Bauchi State Government

Multi Year Budget Framework Document -

Economic and Fiscal Update (EFU),

Fiscal Strategy Paper (FSP) and

Budget Policy Statement (BPS)

For the Period: 2020-2022

By The

State Planning Commission

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Abbreviations

BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CPIA	Country Policy and Institutional Assessment
CRF	Consolidated Revenue Fund
DMD	Debt Management Department
EFU	Economic and Fiscal Update
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
HRM	Human Resource Management
IGR	Internally Generated Revenue
IMF	International Monetary Fund
MDA	Ministry, Department and Agencies
MINT	Mexico, Indonesia, Nigeria and Turkey
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
NPC	National Planning Commission
OAG	Office of the Accountant General
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PITA	Personal Income Tax Act
PMS	Premium Petroleum Spirit
SHoA	State House of Assembly
VAT	Value Added Tax
WEO	World Economic Outlook
BSBIR	Bauchi State Board of Internal Revenue
BSFRC	Bauchi State Fiscal Responsibility Commission
BSPPB	Bauchi State Public Procurement Board
BASG	Bauchi State Government

Section 1 Introduction and Background

1.A Introduction

In an effort to improve the annual budgeting process, many governments have in recent times continue to search for a more appropriate framework that embraces some degree of planning, efficient and transparent inter and intra-sectoral resource allocation by effectively prioritizing all expenditures and dedicating resources only to the most important activities as well as determining realistic and accurate aggregate available resource estimates. This has led the national and sub-national governments to move towards the medium term approach to economic planning and budgeting in conformity with international best practices.

The most commonly used tool is the Medium Term Expenditure Framework (MTEF) which can facilitate a number of important outcomes such as:

- greater macroeconomic balance;
- improved inter - and intra-sectorial resource allocation;
- greater budgetary predictability for line ministries; and
- More efficient use of public financial and human resources.

In recent years, more than two-third of countries world-wide had adopted a medium-term expenditure framework (MTEF). However, successful implementation of MTEF and its impact on budget management and fiscal performance vary widely across countries. The Medium Term Sector Strategy (MTSS) is a plan that describes how a particular vote head or small cluster of vote Heads will deliver outputs that will contribute to cross-government outcomes.

Fiscal Strategy (FS) is a key element in Medium Term Budget Framework (MTBF) and annual budget process as such, it determines the resources available to execute Government projects and programmes from a fiscally sustainable perspective.

The plan describes how this will be done realistically, in the medium-term, normally three years, and within the limitations of resource constraints. An MTSS is required to describe what a sector intends to do in a way that clearly demonstrates how outputs will contribute in the most effective and efficient way possible. It therefore, describes "programs" which show how inputs and activities are directed at the production of outputs. Both the MTEF and the MTSS emphasizes the principles of Multi-Year Budgeting, incorporating longer-term perspectives into annual budgeting processes.

The Economic and Fiscal Update (EFU) provides economic and fiscal analysis, which form the basis for the budget planning process. It also provides an assessment of budget performance and identifies significant factors affecting its implementation.

On the other hand, the Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process, as such; they determine the resources available to fund Government projects and programmes from a fiscally sustainable perspective.

1.A.1 Budget Process

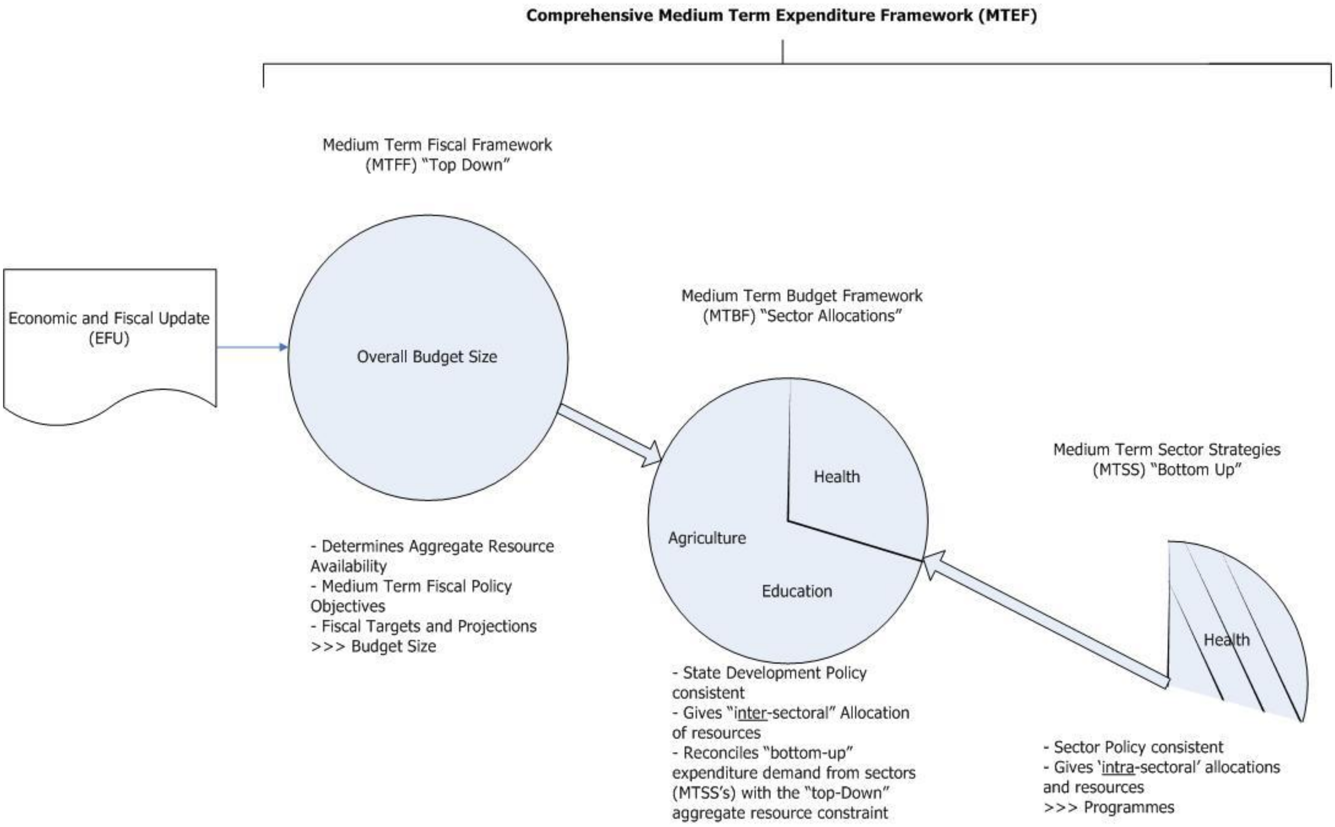
Budget serves as the medium through which government policies are translated into tangible results. The process describes the budget in a cycle within a fiscal year and can be classified under four main phases or stages namely; formulation, preparation, authorization and implementation. Conception of budget is informed by the MTEF process which has three main components that are key to the success of a public budget. These are:

i. Medium Term Fiscal Framework (MTFF);
ii. Medium Term Budget Framework (MTBF);
iii. Medium Term Sector Strategies (MTSS).

The Budget usually commences with the formulation or conception by the executive, the associated government agencies and key stakeholders through preparation, authorization, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year's budget.

The MTEF process is further summarised in the diagram below:

Figure 1: MTEF Process[1]



1.A.2 Summary of Document Content

The International best practice in budgeting requires that, 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. This document covers the period 2020-2022.

The purpose of this document can be classified in three-folds:

[1]Culled from DFID-SPARC EFU-FSP-BPS Guide

i. To have a summary of historical trend of key economic and fiscal events relating to revenue and expenditure as basis for forecast.

ii. To develop a Fiscal Strategy Paper (FSP) and MTEF document that capture objectives and targets for next three years, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt.

iii. To justify each and every allocation made, whether revenue or expenditure item(s)

The FS describes the economic overview and analysis of key variables that will affect the State Fiscal position, National Real Gross Domestic Product (GDP), State GDP, Inflation, Exchange rate, Benchmark Oil Price etc. FS helps to achieve a balance between capital and recurrent expenditure in such a way that revenue receipts will be boosted by identifying and plugging revenue leakages, and in the process improve the effectiveness and efficiency of spending. It also describes the assumptions and risks that could affect budget implementation.

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. It is aimed at providing options to budget policy and decision makers. The EFU also provides an assessment of budget performance, both historical and current and identifies significant factors affecting implementation, including:

- Overview of Global, National and State Economic Performance;
- Overview of the Petroleum Sector which formed the back born of the national economy;
- Trends in budget performance over the last six years.

The FSP is a key element in the BASG Medium Term Expenditure Framework (MTEF) and annual budget process. As such, it determines the resources available to fund a fiscally sustainable budget.

1.A.3 Preparation and Audience

The purpose of this document is to provide an informed basis for the 2020-2022 budget preparation cycles for the key stakeholders, specifically:

- Executive Council (ExCo);
- State House of Assembly (SHoA);
- Ministry of Finance;
- Treasury Division;
- Office of the State Auditor General;
- All Government Ministries, Departments and Agencies (MDAs);
- Development Partners;
- Civil Society.

The document is prepared by the State Planning Commission, using data collected from International, National and State organisations.

Background

1.A.4 Legislative and Institutional arrangement for Public Financial Management (PFM)

1. B.1.1 Legislative Framework for PFM in Bauchi State

The legal instruments and enactments governing PFM in Bauchi State include the 1999 Constitution of the Federal Republic of Nigeria (as amended); the Financial Regulations as revised in October 2009; the Personal Income Tax Act (PITA) 2011 (as amended); the Bauchi State Fiscal Responsibility Amendment Law 2009; the Bauchi State Planning Commission Law 2012 and the occasional service circulars. The 1999 Constitution is the overriding law governing public financial management in the State. Its provisions supersede and override the contents of any other law or provision in the State (and country) to the extent that other laws are inconsistent with the Constitution. The other PFM-related laws and provisions elaborate and expand on the provisions of the Constitution.

Bauchi state recently revised its financial instructions entitled: ***Financial Regulations.*** The law is the organic finance law that sets the agenda and establish institutions for public financial management. The Financial Regulations are the derived set of detailed operational rules and guidelines for day-to-day management of public funds. The regulations describe detailed accounting, internal auditing and stores procedures.

1. B.1.2 Institutional Framework for PFM in Bauchi State

It is the responsibility of the Executive arm of the government to propose the budget and implement it through its Ministries, Departments and Agencies (MDAs) after legislative approval. Ministries, Departments and Agencies (MDAs) assist the Executive to perform these functions. MDAs receive authorization of the Governor to commence project execution, notwithstanding legislative approval. The Governor's express authorization is necessary for MDAs to award contracts notwithstanding that it is the approved budget and for the treasury to honour due certificates.

The State Planning Commission is at the apex of the planning and budgeting process. The Commission allocates envelopes to 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 Ministry of Finance provides policy guidelines for the management of state finances as it affects revenue, expenditure, treasury, and debt management functions.

The Office of the Accountant-General of the State (OAGS) performs actual treasury functions of government, including accounting, internal control and audit. The Accountant-General is expected to prepare a consolidated monthly internal audit report with copies to the Accounting officers, Commissioner of Finance, and the Auditor-General.

Office of the Auditor General State (OAGS) also plays a key role in the state's PFM process, auditing all government offices and reporting to the Legislature. The Office of the Auditor General for Local Governments is also a distinct State Government institution that audits the accounts of Local Governments.

The Bauchi State House of Assembly (SHoA) exercises approval and oversight functions over the budget process. It also has oversight responsibility over budget implementation, accounting, and audit process. The design is for accountants at the MDAs and sub-treasuries to render monthly, quarterly, half-yearly and annual returns to the Accountant General. The Accountant General prepares annual report and submits to the State Auditor General who in turn reports to the appropriate committee in the SHoA.

1.B.1.3 Overview of Budget Calendar

1. indicative Budget Calendar is presented below:

Table 1: Budget Calendar

Stage	Date (s)	Responsibility
Update of MYBF	June	SPC
Preparation and Publication of EFU-FSP-BPS	June	MDA's
Preparation and Issuance of Budget Call Circular	July	SPC
Preparation and Submissions of proposals byMDAs	August	MDA's
Budget Deliberation/Discussion	September	SPC and MDA's
Budget Public Hearing	October	SPC
Compilation of Draft Budget	October	SPC
Review and Approval of Budget by ExCo	October	ExCo
Review and Approval of Budget by SHoA	November	SHoA
Signing Appropriation Bill	December	Governor

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

Recent Developments:

The global economy will take a severe hit this year as the coronavirus pandemic has brought economic activity to a screeching halt across large swatches of the globe, including in Asia, Europe, and the United States. Uncertainty over the outlook is elevated, given the constant evolution of the pandemic and lack of clarity regarding when widespread lockdowns will be lifted.

The COVID-19 pandemic is inflicting high and rising human costs worldwide. Protecting lives and allowing health care systems to cope have required isolation, lockdowns, and widespread closures to slow the spread of the virus. The health crisis is therefore having a severe impact on economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3 percent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support.

Effective policies are essential to forestall worse outcomes. Necessary measures to reduce contagion and protect lives will take a short-term toll on economic activity but should also be seen as an important investment in long-term human and economic health. The immediate priority is to contain the fallout from the COVID-19 outbreak, especially by increasing health care expenditures to strengthen the capacity and resources of the health care sector while adopting measures that reduce contagion. Economic policies will also need to cushion the impact of the decline in activity on people, firms, and the financial system; reduce persistent scarring effects from the unavoidable severe slowdown; and ensure that the economic recovery can begin quickly once the pandemic fades.

the economic fallout reflects particularly acute shocks in specific sectors, policymakers will need to implement substantial targeted fiscal, monetary, and financial market measures to support affected households and businesses. Such actions will help maintain economic relationships throughout the shutdown and are essential to enable activity to gradually normalize once the pandemic abates and containment measures are lifted. The fiscal response in affected countries has been swift and sizable in many advanced economies (such as Australia, France, Germany, Italy, Japan, Spain, the United Kingdom, and the United States). Many emerging market and developing economies (such as China, Indonesia, and South Africa) have also begun providing or announcing significant fiscal support to heavily impacted sectors and workers. Fiscal measures will need to be scaled up if the stoppages to economic activity are persistent, or the pickup in activity as restrictions are lifted is too weak. Economies facing financing constraints to combat the pandemic and its effects may require external support. Broad-based fiscal stimulus can preempt a steeper decline in confidence, lift aggregate demand, and avert an even deeper downturn. But it would most likely be more effective once the outbreak fades and people are able to move about freely.

The significant actions of large central banks in recent weeks include monetary stimulus and liquidity facilities to reduce systemic stress. These actions have supported confidence and contribute to limiting the amplification of the shock, thus ensuring that the economy is better placed to recover. The synchronized actions can magnify their impact on individual economies and will also help generate the space for emerging market and developing economies to use monetary policy to respond to domestic cyclical conditions. Supervisors should also encourage banks to renegotiate loans to distressed households and firms while maintaining a transparent assessment of credit risk.

Strong multilateral cooperation is essential to overcome the effects of the pandemic, including to help financially constrained countries facing twin health and funding shocks, and for channeling aid to countries with weak health care systems. Countries urgently need to work together to slow the spread of the virus and to develop a vaccine and therapies to counter the disease. Until such medical interventions become available, no country is safe from the pandemic (including a recurrence after the initial wave subsides) as long as transmission occurs elsewhere

Key Considerations for the Forecast

The nature of the shock. The COVID-19 pandemic differs markedly from past triggers of downturns. Infections reduce labor supply. Quarantines, regional lockdowns, and social distancing—which are essential to contain the virus (see, for example, Ferguson, Ghani, and others 2020)—curtail mobility, with particularly acute effects on sectors that rely on social interactions (such as travel, hospitality, entertainment, and tourism). Workplace closures disrupt supply chains and lower productivity. Layoffs, income declines, fear of contagion, and heightened uncertainty make people spend less, triggering further business closures and job losses. There is a de facto shutdown of a significant portion of the economy. Health care expenditures necessarily rise sharply above what had been expected. These domestic disruptions spill over to trading partners through trade and global value chain linkages, adding to the overall macroeconomic effects.

