

Bayelsa State 2014-2016 Medium Term Expenditure

FRAMEWORK

1. Introduction: This paper as usual contains details of the Bayelsa State Government 2014 – 2016 Fiscal strategy and the Medium Term Expenditure Framework. Under section 14 subsections 1 of the Fiscal Responsibility law of the State 2009, the Hon. Commissioner of Budget and Economic Planning is required to prepare the States Medium Term Expenditure Framework as well as the Fiscal Strategy of the State Government over a particular period. Thus the 2014 – 2016 MTEF provides ample Insight into the State’s Macroeconomic Framework, Fiscal Strategy documentation as well as aggregate revenue and Expenditure Framework. Also the specific and strategic economic social and developmental priorities of the Restoration Agenda of the Government are well articulated. As usual, the paper concludes with the top down resource envelope allocation to both Capital and Recurrent expenditures to all MDAs for 2014 – 2016 periods.

2. Socio- Economic Overview of Bayelsa State: The religious implementation of the Restoration Agenda of the present Administration has indeed increased the tempo of socio- economic activities of the State. Also the pragmatic efforts at stemming the tide of insecurity in the State through the careful redesigning and implementation of a well thought out security architecture has ensured the prevalence of relative peace in the State. The resurgence of large scale oil theft activities of late has become a source of great concern to the State Government because of its obvious adverse economic implications on the revenue fortunes of the State. Of course, Government is sparing no effort to bringing the menace under control. In general terms the revenue fortunes of the State has fared very well over the past one year. Additionally the successful inauguration of the

State Development and Investment Cooperation (BDIC) will no doubt expand the frontiers of economic growth of the State soon.

Let us therefore highlight some of the baseline economic activities of the State with a view to placing in proper perspective our proposed fiscal strategy and Medium Term Expenditure Framework over the 2014 – 2016 period.

2.1 **OIL AND GAS:** The State has continued to maintain its status as one of the largest producers of crude oil and natural Gas in the Country. Thus, the State plays host to the activities of major multinational oil Companies even though most of them have not opened up functional administrative bases in the State. The Brass LNG project and that of the Gbaran Gas project are two major oil related projects whose successful completion will in no doubt impact positively on the economic landscape of the State. It is also hoped that the State will benefit maximally from the siting of the secretariat of the Nigerian Content and Monitoring Board secretariat in the State. Also the commencement of construction work of the new refinery at Oloibiri will transform the tempo of economic activities in the State. Desirous of tapping the full potentials of the Oil and Gas Industry in the State, the State Governor has inaugurated the Board of the Bayelsa State oil Company.

2.2 **AGRICULTURE:** Determined to increase the percentage contribution of the Agricultural subsector of the state economy (which is presently about 11%), the Government has taken decisive action policy wise, to exploit its huge potentials. Therefore Government needs to fast track the implementation modalities for the smooth take off of the State Agricultural Development Company which invariably takes over the assets and liabilities of all the now defunct Agricultural related limited liability companies. The various newly

established government farms needs adequate care to realize government objectives.

2.3 ROAD AND INFRASTRUCTURE: The provision of accessible roads and other critical infrastructure across the state has of course remained the topmost priority of the present Restoration Government of Governor Henry Seriake Dickson. The 3 Senatorial Roads are presently receiving adequate attention from Government. Also Yenagoa the state capital is wearing a new look as a number of strategic roads, flyovers and bridges are being constructed to not only ease the transportation challenges in the state, but also to create the needed platform for accelerated development of the entire state. The issue of marine transportation still remains an intractable problem that requires a ‘Restoration touch’ of His Excellency. The take off of the State Maritime Academy is, of course, an added impetus in this drive. The helipad at Igbogene has been rehabilitated. Construction of some office accommodation is progressing satisfactorily at the proposed deep sea port at Agge and the Airport.

2.4 EDUCATION: Government’s realization of the role of Education in unlocking the huge socio economic potentials of the state informed the declaration of a state of emergency in the education subsector, and the subsequent adoption of the compulsory free primary and secondary education in the state. The state government has over the past one year, committed massive financial resources towards the realization of this declared objective. In fact, this is one area that the state government has made a very bold statement on its Restoration Agenda. Construction of over 25 model schools complete with full boarding facilities and staff quarters in every primary and secondary schools has begun in earnest.

Free books and uniforms have been provided as promised. The Teachers Training Institute has taken off. Indeed every primary and secondary school compound has become a huge construction site in the state while the schools of Tourism and Agriculture are about to take off.

2.5 **FINANCE:** It is a truism that the state government continues to derive over 80% of its revenue from the Federal Allocation. Of course the 13% mineral derivation formula accounts for a significant percentage of these Federal Allocation.

In 2011 the main Budget of the state was about ₦161bn. This further increased to ₦238bn in 2012 and further to ₦303bn in 2013. The explanation for this steady increase in the Expenditure profile of the state particularly from the advent of the Restoration Government of His Excellency Hon. Henry Seriake Dickson is attributable to the prevalent strong political will to maximize all revenue avenues open the state. On the expenditure side, Government has continued to ensure Transparency, Prudence and Accountability in the management of the Finances of the state.

For the records, the Bayelsa State Government is part of the National reform process in the classification of government expenditure. We are at the verge of introducing the Nationally agreed new chart of Accounts in the preparation of the 2014 budget of the state. This will further strengthen the State Budget Office in ensuring budget discipline in the state. In partnership with NDI and World Bank (our development partners) the entire public expenditure management architecture is being reformed for improved results. In line with the extant law on compulsory savings the State has saved over ₦40bn

since the advent of the present Government. The monthly transparency briefing which has become a bench mark for transparency rating across the Country, has been sustained over the period.

2.6 **EMPLOYMENT:** Although the State Government remains the largest employer of labour in the state, it is hoped that with the various economic diversification efforts, this situation will reduce significantly in the nearest future.

2.7 **SECURITY:** The huge investments in the security of our state have yielded positive dividends as the state has witnessed relative peace in the past one year on the enacting of the anti-cultism law, kidnapping law. Additionally, the State has planned huge investments in high technical gadgets & systems. Government intends to sustain this situation.

2.8 **Health:** The implementation of the policy of providing every LGA headquarters with a functional general Hospital is progressing satisfactorily. The plan of putting the state in the Health tourism map of the country is on course as construction work on strategic health facilities and the modern diagnostic centre in Yenagoa has started in earnest. Also the social health insurance law of the state has been signed into law and modalities for its smooth take off are being worked out.

2.9 **ENERGY:** The State Government has begun with the processes for the production of a properly articulated power master plan for the state. When completed this will provide a good guide for the states investment decisions in the energy sub sector. Meanwhile, the execution of some quick win projects in the energy sector will bring the needed succour to the business environment in the state.

2.10 HOUSING: The State Government has begun with pragmatic steps to mitigate the huge housing deficit in the state. Prominent amongst them include the construction of Housing estate in every LGA Headquarters. Also construction work at Okaka phase II Housing project has started. A very strong partnership with the Federal mortgage bank is being worked out in the state. Also, arrangements to partner with the private sector on Public Private Partnership in this sector is being pursued vigorously.

2.11 SPORTS: A sport academy has been established to take advantage of the huge potentials in this subsector. Also construction work of the state polo and golf courses have begun. The state has continued to excel in Youth Basketball competition in the country. There is the need to encourage the development of other sports.

3.1 FISCAL STRATEGY PAPER: The fiscal strategies outlined in this section are designed to further consolidate on the achievements of the 2013-2015 fiscal strategies. The drivers of these strategies will continue to be transparency, fiscal discipline, accountability, prudence and efficiency.

