



TARABA STATE OF NIGERIA

**2019 THIRD QUARTER (Q3)
BUDGET IMPLEMENTATION
REPORT**

1.0 INTRODUCTION

The budget process of the year 2019 describes the budget cycle in the fiscal year. Its conception is informed by the Medium Term Expenditure Framework (MTEF) process which has three components namely: Medium Term Fiscal Framework (MTFF), Medium Term Budget Framework (MTBF) and Medium Term Sector Strategies (MTSS).

The Economic and Fiscal Update (EFU) and the Medium Term Budget Framework (MTBF) provide the basis for annual budget planning intended to facilitate a number of important outcomes: greater macroeconomic balance; improved inter- and intra - sectoral resource allocation; greater budgetary predictability for line ministries; and more efficient use of public monies.

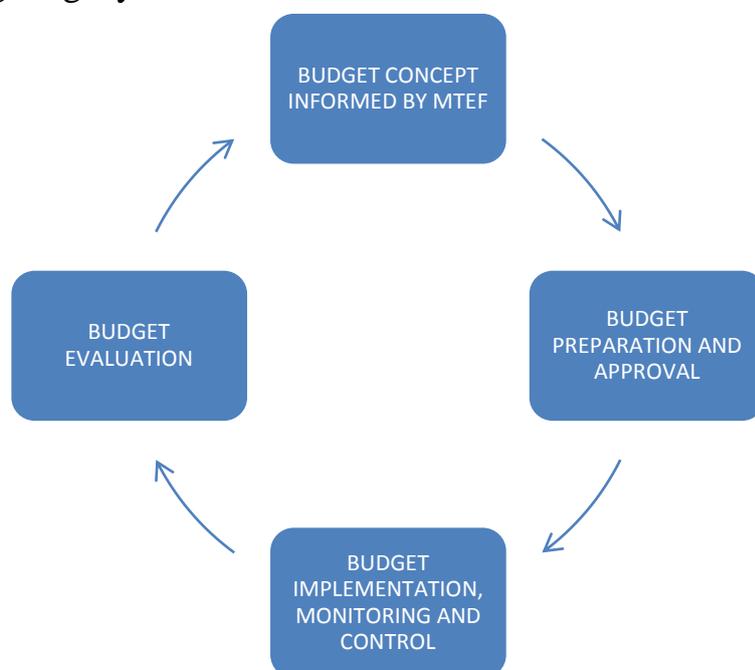
They consist of a macroeconomic framework that indicates fiscal targets and estimates of revenues and expenditures, including government financial obligations in the medium term. It Improve macroeconomic balance, including fiscal discipline, aids attainment through good estimates of the available resource via the EFU analysis which are then used to make budgets that fit squarely within the envelope.

The EFU also set out the underlying assumptions for the realization of the projections, provide an evaluation and analysis of the previous budgets and present an overview of the debt position and potential fiscal risks if there is any. The EFU produces a number of important information including the macroeconomic outlook; fiscal balance; and other key indicators.

The Medium Term Expenditure Framework (MTEF) provides Government with a tool 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. Hence, it provides a platform for the State Executive Council (EXCO), to make decision over the allocation of resources in the 2019 budget and the Long Term Development Plan (The Rescue Plan “2016-2025).

The budget framework commences from conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year's budget, as shown in Figure 1.1 below.

Fig 1:1 Budgeting Cycle



The 2019 budget which is tagged “Budget of Consolidation” in this report captures the detail budget performance for the third quarter of 2019 which is presented on charts and graphs.

2.0 MACROECONOMIC DEVELOPMENT AND ANALYSIS OF THE THIRD QUARTER GLOBAL ECONOMY.

2.1 Global Economic Overview

The global growth outlook has weakened slightly during the quarter, lead by a mid-cycle slowdown in the manufacturing across the developed world and exacerbated by the Trump administration’s enforcement of tariffs in pursuit of its trade policy.

In response, central banks are likely either to reduce interest rates modestly where they have space to do so, e.g. the Federal Reserve (Fed), or by restarting

extraordinary measures such as asset purchases or new lending to banks, e.g. targeted longer-term refinancing operations (TLTROs) by the European Central bank (ECB) .

At the same time consumer price inflation in many developed economies such as the US, the eurozone and Japan remain well below the target of 2%.

