

LEAD DEBATE ON THE APPROPRIATION BILL, 2019 (SB.721).

Sponsor: Senator Ahmad Ibrahim Lawan (*Leader of the Senate*)

Mr. President, Distinguished Colleagues, permit me to lead the debate on the general principles of the 2019 Appropriation Bill which was laid before this Chamber on Thursday, 20th December, 2019 by the President C-in -C, of the Federal Republic of Nigeria.

The Bill is deemed to have been read the first time by virtue of its being laid before the Joint Session of the National Assembly on Thursday, 20th December, 2019.

Mr. President, Distinguished Colleagues, the Bill seeks to authorize the issue from the Consolidated Revenue Fund of the Federation the total sum of ₦8,826,636,578,915 (Eight Trillion, Eight Hundred and Twenty- six Billion, Six Hundred and Thirty Six Million, Five Hundred and Seventy-Eight Thousand, Nine Hundred and Fifteen Naira) only. The planned expenditure for 2019 is lower than the approved 2018 Appropriation Act figure of ₦9.12 trillion by 3%.

The budget deficit is projected to decrease to ₦1.86 trillion (or 1.33 % of GDP) in 2019 from ₦1.95 trillion projected for 2018. (1.73% of estimated GDP). This reduction is in line with this administration's plans to progressively reduce Budget deficit and borrowings.

About 89% of the deficit (₦1.65 trillion) will be financed through new borrowings while about ₦210 billion is expected from the proceeds of privatization of some public enterprise. Debt Service/Revenue ratio which was high as 69% in 2017 has led to concerns being raised about the sustainability of the nation's Debt. Therefore, while the National Debt remains sustainable, it is imperative that we tackle our revenue problem so that we do not end up with a debt sustainability issues.

The proposed ₦8.83 trillion of 2019 Aggregate Expenditure comprises of:

- Recurrent Costs of ₦4.04 trillion;
- Debt Service of ₦2.14 trillion; (6% higher than 2018)
- Statutory Transfers of about ₦492.36 billion; (7% decrease over 2018)

- Sinking Fund of ₦120 billion which will be used to retire maturing bonds to local contractors; thus, total debt service provision is ₦2.26 Trillion.
- Capital Expenditure of ₦2.031 trillion including capital supplementation but excluding the capital component of Statutory Transfers

Mr. President, Distinguished Colleagues, the 2019 Budget proposal is based on the following assumptions and macro framework:

- Oil price benchmark of \$60 per barrel;
- Oil production estimate of 2.3 million barrels per day, including condensates;
- Exchange rate of ₦305/\$;
- GDP growth of 3.01 percent;
- Inflation Rate of 9.98 percent;
- Nominal Consumption ₦119.28 Trillion; and
- Nominal GDP of ₦139.65 Trillion.

Total revenue is projected at ₦6.97 trillion (which is 3 percent lower than the 2018 estimate of ₦7.17 trillion), consisting of Oil revenues projected at ₦3.73 trillion including NLNG dividends and mining (23% higher than 2018) while non-oil revenue is estimated at ₦1.39 trillion.

The estimate for non-oil revenue consists of ₦799.52 billion from Company Income Tax (CIT), ₦229.34 billion from Value Added Tax (VAT) and Customs Duties of ₦302.55 billion. We have reduced our expectation from Independent Revenues to ₦624.58 billion. Other revenues expected in 2019 include various recoveries of ₦203.38 billion, ₦710 billion as proceeds from the restructuring of government's equity in Joint Ventures and other sundry incomes of ₦104.11 billion.

Mr. President, Distinguished Colleagues, the 2019 Budget Proposal is intended to sustain the economy on the path of inclusive, diversified and sustainable growth in order to continue to lift significant numbers of our citizens out of poverty. The underlying drivers of the 2019 revenue projections have been

adjusted to reflect the current realities. On the expenditure side, allocations to Ministries, Departments and Agencies of Government are guided by the 3 objectives of the Economic Recovery and Growth Plan (EGRP) which are:

- (i) Restoring and Sustaining Growth;
- (ii) Investing in our People; and
- (iii) Building a Globally Competitive Economy.

