

Kaduna State Government



Medium Term Expenditure

Framework 2022-2024

May 2021

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Abbreviations

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

Section 1 Introduction and Background

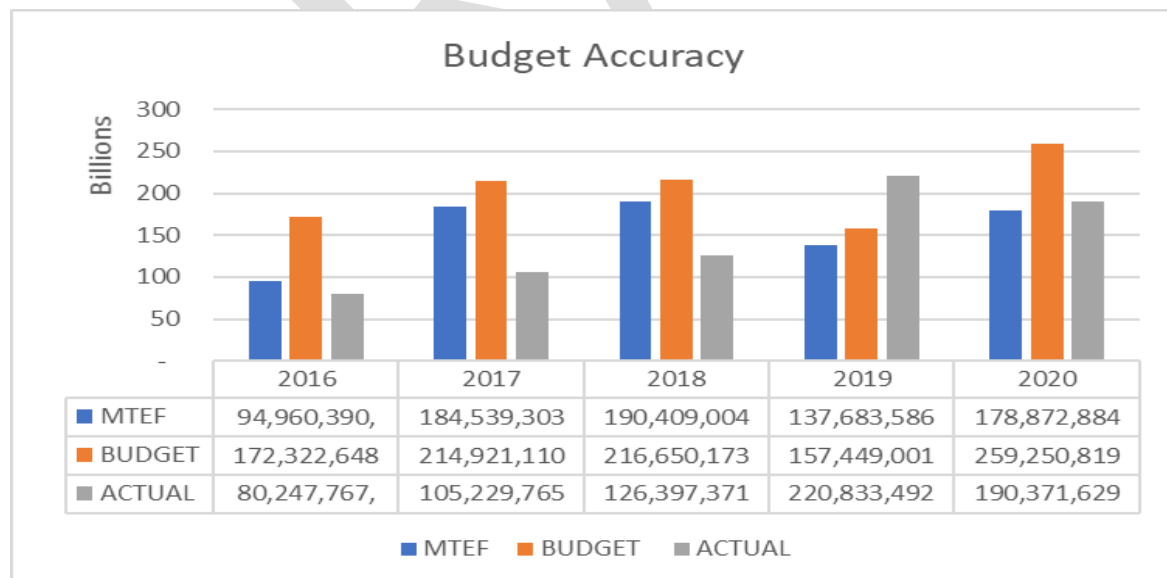
1.A Introduction

1. This Medium-Term Expenditure Framework (MTEF) provides a tool for multi-year fiscal planning and budget formulation process aimed at enabling the Kaduna State Government to set fiscal targets and allocate resources to strategic priorities. Key elements of the MTEF are the Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS).
2. The EFU provides economic and fiscal analyses which form the basis for the budget planning process. It is aimed primarily at guiding policy and lawmakers in the State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant global, national, and state level factors affecting implementation.
3. The FSP determines the resources available to fund Government projects and programs from a fiscally sustainable perspective.
4. The BPS states the overarching policy goals that will guide the Government's budget decisions and how the budgets accords with the government short term intentions. It also states any changes to the government long and short terms fiscal objectives and assesses how changes in the long-term fiscal objectives and short-term fiscal intentions situates with the principles of responsible fiscal management.

1.A.1 Historical Preparation of MTEF

5. Kaduna State Government commenced preparation of the MTEF in 2014 – the first MTEF covered the period of 2016-2018. The MTEF has been rolled forward each of the subsequent years including this document which covers the period 2022-2024.
6. The graph below shows the aggregate revenue estimates as per the MTEF documents, the revenue estimate in the annual budget, and the actual revenue. In each year, the MTEF provided a more realistic estimate of revenues than the annual budget.

Figure 1 Budget Accuracy 2016-2020



Note: Updated Actual figures for 2020 Budget Performance is still being awaited from MoF

Figure 2: MTEF Development Process

S/N	Activities	Timeline
1	Briefing meeting with Honourable Commissioner for information and noting	April
2	Planning Meeting with technical team and relevant MDAs to agree on the proposed framework	
3	Meeting with Technical Team to agree and share responsibilities	
4	Meeting with Civil Society Organizations	
5	Data gathering and harmonization	April/May
6	Inputting data into the template	
7	Development of indicative macro-economic framework	
8	Harmonization of group work	
9	Drafting	June
10	Review of MTEF structure/content for possible addition	
11	Production of first draft	June/July
12	Meeting with CSOs and technical team to review the entire draft	
13	Forwarding of the first draft to the Consultant for technical review	
14	Engagement on the draft MTEF (Private Sector, Market Associations, People Living with Disability (PLWD) and Academia)	
15	Production of draft for presentation to State Executive Council for deliberation	
16	Effect corrections based on Council's comments and observations	
17	Round-table dialogue with Members of State House of Assembly (SHoA)	August
18	Presentation of the Draft MTEF to the SHoA for Consideration and Approval	
19	Publishing, Printing and Distribution	September

1.A.2 Summary of Document Content

7. In accordance with international best practice in budgeting, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Kaduna State Government (KDSG) for the period 2022 – 2024.
8. The purpose of this document is three-fold:
 - i. To provide a backwards looking summary of key economic and fiscal trends that will affect the public expenditure in the future - Economic and Fiscal Update.
 - ii. 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 Paper and MTFF; and
 - iii. Provide indicative sector envelopes for the period 2022-2024 which constitute the MTBF.
9. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis to inform the budget planning process. It is aimed primarily at budget policy makers and decision takers in the Kaduna 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.
10. The FSP is a key element in the KDSG Medium Term Expenditure Framework (MTEF) process 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.

1.A.3 Preparation and Audience

11. The purpose of this document is to provide an informed basis for the 2022-2024 budget preparation cycle for all of the key Stakeholders, specifically:
 - State House of Assembly (SHoA);
 - Executive Council (ExCo);
 - Planning and Budget Commission;
 - Ministry of Finance (including Office of the Accountant General (OAG) and Debt Management Department (DMD));
 - Kaduna Internal Revenue Service (KADIRS)
 - All Government Ministries, Departments and Agencies (MDA's);
 - Civil Society.
12. The document is prepared within the first two quarters of the year prior to the annual budget preparation period. It is prepared by Kaduna State Government MTEF Working Group using data collected from International, National and State Organisations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM

13. The 1999 Constitution as amended is the overriding law governing PFM in Kaduna State and indeed Nigeria. Its provisions supersede and override the content of any other law or provision in the States to the extent that other laws are inconsistent with the Constitution. The other PFM related laws and provisions elaborate and expand on the provision of the Constitution.
14. These include the State's Fiscal Responsibility Law 2016, the Public Procurement Law 2016, Tax Consolidation and Codification Law and the Public Financial Management Control Law in 2016.
15. The Fiscal Responsibility Law (FRL) provides for the prudent public expenditure, financial management and discipline with a view to ensuring a long-term macroeconomic stability in Kaduna State. The FRL stipulates the preparation of a Zero-Based/Multi Year Budget, MTEF, Budget Execution and Public Revenues and Management of State Enterprises.
16. The Public Procurement Law stipulates that Ministries, Departments, and Agencies, and/or controlled Corporations, Government Institutions and Local Government Areas, shall subject to any exceptions as may be provided under this law be governed by promotion of competition, economy, efficiency and equal opportunities. These are to all parties who are eligible and qualified to participate in public contracts and be devoid of discrimination among others.
17. Institutional Framework for PFM in Kaduna State. Within Kaduna State, sub-National Public Finance is managed by KDSG and the 23 Local Governments (LGs). The Executive of KDSG, headed by the State Governor, is responsible for the KDSG Budget, and reports on its execution to the Kaduna SHoA. In addition to the Institutional Framework is the creation of the Fiscal Responsibility Commission and the Public Procurement Authority, and the conversion of the former Ministry of Budget and Planning to the Planning and Budget Commission (PBC). An Economic Intelligence Unit (EIU) has also been created under the PBC to provide analysis of latest economic and fiscal trends.

1.B.2 Overview of Budget Calendar

18. Indicative Budget Calendar for Kaduna State Government is presented below. The calendar provides detailed activities which serve as guide in Budget preparation such that by the first week of July 2021, the MTEF document is finalised.

Table 1: The 2022-2024 Budget Calendar

S/No.	Date	Activity and or Event	Executor
1.	January - July, 2021	Preparation of Medium-Term Expenditure Framework 2022 – 2024	P&BC
2.	5/05/2021	Revenue Call Circular to MDAs	P&BC
3.	5/06/2021	Submission of Revenue proposals to Planning & Budget Commission	MDAs
4.	6-8/06/2021	Analysis of Revenue Proposals submitted by MDAs to be used by Estimate Committee at Revenue Defence	P&BC
5.	9-11/06/2021	Estimate Committee meets with Revenue Generating Agencies to defend their Revenue Proposals	Estimates Committee
6.	13-17/06/2021	Harmonisation of Revenue figures to determine the Proposed Revenue for the year 2021	P&BC
7.	30/06/2021-02/07/2021	Engagement with Private Sector, Women Groups and People Living with Disabilities on the MTEF.	P&BC
8.	6/07/2021	Presentation of Revenue Profile, Draft MTEF 2022- 2024 and MDAs Sectoral Expenditure Ceilings to EXCO for deliberations and approval	P&BC
9.	7-14/07/2021	Mid-Year Budget Review	P&BC
10.	15/07/2021	Expenditure Call Circulars to MDAs	P&BC
11.	26-28/07/2021	In-house training for Budget Officers in preparation of Refresher Training Workshop for MDAs on Multiyear Costing Template	
12.	2-5/08/2021	Review/Refresher Training Workshop for MDAs on Multiyear Costing Template	P&BC
13.	11/08/2021	Roundtable dialogue with the SHoA on draft 2022 -2024 MTEF	P&BC
14.	18/08/2021	Submission of 2022 -2024 Expenditure Proposals to Planning & Budget Commission	MDAs
15.	24-27/08/2021	Analysis of Expenditure Proposals submitted by MDAs to be used by Estimates Committee at the Budget Defence	P&BC
16.	6-11/09/2021	Estimate Committee meets with MDAs to defend their 2021 - 2023 Budget Proposal	Estimates Committee
17.	14/09/2021-17/09/2021	Collation of Proposals defended by MDAs before the Estimate Committee	P&BC
18.	21/09/2021	Presentation of 2022- 2024 1st Draft Budget to The Governor for perusal, observation and comments	HC P&BC
19.	23/09/2021-27/09/2021	Effecting corrections/amendments by PBC Vide the Governor's observations	P&BC
20.	2/10/2021	Town Hall meeting on 2022 Draft Budget in the 3 Senatorial Zones	P&BC
21.	9/10/2021	Town Hall Meeting on the 2022 Draft Budget	SA Political
22.	20/10/2021	Council deliberation on 2022 Draft Budget	Council
23.	25/10/2021	Presentation of Draft Budget to House of Assembly	Governor
24.	25/10/2021	Review and Approval by the House of Assembly	SHoA
25.	Subject to Passage by SHoA	Assent of 2022 Approved Budget by the Governor	Governor
26.	Subject to Accent by HE	Public presentation and analysis of Approved budget	HC P&BC
27.	Subject to Accent by HE	Signing of 2022 Expenditure Warrants	MoF
28.	Jan. 2022	Guidelines for 2022 Budget implementation	P&BC

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

19. One year into the COVID-19 pandemic, the accumulating human toll continues to raise concerns, even as growing vaccine coverage lifts sentiment. High uncertainty surrounds the global economic outlook, primarily related to the path of the pandemic. The contraction of activity in 2020 was unprecedented in living memory in its speed and synchronized nature. But it could have been a lot worse. According to IMF, the contraction could have been three times as large if not for extraordinary policy support. Despite that, 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.
20. After an estimated contraction of -3.3 percent in 2020, the global economy is projected at 6 percent in 2021, moderating to 4.4 percent in 2022. The projections for 2021 and 2022 are stronger than in the October 2020 WEO. The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. 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 labor force growth in advanced economies and some emerging market economies.
21. In the advanced economies, occasional regional restrictions will likely be necessary at times to stem the progression of new strains of the virus. As the vulnerable population gets vaccinated, contact-intensive activities are expected to resume and drive a significant pickup in growth. European countries (for example, Cyprus, Italy, Malta, Portugal, Spain), were able to salvage part of the summer tourist season by reopening in mid-2020. But this was followed by a surge in infections that forced new lockdowns in the last months of 2020, carrying over to 2021. GDP growth for 2022 has been revised up by 0.7 percentage point to 3.8 percent in the euro area and by 1.9 percentage points in the United Kingdom to 5.1 percent.
22. In emerging market and developing economies, vaccine procurement data suggest that effective protection will remain unavailable for most of the population in 2021. Lockdowns and containment measures may be needed more frequently in 2021 and 2022 than in advanced economies, increasing the likelihood of medium-term scarring effects on the potential output of these countries. Considerable differentiation is expected between China—where effective containment measures, a forceful public investment response, and central bank liquidity support have facilitated a strong recovery—and others. Tourism-based economies within this group (such as Fiji, Seychelles, Thailand) face particularly difficult prospects considering the expected slow normalization of cross-border travel. Recovery profiles vary, based on regional differences in the severity of the pandemic, economic structure (employment and GDP shares of contact-intensive sectors), exposure to specific shocks (for instance, due to reliance on commodity exports), and the effectiveness of the policy response to combat the fallout.
23. For the Emerging and Developing Asia regional group, projections for 2021 have been revised up by 0.6 percentage point, reflecting a stronger recovery than initially expected after lockdowns were eased in some large countries (for example, India). Still high COVID-19 caseloads in some large countries in 2020: Q1 (such as Indonesia and Malaysia) put a lid on growth prospects. However, for the Middle East and Central Asia, projections for 2021 have remained broadly unchanged but reflect significant differences among countries, depending on the path of the pandemic, vaccine rollouts, tourism dependence, oil price developments, and policy space and actions.
24. The pandemic continues to exact a large toll on sub-Saharan Africa (especially, for example, Ghana, Kenya, Nigeria, South Africa). Following the largest contraction ever for the region (–

- 1.9 percent in 2020), growth is expected to rebound to 3.4 percent in 2021, significantly lower than the trend anticipated before the pandemic. Tourism-reliant economies will likely be the most affected.
25. Global GDP grows faster than baseline by just under 1/2 percentage point in 2021, accelerating to almost 1 percentage point in 2022, but moderating sharply in 2023 to something very close to baseline. Advanced economy GDP growth is roughly 1/2 percentage point above baseline in 2021, accelerating to more than 1 percentage point above baseline in 2022. Growth in emerging market and developing economy GDP is roughly 1/4 percentage point above baseline in 2021, accelerating to 3/4 percentage point above baseline in 2022. The faster recovery, combined with the associated unwinding of some of the scarring assumed in the baseline, leaves global output almost 1 percent above baseline by the end of the WEO horizon.
 26. Oil prices increased by 39 percent between August 2020 and February 2021 on positive vaccine news and the rapid economic recovery in Asia. A resurgence of COVID-19 cases and difficulties in vaccine rollout at the beginning of the year weakened the oil demand outlook and led the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) coalition to review more prudently the relaxation of the 7 million barrels a day production curbs announced in April 2020.
 27. Futures markets point to backwardation (a downward sloping futures curve), with oil prices at \$58.5 a barrel in 2021—42 percent higher than the 2020 average—falling to \$50.7 in 2025. This is mostly because of a temporary tight demand-supply balance expected this year—in line with International Energy Agency projections of a steady decline in oil inventories, with oil demand (supply) projected at 96.4 million barrels a day (95.5 million barrels a day) in 2021. Although oil prices persistently above \$60 a barrel may induce a substantial production recovery of higher-cost producers in non-OPEC+ countries, including of US shale oil, most of them seem focused on balance sheet repair. Risks to oil prices are slightly tilted to the upside as upside risks from large cuts in oil and gas upstream investments exceed downside risks from a setback in global oil demand recovery, still elevated inventories, and, in the medium term, a breakdown of the OPEC+ coalition.
 28. Natural gas prices showed strong weather-induced seasonal volatility. Asian liquefied natural gas prices spiked to almost \$40 per million British thermal units (MMBTU) in January 2021, spilling over to European prices (for example, the Dutch Title Transfer Facility price rose to \$7.3 per MMBTU), while US Henry Hub spot prices reached \$17.5 per MMBTU as a cold snap crippled shale gas output in Texas amid strong electricity demand in mid-February. High natural gas price volatility sustained the power sector's demand for thermal coal. South African coal prices were also boosted by strong Indian steel and cement industry demand.
 29. Base metal prices increased by 30 percent between August 2020 and February 2021. The resurgent industrial activity in China and other advanced economies, coupled with optimism about US fiscal stimulus, boosted sentiment toward metals. The prices of copper and iron ore, heavily used in the construction and manufacturing sectors, increased by 30 percent and 35 percent, respectively. The strong demand for electric vehicles also pushed up prices of metals, such as cobalt and nickel, that are used in their batteries. Precious metal prices decreased by 6 percent after reaching highs in August 2020 as demand for safe assets faded. The IMF base metal price index is projected to increase by 32.1 percent in 2021 and decrease by 4.5 percent in 2022.
 30. Global GDP is estimated to deviate significantly from the baseline across the scenarios, ranging from 3 percent below baseline in 2020 in the first case (protracted pandemic in 2020) to 8 percent below baseline in 2021 in the third case (protracted pandemic in 2020 and recurrence in 2021). Following the dramatic decline in oil prices since the beginning of the year, near-term prospects for oil-exporting countries have deteriorated significantly: the growth rate for the group is projected to drop to -4.4 percent in 2020.
 31. Countries selected are chosen to represent the G20, BRICS, MINT, N-11, Petro-economies, and other large African countries. They are also selected based on their economic size.

Table 2: Real GDP Growth- Selected Countries

Country	Actual				Forecast	
	2017	2018	2019	2020	2021	2022
Mexico	2.1	2.1	-0.1	-8.2	5.0	3.0
France	2.3	1.7	1.3	-8.2	5.8	4.2
Spain	2.9	2.4	2.0	-11.0	6.4	4.7
United States	2.4	2.9	2.3	-3.5	6.4	3.5
Germany	2.5	1.5	0.6	-4.1	3.6	3.4
United Kingdom	1.9	1.3	1.4	-9.9	5.3	5.1
China	6.9	6.7	6.1	-2.3	8.4	5.6
Russia	1.8	2.5	1.3	-3.1	3.8	3.8
South Africa	1.4	0.8	0.2	-7.0	3.1	2.0
Brazil	1.3	1.3	1.1	-4.1	3.7	2.6
Italy	1.7	0.8	0.3	-8.9	4.2	3.6
Nigeria	0.8	1.9	2.2	-1.8	2.5	2.3

Source: IMF`s World Economic Outlook - Managing Divergent Recoveries, April 2021.

32. From the above table, it shows that in 2021 most of the advanced economies, the emerging as well as developing economies will experience a jet recovery due to the strong Covid-19 policies in place and the growing vaccines coverage around the globe. However, in 2022 the outlook shows that most of the economies will normalize leading to rapid growth while Growths in several emerging and developing economies within Nigeria`s peer group are projected to continue at a moderate pace over period.

33. Inflation for the same set of countries is shown in the table below.

Table 3 Inflation (CPI)- Selected Countries

Country	Actual				Forecast	
	2017	2018	2019	2020	2021	2022
Mexico	6.0	4.9	3.6	3.4	3.5	3.1
France	1.2	2.1	1.3	0.5	1.1	1.2
Spain	2.0	1.2	0.7	-0.3	1.0	1.3
United States	2.1	2.4	1.8	1.2	2.3	2.4
Germany	1.7	1.9	1.3	0.4	2.2	1.1

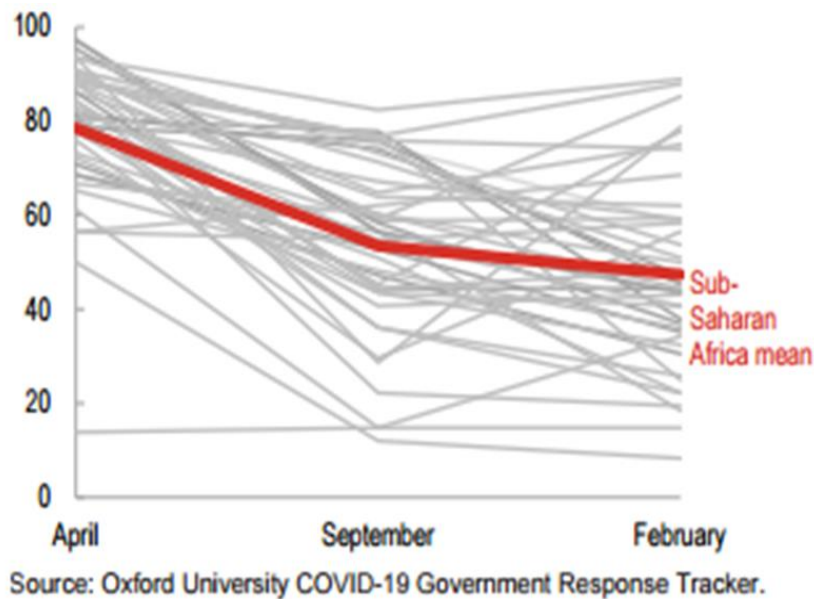
United Kingdom	2.7	2.5	1.8	0.9	1.5	1.9
China	1.6	2.1	2.9	2.4	1.2	1.9
Russia	3.7	2.9	4.5	3.4	4.5	3.4
South Africa	5.3	4.6	4.1	3.3	4.3	4.5
Brazil	3.4	3.7	3.7	3.2	4.6	4.0
Italy	1.3	1.2	0.6	-0.1	0.8	0.9
Nigeria	16.5	12.1	11.4	13.2	16.0	13.5

Source: IMF's World Economic Outlook – Managing Divergent Recoveries, April 2021.

