**EN 1 - ASSUMPTIONS ON THE REVISED BUDGET**

1.0 **KEY REVENUE PROJECTIONS**

The Zamfara State 2020 budget signed into law on the 12th day of February, 2020 and the revised 2020 budget are based on the following macroeconomic assumptions in **table 1.1**

**Table 1.1 Macro Economic Assumptions for initial and revised 2020 Zamfara State Budgets**

|  |  |  |  |
| --- | --- | --- | --- |
| **S/N** | **INDICATOR** | **ORIGINAL**  **2020-2022**  **MTEF ASSUMPTION** | **REVISED**  **2020-**  **MINERAL SECTOR ASSUMPTIONS** |
| 1. | CRUDE OIL PRICE | 57 | 25 |
| 2. | CRUDE OIL PRODUCTION | 2.2 | 1.94 |
| 3. | NGN-USD EXCHANGE RATE | 305 | 360 |
| 4. | INFLATION | 10.81% | 13.39% |
| 5. | GDP GROWTH RATE (REAL) | 2.93% | -3.50% |

The revised Zamfara State 2020 Budget assumes a reduction in Crude Oil selling price from $57 to $25 per barrel in line with the Federal Government (FGN) Medium Term Expenditure Framework (MTEF) as approved by the Federal Executive Council. Similarly, Crude Oil production was reviewed downwards from 2.2 MBPD to 1.94 MBPD largely due to the global COVID-19 pandemic. The exchange rate was reviewed upwards of N360 to the USD (due to inflation rates and the subsequent adjustment in the value of the naira by the CBN) is also used for the revised 2020 budget compared to N305 to a USD in the 2020 budget passed into law.

This adjustment is in line with the decision taken by the Central Bank of Nigeria (CBN) on Monetary Policy. Annual Inflation is assumed to be at 13.39% compared to 10.81% in the original 2020 budget. It is projected that the State’s Economy will contract (about -3.5%) compared to the estimated growth of about 2.93% earlier projected in the original 2020 budget.

1.1 **REVISIONS TO GROSS STATUTORY ALLOCATION**

In cognizance with the fall in crude oil prices and a subsequent cut in production bench marks of countries by OPEC, the states Gross Statutory Allocations estimates for the revised 2020 budget have been reviewed downwards from N55 Billion to N31.2 billion. It is projected that Nigeria will face its worst recession since the 80’s, thus why the state found it exigent to review earlier fiscal projections. Similarly, the state has taken modest steps to cushion the effects of the recession (start of Cash transfers by both state & federal, BESDA, CARES intervention program, etc.) as well as protect the economy during the coming years.

The revised budget 2020 has a revenue outlay of N127.333 billion (67.53%) of the originally approved budget of N188.549 billion representing a reduction of 32.47% (amounting to N61.216 billion) of the initial financial year budget.

1.2 **REVISIONS TO OTHER FEDERATION ACCOUNT TRANSFERS, VAT AND MISCELLANEOUS REVENUES**

The state made no provision for Excess Crude in the initial budget however, the sum of N728.997 million was realized during the first half of the year 2020. Consequently, a moderate projection of N1 billion was made as receivable from the FGN in the revised budget.

Equally too, the sum of N758.6 million was received as Federal Government Grants in the first half of the year as against an initial projection of N100 million. As a result, the state made an upward review of its budgeted figures to N1.2 billion in view of supports expected from the FGN in the area of COVID-19.

Zamfara state made a provision of N38.34 billion expected to accrue as outstanding re-imbursement/payments on construction of Federal roads by the Zamfara state. The FGN last year paid N17.434 billion as re-imbursement on construction of federal roads in the state, in consideration of the current economic realities, the projected figures were trimmed down to N20 billion.

There is a slight increase of N200 million on projected VAT receivables between the original and revised 2020 budget. This is in consideration of the appreciable rising of the projected N1 billion monthly. The sum of N6.243 billion was received from VAT in the first half of the year.

Initial budget estimate for internal grants were N20.471 billion. The revised budget estimate for all the internal grants is N7.729 billion. These revisions have been made as a result of suspension of some grants as a result of COVID-19.

The Federal Budget Office projected a decline in estimated receipts by States and Local Governments from the Federation Account(Main pool) from N3.335 Trillion to N2.497 Trillion while they also anticipate a decline in projected Customs Revenue from N1.50 Trillion to N1.156 Trillion. The World Bank projected a contraction on Nigeria’s economy by 3.2% (Nigeria faces worst recession in 4 decades, 26th July 2020 – source: World Bank). In this regard the state assumed a worst case scenario of 3,5% contraction on the economy in the revised 2020 budget for Zamfara State.

1.3 **REVISIONS TO INTERNALLY GENERATED REVENUE (IGR)**

An upward review amounting to N4.7 Billion representing 42% of the IGR component has been made between the Original 2020 and revised 2020 budgets. This increase is due measures taken in reorganizing the State Internal Revenue Board of SIRB (change in management, introduction of new rates, blockages in revenues etc,) which led to a contrast increase in revenue receipts in the original budget.

