Gombe State of Nigeria

Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP)

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Abbreviations

BRINCS	**Brazil, Russia, India, Nigeria, China, South Africa**
CBN	**Central Bank of Nigeria**
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**
IGR	**Internally Generated Revenue**
IMF	**International Monetary Fund**
MDA	**Ministry, Department and Agencies**
GMSG	**Gombe State Government**
BPDPC	**Budget, Planning and Development Partners Coordination**
MINT	**Malaysia, 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**
OAG	**Office of the Accountant General**
PFM	**Public Financial Management**
PITA	**Personal Income Tax Act**
SHoA	**State House of Assembly**
VAT	**Value Added Tax**
WEO	**World Economic Outlook**

Section 1 Introduction and Background

1.A Introduction

1. **One of the fundamental tasks required of government in preparing a budget is to ensure that resource allocation is prioritized in a manner that ensures that funds are made available where they are most required. Budgets are tools that the government employs to drive economic policies aimed at uplifting underprivileged sections of the society, mitigating disparity, facilitating financial inclusion, upgrading infrastructure, providing proper educational, health and housing facilities. This underscores the utmost importance government attaches to the preparation, implementation, and monitoring of a well-planned budget.**
2. **The Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) provides estimates and projections that guide annual budget planning and fiscal management over a three-year period in compliance with the provisions of Gombe State Fiscal Responsibility Law, 2012 as amended. The economic and fiscal estimates presented in the 2021 - 2023 MTEF/FSP incorporate assumptions, narratives and judgments based on information available at the time of preparation. These estimates are vulnerable and can be affected by unforeseen circumstances. This MTEF/FSP therefore provides details of the historical performance of Budget forecasts for the macroeconomic aggregates of real and nominal Growth Domestic Product (GDP), as well as for estimates of government revenues & expenditure.**
3. **The Economic and Fiscal Update (EFU) section provides economic and fiscal analyses which form the basis for budget planning process. It is aimed primarily to provide guidance to the policy makers and decision makers in Gombe State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.**
4. **On the other hand, Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in Medium-Term Expenditure Framework (MTEF) and the annual budget process, and as such, they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.**
5. **Gombe State Government continue to prepare annually, its Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP). This is the third rolling iteration of the document and covers the period 2021 – 2023.**

1.A.1 Summary of Document Content

6. **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 for Gombe State Government (GMSG) covering 2021-2023.**
7. **The purpose of this document is three-fold:**

i. **To provide a backwards looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update.**

ii. **To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTFF.**

iii. **Provide indicative sector envelopes for 2021-2023 which constitute the MTBF.**

iv. **Build in the current change in parameters and indices occasioned by the strained global economic and social realities while continuing to tackle the COVID-19 pandemic.**

8. **The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis to inform the budget planning process. It also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation such as:**

- **Overview of the Petroleum Sector;**
- **Trends in budget performance over the last six years; and**
- **Coping with the impact of Corona virus pandemic on the economy.**

9. **The FSP is a key element in the GMSG Medium-Term Expenditure Framework (MTEF) and annual budget process. As such, it determines the resources available to fund the Government's growth and poverty reduction programmes from a fiscally sustainable perspective.**

1.A.2 Preparation and Audience

10. **The purpose of this document is to provide an informed basis for the 2021-2023 budget preparation cycle for all the key Stakeholders, specifically:**

- **State House of Assembly (SHoA);**
- **Executive Council (ExCo);**
- **Budget, Planning and Development Partner Coordination Office;**
- **Ministry of Finance;**
- **Office of the Accountant General;**
- **All Government Ministries, Departments and Agencies (MDAs); and**
- **Civil Society.**

11. **The document is annually prepared by the Gombe State Budget, Planning and Development Partner Coordination Office in collaboration with Ministry of Finance, Office of Accountant General, State Bureau of Statistics, Board of Internal Revenue, and Debt Management Office using data collected from International, National and State organisations.**

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM

12. **Legislative Framework for PFM in Gombe State - The fundamental law governing public financial management in Nigeria and Gombe State is the 1999 Constitution as amended. Section 120 and 121 of the Constitution provides that all revenues accruing to Gombe State Government shall be paid into the Consolidated Revenue Fund (CRF) to be maintained by the Government and revenue cannot be paid into any other fund, except as authorized by the State House of Assembly (SHoA) for a specific purpose. The withdrawal of funds from the CRF shall be authorized by the SHoA through the annual budget or appropriation process. The Governor of Gombe State shall prepare and lay revenue and expenditure proposals for each financial year before the SHoA, and the SHoA shall approve the expenditure proposal by passing an Appropriation Law. The Appropriation Law shall authorize the executive arm of government to withdraw and spend the amounts specified from the CRF[1].**

13. **Apart from the Nigerian Constitution, Gombe State has a set of laws and regulations that regulate its budget preparation and implementation. The laws are:**

    - **Gombe State Government Financial Regulations issued under the Finance (Control and Management) Act arising from the Finance (Control and Management) Act, 1958 which was reproduced as Chapter 108 of the Laws of Northern Nigeria, 1963 (Control and Management) Law.**
    - **Gombe State Fiscal Responsibility Law (FRL) 2012 (as amended); Gombe State FRL established the Fiscal Responsibility Commission and a Governing Board that will provide general policy guidelines for the discharge of the functions of the Agency. Section 47 of Gombe State FRL states that "any person who wilfully or negligently fails to perform his/her obligations under the FRL, or who knowingly or recklessly makes a false statement in the discharge of his obligation under the law, commits an offence and is liable on conviction to one year imprisonment or a fine of N100,000.00, while some offences have imprisonment of not less than 3 years or N250,000.00". In addition, the head of an institution that fails to ensure performance will be punished as if he/she personally committed the offence.**
    - **Gombe State Public Service Rules.**
    - **Occasional treasury circulars issued by the Accountant General of Gombe State for additional rules and guidelines to support accounting, internal audit, and stores procedures.**

14. **Institutional Framework for PFM in Gombe state - The Constitution vests executive powers of the state in the Governor. The Constitution provides that "the Governor shall cause to be prepared and laid before the House of**

[1] Sections 120 and 121 of Constitution of Federal Republic of Nigeria 1999 as amended

Assembly at any time before the commencement of each financial year, estimates of the revenues and expenditure of the State for the next following financial year"[2]. The Governor of Gombe State exercises his executive powers either directly or through the Deputy Governor, the Commissioners, Special Advisers, Permanent Secretaries, and other officers in the public service of the State.

15. **Specifically, Gombe State Executive Council (EXCO) formulates the policies of the State Government, considers, and recommends the state budget to the House of Assembly. On passage, the Governor signs the appropriation bill into law.**

16. **The Ministry of Finance is the main organ of the EXCO responsible for the formulation and execution of fiscal policy. The Ministry of Finance coordinates and manages the state's fiscal policies and all revenue and expenditure profile of government. Ministry of Finance is also responsible for core treasury functions of revenue and expenditure management, accounting, and funds/cash management. The Ministry of Finance has two important quasi-autonomous agencies, the Office of the Accountant General for the State (OAGS) and the Internal Revenue Service (IRS).**

17. **Specific functions of the OAGS include to account for all receipts and payments of the State Government; supervise the accounts of the State Ministries, Extra-Ministerial Departments and Agencies (MDAs); collate and prepare Statutory Financial Statements of the State Government and any other statements of accounts required by the Commissioner for Finance; maintain and operate the accounts of the Consolidated Revenue Fund, development fund and other public funds. The OAGS equally function to provide cash backing for the operations of the State Government; maintain and operate the State Government's accounts; conduct routine and in-depth inspection of the books of accounts of State ministries, departments and agencies of Government to ensure compliance with rules, regulations, policy decisions and maintenance of account codes; and formulate and implement the accounting policy of the State Government. The OAGS also deploys and posts accounting staff to MDAs.**

18. **The Internal Revenue Service is responsible for generation of government revenue. The Service formulates and executes Joint Tax Board (JTB) policies on taxation, stamp duties and motor vehicle licensing.**

19. **The State Budget, Planning and Development Partner Coordination Office supports the preparation of the budget (both capital and recurrent) in close collaboration with Ministry of Finance (MOF). It is also in charge of planning, setting the broad agenda for development and statistics.**

20. **Another important institutional framework in the circle of public financial management in the State is the Due Process Office. This Office plays a significant role in ensuring that all MDAs adhere with the best practice in procurement as well as monitors the execution of all capital projects.**

21. **The Office of the Auditor General conducts annual audit of public accounts prepared by the Accountant General and publishes audited reports. The audit of the financial statements of Gombe State Local Governments is**

[2] Section 121 (1) of Constitution of Federal Republic of Nigeria 1999 as amended

overseen by the Auditor General of Local Governments. Audit reports from both the Auditor General of the State and Auditor General for Local Governments are submitted to the SHoA.

22. **The State Government allows line agencies some autonomy in expenditure control. Line ministries and agencies propose their budgets based on the guidelines issued by the EXCO through the Budget, Planning and Development Partner Coordination Office. There are three main categories of expenditure: personnel costs, overhead costs and capital expenditure.**

23. **The payroll is centralized under the Head of Service (HoS) and Office of the Accountant General of the State (OAGS). MDAs receive regular monthly disbursements for general items of overhead costs. They also receive, as the need arises, funds for other specific items of overhead expenditure. MDAs have the responsibility to execute their capital program, but capital funds are paid project by project by the OAGS.**

1.C Overview of Budget Calendar

24. **Indicative 2021 Budget Calendar for Gombe State Government is presented below:**

Table 1: Budget Calendar

STAGE	DATE (S)	RESPONSIBILITY
Preparation of EFU-FSP-BPS Document	September 2020	EFU-FSP-BPS Preparation Team
Submission of EFU-FSP-BPS to EXCO for Review and Approval	September 2020	Hon. Commissioner of Finance
Issuance of FY 2021 Budget call Circular	September 14, 2020	Permanent Secretary – Budget
Preparation of Budget Proposals by MDAs	September 15 - October 23, 2020	Accounting Officers/Budget Officers in MDAs
Bilateral Budget Discussions with MDAs	October 26– November 5, 2020	Permanent Secretary – Budget
Stakeholder Consultation (MDAs, CSO's, other stakeholders)	November 7, 2020	Ministry of Finance & Budget, Planning and Development Partners Coordination Office
Consolidation of MDA's Proposals	November 15, 2020	Ministry of Finance & Budget Office, BPDPCO
Submission of Draft 2021 Budget to State Executive Council (EXCO)	November 23, 2020	Hon. Commissioner of Finance
EXCO Review and Approval of Draft Budget	November 25 2020	EXCO
Presentation of the 2021 Proposed Budget to State House of Assembly	November 30, 2020	Executive Governor
Budget Defence by MDA's before House of Assembly	December 2020	Appropriation and Sector Committees of House of Assembly
Debate and Approval of Budget by House of Assembly	December 22, 2020	State House of Assembly
HE, The Governor's Assent FY 2021 Appropriation Law	December 30, 2020	Executive Governor
Dissemination of 2021 Budget	January 2021	Ministry of Finance & Budget Planning and Development Partners Coordination Office

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

25. **The COVID-19 pandemic has, with alarming speed, delivered global economic shock of enormous magnitude, leading to steep recessions in many countries. The global economy is facing a 5.2 percent contraction in GDP till end of 2020—the deepest global recession in eight decades, despite unprecedented policy support. Per capita incomes in the vast majority of emerging market and developing economies (EMDEs) have shrank this year, tipping many millions back into poverty. The global recession would be deeper if bringing the pandemic under control takes longer than expected, or if financial stress triggered cascading defaults. The pandemic highlights the urgent need for health and economic policy action—including global cooperation—to cushion its consequences, protect vulnerable populations, and improve countries' capacity to prevent and cope with similar events in the future. Since EMDEs are particularly vulnerable, it is critical to strengthen their public health care systems, to address the challenges posed by informality and limited safety nets, and, once the health crisis abates, to undertake reforms that enable strong and sustainable growth. Concern for safety has triggered sharp falls in global equity markets, unprecedented capital outflows from EMDEs, rising credit-risk spreads, and depreciations for many EMDE currencies. Falling demand has led to a sharp decline in most commodity prices, with a particularly substantial plunge in oil prices.**

26. **All economies have experienced COVID-19 outbreaks, of varying intensity. Output in advanced economies has contracted sharply in 2020, as domestic demand and supply, trade, and finance have all been severely disrupted. However, even with the damage caused by the pandemic, countries have continued to open their businesses gradually and growth is expected to rebound in 2021, aided by creative fiscal, monetary, and financial sector policies. Global growth is projected at –4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4 percent.**

27. **Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020. The adverse impact on low-income households is particularly acute, adversely affecting the significant progress made in reducing extreme poverty in the world since the 1990s. As with the April 2020 WEO projections, there is a higher-than-usual degree of uncertainty around this forecast. The baseline projection rests on key assumptions about the fallout from the pandemic.**

28. **In economies with declining infection rates, the slower recovery path in the updated forecast reflects persistent social distancing into the second half of 2020; greater scarring (damage to supply potential) from the larger-than-**

anticipated hit to activity during the lockdown in the first and second quarters of 2020; and a hit to productivity as surviving businesses ramp up necessary workplace safety and hygiene practices.

29. **For economies struggling to control infection rates, a lengthier lockdown will inflict an additional toll on activity. Moreover, the forecast assumes that financial conditions—which have eased following the release of the April 2020 WEO—will remain broadly at current levels. Alternative outcomes to those in the baseline are clearly possible, and not just because of how the pandemic is evolving. The extent of the recent rebound in financial market sentiment appears disconnected from shifts in underlying economic prospects just as the June 2020 Global Financial Stability Report (GFSR) Update discusses, raising the possibility that financial conditions may tighten more than assumed in the baseline.**

30. **All countries including those that have seemingly passed peaks in infections should ensure that their health care systems are adequately resourced. The international community must vastly step up its support of national initiatives, including through financial assistance to countries with limited health care capacity and channeling of funding for vaccine production as trials advance, so that adequate, affordable doses are quickly available to all countries. Where lockdowns are required, economic policy should continue to cushion household income losses with sizable, well-targeted measures as well as provide support to firms suffering the consequences of mandated restrictions on activity. Where economies are reopening, targeted support should be gradually unwound as the recovery gets underway, and policies should provide stimulus to lift demand and ease and incentivize the reallocation of resources away from sectors likely to emerge persistently smaller after the pandemic.**

31. **Strong multilateral cooperation remains essential on multiple fronts. Liquidity assistance is urgently needed for countries confronting health crises and external funding shortfalls, including through debt relief and financing through the global financial safety net. Beyond the pandemic, policymakers must cooperate to resolve trade and technology tensions that endanger an eventual recovery from the COVID-19 crisis. Furthermore, building on the record drop in greenhouse gas emissions during the pandemic, policymakers should both implement their climate change mitigation commitments and work together to scale up equitably designed carbon taxation or equivalent schemes. The global community must act now to avoid a repeat of this catastrophe by building global stockpiles of essential supplies and protective equipment, funding research and supporting public health systems, and putting in place effective modalities for delivering relief to the most needy.**

32. **Economic data available at the time of the April 2020 WEO forecast indicated an unprecedented decline in global activity due to the COVID-19 pandemic. Data releases since then suggest even deeper downturns than previously projected for several economies. The pandemic has worsened in many countries, leveled off in others. Following the release of the April 2020 WEO, the pandemic rapidly intensified in several emerging market and developing economies, necessitating stringent lockdowns and resulting in even larger disruptions to activity than forecast. In others, recorded infections and mortality have instead been more modest on a per capita**

basis, although limited testing implies considerable uncertainty about the path of the pandemic. In many advanced economies, the pace of new infections and hospital intensive care occupancy rates have declined thanks to weeks of lockdowns and voluntary distancing. Synchronized, deep downturn.

