

TARABA STATE 2024 – 2026 MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) AND FISCAL STRATEGY PAPER (FSP)

1.0. INTRODUCTION:

A fundamental objective of the Government in preparing a budget is to ensure that resource allocation is prioritized in a manner that funds reach where they are required most. The **MTEF/FSP** is a major feature of the annual Budget preparation cycle. It provides the basic structure for the estimates and projections that guide annual budget planning and fiscal management over a three-year period.

In compliance with the statutory provisions of the Fiscal Responsibility Act (**FRA**) 2007, the State Government prepares the Medium-Term Expenditure Framework (**MTEF**) and Fiscal Strategy Paper (**FSP**) to capture the policy thrust behind Government's Revenue and Expenditure estimates.

The **MTEF** is an important tool for ensuring effective and efficient application of resources in Government planning. It provides the framework for allocating resources towards the achievement of the objectives of Government plans, programmes, and policies in a consistent, transparent, and coherent manner. It highlights revenue projection, expenditure plans and fiscal target over the medium term based on reliable and consistent fiscal position. The expenditure framework also reflects the resource constraints, Government policies, and sector priorities within which decisions are made to maximize socioeconomic outcomes. In developing this **MTEF/FSP**, the broad strategic objectives of Government for various sectors have been given extensive consideration.

2.0 MACROECONOMIC FRAMEWORK

2.1 GLOBAL ECONOMIC OUTLOOK

The World Bank has raised its 2023 global growth outlook as United States, China and other major economies have proven more resilient than forecast. However, the World Bank opined that higher interest rates and tighter credit will take a bigger roll on the 2024 growth.

According to the bank in its July 2023 global economic prospects, real global Gross Domestic Product (**GDP**) is set to climb 2.1 percent this year. This is up from 1.7 percent increase in forecast made in January, but well below the 2022 growth rate of 3.1 percent.

The World Bank cut its 2024 global growth forecast to 2.4 percent from 2.7 percent forecast in January, citing the lagged effects of central bank monetary tightening and more restrictive credit conditions that were reducing business and residential investment. These factors will slow growth further in the second half of 2023 and into 2024, but the bank released a new 2025 global growth forecast of 3.0 percent.

In January, the world bank had warned that global **GDP** was slowing to the brink of recession, but since then, strength in the labour market and consumption in the US had exceeded expectations, as has China's recovery from COVID-19 lockdowns.

US growth for 2023 is now forecast at 1.1 percent, more than double the 0.5 percent forecast in January, while China's growth is expected to climb to 5.6 percent, compared to a 4.3 percent forecast in January (Source: World Bank Global Economic Prospect July 2023).

Similarly, the International Monetary Fund (**IMF**) in its July 2023 world economic outlook opined that global economic real **GDP** growth is projected to grow by 3.0 percent in 2023 and 2024 respectively. Sub-Saharan Africa growth is projected to grow at 3.5 and 4.1 in 2023 and 2024 respectively, while growth rate for Nigeria is put at 3.2 in 2023 and 3.0 in 2024 (see table 1 below).

Table 1: Real GDP, annual percentage change

	Estimate	Projections	
	2022	2023	2024
World output	3.5	3.0	3.0
Advanced Economies	2.7	1.5	1.4
US	2.1	1.8	1.0
Euro Area	3.5	0.9	1.5
Germany	1.8	-0.8	1.3
France	2.5	0.8	1.3
Italy	3.7	1.1	0.9
Spain	5.5	2.5	2.0
Japan	1.1	1.4	1.0
United Kingdom	4.1	0.4	1.0
Canada	3.4	1.7	1.4
Other Advanced Economies	2.7	2.0	2.3
Emerging Market and Developing Economic	4.0	4.0	4.1
Emerging & Developing Asia	4.5	5.3	5.0
China	3	5.2	4.5
India	7.2	6.1	6.3
Emerging & Developing Europe	0.8	1.8	2.2
Russia	-2.1	1.5	1.3
Latin America & Caribbean	3.9	1.9	2.2
Brazil	2.9	2.1	1.2
Mexico	3.0	2.6	1.5
Middle East & Central Asia	5.4	7.5	3.2
Saudi Arabia	8.7	1.9	2.8
Sub – Sahara Africa	3.9	3.5	4.1
Nigeria	3.3	3.2	3.0
South Africa	1.9	0.3	1.7

