BAUCHI STATE GOVERNMENT OF NIGERIA

-ECONOMIC AND FISCAL UPDATE (EFU),
-FISCAL STRATEGY PAPER (FSP) AND
-BUDGET POLICY STATEMENT (BPS)

To Cover Period: 2022 – 2024

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List of 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

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All praises are due to the Almighty Allah, the lord of the Worlds, who has sphered our lives to witness yet another development and production of the State Medium Term Expenditure Framework (MTEF/MYBTF), covering the period 2022-2024. We pray that He will continue to guide, protect and give the Leadership of the State, the zeal, courage, strength and determination in the implementation of these outlined laudable Government policies, Programmes/Projects and priorities for the betterment and improvement of the living standard and conditions of its citizens.

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FOREWORD

The Bauchi State Medium Term Expenditure Framework and Fiscal Strategy Paper (MTEF/FSP) 2022 – 2024 provides the basis for the State Annual Budget which provide the basic structure for the estimates and assumptions that underlie the annual budget. The effectiveness of medium-term perspective in budgeting process on the economy depends ultimately on the credibility of the expenditure estimates and ceilings as well as how this information is used by decision makers, the private sector operators, and civil society organisations. This Administration has demonstrated commitment to Public Finance Management (PFM) Reforms in the State. Extensive consultations with relevant stakeholders, rigorous analysis and supportive fiscal arrangements have been employed to ensure that successive MTEF&FSP achieve the fiscal objectives through disciplined implementation of budgetary targets.

Enhanced welfare and reduction of poverty, infrastructure, health, education, water sanitation and hygiene through deliberate policies and interventions among the population of the State has been the major thrust of this MTEF/FSP. All the infrastructural developments in the various sectors of the State have been geared towards meeting the yearnings and aspirations of the good people of Bauchi State. The MTEF and FSP also seek to make public expenditures more efficient and effective, essentially by allowing line ministries greater flexibility in managing their budgets in the context of hard budget constraints and stimulatory projects and programmes.

The 2022-2024 MTEF and FSP will provide guidance to Ministries, Departments and Agencies (MDAs) of the State Government in the formulation of policies and selection of projects and programmes to ensure economic development. The MTEF and FSP will also provide further impetus to the efforts at ramping up ongoing drive to accelerate investment in critical infrastructures and human capital, diversification of the government revenue base for enhanced social welfare and sustained improvement in business environment. The Government annual budget for 2022-24 fiscal years, deriving from this MTEF and FSP will encapsulate government’s plan to accelerate our economic recovery process, promote social inclusion and strengthen resilience of the economy.

His Excellency,
SEN. Bala Abdulkadir Mohammed FNIM (Kauran Bauchi)
Executive Governor,
Bauchi State.

Executive Summary

The economic and fiscal estimates presented in the 2022-24 MTEF/FSP incorporate assumptions, narratives and judgments based on information available at the time of preparation. These estimates are subject to uncertainty. This MTEF/FSP provides tails of the historical performance of Budget forecasts for the macroeconomic aggregates of real and nominal GDP, as well as for estimates of government revenues & expenditure. The Fiscal Strategy Paper also presents a number of economic forecasts/projections and key underlying assumptions as well as Government's medium-term outlook.

The Bauchi State Fiscal Strategy Paper for 2022 is based on the estimated national variables of oil benchmark of $57 per barrel, daily oil production of 1.88mb and exchange rate of N410.15 to 1 US Dollar, inflation rate of 13.0% and Gross Domestic Product (GDP) growth rate of 4.20 %.

The Bauchi State Statutory Allocation was projected to increase by 20%, VAT by 17% while Internally Generated Revenue was estimated to increase by 15%. Capital receipts on the other hand was projected to decrease by 28% owing to the reduction in securing loan facilities to finance capital projects.

The Recurrent Expenditure of the State was projected to increase slightly by 2.5% and Capital Expenditure will increase substantially largely due to the Government effort to complete ongoing projects and initiation of new ones. The ratio of capital expenditure to total recurrent expenditure is estimated at 46:54.

1 Introduction and Background

1.A Introduction

1. The global economy has started witnessing a positive change as most economic activities such as the aviation industry, transportation, production of goods and services has to a large extent witnessed a greater improvement. Indeed, the future still looks bright as a result of measures put in place by government at all levels in fighting the COVID – 19 Pandemic. In this regard, and in an effort to sustain the improvement in the economy growth, the annual budgeting process must be geared towards achieving a more appropriate framework that embraces some degree of planning, efficient and transparent inter and intra-sectoral resource allocations, prioritizing expenditures and dedicating resources only to the most important activities.
2. The Budgeting process should also be transformed to pave way for determining realistic estimates and accurate aggregate available resources, as panacea to removing waste and ensuring effective resource allocation. This informs the decision of national and sub-national governments to move towards medium term approach to economic planning and budgeting.
3. The most commonly used tool in achieving the above objective is the Medium Term Expenditure Framework (MTEF) which facilitates a number of important economic outcomes, such as:
   - Greater macroeconomic balance;
   - Improve inter - and intra-sectorial resource allocation;
   - Greater budgetary predictability for Ministries, Departments and Agencies (MDAs); and
   - More efficient use of financial and human resources.
4. The success of the preparation and implementation of MTEF and its impact on budget management and fiscal performance vary across countries.
5. 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. The plan describes how this will be done realistically, in the medium-term – normally three years – and within the limited resources available.

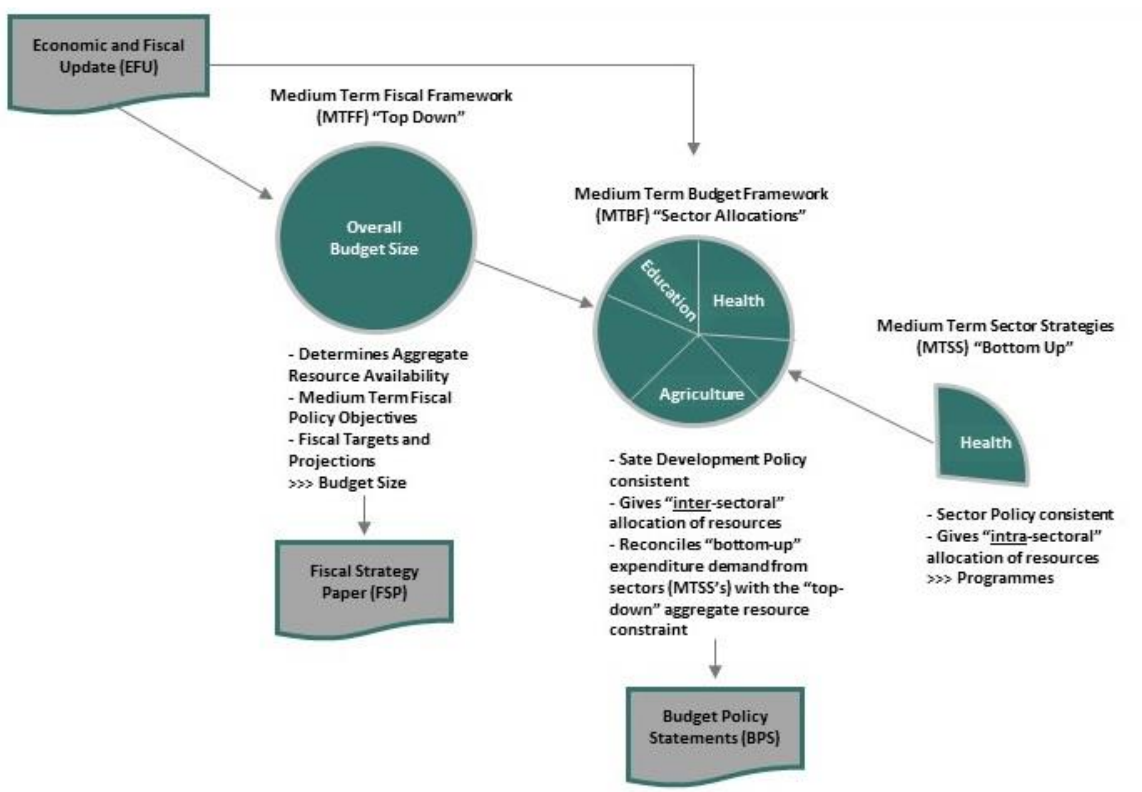
6. An MTSS is used in the formulation and articulation of projects and programmes in an effective and efficient manner for higher output. Both the MTEF and the MTSS emphasizes the principles of Multi-Year Budgeting in incorporating longer-term perspectives into annual budgeting processes.
7. Fiscal Strategy (FS) is a key element in Medium Term Budget Framework (MTBF) and annual budget process. As such, it is used to determine the resources available to execute Government projects and programmes from a fiscally sustainable development plan.
8. The Multi-Year Budget Framework document which is usually derived from the State Partnership Accountability Response and Capability Model (SPARC) comprises of the following:
   - Economic and Fiscal Update (EFU),
   - Fiscal Strategy Paper (FSP) and
   - Budget Policy Statement (BPS).
9. The Economic and Fiscal Update (EFU) provides the economic and fiscal analysis at different stages, which form the basis for the budget planning process. It also provides an assessment of budget performance and identifies significant factors, affecting its implementation.
10. The Fiscal Strategy Paper (FSP) shows the priorities of programmes and projects of the government. This serves as a guide for implementing government policies and commitments.
11. Budget Policy Statement (BPS) on the other hand, gives directive statements and way forward in achieving government targets and priorities, thereby given the meaning and interpretation of the Budget.

1.A.1 Budget Process

12. Budget serves as the medium through which government policies are translated into tangible and meaningful results. However, it undergoes some processes. The processes describe the Budget in a cycle within a fiscal year and can be classified under four main phases or stages namely:
13. Formulation;
14. Preparation;
15. Authorization; and

16. Implementation Phases.
17. The conception of budget is derived from MTEF that has three components namely:
    - ✓ Medium Term Fiscal Framework (MTFF);
    - ✓ Medium Term Budget Framework (MTBF); and
    - ✓ Medium Term Sector Strategies (MTSS).
18. The MTEF process is depicted in the diagram below:

Figure 1: MTEF Process



1.A.2 Summary of Document Content

19. In accordance with international best practice in budgeting, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle. This forms the basis upon which the State 2022 – 2024 is formulated.
20. The purpose of developing the document is three-fold:

i. To provide Economic and Fiscal Update by looking back at the summary of key variables.

ii. To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTFF; and

iii. Provide indicative sector envelopes for the period 2022 – 2024 which constitute the MTBF.

21. The EFU is presented in Section 2 of this document. It provides economic and fiscal analysis in order to guide the budget planning process. It also provides an assessment of budget performance both historical and current, and identifies significant factors affecting implementation. These includes:

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

22. The FSP is an important element in the State Medium Term Expenditure Framework (MTEF) and annual budget processes. As such, it determines the resources available to fund the Government's growth and poverty reduction programme from a fiscally sustainable perspective.

1.A.3 Preparation and Audience

23. The purpose of this document is to provide an informed basis for the 2022 - 2024 budget preparation cycle for all the key Stakeholders, specifically:

- Executive Council (ExCo);
- State House of Assembly (SHoA);
- Ministry of Budget and Economic Planning;
- Ministry of Finance (Treasury Division);
- Other Government Ministries, Departments and Agencies (MDA's);
- Organized Private Sectors Groups; and
- Civil Society Organizations.

24. The document is prepared within the first two quarters of the year prior to the annual budget preparation period. It is prepared by the State Government (EFU-FSP-BPS) Working Group using data collected from International, National and State organisations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM[1]

25. 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 Bauchi 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.
26. The State has a number of Laws aimed at regulating its Public Financial Management System such as Fiscal Responsibility Law Amended 2009, Public Procurement Law, Debt Management Law, Tax Law, Audit Law among others. Efforts are geared towards harmonizing these Laws into Bauchi State Public Financial Management Law.

1.B.2 Legislative and Institutional arrangement for PFM[2]

27. 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.
28. The Ministry of Budget and Economic Planning is at the apex of the planning and budgeting processes. The Ministry reviews the Budget of all sectors in the State, in line with the State Government’s policies and priorities, and collates monthly expenditure and revenue returns from MDAs.

[1] Based on xx PEFA Assessment for Bauchi State
[2] Based on xx PEFA Assessment for Bauchi State

29. The State Internal Revenue Services is mandated to collect and remit all Revenues into the Consolidated Revenue Fund Account (CRF).

30. The Debt Management Agency is responsible for processing and management of the debt portfolio of the State.

31. The Ministry of Finance manages the finances of the State and has responsibility of Treasury Management and Accounting functions.

32. The Office of the Accountant-General of the State (OAGS) performs actual treasury functions of government, including accounting and internal 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. 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.

33. 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 processes. 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.3 Overview of Budget Calendar

34. Indicative Budget Calendar for Bauchi State Government is presented below:

Table 1: Budget Calendar

Stage	Date(s)	Responsibility
Update of MYBF	May	Ministry of Budget & Economic Planning

Stage	Date(s)	Responsibility
Preparation and Publication of EFU-FSP-BPS	June	Ministry of Budget & Economic Planning
Issuance of Budget Call-Circular	July	Ministry of Budget & Economic Planning
Preparation and Submissions of reviewed proposals by MDAs	August	MDA’s
Budget Deliberation/Discussion	September	Ministry of Budget & Economic Planning and MDA’s
Compilation of Draft Budget	October	Ministry of Budget & Economic Planning
Submission of the reviewed draft Budget to ExCo.	October	Ministry of Budget & Economic Planning
Review, Approval and Transmission of Budget to the SHoA by ExCo.	November	ExCo
Review and Passage of Budget by SHoA	November - December	SHoA
Signing Appropriation Bill	December	Governor

2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

35. High uncertainty still surrounds the global economic outlook. Beyond the usual set of peculiar shocks that beset all forecasting exercises, future developments will depend on (1) the path of the pandemic, (2) policy actions, (3) the evolution of financial conditions and commodity prices, and (4) the capacity of the economy to adjust to health-related impediments to activity. These drivers and their interaction with country-specific characteristics will determine the pace of the recovery and the extent of medium-term disfiguring.

36. New virus metamorphoses and the accumulating human toll raise concerns, even as growing vaccine coverage lifts sentiment. Economic recoveries are diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support. The outlook depends not just on the outcome of the battle between the virus and vaccines—it also hinges on how effectively economic policies deployed under high uncertainty can limit lasting damage from this unprecedented crisis.

37. The World Economic Outlook in October, 2020 has projected global growth to 2.9% in 2019, 3.3% in 2020 and 3.4% in 2021. This projection was revised to 6% for 2021, moderating to 4.4% in 2022. The projections for 2021 and 2022 are stronger than in the October 2020 WEO. The upward revision reflects additional fiscal support in large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. High uncertainty surrounds this outlook, related to the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalization, and the evolution of financial conditions.

38. In advanced economies, the sharpest drops in employment were in the wholesale and retail trade, transportation, accommodation and food service, and arts and entertainment sectors, unlike during previous recessions over the past 50 years, when the manufacturing and construction sectors were typically the most negatively impacted. Some sectors, such as information and communication, finance and insurance,

have even experienced employment growth during the pandemic, further highlighting divergent fortunes. Interestingly, the broad sectoral pattern is similar to that observed in previous recessions, which seem to accelerate pre-existing structural trends hastening a shift in employment away from sectors more vulnerable to automation.

39. A year into the coronavirus (COVID-19) pandemic, the race between vaccine and virus entered a new phase in the Middle East and Central Asia region, and the path to recovery in 2021 is expected to be long and divergent. The outlook will vary significantly across countries, depending on the pandemic's path, vaccine rollouts, underlying fragilities, exposure to tourism and contact-intensive sectors, and policy space and actions. Public gross financing needs in most emerging markets in the region are expected to remain elevated in 2021–22, with downside risks in the event of tighter global financial conditions and/or if fiscal consolidation is delayed due to weaker-than-expected recovery. 2021 will be the year of policies that continue saving lives and livelihoods and promote recovery while balancing the need for debt sustainability and financial resilience. At the same time, policymakers must not lose sight of the transformational challenges to build forward better and accelerate the creation of more inclusive, resilient, sustainable, and green economies. Regional and international cooperation will be key complements to strong domestic policies.

