TARABA STATE OF NIGERIA

2019 FOURTH QUARTER (Q4) 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.
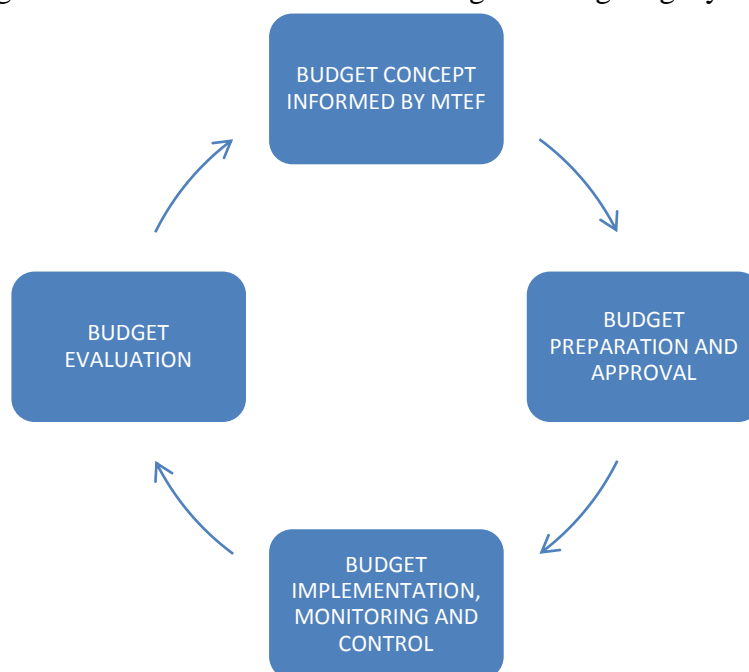
The EFU also set out the underlying assumptions for the realization of the projections, provide an evaluation and analysis of the previous budgets and present an overview of the debt position and potential fiscal risks if there is any. The EFU produces a number of important information including the 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 fourth quarter of 2019 which is presented on charts and graphs.

2.0   MACRO-ECONOMIC DEVELOPMENT AND ANALYSIS OF THE FOURTH QUARTER GLOBAL ECONOMY

2.1 Global Economic Overview

Entering the fourth quarter, the economy faces a number of unsettling factors, both globally and domestically:

Consumers Buy Economy

In the United States, consumer sentiment, albeit off its highs, remains quite positive, undoubtedly a function of a strong labour market and reasonable wage gains. But beyond strong employment and retail sales trends the market faces some nagging challenges.

Undoubtedly, corporate behaviour and the outlook for future activity are being impacted by the reinstatement of tariffs on China. Additionally, more tariff actions are being suggested for many other trading partners in Europe and the far- East which further undermines business confidence.

Monetary Policy Still Cautious

Central bankers have taken notice of the pockets of weakness in growth, particularly abroad, as well the uncertainties and risks created by the tariff issues. In the U.S., the Federal Reserve

has taken steps to provide monetary accommodation by reducing the Fed Funds target rate twice in the past three months – and indicated a willingness to take further steps if necessary.

There are real signs that economic uncertainty has increased. There are numerous indicators that monitor recession risk, both domestically and overseas. The primary catalyst for the deterioration has been weakness in the manufacturing sector, particularly those industries that are more sensitive to global trade and tariff issues.

A broader concern this time

Similar increase in recession risk was seen back in 2015 – 2016, but the catalyst then was the collapse in oil prices to below $30 a barrel and the flow- through effects on companies servicing that industry. When oil prices recovered, risk moderated, and the expansion continued.

Today, the weakness is less industry specific and more broad–based. One factor used for monitoring closely is global trade, as it tends to have a strong relationship to manufacturing activity.

Lowering risk

With unpredictability of the tariff issue, extraordinarily low interest rates, diminished outlook for global economic growth, and U.S. equity markets near an all-time high, it is believed that a modest reduction in risk exposure would be a prudent strategy.

