

## SYNOPSIS OF THE 2020 APPROPRIATION BILL

### A. Background

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For the first time in sixteen years, Nigerians witnessed an early budget presentation with President Muhammadu Buhari presenting the 2020 Appropriation Bill at a Joint Session of the National Assembly on 8th October 2019. Termed the "Budget of Sustaining Growth and Job Creation", the Bill is premised on the Executive's ability to deliver on its socio-economic development agenda, bring positive change and improve the standard of living of all Nigerians.

Since the Bill's presentation in early October, it has passed second reading stage after a debate on its general principles by both chambers and its referral to their respective Committees on Appropriation for further legislative action. In response to the referral, the National Assembly Joint Committee on Appropriation will embark on a two-day public hearing on Wednesday, 23rd October 2019 and 24th October, 2019 to seek input on the following:

- 2020 Budget: Overcoming the Challenges of Infrastructural Deficit for Sustained Development
- Managing Nigeria's Recurrent Expenditure Profile: The 2020 Budget and the Way Forward
- The Revenue Component of the 2020 Budget and the Way Forward

Consequently, this Factsheet intends to present a holistic view of the Budget by examining the objectives of the public hearing as well as other information that should provoke closer assessment and discussion on the 2020 Appropriation Bill. PLAC hopes that the reflections from the public hearing will feed into the Conference Committee Report of the Joint Committee on Appropriations and aid the National Assembly deliver on its mandate.

## B. Objectives of the 2020 Budget

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1. Fiscal Consolidation to strengthen Nigeria's macroeconomic environment;
2. Investing in critical infrastructure, human capital development and enabling institutions, especially in key job creating sectors;
3. Incentivising private sector investment essential to complement the Government's development plans, policies and programmes; and
4. Enhancing social investment programs to further deepen their impact on those marginalised and most vulnerable Nigerians.

## C. Overview of Economic Developments (From the President's Budget Speech)

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### Global Projections

- The International Monetary Fund (IMF) projects global economic recovery to slow down from 3.6 percent to 3.5 percent
- Sub-Saharan Africa is projected to grow from 3.1 percent in 2018 to 3.6 percent in 2020

### Successes So Far

- Nine consecutive quarters of GDP growth. Annual growth increased from 0.82 percent in 2017 to 1.93 percent in 2018 and 2.03 percent in the first half of 2019
- Inflation reduced from a peak of 18.72 percent in January 2017 to 11.02 percent by August 2019
- Foreign exchange rose from \$23 billion in October 2016 to \$ 42.5 billion by August 2019
- The total value of capital imported into Nigeria increased from \$12 billion in the first half of 2018 to \$14 billion for the same period in 2019

### Some challenges from the Implementation of the 2019 Budget

- **Underperformance-** As at June 2019, Federal Government's actual aggregate revenue (excluding Government-Owned Enterprises) was 2.04 trillion. This revenue performance is 58 percent of the 2019 Budget target. Oil revenues for instance were below target by 49% due to the lower than projected oil production among others with Daily oil production averaged 1.86 million barrels per day as against the 2.3 million

barrels per day. Only N614.57 billion and N217.84 billion were generated from non-oil taxes and independent revenues with receipts from Value Added Tax performing below expectations.

- **Failure to Pass Enabling Legislation** -Revenue projections from the restructuring of Joint Venture and Oil Gas assets and enactment of new fiscal terms for production sharing contracts did not materialize, as the enabling legislation (such as an amendment to the Deep Offshore and Inland Basin Production Sharing Contracts Act) was not passed into law.

### **Some Policies Guiding the 2020 Budget**

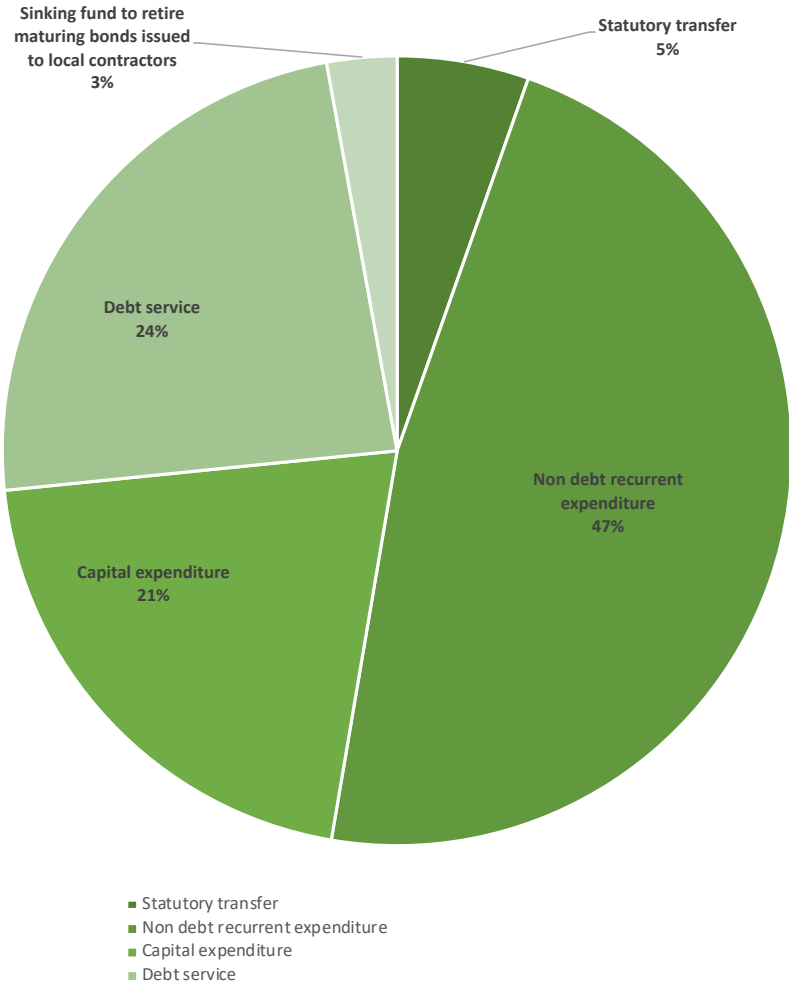
- **Strict implementation of the Treasury Single Account (TSA)** to capture the domiciliary accounts of Foreign Missions and those lined to Government owned enterprises.
- **Passage of a Finance Bill** that among others proposes an increase of the VAT rate from 5 percent to 7.5 percent to fund health, education and infrastructure programmes
- **Raising the threshold of VAT registration to N25 million** in turnover per annum to bring relief to Micro Small and Medium enterprises.
- **Intensifying revenue generation efforts and continuance of revenue diversification strategies** by engaging with stakeholders in the Niger-Delta, implementing revenue growth initiatives and blocking leakages.
- **Maintaining macroeconomic stability**, properly scrutinizing public expenditure to ensure value for money and ensuring sustainable deficit and debt levels.
- **Increase of non-debt expenditure for personnel and pension costs** to reflect the new minimum wage and proposals to improve the welfare of Police and Armed Forces. Overhead costs are projected at N426.6 Billion in the 2020 fiscal year.
- **Introducing new performance management frameworks** to regulate the cost to revenue ratios for Government owned enterprises that rewards exceptional value/ cost management performance and penalizes failure to achieve agreed revenue targets.
- **Sustaining efforts to manage personnel costs** by stopping the payment of salaries to Federal Government staff not captured on the integrated payroll and Personnel Information System (IPPIS). Also ensuring agencies obtain approval before embarking on fresh recruitment exercises.
- **Investing in critical infrastructure as a key component of fiscal strategy.** An aggregate sum of N2.46 trillion (inclusive of N318.06 billion) in statutory transfers is proposed for capital projects in 2020.
- **Completing as many on-going projects** as possible rather than commencing new ones.

