

ENHANCING UNDERSTANDING OF CURRENT BUDGET ISSUES AND BUDGET REFORM EFFORTS



THE FGN's 2018 BUDGET PROPOSAL AND OPEN BUDGET
COMMITMENT

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Outline

- 1.0 Introduction
- 2.0 The 2018 Budget Proposal
 - 3.1 Realism of Budget Assumptions
 - 3.2 Revenue Projections
 - 3.3 Expenditure Proposals
 - 3.4 Financing the Deficit
- 3.0 Some Issues Raised on the Proposed 2018 Budget
- 4.0 Main Budget Reform Initiatives
 - 4.1 Reforms to Improve Revenue Collections
 - 4.2 Reforms to Reduce Expenditure
 - 4.3 Budget Process Reforms
 - 4.4 FGN Open Budget Commitment
- 5.0 Way Forward and Concluding Remarks



Introduction

- ❑ Mr. President presented the FGN 2018 Budget to the National Assembly on November 7, 2017.
- ❑ The proposed budget encapsulates the fiscal plan to restore the economy to diversified, sustainable and inclusive growth path.
- ❑ The Budget is proposed to build on the recovery from recession spur growth, and advance delivery of 2017-2020 Economic Recovery and Growth Plan (ERGP) goals.
- ❑ The proposal reflects many of the reforms and initiatives in the ERGP, the roadmap to economic prosperity.
- ❑ Different analysts have raised issues on the proposed FGN 2018 Budget.
- ❑ This dialogue session provides opportunity to clarify the issues raised and inform the public on government budget reforms.



2018 Budget Proposal - Realism of Assumptions

Parameter	2018	
	Estimate	Actual
Oil Production (mbpd)	2.3	2.3
Oil Price (US\$ per barrel)	45	69.36
Exchange Rate (N per US\$)	305	305.7
Inflation	12.42	15.37
GDP Growth (%)	3.5	1.4*

- ✓ *GDP growth @ Q3 2017, latest available data.
- ✓ Oil price is higher than proposed benchmark price by 54.1%; NASS passed an oil price benchmark of \$47/b.
- ✓ Inflation trending downwards towards target for the eleventh consecutive period.

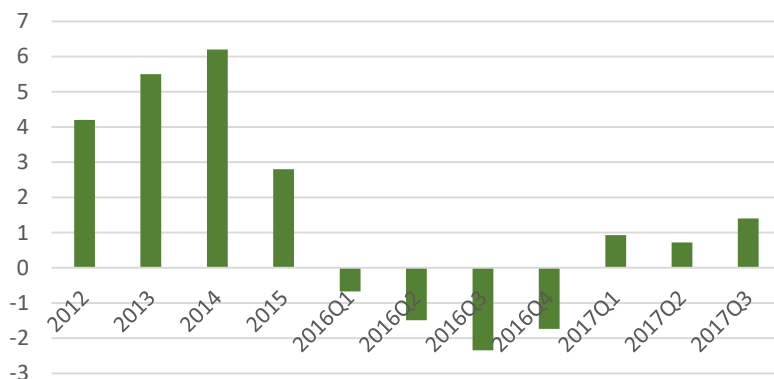


2018 Budget Proposal - Realism of Assumptions

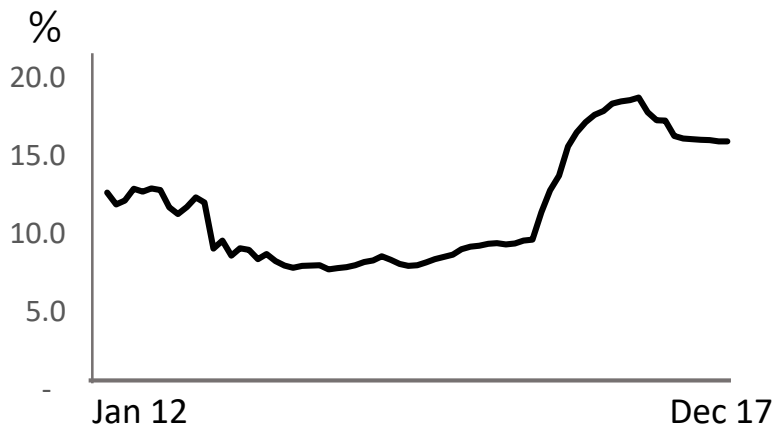
Trend in key economic indicators underscore the realism of 2018 Budget assumptions

