

YOBE STATE GOVERNMENT

**Economic and Fiscal Update (EFU),
Fiscal Strategy Paper (FSP) and Budget
Policy Statement (BPS)**

2023 – 2025

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List of Abbreviations

BPP	Bureau of Public Procurement
BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
BWG	Budget Working Group
CBN	Central Bank of Nigeria
CRF	Consolidated Revenue Fund
DMO	Debt Management Office
EFU	Economic and Fiscal Update
ExCo	Executive Council
FAAC	Federation Accounts Allocation Committee
FRB	Fiscal Responsibility Board
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
HRM	Human Resource Management
IGR	Internally Generated Revenue
IMF	International Monetary Fund
MDAs	Ministry, Department and Agencies
MINT	Mexico, Indonesia, Nigeria and Turkey
MoBEP	Ministry of Budget & Economic Planning
MoF	Ministry of Finance
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
NYCSO	Network of Yobe Civil Society Organisation
PFM	Public Financial Management
PITA	Personal Income Tax Act
PMS	Premium Petroleum Spirit
SHoA	State House of Assembly
VAT	Value Added Tax
WEO	World Economic Outlook
YBSG	Yobe State Government
YIRS	Yobe State Internal Revenue Service
YOSERA	Yobe State Economic Reform Agenda

Foreword

The production of Yobe State Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) 2023 – 2025 extensively aimed at providing estimates and projections that guide annual budget planning and fiscal management over a three-year period.

The fundamental objective of government in preparing a budget is to ensure that resource allocation is prioritised in a manner that ensures funds are allocated to areas that are most needed. Budgets are tools that the government used to derive economic polices aim at even distribution of public resources.

In compliance with the provisions of the State Fiscal Responsibility Law 2016, Yobe State prepares the MTEF/FSP to encapsulates the policy thrust behind government’s revenue and expenditure estimate. The document also highlights revenue projections, expenditure plans and fiscal target over the medium term based on a reliable and consistent fiscal outlook.

The MTEF/FSP is not simply an internal blueprint, but rather a framework that has been informed by a process, broad-based dialogue with all PFM core group MDAs, as well as relevant stakeholders and indeed the general public through their representatives in the Network of Yobe State Civil Society Organisation. The document is therefore a must read by all concerned.



Hon. Muhammad Garba Gagiyo
Honourable Commissioner
Ministry of Budget and Economic Planning

Acknowledgement

It is with all humility and gratitude to the Almighty Allah (SWT) under whose guidance and protection that we have been able to produce the State's Medium Term Expenditure Framework (MTEF), covering the period 2023 – 2025.

I wish to place on record the immense support and contributions being received from numerous National and International Development Partners especially in the areas of Public Finance Management reforms. Similarly, the Ministry of Budget and Economic Planning noted with appreciation, the efforts of PERL-ARC and the Nigerian Governors' Forum through the SFTAS Program in providing supports to the Ministry with the Economic and Fiscal Update, Fiscal Strategy Paper and Budget Policy Statement (EFU, FSP and BPS) templates as well as their intensive training to the Budget Working Group (BWG). Equally received from the Nigerian Governor's Forum is the continuous assistance in the production of our publications such as the annual budgets and quarterly budget performance reports.

I feel morally compelled to express my deep and sincere appreciation to the State Budget Working Group (BWG) whose members were drawn from the Public Financial Management institutions. This is because the group worked tirelessly to come up with this document adopting the draft Macro-Economic Assumption used by the Federal Government.

Finally, my sincere gratitude goes to the Chairman House Committee on Finance Appropriation, Honourable Commissioners Ministry of Budget and that of Finance, the Executive Chairmen, Fiscal Responsibility Board and the Internal Revenue Service as well as the entire staff of the Budget Ministry for their fruitful contributions which ensured the successful production of this document.

Alh. Modu Maáji Ajiri mni

Permanent Secretary

Ministry of Budget & Economic Planning

1 Introduction and Background

1.A Introduction

1. The Economic and Fiscal Update (EFU) provides economic and fiscal analyses, which form the basis for budget planning process. The Medium-Term Expenditure Framework and Fiscal Strategy Paper (MTEF & FSP) is a major feature of the annual budget preparation cycle. It provides the basic structure for the estimates and assumptions that underline the annual budgets. It is primarily aimed at guiding policy makers in Yobe State in facilitating the judicious resource allocation to all MDAs, improved allocative efficiency, transparency, prudence and judicious use of public funds. Integrating the top-down resource envelope projection with the bottom-up sectoral programme expenditure estimation ensures that the policy making, planning, and budgeting processes are linked and developed into a body of consistent goals to be achieved within a three-year period.
2. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS). On the other hand, are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process because they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.
3. Yobe State Government decided to adopt the preparation of the EFU-FSP-BPS for the first time in 2015 as part of the movement towards a comprehensive MTEF process. This is the 9th rolling iteration of the document and covers the period 2023 -2025. In developing this MTEF & FSP, the broad strategic objectives of government for various sectors have been given extensive consideration. The expenditure framework reflects the resource constraints, government policies, and sector priorities within which decisions are made to maximize socioeconomic outcomes. It will also make public expenditures more efficient and effective, essentially by giving MDAs greater flexibility in managing their budgets in the context of hard budget constraints and stipulatory policies and programmes.
4. The MTEF, FSP & BPS will further serve as a yardstick to MDAs in the formulation of their medium-term sector strategies, by prioritising projects and programmes that will ensure economic growth and development. It will also provide further stimulus for the ongoing drive to accelerate investment in critical infrastructures and human capital, boosting our internal revenue based and reduce overdependence on federal allocations. This will further encapsulate government's plan to accelerate economic growth and recovery processes, promote social inclusion, sustained its open-door policy and participatory governance, strengthen resilience of the economy, and completion of all ongoing developmental projects and programmes that have direct bearing on the life of the common man.

1.A.1 Budget Process

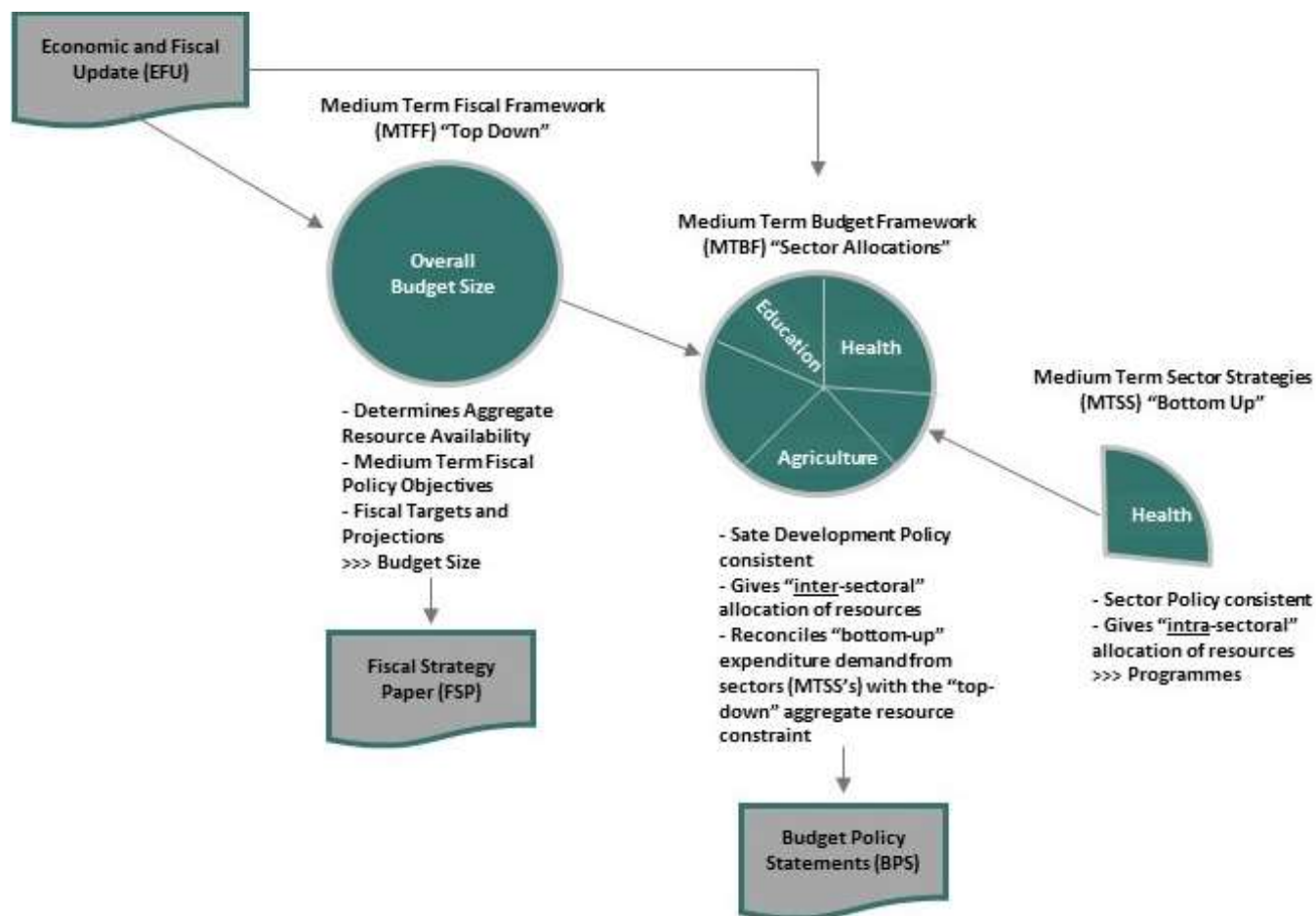
5. The budget plays a significant role in the process of government’s efforts in fulfilling its economic, political, legal and managerial functions. Therefore, a good budget process is a tool that enables government to channel expenditure towards those areas that make the greatest contribution to its objectives.
6. The formal budget preparation process starts with the issuance of the annual budget call circular (BCC) by MoBEP to all MDAs of government. In principle, the call circular should include the following which have already been developed and agreed at the Strategic Planning stage:
 - i. Economic and fiscal outlook of Nigeria (particularly Yobe State) for the fiscal year;
 - ii. Aggregate spending limit for the year;
 - iii. A summary of State Budget Policy Statement;
 - iv. Government-wide priorities (providing budget policy thrust, priorities, etc.);
 - v. Explanations and guidelines on downloading projects and programmes in YOSERA and MTSSs;
 - vi. Sectors/MDAs Ceilings;
 - vii. Form and format the budget estimates would take;
 - viii. Input spending boundaries (e.g., capital versus recurrent and personnel versus overhead costs);
 - ix. Guidelines for preparing recurrent expenditure (particularly personnel costs);
 - x. Instructions for completing the budget forms; and
 - xi. Detailed time table for submission of proposal and defense.
7. Budget processes have six generic iterative stages. The 6 (six) iterative stages, starts with the Policy Review, Strategic Planning, Budget Preparation and Budget Execution, Accountability and Monitoring up to Auditing of Annual Financial Statements.



8. The cycle continues year-in year-out. The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:
 - i. Medium Term Fiscal Framework (MTFF);
 - ii. Medium Term Budget Framework (MTBF);
 - iii. Medium Term Sector Strategies (MTSS).
9. The MTEF is an annual three-year expenditure rolling plan that sets out the medium-term expenditure priorities and hard budget constraints against which sector plans and budget will be developed and refined. It is a multi-year (three-year) budget, which provides a top-down estimate of total resources available for public spending and also a bottom-up costing of sector programmes; a reconciliation of needs with resource allocated to sectors; a process to ensure that annual budget submissions and budget execution reflect agreed medium term plans.
10. The MTEF establishes realistic macroeconomic projections of total available resources and sector ceilings/resource envelopes consistent with available resources and government policy priorities for the medium-term period. The MTEF also disaggregates sector envelopes to guide the preparation of budget proposals based on available resources.
11. The MTSS is thus a road map that combines ambition and realism, and clearly plots priorities, deliverables and costs. It shows the chain of results that will achieve policy goals. The MTSS process involves getting the spending agencies within a sector to articulate their medium-term goals and objectives against the background of the overall goals of the YOSERA; identify and document key initiatives being embarked upon to achieve their goals and objectives (i.e. their key projects and programs); cost these initiatives, prioritize and phase the initiatives over a three year period; define the expected outcomes of the initiatives in clear measurable terms; and link expected outcomes to their objectives and goals. The State Development Plan - Yobe State Socio-Economic Reform Agenda (YOSERA) defines economic targets, policy road map and goals while the MTSS set out specific inputs and activities to deliver specific outputs in the YOSERA.
12. The MTBF are the fiscal arrangements that allow government to extend the horizon for fiscal policy making beyond the annual budgetary provision calendar. Although, the approval of the annual budget remains the key step in which important decisions on budgetary policies are adopted, fiscal measures have budgetary implications that go well beyond the usual yearly budgetary cycle.
13. It commences with the conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year's budget. The budget principles of Yobe State Government are based on the following:
 - i. The Budget must encompass all the fiscal operations of Yobe State Government and must also enforce policy decisions having financial implications to be made against the background of a hard budget constraint and in competition with other demands;

- ii. The total amount of money the Government spends should be closely aligned to what is affordable over the medium term, and in tune with the annual budget. Therefore, a budget derived from dispassionate projections of both revenue and expenditure;
 - iii. The Government expenditures should reflect government priorities as articulated in the development plan (and similar policy documents) and operationalised in the medium-term sector strategies. Therefore, Government resources will be allocated to only activities with clear outputs and service delivery contributing to the attainment of the targets set by the Government in the development plans and/or medium-term strategies;
 - iv. The resources allocated to each organisational level should be utilised in an efficient and effective manner to produce intended results at least cost and best quality; and
 - v. The development plans, sector strategies and costing, assumptions and basis for fiscal forecasts, and financial performance reports be accessible, clear and communicated to the wider community for their input. Also, decision makers both members of Executive Council (ExCo) and SHoA have all relevant fiscal information before them when they make decisions.
14. There are various activities to be performed in each stage of the annual budget process. Each activity or sub-activity must be performed by a government entity within a fixed timeline for the Appropriation Bill to be approved by the SHoA before the start of the fiscal year.
15. The MTEF process is summarised Figure 1.

