

EN 1 - KEY REVENUE PROJECTIONS**1.1 BASIC BUDGET ASSUMPTIONS**

The Katsina State 2020 budget signed into law in January of 2020 and now revised based on the following macro-economic assumptions shown in **Table 1.1**

Table 1.1 Macro Economic Assumptions for original and revised 2020 Katsina State Budgets

S/N	PARAMETER	ORIGINAL 2020-2022 FG MTEF ASSUMPTION	REVISED 2020- MINERAL SECTOR ASSUMPTIONS
1.	CRUDE OIL PRICE	57	22
2.	CRUDE OIL PRODUCTION, mbpd	2.2	1.7
3.	NGN: USD EXCHANGE RATE	305	360
4.	INFLATION	10.81%	14.13%
5.	REAL GDP GROWTH RATE	2.93%	-4.42%

Katsina State Revised 2020 Budget assumes a decline in Crude Oil Barrel sale price from \$57 to \$22 per barrel in line with the Federal Government of Nigeria (FGN) Medium Term Expenditure Framework (MTEF) as approved by the National Assembly. Correspondingly, as per OPEC daily Crude Oil production cuts from 2.2 million barrels per day to 1.7 million barrel per day are taken into account. An exchange rate of ₦360 to the USD is also used for the revised 2020 budget compared to ₦305 to the USD in the budget passed in January of 2020.

This decision is in tandem with the decision taken by the Central Bank of Nigeria (CBN) on Monetary Policy. Annual Inflation is assumed to be at 14.13% compared to 10.81% in the original 2020 budget. A contraction in the National Economy of -4.42% is assumed compared to the estimate of 2.93% Growth in the original 2020 budget.

1.2 REVISED GROSS STATUTORY ALLOCATION

Considering fall in crude oil prices and a cut in Crude Oil production by the Federal Government of Nigeria, Gross Statutory Allocations estimated for the state Revised 2020 budget have been reviewed downwards from ₦74,000,000,000.00 (Seventy Four Billion Naira Only) to ₦35,722,245,513.00 (Thirty Five Billion, Seven Hundred and Twenty Two Million, Two Hundred and Forty Five Thousand, Five Hundred and Thirteen Naira Only).

The figure used for the revised statutory allocation budget is 88% of the upper limit of the Federal Government's MTEF submitted to the National Assembly. This percentage is a conservative estimate on the upper limit which the state feels is ambitious. The gap of 12% is allowed for volatility of oil prices.

The reduction of ₦38,277,754,487.00 (Thirty Eight Billion, Two Hundred and Seventy Seven Million, Seven Hundred and Fifty Four Thousand, Four Hundred and Eighty Seven Naira Only) represent 52% of the original figure of statutory allocation.

1.3 DERIVATION

Katsina State is non-mineral derivative State, thus there was no proposal for derivative revenue in the original and revised budgets.

1.4 OTHER FAAC REVENUE AND TRANSFERS

There was a downward review of other revenue and transfers from Federation accounts. Projection on Excess crude oil sales receipts and other FAAC Allocation originally proposed at ₦41,507,046,095 (Forty One Billion Five Hundred and Seven Million, Forty Six Thousand and Ninety Five Naira Only) was reduced to ₦7,072,400,744 (Seven Billion, Seventy Two Million, Four Hundred Thousand, Seven Hundred and Forty Four Naira Only) under Forex Equalization, which is the PAYE for Federal Government Workers and the Federal Government charges the Forex Equalization Account to pay to the States Government what is due to them. This revision is in line to management decision on projecting conservative figure that is realistic.

