YOBE STATE GOVERNMENT

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

2024 – 2026

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List of Abbreviations

BPP	Bureau of Public Procurement
BPR	Budget Performance Report
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) 2024 – 2026 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 2024 – 2026.

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 drown 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. This Medium-Term Expenditure Framework (MTEF) provides a tool for multi-year fiscal planning and budget formulation process aimed at enabling government to set fiscal targets and allocate resources to strategic priorities. Key elements of the MTEF are the Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS).

2. The EFU provides economic and fiscal analyses which form the basis for the budget planning process. It is aimed primarily at guiding policy and lawmakers in the State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant global, national, and state level factors affecting implementation.

3. Yobe State adopted the MTEF process in 2015 as part of the budget reforms. This is the 10th rolling iteration of the document which covers the period 2024 -2026. The process has been institutionalised with the enactment of key state laws (i.e., the Fiscal responsibility Law and the PFM Law) and is profoundly embedded in the budgetary system of the State.

4. According to the World Bank MTEF essentially provides the “linking framework” to address the disconnect between policy making, planning, and the budget process. MTEF is a top-down/bottom-up budgeting process that seeks to match the medium-term costs of existing policy with available resources within the context of the annual budget process.

5. The top-down part of the MTEF consists of the estimation of the aggregate resource envelope and the allocation of sector envelops in accordance with the priorities of the government. Again, the top-down process involves building a macroeconomic model (medium-term macroeconomic and fiscal framework) to determine the aggregate resource envelope. Top-down also involves setting fiscal targets. On the other hand, the bottom-up process, which takes place at the sector level (group of MDAs constituting a sector), involves policy reviews and the estimation of the current and medium-term costs of existing policies to be matched with the envelope allocated to a sector.

6. MTEF is a rolling process and the first stage of the annual budget preparation. It is an important stage to underpin budget realism and enhance fiscal discipline. MTEF provide stimulus towards accelerating investment in critical infrastructures, human capital development, boosting internal revenue based of the state, which will further encapsulate government’s plan to **accelerate economic growth and recovery processes, promote social inclusion, sustained its open-door policy, participatory governance, execution of citizens-driven projects and programmes**.

7. To set out the macro-fiscal framework for determining the aggregate resource envelope some underlying assumptions on key parameters should be made. The more realistic the assumptions the more realistic the revenue forecast and ultimately the realism of the budget.

1.A.1 Budget Process

8. The Annual Budget preparation process commences with the preparation and issuance of the annual budget call circular, or BCC for short, by the Ministry of Planning and Budget or equivalent. The BCC provides detailed instructions to Ministries, Departments and Agencies, and MDAs for quick preparation of annual budget proposals. It should also offer ceilings within which MDAs must submit their budgets. These ceilings should be consistent with the sector allocations provided in the Medium-Term Expenditure Framework. The call circular should include the following:
    - Economic and Fiscal Outlook for the fiscal year;
    - Aggregate spending limit for the year (budget target);
    - A summary of State Budget Policy Statement;
    - Government priorities (policy direction, priority projects, etc.);
    - Explanations and guidelines on lifting projects and programmes from the State Development Plan and MTSS;
    - Sectors/MDAs Ceilings (spending boundaries on capital, personnel and overhead costs);
    - Form and format of the budget estimates;
    - Guidelines for preparing recurrent expenditure (particularly personnel costs);
    - Instructions for completing the budget template; and
    - Detailed time-table for submission of proposal and budget bilateral discussion.

9. The annual budget submissions by MDAs should be informed by, and be consistent with, the costed Medium Term Sector Strategies. Once the Ministry of Budget and Economic Planning has received all budget submissions, they will be compiled into a first draft of the Annual Budget. Subsequently, MDAs will be invited to a budget bilateral discussion – this will typically include the MDAs and the MoBEP, but it may also have other stakeholders drawn from the core PFM Institutions (MoF, OSAuG, YIRS, SHoA, FRB, NYCSO).

10. After the budget bilateral discussion, a second draft of the budget should be compiled and submitted to the Executive Council for review. The Executive Council should subsequently make its budget proposal to the State House of assembly – this is, in effect, the third draft of the annual budget.

11. The State House of Assembly has a critical role as the legislator in scrutinizing the draft budget. In some instances, the State House of Assembly will require MDAs to present and defend their budgets. The annual budget will go through three hearings at the State House of Assembly and should conclude with budget consent and signing of the appropriations bill into law. As well as the

appropriation law, afterwards, detailed version of the budget and a simplified version, usually referred to as the citizen's budget are published by MoBEP.

12. The annual budget must be passed well before the start of the budget year, which enables the government to undertake a detailed cash planning exercise, which involves forecasting monthly cash inflows and outflows. The cash planning exercise is usually managed by the Treasury and the Ministry of Planning Budget, in consultation with all Ministries, Departments, and Agencies (MDAs).

13. The goals of in-year cash management are to maintain adequate liquidity in the treasury to satisfy all obligations, ensure that any surplus funds are managed effectively, and foresee and handle cash shortfall periods. Which can involve setting up short- or long-term finance via loans, bank overdrafts, and other similar methods. The State's Treasury and Debt Management Office will collaborate to manage the State's debt, ensuring that it is adequately repaid and that the State maintains sustainable debt solvency and liquidity ratios.

14. In-year and full-year reports, will also be produced for specific areas – for example, quarterly BPR and quarterly debt statements should be made by the MoBEP, and Debt Management Department or the Accountant General. The Bureau for may prepare reports on procurement activity for Public Procurement. And potentially reports on the implementation of specific capital expenditure projects.

15. After the completion of the budget year, a set of detailed Financial Statements will be prepared by the Office of the Accountant General. These financial statements should cover the revenue inflows and Expenditure outflows over the budget year and a snapshot of the State’s finances at the end of the Budget year. As the minimum, this should include the following:
    - A statement of Assets and Liabilities.
    - A statement of Incomes and Expenditures,
    - A statement of Consolidated Revenue Fund.
    - And a statement of Capital Development Fund

16. There should also be a broader Monitoring and Evaluation function within the central Ministry of Budget and Planning and in addition for each line ministry. This monitoring and evaluation function help in ensuring that the programs, projects, objectives, and targets contained within medium-term sector strategies are being implemented as designed and achieving the intended results.

17. Sectors should formalize their monitoring and evaluation activities into an annual sector performance assessment report. This will help inform Planning and Budgeting in the subsequent PFM cycles.

1.A.2 Summary of Document Content

18. 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 2024-2026. This document aimed at:
    - i. Providing a backwards looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update;
    - ii. Setting 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. Providing indicative sector envelopes for the period 2024-2026 which constitute the MTBF.

19. 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.

20. The FSP is a key element in the State's 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

21. The document is prepared by Ministry of Budget and Economic Planning, following a resolution of the Budget Working Group (BWG), in the first two halves of the year, being the second step in the annual budget preparation process after sector performance review.

22. This document tends to provide basic information on the 2024-2026 MTEF, yet another milestone in the annual budget preparation cycle for all of the key stakeholders, specifically:
    - i. The State House of Assembly (SHoA);
    - ii. The State Executive Council (ExCo);
    - iii. All Government Ministries, Departments and Agencies (MDA's);
    - iv. Network of Yobe Civil Society Organisation (NYCSO).

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM

23. The fundamental law governing PFM in Nigeria (i.e., Federal, State, and Local Governments) is the 1999 Constitution as amended. Other laws, regulations, rules, and guidelines govern PFM issues of Federal, State, and Local Governments. These include:
    - The Finance (Control and Management) Act, 1990 - The Finance (Control and Management) Act, 1990 was initially enacted in 1958. The Act was reproduced as a Chapter in the Laws of Eastern Region, Northern Region, Western Region, 1963, and later Midwestern Region. However, on the creation of States on 27th May 1967, the 12 (twelve) States were empowered to replicate the regional laws in their states with necessary modifications. Many states have repealed the original Finance (Control Management) Law and enacted State-specific Finance Laws.
    - The Fiscal Responsibility Act, 2007 was passed by the National Assembly and accented to by Mr President in 2007. In 2007, the Governors undertook to enact State Fiscal Responsibility law in their respective states. Most of the conditions of Nigeria have enacted their Fiscal Responsibility Law.
    - The Public Procurement Act, 2007, was passed by the National Assembly and accented to by Mr President in 2007. Also, in 2007, the Governors undertook to enact State Public Procurement laws in their respective states. Most of the conditions of Nigeria have enacted their Public Procurement Law
    - The Allocation of Revenue (Federation Account) Act 1982; and Allocation Revenue Federation Amendment Act 2002.
    - The Personal Income Tax Act 2011 and other Tax Laws (including Capital Gains Tax Act, 1999, Companies Income Tax Act 2007, Value Added Tax Act 2007, Stamp Duties Act, 2004, etc.). Most of the states in Nigeria have enacted state-specific revenue laws in line with provisions of the Personal Income Tax Act.
    - The Debt Management Office (Establishment) Act, 2003.
    - The Finance Act, 2020, Finance Act, 2021, etc.
    - Audit Laws – The Audit ordinance, 1956, was enacted for the Federation (i.e., federal, regional, government boards, and parastatals being inclusive). The Audit Ordinance later became the Audit Act. The Act did not survive the review of the Laws of the Federation of Nigeria in 1990. Curiously, the Act was considered redundant and unnecessary based on the provisions of the 1979 Constitution on the appointment of the Auditor General (both for Federation and State) and audit of public accounts. These provisions are maintained in the 1999 Constitution. Through the support of the World Bank and Federal Government State Fiscal Transparency Accountability and Sustainability (SFTAS) Project for Result (PforR), most states have enacted state-specific Audit Laws, notwithstanding that Federal Government is yet to pass their Audit Act despite repeated attempts by National Assembly.
    - The Financial Regulations (revised to 2009) for Federal Government
    - The Financial Instructions for State Governments.

- The Financial Memoranda for Local Governments

24. The Institutional Framework for PFM in Yobe State comprises of:
    - Ministry of Finance and Economic Development- Coordinating Agency
    - Ministry of Budget and Economic Planning - Asst Coordinating Agency
    - State House of Assembly - Member
    - Office of the State Auditor General - Member
    - Internal Revenue Service - Member
    - Fiscal Responsibility Board - Member
    - Network of Yobe Civil Society Organisation - Member

25. 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 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.

26. 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. 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.

27. 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.

28. 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.

29. 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. Yobe State Internal Revenue Service, is saddled with the responsibilities of collation and collection of all revenues generated internally at the state level on behalf of the state government. They provide the internal revenue targets every fiscal year for the Revenue Generating Agencies, which formed part of the finance law of the annual budget.

31. Network of Yobe Civil Society Organisation help the State Government implement citizen-driven and citizen-oriented projects and programmes. In Yobe State the CSOs are involved in the overall budget processes since from preparation to implementations stage, for this reasons citizen are expected to be tracking the budget implementation and advise government where appropriate.

1.B.2 Overview of Budget Calendar

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

Table 1: Budget Calendar

Stage	Timeline	Responsibility
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

33. Global growth is projected to fall from 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024 on an annual average basis (Table 1). Compared with projections in the April 2023 WEO, growth has been upgraded by 0.2 percentage point for 2023, with no change for 2024. The forecast for 2023–24 remains well below the historical (2000–19) annual average of 3.8 percent. It is also below the historical average across broad income groups, in overall GDP as well as per capita GDP terms.

34. 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[1]		Forecast	
	2021	2022	2023	2024
United States	5.9	2.1	1.8	1.0
Germany	2.6	1.8	-0.3	1.3
Italy	7.0	3.7	1.1	0.9
United Kingdom	7.6	4.1	0.4	1.0
China	8.4	3.0	5.2	4.5
Russia	5.6	-2.1	1.5	1.3
Brazil	5.0	2.9	2.1	1.2
Mexico	4.7	3.0	2.6	1.5
Nigeria	3.6	3.3	3.2	3.0
South Africa	4.7	1.9	0.3	1.7

Source: IMF's World Economic Outlook, July 2023 Update.

35. Advanced economies continue to drive the decline in growth from 2022 to 2023, with weaker manufacturing, as well as idiosyncratic factors, offsetting stronger services activity. In emerging market and developing economies, the growth outlook is broadly stable for 2023 and 2024, although with notable shifts across regions. On a year-over-year basis, global growth bottomed out in the fourth quarter of 2022. However, in some major economies, it is not expected to bottom out before the second half of 2023.

36. World trade growth is expected to decline from 5.2 percent in 2022 to 2.0 percent in 2023, before rising to 3.7 percent in 2024, well below the 2000–19 average of 4.9 percent. The decline in 2023 reflects not only the path of global demand, but also shifts in its composition toward domestic services, lagged effects of US dollar appreciation—which slows trade owing to the widespread invoicing of products in US dollars—and rising trade barriers.

[1]IMF's World Economic Outlook, July 2023 Update

37. These forecasts are based on a number of assumptions, including those regarding fuel and nonfuel commodity prices and interest rates. Oil prices rose by 39 percent in 2022 and are projected to fall by about 21 percent in 2023, reflecting the slowdown in global economic activity. Assumptions regarding global interest rates have been revised upward, reflecting actual and signalled policy tightening by major central banks since April. The Federal Reserve and Bank of England are now expected to raise rates by more than assumed in the April 2023 WEO--to a peak of about 5.6 percent in the case of the Federal Reserve—before reducing them in 2024. The European Central Bank is assumed to raise its policy rate to a peak of 3¾ percent in 2023 and to ease gradually in 2024. Moreover, with near-term inflation expectations falling, real interest rates are likely to stay up even after nominal rates start to fall.

38. For advanced economies, the growth slowdown projected for 2023 remains significant: from 2.7 percent in 2022 to 1.5 percent in 2023, with a 0.2 percentage point upward revision from the April 2023 WEO. About 93 percent of advanced economies are projected to have lower growth in 2023, and growth in 2024 among this group of economies is projected to remain at 1.4 percent.
    - In the United States, growth is projected to slow from 2.1 percent in 2022 to 1.8 percent in 2023, then slow further to 1.0 percent in 2024. For 2023, the forecast has been revised upward by 0.2 percentage point, on account of resilient consumption growth in the first quarter, a reflection of a still-tight labour market that has supported gains in real income and a rebound in vehicle purchases. However, this consumption growth momentum is not expected to last: Consumers have largely depleted excess savings accumulated during the pandemic, and the Federal Reserve is expected to raise rates further.
    - Growth in the euro area is projected to fall from 3.5 percent in 2022 to 0.9 percent in 2023, before rising to 1.5 percent in 2024. The forecast is broadly unchanged, but with a change in composition for 2023. Given stronger services and tourism, growth has been revised upward by 0.4 percentage point for Italy and by 1.0 percentage point for Spain. However, for Germany, weakness in manufacturing output and economic contraction in the first quarter of 2023 means that growth has been revised downward by 0.2 percentage point, to –0.3 percent.
    - Growth in the United Kingdom is projected to decline from 4.1 percent in 2022 to 0.4 percent in 2023, then to rise to 1.0 percent in 2024. This is an upward revision of 0.7 percentage point for 2023, reflecting stronger-than-expected consumption and investment from the confidence effects of falling energy prices, lower post-Brexit uncertainty (following the Windsor Framework agreement), and a resilient financial sector as the March global banking stress dissipates.
    - Growth in Japan is projected to rise from 1.0 percent in 2022 to 1.4 percent in 2023, reflecting a modest upward revision, buoyed by pent-up demand and accommodative policies, then slow to 1.0 percent in 2024, as the effects of past stimuli dissipate.

39. For emerging market and developing economies, growth is projected to be broadly stable at 4.0 percent in 2023 and 4.1 percent 2024, with modest revisions of 0.1 percentage point for 2023 and –0.1 percentage point for 2024. However, this stable average masks divergences, with about 61 percent of the economies in this group growing faster in 2023 and the rest--including low-income countries and three of the five geographic regions described in what follows--growing more slowly.
    - Growth in emerging and developing Asia is on track to rise to 5.3 percent in 2023, then to moderate to 5.0 percent in 2024, reflecting a modest (0.1 percentage point) downward revision for 2024. The forecast for China is unchanged at 5.2 percent for 2023 and 4.5 percent for 2024, but with a change in composition: Consumption growth has evolved broadly in line with April 2023 WEO projections, but investment has underperformed due to the ongoing real estate downturn in that country. Stronger-than-expected net exports have offset some of the investment weakness, although their contribution is declining as the global economy slows. Growth in India is projected at 6.1 percent in 2023, a 0.2 percentage point upward revision compared with the April projection, reflecting momentum from stronger-than-expected growth in the fourth quarter of 2022 as a result of stronger domestic investment.
    - Growth in emerging and developing Europe is projected to rise to 1.8 percent in 2023, reflecting a 0.6 percentage point upward revision since April, and to rise further to 2.2 percent in 2024. The forecast for Russia in 2023 has been revised upward by 0.8 percentage point to 1.5 percent, reflecting hard data (on retail trade, construction, and industrial production) that point to a strong first half of the year, with a large fiscal stimulus driving that strength.
    - Latin America and the Caribbean is expected to see growth decline from 3.9 percent in 2022 to 1.9 percent in 2023, although this reflects an upward revision of 0.3 percentage point since April, and to reach 2.2 percent in 2024. The decline from 2022 to 2023 reflects the recent fading of rapid growth during 2022 after pandemic reopening, as well as lower commodity prices; the upward revision for 2023 reflects stronger-than-expected growth in Brazil--marked up by 1.2 percentage points to 2.1 percent since the April WEO--given the surge in agricultural production in the first quarter of 2023, with positive spillovers to activity in services. It also reflects stronger growth in Mexico, revised upward by 0.8 percentage point to 2.6 percent, with a delayed post-pandemic recovery in services taking hold and spillovers from resilient US demand.
    - Growth in the Middle East and Central Asia is projected to decline from 5.4 percent in 2022 to 2.5 percent in 2023, with a downward revision of 0.4 percentage point, mainly attributable to a steeper-than-expected growth slowdown in Saudi Arabia, from 8.7 percent in 2022 to 1.9 percent in 2023, a negative revision of 1.2 percentage points. The downgrade for Saudi Arabia for 2023 reflects production cuts announced in April and June in line with an agreement through OPEC+ (the Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters),

whereas private investment, including from "giga-project" implementation, continues to support strong non-oil GDP growth.