Figure 1: MTEF Process



1.A.2 Summary of Document Content

16. In accordance with international best practice in budgeting, 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 Yobe State Government (YBSG) for the period 2023-2025.
17. 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
 - iii. Provide indicative sector envelopes for the period 2023-2025 which constitute the MTBF.

18. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis in order to inform the budget planning process. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:
 - i. Overview of Global, National and State Economic Performance;
 - ii. Overview of the Petroleum Sector;
 - iii. Trends in budget performance over the last six years.
19. The FSP is a key element in the YBSG Medium Term Expenditure Framework (MTEF) process and annual budget process. As such, it determines the resources available to fund the Government's growth and poverty reduction programme from a fiscally sustainable perspective.

1.A.3 Preparation and Audience

20. The purpose of this document is to provide an informed basis for the 2023-2025 budget preparation cycle for all of the key stakeholders, specifically:
 - i. The State House of Assembly (SHoA);
 - ii. The State Executive Council (ExCo);
 - iii. Ministry of Finance;
 - iv. All Government Ministries, Departments and Agencies (MDA's);
 - v. Network of Yobe Civil Society Organisation (NYCSO).
21. The document is prepared within in the first two quarters of the year prior to the annual budget preparation period. It is prepared by Yobe State Government (EFU-FSP-BPS) Working Group using data collected from various sources both local and International.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM¹

22. Financial Regulations are made to guide and regulate the actions of executives in order to enable decisions to be rational and non-personal. The objectives of financial management, whether in the public or private sector, include the utilization of available resources in the most efficient manner. In order to achieve these objectives, it is necessary to formulate a good accounting system, and to evolve financial regulations, which will enhance greater accountability.
23. The main legal provision guiding PFM at all levels in Nigeria is the 1999 constitution. Section 120 (1) of the 1999 Constitution as amended stipulates how funds should be kept and the conditions for spending; payment of revenue into the Federation Account and the Consolidated Revenue Fund. The constitution also provides for establishment of the consolidated revenue fund of the state, authorization of expenditure from the consolidated revenue fund (i.e., preparation of budget and appropriation by the SHoA. It also specifies the institutions that are involved in PFM and the Audit of Public Accounts.
24. The Financial Regulations are accounting and financial control documents. Specifically, they provide a body of guiding principles as well as a number of methods or uniformity in the recording of financial transactions, events and positions. As a body of rules, the Financial Regulations are generally expected to aid the achievement of probity and accountability in government. FR also comprises of codes of regulations made up of rules, which specify actions acceptable, and those deemed not acceptable in the handling of public finances.
25. Other legal provisions are the Annual Appropriation Law, the Supplementary Appropriation Law and the Commissioner of Finance/Accountant-General's periodic circulars in accordance with the existing laws, the Yobe State Public Financial Management Law, the State Fiscal Responsibility and Public Procurement Laws 2016 among other Laws.
26. The Institutional Framework for PFM in Yobe State comprises of the State Ministry of Finance being the coordinating agency and core assisted by the State Ministry of Budget and Economic Planning with membership drawn from the core PFM group, including State House of Assembly, Office of the Auditor General, Internal Revenue Service, Public Procurement and Fiscal Responsibility Board, representative of the Network of Yobe Civil Society Organisation among other stakeholders. Ministry of Budget and Economic Planning is at the apex of the planning and budgeting processes, reviewing the budget of all sectors in the State in line with the State Government's policies and priorities, and collates monthly expenditure and revenue returns from MDAs.
27. The State Ministry of Finance has the responsibility for the management and control of state government finances. The Office of the Accountant-General of the state is the treasury department of the Ministry of Finance. The Office of the Accountant

¹ Based on 2010 PEFA Assessment for Yobe State

General is responsible for all accounting and internal audit functions of government; hence it posts all accounts and internal audit staff to the different ministries, departments and agencies (MDAs). The office is equally responsible for preparation of financial reports and banks/accounts reconciliation documents.

28. The State Ministry of Budget and Economic Planning is responsible for preparing the development plan of the state as well as formulating the budget policy for approval by the state executive council. The ministry coordinates all budget activities throughout the government. Budget estimates are submitted to the ministry for compilation and articulation and ultimate presentation to the legislature for approval.
29. The State Bureau of Public Procurement is the secretariat of the State Tenders Board, where Fiscal Responsibility Board is mandated to ensure check and balances concerning the in-flows and out-flows of public funds to ensure transparency, fiscal prudence, optimum and judicious utilisation of public funds in the state.
30. The office of the Auditor General for the state has the mandate to audit the public accounts of all offices and courts and submit reports to the legislature. The constitution stipulates that for those purposes, the Auditor-General or any person authorized by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts.
31. The State House of Assembly has the power to approve the budget and pass into law the finance and appropriation law for each year. For this purpose, it has the Finance and Appropriation Committee that act as lead facilitator of budget process at the SHoA. The SHoA also has oversight functions over PFM and over other government activities which make it have the Public Accounts Committee which receives Auditor General's reports and the other committees which oversee the different MDAs. The State House of Assembly worked hand-in-hand with the CSOs, organises public hearings and stakeholders' consultations so as to ensure the inclusive governance and make sure that all yearnings and aspirations of the common man is been attended to.
32. Network of Yobe Civil Society Organisation help the State Government implement projects and programmes that has direct bearing on the life of the common man, the CSOs are involved in the overall budget processes since from preparation to implementations, for this reasons citizen are expected to be tracking the budget implementation and advise government where appropriate.
33. Overview of Budget Calendar. The budget calendar provides the stages and the activities (and/or sub-activities), responsible entity or entities, and timeline (i.e., period for performing each activity or sub-activity).

34. Indicative Budget Calendar for Yobe State Government is presented Table 1:

Table 1: Budget Calendar

Annual Sector Performance Review	March to May	Sectors with support from Ministry of Budget and Economic Planning (MoBEP)
Preparation of Economic and Fiscal Update, Fiscal Strategy Paper & Budget Policy Statement (EFU-FSP-BPS) document	May to June	Budget Working Group (BWG)
Review and Roll-over of MTSSs	May to June	Sectors with support from MoBEP
Submission of EFU-FSP-BPS to ExCo for approval	July	MoBEP
Stakeholder Consultations (MDAs, Civil Society Organizations (CSOs), other stakeholders)	July	MoBEP after ExCo approval
Submission of EFU-FSP-BPS to SHoA	July	MoBEP
Issuance of Budget Call Circular	July	MoBEP
Preparation and Submission of MDA's Budget Proposals	September	MDAs
Bilateral Discussions and Defence	September	MoBEP
Consolidation of MDA's Proposals	October	MoBEP
ExCo review and approval of draft budget	October	ExCo
Presentation of proposed budget to SHoA	October	HE, The Governor
Budget defence by MDA's before SHoA	November	ShoA
Debate and approval of budget by SHoA	December	ShoA
Governor's assent	December	HE, The Governor

2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

35. Countries selected are chosen to represent G20, BRINCS, MINT, N-11, Petro-economies and other large African countries.

Table 2: Real GDP Growth - Selected Countries

Country	Actual ²		Forecast	
	2020	2021	2022	2023
Mexico	-8.3	4.8	2.4	1.2
Indonesia	-2.1	3.2	7.6	3.7
United States	-3.5	5.7	2.3	1.0
Germany	-4.8	2.9	1.2	0.8
United Kingdom	-9.8	7.4	3.2	0.5
China	2.3	8.1	3.3	4.6
Italy	-8.9	6.6	3.0	0.7
South Africa	-7.0	4.9	2.3	1.4
Brazil	-4.1	4.6	1.7	1.1

Source: IMF's World Economic Outlook, July 2022 Update.

36. Global GDP grows faster than baseline by just under $\frac{1}{2}$ percentage point in 2021, accelerating to almost 1 percentage point in 2022, but moderating sharply in 2023 to something very close to baseline. Advanced economy GDP growth is roughly $\frac{1}{2}$ percentage point above baseline in 2021, accelerating to more than 1 percentage point above baseline in 2022. Growth in emerging market and developing economy GDP is roughly $\frac{1}{4}$ percentage point above baseline in 2021, accelerating to $\frac{3}{4}$ percentage point above baseline in 2022. The faster recovery, combined with the associated unwinding of some of the scarring assumed in the baseline, leaves global output almost 1 percent above baseline by the end of the WEO horizon.
37. Unconventional monetary policy measures are assumed to prevent significant increases in sovereign rates. The lack of conventional monetary policy space and shrinking fiscal space limit policymakers' ability to respond further, and no additional discretionary fiscal measures are assumed. The weaker rebound in activity leads to more proportional scarring than assumed in the baseline, slowing the speed of bounce-back once vaccine availability and efficacy have improved sufficiently to allow mobility to return to pre-pandemic levels.
38. Global GDP growth slows by roughly $1\frac{1}{2}$ percentage points more than in the baseline in 2021 and by a further 1 percentage point below baseline in 2022 before rebounding mildly above baseline in 2023 and thereafter. Growth in advanced and emerging market and developing economies suffers to about the same degree in 2021, but sharper tightening in financial conditions for vulnerable businesses in emerging market and developing economies means that their growth suffers more than growth in advanced economies in 2022. The much slower recovery leads to

²IMF's World Economic Outlook, July 2021 Update

additional scarring and, combined with tighter financial conditions, results in output roughly 1½ percent below baseline by the end of the WEO horizon.

Table 3: Inflation (CPI) - Selected Countries

Country	Actual	Forecast	
	2021	2022	2023
Mexico	3.5	8.03	5.41
Indonesia	2.0	5.2	4.8
United States	2.3	7.3	5.9
Germany	2.2	7.5	6.2
United Kingdom	1.5	15	12.4
China	1.2	2.8	2.5
Italy	0.8	7.9	5.5
South Africa	4.3	6.5	6.0
Brazil	4.6	6.83	4.95

Source: IMF's World Economic Outlook, July 2022 Update.

39. Many factors are at work in this uncharted recovery from an unprecedented recession, including accelerating demand running up against temporary supply shortages and logistical bottlenecks; rising commodity prices; still-substantial fiscal support and accommodative monetary policy; and excess household savings that will likely be drawn down going forward with reopening.
40. Amid fears that these transitory pressures turn more persistent, the combination of these factors could cause an increase in medium-term inflation expectations (which for now appear to be anchored near central bank targets across most economies). Clear central bank communications on their interpretation of inflation drivers and on the monetary policy outlook will continue to be critical to shaping these expectations.
41. Uncertainty surrounding the global baseline remains high, primarily related to the prospects of emerging market and developing economies. Although growth could turn out to be stronger than projected, downside risks dominate in the near term.
42. Emerging market and developing economies in particular could face a double hit from tighter external financial conditions and the worsening health crisis, further widening the fault lines in the global recovery. Weaker growth would in turn further adversely affect debt dynamics and compound fiscal risks. Finally, social unrest, geopolitical tensions, cyber attacks on critical infrastructure, or weather-related natural disasters—which have increased in frequency and intensity due to climate change—could further weigh on the recovery.

2.A.2 Africa

43. For countries in sub-Saharan Africa, however, this is generally not an option. If anything, most entered the second wave with depleted fiscal and monetary buffers. In this context, and despite a more buoyant external environment, sub-Saharan Africa will be the world's slowest growing region in 2021. The global economy improved more rapidly than expected in the second half of 2020, with spillovers to

the region in the form of increased trade, higher commodity prices, and a resumption of capital inflows. Estimates now suggest that sub-Saharan Africa contracted by –1.9 percent in 2020.

44. More positively, an accelerated vaccine rollout—or a swift, cooperative, and equitable global distribution—could boost the region’s near-term prospects. During the height of the crisis, policy discussion was often tailored to different phases of the pandemic: immediate actions to save lives and livelihoods; near-term initiatives to secure a recovery once the acute phase of the crisis had passed; and then longer-term measures to build a more resilient and sustainable economy.
45. For sub-Saharan Africa, however, all these phases may overlap, leaving authorities in the position of trying to boost and rebuild their economies while simultaneously dealing with repeated outbreaks as they arise. The first priority is still to save lives. This will require added spending, not only to strengthen local health systems and containment efforts, but also to ensure that the logistical and administrative prerequisites for a vaccine rollout are in place. For most countries, the cost of vaccinating 60 percent of population will be sizable—representing an increase of up to 50 percent in existing health spending. The next priority is to do whatever is possible to support the economy. Ultimately, however, this will require restoring the health of public balance sheets.
46. Going forward, the general challenge for policymakers will be to create more fiscal space, through domestic revenue mobilization, prioritization and efficiency gains on spending, or perhaps debt management. Beyond specific revenue and spending measures, authorities can also maximize fiscal space by improving their fiscal frameworks—a medium term framework that credibly balances the need for short-term support with medium-term consolidation can contain borrowing costs and sustain confidence.

2.A.3 Nigerian Economy³

Macroeconomic

47. The Nigerian economy sustained its recovery from recession for the fifth consecutive quarter, growing by 3.11% in real terms in Q1 2022.
 - i. Most sectors recorded positive growth.
 - ii. The broad-based growth reflects the effective implementation of our economic sustainability measures.

Like many other economies, our economy faces lingering Covid-19 pandemic effects, as well as higher global food and fuel prices due to the Russia-Ukraine war.

48. 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. The new figures are presented in the table below.

