

Kaduna State Government



Medium Term Expenditure Framework

2018-2020

August, 2017

Planning and Budget Commission
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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
MDA	Ministry, Department and Agencies
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTSS	Medium Term Sector Strategy
NBS	National Bureau of Statistics
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
OAG	Office of the Accountant General
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PBC	Planning and Budget Commission
PITA	Personal Income Tax Act
PMS	Petroleum
SHoA	State House of Assembly
VAT	Value Added Tax
WEO	World Economic Outlook

1. Introduction and Background

1.A. Introduction

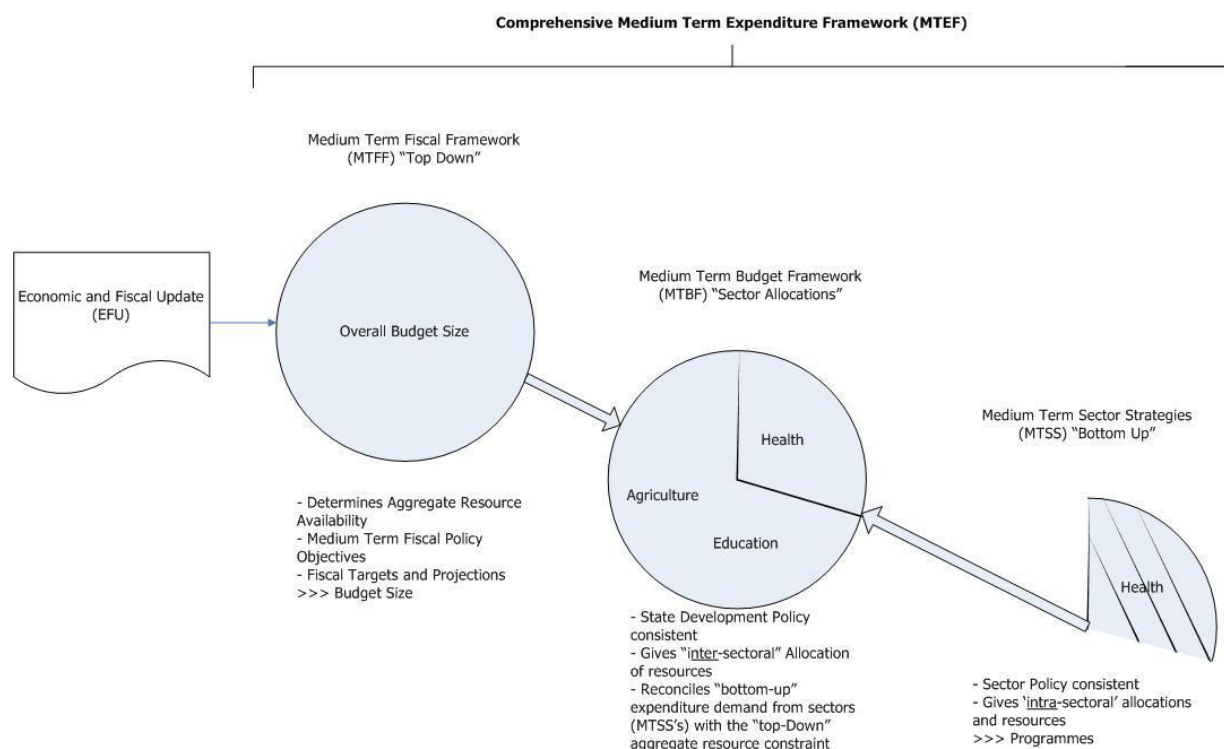
This Medium-Term Expenditure Framework (MTEF) provides a tool for multi-year fiscal planning and budget formulation process aimed at enabling the Kaduna State Government to set fiscal targets and allocate resources to strategic priorities. Key elements of the MTEF are the Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS);

1. The EFU provides economic and fiscal analyses which form the basis for the budget planning process. It is aimed primarily at policy makers and law makers 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.
2. The FSP determines the resources available to fund Government projects and programs from a fiscally sustainable perspective.
3. 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 term 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. Budget Process

4. The budget process describes the budget cycle in a fiscal year. Its conception is informed by the MTEF process which has three components namely:
 - i. Medium Term Fiscal Framework (MTFF);
 - ii. Medium Term Budget Framework (MTBF);
 - iii. Sector Implementation Plans (SIPs).
5. The budget process for a budget year starts from conception through preparation, execution, control, monitoring and evaluation and goes back again to conception for the subsequent year's budget.
6. The MTEF process is summarized in the diagram below:

Figure 1: MTEF Process



1.A.2. Summary of Content of the Document

7. In accordance with international best practice in budgeting, the production of a Medium Term Economic Framework comprising 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 2018 - 2020.
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, i.e. Economic and Fiscal Update;
 - ii. To set out medium term fiscal objectives and targets, including tax policy; revenue mobilization; level of public expenditure; deficit financing and public debt, i.e. Fiscal Strategy Paper and Medium Term Fiscal Framework (MTFF); and
 - iii. To provide indicative sector envelopes for the period 2018-2020 which constitute the Medium-Term Budget Framework (MTBF).
9. The EFU is presented in Section 2 of this document and it includes the following:
 - Overview of Global, National and State Economic Performance;
 - Overview of the Petroleum Sector;
 - Review of budget performance in the past six years.
10. The FSP is a key element in the KDSG Medium Term Expenditure Framework (MTEF) and annual budget processes. It determines the resources available to fund the Government's growth and poverty reduction program 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 2018-2020 budget preparation cycle for all the key stakeholders, specifically:
 - State Executive Council (ExCo);
 - State House of Assembly (SHoA);
 - Planning and Budget Commission;
 - Ministry of Finance;
 - All Government Ministries, Departments and Agencies (MDA's);
 - Civil Society Organizations (CSOs).
12. The document is prepared prior to the annual budget preparation period. It is prepared by the Kaduna State Government MTEF Working Group using data collected from International, National and State organizations.

1.B. Background

1.B.1. Legislative and Institutional arrangement for PFM¹

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;

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.

The Fiscal Responsibility Law 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 Budget, MTEF, Budget Execution and Public Revenues and Management of State Enterprises.

The Public Procurement law stipulates that Ministries, Departments, Bureaus, Offices and Agencies, including State Universities and Colleges, Government-owned 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 to all parties who are eligible and qualified to participate in public contracts and be devoid of discrimination among others.

14. **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. Recent additions in the Institutional Framework is the creation of the Fiscal Responsibility Commission and the Public Procurement Authority.

1.B.2. Overview of Budget Calendar

15. Indicative Budget Calendar for Kaduna State Government is presented overleaf:

Table 1: Budget Calendar 2018

S/No	Date	Activity and or Event	Executor
	May/June 2017	Preparation of MTFF, SIP	PBC
	June 2017	Revenue call circular to MDAs	PBC
	23/06/2017	Submission of Revenue proposals to Planning & Budget Commission	MDAs
	25-27/June 2017	Analysis of Revenue Proposals submitted by MDAs to be used by Estimates Committee Members at Revenue Defense	PBC
	July ,2017	Review/Refresher Training Workshop for MDAs on Multi Year Costing Template/Process/MTEF	PBC
	4-7/07/17	Estimates Committee meets with Revenue Generation Agencies to defend their Revenue Proposal	Estimates Committee
	10-11/07/17	Harmonization of Revenue figures to determine the proposed revenue for the year 2018-2020 and review MTEF here before going to SHoA and ExCo	PBC
	13-14/07/17	Half Year Budget Review	PBC
	21/07/2017	Submission of SIPs and Strategic Plans by MDAs to be incorporated into the full MTEF for SHoA and executive Summary	PBC
	20/07/17	Submission of 2018-2020 Sector Implementation Strategy by MDAs	MDAs
	12/09/17	Presentation of MTEF – Medium Term Expenditure Framework 2018-2020 to EXCO	PBC
	12/09/17	Presentation of Revenue Profile and MDAs Sectoral Expenditure Ceilings to EXCO for deliberations and approval	PBC
	17/09/17	Presentation of MTEF – Medium Term Expenditure Framework 2018-2020 to State House of Assembly for consideration and approval.	HC PBC
	24/07/17	Expenditure Call Circular to MDAs with Final Ceilings	PBC
	04/09/17	Final day for MDAs to submit detailed 2018 – 2020 Budget proposals	MDAs

	5-12/09/17	Final day for PBC to finish analyzing MDAs 2018 Budget Proposals	PBC
	13-17/09/17	Defense of 2018 - 2020 Budget Proposals	MDAs
	18-22/09/17	Collation and Preparation of 2018 – 2020 1st Draft Budget	PBC
	25/09/17	Presentation of 2018 1st Draft Budget to The Governor for perusal, observation and comments	HC PBC
	27-29/09/17	Corrections/amendments by PBC Vide the Governor's observations	PBC
	07/10/17	Town Hall meeting on 2018 Draft Budget	SA Political Affairs
	09/10/17	Council deliberation on 2018 draft budget	Council
	13/10/17	Presentation of Draft Budget to House of Assembly	Governor
		Review and Approval by the House of Assembly	SHoA
		Assent of 2018 Approved Budget by the Governor	Governor
		Public presentation and analysis of Approved Budget Between this time Budget needs to be approved to allow for cash planning	HC PBC
	5/01/18	Signing of 2018 Expenditure Warrants	MoF
	Jan. 2018	Guidelines for 2018 Budget implementation	PBC

Economic and Fiscal Update

1.C. Economic Overview

1.C.1. Global Economy²

16. Global economic activity is picking up with a long awaited cyclical recovery in investment, manufacturing, and trade. World growth is expected to rise from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018, slightly above the October 2016 World Economic Outlook (WEO) forecast. Stronger activity and expectations of more robust global demand, coupled with agreed restrictions on oil supply, have helped commodity prices recover from their troughs in early 2016. Higher commodity prices have provided some relief to commodity exporters and helped lift global headline inflation and reduce deflationary pressures.
17. Financial markets are buoyant and expect continued policy support in China and fiscal expansion and deregulation in the United States. If confidence and market sentiment remain strong, short-term growth could indeed surprise on the upside. But these positive developments should not distract from binding structural impediments to a stronger recovery and a balance of risks that remains tilted to the downside, especially over the medium term. Structural problems—such as low productivity growth and high income inequality—are likely to persist.
18. Inward-looking policies threaten global economic integration and the cooperative global economic order, which have served the world economy, especially emerging market and developing economies, well. A faster-than-expected pace of interest rate hikes in the United States could tighten financial conditions elsewhere, with potential further U.S. dollar appreciation straining emerging market economies with exchange rate pegs to the dollar or with material balance sheet mismatches.
19. More generally, a reversal in market sentiment and confidence could tighten financial conditions and exacerbate existing vulnerabilities in several emerging market economies, including China—which faces the daunting challenge of reducing its reliance on credit growth. A dilution of financial regulation may lead to stronger near-term growth but may imperil global financial stability and raise the risk of costly financial crises down the road. In addition, the threat of deepening geopolitical tensions persists, especially in the Middle East and North Africa.
20. Against this backdrop, economic policies have an important role to play in staving off downside risks and securing the recovery, as stressed in previous WEOs. On the domestic front, policies should support demand and balance sheet repair where necessary and feasible; boost productivity through structural reforms, well-targeted infrastructure spending, and other supply-friendly fiscal policy measures; and support those displaced by structural transformations, such as technological change and globalization. Credible strategies are needed in many countries to place public debt on a sustainable path. Adjusting to lower commodity revenues and addressing financial vulnerabilities remain key challenges for many emerging market and developing economies. The world also needs a renewed multilateral effort to tackle several common challenges in an integrated global economy
21. Countries selected are chosen to represent G20, BRICS, MINT, N-11, Petro-economies and other large African countries.

² Source: IMF World Economic Outlook April 2017

Table 2: Real GDP Growth - Selected Countries

Country	Actual				Forecast		
	2013	2014	2015	2016	2017	2018	2022
Mexico	1.4	2.3	2.6	2.3	1.7	2.0	2.7
Indonesia	5.6	5.0	4.9	5.0	5.1	5.3	5.5
Turkey	8.5	5.2	6.1	2.9	2.5	3.3	3.4
United States	1.7	2.4	2.6	1.6	2.3	2.5	1.7
Germany	0.6	1.6	1.5	1.8	1.6	1.5	1.2
United Kingdom	1.9	3.1	2.2	1.8	2.0	1.5	1.9
China	7.8	7.3	6.9	6.7	6.6	6.2	5.7
Ghana	7.3	4.0	3.9	4.0	5.8	9.2	5.3
South Africa	2.5	1.7	1.3	0.3	0.8	1.6	2.2
Brazil	3.0	0.5	-3.8	-3.6	0.2	1.7	2.0
Angola	6.8	4.8	3.0	0.0	1.3	1.5	1.4

Source: IMF's World Economic Outlook, April 2017.

22.