GDP growth slowed but is rebounding

Annual growth rate, %

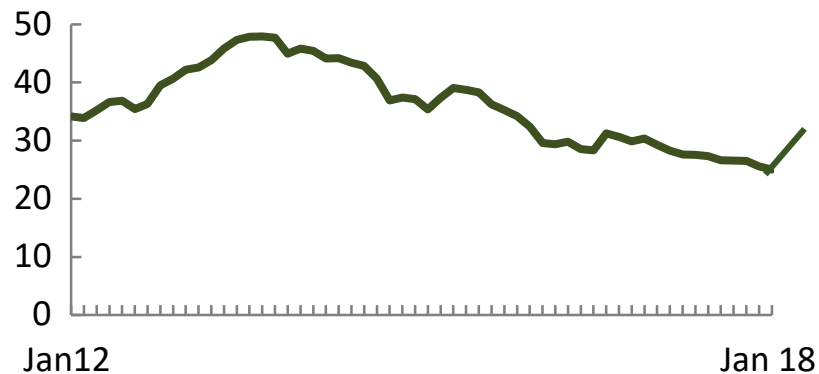


Inflation is gradually declining



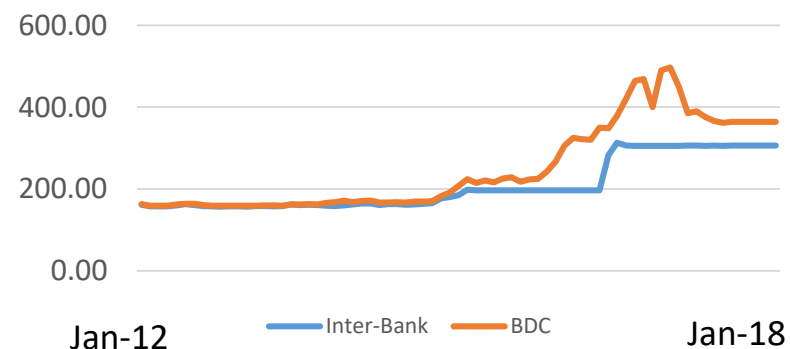
Gross international reserves is growing

USD Billion



Exchange rates gap is narrowing

Naira/USD





2018 Budget Revenue Projections

- Where the Money is coming from

An Overview of the Revenue Framework

FISCAL ITEMS		2017 Approved Budget	2018 Budget Proposal	Variance	
Oil Production Volume (Mill Barrels per day)		2.20	2.30	0.10	
Projected Budget Benchmark Price (US\$ per barrel)		44.5	45.0	0.50	
Average Exchange Rate (N/US\$)		305	305.0	-	
		N' Billion	N' Billion	N' Billion	%
AMOUNT AVAILABLE FOR FGN BUDGET		5,084.40	6,606.89	1,522.49	30%
a	Share of Oil Revenue	2,122.18	2,441.56	319.39	15%
b	Share of Dividend (NLNG)	29.59	29.92	0.33	1%
c	Share of Minerals & Mining	1.06	1.17	0.11	10%
d	Share of Non-Oil	1,373.21	1,385.28	12.07	1%
	<i>Share of CIT</i>	807.82	794.69	(13.14)	-2%
	<i>Share of VAT</i>	241.92	207.86	(34.06)	-14%
	<i>Share of Customs</i>	277.56	324.86	47.30	17%
	<i>Share of Federation Acct. Levies</i>	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	9.30	2.65	40%
g	FGN's Balances in Special Levies Accounts	14.79	17.21	2.42	16%
h	FGN's Unspent Bal. of previous Fiscal Year	50.00	250.00	200.00	400%
i	FGN's Share of Tax Amnesty Income	-	87.84	87.84	
j	FGN's Share of Signature Bonus	114.30	114.30	-	0%
k	Recovery from Swiss. (US\$320 Mill)	97.60	-	(97.60)	-100%
l	Domestic Recoveries + Assets + Fines	261.90	374.00	112.10	43%
m	Other FGN Recoveries	205.56	138.44	(67.13)	-33%
n	Earmarked Funds (Proceeds of Oil Assets Ownership Restructuring)	-	710.00	710.00	
o	Grants and Donor Funding	-	199.92	199.92	



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

Highlights

- Distribution of expected FGN revenue are as follows:

- Oil Revenue – 37%
- CIT – 12%
- VAT – 3.1%
- Customs – 4.9%
- Independent Revenue – 12.8%
- Recoveries – 7.8%
- Tax Amnesty – 1.3%
- Signature Bonus – 1.7%
- JV Equity Restructuring – 10.7%
- Grants & Donor Funding – 3%
- Others - 5.5%

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



2018 Budget Expenditure Proposals – Where the Money is going?

An Overview of the Expenditure Framework

FISCAL ITEMS	2017	2018	Variance	
	Approved Budget	Budget Proposal	N' Billion	%
FGN Expenditure	7,441	8,612	1,171	16%
Statutory Transfers	434	456	22	5%
Debt Service	1,664	2,014	350	21%
Sinking Fund to retire maturing bond to Local Contractors	177	220	43	24%
Recurrent (Non-Debt) Expenditure	2,991	3,494	503	17%
Capital Expenditure (Inclusive of Transfers)	2,361	2,652	291	12%
Fiscal Deficit	(2,356)	(2,005)	351	-15%
GDP	107,958	113,089	5,131	5%
DEFICIT/GDP	(2.18%)	(1.77%)	0.41%	-19%
Capital Expenditure as % of Non-Debt Expenditure	42.17%	41.58%		
Capital Expenditure as % of total FGN Expenditure	31.73%	30.80%		
Recurrent Expenditure as % of total FGN Expenditure	68.27%	69.20%		
Debt Service to Revenue Ratio	32.73%	30.48%		
Deficit as % of total FGN Revenue	46.34%	30.35%		

Highlights

- 2018 FGN spending estimated at N8.61 trillion, exceeding FY2017 projection by 16%.
- At N2.01 trillion, debt service is 23% of planned spending (about same as in FY2017).
- Provision to retire maturing bond to local contractors increased by 24% from N177 billion in FY2017 to N220 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 N3.49 trillion.
- Capital expenditure (including transfers) higher by 12% from N2.36 trillion in FY2017 to N2.65 trillion.
- Capital spending is 30.8% of total FGN expenditure in 2018.



Financing the Deficit

An Overview of other Financing Items (N' billions)

FISCAL ITEMS	2017	2018	Variance		
	Approved Budget	Budget Proposal	N' Billion	%	
FGN Revenue	5,084	6,607	1,522	30%	
FGN Expenditure	7,441	8,612	1,171	16%	
Fiscal Deficit	(2,356)	(2,005)	351	-15%	
Deficit/GDP	(2.18%)	(1.77%)	0.41%	-19%	
ADDITIONAL FINANCING					
a	Sales of Government Property	25	5	(20)	-80%
b	Privatization Proceeds	10	306	296	2960%
c	New Borrowings	2,322	1,699	(622)	-27%
	<i>Domestic Borrowing</i>	1,254	850	(405)	-32%
	<i>Foreign Borrowing</i>	1,068	849	(219)	-20%

Highlights

- Overall budget deficit of N2.005 trillion in 2018 represents 1.77% of GDP.
- Projected deficit within threshold stipulated in the Fiscal Responsibility Act (FRA) 2007.
- Budget deficit is to be financed mainly by borrowing N1.699 trillion.
 - Domestic sources – N850 billion
 - Foreign sources – N849 billion
- Privatization proceeds - N306 billion
- Sale of other government property - N5 billion



Some Issues Raised on the 2018 Budget

2018-2020 Medium Term Fiscal Framework and 2018 Budget

- ❑ The proposed 2018 Budget was prepared based on the 2018-2020 MTFF, as required by the FRA 2007
- ❑ The law does not require enactment of the MTEF/FSP upon consideration by the National Assembly.
- ❑ Clearly, the 2018 Appropriation Act will be based on the 2018-2020 MTFF parameters approved by the National Assembly.

Zero Based Budget

- ❑ The 2018 Budget proposal was prepared using Zero Based Budget (ZBB) Principles. Hence, MDAs justified their budgets in detail.
- ❑ ZBB does not obviate need for annually recurring expenditure items and amounts.
- ❑ Public evaluation however welcome as it ensures that the budget speaks to what the people collectively deem as national priorities.



