JIGAWA STATE

2018 - 2020

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

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Abbreviations

ARC	DFID Funded Accountability, Responsiveness and Accountability
BEPD	Budget and Economic Planning Directorate
CBN	Central Bank of Nigeria
CPIA	Country Policy and Institutional Assessment
DMD	Debt Management Department
DFID	UK Department for International Development
EFU	Economic and Fiscal Update
ExCo	Executive Council
ERGP	Economic Recovery and Growth Plan
FAAC	Federal Allocation Accounts Committee
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
IGR	Internally Generated Revenue
IMF	International Monetary Fund
MDA	Ministry, Department and Agencies
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategy
NBS	National Bureau of Statistics
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
OAG	Office of the Accountant General
PFM	Public Financial Management
PITA	Personal Income Tax Act
PMS	Petroleum
SHoA	State House of Assembly
TSA	Treasury Single Account
VAT	Value Added Tax
WEO	World Economic Outlook

Section 1 Preamble and Background

1.1 - The Preamble

1.1.1 - Introduction

The EFU-FSP-BPS constitute the major components of the Annual Budget Process in Jigawa State. These set of principles provides logical starting point for the development of Medium-Term Expenditure Framework (MTEF), which highlights the context of the annual budget. The key objective is to achieve fiscal realism and sustainability for both the medium and long-term development of the State through an institutionalized fiscal reform.

The foundation for any fiscal discipline and the attainment of fiscal realism start with the Economic and Fiscal Update (EFU). It (the EFU) presents data and analysed information on all the strata of the state, national and global economic and fiscal situations. This forms the basis for fiscal and macroeconomic assumptions and projections reflected in the Fiscal Strategy Paper which also goes further to manifest medium-term fiscal projections (revenue and expenditure). The EFU gives a measured reflection of recent budget performance identifying factors that significantly affects the attainment of budgetary outputs and outcomes which transmit into the subsequent fiscal plans.

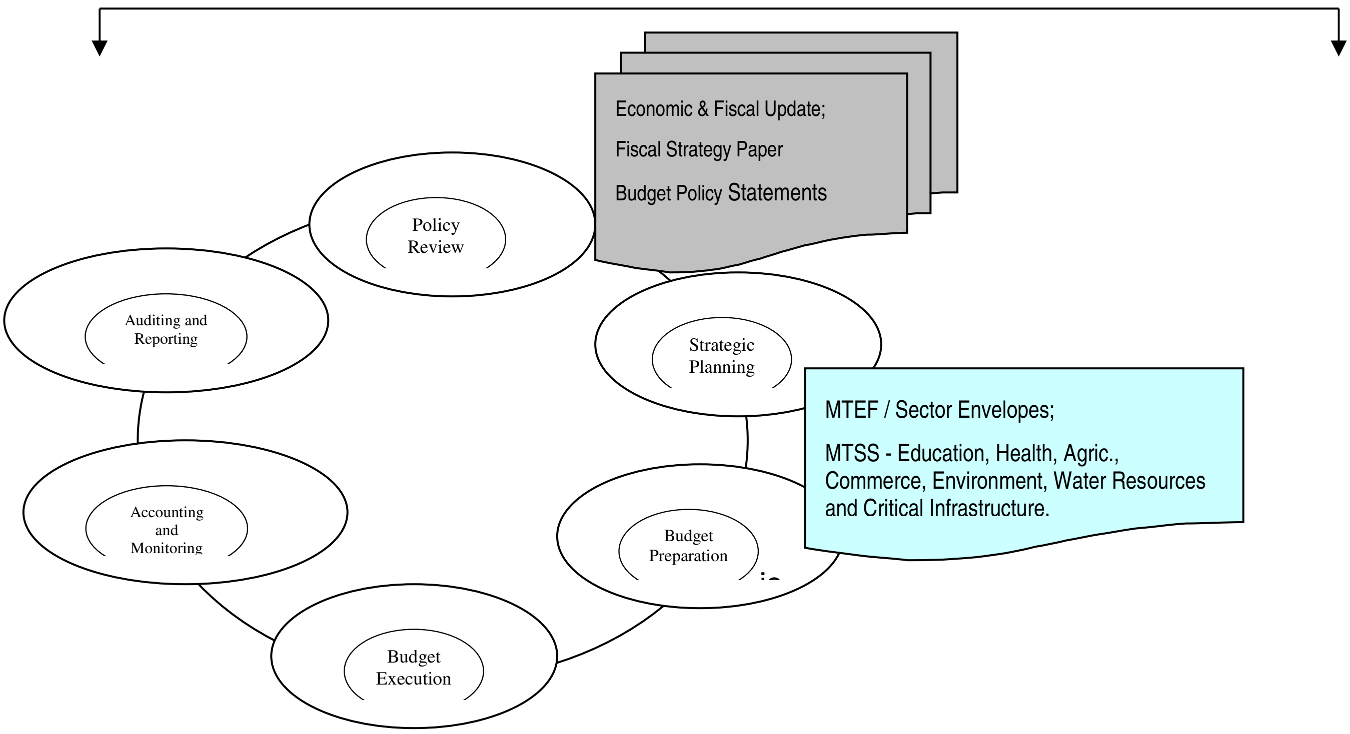
The EFU provides the context for a prospective **Fiscal Strategy Paper (FSP) that** feeds into the Medium-Term Expenditure Framework (MTEF) where resources are strategically allocated considering Government policy objectives and priorities as dictated by the budget policy statements.

Thus FSP is an indispensable element in annual budget process as it determine the resources available to fund government prioritized projects and programmes in a sustainable manner and consistent with its development policy objective and priorities as encapsulated in the existing policy document It provides justification and corroborate the estimation for medium-term major Revenue and Expenditure aggregates including important components of the MTEF Process such as fiscal targets, fiscal constraints and an assessment of the fiscal risks.

1.1.2 – The EFU-FSP-BPS in the Budget Process

The "GREAT TOOL" an acronym for Government Resource Estimation and allocation Tool, ensure that planning and budgeting process is being kick-started early in the budget calendar. The resultant outcome of the outcome of the EFU-FSP-BSP process is the Medium Terms Expenditure Framework which feeds into the Medium-Term Sector Strategies(MTSS) of the key sectors of the Comprehensive Development Framework (CDF) namely; Education, Health, Agriculture, Environment, Water & Sanitation, Commerce and Investment as well as three other sectors i.e. Women and Social Development, Economic Empowerment and Land & Regional Development that would equally develop a simple medium-term sector plan. Below is the budget cycle and its connection with the MTEF process summarized in the diagram.

Figure 1: EFU-BPS - FSP in the PEM Cycles



For the 2018 – 2020 medium-term fiscal framework, the MTSS is going to be developed in the seven CDF key sectors of Education, Health, Agriculture, Environment, Water & Sanitation, Commerce & Investment and Critical Infrastructure. Three other sectors that include Women & Social Development, Economic Empowerment and Lands & Regional Development - would also develop a simple Medium-Term Sector Plan.

1.1.3 - Summary of Contents

The development of this three-part document consisting of Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is to a large extent an integral part of the policy review and strategic planning process of the PEM Cycle and play a significant role towards ensuring fiscal discipline and consistency of government's fiscal plans with its socioeconomic development objective that reflects conformity with international best practice.

The EFU-FSP-BPS essentially:

i. Provides a summary historical view of key economic and fiscal trends at various levels of governance expected to influence and impact on the short-term outlook of public expenditure.

ii. Sets out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt; and

iii. Produces the medium-term expenditure framework which provides indicative sector envelopes for the period 2018-2020 which guides sectors on the production of the MTSS which then feeds in to the budget;

The EFU which provide the economic and fiscal analysis is presented in Section 2. Primarily, it is intended to provide policy makers and decision takers with the basic information and knowledge on the context of the annual budget and planning processes. It also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. Additionally, the EFU includes:

- Overview of Global, National and State Economic Performance
- Overview of the Petroleum Sector
- Trends in budget performance over the last six years

These form the basis for determining the overall budget size over the medium term and the sector envelopes required in the preparation of medium terms sector strategies. The FSP thus determines the resources available to fund the development projects and programmes relating to economic growth, human capital development, service delivery and other administrative cost of governance. The EFU analysis which feeds into the FSP ensures realism and sustainability in the fiscal projections. The BSP in section 4 helps to ensure resources allocation is strategically done in line with Government development objectives and priorities.

The BEPD provide coordination and leadership for the preparation of these documents in collaboration with the key PFM agencies being members of the technical working group. Major decision makers and stakeholders that formed the target audience of this important fiscal document include:

- The Executive Governor of the State
- The State Executive Council (ExCo);
- The State Economic Planning Board
- State House of Assembly (SHoA);
- Budget & Economic planning Directorate;
- Ministry of Finance & Economic Planning;
- Due Process & Project Monitoring Bureau;
- All Government Ministries, Departments and Agencies (MDAs);
- Development Partners/Donor Agencies;

- Concerned Civil Society Organizations such as the Budget Monitoring Group and Jigawa Forum; and
- Interested private sector entities such as financial institutions and the organised private sector.

1.2 - Background

1.2.1 - Legislative and Institutional Arrangement for PFM

Extant legislations that provides ~~the~~ legal and regulatory framework for public expenditure and financial management system in Jigawa State are tabulated below. It is worthy of note there is an ongoing support from the EU/World Bank Supported State and Local Governance Reform Project to streamline some of these legislations to come up with the State Organic Finance Law which may go to the House of Assembly in 2018.

S/N	Legislations	Remarks / Provisions
1	1999 Constitution of the Federal Republic of Nigeria (as amended)	The 1999 constitution contains the fundamental rules for the PFM across all States in the Federation. Sections 120 – 129 as well as 162 and 163 of the constitution made provisions for the management of public revenue, intergovernmental fiscal relations, taxation, appropriation of public funds, annual accounts, audit of accounts and investigation by the State Legislature. *Sections 120 (i) and (ii) of the Constitution of the Federal Republic of Nigeria, 1999 stipulates that* *"… All revenues or other moneys raised or received by a State … shall be paid into and form one Consolidated Revenue Fund of the State." and that "… No moneys shall be withdrawn from the Consolidated Revenue Fund of the State except to meet expenditure that … has been authorized by an Appropriation Law… "* The Governor is required by the constitution to prepare and lay expenditure proposals or an Appropriation Bill for the coming year before the State Legislature.
2	The Fiscal Responsibility Law, 2009	The FRL makes provisions for the promotion and enforcement of best practice in public expenditure and financial management. It seeks to ensure strategic prioritisation and resource allocation through the budget process as well as the promotion of accountability, transparency and prudence in the entire PFM process. The law also provides for multi-year fiscal planning, including aggregate revenue forecasts and expenditure estimates
3	The Personal Income Tax Act, 1993 and Value Added Tax Act, 1993 as amended	The Personal Income Tax Act and Value Added Tax Act provide guidance on the assessment and collection of personal income tax and value added tax, respectively
4	Th Board of Internal Revenue Service Law, 2010	Board of Internal Revenue Service Law, 2010, which [like the Personal Income Tax Act of the Federal Government also passed in 2010] aimed at improving the tax administration and enhancing internally generated revenue.

5	Public Finance [Control and Management] Law of 1998 [CAP - P13 of the Laws of Jigawa State [2012]	The Public Finance (Control and Management) Law contains provisions for the management of public finance in the State
6	The State Audit Law, Jigawa State Laws 1998, Chapter 9	The State Audit Law has provisions that guide the preparation and audit of all public accounts.
7	Due Process and Projects Monitoring Law, 2009 (as amended)	The Due Process and Projects Monitoring Law provides guides for the achievement of an open, competitive and transparent procurement system in the State.
8	Annual Appropriation Laws	Annual appropriation laws contained revenue and expenditure estimates approved by the State House of Assembly in accordance with section 120 – 123 of the constitution.
9	Financial Instructions, Revised 2006	The financial instructions and stores regulations contain instructions and guidelines for budget regulation and accounting as well as contract records and stores management. The Fiscal Responsibility Law and Due Process and Projects Monitoring Law are improvements to some of these instructions and regulations
10	Financial Memorandum, Revised 2016	The Financial Memorandum contain instructions and guidelines for budget regulations and accounting as well as contract records and stores management in the Local Government
11	Local Government Harmonized Taxes, Law No. 6 2014	The Local Government Harmonized Taxes Law provides for the harmonization of taxes and levies to be collected by the Local Government Councils in the State.
12	Economic Planning Board Law No. 8 of 2016	Basis for the establishment of this was Section 7(3) of the Constitution of the Federal Republic of Nigeria. Some of the functions of the EPB include: i. provide inputs into the short, medium and long-term development plans of the State and the Local Governments in line with the State development objectives and priorities; ii. examine the plans and budgets of the State and Local Government Councils for consistency with each other and with the State development objectives and priorities; iii. examine and take appropriate actions on periodic reports on budget implementation and other similar reports from MDAs; iv. monitor and ensure compliance with provisions of the Economic Planning and Fiscal Responsibility Law by the relevant Government Agencies;
13	The Contributory Pension Scheme Law of 2001 (as amended)	This law made provision for the payment of 17% of the monthly gross salary of all Permanent & Pensionable staff on the payroll of State and Local Governments to the Contributory Pension Scheme Fund
14	Other Treasury circulars	This include the FSP initiated by the FG, State initiated circulars related PFM reforms.

