

UNDERSTANDING GOMBE STATE 2020 BUDGET OF CHANGE

WHAT THE CITIZENS NEED TO KNOW



DECEMBER 29

**Gombe State Fiscal Responsibility Commission
Adamu Fura House No. 121 Bui Road
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Fiscal Responsibility Law

Analysis of 2020 Gombe State Budget of Change

Section 5 (1) (c) of the Gombe State Fiscal Responsibility law empowers the Commission to undertake among others, studies, analyses, diagnosis, etc., of the State's fiscal and financial health, and also disseminate the result of such exercise to the people of Gombe as well as the general public.

The commission's primary responsibility is to guarantee prudent management of Gombe State's resources and ensure long-term macro-economic stability of the state's economy. It shall achieve this objective through securing greater accountability and transparency in the State's fiscal operations within a medium-term fiscal policy framework as a critical part of the State's overall socio-economic development objectives and other matters connected therewith.

Mission

Ensure effective and efficient management of Gombe State's public resources to guarantee value for money.

Vision

To be one of top fiscal responsibility commission in West Africa in promoting fiscal transparency, accountability and probity.

Preface

In June 2018, Gombe State Government keyed into the International Development Association's (IDA) Program Appraisal on proposed credit under the State Fiscal Transparency, Accountability and Sustainability Program for result (SFTAS). The document states the eligibility criteria, disbursement linked indicators matrix and verification protocol.

The IDA program is directly linked to the desire of His Excellency, Alh. Muhammad Inuwa Yahaya's led administration of ensuring fiscal prudence, accountability, transparency and good governance. The program seeks to increase the availability of timely and credible fiscal data that will enable the State government to improve fiscal management, facilitates demand-driven oversight of public finances by citizens and CSOs and provide more reliable data for monitoring fiscal performance and risks by the Federal Government of Nigeria and other development partners.

Nigeria is a signatory to the Open Government Partnership (OGP) and by implication, the Gombe State Government. The thematic areas of the OGP include Fiscal Transparency, Citizen Engagement and Empowerment, as well as Access to Information and Anti-corruption. Gombe State Government is committed to accountable governance and that form the critical factor for the selection of all political office holders in both the executive and other agencies.

At the Fiscal Responsibility Commission, we are determined to close the trust gap between citizens and the government. We shall do this by initiating strategic projects and programs that would promote greater transparency and accountability in the fiscal affairs of Gombe State, including the provision of timely, accurate and reliable fiscal data to the public in order to empower them to hold government accountable as well as understand fully their own responsibility in making Gombe State the TRUE Jewel in the Savannah.

Our maiden edition of "**Understanding Gombe State 2020 Budget**" is meant to promote openness and engender greater accountability and probity in the conduct of Government operations. We are in a process of creating a robust and citizens interactive website that would provide lists of projects, their specifications and locations. The **i-Monitor** on our website under construction would give every citizen the right to monitor and report the status of projects and programs across the state. Specifically, where citizens observe some deviations from the approved contract specification as listed on our website, they would have a platform where they can raise an objection. This is to ensure project quality and value for money.