Some Issues Raised on the 2018 Budget

Budget Padding

- ❑ Budget padding, defined as insertion of unauthorized items in the budget, cannot arise because MDAs now take direct responsibility for uploading their budgets on the GIFMIS
- ❑ MDAs' Accounting Officers and Chief Executives also signed off to confirm the budget proposals before submission to the National Assembly.
- ❑ BOF only ensures that the projects speak to national developmental goals.
- ❑ If there are issues, the MDAs concerned are informed and made aware of any amendment.



Some Issues Raised on the 2018 Budget ../1

Suspicious /Wasteful Provisions

- Issues were raised on some provisions in the budget, including:
 - Provisions to offset part of contractor liabilities – e.g. N10bn by the Federal Ministry of Power, Works and Housing for settlement of liabilities.
 - ✓ Clearly, the Government has to make provisions to offset some of these contractor liabilities going back several years.
 - N19.3bn by the Federal Ministry of Industry, Trade & Investment for the Export Expansion Grant (EEG) to incentivize non-oil exports.
 - ✓ This grant was reintroduced in 2017 and will be recurrent annually; Amount may probably increase in future years



Some Issues Raised on the 2018 Budget ../2

Suspicious' /Wasteful Provisions'

- N308 million for procurement of riot control equipment for 37 State Police Commands (FCT inclusive) and the Force Headquarters.
- ✓ This amount is less than N10 million per State police headquarter.
- N22.6 billion for Research and Development(R&D) in the Federal Ministry of Industry, Trade and Investment. R&D is the applicable programme description which encompasses various projects involving trade facilitation, investment promotion and industrial development, including the N19.3bn EEG.



Some Issues Raised on the 2018 Budget ../3

Suspicious' /Wasteful Provisions'

- Cleaning & Fumigation Services ONSA
- ✓ It is acknowledged world over that matters of National Security are treated with some degree of confidentiality. ONSA code named a security programme as Cleaning & Fumigation. However, ONSA provided specifics during the budget bilateral discussions
- N2.21 billion for Social Media Mining Suite
- ✓ The DSS plans to implement some security protocol to curtail spread of information capable of threatening National Security. This will by no means hinder freedom of speech or information as it would be implemented within the ambit of the law.



Some Issues Raised on the 2018 Budget ../4

Suspicious' /Wasteful Provisions'

- 338m Computer & Software acquisition Federal Ministry of Finance
- ✓ This is to fund ICT solutions & Initiatives for improving Public Financial Management within the Federal Minsitry of Finance.
- N4.9 billion for Annual Maintenance of Mechanical/Electrical Equipment in the Villa
- ✓ It is important to note that the Villa is quite an expansive complex comprising several offices, residences and other relevant support facilities.



Some Issues Raised on the 2018 Budget ../5

Unclear Items

- MDAs were required to clearly describe their budget items.
- There is significant improvement in the clarity of budget items.
- Schedule Officers in Budget Office will work with Budget Officers in MDAs to ensure greater clarity of items proposed by MDAs in subsequent budgets for easier tracking and monitoring.

Inadequate Provisions for Some Sectors

- Many have advocated for higher allocations to sectors such as Health, Education, Agriculture, etc.
- The reality is that funds are inadequate overall; proponents do not identify areas to be cut to provide higher allocations to such sectors.
- It is important to note that MDAs deemed to require additional funds do return unutilized capital allocation due to poor absorptive and execution capacity or procurement issues.



Main Budget Reform Initiatives

Reforms to Improve Revenue Collections

- ❑ The 2018 revenue projections reflect:
 - ❑ 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.
 - ❑ Forward sale arrangements of government's share of future oil production, as well as NLNG dividends to improve liquidity and external position.
 - ❑ Review of the fiscal regime for Oil Production Sharing Contracts (PSCs)



Main Budget Reform Initiatives

Reforms to Improve Revenue Collections .../2

- ❑ Restructuring government's equity in JV oil assets, (reduction in equity holding) 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



Main Budget Reform Initiatives

Reforms to Reduce Expenditure

- ❑ Linking IPPIS to Human Resources management systems and bank verification numbers (BVNs) to clean the civil service payroll.
- ❑ The target is to enroll all MDAs including the military and other security agencies.
- ❑ Limiting travel frequency, sitting allowances, printing and publication expenditures, etc.
- ❑ Introduction of allowable expenses guidelines and templates to control expenses of Government-owned enterprises.
- ❑ Developing and implementing a collective demand process for MDAs to take advantage of the benefits of group purchasing;
- ❑ Optimizing overheads by sharing services across MDAs and maximizing the use of Federal Government buildings.