- **Prioritising capital projects that are unlikely to be fully funded by the end of the 2019 fiscal year** and rolling them over into the 2020 budget.
- **Implementing the National Renewable Energy and Efficiency Policy (NREEP)** and the effective implementation of the Nigeria Electrification Project (NEP) . Also modernising the national grid in 3 phases; starting from 5 Gigawatts to 7 Gigawatts, then to 11 Gigawatts by 2023 and 25 Gigawatts afterwards in collaboration with the German government and Siemens.
- **Revamping and improving the implementation of the National Social Investment Programme** through the newly created Ministry of Humanitarian Affairs, Disaster Management and Social Development.
- **Providing N65 billion for the Presidential Amnesty Programme and fast tracking re-building efforts in the North East region.** N37 83 billion was allocated to the North East Development Commission.
- **Enhancing port operations** by implementing a single customs window, speeding up vessel and cargo handling and issuing more licenses to build modern terminals in existing ports, outside Lagos.
- **Providing agriculture, food security and stepping up investments in education, health and social welfare.** In this regard, the Federal Government intends to continue to implement the provisions of the National Health Act, develop incentive programmes to encourage private sector and state investment in model technical and vocational education institutes, invest in the social housing programme and launch a national programme for the physically challenged and other vulnerable groups.
- **Implementation of the Debt Management Strategy** to achieve a target composition of 60:40 for Domestic and External Debt and attain the Domestic Debt mix of 75:25 for long and short-term debt.
- **Completing reforms to the governance and fiscal terms of the Petroleum Industry** to attract further investment in the sector and increase jobs and government's take by passing the Petroleum Industry Executive Bills and Deep Offshore and Inland Basin Production Sharing Contracts Amendment Bill.
- **Promote gender and social inclusion** by targeted programmes intended to reduce regional inequalities especially in the North East and the Niger Delta.
- **Leveraging on private sector funding** through tax credit schemes to ensure capital programmes are sustained.
- **Quick Budget passage** to ensure implementation by 1st January 2020.

# D. 2020 Budget Proposal

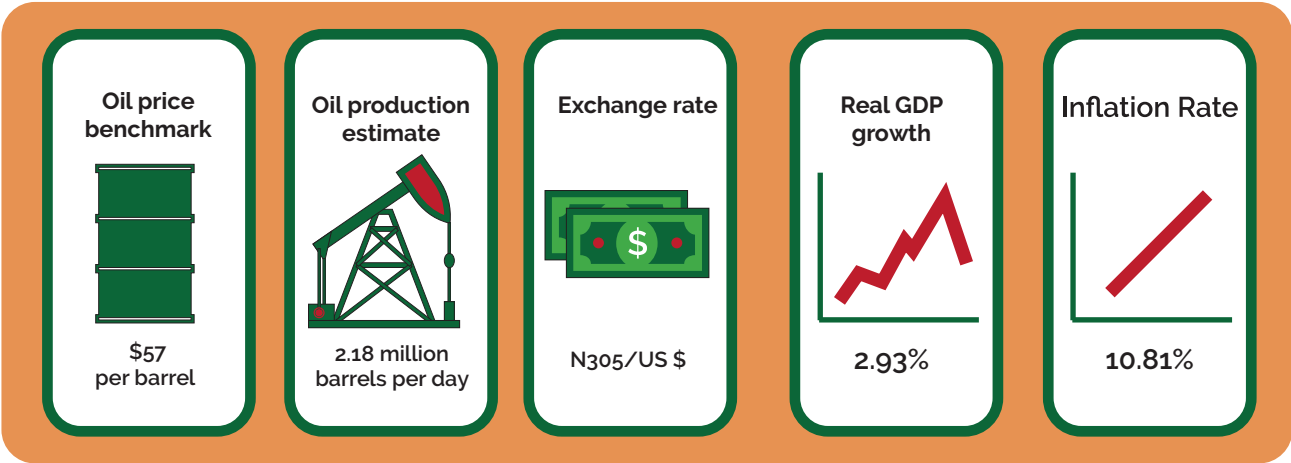
The 2020 Budget proposal of N10.33 Trillion consists of;

- Statutory transfer of N556.7 billion
- Non debt recurrent expenditure of N4.88 trillion
- Capital expenditure of N2.14 trillion
- Debt service of N2.45 trillion
- Sinking fund to retire maturing bonds issued to local contractors at N296 billion



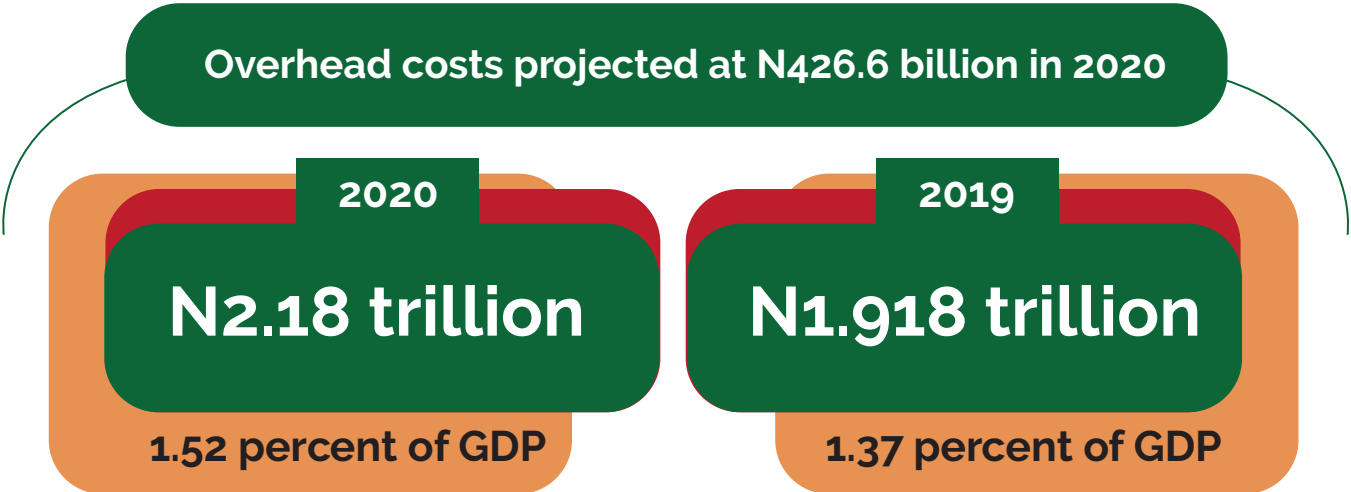
### E. Budget Assumptions of the 2020 Budget

- Oil price benchmark - \$57 per barrel
- Oil production estimate – 2.18 million barrels per day
- Exchange rate of N305/US \$
- Real GDP growth of 2.93%
- Inflation Rate of 10.81%



### F. Comparison of the Budget Deficit in the 2019 and 2020 Budget Fiscal Year

Fiscal Year	Monetary Value of Budget Deficit	Percentage of Nigeria's GDP
2020	N2.18 trillion	1.52 percent of GDP
2019	1.92 trillion	1.37 percent of GDP