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Gombe State in Focus



Key Assumptions and Macro-Fiscal Framework



**Oil
production
2.18 mbd**

**Oil price
benchmark
US\$57.0**

**Exchange
Rate
N305/USD**

**Inflation
rate
10.81%**

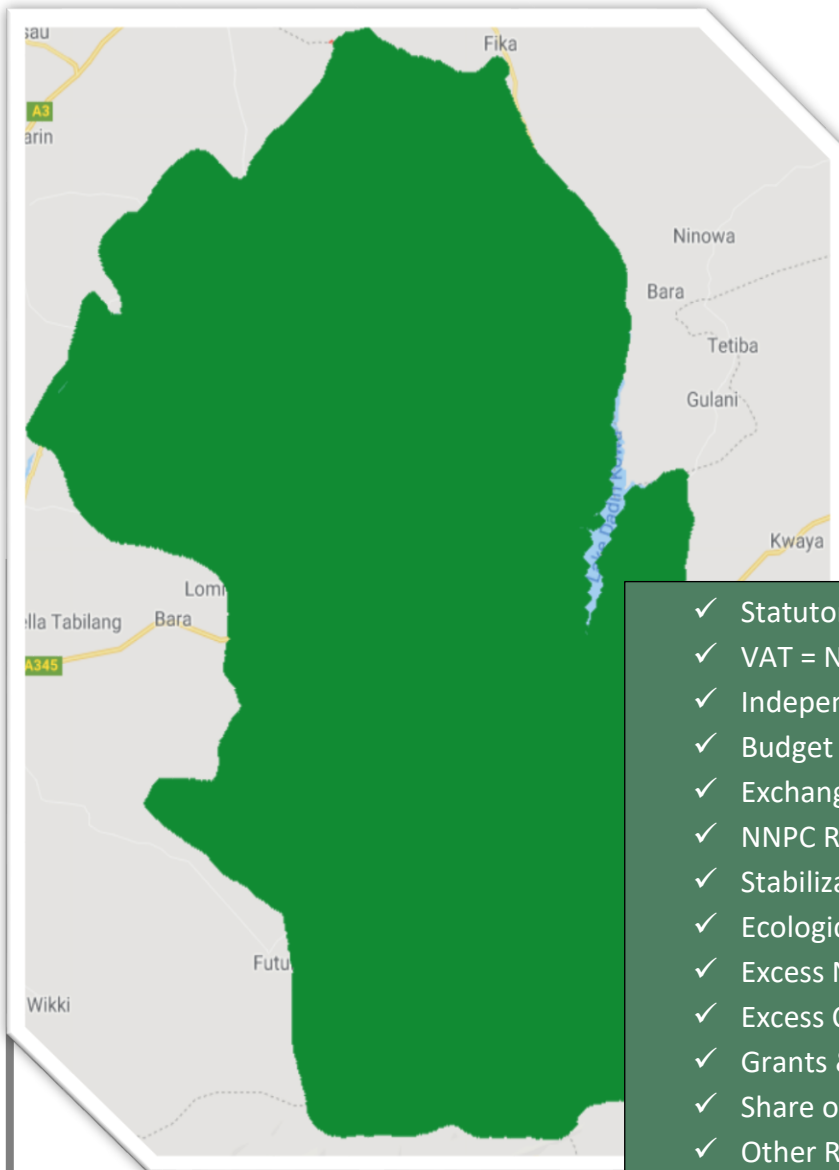
**GDP
Growth
2.93%**

Policy Thrust of Gombe State 2020 Budget of Change

The policy thrust and focus of Gombe State 2020 Budget are:

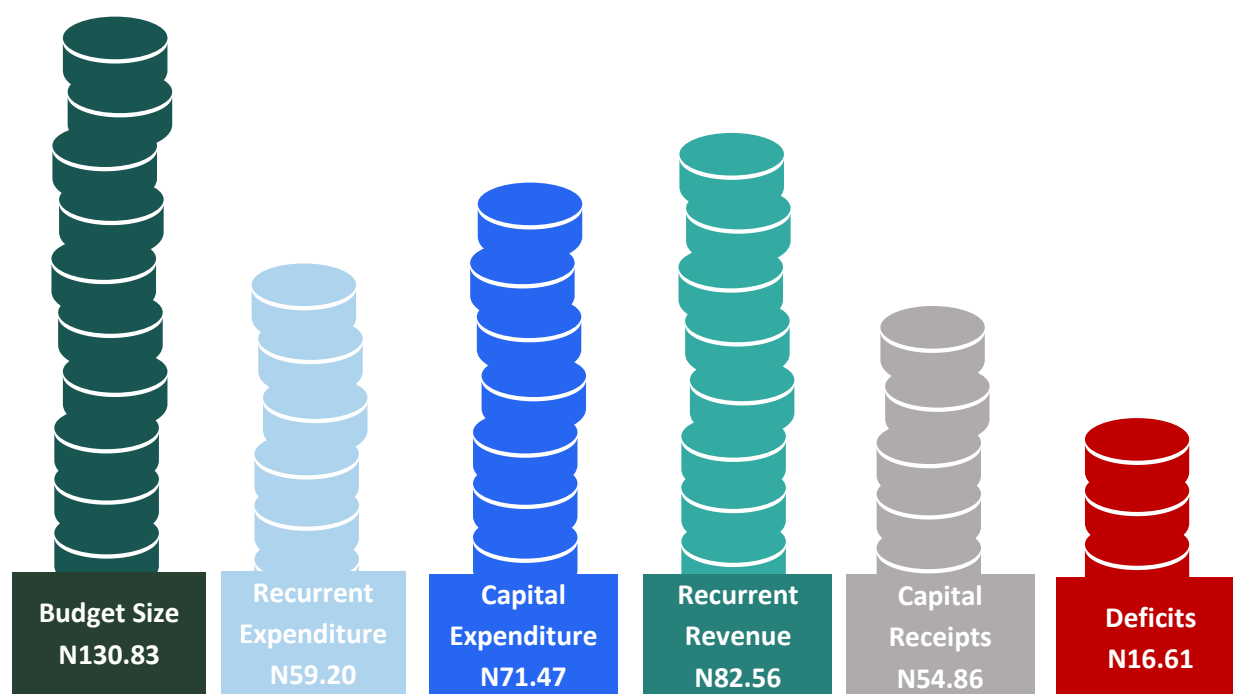
- i. expansion of physical infrastructure to cover all the nooks and crannies of the State;
- ii. reinvigoration and strengthening of investment in human capital development;
- iii. deepening of investment in the education sector to enhance overall quality of and access to primary, secondary and tertiary education;
- iv. putting in place a functional social protection policy and safety nets programmes for the youths, women, people with disabilities, vulnerable poor and the elderly;
- v. strengthening of development partnership and confidence building;
- vi. functionalizing the existing health care architecture, upgrading of the critical ones for improved access and construction of new ones in under-served communities with special focus on human resources, equipment and drugs;
- vii. solidifying the interest of the people of Gombe State in agricultural production, and all of its value chain for exports;
- viii. deepening of socio-economic investment in rural and urban areas;
- ix. improvement of the enabling environment necessary for enhancing Ease of Doing Business in the State to attract investors;
- x. development of a sustainable framework for the generation of internal revenue in an equitable manner;
- xi. **zero tolerance to non-adherence to fiscal responsibility and management principles; and**
- xii. strengthening of the existing security architecture and promotion of peaceful co-existence, among others

Gombe State Revenue Projections (Where the money is coming from)



- ✓ Statutory allocations = N42.0 B
- ✓ VAT = N15.0 B
- ✓ Independent Revenue = N11.26 B
- ✓ Budget Augmentation = N0.5 B
- ✓ Exchange Rate Gain = N1.0 B
- ✓ NNPC Refund = N0.5
- ✓ Stabilization Fund = N0.5 B
- ✓ Ecological Fund = N0.5 B
- ✓ Excess Non-Oil Revenue = N0.5 B
- ✓ Excess Crude = N0.5 B
- ✓ Grants & Misc = N19.5 B
- ✓ Share of Solid Min = N0.3 B
- ✓ Other Recurrent Receipt = N10.0 B

