



OVERVIEW OF THE 2017 BUDGET PROPOSAL

BUDGET OF RECOVERY & GROWTH



By

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- 2.0 Review of 2016 Budget Performance
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1.0 Background & Context

- The 2016 Budget was Presented to the National Assembly (NASS) by Mr. President on 22nd December, 2015.
- The budget was however not signed into law until May 6, 2016; effectively therefore, the 2016 budget has only been operated for about 7 months.
- Nevertheless, as will be evident from the review of the 2016 budget performance that I will get to shortly, we have made reasonable progress on its implementation



1.1 Introduction

- The 2017 Budget was Presented to the National Assembly by His Excellency, Mr. President on 14th December, 2016.
- The budget reflects our commitment to restore the economy to the path of sustainable and inclusive growth.
- Efforts have been made to ensure that the budget aligns with the Economic Recovery and Growth Plan (ERGP).



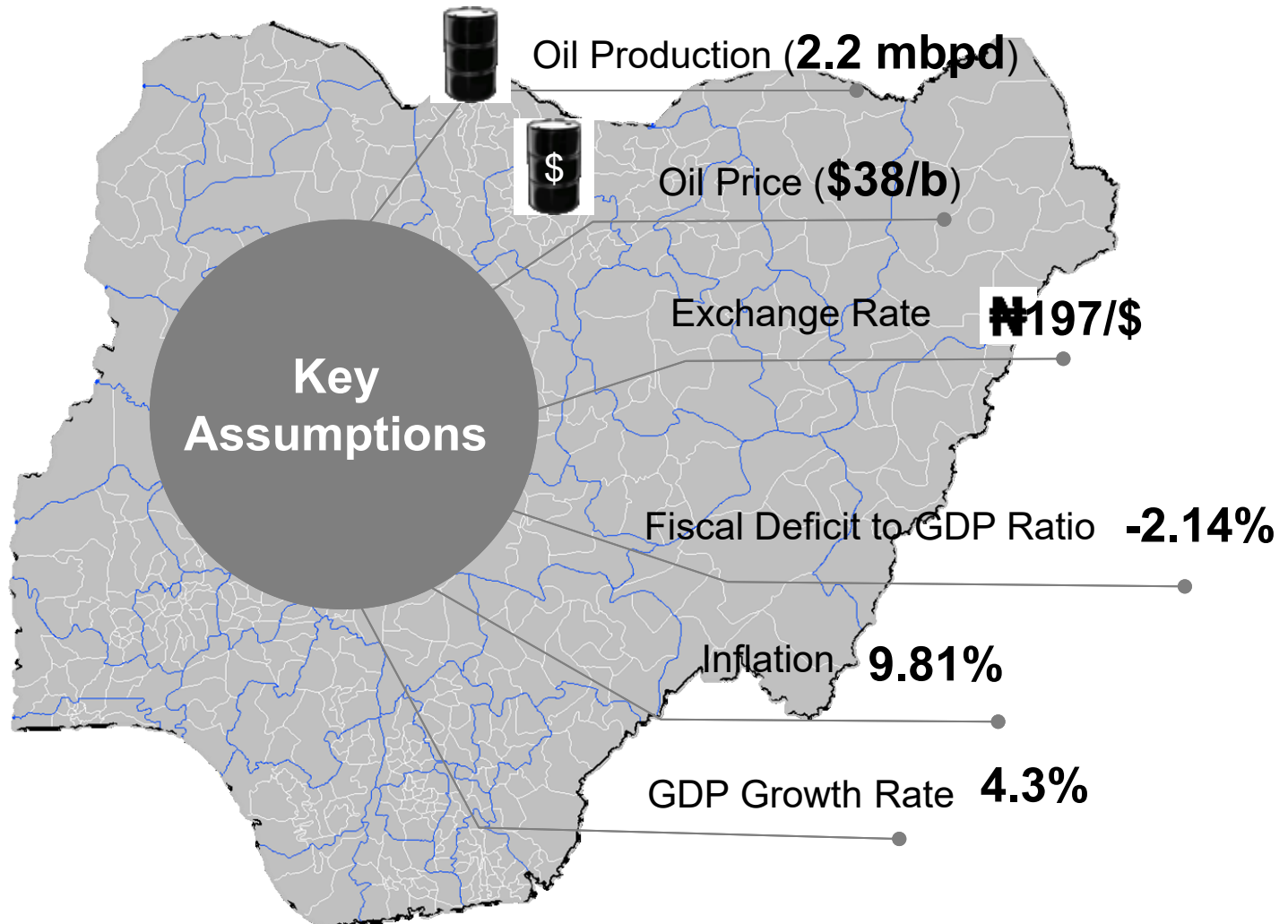
1.1 Introduction... /2

- My profound appreciation goes to President Muhammadu Buhari and the Vice President, Prof. Yemi Osinbajo under whose leadership the 2017 Budget was prepared.
- I thank my Cabinet colleagues for their understanding, especially as they had to work within strict timelines to prepare their budgets.
- And also, members of staff of the MBNP, MDAs budget/ planning officers and our technical partners who actively supported the budget processes.



2.0 Review of 2016 Budget Performance

- ❑ The 2016 Budget was premised on certain key parameters including





2.1 2016 Budget Performance against Set Targets

S/ N	Description	FY Budget	Q3 Target	Actual (as at Q3 2016)
1.	Real GDP Growth (% , YoY)	4.37		-1.55
2.	Oil Production (mbpd)	2.2		1.81
3.	Oil Price (\$pb)	38		42.09
4.	Inflation Rate (%)	9.81		17.85
5.	Exchange Rate (N/\$)	197		305
6.	Revenue (N'trillion)	3.86	2.89	2.17 (75%)
7.	Expenditure (N'trillion) out of which;	6.06	4.55	3.58 (79%)
	• Capital Expenditure (N' trillion)	1.77	1.33	0.75* (56%)
8.	Fiscal Deficit/GDP (%)	-2.14		-1.44

* Capital spending as at end of October 2016 was N753.6bn.

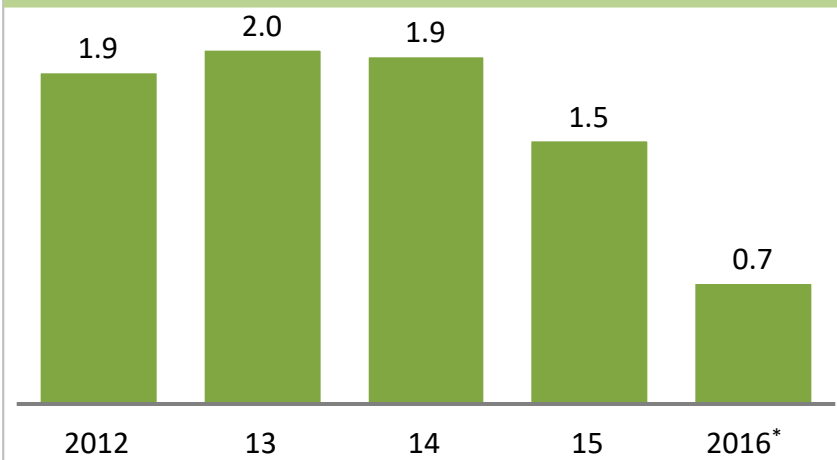
SOURCES: 2016 Appropriation Act; NBS Q-Reports; OAGF.