Source: IMF World Economic Outlook (updated July 2023)

2.2 OVERVIEW OF NIGERIAN ECONOMIC OUTLOOK

The challenges of global economic have put pressure on Nigeria’s economy. Nevertheless, domestic policies play major role in determining Nigeria’s economic performance and resilience to further external shocks. The previous mix of financial, monetary, and exchange rate policies, including the naira redesign programme, did not deliver the desired improvements in growth, inflation, and economic resilience. Nigeria’s

economic growth weakened, and real Gross Domestic Product growth fell from 3.3 percent in 2022 to 2.4 percent year-on year in the first quarter of 2023.

The removal of petrol subsidy is projected to achieve fiscal savings of approximately two trillion naira in 2023 which is equivalent to 0.9 percent of **GDP**. The savings are expected to reach over eleven trillion naira by the end of 2025.

The World bank lead economist for Nigeria, Mr. Alex Sienaert during the latest (June 2023) Nigeria Development Update (**NDU**) titled "Seizing the opportunity" said that "the Government has made a welcome, bold start to implement the crucial macro-fiscal reforms needed to address the persistently high inflation and low fiscal revenue hindering economic growth. Deepening and sustaining these changes are imperative, to enable Nigeria to break out of the cycle of macroeconomic instability, low investment, sluggish economic growth, escalating poverty, and fragility. Having created momentum, the Government can undertake further comprehensive reforms encompassing a range of complementary measures such as lifting the foreign exchange market".

2.3 **OVERVIEW OF TARABA STATE ECONOMIC PERFORMANCE**

Taraba State is an agrarian State and economic performance is assessed by the key economic activities that are carried out in the State. Predominant economic activities in the State include farming, fishing, mining, commerce (trading), small scale processing and entertainment (tourism). These activities are still in their elementary stages, they are further greatly hindered by the impact of crisis in both the domestic and international economies.

Another guide used for State economic performance is its sources of revenue and how they perform. Traditional sources of financing development programmes and projects in the State are the Federation Account (**FAAC**), Internally Generated Revenue (**IGR**), loans, and donor support.

3.0 OVERVIEW OF 2020 – 2022 STATE ACTUAL FISCAL PERFORMANCE

3.1 REVENUE PERFORMANCE

The table below shows receipts from the three major sources of revenue for the period 2020 to 2022.

Table 2: Revenue performance

	2020 Revised Budget ₦	2020 Actual Performance ₦	2021 Revised Budget ₦	2021 Actual performance ₦	2022 Revised Budget ₦	2022 Actual Performance ₦
IGR	6,665,495,145.00	8,114,973,143.14	9,277,559,606.00	9,769,757,025.48	10,311,500,000.00	9,744,331,840.01
Statutory Allocation	25,448,239,992.00	37,075,069,015.11	51,905,547,537.00	39,298,917,117.19	50,662,234,050.11	41,477,377,594.20
Value Added Tax (VAT)	11,681,188,275.00	13,227,108,410.71	15,000,000,000.00	18,138,662,574.48	19,000,000,000.00	23,430,142,341.18
Total	48,794,923,412.00	58,467,150,568.96	76,183,107,143.00	67,207,336,717.15	79,973,734,050.11	74,651,851,775.39

Source: Ministry of Finance, Budget & Economic Planning 2023

3.2 EXPENDITURE PERFORMANCE

Table 3: Expenditure performance

	2020 Actual Performance ₦	2021 Actual Performance ₦	2022 Actual Performance ₦
Personnel cost	6,850,672,167.04	7,955,675,902.49	25,029,185,622.86
Overhead cost	16,082,884,105.45	14,944,931,302.89	22,518,044,623.29
Consolidated Revenue Fund Charges	11,542,377,933.32	14,225,991,845.59	17,889,390,365.85
Capital Expenditure	12,999,757,090.38	37,126,599,050.97*	19,851,278,290.30
Total	47,475,691,296.19	75,115,396,737.71	94,596,005,669.73

Source: Ministry of Finance, Budget & Economic Planning 2023

* Including Subvention to Parastatals

4.0 REVIEW OF THE 2023 HALF YEAR BUDGET IMPLEMENTATION

The performance for half year is presented in item 4.1 and 4.2 below.