Table 1.2 shows the revisions in Other FAAC Revenue and Transfers

Table 1.2 Other FAAC Revenue and Transfers

S/No	Item	Original 2020 Budget (NGN)	Amended 2020 budget	% downward revision
1	Excess Crude Oil Sales	11,507,046,095	0.0	100

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2	Other FAAC Receipts	30,000,000,000	0.0	100
3	Forex Equalization (PAYE for Federal Government Workers in the State)	0.0	7,072,400,744	100

1.5 VALUE ADDED TAX (VAT)

There is a reduction in projected VAT receivables between the original and revised 2020 budgets. The reduction is from ₦30,000,000,000.00 (Thirty Billion Naira only) to ₦23,127,611,453.00 (Twenty Three Billion, One Hundred and Twenty Seven Million, Six Hundred and Eleven Thousand, Four Hundred and Fifty Three Naira only) respectively. This amounts to a reduction of ₦6,872,388,547.00 (Six Billion, Eight Hundred and Seventy Two Million, Three Hundred and Eighty Eight Thousand, Five Hundred and Forty Seven Naira only).

This figure represents 85% of the upper limit of ₦27,208,954,651.00 (Twenty Seven Billion, Two Hundred and Eight Million, Nine Hundred and Fifty Four Thousand, Six Hundred and Fifty One Naira only) of FGN 2020 approved MTEF projection.

1.6 INTERNALLY GENERATED REVENUE (IGR)

A slight downward revision amounting to ₦100,000,000.00 (One Hundred Million Naira only) of the IGR component has been made between the Original 2020 and Revised 2020 budgets. The original 2020 budget projected IGR of ₦30,601,465,865.00 (Thirty Billion, Six Hundred and One Million, Four Hundred and Sixty Five Thousand, Eight Hundred and Sixty Five Naira only) against ₦30,501,465,865.00 (Thirty Billion, Five Hundred and One Million, Four Hundred and Sixty Five Thousand, Eight Hundred and Sixty Five Naira only) in the revised 2020 budget.

This represents a reduction of less than 1% in estimated IGR collections. All the major components of Internally Generated Revenues were revised at 100% except Interest on Fixed deposit that was reduced by ₦100,000,000.00 (One Hundred Million Naira only)

The provision of 100% internal revenue generation was due to the increased collection efficiencies by the State Board of Internal Revenue and revised Taxes and Rates. Katsina State has recently sign into law the new tax that reviews and harmonizes State tax rates.

1.7 GRANTS (INTERNAL AND EXTERNAL)

There was upward review of total grants from ₦18,469,032,035.00 (Eighteen Billion, Four Hundred and Sixty Nine Million, Thirty Two Thousand, Thirty Five Naira only) to ₦31,125,874,179.00 (Thirty One Billion, One Hundred and Twenty Five Million, Eight Hundred and Seventy Four Thousand, One Hundred and Seventy Nine Naira Only).

These revisions have been made as a result of increases to external and internal grants such as SFTAS, CARES grants and Citizens' Response contributions.

Table 1.5 shows the components of revised grants in 2020 amended budget

Table 1.5 components of the new grants proposed

S/No	Grant Name	Amount (NGN)
1	SFTAS	4,608,000,000.00
2	CARES	3,600,000,000.00
3.	Covid-19 Citizens' Contribution s:	
	Cash Donation 1,010,862,144	4,211,342,144.00
	Donation In-kind 3,200,480,000	

State Fiscal Transparency and Accountability and Sustainability (SFTAS) grants amounting to ₦4,608,000,000.00 (Four Billion Six Hundred and Eight Million Naira only) expected in the revised 2020 budget includes ₦900,000,000.00 (Nine Hundred Million Naira) of this figure is from 2018 SFTAS disbursement, ₦3,708,000,000.00 (Three Billion, Seven Hundred and Eight Million Naira only) is expected from the SFTAS Additional Funding Program for Results.

Individuals and companies to the State Government both in cash ₦1,010,862,144.00 (One Billion, Ten Million, Eight Hundred and Sixty Two Thousand, One Hundred and Forty Four Naira Only) and in-kind donations which are quantify to ₦3,200,480,000.00 (Three Billion, Two Hundred Million, Four Hundred and Eighty Thousand Naira Only)

The overall increase in receipts from grants represents a **68.5 %** increase on initially budgeted figures.