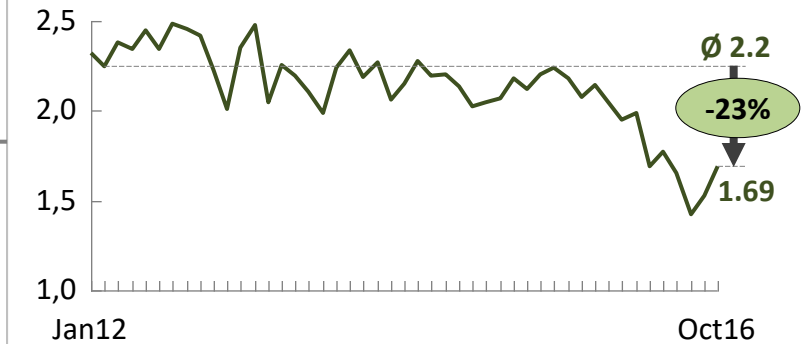
2.2 Oil Revenue Performance in 2016

- FGN's oil revenues decreased sharply in 2015 and 2016 because of oil production shut-ins and sharp decline in oil price since 2014

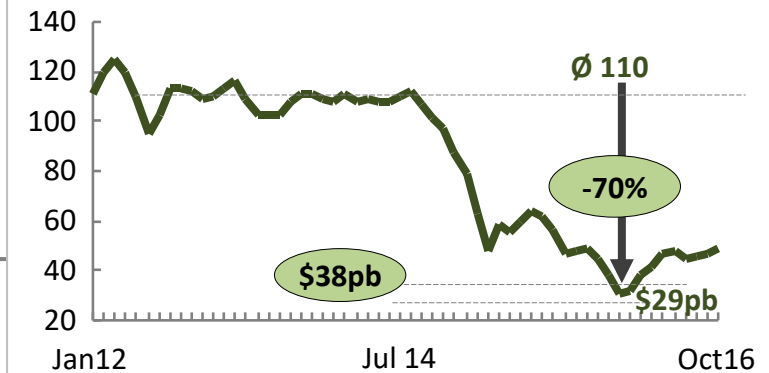
FGN's oil revenue, NGN Trillion



Nigerian oil production, mbpd



Oil price, US\$ per barrel



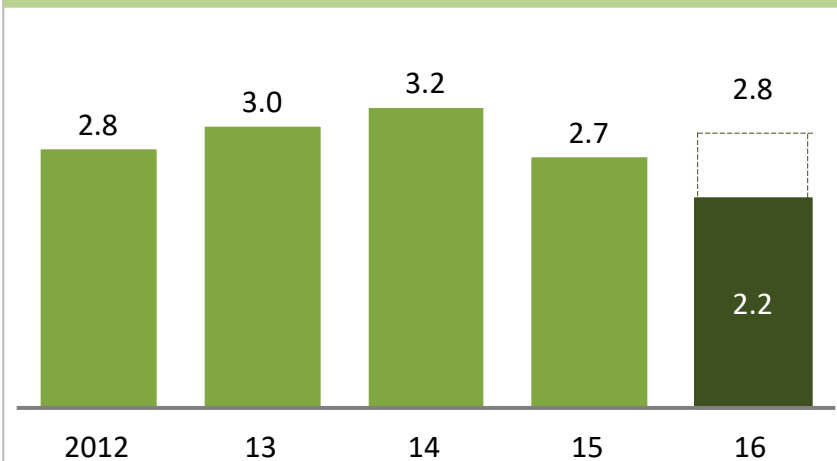


2.3 Revenue Performance in (Q3) 2016

- 2016 FGN's revenues have been low because of the decline in oil production.

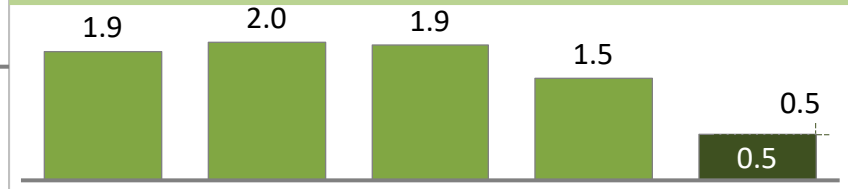
□ Q3 2016 FY Budget Proj. ■ Q3 2016 Actual

FGN revenues, NGN billion



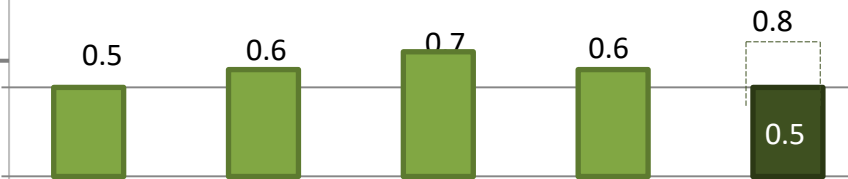
- Growth of non-oil tax revenue between 2015 and 2016
- Sharp decrease in oil revenues
- Overall 2016 FGN's revenues behind target

Oil revenues, NGN Trillion



+

Non-oil taxes, NGN Trillion



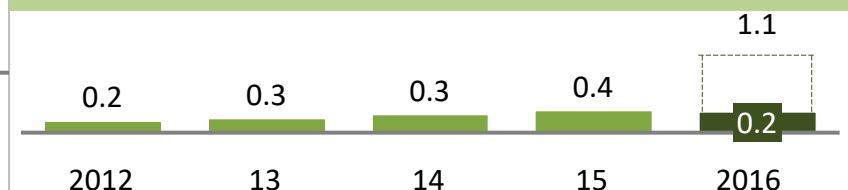
+

Customs, NGN Trillion



+

Independent Revenues, NGN Trillion





3.0 Background to the 2017 Budget: *Global Environment in 2016 and Prospects for 2017*

- ❑ Global economic activity remains sluggish in 2016
 - Global GDP growth projected at 3.1% for 2016 from 3.2% in 2015. Due to:
 - Lower-than-expected economic activity in the U.S
 - Uncertain economic, political and institutional implications of BREXIT
 - Slowdown in China's growth
 - Weak demand in advanced economies and its spill-over effects
 - Geopolitical tensions in several countries
 - Global growth expected to rise in 2017 to 3.4%





3.1 Global Environment in 2016 and Prospects for 2017.../2



Low inflation in advanced economies but back at double-digit level in a few large sub-Saharan Africa economies

Oil price gradually rebounding, from an average of \$43/b in 2016. \$51/b Projected average for 2017.



3.2 *The Domestic Environment in 2016*

❑ Challenges in the domestic environment include:

- Crude oil production shut-ins resulting from vandalism of oil facilities.
 - 4 strategic oil fields affected including Trans-Niger Pipeline and Nembe Creek Trunkline axis as well as the Qua - Iboe Terminal
- Insurgency in parts of the North East
- Fuel shortages and increase in electricity tariffs, kerosene and PMS prices in the first half of the year
- Foreign Exchange (FX) scarcity

❑ These constrained fiscal operations, real sector activities, and the external accounts.