2.2 Overview of the Nigerian fourth quarter Economic Performance

Growth picked up modestly in the third quarter on the back of strengthening momentum in the non-oil segment of the economy. Notably, the industrial sector posted the strongest expansion in a year and a half, underpinned by more upbeat manufacturing and construction activity. Meanwhile, output in all-important oil sector remained robust in Q3, despite weakening slightly, lending further support to the expansion. Turning to the fourth quarter, business dynamics seem to be improving. Bank lending was buoyant in October, with the manufacturing sector benefiting the most, while the PMI hit a 17-month high in November. In other news, parliament passed a record 2020 budget of NGN 10.6 trillion on 5 December- up from the NGN10.3 trillion presented in October. This will likely lead the government to return to international capital markets to finance a large part of its spending, particularly in infrastructure projects.

The economy is projected to gain some steam in 2020 largely on the back of stronger spending, supported by the full implementation of the minimum wage increase. The outlook remains fragile, however, dampened by high unemployment, insecurity challenges, power shortages, low oil prices and a more subdued global economic environment. Focus

Economics panellists see GDP growing 2.4%, which is unchanged from last month's estimate, and 2.8% in 2021.

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, a large extent to the Internally Generated Revenue (IGR) of the State.

The state is also endowned with many other resources such as mineral deposits which are yet to be exploited for the benefit of the state more so, the recent insecurity emanating from farmer/herder clashes, communal crisis, activities of kidnappers among others had impacted negatively on the economic activities of the state.

As a result of the above, the State has no option than to rely on the Federation Account Allocation which accounted for over 80% of its total income.

3.0 REVIEW OF THE 2019 BUDGET IMPLEMENTATION
3.1 Key Assumptions and Projections

The 2019 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	**2019 Budget**	**Actual Oct-Dec. 2019**
1. KEY PARAMETERS, ASSUMPTIONS & INDICATORS (As Determined by the National Government)		
Average Budget Price Per Barrel (In US$)*	**$60pb**	*
Average Exchange Rate*	**1$/N305**	*
Total Production (Mbpd)*	**2.3mbpd**	*
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 FOURTH QUARTER OF 2019

Table 2: Revenue Inflow

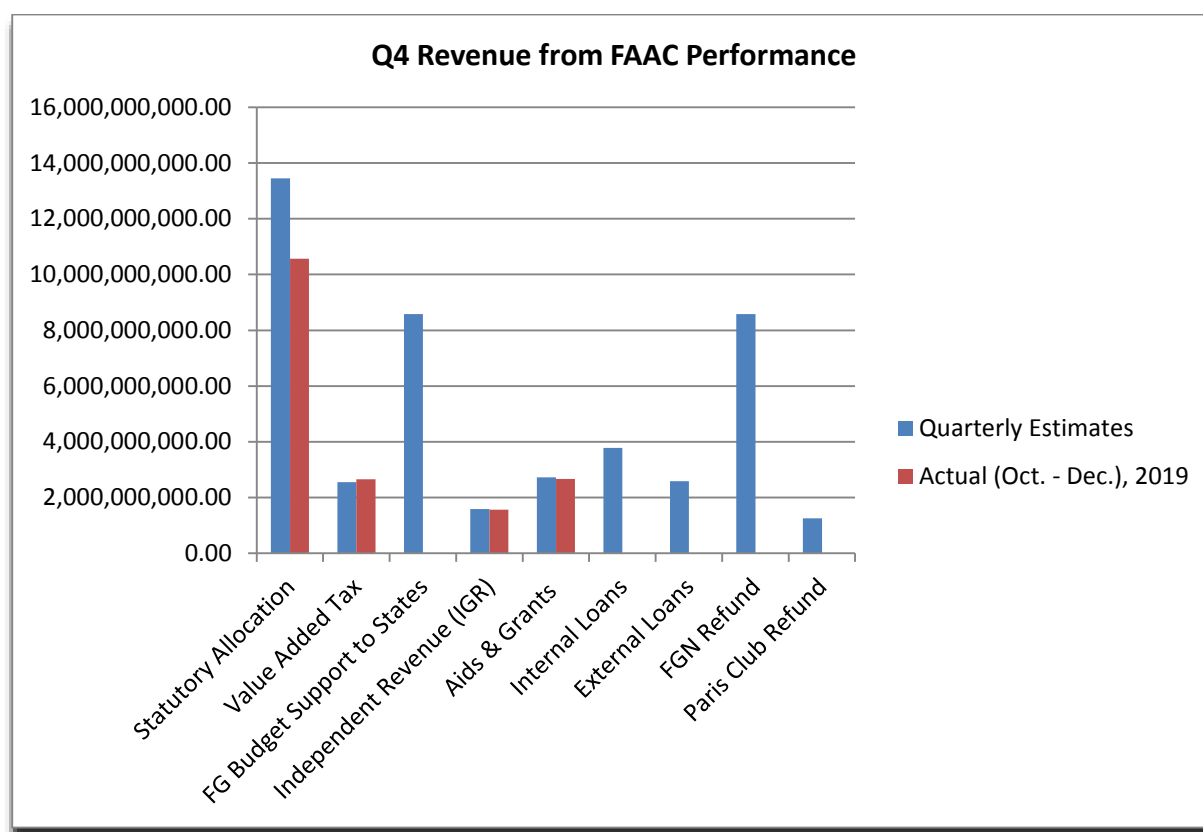| Sources	Budget 2019	Quarterly Estimates	Actual (Oct- Dec) 2019	% Perform
Statutory Allocation	53,821,313,638.18	13,455,328,409.55	10,566,218,601.77	78.53%
Value Added Tax	10,227,089,431.00	2,556,772,357.75	2,659,970,139.98	104.04%
FG Budget Support to States	34315,000,000.00	8,578,750,000.00	-	-
Independent Revenue (IGR)	6,353,554,840.00	1,588,388,710.00	1,565,010,987.03	98.53%
Aids & Grants	10,878,715,309.90	2,719,678,827.48	2,663,645,729.97	97.94%
Internal Loans	15,134,276,114.21	3,783,569,028.55	-	
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**	**17,454,845,458.75**	47.80%