Table 3: Inflation (CPI) - Selected Countries

Country	Actual				Forecast		
	2013	2014	2015	2016	2017	2018	2022
Mexico	3.8	4.0	2.7	2.8	4.8	3.2	3.0
Indonesia	6.4	6.4	6.4	3.5	4.5	4.5	4.0
Turkey	7.5	8.9	7.7	7.8	10.1	9.1	7.0
United States	1.5	1.6	0.1	1.3	2.7	2.4	2.3
Germany	1.6	0.8	0.1	0.4	2.0	1.7	2.4
United Kingdom	2.6	1.5	0.1	0.6	2.5	2.6	2.0
China	2.6	2.0	1.4	2.0	2.4	2.3	3.0
Ghana	11.7	15.5	17.2	17.5	12.0	9.0	6.0
South Africa	5.8	6.1	4.6	6.3	6.2	5.5	5.5
Brazil	6.2	6.3	9.0	8.7	4.4	4.3	4.5

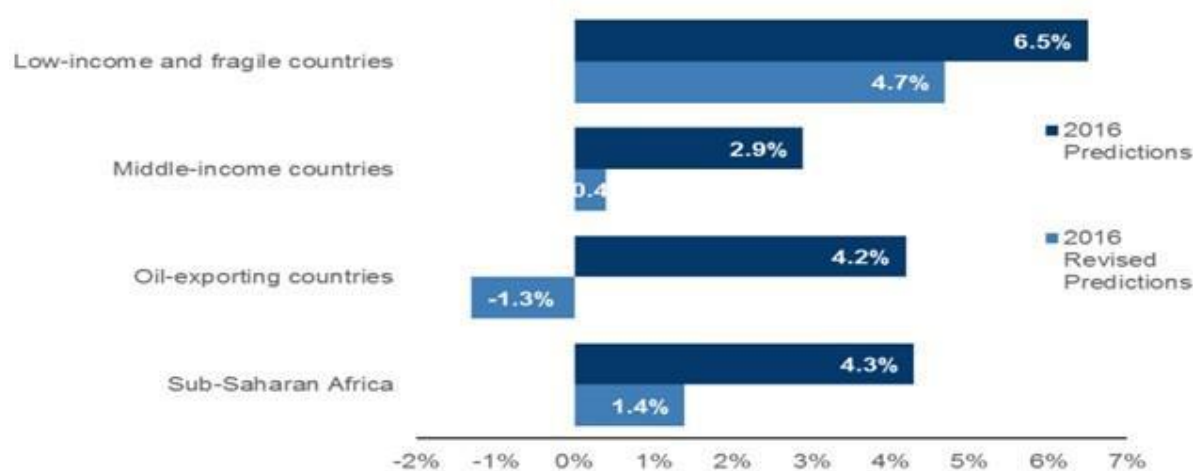
Angola	8.8	7.3	10.3	32.4	27.0	17.8	9.0
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Source: IMF's World Economic Outlook, April 2017.

1.C.2. Africa³

23. In 2015, the region experienced its slowest growth since 1998. According to the October 2016 edition of the IMF Regional Economic Outlook for Africa, the growth rate fell from 5.1 percent in 2014 to 3.4 percent. Growth predictions for the continent stated that the region's GDP growth rate would rebound to 4.3 percent in 2016 (Figure 1). However, in 2016, the continent's GDP growth rate continues to decline, as the IMF predicts a drop to 1.4 percent, 2.9 percentage points below the initially predicted growth rate. Oil-exporting countries saw the largest shock to their economies as their GDP growth forecast became negative. Equatorial Guinea, South Sudan, and Nigeria will see their economies shrink by 9.9, 13.1 and 1.7 percent, respectively.

Figure 2 GDP growth rates in sub-Saharan Africa: October 2015 predictions against October 2016 revisions

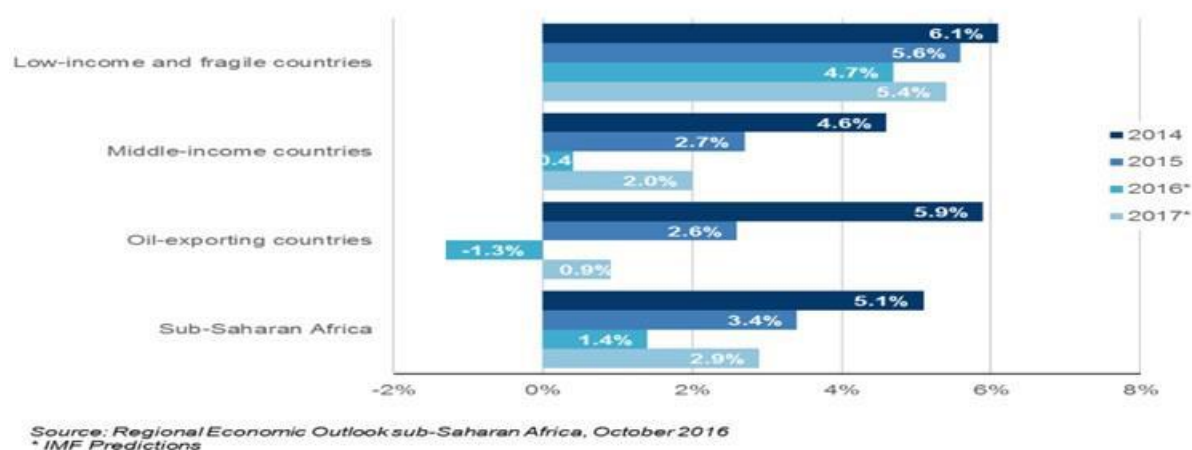


Source: Regional Economic Outlook sub-Saharan Africa, October 2016

24. The slow growth narrative is not uniform throughout sub-Saharan Africa. Non-oil-exporting countries such as Kenya, Burkina Faso, and Senegal have recorded GDP growth rate increases, from 5.6, 4, and 6.5 percent in 2015 to 6, 5.2, and 6.8 percent in 2016, respectively. Cote d'Ivoire is set to record an 8 percent growth rate in 2016, the highest in sub-Saharan Africa. While the fall in commodity prices has negatively impacted the economy of oil-exporters, commodity importers have benefited from a lower oil import bill and an improved business environment and are predicted to grow at a rate of 5.5 percent in 2016.

³ Source: IMF World Economic Outlook October 2016 and Regional Economic Outlook Sub-Saharan Africa October 2016

Figure 3: GDP Growth rates for sub-Saharan Africa, 2014-2017



25. The growth outlook for 2017 looks brighter (Figure 3). GDP growth is set to rebound to 2.9 percent. The regional economic outlook attributes this rebound to a pickup in global activity and the backdrop of policy adjustments.

1.C.3. Nigerian Economy⁴

Macroeconomic

26. The average growth of 7.5% Nigeria recorded over the last decade witnessed a sudden unpredictable negative growth in 2016 which was reported at -1.51% per IMF, 2017, other oil exporting countries in Africa such as Chad and Congo recorded -6.4% and -2.7% GDP growth respectively. Russia, an oil producing country also witnessed a negative economic growth of -0.2% in 2016. It is expected that in 2017 Nigeria will reverse the negative trend experienced 2016 given the launch of Economic Growth Recovery Plan 2017 - 2020.
27. The plan intends to among other things; ramp up oil production to 2.1billion barrels per day by 2020, build on existing sectoral strategies and plans such as the National Industrial Revolution Plan and the Nigeria Integrated Infrastructure Master Plan, build innovation that signals a changing relationship between the public and private sectors based on close partnership and provides for effective collaboration and coordination with the States to ensure that the Federal and State Governments work towards the same goals.
28. Between 2012 and 2014, Nigeria inflation fell from 12.2% to 8.0%. In 2015, the trend started reversing upward with an inflation figure of 9.06% which significantly increased to 15.7% in 2016. The sudden change in trend is triggered by the policy of the Federal Government in outright banning or strict regulation in the importation of certain goods, devaluation of naira from N197/\$ in 2015 to N310/\$ in 2016 and 100% withdrawal of fuel subsidy. As at January 2017, the inflation rate skyrocketed to 18.72% before it came down to 17.26% in March 2017. It is projected that the inflation rate will slightly rise to 17.50% between 2017 and 2018. This projected inflation rate can be reduced with effective implementation of the growth recovery plan.

⁴ Source: Various NBS GDP and Inflation Reports, CBN, Nigeria Economic Recovery and Growth Plan 2017-2020

29. The exchange rate has been quite unstable over the last four years ranging from N159.5/\$1 in 2013 to N305.45/\$1. The exchange rate of N305.45/\$1 is a result of the devaluation of the naira in 2016. The National debt is at a sustainable level of 11% of GDP which indicates that the economy is strong if compared to debt level over 91.90% of GDP in the Euro Zone as at 2014 and is projected to peak at 95.9% in 2015.⁵
30. As Nigeria's economic development is pursued under the economic growth recovery, increasing demand for power, housing and retail goods will continue to attract new investment and make Nigeria Africa's largest destination for FDI.
31. Notwithstanding the positive developments, major challenges for the economy remain, namely the dilapidated state of infrastructure, the over-dependence on the oil and gas industry and insecurity. Tackling these is high on the Government's agenda. The authorities are seeking to get the private sector involved in infrastructure development and to develop the non-oil sector.

Table 4: Nigeria Key Macroeconomic Indicators

Indicator	2013	2014	2015	2016
GDP Growth	5.4	6.3	4.8	-1.51
GDP Current Basic Price (Billion Naira)	80,222	89, 043.62	94,144.96	101,598.48
Inflation (%)	8.5	8.1	9.6	15.7
Exchange Rate (NGN: USD IFEM Rate)	159.3	164.9	192.6	305.45
Current Account Balance (% of GDP)	3.7%	0.2%	-3.2%	0.6%

Source: (Economic Outlook) National Bureau of Statistics, (WEO) IMF; CBN

Petroleum Sector⁶

32. There was a steady global rise in oil prices since the global economy crisis in 2008. In January 2016, the OPEC Reference Basket (ORB) price fell to \$22.48/barrel. It means that between June 2014 and January 2016 the ORB price fell by 80%. This is the largest percentage drop in the five episodes of sharp price declines that the market has experienced over the past three decades. However, prices witnessed an upward trend until May, with the ORB price then settling above \$40/b in the third quarter of 2016.
33. Global demand for crude oil remain robust regardless of the price scenario with anticipated consumption level at approximately 120mbpd by 2040 across reference, low and high oil price scenarios. This compares to demand of around 92.5mbpd in 2014. The growth is due to increased economic activity in Non-OECD countries.

⁵ Source Nigeria Domestic & Foreign Debt Report 2016

⁶ OPEC Monthly Reports, NNPC Reports, CBN

Table 5: Nigeria Mineral Statistics

Year	Average Actual Price USD (CBN)	FAAC Benchmark Price USD	Average Actual Production (CBN)
2010	64	45	2.11
2011	81	60	2.47
2012	114	75	2.08
2013	113	70	2.32
2014	111	79	2.21
2015	52.65	53	2.13
2016	42.92	38	1.84
2017	54.04*	44.5	1.41*

*Data from OPEC January – March 2017 (Production is primary source)

34. The above table shows that the price of oil had a drastic drop from \$111 in 2014 to \$42.92 in 2016 representing over 60% loss in price. Over the same period, the FAAC benchmark price for crude oil has also dropped from \$79 to \$38 per barrel. Also, over the same period production has fluctuated around the 2.21 mbpd mark over the period before a sharp decline to 1.84 mbpd in 2016. It is expected that the average production benchmark will increase when the security position and price of the crude oil improves.
35. According to OPEC (using direct source), the average oil production in Nigeria between January – March 2017 is 1.41mbpd, if this figure does not improve, it will greatly affect 2017 budget performance since the oil production benchmark is 2.2mbpd at \$44.5ppb.

Kaduna State Economy

36. Kaduna state commenced the computation of its Gross Domestic Product (GDP) in 2016, covering the period 2013 to 2015. Findings of the GDP Survey (2016) showed that the GDP of the state was ₦1.92 trillion in 2013, ₦2.02 trillion in 2014 and ₦2.25 trillion in 2015. The GDP grew by 4.99% in 2014 and 11.80% in 2015 in real terms. The state's economy was the 7th largest sub-national economy with a contribution of 2.3% to the national GDP in 2015. The data further shows that the services sector contributed 45.5%, agriculture contributed 36.69% and industry contributed 17.81% to the state GDP. The State Development Plan, launched in 2016 to cover a 5-year period lays out a coherent strategy to grow the economy of the state.
37. Agriculture sector is clearly the most important non-mineral economic activity in the state. It contributes a major share compared to other sectors of the economy coupled with its position as the highest employer of labour in the state. The result of the General Household Survey (2017) indicates that 42.4% of the workforce in the state and 79.6 percent of households are involved in agriculture. Out of the total contributions of 36.69% by the agriculture sector to the GDP, the contributions of the sub-sectors are crops

33.67%, livestock 2.65%, fisheries 0.24% and forestry 0.11%. The agriculture sector is dominated by wet season planting and an irrigated dry season planting. Kaduna state produces 22% of Nigeria's total maize output and 10% of groundnuts (peanuts).