33. **First-quarter GDP was generally worse than expected (the few exceptions include, for example, Chile, China, India, Malaysia, and Thailand, among emerging markets, and Australia, Germany, and Japan, among advanced economies). High-frequency indicators point to a more severe contraction in the second quarter, except in China, where most of the country had reopened by early April. Consumption and services output have dropped markedly. In most recessions, consumers dig into their savings or rely on social safety nets and family support to smooth spending, and consumption is affected relatively less than investment. But this time, consumption and services output have also dropped markedly. The pattern reflects a unique combination of factors: voluntary social distancing, lockdowns needed to slow transmission and allow health care systems to handle rapidly rising caseloads, steep income losses, and weaker consumer confidence.**

34. **Firms have also cut back on investment when faced with precipitous demand declines, supply interruptions, and uncertain future earnings prospects. Thus, there is a broad-based aggregate demand shock, compounding near-term supply disruptions due to lockdowns. Mobility remains depressed. Globally, lockdowns were at their most intense and widespread from about mid-March through mid-May.**

35. **The hit to the labour market has been particularly acute for low-skilled workers who do not have the option of working from home. Income losses also appear to have been uneven across genders, with women among lower-income groups bearing a larger brunt of the impact in some countries. Of the approximately 2 billion informally employed workers worldwide, the International Labour Organization estimates close to 80 percent have been significantly affected. Contraction in global trade. The synchronized nature of the downturn has amplified domestic disruptions around the globe. Trade contracted by close to –3.5 percent (year over year) in the first quarter, reflecting weak demand, the collapse in cross-border tourism, and supply dislocations related to shutdowns (exacerbated in some cases by trade restrictions). Weaker inflation. Average inflation in advanced economies had dropped about 1.3 percentage points since the end of 2019, to 0.4 percent (year over year) as of April 2020, while in emerging market economies it had fallen 1.2 percentage points, to 4.2 percent. Downward price pressure from the decline in aggregate demand, together with the effects of lower fuel prices, seems to have more than offset any upward cost-push pressure from supply interruptions so far. Policy Countermeasures Have Limited Economic Damage shaping the key assumptions for the global growth forecast, in particular with regard to activity disruptions due to the pandemic, commodity prices, financial conditions, and policy support.**

36. **Based on downside surprises in the first quarter and the weakness of high-frequency indicators in the second quarter, this updated forecast factors in a larger hit to activity in the first half of 2020 and a slower recovery path in the second half than envisaged in the April 2020 WEO. For economies where infections are declining, the slower recovery path in the updated forecast**

reflects three key assumptions: persistent social distancing into the second half of 2020, greater scarring from the larger-than-anticipated hit to activity during the lockdown in the first and second quarters, and a negative impact on productivity as surviving businesses enhance workplace safety and hygiene standards. For economies still struggling to control infection rates, the need to continue lockdowns and social distancing will take an additional toll on activity. An important assumption is that countries where infections have declined will not reinstate stringent lockdowns of the kind seen in the first half of the year, instead relying on alternative methods if needed to contain transmission (for instance, ramped up testing, contact tracing, and isolation).

37. **The risk section below considers alternative scenarios, including one featuring a repeat outbreak in 2021. The projection factors in the impact of the sizable fiscal countermeasures implemented so far and anticipated for the rest of the year. With automatic stabilizers also allowed to operate and provide further buffers, overall fiscal deficits are expected to widen significantly and debt ratios to rise over 2020–21. Major central banks are assumed to maintain their current settings throughout the forecast horizon to the end of 2021. More generally, financial conditions are expected to remain approximately at current levels for both advanced and emerging market economies.**

38. **The assumptions on fuel prices are broadly unchanged from the April 2020 WEO. Average petroleum spot prices per barrel are estimated at $36.20 in 2020 and $37.50 in 2021. Oil futures curves indicate that prices are expected to increase thereafter toward $46, still about 25 percent below the 2019 average. Nonfuel commodity prices are expected to rise marginally faster than assumed in the April 2020 WEO.**

39. **Deep Downturn in 2020, Sluggish Turnaround in Global growth is projected at –4.9 percent in 2020, 1.9 percentage points below the April 2020 WEO forecast (Table 1). Consumption growth, in particular, has been downgraded for most economies, reflecting the larger-than anticipated disruption to domestic activity. The projections of weaker private consumption reflect a combination of a large adverse aggregate demand shock from social distancing and lockdowns, as well as a rise in precautionary savings. Moreover, investment is expected to be subdued as firms defer capital expenditures amid high uncertainty. Policy support partially offsets the deterioration in private domestic demand. In the baseline, global activity is expected to trough in the second quarter of 2020, recovering thereafter (Figure 1).**

40. **In 2021 growth is projected to strengthen to 5.4 percent, 0.4 percentage point lower than the April forecast. Consumption is projected to strengthen gradually next year, and investment is also expected to firm up, but to remain subdued. Global GDP for the year 2021 is forecast to just exceed its 2019 level.**

41. **Similarly, to the April 2020 WEO projections, there is pervasive uncertainty around this forecast. The forecast depends on the depth of the contraction in the second quarter of 2020 (for which complete data are not yet available) as well as the magnitude and persistence of the adverse shock. These elements, in turn, depend on several uncertain factors, including**

- **The length of the pandemic and required lockdowns**
- **Voluntary social distancing, which will affect spending**
- **Displaced workers' ability to secure employment, possibly in different sectors**
- **Scarring from firm closures and unemployed workers exiting the workforce, which may make it more difficult for activity to bounce back once the pandemic fades**
- **The impact of changes to strengthen workplace safety—such as staggered work shifts, enhanced hygiene and cleaning between shifts, new workplace practices relating to proximity of personnel on production lines—which incur business costs**

WORLD ECONOMIC ORDER				
REAL GDP ANNUAL PERCENTAGES	PROJECTIONS YR over YR (%)			
YEAR	2018	2019	2020	2021
WORLD OUTPUT	3.6	2.9	-4.9	5.4
COUNTRIES	%	%	%	%
UNITED STATES	2.9	2.3	-8.0	4.5
GERMANY	1.5	0.6	-7.8	5.4
FRANCE	1.8	1.5	-12.5	7.3
ITALY	0.8	0.3	-12.8	6.3
SPAIN	2.4	2.0	-12.8	6.3
JAPAN	0.3	0.7	-5.8	2.4
UNITED KINGDOM	1.3	1.4	-10.2	6.3
CANADA	2.0	1.7	-8.4	4.9
CHINA	6.7	6.1	1.0	8.2
INDIA	6.1	4.2	-4.5	6.0
RUSSIA	2.5	1.3	-6.6	4.1
BRAZIL	1.3	1.1	-9.1	3.6
MEXICO	2.2	-0.3	-10.5	3.3
SAUDI ARABIA	2.4	0.3	-6.8	3.1
NIGERIA	1.9	2.2	-5.4	2.6
SOUTH AFRICA	0.8	0.3	-8.0	3.5
Source: IMF World Economic Outlook Update, June 2020				

42. **This also suggests a more gradual recovery in the second half as fear of contagion is likely to continue. Synchronized deep downturns are foreseen in the United States (–8.0 percent); Japan (–5.8 percent); the United Kingdom (–10.2 percent); Germany (–7.8 percent); France (–12.5 percent); Italy and Spain (–12.8 percent). In 2021 the advanced economy growth rate is projected to strengthen to 4.8 percent, leaving 2021 GDP for the group about 4 percent below its 2019 level.**

43. **Among emerging market and developing economies, the hit to activity from domestic disruptions is projected closer to the downside scenario envisaged in April, more than offsetting the improvement in financial market sentiment. The disruptions due to the pandemic, as well as significantly lower disposable income for oil exporters after the dramatic fuel price decline, imply sharp recessions in Russia (–6.6 percent), Saudi Arabia (–6.8 percent), and Nigeria (–5.4 percent), while South Africa's performance (–8.0 percent) will be severely affected by the health crisis.**

44. **In 2021 the growth rate for emerging market and developing economies is projected to strengthen to 5.9 percent, largely reflecting the rebound forecast for China (8.2 percent). The growth rate for the group, excluding China, is expected to be –5.0 percent in 2020 and 4.7 percent in 2021, leaving 2021 GDP for this subset of emerging market and developing economies slightly below its 2019 level. Global trade will suffer a deep contraction this year of –11.9 percent, reflecting considerably weaker demand for goods and services, including tourism. Consistent with the gradual pickup in domestic demand next year, trade growth is expected to increase to 8 percent.**

45. **Inflation is expected to rise gradually in 2021, consistent with the projected pickup in activity. Nonetheless, the inflation outlook remains muted, reflecting expectations of persistently weak aggregate demand. Likely Reversal of Progress on Poverty Reduction. These projections imply a particularly acute negative impact of the pandemic on low-income households worldwide that could significantly raise inequality. The fraction of the world's population living in extreme poverty—that is, on less than $1.90 a day—had fallen below 10 percent in recent years (from more than 35 percent in 1990). This progress is imperiled by the COVID-19 crisis, with more than 90 percent of emerging market and developing economies projected to register negative per capita income growth in 2020.**

46. **Medical breakthroughs with therapeutics and changes in social distancing behavior might allow health care systems to cope better without requiring extended, stringent lockdowns. Vaccine trials are also proceeding at a rapid pace. Development of a safe, effective vaccine would lift sentiment and could improve growth outcomes in 2021, even if vaccine production is not scaled up fast enough to deliver herd immunity by the end of 2021. More generally, changes in production, distribution, and payment systems during the pandemic could actually spur productivity gains—ranging from new techniques in medicine to, more broadly, accelerated digitalization or the switch from fossil fuels to renewables.**

47. **Outbreaks could recur in places that appear to have gone past peak infection, requiring the re-imposition of at least some containment measures. A more prolonged decline in activity could lead to further scarring, including from wider firm closures, as surviving firms hesitate to hire jobseekers after extended unemployment spells, and as unemployed workers leave the labor force entirely. Financial conditions may again tighten as in January–March, exposing vulnerabilities among borrowers.**

WORLD ECONOMIC ORDER	OVERALL FISCAL BALANCE				OVERALL GROSS DEBTS			
REAL GDP ANNUAL PERCENTAGES	PERCENTAGE OF GDP (%)				PERCENTAGE OF GDP (%)			
YEAR	2018	2019	2020	2021	2018	2019	2020	2021
WORLD OUTPUT	-3.1	-3.9	-13.9	18.2	81.2	82.8	101.5	103.2
COUNTRIES	%	%	%	%	%	%	%	%
UNITED STATES	5.8	6.3	-23.8	-12.4	106.9	108.7	141.4	146.1
GERMANY	1.9	1.5	-10.7	-3.1	61.9	59.8	77.2	75.0
FRANCE	-2.3	-3.0	-4.5	-0.8	98.1	98.1	125.7	123.8
ITALY	-2.2	-1.6	-12.7	-7.0	134.8	134.8	166.1	161.9
SPAIN	-2.5	-2.8	-13.9	-8.3	97.6	95.5	123.8	124.1
JAPAN	-2.5	-3.3	-14.7	-6.1	236.6	238.0	268.0	265.4
UNITED KINGDOM	-2.2	-2.1	-12.7	-6.7	85.7	85.4	101.6	100.5
CANADA	-0.4	-0.3	-12.6	-5.8	89.7	88.6	109.3	108.8
CHINA	-4.7	-6.3	-12.1	-10.7	47.0	52.0	64.1	70.7
INDIA	-6.3	-7.9	-12.1	-9.4	69.6	72.2	84.0	85.7
RUSSIA	2.9	1.9	-5.5	-3.9	13.5	13.9	18.5	18.8
BRAZIL	-7.2	-6.0	-16.0	-5.9	87.1	89.5	102.3	100.6
MEXICO	-2.2	-2.3	-6.0	-4.0	53.6	53.7	65.9	66.3
SAUDI ARABIA	-5.9	-4.5	-11.4	-5.6	19.0	22.8	35.2	36.8
NIGERIA	-4.3	-5.0	-7.3	-5.7	27.7	29.1	36.5	36.8
SOUTH AFRICA	-4.1	-6.3	-14.8	-11.0	56.7	62.2	79.9	84.6
Source: IMF World Economic Outlook Update, June 2020								

48. **This could tip some economies into debt crises and slow activity further. More generally, cross-border spill overs from weaker external demand and tighter financial conditions could further magnify the impact of country- or region-specific shocks on global growth. Effective policy actions can help slow the deterioration of those prospects and set the stage for a speedier recovery that benefits all in society across the income spectrum and skills distribution. At the same time, considering the substantial uncertainty regarding the pandemic and its implications for different sectors, the policy response will have to adapt as the situation evolves to maximize its effectiveness—for instance, shifting from saving firms to facilitating resource reallocation across sectors. These policy objectives are shared across emerging market and developing economies as well as advanced economies, but the former group is relatively more constrained by lower health care capacity, larger informal sectors, and tighter borrowing constraints. However, some emerging market and developing economies entered this crisis with limited policy space.**

49. **External support and strong multilateral cooperation are therefore essential to help these financially constrained countries combat the crisis. This is particularly the case for low-income countries. Many of these have high debt, and some are already in a precarious security situation, with scarce food and medicine. Hence, their ability to deploy the policy response needed to prevent a devastating human toll and long-lasting impacts on livelihoods depends critically on debt relief, grants, and concessional financing from the international community. Island economies that rely heavily on tourism and economies that are driven by oil exports are also likely to face long-lasting challenges.**

50. **The pandemic continues to test health care capacity in many countries, accelerating in emerging market and developing economies. Other**

countries that have passed peaks in infections remain at risk of renewed surges. All countries therefore need to ensure that their health care systems are adequately resourced. This requires additional spending as needed in various areas, including virus and antibody testing; training and hiring contact tracers; acquiring personal protective equipment; and health care infrastructure spending for emergency rooms, intensive care units, and isolation wards.

51. **The international community needs to vastly step up efforts to support national initiatives, including completing the removal of trade restrictions on essential medical supplies; sharing information on the pandemic widely and transparently; providing financial assistance and expertise to countries with limited health care capacity, including via support for international organizations; and channelling funding to scale up vaccine production facilities as trials advance so that adequate, affordable doses are quickly available to all countries.**

52. **As economies reopen, the focus there should gradually move from protecting jobs and shielding firms to facilitating recovery and removing obstacles to worker reallocation To ensure that economies are well prepared to counter further shocks, policymakers should consider strengthening mechanisms for automatic, timely, and temporary support in downturns. The objective is twofold: cushioning income losses for people to the extent possible while enabling the shift of resources away from contact-intensive sectors that will likely be persistently smaller after the pandemic. Targeted measures, such as temporary tax breaks for affected people and firms, wage subsidies for furloughed workers, cash transfers, and paid sick and family leave are good common practices for cushioning income losses. The specific mix of targeted support should be tailored to country circumstances with due consideration for those who may not be protected by the formal safety nets. Temporary credit guarantees, particularly for small and medium-sized enterprises, and loan restructuring can help preserve employment relationships likely to remain viable after the pandemic fades. In tandem, spending on retraining, where feasible, should be increased so that workers are better equipped to seek employment in other sectors as needed. Broader social safety nets should be enhanced, including expanding eligibility criteria for unemployment protection and providing better coverage of self-employed and informal workers.**

53. **Multilateral Cooperation Considering the global scale of the crisis, countries must cooperate on multiple fronts to combat the shared challenges. Besides common efforts to support health care systems, liquidity assistance is urgently needed for countries confronting health shocks and external funding shortfalls.**

54. **The G20 initiative for a temporary standstill on official debt service payments by low-income countries is an important first step to help them preserve international liquidity and channel resources to combat the health crisis. Private creditors should also provide comparable treatment. More generally, it is in the best interest of all creditors and low-income country and emerging market borrowers with high debt and large financing needs to quickly agree on mutually acceptable terms of debt relief where needed. Multilateral assistance through the global financial safety net can help further cushion the impact of funding shocks.**

55. **The IMF has enhanced the access limits to its emergency financing facilities, increased its ability to provide grant-based debt service relief, and is helping vulnerable countries with new financing through other lending facilities. Other elements of the global financial safety net have also been activated to alleviate international liquidity shortages in emerging markets, including central bank swap lines. Low oil prices also present an opportunity to reduce harmful fuel subsidies. And the global community must act now to avoid a repeat pandemic catastrophe by building global stockpiles of essential supplies and protective equipment that can be distributed quickly to affected areas, funding research and supporting public health systems, and putting in place adequate and effective modalities for delivering relief to the needy.**

56. **As the economic fallout from the COVID-19 pandemic and the Great Lockdown has become more severe, many governments have stepped up their emergency lifelines to protect people, preserve jobs, and prevent bankruptcies. The steep contraction in economic activity and fiscal revenues, along with the sizable fiscal support, has further stretched public finances, with global public debt projected to reach more than 100 percent of GDP this year. up in an adverse scenario if activity disappoints from a resurgence in infections or if contingent liabilities from large liquidity support materialize when financing conditions tighten. Revenues could also fall more if deferred collections are not recovered in full. Public finances could deteriorate less than forecast if safe and effective vaccines become available later this year, restoring confidence and mitigating the downturn. Overall fiscal deficits are now projected to widen to 16½ percent of GDP on average this year, 13 percentage points higher than last year, and government debt is set to exceed 130 percent of GDP during 2020–21. The large liquidity support in some advanced economies (France, Germany, Italy, Japan, United Kingdom) creates fiscal risks in the event of substantial take-up and losses. Borrowing costs, nonetheless, are expected to remain low in advanced economies.**

57. **Government debt is now projected to average 63 percent of GDP in 2020, continuing its upward trend with a 10-percentage point surge from a year ago. As African and many low-income developing countries face tight financing constraints and a less severe impact of the pandemic thus far, the fiscal response to the pandemic has been modest, at 1.2 percent of GDP on average, and mostly through budgetary measures. For example, Nigeria provided tax relief for employers to retain workers and raised health care spending (0.3 percent of GDP), while Ethiopia has expanded its in-kind provision of food and shelter (1.8 percent of GDP). Support measures in Vietnam have included cash transfers to the poor and higher benefits in existing social protection programs (1.2 percent of GDP). As a result, the headline deficit for low-income developing countries is projected to widen to 6 percent of GDP in 2020, 2 percentage points higher than last year, and much higher for oil exporters. Within the group, many countries have requested a suspension of official bilateral debt repayment under the G20 Debt Service Suspension Initiative, and 45 countries have sought IMF emergency financing. While these provide temporary relief, elevated public debt—exceeding 48 percent of GDP on average during 2020–21—has raised sustainability concerns in many countries.**