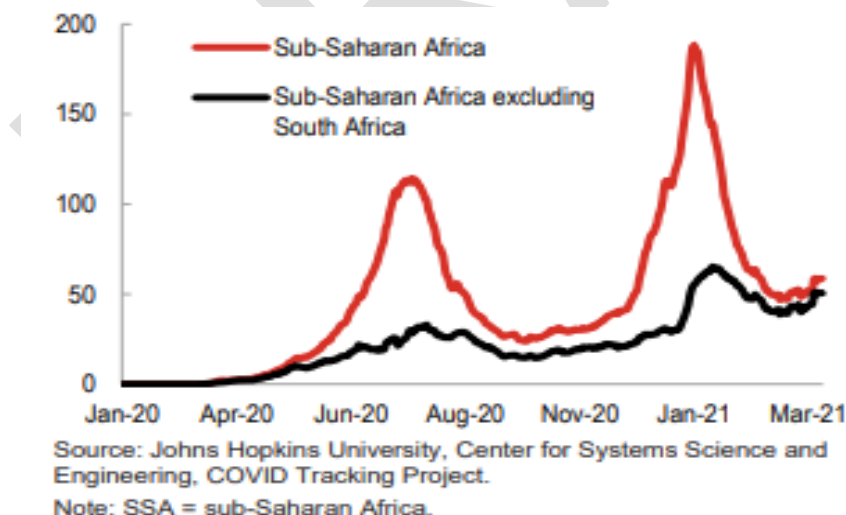
34. From the above table, it shows that all the countries selected have a single digit inflation rate which clearly means that cost of basic necessities is relatively affordable by the citizens in those countries. However, the Nigeria scenario is different, because the inflation rate is above single digit, which means that average Nigerians find it difficult to afford basic necessities which may be attributed to the high exchange rate and many other factors.

Sub-Saharan Africa

35. Sub-Saharan Africa is still contending with an unprecedented health and economic crisis. In the months since the October 2020. The region has confronted a second coronavirus (COVID-19) wave that swiftly outpaced the scale and speed of the first. While this occurrence has eased for now, many countries are bracing for further waves, particularly as access to vaccines remains scant. In Africa, however, with limited purchasing power and few options, many countries will be struggling to simply vaccinate their essential frontline workers this year, and few will achieve widespread availability before 2023.
36. Sub-Saharan Africa which has a lot of developing of countries, female employment rates remain below that of men, exacerbating these disparities. Some of these effects reflect how the crisis has affected some sectors more than others: employment has declined to a greater extent in those sectors with larger concentrations of younger or lower-skilled workers as well as in sectors more vulnerable to automation. Because the crisis has accelerated the transformative forces of digitalization and automation, many of the jobs lost are unlikely to return, requiring worker reallocation across sectors—which itself often comes with severe earnings penalties.
37. In sub-Saharan African countries with limited fiscal space and little scope to weather another reversal of capital flow—especially those with elevated debt and/or low reserves—this could add to debt sustainability pressures, depreciation pressures, and, in some cases, higher inflation and lower growth. In sub-Saharan African countries with limited fiscal space and little scope to weather another reversal of capital flow—especially those with elevated debt and/or low reserves—this could add to debt sustainability pressures, depreciation pressures, and, in some cases, higher inflation and lower growth.

Figure 3 Sub-Saharan Africa: Stringency of Containment Measures

38. With the decrease in the number of cases and amid the mounting economic and social costs of the lockdowns, many countries cautiously reopened their economies over the summer. But in the months since the October 2020 Regional Economic Outlook: Sub-Saharan Africa, the region—together with the rest of the world—confronted a second wave that swiftly outpaced the scale and speed of the first across a broader set of countries (Figure 1). Moreover, parts of southern Africa saw the emergence of a more infectious variant of the disease. This second wave has eased for now, but many countries in the Southern Hemisphere continue to brace themselves for more waves as their winter approaches.

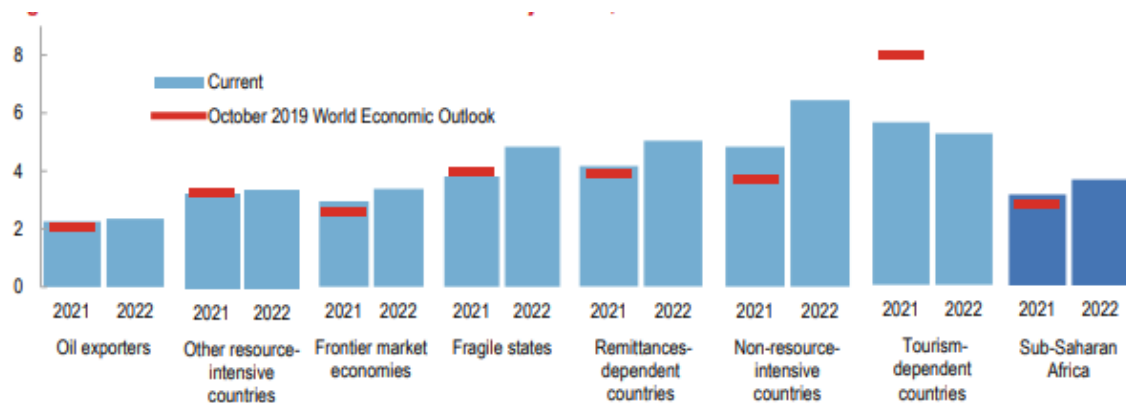
Figure 4 Sub-Saharan Africa: New Confirmed Cases of COVID-19 (New cases per week, thousands)

39. The pandemic continues to exact a large toll on sub-Saharan Africa (especially, for example, Ghana, Kenya, Nigeria, South Africa). Following the largest contraction ever for the region (–1.9 percent in 2020), growth is expected to rebound to 3.4 percent in 2021, significantly lower than the trend anticipated before the pandemic. Tourism-reliant economies will likely be the most affected.
40. In sub-Saharan African countries with limited fiscal space and little scope to weather another reversal of capital flow—especially those with elevated debt and/or low reserves—this could

add to debt sustainability pressures, depreciation pressures, and, in some cases, higher inflation and lower growth.

41. Rapidly rising food prices have already lifted headline inflation rates in some regions, including sub-Saharan Africa and Asia. Temporarily high headline inflation could raise inflation expectations in these economies and affect inflation durably.
42. Major weather-related disasters lead on impact to sizable declines in real GDP per capita of 1.2 percentage points, on average, with stronger negative effects in areas where exposure and vulnerability are high, such as in low-income developing countries and small island economies which countries in Sub-Saharan Africa are part of.

Figure 5 Sub-Saharan Africa: Real GDP Growth Projections, 2021–2022



Source: IMF, World Economic Outlook database.

43. Diversified non-resource-intensive countries will remain the region's most dynamic economies, buoyed by a normalization of consumption, but also supported by a return of investment. Growth for these countries will rise from 1.0 percent in 2020 to 4.8 percent in 2021—a welcome recovery, but still short of pre-crisis trends as non-resource-dependent countries are not expected to return to pre-crisis growth rates until 2022.

Table 4: Real GDP, Consumer Prices, Current Account Balance, and Unemployment (Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices			Current Account Balance			Unemployment		
	Projections			Projections			Projections			Projections		
	2020	2021	2021	2020	2021	2022	2020	2021	2021	2020	2021	2022
Sub-saharan Africa	-1.9	3.4	4.0	10.8	9.8	7.8	- 3.7	- 3.7	- 3.7			
Oil Exporters	-2.3	2.2	2.2	13.9	16.0	12.7	- 3.6	- 2.0	- 1.6			
Nigeria	-1.8	2.5	2.3	13.2	16.0	13.5	- 3.7	- 2.2	- 1.8			
Angola	-4	0.4	2.4	22.3	22.3	13.1	- 0.6	0.8	0.5			
Gabon	-1.8	1.2	2.7	1.3	2.0	2.0	- 5.1	- 0.3	- 0.2			
Chad	-0.9	1.8	2.6	3.5	3.0	3.0	- 8.8	- 6.6	- 6.3			
Equatorial Guinea	-5.8	4	- 5.9	4.8	1.5	3.1	- 8.4	- 3.6	- 4.4			
Middle Income Countries	-4.4	3.8	3.5	4.5	4.9	4.7	- 1.1	- 2.3	- 2.9			
South Africa	-7	3.1	2.0	3.3	4.3	4.5	2.2	- 0.4	- 1.5	29.2	29.7	30.8
Ghana	0.9	4.6	6.1	9.9	9.0	8.2	- 3.3	- 2.8	- 4.9			
Code d'Ivoire	2.3	6	6.5	2.5	2.0	1.6	- 3.6	- 3.6	- 3.4			
Cameroon	-2.8	3.4	4.3	2.8	2.2	2.1	- 5.3	- 4.4	- 3.2			
Zambia	-3.5	0.6	1.1	16.3	17.8	14.8	1.5	6.5	5.6			
Senegal	0.8	5.2	6.0	2.5	2.0	1.7	- 11.0	- 12.8	- 11.7			
Low-Income Countries	1	4.3	6.1	14.2	8.6	6.0	- 6.8	- 7.1	- 7.1			
Ethiopia	6.1	2	8.7	20.4	13.1	8.0	- 4.6	- 3.6	- 3.9			
Kenya	-0.1	7.6	5.7	5.3	5.0	5.0	- 4.8	- 5.3	- 5.4			
Tanzania	1	2.7	4.6	3.0	3.3	3.6	- 2.7	- 4.3	- 4.0			
Uganda	-2.1	6.3	5.0	3.8	5.2	5.5	- 9.1	- 8.4	- 5.7			
DR Congo	-0.1	3.8	4.9	11.3	10.9	7.5	- 4.0	- 3.4	- 3.4			
Mali	-2	4	6.0	0.6	1.7	2.0	- 2.0	- 4.1	- 4.4			
Burkina Faso	0.8	4.3	5.2	1.9	2.7	2.6	- 3.7	- 4.5	- 4.8			

Source: IMF Staff estimates, April 2021.

2.A.2 Nigerian Economy

44. Nigeria, a key regional player in West Africa is highly vulnerable to the global economic disruption caused by COVID-19, particularly due to the pronounced decline in oil prices and prickles in risk aversion in global capital markets. The magnitude of the health impact depends on the duration and the domestic spread of the outbreak, while the economic impact hinges on oil prices. Oil accounts for over 80 percent of exports, a third of banking sector credit, and half of government revenues. Oil prices also affect growth in non-oil industries and services, with additional pressures arising from foreign portfolio investors' reassessment of risks and domestic liquidity management.
45. The COVID-19 pandemic has placed Nigeria at a critical juncture. The country entered the crisis with falling per capita income, high inflation, and governance challenges. Policy adjustments and reforms designed to shift the country from its dependence on oil and to diversify the economy toward private sector-led growth will set Nigeria on a more sustainable path to recovery.
46. Nigeria's recovery is expected to be weak and gradual under current policies. Real GDP growth in 2021 is expected to turn positive at 1.5 percent. Real GDP is expected to recover to its pre-pandemic level only in 2022. The near-term outlook is subject to downside risks from pandemic-related developments with Nigeria experiencing a second wave. Over the medium term, a subdued global recovery and decarbonization trends are expected to keep oil prices low and Organization of the Petroleum Exporting Countries quotas in place, restricting oil-related activities, fiscal revenues, and export proceeds. Non-oil growth is also expected to remain sluggish, reflecting inward-looking policies and regulatory uncertainties.

47. The Excess Crude Account is depleted, external reserves are highly reliant on short-term flows, and policy uncertainty affects investor confidence. Before the 2016 recession, Nigeria's economy was growing fast at 6.3%. By contrast, before COVID-19 struck, the economy was growing at 2.2%. Inflation was in single digits in 2014, compared to about 12% in 2019. The government fiscal deficit was 4.4% of GDP in 2019, compared to 1.8% in 2014.

Macroeconomic

48. Data from the World Bank Poverty and Shared Prosperity report shows that Nigeria's poverty level has further increased in the wake of the COVID-19 pandemic. More specifically, 79 million Nigerians live in extreme poverty, accounting for 20 percent of the people living in poverty in SSA. COVID-19 and its associated economic crisis are enabling factors of the high poverty headcount. Data from COVID-19 phone surveys in Nigeria suggests that about 85 percent of households experienced higher food prices, with half reducing their food consumption as a coping strategy. The upward trend in poverty is expected to continue owing to the difficulty in generating adequate broad-based economic growth, inability to create jobs, and high population growth rate. As a result, private sector innovativeness and talent should be fostered in way that creates new opportunities for young people. The government on the other hand should utilize the policy landscape to support the private sector and enforce population control measures.

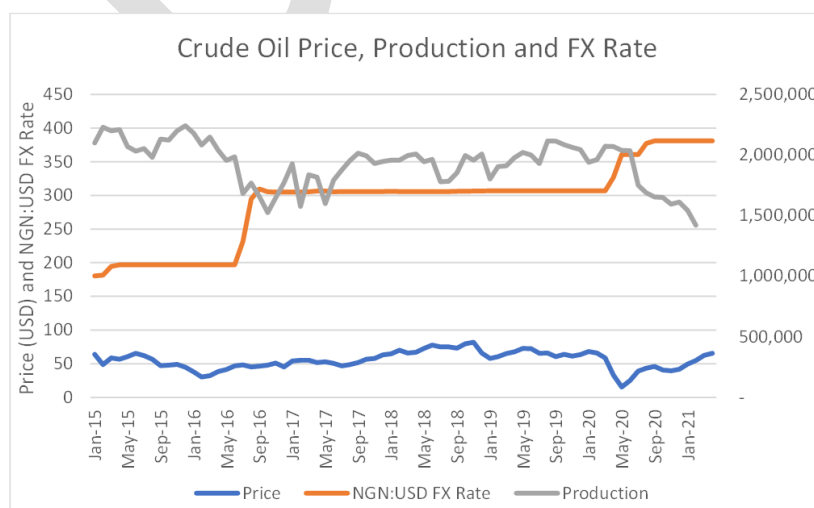
2.A.3 Crude Oil Production

49. Crude Oil Production in Nigeria was reported at 1,481.000 BBL/D/1K in Mar 2021. This records an increase from the previous number of 1,474.000 BBL/D/1K for Feb 2021. However, Crude Oil Production in Nigeria is expected to be 1780.00 BBL/D/1K by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. Looking forward, Crude Oil Production in Nigeria is estimated to stand at 1900.00 in 12 months' time. In the long-term, the Nigeria Crude Oil Production is projected to trend around 1850.00 BBL/D/1K in 2022.

2.A.4 Crude Oil Production

50. However, the price for crude oil stood at an average of 64.3 U.S. dollars per barrel in 2019. Annual average prices were the highest on record in 2013, at 108.56 U.S. dollars per barrel. Prices fell to some 41.69 U.S. dollars per barrel due to the afore-mentioned coronavirus pandemic.
51. It is forecast to have an average annual price of 62.28 U.S. dollars per barrel in 2021 and decline to 60.49 U.S. dollars per barrel in 2022. While these prices would be above the drop seen in 2020 because of the coronavirus pandemic, they are still below pre-pandemic levels.

Figure 6: Crude Oil Price



Source: OPEC, NNPC AND CBN

2.A.5 Foreign Exchange Rate

52. Since the first quarter of 2020, Nigeria has faced an exchange rate crisis triggered by the drop in oil prices. It started after two of the world's largest oil producers, Saudi Arabia, and Russia, disagreed on how to proceed concerning oil supply cuts, which triggered a price war that pushed oil prices to crash to as low as under zero dollars.
53. With oil prices down, pressure on Nigeria's exchange rate grew, leading to speculations of a devaluation to reflect the true value of the naira. Thus, began one of the most significant deluges of policy pronouncements and flip-flops on the management of Nigeria's foreign currency.

Figure 7: Exchange Rate

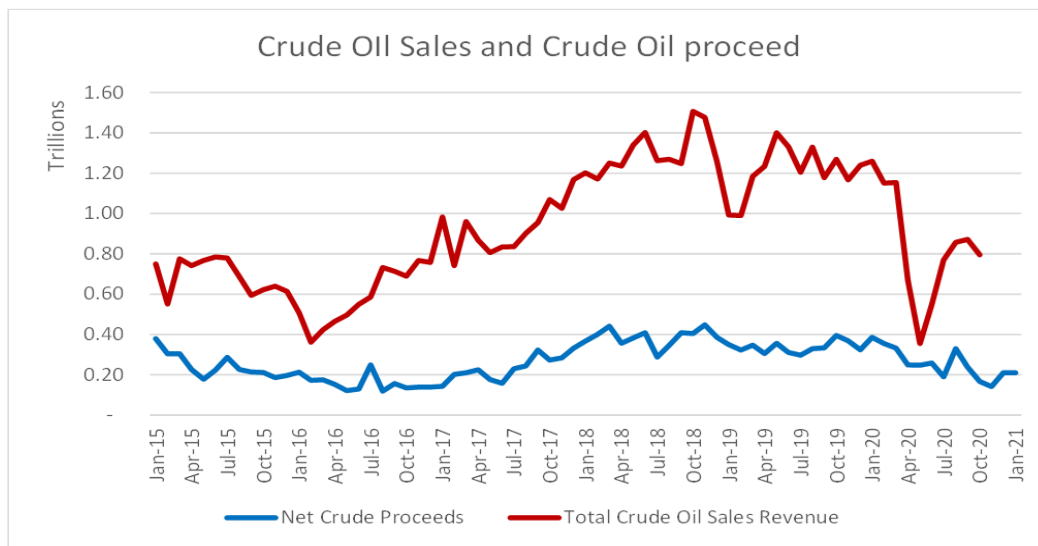
Currency	Buying(NGN)	Central(NGN)	Selling(NGN)
US DOLLAR	379	379.5	380
POUNDS			
STERLING	527.0374	527.7327	528.428
EURO	457.8699	458.474	459.078
SWISS FRANC	416.1634	416.7124	417.2614
YEN	3.479	3.4836	3.4882
CFA	0.6817	0.6917	0.7017
WAUA	544.1865	544.9044	545.6223
YUAN/RENMINB	58.5971	58.6748	58.7526
RIYAL	101.0559	101.1892	101.3225
SOUTH AFRICAN R	26.3003	26.335	26.3697

source: CBN

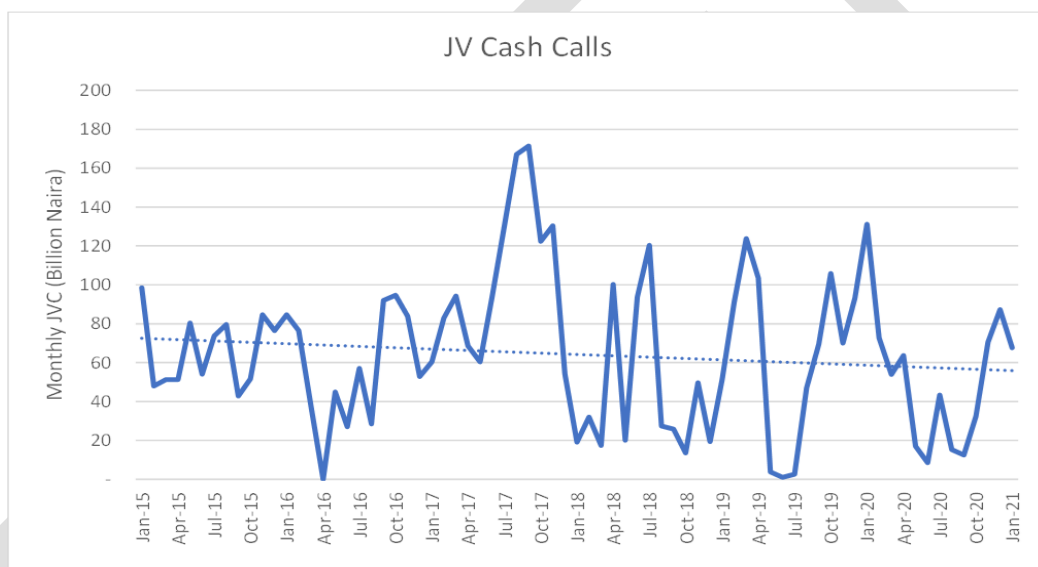
54. The table above shows the currency exchange rate for some selected currencies as of May 7, 2021.
55. In January 2021, the Central Bank of Nigeria (CBN) in a new circular, read the riot act to the International Money Transfer Operators (IMTO) and in March 2021 the 'Naira 4 Dollar Scheme' for diaspora remittances was introduced. This offers recipients of diaspora remittances through CBN's IMTOs to be paid N5 for every \$1 received as remittance inflow.
56. As of 1st March 2021, the exchange rate between the naira and the US Dollar depreciated to close at N410.25/\$1 at the Investors and Exporters (NAFEX) window, where forex is traded officially. This is as the CBN Governor has suggested that the official exchange rate has been devalued.

2.A.6 Crude Oil Sales and Proceeds

57. The overall NNPC crude oil lifting of 6.3Mbbls (Export and Domestic) in January 2021 recorded 12% decrease relative to 8.04Mbbls lifted in December 2020. Crude oil export revenue received in February 2021 amounted to \$30.99Mn equivalent to N11.74bn. This represents a 27.4% increase compared to January 2021. Domestic gas receipt in the month was N2,38bn. Meanwhile, feedstock valued at \$52.24Mn was sold to NLNG during the period out of which \$50.19mn was received during the month.
58. For other receipt, the sum of \$3,17mn being miscellaneous received as merchant cash advance (MCA) obligations, Gas and Ullage fee while interest income was received in February 2021. In summary, in the month of January 2021, NNPC recorded value shortfall of 25.37bn and this has been deducted from February 2021 proceed. Meanwhile the February value short fall of 73.13bn will be deducted from March 2021 proceeds.

