



GOVERNMENT OF **SOKOTO STATE**



2024-2026

MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

Economic and Fiscal Update (EFU),

Fiscal Strategy Paper (FSP) and

Budget Policy Statement (BPS)

June 2023

Document Control

Document Version Number:	VIII
Document Prepared By:	Sokoto State MTEF Technical Working Group
Document Approved By:	Sokoto State Executive Council (EXCO)
Designation	Hon Commissioner, Ministry of Budget and Economic Planning
Signature:	
Date of Approval:	
Date of Publication:	

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Abbreviations

ADF	African Development Funds
ADFD	Abu Dhabi Fund for Development
BRINCS	Brazil, Russia, India, Nigeria, China, South Africa
CBN	Central Bank of Nigeria
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CIT	Company Income Tax
CRF	Consolidated Revenue Fund
DMD	Debt Management Department
EFU	Economic and Fiscal Update
ExCo	Executive Council
FAAC	Federal Allocation Accounts Committee
FRL	Fiscal Responsibility Law
FSP	Fiscal Strategy Paper
GDP	Gross Domestic Product
HRM	Human Resource Management
IDA	International Development Association
IDB	Islamic Development Bank
IGR	Internally Generated Revenue
IMF	International Monetary Fund
MDAs	Ministries, Departments, and Agencies
MEDAs	Ministries, Extra-Ministerial Departments, and Agencies
MBPD	Million Barrels Per Day
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
MTSS	Medium-Term Sector Strategy
MYBF	Multi-Year Budgeting Framework
NBS	National Bureau of Statistics
NCS	Nigeria Customs Service
NCOA	National Chart of Accounts
NG-CARES	Nigeria: Covid-19 Action Recovery and Economic Stimulus
NNPC	Nigerian National Petroleum Company
NPC	National Planning Commission
ODA	Official Development Assistance
SDGs	Sustainable Development Goals
SFTAS	State Fiscal Transparency Accountability and Sustainability
SOIRS	Sokoto State Internal Revenue Service
SKSPPB	Sokoto State Public Procurement Board

SKSG	Sokoto State Government
SMEs	Small and Medium Scale Enterprises
OECD	Organization for Economic Cooperation and Development
PFM	Public Financial Management
PIB	Petroleum Industry Bill
PITA	Personal Income Tax Act
PPL	Public Procurement Law
PMS	Premium Motor Spirit (Petrol)
SHoA	State House of Assembly
UNICEF	United Nations International Children's Emergency Fund
USAID	United State Agency for International Development
USD	United State Dollar
VAT	Value Added Tax
G11	A group of eleven countries - specifically Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea, and Vietnam
G20	
	A group of 20 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States, and the European Union.
MINT	Mexico, Indonesia, Nigeria, and Turkey
WEO	World Economic Outlook

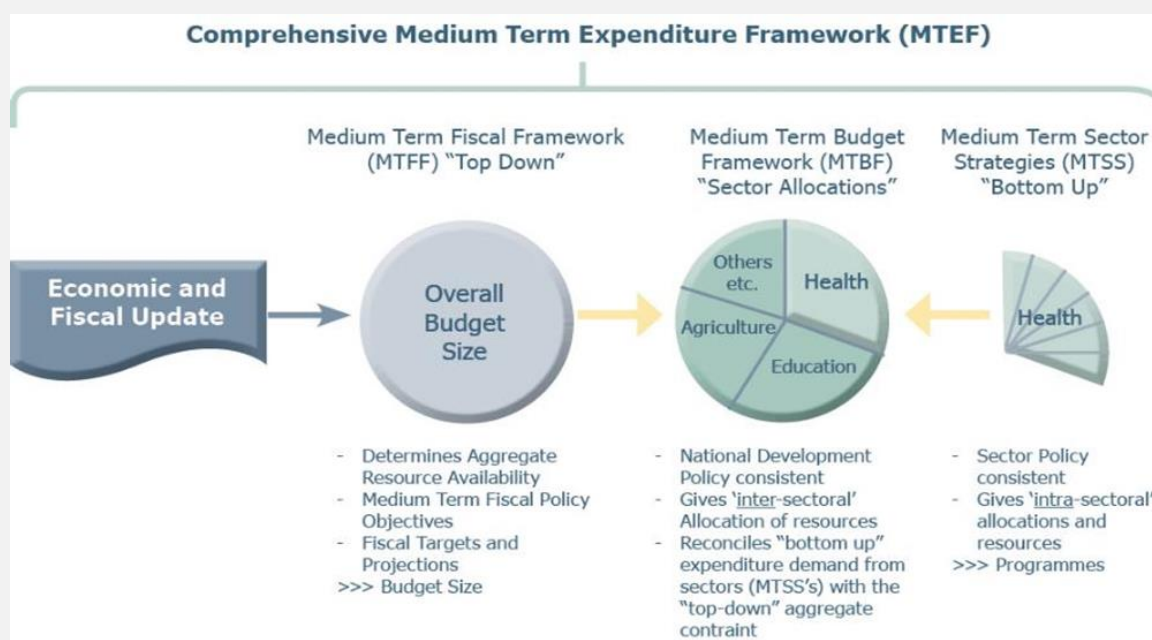
Section 1 Introduction and Background

1.A Introduction

1. The Economic and Fiscal Update (EFU) provides economic and fiscal analyses that form the basis for the budget planning process. It is aimed primarily at policy makers and decision-takers in Sokoto State Government. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation.
2. On the other hand, Fiscal Strategy Paper (FSP) and Budget Policy Statement (BPS) are key elements in Medium Term Expenditure Framework (MTEF) and annual budget process, and as such, they determine the resources available to fund Government projects and programs from a fiscally sustainable perspective.
3. Sokoto State Government decided to adopt the preparation of the EFU-FSP-BPS for the first time in 2014 as part of the movement towards a comprehensive MTEF process and a realistic budget estimate in line with best public financial management practices. This is the ninth rolling iteration of the document and covers the period 2024-2026.

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); and
 - iii. Medium Term Sector Strategies (MTSSs).
5. It commences with the 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 summarised in the diagram below:

Figure 1 MTEF Process

1.A.2 Summary of Document Content

7. In accordance with international good practice in budgeting, the production of a combined Economic and Fiscal Update (EFU), Fiscal Strategy Paper (FSP), and Budget Policy Statement (BPS) is the first step in the budget preparation cycle for Sokoto State Government for the fiscal period 2024-2026.
8. The purpose of this document is three-fold:
 - i. To provide a backward-looking summary of key economic and fiscal trends that will affect public expenditure in the future - Economic and Fiscal Update.
 - ii. To set out medium-term fiscal objectives and targets, including tax policy; revenue mobilization in line with on-going Tax reforms; the level of public expenditure; deficit financing and public debt - Fiscal Strategy Paper and MTFF; and
 - iii. Provide indicative sector envelopes for the fiscal period 2024-2026 - MTSS.
9. The EFU is presented in Section 2 of this document. The EFU provides economic and fiscal analysis to inform the budget planning process. It is aimed primarily at budget policy makers and decision-makers in the Sokoto State Government, including the State legislature. The EFU also provides an assessment of budget performance (both historical and current) and identifies significant factors affecting implementation, which include:
 - Overview of Global, Africa, National, and State Economic Performance.
 - Overview of the Petroleum Sector and non-Oil Sector Performances; and
 - Trends in the State budget performance over the last six years.

10. The FSP is a key element in the Sokoto State Medium Term Expenditure Framework (MTEF) process and the annual budget process. As such, it determines the resources available to fund the Government's State Development Plan ambitions for economic growth plans and poverty reduction programs 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 2024 budget preparation cycle for all of the key stakeholders, specifically:
 - Sokoto State House of Assembly (SHoA);
 - Executive Council (ExCo);
 - Sokoto State Ministry of Budget and Economic Planning;
 - Fiscal Responsibility Agency;
 - Debt Management Departments;
 - Ministry of Finance;
 - State Bureau of Statistics (SBS);
 - All Government Ministries, Ministerial Departments, and Agencies (MDAs); and
 - Civil Society Organisations (CSOs).
12. The document is prepared within the first two quarters of the year before the annual budget preparation period. It is prepared by Sokoto State Government's Multi Year Budget Framework MYBF (EFU-FSP-BPS) Work Group using data collected from International, National, and State organisations.

1.B Background

1.B.1 Legislative and Institutional arrangement for PFM

13. **Legislative Framework for PFM in Sokoto State** - The fundamental law governing Public Financial Management (PFM) in Nigeria and Sokoto State, in particular, is the 1999 Constitution as amended. Section 120 and 121 of the Constitution provides that all revenues accruing to Sokoto State Government shall be received into a Consolidated Revenue Fund (CRF) to be maintained by the Government and no revenue shall be paid into any other fund, except as authorized by the State House of Assembly (SHoA) for a specific purpose. The withdrawal of funds from the CRF shall be authorized by the SHoA through the annual budget or appropriation process. The Governor of Sokoto State shall prepare and lay expenditure proposals for the coming financial year before the SHoA, and the SHoA shall approve the expenditure proposal by passing an Appropriation Law. The Appropriation Law shall authorize the

executive arm of government to withdraw and spend the amounts specified by the CRF¹.

14. Apart from the Nigerian Constitution, Sokoto State has a set of laws and regulations that regulate its budget preparation and implementation. The laws are:

- Sokoto State Finance Management Law, 2017 with provisions for the control and management of the finances of Sokoto State.
- Sokoto State Government Financial Regulations and Store, 2017 issued under the Finance Management Law, 2017. The Financial Regulations and Store provides guidelines for financial authorities, sub-accounting officer's cash book and monthly accounts, revenue-general, authorization of expenditure, expenditure-classification and control, payments procedure, adjustment, bank accounts and cheques, custody of public money, stamps, security books and documents, receipts and licence books, imprest, self-accounting ministries/extra-ministerial departments or units, accounting procedure and equipment, boards of survey, loss of and shortages in public funds, deposits, advances, salaries, internal audit functions, government vehicles, store-classification and general, general instructions: books and forms of accounts, supervision and custody of stores, receipts of stores, issues of stores, returned stores, handing over stores, acquisition of stores, government contracts, tenders boards and tenders, loss of stores and unserviceable stores, stores inspection, allocated stores, unallocated stores, court accounts, pensions procedure, and miscellaneous.
- The Sokoto State Fiscal Responsibility Law (FRL), 2010. The FRL was amended in Law No. 3 of 2020 based on the Federal Fiscal Responsibility Act. The FRL provides the following: the creation of the implementation organ, medium term fiscal framework, how public expenditure may be carried out, borrowing process, transparency and accountability in governance, and principles of sound financial management. Section 6 in an addendum to section 5 of FRL 2019 provides for an underlying principle for a sound Financial Management Framework in accordance with Part III of Fiscal Responsibility Law, 2019.
- Sokoto State Public Procurement Law 2010. The Public Procurement Law was enacted based on the Federal Public Procurement Act 2007 to set the administrative arrangement, standards, and procedures for procurement in Sokoto State.
- Occasional treasury circulars issued by the Commissioner for Finance of Sokoto State for additional rules and guidelines to support accounting, internal audit, and store procedures.

15. **Institutional Framework for PFM in Sokoto State** - The Constitution vests the executive powers of the State in the Governor.. The Governor of Sokoto State exercises his executive powers directly or through the Deputy

¹ Sections 120 and 121 of Constitution of Federal Republic of Nigeria 1999 as amended

Governor, the Commissioners, Special Advisers, Permanent Secretaries, and other officers in the public service of the State.

16. Specifically, Sokoto State Executive Council (EXCO) formulates the policies of the State Government, considers, and recommends the State's budget to the House of Assembly. On passage, the Governor signs the appropriation bill into law.
17. The State Ministry of Budget and Economic Planning oversees the preparation of the budget, both capital and recurrent. It is also in charge of planning (long and medium-term), setting the broad agenda for development. The Commission is the main organ of the EXCO for the formulation and execution of fiscal policy. The Ministry also coordinates and manages the State's fiscal policies and all revenue and expenditure profile of the government.
18. The Ministry of Finance is responsible for core treasury functions of revenue and expenditure management, accounting, and fund and cash management. The Ministry of Finance has two important quasi-autonomous agencies, the Office of the Accountant General for the State (OAGS) and the Sokoto State Internal Revenue Services (SOIRS).
19. Specific functions of the OAGS include accounting for all receipts and payments of the State Government; supervising the accounts of the State Ministries, Departments, and Agencies (MDAs); collating and preparing Statutory Financial Statements of the State Government and any other Statements of accounts required by the Commissioner for Finance; maintain and operate the accounts of the Consolidated Revenue Fund, development fund, and other public funds and provide cash backing for the operations of the State Government; maintain and operate the State Government's accounts; conduct routine and in-depth inspection of the books of accounts of State ministries, departments and agencies to ensure compliance with rules, regulations, policy decisions and maintenance of account codes; and formulate and implement the accounting policy of the State Government.
20. Sokoto State Internal Revenue Service is responsible for the generation of government revenue. The Board formulates and executes Joint Tax Board (JTB) policies on taxation, stamp duties, and motor vehicle licensing, among others.
21. The Debt Management Department manages Sokoto State public debt as well as liaising with the Debt Management Office at the Federal level.
22. Another important institutional framework in the circle of financial management in the State is the Bureau of Public Procurement and Public Private Partnership. The Bureau plays a significant role in ensuring that all MDAs adhere to the best practices in procurement.
23. Sokoto State Fiscal Responsibility Agency is responsible for monitoring compliance with the State's appropriation law. It is to ensure that expenditures incurred are provided for in the annual budget derived through the State's Development Plan.

24. The State Government allows line agencies some autonomy in expenditure control. Line Ministries and Agencies propose their budgets based on the guidelines issued by the EXCO through the Ministry of Budget and Economic Planning. There are three main categories of expenditure: personnel costs, overhead costs, and capital expenditures. The payroll is centralized under the Head of Service (HoS) and Office of the Accountant General of the State (OAGS). MDAs receive regular monthly disbursements for general items of overhead costs. They also receive, as the need arises, funds for other specific items of overhead expenditure. MDAs have the responsibility to execute their capital program, but capital funds are released for projects by the OAGS.
25. Sokoto State approved Budget Manual provides clear guidance on the start-to-finish processes involved in the reoccurring annual budget cycle. The manual details the annual budget calendar in Sokoto State, which includes an indicative timeline for the preparation of the MTEF and distribution of adequate expenditure ceilings to all sectors through the MTSS.

1.B.2 Overview of Budget Calendar

26. The indicative Budget Calendar for Sokoto State Government is presented below:

Table 1: Budget Calendar

S/N	Strategic Indicator	Output	Key Output Activities	Yearly Timeline	Responsible Entity
1.0	Policy Review and Strategic Planning	Annual Sector Performance Reviews (SPRs).		February – April.	MBEP/MDAs
1.1.1			Issue concept note for the preceding year's Sector Performance Review by each sector and timetable for completion of the process.	February.	MBEP
1.1.2			Sector Performance Review	February - March	MDAs
1.1.3			Provide technical and quality assurance support to the	February – March.	MBEP

S/N	Strategic Indicator	Output	Key Output Activities	Yearly Timeline	Responsible Entity
			sectors in preparing SPRs; review & consolidate SPRs within the first half of the month.		
1.1.4			Conduct a session on the outcome of SPRs; identify key achievements and challenging / emerging issues, etc. that will inform MTEF/FSP, MTSS, and budget.	April.	MBEP/MDAs.
1.2	Design of the MTEF.	MTEF Developed		April – June.	MBEP/MoF.
1.2.1			Call for Information and Data on Macro-economic framework, public debt, FSP, revenue and expenditure framework, and economic, social, and development priorities.	April.	MBEP.
1.2.2			Call for Personnel Details from MDAs/ Submission of Personnel Details by MDAs.	April.	MBEP/MDAs. (activity)
1.2.3			Preparation of draft MTEF.	May.	MBEP/MF (consultation with other relevant agencies including SRA, DMD, Expenditure Control, and Main Account

S/N	Strategic Indicator	Output	Key Output Activities	Yearly Timeline	Responsible Entity
1.2.4			Hold Stakeholders Consultation on the draft MTEF.	May.	MBEP/MF.
1.2.5			Presentation of Macroeconomic Framework setting out the macroeconomic projections for the next three financial years, and revenue and expenditure framework to EXCO for consideration.	June.	MBEP/MoF.
1.2.6			Presentation of MTEF to SOHA for Review and Approval.	June.	MBEP/MoF.
1.3	Preparation/Update of MTSS.	MTSS Developed for major Sectors		April – June.	MBEP.
2.0	Budget Preparation				
2.1			Call for Personnel Details from MDAs/Submission of Personnel Details by MDAs.	April.	MBEP.
2.2			Issue Budget call circulars to MDAs.	July 1 st	MBEP
2.3			Preparation and Submission of Budget Proposals by MDAs.	July to August.	MDAs.
2.4			Bilateral budget discussions with MDAs.	August.	Budget Committee.
2.5			Consolidation of Draft Budget	September.	MBEP.
2.6			EXCO review and approval of Executive Budget.	September.	SEC

S/N	Strategic Indicator	Output	Key Output Activities	Yearly Timeline	Responsible Entity
2.7			Laying of Budget before the State Assembly.	Not later than the last week of September.	Governor.
2.8			Budget consideration by Committees of the SOHA and budget defense by MDAs.	October – December.	State House of Assembly Representatives and MDAs.
2.9			Passage of the Appropriation Bill by the State Assembly and transmittal to the Governor.	December.	Joint Committee of the Whole State Assembly; and Clerk to the House of Assembly.
2.10			Review of the Appropriation by the Executive.	December	MBEP and EXCO.
2.11			Governor assents to the approved budget.	December	Governor
2.12			Public Presentation and Analysis of Approved Budget	December	Hon Commissioner, MBEP in collaboration with HC. MoF.
3.0	Budget Execution and Control	Issuance of Expenditure Warrant Cash Management Plan			
3.1			Request for work plan from MDAs.	December.	MBEP.
3.2			MDAs submit work plans to MBEP/MoF.	December.	MDAs.
3.3			Revenue Forecast.	December	MBEP/OAGF.
3.4			Preparation of Cash Forecast	December.	OAG/MoF
3.5			Preparation of Disbursement Plan	December.	MBEP/MoF

S/N	Strategic Indicator	Output	Key Output Activities	Yearly Timeline	Responsible Entity
3.6			Budgetary Releases and Implementation.	January – December.	MoF/OAG/MDAs/BPP.
4.0	Budget Performance Review and Reporting	Performance Report			
4.1			Receive first, second, and third-quarter budget performance reports from MDAs.	April, July, and October.	M&E/MDAs.
4.2			Issue consolidated first, second, and third-quarter budget performance reports.	April, July, and October.	MBEP.
4.3			Receive budget performance reports for the fourth quarter of the preceding year.	January.	MDAs.
4.4			Issue consolidated preceding year's budget performance report	Last week of January.	MBEP.
4.5			Results-Based Monitoring and Evaluation.	January – December.	MBEP/MDAs

Section 2 Economic and Fiscal Update

2.A Economic Overview

2.A.1 Global Economy

1. The International Monetary Fund's (IMF's) April 2023 World Economic Outlook (WEO) Update themed 'Rocky Recovery'², foresees yet highly uncertain times in the World economy, with adverse shocks from the last three years' effects from the COVID-19 pandemic and the unforeseen manifestation of the Russia's invasion of Ukraine. Spurred by pent-up demand, lingering supply disruptions, and commodity price spikes, inflation reached multidecade highs last year in many economies, leading central banks to tighten aggressively to bring it back toward their targets and keep inflation expectations anchored.
2. Global Inflation is on a downward path with various efforts put together by Central banks, the rapid rise in interest rates and anticipated slowing of the economy, together with supervisory and regulatory gaps and the materialization of bank-specific risks, contribute to stresses in parts of the financial system, raising financial stability concerns. Banks' generally strong liquidity and capital positions suggested that they would be able to absorb the effects of monetary policy tightening and adapt smoothly. However, some financial institutions with business models that relied heavily on a continuation of the extremely low nominal interest rates of the past years have come under acute stress, as they have proved either unprepared or unable to adjust to the fast pace of rate rises.
3. Significantly, global inflation has declined, reflecting mostly, the sharp reversal in energy and food prices. But core inflation, excluding the volatile energy and food components, has not yet peaked in many countries. It is expected to decline to 5.1 percent this year (fourth quarter over fourth quarter).
4. In some countries, inflation has also been spurred by large currency depreciations relative to the U.S. dollar, as well as tight labor market conditions. Although inflation is likely to gradually moderate over the year, some signs underlying inflation pressures could become more persistent. In response, central banks around the world have been tightening monetary policies faster than previously expected. Interest rate hikes and liquidity tightening measures aimed to balance inflation containment and economic stability have increased, particularly in emerging economies.
5. Although, while this tightening is necessary for price stability, it has contributed to worsening the global financial conditions, which is exerting a substantial drag on economic activities. This drag is set to deepen given the lags between changes in monetary policy and its economic impacts, and the fact that real rates are expected to continue to increase. Similarly, asset prices

² [World Economic Outlook, April 2023: A Rocky Recovery \(imf.org\)](https://www.imf.org/en/Publications/WEO/Issues/2023/04/01/wEO-apr23)

have been in broad decline, investment growth has weakened substantially, and housing markets in many countries are worsening rapidly.

6. Financial conditions were also worsened by the unexpected failures of two specialized regional banks in the United States in mid-March 2023 and the collapse of confidence in Credit Suisse (a globally significant bank), bank depositors and investors are re-evaluating the safety of their holdings and shifting away from institutions and investments perceived as vulnerable; this will result to lower lending if depositors continue to perceive their holdings as vulnerable. The war in Ukraine and geopolitical tensions have also had a significant impact on regional economies, trade relationships, and investor sentiments.
7. As economies continue to recover from the COVID-19 pandemic, global oil demand is rebounding, and oil price remains high due to the Russian-Ukraine War. However, the pace and sustainability of this recovery remain contingent upon factors such as global economic growth, energy transition policies, and the adoption of clean energy alternatives. Also, technological advancements, such as shale oil extraction, have contributed to an increase in non-OPEC supply, impacting global oil market dynamics. The increasing focus on reducing greenhouse gas emissions and transitioning to cleaner energy sources as well as evolving environmental regulations, such as carbon pricing mechanisms and stricter emission standards contribute to shaping the future landscape of the global oil industry. The IMF projects oil prices to fall by 24% in 2023 and further by 5.8% in 2024.
8. The continued Russian-Ukraine war, escalation of sanctions on Russia, the emergence of the Omicron variant of Covid-19 in late 2021, and the recent emergence of the XBB.1.5 Omicron sub-variant in January 2023, has led to renewed uncertainties and potential disruptions in global economic activities and made this forecast considerably uncertain. Vaccination efforts and containment measures continue to play a crucial role in managing the impact of the pandemic on the global economy. The Russia invasion of Ukraine has contributed to economic fragmentation as a significant number of countries sever commercial ties with Russia and risks derailing the post-pandemic recovery. It also threatens the rule-based frameworks that have facilitated greater global economic integration and helped lift millions out of poverty.
9. Global growth is expected to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Global trade is gradually recovering, but risks persist due to geopolitical tensions and supply chain disruptions. Foreign direct investment (FDI) flows have shown resilience, with developing economies attracting a significant share of FDI inflows. However, FDI levels remain below pre-pandemic levels.
10. Global growth is expected to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Global trade is gradually recovering, but risks persist due to geopolitical tensions and supply chain disruptions. Foreign direct investment (FDI) flows have shown resilience, with developing economies attracting a significant share of FDI inflows. However, FDI levels remain below pre-pandemic levels.