- In sub-Saharan Africa, growth is projected to decline to 3.5 percent in 2023 before picking up to 4.1 percent in 2024. Growth in Nigeria in 2023 and 2024 is projected to gradually decline, in line with April projections, reflecting security issues in the oil sector. In South Africa, growth is expected to decline to 0.3 percent in 2023, with the decline reflecting power shortages, although the forecast has been revised upward by 0.2 percentage point since the April 2023 WEO, on account of resilience in services activity in the first quarter.

40. Global headline inflation is set to fall from an annual average of 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024, broadly as projected in April, but above pre-pandemic (2017–19) levels of about 3.5 percent. About three-quarters of the world's economies are expected to see lower annual average headline inflation in 2023. Monetary policy tightening is expected to gradually dampen inflation, but a central driver of the disinflation projected for 2023 is declining international commodity prices. Differences in the pace of disinflation across countries reflect such factors as different exposures to movements in commodity prices and currencies and different degrees of economic overheating. The forecast for 2023 is revised down by 0.2 percentage point, largely on account of subdued inflation in China. The forecast for 2024 has been revised upward by 0.3 percentage point, with the upgrade reflecting higher-than-expected core inflation.

41. Core inflation is generally declining more gradually. Globally, it is set to decline from an annual average of 6.5 percent in 2022 to 6.0 percent in 2023 and 4.7 percent in 2024. It is proving more persistent than projected, mainly for advanced economies, for which forecasts have been revised upward by 0.3 percentage point for 2023 and by 0.4 percentage point for 2024 compared with the April 2023 WEO. Global core inflation is revised down by 0.2 percentage point in 2023, reflecting lower-than-expected core inflation in China, and up by 0.4 percentage point in 2024. On an annual average basis, about half of economies are expected to see no decline in core inflation in 2023, although on a fourth-quarter-over-fourth-quarter basis, about 88 percent of economies for which quarterly data are available are projected to see a decline. Overall, inflation is projected to remain above target in 2023 in 96 percent of economies with inflation targets and in 89 percent of those economies in 2024.

2.A.2 Sub-Saharan African Economy

42. According to the IMF, the sub-Saharan African economy is projected to grow by 4.2% in 2024, up from 3.6% in 2023. This growth is expected to be driven by increased private consumption and investment, as well as a global recovery from the COVID-19 pandemic. However, the region also faces significant downside risks, such as a resurgence of the virus, lower commodity prices, tighter financing conditions, and social unrest. The IMF recommends that the region should pursue sound macroeconomic policies, enhance debt

transparency and management, and foster structural reforms to boost growth and resilience.

Table 3: Real GDP and Inflation – Selected African Countries

Country	Real GDP Growth (Annual % change)			Average Consumer Prices (Annual % change)		
	2022	2023	2024	2022	2023	2024
Angola	2.8	3.5	3.7	21.4	11.7	10.8
Cote D'Ivoire	6.7	6.2	6.6	5.2	3.7	1.8
Ethiopia	6.4	6.1	6.4	33.9	31.4	23.5
Ghana	3.2	1.6	2.9	31.9	45.4	22.2
Kenya	5.4	5.3	5.4	7.6	7.8	5.6
Nigeria	3.3	3.2	3.0	18.8	20.1	15.8
Senegal	4.7	8.3	10.6	9.7	5.0	2.0
South Africa	2.0	0.1	1.8	6.9	5.8	4.8
Tanzania	4.7	5.2	6.2	4.4	4.9	4.3
Zambia	3.4	4.0	4.1	11.0	8.9	7.7

Source: IMF – Regional Economic Outlook – Sub-Saharan Africa Apr 2023

43. By the beginning of 2023, inflation had started to fall in about half of countries in sub-Saharan Africa, while inflation is still rising or very volatile for the rest. Regardless of the trajectory, inflation remains high, with at least 20 out of 45 countries still facing double-digit inflation, and a median inflation of about 10 percent as of February 2023, more than twice the level at the end of 2019 (Figure 10). Median core inflation, which excludes energy and basic food prices, was more than 6 percent as of the end of February (where data were available) but remains volatile, showing no clear signs of decline. Projections point to inflation staying above pre-pandemic levels throughout 2027. Thus, policymakers have to continue this delicate dance between keeping inflation in check while being mindful of the still-fragile recovery. External factors (such as imported food and energy or swings in the exchange rate) rather than domestic demand pressures have driven much of the inflation in the region. Many of these external factors have subsided in recent months, and thus inflation is likely to follow suit, but because the transmission of lower international prices into domestic markets will take time, inflation is expected to remain above pre-pandemic levels in the near term.

44. Almost all central banks in the region have hiked policy rates since December 2021,4 with cumulative rate hikes larger in countries with higher inflation. However, the median interest rate hike was only about 270 basis points in sub-Saharan Africa between end-2021 and February 2023—lower by almost 130 basis points compared with the median in emerging market and developing economies outside the region (Figure 11). For most countries, current policy rates remain well below average policy rates over the past decade, while short-term real rates in the region are also still broadly in negative territory.

In some countries, growth in reserve money continues to exceed nominal GDP growth (Nigeria, Malawi). Angola is the only country to have cut the policy rate in early 2023, given the sharp decline in headline inflation.

45. What is needed to move ahead? Policymakers need to adjust the pace of monetary policy tightening to both the level and trajectory of inflation, in close coordination with fiscal policy, which can also tame domestic demand pressures where they exist and contain money growth:
    - In cases where countries are still experiencing very high inflation, continued acceleration, or significant volatility, authorities need to continue to tighten policy rates decisively because these countries are susceptible to second-round effects and de-anchoring of inflation expectations. Tackling both after they become entrenched will be very difficult.
    - In countries that have signs of inflation peaking, but where inflation is still relatively elevated, authorities need to steer monetary policy cautiously until inflation is firmly on a downward trajectory, and inflation projections return within the target band of the central bank in the medium term.

46. More generally, given the uncertainty in predicting turning points in the inflation trajectories, monetary policy needs to be data-dependent based on country-specific economic developments, including paying particular attention to wage growth in the coming months, but also international food and energy price developments because food and energy make up 50 percent of the region’s consumption basket on average.

47. Countries with pegs or heavily managed floats have generally experienced lower inflation than those without pegs, but their currency arrangement constrains their ability to control the pace of monetary policy tightening. Anchor currencies in the region include the euro (West African Economic and Monetary Union and Central African Economic and Monetary Community), the South African rand, and the US dollar—all subject to a different pace of monetary policy tightening by their respective central banks. Thus, currency peggers will not only have to keep a close watch on elevated inflation and its trajectory but also keep policy rates in lock with the anchor policy rate to preserve external stability and foreign exchange reserves.

2.A.3 Nigerian Economy

Macroeconomic

48. According to IMF Nigeria, real GDP is expected to experience a decline in growth from 3.2% in 2023 to 3.0% in 2024. Double-digit inflation and a weaker naira currency have held back Africa's biggest economy. Although the agriculture sector grew in 2022, severe flooding across the country significantly hampered its performance. High global oil prices have driven up diesel costs, which many businesses depend on for electricity generation, leading to increased production outlays, while a faltering currency has made imports more expensive.

49. On the other hand, NBS estimates real GDP growth stood at 2.31% in the first quarter of 2023. The short-term prospect (i.e., till the end of 2023) for these macroeconomic variables is less brilliant given the major policy shift regarding the withdrawal of fuel subsidy and the unification of the foreign exchange market. Inflation is expected to continue rising while real GDP growth is to remain tepid due to reduced economic activity resulting from a combination of Naira depreciation and declining aggregate demand. However, in the medium-term the economy is expected to adjust and stabilize at a new equilibrium in 2024 when the new policies have reached fruition.

50. The Naira to US Dollar (USD) official exchange rate (at the CBN Import and Export, I&E, window) has been fairly stable during the first five months of 2023, at a rate of around N460 to the USD. However, the margin between the official and unofficial (parallel market) rates is around ₦300. Nigeria's foreign reserves have been continually falling for the last 12 months, from N39.4 trillion in June 2022 to N35.1 trillion in May 2023. With the unification of the foreign exchange market (i.e., floating of the Naira) coupled with dwindling foreign reserves the exchange rate has already soared to ₦770 to USD in July 2023, although the margin between the Investor and Exporter window and the parallel market has significantly narrowed to about ₦50-70. The outlook for 2023 is probably for the rate to hover around ₦750 to 800 with the margin between the I&E window and parallel market rates maintained at below ₦50.

51. Crude oil prices dropped in May 2023 to below the level observed immediately prior to the Russia/Ukrainian conflict in early 2022 with Brent Crude price closing at $73.15 on May 31st 2023. This is below the 2023 FGN Budget Benchmark price of $75 per barrel. There are a number of factors that have contributed to the decline, not least the weakened global macro-economic outlook. However, crude oil price is rising and is currently above US$80 per barrel.

52. Whilst the decline in the crude price is positive in terms of its impact on the domestic petroleum prices post-subsidy removal, on the other hand the impact on fiscal revenues and foreign reserves is negative. Barring any untoward developments like conflict in the Middle East and the prolongation of the Russia/Ukraine war as well as any attempt by OPEC to manipulate oil production crude oil price is projected to settle at less than USD75 in 2024. The global economy appears to show signs of improvement and is poised to gradually recover from the powerful blows of the pandemic and the Russia/Ukraine war as China rebounds strongly following the reopening of its economy and as the disruptions in global supply-chain unwind.

53. The continued and imprudent deficit financing by the Federal Government severely affected the economic situation by increasing the level of inflation and stifling real Gross Domestic Product (GDP) growth. Based on the National Bureau of Statistics (NBS) figures real GDP growth declined from 3.52% in Q4

2022 to 2.31% in Q1 2023 and CPI (inflation) rose from 21.91% in January 2023 to 22.79 in June 2023. The Nigerian Naira (₦) has depreciated against foreign currencies with the US$ now selling for almost ₦774 at the Investor/Exporter market window. The foreign exchange market is yet to stabilise because of short supply of foreign currency coupled with dwindling foreign reserves.

54. On the upside the withdrawal of fuel subsidy would free up revenue hitherto tied to subsidy payment to be channelled to other sectors of the economy and reduce the fiscal deficit. Likewise, one of the effects of the foreign exchange reforms is to raise the Naira value of mineral revenues accruing to the federation account and increase the distributable pool.

55. The international outlook is mixed with several conflicts yet to be resolved, principally the Russia/Ukraine war. The UN and Turkish-brokered 'Grain from Ukraine' programme has come to an end on July 17, 2023 and Russia is unwilling to renew the agreement. Tensions have already started to escalate in the Black Sea with serious implication on global grains supply and severe consequences on the global economy as food prices soar. Nigeria imports more than 50% of wheat from the Black Sea axis including Russia.

56. At over USD 80 crude oil price is currently above the 2023 budget benchmark of USD 75 per barrel. On the other hand, uncertainties around the 2023 general elections aided Nigeria's failure to meet its crude oil production budget target of 1.8 million barrels per day (MBPD) with production averaging 1.209 MBPD in the first half of 2023; the highest being 1.306 MBPD in February.

57. The challenge of climate change including flooding poses risks and severe consequences including environmental devastation, declining food production, economic hardship and social dislocation. Several states have already started to experience floods since the commencement of this year's rainy season and according to the Nigerian Meteorological Agency's (NiMET) forecasts over 20 states of the federation will experience floods in varying degrees in 2023. Other states might as well experience drought.

58. Inequality, in terms of income and opportunities, remains high and this coupled with high levels of inflation and unemployment as well as other macroeconomic challenges has worsened the poverty incidence. The need to address this development challenge is of paramount importance to governments across the country and especially in states with high and rising level of poverty.

2.A.4 Yobe State Economy

59. An analysis of the fiscal performance of the of the state during the past five years from 2018 to 2022 undertaken by EU-Yobe PFM, M&E and Statistics revealed that Yobe's fiscal performance during the period of review was mixed with significant yearly variations. On the positive side Yobe state was able to keep expenditure/spending within available funds or earnings indicating the

extent of fiscal discipline during the period under review. Table below provides the average performance of key fiscal indicators during the 5-year period 2018-2022. Compared to total spending (which is in the region of ₦97,317 million), on average the state earned a slightly higher (higher by 0.25%) amount in the sum of ₦97,562 million.

Fiscal Performance 2018-2022 (5-Year Average)

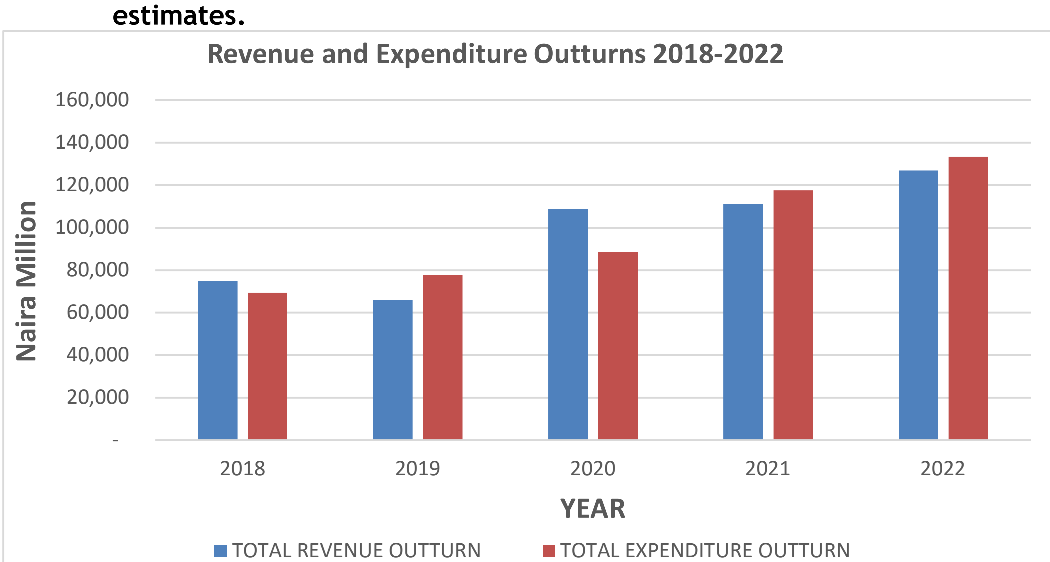
Item	Budget (₦ million)	Actual (₦ million)	Performance
Total revenue/earning	107,876	97,562	90.4%
Total expenditure/spending	112,599	97,317	86.6%
Total recurrent revenue	69,426	65,565	94.6%
Total capital revenue/receipts	38,447	31,906	83.0%
Total recurrent expenditure	61,815	63,051	100.1%
Total capital expenditure	50,784	34,266	70.7%

Source: Yobe State Annual Audit Reports for 2018, 2019, 2020 and 2021; 2022 Financial Statement

60. Also, in terms of outturn, revenue performance was stronger than expenditure with average respective performance of 90.4% and 86.6%. However, the outturn for both variables fluctuated over the 5-year period with revenue performance ranging between 81% to 89% (the highest performance being 121% in 2021) while expenditure outturn ranged between 75% and 85% (with highest of 109.9% in 2021).

61. Figure below provides the trend of revenue and expenditure outturns during the period 2018-2022. As can be clearly observed control in spending seems to be loose in the last two years of the review period (2021 and 2022) with spending exceeding revenue by over 5% in both cases.

NOTE: ALL revenue and expenditure COMPARISONS are based on the ORIGINAL budget estimates.



Source: Yobe State Annual Audit Reports for 2018, 2019, 2020 and 2021; 2022 Financial Statement

62. As can be seen in Table below the performance of revenues from the federation account at 96.4% was stronger compared to internally generated revenue (IGR) which recorded an average performance of 82.9% over the 5-year period. The contribution of IGR to the revenue pool of the state (total actual revenue) consistently at less than 10% (except in 2019 when IGR contributed 12.9%) is a source of concern indicating the extent of the state's dependence on revenues that it has no control on. Another area of concern is the under-performance in capital revenue which significantly affected the execution of capital projects.