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 was from the statutory allocation. It is expected that this source will bring in the sum of N 13,455,328,409.55 out which the sum of N 10,566,218,601.77 (78.53%) was actually generated thereby leaving a shortfall of N 2,889,109,807.78 (21.47%). On VAT the sum of N 2,556,772,357.75 was expected for the period but the sum of N 2,659,970,139.98 (104.04%) was generated with N 103,197,782.23 higher. The IGR performance was lower than the expected target of N1,588,388,710.00 to N 1,565,0101,987.03(98.53%) with a deficit of N 23,377,722.97, Aids and Grant generated the sum N 2,663,645,729.97 (97.94%) of the expected N 2,719,678,827.48 thereby allowing a shortfall of N 56,033,097.51 (2.06%).

From the above, the total revenue performance for the period under review stood at N **17,454,845,458.75** (47.80%) as against N 36,518,431,720.65 having a shortfall of N 19,063,586,261.90 (52.20%) against the expected.

Figure 1: REVENUE INFLOW CHART/GRAPH

Q4 Revenue from FAAC Performance

Legend:
- Quarterly Estimates
- Actual (Oct. - Dec.), 2019

Categories: Statutory Allocation, Value Added Tax, FG Budget Support to States, Independent Revenue (IGR), Aids & Grants, Internal Loans, External Loans, FGN Refund, Paris Club Refund
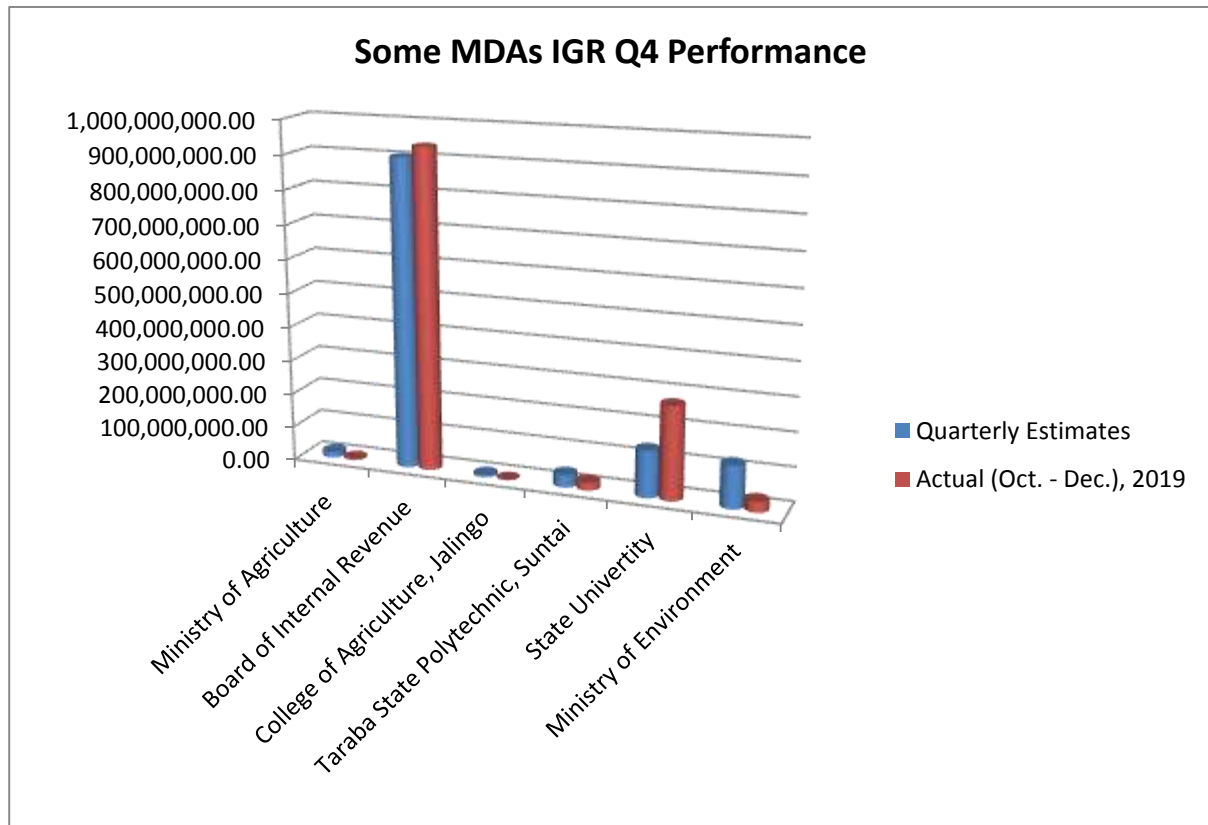
4.1. MAJOR IGR PERFORMING MDAS

Table 6: IGR Inflow

Revenue Source/ Organization Name	Approved Estimates 2019	Quarterly Estimates 2019	Actual Performance (Oct-Dec.) 2019	% performance
Ministry of Agriculture	**68,453,900.00**	**17,113,475.00**	4,798,000.00	**28.04%**
Board of Internal Revenue	**3,618,561,926.21**	**904,640,481.55**	937,822,088.85	**103.67%**
College of Agriculture, Jalingo	**26,250,000.00**	**6,562,500.00**	-	
Taraba State Polytechnic, Suntai	**148,350,000.00**	**37,087,500.00**	23,038,760.00	**63.12%**
TASU	**550,000,000.00**	**137,500,000.00**	274,497,141.53	**199.63%**
Ministry of Environment	**503,100,000.00**	**125,775,000.00**	31,141,500.00	**24.76%**

State Specialist Hospital, Jalingo	96,562,759.26	24,140,689.82	57,340,093 .00	237.52%
Others	1,872,902,913.73	468,225,728.43	236,373,403.65	50.48%
Total	6,884,181,499.20	1,721,045,374.80	1,565,010,987.03	90.93%

