



JIGAWA STATE

2021 - 2023

**Economic and Fiscal Update (EFU),
Fiscal Strategy Paper (FSP) and
Budget Policy Statement (BPS)**

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Abbreviations

BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CPIA	Country Policy and Institutional Assessment
DMD	Debt Management Department
EFU	Economic and Fiscal Update
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
IGR	Internally Generated Revenue
IMF	International Monetary Fund
MDA	Ministry, Department and Agencies
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
NBS	National Bureau of Statistics
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
OAG	Office of the Accountant General
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PITA	Personal Income Tax Act
PMS	Petroleum
SHoA	State House of Assembly
VAT	Value Added Tax
WEO	World Economic Outlook

Section 1 Preamble and Background

1.1 - The Preamble

1.1.1 - Introduction

The EFU-FSP-BPS constitute the major components of the Annual Budget Process in Jigawa State. These set of principles provides logical starting point for the development of Medium-Term Expenditure Framework (MTEF), which highlight the context of the annual budget. The key objective is to achieve fiscal realism and sustainability for both the medium and long-term development of the State through an institutionalized fiscal reform.

The foundation for any fiscal discipline and the attainment of fiscal realism start with the Economic and Fiscal Update (EFU). It (the EFU) presents data and analysed information on all the strata of the state, national and global economic and fiscal situations. This forms the basis for fiscal and macroeconomic assumptions and projections reflected in the Fiscal Strategy Paper which also goes further to manifest medium-term fiscal projections (revenue and expenditure). The EFU gives a measured reflection of recent budget performance identifying factors that significantly affects the attainment of budgetary outputs and outcomes which transmit into the subsequent fiscal plans.

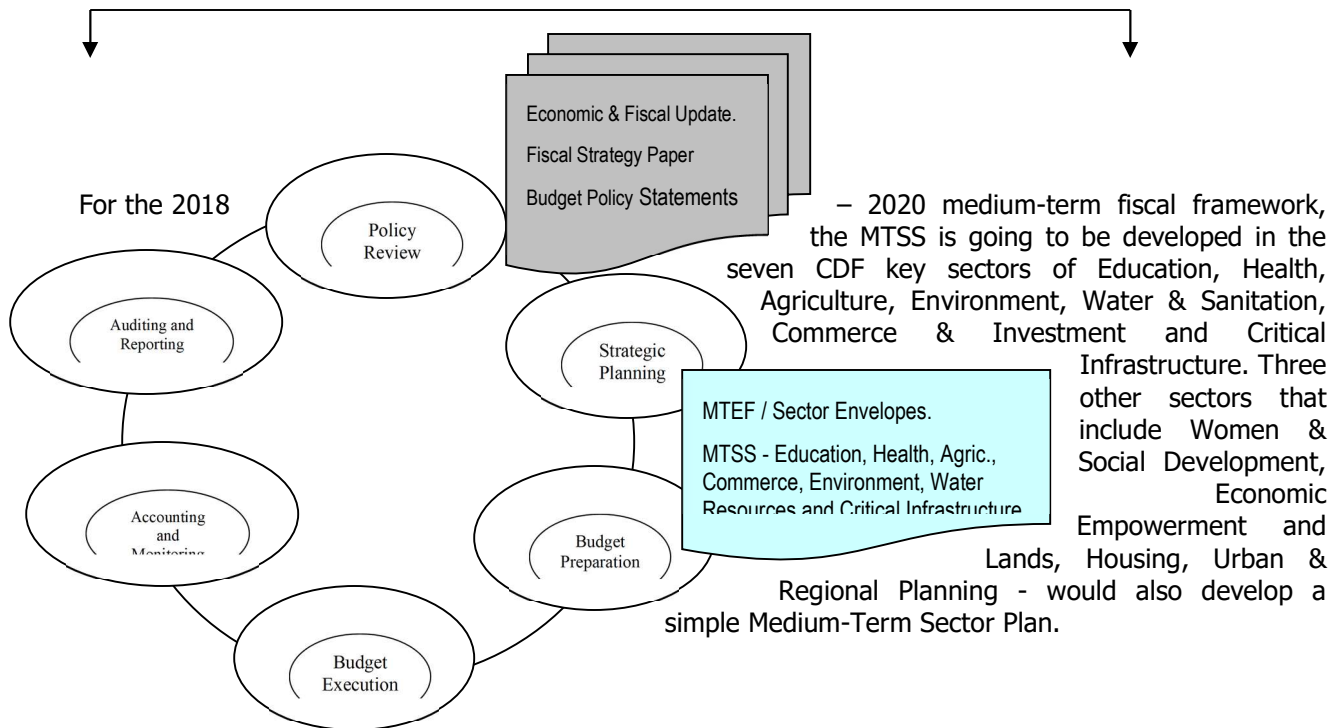
The EFU provides the context for a prospective **Fiscal Strategy Paper (FSP) that** feeds into the Medium-Term Expenditure Framework (MTEF) where resources are strategically allocated considering Government policy objectives and priorities as dictated by the budget policy statements.

Thus FSP is an indispensable element in annual budget process as it determine the resources available to fund government prioritized projects and programmes in a sustainable manner and consistent with its development policy objective and priorities as encapsulated in the existing policy document It provides justification and corroborate the estimation for medium-term major Revenue and Expenditure aggregates including important components of the MTEF Process such as fiscal targets, fiscal constraints and an assessment of the fiscal risks.

1.1.2 – The EFU-FSP-BPS in the Budget Process

The "GREAT TOOL" an acronym for Government Resource Estimation and allocation Tool ensure that planning and budgeting process is being kick-started early in the budget calendar. The resultant outcome of the EFU-FSP-BSP process is the Medium Terms Expenditure Framework which feeds into the Medium-Term Sector Strategies(MTSS) of the key sectors of the Comprehensive Development Framework (CDF) namely; Education, Health, Agriculture, Environment, Water & Sanitation, Commerce and Investment as well as three other sectors i.e. Women and Social Development, Economic Empowerment and Land & Regional Development that would equally develop a simple medium-term sector plan. Below is the budget cycle and its connection with the MTEF process summarized in the diagram.

Figure 1: EFU-BPS - FSP in the PEM Cycles



1.1.3 - Summary of Contents

The development of this three-part document consisting of Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is to a large extent an integral part of the policy review and strategic planning process of the PEM Cycle and play a significant role towards ensuring fiscal discipline and consistency of government’s fiscal plans with its socioeconomic development objective that reflects conformity with international best practice.

The EFU-FSP-BPS essentially:

- i. Provides a summary historical view of key economic and fiscal trends at various levels of governance expected to influence and impact on the short-term outlook of public expenditure.
- ii. Sets out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt; and
- iii. Produces the medium-term expenditure framework which provides indicative sector envelopes for the period 2021-2023 which guides sectors on the production of the MTSS which then feeds in to the budget;

The EFU which provides the economic and fiscal analysis is presented in Section 2. Primarily, it is intended to provide policy makers and decision takers with the basic information and knowledge on the context of the annual budget and planning processes. It also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. Additionally, the EFU includes:

- Overview of Global, National and State Economic Performance
- Overview of the Petroleum Sector

- Trends in budget performance over the last six years

These form the basis for determining the overall budget size over the medium term and the sector envelopes required in the preparation of medium terms sector strategies. The FSP thus determines the resources available to fund the development projects and programmes relating to economic growth, human capital development, service delivery and other administrative cost of governance. The EFU analysis which feeds into the FSP ensures realism and sustainability in the fiscal projections. The BSP in section 4 helps to ensure resources allocation is strategically done in line with Government development objectives and priorities.

