



PUBLIC PRESENTATION OF THE 2018 FGN BUDGET

**2018 BUDGET
OF CONSOLIDATION**

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- 1 Introduction
- 2 Summary of 2017 Budget Performance
- 3 Background to the 2018 Budget
- 4 Approach to the 2018 Budget
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1.0 Introduction

- The Nigerian economy lapsed into recession in Q2 2016 precipitated by sharply lower oil prices, and without sufficient fiscal buffers following years of inappropriate policies, fiscal leakages and inefficient spending.
- This necessitated a number of economic and institutional reforms as well as the implementation of an expansionary fiscal stance.
- The implementation of a number of reforms, including significant spending on critical infrastructure provided the stimulus for the economy to emerge from recession by the end of Q2 2017.



1.1 Introduction.../2

- The 2018 Budget is designed to **Consolidate** on the achievements of the 2016 **Budget of Change** & the 2017 **Budget of Recovery & Growth**, and advance delivery of the goals of Nigeria's Economic Recovery and Growth Plan (ERGP) 2017 – 2020.
- The 2018 Budget was presented to the National Assembly by His Excellency, Mr. President on 7th November, 2017.
- It was passed by the National Assembly on the 16th of May, 2018, transmitted to the President on 25th May, 2018 and assented to by Mr. President on 20th June, 2018.



2.0 Summary of 2017 Budget Performance

S/N	Description	FY Budget	Actual (2017)
1.	GDP Growth Rate	1.5%	0.83%**
2.	Oil Production	2.2	1.86
3.	Oil Price	44.5	54.6 ⁺
4.	Inflation Rate	15.74	15.91*
5.	Exchange Rate (N/\$) (CBN Official Rate)	305	305
6.	Revenue (N'trillion)	5.08	2.71
7.	Expenditure (N'trillion) • Capital Expenditure	7.44 2.17	6.05 1.24***

*Inflation rate for December, 2017; As at May 2018, inflation rate is 11.61%

** GDP growth for Q4 2017 was 1.92%.

*** 2017 Capital spending as at June, 2018 is N1.58 trillion.

+ Bonny Light price average for 2017; As at May 2018 - \$77.7/b

SOURCE: 2017 Appropriation Act; NBS Q-Reports; OAGF.



2.1 Capital Expenditures

- Aggregate releases under the 2017 Capital Budget upto June 2018 amounted to **N1.58 trillion**, the highest for the FGN.
- Spending on capital has been prioritised in favour of critical ongoing infrastructural projects, such as power, roads, rail, agriculture.
The N100 billion Sukuk Bond raised in October 2017, for instance, was deployed to construction of 25 priority roads around the country.
- Essentially, capital expenditure in the 2017 Budget was designed to be funded by borrowings.



2.2 2017 Growth Review

- As a result of the challenges in the economy actual GDP growth for full year 2017 was 0.83%
- Engagements with stakeholders in the Niger Delta region to ensure stability in oil production has yielded positive outcomes with less tensions.
- Efforts are also ongoing to ensure all taxable Nigerians and companies comply with the legal requirement to declare income from all sources and remit taxes due to the appropriate authorities.
- In addition, we are working to improve GOEs' revenue performance by reviewing their operational efficiencies and cost-to-income ratios and generally ensuring they operate in more fiscally responsible manner.



3.0 Background to the 2018 Budget: *Global Environment*

- The global economy is still characterized by uncertainty. However, the sluggish economic recovery is expected to pick up pace while the global political terrain is expected to stabilize.
- Global GDP growth is projected at 3.9% in 2018 up from 3.8% in 2017.
- Emerging markets and developing economies are expected to lead with GDP growth of 4.9%
- Advanced economies are projected to grow at a slower rate of 2.5%



3.1 Background to the 2018 Budget:

Global Environment .../2

- Despite prospects of higher economic growth, inflation is expected to remain low in advanced economies.
- The US, in particular, is pulling back from quantitative easing, with resultant increase in US interest rates which could adversely affect capital flows to emerging/frontier markets.
- In emerging markets and developing economies, inflation is slowing down as the pass-through effects of earlier currency depreciations are waning.
- Some non-economic factors that could undermine medium-term prospects include geopolitical tensions, extreme weather events, terrorism /security concerns



3.2 Background to the 2018 Budget: *Domestic Environment*

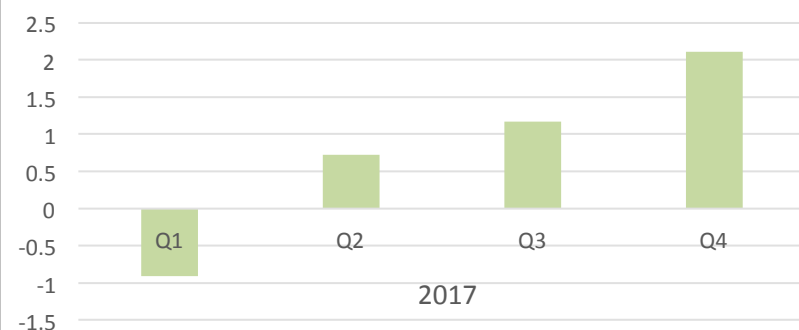
- Challenges in the domestic environment include:
 - Incidence of crude oil production shut-ins.
 - Insurgency in parts of the North East and restiveness in some other parts of the Country
 - Severe weather conditions especially flooding of major cities
- Despite these challenges, we were able to come out of the economic recession by sticking to the programme of action stipulated in the ERGP and its pre-cursor Strategic Implementation Plan.



