LEAD DEBATE ON THE APPROPRIATION BILL 2016

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1.0 Introduction

- Mr President distinguished colleagues, may I lead the debate on the general principles of the 2016 Appropriation Bill which was laid on the 22nd December 2015 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 this Distinguished Chamber on Tuesday 22nd December, 2015 in the Joint Session of the National Assembly.
- Mr. President, Distinguished Colleagues, the Bill seeks to authorise the issue from the Consolidated Revenue Fund of the Federation the total sum of N6,077,680,000,000.00 (Six trillion, and seventy-seven billion, six hundred and eighty million naira) only. As against the 2015 Budge of N4.6 Trillion.
- The highlight of the Budget is as follows:-
- The development of 2016 Budget was guided by the 2016-2018 medium term expenditure framework (MTEF) and fiscal strategic paper (FSP), as well as the 2016-2020 medium term successor strategic plan

he Budget is unique and titled "Budget of Change"

- The first budget to be developed and implemented by the current administration
- Budget preparation was based on Zero Based Budgeting (ZBB) system which requires all expenses on projects and programmes to be fully justified by MDAs

- The 2016 Budget is coming on the heels of global economic downturn
  - Which have significantly impacted the Nigerian Economy
  - Coupled with pockets of significant home-growth difficulties.

- The Budget is aimed at promoting inclusive growth
  - Including the poor and the vulnerable

- However, it would be challenged by the decline in oil prices and slowdown in the global economy

2.0 A Review of Global and Domestic Challenges in 2015

- The global economy slowed down during year 2015
  - This is particularly the case with emerging markets such as Nigeria

- Recent events in the global economy have major distributional and financial implications across countries

- Decline in oil price by over 50% since June 2014 is increasing domestic and external vulnerabilities

- Estimates for Nigerians GDP for first and second quarters of 2015, which stood at 3.96% and 2.35% show a weakening of economic activity

- However, despite the weak growth rates, our domestic security challenges, declining oil prices, and the attendant difficulties in providing foreign exchange to meet market demands, the Nigerian economy grew by 2.84% in the third quarter of 2015

3.0 2015 Budget Performance Review

- 2015 Budget was premised on certain key parameters including:
  - A benchmark oil price of $53pb,
  - Oil production of 2.2782mbpd and
  - Exchange rate of N190/$

- Projected revenue for Budget 2015 was N3,452.35 billion

- Budget expenditure outlay of N4,493.36 billion
  - Implying a deficit of N1,041 billion (1.09% of GDP)

- Due largely to under provisioning by the previous administration for fuel subsidy and cost required to support military operations in the North East

- Average oil production was 2.13mbpd between the first and third quarter (0.1482mbpd short of the projected production of 2.2782mbpd)
  - Average oil price for January – October stood at $53.61 per barrel during the period

- Security challenges in parts of the North-East and abuse of government waivers and incentives have also undermined government's tax yield

3.0 2015 Budget Performance Review (Cont'd)

- Of the total appropriation of N4,493.36 billion and a supplementary budget of N574.53 billion, N3,420.64 billion had been spent as at September

- Recurrent expenditure has been on track with respect to budgeting provision
  - About 78.1%, that is, N1,770.58 billion of the N2,238.88 billion budgeted for the payment of Salaries, Pensions, Overheads, etc., had been released,
  - While debt service has been largely covered

- Capital spending was lower than budgeted due to the revenue challenges and the need to cater for pressing recurrent needs

- As at September, N194.77 billion of the N557 billion budgeted for capital spending had been spent by Federal MDAs
  - Amount released for capital budget implementation increased to N330 billion as at 30 October 2015.