Figure 8 Crude Oil Sales and Proceed

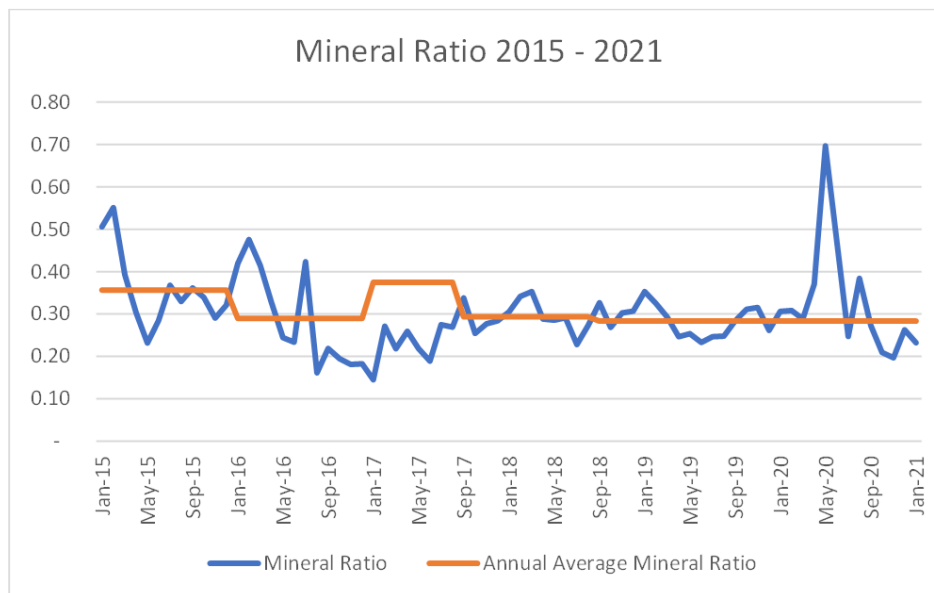
Source: FAAC Pack Schedule 1, EIU Calculation

Figure 9: FAAC Pack Schedule

Source: FAAC Pack Schedule 1

2.A.7 Mineral Sector Performance Outlook

59. Despite the widespread economic impacts of the pandemic, the Mining Sector (the Sector) exceeded budgeted revenue of the Federal Government (FG) in 2020 by about 10% (N2.09billion as against N1.9billion) and increased its contribution to the Nation's Gross Domestic Product (GDP) by about 23% (2020: N656.18 billion; 2019: N369.00 billion). The trend of the Sector's contribution to GDP in the last three years has been increasing. The significant growth of the Sector's contribution to the Nation's GDP is attributable to Quarrying activities which comprise sand, gravel and crushed rocks e.g., Limestone (for producing cement). This may be indicative of an increase in construction activities across the country as well as increase in the export of clinkers manufactured from Limestone. However, the FG prioritized the Sector in the Economic Sustainability Plan (ESP) which was developed in response to the impacts of the Pandemic on the economy.

Figure 10 Mineral Ratio

Source: EIU Calculations

2.A.8 Kaduna State Economy

The Kaduna State economy was ranked 15th largest in Nigerian economy from 2002 to 2008, and it made up 3.3% of Nigerian GDP. While agriculture contributed 30% of GDP in Kaduna. Kaduna state cultivate ginger, cotton, and peanuts (groundnuts) for exporting and domestic extraction of Peanut oil.

Kaduna State is known as a hub for agriculture centered activities with high crop production performance in most crops especially maize. The state is closely aligned with agriculture owing to the advantageous climatic and soil conditions it has, as well as a predominantly agrarian population.

The State is regarded as a trade Centre and a major transportation hub for the surrounding agricultural areas, with its rail and road junction providing access to markets.

In recent times, efforts by public, private and non-governmental organizations have further turned it towards increased commercialization of its produce, deepening its influence across multiple value chains. Agriculture is a major sector in Kaduna state and the state has been contributing tremendously to the overall Agricultural sector in Nigeria as it has a wide array of arable land, soil texture and beneficial.

The climate in Kaduna makes it conducive for growing several crops both for food and commercial purposes. Kaduna state was ranked the fourth most contributing state to the Agricultural sector of Nigeria in 2017 (NBS, State GDP 2017).

2.A.9 Gross Domestic Product

The Gross Domestic Product of Kaduna state recorded was valued at ₦2.69Tn while it was ₦2.35Tn in 2016 representing a GDP growth of 16.2% year on year (YoY). The high growth is attributed to the tremendous contribution made by the Agricultural sector of the state as it had the largest share due to continued productivity. Kaduna state's Gross Domestic Product grew by 16% (year on year) in 2017 representing an increase of 7% points from the 2016 growth of 9% (YoY). Kaduna state's agricultural sector remains the largest source of revenue as it contributed 38% to the total GDP of the state. This is followed by ICT (19%) and Trade (12%). Oil and Gas, Solid Minerals and Utilities Sector did not contribute to the GDP of the state as these sectors are not functional.

2.A.10 Consumer Price Index (CPI)

the CPI Year-On-Year Inflation Rate for Kaduna State stands at 15.46% in March 2021. This was 0.72% higher than the rate recorded 14.74% in February 2021.

Accordingly, Inflation continued in March due to the rise in prices of, Bread and Cereals, Potatoes, Yam and Other Tubers, Oil and Fat, Vegetables and Fish.

The inflationary pressure was compounded in 2020 because of the covid-19 pandemic, which crippled the supply chain and halted business activities in most aspects of the economy. This implies that people spent more on purchasing goods and services in the month of March, compared to February 2021.

The CPI Month – on – Month basis in Kaduna State shows that the State Index stands at 212.49% in March 2021. The urban Index recorded 215.66% while rural index recorded 215.16% in March 2021, respectively.

Table 5: CPI by Statewide, Urban and Rural Year on Year Changes

	20-Jan	21-Jan	Year on Year Change
Statewide	184.04	212.49	15.46
Urban	181.08	215.66	19.1
Rural	186.45	215.16	15.4

Source: KDBS

The State CPI Month – on - Month Inflation rate was 17.26% in March 2021, up by 0.91% from 16.35% recorded in February 2021. The Urban Inflation Rate was 23.28% in March 2021, increased by 0.49% from 22.79% recorded in February 2021. The Rural Inflation Rate was 17.05% in March 2021, increased by 1.35% from 15.70% recorded in February 2021.

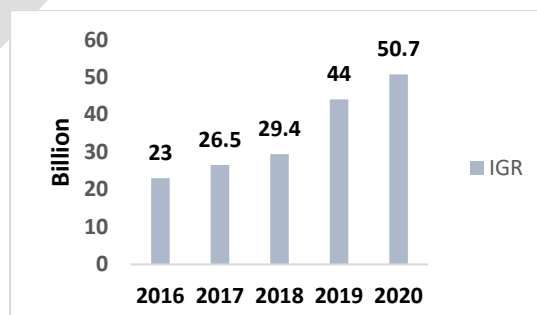
The Top Five Absolute contribution that influenced the Increase of the Month-on-Month March CPI Inflation Rate included: Bread and Cereals 6.81%, Potatoes, Yam and Other Tubers 4.08%, Oil and Fat 3.14%, Vegetables 1.02%, and Fish 0.97%.

The highest contribution to the Increase of March 2021 Month-on-Month Inflation rate was recorded in Bread and Cereals 6.81%.

2.A.11 Kaduna state IGR Trend

Looking at the movement of IGR in Kaduna state in general terms the revenue generation trend is progressive. The total IGR in the state from 2017-2019 was about ₦ 173.6billion with the highest recorded in 2020 and lowest in 2017.

Figure 11: Kaduna State IGR Trend



Source: KEIU

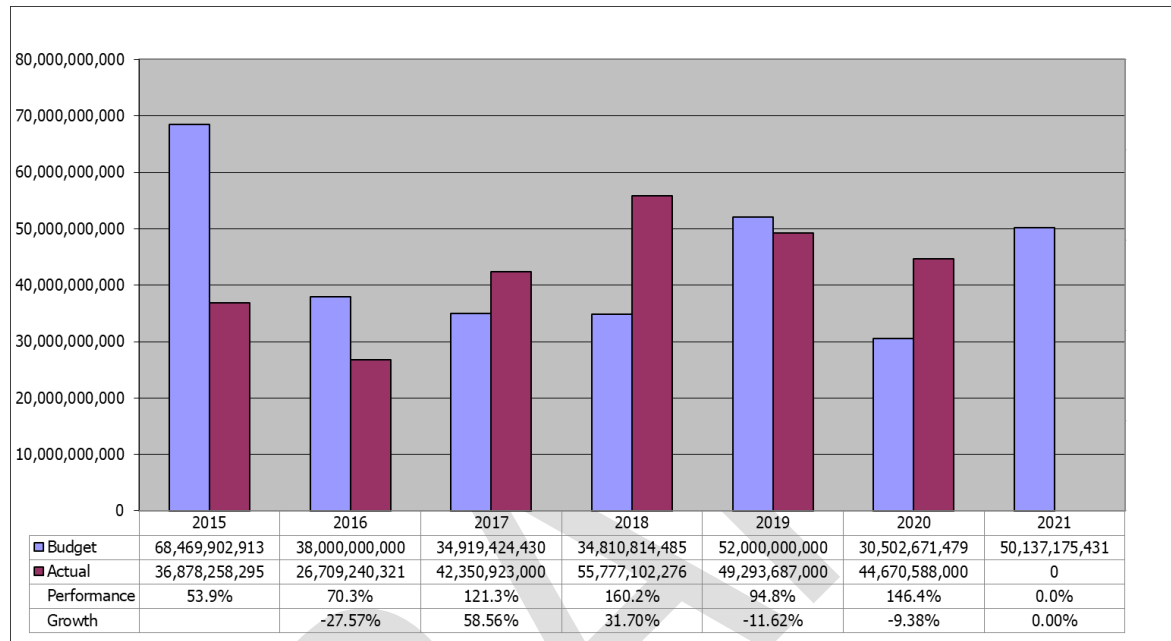
2.B Fiscal Update

2.B.1 Historic Trends

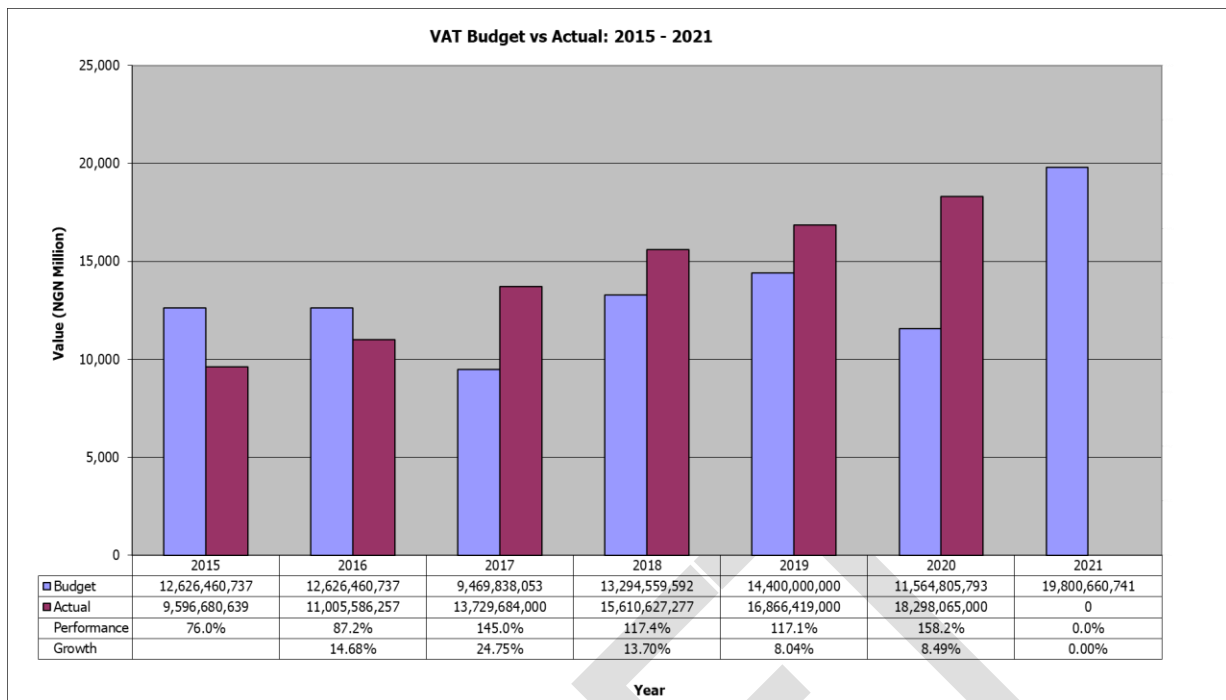
Revenue Side

60. On the Revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – original budget versus actual for the period 2015-2020 (six year historic) and 2021 budget.

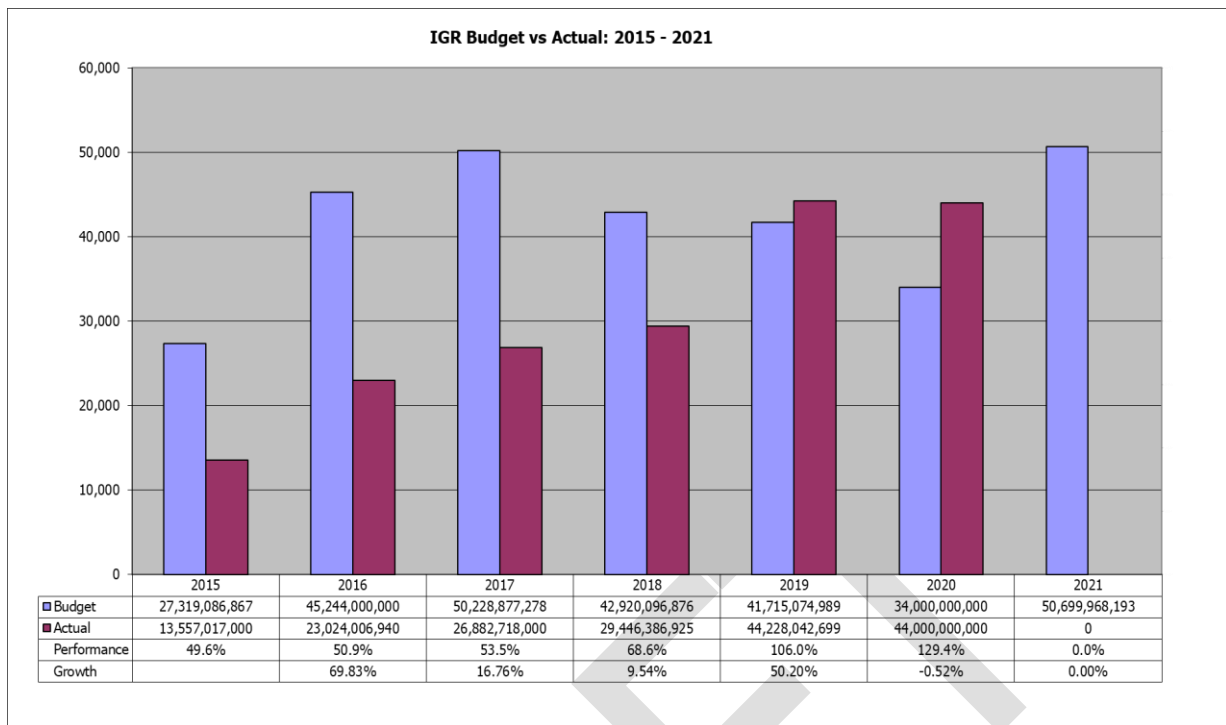
Figure 12: FAAC Statutory Allocation



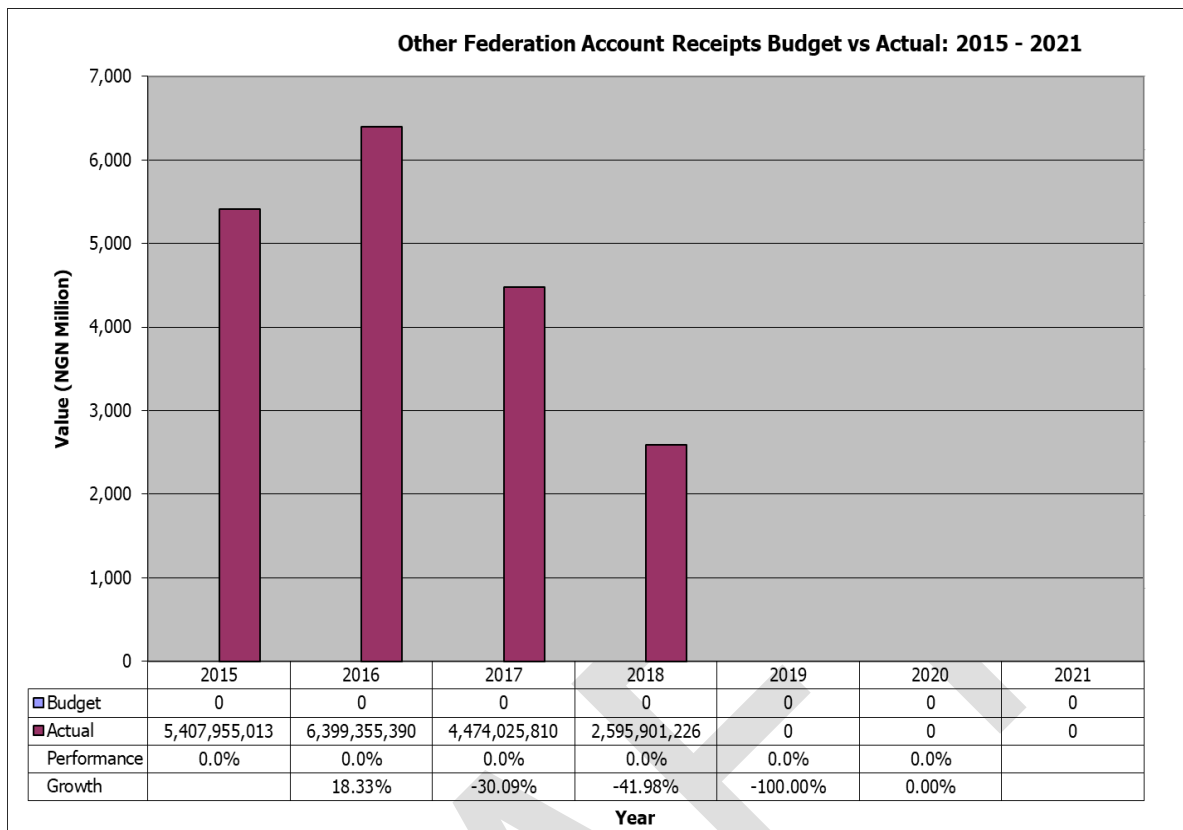
61. Statutory Allocation constitutes all Federal Transfers excluding Value Added Tax (VAT) and other Federal Accounts Transfers. Statutory Allocation are mainly Crude Oil and Gas proceeds, Company Income Tax (CIT) and Custom and Excise Duty (C&E). There has been a steady rise in Statutory Allocation from 2016 – 2018 this is mainly due to the fact of global economic growth which engender global oil prices to rise and stability in crude oil production within the Country owing to relative peace and security in the Niger Delta Region.
62. Oil prices declined in 2019 due to the crisis of China – USA “Trade War”, Brexit and other major global happenings which significantly affected global trade and economic growth. This adversely affected the demand for crude oil which caused prices to go down. 2020 was the year of the global pandemic caused by Covid-19. The lockdowns imposed caused businesses, factories and households to shut down causing demand for crude oil and gas to crash. This development made crude oil prices to go crashing to an all-time decade low.
63. We expect year 2021 – 2023 to be better in terms of Statutory Allocation due to the availability of vaccines and ease of lockdowns in major economies of the world. Economic activities to flourish more, thereby impacting positively on CIT, C&E and crude oil prices. The agreement of OPEC+ to cut production to avoid supply glut at the global market will also impact positively on global oil prices. This will increase the Statutory Allocation of the State further up.

Figure 13: VAT

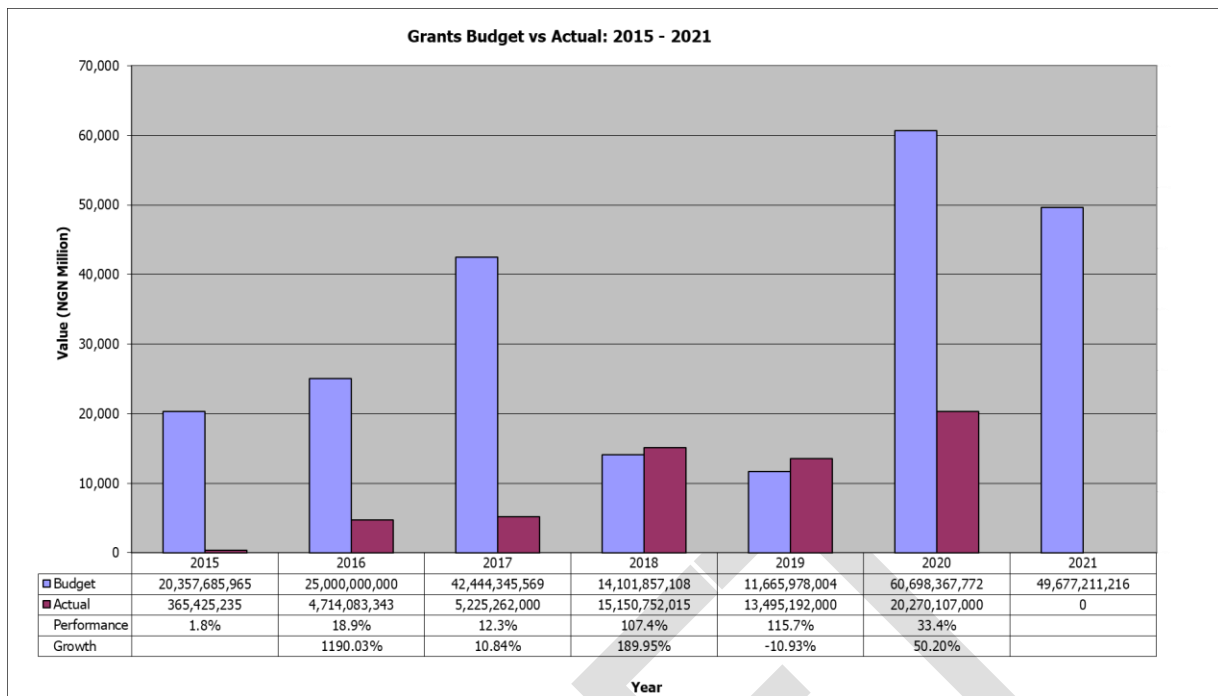
64. Since 2017 when the Country exited recession, VAT and continued to surge passing budget targets. This trend is expected to continue as the Finance Bill 2019 has raised VAT from 5% to 7.5%. This means that the Government will receive more revenue in VAT especially the States and Local Government (50% and 35% respectively) who have the highest in the sharing formular of VAT across the three tiers of government.
65. Recently, The Nigerian Senate had approved the funding of the North East Development Commission (NEDC) from the VAT realised in the Country. A total of 3% deductions from VAT will be deducted monthly for a period of ten years. This will also affect the projected amount for VAT in Kaduna State from 2021 and beyond.