11. Global headline inflation is set to fall from 8.7 percent in 2022 to 7.0 percent in 2023 on the back of lower commodity prices but underlying (core) inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases, shockwaves emanating from the Russian invasion of Ukraine, especially in energy and other commodity markets are still making market confidence unstable.
12. The demand for agricultural commodities is expected to increase and affect the price dynamics; rising population, changing dietary patterns, and growing middle-class populations in emerging economies coupled with uncertain weather conditions and potential supply constraints will influence the inflation rate in the medium term.
13. The increases in real interest rates due to inflationary pressure are likely to be temporary. The central banks of advanced economies are projected to ease monetary policy and bring real interest rates back toward pre-pandemic levels when inflation is brought back under control. Emerging markets, particularly the large ones are expected to gradually converge towards advanced economies' real interest rates as productivity increases.
14. The global unemployment rate is expected to vary across regions. The IMF projects the unemployment rate in advanced economies to decline to 5.0% in 2023 while emerging market and developing economies are expected to have an unemployment rate of around 6.3% in the same year. The degree of labor market flexibility, particularly cross-country labor and migration regulations will influence global employment levels in the coming years.
15. Public and private debt levels have increased globally, driven by pandemic-related spending and economic support measures. Global public debt is projected to reach around 107% of GDP in 2023 according to IMF.
16. As economies recover from the pandemic, global oil demand is expected to continue its rebound. However, the pace and sustainability of this recovery remain contingent upon factors such as global economic growth, energy transition policies, and the adoption rate of clean energy alternatives earlier outlined.
17. The BRICS³ Country has seen taken steady growth in the Gross Domestic Product (GDP) despite the Russia-Ukraine war, the formidable group has been considered to expand its members to the likes of Egypt, Iran, Saudi Arabia, Turkey (and Argentina) – who might have applied or are considering doing so, this will signify a more coordinated fraction of global players away from the Western set up of the G20s. More so, regardless of the western sanctions on Russia, the BRICS Allies (especially China and Brazil) are still participating in petroleum products and other commodity trade with Russia. Remarkably, there are agitations about the creation of the Joint BRICS currency⁴ (de-

³ Brazil, Russia, India, China and South Africa.

⁴ <https://fortune.com/2023/06/25/dollar-reserve-currency-brics-brazil-russia-india-china-south-africa/>

dollarization), which will specifically affect the dollar as a balanced currency for World Trade.

18. The economic outlook (GDP growth rate and inflation rate) of selected countries is shown in Tables 2 and 3 below.
19. Countries selected are chosen to represent G20⁵, BRICS, MINT⁶, N-11⁷, Petro-economies, and other large African countries.

Table 2: Real GDP Growth – Selected Countries

Table 2: Real GDP Growth - Selected Countries									
Country	Actual					Forecast			
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Mexico	2.2	-0.2	-8.2	4.8	3.1	1.8	1.6	1.9	1.8
Indonesia	5.2	5.0	-2.1	3.7	5.3	5.0	5.1	5.0	5.0
Türkiye	3.0	0.9	1.8	11.0	5.6	2.7	3.6	3.0	3.0
United States	2.9	2.3	-3.4	5.7	2.1	1.6	1.1	1.8	2.1
Germany	1.1	1.1	-4.6	2.8	1.8	-0.1	1.1	2.0	1.8
United Kingdom	1.7	1.7	-9.3	7.4	4.0	-0.3	1.0	2.2	2.0
China	6.8	6.0	2.2	8.1	3.0	5.2	4.5	4.1	4.0
Ghana	6.2	6.5	0.4	4.2	3.2	1.6	2.9	4.8	5.0
South Africa	1.5	0.1	-6.4	4.9	2.0	0.1	1.8	1.6	1.4
Brazil	1.8	1.2	-3.9	4.6	2.9	0.9	1.5	1.9	2.0
Angola	-2.0	-0.7	-5.6	0.7	2.8	3.5	3.7	4.0	4.1
Nigeria	1.9	2.2	-1.8	3.6	3.3	3.2	3.0	3.0	3.0

Source: IMF's World Economic Outlook, April 2023

Table 3: Inflation (CPI) – Selected Countries

Table 3: Inflation (CPI) - Selected Countries									
Country	Actual					Forecast			
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Mexico	4.9	3.6	3.4	5.7	7.9	6.3	3.9	3.3	3.1
Indonesia	3.3	2.8	2.0	1.6	4.2	4.4	3.0	2.7	2.6
Türkiye	16.3	15.2	12.3	19.6	72.3	50.6	35.2	24.9	20.0
United States	2.4	1.8	1.3	4.7	8.0	4.5	2.3	2.1	2.0
Germany	1.9	1.4	0.4	3.2	8.7	6.2	3.1	2.3	2.1
United Kingdom	2.5	1.8	0.9	2.6	9.1	6.8	3.0	1.8	2.0
China	1.9	2.9	2.5	0.9	1.9	2.0	2.2	2.2	2.2
Ghana	9.8	7.1	9.9	10.0	31.9	45.4	22.2	11.5	8.0
South Africa	4.6	4.1	3.3	4.6	6.9	5.8	4.8	4.5	4.5
Brazil	3.7	3.7	3.2	8.3	9.3	5.0	4.8	3.0	3.0
Angola	19.6	17.1	22.3	25.8	21.4	11.7	10.8	9.4	9.3
Nigeria	12.1	11.4	13.2	17.0	18.8	20.1	15.8	14.7	14.5

Source: IMF's World Economic Outlook, April 2023

⁵ Group of Twenty

⁶ Mexico, Indonesia, Nigeria, and Turkey

⁷ Next Eleven Countries - Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey, and Vietnam

2.A.2 Africa

20. The 2023 Africa's Macroeconomic Performance and Outlook of the African Development Bank reported that the estimated average growth of real GDP in Africa slowed to 3.8% in 2022 from 4.8% in 2021 as a result of the significant challenges faced by the African economy following the Covid-19 shock and Russia's invasion of Ukraine. Despite the economic slowdown, 53 of Africa's 54 countries posted positive growth rates. All five regions of the continent remain resilient with a steady outlook for the medium-term.
21. Growth varied widely across countries and regions in 2022. Central Africa was reported to grow the fastest by 4.7%, up from 3.6% in 2021, Southern Africa's growth decelerated the most, to about 2.5% in 2022 from 4.3% in 2021. West Africa's growth slowed to 3.6% in 2022 from 4.4% in 2021, this reflects decelerations in Côte d'Ivoire and Nigeria, the region's two largest economies. North Africa growth is reported to have declined by 1.1 percentage points to 4.3% in 2022 from 5.4% in 2021 because of a sharp contraction in Libya and the drought in Morocco. East Africa's growth moderated to 4.2% in 2022 from 5.1% in 2021.
22. Growth varies widely across countries and regions. Economic growth in 2021 was highest in North Africa (11.7 percent) and East Africa (4.8 percent). In 2022, growth is expected to decelerate to 4.5 percent in North Africa and stabilize at 4.7 percent in East Africa. Average growth in 2021 in west Africa was 4.3 percent and is projected to remain strong at 4.1 percent in 2022.
23. Inflation increased by 0.9 percentage points, to 13.8 percent in 2022 from 12.9 percent in 2021 (a slight revision from the estimated 13 percent in African Economic Outlook 2022), the highest rate in more than a decade. Africa's persistently high inflation reflects domestic factors such as expansionary public investment spending and, more important, the direct effect of imported inflation, driven mainly by external factors such as rising oil and food prices, exacerbated by supply chain disruptions. Inflation surpassed the central banks' target rates for countries with explicitly defined bands, reaching double digits in 19 countries, with the highest rates in Zimbabwe, Sudan, and Ethiopia.
24. The War in Sudan has further exacerbated the region's IDPs which is at a record high of over 334,000 individuals displayed with settlements spread across already warring Ethiopia and Eritrea, and the fragile South Sudan, Egypt, Chad, and CAR. This implies a significant increase in human mobility and pressure on host Countries' social services, as well as the potential proliferation of light and small arms as a result of the conflict. The likely impact of the Conflict is expected largely affect Countries in the Horn of African and generally the North-eastern parts of Africa.
25. Many African currencies depreciated in 2022, especially in commodity-exporting countries and more globally integrated economies, like Algeria, Kenya, Nigeria, and South Africa. The currency against the dollar lost substantial value due to monetary policy tightening in the United States, weak

- investment flows, and weak external demand amongst other factors. The depreciation rates ranged from 21% in Malawi to 69% in South Sudan.
26. The fiscal positions of African countries' have been stretched by Covid-19 policy responses and support for vulnerable populations against rising food and energy prices amid high debt and the impacts of climate change. These, coupled with the Russian invasion of Ukraine, pushed price stability beyond most central banks' grasp and led to higher borrowing costs for sub-Saharan African countries as well as placed greater pressure on exchange rates.
 27. The average fiscal deficit in Africa is estimated to have narrowed to 4.4 percent of GDP in 2022 from 5.2 percent in 2021 in the wake of fiscal strain induced by the COVID-19 pandemic. The average fiscal deficit increased sharply from 4.1 percent of GDP in 2019 to 6.9 percent in 2020, due to the fiscal stimulus measures that countries deployed to mitigate the pandemic's impact. The deficit narrowed in 2022 on improved revenue performance, especially in oil-exporting countries. Most net oil exporters posted surpluses, which partially offset Nigeria's sustained elevated fiscal deficit (5.3 percent of GDP in 2022) on the average for the group. Countries with fiscal surpluses include Angola, Chad, Congo, Equatorial Guinea, Gabon, and Libya, bringing the average deficit for the group to an estimated 3.6 percent of GDP in 2022, down from 4.8 percent in 2021.
 28. The AFDB projected Africa to outperform the rest of the world in economic growth over the next two years, with real GDP averaging around 4% in 2023 and 2024. Africa's pre-Covid-19 top five performing economies are projected to grow by more than 5.5% on average in 2023-2024 and to reclaim their position among the world's 10 fastest-growing economies. These countries are Rwanda (7.9%), Côte d'Ivoire (7.1%), Benin (6.4%), Ethiopia (6.0%), and Tanzania (5.6%). Other African countries are projected to grow by more than 5.5% in the 2023-24 period. They are the Democratic Republic of Congo (6.8%), The Gambia (6.4%), Mozambique (6.5%), Niger (9.6%), Senegal (9.4%), and Togo (6.3%).
 29. Sovereign external debt is projected to remain high, with lingering vulnerabilities, it declined marginally to 67% of GDP in 2022 from 68% in 2021. This ratio remains higher than 61% of GDP in 2019, before the COVID-19 pandemic, but it is projected to stabilize at around 65% in 2023 and 2024. The stability in the debt ratio is, however, subject to great uncertainty due to growing financing needs associated with rising food and energy import bills, high debt service costs due to exchange rate depreciations, and rollover risks.
 30. Debt vulnerabilities are likely to linger as countries continue to grapple with the economic shocks from the COVID-19 pandemic and Russia's invasion of Ukraine. At the end of September 2022, 23 African countries were either in debt distress (8 countries) or at high risk of debt distress (15 countries), up from 20 in 2020. Debt vulnerabilities in many of Africa's debt-distressed economies preceded the pandemic. Strikingly, these vulnerabilities have increased over time and since 2020 have been exacerbated by pandemic-related effects. These vulnerabilities have been on the increase since 2016, with more countries progressively sliding into debt distress or high risk of

debt distress. The high debt burden, coupled with weak revenue performance, limits public sector investment capacity in Africa. Thus, restoring debt sustainability could expand fiscal space but will require debt reprofiling or an outright restructuring for some countries.

31. African Economic outlook is rigged with uncertainty due to the current soaring food and energy prices, tightening global financial conditions as inflationary pressures rise, and the associated increase in domestic debt service costs that continues to heighten the debt vulnerabilities of African countries. Climate change with its damaging impact on domestic food supply and the potential risk of policy reversal in countries holding elections in 2023 equally pose significant threats to this forecast.
32. Other downside factors to this forecast include the effect of the Russia–Ukraine conflict and related sanctions on Russia, and other socio-political and security issues. Overall, the external position is expected to marginally improve, but uncertainty remains with increased food and energy prices weighing on commodity importers.
33. Upside factors include enhancing resilience by boosting intra-Africa trade, especially in manufacturing products to cushion economies from volatile commodity prices, accelerating structural reforms to build tax administration capacity and investments in digitalization and e-governance to enhance transparency, reduce illicit financial flows, and scale up domestic resource mobilization, improving institutional governance and enacting policies that can leverage the private sector financing, especially in climate-proof and pandemic-proof greenfield projects, and mobilizing Africa’s resources for inclusive and sustainable development. Sustainable growth will also require taking decisive action to reduce structural budget deficits and the accumulation of public debt in countries facing a high risk of debt distress or already in debt distress.

2.A.3 Nigerian Economy

34. The effect of global economic integration has a significant effect on the Nigerian economy with positive and negative developments in parts of the globe having varying degrees of impact in the Nigerian economy. The shocks of higher commodity prices due to the ongoing Russia–Ukraine conflict which has led to a slow growth rate, regional disintegration among major global trading partners and blocks as well as the volatility in global monetary policy and capital flows are having implications on Nigeria. This has resulted in distributional and financial shocks, arising particularly from Nigeria’s huge dependence on crude oil revenue.
35. The negative effect of oil prices since mid-year 2014 and the volatility in oil production have continued to expose the Nigerian economy to both domestic and external vulnerabilities. The decline in oil exports even with the increase in OPEC output quota for Nigeria further reinforced the oil price effects, a reversal of the current account surplus as well as pressures on the foreign

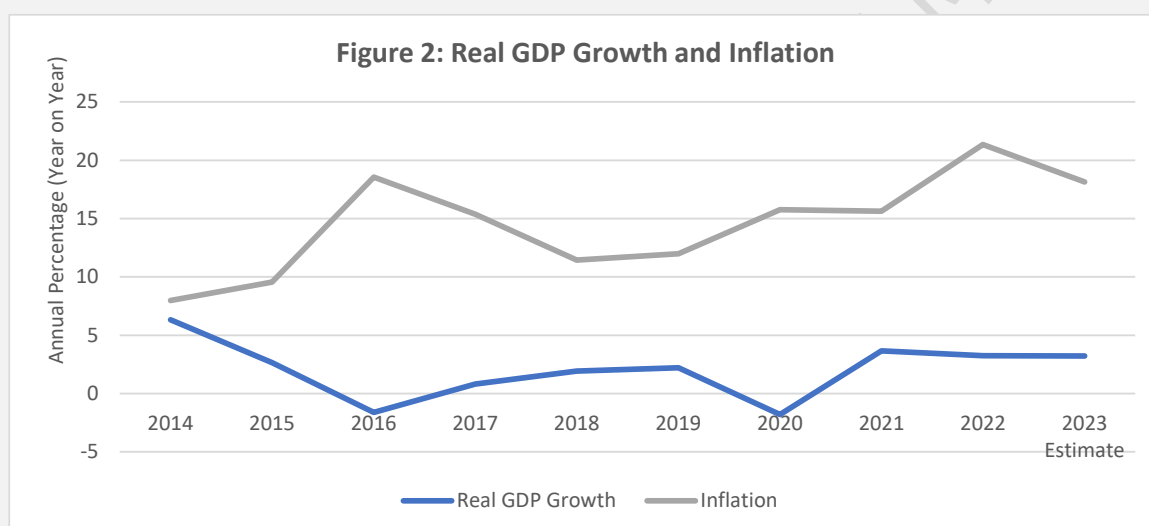
reserves and the exchange rate. It is noteworthy that Nigeria has struggled to meet its oil production targets due to operational challenges and insecurity amid growing crude oil theft and pipeline vandalism.

36. To accommodate the pressures on reserves, Nigeria's foreign exchange policy has been revised continually. This has generated some pass-through effects on the volume of trade and led to rising inflation, especially given the nature of the exchange rate changes and access restrictions. A flexible exchange rate policy has been instituted to stimulate trade and foreign investment in the economy, but its effect is yet to be felt in 2023.
37. Real GDP - Nigeria's economy entered a recession in 2020, with the real GDP contracting by 1.8%, reversing three years of recovery from 2017 to 2020. This downturn resulted from the fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID-19. However, in the fourth quarter of 2020, the Nigerian economy expanded by 0.11%; exiting one of its worst recessions, having posted a decline of 6.1% and 3.6% in 2020 Q2 and 2020 Q3, respectively. Data from the NBS as of May 25, 2023, reveals that the real GDP growth year-on-year (YoY) from March 2011 to March 2023 shows an average real growth rate of 2.7% and a nominal growth rate of 3.1%. Note that the data reached an all-time high of 6.9 % in March 2011 and a record low of -6.1 % in June 2020.
38. Nigeria's economy advanced at a slower rate of 2.31% in the first quarter of 2023, compared to the 3.52% rise in the previous three-month period and below market expectations of a 3% growth. This marked the 10th consecutive quarter of growth, although the expansion was considerably weaker compared to the prior period, partly attributed to the adverse impacts of the cash crunch experienced throughout the first quarter. Despite a deceleration in growth, the non-oil sector continued to be the main catalyst of the country's economic expansion, boosted by services.
39. Overall, the 2023 real GDP growth estimated by the World Bank has been revised to 2.9% from 3.2% projected in June 2022. The downward revision of Nigeria's growth forecast for 2023 was hinged on the persistent fuel and foreign exchange shortages, with the naira depreciating by over 30 percent in 2022 in the parallel market and further dampening economic activities.
40. According to the IMF forecast, it is expected that Nigeria's economy will expand by 3.2% in 2023. The Federal 2023-2025 MTEF anticipated 3.75% growth in 2023, decreasing to 3.0% in 2024 and later increasing to 3.46% in 2025. Stable oil prices coupled with reforms initiated by the passing of the Petroleum Industry Act (PIA), the Start-up Act, and the commissioning of the Dangote refinery in May 2023 are expected to boost the economy.
41. Inflation (CPI) reached 21.34% (year-on-year) in December 2022 representing a 5.71 percent point higher than the rate recorded in December 2021 which stood at 15.63%. This shows a fast increase in the rate when compared to the corresponding period of 2020 although the rate dropped from the 21.47% witnessed in November 2022, but later rose to 25.25% in June 2023 according to the National Bureau of Statistics (NBS). This perhaps

was triggered by the loosened monetary policies by the Central Bank of Nigeria (CBN) Import and Export window on the Exchange rate from \$461 on May 15th to \$772.8 on June 17th, 2023. Furthermore, the monetary policy rate (MPR) is pegged at 18.5%, while crude oil prices stood at \$82.93 in June.

42. IMF forecast shows that inflation is expected to be at 16.1% by the end of 2022. The increase in actual inflation at the end of 2022 has been attributed to a marginal increase in food inflation in the previous months, caused by increases in prices of bread and cereals, oil and fat, potatoes, yam and other tubers, fish, vegetables, fruits, and meat. The rate continually rises and is at 22.04% as of March 2023, a 6.52 percent point higher than the rate recorded in March 2022 which was at 15.52%.
43. The national annual real GDP growth and year-on-year inflation rates from 2014 to 2022 and 2023 estimate are shown in Figure 2 below.

Figure 2: Real GDP Growth and Inflation



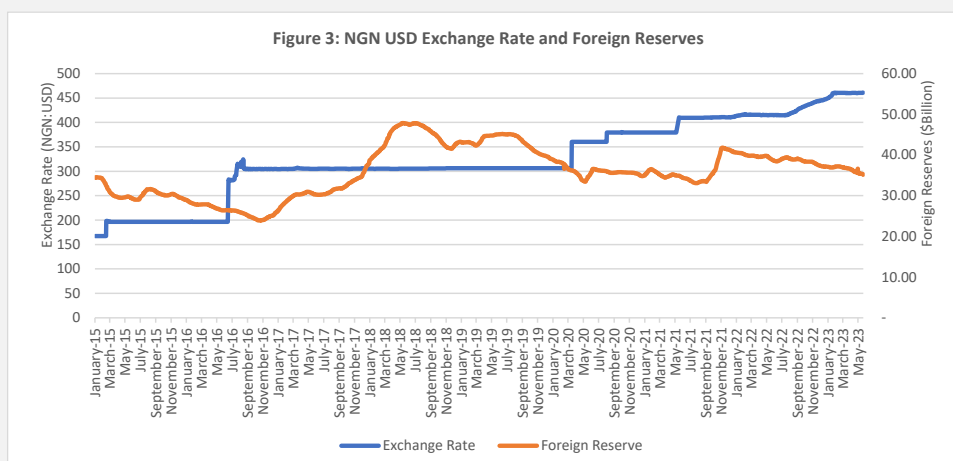
Data Source: WEO Database

44. Foreign Exchange Rate – the exchange rate at the Importers and Exporters window depreciated by 5.7% in 2022, closing the year at N461.5/\$1 compared to N435/\$1 recorded in 2021. Similarly, the Naira has devalued against the dollar from \$461 on May 15th to \$772.8 on June 17th, 2023.
45. Foreign reserves have been on the decline since mid-2019 (25% drop from April 2019 to April 2020) and have remained relatively stable since the COVID pandemic. Foreign reserve stood at \$37.1 billion on December 31, 2022, compared to \$40.52 billion as of the end of December 31, 2021. The reserve has been decreasing marginally amidst a steady increase in global oil prices. Nigeria commenced January 2023 with \$36.99 billion, fell to \$35.53bn as of the end of March 30, 2023, and further to \$35.19 as of May 22, 2023, according to the data from the Central bank of Nigeria (CBN), largely due to the CBN's effort to manage the depreciation of the Naira.
46. In 2022, arbitrage opportunities witnessed a significant increase, weakening the convergence of foreign exchange windows. This is partly attributed to the ripples of economic downturn since the Russia–Ukraine conflict. Also, the fall

in foreign reserves potentially condenses the policy options available to the CBN in controlling monetary aggregates.

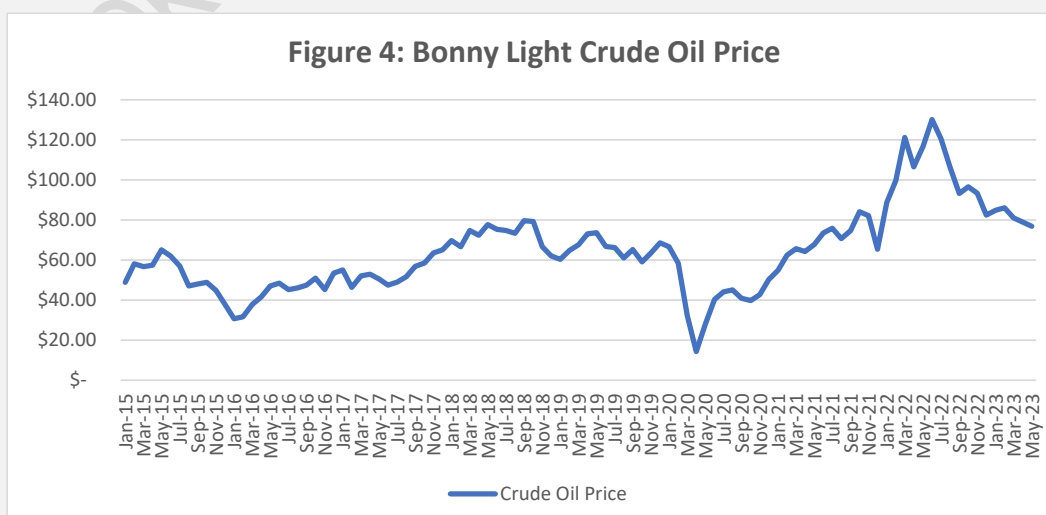
47. The NGN: USD exchange rate, which is a key crude oil revenue parameter, for the period January 2015 to May 2023, is shown in Figure 3 below.

