**GOMBE STATE EXPLANATORY NOTES ON 2020 REVISED BUDGET.**

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| **S/No.** | **CODE**  | **EXPLANATIONS (EN)** |
| **1** | **COVID-19** | In December 2019, the world received the news of the outbreak of human infections caused by a virus in Wuhan, China. This new, unknown virus initially called “Wuhan virus” is highly contagious among humans with a devastatingly high mortality rate. Like wildfire, this virus spread to Europe, Asia, America, Africa, all over the world. The World Health Organization in February 2020 declared it a health emergency calling it a pandemic code named COVID-19.  |
| **2** | **WHY BUDGET REVIEW?** | To contain the spread of this virus, health experts’ advice all nations to restrict interaction between humans bringing about closing of national and international borders. Movement from street to street, village to village, town to town and city to city are restricted resulting in the closure of all public and private companies, businesses, travel, recreation, etc causing closure of economic, social and religious gatherings all over the world. Prices of stocks, oil, gas, all commodities have plumbed down drastically. This has necessitated the downward review of budgets and public expenditures all over the world including Gombe State. |
| **3** | **COVID-19 RESPONSIVE**  | Gombe state COVID Responsive Expenditure (as resolved in the 3rd World Bank/Nigeria Governors’ Forum –WN/NGF virtual meeting conducted on the 19th of June 2020) include: -i. Expenditures in the Health Sector by virtue of being in frontline can be said to be directly associated with COVID response. However, recognizing that COVID or no COVID, health services will continue to be provided, Gombe State has designated only some part of Recurrent Expenditure consisting salaries of health workers in the front line, Volunteers, retired health workers called back and other adhoc staff engaged on the front line as well as expenditure on COVID training, contact tracing, testing services, other **task force** operational costs, etc. Under Capital Expenditure improvement of health facilities, purchase of PPEs, drug, consumables and supplies in both isolation and treatment centers. Feeding, security, upkeep, supplies, maintenance and welfare of the isolated persons el al. Government is engaged in upgrading and equipping all existing general hospitals to make them ready for attending to CIVID-19 patients throughout the state.ii. Select Expenditure in other Ministries, Departments and Agencies (MDAs) undertaking activities in the fight against COVID-19. Both Recurrent and Capital expenditures. This is because the activities are both day-to-day and one off. For example, in the: -1. **Office of the Secretary to the State Government.*** Humanitarian and Social Palliatives – The purchase, storage, transportation and distribution of food supplies to the needy, poor and vulnerable (Capital) Budget Line 13000746

2.  **State Agric Supply Company (GOSAC)** - Subsidy on Agric inputs as subsidy to farmers to boost agricultural yields to achieve food security (Capital) Budget line 0100086 & 01000873. **Ministry of Education** - Water, Sanitation and Hygiene WASH - Students and Teachers in schools will daily use as a prevention measure (Recurrent) Budget line 220203434. **Ministry of Environment.** - Cleaning and Fumigations Services – Public places like markets, schools, halls etc will be fumigated (Capital) Budget line 090001315. **Ministry of Women Affairs.** - Women Empowerment – This is a palliative measure to assist women whose small trades and businesses have suffered as a result of lockdowns occasioned by COVID-19 (Capital) Budget line 07000007 6. **Ministry of Youths.** - Youth Empowerment – Also a palliative measure for teeming youth who suffer job loses as result of lockdowns and suspension of services like traders, barbers, taxi drivers, motorcycle operators etc (Capital) Budget line 080000117. **Ministry of Information.** - Public enlightenment/ Awareness creation – The Ministry of Information has stepped up public enlightenment in Radio/Television jingles, announcements and community outreaches for the general public awareness of COVID-19. (Recurrent) Budget line 220210038. **Ministry of Internal Security.