3.2 MEDIUM TERM FINANCIAL OBJECTIVES (2014-2016): The overarching mission of His Excellency Hon. Henry Seriake Dickson Governor of Bayelsa State is to ensure total Restoration of the lost glory to all Bayelsans. Thus, within this framework the financial objectives of the state for the 2014-2016 fiscal period will be as follows:

3.2.1 Fiscal Deficit: It is true that so much investments have been made on the provision of needed critical infrastructure in the state over the past 1¹/₂ year, yet the challenges of completing what we have started remains intimidating

funding wise. As a result a huge gap exists between these challenges and the revenues to mitigate them. Thus, for 2014-2016 fiscal periods, the state government intends to continue its run with deficit budget which will not exceed 3% of the state Gross State product.

3.2.2 **Credit Rating:** Although within the outgoing 2013 – 2015 fiscal period no rating on the state was done, the state government shall within the new period 2014-2016 strive to sustain what was already achieved before (B+).

3.2.3. **Fiscal and Budget Discipline:** The State Government shall continue to ensure that MDAs keep their spending within Budget limits. The State Budget Office will be strengthened further to play more decisive role in this regard. Therefore for the 2014-2016 periods, the state government shall continue to align itself to the best practices of fiscal and budget discipline.

3.2.4. **Public Expenditure Management:** Within the 2014-2016 periods, the government intends to sustain the improvements already recorded in the management of public expenditure in the state. Accordingly, the state government will partner with USAID, NDI (National Democratic Institute) and the World Bank. SEEFOR and STRIDE are to sustain this drive. Of course, prudence, transparency and Accountability will remain very strong pillars of a sound public expenditure management framework in the 2014-2016 plan period.

3.2.5. **Optimization of Revenue Sources:** Due to the strategic position of adequate revenue in our Restoration Agenda, no effort will be spared to optimize all revenues due to the state. In the same vein the 2014-2016 period will witness greater monitoring of all sources of revenue of the state. The

establishment of Tax Assessment and Review Committee (TARC) will drive the process.

3.3. **Fiscal Policies:** To drive the medium term financial objectives of the state the following fiscal policies are enunciated.

3.3.1. **Internally Generated Revenue:** As stated earlier, TARC will ensure proper mobilization of all revenues that will accrue to the state. Also the Bayelsa Development & Investment Corporation (BDIC) will drive the State Governments vision of properly diversifying the State economy.

3.3.2. **Recurrent Expenditure:** It is true that the bureaucracy of the state has expanded tremendously since the advent of the present Restoration Government. That notwithstanding the State Government will continue to strive to keep its recurrent expenditure under serious check. Accordingly, over the medium term recurrent expenditure shall not exceed 50.76%, 45.80% and 43.99% of total expenditure for 2014, 2015 and 2016 respectively.

3.3.3. **Capital Expenditure:** Conversely, Capital Expenditure shall be a minimum of 49.24%, 54.20% and 56.01% respectively for 2014, 2015 and 2016.

3.3.3. **Debt/Borrowing and other liabilities:** Government will ensure the continuity of the policy of debt sustainability in the financial management of the state. While Government is desirous in ensuring genuine partnership with our development partners it will do so within the limits of the following:

- (i) Debt stock (both domestic and foreign) as a percentage of the state's GSP will not exceed 30%

- (ii) Debt Service (both domestic and foreign) as a percentage of the state's recurrent revenue shall not exceed 30%.

3.3.4. **Viable Investments:** The policy of Government investing in viable and safe investment options will be sustained in 2014-2016. The BDIC will be the driver of this policy.

4. **Medium Term Economic Social and Infrastructure Development priorities 2014-2016:**

As stated earlier, the overarching vision of His Excellency Hon. Henry Seriake Dickson the Governor of Bayelsa State is the total Restoration of the lost glory to all Bayelsans.

4.1 **MISSION STATEMENT:** The mission statement of His Excellency Hon. Henry Seriake Dickson the Governor of Bayelsa State Remains:

- (i) To ensure the provision of the needed critical infrastructure in the state.
- (ii) To build a state with a thriving economy that will provide not only for our current needs but will ensure a secured and prosperous future for our children and future generation.
- (iii) Promotion of peace and security of lives and property.
- (iv) In addition the various economic social and infrastructure development priorities articulated in the MTSS of the MTEF compliant MDAs for the 2014-2016 forms part of the overall development agenda of the Hon. Henry Seriake Dickson led Restoration Government.

Accordingly, the specific priorities to be pursued by the state government over the 2014-2016 plan periods include:

- 4.2. **INFRASTRUCTURE:** The glaring infrastructure deficit in the state remains a fundamental issue to be addressed by government. Thus, over the 2014-2016 periods, government shall direct 34% of its Capital Expenditure to the execution of its strategic infrastructure project.
- 4.3. **Education:** Human Capital Development remains key to the realization of the lofty hopes and aspirations of the present administration. Thus, over the 2014-2016 period government shall commit at least 9% of its total capital expenditure budget to the education subsector.
- 4.4. **Health:** Government has already begun the process of repositioning the Health care delivery system in the state. Accordingly, at least 4% of the state capital budget will be devoted to the health subsector.
- 4.5. **Peace and security:** The prevalence of peace and security is a necessary imperative for the socio economic development of the state. Accordingly, government will sustain its present level of investment to ensure the peace and security of the state.
- 4.6. **Diversification of the state economy:** The state government has taken very bold steps to diversifying the state economy. So many private sector structured companies have been established to run the process. Of course the BDIC is at the apex of this exercise. Accordingly, over the 2014-2016 period, government intends to spend at least 15% of its total capital budget to execute initiatives in this direction.
- 4.7. **Fiscal Discipline Transparency and Accountability:** In the past one year, so much has been done in this direction by the state government. Strengthening institutions such as the Due Process Bureau, State Budget

Office and the State Treasury office is designed to enthrone these virtues in the management of funds in the state. All that is required at the moment is more support from the political leadership of the state. Accordingly, Government will spend at least 5% of its capital expenditure on initiatives aimed at promoting best practices in the public expenditure management of the state over the 2014-2016 periods.

5 Performance Review of Year 2012 Budget

1.1 Background

On 23rd April 2012 His Excellency, Hon. Henry Seriake Dickson the Executive Governor of Bayelsa State presented to the Bayelsa state House of Assembly a revised 2012 Appropriation Bill. Then on the 16th of May, 2012 His Excellency signed into law the 2012 Appropriation Bill of ₦238.2bn. This was made up of ₦201.6bn from statutory allocation, ₦7.1bn from Value Added Tax, ₦5.6bn from IGR and ₦23.8b from Capital Receipts.

In terms of Expenditure, Aggregate expenditure was also ₦238.2bn, made up of ₦36.2bn for personnel cost, ₦31.4bn for overhead cost, ₦28.1bn for consolidated revenue fund charges and ₦142.5bn for capital expenditure.

Government later raised a supplementary budget of ₦16.8bn to address some development issues. This was made up of ₦3.0bn for overhead expenditure and ₦13.8bn for capital expenditure. This brought total appropriation for 2012 to ₦255bn.

5.2 Revenue Performance

5.2.1. Key Assumptions and Parameters.

The 2012 budget was based on key assumptions consistent with the state's 2012-2014 Medium Term Expenditure Framework. These assumptions and parameters are:

- a. Benchmark crude oil price of \$72pb
- b. Oil production capacity of 2.27mbpd
- c. Bayelsa share of total production output put at 19%
- d. An exchange rate of ₦155/\$1
- e. Percentage increase of IGR put at 54.8%
- f. Total fiscal deficit put at 3% of BYGSP.