³ Source: Budget Office of the Federation / FMFBNP 2023 – 2025 MTEF/FSP

Table 4: Nigeria Key Macroeconomic Indicators

Indicator	2022	2023	2024	2025
GDP Growth	3.55	3.75	3.30	3.46
GDP (Billion Naira)	10,652.0	11,457.8	12,316.0	13,225.7
Inflation (%)	16.11	17.16	16.21	17.21
Exchange Rate (NGN:USD FX Rate)	410.15	435.57	435.92	437.57
Oil Price Benchmark (US\$/b)	73.0	70.0	66.0	62.0
Oil Production (mbpd)	1.60	1.69	1.83	1.83
Nominal Consumption (N'bn)	198,930.0	225,507.0	252,177.4	280,797.9

Source: Budget Office of the Federation / FMFBNP 2023 – 2025 MTEF/FSP

Petroleum Sector

49. Actual average crude oil price is higher than the budget benchmark price of \$73 per barrel.
- i. However, higher oil price is offset by lower oil output, which as of April 2022 stood at an average of 1.32 mbpd.
 - ii. NNPC attributes the fall in Oil production to the high incidence crude oil theft and pipeline vandalism.
50. The projected fiscal outcomes in the medium term are presented under two scenarios based on the underlying budget parameters/assumptions, as follows:
- I. ➤ Scenario 1 - the Business-as-Usual scenario: This assumes that the subsidy on PMS, estimated at N6.72 trillion for full year 2023, will remain and be fully provided for.
 - II. ➤ Scenario 2 – the Reform scenario: This assumes that petrol subsidy will remain up to mid-2023 based on the 18-month extension announced early 2021, in which case only N3.36 trillion will be provided for. Additionally, there will be tighter enforcement of the performance management framework for GOEs that will significantly increase operating surplus/dividend remittances in 2023.
- Both scenarios have implications for net accretion to the Federation Account and projected deficit levels.
- i. Scenario 1
 - The 2023 FGN Revenue is projected at N6.34 trillion, out of which only N373.17 billion or 5.9% comes from oil-related sources. The balance of N5.97 trillion is to be earned from non-oil sources.
 - ii. Scenario 2
 - In addition to subsidy reform, this scenario assumes an aggressive implementation of cost-to-income limits of GOEs, with these, the 2023 FGN Revenue is projected at N8.46 trillion (15.1% or N1.51 trillion less than the 2022 Budget) but N2.12 trillion more than scenario 1.

Of this, N1.99 trillion or 23.6%, is projected to come from oil-related sources, while the balance is to be earned from non-oil sources.

51. The gross oil and gas federation revenue for full year 2022 was projected at N9.37 trillion; As at April 30, 2022, N1.23 trillion was realized out of the prorata projection of N3.12 trillion, representing a mere 39% performance.
 - i. ▪Despite higher oil prices, oil revenue underperformed due to significant oil production shortfalls for two main reasons:
 - ii. ▪ Oil production shut-ins resulting from pipeline vandalism and crude oil theft; and
 - iii. ▪ High petrol subsidy cost due to higher landing costs of imported products.
 - iv. ▪Non-oil taxes trailed targets marginally, with average performance of 92.6%.

52. Revenue performance is expected to improve in the second half of 2022 as a result of concerted efforts to address the oil theft and pipelines vandalism; There is also seasonality to some of the non-oil taxes, which means that we expect to collect significantly more in the second half of the year.
 - i. ▪The improved revenue collection should also moderate the Debt Service to Revenue ratio, which is currently above our target level.
 - ii. ▪ As of April 2022, FGN’s retained revenue was only N1.63 trillion, 49% of the prorata target of N3.32 trillion.
 - iii. ▪ The FGN share of oil revenues was N285.38 billion (representing 39% performance), while non-oil tax revenues totalled N632.56 billion – a performance of 84%. CIT and VAT collections were N298.83 billion and N102.97 billion, representing 99% and 98% of their respective targets.
 - iv. ▪ Customs collections (made up of import duties, excise and fees, as well as federation account special levies) trailed target by N76.77 billion (25.42%).
 - v. ▪ Other revenues amounted to N664.64 billion, of which independent revenue was N394.09bn.

2.A.4 Yobe State Economy

53. Yobe State is endowed with abundant Agricultural and Solid Mineral Resources. The Agricultural Resources include Groundnuts, Rice, Wheat, Sesame Seeds, Gum Arabic, Sorghum, Cow Pea and Livestock among others, while Solid Minerals Resources include Limestone, Gypsum, Kaolin, Trona, Bentonite, Diatomite, Silica Sand, Iron Ore and Coal. The State is also blessed with tourism potentials such as the Gogaram Fishing and Cultural Festivals, ruins of Birnin Ngazargamu, Barakau Festival among others. In addition, the State is home to the largest Cattle and Grains Markets in the West African Sub-Region.

Climate and Vegetation

54. Yobe State has hot and dry climatic features in the Northern part for most of the year. In the Southern part, especially in the rocky areas of Gujba and Fika Local Government Areas, it is hot between the months of March and June and cooler for most part of the year. The hottest months are March, April and May with

temperatures ranging from 30oc to 42oc. The period of rainy season in the State varies from place to place, but generally lasts for about 120 days in the North and more than 140 days in the South.

55. Annual rainfall ranges from 500mm to 10000mm and the rainy season is normally from June to September in the North and May to October in the South. The two vegetation zones in the State, namely, the Sahel in the North and the Sudan Savannah in the South have been severally under threat of desert encroachment thereby creating arid and semi-arid conditions.

Population

56. According to the head count conducted by the National Population Commission in 2006, Yobe State has an estimated population of 2.3 million made up of 52% male and 48% female. The 2016 estimate put the figure at 3.3 million.

TABLE II: POPULATION DISTRIBUTION BY LOCAL GOVERNMENT

Local Government	Local Govt. Headquarters	2006 Provisional	2016 Provisional
BADE	GASHUA	1,399	198,400
BURSARI	DAPCHI	109,124	155,700
DAMATURU	DAMATURU	88,014	124,500
FIKA	FIKA	136,895	194,000
FUNE	DAMAGUM	300,760	428,500
GEIDAM	GEIDAM	157,295	221,000
GUJBA	BUNI YADI	130,088	184,200
GULANI	BARA	103,510	146,900
JAKUSKO	JAKUSKO	229,083	329,900
KARASUWA	JAJI MAJI	106,992	149,700
MACHINA	MACHINA	61,060	86,600
NANGERE	S/GARIN NANGERE	87,823	124,200
NGURU	NGURU	150,632	213,900
POTISKUM	POTISKUM	205,876	290,700
TARMUA	BABBAN GIDA	77,204	110,200
YUNUSARI	KANAMMA	125,821	178,700
YUSUFARI	YUSUFARI	111,086	157,100
Total		2,182,662	3,294,200
SOURCES:	NATIONAL POPULATION COMMISSION		

People and Culture

57. Yobe State has a pluralistic population with rich and diverse historical and cultural heritage. The major ethnic groups in the state include Kanuri, Fulani, Karai-karai, Bolewa, Ngizim, Bade, Ngamo, Shuwa and Hausa. Most of the people are peasant farmers with quite number engaged in livestock production, trading and fishing. The people of Yobe are known for Durbar and other rich cultures and traditions that find roots from their historical linkages with Arabs Land. The Durbar is usually organized on important occasions like Sallah Celebrations, Turbanning Ceremonies of Traditional Rulers as well as to honour August visitors.

Another notable feature of the State’s cultural heritages is the Annual Fishing and Cultural Festival, which takes place annually in Jakusko Local Government Area of the State. There is also the State Council of Chiefs, which plays advisory role to the State as Local Government, in the search for peace, preservation and protection of cultural

heritage and tradition of the people of the state. The Yobe State Council of Chiefs is headed by His Royal Highness, the Emir of Fika, and a First-Class Emir with Headquarter in Potiskum.

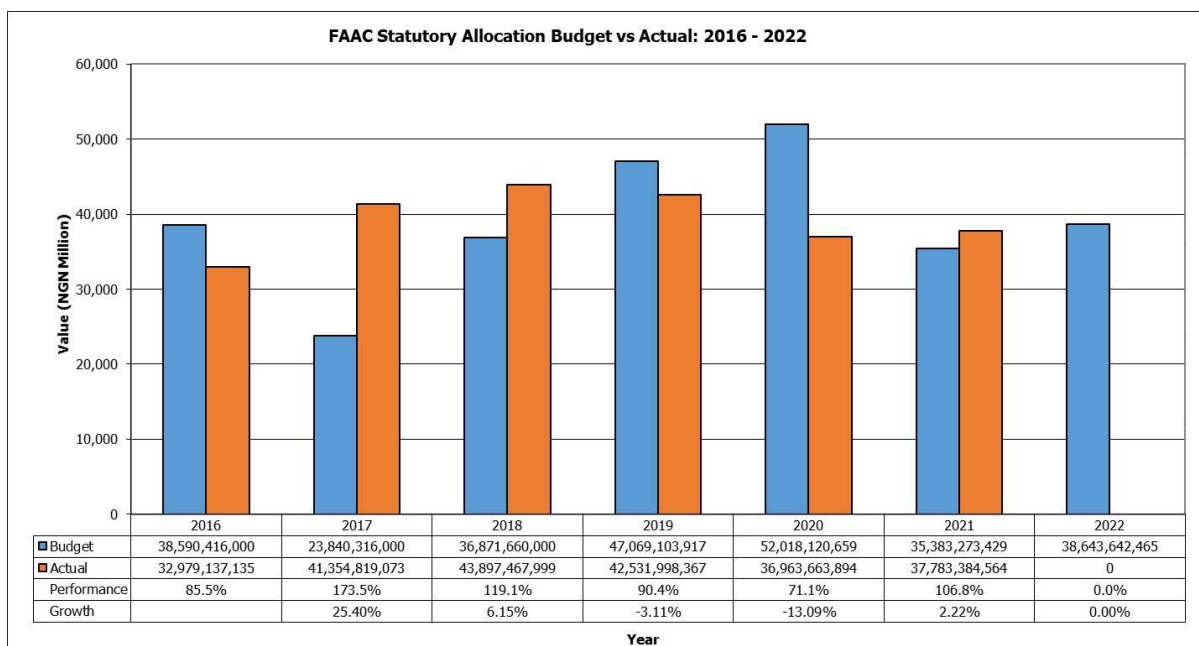
2.B Fiscal Update

2.B.1 Historic Trends

Revenue;

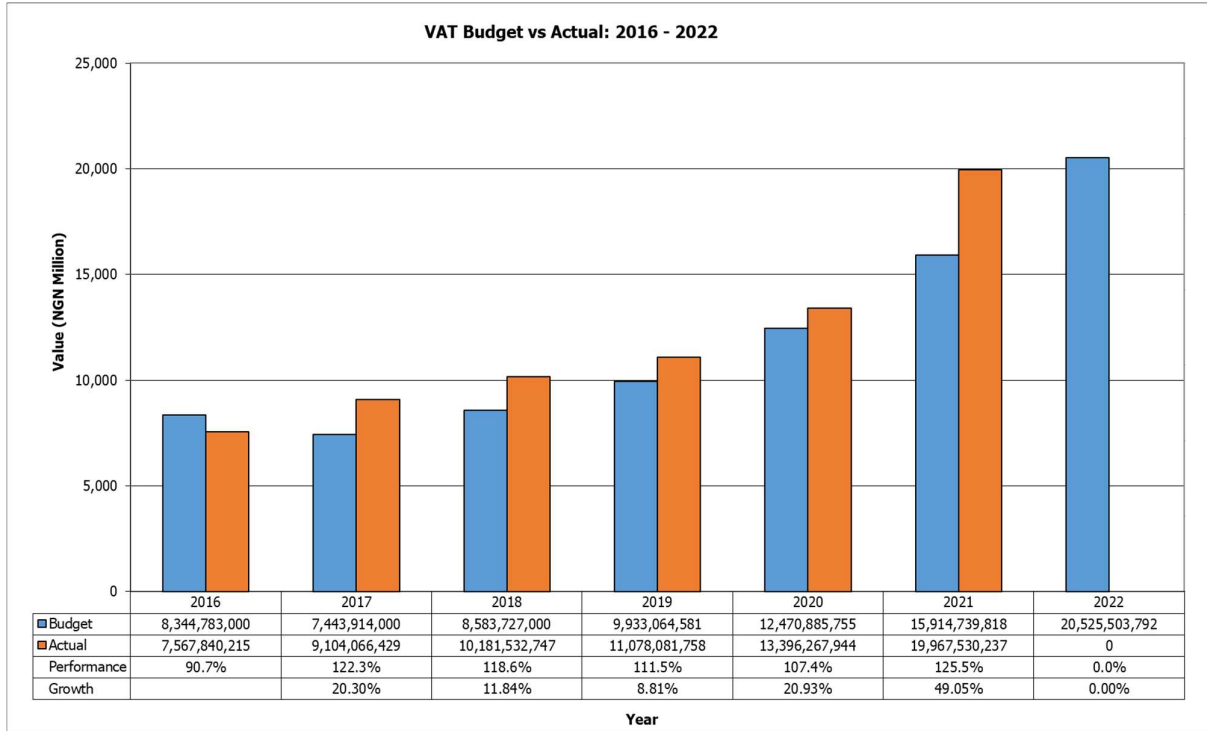
58. With regard to revenue, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2016-2021 (six year historic) and 2021 budget.

Figure 2: Statutory Allocation



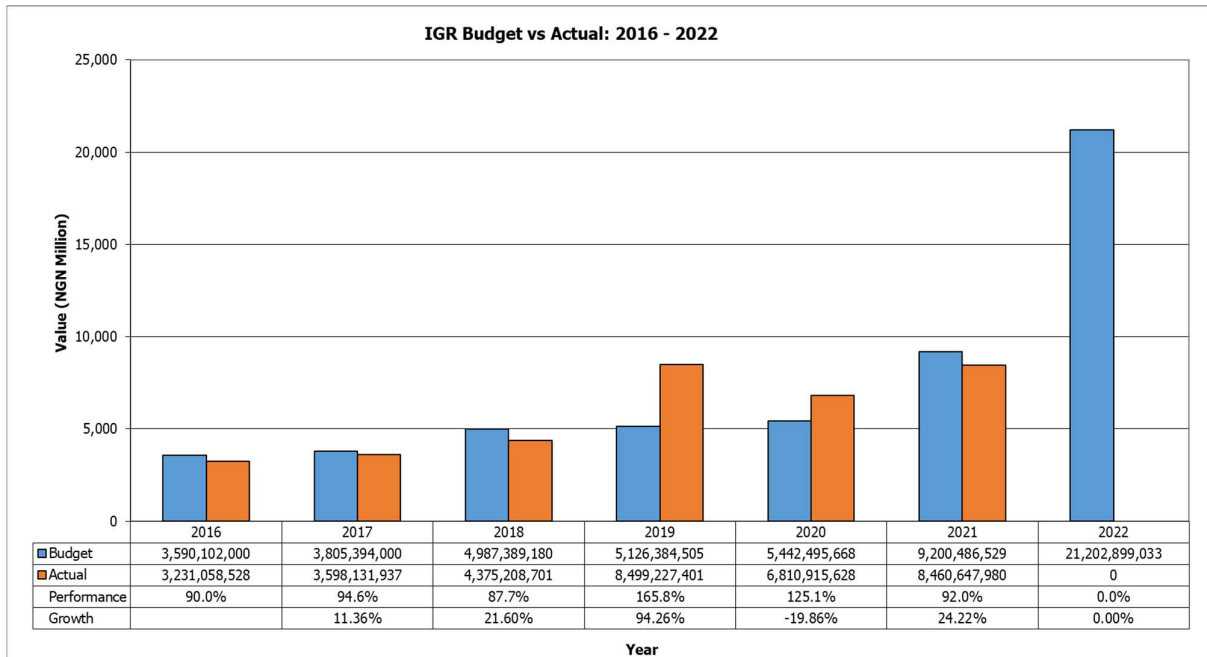
59. The Figure above shows the trend of Statutory Allocation based on the collection of both Oil and non-mineral revenues (companies’ income tax, customs and excise) at the national level, which is then shared between the three tiers of government using sharing ratios. As indicated above, it can be seen that actual statutory allocation received was much higher than the budgeted figure in 2017, 2018 and 2021, 90% in 2019, 71% in 2020 and over 80% was received in 2016.