** - Anti Banditry - The Ministry of Internal Security has recruited volunteers, local hunters and vigilantes to patrol villages and towns, streets and borders to Secure the public during Lock-down (Recurrent) Budget line 22020648To clearly **mark/tag** COVID-Responsive Expenditure, a dedicated column is created on the Gombe State 2020 Budget Review book, column 8 (**COVID Responsive**). On this column, any row that contains figures are COVID Responsive budget lines. Where the rows do not contain any value means that the budget line is Non-COVID Responsive. Figures are used because the Program Template is numeric and cannot therefore accept alphabets.  |
| **4** | **NON-ESSENTIAL OR NON-CRITICAL EXPENDITURES** | Under Recurrent Expenditure, some budget lines (rows) carry negative figures on column 4 (Supplementary I). These are classified as Non-Essential expenditures. They are expenditure that have their budgets reduced (not because they are not required) but are postponed due to the exigencies of the moment for the purpose of mopping funds to channel into the fight against COVID.Similarly, under Capital Expenditure, some budget lines (rows) carry negative figures on column 4 (Supplementary I). These are classified as Non-Critical expenditures. They are expenditure that have their budget reduced (not because they are not required) but are postponed due to the exigencies of the moment for purpose of mopping funds to channel in the fight against COVID. Here, the projects were evaluated and resolved to consist of some projects whose execution periods will take more than twelve (12) months to finish. These are therefore pushed to subsequent years and/or adjusted to be executed in phases so that only funds necessary to be paid in 2020 are reflected in the budget review. |
| **5** | **ASSUMPTION (EN 1)** |
|  | **EN 1.1** | **OIL PRICE (US$ per Barrel) = $25**To contain the spread of COVID-19, the World Health Organization (WHO) advised all nations to restrict interaction between humans bringing about closing of national and international borders. Movement from street to street, village to village, town to town and city to city are restricted resulting in the closure of all public and private companies, businesses, travel, recreation, etc causing closure of economic, social and religious gatherings all over the world. Prices of stocks, oil, gas, all commodities have plunged down drastically. As a result of the general economic crush, the oil price which was earlier projected in the original budget at $55 per barrel is now revised to $25 dollars per barrel. This is in congruence with the Nigeria Governors’ Forum guidelines/advisory circulated. |
|  | **EN 1.2** | **OIL PRODUCTION (Million Barrels per Day) = 1.7**In the same vain, the closure of all public and private companies, businesses, travel, recreation, etc causing closure of economic, social and religious gatherings forced companies hitherto using crude oil as their raw material to suspend purchasing it. The price of which heavily crushed because of almost zero demand, fell drastically. This means there is oil glut as supply is much higher than demand. Oil producing nations all over the world had to agree to cut down production so as to boost the price upwards. As a result, Nigeria’s oil production quota has been reviewed from 2.2 million barrels per day as projected in the original budget to 1.7 million barrels per day. This is also in congruence with the Nigeria Governors’ Forum (NGF) guidelines/advisory circulated and as per the Federal Government MTEF. |
|  | **EN 1.3** | **EXCHANGE RATE (NAIRA TO A DOLLAR) = N360**In the same vain, the closure of all public and private companies, businesses, travel, recreation with the consequential plunge of oil price in world market has put undue pressure on Nigeria’s currency – the Naira against the US dollar. Therefore, the exchange rate which was N305/$ has been reviewed to N360/$. Just as contained in the NGF advisory. |
|  | **EN 1.4** | **GDP GROWTH (National annual percentage) = -4.42%**In the original 2020 budget before the advent of COVID-19, Nigeria’s GDP growth for 2020 was projected at 2.5%. However, the reality now points to a negative growth rate of -4.42%. Also as contained in the NGF advisory. |