Table1. Key Parameters and Assumptions of the 2012 Budget

S/No	Description	Value
1	Crude oil price	\$72pb
2	Production per day	2.27mbpd
3	Exchange rate	₦155/\$1
4	State share of total oil production	19%
5	% increase in IGR	54.8
6	Total fiscal deficit	3% of BYGSP

The total revenue receipts for year 2012 as at 31st December, 2012 stood at ₦169,151,222,402.96 or 66.3% of the projected ₦255,024,271,196.61 in the 2012 budget (see table2 below).

Table 2. Actual Revenue Profile for Year 2012.

S/NO	SOURCE OF REVENUE	2012 BUDGET REVENUE	2012 ACTUAL REVENUE	% BUDGET IMPL.	% OF TOTAL REVNUUE
1	Statutory allocation	21,795,000,000	34,623,371,630.43	186.86	20.47
	Derivation	144,055,600,000	92,961,714,008.72	64.53	54.96
	VAT	7,094,000,000.00	6,640,942,524.45	93.61	3.93
	Excess Crude	35,788,684,669.46	30,266,538,611.89	84.57	17.89
	Others		11,967,623,699.18	∞	7.07
	Less FAAC Deductions		-29,927,911,732.15	∞	(17.69)
	Total Federal Allocation	208,733,284,669.46	146,532,278,742.52	70.2	86.63
2	IGR	5,648,000,000.00	5,218,043,774.44	92.4	3.08
3	Capital Receipts	40,642,986,527.15	17,400,899,886.00	42.8	10.29
4	TOTAL REVENUE	255,024,271,196.61	169,151,222,402.96	66.3	100

5.2.2 Federal Allocation: As can be seen from the above table, revenue from federal sources accounted for 86.6% of total revenue that accrued to the state in the year. This means that the state still relies mainly on the federation account for its revenue. This of course, exposes the state economy to the external vagaries of international oil prices. There is therefore the need to diversify the state revenue base.

5.2.3 Internal Generated Revenue: Although the IGR budget implementation was 92.4% of budgeted figures, it still amounted to only 3.1% of total revenue receipts. This is not a healthy situation for the state economy. Government should intensify its effort at increasing its IGR generation.

Capital Receipts: The Capital Receipt budget of ₦40.6bn was 42.8% implemented in the 2012 fiscal year. This could be as a result of reduced borrowing from commercial banks, and also less of grants and aids received.

Figure3: Budget & Actual Revenue Profile 2012.

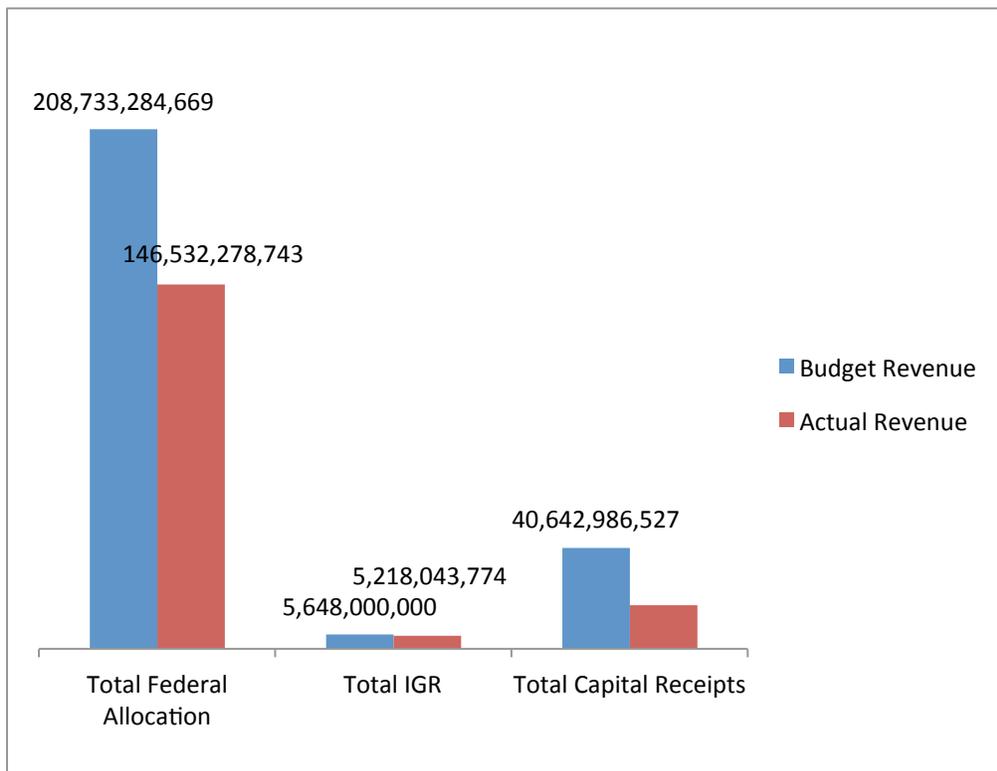
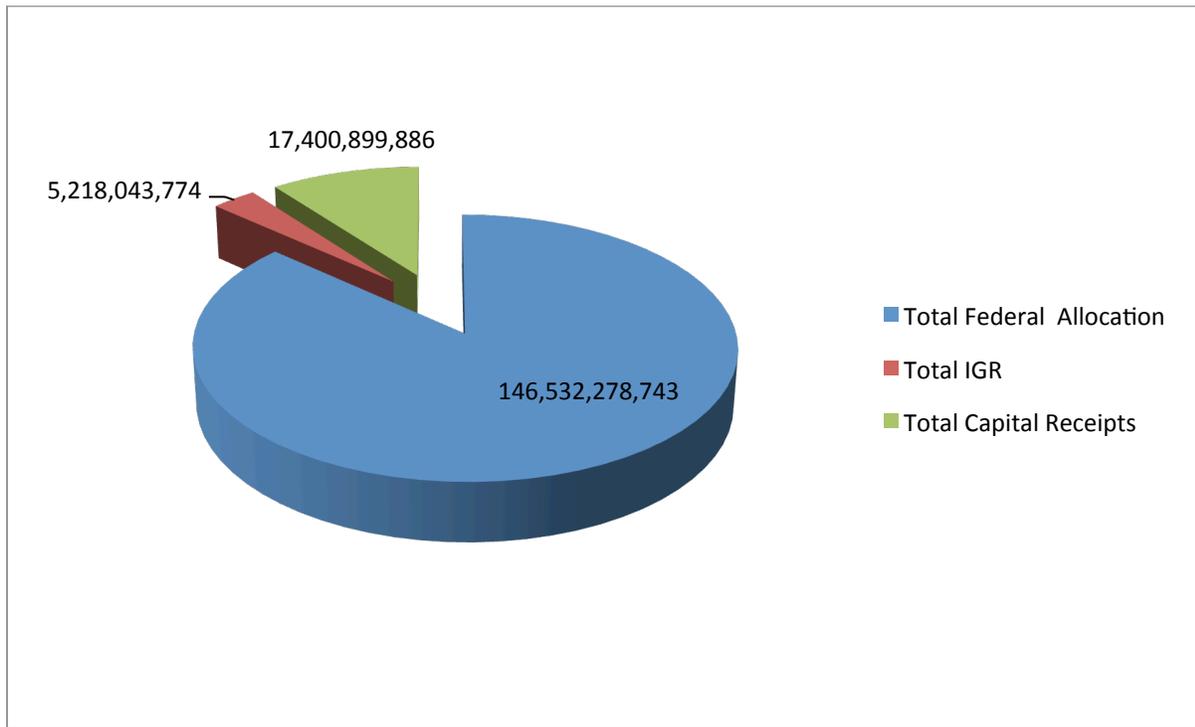


Figure4: Total Revenue Profile for Year 2012



5.3 Expenditure Performance.

As stated earlier, a total of ₦255bn was appropriated by the State House of Assembly for the 2012 fiscal year. Of this, about ₦156.3 or 61.3% was for capital expenditure while ₦98.7bn or 38.7% was for recurrent expenditure. The recurrent was made up of ₦36.2bn for personnel cost, ₦34.4 for overhead cost, ₦28.1bn for consolidated revenue fund charges.

