

Medium Term Expenditure Framework:

Economic and Fiscal Update (EFU),

Fiscal Strategy (FS) and

Budget Policy Statement (BPS)

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Abbreviations

|  |  |
| --- | --- |
| **BRINCS** | **Brazil, Russia, India, Nigeria, China, South Africa** |
| **CBN** | **Central Bank of Nigeria** |
| **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** |
| **MINT** | **Mexico, Indonesian, Nigeria and Turkey** |
| **N-11** | **Next 11 Countries** |
| **PIB** | **Petroleum Industry Bill** |
| **PITA** | **Personal Income Tax Act** |
| **PMS** | **Premium Motor Spirit** |
| **SHoA** | **State House of Assembly** |
| **VAT** | **Value Added Tax** |
| **WEO** | World Economic Outlook |
| **PAC** | Public Account Committee |
| **SFRA** | State Fiscal Responsibility Act |
| **KSG** | Kogi State Government |
| **CSO** | Civil Society Organisation |
| **TWG** | Technical Working Group |
| **FI** | Financial Instruction |
| **PFM** | Public Financial Management |
| **MFB&EP** | Ministry of Budget and Planning |
| **DOP** | Director of Planning |
| **DOB** | Director of Budget |
| **SG** | Statistician General |
| **PCNI** | Presidential Committee on North East Initiative |
| **NIRP** | Nigerian Industrial Revolution Plan |
| **OPEC** | Organisation of Petroleum Exporting Countries |
| **TNP** | Trans Niger Pipeline |
| **NCTL** | Nembe Creek Trunk Line |
| **LGAs** | Local Government Areas |
| **POP** | Plaster of Paris |
| **FIRS** | Federal Inland Revenue Service |
| **NGN** | Nigeria Naira |
| **USD** | United States Dollars |
| **SDGs** | Sustainable Development Goals |
| **UNICEF** | United Nations Children Emergency Fund |
| **DFID** | Consolidated Revenue Fund |
| **CRF** | Department for International Development |
| **CPI** | Consumer Price Index |
| **PPP** | Public Private Partnership |
| **AF** | Alternative Funding (Financing) |
| **JVs** | Joint Ventures |
| **NPDC** | Nigerian Petroleum Development Company |
| **PSC** | Production Sharing Contract |
| **WTI** | West Texas Intermediate |
| **OECD** | Organisation for Economic Co-operation and Development |

# Introduction and Background

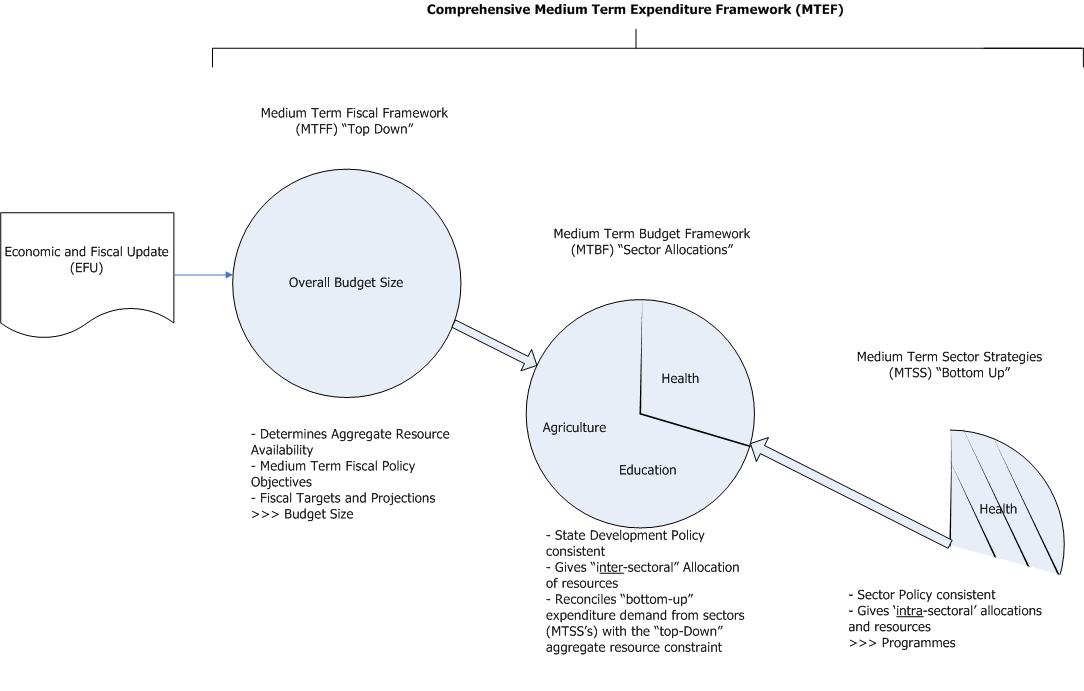
## Introduction

1. The Medium-Term Expenditure Framework (MTEF) provides Government with a tool to manage the pressure between competing policy priorities and budget realities. This helps to reprioritize expenditure and make policy choices that are affordable in the medium term. This document covers period of 2022 - 2024
2. Government aims to improve information on service delivery. These information are better contained in budget document which enables the public to understand what government does, what programmes and activities are funded, and what outputs the budget is meant to achieve.
3. The Economic and Fiscal Update (EFU) of this Multi Year Budget Framework (MYBF) document provides a detailed statement of the Government's financial position including updated economic and fiscal forecasts, analysis of the fiscal position and a summary of specific fiscal risks which form the basis for budget planning process in Kogi State. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementations.
4. The Fiscal Strategy Paper (FSP) is the guide to the state budget process. It consists of a macroeconomic framework that indicates fiscal targets and estimates revenues and expenditure, including government financial obligations in the medium term. The document also set out the underlying assumptions for these projections, provides an evaluation and analysis of the previous budget, and present an overview of consolidated debt and potential fiscal risks.
5. The important outcomes of the FSP include the macroeconomic outlook; fiscal balance; and other key indicators. **They fulfil a requirement of Section 11 of the Fiscal Responsibility Act (SFRA) 2012, which stipulates that the Commissioner for Budget and Planning (now Commissioner of Finance, Budget and Economic Planning) shall prepare the MTEF and FSP and get them approved by the State Executive Council (EXCO) and State House of Assembly (SHoA).**

### Budget Process

1. The budget process describes the budget cycle in a fiscal year. Its conception is informed by the Medium Term Expenditure Framework (MTEF) process which has three components namely:
2. Medium Term Fiscal Framework (MTFS)
3. Medium Term Budget Framework (MTBF)
4. Medium Term Sector Strategies (MTSS)
5. It commences with the conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the following year’s budget.
6. The MTEF process is summarised in the diagram below:

Figure 1: MTEF Process



### Summary of Document Content

1. In accordance with international best budgeting practices, the production of a combined EFU, FS and BPS is the first step in the budget preparation cycle for Kogi State Government (KSG) for the period 2022-2024.
2. The purpose of this document is three-fold:
3. To provide a historical summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update;
4. To set out medium term fiscal objectives and targets, including tax policy; revenue mobilisation; level of public expenditure; deficit financing and public debt - Fiscal Strategy; and
5. Provide indicative sector envelopes for the period 2022-2024.
6. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis in order to inform the budget planning process. It aims primarily at budget policy and decision makers in the Kogi State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation. It includes:

* Overview of Global, National and State Economic Performance
* Overview of the Petroleum Sector
* Trends in budget performance over the last six years

1. The FS is a key element in the KSG Medium Term Expenditure Framework (MTEF) and annual budget process. As such, it determines the resources available to fund the Government’s growth and poverty reduction programme from a fiscally sustainable perspective.

