1.A Introduction

1. **Global Economy** –

Global growth is projected to strengthen from 2.6 percent in 2018 to 2.7 percent in 2019 and 2020, driven by a projected pickup in growth in emerging market and developing economies and resilient growth in advanced economies. The forecast for 2019 and 2020 is stronger than in the October 2018 WEO by 0.1 percentage point for each year, with positive revisions compared with the October 2018 WEO for emerging market and developing economies and especially for advanced economies. The global effects of US fiscal policy changes account for almost half of the global growth upgrade for 2019–20. Nevertheless, 40 emerging market and developing economies are projected to grow more slowly in per capita terms than advanced economies, failing to narrow income gaps vis-à-vis the group of more prosperous countries.

The ongoing rift and latest trade related initiatives by the US administration, imposing certain tariffs on steel and aluminium products, various other tariffs on a variety of products imported from China, followed by challenging trade negotiations with China over the past Months have led to rising uncertainty as the outcome of all these initiatives is unclear.

It is further anticipated that Oil prices may have also risen in anticipation of the potential reinstitution of sanctions on Iran, which could contribute to declines in the country's crude oil production. Uncertainty surrounding extension of the Joint Comprehensive Plan of Action (JCPOA) could contribute to increased price volatility. Further, strong global oil demand growth has added to upward price pressures. US Energy Information Administration (EIA) estimates that global oil consumption in the first quarter of 2019 was 1.9 million b/d (2%) higher than it was in the first quarter of 2019.

2. **Nigerian Economic and Mineral Sector** –

The Nigerian economy went into recession in the second quarter of 2016 following a constant slow – down in the economy which started in 2014. The Macroeconomic framework is based on National Bureau of Statistics (NBS) and Nigerian National Petroleum Corporation and NEGRP, 2018.

The Nigerian economy came out of recession in Q2 of 2018 following five quarters of recession with 0.8% year-on-year growth as against 1.0% year-on-year growth in the previous quarter, according to the National Bureau of Statistics. Similarly, GDP grew by 1.9% year on year in Q4 of 2018 signalling highest rate of growth since Q4 of 2018. Thus, the economy is expected to remain on positive trajectory on the back of continued Foreign Exchange (FX) availability together with the declining inflation expectation.

Inflation Rate Household consumption expenditure remain constant due to high inflation pressures of 11.91% in May 2019 but gradually declined month – on month in June 2019. Though it will appear that such pressure is easing, headline inflation has also declined since January reflecting tight Monetary Policy. Similarly, food price increase has remained persistent but slowing down.

The oil sector in February 2019, Crude Oil production in Nigeria averaged 2.1mb/d which is the highest production level in the last twenty three months. The steadiness in production is associated to the resumption of export activities at the Forcados Terminal after many months of non-operational activities as well as the engagement with the various stakeholders.

Real growth of the oil sector was 8.38% (year-on-year) in Q4 2018. This represents an incline of 26.08% relative to rate recorded in the corresponding quarter of 2017. Growth reduced by -17.50% when compared to Q3 2018 which was 25.89%. Quarter-on-Quarter, the oil sector dropped by -25.52% in Q4 2018. The annual growth of the oil sector stood at 4.79% higher than the previous year's growth of -14.45%.

The Oil sector contributed 7.17% of total real GDP in Q4 2018, up from figure recorded in the corresponding period of 2016 and down from the preceding quarter, where it contributed 6.75% and 10.04% respectively. The sector's annual contribution was 8.68% in 2018 and 8.35% in 2017.

The non-oil sector grew by 1.45% in real terms during the reference quarter. This is higher by 1.78% point compared to the rate recorded same quarter, 2017 and 2.21% point higher than in the fourth quarter of 2018. The non-oil sector recorded an annual growth of 0.47% compared to -0.22 in

2017. This sector was driven mainly by Agriculture (Crop), Trade and Transportation and storage. In real terms, the Non-Oil sector contributed 92.83% to the nation's GDP, lower from share recorded in the fourth quarter of 2017 (93.25%) but higher than in the third quarter of 2018 (89.96%). Annual contribution was 91.32% and 91.65% in 2017.

