2018

4th QUATERLY BUDGET IMPLEMENTATION

ACTUAL BUDGET PERFORMANCE

TARABA STATE OF NIGERIA
TARABA STATE PLANNING COMMISSION
QUARTERLY BUDGET ANALYSIS

1.0 INTRODUCTION

The 2018 Budget tagged “The Budget of Sustainable Growth” is the successor of the 2017 Rescue Budget anchored on macroeconomic objectives of economic growth and development such as poverty reduction, capital formation, agricultural transformation and infrastructural development. The Budget is also fashioned to ensure prudent management of scarce fiscal resources so as to lay the foundation for rapid and sustainable growth as well as create an atmosphere where development will strive.

The 2018 Budget was an output of 2018 – 2020 Medium Term Expenditure Framework (MTEF) drawn from the State’s Long Term Development Pan (The Rescue Plan “2016-2025) which focused on placing the State on top of the North eastern States’ economies. For that reason, emphasis was laid on capital expenditure for the completion of key priority projects which were ongoing and in line with the developmental goals of the government. This could be attested to through the commitment of resources to critical areas such as Environmental Improvement, Water and Rural Development, Power, Road, Infrastructure, Housing and Urban Development, Improvement to Human Health, Enhancing Skills and Knowledge.

This report is intended to present 2018 Fourth Quarter Budget performance. The report presents the detail budget performance on: personnel, overhead, capital, capital receipts and revenues. We also used tables, pie-chart, trend graph and bar charts for performance analyses. This is followed by key issues, recommendations and conclusion.

2.0 MACROECONOMIC DEVELOPMENT AND ANALYSIS

2.1 Global Economic Overview

At the global level, World Gross Product (WGP) is forecast to expand at a steady pace of 3.0 per cent in 2018 and 2019. Developing economies remain the main drivers of the global growth. In 2017, East and South Asia accounted for nearly half of the global growth, as both regions continue to expand at a rapid pace. The Chinese economy alone contributed about one-third of global growth during the year.

However, stronger economic activity has not been shared evenly across countries and regions, with many parts of the world yet to regain a healthy rate of growth. Moreover, the long-term potential of the global economy continues to bear a scar from the extended period of weak investment and low productivity rate growth that followed the global financial crisis. Widespread weakness in wage growth, high levels of debt and elevated levels of policy uncertainty continue to restrain a firmer and more broad-base rebound in aggregate demand. At the same time, a number of short-term risks, as well as a build-up of longer-term financial vulnerabilities could derail the recent upturn in global economic growth.

The recent acceleration in WGP growth, from a post crisis low of 2.4 per cent in 2016, stems predominantly from firmer growth in several developed economies. Cyclical improvement in Argentina, Brazil, Nigeria and Russian federation, as these economies emerged from recession, also explain roughly a third of the rise in the rate of global growth in 2017.

The position of global demand has shifted more towards investment over the last year. Gross fixed capital formation accounted for roughly 60% of the acceleration in global economic activity in 2017. This improvement however, is relative to a very low starting point, following two year of exceptional weak investment growth, and prolonged period of lacklustre global investment activity. Business investment contracted in a number of large economies in 2016, including Argentina, Australia, Brazil, Canada, the Russian federation, South Africa, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

While investment is no longer a drag on global growth, the recovery remains moderate and contained to a relatively narrow set of countries. A more entrenched recovery in investment growth is likely to be held back to elevated levels of uncertainty over future trade policy arrangements, the impact of balance sheet adjustments in major central banks, as well as high debt and build-up of long –term financial fragilities.

(Nigeria Economic Outlook, January 22, 2019.)

2.2 Overview of the Nigerian Economic Performance

The economy of Nigeria grew 1.8 percent year-on-year in the third quarter of 2018, up from a 1.5 percent expansion in the prior period, as non-oil rose faster and oil sector shrank less. On a quarterly basis, the economy advanced 9.5 percent, higher than a 2.9 percent growth in the previous quarter.