3.2 *The Domestic Environment.../2*

□ Other challenges in the domestic economy include:

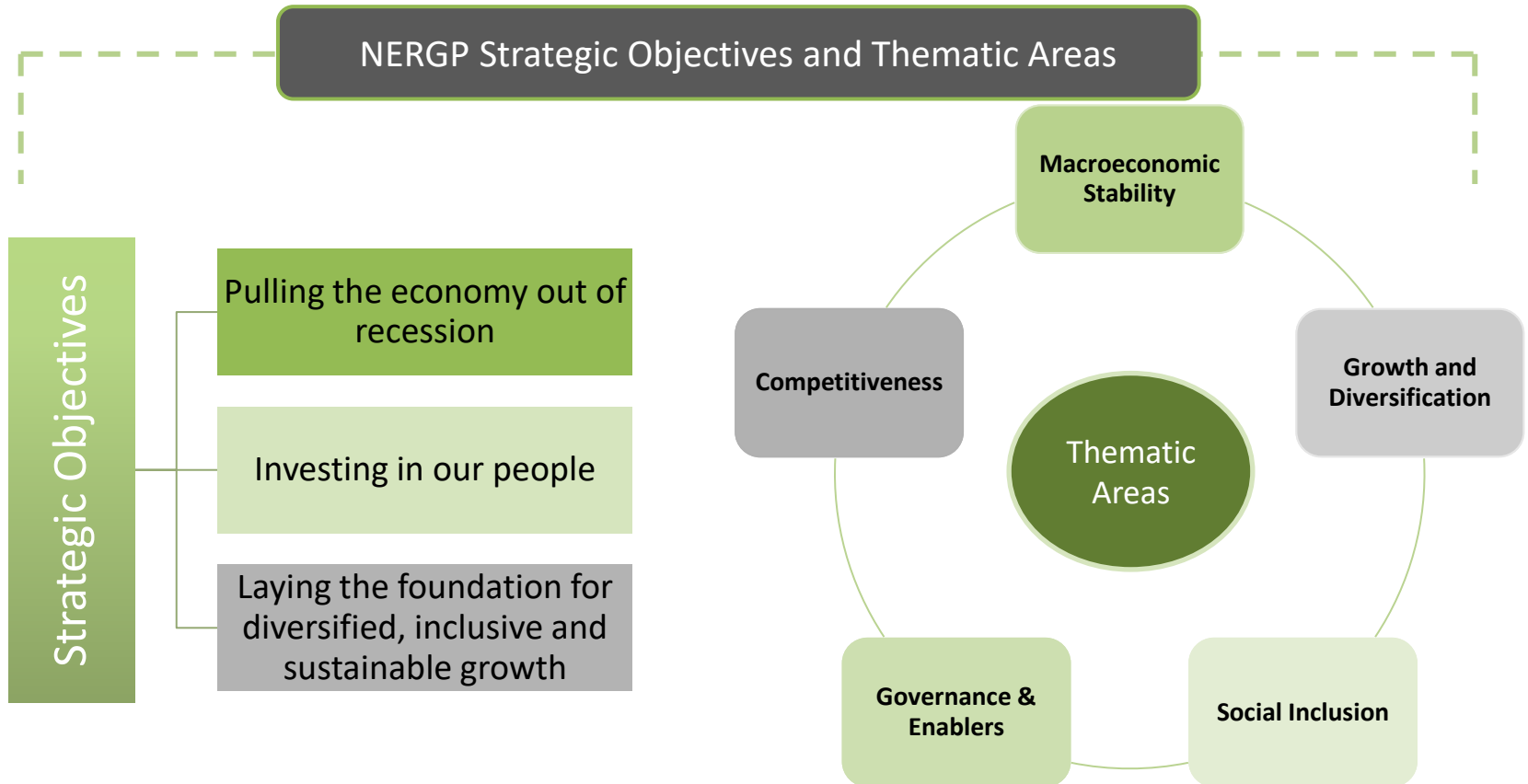
- Contraction in growth (-2.24% in Q3)
- High unemployment rate (13.9% as at Q3)
- Higher inflation rate (18.5% as at November 2016)
- Pressures on foreign reserves (\$25.04 billion as at 14th December*)
- Slow down in corporate sector resulting in lower credit quality and rising non-performing loans.

* CBN



4.0 Nigeria Economic Recovery & Growth Plan (NERGP)

- ❑ A Medium Term Economic Recovery and Growth Plan (NERGP 2017 - 2020) is being finalised to address current economic challenges and restore growth.
- ❑ The NERGP builds on the existing Strategic Implementation Plan (SIP), and contains strategic objectives and enablers required to revive the economy.





5.0 Approach to the 2017 Budget

Building Blocks of the “Budget of Recovery & Growth”

ERGP, SIP, MTSS and MTFF

The 2017 Budget proposal reflects:

- many of the reforms and initiatives in the SIP & ERGP are in the budget
- 2017-2019 medium term sector strategies (MTSS) and
- 2017-2019 Medium Term Fiscal Framework.

MTSS (MCA)

- Multi-criteria analysis (MCA) approach was adopted to prioritize and select 2017 capital projects for 14 large capital spending MDAs involved in the MTSS.
- Projects were linked to government policies and strategic priorities.

RAPIPS

MDAs that were not involved in the MTSS process used Rapid Appraisal Project Identification and Prioritization System (RAPIPS).

ZBB

- Zero-Based Budget (ZBB) principles were used in preparing the Budget.
- ZBB ensured that expenditures in the 2017 Budget are linked to government’s strategic reforms and initiatives for economic recovery.