As at 31st December, 2012, ₦153.8bn or 60.3% of the year 2012 budget has been paid out by the State Treasury. Of this amount, ₦50.7bn or 32.9% was expended on personnel costs, ₦20.9bn or 13.6% was spent on overhead costs, and ₦64.5bn or 41.9% on capital expenditure.

Table 3. Year 2012 Expenditure Analysis.

S/NO	LINE ITEM	2012 BUDGET (₦)	2012 ACTUAL (₦)	% BUDGET IMPL.	% TOTAL EXP.
1	Personnel Cost	36,168,265,607.00	50,729,507,016.94	140.1	32.9
2	Overhead Cost	34,407,780,175.00	20,985,884,424.27	60.8	13.6
3	CRFC	28,143,000,000.00	17,563,578,490.28	62.6	11.4
4	Total Recurrent Exp.	98,719,045,782.00	89,278,969,931.49	90.5	58.1
5	Capital Exp.	156,305,225,414.00	64,532,042,601.84	41.3	41.9
6	Total Exp.	255,024,271,196.00	153,811,012,533.33	60.3	100

5.3.1 RECURRENT EXPENDITURE: As can be seen from the above table, a total of N89.3bn or 90.5% of the budgeted ₦98.7bn was spent on recurrent expenditure. This translates into 58.1% of total expenditure. Of this amount, personnel cost was ₦50.7bn, overhead cost ₦20.9 while CRFC was ₦17.5bn.

5.3.1.1 Personnel Cost: The actual personnel cost of ₦50.7bn for the 2012 fiscal year was far above the budgeted figure of ₦36.2bn for the period. This could be as a result of under casting by the various MDAs during the 2012 budget computations for personnel cost. Also, the period under review witnessed a large number of political appointments. Personnel cost got a total of 32.9% of total expenditure for the year.

5.3.1.2 Overhead Cost: A total of ₦20.9bn was spent on overhead cost of out the ₦34.4bn budgeted for it. This represents 13.6% of the total payout from the state treasury. This percentage was achieved due to all the prudent financial

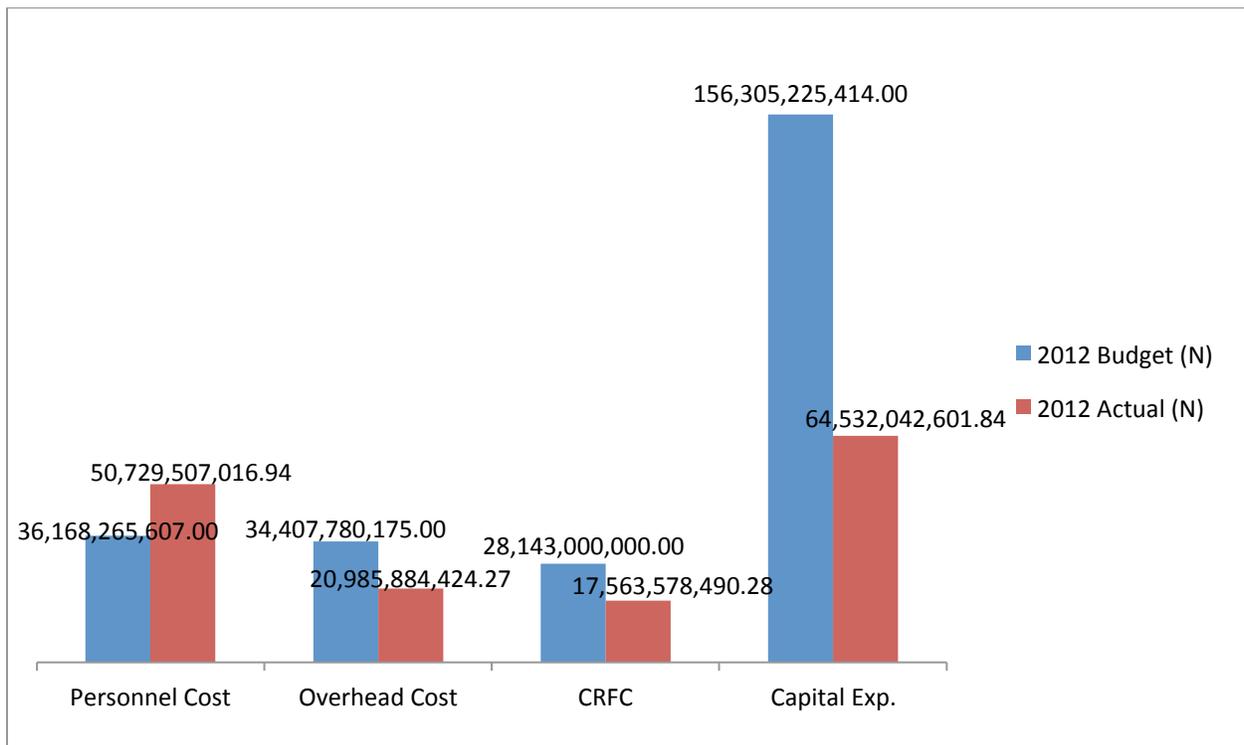
management process applied in line with the Government’s policy of deliberately cutting down on overhead costs.

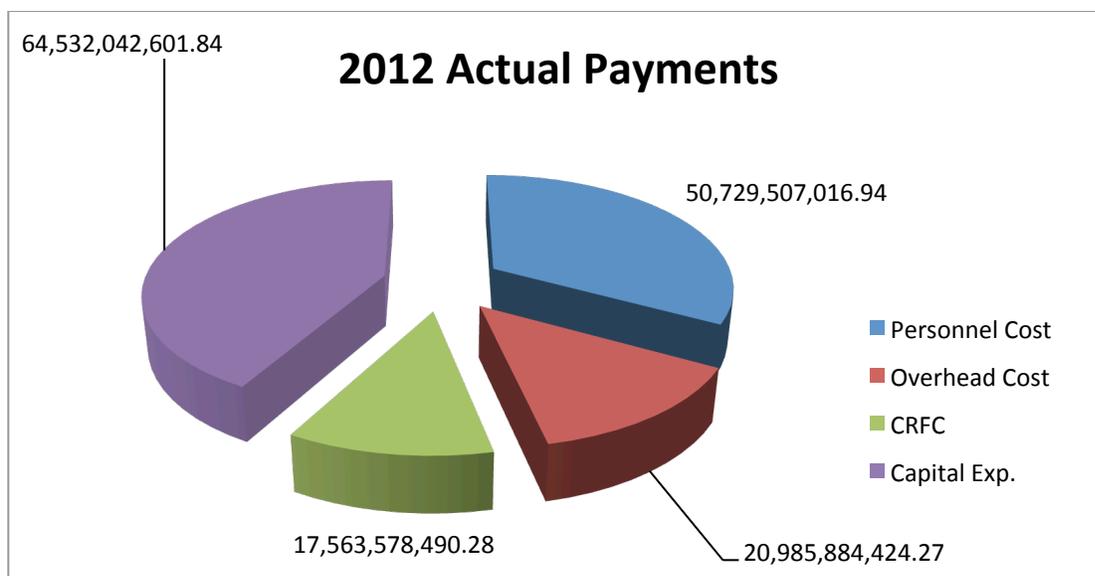
3.3.1.3 CRFC: A total of ₦17.5bn was paid out by the state treasury for consolidated revenue fund charges. This is mainly for internal loan repayments.