58. **As the Great Lockdown begins to ease in several parts of the world, fiscal policies will have to adapt to country circumstances, balancing the need to protect people, stabilize demand, and facilitate recovery. Where the pandemic remains acute and stringent lockdowns continue, fiscal policies should accommodate health care services to save lives and provide emergency lifelines to protect people. Where lockdowns are easing, fiscal policies should gradually transition away from firm support to better targeted household support, considering the extent of informality in the economy. Employment support measures will need to encourage safe return to jobs and facilitate structural shifts in labour markets for a more resilient post–COVID-19 economy. Once the pandemic is under control, broad-based fiscal stimulus to support the recovery could focus on public investment, including on physical and digital infrastructure, health care systems, and the transition to a low-carbon economy. Where fiscal space is limited, countries need to reorient revenue and spending to increase and incentivize productive investment. Making some provisions (for example, relaxing eligibility) of social protection programs more long-lasting can enhance automatic stabilizers and help tackle rising poverty and inequality. All measures should be embedded in a medium-term fiscal framework and transparently managed and recorded to mitigate fiscal risks, including loans and guarantees that do not have an immediate effect on government debt and deficits.**

2.A.2 Africa

59. **The outlook for 2020–21 is considerably worse than expected in April and subject to much uncertainty. It reflects a weaker external environment and measures to contain the COVID-19 outbreak, which has been accelerating in the past few weeks in several sub-Saharan African countries. Economic activity this year is now projected to contract by some 3.2 percent, markedly worse than the 1.6 percent contraction anticipated in April. Growth is projected to recover to 3.4 percent in 2021 subject to the continued gradual easing of restrictions that has started in recent weeks and, importantly, if the region avoids the same epidemic dynamics that have played out elsewhere. Across country groupings, growth is expected to fall the most in tourism-dependent and resource-intensive countries. Growth in non-resource intensive countries is expected to come to a near standstill. Downside risks could materialize if health systems are overwhelmed, given that many economies have reopened before the infection has peaked. However, with the easing of global financial conditions and a rebound in oil and other commodity prices, the projected downturn could be less pronounced. Regional policies should remain focused on safeguarding public health, supporting people and businesses hardest hit by the crisis, and facilitating the recovery.**

60. **In sub-Saharan Africa, gradual recovery is projected at 3.4 percent in 2021, which is 0.6 percentage points below the April 2020 projection. The recovery projected for 2021 is shallower than the expected world growth rate because the policy packages deployed by sub-Saharan African countries to facilitate the recovery are considerably smaller than those implemented in advanced and many emerging market economies. In the region's largest economies**

(Angola, Nigeria, South Africa), real GDP is projected to return to pre-crisis levels only by 2023 or 2024.

61. **As the economies start to recover, countries should shift from broad fiscal support to more affordable, targeted policies. These policies should be targeted to the poorest households and sectors most hit by the health crisis. The high levels of informality already present a serious challenge for providing broader policy support to the rest of the economy and the ability to do so will become increasingly difficult should financing conditions deteriorate further and more resources need to be diverted to public health.**

62. **Countries that can afford it—those with more fiscal space—could provide support to certain activities—for example, to sectors with large positive spill over to the rest of the economy—which could contribute to a nascent recovery while helping to limit the accumulation of debt. Monetary policies should remain accommodative in countries where inflation pressures are limited. Where possible, monetary authorities should continue to provide liquidity to banking and financial institutions and ensure timely processing of all payment transactions and settlements, deposit withdrawals and remittance transfers. Banks should be allowed to use capital buffers and flexibility provided by the macroprudential frameworks to accommodate COVID-related shocks and restructure their loan portfolios. Floating exchange rate regimes, exchange rate flexibility can help cushion the external shocks, while some drawdown of reserves to smooth disorderly adjustment may mitigate potential financial implications from foreign exchange mismatches. Once the crisis has waned, countries should put their fiscal position on a path consistent with debt sustainability and resume structural reforms.**

63. **However, care must be taken when withdrawing emergency fiscal measures to ensure that their removal does not jeopardize the recovery in activity and revenues. Even as the health crisis recedes, governments will be faced with a new set of trade-offs given the damage to domestic revenue mobilization and the overall uncertainty to the global outlook, which will likely drag on external demand and continue to stymie the inflow of vital export revenues and investment. Thus, eventually, measures to raise revenue, rationalize spending, including subsidies, will help create space for public investment in education and essential infrastructure—including digitalization—that can promote a green, job-rich, and sustainable growth. Moreover, authorities should refocus on a strategic reform agenda that promotes greater, sustainable, and inclusive growth.**

64. **International financial institutions have provided a much-needed assistance to sub-Saharan Africa. On March 25, 2020, the IMF and the World Bank called on the G20 nations to provide debt relief to the poorest countries. Countries facing debt sustainability challenges should engage in proactive negotiations with both official and private sector creditors on restructuring their debt service payments. Sub-Saharan African countries should also explore all available options for international support.**

65. **G20 announced the Debt Service Suspension Initiative (DSSI), which allows the world's poorest countries—most of them in Africa—to suspend up to US$14 billion of debt service payments due in the eight months from May to December 2020. Countries facing debt sustainability challenges should**

engage in proactive negotiations with both official and private sector creditors on restructuring their debt service payments. Sub-Saharan African countries should also explore all available options for international support. The IMF has also doubled access to its emergency lending facilities. Access limits to the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) have been doubled temporarily, from 50 percent to 100 percent of the country's IMF quota per year, allowing the IMF to meet the expected global financing demand of about US$100 billion. As of mid-June, 29 2020 sub-Saharan African countries have received IMF disbursements totalling about US$10.1 billion through these emergency facilities or augmentation of access under the existing program arrangements. Despite this, more international support is urgently required for sub-Saharan Africa to overcome the crisis and return to sustainable growth. Countries across Africa still face financing needs amounting to over US$110 billion in 2020 alone, with US$44 billion yet to be financed.

2.A.3 Nigerian Economy

66. **The Nigerian economy is dominated by crude oil, which accounts for about 10% of Nigeria's GDP, 70% of government revenue and more than 83% of the country's total export earnings, according to OPEC. Nigeria is the world's 8th oil exporter, and oil reserves are estimated at about 35 billion barrels. Nigeria is one of the lead exporters of liquefied natural gas, which accounts for an additional 15.5% of exports. The country also extracts tin ore and coal for domestic use. Nigeria's other natural resources include iron ore, limestone, niobium, lead, zinc and arable land.**

67. **Another key sector of the Nigerian economy is agriculture, which employs 36% of the workforce and contributes for about 21.2% of GDP. The Southern and Central regions of the country produce yam, rice, and maize while the Northern regions produce sorghum, millet, rice, and livestock farming. Other major crops include beans, sesame, cashew nuts, cassava, cocoa beans, rubber, soybeans, and bananas. Nigerian agriculture is mainly centred on subsistence farming and it is not modernized enough.**

68. **The industrial sector makes up 25.7% of the GDP and employs 12% of the workforce. Its development has been constrained by power shortage. The largest industries in the country are the petroleum industry, tourism, agriculture, and mining. The petroleum industry currently suffers from oil theft, which is believed to cost the country potential revenues valued as much as USD 10.9 billion. Significant oil losses are also recorded due to oil spills.**

69. **Services represent 52% of the GDP and employs 52% of the population. Financial sectors, telecommunications, and retail especially, are very dynamic. Tourism is also a significant sector, and to foster its growth, the government has established the Ministry of Culture, Tourism, and National Orientation. However, this sector still struggles from the country's poor power supply, insufficient road infrastructures, and a poor water quality.**

70. **The Nigerian Government had begun addressing macroeconomic imbalances and structural impediments through the implementation of policies underpinning the Economic Recovery and Growth Plan. Supported by recovering oil prices, the new Investor and Exporter foreign exchange**

window have increased investor confidence and provided impetus to portfolio inflows, which have helped to increase external buffers to a four-year high and contributed to reducing the parallel market premium.

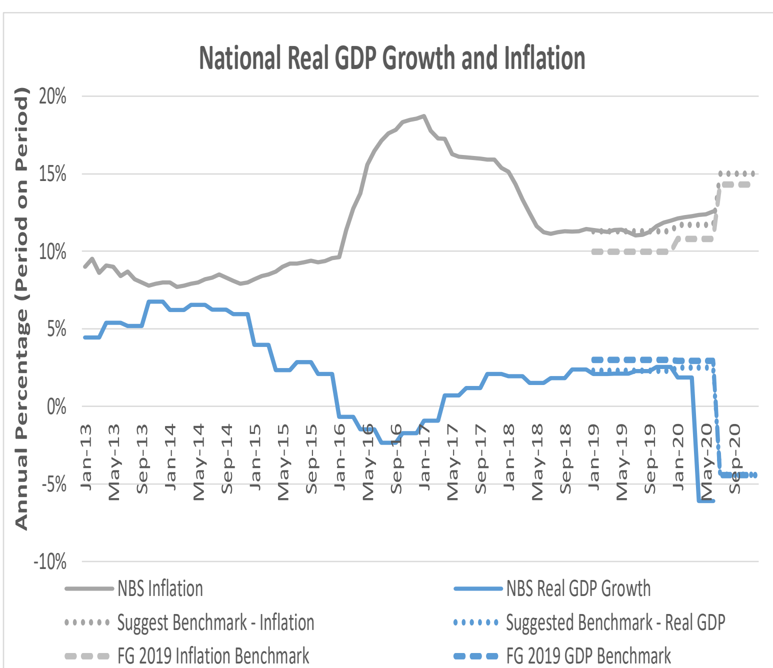
71. **Also, persisting structural and policy challenges continue to constrain growth to levels below those needed to reduce vulnerabilities, lessen poverty, and improve weak human development outcomes, such as in health and education. A large infrastructure gap, low revenue mobilization, governance and institutional weaknesses, continued foreign exchange restrictions, and banking sector vulnerabilities are dampening long-term foreign and domestic investment and keeping the economy reliant on volatile oil prices and production as explained in subsequent paragraphs.**

72. **In 2019, Nigeria recorded a growth of 2.2% (IMF). According to the updated IMF forecasts from 14th April 2020, due to the outbreak of the COVID-19, GDP growth is expected to fall to -3.4% in 2020 and pick up to 2.4% in 2021, subject to the post-pandemic global economic recovery.**

73. **Inflation reached 11.4% in 2019 while the authorities failed to bring the overall deficit below 4%. The GDP-to-Debt ratio was at 29.8% last year. Low oil prices will affect the growth and will limit public investment. The country has raised the VAT from 5% to 7.5% in order to increase its revenues. But expenditures will rise following the adoption of the minimum wage bill. According to COFACE, the country will finance its deficit mainly through external borrowing in a context where the local banking sector is currently dealing with a crowding-out effect on the private sector.**

74. **The national quarterly real GDP growth and year on year inflation rates from January 2013 and Sept 2020 are shown in figure 2 below.**

Figure 1: Real GDP Growth and Inflation



Data Sources and Trends:

- **CBN Year-on-Year Inflation, NBS Quarterly Real GDP Growth**
- **Inflation peaked at 18.72% (year-on-year) in January 2017**
- **Real GDP growth (decline) bottomed out at -2.24% in Q3 2016**
- **Significant improvement in Real GDP and Inflation in 2017 and H2 2018**
- **Inflation peaked again in Q2 2020 and Real GDP also declined in (-4.43%) in Q2 2020.**

75. **Foreign Exchange Rate – after the devaluation of the NGN:USD rate from 197 to 305 in mid-2016, foreign reserves have increased considerably, almost doubling from a low of US $24 billion in October 2016 to a high of US $47.8**

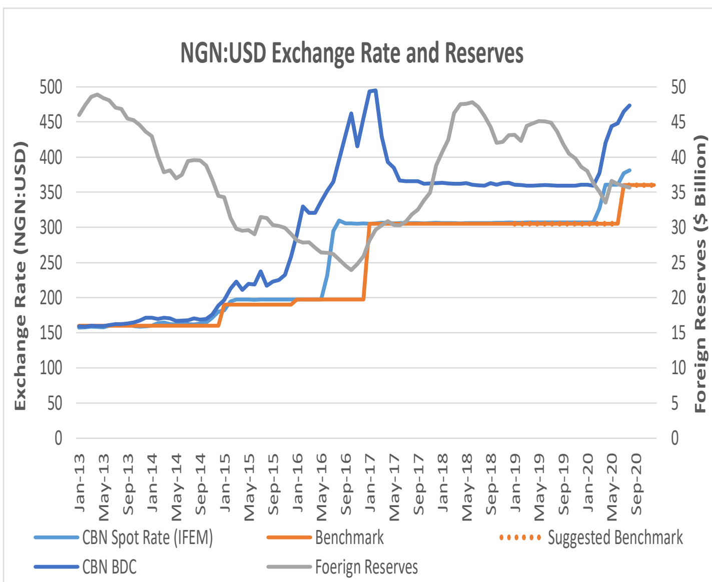
billion in June 2018 (thanks to improving crude oil prices and the FGN dollar denominated Eurobond issuances in 2017 and 2018) but declined to about $33 billion in March 2020. However foreign reserve is slightly above $35 billion in September 2020.

76. **The CBN in April 2020 devalued Naira from N305 to $1 to N36 to $1. The 2020 revised Federal MTEF/FSP was predicated official exchange rate of N305 to $1. However, the Federal MTEF/FSP foe 201-2023 used exchange rate of N379 to $1.**

77. **However, the CBN's official exchange rate of N379 per dollar is mainly for conversion of Oil proceeds. Conversion rate for Bureau de Change (BDCs), Banks (mainly at N420 to a dollar) and the retail SMIS window (N400-N450 to a dollar), distorting economic decision making.**

78. **The NGN:USD exchange rate, which is a key crude oil revenue parameter, for the period January 2013 to Sept 2020, along with the benchmarks assumed in the Federal Government budgets and reserves over the same period, are shown in Figure 2 below.**

Figure 2: NGN:USD Exchange Rate



Data Sources and Trends:

- **Data from Federal Budget documents and CBN.**
- **Little variation between benchmark and actual rates over last 6 years.**
- **NGN:USD FX rate relatively stable from 2011 to end of 2014 at around 150.**
- **Devaluation from 155 to 197 late 2014 and coincided with Crude Oil Price crash, further devaluation in June 2016 to around 305, stable thereafter.**
- **Another devaluation in April 2020 to N306 and subsequently to N379 to $1 that will be used for conversion of oil proceeds**

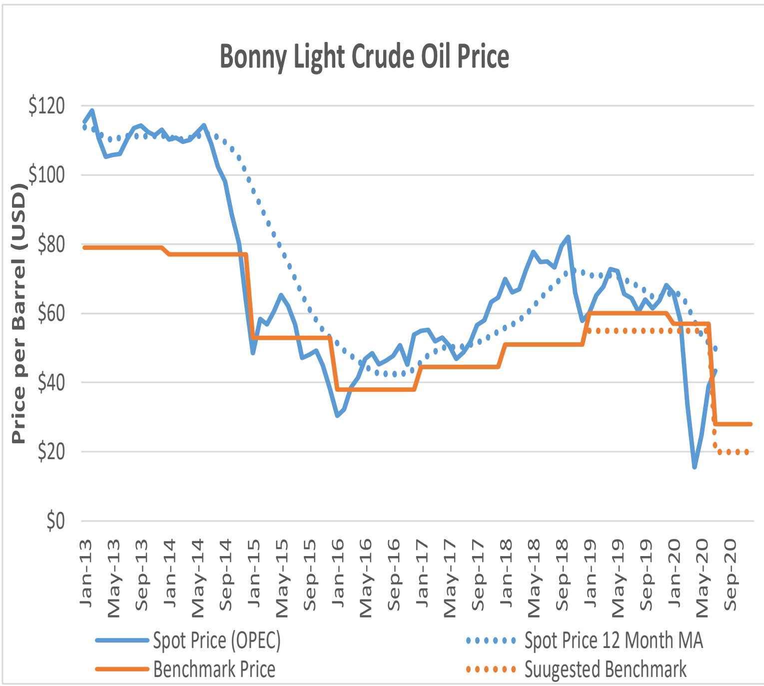
79. **Crude Oil Price – global crude oil prices fluctuate based on the delicate balance of supply and demand today and in the future. A combination of oversupply (including substitutes like US shawl gas) and a global demand slump (slowing growth in China and Europe) caused the prices to crash from well over $100 in late 2014 to less than $30 in January 2016. Thereafter, cuts in supply and an improvement in global economic prospects (decreased downside risk) helped prices recover. After a sustained increased in prices over the 30 months from early 2016 to late 2018 (bar a small blip in mid-2017), Bonny Light was trading at marginally more than $80 per barrel. Another unanticipated supply and demand mismatch caused a 20% drop in prices in January-August 2019.**

80. **However, the COVID-19 pandemic caused a sharp drop in oil price in March/April 2020 to less than $17 per barrel. The price has started to**

increase but not to 2018 price level. The constant fluctuation of oil price only serves to remind authorities of the delicacies and unpredictability's that reinforce the rationale for a benchmark that is set significantly below the current / forecast price.