Figure 3: VAT



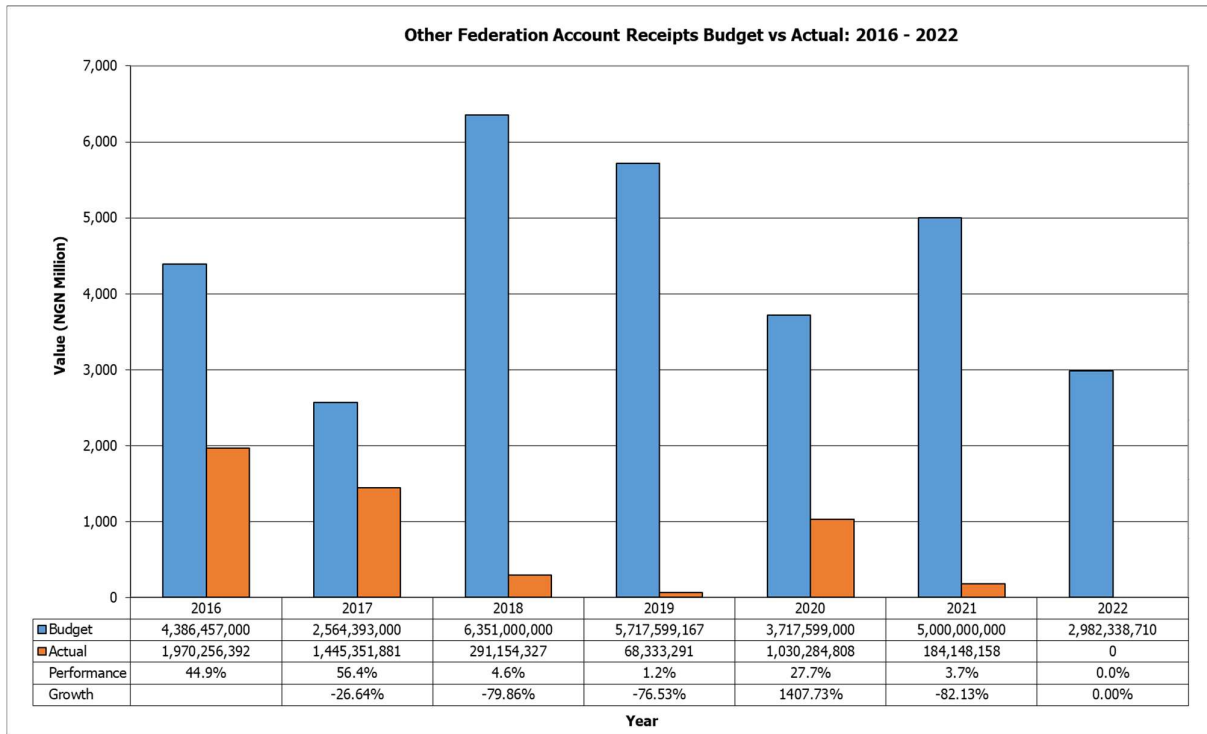
60. Figure above shows trend of VAT received by Yobe State 2016 to 2021. It can be seen that over and above 100% was received from 2017 to 2021, 90.7% in 2016.

Figure 4: IGR



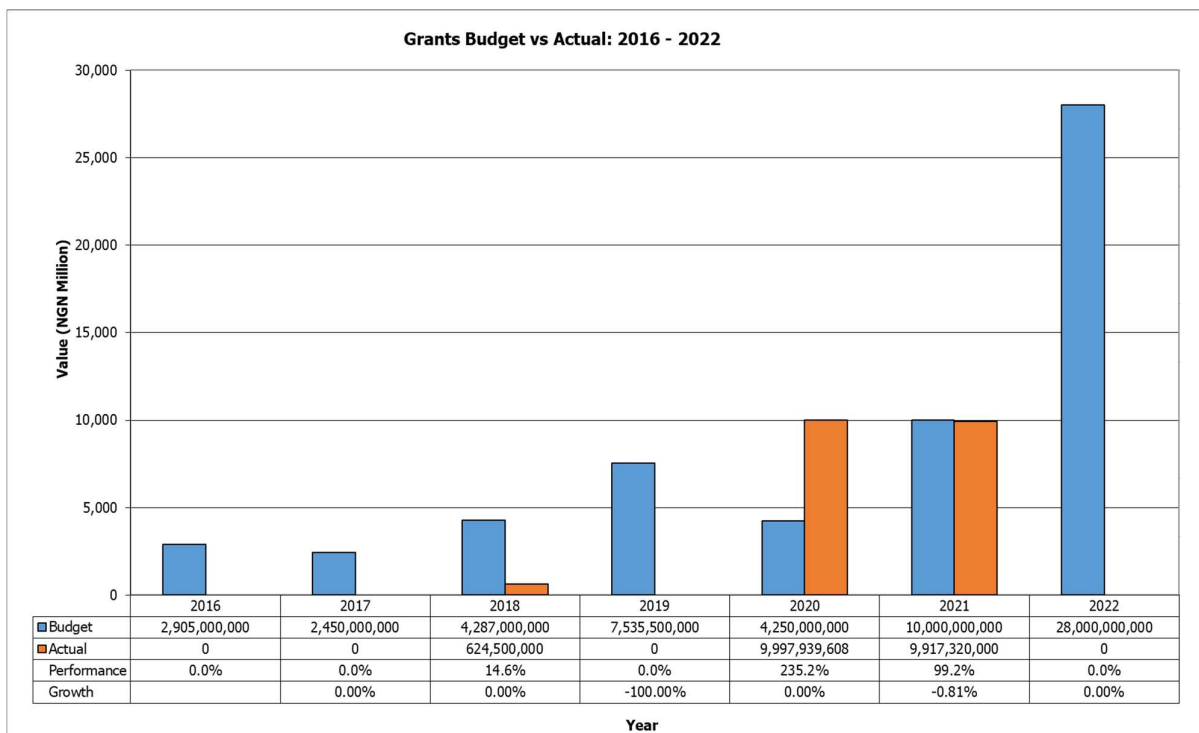
61. This is the independent sources of government revenue generated from tax revenues such as P.A.Y.E.E, stamp duty, withholding tax, direct assessment tax, property tax, and non-tax revenues comprising of licences, fees, fines, sales, earnings, rent on government building, rent on land, repayments, investment income, interest-earn and reimbursements.
62. IGR has grown at a steady pace between 2016 to 2017 on an average of 5%. There was a drop in 2018 while in 2019 there is a greater increase much higher than the Approved Budget.
63. The IGR growth showed fluctuations within the periods under consideration as 2016 and 2017 shows a considerable fall in 2018, while picking up in 2019 and 2020 but later dropped to 92% in 2021. These performances in 2019 and 2020 was impressive as the highest figures recorded in the history of the State.

Figure 5: Excess Crude



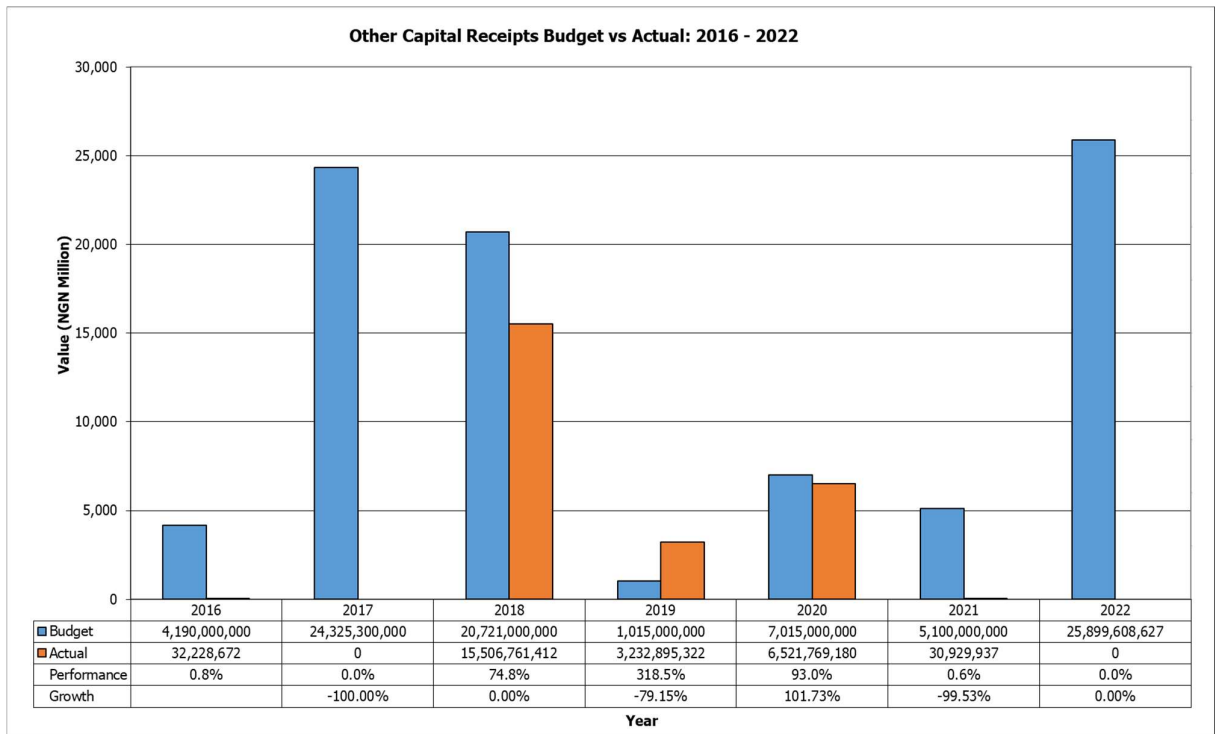
64. Other Federation Account Revenues derived from FAAC Special Allocation includes excess crude, ecological fund, stabilisation fund, excess bank charges, exchange gain differential, solid minerals among other sources accruable to the state. It can be seen that only in 2016 to 2017 45% and 56% was received, the remaining years' performance is below average, 5% in 2018, down to 1.2% in 2019, and scale up to 28% in 2020, later dropped to 4% in 2021 respectively.

Figure 6: Grants



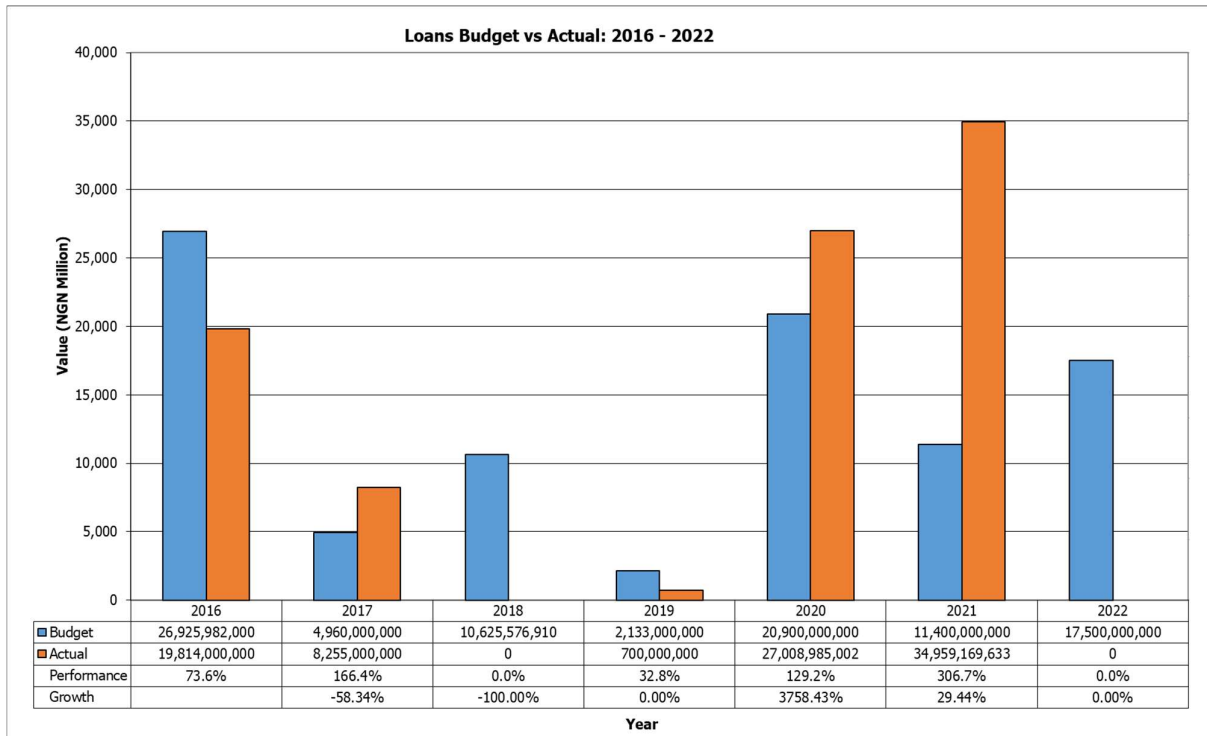
65. In terms of grants, it is revealed in figure 6, that the performance is not favourable, the forecast is affected by unforeseen circumstances. The receipts come from within and outside the country i.e., the World Bank, EU, among other partners. As shown in figure above only in 2018, 2020 and 2021 that some taking amounts were realised translating into 14.6%, 235.2% and 99.2% performance. The 2020 fiscal year appreciable performance was attributed to the state’s ability to achieve some DLIs under the SFTAS Programme.

