TARABA STATE OF NIGERIA

2020 SECOND QUARTER (Q2) BUDGET IMPLEMENTATION REPORT

1.0 INTRODUCTION

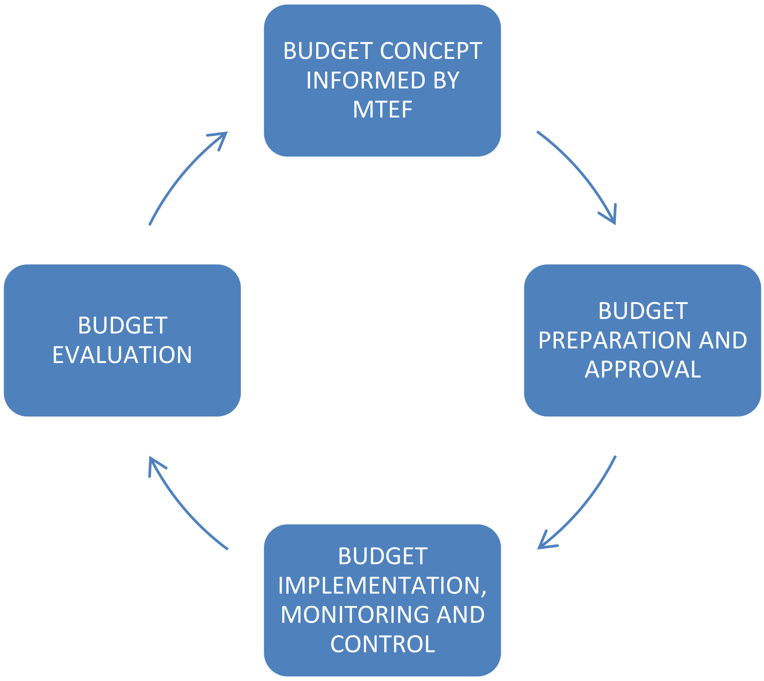
The 2020 budget tagged **"Budget of Growth and Accelerated Development"** was prepared based on the 2020 approved Medium Term Expenditure Framework (MTEF) and the Fiscal Strategic Paper (FSP).

The Medium Term Expenditure Framework (MTEF) provides Government with the tool (the macroeconomic assumptions) to manage the pressure between competing policy priorities and budget realities. This helps to reprioritize expenditure and make informed policy choices that are affordable in the medium term.

The FSP provides a platform for the State Executive Council (EXCO), to make decision over the allocation of resources in the 2020 budget and the Long Term Development Plan (The Rescue Plan "2016-2025). It also ensures macroeconomic balances including fiscal discipline to avert future risk in the economy.

The budget framework commences from conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the preceding year's budget, as shown in Figure 1 below.

Figure1: Budgeting Cycle



2.1 Global Economic Overview

Global growth is projected at –4.9 percent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4 percent. Overall, this would leave 2021 GDP some 6½ percentage points lower than in the pre-COVID-19 projections of January 2020. The adverse impact on low-income households is particularly acute, imperiling the significant progress made in reducing extreme poverty in the world since the 1990s.

As with the April 2020 WEO projections, there is a higher-than-usual degree of uncertainty around this forecast. The baseline projection rests on key assumptions about the fallout from the pandemic. In economies with declining infection rates, the slower recovery path in the updated forecast reflects persistent social distancing into the second half of 2020; greater scarring (damage to supply potential) from the larger-than-anticipated hit to activity during the lockdown in the first and second quarters of 2020; and a hit to productivity as surviving businesses ramp up necessary workplace safety and hygiene practices. For economies struggling to control infection rates, a lengthier lockdown will inflict an additional toll on activity. Moreover, the forecast assumes that financial conditions—which have eased following the release of the April 2020 WEO—will remain broadly at current levels. Alternative outcomes to those in the baseline are clearly possible, and not just because of how the pandemic is evolving. The extent of the recent rebound in financial market sentiment appears disconnected from shifts in underlying economic prospects—as the June 2020 Global Financial Stability Report (GFSR) Update discusses—raising the possibility that financial conditions may tighten more than assumed in the baseline.