SOKOTO STATE 2024-2026 MTEF

Figure 3: NGN:USD Exchange Rate and Foreign Reserves

Data Source: CBN

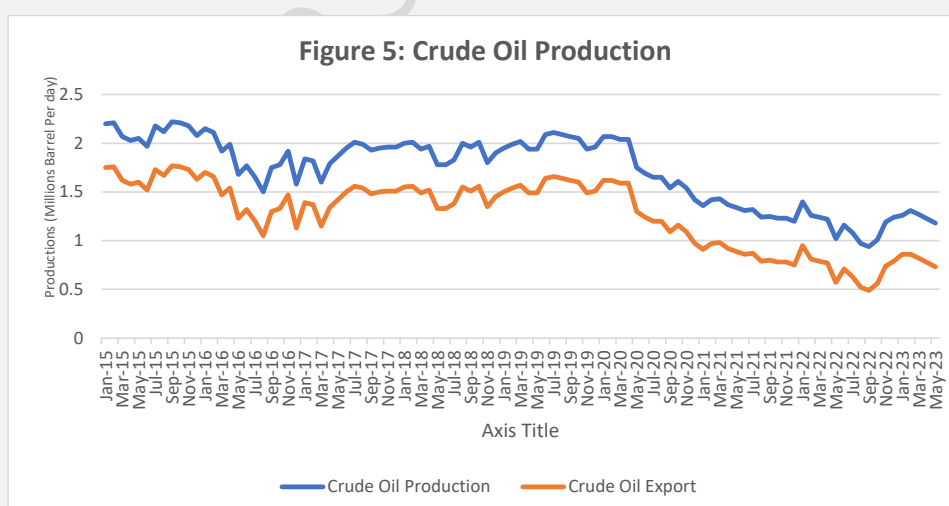
48. Crude oil price has trended upward in 2022 following the Ukraine-Russian conflict which began on February 24th, 2022, rising from US\$99.64 in February 2022 oil price rose to US\$130.1 in June 2022 and closed but at US\$82.5 in December 2022. This implies that crude oil prices generally increased in the first half of 2022 but gradually decreased in the second half.
49. The increase in the price of crude oil has been driven by the Ukraine-Russian conflict and other factors such as the failure of OPEC and non-OPEC members to increase their production level when the conflict began. Oil prices picked up at US\$87.78 in January 2023 but declined in March to US\$79.24 due to the rising crude supply availability and the building of unsold cargoes for April loading, specifically in the Atlantic Basin. It is therefore important to always consider that the crude oil market is highly volatile, delicate, and unpredictable, reinforcing the rationale for a benchmark that is set significantly below the current/forecast price.
50. Crude Oil (Bonny Light) Prices for the period of January 2015 to May 2023 from the data from CBN are presented in Figure 4 below.

Figure 4: Bonny Light Crude Oil Price

Data Source: CBN.

51. As indicated in Figure 4 above the current price (May 2023) is \$76.91. EIA is forecasting an average price of \$78.65 in 2023 and \$74.47 in 2024 for Brent Crude. The IMF forecast in its April 2023 WEO suggests a price of around \$73.13 in 2023 and \$68.90 in 2024 for Brent Crude – lower than the EIA forecasts and indicative of a 24% decline in oil price in 2023 and a 5.8% decline in 2024.
52. Crude Oil Production for Nigeria in the first quarter of 2023 rose by 11.63% to 1.280 million barrels a day compared to 1.147 million barrels produced daily in the fourth quarter of 2022. However, this number fell to an average of 0.998 million barrels per day (mbpd) in April 2023, representing a 21.3% decline compared to the production recorded in March 2023. This fall was partly due to the shutting down of oil platforms and declaration of force majeure by Exxon Mobil in mid-April because of the industrial action (strike) by Exxon Mobil employees that began on April 13, in addition to the occurrence of oil theft and pipeline vandalism in the Niger Delta. The fall is happening despite a 1.8mbpd OPEC oil production quota for Nigeria in 2023, this quota is significantly higher than the current levels at which Nigeria is producing. The consistent inability to meet the 2023 quota partly led to OPEC's reduction of the oil production quota for Nigeria in 2024 to 1.38mbpd.
53. Several things are likely to impact crude oil production in the medium term, including the implementation of the Petroleum Industry Act (PIA), the commissioning of Dangote Refinery, any significant boycott of Russian oil because of the conflict in Ukraine and changes in OPEC's decisions on Nigeria's production benchmark.
54. Crude Oil Production and Export (including condensates) for the period January 2015 to May 2023 from data from CBN is presented in Figure 5 below.

Figure 5: Crude Oil Production



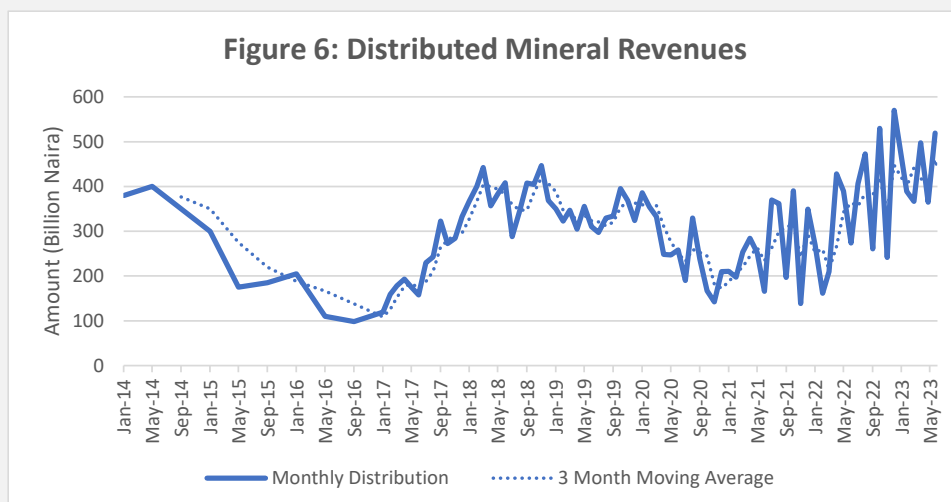
Data Source: CBN.

55. The implementation of the Finance Act (Effective Date Variation) Order, 2023, and Customs, Excise Tariff (Variation) Amendment Order, 2023, development of business continuity plans for tax and customs administration and

rationalization of ineffective tax incentives and exemptions; as well as increased remittances and recovery of unremitted revenues from GOEs is critical to growing Nigeria's fiscal space.

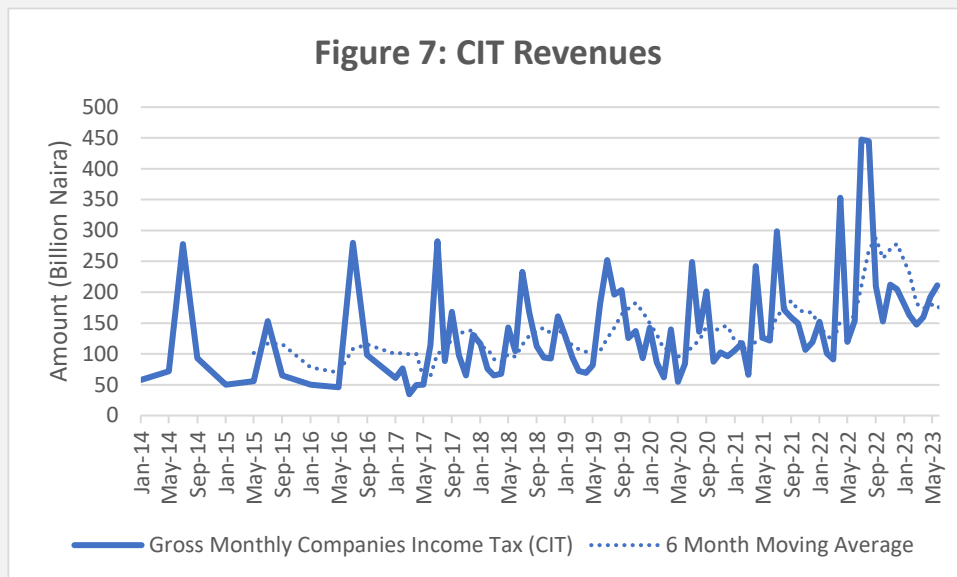
56. Monthly distributed Mineral Revenues (Statutory Allocation (SA) and Net Derivation (ND)) to the three tiers of government from January 2014 to May 2022 inclusive are shown in Figure 6 below.

Figure 6: Distributed Mineral Revenues



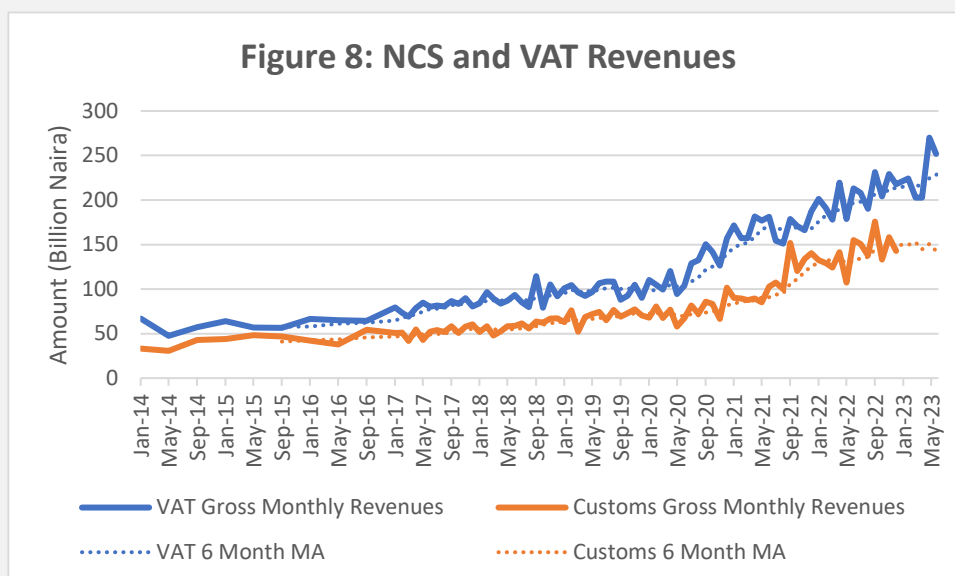
Data Source: FAAC summary Sheets, OAGF/NBS.

57. A total of N655.932 billion generated as FAAC revenue in April 2023 was disbursed to the federal, state, and local governments as allocation for May 2023. This was lower than the last month (March FAAC distributed in April) of N714.629 billion. Out of this amount, N364.65 billion was distributed as SA, compared to N497.45 billion distributed for March.
58. Gross Companies Income Tax (CIT) revenues, which are distributed as part of Statutory Allocation, from January 2014 to May 2023 inclusive are shown in Figure 7 below. The graph also includes linear trends.

Figure 7: CIT Revenues

Data Source: FAAC Summary Sheet, OAGF/NBS

59. The graph shows the annual spike in distributions (collections from the previous month) that is in line with the annual tax returns and payment cycle in FIRS. This generally happens in July because June collections are distributed in July, the month many companies file their return.
60. Nigeria generated a sum of N2.64 trillion from Company Income Tax (CIT) in 2022, an increase of 48.1% compared to 2021. High CIT in 2022 compared to the volume in 2021 is something to cheer Nigeria as this shows the growth of the non-oil sector. It is also a signal for policy makers towards planning for a sustainable increase in non-oil revenue.
61. Customs and Excise duties (NCS), which are distributed as part of Statutory Allocation, and Value Added Tax (VAT) which is distributed separately for the period January 2014 to May 2023 are shown in Figure 8 below.
- 62.

Figure 8: NCS and VAT Revenues

Data Source: Sokoto State 2023 Cash Plan, FAAC Summary Sheet, OAGF/NBS

63. VAT shows a clear upward trend since late 2015, rising to N2.46 trillion in 2022 from N2 trillion in 2021. This is to be expected as the general price level rose quite significantly over the same period, which should transfer straight into additional VAT (for Vatable items). Given the increase in VAT from 5% to 7.5%, in the 2020 Finance Act, there has been a significant spike in VAT from August 2020. There is still a level of monthly volatility that makes it slightly difficult to forecast. However, with the economy maintaining positive real growth and inflation staying above 10% for a longer time, it is anticipated that VAT will continue to grow in nominal terms.
64. Exchange rate controls import policy and devaluing Naira may have affected some Customs receipts. However, there is still some short-term volatility, and Federal Revenue reforms are expected to increase collections in the medium term, but the timing of impact remains uncertain as Custom and Excise Duty stood at N1.7 trillion as of the end of 2022.
65. The Federal Government, in April 2023, adopted a new Fiscal Policy Measures (FPM 2023) which was amended on July 6, 2023. The 2023 FPM provides for Supplementary Protection Measures (SPM) for the implementation of the ECOWAS Common External Tariff (CET) 2022 to 2026, increased excise duty rates on certain items such as tobacco and alcoholic beverages, and reduced import duty rates on some manufacturing items available to verifiable manufacturers.
66. The implementation of President Bola Ahmed Tinubu's inaugural address on a unified exchange rate regime and the expected reduction in the importation of petroleum products when Dangote Refinery commences production is expected to positively affect Nigeria's vulnerability to exchange rate volatility.
67. The policy thrust of the National Development Plan (NDP) 2021-2025, a medium-term plan for the implementation of the Nigeria Agenda - NA 2050 (Nigeria's long-term development plan) includes a broad-based real GDP

growth rate of about 5% on average during the plan period; an increased employment generation of about 21 million jobs; and an inclusive growth that will lift 35 million people out of poverty over the plan period (2021-2025). The implementation of this will affect the aggregate macro-fiscal performance of Nigeria and will set the stage for achieving the government's target of lifting 100 million Nigerians out of poverty in 10 years under the National Poverty Reduction and Growth Strategy.

68. In addition, the March 2023 16 amendments to the 1999 Constitution of the Federal Republic of Nigeria (as amended) which in part gave powers to State governments to invest in railway and power infrastructure by moving railways and power from the exclusive list to the concurrent list is also expected to boost Nigeria's economic performance in the medium term.

2.A.4 Sokoto State Economy

69. Sokoto State has maintained progressive economic growth with substantial improvements in business operations, economic activities, tourism, sports, and youth development. All of which will contribute to an impressive GDP performance in the State.
70. The State is a net exporter of selected crops, fisheries and livestock produce to other States (especially, Millet, Onions, Beans, Guinea corn etc.), although the movement of agricultural produce is not well-documented and computed to register meaningful contribution to the State economy. With the launch of the new IGR expansion strategy, which provides insight into effective taxpayer registration and detailed tax administration, the State will begin to collate useful data from the informal and formal sectors, thereby widening the tax base and tax net.
71. IGR in the State has seen an increase in performance of collections from PAYE and other taxes (WHT, Capital gain, levies, fines, etc) at a record of 24% and 53% respectively in 2022, collection from these sources and others are expected to be intensified over the next fiscal year, with a target to primarily ensure the State has a desired solvency and can fund its immediate recurrent revenue with internally generated revenue.
72. Financial prudence and effective management of public resources is the hallmark of good governance, with corresponding public financial management laws to keep a check on desired improvements in public finance, towards reducing wastages, closing leakages, and tackling corruption.
73. Air carriers in the State have significantly increased with the addition of AA Rano Airline, which will generally enhance the State tourism endowment and potential which is yet to be fully harnessed to improve its socioeconomic activities and Internally Generated Revenue. It is therefore imperative for the State to prioritize the development of these tourism sites in collaboration with the private sector.
74. Sokoto State is categorized as peaceful, as the Security situation in the State is relatively at all times calm, with the expectation that this is sustained to

ensure the free flow of trade and commerce within the State, as well as its borders with Niger and other states such as Kebbi and Zamfara.

75. Additionally, like every other State in Nigeria, Sokoto State has a progressive youthful population whose tenacity can be channelled into productive efforts in areas of agriculture and crop processing, sports developments, innovation, and digital economy transformation.

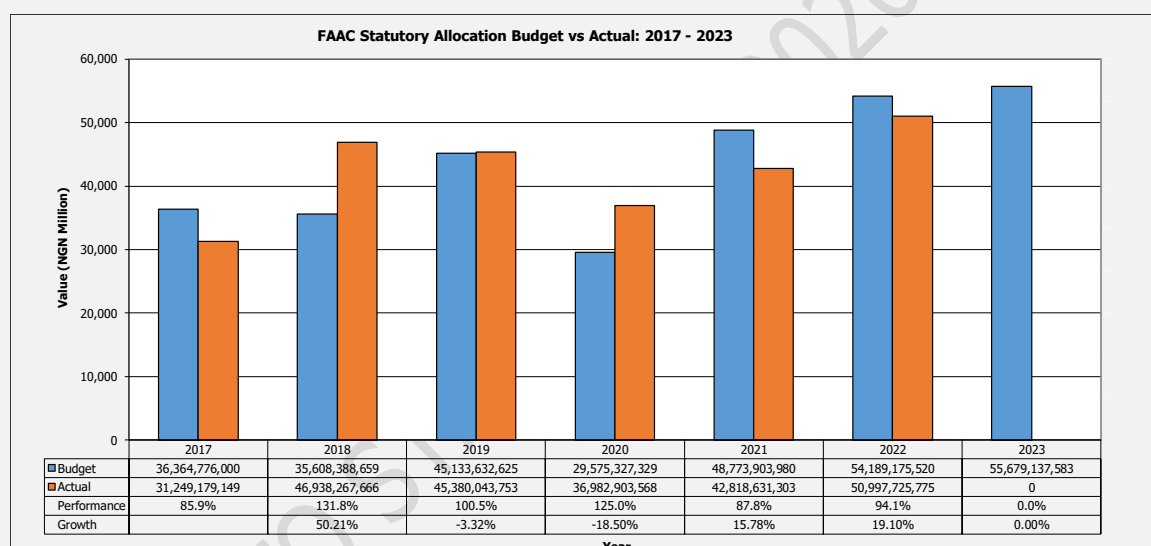
2.B Fiscal Update

2.B.1 Historic Trends

Revenue Side

76. On the revenue side, the document looks at Statutory Allocation, VAT, IGR, Excess Crude, and Capital Receipts – budget versus actual for the period 2017-2023 (six-year historic) and 2022 budget.

Figure 9 Statutory Allocation

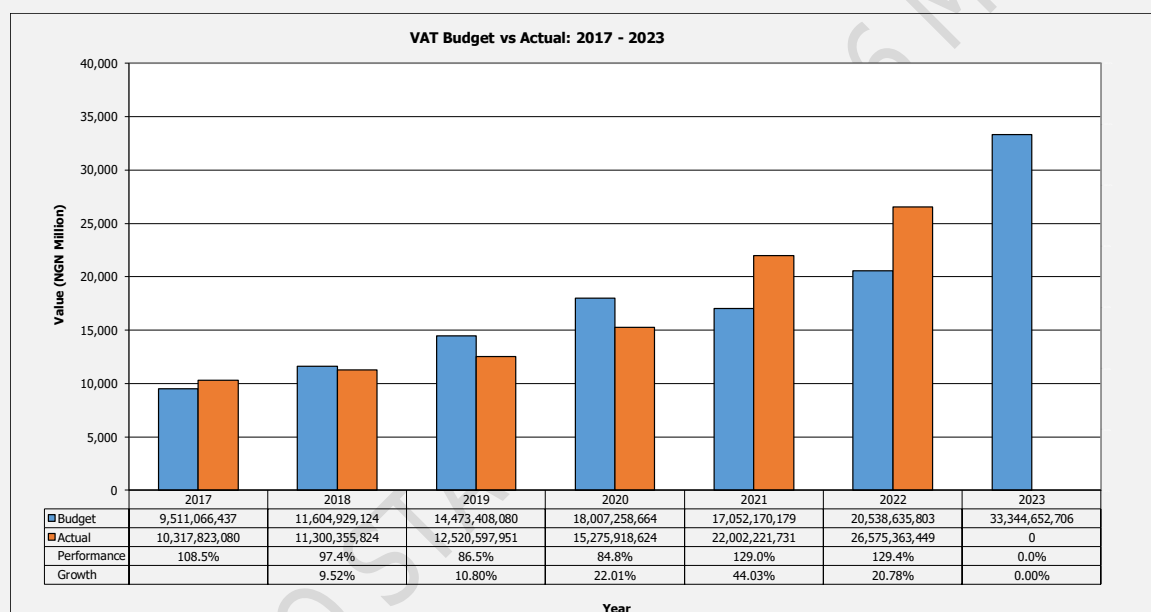


77. Statutory Allocation is a transfer from the Federal Allocation Accounts Committee (FAAC) and is based on the collection of minerals (largely Oil) and non-mineral revenues (companies' income tax, customs, and excise) at the national level, which is then shared among the three tiers of government using sharing ratios.
78. As shown in Figure 9 above, actual receipts witnessed a rise within 2017 – 2018 and 2020 – 2022. This is largely based on the global economic recovery and increase in the crude oil benchmark from \$27 to \$77 per barrel over the COVID-19 recovery period and underlying strong nominal economic growth.
79. Budgeting has been relatively accurate with the exceptions of 2018 (under budgeting) and 2016 (over budgeting) which were hit by a fall in oil prices. Therefore, looking forwards, it is important to take into consideration the crude oil benchmarks and new production capacity in the light of global events relating to the war between Russia and Ukraine, as well as the likely offtake of alternative renewable energy sources by countries. The privatization of the

NNPC and the removal of fuel subsidies are also conditions to look out for in the forecast for 2023.

80. It is expected that subsequent years remain with the usual uncertainty associated with the new National Government's planned policies and regulations that might affect both fiscal and monetary policies with a larger impact on economic activities across the country. Speculations of the upward adjustments and restructuring of revenue sharing formula based on Resource Mobilization Allocation and Fiscal Commission (RMAFC) recommendation, and the potential exploration of oil by Dangote refinery will further mean more resources to the State to finance public expenditure. Equally, the resumption of activities at national borders and full implementation of the E-customs project will translate to adequate finance for subnational governments across the country.

