JIGAWA STATE

2017-2019

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

Prepared By:
Directorate of Budget & Economic Planning Directorate
Jigawa State

Table of Contents

List of Tables

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 process largely provides the logical starting point of the annual budget process in Jigawa State. The process produces an MTEF which provides the context of the annual budget. The purpose is achieve that overarching objectives of fiscal realism, and sustainability as to deliver both the medium and long-term development socioeconomic development objectives of the State Government. This is one of the institutionalised fiscal reforms[1] considered very critical for the long-term development of the state.

Fiscal realism and the ground for fiscal discipline starts with the Economic and Fiscal Update (EFU). The EFU largely presents data and analysed information on the economic and fiscal situation at the global, national and state levels as to provide the context for fiscal and macroeconomic assumptions and projections reflected in the Fiscal Strategy Paper which gores further to inform medium-term fiscal projections (revenue and expenditure). The EFU provides an assessment of recent budget performance identifying factors that significantly affects the attainment of budgetary outputs and outcomes which feeds into the next fiscal plans.

The EFU thus provides the context for the forward looking **Fiscal Strategy Paper (FSP)** which feeds into the Medium Term Expenditure Framework (MTEF). It provides justification and underpins the estimation for medium-term for 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.

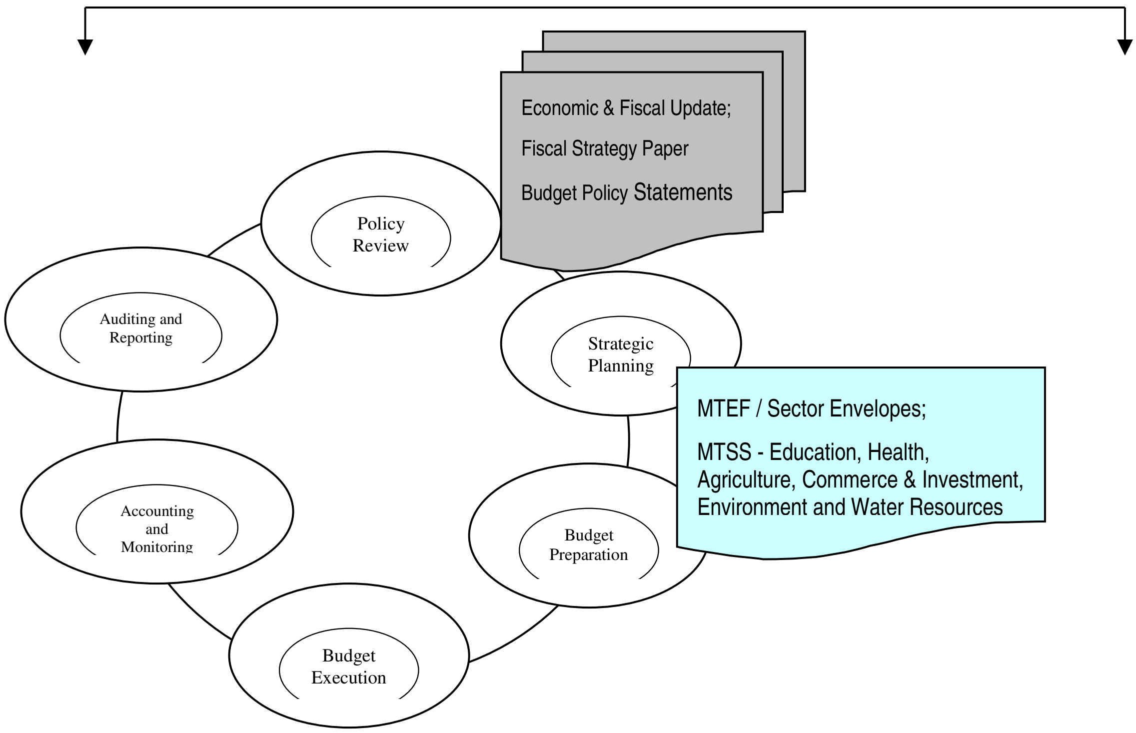
On the basis of the MTEF, resources are then strategically allocated based on the Government policy objectives and priorities as defined by the Budget Policy Statements. The FPS provides the policy thrust of budget and ensure that resources are allocated in the annual budget in line with strategic development policy objectives of Government. The FSP is thus aa very important element in annual budget process as it determines the resources available to fund Government projects and programmes from a fiscally sustainable perspective and in line with the development policy objectives and priorities of Government as defined in existing policy documents.

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

Deployment of the GREAT Tool to inform the planning and budget process starts early in the budget calendar. The ultimate outcome of the EFU-FSP-BSP process is the Medium Terms Expenditure Framework which then feeds into the Medium Term Sector Strategies. The Planning & Budget cycle as defined by the Budget Calendar. The process with policy review through to the GREAT phase preparation, execution, control, monitoring and evaluation and goes back again to conception for the ensuing year's budget. The budget cycle and its connection with the MTEF process is summarised in diagram below:

[1] Support for the development of EFU-FSP-BPS as part of the Budget Process was first provided by DFDI-funded SPARC Programme during the) during the 2013 - 2015 Planning cycle. This gradually development in to what is called "GREAT" an acronym for Government Resource Estimation and Allocation Tool now widely used in all the SPARC Programme supported States. The Great Tool consists of EFU, FSP and BPS condensed into single document.

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



For the 2017 – 2019 medium-term fiscal framework, the MTSS is going to be development is six key sectors of the CDF namely Education, Health, Agriculture, Environment, Water & Sanitation and Commerce & Investment. Three other sectors – Women & Social Development, Economic Empowerment, Critical Infrastructure and Lands & Regional Development - would also development a simple Medium term Sector Plan.

1.1.3 - Summary of Document Content

As earlier indicated, development of this three-part document consisting of Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is an integral part of the policy review and strategic planning process of the PEM Cycle. This is in conformity with international best practice the purpose of which is to promote budget realism, ensure fiscal discipline and consistency between Government's fiscal plans with its socioeconomic development objectives as encapsulated in its development plans. The EFU-FSP-BPS largely:

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 2017-2019 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

The FSP dealt with in section 3 forms 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 it development projects and programmes relating 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.

As usual, coordination and leadership for the preparation of these documents is provided by the BEPD with other officials from the key PFM agencies being members of 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 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); and
- Concerned Civil Society Organizations such as the Budget Monitoring Group and Jigawa Forum;
- 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 proves the legal and regulatory frameworks for public expenditure and financial management systems in Jigawa State are as tabulated below:

S/N	Legislations	Remarks / Provisions
1	1999 Constitution of the Federal Republic of Nigeria	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. *Sections 120 (i) and (ii) of the Constitution of the Federal Republic of Nigeria, 1999 stipulates that* *"… 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... " 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.
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	Th 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	The Due Process and Projects Monitoring Law provides 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	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 function of the functions of the EPB include: 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; ii. examine and take appropriate actions on periodic reports on budget implementation and other similar reports from MDAs; v. monitor and ensure compliance with provisions of the Economic Planning and Fiscal Responsibility Law by the relevant Government Agencies;
11	The Contributory Pension Scheme Law	This law made provision for the payment of 17% of the monthly gross salary all Permanent & Pensionable staff on the payroll of the State Government to the Contributory Pension Scheme Fund

1.2.2 - Institutional Framework for PFM in Jigawa State

From the perspective of the PEM Cycle, all Government MDAs are, in one way or the other, and to a certain extent, directly involved in the planning and execution of public expenditure and financial management functions of Government. Nonetheless, the coordination and leadership of these function is provided by a limited number of agencies that define the institutional framework for PFM in the State as captured 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 Genera, Directorate of Budget and Economic Planning and the Board of Internal Revenue.
2	Directorate of Budget and Economic Planning	DBEP coordinates the entire annual planning and budget process of the State beginning 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 Service	The Board of Internal Revenue Service (BIRS) 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 BIRS include: providing general policy guidelines regarding the functions of internal revenue service, 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, BIRS 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 SHoA. The SHoA approves the budget by enacting it into Appropriation Law annually, carries out oversight of budget execution and reviews annual audit reports of the State and LGS
7	Due Process and Project Monitoring Bureau;	The Due Process and Project Monitoring Bureau regulates all procurement activities and carries out certifications of transactions
8	Ministry for Local Government	The Ministry for Local Governments 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 the 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
• 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	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
Finalise 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		
• Issuance of Annual Revenue Circular / Data collection of Revenue Performance	June	BEPD
• Compilation and Entry (into IFMIS) of Incoming Fiscal Year Revenue Estimates	June/July	BEPD
• Budget Framework Update: Review and Update of Fiscal Aggregates and Preparation of Budget Ceilings for In-coming Fiscal Year	July	BEPD
• EXCO Briefing on Incoming Year Budget Framework	July	MOF&EP
• Government Approval / Endorsement of Budget Ceilings	July	EXCO
• Issuance of Annual Budget Call Circular	August	BEPD
Submission and Review (Examination) of Budget Proposals by Sector Desk Officers and Schedule Officers	Aug/Sept.	MDAs/BEPD
Bilateral Discussions with Government Agencies	Sept/Oct	BEPD/MDAs
Follow-ups and Budget Data Entry into IFMIS	October	BEPD
Compilation of Proposed Draft Budget Estimates (Consolidated Revenue and Expenditure proposals)	October	BEPD
Preliminary Discussions on Draft Budget (Governor / Govt. Policy Team (EPB)	October	EPB
High-Level Budget Sessions with Governor	Oct/ Nov.	HE/BEPD/Sectors
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

2.1 - Economic Overview

The Economic Updates take a close look at recent trends 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.

2.1.1 - Global Economy

From the global perspective, medium-term economic outlook forecast by various analysts largely indicate a pessimistic growth trajectory from the global level down to the local economy. Latest update by the Brookings shows that for most of 2016, global economic recovery would generally remain weak and uneven observing that "… after the tepid growth in 2015, the world economy in 2016 faces the unsettling prospect of more of the same—at best…". According to the World Bank's Global Economic Prospects reports published in June 2016, global economic growth would persistently remain weak. Earlier report by Bank has predicted a 2.9% global economic growth which was subsequently reviewed downwards to 2.4% due to sluggish growth in advanced economies which has stalled in some cases, stubbornly low commodity prices, weak global trade, and diminishing capital flows. Continued decline in most of commodity price "… have worsened the prospects for growth particularly for commodity-exporting emerging and developing economies…". While growth is "softer-than-expected" in the advanced economies, further declines in commodity prices have only partially reversed in recent months. Global growth for 2016 is likely to remain at the "disappointing pace of 2015 with forecast at 2.4%.

> "Growth prospects have weakened throughout the world economy. Global growth for 2016 is projected at 2.4 percent, unchanged from the disappointing pace of 2015, and 0.5 percentage point below the January forecast. Emerging market and developing economies (EMDEs) are facing stronger headwinds, including weaker growth among advanced economies and persistently low commodity prices, as well as lacklustre global trade and capital flows. Divergences between commodity exporters and importers persist. Conditions remain markedly challenging for commodity exporters, which continue to struggle to adjust to the new era of depressed prices. In contrast, commodity importers are showing greater resilience to headwinds, although the expected growth windfall from low energy prices has been surprisingly modest. Global growth is projected to pick up slowly to 3.0 percent by 2018, as stabilizing commodity prices provide support to commodity exporting EMDEs. Downside risks have become more pronounced. These include deteriorating conditions among key commodity exporters, softer-than expected activity in advanced economies, rising private sector debt in some large emerging markets, and heightened policy and geopolitical uncertainties. While policy space for monetary and fiscal stimulus is narrow, structural reforms could boost growth both in the short and the long term".____ *Global Economic Prospects, Divergences and Risks, by the World Bank Group.*

From the IMF perspective as reflected in its revised World Economic Outlook, global growth in 2016 is a modest 3.2% which is broadly in line with last year's. Even though post-Brexit forecast comes with more uncertainties and risks of weaker growth scenarios, there are prospects for continued global economic growth even if at an "increasingly disappointing pace" which makes the growth trajectory to be "too slow for too long". On the whole, the new WEO report anticipates a slight acceleration in growth in 2016 from 3.1% to 3.2% followed by 3.5% growth in 2017. The projections, however, continue to be progressively less optimistic over time. The prospects for recovery in 2017 and beyond is "driven primarily by emerging market and developing economies, as conditions in stressed economies start gradually to normalize".