40. A year ago, the world economy was seemingly drifting into depression which the central banks swiftly provide liquidity and supported credit extension to a vast array of borrowers. At the same time, fiscal authorities channelled relief to households and firms through transfers, wage subsidies, and liquidity support. These actions supplemented other aspects of the safety nets, such as unemployment, insurance and nutrition assistance. Financial regulators in many countries facilitated continued credit provision with a range of measures.

41. As noted, commodity prices (particularly for oil) are expected to firm up further in the months ahead. Given their record-low levels of a year ago, firmer prices should mechanically lift consumer price indices, and headline inflation, in particular, could turn volatile in coming months. The volatility should be short lived. Baseline projections show a return of inflation to its long-term average as the remaining slack subsides only gradually and

commodity-driven base effects fade away. The subdued outlook reflects developments in the labour market, where subdued wage growth and weak worker bargaining power have been compounded recently by high unemployment, underemployment, and lower participation rates. Moreover, various measures of underlying inflation remain low.

42. Trimmed-mean inflation rates (which eliminate extreme price changes from the price distribution every month to filter out underlying inflation and provide slow-moving, unbiased estimates of price pressure) point to declining, not increasing, inflation pressure. Measuring slack has arguably become more difficult during the pandemic as both supply and demand have shifted. Nevertheless, even if output gaps are less negative than currently estimated, the implications for inflation should be relatively moderate. Phillips curves, shows relationships between inflation and unemployment in the short-run have become flatter in recent years.

43. As the recovery strengthens in 2021, global trade is projected to accelerate to 8.4 percent, mainly because of the rebound in merchandise volumes. Cross-border services trade (tourism, transportation) is expected to remain subdued until the pandemic is brought under control everywhere. Pandemic-related restrictions on international travel and a more general fear of traveling are expected to have lasting effects on income from exported services. At the global level, current account deficits and surpluses narrowed early in the crisis but subsequently widened with rising trade and commodity prices. Current account positions are expected to remain broadly stable into the medium term, with a gradual narrowing of positions in the United States and China. Stocks of international assets and liabilities, are expected to remain at historically high levels.

44. Oil prices increased by 39 percent between August 2020 and February 2021 on positive vaccine news and the rapid economic recovery in Asia. A resurgence of COVID-19 cases and difficulties in vaccine rollout at the beginning of the year weakened the oil demand outlook and led the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) coalition to review more prudently the relaxation of the 7 million barrels a day production curbs announced in April 2020.

45. Futures markets point to backwardation (a downward sloping futures curve), with oil prices at $58.5 a barrel in 2021—42 percent higher than the 2020 average—falling to $50.7 in 2025. This is mostly because of a temporary tight demand-supply balance expected this year—in line with International Energy Agency projections of a steady decline in oil inventories, with oil demand (supply) projected at 96.4 million barrels a day (95.5 million barrels a day) in 2021. Although oil prices persistently above $60 a barrel may induce a substantial production recovery of higher-cost producers in non-OPEC+ countries, including of US shale oil, most of them seem focused on balance sheet repair.

46. Risks to oil prices are slightly tilted to the upside as upside risks from large cuts in oil and gas upstream investments exceed downside risks from a setback in global oil demand recovery, still elevated inventories, and in the medium term, a breakdown of the OPEC+ coalition boosted sentiment toward metals. The prices of copper and iron ore, heavily used in the construction and manufacturing sectors, increased by 30 percent and 35 percent, respectively.

47. Countries selected are chosen to represent GDP Growth are:- G20 (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States and European Union), BRINCS (Brazil, Russia, India, Nigeria, China, South Africa), MINT (Mexico, Indonesia, Nigeria and Turkey), N-11 (Next Emerging Economies – Nigeria, Bangladesh, Egypt, Indonesia, Iran, South Korea, Mexico, Pakistan, Philippines, Turkey and Vietnam), Petro-economies and other large African countries.

Table 2: Real GDP Growth - Selected Countries

Country	Actual				Forecast		
	2015	2016	2017	2018	2019	2020	2024
Mexico	3.3	2.9	2.1	2.0	1.6	1.9	2.7
Indonesia	4.9	5.0	5.1	5.2	5.2	5.2	5.3
Turkey	5.2	6.1	3.2	7.4	-2.5	2.5	3.5
United States	2.9	1.6	2.2	2.9	2.3	1.9	1.6
Germany	1.5	2.2	2.5	1.5	0.8	1.4	1.2
United Kingdom	2.3	1.8	1.8	1.4	1.2	1.4	1.6
China	6.9	6.7	6.8	6.6	6.3	6.1	5.5
Ghana	2.2	3.4	8.1	5.6	8.8	5.8	3.8
South Africa	1.2	0.4	1.4	0.8	1.2	1.5	1.8
Brazil	-3.5	-3.3	1.1	1.1	2.1	2.5	2.2
Angola	0.9	-2.6	-0.2	-1.7	0.4	2.9	3.9
Nigeria	2.7	-1.6	0.8	1.9	2.1	2.5	2.6

Source: IMF’s World Economic Outlook, April, 2021.

47.

Table 3: Inflation (CPI) - Selected Countries

Country	Actual				Forecast		
	2015	2016	2017	2018	2019	2020	2024
Mexico	2.7	2.8	6.0	4.9	3.8	3.1	3.0
Indonesia	6.4	3.5	3.8	3.2	3.3	3.6	3.0
Turkey	7.7	7.8	11.1	16.3	17.5	14.1	12.4
United States	0.1	1.3	2.1	2.4	2	2.7	2.2
Germany	0.7	0.4	1.7	1.9	1.3	1.7	2.2
United Kingdom	0.0	0.7	2.7	2.5	1.8	2.0	2.0
China	1.4	2.0	1.6	2.1	2.3	2.5	3.0
Ghana	17.2	17.5	12.4	9.8	9.1	8.4	6.0
South Africa	4.6	6.3	5.3	4.6	5	5.4	5.5
Brazil	9.0	8.7	3.4	3.7	3.6	4.1	4.0
Angola	9.2	30.7	29.8	19.6	17.5	11.1	6
Nigeria	9.0	15.7	16.5	12.1	11.7	11.7	11.0

Source: IMF’s World Economic Outlook, April 2021.

2.A.2 Africa

48. Africa’s GDP is expected to grow by 3.4 percent in 2021 after shrinking by 2.1 percent in 2020 because of the COVID–19 Pandemic. This recovery will mark the end of the worst recession in more than half a century and will be underpinned by an expected resumption of tourism, a rebound in commodity prices, and a rollback of pandemic-induced restrictions.

49. The pandemic’s economic impact varies across countries. Tourism-dependent economies are projected to recover from an 11.5 percent decline in 2020 to grow 6.2 percent in 2021; oil-exporting countries, from a 1.5 percent decline to grow 3.1 percent; other resource-intensive economies, from a 4.7 percent decline to grow 3.1 percent; and non-resource-intensive countries, from a 0.9 percent decline to grow 4.1 percent.

50. Africa’s macroeconomic fundamentals have been weakened by the pandemic. Fiscal deficits are estimated to have doubled in 2020 to a historical high of 8.4 percent of GDP. Debt burdens are likely to rise by 10 to 15 percentage points in the short to medium term. Exchange rate fluctuations have been elevated, and inflation has inched up, with external financial inflows heavily disrupted.

51. About 30 million Africans were pushed into extreme poverty in 2020 as a result of the pandemic and it is estimated that about 39 million Africans could fall into extreme poverty in 2021. Those with lower levels of education, few assets, and working in informal jobs are most affected. Inequality is also set to increase, because of the disproportionate impact of the pandemic on such vulnerable groups as women, youth, and low-skilled informal sector workers. These groups are particularly exposed because they often work in contact-intensive sectors with fewer opportunities to socially distance and work from home.

52. COVID–19 effects could reverse hard-won gains in poverty reduction over the past two decades. Revised estimates show that up to 38.7 million more Africans could slide into extreme poverty in 2020–21, pushing up the total to 465.3 million people, or 34.4 percent of the African population, in 2021. The estimated cost of bringing their income up to at least the poverty line is about \$7.8 billion in 2020 and \$4.5 billion in 2021. Inequality is likely to

increase, and school closures could have long-lasting consequences for human capital accumulation and productivity growth.

53. Lockdowns have been effective in curbing COVID–19 infections in Africa but at the expense of economic activities. African countries with more stringent lockdown restrictions have experienced fewer COVID–19 cases than others. However, the estimated effect of lockdown restrictions is modest compared with that in other regions.

54. Policy priorities to accelerate Africa's transformation to a more resilient, inclusive, and sustainable post pandemic recovery include:

- Continuing support for the health sector to consolidate gains in the fight against the pandemic.
- Effectively using monetary and fiscal support to underpin the economic recovery where policy space remains available.
- Expanding social safety nets and making growth more equitable to address increasing poverty.
- Scaling up active labour market policies to retool the workforce for the future of work.
- Intensifying structural transformation through digitalization and economic diversification to build resilience.
- Fostering regional and multinational cooperation to ensure sustained and widespread recovery.

55. Although all economies in Africa have been affected by the pandemic, tourism-dependent economies, oil-exporting economies and other-resource intensive economies were the most significantly hit by the pandemic. Tourism-dependent economies are projected to recover from an 11.5 percent GDP decline in 2020 to grow by 6.2 percent in 2021; oil-exporting countries, from a 1.5 percent decline to grow by 3.1 percent; and other-resource-intensive economies, from a 4.7 percent decline to grow by 3.1 percent. Non-resource-intensive countries, where output shrank by 0.9 percent in 2020, are projected to grow by 4.1 percent in 2021.

56. Downside factors that could derail recovery include a resurgence of COVID–19 infections, debt overhang, financial market volatility that impedes capital flows, low commodity prices, low tourism and remittances, extreme

weather events, and social tensions. Upside factors that could result in better-than-anticipated growth for the continent include the effective deployment of therapeutics and vaccines for COVID–19, especially in African countries, full implementation of the Africa Continental Free Trade Agreement, and continued progress in structural transformation, including digitalization and work-from-home arrangements.

57. Although counterbalancing forces kept average headline inflation stable at 10.4 percent in 2020, core inflation (excluding food and energy prices) has risen in many countries. Significant currency depreciations have occurred in Africa, particularly in frontier market economies, partly as a result of the disruptions in external financial flows— including remittances, foreign direct investment, portfolio investment, and official development assistance. Fiscal deficits are estimated to have doubled in 2020 to a historical high of 8.4 percent of GDP, leading to increased debt burdens, but a gradual consolidation process is expected in 2021 and beyond. Countercyclical easy monetary policy and fiscal stimulus packages are expected to support the continent's economic recovery. Investor sentiment is still weak compared with pre-pandemic levels and the capital flight from developing countries experienced at the peak of the pandemic in March-June 2020 has been only partially reversed.

58. Female-headed households could represent a large proportion of the newly poor. The monetary cost of lifting the newly extreme poor to the $1.90 per day poverty line is estimated at $4.5 billion for 2021— about $90.7 million on average per country.

59. Evidence shows that African countries with more stringent lockdown restrictions have experienced fewer COVID–19 cases than those with less restrictive policies. However, the estimated effect of lockdowns on the continent is modest compared with other regions, due to the inherent difficulties of enforcing such restrictions in Africa, where informal employment predominates. Work-place, public transport, and school closures and cancellations of public events have been more effective in curbing COVID–19 infections than other types of lockdown restrictions. Stringent lockdowns have, however, been associated with more severe economic contraction.

60. Continue to support the health sector to consolidate gains in the fight against the pandemic. It is not yet time for policymakers to be complacent in the fight against the virus. A second wave of the pandemic has occurred in several regions across the world. Countries must continue to make resources avail-able for health care systems to cope with the virus and other preventable diseases. Routine public health campaigns— such as child vaccination against polio and measles, treatment for malaria, maternity care, and treatment for other chronic diseases should not be disrupted because of an excessive focus on the COVID–19 pandemic.

61. Sustain monetary and fiscal support to under-pin economic recovery. Where there is still fiscal space or access to liquidity, policymakers should maintain fiscal and monetary support until the expected economic recovery has fully materialized. Once the recovery has been achieved, governments need to commit to a credible path of fiscal consolidation to restore debt and fiscal sustainability. Where there is no fiscal space, policymakers should seek inter-national support through grants and concessional loans to support the recovery.

62. Address issues of increasing poverty by expanding social safety nets and making growth more equitable. To avoid reversing more than two-decades of progress on poverty reduction, policymakers must step up efforts to lift people from extreme poverty and increase the coverage and scope of social protection to aid the newly impoverished. Policymakers can take advantage of increasing digitalization to boost the effectiveness, reduce the cost, and expand the reach of social protection pro-grams using in-kind support such as free food banks, medical supplies, and free housing.

63. Minimize the long-term implications of the pandemic on human capital accumulation. When-ever in person learning is practical, policy-makers should immediately open schools, with the appropriate safety protocols in place. When in-person classes are impractical, learning should continue using traditional print, radio, and TV media, and digital technologies such as smartphones and computers.

64. Scale up active labour market policies to retool the labour force for the future of work. Policymakers must scale up efforts to retrain and reskill the labour force as quickly and broadly as possible to facilitate workers'

transition from low productivity, obsolete sectors and jobs into new and emerging ones. They should encourage labour reallocation through job search and matching policies and establish public works as a source of training and experience for the new digital economy. Other active labour market policies include helping in the process of labour reallocation through job search and matching policies.

65. Accelerate structural transformation through digitalization, industrialization, and diversification. As the world continues to grapple with the COVID-19 crisis, Africa's policymakers must look ahead and build a more resilient future. To make Africa's economies more resilient, countries need to deepen structural reforms and diversify their productive base. Fostering resilience will also require adopting policies that create room to make quick changes and reforms that promote economic flexibility. Policymakers should accelerate the diversification of their economy's productive base through human capital development, promoting jobs in high-productivity sectors, intensifying reforms to improve the investment climate, and advancing digitalization. They should adopt policies that promote economic flexibility by strengthening macroeconomic stability, improving market flexibility, and enhancing political, social, and environmental governance.

66. Strengthen regional and multinational solidarity to enable shared and sustainable recovery. Africa's policymakers must continue to call for greater coordination among countries in the fight against the virus and in the provision of financial support to countries experiencing liquidity and debt challenges.

2.A.3 Nigerian Economy[3]

Macroeconomic

67. Nigeria's economy entered a recession in 2020, reversing three years of recovery, due to fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. The containment measures mainly affected aviation, tourism, hospitality, restaurants, manufacturing, and trade. Contraction in these sectors offset demand-driven expansion in financial and information and communications technology sectors. Overall real GDP is estimated by the World Bank to have shrunk by 3% in 2020, although mitigating measures in the Economic Sustainability Programme (ESP) prevented the decline from being much worse. Inflation rose to 12.8% in 2020 from 11.4% in 2019, fuelled by higher food prices due to constraints on domestic supplies and the pass-through effects of an exchange rate premium that widened to about 24%.

68. The removal of fuel subsidies and an increase in electricity tariffs added further to inflationary pressures. The Central Bank of Nigeria cut the policy rate by 100 basis points to 11.5% to shore up a flagging economy. The fiscal deficit, financed mostly by domestic and foreign borrowing, widened to 5.2% in 2020 from 4.3% in 2019, reflecting pandemic-related spending pressures and revenue shortfalls.

69. Total public debt stood at $85.9 billion (25% of GDP) on 30th June 2020, 2.4% higher than a year earlier. Domestic debt represented 63% of total debt, and external debt, 37%. High debt service payments, estimated at more than half of federally collected revenues, pose a major fiscal risk to Nigeria. The current account position was expected to remain in deficit at 3.7% of GDP, weighed down by the fall in oil receipts and weak external financial flows.