Figure 7: Other Capital Receipts



66. Other capital receipts usually comprise of refund on the expenses incurred by the state government on the construction of Federal roads and other projects, disposal of fixed assets among other sources. In 2018, 2019 and 2020, substantial amount has been realised, translating into 75%, 317% and 93% performance.

Figure 8: Loans/Financing

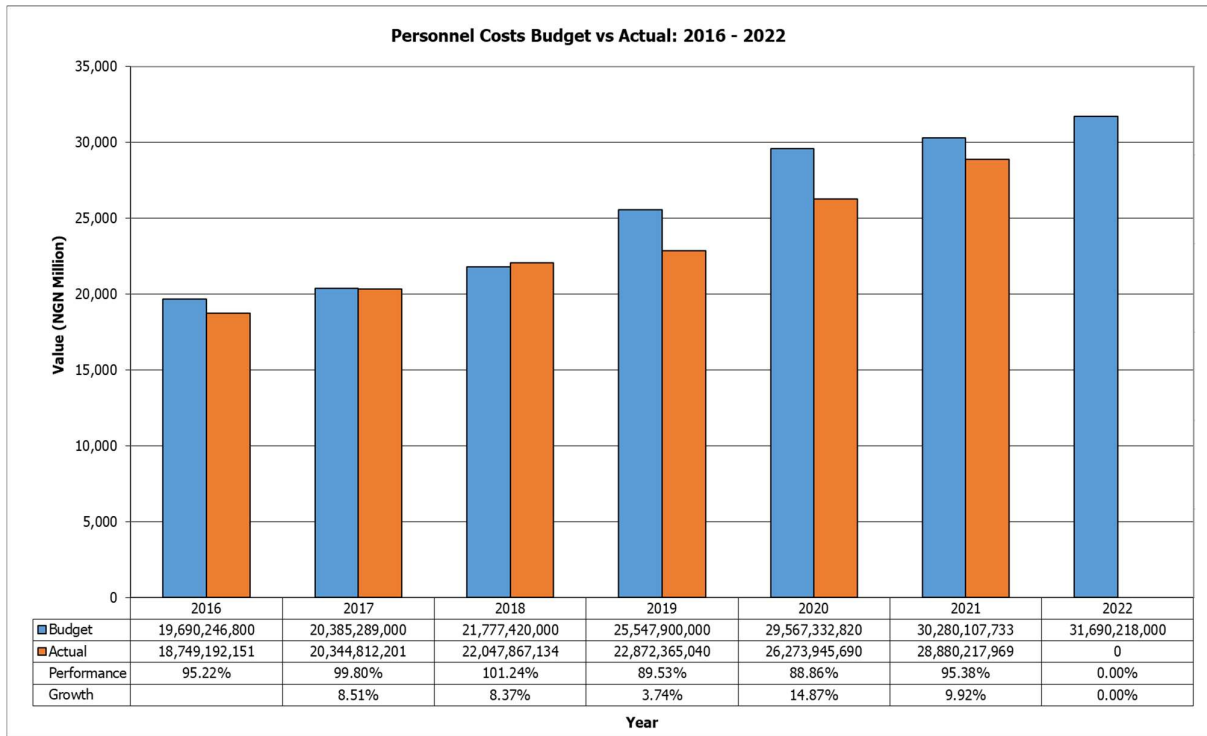


67. Loan facilities and other deficit financing recorded an appreciable performance in 2017, 2020 and 2021 translating into 166.4%, 129%, and 306.7%.

Expenditure;

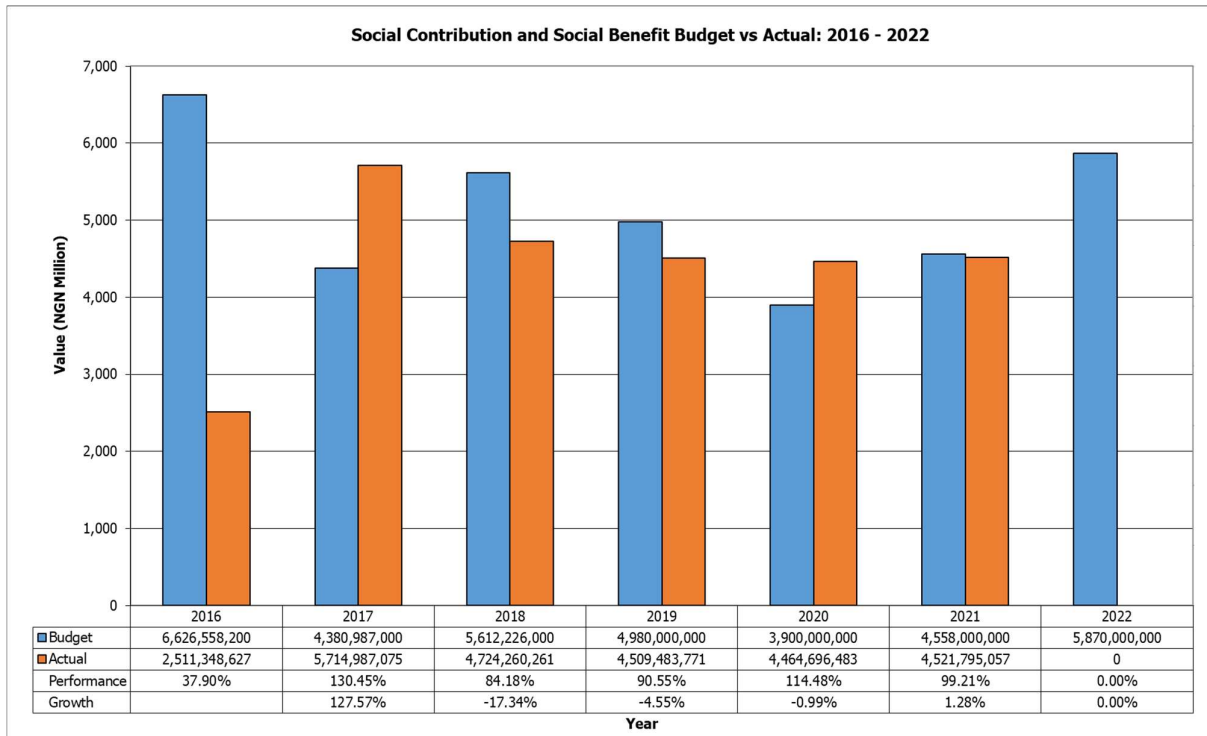
68. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2016-2021 (six years) and 2022 budget.

Figure 9: Personnel



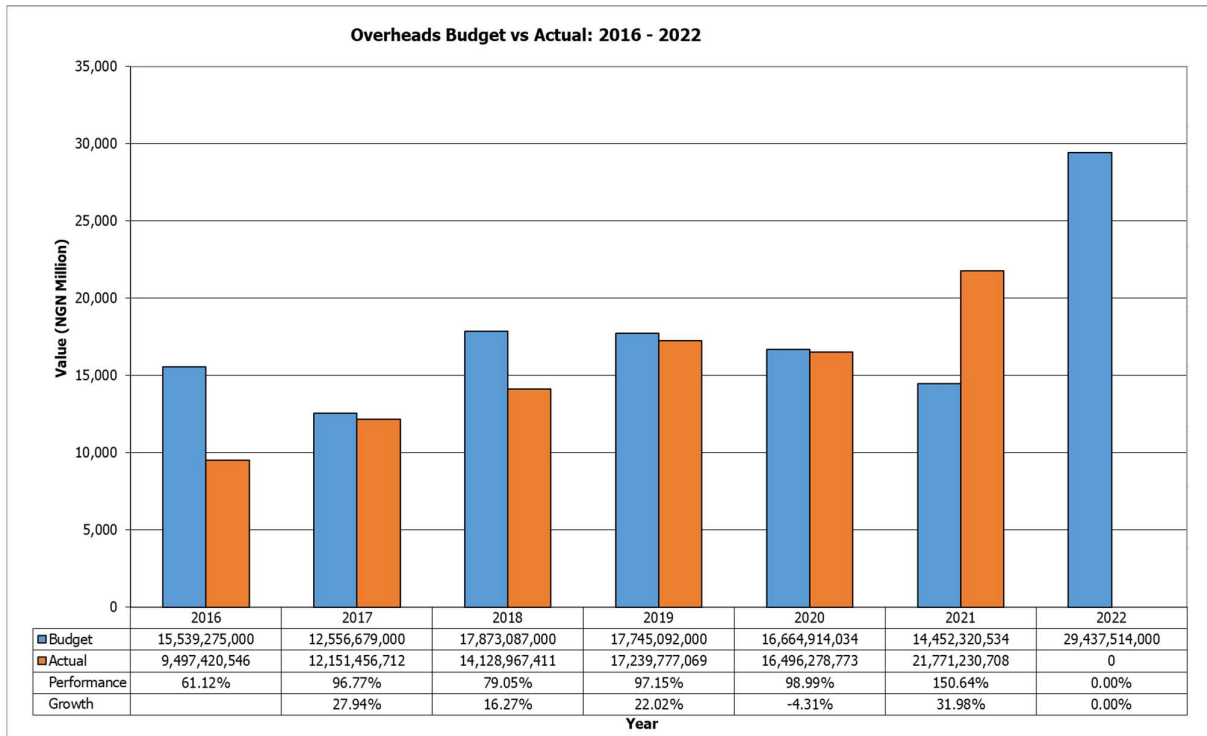
69. Personnel cost captured under economic class 21, consisting of personnel emolument, allowances and salaries of public office holders. In the years 2016, 2017, 2019 and of course 2020 the performance was commendable. But rather the forecast was not accurate and affected by unforeseen circumstances.

Figure 10: Social Contributions and Social Benefits



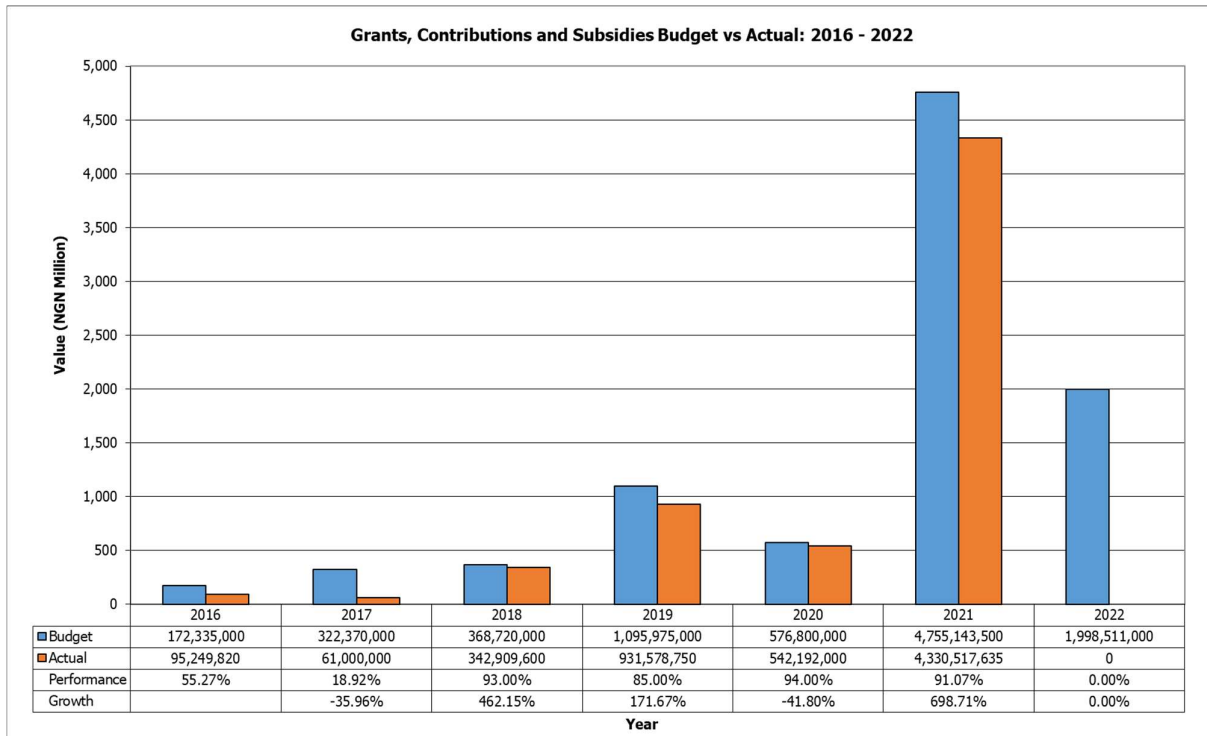
70. Social contribution and social benefit also captured under economic class 21 comprising pension and gratuities, death benefits, contributory healthcare funds etc., in 2017 and 2020 over 100% was expended, the least are 38% in 2016.