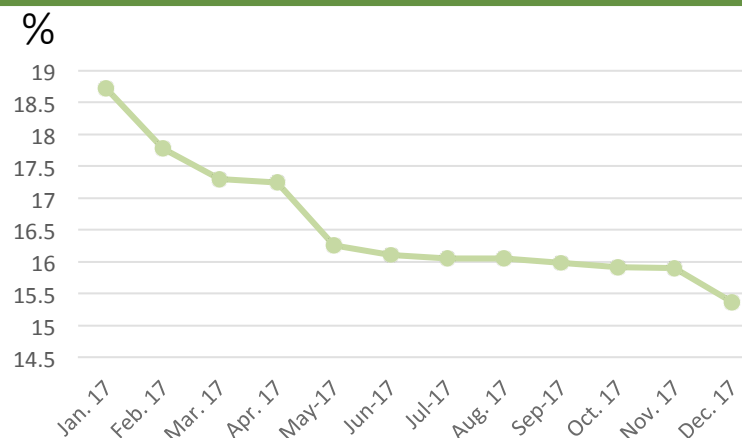
3.3 Background to the 2018 Budget: *Domestic Environment..../2*

GDP growth slowed but is rebounding

2017 GDP growth rate, %

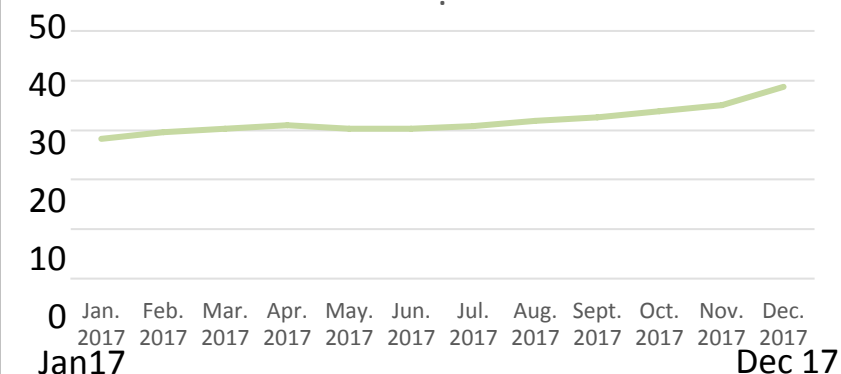


Inflation is gradually declining



Gross international reserves is growing

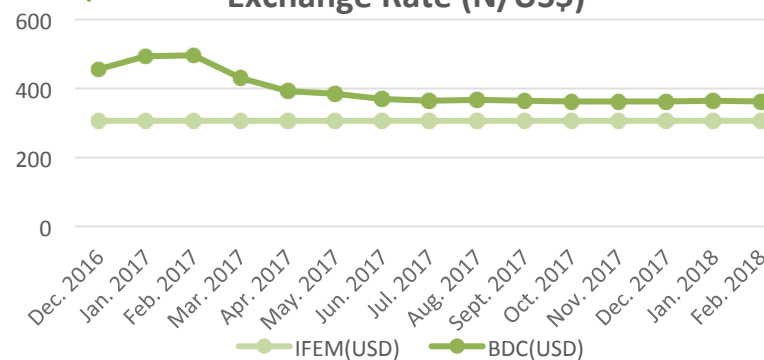
USD Billion



Exchange rates gap is narrowing

Naira/USD

Exchange Rate (N/US\$)





4.0 Approach to the 2018 Budget

- The 2018 Budget proposal seeks to continue the reflationary policies of the 2016 and 2017 Budgets which helped put the economy back on the path of growth
- Thus, we plan to continue to spend more on ongoing infrastructure projects that have potentials for job creation and inclusive growth; We will continue to leverage private capital and counterpart funding for the delivery of infrastructure projects.
- As with 2016 and 2017 budgets, the 2018 budget has been prepared on the Zero Based Budget (ZBB) Principles.