38. Kaduna city which was one of the industrial and commercial cities in Nigeria has experienced decline in manufacturing in recent times as its previously booming textile industry no longer contributes to the overall growth of the economy. The state has over 80 commercial and manufacturing concerns and goods manufactured include textiles, aluminum, dairy products, toiletries and petroleum products. The annual Kaduna Investment Summit (KADINVEST) introduced in 2016 is attracting investments in industrial and commercial enterprises to the state. There are potentials to develop industries based on mineral resources such as clay, serpentine, asbestos, amethyst, gold, graphite and light manufacturing based on agriculture. In addition, the State has natural and historic endowments for creating a virile tourism industry.
39. Education constitutes the core of human development, critical transformation tool and a formidable instrument for the development of a nation and achieving socio-economic empowerment of young people with knowledge and skills. Indeed, Kaduna state is one of the most privileged States in Nigeria in terms of number and variety of schools. There are 4,197 public pre-primary and primary schools, 421 public junior secondary schools, 331 public senior secondary schools, 24 science and technical secondary schools, as well as 1,388 private primary and secondary schools and ten (10) tertiary institutions. These institutions provide access to education to the citizens.
40. In the health sector, Kaduna state has about 1,692 healthcare facilities providing various levels of health care services. Primary Healthcare Facilities are 965 with 39 secondary Health Care Facilities and 6 Tertiary Hospitals. On the average, about 33% of the population of citizens still do not have access to health care, indicating that sufficient coverage remains an important health goal alongside improving quality. The State health sector goal seeks to ensure that all citizens have quick and easy access to improved and affordable curative, preventive, and rehabilitative health services.
41. Based on population data, women constitute about half of the population of the State. Social norms constitute a major factor that limit opportunities for women and children. Kaduna State General Household survey (2017) indicates that 44% of girls aged 20-24 were married before the age of 15, and 65% before the age of 18. The policy thrust for improving the lives of women and the youth is the economic empowerment of women and the vulnerable through skills acquisition and the reduction of youth unemployment.
42. Inequality is a serious challenge in the economy the State. Data from Kaduna State General Household Survey (2017) shows that 47% of citizens earn less than half of the median income per month. However, the proportion of the population with access to safely-managed water sources is 65.5% in 2017 and the population with access to electricity is 75.7% in 2017.

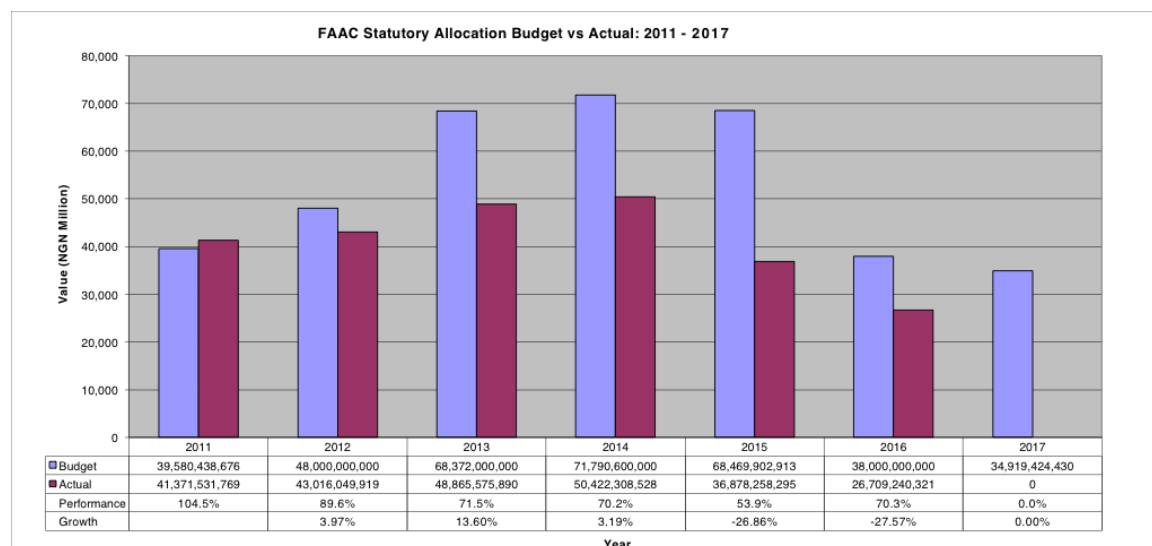
1.D. Fiscal Update

1.D.1. Historic Trends

Revenue Side

43. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2011-2016 (six year historic) and 2017 budget.

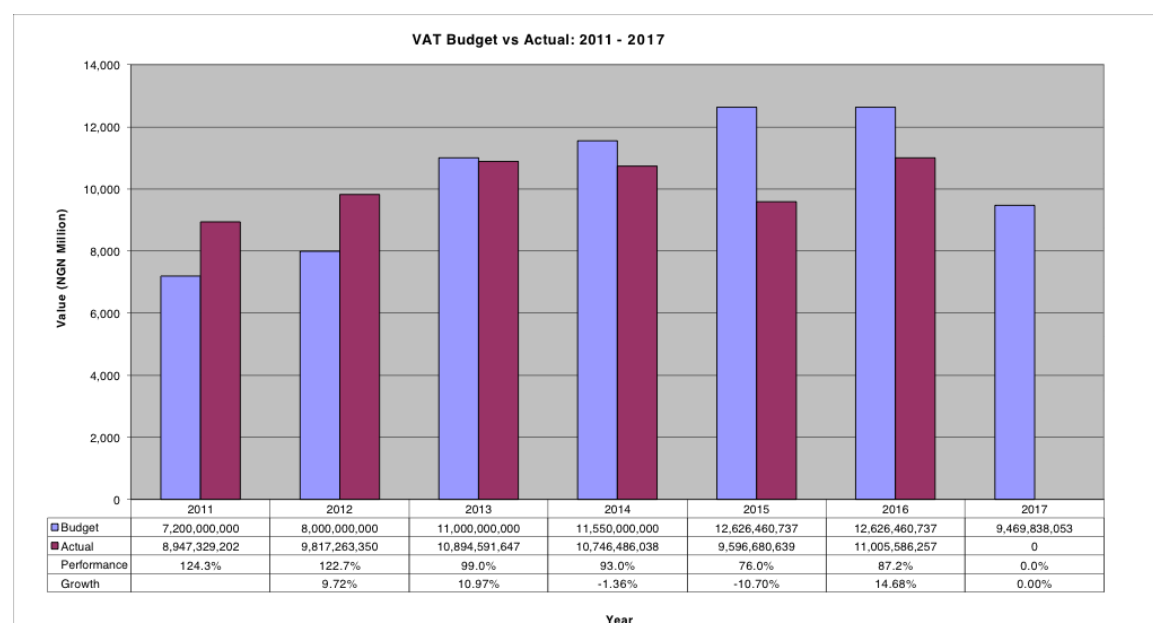
Figure 4: Statutory Allocation



44. Statutory Allocation (actual), which in the graph above represents all Federation account transfers (excluding VAT and other Statutory Transfers) increased over the 2011-14 period, except in 2015-16 (due to the plunge in crude oil prices). Statutory revenue is revenues from sales of crude oil, custom duties, Company Tax and other revenues from non-mineral sector. Budgeted allocation for 2016 dropped by 40% compared with 2015 and it further dropped by 44% in 2017 (due to the Economic recession, and low price of oil, low productivity and militancy in the oil producing region).
45. In past EFU-FSB-BPS documents in the State, the "Budgeted" Statutory Allocation figures over the review periods includes other Federation Account distribution such as Excess Crude, Exchange gain (FX) while the actual include collection from other federation account sources which are budgeted separately. This has led to the underperformance of actual against Budgeted. In this document, however, "Federation Account distribution" are presented separately to show the true value of Budgeted via-a-vis actual.
46. Actual performance via-a-vis budgeted figures for the six years under review was high in 2011 to 2012, it dropped in 2015 and 2016. While in 2016, the performance is close to Budgeted due to increased budget realism. The collections increased consistently in 2012, 2013 and 2014 by 2bn, 5.3bn and 1.6bn respectively before declining by 16bn in 2015. In 2016 there's a nominal decline in actual figure by 10bn however, there is significant increase in budget performance due to increased budget realism.
47. Growth in Statutory Allocation since 2011 is underpinned by increase in benchmark crude oil price which reached \$115 in 2014. A fall in world oil prices implies a corresponding decline in Statutory Allocation. In the 2016 version of this document, we projected a decline in Statutory Allocation the same year; however, there was a steady increase in the price of crude oil in 2016, and thus an increase in Statutory Allocation in the third and fourth quarter of 2016. Furthermore, in July, 2016 Nigeria floated the naira, the resultant decrease in the value of the naira, led to an increase in Statutory Allocation in the 3rd and 4th quarter of 2016.

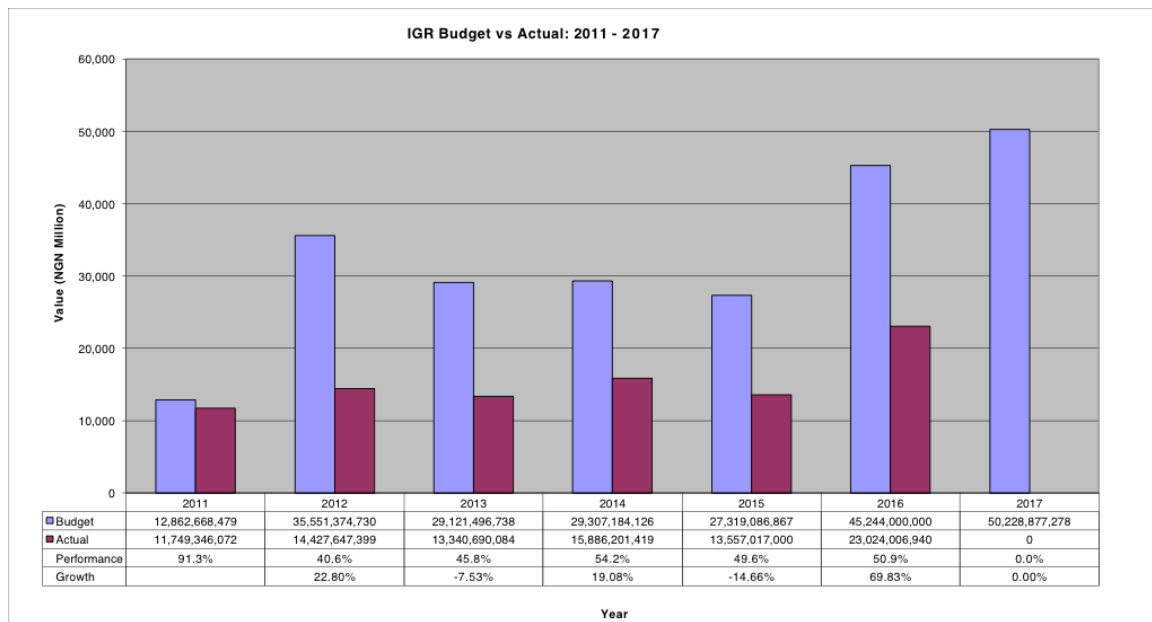
48. However, the increase in the Benchmark price of Crude oil implies a slight decline in Statutory Allocation because of a decline in production and exports. Thus, the State will be forced to prioritize Budget Expenditure Implementation.

Figure 5: VAT



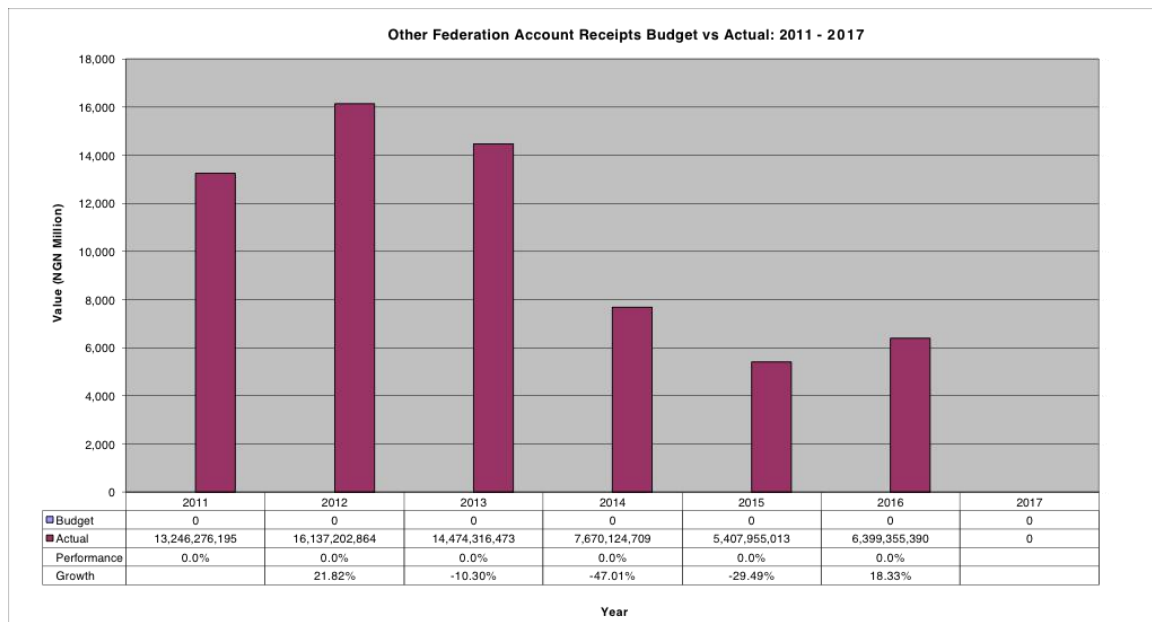
49. Between 2011 and 2013, VAT receipts of KDSG increased – largely due to sustained annual increases in economic activity over the period. Over the same period except for 2013 VAT has outperformed budget. From 2013 to 2016, performances however fell below the budgeted figure which could be attributed to slowdown in economic activities and the purchasing power associated with the sharp decline in the global oil price and high inflation rate in the country. Value Added Tax (VAT) is a tax levied on goods and services consumed. It is an indirect tax wherein the burden of the payment is borne by the final consumer of the goods and services. The tax is collected only by Federal Inland Revenue Service at the rate of 5% of the value of the goods and services supplied and distributed to States using certain indicators. The VAT rate in Nigeria of 5% is said to be among the lowest in the world and has remained unaltered from commencement of the Act till date.
50. Given the down turn in the economic activities in the country experienced in 2016, the VAT projection for the next three years should be relatively conservative.

