Rate	360	360	290	290
Other Assumptions				
Mineral Ratio	32%	32%	32%	32%

Fiscal Framework

Recurrent Revenue	**2019**	**2020**	**2021**	**2022**	**Forecast Method**
Statutory Allocation	50,862,288,705	31,987,401,127	50,862,288,705	50,862,288,705	Own Percentage
VAT	12,182,948,362	17,439,997,439	13,511,116,618	13,574,848,300	Own Percentage
IGR	9,600,566,432	15,229,814,848	13,023,456,711	15,000,000,000	Own Value
Excess Crude / Other Revenue	23,132,575,666	4,398,995,049	23,132,575,666	23,132,575,666	Own Percentage
Total Recurrent Revenue	**95,778,379,165**	**69,056,208,463**	**100,529,437,700**	**102,569,712,671**	

Recurrent Expenditure					**Forecast Method**
CRF Charges	1,205,363,105	693,770,212	1,479,340,674	1,670,023,450	MA 4 Year Weighted
Personnel	30,764,789,341	29,669,613,716	37,157,268,179	40,724,542,236	MA 5 Year X-Outliers
Pension and Gratuity	5,535,481,585	6,929,354,661	7,332,451,042	8,423,214,164	MA 5 Year X-Outliers
Public Debt Charges	11,737,571,581	7,732,584,612	11,737,571,581	11,737,571,581	Own Percentage
Overheads	30,522,615,363	22,640,771,243	30,522,615,363	30,522,615,363	Own Percentage
Total	**79,765,820,975**	**67,666,094,444**	**88,229,246,841**	**93,077,966,794**	
Transfer to Capital Account	**16,012,558,189**	**1,390,114,019**	**12,300,190,859**	**9,491,745,877**	

Capital Receipts				
Grants	13,059,723,164	11,712,901,225	15,847,647,863	15,277,647,863
Other Capital Receipts	12,826,974,675	5,133,751,058	11,896,603,200	9,196,603,200
Total	**25,886,697,839**	**16,846,652,283**	**27,744,251,063**	**24,474,251,063**

Reserves					**Base**	**Percentage**
Contingency Reserve		1,741,329,321	2,160,355,331	2,096,759,456	Total Revenue	1.50%
Planning Reserve	2,394,459,479	1,726,405,212	2,513,235,943	2,564,242,817	Recurrent Revenue	2.50%
Total Reserves	**2,394,459,479**	**3,467,734,533**	**4,673,591,274**	**4,661,002,273**		

Capital Expenditure	**41,938,838,656**	**48,422,526,952**	**55,794,441,922**	**46,705,996,939**
Discretional Funds	40,570,038,656	46,163,526,603	48,644,494,059	41,031,049,077
Non-Discretional Funds	1,368,800,000	2,259,000,349	7,149,947,863	5,674,947,863
Net Financing	39,582,628	30,185,760,650	15,750,000,000	12,740,000,000
Total Budget Size	**124,099,119,111**	**119,556,355,928**	**148,697,280,036**	**144,444,966,006**

Ratios				
Growth in Recurrent Revenue	2.69%	-27.90%	45.58%	2.03%
Growth in Recurrent Expenditure	33.18%	-15.17%	30.39%	5.50%
Capital Expenditure Ratio	35.72%	41.95%	39.21%	34.11%
Deficit to Total Expenditure	0.03%	25.25%	10.59%	8.82%

Foreasting Types	**Excess Crude**	**CRF Forecasting**	**Reserves Bases**
Elasticity	MA 3 Year Simple	MA 3 Year Simple	Recurrent Revenue
MA 3 Year Simple	MA 5 Year X-Outliers	MA 5 Year X-Outliers	Total Revenue
MA 5 Year X-Outliers	MA 4 Year Weighted	MA 4 Year Weighted	Capital Expenditure Budget
MA 4 Year Weighted	Own Percentage	Own Percentage	
Own Percentage	Own Value	Own Value	
Own Value	No		

Total Revenue	124,099,119,111	89,370,595,279	148,697,280,036	144,444,966,006
Total Expenditure	124,099,119,111	119,556,355,928	148,697,280,036	144,444,966,006
Surplus/Deficit	0	-30,185,760,650		0

Rec. Exp. Ratio	56.60
Cap. Exp. Ratio	43.40
	100.00

3. C. 1. 2020 Revised Proposed Resource Envelop

Although Table 8 above with the aid of the Model was able to project a three years indicative Fiscal Year Framework (2020 – 2022), the Commission was able to make some adjustment in respect to year 2020 Proposed Estimate so as to reflect the true position of the current economic situation.