## G. An Overview of Some of the Federal Government's Recurrent Expenditure Items in the 2019-2022 Fiscal Year

	FISCAL ITEMS		2019 as Passed NASS	2020 Projection	2021 Projection	2022 Projection
1	Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)		2.30	2.18	2.22	2.36
2	Projected Budget Benchmark Price (US\$ per barrel)		60	55.00	55.00	55.00
3	Average Exchange Rate (N/US\$)		305.0	305.0	305.0	305.0
4	<b>DEBT SERVICE</b>					
5	a	Service on Domestic Debt	1,710,218,672,442	1,732,718,670,000	1,822,718,670,000	1,912,718,670,000
6	b	Service on Foreign Debt	433,795,440,649	719,880,260,000	914,332,900,000	1,029,921,070,000
7	<b>Sub-Total</b>		<b>2,144,014,113,092</b>	<b>2,452,598,930,000</b>	<b>2,737,051,570,000</b>	<b>2,942,639,740,000</b>
8	<b>SINKING FUND</b>					
9	a	Sinking Fund to retire maturing bond to Local Contractors	110,000,000,000	296,000,000,000	220,000,000,000	286,670,000,000
10	<b>Sub-Total</b>		<b>110,000,000,000</b>	<b>296,000,000,000</b>	<b>220,000,000,000</b>	<b>286,670,000,000</b>
11	<b>RECURRENT (NON-DEBT)</b>		<b>4,385,591,096,996</b>	<b>4,844,971,894,031</b>	<b>4,883,001,514,531</b>	<b>4,900,371,428,442</b>
12	a	Personal Costs (MDAs)	2,288,574,783,657	2,674,861,816,099	2,755,107,670,582	2,837,760,900,699
13	b	Personal Costs (GOEs)	160,504,766,016	218,805,923,102	230,798,996,054	258,267,277,461

Source: 2020-2022 MTEF & FSP \*Please note that the tables on this Factsheet serve as a guide as the National Assembly approved \$57 as the oil benchmark price

	<b>FISCAL ITEMS</b>		<b>2019 as Passed NASS</b>	<b>2020 Projection</b>	<b>2021 Projection</b>	<b>2022 Projection</b>
14	c	Overheads (MDAs)	268,125,856,604	280,271,176,732	280,271,176,732	280,271,176,732
15	d	Overheads (GOEs)	159,145,947,296	146,142,338,283	167,909,749,581	176,171,774,211
16	e	Pensions, Gratuities & Retirees Benefits	528,067,517,289	536,717,450,127	536,717,450,127	536,717,450,127
17	f	SWV Power Sector Reform Programme	150,402,049,347	89,438,777,103	106,631,974,278	-
18	g	Other Service Wide Votes (including GAVI/Immunization)	364,550,424,823	483,734,412,586	390,564,497,177	396,182,849,213
19	h	Presidential Amnesty Programme	65,000,000,000	65,000,000,000	65,000,000,000	65,000,000,000
20	i	Basic Health Care Fund (1% of CRF)	51,219,751,964			
<b>21</b>	<b>Sub-Total</b>		<b>4,035,591,096,996</b>	<b>4,494,971,894,031</b>	<b>4,533,001,514,531</b>	<b>4,550,371,428,442</b>
22	SPECIAL INTERVENTIONS (Recurrent)		<b>350,000,000,000</b>	<b>350,000,000,000</b>	<b>350,000,000,000</b>	<b>350,000,000,000</b>
23	<b>Sub-Total</b>		<b>350,000,000,000</b>	<b>350,000,000,000</b>	<b>350,000,000,000</b>	<b>350,000,000,000</b>
<b>24</b>	<b>AGGREGATE CAPITAL EXPENDITURE</b>		<b>3,184,195,688,124</b>	<b>2,171,143,474,373</b>	<b>2,119,182,243,157</b>	<b>2,136,341,402,919</b>



	FISCAL ITEMS		2019 as Passed NASS	2020 Projection	2021 Projection	2022 Projection
25	a	Capital Supplementation	289,300,000,000	234,196,000,000	234,196,000,000	234,196,000,000
26	b	Capital Expenditure in Statutory Transfers	257,349,565,015	293,921,220,834	325,850,946,565	366,396,612,202
27	c	Special Intervention Programme (Capital)	150,000,000,000	80,000,000,000	150,000,000,000	150,000,000,000
28	d	Amount Available for MDAs Capital Expenditure	1,445,734,928,775	1,010,278,722,458	993,357,392,038	1,084,813,273,920
29	e	Top 10 GOEs Capital Expenditure	275,879,273,229	188,226,781,081	175,627,004,553	168,742,416,797
30	f	Grants and Donor Funded Projects	209,915,780,857	36,392,600,000	36,392,600,000	36,392,600,000
31	g	Multi-lateral / Bi-lateral Project-tied Loans	556,016,140,249	328,128,150,000	203,758,300,000	95,800,500,000
32		Capital Expenditure (Exclusive of Transfers)	2,926,846,123,109	1,877,222,253,538	1,793,331,296,592	1,769,944,790,717
<b>33</b>		<b>TOTAL FGN BUDGET (Excluding GOEs &amp; Project-tied Loans)</b>	<b>8,916,964,099,373</b>	<b>9,120,982,572,533</b>	<b>9,420,529,124,425</b>	<b>9,808,313,189,115</b>

	FISCAL ITEMS	2019 as Passed NASS	2020 Projection	2021 Projection	2022 Projection
34	TOTAL FGN BUDGET (Including GOEs & Project-tied Loans)	10,068,510,226,161	10,002,285,764,998	10,198,623,174,614	10,507,295,157,584
35	Fiscal Deficit (excluding GOEs and Project-tied Loans)	(1,918,475,049,741)	(1,952,083,727,688)	(2,050,433,345,045)	(1,666,972,192,716)
36	Total Fiscal Deficit (including GOEs and Project-tied Loans)	(2,474,491,189,990)	(2,280,211,877,688)	(2,254,191,645,045)	(1,762,772,692,716)
37	GDP	139,811,509,172,405	142,960,529,369,007	159,490,504,629,277	179,584,927,390,424
38	DEFICIT/GDP (excluding GOEs and Project-tied Loans)	(1.37%)	(1.37%)	(1.29%)	(0.93%)

Source: 2020-2022 MTEF & FSP \*Please note that the tables on this Factsheet serve as a guide as the National Assembly approved \$57 as the oil benchmark price

## H Key capital spending allocations in the 2020 Budget:

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- Works and Housing: 262 billion
- Power: 127 billion
- Transportation: N123 billion
- Universal Basic Education Commission – N112 billion
- Defence – N100 Billion
- Zonal Intervention Projects N100 billion
- Agriculture and Rural Development- N83 billion
- Water Resources- N82 billion
- Niger Delta Development Commission- N81 billion
- Education- N48 billion
- Health – N46 billion
- Industry, Trade and Investment – N40 billion
- North East Development Commission – N38 billion
- Interior – N35 billion
- Social Investment Programmes – N30 billion
- Federal Capital Territory – N28 billion; and
- Niger Delta Affairs Ministry- N24 billion

**Works and Housing**

**N262 Billion**

**Power**

**N127 Billion**

**Transportation**

**N123 Billion**

**Universal Basic Education  
Commission**

**N112 Billion**

**Defence**

**N100 Billion**

**Zonal Intervention Projects**

**N100 Billion**

**Agriculture and Rural  
Development**

**N83 Billion**

**Water Resources**

**N82 Billion**

**Niger Delta Development  
Commission**

**N81 Billion**

**Education**

**N48 Billion**

**Health**

**N46 Billion**

**Industry, Trade and Investment**

**N40 Billion**

**North East Development  
Commission**

**N38 Billion**

**Interior**

**N35 Billion**

**Social Investment Programmes**

**N30 Billion**

**Federal Capital Territory**

**N28 Billion**

**Niger Delta Affairs Ministry**

**N24 Billion**

# I. Recurrent expenditure

Highlights of some recurrent spending allocations in the 2020 Budget

- Federal Ministry of Finance, Budget and National Planning – N3,812,001,308,752
- Ministry of Defence- N778,589,343,660
- Federal Ministry of Education – N601,992,901,945
- Federal Ministry of Police Affairs – N395,832,284,959
- Ministry of Humanitarian Affairs, Disaster Management and Social Development – N389,764,621,764
- Federal Ministry of Health- N380,820,711,719
- Ministry of Interior – N219,457,740,793
- Federal Ministry of Youth and Sports Development – N168,331,040,938