1.8 OPENING BALANCE

The opening Balance for the 2020 year stood at ₦5,000,000,000.00 (Five Billion Naira Only) and remain unchanged.

EN 2 - KEY EXPENDITURE ITEMS

2.1 CRITICAL (NON-COVID-19) EXPENDITURE

In 2020 revised budget the proposed Capital expenditure for critical NON-COVID stands at ₦93,911,690,759.00 (Ninety Three Billion, Nine Hundred and Eleven Hundred Million, Six Hundred and Ninety Thousand, Seven Hundred and Fifty Nine Naira Only).

The classification of critical Non-COVID spending has been given to ongoing projects and Projects for which contractual agreements have been entered into. Contracts awarded and which spending had begun prior to the COVID-19 outbreak has also been classified as critical non-essential expenditure. This figure represents 83% of the total revised capital expenditures.

On the other hand the revised critical Non-COVID spending for recurrent expenditure stands at ₦59,287,058,491 (Fifty Nine Billion, Two Hundred and Eighty Seven Million, Fifty Eight Thousand, Four Hundred and Ninety One Naira Only) equivalents to 87% Of the total revised recurrent expenditure.

Salaries for public servants with the **exception** of the Ministry of Health are considered critical NON-COVID expenditure. This categorization has been made to **Safeguard Jobs** of Public Servants who make up a significant proportion of jobs in Katsina State.

Also, as part of the budget review process, reduction of 30% of the MDAs overhead cost across was made to reduce the administration running cost. However, overhead costs at the Government House and Cabinet Affairs Office were not able to be reduced significantly because actual expenditures already made to date are significantly high in respect to initially budgeted figures. Where cuts were possible for those offices, they have been made.

Similarly, no downward revision was made to provision on feeding programs and essential services.

2.2 COVID RESPONSE EXPENDITURES

Katsina State is one of the Covid-19 affected States. The Government focus on treatment, spread prevention and control of the pandemic. Isolating the affected persons into rehabilitated centers, contact tracing of identified cases and public sensitization of the diseases are the major response strategies. Similarly, State Government introduced palliative measures to ameliorate the social and

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economic impact of Covid-19. These measures include improved personal hygiene, job creation programs, food security, improved farming activities and skill acquisition programs.

A total sum of ₦7,768,233,345.00 (Seven Billion, Seven Hundred and Sixty Eight Million, Two Hundred and Thirty Three Thousand, Three Hundred and Forty Five Naira only) representing total personnel cost of health workers in the State was considered as Covid-19 expenses. The rationale is to ensure prompt payment of health workers salary to serve as motivation.

A sum of ₦623,200,000.00 (Six Hundred and Twenty Three Million, Two Hundred Thousand Naira only) is provided under Ministry of Education for children feeding and welfare program as well as engagement of Teachers on allowance basis. The Teachers would be used for Covid-19 sensitization program across the State. In the same vein, a sum of ₦23,298,133.00 (Twenty Three Million, Two Hundred and Ninety Eight Thousand, One Hundred and Thirty Three Naira only) was provided to facilitates skills acquisition programs across the State under the Department of Skills Acquisition and Vocational Training. Women are part of Covid-19 impact class, therefore the State provided for the sum of ₦7,000,000.00 (Seven Million Naira) under Ministry of Women Affairs to rehabilitate family support centers in the State.

Total **COVID RESPONSE Recurrent Expenditure** estimate for the revised 2020 budget stands at ₦9,117,714,466.00 (Nine Billion, One Hundred and Seventeen Million, Seven Hundred and Fourteen Thousand, Four Hundred and Sixty Six Naira only). This represents 13% of total revised recurrent expenditure.

Covid Response -Agriculture

In respect of capital spending on Covid 19, the state set aside the sum of ₦5,870,000,000.00 (Five Billion, Eight Hundred and Seventy Million Naira Only) under Ministry of Agriculture that represents 65% of capital spending of the Ministry. This categorization emphasizes the State's dependency on agriculture as its economic mainstay.