Eurozone – The Euro-area, especially Germany, has been hit by slowing exports and by continued sluggishness in domestic economy. Inflation too, remains subdued.

UK-with the resignation of Prime Minister May, the focus has shifted to the contest for her replacement. Against a backdrop of uncertainty over the Brexit prospect and the Bank of England (BoE) allowing money supply growth of M4x to slow to 2% it is no surprise that economy remains in low growth mode, with inflation falling below 2%

Japan- Real GDP growth remains below potential and inflation should continue around 1%, well below the bank of Japan's (BoJ) target because monetary policy is not working.

China – with no trade deal at the G20 meeting in Japan, exports will continue to suffer. The authorities are likely to respond with further monetary and fiscal easing measures, but these are not likely to turn the economy around quickly (as in 2009- 10).

Commodities – The expectation lower interest rates in the US has driven up the gold price, and tensions in the Gulf have temporarily increased the oil price, but these upward moves are the exception in the commodity complex, with global inflation low and domestic demand moderate at best, broad indexes of commodity prices are likely to remain subdued.

2.2 Overview of the Nigerian third quarter Economic Performance

Incoming data suggests that the economy gathered momentum somewhat in the third quarter, after growth slowdown in second quarter on disappointing non-oil sector activity. Bank lending remained strong in July- August and the PMI hit a

15-month high in September, hinting at improved private- sector dynamics. Moreover, preliminary OPEC data showed that oil output average higher in third quarter than in second quarter.

Central bank of Nigeria maintained its monetary policy stance in the review period, as the monetary policy rate remained at 13.50%. Broad money supply (M3), on quarter – on – quarter basis, grew by 1.0 % to N 35,245.17 billion at the end of August 2019, compared with the growth of 3.2 % at the end of June 2019. The development reflected the respective growth of 6.0 % and 7.3% in aggregate credit (net) of the banking system, which more than offset the 15.0% decline in net foreign assets. Over the level at end- December 2018, broad money supply (M3) grew by 5.7 % at end- August 2019, compared with the growth of 4.6 % at end –June 2019.

Economic activity is seen gaining speed next year amid the ongoing recovery. The full implementation of the minimum wage hike and increased credit provision to the private sector should support domestic demand. However, the outlook is weighed on by elevated unemployment, high dependence on the oil sector, power shortages, insecurity and a bleaker global economic backdrop.

2.3 TARABA STATE ECONOMIC PERFORMANCE

The State which is blessed with so much natural resources and having most of the populace involved in agricultural activities which contributes in a large extent to the Internally Generated Revenue (IGR) of the State. The state is also endowed with many other resources such as mineral deposits which are yet to be exploited for the benefit of the state. As a result of this, the State still relies heavily on the Federation Account Allocation which accounted for over 80% of its total income. There is therefore the need for the state to harness these resources in order to boost the IGR and reduce the dependant on the external source which the state has no control over.

3.0 FINANCIAL ANALYSIS OF THE 2019 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2019 Budget document is 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

<i>FISCAL ITEMS</i>	2019 Budget	Actual July-Sept. 2019
<i>1. KEY PARAMETERS, ASSUMPTIONS & INDICATORS (As Determined by the National Government)</i>		
Average Budget Price Per Barrel (In US\$)*	\$60pb	*
Average Exchange Rate*	1\$/N305	*
Total Production (Mbpd)*	2.3mbpd	*
<i>2. OTHER ASSUMPTIONS</i>		
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
<i>3. GROSS STATE COLLECTIBLE REVENUE</i>		
State Share from Statutory Allocation	53,821,313,638.18	9,833,333,333
State Share of VAT	10,227,089,431.00	2,710,113,241
State Internally Generated Revenue (IGR)	6,353,554,840.00	1,223,433,683
<i>4. TARABA STATE BUDGET REVENUE (INFLOWS)</i>		13,766,880,257
Unspent Balance from Previous Financial Year	N.A	N.A
State Allocation from Federation Account	53,821,313,638.18	9,833,333,333
Internally Generated Revenue (IGR)	6,353,554,840.00	1,223,433,683
<i>TOTAL</i>	60,174,868,478.18	11,056,767,016
<i>5. TARABA STATE GOVERNMENT BUDGET</i>	146,073,726,882.10	
<i>6. MDA SPENDING</i>		
Personnel Cost (MDAs)	30,141,412,193.64	5,233,732,346
Overhead Costs	3,904,000,000.00	6,235,539,784
Consolidated Revenue Fund (CRF) Charges	24,539,375,164.57	760,909,395
<i>Sub – Total</i>	58,584,787,358.21	12,230,181,525