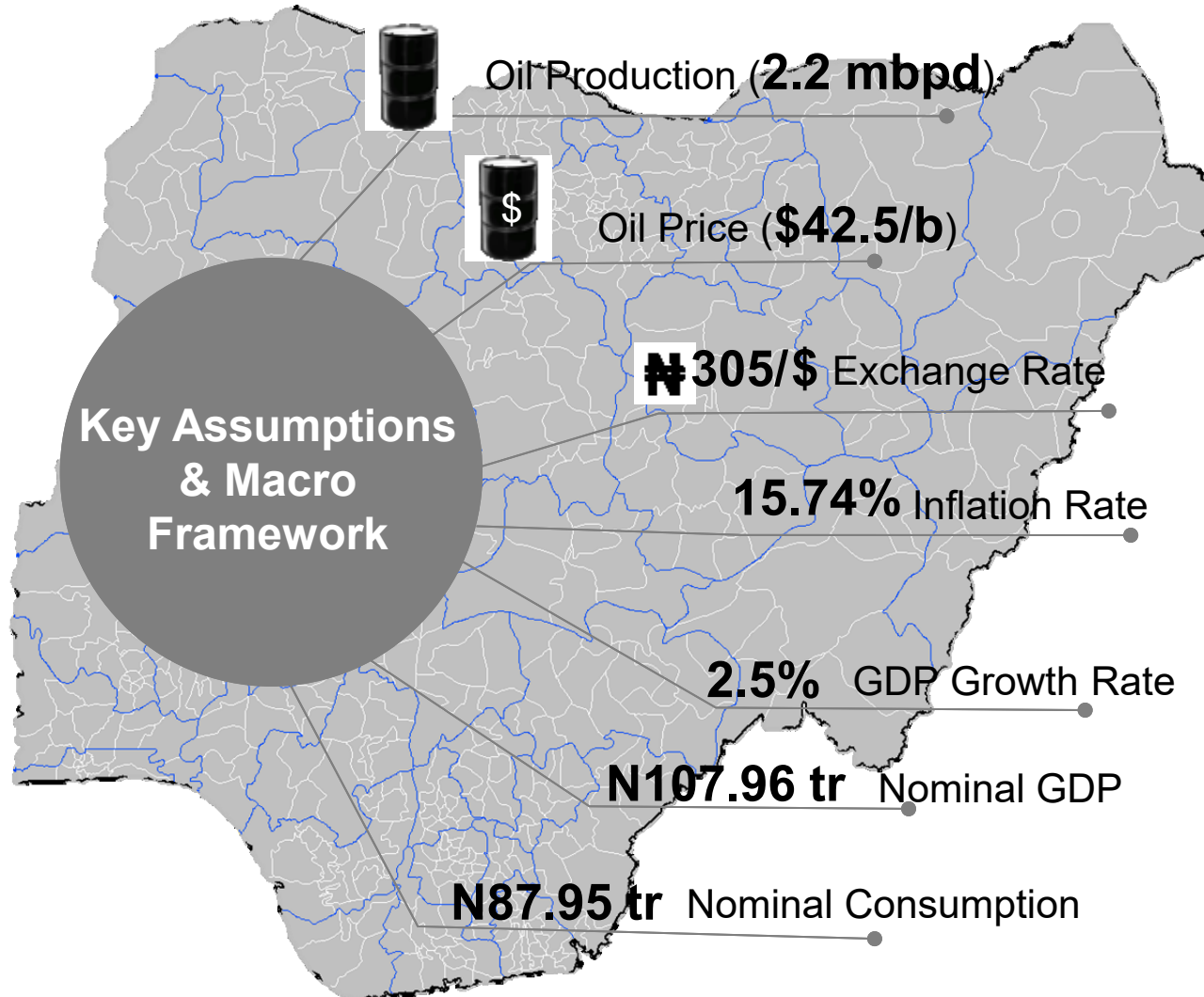
5.0 Approach to the 2017 Budget .../2

- ❑ The 2017 Budget is designed to expand partnership between public and private sector as well as development capital to leverage and catalyse resources for growth.

- ❑ Other key objectives of the 2017 Budget include:
 - focus on critical on-going infrastructure projects such as roads, railways, power, ICT, etc., that have quick positive effects on the economy;
 - utilizing Special Economic Zones and Industrial Parks as vehicles to accelerate domestic economic activity for innovation and wealth creation;
 - contributing to food security and creating platform for agro-business in agriculture supply chains through the Agriculture Green Alternative Plan;
 - establishing a Social Housing Fund to deepen the mortgage system and expand its availability across all states of the Federation;
 - encouraging and stimulating the growth of small and medium scale industries for innovation, job creation, productivity and wealth creation; and
 - provision of social safety nets for poor and vulnerable Nigerians.



6.0 Key Assumptions & Macro-Framework of 2017 Budget





6.1 Key Budgetary Reform Initiatives to Improve the Revenue Base of the Country



Joint Venture
Cash-Call

JV operations to be subjected to a new funding mechanism, which will allow for Cost Recovery. Additional oil-related revenue include: Royalty Recovery, Marginal Field Licenses, Early licensing renewals, etc.

TSA

Treasury
Single Account

Sustaining the use of TSA to monitor the financial activities of over 900 MDAs from a single platform.



Taxes

Broaden the tax base, improve effectiveness of revenue collecting agencies, improve tax compliance, etc.



Customs

Reducing leakages by tackling trade misinvoicing and introduce single window to drive customs efficiencies.



Independent
Revenue

Ensure that all MDAs (particularly revenue generating MDAs) present their budget in advance, and remit their operating surpluses as required by the FRA



IPPIS

Extension of the Integrated Personnel Payroll Information System (IPPIS) to all MDAs.



7.0 Revenue Projections and Expenditure Estimates for 2017 Budget - Revenue

An Overview of the Revenue Framework

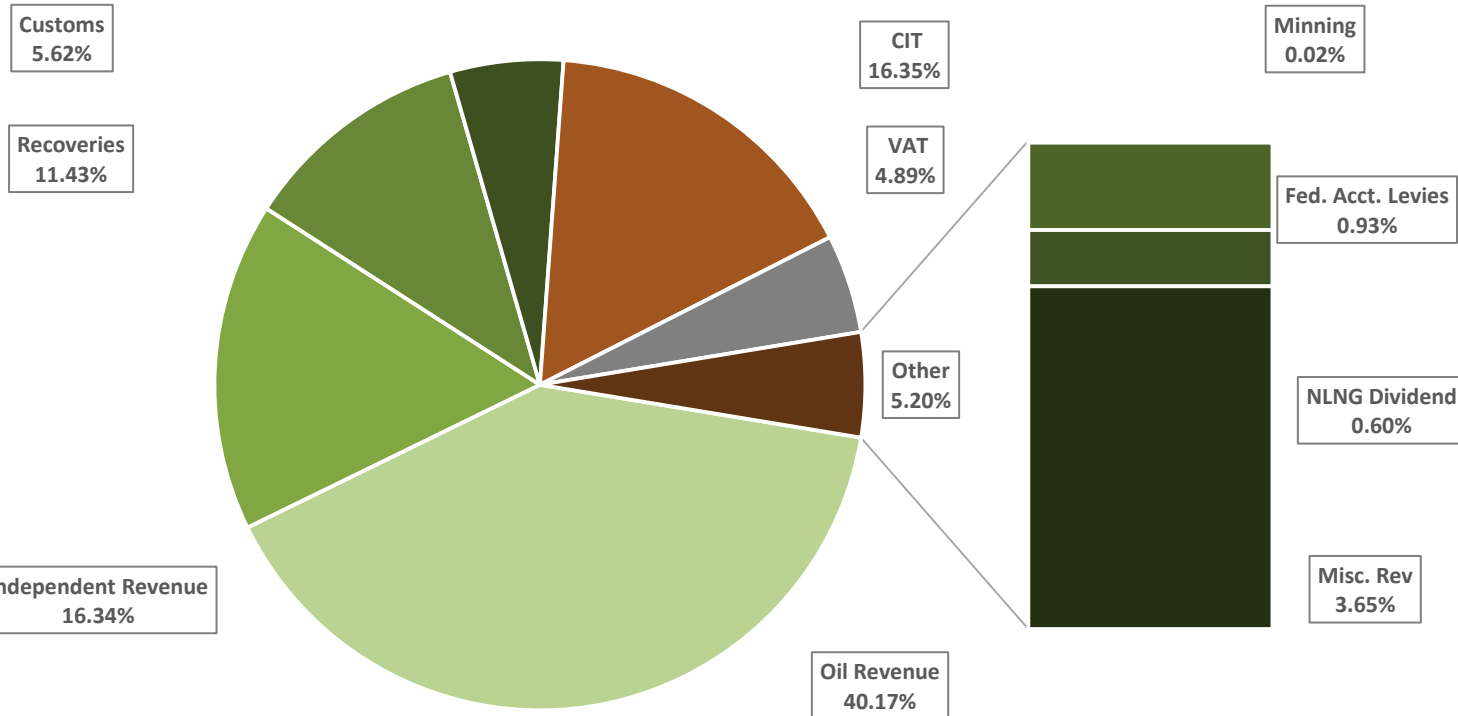
FISCAL ITEMS	2016 Approved Budget	2017 Budget Proposal	Variance	
	N' Billion	N' Billion	N' Billion	%
Oil Production Volume (mbpd)	2.200	2.2000	-	
Projected Budget Benchmark Price (US\$/b)	38.00	42.50	4.50	
Average Exchange Rate (N/\$)	197.00	305.00	108.00	
AMOUNT AVAILABLE FOR FGN BUDGET	3,856	4,942	1,086	28%
a Share of Oil Revenue	718	1,985	1,267	177%
b Share of Dividend (NLNG)	96	30	(66)	-69%
c Share of Minerals & Mining	7	1	(6)	-85%
d Share of Non-Oil	1,455	1,373	(81)	-6%
Share of CIT	867	808	(60)	-7%
Share of VAT	198	242	44	22%
Share of Customs	326	278	(49)	-15%
Share of Federation Acct. Levies	63	46	(17)	-27%
e Independent Revenue	1,506	808	(698)	-46%
f FGN's Share of Actual Bal. in Special Accts	11	7	(4)	-38%
g FGN's Balances in Special Levies Accounts	14	9	(5)	-35%
h FGN's Unspent Bal. of previous Fiscal Year	50	50	-	-
i FGN's Share of Signature Bonus		114	114	
j Recoveries & fines	-	565	565	