- In addition to this, N20.39 billion (or 97%) of the N21.03 billion provisioned for SURE-P had been utilized

- Fiscal deficit including the supplementary budget is projected at 2.31% of GDP for 2015 fiscal year

4.0 Objectives of the 2016 Budget

- 2016 Budget is designed to:
  - Ensure that the economy is revived
  - Deliver inclusive growth to Nigerians
  - And create a significant number of jobs

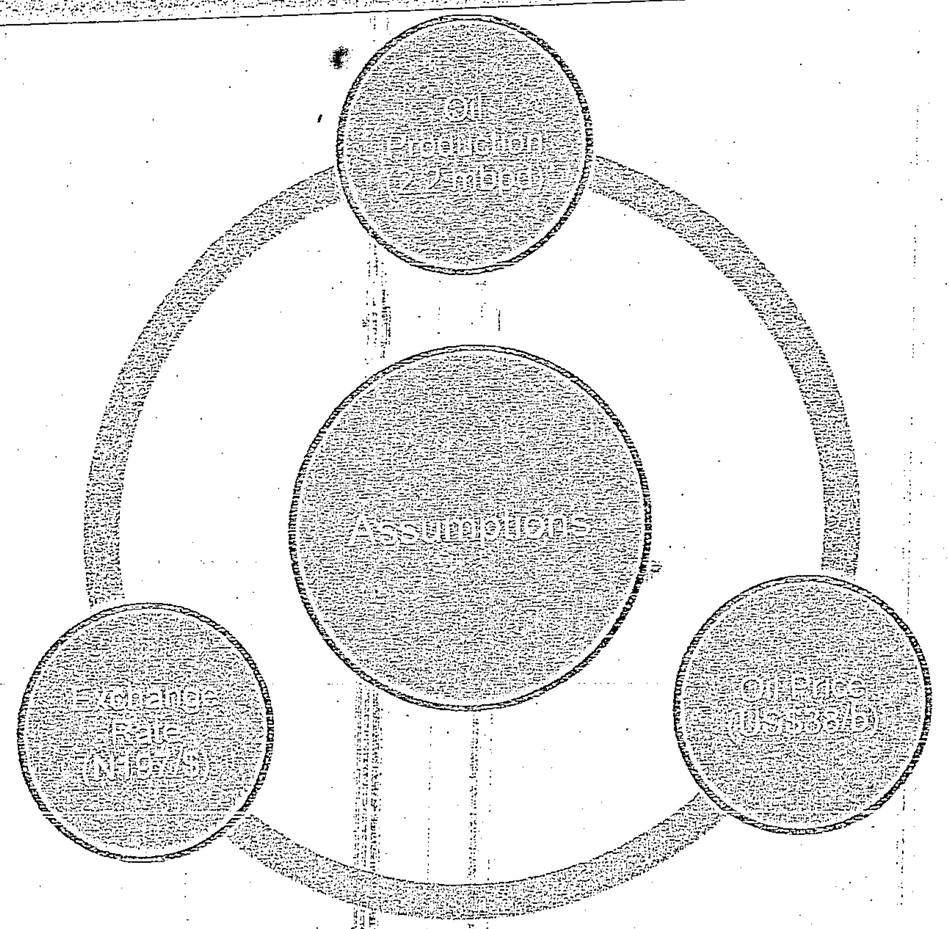
- The Budget seeks to:
  - Stimulate the economy, making it more competitive by focusing on infrastructural development
  - Address immediate problem of youth unemployment and underemployment
  - Prioritising the welfare of Nigerians

- Focus on broadening the tax base and improving the effectiveness of revenue collection,
  - As well as ensuring macroeconomic stability and managing the oil price shocks

- Aimed at diversifying the economy and moving away from dependence on oil

5.0 2016 Budget Assumptions

- Benchmark price of $38 per barrel
- Production estimate of 2.2mbd



- Broaden the tax base and improve the effectiveness of revenue collecting agencies
- Adoption of a zero based budgeting approach to ensure that resources are aligned with Government's priorities and allocated efficiently
- Proper linkage of budgeting to strategic planning
- Full implementation of Treasury Single Account (TSA)
- Ensure that all MDAs particularly revenue generating MDAs present their budget in advance, and remit their operating surpluses as required by the FRA

5.0 2016 Budget Assumptions (Cont'd)

- Enhancement of the Government Integrated Financial Management Information Systems (GIFMIS)
- Establishment of Efficiency Unit to identify and eliminate wasteful spending, duplication and other inefficiencies
- Extension of the Integrated Personnel Payroll Information System (IPPIS) to all MDAs
- Introduction of the Continuous Audit Process (CAP) to strengthen the controls over our personnel and pension costs