Tables 15 and 16 shows the expected incomes and expenditures for the period under review.

Table 14: 2020 Revised Proposed Revenue Estimates

S/N	Revenue Items	Proposed Revised 2020 Estimate
1.	Total Recurrent Revenue	70,738,309,006
2.	Total Capital Receipts	5,908,751,057
3.	Aids and Grants	16,299,401,224
4.	Loans	35,327,584,092
	Total Expected Receipts	**128,274,045,380**

Table 15: 2020 Revised Proposed Expenditure Estimates

S/N	Expenditures Items	Proposed Revised 2020 Estimate
1.	Total Recurrent Expenditure	64,244,572,394
2.	Total Capital Expenditure	60,029,472,986
3.	Planned Reserve	4,000,000,000
	Total Budget Size	**128,274,045,380**

3.C.2 Assumptions

Objectives and Targets

The State Fiscal Strategy aims to ensure fiscal sustainability over the medium term 2020 – 2022 with special consideration to COVID 19 pandemic. Sustainability remains the core requirement of fiscal policy since the State has the responsibility to ensure that it meets current and future obligations.

The key elements of a sustainable fiscal strategy include among others:

3.C.3 Achieving Minimum Budget Deficit or Zero Financing Gap on a Medium-Term Basis

The government fiscal strategy provides necessary flexibility for the Budget balance to vary in line with the economic conditions. This is expected to allow the automatic stabilizers of shocks that may be experienced as a result of COVID 19 pandemic in the short and long run. In response to the pandemic, Government has decided to amend the budget within its resources and at worse achieve a minimum deficit.

3.C.4. Revising the Internally Generated Revenue in Response to COVID 19 Pandemic.

Having realised the devastating effect of COVID 19 on the economy of the State, Government has decided to drastically reduce the revenue projection to meet the reality on ground. To this end, the internally generated revenue base of the State is expected to decrease. It is on this basis that review in respect of revenue projection as it affects the State has been revisited. The Revenue Board will be directed to explore other potential revenue items in the State as well.