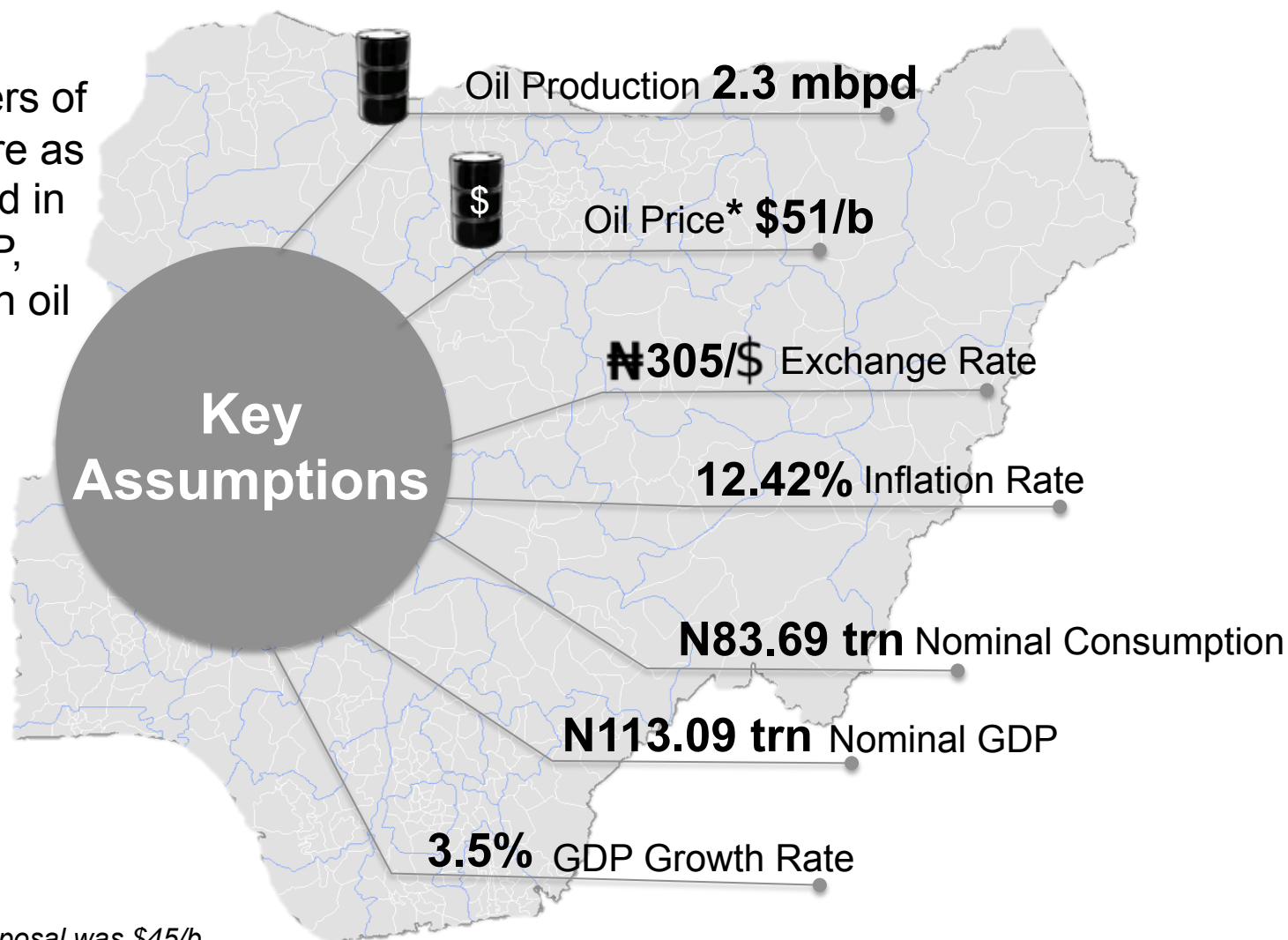
*ERGP, MTEF/FSP,
and MTFF*

The 2018-2020 Medium Term Fiscal Framework (MTFF) and the Budget proposal reflect many of the reforms and initiatives in the ERGP, which is our roadmap to economic recovery and a more sustainable growth, Projects are linked to government policies and strategic priorities.



4.1 Key Assumptions & Macro-Framework of 2018 Budget

- The key parameters of budget are as articulated in the ERGP, other than oil price.





4.2 Key Reform Initiatives to Improve Revenues

- We have taken on-board some key reform initiatives contained in the ERGP in the 2018 budget, e.g.:
 - Deployment of new technology to improve revenue collection
 - Upward review of tariffs and tax rates where appropriate
 - Stronger enforcement action against tax defaulters
 - Improving GOEs' revenue performance by reviewing their operational efficiency and cost-to-income ratios and generally ensuring they operate in more fiscally responsible manner.



4.2 Key Reform Initiatives to Improve Revenues.../2

- The 2018 revenue projections reflects:
 - New funding mechanism for JV operations, allowing for Cost Recovery in lieu of previous cash call arrangement.
 - Additional oil-related revenue including: Royalty Recovery, New/Marginal Field Licences, Early licensing renewals.
 - Review of the fiscal regime for Oil Production Sharing Contracts (PSCs)



4.2 Key Reform Initiatives to Improve Revenues .../3

- Restructuring government's equity in JV oil assets, with proceeds to be reinvested in other assets.
This will improve efficiencies in the operations of the JVs and position them for better revenue performance in the future.
- Increase in Excise duty rates on alcohol and tobacco.
- Tax Administration improvement initiatives to positively affect collection efficiencies across various tax categories, e.g., Tax amnesty programme



5.0 2018 Budget Revenue Proposals – Where the Money is coming from?