The BEPD provide coordination and leadership for the preparation of these documents in collaboration with the key PFM agencies being members of the technical working group. Major decision makers and takers and other stakeholders that formed the target audience of this important fiscal document include:

- The Executive Governor of the State
- The State Executive Council (ExCo);
- State Economic Planning Board
- State House of Assembly (SHoA);
- Budget & Economic planning Directorate;
- Ministry of Finance & Economic Planning;
- Due Process & Project Monitoring Bureau;
- All Government Ministries, Departments and Agencies (MDAs);
- Development Partners/Donor Agencies;
- Concerned Civil Society Organizations such as the Project Monitoring Partnership and Jigawa Forum; and
- Interested private sector entities such as financial institutions and the organised private sector.

1.2 - Background

1.2.1 - Legislative and Institutional Arrangement for PFM

Extant legislations that provide legal and regulatory framework for public expenditure and financial management system in Jigawa State are tabulated below:

S/N	Legislations	Remarks / Provisions
1	1999 Constitution of the Federal Republic of Nigeria (as amended)	The 1999 constitution contains the fundamental rules for the PFM across all States in the Federation. Sections 120 – 129 as well as 162 and 163 of the constitution made provisions for the management of public revenue, intergovernmental fiscal relations, taxation, appropriation of public funds, annual accounts, audit of accounts and investigation by the State Legislature. <i>Sections 120 (i) and (ii) of the Constitution of the Federal Republic of Nigeria, 1999 stipulates that</i>

		<p><i>"... All revenues or other moneys raised or received by a State ... shall be paid into and form one Consolidated Revenue Fund of the State." and that "... No moneys shall be withdrawn from the Consolidated Revenue Fund of the State except to meet expenditure that ... has been authorized by an Appropriation Law... "</i></p> <p>The Governor is required by the constitution to prepare and lay expenditure proposals or an Appropriation Bill for the coming year before the State Legislature.</p>
2	The Fiscal Responsibility Law, 2009	The FRL makes provisions for the promotion and enforcement of best practice in public expenditure and financial management. It seeks to ensure strategic prioritisation and resource allocation through the budget process as well as the promotion of accountability, transparency and prudence in the entire PFM process. The law also provides for multi-year fiscal planning, including aggregate revenue forecasts and expenditure estimates
3	The Personal Income Tax Act, 1993 and Value Added Tax Act, 1993 as amended	The Personal Income Tax Act and Value Added Tax Act provide guidance on the assessment and collection of personal income tax and value added tax, respectively
4	The Board of Internal Revenue Service Law, 2010	Board of Internal Revenue Service Law, 2010, which [like the Personal Income Tax Act of the Federal Government also passed in 2010] aimed at improving the tax administration and enhancing internally generated revenue.
5	Public Finance [Control and Management] Law of 1998 [CAP - P13 of the Laws of Jigawa State [2012]	The Public Finance (Control and Management) Law contains provisions for the management of public finance in the State
6	The State Audit Law, Jigawa State Laws 1998, Chapter 9	The State Audit Law has provisions that guide the preparation and audit of all public accounts.
7	Due Process and Projects Monitoring Law, 2009 (as amended)	The Due Process and Projects Monitoring Law provide guides for the achievement of an open, competitive and transparent procurement system in the State.
8	Annual Appropriation Laws	Annual appropriation laws contained revenue and expenditure estimates approved by the State House of Assembly in accordance with section 120 – 123 of the constitution.
9	Financial Instructions, Revised 2006	The financial instructions and stores regulations contain instructions and guidelines for budget regulation and accounting as well as contract records and stores management. The Fiscal Responsibility Law and Due Process and Projects Monitoring Law are improvements to some of these instructions and regulations

10	Financial Memorandum, Revised 2016	The Financial Memorandum contain instructions and guidelines for budget regulations and accounting as well as contract records and stores management in the Local Government
11	Local Government Law of 2007 as amended	The Local Government law of 2007 as amended provides guidance for the functions, administration and other related matters of the 27 Local Governments in the State
12	Local Government Harmonized Taxes, Law No. 6 2014	The Local Government Harmonized Taxes Law provides for the harmonization of taxes and levies to be collected by the Local Government Councils in the State.
13	Economic Planning Board Law No. 8 of 2016	Basis for the establishment of this was Section 7(3) of the Constitution of the Federal Republic of Nigeria. Some of the functions of the EPB include: <ul style="list-style-type: none"> i. provide inputs into the short, medium and long-term development plans of the State and the Local Governments in line with the State development objectives and priorities; ii. examine the plans and budgets of the State and Local Government Councils for consistency with each other and with the State development objectives and priorities; iii. examine and take appropriate actions on periodic reports on budget implementation and other similar reports from MDAs; iv. monitor and ensure compliance with provisions of the Economic Planning and Fiscal Responsibility Law by the relevant Government Agencies;
14	The Contributory Pension Scheme Law of 2001 (as amended)	This law made provision for the payment of 17% of the monthly gross salary of all Permanent & Pensionable staff on the payroll of State and Local Governments to the Contributory Pension Scheme Funds
15	Other Treasury circulars	This include the FSP initiated by the FG, State initiated circulars related PFM reforms.

1.2.2 - Institutional Framework for PFM in Jigawa State

MDAs are, and to a certain extent, directly involved in the preparation and implementation of public expenditure and financial management functions of Government. However, a few number of Agencies provide coordination and leadership, and also serve as institutional homes that define the institutional framework for PFM in the State as indicated in the table below:

PFM Institutional Framework – Update on the Roles of Agencies		
S/N	PFM Related Agencies	Summaries Roles & Responsibilities
1	Ministry of Finance & Economic Planning	The PFM functions of the Ministry of Finance and Economic Planning are carried by its constituent Departments and Agencies under the leadership of the Honourable Commissioner. These include Office of the Accountant General, Directorate of Budget and Economic Planning and the Board of Internal Revenue.
2	Budget and Economic Planning Directorate	BEPD coordinates the entire annual planning and budget process of the State beginning with conception of the EFU-FSP-BPS to the preparation of the Medium terms Sector plans

		and the Annual Appropriation Law being the major outputs. The function of preparing the annual budget includes all revenue aspects, recurrent expenditure (personnel and overhead cost) and capital expenditure. The Directorate is an Agency under the supervision of the Ministry of Finance and Economic Planning
3	Office of the Accountant General	Office of the Accountant General which essentially is the Treasury Department is where the financial management functions of the Ministry of Finance are mainly centred. It carries out general treasury operations for the government, including collection of revenues, expenditure / accounting controls and cash management. As the Head of the Treasury, the Accountant General exercises the general management and supervision of all the accounting operations of the State Government and serves as the Chief Accounting Officer of receipts and payments of the State Government in that respect. The Debt Management Function is also exercised by the AG's Office. The major output of the annual operations of the Office of the Accountant General is the annual Financial Statements which it submits to the Auditor General for further action.
4	Board of Internal Revenue	The Board of Internal Revenue Service (BIR) is also under the supervision of the Ministry of Finance & Economic Planning. The Board has the major mandate of revenue collection and revenue administration including having an oversight function of monitoring revenue collection by other revenue generating agencies of the State Government. Some of the major functions of BIR include: providing general policy guidelines regarding the functions of the Board of internal revenue, ensuring the effectiveness and optimum collection of all taxes and penalties due to the state under the relevant state and federal laws, supervising and monitoring all revenue collection from the state government agencies. On the average, BIR collects about 40% of the total State IGR while other MDAs collect the rest. On the other hand, Public and Non-Public Sector PAYE constitute not less than 70% of what the Board collects annually
5	Directorate of Salaries and Pensions in the Office of the Head of Service	The Directorate of Salaries and Pensions which is under the supervision of the Head of the State Civil Service is responsible for the State's Computerised Payroll System. It undertakes the preparation of salaries and pensions for payment for all Agencies of Government including the Judiciary, the Legislative Arm and the Local Government Councils
6	Office of Auditor Generals (State and Local Governments)	The Office of Auditor General of the State audits all accounts of government. It posts auditors to all MDAs to undertake post payment audit of transactions. In addition, the Auditor General embarks on annual audits of public accounts prepared by the Accountant General and publishes audit reports. The Auditor General of Local Governments facilitates the audit of the financial statements of all LGs in the State and issues a report annually. Both the Auditor General of the State and the

		Auditor General of Local Governments report to the PAC Committee of State House of Assembly.
7	Due Process and Project Monitoring Bureau;	The Due Process and Project Monitoring Bureau regulates all procurement activities and carries out certification of transactions
8	Ministry for Local Government and Community Development	The Ministry for Local Government & Community Development ⁷ , supervises the Public Financial Management process of 27 Local Governments in the State. It ensures that Local Governments abide by the provisions of Financial Memorandum and all matters relating to local government finances. For closer monitoring and supervision, the Ministry established 9No. Zonal offices across the State.