Figure 11: Overheads



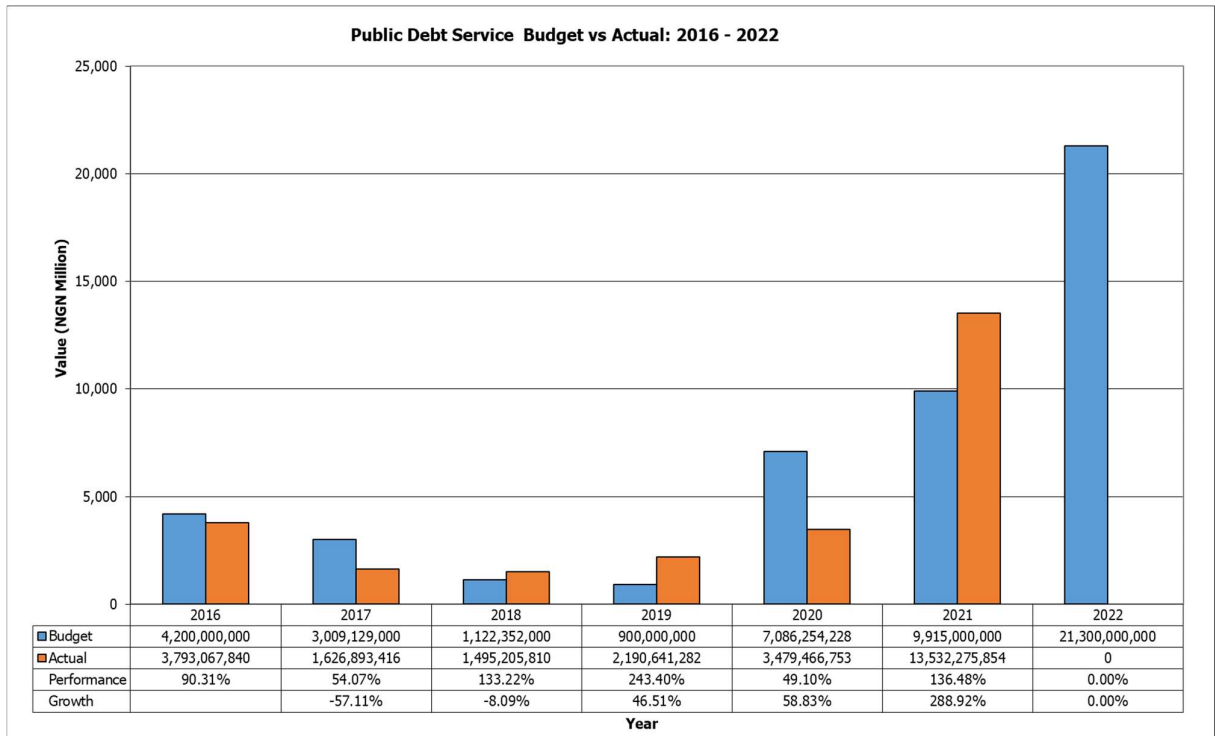
71. Cost of governance and running cost witnessed a remarkable achievement in terms of budget implementation where over 96.77% performance was realised in 2017, 2019 and 2020 fiscal years, 2018 it dropped to 79%. Furthermore 61.12% 2016 being the least performance throughout the five years period.

Figure 12: Grants, Contributions, Subsidies, Transfers



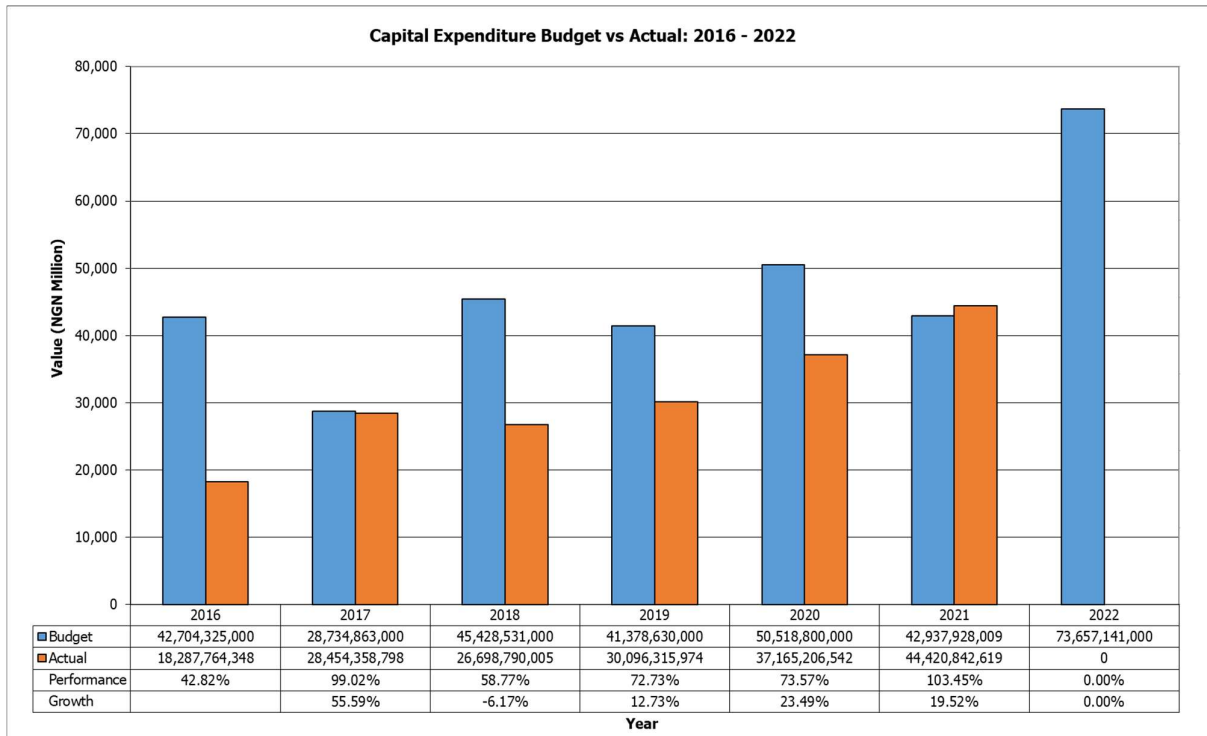
72. Grants, Contributions and Subsidies captured under sub-economic class 2204 and 2205 made up subvention to boards, grants to communities and NGOs, subsidies on agricultural inputs etc. The performance in this section looks good, but it follows a galloping scope, where the performance is over 93% in 2018, dropped to 85% in 2019, and picking up in 2020 the 94%, 55.27% - 18% in 2016 – 2017 then went up again in 2021.

Figure 13: Public Debt Service



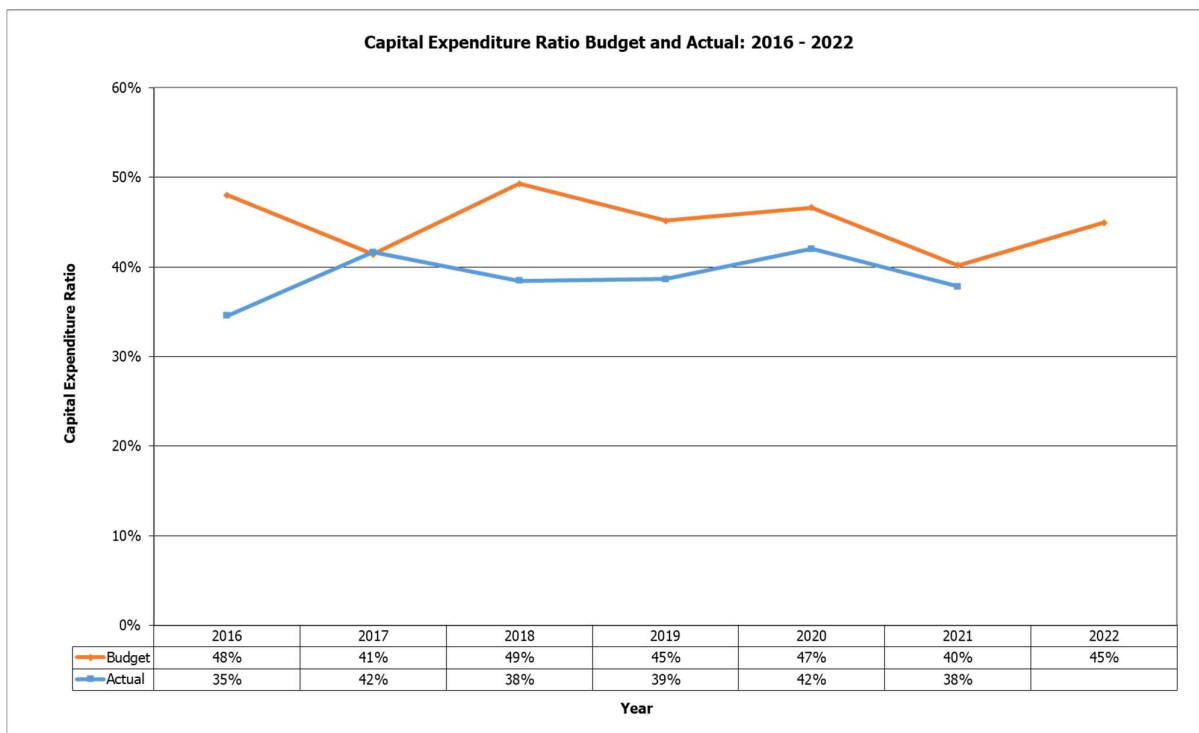
73. This section shows the trend of the state government’s effort in servicing the loans received from various sources to finance some of the developmental projects and programmes and financing the budget deficit. As indicated in figure 13, over 200% was expended in 2019, 133% in 2018, 136% in 2021. The report shown 90% in 2016 after dropped to 54% 2017 and 2020 respectively.

Figure 14: Capital Expenditure



74. In terms of capital expenditure, as shown in Figure 14, execution of various development projects and programmes recorded appreciable performance. In the years 2017, 2018, 2019 and 2020 the performance is quite above average, indicating 99%, 59%, 73% and 74%. Performance in these years shows government’s commitment and determination to bring developmental projects and deliver dividend of democracy to its citizenry.

Figure 15: Recurrent: Capital Expenditure Ratio



75. It can be seen in figure 15 that capital expenditure ratios steadily increase from year 2016, sloping down in the subsequent year. Performance also follows suit of the projection 42% in 2017, 38% to 39% in 2019, later increased to 42% in 2020 and dropped down to 38% in 2021 fiscal year.

By Sector

76. Figure 16 shows the expenditure trend according to sector in terms of personnel, overhead and capital.

Figure 16: Sector Expenditure Trend

Personnel Expenditure by Sector								
No. Sector	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual
1 Governance	2,686,259,000	4,075,217,381	3,661,333,000	336,640,229	4,136,416,765	3,619,810,443	4,130,632,350	8,625,647,126
2 Agriculture	1,061,695,000	1,080,664,667	1,205,154,000	310,697,501	1,627,668,540	1,561,520,923	1,530,534,415	1,777,472,784
3 Works, Housing and Energy	824,073,000	112,052,248	973,978,000	164,305,284	1,034,266,196	955,182,666	1,384,038,193	1,215,579,977
4 Commerce and Industry	112,023,000	892,473,635	147,029,000	140,042,740	174,550,920	175,582,902	188,064,573	174,739,821
5 Water	439,388,000	412,336,394	487,726,000	10,095,893,158	551,130,380	533,998,759	569,702,233	519,526,820
6 Justice, Peace and Security	891,306,000	829,941,760	1,140,719,000	3,881,920,481	1,345,734,940	1,186,759,382	1,214,191,123	1,190,683,810
7 Health	4,849,514,000	4,714,594,888	5,983,129,000	235,123,683	6,946,007,011	6,135,880,554	7,301,251,227	6,933,559,869
8 Education	9,633,335,000	8,748,732,008	10,369,189,000	229,662,724	11,889,686,828	10,585,807,999	12,052,949,660	11,277,098,333
9 Environment	752,050,000	708,796,322	808,309,000	227,369,183	1,035,721,820	950,998,285	1,037,719,815	1,105,324,063
10 Social Development	527,777,000	473,057,831	571,334,000	2,144,375,762	645,607,420	568,403,776	636,024,144	582,380,423
Total	21,777,420,000	22,047,867,133	25,347,900,000	17,766,030,744	29,386,790,820	26,273,945,690	30,045,107,733	33,402,013,026

Overhead Expenditure by Sector								
No. Sector	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual
1 Governance	16,946,096,000	14,281,608,228	16,447,512,500	127,450,030	22,431,915,476	22,090,789,270	28,228,682,000	33,921,775,544
2 Agriculture	500,121,000	1,627,174,500	1,489,350,000	334,455,676	722,950,000	33,860,000	679,710,000	136,879,098
3 Works, Housing and Energy	157,300,000	203,650,500	445,614,000	122,217,858	438,348,000	450,219,275	557,448,000	500,653,052
4 Commerce and Industry	58,200,000	15,608,000	60,275,000	579,526,767	60,275,000	13,225,000	50,275,000	10,684,578
5 Water	65,260,000	38,817,000	203,676,000	2,569,421,119	196,166,000	153,236,460	226,166,000	147,179,365
6 Justice, Peace and Security	669,468,000	284,343,000	727,072,000	891,009,735	750,472,000	215,927,500	704,868,000	332,388,386
7 Health	1,322,700,000	612,433,952	1,258,860,000	259,050,593	856,610,000	624,054,176	1,050,380,000	1,410,101,090
8 Education	4,313,594,000	1,826,444,852	3,484,636,000	10,649,089	2,342,803,286	1,121,994,625	1,878,914,534	2,852,123,848
9 Environment	495,345,000	149,150,000	376,470,000	77,945,697	239,470,000	118,272,625	239,920,000	127,361,500
10 Social Development	448,301,000	156,907,240	427,601,500	8,587,010,828	369,500,500	161,055,078	299,100,500	194,877,736
Total	24,976,385,000	19,196,137,273	24,921,067,000	13,558,737,392	28,408,510,262	24,982,634,009	33,915,464,034	39,634,024,196