5.3.2 CAPITAL EXPENDITURE: Total actual capital expenditure stood at ₦64.5bn as against the ₦156.3bn budgeted for it in the year. This represents 41.9 of total expenditure for the year. This was a far cry from the 58.9% capital expenditure to 40.2% recurrent expenditure ratio prescribed by the 2012 budget.

It should be noted that capital projects execution was marred by the unprecedented flood that ravaged the State in 2012.

Figure5: 2012 Expenditure Breakdown





6. 2013 Half Year Budget Performance.

6.1. Background:

The 2013 Appropriation Bill of ₦303.5bn was signed into law by His Excellency, Hon. Henry Seriake Dickson on the 22nd of March, 2013. The Total Revenue Budget of ₦303.59bn is made up of ₦233.47bn as Statutory Allocation, ₦9.96bn as Value Add Tax, ₦18.78bn as IGR and ₦41.38bn as Capital Receipts. In terms of Expenditure, Aggregate expenditure was also ₦303.59bn, and is made up of ₦141.53bn for Recurrent expenditure and ₦162.06bn for Capital expenditure. The Recurrent expenditure comprises of ₦49.11bn for Personnel Costs and ₦37.23bn for Overhead Costs. It is worthy of note that the 2013 estimates of revenue and expenditure were taken from the State's 2013 – 2015 Medium Term Expenditure Framework and the Medium Term Sector Strategies of the MTEF participating MDAs.

This report therefore presents an assessment of the implementation of the 2013 budget as at 30th June 2013

6.2 Revenue Performance.

6.2.1. **KEY ASSUMPTIONS AND PROJECTIONS:** The 2013 budget was based on key assumptions consistent with the state's 2013-2015 Medium Term Expenditure Framework.

These assumptions were:

- (a). Benchmark crude oil price of \$70pb
- (b). Oil production capacity of 2.55mbpd
- (c). Bayelsa share of total oil production output at 19%
- (d). An exchange rate of ₦160/\$1
- (e). Percentage increase in IGR at 17.74%
- (f). Total fiscal deficit put at 3% of BYGSP.

Table 4. Key Parameters and Assumptions for 2013 budget.

S/NO	DESCRIPTION	VALUE	REMARK
1	Crude oil price	\$70pb	
2	Production per day	2.55mbpd	
3	Exchange rate	₦160/\$1	
4	State share of total oil production	19%	
5	% increase in IGR	17.74%	
6	Total fiscal deficit	3% of BYGSP	

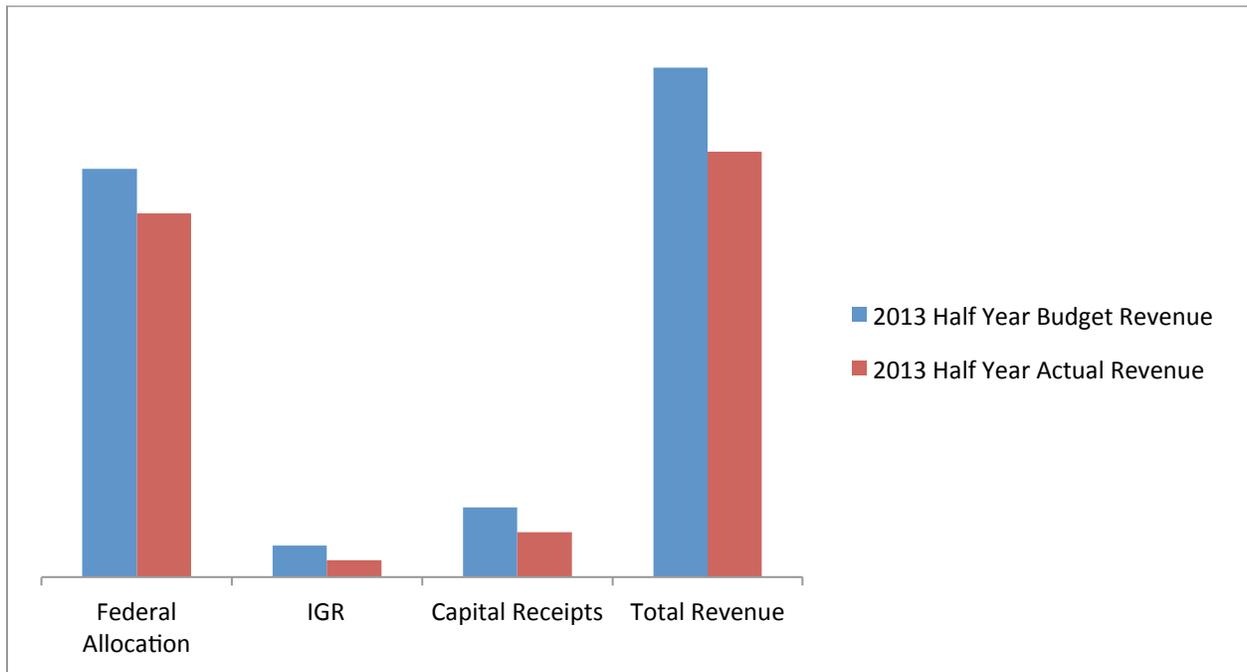
6.2.2. **ANALYSIS OF 2013 HALF YEAR REVENUE PERFORMANCE:** As stated earlier, the total budgeted revenue for 2013 was 303.592bn. Of this amount, Statutory Allocation was expected to amount to ₦233.47bn or 76.9% of total revenue while VAT was projected to amount to ₦9.96bn or 3.3% of total revenue. IGR was projected to amount to ₦18.78bn or 6.2% and capital receipts to amount to ₦41.38bn or 13.6%.

The following table summarizes the state's revenue performance for the period under review.

Table 5: Total Actual Receipts as at 30th June 2013.

S/NO	SOURCE OF REVENUE	2013 BUDGET REVENUE	2013 HALF YEAR BUDGET REVENUE	2013 HALF YEAR ACTUAL REVENUE	% IMPL.
1	Statutory allocation	27,268,000,000	13,634,000,000	14,877,423,083.99	109.12
	Derivation	160,706,000,000	80,353,000,000	63,504,500,329.03	79.03
	VAT	9,955,000,000	4,977,500,000	3,755,925,455.92	75.46
	Excess Crude	45,500,000,000	22,750,000,000	31,752,206,540.78	139.57
	Other			8,269,842,255.24	∞
	Less FAAC Deduction			-13,798,015,837.06	∞
	Total Federal Allocation	243,429,000,000	121,714,500,000	108,361,881,827.90	89.03
2	IGR	18,780,802,598	9,390,401,299	5,045,973,479.06	53.74
3	Capital Receipts	41,381,587,474	20,690,793,737	13,353,775,161.28	64.54
4	TOTAL REVENUE	303,591,390,072	151,795,695,036	126,761,630,468.24	83.51

Figure1: 2013 Half Year Revenue profile.



6.2.3 STATUTORY ALLOCATION: Revenue accruing to Bayelsa State from Statutory Allocation (including proceeds from the 13% derivation and VAT) fared very well when compared with budgeted figures as actual receipts as at 30th June, 2013 stood at ₦108,361,881,827.90 or 89% of projected revenue for the period. This can be attributed largely to the prevalence of peace in the Niger Delta region and the relative stability of crude oil price. This also reveals the uncomfortable over reliance of the state on the Federation Account.

6.2.4 INTERNALLY GENERATED REVENUE: The 2013 budget for IGR was estimated at ₦18, 780,802,598.00 for the year and projected at ₦9,390,401,299 for the half year of 2013. As at 30th June, 2013 the IGR performance has picked up as it achieved ₦5,045,973,479.06 or 53.7% of projected revenue for the period under review.