1.2.3 - Overview of Budget Calendar

Section 10.5 of the Jigawa State Comprehensive Development Framework provides a framework for Public Expenditure & Financial Management Reforms and presents a Generic Budget Calendar within which the annual budget process should be pursued. The indicative Generic Budget Calendar for Jigawa State Government is presented in table 1 below:

Table 1: Budget Calendar

Stage	Date (s)	Responsibility
A - MTSS / MTEF REVIEW		
Baseline Data Collection on KPIs for MTSS / CDF Review	April/May	BEPD
Medium Term Budget Framework / Fiscal Strategy Paper	April/June	Working Group
<ul style="list-style-type: none"> Review of Government Policies Macro-Economic Analysis Review of Fiscal Aggregates: 		
MTSS Performance Evaluation and Review Process	May/June	BEPD/Sectors
Sector Desk Officer Follow-ups on MTSS / MTSF Performance Review	May/June	BEPD
Medium-Term Sector Envelops	June	BEPD
Government Approval / Endorsement of Medium Terms Budget Framework / Sector Envelops / Budget Ceilings	June	EXCO
Issuance of MTSS / MTSF Roll-over Circular (with Sector Envelops)	June	BEPD
Sector Planning Teams / Stakeholder Briefings on MTSS / MTSF Roll-over Process	June	BEPD
MTSS Roll-Over Process, Strategy Sessions and Follow-ups Meetings by Sector Desk Officers	June/July	BEPD
Finalize Review of Medium Term Documents (MTSS/MTSF)	July	Sectors/BEPD
Approval of Finalized MTSS / MTSF Documents	July/Aug	EXCO/SHoA
B - ANNUAL BUDGET PROCESS		
Annual Budget Preliminaries		
<ul style="list-style-type: none"> Issuance of Annual Revenue Circular / Data collection of Revenue Performance Compilation and Entry (into IFMIS) of Incoming Fiscal Year Revenue Estimates Budget Framework Update: Review and Update of Fiscal Aggregates and Preparation of Budget Ceilings for In-coming Fiscal Year EXCO Briefing on Incoming Year Budget Framework 	June June/July July July	BEPD BEPD BEPD MOF&EP

• Government Approval / Endorsement of Budget Ceilings	July	EXCO
Issuance of Annual Budget Call Circular with Ceilings to MDAs	August	BEPD
Submission and Review (Examination) of Budget Proposals by Sector Desk Officers and Schedule Officers	Sept.	MDAs/BEPD
Bilateral Discussions with Government Agencies	Sept/Oct	BEPD/MDAs
Follow-ups and Budget Data Entry into IFMIS	October	BEPD
Preliminary Discussions on Draft Budget (Governor / Govt. Policy Team (EPB))	October	BEPD
High-Level Budget Sessions with Governor	Oct/ Nov.	HE/BEPD/Sectors
Presentation of Draft Budget Estimates (Consolidated Revenue and Expenditure proposals)	November	EPB
Annual Executive Council Budget Session / Approval of Draft Proposed Budget	November	EXCO
Preparation of the Budget Speech and Presentation of the Appropriation Bill to the House of Assembly	November	BEPD / HE
House Deliberation and Passage of Appropriation Law	Nov / Dec	SHoA
Signing of the Appropriation Law	December	HE
C - BUDGET IMPLEMENTATION FRAMEWORK		
Issuance of the General Release Warrant	January	BEPD
Issuance of Budget Implementation Guidelines Circular with Approved Budget Portions and Work Plans	January	BEPD
Finalize Budget Implementation Profiles (work plan) and obtain Governor / Exco Approval	January	BEPD/MOF&EP
Press Briefing by Commissioner for Finance and Economic Planning	Jan/Feb	MOF&EP
Publish Approved Budget Document	Feb/Mar	BEPD

Section 2 Economic and Fiscal Updates

SECTION 2

ECONOMIC AND FISCAL UPDATE

2.1 - Economic Overview

The Economic Updates take a close look at recent trends of economic developments from the global level down to the local economy and the likely impact of observed trends on future growth prospects. This is very important given the large exposure of the Nigerian economy to the ups and downs of global economic developments as affected by commodity prices, foreign direct investments, dollarization of international trade as well as the inexplicable influence of international financial institutions – particularly the World Bank and IMF – on the national economy.

2.2 Global Economy

2.2.1 The June 2020 *Global Economic Prospects* describes both the immediate and near-term outlook for the impact of the pandemic and the long-term damage it has dealt to prospects for growth. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020, using market exchange rate weights—the deepest global recession in decades, despite the extraordinary efforts of governments to counter the downturn with fiscal and monetary policy support. Over the longer horizon, the deep recessions triggered by the pandemic are expected to leave lasting scars through lower investment, an erosion of human capital through lost work and schooling, and fragmentation of global trade and supply linkages.

2.2.2 The crisis highlights the need for urgent action to cushion the pandemic’s health and economic consequences, protect vulnerable populations, and set the stage for a lasting recovery. For emerging market and developing countries, many of which face daunting vulnerabilities, it is critical to strengthen public health systems, address the challenges posed by informality, and implement reforms that will support strong and sustainable growth once the health crisis abates.

2.2.3 The pandemic is expected to plunge most countries into recession in 2020, with per capita income contracting in the largest fraction of countries globally since 1870. Advanced economies are projected to shrink 7 percent. That weakness will spill over to the outlook for emerging market and developing economies, who are forecast to contract by 2.5 percent as they cope with their own domestic outbreaks of the virus. This would represent the weakest showing by this group of economies in at least sixty years.

2.2.4 Every region is subject to substantial growth downgrades. East Asia and the Pacific will grow by a scant 0.5%. South Asia will contract by 2.7%, Sub-Saharan Africa by 2.8%, Middle East and North Africa by 4.2%, Europe and Central Asia by 4.7%, and Latin America by 7.2%. These downturns are expected to reverse years of progress toward development goals and tip tens of millions of people back into extreme poverty.

2.3 AFRICA: MACROECONOMIC PERFORMANCE AND PROSPECTS

2.3.1 Africa's economic prospects are weak

Real GDP in Africa is projected to contract by 1.7 percent in 2020, dropping by 5.6 percentage points from the January 2020 pre-COVID-19 projection, if the virus has a substantial impact but of short duration. If it continues beyond the first half of 2020, there would be a deeper GDP contraction in 2020 of 3.4 percent, down by 7.3 percentage points from the growth projected before the outbreak of COVID-19.

2.3.2 Cumulatively, GDP losses could range between \$173.1 billion and \$236.7 billion in 2020–2021

With the projected contraction of growth, Africa could suffer GDP losses in 2020 between \$145.5 billion (baseline) and \$189.7 billion (worst case), from the pre-COVID-19 estimated GDP of \$2.59 trillion for 2020. Some losses are carried over to 2021, as the projected recovery would be partial. For 2021, the projected GDP losses could be from \$27.6 billion (baseline) up to \$47 billion (worst case) from the potential GDP of \$2.76 trillion without the pandemic.