<b>Federal Ministry of Finance, Budget and National Planning</b>	<b>N3,812,001,308,752</b>
<b>Ministry of Defence</b>	<b>N778,589,343,660</b>
<b>Federal Ministry of Education</b>	<b>N601,992,901,945</b>
<b>Federal Ministry of Police Affairs</b>	<b>N395,832,284,959</b>
<b>Ministry of Humanitarian Affairs, Disaster Management and Social Development</b>	<b>N389,764,621,764</b>
<b>Federal Ministry of Health</b>	<b>N380,820,711,719</b>
<b>Ministry of Interior</b>	<b>N219,457,740,793</b>
<b>Federal Ministry of Youth and Sports Development</b>	<b>N168,331,040,938</b>

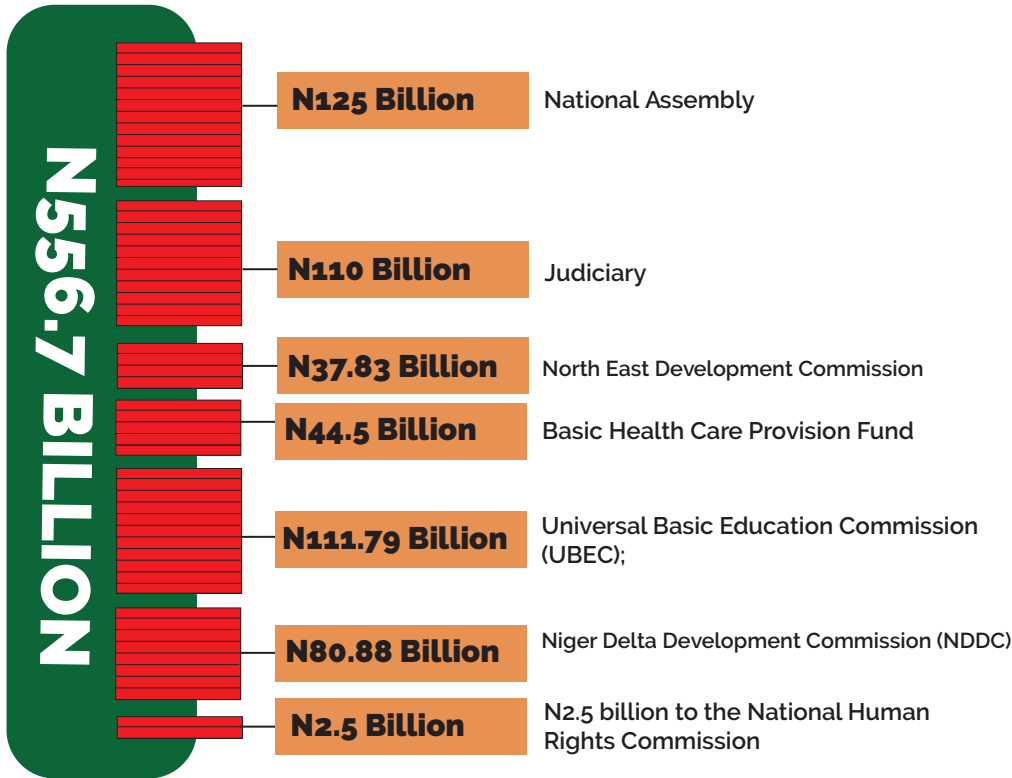
## J. Recurrent expenditure costs as Contained in the Executive's Proposals

Overhead costs projected at N426.6 billion in 2020

ITEM	2017 BUDGET	2018 BUDGET	2019 BUDGET	2020 BUDGET
Recurrent Expenditure	N2.98Trillion	N3.494Trillion	N4.04Trillion	N4.88 trillion

## K. Breakdown of the N556.7 Billion Statutory Transfers in the 2020 Budget:

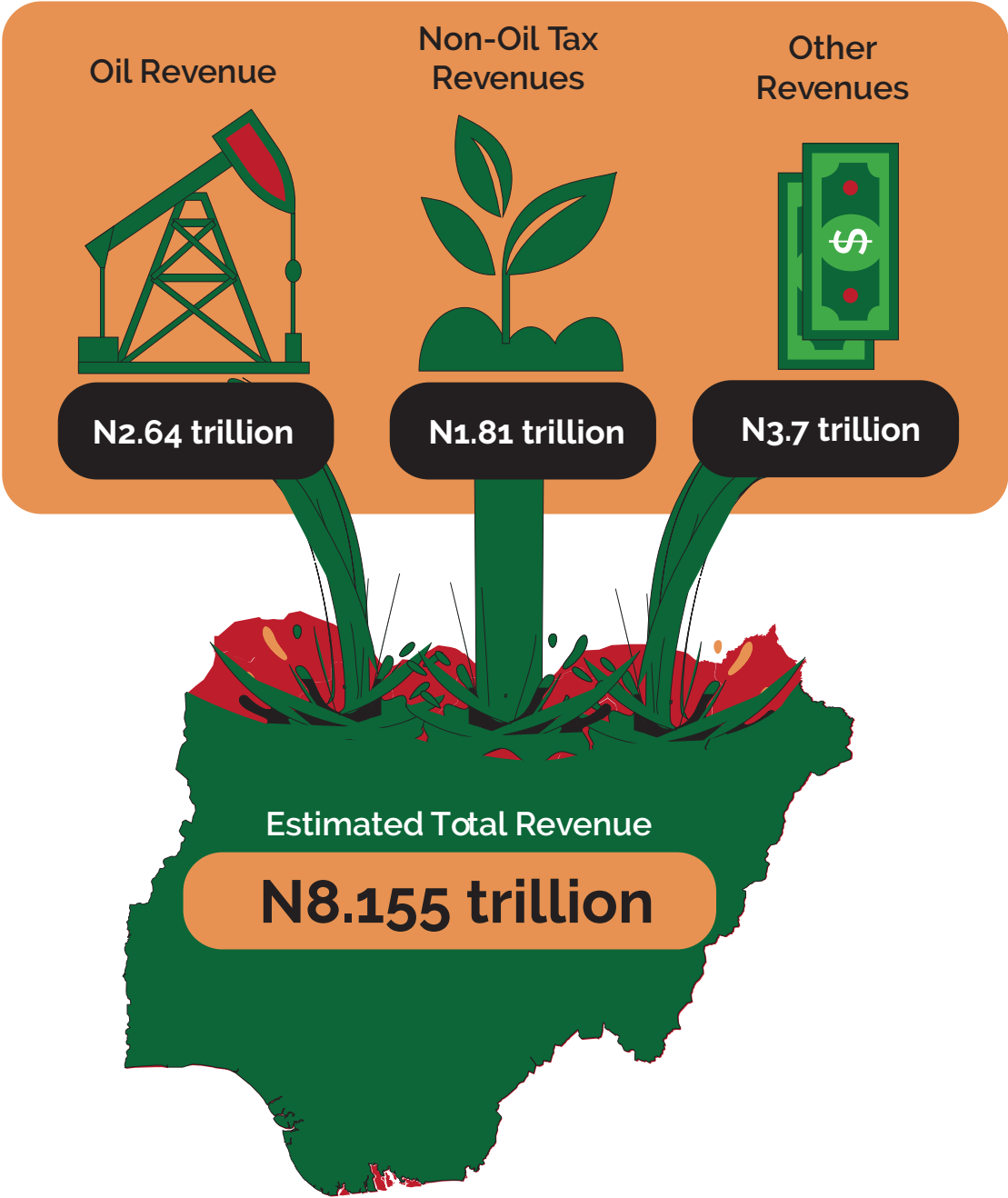
- N125 billion for the National Assembly
- N110 billion for the Judiciary
- N37.83 billion for the North East Development Commission
- N44.5 billion for the Basic Health Care Provision Fund
- 111.79 billion for the Universal Basic Education Commission (UBEC); and
- N80.88 billion for the Niger Delta Development Commission (NDDC) and;
- N2.5 billion to the National Human Rights Commission