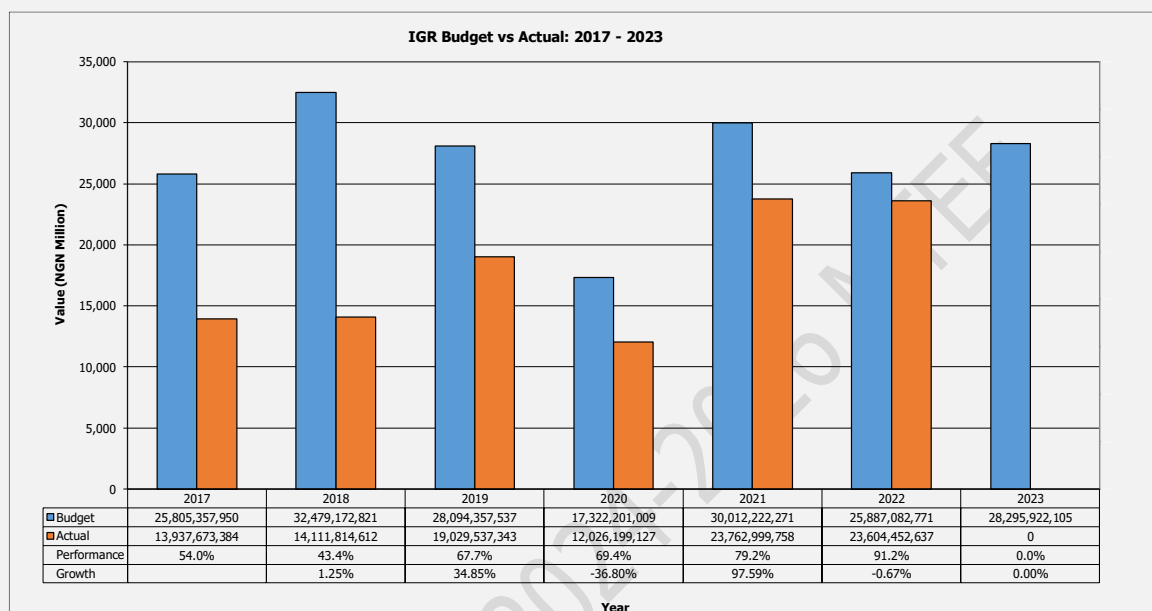
Figure 10 VAT



81. VAT is an ad valorem tax on most goods and services at a rate of 5% in 2017, 2018, and 2019) and was increased to 7.5% in 2020. It is collected by the Federal Inland Revenue Service (FIRS) and distributed between the three tiers of government monthly – partially based on set ratios, and partially based on the amount of VAT a particular State generated. States receive a 50% share of the total VAT collections nationally, from which Sokoto gets around 2.3% of the total States allocation.
82. VAT receipts as seen in figure 10 above, have increased year-on-year since 2017 largely due to the growth in nominal economic activities in Nigeria. Total national receipts in 2018 were static compared to 2017 but Sokoto experienced some growth as it received a higher share based on the re-basing. Performance relative to budget (i.e., budget realism) has been good – no more than 10% above or below over the period.
83. Invariably, in 2021 the State had an offshoot performance of VAT receipts of 129.0%, largely owing to several factors including the implementation of the increase in VAT collections. The forecast has also considered the new finance

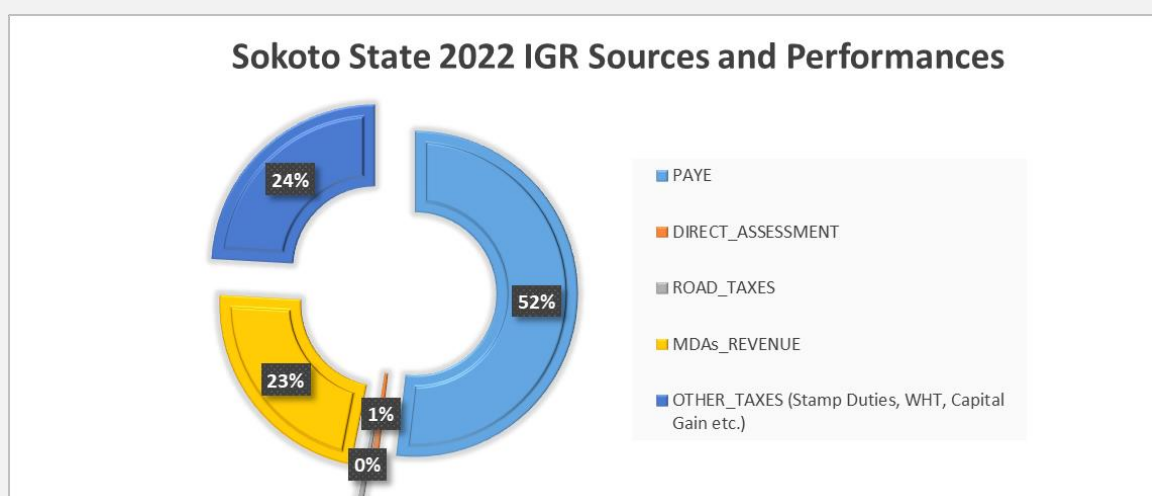
act 2021 which commenced implementation in 2022, and the potential finance act 2023, hence the State continues to optimistically manage its expectation while considering various economic structuring agenda by the New National Government to increase certain VAT on certain commodities, as well as incessant agitations for State collections of VAT by the State Governors.

Figure 11 IGR



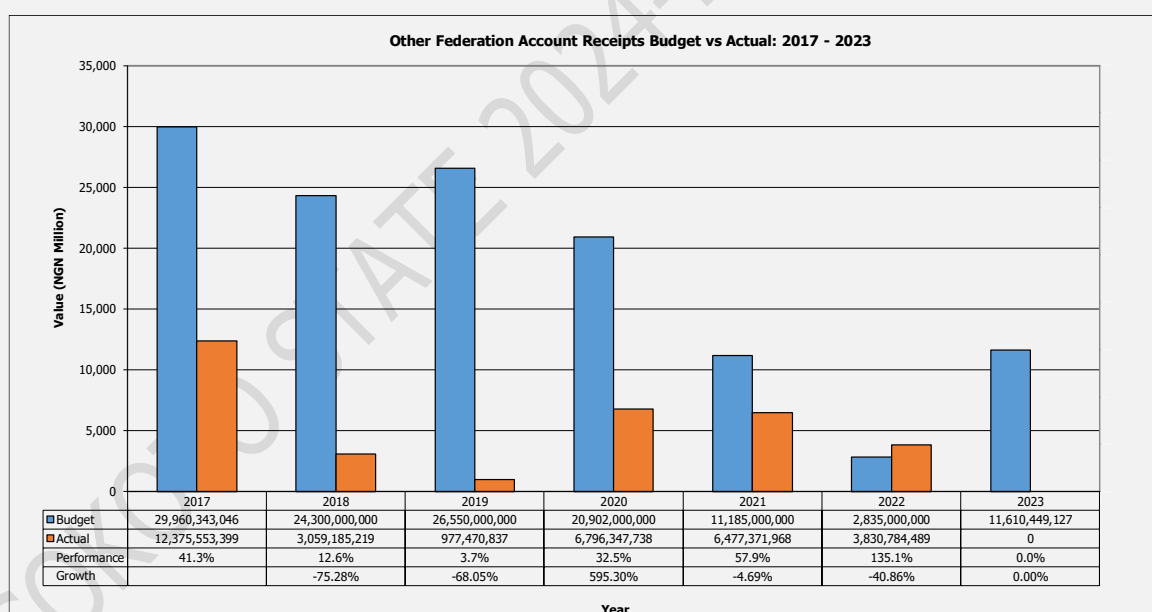
84. Internally Generated Revenue is revenue collected within Sokoto State related to income tax (PAYE represents the highest contributor to IGR), fines, levies, fees, and other sources of revenue within the State.
85. Figure 11 shows how IGR has grown at a steady pace year on year since 2017 – 2022 averaging around 28% although IGR declined in 2020 due to a decline in economic activities because of the COVID-19 pandemic. Steadily, within the last 2 fiscal years, there has been a pacing rise in other IGR sources collection by the Sokoto State Internal Revenue Service (SOIRS). With its various tax reform administration's efforts and particular concentration on E-tax platform operations, Agricultural tax collections, harmonization of MDA collections, Withholding tax collections, and the launch of road taxes collections, it is expected that SOIRS will hit its 28.2BN targets in 2023. These and other revenue collection efforts are set to be extensively explored in 2024 as part of the State IGR expansion strategy outlook for 2022 – 2026.

Figure 12: Performance of different IGR sources by the close of books in 2022

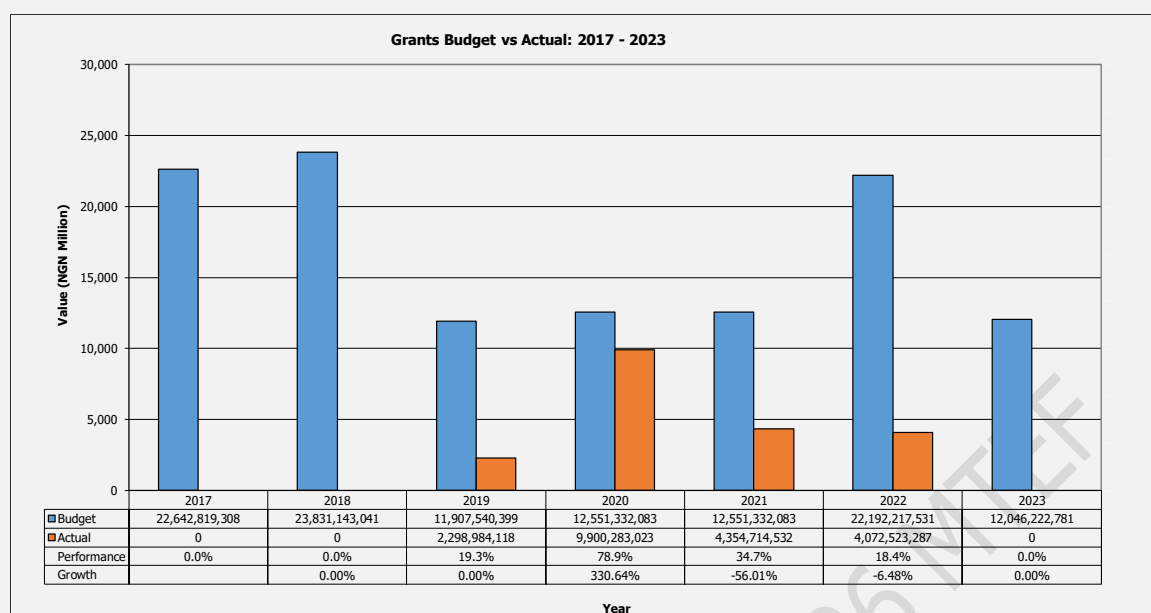


Source: Sokoto state Internal Revenue Service end of year 2022 IGR sources and performance report.

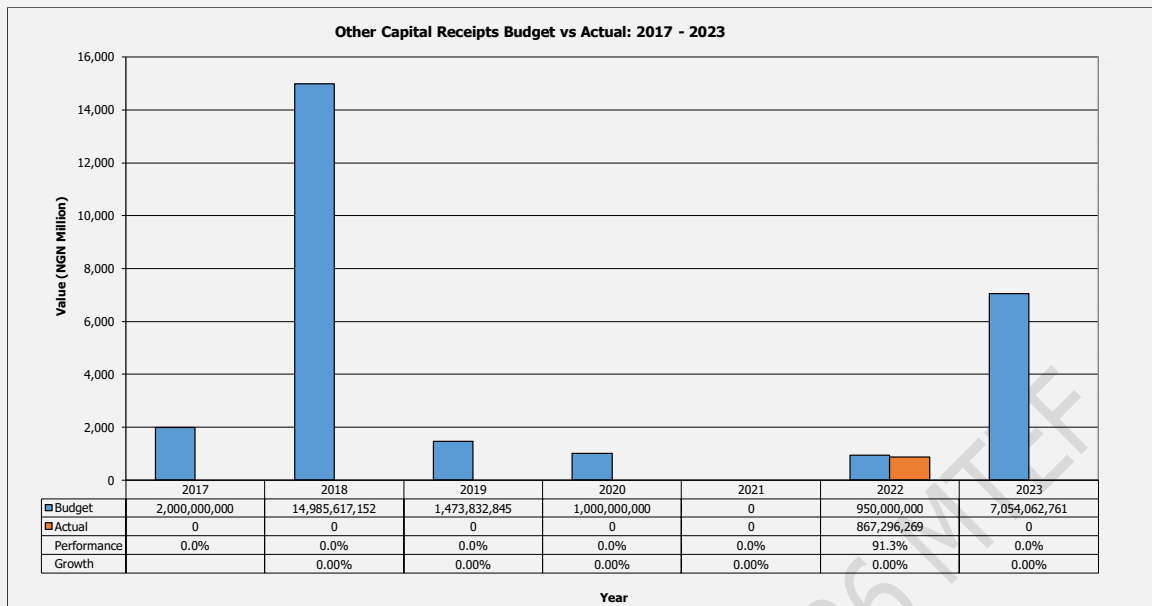
Figure 13 Other Federation Account Receipts



86. Other Federation Account Receipts are other receipts from Federation Accounts which include Exchange Gain, NNPC refund, Augmentation, and stabilization fund. The budget and the State General Purpose Financial Statement have always captured this since 2015.
87. From figure 13 above, 2017 saw significant other federation account transfer to Sokoto State. However, receipts from this source declined in 2018 by 75% and further declined in 2019 by 68%. But in 2020 receipt increased but not up to the level in 2017, while 2022 recorded a drastic decline of 40.86% when compared with 2021 but had a mark-up performance of 135.1% which can be attributed to the conservative fiscal forecast expected to be sustained over the 2024-2026 multi-year budget estimate.

Figure 14 Grants

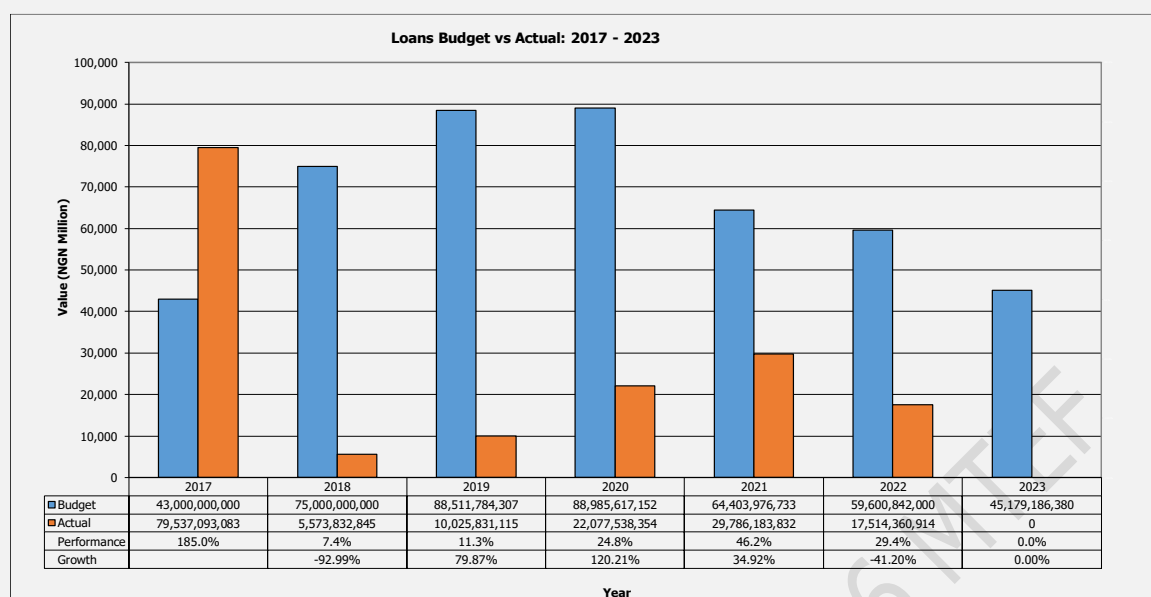
88. Grants are receipts from both internal and external sources as seen in Figure 14, such as Federal Government Sustainable Development Goals (SDGs), Conditional Grants Scheme, the World Bank Projects - NG CARES, SFTAS as well as grants from International Development Partners (including USAID – United State Agency for International Development, Foreign, Commonwealth and Development Office (FCDO), European Union (EU) and United Nations Children’s Fund (UNICEF), amongst others. Sokoto State has proactively included as much grant expenditure as possible, even if the funds do not go into the State treasury over the years, which makes actual expenditure performance difficult to track and record.
89. Actual receipts have been volatile due to issues with reporting all expenditures from off-budget projects. For this reason, performance against budget has also been poor as not a single kobo came into the State throughout the recessionary period and beyond (2017 and 2018). Subsequently, budgets have tended to pick up all anticipated grants whereas accounts may not reflect all activities.
90. Grant estimates, going forward, should be consistent with signed agreements and should be specifically linked to the implementation of specific projects or programs.
91. Figure 15 Other Capital Receipts

Figure 16: Other Capital Receipts

92.

93. Other capital receipts here include refunds on federal roads constructed by the State, a budget support facility, Excess Paris Club deduction refunds and refunds from withholding tax, Dividend from North-South Power and Nigeria Electricity Liability Company.

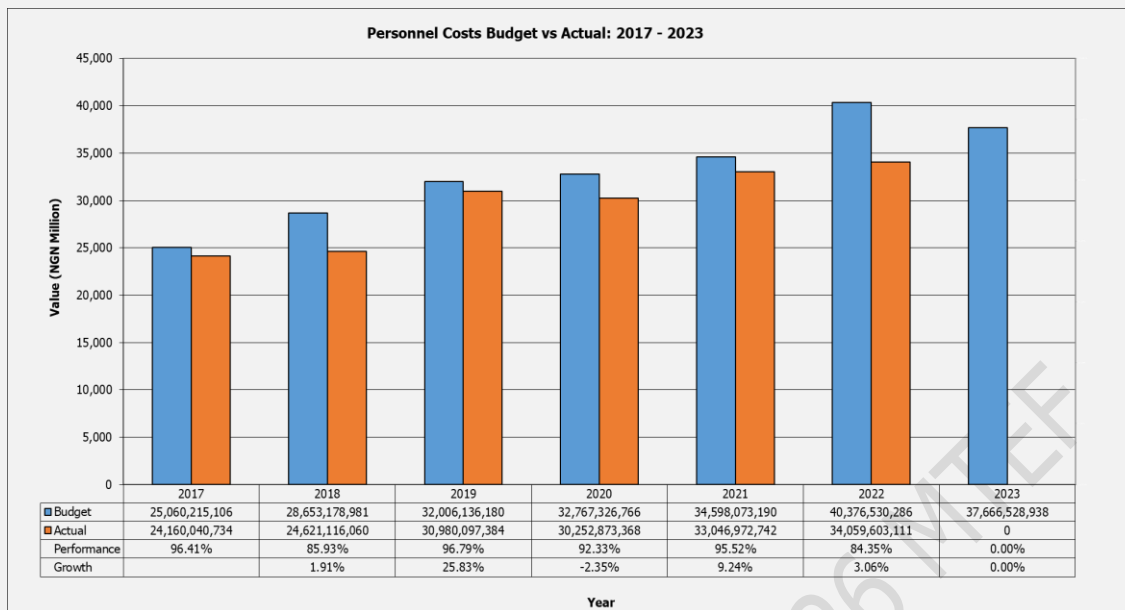
94. As seen in Figure 16 above, 2017 to 2021, the State did not report actual receipts from other capital receipts, this may be due to issues with reporting and/or proper coding of receipts from other capital receipts. The State could not, sometimes, decide when the funds were to be released; hence, the inconsistency in the budget. However, 2017 – 2021 has not recorded any actual under-capital receipts except in 2022 where a significant performance was recorded.

Figure 17 Loans / Financing

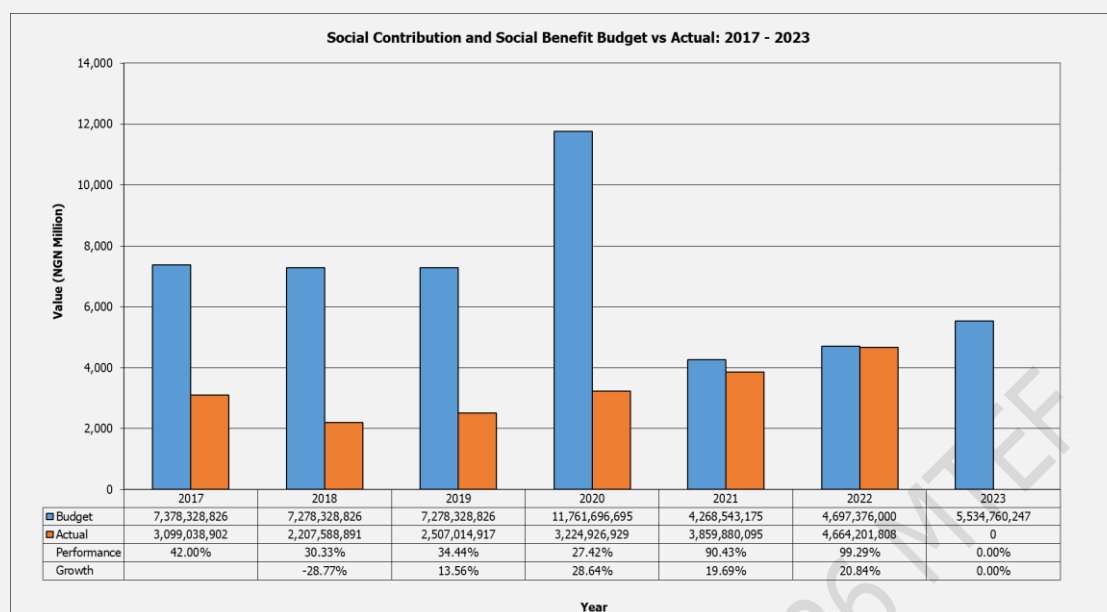
95. Loans include internal and external loans. Domestic loans comprise capital markets receipts and commercial Bank loans. External loans are receipts from International Development Association (IDA), Islamic Development Bank (IDB) African Development Fund (ADF), and French Development Agency (FDA).
96. Actual receipt increased in 2017 (185%) and drastically decreased by 92% in 2018 in figure 17 above. However, actual receipts increased by 11%, 24%, and 46.2% in 2019 through 2021 but fell by 41.2% in 2022.

Expenditure Side

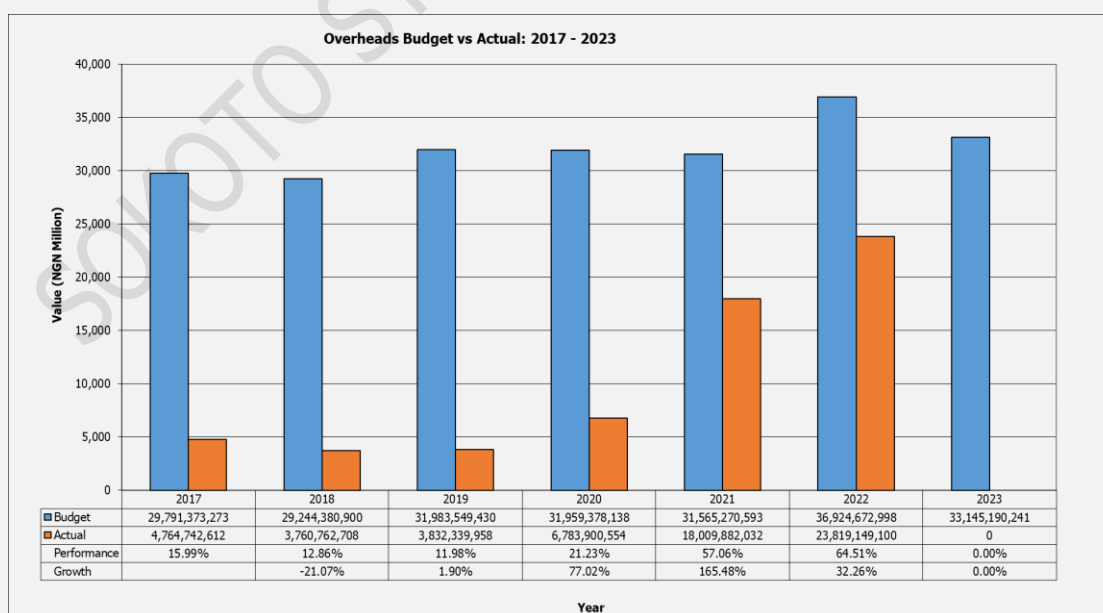
97. On the expenditure side, the document looks at the Personnel, Overheads, and Capital Expenditure – budget versus actual for the period 2017-2023 (six years) and 2023 approved budget.