Table 2: Real GDP Growth - Selected Countries

Country	Actual[2]				Forecast		
	2012	2013	2014	2015	2016	2017	2020
Mexico	4.0	1.4	2.1	3.0	3.3		3.8
Indonesia	6.0	5.6	5.0	5.2	5.5		6.0
Turkey	2.1	4.1	2.9	3.1	3.6		3.5
United States	2.3	2.2	2.4	3.1	3.1		2.0
Germany	0.6	0.2	1.6	1.6	1.7		1.3
United Kingdom	0.7	1.7	2.6	2.7	2.3		2.1
China	7.8	7.8	7.4	6.8	6.3		6.3
Ghana	8.0	7.3	4.2	3.5	6.4		4.3
South Africa	2.2	2.2	1.5	2.0	2.1		2.8
Brazil	1.8	2.7	0.1	-1.0	1.0		2.5
Angola	5.2	6.8	4.2	4.5	3.9		5.8

Source: *IMF's World Economic Outlook, April 2015*

Based on the actual and forecast analysis in the table above, BRINCS[3] shows stronger performance of GDP growth than the advanced economies (United States, United Kingdom and Germany). Angola, which is one of the oil exporting countries, posted higher GDP growth than the G7. Ghana, although not one of the MINT or BRINCS countries, also enjoyed significant real GDP growth over the period observed.

Table 3: Inflation (CPI) - Selected Countries

Country	Actual				Forecast		
	2012	2013	2014	2015	2016	2017	2020
Mexico	4.1	3.8	4.0	3.2	3.0		3.0
Indonesia	4.0	6.4	6.4	6.8	5.8		4.8
Turkey	8.9	7.5	8.9	6.6	6.5		6.0
United States	2.1	1.5	1.6	0.1	1.5		2.3
Germany	2.1	1.6	0.8	0.2	1.3		1.9
United Kingdom	2.8	2.6	1.5	0.1	1.7		2.0
China	2.6	2.6	2.0	1.2	1.5		3.0
Ghana	7.1	11.7	15.5	12.2	10.2		7.4
South Africa	5.7	5.8	6.1	4.5	5.6		5.5
Brazil	5.4	6.2	6.3	7.8	5.9		4.5
Angola	10.3	8.8	7.3	8.4	8.5		6.5

Source: *IMF's World Economic Outlook, April 2015*

[3] *Nigeria belongs to the group of countries in BRINCS (along with Brazil, Russia, Indonesia, China and South Africa)*

With the exception of China, those countries that have enjoyed high real GDP growth have also experienced high inflation, whereas the lower growth rate countries, i.e. the G7, have had lower inflation. China is the exception as they have enjoyed both high growth and low inflation, likely as a result of tight monetary policy.

2.1.2 - Africa

According to the UN World Economic Situation and Prospects 2015 (WESP), African economies will continue to grow in 2015 and beyond due to private investment and consumption which have been the key drivers of gross domestic product (GDP) in the region over the past years. Consequently, Africa's macroeconomic prospects remain favourable. Africa's GDP is expected to accelerate from 3.5 percent in 2014 to 4.6 percent in 2015 and 4.9 percent in 2016. This underscores the continent's resilience to global and regional economic challenges. According to the WESP Report, it is envisaged that West Africa would experience a moderate increase in growth, from 5.9 percent in 2014 to about 6.2 percent in 2015. The prospects of increased political stability and increased effectiveness in the campaign against terrorism, the prospects for stronger expansion could be expected. Inflation in Africa is expected to remain constant at an average of 6.9 percent in 2015 and moderate slightly to 6.7 percent in 2016. While Oil-importing countries are expected to be the major beneficiaries of falling prices of oil and other commodities; oil-exporting countries such as Nigeria may continue to witness high inflation above the regional average in 2015.

It is noteworthy that over the years, growth performance varied widely across country classifications and regions. Growth in sub-Saharan Africa was 6.5% in 2013 and 6.3% in 2014. East and West Africa recorded the fastest growth in 2013, above 6%. It is projected that growth for the continent as a whole could in 2015 return to 6%-7%, a level last seen before the onset of the 2009 global recession. With stabilising energy costs and retreating food prices, the continent's inflation rate decelerated in 2013. Nonetheless, in some countries inflation remained relatively high, due to a weakening of currencies. Monetary policy has eased in many countries in response to lower inflation. However, in some countries where currencies have weakened monetary policy has tightened to stem inflationary pressures. Fiscal policy stances also differed between countries. While many countries pursued prudent fiscal policies in order to reduce budget deficits, in others, fiscal policy remained expansionary to boost growth. Current account deficits have remained elevated in oil importing countries.

External financial flows and tax revenues continue to be an important contributor to Africa's development. If the current pace of growth is sustained, foreign direct investment and portfolio investment could soon constitute Africa's main source of financial flows. Foreign direct investment continues to primarily benefit resource rich countries. However, overall, anemic economic growth in advanced countries has continued to affect the flow of direct investment and remittances to Africa. Official development assistance (ODA) has continued to increase despite the reduced fiscal space in advanced countries. ODA remains the largest external financial flow to the continent's low-income countries. Tax revenues in Africa continue to increase, yet challenges for tax authorities remain.

Africa's trade performance has improved in recent years. However, Africa's exports remained dominated by primary commodities, and rising commodity prices fueled the strong performance. In particular, trade in agricultural goods and services have remained below their potential. Progress has been made towards regional integration with intra-African trade growing especially in the manufactured goods.

2.1.3 - Nigerian Economy[4]

While recent prognoses of the Nigerian Economy by the International Monetary Fund (IMF) and the Central Bank of Nigeria shows a conflicting outlook, nonetheless, both points to a gloomy picture ahead. While the IMF has forecasted a contracting of the Nigeria economy by 1.8 per cent in 2016 with threats of a recession[5]; the CBN diagnosed the economy to be suffering from stagflation[6].

Since early 2015, Nigerian economy has been adversely affected by external shocks particularly the decline in global price of crude oil with drop in crude oil exports due disruption in production . Growth, as measured by GDP, slowed sharply from 6.2% in 2014 to an estimated 3.0% in 2015. Inflation increased from 7.8% to an estimated 9.0%. The sluggish growth is mainly attributed to a slowdown in economic activity which has been adversely impacted by the inadequate supply of foreign exchange and aggravated by the foreign exchange restrictions. Recent reports of a slash in oil imports by major trading partners of Niger a - India and the United States - is another huge set back on the road to economic recovery. Reportedly, India and the US have slashed their imports of Nigerian crude oil by 43 per cent and 53 per cent, respectively, translating to a loss of over ₦88billion in earnings.

Nigeria's GDP growth has reportedly contracted to -0.36 per cent in the first quarter of 2016 compared to over 2.1% in the last quarter of 2015. Forecasts for the second half of the 2016 suggests further contraction of the economy. The outlook forecast for Nigeria by the IMF's WEO) has revised Nigeria's growth projection for 2016 from an earlier forecast of 2.3% to -1.8%. It also forecasts a 1.1% growth for in 2017, down from an earlier projection of 3.5%. It is projected that economic activity would generally contract in 2016, as the economy adjusts to foreign currency shortages due lower oil receipts, low power generation, and weak investor confidence.

While global economic prospects for Nigeria points to a gloomy picture for the 2017 outlook, other factors suggests slow but steady economic recovery. This is as some of the ongoing reforms and measures to boost the economy begin to take effect such as the fiscal stimulus of the 2016 Expansionary Budget expected to stimulate further economic activities, the budget support loan to all the 36 States of the Federation of over half trillion Naira, the adoption of fiscal sustainability plans by the Federal and State Governments. In addition, continued improvements in security, the sustained fight against endemic corruption that has previously impacted great damage on the economy, and improved social welfare of Nigerians through the "Social Investment Programmes" are expected to stimulate further growth and stability in the performance of the National Economy. Some of the specific ongoing reforms being pursued include the rationalization of the public sector in order to cut the cost of governance; enforcement of the single treasury account to block financial leakages; renewed efforts at enforcement of tax compliance; reformed budget process and conscious effort to increase the ratio of capital to recurrent expenditure. In the same vein, the CBN is also taking proactive measures to stimulate the economy through a general reduction in interest rates.

---

[4] Source: *based on IMF Article IV Press Release, December 2014, WB and AfDB African Outlooks*

[5]Recession is defined as a significant decline in economic activities over at least two consecutive quarters covering such sectors industrial production, employment, real income and wholesale-retail trade leading to negative economic growth as measured by the GDP.

[6] Stagflation refers to a period of sluggish economic growth accompanied by relatively high unemployment, inflation and a decline in GDP growth.

Macroeconomic

In 2014 Nigeria was declared as the biggest economy in Africa through the rebasing of the Country's GDP. The rebasing has added 89% to Nigerian GDP, which is now worth $510 billion, overtaking the previous leader, South Africa, whose GDP is $370 billion. While this might not have changed anything in terms of the Country's real economy, it might have implications of future prospects for both the National and Sub-national economy. The size of the GDP as it stands now ensures that the statistics more objectively reflect the actual contributions of the various economic components to the economy. This will inject more life into the economy leading to increasing demand for power, housing and retail goods and a bourgeoning middle class.

The Nigerian economy is facing serious challenges of decline in crude oil prices, which seem to occur just about every decade. Being an oil exporting country, the decline in crude oil prices is a downside to the economy in both the short and medium term. Nevertheless, given that reserves are also down relative to the level accumulated over the previous years, and the fact that Nigeria is also an importer of refined petroleum products means that the country is facing another serious challenge regarding subsidy payments, which has a negative effect on government finances.

In addition to the decline in crude oil prices, the Nigerian economy is faced with other headwinds: the supply gap in the foreign exchange market is likely to increase as the demand for dollar outpaces supplies, putting pressure on the Nigerian Naira. However, growth was 6.3 percent in 2014 and is forecasted to decline to 4.8 percent in 2015. The non-oil sector of the economy is the main driver of this growth. For 2016, growth is expected to increase to 5.0 percent.

As regards to inflation, Nigeria has hitherto achieved a single digit inflation rate between 2013 to early 2015. Since then it began to rise steadily due to a combination of many factors principally including depreciation of the value of the National currency against major international currencies due to acute shortage of foreign exchange occasioned by the falling oil prices and production levels, import restrictions intended to boost national outputs, increase in the local price of refined petroleum products, etc. According to "Trading Economics Global Macro Models and Analysts", inflation rate is expected to be reach about 18% by the end of the fourth quarter of 2016 after which it will begin to decline back to a single digit over the medium term. While the exchange rate has maintained a relative stability up to late 2015, the decline in oil price and subsequent fall in foreign exchange earnings made it impossible to maintain the stability which plummeted to Naira to over N300/USD from less than N200/USD in the beginning of the 2016.

Table 4: Nigeria Key Macroeconomic Indicators

Item	2017	2018	2019
National Inflation	15.00%	13.00%	10.00%
National Real GDP Growth	3.00%	5.00%	5.00%
Oil Production Benchmark	2	2.2	2.2
Oil Price Benchmark	42	42	42
NGN:USD Exchange Rate	290	160	160

Source: *National Bureau of Statistics, (WEO) IMF April 2015; CBN*

Petroleum Sector

The oil sector remains a primary source of macroeconomic uncertainty. With the high dependence of the budgetary and balance of payments positions of the country on oil, changes in prices or in the performance of the oil sector have a major impact on the macroeconomic picture. The Nigeria's recent challenges to macroeconomic management relate to weakened oil revenues and instability of short-term capital flows. Consequently, foreign and fiscal reserves declined steadily from April 2013 into the first quarter of 2014. From the middle of 2014 the situation took a more serious direction as oil price continued to decline, falling to less than $50/barrel by the end of the year putting further pressure on government revenues. Subsequently, the major budget benchmarks were reviewed downward in the Federal Revenue and Budget Framework for 2015 to reflect the current economic situation. This is expected to have implication on 2016 – 2018 medium term revenue forecast. The average actual oil production was 2.3883 million barrels per day (mbpd) in 2014, which was slightly lower than that of 2013 by 0.1377 mbpd.