1.2.2 - Institutional Framework for PFM in Jigawa State

MDAs are, and to a certain extent, directly involved in the preparation and implementation of public expenditure and financial management functions of Government. However, a few number of Agencies provide coordination and leadership, and also serve as institutional homes that define the institutional framework for PFM in the State as indicated in the table below:

PFM Institutional Framework – Update on the Roles of Agencies		
S/N	PFM Related Agencies	Summaries Roles & Responsibilities
1	Ministry of Finance & Economic Planning	The PFM functions of the Ministry of Finance and Economic Planning are carried by its constituent Departments and Agencies under the leadership of the Honourable Commissioner. These include Office of the Accountant Genera, Directorate of Budget and Economic Planning and the Board of Internal Revenue.
2	Budget and Economic Planning Directorate	BEPD coordinates the entire annual planning and budget process of the State beginning conception of the EFU-FSP-BPS to the preparation of the Medium terms Sector plans and the Annual Appropriation Law being the major outputs. The function of preparing the annual budget includes all revenue aspects, recurrent expenditure (personnel and overhead cost) and capital expenditure. The Directorate is an Agency under the supervision of the Ministry of Finance and Economic Planning
3	Office of the Accountant General	Office of the Accountant General which essentially is the Treasury Department is where the financial management functions of the Ministry of Finance are mainly centred. It carries out general treasury operations for the government, including collection of revenues, expenditure / accounting controls and cash management. As the Head of the Treasury, the Accountant General exercises the general management and supervision of all the accounting operations of the State Government and serves as the Chief Accounting Officer of receipts and payments of the State Government in that respect. The Debt Management Function is also exercised by the AG's Office. The major output of the annual operations of the Office of the Accountant General is the annual Financial Statements which it submits to the Auditor General for further action. Since 2016, the Treasury has also started the implementation of Treasury Single Account (TSA) with regards to internal revenue generation. It is expected that this TSA initiative would be consolidated in 2017.
4	Board of Internal Revenue Service	The Board of Internal Revenue Service (BIRS) is also under the supervision of the Ministry of Finance & Economic Planning. The Board has the major mandate of revenue collection and revenue administration including having an oversight function of monitoring revenue collection by other revenue generating agencies of the State Government. Some of the major functions of BIRS include: providing general policy guidelines regarding the functions of internal revenue service, ensuring the effectiveness and optimum

		collection of all taxes and penalties due to the state under the relevant state and federal laws, supervising and monitoring all revenue collection from the state government agencies. On the average, BIRS collects about 40% of the total State IGR while other MDAs collect the rest. On the other hand, Public and Non-Public Sector PAYE constitute not less than 70% of what the Board collects annually
5	Directorate of Salaries and Pensions in the Office of the Head of Service	The Directorate of Salaries and Pensions which is under the supervision of the Head of the State Civil Service is responsible for the State's Computerised Payroll System. It undertakes the preparation of salaries and pensions for payment for all Agencies of Government including the Judiciary, the Legislative Arm and the Local Government Councils
6	Office of Auditor Generals (State and Local Governments)	The Office of Auditor General of the State audits all accounts of government. It posts auditors to all MDAs to undertake post payment audit of transactions. In addition, the Auditor General embarks on annual audits of public accounts prepared by the Accountant General and publishes audit reports. The Auditor General of Local Governments facilitates the audit of the financial statements of all LGs in the State and issues a report annually. Both the Auditor General of the State and the Auditor General of Local Governments report to the PAC Committee of State House of Assembly.
7	Due Process and Project Monitoring Bureau;	The Due Process and Project Monitoring Bureau regulates all procurement activities and carries out certification of transactions
8	Ministry for Local Government and Community Development	The Ministry for Local Governments supervises the Public Financial Management process of 27 Local Governments in the State. It ensures that Local Governments abide by the provisions of Financial Memorandum and all matters relating to local government finances. For closer monitoring and supervision, the Ministry established 9No. Zonal offices across the State.

1.2.3 - Overview of Budget Calendar

Strict adherence to Budget Calendar Activities and Timelines was identified as critical to the PFM Reform Strategies as covered in Section 14.4 of CDF II . In line with this, the key milestones of the budget and planning process for 2018 – 2010 MTEF and 2018 Budget was prepared and adopted as follows:

i. **Production of 2018 – 2020 Medium Term Expenditure Framework (MTEF)** - the process for commences through the preparation of Economic & Fiscal Updates, Fiscal Strategy Paper and Budget Policy Statements which is being done in collaboration with Ministry of Finance. The end product of this would be the production of an MTEF from which would be derived preliminary revenue and expenditure projections, sector envelops for the development of Medium Term Sector Strategies (MTSS) and subsequently, MDA budget ceilings. It is planned that this would be completed and submitted for endorsement by the **3rd week of August, 2017.** This would also be submitted to the Appropriation Committee of the House of Assembly for information only;

ii. **Issuance of Call Circulars – Last week of August 2017.** These include:

a) **2018 – 2020 MTSS/ MTEP Call Circular** - Six MTSS sectors are involved including Education, Health, Environment, Agriculture, Commerce, and Water & Sanitation. Those that prepare a simple MTEP include Economic Empowerment, Women and Social Development, and Critical Infrastructure; and

b) **2018 Budget Call Circular** in respect of all MDAs which goes out with the time-table for bilateral discussions.

iii. **Joint Sector Strategy Session with the Sector Planning Teams** of the seven MTSS Sectors to review progress in the production of first draft of the MTSS Documents, discuss crosscutting issues among all the sectors and ensure that the MTSSs are properly aligned with CDF II and the overall socioeconomic development objectives of the State Government. The strategy session is supposed to be attended by the Commissioners of the sectors as chairpersons of their respective sector planning teams. Also to be in attendance would be the various Project Officers in respect of loans/grants funded projects such as AfDB (ATASP II), IFAD (CBARD), Fadama 3+, IDB (Agricultural Enterprise Development Project), Save One-Million Lives, and Global Partnership for Education Program among others. This is planned for **2nd Week of September 2017;**

iv. **Bilateral Discussions with all MDAs** to review the submitted budget proposals. This would generally focus on revenue estimates, staff establishments, personnel and overhead cost and capital expenditure. For MTSS sectors discussions on capital expenditure is largely based on contents of the MTSS. This is planned for **Third and Fourth Weeks of September with spill overs in the 1st week of October, 2017**;

v. **Consolidation of Zero Draft of the 2018 Proposed Budget and MTSS** of the Six Sectors. This is set to be achieved in the **2nd and 3rd weeks of October, 2017**;

vi. **High-level Discussions and Review of the Proposed Budget** to be chaired by His Excellency with all MDAs to produce a clean draft for subsequent presentation to the State Economic Planning Board and the State Executive Council. This is planned for **4th Week of October, 2017;**

vii. **Presentation to EPB and EXCO** – presentation of the draft proposed budget to the State Economic Planning Board and the State Executive Council culminating in the approval of the budget and submission to the House of Assembly – **1st Week of November, 2017;**

viii. **Draft Budget Speech** – **1st Week of November, 2017;**

Section 2 Economic and Fiscal Updates

2.1 - Economic Overview

The Economic Updates take a close look at recent trends economic developments from the global level down to the local economy and the likely impact of observed trends on future growth prospects. This is very important given the large exposure of the Nigerian economy to the ups and downs of global economic developments as affected by commodity prices, foreign direct investments, dollarization of international trade as well as the inexplicable influence of international financial institutions – particularly the World Bank and IMF – on the national economy.

Forecasting Federation Account Revenues is informed by a number of macroeconomic variables and assumptions that have a direct impact on such Statutory Allocation and VAT forecasts. These variables and assumptions themselves are largely informed by an analysis of economic and fiscal trends globally and national as well as other domestic economic policies and political developments. Using elasticity based forecasting for these major revenues, the macroeconomic variables that normally affect the revenue forecast include:

- National real GDP growth
- National Inflation
- NGN:USD Foreign Exchange Rate
- Crude Oil Price benchmark
- Crude Oil Production benchmark
- Mineral Ratio

Review Global and National Economic Prospects

Data on the review of the global and domestic economic trends are derived from the Federal MTEF which as in turn, largely informed by data from such publications as the IMF's World Economic Outlook and Central Bank of Nigeria Periodic reports. These are summarised below:

GLOBAL ECONOMIC OUTLOOK

Global growth is expected to rise from **3.5% in 2017** tp **3.6% in 2018**

Sub-Saharan Africa growth is projected to rise form **2.6% in 2017 to 3.4% in 2018**

Source: 2018 – 2020 **MTFF & FSP** by Ministry of Budget and National Planning

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RECENT DEVELOPMENTS & PROSPECTS

	Estimate	Projections	
	2016	2017	2018
World Output	3.5	3.5	3.6
Advanced Economies	1.7	2.0	2.0
United States	1.6	2.3	2.5
Euro Area	1.7	1.7	1.6
Emerging Market & Developing Economies	4.1	4.5	4.8
China	6.7	6.6	6.2
India	6.8	7.2	7.7

- China's trade surplus fell to US$38.5 billion in April 2017 from USD 39.16 billion surplus a year earlier but above market consensus of a US$35.50 billion surplus, as exports rose less than imports

- The emergence of a new administration in the USA also generated new uncertainties
- US withdrawal from Trans Pacific Partnership (TPP) and ongoing renegotiation of other trade agreements are threats to the fragile global trade recovery.
- The British vote to leave the European Union (Brexit) fueled political and economic uncertainty in the global markets in the medium- to long-term
- On the African continent, the pace of economic growth is generally on the rise, driven by commodity prices, with a few reformist nations leading the pack; Scheduled elections in several African countries raise concerns about stability

5

Source: 2018 – 2020 **MTFF & FSP** by Ministry of Budget and National Planning

Macroeconomic

The recently released Nigeria Gross Domestic Product Report Q2, 2017 Report by the National Bureau of Statistics indicated a year-on-year positive growth of 0.55% in real terms. This is the first positive growth rate after five consecutive quarters of GDP contraction since 2016.This strengthen the believe that the Nigerian Economy has finally emerged from the recession the beset Nigeria following years of misdirected and inappropriate economic policies, whopping financial leakages without buffers to fall back to. Indeed, there is great optimism that the implementation of the Economic Recovery and Growth Plan (ERGP) will continue to strengthen the stability of the national macroeconomic environment in the years ahead.

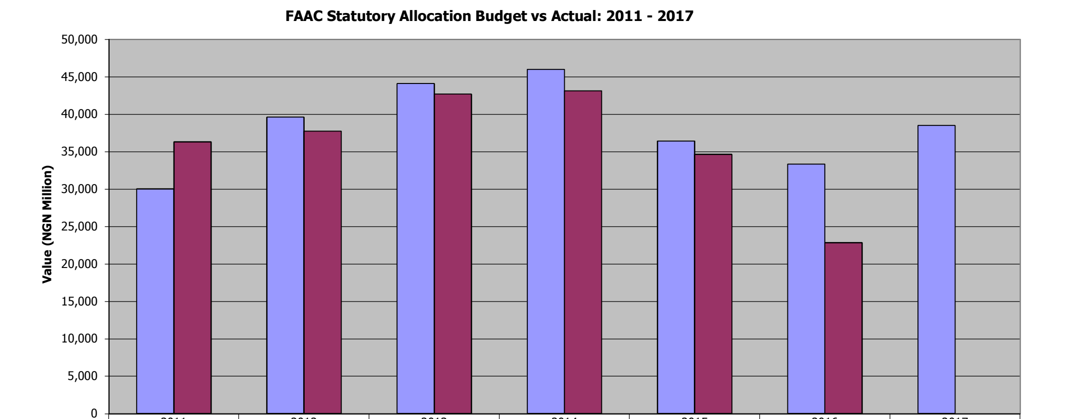
2.2 - Fiscal Update

The Fiscal Updates cover the historical trends of various fiscal components on both the revenue and expenditure sides. The performance of each aspect of the revenue and expenditure component is assess through a comparative analysis of the approved estimates and budgetary outturns. These covered the following areas:

2.2.1 - Revenue Side

Under the revenue aspect, the Fiscal Update compared the budgetary allocation versus actual receipts for the period 2011-2016 and the 2017 Approved budgetary allocation covering Statutory Allocation, VAT, IGR, Excess Crude and Capital Receipts consisting of loans, grants, contributions & reimbursement and other miscellaneous receipts. The historical trend of each revenue aspect is shown in figure 2 - 8 below. It should be noted that the 2016 actual performance is based on Report of the Accountant General of the State.