Revenue Performance by Source (5-Year Average)

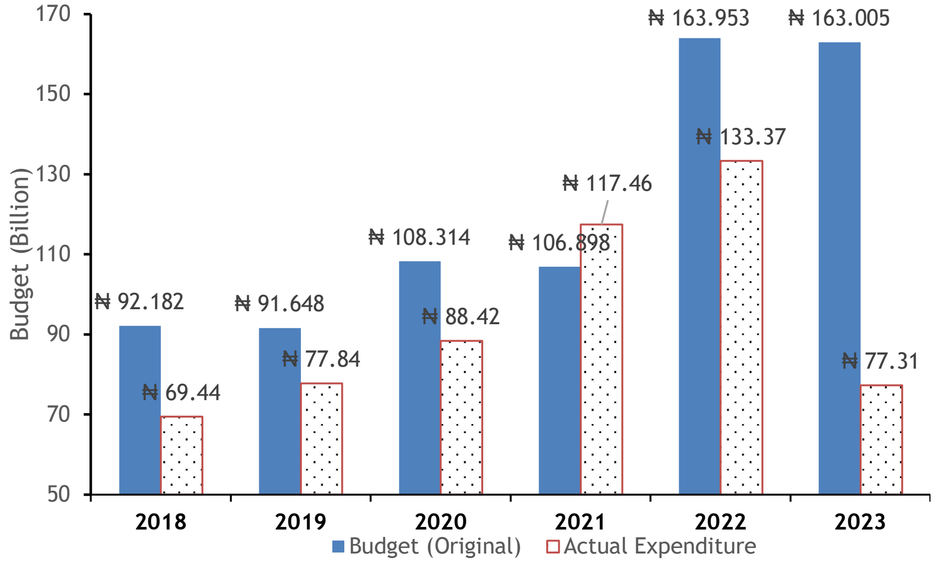
Item	Budget (₦ billion)	Actual (₦ billion)	Performance
Federation Account	60.237	58.039	96.4%
a) Statutory allocation	46.571	42.377	90.6%
b) VAT	13.486	15.661	116.1%
IGR	9.192	7.617	82.9%
Capital Receipts	38.447	31.906	83.0%

Source: Yobe State Annual Audit Reports for 2018, 2019, 2020 and 2021; 2022 Financial Statement

63. On the expenditure side, over the five years under review, Yobe State Government budgeted a total sum of ₦562,995 million for both recurrent and capital expenditure to provide services to the citizens of the state. Within the same period aggregate expenditure outturn (total actual spend) was in the sum of ₦486,584 million representing a deviation of 13.6% from the original budget. Although by Nigerian standard a deviation of 15% is acceptable but in standard practice a two-digit deviation implies a weakness in budget credibility. It is also worth mentioning that growth in expenditure is slightly higher than that of revenue i.e., 18% compared to 17.3%.

64. Table below shows the annual budget trend (original) for the periods 2018 – 2023 relative to their actuals with 24.7%, 15.1%, 18.4%, -9.9% and 18.7% budget deviations in 2018, 2019, 2020, 2021 and 2022. The 2023 performance showed an appreciable indicator for achieving a 5.1% deviation if all everything goes well. Over the past years, overall performance is less than a ₦100 billion, it further escalated, where over ₦117 billion was expended in 2021 and ₦133 billion in 2022, with an average performance of 86.6% within the 5-year period 2018-2022.

Annual Budget Trend 2018 2023



65. Overhead costs including CRFC grew faster (at an average annual growth rate of 14%) than personnel cost (at 7.9%) over the 5-year period. During the review period, loan repayment increased more than 26 times from ₦1,495 million in 2018 to ₦39,992 million in 2022. With regards to performance of the two expenditure components the delivery rate of recurrent expenditure was on average 100% compared to 70% for capital projects. The slow pace of project delivery affects budget credibility in a more profound way.

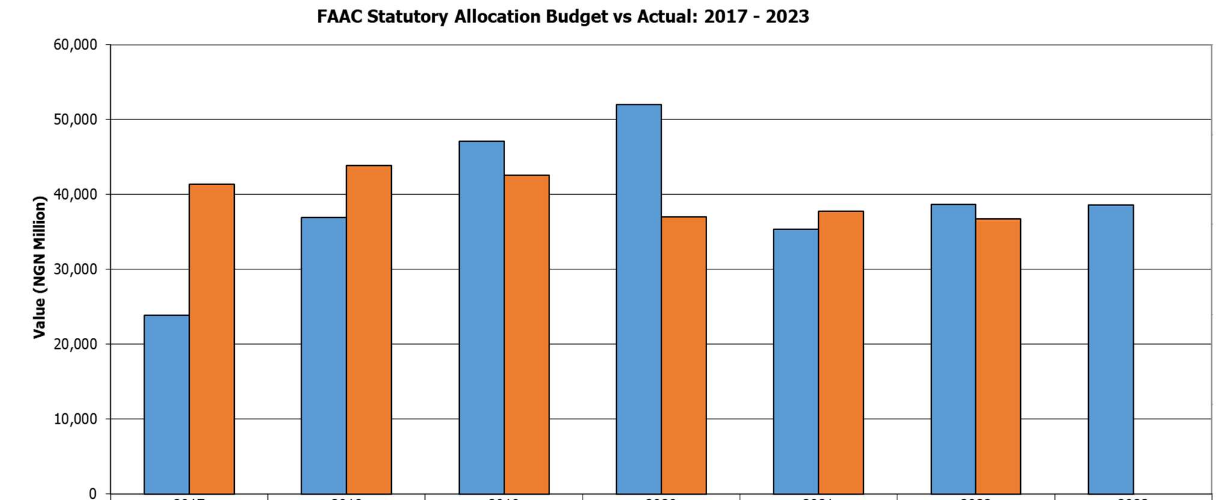
2.B Fiscal Update

2.B.1 Historic Trends

Revenue;

66. 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 1: Statutory Allocation



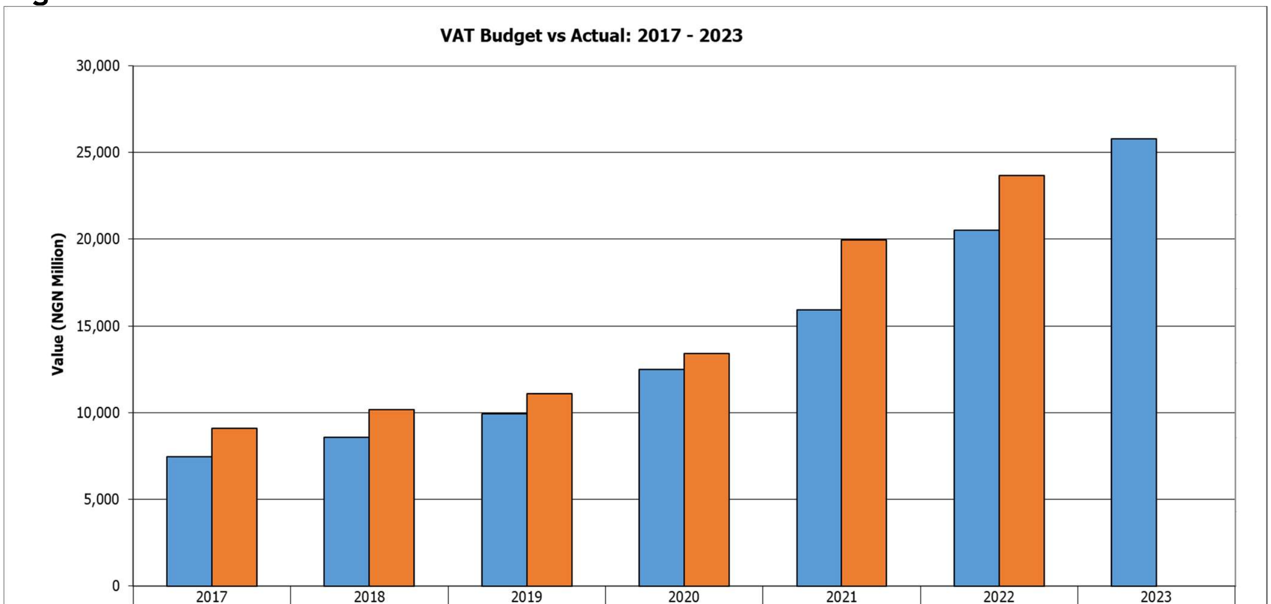
	2017	2018	2019	2020	2021	2022	2023
Budget	23,840,316,000	36,871,660,000	47,069,103,917	52,018,120,659	35,383,273,429	38,643,642,465	38,555,341,000
Actual	41,354,819,073	43,897,467,999	42,531,998,367	36,963,663,894	37,783,384,564	36,681,175,222	0
Performance	173.5%	119.1%	90.4%	71.1%	106.8%	94.9%	0.0%
Growth		6.15%	-3.11%	-13.09%	2.22%	-2.92%	0.00%

Year

67. Statutory Allocation constitutes all Federal Transfers excluding Value Added Tax (VAT) and other Federal Accounts Transfers. Statutory Allocation are mainly Crude Oil and Gas proceeds, Company Income Tax (CIT) and Custom and Excise Duty (C&E). Thus, the Statutory Allocation is 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.

68. The actual statutory allocation received was much higher than the budgeted figure in 2017, 2018 and 2021, 90% in 2019, 71% in 2020 and 95% in 2022 with an average annual growth rate of 2.4% and average annual performance of ₦39.869 billion or ₦3.322 billion monthly, for the periods 2017-2022. This further indicates that Statutory Allocation was under-estimated over the years due to uncertainty surrounding its applicability. Thus, a realistic estimate and forecast, is therefore very necessary and crucial.

Figure 2: VAT



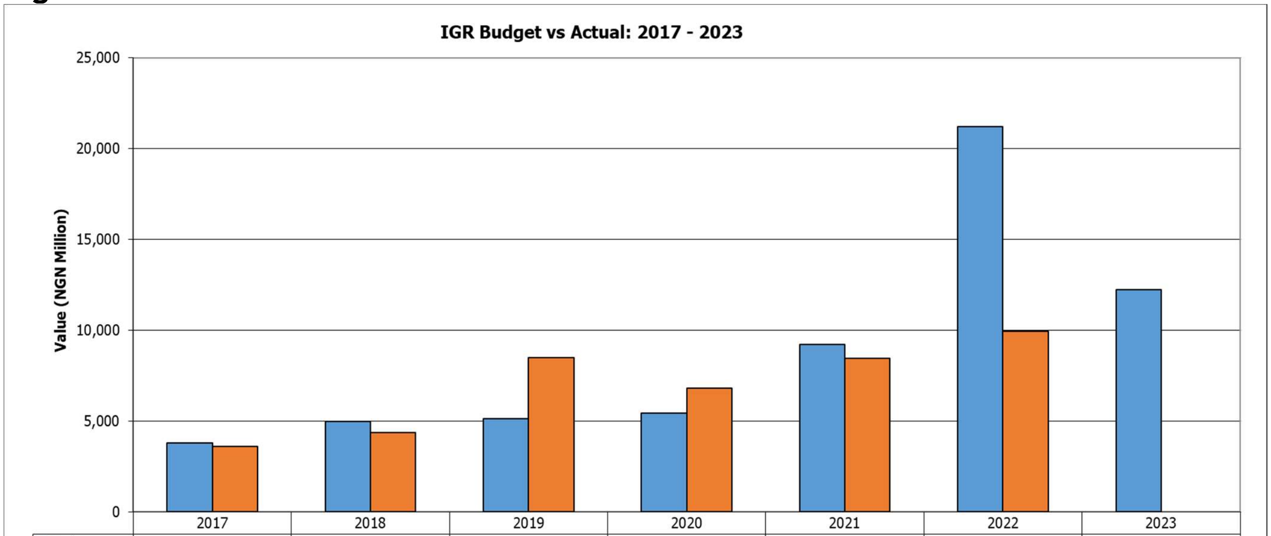
	2017	2018	2019	2020	2021	2022	2023
Budget	7,443,914,000	8,583,727,000	9,933,064,581	12,470,885,755	15,914,739,818	20,525,503,792	25,793,593,000
Actual	9,104,066,429	10,181,532,747	11,078,081,758	13,396,267,944	19,967,530,237	23,683,852,697	0
Performance	122.3%	118.6%	111.5%	107.4%	125.5%	115.4%	0.0%
Growth		11.84%	8.81%	20.93%	49.05%	18.61%	0.00%

69. Since 2017 when the Country exited recession, VAT and continued to surge passing budget targets. This trend is expected to continue as the Finance Bill 2019 has raised VAT from 5% to 7.5%. This means that the Government had receive more revenue in VAT especially the States and Local Government (50% and 35% respectively) who have the highest in the sharing formular of VAT across the three tiers of government.

70. In Yobe State VAT had been contributing an average annual percentage of 15.7% overall revenue performance within the periods 2017-2022. Figure 3 shows the trend of VAT received by Yobe State during the period under review. It can be seen that over and above 100% of the initial target was achieved with an annual growth of 11.8%, 8.8%, 20.95%, 49.05% and 18.6% in 2017, 2018, 2019, 2020, 2021 and 2022.

71. Within the first half of the 2023 fiscal year i.e., January to July, a total sum of ₦16.811 billion was received as VAT, contributing about 23.6% of the total revenue received, which is about ₦2.4 billion monthly.

Figure 3: IGR



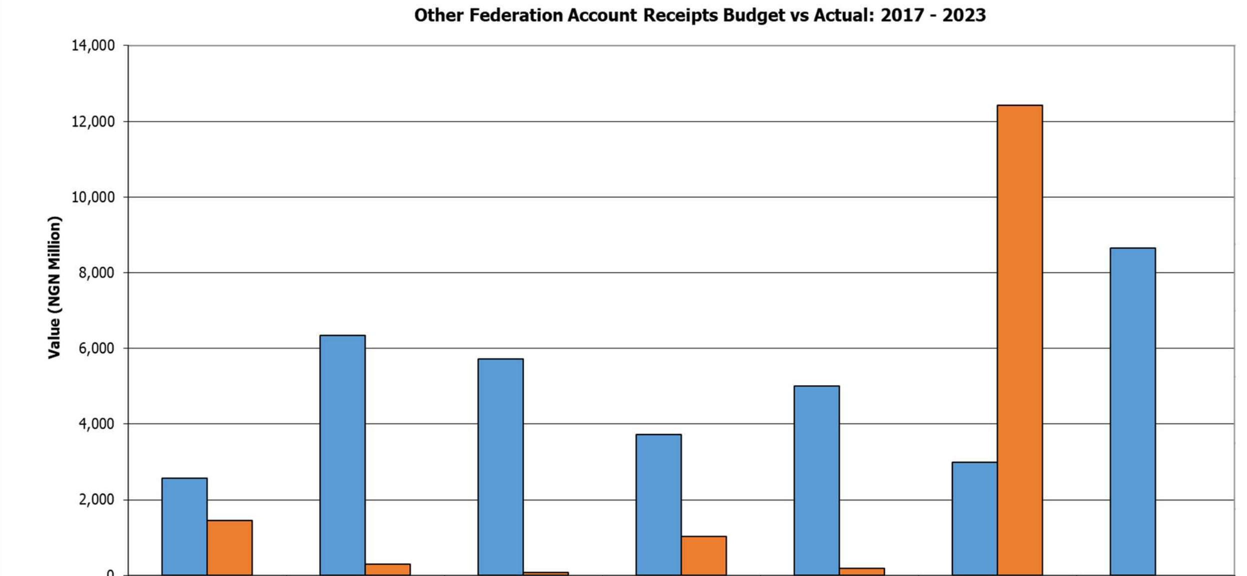
	2017	2018	2019	2020	2021	2022	2023
Budget	3,805,394,000	4,987,389,180	5,126,384,505	5,442,495,668	9,200,486,529	21,202,899,033	12,251,677,000
Actual	3,598,131,937	4,375,208,701	8,499,227,401	6,810,915,628	8,460,647,980	9,940,554,642	0
Performance	94.6%	87.7%	165.8%	125.1%	92.0%	46.9%	0.0%
Growth		21.60%	94.26%	-19.86%	24.22%	17.49%	0.00%

72. 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.

73. IGR has grown at a steady pace on an average annual of 24.8%. IGR is contributing only 7.7% of the overall revenue performance within the six years period. 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 and 46.9% in 2022. These performances in 2019 and 2020 was impressive as the highest figures recorded in the history of the State.

74. However, available data shows that from January to July 2023 the some of ₦5.974 billion was received as IGR, contributing about 8.4% of the overall revenue generated, and an average annual performance of ₦6.947 billion or ₦579 million monthly. Using a 5-year Moving the sum of ₦14.559 billion is anticipated for 2024 fiscal year, to contribute about 14.8% of the anticipated recurrent revenues.