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

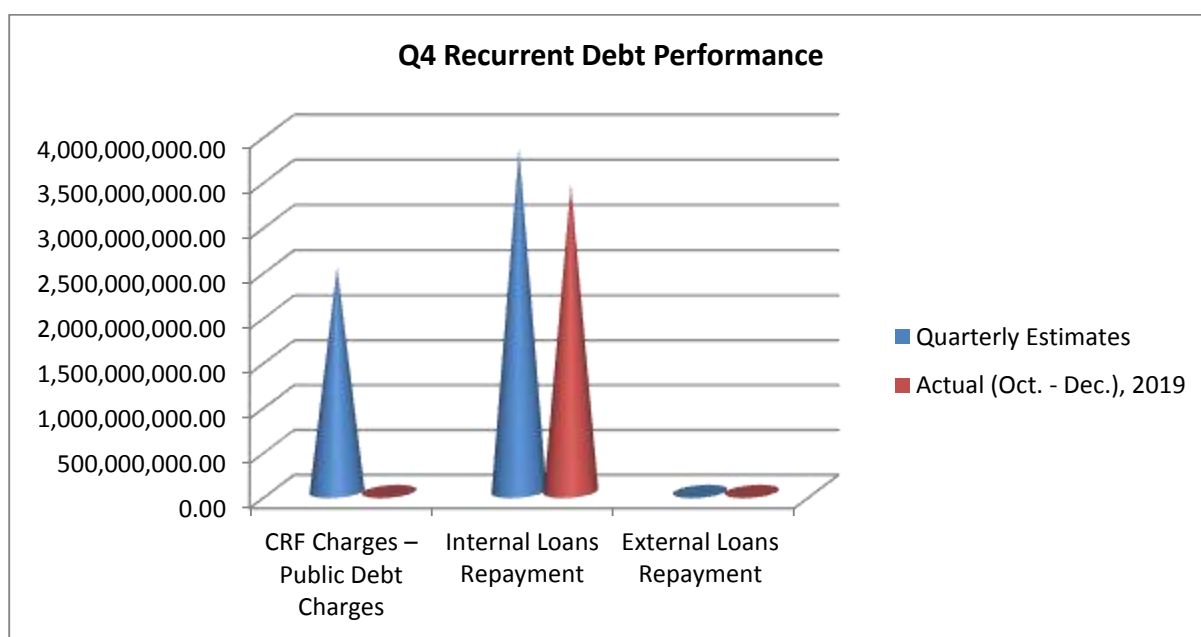5.1. Recurrent Expenditure

5.1.1. Recurrent Debt

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

Table 3: Recurrent Debt Expenditure

Items	Budget 2019	Quarterly Estimates	Actual (Oct – Dec.) 2019	% Performance
CRF Charges – Public Debt Charges	10,000,000,000.00	2,500,000,000.00	-	
Internal Loans Repayment	15,234,276,114.21	3,808,569,028.55	3,410,505,043.85	89.55%