4.1 REVENUE OUTTURNS AS AT MID - YEAR 2023

From the table below only the sum of thirty- nine billion, four hundred and sixty- three million, seven hundred and forty-three thousand, six hundred and six naira and four kobo (₦39,463,743,606.04) were realized as against the sum of eighty-six billion, three hundred and seventeen million, two hundred and sixty-eight thousand, seven hundred

and twenty-nine-naira, seventy kobo (₦86,317,268,729.70) prorated to the end of June 2023.

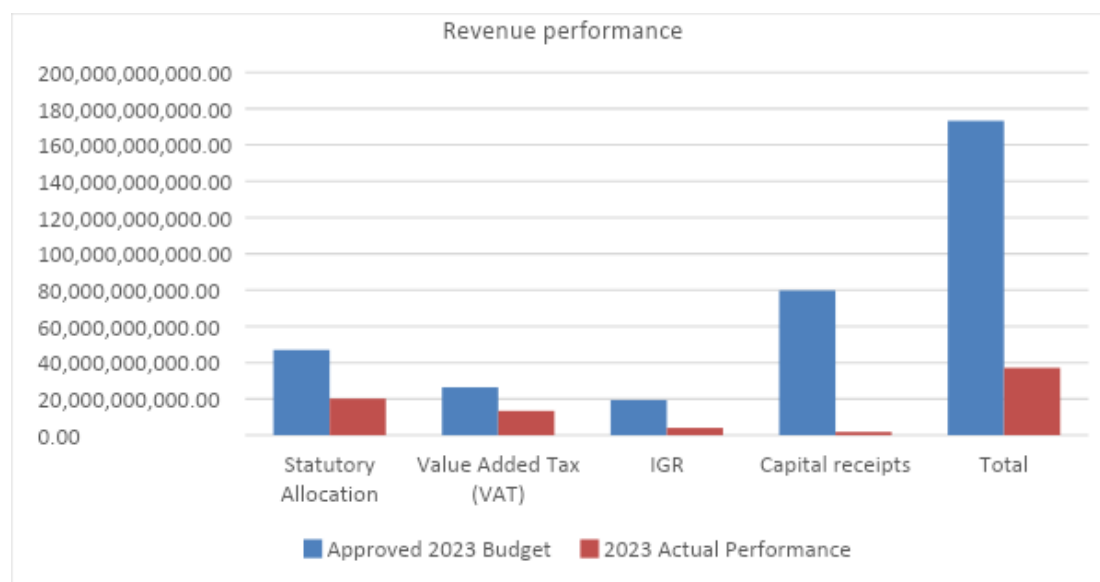
Table 4: Revenue inflow

REVENUE	2023 APPROVED BUDGET (BILLION ₦)	PRO RATA (JAN.-JUNE 2023) (BILLION ₦)	ACTUAL PERFORMANCE (JAN. – JUNE 2023) (BILLION ₦)	VARIANCE (BILLION ₦)	%
Opening Balance	600,000,000.00	-	-	-	
Statutory Allocation	46,967,546,515.00	23,483,773,257.50	20,200,442,100.00	3,283,331,157.50	13.98
Value Added Tax (VAT)	26,403,710,789.00	13,201,855,394.50	13,420,336,278.46	(218,480,883.96)	(1.65)
IGR	19,388,694,342.40	9,694,347,171.20	4,036,004,054.00	5,658,343,117.2	58.37
Capital receipts	79,874,585,813.00	39,937,292,906.50	1,806,961,173.58	38,130,331,732.92	95.48
Total	173,234,537,459.40	86,317,268,729.70	39,463,743,606.04	46,853,525,123.66	54.28

Source: Ministry of Finance, Budget & Economic Planning 2023

The graphic performance for revenue is presented in figure 1 below.