Figure 4: Excess Crude



	2017	2018	2019	2020	2021	2022	2023
Budget	2,564,393,000	6,351,000,000	5,717,599,167	3,717,599,000	5,000,000,000	2,982,338,710	8,654,755,000
Actual	1,445,351,881	291,154,327	68,333,291	1,030,284,808	184,148,158	12,424,762,539	0
Performance	56.4%	4.6%	1.2%	27.7%	3.7%	416.6%	0.0%
Growth		-79.86%	-76.53%	1407.73%	-82.13%	6647.16%	0.00%

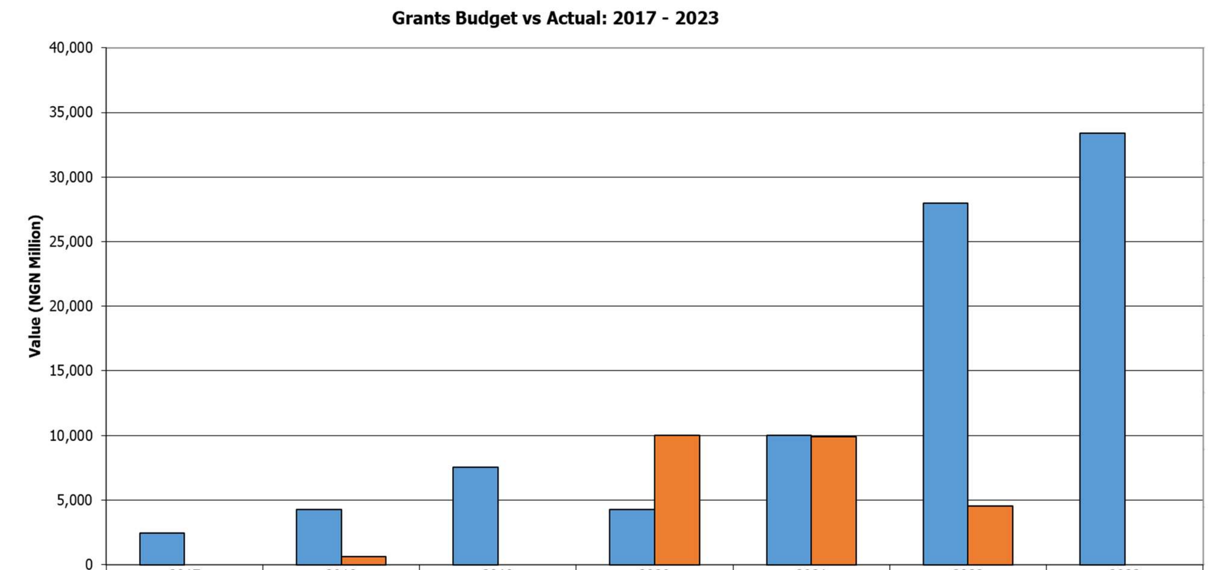
Year

75. 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.

76. It can be seen that only in 2017 fiscal year where about 56% of the budget target was received, the remaining years' performance is not favourable, which is far below average, 5% in 2018, down to 1.2% in 2019, and scale up to 28% in 2020, later dropped to 4% in 2021.

77. In the year 2022 it sky-rocketed to about 400% performance, with an annual growth rate of 6647% dues its unpredictable nature, because it is at the discretion of the Federal Government and the State has no clear data to make at least near accurate projections. This required a performance-based approach in forecasting, which must be done with caution considering the underlying phenomenon. As of second quarter performance 2023, the sum of ₦9.035 billion was received, this however, formed the basis for forecasting ₦14.275 billion for 2024 fiscal year.

Figure 5: Grants



	2017	2018	2019	2020	2021	2022	2023
Budget	2,450,000,000	4,287,000,000	7,535,500,000	4,250,000,000	10,000,000,000	28,000,000,000	33,400,000,000
Actual	0	624,500,000	0	9,997,939,608	9,917,320,000	4,565,985,000	0
Performance	0.0%	14.6%	0.0%	235.2%	99.2%	16.3%	0.0%
Growth		0.00%	-100.00%	0.00%	-0.81%	-53.96%	0.00%

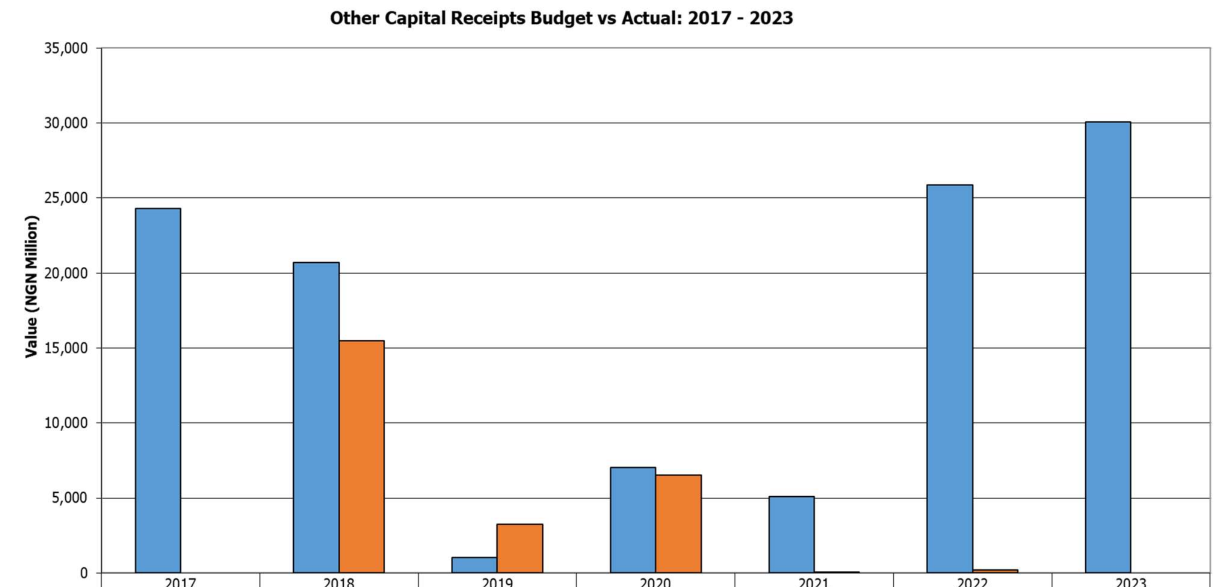
Year

78. Access to grants, both domestic and foreign, has been a major challenge in providing realistic data that will enable the State to budget and forecast further. This is mainly attributed to funds coming in directly from donor partners to implementing agencies without the full knowledge of the Office of the Accountant General of the State.

79. Other reasons for poor performance include delays in the negotiations with Implementing Partners and non- timely payment of counterpart funds and other requirements from the State Government. The performance over the past years 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.

80. However, some toking amounts were realised in 2018, 2020, 2021 and 2022 translating into 14.6%, 235.2%, 99.2% and 16.3% performance. The 2020 and 2021 fiscal year appreciable performance was attributed to the state's ability to achieve some DLIs under the SFTAS Programme in addition to 2022 eligibility criteria, which was sustained and carried forward to 2023 fiscal year. A total sum of ₦3.450 billion was received, for optimum performance, a serious consultation and follow up with the concerned partners need to be intensified before the year runs out and kickstart early before the commencement of 2024 fiscal year.

Figure 6: Other Capital Receipts



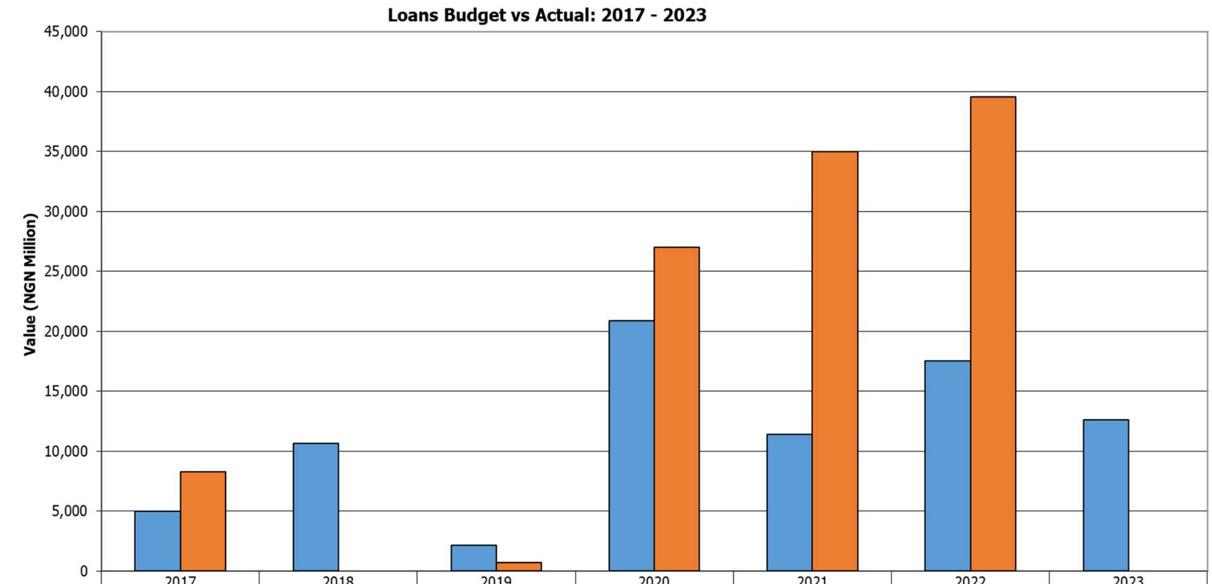
	2017	2018	2019	2020	2021	2022	2023
Budget	24,325,300,000	20,721,000,000	1,015,000,000	7,015,000,000	5,100,000,000	25,899,608,627	30,100,000,000
Actual	0	15,506,761,412	3,232,895,322	6,521,769,180	30,929,937	175,988,670	0
Performance	0.0%	74.8%	318.5%	93.0%	0.6%	0.7%	0.0%
Growth		0.00%	-79.15%	101.73%	-99.53%	468.99%	0.00%

Year

81. Other capital receipts usually comprise of refund on the expenses incurred by the state government on the construction of Federal roads and other projects, Refund from Federal Government on Post IPPS Payee of Federal Government Staff working in Yobe State, disposal of fixed assets among other sources.

82. Although Capital Receipts has been consistently budgeted, there has been no budget performance except for 2018, 2019 and 2020, translating into 75%, 319% and 93% performance, largely due to government commitments to reforms. This however affects the overall performances and credibility of the budget documents in its entirety. Government needs to intensify efforts to help secure the receipts timely.

Figure 7: Loans/Financing



	2017	2018	2019	2020	2021	2022	2023
Budget	4,960,000,000	10,625,576,910	2,133,000,000	20,900,000,000	11,400,000,000	17,500,000,000	12,595,244,260
Actual	8,255,000,000	0	700,000,000	27,008,985,002	34,959,169,633	39,534,449,231	0
Performance	166.4%	0.0%	32.8%	129.2%	306.7%	225.9%	0.0%
Growth		-100.00%	0.00%	3758.43%	29.44%	13.09%	0.00%

Year

83. Loans includes Internal and External Loans. Internal Loans comprise of Capital Market receipts and Commercial Bank Loans, Central Bank of Nigeria such as Bailout Facility Principal, Budget Support Facility, Family Home Finance, Contract Financing, CBN COVID 19 Facility, UBA/CBN and SUBEB Commercial Bank Loan, which are mostly deducted at source. External Loans are the obligations of Public Debt Services. This also include contingent liabilities made up of Pension and Gratuity Dues, as well as outstanding contractors' liabilities as at 31st December 2022.

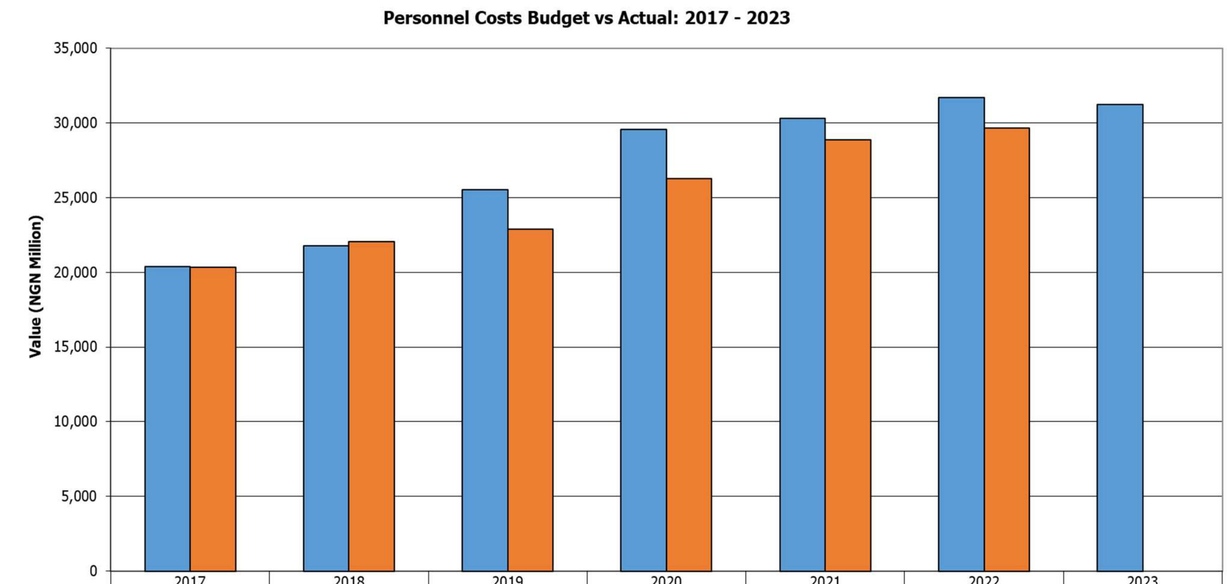
84. Compared against the original budget, loan facilities and other deficit financing, unlike in 2018 and 2019 fiscal years, recorded an appreciable performance in 2017, 2020, 2021 and 2022 translating into 166.4%, 129%, 306.7% and 225.9% where the drawdowns are much higher than anticipated.

85. This further confirms the state's inability to generate revenue internally other than loan, to finance some of its developmental and priority projects and programmes, and hence, it was left with no option than succumbs to loans, which is detrimental in the near future when it comes to servicing the debts, where we suffer the brunt.

Expenditure;

86. 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 8: Personnel



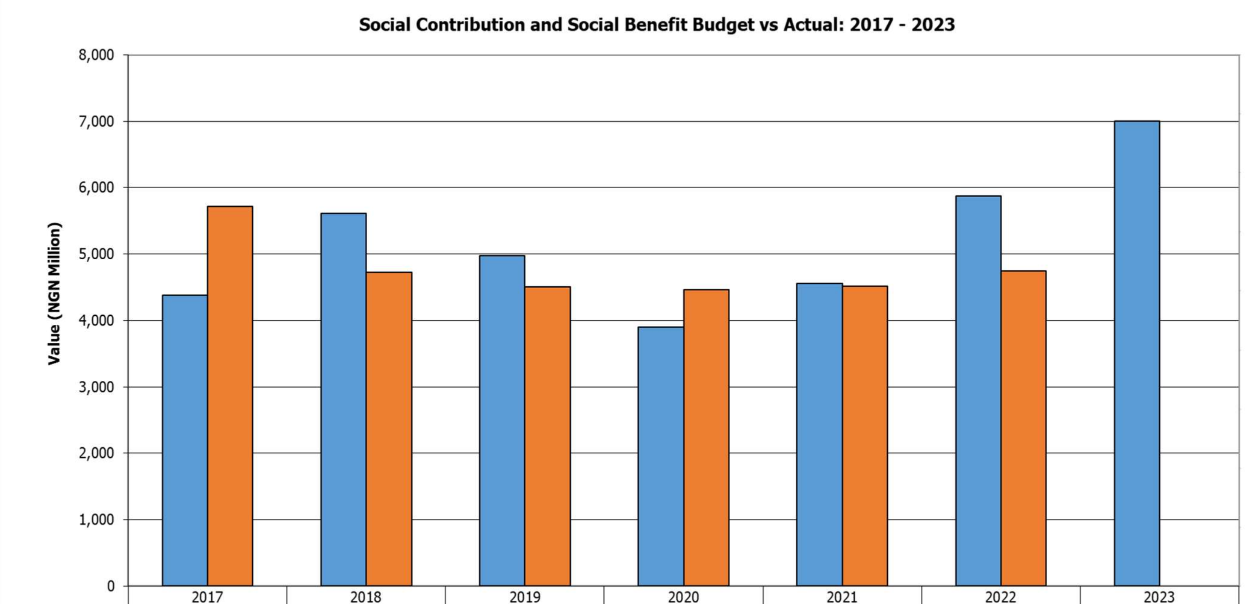
	2017	2018	2019	2020	2021	2022	2023
Budget	20,385,289,000	21,777,420,000	25,547,900,000	29,567,332,820	30,280,107,733	31,690,218,000	31,240,456,000
Actual	20,344,812,201	22,047,867,134	22,872,365,040	26,273,945,690	28,880,217,969	29,635,460,285	0
Performance	99.80%	101.24%	89.53%	88.86%	95.38%	93.52%	0.00%
Growth		8.37%	3.74%	14.87%	9.92%	2.62%	0.00%

87. Personnel cost consists of personnel emolument for civil servants and salaries of public office holders. It is the vote where Chief Executives of State Parastatals, Chief Judges and Grand Kadis, Auditor-Generals, Executive Chairmen, Executive Secretaries, Board Members of Commissions, Boards and Parastatals etc are being paid.

88. Over the years personnel performance was commendable where over 90% was achieved with an average performance of ₦25.009 billion, and the average growth rate of 8% within the past six years. This further reaffirmed the Yobe State Government's commitments in human capital development through prompt payment of salaries. This is worthy of commendation, because there are no salary arrears left, which wasn't been cleared, other states do have cases of uncleared salary arrears of about 2 to 3 years.

89. However, it is expected that the personnel cost would increase in 2024, due to recent removal of fuel subsidies and government's determination to cushion the effect. Personnel cost is anticipated to increase by at least 30%, this will further inflate the figure from the recent ₦31 to about ₦44 billion, if the new minimum wage is considered, and state governments are in terms with the laid-down conditions.