## L. Federal Government Revenue Estimates 2020

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- Oil revenue – N2.64 trillion
- Non-oil tax revenues of N1.81 trillion
- Other revenues – N3.7 trillion
- Estimated Total Revenue- N8.155 trillion



## M. (i) An Overview of the Federal Government's Revenue Framework and Expenditure in the 2019-2022 Fiscal Year

	FISCAL ITEMS		2019 as Passed NASS	2020 Projection	2021 Projection	2022 Projection
1	Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)		2.30	2.18	2.22	2.36
2	Projected Budget Benchmark Price (US\$ per barrel)		60	55.00	55.00	55.00
3	Average Exchange Rate (N/US\$)		305.0	305.0	305.0	305.0
4	a	Share of Oil Revenue	3,688,282,600,552	2,454,622,673,832	2,621,608,585,633	3,208,961,782,389
5	b	Share of Dividend (NLNG)	39,899,887,640	124,269,200,000	129,393,200,000	80,010,650,000
6	c	Share of Minerals & Mining	1,288,084,234	1,895,673,251	2,085,240,577	2,293,764,634
7	d	Share of Non-Oil	1,409,186,629,523	1,554,957,630,225	1,905,054,548,389	2,053,712,097,122
8		Share of CIT	813,365,752,583	839,306,973,052	1,010,307,251,696	1,071,127,244,901
9		Share of VAT	229,339,263,648	292,573,424,131	353,209,221,120	391,332,182,084
10		Share of Customs	310,866,122,279	368,489,010,085	479,941,696,133	522,054,888,170
11		Share of Federation Acct. Levies	55,615,491,012	54,588,222,958	61,596,379,441	69,197,781,967
12	e	Revenue from GOEs (Top 9 excluding NNPC)	955,361,046,920	990,113,888,722	1,052,742,921,268	1,121,634,631,303



	FISCAL ITEMS		2019 as Passed NASS	2020 Projection	2021 Projection	2022 Projection
13		Top 10 GOEs Operating Surplus (80% of which is captured in Independent Revenue)	(359,831,060,380)	(436,938,846,257)	(478,407,171,079)	(518,453,162,834)
14	f	Independent Revenue	631,079,910,674	849,968,442,768	1,005,867,788,389	1,054,600,551,435
15	g	FGN's Balances in Special Levies Accounts	12,910,083,472	300,000,000,000	400,000,000,000	450,000,000,000
16	h	FGN's Share of Actual Bal. in Special Accts.	8,327,994,472	345,000,000,000	345,000,000,000	345,000,000,000
17	i	Signature Bonus / Renewals / Early Renewals	84,228,494,867	939,300,022,585	228,750,000,000	152,500,000,000
18	j	Domestic Recoveries + Assets + Fines	203,379,585,341	237,012,653,161	270,000,000,000	250,000,000,000
19	k	Earmarked Funds (Proceeds of Oil Assets Ownership Restructuring)	710,000,000,000	-	-	-
20	l	Stamp Duty		200,000,000,000	350,000,000,000	450,000,000,000
21	m	Exchange Rate Differentials (Non-FAAC)		125,479,949,022	75,943,816,393	57,869,550,820

	FISCAL ITEMS		2019 as Passed NASS	2020 Projection	2021 Projection	2022 Projection
22	n	Grants and Donor Funding	209,915,780,857	36,392,600,000	36,392,600,000	36,392,600,000
23	<b>AMOUNT AVAILABLE FOR FGN BUDGET (including GOE's)</b>		<b>7,594,019,036,171</b>	<b>7,722,073,887,310</b>	<b>7,944,431,529,569</b>	<b>8,744,522,464,868</b>
24	<b>TOTAL FEDERAL GOVERNMENT EXPENDITURE</b>		<b>10,068,510,226,161</b>	<b>10,002,285,764,998</b>	<b>10,198,623,174,614</b>	<b>10,507,295,157,584</b>
25	<b>STATUTORY TRANSFER</b>					
26	a	NDDC (15% NDDC States Share of Federation Account)	100,188,921,129	72,454,539,251	81,313,343,753	94,876,207,472
27	b	NEDC (10% of North East States' Share of FAAC)		33,890,082,493	38,033,723,713	44,377,654,335
28	c	National Judicial Council	110,000,000,000	110,000,000,000	110,000,000,000	110,000,000,000
29	d	Universal Basic Education Commission (2% CRF)	112,471,421,836	103,281,266,198	118,865,212,495	134,036,387,838
30	e	Independent National Electoral Commission	45,500,000,000	40,000,000,000	40,000,000,000	40,000,000,000
31	f	National Assembly	128,000,000,000	125,000,000,000	125,000,000,000	125,000,000,000
32	g	Public Complaint Commission	4,398,550,000	4,200,000,000	4,200,000,000	4,200,000,000
33	h	Human Rights Commission	1,500,000,000	2,500,000,000	2,500,000,000	2,500,000,000

	FISCAL ITEMS		2019 as Passed NASS	2020 Projection	2021 Projection	2022 Projection
34	i	Basic Health Care Fund (1% of CRF)		40,166,799,486	45,326,513,531	52,678,948,780
35	<b>Sub-Total (Statutory Transfers)</b>		<b>502,058,892,965</b>	<b>531,492,687,428</b>	<b>565,238,793,491</b>	<b>607,669,198,424</b>
36	of which: Capital Expenditure in Statutory Transfers (%)		51.26%	55.30%	57.65%	60.30%

## M.(ii) An Overview of Some of Federal Government's Projected Fiscal Items in the 2019-2022 Fiscal Year

	FISCAL ITEMS	2019 as Passed NASS	2020 Projection	2021 Projection	2022 Projection
1	Budget Oil Production Volume Net Incremental Oil Production for Repayment Arrears (mbpd)	2.30	2.18	2.22	2.36
2	Projected Budget Benchmark Price (US\$ per barrel)	60	55.00	55.00	55.00
4	Average Exchange Rate (N/US\$)	305.0	305.0	305.0	305.0
5	Main Federation Account	689,205,458,993	821,063,548,726	1,069,401,315,707	1,163,237,511,512
6	Import	603,862,934,414	756,888,892,889	974,224,598,609	1,059,709,372,987
7	Excise	78,632,936,419	62,732,528,739	93,037,914,467	101,201,663,502
8	Fees	6,709,588,160	1,442,127,097	2,138,802,631	2,326,475,023
9	Special levies (Federation Account)	123,302,274,720	121,632,935,676	137,248,440,274	154,185,809,810

	FISCAL ITEMS		2019 as Passed NASS	2020 Projection	2021 Projection	2022 Projection
10	FGN Independent Revenue		631,079,910,674	849,968,442,768	1,005,867,788,389	1,054,600,551,435
11	Total Non-Oil Revenue		4,911,508,023,885	5,885,198,643,241	7,127,650,011,203	7,710,865,646,567
12	Costs and Deductions		2,478,833,042,699	3,269,264,941,548	3,924,894,882,389	4,280,462,536,727
13	FIRS Tax Refunds		25,000,000,000	25,000,000,000	25,000,000,000	25,000,000,000
14	4%	Collection Cost (CIT, Stamp Duties & Capital Gains)	59,484,259,951	72,467,748,800	87,232,317,230	92,483,659,267
15	4%	Collection Cost (VAT & Surcharge on Luxury Items)	68,255,733,229	90,233,599,843	108,372,981,443	120,070,011,685
16	3%	Transfer to North East Development Commission (NEDC) from VAT		64,968,191,887	78,028,546,639	86,450,408,413
17	0.5%	Transfer to Nigerian Police Trust Fund from VAT		10,828,031,981	13,004,757,773	14,408,401,402
18	Value-Added Tax & Luxury Surcharge Net of Cost of Collection, and transfers to NEDC and Police Trust Fund		1,638,137,597,486	2,089,810,172,361	2,522,923,007,997	2,795,229,872,031
19	7%	Cost of Collection (Duty, Excise & Fees)	48,244,382,130	57,474,448,411	74,858,092,100	81,426,625,806
20	7%	Cost of Collection (Spec. Levies – Fed. Acct.)	8,631,159,230	8,514,305,497	9,607,390,819	10,793,006,687