Main Budget Reform Initiatives

Budget Process Reforms

THE NATION
Truth in Defence of Freedom

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FG returns Nigeria to January/December fiscal year

Posted By: [Agency Reporter](#) On: June 13, 2017 In: [Featured](#), [News Update](#)

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In addition to adoption of technology in budget preparation and monitoring, efforts are being made to return to predictable January–December fiscal year and signing of FGN budget into law before commencement of fiscal year.



Main Budget Reform Initiatives

FGN Open Government Commitment

❑ Nigeria joined the Open Government Partnership (OGP) in 2016 as the 70th Member.

❑ OGP is an international multi-stakeholder initiative, focused on improvement in four (4) Thematic Areas:

1. Fiscal Transparency

3. Access to Information

2. Anti-Corruption

4. Citizen Engagement & Participation

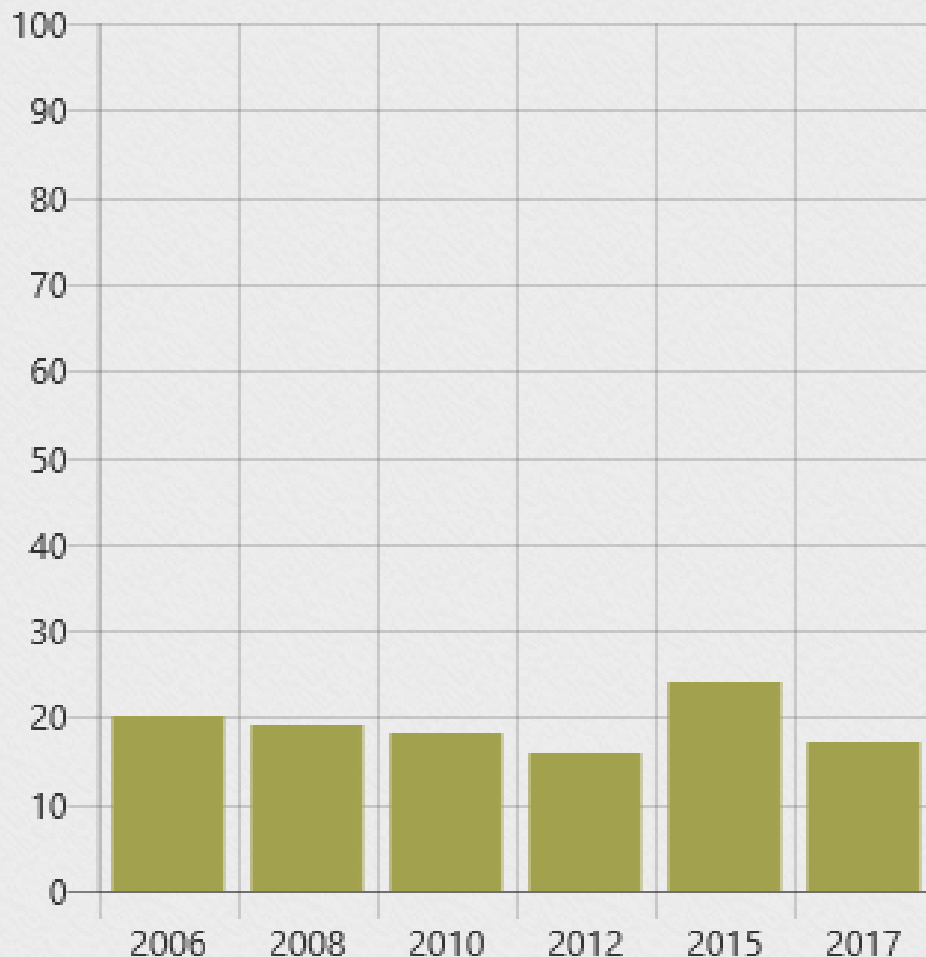
OPEN BUDGET SURVEY 2017





NIGERIA OBS 2017

HOW HAS THE OPEN BUDGET INDEX SCORE CHANGED OVER TIME?



- Nigeria is rated as providing the public with **scant** budget information overtime.
- Current efforts aimed at enhancing transparency would significantly improve Nigeria's ranking.

