

2019 SECOND QUARTER BUDGET REPORT

Introduction and Background

His Excellency, Hon Henry Serieke Dickson assented to the 2019 appropriation Act in 5th 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 second quarter ending June 30th 2019 from Federal Allocation and IGR is slightly below projections. The budgeted revenue from federal allocations for the year is N243.392billion, however, actual receipts for the second quarter of 2019 was N37.737 billion. This is N15.901 billion or 29.64% lower than year 2019 first quarter. IGR faired by N2.905 billion or 14.01 % compared to the projected estimates of N20.793 billion which is N0.015 billion or 0.52% higher than year 2019 first quarter. Consequently, the second quarter ending June 2018, the total revenue of N40.642 billion available for implementation of the State Government Budget fell short of its second quarter budgeted estimates of N74.959 billion by N34.317 billion or 54.22% negative variance if we are to equally divide the revenue for the year.

The table below shows the State's revenue performance.

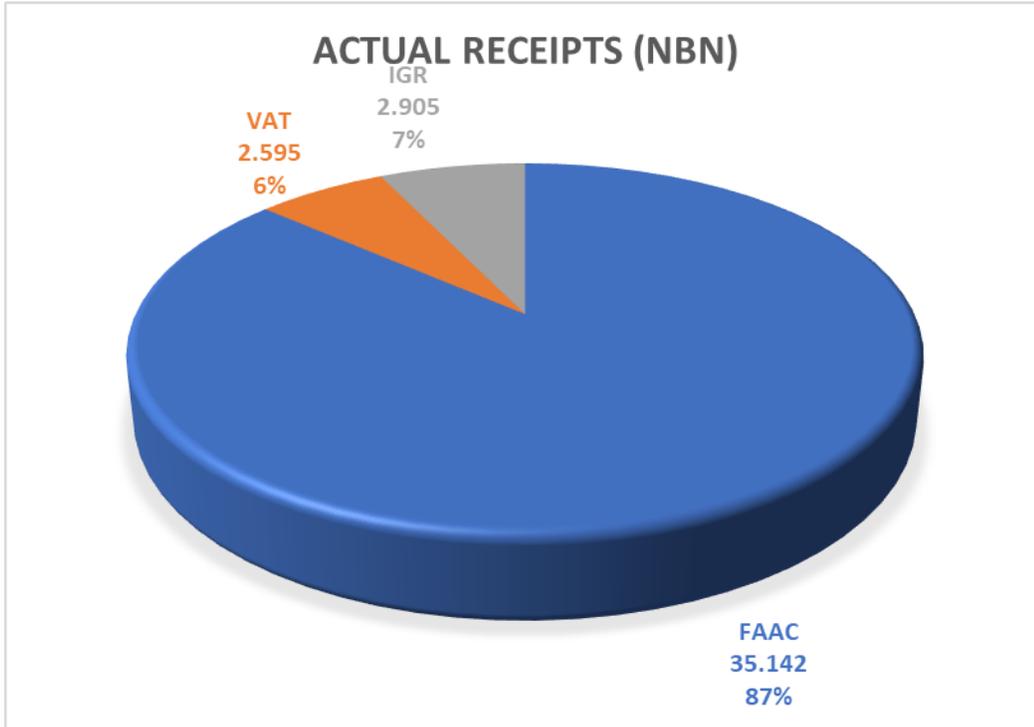
Table 1: Total Actual Receipts Second Quarter of 2019.

S/ N	Source of Revenue	Year 2019 Approved Budget (NBN)	2019 Actual Receipts for 1 st quarter (NBN)	2019 Actual Receipts for 2 nd quarter (NBN)	% Perfor mance
1	Transfers from Federal Govt				
	Statutory Allocation	233.596	50.964	35.142	15.04
	VAT	9.796	2.674	2.595	26.94
	Federal Allocation	243.392	53.638	37.737	15.50
2	IGR	20.739	2.890	2.905	14.01
	Others				
	IGR	20.739	2.890	2.905	14.01
3	Capital Receipts				
	Internal Loans	25.662		0	
	Grants	10.042		0	
	Others			0	
	Capital Receipts	35.704		0	
	Total	299.835	56.528	40.642	13.55

Source: Bayelsa State Ministry of Finance.

For second quarter ending June 30th June 15.50 % (37.737Nbn) of estimated federal allocation was realized while 14.01% (2.905bn) of estimated IGR was realized.