Table 5: Nigeria Mineral Statistics

Year	Average Actual Price USD (CBN)	FAAC Benchmark Price USD	Average Actual Production (CBN)
2011	114	75	2.080833
2012	113	70	2.318333
2013	111	79	2.526
2014	103.04	75	2.3883

2.1.4 - Jigawa State Economy

The Jigawa State economy mainly depends on agriculture and other informal sector activities. As an agriculture-based economy, about 80% of the population is engaged in subsistence agriculture. Merchandise in agricultural produce and livestock is thus very prominent including small and micro business enterprises, wholesale and retail trades and other artisanal trades. According to UNDP Human Development Report 2008, the State's GDP is around ₦574 billion with a GDP per capita of ₦125,327.41 (USD 996.01) – that is before the rebasing of Nigeria's GDP. At an annual average growth rate of 5 percent, the size of the State's GDP in 2015 could be extrapolated to be around ₦808 billion. Jigawa State ranked as the 10th largest non-oil and gas economy in Nigeria[7] and is among the top ranking crop producers in the Country. For a number of agricultural produce such as sesame, rice, gum arabic, and wheat, Jigawa State is ranked among the top three states. The renewed focus on agriculture as the prime mover of the State's Economy and a major source of employment and poverty reduction has started making appreciable impact. Through the cluster farming in collaboration with Dangote group, agricultural productivity for some of the selected crops has more than doubled in one year with thousands of youths mobilised into the sector. There is also concerted effort to achieve significant value addition for most of agricultural produce. The net effect of this would be an increase in the state's GDP and increased purchasing power among the population.

The Informal sector is vibrant and diverse business activities that cut across all economic activities, employing more than 1.5 million people and contributing approximately 70-80% of output. Generally, trade and commerce are undertaken on small and medium scale (especially for agricultural goods and livestock with the dominant SME activities also being agro-allied). Other informal sector activities include blacksmithing, leather-works, tailoring services, auto repairs, metal works, carpentry, tanning, dyeing, food processing, masonry, quarrying, block-making, etc. The Export Processing Zone (EPZ) at the border town of Maigatari presents huge opportunities for the development of small- and medium-scale enterprises and cross-border trade in all goods - manufactured and value-added agricultural commodities. Several proto-type factory buildings serviced with all the requisite infrastructure, utilities and security services were developed in the EPZ presenting huge

[7] *Jigawa State Business Environment Improvement Strategy (GEMS3), November 2013*

opportunities and potentials for the establishment of SMEs and other medium-scale manufacturing industries. With its agriculture-based economy and a population of close to 5 million, the State has high potential for both production and consumption. The State has a good Business and Investment Climate in terms of the requisite infrastructure for economic development such as roads, airport and information & communication technology.

The Economic and Investment Summit of 2013 and the subsequent establishment by the State Government of a State Advisory Council on Economic Management and Investment Promotion has produced a new trajectory for the economic growth of the state in which Commerce & Industry will be another strategic pillar for the socioeconomic development of the State. Through the Investment promotion Agency, State Government is taking a leading role in facilitating the development of private enterprise, focusing on continuous improvement of the business environment and investment climate, as well as investment promotion aimed at attracting private sector investment from within and outside Nigeria. Since 2015, at least three private rice mills were commissioned while Dangote Rice Mill is also expected to come on board in 2017. Investment into the solid mineral sector is also becoming evident with a granite factory established in Dutse.

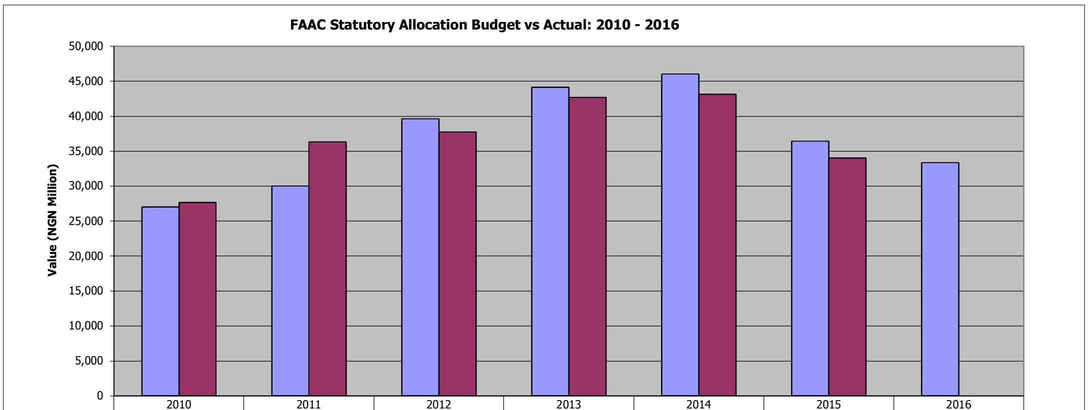
2.2 - Fiscal Update

The Fiscal Updates looks at the historical trends of various fiscal components on both the revenue and expenditure sides assessing performance through a comparative analysis of the approved estimates and budgetary outturns. Areas covered are as follows:

2.2.1 - Revenue Side

In this aspect, the Fiscal Update considered the budgeted figure versus actual receipts for the period 2010-2015, plus the 2016 budget estimates covering Statutory Allocation, VAT, IGR, Excess Crude and Capital Receipts (including Grants and Loans). The historical trend of each revenue aspect is shown in figure 2 - 8 below. It should be noted that the 2015 actuals are based on draft accounts only.

Figure 2: Statutory Allocation

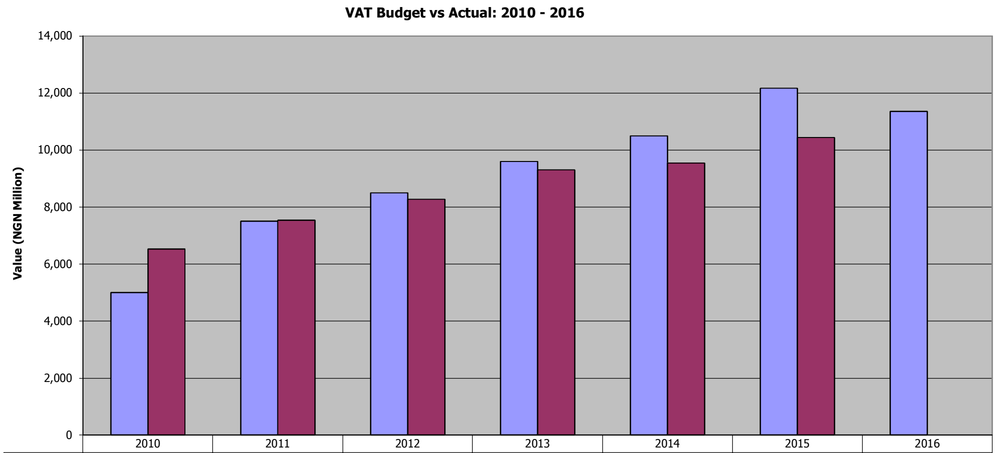


	2010	2011	2012	2013	2014	2015	2016
Budget	27,000,000,000	30,000,000,000	39,600,000,000	44,100,000,000	46,000,000,000	36,405,000,000	33,340,000,000
Actual	27,647,515,148	36,300,009,572	37,738,100,358	42,680,239,196	43,121,505,671	34,014,583,927	
Performance	102.4%	121.0%	95.3%	96.8%	93.7%	93.4%	
Growth		31.30%	3.96%	13.10%	1.03%	-21.12%	

Year

A transfer from Federation Account that is distributed to all three tiers of government based on vertical (percentage to each of the three tiers) and horizontal (example equality, land mass, population) sharing formula is referred to as Statutory Allocation. The revenues that flow into federation account come from Mineral (largely Oil and Gas) and Non-Mineral (Custom/Excise and FIRS) sources. Though the trend over the years indicated some variances between the budgeted and the actual receipts, the actual performance has in 2010 and 2011 exceeded 100%, while between 2012 to 2013 it very slightly fell below the budgeted figure by an average of about 5%. The 2015 performance indicated a variance less than 7%.

Figure 3: VAT

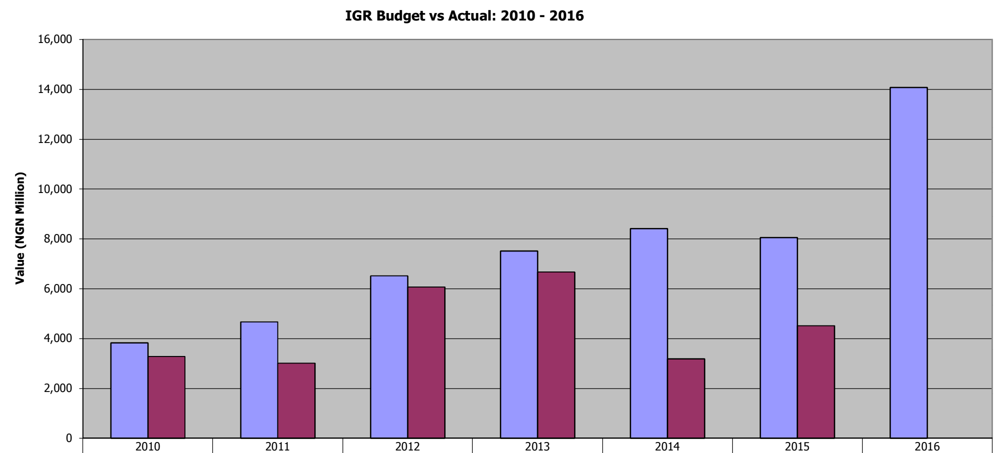


	2010	2011	2012	2013	2014	2015	2016
Budget	5,000,000,000	7,500,000,000	8,500,000,000	9,600,000,000	10,500,000,000	12,167,000,000	11,355,000,000
Actual	6,524,506,141	7,533,554,804	8,270,559,390	9,302,960,585	9,542,644,221	10,434,971,396	
Performance	130.5%	100.4%	97.3%	96.9%	90.9%	85.8%	
Growth		15.47%	9.78%	12.48%	2.58%	9.35%	

Value Added Tax (VAT) is a 5% tax that applies to sales of almost all goods and services within the Nigerian economy collected by FIRS and distributed across the three tiers of government. The 36 states share 50% of the total VAT receipts. The distribution to each state is based on a set of criteria slightly different to those used for Statutory Allocation. Over the years, the performance with respect to VAT for Jigawa State has been satisfactory, for the actual receipt exceed the budgeted figure in 2010 and 2011 by about 1.1% and 0.5% respectively and has recorded an impressive performance of about 97.3%, 97% and 91% in 2012, 2013, 2014 and 2015 respectively. Overall, the annual average performance for the period 2012 – 2015 is about 93% indicating realistic estimate of this particular revenue item.

VAT receipts in the first half of 2016 totalled just almost 4.5 billion representing almost 79% performance during the period suggesting that the annual estimate of N11.355 billion may not achieved.

Figure 4: IGR

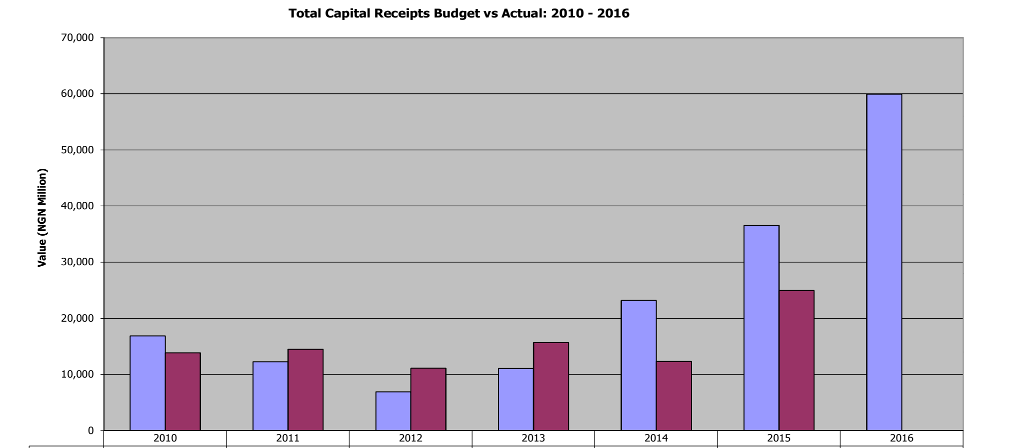


	2010	2011	2012	2013	2014	2015	2016
Budget	3,823,000,000	4,670,000,000	6,510,000,000	7,507,000,000	8,407,000,000	8,048,000,000	14,067,000,000
Actual	3,276,774,946	3,013,105,163	6,067,259,178	6,665,243,699	3,186,392,578	4,513,883,172	
Performance	85.7%	64.5%	93.2%	88.8%	37.9%	56.1%	
Growth		-8.05%	101.36%	9.86%	-52.19%	41.66%	

Internally Generated Revenue (IGR) is revenue collected within Jigawa State related to income tax, fines, levies, fees and other sources of revenue within the State. Although the approved IGR estimates have been steadily increasing over the years, overall, it contributes a small proportion to the total income of the State, for; it constitutes less than 10% of total income in each of the year from 2010 to 2016. Actual IGR receipt throughout the period is below the approved estimates though performance during 2012 and 2013 was satisfactory. For 2014 and 2015, performance was very dismal with only 52% and 56% actual accrual respectively. This could however be as a case of under reporting.