70. The economy is projected to grow by 2.5% in 2021 and 4.2% in 2022, based on an expected recovery in crude oil prices and production. Stimulus measures outlined in the ESP and the Finance Act of 2020 could boost non-oil revenues. Improved revenues can narrow the fiscal deficit to 4.6% and

[3] Source: Ministry of Finance, Budget & National Planning; NNPC; BOF; NBS

the current account deficit to 2.3% of GDP in 2021 as global economic conditions improve.

71. Reopening borders will increase access to inputs, easing pressure on domestic prices and inflation, projected at 11.4% in 2021. Downside risks include reduced fiscal space, should oil prices remain depressed. In addition, flooding and rising insecurity could hamper agricultural production. Further depletion in foreign reserves from $35 billion (7.6 months of import cover) could lead to sharp exchange rate depreciation and inflationary pressures. A potential relapse in COVID–19 cases could exacerbate these risks. High unemployment (27%), poverty (40%) and growing inequality remain a major challenge in Nigeria.

72. Nigeria’s public debt is relatively sustainable at 25% of GDP. But debt service payments are high, and the country’s ability to attract external private financial flows is hurt by macroeconomic imbalances and policy uncertainty. During the first half of 2020, Nigeria received $7.1 billion in foreign investment. This was half the amount it received in the corresponding period of 2019. Nigeria’s financing requirements need improvement in domestic revenue collection. Currently, non-oil revenue collection is equivalent to 4% of GDP.

73. The increase in revenue yield in 2020 due to increase in the value-added tax rate from 5.0% to 7.5% was less than projected because of subdued economic activity. Broadening the tax base could strengthen Nigeria’s fiscal buffers, if structural reforms to enhance compliance are supported and illicit financial flows are tackled. Remittances and sharia-compliant sukuk bonds also offer potential financing options. In 2019, remittances totalled $23.8 billion (5.3% of GDP), but the effect of the COVID– 19 pandemics in key source markets could reduce this figure.

74. The third issuance of sukuk bonds of 150 billion naira ($395 million) in June 2020 attracted 669.1 billion naira, of which 162.5 billion naira was allotted to finance 44 critical road projects.

75. Nigerian financial markets continued dancing to the tune of monetary policy actions in 2020. The CBN through its unconventional policy actions, following restrictions on OMO bills in late 2019, arguably remained the conductor of the orchestra, setting the tempo for capital flows. Matured

bills issued in 2019 flooded the financial markets, overloading the system with liquidity in 2020.

Table 4: Nigeria Key Macroeconomic Indicators

Year	2019	2020	2021	2022	2023	2024
National Inflation (CPI)	11.70%	11.70%	11.30%	11.40%	11.10%	11.00%
National real GDP Growth	2.10%	2.50%	2.40%	2.70%	2.60%	2.60%
GDP Deflator	9.6%	8.8%	8.4%	8.4%	8.4%	8.4%
GDP Nominal (Trillion NGN)	144.6	161.2	179.1	199.5	199.5	199.5
Implied Growth in NCS	11.80%	11.46%	11.38%	13.85%	13.89%	13.93%
Implied Growth in CIT	13.19%	12.81%	12.72%	15.48%	15.53%	15.57%
Implied Growth in VAT	10.05%	9.75%	9.68%	11.79%	11.82%	11.85%
Oil Price (Benchmark)	$60	$60	$60	$60	$60	$60
Oil Production MBPD (Benchmark)	2.00	2.10	2.20	2.20	2.20	2.20
NGN:USD Exchange Rate (Benchmark)	305.00	305.00	305.00	305.00	305.00	305.00
Mineral Ratio	0.32	0.34	0.36	0.38	0.40	0.42

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

Petroleum Sector

76. The Federal Government passed the Finance Act 2020 in January 2020. This act amends a number of tax laws and is aimed at improving tax participation, collection and modernizing the tax system. Provisions in the bill, such as the Petroleum Profits Tax (which repeals a tax exemption for dividends paid from after-tax (profits), a value-added tax (which increases from 5% to 7.5%), and the Companies Income Tax (which requires Nigerian companies to deduct and withhold tax on payments to any foreign company that provides them with technical or professional services), are likely to affect oil and natural gas companies and increase their overall cost of doing business in the country.

77. The Nigerian oil and gas market is expected to register an annual growth rate increase of more than 2% during the 2021 – 2026 forecast period. In addition to the country-wide economic impact of COVID-19, crude producers are faced with a decline in both price and demand for their product, thus resulting in an oil glut.

78. Furthermore, oil theft has been one of the major issues faced by the oil and gas market in Nigeria, which resulted in huge losses to operating companies

in the country. Such factors are expected to have a negative impact on the market growth during the forecast period.

- Nigeria's offshore oil and gas industry continues to expand, albeit not very fast, opening more market opportunities. The growth of Nigeria's offshore exploration and production activities was mainly driven by the efforts of the government to improve the country's hydrocarbon industry.
- Lack of infrastructure, uncertainties in regulations, and security concerns have led Nigeria to underutilize its refining capacities, thereby pushing the country to become a net importer of refined petroleum products. However, Nigeria is on the edge of altering refined products' supply dynamics in the region with the help of the upcoming Dangote Refinery, and it is expected to become the regional refining hub in the coming years. Once completed, the country is planning to become the refinery hub in Africa. This, in turn, is expected to attract foreign players to tap into the country's downstream market in the near future.
- Given the country's huge gas reserves and its advantage as a clean fuel, gas has already witnessed a massive surge in its domestic consumption in recent years. Further, the country is steadily moving away from oil and exploring different ways to replace the oil consumption with gas in power as well as the transportation sector. The shift to gas is also supported by the fact that major oil reserves are likely to get dry in the coming three to four decades. Hence, the oil market is considered to be one of the most vulnerable markets where natural gas has the highest potential to penetrate. Moreover, gas production has become a major focus for the oil and gas companies, in response to strong investment in gas-to-power projects, across the region.

79. Nigeria's offshore oil and gas industry continues to expand, albeit not very fast, opening up more market opportunities. The growth of Nigeria's offshore exploration and production activities has been mainly driven by the efforts of governments in the region, such as providing key incentives and supporting policies to unlock the investment opportunity, as well as a growing list of international oil and gas companies interested in exploring alternative fields to replace the maturing offshore producing sites.

80. The China National Offshore Oil Corporation mobilized a USD 3 billion investment, in addition to the USD 14 billion already spent on its existing oil and gas operations in the West African country. A large share of this investment goes into the operations in Nigeria. One of the most ambitious ultra-deep offshore projects is the Egina oil field in water depths between 1,400 and 1,700 meters.

81. With the recent passage of the Petroleum Industry Bill (PIB), the country will no longer be losing billions of dollars in investments. Under this, the oil sector will be restructured, including the national oil company, the oil and gas regulator, the Department of Petroleum Resources (DPR), and the Nigerian National Petroleum Corporation (NNPC), which will become the National Petroleum Company (NPC), a fully commercial integrated entity.

2.A.4 Bauchi State Economy

82. 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.

83. 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.

84. 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.

85. 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.

86. 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.

87. 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.

88. 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.

89. 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.

90. 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.

91. 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.

Table 5: Bauchi State Projected Population

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**

92. 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.

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

94. 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.

95. 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.

96. 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 Babban Gwani 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 Abubakar Tafawa-Balewa of blessed memory.

97. 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. The deposits of Petroleum related resources which have been discovered is receiving government attention as exploration activities has reached advanced stage.

Table 6: 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.

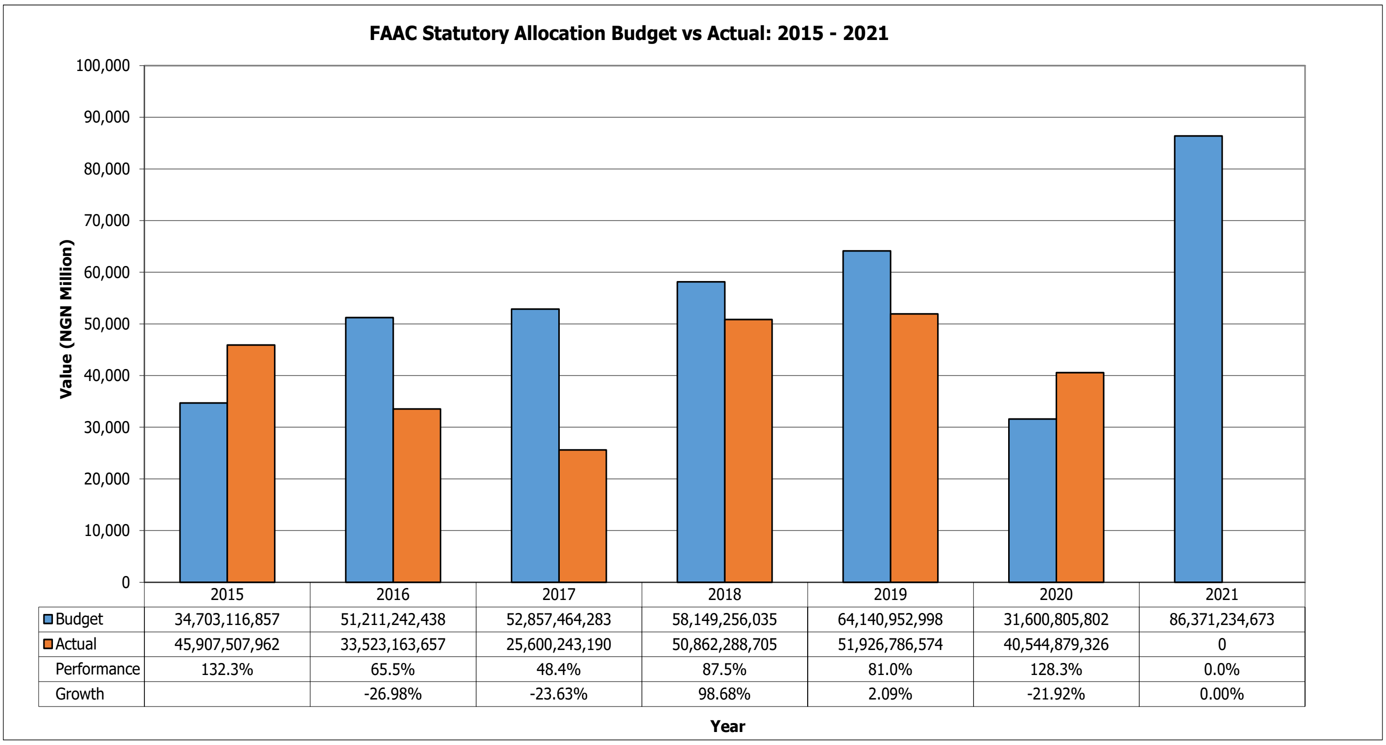
2.B Fiscal Update

2.B.1 Historic Trends

Revenue Side

98. The document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2015 – 2020 (six years historic) and 2021 budget.

Figure 2: Statutory Allocation



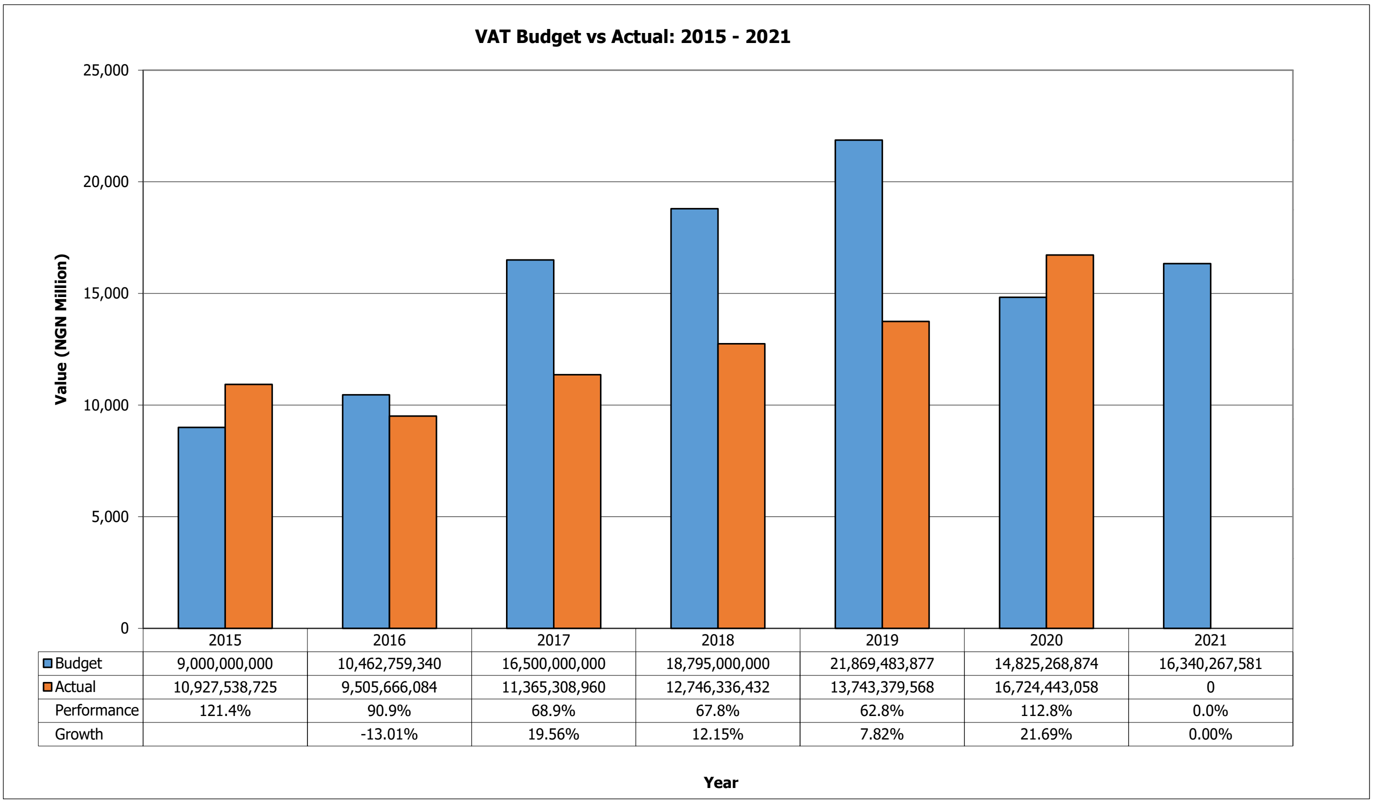
	2015	2016	2017	2018	2019	2020	2021
Budget	34,703,116,857	51,211,242,438	52,857,464,283	58,149,256,035	64,140,952,998	31,600,805,802	86,371,234,673
Actual	45,907,507,962	33,523,163,657	25,600,243,190	50,862,288,705	51,926,786,574	40,544,879,326	0
Performance	132.3%	65.5%	48.4%	87.5%	81.0%	128.3%	0.0%
Growth		-26.98%	-23.63%	98.68%	2.09%	-21.92%	0.00%

99. 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.