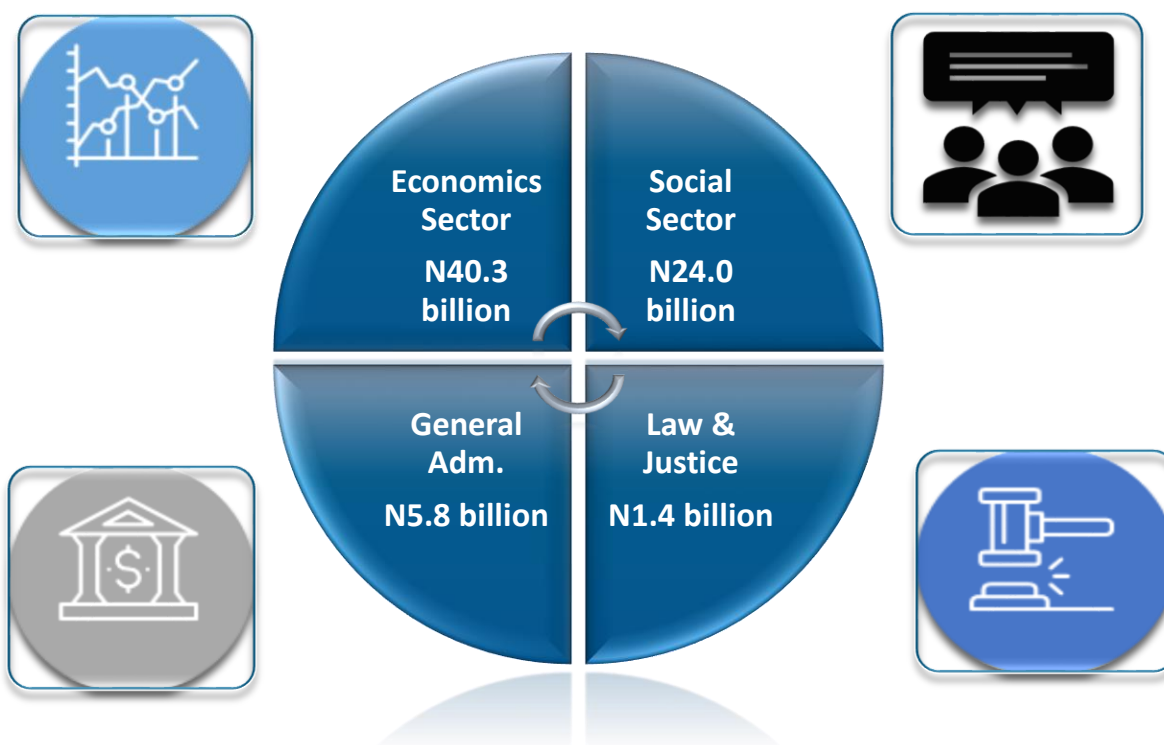
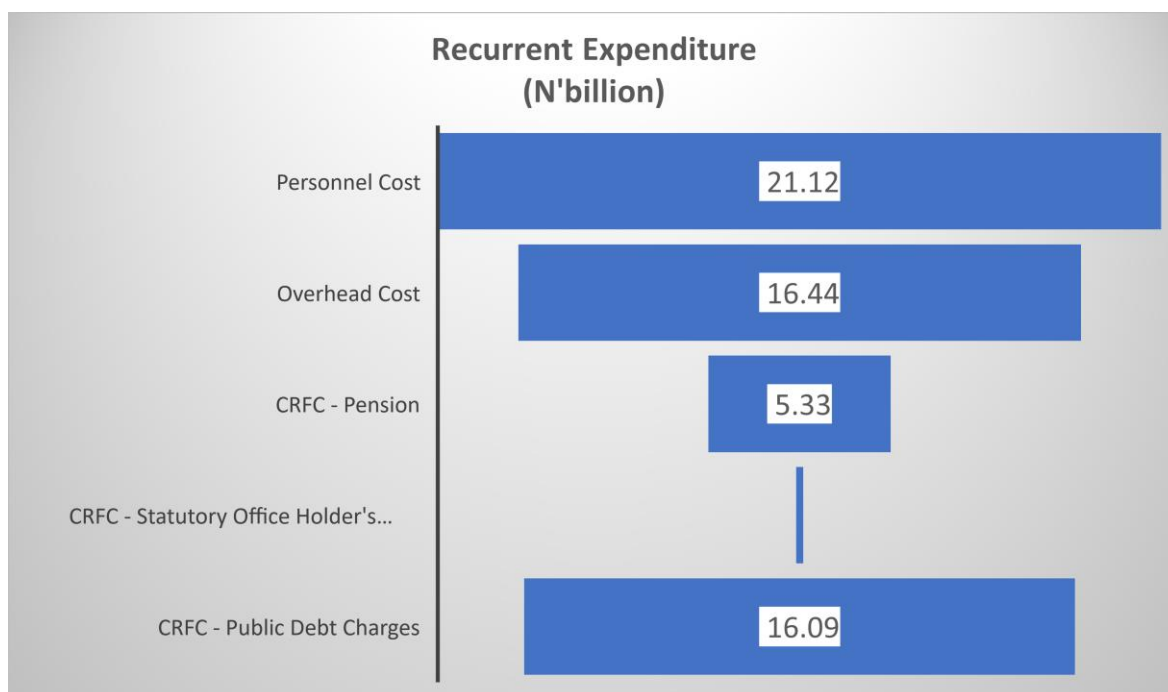
Total Budget Size and Sources of Financing in Billion





