The oil sector shrank 2.9 percent year-on-year in the three months to September of 2018, following a 4 percent contraction in the prior period. The country produced 1.94 million barrels of crude oil per day, lower than 2.02 mbpd in the same period a year ago. As a result, the oil sector accounted for 9.4 percent of GDP compared to 9.8 percent a year earlier while the non-oil sector increased by 2.3 percent, after expanding 1.5 percent in the second quarter.

Output advanced further for information and telecommunication (12.1 percent compared to 11.8 percent in Q2); food and accommodation services (2.7 percent compared to 2.4 percent); electricity, gas, steam and air conditioning supply (18.3 percent compared to 7.6 percent); manufacturing (1.9 percent compared to 0.7 percent) and financial and insurance (4.8 percent compared to 1.3 percent). Also, production rebounded for internal trade (1 percent compared to -2.1 percent) while it increased at the same pace for agriculture (1.9 percent, the same as in Q2). On the other hand, output slowed for transportation and storage (12 percent from 21.8 percent); arts, entertainment and recreation (2.8 percent compared to 3.5 percent); water supply, sewerage, waste management and remediation (2.3 percent compared to 12 percent); construction (0.5 percent compared to 7.7 percent). Meanwhile, output declined less for real estate activities (-2.7 percent compared to -3.9 percent); mining and quarrying (-2.8 percent compared to -3.8 percent); education (-0.4 percent compared to -0.7 percent) and public administration (-1 percent compared to -5.2 percent) and production fell for social services (-0.7 percent compared to 0.4 percent).

On a quarterly basis, the economy advanced 9.5 percent, higher than a 2.9 percent growth in the previous quarter. The economy of Nigeria expanded 1.9 percent year-on-year in the first quarter of 2018, easing from an upwardly revised 2.1 percent growth in the previous period and grew at1.5 percent year-on-year in the second quarter of 2018, slowing from a 1.9 percent expansion in the prior period. It was the weakest growth rate since the third quarter of last year, as oil output shrank while non-oil sector continued to rise. On a quarterly basis, the economy advanced 2.9 percent, after contracting 13.4 percent in the previous quarter.

Nigeria is the biggest economy in Africa. Service is the largest sector of the economy, accounting for about 50 percent of total GDP. One of the fastest growing segments in Services are Information and Communication, which together account for about 10 percent of the total output. Agriculture, which in the past was the biggest sector, now weights around 23 percent. Crude Petroleum and Natural Gas constitute only 11 percent of total GDP, while being the main exports. Industry and Construction account for the remaining 16 percent of GDP.

Available data suggests economic activity remained relatively weak in the final quarter of 2018, following a modest showing in Q3 which was propped up by higher oil production. The PMI edged down in December and brought the Q4 average below that of Q3's, signalling waning momentum of business activity towards the end of the year. On the demand side, multi-year high unemployment in Q3 coupled with still-elevated inflationary pressures through year-end likely weighed on private consumption in Q4. This comes against the backdrop of the upcoming presidential election of 16 February which is set to be a two-horse race between incumbent President Muhammadu Buhari and Atiku Abubakar, a businessman and former vice-president. Although both candidates take a similar stance on certain economic issues, they differ sharply over the management of the foreign exchange system and the vital oil industry. Thus, were Abubakar to win, the possibility arises that economic policy is reoriented going forward.

The economy is expected to gain traction this year, on the back of stronger household consumption and public spending. The recent slide in oil prices and announced OPEC oil output cuts pose downside risks going forward, however. Political uncertainty over the outcome of next month's general election also clouds the outlook. Focus Economics panellists see GDP increasing 2.4% in 2019, down 0.1 percentage points from last month's estimate, and 2.9% in 2020 (Nigeria Economic Outlook, January 22, 2019.)

2.3 TARABA STATE ECONOMIC PERFORMANCE

Taraba State is basically an agrarian economy with about 80% of the population engaged in farming of different types of crops, livestock e.t.c. Other economic potentials of the state include solid minerals and tourism. However, the State still relies heavily on the Federation Account for her economic development because most of the State's economic potentials are yet to be exploited. The State government created the ministries of Mining and Power to ensure the State takes maximum benefits of the solid minerals and provide supplementary energy for small and medium scales enterprises. Proceeds from the federation account have been on the average of N55 billion in the periods 2015 – 2018. While IGR averaged was N4-5 billion within the same period under review.