Figure 9: Social Contributions and Social Benefits



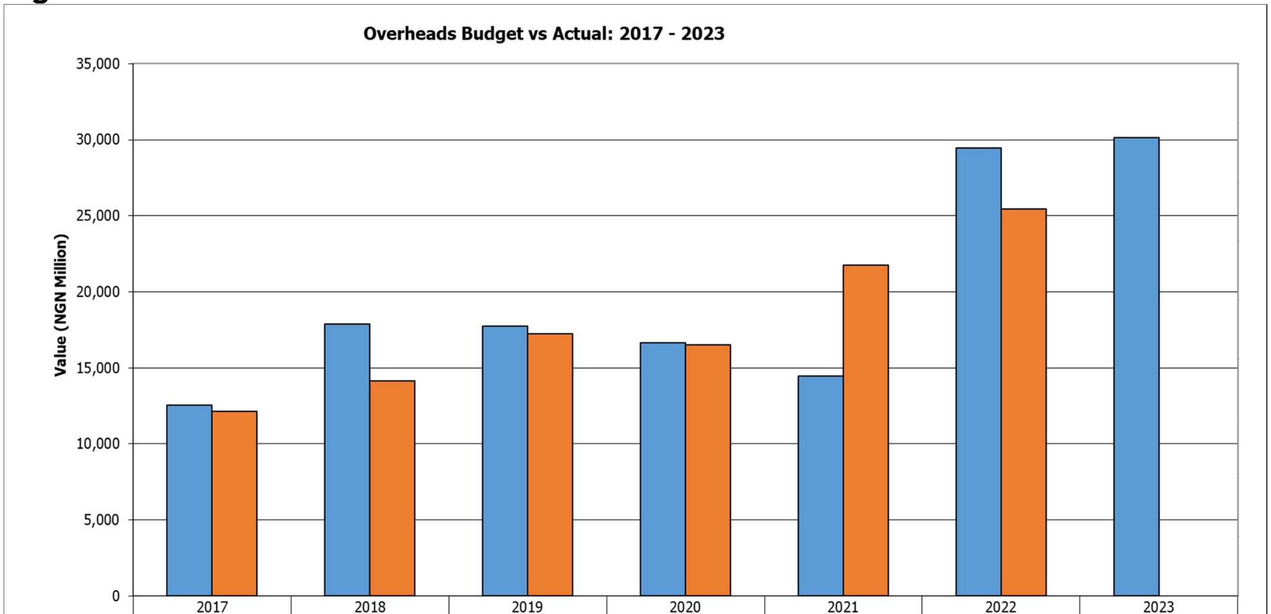
	2017	2018	2019	2020	2021	2022	2023
Budget	4,380,987,000	5,612,226,000	4,980,000,000	3,900,000,000	4,558,000,000	5,870,000,000	7,006,000,000
Actual	5,714,987,075	4,724,260,261	4,509,483,771	4,464,696,483	4,521,795,057	4,745,796,978	0
Performance	130.45%	84.18%	90.55%	114.48%	99.21%	80.85%	0.00%
Growth		-17.34%	-4.55%	-0.99%	1.28%	4.95%	0.00%

Year

90. Social contribution and social benefit which comprises, allowances for casual labourers, severance pay for public office holders at the end of tenure of office, employer's 3.25% and employees' 1.75% contributions to contributory healthcare funds, pensions and gratuities, death benefits, etc. The performance in this section is not stable year-in-year-out due to its unpredictable nature, government's commitments and delays in realising the amounts due.

91. In 2017 and 2020 over 100% the target was achieved, with an average performance of ₦4.780 billion within the 6-year period (2017 – 2022). However, government is doing everything humanly possible, despite dwindling revenue sources, by clearing the outstanding pension and gratuity arrears and timely payment of pensions, there still some outstanding contingent liabilities worth over ₦4.226 billion uncleared as at 31st December 2022.

Figure 10: Overheads

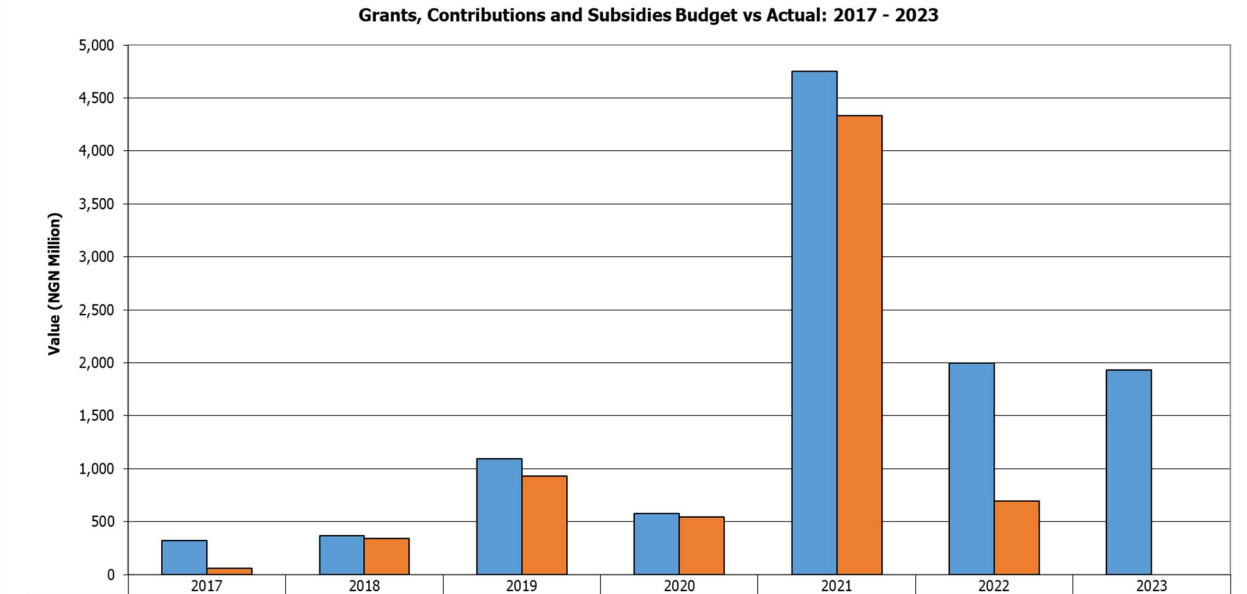


	2017	2018	2019	2020	2021	2022	2023
Budget	12,556,679,000	17,873,087,000	17,745,092,000	16,664,914,034	14,452,320,534	29,437,514,000	30,157,996,000
Actual	12,151,456,712	14,128,967,411	17,239,777,069	16,496,278,773	21,771,230,708	25,431,433,295	0
Performance	96.77%	79.05%	97.15%	98.99%	150.64%	86.39%	0.00%
Growth		16.27%	22.02%	-4.31%	31.98%	16.81%	0.00%

92. Overhead Costs, often referred to as overhead or operating expenses are those expenses associated with running the government that cannot be linked to creating or producing a product or service. They are the expenses the government incurs in the day-to-day running of the government covering but not limited to official travels, electricity, water and telephone bills, office and residential materials and supplies, minor maintenances, fuel and lubricants, camping materials and palliatives for IDPs and victims of natural or man-made disasters, school feeding programmes, essential drugs for healthcare facilities, medical and laboratory reagents, sensitisations and awareness creation, monitoring and evaluation, staff career development, youth and women empowerment and vulnerable groups etc.

93. Cost of governance and running cost, witnessed a remarkable achievement year-in-year-out in terms of budget implementation with an average annual growth of 18.5% for the past six years, where over 96.77% of the budget targe was achieved in 2017, it dropped to 79% in 2018, increase to over 97% in 2019, 2020 and 2021 fiscal years. It later dropped a little bit, to 86% in 2022.

Figure 11: Grants, Contributions, Subsidies, Transfers



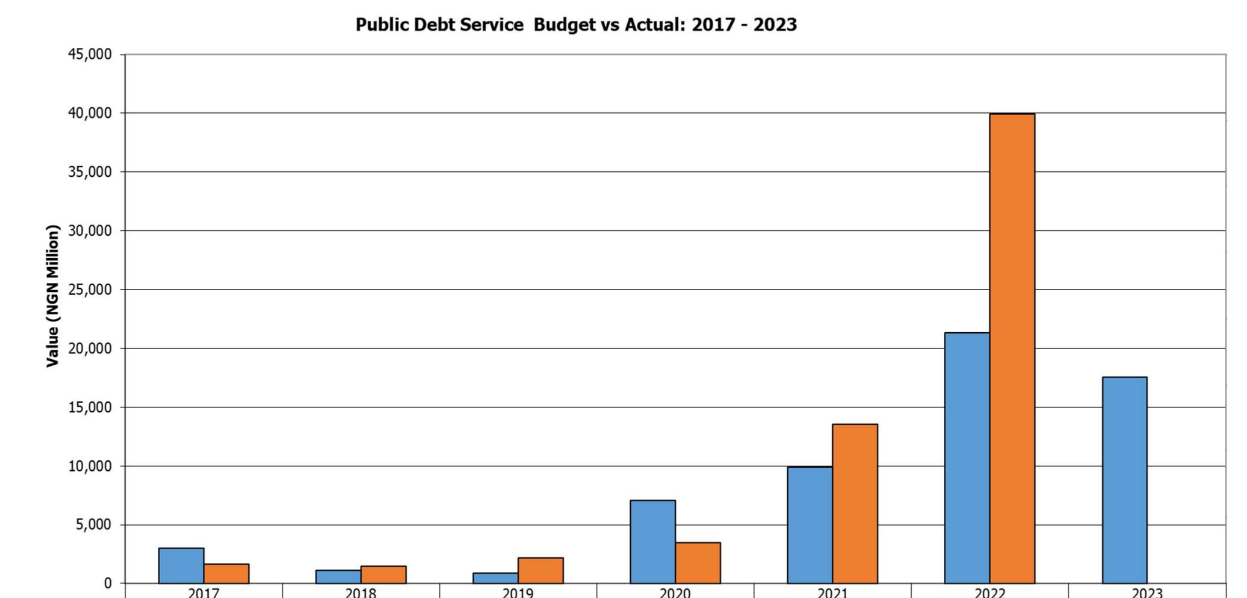
	2017	2018	2019	2020	2021	2022	2023
Budget	322,370,000	368,720,000	1,095,975,000	576,800,000	4,755,143,500	1,998,511,000	1,931,586,000
Actual	61,000,000	342,909,600	931,578,750	542,192,000	4,330,517,635	693,324,480	0
Performance	18.92%	93.00%	85.00%	94.00%	91.07%	34.69%	0.00%
Growth		462.15%	171.67%	-41.80%	698.71%	-83.99%	0.00%

Year

94. Grants, Contributions and Subsidies is made up grants and contributions, grants to communities and NGOs, grants to traditional institutions, grants to local governments, advances, subsidies on agricultural inputs etc.

95. The performance in this section looks pretty good, but not stable, where the performance is over 93% in 2018, dropped to 85% in 2019, and picking up in 2020 the 94%, 55.27% - 18% in 2017, then went up again in 2021, later dropped to 35% in 2022. This low and unsteady performances is largely due unpredictable nature of these expenditure items.

Figure 12: Public Debt Service



	2017	2018	2019	2020	2021	2022	2023
Budget	3,009,129,000	1,122,352,000	900,000,000	7,086,254,228	9,915,000,000	21,300,000,000	17,525,679,000
Actual	1,626,893,416	1,495,205,810	2,190,641,282	3,479,466,753	13,532,275,854	39,931,573,931	0
Performance	54.07%	133.22%	243.40%	49.10%	136.48%	187.47%	0.00%
Growth		-8.09%	46.51%	58.83%	288.92%	195.08%	0.00%

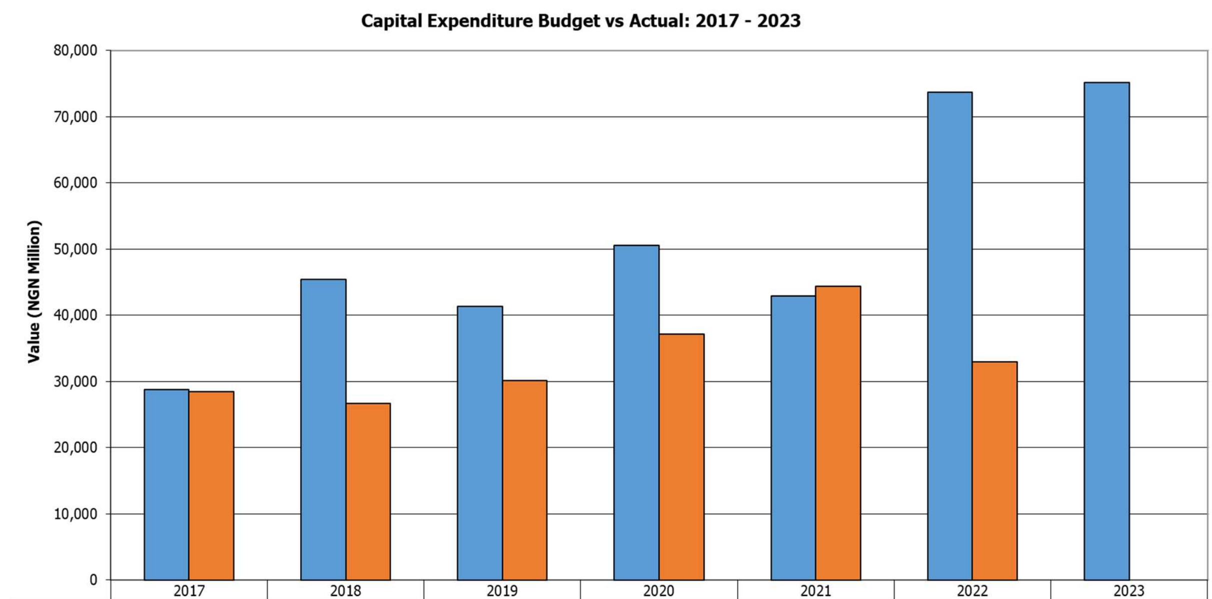
Year

96. Figure 12 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.

97. As contained in the Audited Financial Statement 2022, debt portfolio for the state stood at ₦87.469 billion internal loans and ₦10.099 billion external loan totalling about ₦97.568 billion as at 31st December 2022 and about ₦4.786 billion was expended during the second quarter of 2023 fiscal year.

98. As indicated in figure 12, comparing the actuals and the original budget, over 200% was expended in 2019, 133% in 2018, 136% in 2021 and 187.47% in 2022 with an annual average actual of ₦10.376 billion within the past six years, meaning the state is servicing loans of about ₦865 million on a monthly basis year-in-year-out. As at July 2023, total sum of ₦10.518 billion or ₦1.503 billion monthly was expended in servicing debts alone, consuming about 13.6% of the overall expenditure. This further revealed that this expenditure item was underestimated for the past years due to delays negotiations to start the amortization process timely and lack of detailed information on the payback period in both the principal and interest.

Figure 13: Capital Expenditure



	2017	2018	2019	2020	2021	2022	2023
Budget	28,734,863,000	45,428,531,000	41,378,630,000	50,518,800,000	42,937,928,009	73,657,141,000	75,143,649,000
Actual	28,454,358,798	26,698,790,005	30,096,315,974	37,165,206,542	44,420,842,619	32,929,639,103	0
Performance	99.02%	58.77%	72.73%	73.57%	103.45%	44.71%	0.00%
Growth		-6.17%	12.73%	23.49%	19.52%	-25.87%	0.00%

Year

99. The State government realised a constant underperformance in 2015 and prior and made a commitment to implement a 60:40 Capital to Recurrent Budget Ratio, hence a sudden rise in the actual 2016 capital budget performance of 57.35% one of the highest in recent times prior to that year. The huge underperformance recorded in 2017 is as a result of the inability of the State Government to secure the PforR World Bank Loan after huge optimism and capturing it in its budget of 2017 and 2018.

