

THE SENATE  
FEDERAL REPUBLIC OF NIGERIA

REPORT OF THE JOINT SENATE AND HOUSE OF  
REPRESENTATIVES COMMITTEES ON FINANCE;

*ON THE*

2020 – 2022 MEDIUM TERM EXPENDITURE  
FRAMEWORK (MTEF) & FISCAL STRATEGY PAPER (FSP)

*OCTOBER, 2019*

# **REPORT OF THE JOINT COMMITTEES ON FINANCE ON THE 2020 – 2022 MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF) AND FISCAL STRATEGY PAPER (FSP)**

## **1.0 INTRODUCTION**

The Senate and House of Representatives at its sitting on Thursday 26<sup>th</sup> September, 2019, considered the request of Mr. President, Commander-in-Chief of the Armed Forces of the Federation on the 2020 – 2022 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) and referred same to the relevant Committees for further legislative action.

## **2.0 BACKGROUND**

Pursuant to section 11 (3) of the Fiscal Responsibility Act, 2007, “The Federal Government should prepare the Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) which entails a three-year planning tool defining the Federal Government’s economic, social, and developmental objectives and priorities”. The MTEF and FSP is a budget formulation technique

whereby the Government establishes a credible procedure for allocating available public resources to strategic priorities while ensuring overall fiscal and sustainability. It a tool for ensuring and sustaining the link between policies on one hand and planning/budgeting on the other, over the medium-term, on a three-year rolling basis.

The MTEF/FSP will set out the key parameters and assumptions underlying fiscal policies, as well as the revenue and expenditure profile for 2020 Federal Budget.

### **3.0 MEMBERSHIP**

- |                                      |   |               |
|--------------------------------------|---|---------------|
| 1. Senator Solomon O. Adeola         | - | Chairman      |
| 2. Hon. James Faleke                 | - | Co- Chairman  |
| 3. Senator Isah Jibrin               | - | Vice Chairman |
| 4. Senator Danladi Sankara Abdullahi | - | Member        |
| 5. Senator Ahmed Babba Kaita         | - | Member        |
| 6. Senator Ibrahim Gaidam            | - | Member        |
| 7. Senator kashim Shettima           | - | Member        |
| 8. Senator Yusuf A. Yusuf            | - | Member        |
| 9. Senator James Manager             | - | Member        |

10. Senator Gershom Bassey	-	Member
11. Senator Matthew Urhoghide	-	Member
12. Senator Teslim Folarin	-	Member
13. Senator Patrick Ayo Akinyelure	-	Member
14. Senator Uche Lilian Ekwunife	-	Member
15. Senator Ike Ekweremadu	-	Member
16. Senator Abdulfatai Buhari	-	Member
17. Senator Olubunmi Ayodeji Adetunmbi	-	Member
18. Senator Akwashiki Godiya	-	Member
19. Hon. Saidu Musa Abdullahi	-	Member
20. Hon. Mike Etaba	-	Member
21. Hon. Abdulganiya Cook	-	Member
22. Hon. Igariwey I.	-	Member
23. Hon. Ibrahim O. Obanikoro	-	Member
24. Hon. Bello H. Shinkafi	-	Member
25. Hon. Chike J. Okafor	-	Member
26. Hon. Jafar Mohammed	-	Member
27. Hon. Uko Nkoce	-	Member
28. Hon. Babagida Alhassan	-	Member
29. Hon. Mohammed Adamu	-	Member
30. Hon. Mansur M. Soro	-	Member
31. Hon. Mukhtar Ahmed	-	Member
32. Hon. Johnson E. Oghuma	-	Member

- |                        |   |        |
|------------------------|---|--------|
| 33. Hon. Muda L. Umar  | - | Member |
| 34. Hon. Chris Azubogu | - | Member |

### **3.2 SECRETARIAT**

Lilian Banigo-Gbeinzi (Mrs.) - Clerk Senate Committee on Finance

Lawali Ibrahim (Director Admin) - Clerk to House Committee on Finance

### **4.0 METHODOLOGY**

The Committee requested from all identified Stakeholders the 2019 Budget Performance for both revenues and expenditures; the overall implementation stage of the budget and justifications for 2020 fiscal year projections to aid the Committee in arriving at a consensus and realistic recommendations.