Figure 6: IGR



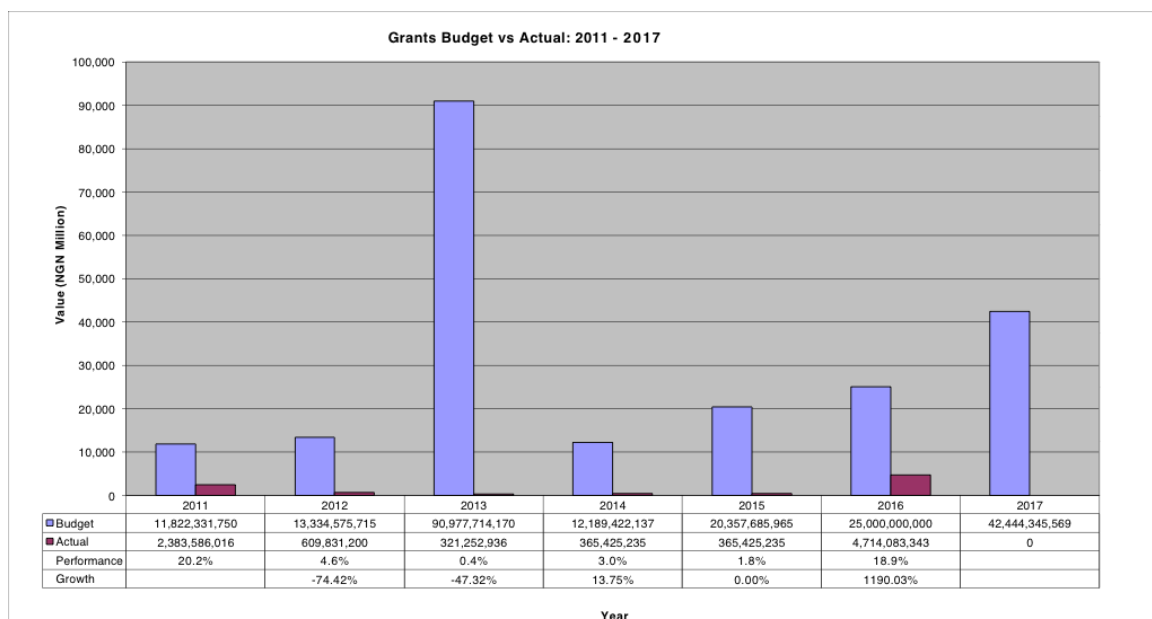
51. IGR is revenue collected for Kaduna State related to income tax (PAYE represents the highest contributor to IGR), fines, levies, fees and other sources of revenue in the state.
52. IGR performance recorded both positive and negative over the year under review. In 2016, there was a sharp increase in collections mostly due to plugging of leakages by the state and other reforms (i.e. implementation of TSA). However, the IGR collections still fell short of the optimistic projections. This in part is ascribed to slow take-from the reforms in land administration including the recertification exercise.
53. The increase in "Budgeted" provision in 2016 and 2017 arose from the decision by the State Government to sell "Non-essential public residential quarters" by the State Government due to high and rising cost of maintaining the houses. The amount expected from the sales constitutes a reasonable percentage of the Budgeted revenue for the year 2017.
54. Kaduna State needs to be more realistic and prudent in its IGR projections and implementation of planned projects and programs that generate IGR in the financial year. Furthermore, the state needs to be mindful that the impact of the reforms may not be seen in the short-term.

Figure 7: Other Federation Account Transfers



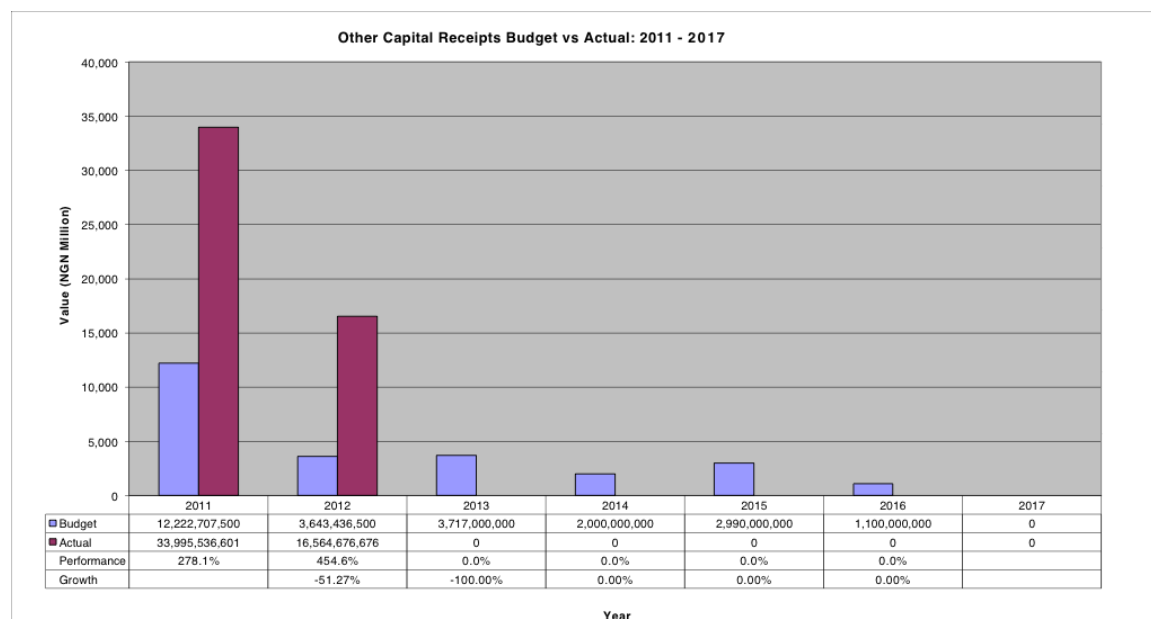
- This comprises Nigerian National Petroleum Corporation (NNPC) Refund, Augmentation, Exchange Gains, Subsidy Re-investment and Empowerment Programme (SURE-P), Nigerian Liquefied Natural Gas (NLNG) and Excess Crude. The above table only reflects the actual figures while the budgeted is being captured in the statutory allocation as a one line revenue item. There was an increase in growth in 2012 over that of 2011. However, it experienced a decline between 2013 and 2015 and is mainly because of drop in production quota and prices of crude with a slight increase in 2016. The increase in 2016 was due to the increase in Foreign exchange rate above the benchmark in June and the fact that excess crude was distributed to cover the gap between benchmark and actual price in early 2016
- In forecasting for 2018- 2020 there is need to segregate the different component of the statutory allocation.

Figure 8: Grants



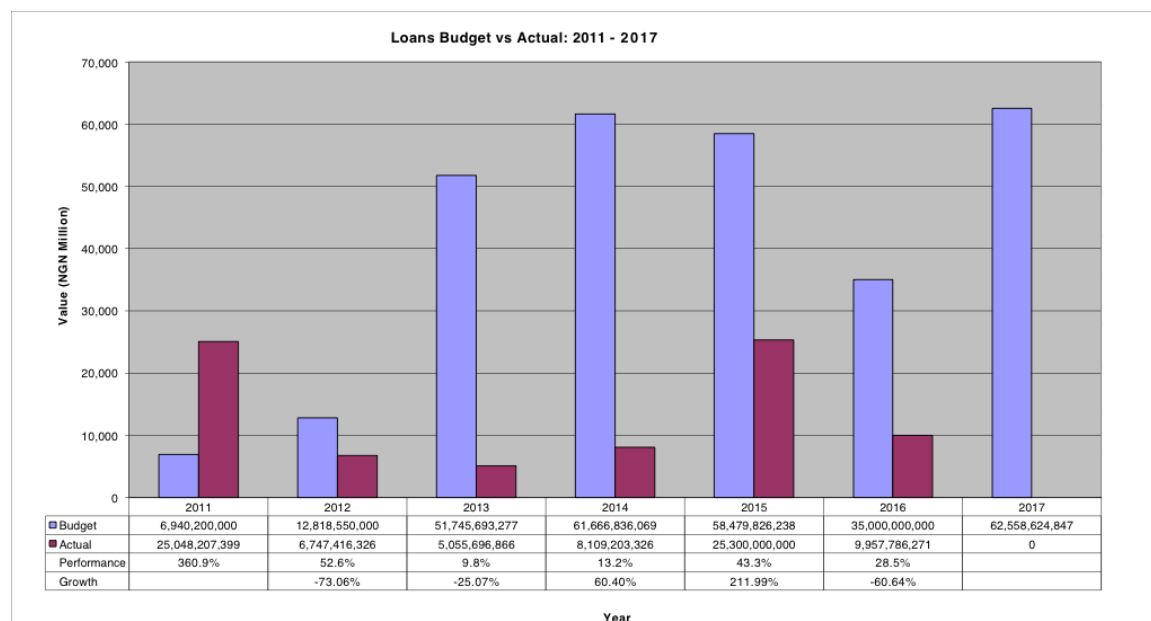
55. The budget for grants between 2011 and 2016 has been very unrealistic with a poor performance in collection. This is attributed to the non-receipt of funds from most of the Development Partners who mainly provide technical support (Technical Assistance), some receipts are missed as they are paid into certain bank accounts outside the purview of the Accountant General and non-payment of counterpart funds and other requirements from the State Government.
56. While a platform exists for coordinating development partners, it is important for Kaduna State Government to have a robust system for donor 'fund' coordination which will ensure grants are paid into a unified account to enable tracking and reporting. Also, the State should be modest in its projections in line with the actual trend as recorded.

Figure 9: Other Capital Receipts



57. Other Capital receipts comprises revenue from sales of capital assets dedicated for capital expenditure. These include proceeds from sales of fertilizer, survey and demarcation of layouts, development levy by land allottees, Ecological Fund and development programs for destitute. Although capital receipt has been consistently budgeted since 2013, there has been no budget performance.

Figure 10: Loans / Financing

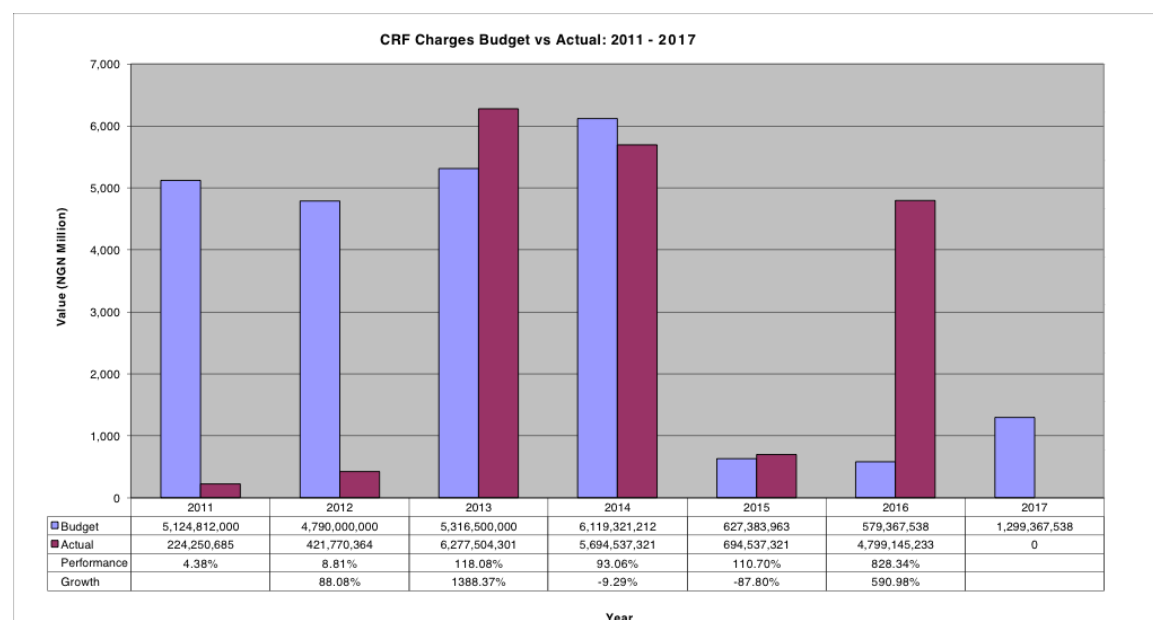


58. Loans includes Internal and External loans. Internal loans comprise capital market receipts and Commercial Bank loans (including Nigerian Export-Import Bank (NEXIM)), Central Bank of Nigeria etc. External loans are receipts from World Bank, Islamic Development Bank (IsDB) and Africa Development Bank (AfDB).
59. Since the bailout / budget support facility is given to states as credit facility it is expedient for the facility to be reflected in the actuals to show how much Kaduna state is accessing. If the State envisages this will keep coming, there is need to capture a projected figure of that credit facility in the 2018 – 2020 Budget.
60. The high budgeted loan figure of 2017 is in view of the arrangement with the World Bank to access loan that is performance based in 2017 (known as Programme for Result). This has been approved by the World Bank and Federal Ministry of Finance and is awaiting National Assembly approval as part of the 2017 national borrowing plan submitted by the Federal Government.
61. In 2011, actual loans exceeded budgeted because the Government executed what was termed as "Contractor Financing" where about 5 banks granted loan facilities to the State amounting up to 20billion. Between 2013 and 2016 actual loans received were significantly low against budgeted except for 2015 where there was an improvement in the growth. The level of deviation between budgeted and actual reflects significant difference between expectation of receipts and what was provided by Creditors.
62. Again, this level of unpredictability should be considered when formulating the fiscal forecast in both MDAs and the Central Coordinating Ministry (PBC).