As usual, PAYE as one of the major component of income tax is considered as main contributor to the State IGR. Recurrent Grants & Reimbursements (0.5% and 1% Local Government Audit & Ministry for Local Government and Local Service Commission respectively) also contribute significantly to the State IGR.

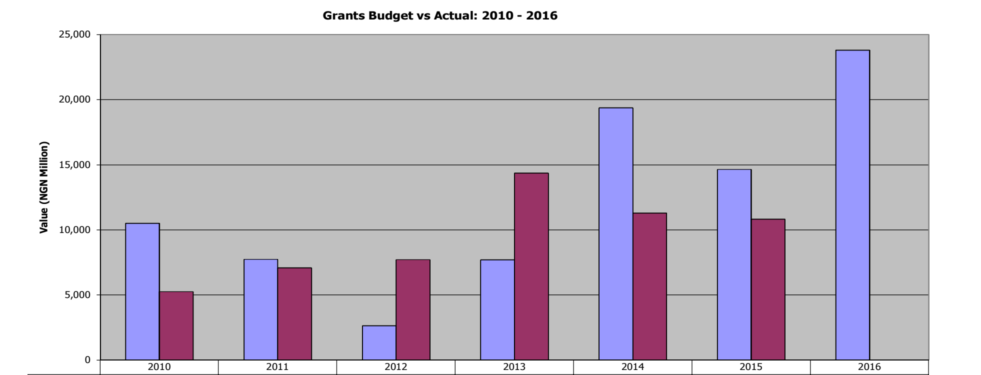
Total Capital Receipts and Grants



	2010	2011	2012	2013	2014	2015	2016
Budget	16,877,000,000	12,240,000,000	6,909,000,000	11,058,000,000	23,174,000,000	36,550,000,000	59,893,000,000
Actual	13,867,231,942	14,472,093,912	11,095,935,083	15,669,456,551	12,298,083,297	24,919,791,185	
Performance	82.2%	118.2%	160.6%	141.7%	53.1%	68.2%	
Growth		4.36%	-23.33%	41.22%	-21.52%	102.63%	

Year

Figure 5: Grants

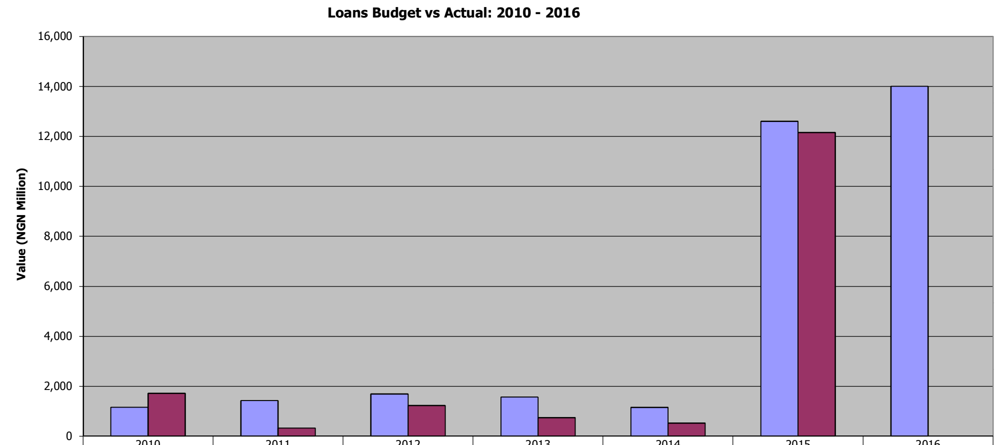


	2010	2011	2012	2013	2014	2015	2016
Budget	10,500,000,000	7,730,000,000	2,620,000,000	7,681,000,000	19,363,000,000	14,640,000,000	23,803,000,000
Actual	5,242,343,000	7,074,087,546	7,703,978,904	14,344,577,067	11,288,825,431	10,805,044,288	
Performance	49.9%	91.5%	294.0%	186.8%	58.3%	73.8%	
Growth		34.94%	8.90%	86.20%	-21.30%	-4.29%	

Year

As usual, grants include capital grants, contributions and reimbursements which comprised of UBEC intervention grants, grants from donor agencies, 2% LG contribution for the funding of State University, Occasional MDGs-CGS grants, LG capital contribution and ETF/TET funds grants. For 2014 and 2016, grants also included FG reimbursement for Airport & Galaxy IT. From the chart above, it is clear that there was under-performance in 2010 while the performance from 2011 to 2013 has been spectacular. Worst performance was 2014 with a variance of almost 40% between the approved estimates and actual. This was the year when over N7 billion was envisaged to be received as Federal Reimbursement for the State Airport Project from which nothing accrued at the end of the year.

Figure 6: Loans / Financing



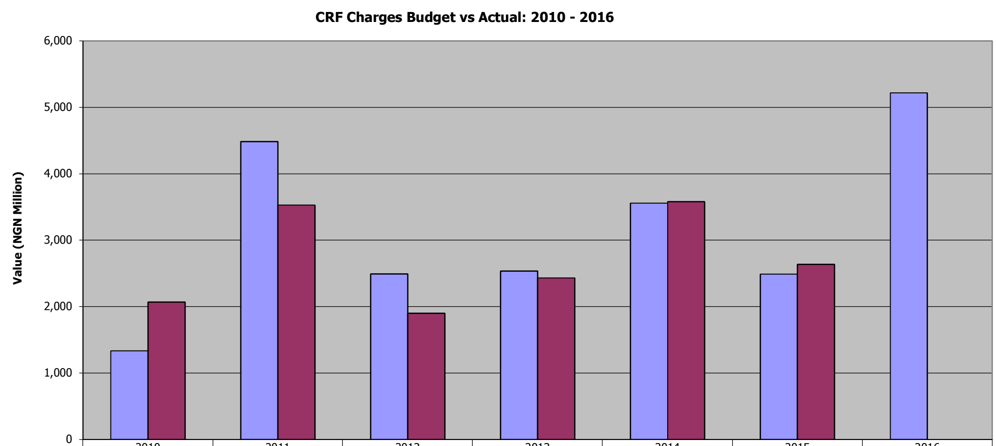
	2010	2011	2012	2013	2014	2015	2016
Budget	1,155,000,000	1,420,000,000	1,687,000,000	1,562,000,000	1,148,000,000	12,600,000,000	14,000,000,000
Actual	1,708,542,591	323,919,820	1,223,081,917	735,450,611	517,217,407	12,147,983,539	
Performance	147.9%	22.8%	72.5%	47.1%	45.1%	96.4%	
Growth		-81.04%	277.59%	-39.87%	-29.67%	2248.72%	

These internal and external loans. Up to 2014, the only internal loan was that from the Federal Mortgage Bank for Housing Projects in the State while external loan included the World Bank, IFAD and AfDB. Based on the above chart, actual performance up to 2015 was consistently less than what was budgeted. The performance of 2014 was unsatisfactory as only about 8% was reported to be collected as drawdown from ADB by JARDA (although the figures in the above graph may not accurately capture all loan draw-downs). The ₦12.6 billion estimated for 2015 is based a CBN loan of ₦2 billion for socio-economic development and a WB loan for HIV/AIDS of ₦200 million. The CBN Loan of N12 billion was fully drawn which makes the performance very impressive at over 96%.

2.2.2 - Expenditure

On the expenditure side, the Fiscal Update considers the Consolidated Revenue Fund (CRF) Charges, Personnel Cost, Overhead Cost and Capital Expenditure – budget versus actual for the period 2010 to 2015 and 2016 budget. As with revenue, it should be noted that the 2015 actuals are based on draft accounts. The analysis of performance of the expenditure (recurrent and capital) is depicted in tables 9 to 13 below:

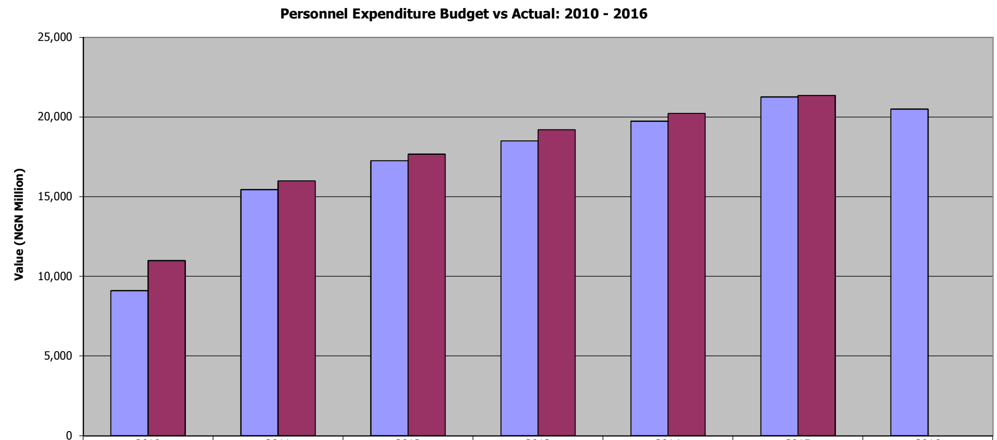
Figure 7: CRF Charges



	2010	2011	2012	2013	2014	2015	2016
Budget	1,330,000,000	4,481,000,000	2,490,000,000	2,533,000,000	3,554,000,000	2,485,000,000	5,215,000,000
Actual	2,064,033,897	3,525,530,071	1,895,720,714	2,430,905,495	3,575,711,379	2,632,386,238	
Performance	155.19%	78.68%	76.13%	95.97%	100.61%	105.93%	
Growth		70.81%	-46.23%	28.23%	47.09%	-26.38%	

CRF charges comprise of personnel and overhead costs for statutory officers, pension & gratuities and loan servicing & repayment as well as recurrent expenditure of the judiciary. Performance of actual against budget was very strong for most of the year particularly since 2013 with almost 100% performance.

Figure 8: Personnel

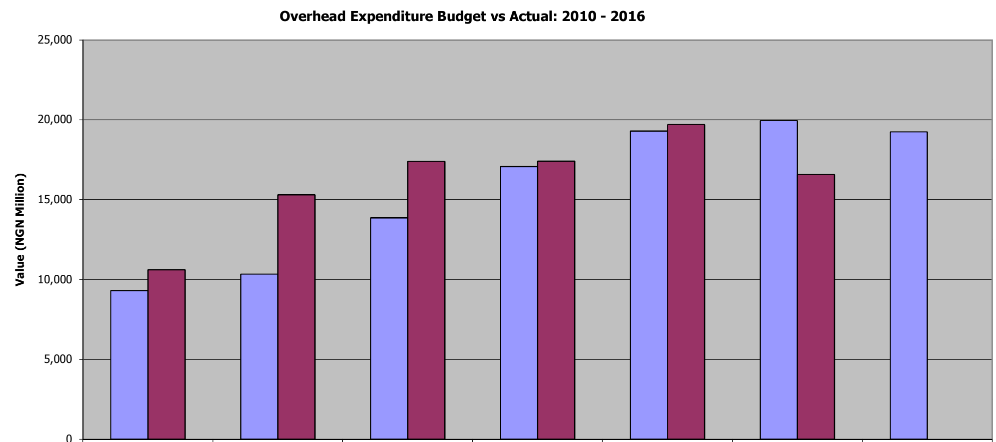


	2010	2011	2012	2013	2014	2015	2016
Budget	9,088,000,000	15,441,000,000	17,249,000,000	18,494,000,000	19,731,000,000	21,250,320,000	20,495,000,000
Actual	10,983,570,163	15,982,194,602	17,661,487,528	19,195,402,648	20,220,357,584	21,345,483,213	
Performance	120.86%	103.50%	102.39%	103.79%	102.48%	100.45%	
Growth		45.51%	10.51%	8.69%	5.34%	5.56%	

Year

The personnel costs consist of salaries and allowances of civil servants and political & public office holders. Personnel costs steadily increased from 2010 to 2016 due to normal annual increment, recruitments and occasional changes in salary structures and schedule of allowances. A case in point was the implementation of the new minimum wage in 2011 of N18,000 as well as the new salary structures for health workers, judiciary and staff of tertiary institutions leading to a significant increase in staff remunerations. New recruitments in the critical areas of needs also contributed to this increase. However, the overall performance of actual against budgeted is within the acceptable range, compared to 2013 actual expenditure. Performance throughout the period was in the region of 100% indicative of increased accuracy in projections.