6.0 The Proposed 2016 Budget Details

- Total budgetary allocation is N6.08 trillion, an increase of about N1 trillion from the revised allocation of N5.09 trillion for 2015
  - Statutory transfers N351.37 billion
  - Debt service N1.475 trillion
  - Recurrent (non-debt) expenditure N2.648 trillion
  - Capital expenditure N1.85 trillion

- Capital expenditure portion of the budget has been increased from N557 billion in 2015 to N1.85 trillion for 2016, representing 30% of our total budget
- Under recurrent expenditure, N300 billion is earmarked for Special Intervention Programmes on social safety nets while, a capital provision of N200 billion is made for the programme

- Federal Government revenue collection is projected at N3.86 trillion for year 2016 up by N0.41 trillion from 2015

- Oil related revenue - N820 billion
- Non-oil revenues - N1.45 trillion
- Independent Revenues - N1.51 trillion

6.1 Proposed Recurrent Expenditure Budget Allocation

- Total Recurrent expenditure (non-debt) expenditure - 2.648 trillion

Out of which:

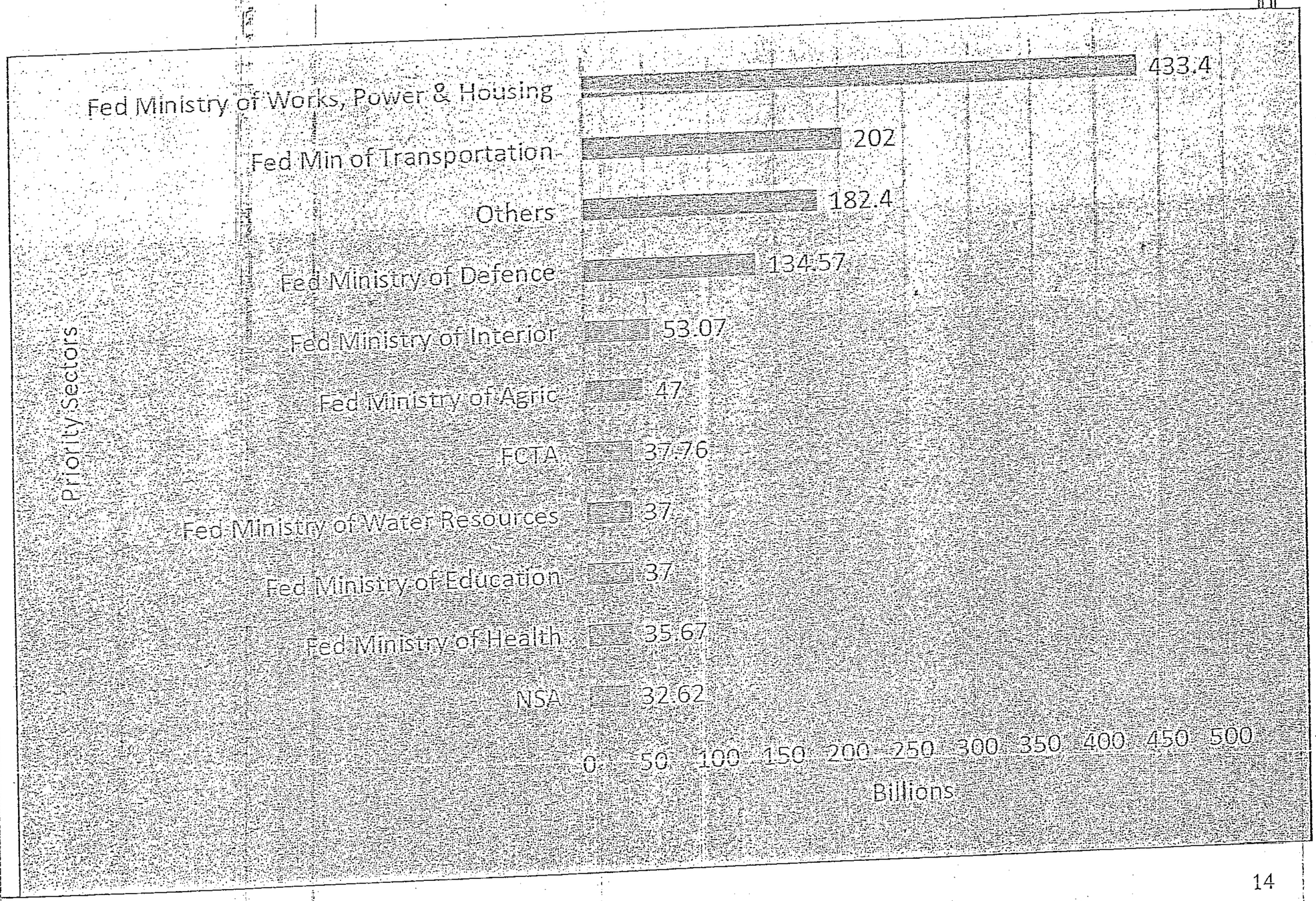
- Federal MDAs - 1.860 trillion
- Federal Executive Bodies (such as Code of Conduct Bureau and Tribunal, FCC, FCSC, NPoC etc) - 13.087 billion
- Service-wide votes and pensions expenditures items pension and gratuities - 200.17 billion
- Service-wide votes pensions - 110.0 billion
- Other service-wide votes - 465.06 billion
- Presidential Amnesty Programme - 20.0 billion