|  | **EN 1.5** | **INFLATION RATE = 14.13%**Nigeria’s 2020 inflation rate as hitherto projected by the National Bureau of Statistics indicated 11.7% before COVID-19. However, the present realities have forced the inflation rate to 14.13% just as contained in the NGF advisory. |
|  | **EN 1.6**  | **OPENNING BALANCE**At the end of each fiscal year, it is expected that the accounts of the government is closed – usually as at 31st December. Certain amount of monies are usually available as unspent as at that date with which the accounts are closed for reporting and auditing purposes to satisfy regulatory provisions. Such balances of funds are carried forward into the next fiscal year. This is called the opening balance. Therefore, the fund balances as at 31st December 2019 is the opening balance for 1st January 2020. The actual of this is N12,207,672,111.97 as against the original projection of N12,000,000,000.00. This is because the budget of 2020 was prepared before 2019 ended. Estimated closing balance was N12,000,000,000.00. The opening balance as at January 1, 2020 was N12,207,672,112. There is no way an exact amount of closing balance will be forecasted before 31st December 2019. |
| **4** | **REVENUES AND GRANTS EN 1.7** |
|  | **EN 1.7.1** | **GROSS STATUTORY FAAC ALLOCATION**The gross statutory allocation refers to the Gombe State Government share of net distributable federation account (statutory) revenue. This is the gross figure before any deductions at source excluding other allocations like VAT, derivation, exchange gain, augmentation, and other discretionary items. This was originally projected to be about N42,000,000,000.00 but reviewed to N29,000,000,000.00 due to expected low federal revenue accruing as a result of COVID-19. N29,000,000,000.00 even though lower than N31,090,079,446.00 advised by the NGF is for us to be more cautious and conservative. Also as resolved in the 3rd World Bank/Nigeria Governors’ Forum –WN/NGF virtual meeting conducted on the 19th of June 2020, State are at liberty to forecast less than the upper cap suggested by the NGF. Again, Gombe State Gross Statutory Allocation history from January to June 2020 totals N16,480,529,574.79. With a monthly average of N2,000,000,000.00; July to December might amount to N12,000,000,000.00. Therefore, our forecast of N29,000,000,000.00 is very close to the trend. |
|  | **EN 1.7.2** | **VALUE ADDED TAX (VAT)**The Value Added Tax (VAT) is also one of the Gombe State Government share of federation account allocation committee (FAAC) statutory revenue. This was originally projected to be N15,000,000,000.00 even though lower than N19,853,835,019.00 advised by the NGF is for us to be more cautious and conservative. Also as resolved in the 3rd World Bank/Nigeria Governors’ Forum –WN/NGF virtual meeting conducted on the 19th of June 2020, State are at liberty to forecast less than the upper cap suggested by the NGF. In the spirit of COVID-19 Gombe State VAT forecast is revised down to N11,500,000,000.00 because the State Value Added Tax (VAT) Allocation history from January to June 2020 totals N5,829,093,861.15. With a monthly average of N850,000,000.00; July to December might amount to N5,100,000,000.00. Therefore, our forecast of N11,500,000,000.00 looks reasonably close to the trend. |
|  | **EN 1.7.3** | **INTERNALLY GENERATED REVENUE (IGR)**This is the expected revenue projection to be collected within the State. This was originally projected at N11,265,595,000.00 but reviewed down to N9,918,143,850.00 due to expected low internal (local) revenue to be collected as a result of COVID-19. Monthly collection of Internally generated revenue (IGR) in Gombe State during the pandemic (January to June 2020) average N900,000,000.00. Therefore, the downward review of projected IGR is in cognizance of the trend. However, new inflows are expected through items like Sale of Government Properties which are being explored. Again, with the recent passage of a new State Tax law, new items have been added to boost collections. This might not add much until life normalize and business activities pick up. |