Highlights

- Total FGN revenue in 2017 is projected at N4.94 trillion, exceeding FY2016 projection by 28%.
- Contribution of oil revenue projections (40.2%) compared to 19% in FY2016 driven mainly by JVCC cost reductions, higher price, exchange rate and additional oil related revenue.
- 11% of projected revenue expected from recoveries of looted/ misappropriated funds and fines.
- Independent revenue, Customs & CIT projections are adjusted downwards lower than 2016, reflecting current realities



7.0 Revenue Projections and Expenditure Estimates for 2017 Budget – Revenue 2

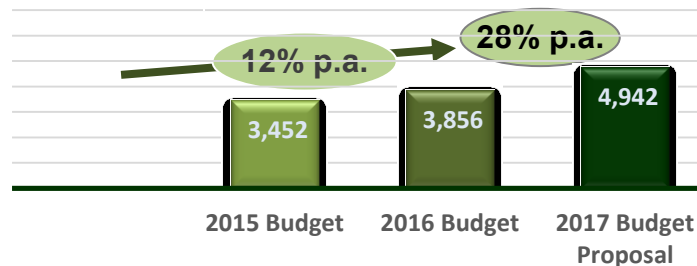


Highlights

- Distribution of expected FGN revenue are as follows:
 - CIT – 16.3%
 - VAT – 4.9%
 - Customs – 5.6%
 - Indep. Rev. – 16.3%
 - Recoveries – 11.4%
 - Oil revenue - 40.2%
 - Others - 5.2%
- Other sources:
 - Mining
 - LNG dividends
 - Federation Account levies.

Year-on-Year Revenue Trend N (billion)

**FGN
Budget
Revenue**





7.1 Revenue Projections and Expenditure Estimates for 2017 Budget - *Expenditure*

An Overview of the Expenditure Framework

Fiscal Items	2016	2017	Variance	
	Approved Budget	Budget Proposal		
FGN Retained Revenue	7,856	9,942	2,086	28%
FGN Expenditure	6060	7298	1238	20%
Statutory Transfers	351	419	68	19%
Debt Service	1362	1664	302	22%
Sinking Fund to Retire maturing bond to local contractors	113	177	64	56%
Recurrent (Non-Debt) Expenditure	2645	2979	334	13%
Capital Expenditure (Inclusive of Transfers)	1831	2243	412	23%
<i>Fiscal Deficit</i>	<i>-2204</i>	<i>-2356</i>	<i>-152</i>	<i>7%</i>
<i>GDP</i>	<i>102922</i>	<i>107958</i>	<i>5037</i>	<i>5%</i>
<i>Deficit/GDP</i>	<i>-2.14%</i>	<i>-2.18%</i>	<i>-0.04%</i>	<i>2%</i>
Share of Capital as % of Non-Debt Expenditure	39.93%	41.11%		
Share of Capital as % of total FGN Expenditure	30.21%	30.74%		
Share of Recurrent as % of total FGN Expenditure	69.79%	69.26%		
Share of Deficit as % of total FGN Revenue	-57.16%	-47.67%		

Highlights

- 2017 FGN spending estimated at N7.298 trillion, exceeding FY2016 projection by 20%.
- At N1.66 trillion, debt service is 22% of planned spending (about same as in FY2016).
- Provision to retire maturing bond to local contractors increased by 56% from N113.4 billion in FY2016 to N177.46 billion.
- Recurrent (non-debt) spending expected to rise by 13% from N2.64 trillion in FY2016 to N2.98 trillion.
- Capital expenditure (including transfers) higher by 23% from N1.77 trillion in FY2016 to N2.24 trillion.
- Capital spending is 31% of total FGN expenditure in 2017.



2 Revenue Projections and Expenditure Estimates for 2017 Budget: *Financing the Deficit*

An Overview of other Financing Items (N' billions)

FISCAL ITEMS	2016 Approved Budget	2017 Budget Proposal	Variance	
FGN Retained Revenue	3,856	4,942	1,086	28%
FGN Expenditure	6,060	7,299	1,239	20%
Fiscal Deficit	(2,204)	(2,356)	(152)	7%
Deficit/GDP	-2.14%	-2.18%	-0.04%	2%
Additional Financing Items:				
a Sales of Government Property	25	25	-	-
b Privatization Proceeds	10	10	-	-
c FGN's Share of Signature Bonus	1	-	(1)	-100%
g New Borrowings	1,819	2,321	502	28%
<i>Domestic Borrowing</i>	1,183	1,254	71	6%
<i>Foreign Borrowing</i>	636	1,068	432	68%
h Other FGN Recoveries	350	-	(350)	-100%

