

**OCTOBER 23<sup>RD</sup>, 2019**

## **2019 THIRD QUARTER BUDGET REPORT**

### **Introduction and Background**

His Excellency, Hon Henry Serieke Dickson assented to the 2019 appropriation Act in 5<sup>th</sup> April 2019. The Act approved N299.835 billion as State Budget Revenue; aggregate expenditure of also N299.835 billion consisting of N204.552 billion recurrent spending and N95.283 billion for Capital spending.

The 2019 Budget was based on the Medium-Term Fiscal Framework of both the Federal Government and the State; and the outcomes of the 2019-2021 Medium Term Sector Strategies of all MDAs of the State.

The 2019 budget builds upon and consolidates past macroeconomic and budgetary reforms and initiatives of this Administration under the leadership of His Excellency, Henry Serieke Dickson. Hence it is christened “Repositioning for Consolidation”. It gives priority to, and makes ample provision for improving physical infrastructure, human capital development, agriculture and health.

This report presents an assessment of the implementation of the 2019 fiscal year Budget

### **Revenue Performance**

An analysis of the actual revenue receipts accruing to the State during third quarter ending September 30th 2019 from Federal Allocation and IGR is slightly below projections. The budgeted revenue from federal allocations for the year is N243.392 billion, however, actual receipts for the third quarter of 2019 was N40.284 billion. This is N2.547 billion or 6.75% higher than year 2019 second quarter. IGR faired by N2.499 billion or 12.02 % of the projected estimate of N20.793 billion which is N0.406 billion or 13.96% lower than year 2019 second quarter. Consequently, a total revenue of N42.783 billion was available for implementation in the third quarter. This of course, is N32.176 billion or 42.92% fell short of its third quarter estimates of N74.959 billion if we are to equally divide the revenue for the year.

The table below shows the State's revenue performance.

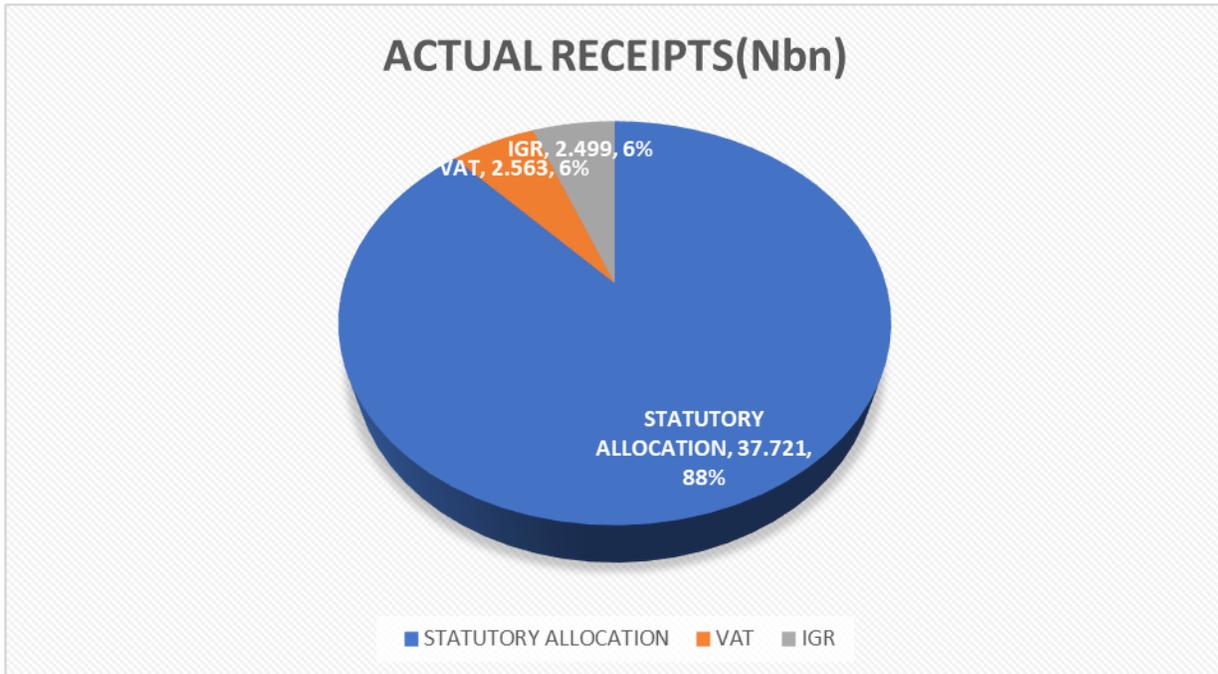
Table 1: Total Actual Receipts Third Quarter of 2019.