External Loans Repayment	10,343,777,549.29	2,585,944,387,33	-	-

Source: Office of the Accountant General and Debt Office

From the table above, internal loan repayment recorded a performance of 89.55% while External loan repayment and CRF recorded 0% each probably because of lack of information.

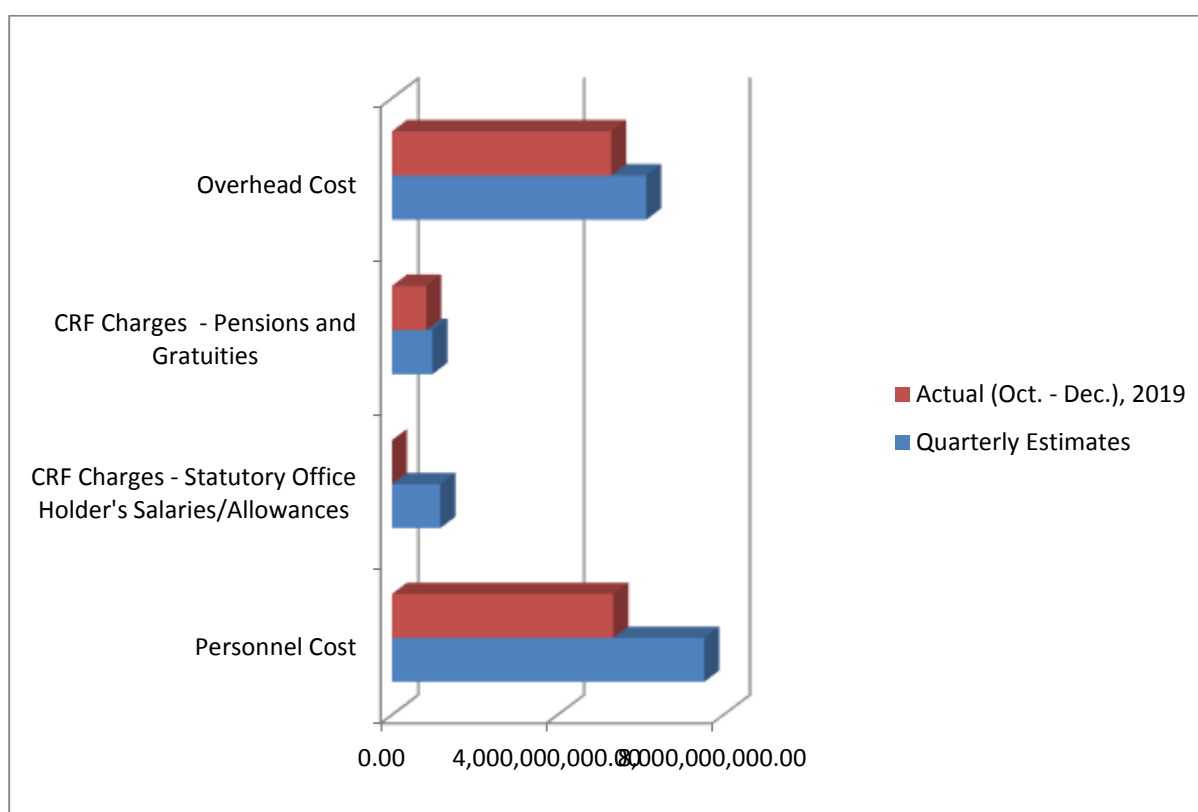Figure 3: **Recurrent Debt Expenditure CHART/GRAPH**