- Total Capital Budget Allocation - 1.846 trillion
  - Capital Development Fund - 1.602 trillion
  - Capital Expenditure in Statutory Transfer - 157.15 billion
  - Interest on Capitalised Loans - 86.0 billion

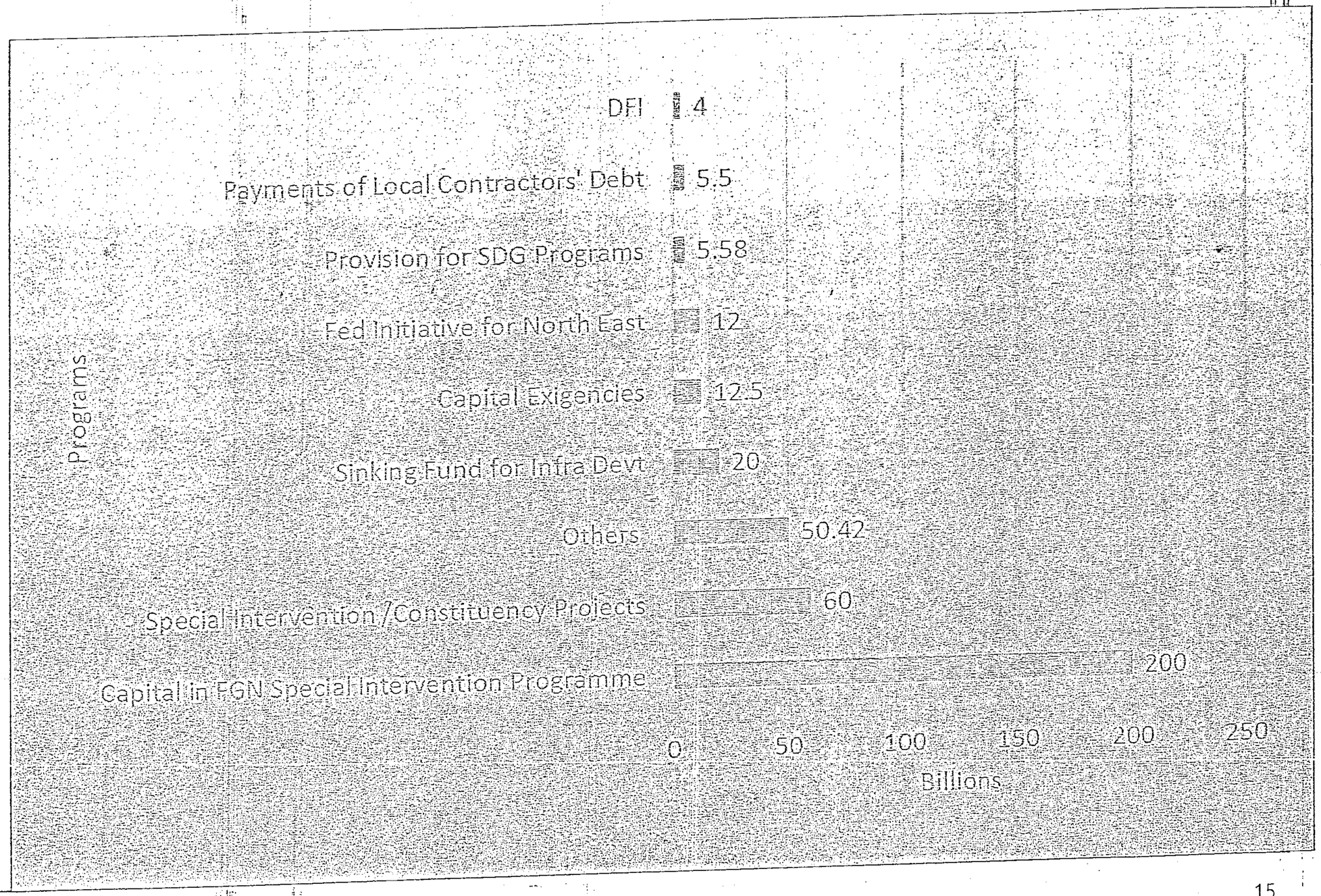
6.2 Capital Allocation to Priority Areas