<i>Total Recurrent Expenditure</i>		12,230,181,525
8. CAPITAL SPENDING	72,826,433,910.37	5,343,083,078
9. AGGREGATE EXPENDITURE		
10. FISCAL DEFICIT/SURPLUS		
11. DEFICIT/GDP		
<i>Aids and Grants</i>		
<i>Domestic Borrowing</i>		
<i>Foreign Borrowing</i>		
<i>Miscellaneous Receipts</i>		
Total		

Source: AG Office & MDAs

Table 2. Below shows the sources of revenue in the third quarter of 2019 with statutory allocation taking the lead and also demonstrated in fig.2

Table 2: Revenue Inflow

Sources	Budget 2019	Quarterly Estimates	Actual (July-Sept) 2019	% Perform
Statutory Allocation (Excess PPT, Excess Bank Charges, Forex Equal. Acct. & Ex. Rate Diff)	53,821,313,638.18	13,455,328,409.55	9,833,333,333	73.08%
Value Added Tax	10,227,089,431.00	2,556,772,357.75	2,710,113,241	106%
FG Budget Support to States	34,315,000,000.00	8,578,750,000.00		-
Independent Revenue (IGR)	6,353,554,840.00	1,588,388,710.00	1,223,433,683	77%
Aids & Grants	10,878,715,309.90	2,719,678,827.48	1,570,312,777	57.74%
Internal Loans	15,134,276,114.21	3,783,569,028.55	1,250,000,000.00	
External Loans	10,343,777,549.29	2,585,944,387.32		
FGN Refund	34,315,000,000.00	8,578,750,000.00		
Paris Club Refund	5,000,000,000.00	1,250,000,000.00		
Grand Total	146,073,726,883.58	36,518,431,720.65	16,587,193,034.00	45.42

Source: Office of the Accountant General

The 2019 budget approved figure of N 146,073,726,882.10 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 is from the statutory allocation of N 13,455,328,409.55 out which the sum of N 9,833,333,333 (73.08%) was generated thereby leaving a shortfall of N 3,621,995,076.55. On VAT the sum of N 2,556,772,357.75 was expected for the period but the sum of N 2,710,113,241 (106%) was generated with N 153,340,883.25 higher. The IGR performance was lower than the expected target of N1,588,388,710.00 to N1,223,433,683(77%) with a decrease of N 364,955,027. Aids and Grant generated the sum N 1,571,669,836 (57.79%) of the expected N 2,719,678,827.48 thereby allowing a shortfall of N 1,148,008,991.48.

From the above, the total revenue performance for the period under review stood at N16,587,193,034.00 (45.42%) as against N36,518,431,720.65 having a shortfall of N19,931,238,686.65 against the expected.