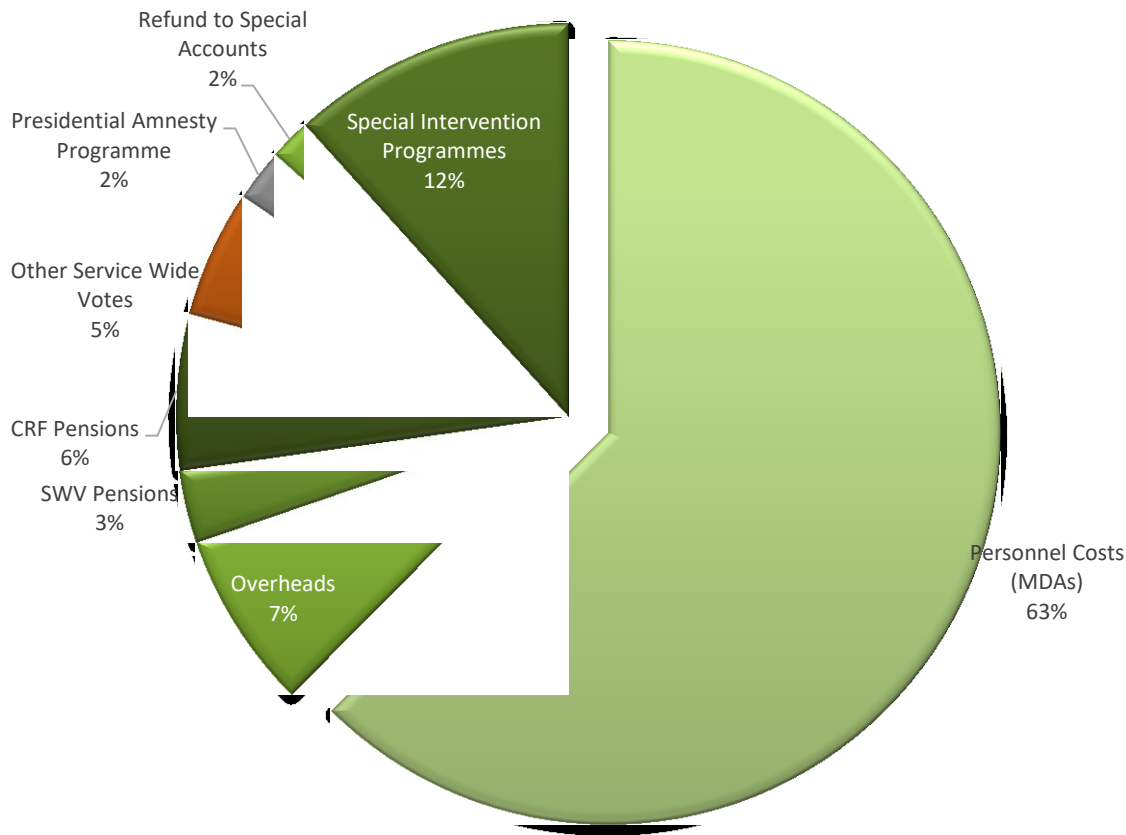
Highlights

- Overall budget deficit of N2.356 trillion in 2017 represents 2.18% of GDP.
- Projected deficit within threshold stipulated in the Fiscal Responsibility Act (FRA) 2007.
- Budget deficit is to be financed mainly by borrowing N2.32 trillion.
 - Domestic sources - N1.25 trillion
 - Foreign sources - N1.06 trillion
- A total of N35 billion expected as revenue from sales of government property and privatization proceeds.



7.3 Revenue Projections and Expenditure Estimates for 2017 Budget – *Expenditure 3*

Breakdown of Recurrent (Non-Debt) Expenditure (%)



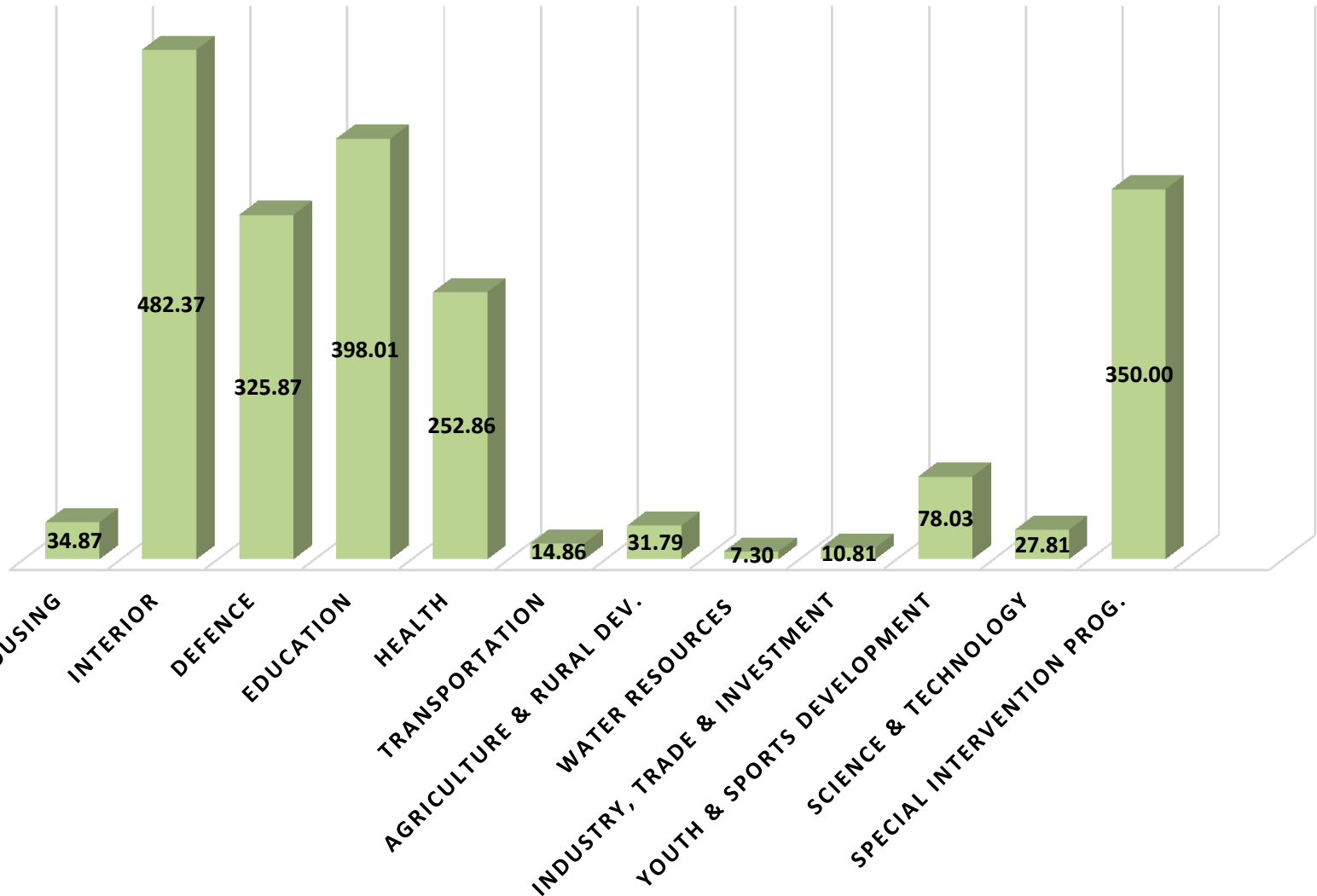
Highlights

- Personnel cost of MDAs account for 63% of non-debt recurrent spend
- 12% allocated to Special Intervention Programmes
- 7% for Overheads
- 9% for Pensions (SWV & CRF)
- 2% to Presidential amnesty programme
- 2% as refund to Special Accounts
- 5% to other service wide votes