All countries—including those that have seemingly passed peaks in infections—should ensure that their health care systems are adequately resourced. The international community must vastly step up its support of national initiatives, including through financial assistance to countries with limited health care capacity and channelling of funding for vaccine production as trials advance, so that adequate, affordable doses are quickly available to all countries. Where lockdowns are required, economic policy should continue to cushion household income losses with sizable, well-targeted measures as well as provide support to firms suffering the consequences of mandated restrictions on activity. Where economies are reopening, targeted support should be gradually unwound as the recovery gets underway, and policies should provide stimulus to lift demand and ease and incentivize the reallocation of resources away from sectors likely to emerge persistently smaller after the pandemic.

Strong multilateral cooperation remains essential on multiple fronts. Liquidity assistance is urgently needed for countries confronting health crises and external funding shortfalls, including through debt relief and financing through the global financial safety net. Beyond the pandemic, policymakers must cooperate to resolve trade and technology tensions that endanger an eventual recovery from the COVID-19 crisis. Furthermore, building on the record drop in greenhouse gas emissions during the pandemic, policymakers should both implement their climate change mitigation commitments and work together to scale up equitably designed carbon taxation or equivalent schemes. The global community must act now to avoid a repeat of this catastrophe by building global stockpiles of essential supplies and protective equipment, funding research and supporting public health systems, and putting in place effective modalities for delivering relief to the neediest.

2.2 Nigeria Economic over view

Although the economy managed to grow modestly in the first quarter, activity was likely severely dented in the second quarter amid the spread of the Covid-19 pandemic and still-subdued oil prices following their collapse in March. After touching rock bottom in April, the private sector PMI rose steadily through June as lockdown measures began to be eased. Nevertheless, it remained well entrenched in negative territory in the quarter—indicating that business conditions remained frail. Consequently, jobs were cut at a survey-record pace in June as firms struggled to pay their staff, and the services sector seemingly reeled the most in Q2. In addition, secondary sources show that oil production was reduced by nearly 20% since March, in line with the OPEC+ cut agreement. This, coupled with authorities reportedly indicating they will raise compliance in July–August, adds further significant risks heading into Q3.

Nigeria Economic Growth

The economy is expected to contract sharply this year due to the plunge in oil prices, lower oil production and supply chain disruptions. Domestic demand will also be severely curtailed amid virus containment measures. The outlook is further clouded by increased price pressures, tighter FX liquidity and a prolongation of virus infection. Focus Economics panellists see GDP contracting at 3.3% in 2020, which is unchanged from last month's estimate, and growing 2.0% in 2021.

2.3 TARABA STATE ECONOMIC PERFORMANCE

Taraba state being one of the second - tier of the Nation cannot be an exception to the covid-19 pandemic. Over 90% of the state's revenue comes from the Federation Account Allocation Committee (FAAC) which is already affected by the pandemic.

On the Internally Generated Revenue, civil servants who are the creators of wealth are equally lockdown and denied their functions. Hitherto, the resources coming from the FAAC was consequently committed to the responses to covid-19 palliative with very little or nothing left for any capital development.

3.0 REVIEW OF THE 2020 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2020 Budget document was based on some key Macro-economic assumptions such as Exchange rate, IGR growth, oil production, prevailing Crude Oil price which determines the State share from FAAC and VAT.

Table 1: Key Parameters, Assumptions and Indicators

FISCAL ITEMS	**2020 Budget**	**Actual Jan. -Dec. 2020**
1. KEY PARAMETERS, ASSUMPTIONS & INDICATORS (As Determined by the National Government)		
Average Budget Price Per Barrel (In US$)*	**$57pb**	*
Average Exchange Rate*	**1$/N305**	*
Total Production (Mbpd)*	**2.18mbpd**	*
2. OTHER ASSUMPTIONS		
IGR Growth Rate	**5.5%**	*
State Share from FAAC Growth Rate	**2.5%**	*

State Share from VAT Growth Rate	**0.88%**	*
State GDP Growth Rate	**N.A**	**N.A**