An Overview of the Revenue Framework

FISCAL ITEMS		2017 Approved Budget	2018 Approved Budget	Variance	
Oil Production Volume (Mill Barrels per day)		2.20	2.30	0.10	
Projected Budget Benchmark Price (US\$ per barrel)		44.5	51.0	6.50	
Average Exchange Rate (N/US\$)		305	305.0	-	
		N' Billion	N' Billion	N' Billion	%
AMOUNT AVAILABLE FOR FGN BUDGET		5,084.40	7,165.87	2,081.47	41%
a	Share of Oil Revenue	2,122.18	2,988.35	866.18	41%
b	Share of Dividend (NLNG)	29.59	31.25	1.66	6%
c	Share of Minerals & Mining	1.06	1.17	0.11	10%
d	Share of Non-Oil	1,373.21	1,248.79	(124.42)	-9%
	Share of CIT	807.82	658.55	(149.27)	-18%
	Share of VAT	241.92	207.51	(34.41)	-14%
	Share of Customs	277.56	324.86	47.30	17%
	Share of Federation Acct. Levies	45.90	57.87	11.97	26%
e	Independent Revenue	807.57	847.95	40.38	5%
f	FGN's Share of Actual Bal. in Special Accts	6.64	27.22	20.57	310%
g	FGN's Unspent Bal. of previous Fiscal Year	50.00	250.00	200.00	400%
h	FGN's Share of Tax Amnesty Income	-	87.84	87.84	
i	FGN's Share of Signature Bonus	114.30	114.30	-	0%
j	Recovery from Swiss. (US\$320 Mill)	97.60	-	(97.60)	-100%
k	Domestic Recoveries + Assets + Fines	261.90	374.00	112.10	43%
l	Other FGN Recoveries	205.56	138.44	(67.13)	-33%
m	Earmarked Funds (Proceeds of Oil Assets Ownership Restructuring)	-	710.00	710.00	
n	Grants and Donor Funding	-	199.92	199.92	
o	Others*	-	146.64	146.64	

* FAAC levies etc



5.1 2018 Budget Revenue Proposals – Where the Money is coming from .../2

Highlights

- Distribution of expected FGN revenue are as follows:

- Oil Revenue – 41.7%
- CIT – 9.2%
- VAT – 2.9%
- Customs – 4.5%
- Independent Revenue – 11.8%
- Recoveries – 7.2%
- Tax Amnesty – 1.2%
- Signature Bonus – 1.6%
- JV Equity Restructuring – 9.9%
- Grants & Donor Funding – 2.8%
- Others - 7.2%

Note:

- We have reflected projected proceeds from oil assets ownership restructuring as revenues for transparency & monitoring as the expected funds have been earmarked to fund critical capital projects



5.2 2018 Budget Expenditure Proposals – Where the Money is going?

An Overview of the Expenditure Framework

FISCAL ITEMS	2017 Approved Budget	2018 Approved Budget	Variance	
	N' Billion	N' Billion	N' Billion	%
FGN EXPENDITURE	7,441	9,120	1,679.33	23%
Statutory Transfers	434	530	96	22%
Debt Service	1,664	2,014	350	21%
Sinking Fund to retire maturing bond to Local Contractors	177	190	13	7%
Recurrent (Non-Debt) Expenditure	2,991	3,513	522	17%
Capital Expenditure (Exclusive of Transfers)	2,361	2,873	512	22%
Fiscal Deficit	(2,356)	(1,950)	406	-17%
GDP	107,958	113,089	5,131	5%
DEFICIT/GDP	(2.18%)	(1.74%)	0.44%	-20%
Capital Expenditure as % of Non-Debt Expenditure	42.17%	81.78%		
Capital Expenditure as % of total FGN	31.73%	31.50%		
Recurrent Expenditure as % of total FGN	68.27%	68.50%		
Debt Service to Revenue Ratio	32.73%	30.76%		
Deficit as % of total FGN Revenue	46.34%	27.22%		

Highlights

- 2018 FGN spending estimated at N9.12 trillion, exceeding FY2017 projection by 23%.
- At N2.01 trillion, debt service is 21% of planned spending (about same as in FY2017).
- Provision to retire maturing bond to local contractors increased by 7% from N177 billion in FY2017 to N190 billion in view of the ambitious plan to liquidate all contractor arrears of the FGN going back to several years
- Recurrent (non-debt) spending expected to rise by 17%, from N2.99 trillion in FY2017 to N3.51 trillion.
- Capital expenditure (excluding transfers) higher by 22% from N2.36 trillion in FY2017 to N2.87 trillion.
- Capital spending is 31.5% of total FGN expenditure in 2018.



5.4 Financing the Deficit

An Overview of other Financing Items (N' billions)

FISCAL ITEMS	2017 Approved Budget	2018 Approved Budget	Variance	
Oil Production Volume (MBPD)	2.20	2.30	0.10	5%
	N' Billion	N' Billion	N' Billion	%
FGN Revenue	5,084	7,165	2,081	41%
FGN Expenditure	7,441	9,120	1,679	23%
Fiscal Deficit	(2,356)	(1,950)	406	-17%
GDP	107,958	113,089	5,131	5%
Deficit/GDP	(2.18%)	(1.74%)	0.44%	-20%
TOTAL FGN EXPENDITURE	7,441	9,120	1,679	23%
ADDITIONAL FINANCING				
a Sales of Government Property	25		(25)	-100%
b Privatization Proceeds	10	306	296	2960%
c Non-Oil Asset Sales	0	5	-	
d New Borrowings	2,322	1,643	2,322	-29%
Domestic Borrowing	1,254	793	1,254	-37%
Foreign Borrowing	1,068	849	1,068	-20%

Highlights

- Overall budget deficit of N1.950 trillion in 2018 represents 1.74% of GDP.
- Projected deficit within threshold stipulated in the Fiscal Responsibility Act (FRA) 2007.
- Budget deficit is to be financed mainly by borrowing N1.643 trillion.
 - Domestic sources – N793 billion
 - Foreign sources – N849 billion
- A total of N306 billion is expected from privatization proceeds and N5 billion from sale of other government property to part finance the deficit