Chat 1 Showing Actual Receipts from April-June 2019



As seen in the chart above, Federal Allocations contributed about 93% (Statutory Allocation 88% and VAT 5%) of the State’s revenue in the second quarter while IGR account for about 7%.

Statutory Allocation

Budgeted revenue from statutory allocations for 2019 is N243.392 billion and in the second quarter N37.737 billion was realized, Statutory Allocation being N35.142bn and VAT N2.595bn.

Internally Generated Revenue

The 2018 Budget for IGR is estimated at N20.739 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

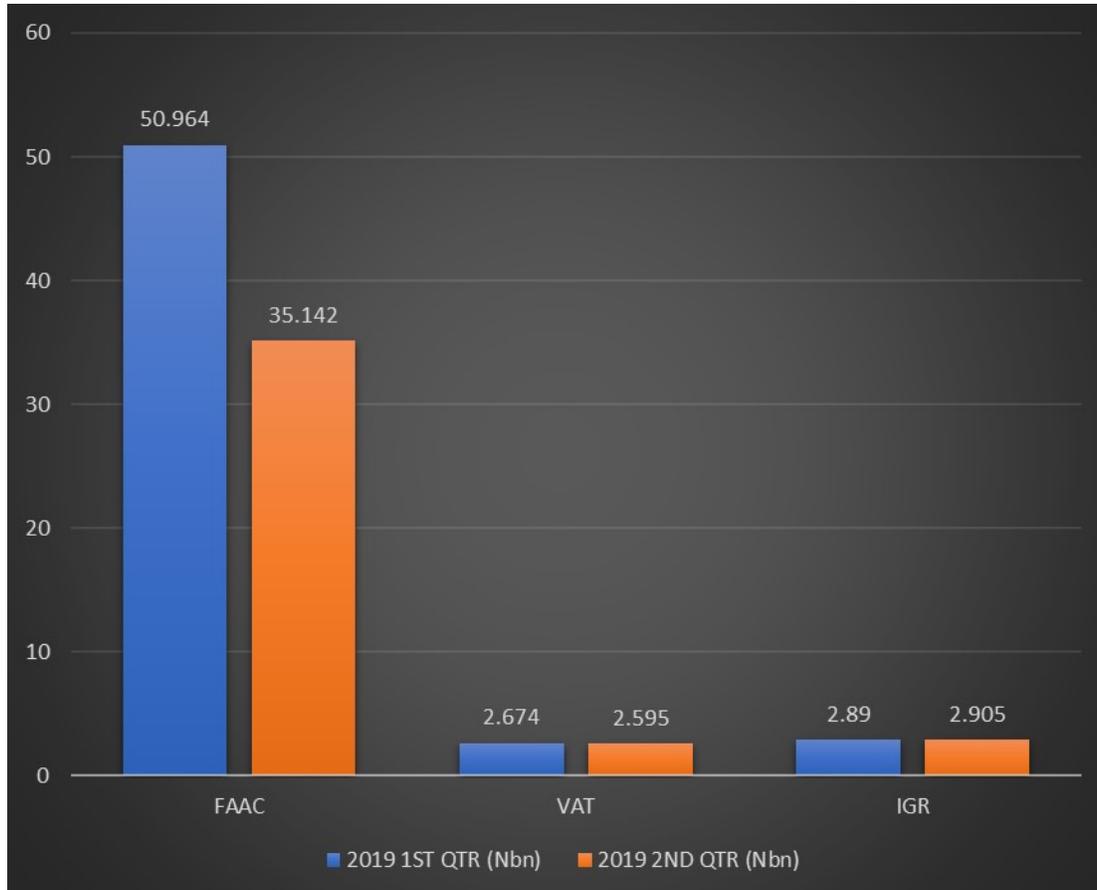
- Optimisation of the process for revenue collection and reporting and the operation of revenue bank accounts;

- Implementation of performance incentives for the revenue generating MDAs; and

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

In the second quarter, N2.905bn or 14.01 % of estimated IGR of 20.739bn is realized.

Chart 2 Showing First quarter 2019 and Second quarter 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 second quarter of 2019 N32.945 billion or 10.99 % of the year budget estimates had been paid out by the State treasury. Of this, N12.461 billion or 37.82 % was expended on personnel costs, N12.346 billion or 37.47 % was expended on overhead cost, totaling N24.807 billion or 75.30% expended on recurrent expenditure while N8.138 billion or 24.70% was spent on capital expenditure.