Mr. President, Distinguished Colleagues, the 2019 capital Budget is designed to align expenditure to Long-Term objectives, sustainable development as well as Fiscal consolidation, inclusive growth and job creation, stabilization of the welfare of Nigerians by focusing more on:-

- a. Macro-economic stability;
- b. Consolidating on structural reforms;
- c. Enhancing Governance and Institutional goals;
- d. Diversification of the economy with key emphasis on agriculture; investments in priority sectors like Solid Minerals; and
- e. Self-sufficiency in food and other products.

To consolidate on the momentum of the 2018 Budget implementation, many ongoing capital projects have been provided for in the 2019 Budget by allocating 30 percent to Capital projects. This is deliberately structured to demonstrate this administration's strong commitment to investing in critical infrastructures capable of spurring sustainable growth and creating jobs.

A total of ₦2.28 trillion is allocated for Capital spending, inclusive of capital in statutory transfers. For comprehensiveness and transparency, the expenditure plans of the larger Government Owned Enterprises (GOEs) as well as Multi-lateral and Bi-lateral project-tied loans have been integrated into the 2019 -to-2021 Medium Term Expenditure Framework. With the inclusion of ₦275.88 billion representing capital for the larger GOEs and ₦556.02 billion for Multi-lateral/Bi-lateral project-tied loans, **the aggregate capital budget is ₦3.12 trillion. This represents 30 percent of the total FGN proposed expenditure for 2019.** In order to get full value for monies expended by the Government over time and to avoid duplication and waste, this Administration's emphasis will

continue to be on completion of existing projects. Accordingly, provisions have been made to carry over projects that are not likely to be fully funded under the 2018 budget to the 2019 capital budget.

The allocation to the Social Intervention Programme (SIP) has been retained at ~~₦500~~ billion, consisting of ~~₦350~~ billion recurrent and ~~₦150~~ billion capital. This reflects the continued determination of federal government to pursue inclusive gender-sensitive and pro-poor growth. In addition, to maintain the peace in the Niger Delta, the provision of ~~₦65~~ billion for the Presidential Amnesty Programme has been retained in the 2019 budget.

Similarly, the sum of ~~₦45~~ billion Naira has been provided for the North East Intervention Fund, as well as the sum of ~~₦10~~ billion Naira as take-off grant for the North East Development Commission (NEDC). To further support Small and Medium Scale Enterprises, which is the focus of this Administration's industrialization drive, the sum of ~~₦15~~ billion have been set aside for the recapitalization of the Bank for Agriculture (BOA) and the Bank of Industry (BOI). In addition, the sum of ~~₦10~~ billion is provided as a grant to the Bank of Industry for the purpose of subsidizing the interest rates charged on loans to Small and Medium-Scale Enterprises. This is intended to make it possible for them to access single digit interest rate loans from the Bank.

The 2019 Budget further seeks to devote substantial part of the recurrent cost for the payment of salaries and overheads in Ministries providing critical public services such as:-

- ~~₦569.07~~ billion for the Ministry of Interior;
- ~~₦435.62~~ billion for the Ministry of Defense;
- ~~₦462.24~~ billion for the Ministry of Education; and
- ~~₦315.62~~ billion for the Ministry of Health.

The allocation to these Ministries represent significant increases over votes in previous budgets, underscoring this Administration's commitment to increasing investments in national security and human capital development.

The devotion of this portion of our recurrent expenditure to these institutions will ensure that our teachers, armed forces personnel, doctors, nurses, policemen, fire fighters, prison service officers and many more critical service providers are paid competitively and on time.

The 2019 Budget seeks to stimulate the national economy making it more competitive by focusing on infrastructural development, delivery of inclusive growth and prioritizing the welfare of Nigerians to:-

- (i) Safeguard lives and property;
- (ii) Equipping farmers with the right tools, technology and techniques;
- (iii) Empowering and enabling mines to operate in a safe and secured environment; and
- (iv) Training of our youths through revival of our vocational institutions to ensure they are competitive enough to seize the opportunities that will arise for this economic revival.

Mr. President, Distinguished Colleagues, I believe that all the proposals in this Budget are laudable and are tailored to meet the critical needs of this country at this point of our democratic evolution and economic situation. All these are targeted at making Nigeria move to the next desired level of economic, social development and growth.

I therefore urge you all my Distinguished Colleagues to support the Second Reading of this Bill and committal to the Committees for detailed consideration.

Thank you.