Figure 2: Statutory Allocation

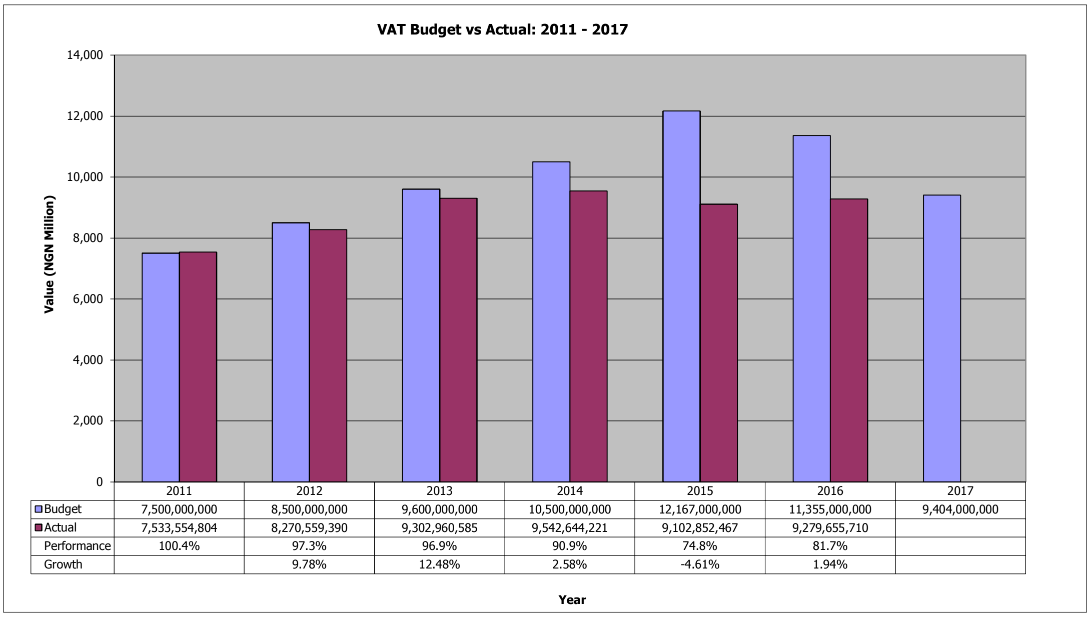


	2011	2012	2013	2014	2015	2016	2017
Budget	30,000,000,000	39,600,000,000	44,100,000,000	46,000,000,000	36,405,000,000	33,340,000,000	38,504,000,000
Actual	36,300,009,572	37,738,100,358	42,680,239,196	43,132,505,671	34,640,743,545	22,812,364,292	
Performance	121.0%	95.3%	96.8%	93.8%	95.2%	68.4%	
Growth		3.96%	13.10%	1.06%	-19.69%	-34.15%	

Year

Statutory Allocation is a transfer from Federation Account which is distributed to all three tiers of government based on vertical (percentage to each of the three tiers) and horizontal (example equality, land mass, population) sharing formula. The revenues that flow into federation account come from Mineral (largely Oil and Gas) and Non-Mineral (Custom/Excise and FIRS) sources. From the above graph, it indicated that the revenue trend accruing from this source over the years showed some variances between the budgeted and the actual receipts. While the actual performance in 2011 exceeded the target by 21%, that of 2012 – 2015 had an average performance of more than 95%. However, due to recession and dwindling Oil revenue the performance for 2016 was slightly over 68%. Going by the estimated figure of this revenue, the graph indicated that from 2011 – 2014 estimated statutory allocations increased at different level whereas from 2015 – 2016 it fell by about 9% but picked up in 2017 by over 15%.

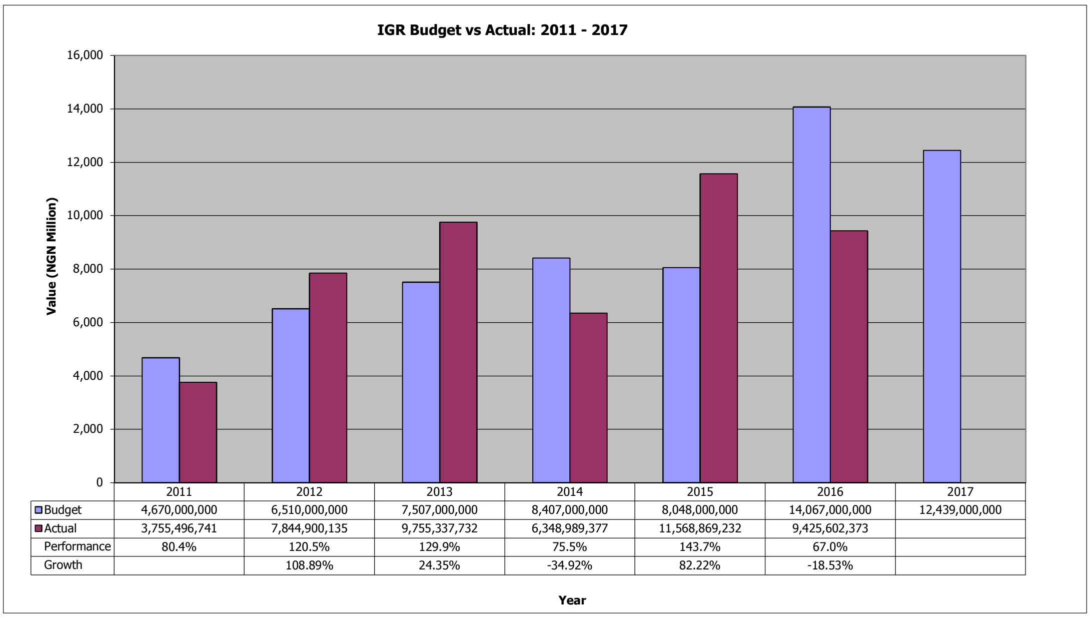
Figure 3: VAT



	2011	2012	2013	2014	2015	2016	2017
Budget	7,500,000,000	8,500,000,000	9,600,000,000	10,500,000,000	12,167,000,000	11,355,000,000	9,404,000,000
Actual	7,533,554,804	8,270,559,390	9,302,960,585	9,542,644,221	9,102,852,467	9,279,655,710	
Performance	100.4%	97.3%	96.9%	90.9%	74.8%	81.7%	
Growth		9.78%	12.48%	2.58%	-4.61%	1.94%	

The Value Added Tax (VAT) is a federally collected revenue that accrue from 5% tax which is applicable to sales of almost all goods and services within the Nigerian economy collected by Federal Inland Revenue Service (FIRS) and distributed across the three tiers of government. The 50% of the total revenue from VAT is shared across the 36 States of the federation. The distribution to each state is based on a set of criteria slightly different to those used for Statutory Allocation. The performance with respect to this class of federally collected revenue from 2011 – 2016 was satisfactory with an average receipt of more than 90%, out of which 2011, 2012 and 2013 recorded an impressive performance of 100.4%, 97.3%, 96.9% respectively. The graph also indicated that, the estimated collection from this segment of revenue increased from 2011 to 2015 and drop by about 7.2% and 17.2% in 2016 and 2017 respectively.

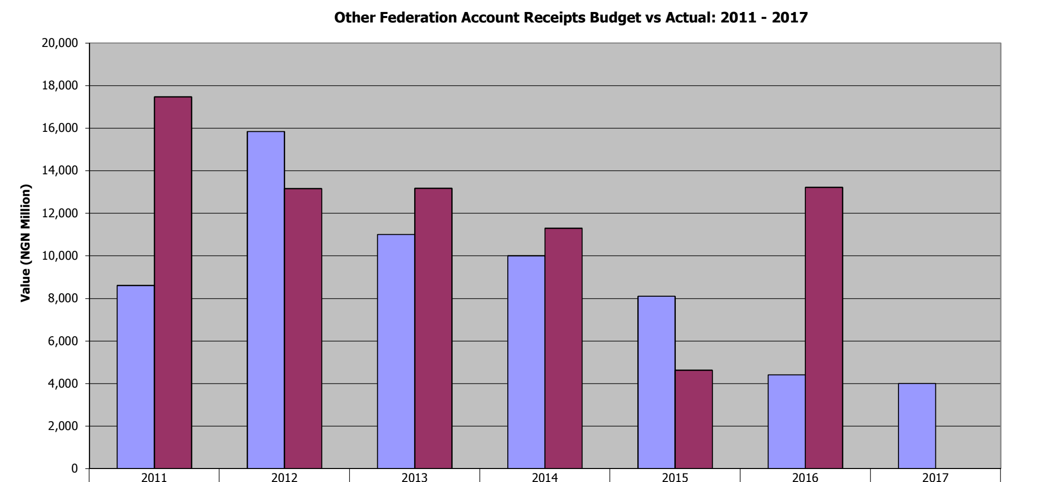
Figure 4: IGR



	2011	2012	2013	2014	2015	2016	2017
Budget	4,670,000,000	6,510,000,000	7,507,000,000	8,407,000,000	8,048,000,000	14,067,000,000	12,439,000,000
Actual	3,755,496,741	7,844,900,135	9,755,337,732	6,348,989,377	11,568,869,232	9,425,602,373	
Performance	80.4%	120.5%	129.9%	75.5%	143.7%	67.0%	
Growth		108.89%	24.35%	-34.92%	82.22%	-18.53%	

The revenue collected within the State that relates to income tax, fines, levies, fees, licences and other sources is referred to as Internally Generated Revenue (IGR). Even though the revenue form the basis of the budget estimates and the approved IGR estimates, as shown in the graph, have been steadily increasing over the years, generally, it contributes a small proportion to the total income of the State, as contribute insignificant percentage of the total income of 2011 -2017 fiscal year. This showed the level of high dependency on external sources which the State has less control. With exception of 2011, 2014 and 2016 with performance 80.4%, 75.5% and 65% respectively, the 2012, 2013 and 2015 exceed the targeted revenue by about 21%, 30% and 44% respectively which indicated under-estimation of the IGR in these fiscal years. With exception of 2017 fiscal year which the approved estimates fall by 13% as compared to that of 2016, the estimated IGR increase nominally from 2011 to 2016 financial year. However, it is worth noting that in all the years PAYE formed the major component of income tax and is considered as main contributor to the State IGR, likewise recurrent grants & reimbursements (0.5% and 1% from Local Governments) which is used to financed Local Government Audit & Ministry for Local Government and Local Government Service Commission respectively are also considered as major contributors of IGR for the State.

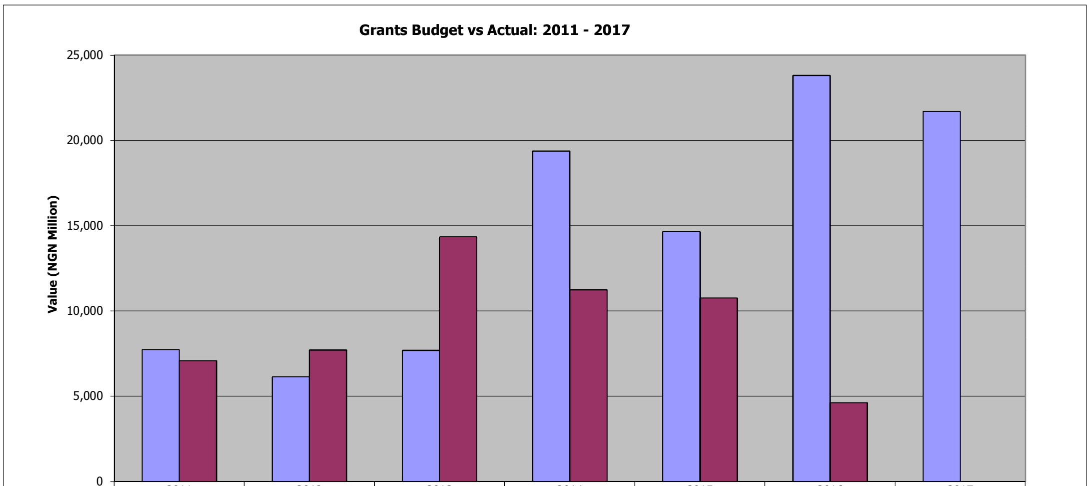
Figure 5: Other Federation Account Receipts



	2011	2012	2013	2014	2015	2016	2017
Budget	8,600,000,000	15,840,000,000	11,000,000,000	10,000,000,000	8,100,000,000	4,400,000,000	4,000,000,000
Actual	17,470,745,946	13,155,112,244	13,171,949,046	11,288,825,431	4,615,807,230	13,220,260,075	
Performance	203.1%	83.0%	119.7%	112.9%	57.0%	300.5%	
Growth		-24.70%	0.13%	-14.30%	-59.11%	186.41%	

Other Federation Account Receipts comprises of Excess Crude oil proceeds, Excess crude differential, Exchange gain differential and NNPC & other refunds, Liquefied Natural Gas gain, etc. From the above, the actual performance from 2011 to 2015 decreased in different proportion but rose in 2016 fiscal year. In all the years, the performance exceeded the approved estimates most especially in 2011 where very high disbursements of excess crude oil, excess crude differentials, Exchange rate gains and NNPC refunds were recorded. Likewise in 2016 the same disbursements increased by over 186% as compared with that of 2015 financial year. As further revealed by the graph, the conservative projections of this class of revenue were made based on the realities on the ground, however as exogenous variable which the State has less control the performance turn out be, contrary to our projections, for the better. With exception of 2012 and 2015 which the performance fall below targeted estimates by 17% and 43% respectively, the other years surpassed the targets from a minimum of over 12% in 2014 and maximum of over 200% in 2016.

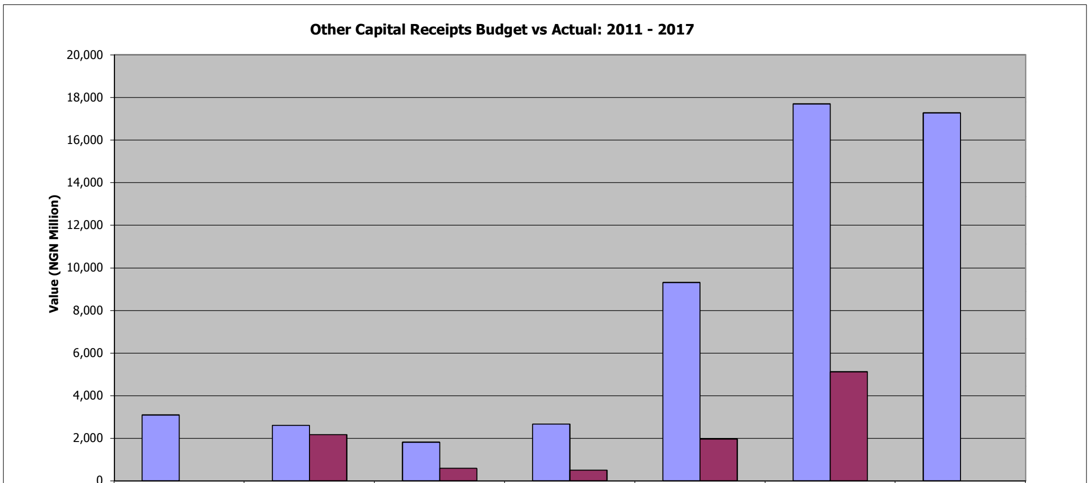
Figure 3: Grants, Contribution & Reimbursement



	2011	2012	2013	2014	2015	2016	2017
Budget	7,730,000,000	6,138,000,000	7,680,750,000	19,363,000,000	14,640,000,000	23,803,000,000	21,688,000,000
Actual	7,074,086,546	7,703,978,904	14,344,577,067	11,237,341,356	10,755,445,728	4,612,305,416	
Performance	91.5%	125.5%	186.8%	58.0%	73.5%	19.4%	
Growth		8.90%	86.20%	-21.66%	-4.29%	-57.12%	

Grants, Contributions and Reimbursements are expected drawdown from International organizations such as UNICEF, DFID, World Bank-supported SLOGOR project, etc; Grants from National Trust Funds such as UBEC Intervention grants, TETFUNDS and Federal Government MDG-CGS grants; 2% Local Governments Capital contributions for the funding of State University and Local Governments capital contribution for the State wide projects and programme and reimbursements from Federal Government for the Galaxy ITT and Airport. Going by the chart above, it indicated that there was impressive performance of 91.5%, 125.5% and 186.9% in 2011, 2012 and 2013 respectively. The high performance of about 26% and 87% were as a result of high drawdown in 2012 from UBEC intervention grants, MDG-CGS grants, EU-UNICEF grants for water & sanitation intervention and additional Local Government contribution for State wide projects in 2013 fiscal year. While the budgetary provision fall by about 32.3% in 2015 compared with that of 2014 and by about 10% in 2017 compared with that of 2016, the performance was only about 19.5% in 2016 due to non-payment of UBEC matching grants and emerging economic recession.