It also held an interactive session with all relevant stakeholders, namely:

- (a) Federal Ministry of Finance (FMF);
- (b) Federal Ministry of Budget and Planning (FMBP);
- (c) Federal Ministry of Mines & Steel Development(MMSD);
- (d) Federal Ministry of Water Resources;
- (e) Nigeria National Petroleum Corporation (NNPC);
- (f) Nigeria Customs Service (NCS);
- (g) Federal Inland Revenue Service (FIRS);

- (h) Energy Commission of Nigeria;
- (i) NAFDAC;
- (j) FHA;
- (k) NCAA;
- (l) Nigeria Agricultural Quarantine Service;
- (m) Nigeria Electricity Regulatory Commission;
- (n) National Biosafety Management Agency;
- (o) News Agency of Nigeria;
- (p) Nigeria Ports Authority;
- (q) National Sugar Development Council;
- (r) Chad Basin Development Authority;
- (s) Small and Medium Enterprises Dev. Agency of Nigeria
- (t) Other Government Revenue Generating Agencies

In its determination to arrive at a realistic MTEF and FSP for the next three (3) years, the Committee considered the actual performance of the 2019 Budget and the previous MTEF and FSP. In addition the following documents were also reviewed and consulted:

1. Fiscal Responsibility Act, 2007.
2. And other relevant documents.

## **5.0 2019 BUDGET REVIEW**

The 2019 Budget with an aggregate expenditure of ₦9.12 trillion was signed into law on 27<sup>th</sup> May, 2019. The key parameters of the 2019 budget were based on a benchmark crude oil price of US\$60pb, crude oil production of 2.3mbpd and exchange rate of ₦305/1US Dollar. The projected FGN collectable revenue and fiscal deficit for the Budget was ₦7.92 trillion and ₦1.86 trillion respectively. Inflation rate of 9.98% was also captured in the budget. The aggregate expenditure included statutory allocation/transfer of ₦492.4 billion, Debt Service of ₦2.14 trillion, recurrent non-debt expenditure of ₦4.72 trillion and capital expenditure (exclusive of transfers) ₦2.87 trillion, and new borrowings of ₦1.65 trillion .

### **5.1 2019 REVENUE INFLOW/PERFORMANCE**

The 2019 Budget as approved was predicated on the assumption of a total production of 2.3million barrels of crude oil per day. However, available records showed that between January to September, 2019 the production output stood at an average of 1.86 million barrels per day, with the incremental production for

repayment of cash call arrears, actual oil production was 1.96mbpd.

As at May, 2019, gross oil and gas revenue was ₦2.16 billion against the expectation of ₦3.88 billion between January to September as the total projected oil and gas revenue of the 2019 fiscal year was ₦9.32 billion. After all deductions (including 13% derivation) the net oil revenue inflows to the Federation Account amounted to ₦1.43 billion. This represents a shortfall of ₦1.73 billion, lower than projected oil production.

The Total non-oil revenues fell short of target as ₦1.71 billion was realized against ₦2.14 billion projected as at June, 2019. This shows a collection performance of 80%, of which Corporate Tax and VAT collections was ₦666.74 billion and ₦604.98 billion, representing 75.7% and 70.9% collection performance respectively. Customs collection is ₦408.17 billion or 100.5% of the projection as at June 2019.

## **5.2 2019 EXPENDITURE OUTTURNS**

Federal Government Expenditure Performance of the total appropriation ₦8.92 trillion, ₦3.39 trillion has been spent by 30<sup>th</sup> June 2019 against the prorated expenditure budget of ₦4.58 trillion. This represent 76% performance.



Debt service and the implementation of non-debt recurrent expenditure notably payment of workers' salaries and pensions. A total of about N294.63 billion has been released for capital projects. Spending has been prioritized in favour of on-going critical infrastructural Projects such as power, roads, rails and agricultural sectors.

## **6.0 2020-2022 MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF) AND FISCAL STRATEGY PAPER (FSP)**

Following the successful deployment of the Economic Recovery and Growth Plan 2017-2020 (ERGP) to restore the Nigerian economy to the growth, the 2020-2022 MTEF/FSP will signal the direction of Government priorities and programmes to accelerate growth, diversification and social inclusion.