5.1.2. Recurrent Non - Debt by type

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

Table 4: Recurrent Non – Debt Expenditure

Items	Budget 2019	Quarterly Estimates	Actual (Oct – Dec.) 2019	% Perform
Personnel Cost	30,141,412,193.64	7,535,353,048.41	5,339,798,455.13	71.54
CRF Charges - Statutory Office Holder's Salaries/Allowances	4,662,505,614.00	1,165,626,403.50	5,421,983.79	0.47%
CRF Charges - Pensions and Gratuities	3,904,000,000.00	976,000,000.00	825,021,182.42	84.53%
Overhead Cost	24,539,375,164.57	6,134,843,791.14	5,288,962,241.08	86.21%

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 86.21%, followed by CRF Charges (Pension and Gratuities) with 84.53%, Personnel cost with 71.54% and CRF Charges (statutory office holders' salaries and allowances) at the bottom with 0.4%.

6.0   Capital Expenditure Performance

Below is the capital expenditure performance of the fourth quarter of 2019 based on sub-sector.

Table 5: Capital Expenditure Based on Sub-Sector

ITEM	Budget 2019	Quarterly Estimate	Actual (Oct-Dec.) 2019	% Performance
AGRICULTURE & NATURAL RESOURCES	6,507,995,761.72	1,626,998,940.43	123,403,181.00	7.58%
COMMERCE, INDUSTRY & TOURISM	1,557,360,123.20	389,340,030.80	15,860,000.00	4.07%
RURAL & COMMUNITY DEVELOPMENT	3,997,342,050.00	999,335,512.50	99,294,371.00	9.94%
WORKS, HOUSING & TRANSPORT	18,294,219,558.00	4,573,554,889.50	209,024,500.00	4.57%
FINANCE & POVERTY ALLEVIATION	3,122,500,000.00	780,625,000.00	346,574,189.00	44.40%
INFORMATION	1,433,000,000.00	358,250,000.00	-	
EDUCATION	8,011,032,016.80	2,002,758,004.20	128,547,000.00	6.42%
HEALTH	7,547,343,279.70	1,886,835,819.93	847,770,918.00	44.93%
SOCIAL DEVELOPMENT	1,471,040,454.94	367,760,113.74	-	
ENVIRONMENT & FORESTRY	919,844,666.60	229,961,166.65	-	
SOLID MINERALS	200,000,000.00	50,000,000.00	-	
WATER RESOURCES	5,929,700,000.00	1,482,425,000.00	47,830,890.00	3.23%
LANDS & URBAN DEVELOPMENT	2,723,949,248.82	680,987,312.21	22,500,000.00	3.30%
EXECUTIVE	3,791,160,143.00	947,790,035.75	-	
GOVERNANCE	2,573,081,356.30	643,270,339.08	839,744,801.00	4.6%
LAW & JUSTICE	1,900,865,251.29	475,216,312.82	-	-

LEGISLATURE	2,846,000,000.00	711,500,000.00	-	
Total	72,826,433,910.37	18,206,608,477.59	2,680,549,850.00	4.6%

