

## 1.A Macroeconomic Framework

1. The Macroeconomic framework is based on National Bureau of Statistics (NBS) (Economic Review and 2015-2017 Outlook, published 28<sup>th</sup> January 2015) forecast for National real GDP growth and Inflation for 2015-2017 (2018 rates are assumed to be the same as 2017).
2. For the mineral assumption, the 2015 estimates for Benchmark Crude Oil price, production and NGN:USD Exchange rate are based on the final 2015 Federal MTEF budget assumptions. For 2016-2018, the production level of 2.273 (as per 2015 benchmarks) is used (this is also consistent with the production level over the last seven years), and the exchange rate is pegged at =N= 197 per US \$.
3. For the benchmark price, with the global energy crisis and current situational analysis, the Federal MTEF has assumed a \$38 per barrel which shows a decrease to what was assumed. This is consistent with the global outlook for the oil market.

**Figure 1: Yobe State Macroeconomic Framework**

### Macro-Economic Framework 2016-2018

Item	2015	2016	2017	2018
National Inflation	8.78%	8.10%	7.52%	7.52%
National Real GDP Growth	5.54%	5.78%	5.80%	5.80%
Oil Production Benchmark	2.273m	2.273m	2.273m	2.273m
Oil Price Benchmark	53	38	38	38
NGN:USD Exchange Rate	190	197	197	197

## 1.B Fiscal Strategy and Assumptions

### Policy Statement

4. With the security situation having improved, YBSG will continue to focus on creating an enabling environment for the youth to be self-employed and create wealth, thereby building on the IGR increase achieved in 2013.

### Objectives and Targets

5. The key targets from a fiscal perspective are:
  - Prudent revenue budget that is achievable;
  - To continue to achieve high level of IGR growth in order to make up for shortfalls in 2011 and 2012 due to the security issues and to reach the projections implied by the 2010 receipts;
  - The long term target of funding recurrent expenditure from IGR;
  - To target external loans and Public Private Partnership (PPP) as a source of supplementing state funds for capital expenditure;
  - A budget focused on job creation, poverty reduction and wealth creation;
  - To continue with the policy of giving priority to the completion of on-going projects;
  - Creating an enabling environment for PPP in the state;
  - To continue investing on the gains made in the PFM reform in the state.

## 1.C Indicative Three Year Fiscal Framework

6. The indicative three year fiscal framework for the period 2016 - 2018 is presented in the table below.

**Table 1: Yobe State Medium Term Fiscal Framework**

<b>Fiscal Framework</b>				
<b>Recurrent Revenue</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Statutory Allocation	38,590,416,063	38,590,416,063	38,590,416,063	38,590,416,063
VAT	7,905,485,227	8,344,782,767	8,771,375,165	9,200,948,540
IGR	3,252,097,034	3,590,101,801	3,964,443,269	4,265,104,395
Excess Crude	3,860,352,427	3,386,456,721	2,904,382,203	2,435,191,485
Ecological	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
<b>Total Recurrent Revenue</b>	<b>53,608,350,752</b>	<b>54,911,757,352</b>	<b>55,230,616,701</b>	<b>55,491,660,483</b>
<b>Recurrent Expenditure</b>				
CRF Charges	4,699,270,841	11,282,000,000	11,278,250,017	11,278,250,017
Personnel	19,067,542,515	19,635,276,000	20,621,547,230	21,652,624,591
Overheads	13,853,644,563	16,872,310,000	16,860,081,911	16,860,081,911
<b>Total</b>	<b>37,620,457,919</b>	<b>47,789,586,000</b>	<b>48,759,879,158</b>	<b>49,790,956,520</b>
<b>Transfer to Capital Account</b>	<b>15,987,892,833</b>	<b>7,122,171,352</b>	<b>6,470,737,542</b>	<b>5,700,703,963</b>
<b>Capital Receipts</b>				
Grants	3,105,000,000	2,105,000,000	1,905,000,000	1,905,000,000
Other Capital Receipts	2,975,068,749	4,190,000,000	2,088,000,000	1,500,000,000
<b>Total</b>	<b>6,080,068,749</b>	<b>6,295,000,000</b>	<b>3,993,000,000</b>	<b>3,405,000,000</b>
<b>Capital Expenditure</b>	<b>36,849,265,833</b>	<b>41,143,154,000</b>	<b>22,922,099,257</b>	<b>21,564,065,678</b>
<b>Net Financing</b>	<b>14,781,304,251</b>	<b>27,725,982,648</b>	<b>12,458,361,715</b>	<b>12,458,361,715</b>
<b>Total Budget Size</b>	<b>74,469,723,752</b>	<b>88,932,740,000</b>	<b>71,681,978,416</b>	<b>71,355,022,198</b>
<b>Capital Expenditure Rate</b>	<b>49.48%</b>	<b>46.28%</b>	<b>31.98%</b>	<b>30.22%</b>
<b>Deficit to Total Expenditure</b>	<b>19.85%</b>	<b>31.20%</b>	<b>18.78%</b>	<b>18.86%</b>