Source: AG Office & MDAs

4.0. REVENUE PERFORMANCE FOR THE SECOND QUARTER OF 2020 BUDGET

Table 2: Revenue Inflow

Sources	**Budget 2020**	**Quarterly Estimates**	**Actual (April. – June)**	**% Performance**
Statutory Allocation	85,000,000,000.00	21,250,000,000.00	7,284,957,343.84	34.29%
Value Added Tax	17,000,000,000.00	4,250,000,000.00	2,901,008,137.61	68.26%
Independent Revenue (IGR)	6,580,448,886.00	1,645,112,221.50	1,711,490,436.66	104.04%
Aids & Grants	9,939,795,626.00	2,484,198,906.50	531,921,733.20	115.61%
Internal Loans	77,500,000,000.00	19,375,000,000.00	4,300,000,000.00	22.20%
External Loans	7,353,968,934.00	1,838,492,233.50	-	-
FGN Refund	12,452,363,364.00	3,113,090,841.00	-	-
Budget Support to States (SFTAS)	-	-	2,340,000,000.00	-
Grand Total	**215,823,576,810.00**	**53,955,894,202.50**	**19,069,377,651.31**	35.35%

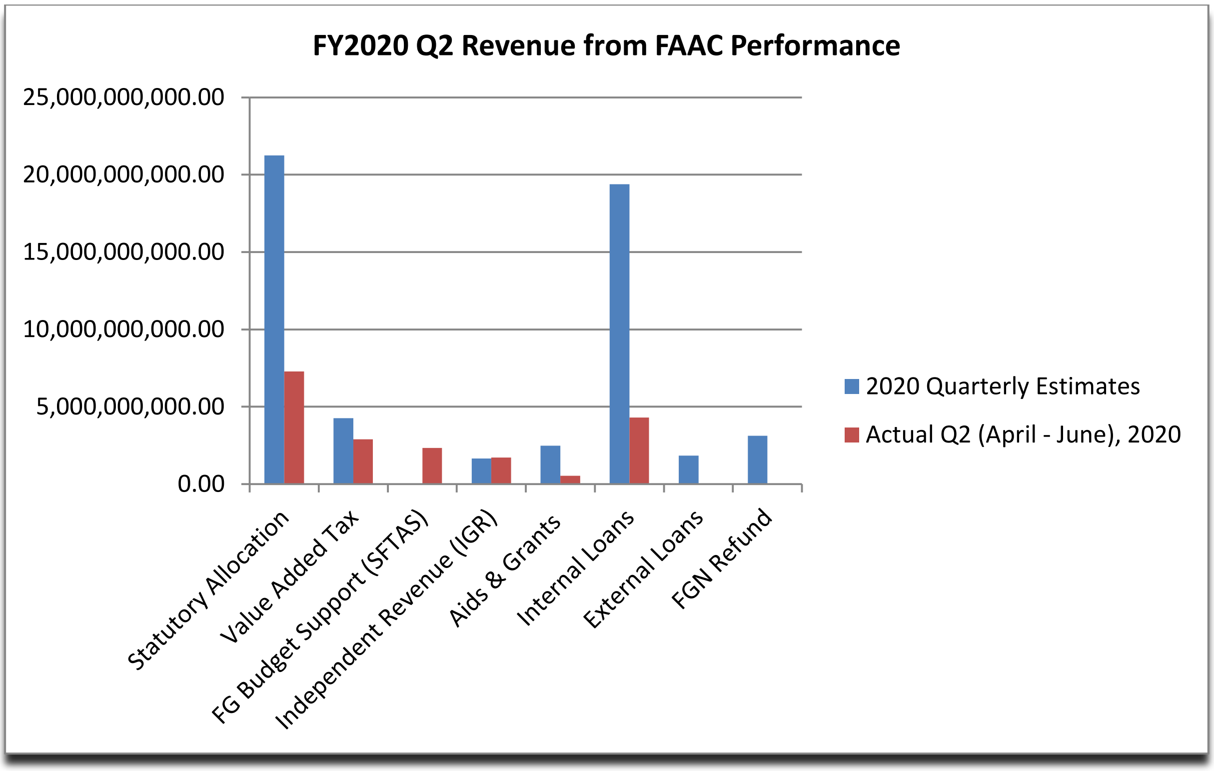
Source: Office of the Accountant General