***Amplification channels*.** The initial shock amplifies through channels familiar from past severe downturns and crises. Financial markets are sharply repricing with the increase in uncertainty and the sudden materialization of extensive disruptions to economic activity. The flight to safe assets and rush to liquidity have put upward pressure on borrowing costs and credit has become more scarce, aggravating financial strains. Rising unemployment increases the risk of widespread defaults. Lenders—worried that consumers and firms will not be able to repay—hold back on extending credit. Asset fire sales may ensue as financial intermediaries liquidate their holdings to meet funding withdrawal requests from their investors, exacerbating the market turmoil. The effects can be further magnified through international financial linkages. In particular, countries reliant on external financing experience sudden stops and disorderly market conditions. Moreover, as weaker global demand drives down commodity prices, commodity exporters face pressure on their public finances and on real economic activity. These additional layers add to the direct economic fallout of the health crisis, and the full extent of disruptions to economic activity can be particularly severe as a result.

Early indications of severe economic fallout. The economic impact is already visible in the countries most affected by the outbreak. For example, in China, industrial production, retail sales, and fixed asset investment dropped dramatically in January and February. The extended Lunar New Year holidays, gradual reopening of nonessential businesses across the country, and low demand for services as a result of social distancing imply a significant loss of working days and a severe contraction in first-quarter economic activity. As more countries are forced to respond to the pandemic with stringent quarantine and containment efforts of the kind seen, for example, in China, Italy, and Spain, this will necessarily entail similar sharp economic activity slowdowns from closures of nonessential workplaces, travel restrictions, and behavioral changes. Initial jobless claims in the United States during the fourth week of March, for example, exceeded 6.6 million, compared with about 280,000 just two weeks before. And surveys of purchasing managers pointed to plummeting economic activity in March in the euro area, Japan, and the United States. However, up-front containment measures are essential to slow the spread of the virus and allow health care systems to cope and to help pave the way for an earlier and more robust resumption of economic activity. Uncertainty and reduced demand for services could be even worse in a scenario of greater spread without social distancing.

A sharp drop in commodity prices. The fast deterioration of the global economic outlook as the epidemic has spread and the breakdown of the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) agreement among oil suppliers have weighed heavily on commodity prices (Figure 1.1; Commodity Special Feature). From mid-January to end-March, base metal prices fell about 15 percent, natural gas prices declined by 38 percent, and crude oil prices dropped by about 65 percent (a fall of about $40 a barrel). Futures markets indicate that oil prices will remain below $45 a barrel through 2023, some 25 percent lower than the 2019 average price, reflecting persistently weak demand. These developments are expected to weigh heavily on oil exporters with undiversified revenues and exports— particularly on high-cost producers—and compound the shock from domestic infections, tighter global financial conditions, and weaker external demand. At the same time, lower oil prices will benefit oil-importing countries.

COVID-19 Pandemic Will Have a Severe Impact on Global Growth

There is extreme uncertainty around the global growth forecast because the economic fallout depends on uncertain factors that interact in ways hard to predict. These include, for example, the pathway of the pandemic, the progress in finding a vaccine and therapies, the intensity and efficacy of containment efforts, the extent of supply disruptions and productivity losses, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioral changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatile commodity prices.

Baseline Assumptions Pandemic.

In the baseline scenario, the pandemic is assumed to fade in the second half of 2020, allowing for a gradual lifting of containment measures. Duration of shutdown. Considering the spread of the virus to most countries as of the end of March 2020, the global growth forecast assumes that all countries experience disruptions to economic activity due to some combination of the above-mentioned factors.

The disruptions are assumed to be concentrated mostly in the second quarter of 2020 for almost all countries except China (where it is in the first quarter), with a gradual recovery thereafter as it takes some time for production to ramp up after the shock. Countries experiencing severe epidemics are assumed to lose about 8 percent of working days in 2020 over the duration of containment efforts and subsequent gradual loosening of restrictions.2 Other countries are also assumed to experience disruptions to economic activity related to containment measures and social distancing, which, on average, are assumed to entail a loss of about 5 percent of working days in 2020 over the period of shutdown and gradual reopening. These losses are compounded by those generated by tighter global financial conditions, weaker external demand, and terms-of-trade losses described below.

Financial conditions. The tight financial conditions for advanced and emerging market economies discussed above are expected to remain in place for the first half of the year. Consistent with the assumed path of the pandemic and gradual normalization in economic activity, financial conditions are expected to ease in the second half of 2020.

Commodity prices. Based on futures market pricing at the end of March 2020, the average petroleum spot prices per barrel are estimated at $35.60 in 2020 and $37.90 in 2021. For the years thereafter, oil futures curves show that prices are expected to increase toward $45 but stay below their average 2019 level ($61.40). Metals prices are expected to decrease 15.0 percent in 2020 and 5.6 percent in 2021. Food prices are projected to decrease 1.8 percent in 2020 and then increase 0.4 percent in 2021.

Global Economy in Recession in 2020

Global growth is projected at −3.0 percent in 2020, an outcome far worse than during the 2009 global financial crisis. The growth forecast is marked down by more than 6 percentage points relative to the October 2019 WEO and January 2020 WEO Update projections—an extraordinary revision over such a short period of time.

The loss of working days is smaller than the number of days severe containment measures are in place given that essential businesses continue to operate during the shutdown. The duration of containment efforts will vary across countries based on the intensity of the measures (for example, cancellation of public gatherings and school closures versus stay-at-home orders and lockdowns enforced with penalties).

Growth in the advanced economy group—where several economies are experiencing widespread outbreaks and deploying containment measures—is projected at −6.1 percent in 2020. Most economies in the group are forecast to contract this year, including the United States (−5.9 percent), Japan (−5.2 percent), the United Kingdom (−6.5 percent), Germany (−

7.0 percent), France (−7.2 percent), Italy (−9.1 percent), and Spain (−8.0 percent). In parts of Europe, the outbreak has been as severe as in China's Hubei province. Although essential to contain the virus, lockdowns and restrictions on mobility are extracting a sizable toll on economic activity. Adverse confidence effects are likely to further weigh on economic prospects.

Among emerging market and developing economies, all countries face a health crisis, severe external demand shock, dramatic tightening in global financial conditions, and a plunge in commodity prices, which will have a severe impact on economic activity in commodity exporters. Overall, the group of emerging market and developing economies is projected to contract by −1.0 percent in 2020; excluding China, the growth rate for the group is expected to be −2.2 percent. Even in countries not experiencing widespread detected outbreaks as of the end of March (and therefore not yet deploying containment measures of the kind seen in places with outbreaks) the significant downward revision to the 2020 growth projection reflects large anticipated domestic disruptions to economic activity from COVID-19. The 2020 growth rate for the group excluding China is marked down 5.8 percentage points relative to the January WEO projection. As discussed below, growth would be even lower if more stringent containment measures are necessitated by a wider spread of the virus among these countries.

Emerging Asia is projected to be the only region with a positive growth rate in 2020 (1.0 percent), albeit more than 5 percentage points below its average in the previous decade. In China, indicators such as industrial production, retail sales, and fixed asset investment suggest that the contraction in economic activity in the first quarter could have been about 8 percent year over year. Even with a sharp rebound in the remainder of the year and sizable fiscal support, the economy is projected to grow at a subdued 1.2 percent in 2020. Several economies in the region are forecast to grow at modest rates, including India (1.9 percent) and Indonesia (0.5 percent), and others are forecast to experience large contractions (Thailand, −6.7 percent).

Other regions are projected to experience severe slowdowns or outright contractions in economic activity, including Latin America (–5.2 percent)— with Brazil's growth forecast at –5.3 percent and Mexico's at –6.6 percent; emerging and developing Europe (–5.2 percent)—with Russia's economy projected to contract by –5.5 percent; the Middle East and Central Asia (–2.8 percent)—with Saudi Arabia's growth forecast at –2.3 percent, with non-oil GDP contracting by 4 percent, and most economies, including Iran, expected to contract; and sub-Saharan Africa (–1.6 percent)—with growth in Nigeria and South Africa expected at –3.4 percent and –5.8 percent, respectively. Following the dramatic decline in oil prices since the beginning of the year, near-term prospects for oil-exporting countries have deteriorated significantly: the growth rate for the group is projected to drop to –4.4 percent in 2020.

Uncertain Recovery in 2021: Predicated on Pandemic Fading, Helped by Policy Support

Global growth is expected to rebound to 5.8 percent in 2021, well above trend, reflecting the normalization of economic activity from very low levels. The advanced economy group is forecast to grow at 4.5 percent, while growth for the emerging market and developing economy group is forecast at 6.6 percent. In comparison, in 2010 global growth rebounded to 5.4 percent from –0.1 percent in 2009.

The rebound in 2021 depends critically on the pandemic fading in the second half of 2020, allowing containment efforts to be gradually scaled back and restoring consumer and investor confidence. Significant economic policy actions have already been taken across the world, focused on accommodating public health care requirements, while limiting the amplification to economic activity and the financial system. The projected recovery assumes that these policy actions are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains. Nonetheless, as Figure 1.6 shows, the level of GDP at the end of 2021 in both advanced and emerging market and developing economies is expected to remain below the pre-virus baseline (January 2020 WEO Update).

As with the size of the downturn, there is extreme uncertainty around the strength of the recovery. Some aspects that underpin the rebound may not materialize, and worse global growth outcomes are possible—for example, a deeper contraction in 2020 and a shallower recovery in 2021—depending on the pathway of the pandemic and the severity of the associated economic and financial consequences, as discussed in the next section.

Real GDP Consumer Prices				Consumer Prices		
Projections				Projections		
	2019	2020	2021	2019	2020	2021
Germany	0.6	−7.0	5.2	1.3	0.3	1.2
France	1.3	−7.2	4.5	1.3	0.3	0.7
Italy	0.3	−9.1	4.8	0.6	0.2	0.7
Russia	1.3	−5.5	3.5	4.5	3.1	3
Turkey	0.9	−5.0	5	15.2	12	12
Poland	4.1	−4.6	4.2	2.3	3.2	2.6
Japan	0.7	−5.2	3	0.5	0.2	0.4
Korea	2	−1.2	3.4	0.4	0.3	0.4
China	6.1	1.2	9.2	2.9	3	2.6
India	4	4.2	1.9	7.4	4.5	3.3
Thailand	2.4	−6.7	6.1	0.7	−1.1	0.6
United States	2.3	−5.9	4.7	1.8	0.6	2.2
Canada	1.6	−6.2	4.2	1.9	0.6	1.3
Brazil	1.1	−5.3	2.9	3.7	3.6	3.3
Argentina	−2.2	−5.7	4.4	53.5	.	.
Saudi Arabia	0.3	−2.3	2.9	−1.2	0.9	2
United Arab En	1.3	−3.5	3.3	−1.9	−1.0	1.5
Egypt	5.6	2	2.8	13.9	5.9	8.2
Nigeria	2.2	−3.4	2.4	11.4	13.4	12.4
Angola	−1.5	−1.4	2.6	17.1	20.7	22.3
South Africa	0.2	−5.8	4	4.1	2.4	3.2
Ghana	6.1	1.5	5.9	7.2	9.7	8.5
Kenya	5.6	1	6.1	5.2	5.1	5

Table 1.1 Selected Countries: Real GDP, Consumer Prices

Source: IMF's World Economic Outlook, April 2020.

Malaysia, Indonesia, Nigeria and Turkey (MINT) and Brazil, Russia, India, Nigeria, China and South Africa(BRINCS) countries enjoyed significantly higher annual real GDP growth than European and US economy. Ghana had the highest average growth rate between 2017 and 2018 while Nigeria has a lower GDP rate as observed above. Growth is projected to increase in most countries in 2015 and stabilise by 2020.

2.A.2 Africa

The April 2020 Sub-Saharan Africa Regional Economic Outlook at a Glance

- The COVID-19 pandemic threatens to exact a heavy human toll, and the economic crisis it has triggered can upend recent development progress.
- Growth in sub-Saharan Africa in 2020 is projected at –1.6 percent, the lowest level on record.
- The policy priority is to ramp up health capacity and spending to save lives and contain the virus outbreak.
- Support from all development partners is essential to address the sizable financing needs, including debt relief for the most vulnerable countries.
- Fiscal, monetary, and financial policies should be used to protect vulnerable groups, mitigate economic losses, and support the recovery. Once the crisis subsides, fiscal positions should return to sustainable paths.

GROWTH PERFORMANCE AND OUTLOOK

COVID-19: An Unprecedented Threat to Development

Sub-Saharan Africa is facing an unprecedented health and economic crisis. One that threatens to throw the region off its stride, reversing the encouraging development progress of recent years. Furthermore, by exacting a heavy human toll, upending livelihoods, and damaging business and government balance sheets, the crisis threatens to slow the region's growth prospects in the years to come. Previous crises tended to affect countries in the region differentially, but no country will be spared this time.

Consequently, we project the region's economy to contract by −1.6 percent this year—the worst reading on record. This reflects the multiple shocks that will weigh on economic activity heavily:

• The strong containment and mitigation measures that countries have had to adopt to limit the spread of the coronavirus disease (COVID-19) outbreak will greatly disrupt production and reduce demand sharply;

• Plummeting global economic growth and tighter global financial conditions are having large spill over to the region; and

• The sharp decline in commodity prices, especially oil, is set to compound these effects, exacerbating challenges in some of the region's largest resource-intensive economies, notably Angola and Nigeria.

These large adverse shocks will interact with existing vulnerabilities to exacerbate social and economic conditions. The measures that countries have had to adopt to enforce social distancing and keep people from circulating are certain to imperil the livelihoods of innumerable vulnerable people. Given the limited social protections in place to offset the income losses, people will suffer. For the public sector in many countries in the region, the crisis could not have come at a worse time.

The pandemic is reaching the shores of the continent when budgetary space to absorb the effects of the shocks is limited in most countries, thus complicating the appropriate policy response.

In this context, decisive measures are urgently needed to limit humanitarian and economic losses and protect the most vulnerable societies in the world:

• People first. The immediate priority is for countries to do whatever it takes to ramp up public health expenditures to contain the virus outbreak, regardless of fiscal space and debt positions.

• Fiscal policy. Timely and temporary fiscal support is also crucial to protect the most affected people and firms, including those in the informal sector. Given the one-off nature of the shock, some discretionary fiscal support is warranted, even in countries with limited space. Policies could include cash transfers to help people under strain (including through digital technologies) and targeted and temporary support to hard-hit sectors. Once the crisis has subsided, countries should revert fiscal positions to paths that ensure debt sustainability.

• International solidarity. The ability of countries to mount the required fiscal stance, is however, highly contingent on ample external financing, on grant and concessional terms, being available from the international financial community and to a higher degree than usual, given the highly disrupted state of global capital markets. The absence of adequate external financing risks turning temporary liquidity issues into solvency problems, resulting in the effects of the shock becoming long rather than short-lived.

• Monetary policy. A more supportive monetary stance and injection of liquidity can also play an important role in supporting demand. Financial market supervision should aim to maintain the balance between preserving financial stability and sustaining economic activity. For countries with floating regimes, exchange rate flexibility can help cushion external shocks, while some drawdown of reserves to smooth disorderly adjustment may mitigate potential financial implications from foreign exchange mismatches.

For countries facing sudden reversals of external financing and a resulting imminent crisis, temporary capital flow management measures could be considered as part of a wider policy package.

Economic forecasts at this juncture are, of course, subject to a much higher-than-usual degree of uncertainty but subject to the decisive actions laid out above, we expect growth to bounce back in 2021 to about the 4 percent mark. However, the depth of the slowdown in 2020 and the speed of recovery, will depend on several factors, including how the pandemic interacts with weak local health systems, the effectiveness of national containment efforts, and the strength of support from the international community.

The rest of the report describes developments in the region, the growth outlook, and risks and elaborates on policies needed for countries to weather the current crisis.

COVID-19 in Sub-Saharan Africa

The number of confirmed COVID-19 cases in sub-Saharan Africa is growing rapidly. While the path of new cases in the region initially mirrored the experience in most other countries, with a doubling

every 3 days, the daily growth of cases has eased somewhat since the first week of April amid strict containment and mitigation measures in several countries. As of April 9, more than 6,200 cases have been confirmed across 43 countries in the region, with South Africa, Cameroon, and Burkina Faso being the most affected.