Expenditure Side

63. On the expenditure side, the document looks at Consolidated Revenue Fund (CRF) charges, Personnel, Overheads and Capital Expenditure – budget versus actual for the period 2011-2016 (six years) and 2017 budget.

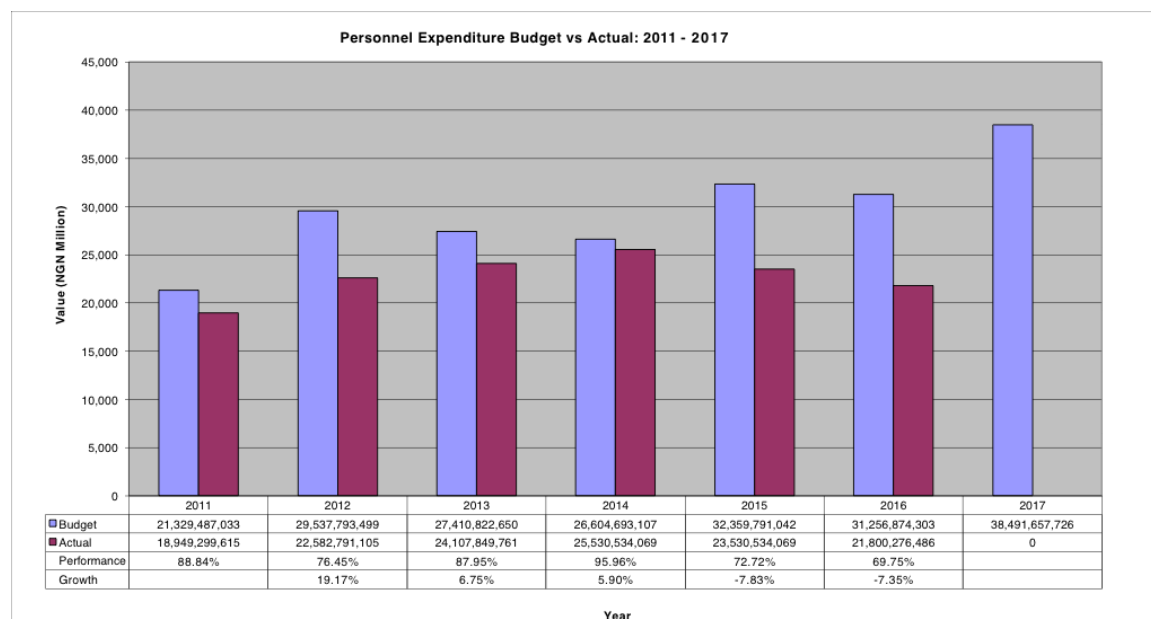
Figure 11: CRF Charges



64. CRF charges consist of pensions, gratuities, debt servicing and consolidated salaries. In 2017 budget, pensions have been moved to the overheads. Actual CRF charges in 2011 and 2012 show an under-performance due to the inability of the State Government to pay gratuity. The performance however improved starting from 2013. In 2016, the actual CRF hugely increase due to the utilization of the Paris Club refund to pay backlog of both State and LGAs pensions and gratuity. Supplementary budget was passed in 2016 to take care of pension's arrears expenditure.

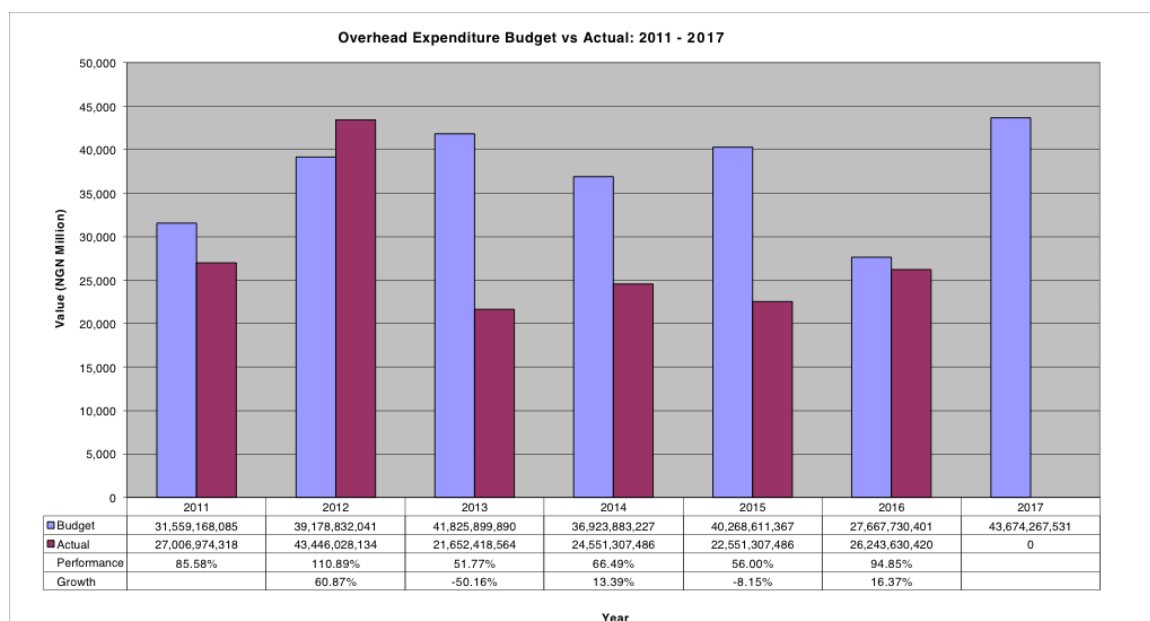
65. The State plans to pay all outstanding pensions and gratuity in 2017 which will lead to the reduction of budgetary provision for CRF charges between the 2018-2020 periods.

Figure 12: Personnel



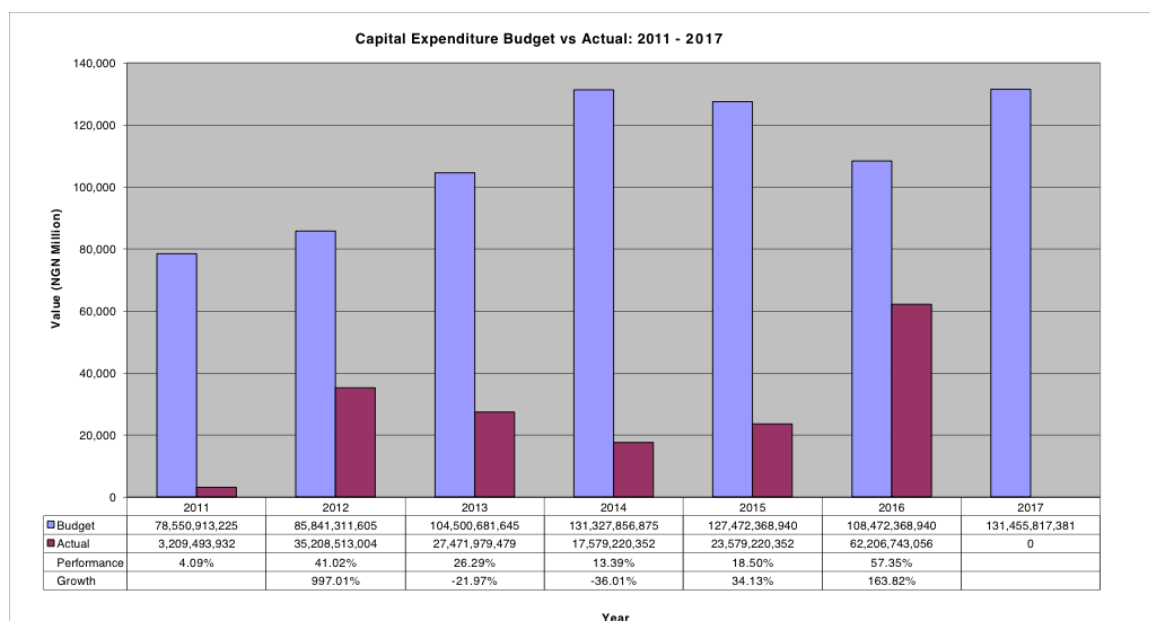
66. Personnel cost comprise of the emoluments due to the employees of the state which is paid centrally through the Accountant-General's account. Actual personnel spending rose progressively except in 2015 when a routine staff verification exercise and other ancillary measures implemented by the new administration to eliminate ghost workers from the payroll, induced a sharp decline. With the introduction and implementation of the new Pension scheme, the state recorded a sizeable number of staff attrition from the service because many do not want to be caught in that web. This further contributed to the decrease in the personnel cost in 2016. In addition to this is the introduction and implementation of the IPSAS Chart of Account where some Component of the personnel cost is now being captured in the overheads.
67. The plan to inject more staff into the system is what informed the increase in the Budgeted Personnel figure of 2017.

Figure 13: Overheads



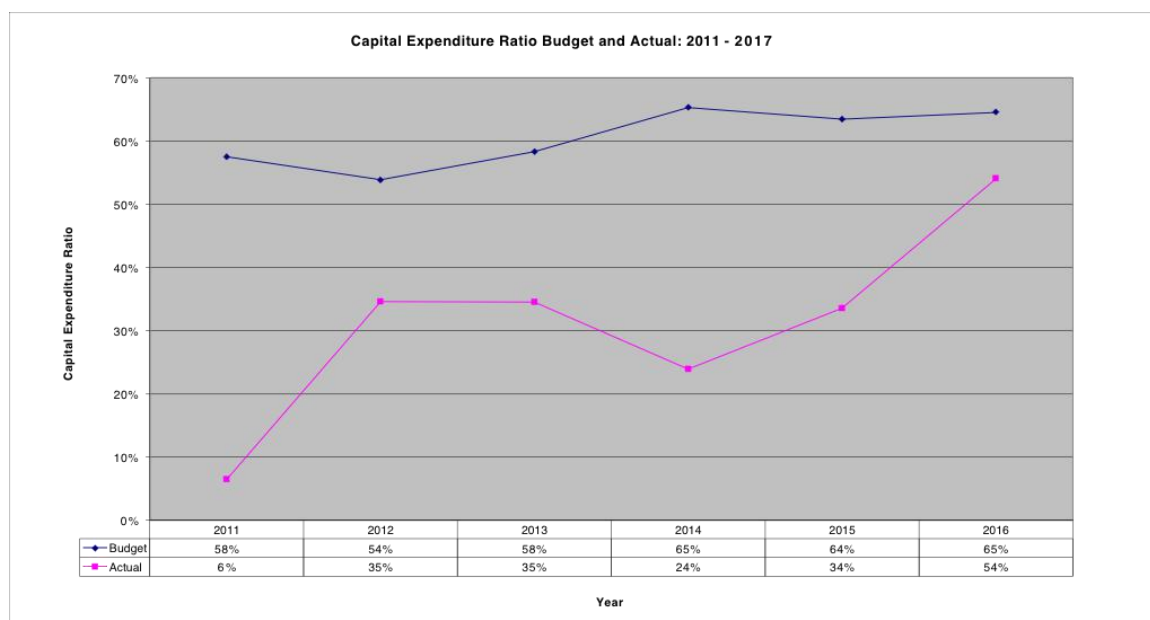
68. Overheads comprise mainly of operational and maintenance costs for running the government. Actual overhead performance fluctuated over the period under review.
69. The sharp increase in Budgeted figure in the year 2012 and 2013 was reportedly because of post-election violence in 2011. This led to the loss of lives and properties belonging to Government. The quantum of expenditure mostly payment of compensation was huge and thus could not be accommodated in just one fiscal year. Hence, the expenditure was spread through 2012 and 2013.
70. It is worth noting that in 2016, overhead cost performance vis-à-vis budgeted stood at 94.85% because of budget realism. Kaduna State needs to sustain the current practice of budget realism and the implementation of the Budget Adjustment Mechanism.
71. The sharp increase in 2017 Budgeted figure is because of the decision by State Government to settle the three years' backlog of pensions and gratuity. Furthermore, the implementation of IPSAS is another reason for the sharp increase which takes away gratuity as personnel component to overheads. Once, this backlog is cleared, it is expected that the overhead cost should decline drastically.

Figure 14: Capital Expenditure



72. Capital expenditure in 2012 recorded 41.02% increase and declined consistently in 2013 and 2014. This oscillation over the years reflects the unmet expectations regarding IGR, grants and loan drawdown and a tendency to prioritize recurrent spending which rendered capital expenditure estimate unrealistic. In 2016, for the first time after a very long time, the State recorded 57.35% implementation of the capital expenditure. It is expected that the figure will improve more in 2017.
73. Going forward, the State should make a modest revenue projection in line with the actual trend to avoid mismatch between budget and the actual.

Figure 15: Recurrent: Capital Expenditure Ratio



74. In the period under review, the capital budget has typically exceeded recurrent allocations with the highest in 2014. In reality however, recurrent expenditure swamped capital spending as more resources are channeled to recurrent expenditure which negates budget creditability. Budget creditability ensures that budget is realistic and implemented as intended. From the graph above, in terms of Budget creditability, 2011 witnessed the lowest while 2016 witnessed the highest actual capital budget expenditure compared to other years.

75. A shortfall in IGR results to limited recurrent account surplus. Low capital receipts also contribute to creating funding gaps for capital expenditure as such, there is the need to be modest in our estimation to ensure budget creditability.