The 2020 budget approved figure of N 215,823,576,810.00 is to be generated from the sources stated in the table 2.1 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 was from the statutory allocation. It is expected that this source will bring in the sum of N 21,250,000,000.00 out of which the sum of N 7,284,957,343.84 (34.29%) was actually generated thereby leaving a shortfall of N13,965,042656.26(65.71%). On VAT the sum of N4,250,000,000.00 was expected for the period under review but the sum of N2,901,008,137.61 (68.26%) was generated with N1,348,991,862.39 (31.74%) lower. The IGR performance was higher than the expected target of N1,645,112,221.50 to N1,711,490,436.66(104.04%) with a surplus of N66,378,215.16 (4.04%). Aids and Grant generated the sum N2,871,921,733.20.00 (115.61%) of the expected N2,484,198,906.50 thereby higher with N387,722,826.70 (15.61%). While, the sum of N2,340,000,000.00 was received as disbursement to the State from State Fiscal, Transparency, Accountability and Sustainability (SFTAS) Program for Result within the second quarter.

From the above, the total revenue performance for the period under review stood at N19,069,377,651.31 (35.35%) as against N53,955,894,202.50 having a shortfall of N34,886,516,551.19 (64.65%).

***Figure 1*: Revenue Inflow Chart/Graph**



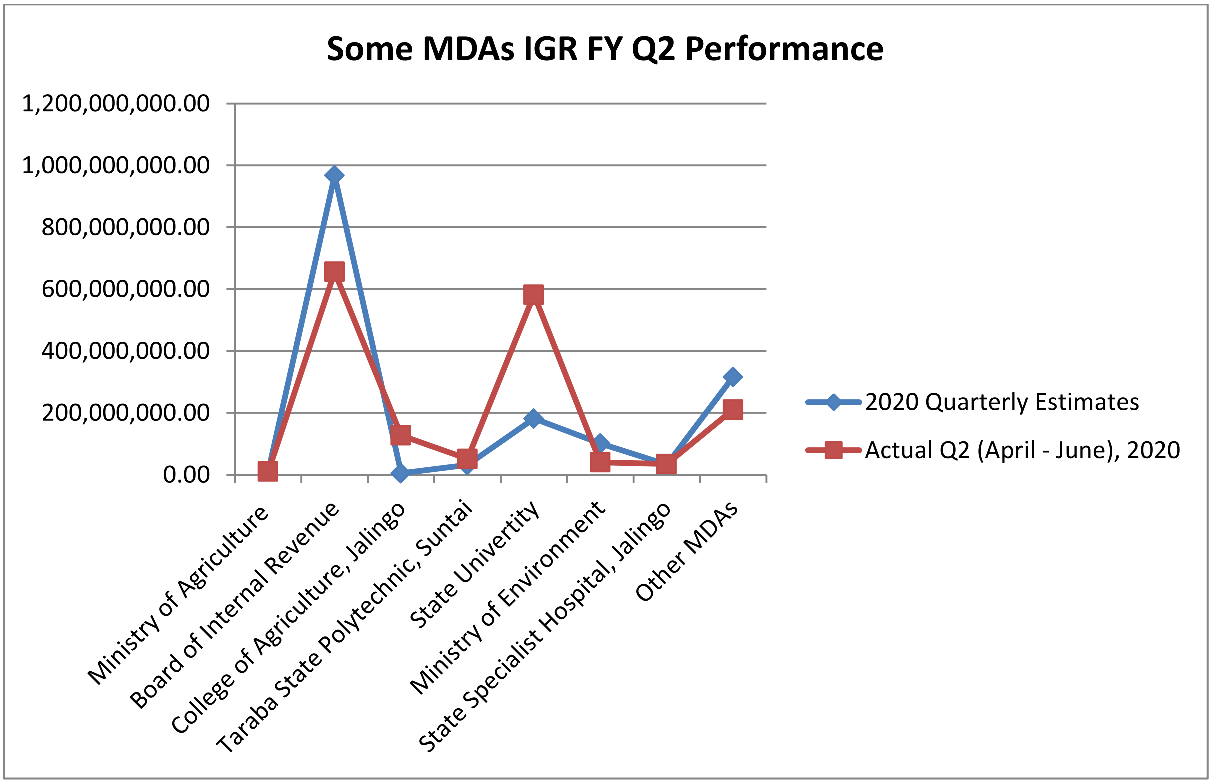
4.1. MAJOR IGR PERFORMING MDAs

Table 3: IGR Inflow

Revenue Source/ Organization Name	Approved Estimates 2020	Quarterly Estimates 2020	Actual Performance (April – June) 2020	% Performance
Ministry of Agriculture	**46,172,660.00**	**11,543,165.00**	**10,692,700.00**	**92.64%**
Board of Internal Revenue	**3,869,046,562.00**	**967,261,640.50**	**656,059,892.44**	**67.83**
College of Agriculture, Jalingo	**17,860,000.00**	**4,465,000.00**	**127,010,000.00**	**2,844.57**
Taraba State Polytechnic, Suntai	**124,890,804.00**	**31,222,701.00**	**51,000,000.00**	**163.35%**
Taraba State University, Jalingo	**725,000,000.00**	**181,250,000.00**	**582,045,764.00**	**321.13%**
Ministry of Environment	**403,440,000.00**	**100,860,000.00**	**39,916,000.00**	**39.58%**
State Specialist Hospital, Jalingo	**130,115,003.00**	**32,528,750.75**	**34,231,181.00**	**105.24**
Others	**1,263,923,857.00**	**315,980,964.25**	**210,534,899.22**	**66.63%**
Total	**6,580,448,886.00**	**1,645,112,221.50**	**1,711,490,436.66**	**104.04%**

Source: Ministries, Departments & Agencies

Figure 2: **Major IGR Performing MDAs Chart/Graph**



5.0. Expenditure

The expenditure as we all know is classified into recurrent and capital

5.1. Recurrent Expenditure

5.1.1. Recurrent Debt

Below is the performance of the recurrent debt expenditure by type.