Figure 18 Personnel

98. Personnel costs in Figure 18 above, comprise salaries and allowances of civil servants and political appointees of the Sokoto State Government. The actual personnel costs increased in 2017 - 2019 and decreased a bit in 2020 with a further significant rise in 2021 & 2022, which were triggered by the increase in workforce employment in public service and projected increase in minimum wage within the period.
99. Worthy of note, are the actual expenditure been close to the budgeted from 2019 – 2021. This very much signifies the sincere budget realism in personnel expenditure forecast and releases within the last 4years. The margin of significant performance for 2022 also reflects the significance of spending efficiency in personnel expenditure.

Figure 19 Social Contribution and Social Benefits

100. In the chart, presented in Figure 19 above, Social Contributions and Social Benefits include pension and gratuity, employee benefits, severance allowance, and death benefits. The actual spending on Social Contribution and Social Benefits performance fluctuated over the period. It was N3.09 billion in 2017, increased in 2018 by 348% and decreased in 2019, and drastically decreased by 17.6% in 2020 and 81.4% respectively. However, 2021 and 2022 recorded improved performance of 90.43% and 99.2% respectively, which displays a new trend of budget realism and adequate cash management on social contribution and social benefits expenditure. It is desired that 2023 performance follows the same enhance direction.

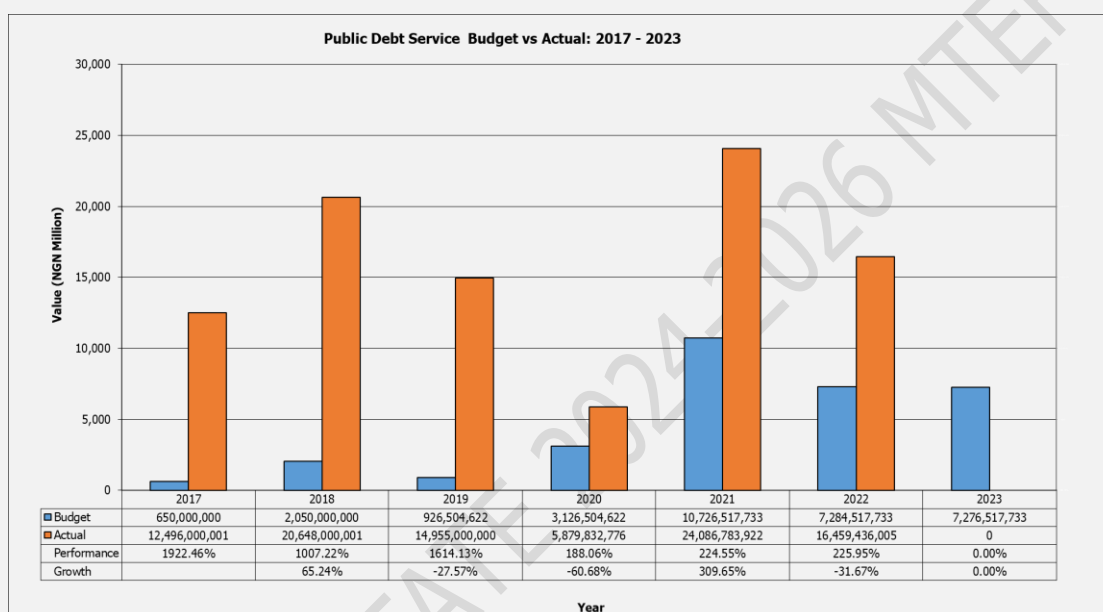
Figure 20 Overheads

101. Overheads comprise mainly operational and maintenance costs for running the day-to-day activities of the Government. Overhead allocations are

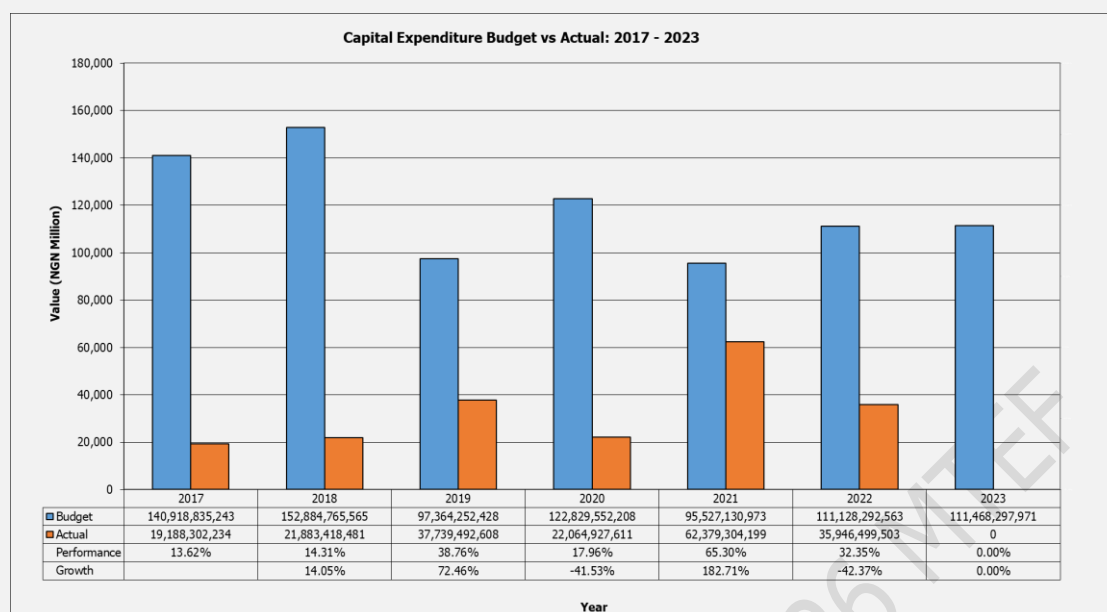
transferred to MDAs monthly subject to warrants and availability of funds. All through the period 2017 – 2021, actual overhead has consistently been significantly lower than the budget figure. 2022 recorded 64.51% which represents the highest performance over the 5 years, as seen in figure 20 above. This trend needs to change through deliberate improvement in the forecast and cash release for Government operations.

102. Although the budget credibility on overheads is beginning to witness releases, following the State optimal expenditure forecast, cash management as well as the NCOA new organizational units/MDAs heads giving rise to more adequate budget lines charges for easy tracking and recording.

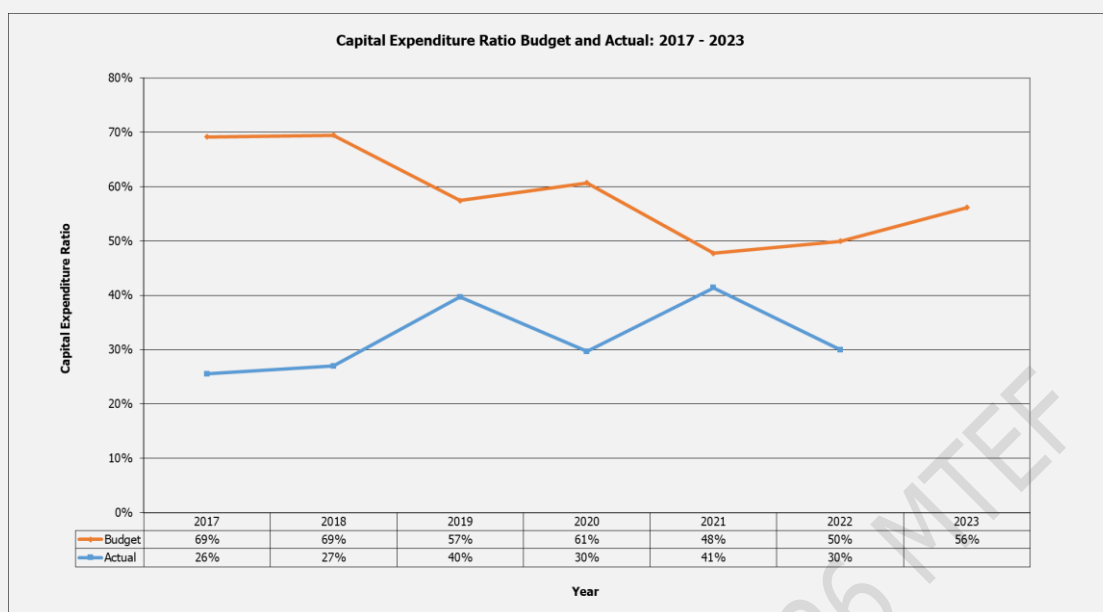
Figure 21 Public Debt Service



103. Public debt charges include interest on un-matured debt and other accounts, amortization of premiums and discounts on un-matured debt, servicing costs, and the cost of issuing new borrowings. Figure 21 shows, the actual public debt charges fluctuated at an increased level from 2017-2020.
104. Invariably performance from 2017 – 2022 exceeded budget, which points to the various supplementary budgets initiated during the fiscal period.

Figure 22 Capital Expenditure

105. Capital expenditure is government spending on the implementation of programmes and projects that generate assets (e.g., roads, schools, hospitals, etc.).
106. Actual Capital Expenditure performance decreased drastically at a fluctuating growth rate within the fiscal year 2017 – 2020 but picked up fairly in 2021 and dropped at a declined growth rate of 42.3% in 2022 as seen in Figure 22. A lot more needs to be done in areas of the pragmatic forecast of Capital expenditure over the year. Rather than bloat the capital budget on the high, significant steps needs to be taken to ensure a sincere forecast of capital expenditure in line with the Government's plans, program, and appetite to invest heavily in infrastructures across the State.
107. Effective revenue collections, prudent forecasting of revenue, management of capital development fund, and tight control on recurrent expenditure, will help increase the level of capital expenditure and improve performance against budget going forwards. This is important as the state should look to avoid wasted effort in preparing detailed capital expenditure submissions if they cannot, ultimately, be resource-backed.

Figure 23 Capital Expenditure Ratio

108. The huge gap between the budget capital expenditure and the actual budget expenditure witnessed in 2017 - 2020 was abridged in 2021 and 2022. The Budget Capital expenditure ratio for 2018 and 2019 were 69% and 57% respectively while the actual capital expenditure ratio for the two years was 27% and 40% respectively. However, capital budget expenditures for 2021 and 2022 were 48% and 50% with corresponding actual capital expenditure ratios of 41% and 30%. This reflects a new prudent and strategic budget forecast in the wake of effective public financial management and fiscal planning.

By Sector

109. The emphasis of expenditure of the current administration has been on infrastructure. The allocations of a high percentage of capital expenditure reflect this and the investment in this sector is expected to ultimately boost economic activities and improve revenue generation in the State.
110. The performance of personnel and overhead are detailed in Tables 4 and 5 while the performance of capital expenditure is detailed in Table 6 below.

Table 4: Sector Personnel Expenditure - Budget Vs Actual

Personnel Expenditure by Sector												
No.	Sector	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	Performance	Average Budget	Average Actual
1	Government House	858,281,485	4,333,276,257	349,428,305	274,603,204	379,977,626	298,423,154	367,183,160	189,152,630	260.65%	1.40%	3.84%
2	Ministry for Special Duties	197,393,959	173,355,345	163,776,806	156,222,438	184,996,441	188,252,841	196,748,579	0	69.70%	0.53%	0.39%
3	Office of the SSG	1,019,110,792	0	1,426,530,738	1,169,572,093	1,464,329,617	2,159,260,825	1,522,778,793	1,498,686,576	88.86%	3.89%	3.64%
4	Sokoto State House of Assembly	788,876,886	137,041,192	769,781,721	444,554,120	769,884,147	531,387,804	792,821,305	491,471,611	51.40%	2.23%	1.21%
5	Ministry of Information	482,196,833	1,362,996,037	484,431,551	374,547,088	504,606,176	407,165,478	417,819,932	386,804,251	134.01%	1.35%	1.91%
6	Office of Head of Service	878,446,494	12,324,136	678,910,230	678,445,086	745,992,673	696,816,311	745,992,673	722,710,895	69.20%	2.18%	1.59%
7	Office of Auditor General	262,553,989	322,007,878	231,581,701	201,627,865	182,867,209	197,562,572	178,475,428	180,241,295	105.37%	0.61%	0.68%
8	Civil Service Commission	77,387,631	9,927,411	68,543,175	49,428,339	167,159,645	46,287,564	34,882,615	46,838,451	43.82%	0.25%	0.11%
9	Local Government Service Commission	69,667,517	98,256,300	60,963,782	44,269,239	19,623,936	53,532,163	86,222,983	76,564,965	115.28%	0.17%	0.21%
10	Sokoto State Independent Electoral Commi	57,954,408	36,143,966	75,149,402	56,099,202	113,431,628	69,257,058	85,431,628	76,107,671	71.58%	0.24%	0.18%
11	Ministry for Home Affairs	899,416,867	23,231,062	629,575,171	624,811,476	853,846,839	876,868,215	852,846,839	852,294,384	73.47%	2.32%	1.79%
12	Ministry Careers & Special Services	38,159,161	197,532,714	40,608,416	38,120,279	42,369,818	38,946,264	44,369,818	38,665,355	189.28%	0.12%	0.24%
13	Ministry for Religious Affairs	146,851,372	0	76,637,658	59,698,244	133,504,939	78,874,815	145,357,198	70,580,123	41.63%	0.36%	0.16%
14	Ministry of Establishment and Pensions	367,875,696	34,281,868	369,743,457	367,889,727	369,743,457	405,667,658	5,444,780,785	5,090,304,090	90.02%	4.69%	4.45%
15	Ministry of Agriculture & Natural Resource	662,902,822	1,125,797,636	800,922,458	669,146,810	833,168,236	575,358,306	614,882,284	594,484,549	101.82%	2.08%	2.24%
16	Ministry of Finance	840,729,252	100,937,819	906,936,141	630,964,211	1,065,608,635	3,235,157,923	1,092,100,000	1,010,953,193	127.47%	2.79%	3.75%
17	Ministry of Commerce and Industry	119,331,644	6,774,416,070	105,475,316	92,010,475	108,282,104	83,721,364	147,125,628	85,270,685	1465.06%	0.34%	5.30%
18	Fiscal Responsibility Commission	0	0	0	0	20,000,000	0	12,000,000	6,307,101	19.71%	0.02%	0.00%
19	Ministry of Science and Technology	738,629,598	0	864,200,148	859,843,520	907,400,148	1,050,096,889	1,017,400,630	1,015,662,161	82.93%	2.52%	2.21%
20	Ministry of Energy	20,523,753	56,451,110	20,523,753	244,559	20,523,753	3,018,986	67,523,753	43,120,938	79.66%	0.09%	0.08%
21	Ministry of Works and Transport	412,465,571	56,400,000	461,702,045	451,567,872	467,748,103	445,223,310	416,515,548	407,375,485	77.37%	1.26%	1.03%
22	Ministry of Culture & Tourism	66,485,401	1,125,797,636	0	1,475,028,647	84,182,730	0	45,695,291	0	1324.50%	0.14%	1.96%
23	Ministry of Budget and Economic Planning	107,765,690	280,179,712	116,793,975	97,951,106	131,793,976	27,089,000	137,055,300	97,939,219	101.98%	0.35%	0.38%
24	Ministry of Solid Minerals and Natural Reso	39,184,212	0	49,684,212	35,599,264	55,554,317	47,782,836	55,554,317	54,115,652	68.76%	0.14%	0.10%
25	Ministry of Water Resources	523,458,370	0	663,816,154	663,227,017	679,291,759	650,495,923	172,000,000	649,676,104	96.31%	1.46%	1.48%
26	Ministry of Lands and Housing	225,404,815	1,642,886,000	252,888,655	201,804,307	376,767,609	201,643,623	130,556,712	225,149,630	230.46%	0.71%	1.71%
27	Ministry of Animals and Fisheries Developn	506,419,596	971,680,361	438,299,254	216,362,797	621,631,401	748,320,997	520,000,000	714,619,886	127.06%	1.49%	2.00%
28	State Judiciary	789,321,000	0	706,182,991	426,689,190	726,242,333	510,023,507	837,227,325	524,115,084	47.76%	2.19%	1.10%
29	Ministry of Justice	161,711,641	32,000,000	572,037,918	309,154,586	351,037,918	388,691,384	837,227,325	483,940,173	63.15%	1.38%	0.92%
30	Ministry of Youth and Sports Development	53,360,841	0	55,360,841	52,766,092	185,307,947	58,835,383	85,422,121	62,204,621	45.80%	0.27%	0.13%
31	Ministry for Women Affairs	54,397,715	0	58,832,504	55,970,934	85,942,363	92,334,899	95,000,000	87,696,882	80.23%	0.21%	0.18%
32	Ministry of Education	6,910,929,497	1,502,377,626	5,083,460,113	4,933,854,930	5,870,999,821	5,404,364,094	6,346,427,599	6,145,401,903	74.29%	17.33%	13.56%
33	Ministry for Higher Education	5,721,918,120	39,250,000	6,915,909,199	4,915,882,228	4,912,108,545	5,764,073,995	5,861,679,415	5,665,430,689	69.99%	16.75%	12.35%
34	Ministry of Health	6,838,133,592	6,571,401,066	8,236,096,505	8,818,243,614	10,123,264,753	6,823,324,035	10,147,406,679	9,993,667,981	91.12%	25.29%	24.28%
35	Ministry of Environment	374,926,831	36,000,000	622,412,382	404,023,973	657,858,733	556,357,786	444,265,471	465,129,888	69.61%	1.50%	1.10%
36	Ministry of Sports	53,360,841	0	55,360,841	52,757,090	0	121,612,972	0	0	160.38%	0.08%	0.13%
37	Ministry for Local Government and Chieftai	184,607,907	180,000,000	119,054,288	115,365,273	119,209,888	47,782,836	119,054,288	118,804,288	85.24%	0.39%	0.35%
38	Ministry of Social Welfare & Community De	66,485,401	3,694,148,182	78,585,401	78,070,791	92,577,202	163,359,974	88,577,202	88,422,602	1233.50%	0.23%	3.03%
39	Ministry for Rural Development	389,508,981	0	157,129,559	156,455,683	169,236,764	0	170,121,660	156,752,883	35.35%	0.63%	0.24%
Total		32,006,136,180	30,930,097,383	32,767,326,766	30,252,873,368	34,598,073,190	33,046,972,741	40,376,530,286	38,416,663,895	94.92%	100.00%	100.00%

Table 5: Sector Overhead Expenditure - Budget Vs Actual

Overhead Expenditure by Sector											
No.	Sector	2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021 Actual	2022 Budget	2022 Actual	Performance	Average Budget
1	Government House	2,197,963,382	1,127,114,000	2,427,565,655	1,355,528,542	2,851,490,322	1,376,837,620	2,241,156,853	2,356,081,534	63.96%	7.34%
2	Ministry for Special Duties	65,300,000	71,577,249	65,300,000	128,224,856	63,300,000	20,865,000	63,300,000	30,200,000	97.54%	0.19%
3	Office of the SSG	5,502,422,000	81,265,000	7,188,000,000	185,978,500	6,186,999,455	3,067,602,986	5,625,500,000	2,688,723,876	24.58%	18.50%
4	Sokoto State House of Assembly	2,077,000,000	913,000,000	2,175,900,000	920,500,000	3,473,900,000	1,362,320,574	1,559,738,250	956,725,000	44.72%	7.01%
5	Ministry of Information	207,000,000	2,180,000	180,950,000	19,070,000	168,450,000	407,165,478	99,677,000	114,694,612	82.78%	0.50%
6	Office of Head of Service	621,000,000	15,430,000	520,777,968	128,850,500	455,000,000	390,816,608	368,000,000	350,330,009	45.06%	1.48%
7	Office of Auditor General	210,400,000	3,400,000	136,109,267	28,900,000	134,109,267	40,652,000	106,109,267	61,770,582	22.96%	0.44%
8	Civil Service Commission	57,387,631	2,500,000	46,840,000	21,250,000	46,840,000	1,300,000	31,840,000	50,000	13.72%	0.14%
9	Local Government Service Commission	305,317,517	180,000	65,100,000	3,670,000	16,701,773	0	23,800,000	0	0.94%	0.31%
10	Sokoto State Independent Electoral Commi	30,250,000	240,000	27,700,000	2,040,000	933,442,150	269,403,900	53,000,000	100,000	26.02%	0.79%
11	Ministry for Home Affairs	66,650,000	180,000	66,650,000	1,470,000	66,650,000	118,380,500	47,500,000	68,400,885	76.15%	0.19%
12	Ministry Careers & Special Services	2,314,700,000	2,500,000	2,314,700,000	69,280,000	3,209,625,174	2,257,063,500	3,043,228,720	2,958,384,600	48.59%	8.22%
13	Ministry for Religious Affairs	2,456,792,381	950,000	1,062,722,671	8,075,000	1,012,722,671	798,304,128	1,888,000,000	1,681,937,275	38.77%	4.85%
14	Ministry of Establishment and Pensions	201,400,000	790,000	196,400,000	6,015,000	150,400,000	67,851,500	54,300,000	0	12.39%	0.45%
15	Ministry of Agriculture & Natural Resource	207,900,000	16,530,000	345,775,732	164,375,000	242,500,000	118,100,000	130,700,000	72,616,000	40.09%	0.70%
16	Ministry of Finance	1,720,000,000	397,478,208	1,206,000,000	345,758,746	1,670,651,773	1,578,746,387	9,031,817,733	1,341,939,224	26.88%	10.29%
17	Ministry of Commerce and Industry	130,500,000	2,300,000	133,500,000	91,800,000	98,500,000	48,792,559	114,100,000	72,831,000	45.26%	0.36%
18	Fiscal Responsibility Commission	0	0	0	0	22,000,000	9,270,000	42,300,000	5,125,000	22.39%	0.05%
19	Ministry of Science and Technology	573,500,000	2,000,000	456,100,648	17,000,000	456,100,648	316,444,241	458,600,648	90,369,000	21.90%	1.47%
20	Ministry of Energy	50,000,000	0	50,000,000	0	30,000,000	7,570,000	30,000,000	24,150,000	19.83%	0.12%
21	Ministry of Works and Transport	131,750,000	2,480,000	103,000,000	19,080,000	102,700,000	79,889,221	45,350,000	165,024,031	69.61%	0.29%
22	Ministry of Culture & Tourism	679,250,000	0	679,250,000	0	53,500,000	7,669,000	37,200,000	50,000	0.53%	1.09%
23	Ministry of Budget and Economic Planning	451,500,000	17,250,000	529,660,000	21,550,000	511,760,000	119,700,600	506,500,000	255,300,560	20.70%	1.51%
24	Ministry of Solid Minerals and Natural Reso	107,000,000	1,300,000	47,800,000	11,050,000	47,800,000	8,918,000	28,250,000	21,013,000	18.32%	0.17%
25	Ministry of Water Resources	69,650,000	2,440,000	201,500,600	18,190,000	318,155,000	6,200,000	579,884,605	450,877,715	40.86%	0.88%
26	Ministry of Lands and Housing	179,520,000	3,200,000	110,250,000	26,700,000	194,307,202	21,175,000	254,307,202	7,003,000	7.87%	0.56%
27	Ministry of Animals and Fisheries Developn	59,000,000	360,000	59,350,000	4,490,000	49,350,000	4,300,000	23,940,000	13,627,569	11.89%	0.14%
28	State Judiciary	495,000,000	360,180,000	825,300,000	341,020,000	782,300,000	748,873,700	1,225,300,000	830,577,199	68.53%	2.51%
29	Ministry of Justice	339,500,000	2,080,000	308,570,000	19,260,000	295,540,000	234,166,696	423,000,000	283,171,500	39.42%	1.03%
30	Ministry of Youth and Sports Development	910,600,000	350,000	766,899,640	3,906,000	746,399,640	1,493,717,061	997,900,000	970,156,047	72.13%	2.58%
31	Ministry for Women Affairs	130,000,000	880,000	107,000,000	7,420,000	121,650,000	0	57,000,000	31,012,000	9.46%	0.31%
32	Ministry of Education	3,144,888,900	97,713,000	3,073,008,685	886,382,597	1,085,208,720	378,840,910	1,805,608,720	698,893,301	22.64%	6.88%
33	Ministry for Higher Education	964,600,000	10,000,000	2,619,764,000	835,030,494	3,245,400,000	290,910,355	3,166,390,000	3,410,480,329	45.48%	7.55%
34	Ministry of Health	2,673,000,000	606,332,500	2,958,459,273	932,040,319	2,010,000,000	1,811,108,209	2,059,550,000	1,641,695,316	51.45%	7.33%
35	Ministry of Environment	900,107,619	13,200,000	160,550,000	82,330,000	145,550,000	246,167,800	138,000,000	56,628,750	29.63%	1.02%
36	Ministry of Sports	810,600,000	0	0	0	0	0	0	0	0.00%	0.61%
37	Ministry for Local Government and Chieftai	30,600,000	400,000	36,000,000	3,455,000	11,920,000	500,000	15,920,000	50,000	4.66%	0.07%
38	Ministry of Social Welfare & Community De	879,250,000	72,840,000	676,000,000	61,410,000	523,422,798	136,898,526	516,000,000	454,023,600	27.95%	1.96%
39	Ministry for Rural Development	32,250,000	1,720,000	30,924,000	12,800,000	30,924,000	163,359,974	31,904,000	250,000	141.37%	0.10%
40	0	0	0	0	0	0	0	0	0	0.00%	0.00%
41	0	0	0	0	0	0	0	0	0	0.00%	0.00%
42	0	0	0	0	0	0	0	0	0	0.00%	0.00%
43	0	0	0	0	0	0	0	0	0	0.00%	0.00%
44	0	0	0	0	0	0	0	0	0	0.00%	0.00%
45	0	0	0	0	0	0	0	0	0	0.00%	0.00%
46	0	0	0	0	0	0	0	0	0	0.00%	0.00%
47	0	0	0	0	0	0	0	0	0	0.00%	0.00%
48	0	0	0	0	0	0	0	0	0	0.00%	0.00%
49	0	0	0	0	0	0	0	0	0	0.00%	0.00%
50	0	0	0	0	0	0	0	0	0	0.00%	0.00%
	Total	31,983,549,430	3,832,339,957	31,959,378,138	6,783,900,555	31,565,270,593	18,009,882,032	36,924,672,998	22,164,262,513	38.35%	100.00%