The most affected economies are those with poor healthcare systems, those that rely heavily on tourism, international trade, and commodity exports, and those with high debt burdens and high dependence on volatile international financial flows. The overall impact of the pandemic on socioeconomic outcomes remains uncertain, however. It will depend crucially on the unfolding epidemiology of the virus, the extent of its impacts on demand and supply, the effectiveness of public policy responses, and the persistence of behavioral changes.

2.3.3 The pandemic has triggered a sudden uptick in inflation

The pandemic has already triggered an increase in inflation in the continent, in some cases by more than 5 percent in the first quarter of 2020. This has mainly been caused by disruptions in the supply of food and energy, the bulk of which are imported. But for many other countries, the drastic fall in aggregate demand due to the lockdown and other containment measures has eased inflationary pressures, especially among non-resource-intensive economies. Overall, although headline inflation, which includes food and basic energy prices, would be expected to rise, core inflation might remain stable until demand picks up after the pandemic.

2.3.4 Expansionary fiscal spending could double already high fiscal deficits

The pandemic and its economic consequences are expected to trigger expansionary fiscal policy responses across all categories of economies in Africa. The implied expansionary fiscal stance would further widen fiscal deficits in the continent. In 2020, deficits are projected to increase twofold, to 8 percent of GDP, in the baseline scenario, and to go as high as 9 percent in the worst-case scenario. This worsening fiscal position would be the result of above-the-line increases in budgetary outlays on COVID-19 related health spending, unemployment benefits, targeted wage subsidies and direct transfers, and tax cuts and deferrals.

COVID-19 will add to sovereign debt burdens COVID-19 heightens the likelihood of a widespread and far-reaching sovereign debt crisis if debt is not properly managed. Many countries in Africa entered the crisis period with high debt-to-GDP ratios, which are projected to increase further by up to 10 percentage points beyond the pre-COVID trajectory in 2020 and 2021. The sovereign debt build up is particularly worrisome because of its changing risk structure in Africa as a result of the increasing share of commercial debt—euro bonds and other private creditors—and the high foreign currency denomination of Africa's debt.

2.3.5 Remittances and foreign direct investment could plunge

Remittances took the lead in external financing, up by 7 percent from 2017, to \$82.8 billion in 2018, and increasing further to \$86.2 billion in 2019 on the back of a pickup in global economic growth and rising migration. This has become a vital source of foreign financing for many African economies, accounting for more than 10 percent of GDP of Cabo Verde, Comoros, Gambia, Lesotho, Liberia, and Senegal. In turn, these countries have become exceptionally vulnerable to shocks to remittances caused by COVID-19, especially in high-income economies where migrant jobs and incomes are threatened.

Foreign direct investment—which picked up in 2018 by 10.9 percent, reaching \$45.9 billion, and improved further to an estimated \$49 billion in 2019—is also expected to fall in 2020 as investors reduce or postpone their investments amid uncertainties. Official development assistance, which has risen since 2016 (by 1.2 percent in 2018), could be constrained by the impact of the crisis on advanced economies. And portfolio flows, which have declined since 2017, standing at \$27.1 billion in 2019 for Africa, are experiencing severe pressures as emerging market capital flows suddenly stop, with forecasts predicting a fall of more than 50 percent in 2020, driven by the COVID-19 shock to global growth and a more risk-averse sentiment among investors.

2.4 NIGERIAN ECONOMY

2.4.1 Macroeconomic Performance of the Nigerian Economy

The economy has grappled with acceleration in real GDP growth since the exit from recession in Q2 2017. In spite of twelve consecutive quarters of positive growth, GDP growth rates remained below desirable targets (growing below population growth rate).

The NBS projects that the Nigerian economy will contract by -4.2% in 2020, as the COVID-19 pandemic and resultant oil price shock have exacerbated the vulnerability of Nigeria's fiscal and monetary landscape. Prior to the outbreak of the pandemic, the Nigerian economy had been characterised by wavering external sector and improving internal economic indicators. Over-dependence on oil revenue, constrained fiscal space, low foreign and domestic investments, declining foreign reserves made the economy disproportionately vulnerable to the twin shocks of oil price collapse and a health crisis. The informal sector, which accounts for over half of Nigeria's GDP will be severely negatively impacted.

Gross Domestic Product (GDP) grew by 1.87% (year-on-year) in real terms in Q1 2020. Growth in the non-oil sector was driven mainly by Telecommunications, Financial Institutions, Crop Production, Mining and Quarrying and Construction subsectors. Nevertheless, the performance recorded in Q1 2020 represents a drop of 0.23% compared to 2.10% growth in Q1 2019, and 0.68% decline from 2.55% growth in Q4 2019, reflecting the earliest effects of disruption caused by COVID-19 pandemic and crash in oil price.

Sectoral Quarterly GDP Growth Rates, (2014 Q1 - 2020 Q1) Sectoral GDP growth saw a contraction in key contributors to the GDP. Trade contracted by 2.82%, while Information Communication Technology slowed to a growth of only 7.65% from 11.08% 2019 full year growth. As a whole, the non-oil sector grew by 1.55% in real terms during Q1 2020, a decline by -0.93% compared to 2.47% recorded in Q1 2019. Economic sectors that recorded weaker performance relative to Q1 2019 include Quarrying, Road transport, Accommodation and Food Services as well as real estate. The oil sector grew by 5.06%, showing a decline from 6.36 percent recorded in Q4 2019.

2.4.1 Unemployment and Underemployment

Unemployment & Underemployment Rate (Q1 2014 –Q3 2018) Unemployment rate was 23.1 percent (or 20.9m people) as at Q3 2018 while underemployment was 30.1%. The rise in youth unemployment, has

fueled the rising spate of criminal activities and antisocial behaviour. Government is currently implementing various schemes tailored to productively engage the teeming youth population.

2.4.2 Monetary Sector

(a) Inflation Figure

Inflation Rate (Jan 2014 – May 2020) Consumer Price Index (CPI), which measures inflation, increased by 12.40% (year-on year) in May 2020 rising for the ninth consecutive month, and represents the highest rate recorded since May 2018. This is 0.06% higher than the 12.34% recorded in April 2020 owing largely to the increase in the cost of food. The composite food index rose by 15.04% in May 2020 compared to 15.03% in April 2020. The rise in the food index is exacerbated as clashes between herders and farmers worsen insecurity in addition to the disruption in inter-state travels owing to the coronavirus pandemic.

(b) Interest Rate

The Central Bank of Nigeria (CBN) has adopted measures to rein in inflation and reduce pressure on the Naira in the foreign exchange market. The Monetary Policy Committee (MPC) recently reduced the monetary policy rate by 100 basis points to 12.5%, the first rate cut since March of 2019. The decision was aimed at alleviating the economic impact of the coronavirus pandemic and collapsing oil prices.

The lower rate is expected to stimulate credit expansion to critical economic sectors to support employment. The Bank however kept the Cash Reserve Ratio (CRR), Liquidity ratio, and asymmetric corridor unchanged.

2.4.3 Fiscal Sector

Fiscal buffers are currently very lean. The recent cut in oil production by OPEC and its allies to stabilize the world oil market has further squeezed projected net government revenues from the oil and gas sector, with consequences for foreign exchange inflows into the economy. External debt balance at end of Q1 2020 stood at USD 27.67 billion and Excess Crude Account (ECA) barely USD71 million. With the Balance of Trade (BOT) at USD18.7 billion and widening fiscal deficit on account of lower oil revenue, the fiscal space is critically constrained.

Fiscal measures are being instituted to improve government revenues and entrench a regime of prudence with emphasis on achieving value for money. Some of the reforms contained in the Finance Act 2019, including the increase in VAT rate to 7.5%, are being implemented to shore up government revenues. The goal of fiscal interventions is to keep the economy active through carefully calibrated regulatory measures designed to boost domestic value-addition, de-risk the enterprise environment, attract external investment and sources of funding while managing existing debt obligations in the most fiscally sustainable manner.