100. From the chart above, it can be seen that throughout the period of 2016 - 2019, actual statutory allocation received was less than budget estimates. In 2015 and 2019 statutory allocation growth rate witnessed an increase above the Approved Budgets. The fall between 2016 and 2017 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: VAT



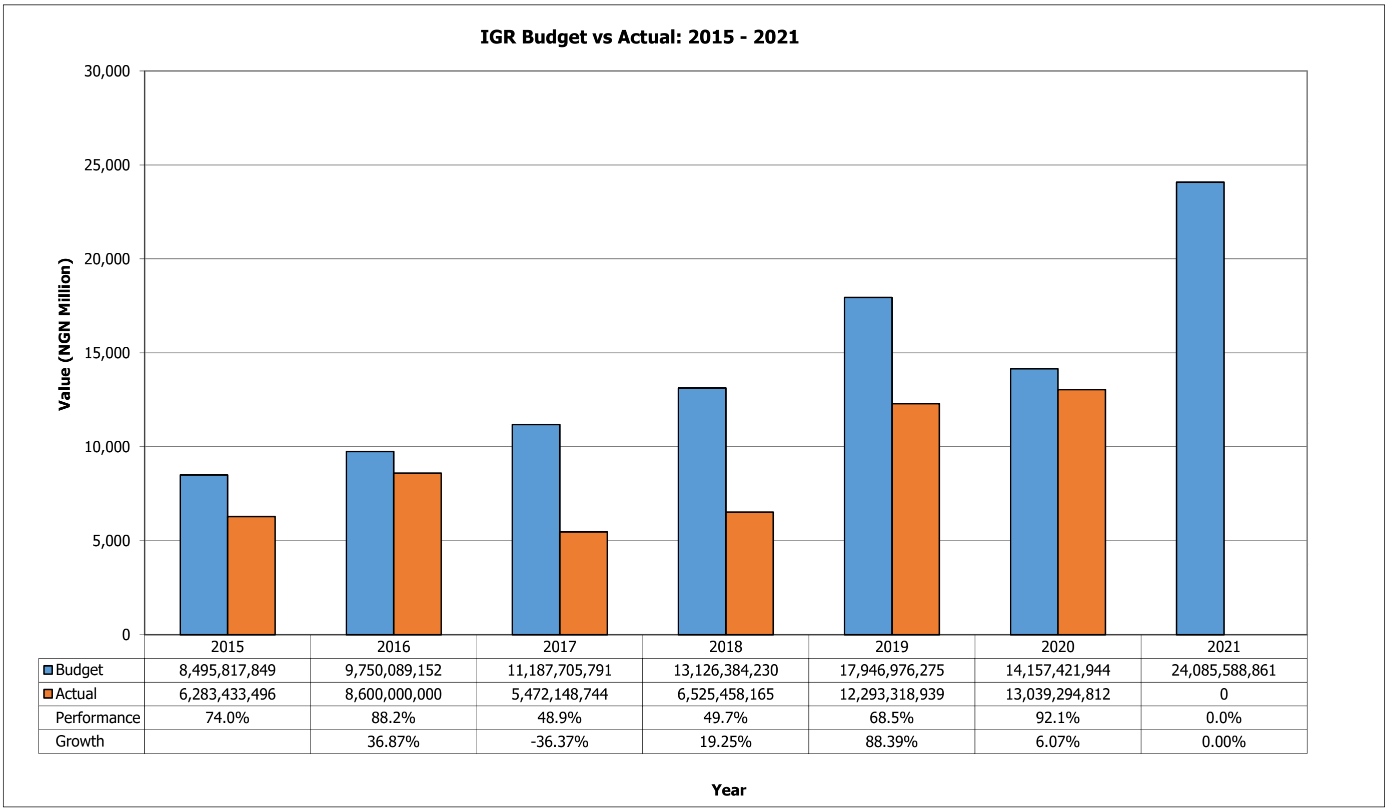
	2015	2016	2017	2018	2019	2020	2021
Budget	9,000,000,000	10,462,759,340	16,500,000,000	18,795,000,000	21,869,483,877	14,825,268,874	16,340,267,581
Actual	10,927,538,725	9,505,666,084	11,365,308,960	12,746,336,432	13,743,379,568	16,724,443,058	0
Performance	121.4%	90.9%	68.9%	67.8%	62.8%	112.8%	0.0%
Growth		-13.01%	19.56%	12.15%	7.82%	21.69%	0.00%

101. VAT, is a tax on most goods and services at a rate of 7.5%. 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.

102. VAT receipts between 2015 and 2016 performed significantly well in relation to the amount approved budget and the actual amount received within this period.

103. Furthermore, VAT receipts have increased year-on-year since 2015 largely due to the growth in nominal economic activity in Nigeria.

Figure 4: IGR



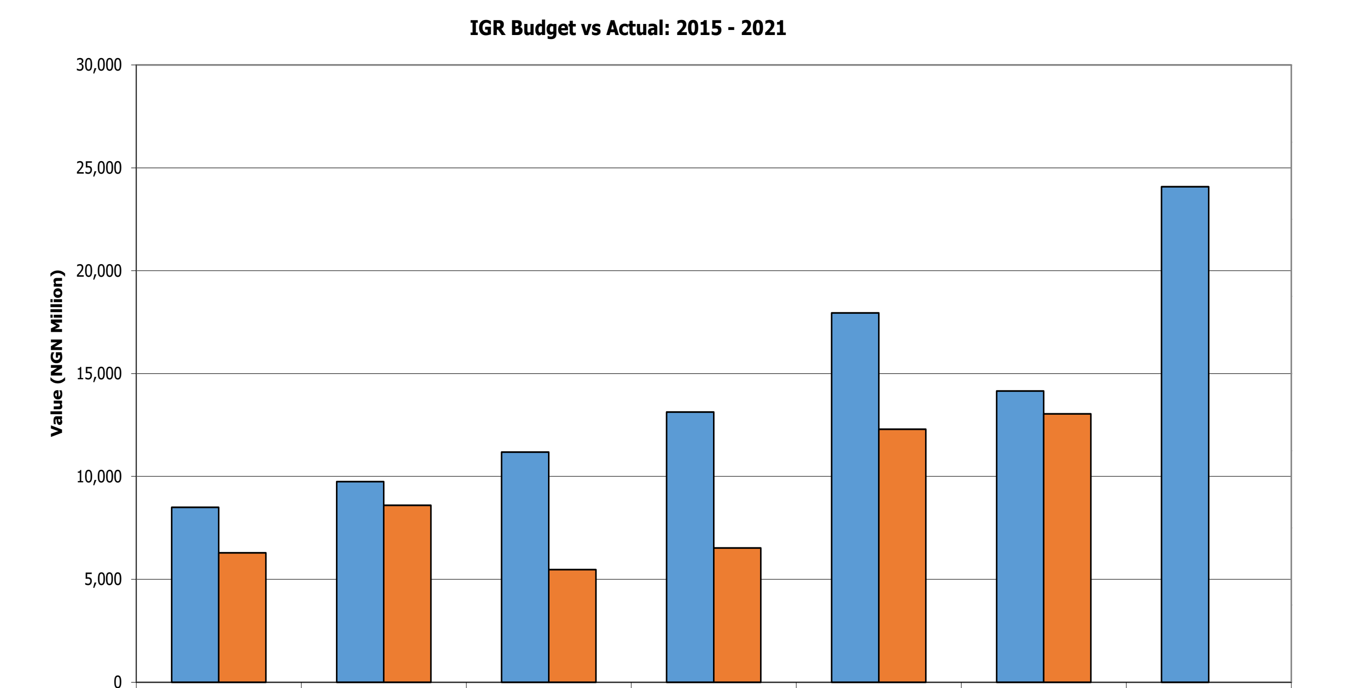
	2015	2016	2017	2018	2019	2020	2021
Budget	8,495,817,849	9,750,089,152	11,187,705,791	13,126,384,230	17,946,976,275	14,157,421,944	24,085,588,861
Actual	6,283,433,496	8,600,000,000	5,472,148,744	6,525,458,165	12,293,318,939	13,039,294,812	0
Performance	74.0%	88.2%	48.9%	49.7%	68.5%	92.1%	0.0%
Growth		36.87%	-36.37%	19.25%	88.39%	6.07%	0.00%

104. 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.

105. IGR has grown at a steady pace between 2015 to 2016 on an average of 5%. There was a drop in 2017 while in 2018 there is a slight increase when compared to the Approved Budget.

106. The IGR growth showed fluctuations within the periods under consideration as 2015 and 2017 shows a considerable fall while picking up in 2019 and 2020 respectively. These performances in 2019 and 2020 was impressive as the highest figures recorded in the history of the State.

Figure 5: Other Federation Accounts Receipts



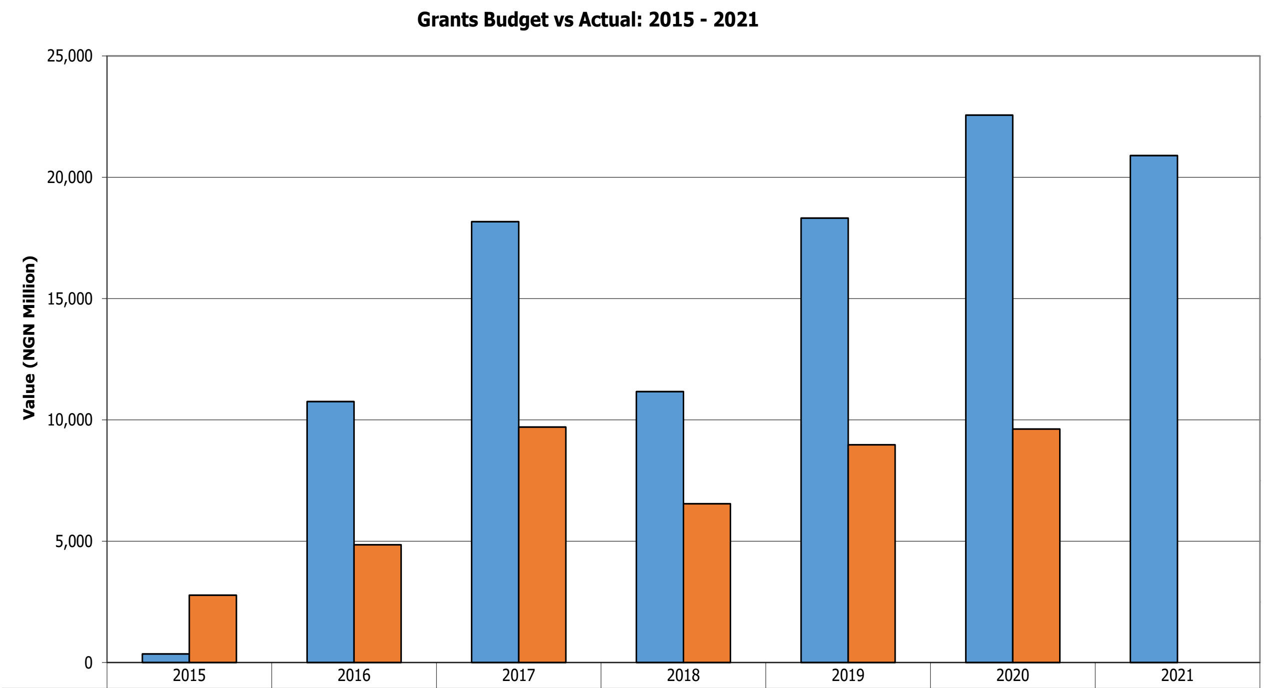
	2015	2016	2017	2018	2019	2020	2021
Budget	8,495,817,849	9,750,089,152	11,187,705,791	13,126,384,230	17,946,976,275	14,157,421,944	24,085,588,861
Actual	6,283,433,496	8,600,000,000	5,472,148,744	6,525,458,165	12,293,318,939	13,039,294,812	0
Performance	74.0%	88.2%	48.9%	49.7%	68.5%	92.1%	0.0%
Growth		36.87%	-36.37%	19.25%	88.39%	6.07%	0.00%

107. These are windfalls of revenues that are not classified as FAAC Allocations or VATs. An example of this, is the Paris Club refund and other refunds.

108. The years 2017 and 2018 witnessed a significant fall compared to 2015 and 2016.

109. There is a significant growth rate in respect to the actual for the years 2019 and 2020 against the Approved Budgets recording about 60% growth rate in 2019 and a growth rate of 6% in 2020.

Figure 6: Grants



	2015	2016	2017	2018	2019	2020	2021
Budget	359,512,500	10,757,223,164	18,174,205,517	11,171,752,115	18,315,364,727	22,565,896,273	20,899,230,531
Actual	2,780,004,543	4,852,123,888	9,705,250,000	6,547,566,800	8,977,455,200	9,626,000,000	0
Performance	773.3%	45.1%	53.4%	58.6%	49.0%	42.7%	0.0%
Growth		74.54%	100.02%	-32.54%	37.11%	7.22%	0.00%

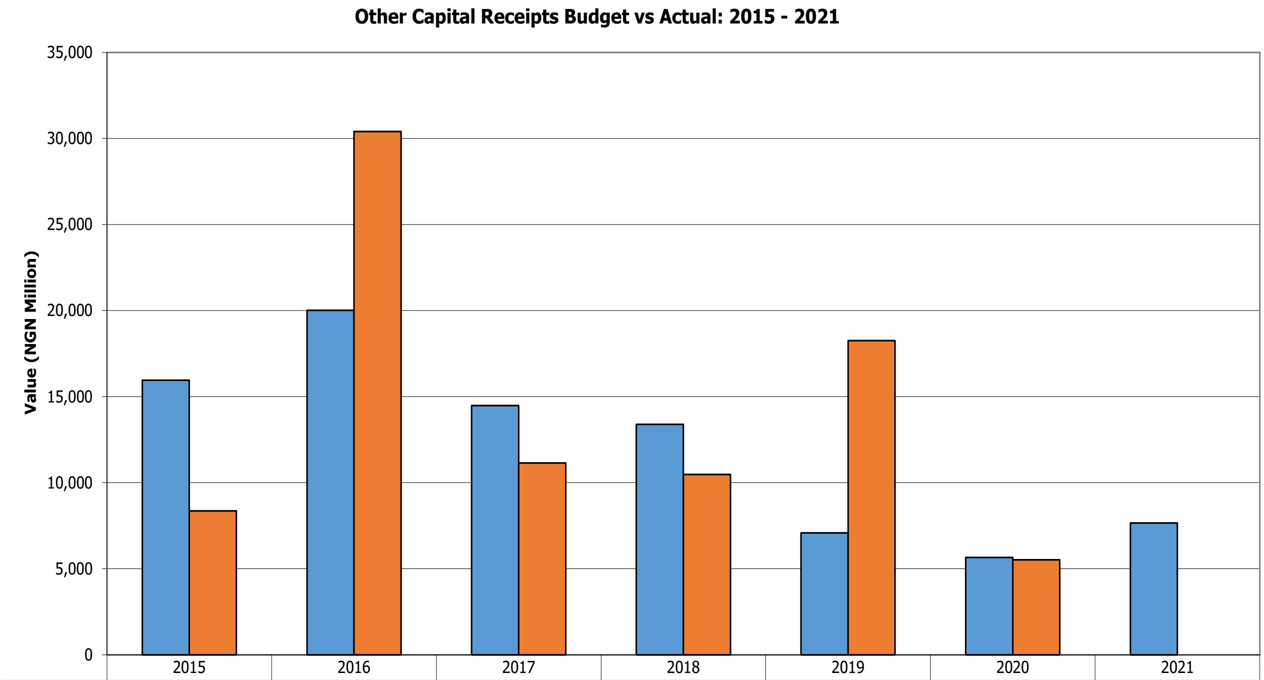
Year

110. Grants are receipts from Federal Government, International Development Partners, FGN Social Investment Program, SDGs Conditional Grants Scheme, as well as grants from European Union (EU), USAID and United Nations Children's Fund (UNICEF) to mentioned but a few. 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.

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

112. The Grant performance in 2019 and 2020 has increased to a significant level largely due to proactive measures taken by present administration in terms of creating conducive working environment and payment of GCCC.