3.0 FINANCIAL ANALYSIS OF THE 2018 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2018 Budget was predicated on some key micro-economic assumptions which include the prevalent crude oil price, oil production level, exchange rate, IGR growth rate, State share from FAAC growth rate, and State share from VAT growth rate. However the aggregate resort ceiling available to the State government for 2018 fiscal year was derived from the national micro-economic projection.

4TH QUARTER REVENUE INFLOW TABLE

Table 31

S/N	Description	Approved Budget 2018	Quarterly Estimate	Actual 4th Quarter 2018	% Performance
		₦	₦	₦	%
1	**Opening Balance (Oct-2018)**				
2	**Receipts:**				
3	Statutory Allocation	51,880,822,181.90	12,970,205,545.48	9,495,471,897.72	73.20
4	Value Added Tax	9,227,089,431.00	2,306,772,357.75	2,546,444,048.31	110.39
5	Independent Revenue	6,353,554,840.00	1,588,388,710.00	3,027,680,556.18	190.61
6	Aid & Grants	4,830,565,001.00	1,207,641,250.25	537,360,975.94	44.50
7	Paris Club Refund	5,612,014,491.51	1,403,003,622.88	-	
8	Capital Receipts & Transfers to CDF(FGN Refunds	30,000,000,000.00	7,500,000,000.00	-	
9	Internal Loans	17,454,174,552.00	3,113,543,638.00	-	
10	External Loan	4,226,409,198.00	1,056,602,299.50	-	
	Total Projected Funds Available	**129,574,154,695.41**	**32,393,538,673.85**	**15,606,957,478.15**	

Source: SPC & Office of the Accountant General, Jalingo

3.2 REVENUE INFLOW ANALYSIS

The 2018 budget approved figure of N129,574,154,695.41 was to be generated from the sources stated in table 3.1 above. Since this is a quarterly report, for the purpose of convenience of the analysis, we decided to project all items (revenue and expenditure) from the total approved estimate evenly though the propensity to generate and or expend may not be the same in the quarters.

The bulk of the revenue expected for this quarter is from the statutory allocation of N12,970,205,545.48 out of which the sum of N9,495,471,897.72 (73.21%) was generated thereby leaving a shortfall of N3,474,733,647.76. On the contrary, the sum of 2,306,772,357.75 was expected from VAT for the period but the sum of N2,546,444,048.31(110.39%) was generated ie N23,671,690.56

higher. The IGR performance for the period took the lead in beating the target by generating N3,027,680,556.18(190.61%) instead of N1,588,388,710,00 making an excess of N1,439,291,846.18. Aids and Grant generated the sum N537,360,075.94 (44.5%) of the expected N1,207,641,250.25 thereby allowing a shortfall of N670,280,274.31. However, performance data are on Paris Club Refund, Internal Loan and External Loan are nil.

From the above, the total revenue performance for the period under review stood at N15,606,957,478.15(48.18%) as against N32,393,538,673.85 ie a shortfall of N16,786,581,195.70 of the expected.