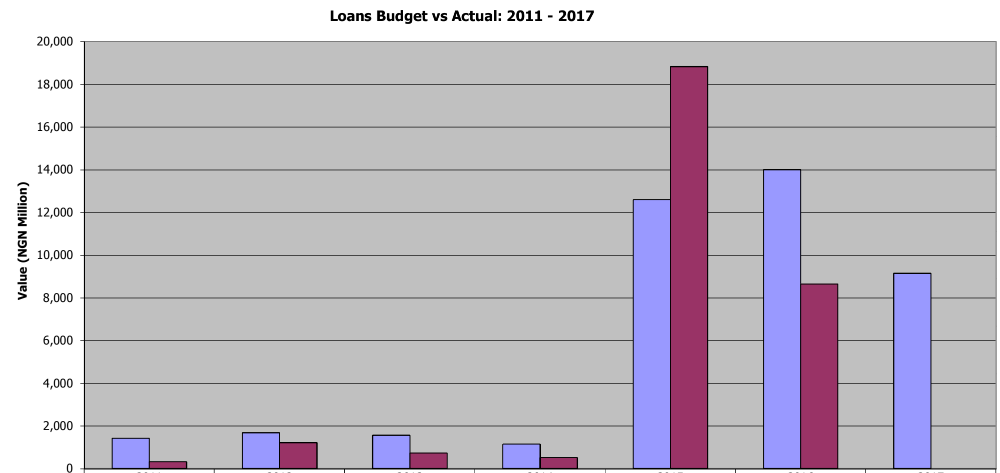
Figure 7: Other Capital Receipts



	2011	2012	2013	2014	2015	2016	2017
Budget	3,089,998,200	2,602,000,000	1,815,000,000	2,663,000,000	9,310,000,000	17,690,000,000	17,268,000,000
Actual	0	2,168,874,262	589,428,873	503,009,493	1,966,763,358	5,115,892,298	
Performance	0.0%	83.4%	32.5%	18.9%	21.1%	28.9%	
Growth		0.00%	-72.82%	-14.66%	291.00%	160.12%	

Other Capital Receipts is made up of capitalized revenue of parastatals, proceeds from the sales of houses & rentals, recoveries of workbull programme, sales of condemned stores, etc. While no receipt was recorded in 2011, there was impressive performance of over 83% in 2012, of which about 88% out of this has accrued from proceed of the sales of Sugar Company which was not anticipated by the approved budget. Conversely, the graph indicated different level of dismal performances ranging from 32.5%, 18.9%, 21.1% and 28.9% in 2013, 2014, 2015 and 2016 respectively. It also revealed that the budgetary provision fall by about 19% in 2012 and over 43% in 2013 but continued to increase by over 31.8% in 2014, 71.4% in 2015 and 47.4% in 2016. However, it dropped slightly by over 2.4% in 2017 financial year. The ambitious estimates for 2016 and 2017 was as a result of intention of the State to recover some amount for the sales of Tricycles to Adamawa State, sales of cleared Tricycles, sales of 3-star hotel Dutse and Cassava company at kila as well as expected balances from various project accounts.

Figure 4: Loans



	2011	2012	2013	2014	2015	2016	2017
Budget	1,420,000,000	1,687,000,000	1,562,250,000	1,148,000,000	12,600,000,000	14,000,000,000	9,150,000,000
Actual	323,919,820	1,223,081,917	735,450,611	517,217,407	18,825,915,995	8,642,218,275	
Performance	22.8%	72.5%	47.1%	45.1%	149.4%	61.7%	
Growth		277.59%	-39.87%	-29.67%	3539.85%	-54.09%	

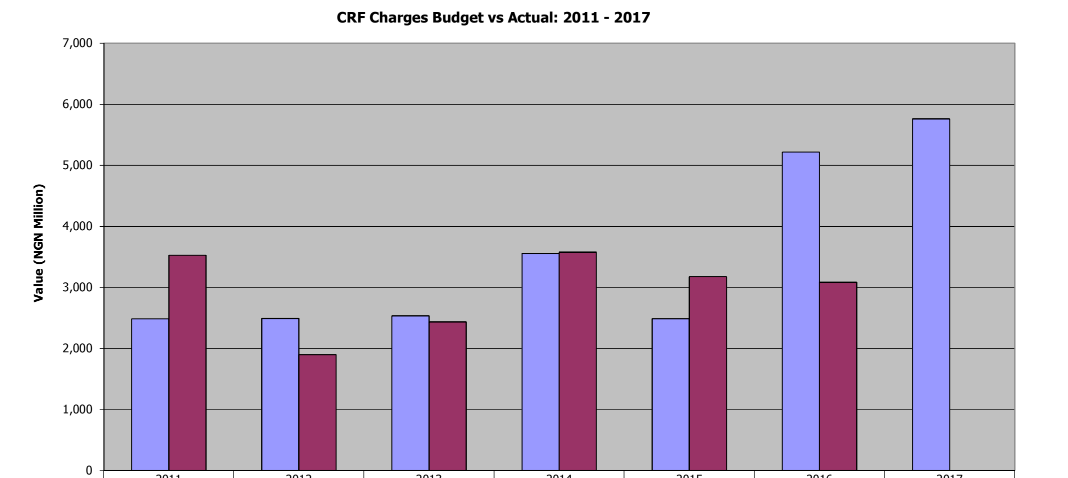
Year

Loans comprise of both internal and external loans. Up to 2014, the only internal loan was that from the Federal Mortgage Bank for Mass Housing Projects in the State while external loan included the World Bank, IFAD and AfDB for the implementation of Fadama III, Community-based Agriculture & Rural Development Programme and continuation of Fadama II by JARDA; World Bank supported Malaria Control Booster Programme and Health system Development Fund and World Bank Loan for HIV/AIDS Control Programme. Based on the above chart, actual performance up to 2014 was consistently less than what was budgeted. The ₦12.6 billion estimated for 2015 is based CBN loan of ₦12 billion for socio-economic development and a WB loan for HIV/AIDS of ₦200 million. The CBN Loan of N12 billion was fully drawn which makes the performance very impressive at over 96%. The contributed immensely to the high opening balance in 2016 as the funds was accessed towards the end of the year.

2.2.2 - Expenditure

Under this aspect, the Fiscal Update considers budget versus actual expenditure for the period of 2011 – 2016 and budgetary provision of 2017 that relate to recurrent expenditure (Consolidated Revenue Fund (CRF) Charges, Personnel Costs and Overhead Costs) as well as Capital Expenditure. As with the case of revenue, the actuals for 2016 were based on the Report of Accountant General. The analysis of performance of the expenditure (recurrent and capital) is depicted in tables 9 to 13 below:

Figure 5: CRF Charges

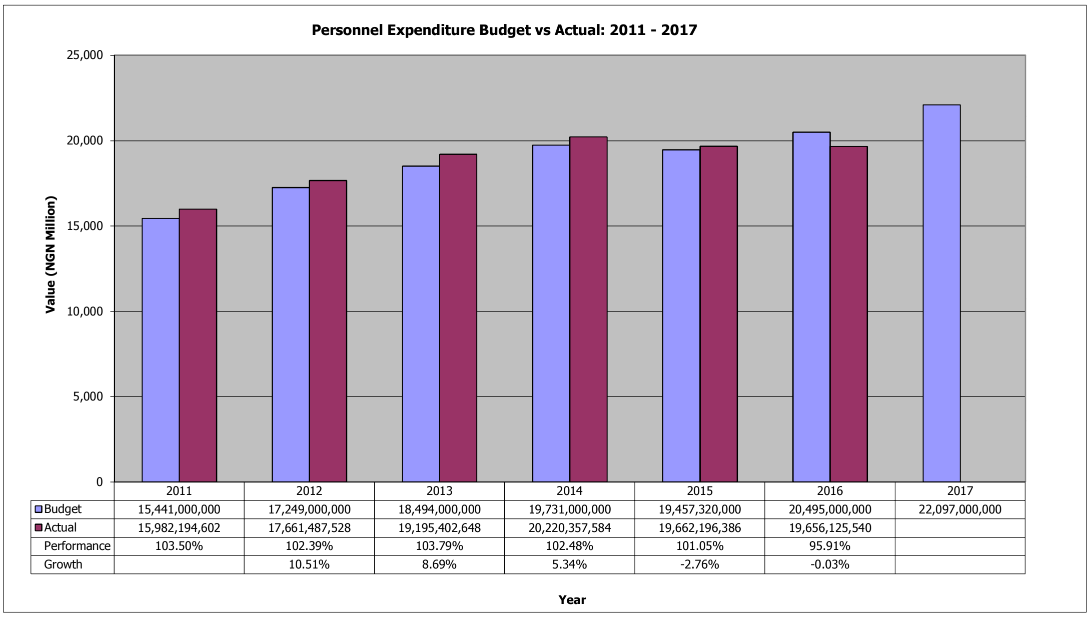


	2011	2012	2013	2014	2015	2016	2017
Budget	2,481,000,000	2,490,000,000	2,533,000,000	3,554,000,000	2,485,000,000	5,215,000,000	5,760,000,000
Actual	3,525,530,071	1,895,720,714	2,430,905,495	3,575,711,379	3,172,524,254	3,081,084,635	
Performance	142.10%	76.13%	95.97%	100.61%	127.67%	59.08%	
Growth		-46.23%	28.23%	47.09%	-11.28%	-2.88%	

Year

Consolidated Revenue Funds (CRF) Charges are expenditure which consisted of personnel costs for statutory officers (the Governor and Deputy Governor, the Auditor General, the Accountant General and Chairmen & members of the Commissions), pension & gratuities, loan repayment & servicing as well as recurrent expenditure of the judiciary (Judicial Service Commission, High Court and Sharia Court). As revealed by the chart above, the estimates of this class of expenditure slightly increased from 2011 to 2013 while the actual performance of the corresponding periods indicated a higher performance in 2011 with over 142% and fall down to about 86% in 2012 as a result of dropped in the payment of public Debt Charges. The targets and performance in 2013 and 2014 indicated a good projections with an average performance of more than 98%, though the 2014 witnessed an increase of about 29% and 32% in the approved estimates and performance over that of 2013 fiscal year due to reflection 17% State government contribution to pension new scheme and increase in the settlement of Public Debt charges. Moreover, the graph indicated that from 2016 to 2017 the approved estimates experienced a high increase because of the commitment of the State government to service the debts, which these alone (public debts service) were earmarked about 57% and over 61% respectively. The expenditure trend for 2016 fiscal year correspond to that of 2015 with slightest decrease of only about 3%.