An estimate of N11.22billion was made in the FY budget; however the sum of N7.08billion was realized representing an increase of N1.47billion over the pro-rated estimate in the half year period. This is attributed to this administration’s reforms on the Independent Revenue Generation in an attempt to reduce dependent on federation account.

1.4 **OBERSVATIONS**

The original projected Zamfara State 2020 budget was estimated at N188.549 billion. Sequel to the global COVID-19 pandemic and its attendant effect on economies of the world the state had to review its anticipation downwards in reality with shortfalls in revenue and the consequent effect on people across the state. In light of the above a downward review of 32.47% representing N61.216 billion was made on the budget. This reduces the budget to 67.53% or N127.333 billion of the initial budget for the 2020 fiscal year.

**EN 2 - KEY EXPENDITURE ITEMS**

* 1. **MAINTAINING CRITICAL (NON-COVID) EXPENDITURE**

Salaries for public servants with the exception of the ministry of Health are considered critical NON-COVID expenditure. This categorization is essential to **Safeguard Jobs** of Public Servants who make up a significant proportion of jobs in the state, thus making it imperative to continue with their salary payment in a bid to avoid compounding the state’s economic woes. A reduction of N129.49 million representing 0.6% was made on personnel cost expenditures.

Overhead cost expenditures were equally reviewed downwards in reflection of amounts derivable during the course of the FY, thus N8.764 billion was reduced to free money for capital development in the review exercise. This is made possible because of the slowdown in economic activities and the lock-down imposed by the COVID-19 pandemic between February and June 2020.

The Consolidated Revenue Fund Charges component was equally reviewed downward from an initial allocation of N8.810billion to N4.541 billion representing a downward review of 48.45% in real terms.

Interest repayment is broken down into two major headings, ie principal and interest repayments. This provision was reviewed upward from an initial N6.95 billion to N7.42 billion representing a 6.8% increase over the initial budget.

* 1. **COVID RESPONSE EXPENDITURES**

Zamfara State has had relatively few cases of COVID-19 largely due to strong measures adopted by the state. Government took proactive measures and was quick in adopting both curative and preventive approaches to the pandemic, subsequent to which a new isolation centres was built and established in Damba area of Gusau. The state had four (4) isolation centres at the Yariman Bakura Specialist Hospital, Damba Isolation Center, General Hospital Kasuwar Daji as well as the Federal Medical Centre Gusau. Similarly, it paid all related bills in favor of COVI-19 patients in the state, whilst providing drugs, tools and medical equipment on the cure and prevention of the pandemic in the state. Similarly health workers involved in the fight against the pandemic were paid daily allowances.

3.0 **CAPITAL REVENUE**

COVID-19, which was declared by the World Health Organization (WHO) as global health emergency has virtually affected the socio-economic environment across the globe. Beyond tragic health and human hazard, uncertainties and destruction in socio-economic sphere that has resulted from the virus comes at a significant cause to the global economic outlook. The World Bank, UNCTAD and IMF all forecasted the global economy to contract by the year end.

The Nigerian economy is likely to be heading for another recession with the price of oil and gas which contribute about 65% of the nation’s revenue and 90% foreign exchange earning drastically declining. This sharp falls in price will certainly impact on the states revenues and therefore affect many economic activities including funding the budget, especially, payment of salaries, overall management of government and physical infrastructure. These among other reasons, necessitated the review of the capital budget.

3.1 **CAPITAL TRANSFER**

In effect, assumption underlying the 2020 Appropriation Law are no longer sustainable as such the capital revenue of ₦117.544 billion in the original approved budget was revised to ₦69.018 billion in the proposed amended budget, representing a downward review of 41.3 % of the original capital budget. This arouse from the decrease of Internal Loan, Domestic grants and Capital Transfers from ₦32.509 billion in the original 2020 budget to ₦17.257billion representing 53.08% of the original estimates.

3.2 **VAT**

The initial VAT projection was N12 billion in the original approved budget, this was reviewed upward to ₦12.2 billion in the amended budget indicating an increase of 1.66 %. This is in consideration of actual accruals to the state in the period under review amounting to ₦6.243 billion.

3.3 **FINANCING GAP**

The financing gap of the amended budget 2020 is **₦28, 787,000,000 against N46,313 for the original budget depict 37.84% decline**. State DMO has documented Debt Sustainability Analysis to avoid being running into the risk of accumulating expenditure arrears at the end of the fiscal year and the loans are within the drawn down life circles. It is classified as follows:

* Internal Loans: 19,500,000,000;
* External Loans: 9,287,000,000.

**Total: 28, 787,000,000**

DMO has discussed, processed and documented internal and external Loan facilities transaction between state government and Zenith Bank, UBA and Fidelity Bank and the financier of IFAD, CSDP, RAAMP and SAVING ONE MILLION LIVES for the state developmental and combating of COVID 19 crises to the tone of ₦19. 5billion.

3.4 **DOMESTIC GRANTS**

Domestic grants was ₦20.471 billion in the original Budget but down sized to N12.273 billion indicating 40% reduction from the original estimates as some of the grants were suspended as a result of COVID-19 crisis and other new grants are expected to accrue as a support to combat CONVID-19 palliative.