Triple Shock

The COVID-19 pandemic will have substantial economic effects on sub-Saharan Africa. The key channels include:

• Economic disruptions from the domestic health shock: In addition to the rising humanitarian costs, large disruptions in production

can be caused by workplace closures, disruption of supply chains, and reduction in labour supply because of sickness or death. Furthermore, a lockdown can have devastating effects (for example, food insecurity) on vulnerable hand-to-mouth households with limited access to social safety nets. Meanwhile, the loss of income, fear of contagion, loss of confidence, and heightened uncertainty all reduce demand.

• Spill overs from the global fallout of COVID-19: The region also faces several external shocks—including trade and tighter global financial conditions—with sub- Saharan African countries exposed to different degrees (Figure 1.6). On trade, a sharp growth slowdown among key trading partners reduces external demand, while disruptions of supply chains lower the availability of imported goods, potentially adding inflation pressure. In addition, the sharp tightening of global financial conditions reduces investment flows to the region and hampers its ability to finance spending needs to deal with the health crisis and support growth. This may result in either a cut in government spending, a build-up in arrears, or an increase in government borrowing in local markets, with attendant consequences on domestic credit and growth. For frontier economies, the sudden stop and capital outflows are exerting exchange rate pressures and can result in a large current account adjustment through domestic demand compression and further balance sheets pressures in countries with large foreign exchange mismatches.

Remittance flows may also decrease as global growth slows, reducing disposable income and adding to external pressures. Furthermore, travel restrictions can severely hit particular sectors like tourism, hospitality, and transport.

• The commodity price shock: The sharp decline in commodity prices is an additional shock for the region's resource-intensive countries, further compounding the impact of the pandemic. The negative terms of trade shock will weigh on growth and add to fiscal and external vulnerabilities. More importantly, low commodity revenues would significantly constrain their resources to combat the virus outbreak and shore up growth.

These shocks are compounding an already challenging economic situation in the region. Economic activity in resource-intensive countries has been tepid in recent years because most countries were still adjusting to the 2014 commodity shock. At the same time, the high growth in non-resource-intensive countries has often been supported by public sector investment and accompanied by elevated debt and external vulnerabilities. In addition, the security situation in the Sahel remains difficult, and the continent has been battered by multiple weather-related shocks, including cyclones, droughts in southern and eastern Africa (especially in Mozambique, Zambia, and Zimbabwe), and severe locust swarms (particularly in Ethiopia, Kenya, South Sudan, and Uganda).

Growth Outlook in the Region

Real GDP in sub-Saharan Africa is projected to contract by −1.6 percent in 2020, the lowest level of growth on record (Figure 1.7). This is about 5.2 percentage points lower than envisaged in the October 2019 Regional Economic Outlook for Sub-Saharan Africa. The sharp downward revision largely reflects the fallout from the spread of COVID-19 and lower-than-expected commodity prices. In addition, idiosyncratic factors, such as continued structural constraints (South Africa), policy adjustment (Ethiopia), and climate and other natural shocks (such as the locust invasion in eastern Africa) have also contributed to the downward revisions.

The economic fallout from the COVID-19 outbreak and low commodity prices (Figure 1.8) is expected to be the largest in less diversified economies (Figure 1.9).

• Growth in oil exporters is projected to decline from 1.8 percent in 2019 to −2.8 percent in 2020 (a downward revision of 5.3 percentage points from the October 2019 Regional Economic Outlook for Sub-Saharan Africa). In Nigeria, the largest economy in the region, GDP is expected to contract by −3.4 percent, mainly reflecting the large drop in oil prices and the impact of containment and mitigation measures on economic activity.

Other resource-intensive countries are expected to see a decline in growth of about 5.0 percentage points, from 2.3 percent to −2.7 percent. In South Africa, disruptions caused by containment and mitigation measures and lower external demand are expected to compound existing structural constraints, with growth expected to fall from 0.2 percent in 2019 to −5.8 percent in 2020.

• Non-resource-intensive countries are expected to see growth decline from 6.2 percent to 2.0 percent. Within this group, tourism- dependent countries (Cabo Verde, Comoros, The Gambia, Mauritius, São Tomé and Príncipe, Seychelles) are expected to experience a severe downturn, with real GDP contracting by −5.1 percent in 2020 (Figure 1.9) after growing by an average of 3.9 percent in 2019.

The baseline projections assume that disruptions caused by containment and mitigation measures are concentrated in the second quarter of 2020. Both the regional and global economies are assumed to start recovering in the second half of 2020 as containment measures ease and significant economic stimulus in advanced and several emerging economies help prop up economic activity. However, commodity prices, especially oil, are expected to remain low through the medium term. In this scenario, growth in the region is projected to recover to about 4 percent in 2021. Even assuming that this relatively quick projected recovery transpires, the COVID-19 pandemic will entail persistent, large output losses, with the level of real per capita GDP expected to be about 4½ percent lower by 2024 compared with the pre-COVID-19 projections.

Table 4: Real GDP Growth of Sub-Saharan Africa - Selected Countries

Country	2018	2019	2020
Sub-Saharan Africa (Oil Exporters):-			
Nigeria	1.9	2.1	2.5
Angola	1.7	0.4	2.9
Gabon	1.2	3.1	3.9
Chad	3.1	4.5	6.0
Republic of Congo	0.8	5.4	1.5
Middle-Income African Countries:-			
South Africa	0.8	1.2	1.5
Ghana	5.6	8.8	5.8
Côte d'Ivoire	7.4	7.5	7.2
Cameroon	4.0	4.3	4.7
Zambia	3.5	3.1	2.9
Senegal	6.2	6.9	7.5
Low-Income African Countries:-			
Ethiopia	7.7	7.7	7.5
Kenya	6.0	5.8	5.9
Tanzania	6.6	4.0	4.2
Uganda	6.2	6.3	6.2
Madagascar	5.2	5.2	5.3
Democratic Republic of Congo	3.9	4.3	4.4

Source: IMF's World Economic Outlook, April 2019.

2.A.3 Nigerian Economy

Macroeconomic Analysis

The Nigeria recorded a lower economic growth in the first quarter of the year (Q1'2020), as the Gross Domestic Product (GDP) growth rate dropped to 1.87 percent, during the quarter, reflecting the impact of the COVID-19 pandemic on the economic activities across the country.

This 1.87 percent GDP growth recorded in Q1'2020, the lowest quarterly GDP growth rate since third quarter of 2018, represents decline of 23 basis points when compared with the 2.55 percent GDP growth rate recorded in the fourth quarter of last year (Q4'2020). It also represents 68 basis points when compared with the 2.10 percent GDP growth rate recorded in the first quarter of last year (Q1'2019).

The Nigeria Bureau of Statistics (NBS) disclosed this in the Nigerian Gross Domestic Product Report (Q1 2020).

According to the NBS, the GDP growth was driven mainly by the Oil sector which grew by 5.06 percent during the quarter, though lower than the growth recorded in Q1'2019 and Q4'2019.

The coronavirus pandemic, lockdown measures put in place in major economic hubs, and depressed global crude prices have completely derailed the economy's already-fragile recovery from its 2016 recession. On the heels of the oil price crash in March, the private sector PMI plunged to a survey record low in April as evaporated demand crushed output and new orders. Notably, disruptions to supply chains and tighter FX liquidity are also likely to stoke inflationary pressures. This, coupled with authorities' indication of abiding to the OPEC+ agreement struck in April to cut output in May and June, will be pummeling the economy in Q2. In a bid to ease the economic pain, authorities started to gradually lift the lockdown in early May. Although this should enable an improvement in activity in the vast informal sector, possible retightening due to continued health concerns could exacerbate the economic impact.

Table 5: Nigeria Key Macroeconomic Indicators

Indicator	2013	2014	2015	2016	2017
Population (Million)	169	174	179	184	189
GDP Per capita (USD)	3,082	3,312	2,766	2,206	1,995
GDP (Billion USD)	522	576	494	405	376
Inflation (%)	8.5	8.1	9.0	15.7	16.5
Exchange Rate (NGN:USD FX Rate)	155.2	167.5	196.5	304.5	305.5
Unemployment	3.7	4.6	4.3	7.1	7.0
Balance of Trade	43.8	21.0	-6.4	-0.5	13.1
Policy Interest Rate (%)	12.0	13.0	11.0	14.0	14.0
Public Debt (% GDP)	12.9	13.1	16.0	19.6	23.4

Source: (Economic Outlook) National Bureau of Statistics, (WEO) IMF; CBN

Petroleum Sector

GROWTH PROSPECTS IN 2020: THE COVID-19 PANDEMIC AND THE OIL PRICE SLUMP A Global Recession

The world economy is expected to enter a recession, reflecting widespread disruptions from the COVID-19 pandemic. Global growth is projected to plummet from 2.9 percent in 2019 to −3.0 percent in 2020, far lower than during the 2008–09 global financial crisis. Among the sub- Saharan African region’s key trading partners, the euro area is expected to contract (from 1.2 percent in 2019 to −7.5 percent in 2020), and growth in China is to slow considerably (from 6.1 percent to 1.2 percent).

Oil prices have plunged by about 50 percent, reaching 18-year lows, reflecting a slump in global growth and the breakdown of the Organization of Petroleum Exporting Countries and other major oil producers (OPEC+) agreement regarding production cuts (Figure 1.1). Most other commodity prices are also lower—one exception is precious metals, such as gold, which have benefited from the risk-off sentiment.

Global financial conditions have tightened sharply in 2020. Investors have pulled out over $90 billion from emerging markets since the beginning of the crisis, the largest capital outflow on record. Financial markets in sub-Saharan Africa have also come under pressure: sovereign spreads in the region have increased by about 700 basis points since February 2020, reaching all-time highs, with the largest rise seen in oil exporters; bond issuances have stopped, and large capital outflows have also been recorded from the region's frontier and emerging markets.

Table 6: Economic Outlook for Nigeria, 2011-2019

Time Units	Real GDP million naira	Nominal GDP million naira	Trade million naira	Real GDP (%) %	Trade (%) %	Inflation %
2011	57,511,041.77	62,980,397.22	29,333,001.12	5.31	48.75	10.83
2012	59,929,893.04	71,713,935.06	28,071,190.67	4.21	-4.3	12.22
2013	63,218,721.73	80,092,563.38	21,261,086.29	5.49	-24.26	8.5
2014	67,152,785.84	89,043,615.26	23,459,656.50	6.22	10.34	7.98
2015	69,144,885.84	94,268,428.58	17,759,239.59	2.97	-24.3	9.55
2016	71,758,121.29	104,203,951.07	18,186,765.55	3.78	2.41	10.16
2017	75,369,068.74	114,054,967.67	23,844,677.11	5.03	31.11	9.49
2018	79,596,971.23	124,332,323.63	27,973,242.33	5.61	17.31	8.67
2019	84,064,363.50	134,950,445.87	31,228,982.25	5.61	11.64	8.54

Source: NBS April 2019

2.A.4 Bauchi State Economy

In 1976; Bauchi State comprising the present Gombe and Bauchi states was created out of the then North-Eastern State. The arrangement remained such until Gombe State was curved out in 1996.

The State is presently made up of 20 local Government Areas, namely: Alkaleri, Bauchi, Bogoro, Dambam, Darazo, Dass, Gamawa, Ganjuwa, Giade, Itas-Gadau, Jama'are, Katagum, Kirfi, Misau, Ningi, Shira, Tafawa-Balewa, Toro, Warji and Zaki.

People

Bauchi State has over 55 ethnic groups; the main being Hausa, Fulani, Gerawa, Jarawa, Sayawa, Bolawa, Kanuri, Kare-Kare, Warjawa, Zulawa and Badawa. However, Hausa language is more widely spoken. Though these different ethnic groups have their languages, customs, historical background, festivals, occupation patterns and beliefs, the peaceful coexistence with each other clearly demonstrates the unity in diversity of the people of the State.

With a high degree of interaction through economic activities and strengthened by inter communal marriages, there has arisen the acceptance and use of a common language, similarities of occupational practices and uniformity in dress modes.

Geography

Bauchi State is located between Latitude 90 3' and 120 3' north of the equator. Longitudinally, it lies between 80 5' and 110 east of the Greenwich Meridian.

The State is bordered by seven states namely Kano and Jigawa to the north; Taraba and Plateau to the south; Gombe and Yobe to the east and Kaduna to the west.

The State covers a total land area of 49,259.01 square kilometres which represents about 5.3% of Nigeria's total land mass. Like most of the States of Northern Nigeria, Bauchi State shares two distinct ecological zones. The Sudan Savannah covers the southern part of the State, while the Sahel Savannah covers the western and northern parts of the State.

The state has a rainfall regime between 700mm and 1300 mm in the Sahel and the Sudan Savannah zones respectively. The vegetation zone covered by the Sudan Savannah is characterized by semi-desert, while the Sahel is covered by isolated thorny shrubs and sandy soils.

Bauchi State is blessed with a number of large rivers, which include the Jama'are, Gongola and Dindima in addition to a number of smaller ones which provide suitable basin for agricultural activities such as Crop production, Fishing, Livestock production and Irrigation purposes. These are further supported with other dams and lakes that support agriculture and electricity generation.

Occupation

The major occupation in Bauchi State is peasant farming employing traditional methods and implements. Other occupations in the State include fishing, hunting, blacksmithing, crafts and trading.

Population

The State had a reported population of 4,653,066 based on the 2006 census conducted. However, the projected population for the State as at 2016 stood at **6,537,300**.The break down on a Local Government basis is as follows:

Table 7: 2006 Bauchi State Populations

S/NO	LGA	Population Census 1991-11-26	Population Census 2006-03-21	Population Projection 2016-03-21
1	Alkaleri	257,871	328,284	461,200
2	Bauchi	356,923	493,730	693,700
3	Bogoro	...	83,809	117,700
4	Dambam	...	150,212	211,000
5	Darazo	163,831	249,946	351,200
6	Dass	50,281	90,114	126,600
7	Gamawa	...	284,411	399,600
8	Ganjuwa	144,758	278,471	391,200
9	Giade	...	156,022	219,200
10	Itas/ Gadau	135,707	228,527	321,100
11	Jama'are	70,436	117,482	165,100
12	katagum	195,066	293,020	411,700
13	Kirfi	...	145,636	204,600
14	Misau	...	261,410	367,300
15	Ningi	279,993	385,997	542,300
16	Shira	...	233,999	328,800
17	Tafawa/ Balewa	...	221,310	310,900
18	Toro	209,253	346,000	486,100
19	Warji	...	114,983	161,500
20	Zaki	...	189,703	266,500
	Total	**2,861,887**	**4,653,066**	**6,537,300**

From the table above, it is observed that the population projection is growing at the rate of 3.7%. this shows in 2017 and 2018 will rise to 6,821,138 and 7,057,045 respectively. In 2019 it is expected that the population will reach 7,318,156.

However, with the influx of Internally Displaced Persons (IDPs) from the neighbouring State, the population can be estimated to reach 8,318,156.

Economy

With the vast land of high soil quality, agriculture remains the backbone of the economy of the State. About 80% of the population is engaged in the production of food and cash crops.

The famous Yankari Game Reserve, which occupies an area of 2,224.59km is the nation's premier game reserve and is blessed with a variety of alluring wildlife and the natural Wikki Warm Spring with a constant temperature of 31*C which makes the Reserve a tourist haven of considerable attraction.

The abundant tourist potential of the State is further demonstrated by a number of other identified tourist attractions including the country's first Mining Beacon at Tilden-Fulani, the Panshanu Stone Heaps, the Lame-Burra Game Reserve, the Sumu Wildlife Park, the Geji Rock Paintings of the Neolithic age, the BabbanGwani Architectural designs at Bauchi and Kafin-Madaki and the International Birds Sanctuary of Udubo district. Of further significance is the tomb of the first Prime Minister of Nigeria; Sir AbubakarTafawa-Balewa of blessed memory.

The State is also blessed with a number of untapped mineral resources. Mining activities on small scale basis in various parts of the State have revealed large deposits of Cassilerite, Limestone, Kaolin, Gypsum, Antimony, Iron-Ore, Gold, Marble, Columbite and zinc. Noticeable deposits of Petroleum related resources have also been discovered, while precious stones like Sulphur, Amities and Aquamarine are also available.