6.2.5 CAPITAL RECEIPTS

The 2013 budget deficit of ₦41,381,587,474.67 was projected to be funded with counterpart funds, carbon credit sales and loans from Commercial banks. It is interesting to note that performance in this area was good as the State recorded 64.5% performance as it got ₦13,353,775,161.28 out of the projected figure of ₦20,690,793,737.00 as at 30th June, 2013.

6.3.1 EXPENDITURE PERFORMANCE: As stated earlier, a total sum of ₦303,591,390,072 was appropriated by the State House of Assembly for the 2013 fiscal year. Of this amount, ₦162,059,291,372 or 53.4% was allocated to Capital expenditure, ₦49,114,301,560 or 16.2% to Personnel cost, ₦37,229,685,527 or 12.3% to Over head costs while ₦55,188,111,613 or 18.2% was allocated to consolidated Revenue fund charges.

As at 30th June, 2013, ₦108,857,849,391.08 out of the projected Expenditure of ₦151,795,695,036 representing 71.7% had been paid out by the State Treasury. Of this total expenditure for the period under review, ₦25,624,617,510.54 or 104.3% of projected personnel cost of ₦24,557,150,780 was spent, ₦8,328,153,132.67 or 44.7% was expended on overhead costs, ₦28,093,192,202.12 or 101.8% of projected ₦27,594,055,806 on CRFC and ₦46,811,886,545.75 or 57.8% on projected Capital Expenditure. See table 2 below.

TABLE 6: Expenditure Profile as at 30th June, 2013

S/NO	EXPENDITURE ITEM	2013 BUDGET EXPENDITURE	2013 HALF YEAR BUDGET EXPENDITURE	2013 HALF YEAR ACTUAL EXPENDITURE	% IMPL.
1	Personnel Cost	49,114,301,560	24,557,150,780	25,624,617,510.54	104.3
2	Overhead Cost	37,229,685,527	18,614,842,763	8,328,153,132.67	44.7
3	CRFC	55,188,111,613	27,594,055,806	28,093,192,202.12	101.8
4	Total Recurrent Exp.	141,532,098,700	70,766,049,350	62,045,962,845.33	87.7
5	Capital Expenditure	162,059,291,372	81,029,645,686	46,811,886,545.75	57.8
	Total Budget Expenditure	303,591,390,072	151,795,695,036	108,857,849,391.08	71.7

As can be seen from the above, Personnel Cost and Consolidated Revenue Fund Charges (CRFC) overshot their half year budgeted figures by 4.3 and 1.8 percentage implementation respectively. This shows that personnel cost was underestimated in the 2013 budget computations by the MDAs. Also, the excessive CRFC is as a result the huge debt repayment burden on the State Government. Also, the issue of increased political appointments contributed largely to the huge personnel cost during the period under review. One other visible statistics in this analysis is the ratio between recurrent and capital expenditure. Whereas the 2013 budget proposed a 46.6% to 53.4% for recurrent to capital expenditure respectively, actual expenditure on these line items was indeed a reversal of some

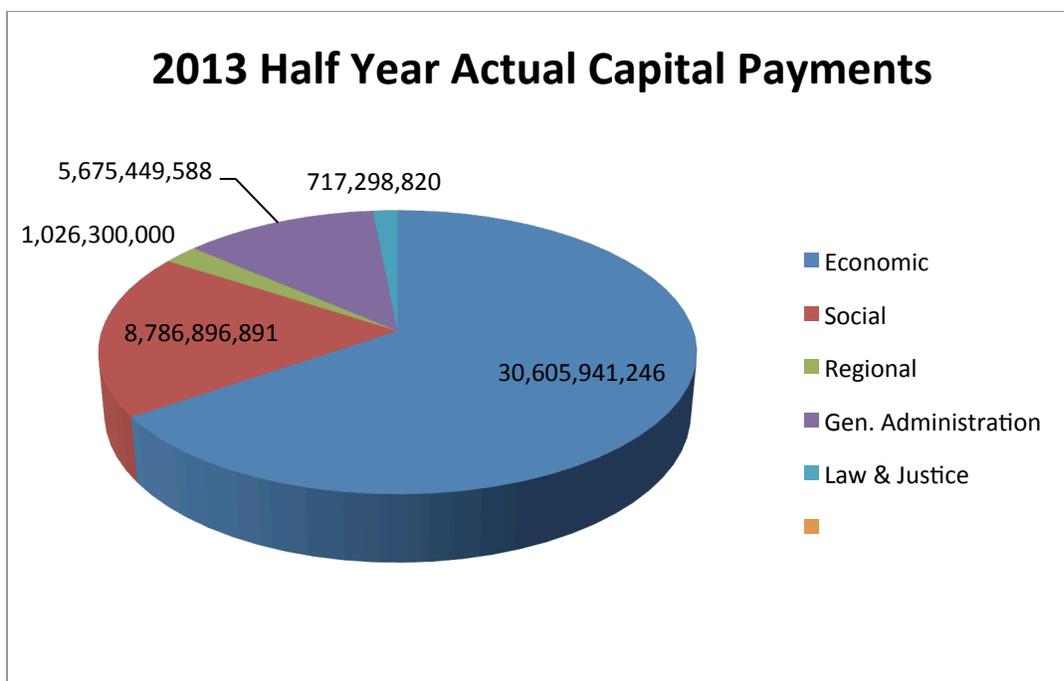
sort as recurrent expenditure gulped 57% as against the 43% recorded against capital expenditure.

6.3.2 Capital Budget Implementation Status: As stated earlier, the sum of N46,811,886,545.75 or 57.8% of projected capital expenditure was paid out by the state Treasury from the capital development fund for various capital projects during the period under review.

An analysis of the capital expenditure in terms of spread among sectors shows that the Economic Sector got the highest payout as can be seen in table 4 below. It got 65.4% of the total capital expenditure in the first half of the year. The Social Sector was next in line in terms of percentage payouts with 18.8% of the total capital expenditure. The General Administration Sector got 12.1% of total capital payments, leaving the Regional and Law & Justice Sectors with just 2.2% and 1.5% respectively.

Table 7. 2013 Half Year Actual Capital Payments to Sectors

S/NO	SECTOR	2013 ACTUAL PAYMENT (₦)	% OF TOTAL CAPITAL PAYT.
1	Economic	30,605,941,246	65.4
2	Social	8,786,896,891	18.8
3	Regional	1,026,300,000	2.2
4	Gen. Administration	5,675,449,588	12.1
5	Law & Justice	717,298,820	1.5
	TOTAL	46,811,886,545	100