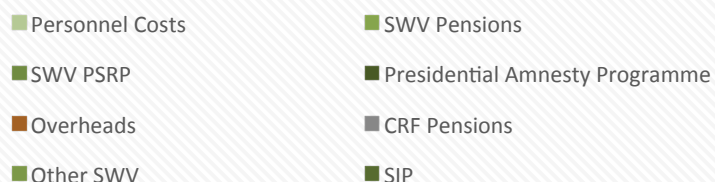


5.5 Breakdown of Recurrent (Non-Debt) Expenditure

(%)

Highlights

RECURRENT NON-DEBT (N3.51 TRILLION)



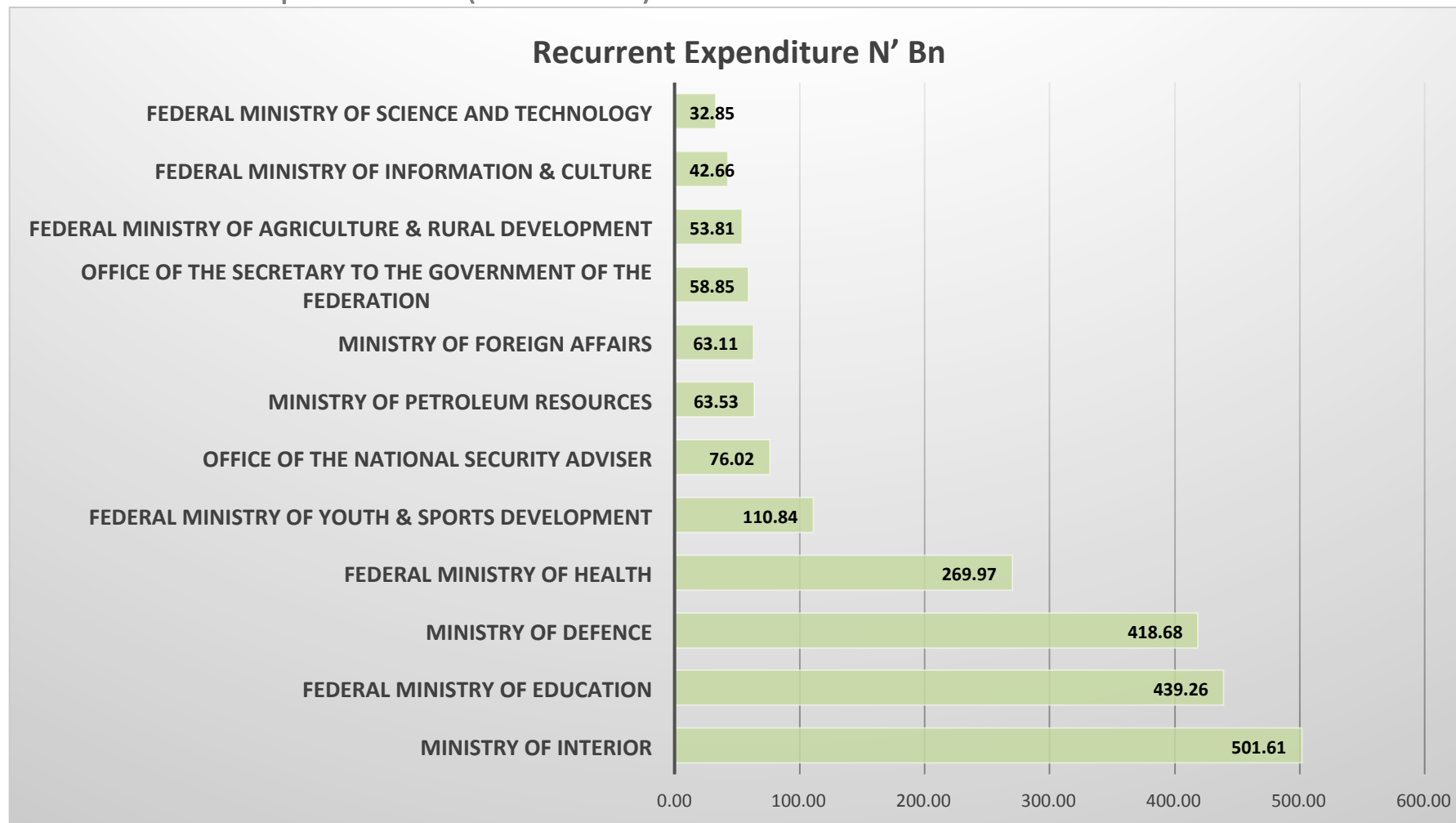
- **Personnel cost of MDAs account for 60% of non-debt recurrent spend**
- **10% allocated to Social Investment Programme**
- **7% for Overheads**
- **10% for Pensions (SWV & CRF)**
- **2% to Presidential amnesty programme**
- **9% to other service wide votes**
- **5% as SWV provisions for the Power Sector Recovery Programme**



5.6

Top 12 MDA Recurrent Expenditure Allocations in the 2018 Budget

Recurrent Expenditure (N billions)