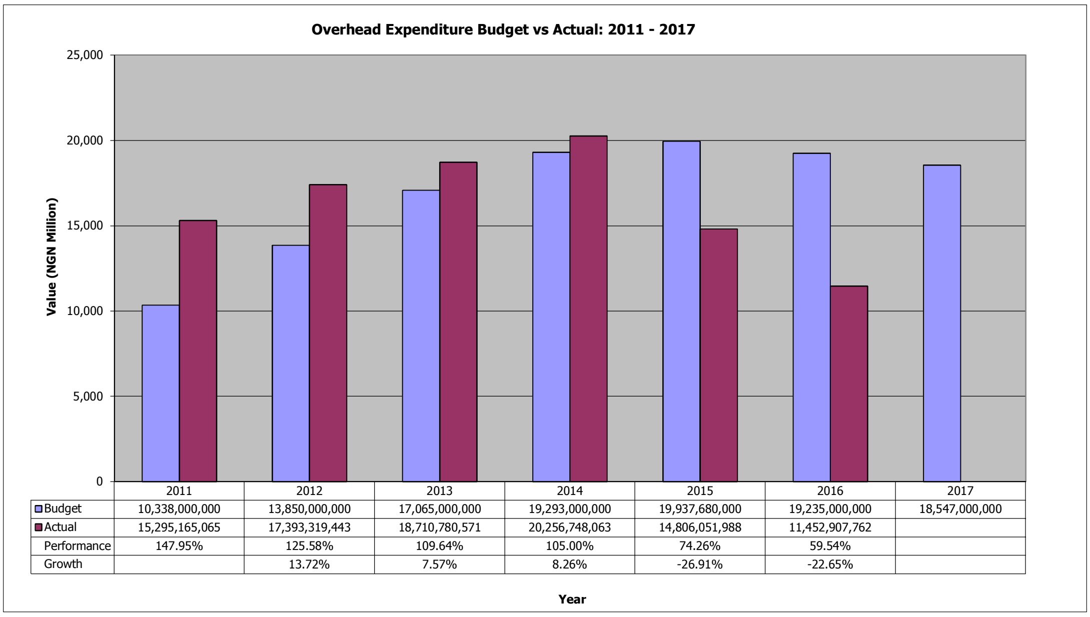
Figure 6: Personnel Costs



	2011	2012	2013	2014	2015	2016	2017
Budget	15,441,000,000	17,249,000,000	18,494,000,000	19,731,000,000	19,457,320,000	20,495,000,000	22,097,000,000
Actual	15,982,194,602	17,661,487,528	19,195,402,648	20,220,357,584	19,662,196,386	19,656,125,540	
Performance	103.50%	102.39%	103.79%	102.48%	101.05%	95.91%	
Growth		10.51%	8.69%	5.34%	-2.76%	-0.03%	

The personnel costs covered the salaries and allowances of civil servants as well as political & public office holders. As indicated by the graph, personnel costs increased steadily from 2011 when the N18,000 new minimum wage and new salary structures for health workers, judiciary and staff of tertiary institutions were implemented. This segment of recurrent expenditure both budgeted and actuals continue to slightly increase within the acceptable range up to 2014 as a result of normal annual increment, very few recruitments and occasional changes in salary structures and schedule of allowances but the 2015 budgeted and actuals slightly fall down compared with that of 2014 by 1.4% and 2.8% respectively. Nevertheless, between 2015 to 2017 financial years the budgetary allocation increased by over 5% and 7% due to additional provision for new recruitments mainly in Health and Education sectors, though the 2016 actual performance slightly decreased by less than 0.1% due to retirements of technical staff across the sectors and deferment of new recruitments. Overall, the performance from 2011 – 2016 was satisfactory with an average of about 102%. Please note that budgetary provision and actual performance for personnel cost of primary education staff was not included in the update.

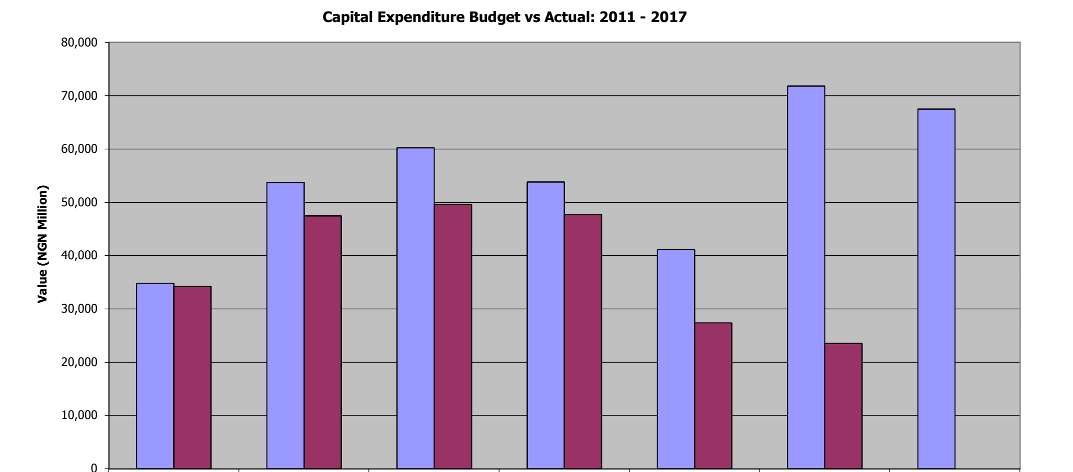
Figure 7: Overhead Costs



	2011	2012	2013	2014	2015	2016	2017
Budget	10,338,000,000	13,850,000,000	17,065,000,000	19,293,000,000	19,937,680,000	19,235,000,000	18,547,000,000
Actual	15,295,165,065	17,393,319,443	18,710,780,571	20,256,748,063	14,806,051,988	11,452,907,762	
Performance	147.95%	125.58%	109.64%	105.00%	74.26%	59.54%	
Growth		13.72%	7.57%	8.26%	-26.91%	-22.65%	

Overhead costs is also referred to as operational costs for the day-to-day operation of the government. As indicated by the graph, from 2011 to 2015 budget estimates continued to rise but later fall at the same proportion of 3.7% in 2016 and 2017 due to application of control measure to cope with dwindling revenues which necessitated increase in fiscal prudence. The increase in both budgetary and expenditure outturn from 2011 – 2015 was as a result of increase in enrolments of boarding students and upward review of feeding rate which has implication of increase in the cost of institutional feedings, more candidates sitting for WAEC, NECO and JAMB which increased the payment of examinations fees, maintenance of water pump generators and streetlight of the Local Government headquarters and State capital which was associated with high cost of fuel, increase in the number of internal and external students sponsorship, cost of security, etc. As shown by the chart, the actual performance in 2011, 2012, 2013 and 2014 exceed budgeted estimates by about 48%, 26%, 10% and 5% respectively. The revised budget of 2011 accommodated the increase in the expenditure.

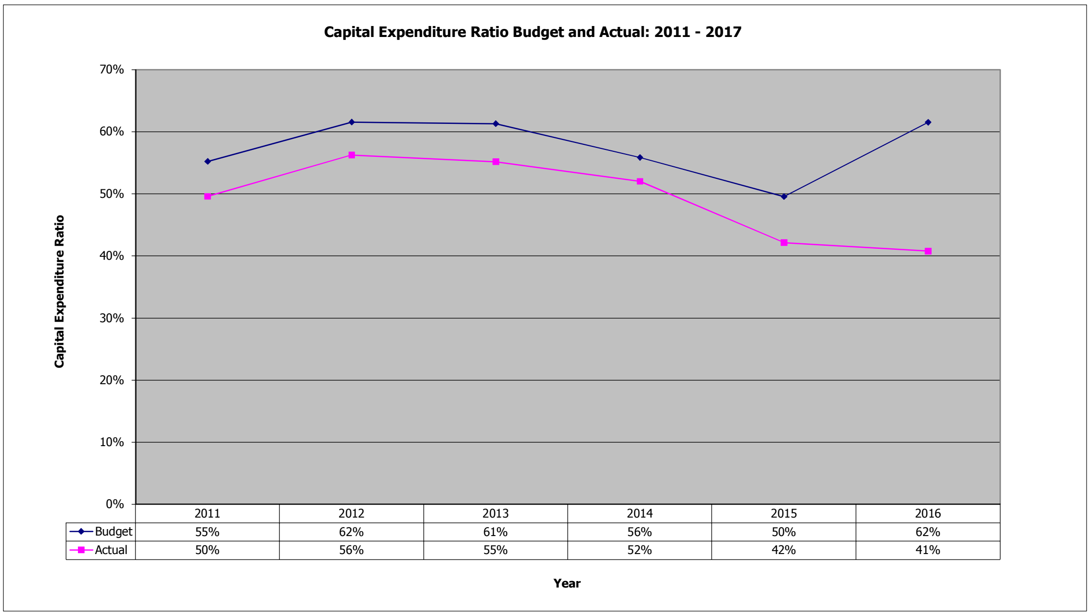
Figure 8: Capital Expenditure



	2011	2012	2013	2014	2015	2016	2017
Budget	34,793,000,000	53,710,000,000	60,243,000,000	53,803,000,000	41,105,000,000	71,810,000,000	67,486,000,000
Actual	34,215,433,348	47,435,358,493	49,604,809,820	47,694,049,011	27,368,597,441	23,511,626,617	
Performance	98.34%	88.32%	82.34%	88.65%	66.58%	32.74%	
Growth		38.64%	4.57%	-3.85%	-42.62%	-14.09%	

Capital expenditure largely consists of projects and programme considered to be the major source of public investments in infrastructure and human development. As indicated by the above graph, the budgetary provision increased at different level from 2011 to 2013 but witnessed a drop of about 12% 2014 and 31% in 2015 due to changes in macroeconomic indicators. The trend has however changed in 2016 and 2017 with significant increase of about 75% and 64.2% compared to that of 2015 fiscal year due to high capital receipts financing. Thus, indicated commitment of the Government in earmarking more resources to capital investments to improve the well-being of its populace. Going by the trend of performance, the chart indicated that 2011 to 2014 performed remarkably within the range of maximum of over 98% in 2011 and minimum of over 82% in 2013. The performance was however about 67% and 33% in 2015 and 2016 as the envisaged grants and other capitalized revenues among others have not actualized and hence the performance was very low with a drop of over 74% and 104% compared with that of 2014 fiscal year. Generally, the dismal performance in 2015 and 2016 was not unconnected with massive revenue shortfalls occasioned by economic recession coupled with political transition of 2015. The 2017 performance, whether high or low, will depend on actualization of the envisaged grants, capitalized revenues, loans drawdown and excess of recurrent revenue over recurrent expenditure.

Figure 9: Capital Expenditure Ratio Budget and Actual



As indicated by the chart, the capital expenditure ratio was relatively stable and consistent within 50% to 60% between the periods of 2011 to 2016. However, 2016 saw a quite significant drop from 62% to 41% indicating wider gap of variance largely due to the consistent increase in recurrent expenditure particularly the personnel cost component and unrealized drawdowns of grants and loans.

Personnel Expenditure by Sector

No.	Sector	2013 Budget	2013 Actual	2014 Budget	2014 Actual	2015 Budget	2015 Actual	2016 Budget	2016 Actual	Performance	Average Budget	Average Actual
1	Road Development	215,698,000	187,611,349	218,058,000	192,757,424	202,385,000	185,638,522	134,335,000	157,497,053	95.24%	0.89%	0.89%
2	Agriculture	969,937,000	890,086,286	971,763,000	837,936,565	909,765,000	828,850,170	748,152,000	747,241,071	91.79%	4.16%	4.01%
3	Commerce & Industry	106,882,000	70,343,066	96,833,000	73,094,115	77,753,000	68,555,495	73,684,000	58,765,596	79.05%	0.41%	0.34%
4	Rural Electrification (Energy)	40,040,000	34,934,928	34,764,000	35,100,848	35,300,000	32,764,576	33,410,000	30,740,938	93.05%	0.17%	0.16%
5	Economic Empowerment	78,582,000	67,044,183	80,802,000	65,341,514	67,305,000	62,241,814	64,625,000	58,794,964	86.99%	0.34%	0.31%
6	Education	6,548,431,000	6,086,650,873	7,533,884,000	6,543,444,703	7,339,413,000	7,137,949,733	7,757,532,000	7,377,547,387	93.03%	33.74%	32.91%
7	Health	8,596,768,000	8,131,386,157	8,690,030,000	8,368,133,853	8,789,168,000	9,126,832,546	9,390,825,000	9,421,638,790	98.81%	41.08%	42.50%
8	Women & Soc. Devpt	88,108,000	82,507,267	83,262,000	68,922,315	74,352,000	75,426,694	79,532,000	74,922,946	93.94%	0.37%	0.37%
9	Information, Culture & Sports	308,938,000	284,407,867	369,643,000	460,510,890	378,569,000	374,850,780	338,360,000	355,929,839	106.41%	1.61%	1.75%
10	Environment	396,358,000	260,980,061	390,458,000	365,459,124	419,521,000	359,838,294	395,176,000	354,218,155	83.70%	1.86%	1.63%
11	Water Supply	475,240,000	370,756,767	463,988,000	436,862,591	445,451,000	441,353,113	434,475,000	412,554,588	91.34%	2.10%	2.01%
12	Urban & Regional Devpt	188,713,000	168,839,744	185,928,000	174,852,503	187,343,000	168,264,483	274,695,000	153,495,899	81.22%	0.96%	0.82%
13	General Administration	2,575,172,000	2,442,397,980	2,618,591,000	2,465,826,308	2,531,555,000	2,583,544,125	2,420,085,000	2,083,849,975	94.38%	11.73%	11.61%
14	Law & Justice	125,131,000	117,456,210	131,693,000	132,024,729	164,038,000	152,918,941	135,314,000	139,032,871	97.35%	0.64%	0.66%

Overhead Cost Expenditure by Sector

No.	Sector	2013 Budget	2013 Actual	2014 Budget	2014 Actual	2015 Budget	2015 Actual	2016 Budget	2016 Actual	Performance	Average Budget	Average Actual
1	Road Development	472,900,000	521,625,986	791,300,000	1,035,332,049	1,155,400,000	1,063,150,051	870,000,000	938,667,560	112.20%	4.34%	5.54%
2	Agriculture	48,700,000	69,936,812	56,500,000	56,903,041	50,200,000	32,264,899	37,200,000	24,756,828	95.46%	0.26%	0.28%
3	Commerce & Industry	22,200,000	22,106,783	27,600,000	26,774,490	25,200,000	51,330,475	15,500,000	18,111,532	130.62%	0.12%	0.18%
4	Rural Electrification (Energy)	124,800,000	174,491,186	180,000,000	175,362,728	175,000,000	149,694,578	160,000,000	118,691,159	96.63%	0.87%	0.96%
5	Economic Empowerment	15,000,000	12,689,630	15,000,000	10,898,712	12,000,000	7,487,000	9,000,000	592,607	62.88%	0.07%	0.05%
6	Education	3,512,400,000	3,535,989,024	4,795,800,000	4,990,922,592	5,070,400,000	4,017,179,205	5,455,500,000	3,597,741,883	85.71%	25.61%	24.97%
7	Health	620,500,000	1,022,453,367	740,050,000	856,001,757	710,000,000	692,944,511	583,900,000	520,658,415	116.49%	3.61%	4.78%
8	Women & Soc. Devpt	390,400,000	432,005,825	394,400,000	333,027,072	284,000,000	264,645,527	1,479,200,000	596,601,482	63.83%	3.46%	2.52%
9	Information, Culture & Sports	261,200,000	441,845,929	300,740,000	268,981,518	276,400,000	195,229,465	190,700,000	115,645,943	99.29%	1.40%	1.58%
10	Environment	61,000,000	55,571,438	66,600,000	81,906,518	73,800,000	53,465,530	35,500,000	42,467,004	97.67%	0.32%	0.36%
11	Water Supply	869,300,000	862,766,995	877,300,000	851,299,517	874,100,000	724,908,054	750,000,000	871,695,875	98.22%	4.58%	5.12%
12	Urban & Regional Devpt	56,400,000	48,380,528	107,200,000	110,881,166	115,000,000	92,642,968	84,900,000	73,132,650	89.47%	0.49%	0.50%
13	General Administration	9,715,700,000	11,051,878,072	10,309,400,000	11,166,149,539	10,383,780,000	7,247,001,445	8,930,427,000	4,486,625,007	85.22%	54.17%	52.51%
14	Law & Justice	144,500,000	112,154,121	129,110,000	98,850,263	132,400,000	159,870,657	90,973,000	48,298,452	84.36%	0.68%	0.55%