3.C.5. Improving Government Net Financial Worth

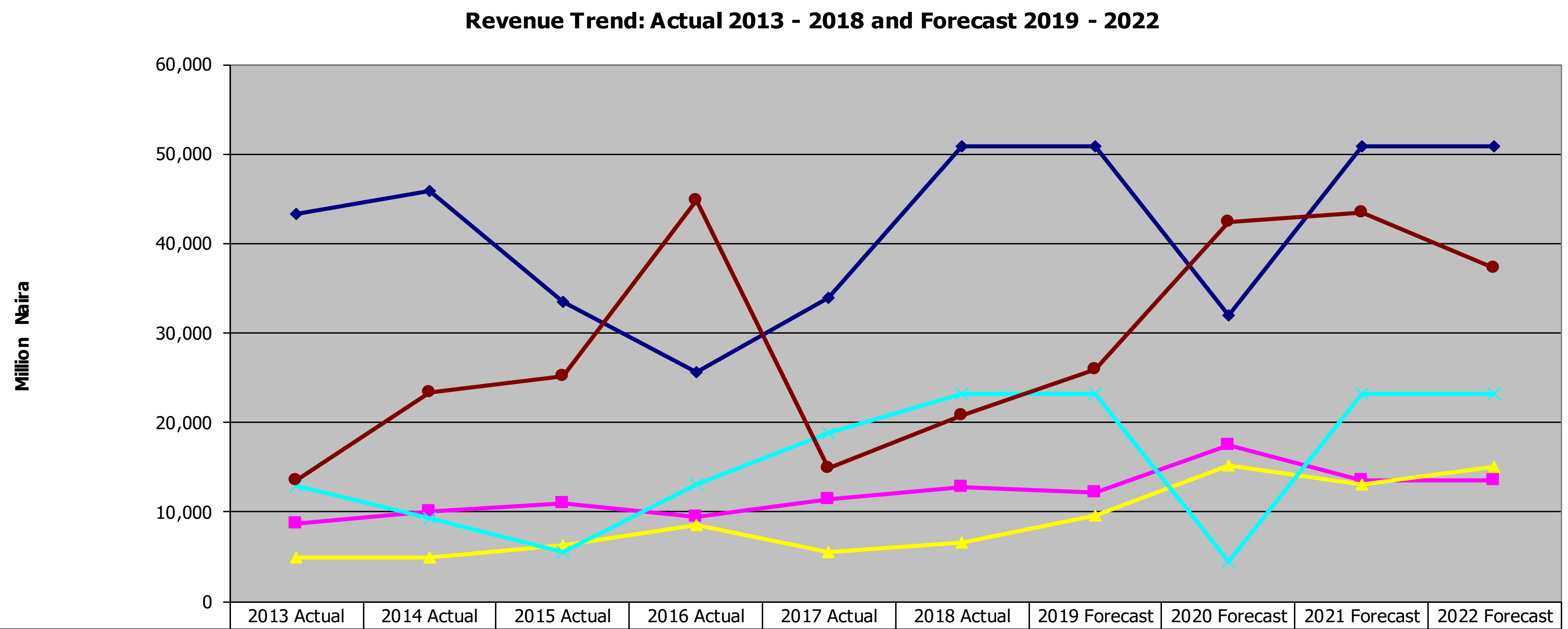
One indicator of the government long term financial position and ability to withstand adverse economic shocks is its stock of financially liquid net Assets. To promote balance sheet sustainability, the fiscal strategy includes a commitment to improving the government net financial worth over the medium term. This forward looking perspective ensures that expenditure is directed at areas which help to promote the development of Bauchi state long term productive capacity and well-being of future generations. In this respect, despite the on-going COVID 19 ugly episode, Government will do all it could to provide conducive environment for public private partnership (PPP) both within and outside the Country. Potential investment in areas such as:

- **Tourism:** as an avenue for the realization of a strong revenue base for the development of the State. Various options such as public private partnership (PPP) will be explored to ensure full commercialization of Yankari Resort and Safari and Sumu Wildlife Park.
- **Mining and Agriculture:** as major contributors to the Gross Domestic Product (GDP) will be promoted for the common good of the State.
- **Commerce and Industry:** to promote trade and investment leading to wealth and job creation for the economic growth and development of the State. Government will ensure the completion and full utilization of Bauchi International Airport, establishment of State

Bureau of Enterprises to economically handle the existing moribund companies such as Zaranda Hotel, Alind Company, Bauchi Fertilizer Blending Company, Bauchi Furniture, Bauchi Meat Factory, Yankari Transport Corporation and others.