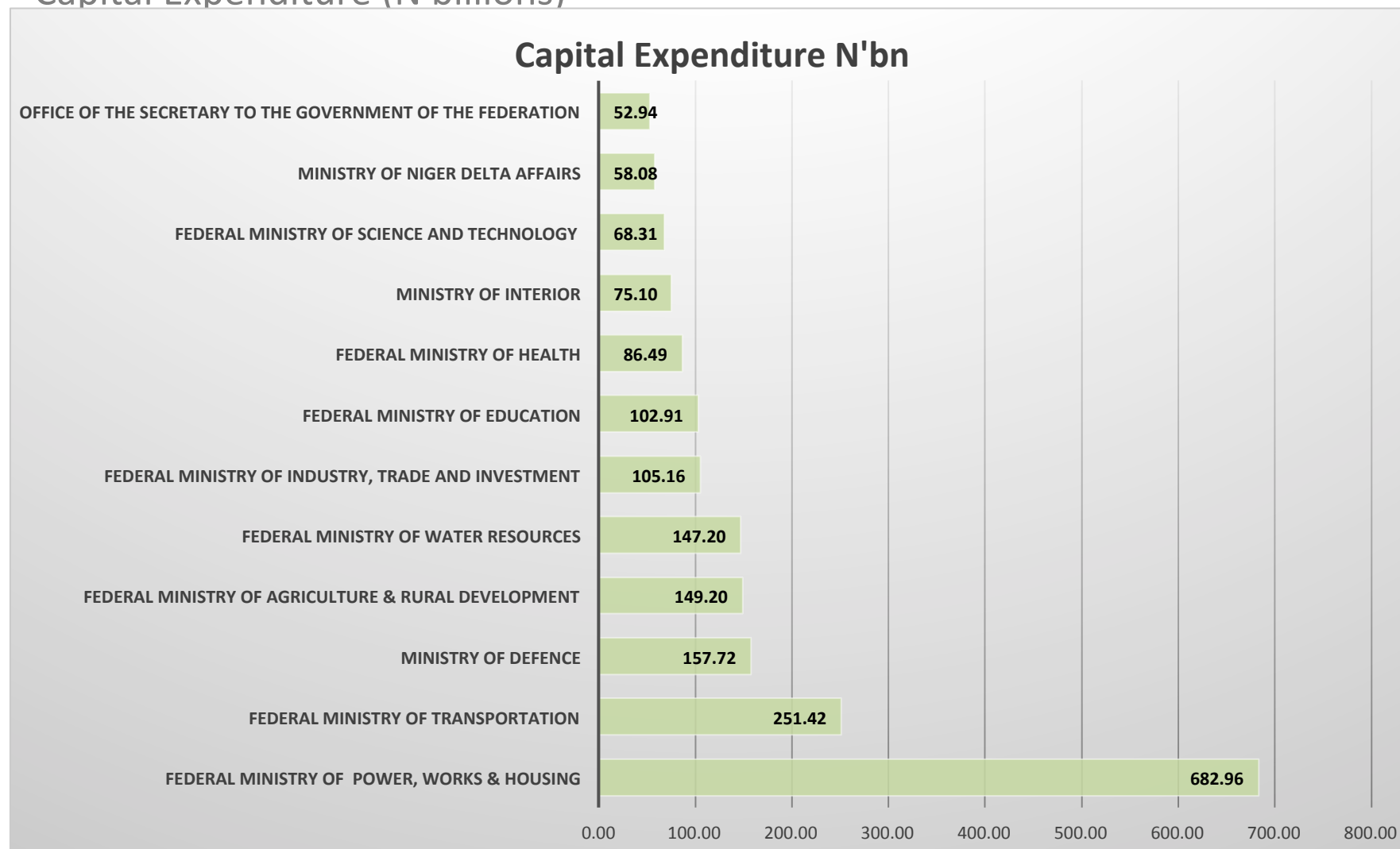


- Note: Personnel costs including pensions account for about 71% of recurrent non-debt expenditure