Government is seizing the opportunity of the crisis to intensify economic diversification to ensure growth in non-oil exports, reduction in the import bill and improve economic competitiveness. Nigeria is currently implementing a modest stimulus package and providing palliatives for the most vulnerable members of the society. Fiscal support is also being provided to sub-national Governments and selected business sectors negatively impacted by the COVID-19 pandemic.

2.4.4 External Sector

(a) Trade

Foreign trade in Q1 2020 was estimated at N8.3 trillion. The value of exports reduced to N4.08 trillion from N4.77 trillion recorded in Q4 2019, while import stood at N4.22 trillion in Q1 2020 when compared to N5.35

trillion recorded in Q4 2019, indicating a 21.08% decline. Trade balance maintained the negative trend standing at -N138.99 billion, from - N579.06 billion in Q4 2019. The downturn recorded in the value of balance-of-trade could be attributed to the decline recorded in the value of both crude oil exports and non-crude oil exports. In Q1 2020 Crude oil exports stood at N2.944 trillion while non-crude oil exports recorded was N1.14 trillion.

(b) External Reserves and Capital Flows

Accretion to foreign reserves is slowing down, with the total declining to US\$36.38 billion in June 2020 from US\$44.7 billion in April 2019, an 18.6% drop. COVID-19 compounded the steady decline in external reserves which is largely attributable to low foreign investment flows and the impact of the decline in the international oil price on crude oil receipts. The moderate recovery in crude oil prices in May 2020, and the disbursement of IMF's US\$3.4 billion rapid financing instrument momentarily eased the pressure on external reserves.

Monetary policy rates have been relatively high and stable with the goals of checking capital 7 Budget Office of the Federation / FMFBNP 2021 – 2023 MTEF/FSP outflows to slow down external reserves erosion.

The uncertainty and general decline in global economic activities caused by the COVID-19 pandemic have inspired a flight to safety, and further dimmed the prospect of reversing the downward trend in foreign portfolio investments (FPIs) in the Nigerian Treasury Bills (NTBs), a major source of dollar inflow into the country.

2.4.5 Tax Expenditure Statement

Improving the tax administration framework to optimize government revenues has been a major thrust of the Administration's Public Finance Management (PFM) reforms. Government has taken the view that preparing a Tax Expenditure Statement (TES) will further entrench accountability and transparency in the management of the economy.

The purpose of the tax expenditure statement is to provide further transparency around policy motivated 'expenditures' made through the tax system. Government understates public expenditure when tax waivers/concessions are excluded from expenditure estimates in the annual budget. The result is similar whether government chooses to spend directly on, or forego revenue from, certain individuals, groups, or activities. Government expenditures therefore can be explicit as in direct expenditure outlays on public health, education and infrastructures or implicit as in tax expenditures. Tax expenditures in Nigeria take the form of an exemption, allowance, preferential tax rate, deferral, or offset that reduces a tax obligation to achieve a specific policy objective.

The statement is not intended to be an evaluation of policy effectiveness or desirability. Estimating tax expenditures is expected to facilitate formulation of evidence-based policies. The Statement is also intended to create incentives for taxpayers to change their behaviour in ways consistent with economic policy direction. A fuller discussion of the objectives and modus of preparing the TES is attached as annexure 2 to this MTEF/FSP. A detailed TES including estimates of the tax expenditure will accompany the 2021 budget.

2.5 Jigawa State Economy

It was stated in one of the surveys carried out that Jigawa State is being the 10th largest nonoil and gas economy in the country with an estimated GDP of about N759 billion before the GDP rebase by the National Bureau of Statistics (NBS). Another estimate put the State's GDP at N800 billion (Nigeria Economic Outlook, 2012)

The most prominent feature of the state economy is the dominance of agriculture and other informal sector activities including agricultural produce and livestock merchandize, Small and Medium Enterprises (SMEs), wholesale and retail and other skilled work trades. The formal sector is comprises of approximately 600 businesses and it contributes about 70 – 80 percent of output and employs over 3 million people which about fifty percent are women.

It is believed that government is the largest employer in terms of salaried jobs and the largest procurer of goods and services. The state economy mainly comprises of SMEs and nearly 69 percent of households are self-employed. According to an official estimate, the agricultural sector contributes the major part of the GDP and engages directly and indirectly more than 70 percent of the population. Crop production is the dominant agricultural activity and Jigawa State is the 7th largest crop producer in the country with an estimated value of N644 billion (Economic Outlook, Nigeria 2012).

Major rain fed crops grown in Jigawa State include millet, sorghum, cowpea, groundnuts, sesame, rice, maize, sweet potatoes, Bambara nuts, water melon, cassava and cotton with a combined annual yield in excess of 2 million metric tons . Dry season crops cultivated include tomatoes, pepper, onions, wheat, sugarcane, carrots, cabbage, lettuce, maize and a host of other leafy vegetables. Many farmers also engage in rearing of livestock. Popular livestock species in the State include goats, sheep, poultry and cattle. With over 90% of the State's total landmass is considered arable, Jigawa is one of the most agriculturally endowed States in Nigeria.

However, the State have deposits of over 10 different kinds of solid minerals in commercial quantities and a relatively small industrial sector largely comprising privatized State Owned Enterprises including Crystal Sugar (yet to be commissioned), a Rice Mill in Hadejia, and Majestic Dairy in Birnin Kudu.

The modern industrial sector is still at an infant stage. SMEDAN estimates the presence of only 14 medium-scales and slightly above 200 small-scale manufacturing establishments in the State. The attempt to fast track industrial development in the State through State-owned Agro-allied industries faltered. These included Kazaure Tomato and Citrus Processing Plant, Gumel Flour Mill, Hadejia Sugar Plant, Atafi Rice Mills and Birnin Kudu Dairy Processing Plant all of which were eventually privatized after being moribund for more than a decade. The decision to privatize has resulted in a turn-round for the last two industries while it is expected that ongoing resuscitation of Sugar Plant will be completed before the end of 2016. The Export Processing Zone (EPZ) at the border town of Maigatari presents huge opportunities for the development of SMEs and cross-border trade in all goods – including light manufactures (small scale manufacturers) and value-added agricultural commodities. Licensed in 2000 by NEPZA, the EPZ covered about 6.5 square kilometres with robust and modern infrastructures to support and sustain light, medium and heavy manufacturing industries targeting the export market. It has 10 proto-type factory buildings, robust infrastructure and efficient utility services which present huge opportunities for the development of small- and medium-scale enterprises. Several years after it was licensed, full potentials of the export processing zone are yet to be achieved as a result of which several options are being considered to make that possible including privatization, lease or concession to private sector management.

The informal sector is vibrant and diverse, with an estimated 500,000 micro-enterprises across all economic activities, engaging more than 3 million people and contributing approximately 70-80% of output. The dominant economic activities are Agro-allied, including grains and food processing, livestock merchandizing,

tanning & leather works, services and trading in household commodities. Other informal sector activities include blacksmithing, tailoring services, auto repairs, metal works, carpentry, dyeing and masonry, quarrying and block/brickmaking. The State has a vibrant domestic trade sector, which is predominantly informal, consisting of thousands of 'subsistence enterprises' but with huge contributions to the State economy. In addition to those specialized markets at Sara, Gujungu, Maigatari, Kupsa and Hadejia, dealing in large-scale agricultural commodities and livestock merchandizing, there are many other regular daily markets spread across towns and villages in the state. The State has long history of trade-links with Niger Republic which provides opportunities for cross border trade up to parts of Central Africa.