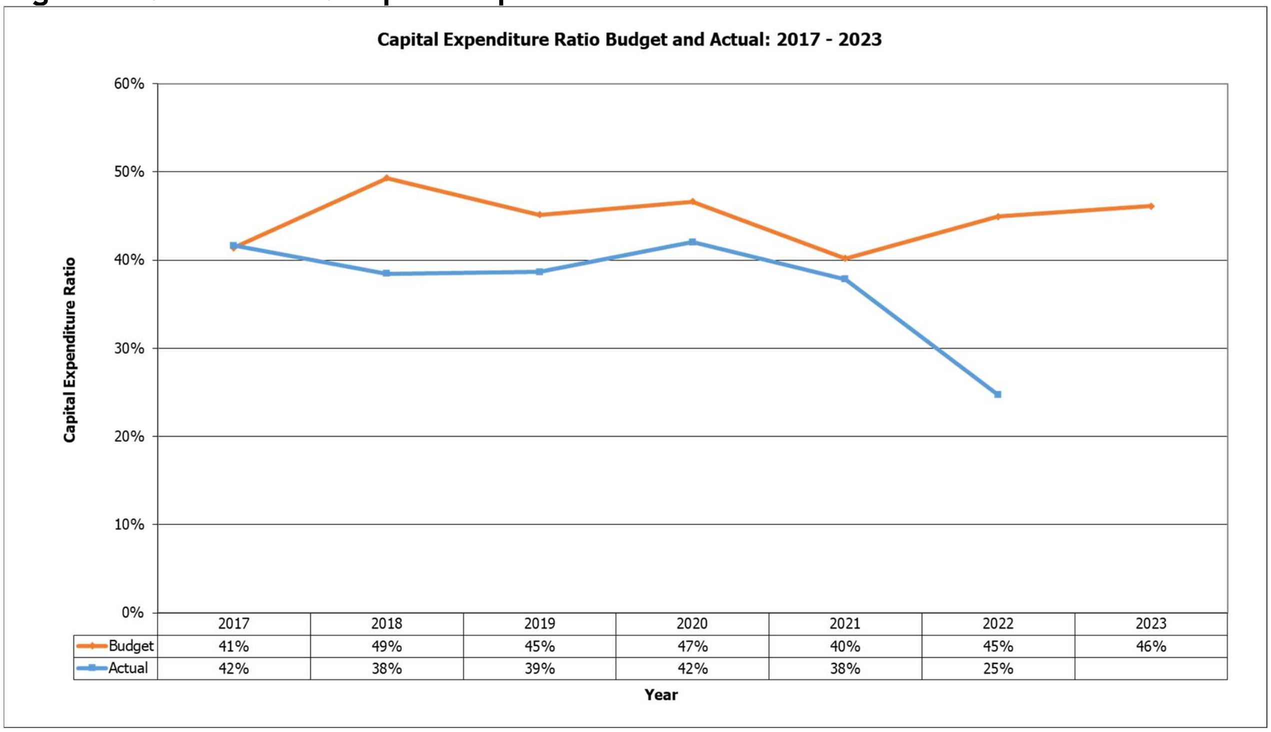
100. The drawdown of the World Bank Loan has led to an increase of Actual Capital Expenditure in 2019 and 2020 which recorded a 157.26% and 89.68% performance, respectively. The decline in 2019 budgeted as compared with previous years follows a realistic approach, capturing only undisputable revenue that are set to accrue to the State. This was as a result of the State's resolve to make a modest revenue projection in line with the actual trend to avoid mismatch between budget and the actual.

101. There is a more realistic budgeting in 2020 where budget and actual expenditure almost equate. This is because of a modest revenue and expenditure projections couple with the State's Urban Renewal Programme which prioritize projects under it for better Budget Performance.

102. 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

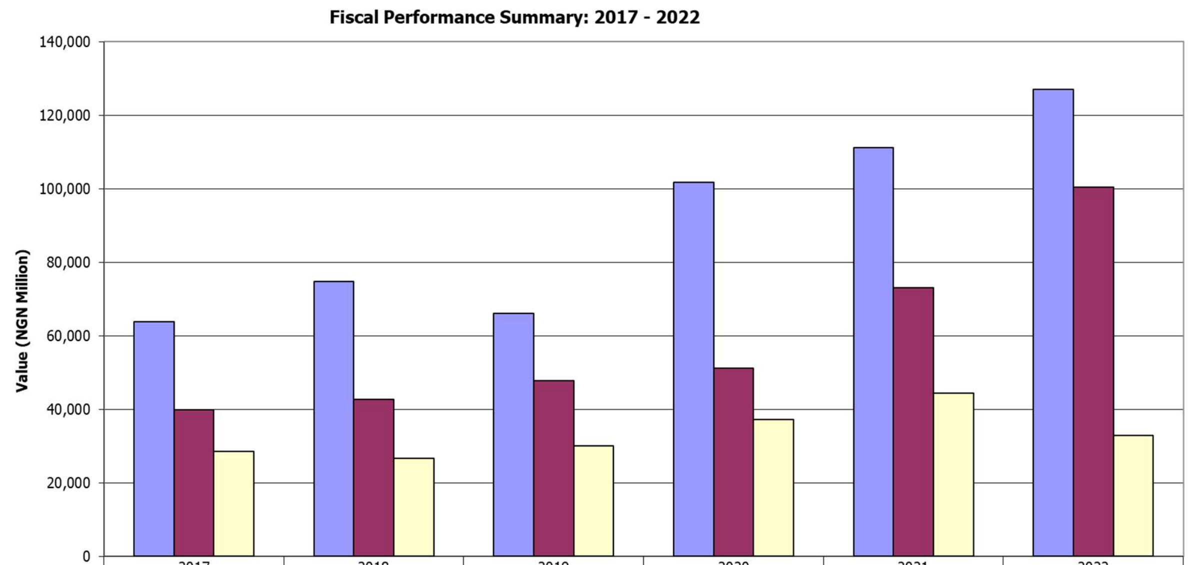
government's commitment and determination to bring developmental projects and deliver dividend of democracy to its citizenry.

Figure 14: Recurrent: Capital Expenditure Ratio



103. It can be seen in figure 14 that capital expenditure ratios steadily increase from year 2016, sloping down tin the subsequent year. Performance also follows patterns 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.

Figure 15: Summary of Fiscal Performance



	2017	2018	2019	2020	2021	2022
Revenue	63,757,369,320	74,876,625,186	66,110,536,139	101,729,826,064	111,303,130,509	127,006,768,001
Rec. Exp.	39,899,149,404	42,739,210,216	47,743,845,912	51,256,579,699	73,036,037,223	100,437,588,969
Cap. Exp.	28,454,358,798	26,698,790,005	30,096,315,974	37,165,206,542	44,420,842,619	32,929,639,103
Performance	98.51%	75.33%	84.93%	81.63%	109.88%	81.34%
Growth		1.59%	12.10%	13.59%	32.84%	13.55%

104. As shown in figure 15, Yobe State has recorded an over performance of 139.88% in 2019 mainly due to stable revenue sources. Crude Oil Prices was stable in 2019 averaging $66 per barrel, other non-mineral revenue such as CIT, C&E and VAT were all in the increase. An over performance of IGR (the State budgeted N41.72 billion but realised N44.9 billion in 2019) and the PforR World Bank Loan Funds which were not part of the 2019 budget but was approved around July 2019. All these led to an over performance in 2019. Capital Budget recorded an actual of N148.6 billion in 2019 the highest in recent years.

105. 2020 also a very good performance of the budget recording 84.69% overall performance. The PforR Loan and over performance of IGR in 2020 which the State recorded ₦50.1 billion all contributed to the excellent performance of the 2020 budget.

Expenditure Trend by Sector

106. Figure 16 shows the expenditure trend according to sector in terms of personnel, overhead and capital. However, may wish to notes that, for ease of administration, the state, in its state development plan, governance sector comprises of substantial number of sub-sectors with relatively higher expenditure under personnel cost (pension, gratuity, severance gratuity for public office holders etc) and overhead costs (debt service) among others.

Figure 16: Sector Expenditure Trend

Personnel Expenditure by Sector

No.	Sector	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual
1	Governance	3,661,333,000	336,640,229	4,136,416,765	3,619,810,443	4,130,632,350	8,625,647,126	10,328,918,000	9,131,688,134
2	Agriculture	1,205,154,000	310,697,501	1,627,668,540	1,561,520,923	1,530,534,415	1,777,472,784	1,465,496,500	1,723,552,664
3	Works, Housing and Energy	973,978,000	164,305,284	1,034,266,196	955,182,666	1,384,038,193	1,215,579,977	951,899,000	916,522,848
4	Commerce and Industry	147,029,000	140,042,740	174,550,920	175,582,902	188,064,573	174,739,821	180,911,000	159,986,255
5	Water	487,726,000	10,095,893,158	551,130,380	533,998,759	569,702,233	519,526,820	532,607,000	493,437,879
6	Justice, Peace and Security	1,140,719,000	3,881,920,481	1,345,734,940	1,186,759,382	1,214,191,123	1,190,683,810	1,235,101,000	1,147,016,501
7	Health	5,983,129,000	235,123,683	6,946,007,011	6,135,880,554	7,301,251,227	6,933,559,869	8,978,580,000	8,011,038,753
8	Education	10,369,189,000	229,662,724	11,889,686,828	10,585,807,999	12,052,949,660	11,277,098,333	12,182,313,500	11,116,118,330
9	Environment	808,309,000	227,369,183	1,035,721,820	950,998,285	1,037,719,815	1,105,324,063	1,124,055,000	1,113,705,068
10	Social Development	571,334,000	2,144,375,762	645,607,420	568,403,776	636,024,144	582,380,423	580,337,000	568,190,832
	Total	**25,347,900,000**	**17,766,030,744**	**29,386,790,820**	**26,273,945,690**	**30,045,107,733**	**33,402,013,026**	**37,560,218,000**	**34,381,257,263**

Overhead Expenditure by Sector

No.	Sector	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual
1	Governance	16,447,512,500	127,450,030	22,431,915,476	22,090,789,270	28,228,682,000	33,921,775,544	38,853,712,000	59,094,606,182
2	Agriculture	1,489,350,000	334,455,676	722,950,000	33,860,000	679,710,000	136,879,098	1,266,210,000	566,503,659
3	Works, Housing and Energy	445,614,000	122,217,858	438,348,000	450,219,275	557,448,000	500,653,052	864,973,000	1,020,396,957
4	Commerce and Industry	60,275,000	579,526,767	60,275,000	13,225,000	50,275,000	10,684,578	432,275,000	127,291,000
5	Water	203,676,000	2,569,421,119	196,166,000	153,236,460	226,166,000	147,179,365	226,166,000	231,059,170
6	Justice, Peace and Security	727,072,000	891,009,735	750,472,000	215,927,500	704,868,000	332,388,386	788,388,000	200,373,500
7	Health	1,258,860,000	259,050,593	856,610,000	624,054,176	1,050,380,000	1,410,101,090	1,607,880,000	718,655,863
8	Education	3,484,636,000	10,649,089	2,342,803,286	1,121,994,625	1,878,914,534	2,852,123,848	7,741,331,000	3,696,148,188
9	Environment	376,470,000	77,945,697	239,470,000	118,272,625	239,920,000	127,361,500	412,790,000	146,986,250
10	Social Development	427,601,500	8,587,010,828	369,500,500	161,055,078	299,100,500	194,877,736	542,300,000	254,310,937
	Total	**24,921,067,000**	**13,558,737,392**	**28,408,510,262**	**24,982,634,009**	**33,915,464,034**	**39,634,024,196**	**52,736,025,000**	**66,056,331,706**

Capital Expenditure by Sector

No.	Sector	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual
1	Governance	6,068,281,000	3,089,961,839	6,532,300,000	3,426,413,356	6,521,778,000	4,100,232,663	8,113,379,000	4,797,814,846
2	Agriculture	2,101,750,000	1,685,496,885	1,952,000,000	50,511,000	2,300,500,000	873,110,481	5,518,288,000	1,665,465,406
3	Works, Housing and Energy	15,668,530,000	16,539,320,657	22,711,000,000	23,554,583,409	19,419,150,009	25,023,786,251	26,445,240,000	15,979,624,708
4	Commerce and Industry	323,000,000	1,218,005,832	4,411,000,000	6,559,425,548	4,517,500,000	7,878,397,618	7,265,321,000	3,266,033,377
5	Water	1,122,000,000	214,244,258	1,525,000,000	464,407,866	1,162,000,000	2,131,257,407	5,108,000,000	1,764,156,121
6	Justice, Peace and Security	1,056,000,000	415,557,894	987,000,000	394,000,000	896,000,000	401,266,500	1,526,000,000	318,607,819
7	Health	5,882,349,000	1,896,762,907	4,185,000,000	360,928,109	1,728,000,000	1,316,714,202	8,318,685,000	2,995,869,985
8	Education	8,317,720,000	5,121,572,984	7,628,500,000	2,024,749,628	5,725,000,000	2,522,010,176	9,057,800,000	1,964,795,239
9	Environment	420,000,000	67,132,000	319,000,000	156,220,500	360,000,000	123,200,000	1,141,428,000	139,752,500
10	Social Development	419,000,000	120,618,437	268,000,000	173,967,126	308,000,000	50,867,323	1,163,000,000	37,519,103
	Total	**41,378,630,000**	**30,368,673,693**	**50,518,800,000**	**37,165,206,542**	**42,937,928,009**	**44,420,842,619**	**73,657,141,000**	**32,929,639,103**

107. 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.

108. 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.

109. 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.

110. 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

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

Table 4: Debt Positions as at 31st December 2022

A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2022
	Solvency Ratios	**Percentage**	**Percentage**
1	Total Domestic Debt/IGR	150%	886.97%
2	Total External Debt/Gross FAAC	150%	13.87%
3	Total Public Debt/Total Recurrent Revenue	150%	118.78%
4	Total Public Debt/State GDP Ratio	25%	No GDP Figure Available
	Liquidity Ratios	**Percentage**	**Percentage**
5	Domestic Debt Service/IGR	15%	396.44%
6	External Debt Service/Gross FAAC	10%	0.72%
7	Debt Service Deductions from FAAC/Gross FAAC	40%	13.72%
8	Total Debt Service/Total Recurrent Revenue	25%	48.27%
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2022**		**Naira**
1	Total Domestic Debt		88,169,326,487
2	Total External Debt		10,098,743,675
3	**Total Public Debt**		**98,268,070,162**
4	Total Domestic Debt Service 2022		39,408,318,791
5	Total External Debt Service in 2022		523,255,141
6	**Total Public Debt Service**		**39,931,573,931**
C	**STATE GDP FOR 2022**		
1	State GDP		0

112. ***External Loans***: External Loans are loans sourced from the World Bank, International Monetary Fund (IMF), Islamic Development Bank (IsDB), African Development Bank (AfDB) etc, obtained by the Federal Government and lends to State Governments through the Subsidiary Loan Agreement.

113. ***Internal Loans***: These are loans obtained from within the country and consists of Commercial Bank Loans (Contract Financing Principal), Budget Support Facility, Bailout Facility Principal, Family Home Finance Principal, CBN COVID 19 Facility Principal, CBN/UBA Principal, etc.

114. ***Solvency***: This is the metric used to measure Government's ability to meet its long-term debt obligations. This indicates whether government's cash flow is sufficient enough to meet its long-term liabilities. It is therefore, a measure of government's financial health. The Yobe State Public Financial Law 2019, states that, the State Public Debt shall not exceed one hundred and fifty percent (150%) of the total revenue of the preceding year. The State's solvency ratio as shown in Table 4, is as follows:
   i. Total IGR is ₦9.941 billion or 879.92% against ₦98.268 billion domestic debt, expected to be within 150% threshold, which is 729.92% high. This

required government's urgent attention in order to ensures all potential revenue sources are tapped and possible leakages are blocked.

ii. Total external debt against Gross FAAC revenues is within the threshold by 13.87% with a threshold of 150%. Gross FAAC allocations, including VAT, Excess Crude and other FAAC revenues as at 31st December 2022 stood at ₦72.790 billion against ₦10.099 billion external debt. This indicates that government can amicably pay off its external debt with its FAAC revenues.

iii. The total public debt is ₦98.268 billion or 117.94% against the total recurrent revenue of ₦82.730 billion. Despite been closer to the threshold of 150% by 32.06%, the state can service its long-term obligations with its scarce recurrent revenues.

115. ***Liquidity Ratio***: This is a financial metrics used to assess government's ability to pay off current debt obligations as and when due without raising external capital. It shows how quick government can convert its current assets into cash in order to offset its current liabilities on a timely basis. As provided in the Yobe State Public Financial Law 2019, "the annual debt service cost of government shall not exceed fifteen percent (15%) of the most recent audited revenue of the government, as approved by the House". Also, "monthly debt service deduction shall not exceed forty (40%) of the average Federation Account Allocation Committee for the preceding 12 months". Thus:

i. ***Domestic Debt Service/IGR***. This threshold assesses the state internal revenue's ability to service domestic debt as and when due. Total IGR generated during the preceding year stood at ₦9.941 billion against ₦30.603 billion, which is 307.86% and exorbitantly higher than 15% stipulated threshold. This by implication indicates a serious threat as the states IGR is nothing to show up.

ii. ***External Debt Service/Gross FAAC***. This assesses the gross revenue inflows from the Federation Account capability to service external obligations. As indicated in table 4, this is within the liquidity ratio at 0.72% within the 10% threshold. This implies that the state's share of FAAC Allocation can service the external debt.

iii. ***Debt Service Deductions from FAAC/Gross FAAC***. This threshold assesses the State's gross share from the Federation Account's capacity in servicing obligations directly from source. The State is within the liquidity ratio threshold, currently at 13.7% with a threshold of 40%.

iv. ***Total Debt Service/Total Recurrent Revenue***. This assesses the states total recurrent revenue against the total debt service. The ability to pay off short-term obligations with the current assets. The ratio is 37.62% or 12.62% higher than the 25% threshold. The higher the ratio, the easier the ability to clear the debt and avoid defaulting in payment. Total recurrent revenue stood at ₦82.730 billion against ₦31.126 billion total debt service.

3 Fiscal Strategy Paper

3.A Macroeconomic Framework

116. The key parameters and macroeconomic projections driving the medium-term revenue and expenditure framework for 2024-2026 MTEF are presented below:

Figure 17: Yobe State Macroeconomic Framework

Macro-Economic Framework

Item	**2024**	**2025**	**2026**
National Inflation	22.80%	22.80%	22.80%
National Real GDP Growth	3.75%	4.10%	4.10%
Oil Production Benchmark (MBPD)	1.5000	1.6000	1.8000
Oil Price Benchmark	$70.00	$75.00	$75.00
NGN:USD Exchange Rate	750	740	740
Other Assumptions			
Mineral Ratio	21.75%	21.75%	21.75%

3.B Fiscal Strategy and Assumptions

3.B.1 Policy Statement

117. The Yobe State's policy direction focuses on diversifying the revenue sources and intensify efforts to improve the independent revenue base of the state in order to reduce the state's overdependence on FAAC Allocations, Loans, support from Donor Partners etc.