|  | **EN 1.7.4** | **OTHER FAAC TRANSFERS** These are FAAC allocations outside of (a) Statutory Allocation and; (b) Value Added Tax – VAT. Therefore, Other FAAC Transfers consist of regular items like Budget Augmentation, Exchange Rate Gain, Ecological Funds, Non-oil Excess Revenue, Excess Crude, Share of Solid Minerals. In addition, some other recurrent receipts include non-regular (once-in-a- while) inflows like Refund from Fertilizer distribution, Bank charges, Exchange differential, Forex equalization, Transfer from Special Account, Refunds from trustees. Considering that this category of inflows to Gombe State accounted for more than N9 Billion in 2019, we belief that such inflows may accrue to the State within the fiscal year.  In view of the above, other FAAC Transfers originally projected to be N14,300,000,000.00 is reviewed to N14,800,000,000.00.Although actual collection from January – June 2020 amounted to N3,337,539,076.91 from regular inflows but target will however be achieved with the expected no-regular inflows.  |
|  | **EN 1.7.5** | **DOMESTIC (INTERNAL) GRANTS**Gombe state in its original 2020 budget projected the sum of N8,250,000,000.00 as its expected domestic grants. This has been reviewed up to N8,450,000,000.00. Even though TETFUND and SDGs Conditional Grant are reviewed down as advised by the grantors, other grantors pledged to redeem their pledges. Domestic grants include: -i. TETFUND – N1,500,000,000.00ii. SDGs Conditional Grant – N500,000,000.00iii. UBE – N1,500,000,000.00iv. Community Based Health Insurance Scheme - N50,000,000.00v. Save One Million Lives – N500,000,000.00vi. SFTAS – N2,400,000,000.00vii. SFTAS-AF – N1,500,000,000.00viii. COVID-19 Internal Interventions/Support – N500,000,000.00The total domestic grants increased because of the expectation to meet SFTAS AF conditions and COVID-19 intervention assistances being received from Nigerian Philanthropists and Organizations.  |
|  | **NE 1.7.6** | **EXTERNAL (FOREIGN) GRANTS**Also, Gombe state in its original 2020 budget projected the sum of N6,250,000,000.00 as its expected foreign grants. This has been reviewed to N3,800,000,000.00. Our foreign grantors have expressed their inability to meet their earlier targets in full. They however assured us to deliver on the revised figure. This is not surprising because COVID-19 has affected every country worldwide necessitating donors to assist their home communities and countries as well.Foreign Grantors include: -i. United Nations System – N500,000,000.00ii. INGOs – N1,000,000,000.00iii. Inclusive Basic Service Delivery (ADB) – N500,000,000.00iv. Partnership for Expanded Water Supply, Sanitation and Hygiene (PEWASH) – N500,000,000.00v. Better Education Service Delivery for All (BESDA) – N500,000,000.00vi. Bill and Melinda Gate Foundation – N300,000,000.00vii. COVID-19 External Interventions/Support – N500,000,000.00 |
| **5** | **EXPENDITURES EN 2** |
|  | **RECURRENT EXPENDITURE EN 2.1** |  |
|  | **EN 2.1.1** | **PERSONNEL COSTS**Personnel costs has rather increased slightly in the Gombe State 2020 revised budget largely in conformity with the World Bank (WB)/NGF review guidelines. Personnel is advised not to be reduced. Increase is because, among others, to pay volunteers especially in health, and Internal Security to enforce COVID-19 induced lockdown as well as provide security to the general public. Personnel costs has reduced from the original projection of N21,608,739,100.00 to N21,357,221,100.00.**COVID responsive tagged expenditure from Personnel costs is estimated as N2,452,500,000.00. Equivalent to 17.90% of Total tagged COVID Responsive Expenditure of N13,702,500,000.00.** |
|  | **EN 2.1.2** | **OVERHEAD EXPENSES**In compliance with the WB/NGF 2020 budget review guidelines, Gombe State Overhead costs has been reviewed from N16,532,044,800.00 to N15,017,978,000.00. This is due to COVID-19 effect rendering some items classified as non-essential like travels costs, maintenance of vehicles, training costs, guest house upkeeps et al occasioned by social distancing protocols. **COVID responsive tagged expenditure from Overhead costs is estimated as N1,305,000,000.00. Equivalent to 09.52% of Total tagged COVID Responsive Expenditure of N13,702,500,000.00.** |