### Preparation and Audience

1. The purpose of this document is to provide an informed framework for the 2022-2024 MTEF and 2022 annual Budget preparation cycle for all of the key Stakeholders, specifically:

* State House of Assembly (SHoA);
* Executive Council (ExCo);
* Ministry of Finance, Budget and Economic Planning (MFB&EP);
* All Government Ministries, Departments and Agencies (MDAs);
* Organised private sectors;
* Civil Society Organisations (CSOs)
* Non-Government Organisations (NGOs)

1. The document is prepared in the month of June for the year 2022 Budget. It is prepared by Kogi State Government MTEF Technical Working Group (TWG) using data collected from International, National and State organisations such as International Monetary Fund (IMF), State Ministry of Finance, Budget and Economic Planning, Accountant General’s Office and Debt Management Office, Federal Ministry of Finance, Budget and National Planning and Kogi State Internal Revenue Service (KGIRS).

## Background

### Legislative and Institutional arrangement for Public Financial Management (PFM)[[1]](#footnote-1)

### 1.B.1.1 Legislative Framework for PFM in Kogi State–

1. Federal legislations and regulations provide the legal framework for PFM at the Federal and also state level. The principal ones are the 1999 Constitution, the Finance (Control and Management) Act Cap 144 of the Laws of the Federation 1990, the Revenue Allocation Act of 1992 together with the Executive Order of March 2004, the Personal Income Tax Decree 104 of 1993 (amended in 2004), and Act 21 of 1998 which defines the tax powers of each of the three tiers of government. These legislations and regulations cover several issues at the State level, in particular, fiscal relations between tiers of government, revenue and expenditure management, State government accounts, external audit and legislative scrutiny.
2. State governments cannot enact their own constitution, but they have other legislative and executive powers that complement but not supersede those at the federal level. In Kogi State, however, the state government does not have a legislation of its own; rather, it has been leaning on federal government legislation, which may not be appropriate. The federal regulations that the state government has adopted include the Revised Public Service Rules of January 2000; Guides to Administrative Procedures; and Financial Regulations of January 2000. The state government needs to domesticate these legislations. The state is still largely dependent on guidelines issued by the Auditor General of the Federation. However, with the support of the Public Sector Governance Reform and Development Project, the State has the following, either as laws or draft laws: Kogi State Fiscal Responsibility Law, 2012; Kogi State Revenue Administrative Law 2013 (Kogi State Revised Revenue Administrative Law 2017); Kogi State Public Procurement Law 2014, Kogi State Public Finance Management(PFM) Law 2015; Kogi State Financial Instructions(FI) 2015; Kogi State Audit Law 2015; Monitoring & Evaluation Policy Guides (in draft) while the bill is undergoing legislation

1.B.1.2 Institutional Framework for PFM in Kogi State –

1. There are three arms of government – the executive, the legislature and the judiciary. It is the responsibility of the executive arm of government to: (i) formulate, implement and monitor the State budget; and (ii) account for its fiscal operations to the legislature. The Legislature, on the other hand, is charged with the responsibility to make laws, including the Appropriation Law, and to control the use of public funds. The focus of the judiciary extends to the determination of any question as to the civil rights and obligations of government, authority and any persons in Nigeria.
2. On the executive arm still, there are essentially two types of MDAs for the PFM system: cross-sectoral MDAs and sector MDAs. The principal cross-sectoral MDAs comprise largely the Office of the Governor, the State Executive Council, the Establishments Office, the Ministry of Finance, Budget and Economic Planning, the Office of Accountant-General, the Office of Auditor-General for the State and the Office of Auditor-General for Local Governments. The Governor of a State exercises executive powers which extend to the execution and maintenance of the Nigerian constitution and all laws made by the House of Assembly of the State and all matters with respect to which the House of Assembly has power to make laws. He may exercise his powers directly or through the Deputy Governor and Commissioners. Kogi State has a 19-member Statutory Executive Council but has, at present, been increased to 27 to achieve a more inclusive and robust decisions,[[2]](#footnote-2)The EXCO is primarily concerned with strategic issues affecting the State. The Establishments Office has the mandate for staff recruitment, training, promotions and discipline. The Ministry of Finance, Budget and Economic Planning is the anchor for development planning and budget preparation. The Office of Accountant-General is responsible for the collection, disbursement and control of State funds and also the preparation of the financial statements of the government. The State Auditor-General conducts post-mortem analysis of State accounts to ensure value for money in the utilization of public funds. The Office of Auditor-General for Local Governments performs similar responsibilities at the local government level and reports to the legislature at the State level. There are Seventeen (16) sector ministries, consisting Agriculture, Health, Women Affairs & Social Development, Education Science & Technology, Justice and Finance Budget & Economic Planning. The others are Commerce & Industry, Culture & Tourism, Environment, Water Resources, Works & Housing, Transport, Rural Development, Youth & Sports, Information & Communication, Local Government & Chieftaincy Affairs and Solid Mineral & Natural Resources. The State government has 17 extra-ministerial departments including a Bureau that was, hitherto, a ministry but now Bureau for Land and Housing and 48 parastatals, with each one attached to a supervising ministry.
3. The principal institution of the legislative arm is the State House of Assembly (SHoA). The House carries out its oversight functions through various standing committees, two of which are directly involved in the budgeting process. The committees are the:

(i) Finance, Appropriation and Budget Monitoring Committee whose responsibility is to examine budget proposals and make appropriate recommendations to the entire House for consideration and approval; and

(ii) Public Accounts Committee (PAC) - Section 125, Sub-Section 5 of the 1999 Constitution empowers the PAC to carry out investigations on the reports of the State Auditor-General and the Auditor-General for Local Governments.

1. The judicial powers of a State are vested in the courts. The courts comprise the Supreme Court of Nigeria, the Appeal of Court, the Federal Court of Appeal, the Federal High Court, a High Court of Kogi State, the Sharia Court of Appeal of Kogi state, and a Customary Court of Appeal of Kogi state.[[3]](#footnote-3) The Ministry of Justice, Public Defender and Citizens' Rights Commission and the Judicial Service Commission on the executive arm of government complement these courts.
2. Indicative Budget Calendar for Kogi State Government is presented below:

Table 1: Budget Calendar

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S/N** | **SUBJECT** | **ACTIVITIES** | **DATE**  **YEAR 2021/22** | **RESPONSIBILITY** | |
| **Agency** | **Officer** |
| 1 | Commencement of Year 2022 Budget Preparation | (a) Review of Macroeconomic Framework and input of latest data to Medium Term Fiscal Strategy (MTFS) model | April 2021 | Technical Working Group (TWG) | Director Budget |
| (b) Meeting with Major Revenue Generating Agencies on Strategy 2022-2024 MTFS | June 2021 | MFB&EP/Revenue Stakeholders | Director Budget |
| (c) Public Consultation on the Framework, FSP, Revenue and Expenditure Framework. | June 2021 | MFB&EP/Revenue Stakeholders/CSO | Director Budget |
| (d) Presentation of Year 2022–2024 MYBF to EXCO | June 2021 | MFB&EP, MDAs & EXCO | HC MFB&EP |
| (e) Forwarding of MTEF draft to the SHoA for modifications (if any) and approval. | June 2021 | MFB&EP/SHoA | HC MFB&EP |
| (f) Budget Retreat for MDAs | June 2021 | MFB&EP/MDAs | Director Budget. |
| 2 | Y2021 (Current Year) Budget Monitoring & Appraisal. | (a) 1st Quarter Year 2021 Budget Performance Appraisal | 28th April 2021 | MFB&EP(DOB, DOP(M), DOP(SS)/MDAs | Hon. Commissioners/Other Heads of MDAs |
| (b) 2nd Quarter/Mid-Year Review of 2021 Budget Performance | 28th July, 2021 | MFB&EP(DOB, DOP(M), DOP(SS))/MDAs | Hon. Commissioners/Other Heads of MDAs |
| (c) 3rd Quarter Year 2021 Budget Performance Appraisal | 28th Oct. 2021 | MFB&EP(DOB, DOP(M), DOP(SS)/MDAs | Hon. Commissioners/Other Heads of MDAs |
| 3 | Preparation of Y 2022 Budget Estimates | (a) Issuance of Year 2022 Call Circular | July 2021 | MFB&EP | Permanent Secretary |
| (b) Budget Consultative /Stakeholders Forum | July 2021 | MFB&EP(Budget Dept.), MDAs & Other Stakeholders eg. CSOs | Permanent Secretary |
| (d) Submission of Budget Proposals | Aug./Sept. 2021 | MFB&EP/MDAs | Permanent Secretary |
| (c) MDAs Budget Defence | September 2021 | MFB&EP/MDAs | Permanent Secretary |
| (e) Collation of Estimate | October 2021 | MFB&EP | Director Budget |
| 4 | 2022 Draft Budget | Submission of Year 2022 draft Budget to His Excellency | Oct./Nov. 2021 | MFB&EP | HC MFB&EP |
| 5 | Legislative Processes | (a) Presentation of Draft Year 2022 Budget Estimates to House of Assembly | November 2021 | Governor’s Office | His Excellency |
| (b) Consideration of Budget Draft Estimates by SHoA including interaction with MDAs/scrutiny of estimates. | December 2021 | SHoA | Members SHoA/MDAs |
| (c) Passing of the Year 2022 Appropriation Bill | December 2021 | SHoA | Members |
| 6 | Appropriation Law | (a) Production of the Appropriation Law | December 2021 | SHoA | Members |
| (b) Assent of Year 2022 Budget by the Governor | December 2021 | Governor’s Office | His Excellency |
| (c) Uploading Approved Budget onto the Budget Portal | December, 2021 | MFB&EP | Permanent Secretary |
| (d) Printing and Publishing of Approved Budget | January, 2022 | MFB&EP | Permanent Secretary |
| 7 | Execution of Year 2022 Budget. | (a) Year 2022 Budget Analysis (Budget Breakdown) | January, 2022 | MFB&EP(Budget Dept.) | HC MFB&EP |
| 8 | Conclusion of Year 2021 Budget | (a) Year 2021 Budget Performance Appraisal for the 4th Quarter/Full Year | 28th January, 2022 | MFB&EP(Director Budget) | HC MFB&EP |
| 9 | Year 2021 Budget Execution Approvals | Request for approval of implementation of budgeted projects. | On-going | MDAs | HC MFB&EP |
| 10 | Disbursement/Fund Release Warrants | Request for release of funds for approved projects. | On-going | MDAs/MoF/AG | Permanent Secretaries/ Directors of Finance and Administration |

# Economic and Fiscal Update

## Economic Overview

### Global Economy[[4]](#footnote-4)

1. It is one year since COVID-19 was declared a global pandemic, a year of terrible loss of lives and livelihoods. Many around the world lost loved ones to the widening reach of the pandemic. The rising human toll worldwide and the millions of people that remain unemployed are grim markers of the extreme social and economic strain that the global community still confronts. Yet, even with high uncertainty about the path of the pandemic, a way out of this health and economic crisis is increasingly visible. Thanks to the ingenuity of the scientific community, we have multiple vaccines that can reduce the severity and frequency of infections. In parallel, adaptation to pandemic life has enabled the global economy to do well despite subdued overall mobility, leading to a stronger-than-anticipated rebound, on average, across regions. Additional fiscal support in some economies, (especially the United States)—on top of an already unprecedented fiscal response last year and continued monetary accommodation—further uplift the economic outlook. We are now projecting a stronger recovery in 2021 and 2022 for the global economy compared to our previous forecast, with growth projected to be 6 percent in 2021 and 4.4 percent in 2022. Nonetheless, the outlook presents daunting challenges related to divergences in the speed of recovery both across and within countries and the potential for persistent economic damage from the crisis. Multispeed recoveries are under way in all regions and across income groups, linked to stark differences in the pace of vaccine rollout, the extent of economic policy support, and structural factors such as reliance on tourism. Among advanced economies, the United States is expected to surpass its pre-COVID GDP level this year, while many others in the group will return to their pre-COVID levels only in 2022. Similarly, among emerging market and developing economies, China had already returned to pre-COVID GDP in 2020, whereas many others are not expected to do so until well into 2023. The divergent recovery paths are likely to create significantly wider gaps in living standards between developing countries and others, compared to pre-pandemic expectations. Cumulative per capita income losses over 2020–22, compared to pre-pandemic projections, are equivalent to 20 percent of 2019 per capita GDP in emerging markets and developing economies (excluding China), while in advanced economies the losses are expected to be relatively smaller, at 11 percent. This has reversed gains in poverty reduction, with an additional 95 million people expected to have entered the ranks of the extreme poor in 2020, and 80 million more undernourished than before. With a fuller understanding of how the shock has transmitted across sectors and borders, and based on past experiences of deep recessions, we are now better able to assess the likely medium-term losses. Many variables differences in initial exposure to the shock, economic structures, and policy support inform our projections for persistent damages and scarring over the medium term
2. IMF staff estimates suggest that the contraction could have been three times as large if not for extraordinary policy support. Much remains to be done to beat back the pandemic and avoid divergence in income per capita across economies and persistent increases in inequality within countries. Improved outlook: After an estimated contraction of –3.3 percent in 2020, the global economy is projected to grow at 6 percent in 2021, moderating to 4.4 percent in 2022. The contraction for 2020 is 1.1 percentage points smaller than projected in the October 2020 World Economic Outlook (WEO), reflecting the higher-than-expected growth outturns in the second half of the year for most regions after lockdowns were eased and as economies adapted to new ways of working. The projections for 2021 and 2022 are 0.8 percentage point and 0.2 percentage point stronger than in the October 2020 WEO, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year. Global growth is expected to moderate to 3.3 percent over the medium term—reflecting projected damage to supply potential and forces that predate the pandemic, including aging-related slower labour force growth in advanced economies and some emerging market economies. Thanks to unprecedented policy response, the COVID-19 recession is likely to leave smaller scars than the 2008 global financial crisis. However, emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses. Divergent impacts: Output losses have been particularly large for countries that rely on tourism and commodity exports and for those with limited policy space to respond. Many of these countries entered the crisis in a precarious fiscal situation and with less capacity to mount major health care policy responses or support livelihoods. The projected recovery follows a severe contraction that has had particularly adverse employment and earnings impacts on certain groups. Youth, women, workers with relatively lower educational attainment, and the informally employed have generally been hit hardest. Income inequality is likely to increase significantly because of the pandemic. Close to 95 million more people are estimated to have fallen below the threshold of extreme poverty in 2020 compared with pre-pandemic projections. Moreover, learning losses have been more severe in low-income and developing countries, which have found it harder to cope with school closures, and especially for girls and students from low-income households. Unequal setbacks to schooling could further amplify income inequality. High uncertainty surrounds the global outlook. Future developments will depend on the path of the health crisis, including whether the new COVID-19 strains prove susceptible to vaccines or they prolong the pandemic; the effectiveness of policy actions to limit persistent economic damage (scarring); the evolution of financial conditions and commodity prices; and the adjustment capacity of the economy.
3. **Countries selected are chosen to represent BRICS, MINT, N-11, Petro-economies and other large African countries.**

Table 2: Real GDP Growth - Selected Countries

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Actual[[5]](#footnote-5)** | | | **Forecast** | |
| **2018** | **2019** | **2020** | **2021** | **2022** |
| Mexico | 2.0 | -0.1 | –8.2 | 5.0 | 3.0 |
| Indonesia | 5.2 | 5.0 | -2.1 | 4.3 | 5.8 |
| Turkey | 2.6 | 0.9 | 1.8 | 8.0 | 3.5 |
| United States | 2.6 | 2.3 | -3.5 | 6.4 | 3.5 |
| Germany | 0.9 | 0.6 | -4.9 | 3.6 | 3.4 |
| United Kingdom | 1.7 | 1.4 | -9.9 | 5.3 | 5.1 |
| China | 6.6 | 6.1 | 2.3 | 8.4 | 5.6 |
| Ghana | 5.6 | 6.1 | 0.9 | 4.6 | 6.1 |
| South Africa | 0.8 | 0.2 | -7.0 | 3.1 | 2.0 |
| Brazil | 1.1 | 1.1 | -4.1 | 3.7 | 2.0 |
| Angola | -1.7 | -1.5 | -4.0 | 0.4 | 2.4 |

Source:World Economic Outlook, April 2021.