	<b>FISCAL ITEMS</b>	<b>2019 as Passed NASS</b>	<b>2020 Projection</b>	<b>2021 Projection</b>	<b>2022 Projection</b>
21	FGN Independent Revenue	631,079,910,674	849,968,442,768	1,005,867,788,389	1,054,600,551,435
22	Net Non-Oil Revenue after Costs & Deductions	2,432,674,981,185	2,615,933,701,694	3,202,755,128,814	3,430,403,109,840
23	NET FEDERATION ACCOUNT	10,139,455,531,493	7,717,155,933,191	8,660,710,007,646	10,105,294,919,766
24	Transfer to Police Trust Fund (0.5% of Fed. Acct.)		38,585,779,666	43,303,550,038	50,526,474,599
25	NET FEDERATION ACCOUNT (after 0.5% transfer to Police Trust Fund)	10,139,455,531,493	7,678,570,153,525	8,617,406,457,608	10,054,768,445,167
26	Net Oil Revenue after Costs, Deductions & Derivation	7,604,706,392,891	5,061,077,678,005	5,405,378,527,078	6,616,416,046,162
27	Net Solid Minerals Revenue after Derivation	2,655,843,782	3,908,604,642	4,299,465,106	4,729,411,617
28	Net Corporate Tax Distributable	1,677,042,788,831	1,730,529,841,344	2,083,107,735,456	2,208,509,783,301
29	Net Customs Revenue Distributable	640,961,076,864	759,771,154,813	989,570,507,490	1,076,401,831,278
30	Net Special Levies Distributable	114,671,115,490	112,553,037,028	127,002,844,208	142,675,839,107
31	Actual Balances in Special Accounts	17,171,122,624	10,729,837,694	8,047,378,270	6,035,533,703
32	Others	82,247,191,011			

	<b>FISCAL ITEMS</b>	<b>2019 as Passed NASS</b>	<b>2020 Projection</b>	<b>2021 Projection</b>	<b>2022 Projection</b>
33	NET VAT POOL ACCOUNT DISTRIBUTABLE				
34	Net VAT Distributable	1,638,137,597,486	2,089,810,172,361	2,522,923,007,997	2,795,229,872,031

## N. Comparison of the Items and Budget Assumptions presented by the Executive in 2017, 2018, 2019 and 2020

S/N	ITEMS	2017 BUDGET	2018 BUDGET	2019 BUDGET	2020 BUDGET
1.	Proposed Estimates Presented by the Executive	N6.06 Trillion	N8.61 Trillion	N8.82 Trillion	N10.33 Trillion
2	Statutory Transfers	N419.02Billion	N456Billion	N492.36Billion	N 556.7 billion
3	Recurrent Expenditure	N2.98Trillion	N3.494Trillion	N4.04Trillion	N4.88 trillion
4	Debt Service	N1.66Trillion	N2.014Trillion	N2.14Trillion	N2.45 trillion
5	Sinking Fund to Retire Maturing Bonds	N177.46Billion	N220Billion	N120Billion	N296 billion
6	Contributions to the Development Fund for Capital Expenditure for year ending December 31st	N2.06Trillion	N2.43Trillion	Not stated in budget speech	Not stated in budget speech
7	Estimated Total Revenue	N4.94Trillion	N6.607Trillion	N6.97Trillion	N8.155Trillion
8	Bench Oil Price	\$42.5/barrel	\$45/barrel	\$60/barrel	\$57/barrel
9	Oil Production Estimate (mbpd)	2.2mbpd	2.3mbpd	2.3mbpd	1.8mbd
10	Exchange Rate	N305/\$	N305/\$	N305/\$	305/\$
11	GDP	2.18%	3.5%	3.01%	2.93%
12	Inflation Rate	15.6%	12.4%	9.98%	10.81%

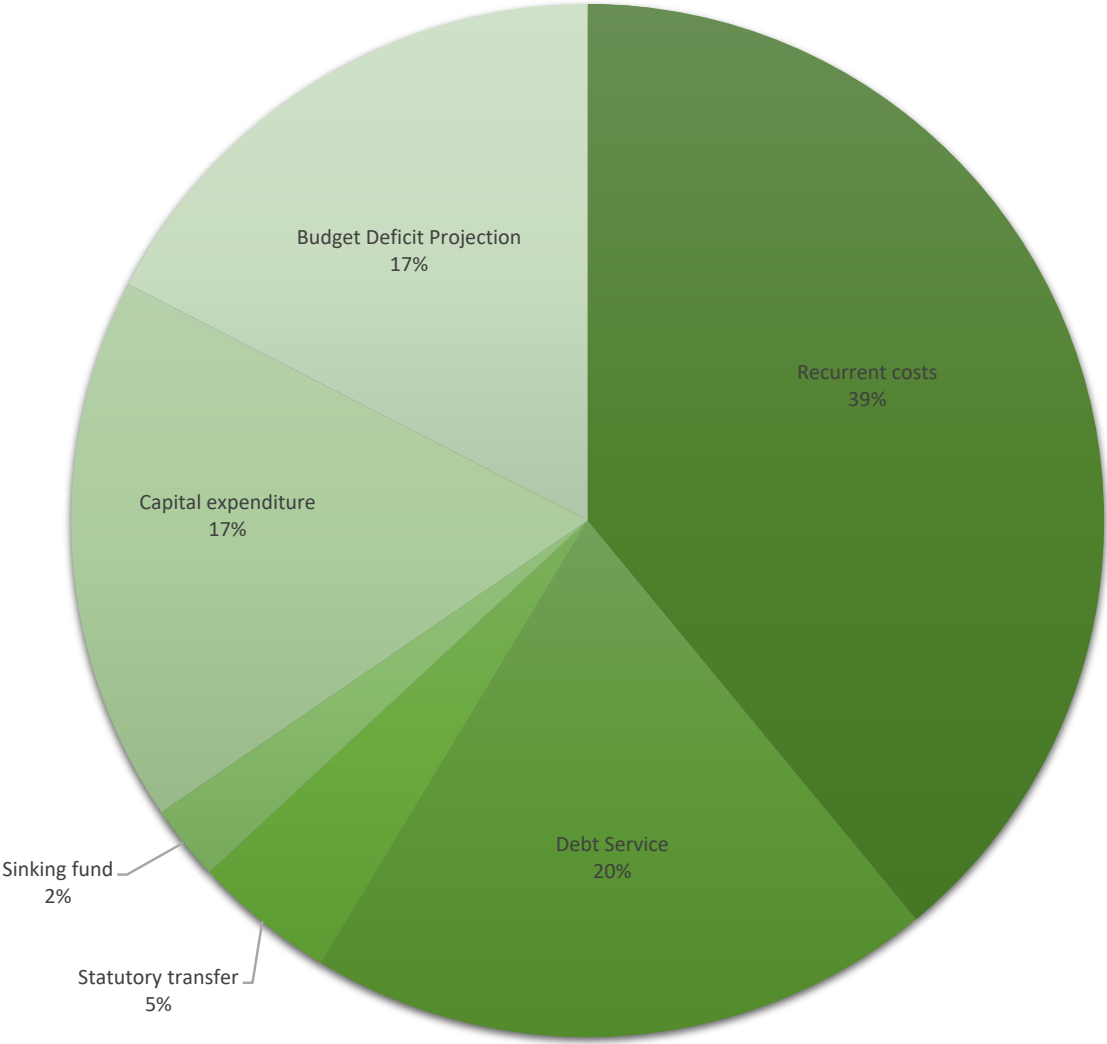
13	Estimated Total Revenue Oil Revenue	N1.85Trillion	N2.442Trillion	N3.73Trillion	2.64 Trillion
14	Non-Oil/Other Revenue	N1.373Trillion	N4.165Trillion	N1.39Trillion	N5.51 Trillion
15	Capital Expenditure	N2.24Trillion	N2.428Trillion	N2.031Trillion	N2.14 Trillion
16	Estimates Approved by the National Assembly	N7.44 Trillion	N9.12 Trillion	N8.92Trillion	Awaiting Approval by the National Assembly



