

PRESS BRIEFING ON THE BORNO STATE 2020 REVISED BUDGET

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HELD AT THE MULTI-PURPOSE HALL OF THE GOVERNMENT HOUSE
MAIDUGURI.

Distinguished ladies and gentlemen, it is my honour and pleasure to welcome you to the 2020 Revised Budget press briefing. I thank the Almighty Allah for giving us this wonderful opportunity to brief the good people on why we now have revised budget 2020. The 2020 Budget was revised to reshape the priorities of the Government for effective and efficient implementation and for good governance, in the face of the adverse effect of Covid 19 global pandemic. Our gathering here today is principally to highlight the technical aspects of the revised budget as approved by the Borno State House of Assembly and assented to by His Excellency on 27th July, 2020.

2. The Original Budget 2020, as you might have been aware of, was tagged **BUDGET OF RECOVERY AND STABILIZATION**. This is in line with His Excellency's solemn declaration during his inaugural address that this administration will *"build on the solid foundation already laid in the 10-pact transformation agenda to take our beloved State to the NEXT LEVEL"*. *The 10-pact transformation agenda will consolidate on the gains so far achieved and also restore the dignity and prosperity of the State. It is an all-inclusive agenda bringing everybody on board with a view to salvage and build a virile, strong and prosperous State. This philosophy informs the **policy thrust** of this administration anchored on good governance, transparency, and accountability, rebuilding of infrastructure, resettlement & rehabilitation of IDPs, restoration of peace, agricultural transformation & job creation, provision of qualitative free education up to senior secondary school level, improved health care services, etc.*

OBJECTIVES AND GUIDING PRINCIPLES FOR THE 2020 BUDGET

3. The policy direction of this administration is to ensure effective and efficient delivery of the 10-pact development agenda. The overarching objective of rejuvenating the economy, restoring dignity of labour and rekindling hope and strengthening resilience is the cornerstone of the 2020 (Original) Budget. It is to this end, that the Budget sets out to achieve the following broad based fundamental objectives: -

- ✓ Strengthen the Security architecture to safeguard lives and properties of our people
- ✓ Boost the agricultural sector and forestall food Security and reduce dependency on food aids.
- ✓ Massive investment in education, healthcare and social welfare to reinvigorate the human resources of the State.
- ✓ Rekindle economic growth through job creation and support for SMEs.
- ✓ Reconstruction and Rehabilitation of Infrastructure in terms of road networks, water and sanitation, electricity, and Housing etc.
- ✓ Emplace good governance through a robust and responsive public service build on principles of accountability, transparency, equity and justice in resource utilization and service delivery.

Fortunately, these objectives are not affected by the amendment to the budget. This is because the reduction in capital expenditure were largely non-essential and/or administrative purchases. However, as the amendment is informed by the global pandemic – Covid-19, the response expenditure is central to the revised budget.

REVIEW OF THE 2019 APPROVED BUDGET

4. Distinguished Ladies and Gentlemen of the press, you may recall that during the 2019 fiscal year, the previous administration budgeted the sum of ₦144,739,304,000 for both recurrent and capital expenditures. Out of this, the sum of ₦80,713,304,000 was for capital expenditure whereas recurrent expenditure was ₦64,026,173,375.00. This expenditure was financed through an estimated recurrent revenue of ₦120,266,455,375 and capital receipt of ₦20,070,837,000. As at 31st December, 2019 our actual revenue collection stood at ₦83,293,971,636 made up of the following:

| | |
|--|------------------------|
| a. Internally Generated Revenue | ₦ 4,765,906,340 |
| b. State Share of Statutory Allocation | ₦77,472,060,476 |
| c. Capital Receipts (Aids & Grants) | 1,056,004,820 |
| Grand Total | ₦83,293,971,636 |