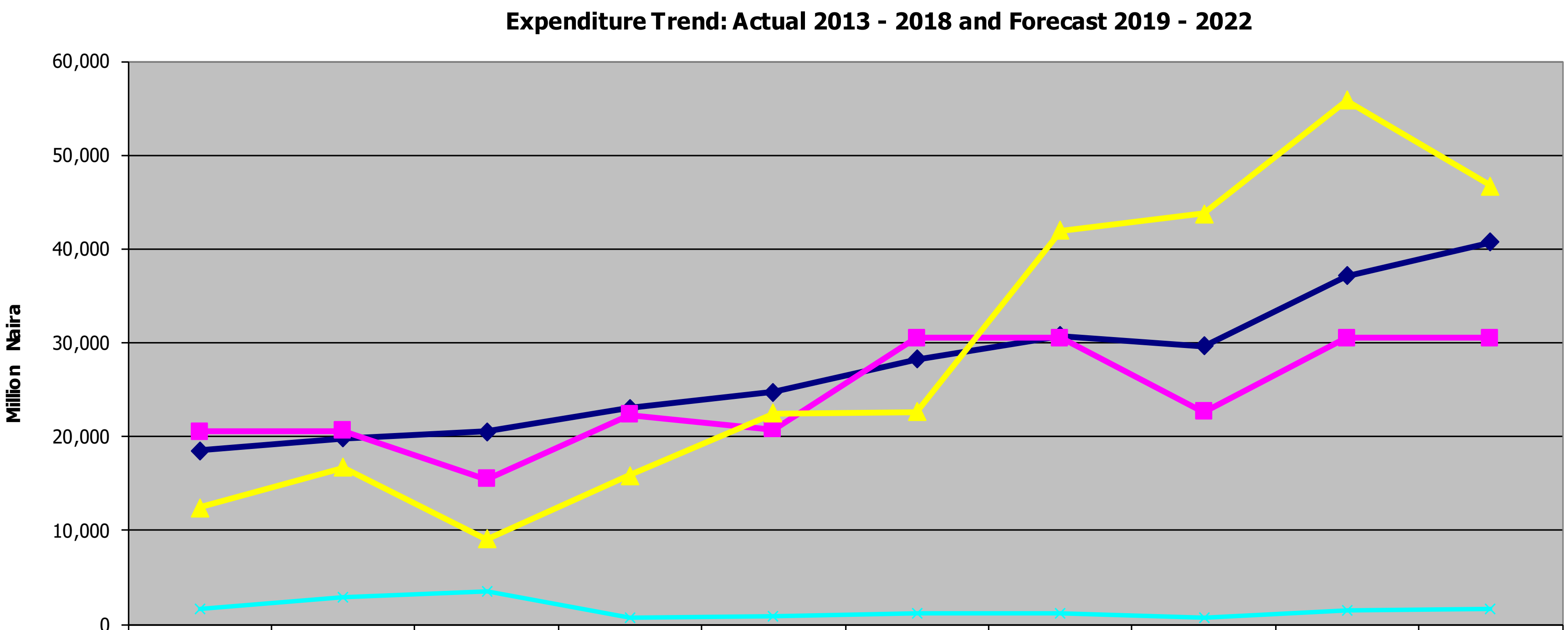
- Completion and full utilization of all on-going capital projects.
- Promoting the establishment of small and medium scale enterprises and cooperative societies.
- **Human Capital Development:** Despite the current COVID 19 pandemic Government will continue to give attention to staff development through training and retraining.

Figure 14: Bauchi State Revenue Trend



	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
Stat.Allocation	43,290,820,421	45,907,507,962	33,523,163,657	25,600,243,190	33,914,514,366	50,862,288,705	50,862,288,705	31,987,401,127	50,862,288,705	50,862,288,705
VAT	8,676,257,338	10,010,933,104	10,927,538,725	9,505,666,084	11,365,308,960	12,746,336,432	12,182,948,362	17,439,997,439	13,511,116,618	13,574,848,300
Total IGR	4,936,701,215	4,853,453,184	6,283,433,496	8,600,000,000	5,472,148,744	6,525,458,165	9,600,566,432	15,229,814,848	13,023,456,711	15,000,000,000
Excess Crude/Other Revenue	12,985,131,912	9,365,688,136	5,469,487,798	13,112,490,412	18,838,217,425	23,132,575,666	23,132,575,666	4,398,995,049	23,132,575,666	23,132,575,666
Capital Receipts	13,487,530,784	23,393,946,786	25,220,903,243	44,867,536,855	14,893,990,232	20,835,087,992	25,926,280,467	42,390,529,239	43,494,251,063	37,214,251,063

Figure 15: Bauchi State Expenditure Trend



	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
Personnel Costs	18,505,342,72	19,863,082,52	20,516,834,90	23,013,847,71	24,739,357,24	28,224,122,34	30,764,789,34	29,669,613,71	37,157,268,17	40,724,542,23
Overheads	20,503,758,95	20,645,889,67	15,436,433,31	22,309,604,79	20,792,216,90	30,522,615,36	30,522,615,36	22,640,771,24	30,522,615,36	30,522,615,36
Cap. Expenditure	12,456,362,48	16,678,313,37	9,083,093,600	15,854,087,85	22,464,131,86	22,624,808,25	41,938,838,65	43,780,643,25	55,794,441,92	46,705,996,93
CRF Charges	1,653,753,110	2,873,488,034	3,443,540,002	753,163,733	818,106,985	1,147,445,860	1,205,363,105	693,770,212	1,479,340,674	1,670,023,450

Year

3.D Fiscal Risks

The analysis and forecasting basis as laid out above implies some fiscal risks, including but not limited to.