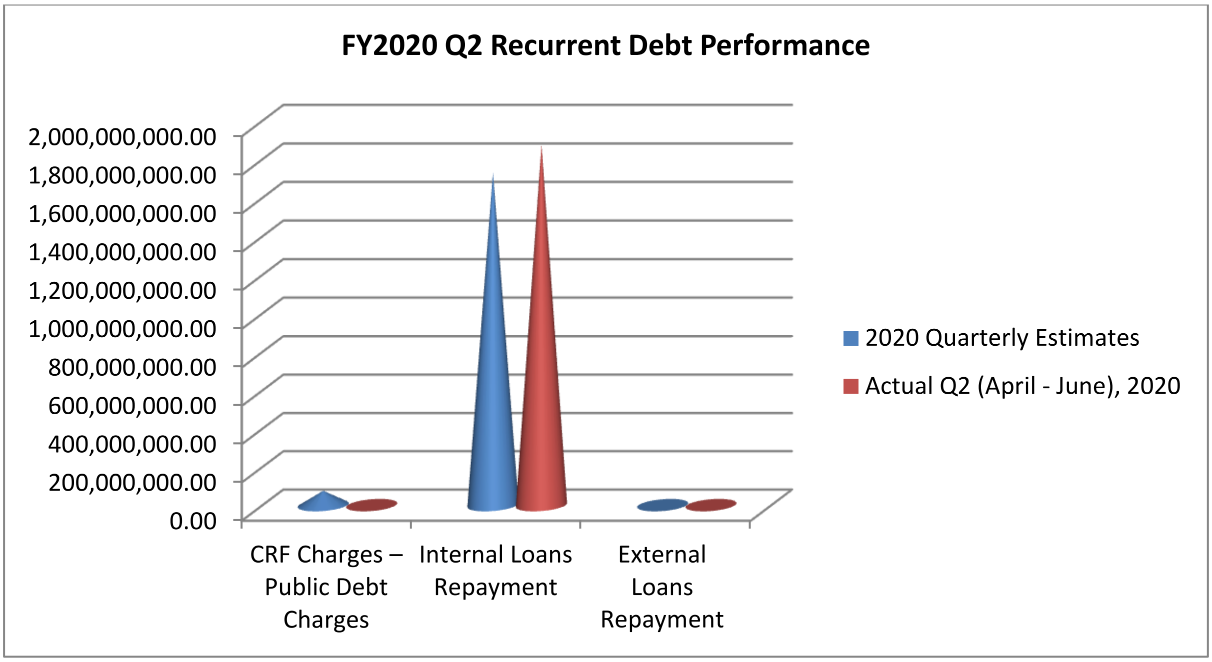
Table 4: Recurrent Debt Expenditure

Items	Budget 2020	Quarterly Estimates	Actual (April – June) 2020	% Performance
CRF Charges – Public Debt Charges	300,000,000.00	75,000,000.00	0	
Internal Loans Repayment	6,929,149,928.00	1,732,287,482.00	1,877,382,288.59	108.38%
External Loans Repayment	-	-	0	

Source: Office of the Accountant General and Debt Office