Figure 1: Revenue performance



Source: Ministry of Finance, Budget & Economic Planning 2023

4.2 EXPENDITURE OUTTURNS AS OF MID – YEAR 2023

The table below depicts the performance as of end of June 2023 in terms of expenditure by various fiscal items. Out of the total approved expenditure of ₦173,234,537,459.40, only the sum of ₦34,952,177,155.52 was expended by the end of June representing 20.18 percent.

Table 5: Expenditure performance for the half 2023

Fiscal item	2023 APPROVED BUDGET BILLION ₦	PRO RATA (JAN.-JUNE 2023)	ACTUAL PERFORMANCE (JAN. – JUNE 2023) BILLION ₦	VARIANCE BILLION ₦	%
Personnel cost	37,620,379,556.00	18,810,189,778.00	13,768,704,499.24	5,041,485,278.76	26.80
Other Recurrent cost	36,936,449,532.15	18,468,224,766.08	11,751,211,687.06	6,717,013,079.02	36.37
Capital Expenditure	98,677,708,371.25	49,338,854,185.63	9,432,260,969.22	39,906,593,216.41	80.88
Total	173,234,537,459.40	86,617,268,729.70	34,952,177,155.52	51,665,091,574.18	59.65

Source: Ministry of Finance, Budget & Economic Planning 2023

5.0 DEBT SUSTAINABILITY ANALYSIS (DSA)

Taraba State public debt stock which includes external and domestic debt stood at ₦83,151,306,837.16 in the second quarter of 2023. This comprises of total external debt stock of ₦21,918,173.26 and domestic debt stock of ₦83,129,388,663.90 as of 30th June 2023 (Debt Management Office & National Bureau of Statistics 2023).

The State economy like most economies is sensitive to the revenue shocks, expenditure shocks, exchange rate shocks, interest rate shocks and historical shocks. There is the need to fast-track efforts aimed at diversifying the sources of revenue away from dependent on **FAAC** revenue, as well as implement far-reaching policies that will boost the state **IGR**.

A debt sustainability analysis (**DSA**) assesses how a state or nation's current level of debt and prospective borrowing affect its present and future ability to meet debt service obligations. It is a consensus that a key factor for achieving external and public debt sustainability is macroeconomic stability. Government therefore should endeavor to strike a balance between revenue and expenditure, so that any debt incurred will not impact negatively on the State, thereby leading to serious financial crisis.

The State Government has the options of financing its activities from 2024 to 2031 through Commercial Bank Loans (maturity 1-5 years) with an average of rate of 22

percent, Commercial Bank Loans (maturity 6 year above) estimated at 9 percent, State Bonds (maturity 1-5 years) at 5 percent, and State Bonds (maturity 6 years above) at 7 percent, over projection period or even with External Financing – Concessional Financing which was estimated at 3 percent and Bilateral Loans of 2 percent. However, external financing may be less due to the limited funding envelopes from the external borrowing with long processing time required for loans from Multilateral and Bilateral sources. The debt sustainability indicators and thresholds are shown in the Table 6 below:

Table 6: Taraba State Debt burden indicators

Indicators	Thresholds	As at 2022	Average 2017 to 2031/Ratio
Debt as % of GDP	25%	5%	3.76%
Debt as % of Revenue	200%	123%	104.21%
Debt Service as % of Revenue	40%	13%	28.22%
Personnel Cost as % of Revenue	60%	18.00%	15.42%
Debt Service as % of FAAC	Nil	16.00%	34.40%
Interest Payment as % of	Nil	8.43%	9.71%
External Debt Service as % of	Nil	0.94%	0.97%

Source: Taraba State DSA/DMS Template, 2022

6.0 2024 – 2026 MEDIUM TERM EXPENDITURE FRAMEWORK

The Medium-Term Expenditure Framework and Multi Year Budget Framework (MTEF/MYBF) documents are carefully prepared considering National policies and the Five (5) Fingers Agenda of the State Government. The emphases are on Education, Security, Health, Youth and Women empowerment, and infrastructure development. In arriving at the expenditure and budget framework, the Ministry of Finance, Budget and Economic Planning considered the key underlying assumptions such as national real Gross Domestic Products (**GDP**) growth, the oil production benchmark, the oil price benchmark, the Naira to US dollar exchange rate, and national inflation rate.