Figure 14: IGR

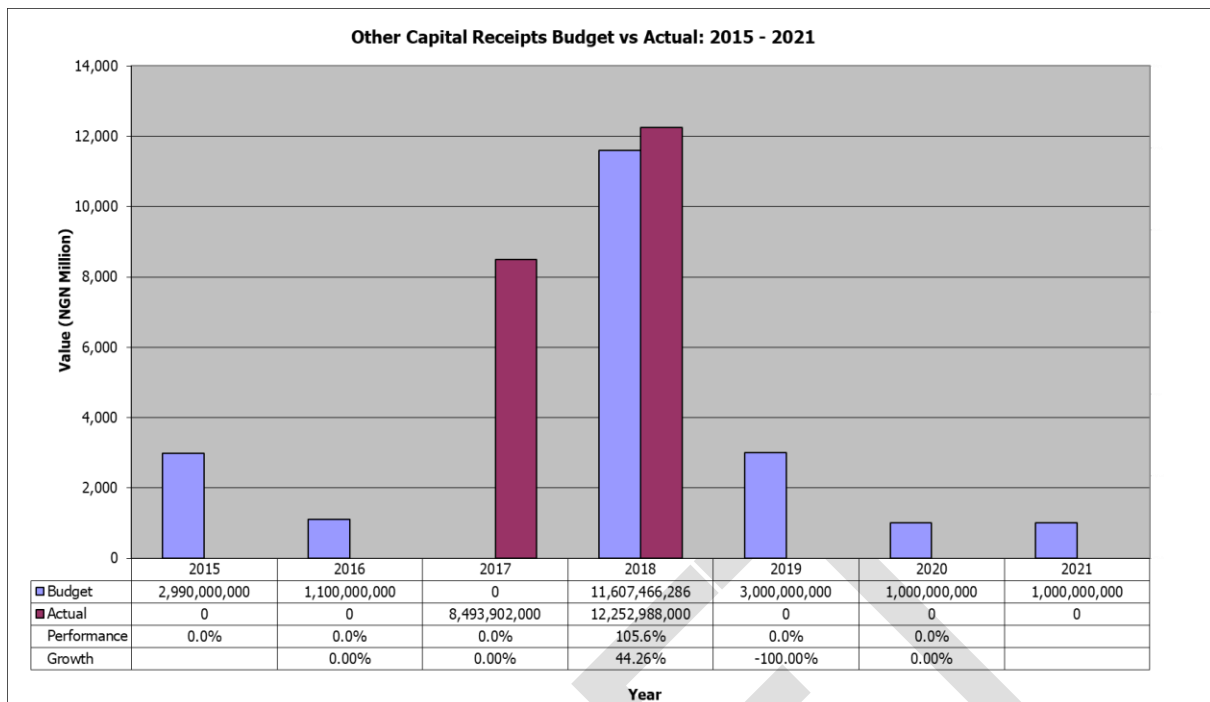
66. The Kaduna State Tax Codification and Consolidation Law has greatly enhanced collections and blocked leakages. Since its passage into law in 2016, the State has continued to witness a steep rise in its IGR from 2017 to 2019, making it the 6th highest and the 1st in the country and the North, respectively.
67. The COVID-19 lockdown has not affected IGR collections in 2020. In fact, Kaduna State generated more than N50 billion in 2020. This is more than its budget of N43 billion. This is mainly because of the political will of the present government. The State is projected to receive more IGR in 2021 and beyond.

Figure 15: Other Federation Account Receipts

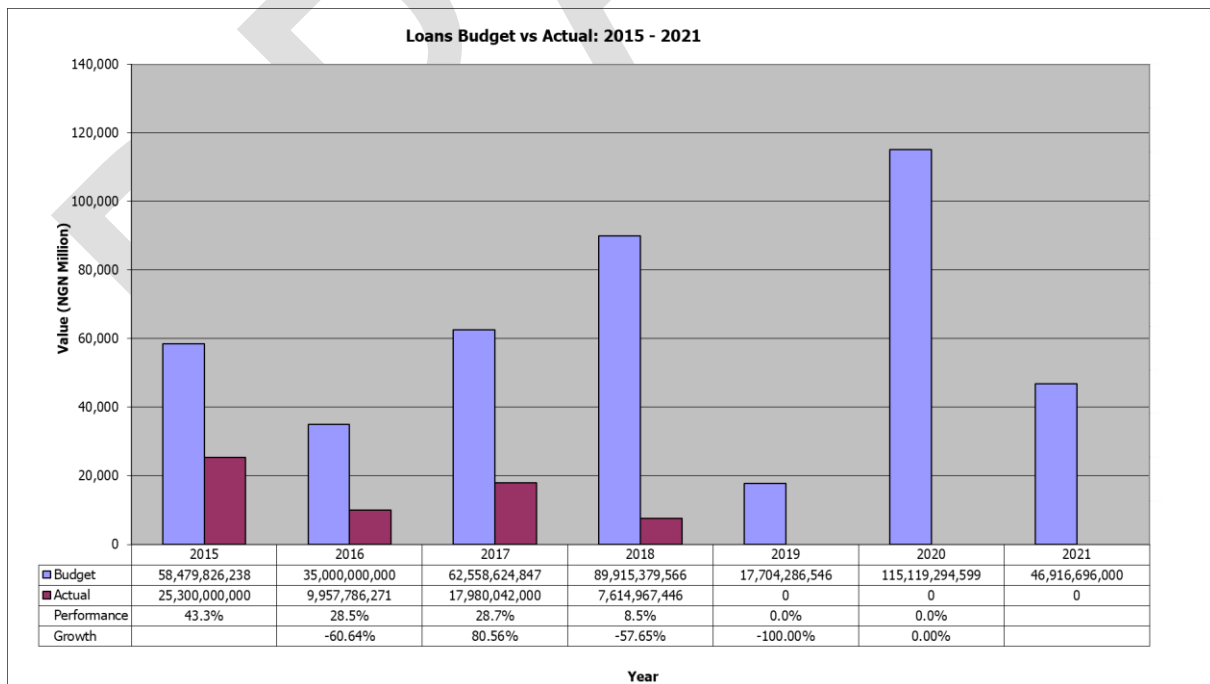
68. The above figure only reflects the actual figures while the budgeted is being captured in the Statutory Allocation as a one-line revenue item. Budgeting for other Federation Account is risky and difficult because it is at the discretion of the Federal Government and the State has no clear data to make projection.
69. Other Federation Account Receipts comprises of the Nigerian National Petroleum Corporation (NNPC) Refund, Augmentation, Exchange Gains, and Nigerian Liquefied Natural Gas (NLNG) etc. These are difficult to forecast and budget for 2022-2024 considering inadequate knowledge, timing and amount of receipts of such revenues. The data above shows that there was no actual collection of such receipts since 2019.

Figure 16: Grants

70. Grants has been a major challenge in providing realistic data that will enable the State to budget and forecast further. This is mainly attributed to funds coming in directly from donor partners to implementing agencies without the full knowledge of the Office of the Accountant General of the State.
71. Other reasons for poor performance include delays in the negotiations with Implementing Partners and non- timely payment of counterpart funds and other requirements from the State Government.
72. The launch of the Kaduna State International Development Coordination Framework (2017-2020) has greatly contributed to addressing the challenges. This can be seen in the figure above where the State recorded an over performance of Grants in 2018 and 2019. The huge under-performance recorded in 2020 is mainly caused by the Covid-19 pandemic where lockdowns and work from home caused most programme to either park their funds or channel it to other activities elsewhere mainly due to changed in priorities.

Figure 17: Other Capital Receipts

73. Other Capital Receipts comprise of revenue from sales of capital assets dedicated for capital expenditure. Survey and demarcation of layouts, development levy by land allottees, Ecological Fund, etc. Although Capital Receipts has been consistently budgeted, there has been no budget performance except for 2017 and 2018 largely due to government commitments to reforms and these are mainly Paris Club Refund.

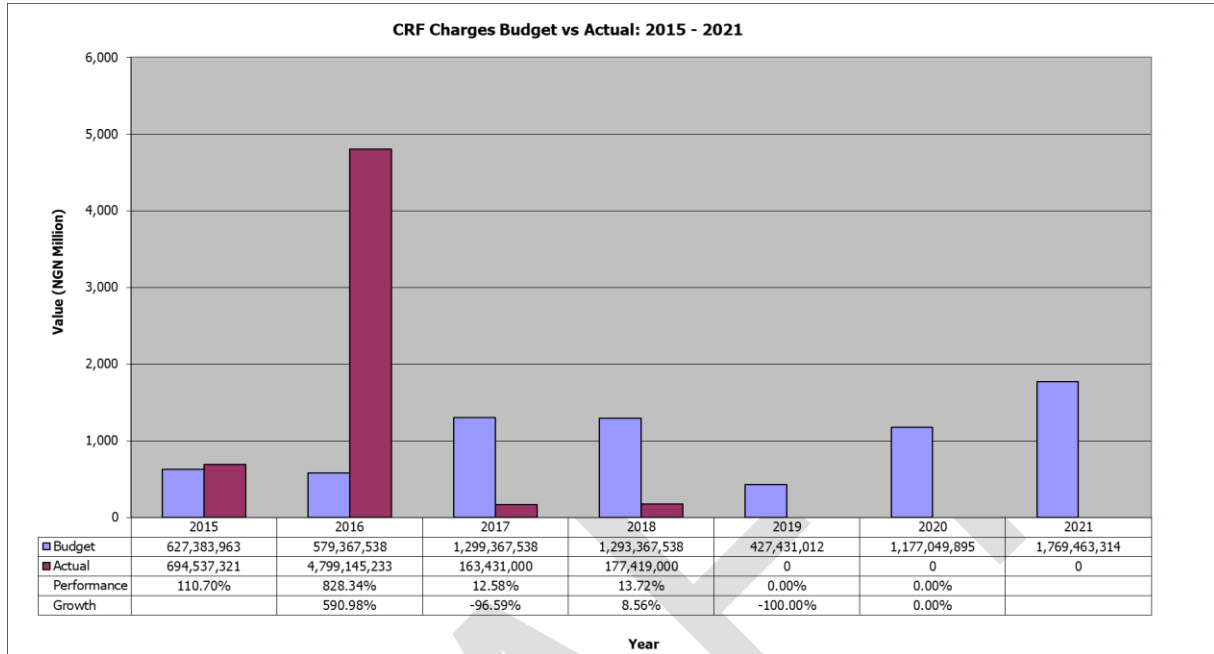
Figure 18: Loans / Financing

74. Loans includes Internal and External Loans. Internal Loans comprise of Capital Market receipts and Commercial Bank Loans (including Nigerian Export-Import Bank (NEXIM)), Central Bank of Nigeria etc. External Loans are receipts from World Bank, Islamic Development Bank (IsDB) and African Development Bank (AfDB).

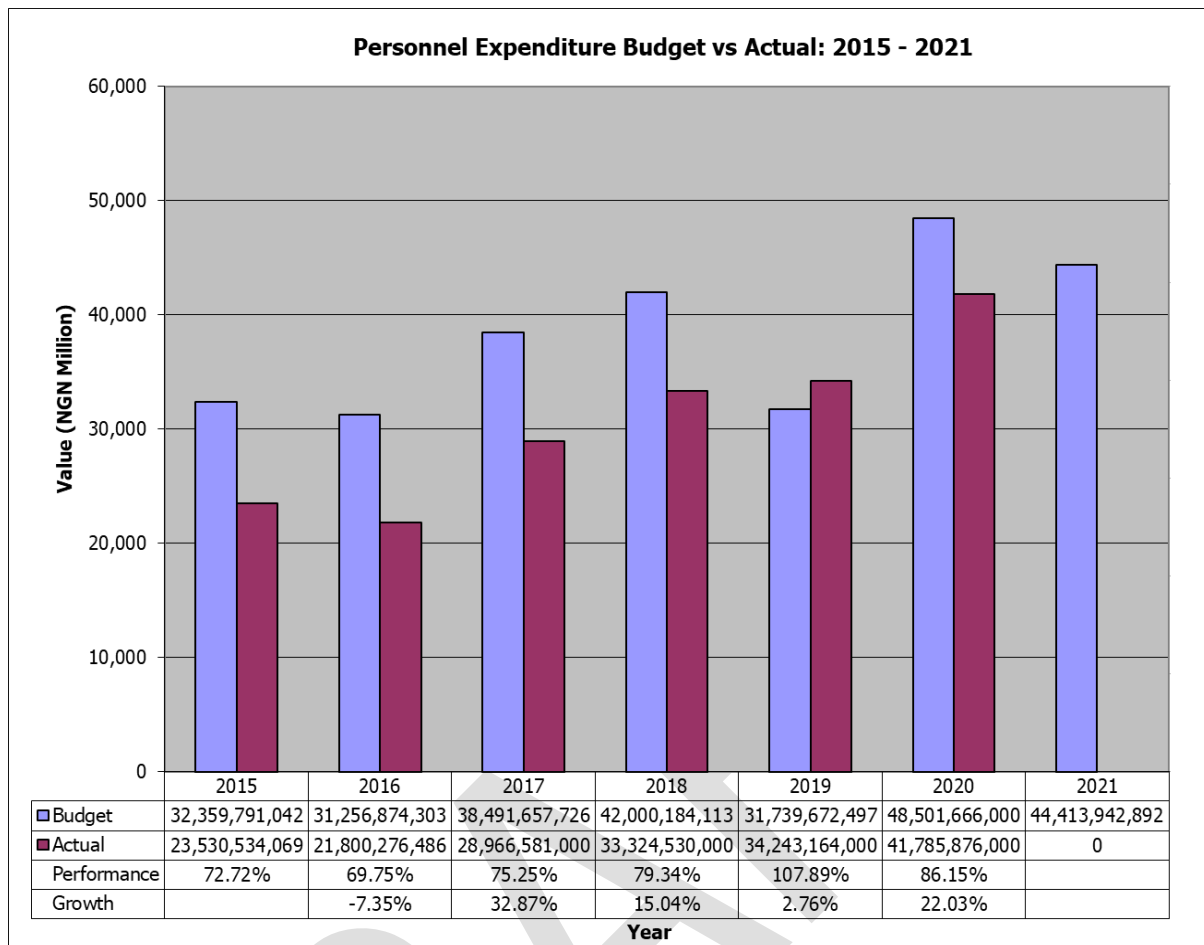
Expenditure Side

75. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – original budget versus actual for the period 2015-2020 (six years) and 2021 budget.

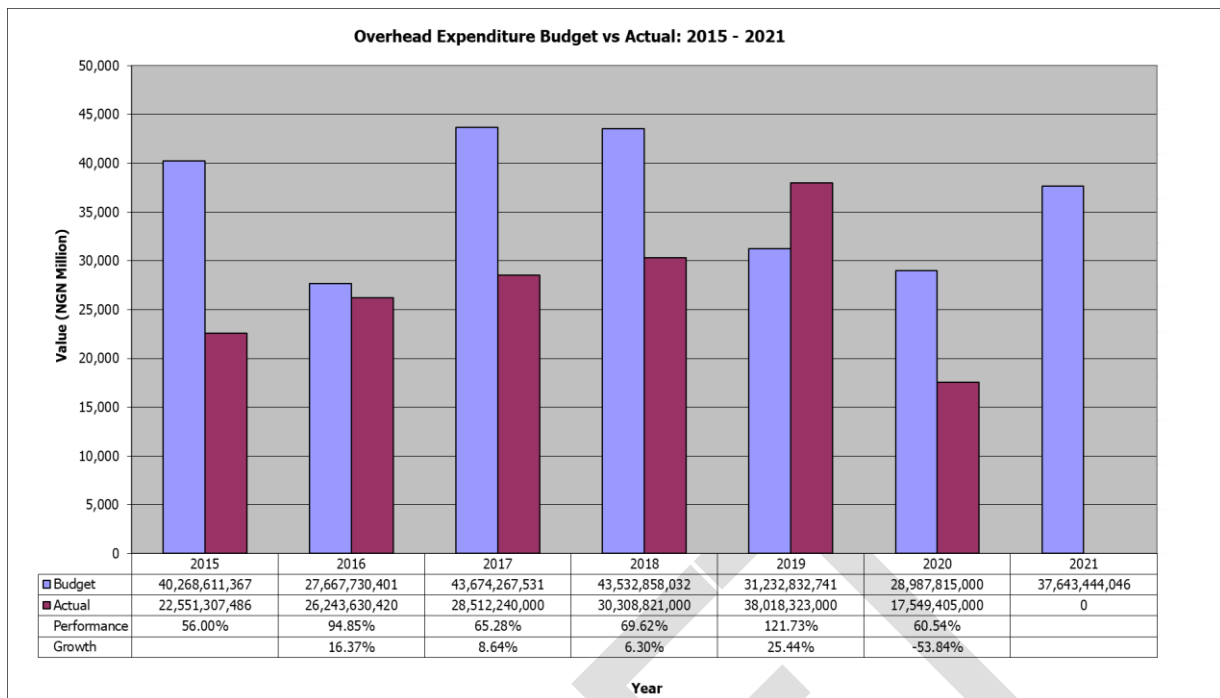
Figure 19: CRF Charges



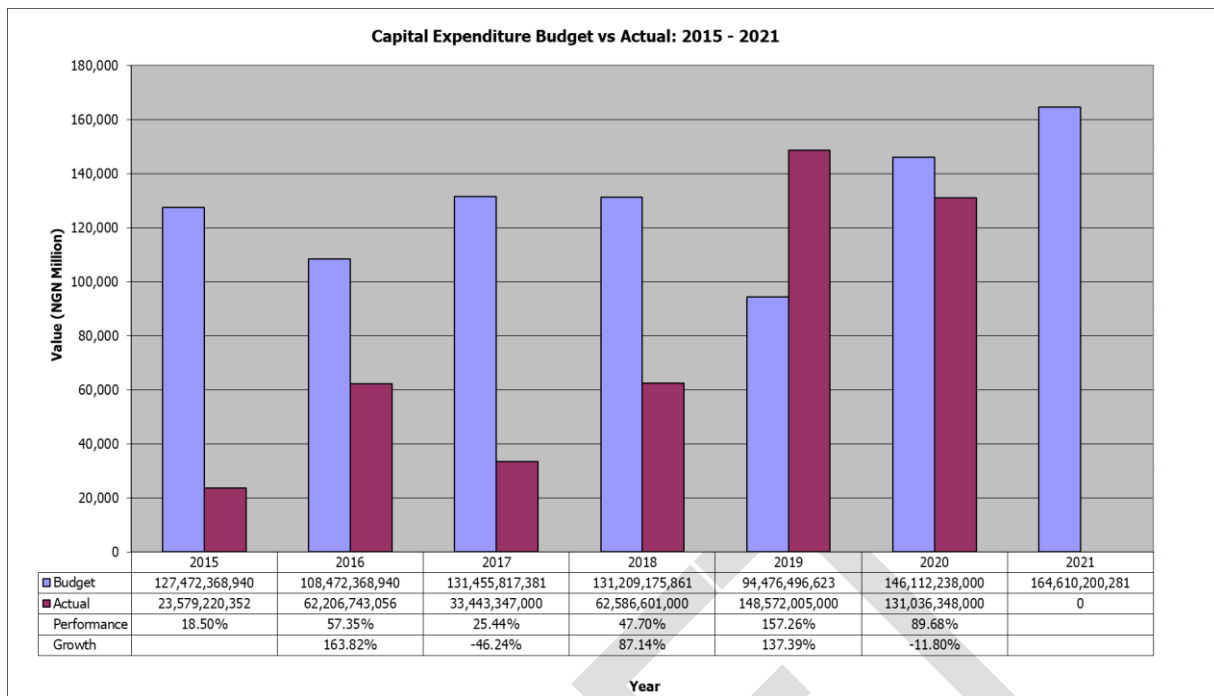
76. This is the vote where Chief Executives of State Parastatals are being paid e.g. The Governor, Deputy Governor, Chairman of SIECOM and CSC and some allowances of State Judiciary. Pension and Gratuity of retired civil servants are used to be captured under this vote before the transition of the State to IPSAS in 2017.
77. The State recorded an over performance in 2016 as a result of payment of backlogs of pensions and gratuities of retired civil servants of the State. From 2019 we are recording Nil performance due to the decentralization of the provision under the vote to the respective MDAs of the beneficiaries.

Figure 20: Personnel

78. The State pays centrally Personnel Emoluments from Treasury Single Account. With reforms to reduce the payroll by cleaning off ghost workers in 2015/2016 the State witnessed a drop of personnel cost in 2016. There was a significant increase in budgeted and actual Personnel Expenditure in 2017 which is due to the capture of 60% contribution from Local Government Councils for the Primary Health Care Personnel cost and also plans for additional staff into the service mostly health and education workers has informed the increase in the Budgeted Personnel figure of 2017 and 2018.
79. In 2019, the implementation of the N30,000 Minimum Wage explains the disparity between the budgeted and actual, which informed the projected increase in the Personnel Cost in the 2020 Budget.
80. We may witness another drop in the personnel cost in 2021 and 2022 due to recent reforms to right size the public service to accommodate the dwindling revenue especially Statutory Allocation to the State.

Figure 21: Overheads

81. Overhead Costs, often referred to as overhead or operating expenses are those expenses associated with running the government that cannot be linked to creating or producing a product or service. They are the expenses the government incurs in the day-to-day running of the government. The adoption of Zero-Based Budgeting (ZBB) system, cutting down of Overhead Cost by 60%, the reduction of ministries from 24 to 14 were all targeted at reducing the cost of governance in the State, blocking leakages and wastes.
82. In 2015/2016 when oil prices plummeted to less than \$30 per barrel, the State adopted a Budget Adjustment Mechanism to prioritize government spending towards 60:40 Capital to Recurrent Budget Ratio. The State witnessed a steep rise in Overhead Cost Expenditure in 2017 and 2018 due to its decision to implement IPSAS which necessitates the transfer of gratuity from Personnel Cost to Overhead Cost.
83. In 2020, Overhead Cost declined due to the Covid-19 Pandemic caused lockdown. Most MDAs worked remotely for months thereby cutting down on expenses in running the government. We should expect an improved performance in 2021.