From the table above, internal loan repayment was N1,877,382,288.59 a performance of 108.38% while External loan repayment and CRF recorded 0% probably for lack of available information.

Figure 3: **Recurrent Debt Expenditure Chart/Graph**



5.1.2. Recurrent Non- Debt by type

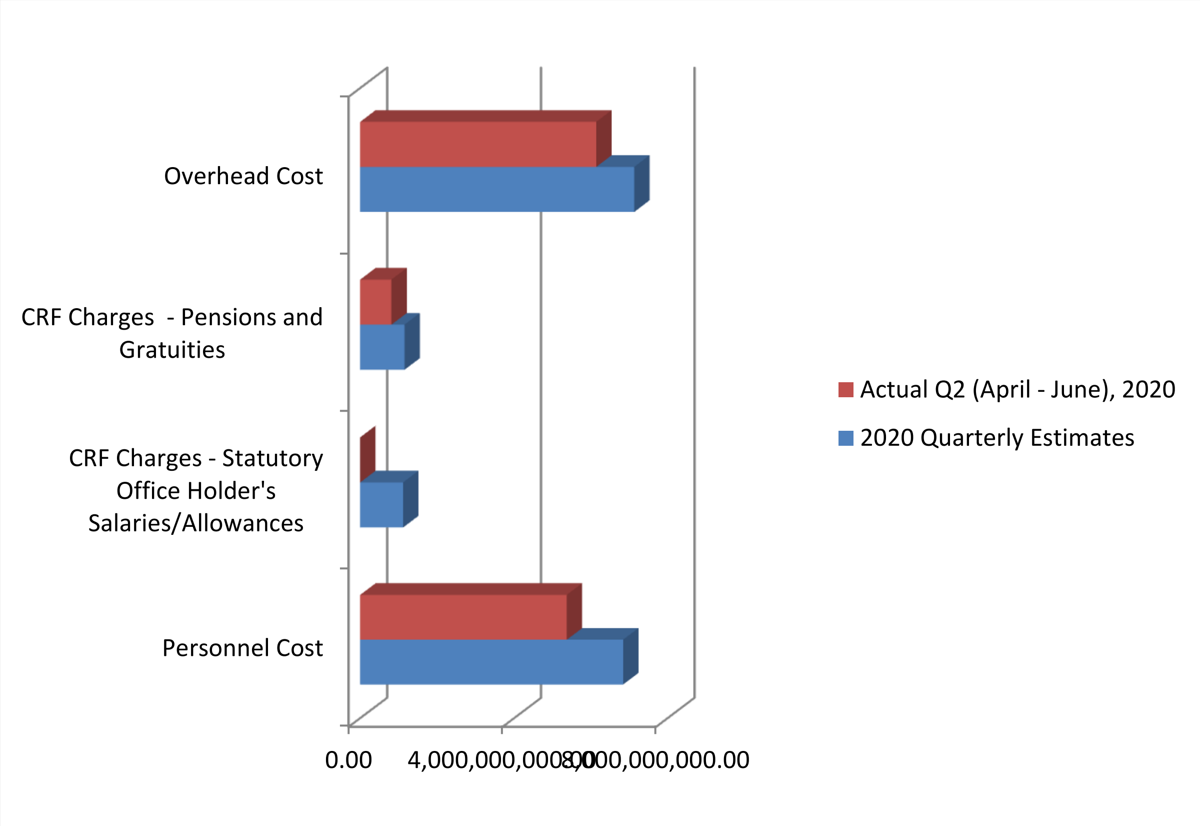
Below is the performance of the recurrent non-debt expenditure.