The State has a good investment climate with strong commitment to continuously get it improved to enhance the competitiveness of the State to attract private domestic and foreign direct investments. In addition to the establishment of a one-stop shop for investment promotion (Jigawa Invest) backed by Law of the State House of Assembly, there is an efficient institutional support mechanism, which coordinates all investment activities to ensure that investors, both potential and existing receive the best possible support from the Government. The State's infrastructure is qualitative - a modern ICAO-certified international airport, suitable for both cargo and passenger transportation, over 2000 km of tarred all-season motorable roads traversing all the nooks and crannies of the State and a railway track from Kano passing through about one-third of the Local Governments in the State to Nguru in Yobe State. All these serve to open up the State and improve the ability of firms to access regional and international markets. In addition, there exists other critical infrastructure for economic development such as electricity, and information and communication technology, internet connectivity powered by Galaxy ITT via a broadband network also provides enormous potentials for effective communication and information management, which are essential for both public and private sector operations. Financial intermediation services have significantly improved over the years through the presence of many commercial banks in the State and the establishment of a branch of the Central Bank of Nigeria in the State Capital. There also exist several microfinance banks that mobilize rural savings and provide finance for entrepreneurs.

While it is widely acknowledged that Jigawa has vast and untapped resources with huge potentials for regional and international commerce and is indeed favoured to play a leading role in the Nigerian economy, there are some key development challenges that could impede on sustained growth and development of the economy. Major development challenges include the following:

First is the demographic challenge. The State has a fairly large and rapidly growing population of slightly above 5 million with nearly 51% or 2.8 million people dependent on the 2.6 million economically active, but not productively engaged people. While the relative high proportion of youthful population could turn out to be an economic force that presents vast opportunities for development if effectively developed and harnessed, it nonetheless poses a serious social and economic challenge.

Second is the Poverty and Employment Challenge: High incidence of poverty and youth unemployment has remained a major challenge to development of the State. Even though poverty is gradually declining, the severity and incidence are still high enough to act as constraining factor to the development of the state. Absolute poverty has declined from 90.9% in 2007 to 74% in 2012 with 35.6% classified as 'core poor' [NBS: The Poverty Report]. The NBS has also recorded an unemployment rate of 28.6%, which is much higher than the national average of about 21% with more than 60% of the economically active persons unemployed. The challenge posed by these is largely in terms of the social problems associated with them, the extent of interventions and resources that would be required to contain them and the fact that a vast reservoir of productive forces has continued to remain untapped;

The third challenge is that the economy remains relatively small, undiversified and predominantly informal with thousands of subsistence enterprises. Despite the vast potentials of the Agricultural sector to create forward and backward linkages, most of the economic sectors remain isolated with limited linkages and integration. The capacity of the economy to generate formal, productive employment opportunities is thus limited by its size and structure.

Fourthly, the state faces a precarious fiscal position largely due to high dependence on federal transfers for its recurrent revenues with Statutory Allocation and VAT, constituting more than 85%. IGR constitutes an average of about 15% of the Federal Transfers during the period of 2016 to 2019. The level of Capital Investments falls short of the requirement for optimal exploitation of the State's vast natural, human and materials resources.

COVID-19 devastated the economic sector in the state, as lockdown and other restrictive measures layoff a lot of businesses and other economic activities. This situation increased the poverty level of the state, on top of the higher percentage recorded even before the pandemic.

Various policy initiatives are required to effectively respond to the challenges. These would include the following, among others:

- Stimulating and channelling investments into productive sectors that infuse new resources and bring in new technology and ways of production;
- Igniting the potentials of agriculture and strengthening local resource-based to support light manufacturing in food processing, to improve food security;
- Introducing new Social Safety Net programmes to reduce the level of poverty caused by COVID-19.
- Introduction of business support to MSEs to boost the state economy.
- Expansion of investments to maintain existing public infrastructure and complete the ongoing ones; and
- Improvement of human resource of the state through functional and effective education as well as healthcare services and other economic empowerment initiatives to improve livelihood;
- Diversification of the State's revenue base through expansion of the tax base to capture more trades and individuals;
- Improving spending efficiency and reform of the internal revenue generating machinery through greater monitoring and controls using modern technology, financial and accounting methods;

3.Fiscal Strategy Paper

3.A Macroeconomic Framework

The Macroeconomic framework is based on IMF national real GDP growth and inflation forecasts from the April, 2020 World Economic Outlook document, and mineral benchmarks (oil price, production and NGN: USD exchange rate) from the 2020-2022 Federal Fiscal Framework.

Figure xx: Jigawa State Macroeconomic Framework

Macroeconomic Framework

Item	2021	2022	2023
National Inflation	11.95%	10.94%	11.02%
National Real GDP Growth	3%	4.5%	4%
Oil Production Benchmark (mbpd)	1.900	2.000	2.200
Oil Price Benchmark	40	40	40
NGN: USD Exchange Rate	379	379	379
Other Assumptions			
Mineral Ratio	27.5%	27.5%	27.5%

3.B Fiscal Strategy and Assumptions

Policy Statement

The JGS Fiscal Policy Statement is based on its Fiscal Responsibility Law which advocates “sound Public Expenditure and Financial Management in the State”. Specifically, this is to be achieved through:

- Emphasis on achieving a more favorable balance for capital expenditure, through restraining the increasing trend in recurrent expenditure;
- Aligning state government’s income and expenditure by keeping spending limits within the dictates of available resources and within a fiscally sustainable debt position;
- Ensuring strict adherence to due-process in budget execution as well as accountability, transparency and prudence in the entire public financial management process;
- Boosting IGR in accordance with the recently submitted business case of SIRS; and
- Ensuring that the budget process is pursued within a framework that supports strategic prioritization and rational resources allocation and in accordance with the overall development policy objectives of the state.

Objectives and Targets

The key targets from a fiscal perspective are:

- It is desired to have a higher proportion of capital expenditure compared to recurrent expenditure;

- Increments in personnel expenditure of between 2.5% to 5 % annually is maintained considering the succession plan;
- Maintain overhead costs within reasonable limit that allow for optimal service delivery;
- Comply with TSA policy to ensure that all revenue collected in the state including that of Parastatals and Institutions are captured in the same net;
- Emphasize on completion and commissioning of all ongoing projects for the benefit of the people

3.C Indicative Three – Year Fiscal Framework

The indicative three-year framework for the period of 2021-2023 is presented in the table below:

Jigawa State Medium Term Fiscal Framework

Recurrent Incomes

Recurrent Incomes	2021	2022	2023
Gross Statutory Allocation	40,310,000,000	39,501,000,000	41,552,000,000
Derivation	-	-	-
Other Statutory Transfer (Exchange Rate Differentials and SWF)	3,600,000,000		
Value Added Tax	18,990,000,000	19,985,000,000	20,585,000,000
Other Rec. Revenues & Financing Items			
SIRS (State Taxes)	3,788,000,000	4,025,000,000	
MoF and Other MDAs	26,813,300,000	29,750,000,000	
LGA Contribution for Pri. Education	19,600,000,000	20,180,000,000	
Capital Development Fund			
2021 Opening Balance	9,754,700,000		
Internal and External Grants	4,970,500,000		
Other Capital Receipts	25,161,500,000		
External Loans	3,600,000,000		
Internal Loans	-		
Expenditure Outlay (3.1 + 3.2)	156,588,000,000		
Personnel Costs	47,739,000,000		

Overhead Costs	22,269,400,000		
Public Debt Charges	4,343,000,000		
Stabilization	600,000,000		
Contingency Fund	3,395,000,000		
Capital Expenditure			
Administrative	2,359,001,000		
Economic	39,161,606,000		
Law and Justice	872,000,000		
Social	35,848,993,000		
Total Incomes	156,588,000,000		
Total Expenditures	156,588,000,000		
Consolidated Budget Position	-		

3.C.1 Assumptions

Statutory Allocations – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the macroeconomic framework (national) and the mineral assumptions in the 2020-2022 Federal Fiscal Strategy Paper. It is based on historical mineral revenues flows and elasticity-based forecast using national Real GDP and inflation data.