Table 3: Inflation (CPI) - Selected Countries

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Actual** | | | **Forecast** | |
| **2018** | **2019** | **2020** | **2021** | **2022** |
| Mexico | 4.9 | 3.6 | 3.4 | 3.5 | 3.1 |
| Indonesia | 3.2 | 2.8 | 2.0 | 2.0 | 3.1 |
| Turkey | 16.3 | 15.2 | 12.3 | 13.6 | 11.8 |
| United States | 2.4 | 1.8 | 1.2 | 2.3 | 2.4 |
| Germany | 1.9 | 1.3 | 0.4 | 2.2 | 1.1 |
| United Kingdom | 2.5 | 1.8 | 0.9 | 1.5 | 1.9 |
| China | 2.1 | 2.9 | 2.4 | 1.2 | 1.9 |
| Ghana | 9.8 | 7.2 | 9.9 | 9.0 | 8.2 |
| South Africa | 4.6 | 4.1 | 3.3 | 4.3 | 4.5 |
| Brazil | 3.7 | 3.7 | 3.2 | 4.6 | 4.0 |
| Angola | 19.6 | 17.1 | 22.3 | 22.3 | 13.1 |

Source: World Economic Outlook, April, 2021

1. Turkey, Ghana and Angola experienced high inflation rates. Globally inflation rates are set to decrease over the next five years as mineral and agriculture prices stabilise.

### Africa[[6]](#footnote-6)

1. Africa suffered its worst recession in more than 50 years in 2020 due to the COVID–19 pandemic, as its GDP declined by 2.1 percent. But it is expected to increase by 3.4 percent in 2021. GDP per capita is estimated to have contracted by 10 percent in nominal terms in 2020. Because of the pandemic’s lower-than-expected impact on Africa, the recession in 2020 was not as severe as the Bank projected earlier. Africa suffered fewer economic losses from the pandemic than other regions of the world. Similarly, the fatality rates per million people have been relatively modest in relation to other regions. The global economy is expected to have shrunk 4.4 percent in 2020, less severe than the 4.9 percent contraction the International Monetary Fund (IMF) forecast at the onset of the crisis.2 The better-than-anticipated growth reflects the second- and third-quarter GDP performance in advanced and emerging-market economies, especially China, after lockdown measures were scaled back and prospects brightened for COVID–19 vaccines and therapeutics. The IMF now projects 5.2 percent global growth in 2021. Leading indicators point to a recovery of economic activity. Indicators of business confidence around the world, such as the industrial production indexes and the purchasing managers’ indexes, especially for Africa’s major trading partners, have picked up in the third and fourth quarters of 2020. High frequency leading indicators such as major trading partners’ stock market indexes have rebounded from declines that exceeded 50 percent between March and May 2020. Commodity prices especially energy and metals recovered from the mid-2020 decline but remain subdued. The high volatility in global financial markets in the first half of 2020 stabilized towards the end of 2020. Increasingly accommodative monetary policy by major central banks around the world has helped stem the capital flight from Africa that occurred at the peak of the crisis. Since July 2020, capital flight has reversed in Africa, and sovereign bond spreads continue to narrow from the more than 700 basis points that prevailed in March and April 2020. Healthcare systems have improved in many countries, thanks to increased investments; digitalization has ramped up in the wake of the crisis; and social protection schemes have broadened their coverage to include previously neglected groups (for example, the reach of cash transfer programs expanded after the programs began to distribute funds through mobile money accounts in Benin, Côte d’Ivoire, The Gambia, Lesotho, Madagascar, and Namibia). But debt levels are expected to rise sharply, and if they are not addressed promptly, some countries might find themselves with a debt burden they cannot service (a “debt overhang”), which might slow recovery in the medium term. Growth performance varies by regions and economic characteristics Africa’s growth performance and recovery prospects vary across regions and economic groupings. The average GDP decline of 2.1 percent in 2020 and projected recovery to 3.4 percent growth in 2021 mask significant heterogeneity. East Africa seems to be the most resilient region, thanks to less reliance on primary commodities and greater diversification. It enjoyed 5.3 percent growth in 2019 and an estimated 0.7 percent growth in 2020. In 2021, growth of real GDP is projected at 3.0 percent, and in 2022, 5.6 percent. The top performers in 2021 would be Djibouti (9.9 percent), Kenya (5.0 percent), Tanzania (4.1 percent), and Rwanda (3.9 percent) Southern Africa is the region that was hardest hit by the pandemic, with an economic contraction of 7.0 percent in 2020. It is projected to grow by 3.2 percent in 2021 and 2.4 percent in 2022. GDP in West Africa is estimated to have contracted by 1.5 percent in 2020, better than the initial projection of a 4.3 percent decline in June 2020, partly due to the relatively limited spread of the virus in the region. Many West African countries maintained positive growth in 2020 thanks to more targeted and less restrictive lockdowns including Benin (2.3 percent), Côte d’Ivoire (1.8 percent), and Niger (1.2 percent). Other countries such as Cabo Verde (–8.9 percent), Liberia (–3.1 percent), and Nigeria (–3 percent) were in recession in 2020. Growth in the region is projected at 2.8 percent in 2021 and 3.9 percent in 2022, as lockdowns are eased and commodity prices rebound. In Central Africa, real GDP is estimated to have contracted 2.7 percent in 2020. Countries significantly impacted by the crisis in the sub-region include Cameroon (–2.4 percent), Republic of Congo (–7.9 percent), Democratic Republic of Congo (–1.7 percent), and Equatorial Guinea (–6.1 percent). Growth is projected to recover to 3.2 percent in 2021 and 4 percent in 2022 in Central Africa. The economies of North Africa contracted by an estimated 1.1 percent in 2020, propped up mainly by Egypt, which maintained 3.6 percent growth despite the relatively severe health impact of the virus in the country. Other countries contracted significantly in 2020, including Tunisia (–8.8 percent), Morocco (–5.9 percent), and Algeria (–4.7 percent). The effects of COVID–19, internal conflict, and a drop in oil prices caused an estimated 60.3 percent contraction of real GDP in Libya. North Africa is projected to experience robust recovery of 4 percent in 2021 and 6 percent in 2022. Similarly, Africa’s growth performance varies across country groups depending on structural characteristics