### **6.1 FISCAL STRATEGY FOR 2020 – 2022**

The Fiscal Strategy of 2020 – 2022 will leverage on the continuous alignment and implementation of fiscal, monetary and trade policies in a very coordinated manner that will aid in the realization and actualization of the 2020-2022 fiscal strategy objectives, which are:

- (i) Enhancing economic growth and ensuring inclusiveness;

- (ii) Promoting economic diversification;
- (iii) Maintaining macroeconomic stability;
- (iv) Increasing Revenue Generation;
- (v) Rebalancing the distribution of Government Spending;
- (vi) Improving quality of spending; and
- (vii) Ensuring sustainable deficit levels.

### **6.3 SUMMARY OF 2020 FGN REVENUE AND EXPENDITURE FRAMEWORK**

- i. Daily crude oil Production - 2.18mbpd;
- ii. Benchmark oil price - USD\$55 per barrel;
- iii. Exchange rate - ₦305/USD;
- iv. GDP growth rate - 2.93%;
- v. Inflation growth rate - 10.81%;
- vi. FGN retained revenue - ₦7.72 trillion;
- vii. Total FGN proposed expenditure – ₦10.002 trillion;
- viii. Fiscal deficit - ₦2.28 trillion (including GOEs);
- ix. New Borrowings – ₦1.70 trillion ( including Foreign and domestic Borrowing);
- x. Statutory transfers – ₦531.4 billion;
- xi. Debt Service – ₦2.45 trillion;
- xii. Sinking Fund - ₦296.0 billion;
- xiii. Pension, Gratuities & Retirees Benefits – ₦536.7 billion;

- xiv. Total FGN Expenditure – ₦10.002 trillion
- xv. Total Recurrent (Non-debt) – ₦4.84 trillion;
- xvi. Personnel Costs (MDAs) - ₦2.67 trillion
- xvii. Capital expenditure (exclusive of Transfers) – ₦1.87 trillion;
- xviii. Special Intervention (Recurrent) – ₦350 billion; and
- xix. Special intervention (Capital)- ₦80 billion.

## 7.0 FINDINGS

The Committee's findings are as follows:

1. Crude oil receipt account for over 50% of Federal Government revenue and about 90% of Nigeria's foreign exchange earnings. Therefore crude oil production and export will continue to have important implication on Federal fiscal operation. Over the last 3 years crude production average 1.92mbpd however, following consultations with stakeholders crude oil production is estimated at 2.18mbpd, 2.2mbpd and 2.3mbpd in 2020, 2021 and 2022.
2. It is noted that oil prices has generally been rising since April 2016. Bonny light crude oil price rose from an average of \$43 per barrel in 2016 to \$56.2 in 2017 and \$72.1 in 2018 partly due to geographical tensions. In 2019, bonny light crude oil price increased steadily from January average of \$60/barrel a six year high well above \$70/barrel between April and May 2019. It is

noteworthy, that volatility of crude oil markets and fluctuating price requires constant review and forecast.

3. The non-oil revenue for 2020, 2021 and 2022, is budgeted to be as follows: ₦1,836,693,720.000; ₦2,205,807,930,754 and ₦2,337,091,481,680 respectively.
4. The Committee observed during the public hearing on the 2020-2022 MTEF & FSP, that the salaries and remunerations for the proposed recruitment of 30,000 personnel in Police, Army and immigration <sup>and civil defence</sup> was not captured.
5. That the total VAT proposed in the 2020-2022 MTEF/FSP amounting to N2.3 trillion can be realized only after the amendment of the Finance bill is passed into law by the National Assembly.
6. The Committee frowns at the attitudes of CBN for the under disclosure of the e-collection of stamp duties.
7. Also noted 10 Government Owned Enterprises(GOEs) budget will be presented along with the National Budget:  
These GOEs include FAAN, NCAA, NIMASA, NPA, NAMA, Shippers Council, NDIC, NCC e.t.c.
8. The Committee observed that the activities of NNPC as it relates to cost of production is shrouded in secrecy, the direct deduction of

cost from revenue without recourse to relevant agencies of government is unacceptable.