VAT – is based on elasticity forecast using the combined change in GDP and inflation rate. The estimate for 2020-2022 is in line with the current rate of collections due to covid-19 pandemic be revisited if there are any changes to the VAT rates as proposed in the previous forecast.

Other Federation Account Distributions – the estimation is based on the current receipt (i.e. from

January to May, 2020). Furthermore, it is anticipated that new FAAC will investigate the crises that caused by the advent of the covid-19 pandemic so that the sharing formula would be investigate carefully.

Internally Generated Revenue (IGR) – the estimation is own value which is calculated based on the current growth rate marked up slightly to factor the current administration's reform initiatives to grow the IGR and all payments of any nature must be done through the TSA

Grants – the internal grants are mostly based on the actual receipts for 2019 and performance from January to April 2020. External grants are mostly based on signed grant agreements with the World Bank, UNICEF, EU etc

Financing (Net Loans) – the internal and external loans are projections based on agreement

Consolidated Revenue Fund Charges – this includes public debt charges (which is external debt servicing) which is changing in medium term. The estimation is own value determined based on the debt servicing costs (principal and interest repayment) for 2021-2023

Personnel – it is anticipated that the new minimum wage will definitely have a negative impact on staff new recruitment because of the burden on the side of the government. This to some extent will reduce the state contribution for Contributory Pension Scheme in the state.

Overheads – overhead has been relatively stable over the years to date. It is anticipated that the status quo will definitely remain stable. Consequently, the estimation is own value calculated using the current growth rate.

Capital Expenditure – this is based on the balance from the recurrent account plus capital receipts, less than planning and contingency reserve as outlined above.

3.D Local Government Forecasts

Based on the Macroeconomic assumptions in section 3.1, the forecasting techniques noted in section 3.2, the Federation Account revenues have been forecasted for the 27 Local Government Areas of the State. In addition, Local Government share of IGR of the IGR estimates contained in the State Fiscal Framework forecasts for 2021 are as follows:

Local Government FAAC and IGR Share Estimates for 2021

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2021				
				Statutory Allocation Share	VAT	Other Federation Account	Share of State IGR	Total Transfer
Auyo	0.0326%	0.0309%	0.0188%	1,433,780,684	483,802,269	305,897,999	255,729,926	2,479,210,878
Babura	0.0415%	0.0378%	0.0423%	1,826,307,411	592,327,615	190,000,000	252,290,897	2,862,925,923
BirninKudu	0.0457%	0.0342%	0.0529%	2,010,000,000	535,180,000	200,266,000	285,478,711	3,030,924,711
Birniwa	0.0330%	0.0342%	0.0009%	1,450,000,000	536,000,000	170,000,000	339,955,206	2,495,955,206
Gagarawa	0.0003%	0.0296%	0.0427%	1,551,490,602	464,073,826	292,500,000	203,952,050	2,512,016,478
Buji	0.0350%	0.0340%	0.0379%	1,540,000,000	532,212,075	352,000,000	203,097,576	2,627,309,651
Dutse	0.0416%	0.0546%	0.0306%	1,831,735,541	854,032,532	140,000,000	175,059,141	3,000,827,214
Garki	0.0364%	0.0384%	0.0182%	1,600,000,000	602,000,000	173,000,000	259,065,618	2,634,065,618
Gumel	0.0364%	0.0319%	0.0269%	1,600,000,000	500,000,000	200,000,000	266,119,728	2,566,119,728
Guri	0.0364%	0.0386%	0.0400%	1,600,000,000	604,000,000	148,000,000	188,306,953	2,540,306,953
Gwaram	0.0524%	0.0439%	0.0313%	2,305,422,220	687,713,916	360,000,000	214,476,625	3,567,612,761
Gwiwa	0.0356%	0.0329%	0.0261%	1,566,540,126	515,417,676	180,000,000	201,913,497	2,463,871,299
Hadejia	0.0259%	0.0378%	0.0429%	1,140,117,920	592,124,927	270,000,000	531,226,051	2,533,468,898
Jahun	0.0386%	0.0407%	0.0403%	1,700,000,000	638,000,000	190,000,000	203,173,569	2,731,173,569
KafinHausa	0.0455%	0.0310%	0.0340%	2,000,000,000	485,941,000	190,000,000	246,567,005	2,922,508,005
Kaugama	0.0364%	0.0332%	0.0228%	1,600,000,000	520,000,000	340,000,000	188,281,445	2,648,281,445
Kazaure	0.0458%	0.0374%	0.0504%	2,016,000,000	586,368,365	200,000,000	228,274,105	3,030,642,470
KiriKasamma	0.0313%	0.0417%	0.0261%	1,378,022,580	652,728,329	299,827,511	157,843,419	2,488,421,839
Kiyawa	0.0382%	0.0429%	0.0370%	1,678,884,688	672,099,549	100,000,000	181,850,973	2,632,835,210

Maigatari	0.0431%	0.0370%	0.0576%	1,895,362,511	579,648,978	100,000,000	210,054,735	2,785,066,224
MallamMadori	0.0326%	0.0475%	0.0238%	1,434,593,984	742,901,397	277,533,440	233,919,135	2,688,947,956
Miga	0.0352%	0.0338%	0.0439%	1,550,000,000	530,000,000	145,000,000	203,751,059	2,428,751,059
Ringim	0.0386%	0.0379%	0.0398%	1,700,000,000	594,000,000	260,000,000	225,804,470	2,779,804,470
Roni	0.0278%	0.0294%	0.0194%	1,224,000,000	460,000,000	329,500,000	171,626,232	2,185,126,232
SuleTankarkar	0.0339%	0.0394%	0.0276%	1,492,776,456	617,709,375	110,000,000	192,156,868	2,412,642,699
Taura	0.0364%	0.0338%	0.0415%	1,600,000,000	530,000,000	220,000,000	238,071,155	2,588,071,155
Yankwashi	0.0274%	0.0339%	0.0280%	1,206,328,010	530,148,686	230,000,000	230,331,030	2,196,807,726
Total								

3.E Fiscal Risks

The analysis and forecasting basis as laid out above implies some fiscal risks including but not limited to

Fiscal Risks

Risk	Likelihood	Impact	Reaction
Militancy/Pipeline vandalism that could lead to reduction in daily oil production	Medium	High	Dependence on Statutory allocation and

4. Budget Policy Statement

Budget Policy Thrust

The Policy Thrust of the budget is consistent with the overall policy objectives and priorities of the State as encapsulated in the Second Edition of the State Comprehensive Development Framework in pursuit of policies that promote inclusive economic growth, improvement of basic human development indicators, socioeconomic empowerment as well as ensuring appropriate integration of Sustainable Development Goals (SDGs) into sectoral programmes. Accordingly, a key priority of the budget over the medium term is to promote rapid growth of the real sectors of the state's economy notably agriculture and MSMS Enterprises both of which are critical to jobs and wealth creation as well as sustainable poverty reduction. In addition, governance reforms will be pursued to deepen transparency, accountability and enhance the effectiveness of public institutions. Specific priority objectives include:

- a. Diversification of the State's economy through agriculture to achieve food security, job creation, and poverty reduction;
- b. Improvement in the Business Environment and Investment Climate for the development Micro, Small and Medium scale enterprises.
- c. Provision of robust and functional physical infrastructure [including roads and transportation, Information & Communication Technology (ICT)];
- d. Pursuit of targeted youths and women empowerment and other poverty reduction programmes in a gender conscious and socially inclusive manner;
- e. Active support to the private sector to attract private domestic and foreign direct investment; as well as Business Development Support services for Micro, Small & Medium Scale Enterprises;
- f. Continuous improvement in access to - and quality of - public services, including educational infrastructures and Health Care Delivery Systems at all levels and in an inclusive manner;
- g. Broadening on-going governance reforms particularly around Policy and Strategy; Public Expenditure and Financial Management; and Public Service Management particularly IPSAS adoption, M & E and IFMIS upgrade.