The State Government intends to execute its programs and projects in 2020 with the expected recurrent revenue of N82.56 billion and Capital Receipts of N54.56 billion. The breakdown of the capital receipts expected during the year includes N1.5 billion Federal Government Re-imbursement, N3.5 billion LGAs contribution to joint projects, N23.36 billion transfers from Consolidated Revenue Fund. Others include domestic grants of N6.8 billion from UBEC, TETFUND and SDGs and external grants of N7.8 billion.

The State Government intends to borrow a sum of N8.5 billion domestically and N13.7 billion externally to finance the 2020 Budget. However, the size of the borrowing may not be as presented in the budget if the state government aggressively mobilizes domestic resources through payments of taxes, levies, charges, fees and other income from the use of government resources.

Breakdown of Recurrent Expenditure & Capital Expenditure by Sector



Where Will the Money Go

Science, Innovation & Technology N0.55 billion 	Law and Justice N3.97 billion 
Agriculture N3.25 billion 	Water Resources N5.91 billion 
Works & Transport N19.63 billion 	Information & Culture N1.73 billion 
Housing N3.75 billion 	Energy & Mineral Devt N0.61 billion 
Health N12.97 billion 	Youth & Sports N2.0 billion 
Education N22.85 billion 	Internal Security N1.60 billion 
Commerce, Industry & Tourism N1.69 billion 	Rural, Community & Cooperatives N2.78 billion 
Land & Survey N1.42 billion 	Environment & Forestry N3.65 billion 
Local Government Administration N0.67 billion 	Women Affairs & Social Devt N0.75 billion 

Fiscal Risks



General Economic Risks

The 2020 Budget law was predicated on ambitious revenue forecast that may not be achieved due to changing economic and financial aggregate that may affect the country's revenue projections.

These developments include:

- Weak global output due to slow down in China and India
- Trade war between the US and China;
- Growing vulnerabilities in the financial markets;
- Downward pressure on oil prices;
- Uncertainty around BREXIT;
- Subdued growth in the European Union and Japan.

Specific Risks

- High debt profile
- Fiscal drag by implicit contingent liabilities of GSIPDC and non-performing revenue agencies
- Legal claims by Tertiary Institutions in the state

Institutional Risks

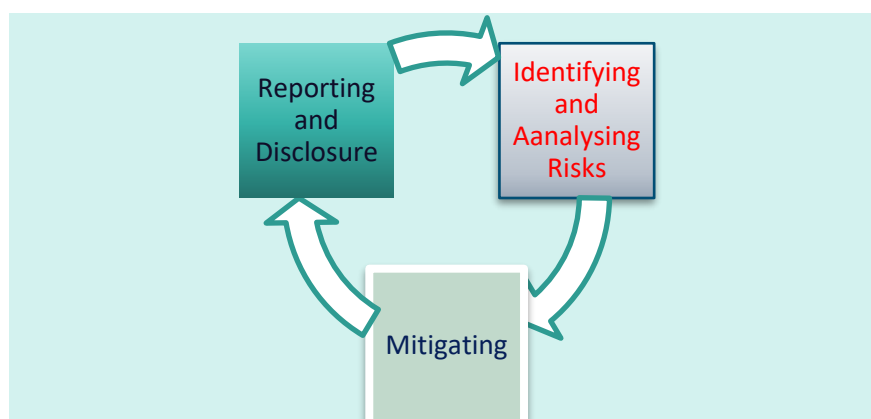
- Weak internal control system
- Citizens – Government trust gap