Fig. 3.1

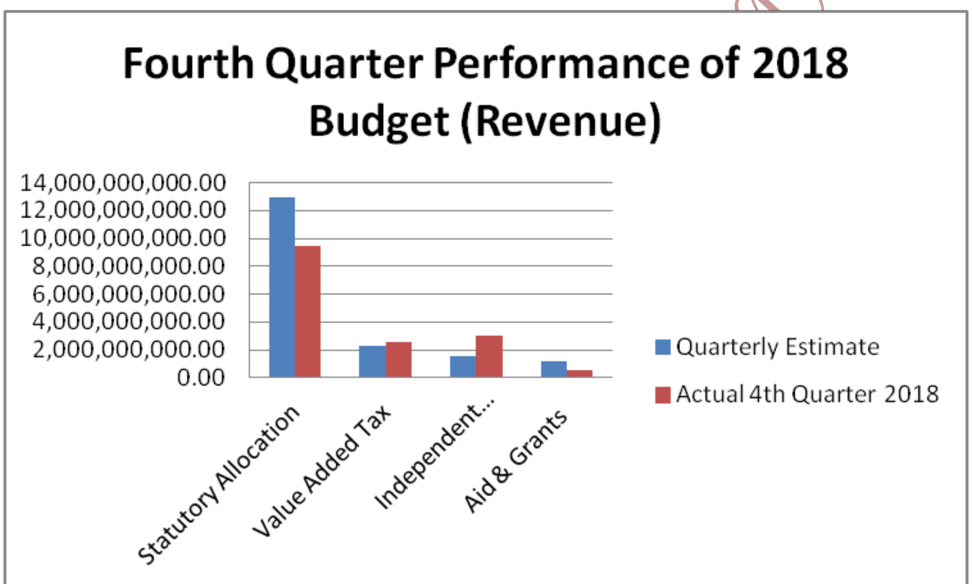
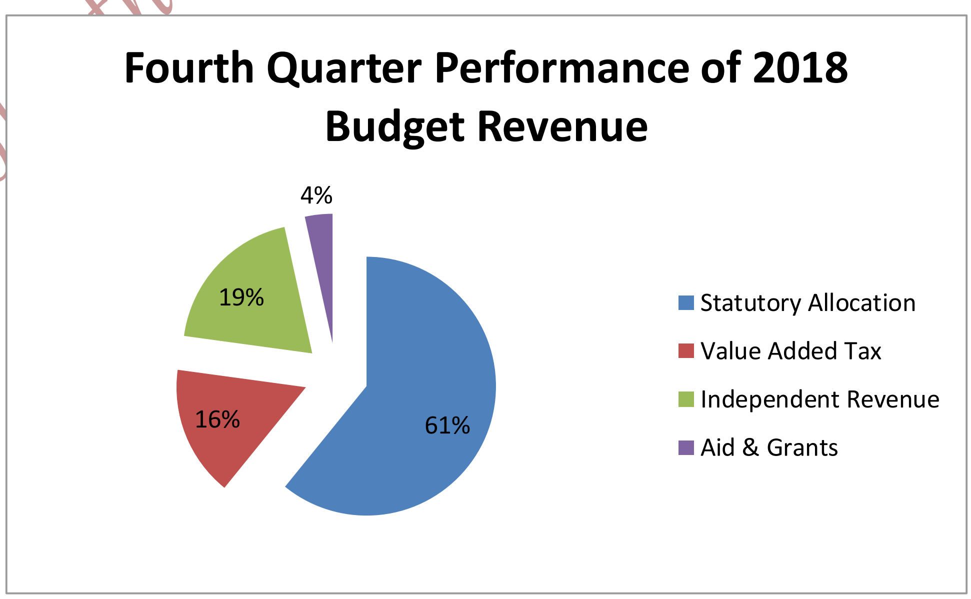


Fig.3.2



4TH QUARTER EXPENDITURE TABLE

Table 3.2

S/N	DESCRIPTION	2018 Approved Budget	Quarterly Estimate	Actual Oct-Dec 2018	% Performance
	Recurrent Debts				
1	CRF Charges	18,022,699,633.72	4,505,674,908.43	348,982,573.83	7.75
2	Internal Loan Repayment	5,779,107,531.00	1,444,776,882.75	-	-
3	External Loan Repayment		-	-	-
5	Personnel Cost	22,976,862,472.21	5,744,215,618.05	5,437,680,215.68	94.66
6	Overhead Cost	17,701,840,185.48	3,692,810,489.50	3,886,125,445.23	105.23
	Total Recurrent	**58,701,402,291.41**	**14,675,350,572.85**		
	Capital	**70,872,752,404.00**	**17,718,188,101.00**	**4,117,795,806.80**	23.24
	GRAND TOTAL	**129,574,154,695.41**	**32,393,538,673.85**	**13,790,584,041.54**	

As stated in the revenue analysis above, the expenditures are projected evenly from the 2018 approval of each item, though the propensity to expend may not be the same for all the quarters. Furthermore, we wish to emphasise that table 3.2 above is populated based on the response to data request from our MDAs.