Figure 9: Overheads

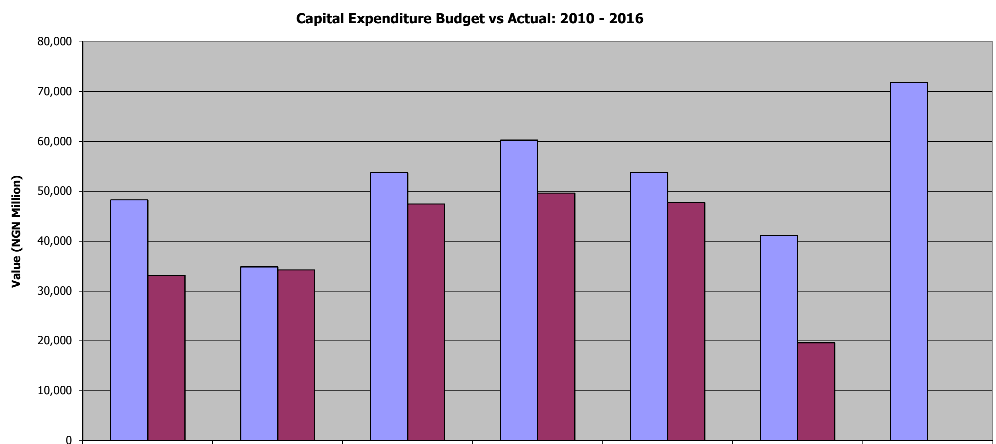


	2010	2011	2012	2013	2014	2015	2016
Budget	9,300,000,000	10,338,000,000	13,850,000,000	17,065,000,000	19,293,000,000	19,937,680,000	19,235,000,000
Actual	10,600,838,761	15,295,165,065	17,393,319,443	17,404,701,814	19,697,114,387	16,571,867,591	
Performance	113.99%	147.95%	125.58%	101.99%	102.09%	83.12%	
Growth		44.28%	13.72%	0.07%	13.17%	-15.87%	

Year

The overhead costs comprise of day-to-day operational costs of government. The Budgeted and actual overhead costs have steadily rose 2010 to 2015 except for 2015 when the actual began to decline as did the approved estimate for 2016. As shown in the above chart, the actual expenditure in 2011 has significantly above the budgeted estimates of the same year by about 15%, the variance resulted from increase in the settlement of debts and overhead costs of some MDAs which were formalised in revised budget. The 2012 actual expenditure was a reflection of the increase in the overhead costs of 2011, with a steady increase in both budgeted and actual expenditure in the subsequent years due to increase in enrolment of boarding students and upward review of feeding rate, payment of examination fees (including JAMB), maintenance of street light in the State capital & LGs, maintenance of water stations, increase in operational cost of SUBEB, payment of internal & external scholarship, among others. While 2015 indicates a decline in both the estimates and actual with only about 83% performance, the approved estimates for 2016 showed further declines which is in response to dwindling revenues and the necessity for increased fiscal prudence.

Figure 10: Capital Expenditure

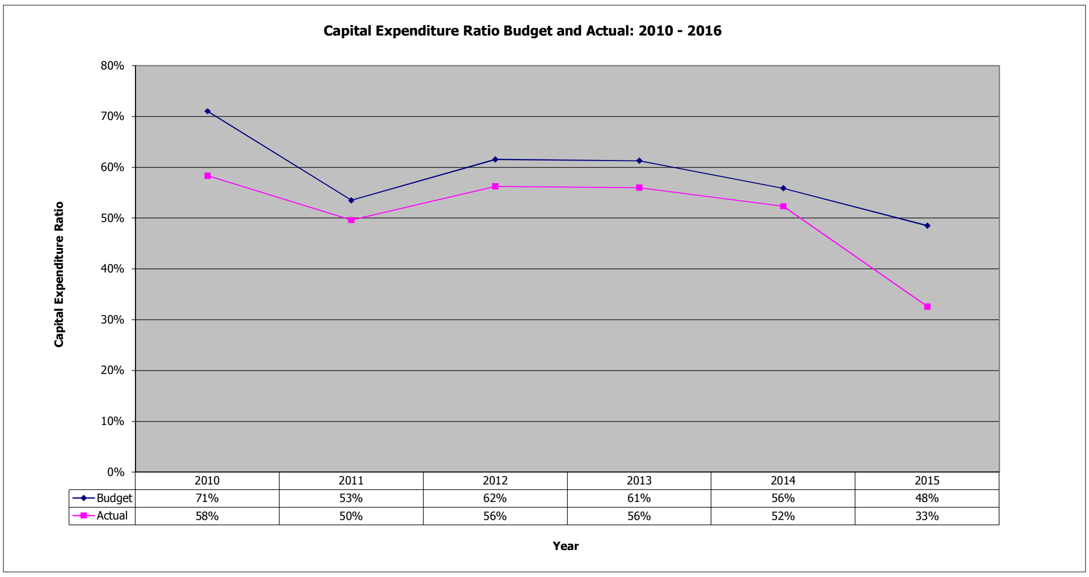


	2010	2011	2012	2013	2014	2015	2016
Budget	48,240,000,000	34,793,000,000	53,710,000,000	60,243,000,000	53,803,000,000	41,105,000,000	71,810,000,000
Actual	33,095,583,351	34,215,433,348	47,435,358,493	49,604,809,820	47,694,049,011	19,582,028,756	
Performance	68.61%	98.34%	88.32%	82.34%	88.65%	47.64%	
Growth		3.38%	38.64%	4.57%	-3.85%	-58.94%	

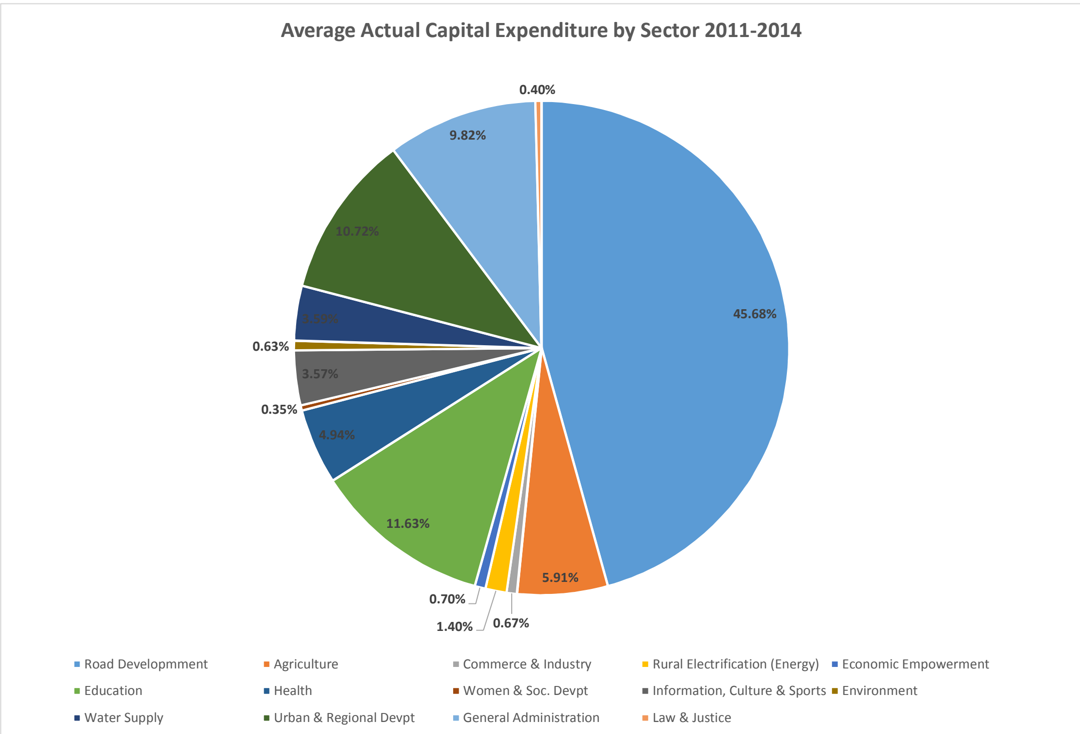
Year

Capital expenditure largely consists of projects and programme considered to be the major source of public investments in infrastructure and human development. From the above chart, the budgetary trend over the years, 2010 to 2015, indicated Government's commitment of earmarking more resources to capital investments. Generally, capital expenditure constituted over 50% of the budget between throughout the period. Even when there was a decline in the approved estimates in 2011, actual expenditure rose relative to 2010 with a performance of about 98%. Massive revenue shortfalls coupled with political transition in 2015 result in to a very dismal performance during that year with actual capital expenditure of less than 50%. Courtesy of large deficit financing items, approved capital expenditure for 2016 rose significantly by over 30%. Performance is likely to be affected by continued dwindling revenues with loan drawdowns likely below expectations.

Figure 11: Capital Expenditure Ratio Budget and Actual



The chart indicates that consistently, the proportion of actual capital expenditure to the total expenditure, is below the same proportion computed based on the approved estimate. Primarily, this has been due to the consistent increase in recurrent expenditure particularly the personnel cost component, which limited the scope for capital spending.



a) Road Development (30%) has been the major area of capital expenditure over the period 2011-2014 – as noted above this helped to generate the critical infrastructure for economic development in the state;

b) Urban and Regional Development (18%) and Education (13%) have been the other major areas of expenditure – education has included the building of a new state university, while Urban and regional development has included the construction of township roads and housing;

c) The 6% for General Administration was partially used in the construction of new Secretariat.

Other notable sectors were Health (over 30 health clinics per year), Agriculture (including fertilizer) and Water Supply. Those sectors that have received less than 50% of the capital budgets include Economic Empowerment, Environment, Urban and Regional Development and Judiciary. Of these only Urban and Regional Development had a significant variation in monetary terms – it is likely that this is due to different classifications of expenditure on roads between Road Development (which has overspent compared to original budget) and Urban and Regional Development (which has underspent).