|  | **EN 2.1.3** | **CRFC - PENSION & GRATUITY** The Gombe State Consolidated Revenue Fund Charge (CRFC) – Pension and Gratuities original projection of N5,332,800.00 has reduced to N3,412,800,000.00. It should be noted that the present administration inherited a backlog of gratuities accumulated. In its efforts to clear the arrears, payments are made in phases on monthly basis.The review is occasioned by reduction of revenue inflow expected which will adversely affect the settlement of arrears earlier planned. Less arrears will now be cleared due to COVID-19 impact in 2020.  |
|  | **EN 2.1.4** | **CRFC - STATUTORY OFFICE HOLDERS SALARIES**The Gombe State Consolidated Revenue Fund Charge (CRFC) – Statutory Office Holders’ Salaries is reviewed from N190,200,000.00 to N133,700,000.00. This is to buttress government commitment to maintaining its personnel intact even with the reduction of expected revenue due to COVID-19. |
|  | **EN 2.1.5** | **CRFC - PUBLIC DEBTS CHARGES**The Gombe State Consolidated Revenue Fund Charge (CRFC) – Public Debt Charges with original projection of N16,091,000,000.00 has reduced to N10,731,000,000.00. This is informed by the expected “debt repayment holiday” on largely domestic public debts. However, foreign debts will continue to be serviced as well as bond repayments. More so, to ensure that payments/deductions made before COVID are taken care of. The FAAC deductions on domestic public debts only stopped from June 2020. |
|  | **CAPITAL EXPENDITURE EN 2.2** |  |
|  | **EN 2.2.1** | **ADMINISTRATIVE**In its efforts to transform Gombe State to a higher level, the State government planned to execute several projects that will impact on the lives and living standards of its people. In the original 2020 budget, N5,746,520,000.00 was projected for Capital investment in the administrative sector alone. However, due to low revenue projection occasioned by COVID-19, these projects have been reviewed to consume N3,688,520,000.00. The projects were evaluated and agreed to consist of a few non-critical projects and projects whose execution periods will take more than twelve (12) months to finish. These are therefore pushed to subsequent years and/or adjusted to be executed in phases so that only funds necessary to be paid in 2020 are reflected in the reviewed budget. **COVID responsive tagged expenditure from the Administrative Sector of Capital Expenditure is estimated as N1,150,000,000.00. Equivalent to 08.39% of Total tagged COVID Responsive Expenditure of N13,702,500,000.00.** |
|  | **EN 2.2.2** | **ECONOMIC**Again, the State government planned to execute several projects that will impact on the lives, livelihoods, uplift living standards, boost the economy and create employment to the population especially the youth. In the original 2020 budget, N40,169,795,100.00 was projected for Capital investment in the economic sector alone. However, due to low revenue projection occasioned by COVID-19, these projects have been reviewed to consume N29,442,795,100.00. Also, the projects were evaluated and agreed to consist of a few non-critical projects and projects whose execution periods will take more than twelve (12) months to finish. These are also pushed to subsequent years and/or adjusted to be executed in phases so that only funds necessary to be paid in 2020 are reflected in the reviewed budget.**COVID responsive tagged expenditure from the Economic Sector of Capital Expenditure is estimated as N1,810,000,000.00. Equivalent to 13.21% of Total tagged COVID Responsive Expenditure of N13,702,500,000.00.** |
|  | **EN 2.2.3** | **LAW & JUSTICE**In order to promote peaceful coexistence and harmony in the State, the State government planned to execute several projects that will improve the facilities necessary for smooth dispensation of justice and the rule of law amongst its people. In the original 2020 budget, N1,425,079,200.00 was projected for Capital investment in the Law & Justice sector alone. However, due to low revenue projection occasioned by COVID-19, these projects have been reviewed down to consume N865,620,000.00. The projects were evaluated and agreed to consist of a few non-critical projects and projects whose execution periods will take more than twelve (12) months to finish. These are therefore pushed to subsequent years and/or adjusted to be executed in phases so that only funds necessary to be paid in 2020 are reflected in the reviewed budget.**COVID responsive tagged expenditure from the Law & Justice Sector of Capital Expenditure is estimated as NIL. Equivalent to 0.0% of Total tagged COVID Responsive Expenditure of N13,702,500,000.00.** |