Figure 22: Capital Expenditure

84. The State government realised a constant underperformance in 2015 and prior and made a commitment to implement a 60:40 Capital to Recurrent Budget Ratio, hence a sudden rise in the actual 2016 capital budget performance of 57.35% one of the highest in recent times prior to that year. The huge underperformance recorded in 2017 is as a result of the inability of the State Government to secure the PforR World Bank Loan after huge optimism and capturing it in its budget of 2017 and 2018.
85. The drawdown of the World Bank Loan has led to an increase of Actual Capital Expenditure in 2019 and 2020 which recorded a 157.26% and 89.68% performance, respectively. The decline in 2019 budgeted as compared with previous years follows a realistic approach, capturing only undisputable revenue that are set to accrue to the State. This was as a result of the State's resolve to make a modest revenue projection in line with the actual trend to avoid mismatch between budget and the actual.
86. There is a more realistic budgeting in 2020 where budget and actual expenditure almost equate. This is because of a modest revenue and expenditure projections couple with the State's Urban Renewal Programme which prioritize projects under it for better Budget Performance.

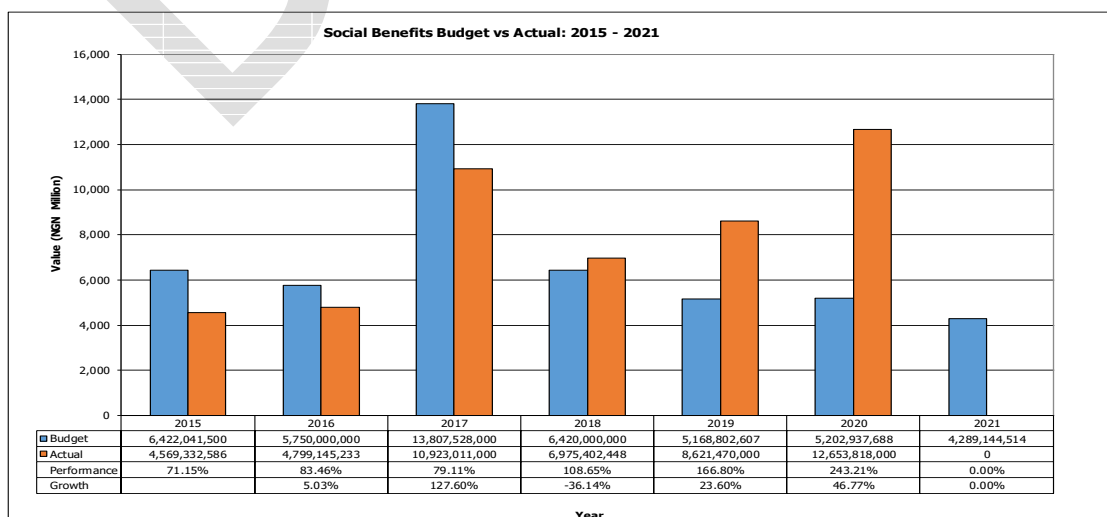
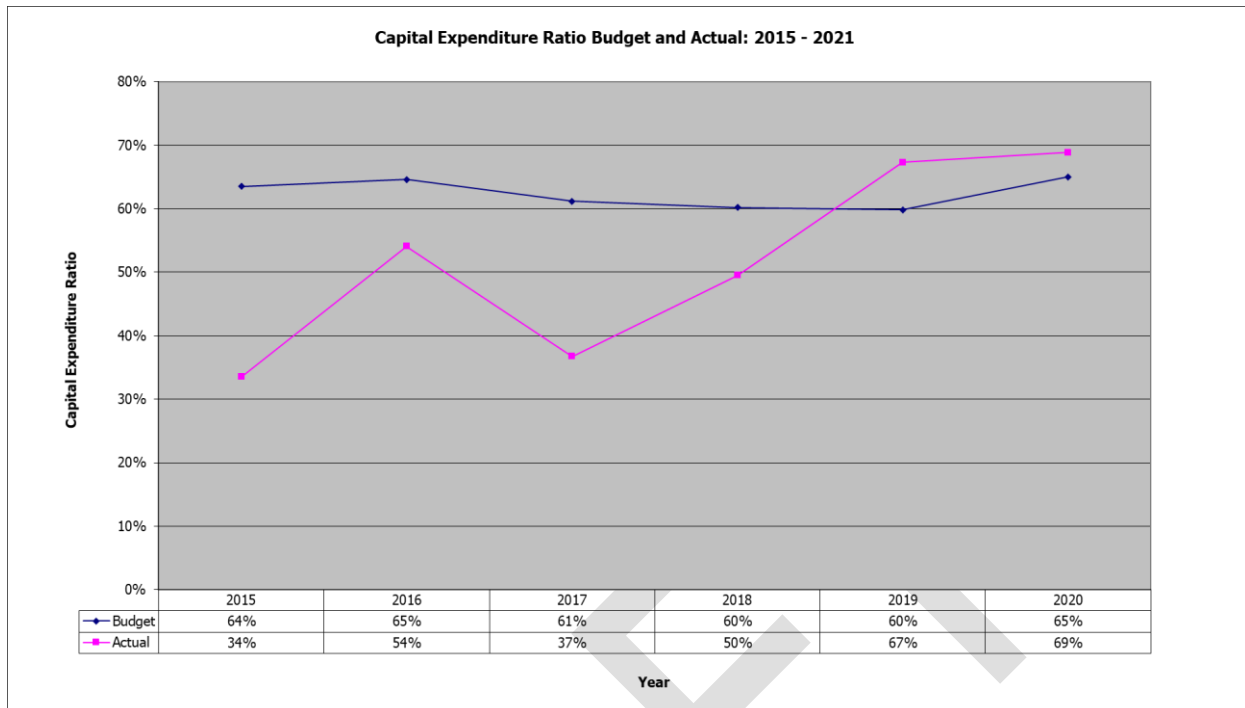
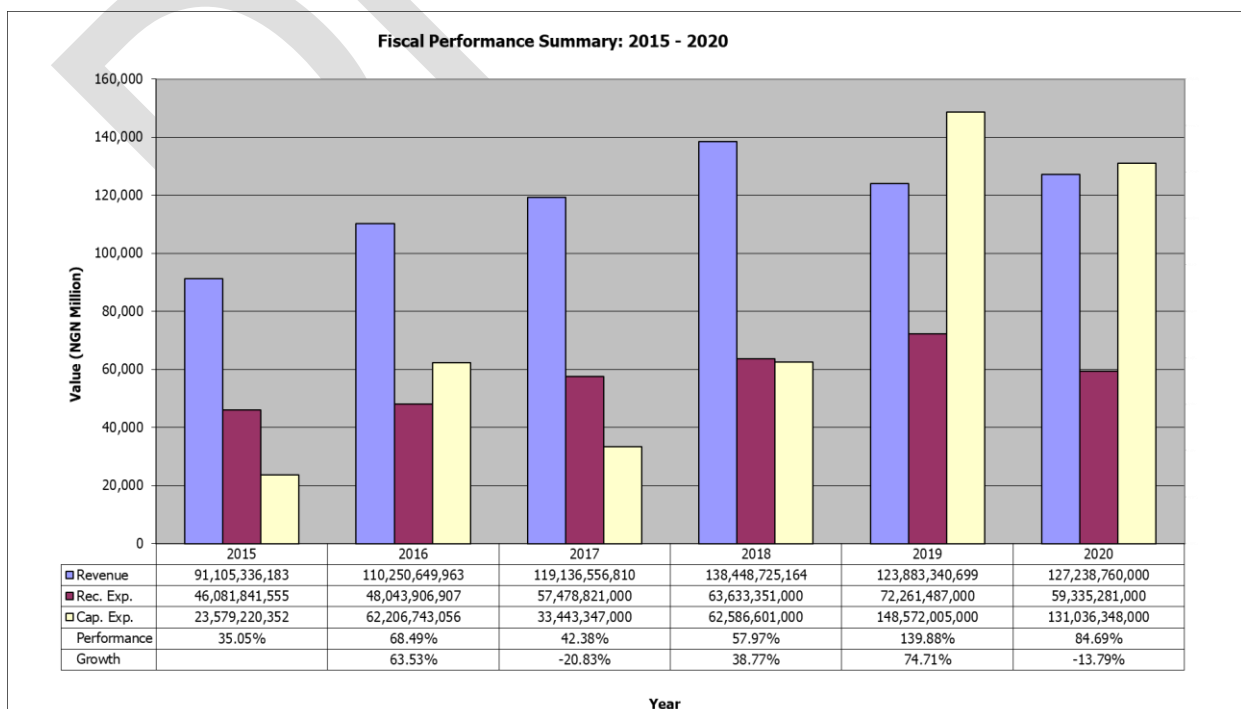
Figure 23: Social Benefits Budget VS Actual 2015 - 2021

Figure 24: Capital Expenditure Ratio

87. Political considerations negatively affected budget realism in 2017, 2018 and 2019. The 60:40 Budget ratio is being adhered to during budget allocation; however, this is not the case in terms of actual expenditure except in 2016 where both budgeted and actuals reflected the 60:40 ratio.
88. In 2019 the State accessed the first tranche of the World Bank PforR Loan, this significantly increase capital expenditure as 80% of the funds are allocated to capital. This trend is expected to continue through to 2021. This means Capital expenditure performance will be at a minimum of 60% in 2021 and 2022. There is a risk of reversing this trend in 2023 when the P4R loan is exhausted

Figure 25 Fiscal Performance Summary of Expenditure

89. Kaduna State has recorded an over performance of 139.88% in 2019 mainly due to stable revenue sources. Crude Oil Prices was stable in 2019 averaging \$66 per barrel, other non-mineral revenue such as CIT, C&E and VAT were all in the increase. An over performance of IGR (the State budgeted N41.72 billion but realised N44.9 billion in 2019) and the PforR Wold Bank Loan Funds which were not part of the 2019 budget but was approved around July 2019. All these led to an over performance in 2019. Capital Budget recorded an actual of N148.6 billion in 2019 the highest in recent years.
90. 2020 also a very good performance of the budget recording 84.69% overall performance. The PforR Loan and over performance of IGR in 2020 which the State recorded N50.1 billion all contributed to the excellent performance of the 2020 budget.

By Sector

91. Budget and actual expenditure of the sectors and sub-sectors in terms of personnel, overhead and capital expenditure are presented in Tables 6. The sub-sectors can be further categorized into the major sectors of Governance, Social, Economic and Law and Justice

Table 6: Personnel Expenditure by Sector

Personnel Expenditure by Sector											
No.	Sector	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	Performance	Average Budget/Average Actual
1	Governance - Government House	85,392,286	146,162,860	76,432,502	171,829,713	146,169,381	503,332,228	222,816,690	328,946,458	216.70%	0.35%
2	Governance - Office of the Head of Service	324,824,668	331,665,369	209,818,144	314,326,581	193,607,249	147,189,017	92,789,409	161,755,791	116.31%	0.54%
3	Governance - Secretary to the State Governor	489,997,744	509,023,417	899,075,910	919,835,743	900,719,360	803,691,220	1,398,838,390	892,765,885	84.73%	2.44%
4	Governance - Planning and Budget Commission	315,675,039	61,407,179	321,407,981	157,582,411	279,633,887	217,736,241	366,978,014	259,714,995	54.25%	0.85%
5	Governance - Ministry of Finance & Parastatals	2,230,448,236	612,399,662	2,269,556,232	671,459,816	706,782,412	860,193,915	288,885,446	1,659,371,381	69.21%	3.63%
6	Governance - Ministry for Local Government	85,778,041	28,928,745	51,171,701	55,959,304	28,928,745	74,498,997	87,553,068	91,953,293	99.17%	0.17%
7	Governance - Office of the State Auditor-General	105,881,972	94,737,177	89,612,578	72,812,626	95,775,093	87,185,297	91,314,652	116,978,198	97.16%	0.25%
8	Governance - Office of Auditor-General (Local Government)	99,805,620	108,633,734	97,687,812	85,851,445	108,633,734	100,842,149	93,214,502	142,108,558	109.54%	0.26%
9	Governance - Public Procurement Authority	28,255,781	26,213,370	28,670,835	38,233,887	58,772,810	52,004,039	52,905,008	64,665,591	107.42%	0.11%
10	Governance - Local Government Service Commission	30,937,034	453,030,901	31,162,884	29,878,010	41,478,728	26,546,826	19,162,929	45,119,760	451.82%	0.08%
11	Governance - Civil Service Commission	534,111,189	46,822,839	48,154,100	40,946,874	48,652,203	56,942,902	62,798,167	85,176,207	33.14%	0.46%
12	Governance - Kaduna State Independent Electoral Commission	60,758,154	103,431,964	70,125,631	90,067,372	103,431,964	100,454,124	96,300,006	140,810,908	131.50%	0.22%
13	Governance - State Emergency Management Agency	82,601,188	74,007,207	76,195,720	57,338,913	74,007,207	78,767,336	63,947,109	104,962,942	106.18%	0.20%
14	Governance - Other Non-SIP MDA's	1,337,103,028	1,228,357,260	374,478,581	250,353,071	266,802,485	52,836,065	2,882,674,809	497,817,494	41.75%	3.21%
15	Health	13,380,891,366	6,672,452,454	15,168,166,362	9,136,459,713	8,031,188,739	10,494,135,459	10,909,922,800	12,097,468,729	80.86%	31.37%
16	Education	15,829,766,274	6,658,893,294	15,735,660,963	13,749,799,543	13,820,065,504	16,510,894,522	13,895,600,654	21,285,833,846	98.19%	39.16%
17	Social Welfare	260,547,145	103,981,869	259,500,707	169,529,794	250,701,655	0	114,193,375	0	30.91%	0.58%
18	Works and Infrastructure	1,235,426,488	1,086,072,702	1,846,743,770	984,841,612	1,208,580,695	1,656,129,720	1,311,515,186	1,401,609,939	91.55%	3.70%
19	Rural & Community Development	81,793,381	59,650,004	121,073,074	51,172,010	76,896,073	0	0	0	39.61%	0.18%
20	Agriculture	857,097,961	710,526,771	858,334,401	604,479,710	710,522,771	786,484,609	444,939,543	845,374,579	102.65%	1.90%
21	Housing	71,254,715	95,079,414	75,824,906	74,009,878	100,829,836	0	407,766,046	355,691,633	80.04%	0.43%
22	Environment	143,908,633	180,933,045	145,619,452	130,103,008	150,933,045	179,147,766	96,087,173	369,251,479	160.18%	0.35%
23	Business Innovation and Technology	275,021,797	189,044,849	203,291,626	147,270,435	189,044,849	194,668,545	164,631,782	287,049,097	98.32%	0.55%
24	Internal Security, Law and Justice - Ministry of Justice	159,020,839	179,093,248	2,296,618,393	1,925,002,926	2,553,507,141	2,209,498,996	3,251,161,539	2,309,964,928	80.19%	5.46%
25	Internal Security, Law and Justice - Other	2,051,039,976	1,708,881,554	703,053,137	1,151,871,812	1,360,675,703	823,034,977	1,249,410,274	1,138,874,261	89.90%	3.54%
	Total	40,157,338,555	21,469,430,888	42,057,437,402	31,081,016,207	31,506,341,269	36,016,214,950	37,665,406,571	44,683,265,952	88.02%	100.00%

Table 7: Overhead Expenditure by Sector

Overhead Expenditure by Sector											
No.	Sector	2017 Budget	2017 Actual	2018 Budget	2018 Actual	2019 Budget	2019 Actual	2020 Budget	2020 Actual	Performance	Average Budget/Average Actual
1	Governance - Government House	816,331,176	1,519,450,737	1,935,503,232	3,154,810,084	1,060,031,160	3,783,115,009	2,112,478,350	2,640,539,723	187.33%	5.35%
2	Governance - Office of the Head of Service	820,786,809	622,142,403	707,739,914	299,157,107	607,062,906	247,056,402	202,832,418	113,202,609	54.80%	2.11%
3	Governance - Secretary to the State Governor	4,303,098,752	3,719,978,570	3,823,118,664	3,673,296,452	2,824,940,112	2,874,082,608	890,864,429	1,663,081,014	100.75%	10.70%
4	Governance - Planning and Budget Commission	218,012,739	152,263,312	245,584,710	236,862,398	259,234,812	188,250,136	847,574,590	185,063,727	48.55%	1.42%
5	Governance - Ministry of Finance & Parastatals	9,256,132,943	5,479,953,855	11,656,148,801	6,216,336,612	7,000,454,002	3,509,430,076	8,606,469,521	-1,126,387,911	38.55%	33.00%
6	Governance - Ministry for Local Government	445,570,494	402,567,730	521,559,507	404,324,138	339,013,679	352,031,998	256,947,966	263,238,834	90.98%	1.41%
7	Governance - Office of the State Auditor-General	31,287,246	34,330,328	36,872,800	30,641,030	23,967,320	24,570,546	30,476,750	25,801,542	94.08%	0.11%
8	Governance - Office of Auditor-General (Local Government)	29,610,215	16,194,601	43,577,100	28,160,668	28,325,115	19,955,561	38,724,968	12,795,487	54.98%	0.13%
9	Governance - Public Procurement Authority	8,995,356	7,140,943	167,255,200	41,209,594	108,715,880	104,226,352	38,402,518	2,998,699	48.11%	0.29%
10	Governance - Local Government Service Commission	2,390,500	1,017,909	4,856,200	1,136,201	3,156,530	795,869	1,892,905	705,041	29.72%	0.01%
11	Governance - Civil Service Commission	17,558,812	17,540,759	27,295,366	25,353,633	17,741,988	49,187,365	15,148,490	87,752,556	231.31%	0.07%
12	Governance - Kaduna State Independent Electoral Commission	18,028,501	17,991,259	18,699,070	15,127,508	12,154,396	10,967,904	6,329,886	2,083,015	83.62%	0.05%
13	Governance - State Emergency Management Agency	147,458,920	188,490,102	148,094,620	134,219,444	96,261,503	182,205,671	75,884,829	56,850,867	120.11%	0.42%
14	Governance - Other Non-SIP MDA's	2,827,915,887	2,662,905,759	313,923,035	215,447,136	71,085,511	5,818,808	112,267,120	68,877,086	88.81%	3.00%
15	Health	961,368,787	473,758,595	1,977,384,995	397,863,817	2,303,775,857	950,049,965	1,578,557,780	880,838,521	39.62%	6.16%
16	Education	4,170,735,739	1,763,400,312	4,289,312,391	2,202,383,523	3,195,740,001	3,716,405,109	7,042,122,344	961,835,166	46.23%	16.90%
17	Social Welfare	253,294,760	60,484,562	247,984,715	205,576,196	226,612,578	0	238,470,671	0	27.53%	0.87%
18	Works and Infrastructure	466,680,869	143,819,854	951,421,924	285,092,535	737,812,225	594,971,924	455,590,907	170,070,528	45.72%	2.36%
19	Rural & Community Development	152,149,014	84,628,740	36,538,000	27,081,099	23,749,700	0	0	0	52.58%	0.19%
20	Agriculture	37,293,665	31,187,351	40,883,750	32,995,694	25,664,438	28,645,624	20,729,562	360,896,177	364.23%	0.11%
21	Housing	21,155,543	15,779,515	64,239,350	28,320,600	54,755,577	0	1,334,564,777	400,374,361	30.14%	1.33%
22	Environment	50,671,906	59,148,226	125,654,401	49,052,749	91,675,361	57,572,384	26,874,915	20,340,115	63.12%	0.27%
23	Business Innovation and Technology	175,777,126	99,246,831	139,296,744	106,979,632	90,542,884	84,080,719	33,203,510	15,376,716	69.66%	0.40%
24	Internal Security, Law and Justice - Ministry of Justice	69,265,216	83,397,713	1,119,171,395	592,048,468	852,316,911	1,880,133,524	2,888,138,227	3,700,244,804	126.92%	4.45%
25	Internal Security, Law and Justice - Other	407,095,507	375,337,485	2,655,055,923	4,720,934,864	3,296,376,893	2,196,603,235	3,455,652,032	1,318,979,160	87.75%	8.87%
	Total	25,708,666,482	18,032,157,451	31,297,171,807	23,124,411,182	23,351,167,339	20,860,156,789	30,310,199,465	11,825,557,837	66.72%	100.00%