# O . Comparison of Critical Components in the 2018 Budget, 2019 Budget and 2020 Proposed Estimates as Presented by the Executive

(i) In 2020 budget, 10.33 Trillion Aggregate Expenditure comprises of:

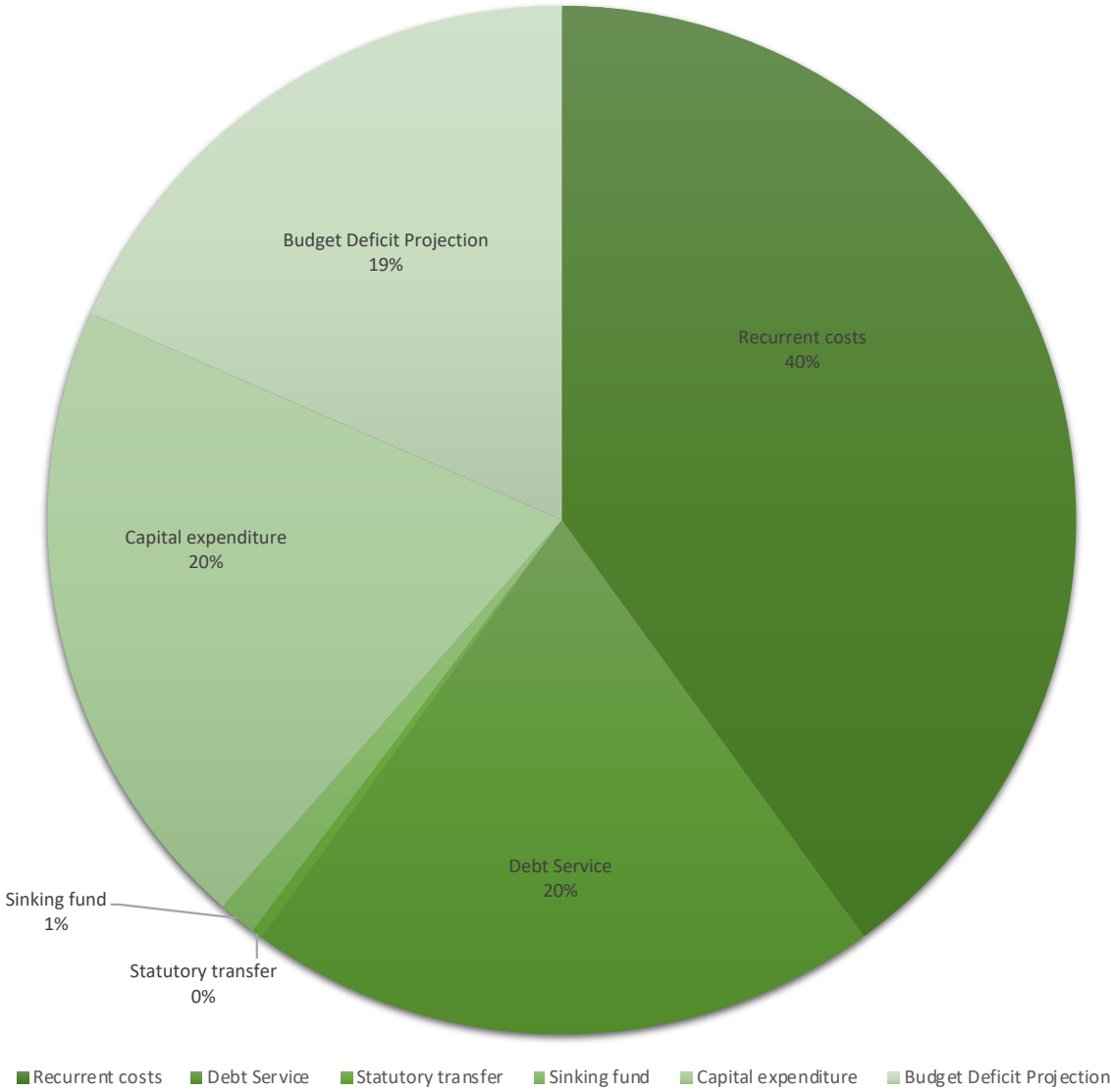
- a. Recurrent costs of N4.88 trillion
- b. Debt Service of N2.45 trillion
- c. Statutory transfer of about N 556.7 billion
- d. Sinking fund of N296 billion
- e. Capital expenditure of N2.14 trillion which capital supplementation but excluding the capital component of statutory transfers
- f. Budget Deficit Projection N2.18 trillion



■ Recurrent costs ■ Debt Service ■ Statutory transfer ■ Sinking fund ■ Capital expenditure ■ Budget Deficit Projection

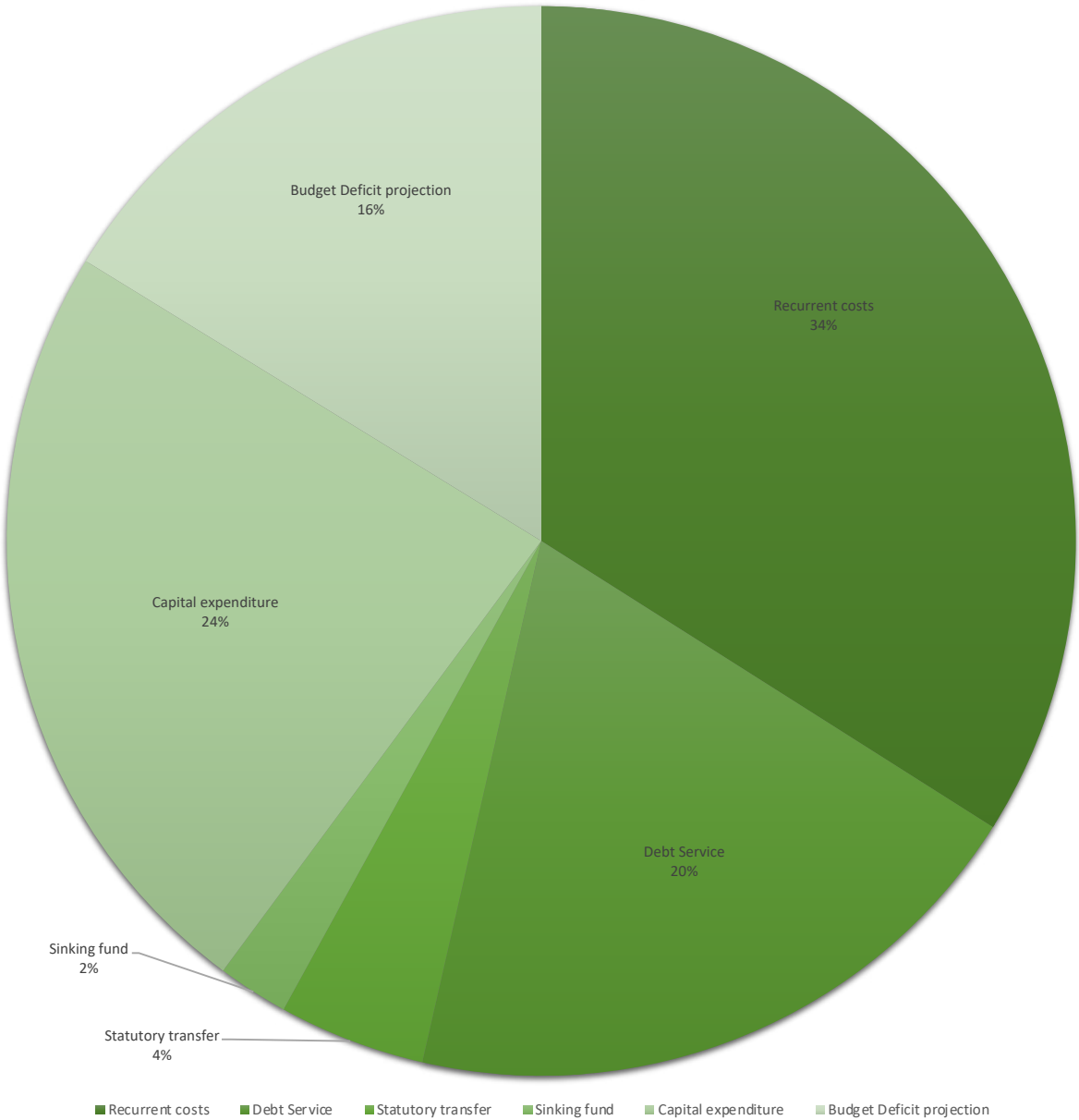
**(ii) In 2019 budget, 8.83 Trillion Aggregate Expenditure comprises of:**