### Nigerian Economy[[7]](#footnote-7)

1. Nigeria’s economy entered a recession in 2020, reversing three years of recovery, due to fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19. The containment measures mainly affected aviation, tourism, hospitality, restaurants, manufacturing, and trade. Contraction in these sectors offset demand-driven expansion in financial and information and communications technology sectors. Overall real GDP is estimated by the Bank to have shrunk by 3% in 2020, although mitigating measures in the Economic Sustainability Programme (ESP) prevented the decline from being much worse. Inflation rose to 12.8% in 2020 from 11.4% in 2019, fueled by higher food prices due to constraints on domestic supplies and the pass-through effects of an exchange rate premium that widened to about 24%. The removal of fuel subsidies and an increase in electricity tariffs added further to inflationary pressures. The Central Bank of Nigeria cut the policy rate by 100 basis points to 11.5% to shore up a flagging economy. The fiscal deficit, financed mostly by domestic and foreign borrowing, widened to 5.2% in 2020 from 4.3% in 2019, reflecting pandemic-related spending pressures and revenue shortfalls. Total public debt stood at $85.9 billion (25% of GDP) on 30 June 2020, 2.4% higher than a year earlier. Domestic debt represented 63% of total debt, and external debt, 37%. High debt service payments, estimated at more than half of federally collected revenues, pose a major fiscal risk to Nigeria. The current account position was expected to remain in deficit at 3.7% of GDP, weighed down by the fall in oil receipts and weak external financial flows.
2. The economy is projected to grow by 1.5% in 2021 and 2.9% in 2022, based on an expected recovery in crude oil prices and production. Stimulus measures outlined in the ESP and the Finance Act of 2020 could boost nonoil revenues. Improved revenues can narrow the fiscal deficit to 4.6% and the current account deficit to 2.3% of GDP in 2021 as global economic conditions improve. Reopening borders will increase access to inputs, easing pressure on domestic prices and inflation, projected at 11.4% in 2021. Downside risks include reduced fiscal space, should oil prices remain depressed. In addition, flooding and rising insecurity could hamper agricultural production. Further depletion in foreign reserves from $35 billion (7.6 months of import cover) could lead to sharp exchange rate depreciation and inflationary pressures. A potential relapse in COVID–19 cases could exacerbate these risks. High unemployment (27%), poverty (40%) and growing inequality remain a major challenge in Nigeria.
3. Nigeria’s public debt is relatively sustainable at 25% of GDP. But debt service payments are high, and the country’s ability to attract external private financial flows is hurt by macroeconomic imbalances and policy uncertainty. During the first half of 2020, Nigeria received $7.1 billion in foreign investment. This was half the amount it received in the corresponding period of 2019. Nigeria’s financing requirements require improved domestic revenue collection. Currently, nonoil revenue collections are equivalent to 4% of GDP. The revenue yield in 2020 from an increase in the value-added tax rate to 7.5% from 5% was less than projected because of subdued economic activity. Broadening the tax base could strengthen Nigeria’s fiscal buffers, if structural reforms to enhance compliance are supported and illicit financial flows are tackled. Remittances and sharia-compliant sukuk bonds also offer potential financing options. In 2019, remittances totalled $23.8 billion (5.3% of GDP), but the effect of the COVID– 19 pandemic in key source markets could reduce this figure. The third issuance of sukuk bonds of 150 billion naira ($395 million) in June 2020 attracted 669.1 billion naira, of which 162.5 billion naira was allotted to finance 44 critical road projects. Use of foreign reserves as a financing option in the medium term is impaired by lower oil receipts, the main source of foreign exchange.

#### Macroeconomic Indicators

Table 4: Nigeria Key Macroeconomic Indicators

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Indicator** | **2017** | **2018** | **2019** | **2020** |
| GDP Growth (%) | 0.8 | 1.9 | 2.2 | -2.48 |
| GDP (N’bn) | 68,490.98 | 69,799.94 | 144,210.5 | 142,960.5 |
| Inflation (%) | 16.5 | 11.08 | 11,98 | 14.89 |
| Exchange Rate (NGN:USD FX Rate) | 305 | 305 | 305 | 279 |
| Unemployment (%) | 18.1 | 23.1 | 23.1 | 0 |
| Balance of Payments (% of GDP) | 10.4 | 3.9 | -17.0 | -15.8 |

Source: National Bureau of Statistics, Public Presentation of 2021 FGN Approved Budget breakdown & highlights

#### Petroleum Sector

1. Oil was discovered in Nigeria in 1956 at Oloibiri in the Niger Delta after half a century of exploration. The discovery was made by Shell-BP, at the time the sole concessionaire. Nigeria joined the ranks of oil producers in 1958 when its first oil field came on stream producing 5,100 bpd. After 1960, exploration rights in onshore and offshore areas adjoining the Niger Delta were extended to other foreign companies. In 1965 the EA field was discovered by Shell in shallow water southeast of Warri. By the late sixties and early seventies, Nigeria had attained a production level of over 2 million barrels of crude oil a day. Although production figures dropped in the eighties due to economic slump, 2004 saw a total rejuvenation of oil production to a record level of 2.5 million barrels per day. Current development strategies are aimed at increasing production to 4million barrels per day by the year 2010.
2. Nigeria joined the Organisation of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (NNPC) in 1977; a state owned and controlled company which is a major player in both the upstream and downstream sectors.
3. The COVID-19 Pandemic and the Crude Oil Price War
4. The current pandemic has created an unprecedented and global crisis that will cause regions, countries, sectors, companies and individuals to experience a reaction, resilience, recovery and adjustment for a “new reality.” On the 31stof December 2019, a pneumonia of unknown cause was reported to the WHO from Wuhan, China. This phenomenon has gone on to be widely known as the COVID-19 virus which was declared as a public health emergency by the WHO on the 30thof January 2020, and a Pandemic on the 11thof March 2020. As at the 22ndof June 2020, the pandemic has spread to at least 188 countries infecting over 9.051m people and resulting in the deaths of more than 470 thousand people around the world. As part of efforts to stem the spread of the virus, major economies have instituted lockdowns aimed at minimising human-to-human interactions, but this has in turn resulted in economic challenges and while a cure/vaccine for the virus is still being developed, countries currently have to find a way to balance the economic shocks of these extended lockdowns/restrictions with the associated public health risks. Over the last 6 months, global crude oil prices have seen one of the sharpest drops in history (69%+) from a peak of $60.94/bbl in December 2019 to $18.84/bbl in April 2020. This was triggered by Russia and Saudi Arabia, both of whom were unable to agree on oil price cuts to match the fall in demand due to reduced economic activity by the COVID-19 pandemic. Subsequently, both countries have taken steps to maintain their market dominance against US shale producers who are unable to compete effectively at lower prices. With economic activity slowly resuming, oil prices have started to rebound and as at June 2020, prices have risen up to $43.71/bbl indicating a healthy recovery trend.