Capital Expenditure by Sector		2018	2018	2019	2019	2020	2020	2021	2021
No.	Sector	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual
1	Governance	5,086,613,000	3,360,006,714	6,068,281,000	3,089,961,839	6,532,300,000	3,426,413,356	6,521,778,000	4,100,232,663
2	Agriculture	2,165,000,000	1,153,872,533	2,101,750,000	1,685,496,885	1,952,000,000	50,511,000	2,300,500,000	873,110,481
3	Works, Housing and Energy	18,910,000,000	35,949,955	15,668,530,000	16,539,320,657	22,711,000,000	23,554,583,409	19,419,150,009	25,023,786,251
4	Commerce and Industry	443,000,000	17,230,340,643	323,000,000	1,218,005,832	4,411,000,000	6,559,425,548	4,517,500,000	7,878,397,618
5	Water	1,898,000,000	854,878,007	1,122,000,000	214,244,258	1,525,000,000	464,407,866	1,162,000,000	2,131,257,407
6	Justice, Peace and Security	739,000,000	828,368,754	1,056,000,000	415,557,894	987,000,000	394,000,000	896,000,000	401,266,500
7	Health	7,571,000,000	1,818,941,731	5,882,349,000	1,896,762,907	4,185,000,000	360,928,109	1,728,000,000	1,316,714,202
8	Education	7,594,918,000	6,279,161,953	8,317,720,000	5,121,572,984	7,628,500,000	2,024,749,628	5,725,000,000	2,522,010,176
9	Environment	560,000,000	127,641,292	420,000,000	67,132,000	319,000,000	156,220,500	360,000,000	123,200,000
10	Social Development	461,000,000	66,450,000	419,000,000	120,618,437	268,000,000	173,967,126	308,000,000	50,867,323
	Total	45,428,531,000	31,755,611,582	41,378,630,000	30,368,673,693	50,518,800,000	37,165,206,542	42,937,928,009	44,420,842,619

77. As shown in the tables above, in 2018, the sum of ₦21.777 billion was budget for personnel cost. Out of which education sector received ₦9.633 billion, followed by Health sector with ₦4.849 billion, Governance ₦2.686 billion, Agriculture ₦1.061 billion, Justice, Peace and Security received ₦891.306 billion, the least is commerce and industry sector which only received ₦112.023 million. In terms of performance the sum of ₦892.473 billion was expended in commerce sector which least amount in the projection expended about ₦112.052 billion, representing 61% of the total amount. In the year 2021, the sum of ₦30.045 billion was earmarked and ₦33.402 billion was expended, of this amount, education received ₦11.277 billion representing 37.5% performance, the least is Commerce and Industry which received ₦175 million only.
78. In respect of the overhead cost, out of the sum of ₦39.634 billion expended in 2021, Governance, Education and Health Sectors received larger shares of ₦33.922 billion, ₦2.852 billion and ₦1.410 billion respectively. While commerce and industry sector received the least share of ₦10.684 million. However, Governance sector took the lion share throughout the remaining years.
79. In terms of capital expenditure performance, works and housing is taking the lion share throughout the years except in the year 2018 where commerce and industry takes the lead followed by Education and Governance sectors. Out of the sum of ₦44.421 billion expended in 2021, works and housing received ₦25.024 billion followed by commerce and industry with ₦7.878 million, while social sector received the least amount.

2.B.2 Debt Position

80. A summary of the consolidated debt position for Yobe State Government is provided in the table below.

Table 5: Debt Position as at 31st December 2021

Debt Sustainability Analysis		
A DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2021
Solvency Ratios	Percentage	Percentage
1 Total Domestic Debt/IGR	150%	936.55%
2 Total External Debt/Gross FAAC	150%	17.65%
3 Total Public Debt/Total Recurrent Revenue	150%	134.74%
4 Total Public Debt/State GDP Ratio	25%	No GDP Figure Available
Liquidity Ratios	Percentage	Percentage
5 Domestic Debt Service/IGR	15%	153.28%
6 External Debt Service/Gross FAAC	10%	0.97%
8 Debt Service Deductions from FAAC/Gross FAAC	40%	8.41%
8 Total Debt Service/Total Recurrent Revenue	25%	20.38%
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2021		Naira
1 Total Domestic Debt		79,237,799,282
2 Total External Debt		10,224,756,167
3 Total Public Debt		89,462,555,449
4 Total Domestic Debt Service 2021		12,968,535,339
5 Total External Debt Service in 2021		563,740,515
6 Total Public Debt Service		13,532,275,854
C STATE GDP FOR 2021		
1 State GDP		0

81. The figure above shows the state total debt portfolio of ₦89,462,555,449 comprising of ₦79,237,799,282 domestic debt and ₦10,224,756,167 as total external debt.

82. Total debt service in 2021 stands at ₦13,532,275,854 with ₦12,968,535,339 as domestic debt service and ₦563,740,515 as external debt service.

3 Fiscal Strategy Paper

3.A Macroeconomic Framework

83. The key parameters and macroeconomic projections driving the medium-term revenue and expenditure framework as proposed by the Federal Government and adopted by Yobe State in its 2023-2025 MTEF/FSP are presented below:

Figure 17: Yobe State Macroeconomic Framework

Macro-Economic Framework

Item	2023	2024	2025
National Inflation	17.16%	16.21%	17.21%
National Real GDP Growth	3.75%	3.30%	3.46%
Oil Production Benchmark (MBPD)	1.6900	1.8300	1.8300
Oil Price Benchmark	\$70.00	\$66.00	\$62.00
NGN:USD Exchange Rate	435.57	435.92	437.57
Other Assumptions			
Mineral Ratio	21.75%	21.75%	21.75%

3.B Fiscal Strategy and Assumptions

Policy Statement

84. The Yobe State’s policy direction focuses on diversifying the revenue sources and intensify efforts to improve the independent revenue base of the state to reduce the state’s overdependence on FAAC Allocations and Donor Partners grants and assisted projects. It further intensifies effort and strategies on control and enforced compliance with the established spending limits to achieve sound budgeting system, which include aggregate fiscal discipline, allocative efficiency and effective spending. It also aimed at continued robust fiscal discipline in the state.

Objectives and Targets

85. The key targets from a fiscal perspective are:
- i. Completion of on-going legacy projects.
 - ii. Continue to ensure reduction in non-essential overheads.
 - iii. Executions of capital considered critical by the citizens.
 - iv. Diversify the internal revenue base and also reviewing revenue projections to reflect current realities.
 - v. Compliance with NGF Budget guidelines that maybe given from time to time.
 - vi. Ensure adjustment of debt servicing or repayment period (re-financing and re-structuring) in order to free up funds for other developmental projects.
 - vii. Use loans to finance capital expenditure projects only;
 - viii. Target sources of capital receipts and financing outside of loans (e.g., Aid and Grants, PPP, etc.).

3.C Indicative Three-Year Fiscal Framework

86. The indicative three-year fiscal framework for the period 2023-2025 is presented in the table below.

Table 6: Yobe State Medium Term Fiscal Framework

Fiscal Framework			
Item	2023	2024	2025
Opening Balance	3,500,000,000	3,500,000,000	3,500,000,000
Recurrent Revenue			
Statutory Allocation	38,555,340,512	38,417,505,914	38,632,720,311
VAT	25,793,593,004	31,553,845,036	39,131,348,999
IGR	12,251,676,727	14,902,440,557	17,998,264,614
Excess Crude/Other FAAC Revenue	4,654,755,431	2,982,338,710	2,982,338,710
Total Recurrent Revenue	81,255,365,673	87,856,130,217	98,744,672,635
Recurrent Expenditure			
Personnel Costs	31,354,376,168	32,138,235,572	32,941,691,461
Social Contribution and Social Benefit	4,874,682,421	4,996,549,481	5,121,463,218
Overheads	26,768,236,596	26,768,236,596	26,768,236,596
Grants, Contributions and Subsidies	1,148,511,000	1,148,511,000	1,148,511,000
Public Debt Service	16,500,000,000	16,500,000,000	16,500,000,000
Total	80,645,806,185	81,551,532,650	82,479,902,276
Transfer to Capital Account	4,109,559,489	9,804,597,567	19,764,770,359
Capital Receipts			
Grants	32,400,000,000	30,300,000,000	28,300,000,000
Other Capital Receipts	25,000,000,000	0	0
Total	57,400,000,000	30,300,000,000	28,300,000,000
Reserves			
Contingency Reserve	0	0	0
Planning Reserve	4,237,768,284	4,567,806,511	5,112,233,632
Total Reserves	4,237,768,284	4,567,806,511	5,112,233,632
Capital Expenditure			
Discretionary Funds	64,271,791,205	37,536,791,056	44,952,536,727
Non-Discretionary Funds	7,400,000,000	2,800,000,000	2,800,000,000
Financing (Loans)	7,000,000,000	2,000,000,000	2,000,000,000
Total Revenue (Including Opening	149,155,365,673	123,656,130,217	132,544,672,635
Total Expenditure (including Contingency	149,155,365,673	123,656,130,217	132,544,672,635
Closing Balance			
Ratios			
Growth in Recurrent Revenue	12.13%	8.12%	12.39%
Growth in Recurrent Expenditure	-5.67%	1.12%	1.14%
Capital Expenditure Ratio	45.93%	34.05%	37.77%
Deficit (Financing) to Total Expenditure	4.69%	1.62%	1.51%

Capital Receipts

ITEM	2023	2024	2025
Internal Grants			
State and LG Joint Projects	0	0	0
Development of Mineral Resources & Tourism	20,000,000,000	20,000,000,000	20,000,000,000
FGN Grant for SDG	300,000,000	300,000,000	300,000,000
UBE Matching Grant	1,500,000,000	1,500,000,000	1,500,000,000
SFTAS PforR	5,000,000,000	0	0
BHCPF	600,000,000	500,000,000	500,000,000
MCRP	5,000,000,000	8,000,000,000	6,000,000,000
Sub-Total Internal Grant	32,400,000,000	30,300,000,000	28,300,000,000

External Grants			
SFTAS	0	0	0
	0	0	0
Sub-Total External Grant	0	0	0

Grant Balancing Item / Blue Sky			
Total Grants	32,400,000,000	30,300,000,000	28,300,000,000

Internal Loans			
CBN Infrastructural Development Credit Facility	0	0	0
Capital Market Issuances	2,000,000,000	1,500,000,000	1,500,000,000
NG-CARES	2,500,000,000	0	0
ACREsaL	2,500,000,000	500,000,000	500,000,000
Total	7,000,000,000	2,000,000,000	2,000,000,000

External Loans			
WB			
		0	0
Total	0	0	0

Loan Balancing Item / Blue Sky			
Total Loans	7,000,000,000	2,000,000,000	2,000,000,000

Other Capital Receipts			
Refund on Airport	25,000,000,000		
Extraordinary Items			
Total	25,000,000,000	0	0

OCR Balancing Item / Blue Sky			
Total Other Capital Receipts	25,000,000,000	0	0

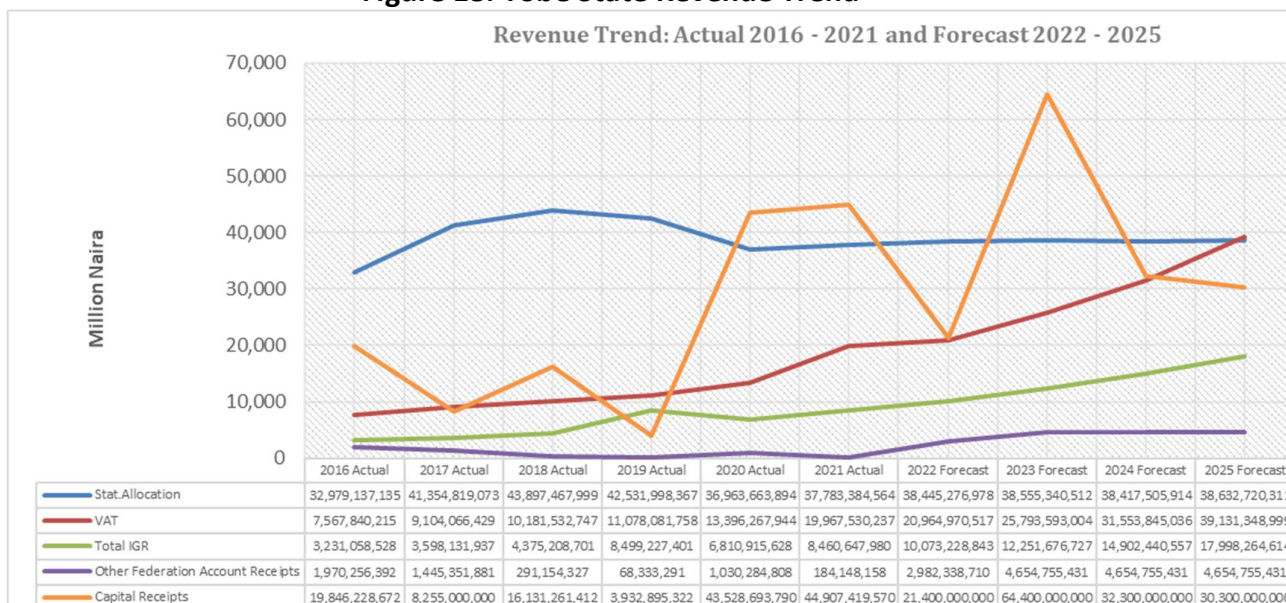
3.C.1 Assumptions

87. Opening Balance – The state anticipated opening balance of ₦3.500 billion for the three years period
88. Statutory Allocation – This is estimated using 5 year Moving Average forecast, which project ₦38.555 as government’s share of FAAC in 2023, ₦38.418 billion in 2024 and slightly increase to ₦38.633 billion in 2025.
89. VAT – Government share of VAT is estimated using elasticity forecasting method ₦25.794 billion in 2023, ₦31.554 billion 2024 and ₦39.131 billion in 2025
90. Excess Crude – Excess Crude and other FAAC Revenues expected is earmarked at ₦4.655 billion for the three years period
91. Internally Generated Revenue (IGR) – The state government anticipate to increase its revenue base, blocking the identified leakages. The sum of ₦12.252 billion was earmarked in 2023.
92. Grants – the sum of ₦32.4 billion was earmarked as grants in 2023 internal grants.
93. Miscellaneous Capital Receipts – ₦25 billion was earmarked as other capital receipt expected from the refunds of airport.
94. Financing (Net Loans) – sum of ₦7 billion is expected to be collected from Capital Market Issuance the sum ₦2 billion, N-CARES ₦2.5 billion and ACRoSAL ₦2.5billion respectively.
95. Personnel – the sum of ₦31.354 billion earmarked as personnel cost in 2023, ₦32.138 billion in 2024 and ₦32.942 billion in 2025 respectively
96. Social Contribution and Social Benefits – ₦4.875 was earmarked for payment of pension, gratuities and other social contributions.
97. Overheads – other recurrent services witnessed a steady growth year-on-year with ₦26.768 billion in 2023, ₦27.437 billion and ₦28.261 billion in 2024 and 2025 respectively using own percentage forecasting method.
98. Grants, Contributions, Subsidies and Transfers – the sum of ₦1.149 billion was earmarked in 2023, ₦1.160 and ₦1.218 billion in 2024 and 2025 respectively.
99. Public Debt Service – Sum of ₦16.500, ₦14.850 and ₦13.365 billion was earmarked to service the debts in 2023, 2024 and 2025 respectively.
100. Contingency and Planning Reserves: – Planning reserve of ₦4.238 billion, ₦4.568 and ₦5.112 billion was set aside for planning purposes in the 3 years 2023 – 2025 respectively.
101. Capital Expenditure – the sum of ₦64.272billion in 2023, ₦38.506 billion and ₦46.526 billion in 2024 and 2025.