Table 6: Sector Capital Expenditure - Budget Vs Actual

Capital Expenditure by Sector													
No.	Sector	2019	2019	2020	2020	2021	2021	2021 Actual	2022	2022			
		2019 Budget	2019 Actual	2020 Budget	2020 Actual	2021 Budget	2021	2021 Actual	2022 Budget	2022 Actual	Performance	Average Budget	Average Actual
1	Government House	0	0	1,305,600,000	41,200,000	1,000,187,500	52,330,399	847,187,500	99,540,170	6.12%	0.74%	0.12%	
1	Ministry for Special Duties	0	20,005,582	600,000,000	1,700,000	438,000,000	0	320,000,000	0	1.60%	0.32%	0.01%	
1	Office of the SSG	0	7,647,596,857	3,200,000,000	1,063,242,542	1,944,414,620	3,555,527,674	4,230,000,000	2,060,457,548	152.83%	2.20%	9.06%	
1	Sokoto State House of Assembly	1,725,000,000	0	4,195,000,000	0	1,455,500,000	0	1,405,500,000	400,000,000	4.56%	2.06%	0.25%	
1	Ministry of Information	742,000,000	2,000,000,000	680,000,000	19,670,378	418,400,000	0	196,500,000	0	99.15%	0.48%	1.28%	
1	Office of Head of Service	14,838,939,429	8,434,532,529	6,875,600,000	85,884,789	1,120,000,000	40,651,250	2,059,000,000	36,080,761	34.54%	5.83%	5.44%	
1	Office of Auditor General	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	Civil Service Commission	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	Local Government Service Commission	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	Sokoto State Independent Electoral Commission	382,205,292	375,782,190	132,000,000	0	141,500,000	0	86,000,000	0	50.66%	0.17%	0.24%	
1	Ministry for Home Affairs	0	0	813,000,000	28,598,978	147,000,000	0	183,000,000	0	2.50%	0.27%	0.02%	
1	Ministry Careers & Special Services	0	0	195,000,000	0	140,000,000	0	320,000,000	0	0.00%	0.15%	0.00%	
1	Ministry for Religious Affairs	463,571,866	420,373,635	3,544,000,000	669,756,063	1,880,000,000	985,142,995	4,010,977,009	545,753,274	26.48%	2.32%	1.66%	
1	Ministry of Establishment and Pensions	0	0	196,400,000	1,200,000	0	0	0	0	0.61%	0.05%	0.00%	
1	Ministry of Agriculture & Natural Resource	2,325,000,000	15,370,108	6,955,838,159	2,812,340,565	14,655,125,999	8,098,572,630	12,871,617,000	2,876,349,840	8.62%	1.76%	8.73%	
1	Ministry of Finance	0	0	2,257,000,000	1,237,184,533	2,292,000,000	3,156,748,444	2,711,000,000	1,455,737,662	80.57%	3.70%	1.70%	
1	Ministry of Commerce and Industry	1,548,000,000	0	2,010,000,000	14,949,000	2,382,465,000	32,999,644	2,728,000,000	218,669,864	3.08%	2.03%	0.17%	
1	Fiscal Responsibility Commission	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	Ministry of Science and Technology	2,469,414,022	0	2,766,987,269	720,528,771	4,710,000,000	3,098,964,581	3,503,000,000	1,015,991,747	35.95%	3.15%	3.06%	
1	Ministry of Energy	1,250,000,000	0	1,266,500,000	6,775,000	480,000,000	0	500,000,000	8,426,238	0.43%	0.82%	0.01%	
1	Ministry of Works and Transport	11,355,860,000	51,850,000	8,504,860,000	1,450,336,247	5,408,351,909	5,780,802,665	5,136,155,509	563,928,487	25.81%	7.12%	4.96%	
1	Ministry of Culture & Tourism	0	0	330,000,000	36,050,000	251,000,000	0	186,000,000	0	4.70%	0.18%	0.02%	
1	Ministry of Budget and Economic Planning	55,397,715	44,444,901	2,540,090,000	27,089,000	1,910,295,854	20,670,000	2,070,334,094	65,500,000	2.40%	1.54%	0.10%	
1	Ministry of Solid Minerals and Natural Resources	1,252,000,000	0	547,000,000	0	787,000,000	104,405,819	254,405,819	150,798,022	8.98%	0.67%	0.16%	
1	Ministry of Water Resources	6,824,000,000	705,259,945	7,330,000,000	1,621,289,769	4,200,000,000	2,666,542,667	4,129,404,330	619,450,000	24.96%	5.27%	3.55%	
1	Ministry of Lands and Housing	2,700,000,000	0	2,954,000,000	1,022,655,111	9,221,755,318	8,213,793,601	11,724,627,000	7,651,963,591	63.49%	6.23%	10.68%	
1	Ministry of Animals and Fisheries Development	2,558,000,000	1,492,921,723	3,382,375,000	162,875,841	4,279,515,000	1,518,450,588	5,855,000,000	1,088,400,000	25.87%	3.86%	2.70%	
1	State Judiciary	40,000,000	81,824,999	4,019,000,000	687,499,788	4,410,650,000	150,000,000	3,302,650,000	0	7.81%	2.76%	0.50%	
1	Ministry of Justice	1,110,098,622	0	1,484,128,299	190,890,000	906,000,000	0	1,975,000,000	0	3.49%	1.28%	0.12%	
1	Ministry of Youth and Sports Development	1,045,000,000	0	2,009,500,000	535,791,505	1,398,000,000	1,204,784,918	1,434,150,000	0	29.57%	1.38%	1.10%	
1	Ministry for Women Affairs	785,000,000	0	813,000,000	45,926,597	858,180,964	28,159,080	1,062,400,000	182,500,000	7.29%	0.82%	0.16%	
1	Ministry of Education	27,594,562,859	7,647,596,857	18,220,182,807	3,131,282,635	6,204,062,328	2,959,033,840	7,686,321,415	3,370,145,613	28.65%	13.99%	10.82%	
1	Ministry for Higher Education	0	837,000,000	7,703,484,732	439,620,981	4,636,900,000	1,377,941,737	6,359,038,728	722,819,072	18.06%	4.38%	2.14%	
1	Ministry of Health	8,991,497,000	7,962,413,281	13,554,197,015	5,660,023,037	8,693,568,160	16,302,504,427	17,410,949,929	11,317,761,066	84.77%	11.40%	26.08%	
1	Ministry of Environment	1,155,300,000	2,520,000	3,265,300,000	341,456,479	2,433,000,000	1,398,108,631	3,873,870,000	275,578,618	18.81%	2.51%	1.28%	
1	Ministry of Sports	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	Ministry for Local Government and Chieftancy	199,405,000	0	245,710,000	0	200,733,280	1,683,006	255,160,000	0	0.19%	0.21%	0.00%	
1	Ministry of Social Welfare & Community Development	686,000,000	0	611,000,000	9,110,000	341,000,000	0	281,000,000	0	0.47%	0.45%	0.01%	
1	Ministry for Rural Development	5,268,000,623	0	7,922,798,927	0	6,182,525,041	1,631,485,604	2,160,000,000	1,220,647,991	13.25%	5.04%	1.80%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%	
1	0	0	0	0	0	0	0	0	0	0.00%			

2.B.2 Debt Position

111. A summary of the consolidated debt position for Sokoto State Government is provided in Table 7 below.

Table 7: Debt Position as of 31st December 2022

Debt Sustainability Analysis		
A DSA RATIO SCENARIOS:	Sustainability Thresholds	As at 31st December 2022
Solvency Ratios	Percentage	Percentage
1 Total Domestic Debt/IGR	150%	383.80%
2 Total External Debt/Gross FAAC	150%	20.14%
3 Total Public Debt/Total Recurrent Revenue	150%	101.89%
4 Total Public Debt/State GDP Ratio	25%	No GDP Figure Available
Liquidity Ratios	Percentage	Percentage
5 Domestic Debt Service/IGR	15%	190.81%
6 External Debt Service/Gross FAAC	10%	0.81%
8 Debt Service Deductions from FAAC/Gross FAAC	40%	3.89%
8 Total Debt Service/Total Recurrent Revenue	25%	43.52%
B PUBLIC DEBT DATA AS AT 31st DECEMBER 2022		Naira
1 Total Domestic Debt		90,595,002,766
2 Total External Debt		16,397,988,019
3 Total Public Debt		106,992,990,785
4 Total Domestic Debt Service 2022		45,040,642,841
5 Total External Debt Service in 2022		657,786,146
6 Total Public Debt Service		45,698,428,987

112. Sokoto State Total Public debt stood at N106.992 billion as of 31st December 2022. It is made up of a Domestic Debt Stock of N90.595 billion (or 84.67%) and External Debt Stock of N16.397 billion (or 15.33%). The external debt stock is related to loans from IDB, IDA, ADFD, and ADF. Funds for servicing External Debt Stock are deducted as first line charge, directly from the Statutory Allocation (SA) of the State and passed to the Debt Management Office (DMO) Abuja.
113. The domestic debt ratios (both solvency and liquidity) for the 2022 fiscal year exceeded recommended sustainability thresholds (i.e., 383% and 190.81%). However, ratios for External debt and total public debt (solvency and liquidity) are within a comfortable range.
114. Based on the above ratios, future debt drawn down should be focused on foreign concessional rate debt rather than higher-interest domestic debt. The increasing rise in foreign exchange and incessant devaluation of the Naira, leading to an increase in the dollar to the Naira rate is also considered in this fiscal year.

Section 3 Fiscal Strategy Paper

3.A Macroeconomic Framework

115. The Macroeconomic framework is based on IMF's National real GDP growth and inflation forecasts from April 2023, the IMF World Economic Outlook document, and mineral benchmarks (oil price and NGN: USD exchange rate) from OPEC Reports and CBN Exchange rate per the I&E window rate trends while production is based on current average production. Sokoto State adopted a conservative oil price of \$65 per barrel over the fiscal period of 2024 - 2025, and \$70 for 2026 owing to perceived fluctuating in oil prices per historical data and potential global refocus on renewable energy sources. These figures represent the prudent, yet conservative forecast of the Sokoto State Macro-economic framework.

Table 8: Macroeconomic Framework

Macro-Economic Framework			
Item	2024	2025	2026
National Inflation	21.50%	20.50%	20.50%
National Real GDP Growth	3.00%	3.00%	3.00%
Oil Production Benchmark (MBPD)	1.7800	1.7500	1.8000
Oil Price Benchmark	\$70.00	\$70.00	\$72.00
NGN:USD Exchange Rate	750	750	700
Other Assumptions			
Mineral Ratio	30%	25%	25%

3.B Fiscal Strategy and Assumptions

Policy Statement

116. Sokoto State's fiscal policy is envisaged to control and enforce compliance with established spending limits to achieve a sound budgeting system, which includes aggregate fiscal discipline, allocative efficiency, effective spending, and strategic resource mobilization. All of these public financial managements reforms highlights will be achieved in complement with:
- Decisive budget expenditure and cash planning that aligns the government's revenue and expenditure by prioritizing projects and programs and keeping spending limits within the dictates of available resources and fiscal sustainable debt position.
 - Accelerating IGR collections and tax administration in accordance with the IGR Expansion Strategy (2023-2027) of the Sokoto State Internal Revenue Service and the desired ambition to increase informal tax coverage, and tax compliance, as well as promote widely acceptable tax for service programs.
 - Emphasis on achieving a more favorable balance for capital expenditure through restraining the increasing trend in recurrent expenditure.
 - Ensuring that the budget process is pursued with a framework that supports strategic prioritization and rational resource allocation in accordance with the overall development policy objectives of the state; and

- Guarantee strict adherence to due process in budget execution as well as accountability, transparency, and prudence in the entire public financial management process.

Objectives and Targets

117. The key targets for the State Government from a fiscal perspective are to:

- Effectively manage personnel and overhead expenditure to allow greater resources for capital development.
- Grow IGR by a minimum of 5% every year from 2024 to 2026.
- Ensure loans will only be used for the implementation of capital projects.
- Achieve long-term target of funding all recurrent expenditure with revenue of a recurrent nature (IGR, VAT, and Non-mineral component of Statutory Allocation).
- Target sources of capital receipts and financing outside of loans (e.g., Grants, Public-Private Partnership, etc.).
- Ensure projected Capital receipts are based on Memorandum of Understanding (MoUs) and other agreements signed with Development partners and Foreign Private Sector Partners.
- Ensure that the State's Debt position is within the threshold and ratio set by the Federal Debt Management Office, Abuja.
- Institute a formidable cash management committee to oversee the inflow and outflow of cash optimization, as well as maintain an effective budget expenditure profile.
- Give priority to the completion of ongoing capital projects before new projects are commenced; and
- grow the economy through targeted spending in areas of comparative advantage.

3.C Indicative Three-Year Fiscal Framework

118. The indicative three-year fiscal framework for the period 2023-2026 is presented in Table 9 below.

Table 9: Sokoto State Medium-Term Fiscal Framework

Fiscal Framework			
Item	2024	2025	2026
Opening Balance	8,517,709,011	6,165,104,506	5,165,104,506
Recurrent Revenue			
Statutory Allocation	121,741,617,945	124,227,203,228	142,873,451,872
Derivation			
VAT	44,337,325,099	59,742,785,630	78,732,255,351
IGR	30,308,117,186	33,338,928,905	37,006,211,084
Excess Crude / Other Revenue	1,225,851,036	1,041,973,381	927,356,309
Total Recurrent Revenue	197,612,911,267	218,350,891,144	259,539,274,616
Recurrent Expenditure			
Personnel Costs	40,837,464,130	45,329,585,184	50,769,135,406
Social Contribution and Social Benefit	5,240,230,731	5,554,644,575	5,887,923,249
Overheads	26,260,611,883	26,785,824,120	27,321,540,603
Grants, Contributions and Subsidies	5,606,296,684	5,942,674,485	6,299,234,954
Public Debt Service	11,242,300,000	8,175,000,000	8,175,000,000
Total	89,186,903,427	91,787,728,364	98,452,834,212
Transfer to Capital Account	116,943,716,851	132,728,267,286	166,251,544,910
Capital Receipts			
Grants	9,549,472,639	9,122,944,642	9,431,383,534
Other Capital Receipts	6,532,981,432	6,420,489,072	6,479,266,865
Total	16,082,454,071	15,543,433,713	15,910,650,399
Reserves			
Contingency Reserve	4,127,541,606	4,360,396,355	5,124,989,738
Planning Reserve	6,604,066,570	6,976,634,168	8,199,983,581
Total Reserves	10,731,608,177	11,337,030,524	13,324,973,319
Capital Expenditure	162,887,765,091	169,243,928,194	196,839,720,703
Discretionary Funds	143,326,382,073	152,615,776,924	183,973,554,902
Non-Discretionary Funds	19,561,383,018	16,628,151,270	12,866,165,801
Financing (Loans)	40,593,202,346	32,309,257,718	28,002,498,712
Total Revenue (Including Opening Balance)	262,806,276,695	272,368,687,082	308,617,528,234
Total Expenditure (including Contingency Reserve)	262,806,276,695	272,368,687,082	308,617,528,234
Closing Balance			
Ratios			
Growth in Recurrent Revenue	32.83%	10.49%	18.86%
Growth in Recurrent Expenditure	6.73%	2.92%	7.26%
Capital Expenditure Ratio	64.49%	64.70%	66.44%
Deficit (Financing) to Total Expenditure	15.45%	11.86%	9.07%
Deficit (Financing) to GDP Ratio	NA	NA	NA

3.C.1 Assumptions

119. **Statutory Allocation** – the estimation for statutory allocation is based on an elasticity forecast taking into consideration the key macroeconomic and fiscal assumptions as explained in paragraph 98 above.
120. **VAT** – considering that changes in key macroeconomic parameters including the nature of the impact of the volatile commodity prices, Finance Act (speculations new VAT rate on specific commodities), and exchange rate on the import and export window, also considering the resource devolution associated with the current National Government promises, VAT was forecasted using the elasticity forecast method, resulting to a forecast of N44,337,325,099; N59,742,785,630 and N78,732,255,351 for 2024 – 2026 respectively.

121. **Other Federation Account Distributions** – the estimation is based on a projected own percentage decline of 20%, 15%, and 11% respectively for 2024-2026 to reflect the actual receipt over the previous years.
122. **Internally Generated Revenue (IGR)** – The New administration is expected to sustain and improve on existing tax administration reforms and IGR expansion strides. The forecast took into consideration the mild decline in IGR growth in 2022 at 0.67% and further ambition captured in the new Sokoto State IGR expansion strategy and several other efforts such as the planned review of rates, levies, and fines to reflect current economic trends associated with the hike in pump prices and commodities by business in the State. New streams of revenue sources such as Haulage fees, agricultural taxes (from Onion marketers, etc), pre-emptive taxes, expansion of collection from the informal sector, and the ongoing harmonization between the State IRS and the Joint Tax Board on tax leakages, are consciously considered in the 7% own percent increase in IGR for 2024. IGR is expected to catch up steadily at 10% and 11% for 2025 and 2026, respectively. The 2024 – 2026 fiscal forecast took into keen consideration the IGR actual performances and not the budget forecast, to ensure adequate projection, while reflecting on uncertainties with taxpayers' compliance with the new collection phase, the new Government administration reform programs and policies that may affect tax operations in the State. Although it is expected that the shocks from the projected high inflation, removal of fuel subsidy, exchange rate, and other intended policies of the Central Government will slow down business activities within the first few quarters of the fiscal year 2024, with resilience and strategic policy control, business and individuals are expected to bounce back better and continue paying and complying to taxes and tax regulations.
- 123.
124. **Grants** – The internal grants are based on calculated expected inflow for the period 2024-2026. External grants are projected based on the significant presence of development partners in the State and their readiness to support the social sectors in Sokoto State. The forecast also took insight into the improved instances of Development partners submitting their projected expenditure (including signed commitments) to be captured in the State annual forecast and subsequent preparation of other fiscal planning documents.
125. **Financing (Net Loans)** – Sokoto State intends to continue to rely on short-term commercial loans and progressive uptake of external loans with a longer repayment period to finance capital projects pending inflow from IGR and FAAC in 2024. All other internal and external loans are projections based on signed agreements and loans recorded in the State Debt management strategy.
126. **Personnel** – The state has maintained digital staff records and periodic staff verification to check abnormalities associated with payroll, hence the improvements in personnel budget forecasts and performances. With the

recent increase in youth employment in the public service and new appointments to be followed by the new administration in the State, the 2024 – 2026 personnel was forecasted at an own percentage of 10%, 11%, and 12% respectively, which considered the halt in employment that might be witnessed in the fiscal year 2025 and 2026 building on the existing workforce strengthen and new employments in that will occur between 2023 and 2024. Additionally, for the 2024 fiscal year, there is speculation of an increase in the minimum wage as a result of the subsidy removal, which by bureaucracy and political engagement, might take its course by the end quarters of 2024.

127. **Overheads** – An Own percentage of 5% is used to forecast a slight growth in 2024 and a steady 2% in 2024 and 2025, as it is expected that MDAs will conform to strategic expenditure planning and optimization during the fiscal year. More so, the State cash management is expected to ensure effective releases, although Government transition is also considered in the year under forecast.
128. **Social Contribution and Social Benefits** – Pensions and gratuity payments are expected to remain the same at the level of 2023. Hence, a steady flow own percentage of 7%, 6%, and 6% respectively is adopted for 2024-2026.
129. **Public Debt Charge** – is based on the projected principal and interest repayments for 2024, 2025, and 2026 as captured in the State debt sustainability analysis. Hence, an own value based on the Debt sustainability analysis has been used, anticipating that public debt charge will remain largely stable with minimal growth over the medium term.
130. **Transfer to Internal Revenue Services** – 10% of the total IGR generated is to be transferred to the Internal Revenue Service for 2024, 2025, and 2026. The transfer is done by the office of the Accountant General to the Revenue Service sequel to the submission of the monthly generation to the treasury. It is to cover the cost of collection and allowances of staff.
131. **Capital Expenditure** – is based on the balance from the recurrent account plus capital receipts, less contingency reserve as outlined above. The percentage of capital to recurrent expenditure from 2020 to 2023 was in the range of 45.49% to 57.12%. However, the percentage of capital expenditure in 2024, 2025, and 2026 is expected to be 57.68%, 64.30% and 67.31% respectively.