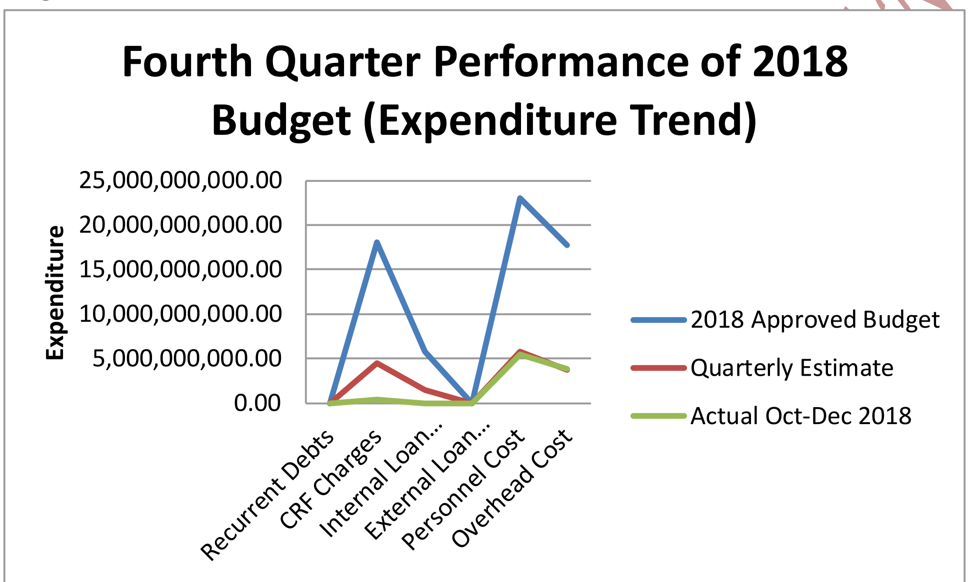
The expenditure side as we all know is usually classified into recurrent and capital. On the recurrent aspect, the sum of N5,744,215,618.05 was estimated for personnel out of which N5,437,680215.68 (94.66%) was expended thereby leaving a balance of N270,072,045.01, while the sum of N3,692,810,489.50 was estimated for overhead but N3,886,125,445.23 (105.23%) was actually expended within the period under review i.e N193,314,955.73 higher than the estimated. For CRFC, the sum of N4,505,674,908.43 was estimated for the quarter but only N348,982,573.83(7.75%) was actually spent leaving a balance of N4,156,692,334.60

For the capital aspect, the sum of N17,718,188,101.00 was estimated to be spent on capital development within the period but a total sum of N4,117,795,806.80 (23.24%) was actually expended leaving balance of N13,600,392,294.20.

The total expenditure performance for the period stood at N13,790,584,041.54 (42.58%) as against the estimated N32,393,538,673.85 leaving a balance of N18,602,954,632.31.

The reason for this low performance could be attributed to the huge shortfall in the revenue generated within the period. More so, the period was preoccupied with political activities which of course distracted the attention of the major key stakeholders.

Fig. 3.3



4.0 KEY ISSUES, RECCOMMENDATION AND CONCLUSION

4.1 KEY ISSUES

The gap between the IGR and statutory allocation is so wide indicating that the state is heavily dependent on uncontrolled source of revenue which is not healthy.

Also, the budget performance has clearly indicated how poor the MDAs are in the issue of proper data keeping and quick response to data request.

4.2 RECCOMMENDATION

Inview of the above issues, the following are recommended.

i. The state to eploit non-taxed areas and review the tax rate
ii. Consolidate the revenue collection in the state through the means of ICT. This indeed will cop the issue of tax invasion
iii. To reduce recurrent expenditure particularly overhead in order to free more resources for capital development
iv. Consistently build the capacity of MDAs on data generation and reporting

4.3 CONCLUSION

Three of the revenue items (Statutory Allocation, Value Added Tax and Internally Generated Revenue) for the state economy in the last quarter of the year performed credibly well by scoring over 70%.

On the expenditure component, the personnel aspect took the lead and followed closely by the capital. Other aspect received their fair share except loan repayments. Generally, expenditure implementation performance was below average.