6.1 MEDIUM TERM POLICY THRUST

In its efforts to improve efficiency in resource allocation while optimizing the impact of public expenditure, Government will continue to programme its expenditure plans on predetermined medium-term plans and strategies to achieve development objectives.

6.2 FISCAL POLICY OBJECTIVES AND STRATEGIES

The thrust of Government's fiscal policy in the medium-term is to sustain reforms and enhance fiscal resilience. This will be achieved through the following:

1. Strengthen and streamline revenue collection
2. Governance and public finance management
3. Infrastructural development
4. Ease of doing business
5. Ensuring sustainable deficit
6. Strengthen Monitoring and Evaluation
7. Improving the quality and effectiveness of education and training

6.2.1 STRENGTHEN AND STREAMLINE REVENUE COLLECTION:

The State Government is committed to using innovative ways to raise the revenues required to finance its expenditure and diversifying its revenue sources. The medium-term target is to increase the State Internally Generated Revenue. To boost internally generated revenue in the State, Government would take the following measures:

- I. Establish State Treasury Single Account **(TSA)**. This will facilitate regular monitoring of Government cash.
- II. Establish a strong data base on revenue and set up a robust tracking system to ensure remittance of all revenue collected.
- III. Maximize the huge potentials and optimize the operational efficiency of Taraba State Internal Revenue Service **(TIRS)** to generate significant revenues to fund the state budget as obtainable in other states.

6.2.2 GOVERNANCE AND PUBLIC FINANCE MANAGEMENT

The State Government would be more transparent and accountable in its financial transactions. This includes publishing detailed financial reports and audits in accordance with appropriate accounting standards. Government will strengthen institutions, promote transparency, accountability, and effective public financial management to ensure efficient resource allocation and utilization.

6.2.3 CREATING FISCAL SPACE FOR CLIMATE-SMART INFRASTRUCTURAL DEVELOPMENT

Government will pursue its fiscal strategy of targeted public sector infrastructure spending in 2024 – 2026. The most productive and growth-enhancing sectors will continue to be prioritised in the allocation of resources. The sectors include Education, Health, Agriculture, Security, Infrastructure (including Power and Transportation, etc). This strategy is aimed at improving infrastructure, facilitating employment creation, and stimulating economic growth. The strategy recognizes the need to deliberately cushion the effects of adjustments on the poor and economically vulnerable in a manner that creates opportunities for job creation, productivity, and inclusiveness.

6.2.4 EASE OF DOING BUSINESS:

The State would provide an enabling environment for businesses to thrive by reducing red tape and bureaucratic hurdles to business registration and licensing. The appropriate **MDAs** will be strengthened.

Government will also continue to support the activities of Micro, Small and Medium-Scale Enterprises (**MSMEs**). Furthermore, Government will further strengthen the frameworks for public private partnerships (**PPPs**). Capital projects that are good candidates for PPP by their nature will be developed for private sector participation.

6.2.5 ENSURING SUSTAINABLE DEFICIT

Government will implement revenue and expenditure reform measures in the medium-term, aimed at strengthening Government finances and reducing fiscal deficits overtime. As revenue collections improve, the need for deficit budgeting will decline. The lower budget deficit will reduce the rate of debt accumulation, increase in debt service payments, and contain deficit monetization and the attendant macroeconomic dislocations.

6.2.6 PERFORMANCE MONITORING AND EVALUATION

The Government will strengthen the M&E system to make it robust through investing in the system, assessment of the system and program review. The capacity of M&E officers will be built, and existing M&E efforts will be strengthened in the State to support policy making, helps Government Ministries in development and analysis work, support Ministries and agencies in managing activities, and strengthen accountability relationships. By and large, the Ministry of Finance, Budget and Economic Planning will print and disseminate to all the MDAs the State compendium of indicators and intensify monitoring of Budget implementation.

6.3 2024 – 2026 FISCAL STRATEGY

Some of the fiscal objectives that will be pursued in the medium term include:

- i. Support recovery measures to empower the people to own their livelihood.
- ii. Continuing the improvement in the quality and efficiency of public spending by focusing on quick wins.
- iii. Curtailing the growth of recurrent expenditure; and
- iv. Striving to maintain a recurrent account/capital development fund ratio of 43:57.