81. **Crude Oil (Bonny Light) Price (spot price and benchmark for the period of January 2013 to Sept 2020 are presented in Figure 3 below.**

Figure 3: Bonny Light Crude Oil Price



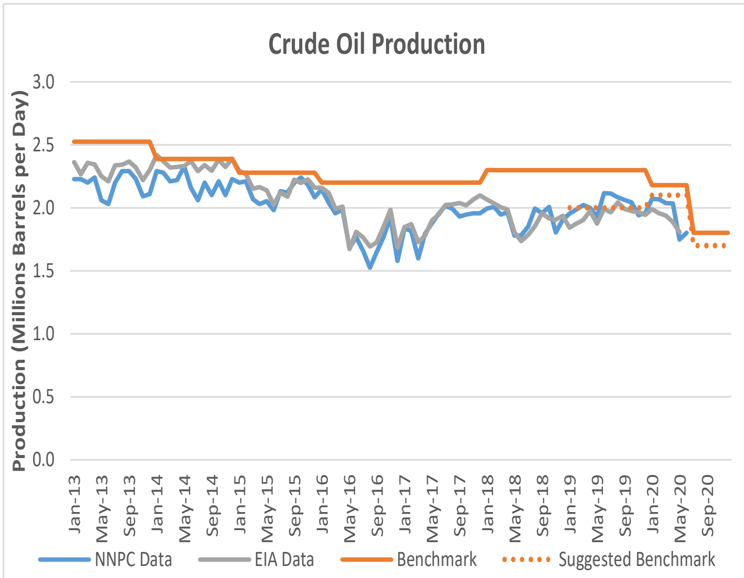
Data Sources and Trends:

- **Data from Federal Budget documents and OPEC monthly reports.**
- **Price per barrel dropped from $114 in June 2014 to $48 in January 2015, then to $30 by January 2016**
- **High point in October 2018 of $82.09, but prices dropped by more than $20 to under $60 in last two months of 2018, highlighting need for buffer when setting benchmark 2019 FG budget based on $60**
- **Significant factors affecting both supply and demand of crude oil mean outlook is uncertain**

82. **Crude Oil Production continues to fall below the potential (believed to be around 2.4 million barrels per day) (MBPD) and it has done for the last six years. The daily production proposed in Federal MTEF/FSP 2021-2023 is 1.86 MBPD for 2021.**

83. **Crude Oil Production (including Condensates) for the period January 2013 to Sept 2020 along with the benchmark is presented in figure 5 below.**

Figure 4: Crude Oil Production



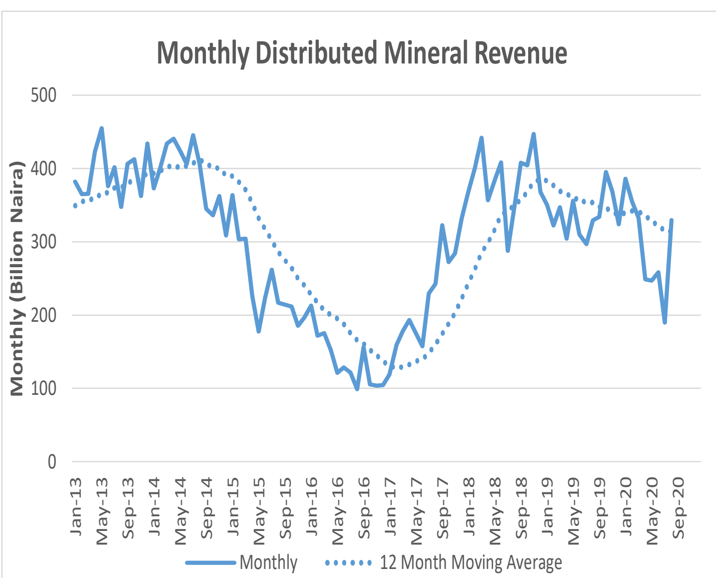
Data Sources and Trends:

- **Data from Federal Budget documents and NNPC monthly reports (production includes condensates).**
- **Production has been below the benchmark throughout the period.**
- **Fluctuations relatively minimal up to end of 2015, but high degree of variance in 2016, 2017, 2018 and 2019.**
- **Data from NNPC is not up-to-date – but latest newspaper reports suggest between 1.7 - 1.8 MBPD – very close 2020 FG revised Benchmark of 1.8 MBPD.**

84. **The Federal MTEF/FSP revised 2020-2022 documents projected 1.8 MBPD for 2020 and 1.86 MBDP for 2021 – these levels of production are very close to the current production unlike 2016, 2017, 2018 and 2019 benchmark production targets that were not achieved.**

85. **Monthly distributed Mineral Revenues (Statutory Allocation (SA) and Net Derivation (ND)) to the three tiers of government from January 2013 to Sept 2020 inclusive are shown in figure 5 below.**

Figure 5: Distributed Mineral Revenues



Data Sources and Trends:

- **Data from FAAC summary sheets (OAGF).**
- **Distributed Mineral Revenues fell to a record low of less than N100 billion in late 2016.**
- **Strong growth in 2017 and early 2018 with a high of almost N450 billion in March 2018 and has been fluctuating between N300 billion and N450 billion.**
- **Monthly distribution declined to less than N200 billion June 2020**
- **But the distribution started increasing from July 2020 as a result of price/production increases and devaluation of naira.**

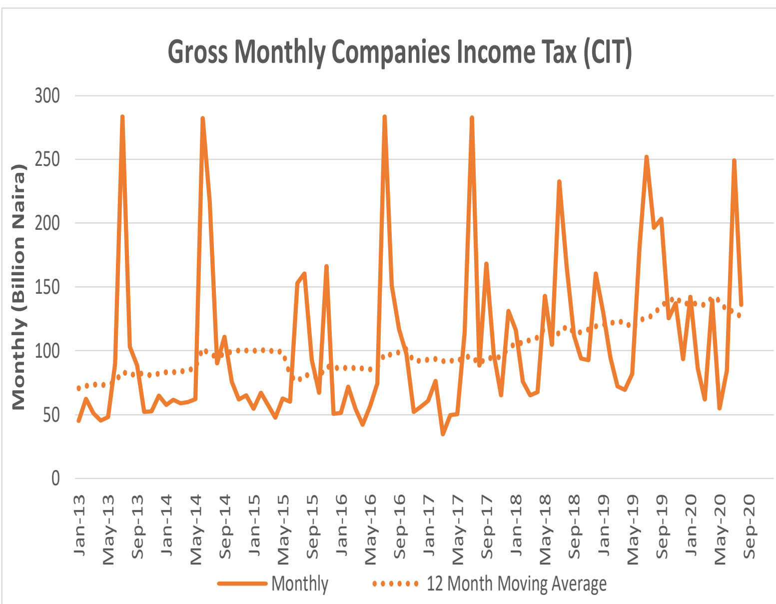
86. **The increase in distributable revenues (this is after deduction of excess crude) over the last 18 months is significant – from around N105 billion in December 2016 to N442 billion in March 2018. The combination of**

increasing production, price and devaluation of naira have all contributed to the increase.

87. **The distribution of N442 billion in March 2018 has only been surpassed on three previous occasions (October 2011, May 2013, July 2014). However, for the first four months of 2019 the distributable mineral revenue hovered around N300 billion and N350 billion lower than around N400 billion for corresponding months in 2018. The economic meltdown caused by COVID-19 pandemic had serious impact on price and production resulting in sharp drop in distributed mineral revenue (less than N200 billion in June 2020) as shown in figure 5 above.**

88. **Gross Companies Income Tax (CIT) revenues, which are distributed as part of Statutory Allocation, from January 2013 to Sept 2020 inclusive are shown in 6 below. The graph also includes linear trend.**

Figure 6: CIT Revenues



Data Sources and Trends:

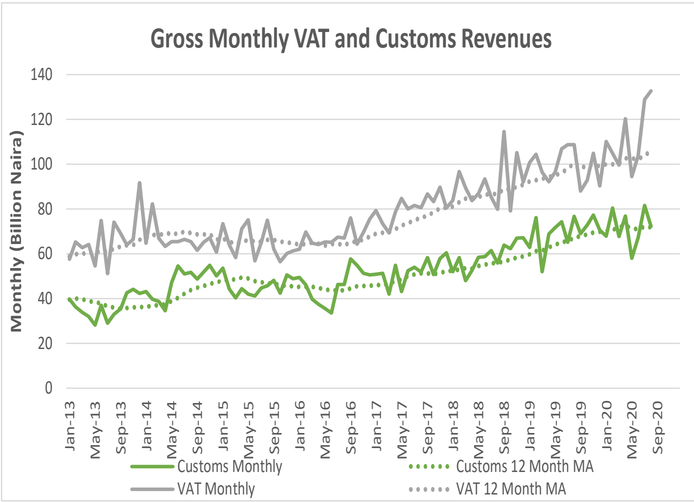
- **Data from FAAC summary sheets (OAGF).**
- **CIT trend of an annual spike in collections in June (distributed in July) continued in 2018 at approximately the same level as previous years.**
- **Over 40% of the annual collected revenue flows in the three months from June to August.**
- **Quite significant variability in receipts over the last nine months, including large distributions in July of each yaer**
- **Linear trend added to graph to smooth large fluctuations.**

89. **The graph shows the annual spike in distributions (collections from the previous month) that is in line with the annual tax returns and payment cycle in FIRS. This generally happens in July. However, the level of collections since the July 2017 spike has been variable and on average, significantly higher than in previous years (i.e. distributions from August to May).**

90. **There is also a clear upward up to April 2020 trend in CIT as shown by the linear trend line (which is useful given the level of fluctuation). However, the linear trend indicates slight drop from May 2020. Forecast of CIT for full-year 2020 and 2021 is still difficult, it will be easier once the yearly collections are known.**

91. **Customs and Excise duties (NCS), which is distributed as part of Statutory Allocation, and VAT (which is distributed in its own right), for the period January 2013 to Sept 2020 are shown in Figure 7 below.**

Figure 7: NCS and VAT Revenues



Data Sources and Trends:

- **Data from FAAC summary sheets (OAGF).**
- **Data from online FAAC summary sheets (www.oagf.gov.ng)**
- **NCS Distributed as part of Statutory Allocation, Subject to a 7% cost of collection deduction**
- **VAT Distributed on it's own, Subject to a 4% cost of collection deduction**
- **Both on upward trend over last three years, VAT more so than NCS**
- **FGN increased VAT rate to 7.5% in 2020**

92. **VAT shows a clear upward trend since late-2015. This is to be expected as the general price level rose quite significantly over the same period, which should transfer straight into additional VAT (for VAT-able items). There is still a level of monthly volatility that makes it slightly difficult to forecast. However, with the economy returning to positive real growth and inflation staying slightly above 10% for some time, it is anticipated that VAT will continue to grow in nominal terms.**

93. **It is important to note that the Federal increased VAT rate from 5% to 7.5% (increase of 44%). The new VAT rate started in April 2020, it is expected that there will be a major upward jump in VAT collections from April 2020 and beyond. The level of collections actually increased more April 2020.**

94. **Based on the above historical trend and projections by various agencies (NBS, CBN, IMF, EIA, etc.), an outlook for the 2021-2023 is provided in table below.**

Table 4: 2021-2023 Macroeconomic Outlook

Year	2020	2021	2022	2023
National Inflation (CPI)	13.40%	12.40%	12.12%	12.00%
National real GDP Growth	-4.42%	2.60%	2.60%	2.60%
Implied Growth in NCS	11.68%	11.64%	11.96%	13.71%
Implied Growth in CIT	12.36%	12.00%	12.91%	14.50%
Implied Growth in VAT	12.11%	15.86%	17.61%	17.78%
Oil Price (Benchmark)	$28.00	$40.00	$40.00	$40.00
Oil Production MBPD (Benchmark)	1.7000	1.8600	2.0900	2.0900
NGN:USD Exchange Rate (Benchmar	360	379	379	379
Mineral Ratio	35%	40%	40%	40%

2.A.4 Gombe State Economy

95. **The dominant economic activities in Gombe State are agriculture, public service and trading. It is estimated that subsistence agriculture accounts for about 70% of total employment and the civil service provides the bulk of**

paid employment. A small proportion of total employment is provided by commercial enterprises while the rest of the population embarks on self-employment through commercial and other activities.

96. **The State is endowed with vast arable and grazing land stretching through three vegetation zones comprising Sudan savannah in the northern part, guinea savannah in the central part and forest savannah in the southern part. The ecological conditions of the State hold out enormous prospects for the abundant production of a variety of crops. It produces cash crops such as groundnut, cotton, cowpea, etc as well as food crops like maize, guinea corn, millet, rice, etc and other types of vegetables. Many the farmers involved in crop production are women. The expansive and rich grazing land encourages the rearing of cattle, goats, sheep, donkeys, and horses.**

97. **Gombe State has enormous water resources comprising rivers, inland lakes and dams. There are three dams that are among the largest dams in Nigeria. The presence of these masses of water presents great opportunities for fishery and tourism development activities. The irrigation potentials of the water resources could also be harnessed for all year-round crop and fish production.**

98. **There are rich deposits of solid minerals in commercial quantities spread across the State. These include clay, limestone, uranium, columbite, talc, silica sand, gypsum, halites, dotomite, coal, zircon, agatey, dolomite, granite, quartz, galena, amethyst, mica, bentonite, tourmaline, opal, topoz, iron ore, sand and kaolin and most recently discovered oil and gas deposits among others. The State has several cultural and heritage sites in different communities. These include the Kanawa forest and Bima hill in Yamaltu Deba Local Government. These sites and the mild weather condition, hilly and undulating physical landscape perennially covered by green grass, endow the State with good tourism potentials.**

99. **There is one large industrial enterprise in the State, i.e. Ashaka Cement Company, as well as a few medium size enterprises and several cottage industries and business concerns. The private sector in the State is dominated by informal sector activities such as trading, transportation, subsistence farming, agro-processing, poultry and animal production as well as production of local arts and crafts.**

100. **The size of the organised and formal private sector is small and highly concentrated in the few urban centres, particularly the State Capital, Gombe Town. The major activities undertaken by most enterprises in the formal private sector are services, finance, insurance and general commerce.**

101. **Like most States in Nigeria, the State depends largely on statutory allocations and other transfers from the Federation Account for recurrent revenue used to finance its annual budgets. In its drive to improve internally generated revenues, in addition the State has embarked on the reform and modernization of its Internal Revenue Service, and the upgrading of its revenue generating assets.**

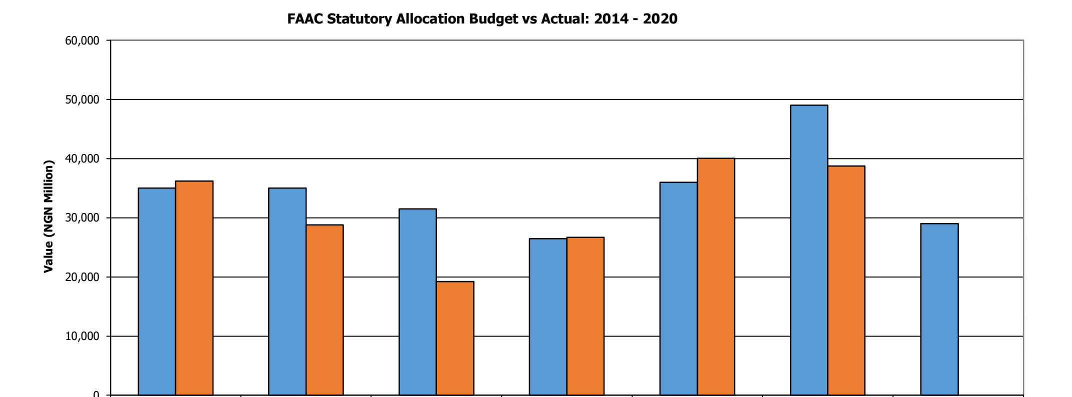
2.B Fiscal Update

2.B.1 Historic Trends

Revenue Side

102. **On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2014-2019 (six years historic) and 2020 budget.**

Figure 8: Statutory Allocation



	2014	2015	2016	2017	2018	2019	2020
Budget	35,000,000,000	35,000,000,000	31,500,000,000	26,500,000,000	36,000,000,000	49,000,000,000	29,000,000,000
Actual	36,222,919,851	28,801,451,268	19,201,195,433	26,707,628,707	40,051,555,731	38,784,806,205	0
Performance	103.5%	82.3%	61.0%	100.8%	111.3%	79.2%	0.0%
Growth		-20.49%	-33.33%	39.09%	49.96%	-3.16%	0.00%