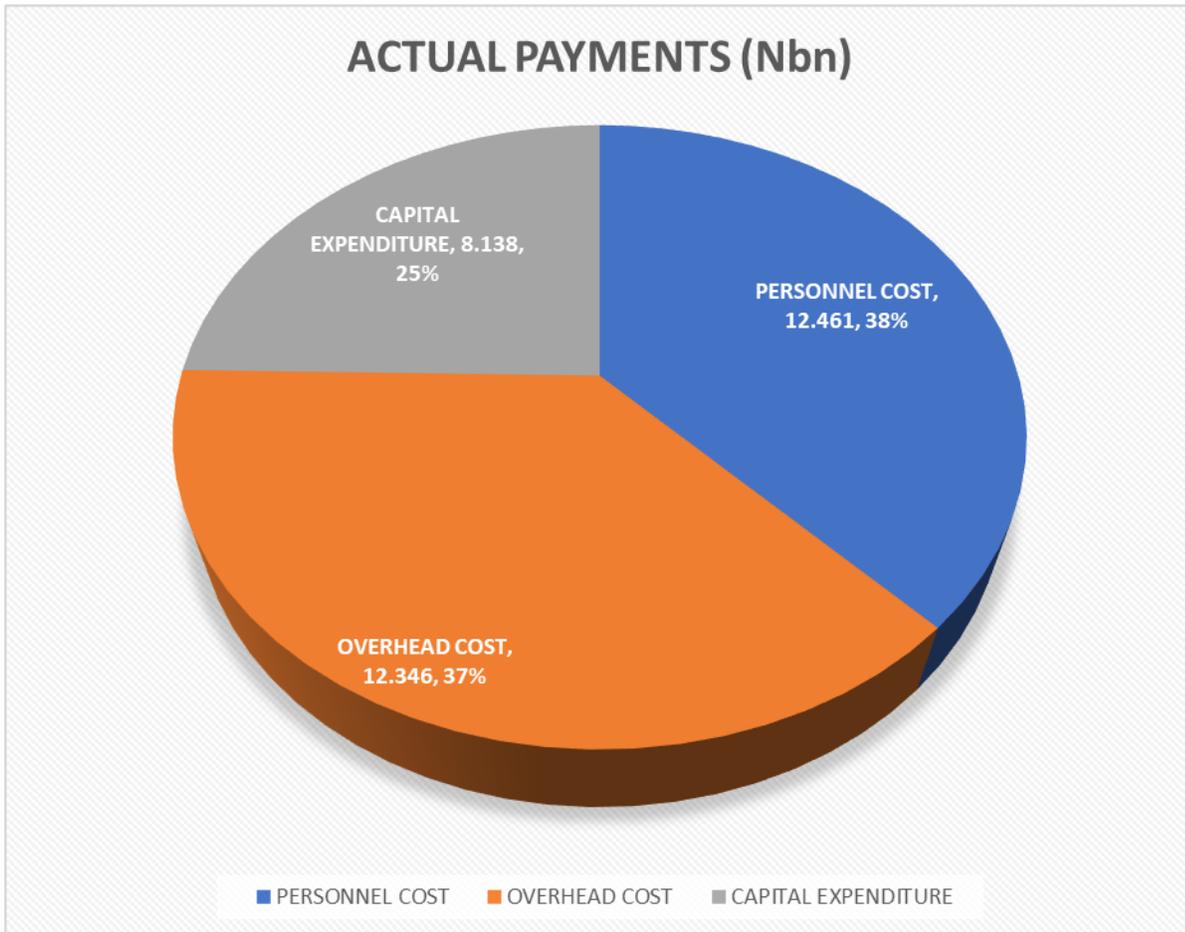
The capital budget implementation shows that about N7.493 billion or 92.07% of the total actual payout of N8.138 billion of capital payment was paid out to the economic sector which incidentally has the highest allocations of the State's capital expenditure budget

Table 2: Analysis of Expenditure (April-June, 2019)

S / N	Expenditure Item	2018 Actual Budget Amount (NBN)	% age of Total Actual Payments	2019 Year Budget (NBN)	Actual Payments (NBN)	% age of Total Actual Payments	% Performance
1	Capital	15.268	40.09	95.283	8.138	24.70	8.54
2	Personnel Cost	11.613	30.49	54.190	12.461	37.82	23.00
	Pensions & Gratuity			7.000			
3	Overheads	6.854	18.00	79.252	12.346	37.48	15.58
4	Statutory Transfer			29.110			
5	Debt Servicing			35.000			
6	Others including FAAC Deduction	4.351	11.42				
	Total	38.086	100.00	299.835	32.945	100	10.99