S/ N	Source of Revenue	Year 2019 Approved Budget (NBN)	2019 Actual Receipts for 2 <sup>nd</sup> quarter (NBN)	2019 Actual Receipts for 3 <sup>rd</sup> quarter (NBN)	% Performance
1	Transfers from Federal Govt				
	Statutory Allocation	233.596	35.142	37.721	16.15
	VAT	9.796	2.595	2.563	26.16
	<b>Federal Allocation</b>	243.392	37.737	40.284	16.55
2	IGR	20.739	2.905	2.499	12.05
	Others				
	<b>IGR</b>	20.739	2.905	2.499	12.05
3	Capital Receipts				
	Internal Loans	25.662	0		
	Grants	10.042	0		
	Others		0		
	<b>Capital Receipts</b>	<b>35.704</b>	0		
	<b>Total</b>	299.835	40.642	42.783	14.27

Source: Bayelsa State Ministry of Finance.

For the third quarter of 2019 16.55% (N40.284bn) of estimated federal allocation was realized while 12.05% (2.499bn) of estimated IGR was realized.

## Chart 1 Showing Actual Receipts Third Quarter of 2019



As seen in the chart above, Federal Allocations contributed about 94% (Statutory Allocation 88% and VAT 6%) of the State's revenue in the third quarter while IGR account for about 6%.

### **Statutory Allocation**

Budgeted revenue from statutory allocations for 2019 is N243.392 billion and in the third quarter N40.284 billion was realized, Statutory Allocation being N37.720bn and VAT N2.563bn.

### **Internally Generated Revenue**

The 2019 Budget for IGR is estimated at N20.793 billion, representing an increase of 32.55 % over the 2018 actual receipt. This ambitious projection is as a result of the various steps the State Government has taken to improve IGR collection in the State. Some of these include:

Ensuring a tax friendly environment in the state

Assignment of revenue collection to specific MDAs to eliminate conflict and overlaps

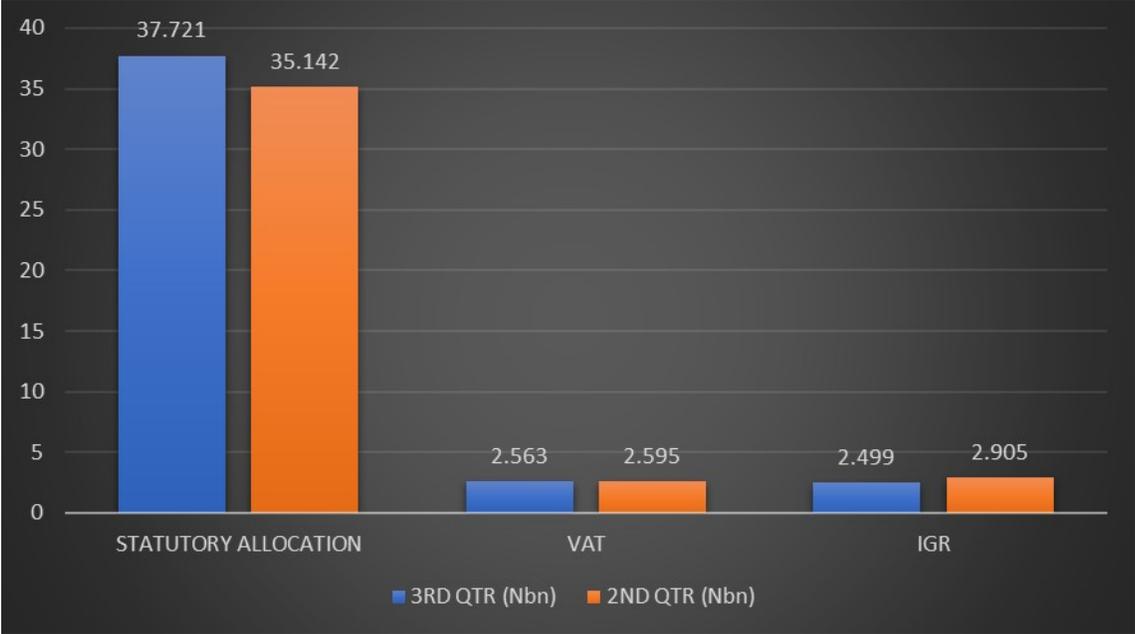
Optimisation of the process for revenue collection and reporting and the operation of revenue bank accounts;

Implementation of performance incentives for the revenue generating MDAs; and

Provision of high-level guidelines for revenue collection, enlightenment and enforcement

In the third quarter, N2.499bn or 12.02 % of estimated IGR of 20.793bn is realized.