By Sector

76. 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 6a: Sector Personnel Expenditure – Budget Vs Actual

Personnel Expenditure by Sector							
Sector	2014 Budget	2014 Actual	2015 Budget	2015 Actual	2016 Budget	2016 Actual	Performance
Governance - Government House	765,123,177	683,384,578	817,686,250	623,200,921	758,616,437	647,671,001	83.46%
Governance - Office of the Head of Service	323,539,370	269,581,578	699,348,468	312,038,285	373,081,291	303,765,777	83.42%
Governance - Secretary to the State Governor	453,954,883	645,984,528	936,361,012	581,627,353	827,234,154	644,977,601	84.44%
Governance - Ministry of Economic Planning	80,118,839	77,263,563	136,128,481	162,092,863	180,159,389	166,319,861	102.34%
Governance - Ministry of Finance & Planning	890,030,778	611,889,708	1,638,837,422	534,069,635	1,371,346,798	671,993,949	46.61%
Governance - Ministry for Local Government	53,443,420	46,661,578	63,624,145	55,416,299	32,587,856	86,804,414	126.21%
Governance - Office of the State Auditor-General	123,875,733	110,870,477	132,924,593	119,004,064	50,618,101	100,726,432	107.54%
Governance - Office of Auditor-General (Local Government)	99,806,551	102,926,676	104,133,996	106,459,052	89,172,871	95,862,788	104.14%
Governance - Public Procurement Authority	18,289,502	17,780,778	23,141,789	17,403,877	30,261,455	0	49.08%
Governance - Local Government Service Commission	44,503,150	44,119,350	31,256,325	74,323,949	669,468,576	36,045,430	20.73%
Governance - Other Non-SIP MDA's	4,272,552	4,884,341	38,466,349	55,459,062	62,640,114	39,799,032	95.03%
Governance - Civil Service Commission	93,665,411	92,226,647	54,000,000	74,323,949	91,547,882	47,718,772	89.57%
Governance - Kaduna State Indep. Electoral Commission	93,075,595	92,168,870	68,648,668	97,937,621	97,259,328	84,678,721	106.10%
Governance - Other Non-SIP MDA's	507,525,448	573,764,668	761,934,316	747,629,442	41,009,599	637,979,565	149.52%
Health	6,025,169,678	5,353,720,630	7,983,681,143	5,679,860,256	834,539,105	6,063,013,583	115.18%
Education	13,677,939,836	13,568,749,049	15,192,700,842	14,176,972,737	11,647,267,297	8,812,230,063	90.23%
Social Welfare	237,828,706	229,424,756	249,327,340	213,957,901	354,213,224	185,073,828	74.89%
Works and Infrastructure	343,810,651	345,257,754	435,298,811	304,279,449	251,795,312	303,699,063	92.47%
Rural & Community Development	72,772,508	69,689,004	69,661,201	79,941,426	541,699,006	62,559,558	31.02%
Agriculture	787,284,795	686,345,146	847,587,725	652,396,472	656,704,425	665,951,083	87.48%
Water	79,449,502	70,232,336	79,492,160	58,755,839	13,822,541	69,354,049	114.81%
Environment	143,838,229	137,221,679	181,694,574	197,366,234	141,901,380	194,199,107	113.13%
Commerce	50,167,987	47,736,572	56,355,773	59,465,152	68,443,788	80,739,471	107.41%
Internal Security, Law and Justice - Ministry of Justice	149,540,272	137,458,384	160,814,246	144,046,904	0	150,899,676	139.33%
Internal Security, Law and Justice - Other	1,424,441,832	1,168,018,735	1,781,145,816	1,228,691,430	12,607,058,449	1,594,417,515	25.24%
Total	26,543,468,405	25,187,361,385	32,544,251,444	26,356,720,171	31,792,448,380	21,746,480,339	80.65%

Table 6b: Sector Overhead Expenditure – Budget Vs Actual

Overhead Expenditure by Sector							
No. Sector	2014 Budget	2014 Actual	2015 Budget	2015 Actual	2016 Budget	2016 Actual	Performance
1 Governance - Government House	3,694,442,839	3,712,151,821	2,518,278,484	2,118,515,300	1,710,504,218	1,305,757,693	90.07%
2 Governance - Office of the Head of Service	792,521,362	487,222,600	661,249,075	377,538,004	1,090,185,000	443,166,892	37.41%
3 Governance - Secretary to the State Governor	5,739,494,575	7,340,193,661	5,471,292,996	5,114,564,535	3,281,361,000	298,130,786	88.00%
4 Governance - Ministry of Economic Planning	263,653,025	227,213,640	330,000,000	157,610,294	161,532,000	183,076,615	75.20%
5 Governance - Ministry of Finance & Planning	21,816,262,692	21,148,472,999	22,352,730,684	2,612,087,877	18,170,485,500	11,453,293,134	58.49%
6 Governance - Ministry for Local Government	20,774,000	30,000,511	30,000,000	15,404,244	454,445,000	361,180,304	80.48%
7 Governance - Office of the State Auditor-General	27,520,000	40,767,281	34,000,000	30,613,181	27,281,000	27,206,966	111.02%
8 Governance - Office of Auditor-General (Local Government)	10,305,000	9,400,664	11,000,000	3,998,879	31,058,000	16,294,700	96.71%
9 Governance - Public Procurement Authority	55,386,250	38,433,417	44,308,000	34,059,456	32,434,000	0	54.87%
10 Governance - Local Government Service Commission	6,650,000	5,212,474	4,800,000	7,723,987	1,297,000	1,024,793	109.53%
11 Governance - Other Non-SIP MDA's	19,600,000	10,531,353	8,500,000	6,852,400	7,088,000	2,273,251	55.88%
12 Governance - Civil Service Commission	31,492,500	31,605,160	26,000,000	7,723,987	18,625,000	15,132,289	71.55%
13 Governance - Kaduna State Indep. Electoral Commission	99,585,000	69,676,254	1,024,000,000	27,581,091	20,665,000	15,252,452	9.83%
15 Governance - Other Non-SIP MDA's	2,393,500,000	2,000,074,794	1,500,000,000	1,507,398,684	1,563,170,922	1,543,973,767	92.57%
16 Health	1,064,231,332	451,973,939	887,160,950	656,964,988	713,460,067	971,591,089	78.07%
17 Education	4,300,237,642	3,469,384,047	3,141,672,166	3,481,310,504	3,520,046,195	2,176,593,467	83.26%
18 Social Welfare	761,917,200	720,969,548	258,000,000	248,995,427	294,915,000	304,136,195	96.90%
19 Works and Infrastructure	133,348,500	105,397,146	134,000,000	58,010,299	153,509,000	19,523,340	43.47%
20 Rural & Community Development	33,067,000	22,623,434	28,000,000	12,898,830	317,283,000	87,325,942	32.47%
21 Agriculture	478,312,435	437,682,467	43,390,000	21,801,952	33,061,000	18,103,840	86.09%
22 Water	69,555,075	35,541,225	35,000,000	11,698,327	21,021,000	81,204,106	102.28%
23 Environment	65,000,000	57,861,092	75,884,000	47,395,660	55,670,000	53,807,323	80.93%
24 Commerce	46,355,250	52,372,548	56,000,000	47,047,792	44,806,000	7,756,001	74.19%
25 Internal Security, Law and Justice - Ministry of Justice	163,083,009	85,502,934	108,150,000	107,531,957	126,852,000	43,811,867	59.50%
26 Internal Security, Law and Justice - Other	402,962,521	192,340,813	465,617,636	407,841,435	357,693,000	242,600,219	88.73%
Total	42,489,257,207	40,782,605,822	39,249,033,991	17,123,169,090	32,208,447,901	19,674,217,034	98.08%

Table 6c: Sector Capital Expenditure – Budget Vs Actual

Capital Expenditure by Sector							
No. Sector	2014 Budget	2014 Actual	2015 Budget	2015 Actual	2016 Budget	2016 Actual	Performance
1 Governance - Government House	6,017,397,855	275,716,329	4,119,143,705	28,661,000	7,101,594,690	3,067,138,884	19.56%
2 Governance - Office of the Head of Service	64,264,785	0	77,500,000	0	49,618,550	870,000	0.45%
3 Governance - Secretary to the State Governor	165,053,480	24,436,402	165,053,480	225,221,042	2,100,000,000	1,372,800,000	56.25%
4 Governance - Ministry of Economic Planning	8,154,700,000	776,329,283	1,489,660,195	368,458,599	1,393,440,000	1,928,453,140	27.84%
5 Governance - Ministry of Finance & Planning	5,800,008,575	2,745,038,746	1,059,269,360	3,405,654,049	5,988,353,052	5,996,404,827	94.55%
6 Governance - Ministry for Local Government	566,980,920	321,480,536	2,602,672,330	0	131,078,000	55,506,129	11.42%
7 Governance - Office of the State Auditor-General	0	0	0	0	0	0	0.00%
8 Governance - Office of Auditor-General (Local Government)	0	0	0	0	0	0	0.00%
9 Governance - Public Procurement Authority	0	0	0	0	0	0	0.00%
10 Governance - Local Government Service Commission	0	0	0	0	0	0	0.00%
11 Governance - Other Non-SIP MDA's	6,605,225	3,950,000	0	0	0	0	59.89%
12 Governance - Civil Service Commission	0	0	0	0	0	0	0.00%
13 Governance - Kaduna State Indep. Electoral Commission	0	0	0	0	1,100,000,000	1,099,447,806	99.95%
15 Governance - Other Non-SIP MDA's	250,000,000	0	197,000,000	0	414,200,000	0	0.00%
16 Health	10,580,127,595	334,942,200	8,198,983,555	1,239,697,979	6,661,683,064	1,620,580,739	12.56%
17 Education	17,724,175,310	643,476,228	17,744,459,700	7,504,819,628	27,989,429,588	15,129,401,678	36.68%
18 Social Welfare	774,955,500	2,297,437	912,367,980	0	254,151,200	158,404,561	8.28%
19 Works and Infrastructure	32,322,914,720	7,315,721,952	25,092,232,035	3,847,856,930	30,135,565,941	22,334,634,678	38.26%
20 Rural & Community Development	5,026,336,840	29,172,794	567,440,215	0	2,977,051,117	1,451,283,238	17.27%
21 Agriculture	2,554,700,670	665,060,770	7,174,402,435	4,483,735,235	5,577,475,528	1,079,018,110	40.67%
22 Water	24,200,007,400	1,720,473,439	16,826,500,320	2,196,401,224	11,403,208,639	4,355,314,452	15.78%
23 Environment	4,162,607,580	2,665,773,948	2,851,015,065	0	2,115,820,161	1,709,699,081	47.93%
24 Commerce	840,000,000	0	670,000,000	329,373,000	1,336,000,000	359,565,676	24.21%
25 Internal Security, Law and Justice - Ministry of Justice	106,070,610	0	136,075,610	765,100	119,785,000	0	0.21%
26 Internal Security, Law and Justice - Other	470,000,000	0	496,954,210	793,908,420	439,320,000	372,820,000	82.97%
Total	119,786,907,065	17,521,870,063	90,380,730,195	24,424,552,207	107,287,774,530	62,091,342,998	32.77%

1.D.2. Debt Position

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

Table 7: Debt Position as at 31st December 2016

Debt Sustainability Analysis			
A DSA RATIO SCENARIOS:		Sustainability Thresholds	As at 31st December 2016
Solvency Ratios			Percentage
1	Total Domestic Debt/Total Recurrent Revenue	50%	83.59%
2	Total Domestic Debt/IGR	150%	243.75%
3	Total External Debt/Total Revenue	50%	99.73%
4	Total Public Debt/Total Revenue	100%	183.32%
5	Total Public Debt/State GDP Ratio	40%	No GDP Figure Available
Liquidity Ratios			
6	External Debt Service/Total Revenue	10%	0.78%
7	Total Debt Service/Total Revenue	15%	6.66%
8	Domestic Debt Service/IGR	10%	17.14%
			2016 Actual
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2016			Naira
1	Total Domestic Debt		56,122,120,000
2	Total External Debt		66,956,320,000
3	Total Public Debt		123,078,440,000
4	Total Domestic Debt Service 2016		3,945,413,924
5	Total External Debt Service in 2016		522,790,000
6	Total Public Debt Service		4,468,203,924
C STATE GDP FOR 2016			
1	State GDP		0

78. **External Loans:** These loans are multilateral loans sourced from different financial institutions for various infrastructure development projects. The financial institutions include International Development Association (IDA), African Development Bank (AfDB), Islamic Development Bank (IDB), etc. The Federal Ministry of Finance (MoF) obtains the credit facility and on-lends to State Governments through the subsidiary loan Agreement.
79. **Internal Loans:** These constitute commercial bank loans, contractors' arrears, pension and gratuity.
80. **Solvency:** This measures the ability of the State to meet its future debt obligations. From the above analysis, Kaduna State, has exceeded the sustainable threshold limit, except in the cases of External Debt Service/Total Revenue and Total Debt Service/Total Revenue.
81. **External Debt Service to Total Revenue:** The External Debt to Total Revenue ratio as indicated above is 0.78%. This assessment evaluates the level of pressure put on revenue in providing adequate cover for external debt service. Accordingly, the above assessment clearly shows the robustness of the State's Total Revenue in meeting the External Debt repayment.
82. **Total Debt Service to Total Revenue:** This is a measure of the liquidity position of the State, which assesses the State's ability to meet annual debt service liabilities as they fall due. The ratio of 6.66% as indicated above shows that the liquidity position is good.
83. **Domestic Debt Service to IGR:** This ratio assesses the capacity of the State's Internally Generated Revenue in meeting its domestic debt service obligations. As can be seen in the table above, the threshold has been exceeded by 7.14%. This indicates that pressure is put on FAAC allocations to service both the external and domestic debt obligations.