### Kogi State Economy

1. Agriculture, Forestry and other Bush Activities: Kogi State has extensive arable land for cultivation, with good grazing grounds for livestock breeding and large water bodies for fishing. Agriculture is the mainstay of the state economy. There are many [Farm produce](https://en.wikipedia.org/wiki/Crop) from the state notably [coffee](https://en.wikipedia.org/wiki/Coffee), [cocoa](https://en.wikipedia.org/wiki/Cocoa_bean), [palm oil](https://en.wikipedia.org/wiki/Palm_oil), [cashews](https://en.wikipedia.org/wiki/Cashew), [groundnuts](https://en.wikipedia.org/wiki/Bambara_groundnut), [maize](https://en.wikipedia.org/wiki/Maize), [cassava](https://en.wikipedia.org/wiki/Cassava), [yam](https://en.wikipedia.org/wiki/Yam_(vegetable)), [rice](https://en.wikipedia.org/wiki/Rice) and [melon](https://en.wikipedia.org/wiki/Melon). Rice production is encouraged in the flood plains   
   of the rivers, while coffee, cocoa, orange, and cashew nuts are produced in ljumu and Kabba/Bunu LGAs. Farmers are engaged in share cropping schemes at lyagu, Alade and Adikena. Palm plantations are being rehabilitated and a standard agricultural mechanical workshop is being constructed for the maintenance of machinery.
2. The Kogi State Agricultural Development Project was established with an initial   
   investment capital of N144 million to be drawn from a World Bank loan. This was   
   done to improve 300 kilometres of rural roads, provide fifty points of potable   
   water and distribute 50 tonnes of various farm inputs. Much emphasis has been   
   placed on agriculture with substantial lumbering and saw milling carried out   
   in the forest areas of the state (e.g ljumu and Kabba/Bunu LGAs).
3. Exotic plants such as teak (tectona grandis) and pulp wood are being planted   
   in different parts of the State. Other basic economic activities include the   
   unincorporated private sector with farmers, fishermen, artisans and people in   
   other activities such as mechanics, vulcanizers, electricians, carpenters bricklayers,   
   plumbers and traders.
4. Mineral Resources: Kogi State is rich in mineral resources. These Mineral resources include [coal](https://en.wikipedia.org/wiki/Coal), [limestone](https://en.wikipedia.org/wiki/Limestone), [iron](https://en.wikipedia.org/wiki/Iron), [petroleum](https://en.wikipedia.org/wiki/Petroleum) and [tin](https://en.wikipedia.org/wiki/Tin). The state is home to the largest iron and steel industry in Nigeria known as Ajaokuta Steel Company Limited and one of the largest cement factories in Africa, the Obajana Cement Factory. Most of these minerals are available in commercial quantities. Coal at KotonKarfe, Okaba and Ogboyaga; limestone and marble at Jakura, Ajaokuta, Osara, Ekinrin Adde and ltobe; kaolin at Agbaja and iron ore at Agbaja plateau and Itakpe hills. It is worthy of note here to highlight that out of the seven (7) mineral resources of focus by Nigeria in the effort towards diversification, three (3) of them are available in Kogi State in commercial quantities. These are Iron Ore, Limestone and Coal.
5. Coal was mined in Kogi State during the Nigerian civil war; limestone and marble are exploited at Jakura. Other minerals include feldspar   
   at Okene and Osara; clay, cassiterite, columbite and tantalite at Egbe; gold   
   at Isanlu, gems, quartz, mica and crude oil at Idah. At the present time however, attention is being given for the commencement of exploitation of Coal in Kogi East by Dangote group. The Federal Government has started giving the exploitation of Itakpe Iron Ore attention. For years now the limestone had continued to be exploited by Dangote group into cement manufacturing.
6. Industrial Development: The available resources are land, water, minerals, agriculture and forestry, hydro power and electricity.   
   Ajaokuta iron and steel and the tertiary institutions in the State are potential sources of input for industrialisation, if properly developed and maintained. There were sixteen industrial establishments operating in the State in 1992. Development of the Ajaokuta Steel Company will lead to springing up of upstream and downstream industries in Kogi State.
7. The Itakpe Iron Ore Mining Company and the Ajaokuta Steel Company,   
   both of which could generate subsidiary industries such as iron and steel,   
   foundries, cement plant, tar installation plant, carbon black and carbon graphic   
   electrodes industry light forging, metal fabrication and agricultural tools   
   and implements industries.
8. Development Potentials: Kogi State's endowment of natural resources   
   include land, water, mineral and forest resources. The vast land area of the   
   State provides adequate opportunity for the location of various types of industrial and other economic activities.
9. The water resources of Rivers Niger and Benue and their several tributaries   
   could provide ample water supply for people, animals and various industries   
   when fully harnessed. The confluence of Rivers Niger and Benue could be an important source of tourist attraction. Fishery could be developed on a large scale with allied fishery industries.
10. The waterfalls at Osomi, Ogugu and Ofejiji are potential sources of hydro-electricity.   
    The water from the rivers could support large irrigation schemes for raising   
    various crops. The forests provide wood for timber and fuel.
11. Local Sourcing of Raw Materials: Agricultural products such as grains   
    (maize, guinea corn, rice and others), root crops (yam, cassava and groundnut etc), Other crops include beans, soya beans, cocoa and coffee provide the needed raw materials   
    for cereals, flour beverages and other food processing industries. Livestock and   
    fisheries could provide raw materials for meat and fish canning industries.
12. The forest has the potential to provide wood for plywood and other wood related industries to produce such items as toothpicks, matches and other household utensils while foliage and minerals are sources of raw materials for chemical and pharmaceutical industries.   
    Mineral resources in the State can provide immense local sources of raw materials for the manufacture of various products.
13. Coal and iron ore provide raw materials for the iron and steel industry and   
    for the manufacture of machinery, alloys, oxides, tools, rails, linoleum and   
    fillers. Coal also provides raw material for making ammonia, tar, cyanide, explosives and organic compounds. Limestone and marble at Jakura, Oshokoshoko, Ajaokuta, Osara,   
    Ekinrin Adde and ltobe have raw materials for making cement, glass, lime, ceramics, carbon dioxide, ethylene, caustic soda, carbide, paint, floor slabs, terrazzo chips and building stones amongst others. Feldspar from Osara, Okene, Okoloke and Egbe and clay obtained in many parts of the LGAs of the State could supply the needed raw materials for glass, ceramics and pottery. Kaolin from Agbaja is an important raw material for chalk making, paint, kaolin poultice and Plaster of Paris (POP).
14. Cassiterite, columbite and tantalite from Okoloke, Egbe are used for tin coating and   
    alloys while talc and mica from Isanlu, Ogborun and Mopa could supply the raw materials for ceramics, paints and electrical equipment. Gold from Isanlu in Yagba East LGA, gems and ornamental stones from Lokoja, quartz from Okene, Okehi, Okoloke and Egbe and crude petroleum from Ibaji are other important minerals in the state.

## Fiscal Update

### 2. B.1 Historic Trends

#### Revenue Side

1. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude/Capital Receipts – budget versus actual for the period 2015-2021.

Figure 2: Statutory Allocation



1. Statutory Allocation is 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.
2. Performance against budget for the six years under review was fluctuating. It decreased from 2015 to 2016, increased from 2017 to 2018 and decreased from 2019 to 2020

Figure 3: VAT



1. VAT (Value Added Tax) is an ad-valorem tax applied to sales of almost all goods and services within the Nigerian economy. The distribution to each State is based on a set of criteria slightly different from those used for Statutory Allocation.
2. The performance kept on increase throughout the years under review.

**Figure 4:** Excess Crude/Other FA Receipts.



1. Excess crude receipt is distributed from the Federation Account based on Mineral Revenue receipts above the oil benchmark price, production and exchange rate, it includes exchange gains, refunds from NNPC and FIRS, and augmentation. It is generated when actual crude oil price, production and NGN: USD exchange rates exceed the benchmarks and hence excess revenue is generated. It is shared among the three tiers of government using the same formulas as Statutory Allocation. The timing and level of Excess Crude distribution is very difficult to predict.
2. Due to unpredictable nature of the excess crude oil revenue, the actual performance has been irregular.

Figure 5: IGR



1. IGR (Internally Generated Revenue) is revenue collected within Kogi State relating to income tax (company and individuals including Pay As You Earn (PAYE), fines, levies, fees and other sources of revenue within the State. Pay As You Earn represents the highest contributor to IGR.
2. IGR performance kept on increasing throughout the years under review except 2018 that experience slight decreased.

Figure 6: Grants



1. Grants are receipts from Federal Government and Local Governments such as Federal Government Sustainable Development Goals (SDGs) Conditional Grants Scheme, as well as grants from the international development partners (including UK - Department for International Development (DFID), European Union (EU), United Nations Children’s Fund (UNICEF), and the World Bank. The receipt or performance has been irregular to the extent that 2019 experienced nil collection.
2. Grant estimates going forward should be consistent with signed agreements; any “blue-sky” should be specifically linked to the implementation of specific projects.

Figure 7: Loans / Financing



1. Loans in this context are referred to as internal loans (commercial bank loans, loans from local capital markets, loans from individuals, etc) and external loans are loans that are largely drawn from the development partners such as the World Bank, IFAD, AfDB, etc.
2. The receipt or performance has been irregular to the extent that 2020 experienced nil collection.

#### Expenditure Side

1. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2013-2019.

Figure 8: CRF Charges



1. CRF (Consolidated Revenue Fund) charges relate to salaries for statutory positions (e.g. the Auditor General, Political Office Holders, Judiciary and Sharia Court officials).
2. The actual performance of CRF (Consolidated Revenue Fund) charges kept on decreasing until it was final fused together under civil servants’ salaries in 2018 till date. However, the year 2015 and 2016 performance were more than budgetary provisions. This is due to political appointment not being steady.