Table 8: Capital Expenditure by Sector

Capital Expenditure by Sector													
No.	Sector	2017 2017 Budget	2017 2017 Actual	2018 2018 Budget	2018 2018 Actual	2019 2019 Budget	2019 2019 Actual	2020 2020 Budget	2020 2020 Actual	Performance	Average Budget	Average Actual	
1	Governance - Government House	7,150,078,245	1,533,616,368	0	486,686,054	0	1,103,321,450	0	0	43.69%	1.32%	1.24%	
1	Governance - Office of the Head of Service & Parastatals	227,016,400	0	41,700,000	0	20,000,000	0	0	0	0.00%	0.05%	0.00%	
1	Governance - Secretary to the State Government	2,627,641,006	250,000,000	4,959,498,770	4,535,307,597	2,910,162,926	4,838,400	0	0	45.63%	1.94%	1.91%	
1	Governance - Planning and Budget Commission	3,214,973,002	919,667,929	1,984,686,712	556,160,287	2,919,519,992	765,322,321	3,662,387,440	2,045,999,879	36.39%	2.18%	1.71%	
1	Governance - Ministry of Finance & Parastatals	5,306,802,500	2,470,731,288	9,187,518,085	3,293,608,367	5,041,673,996	3,498,754,905	4,897,637,604	9,924,998,791	78.53%	4.51%	7.65%	
1	Governance - Ministry for Local Government	347,990,064	0	362,183,322	9,858,401	235,408,602	942,697,689	2,532,002,864	10,159,771	27.68%	0.64%	0.38%	
1	Governance - Office of the State Auditor-General	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	Governance - Office of Auditor-General (Local Govt)	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	Governance - Public Procurement Authority	0	0	98,200,000	3,737,895	36,000,000	0	35,530,000	52,941,508	33.39%	0.03%	0.02%	
1	Governance - Local Government Service Commission	0	0	85,250,000	0	0	0	0	0	0.00%	0.02%	0.00%	
1	Governance - Civil Service Commission	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	Governance - Kaduna State Indep. Electoral Commission	1,013,002,500	0	1,013,002,200	100,000,000	100,000,000	57,720,009	255,333,006	12,272,678	7.14%	0.44%	0.07%	
1	Governance - State Emergency Management Agency	92,550,002	0	0	0	80,550,000	4,573,097	0	23,190,000	16.04%	0.03%	0.01%	
1	Governance - Other Non-SIP MDA's	0	0	4,181,642,674	1,086,599,481	3,668,422,022	0	10,771,077,594	4,962,866,905	32.49%	3.44%	2.41%	
1	Health	10,490,384,271	3,111,542,644	17,576,392,531	5,571,365,122	13,252,536,696	5,446,604,764	30,296,014,993	6,596,215,169	28.94%	13.22%	8.26%	
1	Education	44,847,334,630	6,134,710,969	31,710,601,337	7,568,656,587	25,411,508,484	12,508,065,946	45,154,340,738	9,796,946,756	24.47%	27.17%	14.35%	
1	Social Welfare	2,303,668,000	138,822,237	941,472,400	319,815,714	543,990,060	0	1,740,232,500	0	8.29%	1.02%	0.18%	
1	Works and Infrastructure	29,391,981,823	13,079,964,930	27,797,166,960	32,221,683,451	13,995,963,685	51,096,623,005	57,438,332,953	31,287,542,533	99.27%	23.75%	50.88%	
1	Rural & Community Development	7,079,453,000	659,703,373	5,612,547,401	403,868,074	6,978,426,506	0	0	0	5.41%	3.63%	0.42%	
1	Agriculture	4,665,051,846	726,707,393	4,013,798,115	642,929,425	1,181,385,516	286,096,924	1,917,912,750	228,093,636	15.99%	2.17%	0.75%	
1	Housing	8,602,882,812	1,116,948,657	11,211,327,691	2,006,090,820	10,195,836,711	0	13,264,580,628	4,152,445,251	16.81%	7.99%	2.90%	
1	Environment	4,888,786,060	2,098,467,117	3,745,946,260	1,679,817,979	3,376,659,697	791,212,313	2,936,560,673	850,776,745	36.26%	2.76%	2.16%	
1	Business Innovation and Technology	1,551,537,348	418,313,709	1,113,265,426	403,068,220	771,701,322	497,046,865	3,451,432,928	3,573,156,494	71.02%	1.27%	1.95%	
1	Internal Security, Law and Justice - Ministry of Justice	247,835,850	75,132,910	2,348,374,667	482,790,669	1,946,130,684	2,596,858,004	236,260,000	1,642,420,834	100.39%	0.88%	1.91%	
1	Internal Security, Law and Justice - Other Non-SIP MDA's	978,008,250	82,080,387	1,546,320,730	1,317,082,818	1,810,621,724	40,020,219	3,902,764,308	649,919,302	25.36%	1.52%	0.83%	
	Total	135,026,977,609	32,816,409,911	129,530,895,281	62,689,126,961	94,476,498,623	79,639,755,911	182,492,400,979	75,809,946,252	46.34%	100.00%	100.00%	

2.B.2 Debt Position

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

Table 9: Debt Position as of 31st December 2020

A	DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2020
	Solvency Ratios		Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	64.28%
2	Total Domestic Debt/IGR	150%	156.26%
3	Total External Debt/Total Revenue	50%	201.60%
4	Total Public Debt/Total Revenue	100%	265.87%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
	Liquidity Ratios		
6	External Debt Service/Total Revenue	10%	5.04%
7	Total Debt Service/Total Revenue	15%	7.76%
8	Domestic Debt Service/IGR	10%	6.61%
			2020 Actual
B	PUBLIC DEBT DATA AS AT 31st DECEMBER 2020		Naira
1	Total Domestic Debt		68,754,361,084
2	Total External Debt		215,644,251,090
3	Total Public Debt		284,398,612,174
4	Total Domestic Debt Service 2020		2,909,730,000
5	Total External Debt Service in 2020		5,389,217,000
6	Total Public Debt Service		8,298,947,000
C	STATE GDP FOR 2020		
1	State GDP		0

93. **External Loans:** External Loans are loans sourced from multinational institutions such as the World Bank, International Monetary Fund (IMF), Islamic Development Bank (IsDB), African Development Bank (AfDB) etc. The Federal Ministry of Finance, Budget and National Planning obtain these loans and lends them to State Government through the Subsidiary Loan Agreement.
94. **Internal Loans:** These are loans obtained from within the Country and consists of Commercial Bank Loans, Budget Support Loan Facility, Salary Bailouts, Loans from Federal Government, Central Bank of Nigeria (CBN) etc. As at December 2020 the State has a total of ₦78.9 billion.
95. **Solvency:** This is the capacity or ability of the State Government to pay back the loans obtained. As seen above, the State has passed all of its debt sustainability threshold but within the liquidity ratios.
96. **External Debt Service to Total Revenue:** The External debt servicing to Total revenue for Kaduna State as at 31st December 2020 is 3.06%. The State is far below the threshold of 10%. This is comparing the total revenue if the State which comprises IGR, FAAC, and other major revenue sources to service its external debt.
97. **Total Debt Service to Total Revenue:** The Total debt service to Total revenue of Kaduna State stands at 5.46%. This is also below the liquidity threshold of 15%. The threshold assesses the total revenue inflow of the state in repaying its total debt both external and internal.
98. **Domestic Debt Service to IGR:** This threshold assesses the State's capacity in using its Internally Generated Revenue to meet its internal or domestic debt obligations. The State is within the liquidity ratio threshold, currently at 5.84% with a threshold of 10%. It should be noted that the debt servicing figures do not include payment of contracts liability arrears. If these were included, both the Total Debt Service to Total Revenue and Domestic Debt Service to IGR would increase substantially

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

99. The Macroeconomic framework is based on several different sources of information:
- The International National Inflation and Real GDP growth rate figures are gotten from IMF World Economic Outlook April 2021. While the National figures are gotten from National Bureau of Statistics CPI and GDP first quarter 2021 reports.
 - Crude Oil Production figures are sourced from NNPC Monthly Financial and Operational Report of January 2021.
 - Crude Oil Prices are derived from OPEC Monthly Report of April 2021
 - Foreign Exchange rate is derived from Central Bank of Nigeria website of IFEM Rate.
100. Crude Oil production figures from NNPC shows that from January 2020 to February 2021, Crude Oil Production average 1.79 mbpd. Production from of January and February 2021 shows Nigeria produced 1.5 and 1.4 mbpd. This downward production level production is coming from the fact that Nigeria is honouring its commitment of 1.4 mbpd OPEC+ agreement to cut production level globally to avoid supply glut that will crash oil prices. Nigeria is expected to cut its production to 1.4 mbpd (excluding condensates). Kaduna State is pegging oil production at 1.7 mbpd including condensates of 300k bpd. This is necessary to ramp up and stabilise oil prices globally.
101. Oil Prices are expected to average \$41/brl in 2021 (EIA short term energy outlook), owing to the fact that vaccines are available and are mostly being administered successfully in major economies of the world. Lockdowns are being eased, industries are functioning while travels are being eased. The U.S.A Energy Information and Administration (EIA) forecasts that Brent prices will average \$65/b in the second quarter of 2021, \$61/b during the second half of 2021, and \$61/b in 2022. Bonny Light averaged \$64.17/brl in April 2021 and \$65.57 in May 2021, as at 1st June, 2021 Brent is trading at \$71/brl signifying with a very bullish forecast of surging to \$80/brl by 4th quarter 2021. Kaduna State is always conservative with its assumptions.
102. The Nigerian Naira has continuously suffered devaluations from the first quarter 2020 owing to the massive fall of crude oil prices to an all-time low thereby putting a strain on foreign exchange. The Naira was adjusted to N360/US\$1 and further to 380/US\$1 and at the Importers & Exporters Foreign Exchange (IEFX) window, where the bulk of foreign exchange transactions are consummated, the exchange rate depreciated from about N362/US\$1 in January 2020 to over N385/US\$1. As at May 2021 the Naira traded N410/US\$1 signifying a further devaluation. Since there is no official statement on this, Kaduna State are pegging its FX rate at N380/US\$1 by 2022.
103. The Mineral Ratio is the total crude oil proceeds available for distribution in a given month. It is derived from deducting all expenses like the Joint Venture Cash Calls (JVCs), DPR cost of collection and other deductions from the total crude oil revenue. The Mineral Ratio averaged 30% in first quarter of 2020 up from 28% average of 2019. The NNPC in conjunction with the Budget Office of the Federation reduced their cost of production downwards by 53% with the view to ensuring minimal deductions and maximizing contributions to the Federation Account. After the deduction of these costs on the total mineral revenue, what is left is the Mineral Ratio of 47%. The NNPC has promised to reduce production cost to \$10 or less to every barrel of oil. The State is still being conservative with the mineral ratio assumptions and pegged it at 34% in its 2022 MTEF and forecast an increase to 35% and 38% in 2023 and 2024 respectively.

Figure 26: Kaduna State Macroeconomic Framework

Item	2021	2022	2023	2024
National Inflation	13.21%	13.50%	12.50%	12.00%
National Real GDP Growth	-1.90%	1.80%	2.00%	2.20%
Oil Production Benchmark (MBPD)	1.4000	1.8000	1.9500	2.1000
Oil Price Benchmark	\$35.00	\$50.00	\$50.00	\$55.00
NGN:USD Exchange Rate	380	410	410	410
Other Assumptions				
Mineral Ratio	38%	27%	30%	32%

3.B Fiscal Strategy and Assumptions

Policy Statement

104. The overall policy of government when considering its budget remain along the line of the State Development Plan 2021-2025 with the following key criteria:

- Sustaining the productivity and diversification of the economy of the State.
- Promoting a conducive business environment that will improve opportunities.
- Continuous investment in infrastructure that will accelerate economic growth.
- Continuous improvement in the State's prospects to achieve the relevant aspects of the SDGs.
- Redesigning and improving security strategies for the protection of lives and properties.
- Ensure continuous institutional strengthening for achieving effective, efficient, transparent, and accountable government for improved service delivery.

Objectives and Targets

105. The key targets from a fiscal perspective are:

- Ensuring the actualization of the development priorities of the government as articulated in the State Development Plan (SDP) 2021 – 2025;
- Maintaining a favourable proportion of Capital to Recurrent expenditure (at least a target of 60%:40%);
- Maintain a sustainable debt position in line with Federal Debt Management Office (FDMO) criteria and State Debt Clearance Framework;
- Expand the revenue base of the State by exploring untapped sources;
- Improve economic growth through investment in infrastructure under State Urban Renewal Programme;
- Eliminating wastages and other unjustifiable expenditure that are not clearly linked to policy objectives;
- Ensuring adequate provision of 2021 projects likely to be completed in 2022 or over the period of 2022 - 2024; and
- Ensure the inclusion of sector wide public works programs with significant potentials for job creation across all Local Governments of the State.

3.C Indicative Three-Year Fiscal Framework

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

Table 10: Kaduna State Medium Term Fiscal Framework

Fiscal Framework				
Item	2021	2022	2023	2024
Statutory Allocation	42,955,127,036	54,191,174,470	63,182,987,863	75,625,989,083
VAT	21,638,275,129	24,955,552,583	28,248,814,238	32,010,106,611
IGR	41,700,000,000	61,106,180,521	36,000,000,000	40,000,000,000
Excess Crude / Other Revenue	0	0	0	0
Total Recurrent Revenue	106,293,402,165	140,252,907,573	127,431,802,101	147,636,095,694
Recurrent Expenditure				
Personnel Costs	40,394,752,758	45,932,809,431	47,000,000,000	49,000,000,000
Social Benefits	0	10,000,000,000	11,000,000,000	12,000,000,000
Overheads	31,232,832,741	29,813,477,587	30,000,000,000	30,000,000,000
Grants, Contributions and Subsidies				
Public Debt Service	12,978,034,702	15,653,785,951	18,356,053,653	19,299,955,256
Total	84,605,620,201	101,400,072,968	106,356,053,653	110,299,955,256
Transfer to Capital Account	21,687,781,964	38,852,834,605	21,075,748,448	37,336,140,438
Capital Receipts				
Grants	29,560,339,851	29,395,509,181	11,380,130,914	10,113,130,914
Other Capital Receipts	6,700,000,000	500,000,000	0	0
Total	36,260,339,851	29,895,509,181	11,380,130,914	10,113,130,914
Reserves				
Contingency Reserve	0	0	0	0
Planning Reserve	0	0	0	0
Total Reserves	0	0	0	0
Capital Expenditure				
Discretionary Funds	129,635,176,475	99,223,355,820	60,332,400,650	56,325,792,640
Discretionary Funds	91,202,606,935	66,721,048,087	40,493,038,910	37,753,430,900
Non-Discretionary Funds	38,432,569,540	32,502,307,733	19,839,361,740	18,572,361,740
Financing (Loans)	71,687,054,660	30,475,012,034	27,876,521,288	8,876,521,288
Total Revenue (Including Opening Balance)	214,240,796,676	200,623,428,788	166,688,454,303	166,625,747,896
Total Expenditure (including Contingency Reserve)	214,240,796,676	200,623,428,788	166,688,454,303	166,625,747,896
Closing Balance				
Ratios				
Growth in Recurrent Revenue	-0.63%	31.95%	-9.14%	15.85%
Growth in Recurrent Expenditure	-0.23%	19.85%	4.89%	3.71%
Capital Expenditure Ratio	60.51%	49.46%	36.19%	33.80%
Deficit (Financing) to Total Expenditure	33.46%	15.19%	16.72%	5.33%

3.C.1 Assumptions

107. **Statutory Allocation** – Statutory Allocation's forecast is based on elasticity of non-mineral revenue (Custom and Excise Duty & Company Income Tax) using historical data from 2013 to 2020 and forecast for the period of 2022 – 2024 using GDP growth rate and inflation. Mineral revenues are based on the benchmarks and the current proportion of crude oil sales proceeds that are converted into fiscal resources. The budgeted figures for Statutory Allocation do not include any excess crude or other Federation Account receipts. It has taken into cognisance the 0.005% deduction of Police Trust Fund from both the Mineral and Non-Mineral Revenue.

108. **VAT** - The estimate for VAT is based on elasticity using 2013-2020 actuals and 2022-2024 real GDP growth and inflation. Historical elasticities are calculated for the period 2013-2020. The 2020 Finance Bill increasing VAT from 5% to 7.5% and additional 3% deduction from VAT for North East Development Company is recognised.

109. **Excess Crude** - There is no provisions for revenue from excess crude because Excess Crude is a kind of stabilization fund that is distributed at the discretion for the Federal Government and States or when the economy needs to be supported to cushion the effect of recession or economic down-turn. This makes it not reasonable to budget or forecast excess crude.

110. **Internally Generated Revenue (IGR)** – The actual IGR collections for 2020 was used to project for 2022 to 2024. The State's IGR has grown by more than 200% since 2015. The State recorded an increase of 11.5% in its 2020 IGR as compared with 2019 actual collections. This came even with the Covid-19 imposed lockdowns in the State. The State has continually outperformed its budget figures of IGR in recent years. This is mainly due to the political will of the government to increase IGR overtime and be independent of Statutory Allocation in the long run.
111. **Grants** – Budgeting and forecasting Grants are usually very challenging because most of the receipts and expenditure for grants are off budget. They don't go through the Office of the Accountant General of the State, they usually go directly to Implementing Partners. The Budget for 2022 to 2024 is based on bi-lateral engagement with the PFM Office. The grants captured are mostly BMGF, UN Systems, World Bank, DFID who has forwarded their commitments. The grants are mostly non-discretionary, these funds are tied to the implementation of specific programs/projects. If the funds are not forthcoming, the programs/projects will not be implemented.
112. **Miscellaneous Capital Receipts** - Based on the sale of non-essential government houses, the State still expect negligible amount in the year 2022 mostly based on non-compliance to the payment policy of Government or some houses that were confiscated and removed based on breaching some law of the State.
113. **Financing (Loans)** - The 2020 and 2021 budgets are greatly influenced by the World Bank PforR credit facility. Priority Projects especially from the Kaduna State Urban Renewal Programme are financed from the World Bank Loan which will spill over to 2022 and even 2023 as some contracts were recently signed. Other Loans apart from the World Bank Loan are expected to finance the Budget. A schedule of estimated capital receipts is captured in Annex 1.
114. **Personnel** – The recent right sizing of political office holders and civil servants will greatly impact personnel cost 2022 to 2023. The government is committed in reducing recurrent expenditure especially personnel.
115. **Overheads** – The State's commitment on reducing recurrent expenditure to the barest minimum has influenced its budget for 2022 where the budget is less than 2021. We may see even lower overhead actuals in 2022 as more reforms are unveiled.
116. **Contingency and Planning Reserves** - No provision is made for contingency and Planning Reserves.
117. **Capital Expenditure** - This is based on recurrent account surplus plus Capital receipts, i.e. internal and external grants, internal and external loans as well as other capital receipts. Capital expenditure is budgeted is more than 60% of total expenditure in 2021. Priority to CAPEX will continue into 2022 – 2024 as we see a ratio of at least 60% for CAPEX and 40% for Recurrent Expenditure.

3.D Fiscal Trends

118.

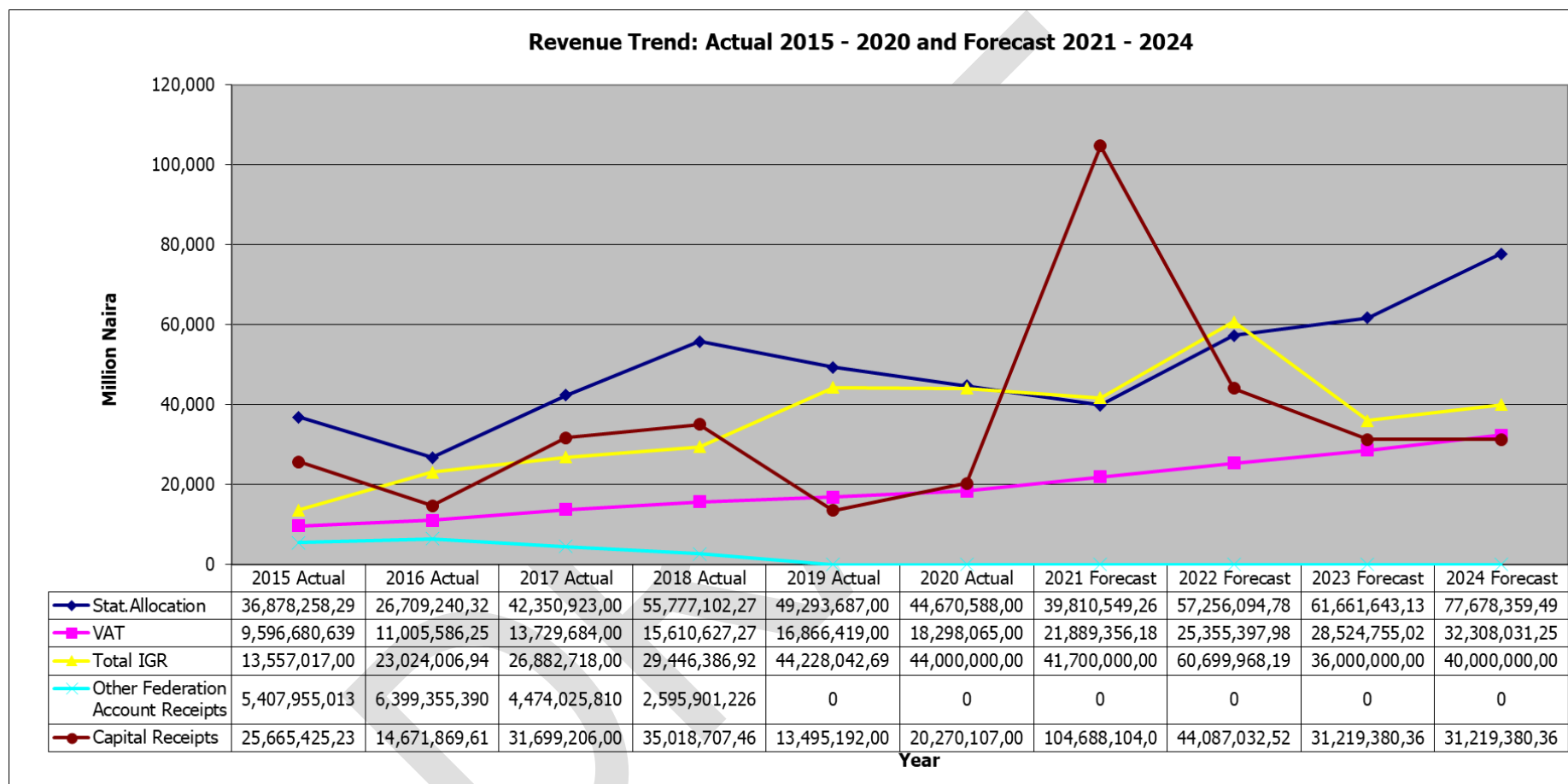
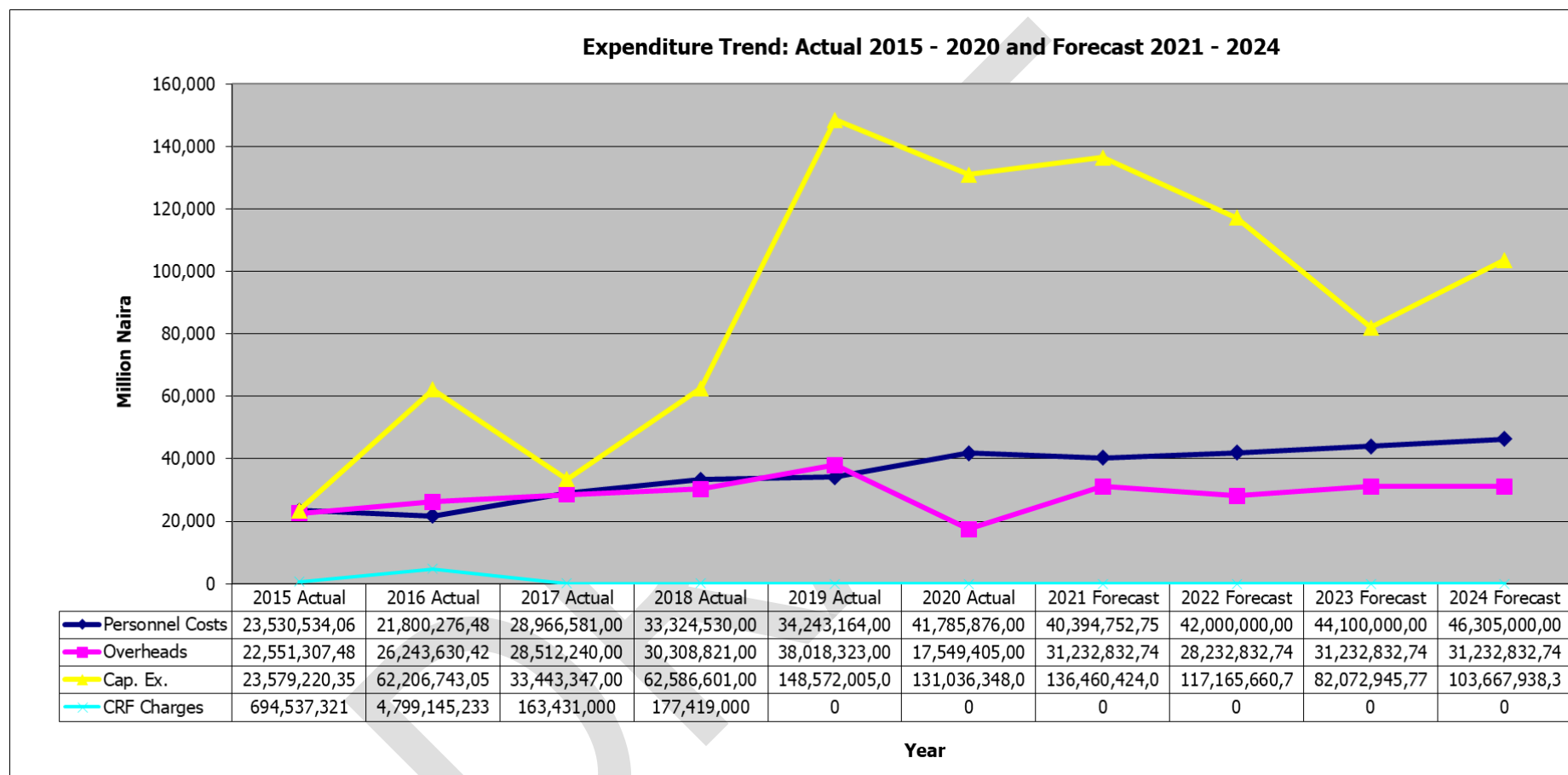
Figure 27:Kaduna State Revenue Trend