118. 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.

3.B.2 Objectives and Targets

119. The key targets from a fiscal perspective are:
   i. Completion of on-going projects.
   ii. Continue to ensure reduction in non-essential overheads.
   iii. Executions of capital projects 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. Target sources of capital receipts and financing outside of loans (e.g., Aid and Grants, PPP, etc.).

3.C Indicative Three-Year Fiscal Framework

120. The indicative three-year fiscal framework for the period 2024-2026 is presented in the table 5 below.

Table 5: Yobe State Medium Term Fiscal Framework

Fiscal Framework

Item	2024	2025	2026
Opening Balance	3,500,000,000	3,500,000,000	3,500,000,000
Recurrent Revenue			
Statutory Allocation	40,687,223,880	40,304,457,790	40,707,502,368
VAT	32,978,784,472	39,401,405,438	46,884,277,622
IGR	14,559,057,444	17,448,255,232	21,047,659,147
Excess Crude/Other FAAC Revenue	14,274,934,204	15,545,881,539	16,060,560,863
Total Recurrent Revenue	**102,500,000,000**	**112,700,000,000**	**124,700,000,000**
Recurrent Expenditure			
Personnel Costs	35,862,332,000	37,655,448,600	39,538,221,030
Social Contribution and Social Benefit	6,998,300,000	7,348,215,000	7,715,625,750
Overheads	40,619,510,000	41,431,900,200	42,260,538,204
Grants, Contributions and Subsidies	1,398,900,000	1,426,878,000	1,455,415,560
Public Debt Service	11,950,000,000	10,755,000,000	9,679,500,000
Total	**96,829,042,000**	**98,617,441,800**	**100,649,300,544**
Transfer to Capital Account	**9,170,958,000**	**17,582,558,200**	**27,550,699,456**
Capital Receipts			
Grants	55,400,000,000	22,300,000,000	22,300,000,000
Other Capital Receipts	28,100,000,000	0	0
Total	**83,500,000,000**	**22,300,000,000**	**22,300,000,000**
Reserves			
Contingency Reserve	0	0	0
Planning Reserve	0	0	0
Total Reserves	**0**	**0**	**0**
Capital Expenditure	**120,120,958,000**	**54,382,558,200**	**59,350,699,456**
Discretional Funds	105,220,958,000	45,582,558,200	52,550,699,456
Non-Discretional Funds	14,900,000,000	8,800,000,000	6,800,000,000
Financing (Loans)	27,450,000,000	14,500,000,000	9,500,000,000
Total Revenue (Including Opening Ba	**216,950,000,000**	**153,000,000,000**	**160,000,000,000**
Total Expenditure (including Continge	**216,950,000,000**	**153,000,000,000**	**160,000,000,000**

Capital Receipts

ITEM	2024	2025	2026
Internal Grants			
Grants from Revenue Mobilisation and Fiscal Commission for the Development of Natural Resources in the State	14,000,000,000	20,000,000,000	20,000,000,000
Federal Government of Nigeria Grant for Sustainable Development Goals	150,000,000	300,000,000	300,000,000
Universal Basic Education (UBE) Matching Grant from Federal Government of Nigeria	750,000,000	1,500,000,000	1,500,000,000
FGN Basic Health Care Provisional Fund	2,600,000,000	500,000,000	500,000,000
Lafiya Project	3,900,000,000	0	0
Infrastructural Development Fund (IDF)	34,000,000,000	0	0
Sub-Total Internal Grant	**55,400,000,000**	**22,300,000,000**	**22,300,000,000**
External Grants			
Sub-Total External Grant	**0**	**0**	**0**
Grant Balancing Item / Blue Sky			
Total Grants	**55,400,000,000**	**22,300,000,000**	**22,300,000,000**
Internal Loans			
Commercial Bank Loan	19,950,000,000	8,000,000,000	5,000,000,000
Agro Climatic Resilience in Semi-Arid Landscape (ACReSAL) Loan Facility	500,000,000	500,000,000	500,000,000
Women Development	1,000,000,000	1,000,000,000	1,000,000,000
Nigeria COVID 19 Action Recovery & Economic Stimulus (NG-CARES) Loan	6,000,000,000	5,000,000,000	3,000,000,000
Total	**27,450,000,000**	**14,500,000,000**	**9,500,000,000**
External Loans			
Total	**0**	**0**	**0**
Loan Balancing Item / Blue Sky			
Total Loans	**27,450,000,000**	**14,500,000,000**	**9,500,000,000**
Other Capital Receipts			
Proceeds from the Sale of Damaturu Cargo International Airport	26,000,000,000	0	0
Refund from Federal Government on Post IPPS Payee of Federal Government Staff working in Yobe State	2,100,000,000	0	0
Total	**28,100,000,000**	**0**	**0**

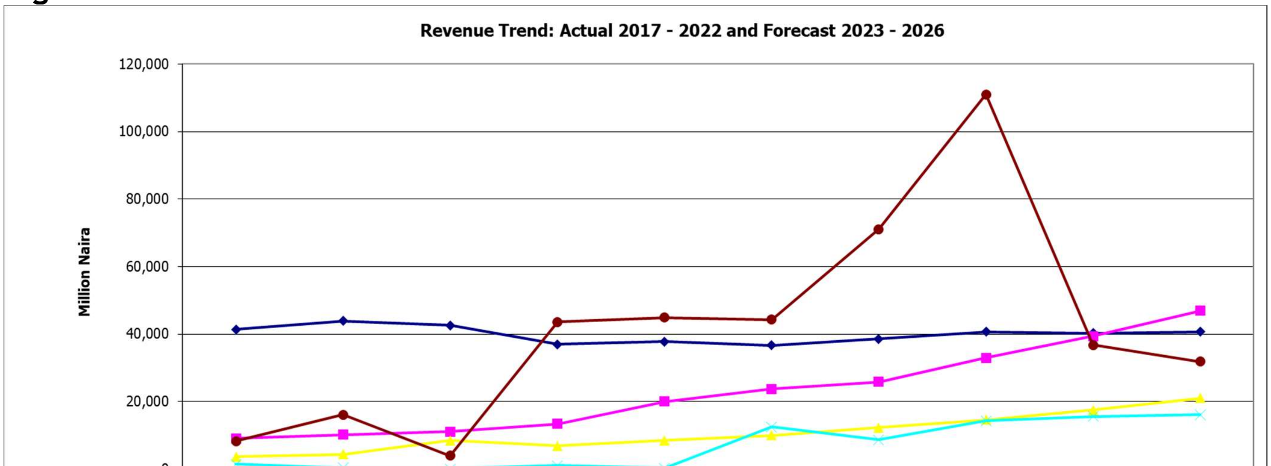
3.C.1 Assumptions

121. Opening Balance – The state anticipated opening balance of **₦3.500** billion
122. Statutory Allocation – This is estimated at **₦40.687** billion
123. VAT – Government share of VAT is estimated at **₦32.979** billion, earmarked using 5-year Moving Averages
124. Excess Crude – Excess Crude and other FAAC Revenues is **₦14.275** billion
125. Internally Generated Revenue (IGR) – The sum of **₦14.559** billion forecasted using 5-Year Moving Average
126. Grants – Internal Grants **₦55.400** billion
127. Other Capital Receipts **₦28.100** billion was earmarked as other capital receipt expected from the refunds of airport **₦26.000** billion, and **₦2.100** billion being Refund from Federal Government on Post IPPS Payee of Federal Government Staff working in Yobe State.
128. Financing (Net Loans) – sum of **₦27.450** billion is expected from Capital Market Issuance the sum **₦19.950** billion, N-CARES **₦6.0000** billion and Women Development, Loan **₦1.0000** billion
129. Personnel – The sum of **₦35.862** billion
130. Social Contribution and Social Benefits – **₦6.998** billion was earmarked for payment of pension, gratuities and other social contributions.
131. Overheads – other recurrent services **₦40.620** billion.
132. Grants, Contributions, Subsidies and Transfers – amounting to **₦1.399** billion.
133. Public Debt Service – Sum of **₦11.950** billion
134. Contingency and Planning Reserves: – Planning reserve of **₦0.000** billion
135. Capital Expenditure – the sum of **₦120.121** billion

3.D Fiscal Trends

136. Based on the above envelope, 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 expenditure in the line graphs below: -

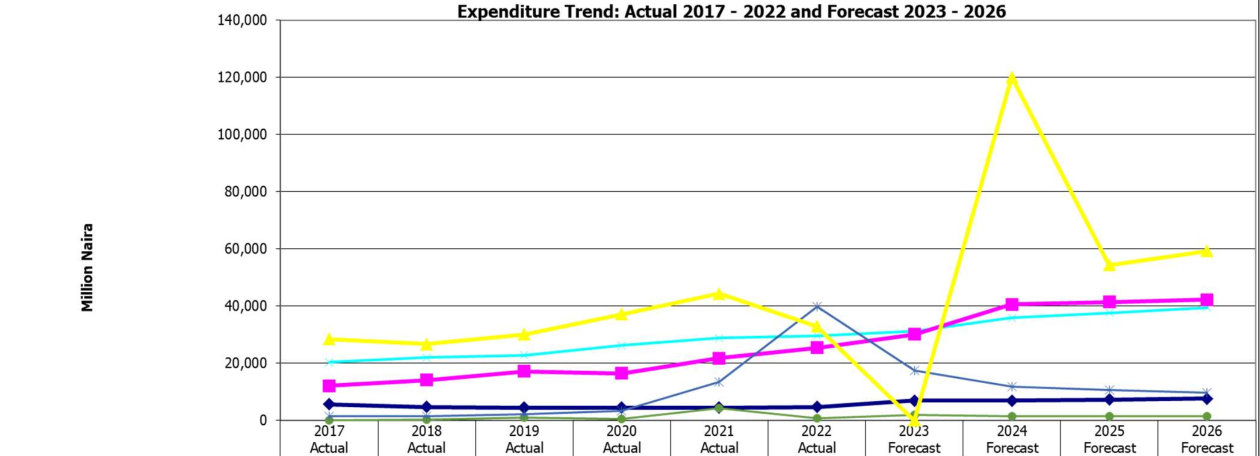
Figure 18: Yobe State Revenue Trend



	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Stat.Allocation	41,354,819,07	43,897,467,99	42,531,998,36	36,963,663,89	37,783,384,56	36,681,175,22	38,555,340,51	40,687,223,88	40,304,457,79	40,707,502,36
VAT	9,104,066,429	10,181,532,74	11,078,081,75	13,396,267,94	19,967,530,23	23,683,852,69	25,793,593,00	32,978,784,47	39,401,405,43	46,884,277,62
Total IGR	3,598,131,937	4,375,208,701	8,499,227,401	6,810,915,628	8,460,647,980	9,940,554,642	12,251,676,72	14,559,057,44	17,448,255,23	21,047,659,14
Other Federation Account Receipts	1,445,351,881	291,154,327	68,333,291	1,030,284,808	184,148,158	12,424,762,53	8,654,755,431	14,274,934,20	15,545,881,53	16,060,560,86
Capital Receipts	8,255,000,000	16,131,261,41	3,932,895,322	43,528,693,79	44,907,419,57	44,276,422,90	71,095,244,26	110,950,000,0	36,800,000,00	31,800,000,00

137. Figure 18 show the revenue performance 2017 - 2022 and forecast for 2023–2026. As indicated, the sum of ₦41.354 billion was received as Statutory Allocation, ₦43.897 billion, ₦42.531 billion, ₦36.963 billion, ₦37.783 billion, ₦36.681 billion was also received in 2017, 2018, 2019, 2020, 2021 and 2022. It is further expected that the sum of ₦38.555 billion will be receive in 2023, ₦39.787 billion, ₦40.304 billion and ₦40.708 billion in 2024, 2025 and 2026 respectively. The trend in other revenues, VAT, IGR, other Capital Receipts also follows the same pattern.

Figure 19: Yobe State Expenditure Trend



	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Personnel Costs	20,344,812,2	22,047,867,1	22,872,365,0	26,273,945,6	28,880,217,9	29,635,460,2	31,240,456,0	35,862,332,0	37,655,448,6	39,538,221,0
Social Contribution and Social Benefit	5,714,987,07	4,724,260,26	4,509,483,77	4,464,696,48	4,521,795,05	4,745,796,97	7,006,000,00	6,998,300,00	7,348,215,00	7,715,625,75
Overheads	12,151,456,7	14,128,967,4	17,239,777,0	16,496,278,7	21,771,230,7	25,431,433,2	30,157,996,0	40,619,510,0	41,431,900,2	42,260,538,2
Grants, Contributions and Subsidies	61,000,000	342,909,600	931,578,750	542,192,000	4,330,517,63	693,324,480	1,931,586,00	1,398,900,00	1,426,878,00	1,455,415,56
Public Debt Service	1,626,893,41	1,495,205,81	2,190,641,28	3,479,466,75	13,532,275,8	39,931,573,9	17,525,679,0	11,950,000,0	10,755,000,0	9,679,500,00
Capital Expenditure	28,454,358,7	26,698,790,0	30,096,315,9	37,165,206,5	44,420,842,6	32,929,639,1	0	120,120,958,	54,382,558,2	59,350,699,4

138. Figure 19 shows the Yobe State expenditure trend within the five years period 2017 to 2022 actuals and projections for 2023 - 2026 in terms of personnel cost, social contribution and social benefits, overheads, grants, contribution, subsidies including advances, debt service and capital expenditure.

3.E Fiscal Risks

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

Table 6: 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.
General Inflation	High	High	General increase in cost of production, which by implication would decrease to the productive capacity and invariably affect the VAT, IGR outturn and other revenue sources.
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

140. It should however, be noted that no budget is without risk. The ongoing implementation of the 2023 budget should be closely monitored and level of financial discipline needs to be maintained.

3.F Local Government Forecasts

141. Based on the Macroeconomic assumptions in section 3.A, the forecasting techniques noted in section 3.B and the vertical and horizontal sharing ratios from May 2018, the Federation Account revenues have been forecasted for the 17 Local Government Councils (LGCs) of Yobe State. In addition, LG share of IGR (LG receive 60% of Land Use Charge) which is estimated to constitute 2.5% of the IGR estimate contained in the State Fiscal Framework mentioned above.

142. The forecasts for the period 2024-2026 is provided below:

Figure 20: Local Government Forecast

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2024				
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	Total Transfer
BADE	0.1264%	0.0962%	0.5552%	1,514,136,365	1,135,479,123	610,607,022	8,082,915	**3,268,305,425**
BURSARI	0.1399%	0.0896%	0.6144%	1,675,541,793	1,057,921,524	675,697,121	8,944,546	**3,418,104,984**
DAMATURU	0.1171%	0.0851%	0.5144%	1,402,914,225	1,004,518,141	565,754,377	7,489,178	**2,980,675,922**
FIKA	0.1311%	0.0956%	0.5759%	1,570,752,456	1,128,175,685	633,438,639	8,385,149	**3,340,751,929**
FUNE	0.1839%	0.1307%	0.8078%	2,203,100,483	1,542,715,966	888,446,150	11,760,813	**4,646,023,411**
GEIDAM	0.1524%	0.1000%	0.6695%	1,825,801,289	1,179,782,933	736,292,392	9,746,676	**3,751,623,291**
GUJBA	0.1403%	0.0941%	0.6163%	1,680,960,796	1,110,955,561	677,882,447	8,973,474	**3,478,772,279**
GULANI	0.1219%	0.0884%	0.5355%	1,460,410,144	1,043,719,412	588,940,804	7,796,109	**3,100,866,468**
JAKUSKO	0.1608%	0.1153%	0.7062%	1,926,047,302	1,361,389,852	776,718,685	10,281,820	**4,074,437,658**
KARASUWA	0.1134%	0.0892%	0.4981%	1,358,353,703	1,052,528,061	547,784,419	7,251,301	**2,965,917,483**
MACHINA	0.1086%	0.0794%	0.4771%	1,301,086,878	937,712,052	524,690,379	6,945,593	**2,770,434,903**
NANGERE	0.1165%	0.0851%	0.5115%	1,394,964,104	1,004,034,956	562,548,326	7,446,738	**2,968,994,124**
NGURU	0.1267%	0.0985%	0.5563%	1,517,188,450	1,162,927,095	611,837,838	8,099,208	**3,300,052,592**
POTISKUM	0.1394%	0.1104%	0.6121%	1,669,493,296	1,302,681,547	673,257,939	8,912,257	**3,654,345,040**
TARMUWA	0.1293%	0.0828%	0.5678%	1,548,438,335	977,171,359	624,440,005	8,266,030	**3,158,315,728**
YUNUSARI	0.1347%	0.0932%	0.5917%	1,613,738,137	1,100,161,045	650,773,510	8,614,619	**3,373,287,311**
YUSUFARI	0.1344%	0.0900%	0.5903%	1,609,903,330	1,062,884,927	649,227,044	8,594,148	**3,330,609,450**
Total	**2.2768%**	**1.6237%**	**10.0000%**	**27,272,831,087**	**19,164,759,238**	**10,998,337,098**	**145,590,574**	**57,581,517,999**