Fig. 1: Revenue Performance

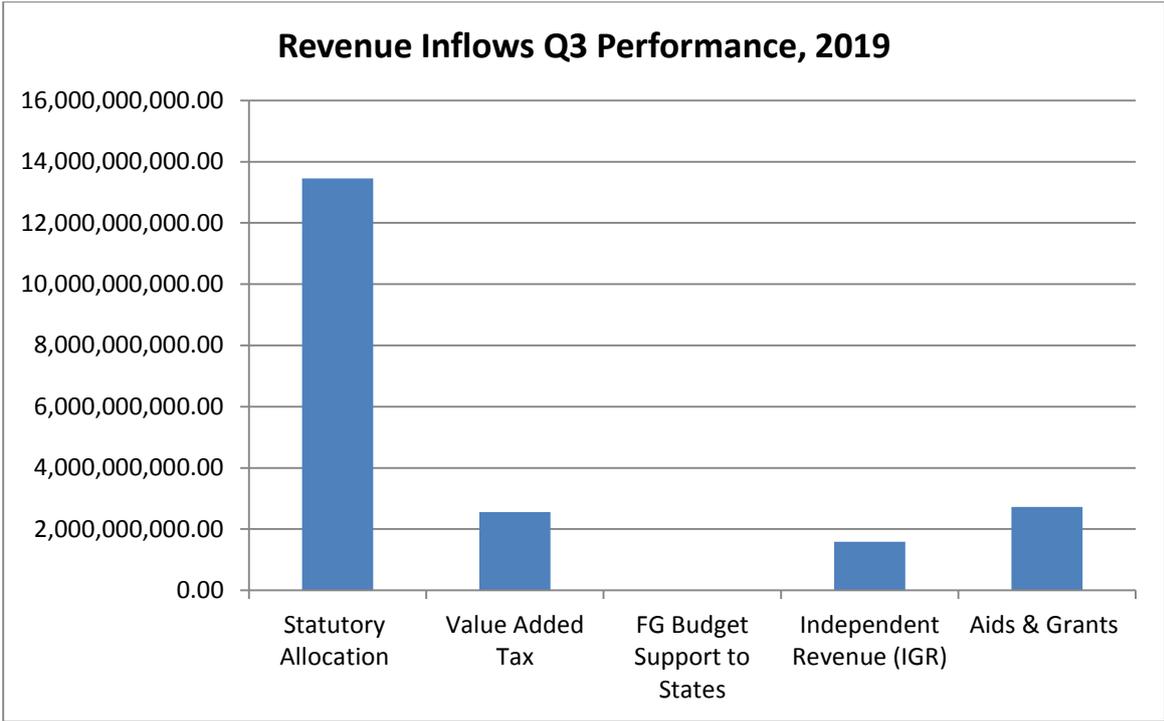


Table 3: Recurrent Debt Expenditure

Items	Budget 2019	Quarterly Estimates	Actual (July – Sept.) 2019	% Performance
CRF Charges – Public Debt Charges	10,000,000,000.00	2,500,000,000.00	0	
Internal Loans Repayment	15,234,276,114.21	3,808,569,028.55	1,024,949,959.21	26.91
External Loans Repayment	10,343,777,549.29	2,585,944,387.33	1,764,975,964.62	68.25

Source: Office of the Accountant General and Debt Office

Table 3 above analyses the recurrent debt expenditure from which the sum of N2,500,000,000.00 was estimated to be spent within the period but no kobo was expended on it. Unlike recurrent debt, the internal and external loan repayments received the sum of N1,024,949,959.21 (26.91%) and N1,764,975,964.62 (68.25%) from their estimated N3,808,569,028.55 and N2,585,944,387.33, respectively.

Table 4: Recurrent Non – Debt Expenditure

Items	Budget 2019	Quarterly Estimates	Actual (July – Sept.) 2019	% Performance
Personnel Cost	30,141,412,193.64	7,535,353,048.41	5,233,732,346.00	71.54
CRF Charges - Statutory Office Holder's Salaries/Allowances	4,662,505,614.00	1,165,626,403.50	5,421,983.00	0.47%
CRF Charges - Pensions and Gratuities	3,904,000,000.00	976,000,000.00	755,487,411.00	77.41%
Overhead Cost	24,539,375,164.57	6,134,843,791.14	6,235,539,784	101.64%

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

As stated in the revenue analysis above, the expenditures are projected evenly from the 2019 approval of each item, though the propensity to expend may not

be the same for all the quarters. However, we still wish to emphasise that the table 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 N 15,811,823,243.05 was estimated with a performance of N 12,230,181,524 (77.35%). The personnel cost estimated at N 7,535,353,048.41 with a performance of N 5,233,732,346 (69.46%) having a shortfall of N 2,301,620,702.41. Consolidated Revenue Fund Charges (CRFC) statutory office holders was estimated at the sum of N1,165,626,403.50 with a performance of N5,421,983 (0.47%) which is below the quarterly estimate by N1,160,204,420.50