5.7 Top 12 Capital Expenditure Allocations in the 2018 Budget

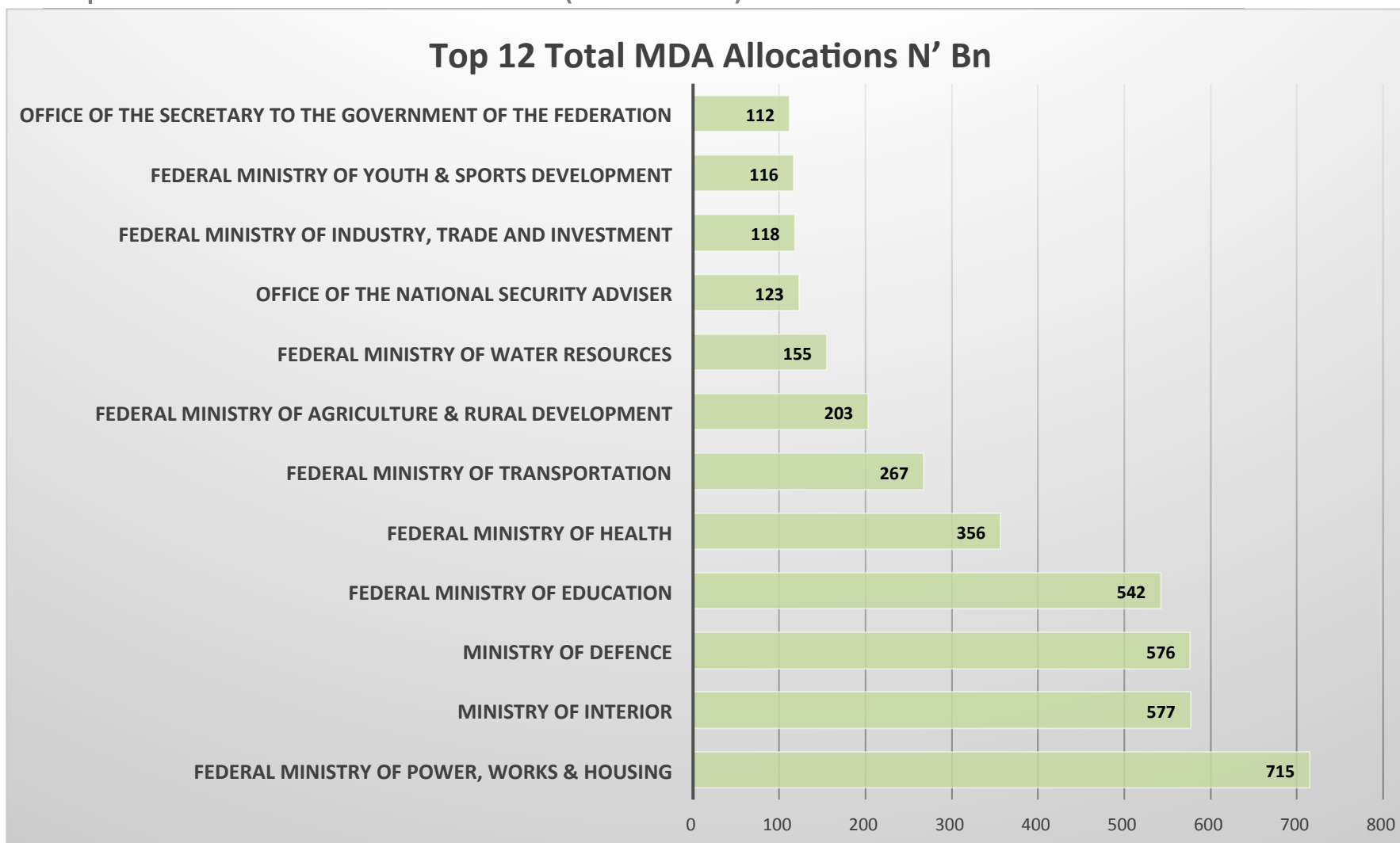
Capital Expenditure (N billions)





5.7 Top 12 Total (Recurrent & Capital) MDA Allocations in the 2018 Budget

Top 12 Total MDA Allocations (N billions)





6.0 Some Projects in the 2018 Budget

☐ Transport

- N162.28 billion Counterpart funding for Railway projects including:
 - LAGOS-KANO (Ongoing)
 - CALABAR-LAGOS (Ongoing)
 - Ajaokuta-Itakpe-Aladja (Warri) (Ongoing)
 - Port Harcourt - Maiduguri (New)
 - Kano-Katsina-Jibiya-Maradi in Niger Republic (New)
 - Abuja-Itakpe and Aladja (Warri)-Warri Port and Refinery including Warri New Harbour (new)
- N530.8 million Construction of Terminal Building at Enugu Airport
- N8.32 billion Construction of Second Run-Way of Nnamdi Azikwe International Airport Abuja

☐ Power

- N9.4 billion set aside as counterpart fund for the Mambilla hydro power project
- N9.7 billion counterpart funding for earmarked transmission lines and substations
- N2.2 billion Construction of 215MW LPFO/ Gas Power station Kaduna
- N3.4 billion Kashimbilla transmission
- N14.2 billion Fast Power Programme Accelerated Gas and Solar Power Generation



6.0 Some Projects in the 2018 Budget

❑ Housing

- **N26.7 billion** Federal Government National Housing Programme

❑ Works

- About **N344 billion** for the construction and rehabilitation of several roads nationwide including:
 - Lagos-Shagamu-Ibadan Dual Carriageway,
 - Ilorin-Jebba-Mokwa-Bokani Road,
 - Abuja-Abaji Road,
 - Kano-Maiduguri Road,
 - Enugu-Port-Harcourt Dual Carriageway,
 - Odupkani-Itu-Ikot Ekpene Road,
 - Sokoto-Tambuwal-Jega-Kontagora-Makera Road,
 - Dualisation of Obajana Junction to Benin,
 - Calabar-Ugep-Kastina Ala Road,
 - Onitsha-Enugu Dual Carriageway,
 - Abuja-Kaduna-Zaria-Kano Dual Carriageway
 - Benin-Ofosu-Ore-Ajebandele-Shagamu Expressway Phase III
 - Kotangora – Bangi Road



6.0 Some Projects in the 2018 Budget

❑ Works (*Continued*)

- About **N344 billion** for the construction and rehabilitation of several roads nationwide including:
 - Bodo-Bonny Road with a bridge across the Opobo channel. In Rivers State.
 - Apapa - Oshodi express way in Lagos (Phase II Sections I & II).
 - Nnenwe-Oduma-Mpu (Enugu State) -Uburu (Ebonyi State)
 - Ningi - Yadagungume- Fuskar Mata Road Phase II In Bauchi State
 - Oju/Loko - Oweto Bridge to link Loko And Oweto with approach Roads
 - Otuocho - Anam- Nzam- Innoma – Iheaka- Ibaji Section of Otuocho – Ibaji – Odulu - Ajegwu In Anambra / Kogi States
 - Oba - Nnewi Road Section II in Anambra State
 - Ogrute (Enugu State) – Akpanya - Odolu (Kogi State) Road Section II with extension to Obollo Afor.
 - Tamawa - Gulu Road at Rimin Gado LGA in Kano State
 - Jalingo – Kona – Lau - Karim Road Phase I in Taraba State, etc.