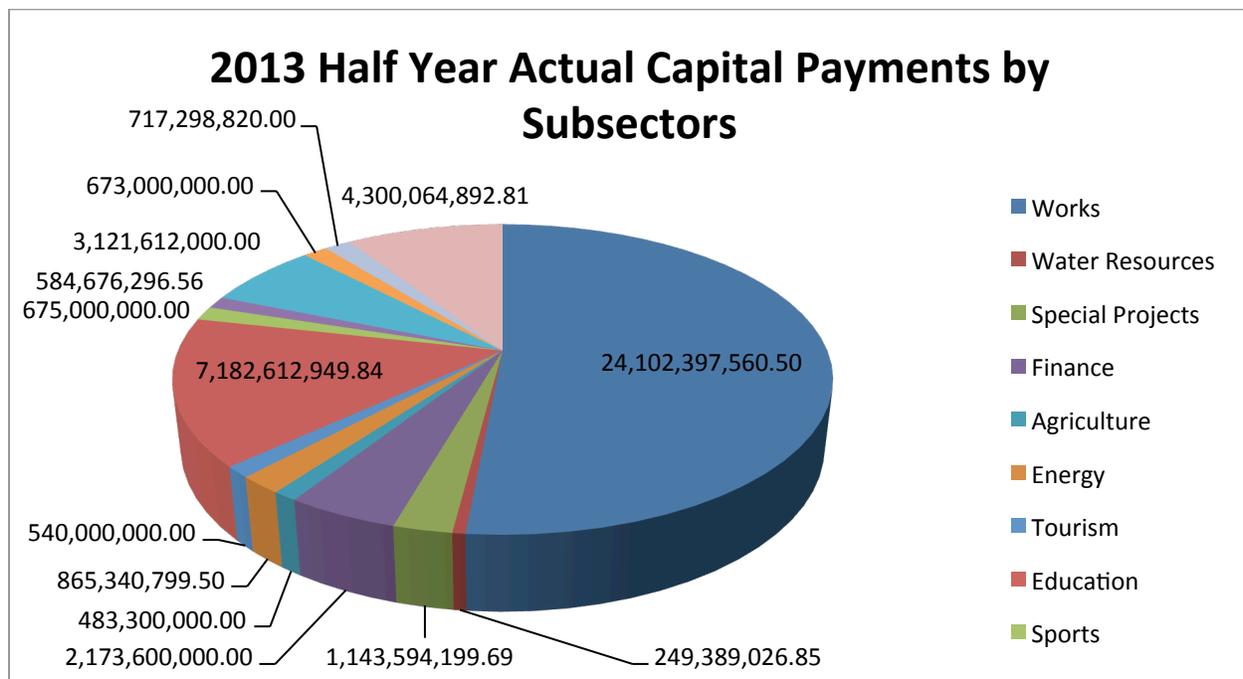


A further analysis of the Sectoral payments reveals that Works and Infrastructural development and Education got the highest payments as can be seen in the table and figure below.

Table 8: Capital Expenditure by Key Sub Sectors.

S/NO	SUB SECTOR	2013 HALF YEAR ACTUAL CAPITAL PAYMENT (₦)	% OF TOTAL ACTUAL PAYMENT
1	Works	24,102,397,560.50	51.5
2	Water Resources	249,389,026.85	0.5
3	Special Projects	1,143,594,199.69	2.4
4	Finance	2,173,600,000.00	4.6
5	Agriculture	483,300,000.00	1.0
6	Energy	865,340,799.50	1.8
7	Tourism	540,000,000.00	1.2

8	Education	7,182,612,949.84	15.3
9	Sports	675,000,000.00	1.4
10	Health	584,676,296.56	1.2
11	Security	3,121,612,000.00	6.7
12	Land and Survey	673,000,000.00	1.4
13	Justice	717,298,820.00	1.5
14	Others	4,300,064,892.81	9.2
	Total	46,811,886,545.75	100



In conclusion, the 2013 half year budget performance has been impressive despite the late passage of the budget into law. It is hoped that this trend will continue with the second half of the budget year.

7.0 Medium Term Revenue Estimates 2014-2016

7.1. **Macroeconomic Framework:** It is instructive to note that the issues examined in this section are determined by the Federal Government of Nigeria. Thus, all we need to do here is to properly understand their implications on the state economy which is more than 80% dependent on the National economy. These macroeconomic parameters which include assumptions used in estimating revenues for the state for the 2014-2016 period are presented in the table below:

Table 9: Key parameters and Assumption for the 2014-2016 plan period.

S/NO	DESCRIPTION	2014	2015	2016
1	Crude Oil Price	\$75/barrel	\$75/barrel	\$75/barrel
2	Production per day	2.575mbpd	2.60mbpd	2.63mbpd
3	Exchange Rate	₦ 160.00/\$	₦ 160.00/\$	₦ 160.00/\$
4	Bayelsa Share of total Oil Production	19%	19%	19%

7.2 **Internally Generated Revenue:** Boosting IGR in the state has been very key to the present administration. Thus, with the massive reforms and the inauguration of TARC the state hopes to grow her IGR at the rate of at least 10% for the 2014-2016 periods.

7.3 **Revenue Estimates for the period 2014-2016:** Based on the assumptions highlighted above, the total estimated revenue for the state for 2014-2016 MTEF is put at ₦924.946bn. This is made up of ₦282.626bn for 2014

₦314.254bn for 2015 and ₦328.066bn for 2016. Of the projected estimate Federal allocation is put at ₦881.929bn while IGR is about ₦43.017 over the period under consideration.

7.4 **Capital Receipts (Loans):** As the situation demands, the state may go for loans to bridge funding gaps but debt commitment will be in strict compliance with instant laws and policies.

TABLE 10: SUMMARY OF 2014-2016 REVENUE PROJECTIONS

Revenue Sources	Annualised 2013 (₦ Bn)	2014f (₦ Bn)	2015f (₦ Bn)	2016f (₦ Bn)	Total 2014-2016 (₦ Bn)
Statutory Allocation	29.755	30.247	32.210	34.173	96.630
13% derivation	127.009	153.311	175.732	198.153	527.196
Ex. Crude	67.085	60.301	65.049	69.798	195.148
VAT	7.512	7.789	8.457	9.125	25.371
Others	18.792	18.792	18.792	0.00	37.584
Total Fed. Allocation	250.153	270.440	300.240	311.249	881.929
Yr on Yr growth	70.72%	8.11%	11.02%	3.67%	
IGR	10.092	12.186	14.014	16.817	43.017
Yr on Yr growth	93.41%	20.75%	15.00%	20.00%	
Total Rec Revenue	260.245	282.626	314.254	328.066	924.946
Yr on Yr growth	53.85%	8.60%	11.19%	4.4%	

8. **Medium Term Expenditure Estimates:** The State will ensure that over the 2014 – 2016 period the vigor with which Government started the Restoration Agenda is sustained and consolidated. In fact the 2013 budget was tagged ‘Budget of Consolidation’. For the 2014-2016 plan period, Government will take various pragmatic measures to deepen the implementation of the Restoration Agenda. Already the whole state has become a huge construction site and very serious care is being taken to ensure Bayelsa content is achieved from all these contracts.

As has been highlighted in the preceding section, our total Revenue projections are put at ₦282.626bn, ₦314.254bn and ₦328.066bn for 2014, 2015 and 2016 respectively. Of course, the state will strive to stay within the limits of available revenues. In addition, the state’s expenditure profile shall reflect the strategic priorities of the state government which are detailed in the Medium Term Sector Strategies of MTEF participating MDAs.

8.1.1 **Personnel Cost:** The various personnel Audits and Biometric exercises in the state public service have achieved the intended objective of right sizing the service. However, with the expansion of the state bureaucracy through the creation of various institutions and of course the need for adequate manpower for these institutions, personnel cost is likely to increase. Accordingly, 17.01% of the total budget or ₦48.074bn is allocated to personnel costs for 2014. This is expected to stabilize in 2015 and 2016 respectively.

8.1.2 **Overhead Cost:** Government shall continue to implement the various prudent intended overhead cost polices in order to achieve the fiscal objective of the state. Although, the new plan period is likely to witness

increase in political activities which are likely to expand overhead costs and other recurrent expenditures, Government will remain resolutely committed to ensure that this expenditure item is put under serious check. Accordingly, over the 2014-2016 period overhead Cost are estimated at 12.22 % of total expenditure and this translates to N37.23bn, N37.693bn and N38.070bn for 2014,2015 and 2016 respectively.

8.1.3 Consolidated Revenue Fund Charges: Over the 2014-2016 period CRFC are estimated at 18.87% of total expenditure and this translates to N58.170bn N 58.170bn and N 58.170bn for 2014, 2015 and 2016 respectively.

8.1.4 State Reserve Fund: The State Government will continue to comply with the provisions of the state's compulsory savings law of 2012 in this regard. Accordingly, the state Reserve fund is estimated at N9.00bn over the 2014 – 2016 periods. This translates to about N3.00bn for 2014 fiscal year.