Impact of Fiscal Risks on Revenue Projections of 2019 Budget

The performance of 2019 budget was negatively impacted by poor revenue forecast and state specific risks as budget performance stood at 54.4 per cent. This means over 45.6 percent of the expenditure items budgeted were not implemented. The 2020 budget build on such ambitious revenue target despite revenue outturns in 2019.

<i>Receipt</i>	2019*	2019**	2020
<i>Statutory Allocation</i>	49.00	32.40	42.00
<i>Independent Revenue</i>	13.04	5.17	11.26
<i>Share of Value Added Tax (VAT)</i>	11.50	9.10	15.00
<i>Budget Augmentation</i>	0.40	0.32	0.50
<i>Exchange Rate Gain</i>	1.00	0.39	1.00
<i>NNPC Refund</i>	0.10	-	0.50
<i>Ecological Fund</i>	0.50	-	0.50
<i>Non-Oil Excess Revenue</i>	0.30	-	0.50
<i>Excess Crude/PPT</i>	1.00	0.12	0.50
<i>Grant & Miscellaneous Capital Receipts</i>	15.73	11.27	19.50
<i>Stabilization Fund</i>	1.00	-	0.50
<i>Share of Solid Minerals</i>	0.30	-	0.30
<i>Over deduction on first line charge</i>	6.00	5.60	-
<i>Others Recurrent Receipts</i>	7.50	7.36	10.00
Total Receipts	107.37	71.73	102.06

2019 Budget/2019** Actual as at end-Oct/ 2020 Budget Estimates*



2020 Budget Headwinds

Governor Inuwa Yahaya's administration has earmarked laudable programmes and projects in 2020 budget law. These programmes and projects were drawn from the need analysis and pre – budget citizens consultation.

However, despite the administration's determination to deliver on its mandate, there exist a revenue risks associated with the budget implementation as every spending item depend on expected revenues either from Internally Generated Revenue (IGR), Statutory allocations or other recurrent receipts and grants, including borrowing.

A cursory look at the table below indicated three types of revenue sources itemized in the 2020 budget law namely: **Revenue within the control of Gombe State; Revenue with reasonable certainty; and Revenue outside the control of Gombe State and are uncertain.** Of these three categories, only 11.0% of the expected revenue is under the full control of Gombe State Government and can be effectively mobilized with strong political will. This underscore the need for aggressive tax and fiscal reforms if the 2020 budget is to be reasonably implemented.

Gombe State 2020 Revenue Risks		
Revenue Within the Control of Gombe State	Internally Generated Revenue (IGR)	11.26 b (11.03%)
Reasonably Certain Revenue	Value Added Tax (VAT)	15.00 b (14.70%)
Revenue Outside the Control of Gombe State and Uncertain	All Other Revenue	75.80 b (74.27%)
TOTAL REVENUE	TOTAL REVENUE	102.06 b

Risks Mitigants

Since 2011, Gombe State Budget performance has never been up to 70 per cent. This has undermined budget implementation and achievement of people oriented programs and projects. The incremental budget system as oppose to performance based or priority based budgeting has created room for increasing the cost of governance at the MDAs and including budget items that have little or no effect on the larger population. This has given way for cherry-picking of items for implementation which is not necessarily the priority of the administration while items of high priority were left unfunded.