Figure 9: Personnel



1. Personnel costs comprise of salaries and allowances of civil servants.
2. The expenditures were on steady fall from 2015 till 2018. The steady drop was as a result of screening exercise which retired many people from the service. There was a serious increase in 2019 as a result of huge gratuity payment and payment of arrears of people with screening people before they were cleared.

Figure 10: Overhead Expenditure



1. Overheads comprise mainly operational and maintenance costs for running the government.
2. Overhead costs on the graph above show irregular spending year by year. This was largely due to increased cost of running government, especially with respect to maintenance of many government offices. 2016 and 2017 expenditures were far ahead of budgetary provision due to high cost of conducting the screening exercise. Also, the was sharp increase in 2020 actual performance due to debt repayment

Figure 11: Capital Expenditure



1. Capital expenditure refers to costs of projects that generate State assets (e.g. roads, schools, hospitals, etc). Capital expenditure includes the main investments and programmes of government.
2. The performance has been below expectation when compared to budgetary provisions. This is due to high costs of running government in terms of overheads and personnel cost except in 2019 where the State experienced a lot of multilateral projects in addition to State projects.

Figure 12: Recurrent: Capital Expenditure Ratio



1. The capital expenditure ratio was significantly low under the years captured. The actual percentage ranged from 13% to 50% which is below expectation.

Figure **13: Expenditure Trend**

1. The Figure 13 above comprises of the trend of personnel, Overhead, Capital and CRF Charges both historical from year 2015-2020 and forecast from year 2021-2024 with average anticipation.

By Sector

Table 6: Sector Expenditure – Budget Vs Actual

Sector Personnel Expenditure – Budget Vs Actual



1. Performance of Personnel expenditure by sector over the period 2017-2020 is as shown in Table 6 above. Administrative Sector, Economic Sector, Law & Justice Sector and Social Sector all performed at more than 70%. Personnel Cost by sector performed in the range 70.75%-118.33% in the years. The highest performing sector was Administrative Sector with 118.33% while the least performing sector was Law and Justice Sector with 70.75%.

Sector Overhead Expenditure – Budget Vs Actual



1. Performance of Overhead expenditure by sector over the period 2017-2020 is depicted above. Administrative Sector, Economic Sector, Law & Justice Sector and Social Sector all performed at more than 65%. Overhead expenditure by sector, performance range from 65.10%-113.34% in the years. The highest performing sector was Administrative Sector with 113.34% while the least performing sector was Law and Justice Sector with 65.10%.

Sector Capital Expenditure – Budget Vs Actual



1. Performance of Capital expenditure by sector was not encouraging over the period 2017-2020. Administrative Sector, Economic Sector, Law & Justice Sector and Social Sector all performed at less than 30%. Capital expenditure by sector performed in the range of 14.35-29.35%. The highest performing sector was Economic Sector with 29.35% while the least performing sector was Administrative Sector with 14.29%. Generally, the performance of capital expenditure was very low when compared to personnel and overhead expenditures.

### 2.B.2 Debt Position

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

Table 7: Debt Position as at 31st December 2020

1. Given the above table, the state performance is impressive in these areas: Total external debt to total revenue; Total Public Debt/Total Revenue; external debt service to total revenue while Total Domestic Debt/Total Recurrent Revenue; Total Domestic Debt/IGR; Total Debt Service to total revenue and Domestic Debt Service/IGR are not impressive.
2. In the interim, despite the risk pose by foreign exchange, foreign loans present brighter window

## Macroeconomic Framework

1. The Macroeconomic framework is based on the latest Nigerian National real GDP growth and inflation represented by Consumer Price Index (CPI) as estimated in the April, 2021 IMF World Economic Outlook document. The Oil benchmarks and NGN: USD exchange rates are based on the figures in the 2021-2024 Federal Fiscal Strategy Paper document.

Figure14: Kogi State Macroeconomic Framework

## Fiscal Strategy and Assumptions

#### Policy Statement

1. The fiscal strategy of Government is anchored on the on-going Public Financial Management Reform (PFM). Over the period 2022 -2024 the State Government fiscal policy is directed at:
   * Improving the efficiency and effectiveness of spending;
   * Achieving a better balance between capital and recurrent expenditure;
   * Including greater control of the wage bill;
   * Directing capital expenditure on critical infrastructure such as Agriculture, Health Road, Education, Security, Water, Youth engagement etc

* Boosting revenue receipts by identifying and blocking revenue leakages; and gradual fiscal consolidation in order to achieve a level of public spending consistent with macroeconomic stability and sustainable debt.

#### Objectives and Targets

1. The specific fiscal objective of Kogi State is effective allocation of scarce resources to identified critical programmes and projects, with the following major targets (non-quantifiable and time bound targets):

* To improve the quality of education to citizens at all levels in order to produce articulate and skilled manpower necessary for economic transformation of the State;
* To improve access to healthcare leading to improvement in efficiency of the healthcare delivery system;
* To ensure food security and generate a high proportion of the GDP from agriculture;
* To exploit the full potentials and expand trade and commerce in the State to ensure that products from agricultural and industrial activities have access to markets locally and internationally;
* To ensure gainful employment of youths and create opportunities for the development of their talents;
* To achieve sustainable development and promoting social and economic development through culture and tourism;
* To establish the necessary framework for a robust mining and Solid minerals sector, branding Kogi State as the foremost mining and minerals exploitation destination;
* To improve the road network in the State through continued construction of new roads and bridges and rehabilitation of existing ones in urban and rural areas;
* To improve the quantity, quality and access to safe water for domestic, commercial and industrial uses as well as improve sanitation and hygiene practices among the citizens;
* To ensure sustainable use of the environment and continuous management of environmental challenges such as pollution, degradation and gully erosion;
* To ensure easy access to lands for agricultural, residential, commercial and industrial uses to all citizens and investors to facilitate the social and economic development of the State;
* To improve the quantity of decent housing and facilitate the creation of viable urban communities in the state;
* To improve and expand affordable housing options through the use of public private partnership arrangements;
* To reduce average power outage through the generation and distribution of adequate electricity in the urban and rural areas in Kogi State;
* To rejuvenating the transportation sector and all its players to facilitates Internally Generated Revenue;
* To provide an enabling environment to facilitate economic and social development in the State as well as introduce and implement reform measures to strengthen governance institutions, i.e. the Civil Service, the pension etc.;
* To increased security of lives and property in the state;
* To continue to expand the State’s revenue base in the area of Internally Generated Revenue (IGR).and
* To reduce the level of Domestic Debt Profile of Kogi State.

## Indicative Three Year Fiscal Framework

1. The indicative three-year fiscal framework for the period 2022-2024 is presented in the table below.

Table 8: Kogi State Medium Term Fiscal Framework



### Assumptions

1. **Statutory Allocation** - is premised on elasticity based forecast consistent with the macroeconomic framework and the numerous assumptions in the 2022-2024 Fiscal Strategy Paper displayed above.
2. **VAT** - is also based on elasticity forecasting using National Real GDP Growth and Inflation data as the explanatory variables for VAT growth.
3. **Excess Crude/Other Revenue** - the previous year excess crude/other revenue (2022), which includes Nigerian National Petroleum Corporation (NNPC) refunds, exchange gains, budget support facilities and all other excess distributions, were used in the forecast using own percentage.
4. **Internally Generated Revenue (IGR)**–IGR forecast was based on own percentage of the actual collections.
5. **Grants** - grants are very hard to predict and the recording of actual grant receipts is not accurate as a lot of expenditure is off budget. The forecasts are based on current commitments from Federal Government/and the development partners (including UNICEF, NEPAD and the World Bank group). These funds are non-discretionary and are therefore tied to the implementation of specific programmes/projects. If the funds are not forthcoming, the programmes/projects will not be implemented. The estimates for 2022-2024 are thus conservatively based on the current 2021 budget.
6. **Financing (Net Loans)** –It is difficult to use forecasting method to predict net loans due to irregular loans expectation.
7. **Personnel** –forecast is based on own percentage using actual historical personnel figures. This assumes gradual growth rate of employment.
8. **Overheads**–the forecasting method used to estimate overhead figures for the period 2022 is own percentage with the hope that cost of running government will maintain the trend.
9. **Contingency and Planning Reserves** -2% of total revenue has been allocated to the Contingency Reserve which will be used in accordance with Finance Act, during budget implementation. Also 2% deduction of the same total revenue is for Planning Reserve which will be allocated during MDA budget defence to MDAs that are able to justify the need for more resources over and above the given ceiling.
10. **Capital Expenditure** - is based on the recurrent account surplus plus capital receipts.