5. The breakdown of the expenditures (Recurrent and Capital) are as follows:

RECURRENT EXPENDITURE

| S/NO | DETAILS OF EXPENDITURE | 2019 APPROVED BUDGET ₦ | ACTUAL EXPENDITURE 2019 | BUDGET PERFORMANCE |
|------|------------------------|---------------------------|----------------------------|--------------------|
| 1. | Personnel cost | 33,587,331,375 | 21,923,077,032 | 65.27 |
| 2. | Overhead cost | 20,238,842,000 | 16,479,563,391 | 82.0 |
| 3. | Pension and gratuity | 10,200,000,000 | 8,193,653,086 | 80.33 |
| | Total | 64,026,173,375 | 46,596,293,509 | 72.76 |

CAPITAL EXPENDITURE

| S/NO | DETAILS OF EXPENDITURE | APPROVED BUDGET 2019 ₦ | ACTUAL EXPENDITURE 2019 ₦ | BUDGET PERFORMANCE |
|------|------------------------|---------------------------|------------------------------|--------------------|
| 1. | Administration | 13,609,794,466 | 2,272,961,218 | 16.70 |
| 2. | Economic | 38,480,210,366 | 23,843,442,900 | 61.96 |
| 3. | Law and Justice | 848,200,000 | 194,827,600 | 22.97 |

| | | | | |
|----|--------|----------------|----------------|-------|
| 4. | Social | 27,775,099,169 | 12,111,302,656 | 43.60 |
| | Total | 80,713,304,000 | 38,422,534,465 | 47.61 |

FISCAL INDICES FOR THE ORIGINAL BUDGET 2020:

6. The assumptions were predicated on the budgetary Projections contained in the Budgeting instruments and the Medium Term Expenditure Framework (MTEF) covering 2019-2021 as follows: -

- o Crude Oil benchmark of US \$57 per barrel;
- o Oil production estimate of 2.18 Million barrel per day;
- o Exchange rate of ₦305/US Dollar;
- o Inflation rate of 12.57%;
- o Increase in Internally Generated Revenue.

THE 2020 BUDGET HIGHLIGHTS AND JUSTIFICATION FOR REVISION:

7. The size of the Original Approved Budget was ₦146,894,223,000.00 with Recurrent Expenditure of ₦71,164,324,000.00 and Capital Expenditure of ₦75,729,899,000.00. This represented 48.45% and 51.45% Recurrent and Capital Expenditure respectively.

But in the very first quarter of the 2020 budget implementation process, the world was hit by the Covid-19 pandemic that caused unprecedented global economic meltdown. The fiscal forecast indices were completely overturned to compromise the budget projections. There was sharp and sudden decline in crude oil price and production quantity from the budget benchmark price of \$57/barrel and production volume of 2.18mbpd to \$20/barrel and 1.8mbpd respectively. The adverse effect of the Covid-19 Pandemic also caused the depreciation of the Naira from the budget estimate of N305/\$1 to N360/\$1. Inflation rate also jerked from 10.81% to about 15%.

And the COVID-19 shock increased public expenditure needs, including increased spending on healthcare (to contain the outbreak and to prepare for a severe outbreak) and support to protect people's livelihoods.

Fortunately, the Nigeria Governor's Forum and the World Bank provided to States, a revised set of revenue projections based on FGN revised MTEF 2020-2022 to guide states to achieve credible amended budgets. Accordingly, we had to reassess the revenue projections stemming from oil price and broader economic shock, appropriate emergency spending required for COVID-19 health response and mitigation of economic impact on the poor and vulnerable, reprioritize spending towards most critical expenditures (cut non-essential spending), increase budget deficit and borrowing limits if necessary, revise financing sources and avoid accumulation of expenditure arrears.

The World Bank came up with States Fiscal Transparency, Accountability and Sustainability (SFTAS) Additional Financing (AF) Program for Results (PforR) to support States. Specifically, the programme supports all 36 Nigerian States to respond to the COVID-19 pandemic and the fiscal crisis.

The foregoing factors and the prevailing socio-economic circumstances impelled the revision of the 2020 budget. And the Borno State 2020 Revised Budget has taken into cognizance the followings: -

1. The State's gross statutory allocation projections in the amended 2020 budget is within the limit of the NGF projections, using the parameters of the FG Addendum to the Medium-Term Expenditure Framework (MTEF) 2020-2022. The fiscal indices are crude oil price benchmark of US \$ 20 /barrel and daily production level of 1.7 million barrels /day.