9. The Committee observed that the exchange rate of ₦305/\$ is maintained over the past three years. Also noted that the GDP growth rate is currently standing at 2.93% and an inflation rate at 10.81%
10. That most of the revenue generating agencies have failed to comply with relevant extant law of the Fiscal Responsibility Act which stipulates payment of 80% of operational surpluses to the Consolidated Revenue Fund.
11. The Committee observed that the Federal Government is stepping up investment in health and education to fill the skills gap in the economy, and meet the international target set under the UN's Sustainable Development Goals (SDGs). The Federal Government is earmarking 1% of the Consolidated Revenue Funds to finance the Basic Healthcare Provision Fund to be classified as Statutory Transfer. Federal Government believes that investing in people is a core objectives of ERGP. Government is taking steps to enhance human capital development particularly in health, education and social intervention programs in other to reduce poverty.
- ✓ 12. Based on the joint IMF-World bank debt sustainability framework which has a Debt/GDP threshold of 56% for Countries in Nigeria's Peer Group, Nigeria's debt is expected to remain sustainable within the MTEF period. This implies that Nigeria Debt/GDP ratio of 19.39% can afford it to expand its borrowing limits. <sup>NA</sup> As at 31<sup>st</sup> December, 2018 Nigeria public debt stock is valued at ₦24.387 trillion (\$79.436

billion), rising at an average of 12.24% per annum. With regard to 2020 fiscal year, the estimated budget deficit is ₦1.70 trillion and it will largely be financed through borrowing as it has been the tradition while also additional financing of ₦252.08 billion will be derived from Privatization Proceeds and ₦328.13 billion from loans secured for specific developmental projects. The Committee further observed that Nigeria's current debt profile is not alarming as expressed in some quotas but within the threshold of 3% as contained in the Fiscal Responsibility Act.

## 8.0 RECOMMENDATION

The Committee recommends as follows:

1. Following intensive engagement with NNPC and relevant information obtained during the session, the Committee recommends the adoption of 2.18mbpd as daily production output in 2020. In view of concerted effort by NNPC and security agencies to combat the menaces of oil theft and vandalization, the 2.18mbpd would be realizable.
2. The Committee recommends the adoption of \$57/barrel as crude oil benchmark price for the fiscal year 2020.
3. The revenue target of Nigeria Customs Service (NCS) of ₦942.6 billion for 2020 should be increased to ₦1.5 trillion, as a result of the performance of <sup>NCS</sup>~~NCS~~ in last 9 months with 3 months still outstanding. The NCS revenue as at September stood at ₦1 trillion against the budget figure of ₦969.8 billion for the year 2019. The Joint Committee commends the NCS for exceeding the targeted revenue despite the global economic challenges and closure of the Nigerian borders.
4. The sum of ₦557.4 billion from the revenue increment of NCS be used to reduce borrowing by ₦200 billion and increase capital

expenditure thereby decreasing the size of the budget deficit from ₦1.7 trillion to ₦1.5 trillion and also increase the total capital available to MDA by ₦357 billion, from ₦1.01 trillion to ₦1.367 trillion.

5. The exchange rate of ₦305/\$ should be maintained for economic stability. While more work should be done by the Honourable Minister of Finance and all economic advisers and her team on improving the economic growth by increasing the GDP and reducing the inflation rate to single digit.
6. The saving on income accruing from the increase of the benchmark amounting to ₦172 billion which represent the Federal government portion of the \$2 added to the benchmark be used to pay salaries and emolument of the proposed 30,000 new employees.
7. Proper investigation be carried out on the e-collection stamp duties domicile with Central Bank of Nigeria for the past years so as to show probity and accountability and of course increase the revenue base of the country.
- ✓ 8. Immediate amendment of the National Assembly Act on Production sharing Contracts (PSC) with IOCs *petroleum Act*
9. Proper investigation be carried out on NNPC so as to ascertain the actual cost associated with the Joint Venture agreements.
10. More Government Owned Enterprises budget be added to the nation's budget to ensure proper checks and balances among all Federal Government agencies.
11. Debt Management office (DMO) should put more efforts and strategies in managing the foreign and local debts.
12. Total estimated expenditure of the Federal Government should be increased from ₦10.002 trillion to ₦10, 729.4 trillion.

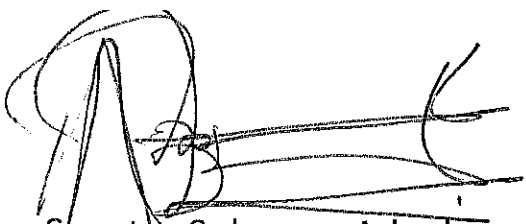
13. National Assembly should expedite action on the passage of the finance bill which will be brought along with the National Budget into Law for easy implementation of the 2020 budget, most especially in the area of VAT.
14. The Committee calls for an urgent review/amendment to the FRA Act and the various Laws of the revenue generating agencies to align with current realities.
15. The Committee recommends earmarking 1% of the Consolidated Revenue Fund to finance the Basic Healthcare Provision Fund to be classified as Statutory Transfer.
16. The Committee recommends the adoption of N1.5 trillion as the amount for New Borrowing as a result of reduction of N200 billion which was sourced from the increase of revenue target of the Nigeria Custom Service. However borrowing must be projected. In borrowing more government must remain focused and ensure that it used to fund critical projects that will increase productivity and contribute to finance financing such debt.