|  | **EN 2.2.4** | **SOCIAL**In its efforts to transform Gombe State to a higher level, the State government planned to execute several projects that will improve on the health, education and uplift the living standards of the people especially the poor, weak, and vulnerable among women and youths. In the original 2020 budget, N23,705,559,393.48 was projected for Capital investment in the Social sector alone. However, due to COVID-19, these projects have been reviewed to consume N22,959,674,393.48 despite fall in the budget size due to expected rise in the expenditure occasioned by management, treatment and control of COVID-19. The creation of Isolation centers, upgrading of treatment centers, public enlightenment, security beef ups, hospital consumables purchase, personal protective equipment and gears purchase. Feeding patients and allowances to frontline workers, palliatives to the weak, poor and vulnerable in the society et al. These, therefore, push up expected expenditure in this sector as reflected in the reviewed budget.**COVID responsive tagged expenditure from the Social Sector of Capital Expenditure is estimated as N6,985,000,000.00. Equivalent to 50.32% of Total tagged COVID Responsive Expenditure of N13,702,500,000.00.** |
| **6** | **DEFICIT FINANCING EN 3** |
|  | **EN 3.1** | **DOMESTIC BONDS**Gombe State Revenue Bond originally floated at N8,200,000,000.00 but was over-subscribed to N8,400,000,000.00. Approval for the over subscription was also obtained. The proceeds have been remitted to the State in April 2020.This is part of the State’s budget deficit financing sources. It should be noted that approval on procedures and conditionality for floating the revenue bond has been obtained from the DMO and Federal Ministry of Finance since 2018. Deductions however, commenced from the State’s FAAC allocations since May 2019 that is why the State is expecting refunds from the trustees from May 2019 – April 2020 when the when the bond bidding was closed. |
|  | **EN 3.2** | **COMMERCIAL BANK LOANS**Gombe State government has projected to borrow the sum of N300,000,000.00 from Commercial banks as part of its 2020 budget deficit financing sources. In the budget review however, N1,500,000,000.00 is proposed.This loan has already been accessed. |
|  | **EN 3.3** | **CBN SUPPORT FACILITY FOR HEALTH – (COVID-19)**The Central bank of Nigeria (CBN) in its efforts to assist Nigerian States amid the COVID-19 pandemic, has earmarked N2,000,000,000.00 for each state as loan facility to health sector. Gombe State plans to access the facility in 2020 as captured in the budget review.  |
|  | **EN 3.4** | **EXTERNAL LOANS**In the original 2020 Gombe State budget, the sum N13,700,000,000.00 was projected as external loans. However, the advent of COVID-19 has necessitated the review of external loans to N7,200,000,000.00. This is because the lenders are not able to meet their earlier targets for 2020 due to COVID-19. The External loans include: -i. YESSO project (World Bank Assisted) – N500,000,000ii. Fadama III - N100,000,000.00iii. Agency for Community Development (World Bank )* N500,000,000.00

iv. NEWMAP (World Bank) – N2,500,000,000.00v. State Education Programme Investment Project (SEPIP) – N400,000,000.00vi. Nigeria State Health Investment Project (NSHIP) – N1,500,000,000.00vii. Accelerated Nutrition Results in Nigeria (ANRIN) – N600,000,000.00viii. Islamic Development Bank – N100,000,000.00ix. Inclusive Basic Service Delivery (ADB) – N1,000,000,000.00As resolved during renegotiation, these amounts will be accessed later in the year. Expectation is that these funds might flow in towards the end of the year. Meaning that the 2020 deficit will be financed adequately. |
| **7** | **PERCENTAGE OF COVID RESPONSIVE EXPENDITURE** | **Item 5, Explanatory Note 2 above have clearly shown that the total COVID Responsive tagged expenditure in the Gombe State 2020 budget review is amounting to N13,702,500,000.00. This, expressed in proportion to the overall total 2020 expenditure of N107,609,308,593.48 stands as 12.73%.** |