### Fiscal Trends

1. The fiscal trend is depicted in the Figures 15 and 16 below with actual historical revenue and expenditure figures for the period 2015-2020 and 2021-2024 projected figures using the forecasting methods as noted in 3.C.

Figure15: Kogi State Revenue Trend



Figure16: Kogi State Expenditure Trend



## Fiscal Risks

1. It is pertinent to note that the ability of the State to achieve the estimated fiscal figures for the 2022-2024 medium term horizon is subject to some fiscal risks. Table 9 below shows, as much as possible, our understanding of inherent fiscal risks, the likelihood of occurrence of such risks and the expected reaction to mitigate the effect of the risks.

Table 9: Fiscal Risks

|  |  |  |
| --- | --- | --- |
| **Risk** | **Likelihood** | **Reaction** |
| Security challenges nationwide such as Movement for the Actualisation of Sovereign State of Biafra (MASSOB), Indigenous People of Biafra (IPOB), Boko Haram, Kidnapping, Herdsmen Attack, and ramped inter-tribal crises, Gun Men etc causing reductions in VAT, other federal transfers and some State IGR. | High | In longer term, Kogi State must become less dependent on Statutory Allocation, VAT and Excess Crude to funds its expenditure – this would be achieved through higher IGR collection. In the short term, capital projects must be prioritised and Overhead expenditure must be flexible to reduction if short-falls are experienced. |
| Risks to Statutory Allocation and Excess Crude based on Oil Price or Production shock | High | The budget for excess crude is prudent. However, clear prioritisation of projects in the capital budget is required. Increased IGR effort to decrease reliance on federal transfers and seeking alternative means of funding (grants, PPP etc.) |
| Floods and other natural disasters e.g. 2012, 2015, 2018 and 2019 flooding, impact on economic activity and hence IGR tax base, and causing increased overhead expenditure | Medium | Increased investment to increase climate resilience (flood control and irrigation) adaptation, and awareness |
| Security situations has impact on social welfare, employment and policies thus impacting expenditure in related sectors | Medium | Expenditure is prioritised in appropriate sectors, and focus on employment creation in partnership with private sector. Greater emphasis on community mobilisation. |
| Mismanagement and inefficient use of financial resources | High | Adherence to existing and new institutional and legal/regulatory framework that will require more transparent and efficient use of financial resources. |
| Risks based on high inflation due to increased taxes which could result to high prices leading to unconducive people welfare. | High | Increase domestic investments to reduce high level of dependence on imported goods. |
| Challenges to strengthening the fiscal framework will continue to put pressure on spending, thus, potentially crowding out progressive growth expenditure. | Medium | This will jeopardize macroeconomic stability as inflation increases and fiscal buffers decline, thereby, undermining Government’s fiscal consolidation plans, thus government is expected to intensify effort in IGR drive and reduce expenditures that are not prioritised to overall objectives of the State. |
| Challenge of COVID-19 and other related issues | High | This seriously contracted the expected revenues for the approved 2021 Budget. |

1. It should be noted however that no budget is without risk. The ongoing implementation of the 2021 budget should be closely monitored.

# Budget Policy Statement

## Budget Policy Thrust

1. The Medium Term Expenditure Framework (2022 – 2024) which was delivered under these assumptions
2. Guarantee the well-being and productivity of the people;
3. Optimise the key sources of economic growth;
4. Foster social and economic development;
5. Build a productive, competitive and functional human resource;
6. Broaden the infrastructural gap for economic growth and wealth creation;
7. Delivering better public services within tight financial constraints;
8. Improve governance, security, law and order, engaging in more efficient and effective use of resources, and providing social harmony.

## Sector Allocations (3 Year)

Figure17: Capital Expenditure by Sector (proposed 2022-2024)

1. Presented in the charts and tables below are the indicative three envelopes for sectors and sub-sectors.

Indicative Sector Expenditure Ceilings 2022 -2024



Indicative Sector Expenditure Ceilings 2022 -2024



Indicative Sector Expenditure Ceilings 2022 -2024























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## 4.C Considerations for the Planning and Annual Budget Process

1. The planning and budget call circular will be issued to include the following instructions to MDAs for the annual budget submissions:

* With a relatively small Capital Development Fund, priority must be given to completing ongoing projects;
* Budget submissions for capital projects must include full life-time capital investment requirements (costs) and also sources of funding (particularly if grants and/or loans are being used to partially / fully fund the project);
* It is recommended that any savings in Overheads can be carried forward to the following year;
* There should be caps on MDA increments to individual personnel and overhead items of 5% and any increases above this need written justification.
* The policies, targets and strategies set out in the KOSEEDS, the National Vision 20:2020 and the Revised New Direction Blue Print of Let’s do MORE documents should be inculcated.
* Projects/programmes that will generate employment, create wealth and reduce poverty level in the state;
* Make adequate provision for projects/programmes that require Government Cash Counterpart Contribution (GCCC);
* Projects needing rehabilitation;
* Other projects that are critical to the responsibility of your organisation and COVID 19 solution.

# Summary of Key Points and Recommendations

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

* Risks centre around the insecurity both nationally and in the state due to the activities of the Movement for the Actualisation of Sovereign State of Biafra (MASSOB), Indigenous People of Biafra (IPOB), Boko Haram, Kidnapping, Herdsmen Attack, banditry, ramped inter-tribal crises, Gun Men and also the still heavy dependence on fiscal transfers (Statutory Allocation, VAT and Excess Crude) to fund the budget;
* Recurrent expenditure is high particularly administrative sector and needs to be rationalised;
* IGR needs to be grown to a level commensurate with the level of economic activity in the state;
* The State needs to work on macroeconomic variables such as State inflation rate and State GDP growth & State GDP Actual
* Based on the fiscal trend, the average capital expenditure ratio over the period 2015 -2020 is about 27% 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. The threat of COVID-19, if not quickly checked, can make the above stated dream a mere illusion, as only the vulnerable sectors and people might be prioritized under such emergency situation.
* Policy of Government places emphasis on Education, Health, Agriculture, infrastructure, youth engagement, Civil Service Reforms, Security and Funding Governance.

1. Based on June, 2009 PEMFAR Assessment for Kogi State [↑](#footnote-ref-1)
2. The Executive Council comprises the Governor, the Deputy Governor, Secretary to the State Government and Commissioners [↑](#footnote-ref-2)
3. Each state determines whether it wants the Sharia Court of Appeal and the Customary Court of Appeal [↑](#footnote-ref-3)
4. April 2020, World Economic Outlook (WEO) [↑](#footnote-ref-4)
5. [↑](#footnote-ref-5)
6. Source: AFRICA’S GROWTH PERFORMANCE AND OUTLOOK AMID THE COVID–19 PANDEMIC [↑](#footnote-ref-6)
7. Source: Nigeria Economic Outlook (Online publishing) [↑](#footnote-ref-7)