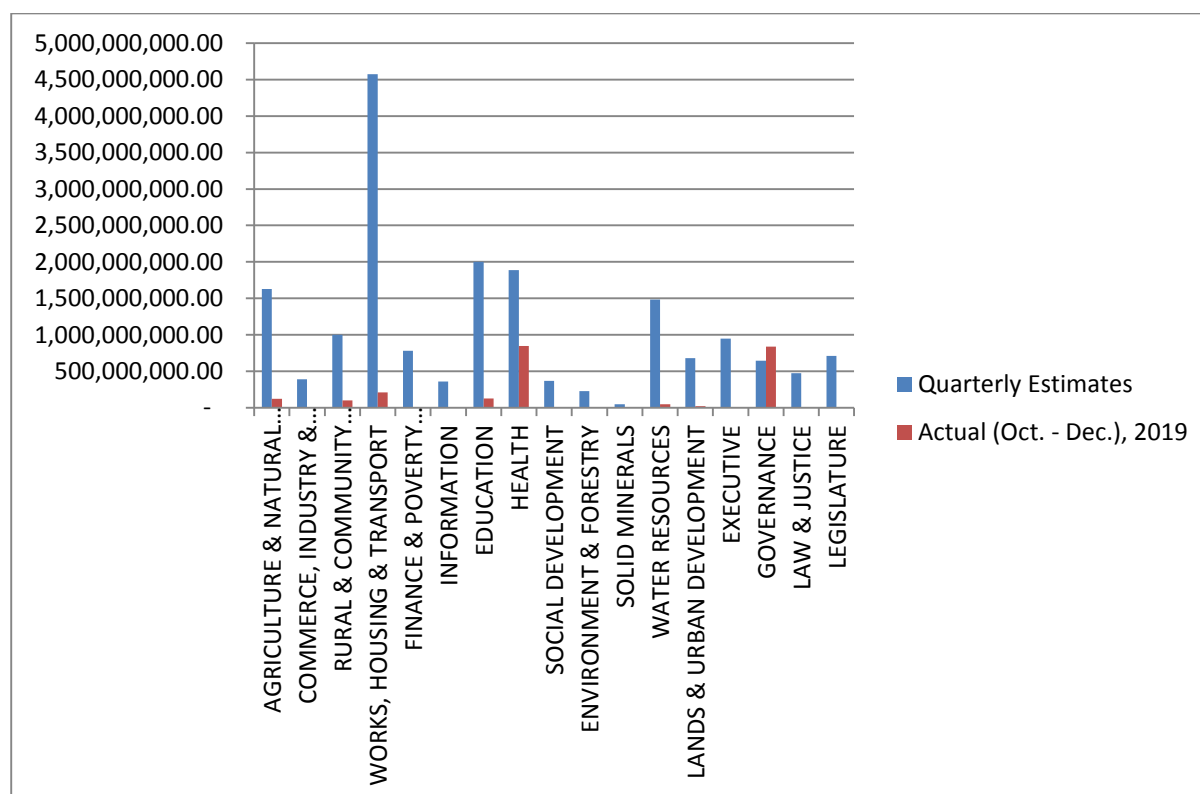*Source: Ministries, Departments & Agencies*

6.2.   CAPITAL EXPENDITURE

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 N2,575,346,668.38(14.15%) was actually expended leaving a high shortfall of N 15,631,261,809.21.

The total expenditure performance for the period stood at N 17,445,055,574.65 (47.77%) as against the estimated N 36,518,431,720.65 leaving a balance of N 19,073,376,146.00

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   -   **N 146,073,726,882.10**

REVENUE:

Expected quarterly performance   -   **N 36,518,431,720.65**

Actual performance (Oct.-Dec.)	-	N **17,454,845,458.75** (47.80%)
Shortfall	-	N **19,063586,261.90 (52.20%)**

EXPENDITURE:

Expected quarterly performance	-	N **36,518,431,720.65**
Actual performance (Oct.-Dec.)	-	N 17,455,385,458.79 **(47.80%)**
Shortfall	-	N 19, 063,046,261.86 (52.20%)

5.0 CONCLUSION

The fourth quarter (Oct. –Dec.) 2019 performance was characterized with weak economic activities as a result of insecurity in the state in particular and the country at large. 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 4.04%. All the others fall short of expectations and this in turn affected the expenditure implementation.

On the expenditure side, all 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.

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