Table 8: Mineral Resource Endowment in Bauchi State

S/N	LOCAL GOVERNMENT AREA	MINERAL RAW MATERIALS	AGRO RAW MATERIALS
1	**ALKALERI**	Kaolin, Granite, Trona, Gypsum, Cassiterite, Clay, Tantalite, Mica, Iron ore, Gemstone, Lead/Zinc.	Maize, Millet, Sorghum, Groundnut, Cotton, Rice, Cowpea, Sheanut, Okro, Sugarcane, Timber, Gum Arabic, Mango, Poultry, Livestock.
2	**BAUCHI**	Granite, Gemstone, Iron Ore, Lead/Zinc, Barytes, Muscovite, Quartz, Kaolin, Columbite, Cassiterite.	Citrus, Mango, Sorghum, Maize, Cowpea, Rice, Livestock, Groundnut, Guava, Dairy, Okro, Gum Arabic, Fishery, Poultry
3	**BOGORO**	Tin, Granite, Iron Ore, Rutile, Tungsten, Copper, Talc, Ilmenite, Lead/Zinc, Gypsum, Columbite, Cassiterite, Zircon, Tantalite	Sorghum, Maize, Cow Pea, Groundnut, Wheat, Rice, Livestock, Poultry, Okro.
4	**DAMBAM**	Kaolin, Silica Sand, Talc, Glass Sand, Gypsum	Gum Arabic, Cowpea, Millet, Cassava, Cotton, Mango, Okro, Tomatoes, Sorghum, Groundnut, Poultry, Livestock
5	**DARAZO**	Clay, Kaolin, Iron Ore	Gum Arabic, Cashew, Ginger, Potato, Livestock, Millet, Cow pea, Maize, Sorghum, Sweet Potatoes, Groundnut, Mango, Poultry.
6	**DASS**	Clay, Salt, Granite, Gemstones, Rutile, Monazite, Ilmenite, Quartz, Feldspar, Cassiterite, Columbite, Tantalum, Zircon, Granite, Lead/zinc	Wheat, Gum Arabic, Sheanut, Maize, Cowpea, Rice, Tomatoes, Okro, Fishery, Poultry, Livestock

7	**GAMAWA**	Clay, Gemstone, Baryte, Trona	Gum Arabic, Cashew, Sheanut, Ginger, Yam, Livetock, Fishery, Millet, Sorghum, Groundnut, Cowpea, Poultry, Okro
8	**GANJUWA**	Clay, Silica Sand, Quartz, Mica, Granite, Gypsum, Gemstone, Kaolin	Maize, Rice, Groundnut, Millet, Sorghum, Cowpea, Gum Arabic, Poultry, Livestock.
9	**GIADE**	Clay, Granite, Laterite, Mica	Sugarcane, Groundnut, Maize, Sorghum, Millet, Wheat, Rice, Cowpea, Poultry, Livestock.
10	**ITAS-GADAU**	Clay, Granite	Maize, Millet, Groundnut, Sorghum, Cowpea.
11	**JAMA'ARE**	Silica Sand, Granite, Clay.	Sorghum, Wheat, Gum Arabic, Cashew, Fishery, Maize, Millet, Groundnut, Cassava, Cowpea, Dairy, Okro, Tomatoes, Mango, Poultry, Livestock.
12	**KATAGUM**	Silica Sand, Laterite, Iron Ore	Millet, Groundnut, Cassava, Fishery, Sorghum, Wheat, Rice, Cowpea, Tomatoes, Poultry, Livestock.
13	**KIRFI**	Clay, Granite, Kaolin, Quartz, Gypsum	Gum Arabic, Sheanut, Rice, Maize, Millet, Cowpea, Sorghum, Groundnut, Okro, Poultry, Livestock.
14	**MISAU**	Kaolin, Silica Sand, Clay, Gypsum	Gum Arabic, Cowpea, Citrus, Millet, Cotton, Cassava, Sorghum, Groundnut, Poultry, Livestock.
15	**NINGI**	Tantalite, Cassiterite, Graphite, Rutile, Kaolin, Monazite, Ilmenite, Tungsten, Mica, Wolfram, Quartz, Lead/Zinc	Timber, Sorghum, Groundnut, Cassava, Cotton, Cowpea, Okro, Gum Arabic, Tomatoes, Fishery, Poultry, Livestock, Sugarcane

16	**SHIRA**	Clay, Granite, Gypsum, Mica	Sugarcane, Groundnut, Maize, Cowpea, Millet, Sorghum, Poultry, Livestock, Wheat, Rice.
17	**TAFAWA-BALEWA**	Tin, Granite, Iron Ore, Rutile, Feldspar, Tungsten, Talc, Ilmenite, Lead/Zinc, Coal, Barytes, Agate, Tantalum, Gypsum	Sorghum, Maize, Cowpea, Millet, Rice, Wheat, Tomatoes, Mango, Guava, Pepper, Poultry, Livestock.
18	**TORO**	Quartz, Columbite, Granite, Gemstone, Rutile, Monazite, Ilmenite, Cassiterite, Tungsten, Gemstones, Tantalum, Zircon, Mica, Iron Ore.	Maize, Poultry, Livestock, Millet, Cowpea, Potatoes (Sweet and Irish), Tomatoes, Mango, Guava, Vegetables, Garden Egg, Okro, Citrus
19	**WARJI**	Tin, Graphite, Monazite, Ilmenite, Rutile, Quartz, Mica	Sugarcane, Sorghum, Groundnut, Cassava, Vegetables, Millet, Maize, Cowpea, Poultry, Livestock.
20	**ZAKI**	Clay, Silica Sand	Maize, Millet, Groundnut, Sorghum, Wheat, Rice, Tomatoes, Pepper, Fishery, Poultry, Cowpea, Livestock.

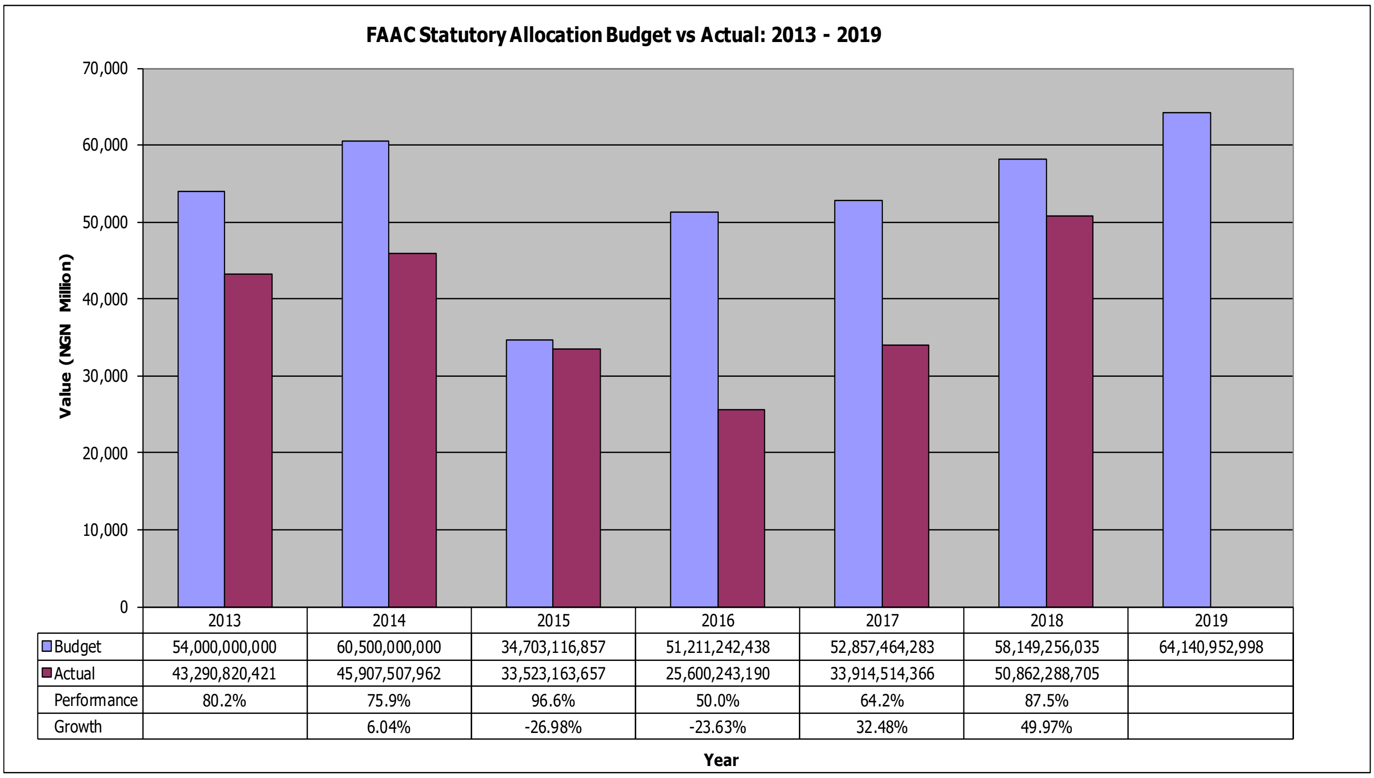
2.B Fiscal Update

2.B.1 Historic Trends

Revenue Components

This section of the document looks at the components of revenue items in terms of Approved Budget and the Actual Performance for the period of six years (2013 – 2018). This includes the Statutory Allocation, Value Added Tax (VAT), Internally Generated Revenue (IGR), Excess Crude and Capital Receipts.

Figure 2: Statutory Allocation

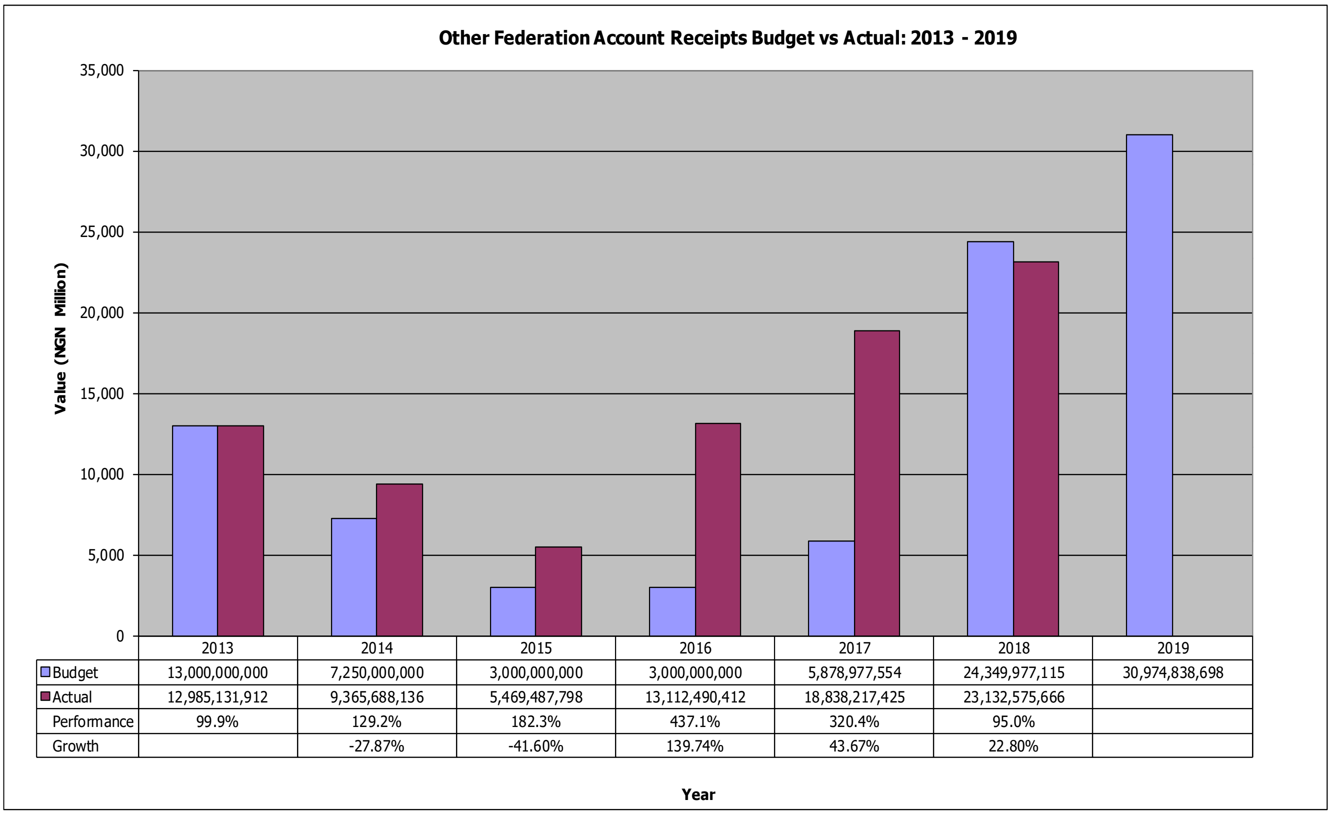


	2013	2014	2015	2016	2017	2018	2019
Budget	54,000,000,000	60,500,000,000	34,703,116,857	51,211,242,438	52,857,464,283	58,149,256,035	64,140,952,998
Actual	43,290,820,421	45,907,507,962	33,523,163,657	25,600,243,190	33,914,514,366	50,862,288,705	
Performance	80.2%	75.9%	96.6%	50.0%	64.2%	87.5%	
Growth		6.04%	-26.98%	-23.63%	32.48%	49.97%	

Statutory Allocation is a transfer from the Federal Allocation Accounts Committee (FAAC) and is based on the collection of mineral (largely 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.

From the chart above, it can be seen that throughout the period of 2013-2018, actual statutory allocation received was less than budget estimates. In 2015 and 2016 statutory allocation growth rate witnessed a fall while the growth rate between 2017 to date witnessed an improved growth rate. The fall between 2015 and 2016 was due to the fact that oil sector was hampered throughout within this period by supply disruption arising from oil theft, pipeline vandalism, falling price of crude oil in the international market and by weak investment in upstream activities with no new oil funds.

Figure 3: Other Federation Account Receipts



	2013	2014	2015	2016	2017	2018	2019
Budget	13,000,000,000	7,250,000,000	3,000,000,000	3,000,000,000	5,878,977,554	24,349,977,115	30,974,838,698
Actual	12,985,131,912	9,365,688,136	5,469,487,798	13,112,490,412	18,838,217,425	23,132,575,666	
Performance	99.9%	129.2%	182.3%	437.1%	320.4%	95.0%	
Growth		-27.87%	-41.60%	139.74%	43.67%	22.80%	

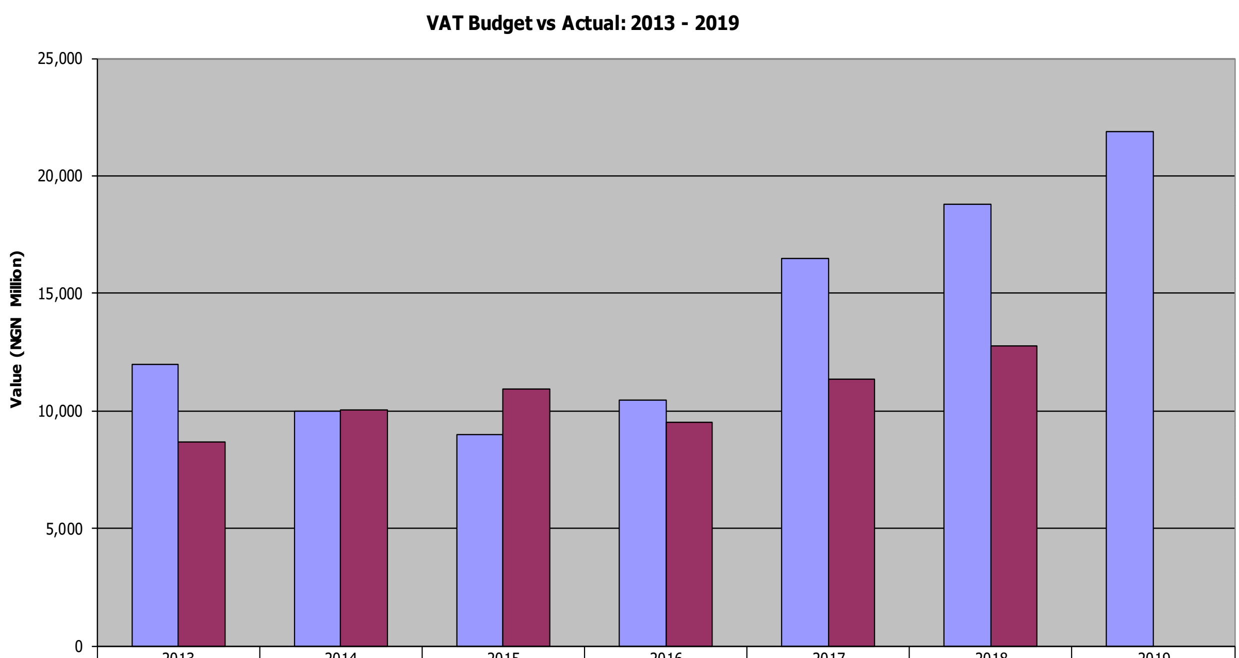
The items under Other Federation Account Receipts comprises of Excess crude, SURE-P, exchange gains, refunds from NNPC and FIRS, Refund from Paris Club, Bailout Funds and Budget Supports. The Excess Crude is generated when actual crude oil price, production and NGN: USD exchange rates exceed the benchmarks and hence excess revenue is generated.