7.4 Major Recurrent Expenditure Allocations in the Proposed 2017 Budget

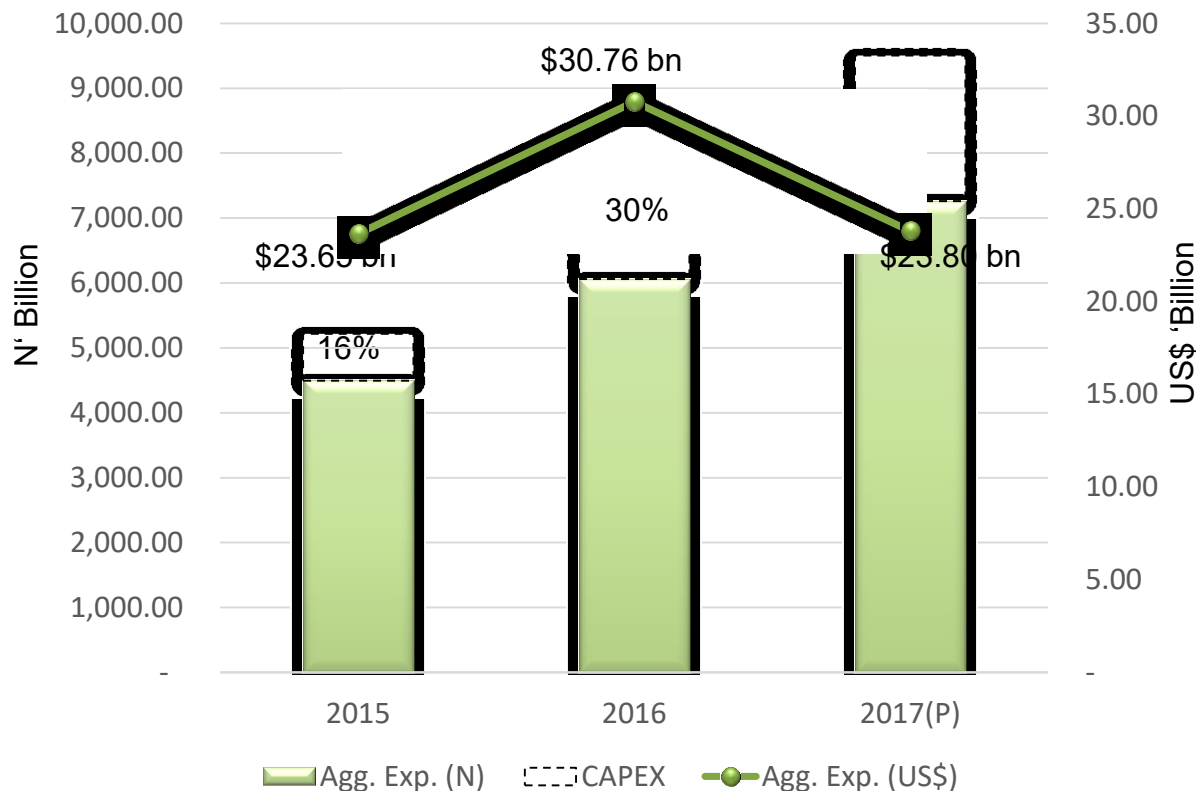
Recurrent Expenditure (N billions)





7.5 Capital Expenditure in the Proposed 2017 Budget

We have committed to allocating at least 30% of the Budget to Capital from 16% allocated in 2015.



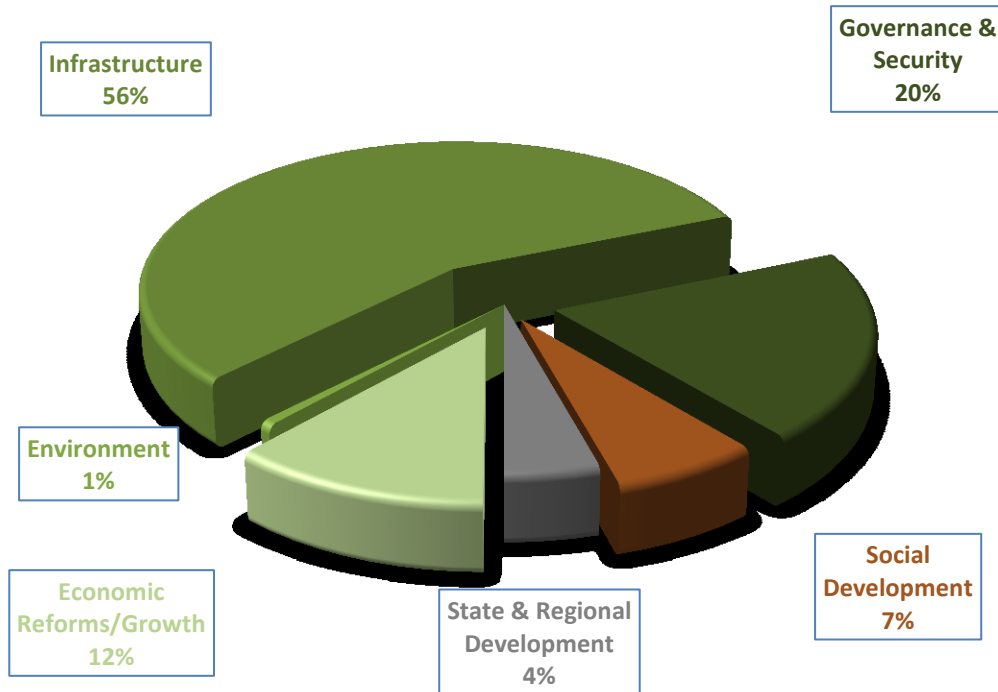
Notes

- In dollar terms, the 2017 budget proposal at (\$23.80bn) is lower than 2016 estimates (\$30.76bn).
- As a % of GDP, we have grown the size of the Budget from 4.7% in 2015 to 5.9% in 2016 and to 6.7% in 2017.
- Compared with South Africa (20.7%) and Ghana (19.2%) as at 2015, this is very low .
- Ratio of capital spending in total budget increased from 16% in 2015 to 30% in 2016 and 31% in 2017.
- Increasing infrastructure spending will increase revenue generation opportunities and over time significantly reduce deficit.



7.6 Capital Allocations by Pillar

(%)