Capital Expenditure by Sector

No.	Sector	2013 Budget	2013 Actual	2014 Budget	2014 Actual	2015 Budget	2015 Actual	2016 Budget	2016 Actual	Performance	Average Budget	Average Actual
1	Road Developmment	17,535,000,000	13,464,210,962	13,840,000,000	15,163,791,137	9,950,000,000	10,850,382,350	19,949,000,000	14,637,309,733	88.32%	27.42%	35.77%
2	Agriculture	4,340,000,000	1,808,168,203	2,900,000,000	1,543,990,170	1,750,000,000	1,205,531,561	7,400,000,000	764,984,132	32.48%	7.33%	3.52%
3	Commerce & Industry	622,000,000	392,948,466	910,000,000	340,048,344	500,000,000	127,466,777	2,140,000,000	1,033,861,646	45.41%	1.87%	1.25%
4	Rural Electrification (Energy)	545,000,000	640,220,330	350,000,000	318,528,720	170,000,000	107,024,557	540,000,000	21,193,279	67.72%	0.72%	0.72%
5	Economic Empowerment	1,200,000,000	409,659,587	1,040,000,000	351,330,829	500,000,000	91,783,900	1,200,000,000	38,498,000	22.62%	1.76%	0.59%
6	Education	8,213,000,000	5,541,741,756	7,936,000,000	7,452,063,352	7,450,000,000	4,103,228,842	13,620,000,000	5,782,830,597	61.47%	16.65%	15.12%
7	Health	4,145,000,000	2,339,834,126	3,650,000,000	3,178,347,705	2,550,000,000	1,912,580,828	2,715,000,000	1,404,856,165	67.65%	5.84%	5.84%
8	Women & Soc. Devpt	216,000,000	184,617,998	263,000,000	8,077,570	206,500,000	4,950,000	164,000,000	26,065,000	26.33%	0.38%	0.15%
9	Information, Culture & Sports	2,049,000,000	2,366,102,972	1,473,000,000	1,522,312,737	580,000,000	327,080,505	895,000,000	122,582,121	86.81%	2.24%	2.87%
10	Environment	815,000,000	439,042,964	790,000,000	414,922,694	477,000,000	149,755,254	543,000,000	9,012,000	38.58%	1.17%	0.67%
11	Water Supply	2,050,000,000	1,853,313,666	1,870,000,000	558,931,084	1,500,000,000	957,496,233	3,917,000,000	547,102,566	41.95%	4.18%	2.59%
12	Urban & Regional Devpt	12,628,000,000	17,006,435,073	14,373,000,000	14,517,619,550	13,350,000,000	5,424,079,556	11,725,000,000	1,646,558,449	74.11%	23.30%	25.51%
13	General Administration	4,794,200,000	3,069,524,709	3,574,000,000	2,235,085,356	2,877,000,000	2,092,646,832	3,704,000,000	539,512,257	53.09%	6.69%	5.25%
14	Law & Justice	415,000,000	88,989,008	301,000,000	88,999,763	89,000,000	14,590,246	178,000,000	46,044,852	24.28%	0.44%	0.16%

2.2.3 - Debt Position

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

Table 1: Debt Position as at 31st December 2016

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2016**
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	42.18%
2	Total Domestic Debt/IGR	150%	244.95%
3	Total External Debt/Total Revenue	50%	11.71%
4	Total Public Debt/Total Revenue	100%	53.89%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	0.45%
7	Total Debt Service/Total Revenue	15%	36.87%
8	Domestic Debt Service/IGR	10%	211.53%
			2016 Actual
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2016**		**Naira**
1	Total Domestic Debt		23,088,256,246
2	Total External Debt		6,407,644,696
3	**Total Public Debt**		**29,495,900,942**
4	Total Domestic Debt Service 2016		19,938,340,523
5	Total External Debt Service in 2016		244,487,083
6	**Total Public Debt Service**		**20,182,827,606**
C	**STATE GDP FOR 2016**		
1	**State GDP**		0

The Debt Stock of the State consists of both external (foreign) loans from multi-lateral development partners including the IDA, AfDB and IFAD; and internal debt in form development loans from commercial banks (including the CBN) and contractual liabilities. The only commercial bank loan is that from the Federal Mortgage for Housing Programme which is considered as self-liquidating. The debt stock as at the end of 2016 is still very modest

From the Debt Sustainability Analysis (DSA) above, when compared with the federal benchmarks, the State is considerably below all the upper-limits. However, the solvency ratios with regards to domestic debts indicates a not so favour position requiring a more tighter recurrent spendings. Also ratio the domestic to foreign debt ratio is less than the ideal with a high proportion of debt being foreign which brings about some degree of exchange rate risk. From a liquidity and solvency view-point, the above analysis suggests the State Government is in a position, if it so desired, to take on more debt to finance capital expenditure especially those that may be considered as self-financing.

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Section 3 - Fiscal Strategy Paper (FSP)

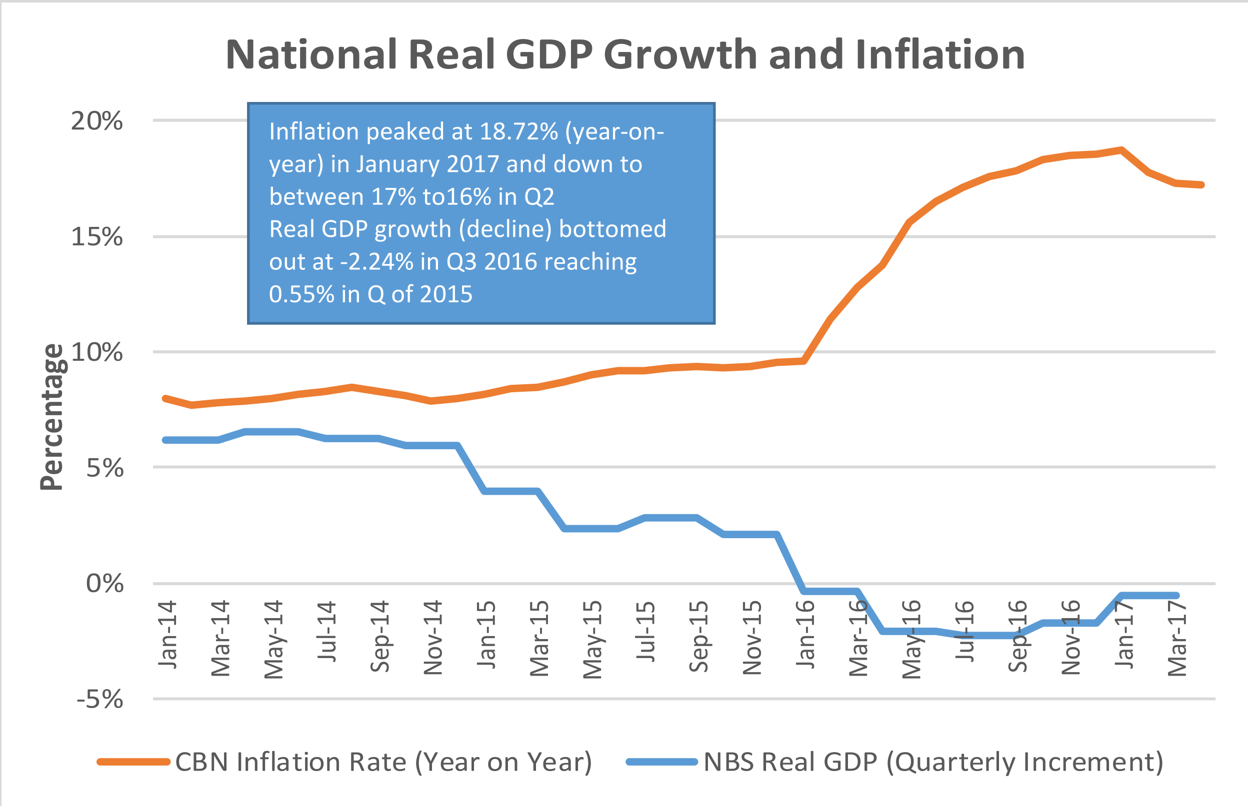
Introduction

As usual therefore, the Medium Term Expenditure Framework [MTEF] provides context for the preparation of 2018 - 2020 Medium Term Sector Strategies (MTSS) by some key Sectors and the 2018 Proposed Budget. It helps to ensure that the planning and budgeting process in the state is realistic and effectively linked to the State Development Plan as to make the annual budget outcome-oriented.

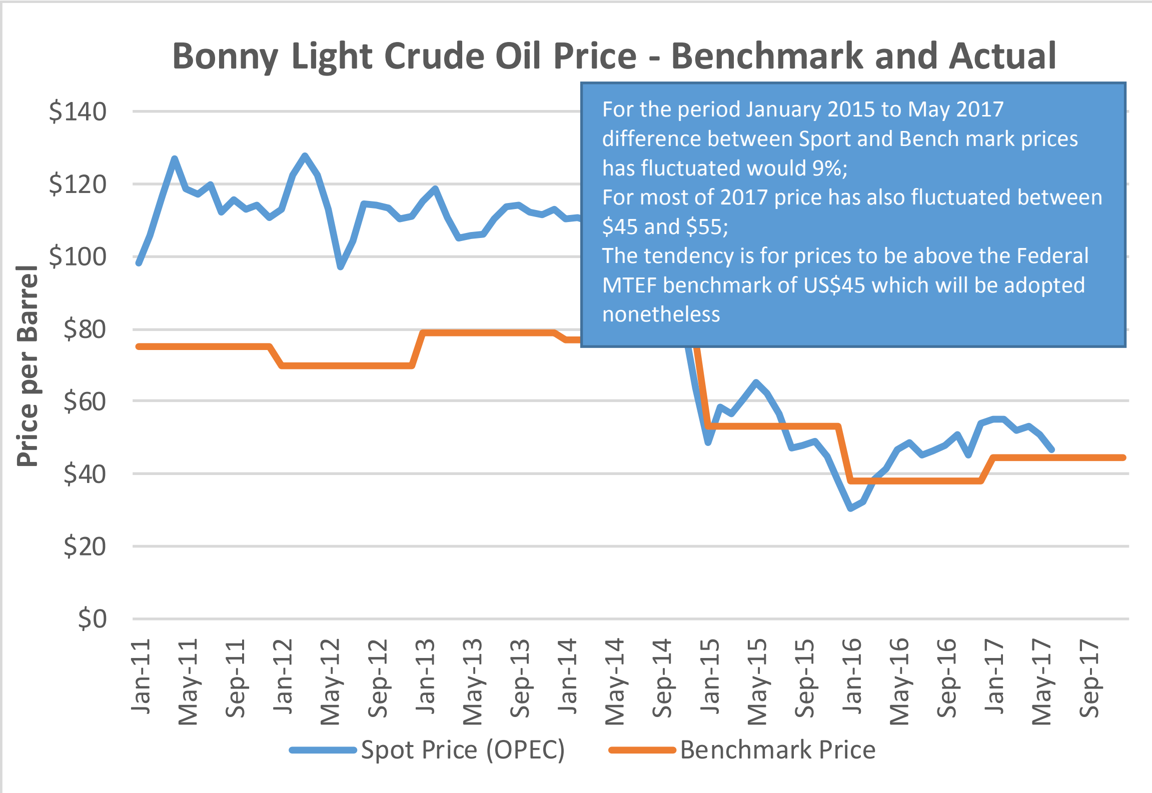
Projections based on the Federal MTEF seems to be rather too optimistic especially when considered against the actual macroeconomic indices that normally informed the MTEF projections. While real GDP forecast may in line with the observed trend courtesy of the ERGP, projections for crude oil production and mineral ratio seems to be on the high side. Also while Crude oil prices has been stable and above set 2017 benchmark, the dollar exchange rate has been more or less static at 305. The State forecast for 2018 – 2020 would be cautiously optimistic through slight modifications to the parameters used in the Federal MTEF as informed by conclusions of the economic and fiscal updates. In line with this, the parameters that would inform the initial 2018 - 2020 MTEF and 2018 proposed budget are indicated below. This would however be appropriately adjusted before the finalization of the 2018 proposed budget is finalised for submission to the State Legislator.