Capital Expenditure by Sector												
		2012	2012	2013	2013	2014	2014	2015	2015			
No.	Sector	2012 Budget	2012 Actual	2013 Budget	2013 Actual	2014 Budget	2014 Actual	2015 Budget	2015 Actual	Performance	Average Budget	Average Actual
1	Road Developmment	14,279,360,000	20,088,178,057	19,658,000,000	24,435,857,586	14,497,000,000	16,311,832,463	10,277,500,000	9,032,897,651	119.00%	28.21%	42.53%
2	Agriculture	4,075,000,000	3,474,894,290	4,340,000,000	1,808,168,203	2,900,000,000	1,514,831,221	1,750,000,000	613,582,770	56.73%	6.28%	4.51%
3	Commerce & Industry	505,000,000	381,384,600	622,000,000	392,948,466	910,000,000	340,048,344	500,000,000	105,370,373	48.08%	1.22%	0.74%
4	Rural Electrification (Energy)	750,000,000	568,172,071	545,000,000	640,220,330	350,000,000	300,131,050	170,000,000	50,713,526	85.91%	0.87%	0.95%
5	Economic Empowerment	500,000,000	514,792,780	1,200,000,000	409,659,587	1,040,000,000	351,330,829	500,000,000	91,783,900	42.21%	1.56%	0.83%
6	Education	7,348,000,000	5,333,499,478	8,213,000,000	5,541,741,756	7,936,000,000	7,452,063,352	7,450,000,000	2,946,826,721	68.74%	14.87%	12.95%
7	Health	3,426,000,000	2,197,876,781	4,145,000,000	2,339,834,126	3,650,000,000	3,159,856,494	2,550,000,000	626,799,426	60.45%	6.62%	5.07%
8	Women & Soc. Devpt	202,000,000	191,933,937	216,000,000	184,617,998	263,000,000	8,077,570	206,500,000	4,950,000	43.90%	0.43%	0.24%
9	Information, Culture & Sports	2,333,000,000	1,690,082,489	2,049,000,000	2,366,102,972	1,473,000,000	1,522,312,737	580,000,000	211,485,566	89.98%	3.09%	3.52%
10	Environment	1,000,000,000	255,031,970	815,000,000	439,042,964	790,000,000	146,341,559	477,000,000	149,755,254	32.13%	1.48%	0.60%
11	Water Supply	2,440,000,000	1,666,434,795	2,050,000,000	1,853,313,666	1,870,000,000	558,931,084	1,500,000,000	526,182,427	58.59%	3.78%	2.80%
12	Urban & Regional Devpt	12,157,000,000	5,274,008,184	10,914,600,000	6,034,788,449	14,249,000,000	14,342,713,552	12,178,000,000	4,111,304,055	60.13%	23.78%	18.12%
13	General Administration	2,477,000,000	5,799,069,060	4,794,200,000	3,069,524,709	3,574,000,000	1,509,364,333	2,877,000,000	1,095,786,841	83.61%	6.59%	6.98%
14	Judiciary	1,777,000,000	41,266,232	415,000,000	88,989,008	301,000,000	88,999,763	89,000,000	14,590,246	9.06%	1.24%	0.14%

2.2.3 - Debt Position

A summary of the consolidated debt position for Jigawa State Government is provided in the table below.

Table 6: Debt Position as at 31st December 2015

A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2015
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	51.91%
2	Total Domestic Debt/IGR	150%	563.12%
3	Total External Debt/Total Revenue	50%	13.10%
4	Total Public Debt/Total Revenue	100%	65.01%
5	Total Public Debt/State GDP Ratio	40%	o GDP Figure Availabl
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	0.11%
7	Total Debt Service/Total Revenue	15%	3.58%
8	Domestic Debt Service/IGR	10%	37.64%
			2015 Actual
B	**PUBLIC DEBT DATA AS AT 31st DECEMBER 2015**		**Naira**
1	Total Domestic Debt		25,418,620,623
2	Total External Debt		6,413,834,978
3	**Total Public Debt**		**31,832,455,601**
4	Total Domestic Debt Service 2015		1,699,043,858
5	Total External Debt Service in 2015		53,497,016
6	**Total Public Debt Service**		**1,752,540,874**
C	**STATE GDP FOR 2015**		
1	**State GDP**		0

The Debt Stock of the State consists of both external (foreign) loans from multi-lateral development partners including the IDA, AfDB and IFAD; and internal debt in form development loans from commercial banks (including the CBN) and contractual liabilities. The only commercial bank loan is that from the Federal Mortgage for Housing Programme which is considered as self-liquidating. The debt stock as at the end of 2015 is still very modest

From the Debt Ssharing formulaustainability Analysis (DSA) above, when compared with the federal benchmarks, the State is considerably below all the upper-limits. However, the solvency ratios with regards to domestic debts indicates a not so favour position requiring a more tighter recurrent spendings. Also ratio the domestic to foreign debt ratio is less than the ideal with a high proportion of debt being foreign which brings about some degree of exchange rate risk. From a liquidity and solvency view-point, the above analysis suggests the State Government is in a position, if it so desired, to take on more debt to finance capital expenditure especially those that may be considered as self-financing.

Section 3 - Fiscal Strategy Paper (FSP)

3.1 - Macroeconomic Framework

The Macroeconomic framework is largely based on IMF projections for real national GDP growth and inflation (consumer price) for 2015-2018 (from the World Economic Outlook June 2016). The benchmark crude oil production is based on the Federal MTFF document for 2017 – 2018, using a modified production level for 2017 (1.8 mbp as against 2.2 mbp) while maintaining those of 2018 and 2019. Even though there is considerable efforts towards plugging the leakages that plagued the petroleum sector particularly illegal oil bunkering, oil theft and unaccounted oil revenue due to the federation, activities of Niger Delta Militants cum terrorists, has led to drastic decline in the production level. With the international oil price still hovering around to $45 per barrel, production problems among other major producers including Australia, there is a strong possibility of slow but steady increase in the International Oil market prices. Hence an estimated average of $42.5 per barrel over the medium term as against $38 in 2016. Based on an liberalization of the foreign exchange market by the Central Bank, an exchange rate of 290 is used across 2017-2019.

Figure 12: Jigawa State Macroeconomic Framework

Macro-Economic Framework Item	2016 Approved Estimates	Medium-Term Projections 2017	2018	2019
National Inflation	10.50%	12.90%	11.90%	10.00%
National Real GDP Growth	5.50%	3.0%	4.3%	4.0%
Oil Production Benchmark	2.200	1.800	2.200	2.400
Oil Price Benchmark	38	42.5	45	50
NGN:USD Exchange Rate	197	300	290	290

3.2 Fiscal Strategy and Assumptions

3.2.1 - Policy Statement

JSG 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:

- Aligning state government's income and expenditure by keeping spending limits within the dictates of available resources and within a fiscally sustainable debt position;
- Boosting IGR in accordance with the recently submitted business case of BIRS;
- Emphasis on achieving a more favourable balance for capital expenditure, through restraining the increasing trend in recurrent expenditure;
- 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; and
- Ensuring strict adherence to 'due-process' in budget execution as well as accountability, transparency and prudence in the entire public financial management process.

This strategy is anchored by the State Government's on-going PFM Reform programme.

3.2.2 - 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;

- Limited or no increment in overheads expenditure;
- Certain parastatals cover overhead expenditure through revenues generated;
- Long term target of IGR covering overhead expenditure.

3.3 - Jigawa State Medium Term Fiscal Framework

The Indicative Three Year Fiscal Framework for the period 2017-2019 is based on the following assumptions:

3.3.1 - Assumptions for Revenue Projections

a) Statutory Allocation – based on elasticity forecast using the crude oil benchmarks and macro-economic indicators in the macro-economic framework as in Section 3.1;
b) VAT – as above, an elasticity based forecast is used, using the national real GDP growth and inflation rates as the drivers for economic growth.
c) Excess Crude (including NNPC refunds, exchange rate differentials and other ad hoc distributions) – the estimate for 2017 is based on the collections from January to July 2017 and grossed up for the full year at the current rate and discounted by 50% to arrive at a more realistic estimate
d) **Internally Generated Revenue (IGR)** – Despite progress with the implementation of Treasury Single Account, IGR projections in the immediate term are not expected to surpass 2016 approved estimates which was indeed, very ambitious. Six months into the 2016 Fiscal Year, only about 20% of the approved IGR for 2016 actually accrued largely from traditional sources such as PAYE, LGA statutory contributions, interest on deposits, etc. Consequently, projection for optimistically assumes a 20% drop in the 2016 estimates to grow thereafter by 5% annually. It is believed that with current efforts to establish tax-payer database by Board of Internal Revenue, perfection of the TSA, technical support from Development Partners towards harmonization / review of tax rates and other efforts focused on plugging leakages and dealing with the phenomenon of tax avoidance and tax evasion, it would be possible to me the set target.

e) **Grants** – Must of the grants are non-discretional and thus treated a contra-entries (not included in the Fiscal Framework for the purpose of sector envelops and budget ceilings;

f) **Financing (Net Loans)** – Most of these are considered as non-discretional and are also not included in the Fiscal Framework beyond 2016, and as well not part of the envelope setting process. Only exception is the CBN Budget support loan of about N5.5 billion which is generally for the financing of capital investments (with no specific attachment to a single project or programme;

3.3.2 – Assumptions for Expenditure Projections

i. **Consolidated Revenue Fund Charges -** This includes public debt charges (which is external debt servicing) which is unlikely to change in the medium term. However, because increasing Internal Loan Components, this has led to increase in the amount budgeted for to increase slightly over the medium terms 2017-2019;

ii. **Personnel** – are largely based on the 2016 actual staff on the State Payroll with increases in critical areas particularly Education and Health Sectors.

iii. **Overheads** – Conscious effort would be made to reduce overhead cost in non-critical areas.**;**

iv. **Contingency and Planning Reserves** – Though the target is 5% of recurrent revenue, this may not necessarily be achieved due to the declining revenues relative to 2016 and the desire to achieve much with capital spending. Recent trends indicate declining recourse to contingency funds.

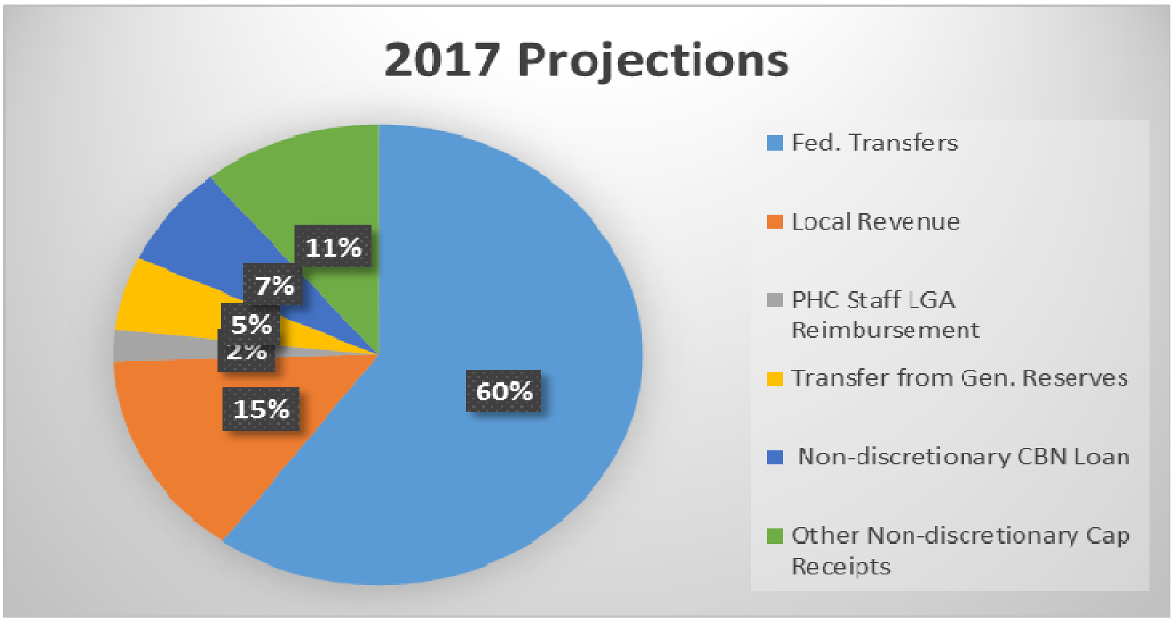
v. **Capital Expenditure** – is based on the balance from the current account, plus the capital receipts. There is however the desire to achieve a more favourable balance for capital expenditure (at least above 50%)