2. Fiscal Strategy Paper

2.A. Macroeconomic Framework

84. The Macroeconomic framework is based on several different sources of information.
85. For National Inflation and Real GDP growth, figures have been taken from IMF World Economic Outlook April 2017. Oil Production the actual figures were provided by DPR which show an average production rate in the region of 1.8m bpd which has been adopted for 2017 and 2018 assumptions. For 2019 and 2020 it is assumed that increased stability in (the Niger Delta region combined with production facilities coming back online (e.g. Forcados in Delta State) will return Nigeria's Crude Oil production to its long-term trend and OPEC Quota of 2.2m bpd.
86. In determining the Oil Price Benchmark for the period 2018 -2020 the current (15th June, 2017) CBN Crude Oil Price of \$46.9, EIA (June 2017 short term outlook) price outlook for 2018 of \$55.61(Brent Oil) and the IMF projections for growth in World Output (3.5%, 3.6%, 3.8% for 2017, 2018 and 2022 respectively) have all been taken into consideration. This suggests potential for growth of oil price over the coming three years. However, there are still downside risks and significant short term fluctuations that suggests the crude oil benchmark should be set some way below the current market price. At the same time, some political pressure may also result in a glass floor of \$40. These factors lead to an assumed benchmark price of \$42 in 2018, growing to \$45 in 2019 and \$48 in 2020.
87. The CBN official exchange rate of N305.7/\$ (As at 15th June 2017) was considered and the estimate for the exchange rate is pegged at N305/\$ given the relatively steady official exchange rate over the period.
88. The mineral ratio reflects the percentage of the crude oil sales that get to the federation account. The ratio in 2017 is low, but it is expected that the ratio will improve with the passage of the Petroleum Industry Bill. It is assumed that when the Bill is passed and other reforms around the petroleum industry is implemented, the ratio will increase significantly.

Figure 17: Kaduna State Macroeconomic Framework

Macro-Economic Framework

Item	2017	2018	2019	2020
National Inflation	17.40%	17.50%	16.75%	16.00%
National Real GDP Growth	0.80%	1.90%	1.80%	1.80%
Oil Production Benchmark (MBPD)	1.8000	1.8000	1.9000	2.0000
Oil Price Benchmark	\$44.50	\$42.00	\$45.00	\$48.00
NGN:USD Exchange Rate	305	305	305	305
Other Assumptions				
Mineral Ratio	25%	32%	35%	38%

2.B. Fiscal Strategy and Assumptions

Policy Statement

The overall policy of government when considering its budget remain along the line of the State Development Plan 2016-2020 with the following key criteria:

89. Invest in education, healthcare and social welfare to ensure Kaduna residents are healthy, productive and competitive.
90. Foster the security of lives and property throughout Kaduna State by targeting the roots and symptoms of intolerance and communal violence.

91. Institute a good governance system that is founded on a competent and responsive public service with zero tolerance for corruption.
92. Maintain, rebuild and expand decaying infrastructure particularly water supply, electricity and road networks to accelerate economic growth and create jobs;
93. Promote agriculture and food security and reform land administration as a basis for wealth creation and capital formation, while preserving and enhancing environmental management.

Objectives and Targets

94. 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) and respective Sector Implementation Plans (SIPs);
 - Maintaining a favorable proportion of Capital to Recurrent expenditure (at least a target of 60%:40%);
 - Leverage N800 billion in PPP funding between 2016 and 2020;
 - Maintain a sustainable debt position in line with Federal Debt Management Office (FDMO) criteria.
 - Expand the revenue base of the state by exploring untapped sources.
 - Improve economic growth through investment in infrastructure.
 - Eliminating wastages and other unjustifiable expenditure that are not clearly linked to policy objectives; and
 - Ensuring adequate provision of 2017 projects likely to be completed in 2018 or over the period of 2018 - 2019;
 - Ensure the inclusion of sector wide public works programs with significant potential for job creation across all local governments of the state

2.C. Indicative Three Year Fiscal Framework

95. The indicative three-year fiscal framework for the period 2018-2020 is presented in the table below.

Table 8: Kaduna State Medium Term Fiscal Framework

Fiscal Framework				
Recurrent Revenue	2017	2018	2019	2020
Statutory Allocation	33,894,205,988	39,100,910,489	45,635,647,692	52,816,318,290
VAT	11,889,389,487	12,182,856,308	12,410,690,020	12,716,598,456
IGR	28,722,452,212	36,374,042,126	51,071,663,596	66,699,024,616
Excess Crude / Other Revenue	0	0	0	0
Total Recurrent Revenue	74,506,047,688	87,657,808,922	109,118,001,308	132,231,941,362
Recurrent Expenditure				
Personnel	29,394,752,758	30,864,490,396	32,407,714,916	33,379,946,363
Overheads	28,197,365,418	29,607,233,689	31,087,595,374	32,020,223,235
Total	57,592,118,176	60,471,724,085	63,495,310,289	65,400,169,598
Transfer to Capital Account	16,913,929,511	27,186,084,837	45,622,691,018	66,831,771,764
Capital Receipts				
Grants	0	7,344,063,698	5,546,334,797	6,516,276,537
Other Capital Receipts	0	5,005,000,000	0	0
Total	0	12,349,063,698	5,546,334,797	6,516,276,537
Reserves				
Contingency Reserve	0	0	0	0
Planning Reserve	0	0	0	0
Total Reserves	0	0	0	0
Capital Expenditure				
Discretionary Funds	16,913,929,511	77,406,584,837	62,142,303,993	66,831,771,764
Non-Discretionary Funds	0	52,530,695,994	27,283,476,976	20,076,939,979
Net Financing	0	90,402,132,296	38,256,755,154	13,560,663,442
Total Budget Size	74,506,047,688	190,409,004,916	152,921,091,259	152,308,881,341
Ratios				
Growth in Recurrent Revenue	10.97%	17.65%	24.48%	21.18%
Growth in Recurrent Expenditure	8.99%	5.00%	5.00%	3.00%
Capital Expenditure Ratio	22.70%	68.24%	58.48%	57.06%
Deficit to Total Expenditure	0.00%	47.48%	25.02%	8.90%

2.C.1. Assumptions

96. Statutory Allocation - is based on an elasticity forecast for non-mineral revenues (CIT and Customs) consistent with the macroeconomic framework displayed above using 2016 actuals and 2017-2020 real GDP growth and inflation. Historical elasticities are calculated for the period 2012-2016. Mineral revenues are based on the benchmarks and the current proportion of crude oil sales proceeds that are converted into fiscal resources.
97. The budgeted figures for Statutory Allocation do not include any excess crude or other Federation Account receipts.
98. VAT - The estimate for VAT is based on elasticity using 2016 actuals and 2017-2020 real GDP growth and inflation. Historical elasticities are calculated for the period 2012-2016.
99. Excess Crude – There is no provisions for revenue from excess crude.
100. Internally Generated Revenue (IGR) - A base of 2016 actual collections is used as the basis for the IGR forecast, and subsequent years incorporate expansion of IGR from the introduction of the new administration's policies (ultimately reflected in a moving average being used to forecast, which uses historical growth rates to forecast future growth).
101. Grants - Grants are very hard to predict and the recording of actual grant receipts is not very accurate as a lot of expenditure is off budget. The forecasts are based on current

commitments from federal government and the development partners (including UN System, DFID, BMGF, and the World Bank group). Since grant funding is 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. The estimates for 2018-2020 are based on the actual 2016 budget.

- 102. Miscellaneous Capital Receipts - Based on the sale of non-essential government houses which may extend to 2018.
- 103. Financing (Net Loans) – Sourcing of loans currently ongoing in the State.
- 104. Personnel – A 5% annual increment on the 2017 level estimated from the half-year actual performance is considered sufficient to cover salary increments and new entrants
- 105. Overheads – Pension costs are captured within overhead and due to the fall in the price of oil a 5% increment on the 2017 level estimated from the half-year actual performance is considered adequate
- 106. Contingency and Planning Reserves – No provision is made for contingency and planning reserves.
- 107. 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.

2.C.2. Fiscal Trends

- 108. Based on the above envelope, plus actual figures for 2014-2016 (using the same basis for forecasting as noted in the sub-sections within section 2.B), the trend from historical actual to forecast can be seen for revenue and then expenditure in the line graphs below.

Figure 18: Kaduna State Revenue Trend

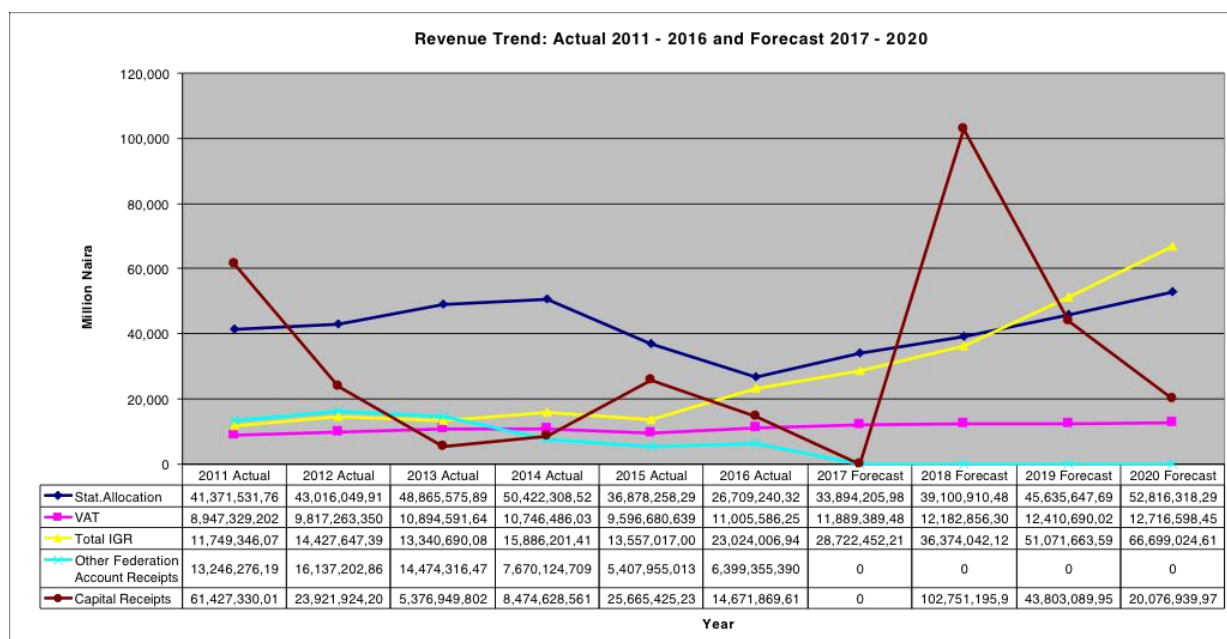
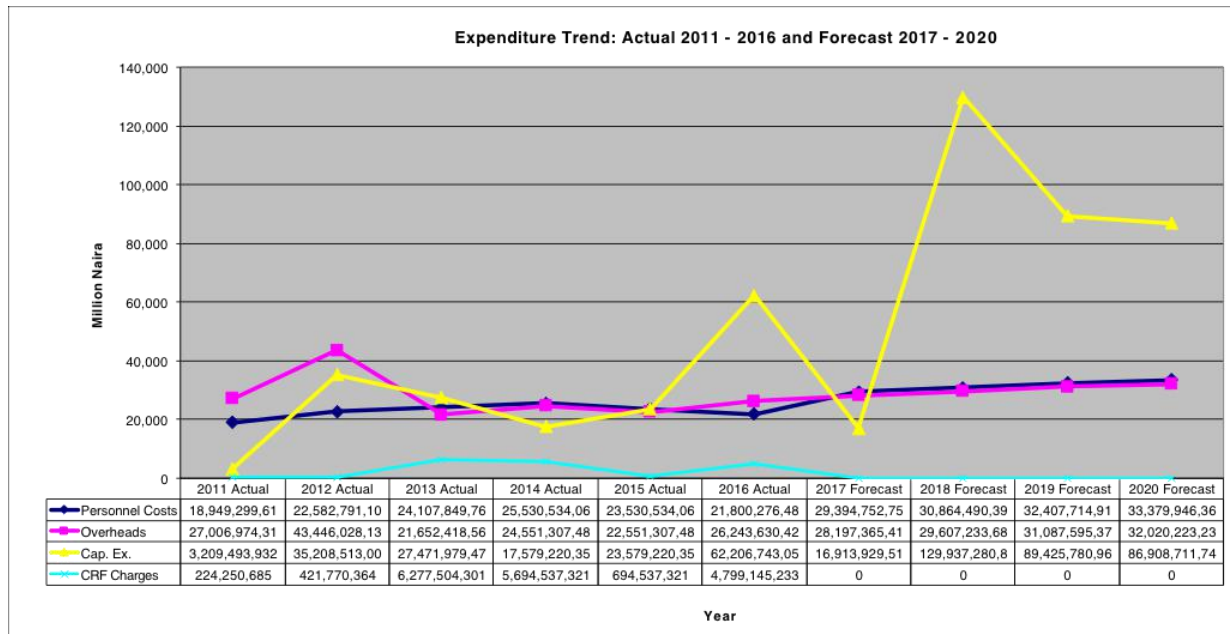


Figure 19: Kaduna State Expenditure Trend



2.D. Fiscal Risks

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

Table 9: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Risks to Statutory Allocation based on Oil Price or Production shock	High	Short fall in Statutory Allocation from FAAC	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.
Threat to security in Kaduna and neighboring States which could reduce economic activity by taxpayers.	Medium	Reduced IGR and increased overhead	Proactive engagement with communities in the State and neighboring States - through collaborative effort with the State Emergency Management Agency (SEMA), Northern Governor's Forum, etc. – to reduce risk as well as "pooling of resources" to stabilize revenue and expenditure.
Floods and other natural disasters which could adversely affect farming and other economic activity	Medium	Reduced IGR and increased overhead	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	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 falls are further experienced.

