

YOBE STATE GOVERNMENT OF NIGERIA

EFU-FSP-BPS 2021 - 2023

1.A Introduction

1.1 Global Economy

The COVID-19 pandemic has with alarming speed, delivered a global economy shock of enormous magnitude, leading to steep recessions in many countries. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020, the deepest global recession in eight decades, despite unprecedented policy support. Per capita incomes in the vast majority of emerging market and developing economy are expected to shrink this year. The global recession would be deeper if bringing the pandemic under control took longer than expected. 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 event in the future.

The rapid rise of COVID-19 cases together with wide range of measures to slow the spread of the virus, has slowed economic activities precipitously in many emerging market and developing economy. Economic disruptions are likely to be more severe and protracted in those countries with large domestic outbreaks, greater exposure to international spill overs (particularly through exposure to global commodity and financial markets, global value chains and tourism) and larger pre-existing challenges such as informality.

Growth forecast for all regions have been severely downgraded; Latin America and the Caribbean (LAC), Europe and Central Asia in particular have large downgrades partly because of the size of their domestic outbreaks and exposure to global spill overs. While South Asias substantial downgrade is primarily the result of stringent lockdown measures. Many countries have avoided more adverse outcomes through sizable fiscal and monetary policy support measures. Despite these measures, per capita incomes in all emerging market and developing economy regions are expected to contract in 2020, likely causing many millions to fall back to poverty.

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1.2 Nigerian Government Economy and Mineral Sector

The Nigerian economy faced serious challenges in Q1 2020, with the macroeconomic environment significantly disrupted by the COVID-19 pandemic. Crude oil prices declined sharply in the World market with Bonny light Crude Oil Price dropping from a peak of US\$72 in January 7, 2020 to below US\$57pbl crude oil price benchmark on which the 2020 budget was base became unsustainable.

Another key development in the international crude oil market is the massive output cut by OPEC and its allies (OPEct) to stabilise the world oil market, with Nigeria contributing about 300,000bpd of production cut. The impact of these development is about 65% decline in projected net 2020 government revenues from the oil and gas sector, with adverse consequences for foreign exchange inflows into the economy.

Unless we achieve a very strong quarter 3 of 2020 economic performance, the Nigerian economy is likely to lapse into a second recession in four years with significant adverse consequences. In response to the development affecting the supply of foreign exchange to the economy, the Central Bank of Nigeria (CBN) adjusted the official exchange rate to ₦360 per US\$1.

The disruptions in global trade and logistics would negatively affect custom duty collections in 2020. The COVID-19 containment measures, though necessary, are inhibiting domestic economic activities, with consequential negative impact on taxation and other government revenues. It is therefore imperative to adjust the previously projected customs duty, stamp duty, value added tax, and company income tax revenues.

Gross Domestic Product:

Real GDP declined from 2.55% in quarter 4 of 2019 to 1.87% in the first quarter of 2020. This reflects the earliest effect of global disruption caused by COVID-19 pandemic, especially international trade. Nigeria's real GDP is now projected by the National Bureau of Statistics (NBS) to contract by 4.2% in 2020, as against the previously projected growth of 2.93%.

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Quarter 2 and quarter 3 of 2020 GDP growth are projected to be negative which means that the economy will lapse into a second recession in four years.

Inflation:

Inflation rate increased for the ninth consecutive month by 12.4% (year-on-year) in May 2020. This is 0.06% higher than the 12.34% recorded in April 2020 and is the highest rate recorded since May 2018. The increase is driven largely by rise in cost of food exacerbated by insecurity and inter-state travel disruption owing to the COVI-19 pandemic.

Non-Oil Sector;

Non-oil sector growth moderated to 1.55% in real terms in quarter one, 2020 from 2.47% recorded in quarter one, 2019, driven mainly by Telecommunications, financial services, crop production, mining and quarrying and construction sub-sectors. The contribution of the non-oil sector to GDP declined from 92.68% in quarter four, 2019 to 90.5% in quarter one, 2020.

In the same vein, trade contracted by 2.82% while ICT slowed to only 7.65% from 11.08% 2019 full year growth. Quarrying, road transport, accommodation and food services as well as real estate recorded weaker performance in quarter one, 2020 relative to quarter one, 2019.

1.3 Yobe State Government Economy

The State's economic activities is gradually returning back from the aftermath of insurgency that bedevilled the state since 2009. Agriculture is the main economic activity of the state which employ more than 80% of the state's abled workforce. However, farming and other commercial activities are still hampered by the high cost of goods and services as a result of COVID-19 pandemic.

On the part of the state government, the prompt payment of salaries over the years and the establishment of standing committee for the verification and payment of pension and gratuity in the state, provision of infrastructure etc, the economy is said to be stable compared to its counterpart in which are highly indebted.

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In view of the desired need for data generation for the analysis and forecasting of macroeconomic indices towards the development of the EFU-FSP-BPS, the State is making concerted effort toward the establishment of the State Statistical Bureau.

1.B Fiscal Update

1.1 Revenue Performance: The revenue side of the document consist of statutory allocation, VAT, IGR, Excess Crude Oil, Exchange Gain Differential and Capital receipts – for the periods 2014 – 2019 (6 years budget vs actual and 2020 approved revised budget).

1.2 Expenditure Performance: On the expenditure side, the document looks at the Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital expenditures – budget vs actual for the periods 2014 – 2019.