Year

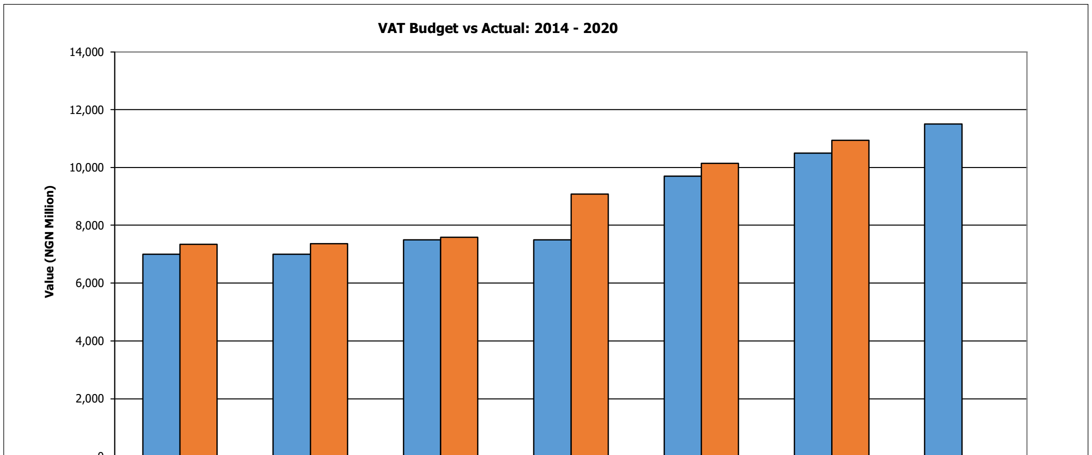
103. **Statutory Allocation is a transfer from Federation Account that is distributed to all three tiers of government based on vertical (percentage to each of the three tiers) and a horizontal (e.g. Equity, land mass, population, etc) sharing formula. The revenue that flows into the Federation Account as Statutory allocation comes from the mineral and non-mineral sources (company income tax and custom and excise duties).**

104. **FAAC Statutory Allocations make up a significant portion of Gombe State Government's recurrent revenues (almost 70% in 2019), consequently, realistic forecasting that would ensure strong performance is of great importance.**

105. **Actual performance has been relatively stable, over the period 2014-2019. In 2014, the performance of statutory allocation was 103.5% (i.e. 3.5% more than budget). The performances in 2015 and 2016 were 82.3% and 61% respectively. But in 2017, Statutory Allocation actual performance was 100.8% and 111.3% in 2018 while it came down to 79.2% in 2019.**

106. **Statutory Allocation increased by 5% in 2014 but declined by 20% in 2015 and further declined by 33% in 2016. However, Statutory Allocation grew by 39% in 2017 and additional 49% in 2018 coming less by 3.16% in 2019.**

Figure 9: VAT



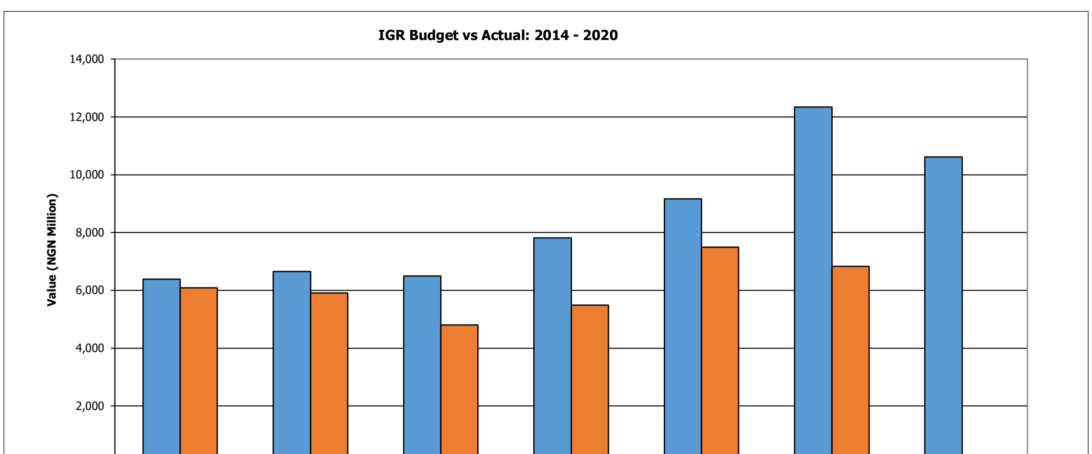
	2014	2015	2016	2017	2018	2019	2020
Budget	7,000,000,000	7,000,000,000	7,500,000,000	7,500,000,000	9,700,000,000	10,500,000,000	11,500,000,000
Actual	7,335,818,333	7,365,627,834	7,578,067,353	9,073,340,759	10,145,736,806	10,940,651,269	0
Performance	104.8%	105.2%	101.0%	121.0%	104.6%	104.2%	0.0%
Growth		0.41%	2.88%	19.73%	11.82%	7.83%	0.00%

107. **Value Added Tax (VAT) is an ad-valorem tax applied to sales of almost all goods and services within the Nigerian economy which is applied at a rate of 5%. VAT is collected by FIRS and distributed across the three tiers of government. The distribution to each state is based on a set of criteria slightly different from statutory allocation distribution. VAT has however, been increased to 7.5% from April 2020.**

108. **The VAT receipt in Gombe State performance was 104.8% in 2014 and continued to impress by more than 100% each year (2015-2019).**

109. **The VAT revenue forecasting over the period 2014-2019 have consistently been close to actual.**

Figure 10: IGR

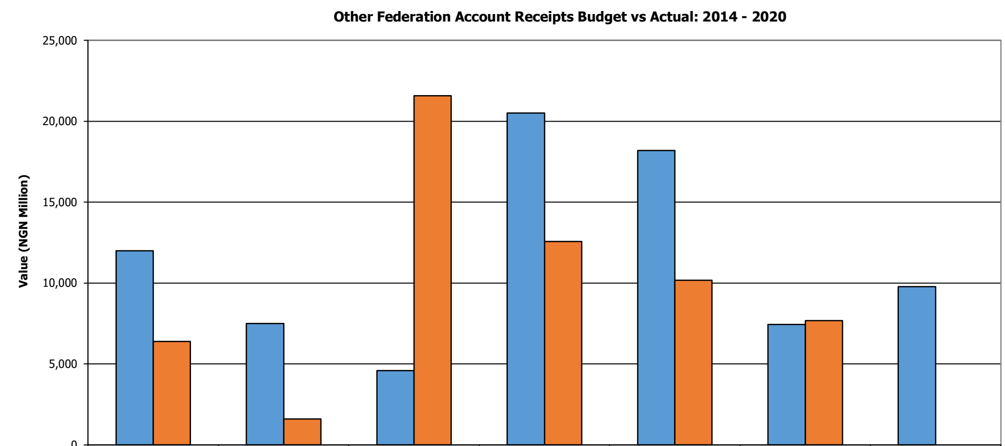


	2014	2015	2016	2017	2018	2019	2020
Budget	6,381,800,000	6,658,858,373	6,500,865,000	7,810,455,000	9,168,366,500	12,334,147,000	10,610,059,000
Actual	6,088,022,572	5,913,716,254	4,803,899,652	5,492,281,550	7,490,367,834	6,832,026,080	0
Performance	95.4%	88.8%	73.9%	70.3%	81.7%	55.4%	0.0%
Growth		-2.86%	-18.77%	14.33%	36.38%	-8.79%	0.00%

110. **Internally Generated Revenue (IGR) is collected by BIR and revenue collecting MDA's. The major sources of IGR are PAYE, land and land Services, withholding tax, fines, fees, licenses and other sources.**

111. **Over the last five years (2014 - 2019), actual IGR collection has been lower than the budgeted. Actual IGR collection was 95.4% in 2014, while in 2015, Gombe State recorded a marginal decline in IGR collection (of 2.86%). In 2016 the performance was 73.9%, 70.3% in 2017. IGR collection performance recovered slightly increasing to 81.7% in 2019.**

Figure 11: Other FAAC Receipts

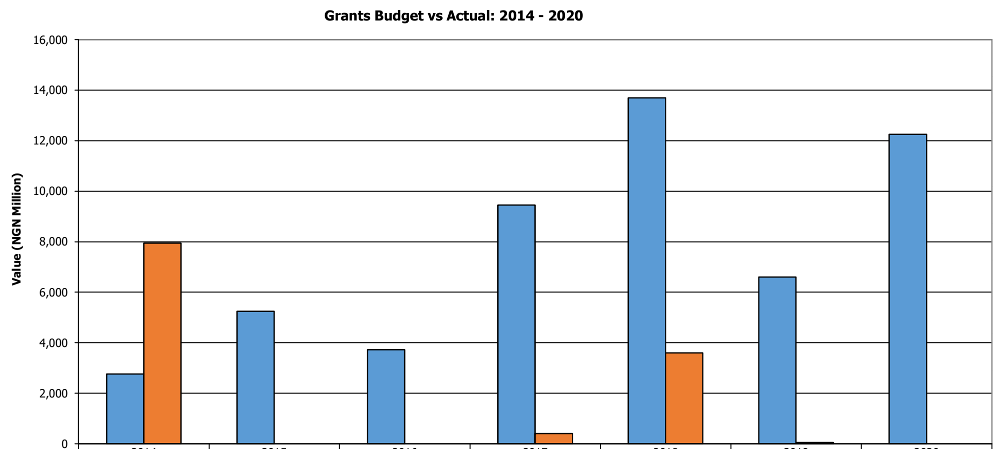


	2014	2015	2016	2017	2018	2019	2020
Budget	12,000,000,000	7,500,000,000	4,600,000,000	20,500,000,000	18,200,000,000	7,450,000,000	9,775,000,000
Actual	6,395,811,400	1,597,984,910	21,569,212,805	12,567,010,380	10,181,292,947	7,686,894,102	0
Performance	53.3%	21.3%	468.9%	61.3%	55.9%	103.2%	0.0%
Growth		-75.02%	1249.78%	-41.74%	-18.98%	-24.50%	0.00%

112. **Other FAAC receipts include all FAAC distributed revenue accruing from other sources such as Excess crude, exchange gains, refunds from NNPC and FIRS, augmentations, and any other excesses.**

113. **The actuals, over the period 2014-2019, have varied greatly in real terms, and against the budget, underperforming in all the years, except in2019. The 2016 receipts have included the bailout fund, which explains the performance of 468.9% while in 2017, other FAAC receipts, declined by 41.74% and further declined by 18.98% in 2018 and 24.5% in 2019 respectively. Going forward, budgeting for other Federation Accounts receipts should be done more conservatively due to their ad-hoc nature while the assumptions around them need to be addressed in the fiscal risks section.**

Figure 12: Grants



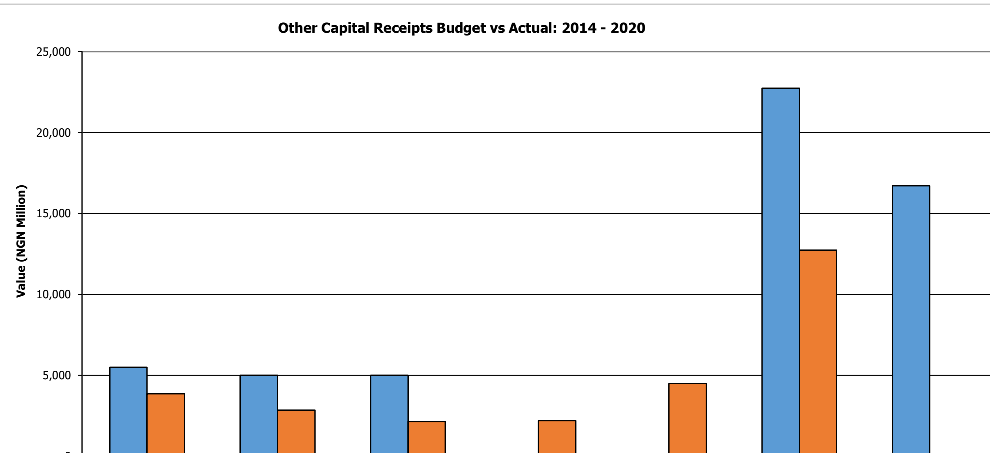
	2014	2015	2016	2017	2018	2019	2020
Budget	2,764,750,000	5,238,750,000	3,730,000,000	9,450,000,000	13,700,000,000	6,600,000,000	12,250,000,000
Actual	7,943,783,465	0	0	408,688,709	3,593,034,950	47,950,000	0
Performance	287.3%	0.0%	0.0%	4.3%	26.2%	0.7%	0.0%
Growth		-100.00%	0.00%	0.00%	779.16%	-98.67%	0.00%

Year

114. **Grants are receipts from federal government and development partners such as Federal Government Conditional Grant Scheme, Federal Government Universal Basic Education Scheme, UNICEF, etc.**

115. **Gombe State needs to provide more information about grants as significant receipts on grants are shown in the budget over the period 2014-2019, but the accounts only showed impressive actuals in 2014. In 2015 and 2016. Huge amount of grants was budgeted but actual grants accruing to the State was zero. A mere 4.3% in 2017, 26.2% in 2018 and 0.7% in 2019. With the recent efforts by the State Government to finalise its 10-year development plan, however, donors are expected to key in with more grants in the coming years.**

Figure 13: Other Capital Receipts



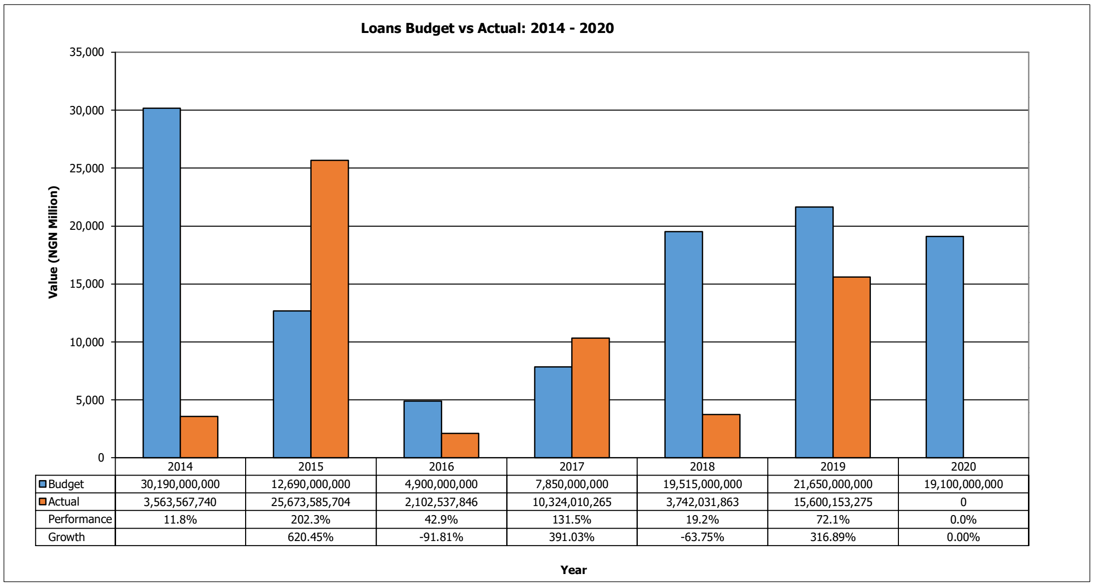
	2014	2015	2016	2017	2018	2019	2020
Budget	5,500,000,000	5,000,000,000	5,000,000,000	0	0	22,730,899,792	16,707,500,000
Actual	3,858,350,285	2,862,147,707	2,151,305,677	2,207,543,102	4,479,226,429	12,747,387,407	0
Performance	70.2%	57.2%	43.0%	0.0%	0.0%	56.1%	0.0%
Growth		-25.82%	-24.84%	2.61%	102.91%	184.59%	0.00%

Year

116. **Significant other capital receipts have been budgeted over the last six years. In some instances, these receipts have not materialised, in others there are**

receipts without corresponding budget as in 2017 and 2018. More realistic budgets are expected in this category to avoid under performances.