Figure 7: Other Capital Receipts

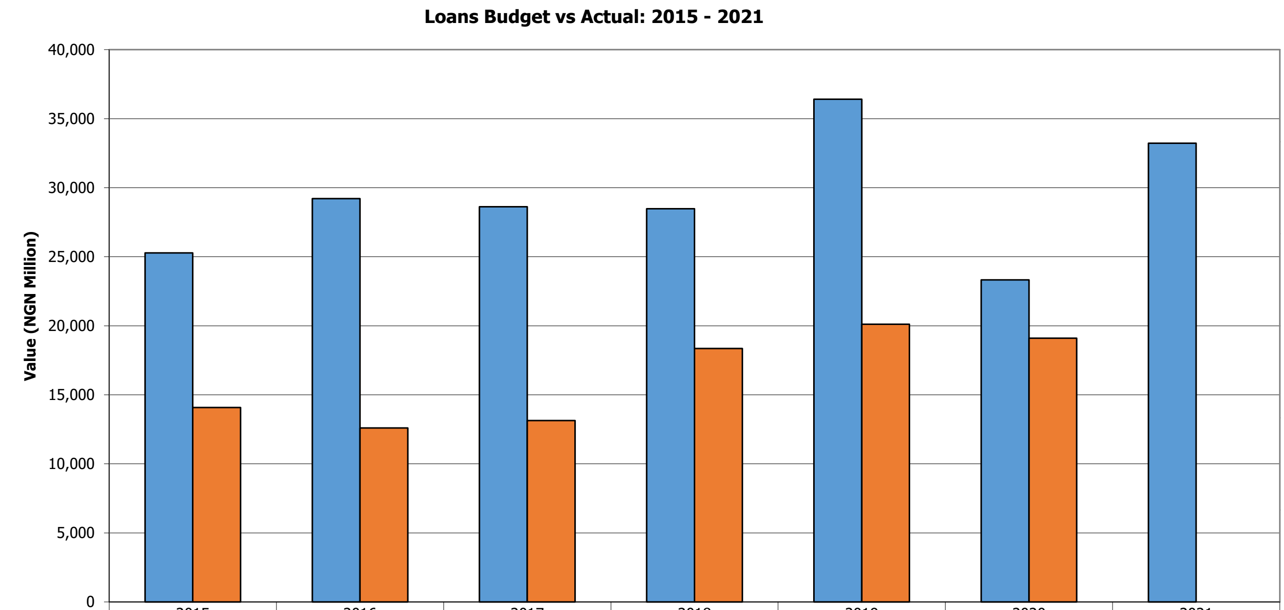


	2015	2016	2017	2018	2019	2020	2021
Budget	15,954,089,887	20,012,285,697	14,481,803,200	13,391,000,000	7,084,300,000	5,658,751,057	7,661,350,370
Actual	8,363,741,689	30,410,918,998	11,143,745,001	10,474,379,089	18,258,684,525	5,514,432,307	0
Performance	52.4%	152.0%	76.9%	78.2%	257.7%	97.4%	0.0%
Growth		263.60%	-63.36%	-6.01%	74.32%	-69.80%	0.00%

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

114. In 2016 and 2019 this income showed a great improvement as the amount Budgeted is less than actual performance while 2020 performed almost on equal basis to the Approved Budget. However, the performance growth rate has shown a dismal growth rate in 2020 due to COVID-19 pandemic.

Figure 8: Loans/Financing



	2015	2016	2017	2018	2019	2020	2021
Budget	25,277,882,311	29,209,679,288	28,620,543,655	28,479,051,304	36,407,157,705	23,327,584,093	33,224,137,760
Actual	14,077,157,011	12,604,493,969	13,144,995,331	18,360,708,903	20,119,951,398	19,111,323,585	0
Performance	55.7%	43.2%	45.9%	64.5%	55.3%	81.9%	0.0%
Growth		-10.46%	4.29%	39.68%	9.58%	-5.01%	0.00%

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

116. 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).

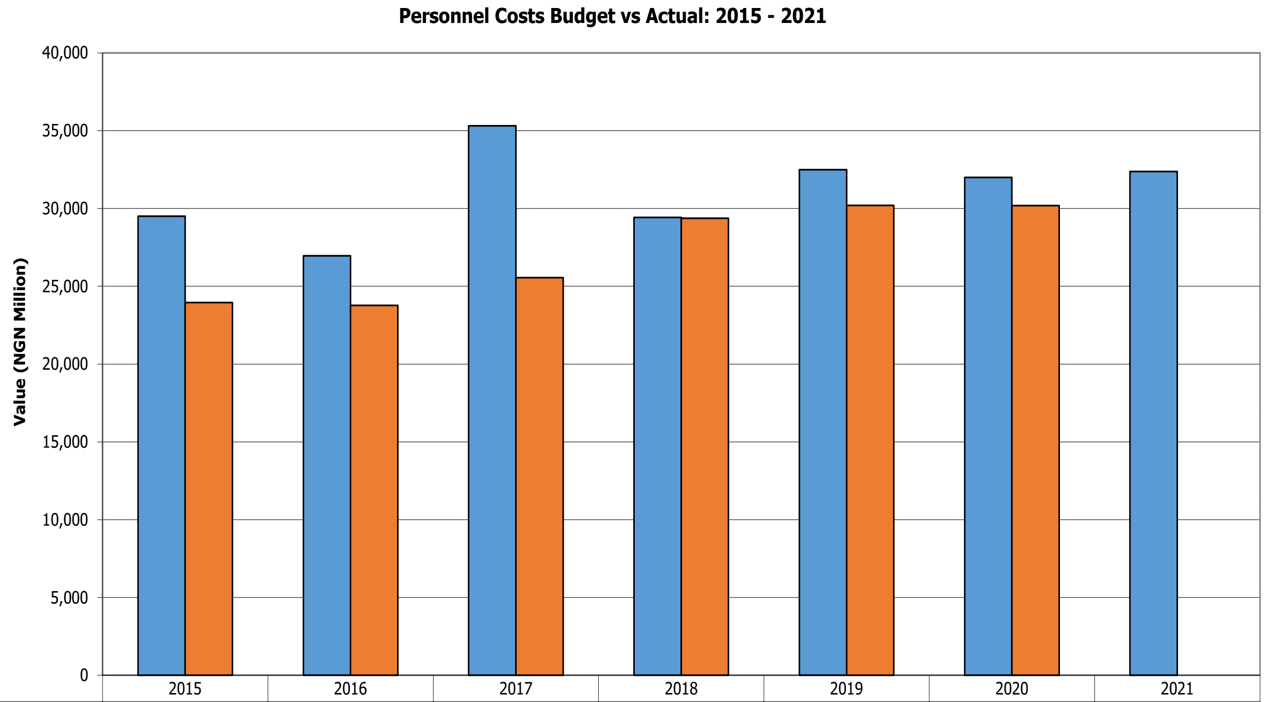
117. The year 2018 – 2019 recorded a significant improvement in terms of the trend. The year 2020 recorded a slight fall in terms of percentage growth due largely to COVID-19 Pandemic.

118. The significant improvement of the budget performance in 2020 was largely due to proper debt management adopted in the execution of important critical projects like Bauchi water supply and other capital infrastructure.

Expenditure Side

119. The document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2015 - 2020 (six years) and 2021 budget.

Figure 9: Personnel

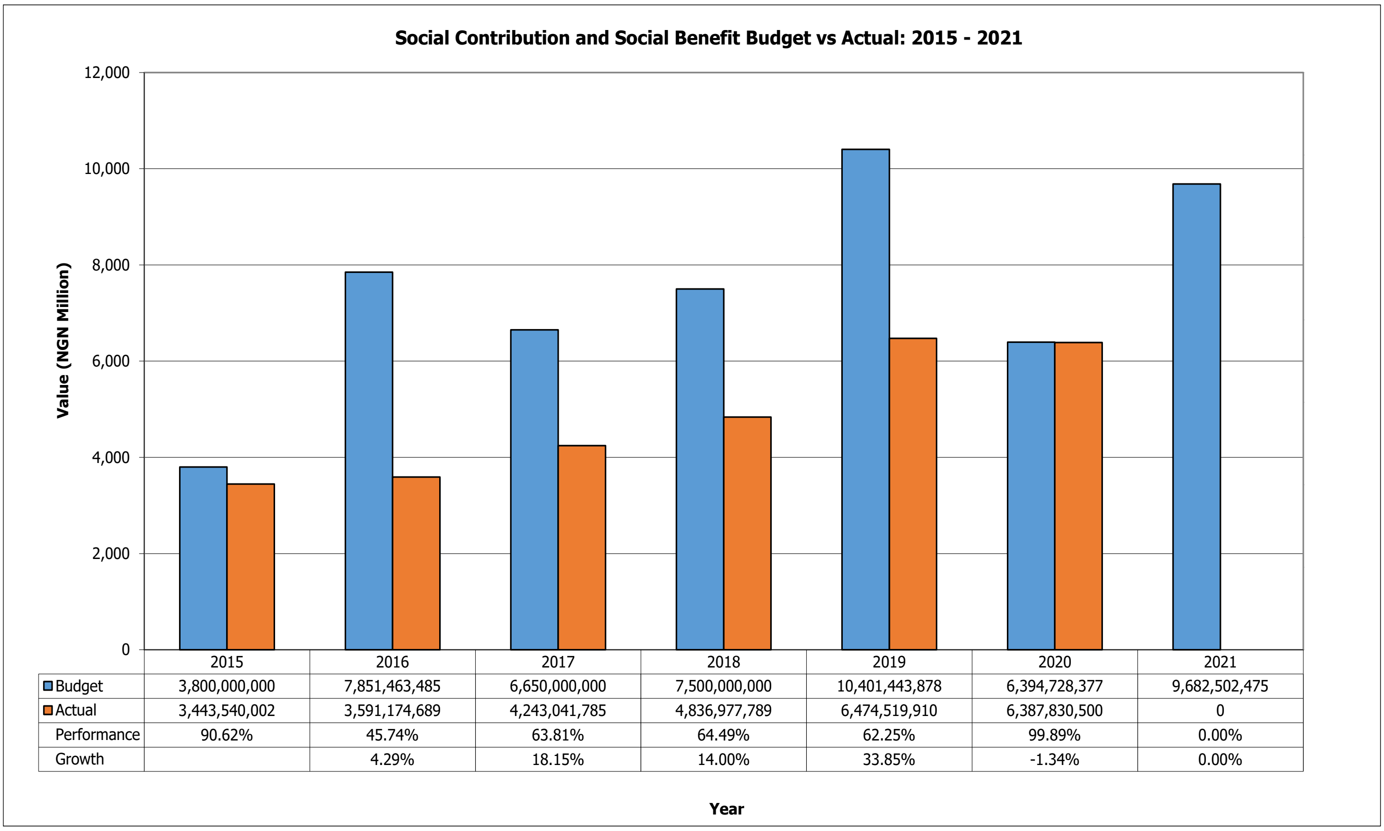


	2015	2016	2017	2018	2019	2020	2021
Budget	29,501,909,902	26,957,825,904	35,311,687,450	29,424,013,385	32,497,409,174	32,003,153,209	32,380,874,939
Actual	23,960,374,905	23,767,011,453	25,557,464,232	29,371,568,202	30,196,671,551	30,191,779,346	0
Performance	81.22%	88.16%	72.38%	99.82%	92.92%	94.34%	0.00%
Growth		-0.81%	7.53%	14.92%	2.81%	-0.02%	0.00%

Year

120. 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 2015 at an average rate of 10% per annum, with particularly large increases in 2017 - 2018. However, for 2019 and 2020 the figure slightly dropped from 92% to 91% respectively, which may be attributed to the current Government effort aimed at cleaning both the nominal and payroll.

Figure 10: Social Contributions and Social Benefits



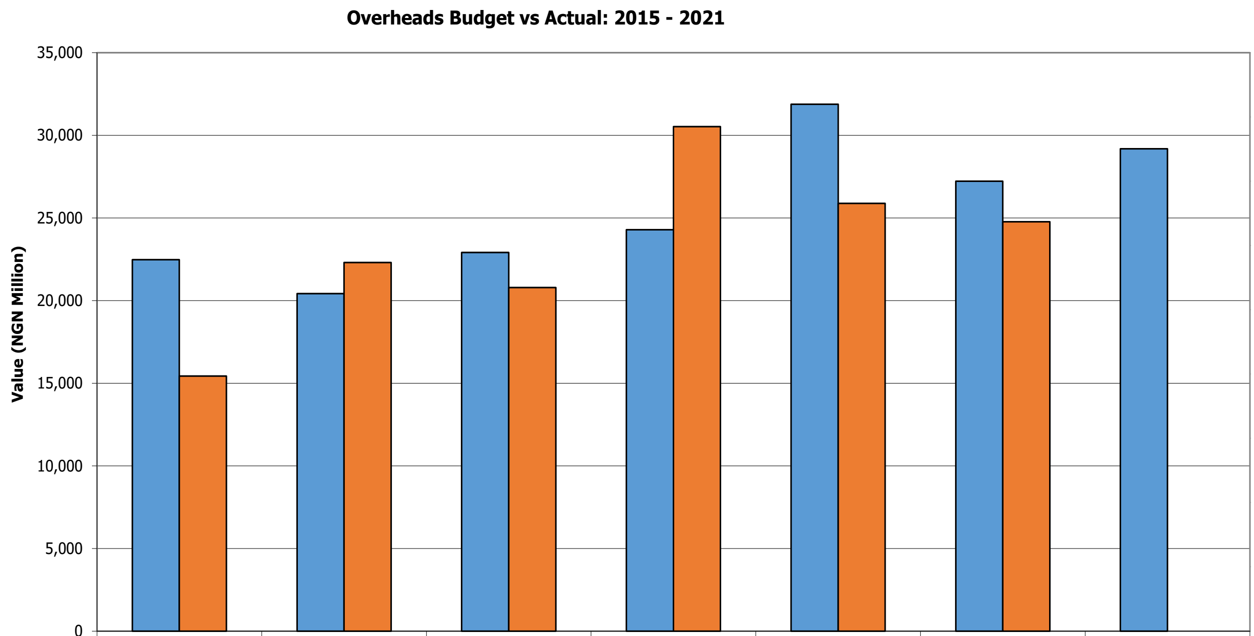
	2015	2016	2017	2018	2019	2020	2021
Budget	3,800,000,000	7,851,463,485	6,650,000,000	7,500,000,000	10,401,443,878	6,394,728,377	9,682,502,475
Actual	3,443,540,002	3,591,174,689	4,243,041,785	4,836,977,789	6,474,519,910	6,387,830,500	0
Performance	90.62%	45.74%	63.81%	64.49%	62.25%	99.89%	0.00%
Growth		4.29%	18.15%	14.00%	33.85%	-1.34%	0.00%

121. These are components of recurrent expenditures. They are associated with Pension and Gratuity of retired civil servants.

122. The performance growth has shown a considerable rate of about 10% on the average between 2015 – 2019.

123. Actual performance in 2019 and 2020 is almost at the same level on the comparison. However, in comparison to the Approved Budget 2020 performance is almost equal to the Budget.