Figure 28: Kaduna State Expenditure Trend

3.E Fiscal Risks

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

Table 11: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Risks to Statutory Allocation based on Oil Price or Production shock	Medium	Short fall in Statutory Allocation from FAAC (High)	In the long term, Kaduna State would have to be less dependent on Statutory Allocation to fund its expenditure. This would be achieved through higher IGR collections. In the short term, capital projects would be prioritized, and overhead expenditure should be made flexible for reduction if short term falls are further experienced. Also use of prudent mineral assumptions in the budget (below those used by Federal Government)
Threat to security in Kaduna and neighbouring States which could reduce economic activity by taxpayers.	Medium	Reduced IGR and increased Overhead (Medium)	Proactive engagement with Communities in the State and neighbouring States - through collaborative effort with the Ministry of Internal Security and Home Affairs, Northern Governor's Forum, etc. – to reduce risk as well as “pooling of resources” to combat insecurity
Floods and other natural disasters which could adversely affect farming and other economic activity	Low	Reduced IGR and increased Overhead (Low)	Increased investment to raise the level of climate resilience (flood control and irrigation) adaptation and awareness.
Security situation nationwide deteriorates causing reductions in Federal transfers	Medium	Reduced Statutory Allocation and VAT from FAAC (High)	In the long term, Kaduna State would have to be less dependent on Statutory Allocation and VAT to fund its expenditure. This would be achieved through higher IGR collections. In the short term, capital projects would be prioritized, and Overhead expenditure should be made flexible for reduction if short term revenue falls are further experienced.
No materialisation of Capital Receipts	Low	Medium	Loans that are at risk of not materialising must be ring fenced to specific activities and the risk should be spread reasonably across sectors to the extent possible, and on lower priority projects.
With successful conduct of 2019 general elections there is going to be high economic activities in part of 2019 and	High	Increased IGR and VAT Revenues (High)	Budgetary forecasts should reflect potential impact of growth on IGR and VAT

beyond			
New deadly strain of Covid-19 transmitted in Nigeria.	High	High	This may cause another lockdown, slowing down economic activities and revenue. The Structures and processes already put in place will help at slowing down infection rate. The availability of vaccines through COVAX will help tremendously in vaccinating majority of the population and creating herd immunity.

120. It should be noted however that no budget is without risk. The ongoing implementation of the 2019 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

3.F Local Government Forecasts

121. Based on the Macroeconomic assumptions in section 3.A, the forecasting techniques noted in section 3.B and the vertical and horizontal sharing ratios from May 2018, the Federation Account revenues have been forecasted for the 23 Local Governments (LGs) of Kaduna State. In addition, LG share of IGR (LG receive 60% of Land Use Charge) which is estimated to constitute 2.5% of the IGR estimate contained in the State Fiscal Framework (Table 10 above).

122. The forecasts for the period 2020-2022 is provided in Table 12 below.

Table 12 Local Government FAAC and Share of State IGR Estimates

Local Government Council	2020				
	Statutory Allocation	VAT	Other Federation Account	Share of State IGR	Total Transfer
BIRNIN GWARI	2,377,053,698	521,773,757	-	31,101,557	2,929,929,012
CHIKUN	2,417,050,811	623,839,920	-	31,624,882	3,072,515,613
GIWA	2,000,302,567	551,775,239	-	26,172,115	2,578,249,921
KAJURU	1,540,204,360	397,153,638	-	20,152,154	1,957,510,153
IGABI	2,532,026,437	678,427,222	-	33,129,232	3,243,582,892
IKARA	1,696,229,312	470,306,031	-	22,193,597	2,188,728,940
JABA	1,479,108,623	436,354,436	-	19,352,773	1,934,815,833
JEMA'A	1,970,815,261	545,000,597	-	25,786,301	2,541,602,160
KACHIA	2,174,014,242	514,649,462	-	28,444,973	2,717,108,676
KADUNA NORTH	2,053,793,195	614,542,842	-	26,871,991	2,695,208,029
KADUNA SOUTH	2,192,745,507	653,908,338	-	28,690,054	2,875,343,899
KAGARKO	1,894,913,798	511,715,721	-	24,793,201	2,431,422,720
KAURA	1,641,692,105	495,541,836	-	21,480,028	2,158,713,969
KAURU	1,690,404,014	449,240,524	-	22,117,379	2,161,761,916
KUBAU	1,956,808,126	547,915,842	-	25,603,031	2,530,326,999
KUDAN	1,517,766,041	421,923,533	-	19,858,570	1,959,548,144
LERE	2,111,854,639	591,174,203	-	27,631,671	2,730,660,513
MAKARFI	1,420,463,247	428,323,861	-	18,585,452	1,867,372,560
SABON GARI	1,874,299,442	552,166,287	-	24,523,481	2,450,989,210
SANGA	1,571,463,382	431,031,252	-	20,561,150	2,023,055,783
SOBA	2,003,042,546	557,802,134	-	26,207,966	2,587,052,646
ZANGON KATAF	2,241,000,785	578,147,197	-	29,321,430	2,848,469,412
ZARIA	2,288,255,418	659,023,668	-	29,939,713	2,977,218,799
Total	44,645,307,555	12,231,737,543	-	584,142,701	57,461,187,798

Local Government Council	2021				
	Statutory Allocation	VAT	Other Federation Account	Share of State IGR	Total Transfer
BIRNIN GWARI	2,501,650,879	560,427,452	-	35,766,790	3,097,845,121
CHIKUN	2,543,744,506	670,054,811	-	36,368,614	3,250,167,932
GIWA	2,105,151,717	592,651,484	-	30,097,933	2,727,901,133
KAJURU	1,620,936,706	426,575,309	-	23,174,978	2,070,686,992
IGABI	2,664,746,769	728,686,014	-	38,098,617	3,431,531,400
IKARA	1,785,139,962	505,146,928	-	25,522,637	2,315,809,527
JABA	1,556,638,536	468,680,154	-	22,255,689	2,047,574,378
JEMA'A	2,074,118,786	585,374,967	-	29,654,246	2,689,148,000
KACHIA	2,287,968,776	552,775,379	-	32,711,718	2,873,455,873
KADUNA NORTH	2,161,446,145	660,068,994	-	30,902,790	2,852,417,929
KADUNA SOUTH	2,307,681,870	702,350,738	-	32,993,562	3,043,026,171
KAGARKO	1,994,238,822	549,624,303	-	28,512,181	2,572,375,306
KAURA	1,727,744,098	532,252,235	-	24,702,032	2,284,698,365
KAURU	1,779,009,322	482,520,860	-	25,434,985	2,286,965,167
KUBAU	2,059,377,444	588,506,177	-	29,443,485	2,677,327,107
KUDAN	1,597,322,245	453,180,190	-	22,837,355	2,073,339,790
LERE	2,222,550,975	634,969,175	-	31,776,422	2,889,296,572
MAKARFI	1,494,919,165	460,054,663	-	21,373,270	1,976,347,098
SABON GARI	1,972,543,932	593,071,501	-	28,202,003	2,593,817,435
SANGA	1,653,834,221	462,962,620	-	23,645,322	2,140,442,163
SOBA	2,108,035,317	599,124,859	-	30,139,160	2,737,299,336
ZANGON KATAF	2,358,466,528	620,977,111	-	33,719,644	3,013,163,284
ZARIA	2,408,198,091	707,845,019	-	34,430,670	3,150,473,780
Total	46,985,464,812	13,137,880,943	-	671,764,106	60,795,109,861

Local Government Council	2022				
	Statutory Allocation	VAT	Other Federation Account	Share of State IGR	Total Transfer
BIRNIN GWARI	2,725,325,552	608,635,437	-	41,131,809	3,375,092,797
CHIKUN	2,771,182,805	727,692,945	-	41,823,907	3,540,699,656
GIWA	2,293,375,072	643,631,381	-	34,612,623	2,971,619,075
KAJURU	1,765,865,996	463,269,329	-	26,651,224	2,255,786,549
IGABI	2,903,003,980	791,367,605	-	43,813,410	3,738,184,995
IKARA	1,944,750,801	548,599,681	-	29,351,032	2,522,701,515
JABA	1,695,818,874	508,996,034	-	25,594,042	2,230,408,950
JEMA'A	2,259,567,461	635,728,938	-	34,102,383	2,929,398,782
KACHIA	2,492,537,955	600,325,133	-	37,618,476	3,130,481,564
KADUNA NORTH	2,354,702,831	716,848,148	-	35,538,208	3,107,089,187
KADUNA SOUTH	2,514,013,613	762,766,969	-	37,942,596	3,314,723,178
KAGARKO	2,172,545,363	596,903,001	-	32,789,008	2,802,237,372
KAURA	1,882,223,125	578,036,588	-	28,407,337	2,488,667,050
KAURU	1,938,072,015	524,027,318	-	29,250,233	2,491,349,566
KUBAU	2,243,508,083	639,129,495	-	33,860,008	2,916,497,587
KUDAN	1,740,140,147	492,162,763	-	26,262,958	2,258,565,868
LERE	2,421,271,094	689,589,241	-	36,542,886	3,147,403,221
MAKARFI	1,628,581,123	499,628,578	-	24,579,261	2,152,788,961
SABON GARI	2,148,910,715	644,087,528	-	32,432,303	2,825,430,546
SANGA	1,801,704,905	502,786,678	-	27,192,121	2,331,683,704
SOBA	2,296,516,497	650,661,596	-	34,660,034	2,981,838,127
ZANGON KATAF	2,569,338,969	674,393,580	-	38,777,591	3,282,510,140
ZARIA	2,623,517,072	768,733,867	-	39,595,271	3,431,846,210
Total	51,186,474,048	14,268,001,831	-	772,528,722	66,227,004,600

123. Additional Grants are also available to Local Governments as identified in the Local Government Fiscal Transparency, Accountability and Sustainability (LFTAS) programme. There is an annual incentive in the sum of Twenty Million Naira only for the participating LGAs who had made the minimum performance indicators as listed below:

- Budget preparation Process - Increased Citizen engagement in Budget processes
- Adherence to Policy Documents - Strengthen Plan-Budget link
- Internally Revenue Generation (IGR) -Improved revenue generation
- Procurement and nominal roll fraud - Increased Transparency and value for money
- Tracking Absenteeism and non-challant attitude of Primary School Teachers and Health personnel - Improved service delivery and Improved quality of education

124. More information is available in the Memorandum issued by the Commissioner of the Planning and Budget Commission in June 2018.

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Section 4 Budget Policy Statement

4.A Budget Policy Thrust

125. To achieve its vision the current administration will focus on five areas namely Economic Development, Social Welfare, Security and justice, and Governance. Consequently, financial resources will be strictly dedicated to meet the objectives outlined in the State Development Plan 2021 - 2025.

126. The Multi-Year Budgeting Framework will be utilized, and the 2022-2024 multi-year budget will emphasize on the following:

- Serve strictly as the financial implementation plan of the new State Development Plan 2021 - 2025;
- Cover the three-year period, 2022 - 2024;

127. The 2022 Budget will also adhere to key fiscal objectives outlined by the current administration which focus on the following:

- Ensuring the actualization of the development priorities of the government as articulated in the State Development Plan and respective Sector Implementation Plans (SIPs);
- Maintaining a favorable proportion of Capital to Recurrent Expenditure (at least a target of 60%:40%);
- Ensuring adequate provision is made to complete 2021 projects in 2022;
- Expanding the revenue generation capacity of the State; and
- Eliminating wastages and other unjustifiable expenditure that are not clearly linked to policy objectives.
- Prioritizing capital project under the Urban Renewal Programme.

4.B Sector Allocations (3 Year)

128. Presented in the table below are the indicative three envelopes for sectors and sub-sectors. The basis for 2022-2024 recurrent expenditure envelopes (Personnel, Overheads) is an average for the period 2015-2020 budget allocations.

129. For Capital Expenditure, non-discretionary resources have automatically been allocated to their relevant sectors. The main premise for overall allocation is to maintain to a large extent the percentage allocations from 2020. The reason for this is there is likely to be a carryover of projects from 2020 into 2022. It is assumed that funding of projects in 2020 has been uniform across sectors and MDAs – therefore each sector/MDA should carry over a similar proportion of their projects to 2021. If it is the case that some sectors have enjoyed more funding in 2021 than other, these sectors may not get such a high level of funding in 2022.

130. Other considerations include:

- Commitment of Kaduna State Government to spend 45% on Education and Health;
- Policy to spend the proceeds from the Kaduna State Economic Transformation Performance for Results programme on Urban Renewal and Infrastructure;
- Merging of Water and Rural and Community Development into Works and Public Infrastructure Sector;
- Creation of Ministry of Internal Security and Home Affairs under Security and Justice Sector (movements of overhead and capital allocation from SSG to Internal Security, Law and Justice - Other Non-SIP MDA's);

- Creation of Ministry of Housing and Urban Development (contained within Works and Infrastructure allocation); and
- Names changes (but no influence on allocations):
 - i. Ministry of Women Affairs is now the Ministry of Human Services and Social Development;
 - ii. Ministry of Commerce, Industry and Tourism is now the Ministry of Business, Innovation and Technology;
 - iii. Ministry of Youth and Sports is now the Ministry of Sports Development; and
 - iv. Ministry of Works, Housing and Transport is now Ministry of Public Works and Infrastructure.

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Table 13: Indicative Sector Personnel Expenditure Ceilings 2020-2022

Personnel Expenditure by Sector							
No.	Sector	% 2020	2020 Allocation	% 2021	2021 Allocation	% 2022	2022 Allocation
1	Governance - Government House	1.04%	354,242,537	1.04%	371,954,664	1.04%	390,552,397
2	Governance - Office of the Head of Service & Parastatals	1.00%	340,149,822	1.00%	357,157,313	1.00%	375,015,178
3	Governance - Secretary to the State Government	2.29%	779,715,689	2.29%	818,701,474	2.29%	859,636,547
4	Governance - Planning and Budget Commission	0.70%	237,352,873	0.70%	249,220,516	0.70%	261,681,542
5	Governance - Ministry of Finance & Parastatals	4.55%	1,546,860,748	4.55%	1,624,203,786	4.55%	1,705,413,975
6	Governance - Ministry for Local Government	0.15%	49,531,698	0.15%	52,008,283	0.15%	54,608,697
7	Governance - Office of the State Auditor-General	0.27%	91,041,868	0.27%	95,593,962	0.27%	100,373,660
8	Governance - Office of Auditor-General (Local Govt)	0.28%	96,001,032	0.28%	100,801,084	0.28%	105,841,138
9	Governance - Public Procurement Authority	0.10%	33,168,378	0.10%	34,826,797	0.10%	36,568,137
10	Governance - Local Government Service Commission	0.44%	150,575,809	0.44%	158,104,600	0.44%	166,009,830
11	Governance - Civil Service Commission	0.40%	137,373,070	0.40%	144,241,723	0.40%	151,453,809
12	Governance - Kaduna State Indep. Electoral Commission	0.23%	77,425,033	0.23%	81,296,285	0.23%	85,361,099
13	Governance - State Emergency Management Agency	0.13%	45,454,640	0.13%	47,727,372	0.13%	50,113,740
15	Health	25.50%	8,670,850,311	25.50%	9,104,392,827	25.50%	9,559,612,468
16	Education	40.67%	13,826,126,730	40.67%	14,517,433,066	40.67%	15,243,304,720
17	Social Welfare	0.77%	262,710,451	0.77%	275,845,974	0.77%	289,638,272
18	Works and Infrastructure	3.51%	1,194,792,180	3.51%	1,254,531,789	3.51%	1,317,258,378
19	Rural & Community Development		0	0.00%	0	0.00%	0
20	Agriculture	2.21%	751,114,975	2.21%	788,670,723	2.21%	828,104,260
21	Water		0	0.00%	0	0.00%	0
22	Environment	0.43%	146,406,347	0.43%	153,726,665	0.43%	161,412,998
23	Commerce	0.45%	152,773,383	0.45%	160,412,052	0.45%	168,432,655
24	Internal Security, Law and Justice - Ministry of Justice	3.05%	1,036,884,236	3.05%	1,088,728,447	3.05%	1,143,164,870
25	Internal Security, Law and Justice - Other Non-SIP MDA's	10.22%	3,476,254,944	10.22%	3,650,067,691	10.22%	3,832,571,076
	Total	100.00%	34,000,000,000	100.00%	35,700,000,000	100.00%	37,485,000,000

Table 14: Indicative Sector Overhead Expenditure Ceilings 2020-2022

Overhead Expenditure by Sector							
No.	Sector	% 2020	2020 Allocation	% 2021	2021 Allocation	% 2022	2022 Allocation
1	Governance - Government House	4.20%	1,312,205,616	4.20%	1,312,205,616	4.20%	1,312,205,616
2	Governance - Office of the Head of Service & Parastatals	2.04%	638,336,828	2.04%	638,336,828	2.04%	638,336,828
3	Governance - Secretary to the State Government	3.33%	1,038,875,471	3.33%	1,038,875,471	3.33%	1,038,875,471
4	Governance - Planning and Budget Commission	0.65%	202,358,663	0.65%	202,358,663	0.65%	202,358,663
5	Governance - Ministry of Finance & Parastatals	55.71%	17,399,888,546	55.71%	17,399,888,546	55.71%	17,399,888,546
6	Governance - Ministry for Local Government	0.95%	296,557,177	0.95%	296,557,177	0.95%	296,557,177
7	Governance - Office of the State Auditor-General	0.08%	25,193,466	0.08%	25,193,466	0.08%	25,193,466
8	Governance - Office of Auditor-General (Local Govt)	0.08%	23,826,293	0.08%	23,826,293	0.08%	23,826,293
9	Governance - Public Procurement Authority	0.20%	61,601,924	0.20%	61,601,924	0.20%	61,601,924
10	Governance - Local Government Service Commission	0.01%	2,734,138	0.01%	2,734,138	0.01%	2,734,138
11	Governance - Civil Service Commission	0.06%	17,650,133	0.06%	17,650,133	0.06%	17,650,133
12	Governance - Kaduna State Indep. Electoral Commission	0.55%	172,898,833	0.55%	172,898,833	0.55%	172,898,833
13	Governance - State Emergency Management Agency	0.21%	65,822,984	0.21%	65,822,984	0.21%	65,822,984
15	Health	3.76%	1,175,855,022	3.76%	1,175,855,022	3.76%	1,175,855,022
16	Education	9.68%	3,022,265,777	9.68%	3,022,265,777	9.68%	3,022,265,777
17	Social Welfare	0.68%	211,457,695	0.68%	211,457,695	0.68%	211,457,695
18	Works and Infrastructure	1.72%	538,431,200	1.72%	538,431,200	1.72%	538,431,200
19	Rural & Community Development		0	0.00%	0	0.00%	0
20	Agriculture	0.09%	29,503,064	0.09%	29,503,064	0.09%	29,503,064
21	Water		0	0.00%	0	0.00%	0
22	Environment	0.21%	66,849,913	0.21%	66,849,913	0.21%	66,849,913
23	Commerce	0.27%	83,648,687	0.27%	83,648,687	0.27%	83,648,687
24	Internal Security, Law and Justice - Ministry of Justice	1.26%	394,674,049	1.26%	394,674,049	1.26%	394,674,049
25	Internal Security, Law and Justice - Other Non-SIP MDA's	11.07%	3,457,381,300	11.07%	3,457,381,300	11.07%	3,457,381,300
	Total	100.00%	31,232,832,741	100.00%	31,232,832,741	100.00%	31,232,832,741