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2025				
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	Total Transfer
BADE	0.1264%	0.0962%	0.5552%	1,499,892,089	1,356,613,775	664,971,501	9,686,944	**3,531,164,308**
BURSARI	0.1399%	0.0896%	0.6144%	1,659,779,091	1,263,951,827	735,856,800	10,719,562	**3,670,307,280**
DAMATURU	0.1171%	0.0851%	0.5144%	1,389,716,274	1,200,148,131	616,125,469	8,975,381	**3,214,965,256**
FIKA	0.1311%	0.0956%	0.5759%	1,555,975,562	1,347,887,992	689,835,897	10,049,155	**3,603,748,606**
FUNE	0.1839%	0.1307%	0.8078%	2,182,374,759	1,843,160,026	967,547,619	14,094,708	**5,007,177,112**
GEIDAM	0.1524%	0.1000%	0.6695%	1,808,625,017	1,409,545,756	801,847,080	11,680,873	**4,031,698,725**
GUJBA	0.1403%	0.0941%	0.6163%	1,665,147,115	1,327,314,247	738,236,693	10,754,231	**3,741,452,286**
GULANI	0.1219%	0.0884%	0.5355%	1,446,671,299	1,246,983,852	641,376,264	9,343,221	**3,344,374,636**
JAKUSKO	0.1608%	0.1153%	0.7062%	1,907,927,963	1,626,520,636	845,872,667	12,322,214	**4,392,643,480**
KARASUWA	0.1134%	0.0892%	0.4981%	1,345,574,956	1,257,507,986	596,555,582	8,690,298	**3,208,328,822**
MACHINA	0.1086%	0.0794%	0.4771%	1,288,846,871	1,120,331,551	571,405,399	8,323,923	**2,988,907,744**
NANGERE	0.1165%	0.0851%	0.5115%	1,381,840,944	1,199,570,845	612,633,971	8,924,519	**3,202,970,280**
NGURU	0.1267%	0.0985%	0.5563%	1,502,915,462	1,389,407,242	666,311,902	9,706,470	**3,568,341,075**
POTISKUM	0.1394%	0.1104%	0.6121%	1,653,787,496	1,556,378,885	733,200,449	10,680,866	**3,954,047,696**
TARMUWA	0.1293%	0.0828%	0.5678%	1,533,871,362	1,167,475,561	680,036,083	9,906,396	**3,391,289,403**
YUNUSARI	0.1347%	0.0932%	0.5917%	1,598,556,854	1,314,417,498	708,714,152	10,324,163	**3,632,012,667**
YUSUFARI	0.1344%	0.0900%	0.5903%	1,594,758,124	1,269,881,853	707,030,000	10,299,629	**3,581,969,606**
Total	**2.2768%**	**1.6237%**	**10.0000%**	**27,016,261,238**	**22,897,097,664**	**11,977,557,529**	**174,482,552**	**62,065,398,983**

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2026				
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	Total Transfer
BADE	0.1264%	0.0962%	0.5552%	1,514,891,010	1,614,253,505	686,986,790	11,685,265	**3,827,816,571**
BURSARI	0.1399%	0.0896%	0.6144%	1,676,376,882	1,503,993,771	760,218,898	12,930,903	**3,953,520,453**
DAMATURU	0.1171%	0.0851%	0.5144%	1,403,613,437	1,428,072,870	636,523,607	10,826,914	**3,479,036,829**
FIKA	0.1311%	0.0956%	0.5759%	1,571,535,318	1,603,870,576	712,674,375	12,122,197	**3,900,202,466**
FUNE	0.1839%	0.1307%	0.8078%	2,204,198,507	2,193,201,623	999,580,331	17,002,308	**5,413,982,769**
GEIDAM	0.1524%	0.1000%	0.6695%	1,826,711,267	1,677,238,002	828,393,925	14,090,522	**4,346,433,717**
GUJBA	0.1403%	0.0941%	0.6163%	1,681,798,586	1,579,389,592	762,677,582	12,972,724	**4,036,838,483**
GULANI	0.1219%	0.0884%	0.5355%	1,461,138,012	1,483,803,343	662,610,384	11,270,636	**3,618,822,374**
JAKUSKO	0.1608%	0.1153%	0.7062%	1,927,007,243	1,935,419,415	873,877,072	14,864,165	**4,751,167,896**
KARASUWA	0.1134%	0.0892%	0.4981%	1,359,030,706	1,496,326,156	616,305,818	10,483,021	**3,482,145,700**
MACHINA	0.1086%	0.0794%	0.4771%	1,301,735,339	1,333,098,017	590,322,985	10,041,067	**3,235,197,409**
NANGERE	0.1165%	0.0851%	0.5115%	1,395,659,354	1,427,385,950	632,916,516	10,765,560	**3,466,727,379**
NGURU	0.1267%	0.0985%	0.5563%	1,517,944,616	1,653,274,906	688,371,568	11,708,819	**3,871,299,910**
POTISKUM	0.1394%	0.1104%	0.6121%	1,670,325,371	1,851,956,774	757,474,602	12,884,224	**4,292,640,972**
TARMUWA	0.1293%	0.0828%	0.5678%	1,549,210,076	1,389,195,327	702,550,118	11,949,989	**3,652,905,509**
YUNUSARI	0.1347%	0.0932%	0.5917%	1,614,542,423	1,564,043,571	732,177,635	12,453,936	**3,923,217,566**
YUSUFARI	0.1344%	0.0900%	0.5903%	1,610,705,705	1,511,049,991	730,437,725	12,424,341	**3,864,617,763**
Total	**2.2768%**	**1.6237%**	**10.0000%**	**27,286,423,850**	**27,245,573,391**	**12,374,099,932**	**210,476,591**	**67,116,573,765**

143. Additional Grants are also available to Local Governments as identified in the Local Government Fiscal Transparency, Accountability and Sustainability (LFTAS) programme. There is an annual incentive in the sum of Twenty Million

Naira only for the participating LGAs who had made the minimum performance indicators as listed below:

- Budget preparation Process - Increased Citizen engagement in Budget processes
- Adherence to Policy Documents - Strengthen Plan-Budget link
- Internally Revenue Generation (IGR) -Improved revenue generation
- Procurement and nominal roll fraud - Increased Transparency and value for money
- Tracking Absenteeism and non-challan attitude of Primary School Teachers and Health personnel - Improved service delivery and Improved quality of education.

4 Budget Policy Statement

4.A Budget Policy Thrust

144. Government's policy thrust and direction in 2024 is completion of all ongoing projects.

4.B Sector Allocations (3 Year)

145. Presented in the tables below are the indicative 3-year envelopes for sectors and sub-sectors. Table 7 adopted a performance-based approach in determining the sector ceilings, contrary to the already established sharing principles, where health and education sectors are expected to consume 15% and 25%, in addition to agitations for Agric sector to accommodate 13% of the state budget, as emulated in figure 20.

146. In terms of personnel cost, governance took the higher percentage (i.e., 31.9%) in the year 2024, followed by education sector 31.1% and health 20. 7%, the least are commerce and industry, 0.4%, water sector 1.2% and social development 1.5%. The trend follows the same pattern all through the subsequent years.

147. For overhead, governance takes the lion share (i.e., 79.3%), education and health get 8.4% and 3.4%. Likewise, for the capital expenditure works, housing and energy got 23.4%, governance 16.9% and education 11.5% in 2024 fiscal year and the trend goes this way in the subsequent years, where environment and social development gotten less than 0.8%.

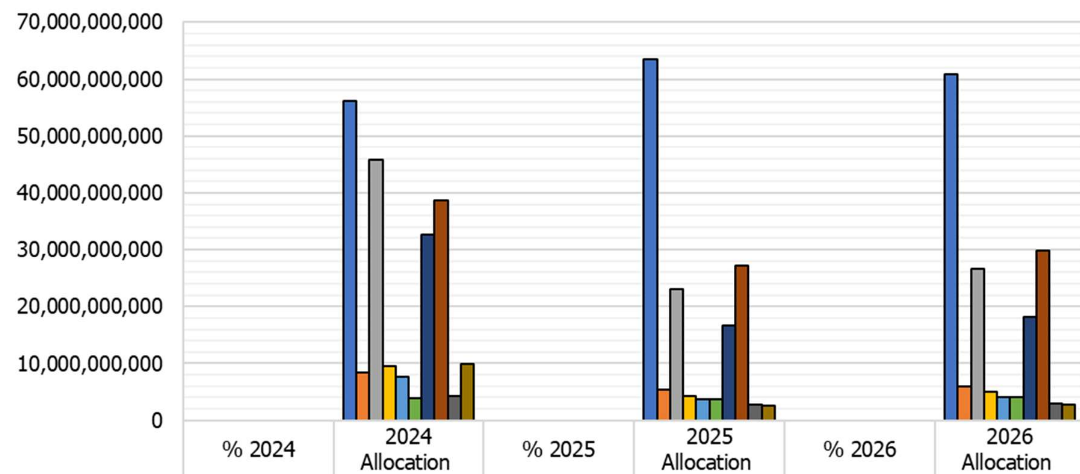
Table 7: Indicative Sector Expenditure Ceilings 2024-2026

Personnel Expenditure by Sector							
No.	**Sector**	**% 2024**	**2024 Allocation**	**% 2025**	**2025 Allocation**	**% 2026**	**2026 Allocation**
1	Governance	27.59%	11,823,294,000	23.50%	10,573,733,214	23.61%	11,158,483,362
2	Agriculture	5.11%	2,188,971,000	5.21%	2,344,966,812	5.24%	2,474,649,309
3	Works, Housing and Energy	3.12%	1,335,372,000	3.81%	1,715,580,599	3.83%	1,810,457,556
4	Commerce and Industry	0.44%	187,822,000	0.55%	248,873,844	0.56%	262,638,302
5	Water	1.28%	550,526,000	1.59%	713,910,989	1.59%	753,393,133
6	Justice, Peace and Security	3.36%	1,440,107,000	3.61%	1,626,873,722	3.63%	1,716,840,278
7	Health	22.73%	9,742,837,000	22.17%	9,978,473,699	22.28%	10,530,307,160
8	Education	31.74%	13,603,482,000	34.48%	15,517,095,918	34.15%	16,136,605,494
9	Environment	2.99%	1,283,218,000	3.31%	1,490,710,013	3.33%	1,573,148,057
10	Social Development	1.64%	705,003,000	1.76%	793,444,789	1.77%	837,324,129
	Total	**100.00%**	**42,860,632,000**	**100.00%**	**45,003,663,600**	**100.00%**	**47,253,846,780**

Overhead Expenditure by Sector							
No.	**Sector**	**% 2024**	**2024 Allocation**	**% 2025**	**2025 Allocation**	**% 2026**	**2026 Allocation**
1	Governance	64.69%	34,910,646,000	77.21%	41,396,485,334	73.36%	39,172,865,112
2	Agriculture	2.89%	1,559,990,000	1.56%	836,327,285	1.73%	924,790,642
3	Works, Housing and Energy	3.21%	1,731,448,000	1.62%	869,763,945	1.80%	961,764,098
4	Commerce and Industry	1.25%	673,325,000	0.14%	72,467,476	0.15%	80,132,796
5	Water	0.48%	258,166,000	0.61%	326,000,581	0.68%	360,483,619
6	Justice, Peace and Security	2.05%	1,105,913,000	1.90%	1,016,012,032	2.10%	1,123,481,723
7	Health	4.19%	2,260,441,000	5.79%	3,103,017,685	6.43%	3,431,242,492
8	Education	14.45%	7,797,867,000	9.73%	5,216,747,296	12.14%	6,481,553,356
9	Environment	0.83%	446,940,000	0.65%	345,825,895	0.72%	382,405,975
10	Social Development	5.97%	3,223,674,000	0.80%	431,130,672	0.89%	476,733,951
	Total	**100.00%**	**53,968,410,000**	**100.00%**	**53,613,778,200**	**100.00%**	**53,395,453,764**

Capital Expenditure by Sector							
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	Governance	7.79%	9,360,765,000	21.23%	11,544,379,674	17.61%	10,449,123,893
2	Agriculture	3.87%	4,646,837,000	4.20%	2,286,098,562	4.41%	2,617,329,936
3	Works, Housing and Energy	35.63%	42,801,784,000	37.80%	20,554,280,991	40.26%	23,896,091,001
4	Commerce and Industry	7.24%	8,700,321,000	7.41%	4,028,232,610	7.77%	4,611,880,683
5	Water	5.67%	6,810,000,000	4.74%	2,577,003,212	4.97%	2,950,383,577
6	Justice, Peace and Security	1.15%	1,380,000,000	1.83%	997,732,251	1.92%	1,142,293,046
7	Health	17.19%	20,644,761,000	6.77%	3,681,869,481	6.98%	4,142,888,536
8	Education	14.36%	17,251,061,000	11.86%	6,451,299,746	12.08%	7,168,690,433
9	Environment	2.14%	2,574,125,000	1.68%	912,009,970	1.64%	971,705,834
10	Social Development	4.95%	5,951,304,000	2.48%	1,349,651,704	2.36%	1,400,312,518
	Total	**100.00%**	**120,120,958,000**	**100.00%**	**54,382,558,200**	**100.00%**	**59,350,699,456**

Figure 21: Sector Allocations – Budget Ceilings 2024-2026



	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
Governance	25.86%	56,094,705,000	41.51%	63,514,598,222	37.99%	60,780,472,366
Agriculture	3.87%	8,395,798,000	3.57%	5,467,392,660	3.76%	6,016,769,887
Works, Housing and Energy	21.14%	45,868,604,000	15.12%	23,139,625,535	16.67%	26,668,312,655
Commerce and Industry	4.41%	9,561,468,000	2.84%	4,349,573,930	3.10%	4,954,651,781
Water	3.51%	7,618,692,000	2.36%	3,616,914,781	2.54%	4,064,260,329
Justice, Peace and Security	1.81%	3,926,020,000	2.38%	3,640,618,005	2.49%	3,982,615,047
Health	15.05%	32,648,039,000	10.96%	16,763,360,864	11.32%	18,104,438,188
Education	17.82%	38,652,410,000	17.77%	27,185,142,960	18.62%	29,786,849,283
Environment	1.98%	4,304,283,000	1.80%	2,748,545,877	1.83%	2,927,259,865
Social Development	4.55%	9,879,981,000	1.68%	2,574,227,166	1.70%	2,714,370,599

4.C Considerations for the Annual Budget Process

148. All spending agencies are advice to adhere strictly to the following INSTRUCTIONS in the preparation of their 2024 budget proposals:
    i. Every spending entity is advised to ensure that all outstanding liabilities in capital, including unpaid releases are included in their proposed budget;
    ii. Articulate their budget against the background of the overall goals of the State Development Plan (i.e., YOSERA) and the Sustainable Development Goals (SDG);
    iii. Ensure the link between MTSS and the annual budget;
    iv. Report on the revenue and expenditure performance of the current year January – June MUST be attached.

v. Inputs from the citizens' need collected during the Public Consultations (Budget Dialogue) meetings at the Headquarters of the three (3) Senatorial Districts should form part of the 2024 budget proposals.
vi. Ensure that budget estimates are within the ceiling provided and use appropriate budget classification and codes.
vii. To liaise with their respective departments and units in coming up with their budgetary proposals.
viii. 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;
ix. MDAs are required to provide full information on the projects that require counterpart funding (see Annex II). Counterpart funds will be available to any MDAs that justify the projects and make necessary provisions in their budgets;
x. MDAs that have external funding must provide details of activities intended to be executed with such funds as it will be treated under non-discretional fund (funds provided for specific MDA/Activity)
xi. All MDAs are required to prepare and submit their 2024 budget proposals using the Budget Template (available at our website https://budget.pfm.yb.gov.ng) and submit same to our email ybmobep@hotmail.com
xii. Ensure consistency with sector strategy plan;
xiii. Ensure that the appropriate forms and formats are used
xiv. All newly established MDAs, especially those that their salaries remain with their former MDAs are advised to submit the comprehensive staff list indicating their former places of work.
xv. Ensure to use the **MOST RECENT Budget Template** to avoid the instances of having their proposals been retrofitted.

5 Summary of Key Points and Recommendations

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

i. The projections for the various revenue and expenditure items are predicted using a credible forecasting technique align with the global best practice. 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.

ii. The projections for revenue items, especially from the federation account were conservatively arrived at from the arrays of forecasting options, to reflect the real economic situations of the State. The Independent Revenue figures, especially in the last one year has been very encouraging, with annual growth of 17.5%, yet contributing only 7.8% of the total revenue generated, as about one-third of the Revenue Generating Agencies, retained and spend the revenue they generated, to meet their operational cost, against the State's laid down Revenue Laws, despite government's commitment to their budgetary allocation. These ugly trends need to be addressed amicably;

iii. Revenue Generating Agencies (RGAs) are expected to exercise prudence while handling public funds and ensure timely remittance of the revenues collected into the coffers of government. For this reason, all internal revenue sources need to be fully explored and the identified leakages meticulously blocked.

iv. Grants and loan facilities from Development Partners and other Donor Agencies need to be seriously explored and negotiated as they provide additional funding. Consequently, government must provide a conducive working environment to Development Partners through timely and prompt payment of Government Cash Contribution (GCC) and other logistics;

v. The Government must focus on eliminating wastes and ensure prudent and efficient use of its scarce resources;

vi. MDAs are expected to pull their expenditures from the State Development Plans (YOSERA IV) and also linked to their Medium-Term Sector Strategies (MDSS);

vii. MDAs are expected to incorporate citizen needs generated across the three Senatorial Districts of the State in their budget proposals;

viii. MDAs are advised to strictly used the Budget Templates provided in submitting their budget proposals, in order to avoid the instances having their proposals been retrofitted.