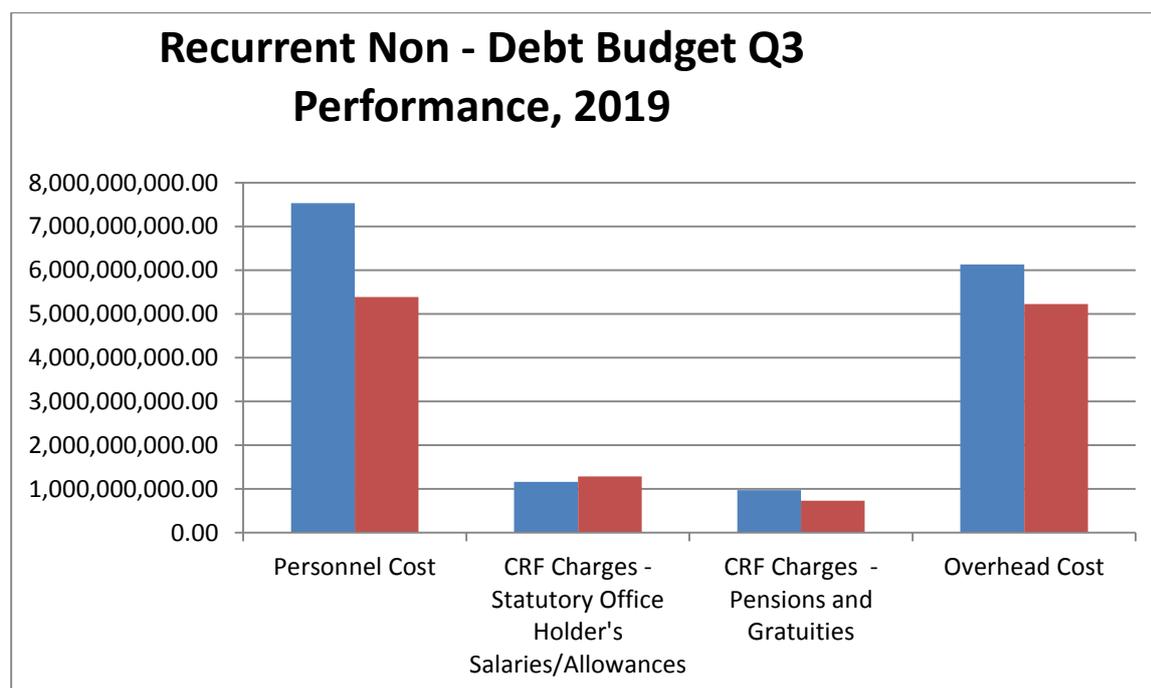
The CRFC charges on pensions and gratuities was estimated at the sum of N976,000,000.00 with a performance of N 755,487,411 (77.41%) lower than the expected with the sum of N 220,512,589. On the aspect of overhead, the sum of N6,134,843,791.14 was estimated for the quarter but N6,235,539,784 (101.64%) was actually spent above the estimated with the sum of N 100,695,992.86.

For the capital, the sum of N18,206,608,477.59 was estimated to be spent on capital development within the period but a total sum of N5,343,083,078.00(29.35%) was actually expended leaving a high shortfall of N 12,863,525,399.59.

The total expenditure performance for the period stood at N 20, 363,191,525.83 (55.76%) (48.12%) as against the estimated N36,518,431,720.65 leaving a balance of N 16,155,240,194.82.

The reason for this low performance could be attributed to low economic activity which led to huge short fall of revenue.

Fig. 2: Recurrent Non-Debt Performance



3.2 Capital Expenditure Analysis

In the capital expenditure the performance of the third quarter of 2019 is at 29.35%, compared to the annual approved estimate.