Figure 14: Loans / Financing



	2014	2015	2016	2017	2018	2019	2020
Budget	30,190,000,000	12,690,000,000	4,900,000,000	7,850,000,000	19,515,000,000	21,650,000,000	19,100,000,000
Actual	3,563,567,740	25,673,585,704	2,102,537,846	10,324,010,265	3,742,031,863	15,600,153,275	0
Performance	11.8%	202.3%	42.9%	131.5%	19.2%	72.1%	0.0%
Growth		620.45%	-91.81%	391.03%	-63.75%	316.89%	0.00%

117. **Loans include both Internal and External loans. Internal loans include, development bond, short term commercial loan, contractual obligations etc. External loan are receipts from World Bank, African Development, etc.**

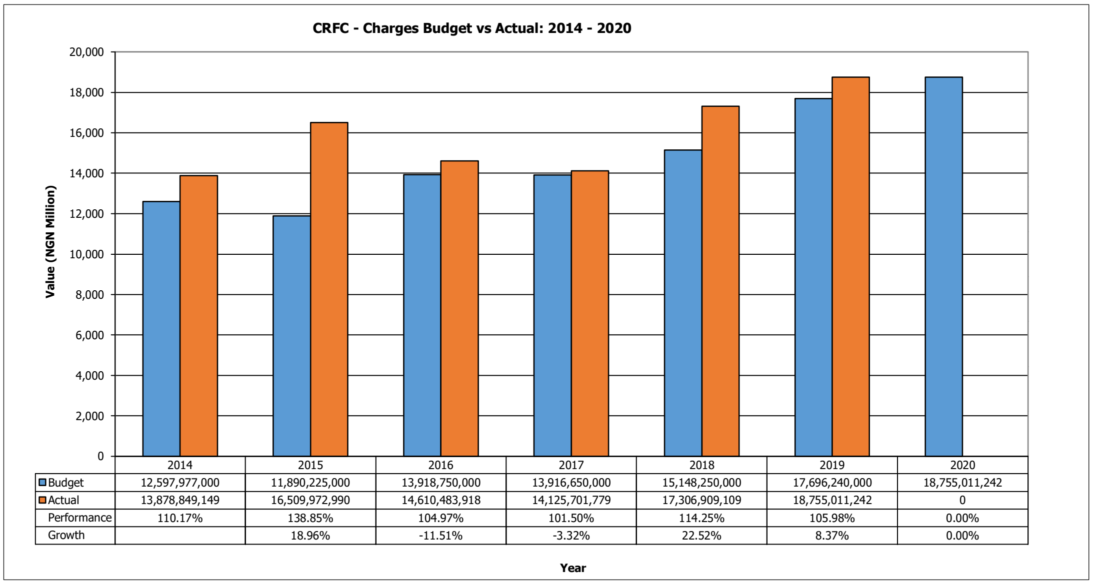
118. **The budget for 2014 was N30.19 billion with only N3.56 billion as actual receipt (i.e. 11.8% performance). In 2015, Gombe State budgeted N12.69 billion with N25.67 billion actual receipt (i.e. 202.3% performance). The budgeted and actual have been fluctuating up and down.**

119. **The loan receipt has some degree of uncertainty over its timing or actual materialisation. Going forward, the funds should be ringfenced for specific activities so that, in the event the funds do not materialise, the expenditure does not happen. The use of the Source of Funds classification in the National Chart of Accounts will assist in this ringfencing.**

Expenditure Side

120. **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) and 2020 budget.**

Figure 15: CRF Charges



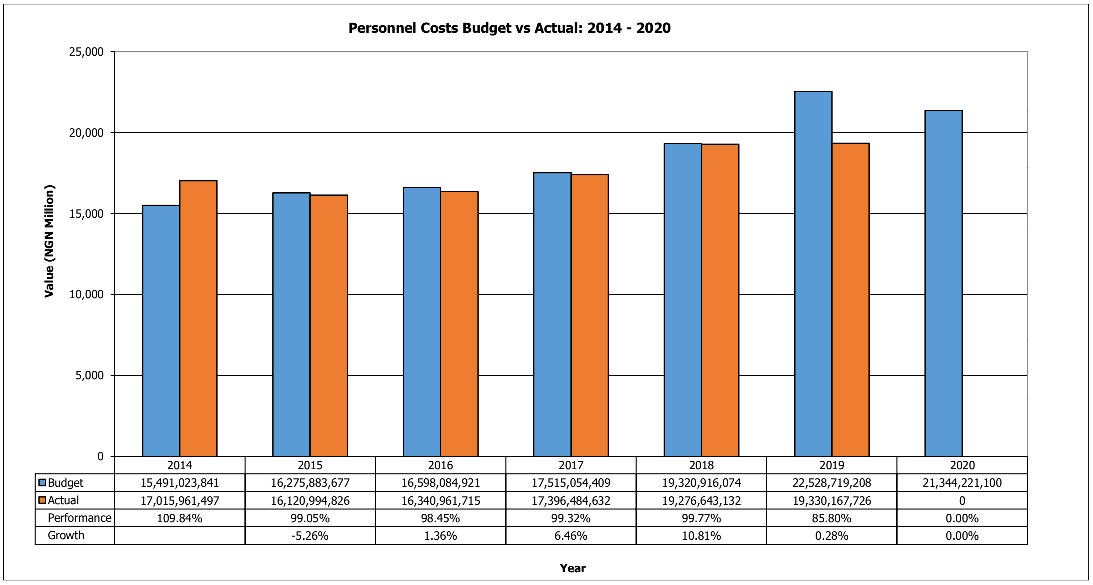
	2014	2015	2016	2017	2018	2019	2020
Budget	12,597,977,000	11,890,225,000	13,918,750,000	13,916,650,000	15,148,250,000	17,696,240,000	18,755,011,242
Actual	13,878,849,149	16,509,972,990	14,610,483,918	14,125,701,779	17,306,909,109	18,755,011,242	0
Performance	110.17%	138.85%	104.97%	101.50%	114.25%	105.98%	0.00%
Growth		18.96%	-11.51%	-3.32%	22.52%	8.37%	0.00%

121. **Consolidated Revenue Fund (CRF) charges include Public Debt Charge, Pensions and Gratuities, other social contribution items. Salaries of Judicial Officers, Political Office holders, Permanent Secretaries, Accountant General, Auditor Generals of state, Auditor Generals of Local Government and members of Statutory Commissions are captured under personnel costs.**

122. **The targets and performance in all the years indicated a good projection particularly in 2016, 2017 and 2018 with variance of less than 5%. The graph indicated that actual was higher than budget in all the years. CRF grew in 2014 and 2015 and declined in 2016, 2017 and 2018 and recorded growth in 2019.**

123. **Strong forecasting ability, to maintain equality in both budget and actuals, should provide for accurate estimates going forward as well as ensuring that debt data is kept up-to-date and regularly reconciled with the federal Debt Management Office (DMO).**

Figure 16: Personnel

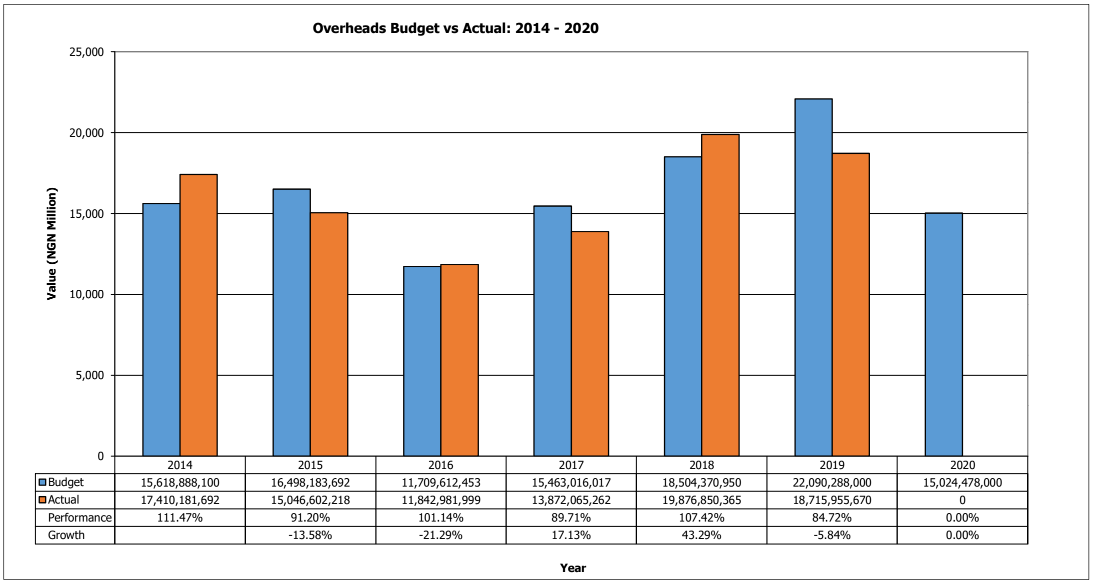


	2014	2015	2016	2017	2018	2019	2020
Budget	15,491,023,841	16,275,883,677	16,598,084,921	17,515,054,409	19,320,916,074	22,528,719,208	21,344,221,100
Actual	17,015,961,497	16,120,994,826	16,340,961,715	17,396,484,632	19,276,643,132	19,330,167,726	0
Performance	109.84%	99.05%	98.45%	99.32%	99.77%	85.80%	0.00%
Growth		-5.26%	1.36%	6.46%	10.81%	0.28%	0.00%

124. **Personnel Cost comprised of salaries and allowances of civil servants, public servants in government agencies and parastatals, members of the State House of Assembly, Judicial Officers, other Political Office holders, staff of the office of the Accountant General, Auditor Generals of state, Auditor Generals for Local Government and staff of Statutory Commissions.**

125. **Over the period 2014 - 2019, the actual personnel expenditure as a percentage of the budget has been between 109% and 99% with some years recording variance of less than 2% (i.e. 2014 - 2018). However, the 2019 personnel expenditure budget increased from N19.32 billion in 2018 to N22.52 billion with 85.8% performance.**

Figure 17: Overheads

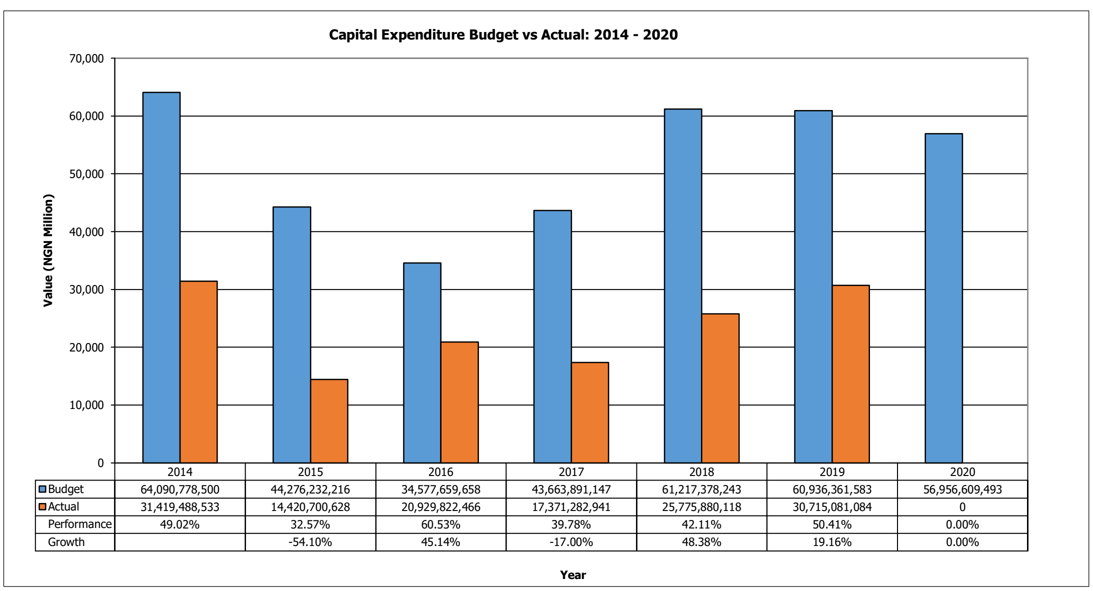


	2014	2015	2016	2017	2018	2019	2020
Budget	15,618,888,100	16,498,183,692	11,709,612,453	15,463,016,017	18,504,370,950	22,090,288,000	15,024,478,000
Actual	17,410,181,692	15,046,602,218	11,842,981,999	13,872,065,262	19,876,850,365	18,715,955,670	0
Performance	111.47%	91.20%	101.14%	89.71%	107.42%	84.72%	0.00%
Growth		-13.58%	-21.29%	17.13%	43.29%	-5.84%	0.00%

126. **Overhead expenditure comprises of operational and maintenance cost for running day-to-day Government activities.**

127. **Overhead expenditure has been relatively volatile, with a downward trend over the period 2014-2016, and a recovering upward trend over the period 2017 - 2019. However, performance over budget has been stable over the period as actual performance has been close to budget with variance of between 2% and 11% in all the years.**

Figure 18: Capital Expenditure



	2014	2015	2016	2017	2018	2019	2020
Budget	64,090,778,500	44,276,232,216	34,577,659,658	43,663,891,147	61,217,378,243	60,936,361,583	56,956,609,493
Actual	31,419,488,533	14,420,700,628	20,929,822,466	17,371,282,941	25,775,880,118	30,715,081,084	0
Performance	49.02%	32.57%	60.53%	39.78%	42.11%	50.41%	0.00%
Growth		-54.10%	45.14%	-17.00%	48.38%	19.16%	0.00%

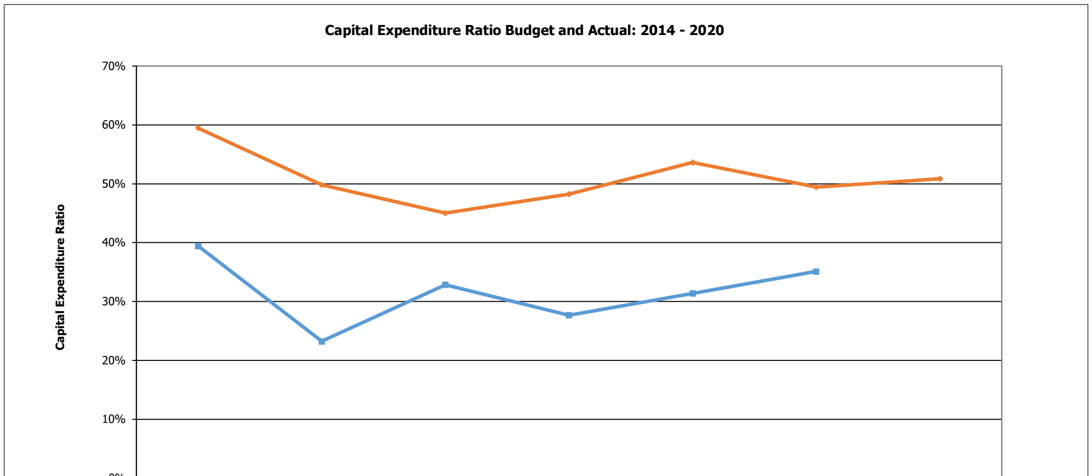
128. **Capital Expenditure includes the main investment and implementation of programmes and projects of government.**

129. **The capital expenditure for the period (2014 – 2019) has been highly unstable, with the actual capital expenditure deviating significantly from the budget performance during this period, only performing above 50% in**

2014, 2016 and 2019. The trend expectation for budgeted and actual capital expenditure has been linear, with actual falling as budgeted figure declines.

130. **Over the period 2014-2019, the actual capital expenditure has consistently underperformed against the budget. Lack of fund releases affect capital spending and the delivery of capital projects. Government should exhibit more commitment and prioritize capital projects. Again, forecasting trends show the need for a more conservative capital expenditure budgeting.**

Figure 19: Capital Expenditure Ratio



	2014	2015	2016	2017	2018	2019	2020
Budget	59%	50%	45%	48%	54%	49%	51%
Actual	39%	23%	33%	28%	31%	35%	

131. **The budgeted Capital Expenditure ratio for the period 2014 – 2019 has been between 45% and 59% but has failed to reach these levels in terms of actual expenditure. The significant drop in 2015 (23%) was largely due to revenue short falls as global crude oil prices dropped and Nigeria went through its election cycle (resulting in some economic and tax slow down).**

132. **Stronger revenue drive (particularly IGR), better reporting on loan and grant receipts and expenditures, and more efficiency in overhead expenditure can all contribute to a higher level of actual capital expenditure in future years.**

By Sector

133. **Analysis of personnel, overhead and capital budget and actual expenditure with performance indicators for all sectors from 2015 to 2018 are presented in tables below.**

Table 510: Sector Expenditure Trend – Personnel

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Personnel Expenditure by Sector										
No.	**Sector**	**2016 Budget**	**2016 Actual**	**2017 Budget**	**2017 Actual**	**2018 Budget**	**2018 Actual**	**2019 Budget**	**2019 Actual**	**Performance**
1	Economic Sector	0	0	0	0	0	0	0	0	0.00%
2	Agriculture	860,923,072	757,942,170	883,041,502	747,358,904	879,313,000	905,577,477	825,690,230	705,867,118	90.37%
3	Trade, Industry & Co-operatives	247,489,379	264,503,857	272,901,220	271,855,283	172,427,000	206,957,736	265,716,959	334,240,216	112.42%
4	Infrastructure	397,889,059	387,744,390	442,121,880	348,838,895	385,908,841	373,573,035	418,935,199	340,263,717	88.18%
5	Water	363,384,849	357,363,777	369,546,284	331,824,270	331,757,000	387,422,241	360,093,982	418,257,664	104.92%
6	Rural & Community Development	48,645,776	44,263,974	157,345,426	138,171,191	170,000,000	155,976,274	63,224,948	156,437,370	112.67%
7	Finance & Economic Planning	420,430,178	415,259,971	473,267,310	419,335,346	403,394,000	405,690,146	442,837,422	392,367,686	93.83%
8	Science, Technology, Energy & Mineral Res	32,933,387	38,704,183	50,662,745	31,900,351	29,243,000	29,348,587	30,197,822	44,835,487	101.22%
9	Social Sector	0	0	0	0	0	0	0	0	0.00%
10	Education	5,026,235,987	5,492,192,435	5,670,096,853	5,110,558,463	5,181,524,000	4,063,239,056	4,906,041,119	4,923,467,420	94.25%
11	Health	4,456,188,448	4,481,847,863	4,022,966,789	4,793,724,845	3,939,566,000	4,015,957,974	4,096,754,952	3,997,869,461	104.69%
12	Social Development & Youth Empowerment	492,317,600	217,850,632	496,720,000	332,458,133	349,068,000	364,879,840	542,775,880	461,087,161	73.17%
13	Environment	140,600,000	136,381,668	156,010,214	140,771,001	116,263,000	152,220,435	121,888,694	99,953,397	98.98%
14	Law & Justice Sector	0	0	0	0	0	0	0	0	0.00%
15	Law & Justice	1,758,107,000	1,726,611,924	2,114,586,871	1,894,508,482	1,640,424,000	1,767,023,175	1,589,735,460	1,642,809,587	98.99%
16	Administrative Sector	0	0	0	0	0	0	0	0	0.00%
17	Governance	2,352,940,186	2,020,294,871	2,405,787,315	2,835,179,468	2,352,940,186	3,293,128,850	1,892,136,000	3,498,505,213	129.36%
	Total	**16,598,084,921**	**16,340,961,715**	**17,515,054,409**	**17,396,484,632**	**15,951,828,027**	**16,120,994,826**	**15,556,028,667**	**17,015,961,497**	**101.91%**