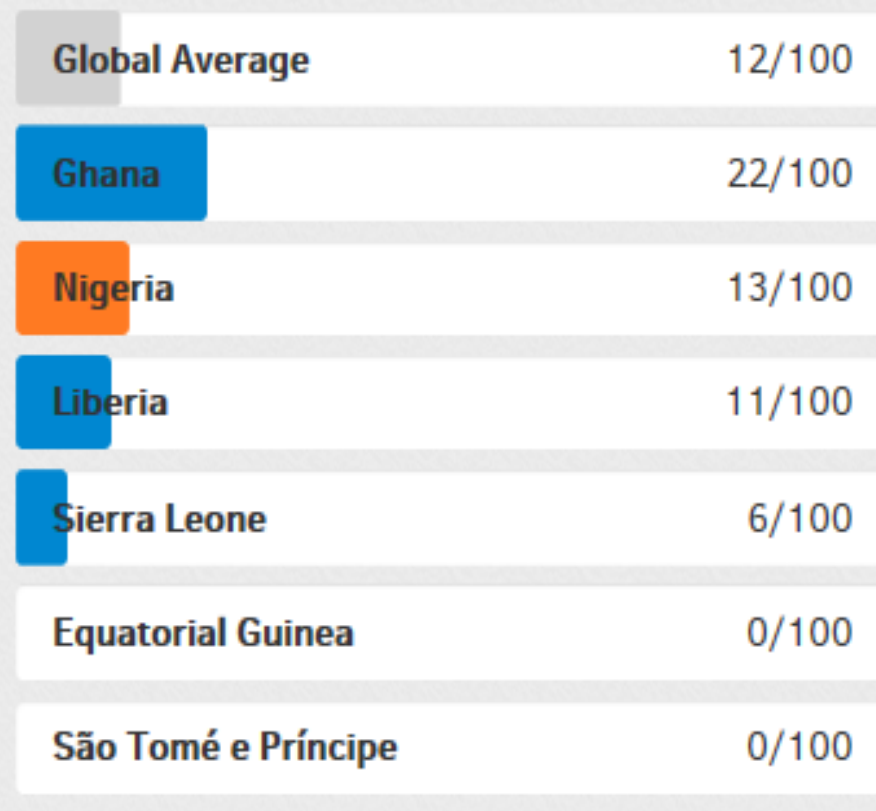
Source: IBP, OBS 2017



NIGERIA OBS 2017

Nigeria performed better than the global average in terms of citizen participation in the budget process, and compares favourably with many other countries in Africa.

HOW DOES PUBLIC PARTICIPATION COMPARE TO OTHER COUNTRIES IN THE REGION?



Source: IBP, OBS 2017

FGN OPEN BUDGET COMMITMENT





KEY OPEN BUDGET MILESTONES (NAP)

Specific Activities/Milestones	Start Date	End Date
1 The Ministry of Budget and National Planning will hold two public forums to get citizens' input into the pre-budget statements using the draft MTSS and MTEF document as tools/background documents in these forums.	April 2017	April 2018
2 Publish MDA budgets and quarterly and annual budget implementation reports on their websites in both human and machine-readable formats.	January 2017	February 2018
3 Conduct Needs Assessment whose Reports would accompany budgets in selected sectors including Health, Education etc.	January 2017	March 2018
4 Annually publish a comprehensive citizen's guide to the budget.	January 2017	December 2018
5 Adopt simple technology-based feedback mechanism for projects at community level for project monitoring by government and CSOs	February 2017	June 2019
6 Conduct annual citizens' satisfaction survey	January 2017	January 2018
7 Publish timely all key budget documents to facilitate citizens' participation according to the Fiscal Responsibility Act.	April 2017	April 2018
8 Advocate for public hearings organized by the National Assembly on the budget	January 2017	June 2019
9 Mobilize CSO and citizen participation in budget hearing	July 2017	June 2019
Source of Funding:	Federal Government and Donor Agencies	