Source: 2018 Approved Budget for Bayelsa State and State Budget and Control Department

Chart 3 Showing Actual Payments for Second Quarter of 2019



Capital Budget Implementation Status of Second Quarter of 2019

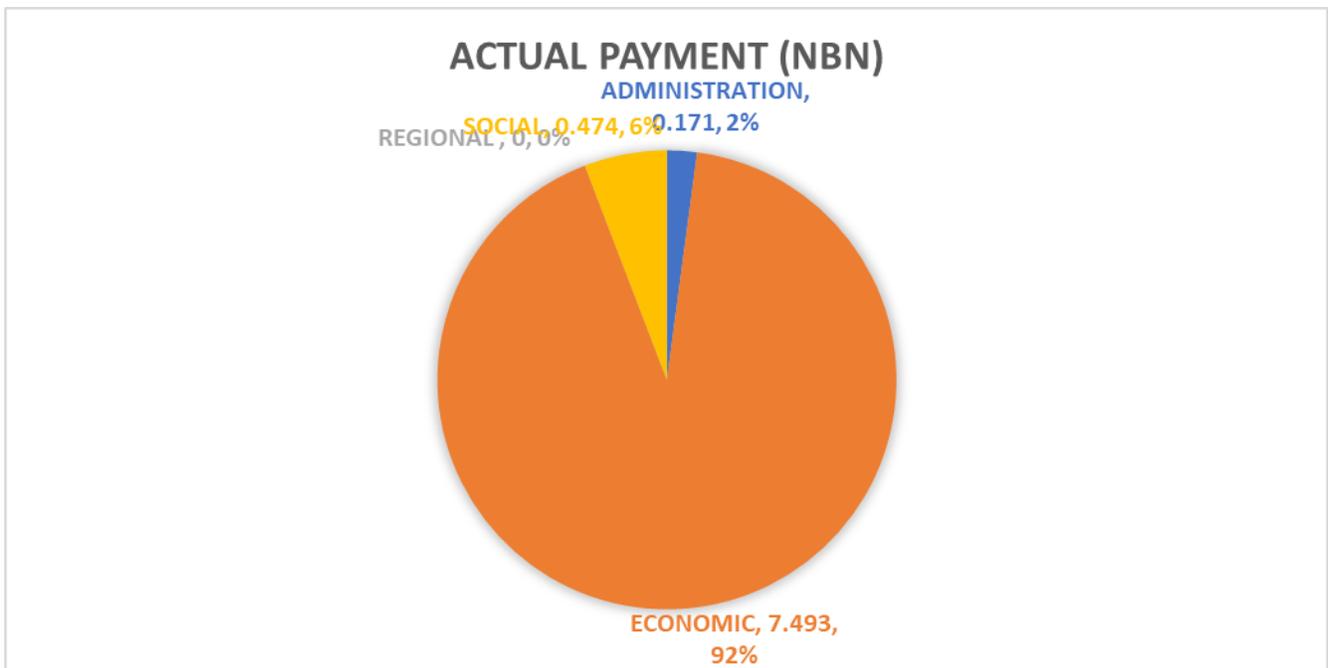
As shown in table 2 below, the Economic sector has the highest priority in 2019 Budget receiving approximately 92.07% of the total paid out CAPEX budget for the quarter. This is due to the emphasis on Works and Infrastructure as a means of providing critical infrastructure that is required for the development of the State

Table 5: Actual Payments to Sectors

S / N	Sector	Actual Payments Amount (Nbn)	% age of Total Actual Payments
1	ADMINISTR ATION	0.171	2.10
2	ECONOMIC	7.493	92.07
3	LAW AND JUSTICE	0	0
4	REGIONAL	0	0
5	SOCIAL	0.474	5.83
	TOTAL	8.138	100%

Source: State Budget Office &, Ministry of Finance

CHART SHOWING ACTUAL PAYMENTS BY SECTOR AS AT 30TH JUNE 2019



As shown in the table above and chart below in the second quarter of 2019 only the Economic sector received as payments 92% of the amount budgeted for capital expenditure. The Ministry of Works and Infrastructure is critical to the State Government's goal of providing adequate infrastructure required for the development of the state as more than 80% of the actual payment in the economic sector was paid to Ministry of Works & Infrastructure to realize this dream

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 April to June stood at about N24.807 billion or 75.30% of total payments.

JULY 23, 2018