- a. Recurrent costs of N4.04 trillion
- b. Debt Service of N2.01 trillion
- c. Statutory transfer of about N36 billion
- d. Sinking fund of 120 billion
- e. Capital expenditure of N2.031 trillion which capital supplementation but excluding the capital component of statutory transfers
- f. Budget Deficit Projection N1.86 trillion



**(iii) In 2018 budget, 8.612 Trillion Aggregate Expenditure comprises of:**

- a. Recurrent costs of N3.494trillion
- b. Debt Service of N2. 014 trillion
- c. Statutory transfer of about N456 billion
- d. Sinking fund of 220 billion
- e. Capital expenditure of N2.428 trillion which capital supplementation but excluding the capital component of statutory transfers
- f. Budget Deficit projection N1. 669 trillion



**P. Table with Critical Components from the 2018, 2019 and 2020 Budget Estimates presented by the Executive**

	2018	2019	2020
Recurrent costs	N3.493 Trillion	N4.04 Trillion	N4.88 Trillion
Debt Service	N2.014 Trillion	N2.01 Trillion	N2.45 Trillion
Statutory transfer	N456 Billion	N36 Billion	N556.7 Billion
Sinking fund	N220 Billion	N120 Billion	N296 Billion
Capital expenditure	N2.428 Trillion	N2.031 Trillion	N2.14 Trillion
Budget Deficit Projection	N1.669 Trillion	N1.86 Trillion	N2.18 Trillion

**Q. Comparison of Proposed Estimates presented by the Executive in 2017, 2018, 2019 and 2020 with what was eventually passed**

	2017	2018	2019	2020
Proposed Estimates Presented by the Executive	N6.06 Trillion	N8.61 Trillion	N8.82 Trillion	N10.33 Trillion

	2017	2018	2019	2020
Estimates Approved by the National Assembly	N7.44 Trillion	N9.12 Trillion	N8.92 Trillion	Awaiting Approval by the National Assembly

## R. (i) Overview of Nigerian Economy from 2020 Budget Speech

	2017	2018	2019
Annual Growth	0.82%	1.93%	*2.02%
Foreign capital imported into Nigeria	Not stated	* \$12 billion	*\$14 billion

\* Figure for 2019 Annual growth is for the first half of the year

\* Figure for 2018 Foreign Capital is in the first half of the year

\* Figure for 2019 Foreign Capital is in the first half of the year

## R(ii) Nigeria's Foreign Reserves

Nigeria's Foreign Reserves grew from \$23 billion in October 2016 to \$42.5 billion by August 2019

	October 2016	August 2019
Foreign Reserves	23 billion	\$42.5 billion

## S. Observations and Recommendations for the Public Hearing

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- Nigeria's current fiscal position continues to be threatened by its widening fiscal deficit as rightly noted by the Executive's 2020-2022 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy paper (FSP). This has increasingly forced the Federal Government to access the debt markets to meet its obligations and means that less expenditure is available for capital projects to improve the living standard of its citizens. The Federal Government must thus explore alternative means to raise higher revenues to meet its obligations and guarantee the social and economic well being of Nigerians.
- There continues to be a variance between actual collections and projections. While a "conservative" benchmark of 2.18million barrels per day has been adopted as an estimate in the 2020 budget, it is noteworthy that actual crude oil production has averaged 1.92 mbpd over the last three years. This is likely to affect the Federal Government's anticipated revenue projection in the 2020 fiscal year.
- Exchange rate deprecation continues to pose a key risk to Nigeria's fiscal position as Crude oil production and export contribute over 90% of Nigeria's foreign exchange earnings. With the world gradually shifting to sustainable forms of energy, this could have a corresponding impact on Nigeria's revenue and ability to carry out critical infrastructural developments.
- There is need for the National Assembly to pass the National Assembly Budget and Research Office (NABRO) Bill to increase National Assembly's institutional capacity on the budget and other fiscal decisions. National Assembly must also prioritise and expedite passage of the Petroleum Industry Bills and the Deep Offshore Inland Basin Production Sharing Contract (Amendment) Bills that the Executive has promised to forward.
- Despite Federal Government's plans to reduce the intake of personnel, its recurrent expenditure remains high and unsustainable. It will be recalled that the President indicated that N3.6 trillion had been set for personnel and pension costs (an increase of N620.28 billion in comparison with the 2019 fiscal year) and with overhead costs of N426.6 billion in 2020.
- The Federal Government's proposed Finance Bill projects Nominal consumption from Value Added Tax at N122.75 trillion in 2020 from an estimated N119.28 trillion in 2019. However, its ability to meet this figure may be hampered by its very policy to exempt VAT registration to Small and Medium enterprises with less than N25 million in turnover per annum. A majority of Small and Medium Enterprises are likely to fall below this threshold.
- There is need to develop a value for money matrix for public expenditure that satisfies the test of being economically efficient, effective and equitable. This will ensure that scarce resources are utilised optimally.

- The Nigerian economy can be revived through a sustained drive to widen Nigeria's non-oil revenue base, increase power generation, tackle unemployment/under-employment and prudently apply recovered looted funds among others.

## **T. Conclusion**

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Prior to the presentation of the 2020 budget in October, late budget presentation and passage had become an inherent feature of Nigeria's Appropriation process. However, with the President delivering on early budget presentation in the 2020 fiscal budget, the National Assembly is expected to expedite passage on the Bill at its reconvening of plenary after budget defence. In addition to this, further steps can be taken to institutionalise early budget presentation and passage such as by revisiting some of the 4th Constitution Alteration Bills that were vetoed by President Buhari in the 8th Assembly despite seeking to encourage early budget presentation and passage of the budget at Federal and State levels.



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## **About PLAC**

Policy and Legal Advocacy Centre (PLAC) is a non-governmental organization committed to strengthening democratic governance and citizens' participation in Nigeria. PLAC works to enhance citizens' engagement with state institutions, and to promote transparency and accountability in policy and decision-making processes. The main focus of PLAC's intervention in the democratic governance process is on building the capacity of the legislature and reforming the electoral process. Since its establishment, PLAC has grown into a leading institution with capacity to deliver cutting-edge research, policy analysis and advocacy. PLAC receives funding support from donors and other philanthropic sources.

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