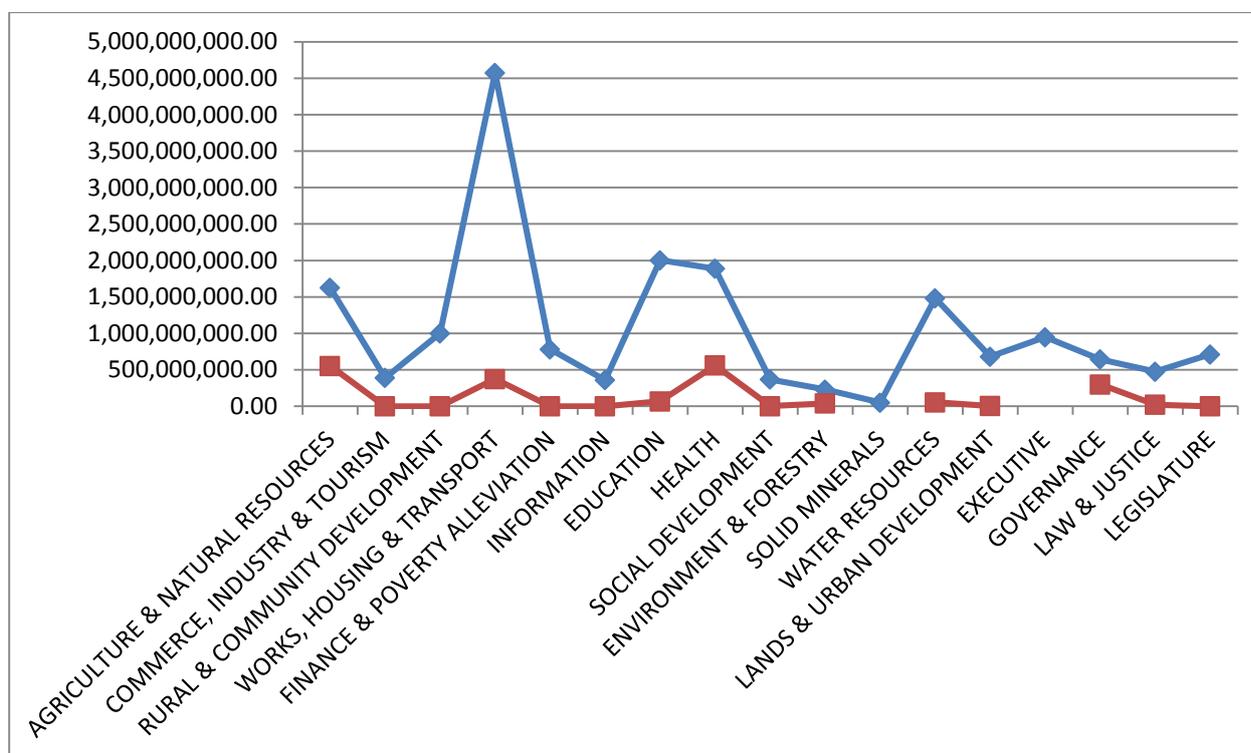
Table 5: Capital Expenditure Based on Sub-Sector

Capital Expenditure Based on Sub – Sector				
ITEM	Budget 2019	Quarterly Estimate	Actual (July-Sept.) 2019	% Performance
AGRICULTURE & NATURAL RESOURCES	6,507,995,761.72	1,626,998,940.43	117,737,485	7.24%
COMMERCE, INDUSTRY & TOURISM	1,557,360,123.20	389,340,030.80	13,000,000	3.34%
RURAL & COMMUNITY DEVELOPMENT	3,997,342,050.00	999,335,512.50		
WORKS, HOUSING &	18,294,219,558.00	4,573,554,889.50	4,102,984,691	89.71%

TRANSPORT				
FINANCE & POVERTY ALLEVIATION	3,122,500,000.00	780,625,000.00	372,200,000	47.68%
INFORMATION	1,433,000,000.00	358,250,000.00		
EDUCATION	8,011,032,016.80	2,002,758,004.20	21,028,033	1.05%
HEALTH	7,547,343,279.70	1,886,835,819.93	275,098,028	14.58%
SOCIAL DEVELOPMENT	1,471,040,454.94	367,760,113.74		
ENVIRONMENT & FORESTRY	919,844,666.60	229,961,166.65	20,211,200	8.79%
SOLID MINERALS	200,000,000.00	50,000,000.00		
WATER RESOURCES	5,929,700,000.00	1,482,425,000.00	75,973,800	5.12%
LANDS & URBAN DEVELOPMENT	2,723,949,248.82	680,987,312.21	146,866,627	21.57%
EXECUTIVE	3,791,160,143.00	947,790,035.75		
GOVERNANCE	2,573,081,356.30	643,270,339.08	98,163,215	15.26%
LAW & JUSTICE	1,900,865,251.29	475,216,312.82		
LEGISLATURE	2,846,000,000.00	711,500,000.00	100,000,000	14.05%
Total	72,826,433,910.37	18,206,608,477.59	5,343,083,078	29.35%