3.C.2 Fiscal Trends

132. Based on the above assumptions, plus actual revenue and expenditure figures for 2017-2022 (using the same basis for forecasting as noted in the sub-sections within section 3. B), the trend from historical actual to forecast 2024 - 2026 can be seen for revenue and expenditure in the line graphs in Figures 25 below.

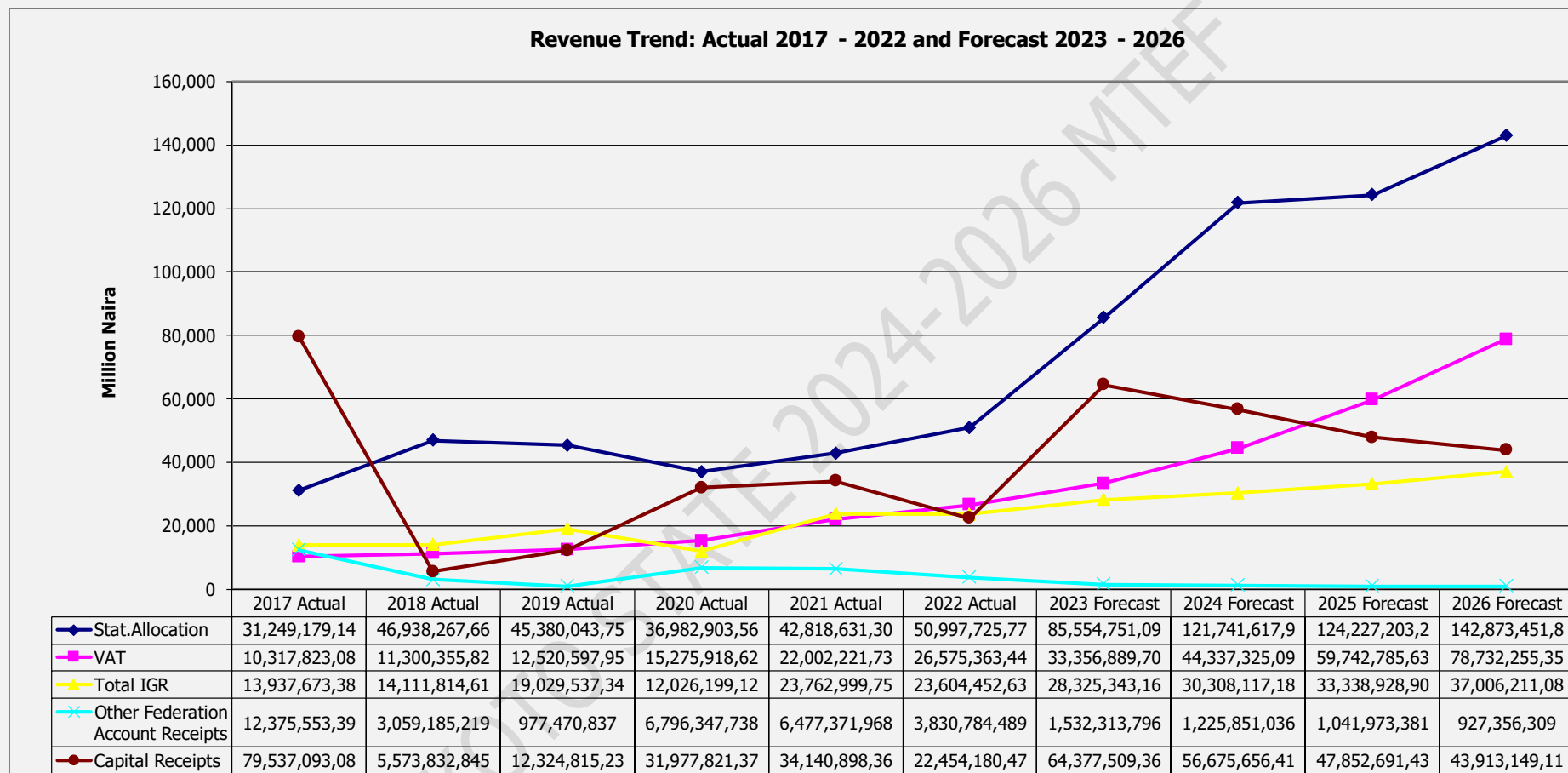
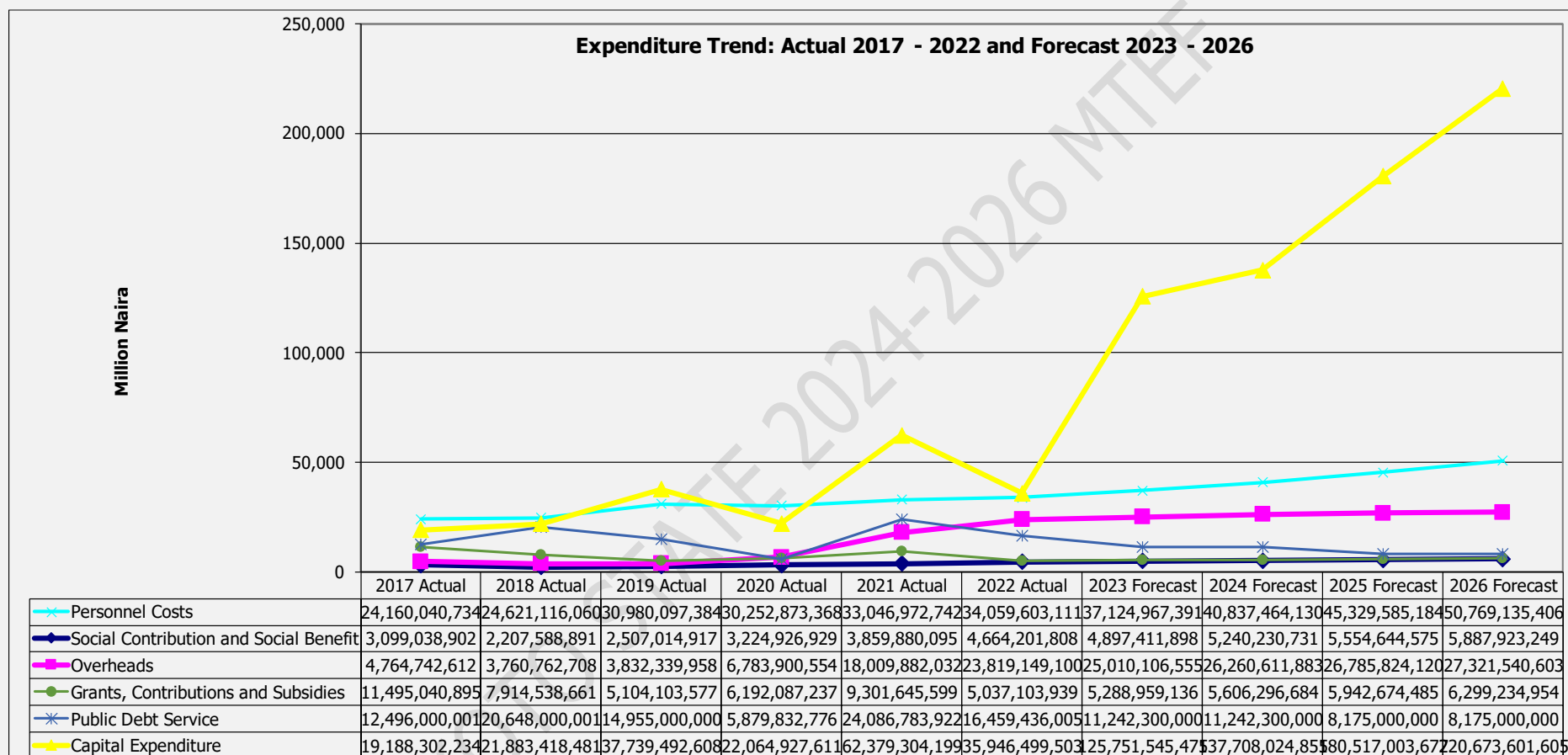
Figure 24 Sokoto State Revenue Trend

Figure 25 Sokoto State Expenditure Trend



3.D Local Government Forecasts

133. Based on the Macroeconomic assumptions in section 3. A, the forecasting techniques noted in section 3. B and the vertical and horizontal sharing ratios, the Federation Account revenues have been forecasted for the 25 Local Governments (LGs) of Sokoto in table 10 below, and are as follows:

Table 10: Local Government FAAC and IGR Share Estimates for 2024

Local Government Council	Statutory Allocation Share	VAT Share	IGR Share	2024				
				Statutory Allocation	VAT	Other Federation Account	Share of State IGR	Total Transfer
BINJI	0.1124%	0.0907%	0.435%	3,628,681,098	1,256,269,846	41,997,958	13,177,442	4,940,126,344
BODINGA	0.1279%	0.1057%	0.435%	4,130,654,977	1,465,275,436	47,807,749	13,177,442	5,656,915,604
DANGE-SHUNI	0.1378%	0.1099%	0.435%	4,451,467,374	1,522,115,786	51,520,797	13,177,442	6,038,281,399
GADA	0.1497%	0.1214%	0.435%	4,833,235,520	1,681,651,859	55,939,340	13,177,442	6,584,004,161
GORONYO	0.1408%	0.1072%	0.435%	4,546,648,410	1,485,736,774	52,622,412	13,177,442	6,098,185,038
GUDU	0.1276%	0.0866%	0.435%	4,119,778,098	1,228,108,036	47,681,861	13,177,442	5,408,745,438
GWADABAWA	0.1457%	0.1177%	0.435%	4,705,374,454	1,631,436,944	54,459,490	13,177,442	6,404,448,329
ILLELA	0.1243%	0.1004%	0.435%	4,015,146,469	1,391,279,041	46,470,866	13,177,442	5,466,073,818
ISA	0.1407%	0.0995%	0.435%	4,544,846,734	1,378,253,870	52,601,559	13,177,442	5,988,879,605
KEBBE	0.1271%	0.0949%	0.435%	4,103,363,861	1,314,568,326	47,491,885	13,177,442	5,478,601,514
KWARE	0.1178%	0.0969%	0.435%	3,805,078,516	1,342,011,465	44,039,563	13,177,442	5,204,306,986
RABAH	0.1403%	0.1001%	0.435%	4,530,408,934	1,387,347,138	52,434,458	13,177,442	5,983,367,972
SABON BIRNI	0.1472%	0.1126%	0.435%	4,753,313,179	1,560,879,479	55,014,327	13,177,442	6,382,384,428
SHAGARI	0.1326%	0.1017%	0.435%	4,282,986,989	1,408,871,634	49,570,823	13,177,442	5,754,606,889
SILAME	0.1188%	0.0905%	0.435%	3,835,152,476	1,254,342,501	44,387,636	13,177,442	5,147,060,054
SOKOTO NORTH	0.1320%	0.1181%	0.435%	4,261,766,757	1,635,855,880	49,325,223	13,177,442	5,960,125,302
SOKOTO SOUTH	0.1309%	0.1099%	0.435%	4,227,338,081	1,523,208,641	48,926,749	13,177,442	5,812,650,913
TAMBUWAL	0.1466%	0.1164%	0.435%	4,733,420,249	1,612,350,584	54,784,089	13,177,442	6,413,732,364
TANGAZA	0.1351%	0.0926%	0.435%	4,364,022,713	1,282,480,553	50,508,722	13,177,442	5,710,189,429
TURETA	0.1230%	0.0828%	0.435%	3,971,324,344	1,147,408,994	45,963,674	13,177,442	5,177,874,453
WAMAKKO	0.1268%	0.1067%	0.435%	4,093,824,373	1,477,786,846	47,381,476	13,177,442	5,632,170,137
WURNO	0.1220%	0.1029%	0.435%	3,938,895,165	1,426,375,136	45,588,342	13,177,442	5,424,036,085
YABO	0.1143%	0.0928%	0.435%	3,692,713,351	1,285,919,483	42,739,061	13,177,442	5,034,549,336
Total	3%	2%	10%	97,569,442,122	32,699,534,250	1,129,258,059	303,081,172	131,701,315,603

3.E Fiscal Risks

134. The analysis and forecasting basis as laid out in the macroeconomic framework above implies some identified fiscal shocks and risks, including but not limited to the following in table 11 below:

Table 11: Fiscal Risks

Risk	Likelihood	Impact	Reaction
Economic Impact of the Removal of Fuel Subsidy	High	High	The new administration has since its inauguration announced the removal of fuel subsidies, and has further provided various resilience and palliative packages to cushion the efforts of the sudden rise in pump price from N194/Litre to over N600/L. This generally implies a potential disruption or slowdown in economic activities and the force called for subnational government to give palliatives or tax incentives/waivers or halt collection of certain taxes within

Risk	Likelihood	Impact	Reaction
			the first few quarters of the fiscal year. Therefore, pre-emptive efforts are considered in the amount of IGR that can be realistically collected with the 2024 fiscal year before a general economic stabilization and bounce back towards the end of the year.
Incessant rise in Year-on-Year Inflation	High	High	Since government expenditure is encircled around the purchasing power and cost of goods and services to implement the budget personnel, overhead, and capital expenditure. It, therefore, suggests that the increase in the cost of goods and services will affect budget performance, as well as the capacity of the Government to pay up debt obligations. For example, the cost of powering (electricity bills, fuelling, and servicing generators) public facilities will be far up thereby likely depleting the overhead cost over the fiscal year. The government will consider hybrid working arrangements; focus on increasing revenue through correlating adjustments in rates, levies, and fines chargeable per the consolidated revenue codes.
Militancy/Pipeline vandalism and oil theft could lead to a reduction in daily oil production	Medium	High	Although the NNPC Limited account for general profit and loss associated with Nigeria's oil production, this means that the corporation balance sheet has a direct effect on the Statutory allocation and mineral derivation. Hence, the State will ensure effective cash planning to prioritize the monthly FAAC collections and potentially invest more in capital expenditure.

Risk	Likelihood	Impact	Reaction
			Additionally, with the New National Government's call to increase VAT on diesel and other commodities, the performance of State VAT revenue is expected to cushion this risk. However, the State will intensify IGR collections, seeking alternative means of funding and prudent management of available resources.
Security situations countrywide (Kidnapping, Banditry, Ethno-religious crises, Fulani herdsmen/farmers crises) could affect economic activity.	Medium	High	The non-oil sector, especially Agriculture has over the year been affected by the adverse security situation, which has reduced general farm activities and contributed to food insecurity across the Country. Kidnapping, cattle rustling, etc. have slowed down interstate movements and trades, with direct consequences on general economic activities. The State took a conservative decision in its estimate on VAT, statutory allocation, and IGR, with hopes that the security situation will improve, and the opening of borders will further promote increased trade and commerce within and outside the State. The State will proactively engage security stakeholders and established early warning systems to manage conflict and security situations across the State.
Risks associated with debt financing	Low	Medium	Minimize borrowing and ensure that it is within the threshold set in the Debt Management Framework.
Mismanagement and inefficient use of financial resources	Medium	High	Strict adherence to existing and new institutional and legal/regulatory frameworks will require more transparent and

Risk	Likelihood	Impact	Reaction
			efficient use of financial resources. Introducing robust internal control mechanisms to foster management of State finance.
Climate Change related risks such as - Floods, and other natural disasters impact economic activity.	High	Medium	Various reports have anticipated a projected year-on-year increase in downpours of rain across the Country, which implies flooding risk and food insecurity. The Government will increase investment in climate adaptation and resilience programs (flood control and irrigation), improved security situation, adaptation, and awareness. Comprehensive set up of early warning systems for flood alert and comprehensive disaster management.
Risks arising from Changes in Government Policy and Personnel which could result in shifts in programs and expenditure priorities	Medium	Medium	The New administration in Sokoto State will intensify efforts to ensure policy continuity in the best interest of the populace but seek a review of certain policies to fit into the new socioeconomic realities. The Government will ensure the right personnel and policymakers are posted and appointed to the right place, hence putting the round pegs in the round hole. Furthermore, the State should strictly adhere to the fiscal framework for the effective implementation of government priority programmes and projects.

135. It should be noted however that no budget is without risk. The ongoing implementation of the 2023 budget should be closely monitored, as should the security situation and impact of the fiscal and economic outlook.

Section 4 Budget Policy Statement

4.A Budget Policy Thrust

136. The overall size of the 2024 budget will be based on resource estimates as provided in the Fiscal Strategy Paper (FSP) and sector allocations in line with the State`s development priorities.
137. The 2024 budget will focus on detailed investments in the Health Sector, Education, Agriculture and Rural Development, Infrastructural Development, Water Supply, Sanitation and Hygiene, Environment, Lands and Housing, Culture and Tourism, and Youth and Women Empowerment. In the entire sub-sectors, priority will be given to ongoing projects and new policy directions to reduce poverty and improve socioeconomic activity in Sokoto State.
138. The 2024 Budget Policy thrust is as follows: -
 - a. The Planning instrument of Medium Term Sector Strategies will be the basis for MDAs 2024 budget proposal;
 - b. Strict Adherence to the principles of the Sokoto State Fiscal Responsibility Law (FRL) 2019 and the amended State Public Procurement and Public Private Partnership Law (PPL), 2019 in the day-to-day implementation of the 2024 budget;
 - c. Institution of a vibrant cash management committee and strict implementation of the cash management plan and budget expenditure profile;
 - d. Prompt payment of State counterpart contributions to attract additional resources for funding projects and programs;
 - e. Completion of critical ongoing projects that have attained between 75% to 80% level of completion;
 - f. New projects will only be provided for after ensuring adequate provision for ongoing projects and corresponding need identification assessment;
 - g. Sustain investment in Agriculture, Trade, and Commerce to achieve self-sufficiency in food production, economic growth, and security;
 - h. Use Result Based Monitoring and Evaluation (RBM&E) framework to track project and program implementation, with complementary performance audit;
 - i. Strengthen Social Safety Net Programmes in line with the State Social Protection Policy to further mitigate the impact of the current economic situation of the poor and vulnerable groups within Sokoto State;
 - j. Improve the revenue base of the State through effective and efficient collections from the existing sources and exploration of new sources by revenue-generating MDAs;

- k. Continued sustenance of free education programme including School feeding programme and ensuring quality control in the education system;
- l. Construction of new and Maintenance of existing physical infrastructure and facilities (Schools, Roads, Water, and Public buildings);
- m. Strengthen public service for efficiency, productivity, and value for money through capacity building and incentives;
- n. Strengthen the provision of social services through the Whole School and Hospital approach. Revitalization of Sokoto State Water and drainage management systems to prepare communities and the environs to tackle cholera outbreaks and malaria;
- o. Prioritize investment in projects and programmes that will enhance job creation, employment generation and contribute to poverty reduction;
- p. Improve funding of MDAs for better service delivery, especially for overhead;
- q. Strengthen coordination of partners' activities in line with the State's development priorities;
- r. Adequate provision and timely payment of MDAs' outstanding debts/liabilities with Sokoto State Debt Management Departments (DMD);
- s. Increase allocation to addressing issues of insecurity in the State; and
- t. Prioritise allocation and release of the fund to fuel subsidy removal palliative programmes.

Sector Allocations (3 Year)

139. The total forecast budget size for the 2024 fiscal year as explained in Section 3. C above is **N 262,806,276,695** of which the sum of **N 89,186,903,427** will be for recurrent expenditure (i.e., Personnel, Overhead, Social Benefits and Social Contributions, Subsidies, Grants, and Public Debt Charges,), while **N 162,887,765,091** will be for capital expenditure. The capital component of the budget is derived from discretionary and non-discretionary funds. A discretionary fund of **N 143,326,382,073** (including **N 6,604,066,570** planning reserve) will be distributed to all MDAs while a non-discretionary capital fund of **N 19,561,383,018** is specifically earmarked for special projects. The non-discretionary fund is in the form of project-tied loans and grants.
140. The indicative overhead and capital allocation (envelope) to the sectors for 2024-2026 are based on the combined proportion of budget and actual expenditure as shown in Tables 12 – 15 below.