Table 17: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Reliance on continued distribution of excess crude	High	High	Increase IGR effort to reduce reliance on federal transfers. Seeking alternative means of funding through grants, PPP etc.
Security situation in the country could affect economic activities and oil production, resulting in risk to VAT and Statutory Allocation	Low	Medium	The estimates for VAT and Statutory allocation are not over ambitious. In addition, clear prioritisation of projects in the capital budget is required.
Floods and other natural disasters impact on economic activities will affect IGR and increase overhead expenditure	Low	Low	Increased investment to improve climate resilience through afforestation, flood control, irrigation and awareness creation.

It should be noted however, that no budget is without risk. The ongoing implementation of the 2020 Revised budget is being closely monitored. Government will continue to ensure adequate provision of security through improvement and maintenance of existing security apparatus.

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

The Revised 2020 -2022 Medium Term Budget Framework (MTBF) policy is aimed at achieving a realistic budget that will guarantee transparency and accountability towards achieving a sustainable economy that can guarantee effective service delivery to the citizenry of Bauchi State. The Revised 2020 Budget implementation strategy includes efficient allocation of resources across all sectors focusing on sustainable development and good governance policy as enumerated below:

a. Education
b. Health;
c. Agriculture;
d. Youth and Women empowerment, job creation and community development;
e. Poverty reduction through establishment of small scale industries, mining, tourism and cooperative societies;
f. Infrastructure through provision and rehabilitation of roads, including urban and rural roads; and
g. Water Sanitation and hygiene.

The objectives and strategies of achieving the above stated policy are based on the following:

i. Timely, efficient and the most effective use of available resources;
ii. Collaboration with the Federal Government to ensure synergy in providing adequate security throughout the State;
iii. Enhancement of economic activities through mass employment generation and other economic empowerment strategies in order to improve the living conditions of the populace;

iv. Embarking on qualitative education strategy by providing conducive learning environment through renovation of existing schools and construction of new ones;
v. Improvement of service delivery in existing Health institutions;
vi. Modernization of agriculture to create wealth, employment and reduce poverty.
vii. Provision of water for human and animal consumption as well as irrigation purposes.
viii. Infrastructural development through road construction and provision of other social amenities.

Hence we propose the 2020 Revised Budget to still remain "Budget of Renewal of Hope"

Section 5 Summary of Key Points and Recommendations

We summarise below a list of the key points arising in this document:

i. The projections for the various revenue and expenditure items are premised on credible forecasting techniques as provided for by the NGF. However, the COVID 19 and its associated economic and fiscal effects had significantly exerted pressure on the State Fiscal Resources and to a large extend undermines the State 2020 Approved Budget. Hence the resolve by Government to reduce revenues both from the FAAC and the IGR. Similarly, the fiscal policies and the budget policy statement are reflections of the State's economic status as well as the nation's economy while taking into consideration the global economic trend. Amendment to any of these projections should, as well be reasonable and premised on credible forecasting techniques and should in the same way be clearly justified;

ii. The projections for revenue items, especially from the federation account were conservatively arrived at from the arrays of forecasting options, and to reflect real economic status of the State. No doubt, the fall in the Price and Production Benchmark of Oil coupled with Naira plunge over dollar accounted for choice of the forecast tool;

iii. The Independent Revenue figures especially in the last one year has been very encouraging. However, it has been observed that some government parastatals generate revenue, retain it and spend to meet their operational cost and this must change.

iv. Grants and credits from Development partners and other Donor Bodies should be seriously explored by government as they provide additional source of funding;

v. Government is encouraged to continue providing conducive working environment to Development Partners through the timely payment of Government Cash Contribution (GCC) and other logistics; and

vi. The COVID 19 shock has increase the Recurrent expenditure especially on healthcare and support as well improve people’s livelihood.