3.1 - Underlying Macroeconomic Assumptions and other Considerations for The 2018 – 2020 MTEF

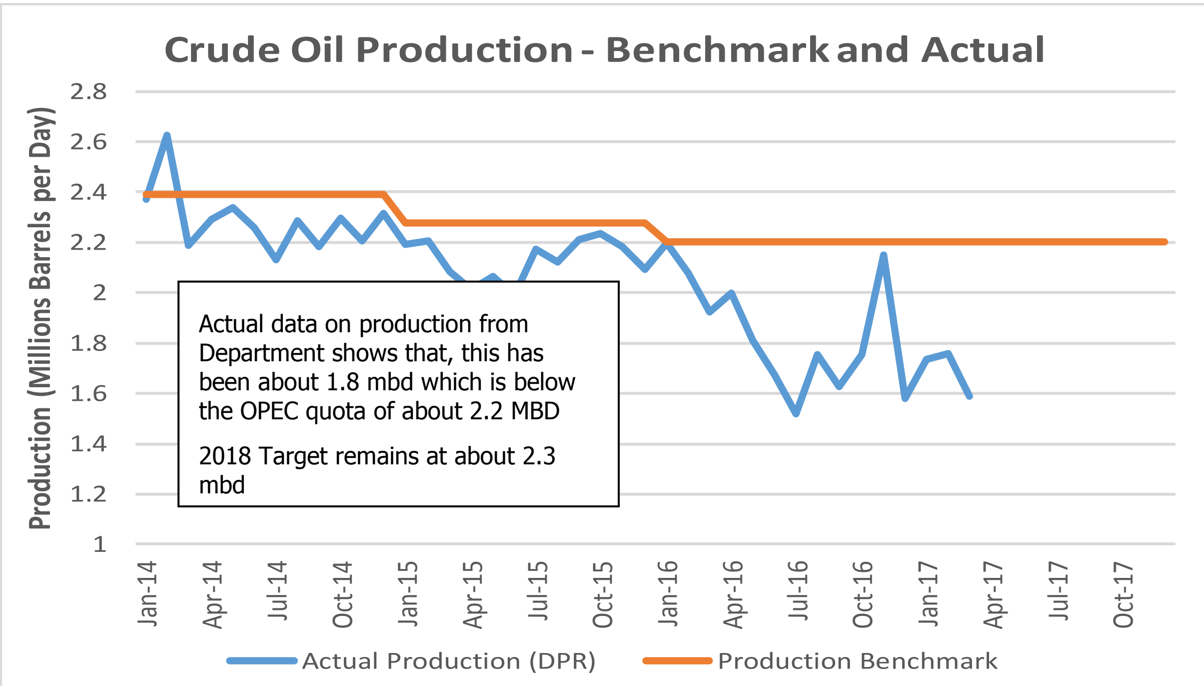
As earlier observed, there is great optimism that the Economic Recovery and Growth Plan of the Federal Government would effectively facilitate quick emergence the national economy out of the recession, strengthen most of the macroeconomic and fiscal indicators and speed up the GDP growth. In other works, it is believed that the ERGP would put Nigeria on a path of sustainable and inclusive growth and development” with a GDP medium-term growth rate of between 4% to 5% and single-digit inflation rate, The 2017 Q” Report has tended to strengthen this believe.


National Real GDP Growth and Inflation
Inflation peaked at 18.72% (year-on-year) in January 2017 and down to between 17% to16% in Q2
Real GDP growth (decline) bottomed out at -2.24% in Q3 2016 reaching 0.55% in Q of 2015
Percentage
20%
15%
10%
5%
0%
-5%
Jan-14
Mar-14
May-14
Jul-14
Sep-14
Nov-14
Jan-15
Mar-15
May-15
Jul-15
Sep-15
Nov-15
Jan-16
Mar-16
May-16
Jul-16
Sep-16
Nov-16
Jan-17
Mar-17
CBN Inflation Rate (Year on Year)
NBS Real GDP (Quarterly Increment)

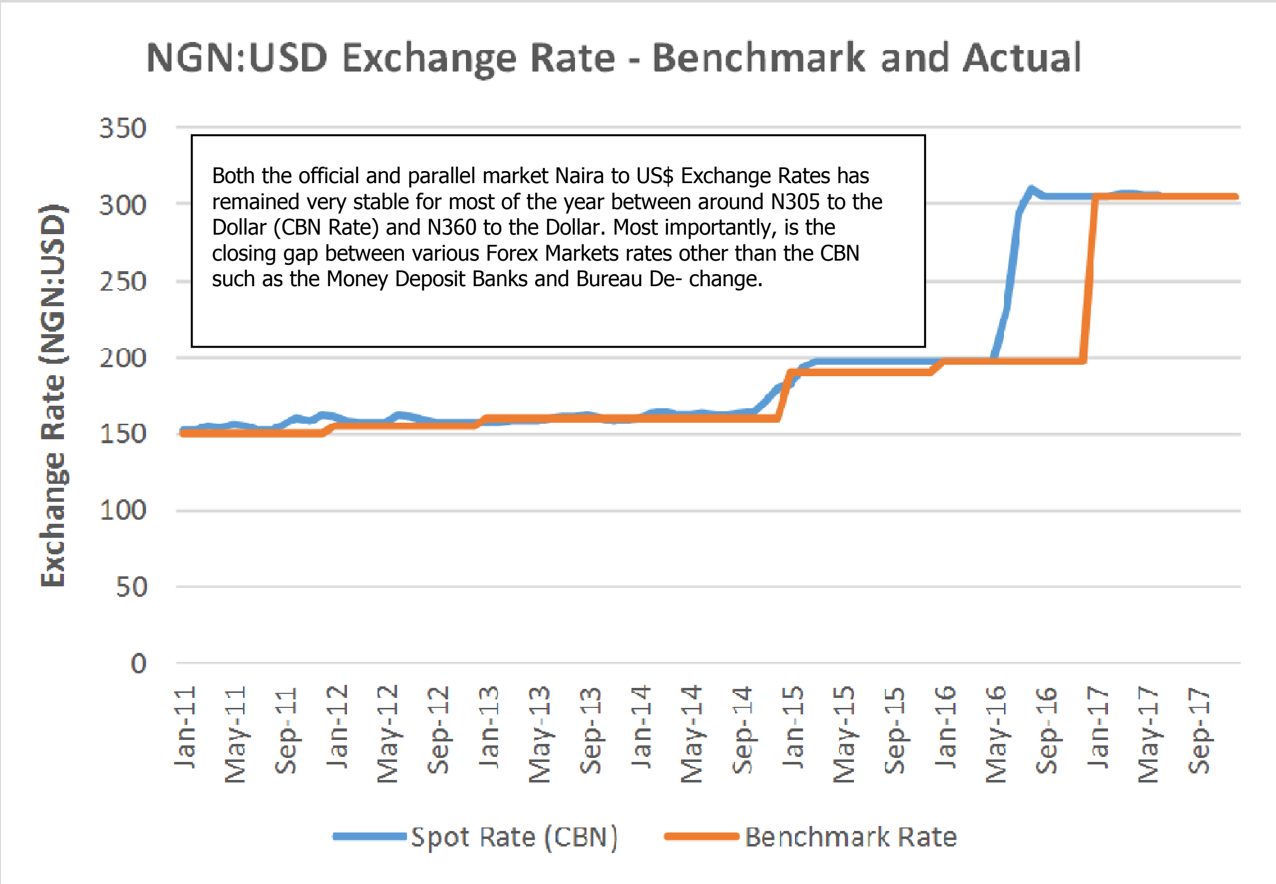
Crude Oil Prices



Crude Oil Production



Naira to US$ Exchange Rate



3.3 - Jigawa State Medium Term Fiscal Framework

The Indicative Three Year Fiscal Framework for the period 2018-2020 is based on the following assumptions:

Macro-Economic Framework Indicators	2017	2017 Actual	Federal Govt. MTEF Parameters	State Govt. Parameters
National Inflation (Consumer Price Index %)	12.90%	17.00%	12.42%	12.5%
National Real GDP Growth (%)	3.00%	0.80%	4.80%	3.0%
Oil Production Benchmark (million barrels per day)	1.800	1.800	2.300	2.200
Oil Price Benchmark in US$	42.50	55.00	45.00	45.00
NGN:USD Exchange Rate	300	305	305	305
Other Assumptions				
Mineral Ratio (% oil revenue that goes to the Federation Account)	40%	25%	40%	32%

Assumptions for Revenue Projections

a) Statutory Allocation – based on elasticity forecast using the crude oil benchmarks and macro-economic indicators in the macro-economic framework;
b) VAT – as above, an elasticity based forecast is used, using the national real GDP growth and inflation rates as the drivers for economic growth;

c) Excess Crude (including NNPC refunds, exchange rate differentials and other ad hoc distributions). It was understood that the National Assembly has declared the "excess crude oil account" as inappropriate. However, with existing reserves in the account, this may be distributed before putting a stop to further file-ups. In addition, other usual additionalities such as exchange rate differentials, NNC refunds, and NLG Proceeds are expected to accrued. Consequently, projection for 2018 was maintained at N4.5 billion;

d) Internally Generated Revenue (IGR) – Despite progress with the implementation of Treasury Single Account, IGR projections in the immediate term are not expected to be slightly within the region of 2017 approved estimates. As usual, the IGR of the State accrued largely from PAYE, LGA statutory contributions, interest on deposits, etc. Consequently, projection for optimistically assumes a 20% drop in the 2016 estimates to grow thereafter by 5% annually. It is believed that with current efforts to establish tax-payer database by Board of Internal Revenue, perfection of the TSA, technical support from Development Partners towards harmonization / review of tax rates and other efforts focused on plugging leakages and dealing with the phenomenon of tax avoidance and tax evasion, it would be possible to me the set target. 2018 Estimates may however, be slightly lower than the 2017 Approved Estimates based on actual performance up to August, 2017

e) **Grants** – Consist of discretional and non-discretional. Most of the grants are non-discretional and are treated as contra-entries (not included in the Fiscal Framework for the purpose of sector envelops and budget ceilings);

f) **Financing (Net Loans)** – Like Grants, most of the loans are considered as non-discretional and are also not included in the Fiscal Framework, and as well not part of the envelope setting process. Only exception is the CBN Budget support loan of about N5.5 billion which is generally for the financing of capital investments (with no specific attachment to a single project or programme. Repayments for CACS and Budget Loans are expected to increase the amount expected to be set aside for Loan Repayments in 2018 including capital expenditure liabilities;

3.2 Fiscal Strategy and Assumptions

3.2.1 - Policy Statement

The JSG Fiscal Policy Statement is based on its Fiscal Responsibility Law which advocates "sound Public Expenditure and Financial Management in the state". Specifically. This is to be achieved through:

- Difficult as it may be, there would be emphasis on achieving a more favourable balance for capital expenditure, through restraining the increasing trend in recurrent expenditure;;
- Aligning state government's income and expenditure by keeping spending limits within the dictates of available resources and within a fiscally sustainable debt position;
- Ensuring strict adherence to 'due-process' in budget execution as well as accountability, transparency and prudence in the entire public financial management process.
- Boosting IGR in accordance with the recently submitted business case of BIRS;
- Ensuring that the budget process is pursued within a framework that supports strategic prioritization and rational resources allocation and in accordance with the overall development policy objectives of the State; and

This strategy is anchored by the State Government's on-going PFM Reform programme.

3.2.2 - Objectives and Targets

The key targets from a fiscal perspective are:

- It is desired to have a higher proportion of capital expenditure compared to recurrent expenditure;
- Increments in personnel expenditure of between 5% to 10% annually is maintained taking into account the succession plan and mass recruitment's in the education and health sectors;
- Maintain overhead costs within reasonable limit that allow for optimal service delivery;
- Comply with TSA policy to ensure that all revenue collected in the State including that of Parastatals and Institutions are captured in the same net;
- Emphasize on completion and commissioning of ongoing projects for the benefit of the people.