Reprioritization of line items from the Ministry of Agriculture has also led to increases in line items most relevant to economic recovery. These include the purchase of Fertilizer, Agro-equipment loans, grains purchases and construction of irrigation dams.

This amount includes N1,000,000,000.00 (One Billion Naira only) allocation made as part of the CARES program for COVID-19 recovery in the Ministry of Agriculture. Similarly, sum of ₦3,000,000,000.00 (Three Billion Naira only) was allocated for the purchase of fertilizer and ₦500,000,000.00 (Five Hundred Million Naira only) for procurement and storage of grains as

palliative measures. Other activities include construction of irrigation dams and improvement on Beef/Breed programs in the State that are Covid-19 response.

Covid Response- Economic Empowerment

As part of the accelerated economic response the sum of ₦494,400,000 (Four Hundred and Ninety Four Million, Four Hundred Thousand Naira only) was provided for economic empowerment to small scale businesses, social intervention program and resettlement of herdsmen and farmers victims across the State and facilitation of fish farming programme in the State.

Covid Response - Health

Katsina State Ministry of Health has a capital spending to the tune of ₦6,229,075,270.00 (Six Billion, Two Hundred and Twenty Nine Million, Seventy Five Thousand, Two Hundred and Seventy Naira only) as Covid-19 response. This figure constitutes 35% of the total capital spending of the Ministry. The amount include ₦1,965,362,390.00 (One Billion, Nine Hundred and Sixty Five Million, Three Hundred and Sixty Two Thousand, Three Hundred and Ninety Naira only) for rehabilitation of General Hospitals across the State, ₦2,000,000,000.00 (Two Billion Naira only) allocation for Infectious Diseases and about ₦2.3 billion for the purchase of drugs for health centers in the State.

Covid Response – Women and Girl Child Education

Women and Children are vulnerable to any pandemic, as an accelerated measure Katsina State proposed the sum of ₦486,650,000.00 (Four Hundred and Eighty Six Million, Six Hundred and Fifty Thousand Naira Only) as Covid-19 response to take care of women economic empowerment programs and girl child education and welfare.

Covid Response – Education

To subsidize the impact of Covid-19 on the parent in the state, a proposed palliative measure under Ministry of Education was proposed ranges from scholarships, subsidized national examination fees, facilitate BESDA programs, to provision of portable water and upgrading of health clinics in the schools.

To achieve this a sum of ₦3,078,154,190.00 (Three Billion, Seventy Eight Million, One Hundred and Fifty Four Thousand, One Hundred and Ninety Naira only) is proposed as Covid-19 responsive measures in 2020 revised budget under the Ministry.

Covid Response – Water Supply and Environment

The major ways of containing Covid-19 is through improved Environmental and personal hygiene. To improve personal hygiene and consumption of hygienic water across the State, Government allocated the sum of ₦2,403,000,000.00 (Two Billion, Four Hundred and Three Million Naira only) in 2020 revised budget. This decision is informed by government intention to contain further spread of Covid-19 pandemic.

Similarly, the sum of ₦750,000,000.00 (Seven Hundred and Seventy Five Million Naira only) was allocated under Ministry of Environment for rehabilitation of IDP centers and waste management in 2020 revised Budget. This is equally aimed at reducing contact and spread of Covid-19 in the IDPs centers across the State.

The overall total capital spending Covid-19 response in the 2020 revised Budget stands at ₦19,313,279,460.00 (Nineteen Billion, Three Hundred and Thirteen Million, Two Hundred and Seventy Nine Thousand, Four Hundred and Sixty Naira only). This represents **17.06%** of the total capital spending in the revised 2020 budget.

Table 2.1 shows the budgeted percentage Capital spending by sectors which is COVID-19 response.