110. It should be noted however that no budget is without risk. The ongoing implementation of the 2017 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

3. Budget Policy Statement

3.A. Budget Policy Thrust

111. To achieve its vision the current administration will focus on four 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.
112. The Multi-Year Budgeting Framework will be utilized and the 2018-2020 multi-year budget will emphasize on the following:
 - Serve strictly as the financial implementation plan of the State Development Plan;
 - Cover the three-year period, 2018-2020;
 - Action the costed Sector Implementation Plans (SIPs) of Ministries, Departments and Agencies with strengthened budget and expenditure management systems and processes.
113. The 2018 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 of 2017 projects likely to be completed in 2018;
 - Expanding the revenue generation capacity of the State;
 - Eliminating wastages and other unjustifiable expenditure that are not clearly linked to policy objectives; and
 - Inclusion of new projects must be strictly in line with Sector Implementation Plans after considering all ongoing projects.

3.B. Sector Allocations (3 Year)

114. Indicative three year envelopes of sectors and sub-sectors for personnel, overhead and capital expenditure are provided in Tables 10.

Table 10a: Indicative Sector Expenditure Ceilings 2018-2020 - Personnel Expenditure

Personnel Expenditure by Sector							
No.	Sector	% 2018	2018 Allocation	% 2019	2019 Allocation	% 2020	2020 Allocation
1	Governance - Government House	2.45%	756,618,441	2.45%	794,449,363	2.45%	818,282,844
2	Governance - Office of the Head of Service	1.37%	421,992,347	1.37%	443,091,964	1.37%	456,384,723
3	Governance - Secretary to the State Government	2.17%	670,676,497	2.17%	704,210,321	2.17%	725,336,631
4	Governance - Ministry of Economic Planning	0.53%	162,304,733	0.53%	170,419,970	0.53%	175,532,569
5	Governance - Ministry of Finance & Planning	4.62%	1,425,955,729	4.62%	1,497,253,516	4.62%	1,542,171,121
6	Governance - Ministry for Local Government	0.18%	54,752,941	0.18%	57,490,588	0.18%	59,215,306
7	Governance - Office of the State Auditor-General	0.32%	98,835,720	0.32%	103,777,506	0.32%	106,890,831
8	Governance - Office of Auditor-General (Local Government)	0.30%	94,013,744	0.30%	98,714,432	0.30%	101,675,865
9	Governance - Public Procurement Authority	0.08%	23,740,333	0.08%	24,927,349	0.08%	25,675,170
10	Governance - Local Government Service Commission	0.63%	195,818,525	0.63%	205,609,451	0.63%	211,777,735
11	Governance - Other Non-SIP MDA's	0.11%	33,615,766	0.11%	35,296,554	0.11%	36,355,451
12	Governance - Civil Service Commission	0.23%	70,525,598	0.23%	74,051,878	0.23%	76,273,434
13	Governance - Kaduna State Independent Electoral Commission	0.25%	77,748,496	0.25%	81,635,921	0.25%	84,084,999
15	Governance - Other Non-SIP MDA's	1.51%	465,161,020	1.51%	488,419,071	1.51%	503,071,643
16	Health	20.66%	6,375,576,600	20.66%	6,694,355,430	20.66%	6,895,186,093
17	Education	43.38%	13,390,088,642	43.38%	14,059,593,074	43.38%	14,481,380,866
18	Social Welfare	0.86%	264,832,061	0.86%	278,073,664	0.86%	286,415,874
19	Works and Infrastructure	1.63%	502,154,086	1.63%	527,261,791	1.63%	543,079,644
20	Rural & Community Development	0.62%	190,118,611	0.62%	199,624,541	0.62%	205,613,278
21	Agriculture	2.49%	769,291,384	2.49%	807,755,953	2.49%	831,988,631
22	Water	0.19%	57,822,743	0.19%	60,713,880	0.19%	62,535,297
23	Environment	0.48%	146,967,810	0.48%	154,316,201	0.48%	158,945,687
24	Commerce	0.26%	80,572,887	0.26%	84,601,532	0.26%	87,139,578
25	Internal Security, Law and Justice - Ministry of Justice	0.36%	109,888,066	0.36%	115,382,469	0.36%	118,843,943
26	Internal Security, Law and Justice - Other	14.34%	4,425,417,616	14.34%	4,646,688,497	14.34%	4,786,089,152
	Total	100.00%	30,864,490,396	100.00%	32,407,714,916	100.00%	33,379,946,363

Table 10b: Indicative Sector Expenditure Ceilings 2018-2020 - Overhead Expenditure

Overhead Expenditure by Sector							
No.	Sector	% 2018	2018 Allocation	% 2019	2019 Allocation	% 2020	2020 Allocation
1	Governance - Government House	5.89%	1,744,637,728	5.89%	1,831,869,614	5.89%	1,886,825,703
2	Governance - Office of the Head of Service	2.15%	637,239,572	2.15%	669,101,551	2.15%	689,174,598
3	Governance - Secretary to the State Government	12.06%	3,571,052,729	12.06%	3,749,605,365	12.06%	3,862,093,526
4	Governance - Ministry of Economic Planning	0.62%	184,747,497	0.62%	193,984,872	0.62%	199,804,418
5	Governance - Ministry of Finance & Planning	56.86%	16,834,053,321	56.86%	17,675,755,987	56.86%	18,206,028,667
6	Governance - Ministry for Local Government	0.59%	175,261,047	0.59%	184,024,099	0.59%	189,544,822
7	Governance - Office of the State Auditor-General	0.08%	22,698,349	0.08%	23,833,267	0.08%	24,548,265
8	Governance - Office of Auditor-General (Local Government)	0.05%	15,308,395	0.05%	16,073,814	0.05%	16,556,029
9	Governance - Public Procurement Authority	0.09%	27,299,151	0.09%	28,664,109	0.09%	29,524,032
10	Governance - Local Government Service Commission	0.01%	2,896,146	0.01%	3,040,953	0.01%	3,132,182
11	Governance - Other Non-SIP MDA's	0.03%	8,683,918	0.03%	9,118,114	0.03%	9,391,657
12	Governance - Civil Service Commission	0.06%	17,860,175	0.06%	18,753,184	0.06%	19,315,780
13	Governance - Kaduna State Independent Electoral Commission	0.76%	226,093,971	0.76%	237,398,669	0.76%	244,520,629
15	Governance - Other Non-SIP MDA's	4.71%	1,394,476,685	4.71%	1,464,200,519	4.71%	1,508,126,535
16	Health	2.34%	691,686,471	2.34%	726,270,795	2.34%	748,058,919
17	Education	9.64%	2,855,156,715	9.64%	2,997,914,551	9.64%	3,087,851,988
18	Social Welfare	1.01%	299,890,829	1.01%	314,885,370	1.01%	324,331,931
19	Works and Infrastructure	0.55%	162,460,009	0.55%	170,583,010	0.55%	175,700,500
20	Rural & Community Development	0.34%	99,958,178	0.34%	104,956,087	0.34%	108,104,770
21	Agriculture	0.39%	114,538,372	0.39%	120,265,291	0.39%	123,873,249
22	Water	0.09%	28,118,434	0.09%	29,524,355	0.09%	30,410,086
23	Environment	0.16%	47,038,243	0.16%	49,390,155	0.16%	50,871,860
24	Commerce	0.16%	47,416,389	0.16%	49,787,208	0.16%	51,280,825
25	Internal Security, Law and Justice - Ministry of Justice	0.30%	89,516,760	0.30%	93,992,598	0.30%	96,812,375
26	Internal Security, Law and Justice - Other	1.04%	309,144,605	1.04%	324,601,835	1.04%	334,339,890
	Total	100.00%	29,607,233,689	100.00%	31,087,595,374	100.00%	32,020,223,235

Table 10c: Indicative Sector Expenditure Ceilings 2018-2020 – Capital Expenditure

Capital Expenditure by Sector							
No.	Sector	% 2018	2018 Allocation	% 2019	2019 Allocation	% 2020	2020 Allocation
1	Governance - Government House	3.85%	5,002,585,312	3.85%	3,442,892,567	3.85%	3,345,985,402
2	Governance - Office of the Head of Service	0.15%	200,103,412	0.15%	137,715,703	0.15%	133,839,416
3	Governance - Secretary to the State Gove	1.55%	2,007,530,989	1.55%	1,381,628,316	1.55%	1,342,739,596
4	Governance - Ministry of Economic Plannin	2.55%	3,306,903,797	2.55%	2,275,886,126	2.55%	2,211,826,714
5	Governance - Ministry of Finance & Parast	4.24%	5,502,843,843	4.24%	3,787,181,824	4.24%	3,680,583,942
6	Governance - Ministry for Local Governme	0.25%	327,701,822	0.25%	225,531,820	0.25%	219,183,771
7	Governance - Office of the State Auditor-G	0.00%	0	0.00%	0	0.00%	0
8	Governance - Office of Auditor-General (Lo	0.00%	0	0.00%	0	0.00%	0
9	Governance - Public Procurement Authorit	0.19%	246,880,834	0.19%	169,908,984	0.19%	165,126,552
10	Governance - Local Government Service Co	0.02%	24,688,083	0.02%	16,990,898	0.02%	16,512,655
11	Governance - Other Non-SIP MDA's	0.00%	0	0.00%	0	0.00%	0
12	Governance - Civil Service Commission	0.00%	0	0.00%	0	0.00%	0
13	Governance - Kaduna State Indep. Electora	0.78%	1,013,510,790	0.78%	697,521,092	0.78%	677,887,952
15	Governance – Other Non-SIP MDA's	0.36%	461,277,347	0.36%	317,461,522	0.36%	308,525,927
16	Health	10.81%	14,046,220,058	10.81%	9,666,926,923	10.81%	9,394,831,739
17	Education	28.26%	36,720,275,563	28.26%	25,271,725,702	28.26%	24,560,401,938
18	Social Welfare	1.70%	2,208,933,774	1.70%	1,520,238,276	1.70%	1,477,448,100
19	Works and Infrastructure	22.02%	28,612,189,239	22.02%	19,691,556,969	22.02%	19,137,298,326
20	Rural & Community Development	6.55%	8,516,089,386	6.55%	5,860,965,685	6.55%	5,695,996,968
21	Agriculture	3.70%	4,807,679,391	3.70%	3,308,753,896	3.70%	3,215,622,334
22	Water	7.70%	10,005,170,624	7.70%	6,885,785,135	7.70%	6,691,970,804
23	Environment	3.15%	4,093,024,346	3.15%	2,816,912,101	3.15%	2,737,624,420
24	Commerce	1.21%	1,568,342,980	1.21%	1,079,369,176	1.21%	1,048,988,151
25	Internal Security, Law and Justice - Ministr	0.20%	259,874,562	0.20%	178,851,562	0.20%	173,817,423
26	Internal Security, Law and Justice - Other	0.77%	1,000,517,062	0.77%	688,578,513	0.77%	669,197,080
	Total	100.00%	129,937,280,831	100.00%	89,425,780,969	100.00%	86,908,711,743

3.C. Considerations for the Annual Budget Process

115. Each MDA should follow the steps below in preparing its 2018 budget:

- Prioritization of 2017 Ongoing Projects
 - Ensure New Projects emerge from SIP/SDP
 - Allocate Resources
- a. 2017 Ongoing Projects: Several projects from the 2016 budget may have been started and requiring completion in 2018 or beyond. Provision for these projects within the 2018-2020 budget will be a top priority. All MDAs must ensure that projects included in their 2018 budget which from all indications will not be completed and/or paid for in 2017 are fully reflected in the 2018 budget proposal. Where all payments for ongoing projects consume the entire MDA ceiling, new projects aligned to SIP should only be included in the 2019 to 2020 column of the budget proposal. For the avoidance of doubt, MDAs are urged not to consider completed and handed over projects but with outstanding CVs. These will be captured under inherited liabilities to be captured in the Ministry of Finance provisions.
- b. 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 your SIP.
- c. 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 2018 can then be moved to 2019 and 2020 respectively.

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

I. General

- Budget estimates should be prepared for all units, sub-units and facilities in the organizations for which the MDA is responsible

II. Personnel Costs

- All staff on the payroll, including political, public office holders must be properly reflected in a Staff List that should accompany this proposal submission. The Staff list must be updated versions from the biometric verification exercise and should be signed off by 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 and other forms of attrition. It should also consider implications for annual salary and all other approved allowances.
 - i. Recruitment that is not approved by the Government before the submission of this estimate should not be captured
 - ii. For approved recruitment, approval authorization should be included with the submission

III. 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.
117. Where the drawdown of the specified funds is conditional on the provision of counterpart funds, it should be clearly indicated in the submission

4. Summary of Key Points and Recommendations

118. Below is a summary of the list of key points arising in this document:

- The Commissioner, Planning and Budget Commission (PBC) to present the draft document to the Executive Council (ExCo) and the State House of Assembly (SHoA) for their buy-in and approval.
- The State budget estimates should be based on the MTEF document.
- Loans expected to be drawn as capital receipts should be captured in the budget only when they have been approved and commitment fees area paid.
- 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.