In order to increase budget performance, the following measures need to be in place:

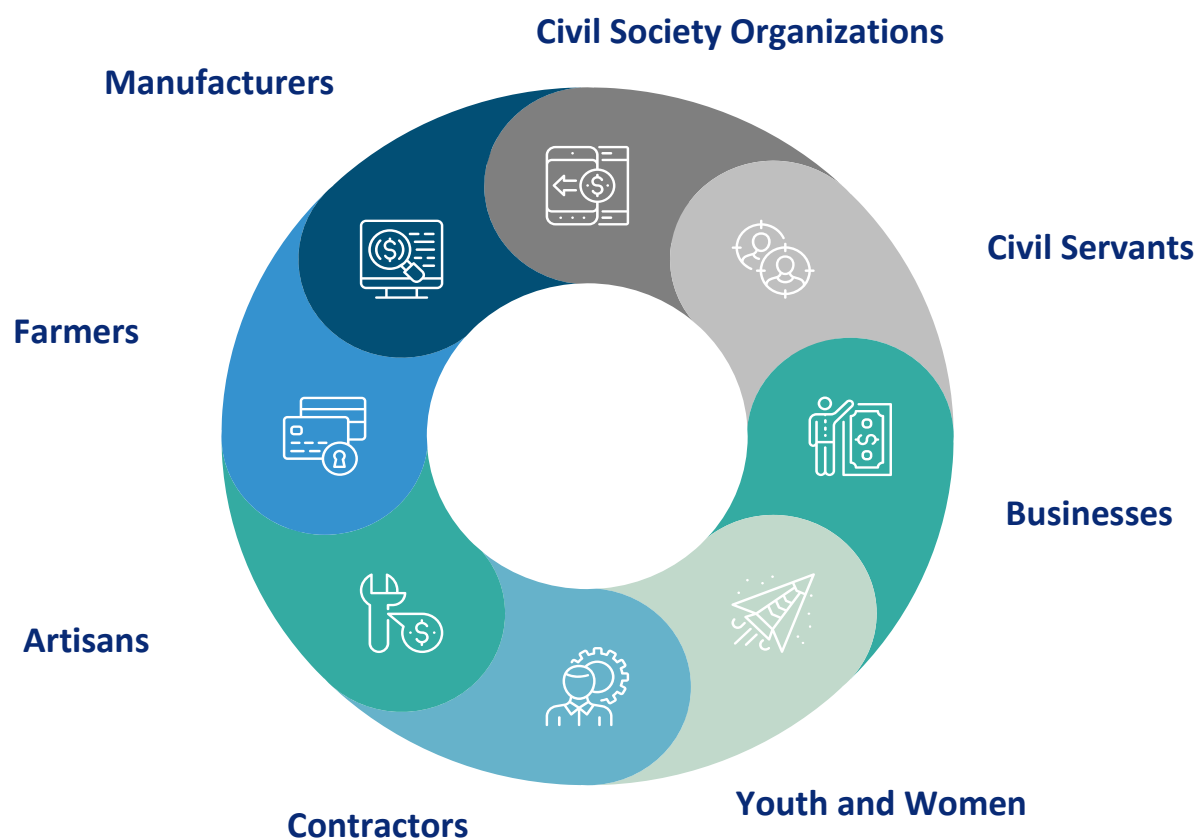
- **Aggressive Revenue Drive**

- Review of current tax law;
- Payment of all taxes, levies, charges, tenement and ground rent; and
- Payment for all penalties and charges.

- **Religious Expenditure Control**

- Strict adherence to financial control, fiscal responsibility and due process;
- Establishment of Cash Management Committee and efficiency unit;
- Speedy passage of procurement bill;
- Restrictions on some current and overhead expenditure items;
- Commissioners and Head of Departments and Agencies should be made the Chief Executive/Accounting Officers of their respective MDAs and should be held responsible for all expenditure and accuracy of it;
- Capital expenditure should be guided strictly by justification, fiscal space, cash availability and critical nature of the programs/projects; and
- Expenditure must be approved by the State Executive Council or extent circulars referring to such expenditure.

Role of Citizens



Budget transparency provide citizens with information on government's most important strategic policy tools that encapsulates the letter's fiscal policy and the administration's political and strategic priorities. With this document, all economic agents are expected to carve out their specific roles from transacting with government entities to participating in government intervention programs to advocacy of holding government accountable for every kobo spent.