Chart 2 Showing Third quarter and Second quarter of 2019



## Expenditure Performance

### Expenditure Profile

A total sum of N299.835 billion was appropriated by the State House of Assembly for the 2019 fiscal year. Of this, about N95.283 billion or 37.78% was allocated to capital expenditure, N54.190 billion or 18.07% to personnel costs, N79.252 billion or 26.43% to overhead expenditure while N36.110 (12.04%) and N35.0 billion (11.67%) were allocated to statutory transfers and debt serving respectively.

For the third quarter of 2019 N34.421 billion or 11.48 % of the year budget estimates had been paid out by the State treasury. Of this, N13.088 billion or 38.02% was expended on personnel costs, N12.885 billion or 37.43% was expended on overhead cost totaling N25.973 billion or 75.46% expended on recurrent expenditure while N8.448 billion or 24.54% was spent on capital expenditure.

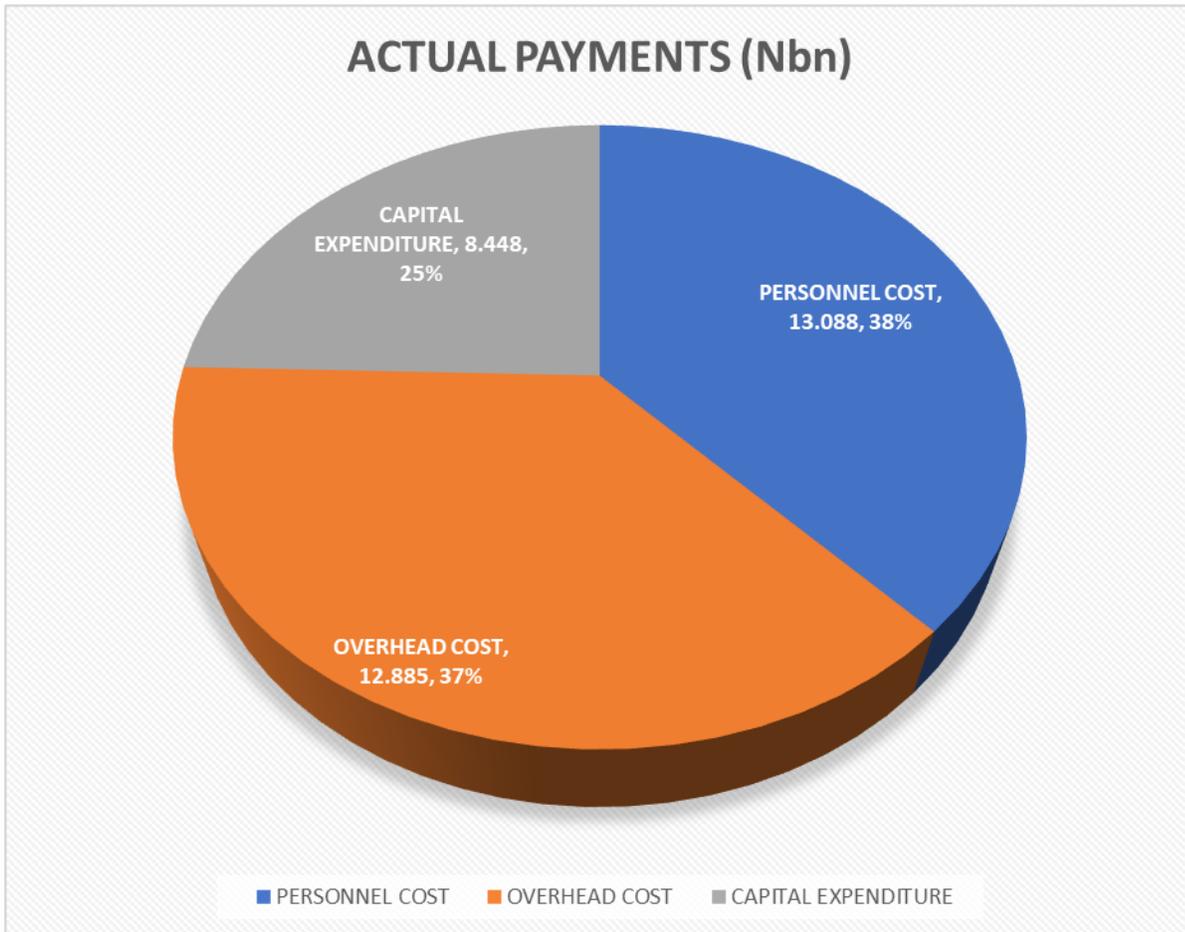
The capital budget implementation shows that about N8.258 billion or 98% of the total actual payout of N8.448 billion of capital payment was paid out to the economic sectors. Capital expenditure of the quarter is N0.310bn or 3.81% higher than the second quarter.