Table 5: Recurrent Non – Debt Expenditure

Items	Budget 2020	Quarterly Estimates	Actual (April – June) 2020	% Performance
Personnel Cost	27,359,272,465.00	6,839,818,116.25	5,372,251,498.63	78.55%
CRF Charges - Statutory Office Holder's Salaries/Allowances	4,621,671,392.00	1,115,417,848.00	0	
CRF Charges - Pensions and Gratuities	4,615,414,477.00	1,153,853,619.25	812,030,822.69	70.38%
Overhead Cost	28,512,819,719.00	7,128,204,929.75	6,139,480,385.75	86.13%

Source: AG Office& Ministries, Departments &Agencies (MDAs)

Figure 4:**Recurrent Non – Debt Expenditure Chart/Graph**



From the four expenditure items in the table above, overhead cost took the lead with 86.13%, followed by personnel cost with 78.55% and CRF Charges (pensions and gratuities) at the bottom with 70.38%, while CRF Statutory office holders for lack of available information is nil.

6.0 Capital Expenditure Performance

Below is the capital expenditure performance for the second quarter of 2020 based on sub-sector.

Table 6: Capital Expenditure Based on Sub-Sector

ITEM	Budget 2020	Quarterly Estimate	Actual (April - June) 2020	% Performance
AGRICULTURE & NATURAL RESOURCES	**8,265,219,638.00**	2,066,304,909.50	100,000,000.00	**4.84%**
COMMERCE, INDUSTRY & TOURISM	**1,149,683,347.00**	287,420,836.75	0	**-**
RURAL & COMMUNITY DEVELOPMENT	**5,639,266,757.00**	1,409,816,689.25	0	**-**

WORKS, HOUSING & TRANSPORT	**76,934,669,770.00**	19,233,667,442.50	0	**-**
FINANCE & POVERTY ALLEVIATION	**4,061,559,612.00**	1,015,389,903.00	350,000,000.00	**34.47%**
INFORMATION	**1,403,000,000.00**	350,750,000.00	0	**-**
EDUCATION	**10,524,636,060.00**	2,631,159,015.00	0	**-**
HEALTH	**14,904,828,561.00**	3,726,207,140.25	520,000,000.00	**13.96%**
SOCIAL DEVELOPMENT	**1,726,925,791.00**	431,731,447.75	0	**-**
ENVIRONMENT & FORESTRY	**935,000,000.00**	233,750,000.00	0	**-**
SOLID MINERALS	**200,000,000.00**	50,000,000.00	0	**-**
WATER RESOURCES	**3,812,025,528.00**	953,006,382.00	0	**-**
LANDS & URBAN DEVELOPMENT	**2,841,340,070.00**	710,335,017.50	0	**-**
EXECUTIVE	**3,860,424,212.00**	965,106,053.00	0	**-**
GOVERNANCE	**2,923,734,973.00**	730,933,743.25	0	**-**
LAW & JUSTICE	**2,492,886,844.00**	623,221,711.00	0	**-**
LEGISLATURE	**1,810,047,666.00**	452,511,916.50	0	**-**
TOTAL	**143,485,248,829.00**	**35,871,312,207.25**	**970,000,000.00**	**2.71%**