Figure 11: Overheads



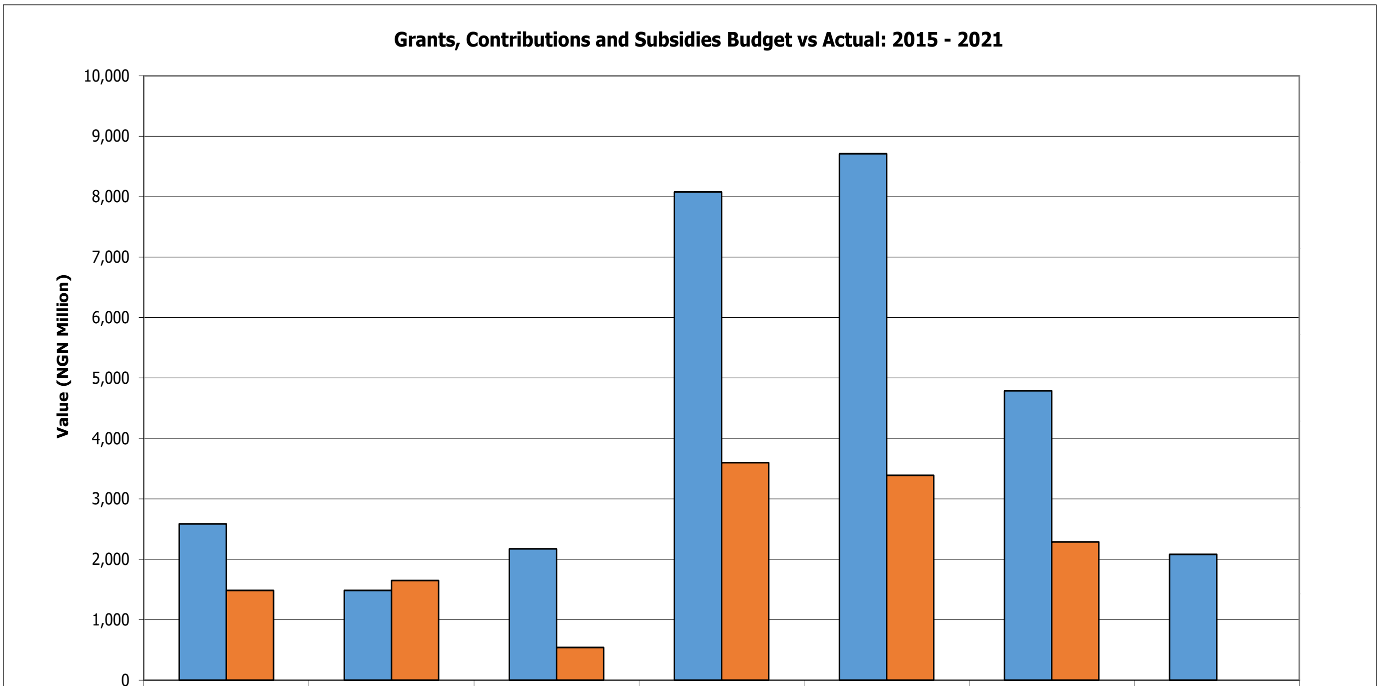
	2015	2016	2017	2018	2019	2020	2021
Budget	22,471,710,594	20,419,215,549	22,913,627,706	24,291,777,115	31,878,332,837	27,221,070,302	29,188,990,432
Actual	15,436,433,314	22,309,604,793	20,792,216,907	30,522,615,363	25,887,560,013	24,773,420,339	0
Performance	68.69%	109.26%	90.74%	125.65%	81.21%	91.01%	0.00%
Growth		44.53%	-6.80%	46.80%	-15.19%	-4.30%	0.00%

Year

124. 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.

125. Overhead expenditure has been somewhat inconsistent over the period under review. However, the situation began to normalize in 2019 with a performance of 92%. Overall, there is a drop of 4.30% in 2020 compared with that of 2019.

Figure 12: Grants, Contributions, Subsidies, Transfers



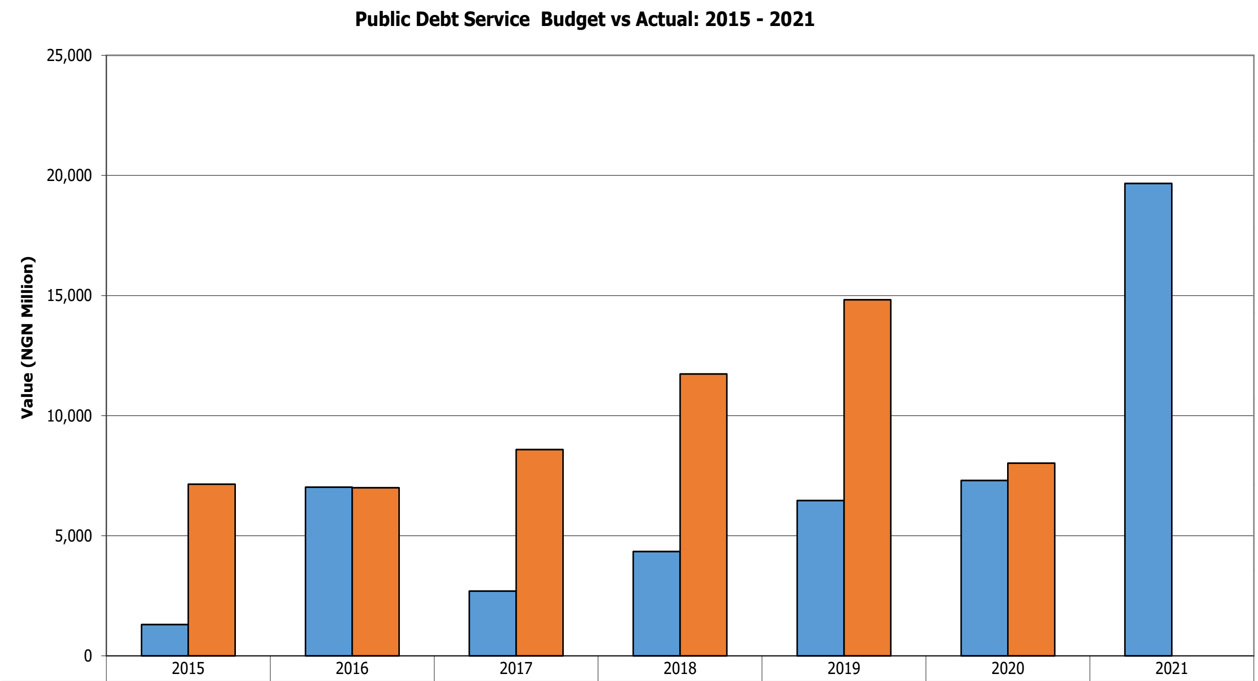
	2015	2016	2017	2018	2019	2020	2021
Budget	2,585,781,396	1,482,941,892	2,171,783,828	8,078,830,567	8,710,978,271	4,788,225,090	2,079,329,750
Actual	1,482,941,892	1,648,143,276	540,383,946	3,599,424,041	3,388,476,792	2,288,377,544	0
Performance	57.35%	111.14%	24.88%	44.55%	38.90%	47.79%	0.00%
Growth		11.14%	-67.21%	566.09%	-5.86%	-32.47%	0.00%

Year

126. Grants, contributions and subsidies are components of overhead cost. These are expenditures often termed as assistance linked to individuals, public enterprises, NGOs, corporates organisations etc.

127. The years 2018 and 2019 witnessed highest actual performances compared to other years under consideration.

Figure 13: Public Debt Service



	2015	2016	2017	2018	2019	2020	2021
Budget	1,306,248,732	7,021,949,827	2,700,551,631	4,349,163,064	6,466,904,822	7,302,599,997	19,663,274,058
Actual	7,146,352,779	7,003,908,265	8,586,245,749	11,737,571,581	14,828,052,822	8,025,217,196	0
Performance	547.09%	99.74%	317.94%	269.88%	229.29%	109.90%	0.00%
Growth		-1.99%	22.59%	36.70%	26.33%	-45.88%	0.00%

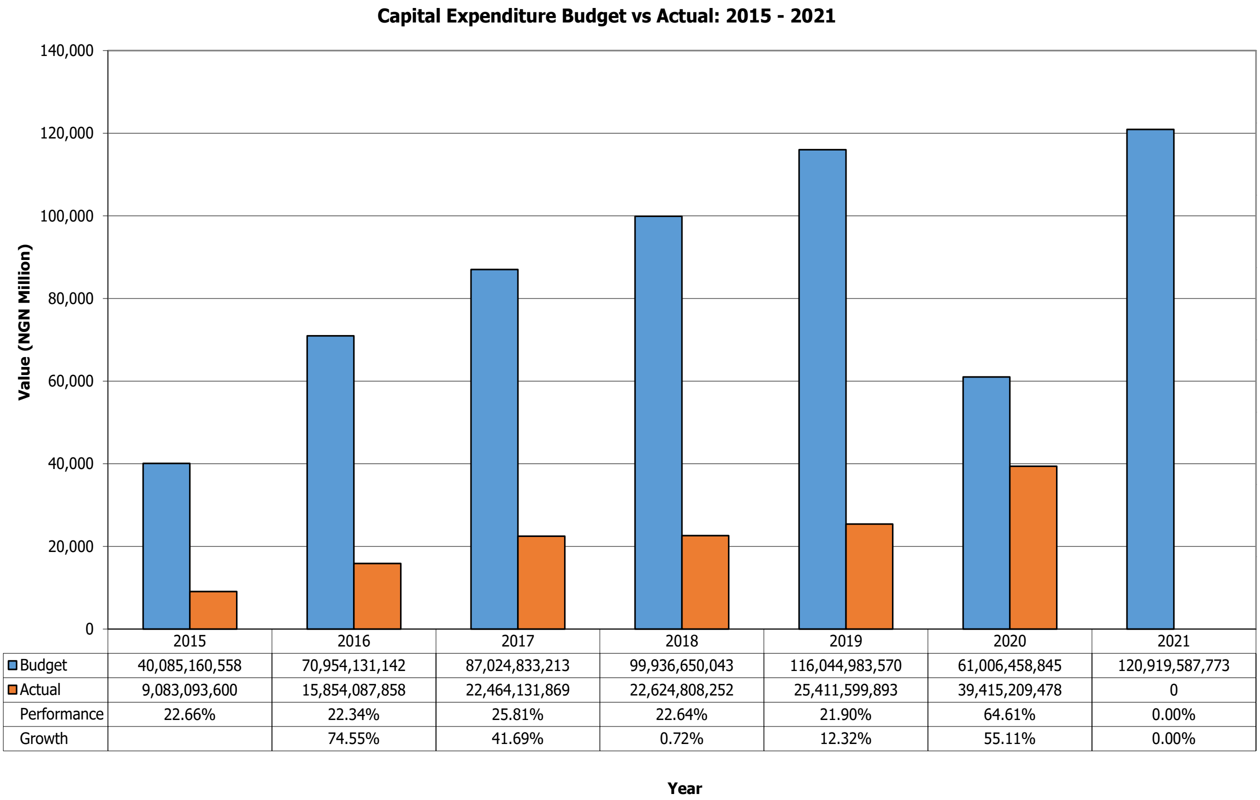
Year

128. Public Debt Service often referred to as Loans Repayments. They are payments made in respect to loans taken over the years by the Government.

129. The actual repayment from 2016 – 2019 shows a consistent growth rate of about 20% signifying that the State is servicing her loans according to terms and conditions.

130. Actual performance for the year 2020 dropped to 45.88%. This is due to COVID-19 Pandemic which saw most of the loans repayment being rescheduled.

Figure 14: Capital Expenditure



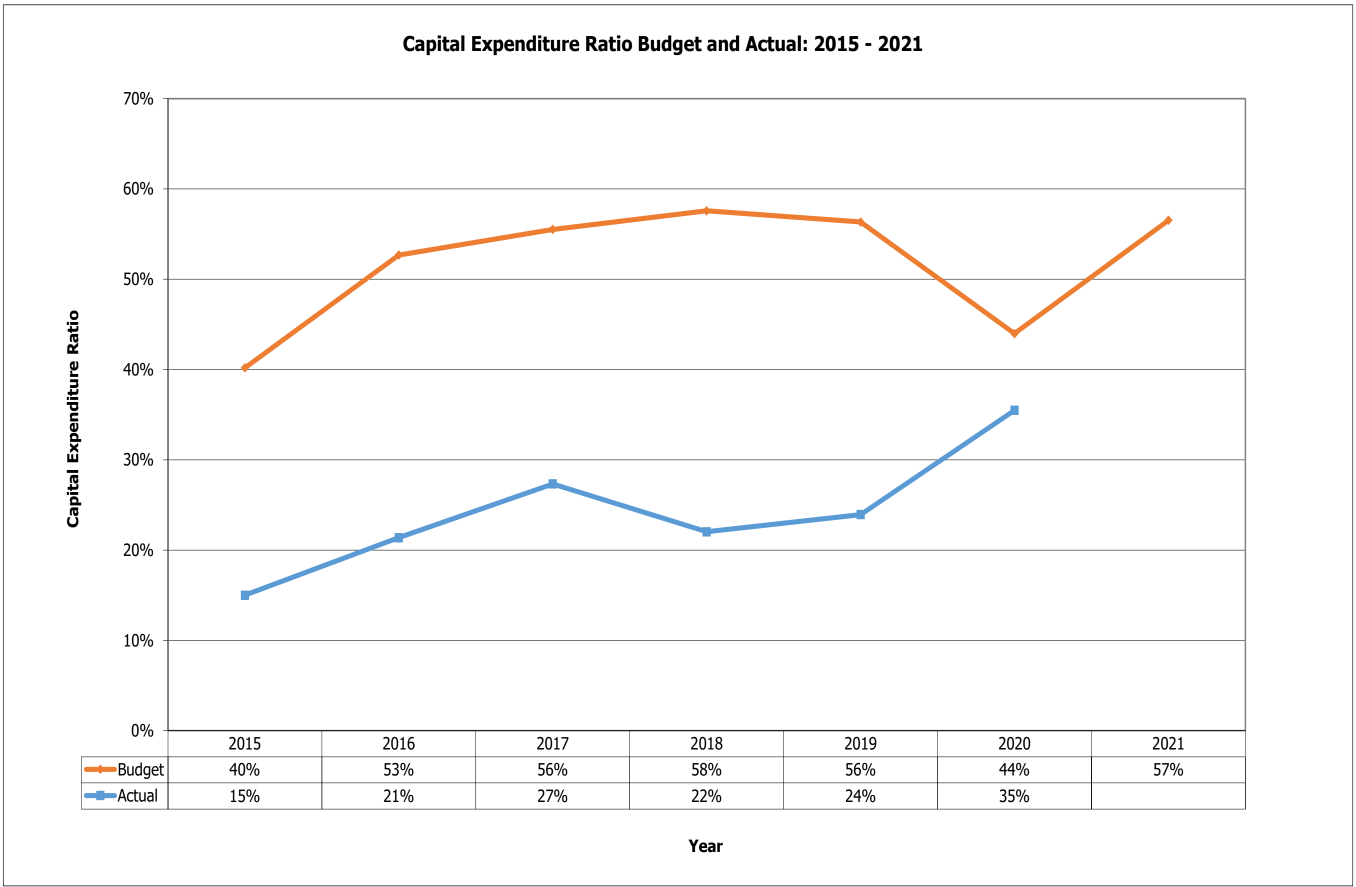
	2015	2016	2017	2018	2019	2020	2021
Budget	40,085,160,558	70,954,131,142	87,024,833,213	99,936,650,043	116,044,983,570	61,006,458,845	120,919,587,773
Actual	9,083,093,600	15,854,087,858	22,464,131,869	22,624,808,252	25,411,599,893	39,415,209,478	0
Performance	22.66%	22.34%	25.81%	22.64%	21.90%	64.61%	0.00%
Growth		74.55%	41.69%	0.72%	12.32%	55.11%	0.00%

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

132. The performance of Capital Expenditure from 2015 to 2016 was not encouraging as the highest performance recorded for the period was 25.81%. However, in 2020 the situation changed positively as 64.6% implementation was recorded.

133. The situation may further improve due to the massive investment in infrastructures across the sectors of the State economy.

Figure 15: Recurrent: Capital Expenditure Ratio



134. The capital expenditure ratio was relatively stable between 40 and 60% between 2015 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

135. Performance by sector in respect to Personnel cost varied over the period 2015 – 2020. Administration, Economic, Regional, Social, and Law and Justice Sectors all recorded an average performance of less than 50%.

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

137. 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 boost economic activity in the state. However, the investment is on-going with the hope that capital investment can focus more in the social sector.