2013-2015 saw significant excess crude distributions including the introduction of SURE-P (the fuel subsidy re-investment programme) in mid-2013. This led to increased expectations (budget) year-on-year. However, in 2014 and 2015 excess crude distributions dropped significantly and there are little funds left in the excess crude accounts for distribution going forward.

The years 2016 and 2017 witnessed a significant improvement above the Approved Budget. This is due to the introduction of some refunds like Budget Supports and the Paris Club refunds.

As at 2018 the Approved amount showed a significant improvement in relation to the actual performance as it recorded 95.0%

Figure 4: VAT



	2013	2014	2015	2016	2017	2018	2019
Budget	12,000,000,000	10,000,000,000	9,000,000,000	10,462,759,340	16,500,000,000	18,795,000,000	21,869,483,877
Actual	8,676,257,338	10,010,933,104	10,927,538,725	9,505,666,084	11,365,308,960	12,746,336,432	
Performance	72.3%	100.1%	121.4%	90.9%	68.9%	67.8%	
Growth		15.38%	9.16%	-13.01%	19.56%	12.15%	

Year

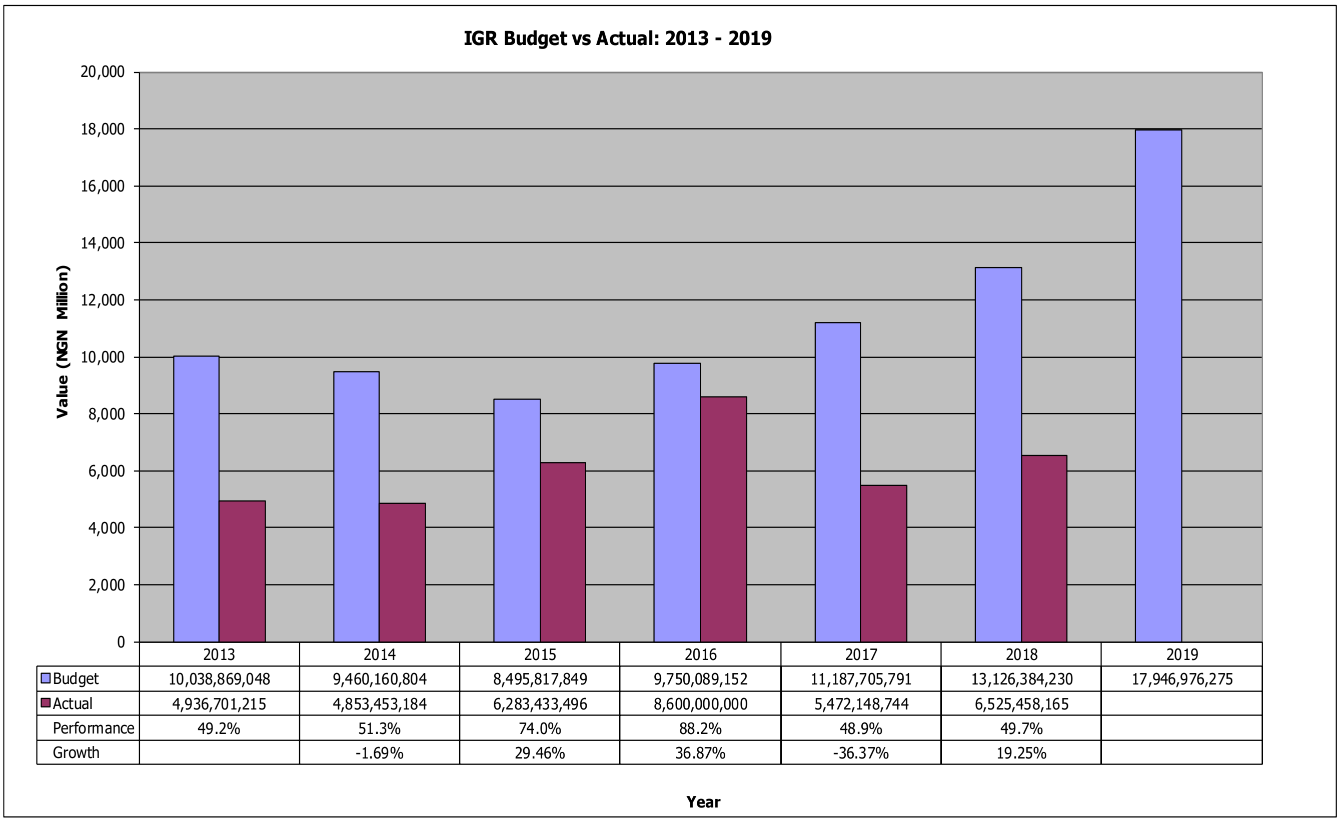
VAT, is a tax on most goods and services at a rate of 5%. It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government on a monthly basis – partially based on set ratios, and partially based on the amount of VAT a particular state generated. States receive 50%

of the total VAT collections nationally, from which Bauchi State gets around 4% of the state allocation.

VAT receipts between 2013 – 2016 performed significantly in relation to the amount approved and the actual amount received within this period.

However, VAT receipts have increased year-on-year since 2013 largely due to the growth in nominal economic activity in Nigeria. Total national receipts in 2016 were static compared to 2013.Performance relative to budget (i.e. budget accuracy) has been good.

Figure 5: IGR



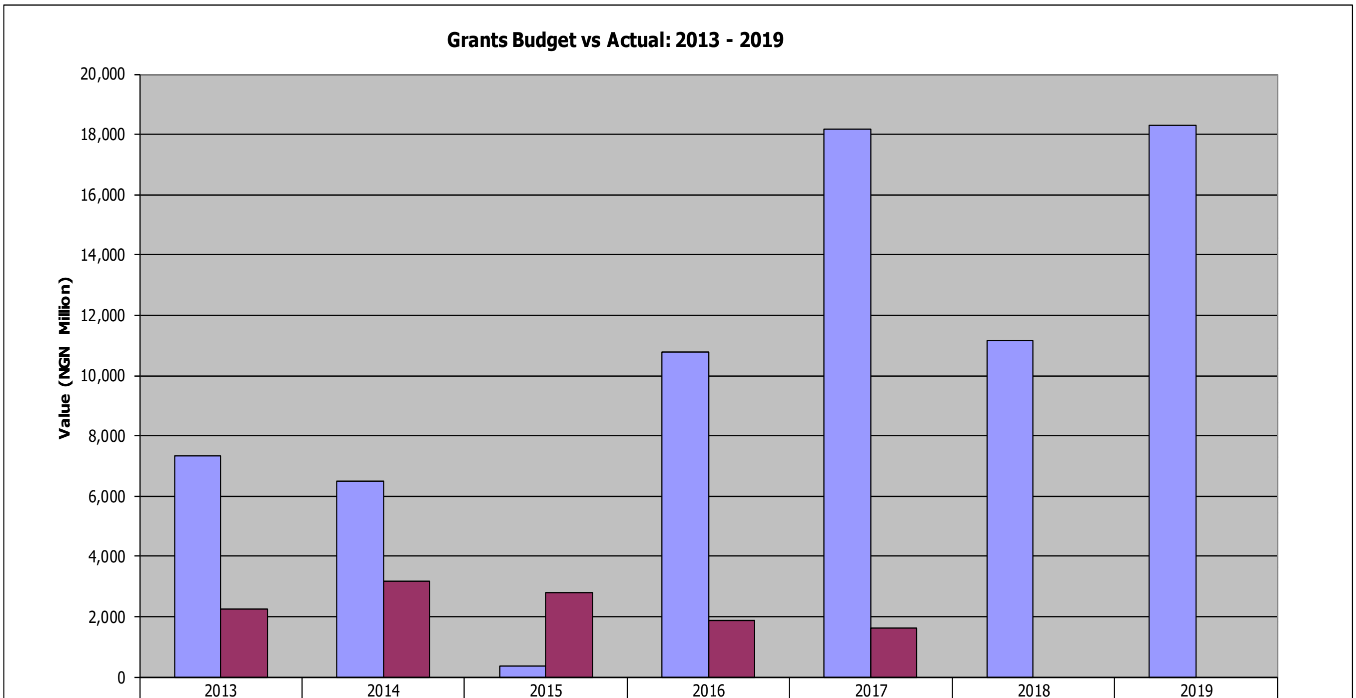
	2013	2014	2015	2016	2017	2018	2019
Budget	10,038,869,048	9,460,160,804	8,495,817,849	9,750,089,152	11,187,705,791	13,126,384,230	17,946,976,275
Actual	4,936,701,215	4,853,453,184	6,283,433,496	8,600,000,000	5,472,148,744	6,525,458,165	
Performance	49.2%	51.3%	74.0%	88.2%	48.9%	49.7%	
Growth		-1.69%	29.46%	36.87%	-36.37%	19.25%	

Internally Generated Revenue is revenue collected within Bauchi state related to income tax. The Pay as You Earn (PAYE) represents the highest contributor to IGR. Some of these revenue items include fines, levies, fees and other sources of revenue within the state.

IGR has grown at a steady pace between 2013 to 2016 on an average of 10%. There was a drop in 2017 while in 2018 there is a slight increase when compared to the Approved Budget.

The IGR growth showed fluctuations within the periods under consideration as 2014 and 2017 shows a considerable fall while picking up in 2015, 2016 and 2018 respectively.

Figure 6: Grants



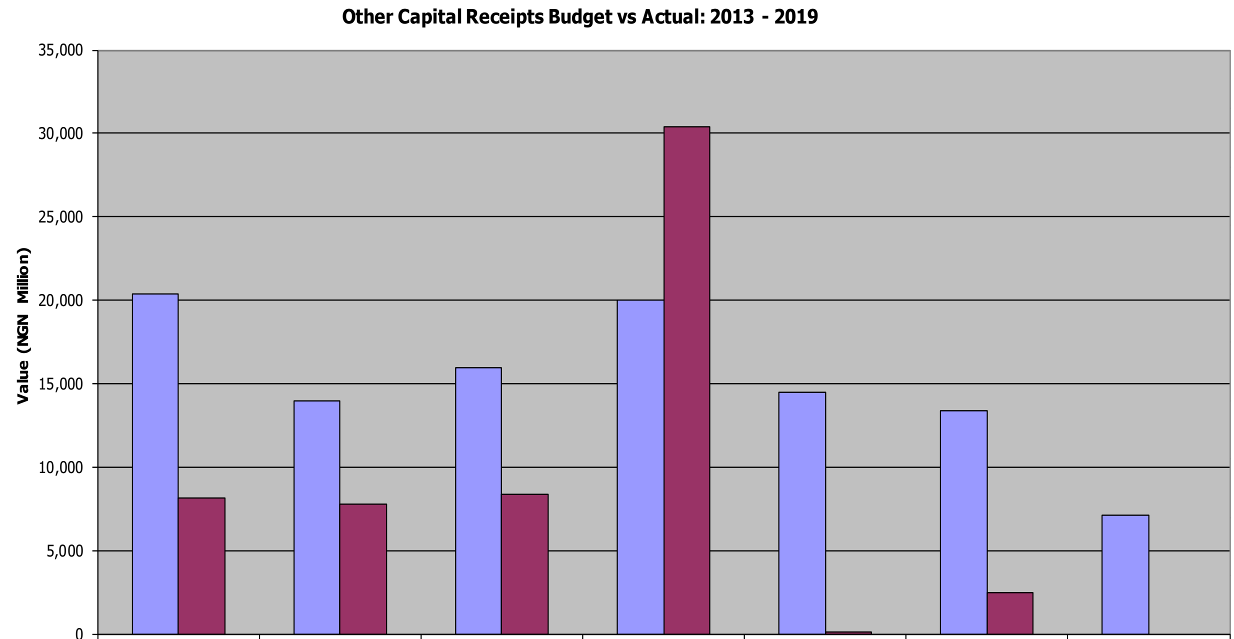
	2013	2014	2015	2016	2017	2018	2019
Budget	7,339,590,169	6,471,321,801	359,512,500	10,757,223,164	18,174,205,517	11,171,752,115	18,315,364,727
Actual	2,251,504,842	3,173,958,387	2,780,004,543	1,852,123,888	1,605,250,000	0	
Performance	30.7%	49.0%	773.3%	17.2%	8.8%	0.0%	
Growth		40.97%	-12.41%	-33.38%	-13.33%	-100.00%	

Grants are receipts from Federal Government, International Development Partners, FGN Social Investment Program, SDGs Conditional Grants Scheme, as well as grants from (including UK - Department for International Development (DFID), European Union (EU) and United Nations Children's Fund (UNICEF). Bauchi State has proactively included as much grants expenditure "on-budget" as possible, even if the funds don't travel through the state treasury. This has greatly affected the Budget Size of the State. However, non-disclosure of actual performances by some of the development partners has affected the Chart.

Actual receipts have been below 50% over the period except in 2015 which recorded excellent performance versus the budget.

The growth performance for the period under review is falling at a faster rate.

Figure 7: Other Capital Receipts



	2013	2014	2015	2016	2017	2018	2019
Budget	20,399,191,190	13,929,191,190	15,954,089,887	20,012,285,697	14,481,803,200	13,391,000,000	7,084,300,000
Actual	8,136,000,000	7,796,779,450	8,363,741,689	30,410,918,998	143,745,001	2,474,379,089	
Performance	39.9%	56.0%	52.4%	152.0%	1.0%	18.5%	
Growth		-4.17%	7.27%	263.60%	-99.53%	1621.37%	

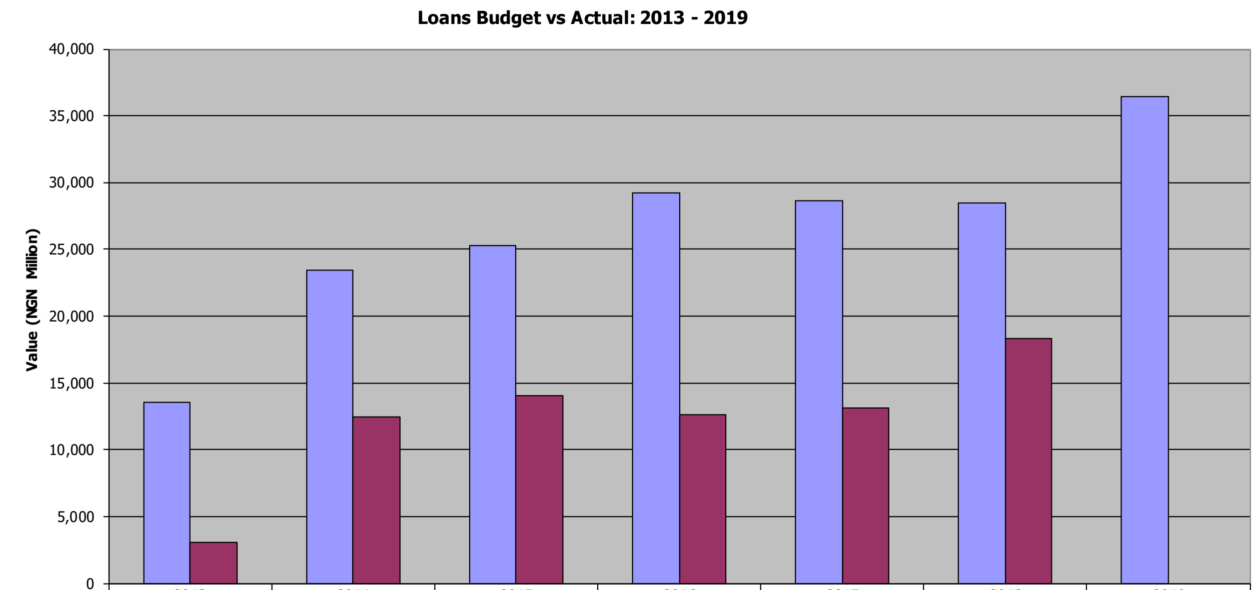
Year

Other Capital Receipts are associated with the income related to Joint Projects Accounts, Re-imbursement from the Federal Government and Ecological Funds.