Table 6: Sector Expenditure Trend – Overheads

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Overhead Expenditure by Sector										
No.	**Sector**	**2016 Budget**	**2016 Actual**	**2017 Budget**	**2017 Actual**	**2018 Budget**	**2018 Actual**	**2019 Budget**	**2019 Actual**	**Performance**
1	Economic Sector	0	0	0	0	0	0	0	0	0.00%
2	Agriculture	77,100,000	57,785,651	136,200,000	107,750,308	150,150,000	20,246,220	110,500,000	136,646,726	68.03%
3	Trade, Industry & Co-operatives	122,046,000	34,909,488	177,596,000	74,950,047	93,620,000	8,524,652	95,500,000	27,187,985	29.78%
4	Infrastructure	105,822,000	27,563,286	163,022,000	128,395,488	192,050,000	24,846,673	161,300,000	176,735,253	57.46%
5	Water	77,640,000	44,479,421	124,290,000	50,624,757	78,740,000	52,634,187	64,400,000	79,467,663	65.84%
6	Rural & Community Development	13,500,000	0	40,937,950	11,723,528	41,700,000	1,607,933	36,000,000	9,236,195	17.08%
7	Finance & Economic Planning	1,799,940,000	1,438,605,303	3,075,853,000	1,711,747,031	2,206,426,692	1,621,511,240	2,619,700,000	1,530,842,475	64.96%
8	Science, Technology, Energy & Mineral Res	14,450,000	0	187,550,000	39,447,275	30,750,000	2,645,000	24,950,000	30,818,403	28.29%
9	Social Sector	0	0	0	0	0	0	0	0	0.00%
10	Education	1,362,481,153	1,086,254,508	1,854,836,000	1,801,221,012	1,636,592,500	1,286,970,179	1,487,400,000	1,343,787,726	87.02%
11	Health	320,217,800	232,664,608	465,105,061	348,440,279	262,856,000	195,728,503	410,750,000	1,112,425,769	129.50%
12	Social Development & Youth Empowerment	215,665,000	180,979,541	387,600,000	376,475,343	490,810,000	99,711,018	828,750,000	362,573,043	53.03%
13	Environment	22,350,000	15,696,234	159,801,506	59,920,694	35,100,000	8,409,925	27,700,000	17,958,906	41.64%
14	Law & Justice Sector	0	0	0	0	0	0	0	0	0.00%
15	Law & Justice	682,400,000	263,501,890	543,365,000	446,827,231	287,300,000	345,952,553	331,900,000	247,533,823	70.67%
16	Administrative Sector	0	0	0	0	0	0	0	0	0.00%
17	Governance	6,896,000,500	8,460,542,069	8,146,859,500	8,714,542,269	10,992,088,500	11,377,814,135	9,420,038,100	12,334,967,725	115.32%
	Total	**11,709,612,453**	**11,842,981,999**	**15,463,016,017**	**13,872,065,262**	**16,498,183,692**	**15,046,602,218**	**15,618,888,100**	**17,410,181,692**	**98.11%**

Table 711: Sector Expenditure Trend – Capital

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Capital Expenditure by Sector										
		2016	**2016**	**2017**	**2017**	**2018**	**2018**	**2019**	**2019**	
No.	**Sector**	**2016 Budget**	**2016 Actual**	**2017 Budget**	**2017 Actual**	**2018 Budget**	**2018 Actual**	**2019 Budget**	**2019 Actual**	**Performance**
1	**Economic Sector**	0	0	0	0	0	0	0	0	**0.00%**
2	**Agriculture**	2,101,700,000	2,494,492,675	2,200,552,000	1,728,168,983	3,112,500,000	1,915,599,162	3,018,600,000	1,306,407,245	**71.35%**
3	**Trade, Industry & Co-operatives**	1,038,000,000	12,132,007	1,293,500,000	10,000,000	472,000,000	169,022,716	267,000,000	0	**6.23%**
4	**Infrastructure**	10,030,826,040	9,594,286,122	12,713,500,000	8,374,435,080	21,578,154,545	12,463,992,571	19,165,909,000	6,251,277,812	**57.78%**
5	**Water**	3,023,695,072	888,476,384	3,219,400,000	837,946,900	3,171,000,000	1,118,296,922	1,922,900,000	402,119,043	**28.64%**
6	**Rural & Community Development**	1,220,000,000	44,682,451	1,643,000,000	684,067,805	3,417,750,000	68,867,794	3,891,845,545	1,550,863,522	**23.09%**
7	**Finance & Economic Planning**	3,623,702,370	1,131,718,792	2,881,000,000	898,112,770	2,659,500,000	919,089,067	4,222,000,000	953,583,184	**29.15%**
8	**Science, Technology, Energy & Mineral Res.**	135,000,000	0	660,000,000	3,282,000	840,000,000	3,465,000	655,000,000	0	**0.29%**
9	**Social Sector**	0	0	0	0	0	0	0	0	**0.00%**
10	**Education**	5,928,019,887	3,300,608,689	9,812,519,147	1,711,046,285	12,708,002,780	5,344,271,632	13,150,135,038	1,115,360,940	**27.58%**
11	**Health**	2,725,016,289	1,202,083,394	3,369,920,000	448,714,277	4,166,200,000	775,690,537	5,018,900,000	808,364,331	**21.17%**
12	**Social Development & Youth Empowerment**	1,210,700,000	554,880,775	1,012,000,000	1,097,894,840	2,891,000,000	1,453,706,664	2,125,500,000	83,712,800	**44.07%**
13	**Environment**	1,328,500,000	1,246,460,958	1,402,000,000	1,189,217,969	1,528,200,000	1,592,883,157	2,173,500,000	1,074,412,511	**79.33%**
14	**Law & Justice Sector**	0	0	0	0	0	0	0	0	**0.00%**
15	**Law & Justice**	670,500,000	25,882,975	1,054,000,000	97,954,813	1,589,052,000	75,009,601	1,731,052,000	31,080,683	**4.56%**
16	**Administrative Sector**	0	0	0	0	0	0	0	0	**0.00%**
17	**Governance**	1,542,000,000	434,117,244	2,402,500,000	290,441,219	3,084,018,918	34,421,553	3,594,020,000	843,518,557	**15.09%**
	Total	**34,577,659,658**	**20,929,822,466**	**43,663,891,147**	**17,371,282,941**	**61,217,378,243**	**25,934,316,376**	**60,936,361,583**	**14,420,700,628**	**39.25%**

134. **Personnel Expenditure has averaged between 90% and 110% in all the sectors except Rural and Community Development with 125% over the period 2015-2017. The average Overhead expenditure performance over the period 2015-2017 was 93%, with significant variation across sectors as some sectors performed below 50% on the average.**

135. **For Capital Expenditure, overall performance has been poor as noted in paragraph 108. The only sector that has received more than 70% of its budgetary allocations is Environmental sector but Infrastructure had both the highest budget and actual disbursement over the period 2015-2018.**

2.B.2 Debt Position

136. **A summary of the consolidated debt position for Gombe State Government is provided in the table below.**

Table 8: 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%	77.52%
2	Total Domestic Debt/IGR	150%	728.92%
3	Total External Debt/Total Revenue	50%	17.32%
4	Total Public Debt/Total Revenue	100%	94.84%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	0.64%
7	Total Debt Service/Total Revenue	15%	21.66%
8	Domestic Debt Service/IGR	10%	197.64%
			2019 Actual
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2019**		**Naira**
1	Total Domestic Debt		49,800,086,678
2	Total External Debt		11,128,518,385
3	**Total Public Debt**		**60,928,605,063**
4	Total Domestic Debt Service 2019		13,502,745,081
5	Total External Debt Service in 2019		412,668,232
6	**Total Public Debt Service**		**13,915,413,312**
C	**STATE GDP FOR 2019**		
1	**State GDP**		0

137. **The domestic and foreign debt ratio (both liquidity and solvency) for the 2018 fiscal year did not exceed recommended sustainability thresholds except for the ratio of total domestic debt and IGR, and public debt service to IGR.**

138. **Based on the above ratios, future debt drawn down should be focused on foreign concessional rate debt rather than higher interest domestic debt.**

Section 3 Section 3: - Fiscal Strategy Paper (FSP)

3.A Macroeconomic Framework

139. **The Macroeconomic framework reflects the mineral sector benchmarks (price and NGN: USD exchange rate) as laid out in the Federal Government MTEF/FSP for the period 2021-2023. We have adopted price of $40 per barrel for 2021 - 2023. Real GDP growth and Inflation (CPI) are as per the IMF World Economic Outlook dated September 2020. The figures represent a prudent macro-economic framework from which the Gombe State Medium Term Fiscal Framework are drawn.**

Current average crude oil production was 1.86 MBPD is the federal benchmark for 2021 (provided in the approved FGN MTEF/FSP 2021-2023).

Table 9: Gombe State Macroeconomic Framework

Macro-Economic Framework

Item	2021	2022	2023
National Inflation	12.40%	12.12%	12.00%
National Real GDP Growth	2.60%	2.60%	2.60%
Oil Production Benchmark (MBPD)	1.8600	2.0900	2.0900
Oil Price Benchmark	$40.00	$40.00	$40.00
NGN:USD Exchange Rate	379	379	379
Other Assumptions			
Mineral Ratio	40%	40%	40%

3.B Fiscal Strategy and Assumptions

Policy Statement

140. **Gombe state policy statement is based on its fiscal responsibility law which advocates "sound public expenditure and financial management in the state" specifically this is achieved through:**

a. **Aligning state government's income and expenditure by keeping spending limits within the dictates of available resources and fiscal sustainable debt position;**

b. **Boosting IGR in accordance with the recently submitted business case of BIRS;**

c. **Emphasis on achieving a more favourable balance for capital expenditure through restraining the increasing trend in recurrent expenditure;**

d. **Ensuring that the budget process is pursued with a framework that support strategic prioritization and rational resource allocation and in accordance with the overall development policy objectives of the state; and**

e. **Ensure strict adherence to due process in budget execution as well as accountability, transparency and prudence in the entire public financial management process.**

141. **This strategy is anchored by the state government on the newly introduced PFM Reform programs.**

Objectives and Targets

142. **The key targets from the fiscal perspective are:**

- **a. To have higher proportion of capital expenditure compared to recurrent expenditure.**
- **b. Personnel expenditure is to remain stable as for 2020.**
- **c. Decrease in overhead expenditure.**
- **d. Certain parastatals cover overhead expenditure from the revenue they generate.**
- **e. Capital expenditure reduction on non-critical projects but spend more on COVID response, treatment and administration.**

3.C Indicative Three-Year Fiscal Framework

143. **The indicative three-year fiscal framework for the period 2020-2022 is presented in the table 10 below.**

Table 10: Gombe State Medium Term Fiscal Framework

RECURRENT REVENUE	**2021**	**2022**	**2023**
Statutory Allocation	41,957,683,974.32	46,028,100,697.82	48,678,967,722.06
VAT	12,606,241,633.66	14,044,869,815.57	15,543,385,831.65
IGR	9,865,521,454.42	11,428,157,038.66	12,502,165,958.79
Excess Crude/Other FACC Revenue	7,686,894,102.61	7,686,894,102.95	7,686,894,102.50
Total Recurrent Revenue	**72,116,341,165.00**	**79,188,021,655.00**	**84,411,413,615.00**
RECURRENT EXPENDITURE			
Personnel	20,616,928,798.00	21,697,775,239.00	22,832,664,000.00
CFRC-Public Office Holders' Salaries	300,000,000.00	350,000,000.00	300,000,000.00
Overhead:	18,615,550,494.00	18,633,632,350.00	18,735,982,670.00
CFRC-Pension & Gratuity	5,000,000,000.00	5,000,000,000.00	5,000,000,000.00
CFRC-Public Debts Charges	10,000,000,000.00	13,000,000,000.00	13,000,000,000.00
Total	**54,532,479,292.00**	**58,681,407,589.00**	**59,868,646,670.00**
Transfer to Capital Account	**17,583,861,873.00**	**20,506,614,066.00**	**24,542,766,945.00**
CAPITAL RECEIPTS			
Grants	20,850,000,000.00	17,950,000,000.00	17,950,000,000.00
Other Capital Receipts	5,300,000,000.00	5,800,000,000.00	6,450,000,000.00
Total	**26,150,000,000.00**	**23,750,000,000.00**	**24,400,000,000.00**
RESERVES			
Contingency Funds	1,422,326,823.00	1,566,650,234.00	1,671,118,073.00
Financing Reserve	2,388,193,094.00	1,975,055,205.00	1,869,262,849.00
Total	**3,810,519,917.00**	**3,541,705,439.00**	**3,540,380,922.00**
CAPITAL EXPENDITURE	**41,583,470,000.00**	**49,145,500,000.00**	**55,331,480,000.00**
Discretional Funds	30,771,767,800.00	34,893,305,000.00	38,178,721,200.00
Non-Discretional Funds	10,811,702,200.00	14,252,195,000.00	17,152,758,800.00
Net Financing	**10,174,627,423.00**	**9,330,538,716.00**	**8,831,465,755.00**
Total Budget Size	**96,115,949,292.00**	**107,826,907,589.00**	**115,200,126,670.00**
RATIOS			
Growth in Recurrent Revenue	27.50%	8.54%	6.77%
Growth in Recurrent Expenditure	3.69%	3.14%	3.61%
Capital Expenditure	26.87%	25.60%	26.52%
Deficit to Total Expenditure	8.29%	7.94%	7.55%

Assumptions

144. **Statutory Allocation – The estimation for statutory allocation is based on an elasticity forecast taking into consideration the macro-economic framework (National) and the mineral assumptions in the FGN MTEF/FSP 2021-2023. It is also based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and Inflation data and the advisories from Nigeria Governors' Forum Secretariat.**

145. **VAT - is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2021-2023 is in line with the current rate of collections which is 7.5% as approved by the National Assembly.**

146. **Internally Generated Revenue (IGR) – the estimation is based on own percentage taking into consideration the economic activity of the State, reform of revenue administration and the impact of COVID-19. Despite progress with implementation of treasury single account, IGR projection in the immediate term are not expected to surpass 2020 approved estimate. However, actual collections are largely from traditional sources such as PAYE, fees, etc. It is believed that current effort to establish taxpayer database by BIR, perfection of the TSA and technical support from development partners towards harmonization/review of tax rate and other efforts focused on blocking leakages and dealing with the phenomena of tax avoidance/evasion, collection will improve. Also, the Internal Revenue Service has introduced more revenue sources intended to boost inflows therefore IGR is expected to grow annually in 2021 up to 2023.**

147. **However, the continued fight against COVID-19 has called for drastic cutting of expenditures while increasing support to the already excluded group and vulnerable who are left to bear the brunt of the economic contraction. The economic and growth recovery program which has the aim of increasing social inclusion by creating jobs and providing support for the poorest and most vulnerable members of society through investments in social programs and providing social amenities will no doubt suffers some setbacks.**

148. **Grants – internal grants are largely Local Government contributions to state infrastructure and social sector projects and UBEC, and these are included across the period 2021-2023. It is important that the relevant institutions in Gombe State Government put in place the necessary requirements to draw down UBEC funds. The World Bank States Fiscal Transparency, Accountability and Sustainability (Program for Results) Additional Financing (SFTAS-AF) is expected to assist states with N2.6 billion being expected to be drawn from SFTAS AF in the budget for 2021, and N2.5 billion in 2022.**

149. **Financing (Net Loans) – Gombe State will continue to make use of short to medium term commercial bank facility to fund critical capital projects.**

150. **Consolidated Revenue Fund Charges – This includes public debt charges and pensions and gratuities. The current servicing is expected to be sustained though some debt repayment "holiday" is expected on certain debts up to April 2021.**

151. **Personnel – The personnel bill is anticipated to remain the same occasioned by COVID-19 pandemic. Own percentage is used to estimate the personnel cost at 3% for 2021 to 2023.**