7.0. THE MEDIUM-TERM FISCAL FRAMEWORK (MTFF)

7.1. ASSUMPTIONS UNDERLYING PROJECTIONS

The 2024 – 2026 State **MTEF/FSP** is set to achieve fiscal discipline and stability. In line with **MTEF** procedures, the Medium-Term Fiscal Framework (**MTFF**) 2024 – 2026 is

centred on projected aggregate resources available to Government to drive its various programmes and projects in the next 3 years. These forecasts are based on some macro-economic assumptions as indicated in the table below:

Table 7: Key Assumptions

S/No	Item	2024	2025	2026
1	National Inflation (%)	21%	24.21%	17.21%
2	National Real GDP Growth (%)	3.76%	3.30%	3.46%
3	Oil Production Benchmark (MBPD)	1.78	1.813	1.813
4	Oil Price Benchmark (US\$/barrel)	\$73.96	\$69.00	\$72.00
5	NGN: USD Exchange Rate (N/\$)	700	535.92	437.57

Source: Fed. Min. of Budget & Economic Planning 2023

7.2 EXPECTED REVENUE INFLOW

The assumptions on the table 7 above form the basis for revenue projections and expenditure planning. From the underlying key assumptions, the revenue inflow to the State will be as follows: -

Table 8: Revenue inflow

REVENUE	2024 PROPOSED ₦	2025 PROJECTION ₦	2026 PROJECTION ₦
Statutory Allocation	80,530,437,373.10	143,000,000,000.00	183,000,000,000.00
Value Added Tax	40,775,025,036.00	32,000,000,000.00	40,000,000,000.00
Others (EMTL & Eco. Fund)	35,275,000,047.00	5,000,000,000.00	7,000,000,000.00
IGR	15,000,000,000.00	21,000,000,000.00	25,000,000,000.00
Capital receipts	60,000,000,000.00	20,000,000,000.00	23,000,000,000.00
Total	231,580,462,456.10	221,000,000,000.00	278,000,000,000.00

Source: Ministry of Finance, Budget & Economic Planning 2023

8.0 EXPENDITURE

The above collectible revenue is to be expended by the State through the following at an appropriate ratio: Personnel cost, Overhead cost, Consolidated Revenue Fund Charges, Debt servicing and Capital Developments as proposed in the table below for 2024.

Table 9: Expenditure outturns

Fiscal item	2024 Proposed (Billion ₦)	2025 Projection (Billion ₦)	2026 Projection (Billion ₦)
Personnel cost	37,273,000,056.00	45,000,000,000.00	67,000,000,000.00
Other Recurrent cost	63,000,000,000.00	73,000,000,000.00	75,000,000,000.00
Capital Expenditure	131,307,462,400.00	113,000,000,000.00	136,000,000,000.00
Total	231,580,462,456.00	231,000,000,000.00	278,000,000,000.00

Source: Ministry of Finance, Budget & Economic Planning 2023

8.1 FOCUS ON THE FISCAL FRAMEWORK

The focus of the fiscal framework is listed below.

- i. Expenditure for 2024 is set at a credible and sustainable level towards sectoral developments.
- ii. Expenditure geared towards Sustainable Economic growth.
- iii. Ensuring transparency, accountability, and comprehensiveness of the budget.
- iv. Expansion of revenue base by promoting activities and harnessing the nature gift.
- v. Create conducive environment for investors and partners to operate in the State.

8.2 PERCENTAGE SHARE OF TOTAL EXPENDITURES

The overall expenditure ceilings for each sector taking into consideration the revenue projections and fiscal constraints are as stated below. The sectoral allocation is presented in table 10 below.