3. The Macroeconomic framework above reflects the mineral sector benchmarks (production, price and NGN: USD exchange rate) as laid out in the Federal Budget documentation for the period 2019-2020. Real GDP growth and Inflation (CPI) are as per the IMF World Economic Outlook, NBS, CBN monthly reports. The figures represent a prudent macro-economic framework from which the YBSG Medium Term Fiscal Framework was drawn.

4. Yobe State Economy –

The State economy is bouncing back from the aftermath of the insurgency that bedevilled the state since 2009. With the return of relative peace since 2015, economic activities has sprang up especially with the opening up of markets that were earlier closed e.g.; Damaturu, Geidam, Buni-Yadi, Babangida markets etc. Agriculture is the main economic activity of the state which employ more than 80% of the state abled workforce. However, farming activities is still hampered by security fear in Yunusari, Geidam, Gujba and Gulani Local Government Areas. With the prompt payment of state government salary over the years and government policy of non-collection of loans, the state economy is said to be stable compared to its counterparts in which are highly indebted. Thus, with the release of the Paris loan refund by the Federal Government, the State embarked on massive capital projects which led to increase in economic activities with resultant increase in IGR turnover especially Withholding Tax and vetting fees etc.

Data plays a very pivotal role in analysis and forecasting the macro and micro economic model towards the development of the EFU-FSP-BPS. In view of the desired need for data generation, the Yobe State Government is making concerted effort towards the establishment of the State Statistical Bureau. Similarly, in 2017 the State Ministry of Budget and Economic Planning conducted a Poverty Mapping Survey which revealed that 60% of the citizens of Yobe State are absolutely poor, 43% poverty gap/debt and 18% of the citizens are severely or chronically poor and required immediate attention. Thus, the government's policy thrust is geared towards pro poor strategies towards the economic emancipation of the populace.

1.B Fiscal Update

5. Revenue Performance – On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2014 - 2018 (6 years' budget vs actual and 2019 approved budget).

6. Expenditure Performance – On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2013 – 2018

7. Debt position – The state has continuously maintained its low debt profile over the years as this is planned to be sustained in the plan period. The main state debt stock include Budget Support Facility of the Federal Government, Bail Out Funds, World Bank/FGN bilateral Foreign loans for; FADAMA III AF, CSDP, YESSO, NSHIP, SLOGOR, and contractual arrears etc.

1.C Macro-Fiscal Strategy and Key Assumptions

8. Macro-economic and Mineral Assumptions –

The 2020-2022 Macroeconomic Framework is prepared against the background that the Nigerian economy has fully recovered from the recession as confidence is gradually being restored at the global level. This period marks a turning point in the economic apparatus of the country with the full diversification strategy of the Federal Government yielding appreciable result as manifested with the turnaround in the non-oil sector contributing substantial part of the national revenue base. With the IMF and World Bank revising their forecasts upwards the future economic outlook for both the national and global economy is increasingly looking better and a bit more promising than hitherto.

The 2020-2022 macroeconomic projections are based on the recently published Nigeria Economic Growth and Recovery Plan (NEGRP). The NEGRP predicts macroeconomic stability and a strong recovery of national economy. It also assumes inflation rate 11.70% in 2020 Mineral sector assumptions: a) Benchmark Crude Oil price of US$60 is projected for 2020, 2021 and 2022 respectively based on OPEC projections that is most closer predictions compared to the average of IMF, World Bank, EIU etc. as well as the current trend of oil price throughout the year 2019; b) Crude oil production estimates are 2.3 mbpd for 2020, 2021 and 2022 respectively, which was based on the NNPC targets for 2019. This is further based on the expectation by NEGRP that current effort of the FGN at curtailing militancy in the Niger Delta and repair of damaged infrastructure has started yielding results. As for NGN:USD exchange rate it is assumed to remain at the official CBN rate of N305 to the US dollar throughout the plan period.