In 2016, this income showed a great improvement as the amount Budget is less than actual performance while 2016 performed far below the Approved Budget.

The performance growth rate has shown a dismal growth rate for the period under consideration.

Figure 8: Loans



	2013	2014	2015	2016	2017	2018	2019
Budget	13,564,457,920	23,432,127,757	25,277,882,311	29,209,679,288	28,620,543,655	28,479,051,304	36,407,157,705
Actual	3,100,025,942	12,423,208,949	14,077,157,011	12,604,493,969	13,144,995,331	18,360,708,903	
Performance	22.9%	53.0%	55.7%	43.2%	45.9%	64.5%	
Growth		300.75%	13.31%	-10.46%	4.29%	39.68%	

The instrument that is used to finance deficit is the loans. This is made up of domestic and international loans.

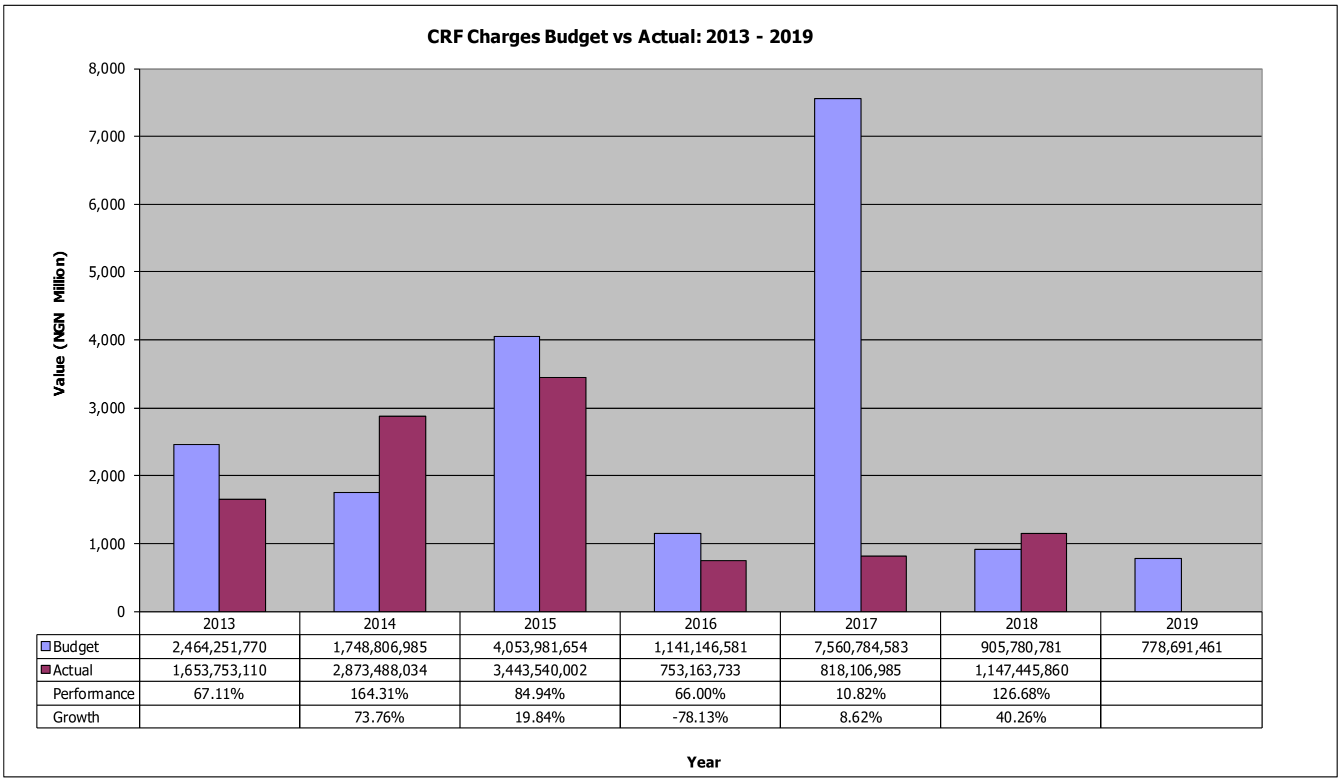
The Loans are mostly short-term and medium term borrowing from banking facilities. The financing has come in the form of various World Bank programmes (Agriculture, Health and Education sector support).

The only year that recorded a significant improvement in performance for the periods under review is the year 2018 where 64.5% was recorded. The other years performed below average.

Expenditure Components

On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2010-2015 (six years).

Figure 9: CRF Charges



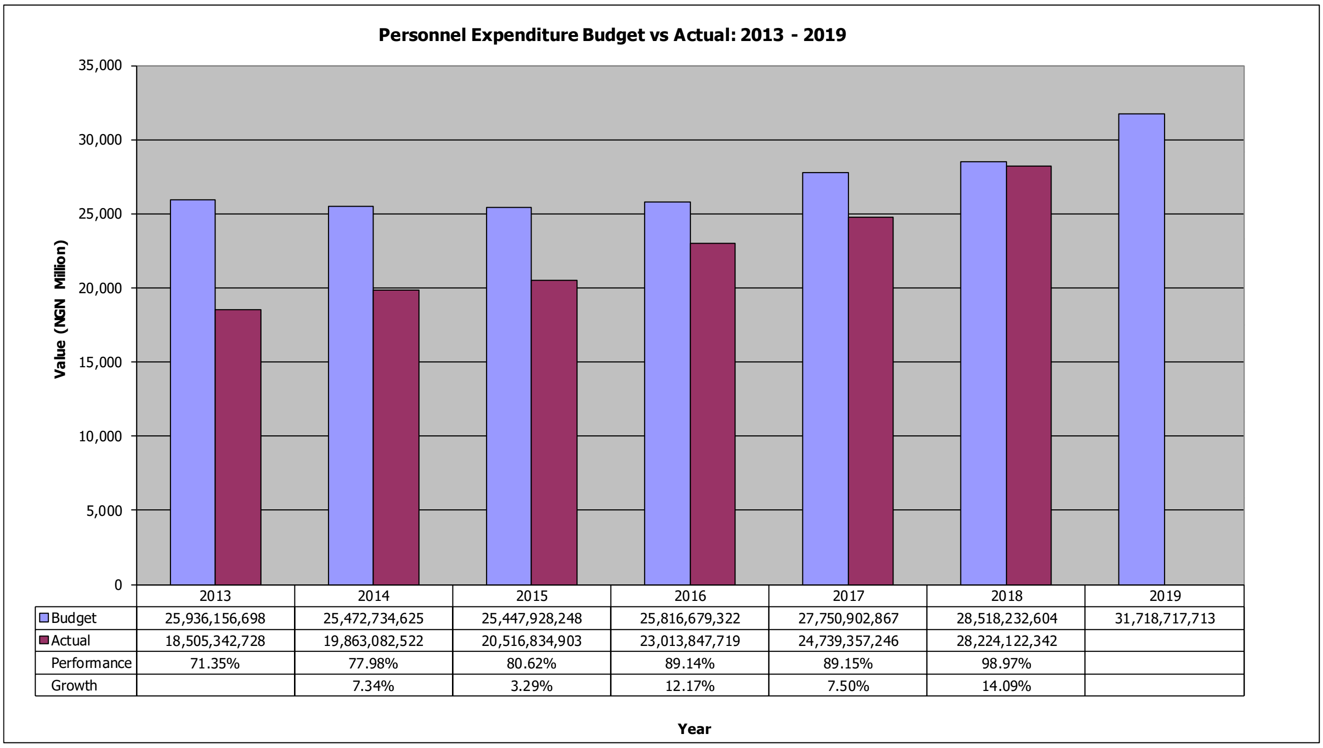
	2013	2014	2015	2016	2017	2018	2019
Budget	2,464,251,770	1,748,806,985	4,053,981,654	1,141,146,581	7,560,784,583	905,780,781	778,691,461
Actual	1,653,753,110	2,873,488,034	3,443,540,002	753,163,733	818,106,985	1,147,445,860	
Performance	67.11%	164.31%	84.94%	66.00%	10.82%	126.68%	
Growth		73.76%	19.84%	-78.13%	8.62%	40.26%	

CRF (Consolidated Revenue Fund) charges is related to salaries for statutory positions (e.g. the Auditor General, Judiciary and Sharia Court), the salaries of political office holders as well as public debt charges. Due to a strong public debt system the debt servicing costs have been well estimated over the period, and the salary increases for statutory positions have been relatively easy to forecast, and have increased steadily year-on-year due to cost of living increases.

The years 2014 and 2018 witnessed great performance above the budget while the other years for the periods under review recorded performance slightly above average.

The worst performance was in the year 2017 where only 10.84% was recorded against the Budget.

Figure 10: Personnel

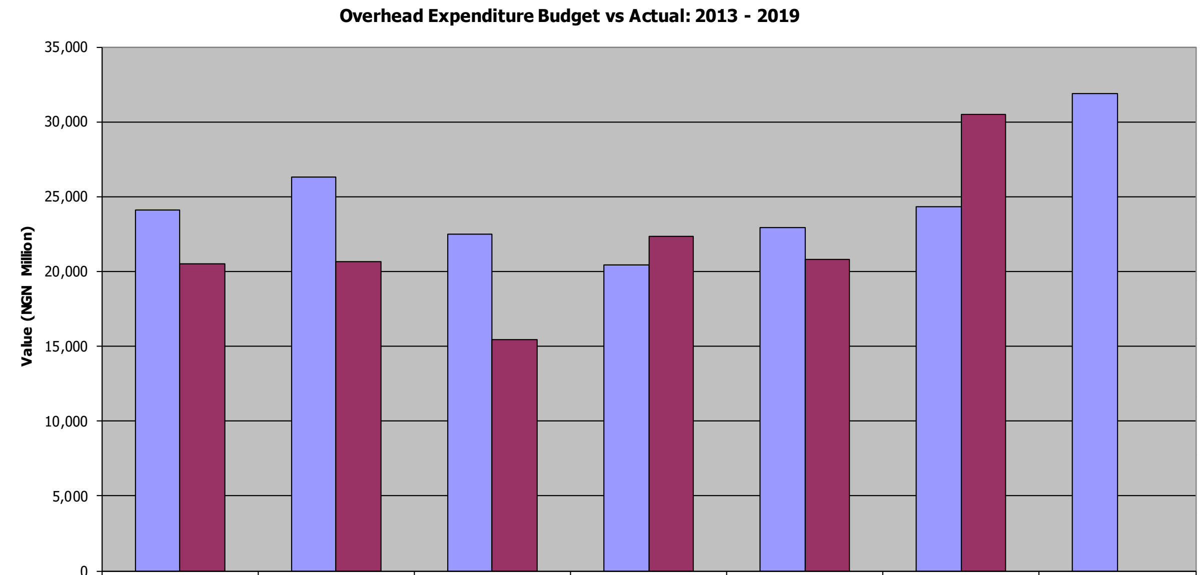


	2013	2014	2015	2016	2017	2018	2019
Budget	25,936,156,698	25,472,734,625	25,447,928,248	25,816,679,322	27,750,902,867	28,518,232,604	31,718,717,713
Actual	18,505,342,728	19,863,082,522	20,516,834,903	23,013,847,719	24,739,357,246	28,224,122,342	
Performance	71.35%	77.98%	80.62%	89.14%	89.15%	98.97%	
Growth		7.34%	3.29%	12.17%	7.50%	14.09%	

Personnel expenditure includes salaries, allowances and pensions costs of the state, most of which are disbursed directly by Head of Service. Personnel costs have risen year on year since 2013 at an average rate of 20% per annum, with particularly large increases in 2017 and 2018. These were both as a result of recruitment drives in the civil service and transfer of service.

The percentage performance for period under consideration is significantly good over the years as performance range is between 71.35% to 98.97%.

Figure 11: Overheads

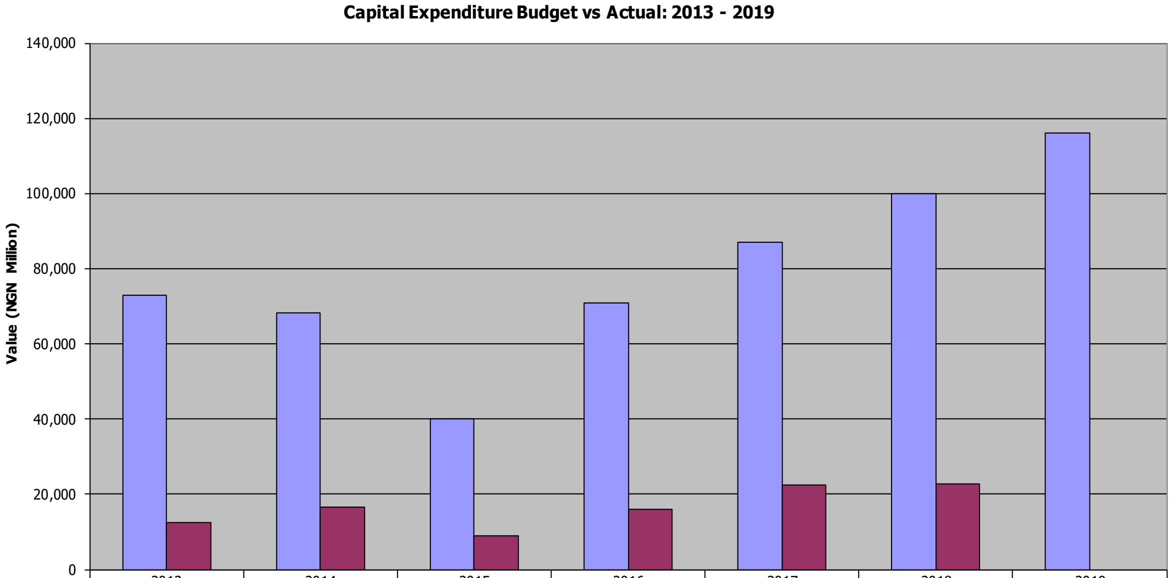


	2013	2014	2015	2016	2017	2018	2019
Budget	24,081,188,893	26,309,871,363	22,471,710,594	20,419,215,549	22,913,627,706	24,291,777,115	31,878,332,837
Actual	20,503,758,953	20,645,889,673	15,436,433,314	22,309,604,793	20,792,216,907	30,522,615,363	
Performance	85.14%	78.47%	68.69%	109.26%	90.74%	125.65%	
Growth		0.69%	-25.23%	44.53%	-6.80%	46.80%	

Overheads comprise mainly of operational and maintenance costs for running day-to-day activities of the Government. Overhead allocations are transferred to MDAs on a monthly basis subject to warrants.

Overhead expenditure has been somewhat volatile over some periods observed – increasing and decreasing year on year with performance above budget in the years 2016 and 2018.