STATUS OF BUDGET DOCUMENTS

KEY BUDGET DOCUMENTS

	PRE BUDGET STATEMENT (PBS) – MTEF	EXECUTIVE BUDGET PROPOSAL (EBP)	ENACTED BUDGET (EB)	BUDGET IMPLEMENTATION REPORT (BIR)	YEAR END REPORT (YER)
KEY QUESTIONS?	<ul style="list-style-type: none"> • Currently Produced? • Published on website? 	<ul style="list-style-type: none"> • Currently Produced? • Published on website? 	<ul style="list-style-type: none"> • Currently Produced? • Published on website? 	<ul style="list-style-type: none"> • Currently Produced? • Published on website? 	<ul style="list-style-type: none"> • Currently Produced? • Published on website?
TIMELINESS / CITIZENS ENGAGEMENT	<ul style="list-style-type: none"> • Consultative sessions held before transmission to KDHA ? • Submitted timely?. ⚠ 	<ul style="list-style-type: none"> • Public Presentation of the Budget (as proposed)? • Submitted timely?⚠ 	<ul style="list-style-type: none"> • Public Presentation of the Enacted Budget? • Citizens Guide to the Budget? • Timely? 	<ul style="list-style-type: none"> • Submitted timely?. ⚠ 	<ul style="list-style-type: none"> • Submitted timely?. ⚠



STATUS OF BUDGET DOCUMENTS../2

KEY BUDGET DOCUMENTS

	MID YEAR REPORT (MYR)	AUDIT REPORT (AR)	CITIZENS BUDGET (CB)
STATUS	<ul style="list-style-type: none"> • Currently Produced? ⚠ • Published on website? ⚠ 	<ul style="list-style-type: none"> • Currently Produced? • Published on website? ⚠ 	<ul style="list-style-type: none"> • Currently Produced? • Published on website?
TIMELINESS / CITIZENS ENGAGEMENT	<ul style="list-style-type: none"> • Submitted timely?. ⚠ 	<ul style="list-style-type: none"> • Public Presentation of Budget audit report? ⚠ • Submitted timely? ⚠ 	<ul style="list-style-type: none"> • Public Presentation of the Citizens' Budget? • Published Timely?



CITIZENS ENGAGEMENT - CITIZENS PORTAL

CITIZEN'S PORTAL



- To **institutionalize the mechanism** for **Citizens' feedback** on ongoing projects via the i-monitor functionality

- To provide **Simplified budget information to the citizens** using pictorial, infographics and other **Summaries** in basic terminologies

- To **improve the budget participation experience** of Citizens in the budget process – Pre-budget statement (MTEF/FSP), Executive proposal, Enacted budget (Appropriation Act) and Budget Monitoring.

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WE ARE PAYING ATTENTION



BUDGET OFFICE OF THE FEDERATION
FEDERAL REPUBLIC OF NIGERIA

2017 Website Review



MOST VISITED PAGES

1. About us **15,482**hits
2. Fiscal Policy Dept. **4,480**hits
3. Revenue Dept. **4,258**hits



MOST DOWNLOADED DOCUMENTS

1. 2018 Budget Proposal **7,276**times
2. 2017 Budget Proposal **6,592**times
3. 2017 Approved Budget **4,114**times



1,275,583. Total Number of Visitors in 2017



1. Average daily visitors **5,000*** (*Weekdays only)
2. November 2017. **177,020** Visitors (Month with highest Visitors)
2. August 2017. **74,526** Visitors (2nd Highest)



Way Forward and Concluding Remarks

- ❑ Clearly, every aspect of the budget process require improvement. Immediate reforms required include:
 - Timely and accurate reporting of budget performance.
 - More effective monitoring of project implementation.
 - Evaluation of the impact of capital projects.
 - Timely preparation and publication of budget documents.
- ❑ Comprehensive budget process improvements need to be codified into an organic budget law.
- ❑ The 1999 Constitution (as amended) and relevant laws need to be amended for this to be possible.



Way Forward and Concluding Remarks ../2

- ❑ It is imperative that comprehensive budget information be widely available to the general public. We will continue to improve efforts to make this happen.

- ❑ As stated previously, access to budget information is a precondition for citizens to:
 - understand how the government is using its entrusted powers to tax, borrow, and spend public resources;
 - Become involved in informed public debate during the budget process; and
 - Hold the government properly to account.

- ❑ Fiscal Transparency allows for better informed debate by both policymakers & the public about the design and results of fiscal policy, and establishes accountability for its implementation.



Way Forward and Concluding Remarks ../3

- Budget Office is committed to sustaining current budget reforms, including efforts to institutionalize and enhance budget transparency.
- We are committed to publishing more Budget information by increasing the number and comprehensiveness of published documents.
- We will enhance public participation and social audit in budget formulation, implementation and monitoring.

END

THANK
YOU !