1.3 Debt Position: The low debt profile which the state, continuously maintained over the years is planned to be sustain in the planned period. The main debt stock of the state includes

1.C Macro-Fiscal Strategy and Key Assumptions

1.1 Macroeconomic and Mineral Assumptions: The key parameters as well as other macroeconomic projections driving the medium-term revenue and expenditure framework have been revised in line with the emergent realities as follows:

- i. Oil Price benchmark was projected at US\$40pb in 2021, 2022 and 2023;
- ii. Oil Production (mbpd) was estimated at 1.86, 2.09 and 2.38 in 2021, 2022 and 2023 respectively;
- iii. Exchange Rate is projected at flat rate of 360 (NGN/US\$) across 2021, 2022 and 2023;
- iv. GDP growth rate is 3.00% in 2021 while 2022 and 2023 have 4.68% 6% respectively.

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Major Fiscal Risks and other Considerations

- 1.2 Some of the major risk outlined envisaged in this period include among others;
- i. Over reliance on FAAC allocation and low IGR base is a major risk for the State;
 - ii. Non-realisation or inability to draw-down grants and loans;
 - iii. Uncertainty and fluctuations in Crude Oil Price and production volatility could impact FAAC revenues;
 - iv. The continued vandalization of oil pipelines and activities of oil theft in the Niger Delta region affect oil production and revenue flows from FAAC;

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Macro-Economic Framework

Item	2021	2022	2023
National Inflation	11.95%	10.94%	11.02%
National Real GDP Growth	3.00%	4.68%	3.86%
Oil Production Benchmark (MBPD)	1.86	2.09	2.38
Oil Price Benchmark	\$40.00	\$40.00	\$40.00
NGN:USD Exchange Rate	379	379	379
Other Assumptions			
Mineral Ratio	30%	35%	40%

Fiscal Framework	2021	2022	2023
Treasury Opening Balance	3,640,230,375	3,447,913,470	3,794,626,109

Recurrent Revenue

Statutory Allocation	35,383,273,429	42,177,782,354	50,295,750,021
VAT	15,914,739,818	15,914,739,818	15,914,739,818
IGR	12,660,256,154	12,700,000,000	7,300,000,000
Other FAAC Revenues	4,000,000,000	4,100,000,000	4,100,000,000
Other Recurrent Revenues	1,000,000,000	1,000,000,000	1,000,000,000
Total Recurrent Revenue	68,958,269,401	75,892,522,172	78,610,489,839

Recurrent Expenditure

CRF Charges	13,115,000,000	9,540,000,000	8,585,000,000
Personnel	30,605,107,742	32,135,363,129	33,742,131,286
Overheads	19,464,064,034	20,251,064,034	20,251,064,034
Total	63,184,171,776	61,926,427,163	62,578,195,320

Transfer to Capital Account	9,414,328,000	17,414,008,479	19,826,920,628
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Capital Receipts

Grants	10,000,000,000	14,000,000,000	13,250,000,000
Other Capital Receipts	6,500,000,000	0	0
Total	16,500,000,000	14,000,000,000	13,250,000,000

Reserves

Contingency Reserve	0	0	0
Planning Reserve	0	0	0
Total Reserves	0	0	0

Capital Expenditure	43,814,328,000	31,414,008,479	33,076,920,628
Discretionary Funds	37,064,328,000	20,664,008,479	23,076,920,628
Non-Discretionary Funds	6,750,000,000	10,750,000,000	10,000,000,000

Net Financing	17,900,000,000	0	0
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Total Budget Size	106,998,499,776	93,340,435,642	95,655,115,948
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Closing Cash Balance			
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Ratios			
Growth in Recurrent Revenue	0.57%	10.06%	3.58%
Growth in Recurrent Expenditure	168.44%	-1.99%	1.05%
Capital Expenditure Ratio	40.95%	33.66%	34.58%
Deficit to Total Expenditure	16.73%	0.00%	0.00%
Budget Growth Rate	24.35%	-12.76%	2.48%

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Capital Receipts

ITEM	2021	2022	2023
Internal Grants			
State and LG Joint Projects	10t	10t	10t
Development of Mineral Resources	3,000,000,000	7,000,000,000	10,000,000,000
FGN Grant for SDG	250,000,000	250,000,000	250,000,000
Sub-Total Internal Grant	3,250,000,000	7,250,000,000	10,250,000,000

External Grants			
BESDA	10t	10t	10t
NORWAY	10t	0	0
YESSO (IDA)	10t	10t	10t
DLI (WORLD BANK)	3,000,000,000	3,000,000,000	3,000,000,000
YOBE-EU PFM	10t	10t	10t
MCRP	10t	10t	10t
Saving One Million Lives	10t	10t	10t
Basic Healthcare Provisional Fund	10t	10t	10t
Nigerian Cares Programme	3,750,000,000	3,750,000,000	10t
Global Partnership for Education	10t	10t	10t
Sub-Total External Grant	6,750,000,000	6,750,000,000	3,000,000,000

Grant Balancing Item/Blue Sky			
Total Grants	10,000,000,000	14,000,000,000	13,250,000,000

Internal Loans			
Federal Budget Support Facility	0	0	0
Capital Market Issuances	17,900,000,000		
Total	17,900,000,000	0	0

External Loans			
FADAMA	0	0	0
NPFS	0	0	0
IFAD	0	0	0
YESSO			
MCRP			
Total	0	0	0

Loan Balancing Item / Blue Sky			
Total Loans	17,900,000,000	0	0

Other Capital Receipts			
Refund from FG (Security)	6,500,000,000	0	0
Debt Relief	0	0	0
Sale of Obsolete Vehicles		0	0
Total	6,500,000,000	0	0

OCR Balancing Item / Blue Sky			
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