Figure 12: Capital Expenditure



	2013	2014	2015	2016	2017	2018	2019
Budget	72,833,571,530	68,338,820,437	40,085,160,558	70,954,131,142	87,024,833,213	99,936,650,043	116,044,983,570
Actual	12,456,362,483	16,678,313,378	9,083,093,600	15,854,087,858	22,464,131,869	22,624,808,252	
Performance	17.10%	24.41%	22.66%	22.34%	25.81%	22.64%	
Growth		33.89%	-45.54%	74.55%	41.69%	0.72%	

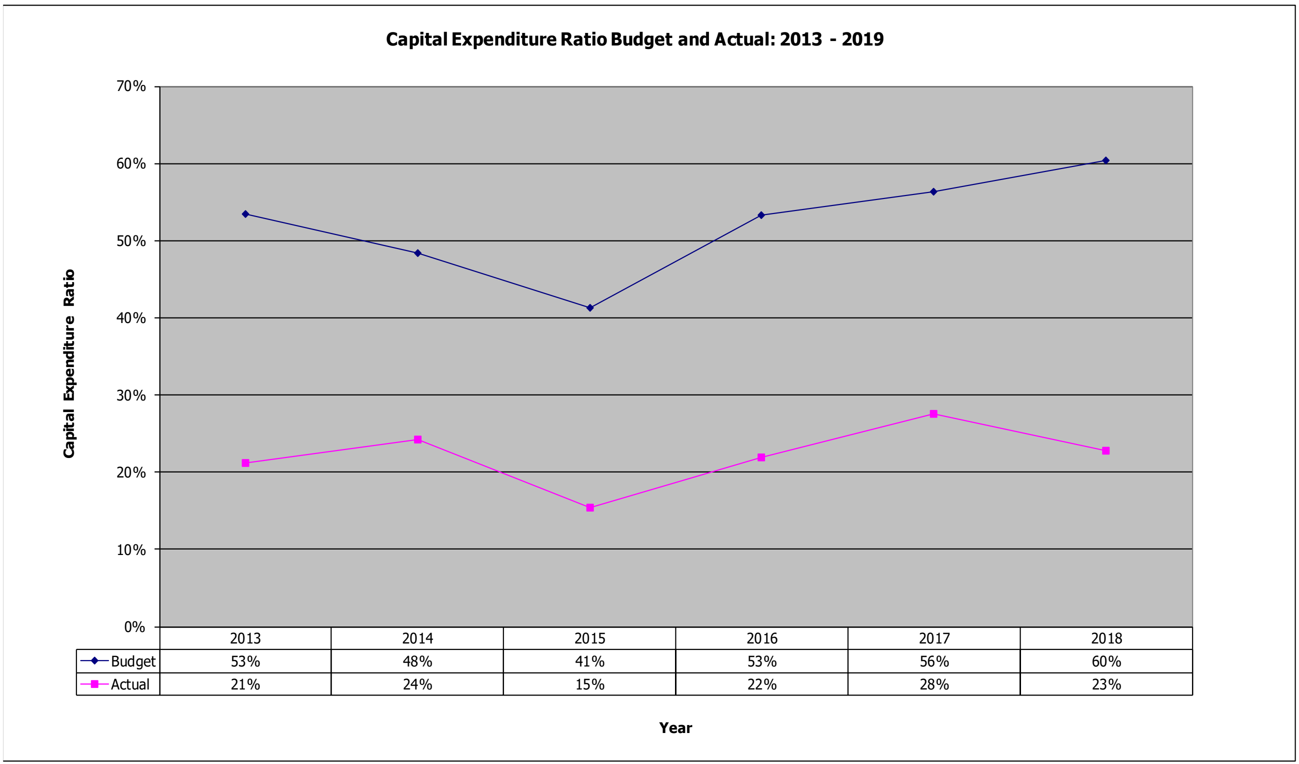
Year

Capital expenditure refers to projects that generate state assets (e.g. roads, schools, hospitals).

The overall performance for the Capital Expenditure is not encouraging as the highest performance recorded for the period under review is 25.81% which recorded in 2017.

Capital Expenditure has performed below 26% throughout the period under consideration with 2013 being the worse recorded performance of 17%.

Figure 13: Capital Expenditure



The capital expenditure ratio was relatively stable between 40 and 60% between 2013 and 2016, and actually rose year on year during that period from a low of 43% to a high of 56%. However, 2015 saw a quite significant drop as revenues faltered and recurrent expenditure continued to grow.

By Sector

Performance by sector in respect to Personnel cost varied over the period 2013-2018Administration, Economic, Regional, Social, and Law and Justice Sectors all recorded an average performance of less than 50%.

Overhead average performance by Sectors over the period shows that Administration Sector recorded 82.95% of the total performance.

The emphasis of expenditure over the term of the current administration has been on infrastructure which was, in dis-repair. The allocations of more than 50% of capital expenditure reflect this, and should ultimately boast economic activity in the state. However, the investment is on-going with the hope that capital investment can focus more in the social sector.

Large over expenditure by the governance sector is actually due to security challenges that bedevilled the State during the period under review.

As noted above, there was rationing of releases for capital expenditure in 2015 due to the short-falls in revenue.

Table 9: Sector Recurrent Expenditure (Personnel) – Budget Vs Actual

Personnel Expenditure by Sector												
No.	Sector	2015 Budget	2015 Actual	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	Performance	Average Budget	Average Actual
1	Administration	25,034,075,171	17,476,232,366	17,090,493,669	11,921,696,695	15,801,403,279	16,518,510,388	23,317,425,846	28,655,999,420	91.79%	18.30%	36.63%
2	Economic	26,703,674,569	6,559,129,880	33,289,729,357	15,434,842,153	47,892,382,872	20,022,119,581	61,400,161,809	42,315,725,514	49.82%	38.12%	41.42%
3	Regional	1,128,325,847	127,938,560	3,378,734,204	705,855,206	3,537,319,729	657,544,614	5,241,863,536	351,058,739	13.87%	2.99%	0.91%
4	Social	34,658,825,240	4,513,131,678	30,112,206,089	3,194,556,622	40,158,954,340	5,352,503,961	59,574,575,717	24,142,635,476	22.62%	37.05%	18.27%
5	Law and Justice	5,586,147,305	296,511,133	2,083,749,750	997,520,940	2,501,400,699	705,670,232	5,559,595,204	3,628,122,038	35.78%	3.54%	2.76%
	Total	**93,111,048,133**	**28,972,943,617**	**85,954,913,069**	**32,254,471,616**	**109,891,460,919**	**43,256,348,776**	**155,093,622,112**	**99,093,541,188**	**45.85%**	**100.00%**	**100.00%**

Table 10: Sector Recurrent Expenditure (Overhead) – Budget Vs Actual

Overhead Expenditure by Sector												
No.	Sector	2015 Budget	2015 Actual	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	Performance	Average Budget	Average Actual
1	Administration	20,076,159,055	12,281,339,206	8,941,447,614	10,591,228,244	9,129,929,128	15,673,578,394	13,395,293,144	18,435,666,185	110.55%	51.07%	70.82%
2	Economic	11,422,149,271	1,062,142,221	1,768,049,839	3,121,236,821	5,500,902,670	1,545,241,651	5,820,732,078	6,255,773,272	48.89%	24.28%	14.89%
3	Regional	9,537,700	8,210,550	32,537,700	16,563,761	25,629,526	9,482,495	20,417,135	17,572,315	58.82%	0.09%	0.06%
4	Social	4,651,567,217	2,709,106,905	3,444,046,724	1,952,448,635	7,482,813,181	3,188,302,461	6,747,797,788	1,600,725,847	42.33%	22.12%	11.75%
5	Law and Justice	268,550,000	285,511,133	814,700,000	718,906,297	727,353,201	375,611,906	654,499,321	613,453,703	80.87%	2.44%	2.48%
	Total	**36,427,963,242**	**16,346,310,015**	**15,000,781,877**	**16,400,383,758**	**22,866,627,706**	**20,792,216,907**	**26,638,739,466**	**26,923,191,322**	**79.72%**	**100.00%**	**100.00%**

Table 11: Sector Capital Expenditure – Budget Vs Actual

Capital Expenditure by Sector													
No.	Sector	2015 Budget	2015 Actual	2016 Budget	2016 Actual	2017 Budget	2017 Actual	2018 Budget	2018 Actual	Performance	Average Budget	Average Actual
1	Administration	2,165,060,000	1,651,353,157	8,149,046,055	1,330,468,451	6,671,474,151	844,931,994	7,224,686,954	741,760,745	18.87%	8.14%	6.68%
2	Economic	18,648,137,966	5,496,987,660	31,521,679,518	12,313,605,332	42,391,480,202	18,476,877,930	50,469,188,561	18,991,429,471	38.65%	48.12%	80.89%
3	Regional	1,056,821,847	119,728,010	3,346,196,504	689,291,445	3,511,690,203	648,062,119	5,126,243,185	265,536,635	13.21%	4.39%	2.52%
4	Social	14,677,042,107	119,728,011	26,668,159,364	1,242,107,988	32,676,141,159	2,164,201,500	35,379,079,751	2,582,614,750	5.58%	36.80%	8.94%
5	Law and Justice	2,796,960,000	11,000,000	1,269,049,750	278,614,643	1,774,047,498	330,058,326	1,737,451,591	43,403,652	8.75%	2.55%	0.97%
	Total	**39,344,021,920**	**7,398,796,838**	**70,954,131,192**	**15,854,087,858**	**87,024,833,213**	**22,464,131,869**	**99,936,650,042**	**22,624,745,252**	**22.99%**	**100.00%**	**100.00%**

2.B.2 Debt Position

A summary of the consolidated debt position for Bauchi State Government is provided in the table below:

Table 12: Debt Position as at 31st December 2018

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2018**
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	99.04%
2	Total Domestic Debt/IGR	150%	1415.49%
3	Total External Debt/Total Revenue	50%	44.37%
4	Total Public Debt/Total Revenue	100%	143.41%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	0.86%
7	Total Debt Service/Total Revenue	15%	12.58%
8	Domestic Debt Service/IGR	10%	167.54%
			2018 Actual
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2018**		**Naira**
1	Total Domestic Debt		92,367,170,607
2	Total External Debt		41,384,603,937
3	**Total Public Debt**		**133,751,774,544**
4	Total Domestic Debt Service 2018		10,933,065,262
5	Total External Debt Service in 2018		804,506,319
6	**Total Public Debt Service**		**11,737,571,581**
C	**STATE GDP FOR 2018**		
1	**State GDP**		0

The State is well within most ratios with the exception of those related to IGR – specifically domestic debt to IGR solvency ratio and domestic debt service to IGR liquidity ratio. However, this is largely due to a low IGR base which must be built in the short-medium term. Once IGR is at a more appropriate level compared to the level of economic activity in the State, more domestic borrowing will be possible.

In the interim, although foreign exchange represents a risk, foreign loans represent a more affordable solution to borrowing.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

The Macroeconomic framework is based on IMF national real GDP growth and inflation forecasts from the April 2019 World Economic Outlook document, and mineral benchmarks (oil price, production and NGN: USD exchange rate) from the 2015-2017 Federal Fiscal Framework. The state real GDP growth is based on 65% of the national level; inflation is as per the national level of 11%.

The state actual GDP is 7.76% based on the 2018 State GDP computation conducted by the National Bureau of Statistics (NBS).

Table13: Bauchi State Macroeconomic Framework

Macro-Economic Framework

Item	**2019**	**2020**	**2021**	**2022**
National Inflation	14.13%	14.13%	9.00%	9.00%
National Real GDP Growth	-4.42%	-4.42%	6.00%	6.50%
State Inflation				
State Real GDP Growth				
State GDP Actual				
Oil Production Benchmark (MBPD)	1.9000	1.9000	2.3000	2.4000
Oil Price Benchmark	$25.00	$25.00	$54.00	$55.00
NGN:USD Exchange Rate	360	360	290	290
Other Assumptions				
Mineral Ratio	32%	32%	32%	32%

3.B Fiscal Strategy and Assumptions

Policy Statement

The State's fiscal policy is envisaged to control and enforce compliance with established spending limits to achieve sound budgeting system, which include aggregate fiscal discipline, allocative efficiency and effective spending.

Objectives and Targets

The key targets for the Government from a fiscal perspective are:

- Achieve a recurrent to capital expenditure ratio of between 49:51;
- Create efficiencies in personnel and overhead expenditure to allow greater resource for capital development;
- Grow IGR by a minimum of 10% per annum;
- Allow 2.5% of revenue (CRF) for a contingency reserve;
- Loans will only be used for capital expenditure projects;
- Long term target of funding all recurrent expenditure through revenue of a recurrent nature (IGR, VAT and Non-mineral component of Statutory Allocation);
- Target sources of capital receipts and financing outside of loans (e.g. Aids and Grants, PPP, etc.); and
- Review of on-going projects and programmes to ascertain their economic rationality with the view to completing them and commencement of new ones that are crucial.

3.C Indicative Three Year Fiscal Framework

The indicative three-year fiscal framework for the period 2020-2022 is presented in the table below:

Table 14: Bauchi State Medium Term Fiscal Framework

Macro-Economic Framework

Item	**2019**	**2020**	**2021**	**2022**
National Inflation	14.13%	14.13%	9.00%	9.00%
National Real GDP Growth	-4.42%	-4.42%	6.00%	6.50%
State Inflation				
State Real GDP Growth				
State GDP Actual				
Oil Production Benchmark (MBPD)	1.9000	1.9000	2.3000	2.4000
Oil Price Benchmark	$25.00	$25.00	$54.00	$55.00
NGN:USD Exchange Rate	360	360	290	290
Other Assumptions				
Mineral Ratio	32%	32%	32%	32%

Fiscal Framework

Recurrent Revenue	**2019**	**2020**	**2021**	**2022**	**Forecast Method**
Statutory Allocation	50,862,288,705	31,987,401,127	50,862,288,705	50,862,288,705	Own Percentage
VAT	12,182,948,362	17,439,997,439	13,511,116,618	13,574,848,300	Own Percentage
IGR	9,600,566,432	15,229,814,848	13,023,456,711	15,000,000,000	Own Value
Excess Crude / Other Revenue	23,132,575,666	4,398,995,049	23,132,575,666	23,132,575,666	Own Percentage
Total Recurrent Revenue	**95,778,379,165**	**69,056,208,463**	**100,529,437,700**	**102,569,712,671**	

Recurrent Expenditure					**Forecast Method**
CRF Charges	1,205,363,105	693,770,212	1,479,340,674	1,670,023,450	MA 4 Year Weighted
Personnel	30,764,789,341	29,669,613,716	37,157,268,179	40,724,542,236	MA 5 Year X-Outliers
Pension and Gratuity	5,535,481,585	6,929,354,661	7,332,451,042	8,423,214,164	MA 5 Year X-Outliers
Public Debt Charges	11,737,571,581	7,732,584,612	11,737,571,581	11,737,571,581	Own Percentage
Overheads	30,522,615,363	22,640,771,243	30,522,615,363	30,522,615,363	Own Percentage
Total	**79,765,820,975**	**67,666,094,444**	**88,229,246,841**	**93,077,966,794**	
Transfer to Capital Account	**16,012,558,189**	**1,390,114,019**	**12,300,190,859**	**9,491,745,877**	

Capital Receipts				
Grants	13,059,723,164	11,712,901,225	15,847,647,863	15,277,647,863
Other Capital Receipts	12,826,974,675	5,133,751,058	11,896,603,200	9,196,603,200
Total	**25,886,697,839**	**16,846,652,283**	**27,744,251,063**	**24,474,251,063**

Reserves					**Base**	**Percentage**
Contingency Reserve		1,741,329,321	2,160,355,331	2,096,759,456	Total Revenue	1.50%
Planning Reserve	2,394,459,479	1,726,405,212	2,513,235,943	2,564,242,817	Recurrent Revenue	2.50%
Total Reserves	**2,394,459,479**	**3,467,734,533**	**4,673,591,274**	**4,661,002,273**		

Capital Expenditure	**41,938,838,656**	**48,422,526,952**	**55,794,441,922**	**46,705,996,939**
Discretional Funds	40,570,038,656	46,163,526,603	48,644,494,059	41,031,049,077
Non-Discretional Funds	1,368,800,000	2,259,000,349	7,149,947,863	5,674,947,863
Net Financing	39,582,628	30,185,760,650	15,750,000,000	12,740,000,000
Total Budget Size	**124,099,119,111**	**119,556,355,928**	**148,697,280,036**	**144,444,966,006**

Ratios				
Growth in Recurrent Revenue	2.69%	-27.90%	45.58%	2.03%
Growth in Recurrent Expenditure	33.18%	-15.17%	30.39%	5.50%
Capital Expenditure Ratio	35.72%	41.95%	39.21%	34.11%
Deficit to Total Expenditure	0.03%	25.25%	10.59%	8.82%

Foreasting Types	**Excess Crude**	**CRF Forecasting**	**Reserves Bases**
Elasticity	MA 3 Year Simple	MA 3 Year Simple	Recurrent Revenue
MA 3 Year Simple	MA 5 Year X-Outliers	MA 5 Year X-Outliers	Total Revenue
MA 5 Year X-Outliers	MA 4 Year Weighted	MA 4 Year Weighted	Capital Expenditure Budget
MA 4 Year Weighted	Own Percentage	Own Percentage	
Own Percentage	Own Value	Own Value	
Own Value	No		

Total Revenue	124,099,119,111	89,370,595,279	148,697,280,036	144,444,966,006
Total Expenditure	124,099,119,111	119,556,355,928	148,697,280,036	144,444,966,006
Surplus/Deficit	0	-30,185,760,650		0

Rec. Exp. Ratio	56.60
Cap. Exp. Ratio	43.40
	100.00

3. C. 1. 2020 Proposed Resource Envelop

Although Table 8 above with the aid of the Model was able to project a three years indicative Fiscal Year Framework (2020 – 2022), the Commission was able to make some adjustment in respect to year 2020 Proposed Estimate so as to reflect the true position of the current economic situation.