INITIAL

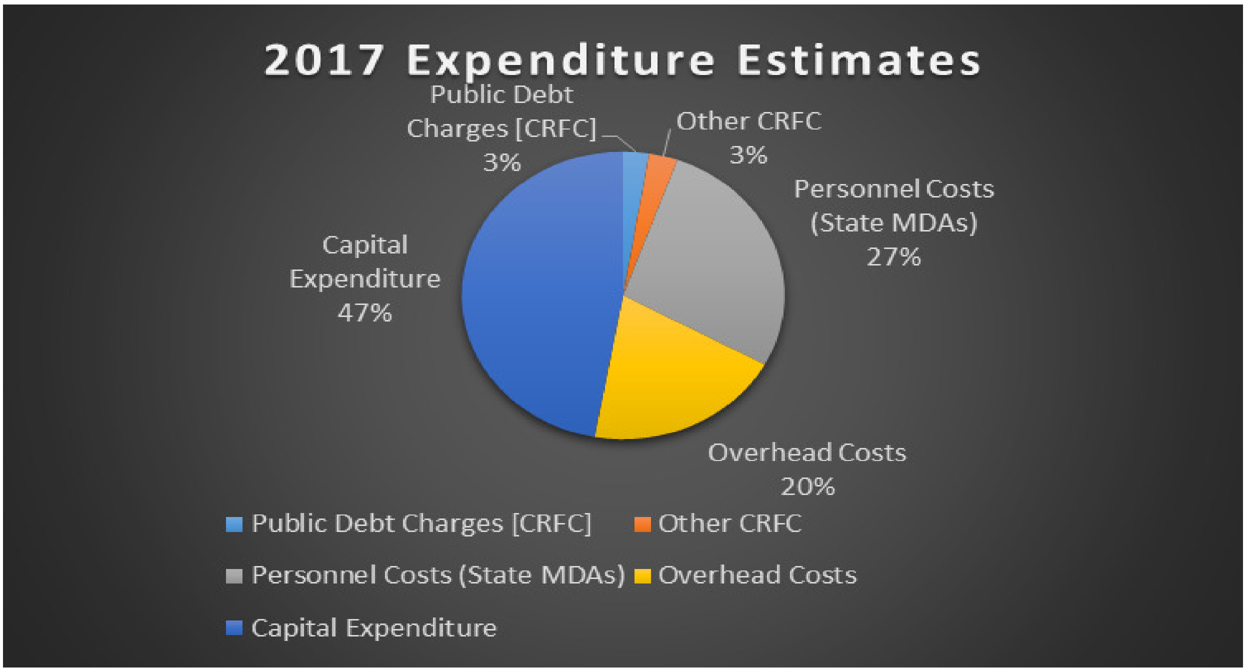
Fiscal Framework [COMMON FUNDS]

Recurrent Revenue	2014	2015	2016	2017	2018
Statutory Allocation	46,000,000,000	36,405,000,000	43,848,000,000	46,326,000,000	49,088,000,000
VAT	10,500,000,000	12,167,000,000	11,421,000,000	12,503,000,000	13,727,000,000
IGR	8,407,000,000	8,048,000,000	7,891,000,000	8,285,000,000	8,699,000,000
Excess Crude and Other Transfers	10,000,000,000	8,100,000,000	5,878,000,000	5,200,000,000	4,554,000,000
Recurrent LGA Grants [LEAs]	14,840,000,000	14,987,000,000	Contra-Entry	Contra-Entry	Contra-Entry
Recurrent LGA Grants [60% GHSB Personnel]	1,779,000,000	1,793,000,000	1,761,900,000	1,849,995,000	1,849,995,000
Total Recurrent Revenue	**91,526,000,000**	**81,500,000,000**	**70,799,900,000**	**74,163,995,000**	**77,917,995,000**
Stablization, Planning Reserve &Contingency	**2,200,000,000**	**385,000,000**	**3,000,000,000**	**3,000,000,000**	**3,000,000,000**
Retained Revenue	**89,326,000,000**	**81,115,000,000**	**67,799,900,000**	**71,163,995,000**	**74,917,995,000**
Recurrent Expenditure					
Public Debt Charges [CRFC]	1,279,000,000	300,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Pensions & Gratuities [CRFC]	700,000,000	680,000,000	600,000,000	600,000,000	550,000,000
Other CRFC	1,575,000,000	1,505,000,000	1,580,000,000	1,627,000,000	1,676,000,000
Total CRFC	3,554,000,000	2,485,000,000	3,180,000,000	3,227,000,000	3,226,000,000
Personnel Costs (State MDAs)	21,510,000,000	21,242,500,000	22,836,000,000	23,977,000,000	-
Personnel Costs (LEAs)	14,840,000,000	14,987,000,000	Contra-Entry	Contra-Entry	Contra-Entry
Overhead Costs	18,793,000,000	19,745,500,000	20,733,000,000	21,769,000,000	-
Sub-Total [Personnel and Overheads]	55,143,000,000	55,975,000,000	43,569,000,000	45,746,000,000	-
Total Recurrent Expenditure	58,697,000,000	58,460,000,000	46,749,000,000	48,973,000,000	3,226,000,000
Transfer to Capital Development Fund	**30,629,000,000**	**22,655,000,000**	**21,050,900,000**	**22,190,995,000**	**71,691,995,000**
Capital Receipts					
Transfer from Gen. Reserves & Fed. Stab.	1,500,000,000	750,000,000	1,000,000,000	2,000,000,000	2,000,000,000
Internal and External Loans	1,148,000,000	2,100,000,000	Contra-Entry	Contra-Entry	Contra-Entry
Capitalised Reimbursements	7,600,000,000	5,200,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Local Government Capital Contributions	8,000,000,000	6,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000
State Universiy Contribution LGA Contribution [2%]	1,400,000,000	747,000,000	Contra-Entry	Contra-Entry	Contra-Entry
Other Tied Capital Reciepts / Grants	3,526,000,000	3,653,000,000	Contra-Entry	Contra-Entry	Contra-Entry
Total Capital Reciepts	23,174,000,000	18,450,000,000	6,000,000,000	7,000,000,000	7,000,000,000
Capital Expenditure	**53,803,000,000**	**41,105,000,000**	**27,050,900,000**	**29,190,995,000**	**78,691,995,000**
Total Budget Size [Expenditure]	114,700,000,000	99,950,000,000	76,799,900,000	81,163,995,000	84,917,995,000
Total Budget Size [Revenue]	114,700,000,000	99,950,000,000	76,799,900,000	81,163,995,000	84,917,995,000
Budget Position	-	-	-	-	-
Capital Expenditure Ratio	**47.8%**	**41.3%**	**36.7%**	**37.3%**	**96.1%**

JIGAWA STATE BUDGET AND ECONOMIC PLANNING DIRECTORATE					
FISCAL FRAMEWORK FOR 2017 - 2019 MTSS AND 2016 BUDGET					
Macro-Economic Framework	**2015 Approved**	**2016 Approved**	Medium-Term Projecctions		
Item	**Estimates**	**Estimates**	**2017**	**2018**	**2019**
National Inflation		10.50%	12.90%	11.90%	10.00%
National Real GDP Growth		5.50%	3.0%	4.3%	4.0%
Oil Production Benchmark		2.200	1.800	2.200	2.400
Oil Price Benchmark		55	42.5	45	50
NGN:USD Exchange Rate		197	300	290	290
Fiscal Framework [COMMON FUNDS]					
Recurrent Revenue	**2015**	**2016**	**2017**	**2018**	**2019**
Statutory Allocation	36,405,000,000	33,340,000,000	36,504,000,000	43,300,000,000	50,340,000,000
VAT	12,167,000,000	11,355,000,000	9,404,000,000	9,706,000,000	9,903,000,000
IGR	8,048,000,000	14,067,000,000	12,439,000,000	11,820,000,000	12,410,000,000
Excess Crude and Other Transfers	8,100,000,000	4,400,000,000	Capitalised	1,150,000,000	1,050,000,000
Recurrent LGA Grants [LEAs]	14,987,000,000	16,787,000,000	**15,480,000,000**	**Contra-Entry**	**Contra-Entry**
Recurrent LGA Grants [60% PHCDA Personnel]	1,793,000,000	1,788,000,000	1,937,000,000	1,784,000,000	1,873,000,000
Total Recurrent Revenue	**81,500,000,000**	**81,737,000,000**	**75,764,000,000**	**67,760,000,000**	**75,576,000,000**
Stablization, Planning Reserve &Contingency	**385,000,000**	**2,442,000,000**	**800,000,000**	**1,200,000,000**	**2,400,000,000**
Retained Revenue	**81,115,000,000**	**79,295,000,000**	**74,964,000,000**	**66,560,000,000**	**73,176,000,000**
Recurrent Expenditure					
Public Debt Charges [CRFC]	300,000,000	2,970,000,000	3,540,000,000	2,090,000,000	2,031,000,000
Pensions & Gratuities [CRFC]	680,000,000	700,000,000	675,000,000	641,300,000	609,200,000
Other CRFC	1,505,000,000	1,545,000,000	1,545,000,000	1,509,000,000	1,547,000,000
Total CRFC	2,485,000,000	5,215,000,000	5,760,000,000	4,240,300,000	4,187,200,000
Personnel Costs (State MDAs)	21,242,500,000	22,283,000,000	22,047,000,000	21,260,000,000	22,330,000,000
Personnel Costs (LEAs)	14,987,000,000	16,787,000,000	15,480,000,000	**Contra-Entry**	**Contra-Entry**
Overhead Costs	19,745,500,000	18,693,000,000	17,783,000,000	15,250,000,000	15,630,000,000
Sub-Total [Personnel and Overheads]	55,975,000,000	57,763,000,000	55,310,000,000	36,510,000,000	37,960,000,000
Total Recurrent Expenditure	58,460,000,000	62,978,000,000	61,070,000,000	40,750,300,000	42,147,200,000
Transfer to Capital Development Fund	**22,655,000,000**	**16,317,000,000**	**13,894,000,000**	**25,809,700,000**	**31,028,800,000**
Capital Receipts					
Transfer from Gen. Reserves & Fed. Stab.	750,000,000	15,760,000,000	4,000,000,000	3,000,000,000	2,000,000,000
Internal and External Loans	2,100,000,000	14,000,000,000	**4,750,000,000**	**Contra-Entry**	**Contra-Entry**
Non-discretionary CBN Loan	-	-	4,400,000,000	-	-
Capitalised Reimbursements	5,200,000,000	10,720,000,000	3,720,000,000	4,000,000,000	3,000,000,000
Local Government Capital Contributions	6,000,000,000	6,000,000,000	4,800,000,000	4,800,000,000	4,800,000,000
State Universiy Contribution LGA Contribution [2%]	747,000,000	485,000,000	**495,000,000**	**Contra-Entry**	**Contra-Entry**
Other Non-discrenationary Capital Reciepts / Grants	3,653,000,000	8,528,000,000	**29,941,000,000**	**Contra-Entry**	**Contra-Entry**
Total Capital Reciepts	18,450,000,000	55,493,000,000	52,106,000,000	11,800,000,000	9,800,000,000
Capital Expenditure	**41,105,000,000**	**71,810,000,000**	**66,000,000,000**	**37,609,700,000**	**40,828,800,000**
			-		
Total Budget Size [Expenditure]	99,950,000,000	137,230,000,000	127,870,000,000	79,560,000,000	85,376,000,000
Total Budget Size [Revenue]	99,950,000,000	137,230,000,000	127,870,000,000	79,560,000,000	85,376,000,000
Budget Position	-	-	-	-	-
Capital Expenditure Ratio	**41.3%**	**53.3%**	**51.9%**	**48.0%**	**49.2%**


2017 Projections
11%
7%
5%
2%
15%
60%
Fed. Transfers
Local Revenue
PHC Staff LGA Reimbursement
Transfer from Gen. Reserves
Non-discretionary CBN Loan
Other Non-discretionary Cap Receipts

1.



3.4 - Fiscal Trends

Based on the above envelope, plus actual figures for 2016-2018 (using the same basis for forecasting as noted in the sub-sections within section 3.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below.