Grants from Federal Government for COVID-19 INTERVENTION is ₦3 billion is added to the amended budget revenue and FROM NATIONAL SOVEREIGN WEALTH AND World Bank LOAN is ₦4,729,000,000 included in the amended document

3.5 **OBSERVATIONs**

The following grants are removed in the amendment as a result of schools’ closure

* National Home-Grown School Feeding Program and
* Grant to ETF, TETFUND for Schools closure
* Grant for Cotton Development

3.6 **External Grants**

External Grants was ₦3, 350,000,000 in the original approved budget and reduced to ₦2, 000,000,000 in the amended budget that come from international development partners, and diverted the reduced funds to the relief of COVID-19 pandemic.

3.7 **LGAs Contribution**

₦100, 000,000 was estimated as revenue from LGAs Contribution in the original approved budget and ₦1, 000,000,000 in the amended budget as a result of state government contribution to IFAD & ZADP and Skills acquisition projects in the LGAs and Communities to mitigate COVID-19 crisis

Total revenues and grants expected in the initial 2020 budget were estimated at N85,034,000,000 (Eight Five Billion and Thirty Forty Million Naira only). A downward revision to N51,760,000,000.00 (Fifty-One billion, seven hundred and Sixty Million Naira only) has been made without Capital transfer indicating **39.13% decline in expected revenues for the revised 2020 budget.**

4.0 **CAPITAL EXPENDITURE REVIEW**

The initial capital expenditure was ₦117.544 billion in the approved budget 2020, this was reviewed downward to ₦69.018 billion in the proposed amended budget, indicating a reduction of 40%.

This became necessary in view of the dwindling resources accruing to the state resulting from the COVID-19 pandemic and its attendant effect on the national economy. As a result, the state had to re-prioritize its investments on capital development in the state. The revised budget focus on completion of critical ongoing projects that are near completion with impact on pro-poor and stimulate economic growth.

4.1 **CRITICAL (NON-COVID-19) EXPENDITURE**

The proposed capital spending for critical NON-COVID response in the revised 2020 budget stands at N48.315 billion equivalent to 70% of capital expenditure.

The classification of critical Non-COVID spending has been given to ongoing projects and projects for which contractual agreements have been finalized.

4.2 **COVID RESPONSE EXPENDITURES**

Zamfara State has had relatively few cases of COVID-19 making its response strategy focus on spread prevention and control of already imported cases. Contact tracing of identified cases is at the fore of its response strategy.

Zamfara state made a provision of N21.703 billion in its revised budget 2020 to address COVID-19 issues. These provisions cut across four sectors as spelt out below:

**CAPITAL SPENDING BY SECTOR FOR COVID-19 RESPONSE**

|  |  |  |  |
| --- | --- | --- | --- |
| **S/No** | **SECTOR** | **ALLOCATION IN BILLION NAIRA** | **% COVID SPENDING** |
| 1 | Economic | 14.373 | 66.2 |
| 2 | Social | 5.63 | 25.9 |
| 3 | Law and Justice | 0.4 | 1.8 |
| 4 | General Administration | 1.3 | 6.0 |

The line items categorized as COVID-19 projects includes; purchase of Fertilizer, Agro-equipment, loans, purchase of grain and seed multiplication program. As expected, the bulk of COVID-19 capital spending is in the economic sector as Zamfara has had fewer cases of COVID-19 pandemic.

A new World Bank intervention project – state CARES project, has been introduced to cushion the effect of the pandemic and its attendant negative effect on the state economy. As a result, the ministries of Commerce, Budget and Planning (CSDP) and Agriculture (FADAMA III) all have spending components under the CARES program. It is expected that the CARES program will spend an estimated ₦3 billion in the state between July and December, 2020.

The sum of ₦4.38 billion in Ministry of Health has been made to accommodate spending in response to the COVID-19 pandemic. Similarly, line items for the purchase of Ventilators, Hospital Beds, Monitors, Polymerase Chain Reaction and Personal Protective Equipment (PPE) have been included in the budget as part of the COVID-19 response. Overall 49.49% of the capital budget for health is allocated to COVID-19 spending.

Non-Essential Capital spending cuts amounted to N48,526,000,000 and ₦21,703 billion represent COVID-19 responsive expenditure while ₦47,315,000,000 is for essential expenditure. The cut in non-essential Capital spending amounts to a 41.28**%** reduction on the original 2020 budget of N117,544,000,000 (One Hundred Seventeen Billion, Five Hundred and Forty-Four Million Naira).

Reductions in capital expenditure of some MDAs are depicted in the table below:

|  |  |  |
| --- | --- | --- |
| **S/No** | **MDA** | **% Capital Spending cuts** |
| 1 | Cabinet and Political affairs | 40.33 |
| 2 | Ministry of Information | 45.23 |
| 3 | Education | 56.70 |
| 4 | Directorate of Housing | 41.15 |
| 5 | Water | 33.77 |