Macro-Economic Framework

Item	**2020**	**2021**	**2022**
National Inflation	11.70%	11.00%	11.00%
National Real GDP Growth	2.40%	2.400%	2.40%
Oil Production Benchmark (MBPD)	2.3000	2.3000	2.3000
Oil Price Benchmark	$60.00	$60.00	$60.00
NGN:USD Exchange Rate	305	305	305
Other Assumptions			
Mineral Ratio	35%	35%	36%
Fiscal Framework	**2020**	**2021**	**2022**
Treasury Opening Balance	2,500,000,000	2,180,740,166	2,530,201,545
Recurrent Revenue			
Statutory Allocation	51,190,649,751	60,948,647,722	66,348,000,000
VAT	11,857,193,447	12,895,678,676	14,153,000,000
IGR	5,442,495,668	6,294,725,109	7,155,812,502
Other FAAC Revenues	4,201,000,000	4,201,000,000	4,201,000,000
Other Recurrent Revenues			
Total Recurrent Revenue	**72,691,338,866**	**84,340,051,508**	**91,857,812,502**
Recurrent Expenditure			
CRF Charges	6,234,578,000	6,734,578,000	7,734,578,000
Personnel	28,922,455,620	30,558,343,848	32,630,000,000
Overheads	16,955,814,500	17,029,465,967	18,940,720,838
Total	**52,112,848,120**	**54,322,387,814**	**59,305,298,838**
Transfer to Capital Account	**23,078,490,746**	**32,198,403,859**	**35,082,715,210**
Capital Receipts			
Grants	9,747,500,000	5,647,500,000	5,647,500,000
Other Capital Receipts	4,015,000,000	1,010,000,000	1,508,000,000
Total	**13,762,500,000**	**6,657,500,000**	**7,155,500,000**
Reserves			
Contingency Reserve	0	0	0
Planning Reserve	3,634,566,943	4,217,002,575	4,592,890,625
Total Reserves	**3,634,566,943**	**4,217,002,575**	**4,592,890,625**
Capital Expenditure	**36,840,990,746**	**38,855,903,859**	**42,238,215,210**
Discretional Funds	35,240,990,746	37,355,903,859	40,738,215,210
Non-Discretional Funds	1,600,000,000	1,500,000,000	1,500,000,000
Net Financing	0		
Total Budget Size	**88,953,838,866**	**93,178,291,674**	**101,543,514,047**

9. **Revenue Assumptions** –
Statutory Allocation: The Five Year moving average forecasting method is used to estimate statutory allocations from the Federation Account. The forecast method/model uses six-year historical data of the gross amount that accrued into the Federation Account for both mineral (i.e. crude oil) and non-mineral (company income tax and Customs & Excise) revenues. Yobe State's allocation out of the projected gross FAAC revenues is then determined based on its percentage share (2.618%) from the pool.

Value Added Tax, VAT: VAT is also forecast based on elasticity forecasting method using the GDP growth and inflation figures in the macroeconomic framework this is assumed to give a clear forecast with resultant historical trends effect.

Other Receipts from FAAC *(Excess Crude and others):* other receipts from FAAC include proceeds from Excess Crude Account (ECA), exchange gains, Ecological fund and sundry others. Currently the rising price of crude oil in the global market will those create excess proceeds from the sales which will increase state allocation.

With regards to exchange gains as the exchange rate at the official and the unofficial markets tend towards convergence, it is less likely to expect significant releases from this source. The Federal Budget Support Facility are not part of regular FAAC receipts and are therefore regarded as capital receipts.

Internally Generated Revenue (IGR): Having recovered from the after math of the insurgency, the state is currently intensifying efforts towards reconstruction and peace building which is envisaged to drive or regenerate economic activities. With this new development experienced in 2019, the state IGR is continuously on the rise from the 2018 level indicating a sign of return to normalcy and the extent of recovery taking place. This is also in consonant with the diversification agenda in conformity with the ERGP. Thus, IGR is projected to steadily grow in consistent with economic and agricultural production across the state and the new upward review of the existing tariffs.

Capital Grants: the main capital grants identified include State Universal Basic Education Board (SUBEB) Fund, SDGs conditional grants. The sum of N1.6bn is estimated as matching grant for SUBEB in 2020 fiscal year. Although the last disbursement for SDGs was made in 2019 there are indications that this will resume as from 2020 in lined with global declaration and Nigeria’s commitment. In view of this the sum of N50million is estimated from Federal grants are also expected from YESSO (IDA) World Bank, EU, Save One Million Lives, Basic Health Care Provision fund etc.