Source: Ministries, Departments & Agencies

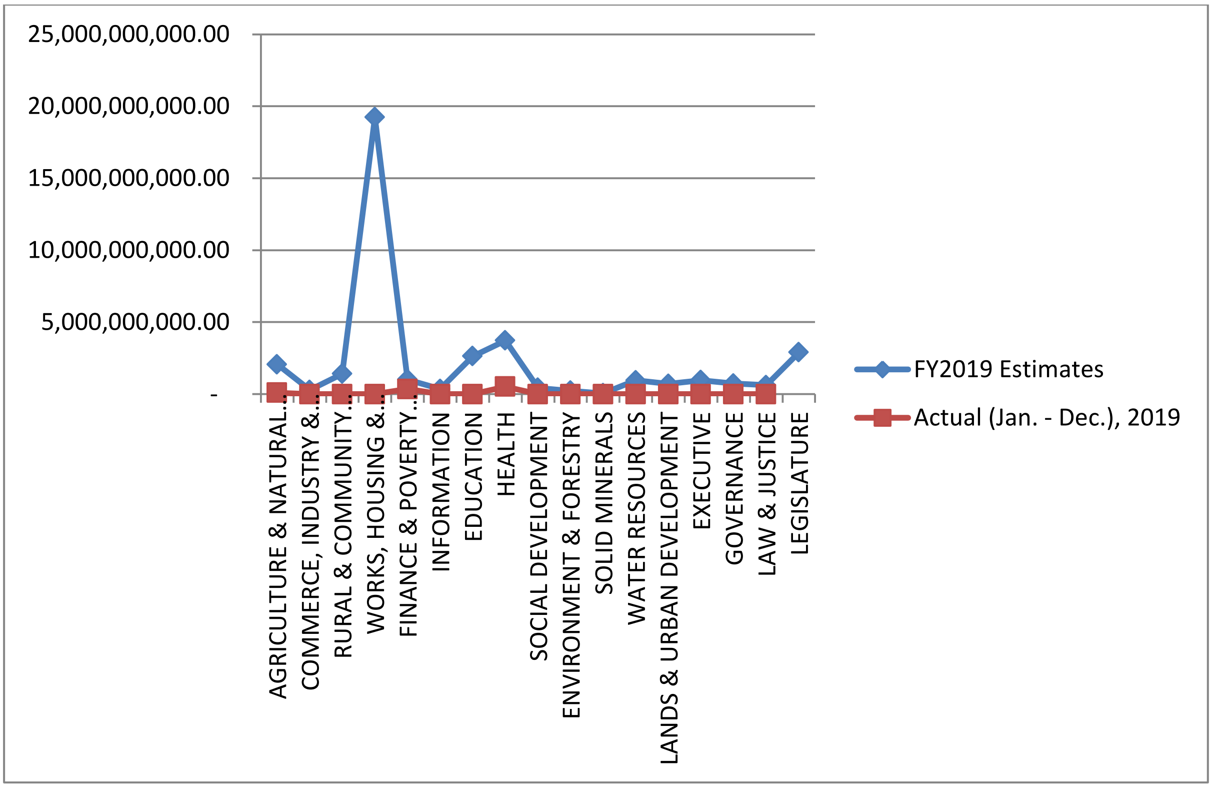
6.2. CAPITAL EXPENDITURE

For the capital, the sum of N35,871,312,207.25 was estimated to be spent on capital-development within the period of review but a total sum of N970,000,000 .00 (2.71%)was actually expended leaving a high shortfall of N34,901,312,207.25.

The total expenditure performance for the period stood at N15,171,144,995.66 (28.12%) as against the estimated N53,955,894,202.50 leaving a high balance of N38,784,749,206.84 (71.88%)

The reason for this low performance could be attributed to low performance of revenue that was planned to fund the capital development.

Figure 5: **Capital Expenditure Based on Sub-Sector Chart/Graph**



7.0 SUMMARY

Budget Size - **N215,823,576,810.00**

REVENUE:

Expected quarterly performance - **N53,955,894,202.50**

Actual performance (April-June) - N19,069,377,651.31 (35.35%)

Shortfall N34,886,516,551.19 (64.65%)

EXPENDITURE:

Expected quarterly performance - **N53,955,894,202.50**

Actual performance (April-June) - N15,171,144,995.66(28.12%)

Shortfall - N38,784,749,206.84 (71.88%)

5.0 CONCLUSION

The second quarter (April – June), 2020 performance was characterized with weak economic activities as a result of the combined effect of the oil price crash and the Coronavirus pandemic which affected the already fragile Nigerian economy and the world at large. This negatively affected the budget implementation through low performances of most of the macroeconomic assumptions used in this year’s projections.

Internally generated revenue performed above expectation with 4.04 % and aids and grants had 15.61% above expectation. Others fall short of expectations and this in turn affected the expenditure implementation.

On the expenditure side, internal loans repayment exceeded expectation with 8.38%. Any other expenditure performed below expectation.
Generally performance is below expectation.

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