2. Expected rise in Internally Generated Revenue (IGR) as a result of the establishment of BOGIS (Digitalization of Land Registry and Sales of Government assets, recapitalization of Borno Investment Company including Micro Finance Bank.
3. Reduction in non-essential overheads and capital expenditures proportionate to the amount of the revenue reduction plus the additional COVID-19 responsive expenditures.
4. Tagged allocation of expenditures to COVID-19 programs for crisis and recovery amounting to N18,342,000,000 representing 17 percent of the total amended budget expenditures. Grants and support for effective response to the pandemic in the revised budget is estimated at N8,910,000,000.
5. The budget deficit is fully financed from Internal Loans with no new domestic arrears.

Consequent to the amendment of the 2020 Budget, we have issued and published online the following reliefs measures to cushion the effects of the Covid-19 on our taxpayers and SMEs.

1. Tax relief and incentive program for Small & Medium Enterprises (SMEs) approved by the Chairman, IRS and published online on the IRS website www.bornosirs.bo.gov.ng AND press release issued on that. Extensions of filling and payment dates and waiving penalties and interest over the defined extension period (determined by the state and announced); AND (ii) Reduce OR waive interest on all late filing and payment (beyond the defined extension period) for tax liabilities that fell due during the extension period (for sectors or segments as determined by the state and announced).
2. The State Bureau of Public Procurement has issued procurement emergency guidelines for COVID-19 and other emergency situations to facilitate

participation of SMEs and train SMEs on the adapted procedures. This has been hosted on the website of the Bureau www.bpp.bo.gov.ng

3. Property tax reliefs have been announced and property records update is in progress.
4. We have also strengthened state-local government collaboration for preserving basic services essential for the COVID-19 response and recovery.
5. Relevant MDAs have been directed to note that expenditure returns for Covid-19 response expenditure should be separately submitted to the Auditor General on monthly basis. This is to enable the Auditor General verify and issue special audit report on it.

The Approved Revised 2020 Budget size is One Hundred and Eight Billion, Eight Hundred and Sixty-Two Million, Three Hundred and Forty-Eight Thousand Naira (~~₦~~108,862,348,000) against the original 2020 Approved budget size of ₦146,894,223,000.

The Approved Revised 2020 Budget size of (~~₦~~108,862,348,000) is N38,031,875,000 i.e. 26% less than the Original Budget of ₦146,894,223,000. The budgets have been hosted on the official website of the Department of Budget & Economic Planning www.pfm.bo.gov.ng. You can find therein, the details of Covid-19 response revenue and expenditure for your further guidance.

A comparative summary of the Revised & Original Budget 2020 is given below:

SUMMARY OF THE 2020 APPROVED REVISED BUDGET

| | REVISED BUDGET2020 | ORIGINAL BUDGET 2020 |
|--|-----------------------|-------------------------|
|--|-----------------------|-------------------------|