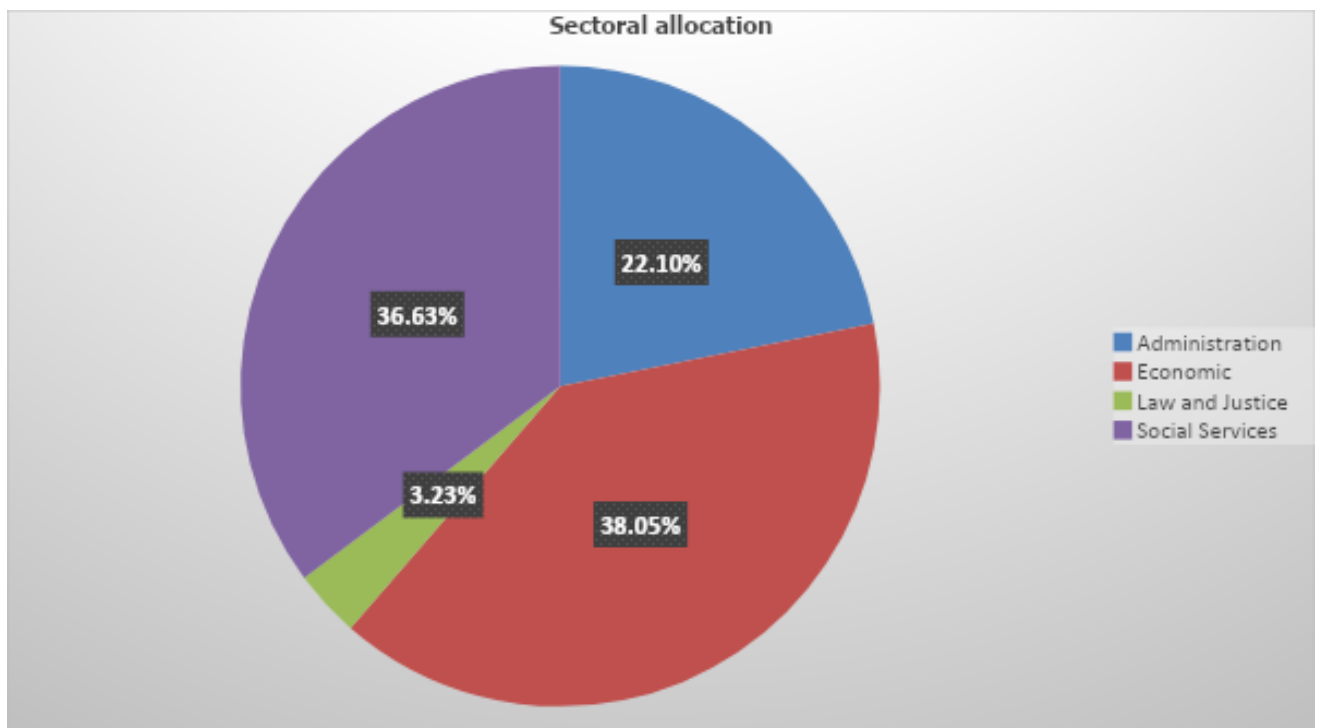
Table 10: Percentage Sectoral Allocation

S/N	Sector	Proposed Allocation	% Share
1.	Administration	₦51,176,966,723.10	22.10
2.	Economic	₦88,111,838,048.00	38.05
3.	Law and Justice	₦7,469,359,567.00	3.23
4.	Social Services	₦84,822,298,117.90	36.63
	Total	₦231,580,462,456.00	100

Source: Ministry of Finance, Budget & Economic Planning 2023

The above resource allocation is in accordance with the Government policies priorities and development objectives- the five fingers' agenda.

Figure 2: Sectoral Allocation



Source: Ministry of Finance, Budget & Economic Planning

9.0 RISKS TO MEDIUM TERM OUTLOOK

The risks to medium term outlook include: the global economic trends and geo-political tensions, international oil market developments (oil prices and oil demand and supply) and exchange rate. At the local level there is insecurity.

10.0 **CONCLUSION**

The 2024 – 2026 **MTEF** and **FSP** of the State have been prepared against the framework of the current global and national economic realities. The implementation of the five (5) figures agenda of this administration will continue to look at prevailing realities and make necessary adjustments to ensure that it is on course and consolidated as well.

Inflation, interest -rate hikes and war (Russia and Ukraine, and Israel and Palestinian) are among the main challenges. Urgent global action is required to mitigate contraction in the economies and debt risk.