Miscellaneous Capital Receipts: – Reimbursements from the FGN and sales of assets are the two main items of miscellaneous capital receipts. A total sum of N1.0billion is anticipated from the FGN as the outstanding reimbursement for the federal projects executed by Yobe State Government. As for sales of assets Yobe plans to further dispose some of its assets and for this the sum of N15million is estimated per annum.

10. Expenditure Assumptions –

CRF Charges: is based on the assumption that – a) a substantive number of officers are expected to retire from the civil service of the state within the plan period, thus leading to increase in gratuity and benefits; b) new and existing debt servicing charges and repayment especially the repayment of the Bail Out;

Personnel Cost: Personnel costs are estimated using a historic trend analysis between the growth of personnel costs and national inflation, similarly, estimates for personnel cost are based against the background of consideration for increase in National Minimum Wage. As negotiations are currently ongoing between the FGN and labour unions for this purpose. Based on this premise, therefore, it is assumed that in 2020 personnel cost will slightly increase from the 2019 level and thereafter under tight control to subsequently grow steadily per annum for the years 2021 and 2022. Similarly, in continuation of the implementation of the IPSAS Charts of Accounts and Budget Classification, the personnel cost will further surge as a result of the transfer/posting of all Public Office Holders’ (POH) enumeration from the CRF to their appropriate cost centres as this will drastically reduce the CRF.

Overhead Cost: considering the rate at which inflation is declining, overheads cost are maintained at static figure for the plan period pending any economic changes. However, autonomy of the State House of Assembly based on the amended constitution has provided additional clause for the enjoyment of new privileges to all principal officers as well as legislative aids.

Capital Expenditure: – is based on maintaining the momentum of recovery and reconstruction of damaged infrastructure caused by the Boko Haram insurgency particularly in Education, Health and Water sectors and the zeal of the government to boost agricultural production with placing more emphasis on irrigation and dry season farming. Infrastructural development is another key area of the capital expenditure as it is assumed this will further boost economic development and activities in the state, thus, the delivery of major capital intensive projects is key for achieving State’s YOSERA-IV development objectives in line with the Federal Government’s Economic Recovery Growth Plan.

However, the main policy thrust of government over the medium term is declaring the state of emergency on basic and secondary education, upgrade of commercial and Industries, activities Infrastructure development etc. Towards actualizing the ERGP and YOSERA, massive investment in human capital development is envisaged in the plan period which include scholarship and staff training as well as Public Sector Management reforms (PSM).

1.D Sector Allocations (3 Year)

Figure 1: Expenditure Ceilings by Sector

S/N	Capital Expenditure by Sector	2020	2021	2022
1	Governance	4,926,000,000	5,326,000,000	6,626,0000,000
2	Agriculture	1,470,000,000	1,670,000,000	1,770,000,000
3	Works	12,140,000,000	13,240,000,000	14,440,000,000
4	Commerce	670,000,000	670,000,000	670,000,000
5	Water	1,100,000,000	1,300,000,000	1,500,000,000
6	Justice	790,000,000	790,000,000	790,000,000
7	Health	5,200,000,000	5,500,000,000	5,600,000,000
8	Education	8,852,000,000	9,469,903,859	9,752,251,210
9	Environment	340,000,000	440,000,000	540,000,000
10	Youth, Social & Comm. Dev	350,000,000	450,000,000	550,000,000
	State Wide	1,002,990,746		
	Total	**36,840,990,746**	**38,855,903,859**	**42,238,251,210**

Major Fiscal Risks and Other Considerations

11. Some of the major risk outlined/envisage in this period include among others,

i. Uncertainty and fluctuations in Crude Oil Price and Production Volatility could impact FAAC Revenues
ii. The continued vandalisation of oil pipe lines and activities of oil theft in the Niger Delta region affect oil production and revenue flows from FAAC.
iii. Change in Policy Priorities of the incoming Administration as a result of general elections
iv. Early lifting of OPEC exemption from oil production cut could for Nigeria and Libya may lead to fall in mineral revenue flows.
v. Over reliance on FAAC allocation and low IGR base is a major risk for the State
vi. Non-realisation or Inability to draw-down grants and loans.