JIGAWA STATE BUDGET AND ECONOMIC PLANNING DIRECTORATE
FISCAL FRAMEWORK FOR 2018 - 200 MTSS AND 2018 BUDGET

Fiscal Parameters in the Macro-Economic Framework	Fiscal Assumptions / Projections					
	2017 Fiscal Year			Medium-Term Projections		
	MTEF Projections	Approved Estimates	Mid-Year Outturns	2018	2019	2020
National Inflation Rate	12.90%	12.90%	16.10%	12.50%	11.90%	10.00%
National Real GDP Growth Rate	3.0%	3.0%	-0.5%	2.5%	4.3%	4.0%
Oil Production Benchmark (million barrels/day)	1.800	1.800	1.800	1.800	2.000	2.200
Oil Price Benchmark in US$ / barrel	42.5	42.5	51.2	45	45	50
NGN:USD Exchange Rate (NGN to US$)	290	290	305	305	300	300
Federal MTEF Parameters: Inflation for 2018: Inflation (12.42%; Oil Production (2.3 mbd); GDP Growth Rate (4.8%); Exchange Rate (NGN305:1US$).						
Fiscal Framework [Common Funds]						
Recurrent Revenue		**2017 Approved**	**Jan - Jun outturns**	**2018**	**2019**	**2020**
Statutory Allocation	35,740,000,000	38,504,000,000	11,445,512,485	30,360,000,000	33,140,000,000	38,080,000,000
VAT	9,404,000,000	9,404,000,000	5,411,102,338	10,240,000,000	10,480,000,000	10,780,000,000
IGR	11,250,000,000	12,439,000,000	4,723,289,506	11,810,000,000	12,990,000,000	14,290,000,000
Excess Crude and Other Transfers	1,350,000,000	4,000,000,000	3,701,107,966	6,000,000,000	6,000,000,000	6,000,000,000
Recurrent LGA Grants [LEAs]	**Contra-Entry**	15,480,000,000	7,170,103,225	**Contra-Entry**	**Contra-Entry**	**Contra-Entry**
Recurrent LGA Grants [60% GHSB Personnel]	1,699,000,000	1,937,000,000	717,518,953	17,940,000,000	18,830,000,000	19,780,000,000
Total Recurrent Revenue	**59,443,000,000**	**81,764,000,000**	**33,168,634,473**	**76,350,000,000**	**81,440,000,000**	**88,930,000,000**
Stabilization, Planning Reserve &Contingency	**2,500,000,000**	**888,000,000**	**107,916,667**	**1,800,000,000**	**1,800,000,000**	**1,800,000,000**
Retained Revenue	**56,943,000,000**	**80,876,000,000**	**33,060,717,806**	**74,550,000,000**	**79,640,000,000**	**87,130,000,000**
Recurrent Expenditure						
Public Debt Charges [CRFC]	1,940,000,000	3,540,000,000	927,383,765	2,226,000,000	2,226,000,000	2,226,000,000
Pensions & Gratuities [CRFC]	675,000,000	675,000,000	263,799,441	540,800,000	527,300,000	514,100,000
Other CRFC	1,472,000,000	1,545,000,000	920,008,561	1,886,000,000	1,933,000,000	1,981,000,000
Total CRFC	4,087,000,000	5,760,000,000	2,111,191,767	4,652,800,000	4,686,300,000	4,721,100,000
Personnel Costs (State MDAs)	20,640,000,000	22,097,000,000	10,558,076,150	23,230,000,000	24,390,000,000	25,610,000,000
Personnel Costs (LEAs)	Contra-Entry	15,480,000,000	7,169,614,750	Contra-Entry	**Contra-Entry**	**Contra-Entry**
Overhead Costs	14,880,000,000	18,159,000,000	9,007,586,340	18,470,000,000	18,930,000,000	19,400,000,000
Sub-Total [Personnel and Overheads]	35,520,000,000	55,736,000,000	26,735,277,240	41,700,000,000	43,320,000,000	45,010,000,000
Total Recurrent Expenditure	39,607,000,000	61,496,000,000	28,846,469,007	46,352,800,000	48,006,300,000	49,731,100,000
Transfer to Capital Development Fund	**17,336,000,000**	**19,380,000,000**	**4,214,248,799**	**28,197,200,000**	**31,633,700,000**	**37,398,900,000**
Capital Receipts						
Transfer from Gen. Reserves & Fed. Stab.	4,000,000,000	15,776,000,000	15,776,000,000	6,000,000,000	3,000,000,000	2,000,000,000
Internal and External Loans	**Contra-Entry**	2,250,000,000	653,850,000	**Contra-Entry**	**Contra-Entry**	**Contra-Entry**
Non-discretionary CBN Loan	5,500,000,000	6,900,000,000	5,555,000,000	-	-	-
Capitalised Grants & Reimbursements	3,720,000,000	13,665,000,000	5,938,626,411	**Contra-Entry**	**Contra-Entry**	**Contra-Entry**
Local Government Capital Contributions	4,800,000,000	4,800,000,000	-	2,400,000,000	2,400,000,000	2,400,000,000
Other Non-discretionary Capital Receipts / Grants	4,715,000,000	4,715,000,000	1,680,650,000	**1,000,000,000**	**1,000,000,000**	**1,000,000,000**
Total Capital Receipts	22,735,000,000	48,106,000,000	29,604,126,411	9,400,000,000	6,400,000,000	5,400,000,000
Capital Expenditure	**35,356,000,000**	**67,486,000,000**	**21,346,021,405**	**37,597,200,000**	**38,033,700,000**	**42,798,900,000**
Total Budget Size [Expenditure]	77,463,000,000	129,870,000,000	50,300,407,079	85,750,000,000	87,840,000,000	94,330,000,000
Total Budget Size [Revenue]	77,463,000,000	129,870,000,000	62,772,760,884	85,750,000,000	87,840,000,000	94,330,000,000
Budget Position	-	-	12,472,353,806	-	-	-
Capital Expenditure Ratio	**47.2%**	**52.3%**	**42.5%**	**44.8%**	**44.2%**	**46.3%**

3.4 - Fiscal Trends

Based on the above envelope, plus actual figures for 2018-2020 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below.

3.5 - Fiscal Risks

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

Table 9: Fiscal Risks

Risk	Likelihood	Reaction/Mitigation
Risk of revenue shortfall that may result from low or none drawdown of grants, low federally collected revenues due to global Oil Price or Production shock, etc.	High	Adherence to the implementation of IGR Strategy Action Plan. Prioritization of projects with embarking on completion of ongoing ones before considering new ones.
Floods and other natural disasters impact on economic activity and hence IGR tax base, and causing increased overhead and capital expenditure	Medium	• Monitoring of Early Warning Signing (EWS) and effective communication between State Government and Hadejia – Jama'are River Basin Authority. • Contingency reserve to be used as financial mitigation. • Access to ecological fund from Federal Governments. • Effective utilisation of SEMA and Federal Emergency Management Agency (NEMA).
Increase in the cost of procurement couple with dwindling revenues for policy implementation. Continuing downward trend of capital expenditure ratio based on the recurrent costs growing at a faster pace than recurrent revenue	Medium	JSG to take pro-active measures to limit the growth in personnel and overhead costs, and boost IGR to increase recurrent revenue performance
Tendency of creditors, donors and FMF to alter management of loans and grants which could affect draw down by states	Low	Prioritise expenditure to complete projects, or shift implementation to a period when sufficient funding is available

1. It should be noted however that, no budget is without risk. The ongoing implementation of the 2015 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

Section 3 Budget Policy Statement

3.A Budget Policy Thrust

The Policy Thrust of the budget in line with the overall policy objectives and priorities of the State as encapsulated in the Second Edition of the State Comprehensive Development Framework is pursuit of policies that promote inclusive economic growth, improvement of basic human development indicators, socioeconomic empowerment as well as ensuring appropriate integration of Sustainable Development Goals (SDGs) into sectoral programmes. Accordingly, a key priority of the budget over the medium term would be promoting rapid growth of the real sectors of the state's economy notably agriculture and MSMS Enterprises both of which are critical in jobs & wealth creation and sustainable reduction in poverty among the populace. Pursuit of governance reforms to deepen transparency, accountability and effectiveness of public institutions; Specific priority objectives includes:

i. Diversification of the State's economy through agriculture to achieve food security, job creation, and poverty reduction;

ii. Improvement in the Business Environment and Investment Climate for the development micro. Small and medium scale enterprises;

iii. Provision of robust and functional physical infrastructure [including roads and transportation, Information & Communication Technology (ICT)];

iv. Pursuit of targeted youths and women empowerment and other poverty reduction programmes in a gender conscious and socially inclusive matter.;

v. Active support to the private sector to attract private domestic and foreign direct investment; as well as Business Development Support services for Micro, Small & Medium Scale Enterprises;

vi. Continuous improvement in access to - and quality of - public services, these include educational infrastructures and Health Care Delivery Systems at all levels. Inherent in this is the resolve of government to promote gender equality and inclusive development;

vii. Broadening on-going governance reforms particularly in the area of Policy and Strategy; Public Expenditure and Financial Management; and Public Service Management particularly IPSAS adoption, M & E and IFMIS upgrade.

3.B 2019 – 2020 MTEF and Sector Allocations (3 Year)

The analysis of recent economic and fiscal trends as contained in the EFU and FSP sections indicated a rather depressing outlook over the medium term. A number of the macroeconomic parameters that inform the medium-term the fiscal projections indicated that revenue flows from some of the major sources would only slightly appreciate nominally. Even though global oil prices has slightly appreciated relative to last year, the domestic production level has dropped significantly. While the effect of this would be a decline in aggregate revenues, in the real terms, revenues accruable in to the Federation Account is expected to witnessed appreciable nominal increase due to rising inflation and devaluation of the Naira. Notwithstanding this nominal increase, the extent of the absolute declines in oil revenue flows coupled with the relative decline in the rate of growth of the national economy, has made the outlook for less optimistic. Consequently, the medium term projections for the non-discretionary revenues allocated to the various sectors based extant policy priorities, is likely to witness a declined relative 2016 – 2018. The preliminary common pool funds projections for 2019 - 2020 is about ₦….. billion which is below the corresponding figure for 2017 - 2019 by almost ….%. This would therefore require the continued adoptions austerity measures in the 2018 Fiscal Year.

In the light of the foregoing, an overarching medium term objectives would be to a*chieve fiscal sustainability in terms of ensuring* appropriate balance between revenue and expenditure, low deficit financing as well as promoting economic stability over the medium term. Therefore, for a many cost centres and spending entities, there would be outright reduction in budgetary allocation underlying the necessity for agencies to continue to be more prudent to improve efficiency in public expenditure. The situation also calls more concerns with v*alue for money through* a process that contributes to achieving economy, efficiency and effectiveness service provision without compromising quality and accessibility.

The medium term resources allocation among key sectors is guided by the policy objectives and priorities which is in accordance with principles of strategic resources allocation - a key objective of which is ensuring a*llocative efficiency in terms of* achieving an allocation of resources that reflects the priorities of government development policies. Presented in the table below are the indicative three envelopes for sectors.

Table 2: Indicative Sector Expenditure Ceilings 2018-2020

JIGAWA STATE BUDGET AND ECONOMIC PLANNING DIRECTORATE
FISCAL FRAMEWORK FOR 2018 - 2020 MTSS AND 2017 BUDGET

Jigawa State Estimates, 2018 - 2020 Projected [Indicative] Sector Envelops - Non-discretionary (common) Funds*

No.	Sector	% of Total	Priority	2016 Approved Estimates	2017 Approved Estimates	Indicative Sector Envelops			Total 2018 - 2020
						2018	2019	2020	
1. Economic Development Sector		**28.9%**		**40,046,545,000**	**33,438,265,000**	**24,262,300,000**	**24,865,500,000**	**26,740,400,000**	**75,868,200,000**
1.1	Roads & Transport Development	22.5%	High [Cap Intensive]	27,582,485,000	22,647,777,000	18,889,000,000	19,359,000,000	20,819,000,000	59,067,000,000
1.2	Agriculture	4.0%	High	8,185,352,000	6,915,897,000	3,358,000,000	3,442,000,000	3,701,000,000	10,501,000,000
1.3	Commerce and Industry	0.6%	Medium	2,241,673,000	2,085,061,000	503,700,000	516,200,000	555,200,000	1,575,100,000
1.4	Rural Electrification (Energy)	1.0%	Normal	763,410,000	989,548,000	840,000,000	860,000,000	925,000,000	2,625,000,000
1.5	Economic Empowerment	0.8%	High	1,273,625,000	799,982,000	671,600,000	688,300,000	740,200,000	2,100,100,000
2. Social Sector		**43.4%**		**67,094,061,000**	**64,066,159,000**	**36,435,000,000**	**37,340,000,000**	**40,158,000,000**	**113,933,000,000**
2.1	Education	25.5%	High	43,620,432,000	45,533,022,000	21,407,000,000	21,940,000,000	23,595,000,000	66,942,000,000
2.2	Health	16.0%	High	20,320,437,000	16,400,468,000	13,432,000,000	13,766,000,000	14,805,000,000	42,003,000,000
2.3	Women and Social Development	0.9%	Medium	1,729,132,000	1,155,197,000	756,000,000	774,000,000	833,000,000	2,363,000,000
2.4	Information, Culture and Sports	1.0%	Normal	1,424,060,000	977,472,000	840,000,000	860,000,000	925,000,000	2,625,000,000
3. Regional Development		**9.0%**		**10,379,846,000**	**11,371,522,000**	**7,556,500,000**	**7,743,400,000**	**8,328,300,000**	**23,628,200,000**
I	Environment	1.0%	Medium	943,776,000	660,437,000	839,500,000	860,400,000	925,300,000	2,625,200,000
3.2	Water Supply	5.0%	High	5,101,475,000	7,693,957,000	4,198,000,000	4,302,000,000	4,627,000,000	13,127,000,000
3.3	Urban & Regional Development	3.0%	Normal	4,334,595,000	3,017,128,000	2,519,000,000	2,581,000,000	2,776,000,000	7,876,000,000
4. General Admin Services		**18.7%**		**17,267,548,000**	**20,106,054,000**	**15,696,200,000**	**16,091,100,000**	**17,303,300,000**	**49,090,600,000**
4.1	General Administration	13.0%	Normal	15,735,548,000	13,861,210,000	10,911,200,000	11,187,100,000	12,028,300,000	34,126,600,000
4.2	Law and Justice	2.2%	Normal	1,405,136,000	1,848,980,000	1,847,000,000	1,893,000,000	2,036,000,000	5,776,000,000
4.3	Other CRFs	3.5%	Normal	126,864,000	4,395,864,000	2,938,000,000	3,011,000,000	3,239,000,000	9,188,000,000
Contingency / Stabilization & Planning Reserve				**2,442,000,000**	**888,000,000**	1,800,000,000	1,800,000,000	1,800,000,000	5,400,000,000
GRAND TOTAL EXPENDITURE		100.0%		137,230,000,000	129,870,000,000	85,750,000,000	87,840,000,000	94,330,000,000	267,920,000,000
*Notes - The projections excludes non-discretionary incomes - that is receipts tied to specific expenditure including certain loans / grants and primary education financing from LGA									
	Error Check					-	-	-	-

Section 4 Summary of Key Points and Recommendations

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

- Based on the fiscal framework, the average capital expenditure ratio over the period 2017-2019 is about …..% which is considered not good enough. It is therefore advisable to take necessary steps to raise the ratio to at least 50% by limiting the increase in recurrent expenditure in favor of investment side and exploring ways and means for generating recurrent revenue over the medium term; and

  Based on the current debt portfolio for JSG, further consideration should be given to the option of drawing down concessional loans from the multi-lateral financial institutions to fund high return capital projects and hence boost the capital expenditure ratio.