6.0 Some Projects in the 2018 Budget

☐ Health

- **N55.15 billion** Provisioned for the implementation of the National Health Act
- **N2.4 billion** to match grant from UNFPA, USAID, UNICEF
- **N1.3 billion** for Strategic Joint Venture Investments in selected Tertiary Health Institutions with Nigerian Sovereign Investment Authority (NSIA)
- **N8.9 billion** for procurement of RI vaccines and devices
- **N3 billion** for Counterpart funding including global fund, health, and GAVI
- **N300 million** for Health Emergencies & Contagious Diseases Outbreaks (E.g Meningitis, measles, yellow fever, monkey pox, etc)
- **N200 million** for Midwives Service Scheme
- **N1.2 billion** Polio Eradication Initiative
- **N1. billion** Training/central procurement of 300,000 dialysis consumables

☐ Water Resources

- **N1.8 billion** Zobe Water Supply Project - Phase I & II
- **N1 billion** for Partnership for Expanded Water, Sanitation and Hygiene (PEWASH)
- **N1 billion** for Special Intervention for North East and IDPs - Potable of Portable Water
- Over **N53 billion** for water supply, rehabilitation of dams, and irrigation projects nationwide



6.0 Some Projects in the 2018 Budget

☐ Agriculture & Rural Development

- **N4.2 billion** for Rural Roads and Water Sanitation programme
- Over **N25.1 billion** for Promotion and Development of Value Chain across in more than 30 different commodities
- **N5.30 billion** for National Grazing Reserve Development
- **N3.53 billion** for Agribusiness and Market Development
- **N4.08 billion** for Food and Strategic Reserves
- **N2 billion** for Supply, Installation & Commissioning of Water Rigs Nationwide
- **N1.13 billion** for FGN Support for Youths in Agribusiness
- **N2 billion** for Livelihood Improvement Family Enterprise (LIFE) Programme

☐ Mines & Steel Development

- **N644 million** for the establishment of minning regulatory agency for the sector
- **N450 million** for the reclamation of abandoned mines sites



6.0 Some Projects in the 2018 Budget

☐ Industry, Trade & Investment

- Special Economic Zone Projects
 - **N44.2 billion** for ongoing and planned Special Economic Zone Projects across the geopolitical zones to drive manufacturing / exports.
 - Completion of feasibility Studies, Master Planning, Engineering Design, EIA and other pre-development Costs in Enugu, Gombe, Nnewi, Kwara, Abuja, Bauchi, Rivers/Bayelsa, Edo/Delta, Taraba/Adamawa, Benue/Plateau, Sokoto/Kebbi
 - Completion of Lekki Model Textile and Garment Industrial Park
 - FGN investment in Enyimba Industrial Park, and Ibom Deep Sea Port and City
 - Export-Expansion Grant (**EEG**)
 - **N13.28 billion** in the form of tax credit to support export via the Export Expansion Grant
-
- ### ☐ 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**)



6.0 Some Projects in the 2018 Budget

☐ Education

- **N3.4 billion** provisioned as Take-off Grant for Maritime University
- **N1.8 billion** for Payment of 5000 Federal Teachers Scheme Allowance
- **N417 million** for Construction of National Library of Nigeria
- **N9.2 billion** for various Scholarship allowances

☐ Niger Delta

- **N20.29 billion** for various sections of the East-West Road
- **N2.38 billion** for Section III from Port-Harcourt Eleme Junction to Onne Port Junction

☐ Regional Interventions

- **N65 billion** for reintegration of transformed ex-militants under the Presidential Amnesty Programme.
- **N45 billion** for Federal Initiative for North-East (Pilot Counterpart funding contribution)



6.0 Some Projects in the 2018 Budget

☐ SDGs

- **N11.3 billion** for SDGs Intervention Programmes
- **N36.4 billion** for other SDGs Projects

☐ Special Intervention Programme

- **N500 billion** for FGN Special Intervention Programme (including Home Grown School Feeding Programme, Government Economic Empowerment Programme, N-Power Job Creation Programme, Conditional Cash Transfers etc)



7.0 Conclusion

- Our journey out of the recent economic recession has helped us reset our priorities and to focus more on reforms and activities that have both short- and long-term bearings on sustainable economic growth.
- In line with the ERGP, we are seeking to optimize derivable benefits from oil by restructuring our equity in JV oil assets while we intensify our efforts at accelerating economic diversification and non-oil revenue generation.
- Already, diversification efforts are yielding positive results with significant growth in the non-oil sector.
- Government will continue to create the enabling environment for private sector to increase their investment and contribute significantly to job creation and economic growth.
- The goal of the 2018 Budget is to consolidate the gains recorded so far by this Administration, and ensure that all Nigerians benefit from the economic progress.



Thank You!