Tables 15 and 16 shows the expected incomes and expenditures for the period under review.

Table 15: 2020 Proposed Revenue Estimates

S/N	Revenue Items	Proposed 2020 Estimate
1.	Total Recurrent Revenue	140,987,272,305
2.	Total Capital Receipts	20,030,562,638
3.	Aids and Grants	11,101,603,200
4.	Loans	25,719,509,144
	Total Expected Receipts	**197,838,947,286**

Table 16: 2020 Proposed Expenditure Estimates

S/N	Expenditures Items	Proposed 2020 Estimate
1.	Total Recurrent Expenditure	83,662,104,741
2.	Total Capital Expenditure	101,234,107,676
3.	Planned Reserve	12,942,734,869
	Total Budget Size	**197,838,947,286**

3.C.2 Assumptions

Objectives and Targets

The State Fiscal Strategy aims to ensure fiscal sustainability over the medium term 2020 - 2022. Sustainability remains the core requirement of fiscal policy since the State has the responsibility to ensure that it meets current and future obligations.

The key elements of a sustainable fiscal strategy include among others:

3.C.3 Achieving Minimum Budget Deficit on a Medium-Term Basis

The government fiscal strategy provides necessary flexibility for the Budget balance to vary in line with the economic conditions. This therefore justifies the need for a stabilization fund to be provided for in the 2020 Budget. This is expected to allow the automatic stabilizers of shocks that may be experienced in the long run –the tendency for both income and expenditure to vary in line with economic condition – to automatically contribute to a strong Government balance sheet. The Government has decided to live within its resources and at worse achieve a minimum deficit.

3.C.4. Keeping Internally Generated Revenue on Increasing Trend

The state Government has put in place policies that ensure increase in IGR with a view to reduce over dependence on statutory allocations. To this end, the internally generated revenue base of the State is expected to increase progressively on annual basis by at least 20%. It is on this basis that review in respect revenue laws as its affect the State will be revisited. The Revenue Board will be directed to explore other potential revenue items in the State as well.

3.C.5. Improving Government Net Financial Worth

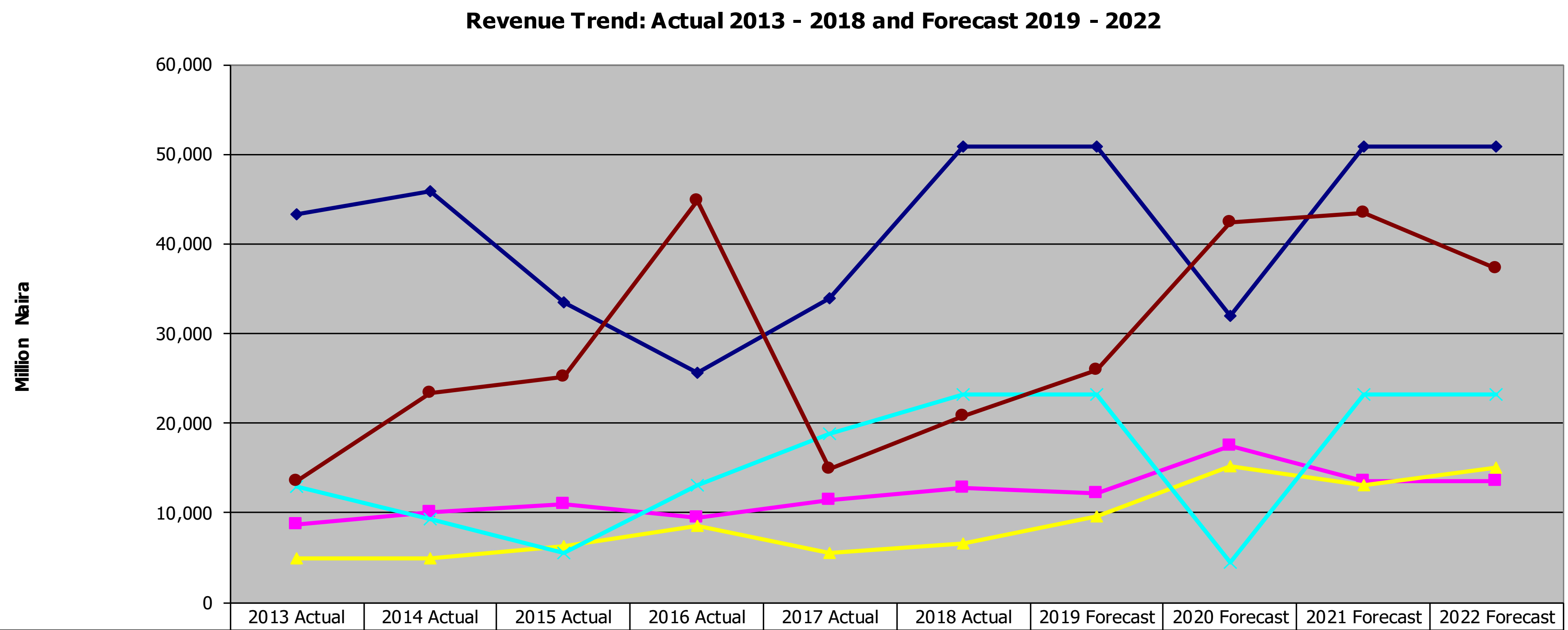
One indicator of the government long term financial position and ability to withstand adverse economic shocks is its stock of financially liquid net Assets. To promote balance sheet sustainability, the fiscal strategy includes a commitment to improving the government net financial worth over the medium term. This forward looking perspective ensures that expenditure is directed at areas which help to promote the development of Bauchi state long term productive capacity and well-being of future generations. In this respect, Government will do all it could to provide conducive environment for public private partnership (PPP) both within and outside the Country. Potential investment in areas such as:

- **Tourism:** as an avenue for the realization of a strong revenue base for the development of the State. Various options such as public private partnership (PPP) will be explored to ensure full commercialization of Yankari Resort and Safari and Sumu Wildlife Park.
- **Mining and Agriculture:** as major contributors to the Gross Domestic Product (GDP) will be promoted for the common good of the State.
- **Commerce and Industry:** to promote trade and investment leading to wealth and job creation for the economic growth and development of the State. Government will ensure the completion and full utilization of Bauchi International Airport, full reactivation and commercialization of Zaranda Hotel, Alind Company, Bauchi

Fertilizer Blending Company, Bauchi Furniture, Bauchi Meat Factory, Yankari Transport Corporation etc.

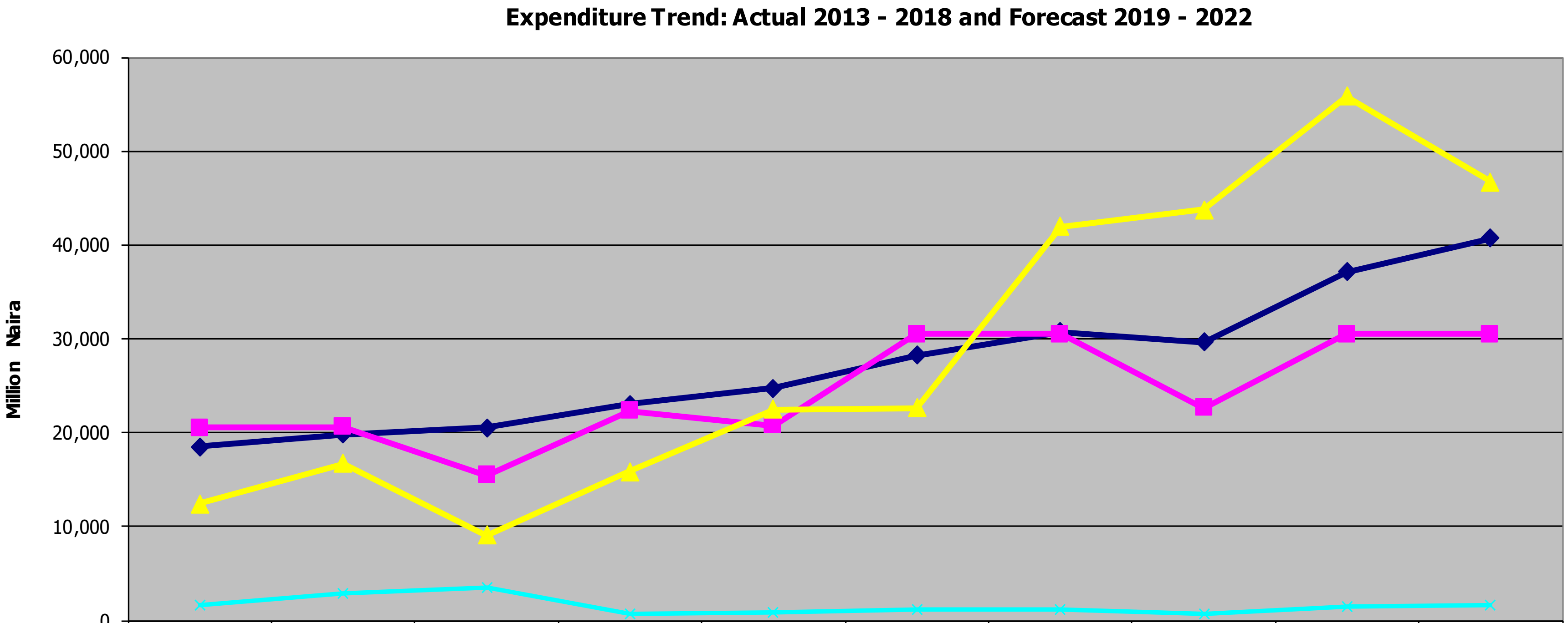
- Completion and full utilization of all on-going capital projects.
- Promoting the establishment of small and medium scale enterprises and cooperative societies.
- **Human Capital Development:** Government will continue to enhance the capacity of its workforce through adequate training and retraining of it entire workforce.

Figure 14: Bauchi State Revenue Trend



	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
Stat.Allocation	43,290,820,421	45,907,507,962	33,523,163,657	25,600,243,190	33,914,514,366	50,862,288,705	50,862,288,705	31,987,401,127	50,862,288,705	50,862,288,705
VAT	8,676,257,338	10,010,933,104	10,927,538,725	9,505,666,084	11,365,308,960	12,746,336,432	12,182,948,362	17,439,997,439	13,511,116,618	13,574,848,300
Total IGR	4,936,701,215	4,853,453,184	6,283,433,496	8,600,000,000	5,472,148,744	6,525,458,165	9,600,566,432	15,229,814,848	13,023,456,711	15,000,000,000
Excess Crude/Other Revenue	12,985,131,912	9,365,688,136	5,469,487,798	13,112,490,412	18,838,217,425	23,132,575,666	23,132,575,666	4,398,995,049	23,132,575,666	23,132,575,666
Capital Receipts	13,487,530,784	23,393,946,786	25,220,903,243	44,867,536,855	14,893,990,232	20,835,087,992	25,926,280,467	42,390,529,239	43,494,251,063	37,214,251,063

Figure 15: Bauchi State Expenditure Trend



	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
Personnel Costs	18,505,342,72	19,863,082,52	20,516,834,90	23,013,847,71	24,739,357,24	28,224,122,34	30,764,789,34	29,669,613,71	37,157,268,17	40,724,542,23
Overheads	20,503,758,95	20,645,889,67	15,436,433,31	22,309,604,79	20,792,216,90	30,522,615,36	30,522,615,36	22,640,771,24	30,522,615,36	30,522,615,36
Cap. Expenditure	12,456,362,48	16,678,313,37	9,083,093,600	15,854,087,85	22,464,131,86	22,624,808,25	41,938,838,65	43,780,643,25	55,794,441,92	46,705,996,93
CRF Charges	1,653,753,110	2,873,488,034	3,443,540,002	753,163,733	818,106,985	1,147,445,860	1,205,363,105	693,770,212	1,479,340,674	1,670,023,450

Year

3.D Fiscal Risks

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

Table 17: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Reliance on continued distribution of excess crude	Medium	High	Increase IGR effort to reduce reliance on federal transfers. Seeking alternative means of funding through grants, PPP etc.
Security situation in the country could affect economic activities and oil production, resulting in risk to VAT and Statutory Allocation	Medium	High	The estimates for VAT and Statutory allocation are not over ambitious. In addition, clear prioritisation of projects in the capital budget is required.
Floods and other natural disasters impact on economic activities will affect IGR and increase overhead expenditure	Low	Low	Increased investment to improve climate resilience through afforestation, flood control, irrigation and awareness creation.

It should be noted however, that no budget is without risk. The ongoing implementation of the 2019 budget is being closely monitored. Government will continue to ensure adequate provision of security through improvement and maintenance of existing security apparatus.

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

The 2020 -2022 Medium Term Budget Framework (MTBF) policy is aimed at achieving a realistic budget that will guarantee transparency and accountability towards achieving a sustainable economy that can guarantee effective service delivery to the citizenry of Bauchi State. The 2020 Budget implementation strategy includes efficient allocation of resources across all sectors focusing on sustainable development and good governance policy as enumerated below:

a. Education
b. Health;
c. Agriculture;
d. Youth and Women empowerment, job creation and community development;
e. Poverty reduction through establishment of small scale industries, mining, tourism and cooperative societies;
f. Infrastructure through provision and rehabilitation of roads, including urban and rural roads; and
g. Water Sanitation and hygiene.

The objectives and strategies of achieving the above stated policy are based on the following:

i. Timely, efficient and the most effective use of available resources;
ii. Collaboration with the Federal Government to ensure synergy in providing adequate security throughout the State;
iii. Enhancement of economic activities through mass employment generation and other economic empowerment strategies in order to improve the living conditions of the populace;

iv. Embarking on qualitative education strategy by providing conducive learning environment through renovation of existing schools and construction of new ones;
v. Improvement of service delivery in existing Health institutions;
vi. Modernization of agriculture to create wealth, employment and reduce poverty.
vii. Provision of water for human and animal consumption as well as irrigation purposes.
viii. Infrastructural development through road construction and provision of other social amenities.

Hence we propose the 2020 Budget to be tagged “Budget of Recovery” or “Budget of Renewal of Hope”

Section 5 Summary of Key Points and Recommendations

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

i. The projections for the various revenue and expenditure items are premised on credible forecasting techniques. Similarly, the fiscal policies and the budget policy statement are reflections of the State's economic status as well as the nation's economy while taking into consideration the global economic trend. Amendment to any of these projections should, as well be reasonable and premised on credible forecasting techniques and should in the same way be clearly justified;

ii. The projections for revenue items, especially from the federation account were conservatively arrived at from the arrays of forecasting options, and to reflect real economic status of the State. No doubt, the dwindling crude oil price coupled with Naira plunge over dollar since late 2014 accounted for choice of the forecast tool;

iii. The Independent Revenue figures especially in the last couple of years do not reflect the full revenue performance of the State. It has been observed that some government parastatals generate revenue, retain it and spend to meet their operational cost;

iv. The proposed sector envelopes, and the sector classification, though meticulously implemented, the Executive Council is enjoined to favourably consider and approve the recommended envelopes that reflects government policy priorities. Also, it is being suggested that on-going projects should be prioritized. The Executive Council should therefore, consider and prioritize same accordingly;

v. Grants and credits from Development partners and other Donor Bodies should be seriously explored by government as they provide additional source of funding;

vi. Government is encouraged to continue providing conducive working environment to Development Partners through the timely payment of Government Cash Contribution (GCC) and other logistics;

vii. Recurrent expenditure is high and needs to be rationalised; and

viii. IGR needs to be grown to a level commensurate with the level of economic activity

ix. in the state.