3.C.2 Fiscal Trends

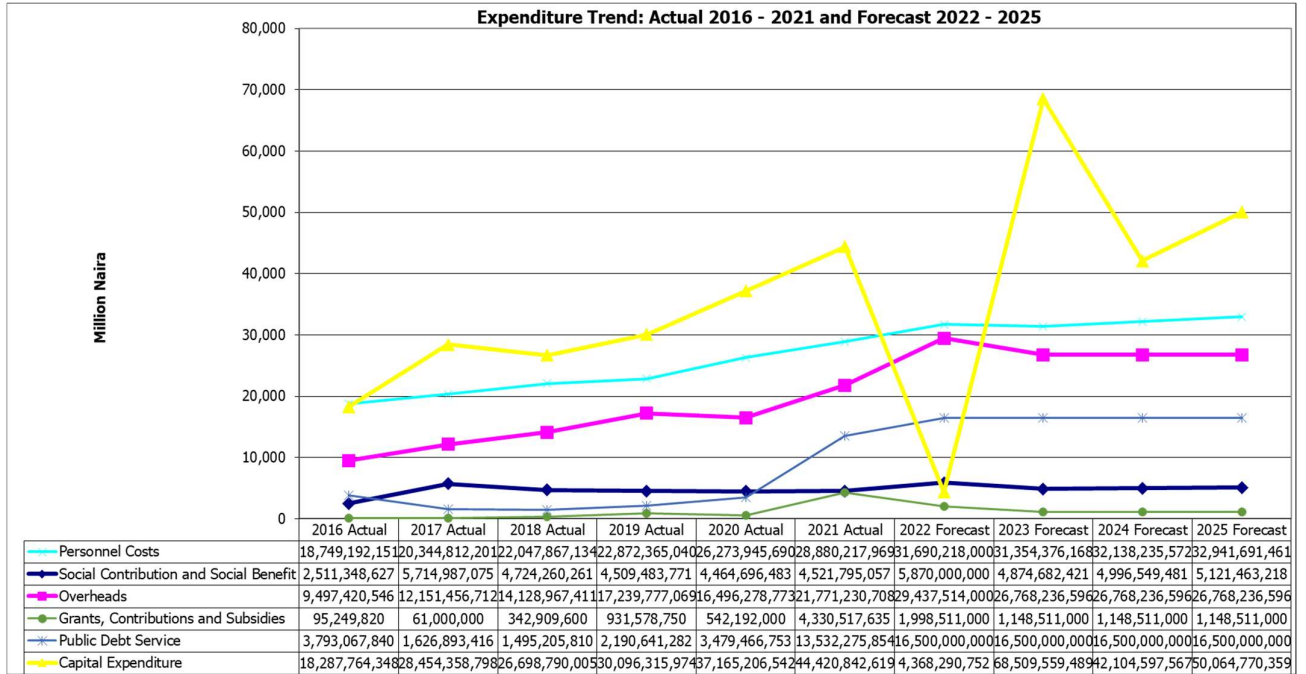
102. Based on the above envelope, plus actual figures for 2023-2025 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below: -

Figure 18: Yobe State Revenue Trend



103. Figure 18 show the revenue trend and forecast for 2023– 2025. As indicated, sum of ₦32.979 billion was received in 2016 as Statutory Allocation, ₦41.354 billion, ₦43.897 billion, ₦42.531 billion, ₦36.963 billion was also received in 2016, 2017, 2018 2019 and 2020. It is further expected that the sum of ₦37.783 billion will be receive in 2021, ₦38. 445 billion, ₦38.555 billion and ₦38.417 billion in 2023, 2024 and 2025 respectively. The trend in other revenues, VAT, IGR, other Capital Receipts also follows the same suit.

Figure 19: Yobe State Expenditure Trend



104. Figure 19 shows the Yobe State expenditure trend within the five years period 2016 to 2021 actuals and projections for 2023 to 2025 in terms of personnel, social contribution and social benefits, overheads, grants, contribution and subsidies, public dept service and capital expenditure.

3.D Fiscal Risks

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

Table 7: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Uncertainty and fluctuations in Crude Oil Price and Production Volatility could impact FAAC Revenues	High	High	Increase IGR effort to reduce reliance on federal transfers. Seeking alternative means to diversify the revenue sources etc.
Insecurity situation in the state and country at large, activities of the insurgents, arm bandits, kidnapers and boko haram	Medium	Medium	The estimates for VAT and Statutory allocation are not over ambitious. In addition, clear prioritisation of projects in the capital budget is made.
Over reliance on FAAC allocation and low IGR base is a major risk for the State	High	High	Increase the internal revenue base by blocking all the identified leakages
Third wave outbreak of COVID-19	Low	Low	Not likely to happen.
2022 is year of political parties' campaign, while 2023 is electioneering year. The activities of insurgency, thuggery, etc may likely increase.	High	High	Increase sensitization and awareness campaign on the citizens' to be law abiding

106. It should be noted however that no budget is without risk. The ongoing implementation of the 2022 budget should be closely monitored.

4 Budget Policy Statement

4.A Budget Policy Thrust

107. Government’s policy thrust and direction in 2023 is completion of all ongoing legacy projects.

4.B Sector Allocations (3 Year)

108. Presented in the table below are the indicative three envelopes for sectors and sub-sectors. This is a in a bid to accelerate the development activities in the state by altercating foreign and domestic investors into the state, improvement in the general wellbeing of the society and increase job creation which will have a positive impact on poverty reduction.

109. Sector ceilings for 2023-2025 is shown in tables above indicate that in terms of personnel cost education took the higher percentage (i.e., 36.28%) in the year 2023, followed by health sector 22.40% and governance 21.57%, the least are commerce and industry, 0.55%, water sector 1.58% and social development 1.75%. The trend in 2023 and 2025 follows the same pattern, only that governance gotten 23% and health 22% which came third position.

110. For overhead, it can be seen that governance takes the lion share, this indicates that cost of governance increase, education gets 6.22% and 15.0%. For the capital expenditure works, housing and energy got 3.79%, governance 85.07% and education 15.0% in 2023 fiscal year and the trend follows the same suit in the subsequent years, where environment and social development gotten less than 0.8%.

Figure 20: Sector Allocations (proposed 2023-2025)
Table 8: Indicative Sector Expenditure Ceilings 2023-2025

Personnel Expenditure by Sector								
No.	Sector	2022 Budget %	% 2023	2023 Allocation	% 2024	2024 Allocation	% 2025	2025 Allocation
1	Governance	26.79%	21.57%	6,764,392,832	23.50%	7,550,965,893	23.61%	7,778,823,125
2	Agriculture	3.90%	5.18%	1,625,181,652	5.21%	1,674,599,128	5.24%	1,725,132,228
3	Works, Housing and Energy	3.25%	3.79%	1,188,985,072	3.81%	1,225,138,778	3.83%	1,262,109,612
4	Commerce and Industry	0.48%	0.55%	172,482,973	0.55%	177,727,002	0.56%	183,090,912
5	Water	1.42%	1.58%	494,777,027	1.59%	509,821,594	1.59%	525,206,853
6	Justice, Peace and Security	3.29%	3.60%	1,127,505,261	3.61%	1,161,790,991	3.63%	1,196,846,957
7	Health	23.90%	22.40%	7,024,112,753	22.17%	7,125,876,267	22.28%	7,340,907,738
8	Education	32.43%	36.28%	11,373,903,414	34.48%	11,081,144,159	34.15%	11,249,181,086
9	Environment	2.99%	3.30%	1,033,137,447	3.31%	1,064,553,099	3.33%	1,096,675,963
10	Social Development	1.55%	1.75%	549,897,737	1.76%	566,618,660	1.77%	583,716,988
	Total	100.00%	100.00%	31,354,376,168	100.00%	32,138,235,572	100.00%	32,941,691,461

Overhead Expenditure by Sector							
No.	Sector	% 2023	2023 Allocation	% 2024	2024 Allocation	% 2025	2025 Allocation
1	Governance	85.07%	22,772,165,625	77.21%	20,668,398,141	73.36%	19,638,161,071
2	Agriculture	1.80%	481,169,713	1.56%	417,560,698	1.73%	463,616,525
3	Works, Housing and Energy	1.26%	338,163,995	1.62%	434,254,922	1.80%	482,152,077
4	Commerce and Industry	0.11%	29,138,179	0.14%	36,181,493	0.15%	40,172,215
5	Water	0.49%	131,080,364	0.61%	162,765,262	0.68%	180,717,835
6	Justice, Peace and Security	1.53%	408,524,510	1.90%	507,273,529	2.10%	563,224,441
7	Health	2.27%	606,456,637	5.79%	1,549,271,742	6.43%	1,720,152,267
8	Education	6.22%	1,665,950,952	9.73%	2,604,612,668	12.14%	3,249,335,693
9	Environment	0.52%	139,051,851	0.65%	172,663,626	0.72%	191,707,962
10	Social Development	0.73%	196,534,769	0.80%	215,254,515	0.89%	238,996,512
	Total	100.00%	26,768,236,596	100.00%	26,768,236,596	100.00%	26,768,236,596

Capital Expenditure by Sector		Total Capital Envelope					
No.	Sector	% 2023	2023 Allocation	% 2024	2024 Allocation	% 2025	2025 Allocation
1	Governance	17.8%	11,430,143,718	13.5%	5,058,612,078	13.4%	6,034,532,757
2	Agriculture	15.1%	9,720,885,540	6.0%	2,242,151,630	5.8%	2,599,441,061
3	Works, Housing and Energy	33.4%	21,477,847,914	41.7%	15,663,661,547	42.6%	19,167,791,561
4	Commerce and Industry	5.2%	3,332,985,883	8.2%	3,069,767,912	8.2%	3,699,331,729
5	Water	5.2%	3,323,877,450	5.2%	1,963,839,364	5.3%	2,366,593,658
6	Justice, Peace and Security	2.0%	1,255,562,477	2.0%	760,335,051	2.0%	916,268,481
7	Health	4.9%	3,161,571,661	7.8%	2,924,785,701	7.6%	3,422,073,244
8	Education	15.0%	9,610,429,135	14.0%	5,273,203,425	13.5%	6,047,031,422
9	Environment	0.8%	518,480,041	0.8%	313,977,644	0.8%	378,369,797
10	Social Development	0.7%	440,007,386	0.7%	266,456,703	0.7%	321,103,017
	Total	100.00%	64,271,791,205	100.00%	37,536,791,056	100.00%	44,952,536,727

4.C Considerations for the Annual Budget Process

111. All spending agencies are advised to adhere strictly to the following INSTRUCTIONS in the preparation of their 2023 budget proposals. It is expected that every spending entity is advised to ensure that all liabilities and other relevant activities considered important in 2023 fiscal year are included in their proposed budget. They are further expected to articulate their budget against the background of the overall goals of YOSERA IV and the Sustainable Development Goals and ensure the link between MTSS and the annual budget. Furthermore, MDAs, while submitting their budget proposals are advised to adhere to the following:

- i. Inputs from the citizens’ collected during the Public Consultations (Budget Dialogue) meetings at the Headquarter of the three (3) senatorial districts should form part of the 2023 budget proposals.
- ii. Ensure that budget estimates are within the ceiling provided and use of appropriate budget classification and codes and liaise with their respective departments and unit in coming up with their budgetary proposals.
- iii. In allocating capital budget resources, MDAs are enjoined to accord priority to ongoing projects, especially those nearing completion that fit into government’s current priorities. MDAs may not be allowed to initiate new projects/programmes unless they can demonstrate that adequate provisions have been made for ongoing projects;
- iv. MDAs are required to provide full information on the projects that require counterpart funding. Counterpart funds will be available to any MDAs that justify the projects and make necessary provisions in their budgets;
- v. Ensure consistency with sector strategy.

5 Summary of Key Points and Recommendations

112. Major key points arising in this document is summarise below:

- i. The projections for the various revenue and expenditure items are premised on credible forecasting techniques based on global best practice.
- ii. Similarly, the fiscal policies and the budget policy statement are reflections of the State's economic status as well as the nation's economy while taking into consideration the global economic trend. Amendment to these projections were carefully considered based on the improved economic environment as well as reasonable and credible forecasting techniques in the budget preparation.
- iii. The projections for revenue items, especially from the federation account were conservatively arrived at from the arrays of forecasting options, and to reflect real economic status of the State. The Independent Revenue figures especially in the last one year has been very encouraging. However, it has been observed that some government Parastatals generate revenue, retain it and spend to meet their operational cost against the State laid down Financial Rules and Regulations.
- iv. Grants and credits from Development Partners and other Donor Agencies will be seriously explored by government as they provide additional source of funding;
- v. Government will continue providing conducive working environment to Development Partners through the timely payment of Government Cash Contribution (GCC) and other logistics;
- vi. The Government will focus on eliminating waste and ensuring prudent and efficient use of scarce resources; and Extra budgetary spending will be sanctioned.
- vii. Policy direction of government for 2023 fiscal year is the completion of on-going legacy projects;
- viii. MDAs are expected to incorporate citizen needs generated across the three Senatorial Districts in the budget proposals.
- ix. Revenue generating agencies are expected to exercise prudence while handling public funds and ensure timely remittances of the revenues collected into the coffers of government. For this reason, all internal revenue sources will be explored and blocked the identified.