- Capital allocation to priority sectors are in tandem with Nigeria's long term objectives and sustainable development;
  - N433.4 billion is allocated to works, Power and Housing;
  - Transport is allocated N202.0 billion;
  - N134.6 billion is allocated to Defence;
  - Interior is allocated N53.1 billion; and
- Investments in infrastructure and security are meant to support the reform initiatives in the Agriculture, Solid Minerals and other core job creating sectors of the economy

6.3 Capital Allocation by MDAs



6.4 Capital Supplementation



6.5 Major Policy and Strategic Initiatives

- Government is conscious of the current rate of unemployment and underdevelopment
  - This budget is the vehicle for putting more Nigerians to work;

- A sum of N500.0 billion has been provided as social intervention fund
- Nigeria's job creation drive will be private sector led;
- Government to partner with States and Local Governments to recruit, train and deploy 500,000 unemployed graduates and NCE holders to primary schools;
- Government is equally to partner with States and Local Governments to provide financial training and loans to market women, traders and artisans through cooperative societies;
- Provision of N1.48 trillion for debt service, inclusive of Sinking Fund of N113 billion towards the retirement of maturing loans in 2016

6.5 Major Policy and Strategic Initiatives

- The OVP is working with various development partners to design an implementable and transparent conditional cash transfer programme for the poorest and most vulnerable:
  - To be implemented in phases

- A key component of the programme is the implementation of the Public Primary School feeding and free education programme for science, technology and education students in the tertiary institutions;
  - A sum of N500 billion has been provided for FY 2016

- Provision of financial training and loans to market women traders and artisans, through cooperative societies;

- An Efficiency Unit has been established by this Administration together with effective implementation of GIFIMIS and IPPIS to drive a reduction of overheads by 7%, personal cost by 8%, and other service vide votes by 19%;

- Alignment of fiscal, monetary, trade and industrial policies;
- Strive towards reduction in tax for smaller business;
- Provision of subsidised funding for priority sectors such as agriculture and solid minerals; and
- An effective monitoring & evaluation arrangement is being put in place to facilitate the tracking of projects & programmes and the associated financial outlays on the projects during the period

7.0 Sources of Financing the Deficit in the 2016 Budget

- Overall fiscal deficit for 2016 is projected at N2.22 trillion

  - Deficit/GDP ratio is equivalent to 2.16%

- Component of the deficit to be financed through borrowing — N1.84 billion

  - Domestic borrowing — N984 billion
  - Foreign borrowing — N900 billion

- Government debt profile is projected at 14% of GDP for 2016

8.0. CONCLUSION

The 2016 Budget is a frame work that will consolidate and add impetus to the change agenda of this administration and will promote economic growth, job creation, poverty reduction and service delivery to all Nigerians.

Mr. President Distinguished Coleagues, I believe that all the proposals in this Budget are laudable and are tailored to ~~make~~ meet the

critical needs of this country at this point of our democratic evolution and to deliver on the dividends of democracy especially the first year of this administration. I therefore urge you all to support the 2nd reading of this Bill and commital to the committees for detailed consideration.

Thank You.

Senator Mohammed Ali Ndume

(Senate Leader)