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

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

Table 5: Personnel Expenditure by Sector – Budget Vs Actual

Personnel Expenditure by Sector												
No.	Sector	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	Performance	Average Budget	Average Actual
1	Administration	3,166,304,192	2,604,228,465	4,165,010,192	3,236,523,567	5,261,295,069	2,862,473,820	3,769,306,110	3,112,444,812	72.21%	12.22%	10.24%
2	Economic	5,100,817,056	4,227,215,314	5,723,330,620	4,632,758,127	5,984,309,883	4,730,745,609	5,674,175,775	5,155,201,917	83.38%	16.80%	16.25%
3	Regional	74,064,389	74,012,499	95,203,216	67,949,789	70,005,593	57,153,903	0	0	83.22%	0.18%	0.17%
4	Social	18,053,904,023	15,722,111,447	21,684,680,158	18,469,072,036	22,797,794,401	19,294,197,760	19,327,877,647	18,780,777,000	88.28%	61.16%	62.64%
5	Law and Justice	3,183,821,730	2,929,896,507	2,965,264,683	3,244,794,292	3,529,157,888	3,014,597,878	3,231,793,677	3,143,355,619	95.53%	9.64%	10.69%

Table 7: Overhead Expenditure by Sector – Budget Vs Actual

Overhead Expenditure by Sector												
No.	Sector	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	Performance	Average Budget	Average Actual
1	Administration	9,129,929,128	15,673,578,394	13,395,293,144	18,435,666,185	18,794,469,421	16,000,789,414	17,397,280,080	15,999,530,232	112.59%	48.97%	67.20%
2	Economic	5,500,902,670	1,545,241,651	5,820,732,078	6,255,773,272	17,368,852,559	7,541,637,954	7,249,447,608	6,790,941,658	61.58%	29.98%	22.50%
3	Regional	25,629,526	9,482,495	20,417,135	17,572,315	9,860,000	6,759,000	0	0	60.48%	0.05%	0.03%
4	Social	7,482,813,181	3,188,302,461	6,747,797,788	1,600,725,847	3,285,970,556	1,992,824,183	4,516,553,870	1,363,996,930	36.97%	18.38%	8.28%
5	Law and Justice	727,353,201	375,611,906	654,499,321	613,453,703	943,229,024	345,549,462	825,997,103	618,951,519	62.00%	2.63%	1.99%

Table 8: Capital Expenditure by Sector – Budget Vs Actual

Capital Expenditure by Sector												
		2017	2017	2018	2018	2019	2019	2020	2020			
No.	Sector	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	Performance	Average Budget	Average Actual
1	Administration	6,671,474,151	844,931,994	7,224,686,954	741,760,745	10,779,319,206	866,590,257	5,662,072,131	2,162,181,655	15.21%	7.99%	4.20%
2	Economic	42,391,480,202	18,476,877,930	50,469,188,561	18,991,429,471	70,426,568,255	18,543,893,061	31,549,183,560	30,737,710,640	44.52%	51.34%	78.92%
3	Regional	3,511,690,203	648,062,119	5,126,243,185	265,536,635	6,504,046,108	126,985,175	0	0	6.87%	3.99%	0.95%
4	Social	32,676,141,159	2,164,201,500	35,379,079,751	2,582,614,750	41,592,917,943	5,791,036,785	22,964,870,717	6,405,077,461	12.78%	34.94%	15.41%

2.B.2 Debt Position

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

Table 8: Debt Position as at 31st December 2020

Debt Sustainability Analysis			
A	**DSA RATIO SCENARIOS:**	**Sustainability Thresholds**	**As at 31st December 2020**
	Solvency Ratios	**Percentage**	**Percentage**
1	Total Domestic Debt/IGR	150%	525.46%
2	Total External Debt/Gross FAAC	150%	76.01%
3	Total Public Debt/Total Recurrent Revenue	150%	148.83%
4	Total Public Debt/State GDP Ratio	25%	No GDP Figure Available
	Liquidity Ratios	**Percentage**	**Percentage**
5	Domestic Debt Service/IGR	15%	6.80%
6	External Debt Service/Gross FAAC	10%	0.28%
8	Debt Service Deductions from FAAC/Gross FAAC	40%	19.35%
8	Total Debt Service/Total Recurrent Revenue	25%	1.33%
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2020**		**Naira**
1	Total Domestic Debt		68,515,971,502
2	Total External Debt		51,266,010,987
3	**Total Public Debt**		**119,781,982,489**
4	Total Domestic Debt Service 2020		886,285,611
5	Total External Debt Service in 2020		186,654,757
6	**Total Public Debt Service**		**1,072,940,368**
C	**STATE GDP FOR 2020**		
1	**State GDP**		0

141. 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.

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

3 Fiscal Strategy Paper

3.A Macroeconomic Framework

143. The Macroeconomic framework is based on IMF national real GDP growth and inflation forecasts from the April 2020 World Economic Outlook document, and mineral benchmarks (oil price, production and NGN: USD exchange rate) from the 2015-2020 Federal Fiscal Framework.

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

Figure 16: Bauchi State Macroeconomic Framework

Macro-Economic Framework

Item	**2021**	**2022**	**2023**	**2024**
National Inflation	16.00%	13.00%	12.75%	12.00%
National Real GDP Growth	2.50%	4.20%	2.30%	2.50%
Oil Production Benchmark (MBPD)	1.7000	1.8800	1.9500	2.1000
Oil Price Benchmark	$57.00	$57.00	$57.00	$57.00
NGN:USD Exchange Rate	380	410.15	410.15	410.15
Other Assumptions				
Mineral Ratio	27%	31%	31%	32%

3.B Fiscal Strategy and Assumptions

Policy Statement

145. 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. It also aimed at continued robust fiscal response to COVID 19 pandemic.

Objectives and Targets

146. The key targets from a fiscal perspective are:

- Achieve a recurrent to capital expenditure ratio of between 45:55;
- Produce a clean Payroll that ensures total elimination of ghost workers for a sustainable Payroll Management.
- Sustain the implementation of on-going capital projects for the Bauchi urban renewal.
- Continue to ensure reduction in non-essential overheads.

- Executions of capital expenditures both COVID-19 related and those considered critical by the government.
- Review revenue projections to reflect current realities.
- Compliance with NGF Budget guidelines that maybe given from time to time.
- Ensure adjustment of debt servicing or repayment period (re-financing and re-structuring) in order to free up funds for other developmental projects.
- Allow 2.5% of revenue (CRF) for a contingency reserve;
- Use loans to finance capital expenditure projects only;
- Target sources of capital receipts and financing outside of loans (e.g. Aids and Grants, PPP, etc.).

3.C Indicative Three-Year Fiscal Framework

147. The indicative three-year fiscal framework for the period 2022-2024 is presented in the table below:

Table 6: Bauchi State Medium Term Fiscal Framework

Macro-Economic Framework

Item	2021	2022	2023	2024
National Inflation	16.00%	13.00%	12.75%	12.00%
National Real GDP Growth	2.50%	4.20%	2.30%	2.50%
Oil Production Benchmark (MBPD)	1.7000	1.8800	1.9500	2.1000
Oil Price Benchmark	$57.00	$57.00	$57.00	$57.00
NGN:USD Exchange Rate	380	410.15	410.15	410.15
Other Assumptions				
Mineral Ratio	27%	31%	31%	32%

Fiscal Framework

Item	2021	2022	2023	2024
Opening Balance	24,738,004,737	20,145,655,780	19,250,187,655	18,125,780,000
Recurrent Revenue				
Statutory Allocation	47,805,641,828	60,637,254,292	65,131,239,720	72,569,624,834
VAT	19,431,193,073	22,747,196,260	25,933,061,453	29,466,212,904
IGR	18,906,977,478	21,743,024,100	23,917,326,510	26,309,059,161
Excess Crude / Other Revenue	6,701,649,409	6,487,813,235	5,718,808,686	4,652,523,434
Total Recurrent Revenue	**92,845,461,789**	**111,615,287,887**	**120,700,436,368**	**132,997,420,332**
Recurrent Expenditure				
Personnel Costs	31,974,767,916	32,901,879,798	33,865,779,077	35,190,458,413
Social Contribution and Social Benefit	7,026,613,550	7,377,944,228	7,746,841,439	8,134,183,511
Overheads	24,773,420,339	26,012,091,356	28,613,300,492	28,613,300,492
Grants, Contributions and Subsidies	2,402,796,422	2,522,936,243	2,775,229,867	2,913,991,360
Public Debt Service	19,663,274,058	22,341,340,924	17,093,815,738	16,594,131,610
Total	**85,840,872,285**	**91,156,192,549**	**90,094,966,612**	**91,446,065,386**
Transfer to Capital Account	**31,742,594,241**	**40,604,751,119**	**49,855,657,411**	**59,677,134,946**
Capital Receipts				
Grants	19,646,045,531	16,100,000,000	13,420,000,000	13,620,000,000
Other Capital Receipts	5,636,141,951	5,250,000,000	4,970,000,000	4,080,000,000
Total	**25,282,187,481**	**21,350,000,000**	**18,390,000,000**	**17,700,000,000**
Reserves				
Contingency Reserve	0	0	0	0
Planning Reserve	6,669,091,475	6,335,409,534	6,662,546,976	7,324,335,495
Total Reserves	**6,669,091,475**	**6,335,409,534**	**6,662,546,976**	**7,324,335,495**
Capital Expenditure	**64,614,172,228**	**57,914,153,930**	**61,087,330,435**	**66,389,619,452**
Discretional Funds	28,835,694,301	31,019,153,930	39,567,330,435	48,697,619,452
Non-Discretional Funds	35,778,477,927	26,895,000,000	21,520,000,000	17,692,000,000
Financing (Loans)	34,404,137,760	21,545,000,000	17,630,000,000	13,992,000,000
Total Revenue (Including Opening Balance)	**177,269,791,767**	**174,655,943,667**	**175,970,624,023**	**182,815,200,332**
Total Expenditure (including Contingency Reserve)	**157,124,135,987**	**155,405,756,012**	**157,844,844,023**	**165,160,020,332**
Closing Balance	20,145,655,780	19,250,187,655	18,125,780,000	17,655,180,000
Ratios				
Growth in Recurrent Revenue	21.39%	20.22%	8.14%	10.19%
Growth in Recurrent Expenditure	39.91%	6.19%	-1.16%	1.50%
Capital Expenditure Ratio	45.37%	41.34%	42.92%	44.63%
Deficit (Financing) to Total Expenditure	21.90%	13.86%	11.17%	8.47%
Deficit (Financing) to GDP Ratio	NA	NA	NA	NA

3.C.1 Assumptions

148. **Opening Balance –** The opening balance of the current year is closing balance of the previous year.

149. **Statutory Allocation –** the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macro-economic framework (National) and the mineral assumptions in the 2021-2024 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and Inflation data.

150. **VAT** - is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2021-2024 is in line with the current rate of collections (i.e. 7.5%).

151. **Other Federation Account Distributions** – the estimation is based on the current receipt (i.e. from January to December 2020). Furthermore, it is anticipated that the States will press FAAC for excess crude distributions in 2021 to fund the new minimum wage.

152. **Internally Generated Revenue (IGR) or Independent Revenue (IR) –** the current administration introduced measures to grow IGR. These measures have started yielding results as IGR increased by 128% in 2019. It is anticipated that IGR will continue to increase by 20% every year from 2020 and start to stabilise from 2023. The 5-year moving average without outliers growth which is consistent with the projected IGR annual growth rate of 20% is used to forecast IGR for 2022 – 2024.

153. **Grants –** The internal grants are based on the actual receipts for 2019 and performance from January to December, 2020. External grants are based on signed grant agreements with the development partners.

154. **Financing (Net Loans)** – Bauchi State has commenced Contract Financing agreement of N30 billion with UBA Plc. to finance Capital Infrastructure Development. The State Government is to provide guarantee for the loans repayment. All other internal and external loans projections are based on signed agreement.

155. **Personnel** – It is anticipated that the new minimum wage will impact on the wage bill from the fourth quarter of 2020. The projection is that total wage bill will increase by 2.5% in 2020, 12.5% in 2021 and 2.5% in 2022 and 2023.

156. **Overheads** – Overhead has been relatively stable over the last five years. It is anticipated that the status quo will remain. Consequently, a 5-year moving average without outliers is used to forecast overhead for 2022, 2023 and 2024.

157. **Social Contribution and Social Benefits** – With substantial increase in pension's payment which is considered as one off, 5-year moving average without outliers is used to estimate social contribution and social benefits for 2022 – 2024.

158. **Grants and Contributions** – Grants and contribution is estimated to increase by 2% every year.

159. **Public Debt Charge** – is based on the projected principal and interest repayment for 2022, 2023 and 2024.

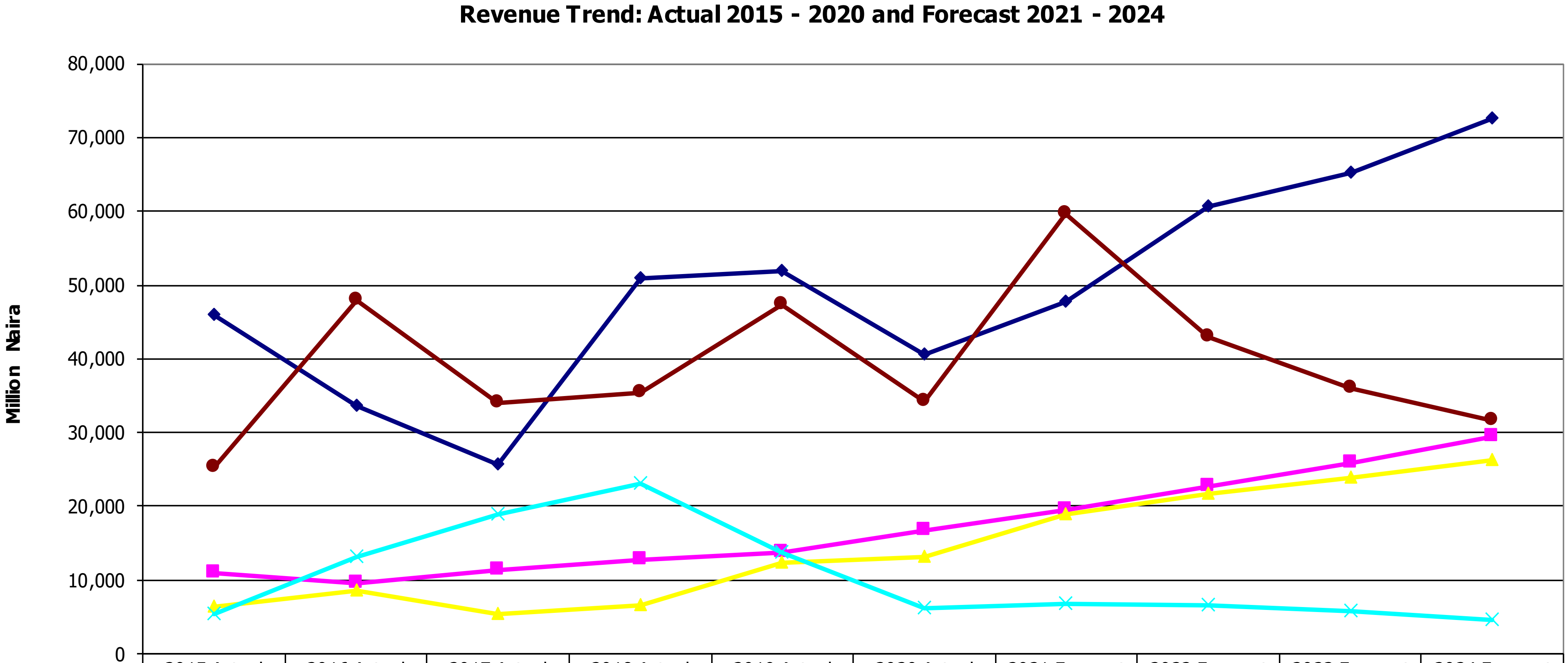
160. **Transfer to Local Governments** – is 10% of total IGR for 2022, 2023 and 2024.

161. **Capital Expenditure** – is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above.