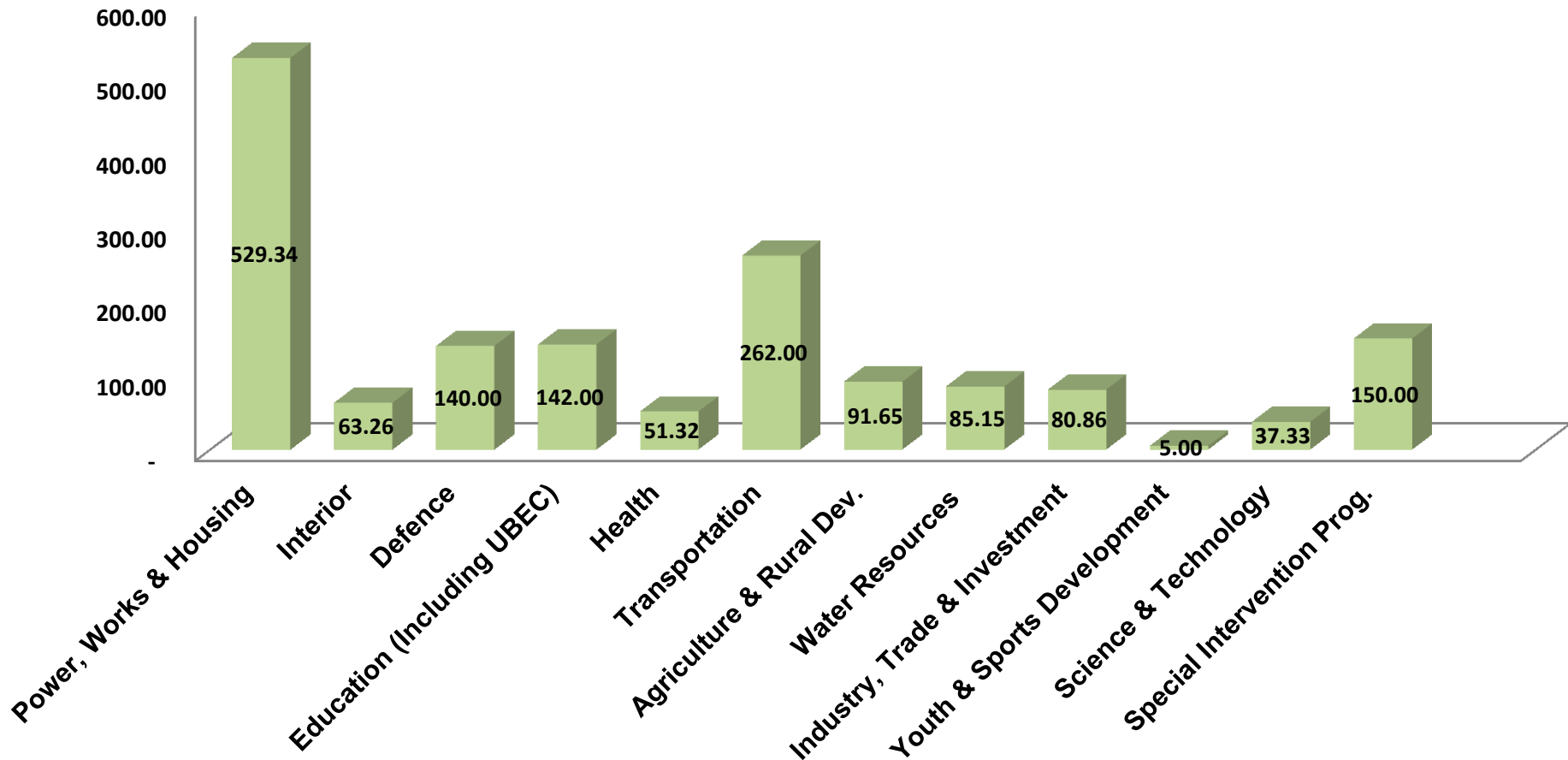
Highlights

- Resources were allocated to reflect the Administration's developmental priorities.
- This is aimed at engendering good governance practices and providing enablers for economic recovery & growth.
- capital allocation distribution:
 - Infrastructure – 56%
 - Governance & Security – 20%
 - Economic Reforms/Growth – 12%
 - Social Development – 7%
 - States & Reg. Dev. – 4%
 - Environment – 1%



7.7 Major MDA Capital Allocations

Capital Expenditure (N billions)





8.0

Strategic Focus of the 2017 Budget

The Thrust:

“To partner with private and development capital to leverage and catalyse resources for growth”

- ❑ Much of the capital provision is directed at those projects which will facilitate:
 - economic growth
 - diversification
 - competitiveness
 - ease of doing business
 - jobs and social inclusion
 - improved governance and security

- ❑ Spending will be on critical economic sectors that have quick transformative potentials such as infrastructure, agriculture, manufacturing, solid minerals, services, and social development.



8.1 Strategic Focus of the 2017 Budget - *New Initiatives*

- ❑ A new Social Housing Programme
 - N100 billion provisioned for a new Social Housing Programme towards a N1 trillion fund

- ❑ Special Economic Zone Projects
 - N50 billion for Special Economic Zone Projects to be set up in each of the geo-political zones to drive manufacturing / exports.

- ❑ Export-Expansion Grant (EEG)
 - N20 billion voted for the revival of EEG in the form of tax credits

- ❑ Recapitalisation of Bank of Industry (BOI) and Bank of Agriculture (BOA)
 - N15 billion provisioned to support these development finance institutions to support Micro, Small and Medium Scale Enterprises (MSMEs)

These new initiatives will support economic diversification and inclusion in our growth-drive



8.2 Strategic Focus of the 2017 Budget - *Some Projects*

Power

- N20bn Rural Electrification projects in Federal Universities
- N18.7bn for the construction of 3,050mw Mambilla hydropower project
- N7.12bn for the completion of power evacuation facility for 400mw Kashimbila hydropower plant.

Housing

- N41bn federal government National Housing Programme nationwide.

Works

- Over 65 roads & bridges construction and rehabilitation projects across the 6 geopolitical zones of the country.
- N20bn nationwide intervention fund for roads.
- N31.5bn for the rehabilitation/reconstruction and expansion of Lagos – Shagamu - Ibadan dual carriageway sections I & II in Lagos and Oyo states.

Education

- N5 billion for the provision of security infrastructure in 104 colleges (Perimeter fencing, Solar Street light, solar powered motorised borehole & CCTV).



8.2 Strategic Focus of the 2017 Budget - *Some Projects .../2*

❑ **Transportation**

- N213.14bn for various railway projects (Lagos-Kano, Calabar-Lagos, Kano-Kaduna, Ajaokuta-Itakpe-Warri, Kaduna-Idu) / counterpart funds and other rail projects
- N3.03bn for the construction of terminal building at Enugu airport.
- N2.08bn for airside rehabilitation of Abuja airport.
- N2.47bn for the construction of an inland river port and supply of cargo handling equipment at Baro, Niger state.

❑ **Health**

- N11.72 billion for joint venture investments in tertiary institutions with Nigeria Sovereign Investment Authority.
- N7.65 billion for procurement of vaccines and devices.
- N6.46 billion for Global Fund and GAVI counterpart funding.



8.2 Strategic Focus of the 2017 Budget - *Some Projects .../3*

Water Resources

- N18.86 billion for water supply schemes nationwide.
- N14.3 billion for construction and rehabilitation of dams nationwide.

Agriculture & Rural Development

- N6.5bn Rural Roads and Water Sanitation programme
- N2.61bn Promotion and Development Of Wheat Value Chain
- N4.13bn Guaranteed Minimum Price payment.

Mines & Steel Development

- N1.0 billion for the establishment of mega regulatory agency for the sector
- 2.58 billion for detailed mineral resources evaluation, equipping National geoscience laboratory and other projects.

Communications

- N1 billion for extension of government service portal and deployment of additional National Spectrum Management System.



8.2 Strategic Focus of the 2017 Budget - *Some Projects .../4*

Niger Delta

- N6.55 billion for dualization of East-West Road {Sections 1 to 5 covering Warri – Kiama – Ahaoda – Port Harcourt – Eket – Oron - Calabar}.
- N8 billion counterpart fund contribution for East-West road

Social Intervention Programmes

- N500 billion for FGN Special Intervention Programme (including Home Grown School Feeding Programme, Government Economic Empowerment Programme, N-Power Job Creation Programme and Conditional Cash Transfers and Social Housing Programme fund).

Regional Interventions.

- N65 billion for reintegration of transformed ex-militants under the Presidential Amnesty Programme.
- N45 billion North East intervention fund.

SDGs

- N20 billion for SDGs conditional grants and social safety nets.



9.0 Conclusion

- As a Government, we are determined to bring succor to our people by taking strong action to change the current trajectory of the Nigerian economy.
- To get out of this recession and back on the path of growth, Government must find the resources to spend on infrastructure, and to spend to reflate the economy
- We must, and we can, find the resources to fund the 2017 budget.
- We will challenge our revenue generating agencies, particularly the FIRS and Customs to improve their efficiencies and broaden their reach so as to achieve the targets set for them in the 2017 Budget.
- We must maximize the revenues we can generate from the oil and gas sector and also introduce creative measures to improve on the efficiencies in that sector so as to increase the Government take.



9.0 Conclusion /2

- We must find ways of solving our foreign exchange shortages
- Sustained growth of the economy needs an export led revival.
- We appeal to the indomitable spirit of Nigerians to turn these difficulties into opportunities.
- I wish you all a Merry Christmas and a better New Year during which we shall get out of the recession.



Thank You!