*Table 2: Analysis of Expenditure for third quarter of 2019*

S / N	Expenditure Item	2019 Year Budget (NBN)	Actual Payments (NBN)	% age of Total Actual Payments	% Performance
1	Capital	95.283	8.448	24.55	8.87
2	Personnel Cost	54.190	13.088	38.02	24.15
	Pensions & Gratuity	7.000			
3	Overheads	79.252	12.885	37.43	16.26
4	Statutory Transfer	29.110			
5	Debt Servicing	35.000			
6	Others including FAAC Deduction				
	<b>Total</b>	299.835	34.421	100	11.48

*Source: 2019 Approved Budget for Bayelsa State and State Budget and Control Department*

Chart 3 Showing Actual Payments for Third Quarter of 2019



### Capital Budget Implementation Status for Third Quarter of 2019

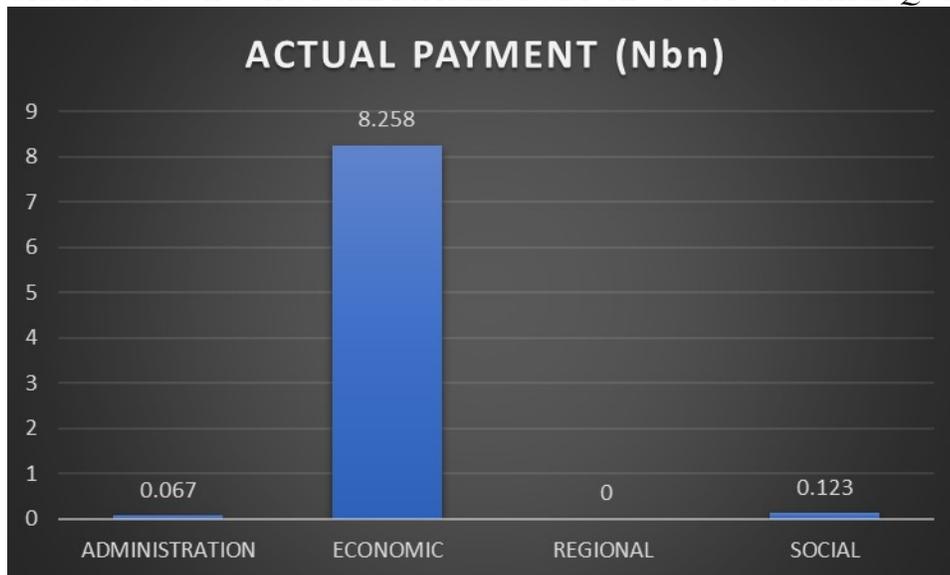
As shown in table 2 below, the Economic sector has the highest priority in 2019 Budget receiving approximately 98% of the total paid out CAPEX budget for the quarter. This is due to the emphasis on Works and Infrastructure as a means of providing critical infrastructure that is required for the development of the State

Table 5: Actual Capital Payments to Sectors

S / N	Sector	Actual Payments Amount (Nbn)	% age of Total Actual Payments
1	ADMINISTR ATION	0.067	0.79
2	ECONOMIC	8.258	97.75
3	LAW AND JUSTICE		
4	REGIONAL		
5	SOCIAL	0.123	1.46
	TOTAL	8.448	100%

Source: State Budget Office &, Ministry of Finance

CHART SHOWING ACTUAL PAYMENTS BY SECTOR FOR THIRD QUARTER OF 2019



As shown in the table above and chart below in the third quarter of 2019, only the Economic sector received as payments 8.87% of the amount budgeted for capital expenditure. The Ministry of Works and Infrastructure because of its critical nature to the State Government’s received more than 90% of the actual payment in the economic. The implementation of the capital expenditure budget based on the amounts paid out by the State Treasury does not include the physical verification and inspection of the various projects.

## **Analysis of Recurrent Expenditure**

The approved total recurrent estimates for the 2019 fiscal year stood at N204.552 billion. Total recurrent expenditure (personnel costs, overheads and CRFC) from July to September stood at about N25.973 billion or 75.46% of total payments

OCTOBER 18, 2018