## ~~9.0~~ **CONCLUSION**

The Joint Committees of both Chamber express appreciation to the Leadership of National Assembly and also thank the entire members of the Committee and Secretariat who work assiduously to ensure timely submission of the report

Signed:





Senator Solomon Adeola

Chairman Senate Finance



Hon. James Faleke

Chairman House Finance


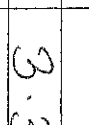
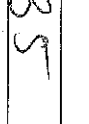
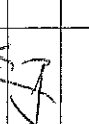

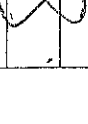

## ATTENDANCE SHEET

### MEMBERS OF JOINT COMMITTEE ON 2020-2022 MTEF/FSP

S/N	NAME	COMMITTEE	PHONE NO	OFFICE NO	SIGNATURE
	<del>Sen. Solomon Adyaka</del>		<del>0808299988</del>		<del>[Signature]</del>
	<del>Hon James A. Fildeshe</del>	<del>Finance</del>	<del>0808299103</del>	<del>4.04</del>	<del>[Signature]</del>
	<del>Mr. ELWESMEDU</del>		<del>08075757000</del>		<del>[Signature]</del>
1	James E. Managa		080333224957		[Signature]
2	SEN. Ayo Awoyinka	FINANCE	08186000444	3.10	[Signature]
3	Sen. Matthew Akhokhede	✓	08033853557	3.08	[Signature]
4	Sen. Karam Yahaya	✓	08188888996	1.27	[Signature]
5	Sen Uelo Ekwuife	✓	08087620002	2.04	[Signature]
6.	SEHMOLE Ibrahim Gidado	✓	08091444955	2.09	[Signature]
7.	Yusuf Abubakar Yusuf	✓	0803310-9493	0.19	[Signature]
8	Hon Chris Azubogu	Subsidiary Dept of Int. Affairs	080333380909	1.22	[Signature]
9.	KASHIM SHEITINA	FINANCE	08085219995	✓	[Signature]
18	BALTHAZAR ADUWANA	✓	080-37053333	5.14	[Signature]
19	Dr. Nkechi Akpan	Finance	08054655334	3.14	[Signature]
20	Hon Jethaisant E. Oghuma	FINANCE	08033199480	4.74	[Signature]
21	Hon MUDA LAWAL Umar	Kenya Staff at Bureaucracy	88171312478	0.21	[Signature]

## ATTENDANCE SHEET

### MEMBERS OF JOINT COMMITTEE ON 2020-2022 MTEFF/FSP

S/N	NAME	COMMITTEE	PHONE NO	OFFICE NO	SIGNATURE
1	Hon. Ahmed Abubakar Nnam	Finance	08034939189	3.35	
2	Hon. Suley Murs Kaduna	Finance	08026125473	1.72	
3	Hon. MILKE S. NISA	LEG. BUDGET	08066882463	2.36	
4	Hon. Mansur Nnam SRO	FINANCE	08032870453	3.60	
5	Hon. LEARNEY JUNA	AGRICULTURE	08063399887	1.14	
6	Hon. UKO AKDE	PROTECTION	08033366505	1.26	
7	Hon. HISSAM SULESEFI	Natural Resources	08038447876	1.44	
8	Hon. DANLADI A. SANROSA	FINANCE	08057032577	3.26	
9	Hon. MUSHANWUWA KILUWA	FINANCE	08057879948	1.07	
10	Hon. Ahmed Kalpa.	FINANCE	090883333350	3.32	
11	Hon. CHIKE J. OKAFOR	FINANCE	08055501200	0.66	
12	Hon. ISRAHIM B. OLANIKUNDE	AGRICULTURE	08037256606	4.80	
13	Hon. MURTAZA M. N. D.	AGRICULTURE	080716666612	1.06	
14	Hon. BARBARA GISA ATASIMU A.	AGRICULTURE	08096229909	3.26	
15	Hon. CLAUDE BASSIN	FINANCE	08034444555	3.19	