Table 15: Indicative Sector Capital Expenditure Ceilings 2020-2022

Capital Expenditure by Sector				Discretionary Funds				Non-Discretionary Funds				Total Capital Envelope					
No.	Sector	2019 Budget %	% 2020	2020 Allocation	% 2021	2021 Allocation	% 2022	2022 Allocation	2020 Allocation	2021 Allocation	2022 Allocation	% 2020	2020 Allocation	% 2021	2021 Allocation	% 2022	2022 Allocation
1	Governance - Government House	0.00%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
2	Governance - Office of the Head of Service & Parastatals	0.02%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
3	Governance - Secretary to the State Government	3.08%	0.75%	585,707,196	0.75%	561,956,222	0.75%	500,168,486	0	0	0	0.6%	585,707,196	0.6%	561,956,222	0.6%	500,168,486
4	Governance - Planning and Budget Commission	3.09%	3.00%	2,342,828,785	3.00%	2,247,824,887	3.00%	2,000,673,944	0	0	0	2.4%	2,342,828,785	2.5%	2,247,824,887	2.5%	2,000,673,944
5	Governance - Ministry of Finance & Parastatals	5.34%	3.00%	2,342,828,785	3.00%	2,247,824,887	3.00%	2,000,673,944	0	0	0	2.4%	2,342,828,785	2.5%	2,247,824,887	2.5%	2,000,673,944
6	Governance - Ministry for Local Government	0.25%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
7	Governance - Office of the State Auditor-General	0.00%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
8	Governance - Office of Auditor-General (Local Govt)	0.00%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
9	Governance - Public Procurement Authority	0.04%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
10	Governance - Local Government Service Commission	0.00%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
11	Governance - Civil Service Commission	0.00%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
12	Governance - Kaduna State Indep. Electoral Commission	0.11%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
13	Governance - State Emergency Management Agency	0.09%	0.00%	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
15	Health	14.03%	20.00%	15,618,858,564	20.00%	14,985,499,248	20.00%	13,337,826,295	3,523,983,035	5,685,683,580	5,685,683,580	19.6%	19,142,841,599	23.0%	20,671,182,828	23.4%	19,023,509,875
16	Education	26.90%	25.00%	19,523,573,205	25.00%	18,731,874,060	25.00%	16,672,282,869	10,450,451,563	8,101,993,155	8,101,993,155	30.6%	29,974,024,768	29.9%	26,833,867,214	30.4%	24,774,276,024
17	Social Welfare	0.58%	0.50%	390,471,464	0.50%	374,637,481	0.50%	333,445,657	0	0	0	0.4%	390,471,464	0.4%	374,637,481	0.4%	333,445,657
18	Works and Infrastructure	14.81%	40.00%	31,237,717,127	40.00%	29,970,998,496	40.00%	26,675,652,591	500,420,000	500,420,000	500,420,000	32.4%	31,738,137,127	34.0%	30,471,418,496	33.4%	27,176,072,591
19	Rural & Community Development	7.39%	0	0	0.00%	0	0.00%	0	0	0	0	0.0%	0	0.0%	0	0.0%	0
20	Agriculture	1.25%	1.50%	1,171,414,392	1.50%	1,123,912,444	1.50%	1,000,336,922	320,000,000	320,000,000	320,000,000	1.5%	1,491,414,392	1.6%	1,443,912,444	1.6%	1,320,336,922
21	Water	10.79%	0	0	0.00%	0	0.00%	0	4,800,000,000	0	0	4.9%	4,800,000,000	0.0%	0	0.0%	0
22	Environment	3.57%	2.00%	1,561,885,856	2.00%	1,498,549,925	2.00%	1,333,782,630	150,000,000	150,000,000	150,000,000	1.7%	1,711,885,856	1.8%	1,648,549,925	1.8%	1,483,782,630
23	Commerce	0.82%	1.00%	780,942,928	1.00%	749,274,962	1.00%	666,891,315	0	0	0	0.8%	780,942,928	0.8%	749,274,962	0.8%	666,891,315
24	Internal Security, Law and Justice - Ministry of Justice	2.06%	1.00%	780,942,928	1.00%	749,274,962	1.00%	666,891,315	0	0	0	0.8%	780,942,928	0.8%	749,274,962	0.8%	666,891,315
25	Internal Security, Law and Justice - Other Non-SIP MDA's	1.92%	2.25%	1,757,121,588	2.25%	1,685,868,665	2.25%	1,500,505,458	0	0	0	1.8%	1,757,121,588	1.9%	1,685,868,665	1.8%	1,500,505,458
Total		100.00%	100.00%	78,094,292,818	100.00%	74,927,496,239	100.00%	66,689,131,476	19,744,854,599	14,758,096,735	14,758,096,735	100.00%	97,839,147,417	100.00%	89,685,592,974	100.00%	81,447,228,211

Table 16 Total Envelope by Sector 2020-2022

Total Expenditure by Sector		2020					% of Total Envelope
No.	Sector	Personnel	Overhead	Discretionary Capital	Non-Discretionary Capital	Total Envelope	
1	Governance - Government House	354,242,537	1,312,205,616	0	0	1,666,448,153	1.02%
2	Governance - Office of the Head of Service & Parastatals	340,149,822	638,336,828	0	0	978,486,649	0.60%
3	Governance - Secretary to the State Government	779,715,689	1,038,875,471	585,707,196	0	2,404,298,357	1.47%
4	Governance - Planning and Budget Commission	237,352,873	202,358,663	2,342,828,785	0	2,782,540,320	1.71%
5	Governance - Ministry of Finance & Parastatals	1,546,860,748	17,399,888,546	2,342,828,785	0	21,289,578,079	13.06%
6	Governance - Ministry for Local Government	49,531,698	296,557,177	0	0	346,088,876	0.21%
7	Governance - Office of the State Auditor-General	91,041,868	25,193,466	0	0	116,235,335	0.07%
8	Governance - Office of Auditor-General (Local Govt)	96,001,032	23,826,293	0	0	119,827,325	0.07%
9	Governance - Public Procurement Authority	33,168,378	61,601,924	0	0	94,770,303	0.06%
10	Governance - Local Government Service Commission	150,575,809	2,734,138	0	0	153,309,947	0.09%
11	Governance - Civil Service Commission	137,373,070	17,650,133	0	0	155,023,203	0.10%
12	Governance - Kaduna State Indep. Electoral Commission	77,425,033	172,898,833	0	0	250,323,867	0.15%
13	Governance - State Emergency Management Agency	45,454,640	65,822,984	0	0	111,277,624	0.07%
14	Governance - Other Non-SIP MDA's	543,193,245	994,815,962	0	0	1,538,009,207	0.94%
15	Health	8,670,850,311	1,175,855,022	15,618,858,564	3,523,983,035	28,989,546,932	17.78%
16	Education	13,826,126,730	3,022,265,777	19,523,573,205	10,450,451,563	46,822,417,275	28.71%
17	Social Welfare	262,710,451	211,457,695	390,471,464	0	864,639,610	0.53%
18	Works and Infrastructure	1,194,792,180	538,431,200	31,237,717,127	500,420,000	33,471,360,507	20.53%
19	Rural & Community Development	0	0	0	0	0	0.00%
20	Agriculture	751,114,975	29,503,064	1,171,414,392	320,000,000	2,272,032,431	1.39%
21	Water	0	0	0	4,800,000,000	4,800,000,000	2.94%
22	Environment	146,406,347	66,849,913	1,561,885,856	150,000,000	1,925,142,116	1.18%
23	Commerce	152,773,383	83,648,687	780,942,928	0	1,017,364,998	0.62%
24	Internal Security, Law and Justice - Ministry of Justice	1,036,884,236	394,674,049	780,942,928	0	2,212,501,213	1.36%
25	Internal Security, Law and Justice - Other Non-SIP MDA's	3,476,254,944	3,457,381,300	1,757,121,588	0	8,690,757,833	5.33%
	Total	34,000,000,000	31,232,832,741	78,094,292,818	19,744,854,599	163,071,980,158	100.00%

Total Expenditure by Sector		2021					
No.	Sector	Personnel	Overhead	Discretionary Capital	Non-Discretionary Capital	Total Envelope	% of Total Envelope
1	Governance - Government House	371,954,664	1,312,205,616	0	0	1,684,160,280	1.08%
2	Governance - Office of the Head of Service & Parastatals	357,157,313	638,336,828	0	0	995,494,141	0.64%
3	Governance - Secretary to the State Government	818,701,474	1,038,875,471	561,956,222	0	2,419,533,167	1.54%
4	Governance - Planning and Budget Commission	249,220,516	202,358,663	2,247,824,887	0	2,699,404,066	1.72%
5	Governance - Ministry of Finance & Parastatals	1,624,203,786	17,399,888,546	2,247,824,887	0	21,271,917,219	13.58%
6	Governance - Ministry for Local Government	52,008,283	296,557,177	0	0	348,565,461	0.22%
7	Governance - Office of the State Auditor-General	95,593,962	25,193,466	0	0	120,787,428	0.08%
8	Governance - Office of Auditor-General (Local Govt)	100,801,084	23,826,293	0	0	124,627,377	0.08%
9	Governance - Public Procurement Authority	34,826,797	61,601,924	0	0	96,428,722	0.06%
10	Governance - Local Government Service Commission	158,104,600	2,734,138	0	0	160,838,738	0.10%
11	Governance - Civil Service Commission	144,241,723	17,650,133	0	0	161,891,856	0.10%
12	Governance - Kaduna State Indep. Electoral Commission	81,296,285	172,898,833	0	0	254,195,118	0.16%
13	Governance - State Emergency Management Agency	47,727,372	65,822,984	0	0	113,550,356	0.07%
15	Health	9,104,392,827	1,175,855,022	14,985,499,248	5,685,683,580	30,951,430,677	19.76%
16	Education	14,517,433,066	3,022,265,777	18,731,874,060	8,101,993,155	44,373,566,058	28.33%
17	Social Welfare	275,845,974	211,457,695	374,637,481	0	861,941,150	0.55%
18	Works and Infrastructure	1,254,531,789	538,431,200	29,970,998,496	500,420,000	32,264,381,485	20.60%
19	Rural & Community Development	0	0	0	0	0	0.00%
20	Agriculture	788,670,723	29,503,064	1,123,912,444	320,000,000	2,262,086,231	1.44%
21	Water	0	0	0	0	0	0.00%
22	Environment	153,726,665	66,849,913	1,498,549,925	150,000,000	1,869,126,502	1.19%
23	Commerce	160,412,052	83,648,687	749,274,962	0	993,335,701	0.63%
24	Internal Security, Law and Justice - Ministry of Justice	1,088,728,447	394,674,049	749,274,962	0	2,232,677,459	1.43%
25	Internal Security, Law and Justice - Other Non-SIP MDA's	3,650,067,691	3,457,381,300	1,685,868,665	0	8,793,317,657	5.61%
Total		35,700,000,000	31,232,832,741	74,927,496,239	14,758,096,735	156,618,425,715	100.00%

Total Expenditure by Sector		2022					
No.	Sector	Personnel	Overhead	Discretionary Capital	Non-Discretionary Capital	Total Envelope	% of Total Envelope
1	Governance - Government House	390,552,397	1,312,205,616	0	0	1,702,758,013	1.13%
2	Governance - Office of the Head of Service & Parastatals	375,015,178	638,336,828	0	0	1,013,352,006	0.67%
3	Governance - Secretary to the State Government	859,636,547	1,038,875,471	500,168,486	0	2,398,680,505	1.60%
4	Governance - Planning and Budget Commission	261,681,542	202,358,663	2,000,673,944	0	2,464,714,149	1.64%
5	Governance - Ministry of Finance & Parastatals	1,705,413,975	17,399,888,546	2,000,673,944	0	21,105,976,466	14.06%
6	Governance - Ministry for Local Government	54,608,697	296,557,177	0	0	351,165,875	0.23%
7	Governance - Office of the State Auditor-General	100,373,660	25,193,466	0	0	125,567,126	0.08%
8	Governance - Office of Auditor-General (Local Govt)	105,841,138	23,826,293	0	0	129,667,431	0.09%
9	Governance - Public Procurement Authority	36,568,137	61,601,924	0	0	98,170,062	0.07%
10	Governance - Local Government Service Commission	166,009,830	2,734,138	0	0	168,743,968	0.11%
11	Governance - Civil Service Commission	151,453,809	17,650,133	0	0	169,103,942	0.11%
12	Governance - Kaduna State Indep. Electoral Commission	85,361,099	172,898,833	0	0	258,259,933	0.17%
13	Governance - State Emergency Management Agency	50,113,740	65,822,984	0	0	115,936,724	0.08%
15	Health	9,559,612,468	1,175,855,022	13,337,826,295	5,685,683,580	29,758,977,365	19.82%
16	Education	15,243,304,720	3,022,265,777	16,672,282,869	8,101,993,155	43,039,846,520	28.66%
17	Social Welfare	289,638,272	211,457,695	333,445,657	0	834,541,624	0.56%
18	Works and Infrastructure	1,317,258,378	538,431,200	26,675,652,591	500,420,000	29,031,762,169	19.33%
19	Rural & Community Development	0	0	0	0	0	0.00%
20	Agriculture	828,104,260	29,503,064	1,000,336,972	320,000,000	2,177,944,295	1.45%
21	Water	0	0	0	0	0	0.00%
22	Environment	161,412,998	66,849,913	1,333,782,630	150,000,000	1,712,045,540	1.14%
23	Commerce	168,432,655	83,648,687	666,891,315	0	918,972,656	0.61%
24	Internal Security, Law and Justice - Ministry of Justice	1,143,164,870	394,674,049	666,891,315	0	2,204,730,233	1.47%
25	Internal Security, Law and Justice - Other Non-SIP MDA's	3,832,571,076	3,457,381,300	1,500,505,458	0	8,790,457,834	5.85%
	Total	37,485,000,000	31,232,832,741	66,689,131,476	14,758,096,735	150,165,060,952	100.00%

4.C Considerations for the Annual Budget Process

131. Each MDA should follow the steps below in preparing its 2020 budget:

- Prioritization of 2019 Ongoing Projects
- Ensure New Projects emerge from SIP/SDP
- Allocate Resources

132. Capital Expenditure: MDAs are advised to ensure that all ongoing projects that are unlikely to be completed and paid for in 2019 are captured in their 2020 Budget. Where ongoing projects exceed ceilings, the MDA's 2019 budget is to be limited to the value of ongoing projects only. Ensure New Projects emerge only from SIP/SDP: For new projects, each Ministry should work with its respective MDAs to reassess its Sector Implementation Plan (SIP) against the State Development Plan (SDP). Sector development priorities should then be prioritized based on MDA capital ceilings allocated. MDAs may wish to hold internal management meetings to ensure a coherent strategy, but these must be aligned with overall sector priorities as defined in the SIP.

133. Allocate resources: Resources should be allocated starting from the highest priority activities and continuing in sequence down to lower priority activities until the budget ceiling is reached. This becomes the cut-off point for resource allocations for that year, except for projects with special funding arrangements (e.g. grant allocations). Projects that do not make the cut for 2019 can then be moved to 2020 and 2022 respectively.

134. The following will be helpful to keep in mind as you assess each activity within the budget:

- General - Budget estimates should be prepared for all units, sub-units and facilities in the organizations for which the MDA is responsible
- Personnel Costs - All staff on the payroll, including Political, Public office holders must be properly reflected in a Staff List that should accompany the proposal submission. The Staff list must be updated versions from the biometric verification exercise and should be signed off by the Chief Executives who assume responsibility for ensuring the veracity of the information provided. Chief Executives are also expected to perform an independent assessment of the true staff position of their MDAs and ensure this is reflected in the staff list to be sent to the PBC.
- Personnel cost estimates should consider any changes in staffing levels including annual increments, promotions, leave grants, retirement , implementation of the minimum wage and other forms of attrition. It should also consider implications for annual salary and all other approved allowances.
- Recruitment that is not approved by the Government before the submission of this estimate should not be captured
- For approved recruitment, approval authorization should be included with the submission
- Capital Expenditure - Capital expenditure estimates must be consistent with Kaduna State Development Plan. Capital projects that are tied to specific sources of funds (grants, loans, etc.), should be matched with the expected drawdown schedule of those specific funds and any Counterpart funds provided by the State.
- Where the drawdown of the specified funds is conditional on the provision of Counterpart funds, it should be clearly indicated in the submission

Section 5 Summary of Key Points and Recommendations

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

- The Commissioner, Planning and Budget Commission (PBC) should present the draft MTEF document to the Executive Council (ExCo), and the Governor should present the final MTEF to State House of Assembly (SHoA) for their buy-in and approval in accordance with the Fiscal Responsibility Law (FRL).
- The State budget estimates should be based on the MTEF document, which has historically provided more realistic estimates than have been included in the Annual Budget.
- Loans expected to be drawn as capital receipts should be captured in the budget only when they have been approved and commitment fees are paid, and documentation is lodged with Debt Management Department (DMD).
- For all loans, the precise impact on debt sustainability ratios should be assessed, and a detailed analysis of the impact of the associated expenditure (for example, Economic & Financial Analysis) is also undertaken to help justify the funding to the Senate Committee on Foreign Loans (this should be undertaken for the World Bank P4R loan).
- A full assessment of 2021 Capital Project implementation (funding) should be undertaken prior to the finalisation of the 2022 budget so as adequate provisions are made to complete all ongoing projects
- The Accountant General's Report format should be harmonized with the budgeting system.
- PBC and the Ministry of Finance (MoF) to hold harmonization meetings on quarterly basis.
- PBC and MoF to ensure the sustainability of the MTEF Working Group.

Annex 1 – Detailed Capital Receipts

136. The table below provides detailed estimates for all Capital Receipts.

Table 17 Capital Receipts

ITEM	2021	2022	2023	2024
Internal Grants				
UBEC Special Education Intervention	5,917,339,963	60,000,000	4,438,004,973	4,438,004,973
Tertiary Education Trust Fund (COE) Normal Interv	529,103,580	260,000,000	260,000,000	260,000,000
Tertiary Education Trust Fund (KASU) Normal Interv	197,025,410	680,000,000	147,769,058	147,769,058
Tertiary Education Trust Fund (KASU) Zonal Interv	0	108,831,346	108,831,346	108,831,346
Tertiary Education Trust Fund (KASU) (Academic Sta	1,331,951,000	261,780,644	998,963,250	998,963,250
Identification, Assessment and Addressing of Ecologic	200,000,000	0	0	0
Saving One Million Lives Performance for Results (P4	552,000,000	0	0	0
2018 TETFUND Intervention	417,628,900	313,221,675	313,221,675	313,221,675
TETFUND Special Intervention 2017-2018	3,240,000,000	0	0	0
TETFUND Special Intervention 2019	690,600,000	517,950,000	517,950,000	517,950,000
Presidential need assessment	193,000,000	144,750,000	144,750,000	144,750,000
UBEC Intervention Fund 2017- 2019	8,068,842,601	0	0	0
UBE Intervention on Infrastructure	1,650,000,000	1,815,000,000		
UBE Intervention on SBMC		7,500,000		
Tax Refund from Federal Government		0		
Expected Refund from Federal Government		0		
State Fiscal Transparency Accountability and Transparancy		5,000,000,000		
TETFUND Normal Intervention (Nuhu Bamalli polytechnic)		575,510,208	575,510,208	575,510,208
Reducing Emission From Deforestation and Forest Degredation (REDD+)		0		
UBE Intervention on Teacher Professional Development		500,000,000	500,000,000	500,000,000
Sub-Total Internal Grant	22,987,491,454	10,244,543,873	8,005,000,510	8,005,000,510
External Grants				
Global Partnership for Education (NIPEP World Bank	1,987,486,550	0	0	0
Teachers Development Project (TDP) - DFID Joint Pro	54,071,500		55,840,000	55,840,000
Malaria Control Programme (Global Fund)	500,000,000	4,882,751,826	300,000,000	300,000,000
Tuberculosis and Leprosy (Global Fund)	417,290,463	417,290,462	417,290,462	417,290,462
Neglected Tropical Disease Control Programme (ONC	37,000,000	0	0	0
Kaduna Impact Project (World Bank)		722,923,020		
Development Partners Funds (Gates and Dangote)	360,000,000	360,000,000	360,000,000	360,000,000
Better Education Service Delivery for all (BESDA) Proj	974,999,942	7,765,000,000	974,999,942	974,999,942
Better Education Service Delivery for all (BESDA) Ad	974,999,942	975,000,000	0	0
Kaduna Solar for General Hospitals Project (EU)		0		
PHC and Routine Immunisation Mou		228,000,000		
NG-Cares Program	1,267,000,000	3,800,000,000	1,267,000,000	0
Sub-Total External Grant	6,572,848,397	19,150,965,308	3,375,130,404	2,108,130,404

Internal Loans				
Rice Anchor Borrowers Programme (CBN Loan)	320,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Kaduna Metropolitan Rapid Rail Transport (ECA Loan)	500,420,000	0	0	0
Installation and maintenance of integrated Solar Power Street Light		2,000,000,000		
Total	820,420,000	3,500,000,000	1,500,000,000	1,500,000,000

External Loans				
Zaria Water Supply and Expansion Project IsDB.	6,140,928,615	0	0	0
Zaria Water Supply and Expansion Project AfDB.	2,273,837,779	0	0	0
Kaduna State Power Supply Company Exim Bank (Ind	4,000,000,000	3,775,012,034	0	0
Construction / Equipping of 300-Bed Specialist Hospital	4,323,401,090	2,700,000,000	4,323,401,090	4,323,401,090
Development of 6No Science Secondary Schools (IsDB)	57,416,572	1,500,000,000	3,053,120,198	3,053,120,198
Kaduna State Tuberculosis and Leprosy CP (DSTB) Ne	45,423,728	0	0	0
Kaduna State Tuberculosis and Leprosy CP (DRTB) Ne	42,858,762	0	0	0
Kaduna State Economic and Transformation PforR (A	53,982,768,114	19,000,000,000	19,000,000,000	0
6MW Solar Malali WaterWorks (Bilateral India				
Total	70,866,634,660	26,975,012,034	26,376,521,288	7,376,521,288

Loan Balancing Item / Blue Sky				
Total Loans	71,687,054,660	30,475,012,034	27,876,521,288	8,876,521,288

Other Capital Receipts				
Sale of Non-Essential Government Houses	3,000,000,000	500,000,000	0	0
Airport Refunds	3,600,000,000	0	0	0
Refunds for Operation Sharan Daji	100,000,000	0	0	0
Total	6,700,000,000	500,000,000	0	0

OCR Balancing Item / Blue Sky				
Total Other Capital Receipts	6,700,000,000	500,000,000	0	0