3.5 - Fiscal Risks

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

Table 9: ‼SEQ Table * ARABIC ¶┘Fiscal Risks

Risk	Likelihood	Reaction/Mitigation
Risk of revenue shortfall due to global Oil Price or Production shock (with respect to Statutory Allocation and Excess Crude); non-reimbursement from Federal Government for airport, galaxy projects; and implementation challenges of BIRS Business Plan	High	Systematic implementation of IGR Strategy Action Plan. Excess crude estimation is prudent (70% of actual receipts in 2013) and Statutory Allocation is largely based on the current benchmarks. Supplementary budgets are used to accommodate any excess receipt, projects are prioritised based on on-going projects implemented with priority. New projects are not usually scheduled to commence until Q3 or Q4. lementary budgets are used to accommodate any excess receipt, projects are prioritised based on on-going projects implemented with priority. New projects are not usually scheduled to commence until Q3 or Q4. Slow down / scale down of some existing capital projects based on government priorities
Poor security in neighbouring states spills over into Jigawa State resulting in increased overhead costs to deal with the challenges.	Low	Sustain existing or if necessary improved security arrangements based on the latest assessments to try and prevent effect on Jigawa State. Use of contingency reserve as financial mitigation.
Floods and other natural disasters impact on economic activity and hence IGR tax base, and causing increased overhead and capital expenditure	Medium	Effective communication between JSG and Hadejia –Jama'are River Basin Authority for early warning signs. Use of contingency reserve as financial mitigation. Access to funding from Federal Governments. Utilisation of State and Federal Emergency Management Agencies.
Continuing downward trend of capital expenditure ratio based on the recurrent costs growing at a faster pace than recurrent revenue	Medium	JSG to take pro-active measures to limit the growth in personnel and overhead costs, and boost IGR to increase recurrent revenue performance
Tendency of creditors, donors and FMF to alter management of loans	Low	Prioritise expenditure to complete projects, or shift implementation to a

and grants which could affect draw down by states		period when sufficient funding is available

2. It should be noted however that, no budget is without risk. The ongoing implementation of the 2015 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

Section 3 Budget Policy Statement

3.A Budget Policy Thrust

The Policy Thrust of the budget in line with the overall policy objectives and priorities of the State as encapsulated in the Second Edition of the State Comprehensive Development Framework is 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 would be promoting rapid growth of the real sectors of the state's economy notably agriculture and MSMS Enterprises both of which are critical in jobs & wealth creation and sustainable reduction in poverty among the populace. Pursuit of governance reforms to deepen transparency, accountability and effectiveness of public institutions; Specific priority objectives includes:

i. Diversification of the State’s economy through agriculture to achieve food security, job creation, and poverty reduction;

ii. Improvement in the Business Environment and Investment Climate for the development micro. Small and medium scale enterprises;

iii. Provision of robust and functional physical infrastructure [including roads and transportation, Information & Communication Technology (ICT)];

iv. Pursuit of targeted youths and women empowerment and other poverty reduction programmes in a gender conscious and socially inclusive matter.;

v. 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;

vi. Continuous improvement in access to - and quality of - public services, these include educational infrastructures and Health Care Delivery Systems at all levels. Inherent in this is the resolve of government to promote gender equality and inclusive development;

vii. Broadening on-going governance reforms particularly in the area of Policy and Strategy; Public Expenditure and Financial Management; and Public Service Management particularly IPSAS adoption, M & E and IFMIS upgrade.

3.B 2017 – 2019 MTEF and Sector Allocations (3 Year)

The analysis of recent economic and fiscal trends as contained in the EFU and FSP sections indicated a rather depressing outlook over the medium term. A number of the macroeconomic parameters that inform the medium-term the fiscal projections indicated that revenue flows from some of the major sources would only slightly appreciate nominally. Even though global oil prices has slightly appreciated relative to last year, the domestic production level has dropped significantly. While the effect of this would be a decline in aggregate revenues, in the real terms, revenues accruable in to the Federation Account is expected to witnessed appreciable nominal increase due to rising inflation and devaluation of the Naira. Notwithstanding this nominal increase, the extent of the absolute declines in oil revenue flows coupled with the relative decline in the rate of growth of the national economy, has made the outlook for less optimistic. Consequently, the medium term projections for the non-discretionary revenues allocated to the various sectors based extant policy priorities, is likely to witness a declined relative 2016 – 2018. The preliminary common pool funds projections for 2017 - 2019 is about ₦242 billion which is below the corresponding figure for 2016 - 2018 by almost 10%. This would therefore require the continued adoptions austerity measures in the 2017 Fiscal Year.

In the light of the foregoing, an overarching medium term objectives would be to a*chieve fiscal sustainability in terms ensuring* appropriate balance between revenue and expenditure, low deficit financing as well as promoting economic stability over the medium term. Therefore, for a many cost centres and spending entities, there would be outright reduction in budgetary allocation underlying the necessity for agencies to continue to be more prudent to improve efficiency in public expenditure. The situation also calls more concerns with v*alue for money through* a process that contributes to achieving economy, efficiency and effectiveness service provision without compromising quality and accessibility.

The medium term resources allocation among key sectors is guided by the policy objectives and priorities which is in accordance with principles of strategic resources allocation - a key objective of which is ensuring a*llocative efficiency in terms of* achieving an allocation of resources that reflects the priorities of government development policies. Presented in the table below are the indicative three envelopes for sectors.

Table 8: Indicative Sector Expenditure Ceilings 2017-2019

Jigawa State Estimates, 2017 - 2019 Projected [Indicative] Sector Envelops - Non-discretionarly (ommon) Funds*								
No.	Sector	% of Total	Priority	2016 Approved	Indicative Sector Ceilings			Total 2017 - 2019
					2017	2018	2019	
1. Economic Development Sector		**29.7%**		**40,046,545,000**	**22,264,200,000**	**22,886,200,000**	**24,613,600,000**	**69,764,000,000**
1.1	Roads & Transport Development	20.0%	High [Cap Intensive]	27,582,485,000	14,993,000,000	15,412,000,000	16,575,000,000	46,980,000,000
1.2	Agriculture	7.0%	High	8,185,352,000	5,247,000,000	5,394,000,000	5,801,000,000	16,442,000,000
1.3	Commerce and Industry	1.0%	High	2,241,673,000	749,600,000	770,600,000	828,800,000	2,349,000,000
1.4	Rural Electrification (Energy)	0.7%	Medium	763,410,000	525,000,000	539,000,000	580,000,000	1,644,000,000
1.5	Economic Empowerment	1.0%	High	1,273,625,000	749,600,000	770,600,000	828,800,000	2,349,000,000
2. Social Sector		**41.9%**		**65,670,001,000**	**31,417,000,000**	**32,296,000,000**	**34,733,000,000**	**98,446,000,000**
2.1	Education	22.5%	High	43,620,432,000	16,867,000,000	17,339,000,000	18,647,000,000	52,853,000,000
2.2	Health	17.6%	High	20,320,437,000	13,193,000,000	13,563,000,000	14,586,000,000	41,342,000,000
2.3	Women and Socal Development	0.7%	Medium	1,729,132,000	525,000,000	539,000,000	580,000,000	1,644,000,000
2.4	Information, Culture and Sports	1.1%	Normal	1,424,060,000	832,000,000	855,000,000	920,000,000	2,607,000,000
3. Regional Development		**9.7%**		**10,379,846,000**	**7,271,600,000**	**7,474,700,000**	**8,039,500,000**	**22,785,800,000**
I	Environment	1.2%	Medium	943,776,000	899,600,000	924,700,000	994,500,000	2,818,800,000
3.2	Water Supply	5.0%	Medium	5,101,475,000	3,748,000,000	3,853,000,000	4,144,000,000	11,745,000,000
3.3	Urban & Regional Development	3.5%	Normal	4,334,595,000	2,624,000,000	2,697,000,000	2,901,000,000	8,222,000,000
4. General Admin Services		**18.7%**		**18,691,608,000**	**14,010,200,000**	**14,403,100,000**	**15,489,900,000**	**43,903,200,000**
4.1	General Administration	16.5%	Normal	17,159,608,000	12,367,000,000	12,713,000,000	13,673,000,000	38,753,000,000
4.2	Law and Justice	2.0%	Normal	1,405,136,000	1,514,300,000	1,557,600,000	1,674,400,000	4,746,300,000
4.3	Other CRFs	0.2%	Normal	126,864,000	128,900,000	132,500,000	142,500,000	403,900,000
Contingency / Stablization & Planning Reserve				**2,442,000,000**	2,500,000,000	2,500,000,000	2,500,000,000	7,500,000,000
GRAND TOTAL EXPENDITURE		**100.0%**		**137,230,000,000**	**77,463,000,000**	**79,560,000,000**	**85,376,000,000**	**242,399,000,000**
*Notes - The projections excludes non-discretionary incomes - that is receiopts tied to specific expenditure including certain loans / grants and primary education financing from LGA								

3.C Considerations for the Annual Budget Process

3.

Section 4 Summary of Key Points and Recommendations

4. 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 2016-2018 is about 35% 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.

, "Economic growth remains the most important driver of poverty reduction. This underscores the critical priority of pursuing growth-enhancing policies to eliminate extreme poverty and boost shared prosperity---------------------------

----

An International Monetary Fund (IMF) team, led by Gene Leon, visited Abuja and Lagos during December 14-17 and January 10–25 to conduct the 2016 Article IV consultation. Discussions focused on assessing the economic impact of the sharp decline in oil prices and policies for addressing near-term vulnerabilities, as well as structural reforms to promote sustained inclusive growth and reduce poverty.

Following the conclusion of the visit, Mr. Leon issued the following statement:

"Nigeria is facing the impact of a sharp decline in oil prices. Due to its dependence on oil revenues, the general government deficit doubled to about 3.3 percent of GDP in 2015, despite a sharp reduction in public investment. Exports dropped about 40 percent, pushing the current account deficit to an estimated 2.4 percent of GDP. With foreign portfolio flows slowing significantly, reserves fell to $28.3 billion at end-2015. Foreign exchange restrictions introduced by the Central Bank of Nigeria (CBN) to protect reserves have impacted significantly segments of the private sector that depend on an adequate supply of foreign currencies. Coupled with fuel shortages in the first half of the year and lower investor confidence, growth is estimated to have slowed to 2.8 percent in 2015 (from 6.3 percent in 2014), weakening corporate balance sheets, lowering the resilience of the banking system, and likely reversing progress in reducing unemployment and poverty. Inflation increased to 9.6 percent in December (up from 7.9 percent in December 2014), above the CBN's medium term target range of 6 – 9 percent.

"With oil prices expected to remain low for a long time, continuing risk aversion by international investors, and downside risks in the global economy, the outlook remains challenging. The authorities' policy response has focused on seeking to support growth, while preserving international reserves. The draft 2016 budget envisaged, appropriately, a significant shift in the composition of fiscal spending toward capital investment while increasing the allocation for a social safety net. At the same time the CBN has eased monetary conditions.

"In light of the significant macroeconomic adjustment that is needed to address the permanent terms-of-trade shock, it will be important to put in place an integrated package of policies centered around: (i) fiscal discipline; (ii) reducing external imbalances; (iii) further improving efficiency of the banking sector; and (iv) fostering strong implementation of structural reforms that will enhance competitiveness and foster inclusive growth.

"Growth is projected to improve slightly to 3.2 percent in 2016 but could rebound to 4.9 percent in 2017, supported by an appropriate policy package that would, for example, enable priority infrastructure investments. The general government deficit is projected to widen somewhat before improving in 2017, while the external current account deficit is likely to remain flat at 2.3 percent of GDP. Growth in credit to the private sector is projected to recover from the slump in 2015, aiding the increase in activity. Key risks to the outlook include lower-than-budgeted oil prices, shortfalls in non-oil revenues, a further deterioration in finances of state and local Governments, and a resurgence in security concerns.

"Establishing medium-term fiscal policy goals that support fiscal sustainability is a priority. In particular, measures should be implemented to boost the ratio of non-oil revenue to GDP, including from improvements in revenue administration and broadening of the tax base; rationalize spending; adopt safety nets for the most vulnerable; and foster enhanced accountability and an orderly adjustment of sub-national budgets.

"Eliminating existing macroeconomic imbalances and achieving sustained private sector-led growth requires a renewed focus on ensuring the competitiveness of the economy. As part of a credible package of policies, the exchange rate should be allowed to reflect market forces more and restrictions on access to foreign exchange removed, while improving the functioning of the interbank foreign exchange market (IFEM). It will be important for the regulatory and supervisory frameworks to ensure a strong and resilient financial sector that can support private sector investment across production segments (including SMEs) at reasonable financing costs. Staff is supportive of the authorities' ongoing efforts to promote targeted and core infrastructure (in power, integrated transport network, housing); reduce business environment costs through greater transparency and accountability, promote employment of youth and female populations.

"Steadfast implementation of structural reforms is key. Adopting a sound Petroleum Industry Bill, including by applying the Anti-Money Laundering/Combating the Financing of Terrorism framework, will help strengthen the regulatory framework for the oil sector. Emphasis should be sustained on doing "more with less" to improve the efficiency of public sector service delivery and create an enabling environment to attract investment.

"During the visits, the team met with Vice President Professor Yemi Osinbajo, Finance Minister Kemi Adeosun, Minister of Budget and Planning Udoma Udo Udoma, Central Bank of Nigeria Governor Godwin Emefiele, senior government officials, and representatives of the private sector. The team would like to thank the authorities and private sector representatives for the open discussions and for their hospitality."