Source: Ministries, Departments & Agencies

Fig. 3: Capital Expenditure



3.3 INTERNALLY GENERATED REVENUE (IGR) INFLOW ANALYSIS

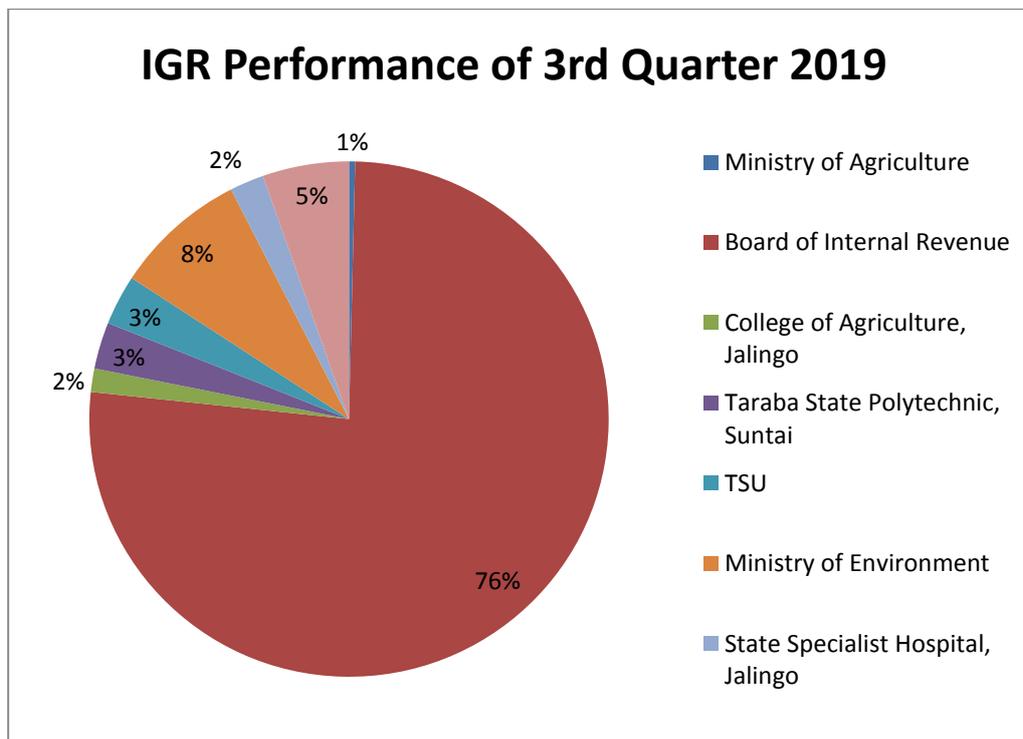
Table 6: IGR Inflow

Revenue Source/ Organization Name	Approved Estimates 2019	Quarterly Estimates 2019	Actual Performance (July- Sept.) 2019	% perform ance
Ministry of Agriculture	68,453,900.00	17,113,475.00	4,610,800	26.94%
Board of Internal Revenue	3,618,561,926.21	904,640,481.55	701,711,972	77.57%
College of Agriculture, Jalingo	26,250,000.00	6,562,500.00		
Taraba State Polytechnic, Suntai	148,350,000.00	37,087,500.00	11,830,165	31.90%

TASU	550,000,000.00	137,500,000.00	275,592,258	200.43 %
Ministry of Environment	503,100,000.00	125,775,000.00	42,954,037	34.15%
State Specialist Hospital, Jalingo	96,562,759.26	24,140,689.82	46,950,297	194.49 %
Others	1,872,902,913.73	468,225,728.43	136,444,154	29.14%
Total	6,884,181,499.20	1,721,045,374.80	1,223,433,683	71.09%

Source: Ministries, Departments & Agencies

Fig. 4: IGR Performance



4.0 SUMMARY

Budget Size **N 146,073,726,882.10**

REVENUE:

Expected quarterly performance	N 36,518,431,720.65
Actual performance (July-Sept)	N 16,587,193,034.00 (45.42%)
Shortfall	N 21,181,238,686.65 (54.58%)

EXPENDITURE:

Expected quarterly performance	N 36,518,431,720.65
Actual performance (July-Sept.)	N 20, 363,191,525.83 (55.76%)
Shortfall	N 16,155,240,194.82 (44.24)

5.0 CONCLUSION

The third quarter (July –Sept) 2019 performance was characterized with weak economic activities. This negatively affected the budget implementation through low performances of most of the macroeconomic assumptions used in the year’s projections.

VAT performed above expectation with 6%. All the others fall short of expectations and this in turn affected the expenditure implementation.

On the expenditure side, overhead overshoot it expected performance by 1.64% while other expenditure items performed below expectation.

Generally, performances were low as they fall below expectation and this implies that a huge variance has been created which is a pointer to a generally low budget implementation.