8.1.5 Capital Expenditure: Consistent with the Medium Term Priorities, as earlier highlighted, the state government plans to increase its spending on its priority sectors. This is intended to complete all the laudable ongoing projects. Accordingly, 53.32% of N924.946bn of the total expenditure amounting to N493.221bn has been projected for 2014 – 2016. As earlier stated, capital expenditure is projected at 49.24%, 54.20% and 56.01% of total expenditure for 2014, 2015 and 2016 respectively.

In monetary terms N139.152bn, N170.317bn and N183.752bn will be spent on capital projects for 2014, 2015 and 2016 respectively.

TABLE 11: SUMMARY OF AGGREGATE REVENUES AND EXPENDITURE ESTIMATES 2014-2016 PERIOD.

DETAILS	2014f	% of Total	2015f	% of Total	2016f	% of Total
REVENUE						
Statutory Allocation	30.247	10.70	32.210	10.25	34.173	10.42
13% Derivation	153.311	54.25	175.732	55.92	198.153	60.40
Ex. Crude	60.301	21.34	65.049	20.70	69.798	21.28
VAT	7.789	2.76	8.457	2.69	9.125	2.77
Others	18.792	6.64	18.792	5.98		
IGR	12.186	4.31	14.014	4.46	16.817	5.13
Total	282.626	100	314.254	100	328.066	100
EXPENDITURE						
Personnel Costs	48.074	17.01	48.074	15.30	48.074	14.66
Overhead Costs	37.23	13.17	37.693	11.99	38.070	11.60
CFRC	58.170	20.58	58.170	18.51	58.170	17.73
Capital	139.152	49.24	170.317	54.20	183.752	56.01
Total	282.626	100	314.254	100	328.066	100

8.2 **Analysis of Capital Expenditure for some MTEF Participating MDA's.**

8.2.1 **Works and Infrastructure:** The State Government has begun the fulfillment of its promise to Bayelsans with regards to the provision of needed infrastructure. In fact the government has awarded several contracts valued at several hundreds of billions of naira in this regard. This requires adequate funding to ensure their completion on schedule. Accordingly, 25.15% of the capital budget or N128.237bn will be devoted to the works and infrastructure subsector over the 2014-2016 period. And for the 2014 fiscal year, this translates to the sum of N35.000bn.

8.2.2 **Education:** Here too, the state government has made huge irrevocable commitments toward the successful implementation of the compulsory free primary and secondary education programme. This is intended to achieve the objective of declaring a state of emergency on the educational sub sector of the state. Also a boost scholarship programme has been put in place. Of course giant strides have been made at the tertiary education level of the state through the reestablishment of BYCAS, establishment of Isaac Jasper Boro College of education, Teacher Training Institute and further enhancement of accreditation of more faculties at the NDU.

Accordingly, over the 2014-2016 plan period at least 18.68% of the capital budget or N98.644bn will be allocated to the education subsector. Specifically for the 2014 fiscal year the sum of N26.000bn will be allocated to education.

8.2.3 **Health:** Government has started the construction of general hospitals in every local government headquarters. Also, in the State a modern diagnostic

centre is being constructed. The fight against HIV/Aids has been given a great boost with the up grading of SACA to a full fledged Agency. All the other ongoing projects also require adequate funding. Accordingly, at least 4.31% of the capital budget or N34.525bn will be allocated to the health subsector for 2014-2016. For the 2014 fiscal year government will allocate the sum of N6.000bn to the health subsector.

8.2.4 Energy: The state government will commence the implementation of the Energy road map which has been properly articulated by the Ministry of Energy. Of course the execution of several quick win projects is on course. The Board of the state oil company has been reconstituted and inaugurated. The 4 state power investment project has to be funded. There is the need to extend the National Grid to more towns and villages. Accordingly, 3.09% of the capital budget or N17.263bn will be given to the Energy subsector; over the new plan period. Specifically, the sum of N4.300bn will be allocated to the Energy subsector for the 2014 fiscal year.

8.2.5 Trade, Industry and Investment: Government has shown sufficient commitment to the issue of attracting foreign direct investment to the state. This has crystallized into the establishment of the BDIC with offices in London and South Africa. Similarly, a Microfinance Agency has been established in addition to the total restructuring of the state microcredit Agency. The international market at Elemebiri is being constructed. Thus, at least 3% or N7.398 bn of the capital budget is allocated to this subsector over the 2014-2016 plan period. And for the 2014 financial year N2.087bn is allocated.

8.2.6 **Sport Development:** The establishment of a sport academy has boosted efforts to tap the high potentials in the subsector. Construction work on polo and Golf courses in the state has begun. All the other ongoing projects in this important subsector require adequate funding. Accordingly, 2.58% of the capital budget will be allocated to the sport development subsector over the 2014-2016 plan periods. And for the 2014 fiscal year, the sum of N3.592bn is earmarked.

8.2.7 **Housing and Urban Development:** The Housing deficit in the state is huge and thus requires serious commitment in terms of funding to mitigate it. Already, various partnership platforms are being raised to support government efforts. Also the drive for foreign and direct investment in the state necessarily throws up this challenge as an imperative for immediate government action. The construction of housing estates at the LGA Headquarters and some selected urban centers is on course. Accordingly, 1.78% of the capital budget is allocated to the Housing subsector over the 2014-2016 plan periods. And for 2014 the sum of N2.479bn is allocated.

8.2.8 **Justice:** The provision of a standard library for the ministry is being pursued vigorously. There is also the need to reduce high turnover of debts arising from state cases. The issue of Training and Retraining of state counsels is to be pursued with greater vigor. Accordingly, 1.5% of capital budget is earmarked for the Justice subsector over the 2014-2016 plan periods. And for the 2014 fiscal year the sum N2.087bn is allocated.

8.2.9 **Land and Survey:** Since its establishment, it has come under immense pressure to make land available for the various infrastructural demands of the State which of course involves huge amount for the payment of

compensation. Accordingly, 2.1% of the state capital budget is allocated to the land and survey subsector over the 2014-2016 period. And for 2014 fiscal year the sum of N2.922bn is allocated.

8.2.10 Agriculture: The State government has established various policies to enhance the contribution of Agriculture to the State economy. State farms have been established to serve as centre for training and actual food production. The school of Agriculture Ofofi needs to be built. Accordingly, 2.5% of the capital budget is allocated over the 2014 – 2016 funds. And for 2014 fiscal year the sum of N3.479bn is allocated.

8.2.11 Water: The provision of water in Yenagoa has been greatly hampered by the many road works under construction. However some commitments have been made to ensure the availability of portable water using an approach different from the bore hole approach. The completion of the said road projects will definitely add more pressure on the water Ministry to do more. Thus over the 2014 – 2016 2.3% of the Capital Budget is allocated and for 2014 year N3.200bn is allocated.

8.2.12 Judiciary: The judiciary is being reformed and transformed. In fact, the granting of financial autonomy will give impetus to this change process. Accordingly 1.0% is allocated to this subsector over the 2014 – 2016 periods. And for the 2014 year, the sum of N1.392bn is allocated.

8.2.13 Bayelsa State House of Assembly: Government intends to sustain the present high tempo of Capacity building for both the legislators and their support Staff. This is intended to improve on their oversight capacities and other interactive platforms.

Accordingly 2% of the State's capital budget which translates to ₦ 9.864bnbn over the 2014 – 2016 medium term and for the 2014 Fiscal year the sum of ₦2.783bn is allocated to the State House of Assembly.

8.2.14 Suggested envelopes for the 2014 – 2016 plan period and specific for 2014 fiscal year: As part of the MTEF platform the following envelopes are suggested for both the 2014 – 2016 plan periods and the 2014 fiscal year.

5. The envelopes are intended for both recurrent (excluding salaries) and capital expenditures of all MDA's in the State.