| | | | |
|-----------|--|-----------------------|------------------------|
| A. | Internally Generated Revenue | ₦ | ₦ |
| 1 | Ministries/Departments | 17,616,249,000 | 13,483,254,000 |
| 2 | Boards and Parastatals | 790,442,000 | 790,442,000 |
| | Total Internal Generated Revenue | 18,406,691,000 | 14,273,696,000 |
| B. | Allocation From The Federation Account | | |
| 1 | Statutory Allocation | 31,855,720,000 | 65,530,590,000 |
| 2 | Value Added Tax (VAT) | 12,220,243,000 | 17,920,243,000 |
| 3 | Special Fund (EXCESS CRUDE) | 3,363,744,000 | 11,404,801,000 |
| | Sub-Total | 47,439,707,000 | 94,855,634,000 |
| | Total Recurrent Revenue | 65,846,398,000 | 109,129,330,000 |
| C. | Estimated Recurrent Expenditure | | |
| 1 | Personnel Costs (Ministries/Departments) | 29,502,723,000 | 31,291,333,000 |
| 2 | Overhead Cost (Ministries/Departments) | 20,659,549,000 | 30,512,291,000 |
| 3 | Consolidated Revenue Fund Charges | 150,700,000 | 150,700,000 |
| 4 | Pension and Gratuity | 6,210,000,000 | 9,210,000,000 |
| | Total Recurrent Expenditure | 56,522,972,000 | 71,164,324,000 |
| D. | Recurrent Surplus | 9,323,426,000 | 37,965,006,000 |
| E. | Estimated Capital Receipts | | |
| 1 | Opening Balance | 2,500,000,000 | 2,500,000,000 |
| 2 | Transfer from Consolidated Revenue Fund | 9,323,426,000 | 37,965,006,000 |
| 3 | Internal Loans | 9,500,000,000 | 7,500,000,000 |
| 4 | Grants | 21,605,950,000 | 27,264,893,000 |
| 5 | Miscellaneous | 500,000,000 | 500,000,000 |
| 6 | Local Contribution for Covid-19 Response | 2,650,000,000 | - |
| 7 | Covid-19 Response Fund – Others | 6,260,000,000 | - |
| | Total Capital Receipts | 52,339,376,000 | 75,729,899,000 |
| F. | Estimated Capital Expenditure by sector | | |
| 1 | Administration | 3,649,000,000 | 9,214,500,000 |
| 2 | Economic | 29,801,000,000 | 47,474,000,000 |

| | | | |
|-----------|----------------------------------|------------------------|------------------------|
| 3 | Law and Justice | 261,050,000 | 1,148,223,000 |
| 4 | Social | 18,628,326,000 | 17,893,176,000 |
| | Total Capital Expenditure | 52,339,376,000 | 75,729,899,000 |
| G. | <u>BUDGET SIZE</u> | 108,862,348,000 | 146,894,223,000 |

Expenditure Performance for January to June 2020

| S/N. | Description | Actual Jan.-June 2020 ₦ | Revised Approved Budget 2020 ₦ | Percentage achieved |
|--|---------------------------------|----------------------------|-----------------------------------|---------------------|
| 1. | Personnel Cost | 10,732,501,180 | 29,653,423,000 | 36 |
| 2. | Overhead cost | 4,395,133,213 | 16,647,713,000 | 26 |
| 3. | Pension and gratuity | 3,338,440,299 | 6,200,000,000 | 54 |
| 4. | Grant to Boards and Parastatals | 1,363,588,300 | 4,011,836,000 | 34 |
| 5. | Capital Expenditure | 4,024,627,352 | 52,339,376,000 | 8 |
| Total Revised Budget Size | | 23,854,290,344 | 108,862,348,000 | 21.91 |
| Covid-19 Expenditure (Included in the above figures) | | | 18,942,000,000 | |

CONCLUSION:

My dear citizens of Borno State, let me assure you that the administration of Prof. Babagana Umara Zulum FNSE, mni is fully committed to ensuring the effective implementation of the revised 2020 budget for qualitative service delivery that meets your yearnings and aspirations. You may recall that the State Government was able to proactively put in place all the medical response facilities to fight the Covid-19 pandemic and with the blessings of the Almighty Allah, we are succeeding in our response programme. And the Original Budget 2020 has been Revised to

realistic size in accordance with the anticipated drop in revenue projections and as well accommodate the Covid-19 pandemic response expenditure requirements.

Let me also, on behalf of His Excellency, Prof. Babagana Umara Zulum FNSE, mni, use this forum to convey the State Government's profound appreciation to all those who donated in cash and kind to the State's fight against the Covid-19 pandemic. May I also appreciate the Covid-19 Response Committee headed by His Excellency, Alhaji Umar Usman Kadafur, the Deputy Governor of Borno State for their efforts. I equally commend the resilience of the citizens during the peak of the crisis.

Finally, I want to mind all accounting officers that the budget document is an Appropriation Law that must be respected and complied with. I therefore, crave for your indulgence to strictly operate within the bounds of the budget to effectively deliver quality services in line with the laudable goals and objectives of the 2020 Revised Budget.

Finally, thank you so much for your attention and God bless you all.