Table 2.1 COVID-19 RESPONSIVE CAPITAL SPENDING BY SECTOR

S/No	SECTOR	% COVID SPENDING
1	Economic	24
2	Social	24
3	Regional	11
4	Law and Justice	0.0
5	General Administration	0.0

2.3 NON-ESSENTIAL SPENDING

The revision of 2020 budget considers non-essential spending to mean capital projects, personnel and overhead costs that have been removed or reduced from the original 2020 budget passed in January, 2020.

These adjustments were made to all overhead expenditures by 30% except overhead cost for essential services. Essential services include feeding expenses in the Government House and

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maintenance of generators at hospitals and other offices that provide essential services. All purchases of vehicles, promotion, employment and training were suspended except for the health sector.

Essential vehicles like ambulances were not cut from the initial budget to allow for COVID-19 response.

A downward revision from ₦4,485,000,000.00 to ₦1,985,000,000.00 (Four Billion, Four Hundred and Eighty Five Million Naira only) and (One Billion, Nine Hundred and Eighty Five Million Only) respectively was made for provision for new Minimum Wage increase. The amount originally allocated was far above the amount needed for the salary increment. This evident in the first quarter when the New Minimum Wage was paid.

A sum of ₦500,000,000.00 (Five Hundred Million Naira only) was reduced from the provision for pension and gratuity. This was also justified by the amount and pension and gratuity paid for the first quarter of the year.

Capital spending cuts for projects were made based on priority rankings. Line items that had previously appeared in previous budgets but remained unfunded were also removed as part of this revision.

Non-Essential Capital spending cuts amounted to ₦60,299,615,710.00 (Sixty Billion, Two Hundred and Ninety Nine Million, Six Hundred and Fifteen Thousand, Seven Hundred and Ten Naira only) while the Non-Essential **Recurrent** spending cuts amount to ₦7,089,341,158.00 (Seven Billion, Eighty Nine Million, Three Hundred and Forty One Thousand, One Hundred and Fifty Eight Naira only).

Major cuts to capital expenditure were made as per Table 2.3

S/No	Ministry	% COVID SPENDING
1	Agriculture	65
2	Empowerment and Social intervention	80
3	Education	20
4	Health	28
5	Environment	6
6	Women Affairs	78
7	Water Resources	21

2.3.1 DEBT SERVICING

The debt servicing component of the revised 2020 budget is projected at ₦6,045,000,000.00 (Six Billion, Forty Five Million Naira Only). This is a downward revision of **20.35%** from the initial budgeted figure of ₦7,590,000,000.00 (Seven Billion, Five Hundred and Ninety Million Naira only) This revision is a result of the suspension of debt repayments for Federal Government and Central Bank of Nigeria loans.

EN 3 - FINANCING ITEMS

3.1 REVISION TO LOANS (INTERNAL AND EXTERNAL)

The value of three loan facilities were from the three sources remained the same with original budget. (NEWMAP, RAMP, and IDB). However IFAD loan was revised to ₦1,204,670,268.00 (One Billion, Two Hundred and Four Million, Six Hundred and Seventy Thousand, Two Hundred and Sixty Eight Naira only) to reflect the realistic balance of the facility, as provided by the relevant Office. A new facility was sourced from the Central Bank of Nigeria worth ₦2,000,000,000.00 (Two Billion Naira only) as Covid-19 Intervention Loan. The loan will fund proposed Infections Diseases provided in the Ministry Health. Documentations have reached advance stage to warrant drawdown within the year.

Additional source of finance deficit balance of ₦3,551,911,249.00 (Three Billion, Five Hundred and Fifty One Million, Nine Hundred and Eleven Thousand, Two Hundred and Forty Nine Naira only) Bond have been decided and negotiation is on with **AVA CAPITAL LIMITED**.

3.3 NON-LENDING INSTRUMENTS

The Katsina State 2020 original and amended budget has no non-lending instruments. All financing gaps will be sourced from already identified sources.

The revised 2020 Katsina State budget has no accumulation of domestic expenditure arrears.