### 1.C.1 Assumptions

- Statutory Allocation** – the estimate is based on macro-fiscal owned percentage based forecasting using the macroeconomic framework presented above. The forecasts are based on six years of historical data from FAAC.
- VAT** - The estimate for VAT is based on Moving Average 4 years weighted forecast using the GDP growth and inflation figures in the macroeconomic framework.

9. **Excess Crude** – 2015 Excess Crude distributions have been significantly lower than previous years. The receipts for January – April (four months) suggest a full year performance of N3.3 billion. For 2016-2018, it is assumed that this will grow by 15% per annum based on an oil price increase at a similar rate to that experienced after the 2008 crash, thus generated excess sales revenues.
10. **Internally Generated Revenue (IGR)** - As noted IGR suffered concurrent annual decreases in 2011 and 2012, and also in 2014. This was in no small part due to the security issues in Yobe State. For this reason, the use of moving average estimation was considered applicable. On the basis that the new administration tackles the current security challenges, a modest growth rate of 10% per annum is assumed, based on the N3 billion collections in 2014. Careful monitoring of actual collections in 2015 should give early indication as to whether this is achievable, particularly for 2016.
11. **Grants** – are based on those identified in the 2015 budget. The State Universal Basic Education Board (SUBEB) Fund is forecast to continue at the current level and TET Fund will increase based on the national GDP and Inflation rates. At present, MDGs are not forecast to go beyond 2015, however it is anticipated that these will be extended to Sustainable Development Goals (SDGs) and hence are included at the current level (based on 2015 budget). Contributions from Local Government now included in the 2015 and beyond for joint projects.
12. **Miscellaneous Capital Receipts** – the 2015 budget is largely based on refunds from Federal Government on road construction and other recoveries. It is estimated that N2 billion that will be received in 2015, 3.5 billion 2016 and N1.5 billion and N1 billion each for 2017 and 2018 respectively. Any further miscellaneous receipts will be added to the capital development fund during the annual budget process and subsequent updates of the EFU-FSP-BPS.
13. **Financing (Net Loans)** – is based on achieving a balanced budget (46.26% capital expenditure, 53.74% recurrent).
14. **CRF Charges** – for 2015, pension arrears along with debt servicing charges will amount to N4.6 billion, however for 2016, there will be pension contributions of around N3.8 billion and debt servicing of around N4.2 billion per annum.
15. **Personnel** – is based on a 10% annual increment from the 2014 actual figure with exception of Educational institutions, and Health personnel which has an increase of 20%.
16. **Overheads** - is based on based on zero % annual increments in 2015 and 2016, with the exception of some few areas.
17. **Capital Expenditure** – is based on achieving a balanced budget (46.26% capital expenditure, 53.74% recurrent)