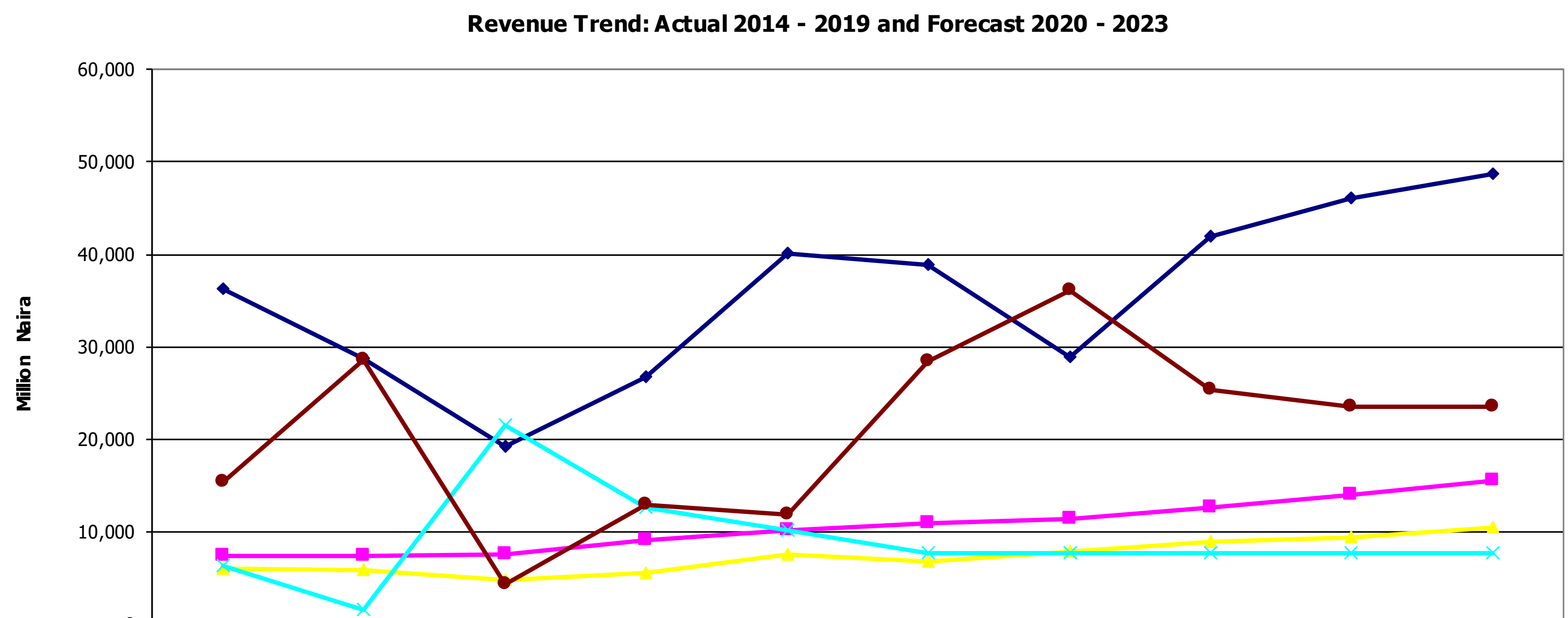
152. **Overheads – The overhead costs increased exponentially in 2018 by 17.13% however, the current administration is making deliberate efforts to reducing cost of governance for capital investment from 2019 forward.**

153. **Capital Expenditure – is based on the balance from the recurrent account plus capital receipts. It is presented in the form of discretional and non-discretional capital expenditure.**

Fiscal Trends

154. **Based on the actual figures for 2014-2019 and 2020 budget, the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below.**

Figure 20: Gombe State Revenue Trend



	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
Stat.Allocation	36,222,919,85	28,801,451,26	19,201,195,43	26,707,628,70	40,051,555,73	38,784,806,20	28,954,907,21	41,957,683,97	46,028,100,69	48,678,967,72
VAT	7,335,818,333	7,365,627,834	7,578,067,353	9,073,340,759	10,145,736,80	10,940,651,26	11,347,964,09	12,606,241,63	14,044,869,81	15,543,385,83
Total IGR	6,088,022,572	5,913,716,254	4,803,899,652	5,492,281,550	7,490,367,834	6,832,026,080	7,786,696,175	8,865,521,454	9,428,157,039	10,502,165,95
Other Federation Account Receipts	6,395,811,400	1,597,984,910	21,569,212,80	12,567,010,38	10,181,292,94	7,686,894,102	7,686,894,102	7,686,894,102	7,686,894,102	7,686,894,102
Capital Receipts	15,365,701,49	28,535,733,41	4,253,843,523	12,940,242,07	11,814,293,24	28,395,490,68	36,150,000,00	25,350,000,00	23,550,000,00	23,550,000,00

Local Government Forecasts

155. **Based on the Macroeconomic assumptions in section 3.A, the forecasting techniques noted in section 3.B and the vertical and horizontal sharing ratios from 2019, the Federation Account revenues have been forecasted for the 11 Local Governments (LGs) of Gombe State.**

156. **Forecasts for 2021 for the 11 Local Governments in Gombe State are provided in table below.**

Table 11: Local Government FAAC and IGR Share Revised Estimates 2021

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2021				
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	Total Transfer
AKKO	0.0992%	0.1515%	10.047%	1,291,902,870.26	683,441,353.76	272,050,796.07	89,069,221.21	2,336,464,241.30
BALANGA	0.0959%	0.1247%	8.839%	1,249,222,879.93	562,327,196.21	263,063,181.27	78,365,548.59	2,152,978,806.00
BILLIRI	0.1346%	0.1225%	10.299%	1,752,605,582.65	552,270,112.56	369,066,247.10	91,303,744.46	2,765,245,686.78
DUKKU	0.0775%	0.1235%	8.056%	1,009,553,809.06	557,147,387.34	212,593,317.77	71,420,313.88	1,850,714,828.05
FUNAKAYE	0.1073%	0.1297%	9.497%	1,397,304,491.35	585,078,146.22	294,246,423.60	84,196,617.12	2,360,825,678.29
GOMBE	0.0773%	0.1366%	8.569%	1,006,611,763.49	615,924,057.85	211,973,777.51	75,969,596.30	1,910,479,195.14
KALTUNGO	0.1296%	0.1112%	9.649%	1,687,407,897.82	501,681,193.68	355,336,823.27	85,540,779.13	2,629,966,693.89
KWAMI	0.0857%	0.1210%	8.283%	1,116,668,387.95	545,653,025.14	235,149,662.47	73,436,636.04	1,970,907,711.60
NAFADA	0.1018%	0.1088%	8.438%	1,326,213,037.91	490,449,736.49	279,275,881.36	74,804,132.76	2,170,742,788.52
SHOMGOM	0.0868%	0.1116%	7.950%	1,130,413,669.78	503,338,848.50	238,044,164.02	70,478,688.56	1,942,275,370.86
YAMALTU/DEBA	0.1251%	0.1338%	10.374%	1,628,697,268.00	603,598,451.82	342,973,452.97	91,966,867.40	2,667,236,040.19
				-	-	-	-	-
Total				**14,596,601,658.19**	**6,200,909,509.58**	**3,073,773,727.41**	**886,552,145.44**	**24,757,837,040.63**

3.D Fiscal Risks

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

Table 12: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Corona Virus (COVID-19)	High	The Pandemic has brought the world economy down to an unprecedented downturn	Socioeconomic life of the world impacted negatively resulting in a devastating shock and price plunge in global stocks, oil, gas etc. Resulting in Nigeria's revenue from oil being drastically reduced. Attention must shift to non-oil sources.
Risks to Statutory Allocation based on Oil Price or Production shock	Medium	There is higher likelihood that there will be shortfall in FAAC revenue in the short to medium term (Medium)	In the long term, Gombe State would have to be less dependent on Statutory Allocation to fund its expenditure. This would be achieved through higher IGR collections. In the short term, capital projects would be prioritized, and overhead expenditure should be made flexible for reduction if short term falls are further experienced.
Threat to security in Gombe and neighbouring States which could reduce economic activity by taxpayers.	Medium	Reduced IGR and increased overhead (Medium)	Collaborative strategic approach to stem the tides of civil crimes among communities in the State and neighbouring States.
Adverse climate change effects that might negatively affect farm output and other economic activities	High	Reduced IGR and increased overhead (Medium)	Increased investment to raise the level of climate resilience (other sources of water for farming e.g. irrigation) adaptation and awareness.
None materialisation of Capital Receipts	Medium	Short-Fall in Capital Receipts (Low)	Loans that are at risk of not materialising must be ring fenced to specific activities and the risk should be spread reasonably across sectors to the extent possible, and on lower priority projects.
Implementation of the Minimum Wage policy significantly impacts personnel costs	High	Highly anticipated increases in personnel costs (High)	Implementation of the Personal Income Tax (Amendment) Act 2011; undertake employee audit, and proper implementation of the TSA to block loopholes.

158. **It should be noted however that no budget is without risk. Implementing the 2021 budget should be closely monitored, given the security situation and COVID-19 impact on the fiscal and economic outlook.**

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

159. **The current administration of Gombe State will focus on the following strategic areas:**

- **Internal Security and Order – The State will actively collaborate with security agencies and other stakeholders in order to combat the root of all insecurity and ensure safety and security of lives and livelihoods of all citizens across the State.**
- **Education - Policies and programmes aimed at eradicating illiteracy in Gombe State by giving priority to enhancing teaching standards by ensuring appropriate support from basic to tertiary levels of education for an improved and educated citizenry.**
- **Health care - Proactively implement strategies to achieve Universal Health Coverage in Gombe State using Primary Health Care as the corner stone by increasing access to efficient, qualitative and affordable healthcare services and ensure availability of essential drugs and vaccines throughout the state. Deliberate policies be made to addressing the continued scourge of COVID-19 even with decreasing positive cases so far learning from other countries resurging phenomena.**
- **Agriculture – Stimulate the economic development of the state and improve the living conditions of Gombe people by revamping the agriculture sector.**
- **Good Governance – Promote transparent, accountable and all-inclusive government in conformity with best practice.**
- **Infrastructural Development – Address the issues of uneven development by ensuring that investments in infrastructure are tailored to meet the needs of all citizens as this would go a long way in making Gombe State a suitable destination for investment, generate employment and promoting rural income growth.**
- **Women and Youths Empowerment – Raising the level of women and youth’s participation in socioeconomic activities including political participation through the provision of necessary skills and start up grants thereby boosting entrepreneurial development.**

4.B Sector Allocations (3 Year)

160. **The total budget size for 2021 fiscal year as explained in Section 3.C above should not be more than ₦112,440,968,587.00 of which the sum of ₦54,532,479,292.00 will be for recurrent expenditure, ₦57,908,4891,295.00 will be for capital expenditure and ₦2,388,193,094 will be planning reserve that will be allocated to sectors at bilateral discussion stage to fund critical expenditure items not envisaged at the stage of issuing budget call circular.**

161. **The capital expenditure component of ₦57,908,489,295.00 is in two parts - the discretionary capital expenditure of sum of ₦42,755,147,340.00 that will be spent across all MDAs and non-discretionary capital expenditure of ₦15,15,341,955.00 which is specifically earmarked for projects and programmes in Health and Education sectors. The non-discretionary amount is in the form of loans and grants.**

162. **Presented in the table below are the indicative three-year (2021-2023) envelopes for sectors. The basis for the envelopes is as follows:**

- **Non-Discretional capital expenditure is allocated automatically to the relevant sectors.**
- **Discretional capital expenditure is allocated using the average trend from (2015-2020 budget, 2015-2019 actuals).**
- **These are combined to give the total sector envelopes.**

Table 13: Indicative Sector Capital Expenditure Ceilings 2021-2023

		Discretionary Funds						Non-Discretionary Funds		
SN	Sector	%		%		%				
1	Economic Sector	2	615,435,356.00	2	697,866,100.00	2	763,574,424.00			
2	Agriculture	2	615,435,356.00	2	697,866,100.00	2	763,574,424.00			
3	Trade, Industry & Co-operatives	2	615,435,356.00	2	697,866,100.00	2	763,574,424.00			
4	Infrastructure	5	1,538,588,390.00	5	1,744,665,250.00	5	1,908,936,060.00			
5	Water	20	6,154,353,560.00	20	6,978,661,000.00	20	7,635,744,240.00			
6	Rural & Community Development	20	6,154,353,560.00	20	6,978,661,000.00	20	7,635,744,240.00			
7	Finance & Economic Planning	3	923,153,034.00	3	1,046,799,150.00	3	1,145,361,636.00			
8	Science, Technology, Energy & Mineral Res.	5	1,538,588,390.00	5	1,744,665,250.00	5	1,908,936,060.00			
9	Social Sector	10	3,077,176,780.00	10	3,489,330,500.00	10	3,817,872,120.00			
10	Education	5	1,538,588,390.00	5	1,744,665,250.00	5	1,908,936,060.00	7,784,425,584.00	11,116,712,100.00	14,408,317,392.00
11	Health	2	615,435,356.00	2	697,866,100.00	2	763,574,424.00	3,027,276,616.00	3,135,482,900.00	2,744,441,408.00
12	Social Development &Youth Empowerment	1	307,717,678.00	1	348,933,050.00	1	381,787,212.00			
13	Environment	5	1,538,588,390.00	5	1,744,665,250.00	5	1,908,936,060.00			
14	Law &Justice Sector	1	307,717,678.00	1	348,933,050.00	1	381,787,212.00			
15	Law & Justice	2	615,435,356.00	2	697,866,100.00	2	763,574,424.00			
16	Administrative Sector	8	2,461,741,424.00	8	2,791,464,400.00	8	3,054,297,696.00			
17	Governance	7	2,154,023,746.00	7	2,442,531,350.00	7	2,672,510,484.00			
		100	30,771,767,800.00	100	34,893,305,000.00	100	38,178,721,200.00	10,811,702,200.00	14,252,195,000.00	17,152,758,800.00

Table 14: Indicative Sector Expenditure Ceilings 2021-2023 – Total Capital Envelope

Capital Expenditure by Sector		Total Capital Envelope					
No.	**Sector**	**% 2021**	**2021 Allocation**	**% 2022**	**2022 Allocation**	**% 2023**	**2023 Allocation**
1	**Economic Sector**	1.8%	772,066,839	1.6%	592,187,973	1.7%	561,897,521
2	**Agriculture**	1.8%	772,066,839	1.6%	592,187,973	1.7%	561,897,521
3	**Trade, Industry & Co-operatives**	1.8%	772,066,839	1.6%	592,187,973	1.7%	561,897,521
4	**Infrastructure**	4.4%	1,930,167,098	4.1%	1,480,469,933	4.2%	1,404,743,803
5	**Water**	17.6%	7,720,668,391	16.5%	5,921,879,731	16.6%	5,618,975,211
6	**Rural & Community Development**	17.6%	7,720,668,391	16.5%	5,921,879,731	16.6%	5,618,975,211
7	**Finance & Economic Planning**	2.6%	1,158,100,259	2.5%	888,281,960	2.5%	842,846,282
8	**Science, Technology, Energy & Mineral Res.**	4.4%	1,930,167,098	4.1%	1,480,469,933	4.2%	1,404,743,803
9	**Social Sector**	8.8%	3,860,334,196	8.2%	2,960,939,866	8.3%	2,809,487,605
10	**Education**	13.3%	5,830,167,098	18.0%	6,480,469,933	18.5%	6,254,743,803
11	**Health**	5.1%	2,222,066,839	5.4%	1,942,187,973	4.3%	1,461,897,521
12	**Social Development & Youth Empowerment**	0.9%	386,033,420	0.8%	296,093,987	0.8%	280,948,761
13	**Environment**	4.4%	1,930,167,098	4.1%	1,480,469,933	4.2%	1,404,743,803
14	**Law & Justice Sector**	0.9%	386,033,420	0.8%	296,093,987	0.8%	280,948,761
15	**Law & Justice**	1.8%	772,066,839	1.6%	592,187,973	1.7%	561,897,521
16	**Administrative Sector**	7.0%	3,088,267,356	6.6%	2,368,751,893	6.6%	2,247,590,084
17	**Governance**	6.1%	2,702,233,937	5.8%	2,072,657,906	5.8%	1,966,641,324
	Total	**100.00%**	**43,953,341,955**	**100.00%**	**35,959,398,657**	**100.00%**	**33,844,876,053**

4.C Considerations for the Annual Budget Process

163. **The budget call circular should include the following instructions to MDA's for the annual budget submissions:**

- **Only projects that are consistent with the prioritized strategies of the current administration as provided above should be in the MDAs capital budget proposal.**
- **Priority must be given to projects/programs in the fight against COVID-19.**
- **Budget submissions for capital projects must include full life-time capital investment requirements (costs) and sources of funding (particularly if grants and/or loans are being used to fund partially / fully the project).**
- **It is expected that projects that have direct impact on the lives of citizens and can generate employment are initiated.**
- **Programs/Projects that can protect and provide palliatives to cushion the impact of COVID-19 on the weak and vulnerable in the society.**

Section 5 Summary of Key Points and Recommendations

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

a. **The aggregate envelope (particularly the capital receipts) should be reviewed by the Gombe State ExCo prior to submissions of the document to SHoA.**

b. **Sector envelopes should be issued as soon as possible. This should form the basis for the 2021 annual budget preparation.**

c. **A more in-depth review of current debt portfolio (particularly domestic debt) should be undertaken, and a longer-term debt strategy should be developed.**