Sector Allocations (3 Year)

2. The total revenue forecast (recurrent revenue and capital receipts) for 2021 fiscal year as explained in Section 3. above is **₦156,588,000,000**. Out of this the sum of **₦3,300,000,000** is set aside as contingency reserve. Based on this therefore, the budget size for 2021 fiscal year is **₦156,588,000,000** of which the sum of **₦47,739,000,000** will be for recurrent expenditure, **₦78,241,600,000** will be for capital expenditure, and **₦3,300,000,000** will be for planning reserve that will be allocated to sectors at bilateral discussion stage to fund critical expenditure items not envisaged at the stage of issuing budget call circular.
3. The capital expenditure component of **₦78,241,600,000** is in two parts the discretionary capital expenditure of sum of **₦41,981,124,559** that will be spent across all MDAs and non-discretionary capital expenditure of **₦12,494,000,000** which is specifically earmarked for projects and programmes in Health, Education, Infrastructure, Agriculture, Water Supply, Urban & Regional Dev, Women & Social Dev. and General Administration. The non-discretionary amount is in the form of loans and grants.

The indicative capital allocation (envelope) to the sectors for 2021-2023 are as shown in table Table:
Indicative Sector Expenditure Ceilings 2021-2023 Capital

Jigawa State Estimates, 2021 -2023 Projected (Indicative) Sector Envelops - Discretionary Funds						
No. Sector		2021		2022		2023
1. Economic Development Sector	28.00%	21,544,320,000	28.00%	22,620,080,000	28.00%	23,901,360,000
1.1 Roads Development	15.00%	11,541,600,000	15.00%	12,117,900,000	15.00%	12,804,300,000
1.2 Agriculture	5.50%	4,231,920,000	5.50%	4,443,230,000	5.50%	4,694,910,000
1.3 Commerce and Industry	0.50%	384,720,000	0.50%	403,930,000	0.50%	426,810,000
1.4 Rural Electrification (Energy)	1.00%	769,440,000	1.00%	807,860,000	1.00%	853,620,000
1.5 Economic Empowerment	1.00%	769,440,000	1.00%	807,860,000	1.00%	853,620,000
1.6 Other Economic Sector Programmes	5.00%	3,847,200,000	5.00%	4,039,300,000	5.00%	4,268,100,000
2. Social Sector	49.00%	37,702,560,000	49.00%	39,585,140,000	49.00%	41,827,380,000
2.1 Education	30.00%	23,083,200,000	30.00%	24,235,800,000	30.00%	25,608,600,000
2.2 Health	16.00%	12,311,040,000	16.00%	12,925,760,000	16.00%	13,657,920,000
2.3 Women and Social Development	2.00%	1,538,880,000	2.00%	1,615,720,000	2.00%	1,707,240,000
2.4 Information, Culture and Sports	1.00%	769,440,000	1.00%	807,860,000	1.00%	853,620,000
3. Regional Development	8.70%	6,694,128,000	8.70%	7,028,382,000	8.70%	7,426,494,000
3.1 Environment	1.20%	923,328,000	1.20%	969,432,000	1.20%	1,024,344,000
3.2 Water Supply	6.50%	5,001,360,000	6.50%	5,251,090,000	6.50%	5,548,530,000
3.3 Urban & Regional Development	1.00%	769,440,000	1.00%	807,860,000	1.00%	853,620,000
4. General Admin Services & CRFC	14.30%	11,002,992,000	14.30%	11,552,398,000	14.30%	12,206,766,000
4.1 General Administration	11.30%	8,694,672,000	11.30%	9,128,818,000	11.30%	9,645,906,000
4.2 Law and Justice	3.00%	2,308,320,000	3.00%	2,423,580,000	3.00%	2,560,860,000
4.3 Other CRFs (PDC and Pensions)	0.00%	5,150,000,000	0.00%	5,150,000,000	0.00%	5,150,000,000
Contingency / Planning Reserve		3,600,000,000	0.00%	3,600,000,000	0.00%	3,600,000,000
GRAND TOTAL EXPENDITURE	100.00%	85,694,000,000	100.00%	89,536,000,000	100.00%	94,112,000,000

Considerations for the Annual Budget Process

4. The budget call circular should include the following instructions to MDA's for the annual budget submissions:
 5. Each MDA should follow the steps below in preparing its 2021 budget:
 - 2020 ongoing projects that will spill over to 2021 fiscal year should first be considered as priority Projects
 - New projects that are considered critical and the same have been captured in the MTSS should only be reflected in the budget
 - Resource constrain provided in form of budget ceiling should guide the allocation to priority projects
 6. Capital Expenditure: It is advised that MDAs should ensure that all ongoing projects that are not likely to be completed and paid for in 2020 are considered as priority and captured in their 2021 Budget. Should the ongoing projects exceed budget ceilings, the 2021 budget is to be limited to the amount. It may also be slightly increased from budget reserve if considered necessary in achieving government policy objectives. MDAs should also ensure that New Projects should be admitted into the budget and have appeared in the MTSS. For new projects, each Sector should work with its respective MDAs to reassess and roll-over its Medium-Term Sector Strategy (MTSS) against the State Comprehensive Development Framework II (CDF II) where Sector development priorities are prioritized based on portion of the Sector capital ceilings allocated to the MDAs under the sector. Sector Planning Team (SPT) of each sector and MDA budget committee may wish to hold internal management meetings to

ensure a coherent strategy, but these must be aligned with overall sector priorities as defined in the MTSS as agreed during the Strategy meeting.

7. Allocate resources: Resource constraint should guide the allocation. Resources should be channelled or allocated to highest priority activities under each project and follow sequential in term of priority until the budget ceiling is exhausted. The ceiling is the expenditure limit that guide the allocation base on priority considerations. Should there be discretionary resources in form of grant or loan which go with some condition to finance specific project of the MDAs that should form an additional resource over and above the ceiling. All those projects that are important but not accommodated by the ceiling should be considered in subsequent year of MTSS and can roll-over to the next year until its completion.
8. The following will be helpful to keep in mind as you assess each activity within the budget:
 - a) General - Budget estimates should be prepared for all units, sub-units, and facilities in the organizations for which the MDA is responsible
 - b) Personnel Costs - All staff on the payroll, including Political, Public office holders must be properly reflected in a Staff List that should accompany the proposal submission.
 - c) Personnel cost estimates should consider any changes in staffing levels including annual increments, promotions, retirement, etc.
 - d) Only critical position and areas of new recruitment should be reflected in the proposal as guided in the call circular.
 - e) Pending clearance of new recruitment to MDAs approved by Office of the Head of Service which may not likely be concluded before the end of year 2020 should be reflected and submitted in the propose establishments.
 - f) Capital Expenditure - Capital expenditure estimates should be linked with MTSS and Comprehensive Development Framework II (CDF II).
 - g) In a situation where the drawdown of the specified funds is conditional and depend on the provision of Counterpart funds, that should be clearly indicated in the submission.

Section 3 Summary of Key Points and Recommendations

9. We summarise below a list of the key points arising in this document:

- Based on the fiscal framework, the average capital expenditure ratio over the period 2021-2023 is about 45% which is considered not good enough. It is therefore advisable to take necessary steps to raise the ratio to at least 50% by limiting the increase in recurrent expenditure and exploring ways and means for generating recurrent revenue over the medium term; and

Based on the current debt portfolio for JSG, further consideration should be given to the option of drawing down concessional loans from the multi-lateral financial institutions to fund high return capital projects and hence boost the capital expenditure ratio.