3.C.2 Fiscal Trends

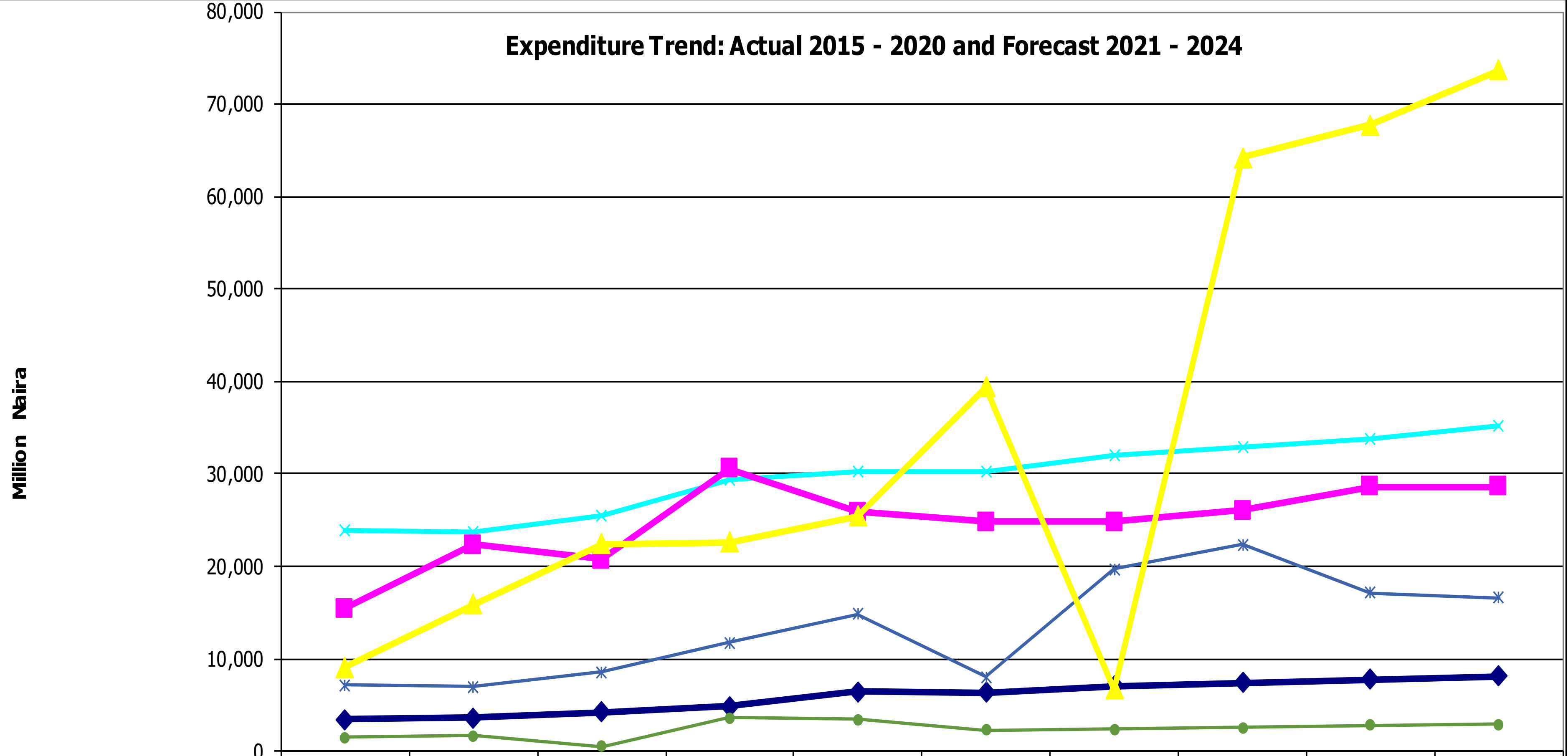
162. Based on the above envelope, plus actual figures for 2022 – 2024 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below:

Figure 17: Bauchi State Revenue Trend



	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Stat.Allocation	45,907,507,96	33,523,163,65	25,600,243,19	50,862,288,70	51,926,786,57	40,544,879,32	47,805,641,82	60,637,254,29	65,131,239,72	72,569,624,83
VAT	10,927,538,72	9,505,666,084	11,365,308,96	12,746,336,43	13,743,379,56	16,724,443,05	19,431,193,07	22,747,196,26	25,933,061,45	29,466,212,90
Total IGR	6,283,433,496	8,600,000,000	5,472,148,744	6,525,458,165	12,293,318,93	13,039,294,81	18,906,977,47	21,743,024,10	23,917,326,51	26,309,059,16
Other Federation Account Receipts	5,469,487,798	13,112,490,41	18,838,217,42	23,132,575,66	13,673,239,84	6,175,300,625	6,701,649,409	6,487,813,235	5,718,808,686	4,652,523,434
Capital Receipts	25,220,903,24	47,867,536,85	33,993,990,33	35,382,654,79	47,356,091,12	34,251,755,89	59,686,325,24	42,895,000,00	36,020,000,00	31,692,000,00

Figure 18: Bauchi State Expenditure Trend



	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast
Personnel Costs	23,960,374,905	23,767,011,453	25,557,464,232	29,371,568,202	30,196,671,551	30,191,779,346	31,974,767,916	32,901,879,798	33,865,779,077	35,190,458,413
Social Contribution and Social Benefit	3,443,540,002	3,591,174,689	4,243,041,785	4,836,977,789	6,474,519,910	6,387,830,500	7,026,613,550	7,377,944,228	7,746,841,439	8,134,183,511
Overheads	15,436,433,314	22,309,604,793	20,792,216,907	30,522,615,363	25,887,560,013	24,773,420,339	24,773,420,339	26,012,091,356	28,613,300,492	28,613,300,492
Grants, Contributions and Subsidies	1,482,941,892	1,648,143,276	540,383,946	3,599,424,041	3,388,476,792	2,288,377,544	2,402,796,422	2,522,936,243	2,775,229,867	2,913,991,360
Public Debt Service	7,146,352,779	7,003,908,265	8,586,245,749	11,737,571,581	14,828,052,822	8,025,217,196	19,663,274,058	22,341,340,924	17,093,815,738	16,594,131,610
Capital Expenditure	9,083,093,600	15,854,087,858	22,464,131,869	22,624,808,252	25,411,599,893	39,415,209,478	6,669,091,475	64,249,563,464	67,749,877,411	73,713,954,946

3.D Local Government Forecast

163. Based on the Macroeconomic assumptions in section 3.A, the forecasting techniques noted in section 3.B and the vertical and horizontal sharing ratios, the Federation Account revenues have been forecasted for the 20 Local Governments (LGs) of Bauchi State. In addition, LG share of the IGR estimate contained in the State Fiscal Framework (table 4 above) forecasts for 2020 are as follows:

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2022				
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	**Total Transfer**
ALKALERI	0.1967%	0.1382%	0.66%	2,828,210,318	888,208,024	341,322,889	14,259,655	**4,072,000,887**
BAUCHI	0.2376%	0.1734%	0.79%	3,415,361,830	1,114,664,783	412,183,337	17,220,036	**4,959,429,986**
BOGORO	0.1039%	0.0856%	0.35%	1,493,696,428	550,410,187	180,266,926	7,531,122	**2,231,904,664**
DAMBAN	0.1228%	0.0999%	0.41%	1,765,305,129	642,305,184	213,046,053	8,900,555	**2,629,556,922**
DARAZO	0.1558%	0.1215%	0.52%	2,239,362,256	780,994,210	270,257,692	11,290,721	**3,301,904,880**
DASS	0.1032%	0.0869%	0.34%	1,482,871,563	558,301,032	178,960,526	7,476,543	**2,227,609,664**
GAMAWA	0.1646%	0.1290%	0.55%	2,365,731,652	828,921,996	285,508,598	11,927,868	**3,492,090,114**
GANJUWA	0.1661%	0.1213%	0.55%	2,388,137,156	779,438,909	288,212,608	12,040,835	**3,467,829,508**
GIADE	0.1169%	0.1012%	0.39%	1,679,790,160	650,635,480	202,725,669	8,469,394	**2,541,620,705**
I/GADAU	0.1338%	0.1169%	0.45%	1,923,849,975	751,236,856	232,180,056	9,699,928	**2,916,966,816**
JAMA'ARE	0.1036%	0.0928%	0.35%	1,488,614,280	596,790,938	179,653,586	7,505,498	**2,272,564,303**
KATAGUM	0.1604%	0.1310%	0.53%	2,305,274,333	842,122,078	278,212,299	11,623,046	**3,437,231,756**
KIRFI	0.1319%	0.0992%	0.44%	1,895,978,123	637,753,622	228,816,339	9,559,400	**2,772,107,484**
MISAU	0.1540%	0.1241%	0.51%	2,213,906,285	797,373,773	267,185,536	11,162,374	**3,289,627,968**
NINGI	0.1974%	0.1506%	0.66%	2,837,071,937	967,788,731	342,392,354	14,304,335	**4,161,557,358**
SHIRA	0.1480%	0.1177%	0.49%	2,126,896,491	756,772,018	256,684,749	10,723,676	**3,151,076,934**
TAFAWA BALEWA	0.1455%	0.1147%	0.49%	2,091,965,782	737,449,920	252,469,132	10,547,558	**3,092,432,391**
TORO	0.2047%	0.1427%	0.68%	2,941,951,809	917,109,894	355,049,794	14,833,133	**4,228,944,630**
WARJI	0.1139%	0.0922%	0.38%	1,637,366,783	592,433,616	197,605,799	8,255,499	**2,435,661,697**
ZAKI	0.1275%	0.1086%	0.42%	1,832,165,507	698,145,856	221,115,106	9,237,661	**2,760,664,130**

3.E Fiscal Risks

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

Table 7: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Reliance on continued distribution of FAAC Revenue	High	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	Low	Medium	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.
Third wave outbreak of COVID-19	Low	Low	Not likely to happen.

165. There is no budget without risk. Therefore, implementation of the 2021 budget should be closely monitored to ensure conformity with Government development objectives.

4 Budget Policy Statement

4.A Budget Policy Thrust

166. The 2022 - 2024 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 ensure effective service delivery to the citizenry of Bauchi State. The Proposed 2022 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.

167. 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 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.

168. Hence, we propose the 2022 Budget to be tagged “**Budget of Continued Growth and Development** or **Budget of Consolidation”**.

4.B Sector Allocations (3 Year)

169. The total forecast budget size for the 2022 fiscal year as explained in Section 3.C above is N174,655,943,667 of which the sum of N94,156,192,549.00 representing 54% will be for recurrent expenditure (i.e. Personnel, Overhead, Social Contributions, Grants & Contributions and Public Debt Service) while N57,914,153,530 representing 46% will be for capital expenditure. N6,335,409,534 will be for planning reserve that will be allocated to sectors at bilateral discussion stage to fund critical expenditure items not envisaged at the stage of issuing the budget call circular. The capital expenditure component of N57,914,153,530 is in two parts, the discretionary capital expenditure of sum of N31,019,153,930 that will be spent across all MDAs and non-discretionary capital expenditure which is in forms of loans and grants to the tune of N26,895,000,000 is specifically earmarked for projects and programmes in Health, Education, Infrastructural Development, Agricultural Development, Community Development, Environment & Sewage Management and General Administration.

170. The indicative overhead and capital allocation (envelope) to the sectors for 2022 - 2024 based on budget projections as shown in tables 8, 9 and 10 below:

Table 8: Indicative Personnel Cost Sector Expenditure Ceilings 2022 - 2024

Personnel Expenditure by Sector							
No.	Sector	% 2022	2022 Allocation	% 2023	2023 Allocation	% 2024	2024 Allocation
1	Administration	13.98	459,869,054,916	11.78	398,868,471,365	30.46	1,071,956,986,112
2	Economic	15.90	523,064,928,667	17.73	600,442,031,410	13.39	471,238,183,203
3	Regional	0.19	6,118,912,828	0.00	0	0.27	9,369,266,545
4	Social	60.56	1,992,665,309,092	60.39	2,045,278,570,310	48.08	1,692,017,353,002
5	Law and Justice	9.38	308,469,774,313	10.10	341,988,834,598	7.80	274,464,052,473
	Total	**100.00**	**32,901,879,798**	**100.00**	**33,865,779,077**	**100.00**	**35,190,458,413**

Table 9: Indicative Overhead Cost Sector Expenditure Ceilings 2022 - 2024

Overhead Expenditure by Sector							
No.	Sector	% 2022	2022 Allocation	% 2023	2023 Allocation	% 2024	2024 Allocation
1	Administration	39.93	989,125,177,800	50.29	1,245,731,721,071	46.52	1,152,415,459,284
2	Economic	24.06	595,960,960,402	21.85	541,314,811,962	42.99	1,065,001,291,106
3	Regional	0.11	2,776,671,002	0.08	1,898,747,004	0.02	604,582,985
4	Social	32.72	810,678,682,642	25.33	627,529,809,278	8.13	201,484,978,515
5	Law and Justice	3.18	78,800,542,061	2.46	60,866,944,592	2.33	57,835,722,018
	Total	**100.00**	**24,773,420,339**	**100.00**	**24,773,420,339**	**100.00**	**24,773,420,339**

Table 10: Indicative Capital Expenditure Sector Ceilings 2022 - 2024

Capital Expenditure by Sector				Discretionary Funds			
No.	Sector	% 2022	2022 Allocation	% 2023	2023 Allocation	% 2024	2024 Allocation
1	Administration	8.19	67,340,918,744	9.28	134,703,745,583	4.16	79,800,435,693
2	Economic	53.53	439,971,181,817	51.71	750,572,069,249	53.81	1,032,740,638,491
3	Regional	4.94	40,632,291,527	0.00	0	10.69	205,225,547,828
4	Social	31.62	259,840,649,858	37.64	546,346,643,212	29.56	567,297,914,098
5	Law and Justice	1.71	14,054,884,951	1.36	19,754,055,907	1.78	34,143,351,662
	Total	**100.00**	**8,218,399,269**	**100.00**	**14,513,765,140**	**100.00**	**19,192,078,878**

4.C Considerations for the Annual Budget Process

171. The budget call circular will include the following instructions to MDA's for the annual budget submissions:

- Only prioritised projects contained in the sectors' MTSS should be in the MDAs capital budget proposal;
- Budget submissions for capital projects must include full life-time capital investment requirements (costs) and also sources of funding

(particularly if grants and/or loans are being used to partially or fully fund the project);

- Identify the goals and objectives of the MDA;
- Identify programmes and projects that are aimed at achieving the goals and objectives of the MDA in relation to government priority;
- Spread the programmes and projects over the period of three years most especially where they cannot be completed within a year;
- All capital budgets should be derived from priority areas of the Government and must be costed (attach Bill of Quantity);
- MDAs must provide cost benefit analysis of new capital proposals in their submissions;
- Making sure that all on-going projects and programmes that have direct bearing on the lives of the citizens are completed as at when due;
- Capital projects are to be prioritize based on their contributions to the economic and social development of the State in line with Government development agenda; and
- Exploring more sources of funds most especially from the development partners and donor organisations.

5 Summary of Key Points and Recommendations

172. Below is the summary of key points arising from this document:

- ✓ The projections for the various revenue and expenditure items are premised on credible forecasting techniques based on global best practice.
- ✓ The COVID 19 and its associated economic and fiscal effects had significantly exerted pressure on the State Fiscal Resources and to a large extent undermines the State 2021 Approved Budget implementation. Similarly, the fiscal policies and the budget policy statement are reflections of the State's economic status as well as the nation's economy while taking into consideration the global economic trend. Amendment to these projections were carefully considered based on the improved economic environment as well as reasonable and credible forecasting techniques in the preparation of the Budget.
- ✓ The projections for revenue items, especially from the federation account were conservatively arrived at from the arrays of forecasting options, and to reflect real economic status of the State.
- ✓ The Independent Revenue figures especially in the last one year has been very encouraging. However, it has been observed that some government Parastatals generate revenue, retain it and spend to meet their operational cost against the State laid down Financial Rules and Regulations.
- ✓ Grants and credits from Development partners and other Donor Agencies will be seriously explored by government as they provide additional source of funding;
- ✓ Government will continue providing conducive working environment to Development Partners through the timely payment of Government Cash Contribution (GCC) and other logistics;
- ✓ The Government will focus on eliminating waste and ensuring prudent and efficient use of scarce resources; and
- ✓ Extra budgetary spending will be sanctioned.