Table 12: Indicative Sector Expenditure Ceilings 2024-2026 – Personnel

Personnel Expenditure by Sector							
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	Government House	2.02%	826,877,232	2.35%	1,064,625,707	2.35%	1,192,380,792
2	Ministry for Special Duties	0.44%	180,754,683	0.61%	276,503,571	0.61%	309,683,999
3	Office of the SSG	4.28%	1,749,700,109	3.48%	1,576,859,639	3.48%	1,766,082,796
4	Sokoto State House of Assembly	1.72%	702,852,968	1.88%	853,780,303	1.88%	956,233,940
5	Ministry of Information	1.42%	579,901,994	1.55%	704,373,031	1.55%	788,897,795
6	Office of Head of Service	1.84%	751,926,388	2.00%	906,358,030	2.00%	1,015,120,993
7	Office of Auditor General	0.60%	243,737,431	0.64%	290,010,562	0.64%	324,811,830
8	Civil Service Commission	0.16%	64,008,134	0.17%	76,267,349	0.17%	85,419,431
9	Local Government Service Commission	0.24%	96,478,876	0.20%	92,709,603	0.20%	103,834,755
10	Sokoto State Independent Electoral Commi	0.20%	83,653,114	0.21%	93,286,533	0.21%	104,480,917
11	Ministry for Home Affairs	2.07%	844,080,999	2.10%	952,682,051	2.10%	1,067,003,897
12	Ministry Careers & Special Services	0.15%	60,366,021	0.16%	73,600,396	0.16%	82,432,444
13	Ministry for Religious Affairs	0.25%	101,641,061	0.32%	143,890,769	0.32%	161,157,661
14	Ministry of Establishment and Pensions	6.98%	2,850,454,996	5.18%	2,349,292,691	5.18%	2,631,207,814
15	Ministry of Agriculture & Natural Resource	1.96%	800,314,698	2.11%	955,296,304	2.11%	1,069,931,860
16	Ministry of Finance	3.23%	1,320,443,847	3.17%	1,439,091,133	3.17%	1,611,782,069
17	Ministry of Commerce and Industry	1.99%	811,223,336	2.21%	1,001,212,356	2.21%	1,121,357,839
18	Fiscal Responsibility Commission	0.02%	8,177,934	0.02%	6,851,147	0.02%	7,673,284
19	Ministry of Science and Technology	2.44%	996,121,445	2.43%	1,100,585,697	2.43%	1,232,655,980
20	Ministry of Energy	0.10%	39,056,173	0.09%	42,549,789	0.09%	47,655,764
21	Ministry of Works and Transport	1.08%	439,252,472	1.17%	529,489,782	1.17%	593,028,556
22	Ministry of Culture & Tourism	0.74%	300,435,711	0.82%	373,379,572	0.82%	418,185,121
23	Ministry of Budget and Economic Planning	0.35%	141,455,100	0.36%	165,441,103	0.36%	185,294,035
24	Ministry of Solid Minerals and Natural Reso	0.13%	52,505,200	0.12%	55,836,996	0.12%	62,537,435
25	Ministry of Water Resources	1.42%	579,898,039	1.27%	577,002,494	1.27%	646,242,793
26	Ministry of Lands and Housing	1.08%	440,743,789	1.01%	457,025,896	1.01%	511,869,003
27	Ministry of Animals and Fisheries Developn	1.76%	717,900,129	1.65%	746,249,715	1.65%	835,799,681
28	State Judiciary	1.56%	636,162,189	1.79%	811,586,580	1.79%	908,976,970
29	Ministry of Justice	1.09%	446,758,267	1.26%	568,932,120	1.26%	637,203,975
30	Ministry of Youth and Sports Development	0.21%	85,546,738	0.19%	88,065,646	0.19%	98,633,523
31	Ministry for Women Affairs	0.21%	84,399,762	0.20%	89,742,503	0.20%	100,511,603
32	Ministry of Education	15.08%	6,158,102,794	16.27%	7,375,174,223	16.27%	8,260,195,130
33	Ministry for Higher Education	15.10%	6,164,669,012	14.99%	6,795,147,316	14.99%	7,610,564,994
34	Ministry of Health	24.85%	10,148,109,836	24.61%	11,154,917,943	24.61%	12,493,508,096
35	Ministry of Environment	1.27%	518,990,960	1.27%	576,104,409	1.27%	645,236,938
36	Ministry of Sports	0.07%	28,484,532	0.09%	41,297,612	0.09%	46,253,325
37	Ministry for Local Government and Chieftar	0.34%	140,128,259	0.36%	165,180,950	0.36%	185,002,664
38	Ministry of Social Welfare & Community De	1.15%	471,077,273	1.27%	576,374,062	1.27%	645,538,949
39	Ministry for Rural Development	0.42%	172,077,443	0.40%	182,809,602	0.40%	204,746,754
	Total	100.00%	40,837,464,130	100.00%	45,329,585,184	100.00%	50,769,135,406

Table 13: Indicative Sector Expenditure Ceilings 2024-2026 – Overhead

Overhead Expenditure by Sector							
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	Government House	6.81%	1,788,347,669	0.00%	1,783,209,666	8.82%	2,409,094,898
2	Ministry for Special Duties	0.27%	71,545,024	0.32%	87,039,054	0.27%	74,435,443
3	Office of the SSG	15.09%	3,962,845,272	12.45%	3,334,446,740	15.09%	4,122,944,221
4	Sokoto State House of Assembly	6.73%	1,767,999,355	7.55%	2,022,984,147	6.73%	1,839,426,529
5	Ministry of Information	0.67%	176,588,979	0.69%	185,397,298	0.67%	183,723,174
6	Office of Head of Service	2.65%	694,730,671	1.33%	354,992,417	2.65%	722,797,790
7	Office of Auditor General	0.37%	96,605,300	0.31%	83,334,662	0.37%	100,508,154
8	Civil Service Commission	0.14%	36,786,875	0.10%	26,363,952	0.14%	38,273,064
9	Local Government Service Commission	0.11%	29,025,820	0.20%	53,546,574	0.11%	30,198,463
10	Sokoto State Independent Electoral Commi	1.28%	337,083,095	0.58%	154,492,917	1.28%	350,701,252
11	Ministry for Home Affairs	0.22%	56,535,871	0.22%	57,963,937	0.22%	58,819,920
12	Ministry Careers & Special Services	10.78%	2,831,181,557	6.34%	1,697,859,263	10.78%	2,945,561,292
13	Ministry for Religious Affairs	4.78%	1,256,363,806	3.40%	910,238,004	4.78%	1,307,120,903
14	Ministry of Establishment and Pensions	0.37%	96,305,963	0.30%	81,013,839	0.37%	100,196,724
15	Ministry of Agriculture & Natural Resource	0.54%	142,810,390	0.65%	174,652,809	0.54%	148,579,930
16	Ministry of Finance	12.86%	3,377,114,688	8.40%	2,250,834,959	14.86%	4,059,094,244
17	Ministry of Commerce and Industry	0.32%	84,743,318	0.33%	89,106,847	0.32%	88,166,948
18	Fiscal Responsibility Commission	0.07%	17,882,930	0.03%	9,244,357	0.07%	18,605,401
19	Ministry of Science and Technology	1.20%	314,987,766	1.10%	295,852,947	1.20%	327,713,272
20	Ministry of Energy	0.09%	23,877,558	0.07%	18,596,728	0.09%	24,842,211
21	Ministry of Works and Transport	0.30%	78,279,533	0.25%	67,715,666	0.30%	81,442,026
22	Ministry of Culture & Tourism	0.42%	109,629,433	0.66%	177,754,854	0.42%	114,058,462
23	Ministry of Budget and Economic Planning	1.25%	328,208,846	0.93%	248,852,505	1.25%	341,468,483
24	Ministry of Solid Minerals and Natural Reso	0.11%	29,923,700	0.12%	31,795,425	0.11%	31,132,617
25	Ministry of Water Resources	0.82%	216,547,021	0.47%	125,340,920	0.82%	225,295,520
26	Ministry of Lands and Housing	0.37%	95,901,176	0.35%	93,203,361	0.37%	99,775,583
27	Ministry of Animals and Fisheries Developn	0.10%	26,276,776	0.08%	21,741,230	0.10%	27,338,357
28	State Judiciary	3.71%	974,747,923	3.11%	833,115,505	3.71%	1,014,127,739
29	Ministry of Justice	0.86%	226,784,489	0.80%	213,987,857	0.86%	235,946,582
30	Ministry of Youth and Sports Development	2.97%	778,814,411	2.88%	772,367,549	2.97%	810,278,513
31	Ministry for Women Affairs	0.29%	76,035,890	0.17%	44,395,207	0.29%	79,107,740
32	Ministry of Education	6.01%	1,578,262,774	5.12%	1,371,615,380	5.01%	1,368,351,999
33	Ministry for Higher Education	8.56%	2,247,908,377	4.69%	1,257,308,282	5.56%	1,519,316,750
34	Ministry of Health	6.28%	1,650,293,763	7.57%	2,028,395,493	6.28%	1,716,965,631
35	Ministry of Environment	0.65%	170,819,062	0.80%	214,845,895	0.65%	177,720,152
36	Ministry of Sports	0.20%	53,578,974	0.46%	123,187,194	0.20%	55,743,564
37	Ministry for Local Government and Chieftan	0.06%	15,351,040	0.04%	11,045,438	0.06%	15,971,222
38	Ministry of Social Welfare & Community De	1.49%	392,071,026	1.40%	376,075,894	1.49%	407,910,696
39	Ministry for Rural Development	0.18%	46,890,746	0.23%	62,413,265	0.18%	48,785,132
	Total	100.00%	26,260,611,883	100.00%	26,785,824,120	100.00%	27,321,540,603

Table 14: Discretionary and Non-Discretionary Funds 2024 - 2026 - Capital

Capital Expenditure by Sector			Discretionary Funds				Non-Discretionary Funds			
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation	2024 Allocation	2025 Allocation	2026 Allocation
1	Government House	0.51%	731,519,502	0.51%	778,931,383	0.44%	809,069,741	0	0	0
1	Ministry for Special Duties	0.15%	221,466,904	0.15%	235,820,811	0.17%	321,665,469	0	0	0
1	Office of the SSG	3.43%	4,916,094,905	6.43%	9,818,876,965	4.47%	8,228,870,321	0	0	0
1	Sokoto State House of Assembly	1.42%	2,037,941,063	1.42%	2,170,025,882	1.07%	1,966,549,906	0	0	0
1	Ministry of Information	0.83%	1,184,776,957	0.83%	1,261,565,758	0.72%	1,316,965,157	0	0	0
1	Office of Head of Service	3.09%	4,428,785,206	4.89%	7,458,414,579	6.29%	11,578,675,702	0	0	0
1	Office of Auditor General	0.00%	0	0.00%	0	0.00%	0	0	0	0
1	Civil Service Commission	0.00%	0	0.00%	0	0.00%	0	0	0	0
1	Local Government Service Commission	0.00%	0	0.00%	0	0.00%	0	0	0	0
1	Sokoto State Independent Electoral Commission	0.27%	385,291,328	0.27%	410,263,166	0.16%	293,225,108	0	0	0
1	Ministry for Home Affairs	0.49%	695,360,322	0.49%	740,428,624	0.13%	238,790,773	0	0	0
1	Ministry Careers & Special Services	0.15%	214,009,466	0.15%	227,880,035	0.12%	220,427,391	0	0	0
1	Ministry for Religious Affairs	2.18%	3,129,464,973	2.18%	3,332,294,594	2.10%	3,867,254,881	510,000,000	520,200,000	530,604,000
1	Ministry of Establishment and Pensions	0.02%	22,344,789	0.02%	23,793,019	0.01%	26,212,867	0	0	0
1	Ministry of Agriculture & Natural Resource	8.19%	11,744,409,378	8.19%	12,505,598,312	9.75%	17,938,557,990	2,460,600,000	2,461,812,000	2,383,648,240
1	Ministry of Finance	2.23%	3,196,178,320	2.93%	4,470,644,886	2.15%	3,961,683,585	2,500,000,000	1,800,000,000	1,150,000,000
1	Ministry of Commerce and Industry	0.77%	1,103,613,142	0.88%	1,343,607,574	1.45%	2,675,187,115	2,000,000,000	2,000,000,000	2,000,000,000
1	Fiscal Responsibility Commission	0.07%	103,922,087	0.07%	110,657,576	0.00%	0	0	0	0
1	Ministry of Science and Technology	3.29%	4,720,989,630	3.29%	5,026,970,539	2.90%	5,329,274,228	0	0	0
1	Ministry of Energy	0.56%	804,880,846	0.56%	857,047,488	0.47%	860,696,888	0	0	0
1	Ministry of Works and Transport	5.36%	7,685,509,117	5.36%	8,183,629,057	6.05%	11,135,797,976	0	0	0
1	Ministry of Culture & Tourism	0.11%	150,501,478	0.11%	160,255,912	0.11%	194,019,742	0	0	0
1	Ministry of Budget and Economic Planning	1.30%	1,856,497,626	1.30%	1,976,822,574	0.96%	1,771,385,123	504,000,000	365,000,000	291,000,000
1	Ministry of Solid Minerals and Natural Resources	0.38%	540,554,778	0.38%	575,589,687	0.41%	752,552,913	0	0	0
1	Ministry of Water Resources	3.00%	4,299,791,462	3.56%	5,437,370,773	4.91%	9,029,609,711	0	0	0
1	Ministry of Lands and Housing	8.92%	12,784,713,281	11.59%	17,684,029,691	7.58%	13,945,258,812	0	0	0
1	Ministry of Animals and Fisheries Development	3.34%	4,791,607,742	3.34%	5,102,165,614	3.45%	6,338,311,188	5,500,000,000	4,550,000,000	3,100,000,000
1	State Judiciary	1.18%	1,685,458,823	1.18%	1,794,698,255	1.81%	3,322,233,060	0	0	0
1	Ministry of Justice	0.65%	933,586,377	0.65%	994,094,794	0.99%	1,813,724,501	0	0	0
1	Ministry of Youth and Sports Development	1.12%	1,603,406,421	1.12%	1,707,327,800	1.25%	2,298,355,267	0	0	0
1	Ministry for Women Affairs	1.70%	2,441,911,843	1.70%	2,600,179,170	0.58%	1,066,280,228	1,398,005,675	769,186,380	529,186,380
1	Ministry of Education	12.89%	18,474,770,649	9.72%	14,840,639,947	12.99%	23,902,372,389	3,093,366,000	2,685,233,320	1,455,233,220
1	Ministry for Higher Education	9.16%	13,128,696,598	2.82%	4,309,323,667	3.40%	6,254,035,854	0	0	0
1	Ministry of Health	18.52%	26,544,045,960	18.52%	28,257,019,077	17.33%	31,883,318,185	555,011,343	415,511,570	344,061,801
1	Ministry of Environment	2.10%	3,009,436,545	2.10%	3,204,486,779	2.21%	4,066,403,837	1,040,400,000	1,061,208,000	1,082,432,160
1	Ministry of Sports	0.00%	0	0.00%	0	0.00%	0	0	0	0
1	Ministry for Local Government and Chieftancy	0.14%	207,788,726	0.14%	221,256,111	0.14%	252,137,554	0	0	0
1	Ministry of Social Welfare & Community Development	0.19%	277,020,174	0.19%	294,974,648	0.25%	463,075,956	0	0	0
1	Ministry for Rural Development	2.28%	3,271,843,036	2.28%	3,483,900,588	3.18%	5,851,575,484	0	0	0
	Total	100.00%	143,326,382,073	99.33%	152,615,776,924	100.00%	183,973,554,902	19,561,383,018	16,628,151,270	12,866,165,801

Table 15: Indicative Sector Expenditure Ceilings 2024 - 2026 - Capital

Capital Expenditure by Sector			Total Capital Envelope				
No.	Sector	% 2024	2024 Allocation	% 2025	2025 Allocation	% 2026	2026 Allocation
1	Government House	0.4%	731,519,502	0.5%	778,931,383	0.4%	809,069,741
1	Ministry for Special Duties	0.1%	221,466,904	0.1%	235,820,811	0.2%	321,665,469
1	Office of the SSG	3.0%	4,916,094,905	5.8%	9,818,876,965	4.2%	8,228,870,321
1	Sokoto State House of Assembly	1.3%	2,037,941,063	1.3%	2,170,025,882	1.0%	1,966,549,906
1	Ministry of Information	0.7%	1,184,776,957	0.7%	1,261,565,758	0.7%	1,316,965,157
1	Office of Head of Service	2.7%	4,428,785,206	4.4%	7,458,414,579	5.9%	11,578,675,702
1	Office of Auditor General	0.0%	0	0.0%	0	0.0%	0
1	Civil Service Commission	0.0%	0	0.0%	0	0.0%	0
1	Local Government Service Commission	0.0%	0	0.0%	0	0.0%	0
1	Sokoto State Independent Electoral Commission	0.2%	385,291,328	0.2%	410,263,166	0.1%	293,225,108
1	Ministry for Home Affairs	0.4%	695,360,322	0.4%	740,428,624	0.1%	238,790,773
1	Ministry Careers & Special Services	0.1%	214,009,466	0.1%	227,880,035	0.1%	220,427,391
1	Ministry for Religious Affairs	2.2%	3,639,464,973	2.3%	3,852,494,594	2.2%	4,397,858,881
1	Ministry of Establishment and Pensions	0.0%	22,344,789	0.0%	23,793,019	0.0%	26,212,867
1	Ministry of Agriculture & Natural Resource	8.7%	14,205,009,378	8.9%	14,967,410,312	10.3%	20,322,206,230
1	Ministry of Finance	3.5%	5,696,178,320	3.7%	6,270,644,886	2.6%	5,111,683,585
1	Ministry of Commerce and Industry	1.9%	3,103,613,142	2.0%	3,343,607,574	2.4%	4,675,187,115
1	Fiscal Responsibility Commission	0.1%	103,922,087	0.1%	110,657,576	0.0%	0
1	Ministry of Science and Technology	2.9%	4,720,989,630	3.0%	5,026,970,539	2.7%	5,329,274,228
1	Ministry of Energy	0.5%	804,880,846	0.5%	857,047,488	0.4%	860,696,888
1	Ministry of Works and Transport	4.7%	7,685,509,117	4.9%	8,183,629,057	5.7%	11,135,797,976
1	Ministry of Culture & Tourism	0.1%	150,501,478	0.1%	160,255,912	0.1%	194,019,742
1	Ministry of Budget and Economic Planning	1.4%	2,360,497,626	1.4%	2,341,822,574	1.0%	2,062,385,123
1	Ministry of Solid Minerals and Natural Resources	0.3%	540,554,778	0.3%	575,589,687	0.4%	752,552,913
1	Ministry of Water Resources	2.6%	4,299,791,462	3.2%	5,437,370,773	4.6%	9,029,609,711
1	Ministry of Lands and Housing	7.8%	12,784,713,281	10.5%	17,684,029,691	7.1%	13,945,258,812
1	Ministry of Animals and Fisheries Development	6.3%	10,291,607,742	5.7%	9,652,165,614	4.8%	9,438,311,188
1	State Judiciary	1.0%	1,685,458,823	1.1%	1,794,698,255	1.7%	3,322,233,060
1	Ministry of Justice	0.6%	933,586,377	0.6%	994,094,794	0.9%	1,813,724,501
1	Ministry of Youth and Sports Development	1.0%	1,603,406,421	1.0%	1,707,327,800	1.2%	2,298,355,267
1	Ministry for Women Affairs	2.4%	3,839,917,518	2.0%	3,369,365,550	0.8%	1,595,466,608
1	Ministry of Education	13.2%	21,568,136,649	10.4%	17,525,873,267	12.9%	25,357,605,609
1	Ministry for Higher Education	8.1%	13,128,696,598	2.6%	4,309,323,667	3.2%	6,254,035,854
1	Ministry of Health	16.6%	27,099,057,303	17.0%	28,672,530,647	16.4%	32,227,379,986
1	Ministry of Environment	2.5%	4,049,836,545	2.5%	4,265,694,779	2.6%	5,148,835,997
1	Ministry of Sports	0.0%	0	0.0%	0	0.0%	0
1	Ministry for Local Government and Chieftancy	0.1%	207,788,726	0.1%	221,256,111	0.1%	252,137,554
1	Ministry of Social Welfare & Community Development	0.2%	277,020,174	0.2%	294,974,648	0.2%	463,075,956
1	Ministry for Rural Development	2.0%	3,271,843,036	2.1%	3,483,900,588	3.0%	5,851,575,484
	Total	100.00%	162,889,572,473	100.00%	168,228,736,607	100.00%	196,839,720,703

4.B Considerations for the Annual Budget Process

141. The budget call circular should include the following instructions to MDAs for the annual budget submissions:

- Only prioritized projects contained in the sectors' MTSS should be in the MDAs capital budget proposal.
- MDAs should ensure detailed needs assessments for capital projects and strategic Consultation with the citizenry to back up each item of the Budget items, in line with the Government's promise to ensure effective citizen engagements.
- Budget expenditure submission should reflect on the past 3 years' performances and the significance of each budget item in relation to specific sector policies and planned programs.
- Budget submissions for capital projects must include full lifetime capital investment requirements (costs) and also sources of funding (particularly if grants and/or loans are being used to fund partially/fully the project).
- Finally, all MDAs are expected to ensure strict compliance with the National Charts of Accounts codes and other highlights as indicated in the Sokoto State Budget Manual.

Section 5 Summary of Key Points and Recommendations

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

- a. Sokoto State should sustain the current Budget reform programme particularly as it relates to the preparation of a realistic budget, ensuring policy-plan-budget linkages using the State MTSSs, and early passage of the budget. Efforts should be made to prepare MTSS for other sectors not yet provided for.
- b. Sokoto State must continue to monitor the performance of mineral-based revenues to ensure estimates are consistent with the latest development globally and within the Federal Government's budget process. If the benchmark price of crude in the Federal FSP is lower or higher than \$50 per barrel used herein and IMF, World Bank, OPEC, and US Energy Information Administration Report validates the oil price benchmark provided in Federal FSP, the State should revisit the assumptions and recalculate statutory allocation.

Annex 1

The capital receipts expected in the State for the period 2024-2026 are presented in the Table 16 below:

Table 16: Capital Receipts

Internal Grants				
Family Home	4,000,000,000	3,000,000,000	3,100,000,000	3,500,000,000
SUBEB Counterpart Funding	1,871,872,490	2,871,872,490	2,571,872,490	2,623,309,940
At Risk Children	500,000,000	510,000,000	520,200,000	530,604,000
Primary Health Care Under One Roof	300,000,000	280,000,000	158,000,000	127,000,000
Sub-Total Internal Grant	6,671,872,490	6,661,872,490	6,350,072,490	6,780,913,940
External Grants				
UN Delivery as one (Dao)	2,383,067,761	1,530,729,116	1,479,343,698	1,508,930,572
USAID Learn to Read (L2R)	150,000,000	120,000,000	98,000,000	45,000,000
Action AID	33,559,836	34,231,033	34,915,653	35,613,966
USAID State2State Project	56,000,000	74,000,000	17,000,000	12,000,000
IHP	200,000,000	150,000,000	130,000,000	87,000,000
Aspire	832,000,000	548,640,000	665,612,800	682,925,056
EU Support	550,000,000	430,000,000	348,000,000	279,000,000
Sub-Total External Grant	4,204,627,597	2,887,600,149	2,772,872,152	2,650,469,595
Grant Balancing Item / Blue Sky				
Total Grants	10,876,500,087	9,549,472,639	9,122,944,642	9,431,383,534
Internal Loans				
Commercial & Other Bank Loans and Bond	18,360,000,000	14,727,200,000	12,101,744,000	12,343,778,880
Aspire	832,000,000	848,640,000	865,612,800	882,925,056
Nigeria CAREs Project	3,865,800,000	3,943,116,000	2,021,978,320	2,062,417,886
Federal Government Bridging Funds Facility	5,546,463,329	4,517,463,329	3,456,783,329	2,506,463,329
Total	28,604,263,329	24,036,419,329	18,446,118,449	17,795,585,151
External Loans				
NEWMAP World Bank	1,020,000,000	1,040,400,000	1,061,208,000	1,082,432,160
State Education Programme Investment Project (SEPI)	4,503,300,000	3,093,366,000	2,685,233,320	1,455,233,220
Nigeria State Health Investment Project (NSHIP)	122,560,140	125,011,343	127,511,570	130,061,801
International Loans/Borrowings from Others				
SABER Grant by World Bank	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
AGILE by IDA	800,000,000	500,000,000	300,000,000	150,000,000
Rural Access and Agricultural Marketing Project	1,000,000,000	900,000,000	870,000,000	760,000,000
World Bank NG Cares	5,000,000,000	5,500,000,000	4,550,000,000	3,100,000,000
Nigeria for Women by World Bank	2,929,186,380	1,398,005,675	769,186,380	529,186,380
AFDB	0	2,000,000,000	1,500,000,000	1,000,000,000
Total	17,375,046,520	16,556,783,018	13,863,139,270	10,206,913,561
Loan Balancing Item / Blue Sky				
Total Loans	45,979,309,849	40,593,202,346	32,309,257,718	28,002,498,712
Other Capital Receipts				
LGA's Contribution to Joint Projects Fadama III	1,530,000,000	1,560,600,000	1,591,812,000	1,623,648,240
Reimbursement of excess deductions	35,700,000	36,414,000	37,142,280	37,885,126
Refunds from FG (Works)	3,998,400,000	3,078,368,000	3,159,935,360	3,223,134,087
PAYE Refunds	1,507,599,432	1,507,599,432	1,507,599,432	1,507,599,432
Forex Special Capital Receipt from FGN	450,000,000	350,000,000	124,000,000	87,000,000
Total	7,521,699,432	6,532,981,432	6,420,489,072	6,479,266,865
OCR Balancing Item / Blue Sky				
Total Other Capital Receipts	7,521,699,432	6,532,981,432	6,420,489,072	6,479,266,865
Non-Discretionary Capital Expenditure by Sector				
Total	20,511,046,520	19,561,383,018	16,628,151,270	12,866,165,801